

# **The Costs of Development, or, Residential Development Doesn't Pay**

**Submitted by Sarah Gardner, Ph.D.**  
**Assistant director, Center for Environmental Studies, Williams College**  
**Member, Williamstown Planning Board**

There is a commonly held belief that development enhances the local tax base. Therefore, it follows that housing development is a way to increase the wealth of towns, including schools and other public services. This thinking is based on the idea that more houses equal more property tax. While this sounds logical, this logic has been disproved many times over. Numerous studies have shown that residential land is the most expensive for local government to support: it costs the public more money than it pays in taxes and charges.<sup>1</sup> It is more expensive to serve residential areas than commercial, industrial, farm or open land. Large lot housing developments are the most costly type of land use for towns.

This research, cost of community services studies, has found that revenue from residential land falls about 25 percent short of covering the costs of the public services they receive. The ratios of revenues to expenditures for residential, Commercial/industrial, and farmland/open space found in three Massachusetts towns averaged: 1:1.12 for residential land; 1:.42 for commercial/industrial land; and 1:.33 for farmland/open space.<sup>2</sup> Another study found that for every dollar farms and open lands generated in revenue, they required only 0.33 in services.<sup>3</sup> The adage that cows do not send their children to school expresses a documented fact: farms and open land, far from draining local taxes, actually subsidize local government by generating far more in property taxes than they demand in services.

These findings call into question the assumptions behind the term "highest and best use" of land. Growth and development do not generally lower property tax bills. It is neither accurate nor responsible to claim that expanding the residential tax base, especially through the development of large lot single family homes, is an economic development strategy.

---

<sup>1</sup> "Economic Benefits of Open Space," Government Finance Group, Inc. , *Public Finance Digest*, Sept. 1993.

<sup>2</sup> "Does Farmland Protection Pay: The cost of community services in three Massachusetts towns (Gill, Agawam, Deefield)," American Farmland Trust, 1992.

<sup>3</sup> "Cost of Community Services: the value of farm and ranch land in Hays County, Texas," American Farmland Trust, DATE?