

COST OF COMMUNITY SERVICES STUDY
TOWN OF ROCHESTER, NEW YORK

PREPARED FOR THE TOWN OF ROCHESTER
By Margaret Bonner, PhD Economics and Francis Gray, Councilman
2005

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1. INTRODUCTION

1.1 EXECUTIVE SUMMARY

The once quiet Town of Rochester has grown rapidly over the past 15 years, as it became a haven for those from New York City and its suburbs. The population has increased as have property values, putting pressure on the farmlands and forests that characterize the Town. Its residents are concerned about how this growth will impact their future. This report explores the cost of community services associated with different types of land use and how each category “paid” for those services during the year 2005. The analysis is based on assessed value of property in three categories: residential, commercial/business/industrial and open areas/farms/forests (Open Space). Town, Highway and School revenues (income) and expenditures (services) were assigned to each of the three categories.

The results of the analysis indicate that residential property fares the best (for the resident!) For each dollar of revenue received from residential property, the Town provides \$1.27 in education, social and cultural services, local government and highway maintenance. For each dollar in revenues received from businesses, the town spends 18 cents on local government services and highway maintenance. For every dollar received from farms, forests and vacant lands (open space), the town again spends 18 cents. This is in line with similar analyses of small towns in the Northeast.

These results are not unexpected as the majority of the expenses are for education. School taxes are almost three times the amount of all other property taxes combined (County, General, Highway and Fire) and it is the owners of residential property who receive this service. If education were excluded from the analysis, the ratio of services to revenues is much more balanced, with each category receiving services about equal to what they paid.

Within the Town of Rochester, a large number of residential properties are second-homes. The owners of these properties do not use the schools nor do they use the town services to the same degree as the full-time residents. Further analysis was done to examine the fiscal impact of part-time (47%) versus full-time residents (53%). Whereas full-time residents receive \$1.99 in services for each dollar in revenue they provide, the part-time residents only receive 22 cents in services, much closer to that of businesses and open space.

The implications for future growth show the high fiscal burden that new family homes would bring to the area. This same is not true of “second-homes” or senior housing, since the residents of those units do not make use of public educational services. Open space (farms, forests and vacant land) and well-planned commercial development are fiscally more beneficial to the Town than expanding the family housing market. The fiscal implications of this study are important for the Town of Rochester as it contemplates its future direction; it must, however, be balanced with non-fiscal considerations as well.

1.2 SCOPE

The Town of Rochester's Cost of Community Services Study (COCS) is an attempt to compare local tax revenues with the cost of services for each of three types of property in the town for the year 2005. The study begins with a section defining a COCS and what it can and cannot do. This is followed by a background section on the Town that looks at the town's population growth, demographics, housing stock, land use patterns and development trends. Land assessments and taxable values are reviewed as well as various sources of revenue and changes in tax rates over the years. Town financial and assessment data are used to compare town revenues and expenditures associated with three different land use categories: residential, business/commercial/ industrial, and open space/farmland/forests. The Town of Rochester's expense/revenue ratios are calculated for each of the three land use categories. Comparisons with COCS studies from other towns are presented. Using these ratios, implications for growth are analyzed and conclusions presented.

2. THE STUDY

2.1 COST OF COMMUNITY SERVICES DEFINED

"Cost of Community Services (COCS) studies are a case study approach used to determine a community's public service costs versus revenues based on current land use. COCS studies are an inexpensive and reliable tool to measure the direct fiscal relationship between existing land uses. Their particular niche is to evaluate the overall contribution of agricultural and other open lands on equal ground with residential, commercial and industrial development. They inform communities of the relationship between how the land is used and the fiscal costs or benefits to the local government. COCS studies show, on average, that residential development generates significant tax revenues, but requires costly public services that are typically subsidized by revenues from commercial and industrial land uses...COCS studies are best used in communities that rely heavily on property taxes to generate revenue"¹

Over time, COCS studies have developed methodologies to calculate an expense/revenue ratio for each land use category. The ratio compares how many dollars of local government services are spent per tax dollar collected. A ratio greater than 1.0 suggests that for every dollar of revenue collected from a given category of land, more than one-dollar is spent in community services associated with it.

¹ Freedgood, Julia (2002). *Cost of Community Services Studies: Making the Case for Conservation*, American Farmland Trust, Washington, DC

2.2 STUDY OBJECTIVES

The objective of this study is to determine the current Town of Rochester's Cost of Community Services (COCS) ratios based on the Farm Trust Model.² The COCS was calculated from information on the Town's 2005 general, highway and school budgets and most recent Town Assessment tax rolls. Information was gathered on:

- Land use (based on the most recent Town assessment information³ and categorized by land use)
- Revenues from Town, Highway and School budgets (categorized by land use)
- Estimated expenditures from Town, Highway and School⁴ budgets⁵ (categorized by land use)

For the purposes of this study, the following three categories were used, based on the Farm Trust Model:

- Residential
- Commercial/Business/Industrial
- Open Space (including farmland, vacant land and forested areas)

These ratios will show, for the tax year 2005, the financial implications to Town of Rochester taxpayers of converting farm/open space land to residential use. Additional calculations will reflect what the market value of a newly constructed single home must be in order to generate sufficient tax revenue so as not to place additional tax burdens on existing residents.

2.3 STUDY CONSTRAINTS

2.3.1 Limitations of the Study

"Cost of Community Services studies are *fiscal, not economic, analyses and so do not examine direct economic benefits or secondary impacts of a given land use to the local or regional economy*⁶...Focusing on what is, rather than what might be, COCS studies do not analyze potential economic impacts. A single-year COCS will not provide a full picture of the costs and benefits of new urban growth or predict the future revenues from additional sales and services that could be generated by new development. However, multi-year historic COCS will provide the costs to a community when converting open space to residential development."

"COCS studies are not intended to judge the value of one land use over another or compare one type of new development to another...The particular use of a COCS study is

² *ibid*

³ The last full assessment was done in 1999, however modifications made to these assessments, as of March, 2005 have also been included.

⁴ County Budgets are a major part of the tax burden. However, these were not included as there is no way to categorize expenditures or revenues by land use.

⁵ Budgets are for 2005.

⁶ Note: italics added for emphasis.

to find out about existing land use relationships and to evaluate the contributions of agricultural and other open lands on equal ground with developed land uses. “⁷

2.3.2 What the Study Will and Will Not Do

“COCS Studies DO:

- Provide a baseline of information to help local officials and citizens make informed land use decisions.
- Offer the benefit of hindsight to see the effect of development patterns to date.
- Demonstrate the relative fiscal importance of privately owned land in agricultural, forest or other open spaces uses.
- Make similar assumptions about apportioning costs to agricultural land as to commercial/industrial land.
- Have a straightforward methodology and easy-to-understand findings.

COCS Studies DO NOT:

- Project future costs of services incurred by new development.
- Analyze the costs associated with a specific development proposal or build-out scenario.
- Determine the direct or indirect value of a particular land use to the local or regional economy.
- Quantify the non-market costs and benefits that occur when agricultural land is converted to urban uses.
- Judge the intrinsic value of any particular land use.
- Compare the costs of different types of residential development.
- Treat agricultural and other working lands as residential development.”⁸

2.4 TOWN OF ROCHESTER

2.4.1 Overview

The Town of Rochester is rich in history. Incorporated in 1703 with a population of 334, it was formed from a number of hamlets. Farming, initially the mainstay of the area, continues to provide much of the rural character of the town by virtue of its open and undeveloped land.

Essentially shaped like a rectangle in the middle of the Hudson Valley, the Town of more than 56,000 acres lies in the foothills of the Catskill Mountains. It encompasses parts of the Catskill State Park, Mohonk Preserve and Minnewaska State Park. As a result over one-third of the land is forested.

During the 20th century, the area became a popular summer retreat primarily for New York City residents seeking a rural getaway. Over the past ten years, this popularity has manifested itself in a different way, as more and more people seek a more permanent getaway and buy second-homes in the area. This has changed the character of the Town, as second-home buyers tend to work outside the immediate area, prefer that rural-character be maintained and, compared to full-time residents, place fewer demands on many town services, especially schooling.

⁷ ibid

⁸ ibid. Note-this study factored out the residential portion of agricultural holdings.

2.4.2 Demographics and Income

Demographics: The 2000 census provides the latest detailed information on the Town of Rochester. According to the Census, the Town of Rochester's population increased by 23.6% – from 5,679 to 7,018 from 1990 to 2000. This is significant, because not only was the Town's percentage increase the highest in Ulster County, it was also over three times the growth rate of the County as a whole (7.6%).

The population density in 2000 was approximately 79 persons per square mile, up from 64 in 1990. While still enjoying a relatively low population density, Rochester has dropped from fourth to fifth ranking within the county.

Gender-wise, the population of Rochester is roughly evenly divided, with slightly more males than females. The median age of the population is around 38. Both of these findings are similar to County-wide reports. In 2000, 26.4% of the population was under 18 years of age, while 11.5% was over 65; a finding very similar to the 1990 Census. While the general trend is towards increased population in each of the age groups, there are declines in the under fives and the 25-34 year old age groups. This drop in the very young, is substantiated by 2000-2004 figures from the local school district, which had a nearly 18% decrease in K-4th graders.

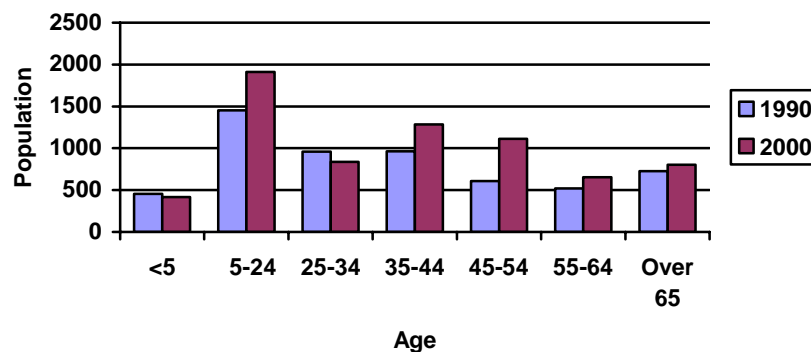


Figure 1: Changes in Population by Age Groups (1990 to 2000)

Income: The following table shows that for full-time residents, wages have risen in Rochester, with the Town outpacing the County in the percentage increase of median household, family and per capita income. As a result of these increases, Rochester has a higher median household and per capita income than the county, but lags behind in family income.

Median household income ⁹	1989	1999	% increase
Rochester	\$27,196	\$43,071	58.4%
Ulster County	\$34,033	\$42,551	25.0%

⁹ A household includes all the persons who occupy a housing unit.

Median family income¹⁰	1989	1999	% increase
Rochester	\$30,478	\$47,257	55.1%
Ulster County	\$40,072	\$51,708	29.3%
Per Capita Income	1989	1999	% increase
Rochester	\$13,216	\$21,065	59.4%
Ulster County	\$14,921	\$20,846	39.7%

Summary: The Town's population is increasing dramatically, with the greatest percentage gains in the 45-54 year old category. The only categories showing decreases are in the under five and 25-34 year old groups. This shift in population statistics is consistent with the steady increase of second-home buyers who tend to be middle-aged and generally without school-aged children. Per capita incomes are now higher than the county average, although family incomes are lower.

2.4.3 Current Land Use and Ownership

Land Use: The Town has a total area of 88.8 square miles or 56,286 acres, a large portion of which is unpopulated. The Town benefits from large amounts of open space including forested areas, farms, and vacant lots. The forested areas include public state lands (Catskill State Park and Minnewaska State Park); private, not-for-profit groups (Mohonk Preserve and the Open Space Institute) as well as large amounts of privately owned forested areas. Add to this agricultural areas and vacant lands, and the result is that nearly two-thirds of the Town can be considered open space.

If we look closely at the 2005 tax assessment data, we see that 37% of the land is classified as forested,¹¹ 33% is used for residential purposes, and 18% is vacant (primarily residential land), 8% is designated as agricultural, and 4% is used for commercial/industrial purposes. Less than 1% is designated for community purposes, i.e., town-owned facilities and non-profit organizations.

¹⁰ A family consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. All persons in a household who are related to the householder are regarded as members of his or her family. A household can contain only one family for purposes of census tabulations. Not all households contain families since a household may comprise a group of unrelated persons or one person living alone.

¹¹ Note: Land classified as "forested" has very specific requirements. Additional information can be found in the Property Classification Codes of the Assessors Manual, <http://www.orps.state.ny.us/assessor/manuals/assersmanual.cfmL>

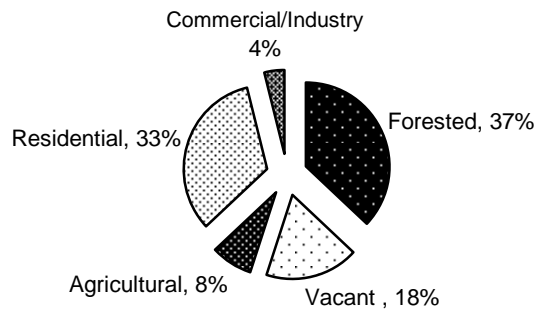


Figure 2: Land Use Distributions by Acreage¹²

Commercial enterprises are modest, although many small businesses are run out of the home. There are two large resorts (Hudson Valley Resort and Spa and Pinegrove Dude Ranch) along with some smaller cabin colonies and two golf-clubs (Rondout Golf Club and Hudson Valley Resort).

Ownership: According to the 2005 tax rolls, 42% of the land was owned by people with mailing addresses in Accord, Kerhonkson and High Falls (the three main post offices that serve Rochester) or neighboring Wawarsing and Stone Ridge. This figure is used as a proxy for local residents. The State of New York and its Agencies own 15% of the land, leaving 43% who have mailing addresses outside the immediate area.

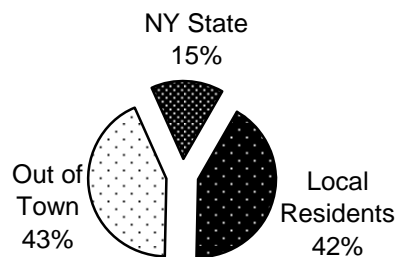


Figure 3: Distribution of Land by Owner Mailing Address: 2005

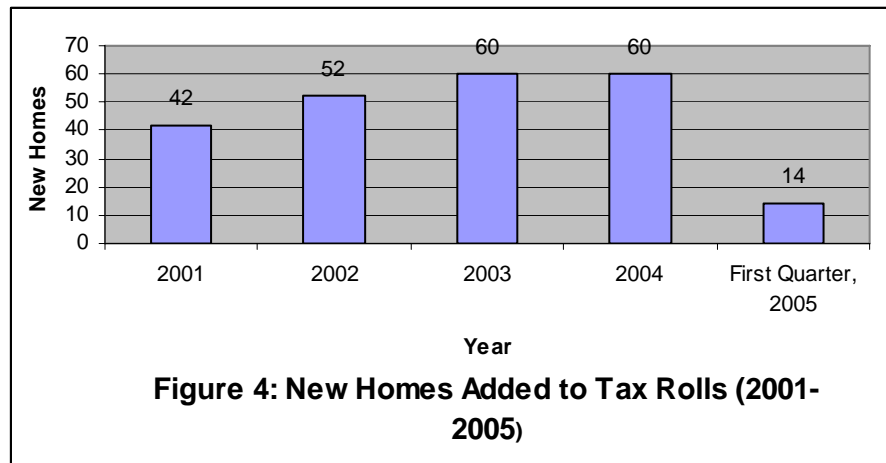
Summary: Although the Town of Rochester had the fastest growing population in Ulster County, there is still a lot of open space. Nearly two-thirds of the town is forested, vacant residential property or agricultural. NY State owns 15% of the Town's property with the rest equally divided between local residents and those whose principal residence is out of town.

¹² Taken from Property Tax Assessment Rolls.

2.4.4 Development Trends

While commercial growth has been modest, population and housing units have increased substantially. Population growth is up nearly 25% from 1990 to 2000. As of 2000, there were 3,750 housing units, up 16.2% from 1990, putting Rochester third (behind New Paltz and Gardiner) in the County for new housing units. Housing density is up to 42 units per square mile, compared to 37 in 1990.

Rochester ranked first in the County in the percentage difference between population change and housing stock change with the population change outpacing the housing change by 6.3%. This means that the population is growing faster than the number of new houses. This is likely a result of more vacant homes being purchased. The growth in housing units has continued through 2005. The chart below shows new housing units are being added at about 60 per annum since 2002 versus an average of 52 during 1990-2000.



This is in line with the issuance of building permits for new dwellings during 2000 – 2005. Permits for residences have been steadily growing for both permanent dwellings and manufactured (mobile) homes. Permits for commercial enterprises, while small relative to residences, doubled from 2003 from to 2005. During 2005, 65 permits were issued for homes; 15 for manufactured homes (7 for double-wide and 8 for single) and eight for commercial properties.

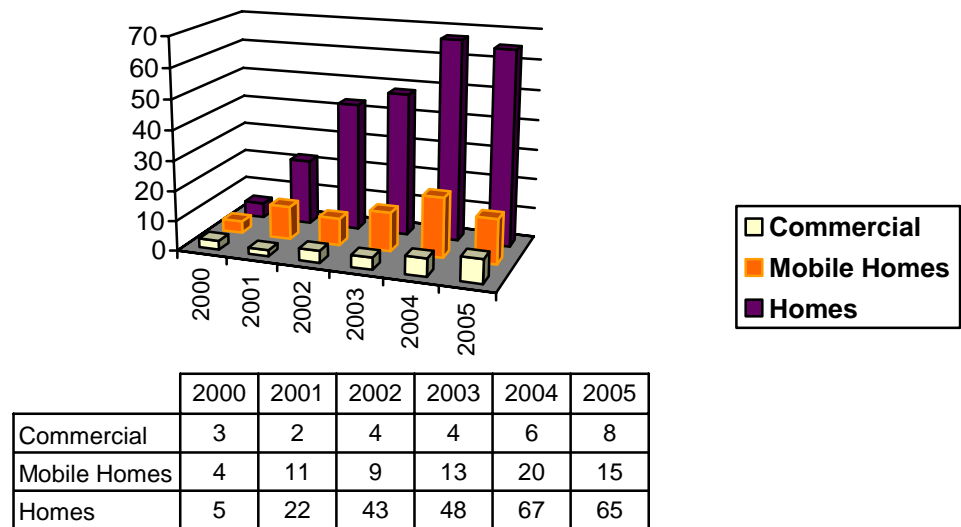


Figure 5: Building Permits Issued (2000-2005)

Perhaps more significant for this study, is that while there was a 16.2% increase in housing units from 1990 to 2000, there was a 25.8% jump in full-time occupied housing units (the County was at 11%). This seems to indicate that there was a shift of units considered vacant (primarily seasonal) in 1990 to those classified as occupied in 2000, possibly suggesting a conversion from part-time to full-time status for these residents or of the housing unit itself.

Of the 3,750 Town's housing units in 2000, 1,062 were vacant (779 of these were seasonal homes, the others were for sale, rent, or unoccupied). Of the 2,688 occupied units, 2,053 were owner-occupied and 635 were renter-occupied.

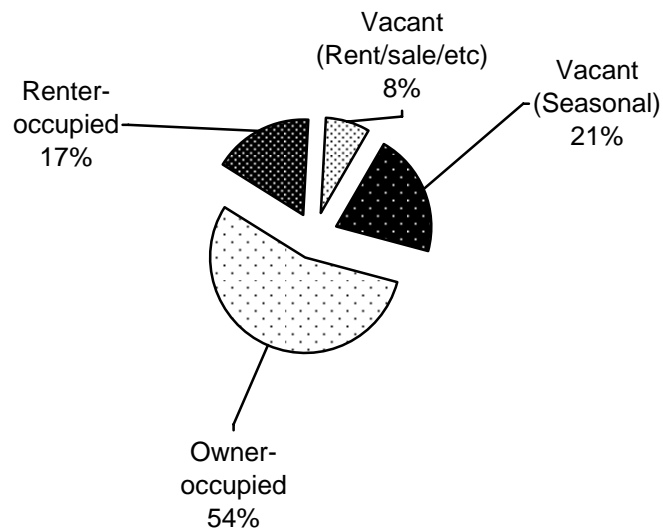


Figure 6: Housing Unit Occupancy in 2000

Summary: Development is taking place primarily in the residential sector. Not only are new homes being built at an average of over 60 during the past two years, but vacant houses are being converted from seasonal to year round use. Commercial enterprises, while small in number, are also increasing at a steady rate,

2.4.5 Land Assessments and Taxable Value

According to the 2005 property tax assessment roll, the Town of Rochester is comprised of 56,286 acres divided into 4,582 property tax parcels. This is up from 4,525 parcels in 2000 (the number of tax parcels increases each year through subdivision of larger parcels). The total assessed value is \$373,386,752. This amount represents the sum of the assessed values of all properties in Town. A breakdown of this sum shows that residences, as expected, constitute the majority of the assessed values. More specifically, by assessed value, 69% is comprised of residential properties¹³; 10% is commercial, business or industrial; 7% is vacant residential and agricultural land; 6% is for community services (e.g. churches and non-profit organizations); 6% is forested and 2% is agricultural

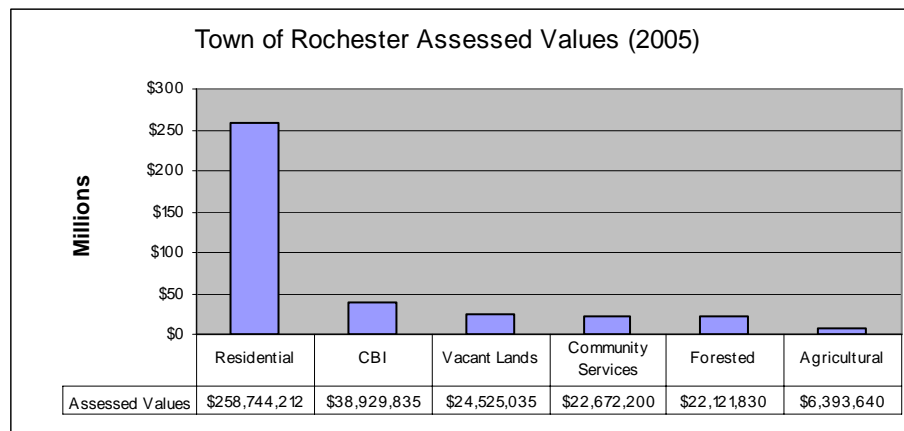


Figure 7: Assessed Values by Land Type

The assessed value is the estimated value of the land and its improvements. The actual amount used for calculating property taxes is the “taxable value”. This is determined after special dispensations or exemptions are applied

Of the \$373.4 million assessed value, approximately \$38.7 million (about 10%) is not taxable. This latter amount is composed of two parts – totally tax exempt property and partially exempt. Approximately \$23 million of Town property is totally tax exempt (e.g., non-profit organizations or owned by the Town of Rochester¹⁴). In addition, another \$15.7 million of exemptions are a result of partial reductions (e.g., the residential STAR exemption, agricultural exemptions).

¹³ The land categories are as defined by New York State for assessment purposes. Griffen, T. G. (2003) *Property Type Classification and Ownership Codes*, Assessor's Manual

¹⁴ While Town and County-owned property is tax-exempt, State-owned property is not.

After the exemptions are subtracted, the taxable value is nearly \$335 million (\$334,635,994). The figure below shows that residential properties dominate constituting 75% of the taxable property; followed by commerce/business/ industry (11%), vacant lands (7%) and forested areas (6%).

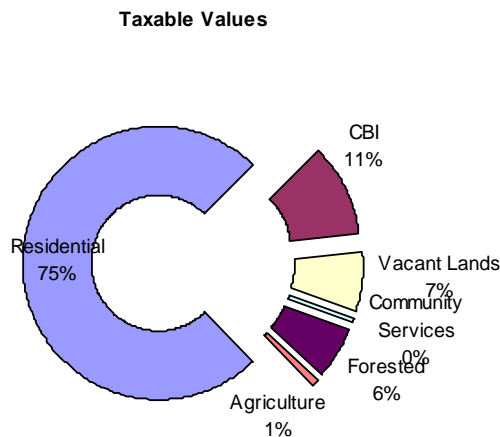


Figure 8: Distribution of Taxable Values 2005

The figure below shows a comparison between assessed value and taxable value. As would be expected, the largest difference between assessed and taxable values is in “Community Services”. This is the category, where a large proportion of non-profit organizations are exempt from taxes, according to federal law.

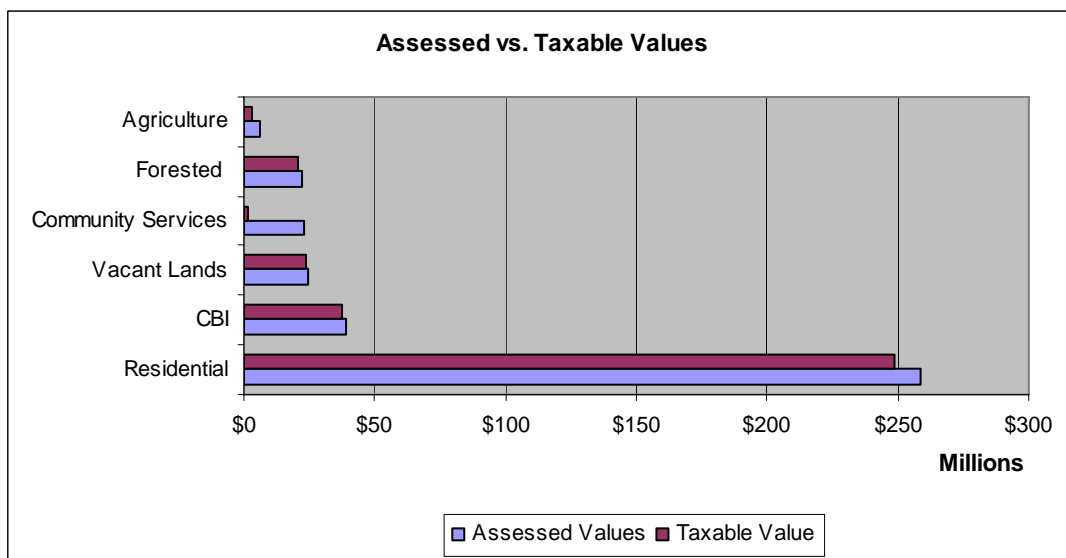


Figure 9: Assessed vs. Taxable Property Values by Land Category (2005)

Residential property is overwhelmingly the greatest contributor to property taxes. If we exclude this category, and look at the remaining land use categories, we see that the taxable values from categories considered “Open Space” (i.e. forested,

vacant and agricultural lands) are greater than those from commerce, business and industry.

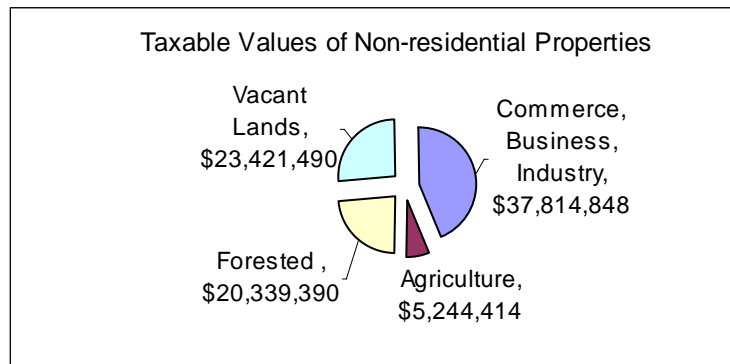


Figure 10: Taxable Values of Non-residential Properties (2005)

However, when we look at the acreage used by each of these groups, the amount of tax revenue per acre generated by business, commerce and industry exceeds that of any of the other land use, including residential. A surprising factor is that vacant land generates more tax revenue per acre for the Town than agriculture. This is probably a result of tax exemptions for agricultural property. Forested lands generate the smallest amount of tax revenue per acre of any group. Again this may be due to tax exemptions on certain types of forested land.

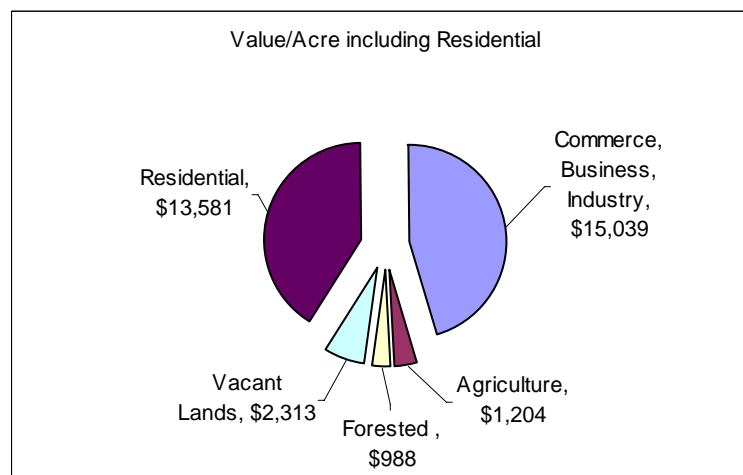


Figure 11: Taxable Value per Acre for All Land Uses

Summary:

- Homes and adjacent residential land constitute by far the largest percentage of our Town's tax assessment
- Large portions of Town are open space, nearly two-thirds. The majority of this is forested land (37%); followed by vacant space (18%) and then agricultural land (8%).

- Approximately 10% of the assessed property value is not taxed due to partial or total exemptions.
- At present, vacant and forested lands in the aggregate generate more revenue for the Town than do profit-making organizations¹⁵ (agriculture, business, industry and commerce).
- On a per acre basis the town generates the most income from commerce, business & industry, followed by residential, then vacant lands, and finally agriculture and forested lands.

2.4.6 Tax and Other Revenue

The next step in the process is determining the tax rates. First the Town¹⁶, County, and School budgets are established¹⁷. From this are subtracted other revenues that the taxing authority receives. The remaining balance determines the overall property tax levy that must be raised from property owners and the associated tax rate that property owners must pay.. Once a property's taxable value has been determined, the same tax rate is applied to all properties. Tax rates for County, Town and School vary depending on the funds needed. Those for 2005 are given below, with the exception of the Rondout Valley School tax which is for the academic year 2004-2005.

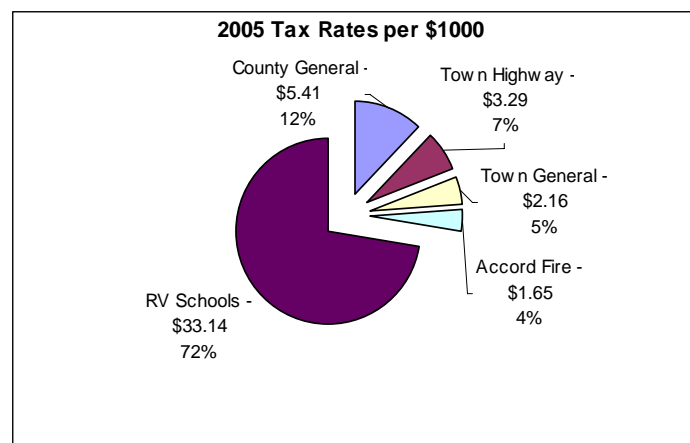


Figure 12: 2005 Tax Rates per \$1000 Taxable Value

¹⁵ Forested lands could generate income, if they are used for cutting.

¹⁶ The Town's overall budget is a combination of the General Town, Highway and the Accord Fire Department budgets. Tax rates for each are determined independently based on the budgets and final tax levy of each of these three groups. During 2005 the combined Fire and Highway budgets were more than twice the Town's general budget.

¹⁷ A number of services are provided to the Residents. The Highway Department maintains most of the roads with the exception of County and private roads. The Town provides overall town services, including operation of the Town Clerk's office, Assessor's office, the Transfer Station, the youth center, dog control, the Town Justice, and code enforcement. Support is also provided to a number of local organizations (e.g. municipal pool, scouts, and library). Police services are provided by the County. The Fire Department and First Aid Squad are staffed by volunteers. The First Aid Squad receives some funding from the Town and the Fire Department has its own taxing authority.

Rondout Valley School taxes are much greater than all other local taxes combined and, in 2005 constitute 72 cents of every local tax dollar. Removing school taxes and looking at the rates after the 2000 assessment, we can more clearly see that County taxes have increased at a faster rate than local general and highway Town taxes. Within the Town, the tax rates for the Accord Fire District¹⁸ have increased the most over the five year period from 2000 to 2005 (95%), with Town General (14%) and Highway rates (21%) remaining fairly constant.

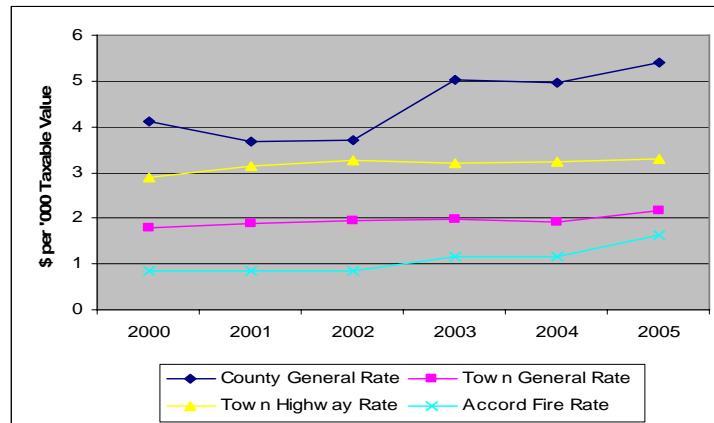


Figure 13: Town and County Tax Rates from 2000-2005

In addition to property taxes, the Town of Rochester's budget (General and Highway) gets funded by other means. Revenues are received from the State and County for various community and highway expenditures (including a portion of county sales taxes), from fees for services, and from fines. In the 2005 budget, approximately one-third of the budgeted revenue was received from these other sources.

Summary: School taxes are almost three times the amount of other taxes combined. This fact will greatly influence the results in the following analysis. Moreover, school (and County) taxes are growing at a far faster rate than local general town and highway taxes.

2.5 DATA ANALYSIS

2.5.1 Method of Analyzing Cost of Community Services

The analysis in this report assesses the amount of Town and School revenues and expenditures associated with different land uses. It then compares expenditures to revenues to show how much each of the land use types is receiving services compared to the revenues it produces. Thus, there are four parts to the analysis:

- Establish the Land Use Categories
- Determine the amount of revenues received from each Land Use Category
- Determine the amount of expenditures (i.e. community services) dedicated to each Land Use Category

¹⁸ The Accord Fire Department operates independently from the Town of Rochester. It has its own elected officials, and establishes its own budget.

- Compare expenditures to revenues for each Land Use Category in order to get their associated Cost of Community Services ratio.

This report uses Town of Rochester property tax and budget data for 2005. In looking at budgets (and, hence, commensurate services) we used the Rondout Valley School budget and the Town of Rochester General and Highway budgets.¹⁹ This analysis does not include the County.

In keeping with the standard methodology of the American Farmland Trust²⁰ for undertaking Cost of Community Services studies, the analysis uses three land use categories:

1. Residential
2. Commercial, business and industrial (CBI)
3. Open areas, farms, and forests (Open Space)

2.5.2 Land Use Categories

The first step in the analysis is to divide property assessments into the three categories of property. Assessments within New York State fall into nine property codes²¹ and data is available on assessments for each of these. These nine codes were assigned to one of the three land use categories as indicated below. More detailed information on the allocation of these codes to each category is available in Appendix A: Assumptions and Limitations:

Land Use Category	NYS Property Codes ²²
Residential	200:Residential 600: Community Services; ²³ Residential portion of 100: Agriculture
CBI (Commerce/ Business/Industrial)	400:Commercial; 500: Recreation & Entertainment; 700 Industrial 800:Public Service
Open Space (farms, forested, open areas)	100; Agriculture; 300: Vacant Land; 900 Forested

2.5.3 Revenues and Expenditures

¹⁹ The Accord Fire Department was not included as information on usage of services was not available.

²⁰ Freedgood, Julia (2002). *Cost of Community Services Studies: Making the Case for Conservation*, American Farmland Trust, Washington, DC

²¹ New York State divides assessments into 9 broad property class codes: 100 – Agricultural; 200-Residential; 300 – Vacant Land; 400-Commercial; 500 – Recreation and Entertainment; 600 - Community Services; 700 – Industrial; 800-Public Services and 900-Wild, Forested, Conservation Lands & Public Parks

²² Griffen, T. G. (2003) *Property Type Classification and Ownership Codes*, Assessor's Manual

²³ The official title of NYS Property Code 600 is “Community Services”. These are properties which provide a service to the community, such as Town Buildings, cultural facilities, religious facilities, etc. This is different from the way the term is used in “Cost of Community Services”, which is a much broader group of services. Hopefully, the context of the discussion will clarify whether we are discussing the code or the overall concept of community services.

Revenues: Using the 2005 tax rolls, we calculated the expected property taxes to be paid by each of the three land categories. This was then divided by the overall expected tax revenues. The resulting percentages for each land category in the Town of Rochester are as follows:

Residential	74.7%
CBI	11.3%
Open Space²⁴	14.0%

This means that the residential category will pay approximately 75% of the town's local and school taxes, with CBI and open spaces paying the remaining 25%.

Next, revenues from other sources were divided according to which of the three land use categories produced those revenues. For example, "Youth and Recreation Fees" for community activities were considered "Residential" revenue. If the revenue was an "across-the-board" item with no clear way to allocate it to a land use category (e.g. Tax-Collection Fees) a proxy or "fall-back ratio" was used. This ratio is the same as that calculated above based on the amount of property taxes paid by each category. Thus, in our example the anticipated \$1,000 received in Tax-collection fees was allocated as \$747 to residential; \$113 to CBI and \$14 to Open Space.

The revenues from other sources and the property taxes were added together for each of the land use categories to determine total revenue flows from each one.

Expenditures: Similarly, expenditures were allocated to the three land use categories. For example, expenses for education were attributed completely to "Residential". Expenses associated with the Town's transfer station were attributed primarily to "Residential", with a minor portion to each of the other two categories, based on discussion concerning usage with the Transfer Station attendant. Town wide functions such as general government and highways were allocated according to the "fall-back" ratios listed above.

The table on the following page shows the resultant allocation of expenses and revenues

²⁴ Revenues from Open Space include property taxes on undeveloped residentially zoned land. All forested land is taxed with the exception of land owned by the Town, the County or non-profit organizations. NY State pays taxes on forested land under its jurisdiction.

**Table 1: Summary of Town of Rochester Expenses and Revenues FY2005
Allocation by Category of Land Use**

<u>Projected Expenditures FY2005</u>	Total	Residential	CBI	Open Space
General Government (Home/Community)	\$245,528	\$231,301	\$6,695	\$7,532
General Government (Other)	\$594,014	\$447,585	\$65,474	\$80,955
Public Safety (inspections, dog control, etc.)	\$87,057	\$65,056	\$9,838	\$12,164
Human Services (Health)	\$10,800	\$10,800	\$0	\$0
Total Transportation	\$69,840	\$52,190	\$7,892	\$9,758
Economic Assistance	\$40,098	\$40,098	\$0	\$0
Culture & Recreation	\$156,727	\$156,727	\$0	\$0
Employee Benefits	\$283,411	\$211,786	\$32,026	\$39,599
Debt Servicing	\$21,740	\$16,246	\$2,457	\$3,038
<i>Total Town General Fund</i>	<i>\$1,509,215</i>	<i>\$1,231,789</i>	<i>\$124,381</i>	<i>\$153,045</i>
Highway	\$1,288,069	\$962,543	\$145,556	\$179,971
<i>Total Projected Town Budget Expenditures</i>	<i>\$2,797,284</i>	<i>\$2,194,331</i>	<i>\$269,937</i>	<i>\$333,016</i>
Education	\$10,730,292	\$10,730,292		
Total Projected Expenditures by \$	\$13,527,576	\$12,924,623	\$269,937	\$333,016
Total Projected Expenditures by %		95.54%	2.00%	2.46%
<u>Projected Receipts FY2005</u>				
<i>Property Tax*</i>	<i>\$1,820,698</i>	<i>\$1,360,563</i>	<i>\$205,744</i>	<i>\$254,391</i>
<i>General Town Revenues</i>				
-State Aid	\$181,220	\$141,542	\$17,741	\$21,936
-Departmental Income	\$332,213	\$321,611	\$6,658	\$3,945
-Interest & Earnings	\$3,000	\$2,242	\$339	\$419
-Licenses & Permits	\$1,800	\$1,620	\$90	\$90
-Fines & Forfeitures	\$25,100	\$25,100	\$0	\$0
-Other Tax Items	\$153,000	\$114,333	\$17,289	\$21,377
-Sale of Property	\$500	\$374	\$57	\$70
<i>(Subtotal) General Fund</i>	<i>\$696,833</i>	<i>\$606,821</i>	<i>\$42,174</i>	<i>\$47,837</i>
<i>Highway Revenues</i>	<i>\$146,430</i>	<i>\$109,424</i>	<i>\$16,547</i>	<i>\$20,459</i>
Total Town Revenues	\$843,263	\$716,245	\$58,721	\$68,297
Unexpended Balance	\$128,331	\$95,899	\$14,502	\$17,931
Total Allocation of Town Revenues (\$)	\$2,792,292	\$2,172,706	\$278,967	\$340,618
Total Allocation of Town Revenues (%)		77.81%	9.99%	12.20%
School Tax Revenues	\$10,730,292	\$8,018,485	\$1,212,554	\$1,499,252
Total Allocation of Town & School Revenues (\$)	\$13,522,584	\$10,191,193	\$1,491,522	\$1,839,870
Total Town & School Revenues (%)		75.36%	11.03%	13.61%
Ratios of Expenses/Revenues by Land Use Category		1.27	0.18	0.18
Ratios (Without Education)		1.01	0.97	0.98

2.5.4 Results of the Analysis

Town and School tax revenues total \$13.5 million. Of this amount, the “Residential” land use category brought in 75%. However, if we look at expenditures we see this same group is expected to use 95% of the cost of services. In contrast the CBI category made up over 11% of the receipts but accounted for just over 2% of the expenses. Open Space contributed nearly 14 % of revenues and required about 2.5 % of Town spending.

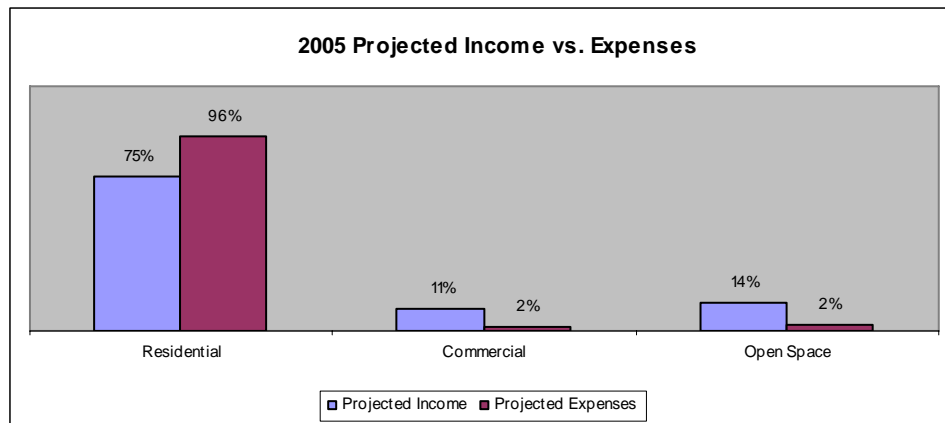


Figure 14 Percentage of Income versus Expenses by Land Use Category

To determine the “Cost of Community Services” for each land use category, total revenue (or income) is compared to total expenditure for that land use category. The analysis looks at how much each of the land use categories receives in services for each dollar it pays in revenues. For the Town of Rochester, each of the following property categories receives services in the amount indicated below (for each \$1 it generates in revenues).

Cost of Services per \$1 of Revenues

Residential	\$1.27
CBI	.18
Open Space	\$.18

In other words, for every tax dollar which the Town raises from the residential community, it spends \$1.27 in services to support this group. This includes social services, community events, town government and education. In contrast, for every dollar of revenue generated from commercial endeavors, town expenses were only 18 cents. Farm lands, forests, and vacant land (i.e. Open Space), were the same, costing the town only 18 cents for each dollar of revenue received. The taxes paid by businesses, farms, open spaces, and forested land all go to subsidize the residential community.

The higher benefits accruing to “Residential” should not be unexpected, since they are the main beneficiaries of schooling and the cost of education is more than three times that of other town services. Within the residential community, second-home owners, seniors, and

residents without school aged children are subsidizing the property owners with school aged children. We will quantify this later in the study.

If we exclude education, and look solely at Town services, the ratio of services to revenue is more balanced. Each category receives in services about what they pay for.

Cost of Town Services per \$1 of Revenue (without Education)

Residential	\$1.01
CBI	\$.97
Open Space	\$.98

However, unless the present tax structure for educational expenses²⁵ changes, we must rely on the expenditure/revenue ratio in the first chart for planning purposes.

2.5.5 Comparison to Other Towns

The results for the Town of Rochester are consistent with other Cost of Community Services Studies. As of January 2002, 83 COCS studies in 19 states had been conducted. Studies by organizations such as the American Farmland Trust show, without exception, that:

1. For residential land the COCS ratio is substantially above 1, ranging from 1.15 to 1.50.
2. For the commercial/business/industrial land use, the ratio ranges from 0.35 to 0.65.
3. For agriculture and open space, the ratios are slightly smaller, usually ranging from 0.30 to 0.50.
4. The largest single expenditure for communities, according to the studies, is the public school system, accounting for 60 to 70 percent of community spending and hence the major reason why residential property has such a high ratio.
5. During 1989 to 1993 a series of 11 COCS were done in New York State for residential tracts (which also included farmhouses) producing ratios ranging from a low of 1.05 to a high of 1.51. The ratios for these are given in the following table.

	New York State		
Community	Residential	Comm/Bus/Industry	Open Space
Amenia	1.23	.25	.17
Beekman	1.12	.18	.48
Dix	1.51	.27	.31
Farmington	1.22	.27	.72
Fishkill	1.23	.31	.74
Hector	1.30	.15	.28

²⁵ Within New York State, educational revenues are generated based on property tax assessments. The present rate for the 2004-2005 school year was \$33.14 per thousand dollars of taxable value.

Kinderhook	1.05	.21	.17
Montour	1.50	.28	.29
Northeast	1.36	.29	.21
Reading	1.88	.26	.32
Red Hook	1.11	.20	.22
<i>Averages</i>	<i>1.32</i>	<i>0.24</i>	<i>0.36</i>
Rochester, Town of	1.27	.18	.18

In general, the Town falls below the overall averages, with the numbers for CBI and Open Space at the low end of the distribution. This reflects the low cost of services – 20% in our Town (General and Highway budgets) in comparison to 80 % in Education

2.5.6 Second-Home Owners and Town Services

As indicated earlier, the Town is changing as more people buy or build second-homes. To understand the impact of this, we will calculate the Cost of Community Services ratios by type of residential use. To do this we must estimate the proportion of houses that are used as “second homes” or on a part-time basis versus those occupied by full-time residents. The allocation has been determined for this study by using the addresses to which property tax bills are sent²⁶. Those residence owners who receive their real estate tax bills in Accord, Kerhonkson and High Falls (the three main post offices that serve Rochester) or neighboring Wawarsing and Stone Ridge were considered full-time. Others were considered part-time. Using this criterion, approximately 47% of assessed property values apply to part-time property owners and the remaining 53% apply to full-timers.

The part-time residents tend to spend their (extended) weekends and partial vacation time here. For the purposes of this study, we will assume that they make use of the town’s resources in the same manner as full-time residents. The one clear-cut area where part-time residents do not make demands on the system is in education. Rondout Valley School system only serves full-time residents.²⁷

The following figure shows the results of revenue and spending allocations when full-time and part-time residents are differentiated. Part-time residents are paying 35% of the costs of services and receiving 8% of the benefits, while full time residents are paying 40% of the costs and receiving 79% of the benefits.

²⁶ While this is not a precise indicator of whether this is a full-time or part-time resident, it is a good proxy and has been used in other COCS studies. It does not capture the out of town property-owner who rents to full time residents with school-aged children.

²⁷ There may be a slight bias against part-time residents in this approach, as they do not use many of these services to the same degree as full time residents since they are not here throughout the year. However, the impact of the education budget so overwhelms the other services that the bias is small.

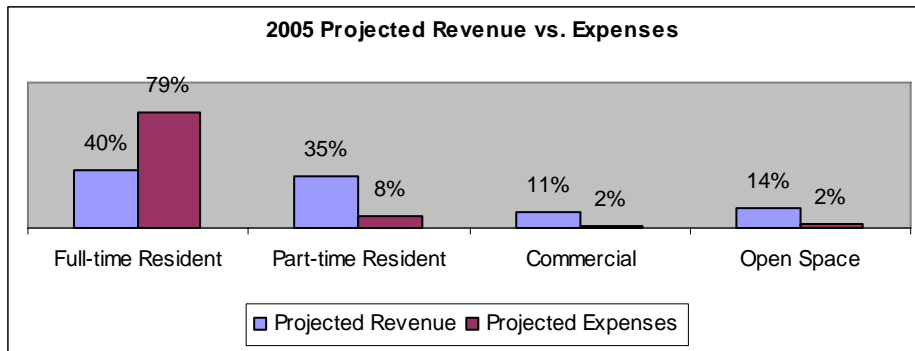


Figure 15: Revenues and Expenditures by Land Use Category

This results in revenue/expenditure ratios as follows:

Cost of Services per \$1 of Revenues

Full-time Residential	\$1.99
Part-time Residential	\$.22
CBI	\$.18
Open Space	\$.18

Summary: The results for the Town of Rochester are consistent with other communities which have undertaken this type of study: residential property owners receive the benefit of more services than they pay for. This is the case because public schooling costs are such a major part of overall property taxes (72%) and because this service is paid for by all land use categories while it is only used by full time residents; and in reality, only those full-time residents with school age children. When schooling is factored out, the three land use areas are nearly the same, with each category “paying” for what it receives in services.

3. IMPLICATIONS FOR FUTURE GROWTH

The ratios given above are a slice in time and represent what these values are for 2005. Should the property tax laws for schools change or should the upcoming revaluation dramatically change the distribution of taxable values for the different land use categories, then these results would have to be reassessed. Using the information we have, however, let's look at the implications for expanding or maintaining each of the land use categories.

3.1 RESIDENTIAL

Clearly residential land is the most “expensive” for the town. Holding other issues and the benefits of family housing aside, adding new residences that are likely to attract families with school age children will have the most dramatic impact on overall taxes. The 2004-2005 tax levy for Rondout Valley School District was \$28,604,158 with an enrollment of 2,840 students.²⁸ Thus, the local cost to taxpayers for each student is \$10,072.²⁹ If an additional family moves into the area with one child, in order for them to not place an additional “burden” on the town, they would have to pay \$10,072 in school taxes. This translates into a 1999 assessed value of \$303,923 or a full market value of \$506,538³⁰ more than half a million dollars! For a family with two school-aged children translates into a million dollar estate. If the house is assessed below this amount, the rest of the community is subsidizing that new family, as is presently the case for existing residential homes in the community. This is true in other COCS studies as well.

This does not mean that only half million dollar homes should be built for families. But it does indicate that if the town is going to promote the growth of more family homes, there must be a commensurate way to “make-up” the extra school taxes or individual tax burdens will increase under the current property-tax based system. This needs to be done in a way that balances other goals of the Town as well.

Residents without school-aged children do not put the same burden on the town. When we looked at the COCS ratios for the town without schooling, the residential ratio dropped to \$1.01. This means that adding new housing for those who do not use the school system is nearly at the break-even point. Housing for families without school-aged children, (e.g. seniors, singles, or part-time residents) puts essentially no “burden” on the town. They pay their own way and subsidize the rest of the community.

3.2 COMMERCIAL/BUSINESS/INDUSTRY

The commerce, business and industry (CBI) land use category has a very favorable COCS ratio for the Town. For every \$1.00 they contribute in revenues they only use \$0.18 in services. While this is the same ratio as “Open Spaces”, when we look at the per acre contribution, CBI is clearly the greatest contributor. CBI’s average taxable value per acre of \$15,039 is ten times the amount of the average taxable value per acre for Open Spaces (\$1,501).

²⁸2005-2006 Budgeted Property Tax Report Card,
www.emsc.nysed.gov/mgtserv/2005_property_tax.htm

²⁹ This is expected to increase to \$10,767 in 2005-2006 as the tax levy increases to nearly \$30 million and expected enrollment falls to 2782.

³⁰ Appendix B provides details on how these amounts were calculated.

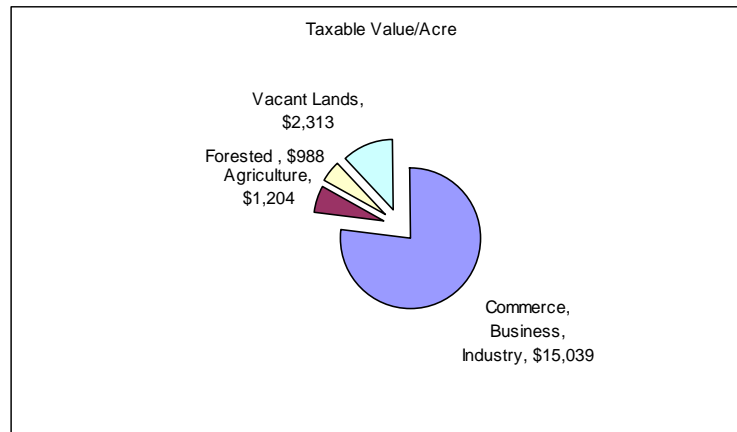


Figure 17: Land Use Category Taxes by Acre

However, commercial development must be looked at carefully in terms of possible spill-over effects. Business development, which requires additional workers to move into the area, will put pressures on residential development. If the businesses attract families with children who will be using the school, any home valued at less than \$500,000 per child will put an additional burden on the community and the benefits from the business may be lost. Business development, which can draw on the available residents, will have a positive affect not only for the revenues it will contribute but for the overall morale of Town residents.

In addition, increased industrial or commercial activity which changes the rural character of the town could have a negative effect. Second-home buyers are drawn to the area due to its rural character.³¹ This group subsidizes the full-time residents almost as much as CBI or Open Space. If they were to move away or if additional buyers were not enticed to the area, this would put a higher tax burden on those remaining.

3.3. OPEN SPACE

This land use category also has a very favorable COCS ratio, using only \$0.18 worth of services for each \$1 it contributes. However, this category has a low average taxable value per acre (\$1,501) compared to CBI (\$15,039) or residential (\$13,581). It will be up to the Town to decide whether some of this land should be used for other purposes. The challenge for the Town will be how to find a balance between managing the loss of some open space for development while still maintaining or enhancing the Town's rural charm.³²

³¹ In 2005, the Town of Rochester undertook a survey of residents as a follow-on to a 2004 workshop to provide direction to the Town's planning process. The majority of respondents felt that the rural character of the Town was worth preserving and protecting. On the other hand a majority of respondents were also upset with the level of school taxes.

³² Building homes for senior citizens, singles, part-timers or families without children, on some of the vacant residential land could have a positive impact on the tax base Limited and controlled amounts of building on vacant lands for commercial purposes (within the bounds indicated above), could also have a positive impact.

3.4 GENERAL COMMENT

The fiscal impacts of development depend on the type of development and the ability of existing public services to handle that development. Development that increases the tax base without a commensurate increase in demand for services can have positive *fiscal* effects. Development that dramatically increases demands without a commensurate increase in the tax base, such as inexpensive family housing, can have negative fiscal impacts.

The following table is a general listing of types of developments and their likely impact. This list is not specific to the Town of Rochester, but was drawn from a paper on "Fiscal Impacts of Different Land Uses: The Pennsylvania Experience." The table indicates a type of land use and then shows whether that type of development results in a positive (+) or negative (-) impact on the tax base. For example, establishing office parks are positive in both columns, since the businesses will be paying taxes but not using commensurate services from either the municipality or the school district. Townhouses would have a negative impact on the municipality (using more services than they paid for) but positive on the school district (as they would likely have no or few children in school). This table is presented as a tool which the Town may wish to use for planning purposes. It will need to be modified for the Town of Rochester based on local knowledge and the results of this study. The Town must also keep in mind that this only looks at fiscal impacts, there are many other considerations (e.g. environmental, visual, traffic) that need to be taken into account, to achieve the overall goals of the Town.

.HIERARCHY OF LAND USES AND TYPICAL FISCAL IMPACTS

Land use	Fiscal Impact on:	
	Municipality	School District
Research office parks	+	+
Office parks	+	+
Industrial development	+	+
High-rise/garden apartments (studio/1 bedroom)	+	+
Age-restricted housing	+	+
Garden condos (1-2 bedrooms)	+	+
Open space lands	+	+
Retail facilities	-	+
Townhouses (2-3 bedrooms)	-	+
Expensive single-family homes (3-4 bedrooms)	-	+
Townhouses (3-4 bedrooms)	-	-
Inexpensive single-family homes (3-4 bedrooms)	-	-

Garden apartments (3+ bedrooms)	–	–
Manufactured homes	–	–

4. CONCLUSIONS AND IMPLICATIONS

The Cost of Community Services analysis can be useful to the Town of Rochester as it plans for the future. Under the assumptions of this study, the analysis shows:

- Residential development is costly in terms of net fiscal expenditures. For every dollar in revenues paid by residential sources, the town and school spends \$1.27 to provide services to the residents.
- Business, Commercial and Industrial development costs less to support than residential development. For every dollar brought in by business uses, the town provides services costing \$0.18.
- Open spaces, farms and forested areas also bring in more revenue than they cost the town in services. For each dollar received in revenues, the town spends \$0.18 to provide services.
- Property occupied by part-time residents is much less expensive to support than that of full-time residents. This is primarily because only full-time residents use the public school system. Other town services are used by both full-time and part-time residents. Full-time residents receive nearly \$2.00 in services for every dollar they generate, while part-time residents receive \$0.22 in services.
- Commercial development can have a very positive payoff for the Town. However it must be done in a planned manner. If it detracts from the rural character of the town it will discourage second-home buyers, who now subsidize full-time residents. If it increases demand for outside workers and their families (and the associated housing), it could have a negative effect on the tax burden overall. Managing this controlled development is a challenge to the Town.
- Maintaining open space is fiscally more beneficial to the Town than building affordable *family* housing. Affordable housing for those without school-aged children (e.g. senior housing) does not pose the same fiscal difficulties. The affordable housing issue must be addressed as part of a balanced, broader economic development strategy.
- The Town of Rochester faces the challenges of dealing with increasing taxes (the main burden being school taxes), the lack of affordable housing, and a need to expand the tax base to subsidize the families already living in the town.
- One way to decrease the tax burden at the Town level is to look for alternative revenues. If additional outside revenues are available to the Town, the amount needed to be raised by taxes can diminish. This could be done through increases in fees for services provided by the Town (e.g. Safety inspection fees, Youth and Recreation User Fees, Transfer Station Fees), through payments from outside commercial services such as cable or cell towers or through grants. Outside revenues now provide 45% of the Town's General budget and 11% of the Highway budget.
- An additional option, to reduce expenses in the long run, is to establish a capital fund. At present large capital expenditures require borrowing by the Town. In 2005, the Town paid an average interest of 8.7% on borrowing for prior capital expenditures and 9% for Highway borrowing. Establishment of a capital fund would allow the Town to pay for these expenses as they occur, without having to

borrow and pay related interest expense. Money in a capital fund would also generate interest income for the Town, reducing total expense to taxpayers.

- Preserving the rural character of the town (a high priority for the majority of residents) will be a challenge in the face of the competing needs of affordable housing and increased revenues. The analysis of the Cost of Community Services can be useful as decision-makers move forward with planning the Town's future.

APPENDIX A: ASSUMPTIONS AND LIMITATIONS

Assumptions: In preparing the study, a number of assumptions had to be made. These are noted in the body of the text, but more detail is provided here to better understand the limitations of the study.

Land Use Categories:

Property assessments needed to be assigned to the three land use categories established by the Farm Land Trust: Residential, Commerce/Business/ Industrial and Open Space. Assessments within New York State fall into nine property codes³³ and data is available on assessments for each of these. These were assigned as follows:

Land Use Category	NYS Property Codes³⁴
Residential	200:Residential 600: Community Services; Residential portion of 100: Agriculture
CBI (Commerce/ Business/Industrial)	400:Commercial; 500: Recreation & Entertainment; 700 Industrial 800:Public Service
Open Space (farms, forested, open areas)	100; Agriculture; 300: Vacant Land; 900 Forested

“Residential” includes residential homes and associated buildings. It includes seasonal dwellings and manufactured homes. For this analysis we have also included the estimated value of residences associated with Category 100: Agricultural (see expanded explanation of this below). Code 600: Community services (e.g. town offices, non-profit organizations, and cemeteries) are included within the residential category as they primarily serve the residents. (Code 600: Community Services is a very minor contributor to overall tax revenues, as the properties are most often tax-exempt.)

“CBI” includes the NYS Property Codes for Commercial and Industrial (primarily quarries in the Town of Rochester) and the Recreation and Entertainment category. In the Town of Rochester this includes the golf course and race track. Public Service includes the transfer station and special franchises and utilities (wires and poles in the public and private rights of way).

“Open Space” includes agriculture, undeveloped residential lands, rural vacant lands, forests and parklands. NYS Code 100: Agricultural includes both farmland (open areas) as well as the residential portions of the property. Agricultural land is composed of two parts; land and improvements. The study allocated the assessment for land to the Open Space category along with the associated farm buildings (estimated at 40% of the value of the improvements) and allocated the remaining 60% of the improvements portion to the residential category.

³³ New York State divides assessments into 9 broad property class codes: 100 – Agricultural; 200- Residential; 300 – Vacant Land; 400-Commercial; 500 – Recreation and Entertainment; 600 - Community Services; 700 – Industrial; 800-Public Services and 900-Wild, Forested, Conservation Lands & Public Parks

³⁴ Griffen, T. G. (2003) *Property Type Classification and Ownership Codes*, Assessor's Manual

Accord Fire District:

The Accord Fire District budget makes up a large portion of the Town's tax bill. This was not factored into the analysis as there was not information available on how services were split. If we assumed that services were provided according to the "fall-back" ratios, the services and revenues would cancel each other out and the final ratios would be the same. Even if there were slight differences in service provision, the final results would not differ greatly given the overwhelming influence of the school budget.

Highway:

The expenditures and services for the Highway Department were allocated using the "fall-back" ratios referred to in 2.5.3 Revenues and Expenditures. This was based on information from the Highway Superintendent indicating there was no way to allocate services to the land use categories.

STUDY LIMITATIONS:

The COCS study is a financial study, not an economic study. It does not factor in the benefits of education. Our society is one which subsidizes education, so that in the end we have a better educated population. We all need to pay for this education, this study helps us understand the "cost" of that subsidy and suggests some alternatives for providing that subsidy, rather than increasing residential taxes.

APPENDIX B: ANALYSIS

Calculating the Cost of Break-Even Residence

The NY issued [2005-2006 Budgeted Property Tax Report Card](#)³⁵, indicates that the 2004-2005 tax levy for the Rondout Valley School District is \$28,604,158. After other revenues are subtracted from the budget of \$48,409,286 this is the amount remaining to be raised from property taxes. Using the enrollment of 2,840, the cost per student is:

$$\$28,604,158/2840 = \$10,072$$

Adding one more student will not raise the tax budget immediately by this amount as many of the services can support additional students. However, as the numbers of students increase, these services will have to be expanded.

In order to generate \$10,072 in taxes, we must first see what the 1999 appraised value of the house would have to be, as this is what the tax rate is multiplied by.³⁶ For the 2004-2005 school year the tax rate per \$1000 is 33.1413, or .0314/\$.

$$.0331413 \times \text{Appraised Value} = \$10,072$$

$$\text{Appraised Value} = \$10,072/.0331413$$

$$\text{Appraised Value} = \$303,923$$

During this same period, the Uniform Percentage of Value (this is the amount used to calculate the estimated Full Market Value of the house as of January 2004) was 60%. To calculate the Full Market Value:

$$60\% \times \text{Full Market Value} = \$303,923$$

$$\text{Full Market Value} = \$303,923/.6$$

$$\text{Full Market Value} = \$506,538$$

³⁵ http://www.emsc.nysed.gov/mgtserv/2005_property_tax.htm

³⁶ In reality, the STAR exemption usually lowers the taxable value. This means that the amount calculated above for the house value is actually below that needed to generate \$10,072.

APPENDIX C: REFERENCES

In addition to the materials referenced below, thanks go out to the following Town employees (listed in alphabetical order) for their assistance in preparing this report:

Mike Baden (Town Resident)
Susan Blickstein (Corporate Director of Planning, Chazen Companies)
Pam Duke (Town Supervisor)
Buddy Hornbeck (Transfer Station Attendant)
Sharon Hornbeck (Town Assessor)
Brenda Striano (Building/Zoning Secretary)
Genny Tesseyman (Tax Collector, Rondout Valley School District)
Merci Walsh (Secretary, Highway Department)

Documents:

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