



SMART GROWTH

in Madison, Wisconsin

BY DAVID SCHMIEDCKE

Growth is good for a community — or, more accurately, *smart* growth is good for a community. But what does “good” growth look like? How is it measured? How does the quality of growth affect municipal finances? Too often, the answers to those questions are “We’ll know it when we see it” or “It doesn’t matter as long as the tax base grows.”

For decades, city planners have used maps, population projections, and other data in an attempt to portray the impact of different types of development on a city. Often, planners have tried to intuitively and anecdotally explain the impacts of disorganized development (sometimes called “sprawl”) compared to more compact, mixed-use development patterns. However, traditional growth scenario planning has lacked a clear way of showing the cost implications of development scenarios.

In recent years, planning organizations have sought to build models to quantify these costs. These efforts have combined sophisticated mapping tools with known unit costs to show the short- and long-term costs of various styles of development.

In these times of strict tax limits, resiliency goals, and quality-of-life expectations, these questions and perspectives are taking on much greater importance. The City of Madison, Wisconsin, is working to answer these questions through a collaboration with Smart Growth America¹ and its work with Calthorpe Analytics to implement the UrbanFootprint growth scenario modeling tool.²

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Background on Urban Planning in Madison

With its unique geographic location — on an isthmus between Lakes Mendota and Monona — Madison has always been at the forefront of thoughtful urban planning. Under the guidance of John Nolen, one of the preeminent urban planners of the early 20th century, the lakes were identified as an important element of the city’s vitality. Parks, open spaces, and infrastructure were planned with them as focal points.

PROPERTY TAXES

While all communities have a need for efficient development, it is particularly relevant for Madison because of the city’s reliance on property taxes to support city services (more than 70 percent of general fund revenues). Under Wisconsin state law, local governments have very few broad-based revenue sources other than property taxes to pay for services. In addition, statewide concern about the rate of growth in property taxes has led it to adopt strict limits on the growth of local tax levies.

Madison can only increase its levy based on the ratio of the value of new construction to overall property value. Much

of the city is already built out, so the allowable property tax growth rate is relatively small (2.2 percent for the 2016 budget). Remaining revenues in the city’s general fund, including state aid, grow at a slower pace than property taxes. Exceptions to slow revenue growth have been transient occupancy taxes and building permits, but these sources make up less than 5 percent of general fund revenues.

In this financial environment, the city tries to maximize property value from development while ensuring that the ensuing property taxes will pay for the long-term infrastructure and service costs associated with the development. Traditionally, such calculations have not been performed when planning for growth, leading to low-density, low-value development that cannot financially support the infrastructure and services it requires. Madison, however, is using the UrbanFootprint tool and the financial models developed in conjunction with Smart Growth America to help the city grow in a thoughtful and financially effective manner.

RAPID TRANSIT

In 2014, the City of Madison secured a \$300,000 federal Transportation Investment Generating Economic Recovery (TIGER) grant for its UrbanFootprint Transit-Oriented Development Station Area Planning Initiative. This effort is a part of a broader project to develop bus rapid transit (BRT) options for the Madison metropolitan area, helping to address equity in access to education and employment.

Exhibit I: Five Development Scenarios

Each scenario helps the city evaluate the magnitude of public cost savings associated with more compact development patterns. This table summarized the quantity of development in each scenario.

Scenarios

	Low Density	Base	Compact
Single-family Detached Homes	1,543	1,543	1,543
Multi-family Units	3,236	3,236	3,236
Total Units	4,779	4,779	4,779
Total Gross Acres	2,379	1,403	915
Net Residential Density	4.1	9.0	16.2
Commercial Square Footage	4,646,920	4,646,920	4,646,920

Madison's eight-term chief executive has recognized the value of thoughtful development throughout his tenure, noting that this funding provides the city with the tools it needs to ensure that the key factors of equity and sound regional planning are taken into account.

PIONEER NEIGHBORHOOD

Madison worked with Smart Growth America to develop a series of financial inputs for developing a "Pioneer Neighborhood" on its western boundary, just beyond the West Beltline Highway. (See Exhibits 1 and 2.) The neighborhood is three miles north of one of Dane County's largest and fastest growing businesses, a leading electronic medical records software developer. Additionally the University of Wisconsin plans to expand its research park into the neighborhood.

Madison has additional green-field areas outside of the Pioneer Neighborhood that offer opportunities for development. UrbanFootprint will be used to help guide the planning for these areas over the next two years, as the city revisits its strategy. In addition, the city must update its comprehensive plan every 10 years. The outputs from this tool will help guide this process and growth in the city over the next 20 years.

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FINANCIAL MODELING

Financial modeling for the area includes ongoing city costs for maintenance and reconstruction of streets, water and sewer mains, public safety services, schools and libraries, snow and ice removal, and refuse collection. Revenues were focused on property taxes. Smart Growth America researchers used this data to model the net fiscal impacts of alternative development and density patterns — for example, the model estimates that an overall density of 16 units per acre produces net revenues four times greater (on a per acre basis) than an overall density of four units per acre.

The fiscal impact model generated by Smart Growth America and the City will be one component of the UrbanFootprint tool. In addition to financial information for decision making, UrbanFootprint will project vehicular miles traveled, carbon emissions and associated climate-change implications, household costs, energy use, land consumption, transportation, water use, and health effects. Scenarios will include a continuation of current trends, increased infill development, and maximum infill along transit corridors.

This effort in Madison is being led by the city's planning director, who point-

Exhibit 2: Net Fiscal Impact of Development Scenarios

As the density of development increases, the net fiscal impact per acre also increases.

Revenues

Scenarios	Total	City of Madison	
		Per Capita Residential & Employer	Per Acre
Low Density	\$15,646,000	\$622	\$6,600
Base	\$15,305,000	\$637	\$10,900
Compact	\$14,752,000	\$624	\$16,100

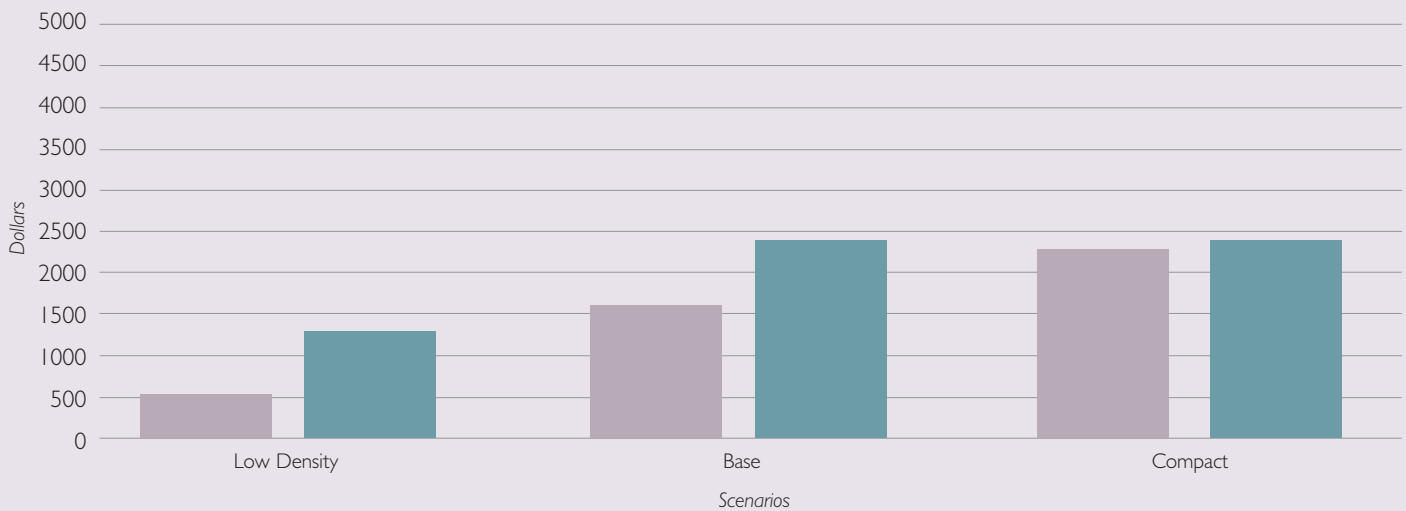
Expenditures

Low Density	\$14,334,000	\$607	\$6,000
Base	\$13,198,000	\$549	\$9,400
Compact	\$12,683,000	\$537	\$13,900

Net Fiscal Impact

Low Density	\$1,311,000	\$60	\$550
Base	\$2,106,000	\$90	\$1,500
Compact	\$2,069,000	\$90	\$2,260

Estimated Annual Net Fiscal Impact per Acre



ed out that planners are often at a disadvantage in helping decision makers because of the lack of tangible impact projections. This effort is connected to the city's multi-year implementation of outcome-based budgeting, since the UrbanFootprint effort allows the city to make return on investment a primary factor in its land use planning and siting of public facilities.

Those development patterns will be critical for Madison's future financial resiliency. With a tax base of more than \$22 billion, each one percent of allowable increase in the tax levy requires \$200 million of new construction. Based on average home values and recent multifamily projects, reaching one percent growth would require 800 new single-family homes or four 250-unit multifamily buildings. Each of those approaches has certain costs that need to be understood as plans are developed and the city grows on its periphery and sees increased redevelopment in its existing neighborhoods.

OTHER FACTORS

Madison, like many other communities, is responding to the changing values of its residents. Automobile ownership is falling as citizens focus more on easy access to shopping, cultural activities, and other services through walking, bicycling, and public transit. These values, in turn, are influencing more com-

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compact development patterns and creating opportunities for more efficient service delivery approaches.

Always sensitive to its growth patterns, Madison moved quickly to focus on these quality-of-life changes. The large and fast-growing employer mentioned earlier draws recent college graduates to the city, and many of those new employees do not own cars, prefer rental housing, and want access to transit and cultural activities that are concentrated in the down-

town area. These demographic changes, combined with aging baby boomers looking for downsized living space and undergraduate and graduate students who are interested in more amenities in residential space, are bringing more compact development to Madison.

CONCLUSIONS

The financial models developed as part of the Smart Growth America initiative and the broader measures included in the UrbanFootprint tool will help Madison quantify the impacts of development patterns within the context of changes in residents' values and priorities. This information will help inform a wide array of decisions, including the shape of the city's annual budget and long-range financial planning over the next few decades. ■

Notes

1. Smart Growth America (a coalition that works with communities to fight sprawl and save money), in collaboration with real estate advisory firm RCLCo, constructed a fiscal impact model that focuses on the relative effects of sprawl versus compact development. Madison is one of the communities Smart Growth America worked with to apply the model, analyzing patterns of development for a 1,400-acre greenfield site, built out at higher or lower densities. (See "Land Use and Municipal Budgets: The Fiscal Connection," by Patrick Lynch and Christopher Zimmerman, in the October 2015 issue of *Government Finance Review*, for more information.)
2. Calthrope Analytics is an urban planning and analysis firm. Its UrbanFootprint growth scenario modeling tool gives users access to land use, policy, and resource planning tools across a range of sectors.



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