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Incorporating Market and Fiscal Analysis in Land Use Planning

Planning Webcast Series

1:00 - 2:30 PM, August 2, 2019

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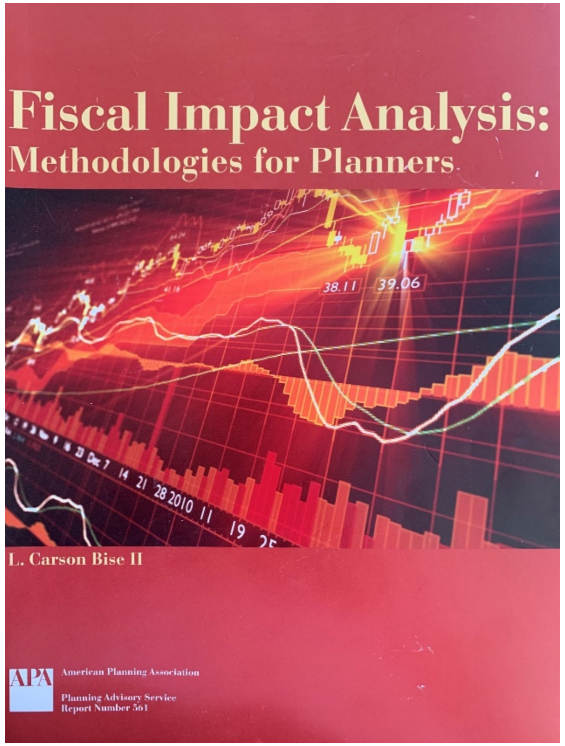
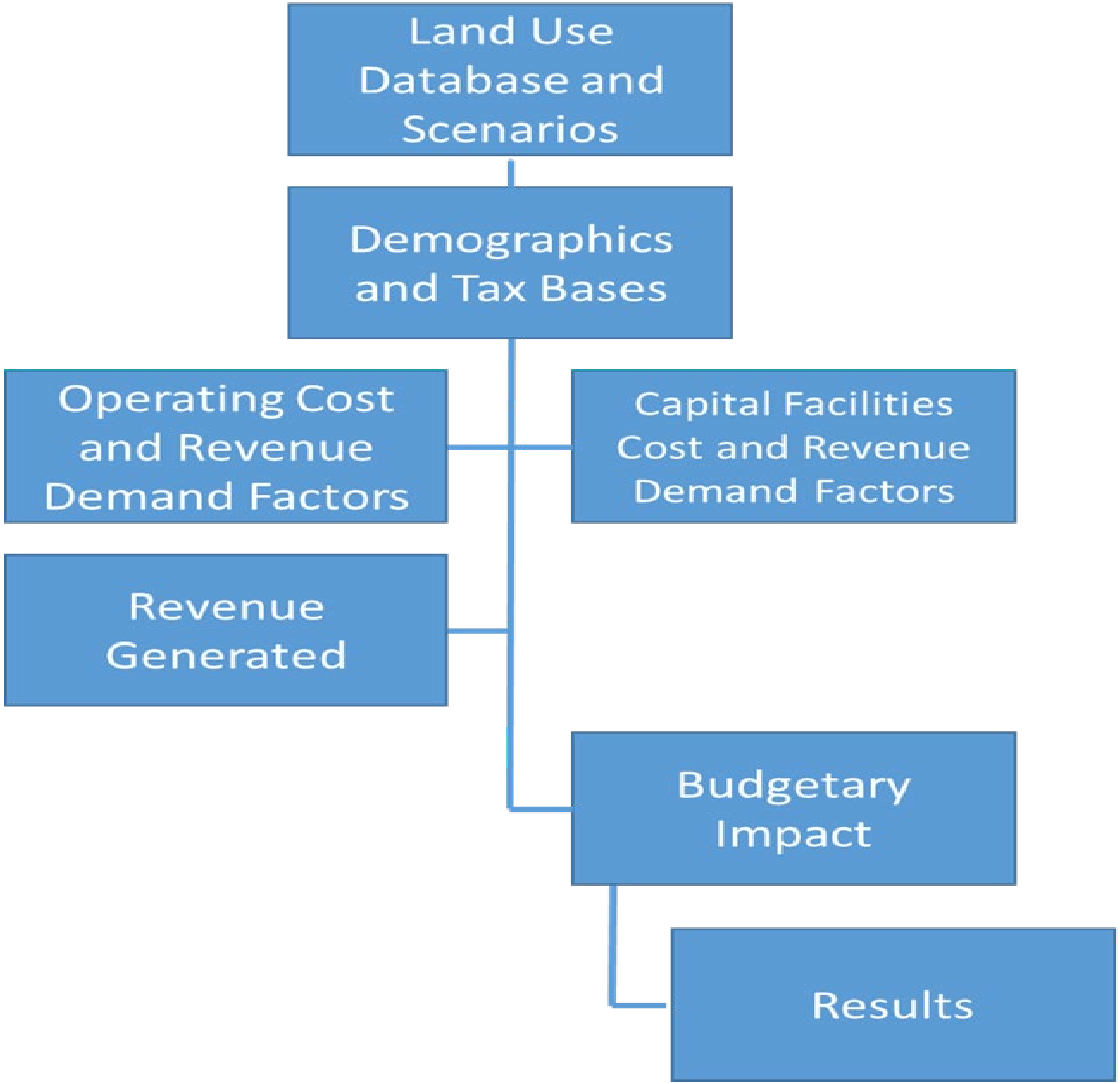


- Fiscal, economic, and planning consultants
- National Practice
- Fiscal Impact Evaluations (800+)
- Impact Fees (900+)
- Infrastructure Needs & Revenue Strategies
- Public and Private Sector Experience

The Planning Process Today

- Most local governments do not know the true cost of development decisions or if the current land use plan is fiscally sustainable
  - Has/Is growth really paying for itself?
  - Cash flow issues as communities come out of the recent Recession as well as revenue structure issues
- What is the market for certain uses?
- Should development be incentivized? If so, what types?
- Increased funding responsibilities on localities
  - Decreasing state and federal funding
  - How can localities make up the difference?

Elements of the Fiscal Equation



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Elements of the Economic Equation

Direct consumer/Business Spending (ongoing)

Construction Jobs and Spending (one-time)

Economic Impacts

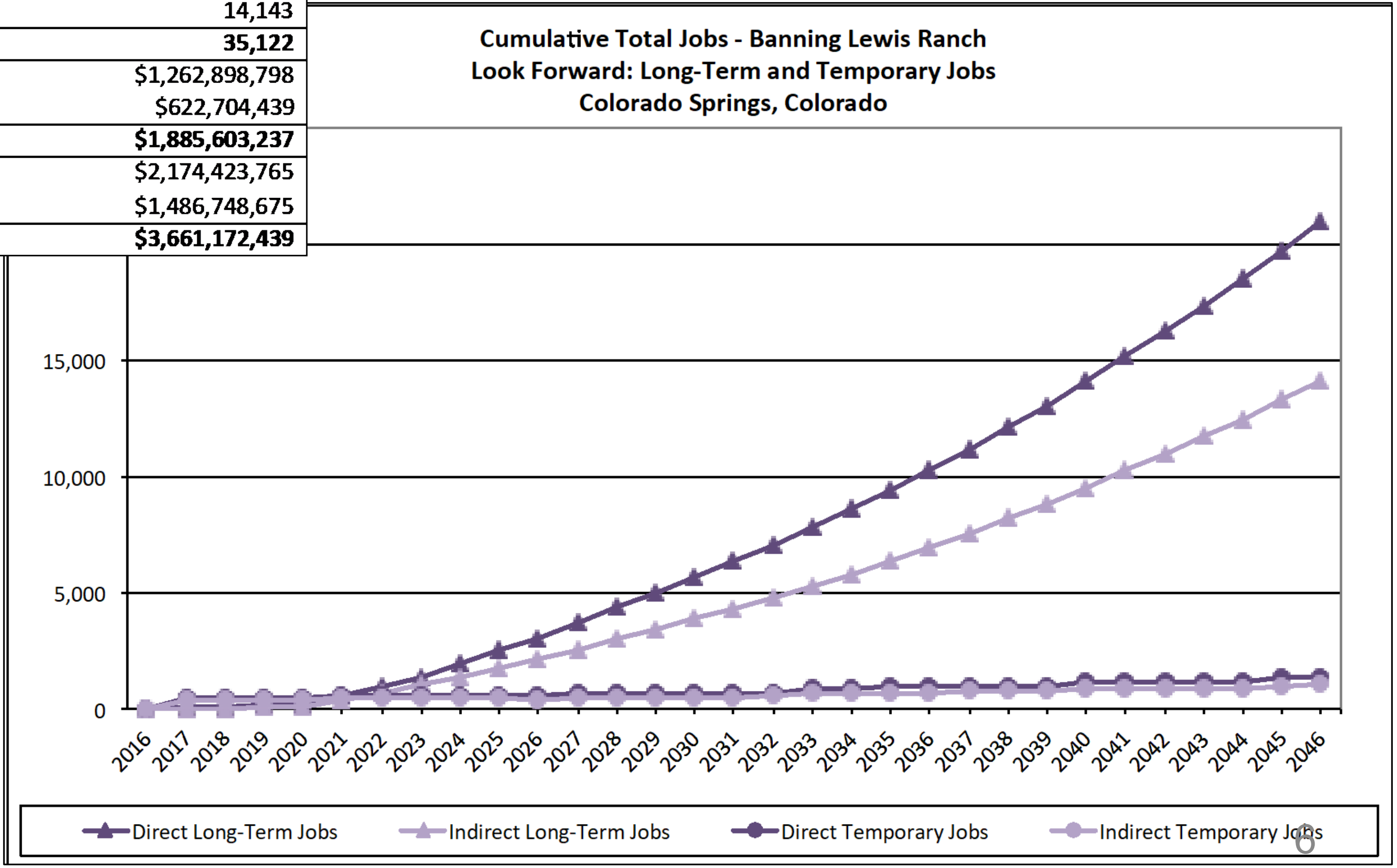
Indirect/induced employment and spending

Impacts do not follow jurisdictional lines

Economic Impact Analysis

30-Year Cumulative Long-Term Economic Effects
City of Colorado Springs Banning Lewis Ranch Fiscal and Economic Impact Model

Category	Look Forward
Direct Effect Jobs	20,979
Indirect and Induced Effect Jobs	14,143
TOTAL LONG-TERM JOBS CREATED	**35,122**
Direct Effect Labor Income	$1,262,898,798
Indirect and Induced Effect Labor Income	$622,704,439
TOTAL LABOR INCOME	**$1,885,603,237**
Direct Effect Output	$2,174,423,765
Indirect and Induced Effect Output	$1,486,748,675
TOTAL LONG-TERM ECONOMIC IMPACT (Output $)	**$3,661,172,439**



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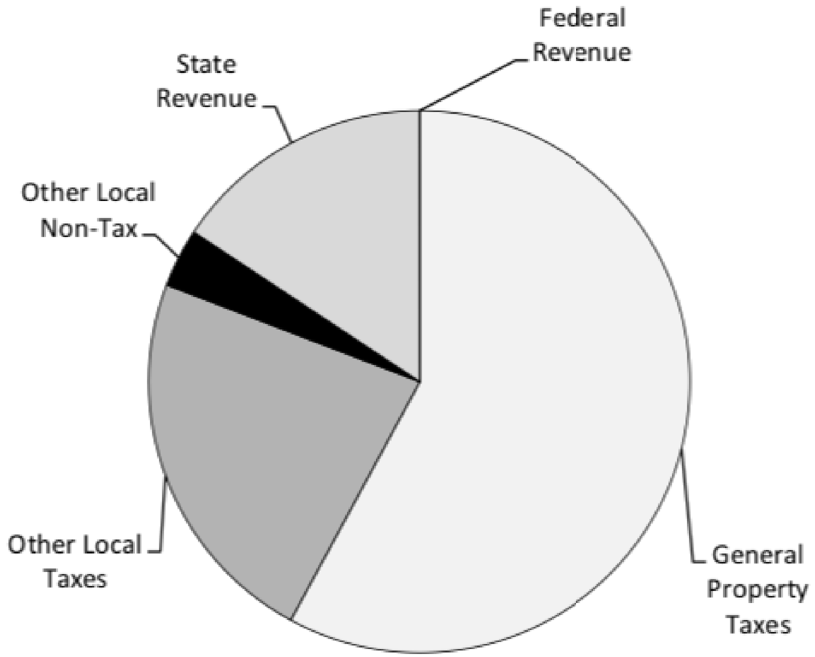
Fiscal Impact vs. Revenue Forecasting

- Municipal budgeting is primarily “revenue driven”
  - Revenue forecast is used to establish spending target
- Fiscal impact analysis is not revenue constrained
  - Forecast expenses needed to maintain current levels of service

Source	FY-20 Estimate	Component Share
General Property Taxes	$ 348,907,916	57.90%
Other Local Taxes	$ 138,147,102	22.92%
Other Local Non-Tax	$ 21,058,169	3.49%
State Revenue	$ 94,469,167	15.68%
Federal Revenue	$ 35,000	0.01%
Total General Fund	**$ 602,617,354**	**100.00%**

GENERAL FUND REVENUE SOURCES



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What Questions Can be Answered?

- Land use policies and development patterns
  - What is the relationship between development densities and infrastructure costs?
  - What is the optimum mix of land uses?
  - What is the relationship between the geographic location of new development and the cost?
- Leveraging public dollars for economic growth (incentives)
  - How to invest limited funds to maximize return
  - Redevelopment
  - Tax increment financing
- Timing on impacts
  - Are we living off tomorrow’s growth?
- Annexation

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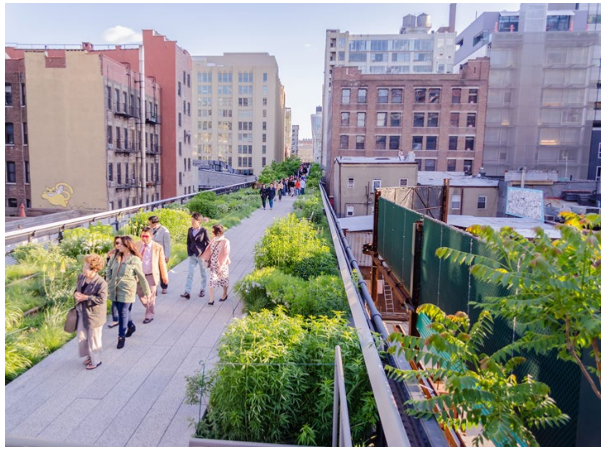
What Questions Can be Answered?

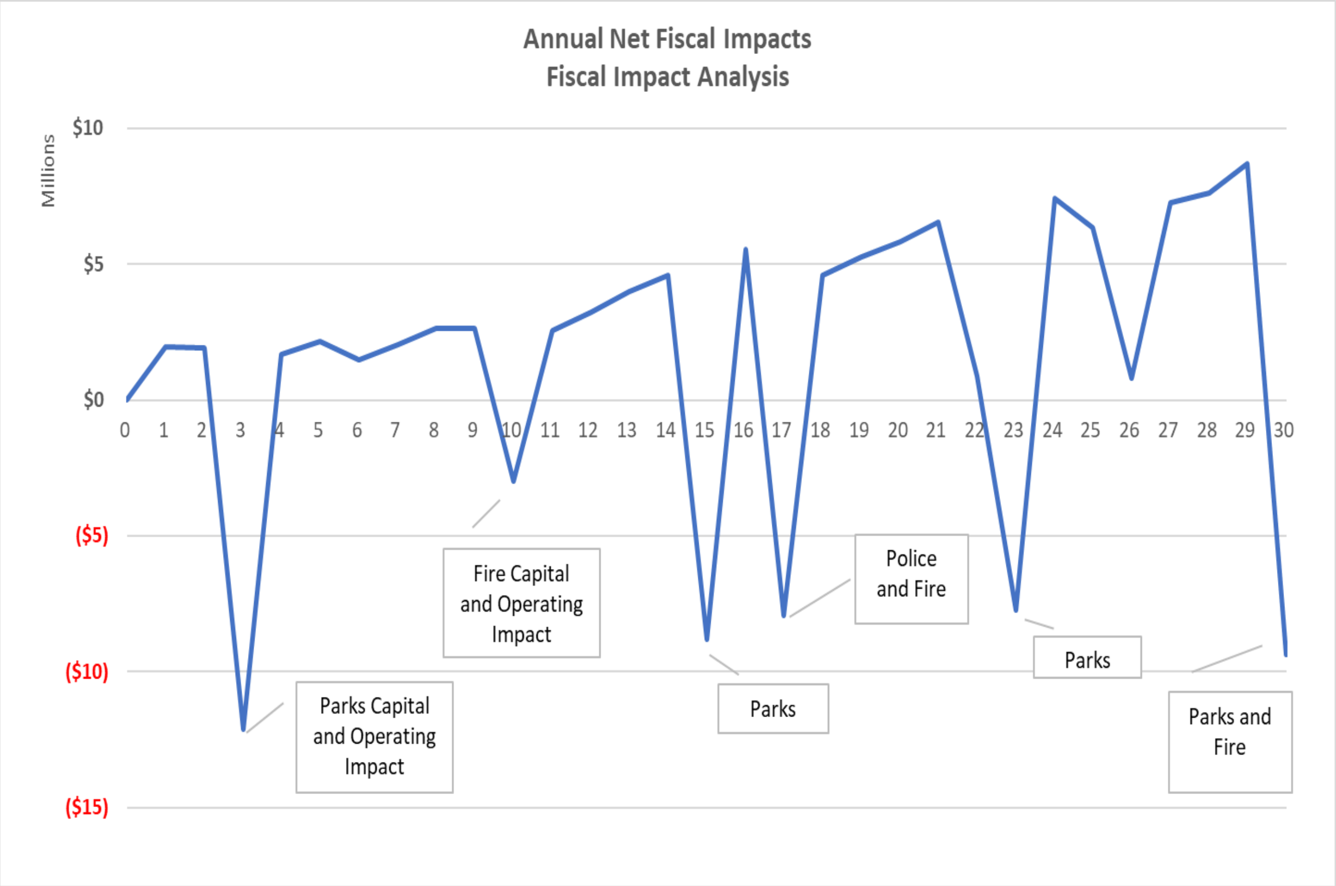
- Demographic and economic change
  - Boomers aging in place
  - Gen X is largest group of homebuyers
  - Millennials are deferring home buying
- Impact of behavioral trends
  - New patterns in consumption
  - Traditional retail is dying
  - Shifting away from cars?
  - Walkable urbanism



Service Area	Urban	Suburban
Vehicles Available per Housing Unit	1.05	1.70
Persons per Housing Unit	1.98	2.32
Single Units	40%	76%
2+ Units per Structure	60%	24%
Average Weekday Vehicle Trip Ends per Single Unit	7.02	8.44
Average Weekday Vehicle Trip Ends per 2+ Unit	4.51	5.70
Autos to Work	74%	90%
Walk/Bike/Bus to Work	26%	10%
Average Vehicle Trip Miles	3.93	5.40

Methodologies

- Case study-marginal approach
  - Reflects fiscal reality
  - Dependent on local levels of service
  - Available capacity triggers the staging of facilities
  - Reflects geographic differences
- Average cost approach
  - Focuses on per capita/employee
  - Doesn’t consider available capacities
  - Masks timing
  - Uses average (current) costs
  - Budget in equilibrium



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Methodologies

- Proportional valuation
  - Typically used for evaluating impacts of nonresidential development
  - Assumes assessed property values are directly related to public service costs
- Comparable city
  - Typically relies on data from U.S. Census of Governments
- Cost of community services
  - Developed by American Farmland Trust
  - Typically include residential, commercial/industrial, farmland/open space

Methodological Comparison

- Marginal cost

PARKS AND RECREATION STAFFING INPUT						
Category	Base Year FTE Positions	Project Using Which Demand Base?	Current Demand Units Served Per Position	% Estimate of Available Capacity	Remaining Capacity/ Initial Hire Threshold	Estimated Service Capacity Per Position
Equipment Operator	38	UNINCORP POPULATION	18,130	75%	13,598	18,014
General Crew Leader	2	FIXED	0	0%	0	0
General Manager	4	FIXED	0	0%	0	0
Head Custodian	6	FIXED	0	0%	0	0
Landscape Gardener	6	FIXED	0	0%	0	0
Managers, Divisions/Programs	7	FIXED	0	0%	0	0
Multitrades Worker	39	RECREATION SF	7,363	75%	5,522	7,317
Painter	1	FIXED	0	0%	0	0
Park Manager	20	PARK ACRES	124	75%	93	123
Park Ranger	78.2	PARK ACRES	32	75%	24	32

- Average cost

Insert Budget:		FY 2003 General Fund	Unincorporated Service	Special Revenue	Total All Funds	Per Capita Amount
572	Parks/Recreation				$0	$0.00
572	Parks/Recreation				$0	$0.00
572	*Parks/Recreation*	$482,120	-$39,800	$16,315,170	*$16,757,490*	$18.36
572	Parks/Recreation				$0	$0.00
573	Cultural Services	$3,136,122	$9,070,409	$5,692,760	$17,899,291	$19.61
576					$0	$0.00
579	Other Culture/Recreation			$9,966,613	$9,966,613	$10.92

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Methodological Comparison

Marginal cost

School Area: West	*Enrollment*	*Capacity*	*Utilization*
Elementary	13,984	15,694	89%
Middle	7,383	8,590	86%
High	9,025	9,686	93%
Total			

School Area: Central	*Enrollment*	*Capacity*	*Utilization*
Elementary	4,247	4,843	88%
Middle	2,179	2,233	98%
High	3,105	3,013	103%
Total			

School Area: East	*Enrollment*	*Capacity*	*Utilization*
Elementary	2,828	3,529	80%
Middle	1,558	1,452	107%
High	1,966	2,027	97%
Total			

Average cost

	A	B	C
304	**Input School District Capital Projects Budget:**		
305			
306	School Board Discretionary Millage	2.0000	Mills
307	Discretionary Millage not used for capital	0.0000	
308		=======	
309	Net School Board Capital Millage	2.0000	Mills
310			
311		Total	Per Student
312	Capital Projects Revenues		
313	Ad Valorem	$88,566,359	Calculated
314	CO & DS, PECO	$19,119,693	
315	Sales Tax	$5,300,000	
316	Interest	$8,535,000	
317	Total Other Sources	$32,954,693	$189
318			
319	Capital Projects Expenditures	$67,560,051	$388

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Common Perceptions

- Residential development doesn’t pay for itself
- Nonresidential development generates surpluses

Drivers of the Fiscal Equation

Revenue Structure

Characteristics of Development

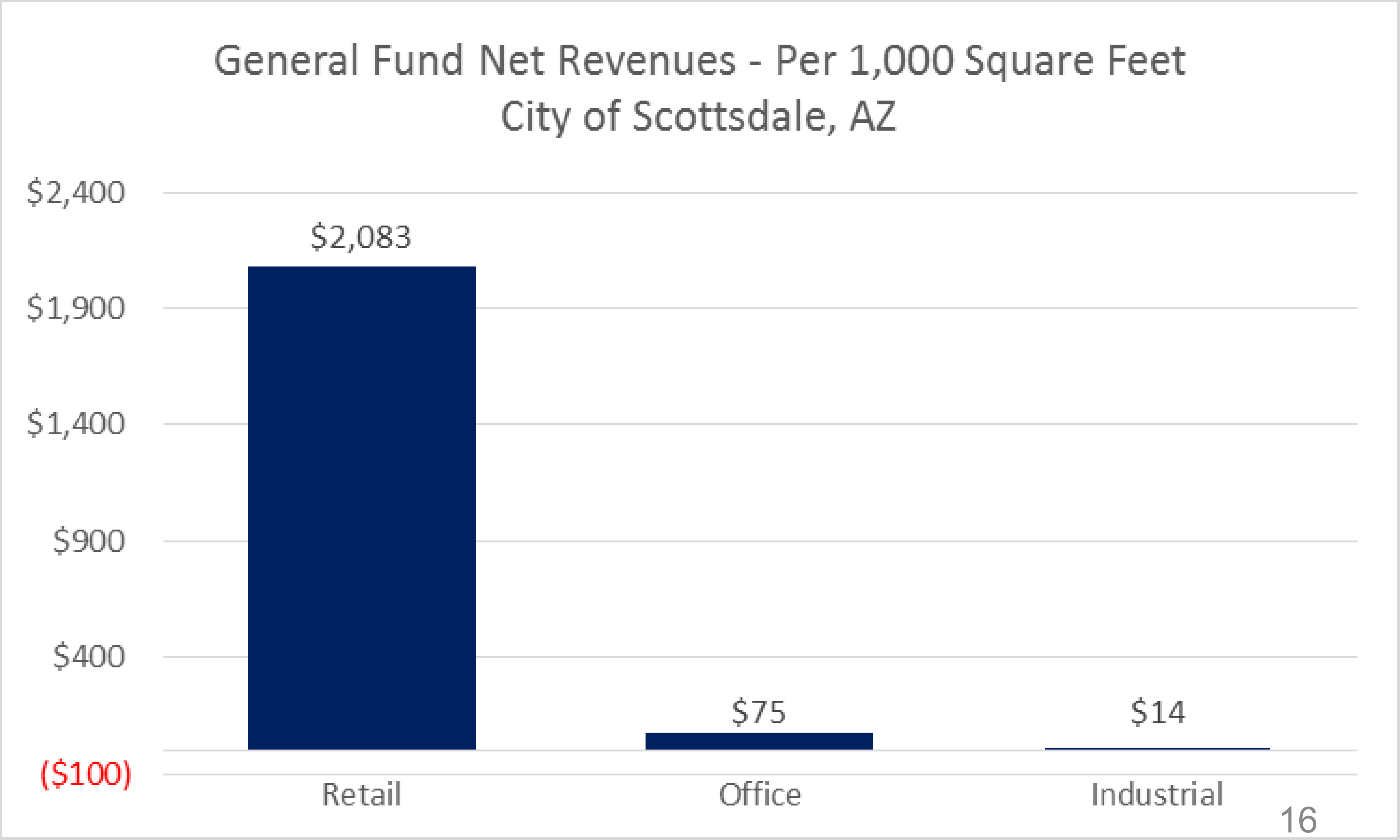
Fiscal Impacts

Infrastructure Capacity / Lifecycle

Levels of Service (Costs to Serve)

Revenue Structure as Driver

- Locality with **Point of Sale** Sales Tax



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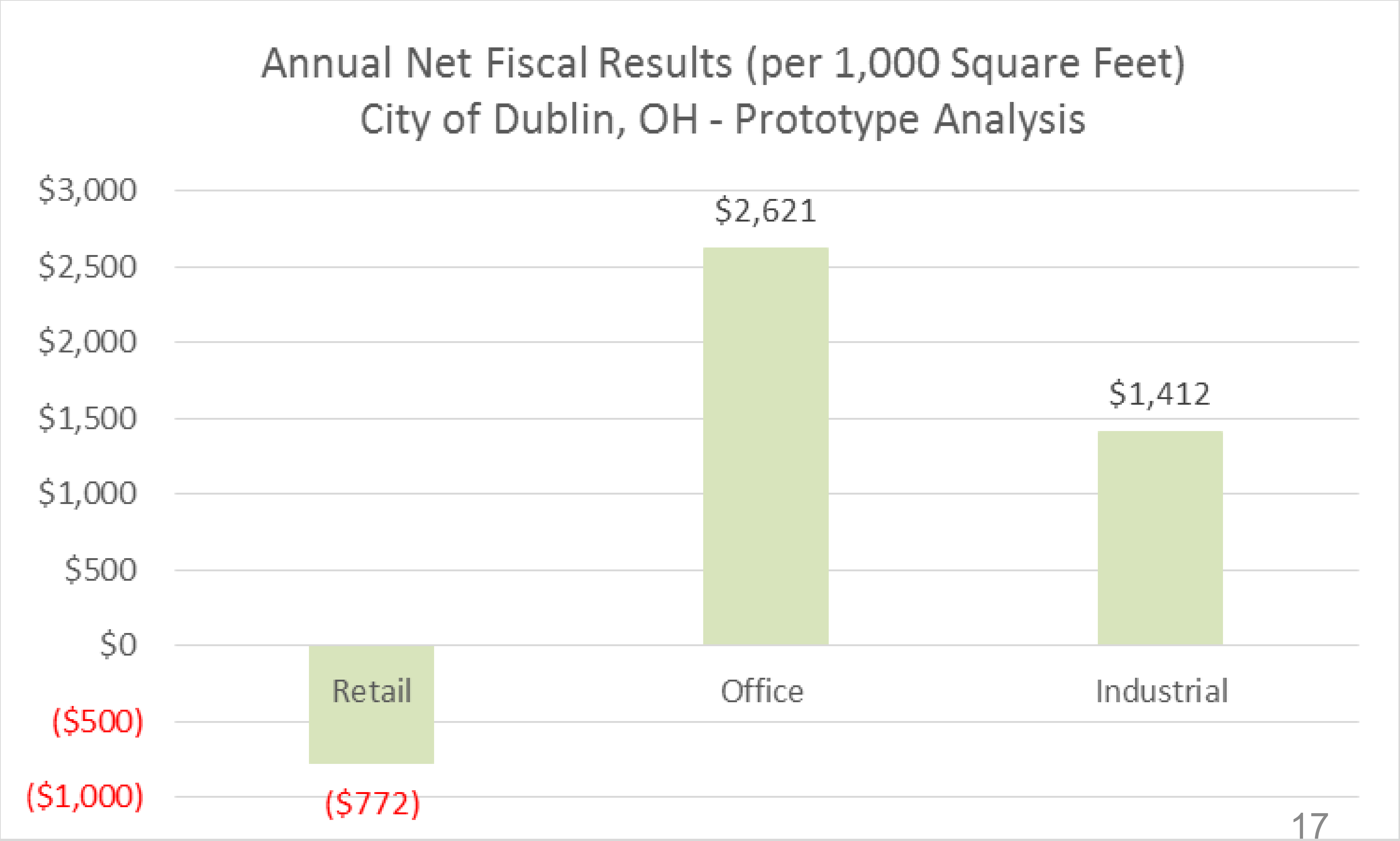
Revenue Structure as Driver

- Locality with **Local Income Tax by Job Location**



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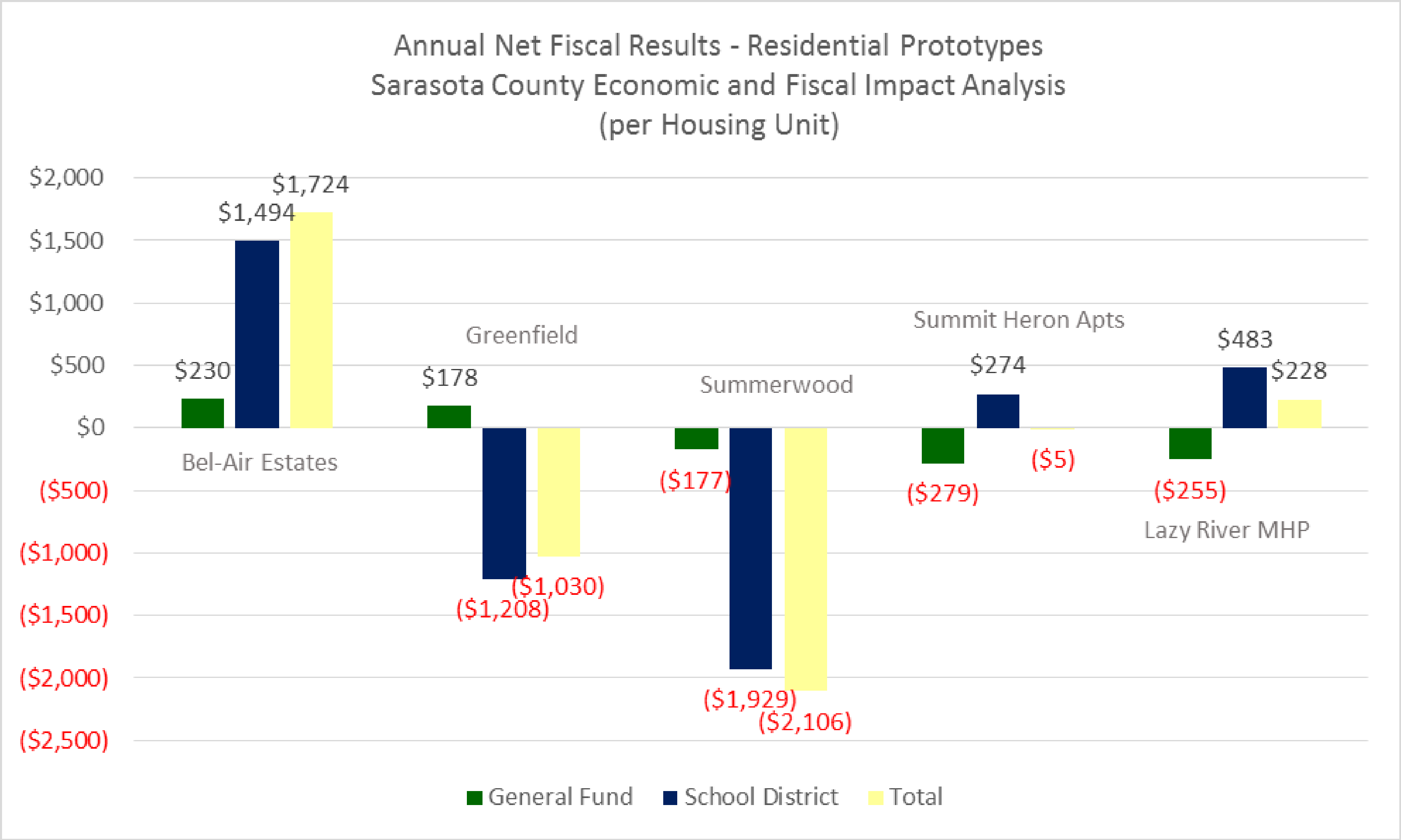
Demographic Characteristics as Driver

- Influence of Single Family Characteristics



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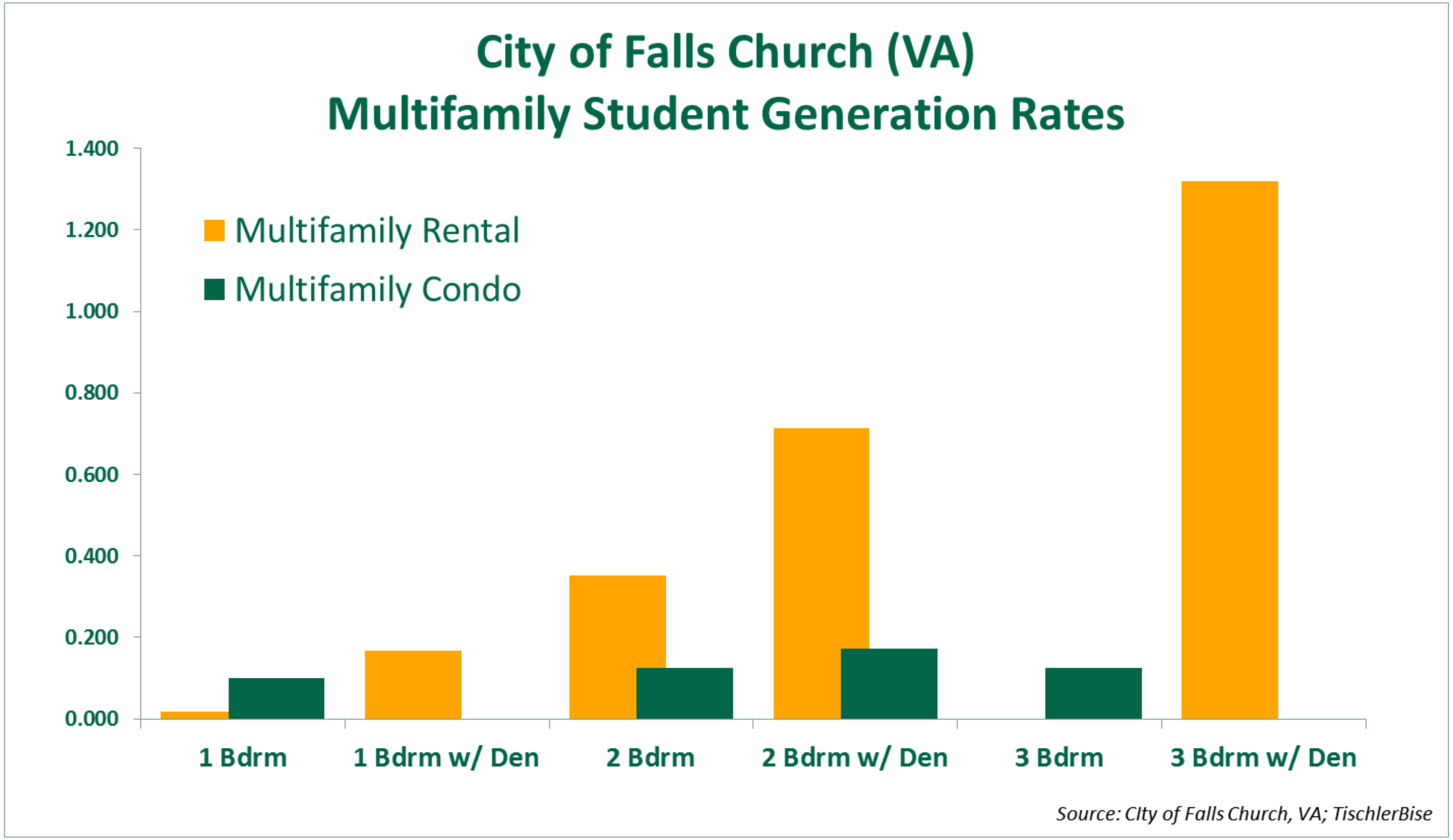
Demographic Characteristics as Driver

- Influence of Multifamily Characteristics



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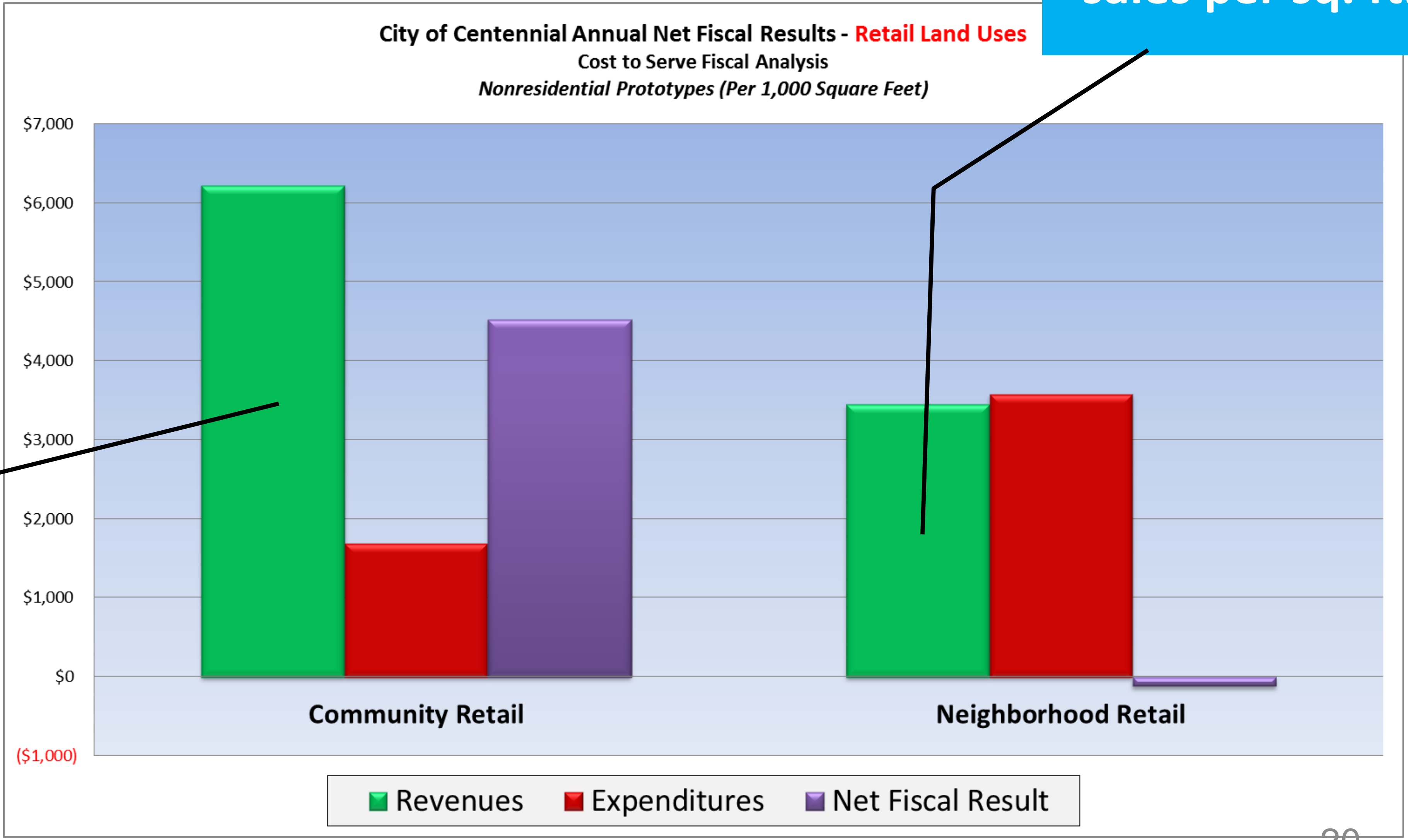
Changing Retail

- What happens to revenue when retail space shifts to services



$230 taxable sales per sq. ft.

$110 taxable sales per sq. ft.

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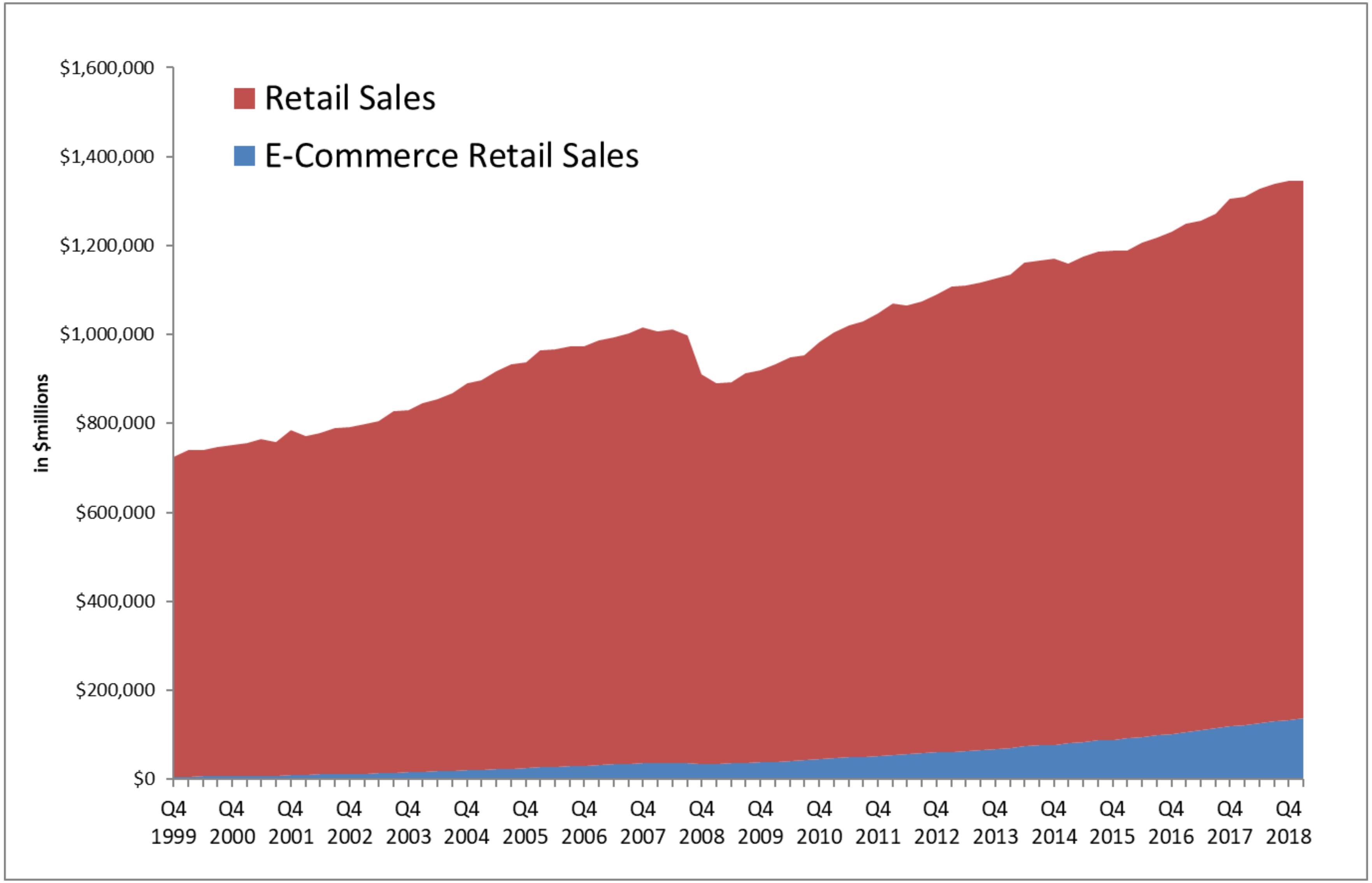
Changing Retail

- E-Commerce comprises relatively small share of total retail sales
- Increase of almost 1% per year since 2015



Source: Retail Indicators Branch, U.S. Census Bureau; TischlerBise analysis

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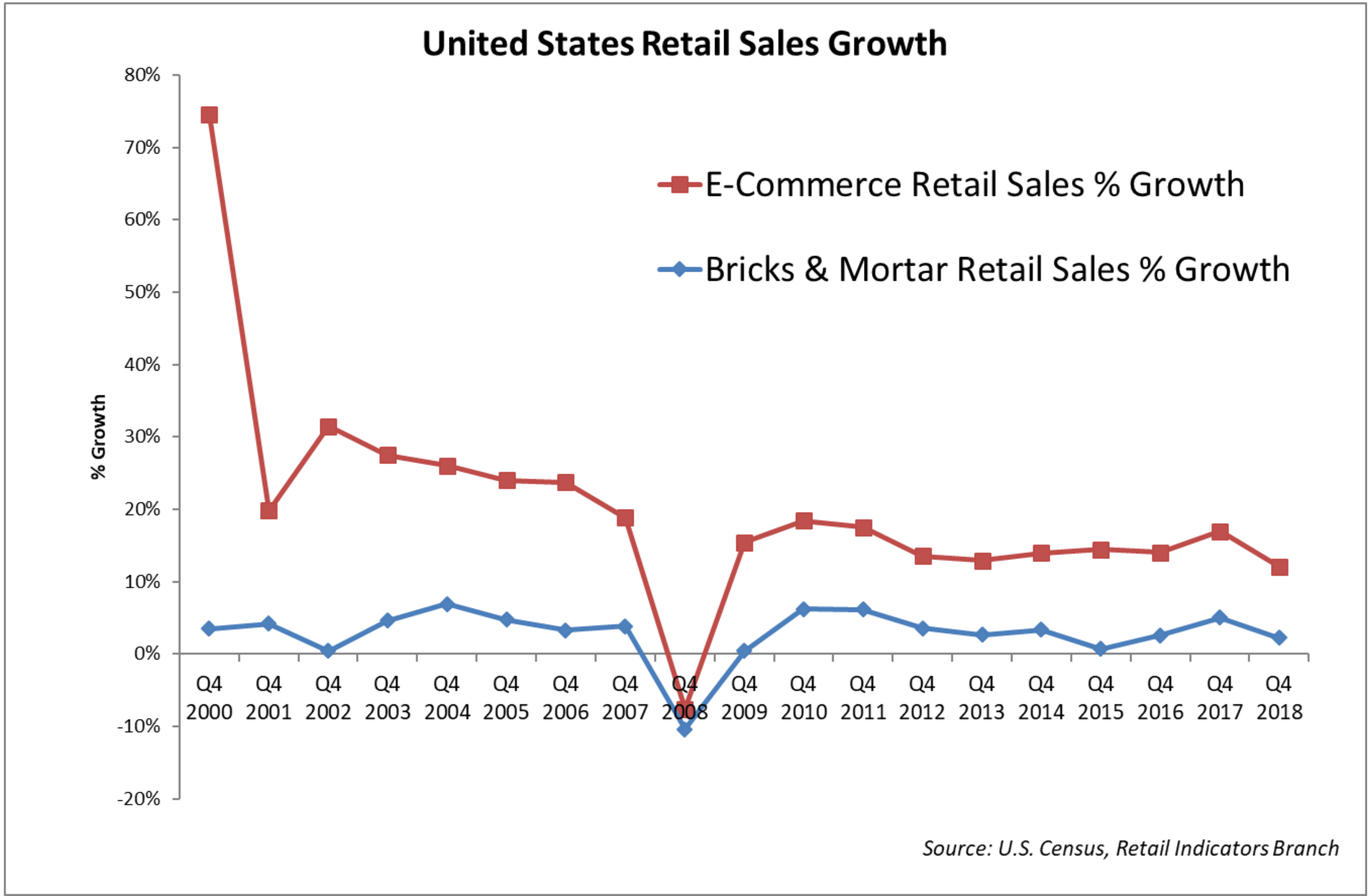
Most Growth in Retail is from E-Commerce

- Quarter over quarter growth in e-commerce has been at hovering at or around 20% since the Recession



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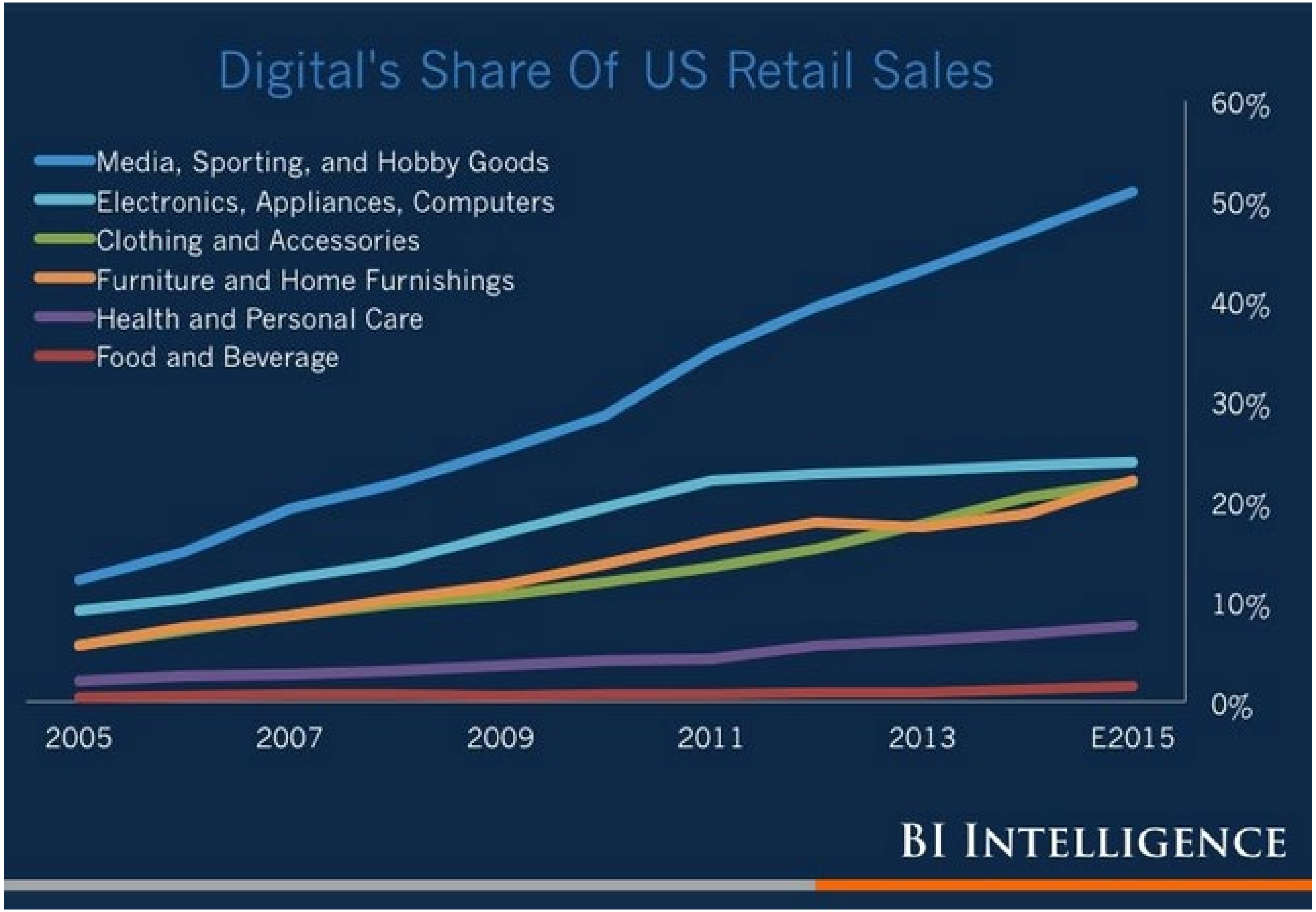
Source: Retail Indicators Branch, U.S. Census Bureau; TischlerBise analysis

Land Use Implications

- Items migrating to digital are also those that generate **point of sale** sales tax



Source: BI Intelligence (Business Insider), "The Future of Retail: 2015"

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Recent Retail Trends Affecting Revenue

- More mall closures in 2019 than 2018
- U.S. is "over retailed" with 23.5 sf of mall space per capita (16.4 in Canada; 11.1 in Australia) [Total retail estimated at ~34 sf per capita]
- Malls housing nonretail tenants such as fitness centers, banks, medical, yoga studios, office space, to attract consumers—with sales tax implications (Coresight Research)
- Yet . . . positive signs for bricks and mortar retail—with smaller footprints (Fast Company; Coresight Research)
- Emerging trend of the "renter" consumer—what are the implications for sales tax revenues? (Marketplace)

Levels of Service/Services Provided as Driver

	Pop. [1]	Jobs [2]	*Admin.*	*Animal Control*	*Dev. Services*	*Facility Maint.*	*Fire*	*Health*	*Library*	*Mayor/ Council/ Manager*	*Muni. Court*	*Planning*	*Parks & Rec.*	*Police*	*Public Works*	*Other*	*Total*
			Pop. and Jobs	Pop.	Pop. and Jobs	Pop. and Jobs	Pop. and Jobs	Pop.	Pop.	Pop. and Jobs	Pop. and Jobs	Pop. and Jobs	Pop.	Pop. and Jobs	Pop. and Jobs	Pop. and Jobs	Pop. and Jobs
Balcones Heights	2,817	5,043	$67	$2	$11	$6	$185			$9	$30		$5	$175	$20	$108	$612
Castle Hills	4,217	4,096	$79	i			$183			i	$46			$247	$84	$16	$656
Fair Oaks Ranch*	6,162	437	$97		$15		i	$45		i	$13		$35	$218	$124	$57	$598
Grey Forest	494	46	$244				$109	$4		i	$50			$446	$265	$1	$1,120
Helotes	7,523	1,642	$73	i	$6	$25	$107			$0.17	$52			$157	$26		$446
Hollywood Park	3,138	943	$65			$22	$232			i	$19		$15	$210	$38	$124	$721
Kirby	8,199	547	$115	$16			$89			$2	$16		$42	$104	$55		$434
Leon Valley	10,402	21,025	$7		$14		$70		$42	$10	$5		$11	$68	$35	$1	$228
Live Oak	13,455	5,032	$75	$16	$18		$106			$25	$11	$7	$50	$197	$67	$40	$594
Schertz*	32,478	10,458	$105	$12	i	i	$68		$26	$24	$9	$4	$38	$149	$31	$58	$506
Selma*	5,689	3,365	$381		i		$188			$5	i		$9	$321	$61	$1	$962
Universal City	18,987	4,620	$68	$16	$14	$40	$83		$15	i	$11		$13	$133	$7		$391
Windcrest	5,493	2,392	$71	$15	$10	$14	$32			$16	$33		$71	$205	$67	$135	$642
Average			**$111**	**$13**	**$12**	**$21**	**$121**	**$24**	**$28**	**$11**	**$24**	**$6**	**$29**	**$202**	**$68**	**$54**	**$608**
Total G.F. Expenditure [3]			$15,611,479	$1,132,379	$1,402,464	$1,414,572	$16,757,233	$277,081	$1,574,116	$2,080,972	$2,663,204	$321,383	$3,329,477	$28,125,133	$7,615,001	$6,202,369	$88,506,863
Pop./ Pop. And Jobs [4]			178,700	81,429	105,030	52,598	172,101	7,139	61,867	135,560	169,646	61,423	104,875	178,700	178,700	137,182	178,700
Weighted Avg Cost (per Pop /Pop and Job)			**$87**	**$14**	**$13**	**$27**	**$97**	**$39**	**$25**	**$15**	**$16**	**$5**	**$32**	**$157**	**$43**	**$45**	**$495**

**Partially located in Bexar County but total citywide population and jobs used.*

Projection Methodology

[1] Source: US Census, 2011 Population Estimates

[2] Source: US Census, LED , "On the Map," 2011 Estimate.

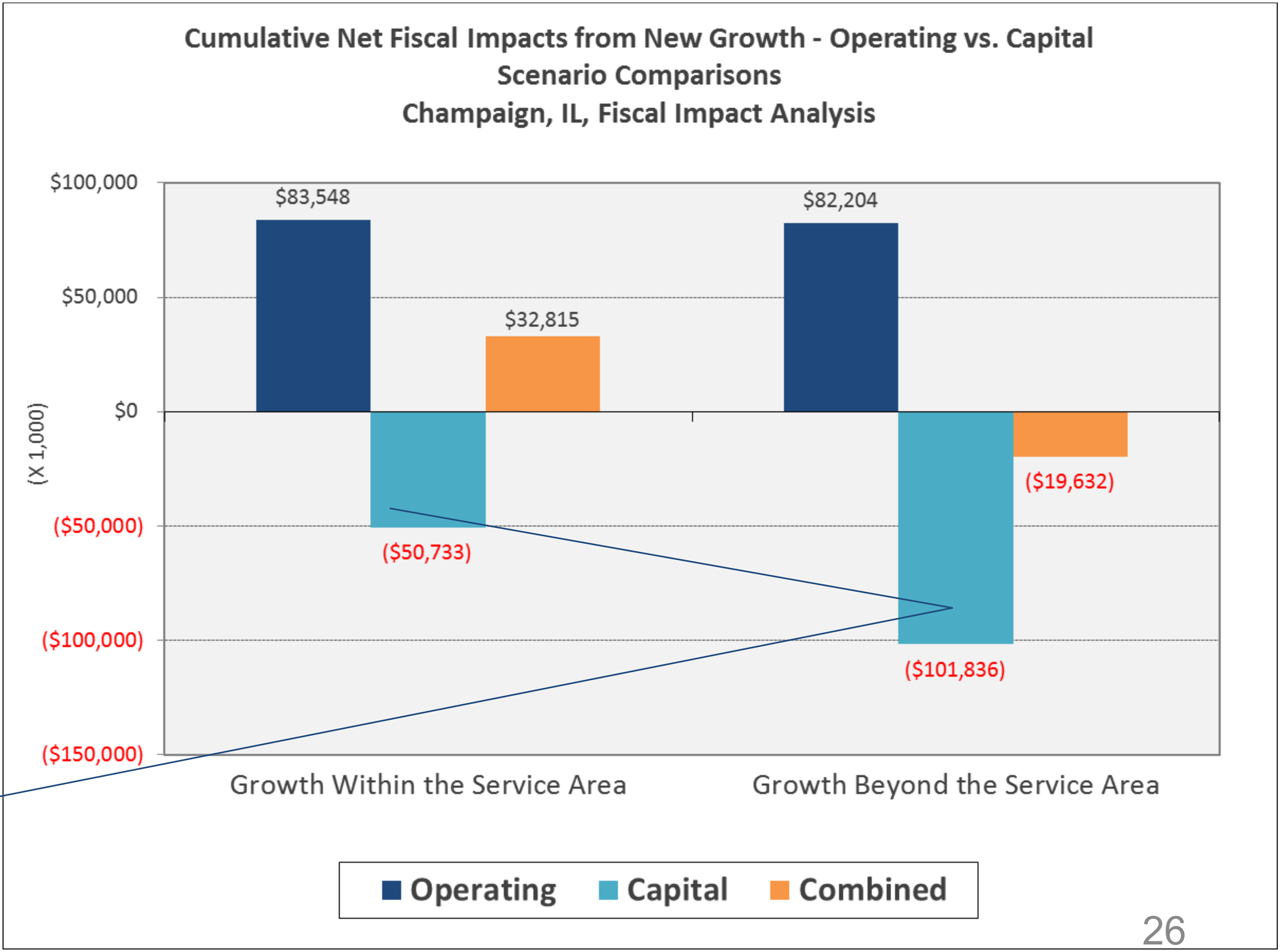
[3] Represents total expenditures of selected Bexar County cities under each department.

[4] Represents total population or population and jobs of selected Bexar County cities that fund the department through their General Fund.

Infrastructure Capacity as Driver

- Fiscal effects of not extending infrastructure

$50 million difference due to NOT extending infrastructure



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Infrastructure Lifecycle as Driver

	PROJECTED RANGE OF COSTS *Existing Unfunded + Future City Growth (20 Years)** (x$1,000s)		
Infrastructure Category	*Scenario 1*	*Scenario 2*	*Scenario 3*
Roads and Bridges (DOS)	$158,573	$162,001	$247,860
Drainage (DOS)	$14,103	$14,103	$14,103
Police	$13,641	$14,905	$23,174
Fire	$32,830	$33,880	$51,355
SPAR	$31,965	$31,965	$50,865
General Government	$0	[illegible]	[illegible]
Solid Waste***	$9,360		
Transit***	$1,425		
SUBTOTAL Costs	*$261,897*		
Water (DOS)	$200,724		
Sewer (DOS)	$175,139		
SUBTOTAL Costs	*$375,864*		
TOTAL Costs	**$637,761**		

	PROJECTED EXISTING REVENUE SOURCES (x$1,000s)		
Debt Service Millage	$92,592	$98,043	$156,338
Other Existing Sources-Local**	$40,000	$40,000	$40,000
Other Existing Sources-State & Federal***	$63,776	$66,417	$93,705
TOTAL Existing Revenue Sources	**$196,368**	**$204,461**	**$290,043**
SHORTFALL (20-Yr Cumulative)****	***($441,393)***	***($459,713)***	***($647,011)***
Average Annual Shortfall or Surplus	***($22,070)***	***($22,986)***	***($32,351)***

Notes:

** From TischlerBise Phase II Fiscal Impact Analysis; all capital costs reflect Pay-Go*

*** Assumed at $2 million per year for 20 years*

**** Assumed at 10% of expenditures, based on historic funding levels*

***** Includes water and sewer costs*

Source: City of Shreveport; TischlerBise

Case Studies

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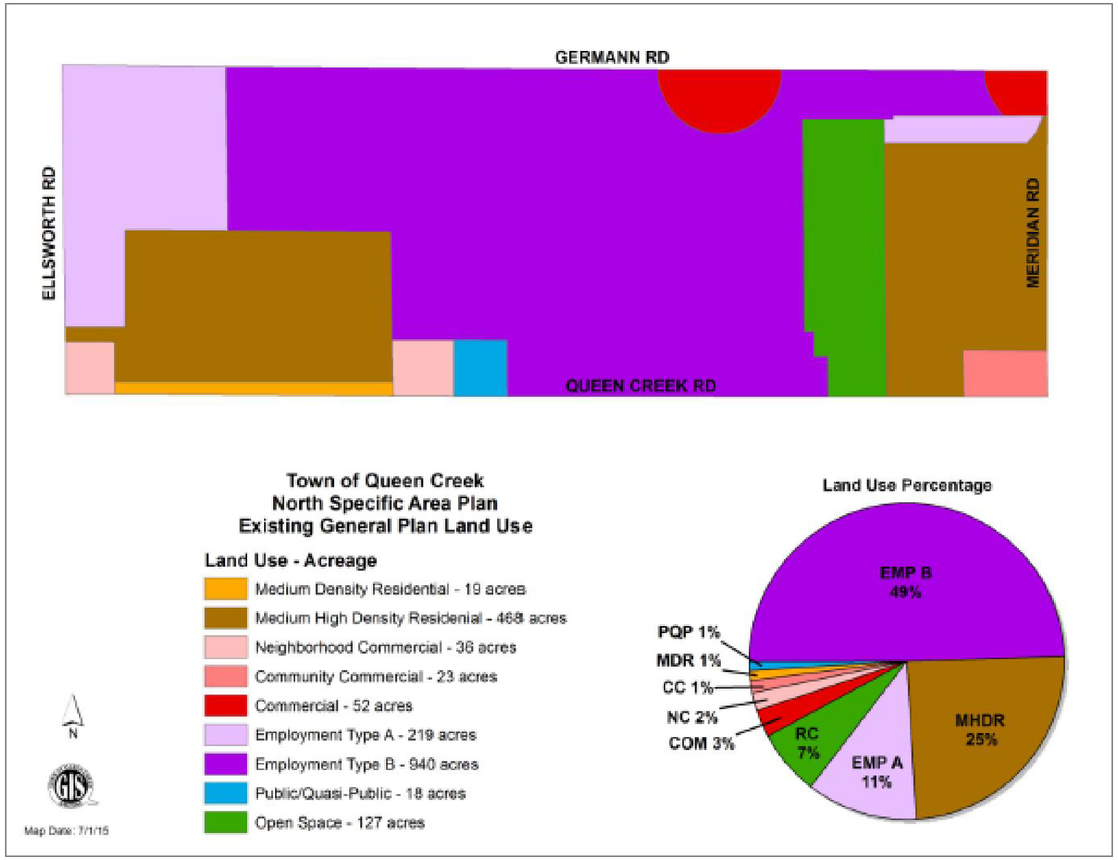
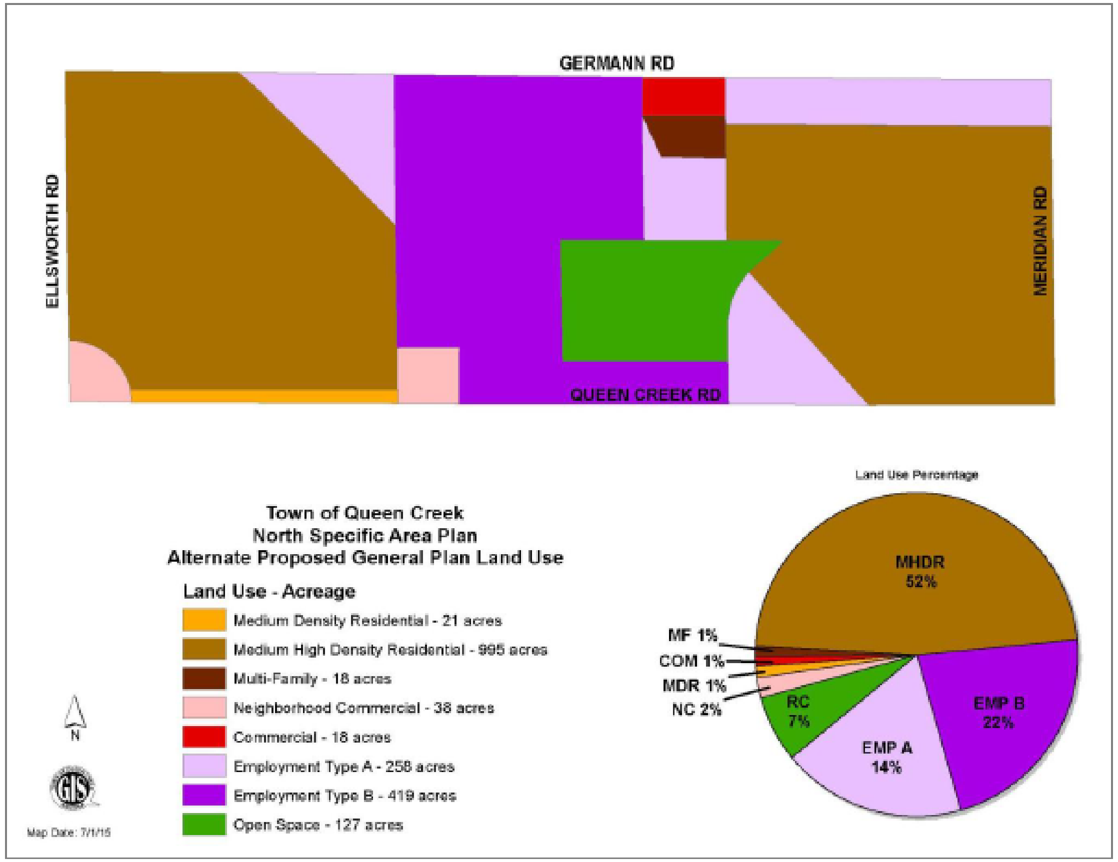
Small Area Plan Fiscal Analysis

- Town of Queen Creek, AZ

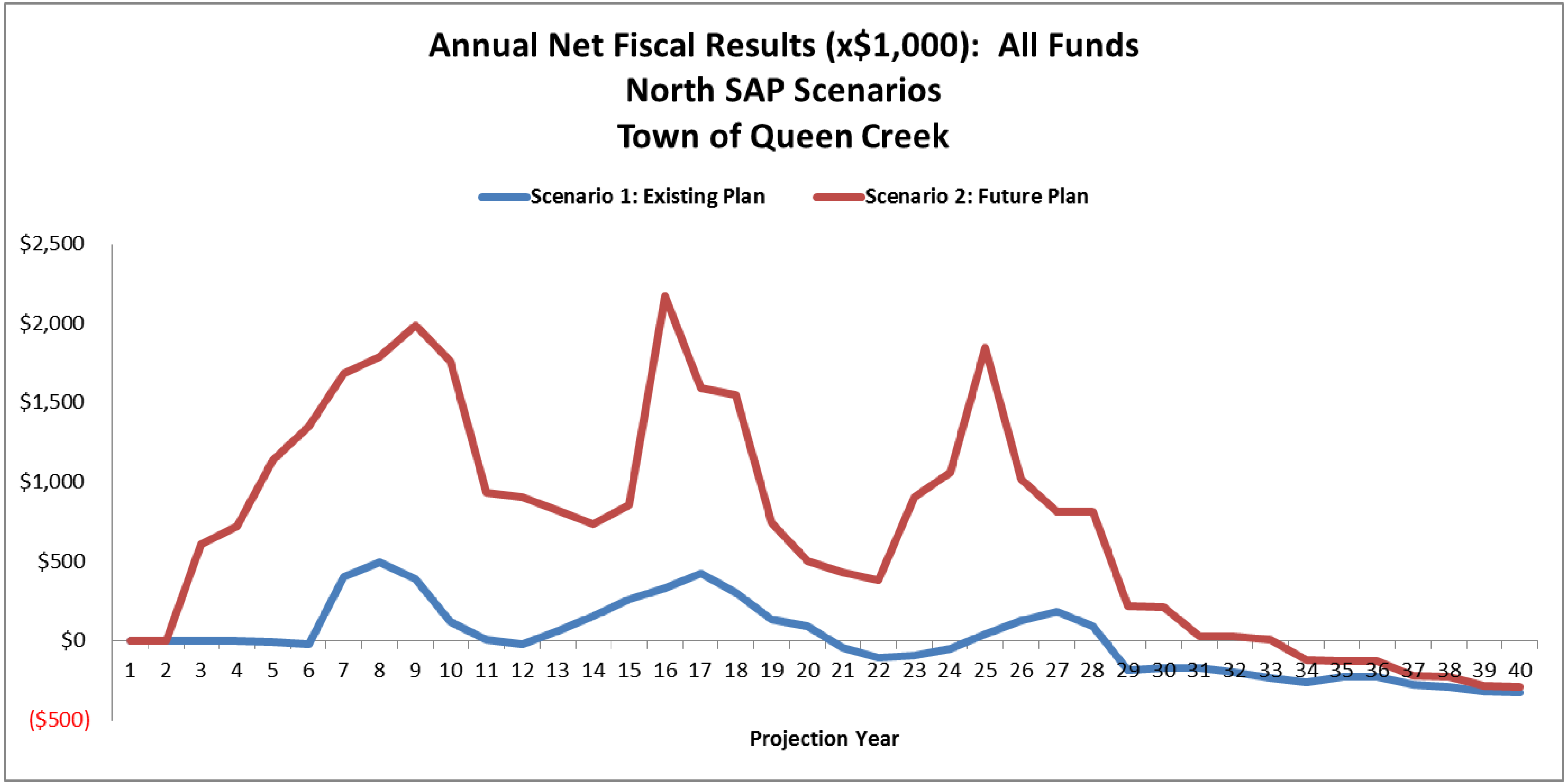
CURRENT GENERAL PLAN:



PROPOSED NORTH SPECIFIC AREA PLAN:



Small Area Plan Fiscal Analysis Findings



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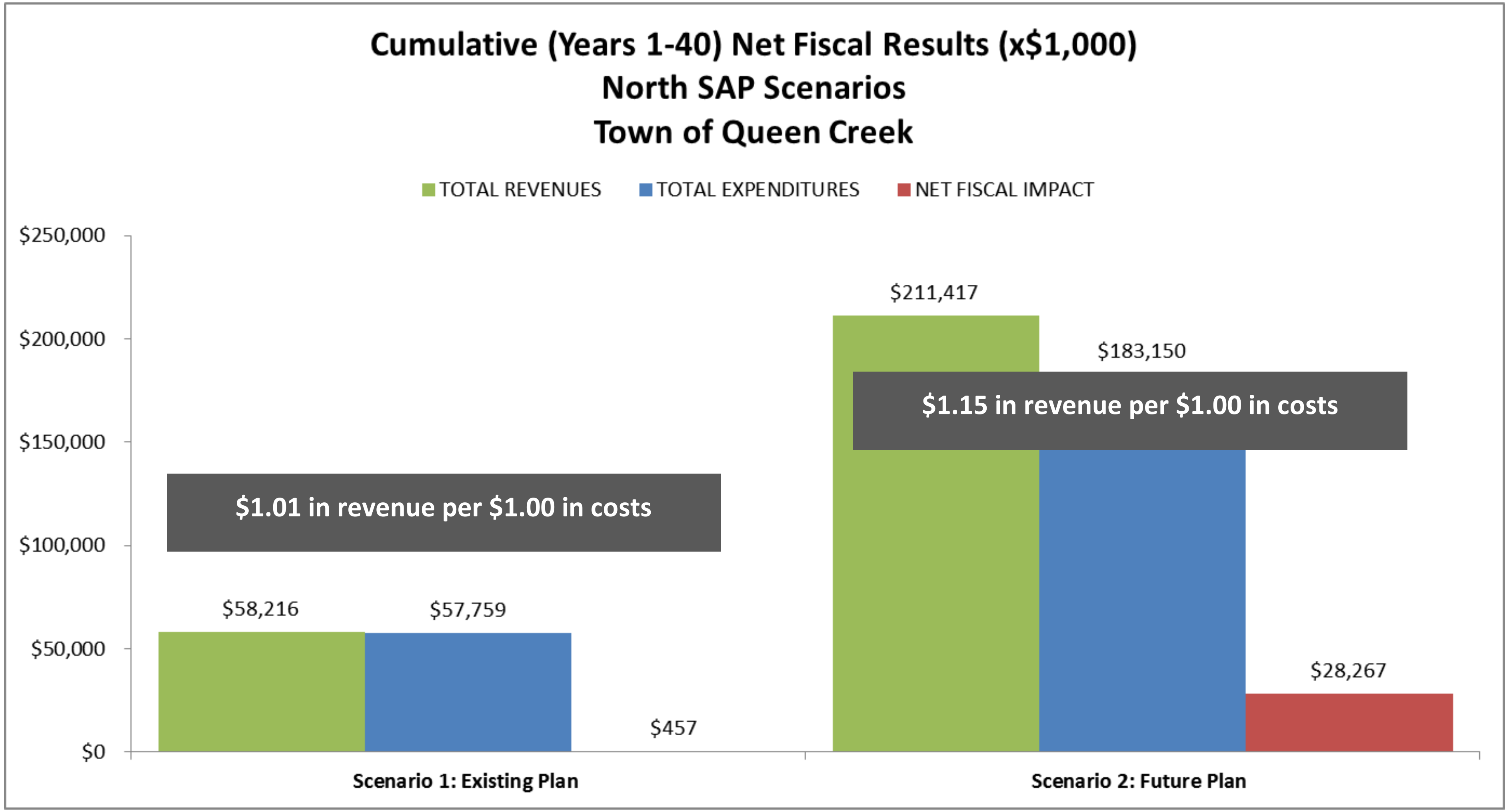
Small Area Plan Fiscal Analysis Findings



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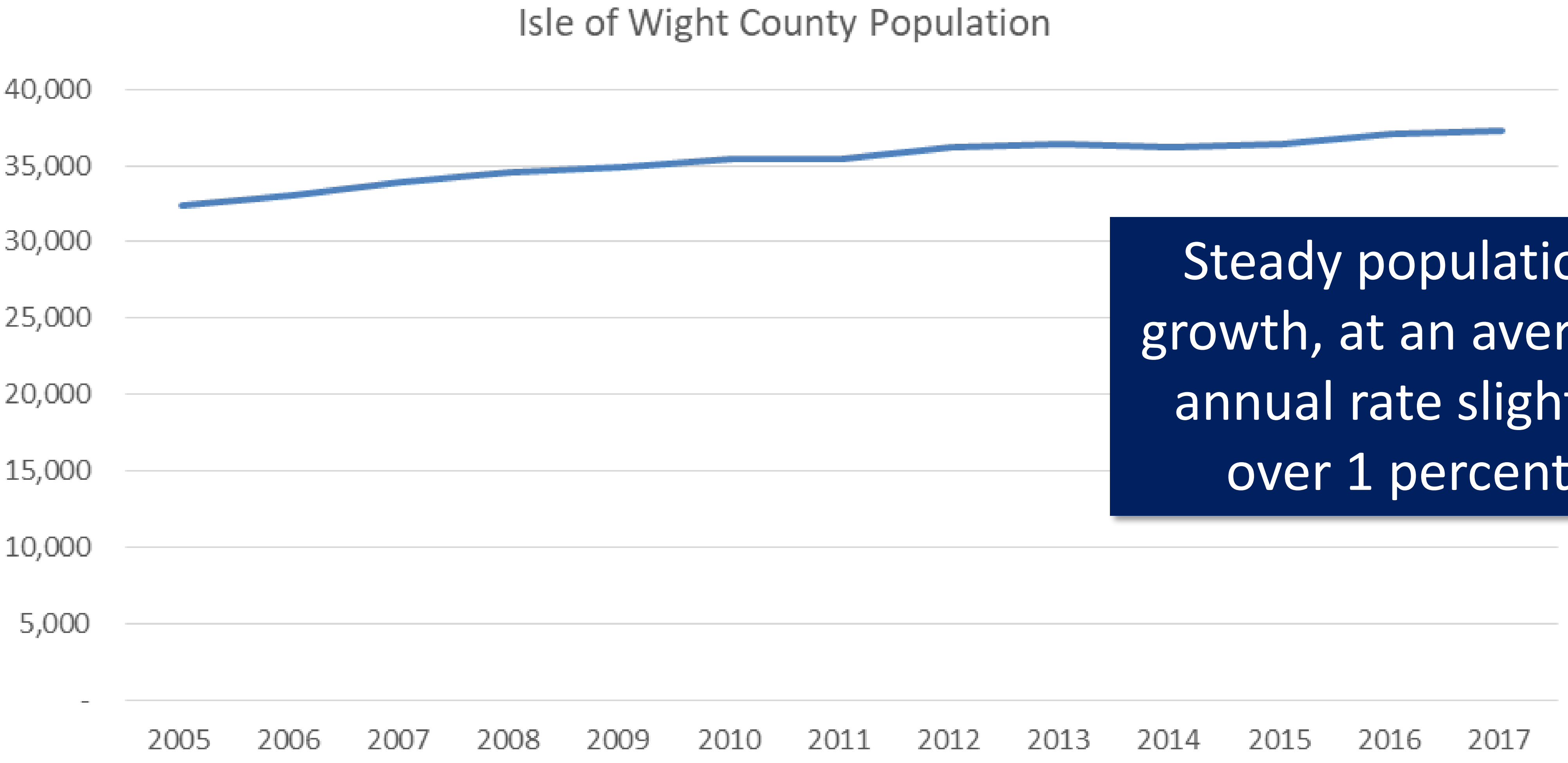
Use of Market and Fiscal Assessment



Steady population growth, at an average annual rate slightly over 1 percent

Source: Hampton Roads Planning District Commission; Weldon Cooper Center

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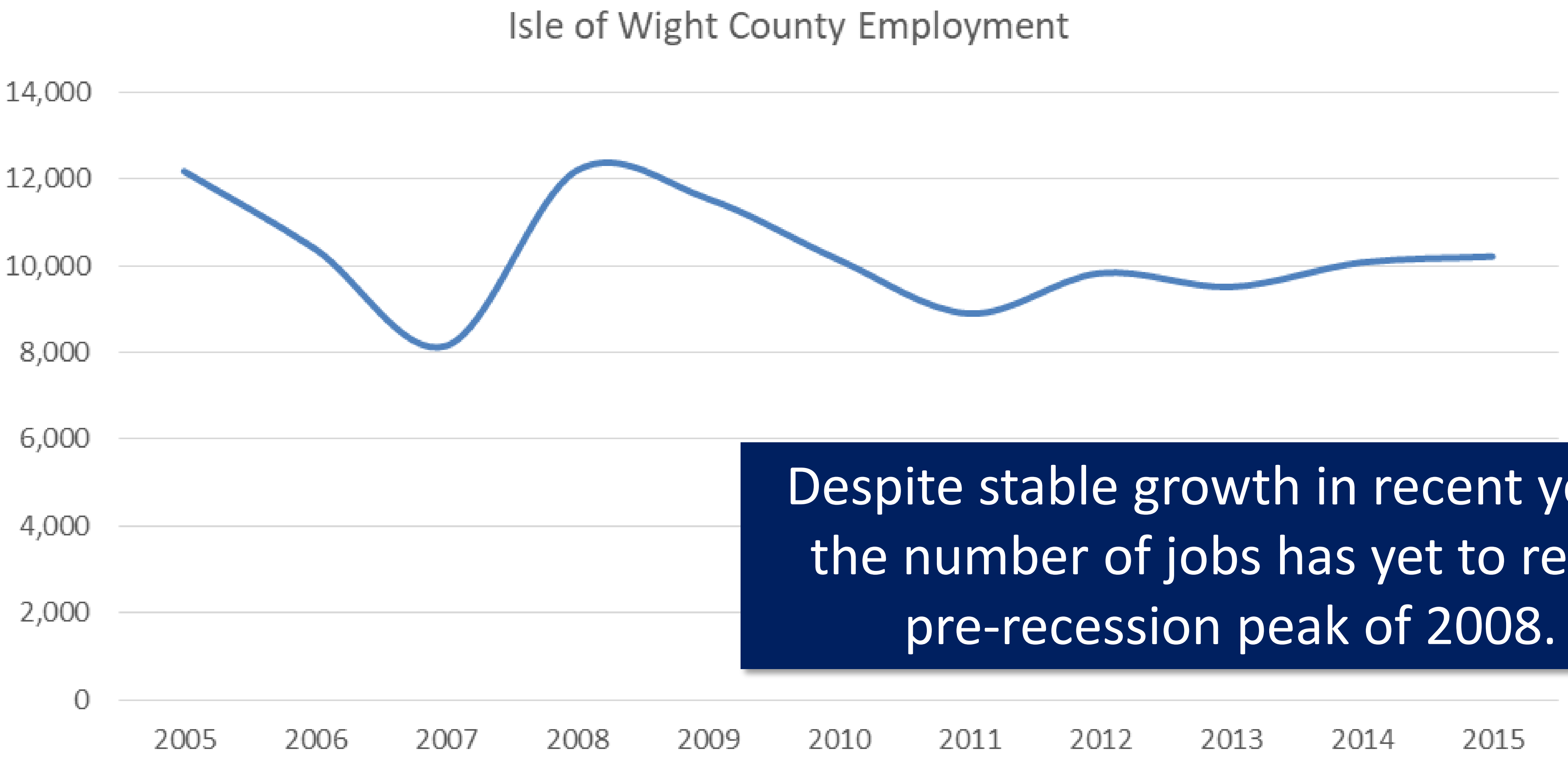
Use of Market and Fiscal Assessment



Despite stable growth in recent years, the number of jobs has yet to reach pre-recession peak of 2008.

Source: LEHD On the Map, 2015

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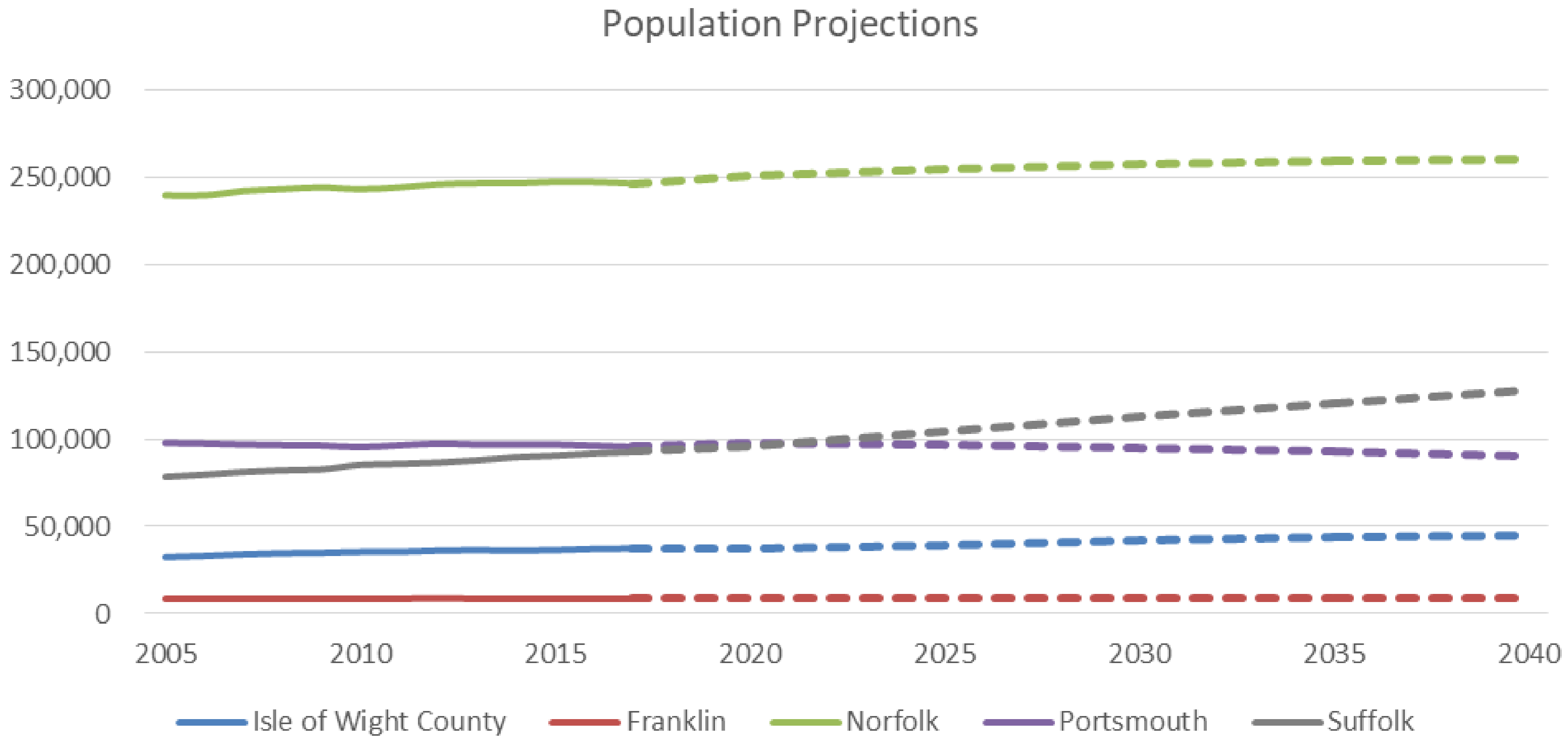
Use of Market and Fiscal Assessment



Source: Weldon Cooper Center

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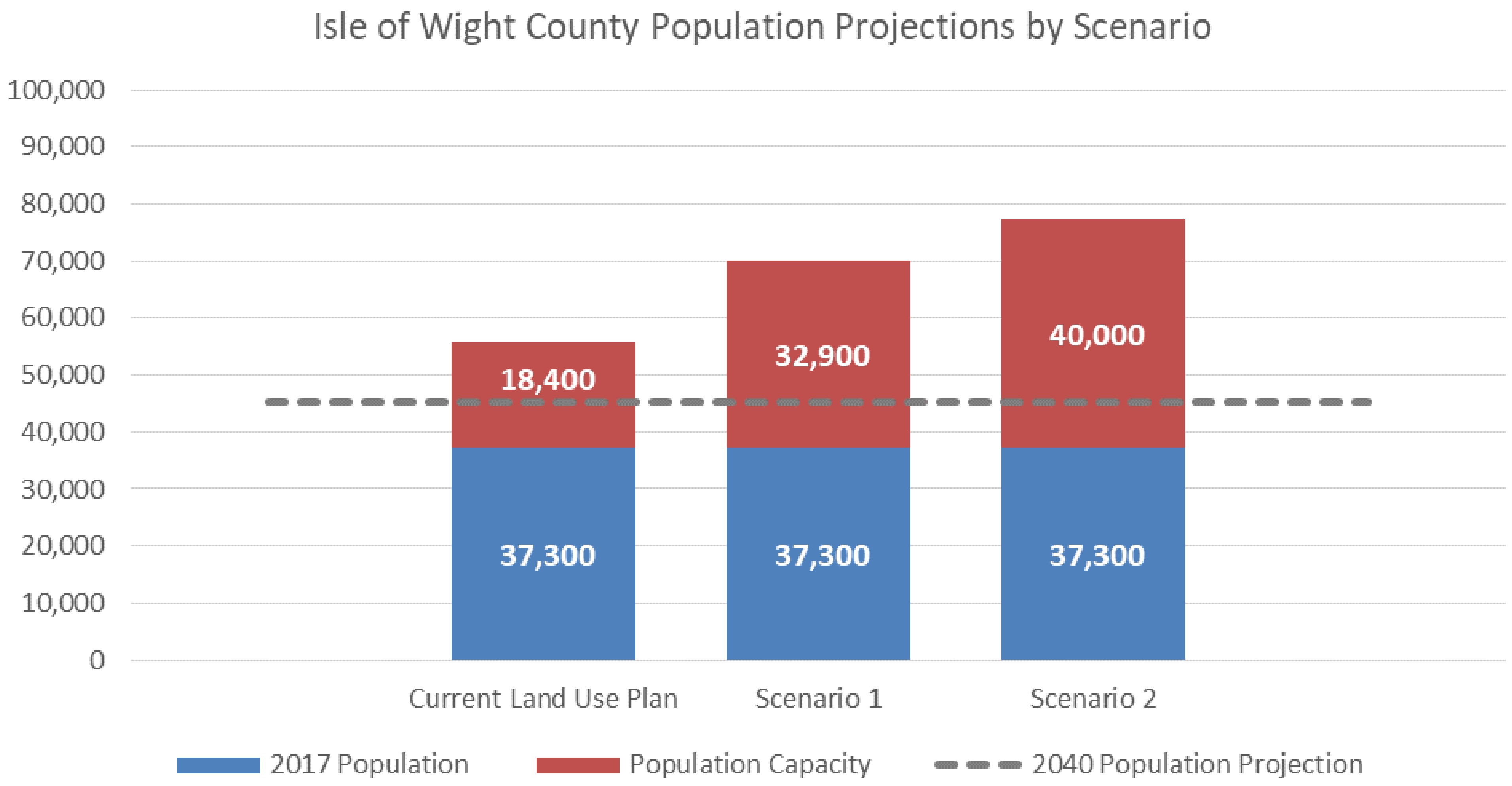
Use of Market and Fiscal Assessment



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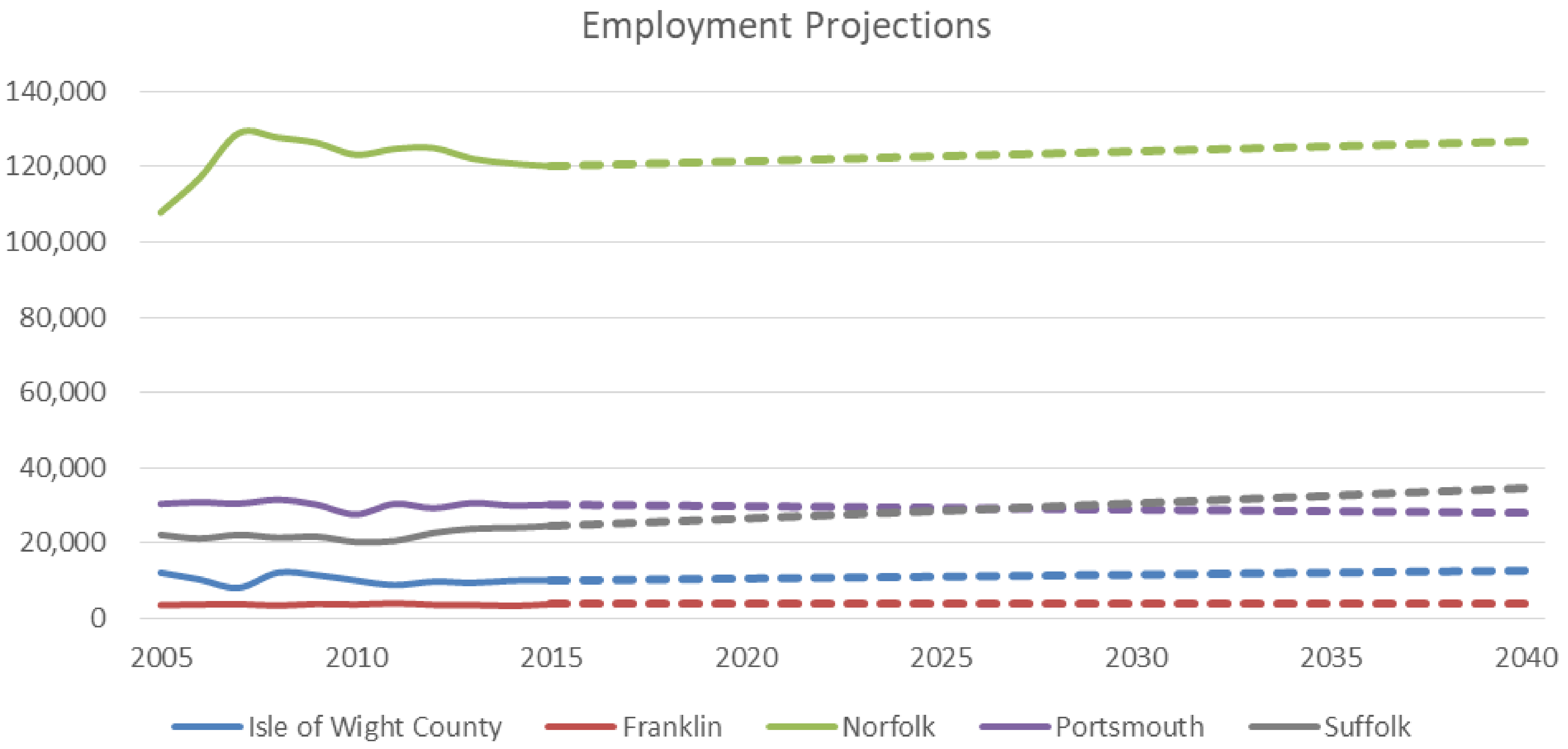
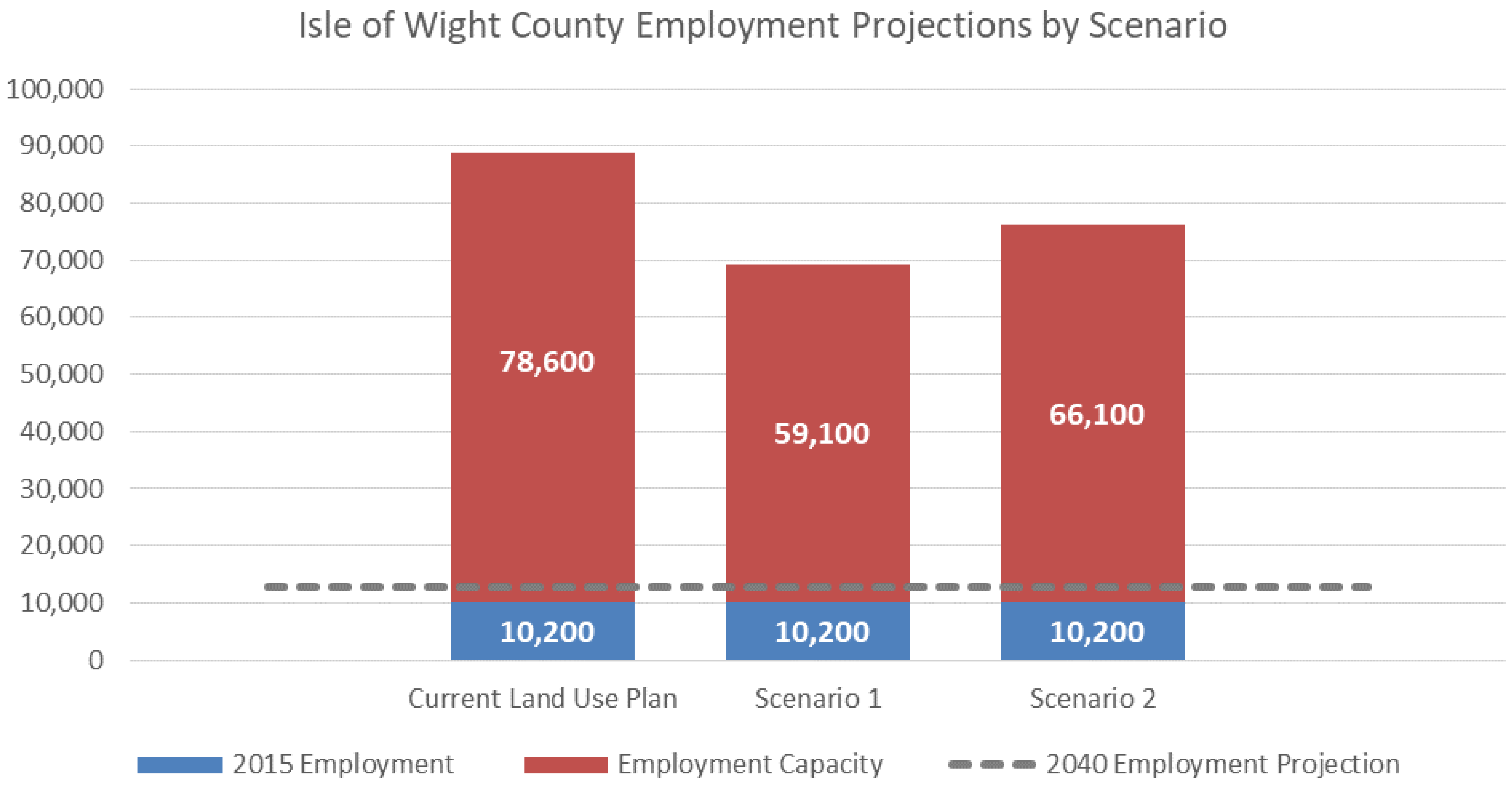
Source: Weldon Cooper; TischlerBise

Use of Market and Fiscal Assessment



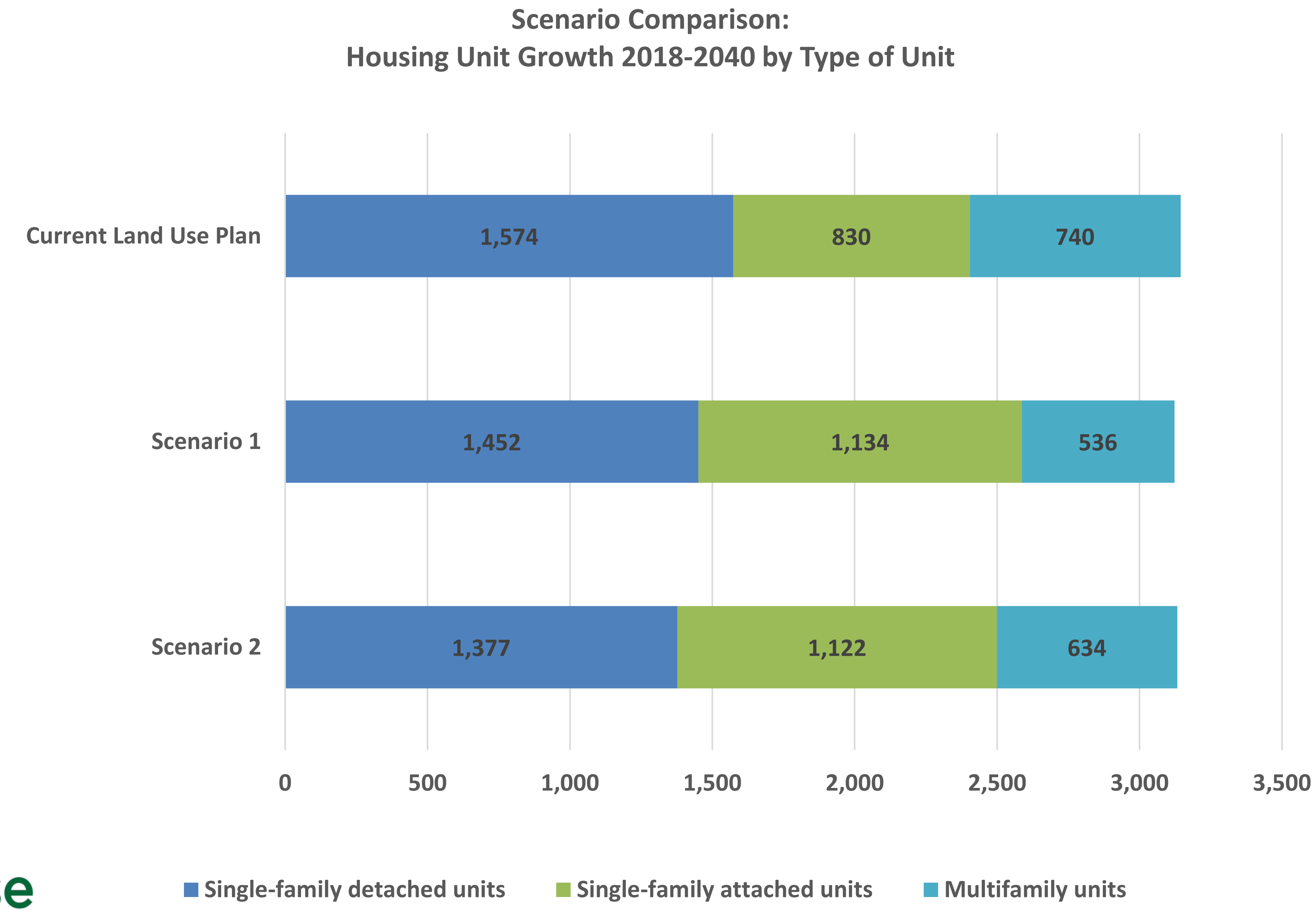
Source: LEHD On The Map; TischlerBise

Use of Market and Fiscal Assessment



Source: TischlerBise; LEHD On The Map; Hampton Roads Planning District Commission

Market-Based Scenarios



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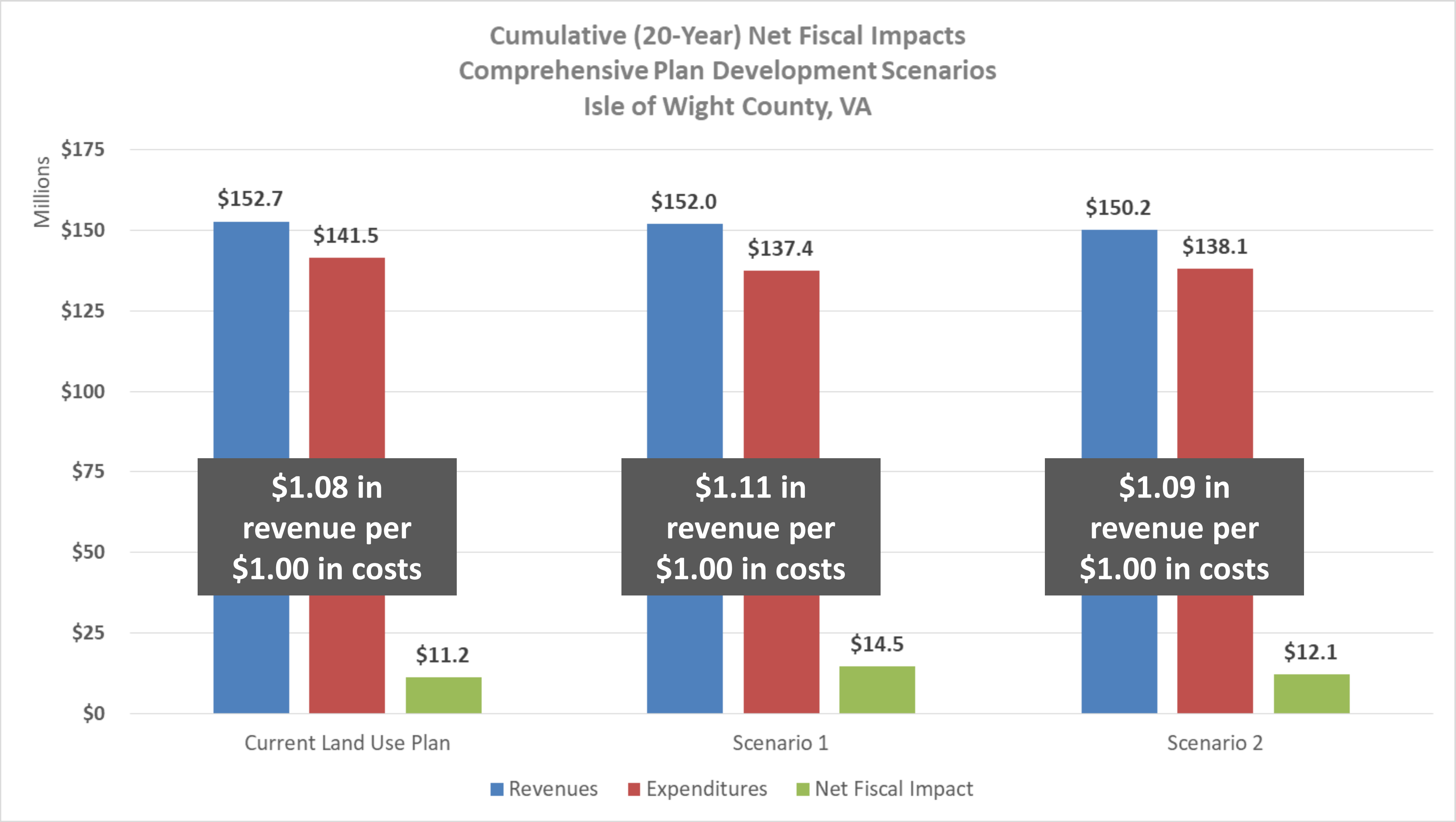
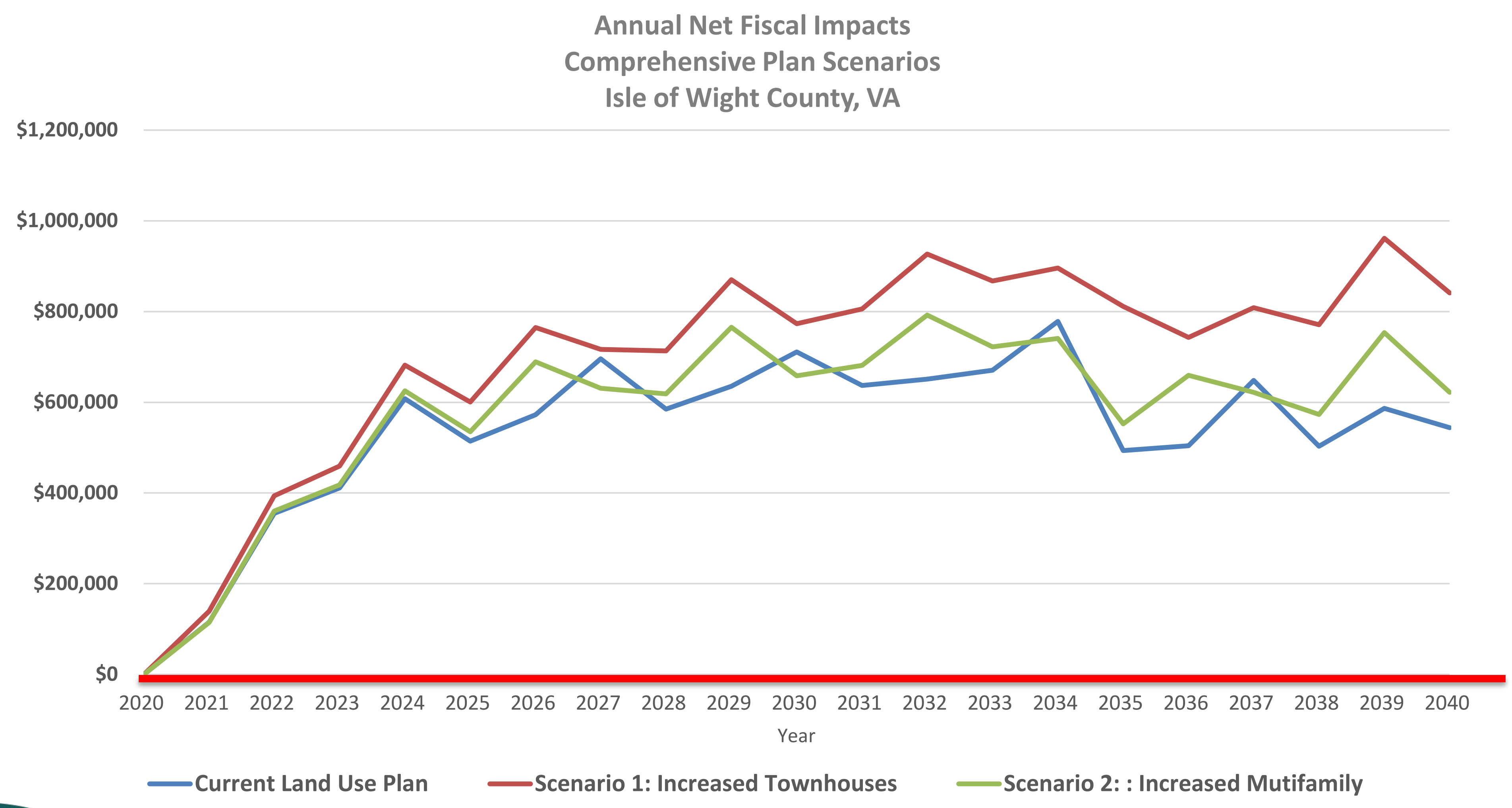
Fiscal Impact Analysis Findings



Fiscal Impact Analysis Findings



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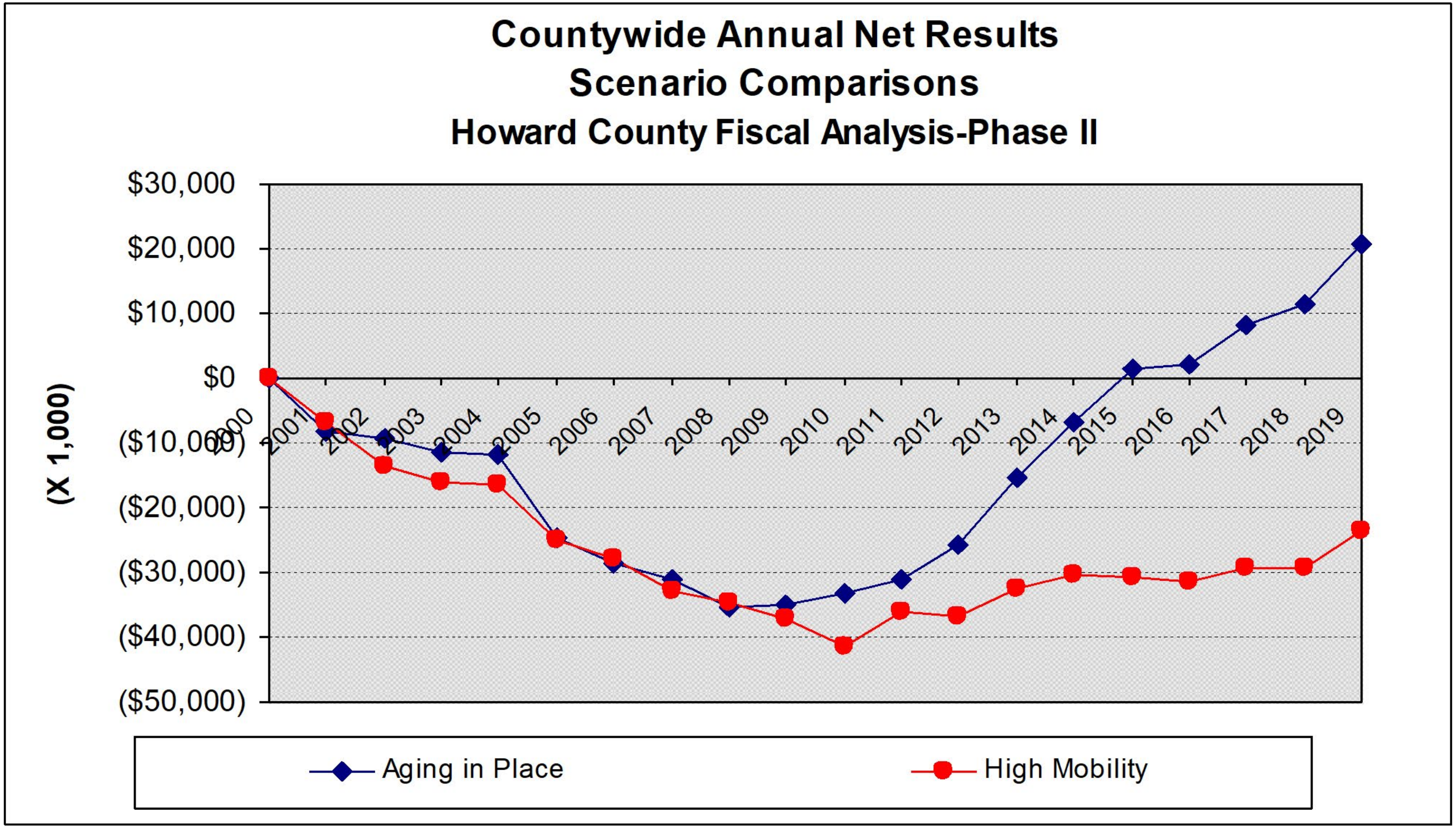
Demographic Shifts



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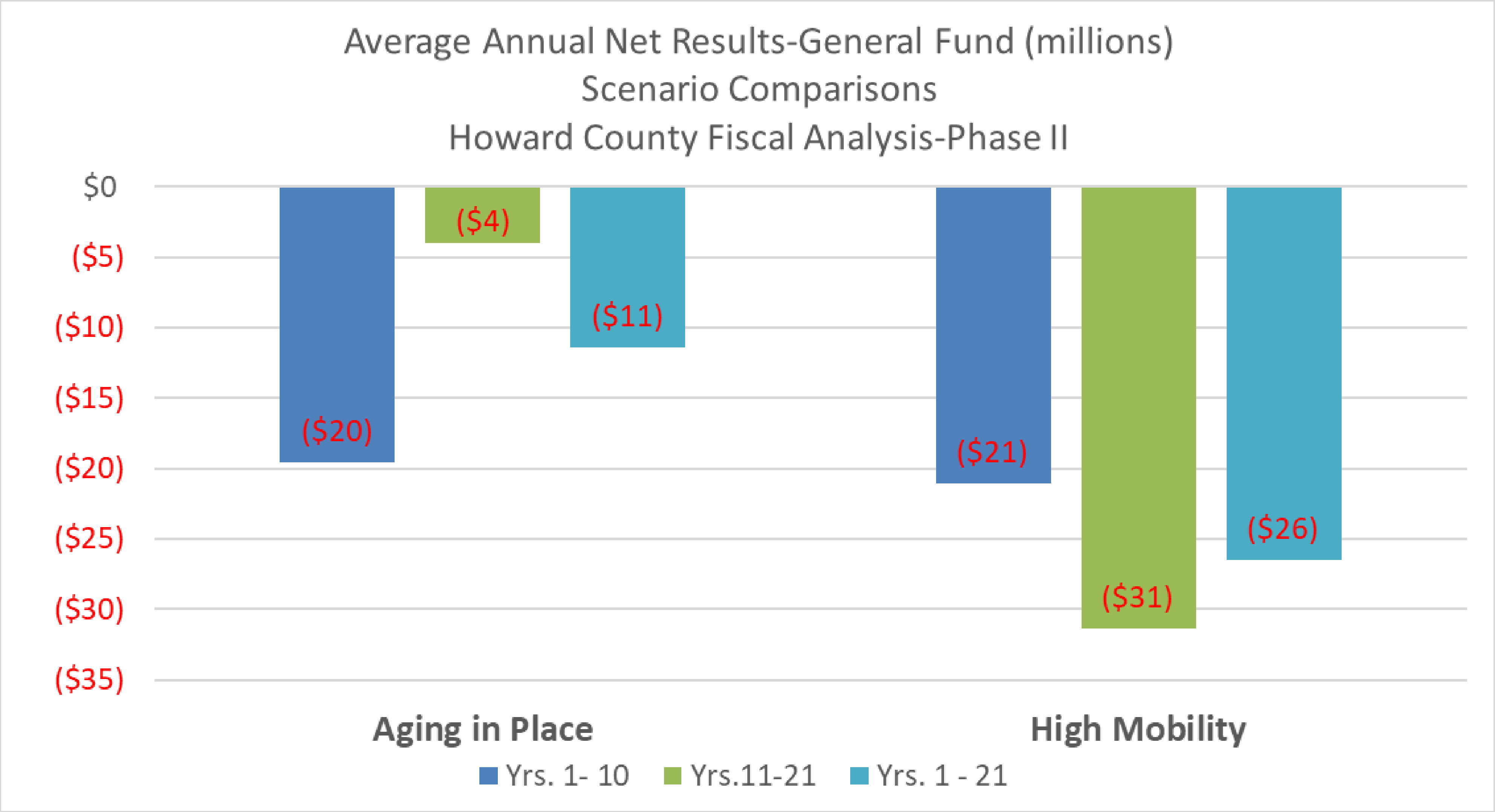
Demographic Shifts



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Redevelopment

Somerville, Massachusetts, Union Square Neighborhood Plan

- Major cost assumptions (Boynton Yards)
  - Road/Streetscape upgrades: $18.8 million
  - Utility upgrades: $21.2 million
  - Parks/open space constructed by the developer
  - New roads constructed by the developer
  - Fair share of new elementary school seats

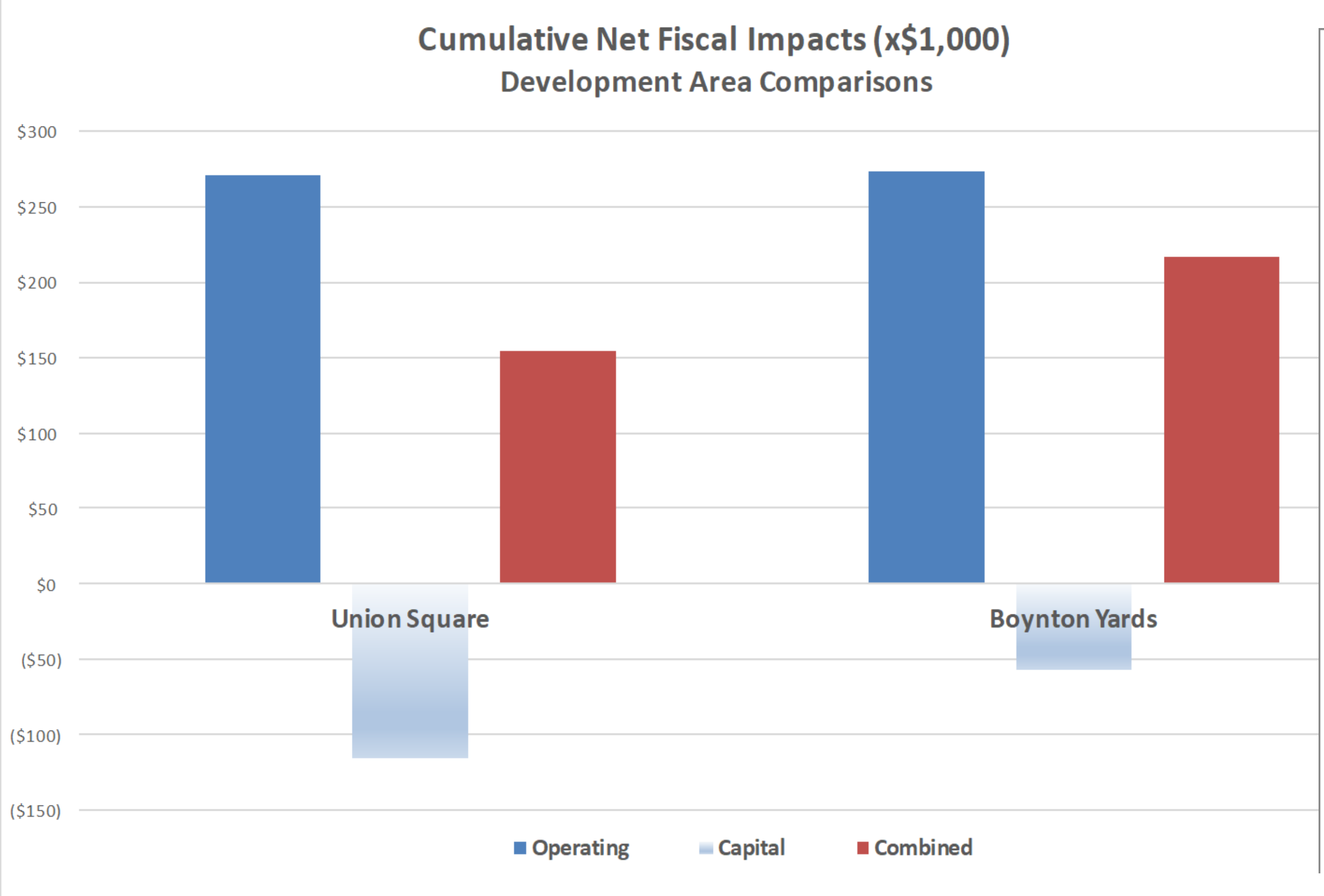
Redevelopment

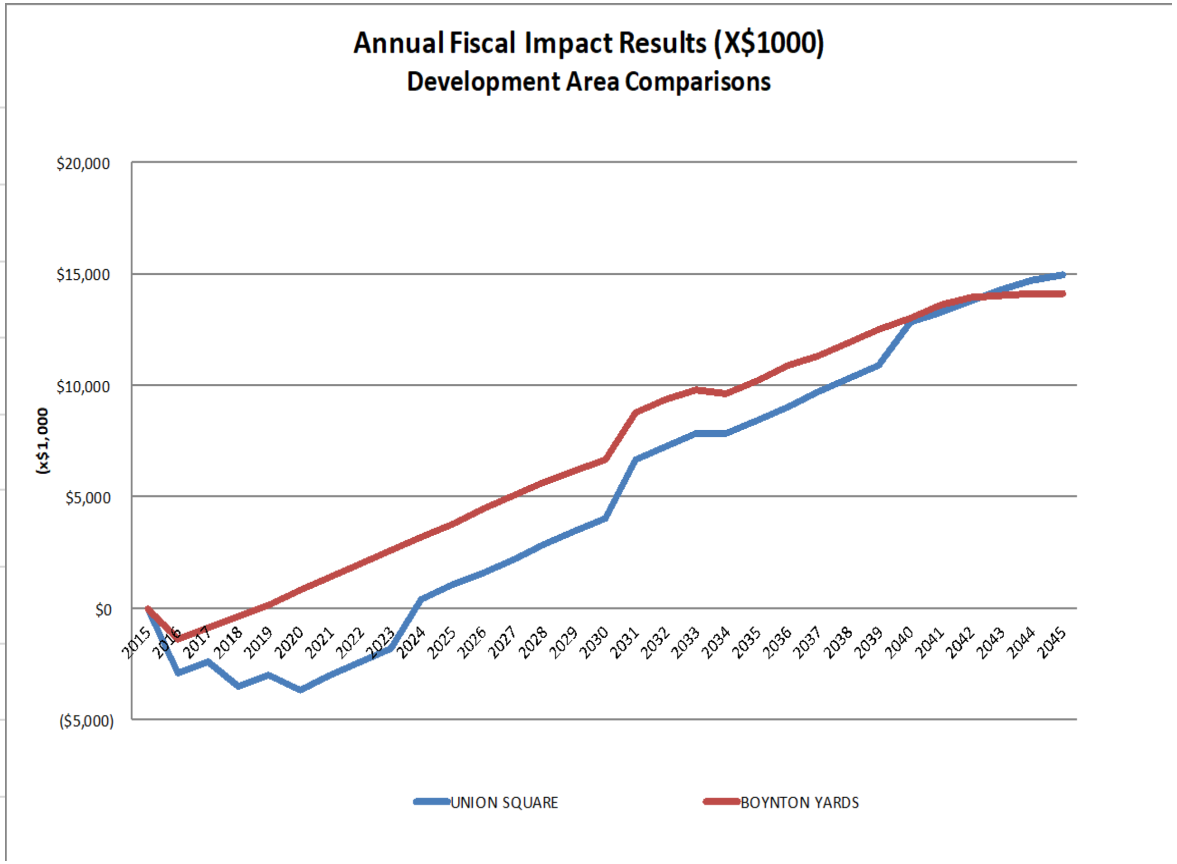
Somerville, Massachusetts, Union Square Neighborhood Plan

- Major cost assumptions (Union Square)
  - Road/Streetscape upgrades: $25 million
  - Utility upgrades: $35 million
  - New Fire Station: $21 million
  - Parks/open space constructed by the developer
  - New roads constructed by the developer
  - Fair share of new elementary school seats

Redevelopment

Somerville, Massachusetts, Union Square Neighborhood Plan





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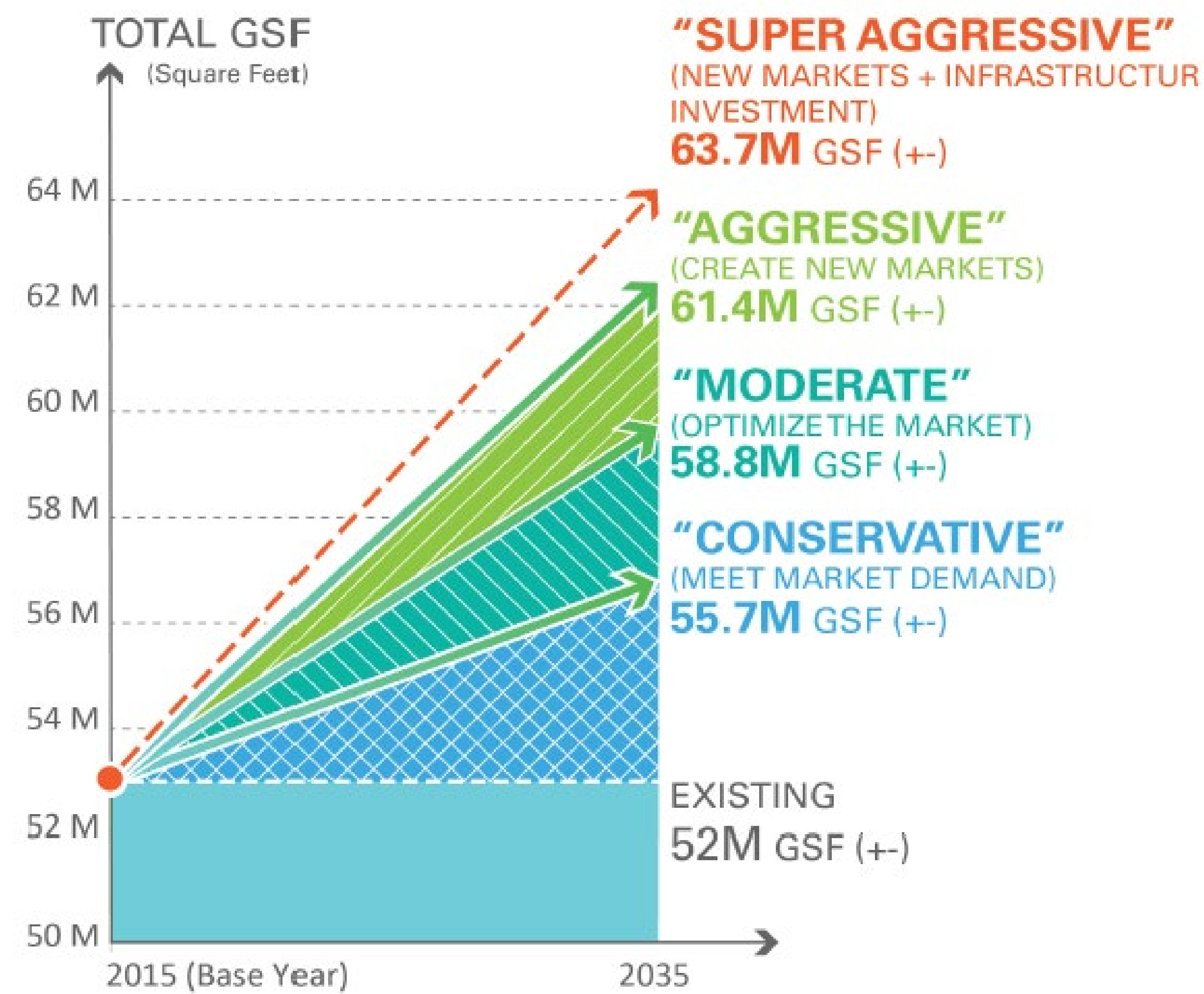
The Cost of Intervention

Downtown Las Vegas Master Plan

- Lack of existing investment implies the need to incentivize growth in the future
- Affordability and lack of diversity are issues
  - Vacancy rates are 300% more than that of Clark County
- Land assemblage issues
  - City has a policy of not using eminent domain
  - Prevailing wage requirements for City money
- Only 375 housing starts in Downtown since 2008
- Safety is an issue
- Expensive relative to competing product

The Cost of Intervention
Downtown Las Vegas Market Demand

DEVELOPMENT PROJECTIONS



PREFFERED SCENARIO: SUPER AGGRESSIVE

TOTAL
11.7 M SF

RESIDENTIAL
6.8M SF
(6,400 Units*)

RETAIL & RELATED
739K SF

HOTEL & GAMING
515K SF

OFFICE
2.1M SF

INSTITUTIONAL
1.2M SF

INDUSTRIAL / FLEX
339K SF

*ASSUME THE AVERAGE SIZE OF ONE HOUSING UNIT RANGES FROM 800 SQ. FT. TO 1,200 SQ. FT. BASED ON THE SPECIFIC HOUSING TYPES

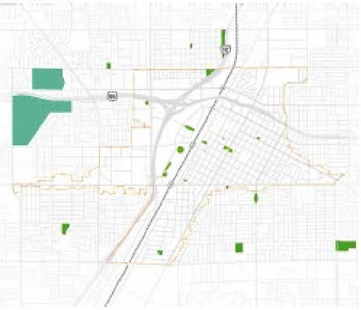
The Cost of Intervention

Downtown Las Vegas Improvements to Public Realm

ENVIRONMENTAL BENEFITS

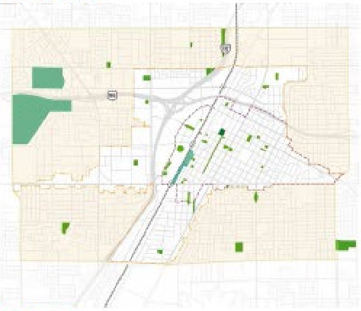
PUBLIC REALM IMPROVEMENT

EXISTING



24 AC

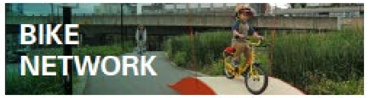
PROPOSED



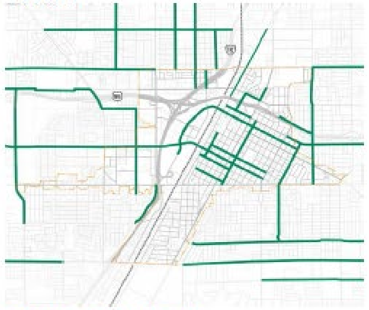
48 AC

↑ 200%

Parks and open spaces are essential to urban life. They provide a place for recreation, cool the ambient temperature, and provide a meaningful respite from the city. The Masterplan envisions a diversified complement of open spaces that promote a higher quality of life for residents, workers, and visitors to DTLV.

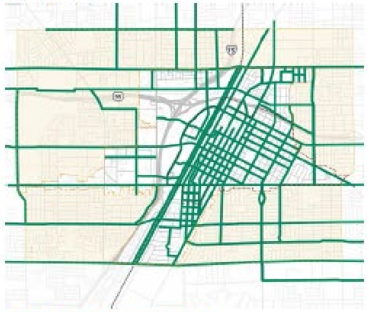


EXISTING



7 LINEAR MILES

PROPOSED

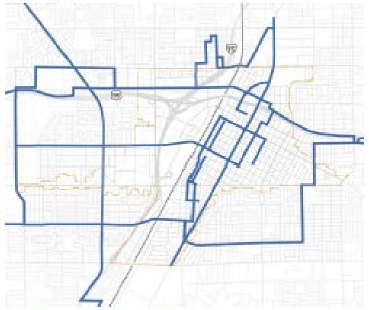


48 LINEAR MILES

↑ 685%

The ability to get around by bicycle expands the reach of the transportation network; providing much needed alternatives to the automobile for short trips within downtown, as well as recreational biking trails to regional open spaces.

EXISTING



15 LINEAR MILES

PROPOSED

45 LINEAR MILES

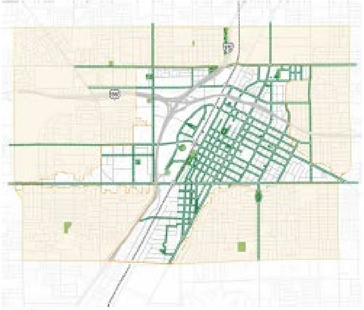
↑ 300%

Pedestrian areas are also greatly expanded from new and expanded sidewalks within urban areas to walking and running trails along the train right of way and beyond.

EXISTING

15 AC

PROPOSED



245 AC

↑ 1600%

Trees are a real need in DTLV. "Urban heat island" is most effected by the lack of tree canopy within the CBD, where tall buildings and reflective materials are most prevalent. The Masterplan calls for a significant increase of drought tolerant trees lining most major streets. The cumulative effect of these plantings can significantly reduce ambient temperature, helping reduce energy.

*Images and proposals are for illustrative purposes only.

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The Cost of Intervention

Downtown Las Vegas Master Plan

- Implement an aggressive Downtown housing strategy
- Residential housing incentives
- Establish a Local Entrepreneurship Program
- Establish an Economic Development Capital Fund
- City assemblage of property
- Buying down the cost of land

Questions

Thank You

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Note on sources: Unless otherwise noted or sourced, all figures herein are from TischlerBise.