HOUSING FISCAL IMPACT STUDY

A DATA DRIVEN RESOURCE TO BETTER UNDERSTAND THE FISCAL IMPACTS OF NEW HOUSING.

Communities often raise concerns that new housing will increase school enrollment and drive-up municipal costs. To address these concerns with a data-driven analysis, EOH partnered with a consultant to develop the **Housing Fiscal Impact Study**.

The study evaluates how new housing affects municipal revenues and expenditures and demonstrates that, under current conditions, new housing development generally **does not** have a negative financial impact on school costs or municipal finances

KEY FINDINGS

HIGHER-DENSITY HOUSING PERFORMS BEST FISCALLY

Across most municipalities, higher-density development generally produces enough property taxes to cover the cost of educating new students & other municipal operating expenses.

SINGLE-FAMILY HOUSING IS MORE LIKELY TO CREATE FISCAL PRESSURE

Lower-density development often generates less revenue per acre while producing relatively more students, making it more likely that education costs exceed new revenues.

LOCAL CONDITIONS MATTER

Fiscal outcomes vary by municipality based on education spending, state aid, property tax base, & existing finances. The same development can have different fiscal impacts depending on where its is built.

TARGETED INVESTMENTS ARE MOST EFFECTIVE

Not all developments & not all municipalities generate school costs in excess of new revenue. This study helps recognize where incentives may be most helpful.

HOW THIS TOOL CAN HELP

This study is a practical planning resource that provides municipalities with a consistent framework to:

- Evaluate different housing types
- Know potential fiscal impacts
- Compare development scenarios
- Inform local planning & zoning discussions



MAIN TAKEAWAY

In most Rhode Island communities, new housing–especially compact, higher-density development–is fiscally sustainable & does not create the school-related financial burden that is often assumed. Instead, new housing generates revenues that exceed potential costs.

A NOTE ON METHODOLOGY

This study estimates how much new development will cost a municipality by applying the **average cost methodology**, versus a **marginal cost** approach. This is a critical distinction, and one would project that if the marginal cost approach were used, project by project, the data would show even a more positive result.

The average cost model assumes that for each child added to the system, all costs go up by the average. This assumes that each child will create the need for additional teacher capacity, more bus capacity, etc.

While this approach is appropriate for this report, as the span of the analysis is statewide and did not allow for the analysis of each community's budgetary context, it is misleading when applied to a specific development proposal, and the marginal cost approach is more appropriate when considering a specific development.

READ THE REPORT AND LEARN MORE: HTTPS://HOUSING.RI.GOV/DATA-REPORTS/DEPARTMENTAL-REPORTS