



4 TAX BASE ANALYSIS

This chapter examines tax base strength and diversity in two ways: tax base per household and the distribution of Residential and Non-Residential sources of tax revenue within the community. Tax base, as used in this report, is defined as the total County Equalized Value (CEV), which represents one half of the true cash value of taxable real and personal property.

SUMMARY

The following summarizes the major issues identified from the tax base analysis for the Village of Bingham Farms:

1. Among the communities included in this analysis, the Village of Bingham Farms has the lowest total assessed value. This is not surprising given its small physical size.
2. Compared with the other communities, Bingham Farms ranks very highly in terms of non-residential CEV per household and ranks highly in residential CEV per household.
3. The higher ratio of CEV per household for Bingham Farms may be due in part to the small number of housing units within the Village compared with similar communities.

4. Although it ranks eighth out of ten in number of households among the other villages in Oakland County, the Village of Bingham Farms ranks fourth out of ten in total CEV among villages.

In order to maintain and improve the current tax base composition, the Village should consider the following areas as part of its overall evaluation of growth trends:

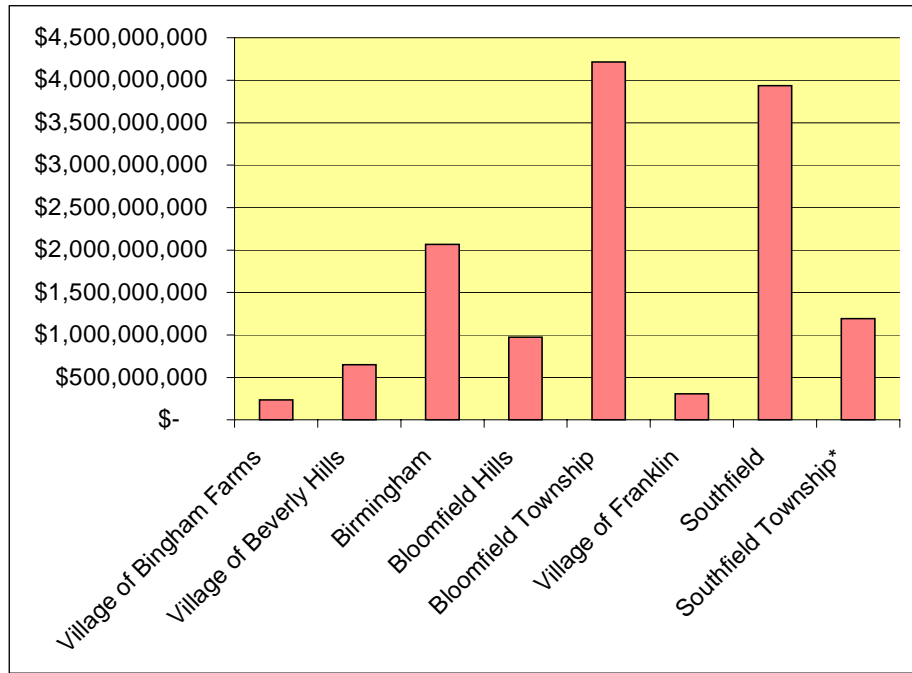
- The Village's current tax base is strong and should be maintained. For future nonresidential development, the Village should continue to encourage office uses, placing an emphasis on high-tech office and research and development.
- Since most of the land in Bingham Farms is already developed, economic development efforts should be concentrated on retaining high-value uses and attracting new ones to existing office space.
- While the Village should encourage office-type uses that make a positive contribution to its tax base, it must also keep in mind uses that contribute to the service needs of the Village's residents, such as doctors, dentists, insurance, and other professional and personal services.

OVERALL TAXABLE VALUE

As shown in Figure 1 below, Bingham Farms ranks last in terms of total CEV compared with the other communities in the study area. The highest-ranking community is Bloomfield Township. Please note that Southfield Township includes the Villages of Bingham Farms, Beverly Hills, and Franklin.

Figure 1
Total CEV, 2002

Source: Oakland County Equalization Department



*Includes Villages of Beverly Hills, Bingham Farms, and Franklin

Figure 2
**Total CEV of Oakland County Villages, 2002
 Ranked In Order of Number of Households**

Source: Oakland County Equalization Department

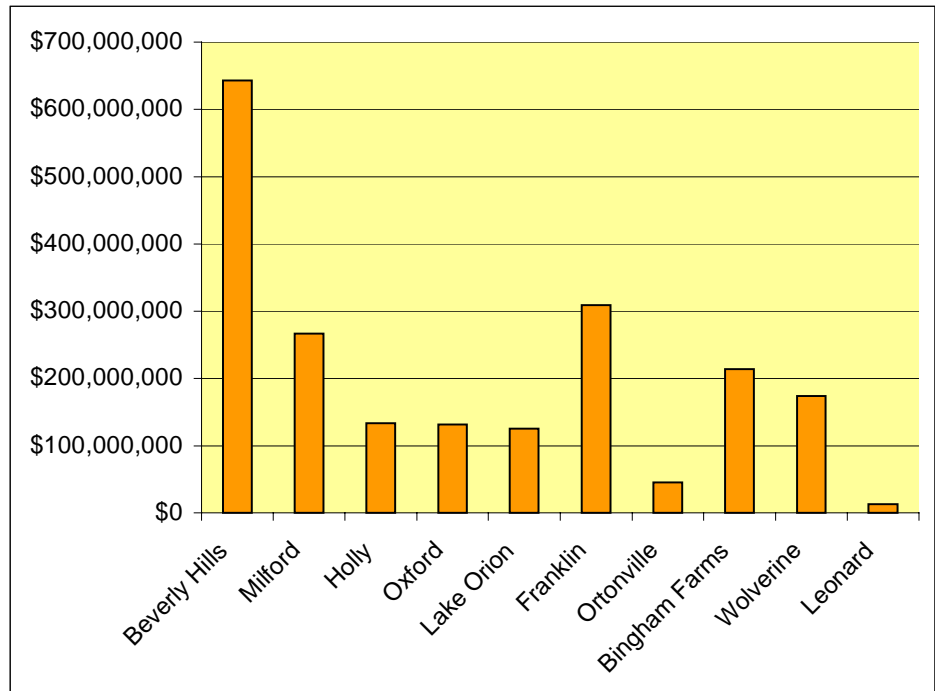


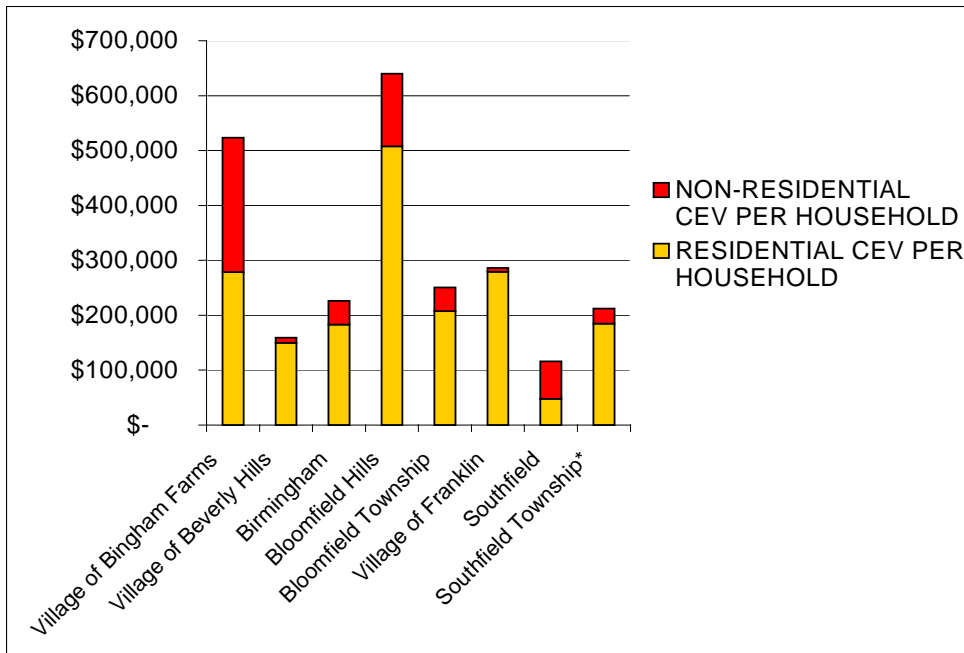
Figure 2 shows the total CEV of all villages in Oakland County, listed in order of number of households. Beverly Hills has the highest total CEV but also the greatest number of households. Bingham Farms has the eighth-highest number of households, but the fourth-highest total CEV.

TAXABLE VALUE PER HOUSEHOLD

For communities as small as Bingham Farms, it may be more useful to look at CEV per household than at CEV overall when evaluating the strength of the community's tax base. In 2002, Oakland County had an average CEV per household of \$111,305. As shown in Figure 3, Bingham Farms' average CEV per household of \$523,512 far exceeds this average and ranks 2nd among the nearby Oakland County communities included in this study. Bloomfield Hills has the highest CEV per household with \$640,325, and the City of Southfield has the lowest CEV per household with \$115,827.

Figure 3
Total CEV Per Household, 2002

Source: Oakland County Equalization Department; 2000 US Census

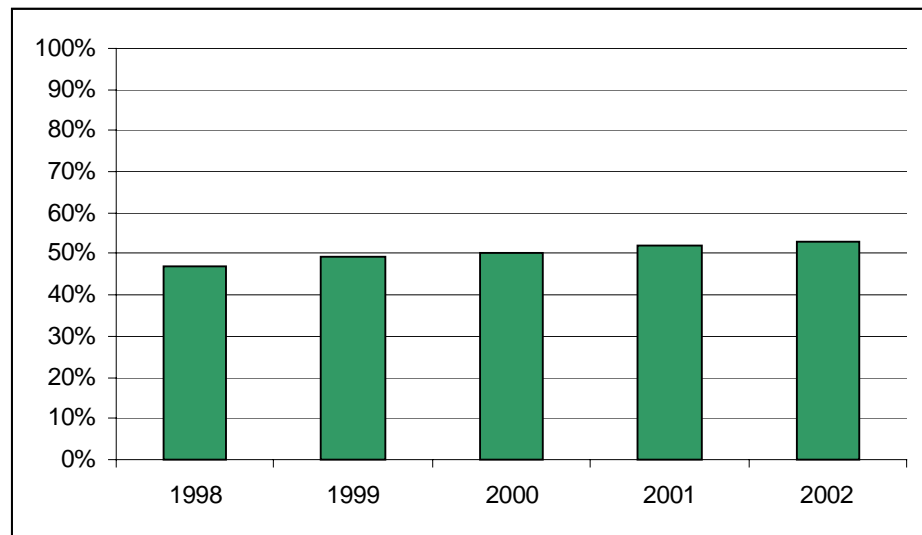


*Includes Villages of Beverly Hills, Bingham Farms, and Franklin

It is also important to examine the composition of the tax base. This chapter examines two main categories of real and personal property, residential and non-residential. Figure 3 demonstrates that Bingham Farms has the most balanced assessed value between residential and non-residential uses of any community in the study area. Except for the City of Southfield, all other communities in the study area have the great majority of their value in residential uses.

Figure 4
**Village of Bingham Farms Residential Tax Base
As A Percentage of Total Tax Base, 1998-2002**

Source: Oakland County Equalization Department



As shown in Figure 4, Bingham Farms' residential tax base, as a percent of total CEV, is slowly increasing. In 1998 Residential CEV accounted for 47% of total CEV; in 2002 it accounted for 53%. There are two possible reasons for this slight shift. Housing values in the Village of Bingham Farms may be increasing significantly, aided by new construction of some very expensive homes. Alternately, commercial property values may be decreasing, perhaps losing ground to newer development elsewhere in the County. In examining the CEV for Residential and Non-Residential uses over the last five years, it seems that office values are increasing steadily, but residential values are increasing dramatically. Therefore, the change in balance between Residential and Non-Residential CEV is not fueled by any loss in commercial property values.

Even though the balance has shifted slightly in favor of Residential uses, it is important to refer back to Figure 3, which indicates tax revenue sources that are much more balanced than those of similar communities. Factors affecting this outcome include fewer households compared with other communities and a higher taxable value as a result of office uses along Telegraph Road.

TAX RATE COMPARISON

As shown in Table 1, tax rates vary widely across Oakland County Communities. Large, older cities with high infrastructure costs tend to have higher tax rates than townships, which provide fewer services to residents, although this is not universally true. Village residents pay their own village taxes as well as taxes for the Township in which the village is located. The Village of Bingham Farms has the second-lowest tax rate of the study area communities (excluding Southfield Township) of 7.95 mills. The City of Bloomfield Hills' rate of 7.55 is slightly lower. All other villages, townships, and cities in the study area have higher rates.

The differences in individual community tax rates are mitigated or reversed in some cases by school tax rates. The Village of Bingham Farms has an average total tax rate for a homestead property of 40.95 mills. This is just slightly above the average among the communities in the study area, whose tax rates are displayed in Table 1 below. The average tax rate for Bingham Farms was calculated by averaging total rates for homesteads in both school districts represented in the Village. In Bingham Farms, homesteads in the Birmingham School District pay 35.38 mills in taxes, and those in the Southfield School District pay 46.53 mills. The City of Southfield has both the highest community tax rate and the highest overall tax rate. As mentioned above, the City of Bloomfield Hills has the lowest community tax rate, and it also has the lowest overall tax rate.

Table1
Total Certified Local Tax Rates, 2001
Selected Oakland County Communities

Source: Oakland County Equalization Department

COMMUNITY	CITY/VILLAGE/ TOWNSHIP TAX RATE (IN MILLS)*	HOMESTEAD TOTAL TAX RATE (IN MILLS)
Village of Bingham Farms	7.95*	40.95 (average of both school districts)
Village of Beverly Hills	14.08*	41.51
City of Birmingham	15.47	42.90
City of Bloomfield Hills	7.55	33.64 (average of both school districts)
Bloomfield Township	8.03	35.53 (average of all school districts)
Village of Franklin	10.70*	38.13
City of Southfield	16.75	46.71 (average of all school districts, excludes DDA, LDFA, and TIFA)
Southfield Township	0.55, plus a special assessment of 0.6 for police & fire	33.56 (average of both school districts)

*Village total tax rates include Southfield Township taxes and regional transportation taxes.

TAX BASE COMPARISON

Numerous studies have been conducted that indicate different types of land uses demand various levels of municipal services, such as schools, fire/police protection, sewer and water, road infrastructure, etc.¹ Because this range in the demand for services precipitates varying municipal expenditures, it is important for communities to evaluate the composition of their tax base. There are also questions related to quality of life, including traffic, noise, and other environmental impacts. The following sections describe the cost-revenue impacts of different land uses and provide a brief description of Bingham Farms' tax base composition.

¹ Mark Wyckoff, "Fiscal Impact of Growth Revisited", Planning and Zoning News, Vol. 15, No. 10, August 1997, pp. 4-6

Michael J. Kinsley, L. Hunter Lovins, "Paying For Growth, Prospering from Development", Planning and Zoning News, Vol. 13, No. 9, July 1997, pp. 11-16.

Mark Wyckoff, "Fiscal Impact of Growth", Planning and Zoning News, Vol. 11, No. 3, January 1993, pp. 5.

Who Uses Village Services & Who Pays For Village Services?

Recent studies of the sources of local revenues and the corresponding costs of services have identified the importance of a balanced tax base. The University of Michigan School of Natural Resources and Environment completed a Cost Of Community Services Study for a rural Washtenaw County township similar to several studies done elsewhere by the American Farmland Trust. The University of Michigan study found that residential land uses in the township used \$1.40 in services for every \$1.00 of tax revenue from the same source. By comparison, commercial and industrial uses demanded only \$0.26 worth of services for every \$1.00 of property taxes paid.

While the results from the above study may have been somewhat exaggerated by the very rural nature of the subject township, they support the basic results of other similar studies. In general, residential uses demand services that cost more than the tax revenues those same residential uses generate. The exact opposite is true of such uses as office, retail, industrial and research.

The Growth Equation: Fiscal Impacts of Growth

Other studies regarding the fiscal impact of growth and development make one very similar point: there is always cost associated with growth. The only debate has to do with how large or small that cost might be. The main discussion within any community involves how the cost of the expected growth and development will be paid.

In a February 1997 presentation at Michigan State University, noted professor and author Dr. Robert Burchell presented a cost-revenue hierarchy of land uses which identified land uses that provide the most revenue to a community while requiring little in output of local capital and operating costs and those land uses which create the opposite effect.

Table 2 The Cost -Revenue Hierarchy of Land Uses		
Municipal Gain (+) ↑	Research Office Parks	School District Gain (+) ↓
	Office Parks	
	High-Rise/Garden Apartments (Studio/1 br)	
	Age-restricted Housing	
Municipal Break Even	Garden Condominiums (1-2 br)	
	Open Space	
Municipal Loss (-) ↓	Retail Facilities	
	Townhouses (2-3 br)	
	Expensive Single-family Homes (3-4 br)	
	Townhouses (3-4 br)	
	Inexpensive Single-family Homes (4+ br)	
	Garden Apartments (3+ br)	
	Mobile Homes	

Source: "The Growth Equation" (excerpts from a presentation entitled "Fiscal Impacts of Sprawl"), *Planning and Zoning News*, August, 1997

As Burchell's hierarchy, shown in Table 2 above, suggests, Research Office Parks provide the most dollars in the form of tax revenue to municipalities and school districts while requiring the least amount of public expenditure. Most residential land uses provide opposite results for municipalities. While Burchell's study does provide meaningful analysis of public revenue versus cost, it does not take into account other costs and benefits associated with development such as benefits for providing needed community services or the environmental costs of more intense uses. Also, Michigan's Proposal A method of school funding may moderate the impacts on school districts somewhat. Although this study is somewhat generalized and cannot be applied without condition to every community, it is important for Planning Commissioners analyzing development patterns to be aware of these basic concepts.

Most communities should strive to balance the mix of residential and non-residential land uses to provide a more even flow of revenues and expenditures and to address quality of life issues. It is also important for communities to recognize that many retail land uses can demand a significant level of municipal services. Therefore, from a fiscal perspective, it is preferable that the non-residential tax base be comprised of land uses such as office parks, high-tech, and industrial

developments. Of course, fiscal considerations do not serve as the sole catalyst behind development policies of municipalities.

As Figures 2 and 3 show, the Village of Bingham Farms derives approximately one half of its CEV from Non-Residential uses. There are no industrial and very few retail commercial uses in the Village of Bingham Farms. The commercial uses are primarily office buildings, which are considered desirable uses from a tax base standpoint. The current composition of Bingham Farms' tax base is very balanced, and the Village should strive to maintain this balance in the coming years.