"It's Not Easy Being Green"

Understanding the True Value of Parks on Local Economies

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Introduction

In today's tough economic times, budget decisions for public managers and elected officials are extremely difficult whether it's on the state, county or local level. In municipal government, financial decisions can be based on varying factors that may include sales and property tax revenues, fees, maintenance and capital needs, debt service, and/or services demanded by the public. Typically, priority for funding is placed on certain services considered to be "essential" such as public safety, utilities, infrastructure, and general administration. Rarely is a desire expressed by politicians or their constituents to reduce funding in those areas. However, services considered "non-essential," sometimes referred to as "quality of life" offerings such as libraries, parks, special events, and social services, often have a more difficult time coming out on top when it comes to slicing the budgetary pie. Being perceived as "non-essential" can lead to those programs experiencing the deepest cuts when budgets are tightened, and funding for parks is often at the top of the list when the hatchet falls.

When Kermit the Frog sang "Bein' Green" on the Sesame Street show, he expressed a feeling of being undervalued and overlooked because he was the color green. (Raposo, 1970)

> *"It's not easy being green*
> *It seems you blend in with so many other ordinary things*
> *And people tend to pass you over*
> *'Cause you're not standing out*
> *Like flashy sparkles in the water*
> *Or stars in the sky"*

Similarly, although most people relate parks to being green, their existence tends to lack political clout. They have to be shown to solve community problems before elected officials see them as being worthy of funding. In comparison, services like public safety are usually perceived as the "flashy sparkles in the water", or "stars in the sky" in the problems they address.

During budget preparations for the 2011-12 fiscal year, Dallas city manager Mary Suhm asked most of her departments to slash 20% from their operating budgets, while police and fire were only asked to make 10% reductions (Thompson, Steve, 2011). So why do parks and recreation services so often end up being the 'frogs' of public funding, especially when research indicates they can actually pay for themselves? Studies also show they have a strong influence on where people and businesses choose to locate, and they are an important weapon against the rising cost of health care. Why don't decision-makers see the positive impact they have on local economies? Like Kermit the Frog, their true value is much deeper than what may be perceived on the surface.

It is the purpose of this paper to answer these questions and show that parks are not just attractive open spaces, but play a significant role as an economic engine for communities. Extensive research contained herein will show that parks truly increase property values, encourage business and workforce relocation or retention, generate tourism dollars and promote public health. As such, they should be given a much greater priority for capital and operational investment by local governments than is currently the case.

The Meaning of Green

As with many words in the English language, the word "green" can be used in a variety of ways. It may conjure up a visual image such as the color of grass, a leaf, or of course, a frog. Or, it may indicate a type of development that is environmentally friendly or sustainable, such as a "green building" or "green energy." The word "green" can also be an indicator of something of financial value such as a dollar bill, sometimes referred to as a "green back." If one were asked to describe a park, it would likely contain the word "green" in the descriptor. But to which of these meanings would it refer? Most might think of the *color* green when describing a park. Some may consider the *environmental* or "green" effects parks offer. Rarely, do people understand or recognize that parks provide significant *financial* benefits that are "green" like the color of money. The lines are often blurred between the various meanings, but this research will provide a fresh and in depth look at how "green" parks are when it comes to their economic impact on communities.

Origin of Parks

The first public park developed in America was Central Park in New York City. Its 700 acres, located in the center of Manhattan, were acquired in 1853 by the city of New York through eminent domain proceedings. In 1857, the Central Park Commission held a design contest for the park's development. Frederick Law Olmstead, who was the park's superintendent at that time, won the contest with his "Greensward Plan," which was modeled after public spaces that existed in urban areas of European countries during that era. Advocates of creating the park were primarily wealthy merchants and nearby landowners who wanted an attractive space for carriage rides, as well as a place for people to gather as a healthy alternative to hanging out in saloons (Blackmar & Rozenzweig). The park, acquired and developed because of the desire and influence of the wealthiest people in New York City, eventually became a popular gathering and activity place for people with varying socio-economic backgrounds, as well as a destination for those visiting the city.

With Central Park as the model, cities popping up across America over the next century began a common practice of creating parks and setting aside open space for community based activities. In more recent years, the people's demand and expectation for parks and green space in their neighborhoods, along with limited public funding, has led many cities to mandate that new residential developers must donate land and/or funding for parks. Some developers voluntarily include trails, parks and playgrounds in their development because they recognize the importance those amenities play in selling their product in a very competitive market. The costs for these amenities are eventually passed on to the homebuyer, but the initial investment potentially provides a quick return to the developer through higher property values and more rapid home sales.

To substantiate this, take a look at real estate classified ads in newspapers or home listings on realtor's websites. Many of the listings will tout their proximity to parks, greenbelts, trails, lakes, golf courses, and other recreational amenities as a featured selling point. (Figure 1) Interestingly, these same ads never suggest that police or fire services, or well maintained roads, or good quality drinking water were reasons for someone to consider buying a particular home. Perhaps this is due to an assumption on the consumer's part that those services are essentially equal from one city to the next, while parks and recreation amenities can truly make a neighborhood or community stand out in comparison to another.

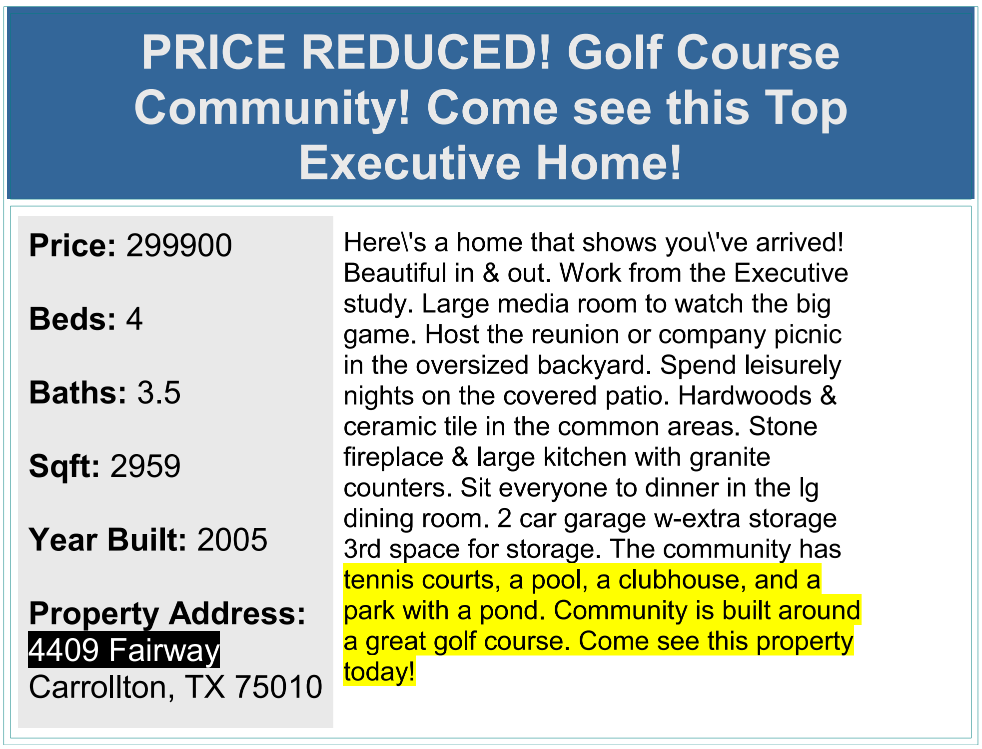
Clearly, people have many choices when it comes to selecting where they want to live. Proximity to parks and recreational amenities can greatly influence those decisions.

The Proximate Principle

While parks can influence people's choices of which communities or neighborhoods are most desirable to live in, this factor alone is not enough to influence political decision makers to invest more generously on parks. What often goes unnoticed in evaluating the value of parks in neighborhoods, is the amount of financial return they can provide by increasing the value of nearby properties. Studies conducted by Dr. John Crompton at Texas A & M University show that properties near or adjacent to passive parks and open spaces can average a 5-20% higher assessed value than those located away from a park's influence. (Figure 2) The higher value of those properties means their owners pay higher property taxes. Crompton refers to this as the

"Proximate Principle." He further notes the incremental increase in taxes paid by each property owner because of the nearby park, when aggregated, can be enough to pay for the park's acquisition and development and in some cases, its long term maintenance. (Crompton, Financing and Acquiring Parks and Recreation Resources, 1999)

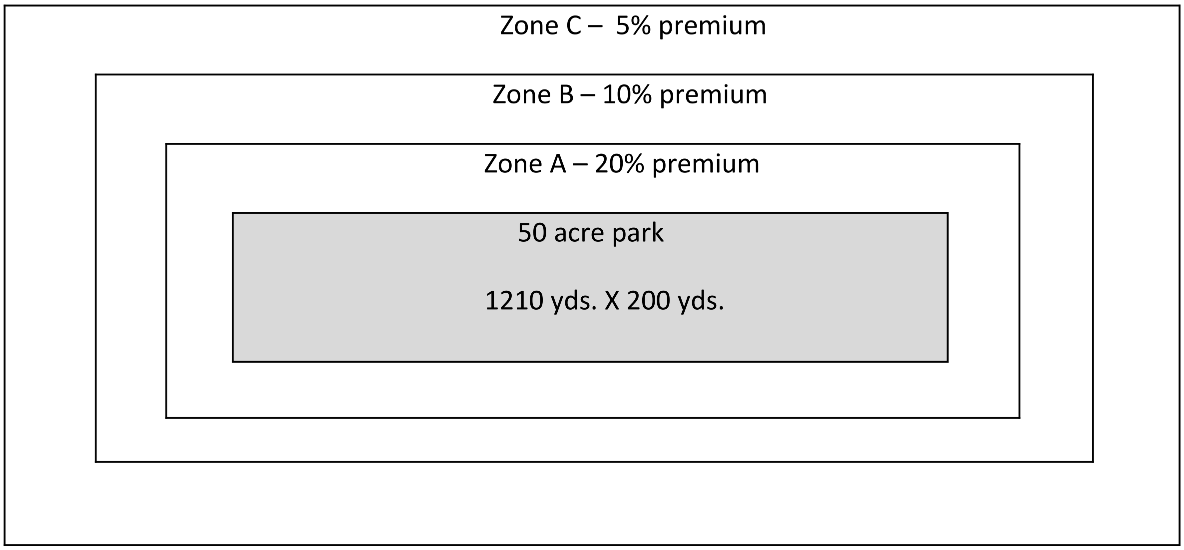
Figure 1- (Dallas Observer, 2011)



Can Parks Pay for Themselves?

To illustrate the financial gain of the "Proximate Principle" to a local government, Crompton presents a hypothetical scenario in which a city invests $1M to acquire and develop a park, with a 20 year debt service payment of $90K per year. (Table1). As shown, in comparison to an average valued home of $200K located outside the proximate influence of the 50 acre park, homes located within the three zones adjacent to the park have an incremental increase in value, and property taxes that equal $98K per year. If the land for the park was donated or acquired through park development fees, that $98K per year can potentially more than offset the cost to maintain the park, depending on the park's features.

Figure 2 – Layout of a 50 acre Natural Park and Proximate Neighborhood Area



(Crompton, The Impact of Parks and Open Space on Property Values and Property Tax Base, 2000)

Table 1 – Property Taxes Pay the Annual Debt for Acquisition and Development of the Park

Zone	Market Value of each Home	Incremental value attributed to the Park	Total property taxes at 2%	Incremental property taxes attributed to the Park	Aggregate amt of property tax increments for 70 home sites
Outside the Park's influence	$200,000	$0	$4,000	$0	$0
A (20% premium)	$240,000	$40,000	$4,800	$800	$56,000
B (10% premium)	$220,000	$20,000	$4,400	$400	$28,000
C (5% premium)	$210,000	$10,000	$4,200	$200	$14,000
					$98,000

(Crompton, The Impact of Parks and Open Space on Property Values and Property Tax Base, 2000)

Taking an even deeper look at Crompton's evaluation of proximate property values and related increased tax revenue, an argument can be made that it is less costly for a city to maintain a passive park than to provide full city services and collect taxes on the same tract of land if it were developed for residential use instead. Let's assume the same 50 acre site in Figure 2 was developed with three home sites per acre, and the total property tax rate (including city, county and schools) is 2.5% of the market value of the $200,000 homes. The annual property tax revenue would be $750,000 (50 acres x 3 homes/acre x $5,000 annual tax). If the annual cost of servicing those residences is 15% higher than the taxes received, the annual net loss to the community for servicing the homes in that development would be $112,500 ([[(15% x $750,000) - $750,000)]]). Thus if the operation and maintenance costs for the same land used as a park were less than $112,500 per year, then it would be a less expensive option to service the land as a park than a housing development on the same site (Crompton, 1999)

Parks as Business and Workforce Attractors

As previously discussed, people have many choices when it comes to where they want to live. The existence of attractive open spaces and well-maintained parks with a variety of amenities can influence those decisions. Likewise, businesses have many choices as to where they locate. One of the most pressing issues facing governmental agencies is the desire and need to increase their commercial tax base through business retention and development. With so many companies closing their doors or moving operations overseas during the economic downturn, the competition to attract and sustain commercial development in communities across America has become fiercer in recent years. Attracting outsiders, both residential and commercial, can be one of the most important economic impacts local parks can have on a community.

The traditional way of thinking was that a workforce would follow wherever companies choose to locate. Studies indicate a paradigm shift in that approach, particularly as technology has become a more integral part of operational efficiencies in the business world. Companies now tend to locate where they can find pools of experienced, tech-savvy workers who are influenced directly in where they choose to live by quality of life amenities.

This theory is supported in an assessment of the economic impact of parks on business activity prepared by Dr. Ray Perryman, a renowned Texas economist. The report, entitled "Sunshine, Soccer and Success", mentions surveys of knowledge workers who claim that the quality of life in a community increased the attractiveness of a job by 33%. The study also contends that the attraction of knowledge workers to an area is influenced by the quality of the location, particularly the variety and accessibility of natural, recreational, and lifestyle amenities. Additionally, Perryman's study references a poll taken in 2001 of 50 senior executives in Fortune 500 companies who rated quality of life issues (such as parks and recreation, traffic, and climate) as one of the most important attributes of cities being considered for company relocations. The factor rated most important was the availability of highly skilled workers who, according to the study, are influenced by the quality of local parks, among other things. (Perryman, 2006)

Political Support

The idea of parks and recreation amenities serving as business attractors is not new. In an effort to provide a competitive edge for cities in Texas to attract new primary businesses, Texas legislators enacted a law in 1979 entitled the Development Corporation Act. The Act allows municipalities to use, after voter approval, ½ cent of their local sales tax for economic (Type A) and community (Type B) development projects that will attract new and expanded business enterprises. Many communities use Type B funds to build parks, trails, stadiums, and other amenities that will not only attract tourists, but make them more appealing when competing for educated and highly skilled workers.

Some public officials are recognizing the importance recreational amenities play in creating vibrant, attractive communities that appeal to the highly sought knowledge workforce. This point was driven home by the city of Austin's chief of staff, Anthony Snipes, at a roundtable discussion of the value of parks with a group of city managers during the 2009 Texas Recreation and Parks Society Annual Institute in Frisco, TX. Snipes told a story about a family member who was graduating from college and was asked what he was going to do afterward. The graduate said, "I'm moving to Austin." When asked where he was going to work, he said "I don't know yet. I just want to live there….it's a fun city. I'll find a job after I get there!" Snipes finished the story by stating that this is a generational trend with new college graduates. "They decide where they want to live first, and then they look for a job. Of course we say, choose Austin!" (Snipes, 2009). A logical conclusion is that, to be competitive in attracting workers and companies, successful economic development endeavors must include an investment in parks and other quality of life features in the strategy.

Impact on Health Care Costs

Throughout this exploration of the economic value of parks, the health benefits they provide cannot be ignored. One of the biggest challenges facing our country is the rising cost of health care due to the obesity epidemic. The negative impact of health care costs on companies was researched and identified in a recent report from Susan Combs, Texas State Comptroller, entitled *Gaining Costs, Losing Time: The Obesity Crisis in Texas*. The report states that obesity related health care including absenteeism, decreased productivity, and increased disabilities, costs Texas businesses $9.5 billion annually. If the obesity rate and cost of health care continues as projected, the price tag for businesses could reach $32.5 billion by 2030. The report states "Texas businesses are paying an enormous price for obesity, diverting tax dollars that could be invested in business expansion, job creation and building a strong Texas economy." The study found that in 2009, two-thirds of adult Texans (66.7%) were overweight or obese, slightly higher than the national rate of 63.2%. Additionally, of Texas children aged 10-17, 20.4% were obese compared to 16.4% of children in America. (Combs, 2011)

The negative impact of obesity reaches beyond just the Texas economy. For instance, in an article in the American Journal of Preventative Medicine in 2004, researchers found the airline industry consumes 350 million more gallons per year of fuel at an extra cost of $275 million annually, due to an increase in the average weight of passengers. (Dannenberg, Andrew L.; Burton, Deron C.; Jackson, Richard J., 2004) Additionally, the manufacturing industry has been forced to expand product lines such as clothing, furniture, and health care equipment, to name a few, to accommodate overweight consumers. The impact obesity has on the U.S. economy is too extensive to explore in this paper, but with certainty, efforts by both the public and private sector must be a focus to address the problem, and parks play an important role in the solution.

Wellness and Parks

The number one opportunity to combat obesity is prevention. Healthy lifestyles, including proper diet and physical activity, are critical parts of the prevention solution. Play spaces for physical activity are typically one of the first benefits people associate with parks. Trails, playgrounds, ball fields, and open space, play a critical role in the fight against health problems and their associated costs. Perryman's report reflects this by stating: "Research shows that availability of open space improves psychological health, and those with access to parks tend to exercise more." It goes on to note how the increase in organized youth sports over the past decade has placed a higher demand on affordable access to municipal sports facilities. "Nationally, 52% of youth sports organizations offered sports in indoor community owned facilities and 83% offered activities in community-owned outdoor facilities" Perryman reported. Additionally his study states that "more than 72% of Americans over the age of 16 participated in outdoor activities, and people with good access to both built and natural facilities are 43% more likely to exercise 30 minutes multiple days of the week." (Perryman, 2006)

Investing in parks, trails, and spaces for active recreation is critical if government is to be a part of an effective solution to address the rising cost of health care. Facilities must be convenient, accessible, safe, and well-maintained to attract both children and adult users. Some tax payers may question whether government should be in the business of providing these types of facilities, especially if not everyone in the community uses them. What must be considered is that everyone benefits from them directly or indirectly, due to the role they play in keeping citizens active and healthy. This can help lower health care costs with an overall positive impact on the economy.

Tourism and Parks

The final and perhaps most compelling argument for how "green" parks can be, exists in the role they play in attracting visitors to spend outside dollars in a community, region, or state. In a study by Dr. John Crompton entitled *Measuring the Economic Impact of Parks and Recreation Services,* the role parks play in tourism was explored with quantifiable measuring tools. Crompton states in the report: "Tourism depends on attractions. Rarely do people travel because they enjoy the car or airplane ride, or because they want to stay in a particular hotel or dine at a restaurant in a different city. The desire to go to another place is stimulated by attractions." (Crompton, 2010).

Attractions fall in many categories. Scenic and natural attractions such as beaches or mountains may come to mind first when choosing a travel destination. Some may journey with a cultural or historical destination involving festivals, museums, or landmarks. Others may choose entertainment options such as amusement parks, professional sports venues, casinos or theaters. Not every city is fortunate enough to have large scale tourist attractions; however, a more common opportunity for communities to capitalize on tourism dollars is through activities such as local, regional, or state amateur athletic competitions, large festivals or other events at community owned facilities.

Often, events hosted at publicly owned and operated facilities are viewed as a drain on municipal budgets. This can be very short-sided as it typically only takes into account the direct revenue generated by the event and compares it to the overall operational expenditures of the facility. What is frequently overlooked is the opportunity to identify what the actual economic impact a local attraction, such as a sports complex, has on a municipality.

Economic Impact Studies

Economic impact studies are an important tool when determining the true value of parks on a community. However, results can be skewed in a way that can call their meaning and credibility into question, especially if they are used to “sell” large bond packages to stakeholders. A viable economic impact study can show how an attraction brings outside dollars to be spent on the local economy, which helps create jobs and income for local residents. Residents, in turn, spend money and pay taxes locally which provide more income for businesses and revenue to support government services. The cycle of tourism spending and resulting local job income and tax revenue can be multiplied to several levels depending on the types of businesses located in a particular community.

Crompton’s research provides an in-depth report on the proper methodology for conducting these studies. One example from his research (Figure 3) shows the rate of economic return tournaments that a $12 million softball complex can have on a community. (Crompton, 2010).

Figure 3 – A Comparison of the Financial and Economic Returns to a City from and Amateur Softball Association Girls 18 & Under Class A National Softball Championship Tournament

Context

1810 players on 133 teams participated in the tournament. All were from out-of-town. Because it was an elimination tournament, the length of time the teams stayed varied from 4-7 nights. 697 players’ parents were surveyed.

Financial Data	$
Income: Entry Fees $300 x 133	39,000
Gate Admission Fees	74,843
Concessions/Souvenirs % of gross	32,395
Hotel Rebate	4,650
Social Fee	5, 683
Programs	1,440
Total	**158,911**
Less Tournament Costs and staff time	197,258
Net Loss	**(38,347)**

Economic Data

Total expenditures in the local area by 1,810 players and their families/friends	2,039,000

Economic Impact on local sales	3,731,000
Economic Impact on local income	1,162,000

Return on Investment

For each dollar invested, residents' income increased by $30.30 (1,162,000/38,347)
Facility cost $12 million; payback period is approximately 10 tournaments of this size.

(Crompton, Measuring the Economic Impact of Park and Recreation Services, 2010)

There is no doubt that a park, used as a destination facility, can create a significant economic return on the investment. On the other hand, quantifying that return should be done carefully using multipliers that are relevant to the locality in which the facility is located. These should include on-site surveys to determine the actual average per day spending that has taken place as a result of the event. Additionally, it's important to identify the number of local participants for an event since locals will spend less per day than visitors in town. Properly done, economic impact reports are important tools for helping determine the true value a destination park facility has on a community by showing how visitor dollars support the local economy.

Conclusion

There are many ways to show how "green" parks can be for communities, several of which were covered in this research. Beyond just their aesthetic or environmental value, parks provide significant economic benefits through increased property values, business and workforce attraction, reduction in health care costs, and bringing tourism dollars to communities. Unfortunately, they tend to remain undervalued and are not always viewed as an "essential" service that helps solve social or economic problems.

Although Kermit began his song "Bein' Green" by lamenting the downside of his color, he went on to sing about the positive aspects of his existence. (Raposo, 1970)

"But green's the color of spring
And green can be cool and friendly-like
And green can be big like a mountain
Or important like a river
Or tall like a tree….."

Like Kermit, the research included in this paper shows that parks can and should be looked on as being "big like a mountain, important like a river, and tall like a tree". When budgets are tightened, public managers and elected officials are short-sighted if they make deeper cuts to parks funding without understanding the bigger picture and true impact parks play in positively influencing the local economy. Increasing efficiencies in all service sectors, through process improvement initiatives, exploring partnerships with the private sector, creatively generating more revenue, or finding other ways to do more with less, are more effective ways to deal with budget shortages in the long term. Parks departments have been operating this way for decades as a matter of survival, but remain undervalued as the economic engines they are or could be. Because of this, parks professionals know only too well……….*it's not easy being green*.

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