Placemaking in Michigan: Starting the Economic Development Engine

12th Annual New Partners for Smart Growth Conference

Saturday, February 9, 2013
Kansas City Convention Center
*Kansas City, Missouri*

MSU Land Policy Institute

- Research and outreach based on **analysis of land policy options** in contemporary issue areas.
- Ways in which we use land and build upon it **impact our quality of life**.
- Focus Areas: **Placemaking & Regional Prosperity**, Land & Planning, Land-Based Resources, and Energy.
- School of Planning, Design and Construction.
- www.landpolicy.msu.edu.

Presentation Outline

- Changes in Neighborhood Demand
- National Placemaking Survey
- Midwest Home & Neighborhood Survey
- Property Price Analysis
- Barriers
- Conclusions

Presenter:

John Warbach, MSU Land Policy Institute

Changes in Neighborhood Demand

Demographic Shifts ➡️ **Preferences** ➡️ **Built Environment Gaps**
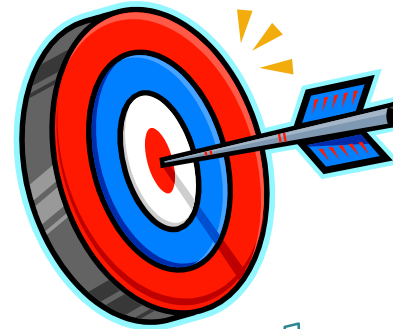
Research gives us a snapshot on which to apply trend information

How Can We Meet These Changes in Demand?

- **Placemaking**
- **Change balance of options to include more urban centers**

But what should those options include?

Series of studies

o NAR 2011 study reveals general preferences.

o Drill-down on preferences and value relationship to placemaking:

  o Survey of builders, realtors, lenders and planning officials regarding their views toward, and activities in placemaking.

  o National survey of households (homeowners and renters) on specific neighborhood features.

  o Coupled hedonic analysis of homes—does sales price reflect proximity to placemaking businesses and facilities?, with: survey of what drove people to those homes.

2011 National Association of Realtors Study

- Nearly 60% of respondents prefer to live in a neighborhood with a **mix of uses in easy walking** distance, while 40% prefer housing-only neighborhoods, where they have to drive to other amenities.

- **Being within an easy walk of a grocery store** was important to 75% of respondents. Other important places included pharmacy, hospital, restaurants and cultural resources.

- Americans see **improving existing communities** (57%) and **building new developments within existing communities** (32%) as much higher priorities to building new developments in the countryside (7%).

National Placemaking Survey

MSU Land Policy Institute

- ***Purpose: better understand what people want in their neighborhoods, nationwide.***
- ***Visual preference elements.***
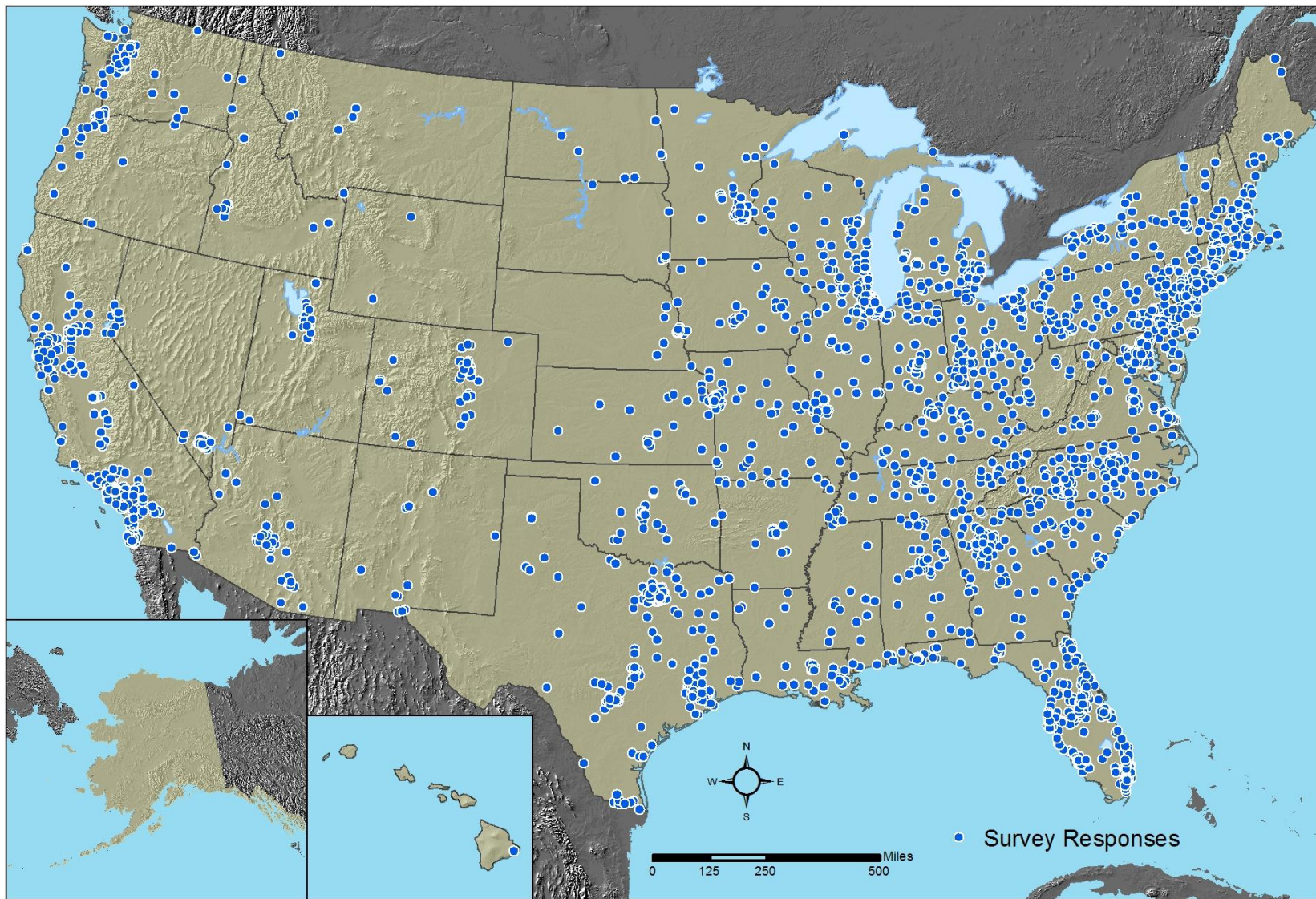
N=3,431, October/November 2012

Views on Placemaking

Question	Strongly Agree	Somewhat Agree	Neither Agree Nor Disagree	Somewhat Disagree	Strongly Disagree	Unsure
Increase economic activity.	32%	39%	18%	5%	3%	4%
Improve opportunities for jobs.	33%	36%	19%	6%	3%	3%
Improve the quality of life.	41%	35%	16%	4%	2%	3%
Positively affect home prices.	33%	36%	21%	4%	2%	3%
Enhance the sense of community belonging.	37%	37%	18%	4%	2%	3%
Attract new people to our community.	35%	37%	19%	4%	2%	3%

71% Positive Economic Impact

69% Jobs

74% Community Belonging

76% Quality of Life

69% Raise Home Prices

72% Attract New People

Respondents by Transect:
Where Do You Currently Live?
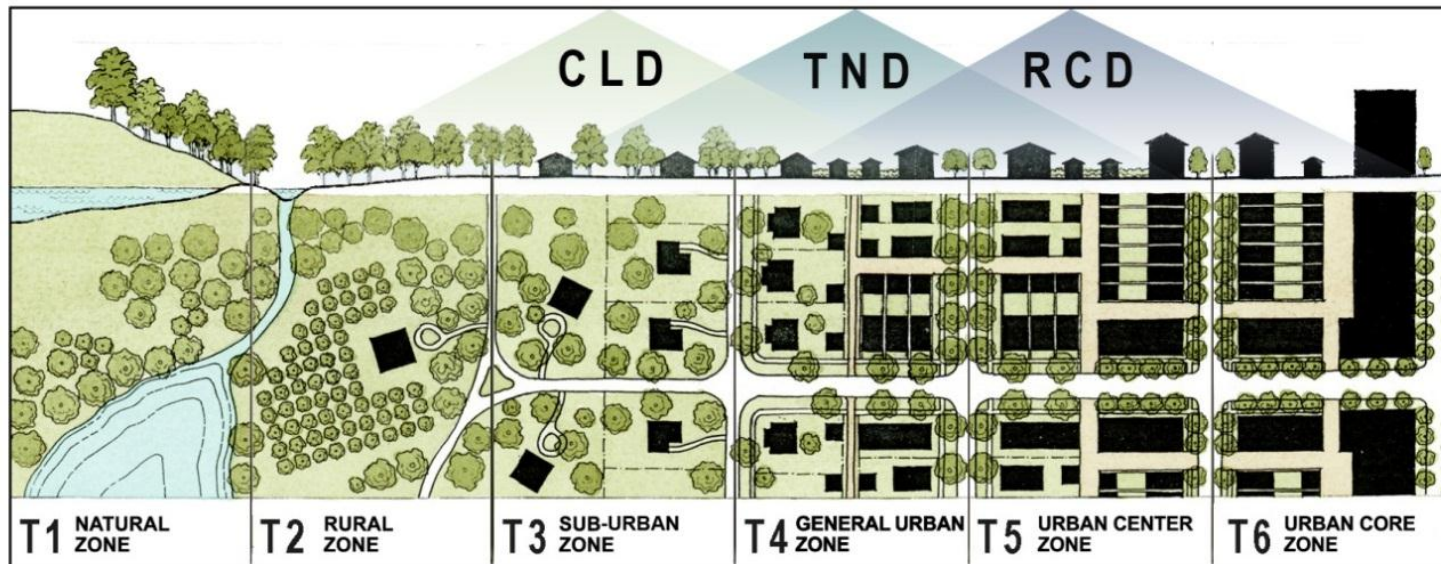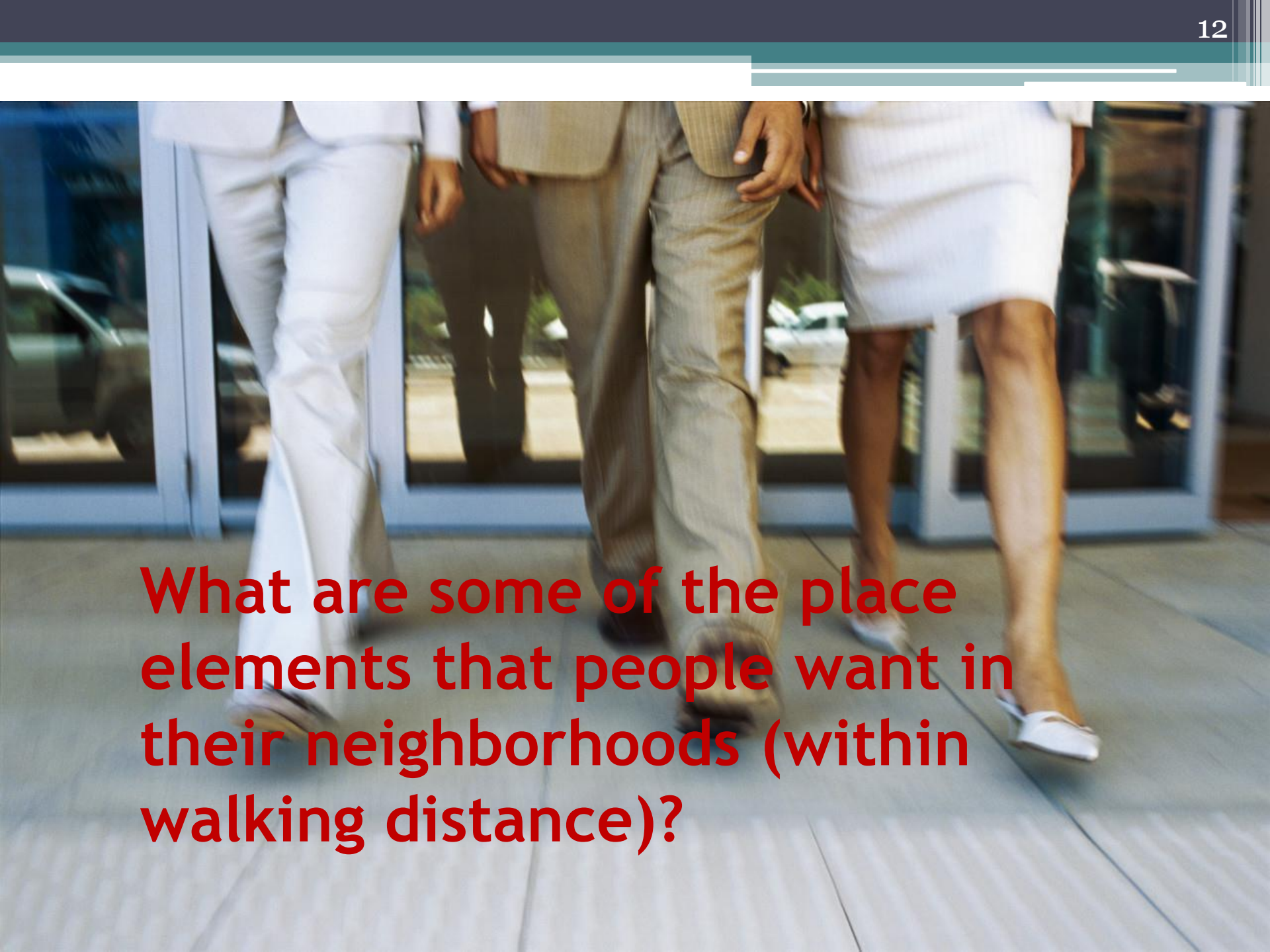
18.4% **30.3%** **5%**

36.4% **9.9%**

55% Sub/Rural   45% Urban

What are some of the place elements that people want in their neighborhoods (within walking distance)?

Grocery Shopping

Big Box Store

Neighborhood Grocery

Convenience Store

Specialty Market

Farmers' Market

Retail Shopping

Interior Mall

Strip Mall

Outlet Mall

Lifestyle Center

Local Merchants

Restaurants

Fast Food Drive Thru

Suburban Sit-Down

Mall Restaurant

Coffee Shop

Sandwich Shop

Downtown Sit-Down

16

Beverage Establishment

Isolated Bar

Mall Bar

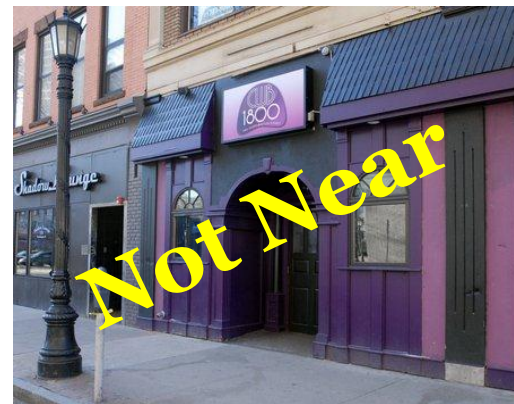Casual Neighborhood Bar

Downtown Upscale Bar

Downtown Nightclub

Park

Suburban Specific-Use

Suburban Multi-Use

Urban Specific-Use

Urban Multi-Use

Urban Pocket Park

Arts & Culture

Library

Movie Theatre

Performing Arts

Museum

Art Gallery

Art Fair

Neighborhood Type

Rural

Suburban Large Lot

Small-Medium Lot

Mixed Use Building

Downtown Townhomes

High Rise

Midwest Home & Neighborhood Survey

MSU Land Policy Institute

Purpose: better understand how Midwest cities are designed, whether people like their neighborhoods, and whether "place" amenities impact property values.

Sample: homes sold 2000-2010 in 11 Midwest Cities. N=2,008 (all urban, homeowners and renters)

What Factors Influence Home Purchase Decisions?

Question: Please indicate how much the following neighborhood characteristics influenced your decision to purchase your home:

1. Safety
2. Commute time
3. Affordability
4. Walkability
5. Strong sense of community
6. Multiple employment opportunities
7. Public transportation

n=1460

Homeowners

Home purchase decision making factors:

1. Interior
2. Number bedrooms
3. Architecture/style
4. Yard size
5. Off-street parking
6. Nearby parks
7. Number bathrooms
8. Total square feet
9. Grocery stores
10. Shade trees
11. Income/Investment
12. Retail shopping
13. Public school quality
14. Property taxes
15. Convenience stores
16. Road quality
17. Street lights
18. Historic significance

n=1467   Homeowners

How Far (in time) Are People Willing to Walk?

Generally speaking, how many minutes are you willing to walk to reach a destination? (such as a restaurant, store, park, or other places you might frequently visit)

| Category	Percent
1-5 minutes	6.4 %
6-10 minutes	20.3 %
11-15 minutes	29.7 %
16-20 minutes	24.0 %
21-25 minutes	6.5 %
26-30 minutes	7.6 %
30 minutes or longer	5.4 %
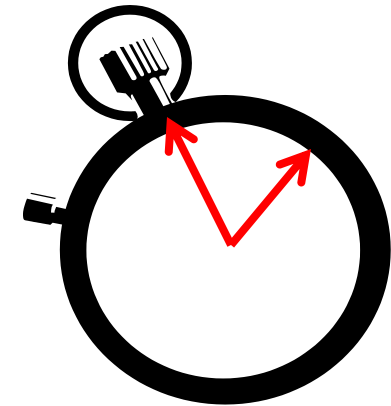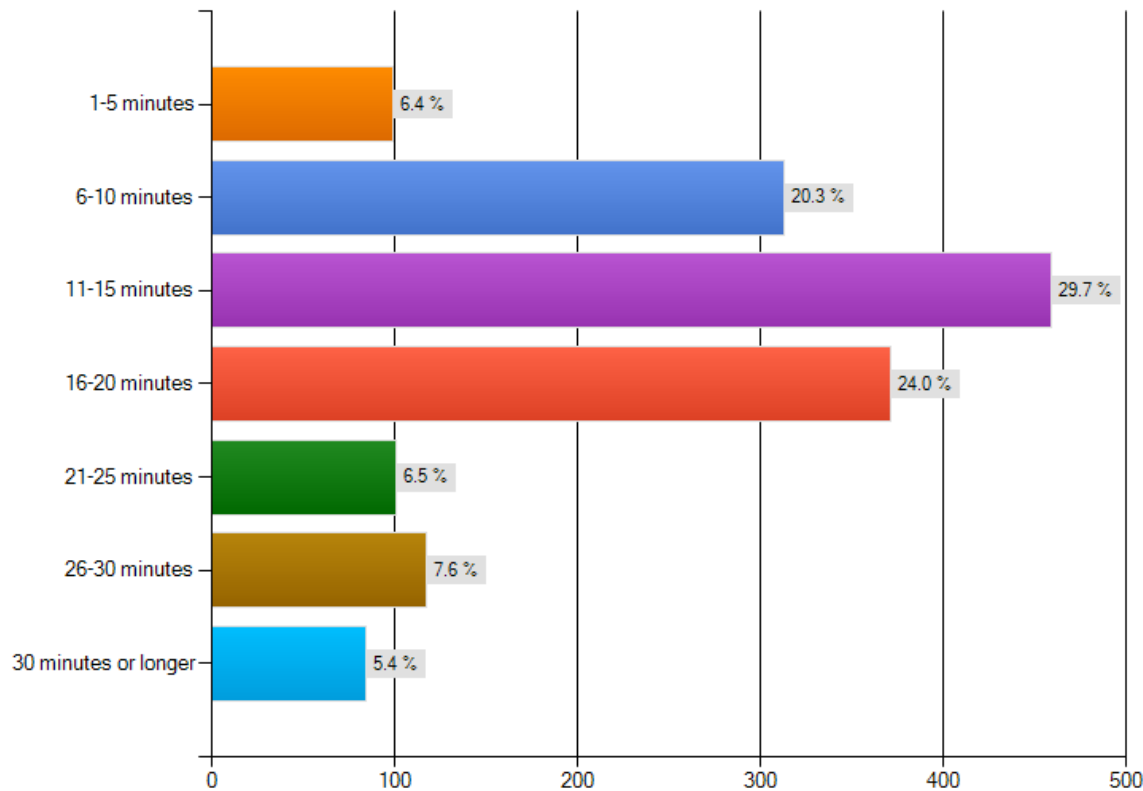
74%=6 to 20 minutes

All respondents

Property Price Analysis

Purpose: Studying how walkability to businesses, parks and other place features affect the value of residential property in eleven Midwest cities.

Hedonic Analysis

- Hedonic analysis can show us **how much more people are willing to pay** for a house that has certain features, all else remaining equal.

- For example, if you have two identical homes, but one was located in a mixed-use urban environment and one was in a low density suburb, hedonics could theoretically explain the difference in value.

- When people vote with their wallets, it tends to reflect their true desires.

- By understanding this, we can **help build housing that has greater value and brings higher local impact** (tax dollars) along with it.

Measuring Walkability Features
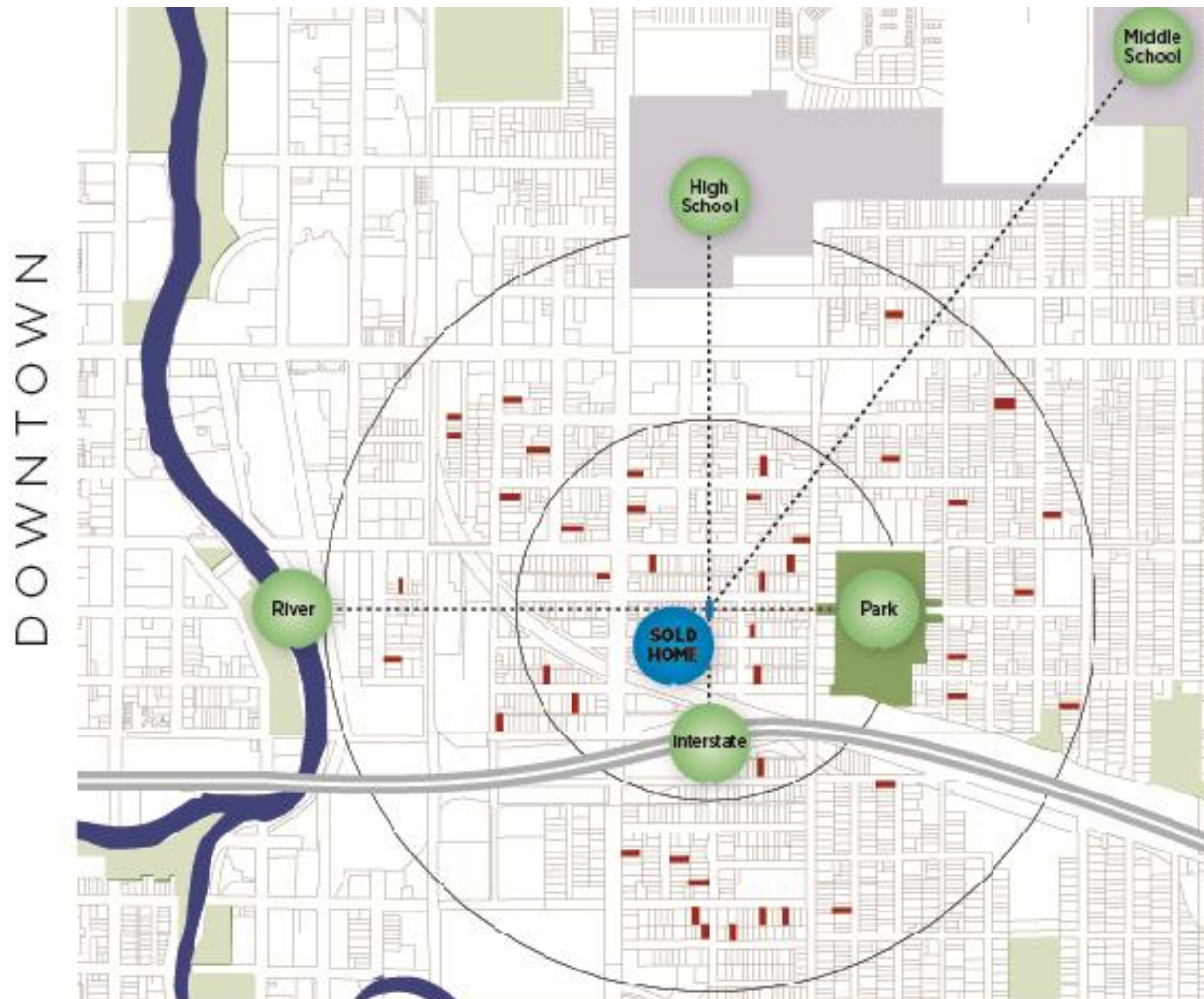
Property Price Method

- Obtained sales data for recent sales in 11 cities
- Measured walking distance to different types of businesses (retail, bars, groceries, etc.) that can contribute to sense of place (used a score system)
- Compared sales price to distance
- Factored in home features (square footage, number of bedrooms, etc.)
  - Results consistent with other analyses
- Ran multiple models to deal with outliers.

Data Utilized in the Analysis

- Assessor's data (e.g. sale price, building and lot characteristics)

- Municipal and other Spatial data (e.g. parcel layers, land use, natural features, roads)

- Establishment data (e.g. employment, businesses, entertainment, retail)

- Census Socioeconomic and demographic data (e.g. income, race, age, rental costs)

- Surveyed homes in eleven Midwest cities

Preliminary Results

- Pull Factors (i.e. places to which proximity has a <u>positive</u> relationship to home price):
  - Lake (within 200 feet)
  - Theatre, performing arts center, art gallery
  - Park
  - Schools
  - Pharmacies
  - Clothing stores

Preliminary Results

- Push Factors (i.e. places to which proximity has a <u>negative</u> relationship to home price):
  - Museums
  - Grocery stores
  - Bars
  - Retail/Department stores
  - Gambling establishments
  - Religious organizations

Different Model

- Tested model separately for each of the 11 Midwest cities to see if there are differences in factors that impact sale prices.

Model 3 Preliminary Results

- Problematic results with Flint, Manitowoc and Davenport, possibly due to housing market issues.
- City Differences:
  - In Lansing, proximity to theatres and performing arts centers came out negative, while religious organizations came out positive.
  - In Davenport, proximity to rivers, schools and clothing stores came out negative.

Model 3 Preliminary Results

- City Differences (continued):
  - In Kalamazoo, proximity to restaurants and bars is associated with higher property prices.
  - In Lakewood, proximity to rivers has a strong negative relationship to sale price.
  - In Madison, sale prices are not declining at the same precipitous rate from 2005-2012 as we see in other cities.
  - In Manitowoc, proximity to department stores is positive, while proximity to pharmacies is negative.

Model 3 Preliminary Results

- City Differences (continued):
  - In Rochester, property prices are holding more steady, and actually rising since 2009.
  - In Royal Oak, proximity to retail stores has a positive relationship to sale price, while proximity to clothing stores does not.
  - In Traverse City, proximity to a river has a negative relationship to property price. Also, proximity to restaurants, retail stores and liquor stores have a somewhat positive relationship to sale price.

Barriers to Placemaking

Lack of Understanding

Fear of Higher Density

Local Plans and Regulations

Anti-Urban Bias

Development Approval Process

Gentrification

Lack of Entrepreneurs

Policy

Finance

Parking Concerns

Lack of Supportive Neighbors

Being Parochial

Lending Institutions

Lack of Implementation Resources

Legal

Few Developers with Expertise

Anchor Institution Engagement

Waiting for Needed Resources

Lack of Supporting Infrastructure

Response to Barriers

Build Understanding

Build Quality Higher Density

Place-Based Plans & Codes

Extol Urban Importance

Faster, Less Contentious Approval Process

Plan for Equity in Transformation

Entrepreneurs try New

Build Supportive Neighbors

Fewer Cars in Dense Places

21st Century Policy

Diversify Lending

Reach Out

Sit Down with Lenders

Leverage Implementation Resources

Form-Based Codes

Build Developer Expertise

Eds and Meds

Be Opportunistic and Strategic

Build Infrastructure—especially Transit

Conclusions

- **Certain population segments**, like non-whites and low-income families and young "creative class" individuals, are **more likely to live in urban environments**, where there is, ideally, greater connectivity, mixed use and accessibility.

- To attract and retain these segments of the population, we need to **improve their quality of life in urban environments**, especially.

- There are **certain place elements that people want in their *neighborhoods*** (walking distance) and others they prefer to have in their *community* (driving distance).

- **Preferred place characteristics vary by neighborhood, community— *quality and characteristics of place matter*!**

Conclusions

- Some people still prefer rural and suburban "disconnected" living; **we have these places in Michigan, but we're** **lacking quality of life and choice in urban areas**.

- **Placemaking can** enhance walkability, transit access, connectivity, arts & culture, recreation, entertainment, services, etc.

- **Multiple barriers need to be overcome** if placemaking is to become a normal activity and communities are to prosper.

Acknowledgements

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Study reports when published:

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