



MEMORANDUM

“...meeting community needs...enhancing quality of life.”

TO: Community & Economic Development Committee
FROM: Matt Rehbein, Economic Development Specialist
DATE: March 9, 2022
RE: 2021 Growth Report Summary

Each year, the Community and Economic Development Department prepares an Annual Growth Report (Report). The purpose of the Report is to analyze growth figures over a period of ten years to determine if Appleton is capturing its historically proportionate share of growth.

MEASUREMENTS OF GROWTH

The City has historically used three measures of growth for the purpose of the Annual Growth Report: 1.) building permits, 2.) equalized value, and 3.) net new construction. Starting in 2018, we have an increased focus on net new construction and a reduced focus on construction permit data. Construction permit data tends to be the most volatile, and reporting can be inconsistent or duplicated. Net new construction, on the other hand, is defined and standardized by the State of Wisconsin and has a direct bearing on the City's tax levy and ability to collect income.

EQUALIZED VALUE

- The equalized value is the estimated value of all taxable real and personal property in each taxation district, by class of property, as of January 1, and certified by Department of Revenue (DOR) on August 15 of each year (Definition: Wisconsin Dept. of Revenue). Equalized value allows for comparison across communities because it is standardized by the DOR, rather than assessed value, which can vary by community.
- All communities in the Fox Cities increased in equalized value in 2021. On average, values increased by 6.8% statewide. By comparison, the City of Appleton's equalized value increased by 7.87%.

NET NEW CONSTRUCTION

- Appleton garnered a lower percentage of net new construction in the Fox Cities relative to the percentage of equalized value in the Fox Cities. Kaukauna, Greenville, Kimberly, Little Chute, Hortonville, and Harrison outperformed their percentage of the Fox Cities with net new construction in 2021. Municipalities use the percentage increase of net new construction as a valuation factor in determining the allowable tax levy for the municipality. The City of Appleton's net new construction for 2021 was 1.25%.

- The 9-year trend comparing the City of Appleton’s percentage of Fox Cities net new construction and the percentage of total equalized value in the City of Appleton is concerning. 2016 was the only year in which the City’s net new construction percentage exceeded the City’s percentage of equalized value. With an average net new construction percentage continually below the equalized value percentage over the 9-year period, the City of Appleton’s percentage of total Fox Cities’ equalized value has been decreasing.
- It is difficult to directly impact this metric through specific City action. Communities with lower equalized values and large tracts of “greenfield” sites are better positioned to increase their net new construction than mature, largely developed communities like Appleton.

OTHER CONSIDERATIONS

While the hard numbers related to growth are important to measure, we also take a look at other factors that impact investment in our community for the purpose of the Growth Report. Of note are the following statistics.

EMPLOYMENT & UNEMPLOYMENT

- The City of Appleton had an annual average unemployment rate in 2021 of 3.1%. Unemployment rates continue to be incredibly low, ending the year at 1.5% for the month of December. When businesses are considering whether to stay, expand, or relocate, the availability of labor is always a factor.
- Within the Appleton MSA, the employment sector of manufacturing continues to lead in terms of employment numbers, providing 23,735 jobs with average annual earnings of \$5,198 per month. It is worthy of note that 3 of the top 10 employment sectors by number of jobs provide earnings less than the low-income amount (\$3,995.83) for 1 individual as established by Housing & Urban Development (HUD).

TAX INCREMENTAL FINANCING DISTRICTS

The Wisconsin Department of Revenue (DOR) makes adjustments to Tax Incremental District (TID) values each year to equalize across the State. This is out of the City’s control, and we are not made aware of formulas used for State changes. In 2021, the DOR corrected an error in their software from 2020 which resulted in a significant swing in values for some districts. Due to the City’s inability to explain these changes, we have added trendlines for each district to indicate trajectory instead of the year-on-year explanation. Details of fluctuations in major real estate and/or personal property values are outlined by district in the full Report.

SUMMARY

Given the City’s percentage of equalized value throughout the Fox Cities of 28%, and the City’s percentage of net new construction of 21.37%, we will have to continue to be proactive in creating an environment and location where businesses, developers, and individuals wish to invest their resources if we wish to maintain our proportionate share of growth. While difficult to impact this measure via direct

City action and the challenges as a more mature built-out community, we continue to pay attention to this measure since it directly impacts our ability to change the tax levy.

The increase in new housing units is welcome in the City as are the increased availability of lots. Additionally, several mixed-use projects in the downtown that are either announced or underway will help to increase net new construction in the coming few years as they achieve full assessment.