



The Economic Impacts of Development Patterns in the San Joaquin Region

Compact, Mixed-Use Patterns of Development Save Communities Money

Local governments in the San Joaquin Region and across the nation are facing chronic budget shortfalls. Many are learning that what gets built and the fiscal return to jurisdictions from these investments can push communities ahead or dig them deeper into debt.

Recent research in the San Joaquin Region and around the country has found that compact, mixed-use patterns of development can improve the bottom line for cities and counties.

Increased Revenue: Compact development with a mix of housing types, shops, institutions and services generate more revenue per acre, increasing the local tax yield to communities on fewer acres of land.

Reduced Costs: Compact development requires less land and infrastructure (water, sewer, roads, utilities) to serve the same amount of people compared to sprawling development patterns, reducing the per-unit cost and ongoing operations and maintenance expenses. More compact town centered development also reduces the service area for public safety providers, such as police, firefighters or ambulances, reducing service costs and contributing to faster response times.

Reduced Health, Resource and Environmental Impacts: Building more compact, mixed-use development can reduce the amount of water, energy, and land consumed per capita, saving money and economically valuable farmland and open space. Compact, mixed-use patterns also shorten trip distances, thus decreasing vehicle miles travelled, fuel costs, and air quality-related health incidences, medical costs and lost wages.

- 38% Potential savings in upfront infrastructure costs
- 10% Potential savings in police, ambulance, and fire service costs
- 10x Potential increase in tax revenue generation



Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development surveys 17 studies that compare different development scenarios

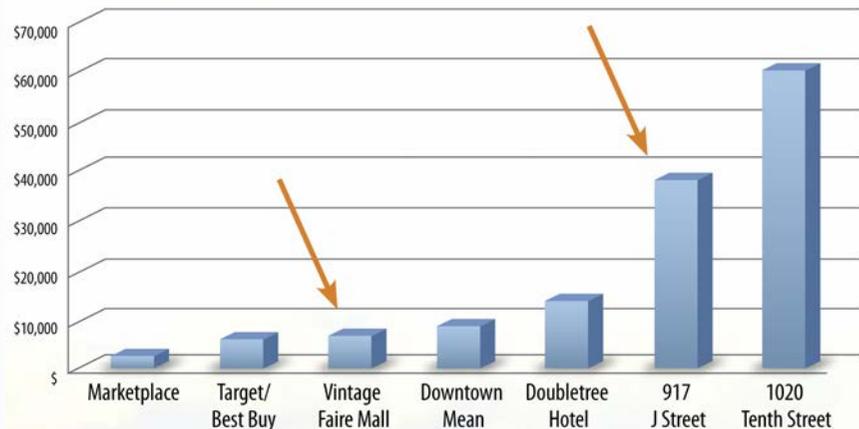
Increased Revenue For Communities

Focusing development into downtowns and small town centers can improve municipal revenue streams. Fiscal analyses undertaken in the San Joaquin Region and across the nation have found:

Large format retail developments on the edge of town often generate less tax revenue per acre than downtown properties.

In Turlock, Modesto and Merced, downtown property averages yield 16% - 48% more property tax per acre compared to big-box style retail development, such as regional malls, Wal-Mart, and JC Penney. ¹

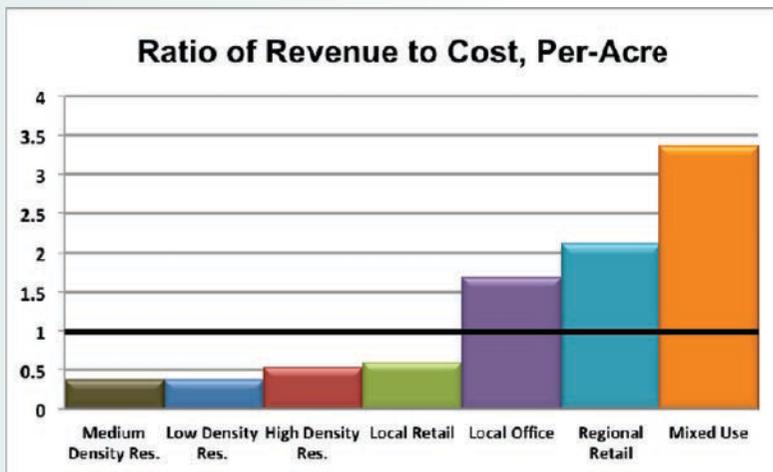
Modesto Property Tax Revenue Comparisons, Per Acre



On a per acre basis in Modesto, CA, the downtown property at 917 J Street brings in 5 times more property tax revenue than the Vintage Faire Mall.

Mixed-use development generates higher returns on investment compared to separated land uses.

The City of Galt compared four different hypothetical development scenarios to one another. In the mixed-use scenario, mixed-use development generated almost a two-thirds higher ratio of revenue to cost, per acre, when compared to regional retail and local office development. Mixed-use development generates an even higher ratio of revenue to cost when compared to stand-alone housing or local retail. ³



City of Galt Development Scenarios

- Low Density:** Big box retail, low-density housing and no mixed-use development.
- Focused Development:** Industrial development, downtown development and Southeast Galt Development.
- Downtown Focus:** Pulls growth from the outlying areas to downtown Galt.
- Mixed-Use:** Mixed-use development that balances housing and jobs.

¹ Local Government Commission, California Infill Builders Association, and Urban3, LLC. "Valuing Downtowns: Upward Not Outward is a Smart Revenue Strategy For Local Governments," 2013. <http://bit.ly/19bovSm>

² Urban3, LLC and Sonoran Institute. "About Town: Building Revenue for Communities. 2012. <http://bit.ly/15OI26a>

³ Local Government Commission and the Sacramento Area Council of Governments. "What's Infrastructure Got To Do With It?: Helping Cities Generate Revenue Through Strategic Development. 2013. <http://bit.ly/1bcZWBN>

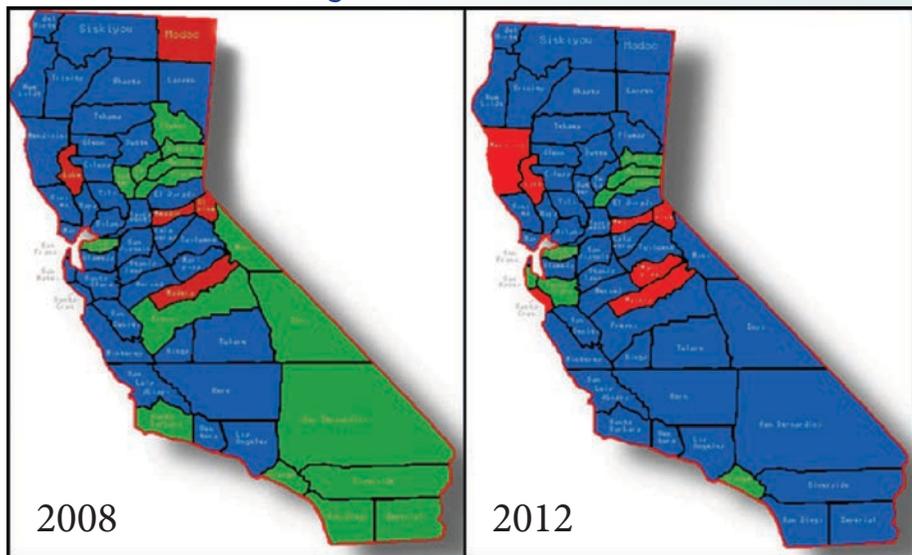
Infrastructure Communities Can Afford

Compact development patterns can reduce infrastructure costs, freeing up funding for higher quality facilities, services and community amenities. Research and experience in the San Joaquin Region and around the country show:

Infrastructure costs rise in line with land consumption, as dispersed development requires longer sewers and water lines, roads, and other utilities; and higher operation and maintenance (O&M) costs associated with expanded facilities.

- ▶ A 2010 Morris Beacon Design study, which analyzed traditional neighborhood and conventional suburban development scenarios in South Carolina and Arizona, indicates that **compact infrastructure is up to 47% less expensive than infrastructure for sprawling development patterns.**⁴
- ▶ Analysis undertaken in the City of Fresno found that the most compact general plan update development alternative would generate the most favorable fiscal impact, **reducing capital and O&M infrastructure costs by \$162 million to 2035.**⁵
- ▶ Analysis of San Joaquin Valley growth scenarios found that focusing growth in and around existing communities would save more than \$2.7 billion in infrastructure capital (streets, parks, water and wastewater infrastructure) and O&M costs, or about **\$5,000 per new housing unit.**⁶
- ▶ Cities and counties in California continue to expand roadways despite an **estimated funding shortfall of \$82.2 billion over the next ten years.** This focus on new roadways limits funding to keep up with transportation investments already made. In Fresno County alone, more than \$2.8 billion is needed over the next ten years to cover pavement, safety, traffic, regulatory and bridge costs for the existing transportation system.⁷

The Worsening Condition of California's Roads



Pavement Condition Index

- 71 - 80 (Good)
- 50 - 70 (At Risk)
- 0 - 40 (Poor)

Of the 58 counties in California, 49 counties have pavement conditions that are either "At Risk" or in "Poor" condition. Most of the "Good" counties will likely become "At Risk" in a few years unless there are significant improvements in funding.

⁴ Jonathan Ford. "Smart Growth and Conventional Suburban Development: An Infrastructure Case Study Completed for the EPA." 2010. <http://bit.ly/14z5589>

⁵ Calthorpe Associates. "Fresno General Plan Rapid Fire Scenarios – Scenarios and Co-Benefits Analysis for GP Alternatives." March 2012.

⁶ Calthorpe Associates. "San Joaquin Valley Preliminary Scenario Results." 2013.

⁷ Nichols Consulting Engineers, Chtd. "California Statewide Local Streets and Roads Needs Assessment." 2013. <http://bit.ly/145eOvR>



Reduced Health, Resource and Environmental Impacts

Building more compact, mixed-use development provides a number of health, resource and environmental fiscal benefits. Recent analysis in the San Joaquin Region found that compact development can:

REDUCE WATER COSTS: Smaller lot single-family homes, townhomes, and multifamily housing generally have less landscaping, which consumes approximately 50% of household water use. Growth with more compact housing types would save the average new household over 30,000 gallons of water per year.^{5 8 9}

REDUCE ENERGY COSTS: Smaller, more compact buildings can cut annual energy use by 12 trillion BTUs, saving enough energy annually to power over 175,000 homes.⁵

REDUCE FUEL COSTS: Compact growth, with more walkable, transit-oriented development would reduce VMT, saving nearly 7 billion gallons of fuel by 2035 and the average household \$2,000 per year.⁵

REDUCE HEALTH CARE COSTS: Respiratory and cardiovascular problems associated with automobile-related air pollution leads to more hospital visits, work loss days, and premature mortality. More compact development would reduce air pollution and save \$342 million in health costs in 2035.⁵

SAVE VALUABLE FARMLAND, OPEN SPACE AND RECREATION AREAS: Current development patterns will consume 548 square miles of farmland, open space and recreation areas by 2035. More compact growth would save over 435 square miles of this valuable land.^{5 9} Farmland in Fresno, Tulare, and Kings counties accounts “for more than \$17.8 billion in annual agricultural production” and “every dollar of farm production adds an estimated \$1.89 to the local economy.” Natural resources and wildlife corridors also provide jobs and bring in tourism revenue. “In 2010, Sequoia and Kings Canyon National Park supported over 1,700 jobs and was responsible for more than \$100 million in visitor spending.”¹⁰

Resources to Help Governments Analyze the Fiscal Impacts of Development

- **Infrastructure and Service Costs and Expected Revenue Analysis:** The Integrated Model for Planning and Cost Scenarios (iMPACS), a modeling tool developed by the Sacramento Area Council of Governments, helps communities analyze and estimate the infrastructure and city service needs, capital and operational costs, and expected revenues for development scenarios.
- **Climate, Land Use, and Infrastructure Investment Policy Analysis:** UrbanFootprint and RapidFire, modeling tools developed by Calthorpe Associates, help governments understand the costs and benefits of development scenarios based upon metrics such as infrastructure and transportation costs, municipal revenues, and public health costs.
- **Property Tax Revenue Analysis:** Local growth decisions are often evaluated based on the potential sales tax revenue generated from development. Instead, Urban3, a consulting firm specializing in land value economics, property tax analysis and community design, helps local leaders compare and evaluate the property tax revenue generated by existing compact development in town centers versus existing lower density development in peripheral areas.

How Governments Can Use This Information

Land use decisions being made at the local and regional level provide governments the opportunity to make strategic public investments that generate the most value for their community, utilize existing infrastructure, and catalyze private investment. By utilizing the tools and information in this document, governments can support compact, mixed-use development that:

- Increases revenue by generating more local tax yield on fewer acres of land.
- Decrease costs by reducing the need to build, maintain and operate expensive new infrastructure.
- Reduce health, resources and environmental impacts by satisfying commercial and housing needs while reducing energy, water and land use consumption, per capita, and improving air quality and reducing transportation costs by reducing vehicle miles travelled.

8 Calthorpe Associates. “Rapid Fire Model: Technical Summary.” 2011. <http://bit.ly/1cd8cFO>

9 Paula Van Lare and Danielle Arigoni. “Growing Toward More Efficient Water Use: Linking Development, Infrastructure, and Drinking Water Policies.” 2006. <http://1.usa.gov/17y9qDx>

10 Adam Livingston. “Economic Benefits of Land Conservation and Compact Growth – Paths to Prosperity for the Southern Sierra and Southern San Joaquin Valley.” 2013.