1983

Strategies for Sarpy

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Sarpy County has grown more rapidly than any other county in the state and is one of the fastest growing counties in the nation. But what kind of growth? Let's take a look, and let's also explore ways that the county may add jobs and income to the local economy while diversifying its tax base.

Overall economic development requires growth in many sectors. Residential, commercial, service, and industrial growth must occur together. Activities in all of these areas increase the amount of dollars circulating within a community and contribute to the upgrading of the economy. Sarpy County's residential growth has been phenomenal, but so far the other areas have lagged behind. What can be done about it? The need for growth in all four areas is especially apparent in Sarpy County where the population has increased nearly three-fold in 20 years. The 1980 Census showed that the population was 86,000 living in 27,500 housing units. Projected trends indicate the increase will continue, reaching a total of 112,477 people by the year 2000 and 37,500 housing units. More housing units require more services, so local government had to increase property taxes. However, property taxes increased far more rapidly than did the population. Even with trimmed budgets, the need for government revenue is still on the rise, and so are people's taxes.

Let's take a look at taxes in Sarpy County in 1972 and in 1982.
They show a substantial increase in most communities. While Bellevue's only increased 20 percent, Papillion's rose 160 percent, and LaVista's went up 252 percent.

Overall, the county's property taxes rose from one and a half million in 1972 to more than four million in 1982, a growth of 179 percent. Property taxes generated by the school districts follow a similar trend. All four districts showed a significant increase in the last ten years. District 46 had the most dramatic increase of $800,000 in 1972 to more than two million in 1982, or 172 percent. The increasing importance of generated property taxes in Sarpy County has placed the burden on residential property owners. This is because very little commercial or industrial property can share the burden. For example, in Springfield the $29,000 collected in property taxes in 1972 represented just over 30 percent of the total revenue. In 1982, however, the $78,000 collected accounted for 58 percent of the total revenue.

These graphs illustrate the unequal tax base in Sarpy County and how this imbalance has increased in the last ten years. In 1972 the residential sector supplied 59 percent of the total real property valuation. The commercial sector accounted for 23 percent and agriculture 17 percent. Industrial contributed the least amount to the county in terms of real property valuation at only 1.4 percent. In 1982 residential valuation jumped to three-fourths of the total real property valuation. The commercial sector dropped to 16 percent, and agriculture's share fell to less than half of what it had been ten years before or only about 8 percent. Industrial dropped below 1 percent of the total valuation. What
will happen if these trends continue? Increased population will continue to draw additional commercial facilities. The industrial sector will remain stagnant without substantial effort and commitment. Agriculture will decline further, and residential will continue to make up between 75 and 80 percent of the base.

In terms of dollars this means the residential sector was valued at a little more than $180 million in 1972. In 1982 residential property was valued at $768 million which is 426 percent of the 1972 valuation.

Let's look at it another way and a little more specifically. Taxes on two properties in Gretna and two in Springfield were tabulated for the past ten years. Both properties in Gretna show a steady increase. While the two in Springfield also show an increase, the taxes on the older property, the one built in 1915, increased from $157 in 1973 to $500 in 1982, an incredible rise. Taxes on the house in Gretna built in 1960 rose 156 percent while the taxes only went up 26 percent on the one built in 1971. In Springfield, a similar pattern is evident although the taxes on the older property increased even more than in Gretna.

Nationally the percentage of total property taxes paid by business has also declined. In 1957, business paid 45 percent of the total property taxes. In 1967, this had decreased to less than 40 percent. By 1977 business was supplying only about 12 percent of the total property taxes paid.

What happens to revenues and revenue sources when you use land for industrial rather than residential purposes? Let's take a look. On one acre you could build about four single-family units. They
would contribute about $2,000 a year each in real estate taxes for a total of $8,000. If that same acre is used for an industrial building that cost about the same as the residential units, it might also contribute about $8,000 in real estate taxes, but if that industry employs 100 people, it would provide additional benefits. Here’s what 100 manufacturing jobs can mean to a Nebraska community:

- 100 jobs at 3.5 persons per household means 350 people coming into the community
- About 70 more people will be needed in construction and various support services as a result. (One study estimated 68, another 74.)
- Nearly three million more dollars in personal income
- One million dollars more in bank deposits
- One and a quarter million in retail sales.

According to a study conducted in New Mexico, a new industry that employs 100 people will create 74 additional jobs in a five-year period in such categories as construction, utilities, wholesale and retail sales, service occupations, and government. A similar study in Nebraska found that 68 more people would be employed in non-manufacturing jobs, nearly three million dollars in personal income would be generated, an additional one and a quarter million would be spent in retail trade, 97 more families would join the community, one retail establishment would open, a million more in bank deposits would be made, and 79 more children would attend the local schools.

Rather than ignore the commercial sector of the community
because of the seemingly small percentage of tax monies it will provide, more businesses should be encouraged to locate in the county to make up the difference between commercial property tax revenues and other sectors of real property. More business in a community can lead into other forms of revenue. Although the percentage of property taxes paid by businesses has not increased, they do provide alternative sources of revenue such as sales taxes, gross receipts taxes, and occupational taxes.

In Bellevue a city sales tax was introduced in 1977 to help generate local revenue while alleviating the burden carried by residential property owners. In 1973 property taxes in Bellevue totaled nearly a million dollars, accounting for nearly two-thirds of the city's total budget. In 1977, property taxes dropped to $770,000 or slightly over one-fifth of Bellevue's total budget. Property taxes have steadily increased, but some of that is caused by inflation. Although property taxes were highest in 1982, they still only accounted for about one-fourth of the total budget.

Initiating a city sales tax has worked in Bellevue. However, this is not currently a feasible plan for the other communities in the county because they do not have as much retail activity.

Creating new jobs, however, can have a tremendous impact on a community's tax base and on economic conditions in general. The introduction of new industry will affect the local economy in several ways.

One of these is DIRECT REVENUE. Direct revenues from the new industry include property tax payments, gross receipts tax payments, and fees and service charges.
Another is INDIRECT REVENUE. Indirect revenues generated by new industry stem from net disposable income earned by those in the industry. This income leaks into the local economy through increases in retail sales, licensing fees, residential development, new construction, home improvement, and community business expansion in real estate, insurance, banking, and recreation.

The basic incomes produced by the new industry have a MULTIPLIER EFFECT on sales and services as they evolve into a cash flow creating more business and more retail sales. That money is then converted into incomes for those people working in the retail businesses. Then the money is regenerated into other areas such as new construction, real estate, banking, and other businesses, where it multiplies and creates a chain reaction.

New industry must first be attracted to locate in the area. An established industrial park is an essential step in this process.

Other considerations that are part of attracting new industry to a specific area involve community attitudes.

- Does the community really desire to have this particular company locate in the area?
- Will the community be selective and consistent in their industry recruitment practices?
- Will the community accommodate existing industries' needs?
- Will it offer quality services such as police and fire protection?
- Does it maintain available industrial sites with all utilities?
Will the community make economic developers (state, regional, railroad, utility, bank, and consultant representatives) aware of their development potentials? The local government must be prepared to handle new industry in terms of determining zoning and planning laws as well as setting taxes.

In addition, the local school system must be able to handle the additional students who will join the community as a result of the new industry moving into the area.

What Sarpy County can offer in recreation, social activities, housing, utilities, transportation, and supportive services are all contributing factors in an industry's decision to locate in a specific area. A community that is anxious to attract new industry will work to strengthen each of these areas. By following these points as a guideline, Sarpy County can develop a blueprint for economic development in its communities.

To curtail the spiraling residential property tax, Sarpy County must look in different directions. Potential for certain types of industry is high in many areas. Diversification of the tax base by drawing new business and industry is an economic strategy that will produce results.

Sarpy County's high quality of life is an asset in efforts to attract new industry. A positive relationship among existing business, government, and new industry can be developed. As we continue to encourage new industry, your help is needed. We should each seek to find ways of encouraging more positive attitudes toward industrial development.