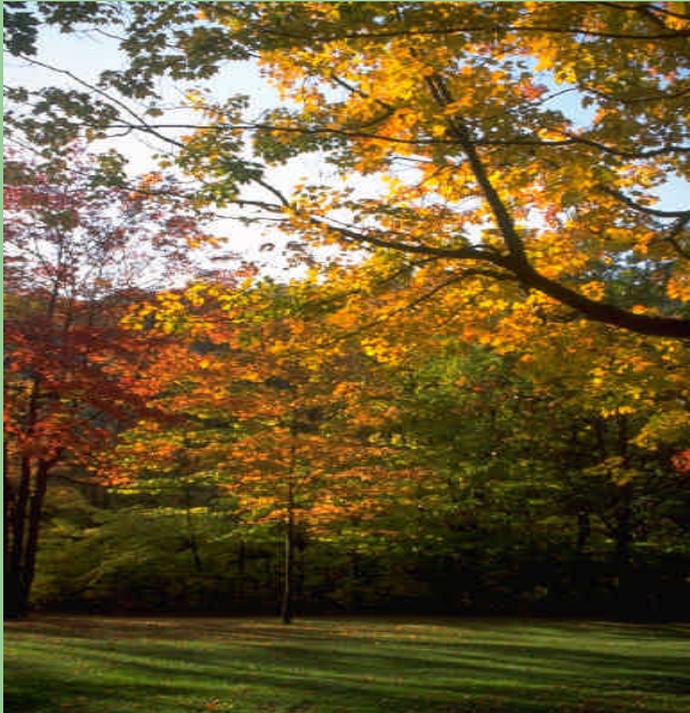


Open Space Protection in Brentwood



Findings & Recommendations of the Open Space Committee

January 7, 2003

(Hardcopy/Reader's Version)

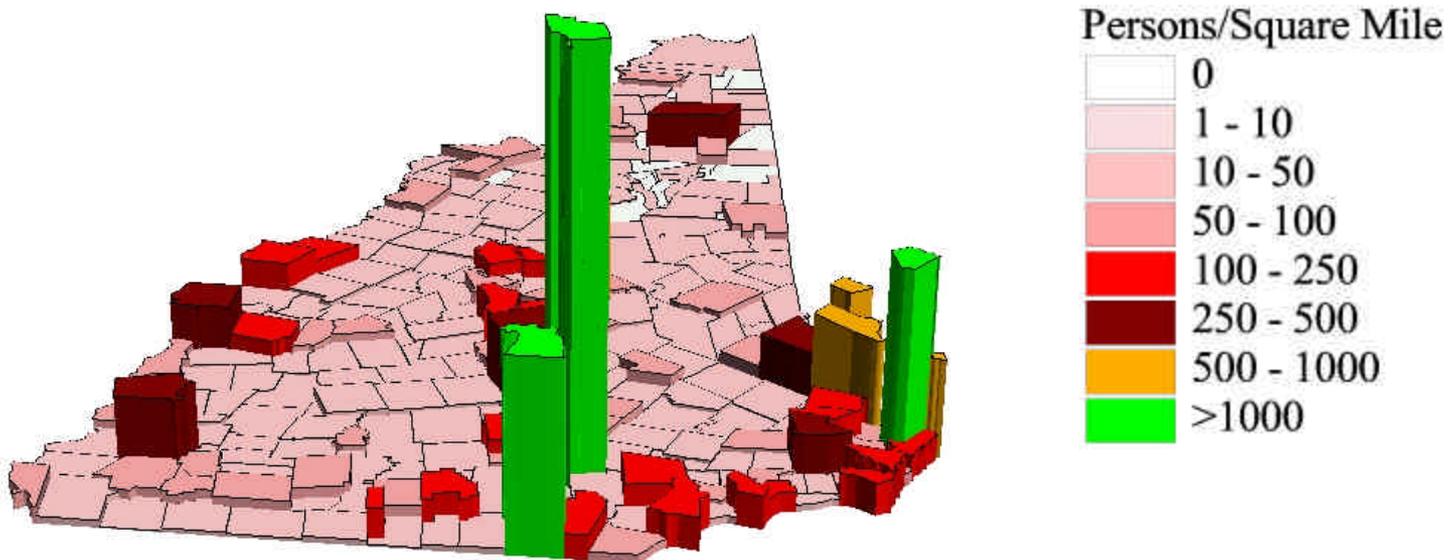
Demographic & Residential Development Trends

A Brentwood Profile

A Profile of Local Trends:

Population Growth In SE NH is State's Highest

Population Density in 1950



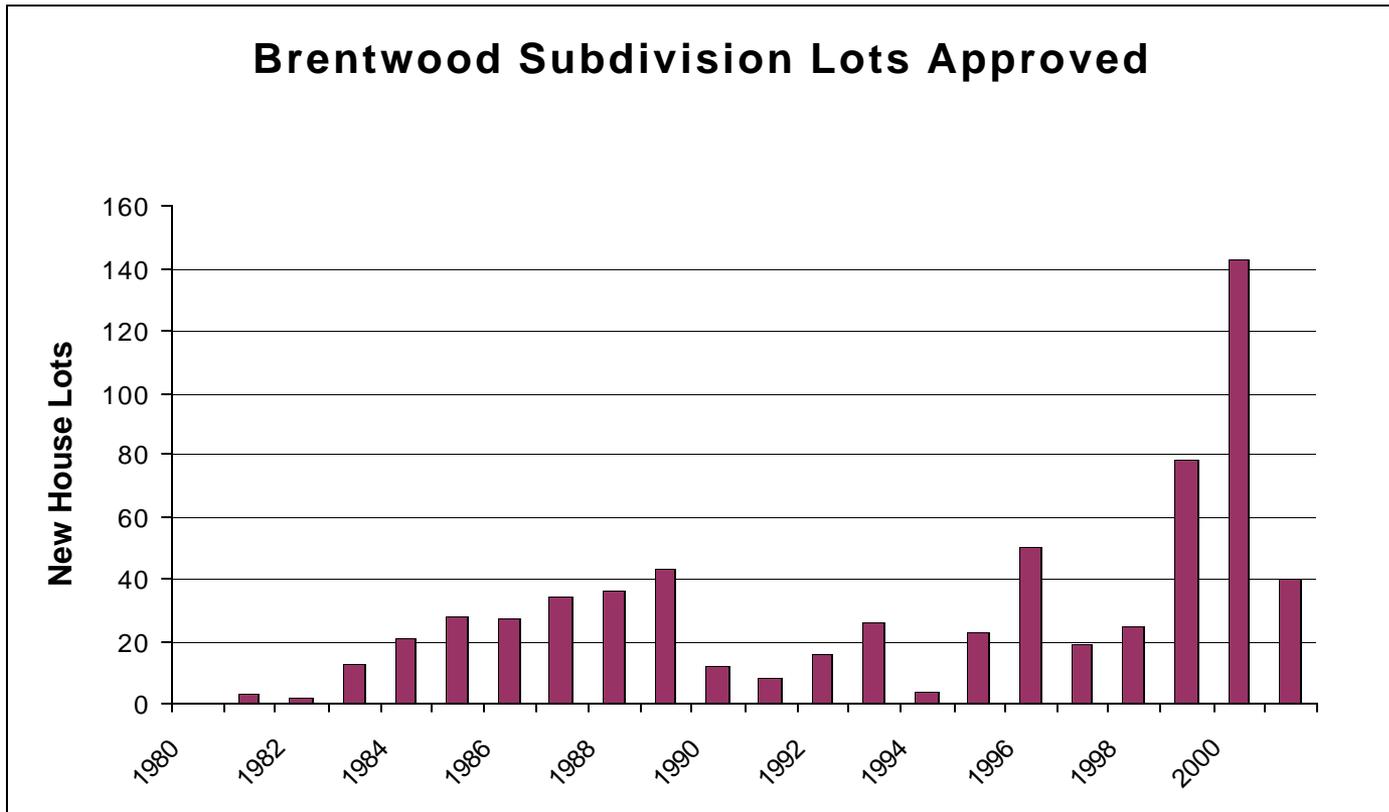
A Profile of Local Trends:

Population Growth In Southeast NH, Cont'd...

Population Density in 2020

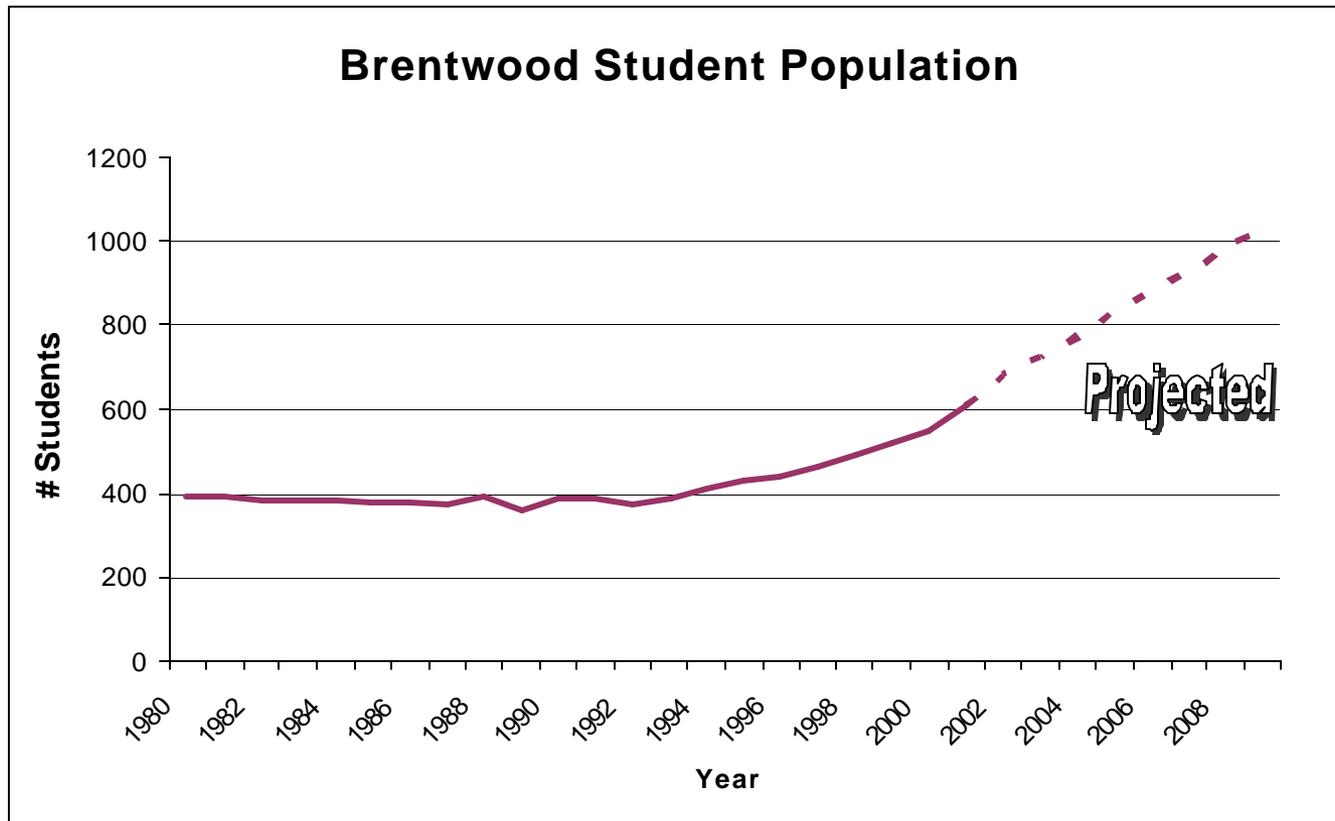


A Profile of Local Trends: *Housing Growth Follows Population...*



A Profile of Local Trends:

School Enrollments Follow Housing...



A Profile of Local Trends:

Taxes Follow School Enrollments...



Consequences of Rapid Development

Impact on Quality of
Life & Taxes

Consequences of Rapid Development:
Gradual Stress on Quality of Life

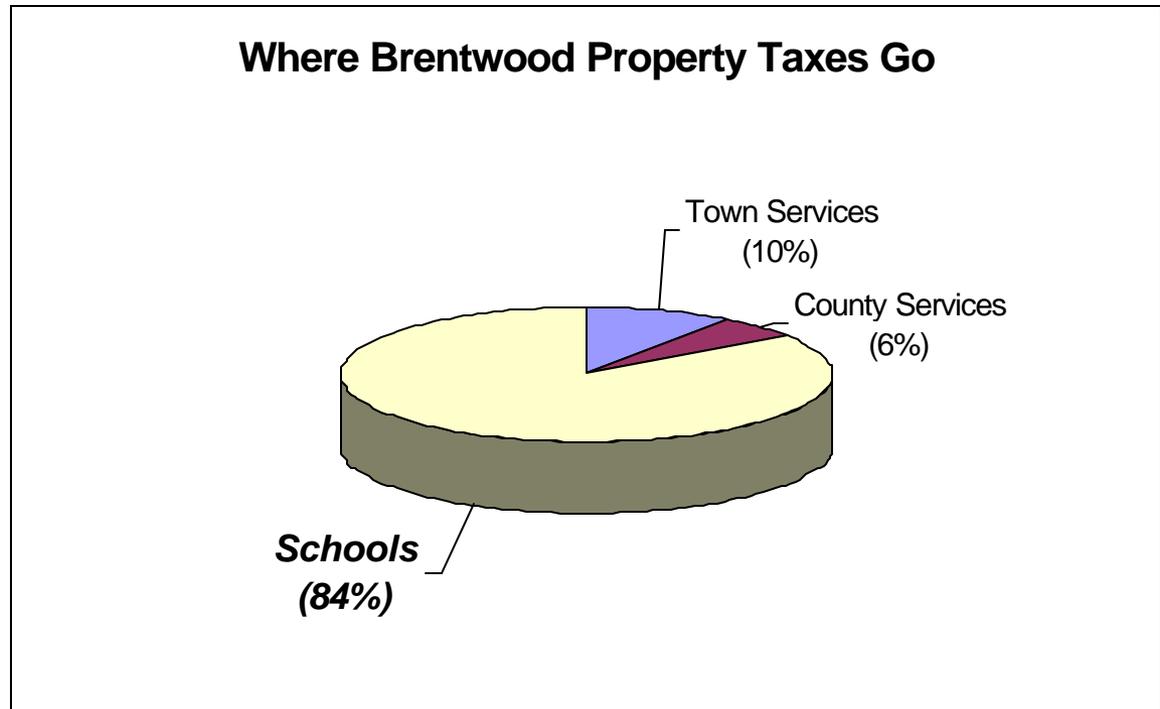
- Appearance, pride of place, fear of 'saturation development'
- Loss of visible historic/scenic farms & fields
- Fragmentation of accessible backlands
- Watershed protection issues, possible impact on supply/quality of water
- Loss of habitat, fragmentation of wildlife corridors

Consequences of Rapid Development:
Upward Pressure on Taxes

- Q: *Why* do taxes go up as homes are built and students are added?
 - Don't these new homes pay their way?
- A: Actually, new homes create a tax *deficit* (that is, the taxes & fees from those homes is less than the school and town services costs they generate)
 - *Here's a closer look...*

Consequences of Rapid Development: *Upward Pressure on Taxes*

- First, the biggest part of the residential tax bill is for schools:



Consequences of Rapid Development: *Upward Pressure on Taxes*

- Second, residential land use generates *more* school and town service costs than tax revenue:
 - Commercial/industrial taxes subsidize homes
 - Open space: not much tax income, but pays its way

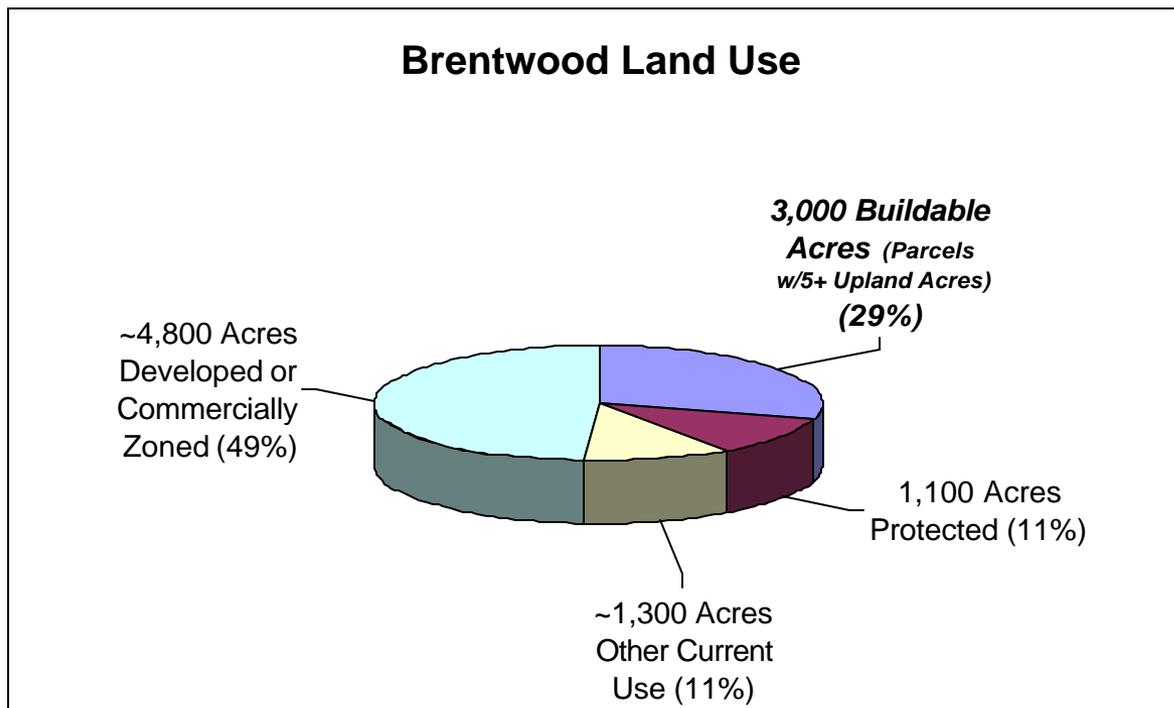
Brentwood Tax Surplus or Deficit by Land Use (2002)

	<u>Residential</u>	<u>Open Land</u>	<u>Commercial</u>
Surplus(Deficit) \$	(\$1.035 million) deficit	\$6,500 surplus	\$1.028 million surplus
Surplus(Deficit) %	-17%	17%	76%

Subsidy

Consequences of Rapid Development: *Upward Pressure on Taxes*

- Therefore, a shift from open space to homes pushes up our tax rate... and Brentwood is still on its development curve:



Consequences of Rapid Development: *The Impact of New Homes on Taxes*

Case Study of New Homes

Fair Market Value.....	\$275,000	(<u>new homes</u>)
Students/Home.....	0.78	
School Cost/Child.....	\$7,964	
Town Service Cost/Home.....	\$1,757	
Town Revenues/Home.....	\$6,104	

Tax Deficit:

Per household.....	\$ 1,864	(\$6.78 tax rate deficit)
Per 50 Acre Subdivision.....	\$ 27,964	(requires .4% town tax rate increase by itself)
If 75% of Large Parcels Developed..	\$1.3 Million	(typical homeowner would pay \$1,731/year more)

(results before effect of inflation)

Consequences of Rapid Development:

Note: Dependence on 'Receiver Status'

- Brentwood is a 'receiver' town under the State education property tax: \$675,000 income to Brentwood from the State this year.
- Impact of losing receiver status (if it ever occurs), using example of 2002 budget:
 - Residential tax deficit rises from \$1.04M to \$1.72M
 - Tax rate increases by \$2.10 per thousand of assessed valuation
 - Tax deficit per new home increases from \$1,864 to \$2,688
- Implication: we have been sheltered from the full school-cost impact of housing growth, so far.

Responses to Rapid Development

Policy Choices for
Brentwood



Policy Choices:

Three Broad Approaches:

- Encourage other types of development that do not put pressure on taxes:
 - Senior housing (no children = no school costs)
 - Commercial/Industrial (be aware of other costs)
 - Doesn't address quality of life issues, though
- Regulatory Strategies:
 - Impact fees, zoning, growth caps, buffers, etc.
 - Sets a minimum standard, applies to all new homes
 - But we don't like to be regulated too much, or limit landowner rights
- Voluntary (Landowner-Choice) Strategies:
 - Voluntary conservation easements or land donations
 - Direct acquisition of building rights or land by towns
 - Directly offsets development, protects landowner rights and adds to landowner choices
 - Imposes a cost, but savings may more than offset costs

Policy Choices:

Dilemma of the Motivated Landowner

- Without town & grantor support:
 - Landowners motivated to protect their land have to be wealthy enough to give up most or all of their land value (donated land or conservation easements)
 - Other large-parcel landowners who need to move or get the value out of their land must usually sell to developers
- Result: From 1991-2001, large-parcel landowners made 51 decisions to subdivide, vs. 11 decisions to create a voluntary easement

Policy Choices:

Landowner-Choice Program

- Expand landowner options with stable town funding and access to grants:
 1. *Sell land outright*
 2. *Sell development rights for cash, and stay on land*
- Transactions usually financed with grant support to offset some Town costs
- Sales can occur at fair market value or as ‘bargain sales’ (partial donation with tax benefits)
- Full donations would still occur, but sometimes with town or grantor support of survey & other transaction costs

Policy Choices:

Typical Land-Protection Transactions

- Example of easements (could also be land sales/donations):

<i>Typical Transactions: Case of 50 Acres Worth \$600,000 (includes transaction cost)</i>	Owner Contributes	Grantor Contributes 50%	Town Contributes	Town Pct of Total Cost	Annual Town Debt Svc (20 yrs, 4.5%)	Potential Tax Deficits Avoided*
Easement Donation	540,000	6,250	6,250	1%	480	30,064
25% Bargain Sale of Dev Rights	135,000	270,000	150,000	27%	11,531	
Mkt Value Sale of Dev Rights	-	270,000	285,000	51%	21,910	

***Important Footnote: see next page ...**

Additional Assumptions

- This table only deals with recurring costs and benefits. Development would also generate one time capital impact fees and land use change taxes.
- Assumptions: 3.24 acres/dwelling, .78 students/dwelling, \$7,964 cost/student, \$1,767 town svc cost/dwelling, \$6,104 recurring tax revenues per dwelling.

Policy Choices:

Note on Tax Benefit of Land-Protection Transactions

- Tax benefits will take time to settle in:
 - Tax benefits will occur earliest for land protection transactions where development risk is imminent
 - But near term school expansions and other capital projects are probably already required by recent/ongoing development.
- Once achieved, the tax avoidance benefits are:
 - Permanent, whereas the bond cost is temporary
 - Increase over time, since the benefit of avoided taxes rises with inflation, whereas the debt service cost is fixed
 - Very large when the bond issue is paid off
- Note: if Brentwood's receiver status under a statewide education property tax is lost, the tax benefit of land protection becomes much larger.

Structuring a Land Protection Proposal

Scope & Focus,
Costs & Benefits

Structuring a Focused Land Protection Proposal: *How Much Land is At Risk of Development?*

Brentwood Land Parcels: Subdivision Candidates

Privately-Owned, Major Subdivision Candidates

>15 Buildable Acres	47 Land-owners	54 Lots	2,279 Acres
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Bond proceeds and grants would be most needed here, where developers would be most active.

Government-Owned, Major Subdivision Candidates

>15 Buildable Acres	State, County	3 Lots	347 Acres
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If we protect these lots, it will primarily be through negotiation, not money...

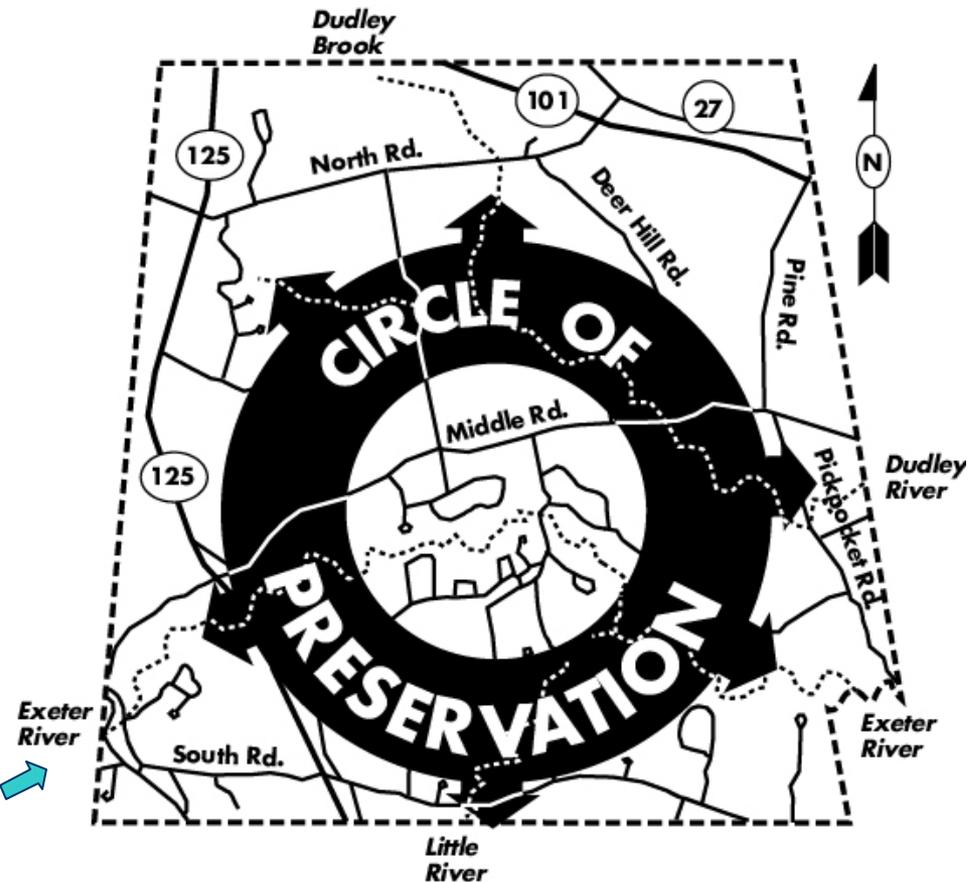
Privately-Owned, Minor Subdivision Candidates

15+ Acre Lots, 5-15 Buildable	15 Land-owners	15 Lots	430 Acres
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Some important historic farms in this category, where lots might be sold off one or two at a time.

Structuring a Focused Land Protection Proposal: *Potential Brentwood “Greenways”*

- Protected parcels can be linked, for:
 - Unfragmented backlands
 - Recreation, trails
 - Watershed protection
 - Wildlife corridors



The shaded 'donut' represents the areas where existing protected land parcels could be connected to some newly-protected land parcels, in a more-or-less continuous 'greenway' of waterways and undeveloped fields & forest.

Structuring a Focused Land Protection Proposal: *Brentwood Circle of Preservation*

- What would be included in the Circle of Preservation?



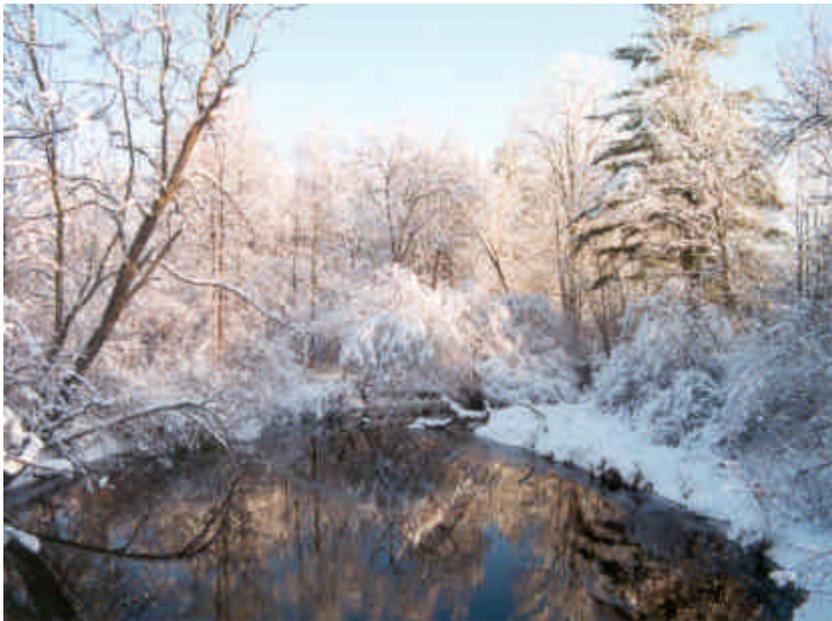
Structuring a Focused Land Protection Proposal: *Brentwood Circle of Preservation*

- *Historic farms & scenic areas*



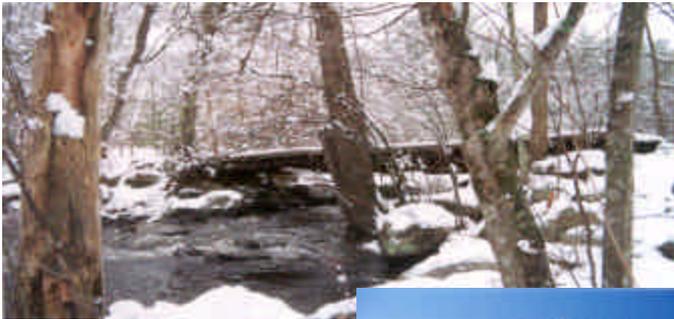
Structuring a Focused Land Protection Proposal: ***Brentwood Circle of Preservation***

- *Protected Watershed & River Habitat*



Structuring a Focused Land Protection Proposal: ***Brentwood Circle of Preservation***

- *Connected backlands*



Structuring a Focused Land Protection Proposal: ***Brentwood Circle of Preservation***

- *Agricultural & Forestry Land*



Structuring a Focused Land Protection Proposal: *Anticipating the Pace of Development*

<i>Pace of Large-Parcel Development</i>	Acres in Private Large Parcels At Start of Decade	Acres Developed	Pct of Acres Developed
<i>Past 2 Decades:</i>			
1982-1991	4,090	~375	10%
1992-2001	3,720	730	21%
<i>Next Decade:</i>			
-At 90's Rate	2,279*	480	21%
-If Rate Doubles Again		960	42%

* Initial acreage also deducts private landowner parcels put under easement.

Structuring a Focused Land Protection Proposal: ***Funding Sources for Land Protection***

- Grants:
 - Federal (e.g. USDA), State (e.g. LCHIP) or private foundations
 - Require matching funds from town/landowners
- Landowners:
 - Donated land or building rights (tax benefits)
 - Bargain sales of land or building rights (tax benefits)
 - Monetary contributions (tax benefits; use grant income)
- Public (fundraising)
- Town funds
 - See next page

Structuring a Focused Land Protection Proposal: *How Much Town Financing?*

- We assume town funding will be ‘leveraged’ by grant and landowner contributions by *at least* 50%... That is, that a \$2 million bond issue will protect at least \$4 million of property.
- If so, \$2 Million town funding is about right to meet the pace of development, if we can protect about 350-500 acres:

Financing	Fair Market Value/Acre	Acres @ 50% Leverage	Acres @ 65% Leverage
\$ 2,000,000	\$ 12,000	333	476

- This covers only 10-15% of buildable acres. But should be a significant portion of the acreage that actually comes up for sale.
 - We’ve tilted our acquisition criteria toward lots at short term risk of development. We’ll also have to stay in touch with the ~50 landowners who own most of the land.
- Try to offset all development? No! More financing later? Too soon to tell. Let’s see how far we can stretch our dollars now, and look at conditions then.

Structuring a Focused Land Protection Proposal: ***Town Financing Method***

- Town Funding options:
 1. Land Use Change Taxes (now in force)
 2. Direct Annual Appropriation
 3. Special Town Meeting (for specific large projects)
 4. Bond Issue for Multiple Projects:
 - Pre-Funded (Borrow Full Amount Up-Front)
 - **Post-Funded (Borrow Annually As-Needed)**
 - *Bond authority is voted on in advance; but actual borrowing is deferred until needed*
 - *Bond Anticipation Notes for specific projects, intra-year*
 - *Notes rolled up yearly into an annual bond issue*
 - *No borrowing until satisfactory deals are negotiated*

Structuring a Focused Land Protection Proposal: ***Town Financing Method***

- *A Bond Issue, post-funded, is the only method that meets all these criteria:*
 - Funding is committed well in advance...
 - To access grants
 - To enable good-faith landowner negotiations that may take time
 - To respond to time-sensitive developer threat
 - Funding method spreads out the cost over time
 - Since the tax benefits also accrue over time
 - And to fund protection of the most acreage
 - Funding method has smallest impact on property tax rate
 - Funding method avoids pressure to ‘make a deal’
 - No ‘pool of money’ that *must* be spent

Structuring a Focused Land Protection Proposal: ***Bond Issue – Key Elements***

- \$2 million authority by Town Meeting Vote
 - Policy goal of at least 50% funding leverage from landowners/grantors, on *average*
 - Should protect about 350-500 acres (major subdivision risk)
 - Additional acres (minor subdivision risk) through relatively inexpensive assistance with easements
 - Protection transactions occur over up to 5 years with post-funded annual bond issues; 5 year sunset on authority
 - Funding is targeted at parcels with intrinsic value but at high risk of development
 - Goal is to be selective, not to stop all development!

Structuring a Focused Land Protection Proposal: ***Weighing Public Costs & Benefits***

- ***Cost:***

- Debt service impact on tax rate: \$.48 per \$1000
- Phases in due to post-funded bond
- Avg homeowner would pay \$122/year (\$255k home)

- ***Benefits:***

- Quality of life benefits begin to accrue near term
- Tax benefits appear with time
- Property values should be higher over time than with unrestrained development

Structuring a Focused Land Protection Proposal: ***Weighing Public Costs & Benefits***

- Issue: *multiple capital projects facing the town*
 - What will break the cycle of residential development, capital projects and tax hikes?
 - Not open space protection *by itself...*
 - But if it is coupled to responsible commercial development and regulatory policy as our other tools, then our quality of life, taxes and property values will be better in another decade than if we take no action.
 - *Open space protection is the one capital project that will pay back its own economic costs, and then some, over time, through offsets to future spending on schools and town services.*

Structuring a Focused Land Protection Proposal: *What Other Towns Have Done*

<i>Land Protection Bond Issues In Southeastern New Hampshire, 2001-2</i>	
Chester	\$3,000,000
Hollis	\$5,500,000 (2 issues)
Londonderry	\$1,000,000
Newfields	\$2,000,000
Newmarket	\$2,000,000
North Hampton	\$4,000,000
Stratham	\$5,000,000

Managing the Open Space Program

Criteria, Oversight &
Outreach



Managing the Open Space Program

Project Approval Criteria

- A *selective*, not funding-driven program
- Summary of project approval criteria:
 1. *Intrinsic value of the project (57 points)*
 - Views, recreation, habitat, agriculture, watershed/aquifer protection, connected greenways
 2. *Development risk (30 points)*
 - Buildable acreage, likely to change hands within 5-10 years, imminence of development
 3. *Funding leverage (25 points)*
 - Town's cost as % of fair market value after grants & landowner contributions
 - Town's cost per upland acre protected

Managing the Open Space Program

Oversight & Funding Approvals

- Requirements:
 - Need to preserve privacy of negotiations
 - But also assure that funding decisions are beyond reproach
- Proposal: Open Space Commission or Advisory Board
 - Negotiates with landowners in confidence
 - Makes funding recommendations; advisory only
 - Members appointed by Selectmen, Budget Committee, Planning Board & Conservation Commission
- Funding decisions made in public hearing by Selectmen or Conservation Commission (depending on funding source)
- All bond issues approved by Selectmen

Managing the Open Space Program

Landowner Outreach Team

- 7 Individuals
- Have received 'basic training'
- Will work in teams
- Supplemented by experts when needed (grant writers, land trusts, Co-op extension, etc.)
- Have a parcel list with key data, and a procedure to follow

Brentwood at the Crossroads

Community Values &
Opportunities

Brentwood at the Crossroads:

Community Values & Land Protection

- Values inherent in our open space program:
 - Conservation based on pride of place, a sense of history, and love for the environment
 - A program that is not anti-development, but is pro-landowner choice and preserves landowner rights
 - *Balance* of development and preservation
 - Transparent, objective criteria for funding approvals with oversight by elected officials
 - Respect for landowner privacy during negotiations
 - A program that by policy focuses on tax savings to offset its own costs to the greatest extent, and looks for funding leverage from grantors and landowners

Conclusion:

The Components of Opportunity

- We have the elements to succeed:
 - Tools like easement laws and grant sources
 - Community heritage and vested interest in preserving a certain quality of life
 - Financial interest in controlling tax pressures
 - And, hopefully, a vision of our future!

