Technical Assistance for Sustainable Communities:
Building Blocks

Technical Assistance Tool: Planning for Fiscal and Economic Health
Indianapolis

To: Brad Beaubien, Department of Metropolitan Development, City of Indianapolis
From: Christopher Zimmerman and John Robert Smith, Smart Growth America
Date: July 17, 2014
Re: Report and Suggested Next Steps

Introduction: Purpose of this Memo

Pursuant to our technical assistance award with the Indianapolis Department of Metropolitan Development, this Memorandum constitutes our final report summarizing the workshop on Planning for Fiscal and Economic Health and suggesting some possible next steps to support implementation of the Plan 2020 planning initiative.

On June 11 and 12, 2014 Smart Growth America provided assistance under the Planning for Fiscal and Economic Health tool, supported by a grant from the US EPA’s Building Blocks for Sustainable Communities Program. A Technical Assistance Workshop was conducted in conjunction with Department of Metropolitan Development, which involved presentations Wednesday evening and Thursday, as well as the facilitation of a “brainstorming” session and discussion of issues and alternatives with the invited group.

The workshop brought together a wide range of local government professional staff and private sector representatives including the real estate community, local residents, and the non-profit community. (In a separate meeting, we conferred with Mayor Ballard and senior members of his Administration, including Metropolitan Development Director Adam Thies.)

The Planning for Fiscal and Economic Health presentations provided an overview of the fiscal and economic impacts of different development patterns, focusing on the differences between sprawling patterns and more compact “smart growth” patterns. The two-day program facilitated the engagement of community stakeholders around the ways in which smart growth approaches can make the municipality more competitive and reduce taxpayer burdens.

The intent of the workshop was neither for Smart Growth America to create a plan nor bind the community to any particular course of action, but to assist community efforts to create a more vibrant, successful region, consistent with the goals of their planning initiative, Plan 2020: The Bicentennial Plan for Indianapolis.

Background – Context for the Technical Assistance Workshop

The context within which this technical assistance was provided is the launch of the Plan 2020 initiative, a comprehensive effort to update and integrate six major planning documents, and to provide visionary and strategic direction for the city. This technical assistance was intended
specifically to support the employment and public finance components of the strategy.

A major aim of the technical assistance was to facilitate thinking about strategies that might help to energize appropriate redevelopment activity and foster the realization of the intended vision. The “Planning for Fiscal and Economic Health” workshop sets the stage by presenting information about factors driving economic change across the nation.

**Smart Growth and Fiscal and Economic Health**

Communities around the nation are always concerned about their fiscal and economic health. By *fiscal* health, we mean a local government’s bottom line: Does the life-cycle cost of new development – upfront infrastructure, ongoing service provision and eventual repair and maintenance – cost more to the town than it brings in tax revenue? By *economic* health, we mean the general economic well-being of the community: How does new growth and development add to or detract from the creation of jobs, wealth, retail sales, economic competitiveness and fiscal sustainability?

In approaching these questions in Indianapolis, as in any area of the country today, it is important to bear three trends in mind:

**1. Our nation’s demographics are changing in a way that is profoundly affecting the housing market.**

Demographic trends are moving the housing market strongly away from conventional suburban housing. The two biggest demographic groups in the nation (and in Indianapolis) – retiring Baby Boomers and so-called Millennials (18-30-year-olds) are both expressing a strong preference for a more walkable, urban/village lifestyle. Indeed, a growing percentage of Millennials prefer to live without cars altogether or to live a “car-lite” lifestyle. The vast majority of net new households being formed have no children at home, and most of them are one and two-person households – which are much more likely to prefer a walking lifestyle. Furthermore, the number of vehicle miles traveled (VMT) has fallen below population growth, while the demand for public transportation has been rising steadily. These trends are a complete departure from those experienced for decades in the 20th century.

As the analysis presented by DMD at the workshop shows, these national trends apply equally in the Indianapolis area. For example:

- As shown by US Census data, in 1950 78 percent of households in the region were married couples, 43 percent married couples with children; by 2010, those shares had fallen to 48 percent and 20 percent, respectively.
- From 1990 to 2000 69 percent of household growth in the region was composed of 1-2 person and 3 person “non-family” households; from 2000 to 2010 this share grew to 90 percent.
- According to the MIBOR 2012 Central Indiana Consumer Preference Survey, “57% favor neighborhood over home size in deciding where to live.”

**2. The formula for economic growth is changing.**

Business growth used to be driven by large corporations that operated in a fashion that was both
private and linear. In the past, new research breakthroughs occurred in sealed research laboratories controlled by the companies. Manufacturing and other business processes occurred in assembly-line situations. These conditions led to communities that featured large, sealed-off campuses and tended to be linear in their arrangements.

Today, business growth is driven by collaboration among many types of entities – private companies, research institutions, universities, and others – that must interact frequently and work together creatively. This trend requires cities and communities that encourage interaction and collaboration – the opposite of the older model just described. How communities are designed directly impacts their ability to create interactive and collaborative environments.

Most significantly, the “Knowledge Economy” depends heavily on skilled workers. The companies that are driving innovation are pursuing highly educated talent, especially among the ‘Millennial’ generation. Increasingly, companies find it necessary to locate in places that the work force wants to live in; and this means walkable communities.

Similarly, the market for retail is changing. The suburban shopping malls and “power centers” that thrived for decades are struggling as a result of oversupply, and a shift in preferences. With online buying playing a bigger role for consumers (especially for bargain hunters), many are looking for a more “authentic” experience when they shop in person. This is bringing new value to traditional walkable Main Streets.

In Indianapolis, evidence of this trend may be found in the growth and vibrancy of places like Broad Ripple, Mass Ave, Fountain Square, and Irvington, as well as new places like City Center in Carmel and the Nickel Plate District in Fishers.

3. Suburban development patterns are making it more difficult for local governments to balance their budgets.

Suburban development patterns require extensive investments in capital infrastructure and ongoing service delivery. Low-density development requires more infrastructure to serve fewer people and requires service providers such as firefighters and school buses to travel farther. More compact development patterns reduce both life-cycle infrastructure costs and operating costs.

A 2013 study by Smart Growth America, Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development, concluded that, compared to conventional suburban development, smart growth patterns can save up to one-third in upfront infrastructure cost and 10% annually in ongoing operating expenses. Smart growth development patterns can generate approximately 10 times more revenue on a per-acre basis.

Not all of these trends will be completely relevant in every situation. But it is important to bear all three in mind in considering the fiscal and economic health of any community.

Participant viewpoints – Realizing the Vision

These concepts were elaborated upon in the presentation portion of the workshop, which was followed by a general discussion session among all participants and the identification of a number of issues or themes bearing on the realization of a regional vision. The purpose was not to establish consensus on a specific plan, but to focus thinking by identifying obstacles and promising
possibilities.

Major themes

Participants engaged in a robust dialogue, and offered their thoughts on opportunities and obstacles that may impede progress in the region. Themes issues raised by participants in the discussion:

- Income tax geography. Indianapolis is more dependent on income tax than most local governments in the nation, especially with the limits on property tax. Income taxes are paid to the community of residence. The movement of high-income wage earners to surrounding jurisdictions is thus a matter of serious fiscal consequence.

- School quality. Concerns about school quality promote movement out of the city.

- Inadequate funding for transit.

- Public safety (perception and reality).

- Regional vision, planning, and governance. The ‘political challenge of prioritization’ and the need to better coordinate among various governmental units in the region.

- Approval processes that don’t foster consensus-building, giving outsized influence to ‘gadflies,’ making it difficult to ‘do the right thing.’

- Planning and vision for areas outside the downtown core.

- Maintaining continuity with visions through political changes.

- Capacity of developers to do non-greenfield construction/redevelopment/renovation.

- Insufficient understanding of key issues, regional imperatives among the public and many elected officials.

Recommendations – moving forward.

The Indianapolis area has made a good start in preparing for a prosperous and sustainable future with the work that has been done in launching Plan 2020. The challenge now is to move to implementation by taking strategic steps that can put the region on the road to success. The recommendations that follow are based on the discussions that occurred during the June 12 workshop and discussion:

1. IndyRezone is a critical first step; city planning and resource allocation must reinforce one another. Development patterns need to be adapted to changing market realities. Under the older zoning rules, very low-density, single-use districts have proliferated, at this point hindering public finance and the ability of the City/County to deliver quality public services, impeding the ability to improve the transit system, and are misaligned with the demands of future demographics.
2. Continue to invest in downtown and the limited number of mixed-use villages Marion County currently has (a “build on strengths” strategy), while simultaneously developing strategies to add “hearts" to suburban areas and retrofitting the amenities and places that are in demand (an “address weaknesses” strategy). Because of UniGov, “Indianapolis” encompasses much of its own suburban areas. The “township suburbs” are competing with newer product in the adjacent county suburbs, but may lack the quality of life amenities provided in new developments.

3. Revisit regionalism in the Central Indiana context. Indianapolis was at the forefront with UniGov four decades ago, but a lot has happened since then. Public finance mechanisms, governance models, and planning systems may need to evolve to accommodate the realities and implications of a multi-county region. This could include discussion on the sustainability of the existing regional mismatch between supply and demand for single-family homes that depress property values (and derived property taxes) and impede equity building by residents.

4. Double-down on improving transit service. This means aligning planning, infrastructure investments, incentives, and other policies. It also means committing to sufficient density in the appropriate locations in order to build and sustain a transit system, which in turn implies vigorous community discussion about land use.

5. Explore ways to connect land use planning with public finance. A useful step might be to obtain a fiscal impact analysis of alternative development scenarios by participating in an SGA research project currently under way. This study, being conducted by SGA under the HUD Capacity Building for Sustainable Communities program, will shed light on the effect of development patterns on local government costs and revenues. The resulting information will be directly relevant to communities throughout the region, as they assess the benefits of aligning their own development plans with the goals of the regional vision.
Notes:


“Why urban demographers are right about the trend toward downtowns and walkable suburbs,” Kaid Benfield, bettercities.net, February 28, 2014.


iii The full report can be downloaded at http://www.smartgrowthamerica.org/building-better-budgets.