

A Journey to Fiscal Sustainability Through Land-Use

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Introduction

Fiscal sustainability is a new “buzz” word that cities have started using regarding their financial situation looking into the future. But how are cities looking to achieve fiscal sustainability? Is it through the budget process, or raising taxes, or some other approach? I would argue that good land-use regulations are key if a city is ever going to be fiscally sustainable. For most municipalities, the two main sources of revenue are sales tax and ad-valorem taxes. If property taxes are a major contributor to your operating expenses, then how property is developed should be very important to a city. Furthermore, if your city relies on sales tax to generate revenue for the operating budget, then planning for places where people want to come and spend money becomes critical as well.

So where do land-use regulations fit in and what constitutes “good” land-use as far as fiscal sustainability is concerned. Land-use also referred to as land-use planning by definition is the process of regulating the use of land in an effort to promote more desirable social and environmental outcomes as well as a more efficient use of resources. More simply put land-use planning is the organization and alteration of the natural environment or undeveloped land into the built environment or developed land. I will introduce several concepts and ideas that when implemented will lead to long-term fiscal sustainability. The first and most obvious is how a property is developed. Is it residential or commercial for example? This is typically controlled by zoning regulations within a city. Zoning regulations differ from city to city but for the most part there aren’t any major differences in most city’s zoning regulations. Parking regulations is another land-use regulation that needs to be examined if a city wants to be fiscally sustainable. Every parking space is a missed opportunity to develop the land with a use that produces sales tax, ad-

valorem tax, or both. Arguably the majority of cities have very high minimum parking standards that lead to massive parking lots or parking garages that sit empty the majority of the time.

Another component in planning for fiscal sustainability is creating third spaces. Third spaces are those spaces that exist to provide people an opportunity to connect. To connect with each other, nature, and even themselves. Your home is your first space and your place of work or maybe school is your second space. Third spaces are those areas that connect people to places and creates a sense of community. Without them, people would have no reason to visit an area.

In this paper, I will discuss all the above in detail. I will provide some real-world examples and even provide direction on how to create an implementation plan through policy to adopt fiscally sustainable land-use regulations. I will provide data that support these concepts and give testimonials from professionals who specialize in these areas of work. The concepts presented in this paper should be considered in every municipality as a fiduciary responsibility to the citizens and taxpayers who reside in each and every municipality.

Zoning: What can it do for you?

The most popular method of regulating and controlling land-uses in the State of Texas is Zoning. Chapter 212 of the Local Government Code gives Texas municipalities the authority to create, adopt, and enforce local zoning regulations. In a presentation prepared for Planning and Zoning Commission Boards across the State of Texas, Alan Bojorquez, a land-use attorney in Texas, stated that “Zoning is number one regulatory authority given to municipalities under State Local Government Code.” Zoning has the ability to shape cities into places built for people that creates a sense of place or to create placeless subdivisions and developments with no identity in a cookie-cutter fashion that lack no identity as you move up and down the interstate from city to city.

Zoning dictates how a property is developed. For example, it may be zoned for a single-family residence, a retail shopping center, or even a more industrial use such as manufacturing. Some zoning districts allow for multiple uses that might contemplate both single-family residential and agricultural or farming uses. Some hybrid zoning codes such as Planned Development Districts, which are specific regulations to a designated geographical area, and Form Based Codes, which focus on how a building looks and is built than the actual use, allow for a mix of uses. These hybrid zoning districts allow mixed-use developments that blend residential, office, and retail uses into a seamless built environment. These hybrid districts also emulate a traditional Main Street, where a shop owner might have owned and worked in a mercantile store on the first floor of a building and lived with his family on a residential unit above his shop.

The popularity of the modern automobile brought on by Henry Ford in the 1930's and his introduction of an affordable combustion engine auto, has made a tremendous change in the way American cities have dealt with and planned for land-uses. The automobile has dominated the urban planning industry for nearly the last ninety years which has led to undesirable land use patterns such as suburban sprawl. Suburban sprawl, also known as urban sprawl or sprawl is defined by Encyclopedia Britannica as the rapid expansion of the geographic extent of cities and towns, often characterized by low-density residential housing, single-use zoning, and increased reliance on the private automobile for transportation. Urban sprawl is caused in part by the need to accommodate a rising urban population; however, in many metropolitan areas it results from a desire for increased living space and other residential amenities. Urban sprawl has been linked to increased energy use, pollution, and traffic congestion and a decline in urban design. Planning for the automobile focus on parking and cars and not people and places. Renowned Transportation Planner Robert Cervero has been quoted as saying "Planning for the automobile city focuses on

saving time. Planning for the accessible city, on the other hand, focuses on time well spent.” In addition, by increasing the physical and environmental “footprints” of metropolitan areas, the urban sprawl leads to the destruction of the natural environment and wildlife areas, as well as the unnecessary disturbance of remaining natural lands. Suburban sprawl dominates the landscape of cities bordering major metropolitan areas as you look from your car window as you drive down the sprawling six-lane divided toll road at the sea of rooftops that stretch across the horizon. Massive parking lots line the freeways anchored by the same big box stores in every city with the same bank, drive-thru restaurants, and gas station sitting out on the corners.

In an interview with Matt Lewis, CNUA, the CEO of Simple City Design, a planning and design firm headquartered in Austin, TX, stated that zoning regulations were the key to cities achieving fiscal sustainability with land-uses by “ Re-introducing the allowance for people to have access to different services, housing types, and uses.” Lewis went on to say that by requiring block patterns that promote different uses in close proximity at a block level that you can encourage entrepreneurship, reduce cost of living expenses for residents, and decrease vacancy rates in existing buildings. “Smaller lots” he went on to say, “allows for a diversity of business types, yields lower start-up costs from parking and land costs, and can improve the local economy.” Providing smaller lots and a mix of uses within walking distance can reduce household costs by reducing rent or mortgage payments, reduce transportation costs associated with driving a car, and improve quality of life by reducing the amount of time commuters spend behind the wheel. In a study conducted for a May 11, 2017 blog titled *If the Future will be Walkable, How do we make sure Everyone Benefits*, it was concluded that 63% of millennials and 42% of baby boomers want to live in a place where they do not need to own a vehicle.

The Congress for the New Urbanism (CNU), defined by their website as, an international nonprofit organization working to build vibrant communities where people have diverse choices for how they live, work, and get around. They believe that well-designed cities and neighborhoods are crucial for our health, economy, and environment. The organization is made up of over 2,600 professionals that include architects, urban designers, engineers, planners, developers, historic preservationists, bankers, small businesspeople, health professionals, government officials, and everyday citizens who care about communities. The goals shared by the organization's members are to steer cities and towns away from sprawling development, building more beautiful and sustainable places, preserving historic assets and traditions, and providing a range of housing and transportation choices. Their goals and how they define themselves agree with Mr. Lewis and the importance of land-use regulations to the overall financial and physical health of communities.

In the book *Suburban Nation: The Rise of Sprawl and the Decline of the American Dream*, authors Andres Duany, Elizabeth Plater-Zyberk, and Jeff Speck summarize the effects of urban sprawl and decree a need for change by the saying "It doesn't have to be this way. After many successes, a number of failures, and, most important, prolonged collaboration with residents of every part of this country, we believe more strongly than ever in the power of good design to overcome the ills created by bad design, or, more accurately, by design's conspicuous absence." They further go on to say that "We live today in cities and suburbs whose form and character we did not choose. They were imposed upon us, by federal policy, local zoning laws, and the demands of the automobile. If these influences are reversed – and they can be – an environment designed around the true needs of individuals, conducive to the formation of community and preservation of the landscape, becomes possible. Unsurprisingly, this environment would not look so different from our old American neighborhoods before they were ravaged by sprawl."

Pave Paradise to put up a Parking Lot

For the purposes of this research paper, I chose to focus on parking to help illustrate my point of why land-uses are the number one contributing factor to the financial sustainability of municipalities. Urban and Transportation Planner Jeff Speck, tells us in his book, *Walkable City Rules, 101 Steps to Making Better Places*, that parking covers more acres in urbanized areas of America than any other one thing. Let that sink in, it is not residences, or shopping and retail areas, or schools, paved parking lots are the largest occupier of physical land in America. Further data shows that statistically there are three to four times more parking spaces in America than there are automobiles as proven by a study referenced in a book titled *The High Cost of Free Parking*, by UCLA professor, parking expert and transportation planner Donald Shoup.

Based on this information I conducted a case study and produced a statistical analysis on the fiscal impact of parking lots. For my case study I chose a to analyze Bastrop, TX. I studied the providing parking areas around the city for private and public buildings. In the study I included eight locations, including two shopping centers, a big box retailer, movie theatre, a large gas station, convention center, city hall, and a grocery store. I surveyed the amount of parking provided and observed the number of empty spots (vacancy rate) both in person and utilizing ortho imagery. The results were staggering. Across the eight destinations there was a 76% vacancy rate (Table 1.1) at any given time in the parking areas.

Table 1.1

Development	Total Spaces Provided	Number of Parked Cars
Burleson Crossing	2158	446
Hunter's Crossing	774	174
Walmart	1045	323
HEB	681	369
City Hall	70	24
Convention Center	320	2
Movie Theatre	291	27
Buc-ee's	531	103
Total	5870	1468

Armed with this knowledge I decided to conduct a more detailed analysis of one of the shopping centers. The shopping center is very similar to many retail centers that you would be familiar with. Close your eyes and I bet you can imagine it. There is a big craft store, large electronics store, big sporting goods store, a desirable fast-food chicken joint, and several other retail opportunities that one would expect to see. In front of these establishments are expansive parking lots.

The entire development covers sixty-three acres. Of the 63-acre development (See Image 1.1), there are a total of 47 impervious (non-porous) acres. The total building coverage or area under roof of the development represents roughly 10 acres and 19 acres of parking. Parking therefore represents 30% of the entire site and 50% of the impervious cover when you include drive lanes and loading areas. Simply put, there are 2 acres of parking for every 1 acre of building coverage. When analyzing the required parking for the site I determined that based on city requirements, 2,362 parking spaces were required, and 2,322 spaces had been provided. The massive parking lots were a direct result of bad land-use regulations. When using the same methodology as the previous analysis, it was determined that this shopping center only had an average of 446 vehicles

occupying parking spaces at any given time. This meant that this retail center had a vacancy rate of 80% at any given time.

Image 1.1



The required parking on the site also required onsite stormwater detention to account for the rainwater displacement during rain events. The development includes a detention pond with a surface area of 3 acres. I contacted Mark Shubak P.E., a civil engineer in Wisconsin with Strand and Associates, to deduce the amount of detention that was directly attributed to parking. He concluded that of the 35-acre feet pond, that 17.5-acre feet or 50% of the pond was a direct result

of parking. Taking this information and analyzing the vacancy rates of the parking areas, it was concluded that if parking requirements were reduced by 50% for the development, which would still allow for normal parking demands, then the reduction in detention area and reduced impervious area from the reduced parking spots, would result in an additional 10 acres of developable land. Meaning better land-use regulations for parking alone would net a 16% increase of land that could be developed into ad-valorem and tax generating land-uses. Based off of a study by Camoin Associates, an Economic Development Firm, the average sales for retailers represents between \$200-\$700 a square foot for most users, 435,000 additional square feet of retail space within the development could result in sales of roughly \$196 million dollars annually. When multiplied by the percentage of sales tax that the city would collect from those sales, that represents nearly \$4 million dollars in additional sales tax the city could collect from a single development by improving one land-use regulation. In a Fiscal Impact Analysis conducted by Verdunity, a fiscally-informed planning, engineering, and community engagement consultant, Kevin Shepard revealed that the City of Bastrop was roughly \$5 million dollars (See Figure 1.1 and Table 1.2) in deficit annually based on the current tax rate. This deficit only included the cost of maintaining the existing street network, so you can see how the additional \$4 million dollars of revenue would impact the cities liabilities.

Figure 1.1



Table 1.2

	Count	Acres	Net Weighted Current Per Acre (Scenario A)	Net Weighted Deficit Annual Per Acre (Scenario B)	ROI Weighted (Scenario A)	ROI Weighted Deficit Annual (Scenario B)	Net Projected Per Acre (Scenario C)	ROI Projected (Scenario C)
SF Res 7 *	778	206	\$ 1,384	\$ (2,444)	\$ 2.19	\$ 0.57	\$ (1,541)	\$ 0.87
SF Res 9	168	74.45	\$ 318	\$ (2,107)	\$ 1.48	\$ 0.51	\$ (1,174)	\$ 0.71
SF Res 20	80	156.381	\$ (1,304)	\$ (29,199)	\$ 0.41	\$ 0.17	\$ (2,423)	\$ 0.26
Multi Fam 1 (incl. SF)	34	9.58	\$ 316	\$ (64,296)	\$ 1.64	\$ 0.43	\$ (2,037)	\$ 0.67
Multi Fam 2 *	38	47.32	\$ 4,166	\$ (41,142)	\$ 2.27	\$ 1.46	\$ 2,427	\$ 1.21
Com. 1	24	45.05	\$ 3,593	\$ (54,174)	\$ 3.23	\$ 1.15	\$ 1,640	\$ 1.55
Com. 2	131	289.53	\$ 1,735	\$ (61,767)	\$ 2.22	\$ 0.71	\$ (767)	\$ 1.02
General Retail	3	1.80	\$ 5,549	\$ (76,868)	\$ 4.31	\$ 1.24	\$ 2,590	\$ 1.67
HCPD Com.	5	29.50	\$ 148	\$ (56,613)	\$ 2.24	\$ 0.43	\$ (1,931)	\$ 1.06
HCPD Res.	483	113.44	\$ 2,629	\$ (54,131)	\$ 3.35	\$ 0.96	\$ (161)	\$ 1.58
Indust. Park	16	11.11	\$ (441)	\$ (235,595)	\$ 0.81	\$ 0.49	\$ (1,265)	\$ 0.56
Light Indust.	13	63.76	\$ (663)	\$ (50,942)	\$ 0.62	\$ 0.27	\$ (2,482)	\$ 0.34
Com. Mxd Use	39	26.22	\$ 2,003	\$ (96,920)	\$ 1.67	\$ 0.57	\$ (737)	\$ 0.55
Dwntwn Mxd Use	61	19.28	\$ 2,129	\$ (109,136)	\$ 2.54	\$ 0.54	\$ (1,724)	\$ 0.92
Historic Dwntwn	62	5.84	\$ 11,154	\$ (101,794)	\$ 7.95	\$ 1.73	\$ 7,143	\$ 2.44
Live Wbrk	61	22.73	\$ (201)	\$ (107,055)	\$ 1.13	\$ 0.23	\$ (4,113)	\$ 0.36
Mnfctrd Housing	1	5.20	\$ (1,525)	\$ (80,322)	\$ 0.18	\$ 0.06	\$ (4,360)	\$ 0.07
Nghbrhd Services	576	240.33	\$ 679	\$ (87,336)	\$ 1.72	\$ 0.41	\$ (2,462)	\$ 0.63
Office	27	9.17	\$ 1,919	\$ (87,336)	\$ 2.21	\$ 0.45	\$ (2,589)	\$ 0.63
Pecan Park PD	53	7.91	\$ 6,418	\$ (50,343)	\$ 4.75	\$ 1.76	\$ 4,339	\$ 2.13

*includes mobile homes A2

**includes assisted living and duplexes

The effects of paid parking are clearly laid out in a real-world scenario as written by Donald Shoup in his book *Parking and the City*. Shoup goes on to tell a story about two neighborhoods in Pasadena, CA a suburb of Los Angeles, CA in the 1930's, 1980's, and 1990's. The two neighborhoods were Old Pasadena and Westwood Village. They were very much the same size, had very similar demographics, and shared similar traffic counts and retail trade areas. Then in 1993, Old Pasadena made the decision to put metered parking in their retail areas and create a Parking Benefit District or PBD. The revenues generated from the PBD would be collected and then redistributed into the district. Improvements included landscaping, sidewalks, civic space improvements, façade improvements, lighting, and others that greatly improved the aesthetics and walkability of the district. Shoup further explains the financial return the Parking Benefit District had on Old Pasadena. For example, in 1989 the Old Pasadena retail area contributed \$250 thousand dollars to the sales tax revenues for the city. By 2012, less than twenty years after the introduction of the parking meter and PBD, the Old Pasadena retail area was contributing twelve times the amount of sales tax revenues to the city, contributing over \$3 million dollars. Westwood Village still struggles with vacancies in their retail spaces, crime, and other negative community impacts while Old Pasadena is now the most profitable retail district within the entire city of Pasadena. Keep in mind the only real difference between Westwood Village and Old Pasadena is the land-use regulation of paid parking and the Parking Benefit District.

This study was presented in a public forum to elected officials and local business owners. Even in the face of the statistical data that proved that reduced parking and even paid parking would increase revenues and not negatively affect local business owners, the concepts were met with resistance. Reduced and paid parking, they argued would “kill business” downtown and force

people to shop elsewhere. Even though there is no statistical evidence that leads to this conclusion based off research of Shoup and the case study conducted in the city of Bastrop.

The parking district was able to generate revenues to be redistributed and help build a place that people wanted to be and gather. Shoup's book quotes a visitor of Old Pasadena to say the following "This place, it's perfect, really. They've kept the buildings and the streets well. That makes it so attractive. People are walking around because they like the way it looks and feels. It's something you just don't see in Los Angeles. As a driver, I don't mind paying more for what you have here. I tell you what: For this, I will pay." This idea leads me to the impetus of land-use planning and what I believe is the goal and responsibility of urban planners across the country, to build and plan for cities where people can live, work, and play.

Cheers!

Everyone wants to belong and feel at ease in their own environment and people want to be where "everyone knows your name". This was exemplified in the 1980's - 90's sitcom *Cheers*, where a group of people gathered nightly to enjoy a frothy adult beverage and socialize with those that became known to them as dear friends. Third Places are those areas that connect people to places and create a sense of community. Mr. Lewis, with Simple City Design, defines them as the following "There's home, work, and a place to retreat, to be yourself...people crave to belong and to be recognized." This place to retreat is what he is referring to as a third place, somewhere you can be yourself and enjoy fellowship with neighbors.

Cities have recognized this and have started planning active retail centers, civic greens, and gathering places in certain areas of town. They are often anchored by retail and restaurants with assembly spaces sprinkled in for community events. The same development pattern occurred in

traditional downtown cities and Main Streets across the United States prior to the rise of suburban sprawl.

Cities need to take action and develop land-use regulation that encourage the development of third places. Some land-use patterns that encourage the development of third spaces include compact street blocks, sidewalks, street trees, adequate lighting, and public art. It is also important for buildings to interact with pedestrians at an appropriate scale to encourage walkability. Third places might include pocket parks, neighborhood watering holes, retail areas, and entertainment zones. By creating third places, cities create the opportunity for fellowship and commerce to happen at the neighborhood level.

Putting it Together

In conclusion, I was able to determine that there is a direct correlation between land-use regulations and fiscal sustainability. Through statistical analysis, data collection, research, literature review, personal interviews, and deductive reasoning it was a logical determination. Although most literature focuses on one area of land-use regulations like parking, urban sprawl, or urban design, they all agree that better regulations would lead to more favorable outcomes. Generally, this means healthier communities and more fiscally sustainable.

Although my focus of research and data collection for the purposes of this research paper was on parking regulations, based on general research and analysis on other land-use regulations done for this topic as well, my findings indicate that a holistic approach to land-use regulation reform would be the most effective way to achieve fiscal sustainability. I believe these findings to be of significance based on legislative tax caps that the State Legislature is imposing on municipalities. As local control diminishes and cities are forced to become more creative in their fiduciary

responsibilities, I believe land-use regulations to be the single most effective way to plan and manage for a sustainable future.

I urge elected officials, city planners, and city managers to take a proactive approach and give your land-use regulations some real thought. Are you doing the best you can for your municipality given your resources and tools or do you need to update your tools? Take the time to analyze your environment and community, tailor your development and land-use patterns to your community, as I believe based on the research that a “one size fits all approach” is just as impractical as bad regulations. Real change will not come without resistance and push-back as my research and case study proved. People historically do not like change but what cities are doing is not working and to quote a former hospital executive, “If you don’t like change, you are going to hate being irrelevant.”

Based on the political climate of your community this all may be possible in one giant swoop or you may be forced to eat the elephant one bite at a time. But no action is not an option. We all have to start somewhere and as shown in this paper, even changing one land-use regulation such as parking requirements can lead to significant positive financial impacts for a city. We have the ability to change lives and have a positive impact on future generations to come. However, it takes dedication and doing the right things right, it is not a single solution but a culmination of all land-use regulations that will lead to fiscal sustainability. I believe Vincent Van Gogh said it best when he said, “Great things are not done by impulse, but by a series of small things brought together.”

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