

Pflugerville is similar to many other fast growth exurbs in Texas. The city is still relatively young, so revenues are increasing steadily while a significant portion of service costs have yet to come on line. Pflugerville does not have an unmanageable amount of street liabilities and still has plenty of undeveloped land in the city limits. However, this study shows that many parcels in the city are not generating enough property tax revenue to cover future costs for basic services and street replacement under current conditions. A proactive street maintenance and funding reserve program (to bank funds for future street reconstruction) combined with developing vacant property in a fiscally productive manner will put the community well on its way to a much stronger financial future.

In looking at ways to close the city's resource gap, there are three main options to consider:

Option 1: Keep development patterns and service levels where they are, but charge more (via higher taxes and fees) to cover future costs. This is not ideal or typical in young communities, but when you look at most older communities you'll find a combination of both higher tax rates and additional fees that have been put in place. For some communities or neighborhoods within a city, there are citizens who are willing and able to pay more to preserve the neighborhood and lifestyle they currently have, but for many others, this is not an option.

Option 2: Keep the tax rate where it is but cut services to align with revenues. Most residents don't like this option either. However, this is essentially what most cities are doing today when they defer maintenance and only fund a portion of service and infrastructure needs due to revenue constraints. In extreme examples such as Memphis, TN, city leaders eventually adopted policies to shrink the size of their city to align with what they had the capacity to serve effectively. Memphis new Comp Plan, Memphis 3.0 is an excellent reference point for the types of policy decisions cities could be faced with if they wait too long to address their resource gaps.

Option 3: Adjust the approach to development and infrastructure design to enable an affordable balance of services and taxes. Most people won't or can't pay more in taxes, and few people want to accept a reduction in services and amenities, so option 3 is where we recommend cities focus. The ultimate goal is to align your city's development and fiscal approach with what your residents are willing and able to pay for now and in the future.

The information in this report can be used to help city leaders frame discussions and inform decisions on fiscal policy, land use and zoning, infrastructure, and economic development around the shared goal of fiscal transparency and resilience. It is common to have a portion of residents who oppose things like increased density, less parking and/or narrower streets. However, when you contextualize the conversation around the ability to provide services in the future at a realistic cost, and how development patterns directly contribute to city finances and tax rates, a good portion of these residents will reconsider their position. Additionally, when you have a more productive development pattern in terms of property tax revenue per acre, it frees up sales tax revenue to be used to preserve and enhance quality of life and economic growth.

High Performing Development Patterns

Our work in Pflugerville and other communities across Texas has shown that high ROI parcels and development tend to have the following characteristics:

- High ratio of building footprint to lot size
- Multi-story structures
- Narrow lot frontage
- Smaller lots (higher density).

A city's primary tool for guiding growth and development comes in the form of policy. Specifically a city's taxing and development policies will largely determine their ability to adjust their fiscal reality. Let's take a look at each and how it relates to the four characteristics of high ROI development patterns outlined previously.

Development Policy

Pflugerville's development regulations will touch directly on all four bullet points. The city's comprehensive plan, zoning ordinance, and subdivision ordinance all need to contribute toward encouraging these characteristics. Many cities require a maximum structural footprint, Pflugerville should also consider a minimum structural footprint. Pflugerville might also consider an approach to parking that focuses on a maximum footprint rather than a minimum number of spaces. A similar opportunity exists with structural height. While most cities regulate a maximum height, they do not consider the benefits of a minimum height. Requiring a multi-story structure (even for only a percentage of the structure) requires a denser development pattern. Consider the impact if half the commercial structures in Pflugerville had been built as multi-story structures. At minimum they'd decrease the overall commercial footprint by half or double the occupiable space. If a 50,000 square foot department store must build 2 stories, then its footprint will either decrease to 25,000 square feet preserving the additional space for more development; or provide an additional 50,000 square feet of usable space on the second story. The additional space could consist of more commercial, office, or even residential space. Such a scenario would also dramatically increase the concentration of the property by either providing the same value on a smaller footprint or doubling the value on the same footprint.

Lot shape and size have a big impact on cost footprint. A five thousand square foot lot will have a larger and larger cost burden the wider it gets simply due to the increased amount of pavement dedicated to serving a single lot. Wider lots also spread development out further along the road network which increases a service vehicles (solid waste, police, fire, EMS) response time, increasing the need for more service facilities and operators. It also thins out a cities

market service areas decreases hindering retail sales tax generation and creating an economic environment more favorable for regional commercial rather than local. That can be risky for a city like Pflugerville, surrounded by other cities competing for retail sales tax revenue. As market service areas grow in size so do the chances of a neighboring city developing commercial services which meet the needs of your own citizens, and consequently decreasing the likelihood of commercial development in your own city. It's not uncommon to see multiple grocery stores in one city absorb the grocery needs of multiple neighboring cities because the service areas of those stores encompass the neighboring cities. Like parking and footprint most cities operate with lot width and size minimums. Incorporating lot size and width maximums could have a substantial positive impact fiscally.

Lastly, keep in mind that these development characteristics correlate strongly with design characteristics that contribute to a higher quality of life such as:

- Walkability
- The ability to age in place
- Freedom for children to roam
- Less time stuck in vehicular traffic
- Housing options for different stages of life
- Local economic opportunity

People are willing to pay more for high quality of life. It's the driving factor for most housing decisions. We want to live where we get the most bang for our buck. Most of our greatest cities share the ability to attract people to live there first and then find a job to support them staying there second. Those cities, like San Diego, California or Boulder, Colorado tend to embody many of the same development characteristics that support a higher ROI. These places also attract commercial and industrial development without any economic incentives at all. Employers and business owners want to locate there to provide a better living environment for their employees and customers. These places have greater financial resiliency due to local citizens desire to stay there and their willingness to pay more to maintain it.

Tax Policy

Recent legislation from the State of Texas has made adjusting the municipal tax rate very difficult. It's worth observing that property tax rates vary widely city to city and very few of those rates get set based on an analysis of long-term financial obligations. Most tax rates get set based on the previous year's budget and the roll back rate. This analysis provides a great opportunity for the City of Pflugerville to engage its citizens in an informed discussion about their current tax rate, whether it's sufficient to cover the costs of services its responsible for, and what types of changes citizens would most support if they're needed. If citizens don't want a higher tax rate to generate additional funds to help pay for street maintenance, then they might consider a dedicated street maintenance fee or making changes to the development regulations to encourage more high ROI development patterns. They might also explore some of the tools Pflugerville has already utilized well such as public improvement districts or tax increment finance zones.

Recommendations

Four strategies the City might consider include:

1. Prioritize infill and small scale development in Downtown to create an authentic, walkable mixed-use live/work/shop/play destination. Having a walkable downtown with a brand and businesses unique to Pflugerville can be a tremendous asset in differentiating Pflugerville from other surrounding communities. The City has a good core block bounded by Main/Railroad/Pecan/2nd that is performing well fiscally and provides a blueprint for how to expand development in the area. Beyond the core area, incentivize increased density through accessory dwelling units, duplex and fourplex style residential. Utilize a combination of form-based codes, local partnerships with entrepreneurs, small developers and community investors, and incremental development strategies (see www.incrementaldevelopment.org for resources) to activate development and redevelopment in this area.
2. Encourage urban style walkable-mixed use development in the corridors along West and South frontages of TX 130 and TX 45, and along East Pflugerville Parkway. In addition to providing a significant bump in both property and sales tax revenue, these

corridors present an opportunity to provide a different residential style from the suburban single family neighborhoods while also providing the urban mixed use environment that many larger companies are looking to locate in. Consider providing wastewater service to unserved areas, but only when the appropriate development controls are in place to get the development the City needs.

3. Update codes and regulations to support more high ROI development patterns in a variety of contexts including but not limited to downtown, mixed-use commercial corridors and traditional single family neighborhoods. There is not a one-size-fits-all approach, so it's important to have flexibility to diversify the city's mix, but do so in a manner that when combined together, pencils out fiscally. Examples of things to look at might include:
 - Allow higher residential densities
 - Decrease or remove minimum parking requirements
 - Allow shared parking by right
 - Allow taller building height
 - Allow mixture of uses within single structures
 - Reduce street costs by narrowing lanes and overall pavement width
 - Shorten block lengths and minimize cul-de-sacs
 - Other infrastructure improvements as incentives for development or redevelopment projects
 - Incorporate public alleys where possible to remove parking access and solid waste services from the streets
4. Embrace small/incremental development, especially downtown. Developing in a historic downtown area requires different guidelines than other areas, most notably allowing smaller lots and relaxed parking and stormwater requirements for individual sites (which can be managed through an area plan approach). Consider hosting a workshop to bring together property owners, entrepreneurs, community banks and investors, and others in the community who are passionate about creating a vibrant downtown to explore opportunities, connect resources and develop an action plan.