Planning for Economic and Fiscal Health

Christopher Zimmerman
Vice President for Economic Development

Cheyenne, Wyoming
April 22, 2015
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
. . . 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.*
Sprawl
Sprawl

From: http://dilemma-x.net/2012/11/10/research-triangle-park-unveils-new-master-plan/
Sprawl
Sprawl
Cleveland: Same Population

1950: 1,389,582

2002: 1,393,978
Cleveland: Same Population

1950: 1,389,582

2002: 1,393,978

Source: TTI

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Land use and transportation policies drive the pattern of development.

The pattern of development impacts the economic and fiscal well-being of our communities.
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The pattern of development impacts the economic and fiscal well-being of our communities.

*The demographic and economic fundamentals have shifted.*
1. The changing market:
The demographic transition
The 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

The Changing Market

Greatest Generation
Baby Boomers
Gen X
Millenials
American households are changing

Households with and without children, 1960-2025
Demographic change means preferences change.

And the market follows.
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 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 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.
They want experiences more than things.

Millennials’ tendency to rent instead of buy is turning the retail industry upside down.
And they don't seem to want cars

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 site 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: Housing choices

They also want more 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 Century, corner of N. Sixth St. and E. Brady St., 99 units, second phase
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 Mark, 1200 N. Fifth St., 70 units, under construction

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
Marketing to Millennials

Real estate selling reflects the new market reality

• *emphasizes high tech, social amenities, and*

• *pitches what’s outside as much as inside*
THE APARTMENTS: SMART PLANS & COOL FINISHES

Floor plans are perfectly sized for a busy lifestyle, and deliver both function and flair with stylish kitchen and bathroom finishes. When you want a change of scenery, step into the large outdoor room created by the courtyard to extend your living space.

VIEW FLOOR PLANS ➔

SCHEDULE A TOUR

There’s no better way to understand the apartments. Visit us today and take part in the experience.

SERVICES

PerSei keeps you connected with technology, services and programs that bring the world and helpful services to your door.

LOCAL SIDEWALK SCENE

The neighborhood streets and sidewalks feature an exciting range of restaurants, shops and entertainment venues.
SCHEDULE A TOUR
There's no better way to understand the apartments. Visit us today and take part in the experience.

SERVICES
ParSei keeps you connected with technology, services and programs that bring the world and helpful services to your door.

LOCAL SIDEWALK SCENE
The neighborhood streets and sidewalks feature an exciting range of restaurants, shops and entertainment venues.

FARM MARKET
A weekly offsite food festival featuring fresh local produce and outdoor entertainment.

SOCIAL & ACTIVE
Whether lounging poolside, tasting wines, nesting by the fire or hitting the bike trails, ParSei places you in the mix.

IPIC THEATER
The ultimate movie experience that blends food, drink and exceptionally comfortable seating – just across the street.
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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.
It’s not just big metropolitan areas, but small towns too

“The same demographic and market trends that are driving a return to big cities can also boost the prospects of smaller cities and towns surrounded by suburbs and countryside.”

-- Robert Steuteville, *Small cities and towns are urban places, too* - Better! Cities & Towns
“. . . Many of the same forces fueling Washington’s renaissance are driving a small-city boom regionally and nationally. ”

“The same demographic and market trends that are driving a return to big cities can also boost the prospects of smaller cities and towns surrounded by suburbs and countryside.”

-- Robert Steuteville, Small cities and towns are urban places, too - Better! Cities & Towns
“About 10 percent of Americans would like to live in mixed-use small towns, but don't.” -- Robert Steuteville

The Other Walkable Urban Trend
2. The changing market:
The new recipe for economic growth
Economic growth

20th century vs. 21st century

- ‘Big game hunting’ vs. ‘Economic gardening’
- Chasing smokestacks vs. Chasing talent
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.”
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 office parks to downtown locations.
Businesses respond to changing preferences

Forget big suburban campuses, innovative corporations are moving downtown

By Greg Clark and Bruce Katz | May 22, 2014

Greg Clark is a non-resident senior fellow at the Metropolitan Policy Program at the Brookings Institution and advisor to the OECD, World Bank and global firms on city strategy.

Bruce Katz is a vice president at the Brookings Institution and founding director of its Metropolitan Policy Program.

(SGA research: > 100 cases in two dozen metropolitan areas)
“Livable cities draw creative people, and creative people spawn jobs.”

(Wired, “Small Cities Feed the Knowledge Economy”, Adam Davidson, May 31, 2011.)
“Richard Florida's *Rise of the Creative Class* makes a compelling argument that urban development now depends on novel combinations of knowledge and ideas, that certain occupations specialize in this task, that people in these occupations are drawn to areas providing a high quality of life, and that the essential development strategy is to create an environment that attracts and retains these workers. While developed with urban areas in mind, this thesis may be particularly relevant in rural areas, which lose much of their young talent as high school graduates leave for college, the armed forces, or ‘city lights.’”

**It’s not just big cities**

United States Department of Agriculture
Economic Research Service

**CREATIVE CLASS COUNTY CODES**

*using data from the pooled 2007-11 American Community Survey, U.S. Census Bureau.*

Conway, Arkansas
3 tech firms to add 140 jobs in Conway

By ArkansasOnline
This article was originally published January 29, 2015 at 10:48 a.m. Updated January 29, 2015 at 10:57 a.m.

Three technology companies announced Thursday that they will add locations in downtown Conway, spending a total $2.5 million and creating a combined 140 new jobs.

The companies are: Metova Inc., a mobile-app development company founded in Franklin, Tenn.; Atlanta-based Big Cloud Analytics, a predictive analytics software company; and Eyenalyze, a Conway-based company that develops software for use in the food service sector, the Arkansas Economic Development Commission said in a statement.

Gov. Asa Hutchinson joined Conway officials and representatives from Metova, Big Cloud Analytics and Eyenalyze to make the announcement in downtown Conway.
Retail is changing, too
From Seph Lawless, “Black Friday,” as reviewed in
*Autopsy of America: Photos of dead shopping malls*
By Aaron Smith  @AaronSmithCNN July 1, 2014
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 vacant spaces, America's shopping malls are dying a slow, ugly death.

‘...we haven't built a major enclosed mall since 2006.’
Walmart with housing, Washington, DC.

Walmart Neighborhood Market in Chicago’s Loop.

Photo: Planner’s Web, Edward T. McMahon

photo by Eric Allix Rogers, Flickr Creative Commons license.
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 (residential)

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 (commercial)

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
There is a price/value premium for walkable places

2014 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.
Research Triangle Park unveils new master plan

Research Triangle Park leaders announced that Hines, an international real estate firm with a U.S. headquarters in Houston, has been selected to support the redevelopment plan of the Triangle’s business park.

RALEIGH (WTVD) — The Research Triangle Foundation, which manages Research Triangle Park, announced a new master plan for the park Friday. Officials said the plan gives RTP a more urban design that’s intended to “attract a new generation of entrepreneurs and creative employees.”

“Companies and employees today want an environment and an experience that encourages collaboration and creativity. Our new Master Plan is designed to do just that,” offered Bob Geolas, President and CEO of the Research Triangle Foundation in a statement. The new master plan calls for a transformation of the Park’s 7,000 acres into an innovative design that is more sustainable than the current model, according to officials.

It addresses access and land use issues and proposes adding more housing and shops, along with links to future transit.

“Fifty-five years ago, the Research Triangle Park transformed the economy of North Carolina. Now we’re poised to do it again — pointing the state toward a brighter future with a redevelopment we call Park Center.

...the first redevelopment in RTP’s long and storied history. It will bring to the Park, for the first time ever, an array of eateries, retail, recreation and entertainment. There will be places for people to live, close to where they work, or stay while they are visiting.

More importantly, it will be a place where leaders in technology, science, the arts and the humanities can come together, collaborate and create a better future for us all. Creating a place where collaboration can occur between industry and academia, nonprofits and corporate titans, entrepreneurs and government is our goal. We want to create spaces for people to gather, meet, hang out and be inspired.

...We imagine an area that is walkable, bikeable, accessible to all — and eventually linked to regional transit.”
“Other research campuses have corporate buildings. Some have academic programs. Few, if any, have residential or student housing. Centennial Campus has both.”

From: http://centennial.ncsu.edu/centennial/housing.php
To sum up:

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

*What are you going to do to create those places?*
Cheyenne’s opportunity

Living in Cheyenne

Cheyenne is a Car-Dependent city
Most errands require a car.

Walk Score Map
Most errands require a car in Cheyenne.
Cheyenne’s opportunity

“1600 Central Avenue has a Walk Score of 74 out of 100. This location is Very Walkable so most errands can be accomplished on foot.”
3. Development patterns & budgets:

The high cost of sprawl
How communities develop affects government expenditures and revenues.
Development affects costs
Some development costs more, for taxpayers and consumers.

Some costs less.

Turns out, sprawl costs more.
on the other hand:

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

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

May 2013
Development affects costs

Compact development offers efficiencies in delivering services.

– 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.
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 revenue

When it comes to revenue…

– Compact development is the best deal.

– Low-density suburban development generates much less per acre revenue.

– “Main streets” and dense mixed-use areas create synergies that produce substantially higher revenues than commercial sprawl.
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

Scenarios

- Ranchette
  - Capital: $8.39m
  - Operations: $1.57m

- Rural exurban
  - Capital: $6.85m
  - Operations: $1.26m

- Metro infill
  - Capital: $2.33m
  - Operations: $0.36m
FIGURE 5
Percent of operations and capital costs covered by housing unit revenue contributions

Scenarios
- Ranchette
- Rural exurban
- Metro infill

Operations: 18%, 23%, 80%
Capital: 25%, 31%, 90%
The Fiscal Implications of Development Patterns

A MODEL FOR MUNICIPAL ANALYSIS

April 2015
INFRASTRUCTURE COST METHODOLOGY
THE 40-ACRE GRID OVERLAY
ROAD LENGTH AND AREA PER CAPITA DECREASES AS DENSITY INCREASES

Samples from City of Madison

Suburban Residential
- Residents: 178
- Employees: 5
- Total: 183
- Total Res. & Emp Per Acre: 4.6
- Total Road Length: 5,435
- Road Length per Capita: 30 ft.

Downtown Urban
- Residents: 2236
- Employees: 633
- Total: 2,869
- Total Res. & Emp Per Acre: 71
- Total Road Length: 8,941
- Road Length per Capita: 3.1 ft.

NOTE: Chart shows road length only. Road area per capita has a similar relationship to density.
LOW DENSITY DEVELOPMENT REQUIRES MORE PIPE – MEANING HIGHER MAINTENANCE COSTS

Water and Sanitary Costs per Capita (Illustrative Only)

$0
$20
$40
$60
$80
$100
$120
$140
$160

Low Density
Average Density
High Density

Revenue per Capita

Other Costs per Capita
Pipe Maintenance Costs per Capita
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
THE COMPACT DEVELOPMENT SCENARIO REDUCES CITY EXPENDITURES

Total Projected Annual City Costs of Pioneer District Development at Build-Out in Today’s Dollars

- **Low Density**
- **Base**
- **Compact**
COMPACT DEVELOPMENT MAXIMIZES REVENUE GENERATION PER ACRE

Projected Annual Tax Revenue per Acre in the Pioneer District at Build-Out

- Low
- Base
- Compact

$0
$5,000
$10,000
$15,000
$20,000
MADISON MODEL PROJECTS THAT MOVING FROM 2 UNITS PER ACRE (NET) TO 16 REDUCES PER CAPITA CITY COSTS BY 33%
MORE COMPACT DEVELOPMENT RESULTS IN HIGHER NET FISCAL IMPACTS PER ACRE

- Numbers represent annual operating costs and certain annualized capital costs associated with the development at full build-out.

Estimated Annual Net Fiscal Impact per Acre

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ASSUMING WALKABLE VALUE PREMIUM OF 20% ON ALL PRODUCT TYPES IN COMPACT SCENARIOS
Communities are now in a ferocious competition over place

(whether they know it or not)
Economic development is increasingly a competition over *placemaking*.

Building a great place to live, work, and play *is* an economic development strategy.
What it means
so how much space? based on a survey of all properties, vacant land and buildings totals 328 acres

VACANCY, 2014

Vacant parcels in Macon Georgia

207 acres of vacant land & 121 acres of vacant buildings totalling 328 acres of vacant parcels

Source: Spring 2014 Windshield Survey, Interface Studio
New streetscape in front of old buildings
Siting principles

Building

Surface parking

Sidewalk

This is a big “no-no”
It means place management... including programming events...
Seasonal festivals & markets

A Dickens of a Christmas – Franklin, TN

Book Fair – Baltimore

Indian Market – Santa Fe, NM
Seasonal festivals & markets

Washington Square Park, Cincinnati, OH
and, ultimately, generating spontaneity

-- and, fun.
Smart growth is part of an economic development strategy
Thank you

Christopher Zimmerman

Smart Growth America
Making Neighborhoods Great Together