WHAT DRIVES THE “TOP LINE” OF A CITY BUDGET?

Property Taxes, mostly:

• Largest share of revenues in most municipalities’ budget
  o 74% in Madison
  o 49% in Nashville/Davidson County
  o 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
WHAT DETERMINES MARKET VALUE?

This is what gets built!

Zoning and regulation

Market and Land Value

Consumer Preferences

...But not all properties create the same value for the city
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 \times ($9.512 \text{ per } $1,000 \text{ AV}) = $3,800 \text{ City Tax Revenue}

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

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

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

Tax Revenue per Acre
$3,800 \text{ per house}
X 2.5 houses
= $9,500 \text{ per acre}
CORRELATION BETWEEN LAND VALUE AND LOT SIZE

R² = 0.62217
### DENSITY IS DECEIVING

<table>
<thead>
<tr>
<th>4 units/acre</th>
<th>21 units/acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose, CA</td>
<td>Washington DC</td>
</tr>
<tr>
<td>Holdenville, OK</td>
<td>Shaker Heights, OH</td>
</tr>
<tr>
<td>Boulder, CO</td>
<td>Huntersville, NC</td>
</tr>
</tbody>
</table>
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

+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

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Density (Residential)</th>
<th>Land Area (Acres)</th>
<th>Revenue per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>4.2/acre</td>
<td>2,188</td>
<td>$25,000</td>
</tr>
<tr>
<td>Compact</td>
<td>5.4/acre</td>
<td>1,728</td>
<td>$29,000</td>
</tr>
<tr>
<td>“Plus 50”</td>
<td>10/acre</td>
<td>923</td>
<td>$33,800</td>
</tr>
</tbody>
</table>

Walkable development could increase total revenues an additional 10%-25%
NET FISCAL IMPACT PER ACRE INCREASES AT HIGHER DENSITY

<table>
<thead>
<tr>
<th>Net Fiscal Impact</th>
<th>$4,000 per acre</th>
<th>$3,200 per acre</th>
<th>$5,400 per acre</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>$ Value Per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
</tr>
<tr>
<td>$5,000</td>
</tr>
<tr>
<td>$10,000</td>
</tr>
<tr>
<td>$15,000</td>
</tr>
<tr>
<td>$20,000</td>
</tr>
<tr>
<td>$25,000</td>
</tr>
<tr>
<td>$30,000</td>
</tr>
<tr>
<td>$35,000</td>
</tr>
<tr>
<td>$40,000</td>
</tr>
</tbody>
</table>

- **Compact**
- **Base**
- **Plus 50**

- Revenues
- Expenditures
- Net Fiscal Impact
Erin Talkington  
Vice President  
Phone: (240) 396-2353  
etalkington@rclco.com

RCLCO  
7200 Wisconsin Avenue  
11th Floor  
Bethesda, MD 20814  
Phone: (240) 644-1300  
Fax: (240) 644-1311  
www.rclco.com