

Spotlight on: Long-Term Financial Stability

Simply stated: attractive building architecture and good site design sells, and sells at a premium, which increases total assessed values for neighborhoods, shopping centers, business parks, and mixed-use areas and the real property taxes they generate for the town. Emphasizing community character in Garner, and increasing minimum building architecture and site design standards to instill a unique brand or identity for the town, has the potential to increase total assessed values in the future.

Some design considerations that promote community character may also have direct impacts on the efficiency of providing town services. For example, some communities find smaller minimum lot sizes increase lot values while lowering infrastructure costs, which results in higher net real property tax revenue for the local government. Other communities observe a premium paid for buildings or lots sold in an area with a strong locational brand or sense of place, which translates to higher total assessed values for the tax roll because assessed value is calculated as a portion of the market (transaction) value.

Below are three topics to consider for improving Garner's overall financial stability when 1) contemplating town-led capital investments in the public realm, 2) deciding whether or not to require high-quality site design, open space, or building architecture for a site or concept plan, or 3) considering the merits of land use mix and development intensity for a private development application.

Value Capture

The term "value capture" for town planning purposes refers to a belief that local governments or developers can recover some, or in some cases all, of the costs associated with providing public infrastructure or amenities in a specific location because the value of nearby land or real estate increases as a result of the investment. Capturing the value increase from proximity to the investment area generates additional (and reoccurring) tax revenue for the local government and increases sale

or rent prices for the developer to offset the costs of the improvement.

An article published by the National Recreation and Park Association (NRPA) in 2020 (see Note #1) quantified the value capture added for residential development located

near a passive or active park. Citing thirty-three case studies, the authors concluded a premium of eight to ten percent on total assessed value was reasonable as a guide – especially for homes located within 500 to 600 feet of the park. A larger park was generally associated with higher premiums in the case studies. Premiums associated with multifamily buildings or small-lot single-family homes were higher compared to large-lot, single-family homes because nearby access to public open space was deemed highly-desirable by homeowners without large front or rear yards for private open space.

A separate study of residential neighborhoods in Austin, Texas (see Note #2) by researchers from Texas A&M University found a one percent increase in walkability score for a place translated into a \$1,329 increase in total assessed property value. A one percent increase in sidewalk density for a place translated into a \$785 increase in total assessed property value.

Other studies and reports have been published documenting increased values observed in mixed-use developments that are focused on creating vibrant, pedestrian-friendly destinations with a mix of complementary land uses and public spaces. The experiences created for visitors using high-quality and well-thought-out site design, building architecture, and public amenities generally creates desirability for the development and increases total assessed values for homeowners and businesses located within it. Capturing the value increase for properties in desirable locations of town generates additional (and reoccurring) tax revenue for the local government and increases sale or rent prices for the developer to offset the costs of the improvement.

(Re)development Intensity and Efficient Infrastructure Service Areas

One factor that increases the total assessed value for a parcel is its (re)development potential, which includes the land uses and development intensities programmed for the property. Increasing development potential on a property may significantly increase tax production and the amount of taxes collected for a parcel. Local governments typically update total assessed value for a property at the completion of a construction project, which generates additional revenue for the local government immediately without raising tax rates.

Communities may also experience efficiencies through density when it comes to providing public facilities and services. Certain economies of scale result in cost advantages that are realized in smaller service areas that use capacity fully before extending services to new areas. Cost per unit decreases in these areas, which creates a direct

monetary benefit to the service provider and grows net revenue potential for the local government. The combination of increased tax production and reduced service costs create a strong argument for increasing development density and the mix of uses allowed in specific areas of the community (i.e., the activity centers presented in Chapter 2).

Active Property Values

Generally speaking, an active property that is well-maintained creates higher total assessed value, and thus more tax revenue to the local government, compared to an inactive or declining property. To this end, some communities are proactively evaluating their development activity and its quality in town, and identifying quickly locations in decline as candidates for beautification grants or infill development and redevelopment initiatives. Reinvesting in these properties eliminates potential blight in a community and maintains strong property values, which generates strong reoccurring real property taxes for the town.



Note #1: The information presented was summarized from an article “How Much Impact Do Parks Have on Property Values?” published in *NRPA Magazine* on March 26, 2020. The author was John L. Crompton, Ph.D. from Texas A&M University.

Note #2: The information presented for Austin, Texas was summarized from an article “Assessing Benefits of Neighborhood Walkability to Single-Family Property Values, A Spatial Hedonic Study in Austin, Texas” published in the *Journal of Planning Education and Research* in 2015. The authors were Wei Li and Kenneth Joh from Texas A&M University. (Walkability = the ability to safely walk to services and amenities within a reasonable distance, usually defined as a walk of thirty minutes or less. [Planetizen Website, 2023]. The study in Austin, Texas used a web application, Walk Score, to quantify the walkability of residential neighborhoods. It can be accessed at www.walkscore.com.)