



## TUG HILL COMMISSION ISSUE PAPER SERIES

### TUG HILL COMMISSION

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## Cost of Development

This paper is intended to help local officials think through the fiscal impact implications of development within their communities. By fiscal impacts, we are talking about the impact of new development on local, county and school revenues and expenditures. It is often assumed that new development will expand the tax base and assist localities with balancing budgets. What is often overlooked is that new development often brings with it greater expenditures which may offset some or all of the new revenues. Local officials should keep in mind the following things:

1. **More to Consider Than Just Local Taxes:** New development has fiscal impacts on town, school and county taxes, not just local town and/or village tax. While planning and zoning decisions are made on the town and village level, these decisions have fiscal implications for other units of government that are often overlooked, most importantly the school district and the county.
2. **Studies Indicate Agriculture, Commercial and Industrial Best:** Numerous studies have been done evaluating the fiscal impacts of various land uses. Virtually all show that the tax revenues of new residential development, on the whole, do not cover the increased costs of services that the development requires, while both commercial and industrial development revenues do. Open space, particularly farmland, has some of the most positive fiscal impacts, requiring very little in services while generating revenues to the community.
3. **Each Case Unique:** The fiscal impacts of each development project must be weighed on its own merits. There is great variability in local circumstances and aspects of specific projects that make each fiscal impact assessment unique. Not all new residential developments represent new net costs to the community. For example, excess school, water or sewer capacity in some jurisdictions may significantly reduce the impacts of a specific development, or may even be a benefit by distributing fixed costs among more users. Some projects are accompanied by Federal impact aid, which can also significantly increase revenues to balance out costs. Residential developments that are seasonal in nature, or for the elderly, may be a fiscal benefit where there are no additional school costs, and where they require little or no public improvements such as roads and utilities.
4. **Consider the Entire Economic Impact:** The fiscal impacts of new development are not the only economic ramifications to consider. Even though residential developments may cost more in services than they generate in revenues, they bring new residents into the community which support new markets for retail uses and provide employees for

commercial and industrial uses. This creates opportunities for, and strengthens the commercial and industrial sectors which are usually a net fiscal benefit. This may work to the benefit of the community if the commercial and industrial base that is strengthened is local and taxable, and the community is not serving as a “bedroom” community.

5. **Consider Regional Impacts:** Simply because a particular use does not generate a positive benefit-to-cost ratio does not mean it should be totally avoided. Such uses are often important to the overall economy of the region, and must be located someplace. Communities should consider accepting their fair share of such uses on a regional basis.
6. **Good Planning May Reduce Costs, Increase Benefits:** Many studies have indicated that the configuration of development may significantly contribute to its cost. Planned development which is closely tied to plans for the provisions of new public facilities may have significantly lesser costs and greater benefits.

There are a variety of studies that can be conducted to address cost of community services. These studies range from site-specific analysis of individual development projects to determine specific fiscal impacts, to more general studies of entire community fiscal circumstances to determine the types and values of development which will provide a “break-even.” These studies require the services of consultants which specialize in these types of analysis.

For a good general summary of studies that have been conducted on this issue, see *Farmland Information Center Fact Sheet - Cost of Community Services Studies*, Farmland Information Center, One Short Street, Suite 2, Northampton, MA 01060. This publication can be found on-line at [www.farmlandinfo.org](http://www.farmlandinfo.org).

The Tug Hill Commission *Technical and Issue Paper Series* are designed to help local officials and citizens in the Tug Hill region and other rural parts of New York State. The *Technical Paper Series* provides guidance on procedures based on questions frequently received by the Commission. The *Issue Paper Series* provides background on key issues facing the region without taking advocacy positions. Other papers in each series are available from the Tug Hill Commission at the address and phone number on the cover.