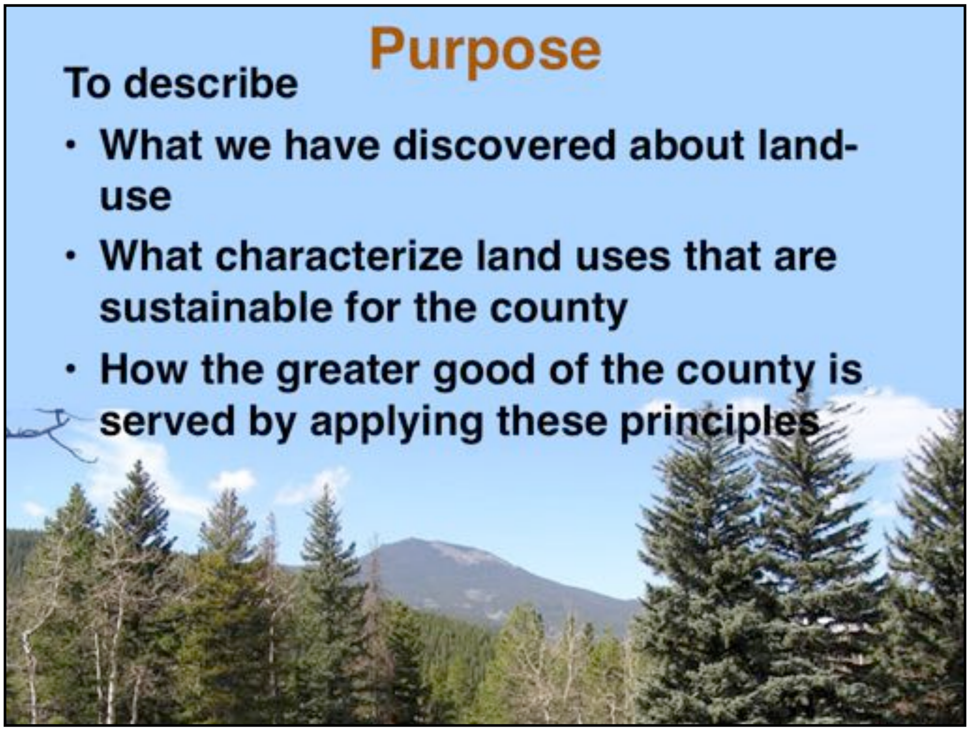
SOLVE was formed in Clear Creek County in response to the need to preserve the county's natural resources, critical wildlife habitat and corridors, and our irreplaceable heritage. We have come to see how vital good land use decisions are in that mix. It has been around for over 15 years as a non-profit corporation with tax-exempt status. Its basic mission is to promote healthy communities in the county.

SOLVE has been instrumental in a number of accomplishments in the county, including:

- preserving the Beaver Brook Watershed
- preserving the James Peak Wilderness Area
- finding an environmentally responsible solution for the refurbishing of Guanella Pass
- creating a ballot measure that resulting in formation of the Open Space Commission

SOLVE activities include:

- researching all aspects of land use issues
- obtaining a balance of natural areas and sustainable development
- advocating realistic alternatives for land use preservation in remote areas
- advising the County policy makers
- promoting the health and safety of residents
- educating the public



We are coming to you today, because you have the power to shape what our county will become in the future.

The Social Contract

A social contract exists between citizens and government regarding land use. Citizens expect the board of county commissioners to respect and honor its commitments to local residents, especially their local community values.

The Clear Creek County Zoning Regulations set forth in Section 1, Purpose, some provisions of this social contract with the local constituency regarding land use. Throughout these 19 statements, the BOCC declares it will "preserve, promote, protect and avoid" various aspects and hazards of community life in order to provide for the general welfare of its citizens. Among the areas noted are "quality of life," "health and safety," "environmental values," "aesthetic character of neighborhoods" and overall "economic well-being."

The "greater good" of our county and its citizens is served not through support for that which is popular among the greatest number, or promoted by some developer with deep pockets, but through careful analysis of the "direct costs to the county" which are passed on to taxpayers. These financial costs, in addition to any other burdens imposed upon the local community bearing the direct impact of such development, must be compared with any measurable economic benefits to the county citizens as a whole.

Attractive residential areas are the foundations of a sustainable community. The quality of our residential communities must be given first consideration for they best serve the greater good of the entire county. Desirable residential communities bring customers to existing commercial areas and enrich the area culturally as well as economically. The best or most desirable communities are those which separate and cluster their development into discrete residential and commercial/ industrial areas. Wise stewardship consists of development appropriate to the area as well as careful consideration of any financial costs and benefits.

The financial benefits to the developer are not the concern of the county. The county must be concerned with the costs it will incur- social, financial, and payable by all taxpayers- as a result of any development proposal. These costs include community integrity and character ***plus*** out-of-pocket expenses for infrastructure (additional or improved roadways, water/sewer or alternatives, public buildings, etc.) and services (education, social/cultural, sheriff, emergency, as well as maintenance costs of buildings, roadways and equipment). These are ongoing and expensive burdens upon the citizens and cannot be assumed to be cost neutral.

Research Findings

General Concepts

Here are some principles that are commonly seen around land-use discussions.

They are quoted by developers in presenting their proposals. They are quoted by policy-makers in weighing land-use decisions. They are so well-known that sometimes they are just assumed.

They seem to form a significant part of the context of all of our discussions. We have all heard them many times.

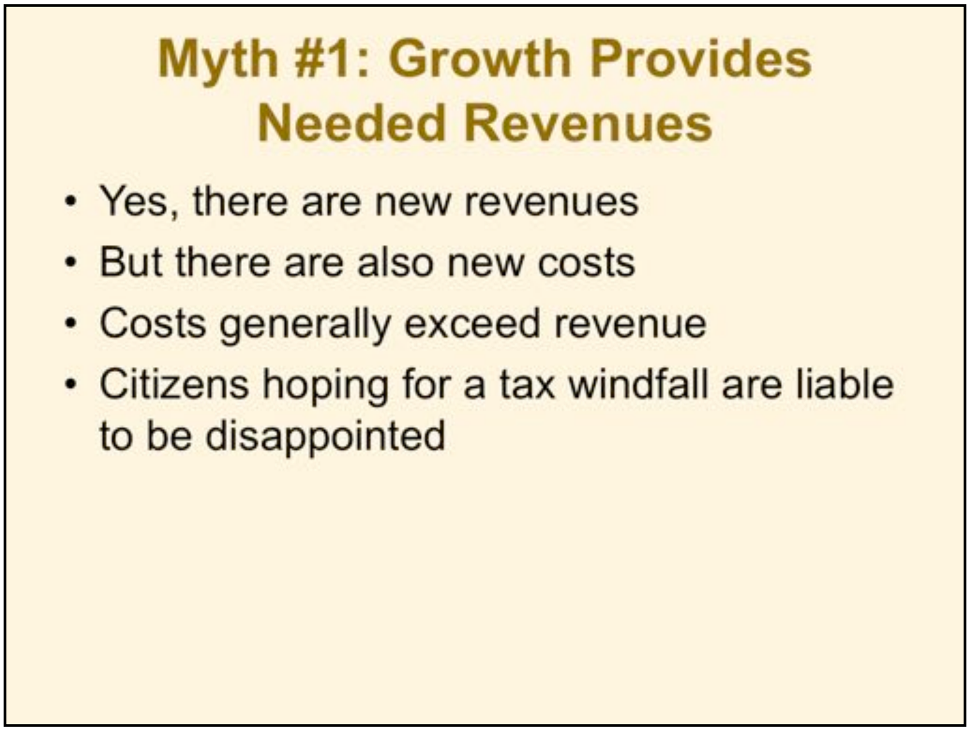
Does anyone have any problems with any of these principles?

Well….

Congratulations to those of you who had some misgivings.

Because evidence has shown that every one of these "principles" is false.

Yet they are so commonly assumed, that we need to look at them a little closer.



Reality Check:

Yes, Growth and Development ***do*** provide some additional tax revenue.

But Growth and Development also bring new demands for services and infrastructure.

A study by Harvard economists Altshuler and Gomez-Ibanez found:
"The available evidence shows that development does not cover new public costs; that is, it brings in less revenue for local governments than the price of servicing it."

There is an astonishing lack of awareness, in spite of available evidence. Development proposals are still approved in the hope that the new development will bring in revenues that will pay for a new public facility, such as a library that the county would otherwise not be able to afford, or to prepare for a decline in revenue in the economic future. But the evidence is that citizens hoping for a tax windfall from new development are liable to be disappointed.

Myth #2. We Have to Grow to Provide Jobs

- The state and federal governments get income tax revenue, but the county does not
- New Jobs do not necessarily go to local residents
- Job creation frequently increases unemployment

Reality Check:

The state and the federal governments get income tax revenues from new jobs. But the county does not. The county may get some benefit from sales taxes on additional spending, but it also must deal with a number of new issues brought on by the new job holders, including: housing, road improvements, health & welfare, services, libraries, and recreation.

In 1986, the City of Fort Collins sought to create more jobs by attracting an Anheuser-Busch brewery, with 500 jobs. To direct the jobs to local residents, potential applicants were required to pick up the applications in person. At least 56,000 people did so (in a city whose population at the time was 82,000)! Clearly, many of these people were from out of town. Ultimately 20,000 people submitted applications, and 500 were hired. Only 133 (27%) were from Fort Collins, and an additional 54 (11%) were from in the county nearby. That means that 313 jobs (62%) went to people who were not local residents.

This illustrates a common occurrence. The growth ***expectations*** attracted many more people to the area than there were jobs to be filled. Unemployment actually went ***UP***!

Job creation is better handled by state and federal governments. Local governments do better when they focus on reducing unemployment through such means as providing training programs or covering expenses for training.

Myth #3: We Have to Choose between Environment and Economy

- Reality: Environmental Standards & Economic Prosperity go hand-in-hand

	Top States	Gold	Green		Bottom States	Gold	Green
1	Vermont	3	1	41	Arkansas	47	37
2	Hawaii	1	4	42	Indiana	38	47
3	New Hampshire	6	2	43	Kentucky	45	40
4	Minnesota	2	7	44	South Carolina	44	42
5	Wisconsin	9	6	45	Tennessee	41	48
6	Colorado	11	5	46	Texas	40	49
7	Oregon	8	9	47	Alabama	46	46
8	Massachusetts	12	8	48	Mississippi	49	43
9	Connecticut	4	18	49	West Virginia	48	45
10	Maryland	10	12	50	Louisiana	50	50

This is also stated that we have to sacrifice the environment or our quality of life to support economic prosperity. Or, environmental protection hurts the economy.

Reality Check:

A study by the Institute for Southern Studies ranked 50 states in two categories: Environmental Health (green index) and Economic Health (gold index). Twenty indicators were used in each category to create the rankings. Nine of the states ranked in the top 12 on the environmental scale also ranked in the top 12 on the economic scale. Conversely 12 states ranked among the 14 worst on both lists. The report concludes: "The states that do the most to protect their natural resources also wind up with the strongest economies and the best jobs for their citizens."

MIT professor Stephen Meyer also ranked the states by economic prosperity and by breadth and depth of environmental programs. He found:

- States with stronger environmental policies consistently out-performed the weaker environmental states on all economic measures,
- The pursuit of environmental quality does not hinder economic growth and development,
- There appears to be a moderate, yet consistent, positive association between environmentalism and economic growth, and
- There is no evidence that relaxing environmental standards will produce economic growth.

A study by the American Chemical Society found that states with lower pollution levels have stronger economies. They also have better environmental quality and lower energy use.

Myth #4: Most People Don't Support Open Space & Environment

Reality:

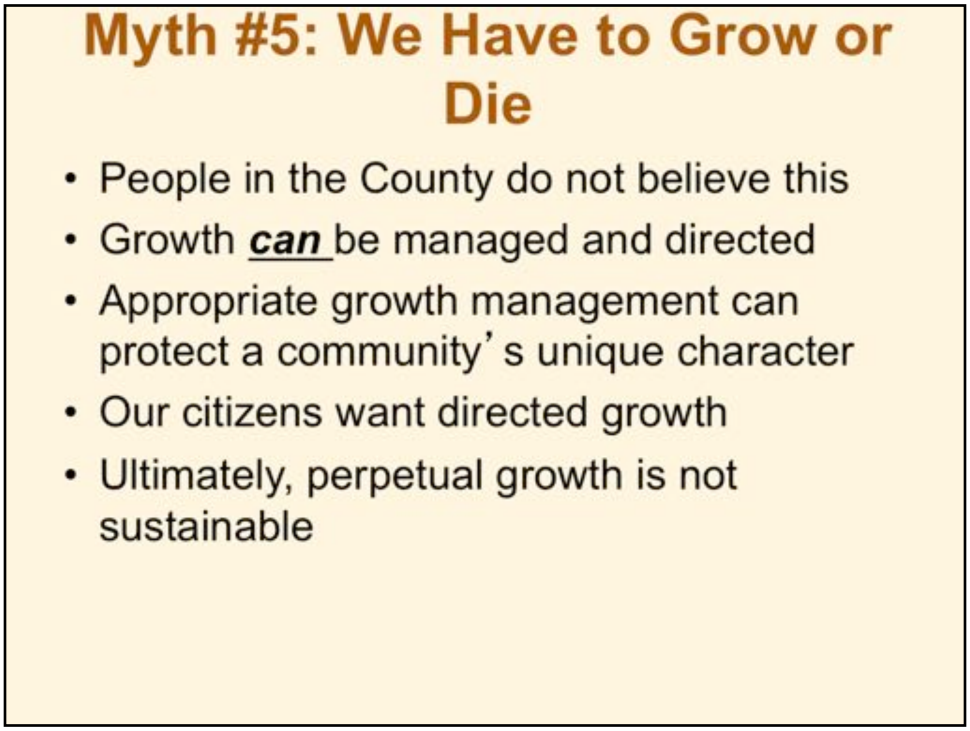
Strong Support Nationally

Strong Support in Clear Creek County

Reality Check:

Nationally, the Trust for Public Land noted that there have been 1,500 open space bond issues since 2000 and 77% passed, which is a higher pass rate than any other public service. Every opinion poll says America wants to spend more money on parks and conservation. From 1995 to 2004 American experienced a 64% increase of real dollar expenditures by local governments on parks and recreation– again, higher than any other public service.

In the 2002 Clear Creek County Citizen Survey, Open Space acquisition consistently received strong support. It ranked 3rd on a long list of items that citizens were willing to pay higher taxes for– ahead of even Roads & Bridges improvements. In the same survey citizens put Open Space acquisition in the top half of all priorities, coming out ahead of Law Enforcement. In 2009 election, there was a strong turnout in spite of the fact that an Open Space budget item was the only thing on the list– and it passed by a wide margin. The Citizens Survey of 2010 echoed these sentiments: "Natural Environment" was by far the top reason for living here, while "Protecting air and water Quality," "Keeping the scenic beauty," and "Preserving natural areas" were by far the top priorities for planning.



Another thing you hear is, “Growth makes the economy strong, and creates better paying jobs.” Or, Growth is inevitable.” Or, “We have no choice but to continue growing.” Or, “You can’t put a fence around our county.” Or, “If you don’t like growth, you’re a ‘NIMBY’ or an “Anti.”

Reality Check:

The 2002 Citizen Survey also revealed that only 19% of the citizens thought we should have a Pro-Growth strategy. In the same survey 73% felt that growth in the county was either “About Right” or Too fast.” This data mirrors a state-wide survey done a few years earlier.

Growth can be managed. Environmental, social, and economic standards can direct growth in a community without blocking it entirely. Some communities across the country are already setting such standards to preserve their unique non-urban character.

Our 2002 Citizen Survey revealed that 80% of our citizens prefer a “Directed Growth” or “No-Growth” policy in the county. Somewhat more growth was supported in the 2010 Citizens Survey, but the survey also revealed that that “residents of Clear Creek County are clear that new development must not disrupt the qualities of life that have attracted them here. Not only should new development avoid harming the natural environment, it must be fiscally sustainable….” (page 1-2)

Myth #6: Vacant Land Is Just Going to Waste

- Undeveloped land requires little public support
- Undeveloped land increases surrounding property values
- Undeveloped land does not increase public service costs
- Open Space and Farm Land help capture water and helps clean air

Reality Check:

These values happen perpetually.

Myth #7: A Person's Visual Preference Doesn't Count

- Vistas add to the tax base
- People have paid for their vistas
- Destruction is permanent

Reality Check:

A survey by the National Association of Home Builders found that the surrounding environment is the single most important factor affecting the market value of a house. The right "vista" can make a $100,000 house sell for twice as much. These values reflect an innate appreciation for other human values, including clean air and wildlife habitat.

It is more expensive to build a home in rural Clear Creek County than on the plains. Wells and septic systems cost more than water and sewer hookups. Driveways are longer and take more grading. Retaining walls may be required. Some blasting may even be required. People have voted with their dollars to accept these expenses, in order to live in the rural mountain environment they enjoy.

The surrounding land and vistas are our character. They are like an investment, or at least a savings account. They are there for us and for those who follow us. But once they are destroyed, they can not be recovered. The loss is permanent.

So it is quite appropriate for county policy makers to take into account its citizens' visual preferences in land use decisions. The citizens have chosen to live here because of the setting more than any other reason. They have paid for the privilege, and

Urban Planning vs. Rural Planning

	Urban 	Rural 
Nature of Growth	Inevitable	Manageable
Value of Growth	Good	Good or Bad-- or just irrelevant
Economic Focus	Tax Base	Net Revenue : Cost
Balance	Among various Residential & Commercial types	Among Natural Areas, Agriculture, & All Development

Why have these myths persisted so long?

Setting aside the idea that it is to the development industry's advantage to have us believe these myths, a more rational basis may be in the difference between Urban and Rural Planning.

Urban Planning has been around for hundreds of years, as reflected in both English and Spanish colonial towns in North America. In the 20th century, planners realized that while urban planning principles worked well within a city, they yielded poor results on a regional basis– and Regional Planning was born. In the last few decades, Rural Planning has evolved out of Regional Planning, to deal with areas that are not at all urban. Since Clear Creek County is certainly not Urban, it is important for us to understand the differences between Urban and Rural Planning principles.

Urban Planning tends to see Growth as inevitable, and generally a good thing. Rural Planning tends to view Growth as something that can be managed, and is not at all inevitable. Even more importantly, growth in a rural setting may be good or bad, depending on what it brings to the community; basically, it is the results of growth rather than growth itself that are important in Rural Planning. Growth may bring more economic activity; but it may also bring more congestion, destroy views, and change the nature of the community.

The economic focus of Urban Planning is on increasing the Tax Base. This makes some good sense in an urban environment, where the services and infrastructure are already in place, so that increased tax base means increased tax revenues without much increase in costs.

The economic focus of Rural Planning is on increasing the Net New Revenues over and above New Costs. It recognizes that where services and infrastructure are not already in place, the costs to the local government generally exceed the net new tax revenues, and that much development does not pay its own way. In fact, when considering development possibilities outside of an urban environment, the cost side of the fiscal picture is usually more important than the revenue side.

Balance in the Urban Planning context is all about balancing various kinds of development: single-family residential, multi-family residential, retail, office, manufacturing, and industrial.

Balance in the Rural Planning context is more complicated because of the existence of extensive Natural and Agricultural areas that basically define the rural environment. So rural planning tends to balance all of the land uses.

So when planners talk about growth as inevitable and assume that it is good, when they talk about Tax Base, or when they talk about the balance of Commercial vs. Residential tax base, they are using Urban Planning principles. Recent experience in the last few decades indicates that many of these principles do not yield useful results when they are applied outside of an urban area. It is important to apply the proper principles relevant to land-use considerations in Clear Creek County.

Reality

1. Growth & Development Add More to County Expenses than to Revenue
2. Perpetual Growth Is Not Sustainable
3. Economic Prosperity and Environmental Health Go Together
4. There is Broad Popular Support for Open Space
5. Local Efforts to Create Jobs Rarely Help the Local Government
6. The County Derives Value from Open Land
7. Vistas Are Important to Economic Values

So let's recast the "Conventional Wisdom" thoughts to reflect reality, as revealed in many research studies across the country.

Research Findings
Quantitative Data

Taken together, particularly in an urban plan, the myths seem to support a blanket assumption that development automatically benefits the county finances. Our research says that this really isn't necessarily so. Let's take a look at some more quantitative data.

Many development proposals talk about the benefits, usually in terms of additional tax revenues to the county.

But rarely are the costs identified as part of the development proposal. When they ***are*** identified, they are usually presented incompletely. Some of the immediate costs may be mentioned, but many are glossed over or ignored. In fact, some of the costs may not occur until well after the development project is in place.

Since these costs are so rarely mentioned, it is important for us to consider them in some detail, as they are so important to sustainable land-use decisions. A broadly-based cost-benefit analysis is critical for smart decision-making.

County Development Costs

1. County Services
2. County Infrastructure
3. Displaced Revenue (e.g., revenue lost to existing businesses)
4. Impact on Other County Taxes
5. Implied Additional Projects (e.g., housing for jobs created)

SOLVE's research show that there are at least 5 categories of costs, or revenue offsets, that need to be considered for every development proposal.

Let's consider them one at a time.

First is the Cost of Services Required. This item represent the cost of additional on-going services required by a development project, such as police and fire coverage, health and social services, snow removal, storm water management, etc.

All too often, these costs are not presented at all. Or when they are presented, only some of the costs are considered. Or only the immediate, direct costs are considered, when what is needed are the long-term full costs.

Several communities across the country have collected such data, and county decision makers can use their data as a reasonableness check. The analysis from these communities shows that in general, residential developments incur costs well in excess of the revenues they generate.

County Services in DE

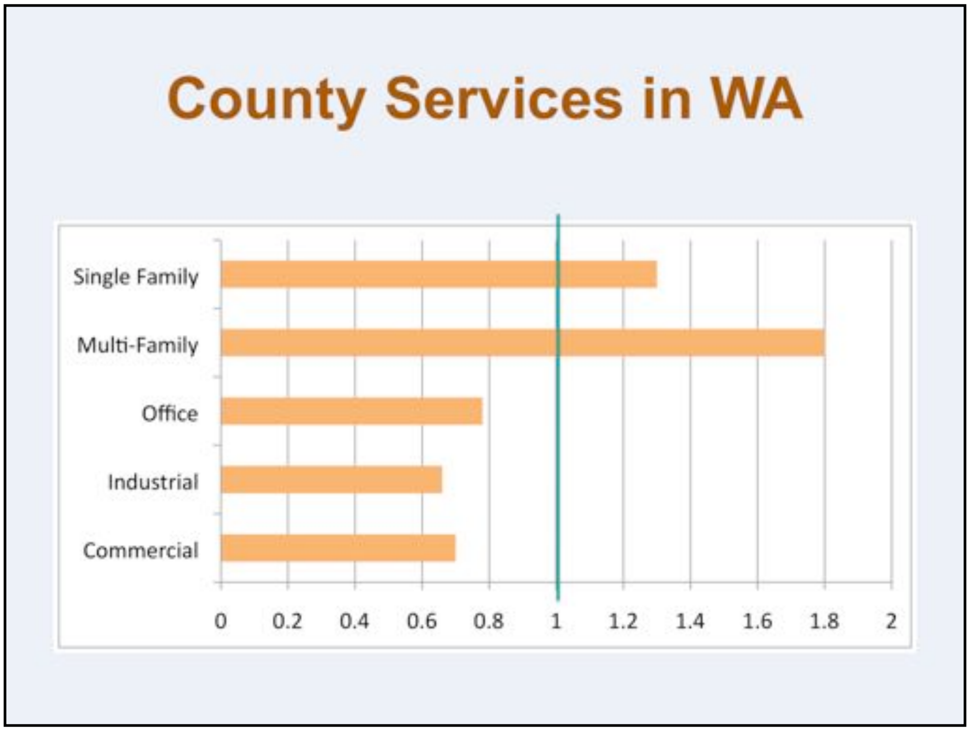
The communities of Middletown, Odessa, and Townsend, Delaware, are facing growth pressure from the nearby city of Wilmington, largest in the state. This is a situation not unlike Clear Creek County.

After much study, these communities found out what their costs were to provide on-going services (road maintenance, snow clearance, police and fire protection, etc.) to various kinds of developments.

They found that for every dollar of tax revenue, it costs $1.30 to provide services to residential properties. Most of the communities had been farmland, so the residential construction is almost entirely single family.

They found that it costs about $0.70 to provide services to Commercial developments, and only $0.50 to provide similar services to Farms.

The vertical bar shows the breakeven point, where the revenues can cover costs. So it costs more to serve Residential than is generated in revenues, while it costs somewhat less than revenue to serve Commercial, and only half of revenue to serve Farms.



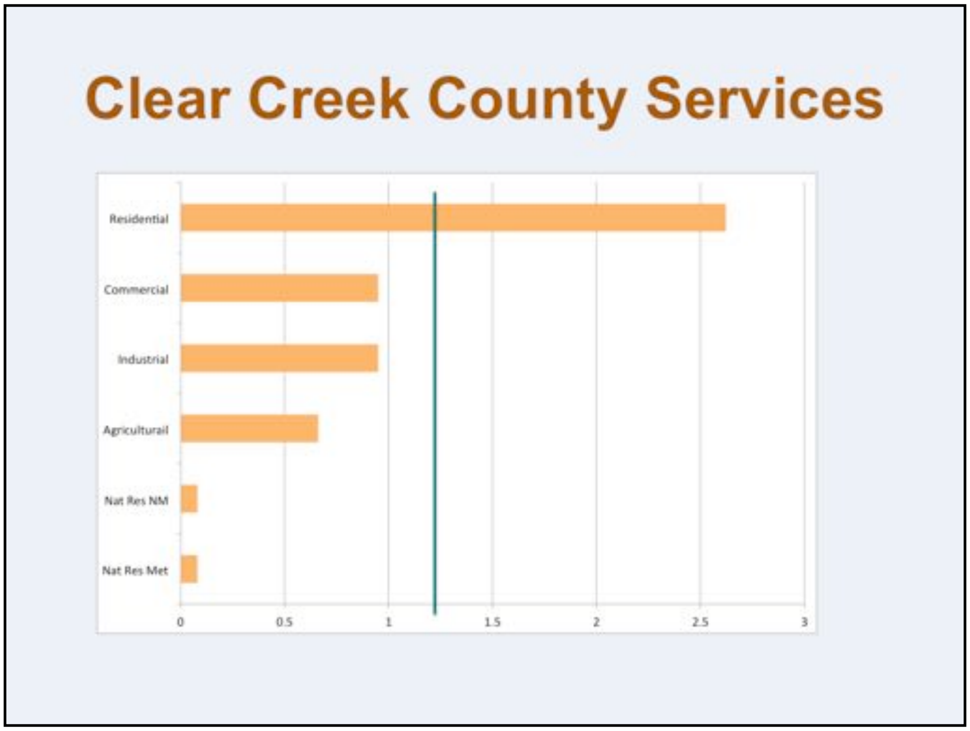
The city of Redmond, WA, performed a similar but more detailed study. The results are strikingly similar to the results of the Delaware study.

The cost of providing services to Single Family residential is $1.30 for every dollar of revenue– almost identical to the Delaware study.

John Crompton, a researcher at Texas A&M, reviewed many more such studies. He found that every single study showed that the services for housing cost more than the tax revenues generated. Out of the 98 studies that he reviewed, there was not a single study that showed housing providing more tax revenue than costs required. The situation should be even more pronounced in Colorado, where the Gallagher Amendment limits the amount of taxes that can be levied on residences.

The cost of providing services to Multi-Family residential is quite a bit more, at $1.80 for every dollar of revenue. There were not many multi-family dwellings in the Delaware study, so this is new data.

The cost of providing services to Office, Industrial, and Commercial is $0.78, $0.66, and $0.70, respectively– which is remarkably similar to the $0.70 for a general/ average Commercial category in Delaware.



The foregoing data seem to represent a pretty general condition.

To get a more specific look at how these numbers would actually come out in Clear Creek County, you can compare the assessor's categories with the budgeted expenses. This comparison for 2013-2015 yields some interesting figures:

> **Residential** comes out much higher: costs are \$2.75 to \$4.20 per dollar of revenue. The Gallagher amendment probably has a lot to do with this.
>
> **Natural Resources** (both Metallic and non-Metallic) have almost no county expenses associated with them. Any number less than \$0.10 is probably in the ballpark.
>
> **Commercial** and **Industrial** come out at \$0.93 - \$1.07 per dollar of revenue. That is a bit higher than the rest of the country. It may well be due in large part to the distortion caused by the almost-free mining revenue.

A more thorough analysis of the detailed accounting numbers could refine these figures. But the key point is that the assessed tax base for Natural Resources is very different from the assessed tax base for traditional development (Residential, Retail, Office, and Manufacturing). Natural Resources tax revenue has very little cost or services associated with it, while Residential and Commercial have very large county expenses associated with them.

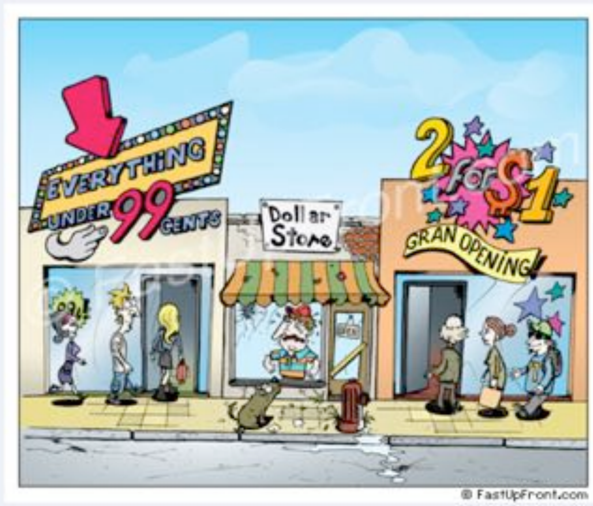
Dr. Robert E. Powell, a researcher in Colorado Springs, points out that incremental development (new projects) tend to cost more than the average. SOLVE has found that this is because there are several other categories of costs to be considered for a new development project. On average, a new commercial development project in Clear Creek County demands new services costing about twice the net new revenue it generates to the county.

Furthermore, research has shown that the County incurs substantial costs, in addition to the cost of services.

Cost of Infrastructure Required is one of those additional costs. Infrastructure includes one-time capital improvements such as road widening or paving, storm water management facilities, etc. Normally a developer is required to build any infrastructure required for his project. But a DRCOG report (Tischler & Associates, for Boulder) shows that even when best efforts are put forward to identify infrastructure requirements, the local government still winds up having to pay for about 40% of them. These costs are frequently hard to identify until well after the development is complete—but they still arise. In many projects, the total is significant, and additive to the cost of services.

In addition, it has been found that development in undeveloped areas, where there is no infrastructure, costs the county quite a bit more. For example, a study in Loudon County, Virginia, determined that developments in new areas cost about 42% more than development in areas where infrastructure already exists. This seems to be a typical figure that applies to other areas of the country. A similar study by the University of Colorado for Montrose, Mesa, and Delta counties showed that they could save $82 million over the next 25 years by focusing growth in areas that already have services and infrastructure.

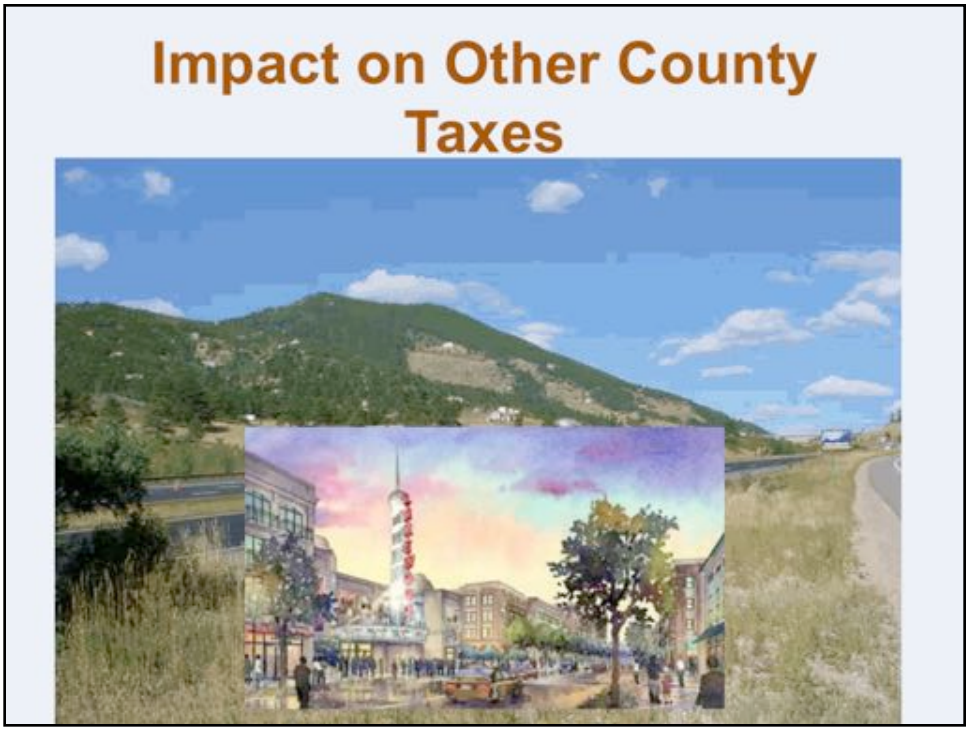
Displaced Revenue



Displaced Revenue.

Commercial developments may present an opportunity for new tax revenue. To the extent that revenue from a new project is merely a shifting of revenue from an enterprise already operating in the county, the county will not see any increase in its total tax revenues—even though it will see an increase in the services required. The total value to the county needs to be adjusted for these revenues that are only shifts, and not totally new.

This item does not usually apply to residential developments.



Revenue Gained/Lost from Property Re-evaluation. Any development has the potential to affect the value of surrounding properties, both residential and commercial. A development that cleans up an eyesore may increase values. A development that adds problems to a community may decrease values. The county tax rolls will be affected by the change in values, and where significant, these change in taxes should be considered along with any specific land development proposal.

Admittedly, these impacts are very hard to predict with any precision. But ignoring the impact is the same as assessing it as a precise “zero” – which is even worse than than an intelligent, albeit rough, estimate. The normal way of dealing with the imprecision is to express it as a range of possibilities.

Cost of Other Projects

Cost of other projects implied. Some development proposals lead to other developments that are not included in the proposal itself. For example, when a commercial development creates new jobs, the new job-holders have to live somewhere. To the extent that additional housing is required, that implies another series of developments, some time in the near future, for residential housing; and from looking at the cost of day-to-day county services, we can see that those developments will increase costs more than they increase revenues.

A current example exists in Aurora. The proposed Horizon Uptown project will demand significant new development. More than 25,000 residential units must be constructed near the development to meet its retail-sales projections, and homes "will require city services and will be a financial burden to the community," the consultants reported to the city.

So there can be future ramifications of a proposed development, ramifications that ought to be considered along with the proposal. In fact, job creation is positive for the state and federal governments who get income taxes, but job creation is generally a fiscal net negative to the county.

Summary of Development Costs

1. County Services
2. County Infrastructure
3. Displaced Revenue (e.g., revenue lost to existing businesses)
4. Impact on Other County Taxes
5. Implied Additional Projects (e.g., housing for jobs created)

County Costs per Revenue $
Residential

1. Services Required	2.25 – 3.00
2. Infrastructure	0.70 – 1.00
3. Displaced Revenue	0
4. Re-Evaluation Effect	(0.20) – 0.20
5. Other Projects	0
Total Cost per Revenue	2.75 – 4.20

Here are some typical figures for county costs incurred per dollar of tax revenue generated, when all the development cost categories are considered. They represent a compendium of a number of studies throughout the country, adjusted for actual cost data in Clear Creek County.

For **Residential** development, the county typically incurs from $2.75 to $4.20 of costs for each dollar of revenue generated.

Clear Creek County "Services" costs are considerably higher than national averages (which are more like $1.20 to $1.80). This is probably due in large part to the Gallagher amendment.

Single family houses tend to cost less per dollar of revenue than apartment houses.

County Costs per Revenue $
Commercial

1. Services Required	0.90 – 1.10
2. Infrastructure	0.50 – 1.50
3. Displaced Revenue	0.00 – 0.50
4. Re-Evaluation Effect	0.00 – 0.20
5. Other Projects	0.00 – 0.80
Total Cost per Revenue $	1.40 – 3.60

For **Commercial** development, our county typically incurs from $1.40 to well over $3.00 in costs for every dollar of revenue generated. On average, the net new revenues from Commercial development only cover about half of the new incurred costs. Again, the figures represent a compendium of a number of studies throughout the country, adjusted for actual cost data in Clear Creek County.

Clear Creek County "Services" costs are considerably higher than national averages (which are more like $0.67 to $0.75). This is possibly due to the distortion of the mining revenues with little corresponding costs.

Typically, the lower ranges are associated with developments in already-developed areas, and the higher ends of the ranges are associated with development in "green fields" farther from existing developments.

The wide range reflects parameters that are unique to each project. When development is actually *re*-development of municipal areas where services or infrastructure already exists, a project may actually generate more revenue than costs.

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Mixed Use development has been popular with urban planners in recent years. It combines residential and commercial in a single development. It turns out to have cost implications somewhere between residential and commercial, and it is very hard to make it pay off in terms of positive fiscal impact for the county.

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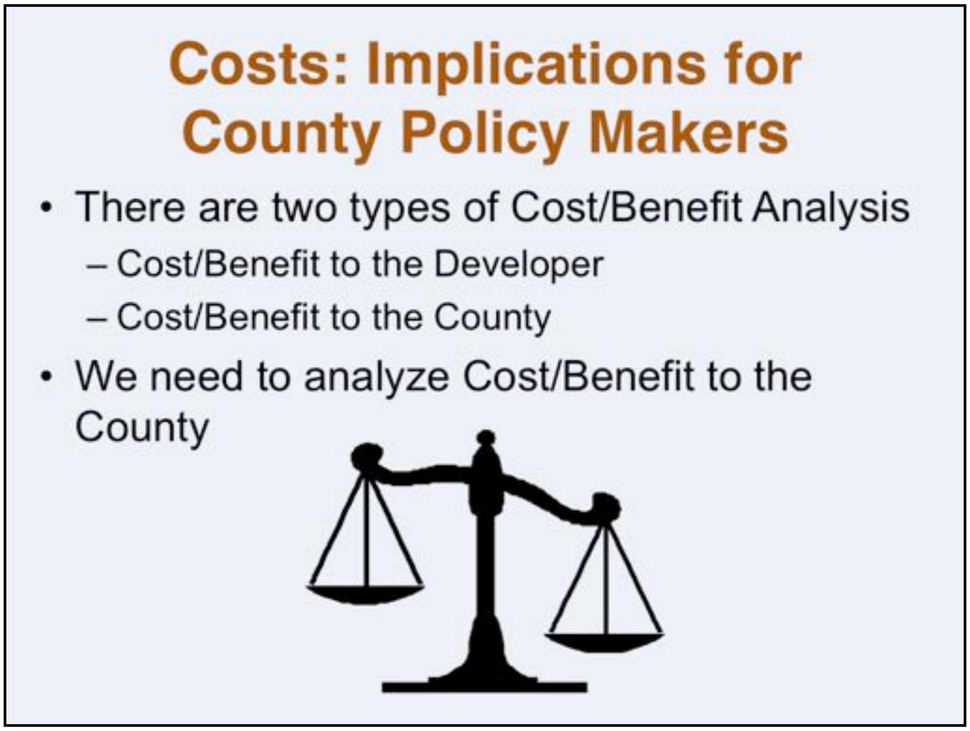
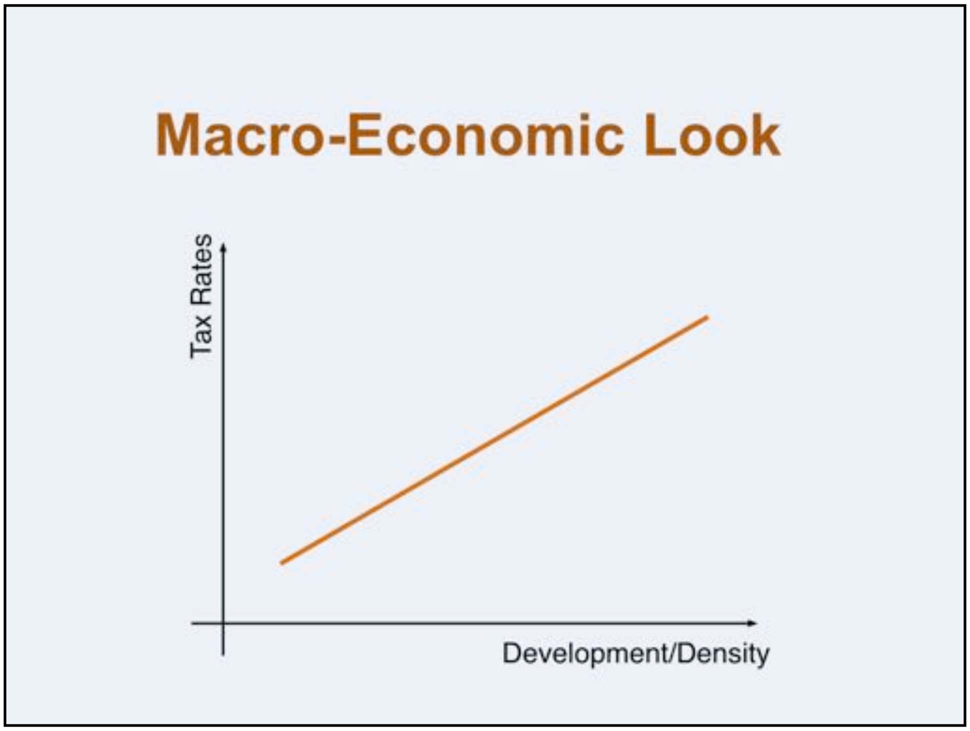
Remember, these costs represent typical ranges. Some developments are exceptional, and the values may be higher or lower than these ranges. The main fact is that the total expenses typically exceed the revenues generated by a fairly wide margin, even for Commercial development.



Historically, the county has left it up to the developer to determine the cost/benefit of a project. But the developer tends to look only at the cost/benefit to himself.

The cost/benefit to the county may be very different. And, as we have seen, it cannot be assumed that the fiscal impact on the county will be positive; much more frequently, the fiscal impact will be negative. The county needs to increase its vigilance over the fiscal impact of development proposals to the county. And this fiscal impact needs to cover all of the cost categories, and include long-term as well as short-term cost implications.



That was a look at the research findings on a project-by-project basis. These findings are also reflected in studies of many developments over time. If growth and development were really good for the local government budgets, then more densely developed areas should have lower taxes. However, what happens in reality is exactly the opposite: more density of development is correlated with **higher** tax rates.

Here are a few examples of the most careful studies.

The Planning Director of DuPage County, Illinois, noticed that as the county grew, per capita taxes went up, instead of down as they were supposed to. This was especially surprising, considering the county had been growing rapidly for the past 20 years and had received more than its share of regional job growth, business expansion, and commercial development. The Director commissioned a study to see if there was a correlation between growth and taxes. The study found two strong correlations: new development tended to ***increase*** property taxes, and communities in the county with the most rapid growth tended to have the greatest tax increases. Growth and Development had just made the county budget situation worse.

The second, broader study by the Metropolitan Planning Council of the greater Chicago area (a sort DRCOG-like organization) looked at the six-county region surrounding Chicago. The study confirmed the DuPage County findings and reached several more general conclusions: population growth tends to increase the residential tax; and fast-growing areas that do not increase taxes tend to see a reduction in public services– a result more likely in Colorado, under the effects of TABOR. The study measured tax burden in 3 ways: Tax Rate set by local governing authorities, total Tax Payments per residence, and Taxes as percent of personal income. They found that all 3 measures, including ***Tax Rate***, were higher in more densely-developed areas.

Studies in Archuleta and Montrose counties in Colorado came up with similar findings. Projected growth was shown to produce less revenue than the costs needed to maintain current levels of service.

These findings fly in the face of everything we typically hear about tax benefits associated with growth. They are directly counter to what a lot of people have believed for a long time. If it is hard to understand, then think about our neighboring counties. Both Jefferson County and Denver City & County are more densely developed than is Clear Creek County. If growth and development really contributed significantly to the county coffers, then property taxes in those counties would be lower than they are in Clear Creek County. But quite the opposite is the case; our property taxes are lower than theirs.

Growth and New Development does not generally or automatically benefit the county finances. If there is one and only one point to take away from this discussion, this is the point.

In fact, there is a big difference between the assessed tax base for Natural Resources and the assessed tax base for traditional development: Residential, Retail, Office, and Manufacturing. Natural Resource tax base provides revenue with very low associated costs, but most traditional developments incur more costs than revenue.

There may be reasons to accept development (for example to provide affordable housing for people who work in the county, or to provide a needed facility like a medical clinic). But accepting growth and development needs to be done in the context that it generally is an economic liability for the county.

This is a finding that is contrary to "common wisdom" and to what is promoted by developers and realtors. But it is supported time after time, and study after study.

These findings fly in the face of everything we typically hear about tax benefits associated with growth. They are directly counter to what a lot of people have believed for a long time. If it is hard to understand, then think about our neighboring counties. Both Jefferson County and Denver City & County are more densely developed than is Clear Creek County. If growth and development really contributed significantly to the county coffers, then property taxes in those counties would be lower than they are in Clear Creek County. But quite the opposite is the case; our property taxes are lower than theirs.

So in planning for land usage, we should not feel pressure to do things that are otherwise unattractive, just because the county budget needs help. There may be reasons to approve new development projects, but helping the county budget is generally not one of them.

Not all development needs to have a negative fiscal impact on the county. In fact, there are several categories of development that may have a positive fiscal impact on the local government.

First is the situation where a city attracts a significant new commercial or industrial business, to be located near the edge of town on land that already has the needed infrastructure, and where services are available nearby. As we have seen, the additional cost of services may only be two-thirds to three quarters of the revenue generated, so the city may see a positive fiscal impact. But the new workers at the business will have to live somewhere; if they live in the adjacent county, then the county has to pick up the cost of the housing, including increase health & welfare, roads, water, etc. So the larger community does not benefit, only the city that is taking advantage of the location of the city limits. In essence, this is a "beggar thy neighbor" approach to the county. But the city may, indeed, come out ahead.

In fact, there was a recent example of this in Aurora, with their Horizon Uptown project. Their own consultant told them it would cost more in services and infrastructure than they would get out of it in taxes. So they plan for most of the new employees required to live just across the border in Denver (Stapleton).

Second is a situation that was discovered in Telluride. If a house is expensive enough, it may generate enough in property taxes to pay for all the services and infrastructure required. But we're talking multi-million dollar homes here. It is probably not going to happen very often in Clear Creek County.

Third is a situation that seems promising, although we do not yet have any hard data. When an urban area has run down, so that it is generating relatively little revenue, but requiring more than average police and fire protection, it is not producing what it could. Should such an area be renovated, it may produce more revenue and actually reduce service costs. Additionally, the value of surrounding properties may increase, so that the tax base goes up well beyond the renovation project boundaries. The city of Pleasant Hill, CA, had an excellent example of this, in an area near a freeway exit that had run down and become a drug-dealing area; the city had the area redeveloped into a bright shopping area, and they feel they have benefitted financially as well as aesthetically. The best example closer to home may be the Belmar development in Lakewood.

But these types of developments come around so infrequently that they tend to prove the rule that typically Growth and Development generally don't pay– at least from the county's perspective.

From a strategic perspective, we simply cannot develop ourselves into prosperity. Communities that have tried a Growth-Promotion strategy have found that it backfires; their finances are in worse shape than before they started. There is every reason to believe that general, traditional growth and development in Clear Creek County will also cost us more than it brings us in new revenues.

From a Planning Commission perspective, we need to search for the exceptional projects that will either pay off, or provide intangible benefits that are worth the cost to the county

County Costs per Revenue $
Residential

1. Services Required	1.20 – 1.80
2. Infrastructure	0.70 – 1.00
3. Displaced Revenue	0
4. Re-Evaluation Effect	(0.20) – 0.20
5. Other Projects	0
Total Cost per Revenue	1.70 – 3.00

Let’s ignore for now the “Beggar Thy Neighbor” Exception. It depends on the exact location of a project and the corresponding specific location of city limits and county lines. So it really doesn’t work on a regional basis. Besides, there aren’t any good examples in Clear Creek County.

But how do we make very expensive houses pay off?

Let’s look at the costs for residential development in Clear Creek County, where a typical home averages about $300,000.

County Costs per Unit
Residential

Revenue	$3000
1. Services Required	$1700
2. Infrastructure	1100
3. Displaced Revenue	0
4. Re-Evaluation Effect	0
5. Other Projects	0
Net Cash to County:	$200

To make the numbers more meaningful, let's convert the perspective from costs per dollar of revenue to costs for a typical residence (in this case the median owner-occupied home in the county, per the 2000 census). Here we have the dollar flows for a typical residence.

It turns out that most of the costs for services are relatively the same no matter what the size of the house. A family consumes just so much of health and social services, libraries, etc.; even the road maintenance is not significantly different for various size of houses.

So if the value of the house is much higher than average, it is possible that the revenue could actually exceed the costs. This might happen when the assessed value of the house exceeds $1 million.

That's not going to happen very often, but it is possible. So developments of very high-end houses may bear looking at, if and when they come about.

County Costs per Revenue $
Commercial

1. Services Required	0.67 – 0.75
2. Infrastructure	0.50 – 1.50
3. Displaced Revenue	0.00 – 0.50
4. Re-Evaluation Effect	0.00 – 0.20
5. Other Projects	0.00 – 0.80
Total Cost per Revenue $	1.17 – 3.75

How does Urban Infill help make positive contributions to the county coffers?

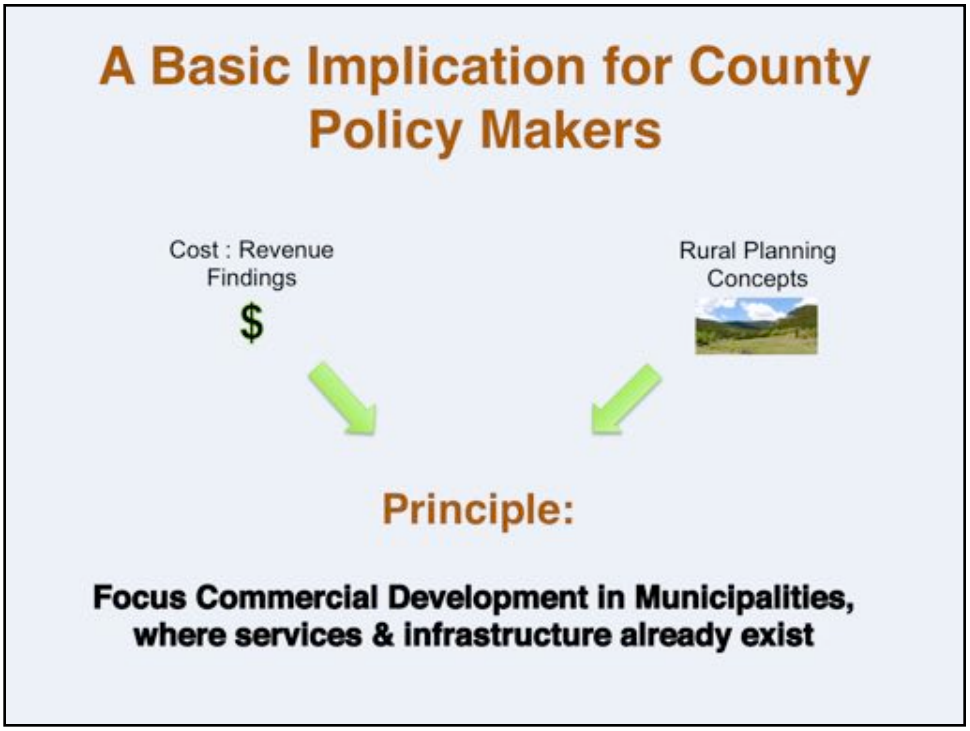
Here we look for costs that can be eliminated.

If a development is replacing an old, run-down property, then the services and infrastructure are already there. So may be little, if any, new cost to be incurred. This usually happens inside one of the municipalities.

If it occurs in a particularly bad situation, the new development could in theory even improve surrounding property values (Re-Evaluation Effect), thus adding to the revenue. Fortunately, there are not many such bad areas in our county.

Other things to look for that may improve the fiscal impact on the county include the type of business. If it is something unique, that does not compete with anything in the county, then the Displaced Revenue is zero; this could also happen if the market for a new business is mostly outside the county; this happened with the old Ski Country Antiques, that had a nation-wide customer base, and did not compete much with businesses inside the county.

But the bottom line is that most uses permitted by almost all our Commercial zoning categories will cost the county far more for services and support than they can generate in net new tax revenues. The specifics of a particular development plan are what will differentiate a development from one that is economically detrimental to the county. Our challenge is how to bring such information out, at some point in the overall process where the county still has the power to decide "go" or "no-go."



Combining the findings about Costs as they compare to net new tax revenues with the difference between urban and rural planning concepts, we come up with an important principle for sustainable land use and economic growth in Clear Creek County:

Focus commercial development in our Municipalities, where there are already existing services and infrastructure.

This has the maximum chance of supporting some growth that could provide more net new tax revenues than it would require in new costs, and thus be a net improvement in local government budgets.

Practical Steps

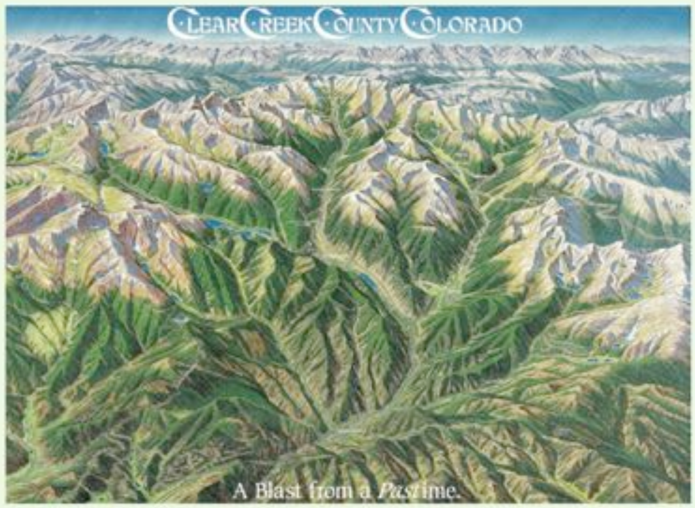
to Apply the Research Findings

The research findings are important. They bring to light a number of important considerations that are usually glossed over or ignored when land-use decisions come before a decision making body.

But it is not enough just to know what the research has found. It is also vital to be able to apply this knowledge in a practical way to real-world situations that arise, particularly as we embark on a major update to our county's Master Plan.

The following steps outline a process that can be used to apply the findings in the county.

Clear Creek County



Clear Creek County has a population of about 9000, and a total area of 395 square miles. That's about 0.2% of the population on about 0.4% of the land.

Here are some of the things that make Clear Creek County unique.

What makes our county so special?

The majority of residents in Clear Creek County choose to live in the County for its rural character, its vistas, wildlife and the quality of life enjoyed. Destination attractions include hiking, rafting, and wildlife viewing.

The county has historic buildings, mine tours, Georgetown Loop Railroad, and active historical societies– all of which draw people to the county.

The county has four municipalities. They are each historical and unique, and separated by open areas.

The county is close to Denver. This is good because residents can easily reach urban facilities. It is good because Denverites can easily reach Clear Creek County. But it has problems, because we face urban growth pressures from Denver.

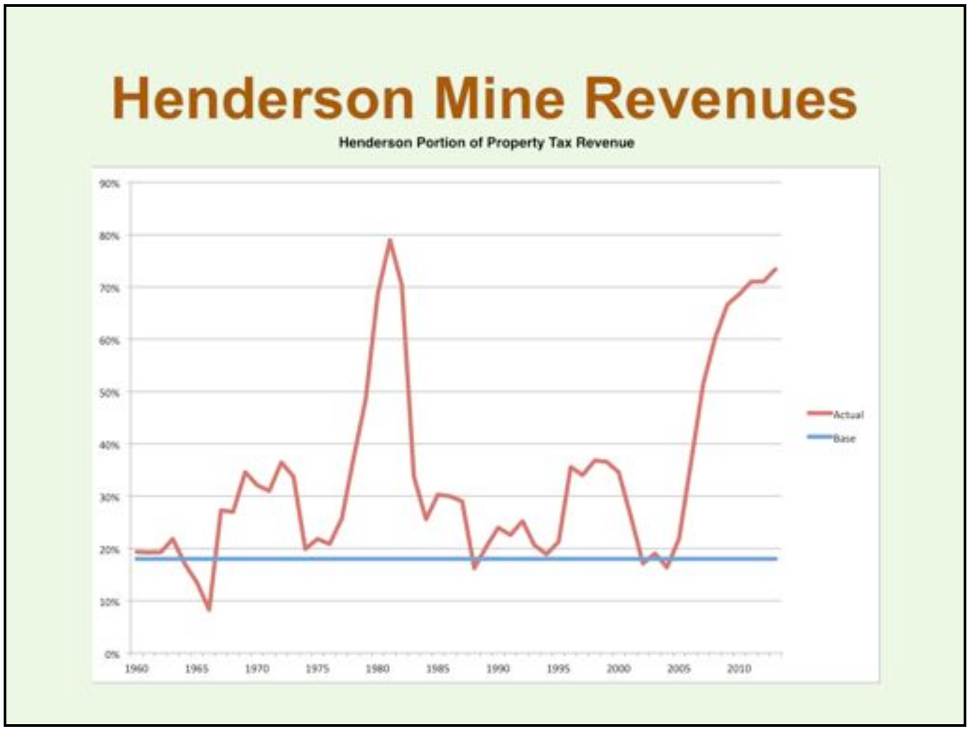
Interstate 70 runs through the county. About three quarters of the residents of the county live along I-70.

It is a vital connection within the county. And almost all residents use it to get to places outside of the county.

It represents many engineering feats, as it was fit into the mountainous terrain. There is no margin for improvements in many areas, without destroying much of what is desirable next to and near it.

It is also the only real connection between Denver and the ski countries in Summit and Eagle counties. So it carries a lot of traffic that goes through the county from one end to the other without stopping. And there is a lot of interest in expanding its capacity, especially on busy weekends in the ski season and in the summer.

And then there is the Henderson Mine above Empire. It currently accounts for a very large portion of County Revenue. But revenue varies widely year-to-year. Depletion of ore body will result in significant loss of tax revenue, in the not-too-distant future.



There has been a lot of talk in the last five years about revenues from the Henderson Mine.

The amount of tax revenue received from the Henderson Mine is significant and has increased dramatically over the past ten years, from $3.3 million in the 2005 tax year to $27.3 for the 2014 tax year – an increase of about 800%!   As a percentage of total tax revenue received in support of the county budget and the school district, the Henderson contribution has increased from 24% in 2005 to 71% of all revenue received for these purposes in 2015. That is an approximately 300% increase.

During this same ten-year period, county revenue increased more than five-fold, from $6.8 million to $35 million. The county budget has increased proportionate with these revenue flows. At a time when the local population numbers have been relatively unchanged or slightly declining, local government has expanded its role, its staff and its facilities. This also increases its ongoing responsibilities and costs.

Revenue flows from the Henderson fluctuate and depend upon variables in the world market for molybdenum (supply and demand) as well as the quantity and quality or grade of the ore body. While a five-year moving average is used to determine the assessed value for the Henderson properties each year, in order to even out revenue flows, future values will always be uncertain.

Many times all that is presented are the recent revenues, which have been very high. Here is the complete history, since the mine opened.

It turns out that the current revenues are abnormally high. Only one other time in history have they been this high. The normal level of revenue is much lower– more like it was in 2003 - 2005. We would do better if we thought about the norm being a much lower base line, and the current higher revenues as if they were a temporary “windfall” benefit of the mine’s production levels and the price for its ore.

In fact, the mine has told us that we should expect the ore body to be depleted by 2026, at which point production will cease. There is no one replacement for the Henderson Mine as a stable source of county revenue. In fact all of the ideas that have been put on the table together can not make up for the budget impact of the mine ceasing operation, particularly since the mine revenue has come with so little costs. Our best focus should be on those projects that will mitigate the problems.

When the Henderson Mine ceases to be the major tax contributor in our county, we face a financial challenge. It is reasonable to think about that now, so that we can prepare.

There are a number of possibilities...

Raising taxes or reducing services are unattractive.

Deferring maintenance would only work short term. Long-term, it would tend to raise costs. In a pinch, all three of these will probably all be considered, but it would be better to plan now for additional revenue to cover any ultimate loss of he Henderson Mine revenues.

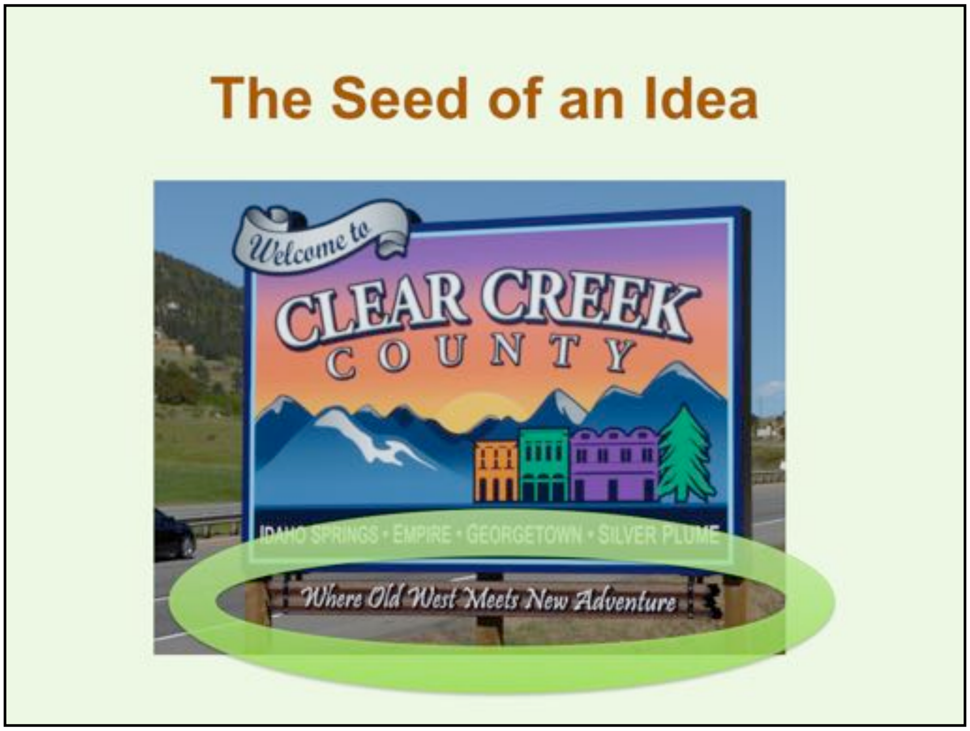
As we have just seen, promoting development generally is more likely to make the problem worse, as it has done elsewhere in the country. So it's not a viable long-term solution, either.

So if growth and traditional development are not the answer, what is?

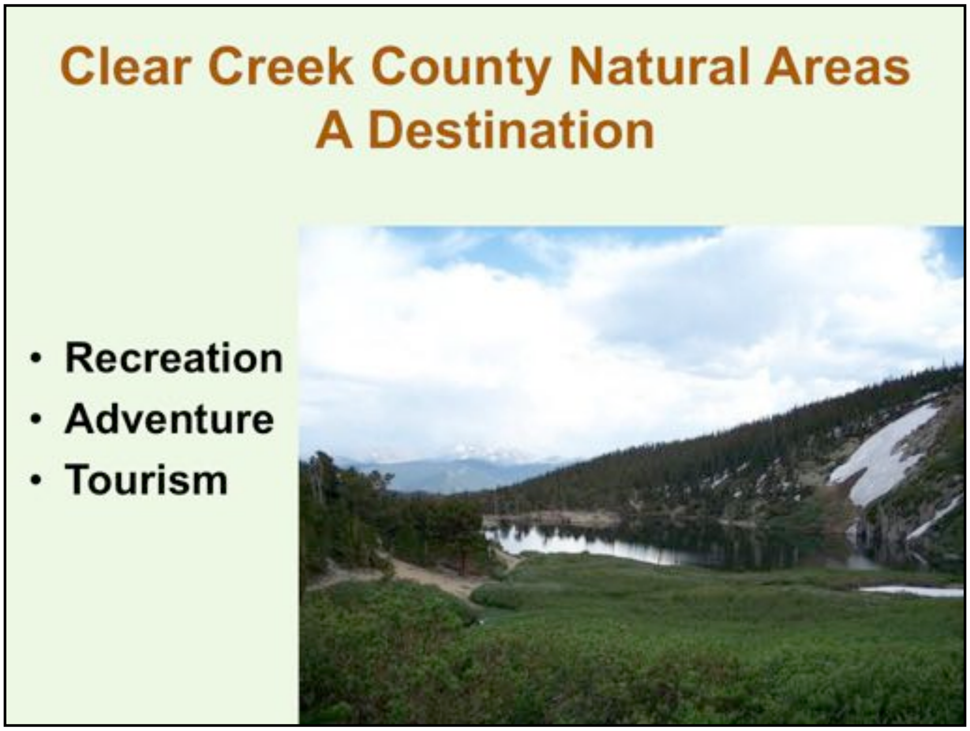
The Arapaho project was a very good attempt to find an alternative use of the Henderson property; maybe the winner in South Dakota will never manage to get it's mine pumped out. And there are other DOE projects under discussion. But these are long-shots. They shouldn't be discarded, but we can't really count on them, either.

In truth, no solution will replace what the Henderson Mine has meant to us. It has given us revenue with hardly any costs. Many proposals to raise revenues bring much more costs with them, and may not help balance the county budget. Budget cuts are almost assuredly going to be a part of our future.

But it still doesn't hurt to look for approaches that increase revenues more than they raise costs. That will at least reduce the amount by which budgets will have to be cut. We should search for solutions that have a greater chance of helping the county, both fiscally and aesthetically.



…Well, here is a seed of an idea: “New Adventure” …



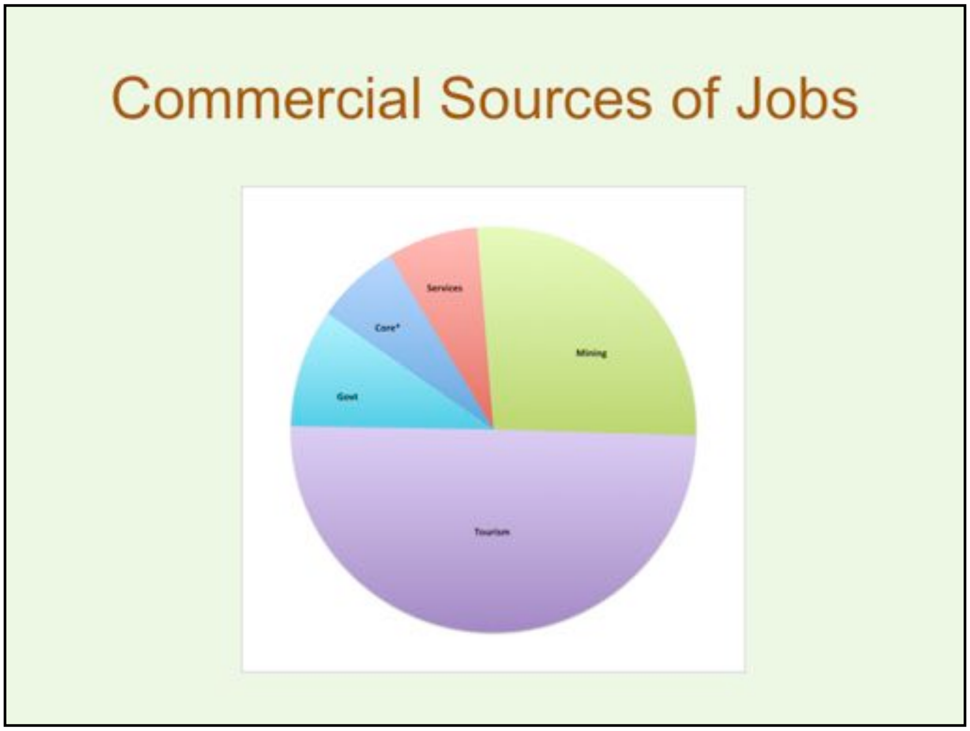
The county wide task force initiated by the CCEDC is coming to the conclusion that the we need to promote the county. And the best way to do that is to focus on what we have that can make the county a destination.

Past has been prologue in this endeavor, as in our past the County did promote its natural attractions to generate a significant amount of its resources.

Clear Creek County has been a tourist destination since the Georgetown Loop opened in 1884. Excursion trains from Denver were always a significant part of the railroad's passenger revenue. There was even a tourist pavilion erected in Silver Plume.

Here is a copy of a brochure from the late 1930s, depicting many of the destination attractions in the natural areas of Clear Creek County.

This idea has worked before. And it can work again. But it is going to take a vision and some coordination to make Clear Creek County a destination instead of just a highway to the ski areas– and a highway that passers-through just want widened so they can go past faster.



In fact it's already working. The State Demographer's office has determined that Tourism generates more jobs in Clear Creek County than Agribusiness, Mining, Manufacturing, Government, Construction, Information & Communications, Trade & Transportation, Professional & Business Services, Finance, Insurance, Real Estate, Education, and Health Services– all combined.

"Core" is Construction, Agriculture, Communications, Transportation, and Manufacturing– in decreasing order of number of jobs created, with Construction being highest and Manufacturing being lowest.

(Average of data from 2010-2013)

Strengths of Vision - Aesthetic

The majority of residents in Clear Creek County choose to live in the County for its rural character, its vistas, wildlife and the quality of life enjoyed. In the county’s 2002 Citizen Survey, the top 2 reasons for moving to Clear Creek County were:

(1) Peace and tranquility (56%)
(2) Views/natural beauty (48%)

The next most popular reason scored only 29%.

The 2010 survey yielded similar results.

So it is important to take these values into account in any overall plan for the county. This vision allows for both economic growth and conservation of the natural views and settings that attracted us to our county in the first place.

Strengths of Vision - Marketing

- Uniqueness, Not Commodity
- Proximity to Denver
- Ride a Market Trend

Marketing is always looking to position an enterprise’s offerings as something unique. Making Clear Creek County once again as a destination plays exactly into that strategy. Clear Creek County is the closest area of mountain and streams to Denver; that is a competitive advantage that can be marketed. However, our county is farther from the Denver population centers than other traditional development, such as retail, office and manufacturing, so traditional development is a competitive disadvantage even if such development would pay out for the county.

Furthermore there are market trends for increased outdoor activities on the part of all Coloradans. For those who live in the Denver area, Clear Creek County holds the greatest attraction. We can prepare now to receive the benefits of this market growth.

This vision does not require a great deal of heavy financial investment. We do not have to wait for a developer with deep pockets to show up. Most of the requirements involve vision and will, rather than large investment.

Developing Clear Creek County as a destination for its natural beauty does not involve large developments with the accompanying requirement for costly services and infrastructure. So it will produce a much better financial return to our county than we could get from traditional development.

Adopting a vision like this will not cover all of the fiscal impact of the Henderson Mine ceasing operations. But it could provide a focus for projects that will mitigate that impact.

All we really have to do is to make sure we don't mess up what we have.

So we have found that all development does not automatically benefit the county finances. In fact, there is a big difference between the assessed tax base for Natural Resources and the assessed tax base for traditional development: Residential, Retail, Office, and Manufacturing. Natural Resource tax base provides revenue with very low associated costs, but most traditional developments incur more costs than revenue.

It is the exceptional developments that we should be looking for and welcoming, while rejecting the vast majority that would cost the county more than they would pay.

To do this, we are going to need a realistic, thorough fiscal impact analysis of each development proposal, at a point in the process where the county still has approval authority.

With our mountains, streams, and natural areas, our history, and four unique municipalities, we have some special values. With the proximity to Denver and with the Henderson Mine we have special situations that are both opportunities and issues to be managed. Together, this sort of thing is what makes our county so unique.

As we have seen, many pieces of "Conventional Wisdom" are really not supported by the facts, once the situations are studied. There are many counties that have not yet studied the facts, but now we have. This is a chance for Clear Creek County to rise above the middle of the pack, and be as smart as the leaders in the country. To do this, we have to base our decisions on reality, not on wishful thinking.

Traditional growth and development generally don't pay a return to the county coffers, particularly outside our four municipalities. So there is no need to decide between development and our natural areas. More creative solutions to the county's financial situation accommodate ***both*** our natural beauty ***and*** our financial needs.

We simply cannot assume that every development project will automatically improve the county's finances. In fact, we would be closer to the truth with the opposite thought: development hurts the county's finances– but we could still be wrong. There may be a few specific proposals that ***do*** benefit the county. So the county processes need to include a fiscal impact assessment for every proposal, based on long-term full costs. The assessments needs to be done at a stage where the county still has the ability to make a go/no-go decision. This is something for the Planning Commission to think about.

Furthermore, it is really unfair to ask the applicant to perform the impact analysis. He has too much at stake, and where we have seen such analyses, they tend to be incomplete and self-serving. This is not an unreasonable position for an applicant to take when putting his best foot forward. For the county to get the complete information it needs, the impact analysis needs to be funded by the applicant, but performed by a third party, under county direction. There is already provision in the county processes to do so, and it needs to become standard operating procedure.

In general, we should think about focusing commercial growth inside our municipalities. Rather than promote growth and development outside of our municipalities, most of which will not pay off in the long run, we propose a vision for our county that takes advantage of the natural attractions we have, that promotes their use rather than their replacement, and that can be sustained for generations. It can drive additional revenue, but it involves less investment and less cost. In fact, the most important thing we need to do, is to make sure we don't mess up what we have.