

COST OF COMMUNITY SERVICES

UC UC Cooperative Extension CE Land Use Fact Sheet Series

17

COCS studies help to evaluate working and open lands on equal ground with residential, commercial and industrial land uses.



Land use decisions affect the taxes you pay and your quality of life. A land use may generate a lot of money for local government; but if it requires services that cost more than it generates, it will end up costing local taxpayers even more money. Communities pay a high price for unplanned growth. Scattered development frequently causes traffic congestion, air and water pollution, loss of open space, crowded schools and increased demand for costly public services. This is why it is important for citizens and local leaders to understand the relationships between residential and commercial growth, agricultural land use, conservation and their community's bottom line.

Cost of Community Services (COCS) studies compare the fiscal contribution (positive or negative) of existing local land uses. COCS studies help to evaluate working and open lands on equal ground with residential, commercial and industrial land uses.

Researchers from a variety of backgrounds have undertaken COCS studies. Regardless of who conducted the research, the results have been consistent. Virtually all of the studies show that the COCS ratio is substantially above 1 for residential land, meaning that they cost the community more in services than they generate in taxes and fees. In most places, residential land is a net drain

on local government budgets. The average estimate ranges from about 1.15 to 1.50, which means that for every dollar collected in taxes and non-tax revenue, between \$1.15 and \$1.50 gets returned in the form of local government and school district services.

On the other hand, the COCS ratios for the other two land use categories are both substantially below 1. For commercial/industrial, the ratio usually ranges from 0.35 to 0.65, indicating that for every dollar collected, the local government provides only about 35 to 65 cents worth of services. For agriculture and open space, the ratios are only slightly smaller, usually ranging from 0.30 to 0.50. These land use categories generate less tax revenue; but they also cost the community less in terms of services rendered.



The primary reason that the ratios vary somewhat is that not all communities are identical. If many homes in a community are in an extremely high price range and occupied by "empty nesters," for example, the COCS ratio should be expected to be relatively low. On the other hand, low- or middle-income property occupied by families with numerous school-age children would produce a higher ratio. Some communities have gone beyond simply calculating a COCS ratio and have



University of California
Agriculture and
Natural Resources

September 2007



It is up to communities to balance goals such as maintaining affordable housing, creating jobs and conserving land. With good planning, these goals can complement rather than compete with each other.



The University of California prohibits discrimination or harassment of any person in any of its programs or activities. (Complete nondiscrimination policy statement can be found at http://danr.ucop.edu/aa/danr_nondiscrimination_and_affir.htm)

Direct inquiries regarding the University's nondiscrimination policies to the Affirmative Action Director, University of California, ANR, 1111 Franklin St., 6th Floor, Oakland, CA 94607, (510) 987-0096.

**University of California
Agriculture and
Natural Resources**

actually calculated the “break even” home value for their community. Not surprisingly, these values tend to be substantially higher than the median (average) home value.

According to COCS studies, the largest single expenditure category for communities is the public school system. Since open space and commercial development in themselves do not place any burden on the schools, it should not be surprising that their ratios are lower than those for the residential category.

COCS studies help address three claims or myths that are commonly made in rural or suburban communities facing growth pressures:

1. Open lands—including productive farms and forests are an interim land use that should be developed to their “highest and best use.”
2. Agricultural land gets an unfair tax break when it is assessed at its current use value for farming or ranching instead of at its potential value for residential or commercial use.
3. Residential development will lower property taxes by increasing the tax base.

While it is true that an acre of land with a new house generates more total revenue than an acre of hay, this tells us little about a community's bottom line. In areas where forestry and agriculture are major industries, it is especially important to consider the real property tax contribution of privately owned working lands.

Working and other open lands may generate less revenue than residential, commercial or industrial properties, but they require little public infrastructure and few services.

Twenty years of COCS studies show working lands generate more public revenues than they receive back in public services.

On average, residential land uses do not cover their costs thus they must be subsidized by other community land uses. *Converting agricultural land to residential land use should not be seen as a way to balance local budgets.* The findings of COCS studies are consistent with those of

conventional fiscal impact analyses, which document the high cost of residential development. COCS studies show that agricultural land is similar to other commercial and industrial uses. In every community studied, farmland has generated a fiscal surplus to help offset the shortfall created by residential demand for public services.

Communities need reliable information to help them see the full picture of their land uses. They also dispel the myths that residential development leads to lower taxes; that differential assessment programs give landowners an “unfair” tax break, and that farmland is an interim land use just waiting around for development.

One type of land use is not intrinsically better than another, and COCS studies are not meant to judge the overall public good or long-term merits of any land use or taxing structure. It is up to communities to balance goals such as maintaining affordable housing, creating jobs and conserving land. With good planning, these goals can complement rather than compete with each other. COCS studies give communities another tool to make decisions about their futures.

Resources

American Farmland Trust's (AFT) Farmland Information Center acts as a clearinghouse for information about Cost of Community Services studies. <http://www.farmland.org/services/fiscalplanning/default.asp>

AFT Fact Sheet on COCS Studies http://www.farmlandinfo.org/documents/27757/FS_COCS_11-02.pdf

Local Community Resources Fact Sheet, Cost of Community Services, University of Illinois Extension, <http://www.urbanext.uiuc.edu/lcr/LGIEN2000-0011.html>

Calculating a Cost of Community Services Ratio for You Pennsylvania Community, Pennsylvania State University <http://pubs.cas.psu.edu/FreePubs/pdfs/ua327.pdf>
Well documented process for COCS studies.

An Introduction to Cost of Community Services, University of New Hampshire Cooperative Extension, <http://extension.unh.edu/CommDev/Pubs/CstComSv.pdf>

Compiled and Edited by Holly George. <http://ucanr.org/landusefactsheets>