



**Smart Growth America**

Making Neighborhoods Great Together

# Implementing Development Plans for Economic and Fiscal Health

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So you have a vision ... now what?

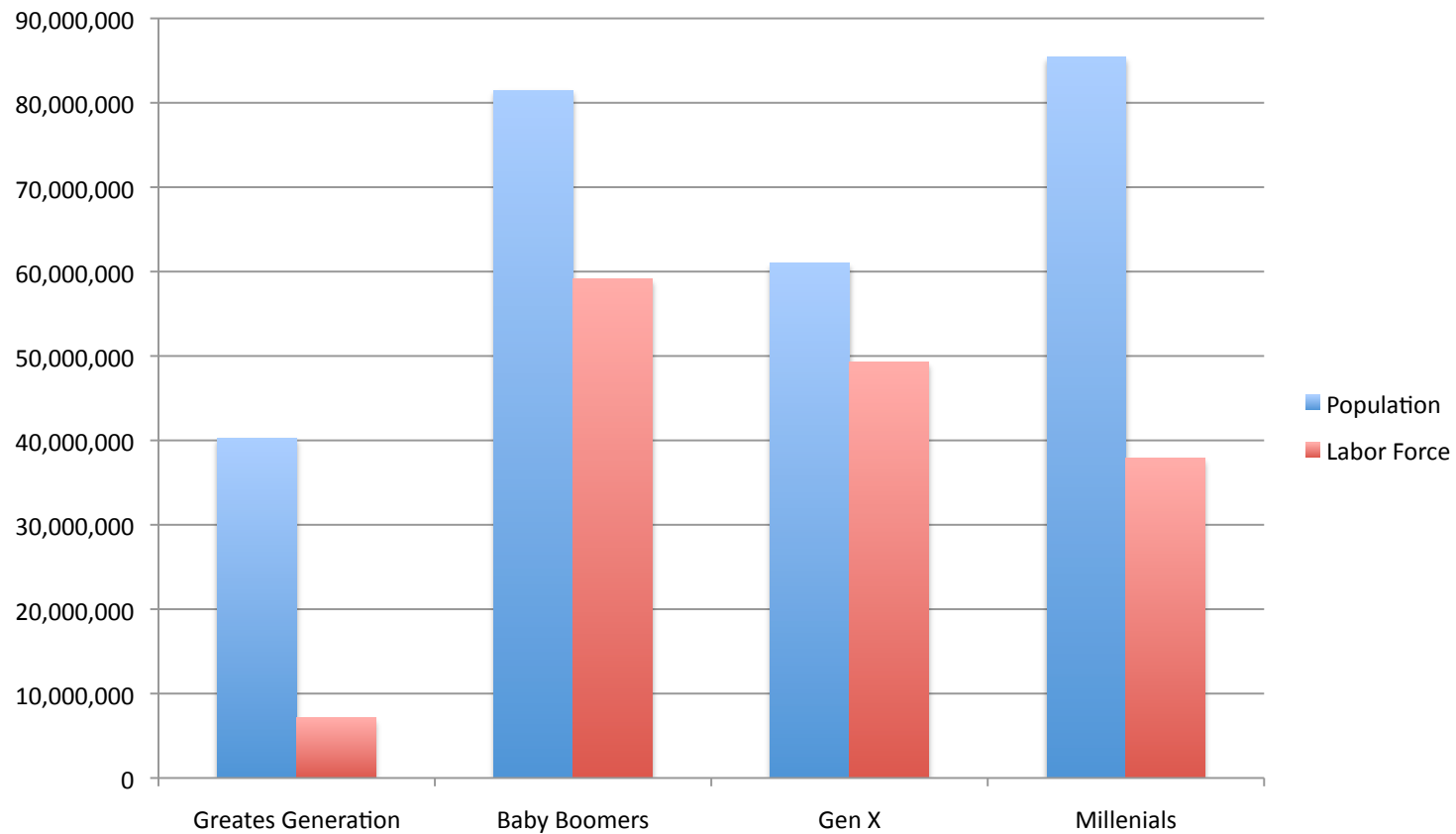


## Remember the 3 important factors affecting the future of our communities

- 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 market is changing,  
especially for housing

# Baby Boomers and Millennials Will Drive The Future Housing and Jobs Market



# Americans Want More Walkable, Sustainable Neighborhoods

**“Overall, 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.

# Attracting new residents

Young professionals

64% of college-educated 25- to 34-year-olds looked for a job *after* they chose the city where they wanted to live.

- U.S. Census



# Smart growth responds to new market preferences

“The 2011 Community Preference Survey reveals that, ideally, most Americans would like to live in walkable communities where shops, restaurants, and local businesses are within an easy stroll from their homes and their jobs are a short commute away”



REUTERS/LARRY DOWNING

## GOING BACK TO ROCKVILLE

AFTER THE BUST, URBAN-STYLE LIVING IS GAINING MOMENTUM



*Source: Consumer survey conducted for the National Association of Realtors*



*2. The recipe for economic growth  
is changing*

## Encouraging Job Growth

1. Studies have shown that up to 80 percent of job growth is from **existing businesses**
2. In the new era of specialized, networked businesses, **proximity matters**
3. Workplace strategies should focus on **existing concentrations of workplace** and target industries should relate to the City's **existing assets**



Shift in work  
activity →  
new work  
environments



# The Old Model: Plenty of Open Space; no Public Space



Typical Suburban  
Workplace

## The New Model: Settings for Interaction, Serendipity



# The same is true for retail

- Distinctive shopping centers that create a sense of place are succeeding ... others are failing.



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

## Current Patterns Are a Fiscal Strain

- ◆ Low-density suburban development rarely pays for itself
- ◆ Costs are not just infrastructure related but also operations and maintenance
- ◆ Burden usually falls on taxpayers



*Low-density development means higher snowplowing costs to accommodate fewer people.*



# Compact development lowers costs at the neighborhood/project level

## Charlotte, NC: Case Study of Fire Station Coverage and Annual Costs



Source: City of Charlotte

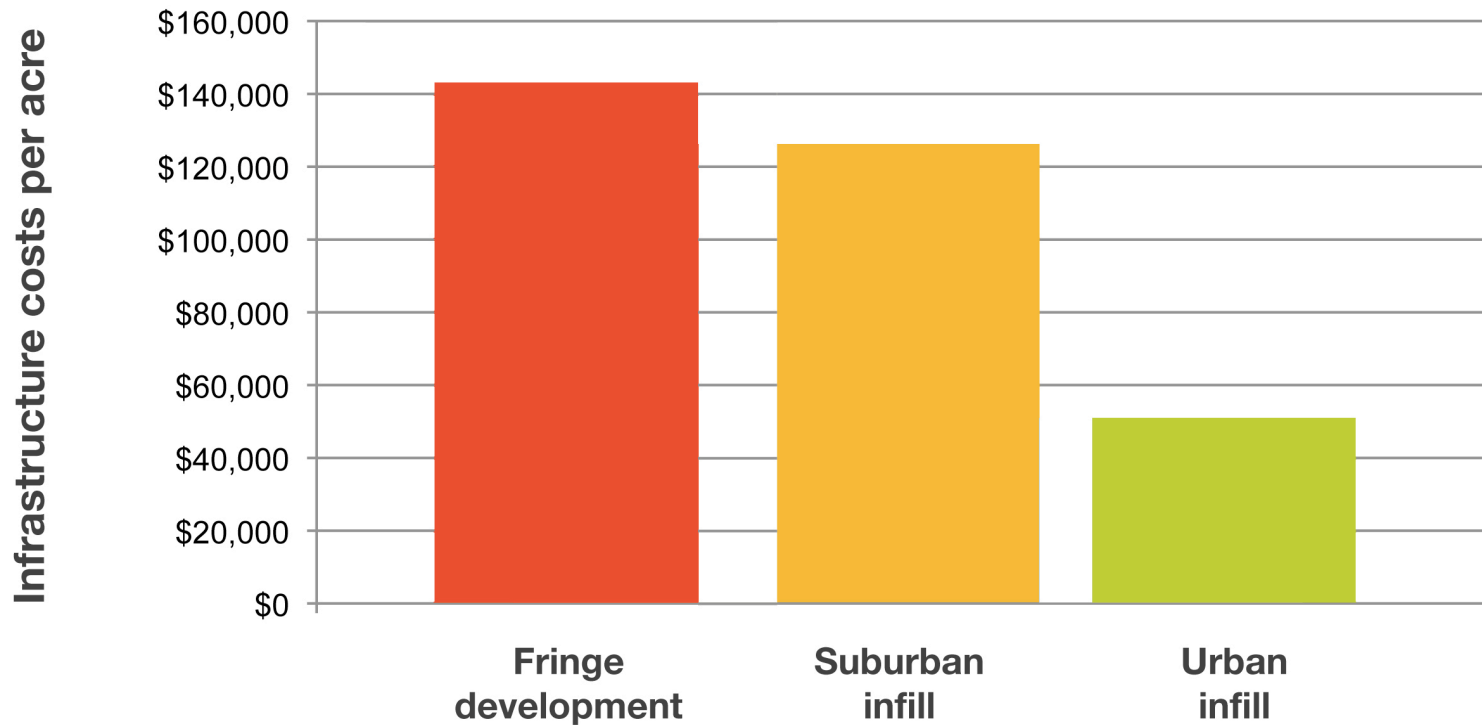
# And As Our Population Ages ...

... these fiscal burdens on the taxpayers are likely only to get greater



# Lower infrastructure costs

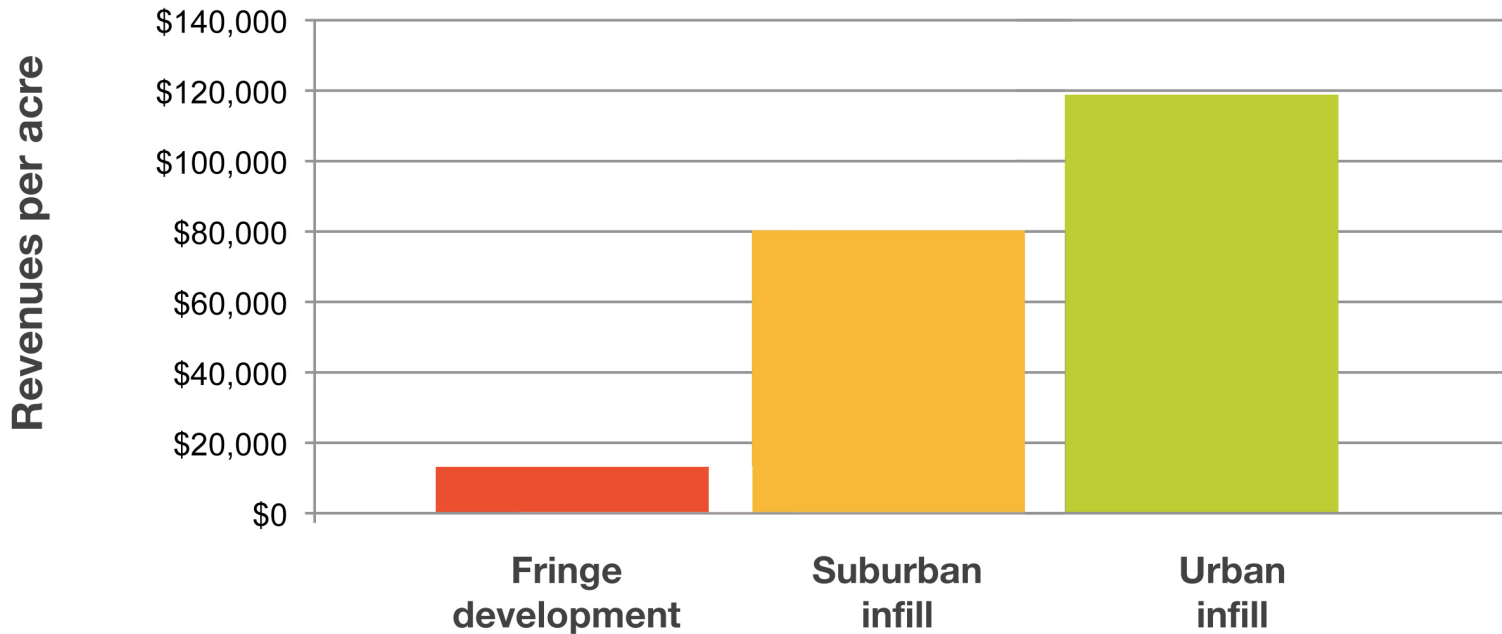
Per acre infrastructure costs for single-family homes by location



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

# Higher revenues per acre

Per acre revenues by density and location in the State of California



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.

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# Why developers build what they build

Developers *don't*  
build things  
because planners  
want them to ...  
though they  
sometime agree to  
unrealistic ideas in  
order to win  
political approval



# Why developers build what they build



Developers also *don't* build things just because that's what the code calls for ...

... if other things are not in place

# Why developers build what they build

Developers  
*do* follow  
public  
investment





# Why developers build what they build



They build what they  
can obtain capital to  
build.

# Why developers build what they build

They must show their lenders that the project “pencils”

\* Enter your data into the yellow cells.

Purchase Price	100,000.00	Monthly Income	1,000.00	Total Investment Cost	111,000.00	Debt Coverage Ratio	0.98			
Improvement Costs	10,000.00	Occupancy Rate	95.00%	Monthly Mortgage Payment	971	Gross Rent Multiplier	9.25			
Acquisition Costs	1,000.00	Annual Income % Increase	3.00%	Annual Mortgage Payment	11,655.41	Percent Down	10.00%			
Mortgage Rate	5.00%	Annual Operating Expenses	1,000.00	Mortgage Principle	90,000.00	Internal Rate of Return	21.51%			
Mortgage Period	10	Annual Op. Exp. % Increase	3.00%	Loan Value Ratio	0.90	Net Op. Income (Year 10)	12,330.50			
Down Payment	10,000.00	Annual Rental % Increase	3.00%	Tax Assessor Value	100,000.00	Cap Rate (Year 10)	0.076			
Annual Appreciation	5.00%	Property Tax Rate	1.20%	Annual Property Taxes	1,200.00	Cash on Cash (Sale-Year 10)	48.81%			
Year	1	2	3	4	5	6	7	8	9	10
Operating Income	11,400.00	11,742.00	12,094.26	12,457.09	12,830.80	13,215.72	13,612.20	14,020.56	14,441.18	14,874.41
Operating Expenses	2,200.00	2,260.90	2,292.73	2,325.51	2,359.27	2,394.05	2,429.87	2,466.77	2,504.77	2,543.92
Net Operating Income	9,200.00	9,481.10	9,801.53	10,131.58	10,471.53	10,821.67	11,182.32	11,553.79	11,936.41	12,330.50

So what does the township do?

# 1. Make sure the right people are at the table

- The public works folks?
- Landowners and developers?
  - *Do you have developers/lenders who know how to do such a project? If not, where do you get them or how do you nurture them?*
- The business folks who use built space and/or influence community decisions

2. Make sure the local economy can support what you want to do



# 3. Make sure the public sector is doing the right things

SUMMARY OF STRATEGIES, RESPONSIBLE PARTIES AND BENCHMARKS					
S = Short Range Strategy (1 year or less)					
M = Medium Range Strategy (2 – 5 years)					
L = Long Range Strategy (5 – 10 years)					
Strategy Description	S	M	L	Responsibility	Comments
Creating a Sense of Place					
Conduct project visioning sessions	*			Smart Growth Task Force (SGTF)	Completed
Organize a formal Chamber of Commerce	*			Businesses & Township	
Strengthen the "identity" of the area	*	*	*	Chamber, Business Owners Association, Township	
Provide a focus for year round events	*			Chamber	
Use Streetscape design, which includes signage to identify the Center		*		Planner, SGTF	
Apply for grants to promote community history and to emphasize gateways			*	Township, Planner	
Monitor the design guidelines	*	*	*	SGTF, Planner	
Research the history of the area and incorporate elements into Center design	*			Planner	
Relocate Byram Day into the Center to promote its identity	*	*	*	Chamber, Township	
Create a monthly meeting that focuses on one topic	*	*	*	Chamber	
Consider conducting a real estate market analysis to identify and capitalize on emerging market opportunities	*	*		Township	
Implement a signage and way finding program, as a principal part of the Center's overall marketing and communication strategy	*			SGTF	
Develop a public relations and communications effort that supports the marketing strategy and tie this strategy to specified events and destinations		*	*	Chamber	
Establish an icon or logo for the Center	*			Planner, Chamber, SGTF	
Publish an easy to use destination guide that lists events and places of interest to market the Center		*	*	Chamber	
Market the Center's infrastructure to potential businesses	*	*	*	Chamber, Township	



# 4. Prove that the financial payoff is there

- Developers will figure this part out in no time ... so must you

Enter your data into the yellow cells.

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## *Remember the 3 things*

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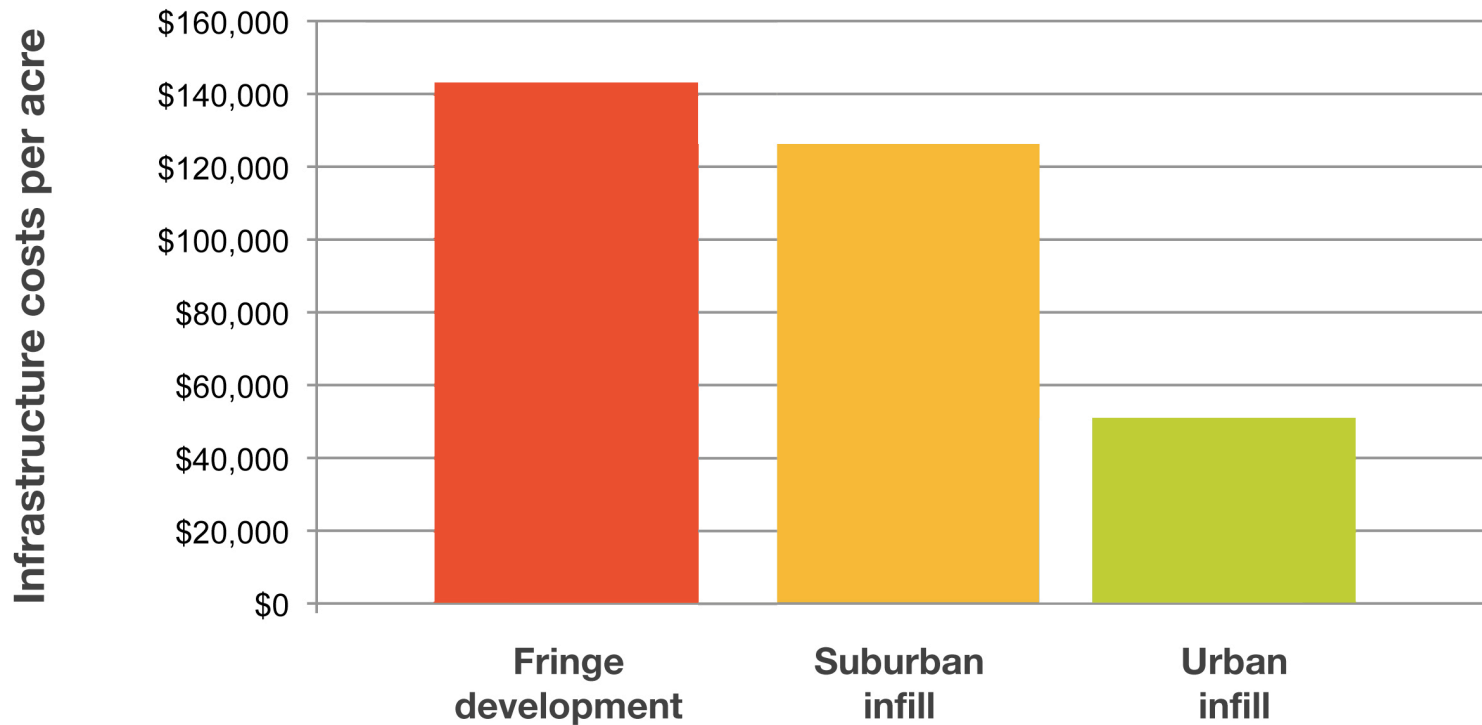


## 4. Bridging the financial gap

- Any project can be built with a big enough subsidy
- The question is whether it is worth it to the jurisdiction to provide the subsidy
- So remember the long-term financial equation

# Lower infrastructure costs

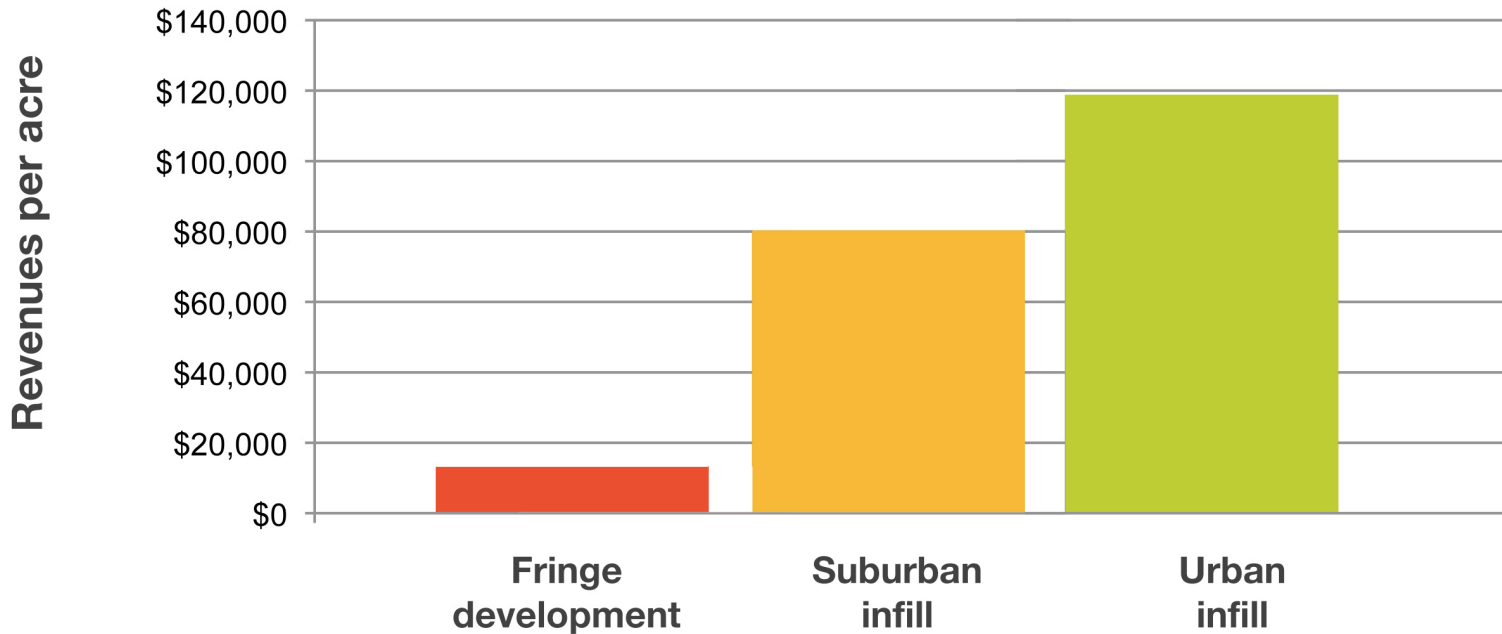
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# Bridging the up-front financial gap

- TIF and other local tax subsidies
- Federal and state funds to assist
- Bring land to the table
- Other techniques unique to New Jersey?

And even then ...

The project  
might not  
work the way  
you want it to  
... *at first!*



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# Smart Growth America

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Smart Growth America is the only national organization dedicated to researching, advocating for and leading coalitions to bring smart growth practices to more communities nationwide.

[www.smartgrowthamerica.org](http://www.smartgrowthamerica.org)

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