



VOLUME 1: PROSPERITY

Technical Analysis Memo | Wabash County Comprehensive Plan

June 2021
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Volume I:
PROSPERITY

Technical Analysis Memo | Wabash County Comprehensive Plan

June 2021

The following outlines the key findings, maps and tables for the various topics related to community and individual prosperity. Topics in this report include economic development, housing and fiscal conditions. This report and its accompanying summary presentations are a summary of the baseline conditions and trends in support of the Wabash County Comprehensive Plan. For questions on this report please contact the project manager for Imagine One 85, Kyle May, senior planner with planning NEXT, at kyle@planning-next.com.

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1. Economic Development

The purpose of the Economic Development Technical Analysis is to provide a common set of facts regarding the performance of the County economy, and the status of its workforce. These facts in addition to interviews, and other targeted analysis are to support the creation of the economic development element for the County Comprehensive Plan.

KEY FINDINGS

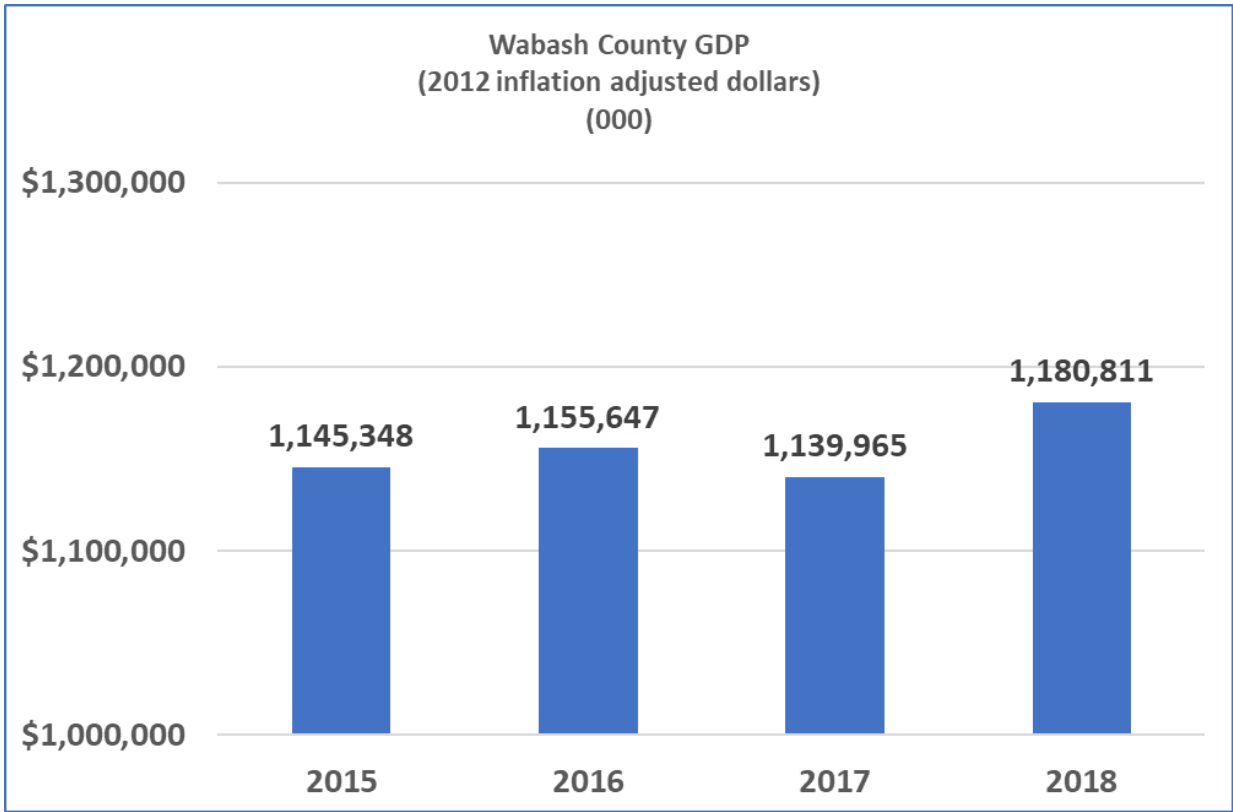
- The economic activity in Wabash County is worth \$1.2 billion and has grown by three percent from 2015.
- There are just over 700 businesses, down from a high point before the 2008 national recession.
- Annual average wages have increased in real terms since 2010 by 10% but lags the state average by \$10,000
- Local labor needs (workforce) are met by the region – and the County’s employment needs (jobs for residents) are also met by the region.
- 22% of county residents commute more than 50 miles for employment
- Workforce in several industries is older than the state of Indiana

A. Size and Performance of the Wabash County Economy

GROSS COUNTY PRODUCT

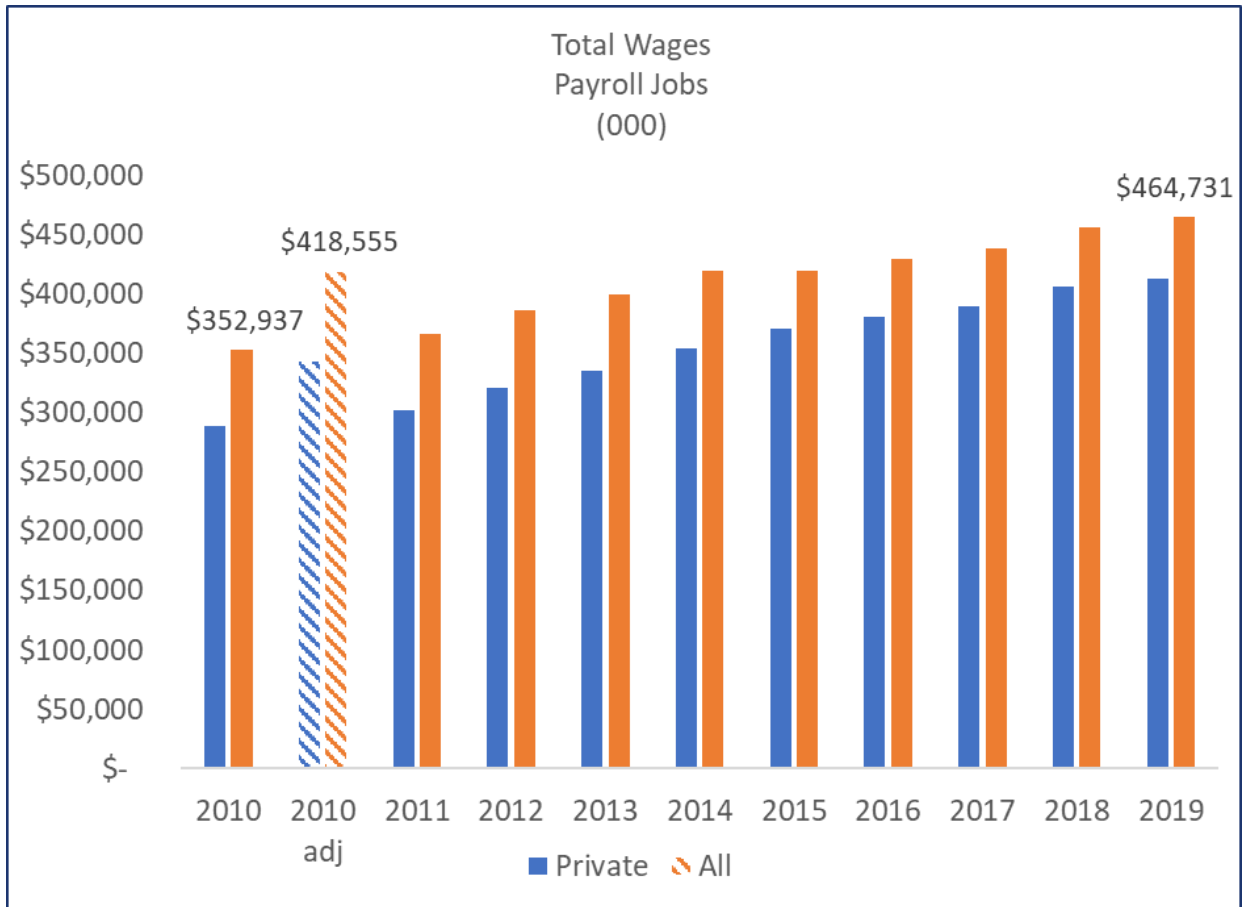
Gross County Product is a way to measure the economic value of the local economy. It is similar in concept to Gross Domestic Product which measures the national economy. Wabash County in 2018 (latest year available) had a gross county product of approximately \$1.2 billion. In terms of county economies in Indiana it ranks 50th approximately the same size as Whitley County.

Since 2015 the economy has grown on an inflation adjusted basis by \$35m or 3%. By comparison Indiana’s economy grew by 14% during that time same period.



TOTAL WAGES

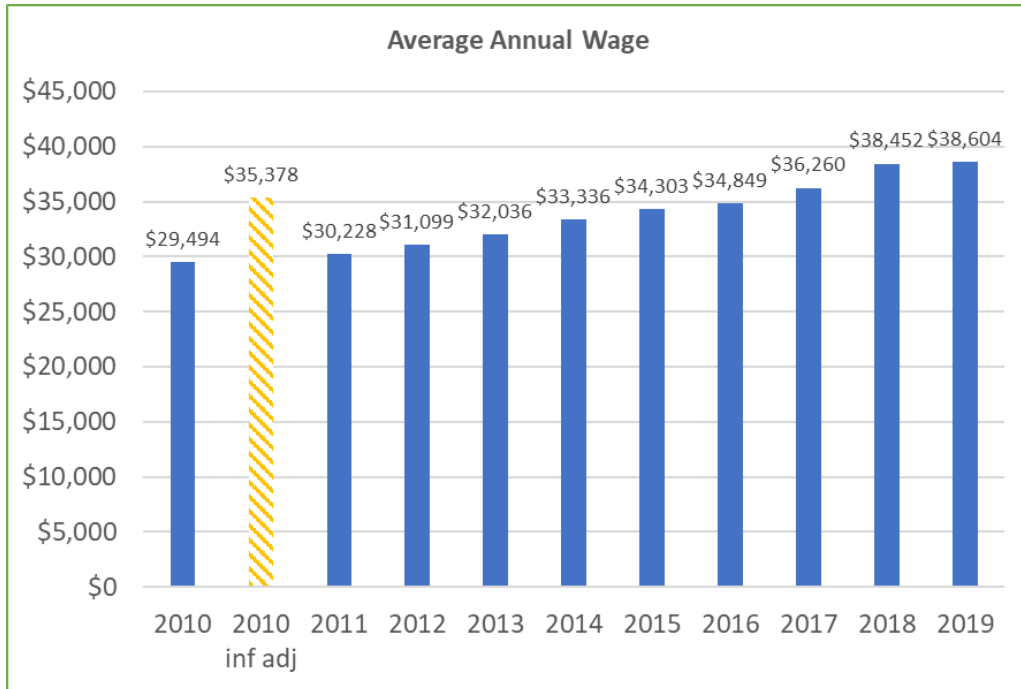
Total payroll wages in the county totaled \$464 million in 2019. Wages in the county have continued to grow over the last decade. On an inflation adjusted total wages in real terms are up by approximately \$46 million over the decade.



Source: BLS QCEW Wages; BLS CPI Inflation Calculator

AVERAGE ANNUAL WAGES

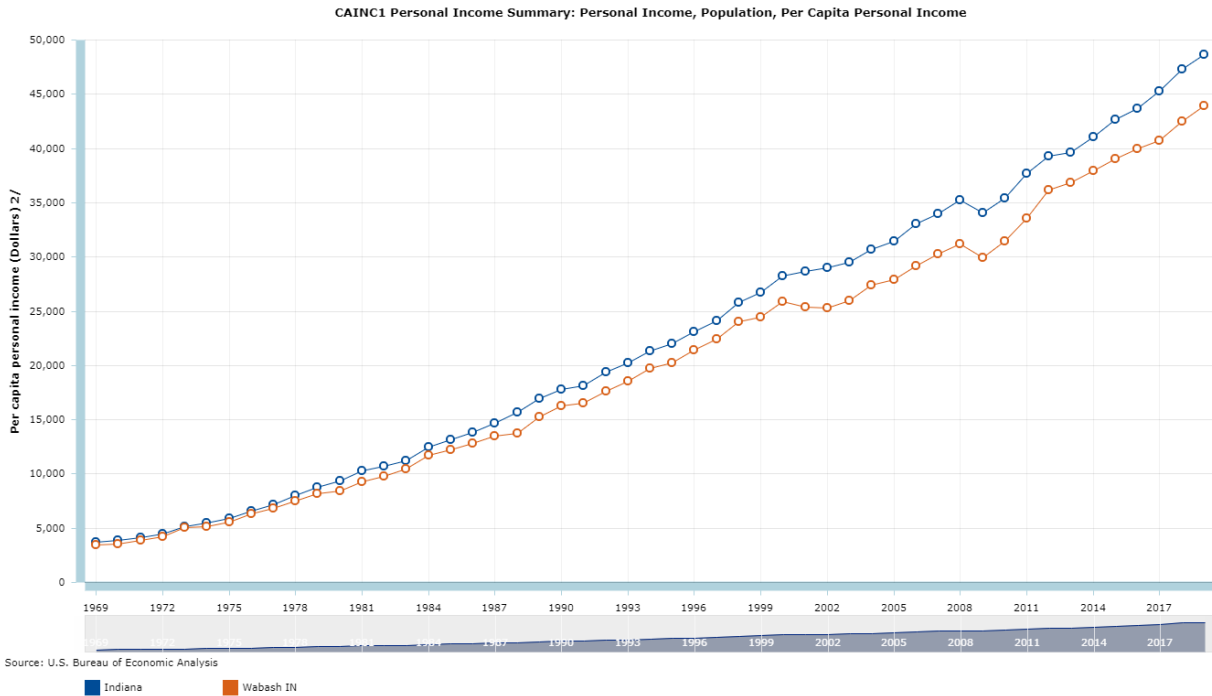
Average annual wage in the county for 2019 equaled \$38,604. Wages in the county have continued to grow over the last decade. On an inflation adjusted basis the \$29,494 in 2010 is equivalent to approximately \$35,000 today. Wages in real terms are up by approximately \$3,000 or approximately 10% over the decade. Wages, however, are about \$10k lower than the statewide average.



Source: BLS QCEW Wages; BLS CPI Inflation Calculator

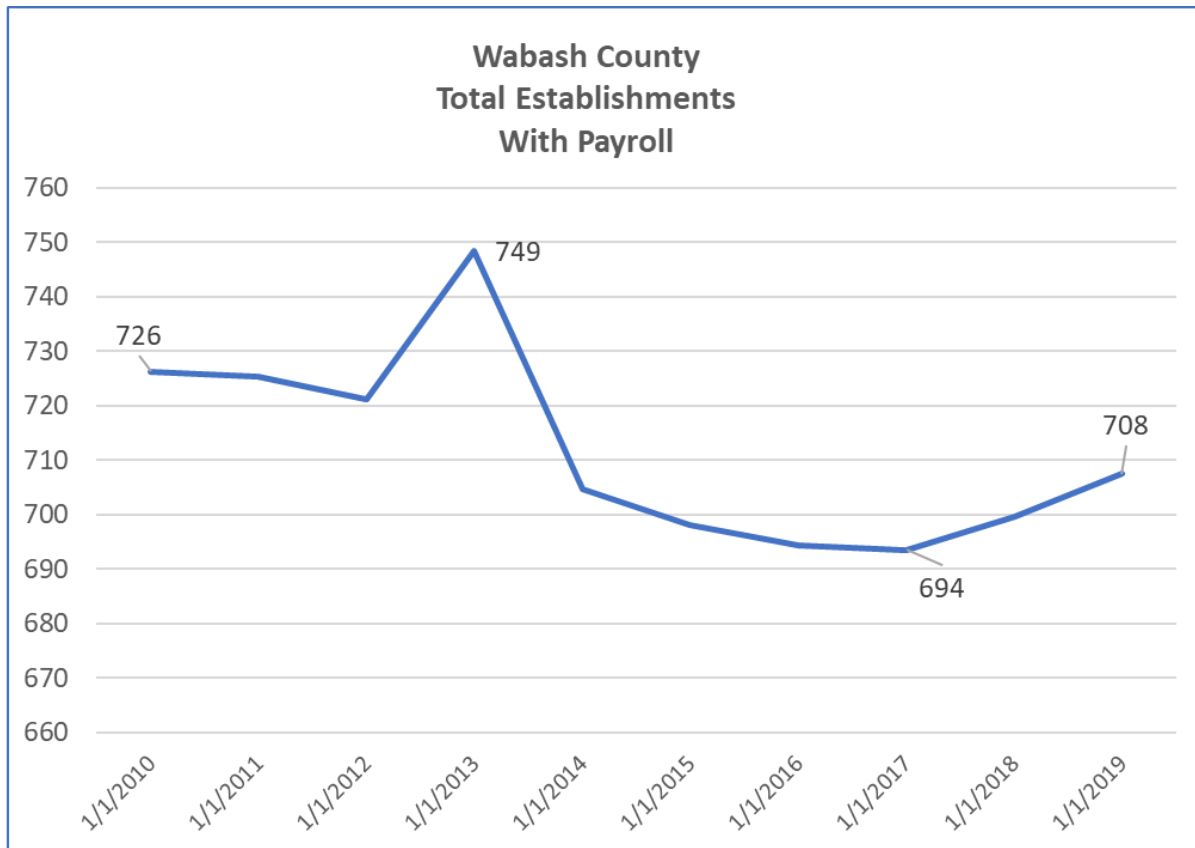
PERSONAL INCOME PER CAPITA

Personal income, as measured on a per capita basis, has grown steadily after the 2008 national recession. The county trails state averages but grew faster between 2018 and 2019.



ESTABLISHMENTS

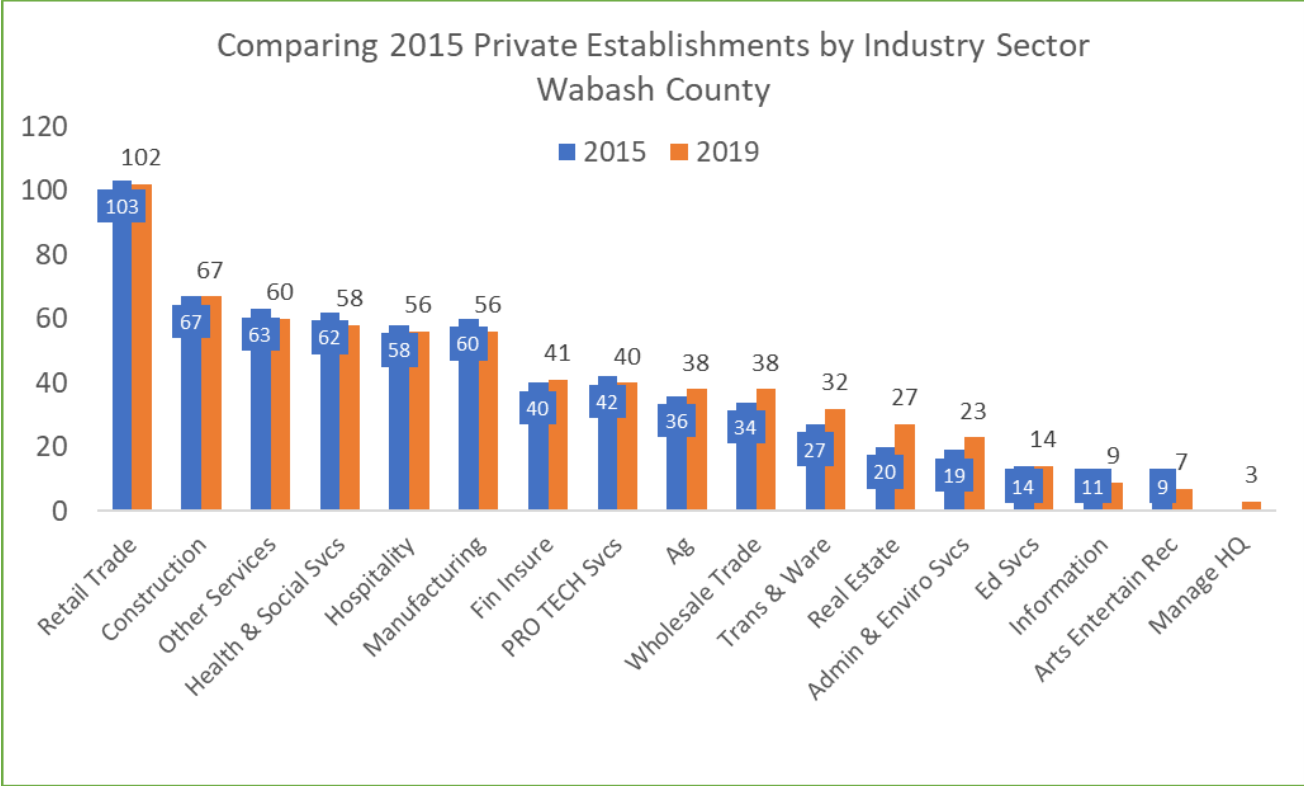
Business establishments are used as a proxy for businesses. Establishments are locations that are recorded for purposes of unemployment insurance and payroll taxes. Establishment counts provides a method to track over time business formation and losses. Based on this data Wabash County has fewer establishments than after the Great Recession. The large gain in 2013 reflects a spike in retail and professional services businesses. For context, the peak number of establishments for Wabash County in the 21st century was 2003 with 771 establishments.



Source: St Louis Fed FRED statistics series

In terms of establishments retail trade in 2019 was by far the largest sector, 66% larger than the next group - construction.

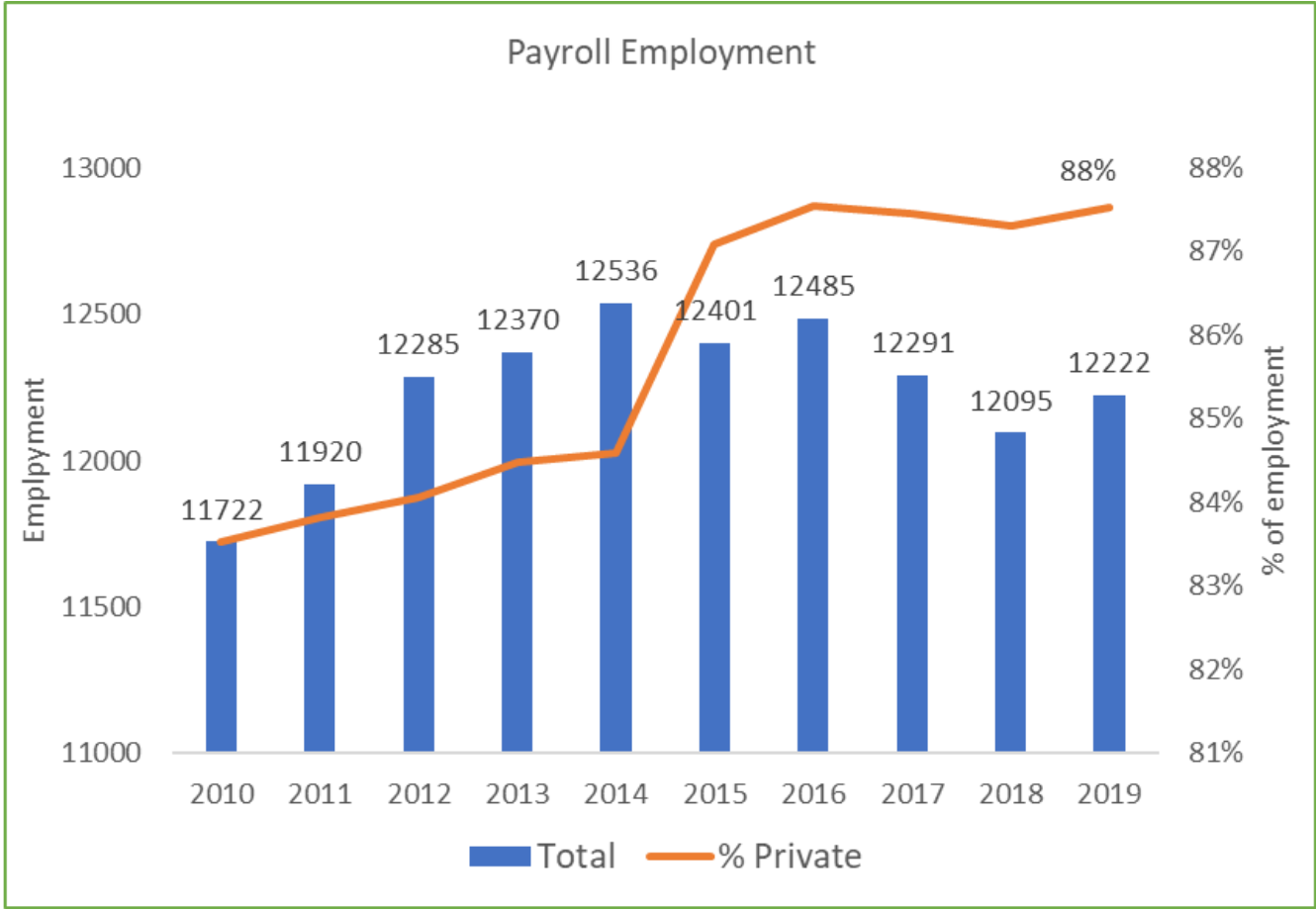
Tracking establishment change by sector can be useful to understand what changes are taking place. Chart – compares 2015 to 2019. For most industries there has been very little change. No industry sector has seen double digit growth in establishments. Transportation and Warehousing (Trans & Ware on the graph), Wholesale Trade, and Real estate have shown some establishment growth. Business headquarters and operations (ManageHQ) emerged as an area in 2019. However, this may be the result of a reclassification from another industry sector.



Source: STATS Indiana, using Indiana Department of Workforce Development data aggregated by the Indiana Business Research Center

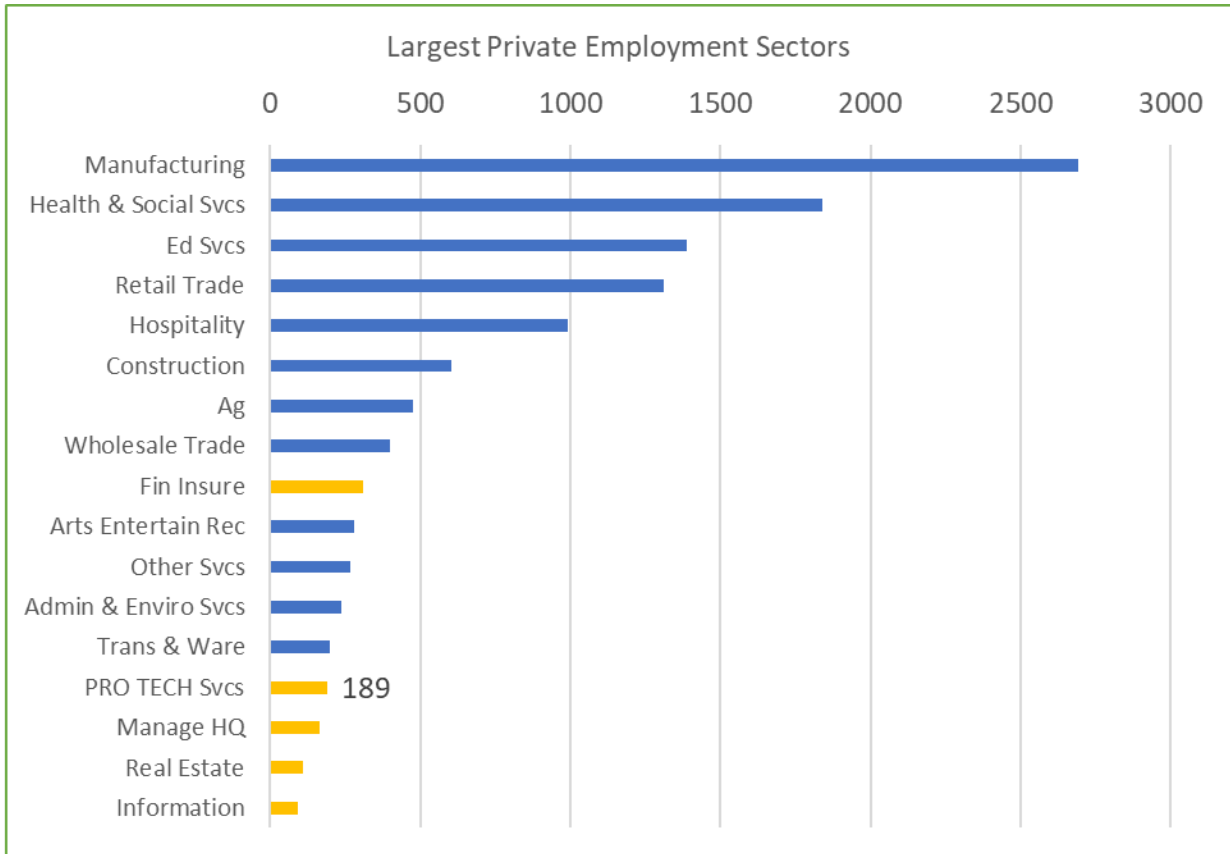
Employment

There are two considerations for measuring employment. The primary source is known as payroll employment which are jobs tied to the unemployment insurance. The other source of employment is self-employment. Wabash County is home to over 12,000 payroll jobs. Private employment represents 89% of all employment in the county, up from 83% in 2010. Employment is down from its peak in 2014. Government employment during this period declined by over 400 jobs.



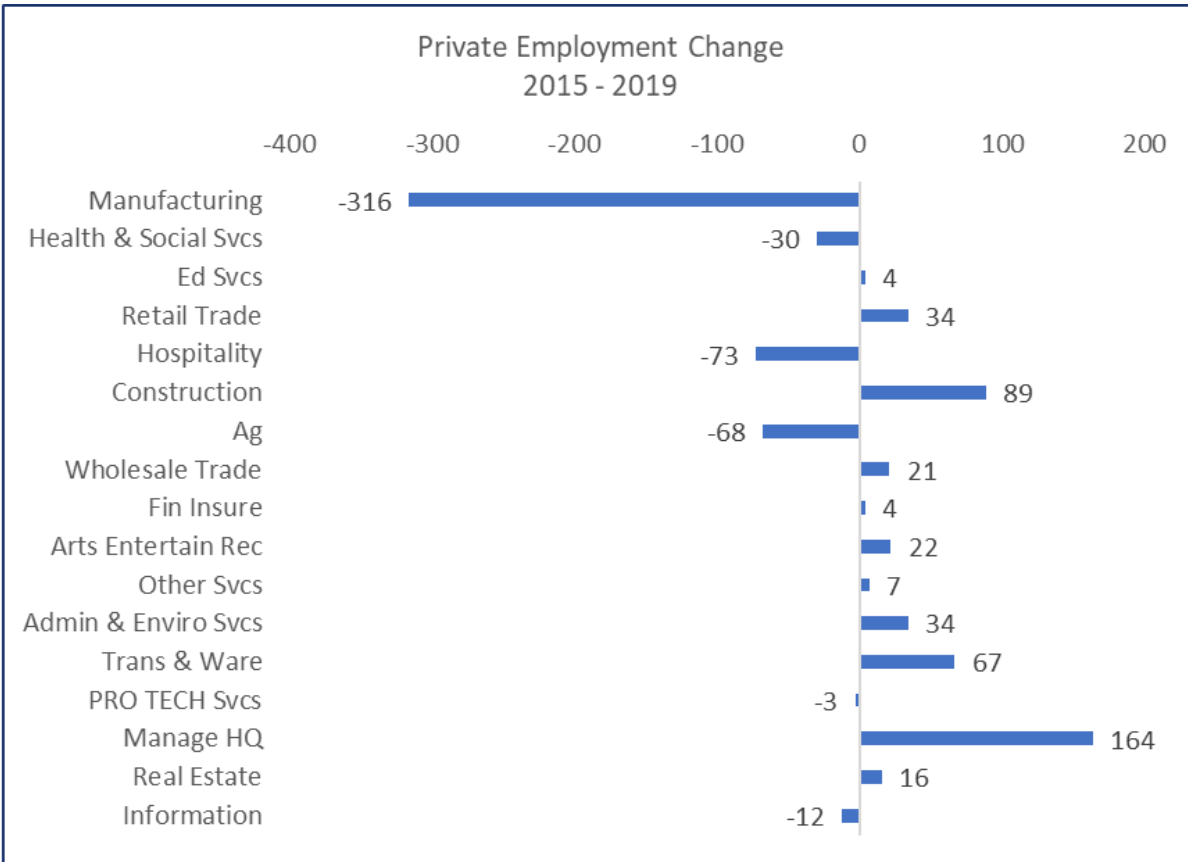
Source: BLS.gov

Manufacturing and “Eds and Meds” represent over 50% of private employment in the county. Manufacturing represents 23% of private employment. While no single sector of professional-type services (highlighted in orange) represents a large percentage of employment, collectively they represent over 860 jobs in the county.



Source: BLS.gov QCEW Series

Since 2015 manufacturing employment is down by almost 11% (316 jobs). Some of the loss in manufacturing employment may be related to a reclassification of companies from manufacturing to Management of Companies and Enterprises (ManageHQ) which became a data point for Wabash County in 2017.



Source: BLS.gov QCEW Series

Self-employment is a critical component of the Wabash County economy. Including self-employment means Wabash County contains over 16,000 jobs. Self-employment is 22% of the total job base and 25% of the total wage base. Self-employment is a critical element of several key industries

- Agriculture / Farming represents about 16% of the self-employment and 33% of the self-employment income.
- Adding professional technical self-employment more than doubles the 189 payroll-based professional technical employment.

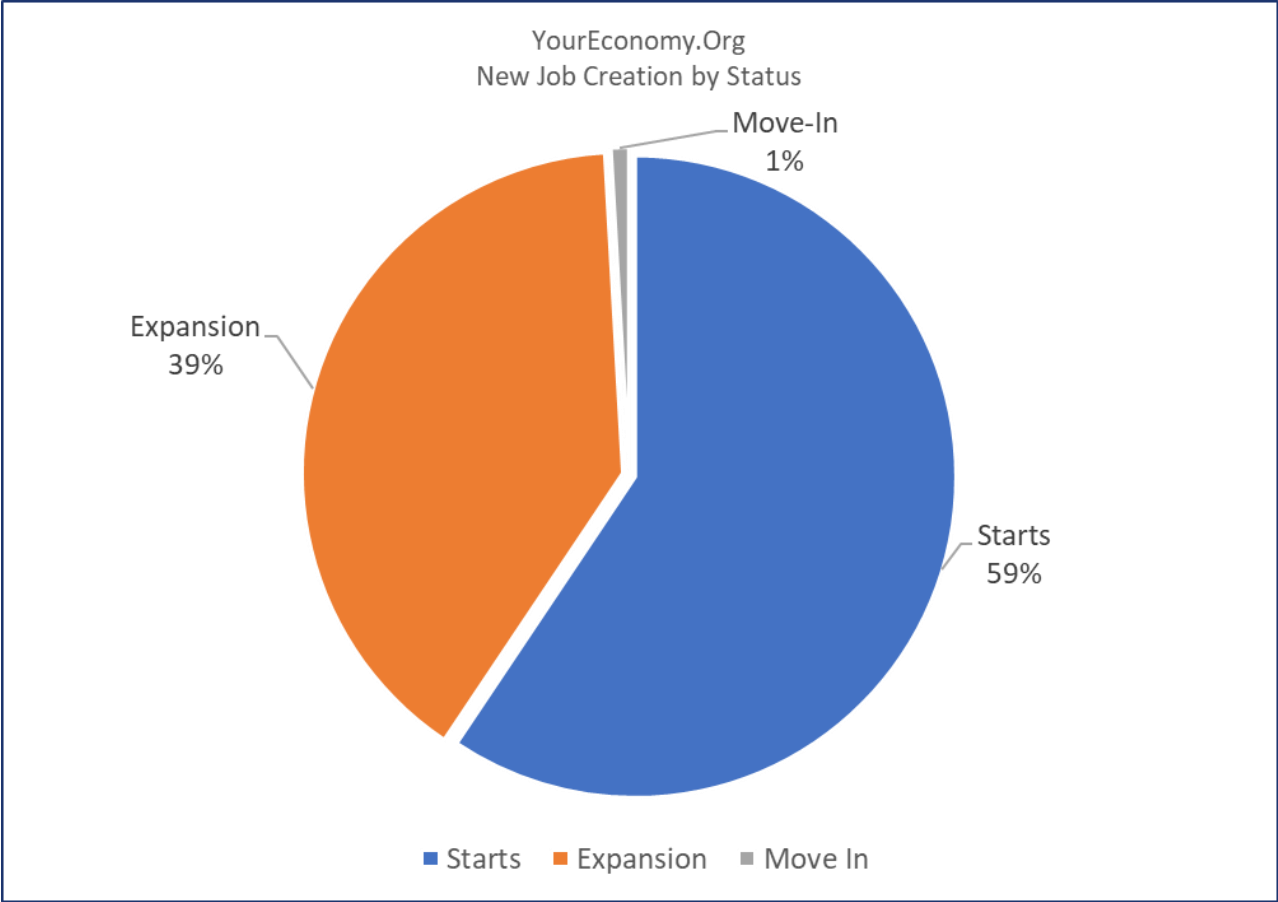


Source: Estimated from Bureau of Economic Analysis and YourEconomy.org

Sources of Employment growth

YourEconomy.org is a research organization based at the University of Wisconsin. It utilizes data sources such as Dun and Bradstreet to track business starts, closures and expansions. Based on its analysis 59% of job creation has been based on new business starts. Thirty nine percent has been based on expansions of existing businesses. One percent of new job creation has been from businesses moving into the County.

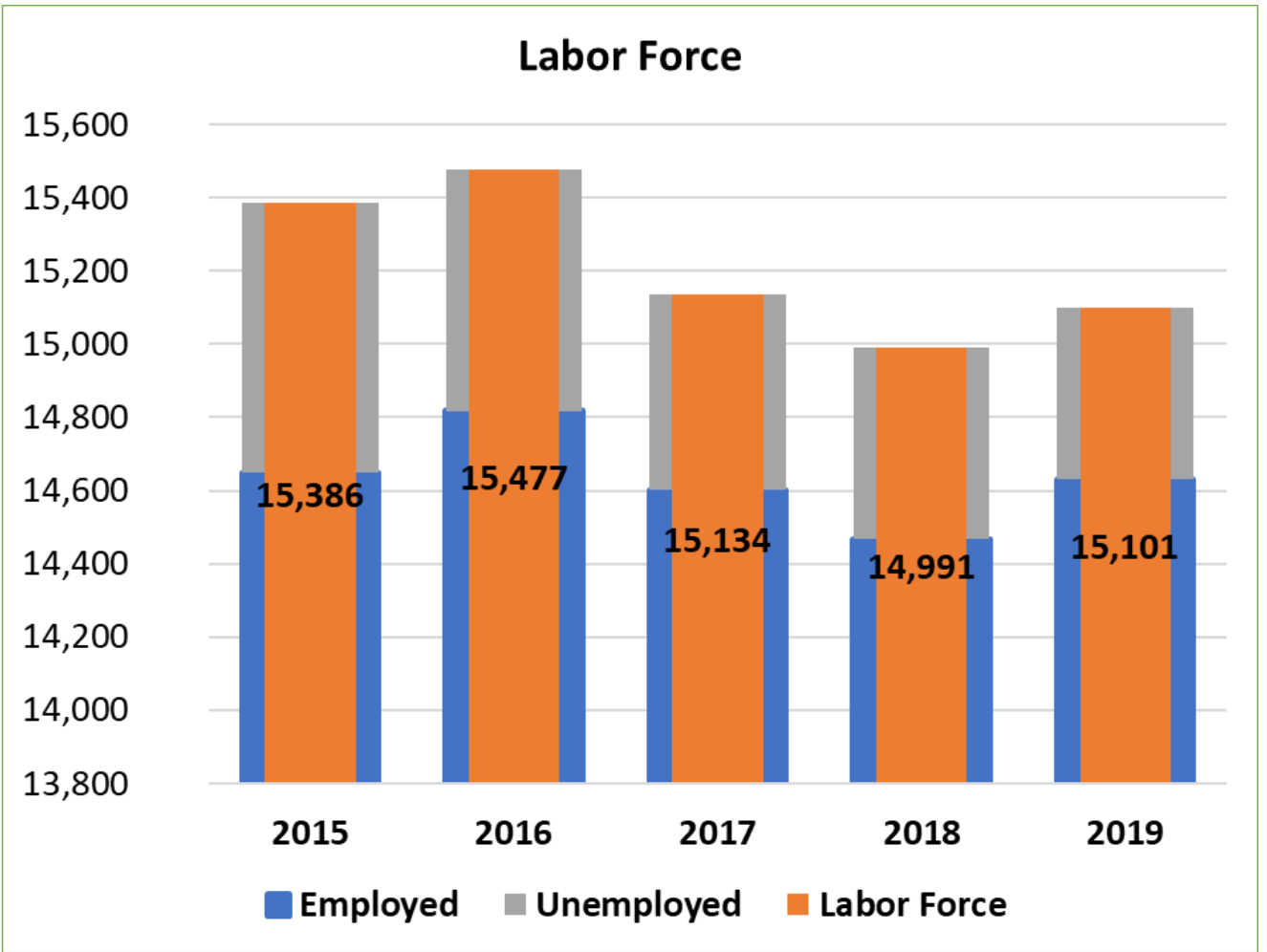
It is important to note that this does not represent net job growth but sources of new job creation.



B. County Workforce

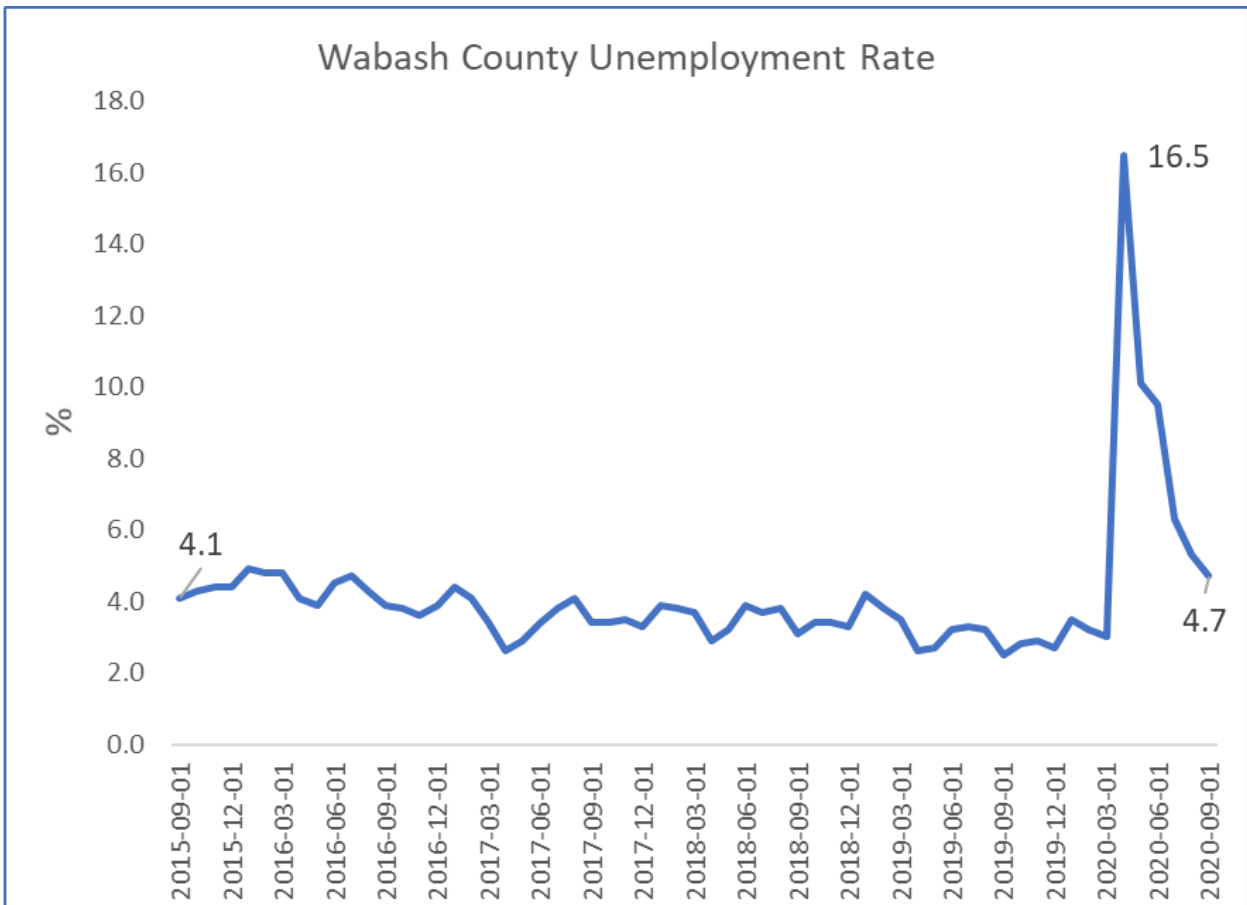
LABOR FORCE

The Wabash County labor force is approximately 15,000. Since 2015 the labor force has been steadily shrinking down approximately 2%.



Source: STATS Indiana, using Indiana Department of Workforce Development data aggregated by the Indiana Business Research Center

Prior to COVID the County’s unemployment rate from September 2015 to February 2020 averaged 3.6%. The COVID shutdowns drove unemployment up to 16.5%. The unemployment rate has since fallen from this peak to the levels of 2015.

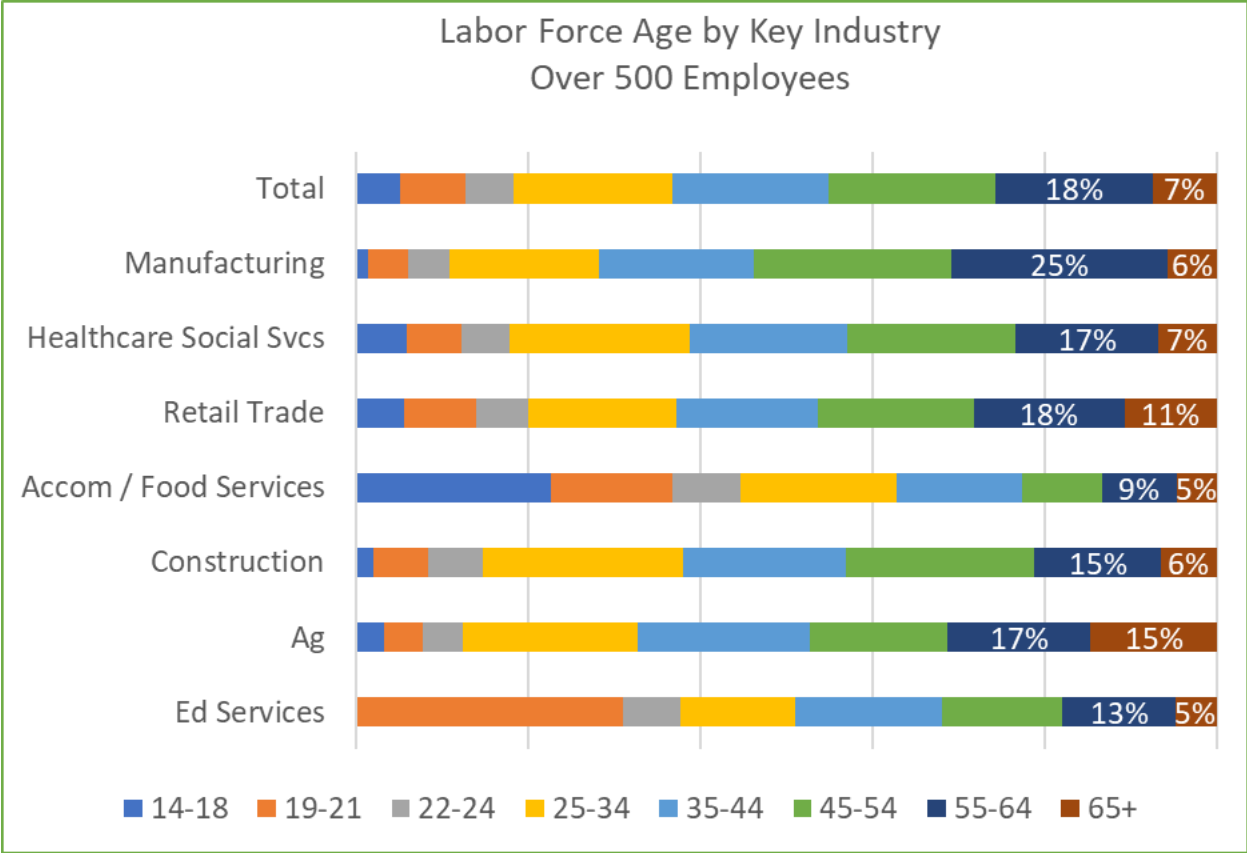


Source: BLS unemployment

WORKFORCE AGE

Several key industries have rapidly aging workforces. Overall, 26% of the County’s jobs are held by people over the age of 55. For industries such as manufacturing or agriculture over 55 represents more than 30% of the workforce. Statewide 25% of the manufacturing workforce is over the age of 55

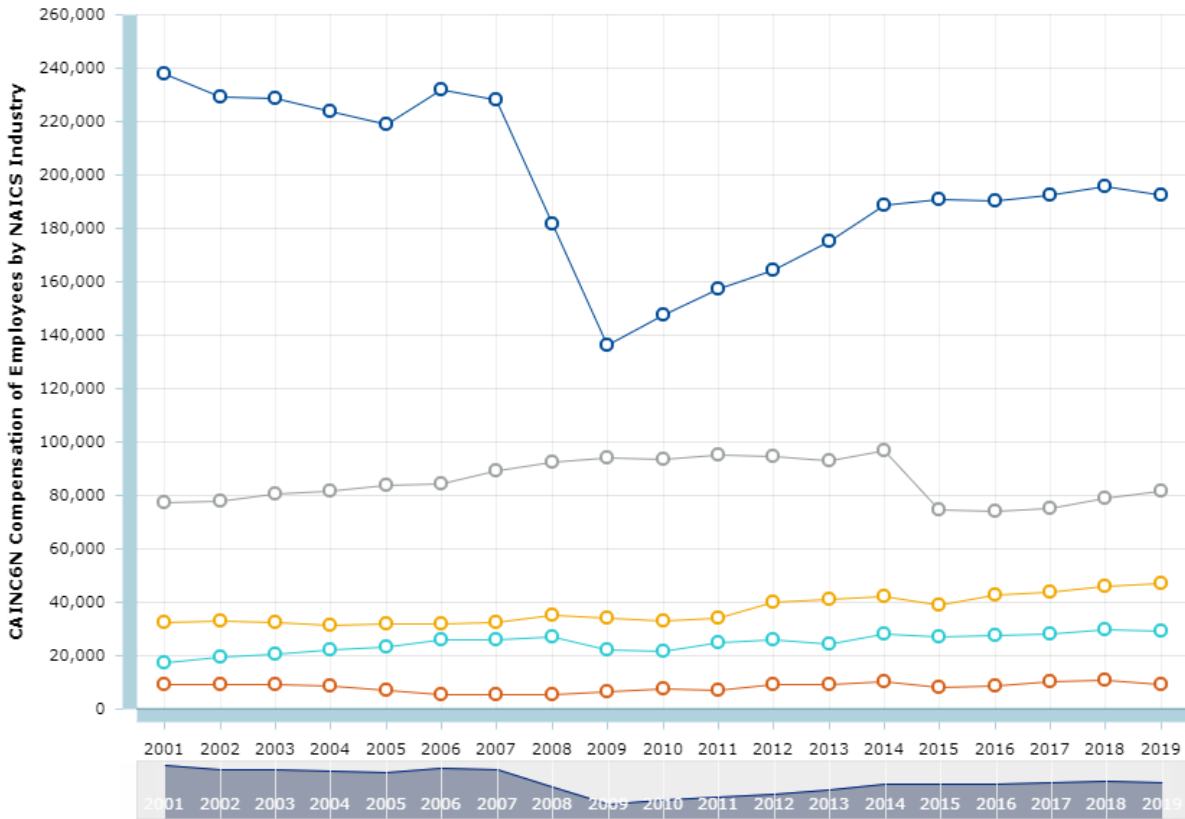
The aging of the manufacturing workforce is a critical issue for the County. Manufacturing represents 36% of the private sector wage base and 23% of private sector employment. Some of these jobs may be replaced automation. However, not all jobs will be and the inability to replace those employees may be a challenge for the county’s manufacturing sector in the future.



Source: NP analysis of LEHD data

The manufacturing sector has the highest compensation of all major employment sectors in the county. Total wages recovered from a sharp decline around the 2008 national recession and have outpaced every other major sector since. These collective sub-sectors, however, are the most elastic of the major sectors as indicated by the precipitous, 40% decline between 2007 and 2009.

CAINC6N Compensation of Employees by NAICS Industry

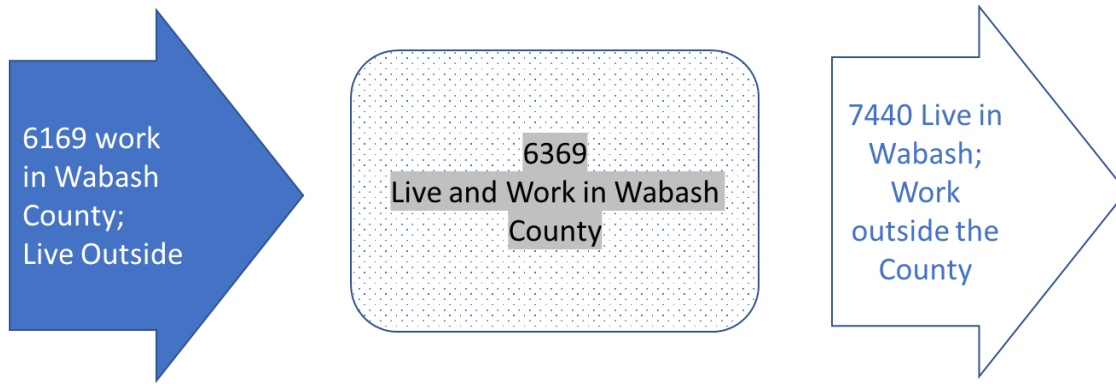


Source: U.S. Bureau of Economic Analysis

- Manufacturing [Wabash IN]
- Farm compensation [Wabash IN]
- Wholesale trade [Wabash IN]
- Retail trade [Wabash IN]
- Government and government enterprises [Wabash IN]

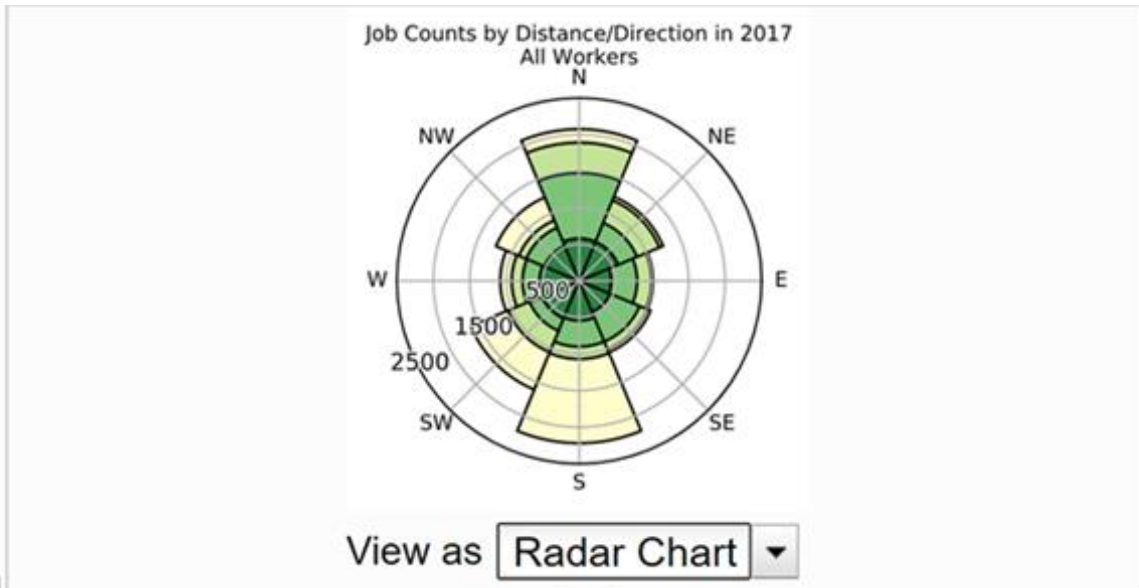
WORKFORCE & COMMUTING

Of the County’s approximately 12,000 jobs, more than half are held by residents of the county with the remainder of the jobs filled by people outside the county. 54% of the County’s employed labor force leaves the county for employment



Source: U.S. Census Bureau, Center for Economic Studies, <https://onthemap.ces.census.gov>

For private primary jobs more than 37% of county residents commute more than 25 miles for work, and nearly 22% commute over 50 miles. For those who have the longest commutes – most of those commuters find employment south of the county.



Jobs by Distance - Home Census Block to Work Census Block

	2017	
	Count	Share
Total Private Primary Jobs	11,530	100.0%
■ Less than 10 miles	4,224	36.6%
■ 10 to 24 miles	3,008	26.1%
■ 25 to 50 miles	1,794	15.6%
■ Greater than 50 miles	2,504	21.7%

Source: U.S. Census Bureau, Center for Economic Studies, <https://onthemap.ces.census.gov>

2. FISCAL CAPACITY

Understanding the fiscal environment is critical to realistic, actionable, long-range planning. This chapter provides an overview of the current tax and revenue structure of Wabash County and its municipalities to understand the tools available to support the planning process.

KEY FINDINGS

- Major sources of local revenue are property taxes and income taxes.
- Wabash County has experienced little recent growth in its property tax base, which puts pressure on property tax rates and the ability to fund public services.
- Circuit breaker impacts are relatively low in most of the county but are an emerging issue for the Wabash Civil City.
- Wabash County has prioritized the local income tax in its fiscal policy. The county has seen significant recent income tax revenue growth.
- The current income tax rate is near the statutory maximum for budgetary revenues, leaving little capacity for rate growth.
- Untapped revenue streams such as the Food and Beverage Tax and Wheel Tax/Surtax could generate revenue for future capital projects.

A. Property Tax

The local property tax is an important source of funding for counties, cities, and schools in Indiana

PROPERTY TAX OVERVIEW

Local property taxes are a primary source of revenue for Indiana counties and municipalities. Property taxes are authorized and administered by IC 6-1.1. Counties, townships, schools, municipalities, and libraries are among the governmental units authorized to levy a property tax. Property taxes can be allocated to fund general (operational) and capital needs and can be used to pay the debt service on bonds.

Property tax rates are determined by dividing the requested levy (subject to statutory controls) by the tax base. Indiana has instituted a unique property tax rate control scheme by enacting a series of property tax rate caps:

- 1% of assessed value for owner-occupied residential properties
- 2% of assessed value for non-owner occupied residential, long term care, and agricultural land.
- 3% of assessed value for non-residential property.

These rate caps provide more predictability for taxpayers but increase revenue uncertainty for taxing units, underscoring the need for careful analysis in fiscal planning.

PROPERTY TAX BASE HISTORY

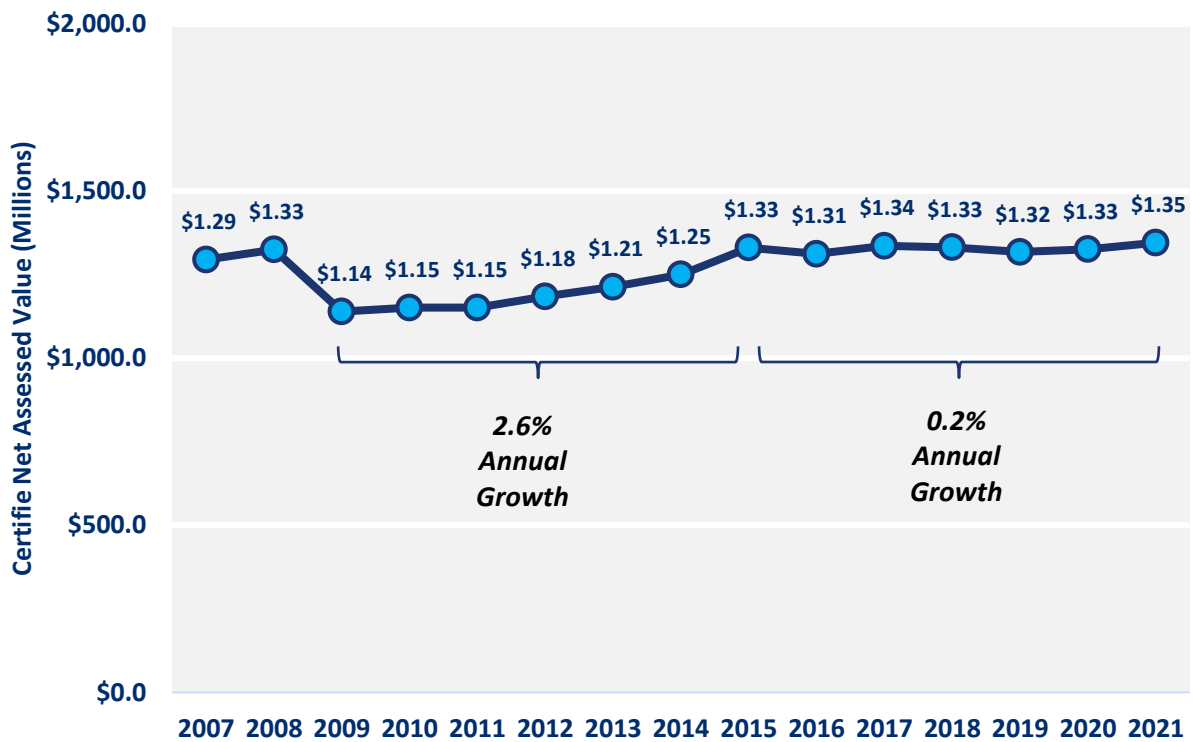
The tax base is the total value of taxable property within a given taxing jurisdiction. In Indiana, the tax base is comprised of two property classes:

- **Real Property:** The market value in use of land and lots, buildings, dwellings, and other improvements.
- **Personal Property:** The depreciated value of eligible plant, equipment, and fixtures, primarily within commercial and industrial operations.

Change in the tax base determines the level of increase in property tax revenues without incurring an increase in the property tax rate. The tax base is an integral component of the property tax revenue capacity of a given taxing jurisdiction.

The Wabash County tax base increased at a rate of 2.6% annually between 2009 and 2015. However, tax base growth has slowed substantially since 2015. Between 2015 and 2021, the rate of growth was only 0.2% annually. The slow rate of change of the tax base presents a challenge for local fiscal leaders to overcome.

Wabash County Certified Net AV History

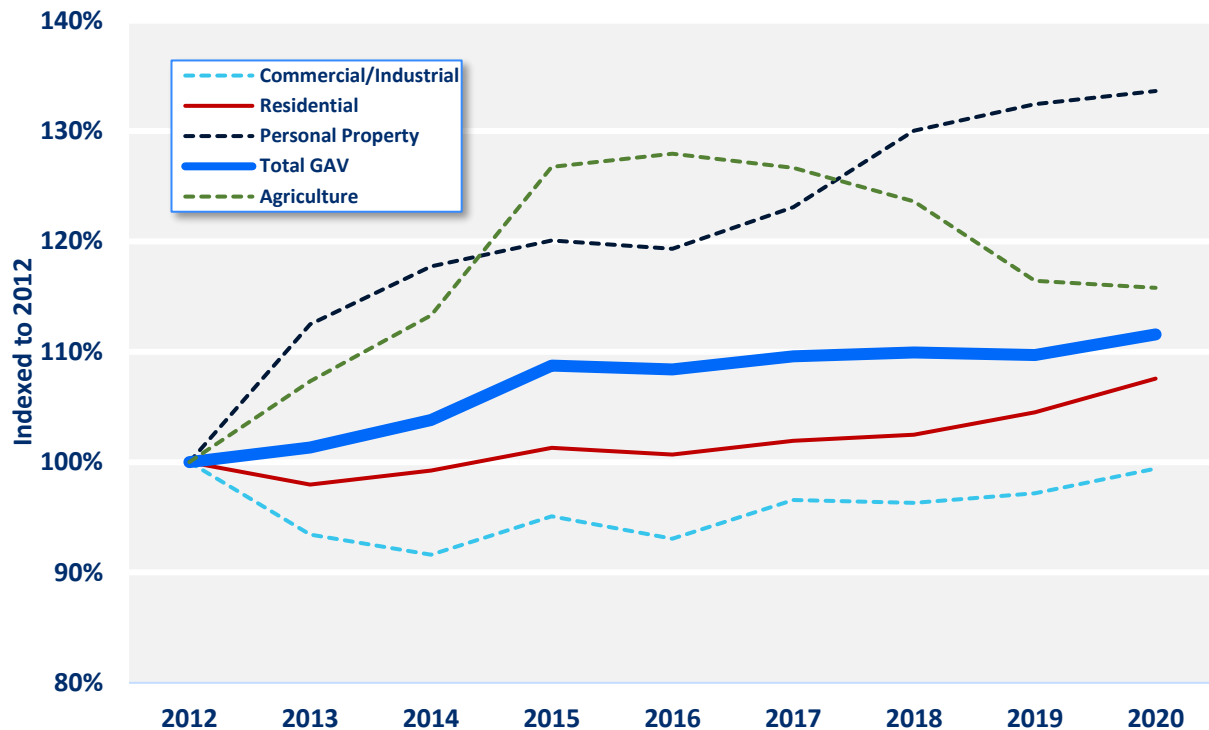


ASSESSED VALUE BY PROPERTY CLASS

Analyzing the tax base change by property class provides insight into the dynamics of the changing economic conditions within Wabash County. Figure X shows the difference in assessed value by property classification, indexed to 2012. These trends are summarized as follows.

- **Residential:** Residential assessed value decreased between 2012 and 2013 in the wake of the 2008 national recession before recovering slowly over the next few years. Growth was minimal until 2018. Between 2018 and 2020, residential assessed values increased by nearly 10%.
- **Commercial/Industrial:** Non-residential property was also affected by the 2008 recession, decreasing by nearly 10% between 2012 and 2014. The commercial tax base recovered slowly after that, almost reaching 2012 levels by 2020.
- **Personal Property:** Depreciable personal property has experienced the fastest growth rate, increasing by nearly 40% over eight years. While this is the fastest growing segment of the tax base, it is also the smallest in overall assessed value.
- **Agricultural:** Agricultural land is assessed using as prescribed in Indiana law. The methodology to assess agricultural land was changed in 2015, resulting in a reduction of farmland valuation throughout the State. Wabash County has been significantly impacted by this change, as agricultural assessed value has been reduced between 2015 and 2020.

Wabash County Gross Assessed Value by Property Class; Indexed to



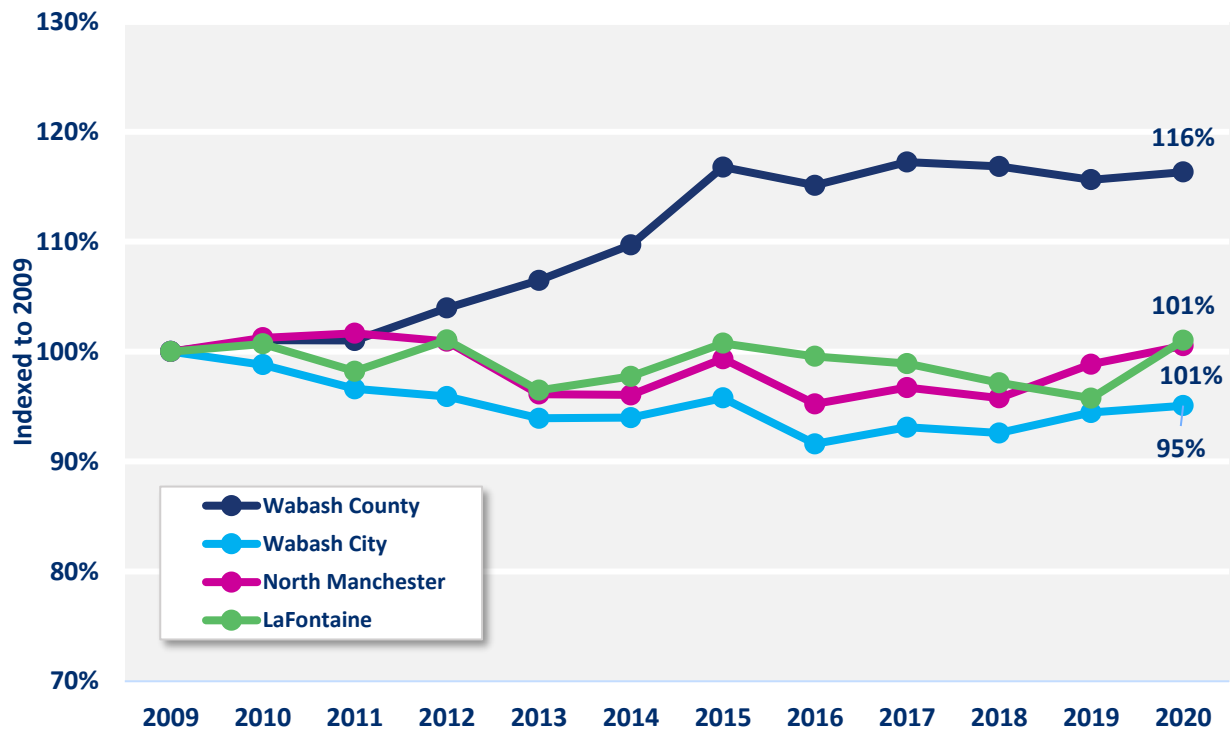
ASSESSED VALUE BY CORPORATION

A review of assessed value change by geography shows that most of the past decade's tax base growth occurred within unincorporated areas. Assessed values within the three largest municipalities, Wabash City, North Manchester, and Lafontaine, increased only marginally between 2009 and 2020. In Wabash City, the 2020 tax base remained 5% below the 2009 level.

The lack of tax base growth within municipalities is likely caused by the decreasing valuations of commercial and industrial property after the 2008 recession. This tax base component is often concentrated in municipalities and showed a significant downward trend in 2020.

Unincorporated Wabash County showed the greatest tax base growth over the period of analysis. However, the entirety of the tax base increase occurred between 2009 and 2015 and is strongly correlated with increased agricultural assessed values. The change in the methodology for calculating the agricultural base rate arrested the growth of the tax base after 2016.

Wabash County Certified Net Assessed Value by Civil Corporation; Indexed to 2009



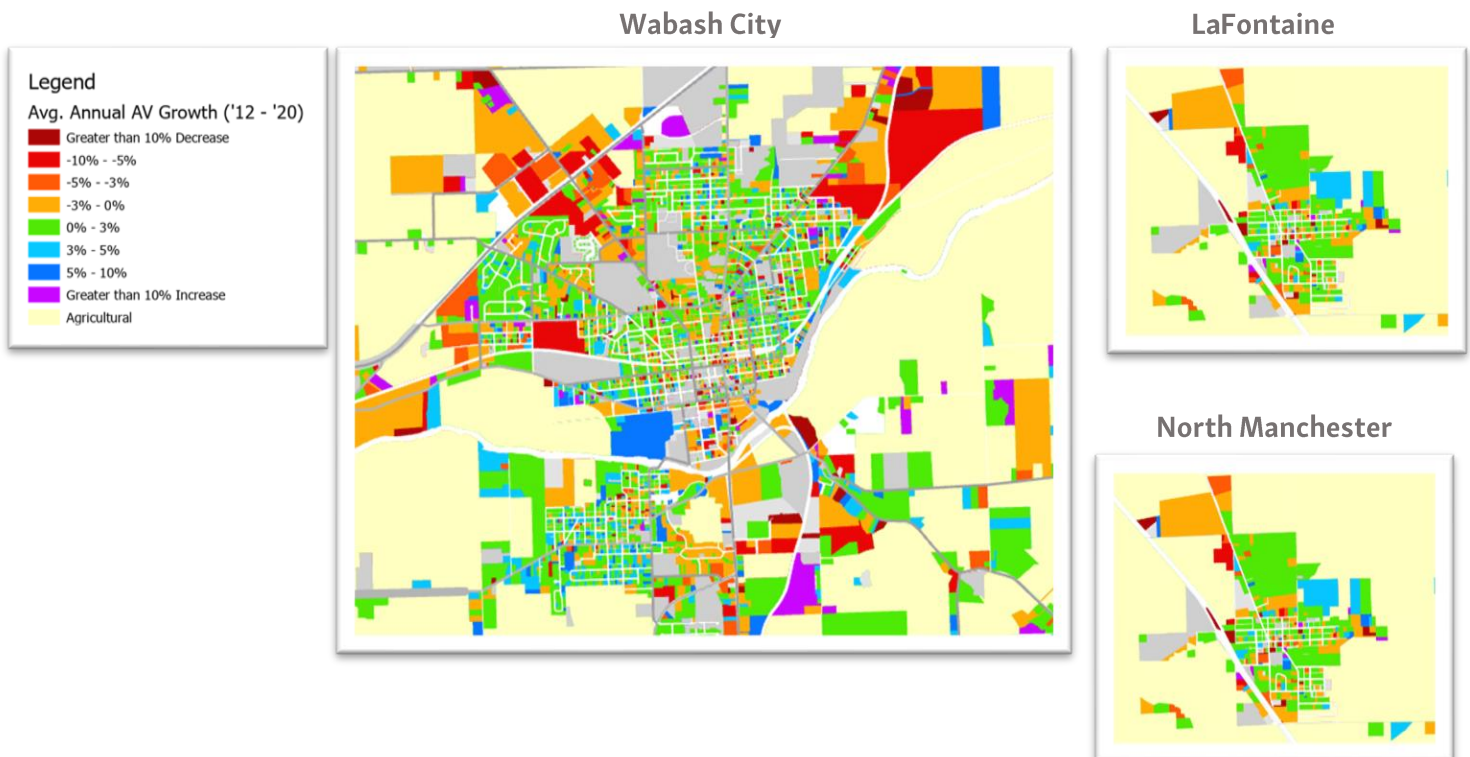
PARCEL LEVEL ASSESSED VALUE CHANGE

A parcel-level analysis of assessed value trends reinforces the broader conclusion of the time series review. Figure below shows parcel-level assessed value changes between 2012 and 2020 for the largest Wabash County municipalities. The analysis demonstrates that most small lot residential properties exhibited very modest (1%-3%) growth throughout the analysis.

Many large-sized commercial and industrial properties experienced decreases in assessed valuation over the time period. Very few properties experienced valuation growth over 3% annually.

Limited assessed value growth can provide consistency and predictability in tax liability for taxpayers, but it limits the ability of governmental units to provide services without increasing rates. Further, if assessed value is correctly calibrated with market value, a lack of property valuation increase indicates little capital appreciation for property owners.

Parcel Level Assessed Value Change for Municipal Units



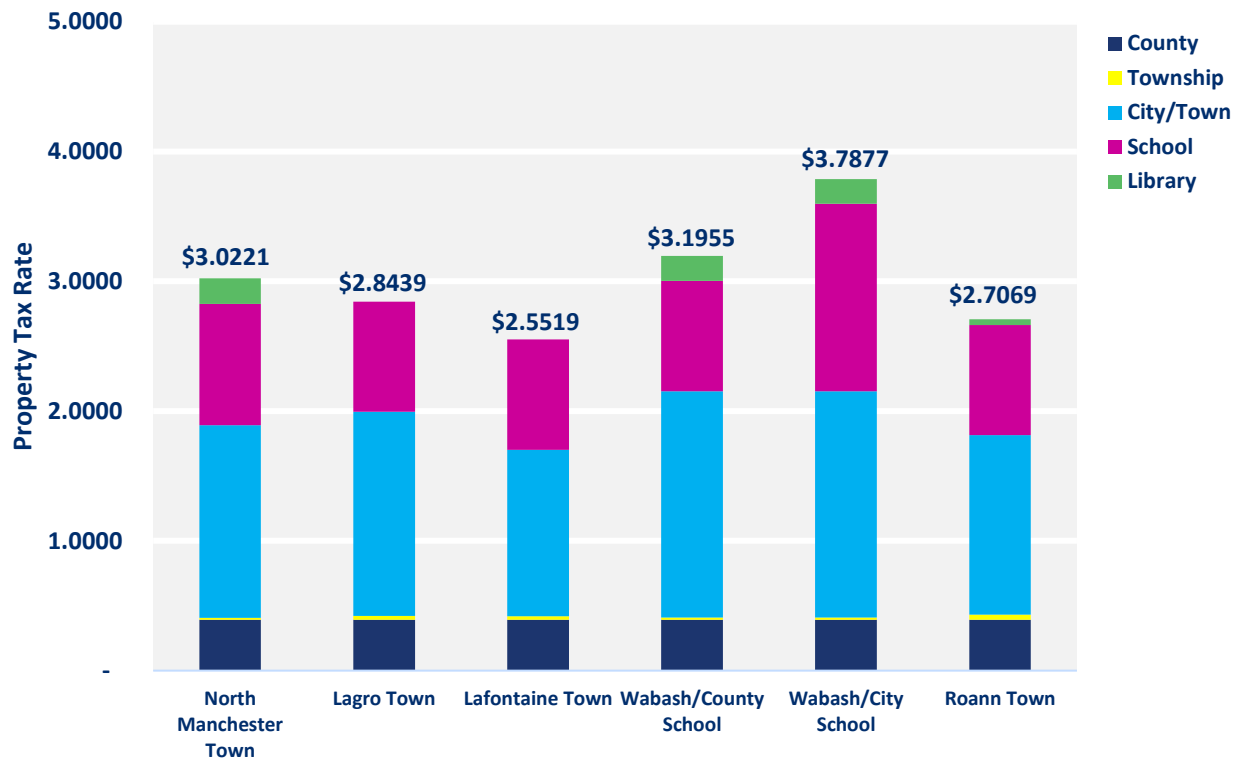
PROPERTY TAX RATES

The property tax rates for incorporated areas within Wabash County range from \$2.5519 in Lafontaine Town to \$3.7877 in the portion of Wabash City served by Wabash City Schools. The municipal rates and the school rates make up the largest portion of the total tax rates.

Property tax rates that exceed \$3.00 per \$100 in assessed value, like those found in Wabash and North Manchester, would typically lead to high levels of circuit breaker loss. However, Wabash County has enacted a substantial income tax-based property tax relief program. This program discounts gross property tax rates by approximately 27% for homesteads, 17% for non-homestead residential properties, and 5% for commercial properties.

The property tax relief income tax provides additional capacity for municipal areas with higher property tax rates.

Property Tax Rates for Incorporated Areas (Tax Year 2020)

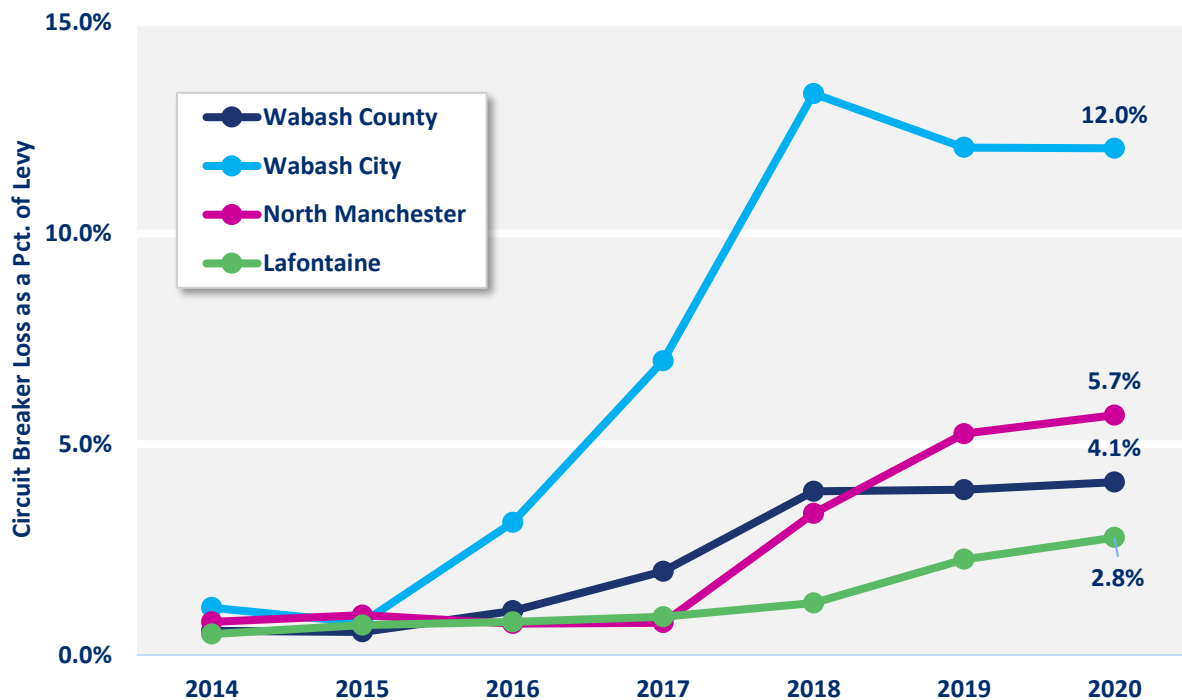


CIRCUIT BREAKER LOSS

In Indiana, property tax rate caps limit property tax liability to a certain percentage of a property's gross assessed value. If the gross liability charged exceeds the allowable amount under the rate cap, the excess is credited to the taxpayer. A circuit breaker credit is an "unfunded" credit, meaning that a credit (tax bill reduction) to taxpayers equates to a revenue loss for taxing units.

Circuit breaker losses for the County and largest municipalities range from very low (2.8% of certified levy) in Lafontaine to high (12% of certified levy) in the City of Wabash. Historically, circuit breaker losses were very low across the board but have increased consistently since 2016. This increase is attributable to two main factors. First, circuit breaker losses increase if certified levies increase at a faster rate than the tax base. An implication of the slow rate of growth in the Wabash County tax base is increasing circuit breaker losses. Secondly, over time, Wabash County has reduced the allocation of resources to the local property tax relief credit funded by the income tax. While this decision allocates more revenue to other income tax components, it raises the effective property tax rate, leading to increased circuit breaker losses.

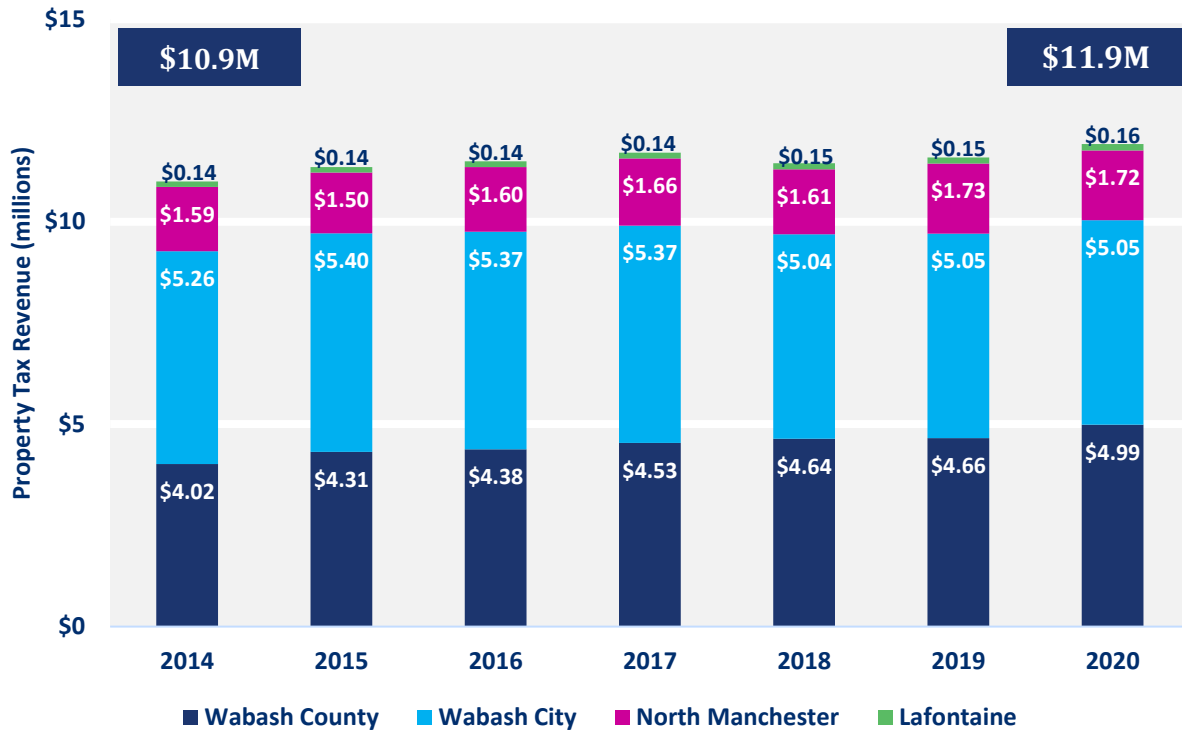
Circuit Breaker Loss as a Percentage of Total Levy (2020)



NET PROPERTY TAX REVENUE

The dual dynamics of slow tax base growth and increasing circuit break losses have resulted in limited growth in property tax revenue over the period of analysis. Property tax revenues for Wabash County and the four largest municipalities totaled \$10.9 million in 2014. By 2021, net property tax revenues had increased to 11.9M, an average growth rate of less than 1% annually.

Net Property Tax Revenue



B. Local Income Tax

Wabash County has prioritized the local income tax in its fiscal policy, making it a key policy variable for future planning.

LOCAL INCOME TAX OVERVIEW

The local income tax is the second of the two major sources of revenue for local taxing units in Indiana. In Wabash County, local income tax policy, including rates and rate allocations, is set by the County Council, the county government's fiscal body. In Indiana, local income taxes are paid to the county of residence, not the county of employment. This means that residents pay income taxes to Wabash County, regardless of whether they work within the county or outside the county.

The local income tax rate can be divided into three major components, the Expenditure Rate, the Property Tax Relief Rate, and sometimes a Special Purpose Rate:

- The **Expenditure rate** raises spendable budgetary revenue for local units of government. The expenditure rate has three subcategories: certified shares, public safety, and economic development. The Expenditure Rate is intended to produce additional revenues above that available from the property tax.
- The **Property Tax Relief** rate does not provide new revenue to taxing units. Instead, it replaces property tax revenue with income tax revenue. The property tax relief rate is used to reduce property tax liability for taxpayers.
- Some counties enact **Special Purpose** rates, which allocate income taxes to a designated use, such as a jail, or a public transit operation.

LOCAL INCOME TAX RATES

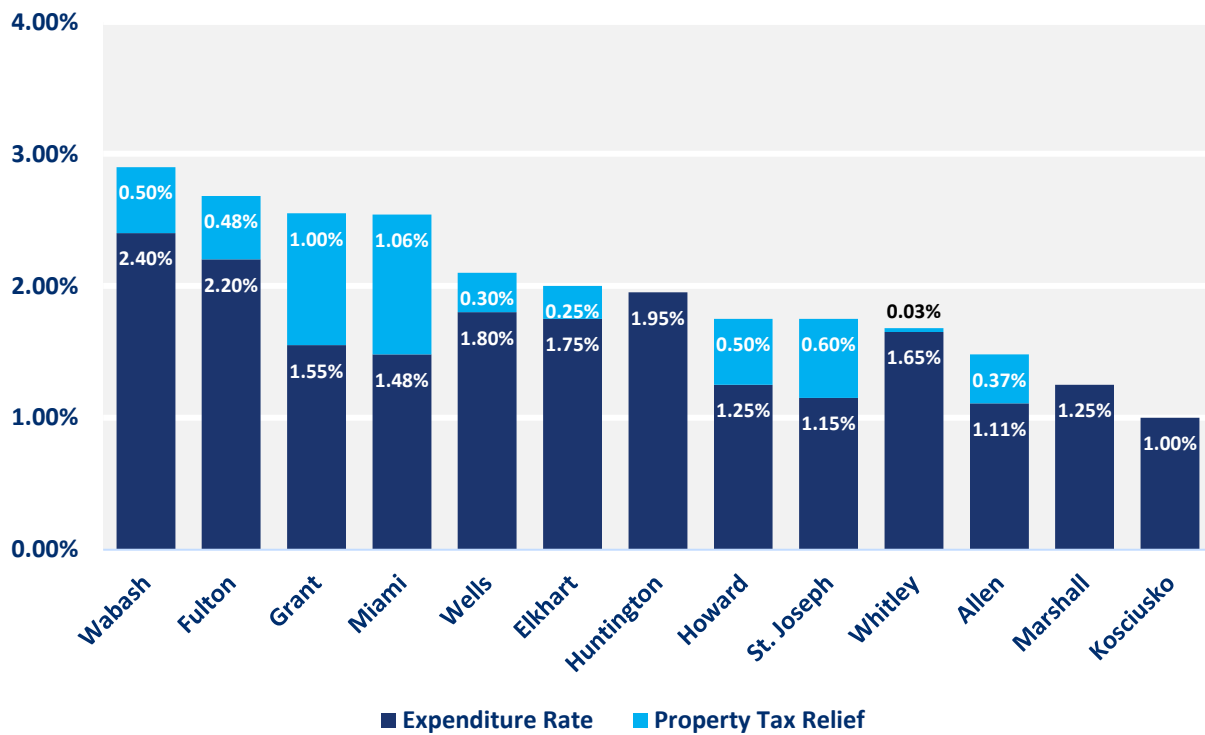
Wabash County has implemented a fiscal policy that prioritizes the local income tax. Wabash County’s local income tax rate is the highest among its regional peers at 2.90%. Local income tax rates in other counties range from 2.68% in Fulton County to 1.00% in Kosciusko County.

The Wabash County expenditure rate is set at 2.4%. This is greater than any other regional county’s total rate. Fulton County has the next highest expenditure rate at 2.20%

The property tax replacement rate in Wabash County is currently set at 0.50%, which is at about the midpoint of other regional counties. Miami County has the highest regional property tax relief rate at 1.06%. Several counties, including Huntington, Marshall, and Kosciusko, have not instituted a property tax relief rate.

Local income taxes are primarily distributed to municipalities and the County governmental unit, with a few exceptions. Local income taxes are not a substantive funding source for schools in Indiana.

Income Tax Rate Comparison



INCOME TAX RATE CAPACITY

With its relatively high-income tax rate, Wabash County has little remaining capacity to raise revenues through the local income tax. The maximum income tax allowable by statute is 2.5% for the expenditure rate and 1.25% for the property tax relief rate for a total rate of 3.75%.

With an expenditure rate of 2.4%, Wabash County currently uses 96% of its rate capacity for the certified shares portion of the income tax. Considerable capacity remains in the property tax relief category. However, increasing the property tax relief rate will replace property tax revenue with income tax revenue, not provide net new funding to Wabash County taxing units.

Current vs. Maximum Local Income Tax Rate (2020)



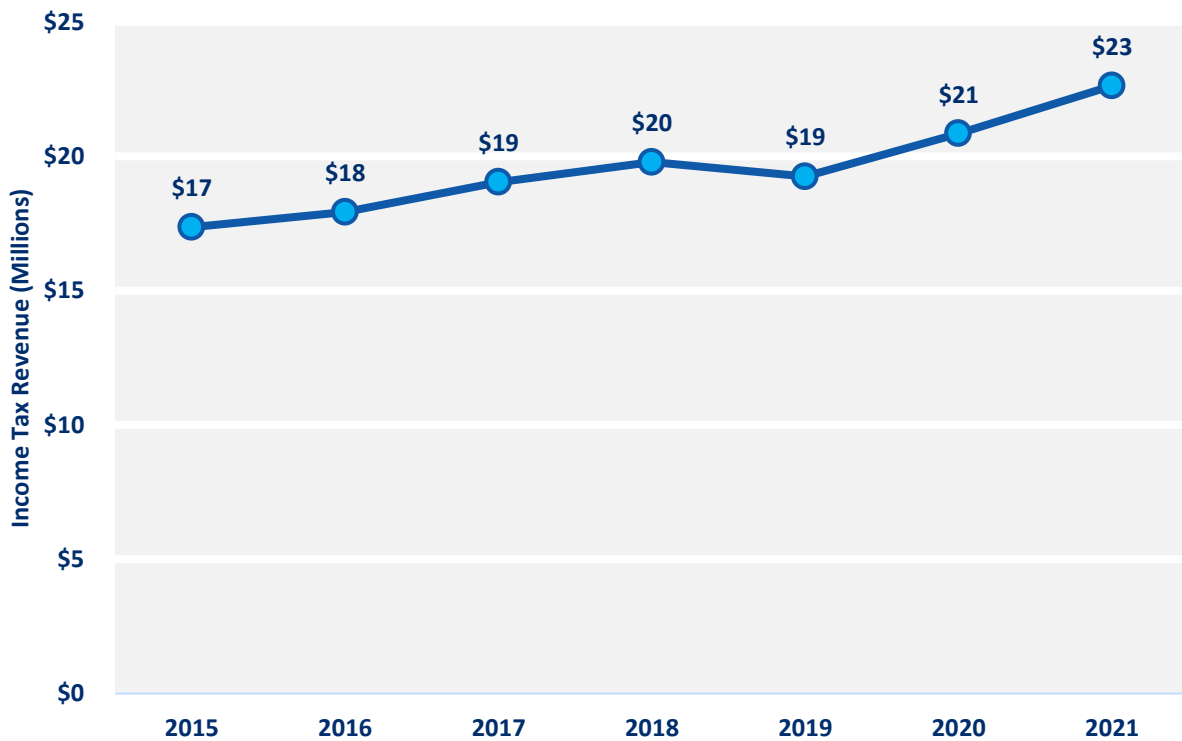
LOCAL INCOME TAX REVENUE HISTORY

In contrast to property taxes, Wabash County has seen substantial gains in local income tax revenue since 2015. Between 2015 and 2018, income tax revenue (the certified distribution) increased at 4.4% annually. After a reduction in 2019, revenues began increasing at a faster rate, 8% for distributions in 2020 and 2021.

The methodology the State uses to calculate local income tax calculation is somewhat complex. Income taxes are distributed in arrears, meaning the distributions in a given year are based on taxes collected in the prior year. In addition, in certain situations, the State will issue a “supplemental” distribution, further increasing income tax revenues.

Wabash County’s relatively strong income tax growth provides a helpful supplement to the slow growing property tax revenue stream for Wabash County civil units.

Wabash County Local Income Tax Revenue History (Certified Distribution)

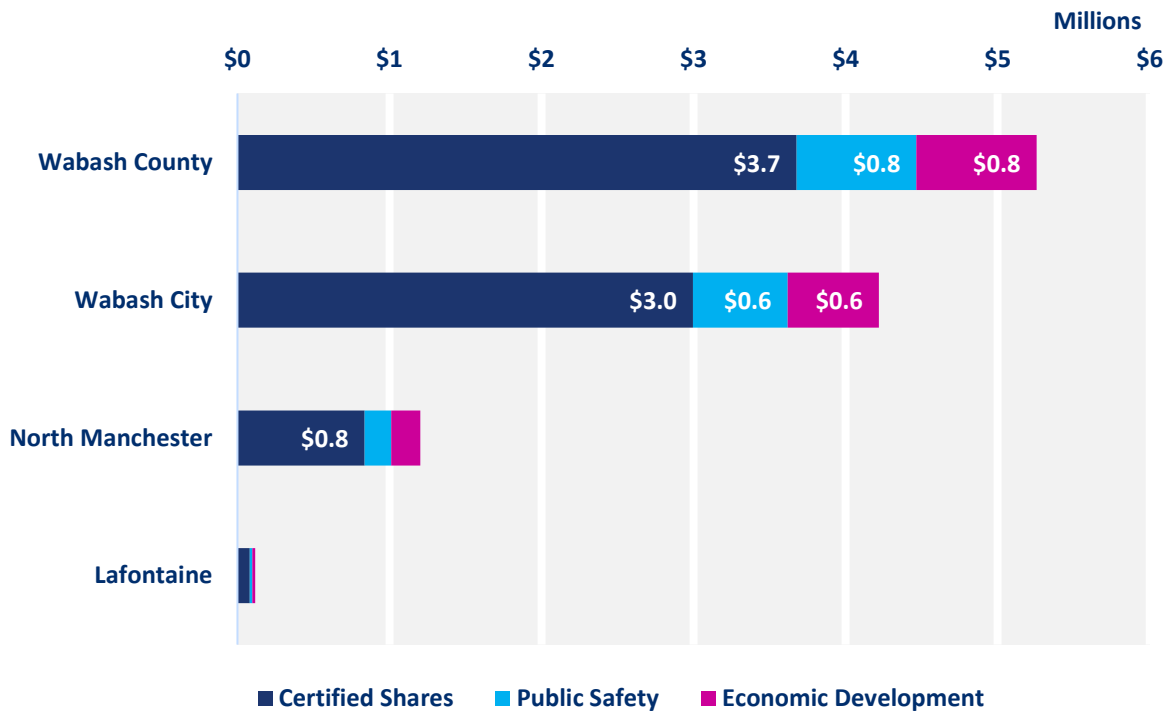


LOCAL INCOME TAX DISTRIBUTIONS

Due to a fiscal policy that prioritizes the local income tax, income tax revenues comprise a large proportion of Wabash County's municipal and county resources. For the 2021 distribution, Wabash County will receive \$5.2 million in income tax revenue, while Wabash Civil City receives \$4.2 million, and North Manchester receives \$1.2 million.

In Wabash County, certified shares (spendable general revenues) comprise 70% of the total distribution; the public safety distribution comprises 15% of the total, and the economic development distribution comprises the remaining 15%.

Local Income Tax Revenue by Taxing Unit (2021)



C. Supplemental Revenue Sources

Supplemental revenue streams provide options for targeted deployment of resources where new funding is needed.

MISCELLANEOUS TAXES

In addition to property and income taxes, there are several additional options for raising revenues for county or municipal purposes. Three widely used revenue options are the Food and Beverage Tax, Innkeepers Tax and Wheel Tax.

- Food and Beverage Tax:** The Food and Beverage Tax is applied at the point of sale and has a maximum rate of 1%. The Food and Beverage tax cannot be enacted unilaterally by the County but requires special legislation. This tax is enacted in 22 counties in Indiana, and is in use in Allen and LaGrange Counties, regionally. The Food and Beverage Tax is not currently in effect in Wabash County.
- Innkeepers Tax:** The Innkeepers tax is applied at the point of sale from lodging operations. The maximum rate is 5% and the tax can be enacted at the discretion of the County Council. Revenues from this tax are used for tourism purposes. Currently, 77 counties in Indiana impose an Innkeepers tax. Wabash County has enacted this tax at its full rate.
- County and Municipal Wheel Tax/Surtax:** This tax is applied to motor vehicles. The Wheel Tax applies to commercial trucks, and the auto surtax applies to passenger vehicles. The tax can be applied on both the County and Municipal level with a maximum rate of \$25 for autos and \$40 for trucks (the allowable rates may be higher if a transportation management plan is in effect). This tax is in effect for 55 counties and 12 municipalities throughout the state. It is not in effect in Wabash County.

Revenue Source	Enabling Statute	Current Rate	Maximum Rate	Tax Base	Details
Food and Beverage Tax	IC 6-9	N/A	1%	Gross retail sales on food or beverage at the point of sale	Requires special legislation for enactment.
Innkeepers Tax	IC 6-9	5%	5%	Gross income derived from lodging.	Revenues are used for tourism and visitor promotion.
County and Municipal Wheel Tax/Surtax	IC 6-3.5	N/A	\$25 Auto \$40 Truck	Motor vehicles	Tax is available on the County and/or Municipal level.

FISCAL RESILIENCY CONCEPTS

The COVID-19 pandemic has emphasized the need for resilient fiscal planning. By understanding historical trends, and the interaction between economic changes and major revenue streams, local units of governments can build durable planning processes.

KEY FINDINGS

- Wabash County has been significantly affected by past economic downturns. Currently, Wabash County employment stands at 80% of year 2000 levels.
- In the midst of slow employment growth, personal income has surged in Wabash County, increasing by 15% since 2009.
- The Northeast Indiana region lost 12% of its workforce in the aftermath of the COVID-19 pandemic but recovered more than 80% of lost jobs by the end of 2020.
- Wabash County relies nearly evenly on local income tax revenue and local property tax revenue. Property tax revenues are generally less susceptible to economic changes. Local income taxes have the potential for faster growth but more volatility.

1. Historical Framework

Understanding how previous business cycles have impacted Wabash County provides insight into potential opportunities and challenges.

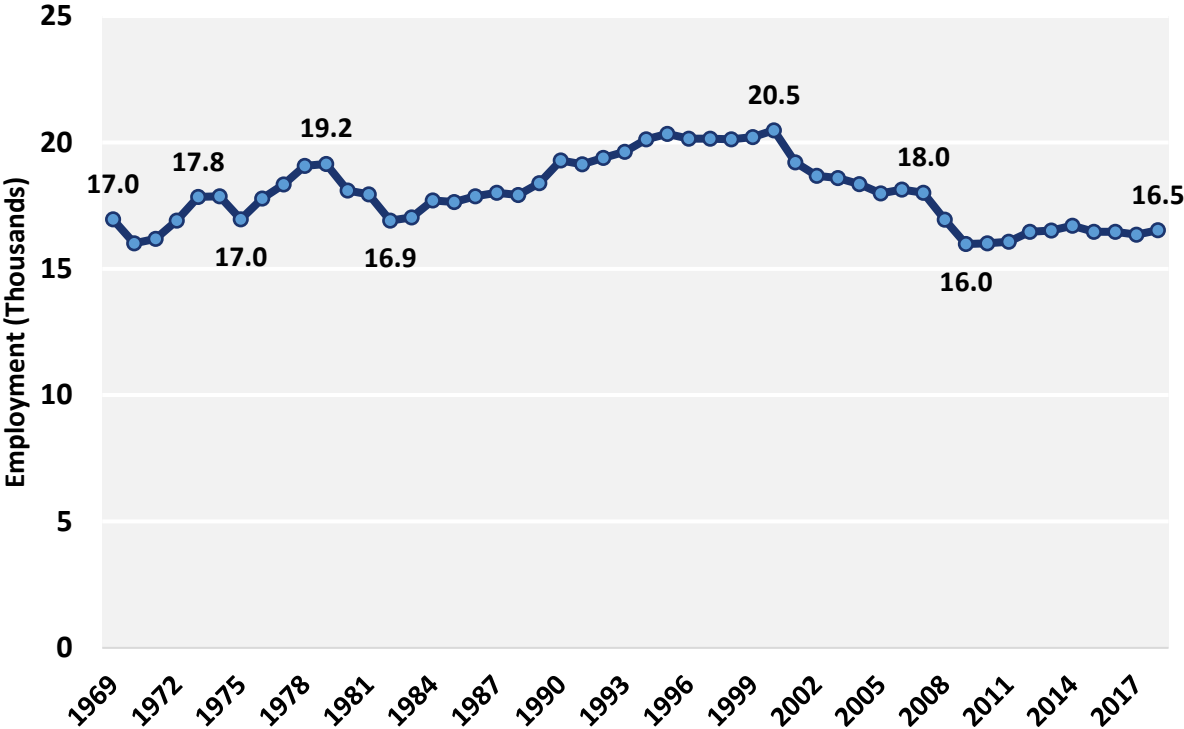
EMPLOYMENT HISTORY

A review of historical employment demonstrates the impact of recessionary cycles on the Wabash County economy. Countywide employment reached a high point in 2000, with 20,500 resident workers. The 2001 recession resulted in a 7% employment reduction over one year. Employment continued to decrease to a level of 18,000 jobs by 2007.

The 2008 “Great Recession” also had a major impact on county employment. By 2009, employment had dropped to 16,000, a 12% reduction over 2007 levels. Employment levels stabilized by that point. By 2018, Wabash County had gained back approximately 25% of the jobs lost in the 2008 recession.

The 2008 job losses are attributable to a number of factors, including a heavy employment concentration in susceptible industries and declining population levels.

Wabash County Resident Employment History



PERSONAL INCOME HISTORY

Personal income has fared better than employment in Wabash County through economic cycles. The personal income time roughly correlates with employment through the 2000 and 2008 recessions. However, the 2008 recession impacted personal income less severely than employment. Furthermore, by 2018, personal income had recovered to 10% **greater** than pre-recession levels (constant dollars), while employment was still 10% **less than** pre-recession levels.

The comparatively stronger performance of Wabash County's personal income could be attributable to several root causes. Employment is a place-of-work based measure, while personal income is a place-of-residence based measure. At the same time that jobs within Wabash County were disappearing, it is likely that residents were commuting outside the county to find work, thereby increasing personal income levels. The implications of commute to work trends and the upside potential for personal income growth in Wabash County are important factors when considering fiscal resiliency.

Wabash County Personal Income History

Constant 2012 dollars

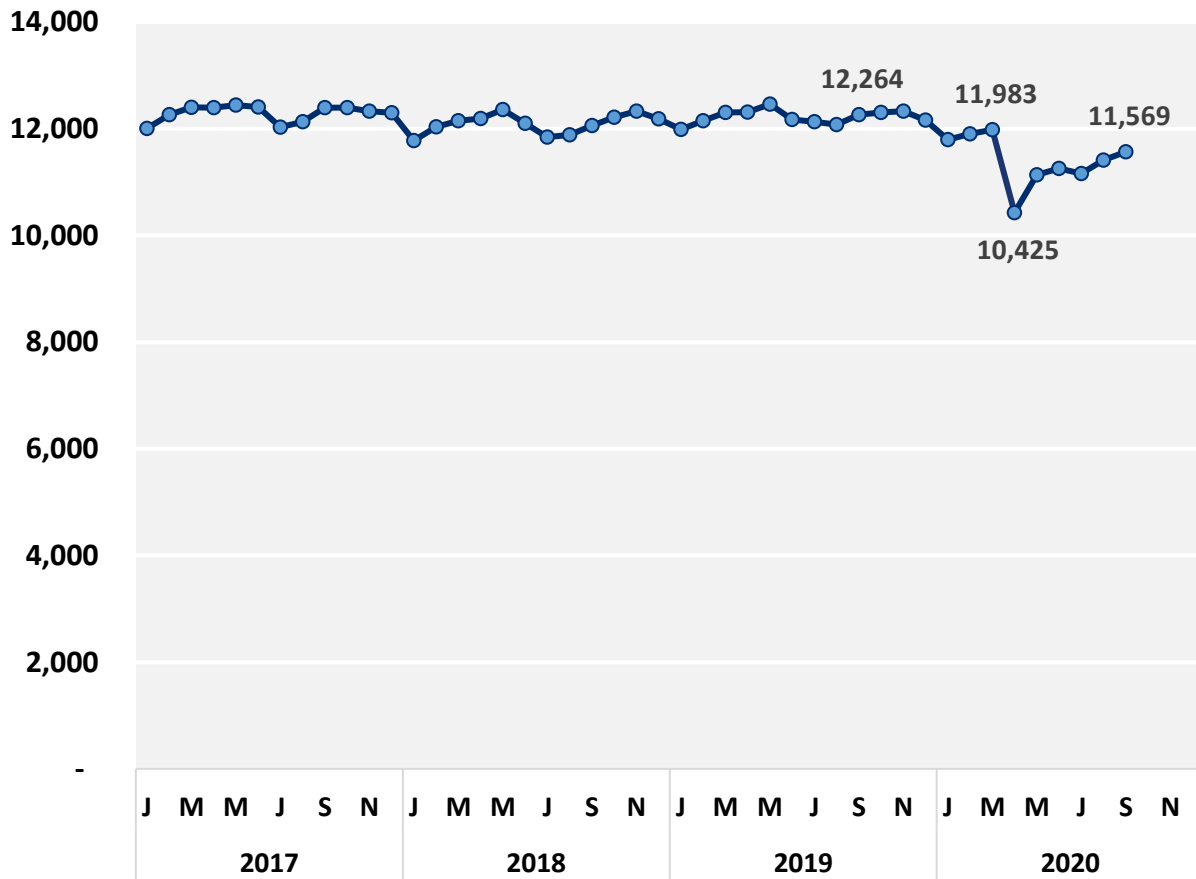


PANDEMIC RELATED IMPACTS

The COVID-19 pandemic caused widespread disruptions throughout the economy. Employment levels within Wabash County (which is adjacent to Fort Wayne MSA) were stable to increasing for the 36 months leading up to 2020. Then, in March 2020, the community spread of COVID-19 caused a rapid retraction in economic activity due to business shut-downs, social distancing guidelines, and discontinued services in healthcare and education. The Wabash County region lost 1,558 jobs, more than 13% of its workforce between February and April of 2020.

The economy recovered approximately 73% of the employment lost due to the pandemic but September 2020 employment was down 5.7% from prior-year levels. The COVID-19 recovery was mitigated to some extent by federal intervention and a shift in purchases from services to goods.

Wabash County Monthly Employment



Source: BLS Quarterly Census of Employment and Wages

2. Implications for Local Government

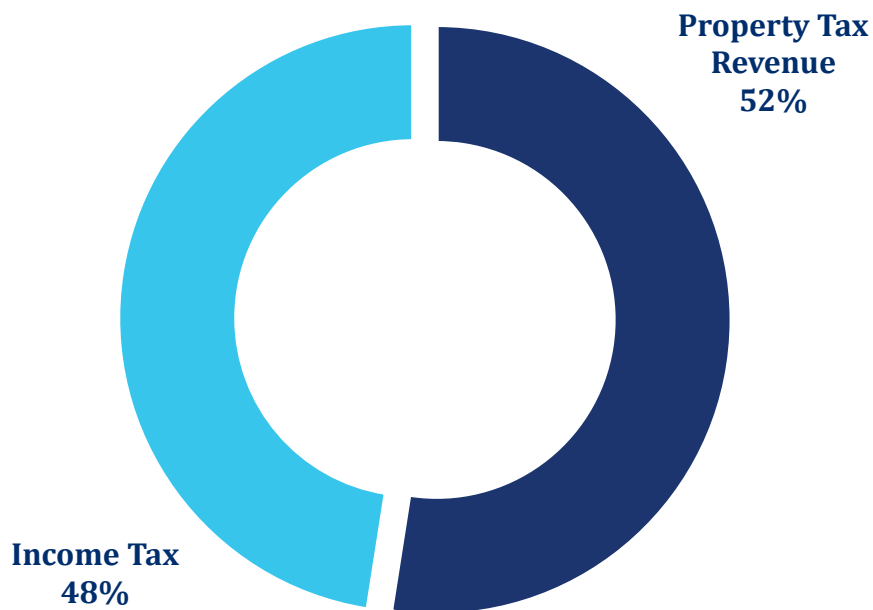
Understanding the implications of economic variation on local government finance will inform fiscal policy decision-making.

LOCAL GOVERNMENT FUNDING MIX

In Indiana, local government is funded by a set of local tax revenues that respond to economic variation in different ways. It is helpful to understand this funding structure in order to gain insight on the potential impacts of an economic recession. The two largest local revenue streams are the local property tax and local income tax. In Wabash County, these revenue streams are evenly balanced for the County governmental unit, municipalities, and Townships.

Schools receive funding primarily from State appropriated tuition support and local property tax sources. Schools generally do not receive local income tax dollars as part of their funding mix.

Major Components of Local Revenue: Wabash County



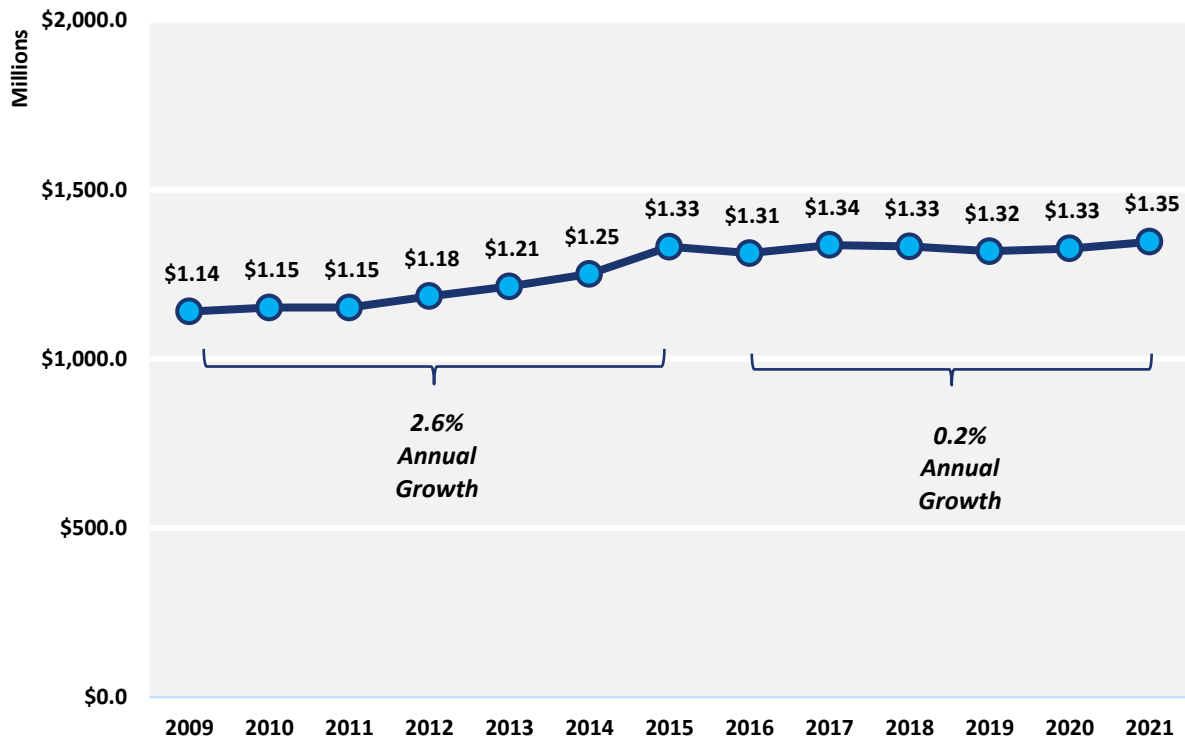
PROPERTY TAX IMPLICATIONS

The Wabash County property tax base increased at a rate of 2.6% annually between 2009 and 2015 and slowed to a rate of 0.2% annually between 2016 and 2021. The slowed rate of growth after 2015 is primarily due to changes in the way agricultural property is assessed in Indiana.

While these trends show that the property tax base is not exceptionally sensitive to mild to moderate changes in economic conditions. However, a prolonged economic downturn could potentially slow tax base growth. A slow or declining tax base can accelerate circuit breaker losses and limit debt service capacity. Furthermore, property tax rates will increase, causing increasing tax impacts to taxpayers. Finally, impacts to statewide personal income can affect the rate of change in the property tax levy over time.

Wabash County Property Tax Base History

Dollars in Millions



INCOME TAX IMPLICATIONS

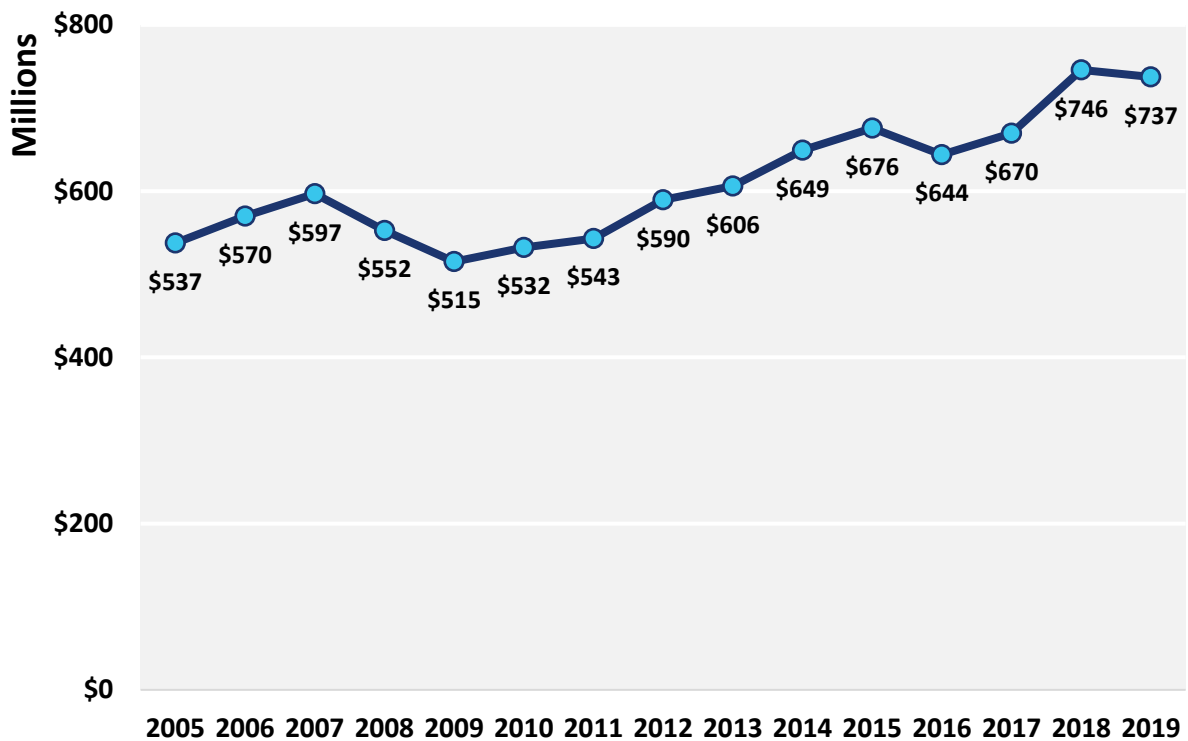
Wabash County's income tax base is much more variable than its property tax base. The income tax base decreased by 14% in the wake of the 2008 recession and then began a period of prolonged recovery. In Indiana, the local income tax is based on the county of residence. This means that Wabash County taxing units receive income tax revenue from individuals who reside within the county regardless of their place of work.

There is a potential for a high rate of growth in local income tax revenues in strong economic times. However, fiscal decision-makers should be prepared for volatility in economic downturns. Guardrails are embedded in the local income tax administration statutes to cushion local units from abrupt variation. Still, an understanding of economic fundamentals is an essential aspect of long-range planning.

Further, because of the residence-based nature of the local income tax, migration trends can be important indicators of future fiscal performance.

Wabash County Income Tax Base History

Dollars in Millions



3. Planning for Resiliency

Policymakers should expect uncertainty and develop long-term planning frameworks that are resilient.

The factors that negatively affect a civil entity or school's ability to implement its fiscal plan often come from external, uncontrollable sources. Global economic trends, weather events, or demographic shifts cannot be controlled. However, resilient fiscal plans will hold in times of volatility or provide advance time for reactionary policy decisions to be processed, vetted, and implemented. Strategies for resilient planning include:

- **Commit to long-range cash flow planning:** Create and maintain long-range operational and capital cash-flow plans. These plans should include contingencies for revenue volatility.
- **Understand the tax base:** Tax rate management and circuit breaker mitigation are essential concepts to maximize property tax revenues, especially in the midst of economic uncertainty. Understanding the drivers of tax base growth will provide insight on future risks to revenues.
- **Know the cadence of local revenues:** For both local income taxes and local property taxes, there is a lag two-year lag between changes to the economy, and changes to tax distributions. This means that if local leaders are aware and attentive, there will be a two-year window to prepare for fluctuations in local revenues.
- **Maximize local income tax dollars:** Indiana counties have myriad options when allocating local income tax rates. Not all allocations will result in optimal revenue performance. It may be desirable to adjust income tax allocations in some situations in light of changing economic conditions.
- **Leverage one-time dollars wisely:** Grant and supplemental dollars may provide essential resources in the event of an economic downturn. It is important to deploy these resources in effective ways but do not incur long-term obligations that must be later filled from other sources.

HOUSING:

The purpose of the Housing Technical Analysis is to provide a common set of facts regarding the state of housing in Wabash County. These facts are to support the creation of the housing and land use elements for the County Comprehensive Plan.

KEY FINDINGS

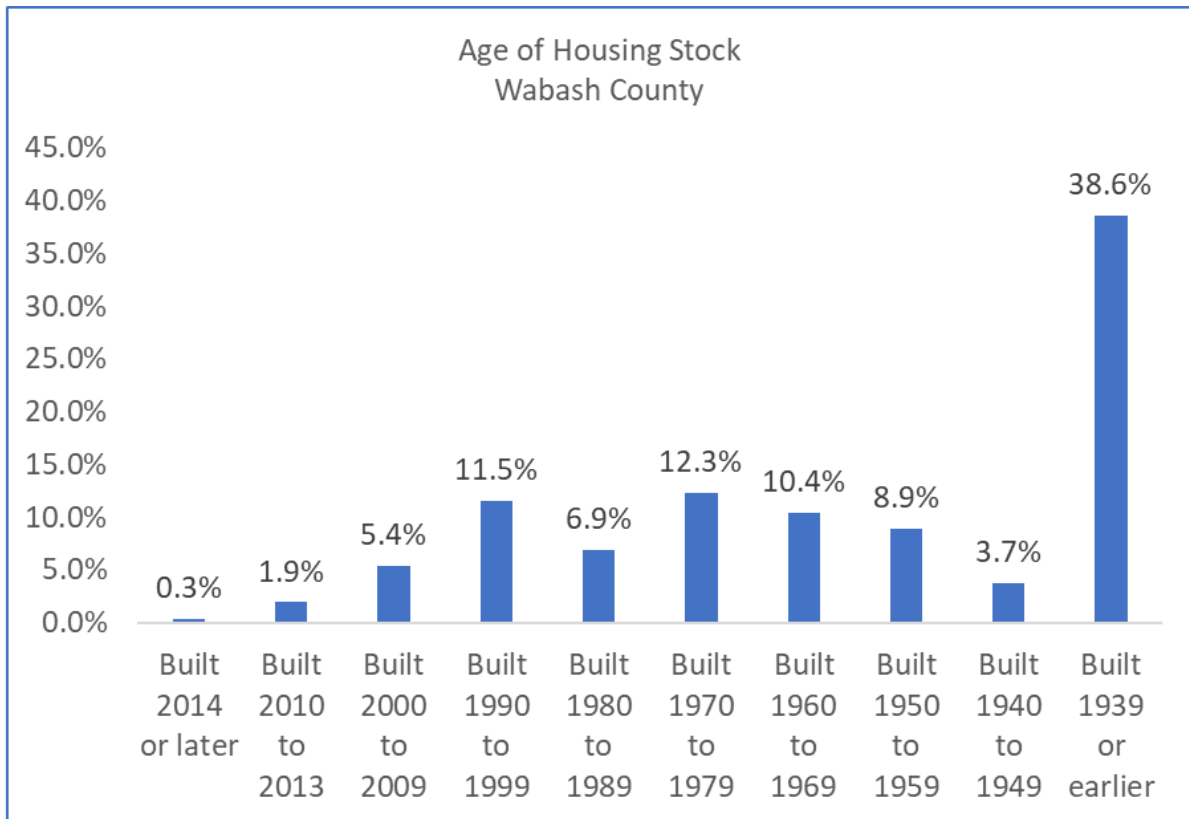
Wabash County Housing ...

- Consists of 14,000 housing units
- Of which, 39% was built before 1939
- The vast majority, 80% of the housing units, are single family
- Limited new construction since 2009
- 19% of the county residents are “housing cost burdened”
- Has been rising in value faster than the state
- Housing values have grown almost 3x of wages

A. Housing Stock

AGE OF HOUSING

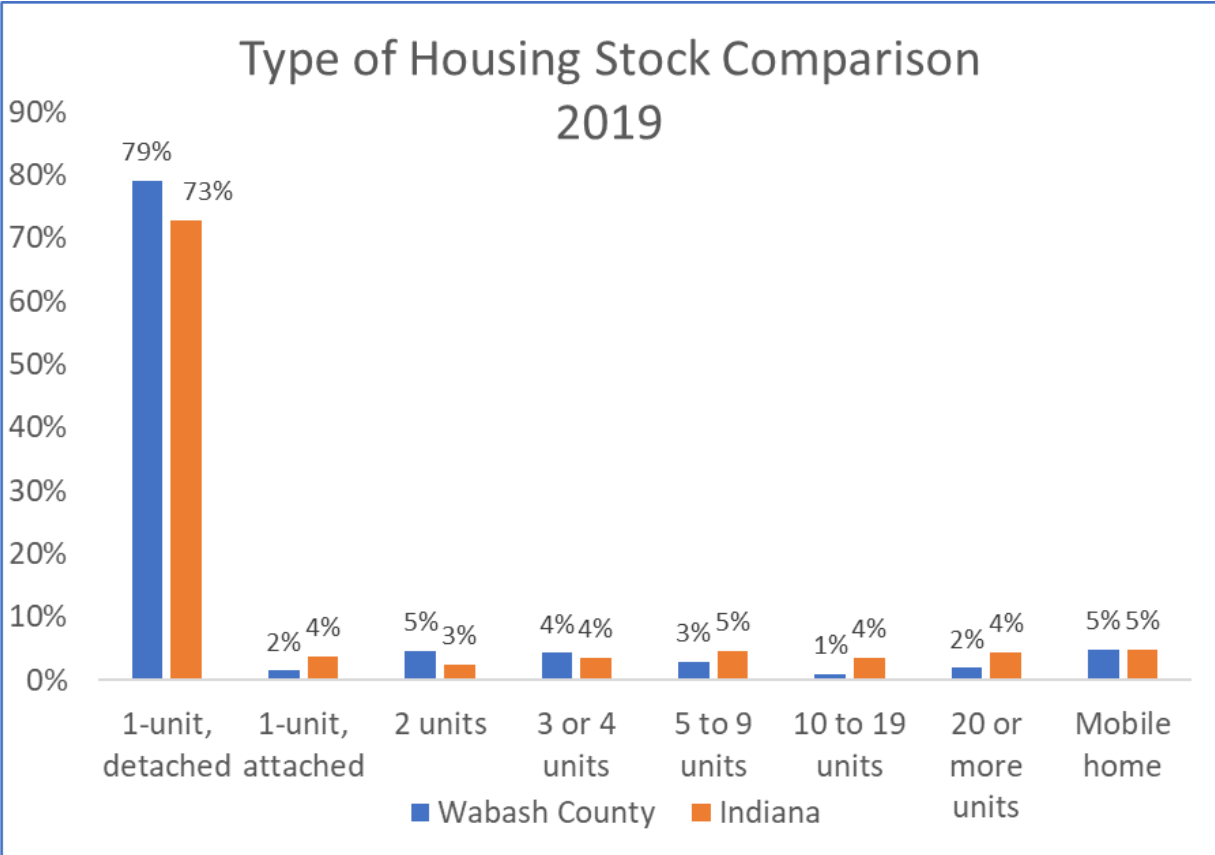
Wabash County's housing stock is old. The median age year for the housing being built is 1959. Less than 10% of the county's housing has been built in the last 20 years. Nearly 40% of the housing stock was built before 1939. By comparison statewide only 17% of the housing stock is older than 1939, and 18% has been built since 2000.



Source: NP analysis of American Community Survey Housing Report

TYPE OF HOUSING

The County's housing stock like the state's is highly concentrated as single-family units. Eighty one percent of housing in Wabash County is in some form of single family compared to 77% statewide. The one notable area of difference between the County and the state is larger multifamily housing units where 8% of the state's housing stock has density of greater than 10 units versus only 3% in the county.



Source: NP analysis of American Community Survey Housing Report

VACANCY AND AVAILABILITY

The American Community Survey Housing analysis estimates that there is a vacancy rate of 1.9% of for sale housing, 4.2% of rental units. A spot check of available listings shows 130 homes have been purchased up to October 2020 with a median sales price of \$122,000 or \$78/sqft. 101 homes are presently listed. Public listings of rentals show very few units available.

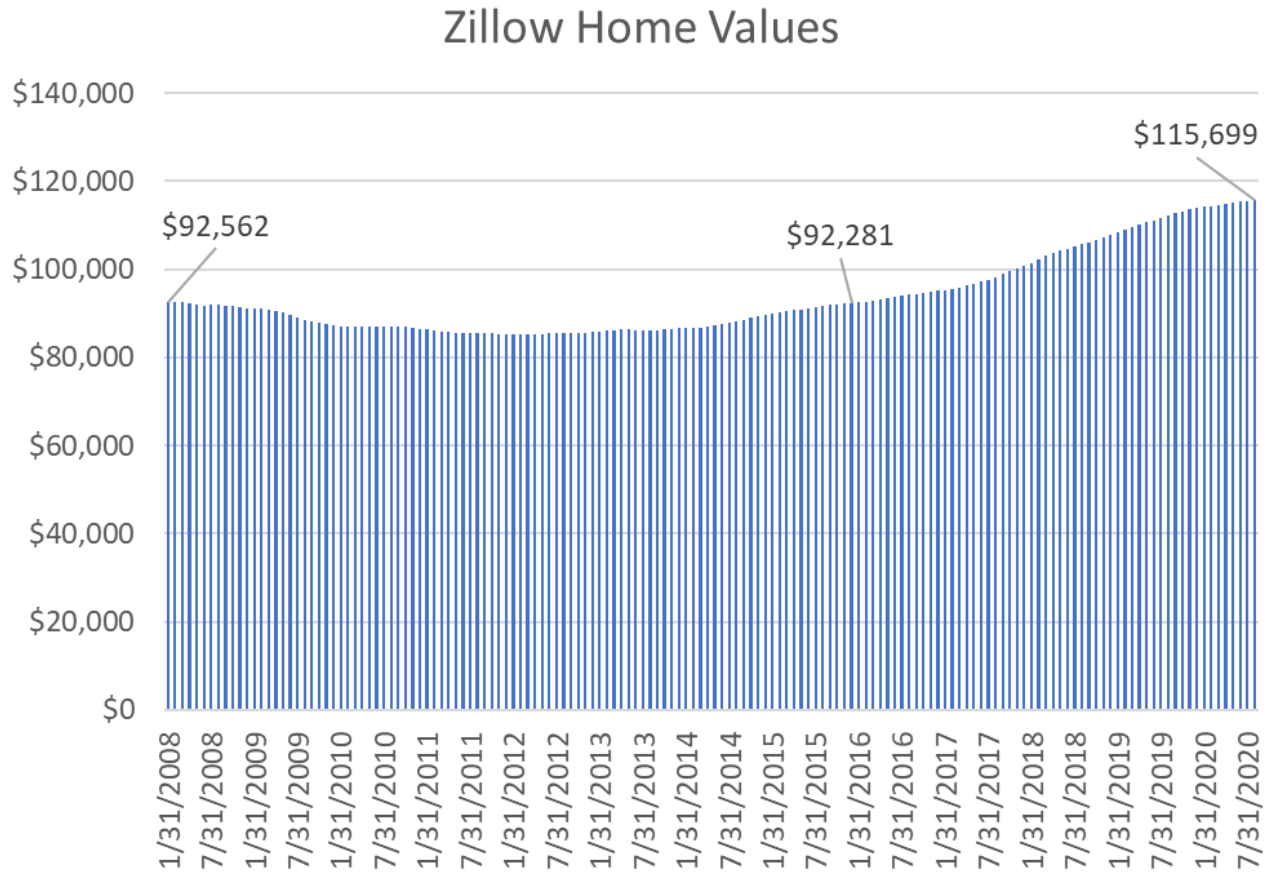
B. Housing Costs

HOUSING PRICES AND VALUES

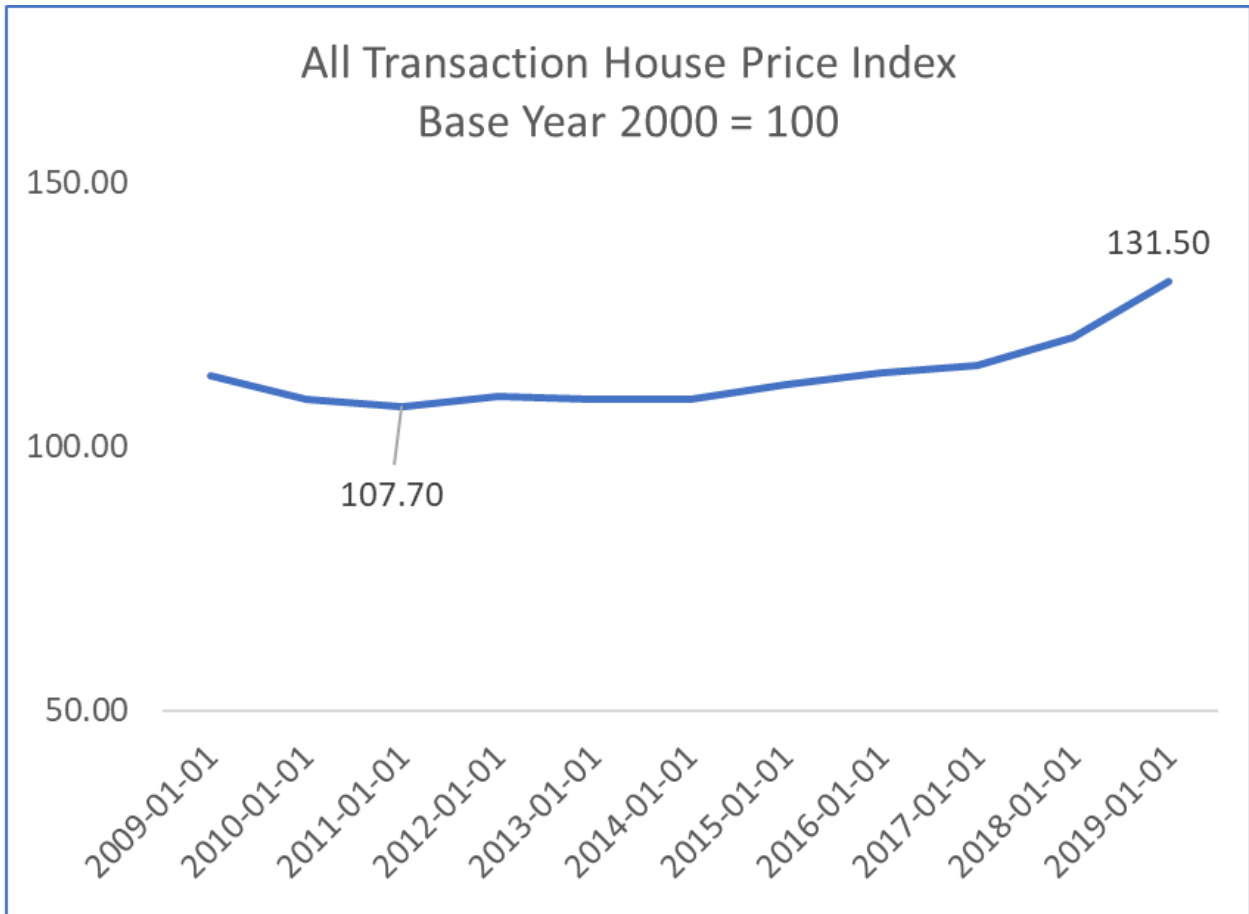
The median listing price for a home in Wabash County in October of 2020 was \$127,000, up 23% over the prior year (source: Realtor.com). The median listing price is below the statewide average of \$147,400. Statewide housing prices during that same period only increased by 4.5% (source: NeighborhoodScout.com). Wabash County has enjoyed steadily increasing home values since the Great Recession. More recently County home prices have been rising faster than the state. Since 2017 housing prices in Wabash County have on a year over year basis been increasing substantially faster than the state.

It is important to note that assessing housing markets are looking at a snapshot in time. It is important to examine trends to fully understand what is happening in a housing market.

The Zillow House Price Index tracks housing prices over time based on median sales prices. Beginning in 2015 Wabash County housing values recovered to their 2008 levels. Since 2015 housing prices have increased 26%.



Other valuation methods confirm this acceleration in home values. The All Transaction House Price Index assesses home values across all transactions including same house sales and refinancing's to track changing home values. This analysis shows steadily rising home values since 2011.

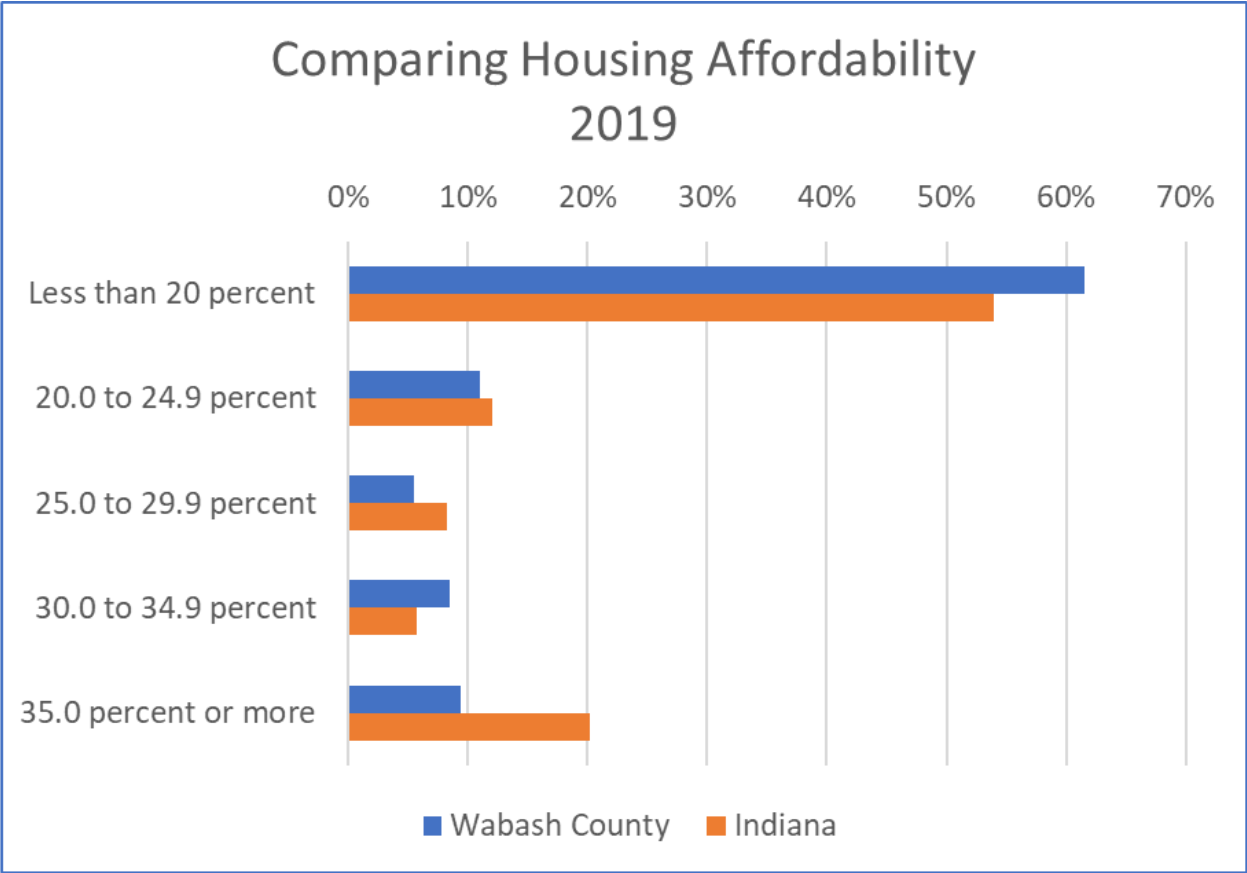


Source: St Louis FED FRED Series

Housing values have grown almost 3x faster than wages.

AFFORDABILITY

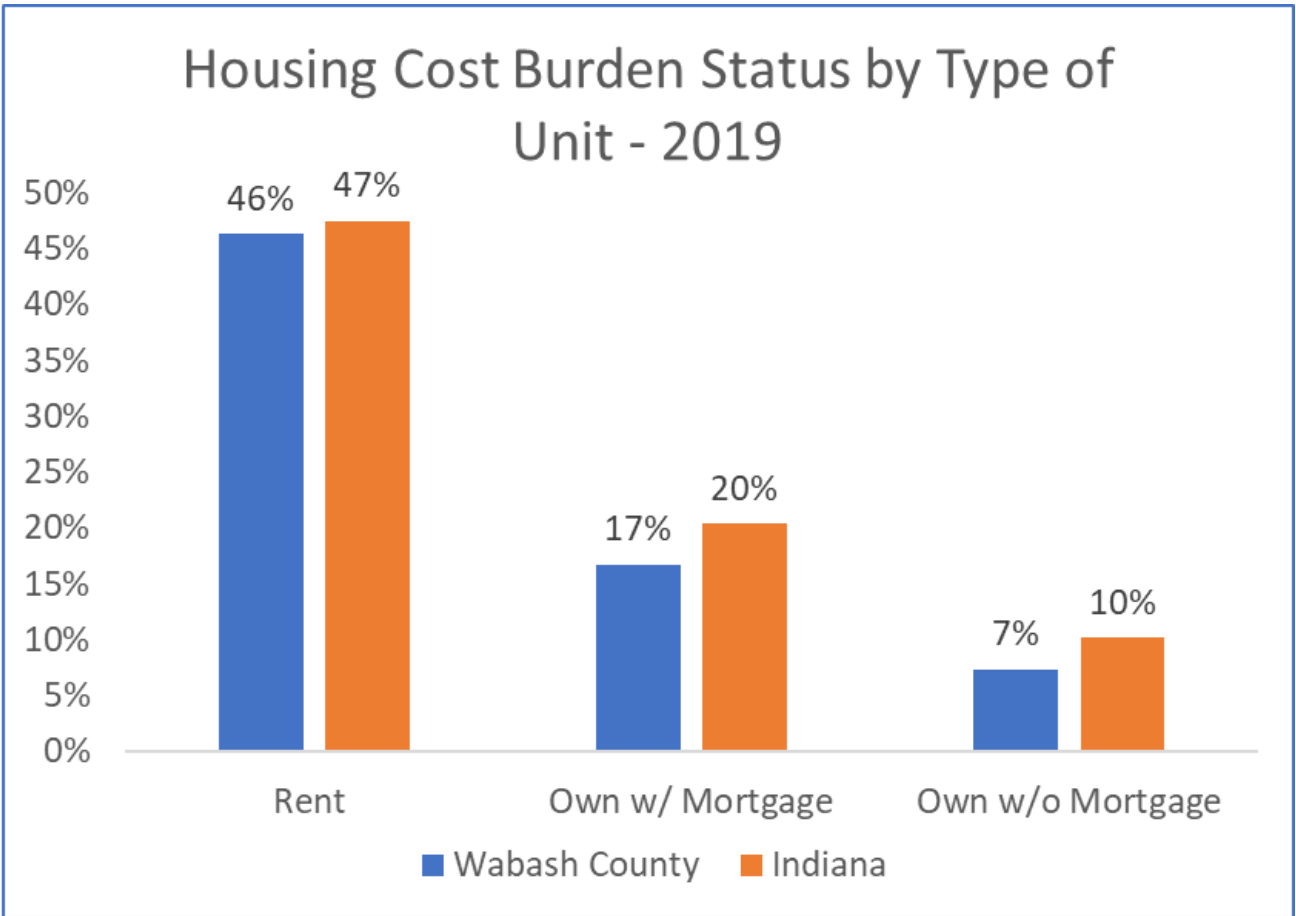
An estimated 19% of the County's households are housing cost burdened meaning more than 30% of their income going to housing payments and utilities. This is lower than the statewide figure which is 26% of households.



Source: NP analysis of American Community Survey Housing Report

However, a more detailed analysis reveals that the relatively low housing cost burden countywide depends on status. Wabash County has a higher level of owner occupancy than the state – 73% compared to 69%. The County also has a higher percentage of its housing without a mortgage – 30% compared to 24%. In general homeowners in Wabash County have less cost-burden than homeowners in other parts of the state.

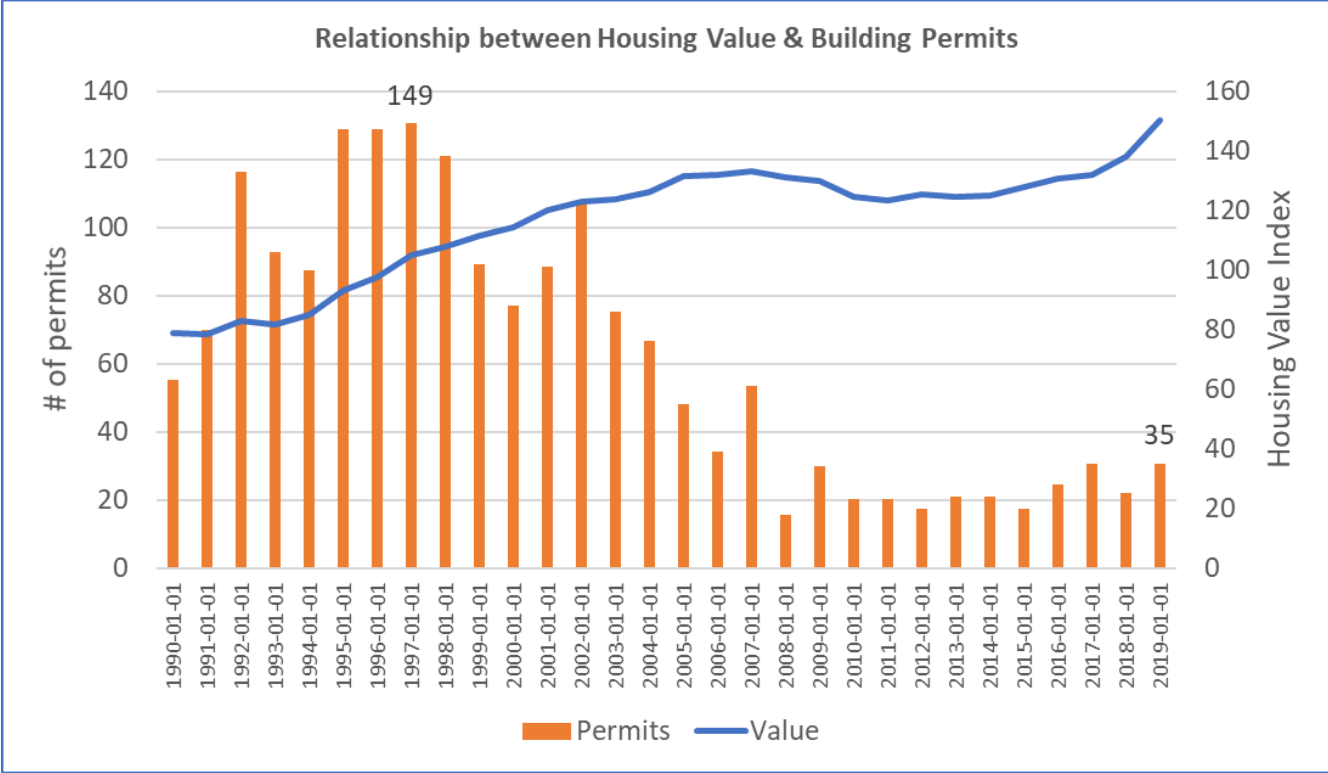
However, Wabash County 46% renters have housing cost burden levels like the rest of Indiana.



Source: NP analysis of American Community Survey Housing Report

HOUSING CONSTRUCTION

Building permits are a measure of housing construction. Building permits in the County are down by over 100 from its peak in 1997. In 1997 more permits were issued than from 2015 to 2019 combined. Relatively few residential building permits may be associated with the accelerating cost of housing in the county.



Given the age of housing in the county this may also portend an increasing amount of housing requiring substantial rehabilitation and maintenance to meet contemporary buyers' needs.