JUMP START INITIATIVE

Planning for Sustainable Growth

Jump Start Initiative – Central Arkansas

AMPO Conference

October 22, 2014

GATEWAY PLANNING
A VIALTA GROUP PARTNER

ICF INTERNATIONAL

METROPLAN
SMART PLANNING MAKES SMART PLACES.

IMAGINE CENTRAL ARKANSAS
Plan Smart. Live Smart.

Jump Start Initiative

- Why Jump Start?
  - *Imagine Central Arkansas, Jump Start and the Next American Urbanism*
- What are the elements?
  - *Development, Economics & Policy*
- How does it get started?
  - *Setting the Strategies, Action Items and Performance Measures for successful implementation*

Why Jump Start?

"The United States was founded on a wide open landscape. Today, we find ourselves pioneers once again, but instead of westward expansion, our great riches will be found by capturing the enormous lost value trapped in our existing places."

THE NEXT AMERICAN URBANISM

http://transformplace.wordpress.com/the-next-american-urbanism/

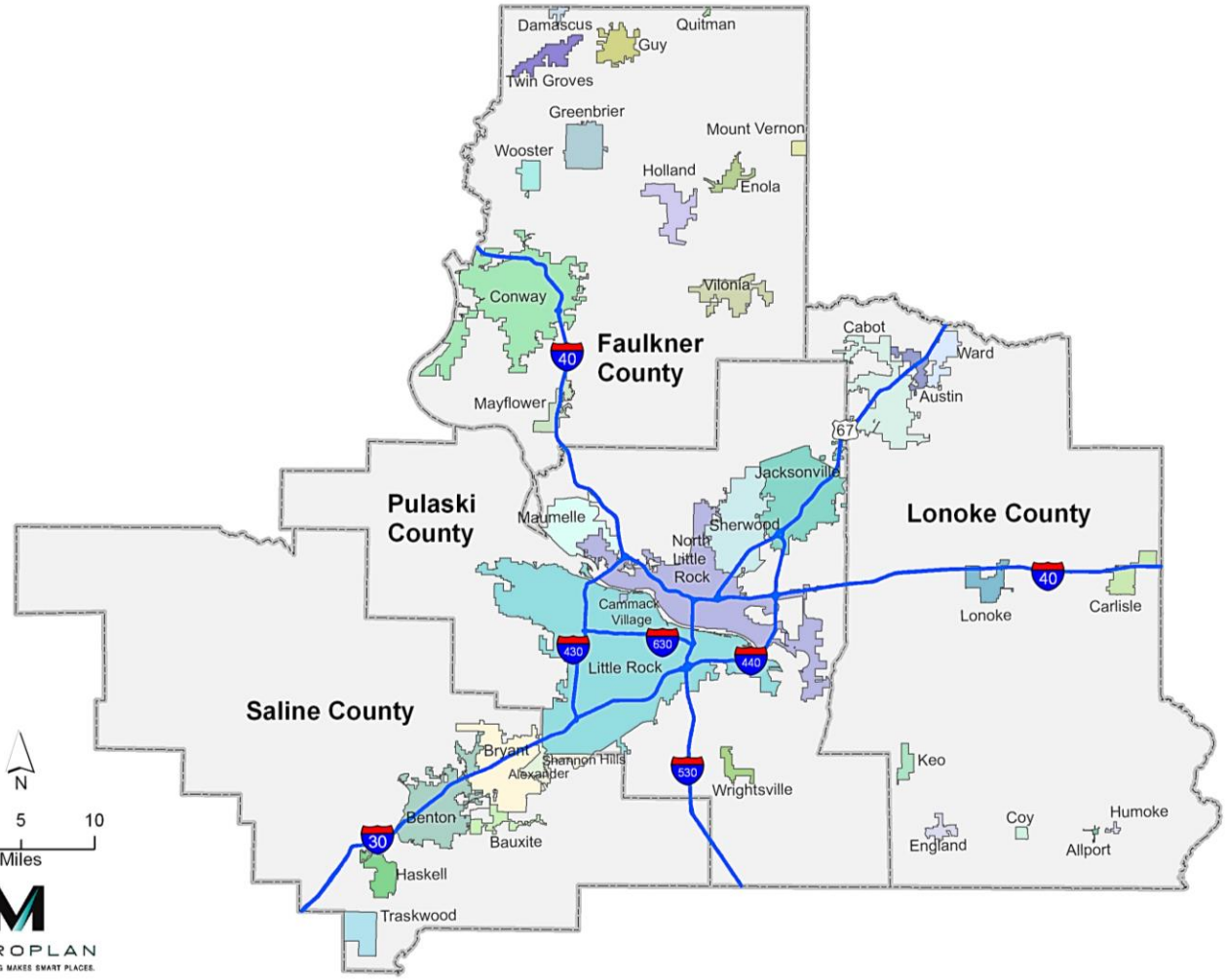
Jump Start and the Next American Urbanism

Jump Start Initiative will:

- **Implement the Imagine Central Arkansas' Regional 2040 Long Range Plan** for sustainable and livable communities
- Focus on building local capacity to **create positive and sustainable growth** patterns
- Building development patterns within the existing fabric that **promote local and sustainable market factors**
- **Harness and grow local funding** capacity to continue sustainable growth
- **Generate a framework and business model** describing how new development and redesigned infrastructure can generate long-term economic growth
- **Produce a replicable process** that can be utilized in similar contexts and grow the pie for neighboring communities

Imagine Central Arkansas

- **671,459 Residents**
- **22% of Arkansans**



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What are the elements?

"Sprawl development patterns are not the problem. [Developers are] merely responding to demand in the marketplace for separated and isolated land uses. But not everyone wants to live in that environment; even in the suburbs, many people want to live in walkable urban neighborhoods."

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Project Application and Selection

Primary Focus: **align Livability Principles and Regional Goals** to create the evaluation categories

Partnership for Sustainable Communities – Livability Principles	JumpStart Program Elements	Jump Start Evaluation Categories
1. Provide more transportation choices.	Efficient Mobility Options	**Provide transportation choices and enhance mobility.**
	Pedestrian Design	
2. Promote equitable, affordable housing	Housing Choice	**Increase housing and development/land use diversity**
	Development Diversity	
3. Enhance economic competitiveness	Educational Opportunity	**Enhance economic competitiveness**
	Economic Development	
4. Support existing communities	Efficient Growth	**Support existing communities**
	Activity Centers	
5. Value communities and neighborhoods	Quality Places; Healthy Communities	**Quality places and healthy communities**
6. Coordinate and leverage federal policies and investment.		*[Local matching of Federal funding]*
Environmental issues are embedded in Livability Principles 1, 2, 4, & 6.	Environmental Stewardship	**Support environmentally-responsible development**
	Resource Efficiency	

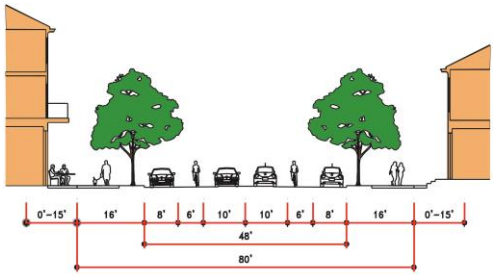
Project Application and Selection

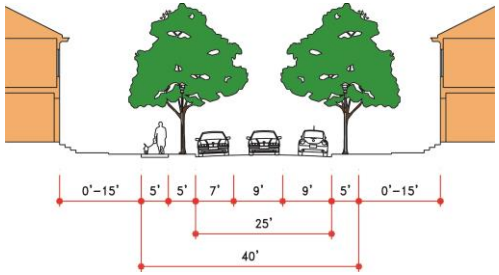
- **Evaluation Factors:**
  - **Scoring System** used by consultant team based on Jump Start evaluation categories
  - **Strengths & Weaknesses Assessment** (from background research, interviews of applicant teams and project application)
  - **Likelihood of Implementation** – based on level of support from City/County and stakeholder groups
- **Imagine Central Arkansas Partners (ICAP)** made final selections

Development – Build the Vision

- Detailed media and public involvement plan
- Facilitator training
- Pre-Workshop Stakeholder meetings
- Visioning Workshop
- Walking audits
- Design workshop
- Concept public meeting
- Open Houses

Development – Conceptualize the Plan





Economics – Test the Concept

Public Investment
necessary to catalyze development

Aligned with

Private Investment
into a catalytic development

Public Investment
$5,500,000

Private Development Potential – 2 Blocks

- 12 Townhomes (2000 square feet each)
- 24 Apartment Units (850 square feet each)
- 12,000 square feet of retail
  (3-4 restaurants at 3,000-4,000 square feet)
- 12,000 square feet of office
  (6 small business offices at 2,000 square feet)

Economics – Test the Concept

Private Pro Forma Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Net Operating Income															
Multi family	$129,194	$133,070	$137,062	$141,174	$145,409	$149,772	$154,265	$158,893	$163,660	$168,569	$173,626	$178,835	$184,200	$189,726	$195,418
For-sale Housing	$2,359,790	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Office/Commercial	$134,795	$296,955	$581,394	$596,507	$953,146	$981,994	$1,126,298	$1,157,407	$1,195,021	$1,232,071	$1,268,539	$1,304,409	$1,346,715	$1,388,386	$1,429,403
Retail	$131,237	$267,697	$447,753	$459,038	$470,148	$484,735	$495,483	$506,042	$520,064	$533,888	$547,509	$560,923	$574,124	$587,106	$603,520
Total NOI	**$2,755,017**	**$697,722**	**$1,166,209**	**$1,196,719**	**$1,568,704**	**$1,616,501**	**$1,776,046**	**$1,822,342**	**$1,878,745**	**$1,934,528**	**$1,989,675**	**$2,044,167**	**$2,105,039**	**$2,165,218**	**$2,228,341**

Development Costs															
Multi family	$1,637,185	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
For-sale Housing	$2,266,000	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Office/Commercial	$1,871,613	$3,226,780	$-	$3,983,964	$-	$1,368,563	$-	$-	$-	$-	$-	$-	$-	$-	$-
Retail	$1,465,976	$1,890,358	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Total Development Costs	**$5,603,589**	**$1,890,358**	**$-**	**$3,983,964**	**$-**	**$1,368,563**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**

Annual Cash Flow																
Net Operating Income		$2,755,017	$697,722	$1,166,209	$1,196,719	$1,568,704	$1,616,501	$1,776,046	$1,822,342	$1,878,745	$1,934,528	$1,989,675	$2,044,167	$2,105,039	$2,165,218	$2,228,341
Total Asset Value@	10%															$22,283,408
Total Costs of Sale *(2)* @	5%															$(1,114,170)
Total Development Costs		$(5,603,589)	$(1,890,358)	$-	$(3,983,964)	$-	$(1,368,563)	$-	$-	$-	$-	$-	$-	$-	$-	$-
Net Cash Flow		**$(2,848,572)**	**$(1,192,636)**	**$1,166,209**	**$(2,787,244)**	**$1,568,704**	**$247,938**	**$1,776,046**	**$1,822,342**	**$1,878,745**	**$1,934,528**	**$1,989,675**	**$2,044,167**	**$2,105,039**	**$2,165,218**	**$23,397,578**

NPV @ 10% = $7,945,167 **Unleveraged IRR: 22.7%**

(1) Other Infrastructure costs are not allocated among each of the uses. The project net present value is therefore less than the sum of the net present values for the individual uses.

(2) Assumes asset sale in Year 15.

Economics – Test the Concept

Public Return on Investment

Fiscal Impact	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Retail Sales	$7,575,000	$11,348,250	$16,149,698	$16,634,188	$17,133,214	$17,647,211	$18,176,627	$18,721,926	$19,283,583	$19,862,091
Property Value	$9,383,900	$13,889,578	$20,711,070	$21,125,291	$23,920,366	$24,398,774	$23,333,342	$23,800,009	$24,276,009	$24,761,529
Sales Tax	$132,563	$198,594	$282,620	$291,098	$299,831	$308,826	$318,091	$327,634	$337,463	$347,587
Ad Valorem	$17,829.41	$26,390	$39,351	$40,138	$45,449	$46,358	$44,333	$45,220	$46,124	$47,047
Total	$150,392	$224,985	$321,971	$331,236	$345,280	$355,184	$362,424	$372,854	$383,587	$394,633

Return on Investment	Construction Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital Contribution	-$5,500,000										
Net Cash Flow	-$5,500,000	$150,392	$224,985	$321,971	$331,236	$345,280	$355,184	$362,424	$372,854	$383,587	$394,633
Net Cash Flow with Terminal Value	-$5,500,000	$150,392	$224,985	$321,971	$331,236	$345,280	$355,184	$362,424	$372,854	$383,587	$11,951,757

Investment Performance	
IRR	**12%**
NPV	**$3,259,031**

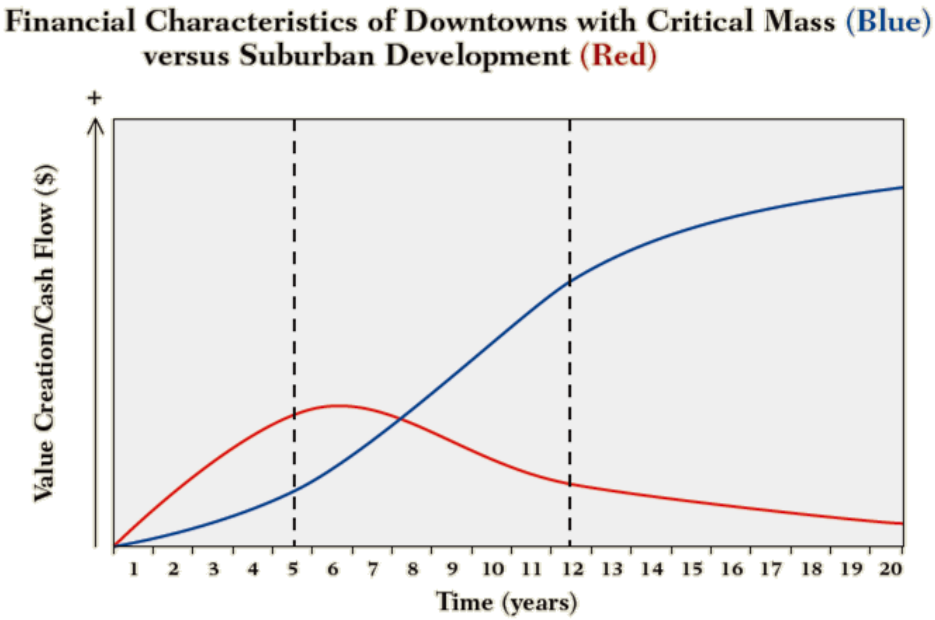
Assumptions	
Fiscal Impact Growth (Year 11+)	0.025
Discount Rate	6%
Sales Tax Rate	0.0175
Millage	1.9

Catalyzed mixed-use development can return investment back to the city over time

Policy – Setting up the Zoning

Key Zoning Policy Attributes:

- Focus on the **Form and Placemaking**
- Successful zoning will create **flexibility for developers,** but establish **predictability for the community**
- **Sustaining value is a key outcome**
- **Be realistic about the market** and what development can sustain



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

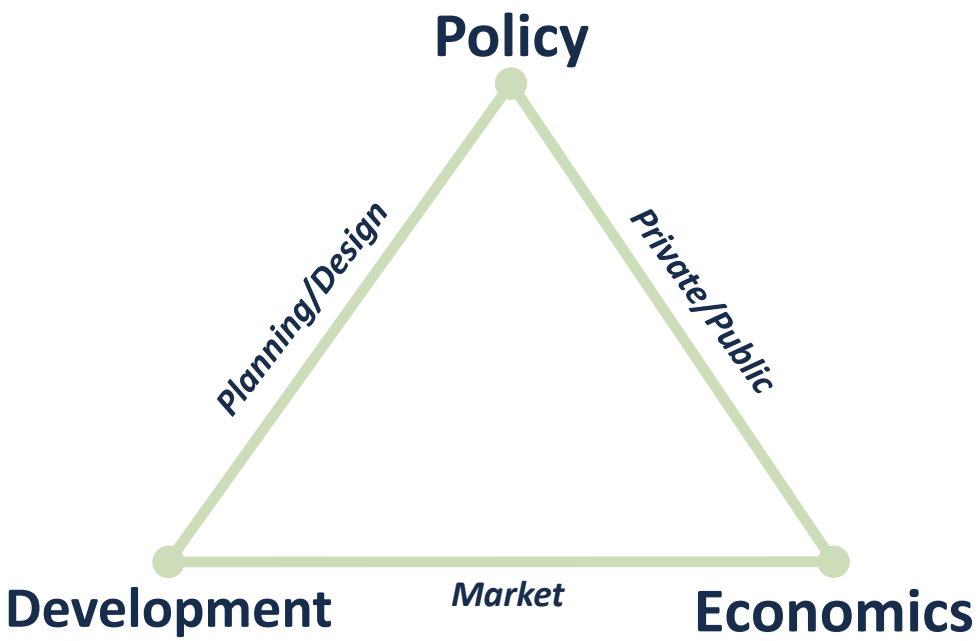
Policy – Public Policy Alignment

- **Infrastructure**
  - Complete Streets
  - Green Streets
  - Safe Routes to Schools
  - Arkansas Highway and Transportation Department (DOT) Standards
- **Housing**
  - Housing Diversity
  - Coordinating different funds (CDBG, HOME, LIHTC, etc.)
- **Public/Private Partnerships**
  - Joint Development opportunities
  - Gap financing/Loan Guarantees
  - Façade and Building Enhancement Programs

Align policies to implement the Virtuous Cycle

With a conscious effort to align our implementation and redevelopment efforts with this **Virtuous Cycle of Reinvestment,** sustainable economies will thrive.

How does it get started?



"In order to affect change in the way the built environment is created, one must first understand the relationships that exist between the governing elements that control how the built environment comes together."

Michael Hathorne

http://transformplace.wordpress.com

POLICY – Adopting Key Policies and Plans

The first steps are challenging, but the most important:

- **Adopt the Zoning and Implementation Plans**
- Write and enact legislative policies that will **guide sustainable development**
- **Create relationships** with key local, regional and federal groups that will help source funding
- Focus on one area to make it completely successful, then move on to adjacent areas, **grow the pie incrementally**
- **Ultimately: TRACK PERFORMANCE**

POLICY – Performance Measures (PM)

PM Framework

- Customized framework for each plan
- Connects federal (FSI), regional, and project goals
- Implementation strategies connected to performance measures
- Variety of output and outcome measures

OUTPUTS -vs-	OUTCOMES
Plan inputs	Number of workshop attendees
Plan outputs	Number of new planned transit stations
Plan outcomes	Jobs accessible in 30 min. by transit
On-the-ground	Travel survey respondents using transit

POLICY – Example: Transportation PMs

Federal Flagship Sustainability Indicators (FSIs)	Central Arkansas Livability Index Indicators (Metroplan)	Project-Level Performance Measures – Outputs	Supported Regional Outcome * Can also be measured at project Level
• Percentage of workers commuting via walking, biking, transit, or rideshare	• Average VMT per capita • Average WalkScore • Percentage of population near (0.5 mile) a bike route • Number of roadway fatalities per 100,000 residents • Miles of paved trails per 100,000 residents	• Implementation of an SRTS program • Enactment of a Complete Streets ordinance • Percentage of projects that consider CS/RTS • Number of walk- or bike-to school events held • Number of new bike/ped highway and railroad crossings	• *Higher percentage of workers commuting via bike/ped/transit • *Higher average WalkScore • Lower average daily VMT per capita • *Decrease in number of roadway fatalities • **Local only:* Increase in number of miles of biking facilities in project area

DEVELOPMENT – Local Investment First

Key strategies to activating a place:

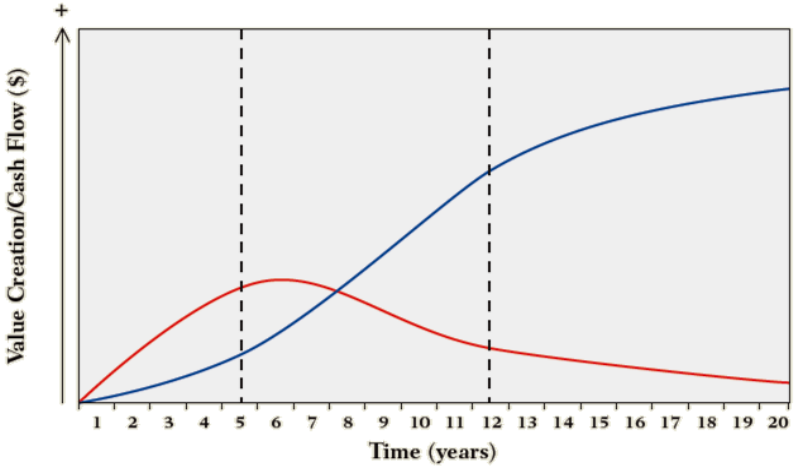
- Look **local first**
- Align the plan and the policy to **reflect reality** - get local, experienced developer buy-in
  - If you are looking to create mixed-use or small lot development, seek out a developer that has actually built that product.
- **Don't expect a "silver bullet" option**, synergy between all parts is necessary for success in any development
- **Start small and build momentum**
- **Don't discount any option**, thoroughly test it before you dismiss it

DEVELOPMENT – Public Investment

Cities are incorporated, so they should act like a business!

- Conduct due diligence process before investment is made in a project
  - Check **references**
  - Ask for **pro-forma** analysis
  - Expect a reasonable **return on investment**
  - Prepare a **business plan** for every investment made and an exit strategy in case of failure
- Stay on track for value creation and the Virtuous Cycle of Reinvestment

Financial Characteristics of Downtowns with Critical Mass (Blue) versus Suburban Development (Red)



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ECONOMICS – Build Partnerships

Strategic Partners are already in your town:

- **Local banks will support local development, if the City does too!**
  - Local infrastructure investment
  - City gap financing
  - City good-faith and credit support for loan guarantees
- **Cities need regional support:**
  - Establish a sustainable communities effort in your MPO region
  - Get support or organize comprehensive planning processes
  - Help implement those plans that are ready to go
    - Help apply for state and federal funding
    - Assemble projects to create a greater impact in your region

ECONOMICS – Build on the local market

Don’t focus on what you don’t have; focus instead on what you do have!

- **All planning processes should have market assessments**
  - Find the base absorption with the understanding that place builds greater markets for the area
  - Find your local anchors and support their success

Discussion

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