Attachment 2

CRITERION 3.1.1: IMPACT OF THE DISTRIBUTION OF GROWTH ON PROPERTY VALUES

KEY CONCLUSIONS

- Areas with TOD and walkable neighborhoods have seen increases in property values in other regions. There would be a significant increase in TODs and walkable areas under Alternative Plans I and II over the Trend. Alternative II could have more than twice as many TODs as Alternative I.
- Increased property values can result in increased housing costs.
- The public service costs of farmland are low compared to scattered lower-density residential development.
- Compact development or redevelopment provides an opportunity for communities with little developable land to increase their tax base.

The alternatives are designed to accommodate the year 2050 population, household, and employment projected by the Commission. While the alternatives accommodate the same amount of growth regionwide, the development patterns and transportation systems designed to serve this growth vary between alternatives. The Trend represents a continuation of overall decline in density across the Region. Alternatives I and II include more compact, walkable development than the Trend with a focus on TOD around fixed-guideway transit stations. Alternative II includes more than twice as many station areas as Alternative I.

- **Development in Urban Areas**: The change in TODs and walkable areas under Alternatives I and II is expected to impact property values in those areas. There would be very few fixed-guideway transit station areas that could support TOD under the Trend. In addition, fewer of the Region's residents (724,600) would live in walkable neighborhoods under the Trend than Alternatives I and II. There would be 65 rapid transit stations and nine commuter rail stations that could potentially support TOD under Alternative I, and 769,500 residents would live in walkable neighborhoods. There would be 185 rapid transit stations and 18 commuter rail stations that could potentially support TOD under Alternative Plan II, and 863,100 residents would live in walkable neighborhoods.

  Studies acknowledge that it is difficult to determine the exact impact of transit stations on development potential and property values within a station area in light of other factors such as the overall strength of the local and regional real estate market; strength of the economy/job market; and other planning and development initiatives. Despite this uncertainty, a number of previous studies in metropolitan areas with fixed-guideway transit networks have shown a range of property value increases in station areas. Three examples include:
    - 2 to 18 percent for condominiums within a ½ mile of a station (San Diego)
    - 15 percent for office development within a ½ mile of a station (Santa Clara County)
    - 30 percent for retail development within ¼ mile of a station (Dallas)

  Studies have also found that walkable neighborhoods have a positive impact on residential property values. A 2009 CEOs for Cities study of 15 metropolitan areas found that homes in areas with above average walkscores sell for $4,000 (Dallas) to $34,000 (Sacramento) more than comparable homes in areas with average walkscores.

- **Challenges**: Housing costs may increase as a result of increased property values. This increase is of particular concern for redevelopment in areas with concentrations of low-income households, as it may lead to the displacement of existing residents of a neighborhood if it becomes unaffordable for them to stay. Displacement may be one of the elements of a phenomena commonly referred to as gentrification, which has been studied in detail by many experts for decades.

Unfortunately, the conclusions of those decades of research are mixed, and occasionally contradictory. Some studies indicate displacement due to housing in a neighborhood becoming unaffordable is relatively rare, occurring at a rate of about one percent of longtime residents per year, while others find a displacement rate of up to 10 percent in some cities with significant economic growth and high demand for urban living. In addition, there is some evidence that in areas where local governments relax limitations on the height and density of new developments within certain areas of high demand, nearby neighborhoods experience less gentrification, new development, and displacement.

Some strategies for encouraging mixed-income housing in compact, walkable redevelopment areas include:

- Density bonus and reduced parking requirements as incentives for affordable housing
- Incentives to use Low Income Housing Tax Credits in TODs
- Public/private partnerships through options including acquiring and assembling land, streamlining rezoning and permitting processes, and assistance with brownfield mitigation grants
- Developing enough new housing and preserving existing affordable housing to meet the potential demand (a review of nationwide studies conducted for the FTA estimates that demand for housing in transit station areas could grow 150 percent by 2030)

- **Development in Rural Areas**: The public service costs of farmland are low compared to scattered lower-density residential development. In general, the tax returns to a community from farms are greater than the public service and facilities costs that farms require. Costs to provide public services and facilities to scattered residential development generally exceed tax revenues. Converting productive farmland can increase the cost of public services and impact a community's character. There would be significantly more farmland converted to urban development under the Trend (77 square miles) than Alternative I (32 square miles) or Alternative Plan II (26 square miles).

- **Levy Limits**: The emphasis on compact development in Alternatives I and II may also have a positive impact on community property tax revenues, particularly in communities that have very little developable land. A community is allowed to increase its levy over the amount it levied in the prior year by the percentage of increase in equalized value from net new construction with few exceptions. If no new construction occurred in a community, then the allowable tax levy increase is zero percent.[1] Compact development or redevelopment provides an opportunity for communities with otherwise very little developable land to maximize the amount of new construction that may occur.

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[1] *League of Wisconsin Municipalities.*