

# The Link Between Land Use and Fiscal Sustainability

2024 TML Small Town Conference

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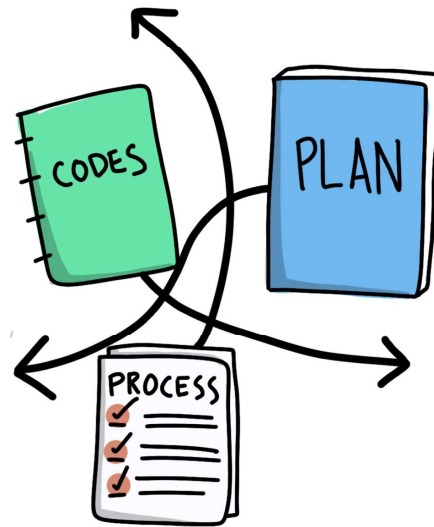
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## The Conundrum

Every town & city strives to:

- Be fiscally solvent,
- Be environmentally resilient,
- Be socially inclusive,
- Preserve quality of life, and
- Provide affordable housing.

Too often, the daily decisions and investments made rarely align with these desired outcomes.



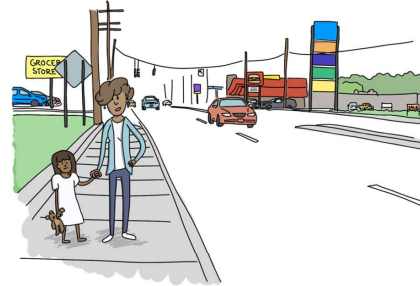
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# The Outcome

We're left with:

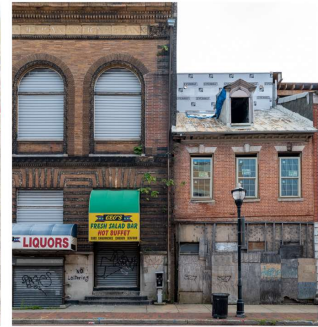
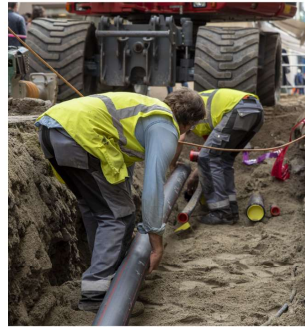
- Fragile local economies,
- Growing affordability gaps,
- Frustrated residents, and
- Infrastructure funding gaps.

Unfortunately, cities continue administering policies that create generic places that citizens and businesses struggle to connect with and invest in.



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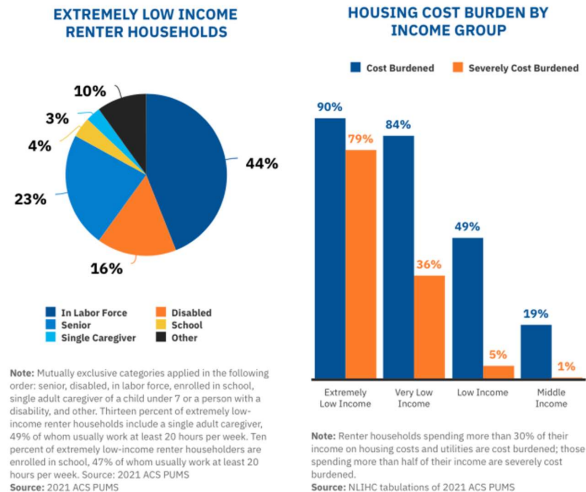
# Needs Vs. Resources



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# Texas' Affordability Crisis

- Texas has lost nearly half of its low-rent housing units in the last decade
- Housing costs have begun affecting every income level
- Texas ranks in the bottom 10 states for availability of units for extremely low-income households



Sources: Joint Center for Housing Studies (Harvard), NLIHC, Texas Housers



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## Cities Are Feeling the Pinch

- Short on cash, using long-term debt to cover short-term expenses
- Decisions are being made in the short-term without fully considering long-term fiscal impacts
- Infrastructure backlogs are climbing
- We're building cities we can't afford to live in and maintain
- Texas' 2023 total outstanding local government debt is \$280B

Sources: Texas Bond Review Board



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*Cities use cash accounting. They have literally hit the infrastructure iceberg and don't know it because they have not accounted for any of it. Not even asked the question. ...it is their insolvent development pattern that is grinding them down, and it won't show up anywhere.*

**Chuck Marohn, Strong Towns**  
**April 1, 2024**



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## **My Story & Background**

- Growing up in small towns & witnessing the cycle of decline
- Hearing my family talk about these towns in a very different way than I experienced them
- Serving as Director of APATX-Northwest Section & working closely with dozens of small towns around my area
- Working in the public sector & realizing that mid-sized cities & small towns/cities have different strengths/advantages
- Frustrations with some of the traditional planning approaches that rely on boondoggle projects & significant funding/staffing increases



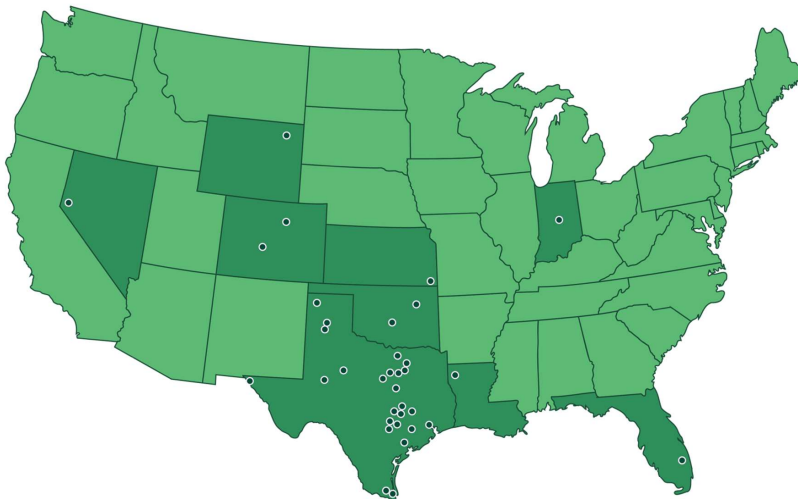
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## At Verdunity, we:

- Work with towns & cities of all sizes in different states. The projects are tailored to the client, but the lessons are often similar.
- Help community leaders achieve meaningful improvements with the resources they have.
- Provide fiscally-based analysis, planning, engineering, & community engagement services.



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### Some of the Small Towns We've Worked With:

- Ablemarle, NC
- Bastrop, TX
- Burkburnett, TX
- Canyon, TX
- Dalhart, TX
- El Campo, TX
- Josephine, TX
- Liberty Hill, TX
- Morgan City, LA
- Parsons, KS
- Pilot Point, TX
- Rancho Viejo, TX
- Sweetwater, TX
- Taylor, TX



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# Impact of Development Patterns on Fiscal Health



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## Options for Closing the Resource Gap

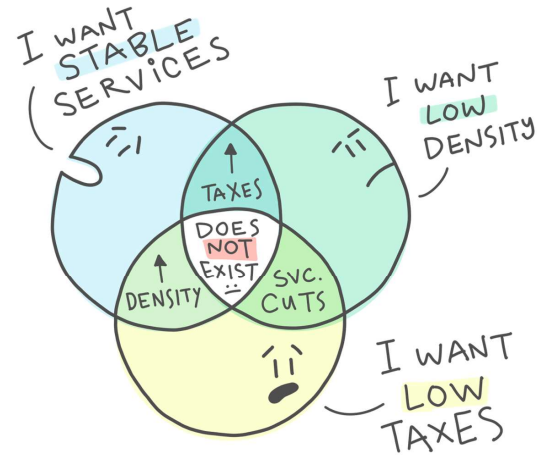
<b>1</b> 	<b>2</b> 	<b>3</b> 
<b>Increase Taxes or Fees</b>	<b>Reduce Services</b>	<b>Develop In A More Productive Way</b>
<p>Keep development patterns and service levels as-is but charge more (via higher taxes and fees) to cover the true costs. This is a difficult option because an increasing number of people do not have the means to pay much more than they are currently paying.</p>	<p>Maintain current taxes and fees where they are but cut services to align with revenues. This is what most cities are currently doing, where services and maintenance needs are budgeted to fit available revenue and those that are unfunded get deferred. This can work for a short period, but eventually the neighborhoods and infrastructure must be maintained, or property values will start to decline and people and businesses will leave the city.</p>	<p>Adjust development and infrastructure to enable an affordable balance of services and taxes. By prioritizing infill, redevelopment, and more financially productive development patterns, the city can generate additional tax base from its service area and improve the return on investment of taxpayer dollars without necessarily having to raise the tax rate or charge more fees. This is the most feasible and effective option.</p>



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## Tradeoffs Are Necessary

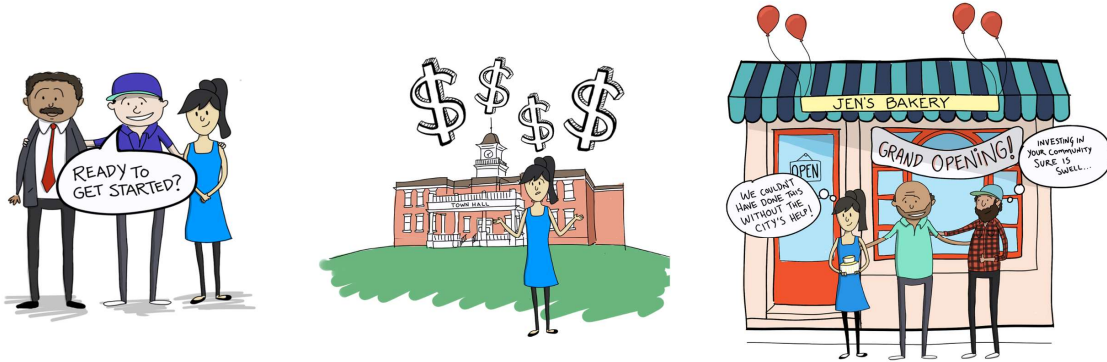
- Help your residents understand why
- Ground the conversation in fiscal realities
- Emphasize the importance of long-term costs and impacts
- Keep in mind the impact on future generations



### *Bottom Line*

**Having it all *without limitation* is a fallacy.**

A **common language** helps us **discuss common problems** and **build common solutions**.



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# Macro-Level Examination

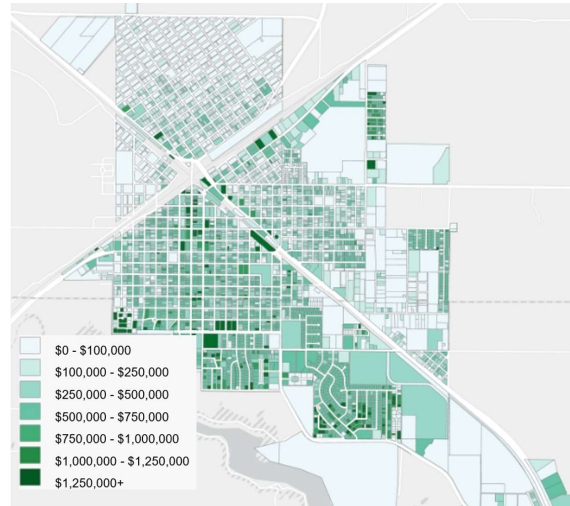


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## Highest Level - Value Per Acre

- Highlights the valuable patterns – critical clues for governance
- Shifts the focus to what's built on the property (development) as opposed to the land itself
- Provides insights that transcend misconceptions & long-held beliefs
- Allows an equitable look at relative value



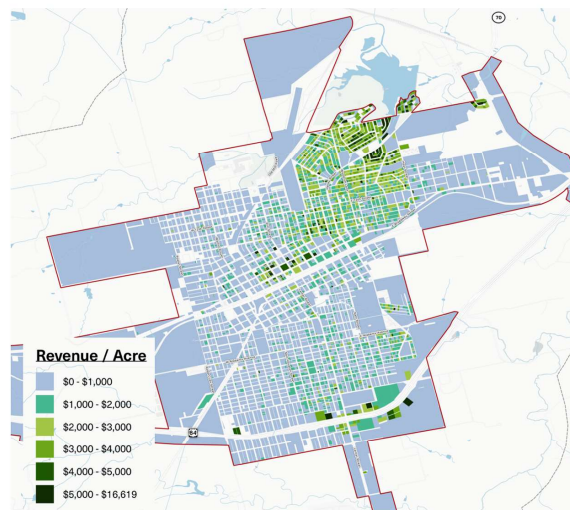
City of Dalhart, 2023



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## Next Level - Revenue Per Acre

- Allows examination of profitability
- Helps explain the presence of a resource gap
- Demonstrates how smaller properties can be powerful contributors to the overall fiscal picture
- Removes exempt parcels from the equation



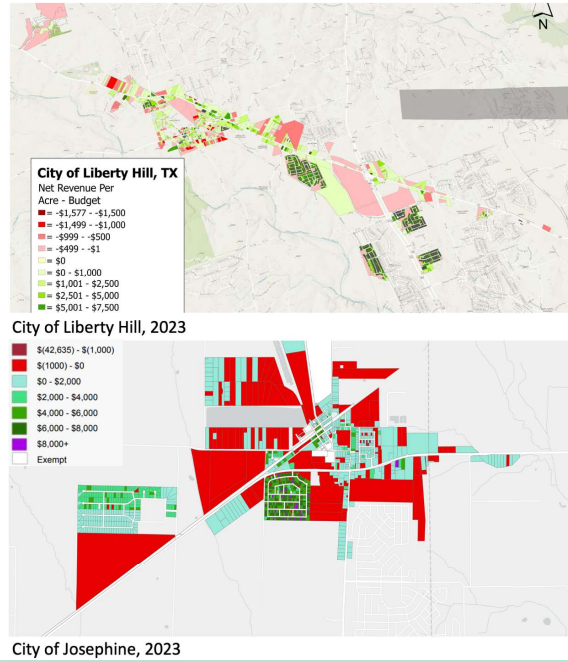
City of Sweetwater, 2021



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## Next Level - Net Revenue Per Acre Inclusive of Current Budget

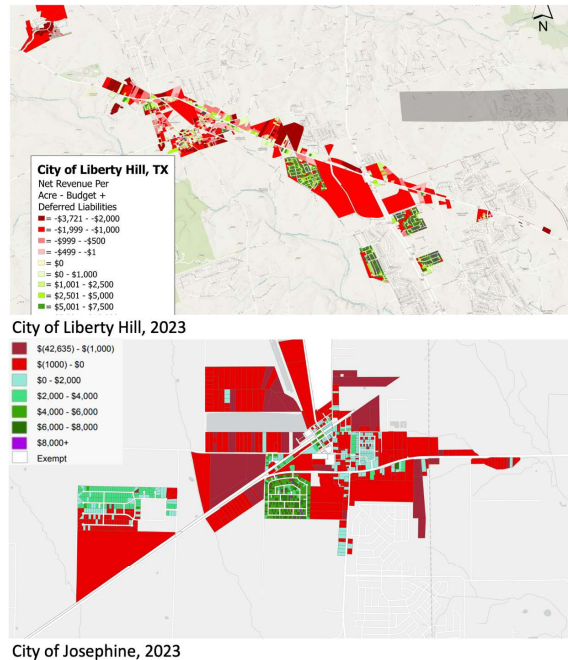
- Provides a more realistic fiscal picture
- Highlights parcels & patterns that cost more (or less) to serve than they generate
- Uncovers a more complete picture of the resource gap
- Underscores the importance of utilizing large parcels & infill developments



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## Next Level - Net Revenue Per Acre Inclusive of Current Budget & Deferred Liabilities

- Looks at what additional revenue is needed to replace existing streets based on their life cycle
- Provides insights crucial for policy, budgeting, & development
- Contributes substance to discussions of capital improvements & preventative maintenance



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# Micro-Level Examination



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## Comparing the Value of Development Patterns

Rural Estate	Suburban Single-Family	Compact Suburban	Townhome/Zero Lot Line (Abilene, TX)
 <small>Source: Google Earth</small>	 <small>Source: Google Earth</small>	 <small>Source: Google Earth</small>	 <small>Source: Google Earth</small>
 <small>Source: Google Streetview</small>	 <small>Source: Google Streetview</small>	 <small>Source: Google Streetview</small>	 <small>Source: Google Streetview</small>
<b>.804</b> <b>\$74,420</b> <b>\$92,562</b>	<b>.624</b> <b>\$292,290</b> <b>\$468,413</b>	<b>.139</b> <b>\$72,900</b> <b>\$542,460</b>	<b>.060</b> <b>\$103,419</b> <b>\$1,706,548</b>
<b>Acres</b> <b>Assessed Value</b> <b>Value Per Acre</b>	<b>Acres</b> <b>Assessed Value</b> <b>Value Per Acre</b>	<b>Acres</b> <b>Assessed Value</b> <b>Value Per Acre</b>	<b>Acres</b> <b>Assessed Value</b> <b>Value Per Acre</b>

City of Sweetwater, 2022



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# Comparing the Value of Development Patterns

Rural with Infrastructure  
(Liberty Hill)



\$672,663 TOTAL ASSESSED VALUE	6.82 TOTAL ACRES
<b>\$98,600</b> VALUE PER ACRE	

Suburban Single-Family  
(Liberty Hill)



\$835,699 TOTAL ASSESSED VALUE	.33 TOTAL ACRES
<b>\$2,532,000</b> VALUE PER ACRE	

Townhomes  
(Georgetown)



\$524,784 TOTAL ASSESSED VALUE	.03 TOTAL ACRES
<b>\$17,493,000</b> VALUE PER ACRE	

City of Liberty Hill, 2022

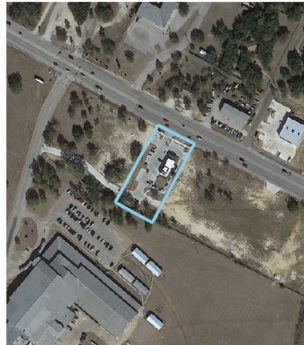
DATA SOURCE: 2022 WCAD CERTIFIED TAX DATA, IMAGERY SOURCE: GOOGLE EARTH



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# Comparing the Value of Development Patterns

Suburban Pad Site  
(Liberty Hill)



\$835,699 TOTAL ASSESSED VALUE	1.07 TOTAL ACRES
<b>\$781,000</b> VALUE PER ACRE	

Suburban Big Box  
(Cedar Park)



\$20,472,538 TOTAL ASSESSED VALUE	26.25 TOTAL ACRES
<b>\$778,000</b> VALUE PER ACRE	

Traditional Downtown Grid  
(Georgetown)



\$85,993,311 TOTAL ASSESSED VALUE	26.94 TOTAL ACRES
<b>\$3,192,000</b> VALUE PER ACRE	

City of Liberty Hill, 2023

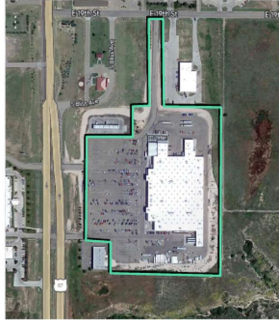
DATA SOURCE: 2022 WCAD CERTIFIED TAX DATA, IMAGERY SOURCE: GOOGLE EARTH



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# Comparing the Value of Development Patterns

Big Box - Walmart\*



Improvement Value \$ 7,445,280  
 Assessed Value \$ 7,800,000  
 Area 18.93 Acres  
**Assessed Value/Acre \$ 411,974**

Conventional Strip Mall



Improvement Value \$ 3,012,289  
 Assessed Value \$ 3,162,590  
 Area 4.79 Acres  
**Assessed Value/Acre \$ 660,248**

Downtown Mixed Use



Improvement Value \$ 1,069,890  
 Assessed Value \$ 1,159,890  
 Area 1.16 Acres  
**Assessed Value/Acre \$ 999,905**

\*Big Box is located in the City of Dumas, data sourced from Moore CAD

City of Dalhart, 2023



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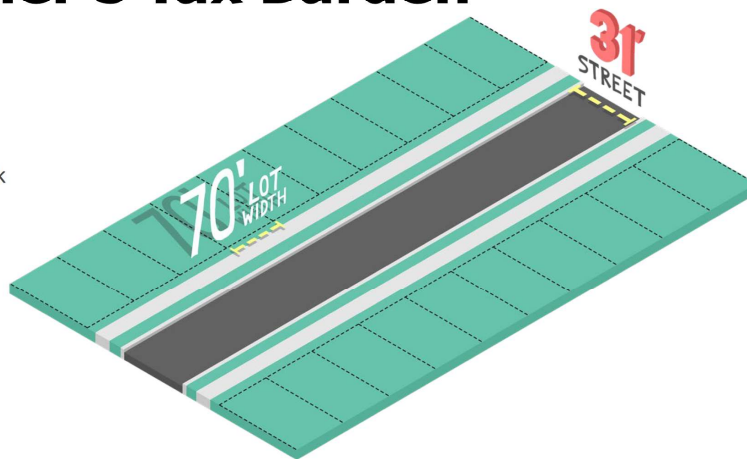
# The Effect of Lot Size & Street Width on Homeowner's Tax Burden

$$\frac{1000' \text{ block}}{70' \text{ lots}} = 14 \text{ lots}$$

14 + 14 lots = 28 total lots on block

**Street cost per lot**

$$\frac{\$532,000}{28 \text{ lots}} = \$19,000 \text{ per lot}$$



\* Not drawn to scale



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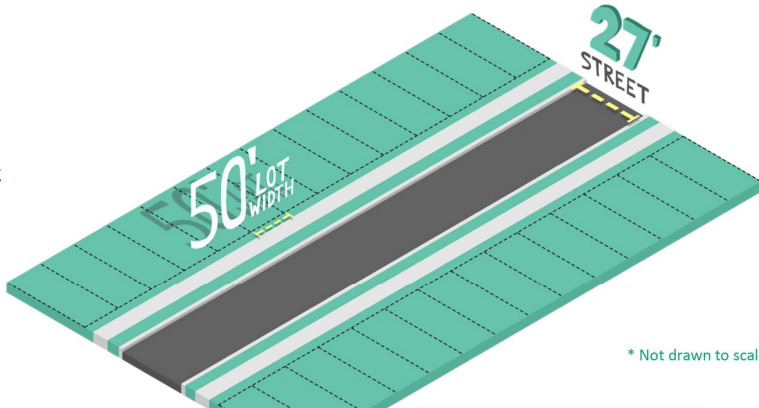
# Moderate Changes Can Yield Big Savings

$$\frac{1000' \text{ block}}{50' \text{ lots}} = 20 \text{ lots}$$

20 + 20 lots = 40 total lots on block

Street cost per lot

$$\frac{\$475,000}{40 \text{ lots}} = \$11,875 \text{ per lot}$$



**\$5,089 less per lot (than 70' lots)**

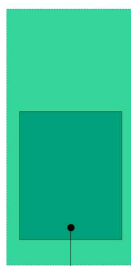


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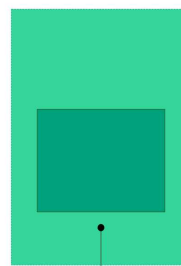
# 2,000 SF Home on Different Lot Sizes



**3,000 SF RESIDENTIAL LOT**  
 Lot Dimensions: 30 ft x 100 ft (0.069 Acres)  
 Lot Coverage: 67%  
 Appraised Value: \$205,000  
 Property Tax Revenue\*\* (Levy): \$1,025  
**Revenue per Acre: \$14,885**



**5,000 SF RESIDENTIAL LOT**  
 Lot Dimensions: 50 ft x 100 ft (0.115 Acres)  
 Lot Coverage: 40%  
 Appraised Value: \$210,000  
 Property Tax Revenue\*\* (Levy): \$1,050  
**Revenue per Acre: \$9,130**



**7,000 SF RESIDENTIAL LOT**  
 Lot Dimensions: 70 ft x 100 ft (0.161 Acres)  
 Lot Coverage: 29%  
 Appraised Value: \$220,000  
 Property Tax Revenue\*\* (Levy): \$1,100  
**Revenue per Acre: \$6,832**

\* Shapes are drawn to scale \*\* Conceptual tax rate of 0.50 used to calculate levy



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# Applications of Fiscal Analysis

## Strategic Planning & Community Engagement

- ✓ Provides a language and process to back up the desired outcome of a “financially resilient community”

## Budgeting

- ✓ Aligns development pattern, infrastructure and services with what there is an ability to pay for now and in the future

## Comprehensive Plans & Growth/Annexation Scenario Evaluation

- ✓ Informs land use, annexation and growth management decisions to balance revenues, costs and debt obligations over time

## Zoning & Development Standards

- ✓ Creates zoning and design guidelines that encourage financially sustainable development patterns with longer-lasting value

## Projections & Forecasting on Impacts of Future Development

- ✓ Makes possible the calculation of future productivity of future land use plans

## Capital Improvement Programs

- ✓ Informs infrastructure and economic development investments to maximize return on investment (ROI)

## Development Evaluation

- ✓ Can be performed for individual development proposals to determine the ROI before infrastructure obligations and approvals are issued



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# Calibrating to Fit Your Community



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# Calibrate Your Approach

## Examine Your Fiscal Picture

- Value Per Acre,
- Revenue Per Acre,
- Full Analysis

## Combine A Limited Plan with a Look at the Fiscal Picture

- Specific Area,
- Full Town/City,
- Capital Improvements Plan,
- Strategic Plan,
- Workshop.

## Connect A Comprehensive Plan with Fiscal Analysis

- Full Town/City Area
- Community Engagement,
- Implementation Strategy.



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# Calibrate Your Planning Efforts

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Parsons,  
Kansas

9,477

Population In Decline

2022 VERNON DEINES AWARD  
FOR COMPREHENSIVE PLAN  
Merit Award

2

Sweetwater,  
Texas

10,622

Near Stagnant

2023 VERNON DEINES AWARD  
FOR COMPREHENSIVE PLAN  
Honor Award

3

Taylor,  
Texas

16,975

High Growth

2022 VERNON DEINES AWARD  
FOR COMPREHENSIVE PLAN  
Honor Award



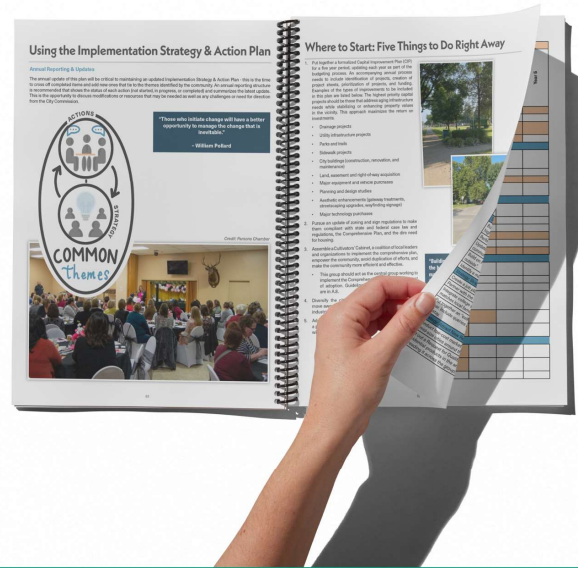
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# Main Areas of Focus

Parsons, KS Comprehensive Plan

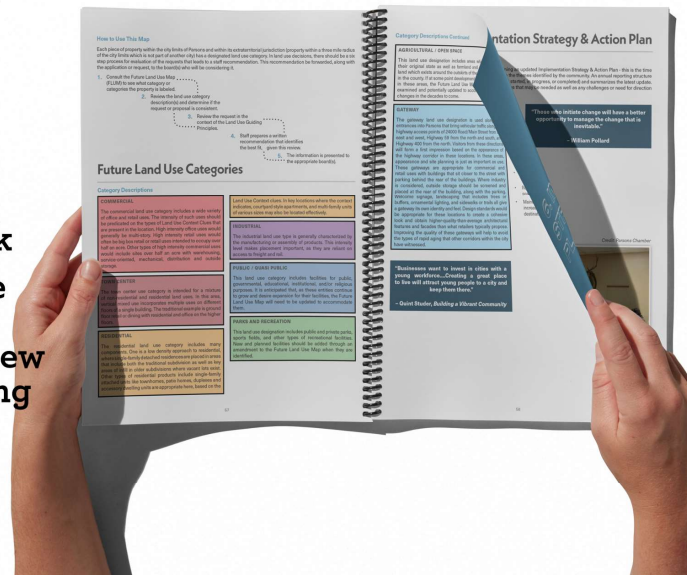
- Resource identification & creatively exploring how to better use resources
- Narrowing their focus to three catalyst locations & five things to do right away
- Identifying community principles & making them central to decisions
- Establishing & maintaining a dialogue with the community



# Fiscal Sustainability

Parsons, KS Comprehensive Plan

- Adopted a set of land use guiding principles
- Outlined steps to diversify housing and commercial stock
- Identified areas of sustainable development patterns that should be models for infill & new development while maintaining continuity



# Main Areas of Focus

Sweetwater, TX Comprehensive Plan

- **Fleshing out community identity and aspirations**
- **Creating a foundation for neighborhood planning with residents**
- **Integrating local resources into implementation strategy to maximize reach and scale to the community's abilities**



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# Fiscal Sustainability

Sweetwater, TX Comprehensive Plan

- **Identifying underdeveloped areas where infill should be channeled to assist with street costs**
- **Uncovering what development patterns yield the most value**
- **Aligning community principles with policy & spending decisions**
- **Selecting key sites & incremental steps to activate them again**



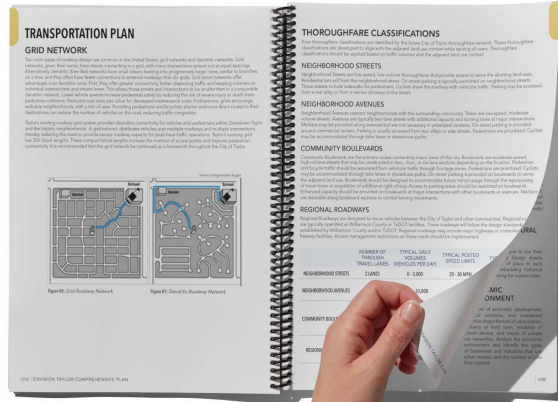
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# Main Areas of Focus

Taylor, TX Comprehensive Plan

- Understanding link between land use & infrastructure maintenance costs
- Identifying where existing infrastructure can accommodate growth without significant additional investments
- Broadening the housing spectrum for affordability



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# Fiscal Sustainability

Taylor, TX Comprehensive Plan

- Extracting what land uses – in addition to spatial characteristics – generally are most productive
- Quantifying the value of infill & identifying where it could be done immediately
- Getting public support for a fiscally sustainable scenario prior to adoption



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# Tips for Effective Planning



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## Small Equals Mighty

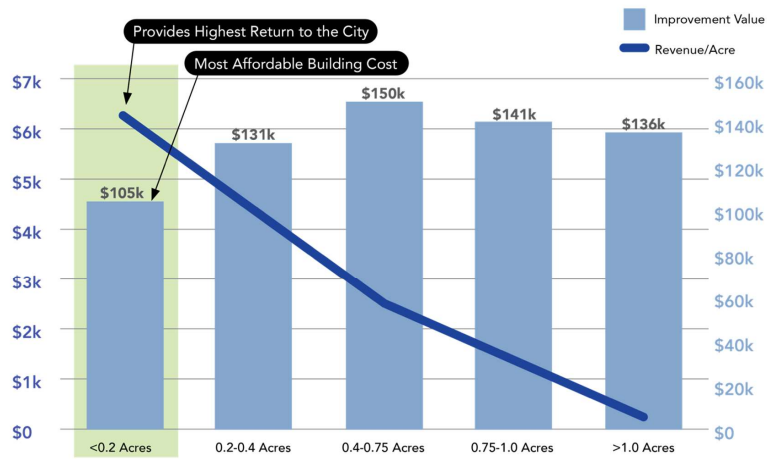


Figure 1: Single Family Improvement Value compared to Rev/Acre Source: Verdunity



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# Common Characteristics of Fiscally Productive Development Patterns

- Higher ratio of building footprint to lot size
- Two or more stories
- Narrower lot frontage
- Smaller lots
- Gridded, connected streets that are narrower
- Mix of housing types and scales
- Mix of commercial scales
- Smaller parking areas

*Note: these often correlate with unique places, safer traffic speeds, & affordability*



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# What We've Heard

Lessons Learned

- **Community members consistently rank these as their top decision-making principles:**
  - Fiscal Responsibility
  - Community Partnerships
  - Openness and Transparency
- **The most frequent comment is that people want to keep a “small town feel”**
- **Communities are having more productive conversations as they make use this common language of fiscal sustainability**



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# What We've Seen

## Lessons Learned

- **Embrace incremental improvements & planning – starting small is ok!**
- **Focus on a handful of things at one time**
- **Balance a focused & methodical approach with exploring connections between issues (for example, housing and retail)**
- **Infill will always make a significant impact and return**
- **Make sure your regulations align with your vision for fiscal sustainability**
- **Leverage your ability to plan & implement through local partnerships**
- **Meet people where they are in your community**
- **Be open and transparent with your discussions & actions**
- **Don't plan without considering constraints – help the public understand what & why**

