Planning for Economic and Fiscal Health

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• Local Leaders Council
• Governors Institute on Community Design
  • National Complete Streets Coalition
  • Transportation for America
    • LOCUS
• 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
Traditional town plan

- Mixed-use
- Compact
- Buildings of several stories
- Blocks with multiple building types
- Street grid
... the automobile era begins...
... and a new American dream...
... although, the dream looked more like this...
... than this...
Traditional town plan

- Mixed-use
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- Street grid

Courtesy of Alex MacLean, Landslides
Sprawl
Sprawl
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. It’s getting harder 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.

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

Suburbs Try to Prevent an Exodus as Young Adults Move to Cities and Stay

By JOSEPH BERGER  APRIL 16, 2014

It is a well-trodden trail: Suburban youngsters enter their early 20s, leave their parents’ comfortable Tudors or colonials for the pizazz 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.
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 Modera, 173 W. Wisconsin Ave., 196 units, under construction

"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
“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.”
“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.
High tech startups taking an urban turn.

“high tech development, startup activity, and venture investment have recently begun to shift to urban centers and also to close-in, mixed-use, transit-oriented walkable suburbs.”

“... San Francisco proper now attracts a larger volume of venture capital investment than Silicon Valley.”

Richard Florida, *Startup City: The Urban Shift in Venture Capital and High Technology*  
March 2014
“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
“For today's top talent, the job market is only one thing to consider when choosing where to live. They also want a vibrant city, a creative place where they can network with other smart people, and a dynamic place where they can find their next job.”

-- LEE CHILCOTE | TUESDAY, JUNE 10, 2014
http://www.elevationdcmedia.com
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.)
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.

 inhibitor Eckhart

“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
From Seph Lawless, “Black Friday,” as reviewed in
Autopsy of America: Photos of dead shopping malls
By Aaron Smith  @AaronSmithCNN July 1, 2014
‘Walmart Supercenter, an archetypal big box store, in Madison Heights, Virginia.’
(from Wikipedia entry for “Big-box store”)
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.
To sum up:

- Cities, towns, and 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**
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.
3. The high cost of subsidizing inefficiency
How communities develop affects costs and revenue.
Municipal budgets

A large portion of municipal budgets go to infrastructure and services.

– building and maintaining roads, bridges, sewer and water lines, etc
– providing fire and police services, trash removal, paratransit, school buses, etc

In addition to infrastructure, there are costs of operations and maintenance.
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.
Building Better Budgets
A National Examination of the Fiscal Benefits of Smart Growth Development

May 2013

Savings on infrastructure: 38%
Savings on services: 10%
Revenue generated: 10x
FIGURE 1
Portion of local budgets influenced by land use choices, nationwide

- Capital
- Operations
- Not Geographically Sensitive

- $525 Billion
- $175 Billion
- $350 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
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)
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 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?
Questions?