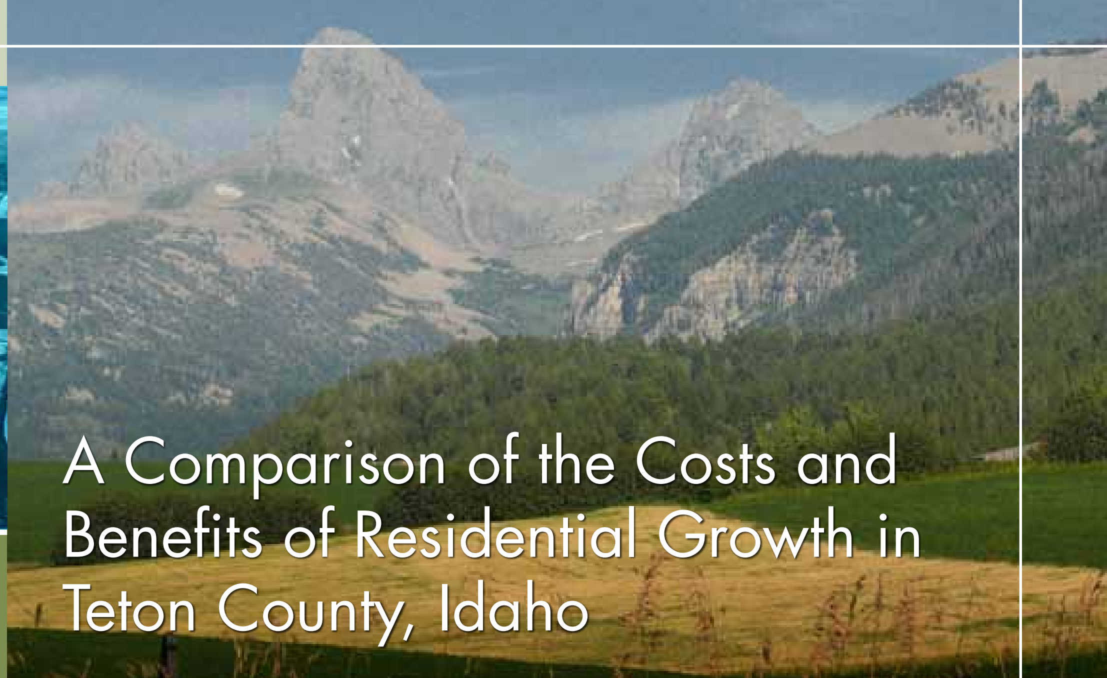


A Comparison of the Costs and Benefits of Residential Growth in Teton County, Idaho

This study assesses the potential fiscal impact on the local government – and hence, all taxpayers – if the 7,000 vacant lots in the county were to have houses built on them and would therefore require county services such as road maintenance and emergency services.

While the potential 7,000 new rural homes would generate significant new tax revenues, they would not come close to paying for the additional services that they would require. *See FINDINGS on page 4.*

Teton County, Idaho, contains world-class natural amenities, a stunning landscape of mountains and rivers and farms, and small, livable communities. Its abundance of outdoor opportunities, ranging from skiing and hiking to fishing and hunting, make it a magnificent place to live and play. It is a crucial part of the Greater Yellowstone Ecosystem, containing critical wildlife habitat on both its public and private lands.

All of these assets, of course, are the essential ingredients for growth. And Teton County has grown prodigiously: since 1990, its population has grown by 157%; just since 2000, it has grown by nearly 50%. This represents one of the fastest rural county growth rates in the entire country during this time.

It is not the rate of growth, however large, that is of most concern – it is the pattern of development. Historically, development in the county remained close to the small communities in the heart of Teton Valley. In the 1990s, however, development began to spread into the farthest reaches of the county and into the foothills of the Teton and Big Hole mountain ranges and the Teton River riparian corridor.

The pattern of development is important because, when the county approves a subdivision, it commits to providing basic services such as road maintenance and emergency services. Homes farther from cities typically cost more to provide services to than do homes close to town.

Now, the bust in real estate markets – in 2009 alone, $156 million in local property fell into foreclosure – poses a new challenge for Teton County: the numerous stalled subdivision plans and thousands of vacant residential lots carpeting the valley. In the rural areas of the county, there are almost 7,000 existing,vacant lots, compared to just 2,200 lots with existing homes. Even if the county were to return to the home-building rates of the mid-2000s, the projected supply of residential lots is now 70 years.

What does all of this mean for the taxpayers of the county? This study examines the costs and benefits of the eventual development of these now-vacant subdivision lots.

SONORAN INSTITUTE

Shaping the Future of the West



Why Did We Do This Study?

Behind the national housing bubble was a fundamental belief that housing prices would never go down. Millions of home buyers, banks, and investors inked unsustainable mortgages, assuming the home could simply be flipped at a profit if the loan was in danger of default. Everybody, it appeared, would come out ahead, including taxpayers: it was assumed that tax revenue would always exceed service demands.

But has it? The county has not yet taken time to assess the full level of commitment it has agreed to for all the lots it has approved. The recession exposed homeowners to uncertainty and loss – what about Teton County? Is the County prepared to pay for services when the housing market recovers?

Local governments have a role to play in stimulating economic development in two important ways: 1) providing quality services and 2) protecting the amenities that are linked to economic well-being. In Teton County, natural amenities and small-town charm offer a huge draw, and the quality of the local schools, roads, and emergency services are a primary concern for the families and businesses that may choose to live and work here. If the county is to enjoy a strong recovery from the current recession, it must ensure that its land use and financial decisions do not weaken its fiscal health, its ability to provide services, or the quality of life enjoyed by its citizens.

Valley Advocates for Responsible Development (VARD), asked the Sonoran Institute to review the potential fiscal impact on the local government if the county's existing 7,000 vacant lots were to have houses built on them and would therefore require county services such as road maintenance, snow plowing, and emergency services. We commissioned RPI Consulting to compare the costs of providing county government services to already-approved subdivisions with the property tax revenues they would raise.

If the county is to enjoy a strong recovery from the current recession, it must ensure that its land use and financial decisions do not weaken its fiscal health, its ability to provide services, or the quality of life enjoyed by its citizens.

Development patterns directly affect the amount of driving, and the amount of driving directly affects the costs that taxpayers must cover to provide basic public services.





Vacant subdivision in Teton County

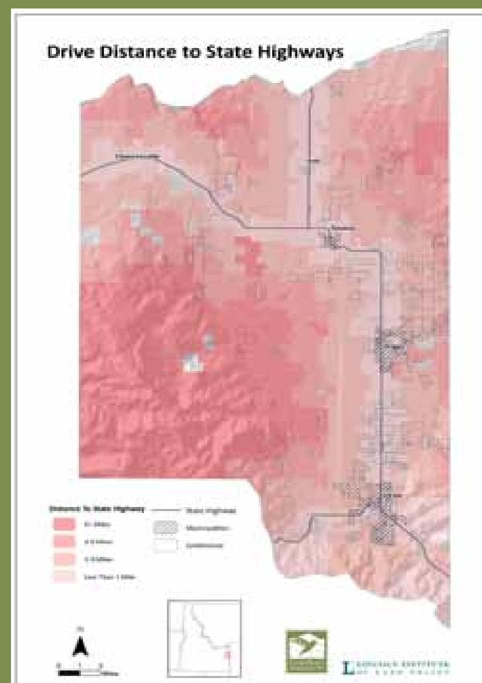
How Did We Do The Study?

Development patterns directly affect the amount of driving, and the amount of driving directly affects costs. Recent studies show that compact development patterns, with homes closer to towns, result in less driving than dispersed development patterns. These studies also show that taxpayer expenses for roads, law enforcement, and emergency services increase as traffic increases: there are more miles of roads to pave and maintain, and sheriff's deputies and EMTs have more ground to cover.

This study uses the latest Teton County budget data and computer mapping to calculate: 1) the current cost per vehicle mile traveled (VMT, a measure of traffic) of providing county services to existing residences; 2) the projected VMT on county roads stemming from the full development of the county's 7,000 vacant lots; 3) the costs to provide services to those potential future homes; and 4) the projected revenues from these potential homes that would accrue to the county government .

This study asks four questions:

1. How much traffic on county-owned roads would these future homes generate?
2. How much would each future home cost taxpayers for core county services?
3. How much would each home generate in revenue?
4. What influence does the location of future homes have on the costs to provide services to them?



In addition to this analysis, RPI has developed an easy-to-use, automated calculator for estimating the cost-benefit of any specific subdivision in Teton County. The calculator uses the data in this report as well as the computer mapping shown above. Use the calculator at www.sonoraninstitute.org or at tetonvalleyadvocates.org


RPI collected this data in cooperation with county staff including the assessor's office, GIS dept, county clerk, and the sheriff's office. The Teton County budgets analyzed in the study include the 1) Road Fund, 2) General Fund, and 3) Special Revenue Funds.

FINDINGS

The study found that, while the potential 7,000 new rural homes would generate significant new tax revenues, they would not come close to paying for the additional services that they would require.

- If the 7,000 now-vacant subdivision lots are developed with houses, it will result in about 120,000 additional VMT, over tripling the amount of travel occurring on county roads in 2008. Residences farther from town will generate significantly more driving than those that are closer to the county's cities. Homes that are more than 5 miles from towns and state highways make up only 6% of the total homes, but generate 20% of the driving on county roads.
- Were the 7,000 vacant lots to be developed, they would strain the county government with a $1.9 million annual shortfall for county operations and a $15.5 million shortfall for county infrastructure and capital investments. Due to longer drives on county roads, houses on subdivision lots farther than three miles from towns and state highways would account for only 18% of the inventory, but disproportionately cause 50% of the shortfall.
- The revenue structures in place today are not adequate for meeting the service needs that would be generated by homes on the now-vacant subdivision lots in the county, signaling the need for a coordinated re-assessment of land use policies and revenue structures.

This document is a condensed version of the complete *Teton County*, which can be found at www.sonoraninstitute.org, or www.tetonvalleyadvocates.org

RPI Consulting would like to thank Teton County staff for their assistance in procuring county budget data.

Development of the 7,000 vacant lots in the county would strain the county government with a $1.9 million annual shortfall for county operations and a $15.5 million shortfall for county infrastructure and capital investments.

www.tetonvalleyadvocates.org

Valley Advocates for Responsible Development

RPI Consulting

www.rpiconsulting.org

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