

Planning for Economic and Fiscal Health


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Town of Byram, May 17, 2012

The way we design and build our communities has enormous consequences.







And it determines whether our infrastructure investments actually help us or not.

So we have to be aware of what's going on around us ...

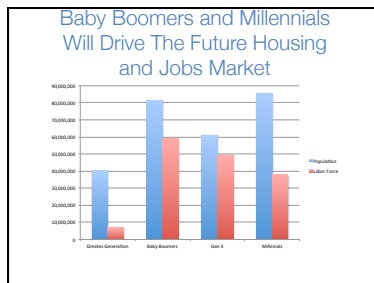
and how we can invest in the future of our communities ...

in a way that makes sense

This means being aware of 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



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.

Millennials Especially Are Trending Away From Traditional Suburbs


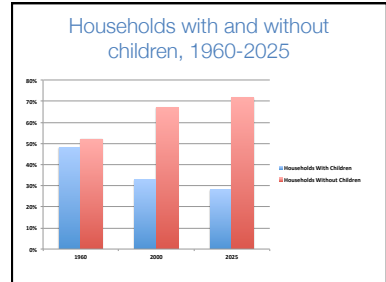
- **47%** would prefer to live in a city or a suburb with a mix of houses, shops, and businesses.
- **40%** would prefer a rural or a small town.
- **12%** say they would prefer a suburban neighborhood with houses only.

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

There is a price/value premium for walkable places

- Applies to residential real estate:
 - Above-average walkability
 - \$4,000 to \$34,000 more in home sales price



*Sources: "Walking the Walk" by Joseph Cortright, CEO for the National Association of Realtors; "The Walkability Premium in Commercial Real Estate Investment" by Gary Pivo and Ashly Fisher

There is a price/value premium for walkable places

- 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 Cortright, CEO for the National Association of Realtors; "The Walkability Premium in Commercial Real Estate Investment" by Gary Pivo and Ashly Fisher

Smart growth responds to new market preferences



GOING BACK TO ROCKVILLE
THE RE-DEVELOPMENT OF A SUBURBAN COMMUNITY

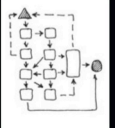
REUTERS

"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"

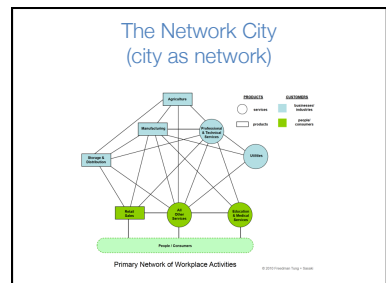
Source: Community survey conducted for the National Association of Realtors

2. The recipe for economic growth is changing

The Assembly Line City (City as Machine)



- Economy focused on Making and Moving Things.
- Mass production, functional segregation, specialization, top-down hierarchies of control.



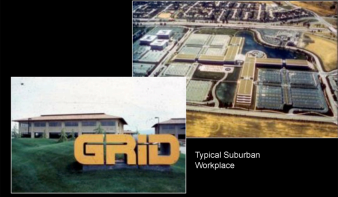
Encouraging Job Growth

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

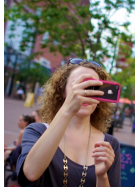


Attracting new residents

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The same is true for retail

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




My shopping mall

Sales tax during recession: Down 20%

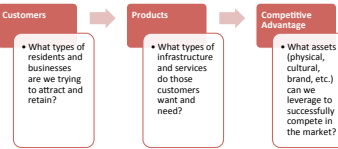


My downtown

Sales tax during recession: Even



Smart growth is part of an economic development strategy



Customers → Products → Competitive Advantage


- Customers:** What types of residents and businesses are we trying to attract and retain?
- Products:** What types of infrastructure and services do those customers want and need?
- Competitive Advantage:** What assets (physical, cultural, brand, etc.) can we leverage to successfully compete in the market?

Source: "The Neighborhood-Centric City" by David Edwards, IBM Global Business Services

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.

Example: Road serving a low-density neighborhood

- Rural, dead-end road
- Serves a subdivision of 5-acre lots
- Half of cost is assessed to property owners, other half is paid for by city




Payback: 37 years
Based on taxes being paid by the property owners

- Not including additional maintenance and potential reconstruction

Case study by www.strongtowns.org

Example: Road serving a set of high-value, shoreline properties

- Property owners want city to improve their access road and have maintenance taken over by the public
- Road serves the properties only
- Proposal: property owners will cover construction costs if city takes over maintenance
- Is this a good deal?



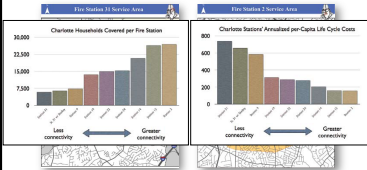
Long-term-maintenance cost (1 life cycle): \$154,000
Long-term revenue collected by city for maintenance: \$79,000

To cover these costs within the road's life cycle, the local tax rate would need to go up 25% with 3% annual increase for next 25 years.

Case study by www.strongtowns.org

Compact development lowers costs at the neighborhood/project level

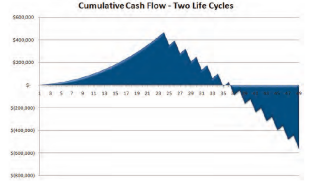
Charlotte, NC: Case Study of Fire Station Coverage and Annual Costs



Source: City of Charlotte

Long-term loss ... and the only way to get more "high" is to continue to get more sprawl "hits"

Cumulative Cash Flow - Two Life Cycles



by www.strongtowns.org

And As Our Population Ages ...

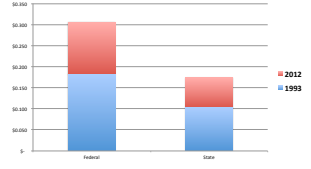
... these fiscal burdens on the taxpayers are likely only to get greater



So where's the money going to come from?

- Federal Highway Trust Fund is bankrupt
- Congress can't pass transportation bill because nobody wants to make tough choices
- Current options:
 - Increase the gas tax
 - Replace/supplement gas tax with something else (MMT tax?)
 - Pull back so that federal funds cover only National Highway System.

Gas Tax Losing Purchasing Power



So you're kind of boxed in

- Sprawl costs a lot of money for:
 - The construction, maintenance, and repair of infrastructure
 - The ongoing provision of public services
- There are only so many places to get this money
 - From developers – but if you charge them too much they won't build
 - From the developers' customers – homebuyers, office tenants, retail stores – but if you load the cost on them the prices will be uncompetitive
 - From higher taxes, but nobody wants that
 - Or from other taxpayers, causing a slow bleed in your fiscal situation
- *Wouldn't it make sense to have developments that generate more tax revenue but cost less to build and serve?*

That's what these places do

SMART GROWTH BENEFITS PUBLIC BUDGETS: LOWER COSTS

Lower infrastructure costs

Per acre infrastructure costs for single-family homes by location

Location	Infrastructure costs per acre
Fringe development	~\$130,000
Suburban infill	~\$100,000
Urban infill	~\$40,000

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

SMART GROWTH BENEFITS PUBLIC BUDGETS: HIGHER REVENUES

Higher revenues per acre

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

Location	Revenues per acre
Fringe development	~\$20,000
Suburban infill	~\$80,000
Urban infill	~\$120,000

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.

Great places make good economic and fiscal sense

Remember: 3 important factors affecting the future of our communities

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Smart Growth America
Making Neighborhoods Great Together

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

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