## COMMUNITY CONSERVATION FACT SHEET #1

# *Saving Land Saves Taxes*

The Scituate Conservation Commission exists to help the community and its citizens sustain their environment and quality of life while meeting their economic needs.

We are a non-regulatory, town, organization dedicated to:

- Identifying and Conserving Scituate's Important Natiral Resources,
- Improving the knowledge base from which land use and natural resource decisions are made,
- Building local capacity to protect and manage natural resources as our town grows,
- Conserve our town's unique community character,
- Continuing the Town's legacy as the steward of the state's primary drinking water supply—the Scituate Reservoir.

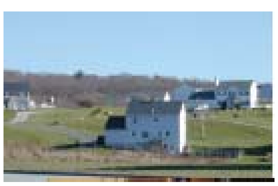
---

For More Information Contact:

Scituate Conservation Commission
P.O. Box 328
North Scituate, RI 02857
401. 647. 5526

**Recent studies** show, without exception, that residential development costs a town more money in terms of added services (schools, police, sewer and the like) than the property provides the town in real estate taxes. Although a community's purchase of open space removes that property from the tax roles, over a short period of time, the property surrounding the preserved property (not just the abutting property) grows in value. This increase in valuation runs from 6% or more in rural areas to as much as 40-50% in urban areas and the increased value can affect homes as far away as ½ mile from the preserved open space. Natural open space and trails, in return, are attractive to potential home buyers, resulting in quicker turn-over of these homes. Put this together with a study done for the real estate industry by American Lives, Inc., which found that the presence of quiet, open space, nature and bike trails and gardens were the essential characteristics that home buyers are looking for, and you have a winning combination.[1, 6]

Two recent studies have analyzed the cost of community services in a number of towns in MA, CT, and RI. What we find is that, with respect to residential housing, for every $1.00 in tax money that a residence brings into a town, it costs the town, on average, $1.10 to provide services to that residence (in RI, it costs $1.20 and in CT, it costs $1.14).[2] In effect, residential property operates at a loss for the town. Once a piece of open space is developed into residential housing, the town is faced with increased costs that outpace the added taxes from the new housing. If preserved, the land raises home values, increasing the tax base without increasing the taxes.



Despite the fact that the removal of the open space from the tax roles causes a small amount of a town's taxes to be proportionately shared by the remaining properties, over a short period the increase in valuation of nearby properties to the preserved land more than compensates for the loss of taxes when the property is removed from the tax roles. Effectively, the preservation of open space slowly permits a community to stabilize its tax rate by lessening the new impacts and increasing the per-property value of existing properties. Additionally, town-owned open space can generate its own tax dollars through farm and forest management income, further helping with the cost-revenue balance.

Though many town residents look to new commercial/industrial expansion as a panacea for this problem, towns must beware that they do not create their own trap. It is true that commercial and industrial properties, by themselves, do not drain a town from a tax perspective. However, new commercial or industrial development spurs residential growth, requires greater services for the resulting population increase, requires greater infrastructure capabilities, increases traffic, crime, pollution and noise, and contributes to the loss of community character and rural identity. All the ramifications point to additional tax problems.

This scenario does not mean that a community should forego all residential development and buy up every piece of open space. It does mean that a community needs to balance its residential growth with a good mix of open space preservation and commercial/industrial expansion. This balancing requires proper planning and zoning, and can be done with a perspective that will allow communities to continue to grow while maintaining a stable tax rate. It requires that each community explore all available avenues to encourage responsible and fiscally prudent growth.[4]

## *The economic effect of a typical new subdivision in the town of Scituate*

The following is case study of a typical 100 acre parcel in the town of Scituate and looks at the fiscal effect to the town if that parcel were developed with homes. All calculations are derived from official town reports. For this study we will assume that this 100 acre parcel would yield 28 house lots because of zoning and site constraints.[7] Based on data from the 2000 Census for the town and School Department , we can estimate that these 28 new homes would result in 84 new people in the community, and 28 of those would be school age.[8]

### Educational Costs:

The average per pupil education cost is $10,025.[9] These costs would be paid by local tax dollars.

: 28 new students at $10,025 = $280,700 annual cost

### Other Costs:

Towns also provide services to its residents for things like road maintenance and snow plowing, libraries and town hall staff. The average cost in Scituate to provide these services.

: 84 new residents at $ 1572 = $132,048 annual cost

### Total Increased Expenditures:

So, adding net educational costs and other municipal costs together, the total cost of community services for this new subdivision is:

: $ 280,700 plus $132,048 = $ 412,748 total annual cost

### Tax Revenue Generated:

Of course, new property taxes will be generated as well. The average real estate assessment for the town is $5,528. This new subdivision would increase the town's total assessments by $154,784.

$5,528.00 average tax revenue times 28 new homes = $ 154,784 annual revenue from new development

The goal of many towns is to 'grow the tax rolls' by encouraging development. Many studies show that the more developed a town becomes, the higher the taxes. The results in this case study are similar to the other studies. By 'growing the tax rolls' with this residential development, the town has a NET LOSS each year. Taxes would need to be raised on ALL property in town because these 28 lots were developed. Subtracting annual cost from annual revenue:

$154,784 - $412,748 = **$257,964 Net Loss** to the town each year

The above calculation does not take into consideration the impact growth would have on town infrastructure. If population trends continue at the pace of the past 30 years, a town population could grow at 12-15% per decade. The strain placed on the school infrastructure will result in either building expansion projects and/or new school buildings. The cost to meet the growth in student population could be from $5 million for a modest building expansion to over $25 million for a new school in today's dollars.

### Protected Open Space:

Protected Open Space takes many forms and many different types of ownership. Some Open Space areas are set aside for passive recreational use, while others are working farms or prime habitat areas that are preserved for future generations. What are the fiscal implications to the town if this 100 acre parcel were converted to protected open space? One complaint often heard is that the town would loose tax revenue. Lets say this parcel was assessed at $250,000. At current average tax rates the annual property taxes lost would only be $3,100.

### Fiscal Effect:

But if the land were developed the loss would be far greater. If this parcel were preserved instead of developed with houses, the town would 'gain' $409,648 annually. Further, studies show that the land surrounding protected open space increases at a rate far greater than other land, the increased value ranges from 6 – 15% in rural areas to as much as 50% in an urban location. If the surrounding land increased just 2 or 3%, that increased tax revenue would make up for the tax lost on the parcel.

### Fiscal Impact Study:

The above study is based on averages in Scituate, and on a typical parcel. An analytical tool to study the fiscal affect of a specific project is a Fiscal Impact Study. Some towns require a full Fiscal Impact Study that looks at the impact to town taxes over a 20-30 year time period for any new commercial or residential development project. These towns may also include in the Comprehensive Community Plan that a project's future fiscal impact to the town will be a deciding factor in granting approval.

*1."Nation's Housing – Quiet Communities, Open Natural Spaces Top Housing Draws", San Francisco Chronicle, January 8, 1995*
*2. "Cost of Community Services in Southern New England", Southern New England Forest Consortium, Inc. Sept., 1995 and "Does Farmland Protection Pay?" American Farmland Trust, June, 1992.*
*3."The Costs of Suburban Sprawl and Urban Decay in Rhode Island", Grow Smart Rhode Island. December 1999.*
*4."Land Conservation, Development, and Property Taxes in Rhode Island", Southern New England Forest Consortium, Inc., May 2000.*
*5. "The Economic Benefits of Parks and Open Space"' The Trust for Public Land, 1999.*
*6"Aquidneck Island and Open Space: A Economic Perspective", Aquidneck Island Partnership.*
*7. Scituate Comprehensive Community Plan, 1994.*
*8. New England School Development Council report, 2003. Prepared for the Scituate School Department.*
*9. Scituate School Department Budget, FYE 3/31/2007.*

Information and photos courtesy of the Green Valley Institute