

Why Is Roane County Not Growing?

In a previous article I commented that the economic growth in a community helps pay for the growing cost of providing government services. As the cost to provide services increase due to increase in wages, insurance, utilities, fuel, and equipment one hopes that the economic growth would offset the cost.

To put this into perspective, assume the county has one thousand houses built in a year at an appraisal value of \$200,000. Wow! One would say that was way too many homes. Yes, you are correct but let's look at the math of 1,000 homes. A \$200,000 home is assessed at 25% or \$50,000 with a tax rate of \$2.58. This house brings in \$1,290 times one thousand homes. \$1,290,000 is a lot of new money. Also, assume you borrow an additional \$20,000,000 for a capital project. The principal and interest payment for a thirty (30) year bond could be covered by the new home construction.

Let's get more realistic. In one hundred (100) homes and \$200,000, that equals \$129,000 in new tax revenue. The personnel cost for a 1% raise is well over \$500,000 annually, thus you need 400 new homes a year to pay for a 1% raise. Thus no raises for employees and let's hope the health insurance cost does not increase or our retirement rates. As one can see, economic growth is not residential growth when it comes to property tax revenue. Residential growth helps but it does not pay for the additional cost of government.

Economic growth must come about in a combination of residential and more so in commercial/industrial and retail. The commercial/industrial and retail growth is seen in high values of investment (high appraisals) and assessments at 40% instead of 25%. One wants growth in all areas but the business aspect has much greater impact since the investment dollars are higher as well as assessment percentages.

So one may say we need to invest in commercial/business economic development. Roane County has Roane Regional and Industrial Park off of I-40, the Roane County Industrial Park (between Rockwood and Harriman), Heritage Center (ETTP on old K-25), and Horizon Center (a green field park north of Heritage). Roane County has made an investment into Plateau Park Partnership but does not anticipate any property tax since this is in Cumberland County. Roane County continues to pay debt on two of these parks as our investment in Industrial Development continue. Further, we grant to the Roane County Industrial Development almost \$400,000 for industrial recruitment and park maintenance.

One could also say that the Oak Ridge National Lab and the Kingston Steam Plant could qualify as industrial areas or parks. These federal agencies are similar to industrial properties with the exception they do not pay property taxes. In full disclosure, Roane County does receive in lieu of taxes from both agencies, which I would estimate significantly lower than related industries. Further, two buildings do exist on the Oak Ridge National Lab Campus that are taxable. These two building owners are our top taxpayers in the county, one of which is our top taxpayer.

These previous paragraphs have dealt primarily with property tax but another major component of growth deals with sales tax, local option sales tax specifically. The local option sales tax supports our city governments and schools as they share this tax revenue 50-50. The growth in retail sales is important as this also helps pay for the increase cost of education and city government services. The sales tax outside of the city helps support the Rural County Solid Waste Convenience Center Operation and education.

Roane County has seen another economic transition with the Dollar General Store. This has had a positive impact on rural revenue but a negative impact on city sales tax revenue. Wal-Mart stores help close rural stores and now the Dollar General Stores have become the rural county stores. We must remember we are forever in a changing economy.

We need to end the article addressing the main question, "Why is Roane County not growing?" A number of items/issues can be debated but here are a few:

- 1) High wage, low unemployment area primarily due to DOE and TVA
- 2) Higher taxes than our neighbors due to lack of industry and government facilities that do not pay property taxes.
- 3) Unavailable easy to develop land. Folks it's not flat in Roane County.

As bad as this may seem, there is light at the end of the tunnel. Here are the bright spots:

- Pleasant/mild climate
- Great people
- Gorgeous scenery
- Recreational Opportunities
- Strong Communities Structure
- Available industrial property in small tracts

We should become a recreation/tourism destination and benefit from sales tax revenue instead of property tax. One of the great benefits of tourism revenue is that new money is being added to the local economy and the cost of the service is minimum with traffic congestion and additional garbage collection. The trade-off benefit helps reduce the property tax burden. We still have some hope in industrial recruitment as the old K-25 property is converted from the government into private hands and we have available land in our industrial parks ready for the next business to grow or relocate.

Be nice to your neighbor and especially nice to the visitor. Both are help paying for your government service.