

# Appendix D

## Cost of Services Study



## Gwinnett COCS Narrative – June 2018

A cost of service study provides a snapshot of the fiscal impacts of land uses on local government budgets by reorganizing a city or county budget so that we can track all revenues and expenditures by which land use category they come from or go to. For Gwinnett County, we track three land use categories: residential, commercial, and farm/forest/undeveloped. To allocate revenue by land use category is a simple exercise in tracking where the money came from; to allocate expenditures by land use category is more complicated. The expenditure allocation is determined based on subject matter expertise from county staff on how the cost of services provided is divided between land uses.

The important results to focus on are for the General Fund and the all operating funds. These are the ones that show most clearly the impact of land use decisions made by a county and are the most important for planning purposes. After all, the bottom line for the county budget is really represented by the combination of all operating funds.

What the results show is that the county loses some money on residential development on an average, countywide basis and makes money on commercial land uses. (For simplicity, we are ignoring the farm/forest land results as they really have no impact on the county budget.)

On an all operating funds basis, residential land uses cost the county \$1.20 in service expenditures for every \$1 of revenue it pays in. In contrast, commercial land use pays in \$1 in revenue while receiving only \$0.65 back in service expenditures. These results are pretty normal for a county government and show the importance of balancing residential and commercial growth. If enough commercial development is not added to offset any shortfall from residential development, the county must either cut the budget or raise the millage rate. The rate at which residential and commercial development can balance each other's fiscal impacts are shown in the report results for a variety of representative house values.

It is important to note that the above discussion is based on county averages. While the county loses money on residential development *on average*, it does not lose money on every house, apartment, or condo in the county. As a unit's property value rises, the revenue it pays in rises; further, as the parcel size shrinks, the expenditures to provide that unit with services fall. Thus, either higher density development or higher-valued development can easily provide a fiscal surplus instead of a fiscal shortfall. The study allows us to compute the assessed value at which the county breaks even, given average density. This value is about \$305,800. That means that new houses worth more than that can be built with no risk of imposing a tax increase on existing residents, even without offsetting commercial development.

# The Fiscal Impact of Land Uses in Gwinnett County

Dr. Jeffrey H. Dorfman  
Professor, The University of Georgia

June 2018



THE UNIVERSITY OF GEORGIA

COLLEGE OF AGRICULTURAL & ENVIRONMENTAL SCIENCES

# Purpose and Methods

## Why?

- To understand financial impact of land use decisions
- To help make informed land use decisions

## How?

- Start with County's audited financials (2017)
- Reallocate all revenues and expenditures by land use categories

## Results:

- Show expenditure:revenue ratios by land use category
- Can also use results to compute appraised value at which County government "breaks even"

# Basic Results

## Expenditures Per \$1 in Revenue

*For every dollar in revenue, how much is expensed?*

2015 Analysis (2014 data)	Residential Land Uses		Commercial Land Uses	
	Revenues	Expenditures	Revenues	Expenditures
All Operating Funds	\$1.00	\$1.11	\$1.00	\$0.55
General Fund (County M&O)	\$1.00	\$1.09	\$1.00	\$0.80

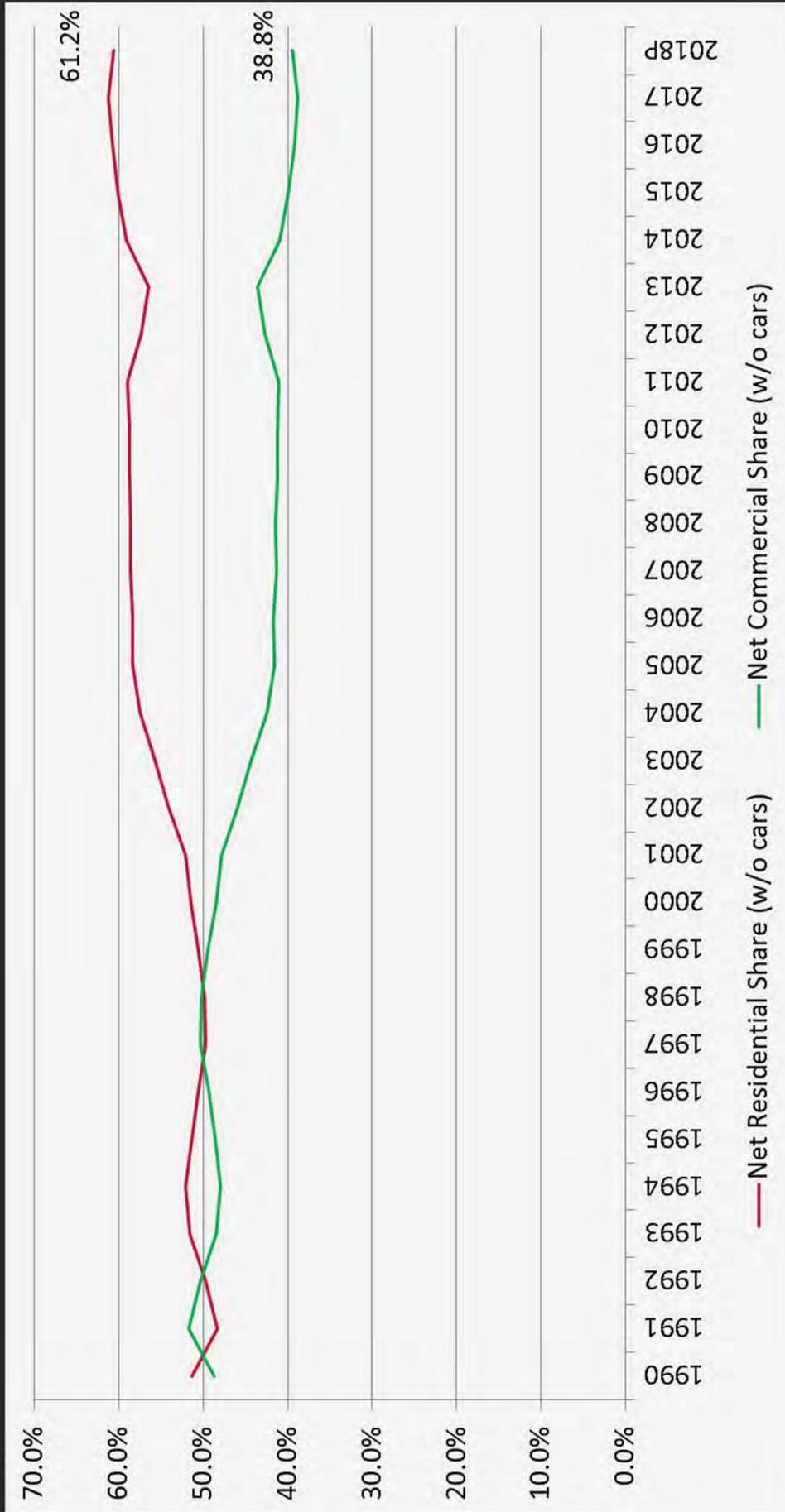
2018 Analysis (2017 data)	Residential Land Uses		Commercial Land Uses	
	Revenues	Expenditures	Revenues	Expenditures
All Operating Funds	\$1.00	\$1.20	\$1.00	\$0.65
General Fund (County M&O)	\$1.00	\$1.12	\$1.00	\$0.74

# Why does it appear to be more expensive to provide services than in 2015?

- Snapshot in time
- Increasing allocation \* increasing expenditure
- More balanced budget
- Change in the mix of services provided

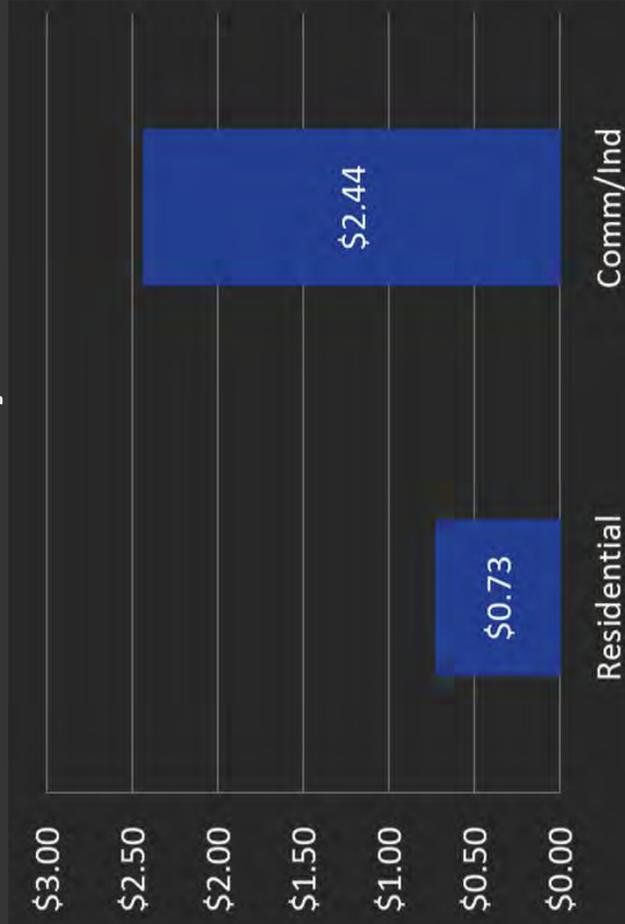
# Total Net Digest Split, 1990 - 2018

## Commercial vs. Residential

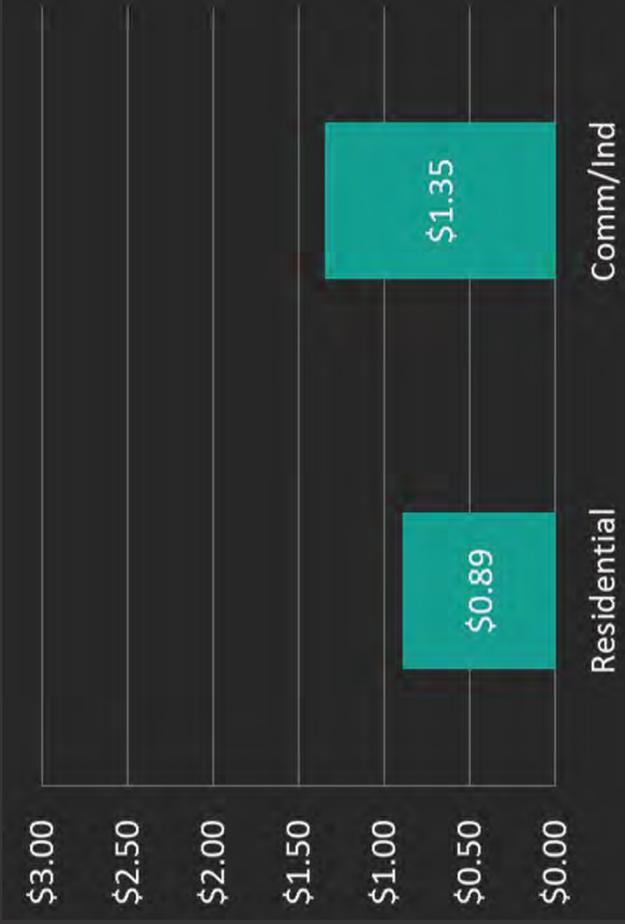


# Basic Results 2018 Revenues Per \$1 in Expenditures

County Government Plus  
Gwinnett County Public Schools



County Government Only



*For every dollar in expensed, how much is recovered in revenues?*

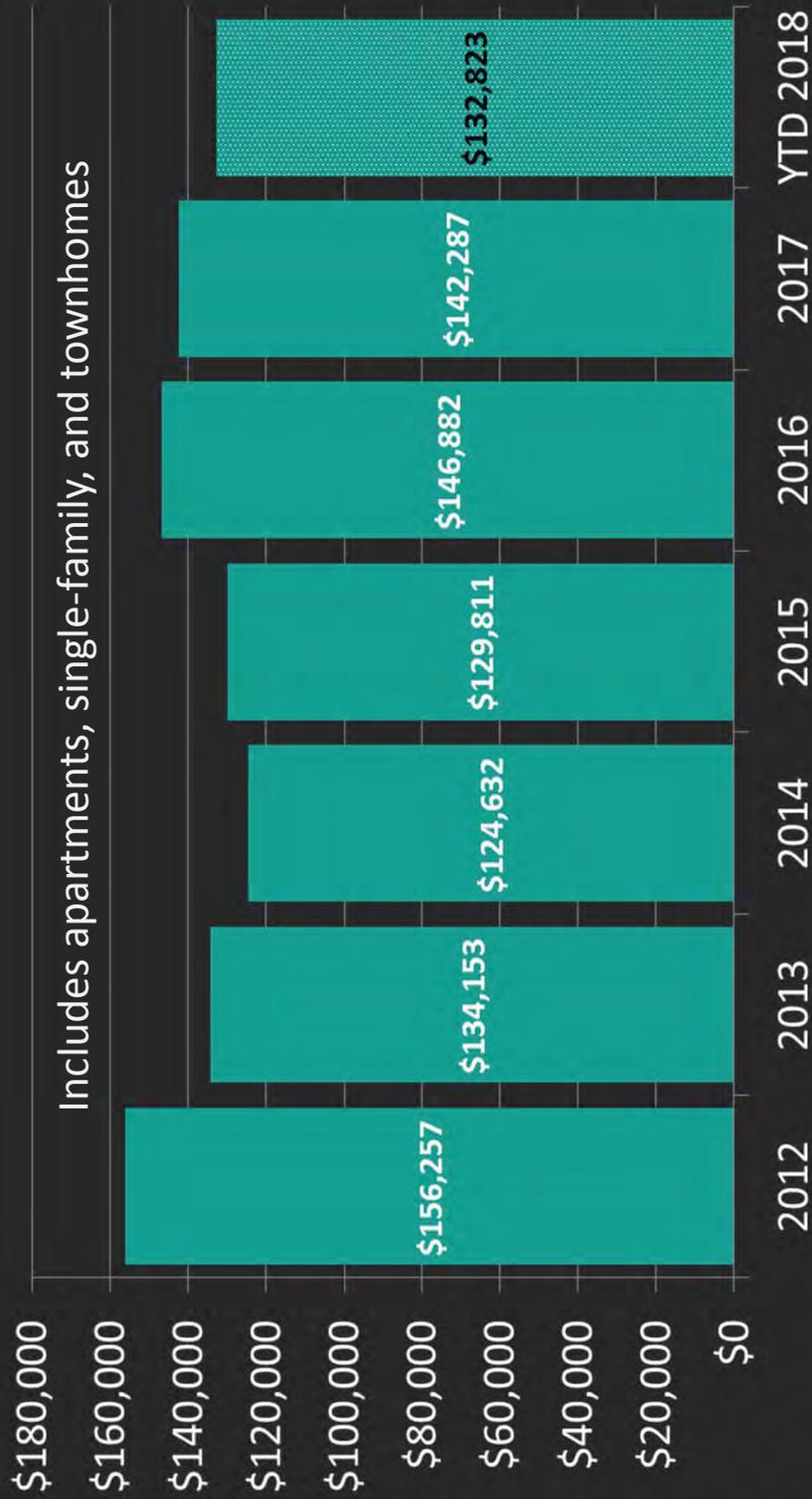


# Break-even Fair Market Value 2018 Residential Properties

Gwinnett County and Gwinnett Public Schools Breakeven Home Values



# Average Value of Construction Residential Land Use



# Residential-Commercial Tradeoff Required to Balance Fiscal Impact

100 Houses Worth	2015 Analysis (2014 data)	2018 Analysis (2017 data)
\$100,000	20 acres of commercial	23 acres of commercial
\$150,000	12 acres of commercial	15 acres of commercial
\$200,000	6 acres of commercial	7 acres of commercial

Note: 1 house supports about 0.05 acres of retail development, or 20 houses supports 1 acre.

That means at home values below about \$220,000, you need nonretail commercial to help offset.



# Land Use Hierarchy

Land Use Types	Fiscal Impacts	
	Municipal Government	School District
Research Office Parks	+	+
Office Parks	+	+
Industrial Development	+	+
Highrise/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 effects must always be viewed in context of a specific community and the existing surplus capacity of local services.

Source: Burchell, R.W. and D. Listonkin. "Fiscal Impact Procedures and State of the Art: The Subset Question of the Costs and Revenues of Open Space and Agricultural Lands," in Does Land Conservation Pay? Determining the Fiscal Implications of Preserving Open Land. Cambridge, MA: The Lincoln Institute of Land Policy. 1993, Pp. 1-32.



## Conclusions

- For each \$1.00 in revenue generated, it costs \$1.20 to service residential land use
- Balanced growth is important
- Fiscal impact of land use decisions is only one aspect to consider when planning the County's future and when making specific land use decisions