Planning for Economic and Fiscal Health

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Smart Growth America
Making Neighborhoods Great Together

Smart Growth America
Making Neighborhoods Great Together

- Local Leaders Council
- Governors Institute on Community Design
- National Complete Streets Coalition
- Transportation for America
- Transportation Development Strategies
- Technical Assistance

Planning for Economic and Fiscal Health

This is about how the pattern of development
– how we choose to grow –
affects a region's ability to compete
economically, to be fiscally sustainable, and
to provide efficient and effective public
services –

to maintain a high quality of life.

Premise:

The way we design and build our communities has enormous consequences

It affects the way we live our lives on a daily basis.

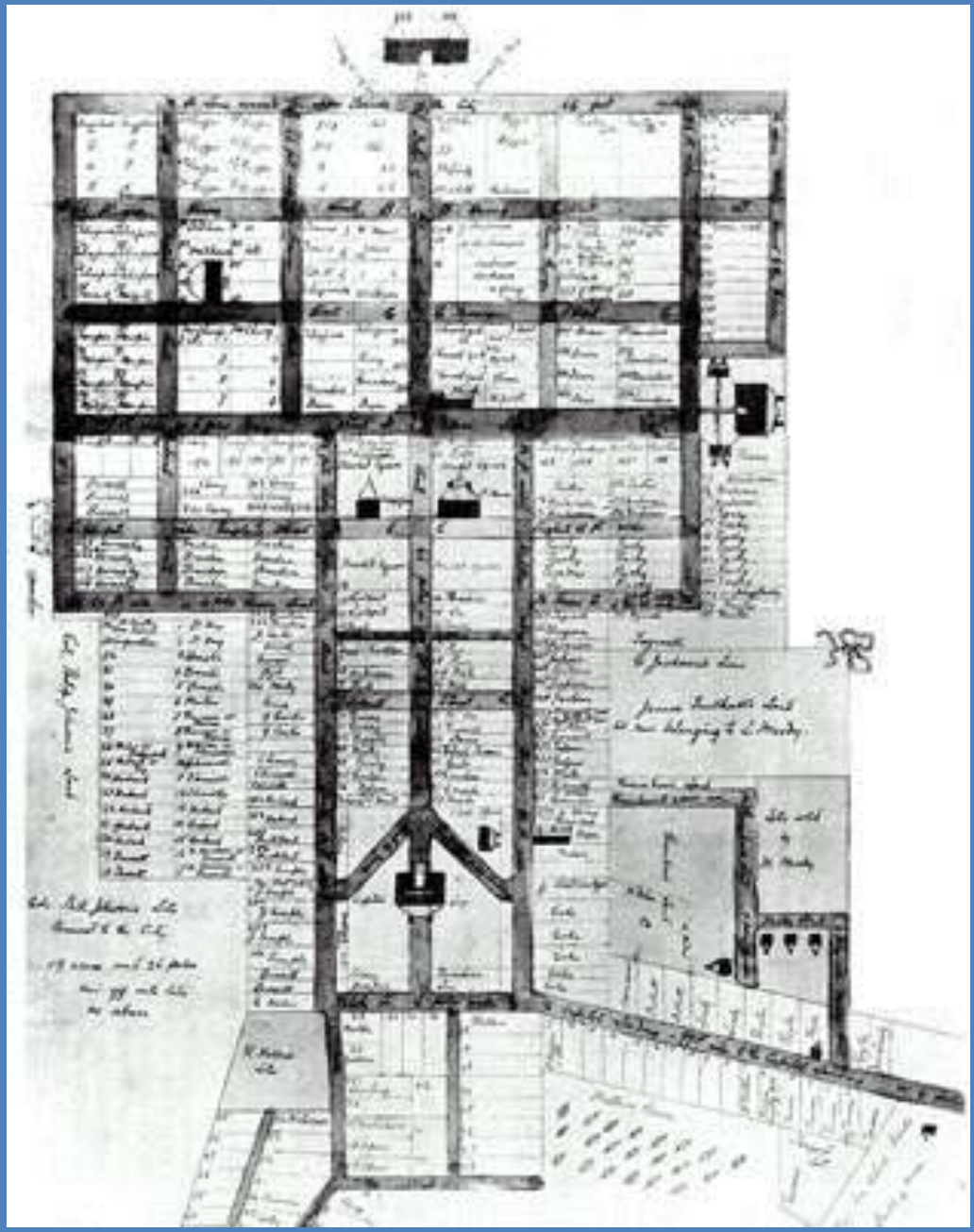
A traditional urban plan: Colonial Williamsburg

major roads

public building sites

six-foot front setback
on which buildings were to front

. . . compact development



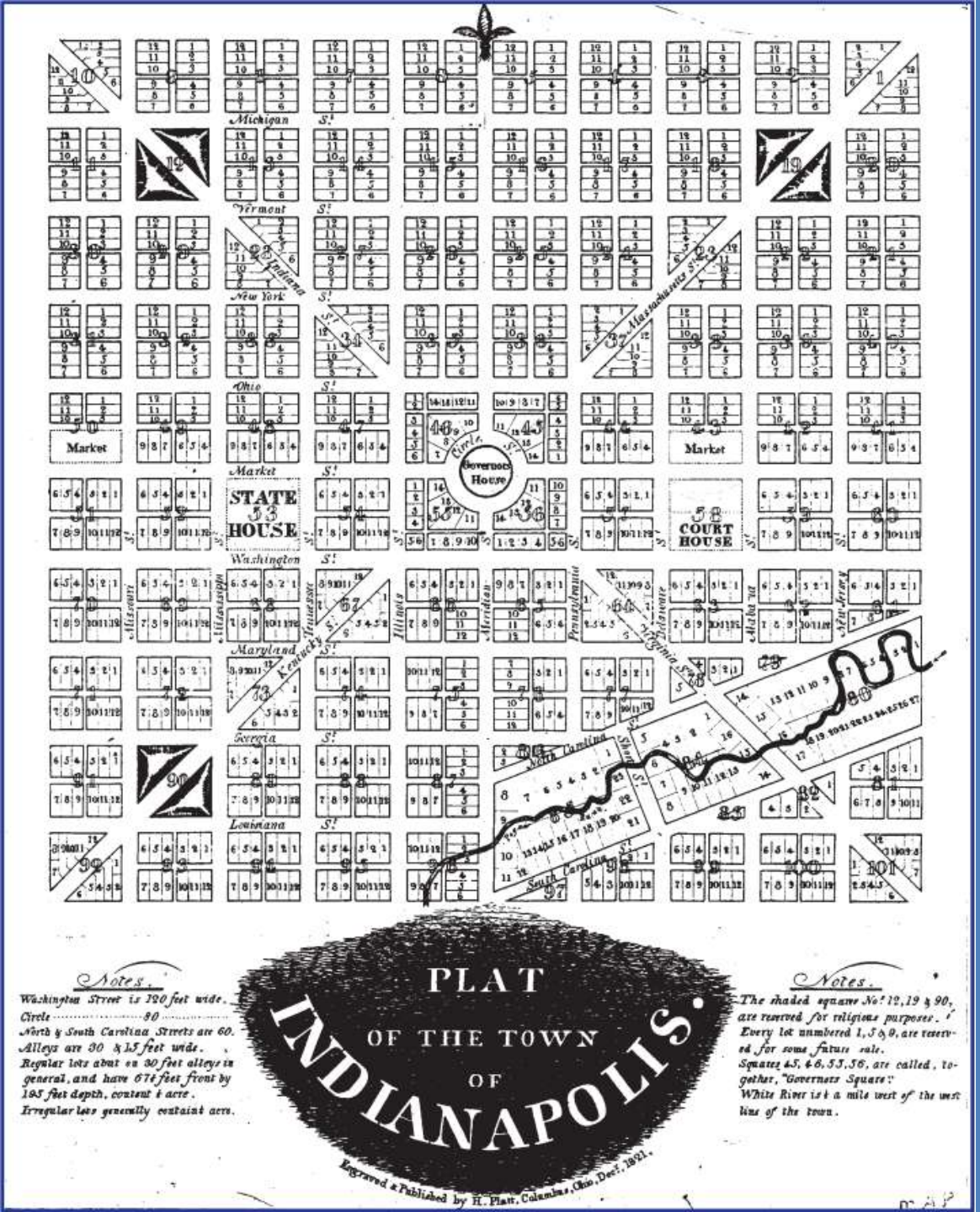
America in the 17th century

Traditional town plan

- Mixed-use
- Compact
- Buildings of several stories
- Blocks with multiple building types
- Street grid

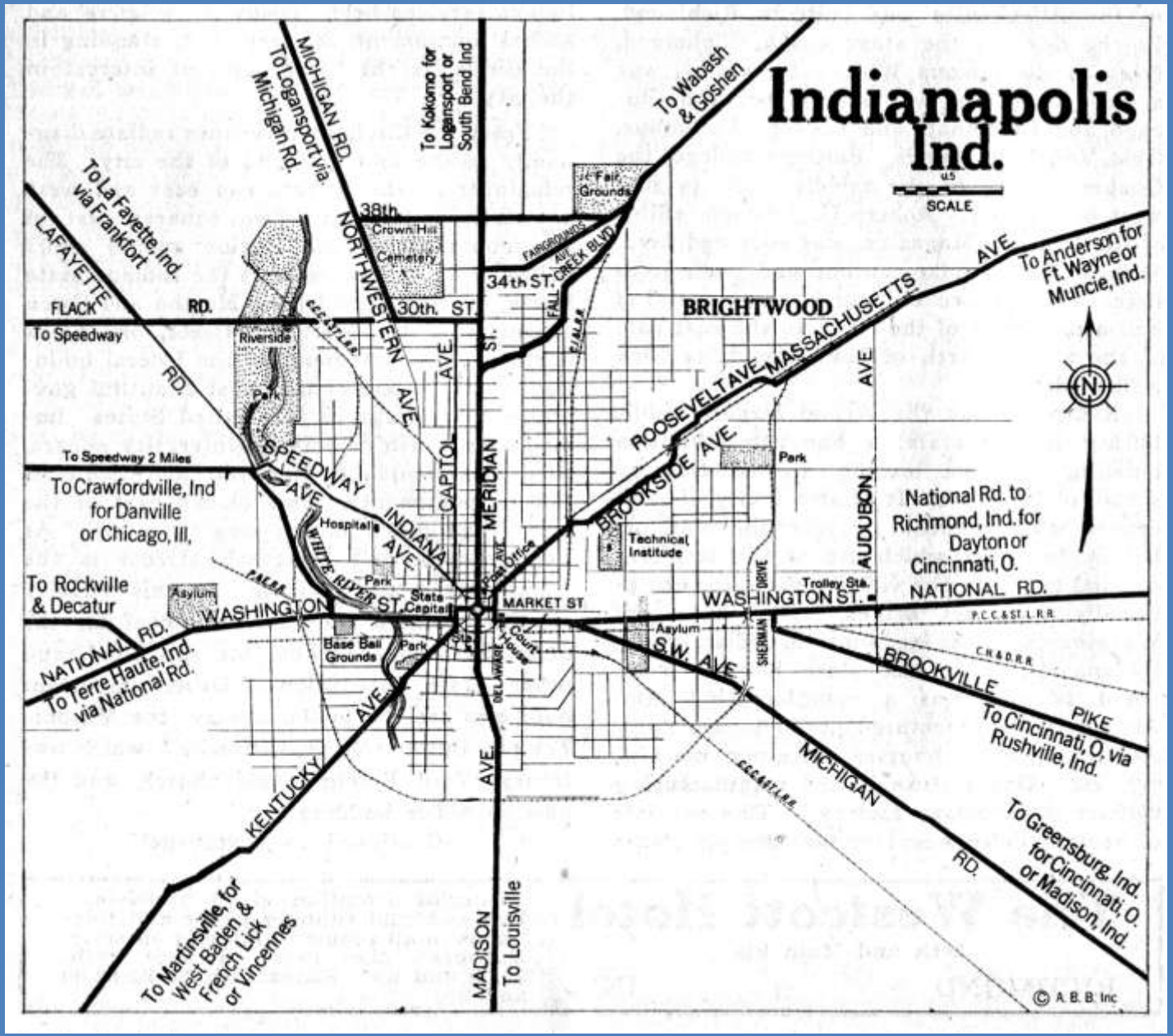
Traditional town plan

America in the 17th century



Plat of Indianapolis by Alexander Ralston - 1821

http://www.in.gov/history/files/tiharch-jun96.pdf

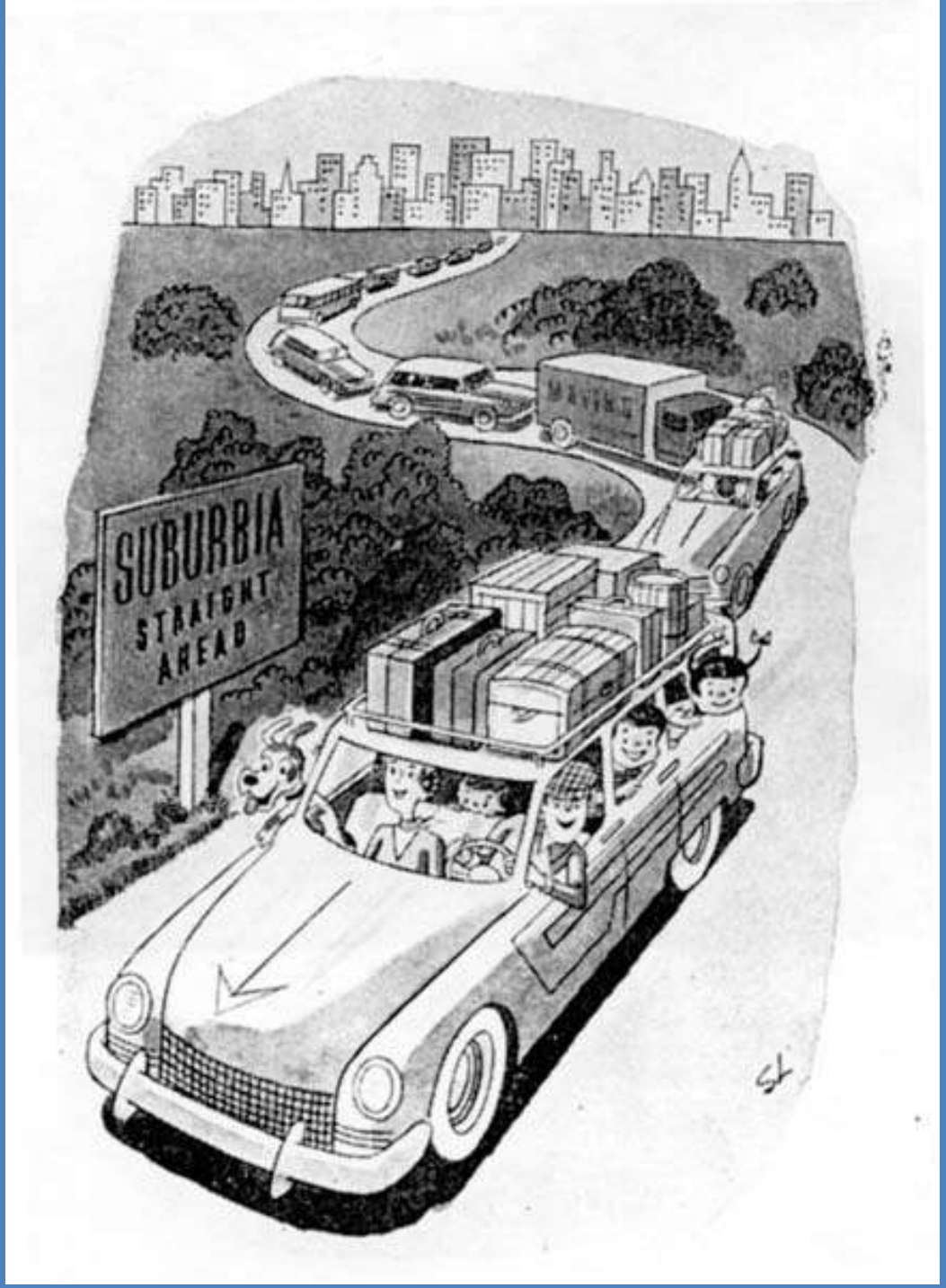


America in 1917

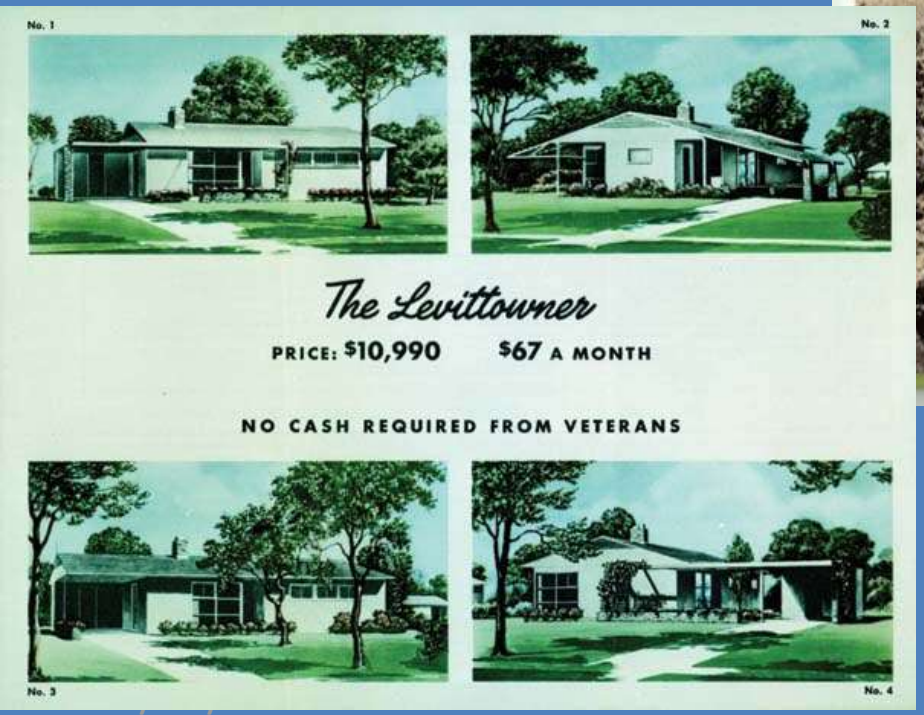
http://www.americanroads.us/citymaps/IndianapolisIN1923ABB.png

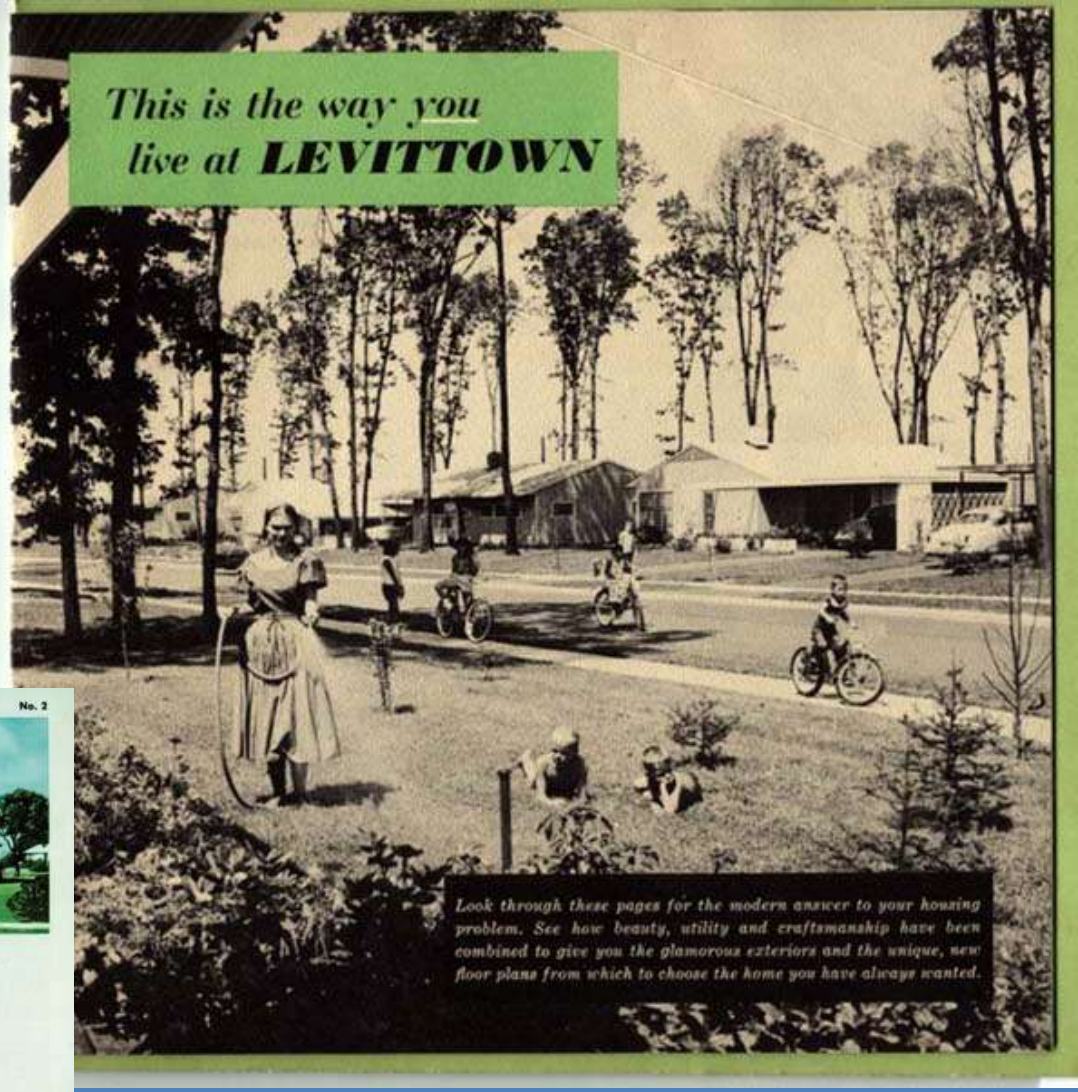
Zoning
“monoculture”

. . . the automobile era begins . . .



. . . and America moves to the suburbs . . .

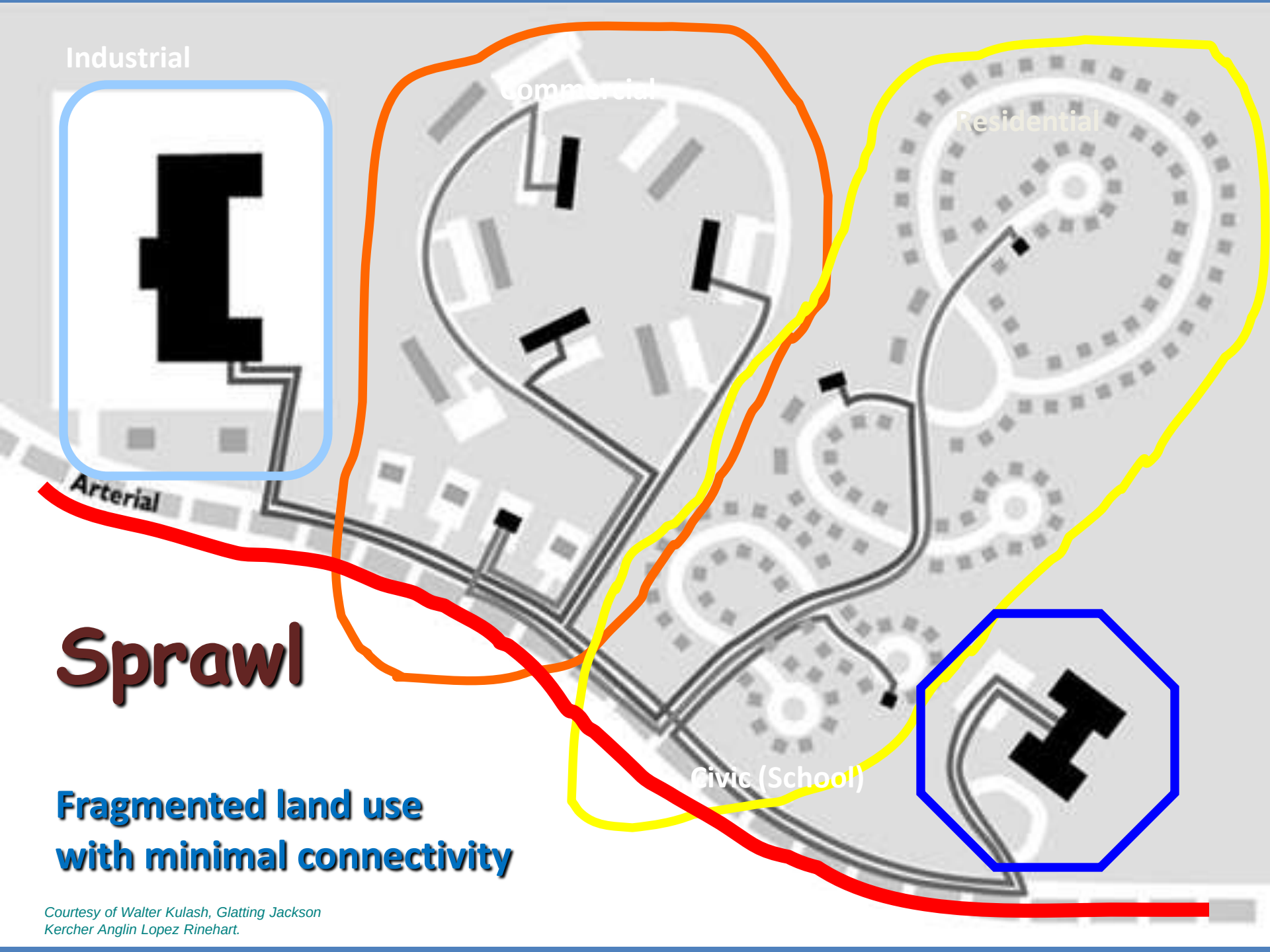




What we thought we were getting

What we've gotten…this…

and this



Sprawl

Fragmented land use with minimal connectivity

Courtesy of Walter Kulash, Glatting Jackson Kercher Anglin Lopez Rinehart.

Limited connectivity of the cul-de-sac

STOP
OZX 367

Land use and transportation decisions impact many things – including economic & fiscal performance.

We’ll come back to this.

Now let’s look at what’s driving change for our communities.

3 important factors affecting the future of our communities

1. The market is changing, especially for housing

2. The recipe for economic growth is changing

3. We can no longer afford to use tax money to subsidize inefficiency

1. The changing market

Your community is changing

Two major demographic changes are driving the market.

- The rise of the Millennials.
- The aging of the Baby Boomers.

American households are changing

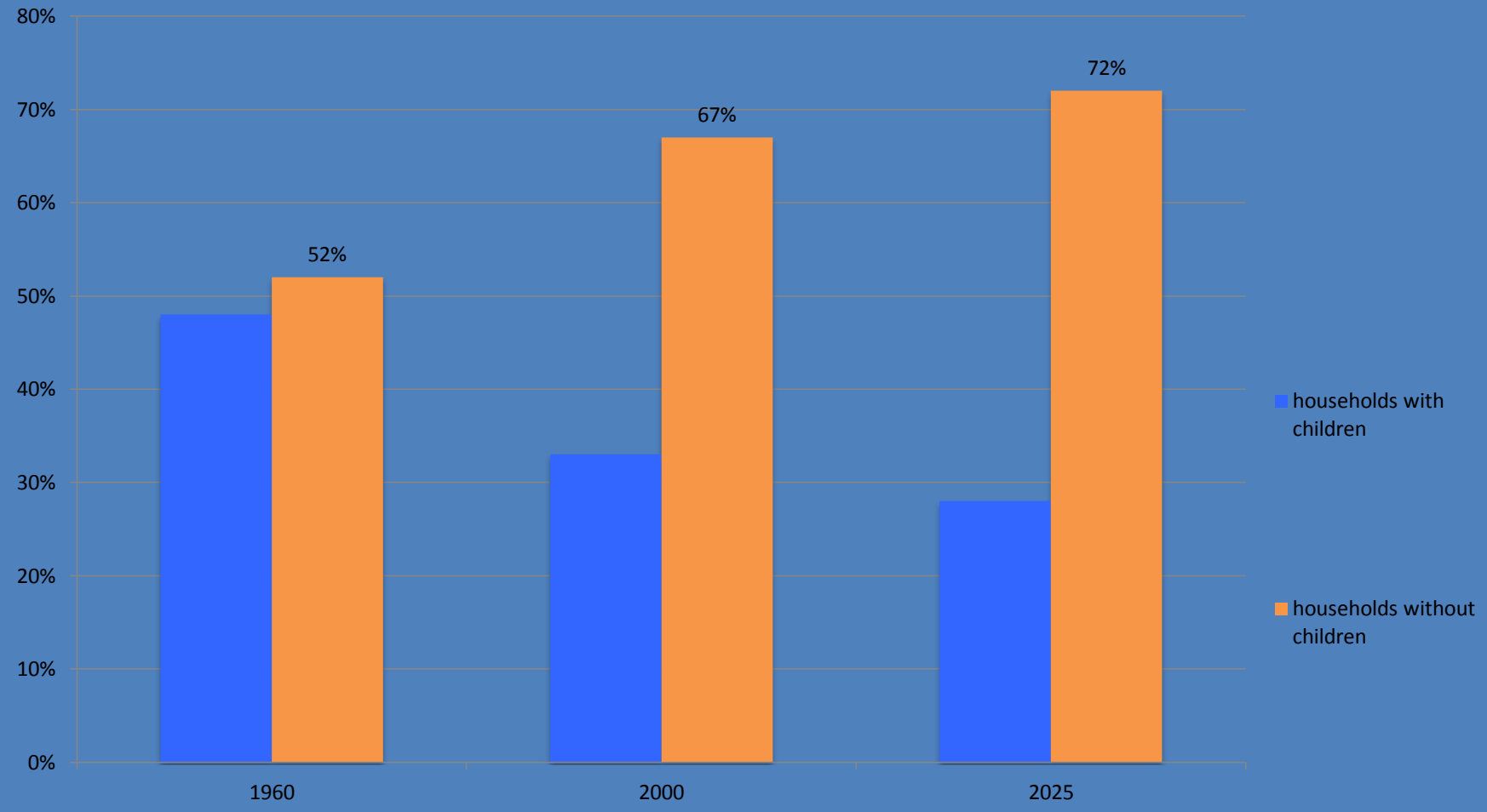
In the 1950s roughly half of all households were families with kids.

"Between 1970 and 2012, the share of households that were married couples with children under 18 halved from 40 percent to 20 percent."

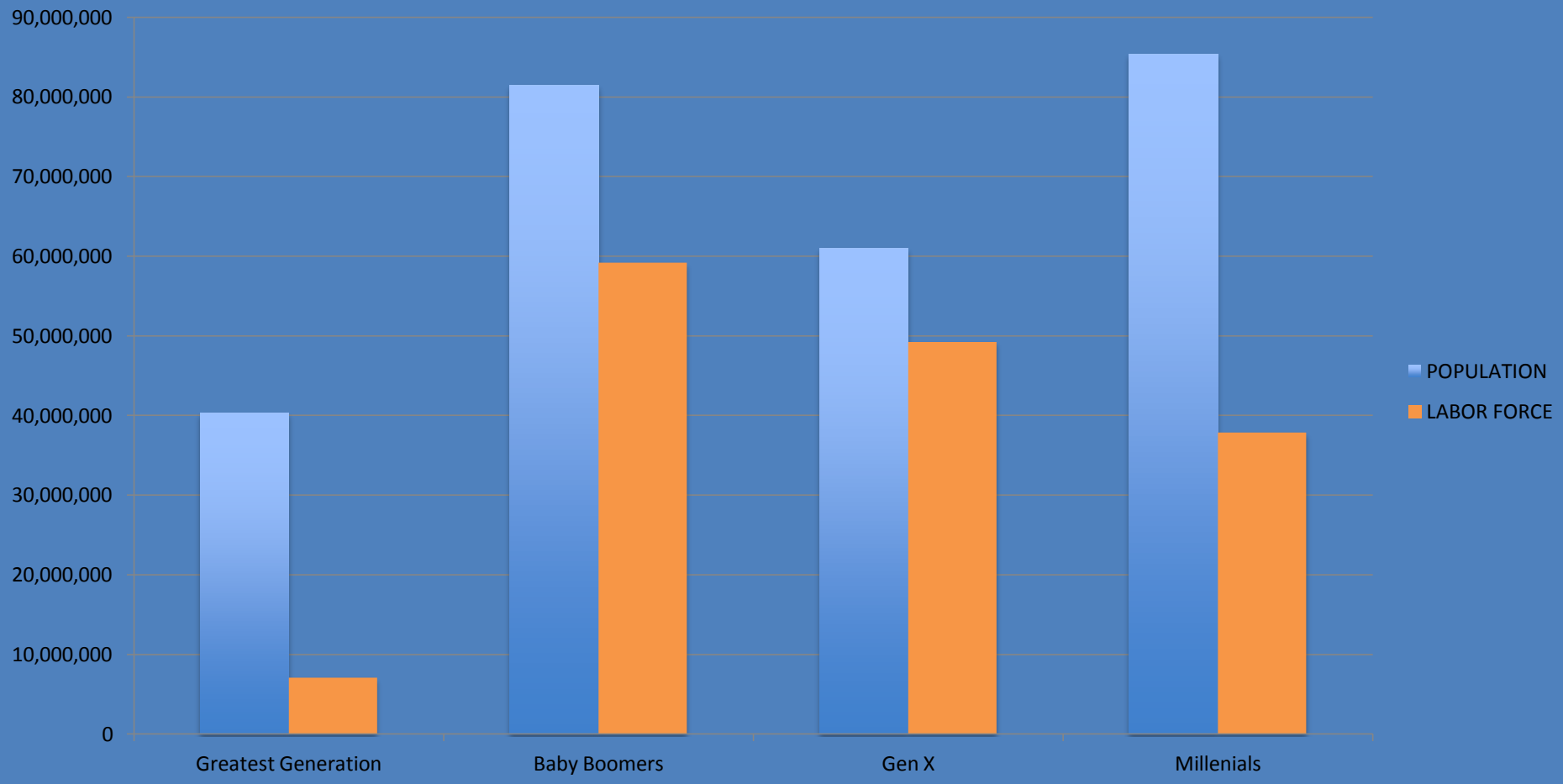
US Census Bureau, ***America's Families and Living Arrangements: 2012***
By Jonathan Vespa, Jamie M. Lewis, and Rose M. Kreider
August 2013

Your community is changing

Households with and without children, 1960-2025



Demographic change and the labor force



Your community is changing and preferences and the market are following.

Millennials

They follow lifestyle, not jobs.

Millennials choose where to live before finding a job.

Millennials

Of all college-educated 25- to 34-year-olds –

64% looked for a job ***after*** they chose the city where they wanted to live.

(U.S. Census)

CNNMoney
A Service of CNN, Fortune & Money

Young Americans ditch the car

By Steve Hargreaves @CNNMoney September 17, 2012: 11:30 AM ET

PHOTO: THINKSTOCK

NEW YORK (CNNMoney) -- America's young people just aren't buying cars like they used to.

The share of new cars purchased by those aged 18-34 dropped 30% in the last five years, according to the car shopping

And they don't seem to want cars

Preferences: Transportation

Millennials are driving less

- From 2001 to 2009, the average annual number of vehicle-miles traveled by people ages 16-34 dropped 23 percent.
  (source: National Household Travel Survey)
- 26 percent lacked a driver's license in 2010, up 5 percentage points from 2000
  (source: Federal Highway Administration)

Preferences: Transportation

Baby boomers turning in their keys

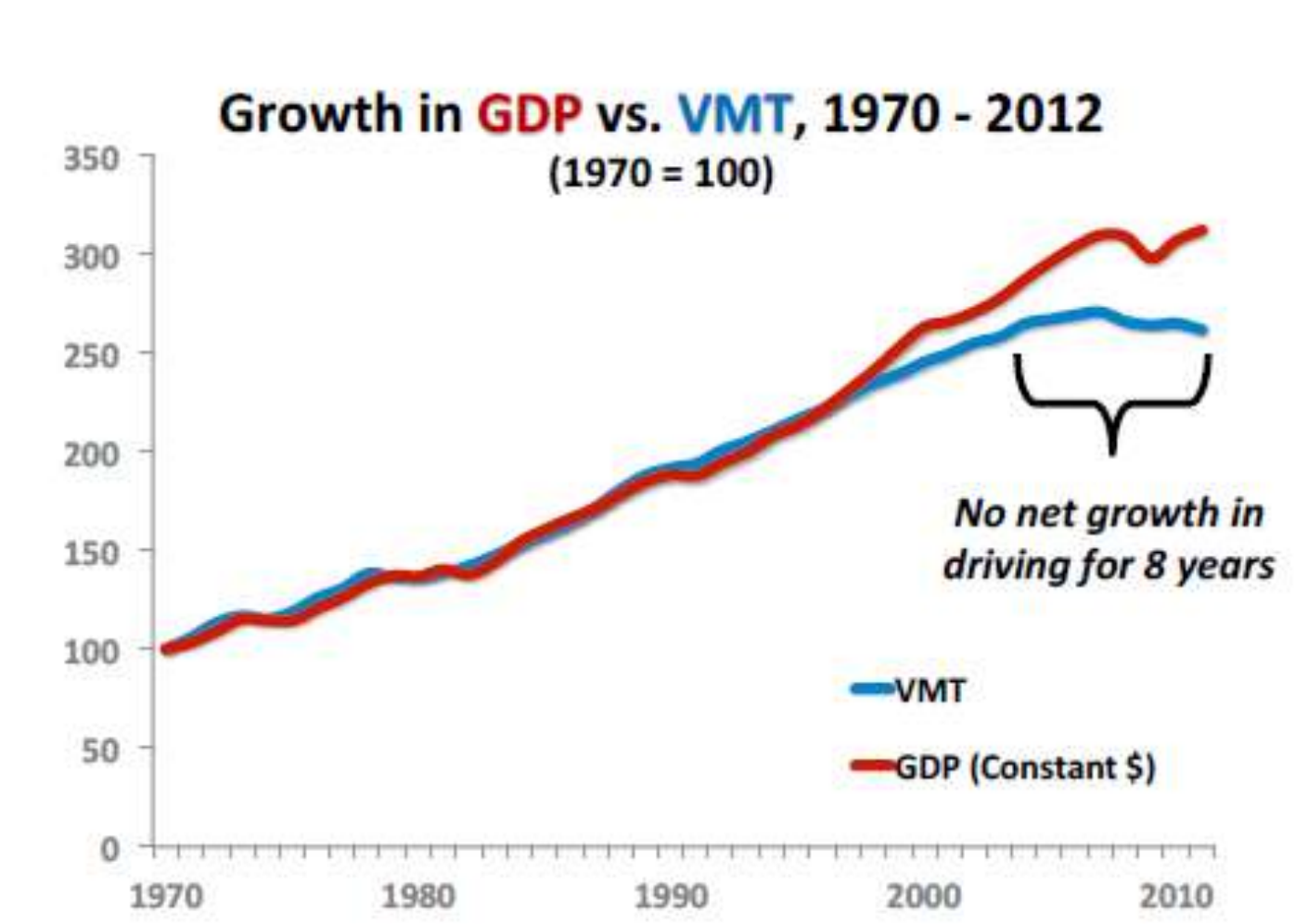
- Using local buses and trains more (source: National Household Travel Survey)
- Bike trips increased 64 percent between 2001 and 2009. (AARP)

Aside:

They're not that interested in moving to "retirement communities."

Average age entering senior housing used to be 70 – **now it's 86**.

Preferences: Transportation



Actually, everyone's driving less . . .

Preferences: Transportation choices

Preferences: Housing choices

Americans Value "Sense of Place," Whether City, Village, or Rural Town

New urban apartments drawing young professionals

Several new apartment developments in downtown Milwaukee and the east side are drawing young professionals who want an urban lifestyle.

1. **Latitude Apartments,** southwest corner, N. Farwell Ave. and E. Kenilworth Place, 90 units, opened August 2010
2. **1150 North**, northwest corner, E. North Ave. and N. Commerce St., 122 units, proposed
3. **1910 on Water**, 1910 N. Water St., 68 units, under construction
5. **The North End**, between N. Water St. and the Milwaukee River, south of Pleasant St., 83 units opened in 2009, construction to begin this fall on 155 additional units, completion by spring 2013.
6. **The Mo[illegible]**

The Washington Times

Detroit's downtown 'starting to fight back'

Upwardly mobile lead the way

"The young, smart and mobile are a key demographic that cities across the country are trying to attract."

- The Patriot-News, July 23, 2011

Americans Want More Walkable, Sustainable Neighborhoods

Americans' ideal communities have a mix of houses, places to walk, and amenities within an easy walk or close drive.

- 77% of Americans want pedestrian-friendly features.
- 88% place more value on the quality of the neighborhood than the size of the home.

Source: Consumer survey conducted for the National Association of Realtors

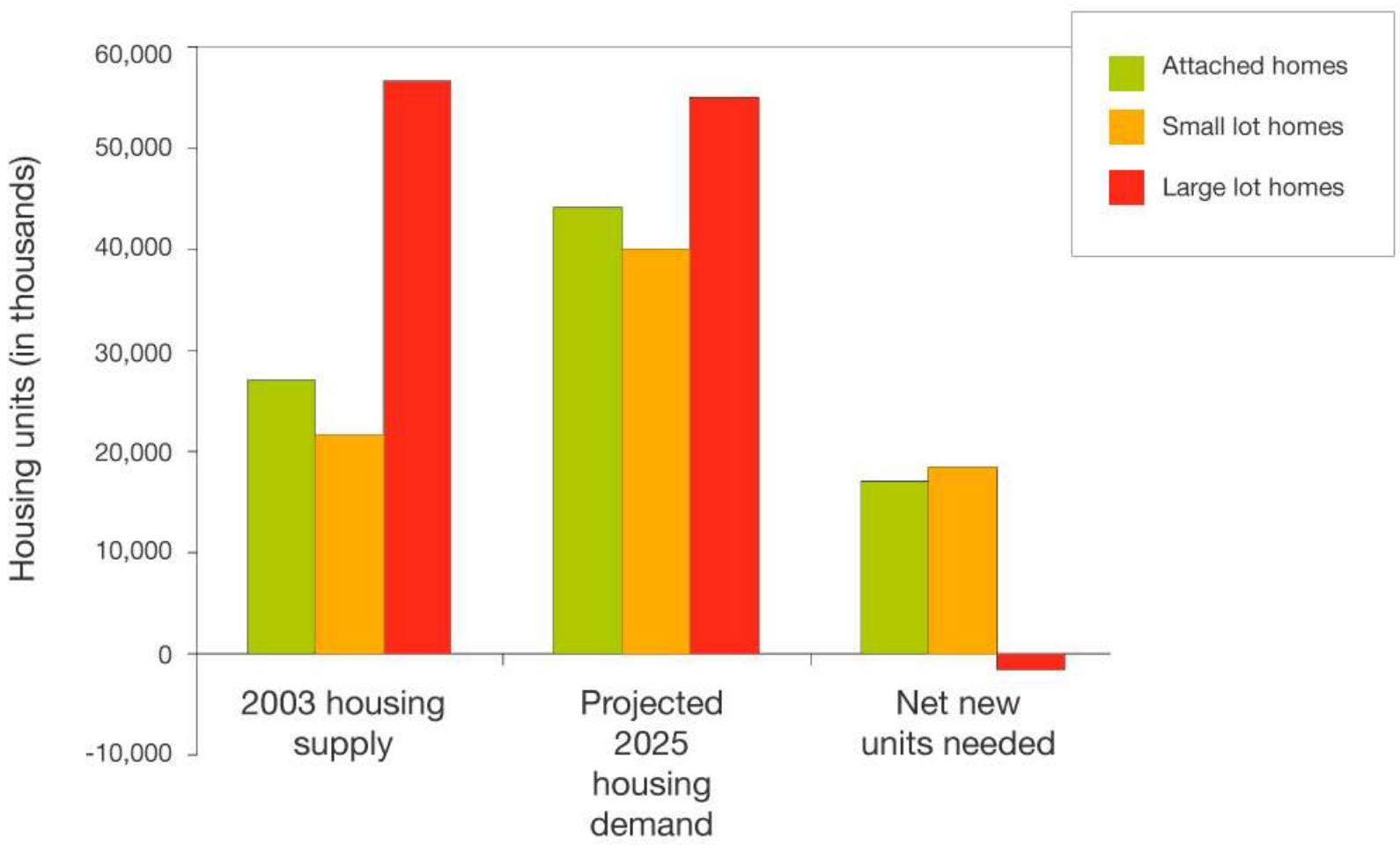
Preferences: Housing

Millennials especially are trending away from traditional suburbs

- 47% would prefer to live in a city or a suburb with a mix of houses, shops, and businesses
- 40% would prefer a rural or a small town
- 12% say they would prefer a suburban neighborhood with houses only

Boomers want to age in their community

The market: Housing



Peak sprawl?

Greater Greater Washington

The Washington, DC area is great. But it could be **greater**.

DEMOGRAPHICS

Washington growing more at the center, less at the edges

by Dan Reed • March 18, 2013

After years of rapid population growth, greater Washington might be slowing down. However, the real story is where most regional growth is happening: in and around the Beltway, not on the fringe.

Yesterday, the Census Bureau released population estimates for the Washington-Arlington-Alexandria Metropolitan Statistical Area, which encompasses the District and 27 surrounding counties and independent cities in Maryland, Virginia and West Virginia.

Revitaliz

While the Washington Post focused on slightly slower population growth than in previous years there are much more interesting trends

From the east coast . . . .

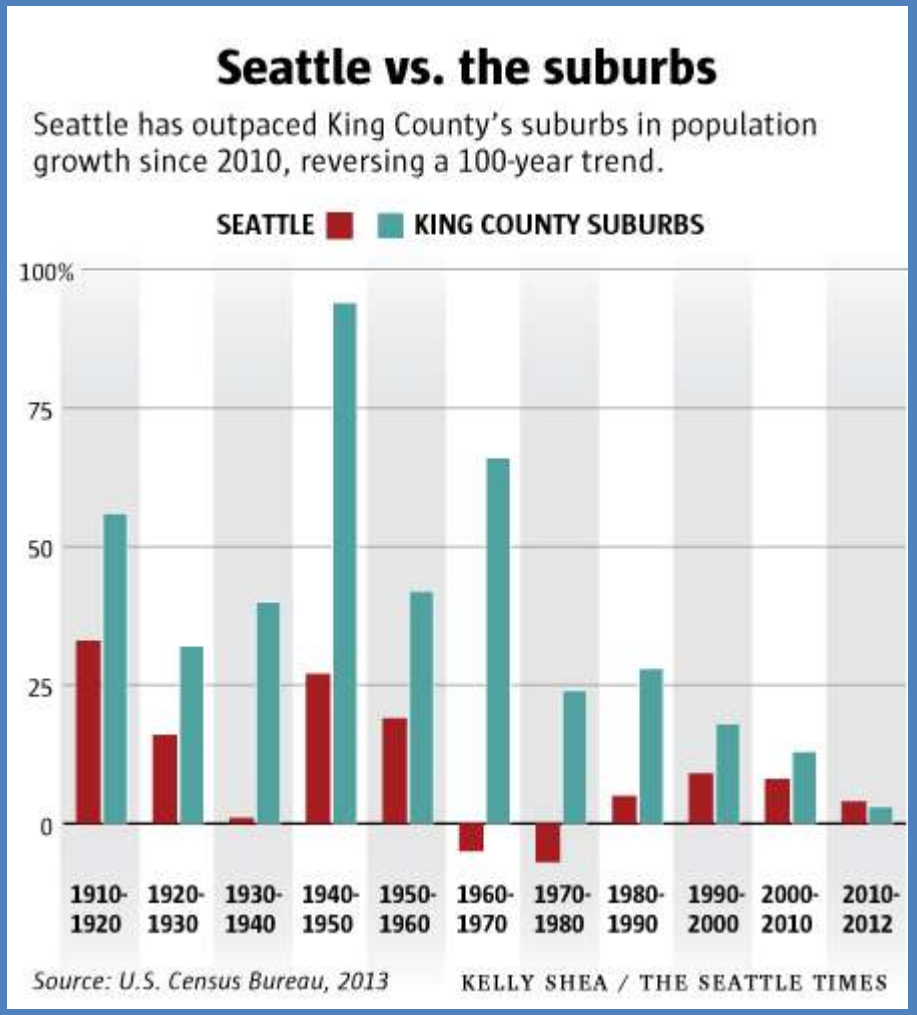
to the west . . .

Peak sprawl?

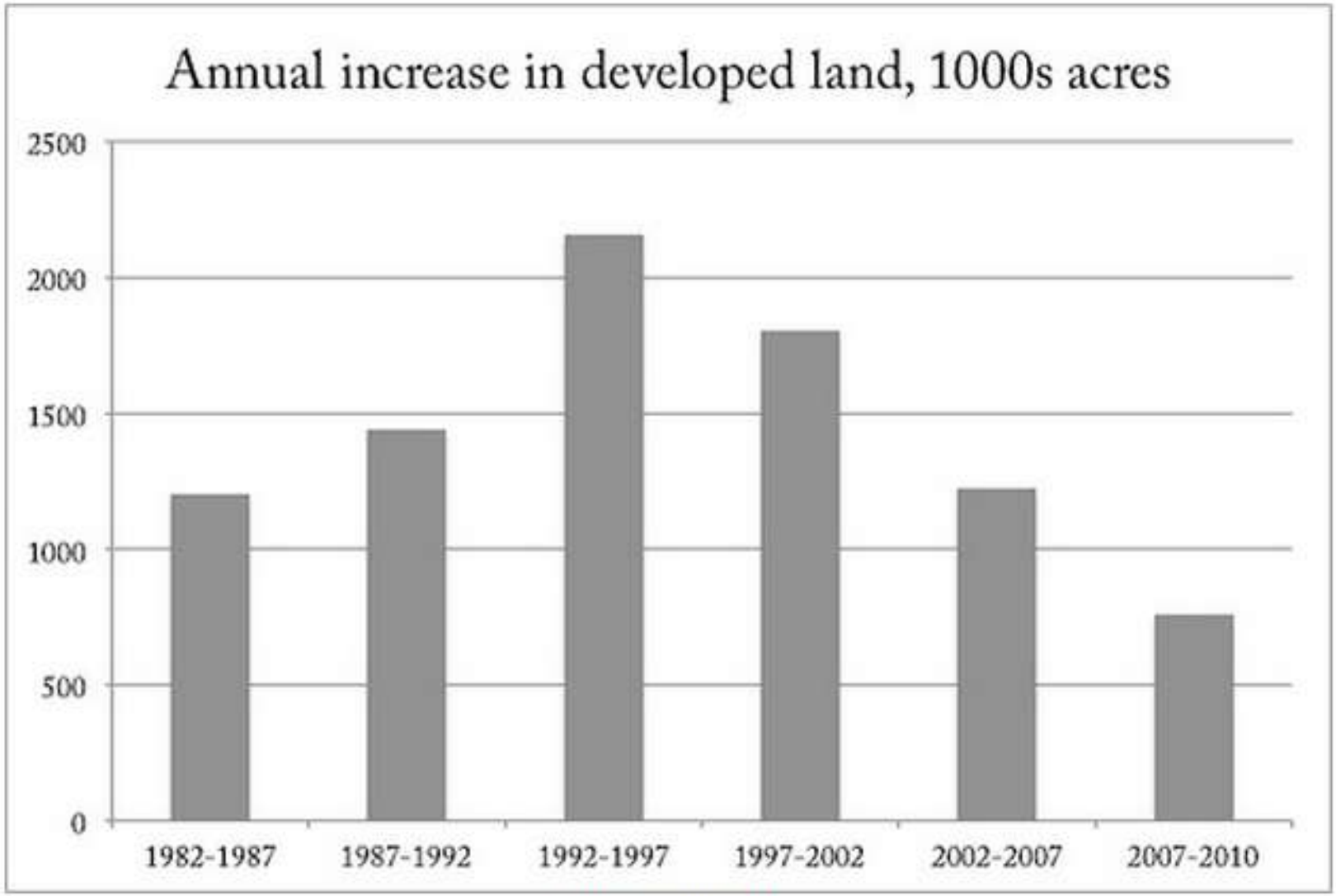
Seattle growth outpaces suburbs

"For the first time since 1910, Seattle is growing faster than its suburbs, reports *The Seattle Times*"

From Blog post by Robert Steuteville on Better! Cities & Towns
25 Feb 2014



Peak sprawl?



Graph from the USDA.

How will your community meet the needs of millennials and aging boomers in order to improve your competitiveness?

2. The new recipe for economic growth

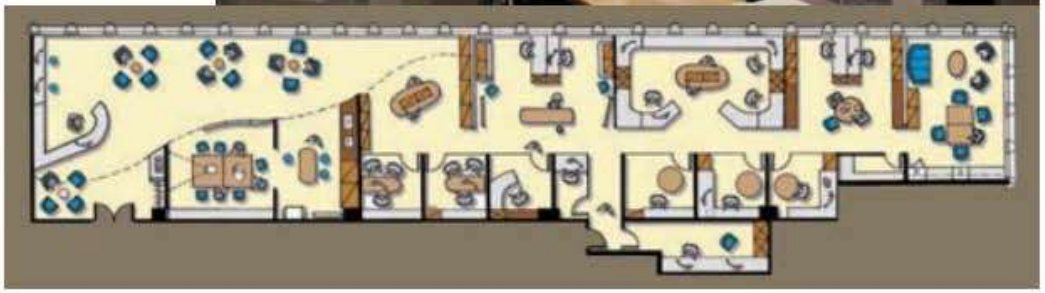
Economic Development

1. Attract new business
2. Retain existing business
3. Grow new business

The 21st Century Economy

- The “creative economy”; the “knowledge economy”; the “innovation economy”
- Importance of networking, interaction
- Demand for skilled workers

Shift in work activity → new work environments



Compact development spurs economic productivity, especially in the "Innovation Economy"*

Doubling of employment density → 20% increase in patents per capita†

** Source: "Productivity and the Density of Economic Activity" by Antonio Ciccone and Robert Hall*

† Source: "Urban Density and the Rate of Invention" by Gerald Carlino et al.

“Livable cities draw creative people, and creative people spawn jobs.”

(*Wired*, “Small Cities Feed the Knowledge Economy”, Adam Davidson, May 31, 2011.)

Businesses respond to changing preferences

- Across the country corporations are responding to employee preferences and moving to the talent.
- They are choosing to relocate from suburban offices to downtown locations.

BUSINESS INSIDER | Tech | Finance | Politics | Strategy | Life

America's Shopping Malls Are Dying A Slow, Ugly Death

HAYLEY PETERSON
JAN. 31, 2014, 12:01 PM | 62,757 | 67

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All across America, once-vibrant shopping malls are boarded up and decaying.

Traffic-driving anchors like Sears and JCPenney are shutting down stores, and mall owners are having a hard time finding retailers large enough to replace them. With a fresh wave of

Nicholas Eckhart

The Canton Centre Mall in Canton, Ohio is boarded up and vacant.

"Within 15 to 20 years, retail consultant Howard Davidowitz expects as many as half of America's shopping malls to fail.

'. . . we haven't built a major enclosed mall since 2006.' "

http://www.businessinsider.com/shopping-malls-are-going-extinct-2014-1

DEADMALLS.COM

Home | Dead Mall Stories | Site Updates | Dictionary | Informative Links | Developers | Merchandise | About & Contact Info | Press

(What if Deadmalls.com had its own magazine... courtesy of Jack Thomas 12/2007)

Welcome to Retail History!

Contents:

- **Dead Mall Stories:**
  Read the stories and see the pictures of retail establishments and malls past, and some present

Google™ Deadmalls Search | Search

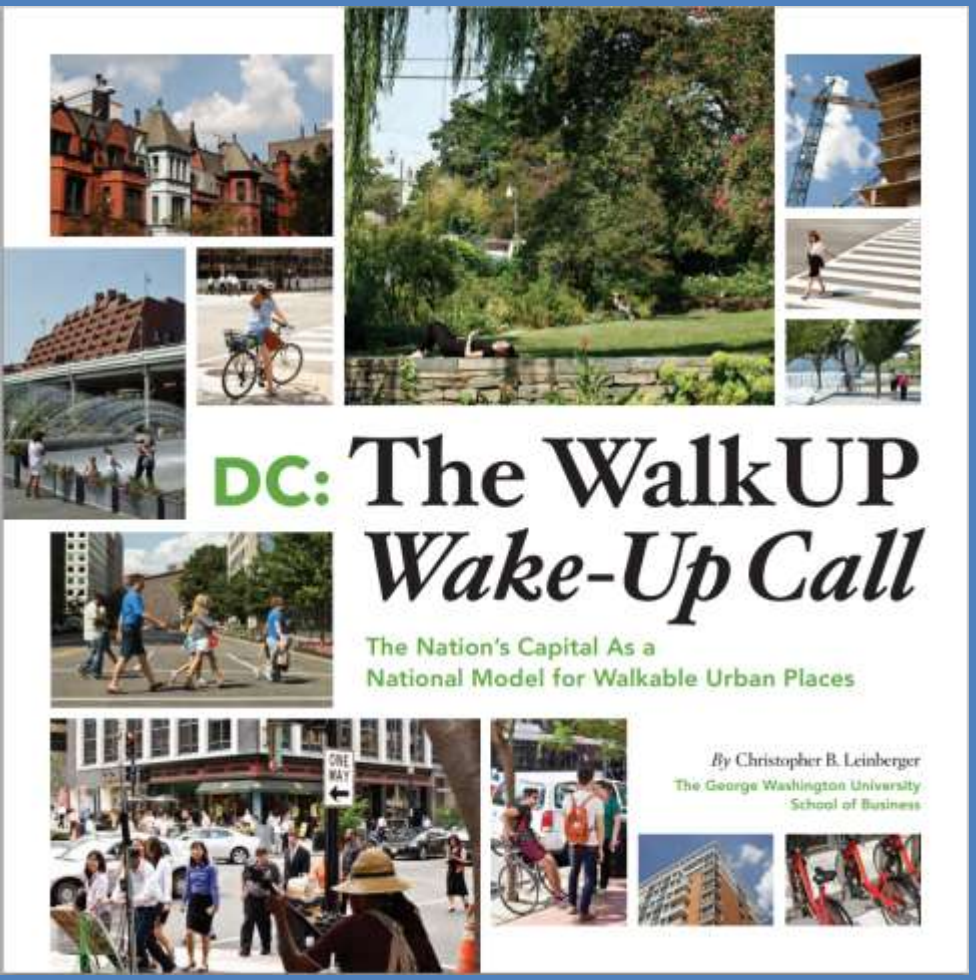
Deadmalls.com

To sum up:

- Cities (regions) want to attract dynamic businesses
- Dynamic businesses want to attract skilled young workers (‘millennials’)
- Skilled young workers want to locate in dynamic, walkable places

you are in a ferocious competition over place

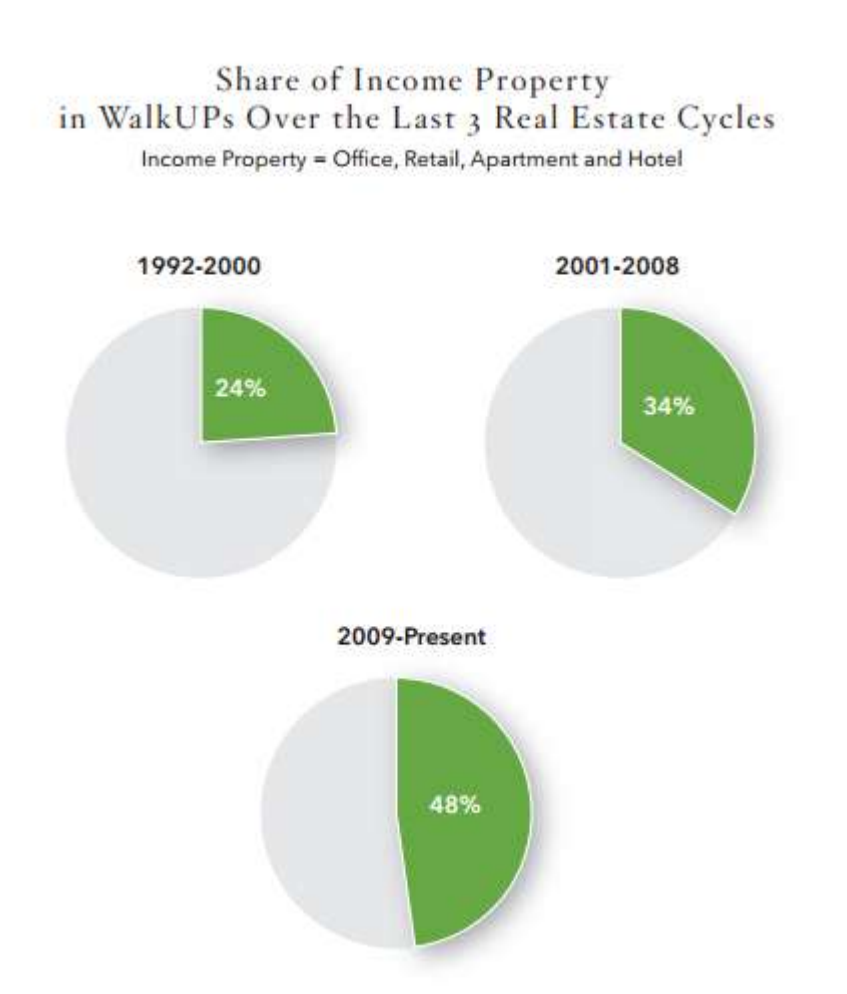
Walkable Urban Places



"... walkable urban places and projects will drive tomorrow's real estate industry and the economy"

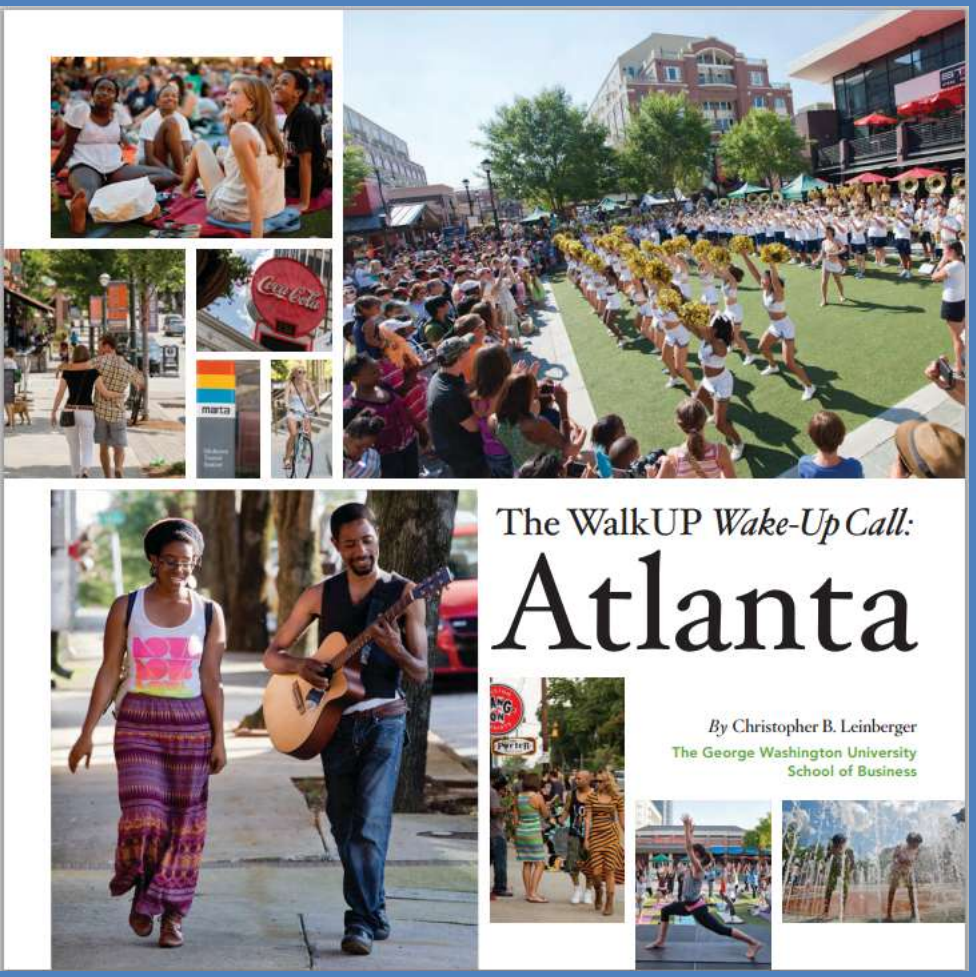
- Christopher B. Leinberger

Walkable Urban Places



"... walkable urban places and projects will drive tomorrow's real estate industry and the economy"

Walkable Urban Places - Atlanta



"Metro Atlanta, the 'poster child of sprawl,' is now experiencing the end of sprawl"

- Leinberger

There is a price/value premium for walkable places

Applies to residential real estate -

Above-average walkability:

→ $4,000 to $34,000 more in home sales price

•*Sources: "Walking the Walk" by Joseph Cortwright, CEOs for Cities and "The Walkability Premium in Commercial Real Estate Investments" by Gary Pivo and Jeffrey Fisher*

There is a price/value premium for walkable places

Applies to commercial real estate -

Greater walkability:

→ 1% to 9% increase in commercial property value depending on type; also higher incomes and lower capitalization rates

•*Sources: "Walking the Walk" by Joseph Cortwright, CEOs for Cities and "The Walkability Premium in Commercial Real Estate Investments" by Gary Pivo and Jeffrey Fisher*

Distinctive shopping centers that create a sense of place are succeeding …

. . . others are failing.

What does your community need to do to grow a healthy economy?

Encouraging Job Growth

- Up to 80 percent of job growth is from *existing businesses.*
- In the new era of specialized, network businesses, *proximity matters.*
- Workplace strategies should focus on *existing concentrations of workplaces.*
- Target those industries related to existing City assets.

-- Michael Freedman

Westchester PA – 2007 (CZ photo)

"Walmart Supercenter, an archetypal big box store,
in Madison Heights, Virginia."
(from Wikipedia entry for "Big-box store")

Garfield County Property Tax Revenue Profile: 2010 Tax Yield per Acre

$287k taxable on 0.06 Acres

Population: 56,389

$1.82M taxable on 15 acres

0.4 acres of the Denver Centre would equal one
15 acre Kmart in real estate value.

Smart growth is part of an economic development strategy

Economic development is increasingly a competition over ***placemaking***.

Building a great place to live, work, and play ***IS*** an economic development strategy.

CAPITAL
INVESTMENT SERVICES
A Registered Investment Adviser
BLINK
BAGEL CRUST
PASTRIES
DESSERTS
café
144
BAGELS
DELI
• BREAKFAST
• LUNCH
• WRAPS
• SUBS
• SALADS
• COFFEE
• LOX + MORE!

3. The high cost of subsidizing inefficiency

How communities develop affects costs and revenue.

Savings on infrastructure

38%

Savings on services

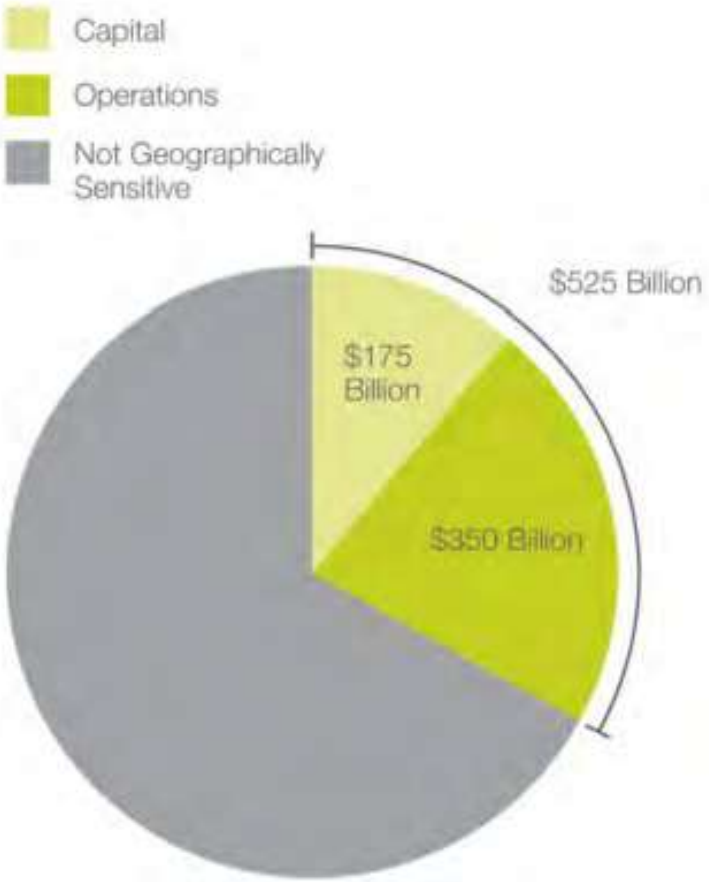
10%

Revenue generated

10x

FIGURE 1

Portion of local budgets influenced by land use choices, nationwide



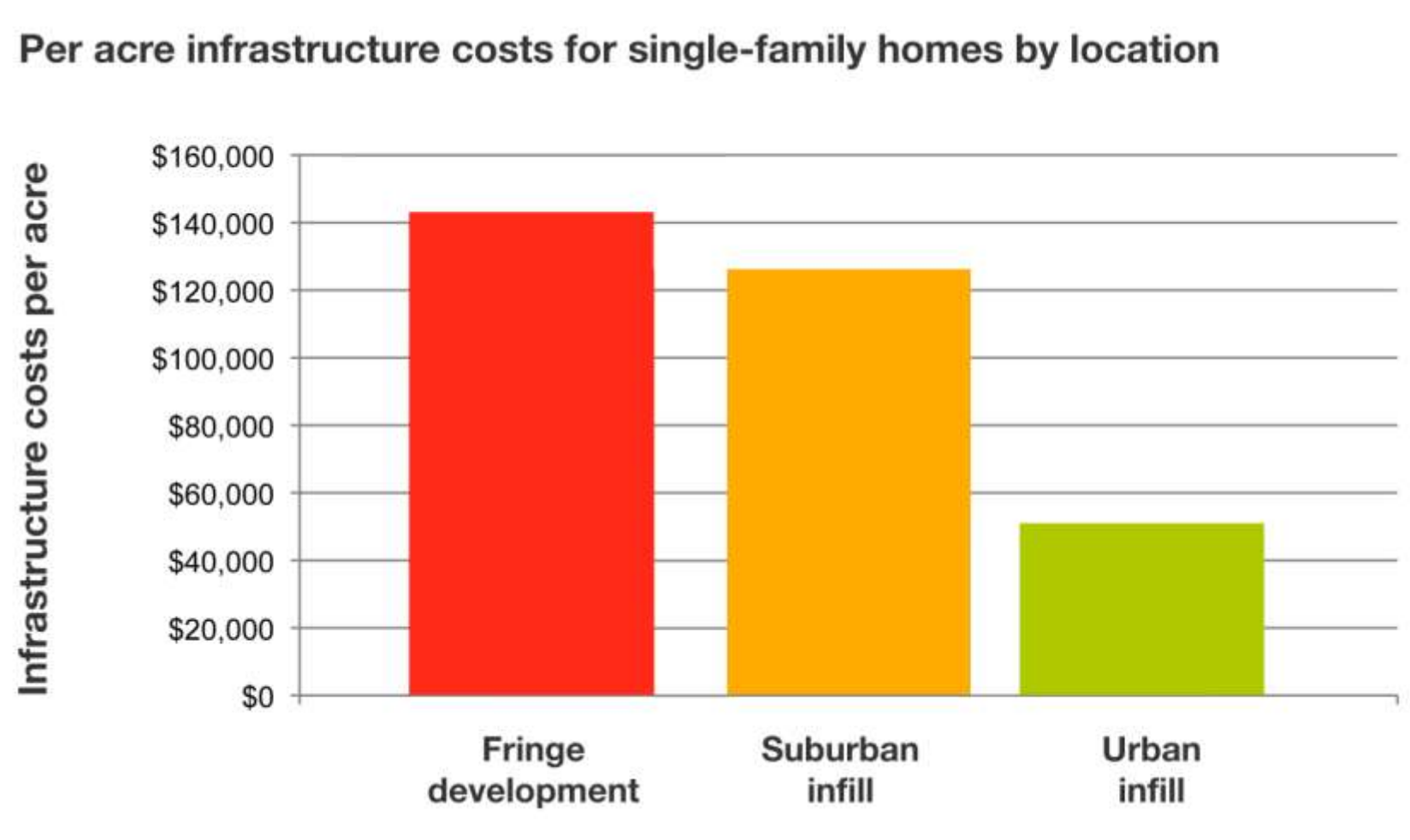
Development affects costs

Development affects costs

When it comes to infrastructure costs…

- Compact development is the best deal.
- Low-density suburban development rarely pays for itself.
- It makes sense to reuse existing infrastructure.

Development affects costs



Building infrastructure to serve new development on the fringe can cost a city **up to three times more per acre** than urban infill development.

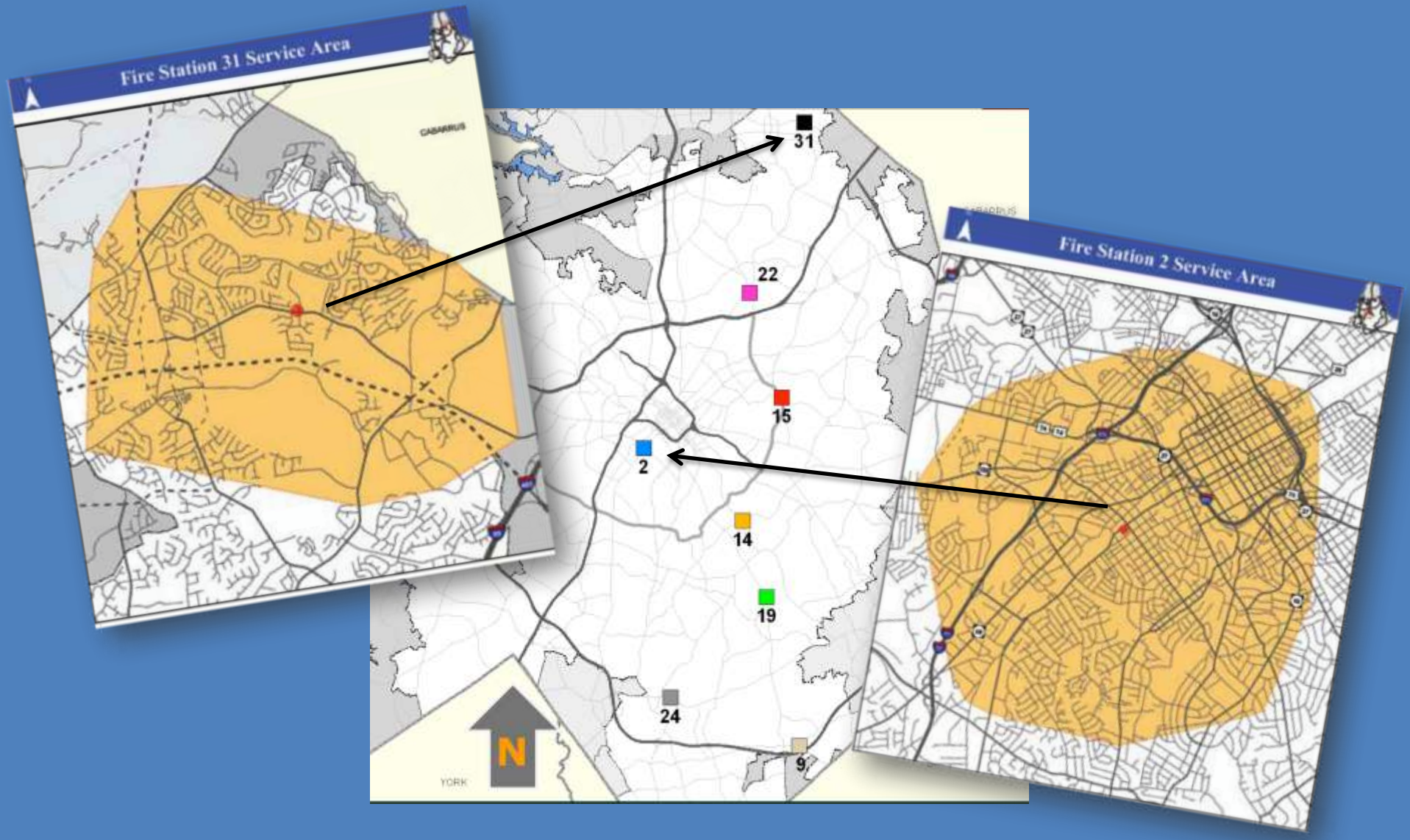
Development affects costs

Compact development offers efficiencies in delivering services as well.

– Police and fire departments have less area to cover.

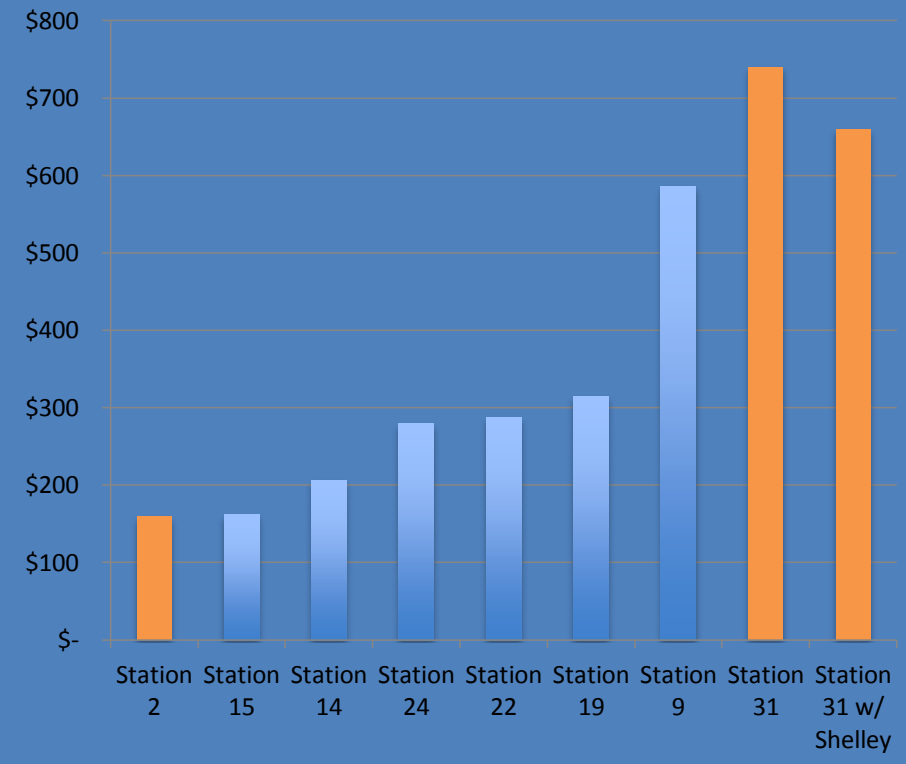
– Fewer miles of road to cover for trash pickup, school buses, and snow removal.

Development affects costs



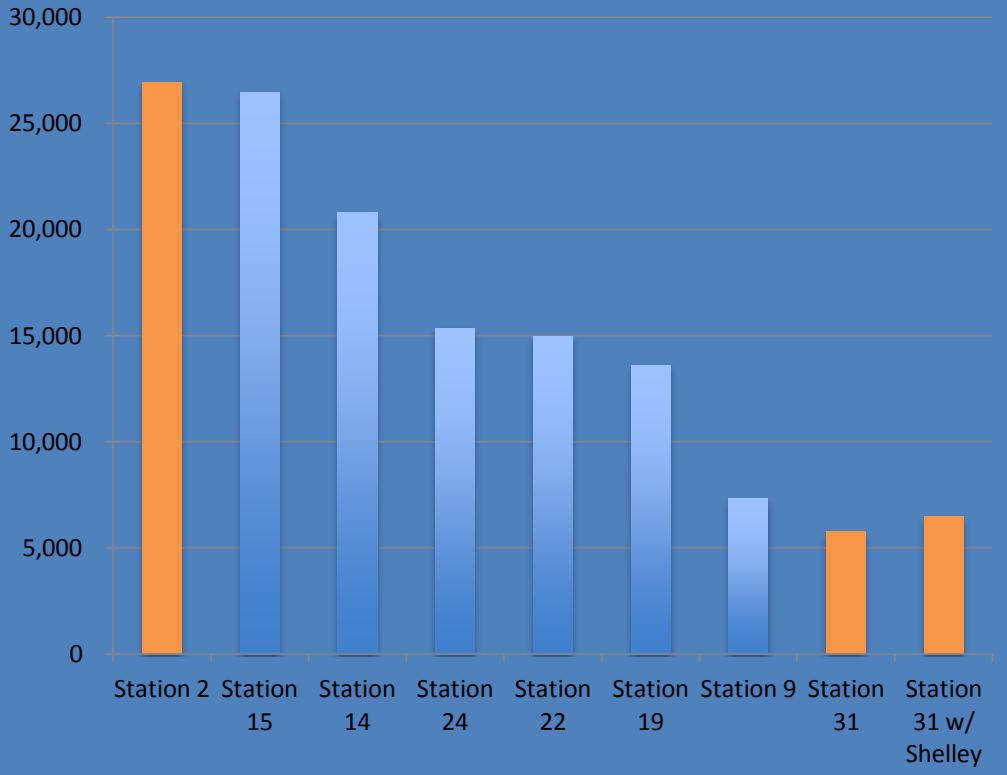
Development affects costs

Annualized Per-Capita Life Cycle Costs
(based on 2-apparatus station)



Greater Connectivity ←→ Less Connectivity

Households per Fire Station



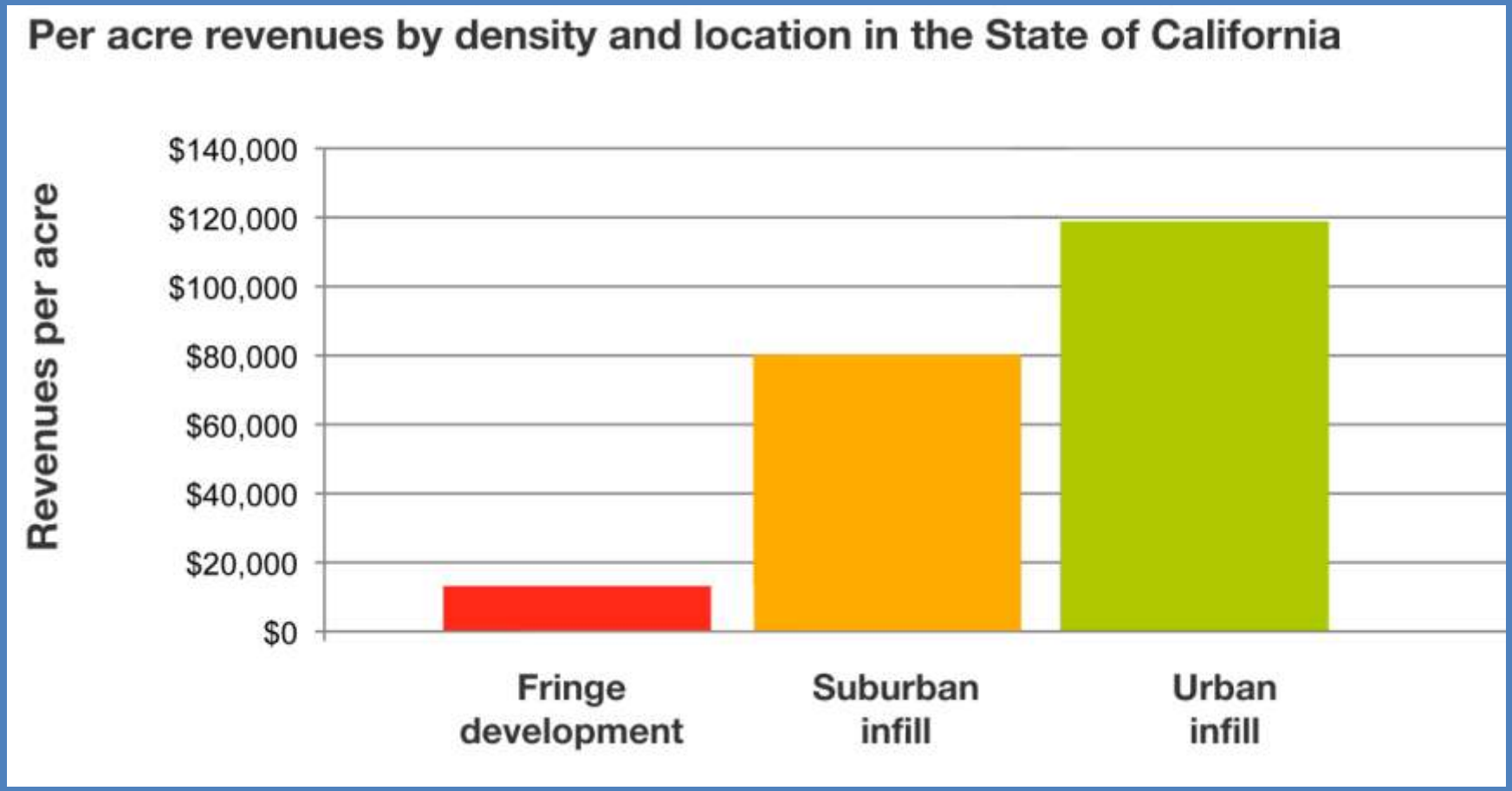
Greater Connectivity ←→ Less Connectivity

Development affects revenue

When it comes to revenue…

- Compact development is the best deal.
- Low-density suburban development generates much less per acre revenue.
- You can increase your property tax base significantly simply by bringing back areas that already exist

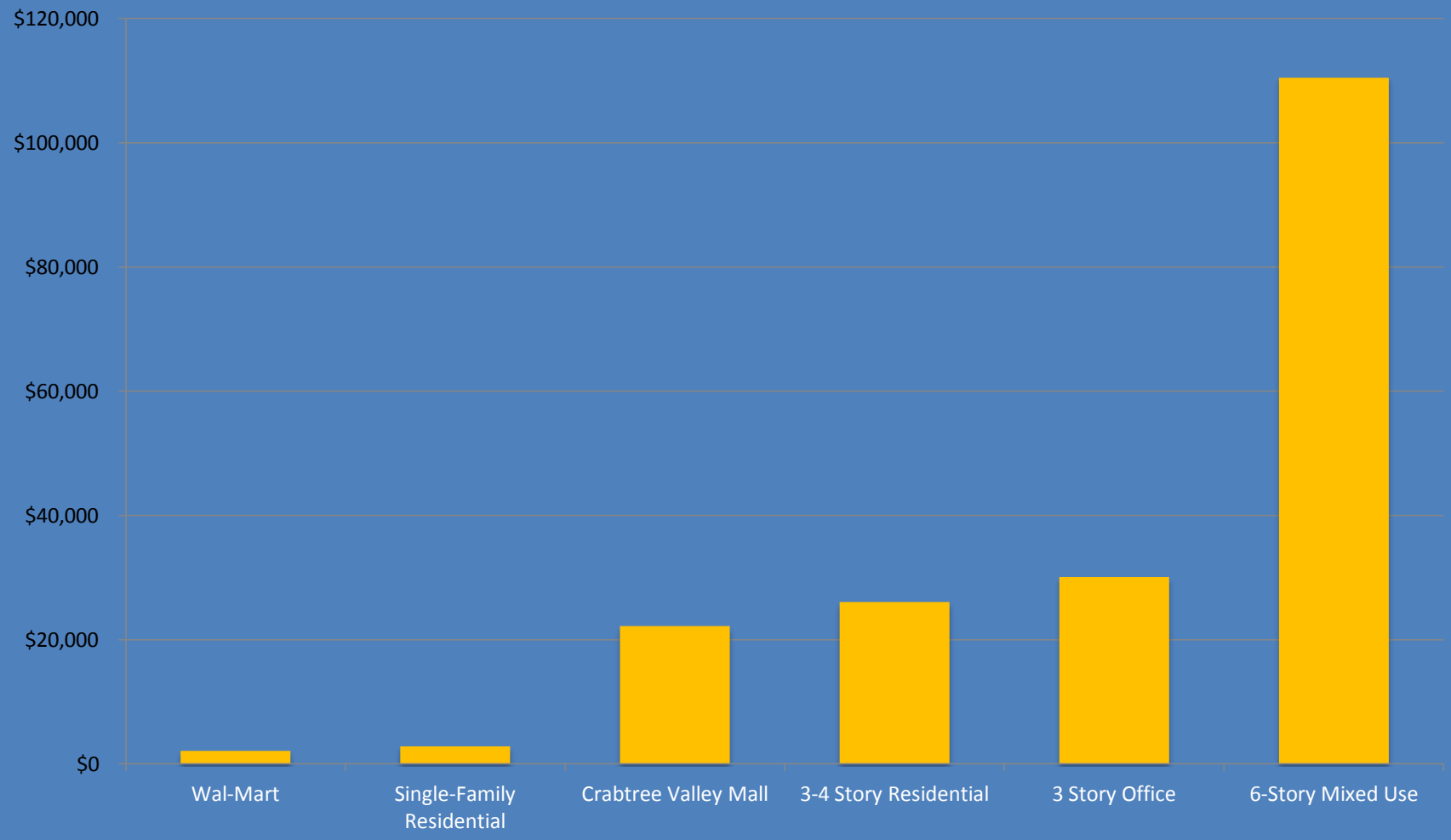
Development affects revenue



Multifamily housing in near an area's center can generate **nine times more revenue per acre** than traditional large-lot, single-family housing on the fringe.

Development affects revenue

Municipal property tax yield (per acre) 2011 Raleigh, NC

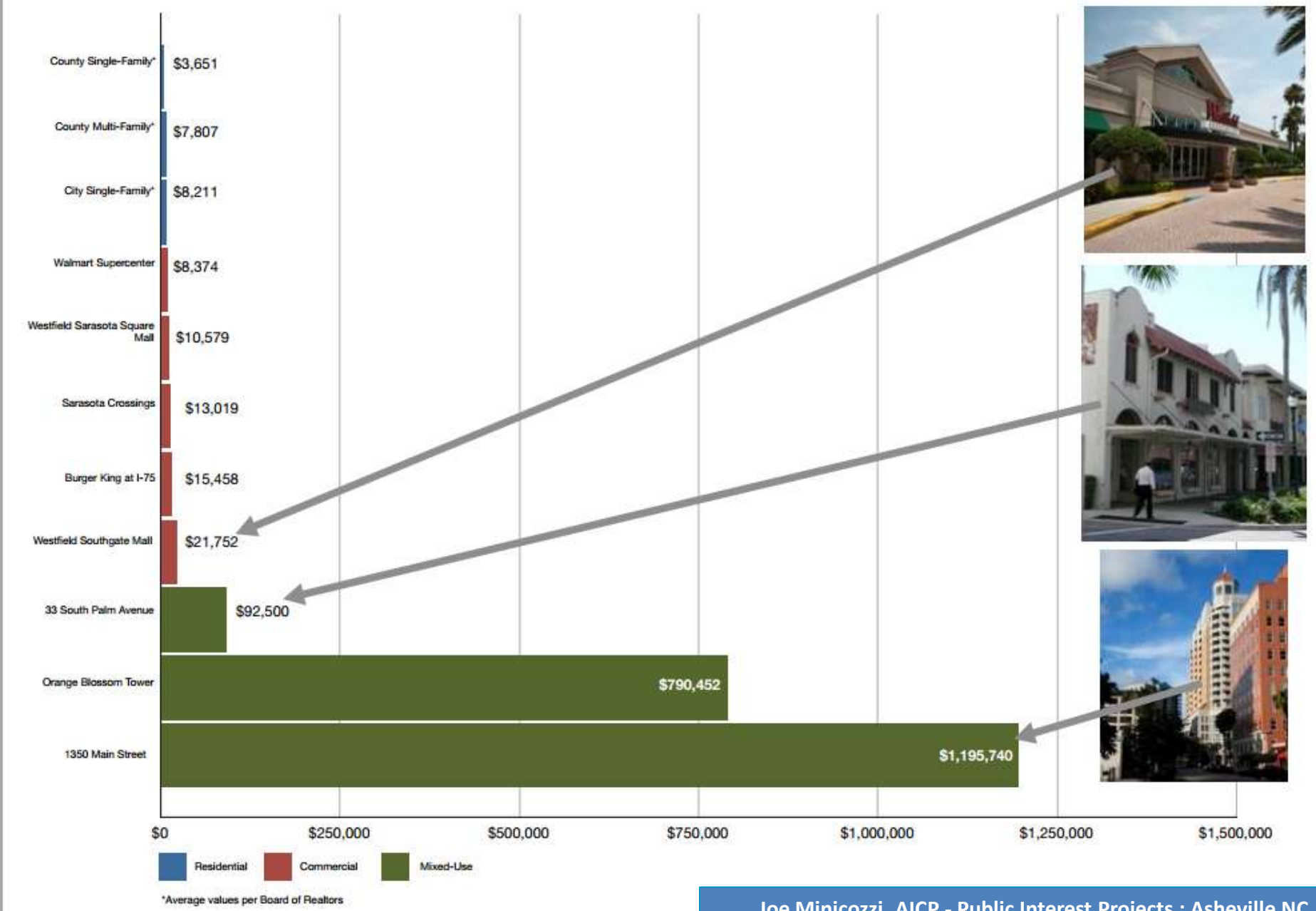


Public Interest Projects, Inc.
Joseph Minicozzi, AICP
Joem@pubintproj.com

Land Consumed (Acres):	**34.0**	**00.2**
Total Property Taxes/Acre:	**$ 6,500**	**$634,000**
City Retail Taxes/Acre:	**$ 47,500**	**$ 83,600**
Residents per Acre:	**0.0**	**90.0**
Jobs per Acre:	**5.9**	**73.7**

Joe Minicozzi, AICP - Public Interest Projects : Asheville NC

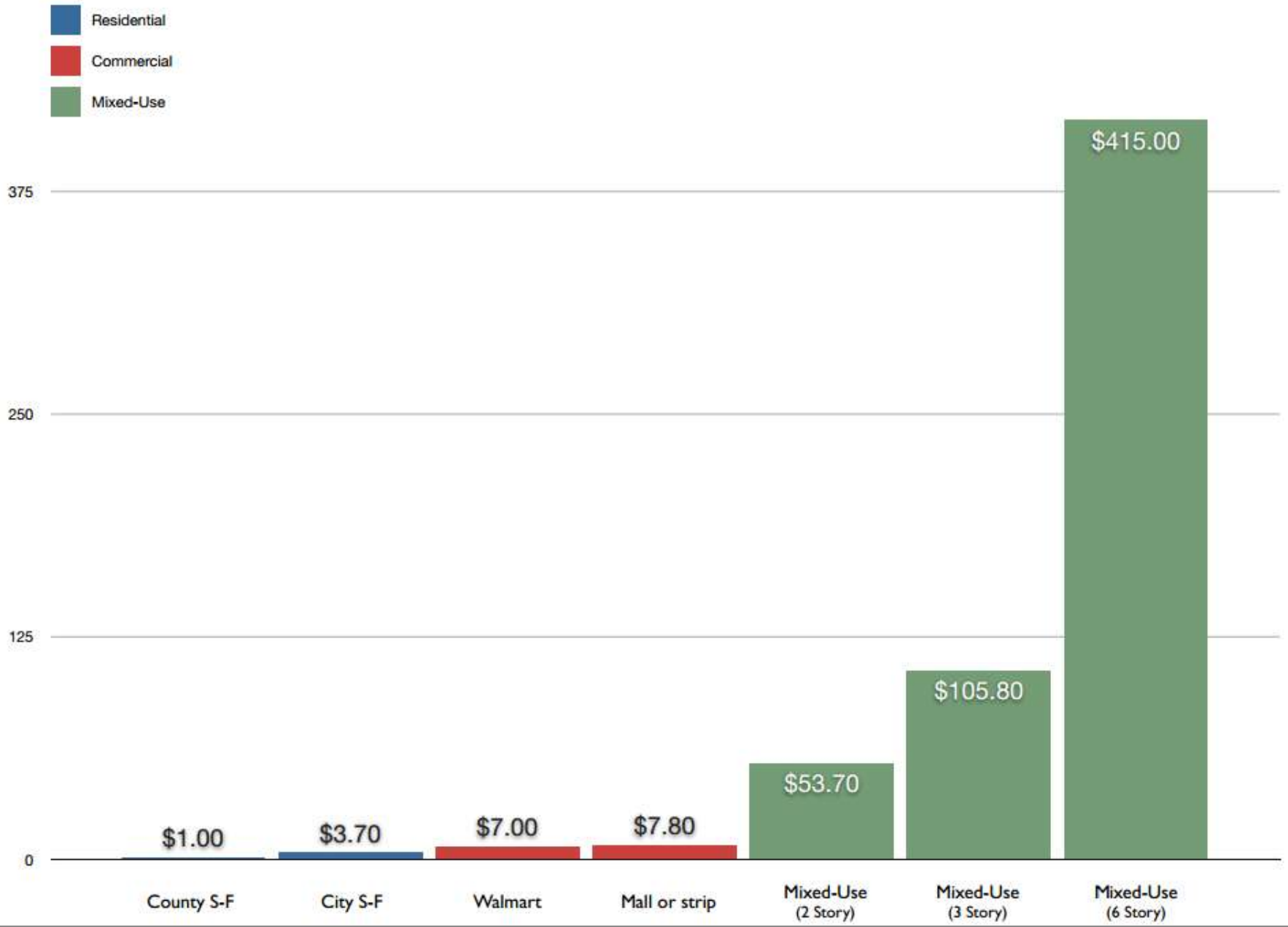
Sarasota County Property Tax Revenue Profile: 2008 Tax Yield per Acre



County Property Taxes/Acre

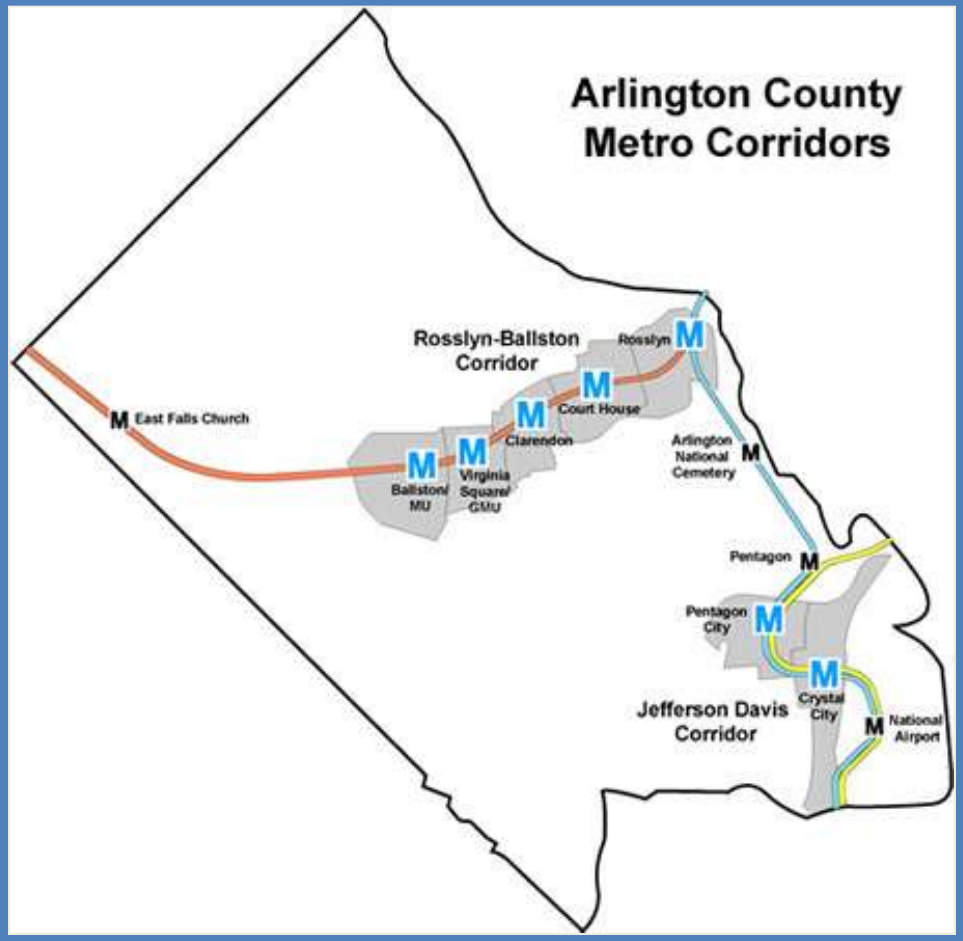
Ratio Difference of 15 City Sample Set

Urban3
Joseph Minicozzi, AICP



Arlington, Virginia

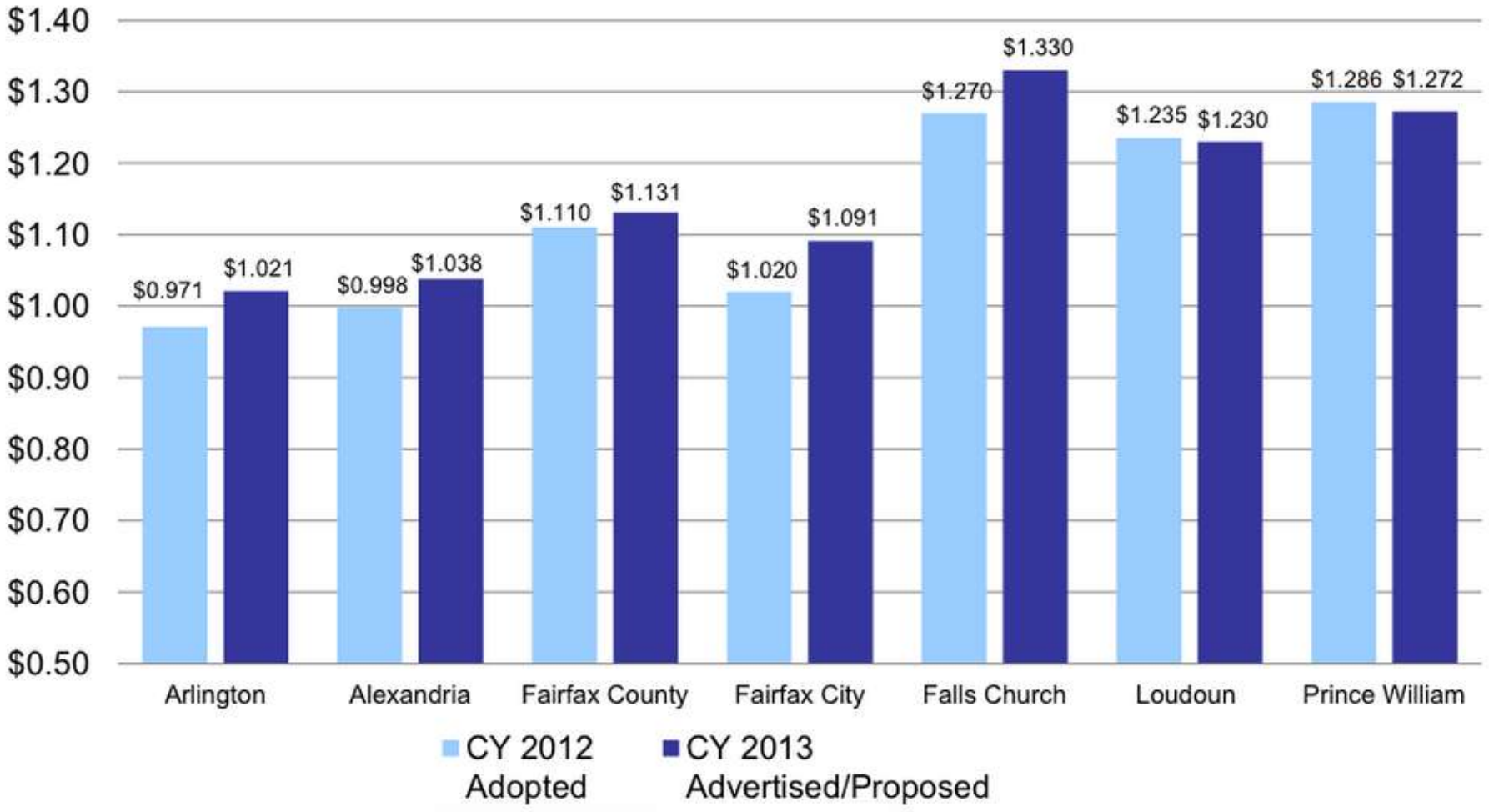
Focused development in two Metro corridors



- **About 10 % of the County's land area**
- **Generates about 50% of tax revenue**
- **Tax base:**
  49% commercial
  51% residential

Jurisdiction Tax Rate Comparison

Total Rate Applied to Residential Properties



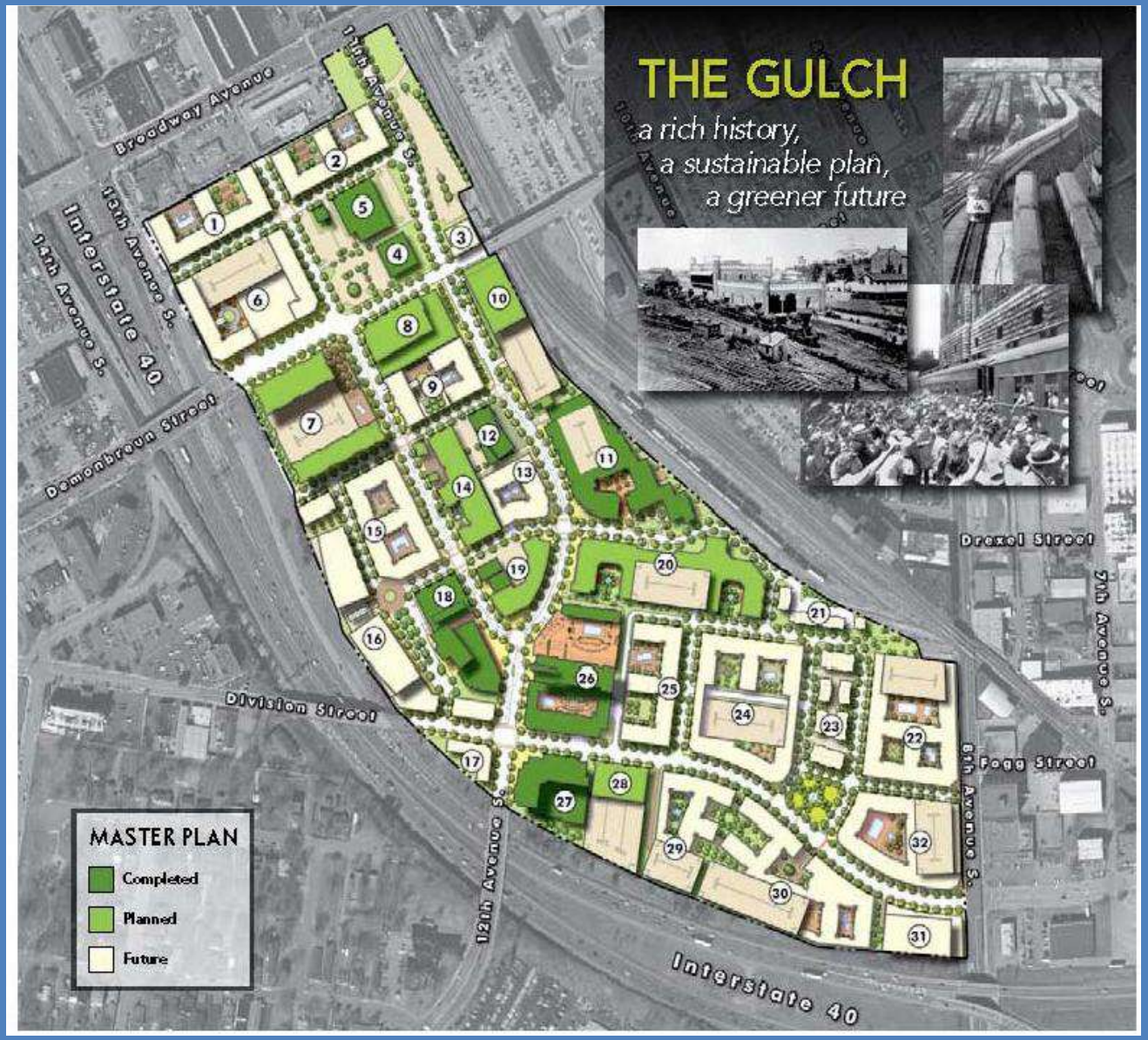
Nashville Case Study

- 3 development projects
  - *Bradford Hills (conventional suburban)*
  - *Lenox Village ("New Urban suburban")*
  - *The Gulch (smart growth)*
- Operating Costs only
  - *No infrastructure cost analysis*
- General Fund only

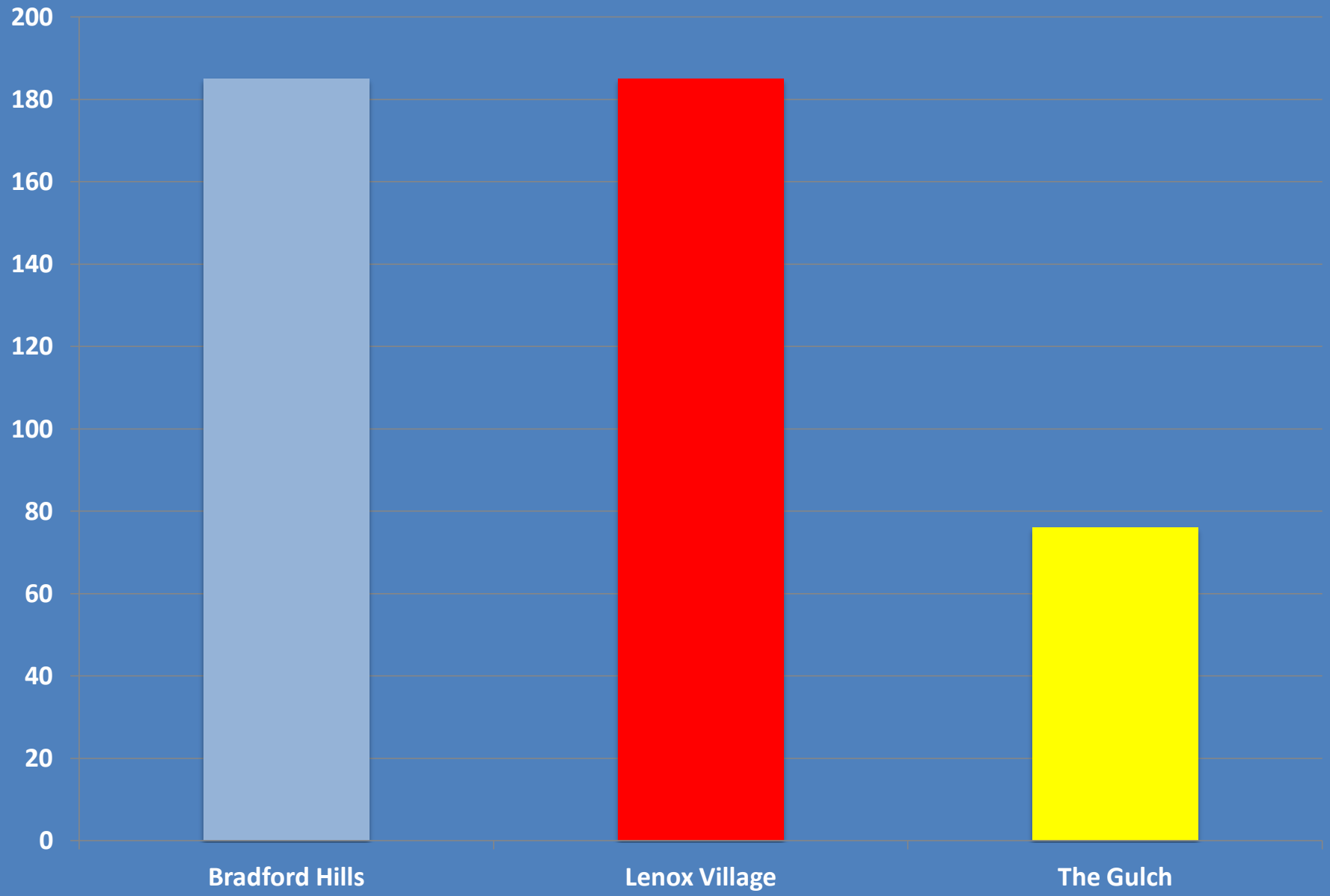
Bradford Hills (conventional suburban)

Lennox Village (“New Urban suburban”)

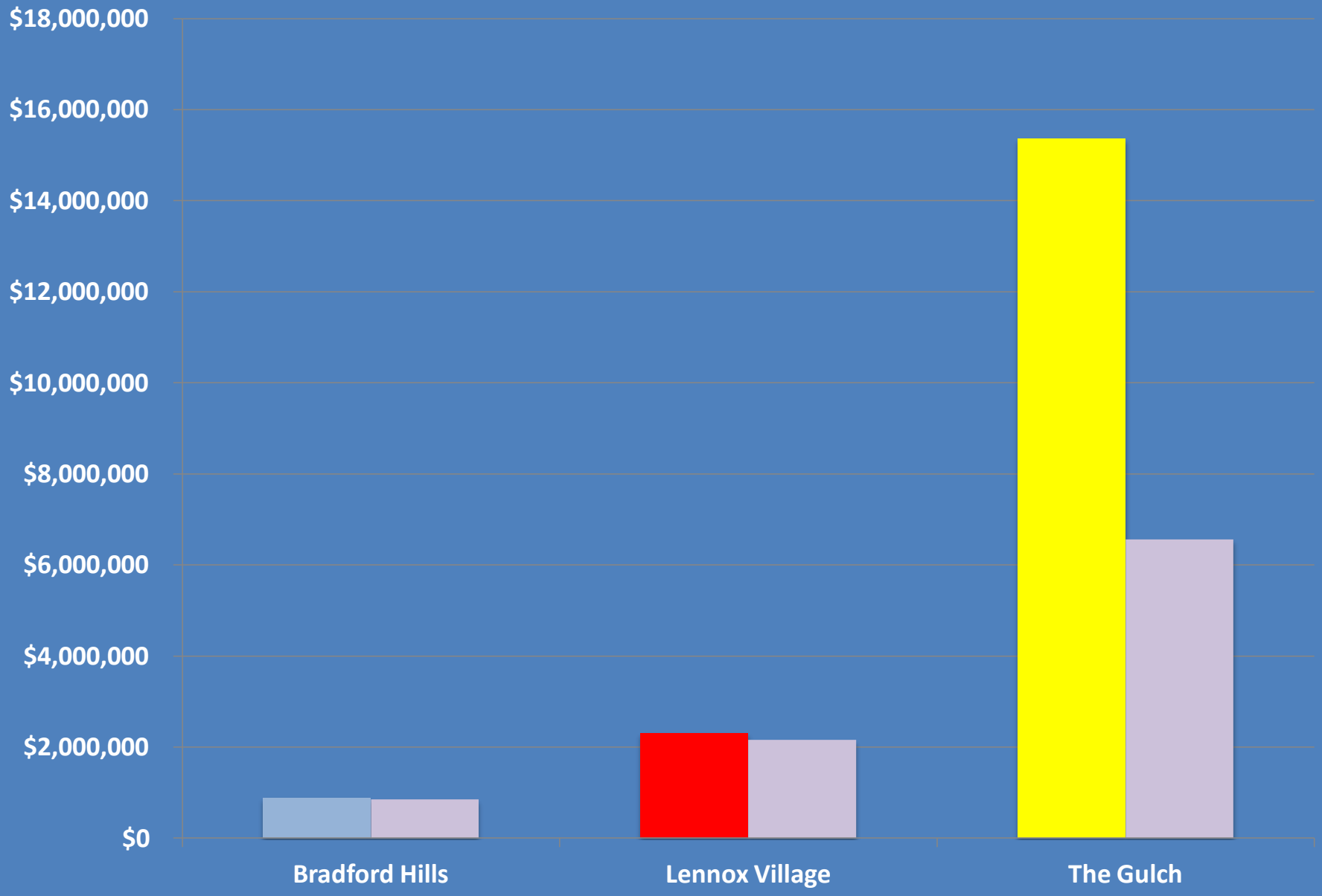
The Gulch (smart growth)



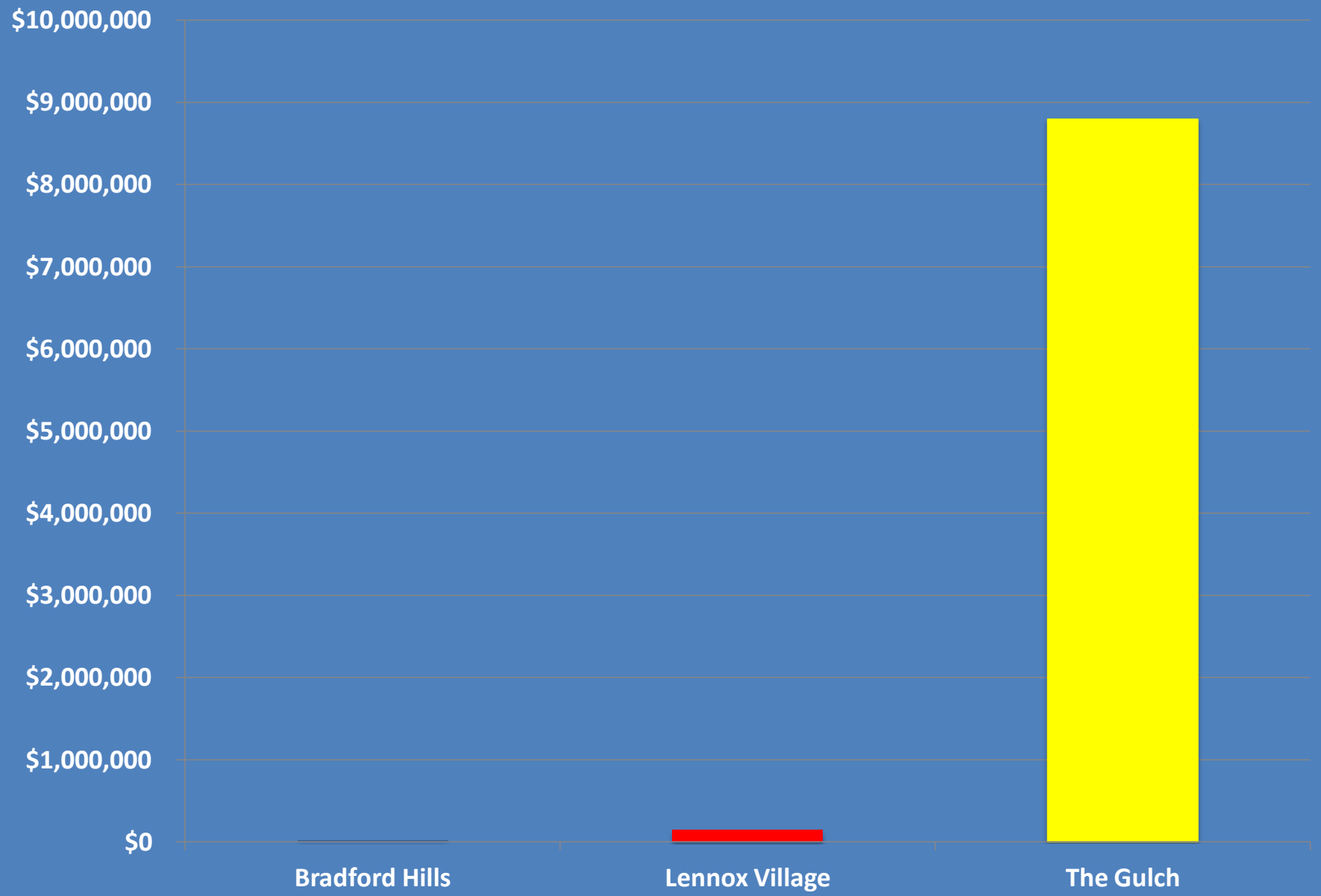
Project Acreage



Revenue and Cost



Net Revenue


$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Bradford Hills
Lennox Village
The Gulch

Bottom Line

1. Downtown and close-in neighborhoods will yield a much higher return

2. Village-style suburban development will yield a higher return

3. These surpluses can be used to offset costs of existing neighborhoods

4. When infrastructure is added to the mix, these trends probably become stronger

5. As Nashville-Davidson County runs low on developable land, these considerations become vastly more important.

To sum up:

"Compact development patterns and investment in projects to improve urban cores could save taxpayers money and improve overall regional economic performance"

M. Muro and R. Puentes,
Investing in a Better Future: A Review of the Fiscal and Competitive Advantages of Smarter Growth Development Patterns.
Washington, DC: The Brookings Institution, 2004.

Can your community afford the high cost of inefficient development patterns, while missing the rewards from smarter growth?

The big questions

- **How will your community meet the needs of millennials and aging boomers in order to improve your competitiveness?**
- **How can your community take advantage of the changing nature of the economy in order to create jobs and wealth?**
- **Can your community continue to subsidize inefficiencies of development patterns and not reap the potential reward?**

Thank you

John Robert Smith
Christopher Zimmerman

Smart Growth America
Making Neighborhoods Great Together

Questions?