

Cost Benefit Analysis

Step 3 of the charge from the Town Council to the FOSP Committee is:

3. FOSP shall prepare for the Town Manager's approval a Request for Proposals (RFP) for a consultant to:

Conduct an analysis of the costs and benefits to the town budget of development versus retention of open space. The analysis should draw on state and national resources to conduct this study. The objective is to determine the cost and benefits to taxpayers of housing growth versus the preservation of undeveloped land.

FOSP shall then review and make recommendations regarding the consultant's report.

Design of Study and Consultant Selection

FOSP created the Cost Benefit Analysis Subcommittee, chaired by Chris Franklin and including Richard Bauman, Craig Cooper, Frank Governali and Jessica Sullivan. The subcommittee prepared a Request for proposals draft, which they recommended to the full committee for approval. FOSP approved the RFP on June 1, 2011 and authorized the subcommittee to review proposals, conduct interviews and recommend a consultant to the FOSP Committee.

The subcommittee met four times. At the June 29, 2011 meeting, the subcommittee reviewed 2 proposals and discussed the project with Chuck Lawton of Planning Decisions, who attended the meeting. The other firm declined to attend the interview. At the July 13, 2011 meeting, the FOSP Analysis Subcommittee recommended that Planning Decisions, Inc. be retained to conduct the Cost Benefit Analysis and the FOSP Committee voted to select Planning Decisions that night as well.

Fiscal Impact of Open Space Analysis

Chuck Lawton met with the FOSP Committee four times, beginning on August 17, 2011. At each meeting, he presented the results of his data collection and analysis. The final report was presented to the committee in November. The full analysis is appended to this report and a summary follows.

Purpose

The purpose of the Fiscal Impact Analysis is “to determine the cost and benefits to taxpayers of housing growth versus the preservation of undeveloped land” in the Town of Cape Elizabeth. In particular, the report addresses four specific “neighborhood types” that represent different development alternatives drawn from existing housing developments currently present in the town:

- an old, compact neighborhood alternative;
- a traditional, large-lot subdivision alternative;
- a clustered subdivision alternative;
- a traditional condominium complex alternative; and
- a condominium complex with added open space alternative.

The questions motivating the report are:

1. What would be the fiscal impact on the town (both additional revenues earned and additional costs incurred) if any one of the five neighborhood types noted above were developed on the town’s remaining developable land?
2. What would be the fiscal impact if the same level were preserved as open space? and
3. Comparing the two, what would be the benefit-cost ratio of preserving the open space in question?

Methodology

The Fiscal Impact Analysis encompassed four tasks:

1. Review of community impact studies conducted for two earlier developments - the Dominicus Crossing (now Cross Hill neighborhood) study dated May 4, 1996, and the Leighton Farm Subdivision study dated December 20, 2002.
2. Collect and analyze fiscal data taken from town records and census sources and housing and population data taken from town assessment records, census data and interviews with local real estate professionals;
3. Interview town officials regarding the town’s current capacity to provide services and the likely impact of additional residential

development of the types noted above on the cost to maintain the current level of service now provided by the town.

4. Prepare estimates of future municipal costs based on various combinations of additional residential development and additional preservation of open space.

Mr. Lawton determined amount of land in Cape Elizabeth that was vacant (3,165 acres) and land with a building (5,965 acres). He then distributed the land by land use type. This is the land that generates tax revenue that supports municipal services.

He collected information on ten years of town budgets to generate an average amount of the budget that is allocated to each municipal service category. As is typical for all Maine communities, the largest expense is the school department.

Conclusions

He also interviewed all departments to determine what would trigger cost increases. Generally, he learned that most departments could absorb some new increase in service demand within existing budgets and staff levels. As the report states:

The central point to be drawn from the financial analysis presented above is that municipal spending is not linked in any simple formulaic way to number of households in the community. It is, rather, the result of departmental managers adjusting their human and capital resources to the changing needs of the community and the constraints of their budgets.

Where municipal departments have capacity to absorb new development within the existing budget, new development would actually reduce the per unit cost of delivering services. Therefore, in the short term, there was no fiscal savings identified in electing to preserve open space instead of allowing new development.

The analysis further examined any significant differences in the costs of different types of development. The report concludes " While they [development types] do vary considerably in geographic layout and demographic composition, these differences are likely to create significant fiscal impacts only as they push population and household numbers to the

point where they tax the current staffing and facility capabilities of the town as a whole.”

Table 4: Application of Each Development Alternative to 1,600 Acres

Full Development	Old Compact Neighborhood	Traditional Subdivision	Clustered Subdivision	Condo	Condo w/ Extra Open Space
Developable land	1,600	1,600	1,600	1,600	1,600
New Open Space	108	354	994	788	0
New HH	3,056	557	684	2,531	5,061
New Taxable Value (\$1,000)	\$1,722,360	\$343,391	\$434,523	\$591,674	\$1,183,348
Town HH Total	6,672	4,173	4,300	6,147	8,677

Sources: Census and Assessing data as listed in Appendix One.

DEVELOPMENT ALTERNATIVES (EXPANDED TO 100-ACRE STANDARD)



At some point of adding new development, however, costs will increase. The report estimates:

At least from this sample, it is clear that both municipal (all but education) employment and payroll seem to jump to a new plateau somewhere between 3,000 households, between 3,600 households and 4,300 households and then again, somewhere between 16,000 and 19,000 households. Education employment and payroll, in contrast, seems to hit some economy of scale beyond 4,300 households.

Recommendation: FOSP recommends that open space preservation is a strongly valued community goal and should continue. This fiscal analysis, however, does not support the preservation of open space purely from an avoidance of municipal costs perspective at this time.