



Creating a Common Language with Fiscal Sustainability

Western Planner Conference
September 14th, 2022



VERDUNITY

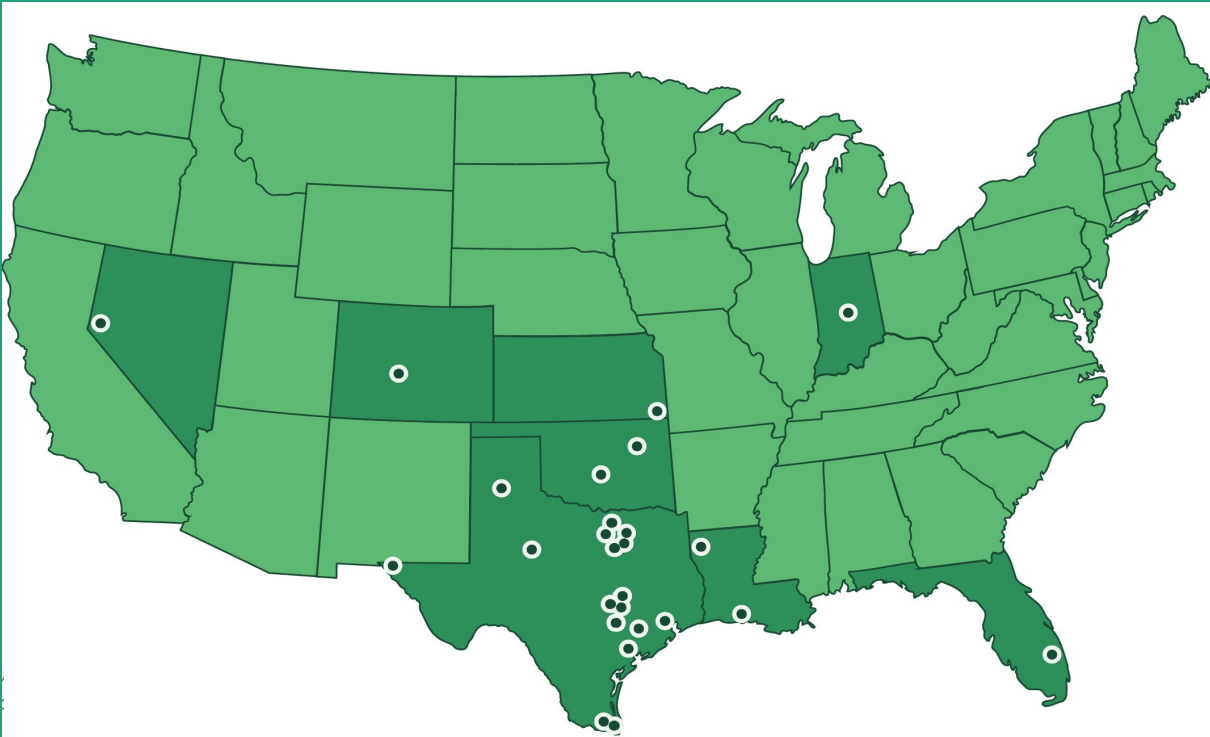
CULTIVATING VIBRANT COMMUNITIES WITH THE RESOURCES WE HAVE

Prosperity does not come from endless new growth. It's *cultivated* incrementally by locals. *We help communities do this.*

Kevin Shepherd, PE
Founder & CEO
kevin@verdunity.com
@k_shepherd

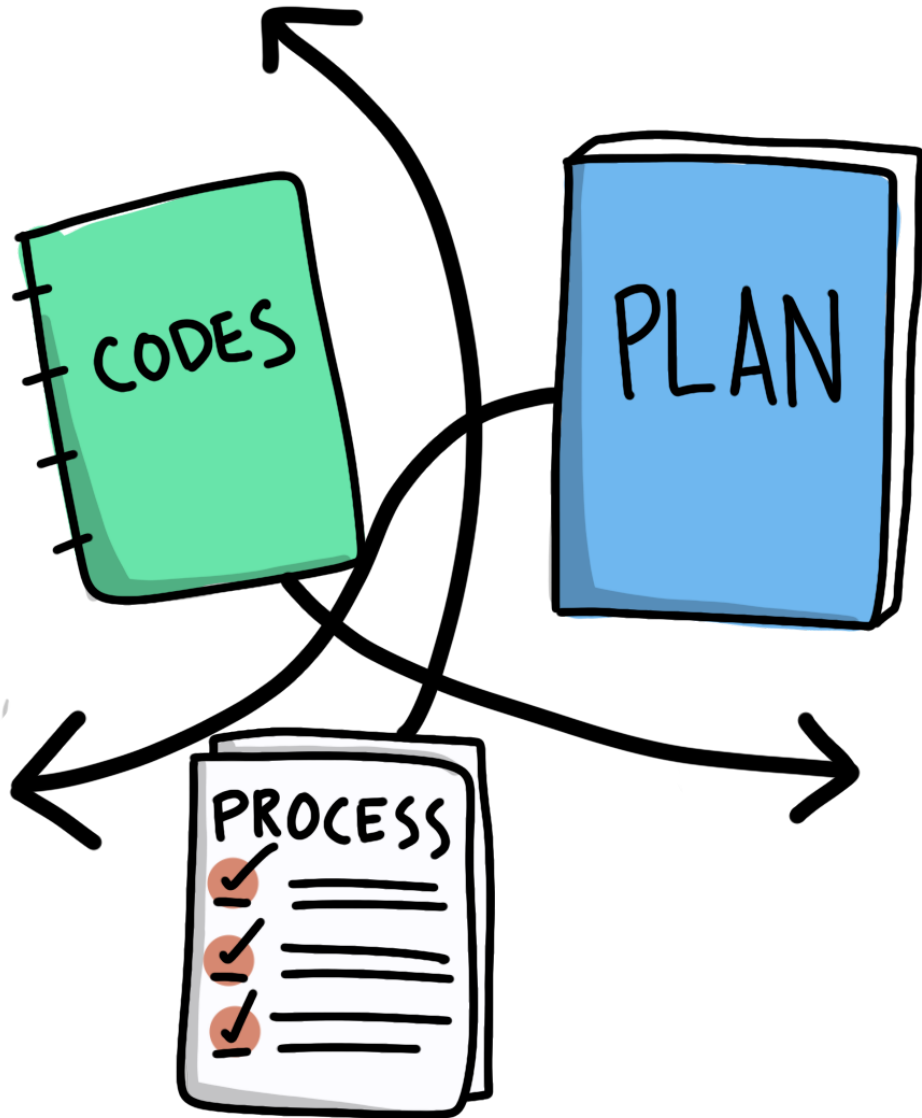
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@verdunity
#GoCultivate
#BridgeTheGap



**Why is a “common language”
important?**





Every city strives to be fiscally solvent, environmentally resilient, & socially inclusive,

BUT

The daily decisions and investments rarely align with these desired outcomes.



We're left with fragile local economies, escalating service costs, and disconnected residents,

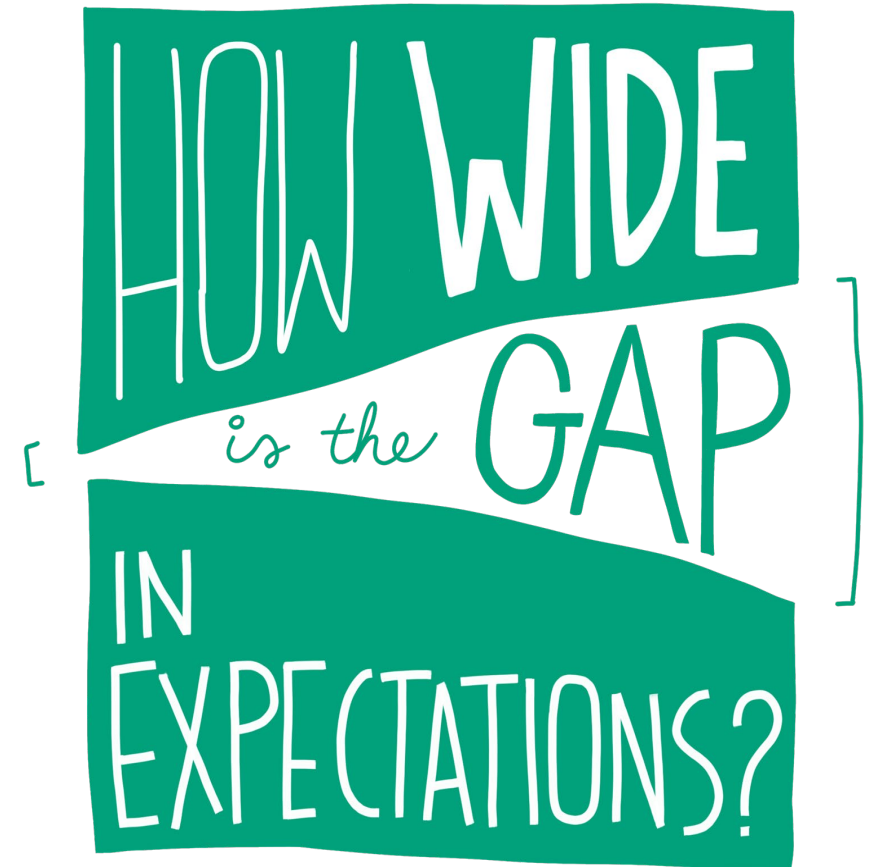
WHILE

Frustrated city staff are stuck administering policies that create generic places citizens and businesses struggle to connect with and invest in.



EXAMPLES OF GAPS AND DISCONNECTS

- x Competing interests: public good & private development
- x Varying perspectives & insights: urban & rural
- x Wanting it all: citizen values & vision



FRAGILE ECONOMIES AND MUNICIPAL BANKRUPTCIES

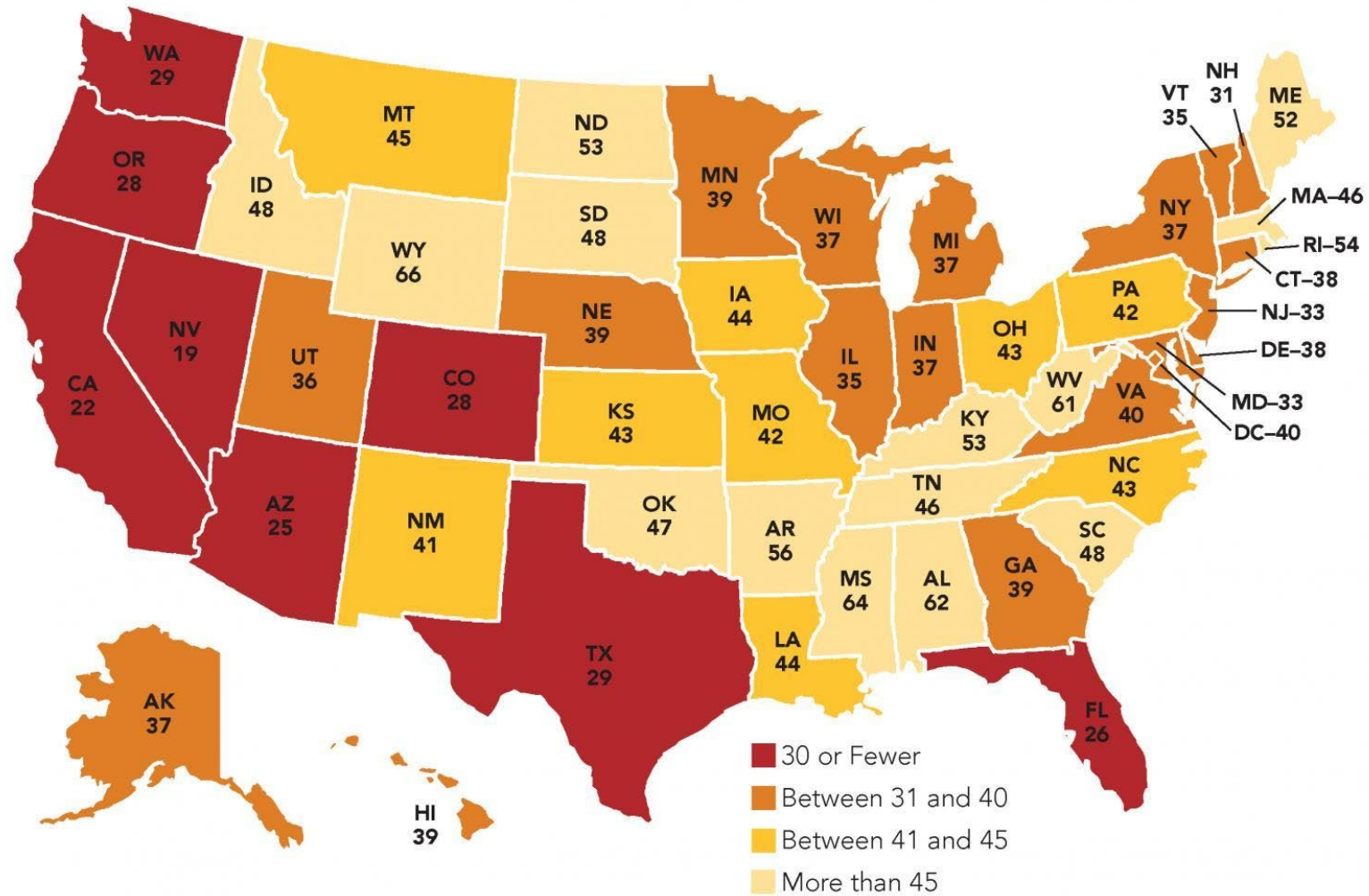


Source: governing.com

INCREASING HOUSING AFFORDABILITY GAPS

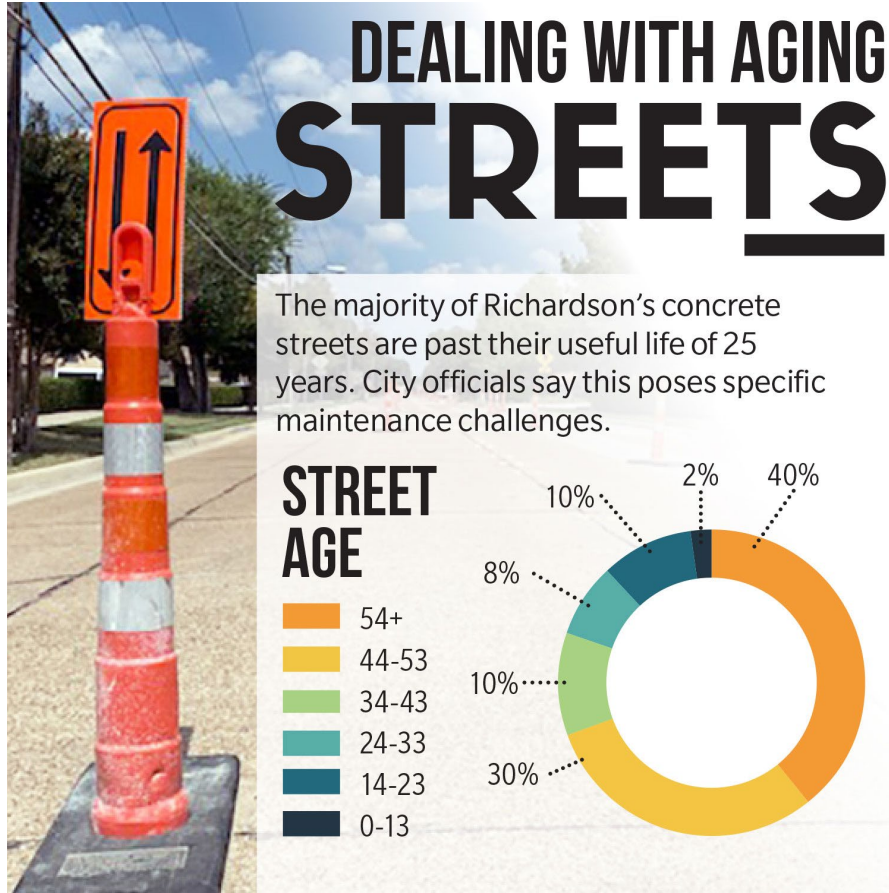


RENTAL HOMES AFFORDABLE AND AVAILABLE PER 100 EXTREMELY LOW INCOME RENTER HOUSEHOLDS BY STATE



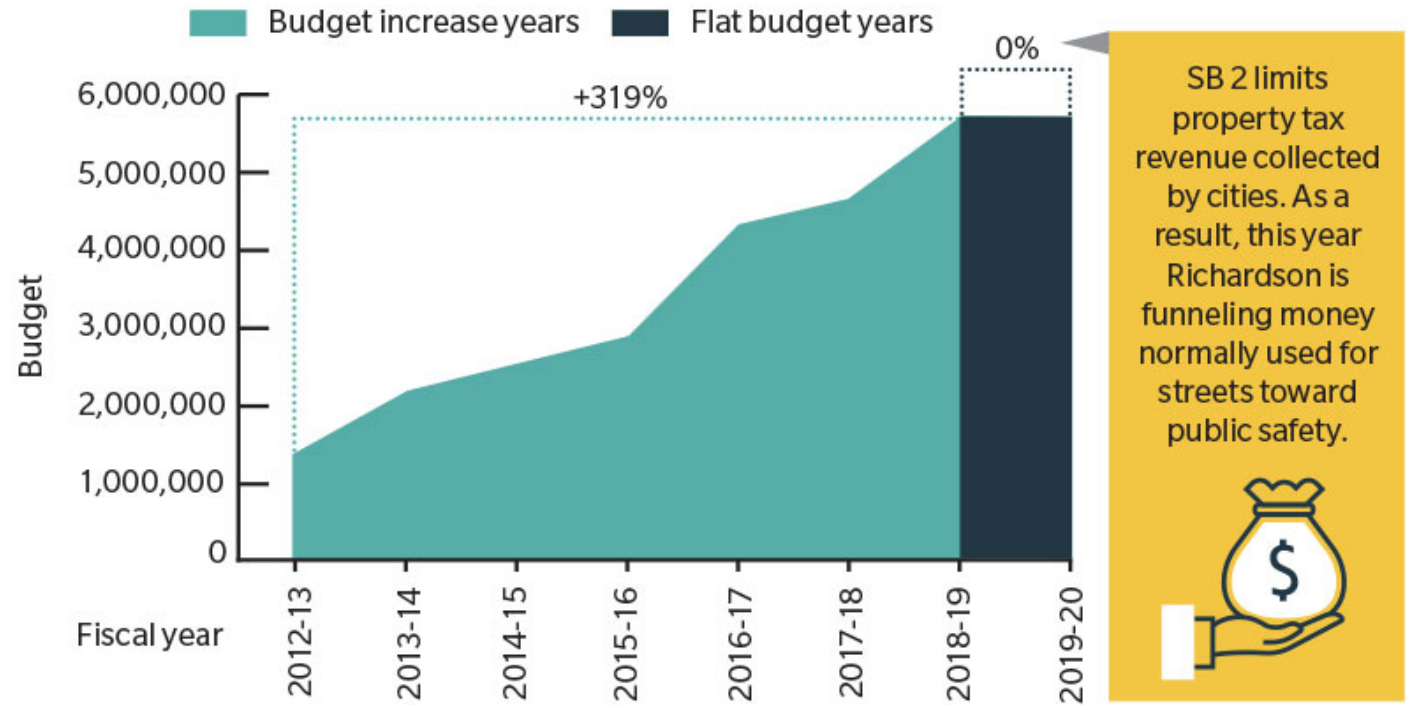
Note: Extremely low income (ELI) renter households have incomes at or below the poverty level or 30% of the area median income. Source: NLIHC tabulations of 2017 ACS PUMS Data.

INFRASTRUCTURE LIABILITIES AND FUNDING GAP



FUNDING CHALLENGE

Unlike the past seven years, this year Richardson will not increase its allotment toward street and alley maintenance. This is to prepare for the budgetary impacts of Senate Bill 2.

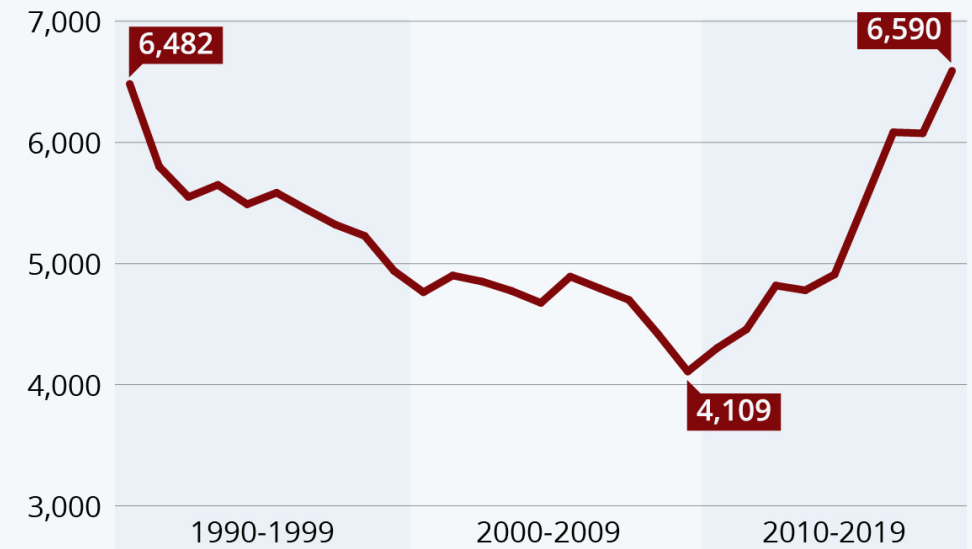


RISING TRAFFIC AND PEDESTRIAN FATALITIES



U.S. Pedestrian Deaths Hit Highest Level In 30 Years

Pedestrian fatalities in the U.S. by year*



* 2019 is a projection

Source: Governor's Highway Safety Association



statista

**What is fiscal sustainability?
How does it serve as a
“language”?**



Fiscal Sustainability as a Common Language:

- Sufficient revenue to cover basic services & quality of life amenities.
- Discontinuing the practice of building cities we can't afford to live in & maintain.
- Development and service model aligned with what residents are willing and able to pay for – now and in the future.
- Frame discussions in terms of cost, revenue generation & personal affordability (home values, taxes).

THE “SUBURBAN EXPERIMENT”

Post WW2, cities have aggressively pursued fast growth and higher quality of life in the short-term without fully considering long-term costs and impacts.



WHAT ABOUT MAINTENANCE *AFTER* GROWTH?



OPTIONS TO CLOSE THE RESOURCE GAP:

1



INCREASE TAXES OR FEES

Keep development patterns and service levels as-is but charge more (via higher taxes and fees) to cover the true costs. This is a difficult option because an increasing number of people do not have the means to pay much more than they are currently paying.

2



REDUCE SERVICES

Maintain current taxes and fees where they are but cut services to align with revenues. This is what most cities are currently doing, where services and maintenance needs are budgeted to fit available revenue and those that are unfunded get deferred. This can work for a short period, but eventually the neighborhoods and infrastructure must be maintained, or property values will start to decline and people and businesses will leave the city.

3



DEVELOP RESPONSIBLY

Adjust development and infrastructure to enable an affordable balance of services and taxes. By prioritizing infill, redevelopment, and more financially productive development patterns, the city can generate additional tax base from its service area and improve the return on investment of taxpayer dollars without necessarily having to raise the tax rate or charge more fees. This is the most feasible and effective option.

FORECASTING FISCAL IMPACTS OF DEVELOPMENT

Step 1: Property Tax Revenue per Acre

Map the existing property tax revenue (levy) per acre for all parcels in the city

Step 2: Net per Acre for Current Budget/Conditions (What You Have)

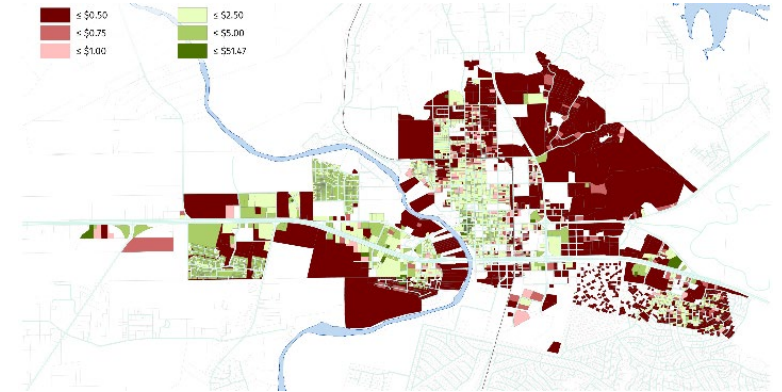
Map existing levy \$ minus current operating budget funded by property tax

Step 3: Deficit/Unfunded Costs (What You Really Need)

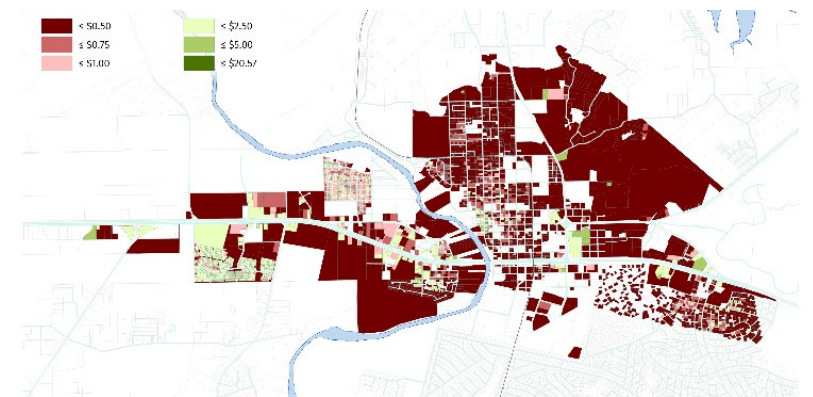
Adds projected general fund costs and unfunded street replacement costs spread over future years

Scenario Planning

Use baseline analysis and context data to project fiscal performance of development alternatives



Net/Ac – Current Budget



Net/Ac – Budget + Unfunded Street Costs

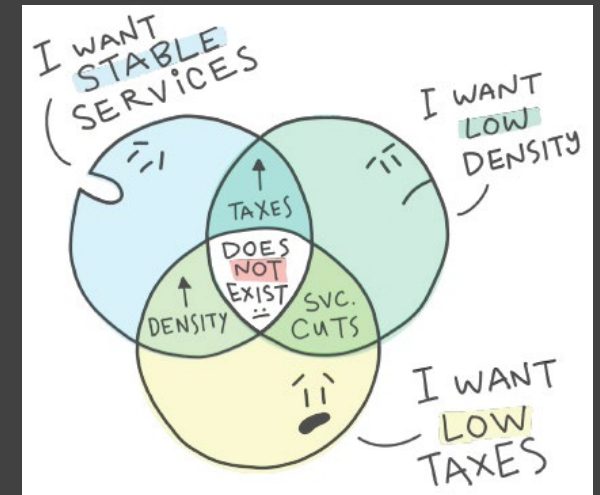
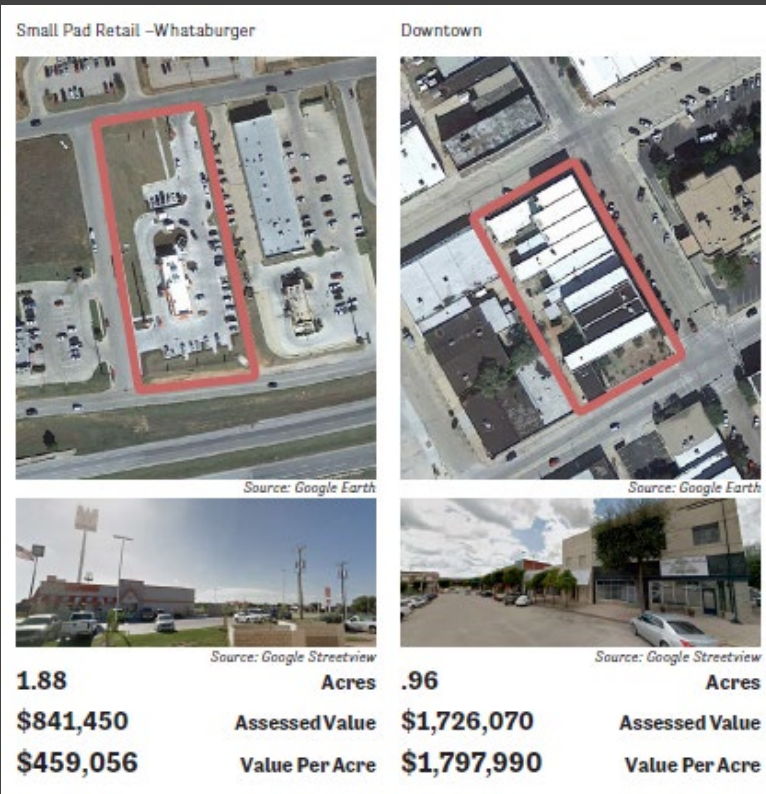
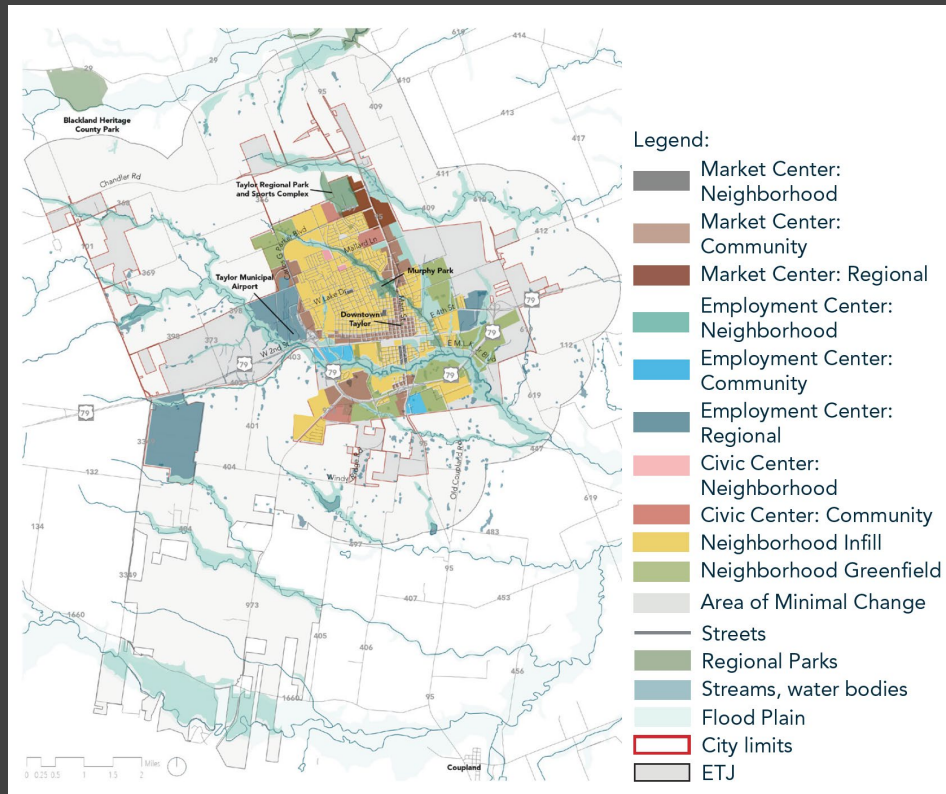
Land Use Fiscal Analysis | Bastrop, TX

**Where and how is this
language applicable?**



Applying Fiscal Sustainability

- Making decisions about land use & development patterns



Applying Fiscal Sustainability

- Cultivating prosperity and creating a self-sustaining economy through incrementalism.



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Applying Fiscal Sustainability

- Determining resource gaps and working as a community to close them.



Applying Fiscal Sustainability

- Involving the community in plan implementation by focusing on an issue everyone finds important.



Figure 68: Projected Value Per Acre

Source: Verdunity




VERDUNITY

Applying Fiscal Sustainability

- Inspiring change and building trust in public decision-making using values of stewardship.

Common Development Patterns



Source: Google Earth

VALUE PER ACRE	LOW	VALUE PER ACRE	MID	VALUE PER ACRE	HIGH
INFRASTRUCTURE COSTS	LOW	INFRASTRUCTURE COSTS	HIGH	INFRASTRUCTURE COSTS	MID
SERVICE LEVELS	LOW	SERVICE LEVELS	HIGH	SERVICE LEVELS	HIGH
POPULATION PER ACRE	LOW	POPULATION PER ACRE	MID	POPULATION PER ACRE	HIGH
COST PER HOUSEHOLD	LOW	COST PER HOUSEHOLD	HIGH	COST PER HOUSEHOLD	LOW

Community Partnerships

Are there community partners related to this topic that should be involved in this discussion? Can this topic be tackled as a public-private partnership? How can relevant stakeholders be reached using local resources? How can residents be included in this effort? What partners can help support this/that portion of our population?

Data-Driven Approach

What data do we have on this issue? What data could or should be collected? What does the data on this issue tell us? How does this land use decision affect our community's property tax revenue per acre? What type of return on investment should or can be expected? How can mapping be used to maximize the data we have or collect?

Economic Prosperity

How does this issue promote economic prosperity community wide? What does economic prosperity look like for Sweetwater? How can we pursue a diversity of offerings – of all uses – that lead us in a prosperous direction? Which decisions can we make that invest in and foster a local network of entrepreneurs?

Innovation and New Ideas

How can we make this better? Does the way we have been doing/approaching this still make sense, or is it time for a change? What actions can we take to better engage citizens and capture their ideas? What training can we offer our staff and boards to help them practice their responsibilities in an innovative and proactive way?



How are cities using this approach and language?



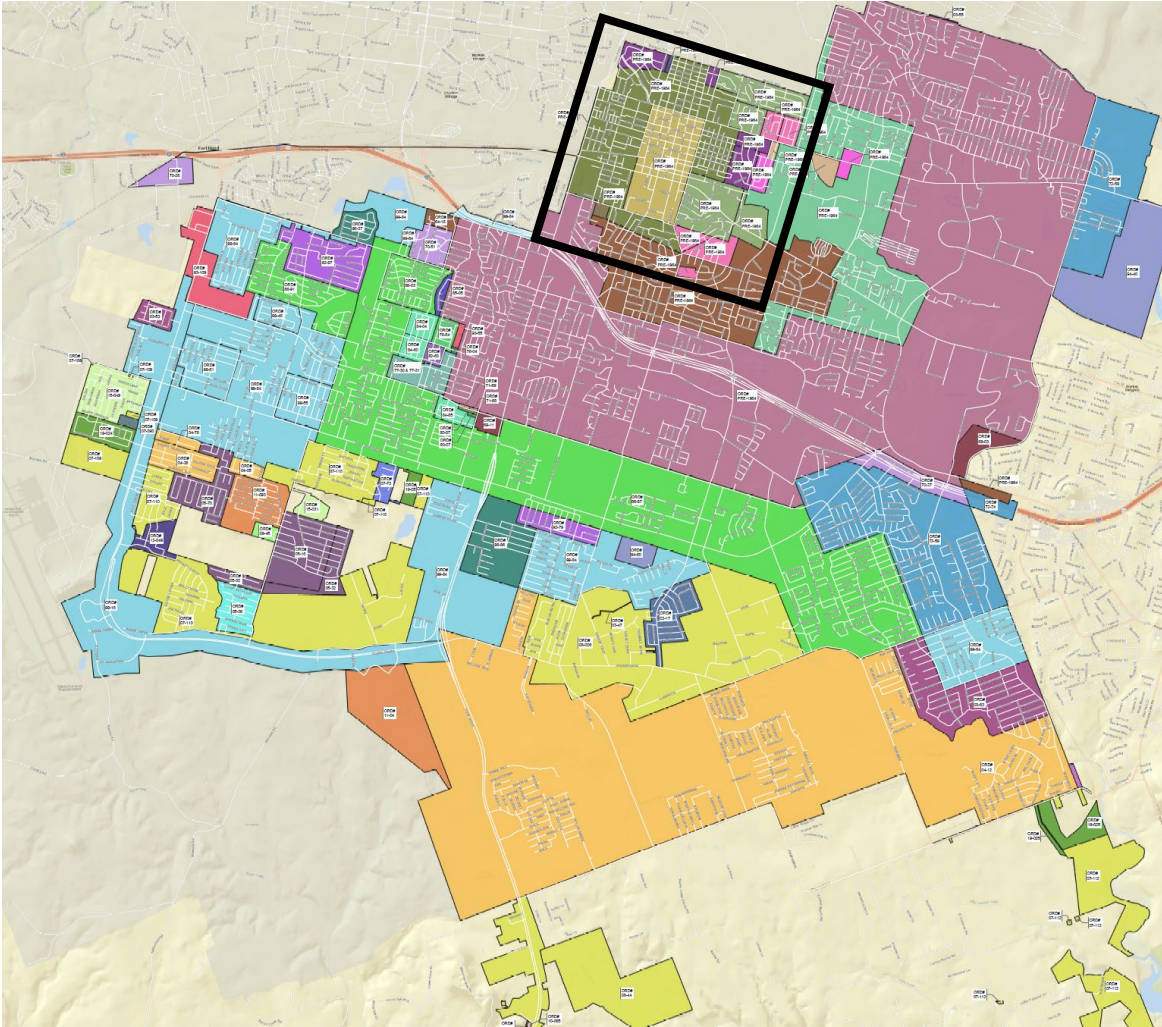
Killeen, Texas



2022
Comprehensive Plan
FOR THE CITY OF KILLEEN, TEXAS

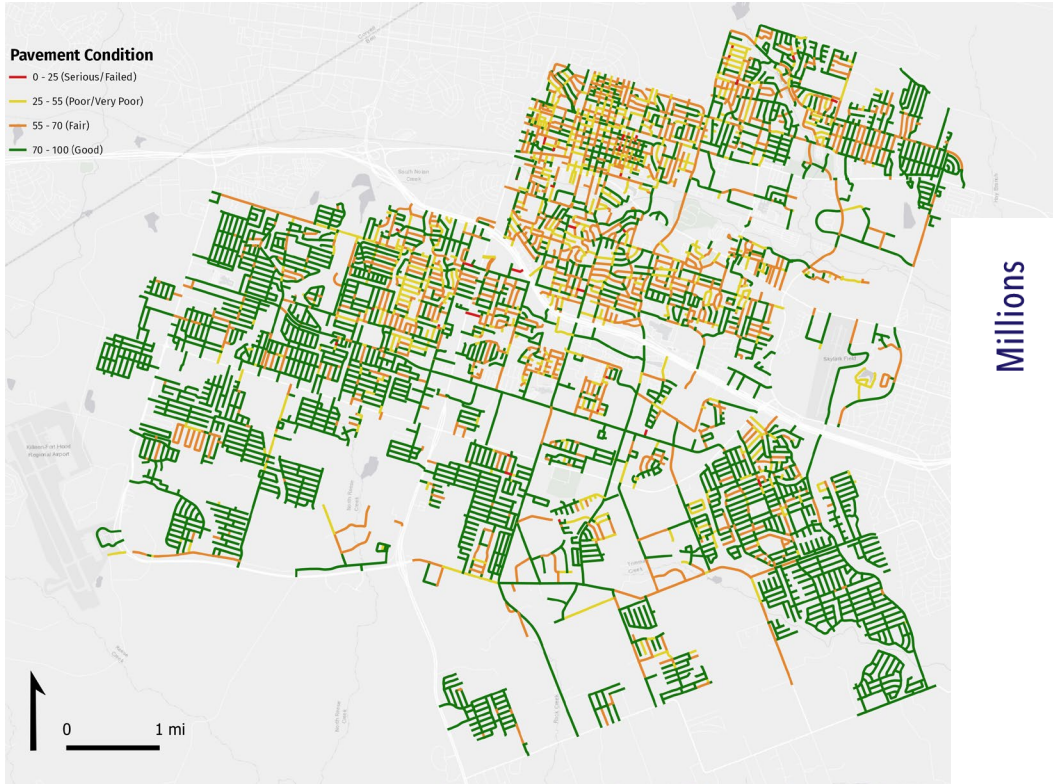
- ✓ Community education and alignment
- ✓ Closing street funding gaps
- ✓ Diversifying housing options
- ✓ Revitalizing aging neighborhoods
- ✓ Cultivating local economy and workforce

KILLEEN'S DEVELOPMENT PATTERN

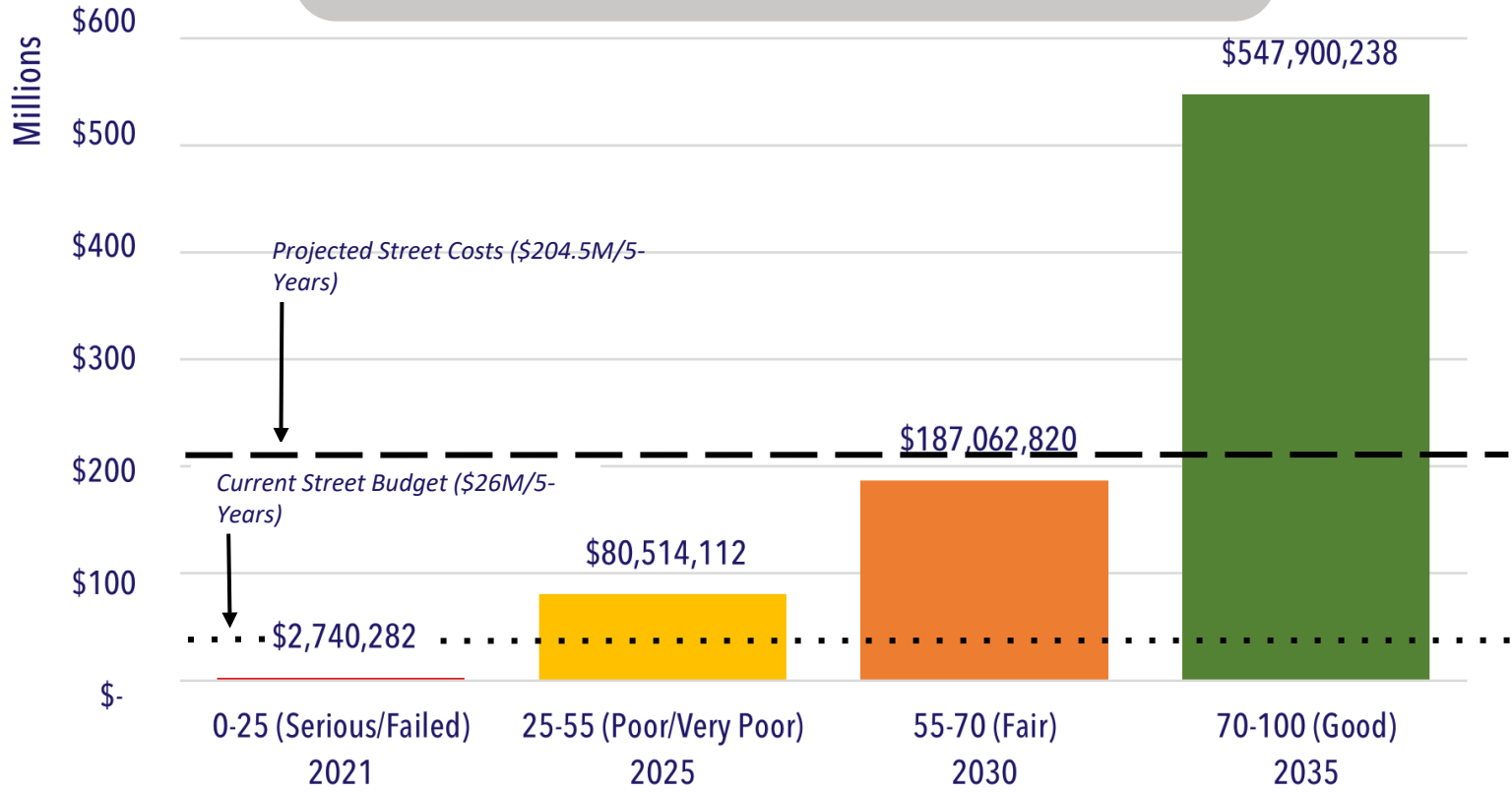


Between 1960 and 2020, Killeen's service area expanded by **10X**, while the population only grew by **6X**.

PROJECTED STREET REPLACEMENT COSTS

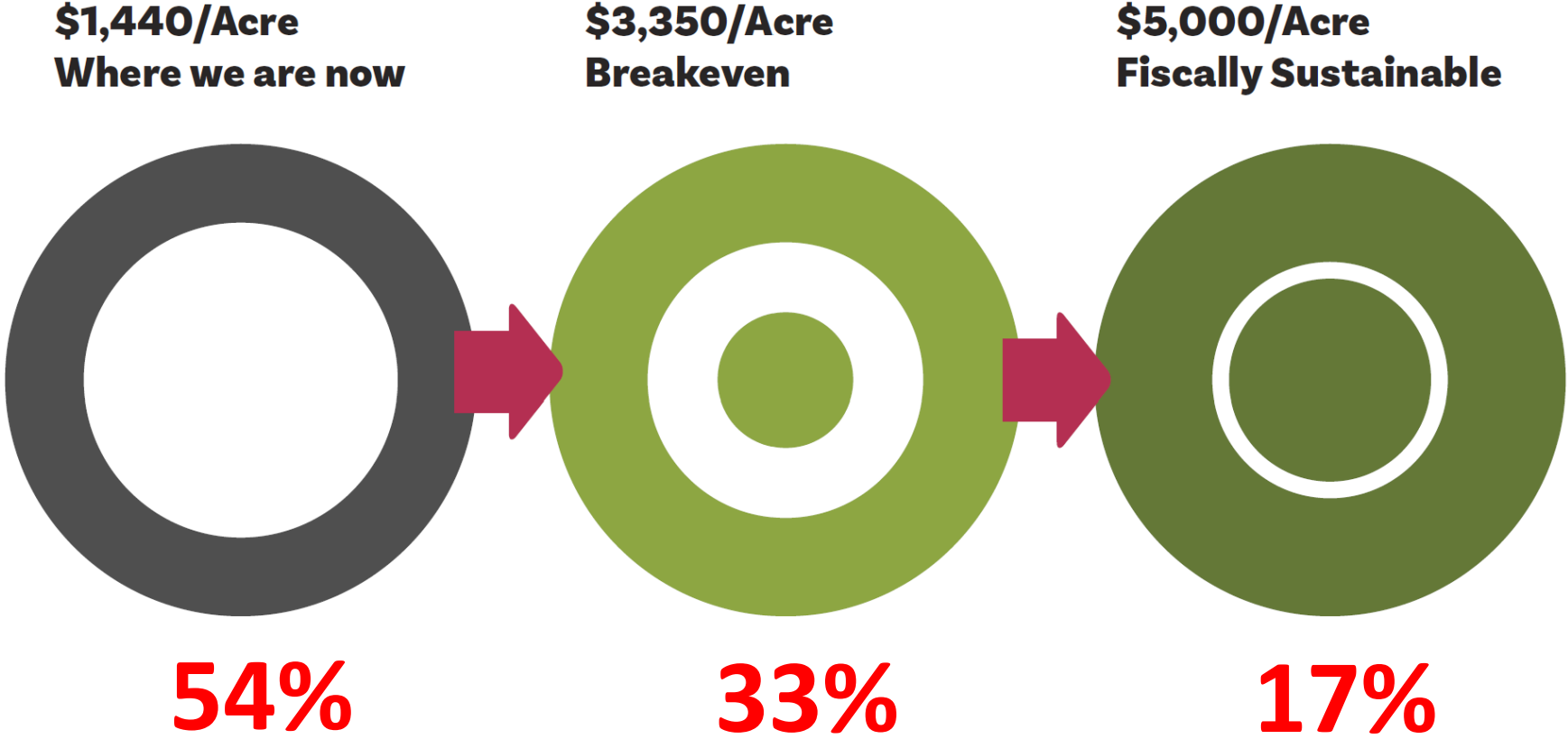


Total Street Reconstruction Costs: **\$818,217,453**
Annual Average Cost (20 yrs): \$40.9M/year
Current Street Budget (GF only): \$5.2M/year
Estimated Deficit: **\$35.7M/year**



CLOSING KILLEEN'S RESOURCE GAP

Property Tax Revenue Targets



CITY OF TAYLOR COMPREHENSIVE PLAN

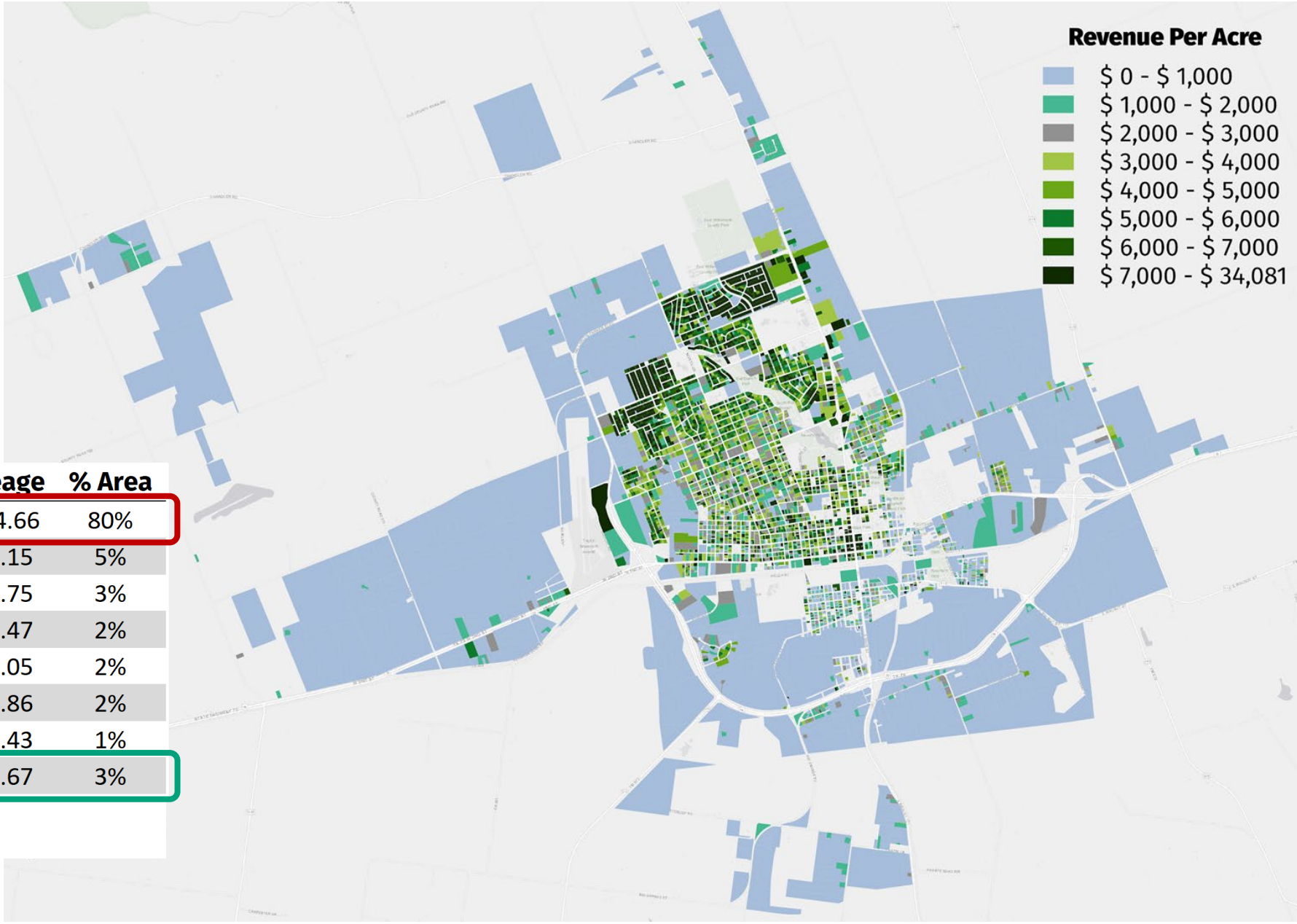
DECEMBER 2021



Taylor, Texas

- ✓ Community education and alignment
- ✓ Managing growth to be fiscally sustainable
- ✓ Preserving and enhancing Downtown and traditional neighborhoods
- ✓ Aligning transportation and land use

PROPERTY TAX REVENUE PER ACRE



Value Ranges	Count	% Parcel	Acreage	% Area
\$0 - \$1,000	1418	21%	7184.66	80%
\$1,000 - \$2,000	678	10%	464.15	5%
\$2,000 - \$3,000	692	10%	281.75	3%
\$3,000 - \$4,000	615	9%	221.47	2%
\$4,000 - \$5,000	644	10%	206.05	2%
\$5,000 - 6,000	683	10%	174.86	2%
\$6,000 - 7,000	557	8%	127.43	1%
\$7,000 - \$34,081	1393	21%	280.67	3%

* Current Break-Even Revenue/Acre = \$820

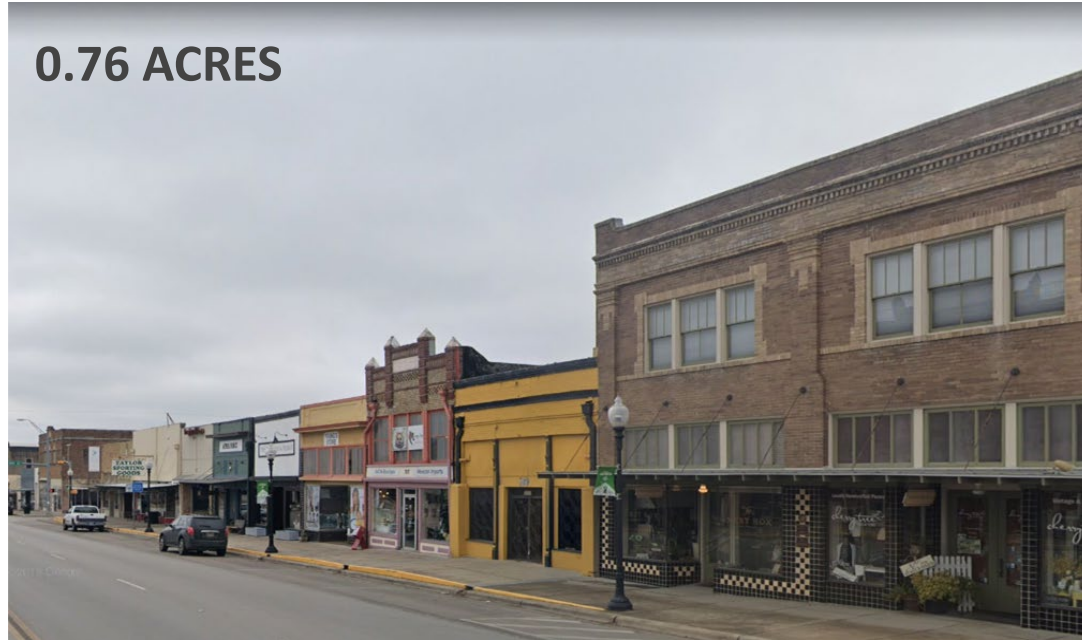
NET REVENUE PER ACRE

CURRENT BUDGET + STREET COSTS



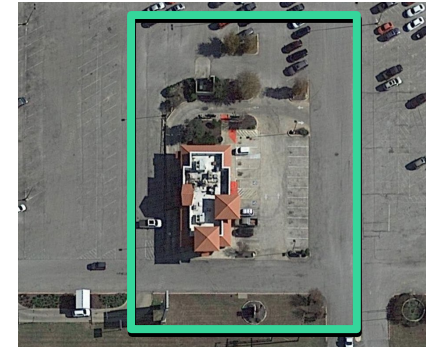
Land Use Fiscal Analysis | Taylor, TX

COMPARING THE VALUE OF DEVELOPMENT PATTERNS



Main Street
Mixed-Use

Prop. Tax Revenue/Acre
\$15,940



Suburban Pad Site

Prop. Tax Revenue /Acre
\$6,692



Land Use Fiscal Analysis | Taylor, TX

BUILDING VALUE VS. REVENUE PER ACRE SINGLE FAMILY

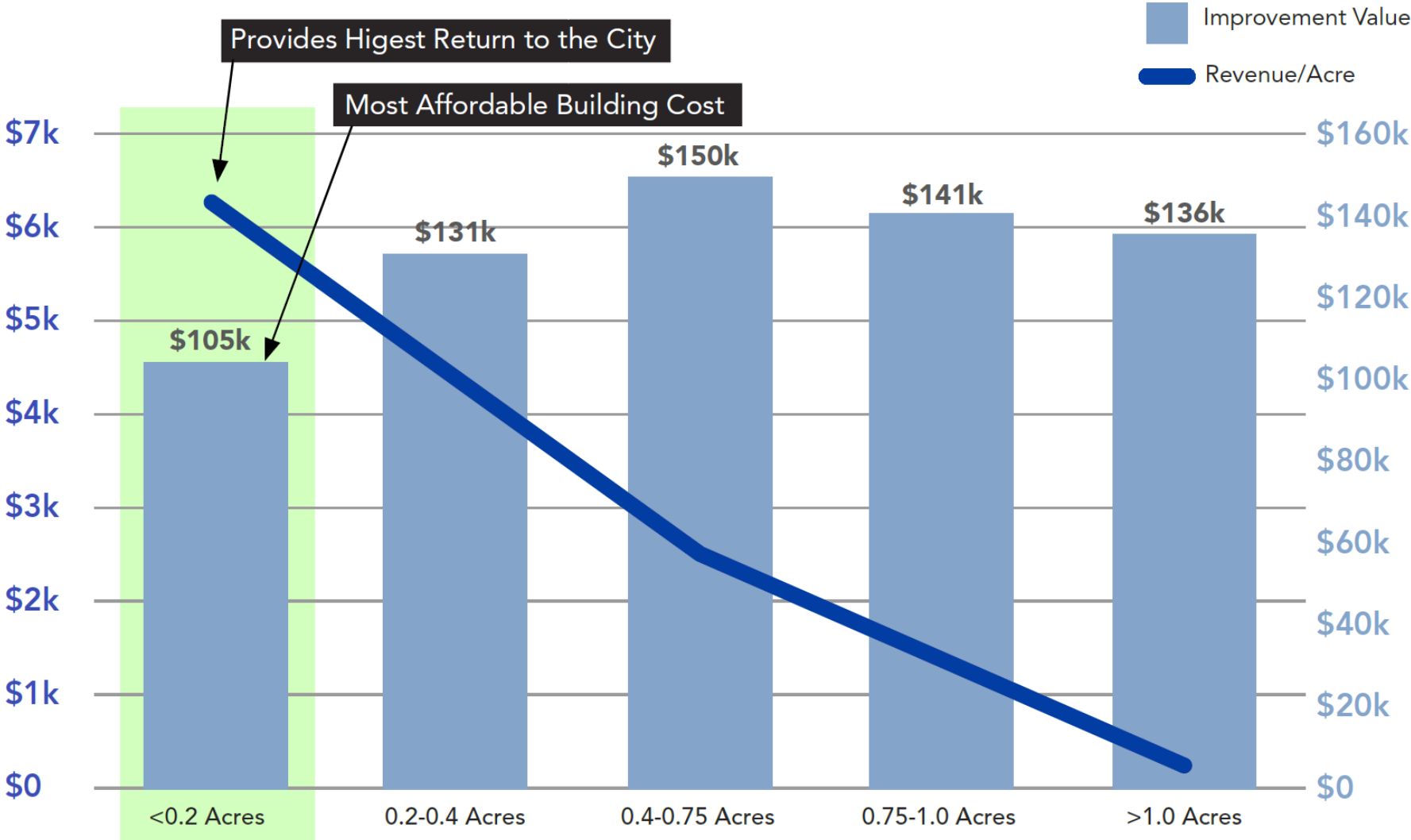


Figure 53: Single Family Improvement Value compared to Rev/Acre Source: Verdunity

GROWTH SECTORS AND PLACE TYPES

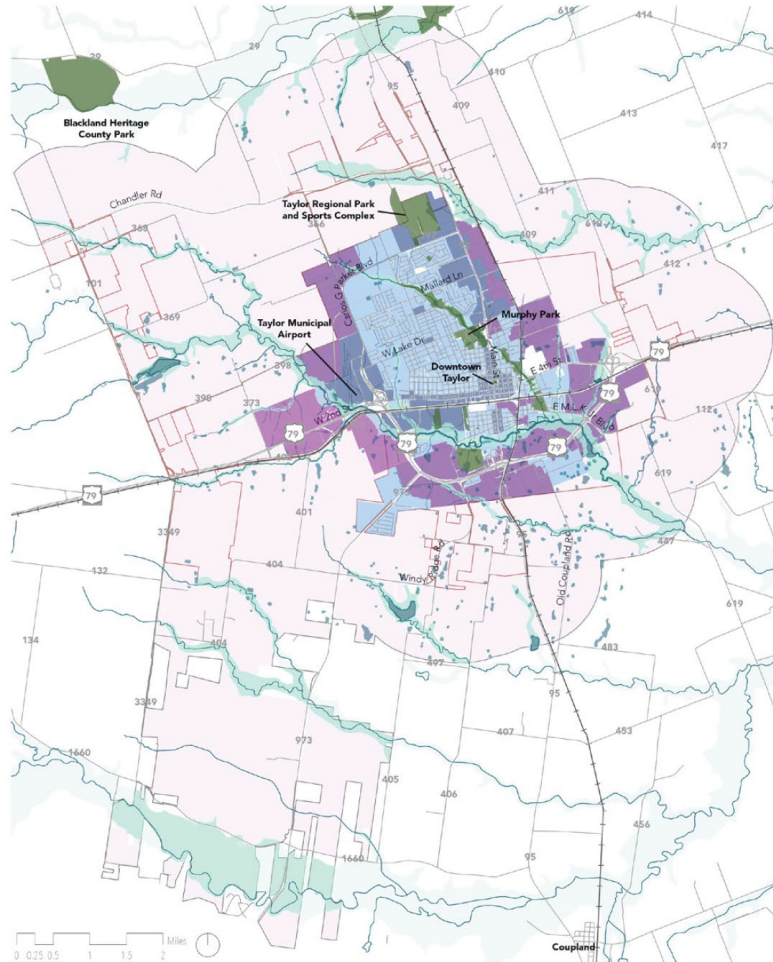


Figure 2: Growth Sectors

- Legend:
- Preserved Open Sector (O-1)
 - Reserved Open Sector (O-2)
 - Restricted Growth Sector (G-1)
 - Controlled Growth Sector (G-2)
 - Intended Growth Sector (G-3)
 - Infill Neighborhood Sector (G-4)
 - Infill Growth Sector (G-5)
 - Streets
 - Parks
 - Streams, water bodies
 - Flood Plain
 - City limits
 - ETJ

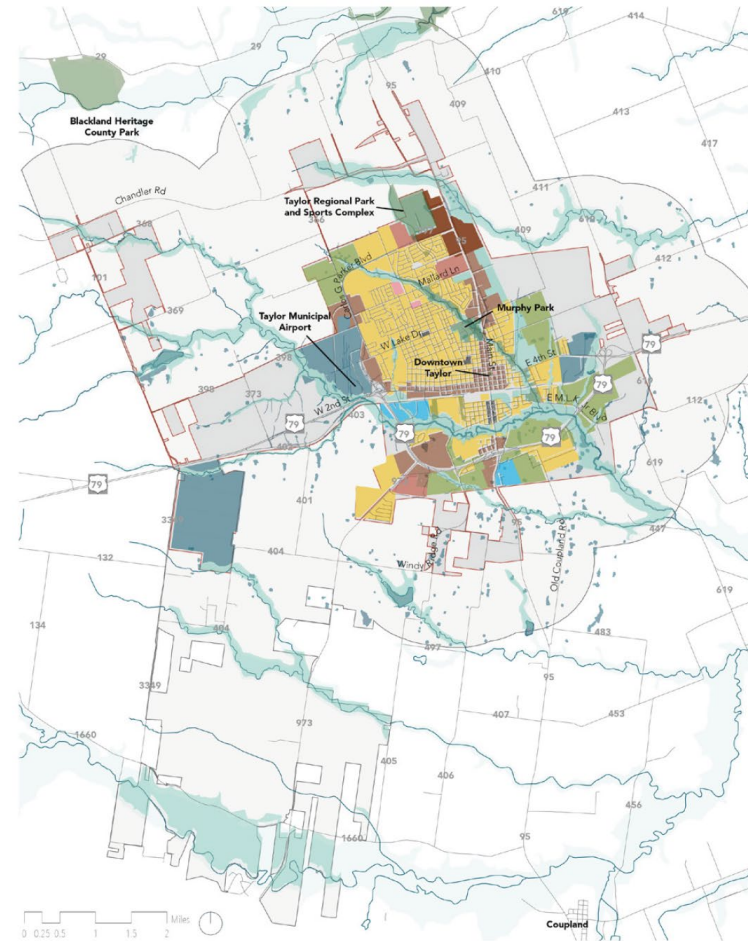
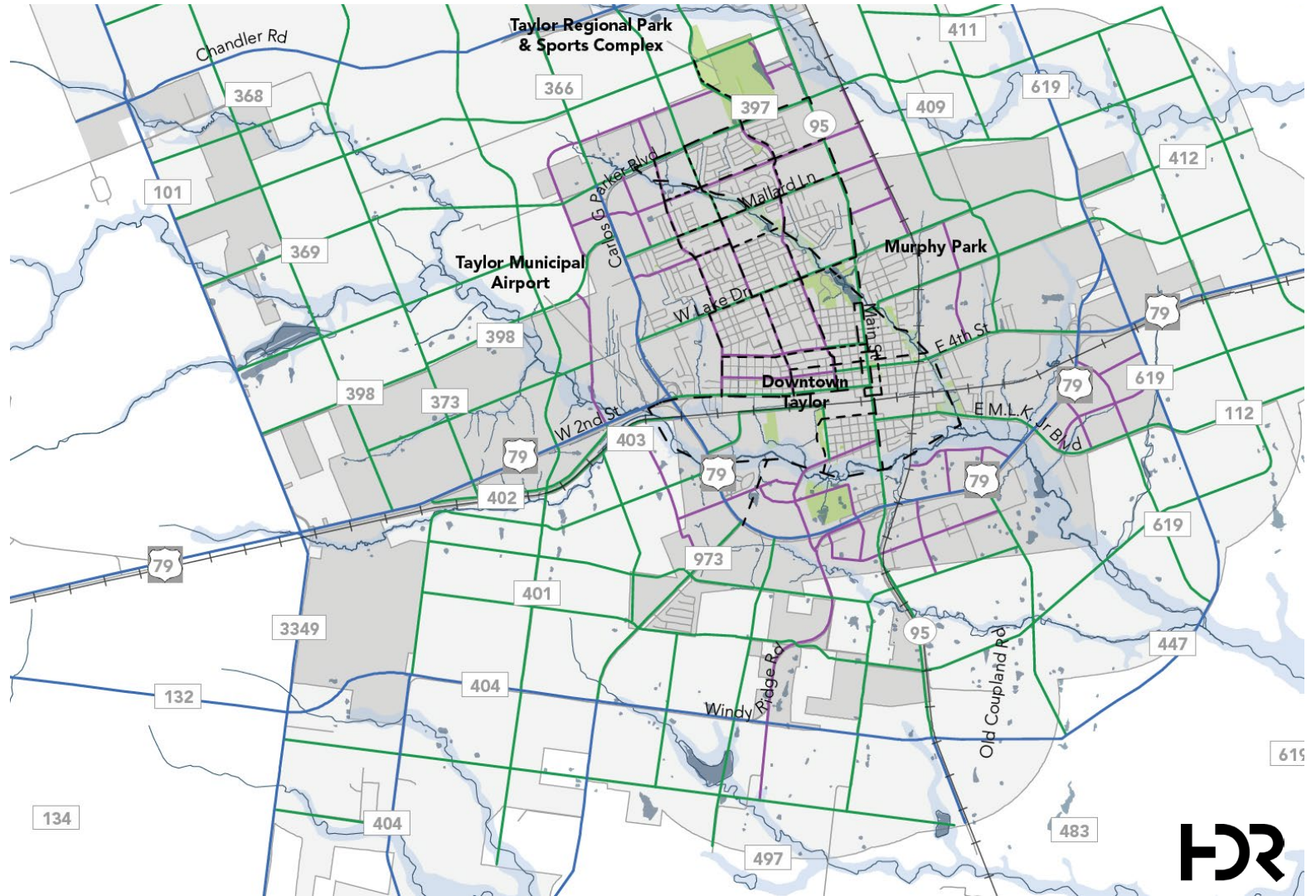
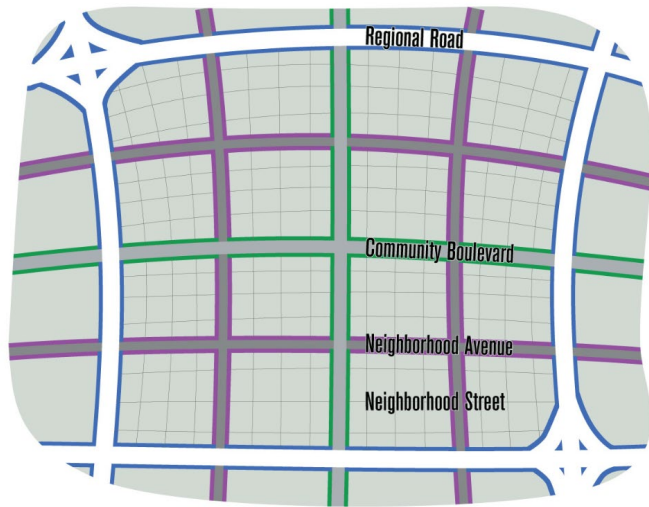






Figure 3: Future Land Use

- Legend:
- Market Center: Neighborhood
 - Market Center: Community
 - Market Center: Regional
 - Employment Center: Neighborhood
 - Employment Center: Community
 - Employment Center: Regional
 - Civic Center: Neighborhood
 - Civic Center: Community
 - Neighborhood Infill
 - Neighborhood Greenfield
 - Area of Minimal Change
 - Streets
 - Regional Parks
 - Streams, water bodies
 - Flood Plain
 - City limits
 - ETJ

Envision Taylor Comprehensive Plan | Taylor, TX (images c/o Lionheart Planning)

TRANSPORTATION MASTER PLAN



-  Regional Road
-  Community Boulevard
-  Neighborhood Avenue
-  Trails

Fiscal Analysis & Comp Plan | Taylor, TX (images c/o HDR)



Principles Identified by Respondents	Related Community Values (Ch. 3)	Examples
Livability (the factors that add up to a community's quality of life)	<ul style="list-style-type: none"> Safety & Security Citizen-Focused Service 	<ul style="list-style-type: none"> Funding decisions for improvements or maintenance Adopting, amending, creating, or reducing regulations and enforcement Short and long term planning decisions
Local Economy (promoting economic diversity, maintaining a business-friendly environment)	<ul style="list-style-type: none"> Citizen-Focused Service Integrity & Trust 	<ul style="list-style-type: none"> Funding decisions for economic development incentives Administering programs or partnering with other agencies on programs Managing of City staff Maintaining, applying, and updating regulations for development
Efficiency (delivering services in a cost effective and resource conscious manner)	<ul style="list-style-type: none"> Safety & Security Citizen-Focused Service Integrity & Trust Accountability 	<ul style="list-style-type: none"> Streamlining of processes through additional City staff or technology Considering changes in policy of service delivery Putting together the Capital Improvement Plan (CIP) budget
Transparency (open information sharing that fosters accountability and honesty while inviting anyone to participate)	<ul style="list-style-type: none"> Citizen-Focused Service Integrity & Trust Accountability 	<ul style="list-style-type: none"> Conducting the annual budgeting process Short and long term planning decisions Adopting, amending, creating, or reducing regulations and enforcement

Parsons, Kansas

- ✓ Looking inward, not outward, to stimulate & incent growth
- ✓ New approach to land use decisions & flexible regulatory approaches
- ✓ Shifting organizational culture to community-focused implementation, shared responsibility for outcomes
- ✓ Re-examining streets & the usage of right-of-way

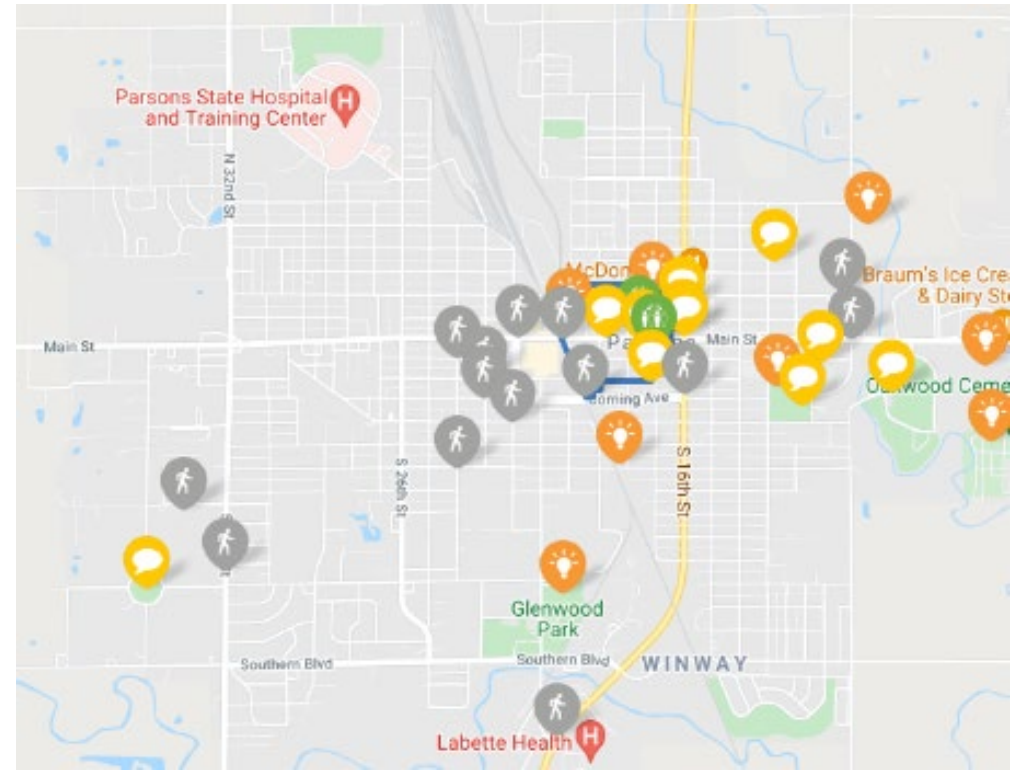
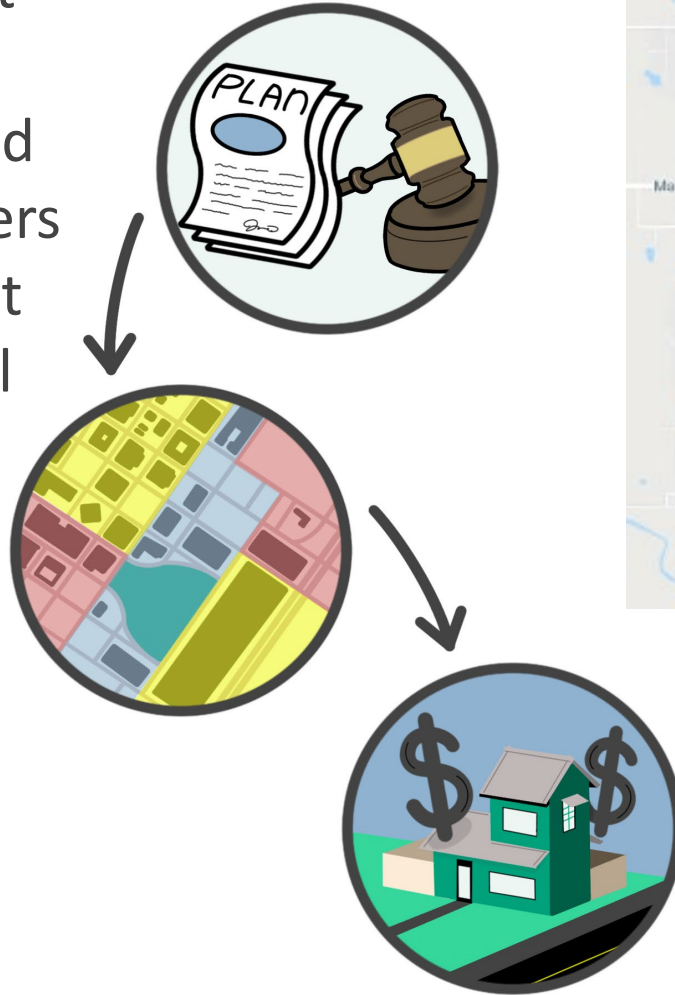


Credit: Labette Community College





A different view of abandoned strip centers and vacant residential lots



Community ideas that consider real constraints

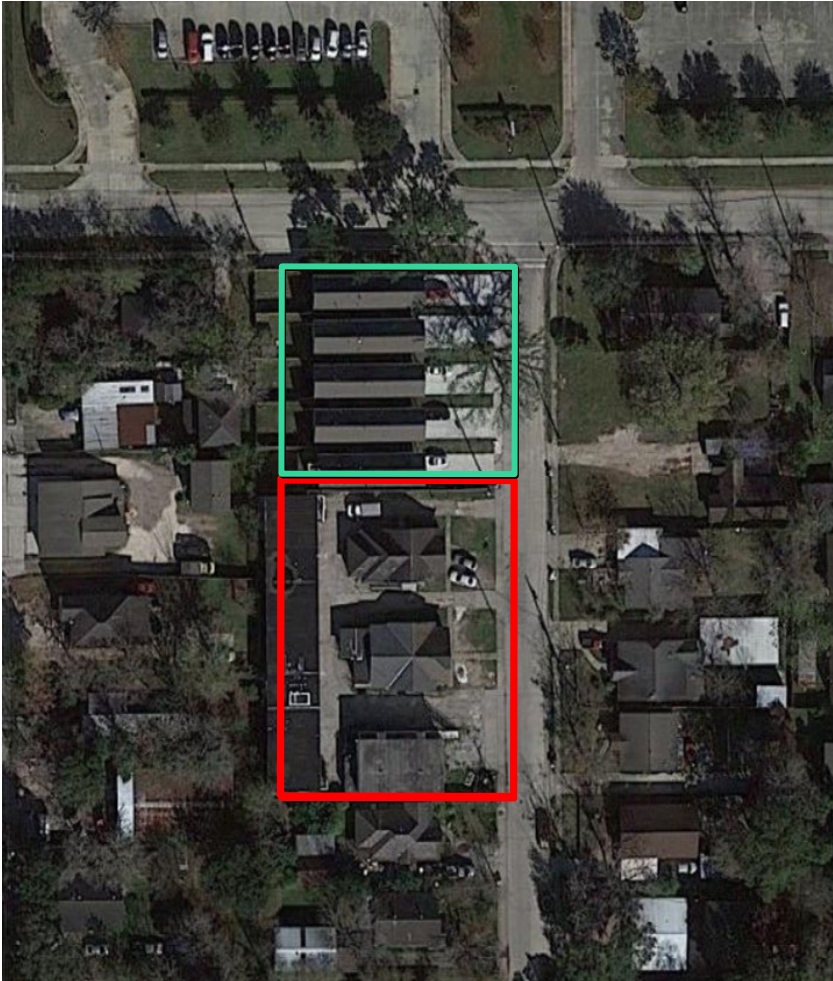
Connecting policy to land use to property tax revenue

Pasadena, Texas

- ✓ Maximizing infrastructure investments
- ✓ Evaluating fiscal impacts of development projects
- ✓ Revitalizing aging neighborhoods
- ✓ Embracing incremental development



REVITALIZING NEIGHBORHOODS AND DIVERSIFYING HOUSING



Net Revenue/Acre with Service & Infrastructure Costs

Redeveloped Properties

Area = .35 ac

Net Rev/Ac = **\$29,100/acre**



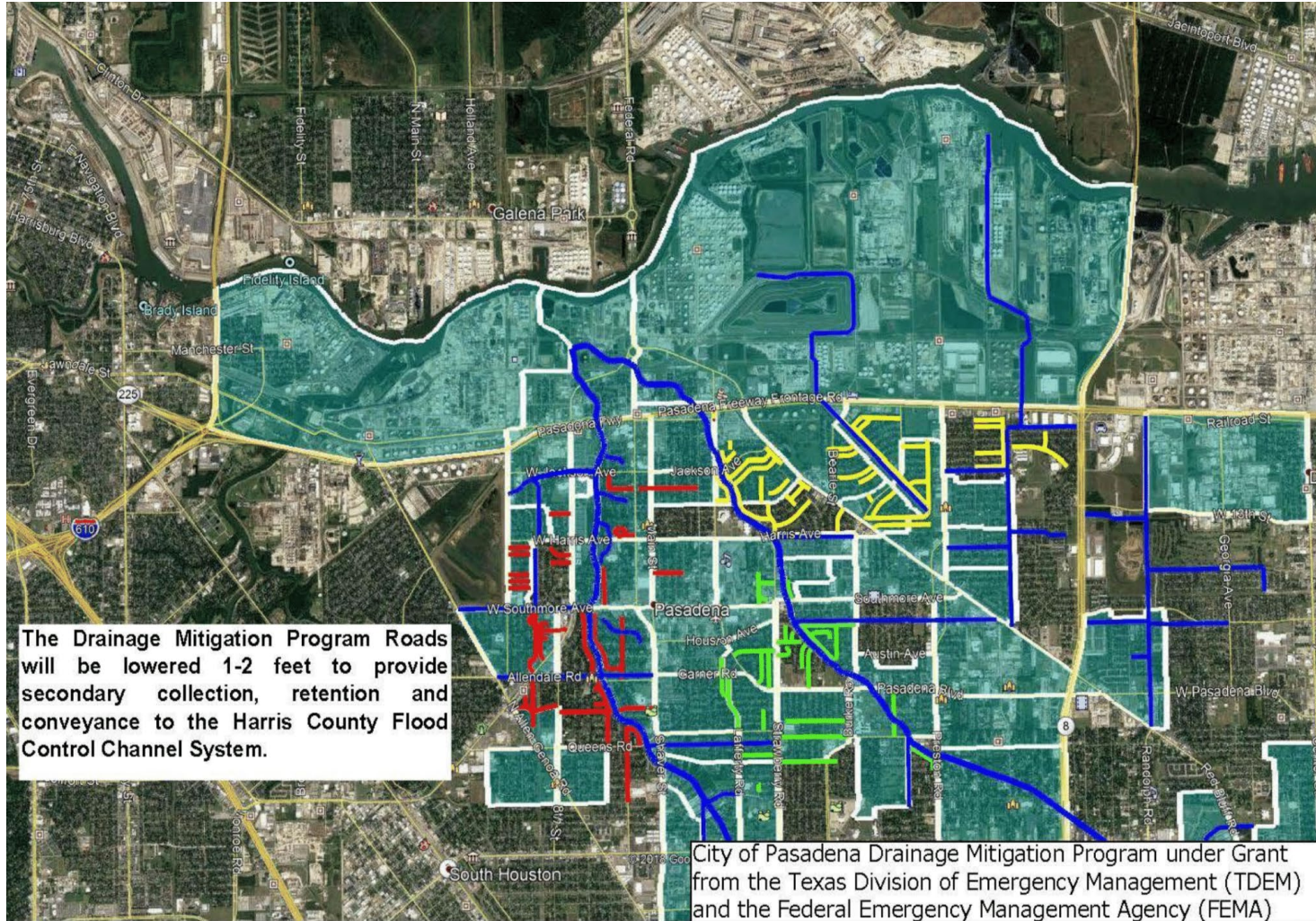
Existing Properties

Area = .49 ac

Net Rev/Ac = **-\$4281/acre**

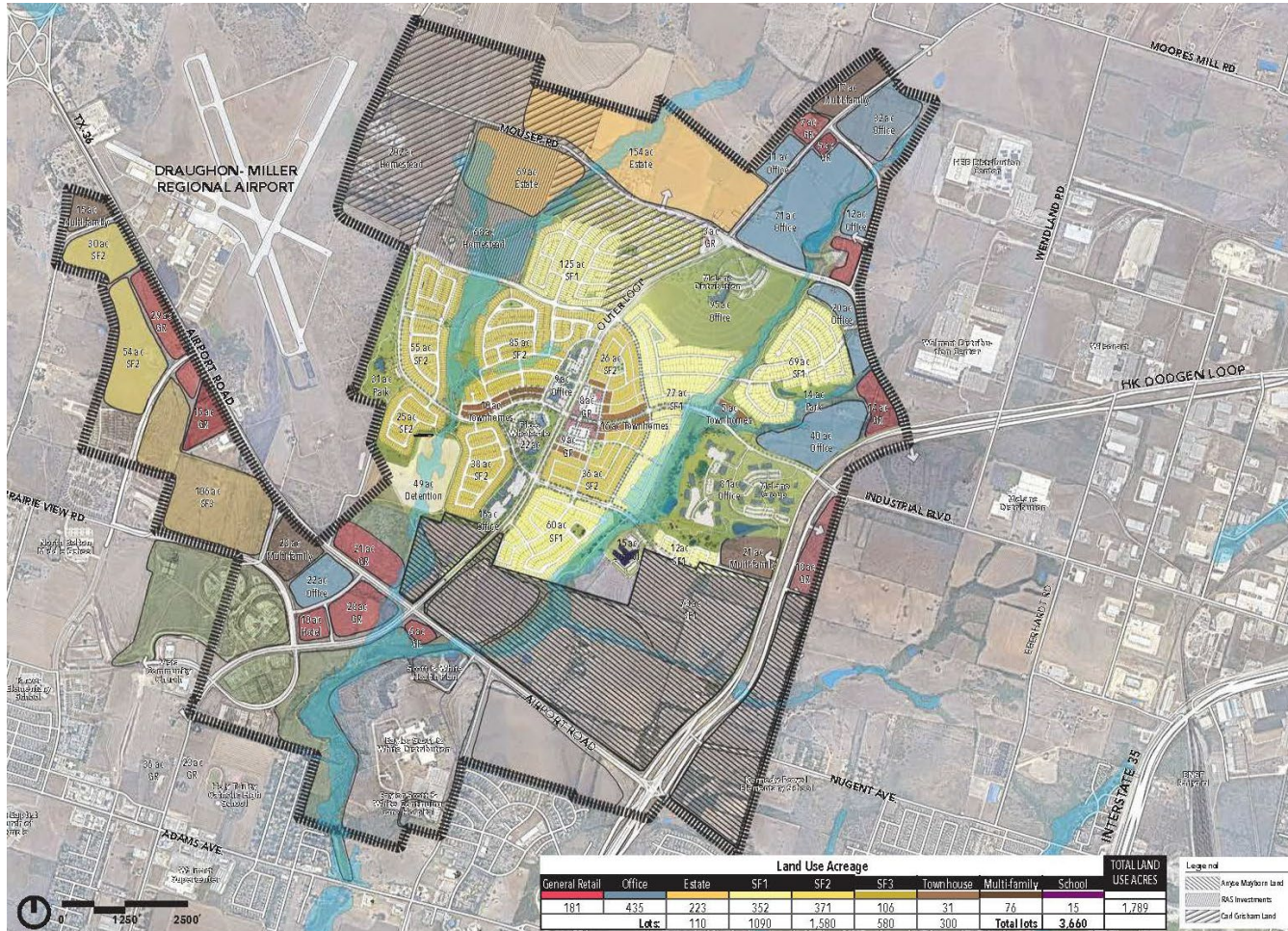
Land Use Fiscal Analysis
and Strategic Plan
Pasadena, TX

PRIORITIZING INFRASTRUCTURE INVESTMENTS



FEMA Drainage Mitigation Grant, Street Prioritization Pasadena, TX

Development Fiscal Impact Analysis

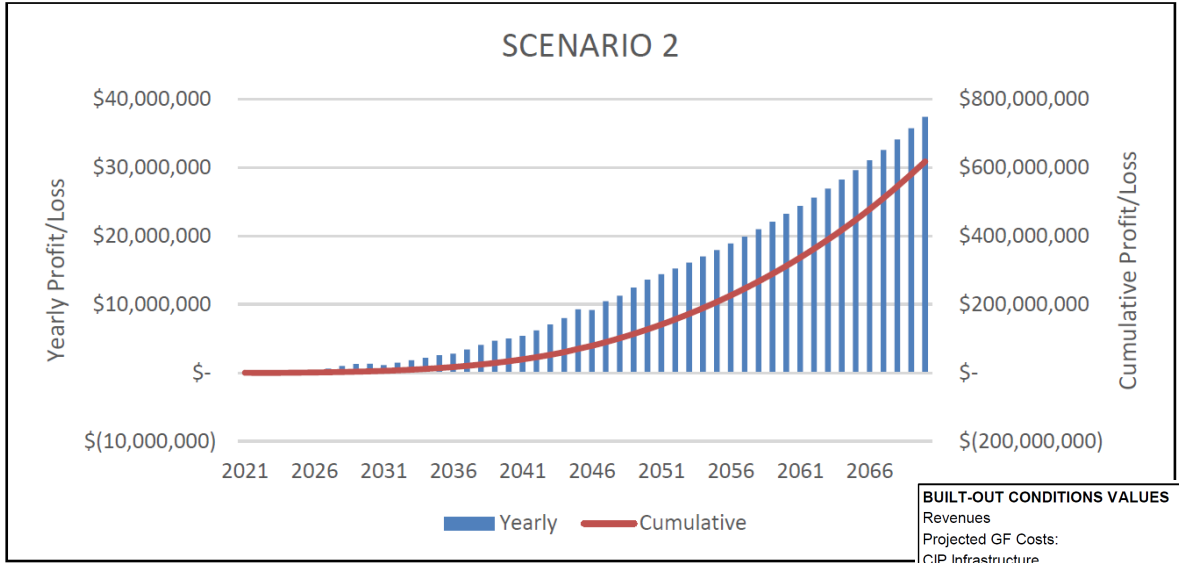


- ✓ Evaluating fiscal impacts of development projects
- ✓ Informing land use, infrastructure, and economic development decisions

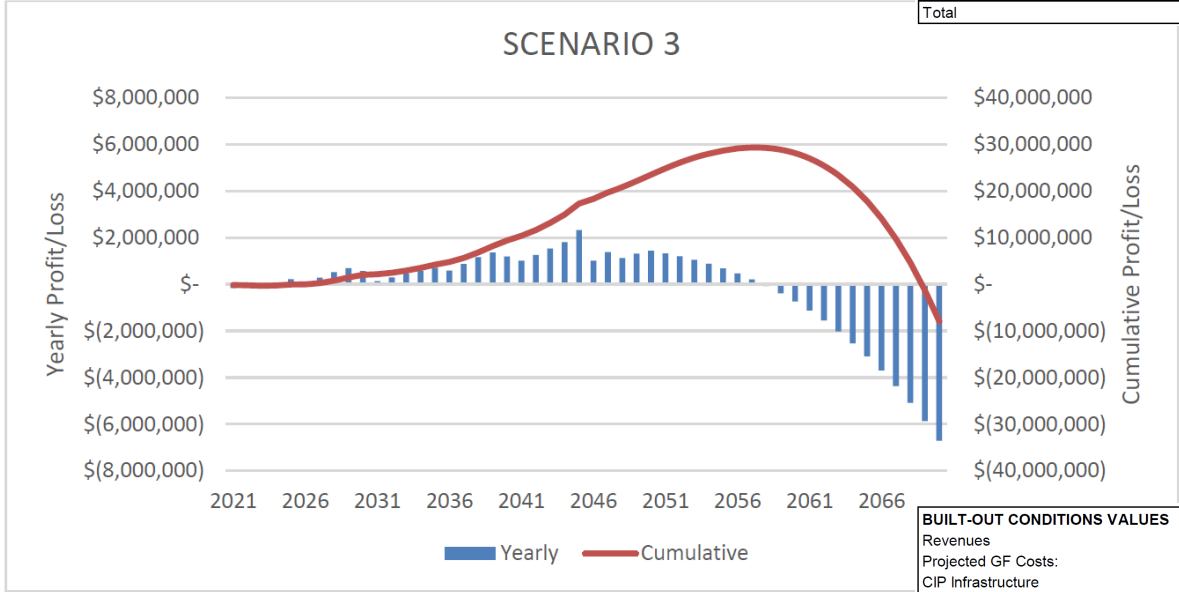
LIFE CYCLE REVENUE, COST, AND CASH FLOW ANALYSIS

EXAMPLE INPUTS

- Acreages/SF of development types
- Estimated property values and annual growth rate
- Tax rate
- General fund allocations
- Infrastructure costs



BUILT-OUT CONDITIONS VALUES	Max Yearly	Cumulative
Revenues	\$ 72,069,065	\$ 1,406,070,337
Projected GF Costs:	\$ 6,384,290	\$ 234,802,771
CIP Infrastructure	\$ 18,376,909	\$ 359,040,998
Residential Street Reconstruction	\$ 9,913,482	\$ 194,591,176
Total		\$ 617,635,392



BUILT-OUT CONDITIONS VALUES	Max Yearly	Cumulative
Revenues	\$ 44,888,932	\$ 1,006,128,733
Projected GF Costs:	\$ 6,384,290	\$ 234,802,771
CIP Infrastructure	\$ 29,370,713	\$ 505,402,521
Residential Street Reconstruction	\$ 15,844,124	\$ 273,873,583
Total		\$ (7,950,141)

Corporate Campus Fiscal Impact Analysis
Temple, TX

GENERAL FUND/ACRE AND STREET COST RECOVERY ANALYSIS

Will the lot/value combination be enough to cover street costs?

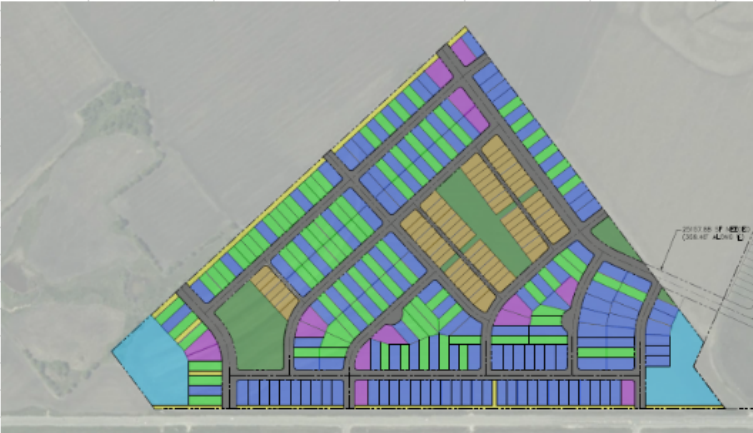
Development Fiscal Impact Analysis
City of Taylor, TX

Evaluating What the Current Code Requires

Mile in feet	INPUT: Street pavement width (feet)	Lane width (feet)	INPUT: Street cost per 11' lane mile	INPUT: Lot width (feet)	INPUT: Life of street (years)	INPUT: Street Maint. % of GF expenses	INPUT: Prop. Tax % of GF revenue	INPUT: M&O Tax Rate
5,280	30	11	\$ 1,000,000	70	25	0.113	0.48	\$ 0.612
CALCULATION: Lot width/mile	CALCULATION: Street width/lane width	CALCULATION: Cost for half of street in front of lot	CALCULATION: Cost per year	CALCULATION: Total property taxes required	CALCULATION: Property value required to generate tax revenue			
0.0133	2.73	\$ 18,078.51	\$ 723.14	\$ 3,071.75	\$ 501,919			

Evaluating a Subdivision

INPUT: Linear feet of streets	INPUT: Street width	Lane width (feet)	INPUT: Street cost per 11' lane mile	INPUT: Number of Lots	INPUT: Life of street (years)	INPUT: Street Maint. % of GF expenses	INPUT: Prop. Tax % of GF revenue	INPUT: M&O Tax Rate	INPUT: Projected Average Property Value	INPUT: TUF fee per residential unit per month	INPUT: total acres	
12,234	28	11	\$ 1,000,000	316	25	0.113	0.48	\$ 0.612	\$ 300,000	\$ 8	130	
		cost per LF	\$ 482									
CALCULATION: Feet of Street Frontage per Lot	CALCULATION: Street width/lane width	CALCULATION: Total cost for street reconstruction	CALCULATION: Cost per year for street reconstruction	CALCULATION: Cost per year per lot for street reconstruction	CALCULATION: Total property taxes required per lot per year	CALCULATION: Average property value per lot required to generate tax revenue	CALCULATION: Projected property tax revenue per lot per year	CALCULATION: Projected street maint. property tax revenue per lot per year	CALCULATION: Projected TUF revenue per lot per year	CALCULATION: Annual deficit per lot	CALCULATION: Total deficit over life of streets	CALCULATION: Percentage deficit over life of streets
77.4	2.55	\$ 5,897,934	\$ 235,917	\$ 747	\$ 3,171	\$ 518,184	\$ 1,836	\$ 432	\$ 96	\$ (218)	\$ (1,724,956)	-29%



PUBLIC:PRIVATE RATIO ANALYSIS

Will private development generate enough tax revenue to recoup the public investment over the life cycle of the project?

Williamsburg Ph. 2A-3C Financial Considerations	
<i>This financial analysis is provided for purposes of future infrastructure planning & when considering zoning requests. The City is obligated to approve this plat upon it's compliance with the subdivision & zoning ordinances, regardless of the fact that it's not fiscally sustainable.</i>	
Est Total Future Public Liabilities (per estimates provided by applicant)	\$15,900,000
Current Total Value of Property (per RCAD)	\$2,282,364
Current Total Tax Value Per Acre (190.197 acres / Current total value of property)	\$12,000
Current Total Annual Tax Revenue (current total value x Current tax rate; \$0.2911 per \$100 value)	\$6,643.96
Est Total Value of Project (avg. SFR value in WB [\$285,150] x 591 lots)	\$168,523,650
Est Total Tax Value Per Acre (190.197 acres / Est total value of project)	\$886,048
Est Total Annual Tax Revenue (est total value x Current tax rate; \$0.2911 per \$100 value)	\$490,572
Private to Public Investment Ratio (future liabilities / Est total value of project)	9 to 1
Est Total Annual Cost to Serve (\$1,314 x 591 lots)	\$776,574
Est Total Annual Depreciation (future liabilities / 40 years)	\$397,500.00 40 yrs
EST ANNUAL COST TO SERVE + DEPRECIATION	\$1,174,074
WB 2A-3C is not fiscally sustainable & will degrade the financial condition of the City in it's second lifecycle. Reinvestment is not a choice if it is to remain viable. Should utility & general fund allocations not be made, WB 2A-3C infrastructure will degrade and likely cause a corresponding degradation in property & cultural values.	

Williamsburg Ph. 2A-3C Land Use Summary		
Total SF 5.5 Lots	363	61.4%
Total SF 6.0 Lots	98	16.6%
Total SF 7.0 Lots	130	22.0%
Total SF 8.0 Lots	0	0.0%
Total SF 10 Lots	0	0.0%
Total Lots	591	100%
Total Lot Area	97.306	51.2%
Total Open Space Area	50.487	26.5%
Total Right-of-Way Area	42.404	22.3%
Total Phase Area	190.197	100%

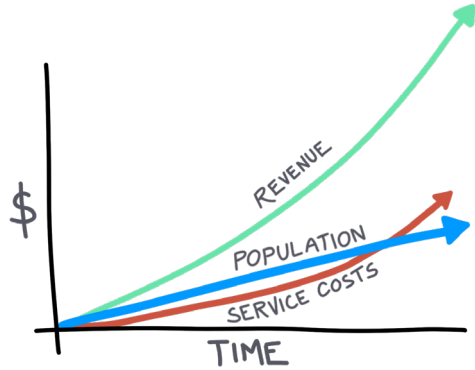
Ouch!

**How does this approach help
to transcend changes in
leadership?**



CULTIVATING VIBRANT, RESILIENT PLACES

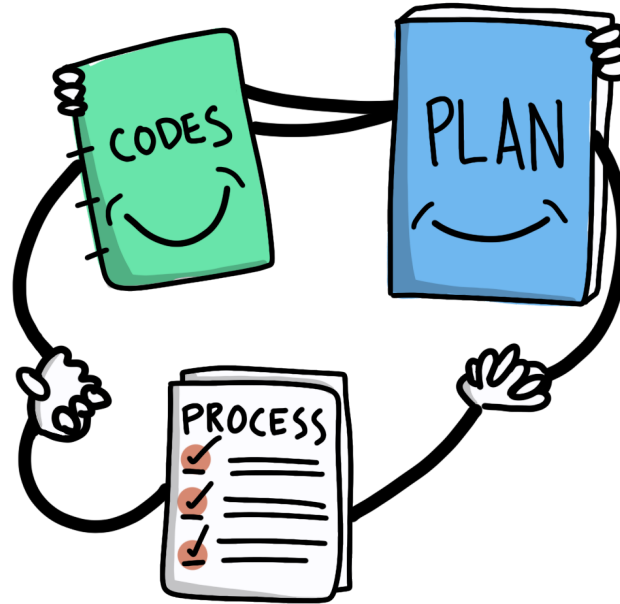
PEOPLE AND PLACE-BASED | RESOURCE CONSCIOUS | CONNECTED | INCLUSIVE



Fiscally Sustainable Development



Self Sustaining Local Economy and Workforce



Culture of Trust and Collaboration



Human Scale Neighborhoods

**Prosperity doesn't come from endless new growth.
It's cultivated.
We help you do that.**

Kevin Shepherd, PE

President & CEO
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