



**Montana Fish,
Wildlife & Parks**

February 20, 2009

Board of County Commissioners
Lake County
Courthouse – 106 Fourth Avenue East
Polson, MT 59860-2125

Dear County Commissioners:

Headwaters Economics (HE) asked me to review and comment on its study of the fiscal impact of the Montana Legacy Project on Lake County. I have looked at both the December draft and the revised January 22, 2009 report, and wish to share my thoughts with you.

While serving as Madison County's planning consultant/planner/planning director for nine years (1998 – 2007), I became keenly aware of the relationship that exists between local government revenues and expenditures on the one hand, and different land use and land ownership patterns on the other. Decisions about residential growth, commercial/industrial development, land conservation, and related land use or land ownership issues can have widely varying effects on a county's financial condition – effects that are sometimes difficult to anticipate.

So it is very helpful, I think, that HE has conducted an analysis of the Montana Legacy Project from the perspective of current and projected Lake County finances. HE's study findings illustrate rather vividly the problem that counties often have in keeping up financially with the service demands associated with rural residential growth. As commissioners in a high-growth county, you likely are already well aware of this challenge.

In my view, the study soundly documents the fact that, under either the Legacy Project scenario or the Trend Development scenario, Lake County faces a future demand for services beyond the revenues that are likely to be generated by new residential growth. The study further demonstrates that the Trend Development scenario would somewhat increase this imbalance between revenues and expenditures due to the residential development of remotely located Plum Creek lands. While the Polson and Swan Valley Rural Fire Districts appear to have sufficient revenues (and, hopefully, volunteer labor) to cover the operations and maintenance costs of future growth, the report projects their capital facility needs will increase beyond the ability to pay.

The HE analysis focuses on the traffic-related impacts of the alternative scenarios. Rightly so. Traffic is an appropriate focus for illustrating how land use changes can represent either a future fiscal benefit to, or drain on, county coffers. Further, HE was wise to take – in most of its analysis – a proportionate share approach in assigning traffic impacts to residential and other land uses in Lake County. While this approach was not used in making the road cost projections, the report duly notes this fact.

There is no question in my mind, but that the development of remotely located lands for residential purposes would represent higher service costs to Lake County and other service providers and resource managers, than if the same lands were utilized for a combination of timber management, wildlife conservation, and public access for outdoor recreation, as envisioned in the Legacy Project. Whether HE has hit upon the correct dollar figures, I can't say. But as a land use planner (and not a fiscal analyst!), I believe HE's basic cost-of-services methodology is sound. HE's conclusions are consistent with cost-of-services studies conducted in Montana and elsewhere across the country, comparing the fiscal impacts of residential vs. commercial/industrial vs. agricultural/open space land uses on local governments.

Be aware, however, that – by necessity – the HE analysis contains a number of assumptions, and these assumptions do influence the projected revenues and expenditures under the alternative scenarios. One example of this is the assumption that Plum Creek lands turned over to the State of Montana will not be developed. Should this assumption prove wrong (e.g., if the Montana Department of Natural Resources & Conservation acquires the land, retains the ability to sell it for development, and chooses to do so at some future date), then the Legacy Project scenario would need to be re-assessed; it might well require higher service costs than this study projects.

Another assumption, found in the travel demand model appendix, is that each single family dwelling generates a daily average of 9.57 road trips. As a land use planner (and not a traffic engineer!), I believe this number overstates what is likely typical for residential traffic in Lake County, especially the more remote areas.

Perhaps the greatest benefit of the HE fiscal impact study is its examination of road, public safety, centralized county services, and fire protection/EMS budgets to reveal how they may be affected by the different land use/land ownership scenarios posed, and to remind Lake County of the need to account for such potential impacts in its overall land use and capital facilities planning efforts. County road paving projects, for example, are no small budget item for any rural county in Montana, and it is a good heads-up for all county officials, to be sure they have in place the planning and fiscal policies that will avoid placing such heavy infrastructure costs on the backs of existing local taxpayers.

As a land use planner, I fully support HE's recommendations that Lake County pursue economic diversification, consider development impact fees, and continue its land use planning efforts to guide the location and density of growth.

I hope these comments are helpful to you! Please feel free to contact me if you have any follow-up questions.

Sincerely,



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