

Development not always a net gain

Community Voices by Former Commissioner Harry Dale

Clear Creek Courant, Wednesday, November 24, 2010

The one question in the county survey that the county's pro-development advocates hang their hats on is question 9.

When the gap between the county's costs and revenues widens in the coming years, would you rather see service levels reduced, the county replace lost revenue by asking voters to approve a tax increase, or should the county allow development that would create a new tax base?

Question 9 tells residents that they have only one choice in the future: support development! If you do not support development, then expect either higher taxes or a reduction in services. This isn't even a question. It is much more of a statement to county residents. It has very little value in the survey as a result.

The timing of the county's growth and development survey was a direct result of the defeat of Idaho Springs' annexation attempt of Floyd Hill, the removal of the Level 2 Development Scenario from the Floyd Hill sub-regional master plan, and the public opposition to the Eclipse Snow Park rezoning (the Eclipse Ski Area development review case had not yet been heard). The commissioners wanted to convey a deliberate message to county residents that there could be consequences for continued public resistance to development.

But, the actual impact to the county's budget by approving development could be negative. We might be worse off in attempting to replace the mining tax base by approving development than by doing nothing at all. To understand this statement, we need to understand what "create a new tax base" means. Quite simply, it means creating a new source of tax revenues. This can be accomplished in a number of ways.

1. By raising existing property and sales taxes (requires a vote of the people).
2. By creating new taxes on property, energy production, mineral extraction and sales items that are not currently taxed at the county level (requires a vote of the people and new state legislation).
3. By increasing current property values through property improvements/development.
4. By creating new retail businesses that generate sales tax.

But because the concept of creating a new tax base or creating a new source of tax revenues is focused on new tax revenue only, it is relatively meaningless. It cannot be assumed that "creating a new tax base" means a net positive impact on the county's budget. There is a huge and dangerous misunderstanding on this point. To understand the impact that "creating a new tax base" will have on the county's budget, you have to understand the costs associated with "creating the new tax base." This is simple accounting, but often ignored in the growth and development discussion.

The costs are largely dependent on the type of new development that is approved. For most commercial, residential and retail development, the more people, more commerce and more traffic in the county, the greater the need for water and sewer infrastructure and maintenance, road and bridge infrastructure and maintenance, law enforcement infrastructure, maintenance and services, fire protection infrastructure, maintenance and services, ambulance infrastructure, maintenance and services, health and human services, education infrastructure maintenance and services, public health infrastructure, maintenance and services, shelters, health clinics, teachers, policemen and women, equipment operators, planners, nurses, case workers, inspectors, etc. These are all taxpayer supported. There are also costs that do not normally retain a numerical value, such as the development's negative impacts to public safety, air and water quality, visual and scenic resources, historic and cultural resources and quality of life.

Do these costs outweigh the new tax revenue and negate the positive impact on the county's budget? We don't know this answer, but clearly there is a very real cost for new development. We know that most of the time, these costs are not completely absorbed by the developer or the development, so there is a residual impact on existing taxpayers. If current tax rates are not raised, then the level of county services will almost certainly decline with new development.

In addition, there is a very real potential for displaced revenue and displaced jobs for new development in Clear Creek County. New businesses can steal business and employees away from existing city or county businesses. So while the local jurisdiction has to bear the burden of all the public service, infrastructure and maintenance costs for the new development, the new tax revenues and new jobs may not be all new, because the new business may be taking income and jobs away from existing businesses.

Sure, a few people make money from development, but most taxpayers pay for it in the end. Except for some jurisdictions that have considerable oil, gas and mineral extraction industries (all of which basically pull a substance from the ground and turn it into cash) and the gaming jurisdictions (which pull cash out of visitors' pockets), generally the higher the level of development, the higher the taxes. Go anywhere in America, and you will find this to be true. More development equals more demand for public services and higher taxes.

Yes, we all want more and better paying jobs, but are Clear Creek County's demographic mix and location suitable for large scale job creation? The reality is, we are not and never will be. We are not on a level playing field with metro Denver for job creation. Access is more difficult. Winters are longer. Summers are shorter. The permanent customer base is much smaller. There is little flat land. There is very little developed infrastructure (treated water, sewer, paved roads, parking, etc.), and developing this infrastructure in the mountains is many times more costly than in the flatlands. We do not have a natural environment that is very well suited for business development. It is much harder to make a profit here, and you can't force businesses to locate here. It is simply foolish to think we can create new jobs just because we might want them.

Harry Dale is a former Clear Creek County commissioner.