

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

APPENDIX L

COST OF COMMUNITY SERVICES

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

Cost of Community Services

One important measure of the value of manufacturing or commercial land uses is the fiscal impact that they have relative to the impacts of other uses. Industrial/manufacturing properties pay property taxes to a number of entities including the County, municipalities and other taxing districts. Because of the variations in the taxing districts, land valuations and exemptions or exceptions, it is difficult to indicate the value or importance of commercial and manufacturing properties to the County and municipal economies. However, if a large industrial site with a large, new structure is paying approximately \$10,000 per acre per year in property taxes then a 100 acre site would generate one million dollars per year in tax revenue. Thus, office and manufacturing operations and facilities not only bolster the economy with jobs and wages, but are significant taxpayers as well.

Several examples may be taken from recent Sussex County tax data. In Branchville, the commercial properties constitute only 15 percent of the taxable property in the Township, but they represent over \$7.55 million of Assessed Value, 47 percent of the Township's Assessed Value. In Lafayette there are only eighteen industrial properties, representing only 1.3 percent of taxable properties; however, these properties are valued at \$44.7 million and represent 9.5 percent of total Assessed Value. Thus, a small number of such relatively high value taxable properties can go a long way toward generating tax local tax revenue.

In addition to this, manufacturing and commercial properties have lower costs in terms of services provided by the municipality and County (police, EMS, and fire protection, water and sewer) in comparison to residential or institutionally zoned properties. This "cost of community services" measure has been documented in a number of studies performed in the late 1990s. A recent study in Leon County, Florida found that for each dollar of revenue generated by industrial and commercial use land in that county, expenditures were only thirty-six cents. On

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

the other hand residentially zoned land had expenditures of \$1.38 for each dollar of revenue, indicating that residential development does cost appreciably more to service than industrial or commercial uses.

An overview of the subject of cost of services studies revealed that the American Farmland Trust, with the assistance of the US Department of Agriculture, serves as one of the primary resources and clearinghouses for data on this topic. Their Fact Sheet, dated November 2002, lists almost 100 recent studies for which the median cost of services for commercial/industrial land uses is \$0.27, while that of residential land uses is \$1.16. In only one instance in this collection of studies does the commercial cost exceed the 1:1 ration and in only one case does the ration exceed 1:0.90.

A hypothetical example best illustrates the concept. Suppose a ten-acre manufacturing site with a new facility pays \$5,000 per acre per year in property taxes to the various taxing bodies – a total tax payment of \$50,000. However, an evaluation of the costs of services for that property could show that total costs were only \$20,000. At the same time assume that a single family residence is paying \$5,000 per year in property taxes in the same taxing districts. A residential development that includes ten single-family homes on one acre lots would thus pay \$50,000 in property taxes. However, the cost of services (schools, police, fire) even at a conservative 125 percent of revenue would mean that the districts spent \$62,500 to provide services to this group of homes. The industrial site **generated** \$30,000 in revenues for the taxing entities, while the residential development **cost** the taxing entities \$12,500 – a cost subsidized in some measure by the industrial property.

A 2004 study of cost of community services not only made comparisons with an earlier study but went on to calculate the per acre net fiscal impact of land uses.

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

First, the study observed that residential use properties increased from a 1:1.02 ratio of revenue to expense in 1996 to 1:1.14 in 2004. That is, the costs increased by 12 percent over eight years for residential uses. At the same time the costs for manufacturing and commercial uses properties **decreased** over the same period. Manufacturing went from one dollar in revenue to twenty-two cents spent to one dollar in revenue to fourteen cents spent. Furthermore, according to the study calculations, each acre of residential property **cost** the municipality \$1,196.52 in 2004 (a ten-fold increase from the inflation adjusted 1996 figure), while each acre of manufacturing property **generated** \$12.37.¹

“High technology manufacturing” land uses typically generate more revenue than the cost of providing public services for them. In addition to generating jobs and creating wealth in the community, they serve as a low-cost taxable property that helps support the costs of other types of land use.

¹ University of Wisconsin Extension Division, “Understanding the Cost to Provide Community Services in the Town of Holland, La Crosse County, Wisconsin”, January 2006; see also The Farmland Information Center, “Fact Sheet – Cost of Community Services,” November 2002.