

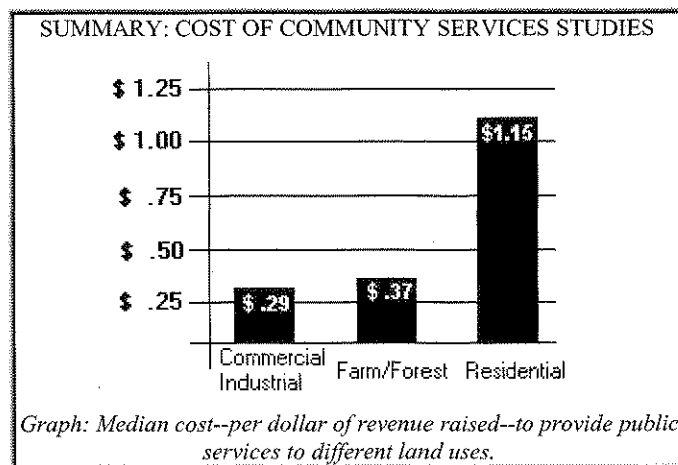
## APPENDIX F: COST OF COMMUNITY SERVICES STUDIES

To make informed land use decisions, the town must know the full costs and benefits of new developments. Kensington cannot legally accept or reject individual development proposals based on their impact on town finances (and thus property tax rates), but an understanding of the overall costs of different growth options should be used to structure land use regulations to encourage development that is in line with the expressed desire of town citizens to keep taxes low.

### Cost of Community Services Studies

Cost of Community Services studies have been used in many communities across the country to determine the net fiscal contribution of different land uses to the local budget. The studies compare the relative costs versus revenues for each type of land use in a town. They do not predict future costs, but they do offer easy-to-understand insights into the relative financial impact of different land use options. Given that one of the goals of Kensington's approach to growth is to minimize the financial impact of new development, the results of these studies are particularly important to town planning decisions.

A commonly held belief is that land held in current use deprives the town of tax revenues, while new residential development benefits the town by increasing the local property tax base. This is true only when considering *gross* income (tax receipts); when the cost of providing local services is factored in, the *net* contribution is quite different.



Source: Fact Sheet – Cost of Community Services Studies, American Farmland Trust, April 2000.

The graph above depicts the median results across more than 70 Cost of Community Services studies completed nation-wide. Because open-space land uses typically require very little in the way of town services to maintain, they generate a *net profit* for the town; that is, owners of farm, forest and open lands pay more in local tax revenues than it costs to provide services to their properties. The same is true of commercial land uses, which provide an even greater net profit for towns, given their higher revenues. Residential developments, on the other hand, are a *net*

*drain* on town coffers: it costs more to provide services to homeowners than residential landowners pay in property taxes.

### New Hampshire Results

The results of five of Cost of Community Services studies undertaken here in New Hampshire are summarized in the table below. Ratios above 1:1 show a net fiscal loss to a town, while ratios under 1:1 show a net fiscal gain.

Community & Year	Land Use Category	Revenues	Expenditures	\$ Ratio
Freemont, NH 1994	Residential	\$3,317,928	\$3,457,376	1 : 1.04
	Commercial/Industrial	\$69,798	\$65,325	1 : 0.94
	Open Space/Agricultural	\$19,188	\$6,835	1 : 0.36
Deerfield, NH 1994	Residential	\$4,878,823	\$5,630,510	1 : 1.15
	Commercial/Industrial	\$531,547	\$119,209	1 : 0.22
	Open Space/Agricultural	\$57,679	\$20,155	1 : 0.35
Dover, NH 1992	Residential	\$19,317,362	\$22,124,828	1 : 1.15
	Commercial/Industrial	\$6,178,059	\$3,905,609	1 : 0.63
	Open Space/Agricultural	\$488,628	\$457,661	1 : 0.94
Stratham, NH 1994	Residential	\$6,939,002	\$7,957,296	1 : 1.15
	Commercial/Industrial	\$1,339,275	\$256,696	1 : 0.19
	Open Space/Agricultural	\$20,498	\$8,132	1 : 0.40
Exeter, NH 1996	Residential	\$18,381,935	\$19,613,525	1 : 1.07
	Commercial/Industrial	\$4,108,028	\$1,654,775	1 : 0.40
	Open Space/Agricultural	\$109,588	\$89,803	1 : 0.82

Source: Society for the Protection of New Hampshire Forests, 1999.

Of the towns listed, Deerfield is the most similar to Kensington in character (rural, residential), while Freemont is the most similar to Kensington in size (11,152 acres, 64% of land in current use).

### Hierarchy of Land Use Impacts

One study on the financial implications of land use ranked the positive or negative contribution of a number of types of development on town municipal budgets and school district budgets. The following table, taken from that study, lists the land uses (development types) in general order of impact, positive to negative.

Land Use	Fiscal Impact on:	
	Municipality	School District
Research Office Parks	+	+
Office Parks	+	+
Industrial Development	+	+
Garden Apartments (Studio/1 BR)	+	+
Age-Restricted Development	+	+
Garden Condos (1-2 BR)	+	+
Open Space Lands	+	+
Retail Facilities	-	+
Townhouses (2-3 BR)	-	+
Expensive Single-Family Homes (3-4 BR)	-	+
Townhouses (3-4 BR)	-	-
Inexpensive Single-Family Homes (3-4 BR)	-	-
Garden Apartments (3+ BR)	-	-
Mobile Homes	-	-

Authors' Note: "This is a general listing and may not apply accurately to any one specific development. The fiscal effects must always be viewed in the context of the specific community and the existing surplus capacity of local services."

Source: Burchell and Listokin, "Fiscal Impact Procedures and State of the Art: The Subset Question of the Costs and Revenues of Open Space and Agricultural Lands," in *Does Land Conservation Pay? Determining the Fiscal Implications of Preserving Open Land*. Cambridge, MA: The Lincoln Institute of Land Policy, 1993.

### Impact Fees: A Partial Remedy

An impact fee is a one-time charge that requires on any and all new development to pay a proportionate share of the revenue needed for construction or expansion of capital facilities necessitated by that development. Generally, impact fees are imposed as a condition of receiving development approval. New Hampshire RSA 674:21,V provides guidelines and provisions for creating impact fee structure. The most common types of assessments are transportation impact fees on new commercial development and school impact fees on new residential development.

Upon adoption of this Master Plan and an accompanying Capital Improvements Plan, it is recommended that Kensington adopt an impact fee plan that will distribute the financial burden of new development fairly across all parties involved.