



Photo credits: Downtownfresno.org; Moule Polyzoides

Sustainable Growth and the City's Bottom Line

March 2, 2011



Fresno Council of Governments

I. Introduction



Photo credit: downtownfresno.org

Defining Sustainable Growth



- Development that "meets the needs of the present without compromising the ability of future generations to meet their own needs."

World Commission on Environment and Development

- Sustainable communities have "expanded housing and transportation choices, greater energy independence, and better protection for our clean air and water."

Federal Partnership for Sustainable Communities

What is Fiscal Analysis?

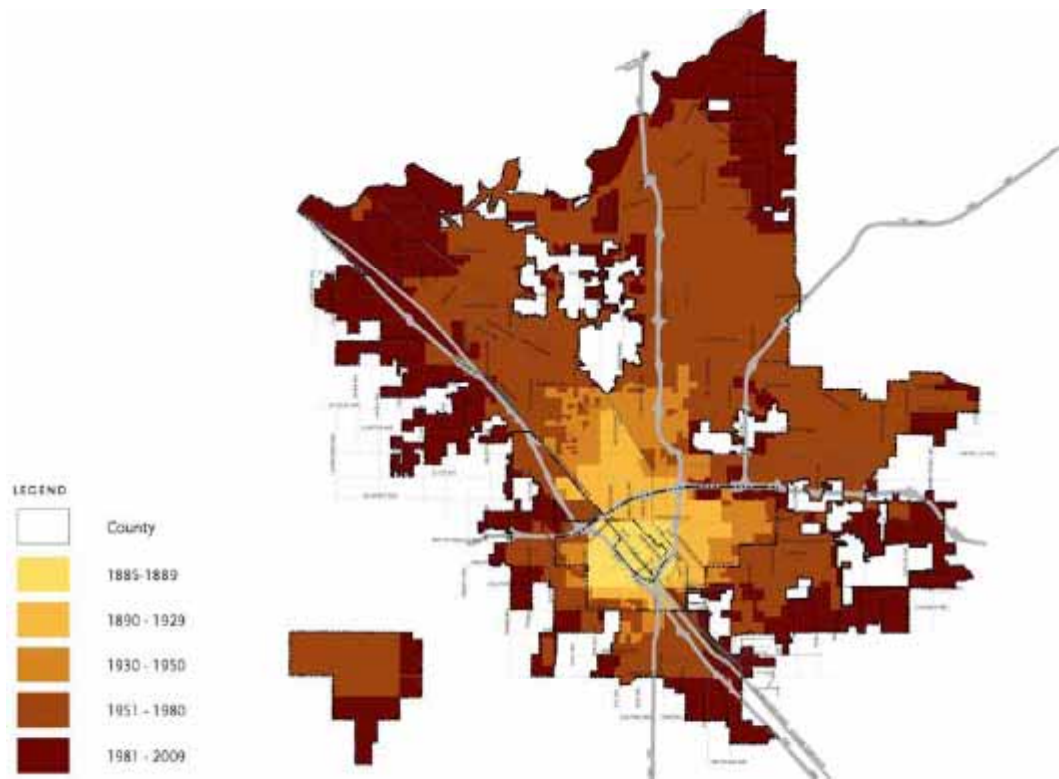
- Measures **future revenues and costs to local government associated with new growth** in order to assess the overall impact
- **Operating revenues and costs to the city**
 - Revenues – property tax, transfer tax, sales tax, vehicle license fee
 - Costs – municipal services including libraries, parks, police, fire, etc. (on-going costs)
- **Infrastructure costs** – construction costs of new infrastructure and facilities for new development (one-time capital costs)

Vision California Project

- Innovative model to measure the **environmental and energy impacts** of alternative **land development patterns** in California
- Calthorpe Associates as lead firm
- SE conducted **fiscal impact analysis** of land development patterns
- Funded by High Speed Rail Authority and Strategic Growth Council

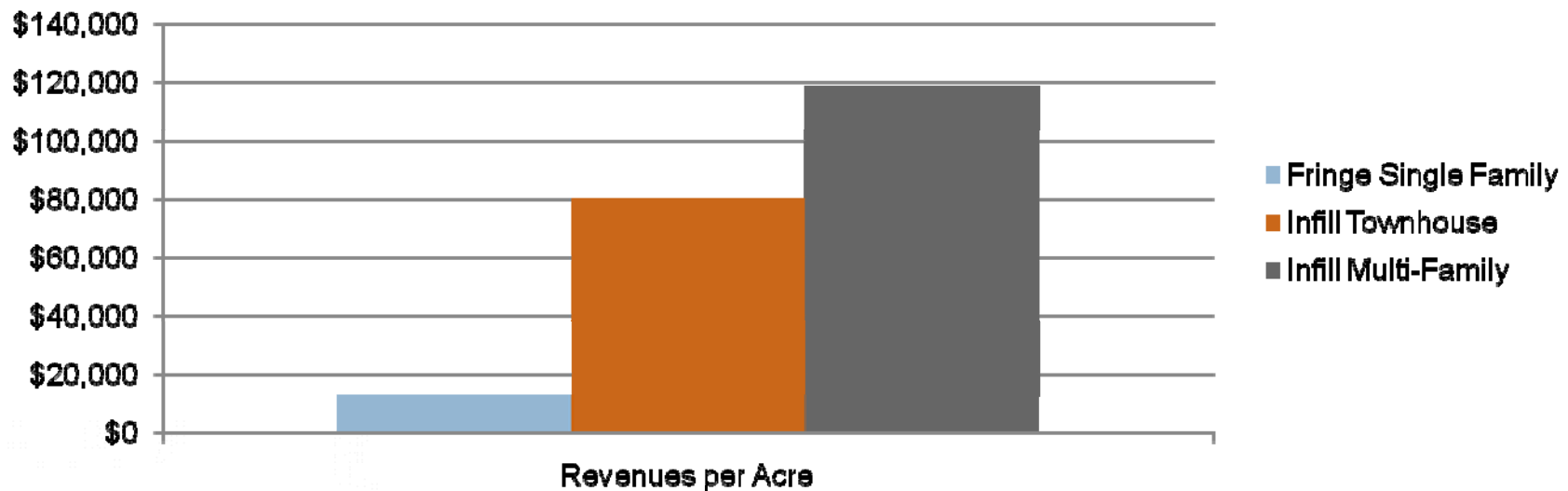
www.visioncalifornia.org

1. Growth Patterns and the Impact on the City's Bottom Line



Compact Growth Generates Higher Revenues per Acre

Per Acre Revenues by Density and Location, State of California

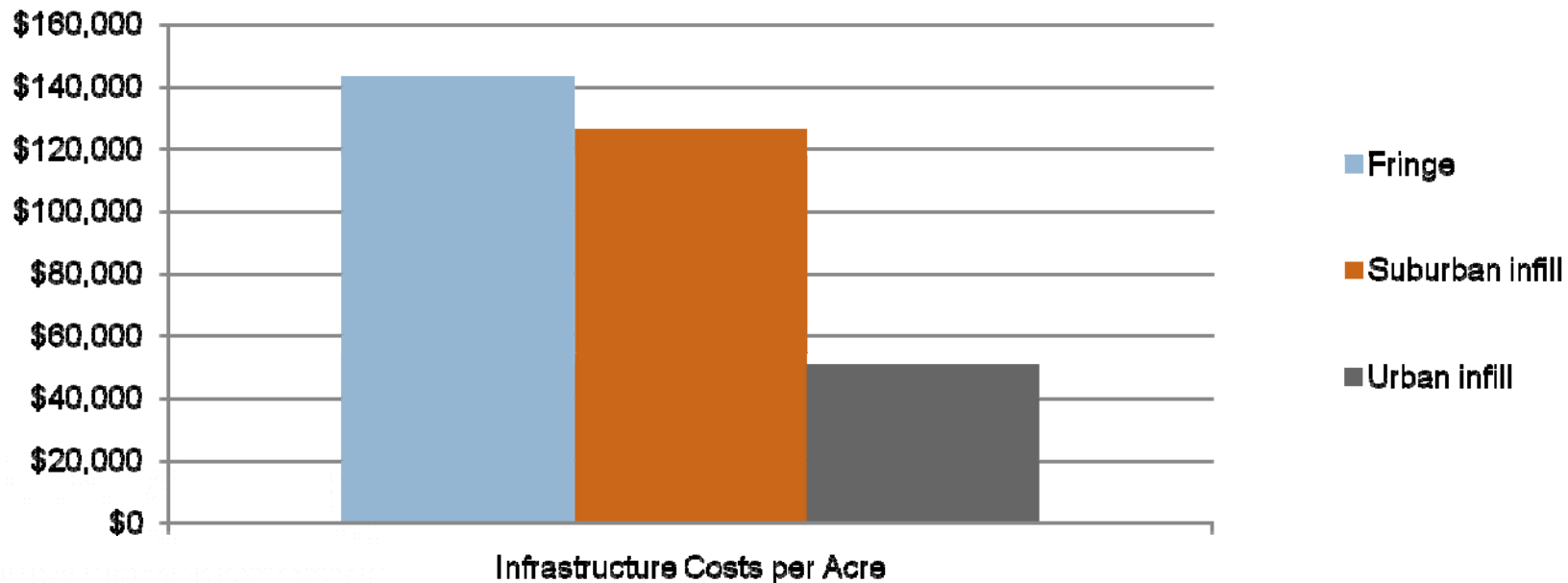


Source: Calthorpe Associates; Strategic Economics, 2011

Multifamily housing in the “center” can generate 9 times more revenue per acre than traditional large-lot single-family housing on the fringe.

Compact Growth Has Much Lower Infrastructure Costs

Per Acre Infrastructure Costs for Single-Family Units by Location



Source: Calthorpe Associates; Strategic Economics, 2011

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

Operations and Maintenance Costs

- Compact growth saves on some operations and maintenance (O&M) costs for upkeep of public infrastructure (streets, sewers, etc.)
- Compact growth can allow cities to dedicate more resources to maintaining **existing** infrastructure



2. Compact Growth in Fresno Can Improve the City's Fiscal Position



Image source: truthdig.com

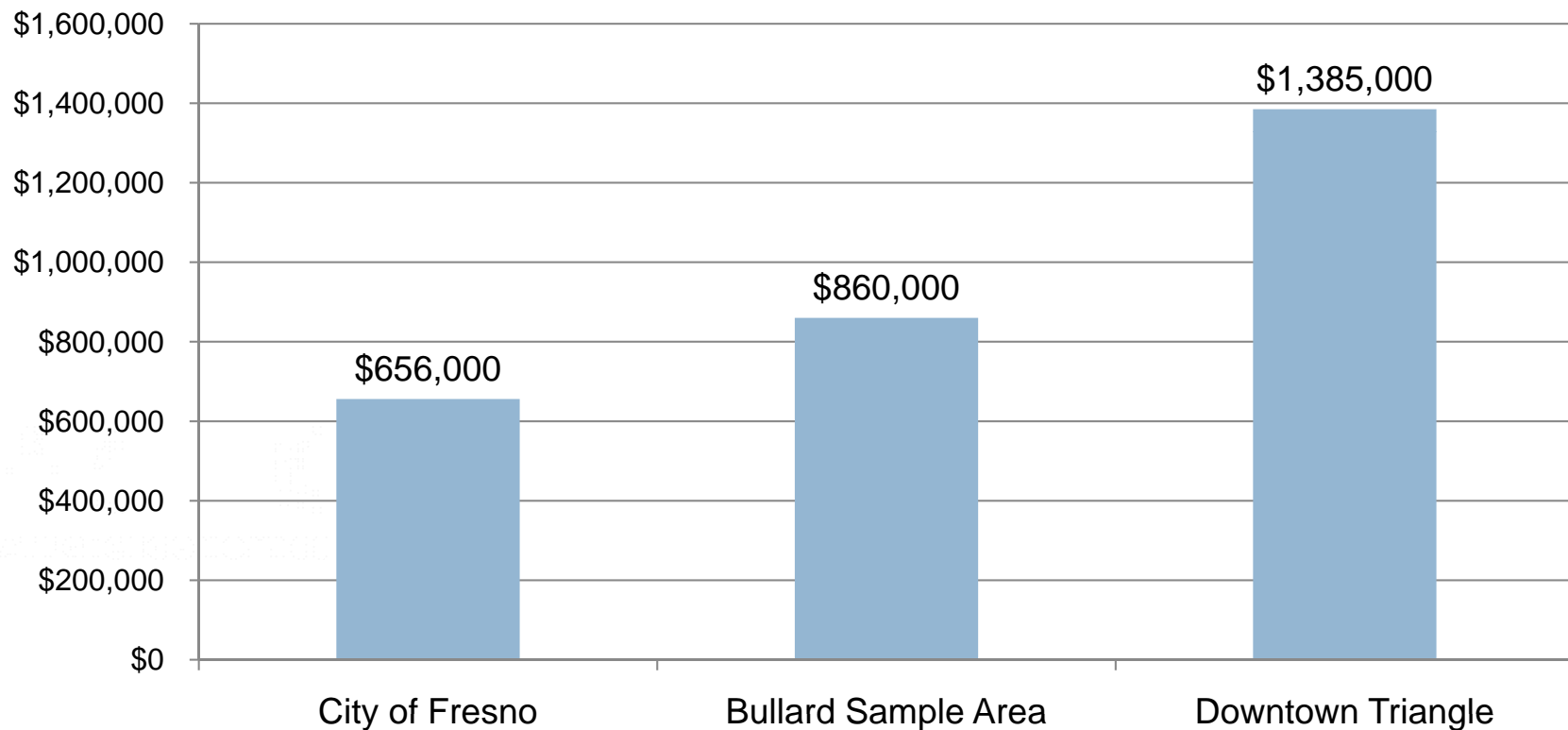
Conventional development patterns have led to disinvestment in the core



- Stagnant household and employment growth
- Declining real estate values and tax revenues
- Deteriorating public infrastructure

Fresno Has Potential to Increase its Revenues by Transforming its Core

**Assessed Property Values Per Acre, 2009
(excludes tax-exempt properties)**



National Market Trends: Increasing Values in Core Historic Neighborhoods

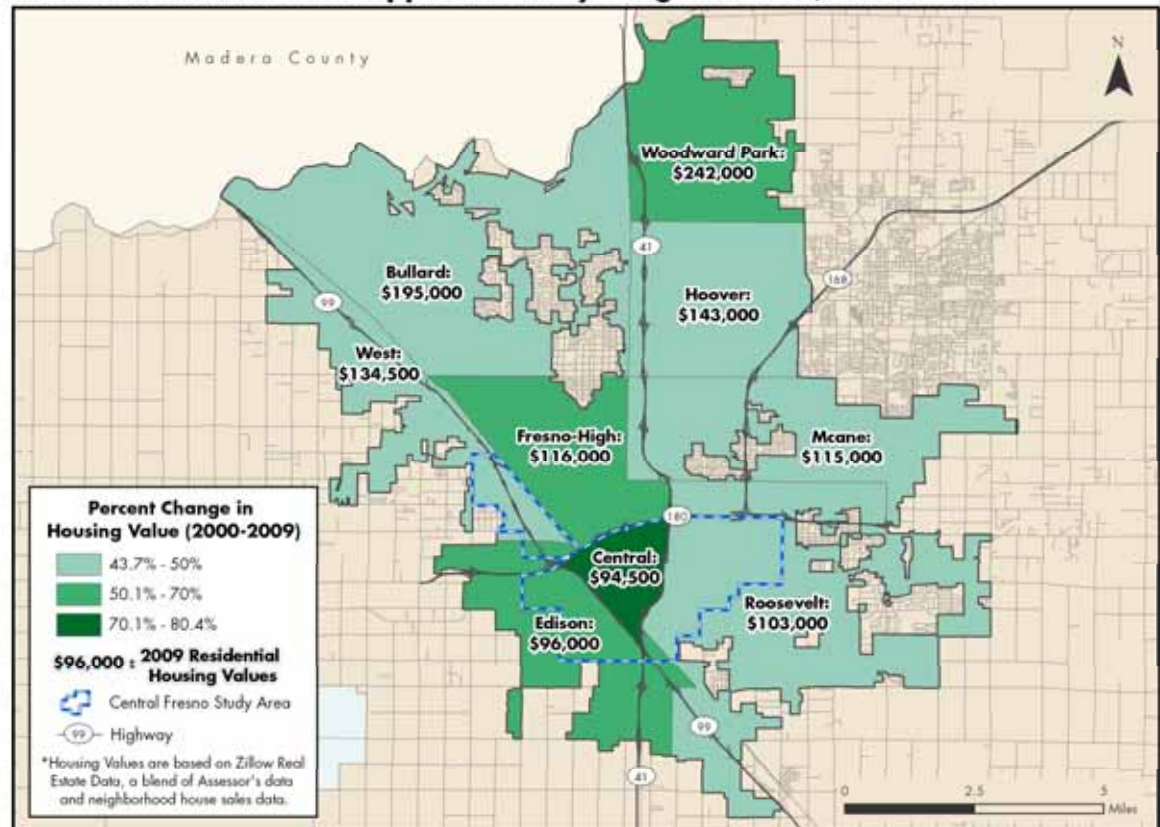
According to a recent article in Urban Land Magazine (Leinberger):

In 2000, home prices in tony suburbs in the D.C. metro area were 25 to 50 percent higher than in urban center city neighborhoods.

By 2010, home prices in these same urban neighborhoods were 50 to 70 percent higher, on a per square foot basis, than the same suburban neighborhoods.

This reversal in value is the first time urban property has exceeded suburban values since the 1960s.

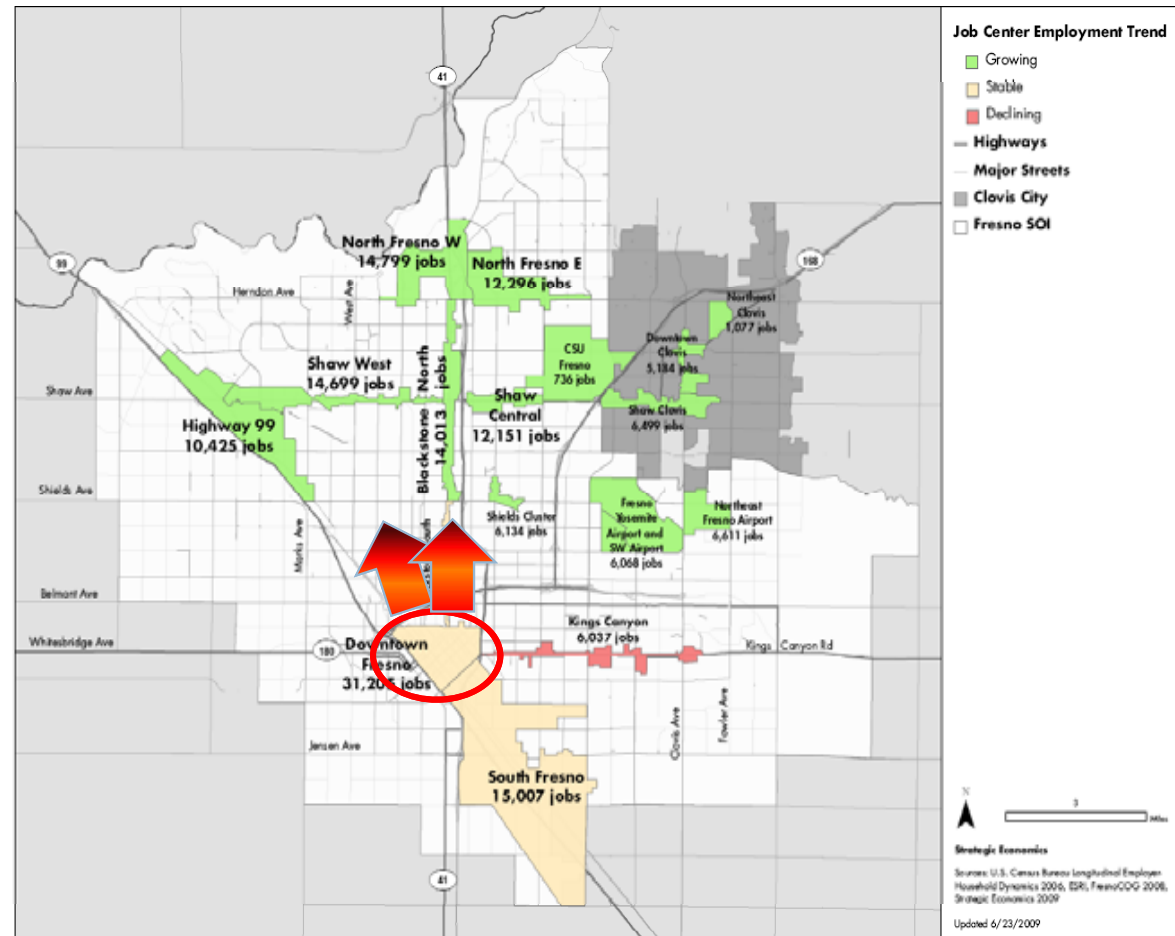
Fresno Residential Price Appreciation by Neighborhood, 2000-2009*



Source: Strategic Economics, 2010; City of Fresno, 2009; Zillow, 2009; ESRI, US Census

Employment density Also Contributes to the Value Proposition: reduces VMT/GHG and attracts higher density development

- Downtown Fresno is the region's **largest employment node**.
- **Higher value real estate** development also tends to occur near employment concentrations.
- Need to **reinforce the existing job centers** to maximize the benefits from land use/ transportation integration.

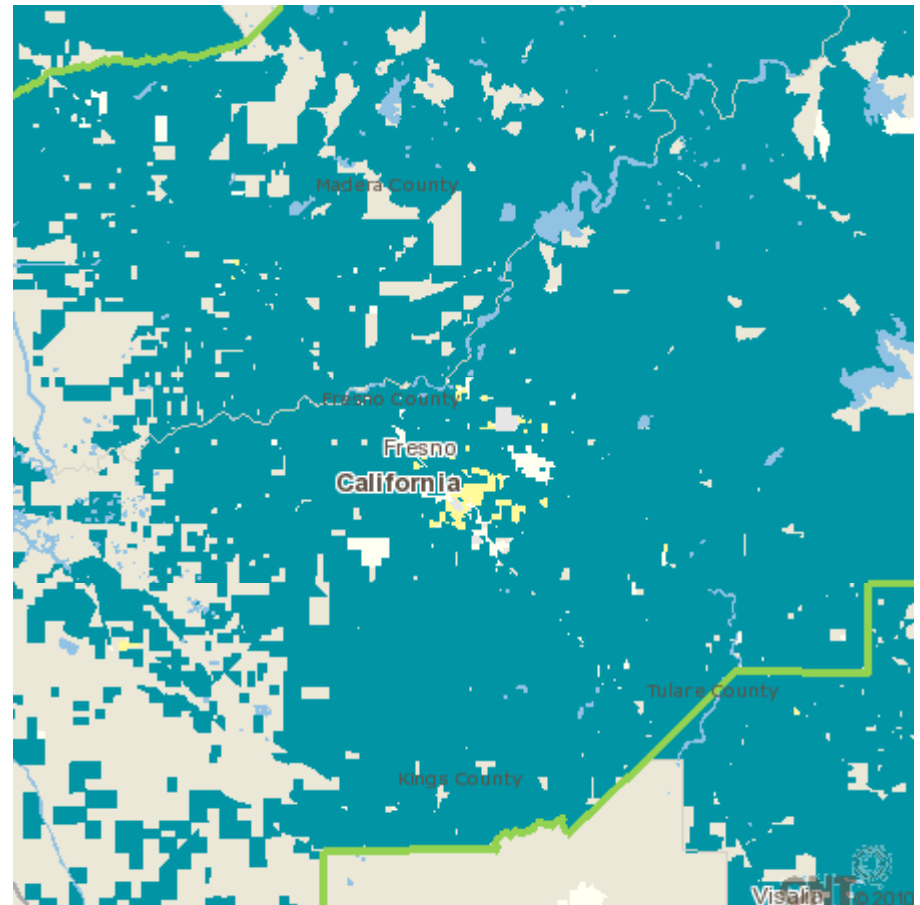
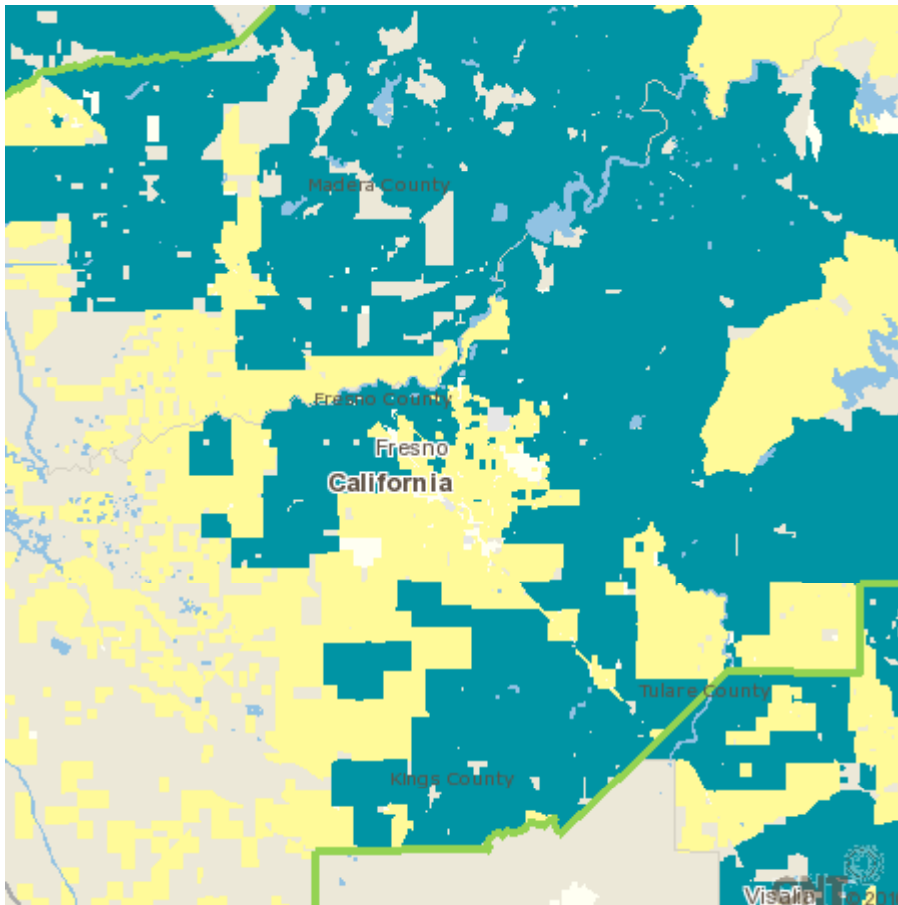


Low Density Development is Expensive for Individual Households Too!



Housing as a Percent of Income :  = < 30% of Income

H + T as a Percent of Income :  = < 45% of Income



3. Fostering Long Term Value Leads to Fiscal Stability



Investing in Place-Making, Not Projects

- Growing value in existing neighborhoods is a key strategy
- Strategic public investments at a **district** level can be more effective than individual project subsidies.

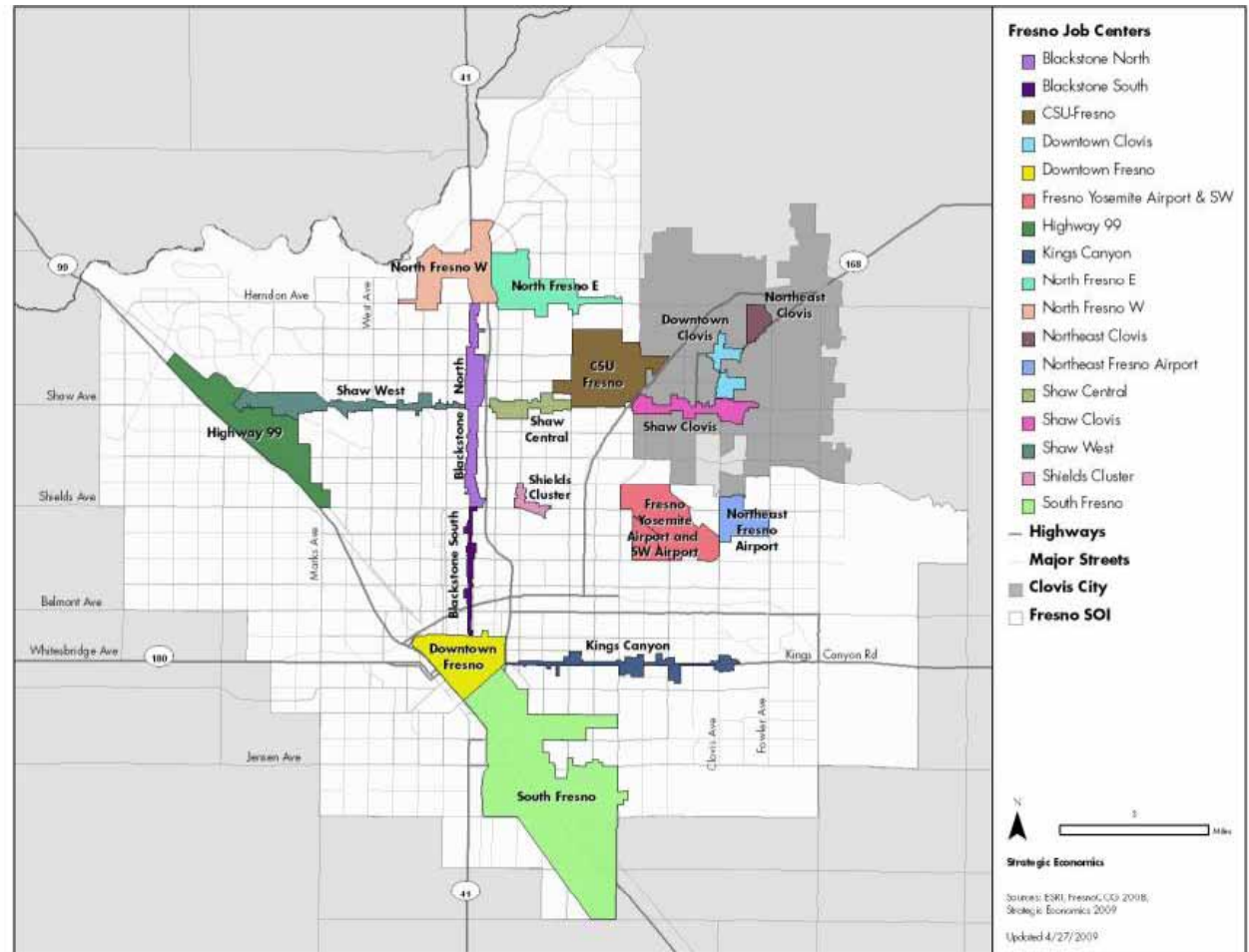


Photo credit: Moule Polyzoides

Prioritizing Cores and Key Corridors

Focus on **existing assets** to build value:

- Employment concentrations
- Historic building stock
- Regional entertainment uses



Allocating the Full Costs of Sprawl to Fringe Development



Photo credit: farmland.org

- Consider tiered development impact fee structure that is location-based
- Remove incentives to new development on the fringe (provision of entitlements, infrastructure, and services)

Closing Thoughts



- “Location” matters to the bottom line.
- Project design can save significant one-time and ongoing costs.
- Housing is not the only land use that “matters” from a fiscal perspective. Employment concentrations are critical to building value.
- Public investments and “real time pricing” can provide the critical carrots and sticks to achieving fiscal stability.