

Challenging Trends Facing La Crosse County

And The Need For Regional Solutions

La Crosse County Economic Development Workgroup

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Introduction

We can no longer afford to be provincial in our economic development decisions within this region. We must start thinking about the strength of our region, because we are competing for economic development projects not with the next town or the next county, but with the next state or the next country. We need to start addressing the challenging trends that affect our regional economy – and we need to start with the economic hub. This report will illustrate some troubling trends that we are seeing in our regional core and why it is imperative that we focus our efforts on reversing those trends.

Many who reside in or represent areas outside of this core may ask why they should care about these trends, and further, why they should work to reverse them. The answer is that our region can truly only be as strong as its core, as illustrated by the following observations¹:

- The City of La Crosse is the site of almost 70% of the County's jobs;
- Approximately 60% of suburban workers commute to jobs in the City of La Crosse
- The City of La Crosse is home to most of the region's essential institutions – hospitals, universities, colleges, airport, convention center, etc.;
- La Crosse is the signature city of the region – its identity.

Therefore, as a region, we all need to be concerned about the sprawling, inefficient development trends that are depleting our core, and work together to reverse those trends. While many of our economic indicators are favorable when compared to many other areas of the country, these trends are worrisome, in that if they continue, we could follow in the path of other metropolitan areas that once were prosperous, but now are struggling. This report will first illustrate our sprawling development patterns, by looking at,

- Population Trends,
- School Enrollment Trends, and
- An Analysis of Vacant Residential Lots

The report will then examine the cyclical trends that relate to urban sprawl, which can cause serious issues for our community if they continue in the direction they have trended over the past three decades. By cyclical, we mean that these trends are often initiated by sprawl, but then they also work to increase the rate at which people will leave the urban core to follow the sprawl.

This section of the report will look at trends in:

- Tax Rate Disparities Among Municipalities;
- Concentrations of Poverty;
- Neighborhood Deterioration and Crime; and
- Increased Investment in Infrastructure

This analysis may paint a somewhat dismal picture of our future. Please keep in mind that the report is not suggesting that our current situation is in crisis, but rather it is challenging us to project these trends into the future and to think today about how we can reverse the trends and provide a promise for a better future. We are currently in a relative position of strength, which will allow us to better address these issues – as opposed to many metro areas that have seen significant decline and are finding it very difficult to return to prosperity.

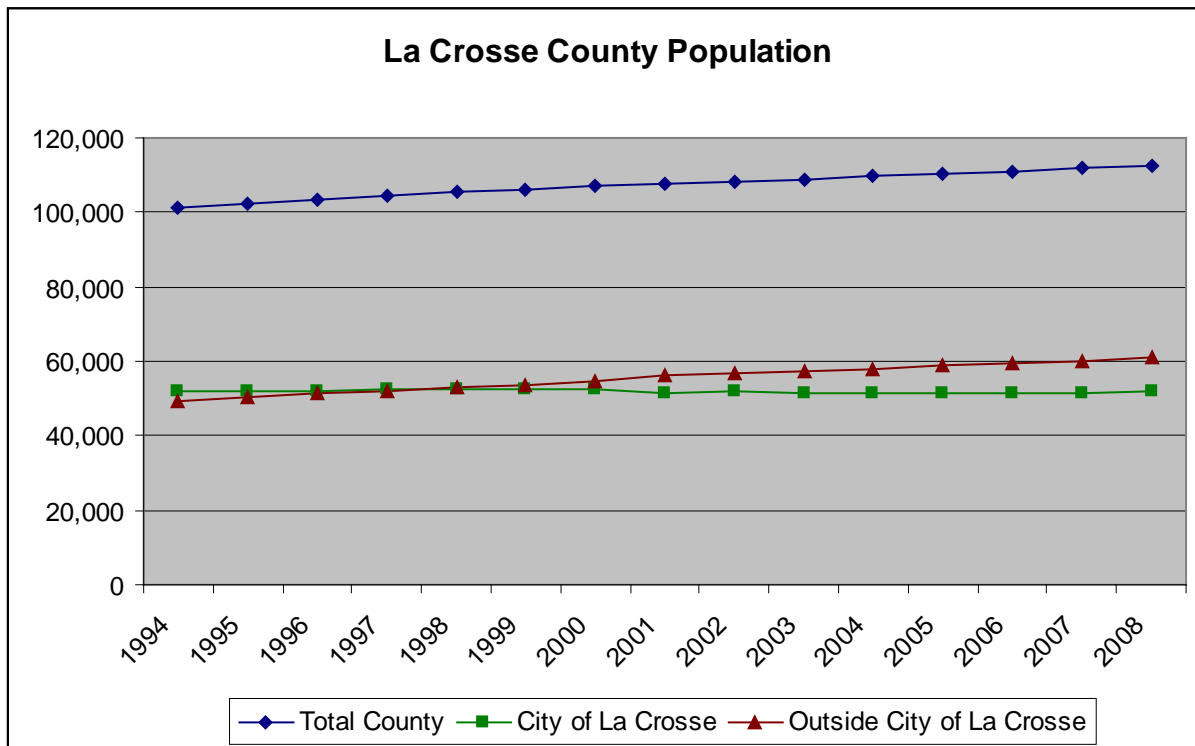
¹ These statistics were taken from a report by David Rusk, when he spoke at the La Crosse County Collaboration Conference in 2006.

It is time. We must start to truly work together as one, strong, regional economy. The good news is that we are in a position to be able to achieve this. Our community has strong, innovative businesses, tremendous educational resources, wonderful health care institutions, cooperative local governments, and caring, generous citizens, which all come together to deliver a quality of life that is second to none. A great foundation of public, private partnership exists in our community, which we must now build upon to address the challenges that the following trends illustrate.

Urban Sprawl

Population

If we look at population trends lines for the City of La Crosse in relation to the other municipalities in La Crosse County over the past 15 years, you can see that in a time of overall growth in the County, the City has seen slight declines in population. In 1998, we hit the point where there were more residents in La Crosse County that lived outside of the City of La Crosse than within the City, and that gap has widened every year since.

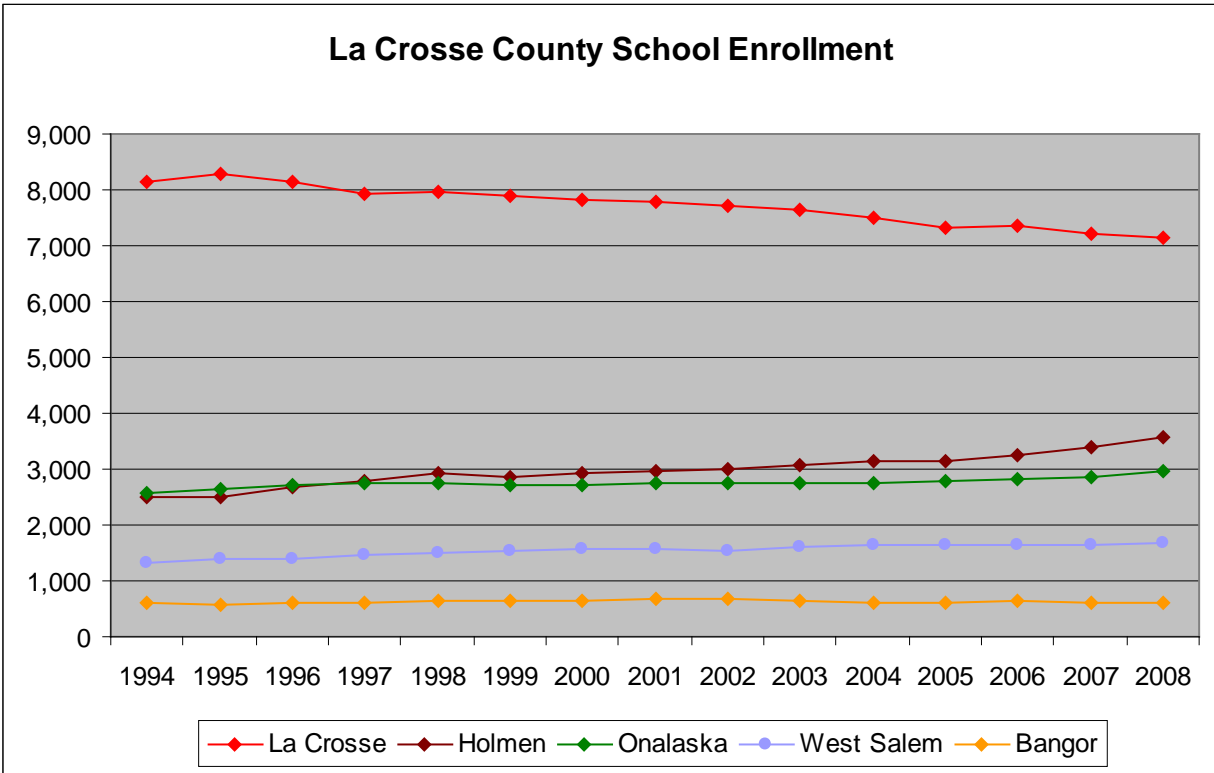


Source: Wisconsin Department of Administration – www.doa.state.wi.us

This trend is troubling because as people move further away from the urban core, it generally becomes more expensive to deliver governmental services – making government less efficient.

School Enrollment

This sprawling trend is further illustrated as we look at school enrollment numbers for the School District of La Crosse in relation to the numbers for the surrounding districts. The following chart shows the enrollment trends for the five school districts that cover most of the County.



Source: Wisconsin Department of Public Instruction – www.dpi.wi.gov

As a school district loses enrollment, it also loses state aid, which puts it in a position of having to choose between cutting back on services or placing a larger burden on local tax payers – either way encouraging more people to move out to neighboring school districts. This in turn puts additional pressure on neighboring school districts, as their enrollment continues to increase to a point that they are constantly battling with capacity issues and looming new school construction projects.

In short, while the La Crosse School District is losing students and shutting down schools, other school districts have to serve those students by building new schools. Consequently, we have seen significant school referendums that have driven property taxes up in all districts in La Crosse County. Looking at the past 15 years (1994-2008), voters in the five school districts within La Crosse County have approved \$119,954,000 in school referendums (granted not all of this has been for construction of new schools). And over that same 15 year period, total enrollment has increased by 5.9%. The following table breaks down the referenda by school district.

Summary of School District Referenda – 1994 to 2008				
School District	Referenda Total	2008 Enrollment	Cost/Enrollee	Enrollment Change
La Crosse	\$20,608,000	7,159	\$2,879	-12.0%
Bangor	\$12,750,000	625	\$20,400	4.0%
Holmen	\$41,971,000	3,584	\$11,711	44.0%
Onalaska	\$21,325,000	2,978	\$7,161	15.5%
West Salem	\$23,300,000	1,674	\$13,919	26.3%
Total	\$119,954,000	16,020	\$7,469	5.9%
Total (w/o La Crosse)	\$99,346,000	8,861	\$11,212	26.7%

Vacant Residential Lots

As our development pattern sprawls across the County, and more and more subdivisions are built and lots are created, the basic economics of development start to fail. A recent analysis of vacant, buildable residential lots in La Crosse County identified 2,473 lots. Over the last three years, there was an average of 313 single-family building permits issued per year. This indicates that we have approximately 8 years of inventory without creating a single additional residential lot – and given the current state of the economy, building permits have been down considerably the last few years, which would sustain that inventory even longer.

The following chart shows the vacant residential lots in La Crosse County, by municipality and size. This chart shows that lots of various sizes are scattered throughout the County, and that 55% of them are located outside of incorporated areas.

Municipality	Vacant Parcels	% of Total in County	Acreage						
			0 - .25 acre	.25- .50 acre	.50 - 1 acre	1 - 3 acres	3 - 5 acres	5 - 10 acres	>10 acres
T Bangor	3	0.12%	0	0	0	3	0	0	0
T Barre	59	2.39%	0	3	15	28	3	8	2
T Burns	12	0.49%	0	0	0	6	3	1	2
T Campbell	86	3.48%	33	40	7	4	2	0	0
T Farmington	72	2.91%	1	24	11	20	4	8	4
T Greenfield	140	5.66%	6	8	27	65	18	15	1
T Hamilton	89	3.60%	2	18	26	32	3	4	4
T Holland	379	15.33%	0	16	277	71	3	8	4
T Medary	112	4.53%	0	6	14	58	15	18	1
T Onalaska	282	11.40%	2	87	99	65	20	6	3
T Shelby	137	5.54%	6	35	36	39	10	11	0
T Washington	2	0.08%	0	0	0	1	1	0	0
Town Total	1,373	55.52%	50	237	512	392	82	79	21
V Bangor	48	1.94%	12	30	6	0	0	0	0
V Holmen	311	12.58%	100	184	20	7	0	0	0
V Rockland	106	4.29%	67	36	2	1	0	0	0
V West Salem	178	7.20%	91	61	21	4	0	1	0
C La Crosse	205	8.29%	122	60	19	3	0	0	1
C Onalaska	252	10.19%	43	101	65	34	4	3	2
City/Village Total	1,100	44.48%	435	472	133	49	4	4	3
Overall Total	2,473	100.0%	485	709	645	441	86	83	24

The following chart presents the vacant residential lots in La Crosse County, by School District and size. This chart shows that there are lots available of all sizes in all areas of the County.

School District	Vacant Parcels	% of Total in County	Acreage						
			0 - .25 acre	.25- .50 acre	.50 - 1 acre	1 - 3 acres	3 - 5 acres	5 - 10 acres	>10 acres
Bangor	172	6.96%	79	66	8	11	5	1	2
Holmen	978	39.55%	116	269	402	147	23	15	6
La Crosse	560	22.64%	161	144	77	112	27	36	3
Mel-Min	71	2.87%	1	24	11	20	3	8	4
Onalaska	254	10.27%	29	120	62	31	7	2	3
West Salem	437	17.67%	99	86	85	120	20	21	6
Westby	1	0.04%	0	0	0	0	0	1	0
Total	2,473	100.0%	485	709	645	441	85	84	24

The basic economics of this situation are that supply is very high and demand is very low, and consequently prices are being pushed down and profits are disappearing. This is bad news for developers and bankers, because this economic situation significantly affects the market for the developments in which they have invested significant money. When they make that investment, they count on a certain absorption rate to make that project cash flow. If however the next development comes along before they are able to sell all of their lots, they may not achieve the absorption projections and the project may not cash flow. Unfortunately for the developer, their profits generally come from the last few lots, after they have paid off all of the development expenses. In many cases, those last lots are staying vacant for a long time. This is also bad news for the purchasers of these lots, because this situation also erodes the value of their investment.

From a municipal standpoint, development is generally a good thing – so when new subdivisions are proposed it is hard to say “no.” However, the situation that this inflated inventory is creating is one of inefficiency in the delivery of services. We are constantly developing new subdivisions without giving existing ones a chance to fill up, which results in scattered vacant lots. These scattered vacant lots create inefficiencies because roads and utilities infrastructure runs past them, school buses run past them, snow plows run past them, etc. As we will discuss later in this report, the County Road Study showed that we are not able to keep up with road funding needs, because we continually put additional traffic onto roads that are not designed to handle it.

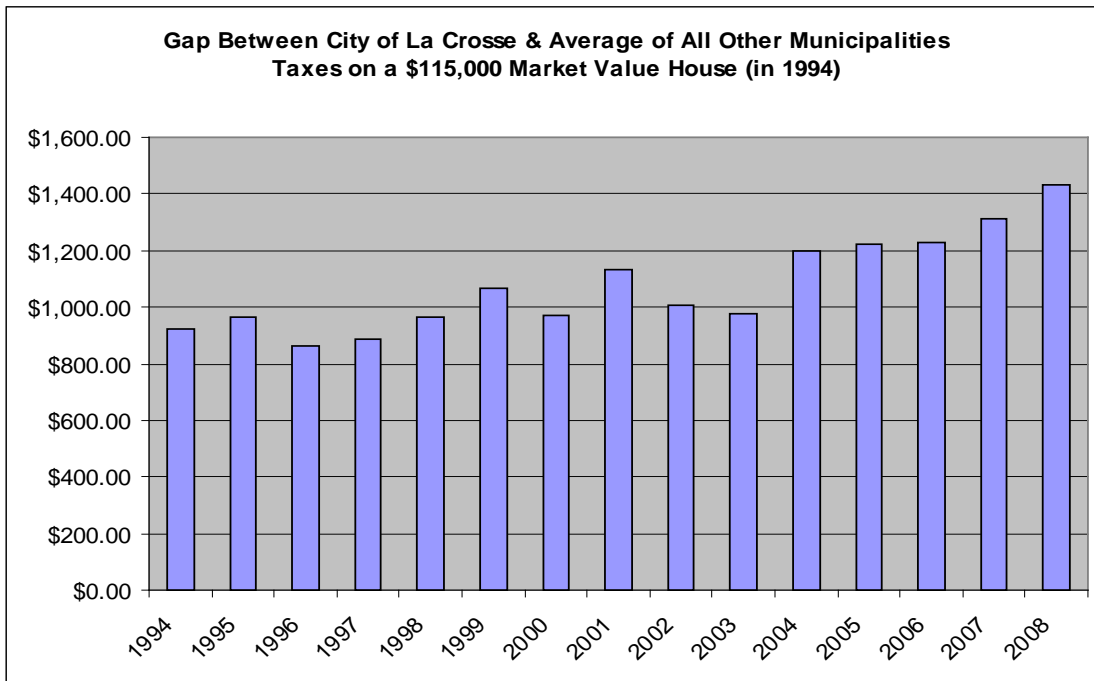
The above data illustrates a sprawling development pattern in La Crosse County, which is generally less efficient to serve with public services. When populations are more difficult to serve, either tax rates go up or services go down – neither of which are good for overall economic development in the County.

Cyclical Issues Related to Urban Sprawl

Once an area starts a sprawling development pattern, it can be very difficult to reverse that pattern because of the cyclical issues that often go along with sprawl and accelerate the deterioration of the core.

Tax Rate Disparities

Often the people that leave when a population declines are the easiest populations to serve – leaving those who are more dependent upon the services of the local government. This can create tax rate disparities between urban and suburban municipalities. We can see this pattern in La Crosse County when comparing tax rates between the City of La Crosse and the other municipalities of the County. The following chart illustrates how the gap between taxes in the City of La Crosse and the average of all other municipalities in the County has increased over the past 15 years. This comparison uses a house with a market value of \$115,000 in 1994 and an annual value increase of 2%.

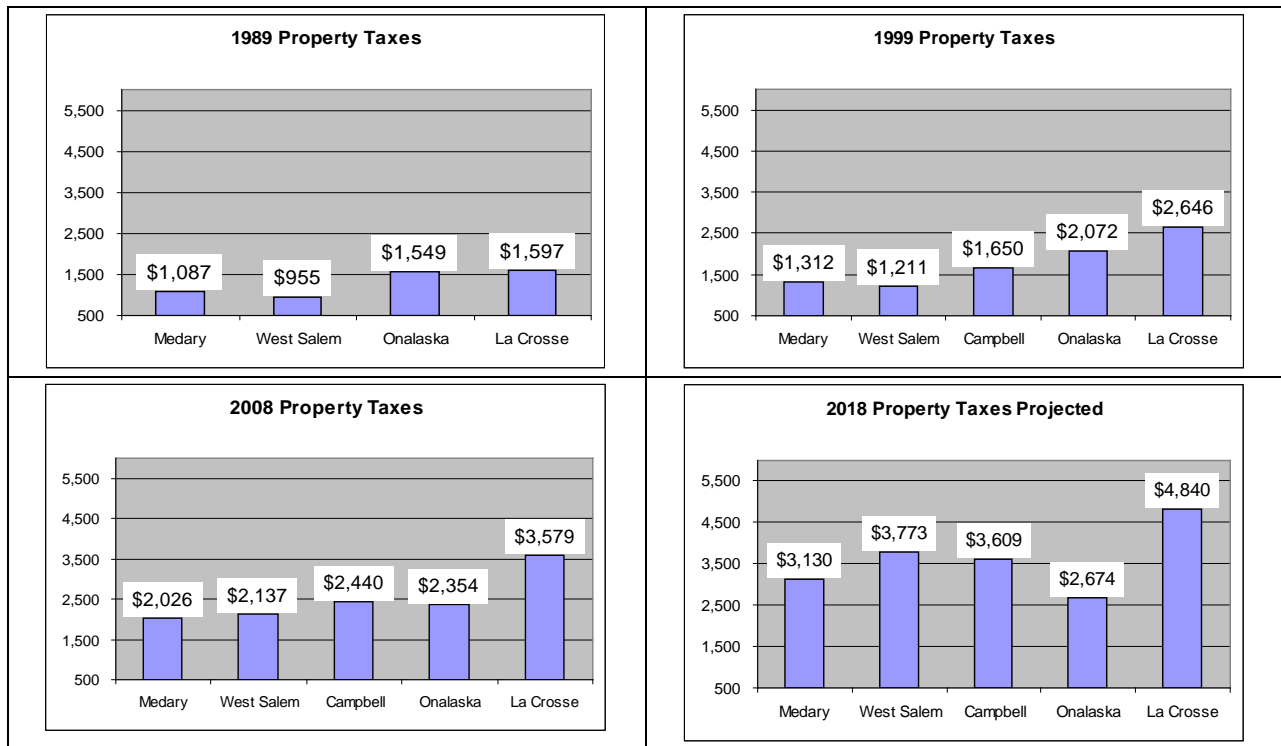


In 1994, if you lived in a house with a market value of \$115,000 in the City of La Crosse you would have paid \$3,835 in property taxes. Yet if you lived in a house worth \$115,000 in La Crosse County but outside of the City of La Crosse you would have paid on average \$2,915 in property taxes. Therefore the gap was \$920 in 1994. If you assume a 2% annual increase in real estate value and look at a house with a market value of \$151,740 in 2008 the taxes in La Crosse would be \$3,955. That same house outside of the City of La Crosse would pay on average \$2,520. The gap has increased to \$1,435, giving homeowners who are able, a strong financial reason to move out of the City of La Crosse.

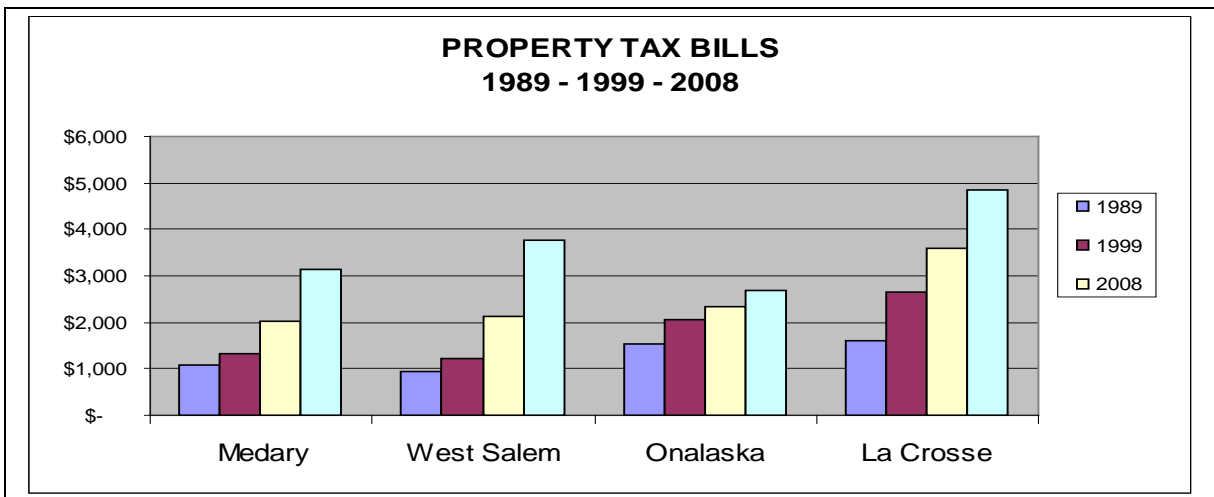
This concept of tax rate disparities can be further illustrated by comparing the property taxes on five actual homes with identical market values (\$129,000 in 2008) in five different municipalities: Medary, West Salem, Campbell, Onalaska, and La Crosse. The following series of charts illustrate the change in taxes paid on those five houses in 1989, 1999, 2008. The final chart shows the trend to 2018, if the change from 1999-2008 is continued.

While the relative order changes, the La Crosse home always has the highest property taxes:

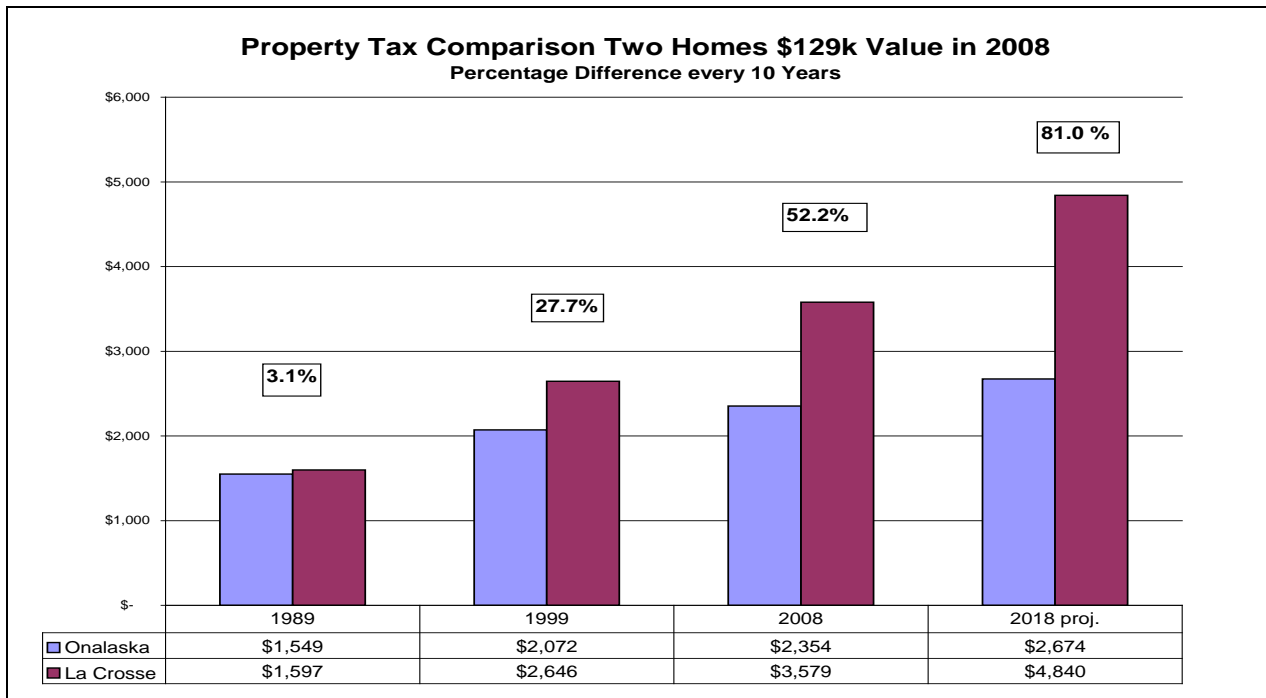
- 1989, the home paid \$803 more per year than the lowest cost (Campbell)
- 2008, the home paid \$1553 more than the lowest cost (Medary)
- 2018, would pay \$2166 more than the lowest cost (Onalaska)



Trend projection is not precise, but the growing differences are clear from 1989-2008, and the disparity is unlikely to change in the next decade without action.



Another method to look at the same data is to only compare the two homes from the City of Onalaska and City of La Crosse. The following chart illustrates the growing percentage difference in property tax over the period. At current trend, the La Crosse home will pay nearly double the Onalaska home.



While it can be argued that property taxes are just one consideration of home buyers, it is clear that property tax disparity is a significant factor as people consider the total cost of housing. Residents buying homes outside the City of La Crosse are able to afford more home for the same dollar per month. As this disparity continues to grow, we can only assume that this will continue to contribute to a declining population in the City and School District of La Crosse.

There are certainly many reasons for this growth in tax rate disparities in La Crosse County. We have all heard the discussions of the City’s extraordinarily high percentage of tax exempt property, and we can all agree that there are certain inefficiencies in the City’s form of government. However there is also credence to the theory that our sprawling development pattern is a lead contributor to this trend. This is further illustrated as we look at the development of concentrations of poverty within the City in the next section of this report. The bottom line however, is that whatever the reason for this trend, it will continue to have a negative impact on our entire region until it is addressed.

Concentrations of Poverty

Sprawling development patterns also tend to create concentrations of poverty in the central city. We can see this trend as we look at the percentages of students who receive free or reduced price meals. Over the last eight years (2001-2008), the percentage of students receiving free and reduced price meals has increased from 35.5% to 40.8% in the La Crosse School District, with individual schools reaching as high as 77.46% (Hamilton Elementary) and 66.67% (Franklin Elementary) in 2008.²

While the other school districts in the County are considerably lower in their percentages of students receiving free and reduced price meals, you can certainly see a trend forming as poverty spreads. The Onalaska School District had 23.6% in 2008, which was up 8.5% from 2001 – illustrating the spread of poverty to the next ring. Holmen and West Salem were at 20.5% and

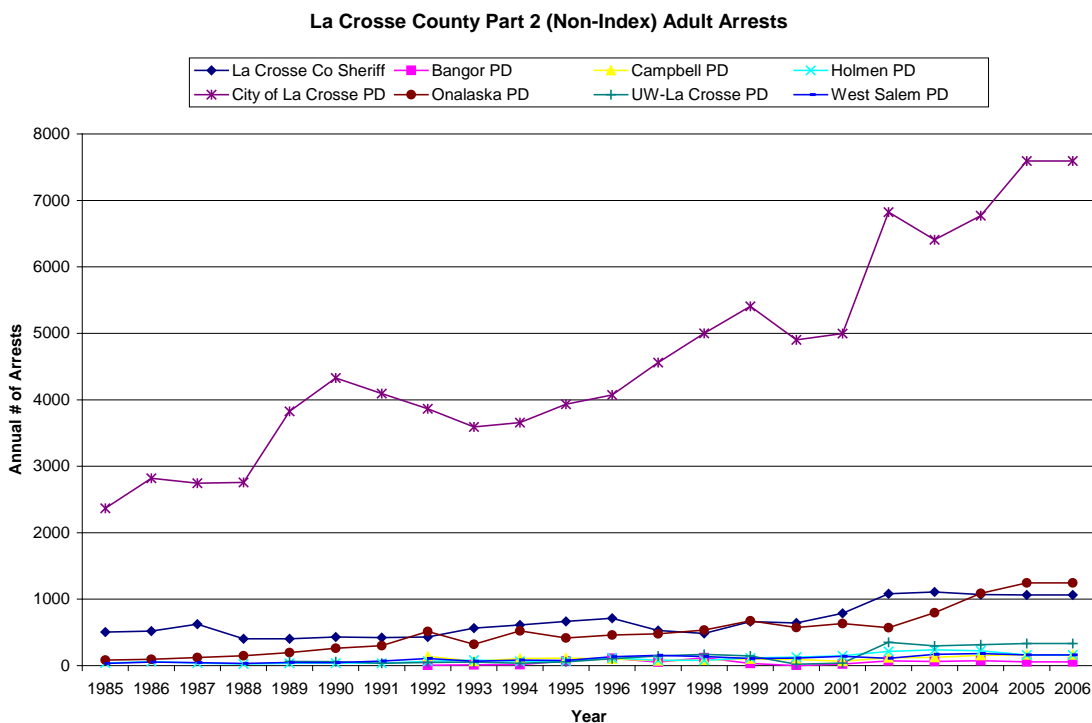
² All statistics on free and reduced price meals were taken from the Wisconsin Department of Public Instruction website – www.dpi.wi.gov. This is generally considered to be the best indicator of families in poverty.

15% respectively in 2008, while Bangor was at 25.4% (which illustrates a tendency for more rural districts to have higher poverty numbers).

Neighborhood Deterioration & Crime Patterns

As with tax rate disparities, concentrations of poverty tend to increase the rate of decline for communities and accelerate the formation of other difficult issues, such as code enforcement issues and crime patterns. The City Inspection Department has seen an increase in code enforcement issues in neighborhoods that contain concentrations of poverty, and the Police Department has seen an increase in the crime rates in those areas. It does not take long for those kinds of issues to spread, and unfortunately they are not contained by neighborhood or even municipal boundaries.

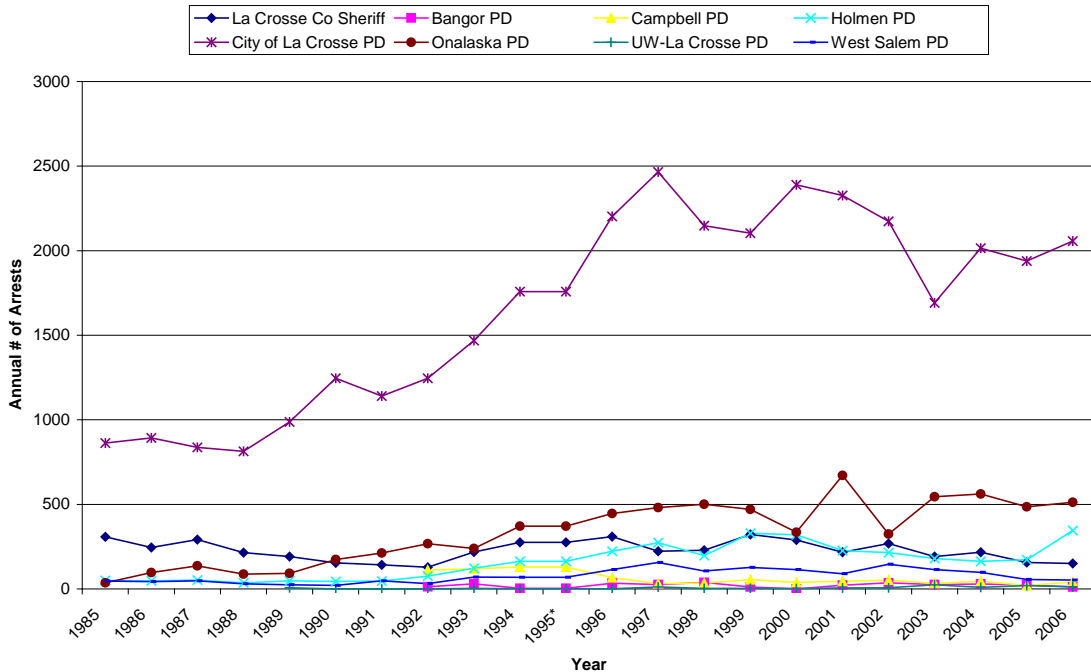
The graph below shows all adult arrests for non violent crimes (also called non index or Part 2). Examples of non violent crimes are: vandalism, fraud, stolen property, weapons laws, drug possessions, OWI’s, etc. Since 1985 (earliest data set available in this form) we see a significant trend within the City of La Crosse. Although arrests also increase in Onalaska and Holmen during the last decade, these municipalities have also experienced an increase in overall population. The City of La Crosse’s population has remained relatively stagnant since the 1950’s, showing an overall population increase of 9% since the 1950 census³.



³ Data source: <http://www.doa.state.wi.us/subcategory.asp?linksubcatid=96&linkcatid=11&linkid=64&locid=9>

Juvenile arrests are tracked independent of adult arrests, but show similar trends for the City of La Crosse when compared to outlying communities:

La Crosse County Total Part II (non index) Juvenile Arrests



It is also noted that during 1989, the UW-La Crosse Police Department was started.

These increased arrest rates add to the demands on the City of La Crosse’s police department. Police Department expenditures within the City of La Crosse have represented the largest single budgetary item each year since 1992, with the exceptions of 1995 and 1999.

Increased Investment in Infrastructure

One of the main effects that sprawling development patterns have on local taxes is that the more we sprawl, the more it costs to build and maintain the infrastructure that serves that development. This is evidenced by the earlier discussion of school referendums. Since our overall enrollment in La Crosse County schools is not increasing greatly, it seems that we are spending a lot of money and building many new schools to serve roughly the same amount of kids.

We also see increased investment in infrastructure reflected in La Crosse County road funding needs. Planners often talk about the inefficiencies of certain sprawling development patterns, only to run into arguments stating that the development is located off of an already existing County Road, which already needs to be plowed and maintained. What many fail to consider is that those roads were not originally built to handle the traffic that sprawling development is now placing on them. This in turn causes a situation in which we need to replace/maintain those roads on a quicker schedule than we had planned for, which causes issues with funding for those road projects. Based upon the County road study that was completed in October 2007, we now have over \$20m of unfunded road needs – for projects that are needed to alleviate traffic congestion and safety concerns. This study implies that our sprawling development pattern is hindering our ability to provide a safe and effective road system, and increasing the investment that all tax payers of the County must make in this road system.

Summary of Challenging Trends

A growing county is not always a healthy county, as the above trends have illustrated. La Crosse County has slowly gotten into a pattern of sprawling development by encouraging growth outside of our urban core. We have made it financially beneficial to move out of the urban core, through lower property taxes, cheaper land, less regulation, highly efficient transportation networks (easy commutes) with free or cheap parking in the urban core, etc. It has also become socially more attractive to move out of the urban core – away from the concentrations of poverty and higher crime, and closer to the new, aesthetically appealing schools and newer, larger housing stock.

Many people may ask, “so what is wrong with people being able to move out to the suburbs to newer, larger housing, and newer, more aesthetic schools?” The answer is that there is nothing wrong with that – as long as those people are continuing to contribute their fair share toward the infrastructure and governmental services that make this community what it is. Unfortunately, our system is not set up to make that happen. Our system is set up for inefficiencies – to overall spend more tax dollars on new infrastructure, a better criminal justice system, and more duplication of efforts, and to lessen our potential for economic development and tourism attraction.

The Need for Regional Solutions

It is time. It is time for regional leaders to come together and discuss innovative, feasible solutions that will help to reverse these trends. We need to look at a variety of solutions that examine our system from the inside out and from the outside in. We need to look at solutions that encourage us to work more together and to gain efficiencies through smart development and smart delivery of services. Above all, we need to make sure that private investment in our communities is a profitable investment – so that those citizens and businesses that invest in our communities are rewarded with both financial gains and a high quality of life.

We need to come together as one region and accept that we have regional issues that need to be dealt with. We need to come together as both public and private organizations and realize that the best way to move forward is not to point fingers, but to accept blame and to work together to correct our issues. We need to reverse these challenging trends and start heading in the right direction toward a future that is filled with economic promise.