

RCLCO

# Density and Revenues



New Partners for Smart Growth

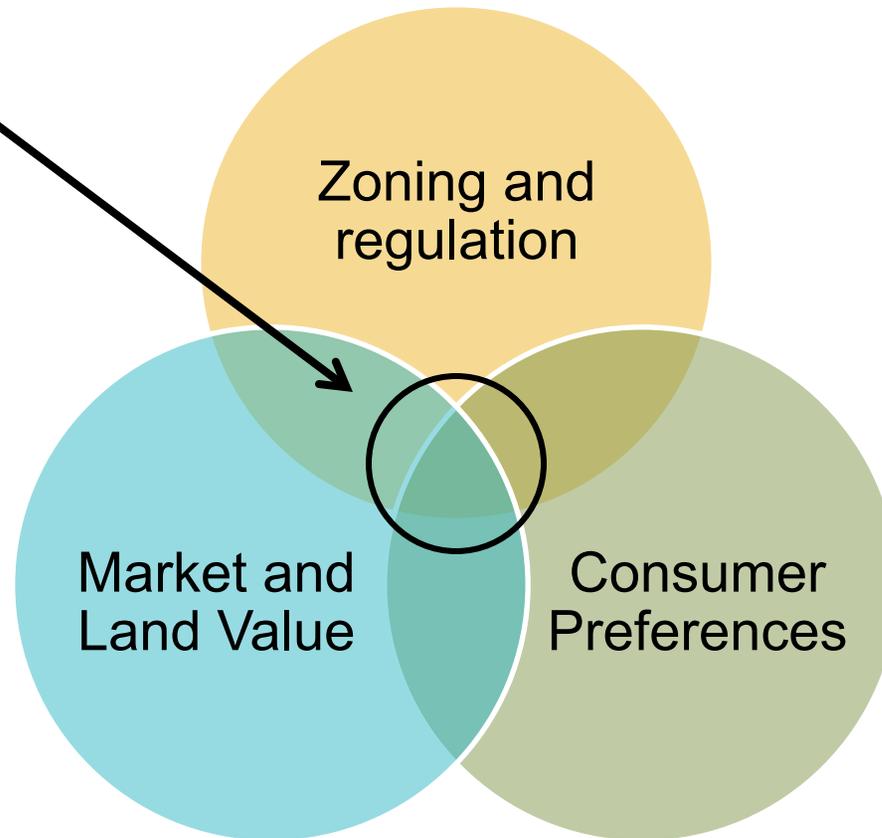
**January 31, 2015**

Erin Talkington, Vice President

## Property Taxes, mostly:

- Largest share of revenues in most municipalities' budget
  - 74% in Madison
  - 49% in Nashville/Davidson County
  - 40% in West Des Moines
- Revenue stream most apt to vary based on density
- Real property assessments typically reflect “market value”, or close to it
- Local government a silent landlord, uses zoning, density, and land use regulation to shape the market but often without considering revenue implications or economics

**This is what gets built!**



**...But not all properties create the same value for the city**

# MARKET VALUE TO A CONSUMER = HOME

**Two \$400,000 homes in Madison, WI less than 2 miles apart**



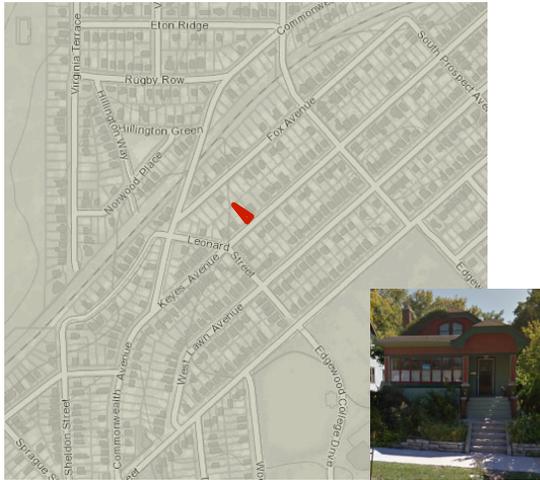
Keyes Avenue  
Home Size: 2,060 SF  
Lot: .05 acres



Bayfield Terrace  
Home Size: 1,900 SF  
Lot size: 0.4 acres

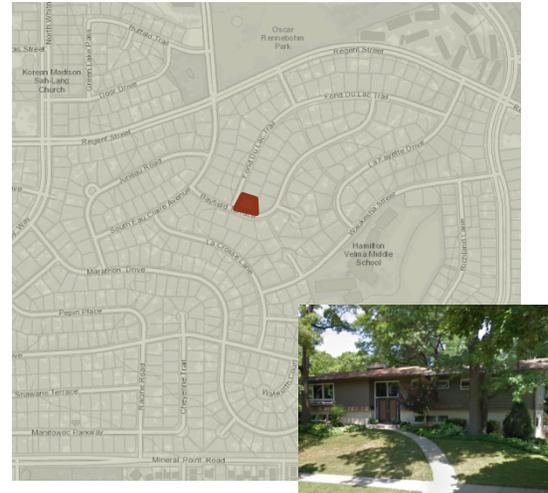
# MARKET VALUE TO A CITY = LAND AND DENSITY

**\$400,000 x (\$9.512 per \$1,000 AV) = \$3,800 City Tax Revenue**



\$400,000 Total AV  
 \$69k Land Value  
 Lot size: 4,800 SF  
 Density: 9/acre

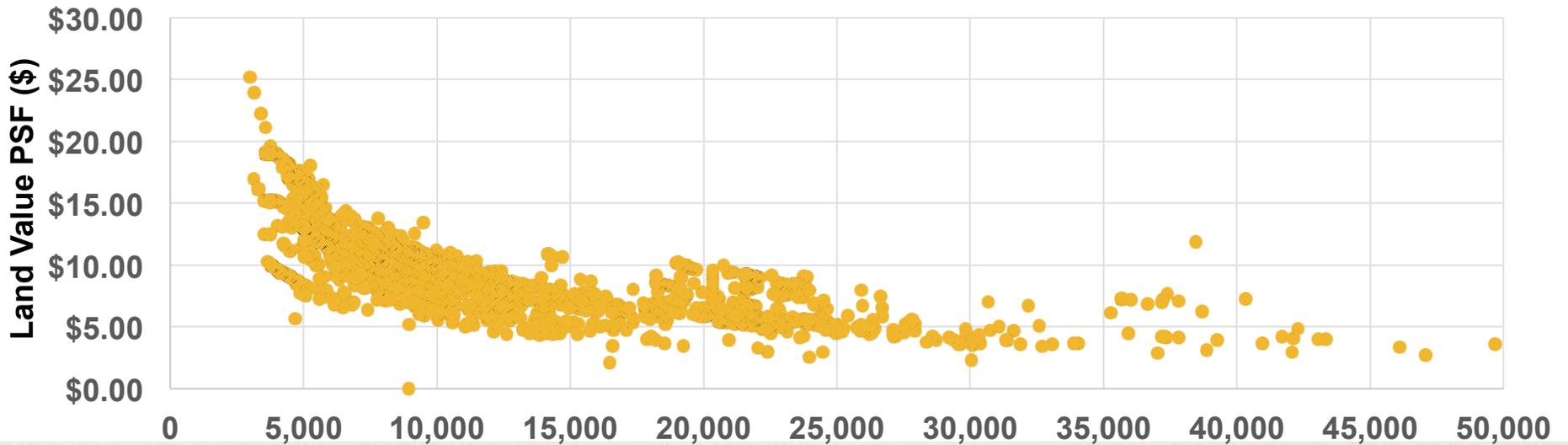
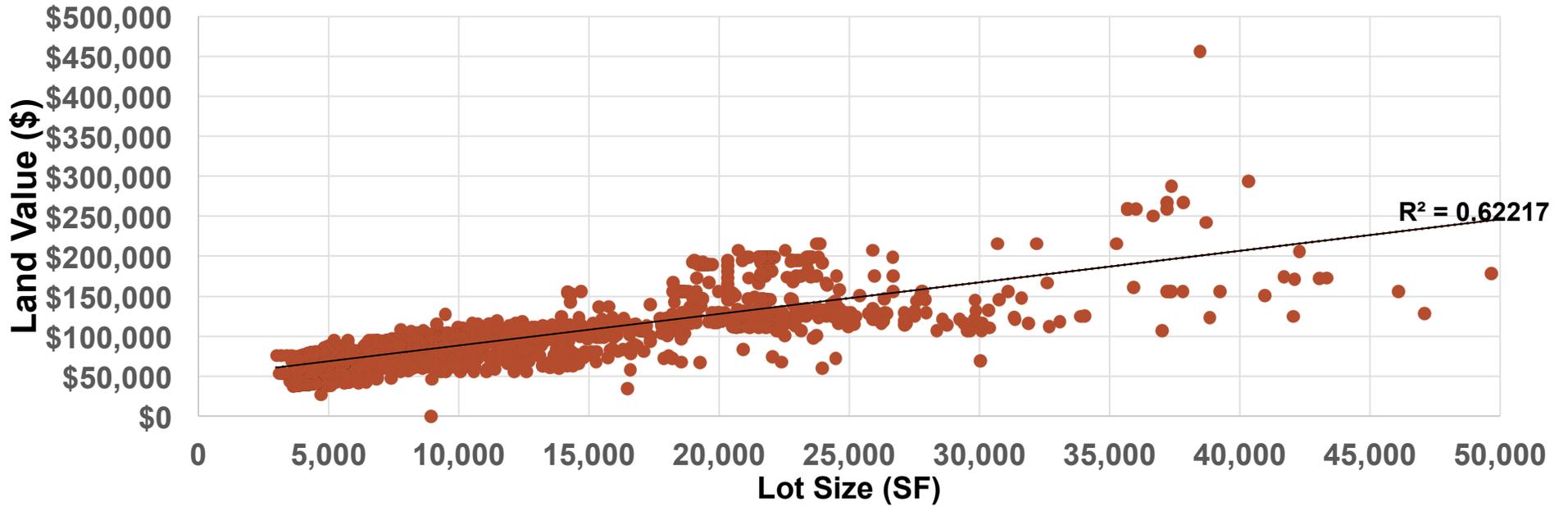
**Tax Revenue per Acre**  
 \$3,800 per house  
X 9 houses  
**= \$34,200 per acre**



\$400,000 Total AV  
 \$106k Land Value  
 Lot size: 17,100 SF  
 Density: 2.5/acre

**Tax Revenue per Acre**  
 \$3,800 per house  
X 2.5 houses  
**= \$9,500 per acre**

# CORRELATION BETWEEN LAND VALUE AND LOT SIZE



# DENSITY IS DECEIVING

**4 units/acre**



San Jose, CA



Holdenville, OK



Boulder, CO

**21 units/acre**



Washington DC



Shaker Heights, OH



Huntersville, NC

**Not a mechanical relationship, lots of variables:**

- Walkability/ connected streets
- Mix of uses
- Proximity to parks/amenities, retail, schools, jobs
- Location in metro area
- Neighborhood income
- Home size, type, age, quality

# WALKSCORE CORRELATES WITH HOMES VALUES, HOLDING OTHER FACTORS CONSTANT

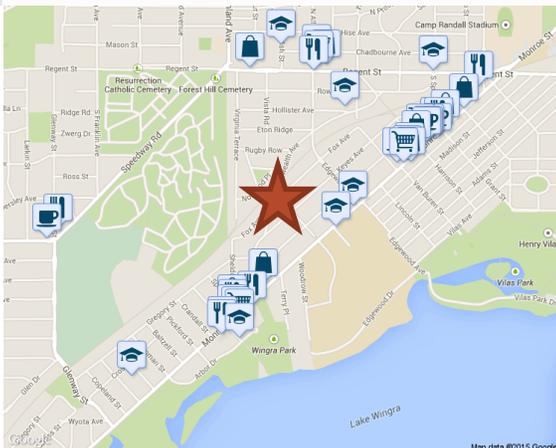


**City of Madison**

Walk Score **47**    Transit Score **38**    Bike Score **67**

+1 point in Walkscore adds  
**\$700 - \$3,000**  
in home value

Walk Score **71** **Very Walkable**  
Most errands can be accomplished on foot.



Walk Score **36** **Car-Dependent**  
Most errands require a car.

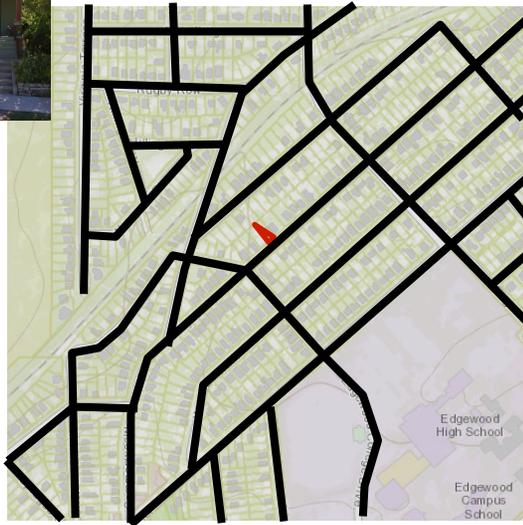


24 points above average:  
4%-18% Value Premium

11 points below average:  
2%-8% Value Loss

Source: "Walking the Walk"; Walkscore, August 2009

# ACHIEVING WALKABILITY = INFRASTRUCTURE + LAND USE PATTERNS + BUILDING FORM



9 units/acre



2.5 units/acre



2.2 units/acre

## Hypothetical Large Mixed-Use Community:

9,000 residential units

2.6 M SF commercial

Scenario	Density (Residential)	Land Area (Acres)	Revenue per acre
Base	4.2/acre	2,188	\$25,000
Compact	5.4/acre	1,728	\$29,000
“Plus 50”	10/acre	923	\$33,800

Walkable development could increase total revenues an **additional 10%-25%**

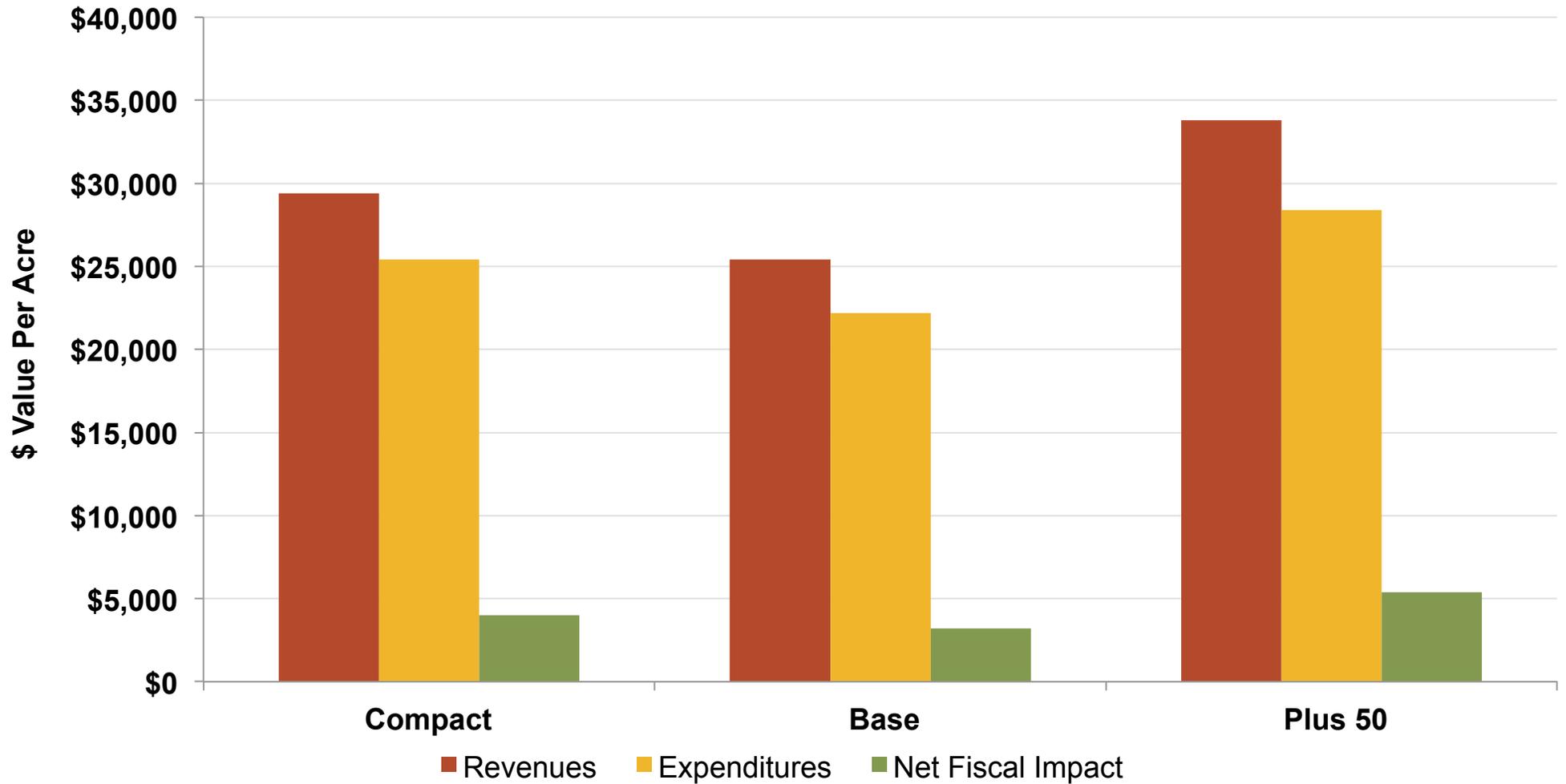
# NET FISCAL IMPACT PER ACRE INCREASES AT HIGHER DENSITY

**Net Fiscal Impact**

**\$4,000 per acre**

**\$3,200 per acre**

**\$5,400 per acre**



**Erin Talkington**

Vice President

Phone: (240) 396-2353

[etalkington@rclco.com](mailto:etalkington@rclco.com)

**RCLCO**

7200 Wisconsin Avenue

11<sup>th</sup> Floor

Bethesda, MD 20814

Phone: (240) 644-1300

Fax: (240) 644-1311

[www.rclco.com](http://www.rclco.com)