Planning for Economic & Fiscal Health

National trends, local impacts

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Who is **Smart Growth America**?

**Smart Growth America** is a national non-profit organization dedicated to researching, advocating for, and leading coalitions to bring smart growth practices to more communities nationwide.
What is smart growth?

A neighborhood with transportation and housing choices near jobs, shops and schools is smart growth.
What is smart growth?

Works at every scale

Isn’t really a new thing
The ways we plan our cities

PATTERNS OF DEVELOPMENT
Traditional town plan

- Mixed-use
- Compact
- Buildings of several stories
- Blocks with multiple building types
- Street grid
Then came zoning . . .

“Euclidean” zoning

- Fragmented land use
- Drive-only
... and the automobile ...  
(and the interstate highway program, and new federal programs for homebuilding, and new rules for capital depreciation ...)
We built highways, expanded them . . .

Lovell Road and I-40 40 years ago and today
Lovell Road and I-40 40 years ago and today

... and economic development followed.
Prime retail location
(late 20\textsuperscript{th} century)

“Walmart Supercenter, an archetypal big box store, in Madison Heights, Virginia.”
(from Wikipedia entry for “Big-box store”)
Prime office location
(late 20th century)

From: http://dilemma-x.net/2012/11/10/research-triangle-park-unveils-new-master-plan/
Prime residential location
(late 20th century)
Suddenly, things are different

THE DEMOGRAPHIC AND ECONOMIC FUNDAMENTALS HAVE SHIFTED
Leaving for the city

Lots of prominent American companies are moving downtown

Sep 3rd 2016 | From the print edition

FIFTY years ago American companies started to move their headquarters away from city centres to the suburbs. Some critics blamed the exodus on "white flight", as businesses
“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
Economic growth

20\textsuperscript{th} century vs. 21\textsuperscript{st} century

“From tools and spools to eds and meds”*

Manufacturing economy vs. Knowledge economy

Chasing smokestacks vs. Chasing talent
The 21st Century Economy

Manufacturing is changing

- Smaller part of our economy
- It’s nature has changed
The 21st Century Economy

- Creativity, knowledge, innovation
- Importance of networking, interaction
- Demand for skilled workers

“A region’s most important source of competitive advantage is its workforce. . . it’s the pool of talent that attract firms, particularly in the knowledge economy.”

28th Annual Survey of Corporate Executives: Availability of Skilled Labor New Top Priority

The results of our survey show a modest improvement in short-range new facility and expansion plans, as well as a realignment of site selection priorities with the availability of skilled labor being the number one concern, outranking highway accessibility and labor costs.

“This year, the highway accessibility and labor costs factors were outranked by the availability of skilled labor.”
“Talent is replacing the tax incentive as the No. 1 economic-development tool in America.”

Mark Wilson, president and CEO
Florida Chamber of Commerce
Quoted in Palm Beach Post,
June 9, 2016
Demographic Change

20th century vs. 21st century

Retirement of the Baby Boom
Rise of the Millennials
Smaller households
Changing preferences
Millennials now largest share of the work force


Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.
PEW RESEARCH CENTER
Millennials are different
Millennials

mil·len·nial /miˈlenəl/ noun
plural noun: millennials; plural noun: Millennials

a person reaching young adulthood around the year 2000; a Generation Yer.
"the industry brims with theories on what makes millennials tick"
Millennials

“We can all agree that Millennials are the worst.”

Philip Bump, The Atlantic, March 25, 2014
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
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)
WASHINGTON (July 28, 2015) – Millennials prefer walking over driving by a substantially wider margin than any other generation, according to a new poll conducted by the National Association of Realtors® and the Transportation Research and Education Center at Portland State University.

The **2015 National Community and Transportation Preference Survey** found that millennials, those aged 18–34, prefer walking as a mode of transportation by 12 percentage points over driving. Millennials are also shown to prefer living in attached housing, living within walking distance of shops and restaurants, and having a short commute, and they are the most likely age group to make use of public transportation.

The poll also found that millennials show a stronger preference than other generations for expanding public transportation and providing transportation alternatives to driving, such as biking and walking, while also increasing the availability of trains and buses. Millennials likewise favor developing communities where people do not need to drive long distances to work or shop.

“Realtors® don’t only sell homes, they sell neighborhoods and communities,” said NAR President Chris Polychron, executive broker with 1st Choice Realty in Hot Springs, Ark. “Realtors® aid in improving and revitalizing neighborhoods with smart growth initiatives, helping create walkable, urban centers, which is
Millennial Preferences

47% 12% 40%

National Association of Realtors
Boomers are a different kind of Senior Citizen
“Adulthood II”

Boomers not ready for the rocking chair

– Today’s retiree can live past 90

– “These additional 31 years of expected life have not been just tacked on at the end . . . Today’s 65-year-olds are starting new careers or continuing old ones, traveling around the world, and eloping with new loves, in a stage of life we are calling ‘Adulthood II.’”

- cultural anthropologist Mary Catherine Bateson, quoted in ULI report
Boomers and 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)
- Shrinking, aging households will be a source of supply of SFD housing, and demand for smaller and multi-family housing
Boomers and housing

• From 1990 to 2010, downsizing households (with residents 65 and older) made up 20 percent of new housing demand. But over the next 20 years they will account for **85 percent** of the demand share.

• Market research shows this segment prefers smaller homes on smaller lots or attached options.

*Aside:*

They’re not that interested in moving to “retirement communities.”

Average age entering senior housing used to be 70 – **now it’s 86**.

Source: Nelson.
Boomers and transportation

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)
Occupied Housing Demand-Supply Mismatch 2011

Source: Adapted from American Housing Survey 2011 by Arthur C. Nelson, University of Arizona.
Why this is probably not a short-term fashion, but a structural change
(We’re getting steadily older – not just individually, but as a whole)
Changing household composition

Households with and without children, 1960-2025

- 52% households with children in 1960
- 67% households with children in 2000
- 72% households with children in 2025
- 0% households with children in 1960
- 10% households with children in 2000
- 20% households with children in 2025
- 30% households with children in 2025
- 40% households with children in 2025
- 50% households with children in 2025
- 60% households with children in 2025
- 70% households with children in 2025
- 80% households with children in 2025

- 0% households without children in 1960
- 10% households without children in 2000
- 20% households without children in 2025
- 30% households without children in 2025
- 40% households without children in 2025
- 50% households without children in 2025
- 60% households without children in 2025
- 70% households without children in 2025
- 80% households without children in 2025
ALL THIS HAS BIG IMPLICATIONS

For real estate and development
Today’s Office Tenants Prefer Live, Work, Play Locations

Office tenants today prefer to be located in amenity-rich, mixed-use suburban vibrant centers (also known as “live, work, play” locations) rather than single-use suburban office locations by a margin of 83 percent to 17 percent, according to a recent NAIOP Research Foundation report. The report, “Preferred Office Locations: Comparing Location Preferences and Performance of Office Space in CBDs, Suburban Vibrant Centers and Suburban Areas,” combines expert opinion and accurate property-level data to explain what tenants seek in their office location – and how different office locations perform on key metrics.
Core Values
Why American Companies are Moving Downtown

Smart Growth America
Making Neighborhoods Great Together

IN PARTNERSHIP WITH

Cushman & Wakefield®
Center for Real Estate and Urban Analysis
The George Washington University

WALK SCORE
TRANSIT SCORE
BIKE SCORE

Before
After
Before
After
Before
After

52
88
52
79
66
78

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How do you attract the best workers? Set up shop in a walkable downtown

Tony Semerad

First Published Jun 19 2015 04:18PM   Last Updated Jun 19 2015 04:18 pm

“Business leaders say that walkable downtowns are becoming a crucial tool in what they do.”
As companies relocate to big cities, suburban towns are left scrambling

By Jonathan O'Connell  July 16 at 8:59 PM

OAK BROOK, Ill. — Visitors to the McDonald’s wooded corporate campus, where fast-food executive Ray Kroc, then turn onto Ronald Lane before reaching Har
“Walkability and activated environments are at the top of many tenants’ list of must haves”

“. . . the old model of the isolated suburban office park is going the way of the fax machine.”

-- Angie Schmitt, StreetsblogUSA
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:

$\rightarrow$ $4,000$ 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

2016 study update ranks the top 30 US metropolitan areas in walkability

Key findings:

• All 30 metros show rental rate premiums for walkable urban office, retail and rental multi-family.

• Average is 74% over their drivable sub-urban competition.

• All 30 metros have seen walkable urban market share gains between 2010-2015 in occupied space while drivable sub-urban has seen market share losses.
Economic development is increasingly a competition over *placemaking*. And that means *walkable* places.
“Within 15 to 20 years, retail consultant Howard Davidowitz expects as many as half of America's shopping malls to fail. ‘... we haven't built a major enclosed mall since 2006.’”

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
Poor, rural areas will be most affected by Walmart closing 154 stores

Related story: What happens to a tiny town when Walmart disappears?
How communities develop affects government expenditures and revenues.
Development affects costs

Expenditures for infrastructure and services are more efficient in denser, better connected areas.
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 Better Budgets

A National Examination of the Fiscal Benefits of Smart Growth Development

May 2013
A scenario analysis tool

A fiscal impact model focused on the relative effects of sprawl versus compact development
Comparative development patterns for the same population

Fiscal Impact Model: Data Inputs

- Roads + Maintenance
- Water/Sewer
- Stormwater
- Fire/EMS
- Solid Waste
- Schools
SUMMARY OF RESULTS BY SCENARIO

Total Annual Budgetary Impact
Macon-Bibb County and Schools Combined

Low Density Greenfield
High Density Greenfield
Downtown Infill
Downtown Infill Premium

- Low Density Greenfield: $(1,000,000)
- High Density Greenfield: $(800,000)
- Downtown Infill: $(600,000)
- Downtown Infill Premium: $(400,000)
- Downtown Infill: $(200,000)
- Downtown Infill: $(0,000)
- Downtown Infill: $(200,000)
- Downtown Infill: $(400,000)
- Downtown Infill: $(600,000)
- Downtown Infill: $(800,000)
- Downtown Infill: $(1,000,000)
Density impacts the cost of public services.

- All else being equal, more compact development imposes a smaller cost burden on municipalities, and the savings can be significant.

- Compact development uses land more efficiently and maximizes the revenue yield per acre.

- With the right design and “critical mass”, compact development can foster walkable urban environments, which often command a “value premium.”

- The combination of lower costs and higher values results in an improved net fiscal impact for the locality.
Economic development is increasingly a competition over placemaking.
Economic development is increasingly a competition over placemaking.

**Key opportunities**

- Revitalizing old main streets and legacy downtowns
- Retrofitting suburban centers
Economic development is increasingly a competition over placemaking.

Urban and street space design is key to successful strategy.
Thank you

John Robert Smith
Christopher Zimmerman

Smart Growth America
Improving lives by improving communities