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*Vice President for Economic Development*

January 20, 2021

*The Challenge to Suburban Economic Growth*

*The importance of smart,  
efficient infrastructure*



# *Economic development*

*What we inherited from the 20<sup>th</sup> century*

- *Zoning*
  - *Extreme separation of uses replaces mixed-use development*
- *Auto-centric planning*
  - *Hierarchy of roads replaces street grid*
  - *Pedestrians -- what pedestrians?*

*Not necessarily competitive in the 21st*

# *Economic performance*

*Placemaking and walkability are key to economic performance, both for business and government*



# Infrastructure and “return on investment”

*ROI refers to the value of increased economic activity that accrues to both the public and private sectors, from public investments*

- *including but not limited to, significant infrastructure.*
- *Water supply & treatment, storm water mgmt.*
- *Street improvements, sidewalks, bikeways, transit stops (transit service itself), squares, street trees, street furniture, etc., etc.*



# ROI

## The mechanism

*Return is transmitted through the value of land*

*- changes to the built environment (e.g., road infrastructure, sidewalks, transit, parks/plazas; water systems; buildings) raise the value of surrounding real estate, induce investment*

*- this value directly accrues to a) the owners of real estate (**rents**), and b) local govts (**property tax**)*

*Note: most local revenue systems depend heavily on tax on real property (70+ percent in US)*



# ROI

## “Agglomeration”

*There is a synergistic effect when activities are co-located.*

*The total is more than the sum of the parts.*

Montpelier, VT



**It is the reason humans have been making villages, towns, and cities for the last 10,000 years.**

# *Economic and demographic change in the 21st century*

*Shift to the Knowledge Economy*

*Retirement of the Baby Boom*

*Rise of the Millennials*

*Different preferences*

# *Economic growth*

*20<sup>th</sup> century vs. 21<sup>st</sup> century*

**“From tools and spools to eds and meds”\***

**Manufacturing economy vs. Knowledge economy**

**Chasing smokestacks vs. Chasing talent**

# Demographics



75.4 million Millennials are under 35, and 74.9 million Boomers (PEW).

These are currently the country's two largest demographics – making up **half the U.S. population** – and they both like mixed-used, walkable neighborhoods served by transit.

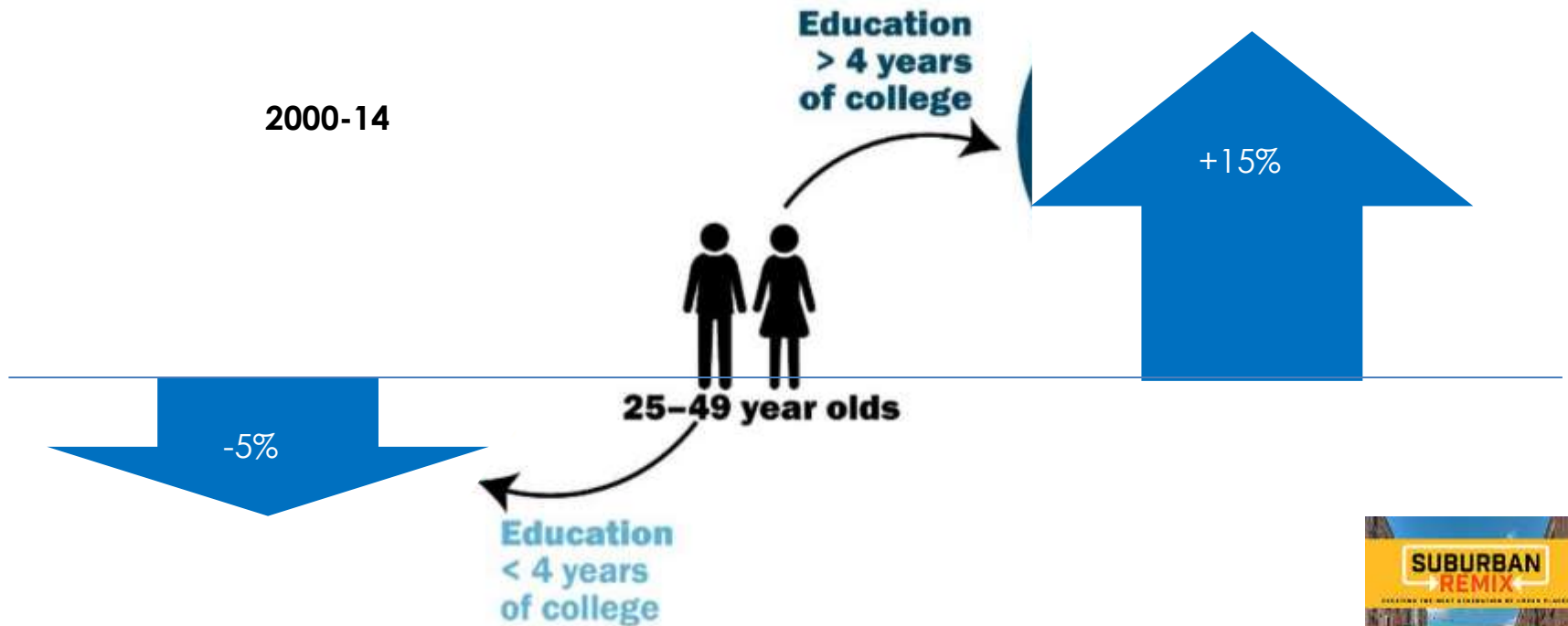


## *The Future Market*

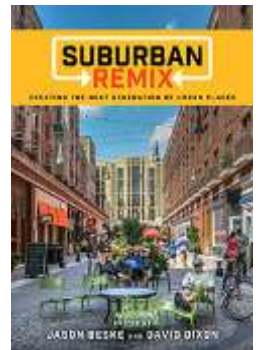
Taken together, starter households and downsizers will account for about 84 percent of the new housing market by 2035, with both groups generally seeking smaller and more affordable homes.

Grant, Jill L. , Arthur C. Nelson, Ann Forsyth, Michelle Thompson-Fawcett, Pamela Blais and Pierre Filion. (Sept 2013). "The future of the suburbs. Suburbs in transition." Routledge: Planning Theory and Practice. VOL. 14 , ISS. 3,2013

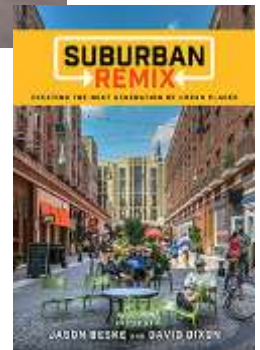
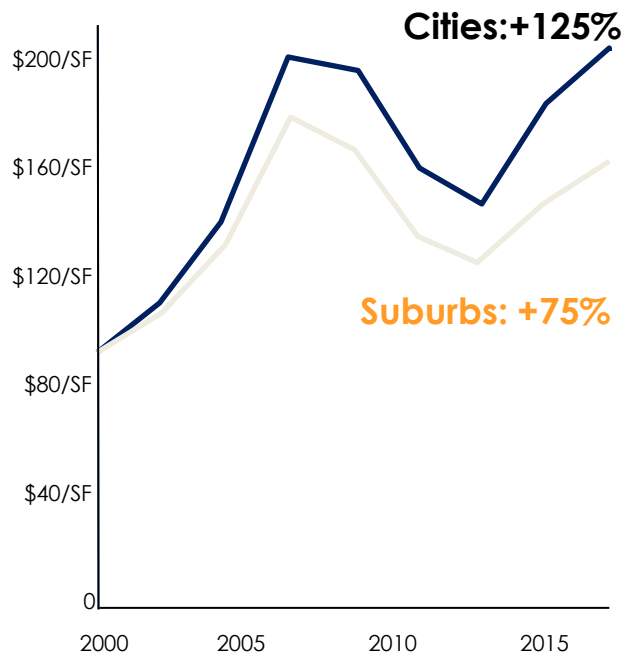
# Educated millennials (and gen-Xrs...) are moving into urban centers



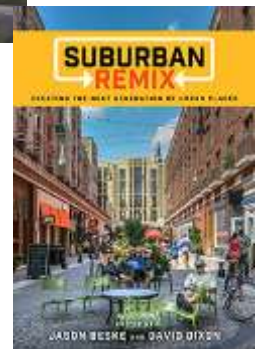
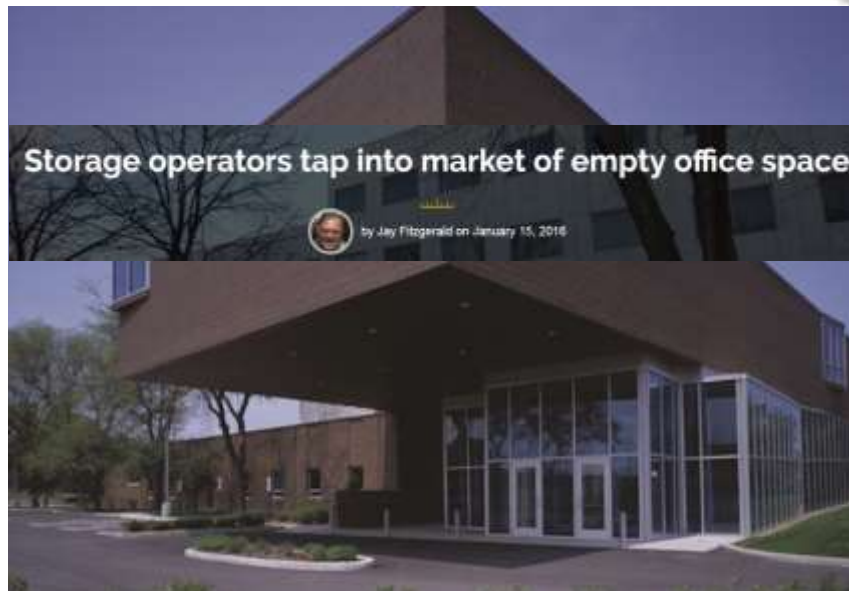
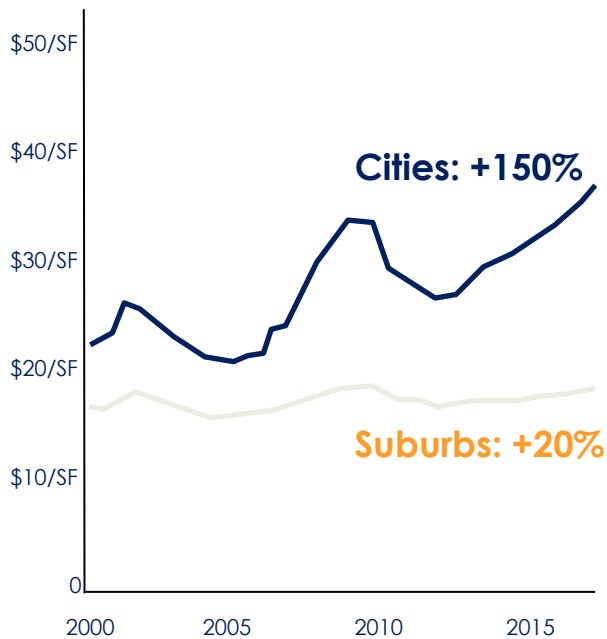
SOURCE: JED KOLKO, CHIEF ECONOMIST, TRULIA.COM



# Since 2000 housing values on a per SF basis have risen 66% faster in cities than in suburbs



# Since 2000 office rents in downtowns have risen more than seven times as fast as in the suburbs



# *We've got the wrong housing stock for the 21<sup>st</sup> century*

“ . . . as boomers age and as the population of new generations is lagging as a share of total population, the nation's supply of empty nesting and downsizing households will dominate the housing market well into the 2030s and 2040s **The nature of housing demand going forward will be nothing like the past.**”

-- Arthur C. Nelson, University of Arizona  
“The Great Senior Short-Sale” (2020)

# There is a dramatic mismatch between the US housing stock and the US population

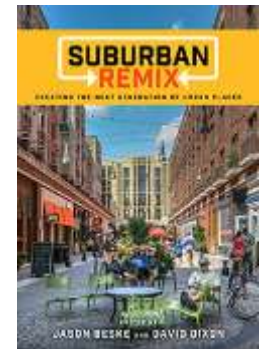


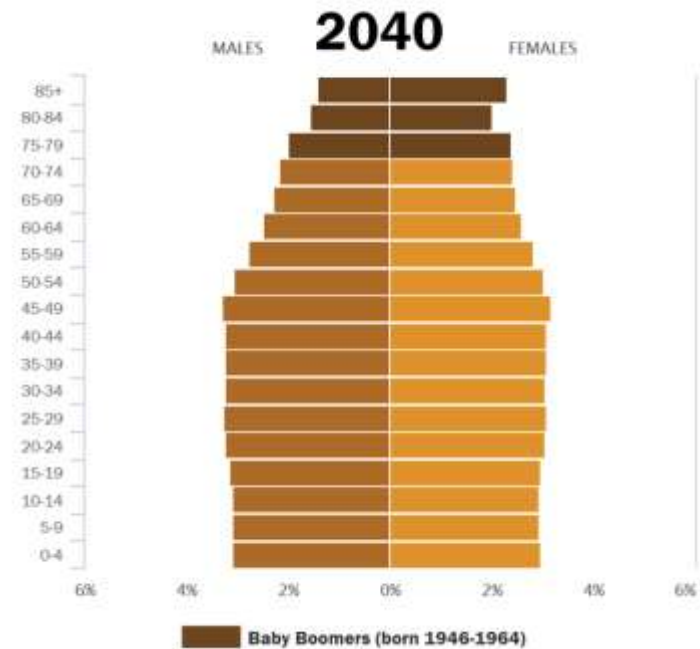
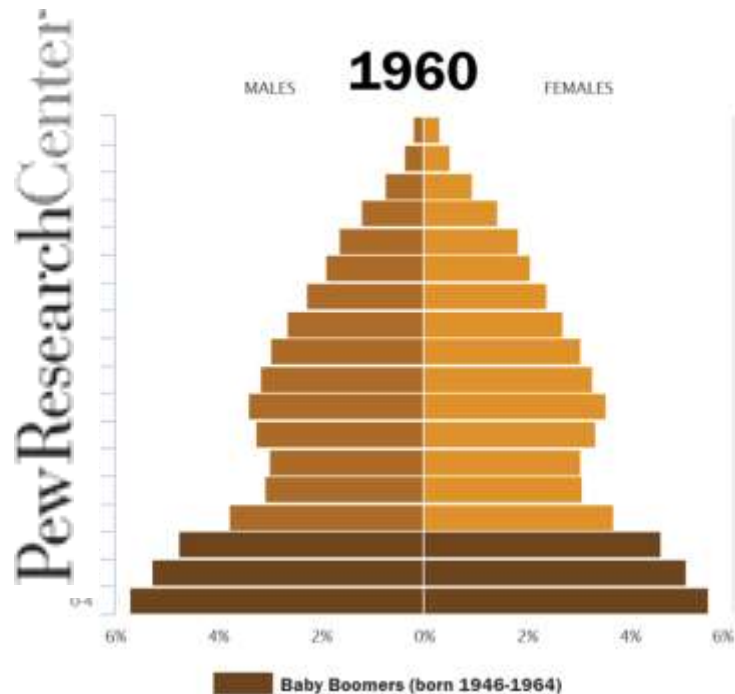
OF U.S. HOUSEHOLD STOCK IS **SINGLE FAMILY**



OF U.S. HOUSEHOLDS ARE **MARRIED COUPLES WITH CHILDREN**

Bottom line: We need more housing that is multi-family or small-lot, in walkable places and near transit.





The story is not just that the Baby Boom ages, but that the age composition of our society is shifting radically.

**So household composition will be different in the 21<sup>st</sup> century, even if Millennials revert to the choices of earlier generations.**

Schumpeter

# Leaving for the city

Lots of prominent American companies are moving downtown

Sep 3rd 2016 | From the print edition

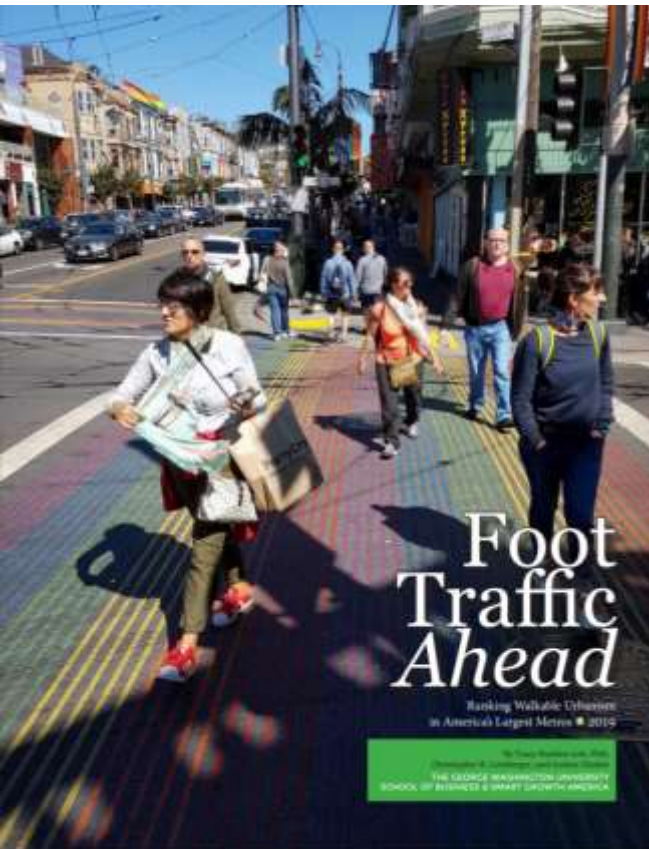


Brett Ryder

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

# The Economy Coalesces in Walkable Urban Places

*This research maps the geographic locations and market demand for “regionally significant” walkable urban places, referred to as “WalkUPs”, in the 30 largest U.S. metropolitan areas.*



*2019 study examines the top 30 US metropolitan areas*

*Key findings:*

- All show rental rate premiums for walkable urban office, retail and rental multi-family.
- “drivable sub-urban real estate products have been losing market share to walkable urban real estate products during this economic cycle.”
- *Much new walkable development is occurring in suburbs.*

# Walkable places are growing in value almost everywhere

By Joe Cortright | 16.1.2020



*Over the past decade, across the nation, the most walkable homes have appreciated the most*

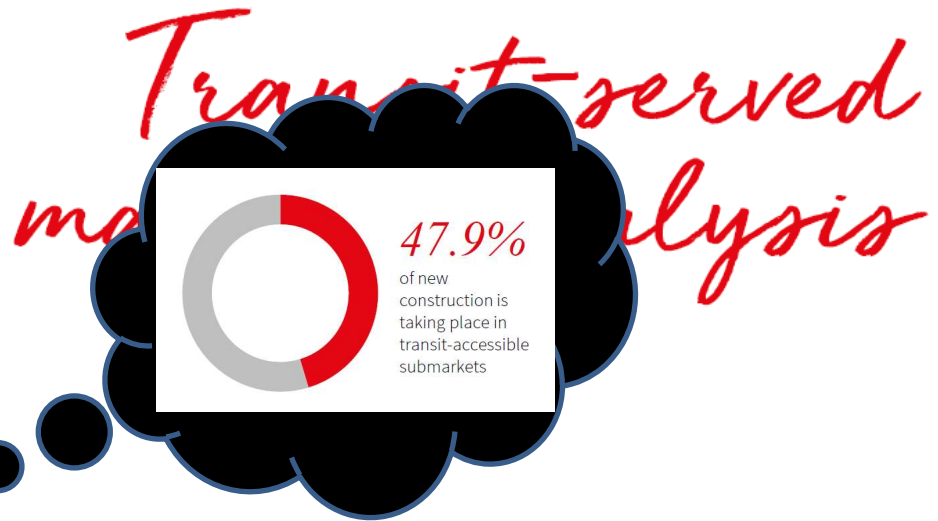
*In two-thirds of large metro areas, walkable neighborhoods have higher home values than car-dependent ones*

*Walkable neighborhoods appreciated faster than car-dependent ones in 44 of 51 large metro areas in the past seven years.*

“The trend is clearly for walkable areas to gain value relative to car-dependent ones. Of the 51 metro areas for which we have data, **44 experienced an increase in average values in walkable areas relative to car-dependent ones** over the period 2012 to 2019.

“The premium that buyers pay for walkable homes is increasing in size, and is becoming more and more common in metropolitan areas across the United States. **The walkability premium is a clear market signal of the significant and growing value Americans attach to walkability.**”

(<https://cityobservatory.org/walkable-places-are-growing-in-value-almost-everywhere/>)



United States | Winter 2017

Office

# Transit-served submarkets are outperforming the broader office market and poised for long-term success

**Quick take**

- Submarkets with public transportation access have significantly stronger office fundamentals compared to those without transit.
- Vacancy in transit-accessible submarkets is 370 basis points lower than in non-accessible ones, while rents are 79.5 percent higher.

wishes of employees for more urban and active office locations and environments. In some cases, this has resulted in companies moving from the suburbs to the city; in others, tenants from a broad swath of industries have begun to move or look into relocating to less-traditional submarkets and micromarkets to attract and retain talent.



**47.9%**

of new  
construction is  
taking place in  
transit-accessible  
submarkets



Traditional Main Streets are back

Credit: clariontoday.com



*The demand for walkable, downtown development*

## *What the market wants*



# *Implications*

*Urban opportunity;  
suburban challenge*

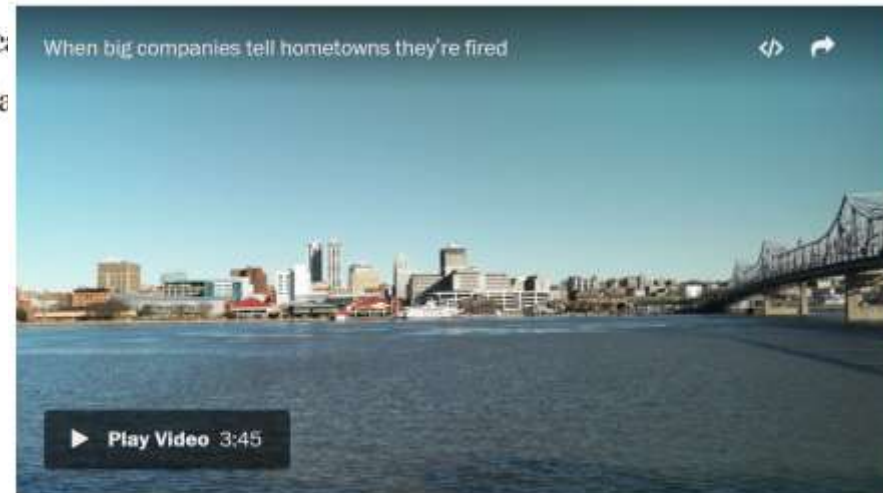
# As companies relocate to big cities, suburban towns are left scrambling

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

OAK BROOK, Ill. — Visitors to the McDonald's wooded corporate campus of executive Ray Kroc, then turn onto Ronald Lane before reaching Ha

“When big companies tell hometowns they’re fired”

*Smart Growth America*



Caterpillar has called Peoria, Ill. home for generations. So why is the maker of ubiquitous yellow equipment leaving town? (Lee Powell/The Washington Post)

# The New York Times

By NICK CORASANITI MAY 29, 2018

“Once the suburban ideal, sprawling office parks are quickly becoming relics that stress local tax bases.”



“... we don't see big corporate tenants buying 200-acre properties anymore.”

Wayne NJ Mayor Christopher P. Vergano



*And, in case you're wondering*

*No, Covid19 will not change this  
in the long run*



**NEWS**

## All These Stories About People Fleeing Cities Are Total Nonsense

*The narrative persists, but supporting evidence is weak at best.*

By **Jeff Andrews** | Jul 13, 2020, 4:50pm EDT

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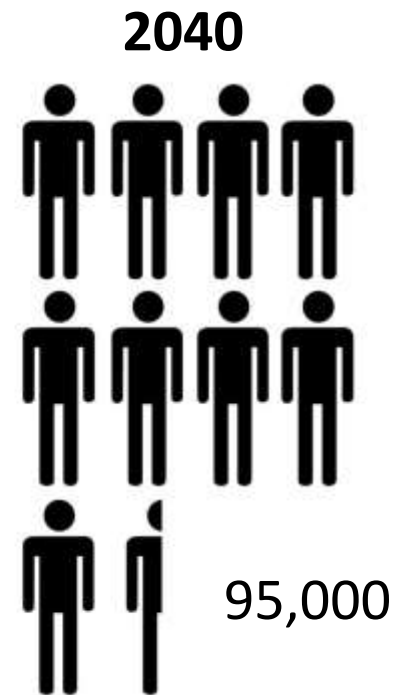
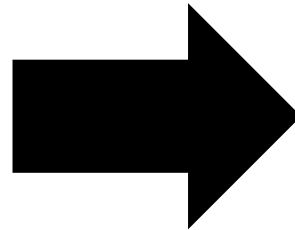
# *Budgets, taxes, & sprawl*

*The fiscal implications of development patterns*

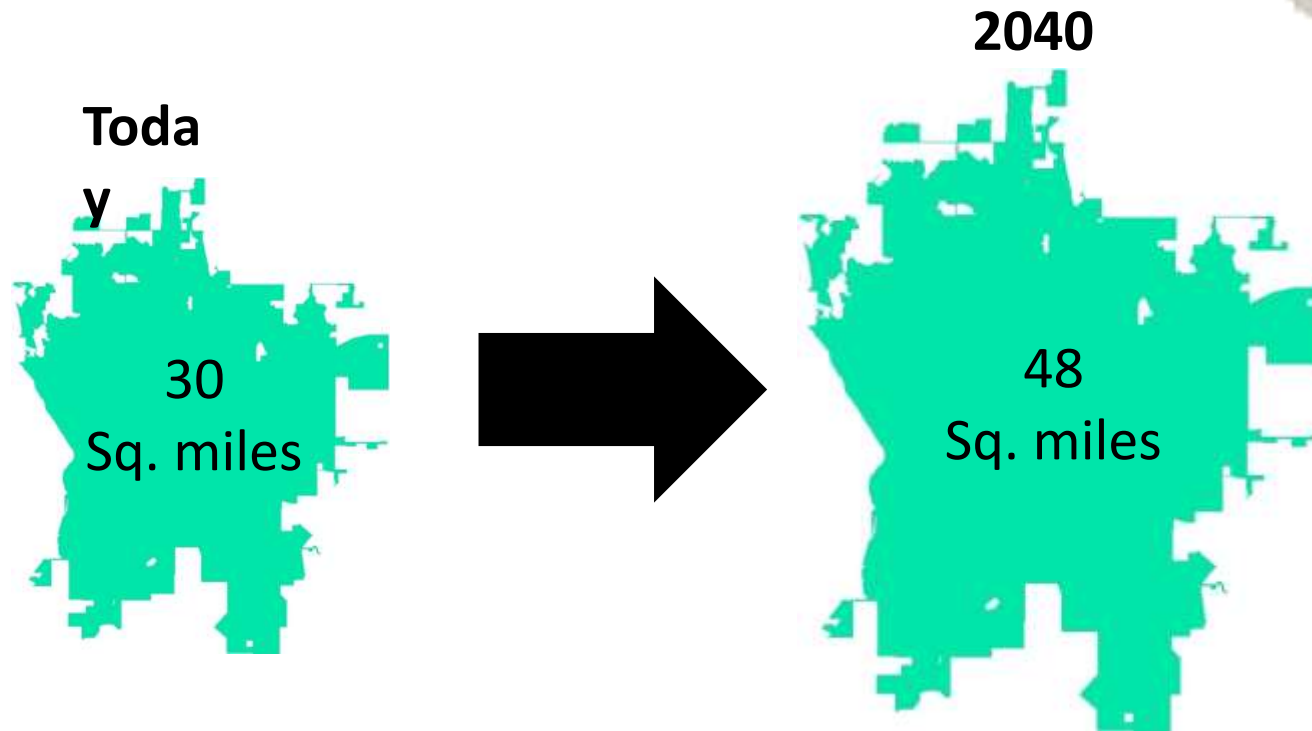


*How communities  
develop affects  
government expenditures  
and revenues*

# People

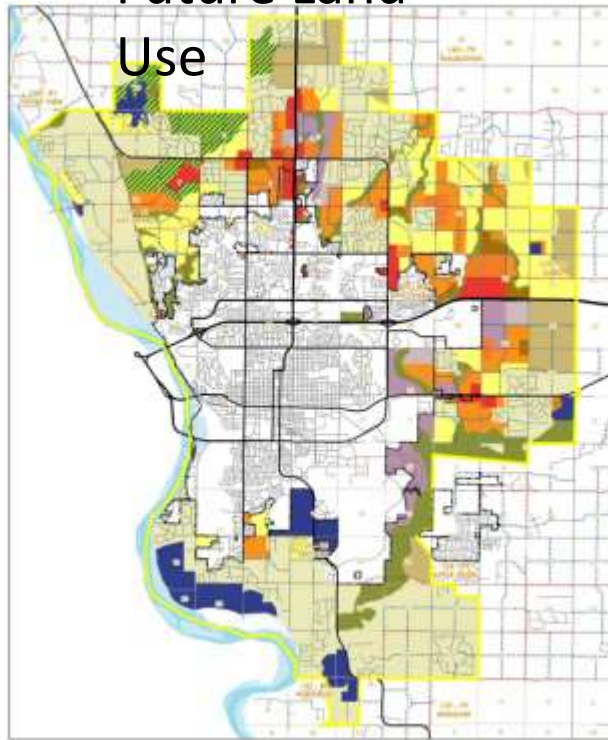


# Footprint

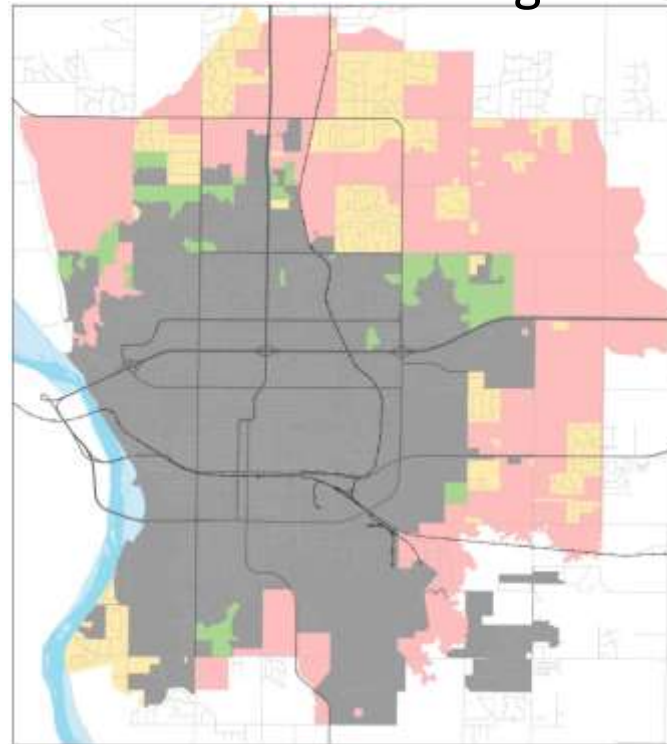


# Growth Management Plan

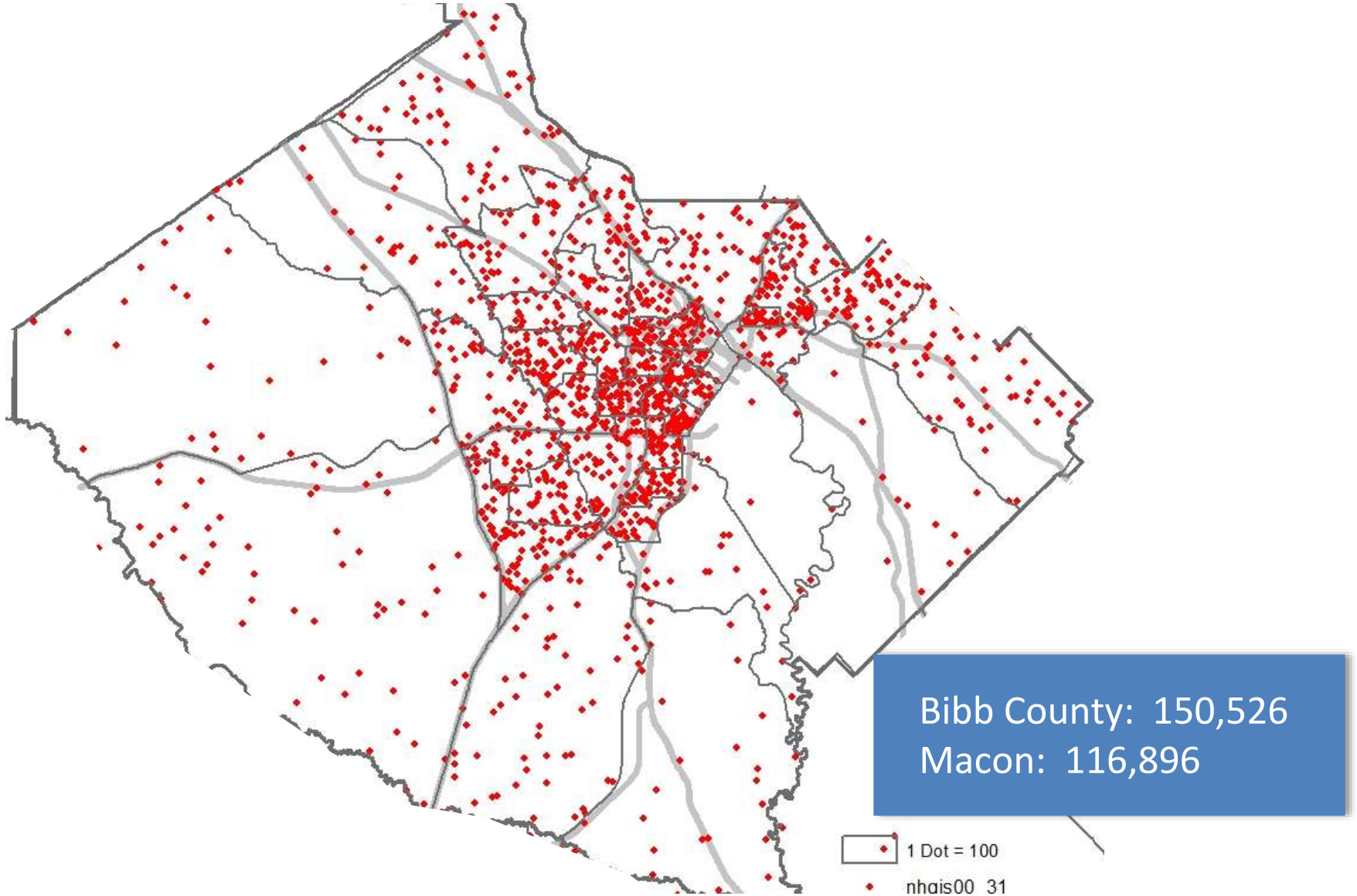
Future Land  
Use



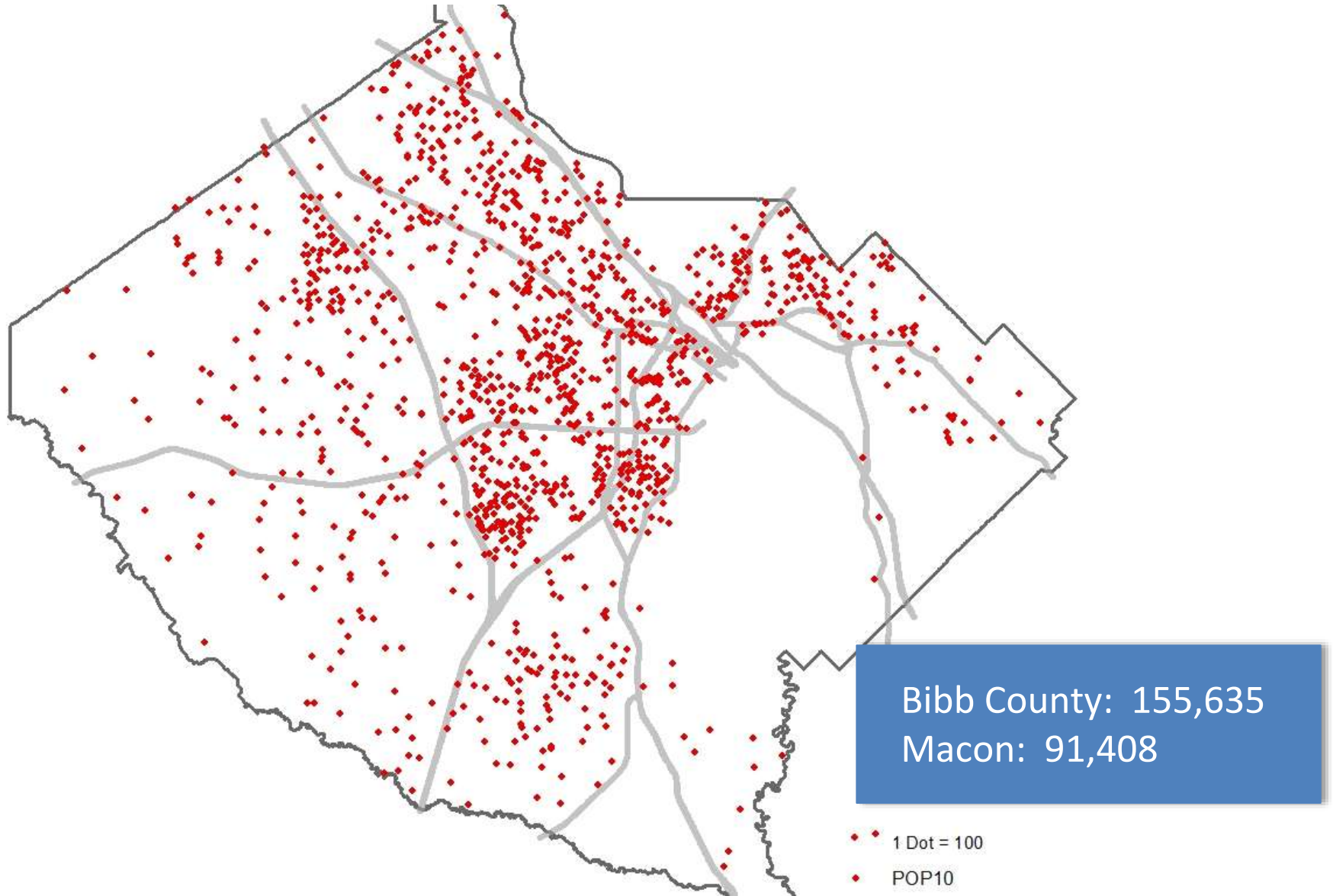
Growth Phasing



# BIBB COUNTY POPULATION DISTRIBUTION 1980

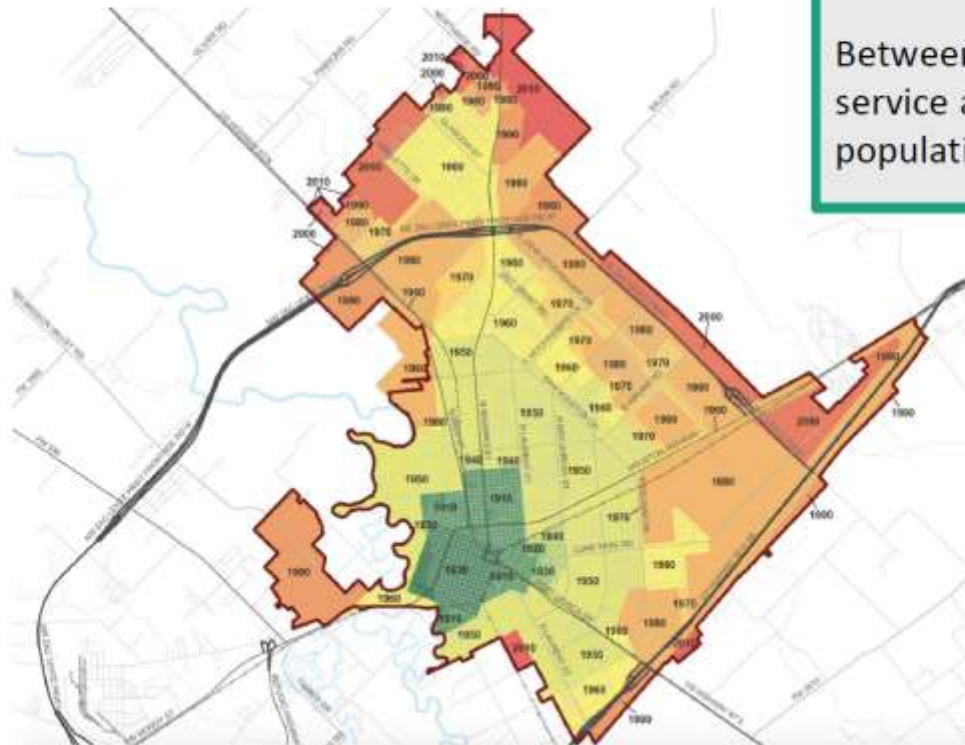
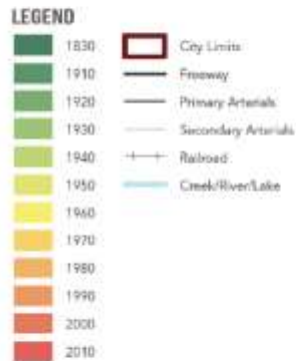


# BIBB COUNTY POPULATION DISTRIBUTION 2010



# POPULATION GROWTH VS LAND FOOTPRINT

## MAP 6 ANNEXATION HISTORY



**Increasing cost per capita/household**

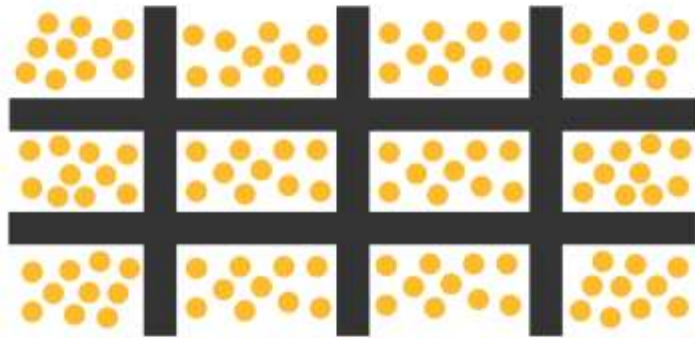
Between 1950 and 2015, Victoria's service area grew by 13X, while the population only grew by 4X.

Victoria, TX Plan2035



# THE COST OF SPRAWL

Compact Development



Sprawl



# *Sprawl is expensive*

*Infrastructure is less efficient:*

- More miles of road to build and maintain.*
- More miles of water and sewer pipes to maintain.*

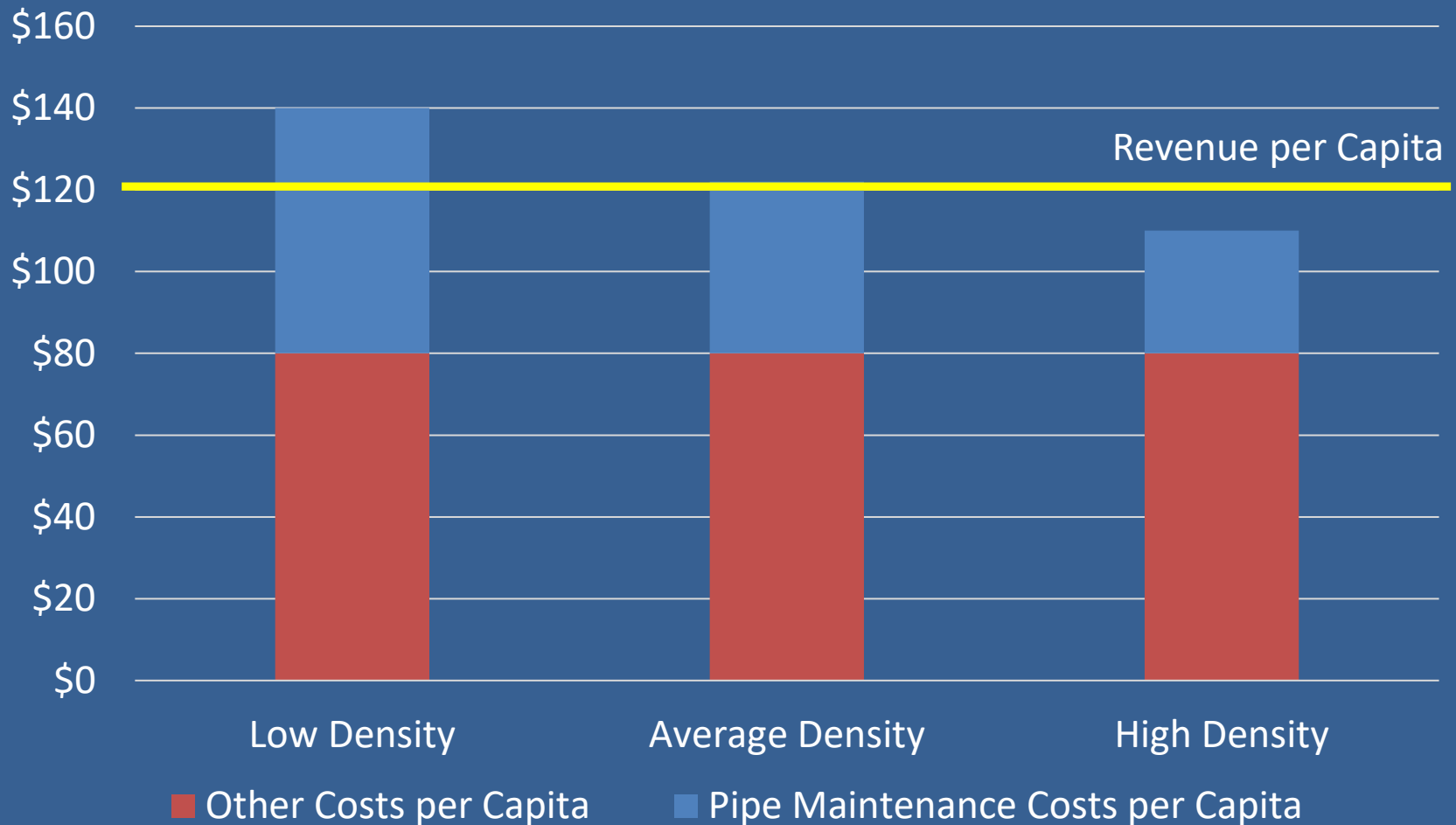
# *Sprawl is expensive*

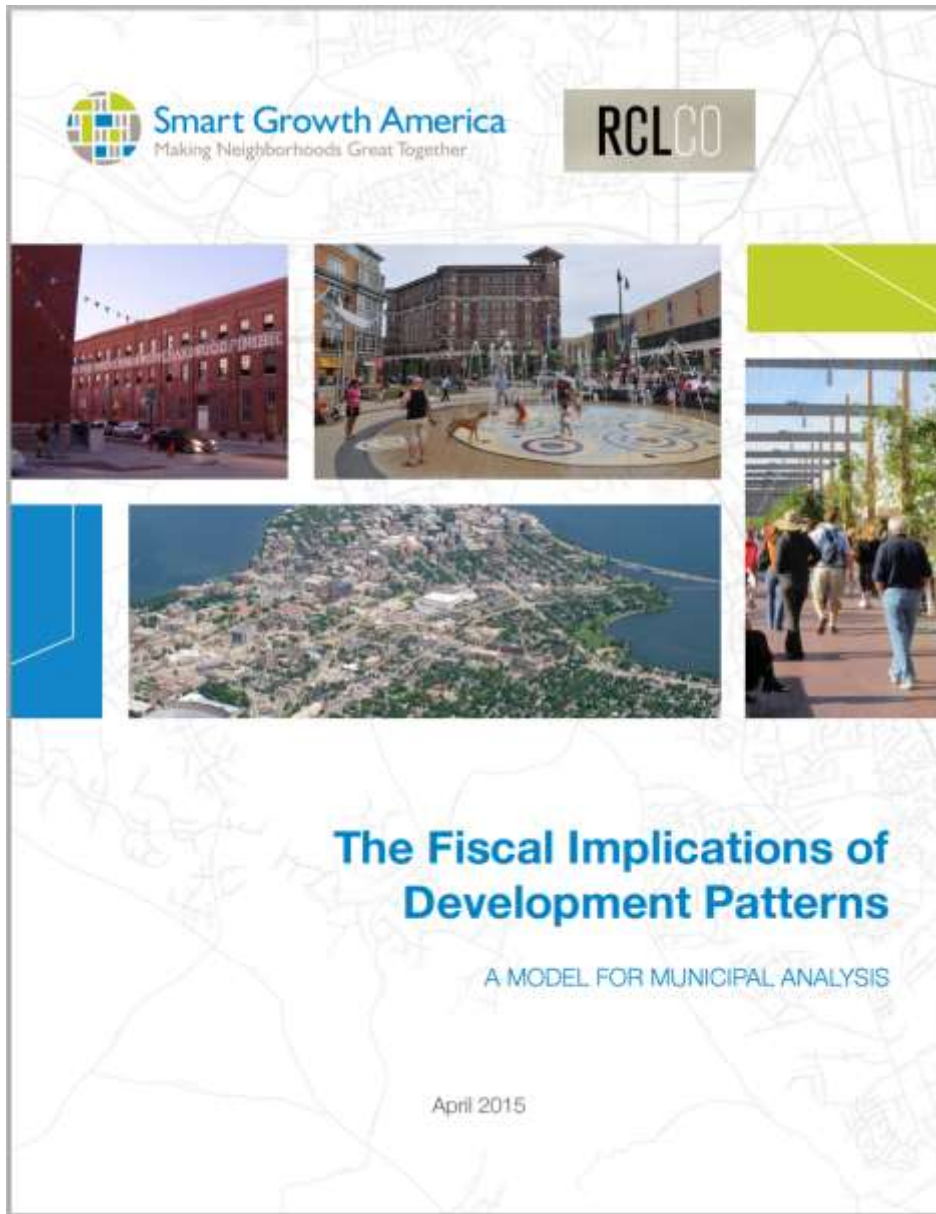
*Delivering **services** is less efficient:*

- Police and fire departments have **more area to cover**.*
- More miles of road to cover for trash pickup, school buses.*

*Low density development requires more pipe  
– meaning higher maintenance costs*

Water and Sanitary Costs per Capita (Illustrative Only)





A scenario analysis tool

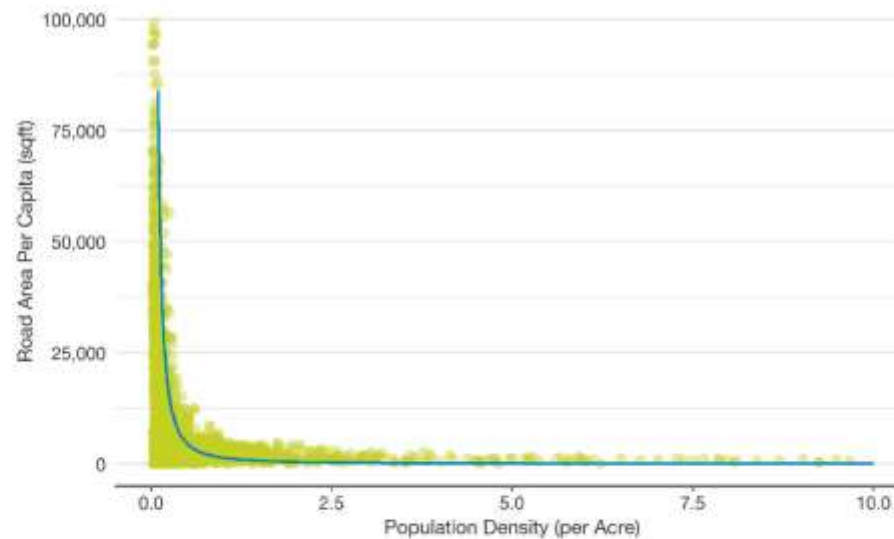
A fiscal impact model focused  
on the relative effects of  
sprawl versus compact  
development

### 3 FISCAL COSTS

#### GIS Analysis & Modeling

- The model determines the cost of infrastructure per person at different development densities.

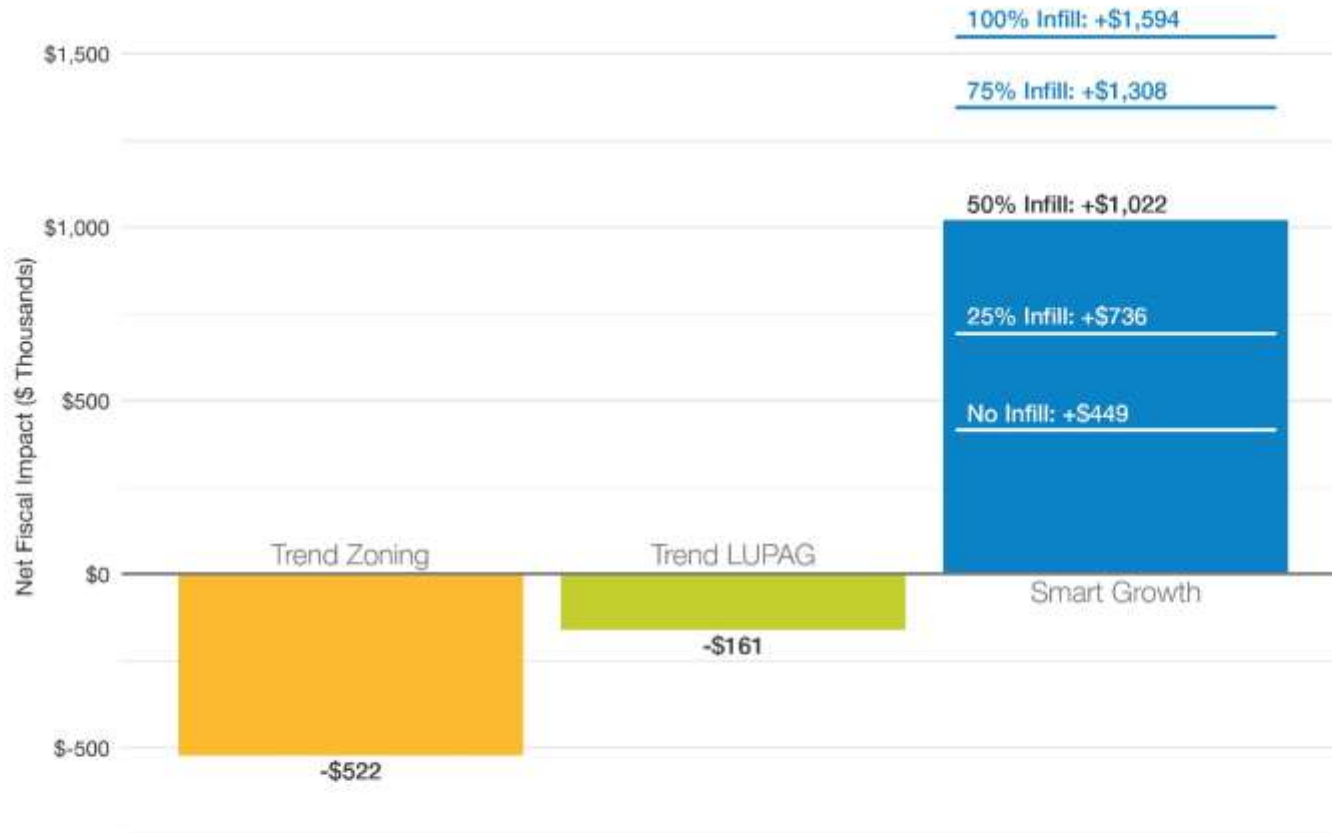
Road Area per Capita, by Density



# 5 NET FISCAL IMPACT

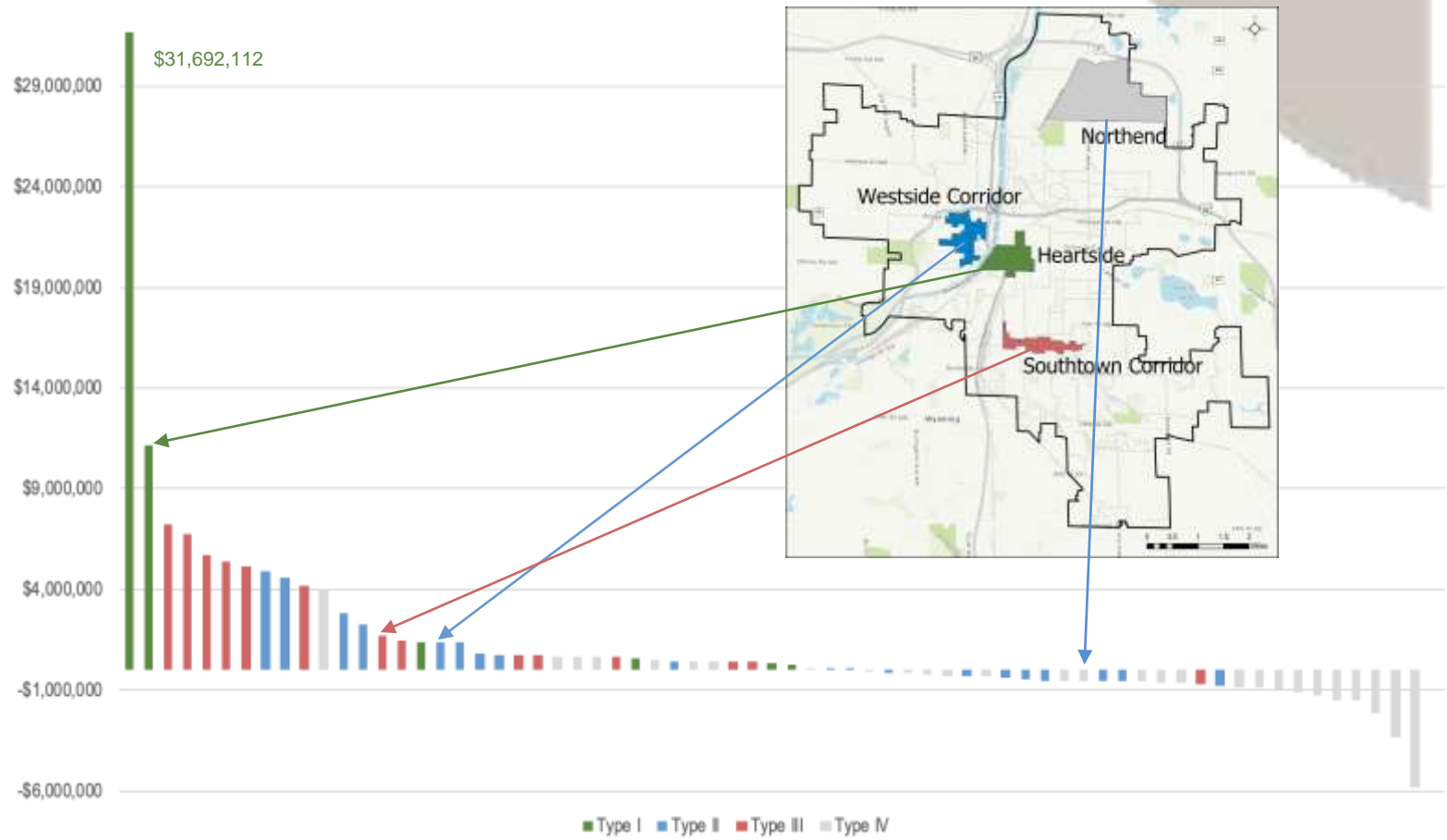
From  
Hawaii Co.  
analysis

Net fiscal impact = Tax Revenues - Infrastructure Costs



# Economic Assessment

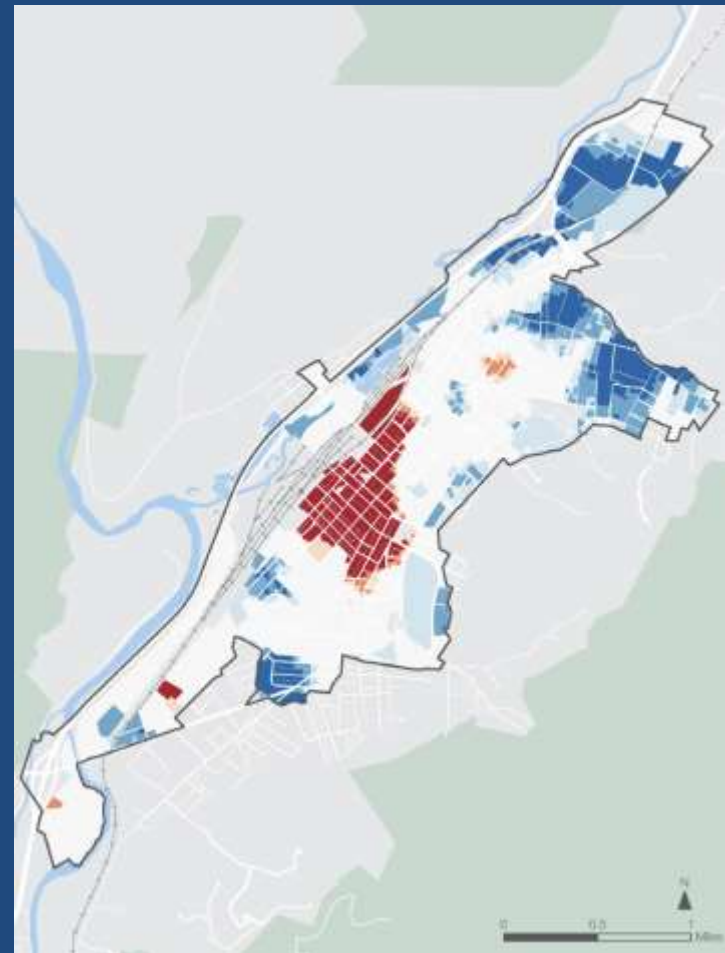
## Net Fiscal Impact by place



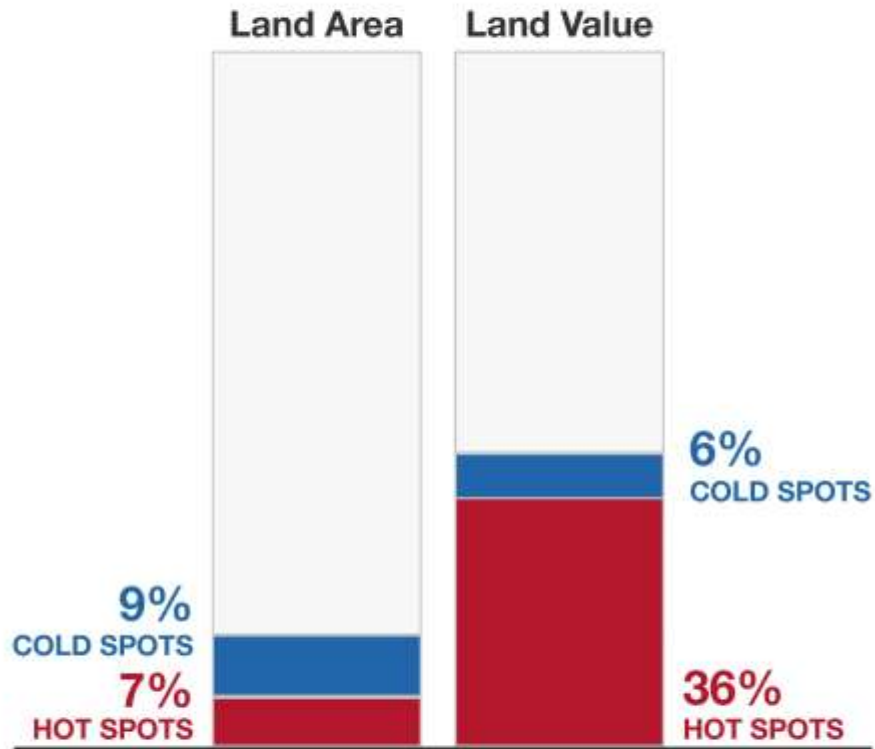
# *Land use pattern impacts revenue*

## *Fiscal Hotspots*

*(Housing and economic competitiveness analysis for Erwin, Tennessee, 2019)*

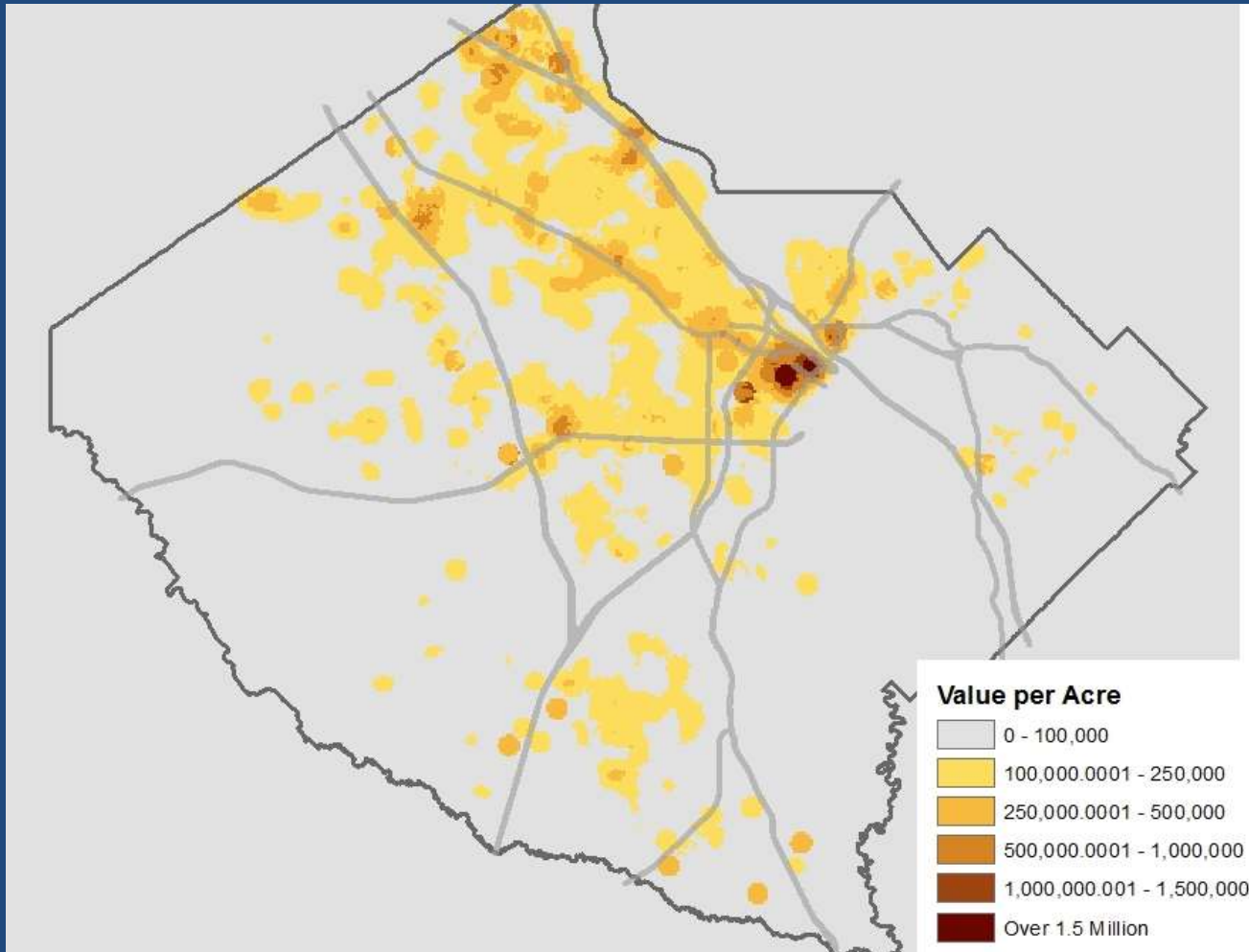


# LAND VALUE IS HIGHER IN HOT SPOTS



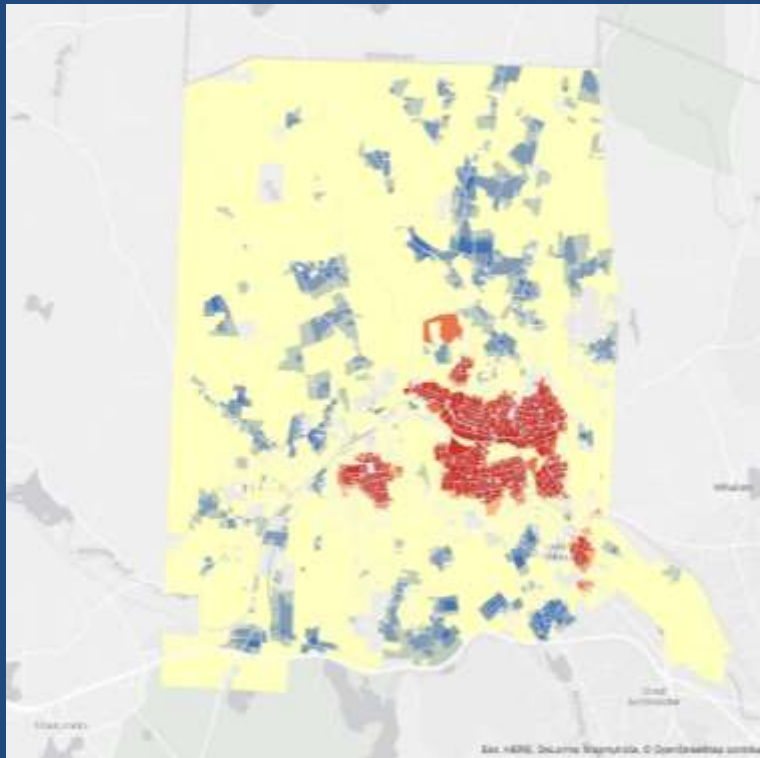
Hot spots are **7%** of Ruston & Grambling's appraised land area, but contain **36%** of the land value.

# *Downtown Macon has highest average property values per acre in Bibb County*

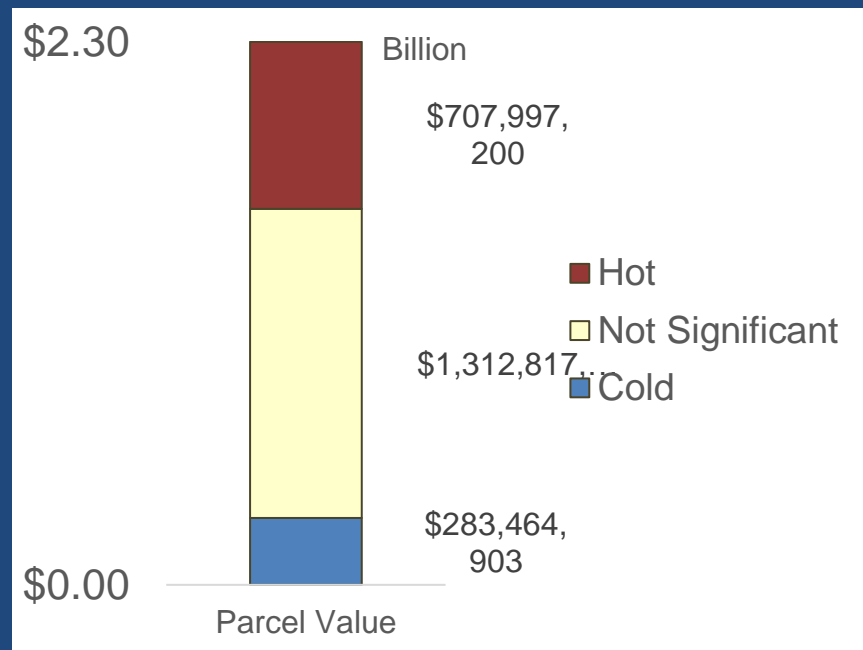


- *Downtown  
Avg. Assessed  
Value per Acre:  
\$1.3 million*
- *Shoppes at  
River Crossing:  
\$967,000 per  
Acre*
- *County Avg:  
\$77,000*

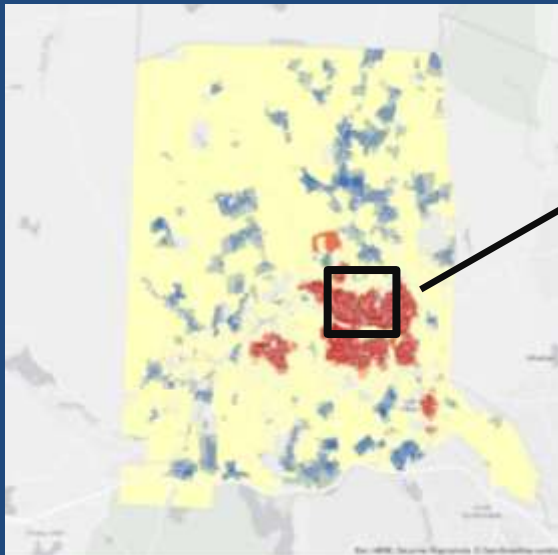
# Hot Spot Analysis – Fitchburg, MA



(Property Values Normalized by Using Value per Acre)



# Development Example – Fitchburg, MA



Main Street, Fitchburg, MA



# Development Example – Fitchburg, MA

Main Street, Fitchburg, MA

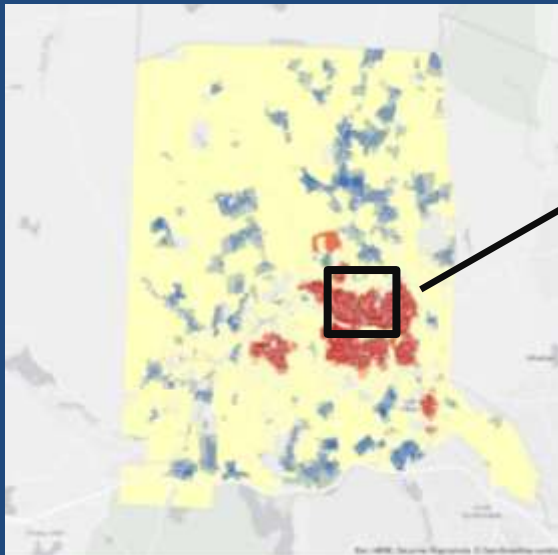
Total Value: \$194,000

Acres: ~ 0.11

Value Per Acre:  
\$1,700,000



# Development Example – Fitchburg, MA



Main Street, Fitchburg, MA



# Development Example – Fitchburg, MA

Total Value: \$325,000

Acres: ~ 0.41

Value Per Acre:  
\$784,000



# Compact development saves money for taxpayers



## Chattanooga, TN

By increasing average density from 0.8 to 5.8 households/acre through greenfield and infill development, the City would be reducing spending from \$1.45 billion to \$293 million over a 20-year period.

“When we fully utilize our existing infrastructure, we reduce government spending and help create the environment needed for businesses to compete, grow and prosper.”

# Compact development saves money for taxpayers



## Brookings, SD

Simply increasing density from 1 to 2.6 households/acre would save Brookings \$3.6 million in development and infrastructure costs every year

“When we fully utilize our existing infrastructure, we reduce government spending and help create the environment needed for businesses to compete, grow and prosper.”

# Compact development saves money for taxpayers



## Battle Creek, MI

Doubling density in Battle Creek would save the City an annual \$1.6 million in development and infrastructure costs

“When we fully utilize our existing infrastructure, we reduce government spending and help create the environment needed for businesses to compete, grow and prosper.”

# Compact development saves money for taxpayers



## Tulsa, OK

Development to accommodate projected growth at the current density level would cost Tulsa \$892.6 million over the next 20 years. . . . Increasing mixed-use development within the city core would reduce that number by almost  $\frac{2}{3}$ , representing an annual net fiscal impact of +\$12.05 million

“When we fully utilize our existing infrastructure, we reduce government spending and help create the environment needed for businesses to compete, grow and prosper.”

## *Downtown revitalization, more compact development*



- *More fiscally sound*
- *Economically desirable  
(the market wants it)*

Asheville, North Carolina



# *Placemaking principles for economic development*

Invest in supportive infrastructure

Increase the number of residents –  
increase housing options

Create place where people want to be

- Increase commercial and retail activity
- Strategically locate well designed public spaces
- Establish an appealing public realm for pedestrians





# Smart Growth America

Improving lives by improving communities

For more information about our fiscal model, technical assistance, or other services, please contact me:

Christopher Zimmerman

Vice-president for Economic Development  
[czimmerman@smartgrowthamerica.org](mailto:czimmerman@smartgrowthamerica.org)

# Thank you