

Cost of Community Service Studies – another description:

(including material from the Mackinac Center for Public Policy; Michigan)

Cost of Community Service (COCS) studies attempt to determine whether land development pays its own way in terms of public services. COCS studies are an inexpensive, easy-to-understand way to determine the net fiscal contribution of different land uses to local budgets. These studies are becoming more common because they are easy to use and apply; many have been conducted in Michigan and other states.

COCS studies try to match services provided by local governments with the revenues generated through taxes tied to land use and land values. For example, an office building uses public services such as water, sewer, roads, and fire and police protection. These services are funded from the tax revenues and fees paid by the business. Residential development uses all of the above services and also affects school costs; office and business development does not generally affect schools.

COCS studies match land uses to tax revenues by first determining the pattern of land use in the local community. Often, this means determining how much land is devoted to a particular use, i.e., residential use, commercial use, and agricultural use. Then, the costs of providing public services are determined and allocated to each of these particular land use types based on their prevalence in the community.

The costs of the various public services are then compared to revenues generated through taxes that are a direct result of land development. For example, property taxes are included in the revenue calculation because they reflect changing land values due to development. A federal or State grant for a road improvement would not be figured into this revenue calculation because the grant money is not tied to property development. Similarly, user fees are not included because they are assumed to cover the marginal costs of the services and do not draw from general revenues. User fees, when set correctly, require users to “pay their own way.”

It is especially important to note that “redevelopment,” “renovation”, and “re-purposing” of land that has been previously fully developed does NOT always change the costs described in paragraph 2. NEW development of forest, farmland, or other green spaces almost always does change costs.