

Appendix B

space, roads, police, water treatment, parks, and road maintenance, among other services.

Land uses do matter, so it is important to think carefully when development is proposed in a community. Particular attention should be paid to how the development will affect local services and how well those existing services can accommodate new service demands.

IMPLICATIONS FOR DECLINE

When a community's major industry (such as the town steel mill) closes due to economic difficulties, the assessed value of that property can decrease, reducing tax revenues. Water and sewer fee revenues can also decline

drastically, making it difficult to operate the local systems without increasing usage fees for homes and other businesses. Because industrial and commercial land types in general help subsidize homeowners, the loss of their revenue can be especially damaging. The school district and municipality may be forced to choose between cutting services or raising tax rates to make up for the lost revenue. If a school district or municipality relies too heavily on a large commercial or industrial property to fund local services, it leaves itself vulnerable to these kinds of shocks.

IMPLICATIONS FOR MUNICIPAL COOPERATION

The influence of school revenues and expenses on the fiscal impacts of different land uses has an important implication for how neighboring boroughs, townships, and cities cooperate. Land uses throughout a school district affect all taxpayers living in the school district, not just taxpayers in the host municipality. Intensive residential land uses in a neighboring municipality will affect your school taxes as much as if those land uses were within your own municipality, if that neighboring community is located within your school district. Commercial, industrial, and agricultural land uses in neighboring municipalities similarly can help benefit school tax bills in your own municipality.

These effects illustrate the benefits of cooperation among neighboring municipalities. What happens in a neighboring municipality influences what happens in your municipality. It makes sense for municipal officials and planning commissions at least to communicate among themselves so they can be aware of what is occurring in neighboring municipalities. Cooperation between municipalities can ease coordination of planning activities and provide better control over what happens within the region.

IMPLICATIONS FOR FARMLAND PRESERVATION

Some residents may not appreciate the smells, sounds, or other inconveniences of living near farms, but these things are reminders that all

residents benefit from farm and open land. The tax revenue from these lands helps keep residents' taxes low.

When farmland is converted for residential purposes, these benefits are lost. If the number of children living in the new houses requires that the school district hire new teachers or build new schools or that the local government increase service expenditures (for roads, sewers, water systems, and so forth), the impacts of farmland loss can be especially dramatic. The land will be converted from a net contributor to the municipality and school district into a net drain.

Some farmland protection programs, such as Clean and Green, reduce the amount of real estate tax paid by farmers. This lessens the revenue that farmland contributes to the school district and municipality. The results in several townships, that had land enrolled in Clean and Green, demonstrate that even when these programs are in use in a township, farmland still contributes more than it requires. Even with preferential assessments, farmland ends up subsidizing the educational costs of residential land and plays a positive economic role in the community.

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Fiscal Impacts of Different Land Uses

THE PENNSYLVANIA EXPERIENCE IN 2006

The way land is used in your community affects your taxes and the quality of your life. Land uses influence the size of your local government, the types of services it offers, the types of equipment it must purchase, and the taxes and tax rates it must levy. Land use also affects the number of students in the local school district, the sizes and number of school buildings, the number of teachers, and the taxes and tax rates the school district levies.

These impacts are significant not only because they affect taxpayers and local residents but because they affect the ability of local government to respond to the needs of its citizens. Identifying the impacts of different land uses will help you recognize what types of land uses should be encouraged in your municipality and what types should be treated cautiously.

This publication discusses the fiscal impact of different land uses in Pennsylvania and the implications for taxpayers and communities. It uses Cost of Community Service studies conducted during 2006 and 2007 to update an earlier extension publication on the same topic.

POTENTIAL IMPACTS

Land uses can affect the local government's and school district's finances by changing the revenues collected or the amount of public money spent on services. A housing development where many children live, for example, may generate a lot of tax revenue for the municipality while also requiring that the school district operate more classes.

Sorting out the net impact of different land uses requires a consideration of their impacts on both revenues and expenditures.

Impacts on Revenues

The revenues collected through local taxes, such as the real property and realty transfer taxes, depend directly on the land uses in a jurisdiction. High-value uses, like industrial and commercial enterprises or expensive homes, can generate much tax revenue.

Other local taxes depend less directly on land uses

but are still affected by them. Revenues from the earned income tax, occupation tax, and per capita tax are heavily influenced by how many people live in the jurisdiction and their economic status.

The ways people use land also affect the nontax revenues of municipalities and school districts. These include license and permit revenues, sewer and public service fees, highway aid, the amount of money school districts receive from the Commonwealth's Equalized Subsidy for Basic Education, and payments in lieu of taxes made by the Commonwealth and the federal government.

Impacts on Expenditures

How much revenue can be raised is only part of the overall fiscal impact of different land uses. The costs of providing local governmental and school district services for different land uses are also important.

Such services can include sewer, water, fire protection, police, refuse collection, streets, libraries, and

Table 3.
Hierarchy of land uses and typical fiscal impacts.

| Land use | FISCAL IMPACT ON: | |
|--|-------------------|-----------------|
| | Municipality | School district |
| Research office parks | + | + |
| Office parks | + | + |
| Industrial development | + | + |
| High-rise/garden apartments (studio/1 bedroom) | + | + |
| Age-restricted housing | + | + |
| Garden condos (1–2 bedrooms) | + | + |
| Open space lands | + | + |
| Retail facilities | – | + |
| Townhouses (2–3 bedrooms) | – | + |
| Expensive single-family homes (3–4 bedrooms) | – | + |
| Townhouses (3–4 bedrooms) | – | – |
| Inexpensive single-family homes (3–4 bedrooms) | – | – |
| Garden apartments (3+ bedrooms) | – | – |
| Mobile homes | – | – |

Note: This is a general listing and may not apply accurately to any one specific development. The fiscal impacts must always be viewed in the context of the specific community, existing surplus capacity of local services, and other development occurring in the jurisdiction.

Source: Burchell and Listokin, 1993.