Lincoln Institute munincipal finance report summary | Aug. 2024

Advancing the connection between land use and municipal finance

Introduction

In an innovative exploration by Smart Growth America and the Lincoln Institute of Land Policy, the "Advancing the Connection between Land Use and Municipal Finance" report delves into the strategic use of public lands to enhance municipal finances and community development. This study highlights the City of Richmond, Virginia as a case study, offering an insightful national example and practical strategies for urban areas across the United States.

Empowering cities with public land: The report highlights the significant economic potential of public lands—specifically vacant non-park land—within urban settings. By carefully selecting and developing these lands, cities can unlock substantial value, contributing to the local economy and the creation of vibrant, sustainable communities.

Analysis of Richmond: The analysis in Richmond reveals the city's 1,600 public parcels comprise approximately 15% of the city's parcel area and 13% of its total assessed property value, totaling a staggering $6.1 billion in assessed value. This considerable asset base presents a unique opportunity for value creation through strategic development and planning.

Notably, 17.8% of the city's public parcels by area are vacant non-park land, representing the strongest opportunity for possible economic impact through unlocking value. This highlights that public lands are substantial in American cities like Richmond and likely for cities of smaller and larger sizes.

Public land in Richmond, Virginia

	All Richmond parcels	Public parcels	Public parcels (%)
Number of parcles	75,714	1,600	2.1%
Area (acres)	33,020	4,842	14.7%
Assessed value	$46,650,185,000	$6,082,923,000	13.0%

Source City of Richmond (2023); Author calculations. Note: Excludes federal land and includes state land.


Photo Courtesy of Bruce Emmerling via Wikimedia Commons

Climate implications: Because Richmond is adjacent to the James River, 4% of the city's public parcels intersect with the FEMA zone of 100-year flood risk. While these properties are highly valued, accounting for 37% of the city's public land assessed value, development should be carefully considered due to flood risks, and the city should consider leveraging these parcels for flood mitigation measures.

Unlocking new economic value: Using state-of-the-art statistical modeling and machine learning, the study estimated 10,000 simulations of potential development scenarios for vacant public parcels based on several factors (like distance to downtown, zoning, parcel size, and others). The results show that Richmond could potentially add billions in market value, significantly enhancing the city's tax base.

Direct economic enhancement from redevelopment: The research posits that transforming Richmond's vacant public parcels into vibrant, developed spaces could escalate the city's market value by an estimated $503.4 billion. This surge in value stems from the direct redevelopment of these parcels, tapping into their inherent economic potential. As a result of future redevelopment, Richmond could increase its revenues by $6.37 million, an amount sufficient to issue a $54 million 10-year bond to invest in public infrastructure.

Indirect economic benefits and tax revenue growth: Beyond the direct value creation, the redevelopment of public lands is anticipated to have a ripple effect on adjacent properties, potentially boosting their value and, by extension, the city's tax revenue. The report estimates that future redevelopment would increase the value of existing private property and could generate annual tax revenues of an additional $2.75 million per year and support a $23.3 million 10-year bond.

Summary of potential fiscal impacts of developing public vacant parcels

	Incremental property value	Incremental property tax (annual)	Potential 10-year bond against tax revenue stream
Direct from vacant parcel development	$503.4 million	$6.37 million	$54 million
Indirect from impact to neighborhood properties	$229.3 million	$2.75 million	$23.3 million

Source: Author calculations. Note: Bond value assumes a 3.1% interest rate over a 10-year term.

The figures above encapsulate the essence of the report, underscoring the pivotal role of public lands in urban development and the collective efforts of cities to harness their potential for the greater good. The revenues from such theoretical revenue-backed bond issuances could fund public services like schools, first responders, or other enhanced government services.

Please refer to the full report for further details on the study's findings and methodologies.