

The Fiscal Implications of Land Use in a Rural Municipality

Project Partners

This project brought together three partners, and was possible due to Red Deer County's enthusiasm for exploring new options in the pursuit of better land use planning, the Alberta Real Estate Foundation's vision to fund the development of a Canadian methodology, and the Miistakis Institute's commitment to providing practical decision-support tools for sustainability.

The Miistakis Institute is a non-profit charitable organization that undertakes and supports pure and applied research respecting the ecosystems of the Rocky Mountains and surrounding regions, and assists in the development and implementation of collaborative ecosystem management. www.rockies.ca

Red Deer County is the 13th largest municipality in Alberta, occupying 4042 square kms, with a population approaching 20,000. With its central location, growing economy and competitive advantage, Red Deer County is a great place to do business and raise a family. Red Deer County - A great place to live, work and grow. www.reddeercounty.ab.ca

The Alberta Real Estate Foundation supports real estate related initiatives that enhance the industry and benefit the people of Alberta. The Foundation's revenues come from the interest earned on public money deposited in real estate brokers' pooled trust accounts. www.aref.ab.ca



A Cost of Community Services (COCS) Study for Red Deer County, Alberta



Linking
Land Use
Planning
with
Municipal
Finances

Land use planning in rural municipalities is a complex process. Increasingly, the results of these decisions have significant implications for the environment, and for the cultural and historical character of our communities.



Councils, staff and communities must weigh numerous factors in determining which land use patterns best serve the public interest. One factor that often carries great weight is the fiscal implications of different land uses.

However, municipal budgeting and expenditures are categorized by service - waste collection, fire and ambulance, road grading - while land use planning is categorized unsurprisingly by the land use - light industrial, agricultural, country residential. This creates a fundamental disconnect between land use planning and its fiscal implications, making meaningful linkages virtually impossible.

Nevertheless, uninformed portrayals of the fiscal boons and banes of various land uses are used to defend and disparage all manner of decisions and land use patterns. Heated debates rage in communities across the continent, largely in the absence of relevant supporting information.

Cost of
Community
Services
(COCS)
Studies

A *Cost of Community Services* (COCS) study is designed to help connect the fiscal and land use components of municipal decision-making in a straightforward and cost-effective way. A COCS study determines a municipality's public service costs versus revenues based on current land uses for a single fiscal year.

Through a study of budgets, financials, tax assessments, and other relevant documentation, and after extensive staff interviewing, every dollar of revenue and every dollar of expenditure is allocated to one of four broad land use categories:

- commercial
- industrial
- residential
- working landscapes (agriculture)

Ratios are calculated for each land use comparing expenditures with revenues, ultimately showing for each dollar of revenue how many dollars in public service costs the municipality is incurring for that land use.

A sub-set of the broader field of fiscal impact analysis, COCS studies are designed to be financially accessible tools that provide a single-year snapshot illustrating the connection between finances and land use decisions for that period.

Red Deer
County

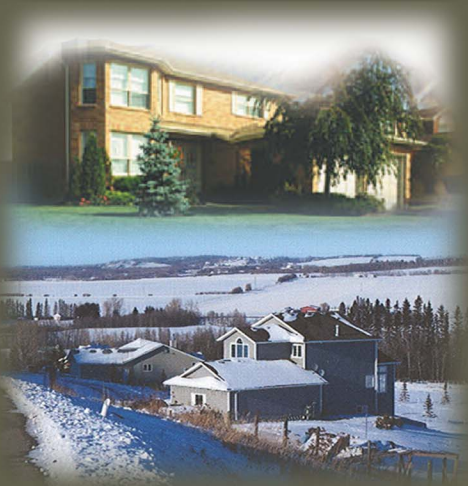
In terms of settlement, Red Deer County sits at Alberta's centre. The County is roughly equidistant to Alberta's two major centres, Edmonton and Calgary, and at the mid-point of the province's busiest highway. It is one of the fastest growing regions in the country, with population growing 8.9% between 1996 and 2001.

Red Deer County's 4,042 square kilometres are approximately 90% agricultural, but contain 60 residential subdivisions and 8 commercial/industrial subdivisions. In 2004, the County was home to 18,639 people. With other incorporated municipalities included, there were upwards of 110,000 people within the County's geographic limit.

Growth in the area from the 1880s was based on agriculture, but since the 1950s the discovery of large oil and gas deposits has been transforming the the physical and economic landscape. Despite the predominantly agricultural land base, growth today is characterized by new industrial activity, urban expansion, and substantial increases in acreages and rural subdivisions.

Red Deer County has a diverse and complex matrix of land uses, and it strives to maintain and promote all of these. Often at the leading edge of rural land use planning and community development, the County looked to a Cost of Community

Services study to help clarify the nature of their current land use picture in order to better plan for the future.



Findings
and
Conclusions

After a detailed review of background documents and financial records, and extensive interviewing of all Red Deer County managers and directors, Red Deer County's 2004 audited financials were re-allocated based on land use. Expenditures and revenues were divided between the four land use categories, and the sums of these values used to create the ratios shown below.



Because land use decisions by Alberta municipalities directly drive education service demand, yet they play a limited role in the provision of education services, two parallel scenarios were developed, one including education services and one excluding them.

Red Deer County now has a picture of the relative costs of land use, one that shows that *Residential* land use is a fiscal drain for the County, *Industrial* land use is a fiscal boon, and *Commercial* and *Working Landscapes* at worst break even.

The findings of this Cost of Community Services (COCS) study were relatively similar to previous studies. The *Commercial* land use 'paid for itself,' though by a lesser margin than previous studies; the *Industrial* land use is a significant subsidizer of all other land uses, even with the exclusion of the lucrative power line and pipeline revenues; the *Residential* land use is heavily subsidized by the other land uses; and the cost of servicing the *Working Landscapes (Agriculture)* land use was higher than in previous studies, but still at or below the break-even point.

The intent of this study is to support the development of land use planning approaches which best serve the community. Red Deer County can use this study with other information to maintain a healthy balance of land uses for the County. At the policy level, the study can assist in the development of a vision for the community; at the operational level, it can help assess whether resource allocations match policy priorities.

<i>Including Education</i>	Commercial	Industrial	Residential	Working Landscapes (Agriculture)
Expenditures	\$3,438,489	\$1,079,792	\$27,579,552	\$1,740,729
Revenues	\$4,615,862	\$11,545,653	\$15,239,133	\$2,487,064
Ratio	1 : 0.74	1 : 0.09	1 : 1.81	1 : 0.70

<i>Excluding Education</i>	Commercial	Industrial	Residential	Working Landscapes (Agriculture)
Expenditures	\$3,438,489	\$1,079,793	\$16,531,954	\$1,740,729
Revenues	\$3,431,567	\$7,714,203	\$9,966,580	\$1,727,763
Ratio	1 : 1.00	1 : 0.14	1 : 1.66	1 : 1.01