



New study proves value of all development

November 20, 2009 - Upstate New York

In 2006, the Amherst Industrial Development Agency commissioned a study to examine the question of whether new development "pays for itself" by generating more tax revenue than those new facilities demand in government services?

The study concluded that for every dollar of taxes paid by industrial and commercial users, the town provided 60 cents of services.

Unfortunately, there was another figure in the report that has been seized upon by people seeking to stop residential growth.

The report calculated this ratio for residential property at one dollar in taxes paid versus \$1.11 in town provided services.

Using this report, an Amherst councilman in 2007 proposed that the town borrow \$12 million to buy land and "protect" it from residential development, thus sparing taxpayers from this unhealthy cost/benefit ratio. This proposition went to the voters in a referendum and was soundly defeated.

In 2008, the town of Aurora saw the same referendum, using the same cost/benefit figures, placed before voters. Once again, voters saw fit to defeat the proposal by a wide margin.

A new report that was recently commissioned has reached a much different conclusion and points out a major flaw in the original analysis. It's the word average!

Yes, it is true that when you take the average tax payment, generated from the average assessed home, residential taxes do not cover the cost of town provided services. But debates over new housing developments are not about the impact of the traditional, "average," housing stock. They're about the impact and cost of the new development. And here the story is much different.

A new home built almost anywhere in Erie County is likely to be assessed at \$300,000 plus, whereas the traditional housing stock is probably assessed at half that amount. Therefore, the taxes generated by the new home vastly exceed those from the traditional housing stock and do indeed "pay for themselves."

A new study, conducted by the Center for Government Research (CGR) has concluded, "CGR's analysis strongly indicates that new development in the town of Amherst is unlikely to burden the community with increased costs that exceed the tax revenues generated by that new development. Given the averaged assessed valuation of new homes being constructed in this market and the structure of the costs of local public services, new development can have the effect of reducing the tax burden."

There are no negative fiscal impacts to a municipal budget from new residential or commercial development. Moreover, without new development there is no meaningful construction employment and all of the related business activity that complements that development. This report makes a strong case for our region, a region that has suffered from economic decline for too long, to end irrational no-growth actions and adopt an attitude and policies that encourage a dynamic and

rejuvenated private sector.

James Allen serves as the executive director of the Amherst Industrial Development Agency, Amherst, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540