Planning for Economic and Fiscal Health

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Planning for Economic and Fiscal Health

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.
Traditional town plan

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

Courtesy of Alex MacLean, Landslides
then came the automobile . . .

(and zoning, and the interstate highway program, and new federal programs for homebuilding, and new rules for capital depreciation . . . )
Sprawl

Fragmented land use with minimal connectivity

Courtesy of Walter Kulash, Glatting Jackson Kercher Anglin Lopez Rinehart.
Limited connectivity of the cul-de-sac
Sprawl
Land use and transportation decisions impact many things – including economic & fiscal performance.

*Land use policy is economic development policy.*
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.
Demographic change and the labor force
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
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.

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)
They seem to want urban living

It is a well-trodden trail: Suburban youngsters enter their early 20s, leave their parents’ comfortable Tudors or colonials for the pizzazz of the city, dawdle a few years until they find mates and begin having children and then, seeking more space and good public schools, move back to the suburbs and into their own Tudors or colonials.

But that pattern is changing, or at least shifting. A recent report on the suburb-dotted New York counties of Westchester, Nassau and Suffolk, based on United States census data, found that those young people seem to be lingering longer in New York City, sometimes forsaking suburban life.
Young Americans ditch the car

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

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 website Edmunds.
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., 58 units, under construction
4. 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.
5. The Market

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.”
“Americans Prefer to Live in Mixed-Use, Walkable Communities”

-- National Association of Realtors
(October 2013):

• 78 percent say neighborhood is more important than the size of the house

• Fifty-seven percent would forego a home with a larger yard if it meant a shorter commute to work

Source: Oct. 2013 Consumer survey conducted for the National Association of Realtors
“Americans Prefer to Live in Mixed-Use, Walkable Communities”

-- National Association of Realtors
(October 2013):

• 55 percent of respondents willing to forego a home with larger yard if it meant they could live within walking distance of schools, stores and restaurants as opposed to having larger yard and needing to drive to get to schools, stores and restaurants

Source: Oct. 2013 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
Preferences: Housing

Boomers are **downsizing**

- Increasing numbers, smaller households
- The number of senior households will grow twice as fast as all others over the next couple decades (A.C. Nelson)
Occupied Housing Demand-Supply Mismatch 2011

Source: Adapted from American Housing Survey 2011 by Arthur C. Nelson, University of Arizona.
2. The new recipe for economic growth
The 21st Century Economy

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

Venture investment tracks the geography of talent, especially the percentage of adults who are college grads and the creative class.”

Richard Florida, *Startup City: The Urban Shift in Venture Capital and High Technology*
March 2014
“One of the main factors businesses consider when deciding on where to relocate or expand is the available pool of college-educated workers. And that has cities competing for college-educated young adults.”

“And there’s one place this desired demographic, college-educated professionals between the ages of 25 and 34, tends to want to live: tight-knit urban neighborhoods that are close to work and have lots of entertainment and shopping options within an easy walk.”

* Downtowns: What's Behind America's Most Surprising Real Estate Boom – March 25, 2013
“The cities that capture the mobile, college-educated ‘young and restless’ are the ones who are most likely to revitalize their downtowns and accelerate economic progress in their cities”

-- Lee Fisher, President, CEOs for Cities.

* Downtowns: What's Behind America's Most Surprising Real Estate Boom – March 25, 2013
Compact development spurs economic productivity, especially in the “Innovation Economy”*

Doubling of employment density $\rightarrow$ 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.)
It’s not just big cities

217 small counties rank among the nation’s top “creative-class” counties. (Non-metro counties in the top 25% by share of civilian workforce.)

It’s not just big cities

**Shasta County**
Metro Status: Metro
Civilian Employed 2007-11 Pooled (number): 69,420
Creative 2007-11 Pooled (number): 16,375
**Creative 2007-11 Pooled (share): 23.6%**
Arts 2007-11 Pooled (number): 850
**Arts 2007-2011 Pooled (share): 1.2%**

Retail is changing, too
“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.’ "

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

The Canton Centre Mall in Canton, Ohio is boarded up and vacant.
From Seph Lawless, “Black Friday,” as reviewed in
Autopsy of America: Photos of dead shopping malls
By Aaron Smith  @AaronSmithCNN July 1, 2014
Economic benefits of walkability

Mounting evidence from all around the US
There is a price/value premium for walkable places
There is a price/value premium for walkable places
There is a price/value premium for walkable places (commercial)

“We find that, all else being equal, the benefits of walkability are capitalized into office, retail and industrial property values with more walkable sites commanding higher property values. On a 100 point scale, a 10 point increase in walkability increases property values by 1 to 9 percent, depending on property type.”

“More than just a pleasant amenity, the walkability of cities translates directly into increases in home values. Homes located in more walkable neighborhoods—those with a mix of common daily shopping and social destinations within a short distance—command a price premium over otherwise similar homes in less walkable areas. Houses with the above-average levels of walkability command a premium of about $4,000 to $34,000 over houses with just average levels of walkability in the typical metropolitan areas studied.”

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
Report finding:

From 1992-2000, roughly 13 percent of real estate investment in the region went into Current and Emerging ‘WalkUPs.’

From 2001-2008, that number doubled to 26 percent.

Since 2009, it more than doubled again, reaching 60 percent.
There is a price/value premium for walkable places

New study ranks the top 30 US metropolitan areas in walkability

Major findings:

• The top ranking metros have an average of 38% higher GDP per capita as compared to the low ranking metros.

• Office rent in urban WalkUPs rent at a 74% higher premium per square foot over drivable sub-urban areas.
There is a price/value premium for walkable places
Walmart Supercenter, an archetypal big box store, in Madison Heights, Virginia.

(from Wikipedia entry for “Big-box store”)
you are in a ferocious competition over place
Smart growth is part of an economic development strategy
3. The high cost of subsidizing inefficiency
How communities develop affects costs and revenue.
Development affects costs
Development affects costs

When it comes to costs:

– Compact development is the best deal.

– Low-density suburban development rarely pays for itself.

– It makes sense to reuse existing infrastructure.
Building Better Budgets
A National Examination of the Fiscal Benefits of Smart Growth Development

May 2013
FIGURE 1
Portion of local budgets influenced by land use choices, nationwide

- Capital
- Operations
- Not Geographically Sensitive

$525 Billion

$350 Billion

$175 Billion

Building Better Budgets
A National Examination of the Fiscal Benefits of Smart Growth Development

May 2013
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.
– Fewer miles of water and sewer pipes to maintain.
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
Road Length and Area per Capita Decreases as Density Increases

Samples from West Des Moines/Des Moines

Suburban Residential
- Residents: 2,228
- Employees: 262
- Total: 2,490
- Total Res. & Emp Per Acre: 10.33
- Total Road Length: 36,622
- Road Length per Capita: 14 ft.

Downtown Urban
- Residents: 1,609
- Employees: 27,940
- Total: 29,549
- Total Res. & Emp Per Acre: 306
- Total Road Length: 56,738
- Road Length per Capita: 1.9 ft.

NOTE: Chart shows road length only.
Road area per capita has a similar relationship to density.
Per Pupil Transportation Costs Decline as Pupil Density Increases

FY 2013 School Transportation Costs and Pupil Density by School District in Wisconsin

\[
y = -84.11 \ln(x) + 798.36
\]

\[R^2 = 0.8179\]

SOURCE: Wisconsin Dept. of Education

NOTE: Points represent average costs for districts within density categories
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.
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

- Wal-Mart
- Single-Family Residential
- Crabtree Valley Mall
- 3-4 Story Residential
- 3 Story Office
- 6-Story Mixed Use
<table>
<thead>
<tr>
<th></th>
<th>Asheville Wal Mart</th>
<th>Downtown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Consumed (Acres)</td>
<td>34.0</td>
<td>00.2</td>
</tr>
<tr>
<td>Total Property Taxes/Acre</td>
<td>$ 6,500</td>
<td>$634,000</td>
</tr>
<tr>
<td>City Retail Taxes/Acre</td>
<td>$ 47,500</td>
<td>$ 83,600</td>
</tr>
<tr>
<td>Residents per Acre</td>
<td>0.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Jobs per Acre</td>
<td>5.9</td>
<td>73.7</td>
</tr>
</tbody>
</table>
County Property Taxes/Acre

Ratio Difference of 15 City Sample Set

- Residential
- Commercial
- Mixed-Use

$415.00

$105.80

$53.70

$7.80

$7.00

$3.70

$1.00

City S-F

County S-F

Walmart

Mall or strip

Mixed-Use (2 Story)

Mixed-Use (3 Story)

Mixed-Use (6 Story)
$287k taxable on 0.06 Acres

$1.82M taxable on 15 acres

0.4 acres of the Denver Centre would equal one 15 acre Kmart in real estate value.
FIGURE 4
Capital infrastructure and annual operating costs for three development scenarios in Natrona County, WY

![Bar chart showing costs for Ranchette, Rural exurban, and Metro infill scenarios. Costs are in millions of dollars.](chart.png)
FIGURE 5
Percent of operations and capital costs covered by housing unit revenue contributions

Scenarios

Ranchette  |  18%  |  25%
Rural exurban  |  23%  |  31%
Metro infill  |  80%  |  90%

Percent of costs covered
to sum up:

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

The “Sprawl Index”

Measuring Sprawl:
The relationship between metropolitan development and Americans’ prosperity, health and quality of life

Reid Ewing et al., University of Utah Metropolitan Research Center National Institutes of Health Ford Foundation
The “Sprawl Index”

2010 Census data
221 MSAs
994 Counties
Population of at least 200,000

Ranked according to their relative compactness and connectivity, versus sprawl
Major Findings

How we develop is connected to our health, our household costs, our transportation choices and our ability to move up the economic ladder.
Major Findings

People in compact, connected areas have greater upward economic mobility than their peers in sprawling areas.
Major Findings

People in more compact, connected metro areas spend less on the combined expenses of housing and transportation.
Major Findings

People in more compact, connected areas have longer, healthier, safer lives.

- They tend to live longer
- There are fewer fatal crashes
- They have a lower Body Mass Index (BMI)
How we develop is connected to our health, our household costs, our transportation choices and our ability to move up the economic ladder.

- Some development costs more, for taxpayers and consumers.

Some costs less.
Thank you

Christopher Zimmerman

Smart Growth America
Making Neighborhoods Great Together
Questions?