

# Cost of Community Services Study Windham, New Hampshire



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## Contents

Executive Summary	Page 3
Acknowledgements	Page 4
Introduction	Page 4
Methodology	Page 5
More About Windham	Page 6
Application of Methodology in Windham	Page 8
Revenue Allocations	Page 9
Expenditure Allocations	Page 11
Ratios of Revenue to Expenditures	Page 13
Discussion	Page 14
Summary	Page 17
Appendix 1 – References Cited	Page 19
Appendix 2 – Default Percentage Calculations	Page 20

# Cost of Community Services Study for Windham, NH

## Executive Summary

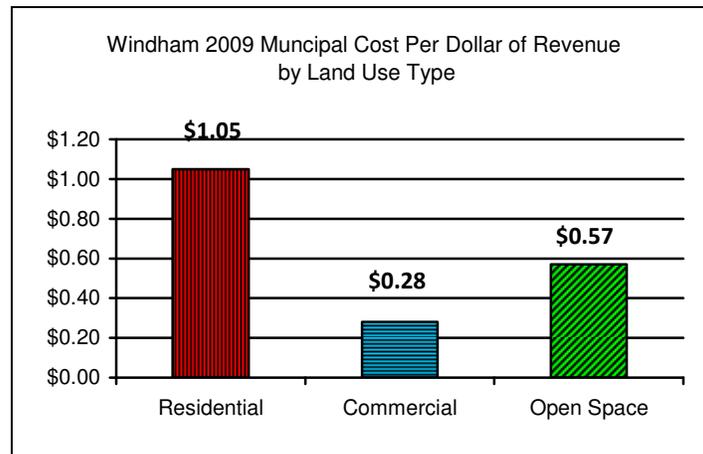
The Conservation Commission in the town of Windham, New Hampshire, requested a cost of community services study.

A cost of community services study provides a simplified view of the revenue and expenditure by land use type for a particular locality for a particular time period. The outcome of such a study is a set of ratios showing revenue to expenditure for the selected land uses within the community. The study shows only the situation for the time period of the study. It does not predict the impact of a change in land use, nor does it tell the community how to respond “correctly” to a potential land use decision.

This type of study is based on a methodology created by the American Farmland Trust which has been used in many communities in New Hampshire and around the country.

For Windham, in 2009, open space requires \$0.57 in services for every dollar it generates in revenue. Commercial land requires \$0.28 in services per dollar it generates in revenue, while the services for residential land cost \$1.05 for every dollar of revenue. These ratios are typical of those found in other New Hampshire communities that have done this type of study.

Windham 2009 Revenue and Expenditure by Land Use Type			
	Residential	Commercial	Open Space
Total Revenue	\$45,044,827	\$3,732,197	\$71,711
Total Expenditure	\$47,219,153	\$1,033,204	\$40,902
Ratio	1:1.05	1:0.28	1:0.57



## Acknowledgements

Windham town staff was consistently welcoming and helpful during the local data collection necessary for this report. The following staff members and volunteers were especially helpful:

- Dana Call, Assistant Town Administrator – Finance, spent a good deal of time with the researcher, providing information that helped clarify town functions. Ms Call also provided additional information as requested and was helpful in reviewing elements of the allocations.
- Chief of Police Gerald Lewis and Fire Chief Thomas McPherson provided important feedback about the fairest way to allocate revenue and expenditure for their departments. Chief McPherson was especially helpful in pointing out that the 2008 Impact Fees for Public Safety Facilities might provide useful perspective in allocating fire and police expenditures.
- Town Clerk Nicole Merrill personally tabulated vehicle registration information to insure that appropriate confidentiality was maintained.
- Tax Collector Ruth Robertson and Deputy Tax Collector Alice Hunt willingly offered the available information from their department.
- Assessor Rex Norman simplified the allocation of property tax revenue by an approach based on years of detailed calculations.
- Community Development Director Laura Scott served as the primary staff contact for the study and in that capacity both provided detailed information about the community development department and fielded a number of questions about the who's and how's of municipal governance in Windham.
- Wayne Morris of the Conservation Commission was helpful and encouraging from the first consideration of doing the study through to its completion.

## Introduction

Windham is a moderate-sized town in Rockingham County in southern New Hampshire. Like many towns in southern New Hampshire, it grew rapidly in the latter decades of the twentieth century. A major interstate highway passing directly through the town provides easy access both to the south for employment opportunities in the greater Boston area and to the north for recreation activities in the state's lakes and mountains.

The town prides itself on maintaining a small town feel and rural character while also welcoming new residents and commercial activity. The town's first ever local high school was opened in 2009 after years of careful study. The Conservation Commission actively seeks ways to further increase citizen understanding of and support for land conservation activities.

The Conservation Commission was aware that other communities in New Hampshire and around the country had found cost of community services studies to be a helpful tool in understanding the measurable economic benefits of land retained in open space.

The Windham Master Plan 2005 also alludes to information that could be obtained through a cost of community services study.<sup>1</sup> The Conservation Commission contracted with consultant Dorothy “Dijit” Taylor of the firm Conservation Assistance and More! to conduct a cost of community services study for the town.

## Methodology

A cost of community services study is a relatively straightforward look at the finances of a community. It provides a snapshot of the situation in a selected time period, typically one recent year. This type of study compares revenue and expenditure for the community by land use type. The outcome of such a study is a set of ratios that show how the revenue and the expenditure for each land use type relate to each other for that locality for that time period.

The methodology was pioneered by the American Farmland Trust in the mid 1980s and has been used in more than 100 communities in many parts of the country.<sup>2</sup> The methodology was brought to New Hampshire in the early 1990s by Phil Auger of UNH Cooperative Extension and Deborah Stanley of the Ausbon Sargent Land Preservation Trust. In addition to Windham, 18 other New Hampshire communities are known to have completed similar studies between 1993 and 2011.

The logic behind a cost of community services study and the steps taken to conduct one are straightforward:

1. Define land use types of interest
2. Collect the relevant financial data
3. Allocate all municipal revenue and expenditures by land use types
4. Determine total revenue and expenditure for each land use type
5. Calculate the ratio of total revenue to total expenditure for each land use type

The most important and challenging part of any cost of community services study is allocating the correct portion of each revenue and expenditure item from the town’s budget into the appropriate land use category. The allocations are based on the most accurate and relevant of several possible selection criteria:

- Logic and common sense (For instance, all cemetery costs are allocated to residential because they are directly connected to people);
- Detailed town records where available and relevant (For instance the number of personal vehicles versus the number of business vehicles registered in the town);

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<sup>1</sup> Windham Master Plan 2005:  
<http://www.windhamnewhampshire.com/updated/MPDocs/FinalMP2005.pdf>

<sup>2</sup> American Farmland Trust.  
(2010) Farmland Information Center Fact Sheet, Cost of Community Services Studies and  
(2002) Cost of Community Services Studies: Making the Case for Conservation.

- Input from knowledgeable local officials (For instance, the police chief’s analysis of how much of the department time is spent on tasks related to each land use);
- Default percentage (The methodology provides a formula based on assessed valuation to allocate municipal revenue and expenditures that are not associated with specific land use types, such as insurance for municipal employees).

## More About Windham

Windham has a long history, having been settled in 1719. When the state did its earliest census, in 1767, the population stood at 402. There were population fluctuations during the eighteenth and nineteenth centuries, but by the turn of the twentieth century, the population stood only 60% above that in 1767. In the second half of the twentieth century, however, the town grew dramatically, as did many towns in the southern parts of the state:

Windham Population Growth <sup>3</sup>	
Date	Population
1900	641
1950	964
1980	5,664
2000	10,709
2010	13,592 <sup>4</sup>

By 2009 when the cost of community services study was undertaken, the population was estimated to be 13,257<sup>5</sup>.

Windham residents celebrate the sense of living in a strong community According to the Vision Statement in the 2005 Master Plan,

Above all, the people of Windham value this shared sense of responsibility, cooperation, and friendship, and seek to ensure this ethic continues....<sup>6</sup>

The Master Plan Vision Statement further observes that:

Windham residents also retain a close relationship to the land, its open spaces, lakes, ponds, streams, and forests. Although recent growth may cause some to observe that Windham is no longer “rural” in nature, the Town takes pride in

<sup>3</sup> 1767-2000 data from State Data Center, New Hampshire Office of Energy, Historical Census Data

<sup>4</sup> State Data Center, New Hampshire Office of Energy, 2010 Census Data, table dated March 22, 2011

<sup>5</sup> <http://www.nh.gov/nhes/elmi/htmlprofiles/windham.html>

<sup>6</sup> Windham Master Plan 2005, op.cit.

conserving its environmental resources and natural beauty.<sup>7</sup>

In 2010, available figures show the town with 871 acres or nearly 5% of its land either permanently conserved or in town ownership.<sup>8</sup> Another 7% of the land in Windham is enrolled in the current use tax assessment program.<sup>9</sup> Comparable figures for all of Rockingham County are 14% in permanent protection and 33% in current use. For the entire state, the figures are 29% in permanent conservation and 51% in current use.

<b>Land Use Status</b>		
Locality	Land Permanently Protected <sup>10</sup>	Land in Current Use Tax Program <sup>11</sup>
Windham	5%	7%
Rockingham County	14%	33%
State of New Hampshire	29%	51%

Conversion of undeveloped land to housing and commercial uses to meet the needs of the growing population continues to take place. The Conservation Commission is active and the residents express a strong vision to retain the town's rural character, maintain open space and preserve natural resources.<sup>12</sup> There remain only four working farms in the community, although interest in local food and agriculture is high. The Vision Statement in the Master Plan observes that "Future Development should be shaped to preserve scenic landscapes, allow for contiguous habitats and recreational trails and protect water quality."<sup>13</sup>

In 2009, the impact of the recession was being felt heavily by communities and voters. Voters in seventeen towns all across the state supported funding for conservation, with a modest average allocation of \$21,000. Windham was one of only four towns where voters rejected conservation funding proposals. The proposal in Windham was by far the largest, a petitioned article on the town warrant to bond \$5,000,000 for open space conservation.<sup>14</sup>

The 2010 Open Space Report recommends that the town pursue permanent protection of another 800 or more acres that it defines as especially important to "sustain the ecosystem services provided by (the town's) resource base and maintain the rural

<sup>7</sup> Windham Master Plan 2005, op.cit.

<sup>8</sup> Society for the Protection of New Hampshire Forests ("SPNHF") (2010) New Hampshire's Changing Landscape 2010; NHCL Base Data and Conservation and Public Lands: Windham

<sup>9</sup> New Hampshire Department of Revenue Administration ("DRA"), 2009 Current Use Report: Acres and Percentages

<sup>10</sup> SPNHF 2010 op.cit; NHCL Base Data and Conservation and Public Lands: Rockingham County and State of New Hampshire

<sup>11</sup> DRA, op.cit.

<sup>12</sup> Rockingham Planning Commission (2010) Windham CTAP Open Space Report.

<sup>13</sup> Windham Master Plan 2005, op.cit

<sup>14</sup> <http://forestsociety.org/news/press-release.asp?id=253>

character envisioned in Windham's Master Plan (2005)."<sup>15</sup> In their 2001 initiative and challenge to the state, *New Hampshire Everlasting*, the Society for the Protection of New Hampshire Forests recommended that each municipality seek to conserve "at least 25% of its lands for a network of trails, parks, farms, and forests where people can connect with the natural world."<sup>16</sup> Goals related to Natural Resources and Open Space are given priority for near-term action by the Windham Planning Board in September of 2010.<sup>17</sup>

The tag line to the Vision Statement in Windham's Master Plan: "Old Values – New Horizons" captures well the sense of the community, striving to retain the best of the old while simultaneously embracing the changes leading to an exciting new future.

### **Application of the Methodology in Windham**

The Windham Conservation Commission decided early in the process to base the cost of community services study in Windham on the typical land use types of residential, commercial and open space. The study is based on Windham's revenue and expenditure for the year 2009, the most recent year for which the books were closed and the town report and all information were available at the time the study was started.

For purposes of this study, open space is defined as land which is enrolled in the current use tax program, which includes working farmland and working forest land. Residential land is land which is used to provide housing for people. The commercial land use category includes land devoted to business and industrial activities.

The consultant met with the Conservation Commission in April 2010 to finalize details, and pursue initial information needs. She met with the group again in August 2010 to review a draft of the spreadsheets that constitute the major substance of the study, and in February 2011 to present the near-final results.

The analysis and allocations are based on information contained in the 2009 Annual Reports Town of Windham NH. Additional information was provided by members of the Conservation Commission and the various town employees who are mentioned in the acknowledgement section of this report.

The default allocation for Windham's cost of community services study was developed from the assessed valuation for each of the land use types, as called for in the methodology. The numbers used to derive these percentages are drawn directly from the Summary Inventory of Valuation found on page 19 of the 2009 town report. The percentages are shown in the table on the following page.

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<sup>15</sup> Rockingham Planning Commission, op.cit.

<sup>16</sup> Society for the Protection of New Hampshire Forests (2001) *New Hampshire Everlasting*, A Working Proposal: <http://www.forestsociety.org/pdf/nheverlasting.pdf>

<sup>17</sup> Windham Planning Board (September 29, 2010) 2005 Master Plan: 2010 Benchmark Review Goals Accomplished and Ongoing

<b>Windham Land Use Default Percentages</b>		
Residential	Commercial	Open Space
92.36%	7.63%	0.01%

Details of how these percentages were derived from the Summary Inventory of Valuation from the 2009 town report are found in Appendix 2.

### **Revenue Allocations**

Following the methodology as described on page 5 of this report, every relevant revenue item received by the town in 2009 was allocated to one or more of the land use types under consideration. Seventy-eight percent of the revenue items could be allocated using information more specific than the default percentage.

A few revenue items from the town report were excluded: On the advice of the town finance director, both revenue and expenditure for tax anticipation notes (“TANs”) were excluded, as was revenue from a variety of trust funds outside the operating budget (pages 23-25 and 42 of the town report).

The following table shows the revenue allocations by land use type and the information source or rationale for each allocation. Revenue items generally follow the order in which they were listed the 2009 Windham Town Report, pages 38 – 41.

<b>Windham 2009 Revenue by Land Use Type</b>				
Item	Residential	Commercial	Open Space	Information Source or Rationale for Allocation
Property Taxes	\$39,339,551	\$3,249,900	\$4,259	Default per Tax Assessor Rex Norman
Land Use Change Tax			\$55,565	100% Open Space
Yield Taxes			\$3,079	100% Open Space
Interest	\$92,130	\$7,611	\$10	Default per Tax Assessor Rex Norman
Penalties/Fees	\$13,433	\$1,110	\$1	
Overpayments/Refunds	\$83,263	\$6,879	\$9	
Misc	\$33	\$3		
Motor Vehicle Permits	\$2,322,323	\$218,512		91.40% residential, 8.60% commercial derived via hand tally of two representative 2009 months by Town Clerk Nicole Merrill
Mail-In Registration	\$12,227	\$1,150		
State Motor Vehicles	\$38,079	\$3,583		
Titles	\$4,166	\$392		

Item	Residential	Commercial	Open Space	Information Source or Rationale for Allocation
Dog Licenses	\$17,606			100% residential
Revenue from Dog Officer	\$3,045			
Sale of Town Info	\$2,097			
Boats	\$11,026			
UCC (Uniform Commercial Code) Filings& Misc		\$2,006		100% commercial per town clerk
Vital Records	\$2,060			100% residential
OHRV/Hunting & Fishing	\$510			
Community Development	\$106,204	\$35,534		74.93% residential, 24.07% commercial per Community Development Department analysis of sources of revenue
Transfer Station	\$49,294	\$248		99.50% residential, 0.50% commercial per Transfer Station Manager Dave Poulon
Fire Department	\$192,248	\$42,290	\$8,507	79.10% residential, 17.40% commercial, 3.50% open space per department revenue sources via Chief McPherson
Cable Franchise Fees	\$353,672			100% residential
State NH Meals & Rooms	\$573,334			
State NH Highway Block Grant	\$234,865	\$22,099		As vehicle registration,
State NH Bridge & Transport	\$328,454	\$30,905		
Other Intergovernmental	\$297,867	\$24,607	\$32	For and as Fire Department
Sale of Town Property	\$40,830			Sale to residential abutter per Dana Call
Cash Donations/ Contributions	\$686,973	\$64,639		As vehicle registration, related to Londonbridge Road project
Transfers in from Other Funds	\$102,476	\$9,642		
Admin & Misc	\$59,016	\$4,875	\$6	Default
Interest on Investments	\$33,986	\$2,808	\$4	
Total	\$45,044,827	\$3,732,197	\$71,711	

As included in this report, total revenue for the town of Windham for 2009 was \$48,848,735. Residential land provided \$45,044,827 (92.21%) of the revenue, while \$3,732,197 (7.64%) was derived from commercial land use and \$71,711 (0.15%) from open space.

## Expenditure Allocations

Following the same strategy as the municipal expenditures, every relevant expenditure made by the town in 2009 was allocated to one or more of the land use types under consideration. In the same manner as the income items, expenditures were allocated following the methodology explained on page 5 of this report. Seventy-four percent of the revenue items could be allocated using information more specific than the default percentage.

Expenditures from the various trust funds (pages 23-25 and 42 of the town report) as well as payoff of Tax Anticipation Notes (TANs) were excluded as they were from the revenue calculations, on the advice of the town finance director. Transfers out to Village Districts and the Conservation Land Fund (page 41) were excluded from the calculations as they have not been expended, merely transferred to other accounts. The table that follows shows the allocations by land use type for Windham's 2009 expenditures, as well as the rationale or source for each allocation. The list of expenditures generally follows the order of items in the 2009 Windham Town Report, pages 20-22:

<b>Windham 2009 Expenditures by Land Use Type</b>				
Item	Residential	Commercial	Open Space	Information Source or Rationale for Allocation
Town Officer's Salaries	\$8,799	\$727	\$1	Default
Administration	\$467,597	\$38,629	\$51	
Tax Collector Expenditure	\$144,170	\$11,910	\$16	
Town Clerk Expenditure	\$179,956	\$16,828	\$39	Total of all town clerk revenue items = 91.43% residential, 8.55% commercial, 0.02% open space
Election & Registration	\$12,585			100% residential
Cemetery	\$43,165			
General Government Buildings	\$445,842	\$36,832	\$48	Default
Property Appraisal	\$177,951	\$14,701	\$19	
Info Tech	\$161,836	\$13,370	\$18	
Searles Bldg	\$9,390	\$0		100% residential per Conservation Commission
Legal Expenditures	\$37,838	\$40,992		48% residential, 52% commercial per analysis of cases and costs, D. Call
Police Department	\$2,049,655	\$158,451	\$11,096	92.35% residential, 7.14% commercial, 0.50% open space per Chief Lewis
Dispatching	\$409,096	\$31,626	\$2,215	
Fire Department	\$2,421,591	\$200,051	\$262	Default per Chief McPherson
Emergency Mgmt	\$3,571			100% residential

Item	Residential	Commercial	Open Space	Information Source or Rationale for Allocation
Community Development	\$211,936	\$211,936	\$7,000	49.19% residential, 49.19% commercial, 1.62% open space per Community Development Director Laura Scott
Town Maintenance Highways, Streets, Bridges	\$1,066,059	\$100,307		As vehicle revenue (91.4% residential, 8.6% commercial)
Street Lights	\$14,292			100% residential
Solid Waste Disposal	\$976,471	\$4,907		As transfer station revenue, 99.5% residential, 0.5% commercial
Health & Human Services	\$82,930			100% residential
Welfare	\$53,650			
Library	\$955,371			
Recreation	\$179,752			
Historic Commission	\$721			
Senior Center	\$6,592			100% residential
Cable TV Expenditures	\$78,209			
Animal Control	\$18,597		\$1,717	91.5% residential, 8.45% open space based animal control officer's report and guesstimate that ½ of the calls to NHF&G are related to animals on open space
Conservation Commission			\$2,350	100% open space
Long Term Notes Principal & Interest	\$218,606	\$18,059	\$24	Default
Interest – Tax Anticipation Notes	\$1,345	\$111		
Ambulance	\$155,000			100% residential
Library Renovations	\$37,200			
Castle Hill Bridge	\$490,837			
Depot Improvements	\$44,703			
Road Improvements	\$1,084,151	\$102,010		As vehicle revenue (91.4% residential, 8.6% commercial)
Insurance	\$235,470	\$19,453	\$25	Default
Searles bond Payment	\$12,160			100% Residential
Searles Revenue Fund	\$13,875			
Other Reimbursable Grants	\$21,694	\$1,677	\$117	For and as police
Disaster Assistance Grants	\$56,230			100% Residential
Donations/Gifts	\$1,300			100% Residential (given to support recreation fields and programs)

Item	Residential	Commercial	Open Space	Information Source or Rationale for Allocation
Prop Maintenance Trust	\$27,708	\$2,289	\$3	Default
Refunds & Abatements	\$100,942	\$8,339	\$11	
Conservation Fund Expenditures	\$44,400		\$13,372	76.90% residential, 23.10% open space based on purposes of expenditures
School	\$32,359,713			100% residential
County	\$2,096,195		\$2,518	99.88% residential, 0.12% open space, based on review of county budget
Total Expenditures	\$47,219,153	\$1,033,204	\$40,902	

With the exclusions mentioned above, the total expenditures for the town of Windham for 2009 were \$48,293,259. The detailed analysis shows that \$47,219,153 (97.78%) was expended to support residential land uses, \$1,033,204 (2.14%) for commercial land uses and \$40,902 (0.08%) for open space.

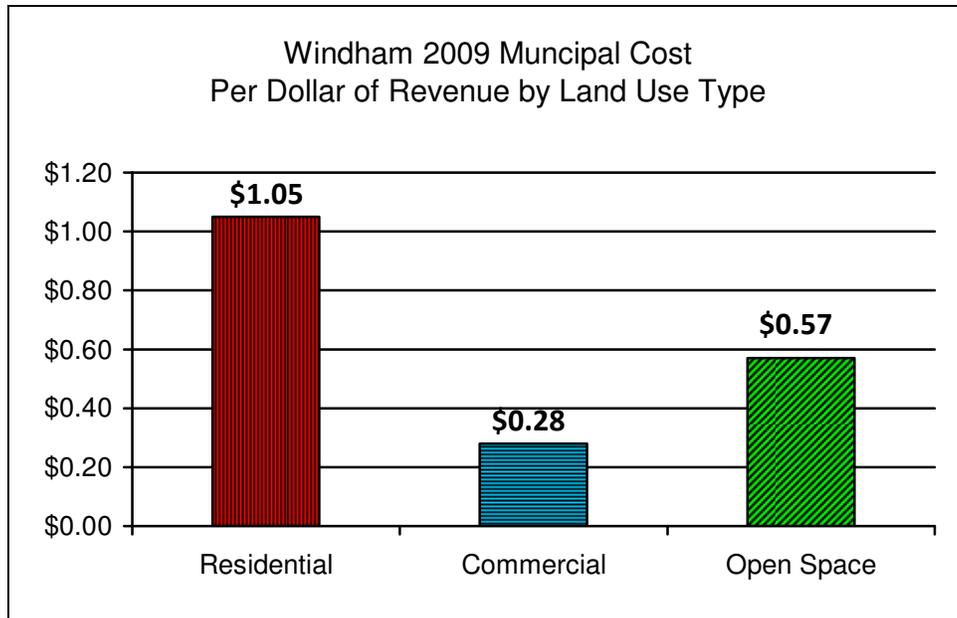
### Ratios of Revenue to Expenditures

The goal of the careful allocation and calculation of all the revenue and expenditure elements is to create ratios that show the relationship between the revenue and expenditure for each of the selected land use types. Presenting the results as ratios helps to provide a perspective that may otherwise be obscured by the relative magnitude of the raw numbers.

<b>Windham 2009 Revenue and Expenditure by Land Use Type</b>			
	Residential	Commercial	Open Space
Total Revenue	\$45,044,827	\$3,732,197	\$71,711
Total Expenditure	\$47,219,153	\$1,033,204	\$40,902
Ratio	1:1.05	1:0.28	1:0.57

For Windham in 2009, for every dollar open space produced in revenue, fifty-seven cents worth of services were provided. For every dollar commercial land produced in revenue, twenty-eight cents worth of municipal services were provided. For every dollar residential properties produced in revenue, the town supplied \$1.05 in services.

The ratios can further be displayed as graphs, showing the comparison between revenue provided and needed expenditures for the three land use types more visually.



## Discussion

The study shows that, for this particular year in this particular location, 2009 in Windham New Hampshire, the expense for the municipal services provided to residential land is higher than the revenue from that land. The expense for municipal services provided to both open space and commercial land is less than the amount of revenue provided by these land uses to the community. In a sense, the open space and commercial land uses are supporting, or subsidizing, the residential land use.

Windham's cost of community service figures are similar to those found in other New Hampshire communities that have conducted this kind of study. The table that follows shows the Windham results with those of the other eighteen New Hampshire communities known to have conducted cost of community services studies between 1993 and this study.

The communities are distributed around the state and range in size from a population of under 400 to 25,000. The amount of land in open space varies from six percent to seventy-eight percent of the total land area. Windham has a larger population than average and has less land in open space than average, but the revenue/expenditure ratios are neither the largest nor the smallest in any of the three categories.

New Hampshire Cost of Community Services Studies <sup>18</sup>						
Municipality	Date of Study	Population	Open Space	Municipal Cost per \$1.00 of Revenue		
				Residential	Commercial	Open Space
<b>Windham</b>	<b>2010</b>	<b>13,257</b>	<b>5%</b>	<b>\$1.05</b>	<b>\$0.28</b>	<b>\$0.57</b>
Alton	1999	3,500	55%	\$0.92	\$ 0.54	\$0.52
Brentwood	2002	3,197	54%	\$1.17	\$0.24	\$0.83
Deerfield	1994	3,200	52%	\$1.15	\$0.22	\$0.35
Dover	1993	25,000	35%	\$1.15	\$0.63	\$0.94
Exeter	1997	13,000	25%	\$1.07	\$0.40	\$0.82
Fremont	1994	2,700	64%	\$1.04	\$0.94	\$0.36
Groton	1997	339	71%	\$1.01	\$0.12	\$0.79
Hooksett	2008	13,279	61%	\$1.16	\$0.43	\$0.55
Jaffrey	2004	5,700	75%	\$1.15	\$0.49	\$0.68
Lee	2004	4,145	65%	\$1.11	\$0.48	\$0.51
Lyme	1998	1537	78%	\$1.05	\$0.28	\$0.23
Meredith	1999	5000	40%	\$1.06	\$0.48	\$0.29
Milford	2005	14,600	6%	\$1.23	\$0.33	\$0.24
Milton	2005	3910	12%	\$1.30	\$0.35	\$0.72
Mont Vernon	2003	2034	62%	\$1.03	\$0.04	\$0.29
Peterborough	1997	5600	55%	\$1.08	\$0.31	\$0.54
Stratham	1996	5200	35%	\$1.15	\$0.19	\$0.40
Sutton	1998	1479	72%	\$1.01	\$0.40	\$0.21
Average		6653	49%	\$1.10	\$0.38	\$0.52

The pattern of revenue to expenditure for each of the land use types in Windham in 2009 and for the other New Hampshire communities is also typical of similar studies in dozens of communities across the country.<sup>19</sup> The pattern appears to hold even in localities with taxation patterns different than New Hampshire, places where local municipal revenue is not as dependent on property taxes.

Results of cost of community services studies vary considerably, but in every one conducted in New Hampshire to date, as well as those from around the country, the general pattern is that open space provides more direct revenue to their city or town than it requires in services. Commercial land also regularly provides more revenue than the cost of the services provided to it. Residential property in nearly all of the studies requires more in cost of services it requires than it provides in revenue.

This can be new and surprising information to those who have based their understanding of municipal finance largely on the magnitude of revenue from each of the land use types, without considering the municipal expenditures needed to support

<sup>18</sup> University of New Hampshire Cooperative Extension, ( 2006) *Dollars and Sense of Saving Special Places*

<sup>19</sup> American Farmland Trust, op.cit.

that land use. The perception has often been that residential land use “must be” a net gain for the community because its total dollar contribution is so high, and that open space “must be” a net loss because its total contribution is so much smaller. The Windham Master Plan discusses the impact of perceptions about costs of land use types in a section entitled *Growth Management: Maintaining High Quality Public Services and Facilities*.<sup>20</sup>

Two statewide studies conducted in 1994 and 2005 found related results.<sup>21</sup> Each of these studies looked at every community in the state and considered the impact of all open space, whether publicly or privately owned, on the tax rate. The studies compared the average property tax bills with several measures of development. The studies found that, on average, property tax bills are higher in communities with larger tax bases, more taxable property, more residents and more commercial and industrial development. Conversely, property tax bills, on average, are lower in communities with more undeveloped land per year-round resident, whether the undeveloped land is publicly owned and permanently protected, or privately owned. Property taxes were also found to be lower in towns where vacation homes comprise a high proportion of the total housing stock.

Cost of community services studies are highly simplified economic analyses that provide a snapshot of the net fiscal impact of the land uses studied for one time period for one specific location. They do not measure the long term impact of land uses, or the complex interaction of land uses and people on the character of the community. Some of the many elements that are not measured in these studies include the long term cost of wear and tear on the roads caused by commercial or residential land use, the increase in residential demand if a major employer comes to town, the community benefit of the new ideas brought by new residents, the value of having a balance of land uses within the community, or the health value of having local food and outdoor recreation opportunities available nearby.

Because property tax constitutes the vast majority of revenue to most New Hampshire towns (e.g., 88% for Windham in the year of this study) communities often have a strong inclination to support any land use change that will bring in additional property tax. This can result in overlooking the costs that the community will incur providing services to the land use that generates the additional revenue. Cost of community services studies are one of the few techniques readily available to show the relationship of revenue to expenditure for existing land uses. The relationships shown by the cost of community services study may allow the community to see more clearly and make better informed decisions.

Cost of community services studies are descriptive rather than predictive. They represent total cost of services at a given point in time. For example, if there is room in

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<sup>20</sup> Windham Master Plan 2005, op.cit.

<sup>21</sup> Ad Hoc Associates (1994) Building a Healthy Squam Lakes Economy. Salisbury, VT 05769 and Trust for Public Land (2005) Managing Growth: The Impact of Conservation and Development on Property Taxes in New Hampshire

the local school for more students, the marginal cost of each new student is modest, but if a new school becomes necessary, the cost per student is likely to increase suddenly and perhaps dramatically.<sup>22</sup> Because of this, cost of community services studies can not be used to describe the specific financial impact of any proposed new land use choice will be, whether it is a new business, additional housing, or a decision to permanently conserve a specific parcel of land. Other types of analyses are available to provide information in those kinds of situations.<sup>23</sup>

Although the results of a cost of community services study and the other studies cited above (footnote 21) may suggest that the town with the lowest tax bill may be the town with the most land in open space and commercial use, such a town may not meet the multitude of needs of the residents. Information from cost of community services studies and other economic analyses are tools to assist citizens in being as clear-eyed as possible when making land use decisions for their community. These studies may help to clarify community opinion and overcome long-held but erroneous assumptions about fiscal impacts of the different land uses. There is not one single best balance of land use types. Only the citizens of an individual community themselves can make the decisions that lead to the balance of land uses that best meets their needs and vision of their community.

## Summary

Windham's cost of community services study shows that open space requires only \$0.57 in services for every dollar it contributes to the town. Commercial land requires \$0.28 in services for every \$1.00 generated in revenue. Residential land use is more costly, requiring \$1.05 worth of services for every \$1.00 generated in revenue. These figures are within the same range as results from other New Hampshire communities that have done the type of study. In a sense, the open space and commercial land uses are supporting, or subsidizing, the residential land use.

Windham can use this information as a factor in future land use decision making. If the town wishes to pursue the suggestion of the 2010 Open Space Report and invest in permanent conservation of 800 or more acres of carefully selected land with high natural resource values, the information in the cost of community services study may be useful to help voters understand that such an investment might be a fiscal benefit to the town.

Although the cost of community services study is neither predictive nor prescriptive, showing neither the impact of future land use changes nor the "correct" answer to any land use choice, the information provided by the study may help to refine the town's understanding of the impact of the several land use types on the finances of the town

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<sup>22</sup> <http://extension.unh.edu/CommDev/Pubs/CstComSv.pdf>

<sup>23</sup> For example, see <http://extension.unh.edu/CommDev/Pubs/FIA.pdf> and Chapter II of <http://forestsociety.org/pdf/savingplaces.pdf>

and perhaps to dispel misunderstandings and increase the town's awareness the relationship between revenue and services needed.

Ultimately it is the town's vision and values that must guide its decision making. Windham residents may find the new perceptions ensuing from the cost of community services study to be helpful as they pursue the vision statement from the 2005 Master Plan:

...the Town takes pride in conserving its environmental resources and natural beauty. Future development should be shaped to preserve scenic landscapes, allow for contiguous habitats and recreational trails, and protect water quality.<sup>24</sup>



*Only where love and need are one,  
And the work is play for mortal stakes,  
Is the deed ever really done  
For Heaven and the future's sakes.*

*Two Tramps in Mud Time*  
Robert Frost

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<sup>24</sup> Windham Master Plan 2005, op.cit.

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## Appendix 2 - Default Percentage Calculations

(Numbers from page 19 of 2009 Windham Town Reports)

Because some municipal revenues and expenditures can not be allocated by land use type, the American Farmland Trust methodology for cost of community services studies provides for a way to calculate a default percentage based to be used in those cases. The default percentages are based on the total assessed value by land use type.

Drawing from the 2009 Windham Town Reports,

- Total value of residential property (land, buildings and manufactured housing) was \$2,117,307,750.
- \$15,300,100 of exemptions for residents with special circumstances were deducted,
- Total taxable residential value = \$2,101,559,220.
- Value of commercial/industrial land and buildings plus value of public utilities produced total commercial/industrial value of \$173,605,150.
- Value of land in current use, "open space" for the purposes of this study was \$201,000
- Total taxable property value = \$2,275,365,370

Of the total taxable value of property in Windham in 2009 of \$2,275,365,370, 92.36% was residential, 7.63% was commercial/industrial and 0.01% was open space. These are the default percentages used to allocate municipal revenue and expenditure items that could not be allocated to specific land uses.

Windham Valuation by Land Use Type and Default Percentages				
		Value (numbers in parentheses are negative)	Value	%
Residential Land		\$951,648,750		
Residential Buildings		\$1,165,591,600		
Manufactured Housing		\$67,400		
<b>Total Actual Residential</b>			<b>\$2,117,307,750</b>	
Less Exemptions				
	deaf	(\$30,000)		
	blind	(\$75,000)		
	disabled	(\$1,600,000)		
	elderly	(\$13,595,100)		
<b>Total exemptions</b>			<b>(\$15,300,100)</b>	
Improvements to assist people with disabilities		(\$448,430)		
<b>Total deductions</b>			<b>(\$15,748,530)</b>	
<b>Net Taxable Residential Value</b>			<b>\$2,101,559,220</b>	<b>92.36%</b>
Commercial/Industrial Land		\$74,831,250		
Commercial/Industrial Buildings		\$85,462,900		
Public Utilities		\$13,311,000		
<b>Total Commercial/ Industrial Value</b>			<b>\$173,605,150</b>	<b>7.63%</b>
<b>Current Use Land</b>		<b>\$201,000</b>	<b>\$201,000</b>	<b>0.01%</b>
<b>Total Taxable Value</b>		<b>\$2,275,365,370</b>		<b>100%</b>

