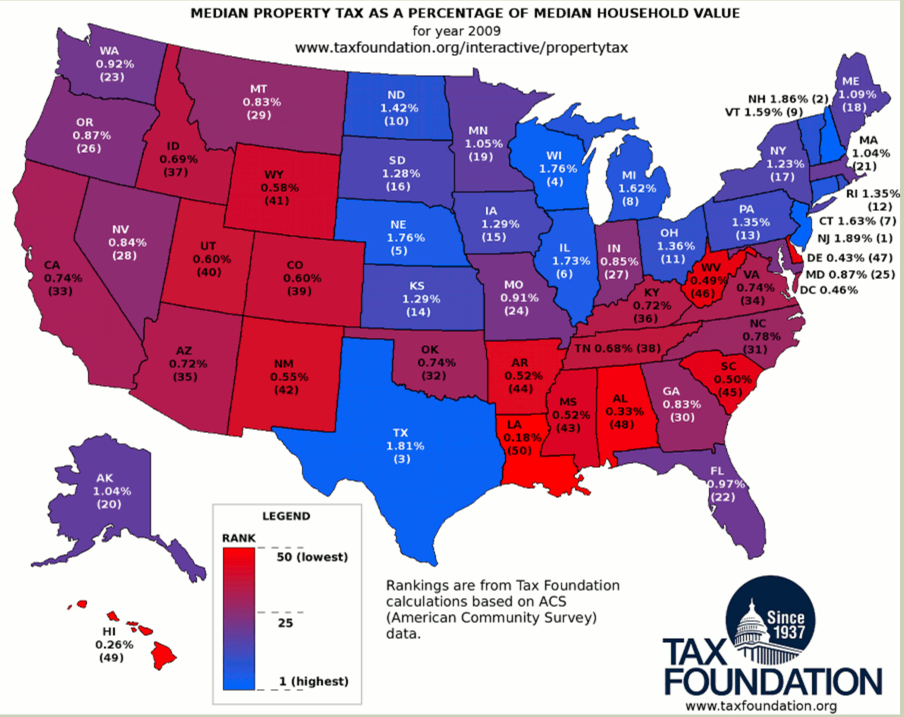
Advising
Planning
Evaluating
Leading

PEOPLE AND PROPERTY

Local Forces Affecting Property Values and Revenues

ABOUT MY COMMENTS TODAY

- The Planning Commission found reason for concern based upon trends affecting property values in the region over both the near and long term.
- The SSCRPC's concern is a strategic one:
  - It is a governmental problem as it effect on property tax revenues.
  - Government may no longer able to support the services and infrastructure needed to meet public demands and encourage new growth.
- Recent analysis seems to validate our concerns.



And most of the data we will be sharing with you today is prior to the state's recent difficulties.

FOUR REGIONAL TRENDS THAT FRAME OUR CONCERNS

LOSS OF POPULATION

CHANGES IN POPULATION

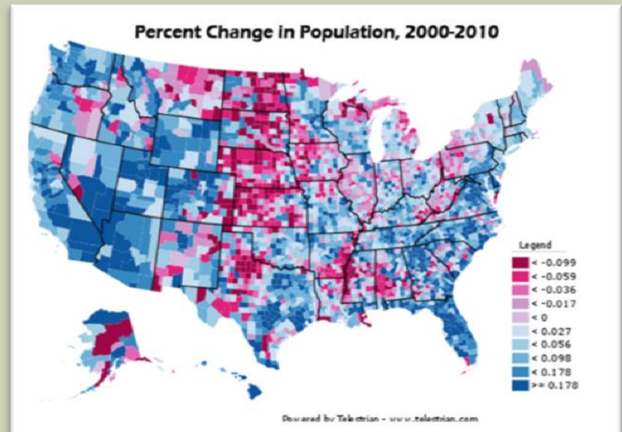
DECLINING REAL INCOME

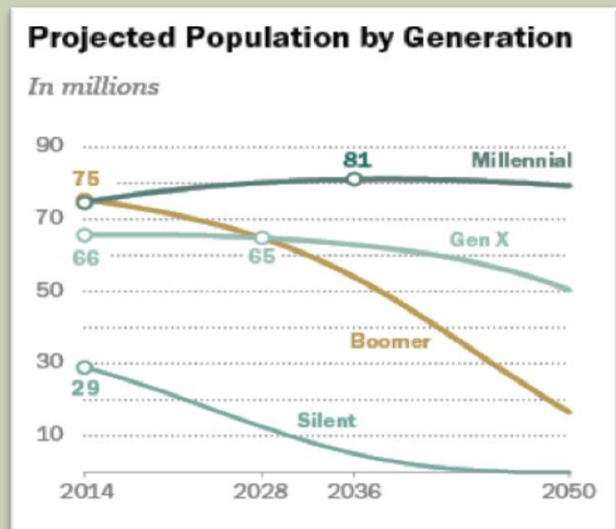
LAGGING OPPORTUNITIES

These trends will have a direct or indirect impact on property values, and therefore an impact on local government and school revenues.

WE ARE LOSING POPULATION

WHY CARE?: POPULATION GROWTH ACCOUNTS FOR 40% OR MORE OF LOCAL ECONOMIC GROWTH, ULTIMATELY AFFECTING PROPERTY VALUE.





- **The local population growth is static or declining.**
  - County's rate of growth ***dropped by 50% since 1970***, increased only slightly in last decade, and is trending downward.
  - Other peer counties ***did twice as well.***

- **The population in general is shifting away from the Midwest.**

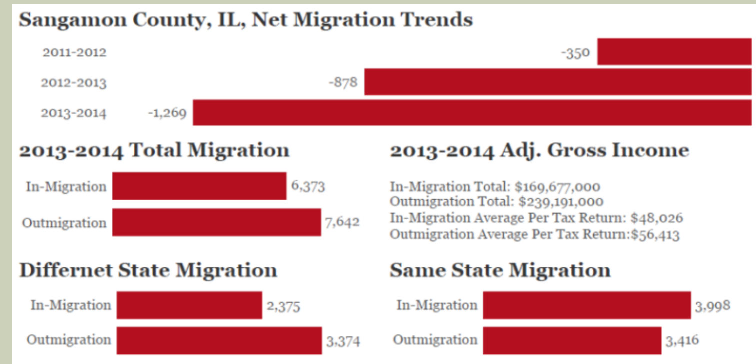
- **It is also shifting toward more urban areas.**
  - 80% of the U.S. population lives in metro areas with populations of 500,000 or more. This trend is expected to continue.
  - In Sangamon, only townships bordering the urban area showed any increase in last census.
  - But urbanized area ***only increased by 2.1% since 2000.***

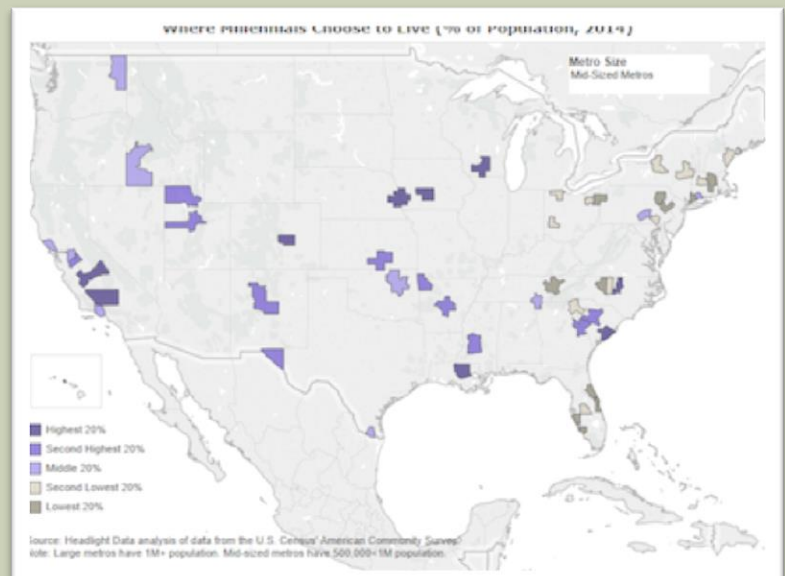
- **Boomers, the largest cohort in U.S. history, are reaching mortality.**
  - Median age in the county has ***increased by almost 30%*** since 1970.
  - 28% were 45 to 64 in 2010. By 2020, ***1/3 of Springfield's population will be older than 55.***

BUT NOT REPLACING THAT SHED

WHY CARE?: POPULATION AND WEALTH IS BEING LOST DUE TO OUT-MIGRATION, ULTIMATELY AFFECTING PROPERTY VALUES.

- **The area has more out-migration than in-migration in recent years.**
  - From 2011 to 2014, county had a ***net loss of 2,479 people due to out-migration alone***.
  - ***The loss is steepening***: 350 in 2011-12, 878 in 2012-13, 1,269 in 2013-14.
  - The county ***lost 2.6 times more people to out-migration*** in 2013-14 than it did in 2011-12: not a marginal change.
- **This results in a loss of wealth.**
  - This resulted in a ***lost of over $69.5 million in personal wealth*** due to out-migration in 2013-14 alone.
  - ***Those moving in had about 17.5% lower income*** than those moving out.
- **The Millennials are not a panacea.**
  - They are tending to locate in 90 largest metros: ***Springfield is the 233***.





WE ARE SEEING FUNDAMENTAL CHANGES IN MARKET AND POPULATION

WHY CARE?: VALUES ARE EXPECTED TO DECLINE WHILE REVENUES ARE DRAWN AWAY TO MEET NEW NEEDS


State Journal Register

DIVIDED AMERICA HOUSING PEAK – 10 YEARS LATER

U.S. more of a renter nation after bubble

BAGHDAD

Death toll rises to 157 after bombing

Springfield State Journal Register

BUSINESS

REAL ESTATE

Homeownership at 51-year low

Rising prices, stagnant pay among factors

	Sangamon County	Illinois
Age Dependency Ratio	66.4	58.6
Old-Age Dependency Ratio	24.4	19.9
Child Dependency Ratio	41.8	38.7

- **The local housing market is changing.**
  - Much of the housing built in our area over the past 25 years were for mid-career Boomers.
  - There are not enough Millennials ***with enough money*** to replace the Boomers as they age.
  - Market is demonstrating this difficulty nationally.
  - Values would be expected to drop absent an increase in population, affecting valuation.
- **At the same time the local “dependency ratio” is large and growing.**
  - Represents the percentage of the population younger (0-18 years) or older (65+ years) in the population compared to those of workforce (19-64 years) age.
  - We have *an unusually high proportion of dependent population* (13.3% higher than the state as a whole), and it is expected to rise due to various factors.
  - This causes demand for additional government spending to meet the needs of dependents.

WE HAVE DECLINING REAL INCOMES

WHY CARE?: IT LIMITS AVAILABILITY OF INCOME FOR PROPERTY PURPOSES, AFFECTING VALUES

- **From 1970 to 2013, the county had personal income growth – an indicator of purchasing power – *in the lower half of all Illinois counties: 2.17%.***

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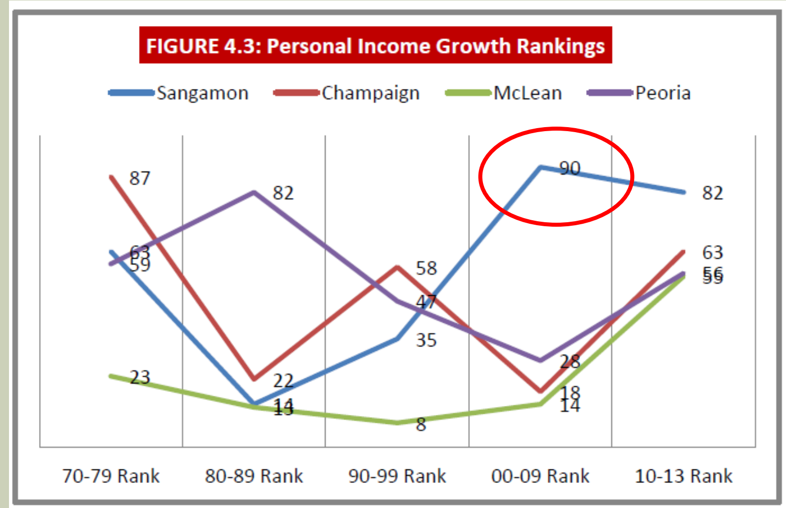
- **It was only in the upper 20% in one decade, the 1980s, *reaching its lowest point in the past decade.***

- **In 2014 constant dollars, median household income *saw a decline of almost 8% by 2010, making income comparable to 1990.***



Higher number represents poorer performance during period.

Sangamon County Median Household Income , 1970-2010 with 2014 ESRI Estimate						
	1970	1980	1990	2000	2010	2014*
Sangamon (Current Dollars)	$8,486	$18,087	$30,350	$42,957	$50,166	$53,049
Sangamon (Constant Dollars)	$51,777	$51,964	$54,973	$59,056	$54,464	—

* ESRI estimate. ** Inflation adjusted dollars using BLS calculator.

THERE ARE LAGGING JOB OPPORTUNITIES

WHY CARE?: IT CREATES ADDITIONAL OUT-MIGRATION WHILE DEPRESSING ADDITIONAL IN-MIGRATION.

These indicators are inter-related and indicative of weak job opportunity

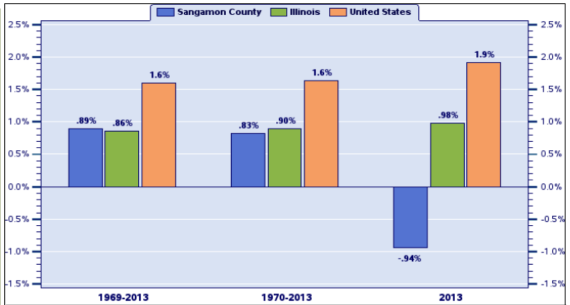
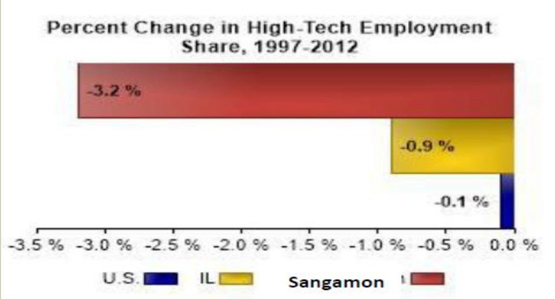


FIGURE 5.9: Sangamon County Employment Growth Compared to the State and Nation, 1969-2013 and 2013 Source: IL-REAP

METRO AREA	ECONOMIC DIVERSIFICATION INDEX
Bloomington-Normal	+ 0.21 (189)
Champaign-Urbana	– 0.62 (278)
Decatur	– 0.82 (293)
Peoria	+ 0.36 (162)
SPRINGFIELD	– 2.54 (351)

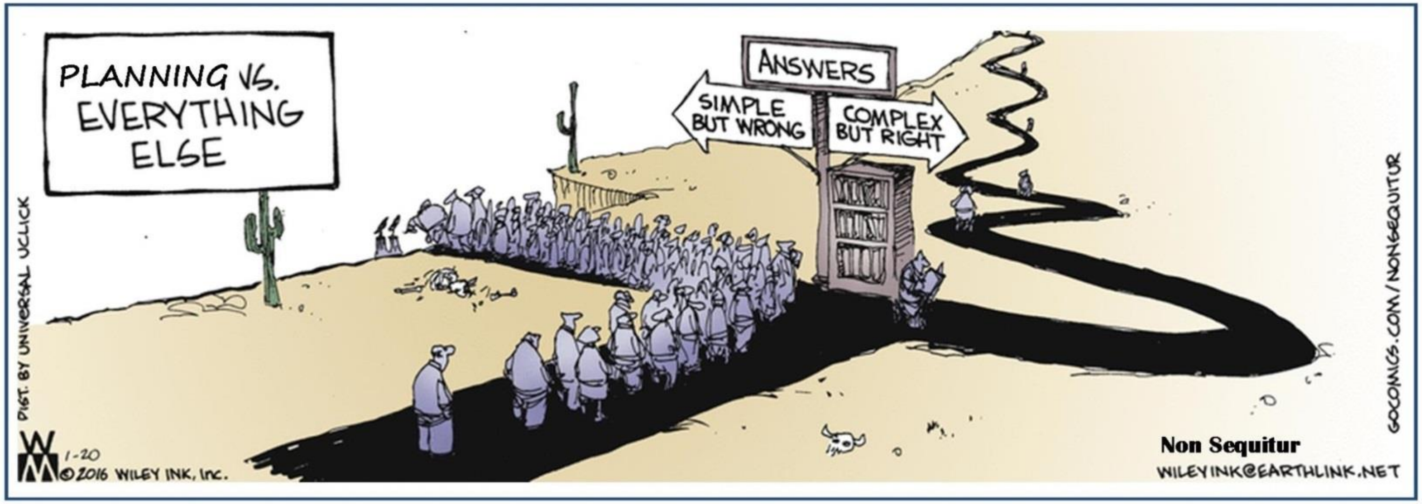
People move to areas with job opportunities and away from those without



- **Lack of job growth, suppressing job opportunity**
  - Sangamon demonstrated ***less than 1% change in job growth between 1970 and 2013***; stable but static.
- **Lack of economic sector diversity, suppressing job opportunity**
  - The metro area *scores* significantly lower in economic sector diversity than three peer areas: ***over 3 times lower than next lowest.***
- **Lack of opportunity in new growth areas, particularly technology related**
  - A ***decline in high-tech employment share*** significantly greater than state, nation or peer counties.
- **Lack of new enterprise growth, suppressing job opportunity**
  - Of 5 metros studied, from 2007 to 2012, ***only Springfield and Decatur showed a decrease in number of firms with paid employees***: 8.32% vs 9.61%
  - Springfield was the only metro of the 5 ***not showing an increase in minority paid-employee firms*** **during this period**.

SOME TAKEAWAYS

- Three propositions seem relevant to this consideration:
  - ECONOMIC: Supply and demand affect price, and neither housing nor location are elastic goods. Options are available.
  - POLITICAL: Tiebout's Principle: "People vote with their feet."
  - PLANNING: Kemp's Law: "Demographics are destiny."
- Population and job opportunity are inter-related.
  - A lack of job *opportunity* depresses population, as people "vote with their feet", moving to areas where these opportunities appear to be better and away from those that are not.
  - Also, a declining or static population depresses job opportunities and growth, as it affects local economic activity, consumer spending, as well as workforce and worker skill-mix availability.
- As they are inter-related, both affect the real estate market, and thus affect property values, and, therefore assessed valuation for tax purposes.
  - And local revenues may also be affected in other ways where demographics and policy intersect: e.g., effect of Homestead and similar exemptions as the Boomers age.
- If not addressed, a "vicious cycle" may develop.
  - Communities lack the resources necessary to provide the local amenities the public desires: increasing out-migration and depressing in-migration.
  - Local governments haven't the resources to attract new job opportunities – esp. as the dependent population increases – so the cycle repeats.



QUESTIONS?

Resources