

Fiscal Impacts of Land Use in Massachusetts:

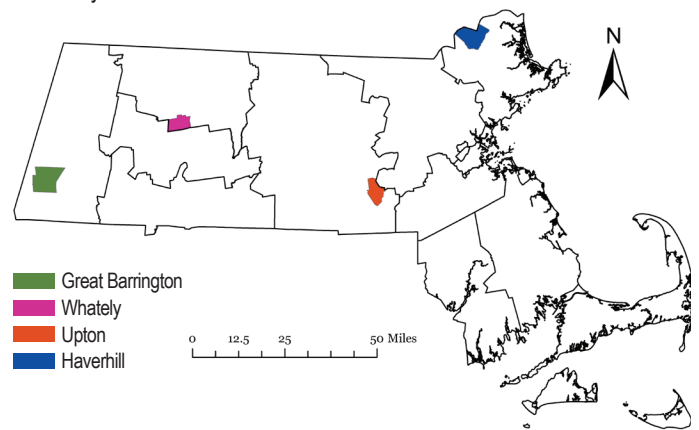
Up-to date Cost of Community Services Analyses for 4 Massachusetts Communities

INTRODUCTION

Town governments in Massachusetts provide important services such as public schools, police and fire departments, park and cemetery maintenance, and many others. Most of the funds that towns use to pay for these services come from property taxes. Property taxes are directly related to the assessed value of property, so decisions related to land use have fiscal impacts. Oftentimes, since developed land is worth more money than undeveloped land, people think that if their town encourages more development the town will be able to provide better services. However, new development brings not only more revenue, but also more expenses as residents use more services than businesses or open space including schools, parks, and human services. Proponents of conservation and open space have argued that undeveloped land is beneficial to communities because it brings in more revenue than it uses in services. The American Farmland Trust developed a method, called cost of community services analysis, that can be used to see how different types of land influence town finances (AFT 1992). A cost of community services ratio is the ratio of revenues brought



FIGURE 1. Map showing the locations of the four communities used in the analysis.



in from a specific land use to expenses required to provide services to that land use. Cost of community services studies have been conducted for many communities across Massachusetts and the US in the 1990s and 2000s (Kotchen and Schlute 2009).

Conservation professionals and planners in Massachusetts have been increasingly interested in how land use decisions influence local finances. To help inform these decisions, we calculated cost of community services ratios based on recent fiscal years for 4 municipalities in Massachusetts: Great Barrington, Whately, Upton and Haverhill (Figure 1).

METHODS

Assessor's data from each of the four towns was used to calculate the percentage of the total tax base in each of 3 land use categories: open space, residential, and commercial/industrial. For properties with multiple uses, we counted the value of the land as open space and the value of the building and yard as either commercial or residential. The most recent complete town budget was used to allocate revenues (taxes and other sources) and expenditures (services) based on land use. The expenses were divided by the revenues for each land use to determine the cost of community services ratio.

TABLE 1. Information about the four municipalities analyzed.

	Great Barrington (2018)	Whately (2017)	Upton (2018)	Haverhill (2017)
Population	6,907	1,513	7,725	63,370
Total Town Budget	\$26,717,461	\$5,572,091	\$25,974,011	\$182,124,250
RATIO OF REVENUES TO EXPENSES				
Residential	1: 1.12	1: 1.13	1: 1.00	1: 1.04
Commercial/Industrial	1: 0.37	1: 0.56	1: 0.51	1: 0.75
Open Space	1: 0.35	1: 0.46	1: 0.34	1: 0.74
Town Overall	1: 0.95	1: 0.98	1: 0.97	1: 1.01



RESULTS

Each of the four towns studied had lower expense to revenue ratios for open space and commercial land than residential land (Table 1). This means, for example, that for every dollar of revenue brought in from open space in Great Barrington, 35 cents are spent providing services for that land. The ratios calculated in this study are similar to other cost of community services ratios that have been calculated for towns both within and outside of Massachusetts in the past (American Farmland Trust 1992; Kotchen and Schlute, 2009).

USING THE RESULTS

While these cost of community services ratios show that open space brings in more revenue than it uses in services, they only provide a current snapshot of town land use and finances. To incorporate this information into municipal planning, towns and cities must envision how changes in land value from conservation and the location and type of development proposed will influence property taxes and the cost of new services required to support the development. For each of the municipalities studied, open space accounted for only a small percentage of the town's tax revenue (between 2 and 12%). This suggests that permanent or temporary conservation which reduces property taxes from open space would likely not drastically increase taxes for other types of land. For more information about cost of community services and to learn how to conduct ratios for land in your town, please visit www.MassWoods.org/communityconservation.

References

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