

Summary Report of Pittsboro, NC: An Analysis of Future Property Tax Revenues and Co-benefits of Conservation

Between 2014 and 2015, North Carolina added an average of 281 people per day, the 6th fastest growing state in the nation.

NC, as the 9th most populous state, is projected to gain roughly one million residents each decade 2010 - 2040.

SOURCE: U.S. Census Bureau News

*Development and conservation **can** co-exist, with community planning and stakeholder input.*

*Balance **can** be established to retain landscape quality and function, and to increase tax base.*

Conservation measures provide excellent opportunities to retain or create recreation areas and open spaces that have economic, social, and environmental value.



Homes close to open space typically have higher real estate values.

Conservation vs Development?

North Carolina is a rapidly growing state, and communities throughout NC face development pressure. In traditionally rural areas, this presents a significant challenge as rural communities, and counties, look to increase their population and tax base, while simultaneously conserving their history and character.

Development and conservation often seem to be at odds, with the choice being all or nothing, forcing communities to choose between development *or* conservation. However with planning, public input, and the use of mapping resources and data, local governments can plan for development that also maintains working lands, wildlife habitat, and riparian and watershed protection, as well as the other natural and cultural assets valued by residents, whether old or new.

And these choices do not have to mean a significant decrease in taxes or other land use income, for two main reasons: 1) properties near natural areas typically increase in value compared to those further away, and 2) working lands such as timberland and farmland provide more tax income than they cost when compared to conventional development which costs more to service than tax income earned.

In addition to property value increases near various types of open space, open land provides value to the community, including: traditional character and historical significance, recreational opportunities, water and air quality regulation, stormwater management, wildlife habitat and biodiversity. In addition to those benefits, open space creates a desirable environment for businesses to establish and to draw and retain employees in the area.

Why a study in Chatham County?

The Pittsboro Extra Territorial Jurisdiction (ETJ) is a prime geographic location to absorb new development within the Atlantic Piedmont Megaregion and, in 2014, 7,120 undeveloped acres were rezoned as a Planned Development District, within Pittsboro's ETJ, called Chatham Park. Due to its proximity to RDU, Research Triangle Park (RTP), and the established support industries, developers envision Chatham Park serving as the next large research area in North Carolina. The **PDD** proposes to build up to 22,000 residential units on 7,120 acres. A PDD of such size and scope will necessarily have economic and environmental impact.

A 2007 study by NCSU found that in Chatham County the residential sector contributed \$0.87 for each \$1 of services received, compared to property in agricultural land uses which generated \$1.72 in revenues for each \$1 of public services that it received.

www.cals.ncsu.edu/wq/LandPreservationNotebook/PDFDocuments/2007chathamCOCS.pdf

Planned Development District (PDD): is established and intended to promote innovative land planning, design and layout of large development projects that may not otherwise be permitted under general zoning district standards, subdivision regulations, or other development requirements.

SOURCE: Pittsboro, NC Zoning Ordinance

A series of planning tools were developed to provide the Town of Pittsboro with some resources that could be used to address and consider the substantial changes facing their community of ~4,000 over the next 30 years and a potential population of 60,000. One of the tools was a study, carried out by the New England Environmental Finance Center at the University of Southern Maine.



Piedmont Atlantic: The low cost of living and high quality of life in the Southeast are two reasons for this Megaregion's booming population, which is anchored by Atlanta but stretches east to Raleigh and west to Birmingham. The region is facing challenges associated with its growing population, such as runaway land consumption and inadequate infrastructure, which it hopes to address with sustainable solutions.

www.atlantafiftyforward.com/documents/MegaregionsVisionPaper.pdf

The intent of this study was to examine the economic effects that conserved open space could have on a small town experiencing development pressure. The study estimated the property tax revenues for a future buildout scenario using available data in the Pittsboro ETJ, and then examined the change in property tax revenues from single-family housing, as conserved open space was increased. The study also examined the positive co-benefits associated with conservation that are well-documented in other studies, particularly with a focus on increases in real estate values for homes that are in close proximity to conserved areas.

The property tax analysis of the study shows that: adding a significant amount of conservation (presently not planned for in the PDD Master Plan and the remaining ETJ) does **not** decrease the future property tax gains by any significant amount. *In addition*, conserved open space **adds** economic value to real estate, has numerous environmental benefits, and provides recreational, social, and health benefits to neighborhoods and residents.

Technical Report Summary

As stated above, this study examines how the significant gains in future property tax revenues, from single-family housing¹ development in the Pittsboro ETJ, may respond to changes in conservation levels of critical natural habitat. **Figure 1** shows a map of the proposed *Natural Resources Conservation Overlay District* (NRCO) relative to ETJ zoning and PDD land use sections used for this study.

The proposed NRCO District is designed to preserve and protect ecosystems, while balancing the need for planned growth. This is accomplished by minimizing fragmentation, or separation, of significant natural resource acres, by protecting upland habitats as well as adjacent waterways and water sources, by maintaining plant and animal habitat diversity and by specifically protecting unique environmental features identified as integral parts of the designated landscape.

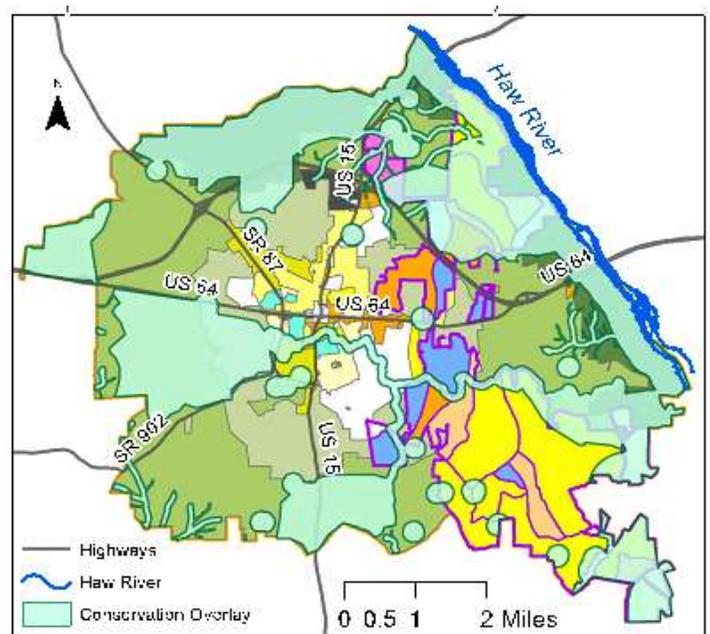


Figure 1: Proposed Conservation Overlay District

Conservation Scenarios

To examine how gains in future property tax revenues from single-family housing development might respond to changes in conservation levels, the study compared property tax revenues in 3 build-out scenarios:

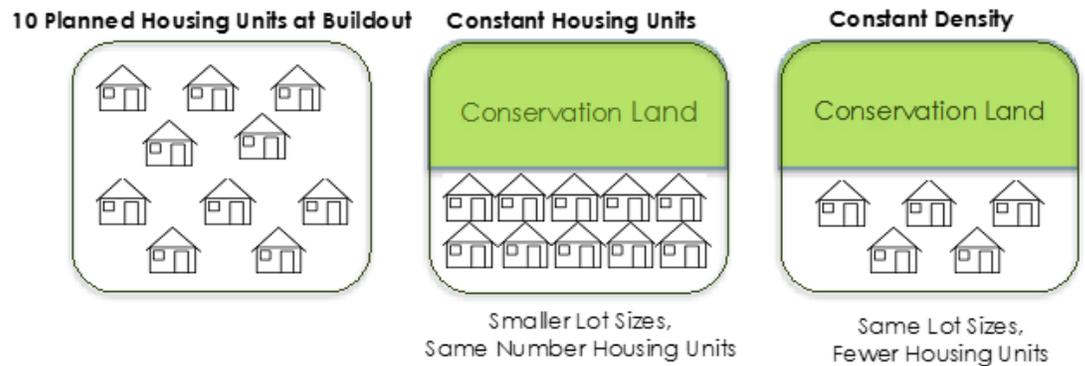
1. Without Conservation Overlay – single family residences, built as currently planned for Chatham Park
2. Moderate conservation – natural set aside of 35% of acreage in the overlay district,
3. High conservation – natural set-aside of 50% of acreage in the overlay district.

¹ Property tax revenues from multifamily housing and commercial development are not included in the estimates in this report.

The three scenarios were examined for both the PDD and the remaining ETJ, to assess how moderate and high conservation set-asides, within the proposed NRCO, could affect the buildable adjusted² land areas and the number of housing units for the PDD and ETJ.

Possible Housing Units

Zoning standards for Pittsboro set a minimum lot size. At a constant density, the number of housing units per acre for each zoning district within the ETJ, was derived from that lot size standard.



The PDD Master Plan specifies target numbers of housing units per section of development, but no minimum lot size. In the PDD, buildable land area was decreased when conservation land was added to the buildout scenario; so two simplifying approaches were used to calculate the number of housing units:

1. **Constant Density:** Developable land is developed at the *same density* as in the PDD buildout plan resulting in **fewer housing units**.
2. **Constant Housing Units:** The developable land contains the *same number of housing units* as the PDD buildout plan resulting in **higher densities**.

Property Tax Analysis

Due to the lack of more detailed planning documents, the tax analysis was completed for single-family housing units *only*. Therefore the estimated property tax income under *all scenarios* shown is underestimated.

Future property tax revenues at buildout are estimated to be between **23 and 29 times** the current property tax revenues in

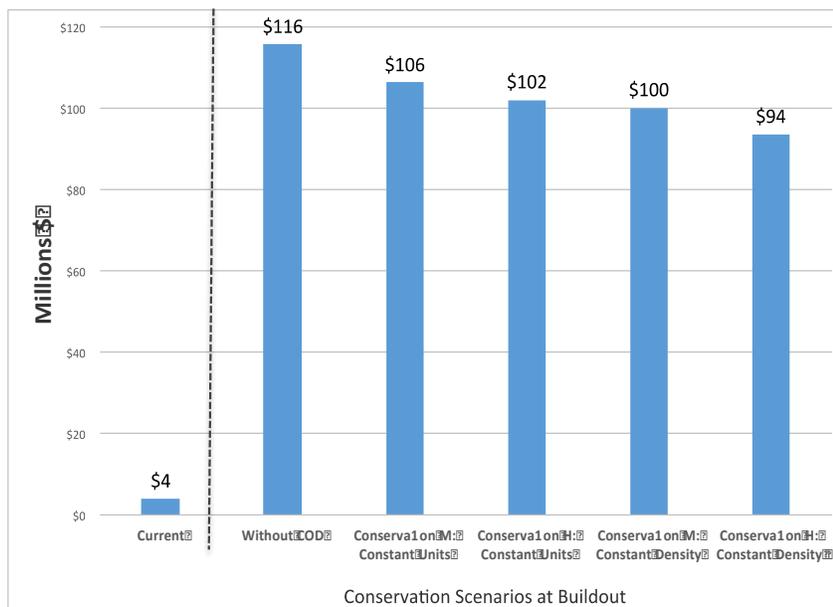


Figure 2: Compares current and future property tax revenues in Pittsboro under the three conservation scenarios and the two approaches used to calculate building units in the PDD.

Current: Property Tax revenues for 2013 to 2014
COD: Conservation Overlay District
M: Moderate
H: High

Pittsboro. Real and personal property valuation in Pittsboro in 2013-2014 was ~\$378M and the current property tax rate of 10.55 mills³ raises approximately \$4M in tax revenues.⁴ At buildout it is expected that tax revenues will be between \$94M and \$116M.

² An "adjustment" factor commonly used in land use planning was used to account for land lost to easements, right-of-ways, "out-lots" of unusable land due to slopes, soils, etc. (Nelson 2004), and for required conservation set asides.

³ The amount of tax payable per dollar of the assessed value of a property. The mill rate is based on "mills"; as each mill is one-thousandth of a currency unit, one mill is equivalent to one-tenth of a cent or \$0.001. [Mill Rate Definition | Investopedia](#)

⁴ North Carolina Department of Revenue: http://www.dor.state.nc.us/publications/municipal_valuations_13-14.pdf

Results of the property tax analysis as shown in **Figure 2** above, include:

- Adding open space and conserved areas that are presently *not planned*, in either the PDD Master Plan or the remaining ETJ, does not decrease the future property tax gains by a significant amount.
- The **least decrease** in property tax revenues while incorporating conservation is Moderate Conservation with Constant Units scenario. This scenario would result in the same number of housing units being built as in the proposed PDD with only a \$10M decrease in single family property tax revenue, which is insignificant compared to the estimated \$102M above current tax revenue at buildout.
- The **largest decrease** in in property tax revenues while incorporating conservation is High Conservation with Constant Density. For this scenario, where the lot sizes remain equivalent to those in the proposed PDD, the decrease in buildout single-family property tax revenue is only \$12M.

Conservation, Land Values and Property Taxes: A Review of Findings

A literature review indicates that individual property values typically increase within the vicinity of conservation areas. The New England Environmental Finance Center study could not quantify the increase in property values because the development pattern, the layout, and the volume of housing is not yet known. Such a study can be done in the future when development plans are filed with the Town. Nonetheless, it is likely that the increased property taxes from properties near open space will partly offset, and may even exceed, the marginal decreases in the tax revenues resulting from adding more open space.

A study in Wake County, NC concluded that an average home in Raleigh would be worth \$4,220 more if it were within 1,500 feet from open space.

Source: Henderson, 2006

In general, although not in all cases, the following attributes contribute the highest increase in value to properties adjacent to open space:

- **Local Factors:** The effect of open space on the value of nearby developed real estate has unique features that can affect the localized determination of value.
- **Proximity:** Adjacency and proximity (within walking distance) from open space yield the most added value
- **Size:** Generally, the larger the open space area, the higher the premium.
- **Type of open space:** Greenways, agricultural land, and parks typically increase property values, depending on the land uses adjacent. In general, open space of any kind adds value, resulting in higher valued developments overall.
- **Protection Status:** Permanently preserved land generally yields higher valuations on nearby real estate than land that retains development possibility.

A positive impact of 20% on property values abutting or fronting a passive park area is a reasonable estimate.

Source: Crompton, 2007

This report is a summary, of the technical report *Pittsboro, NC: An Analysis of Future Property Tax Revenues and Co-benefits of Conservation*, completed in 2015, providing an analysis of projected property tax revenues from single-family housing development for Pittsboro and its ETJ, including the Chatham Park PDD, as part of the **Planning Tools for Pittsboro Project**.

Like many of the rural communities surrounding the Research Triangle Park, Pittsboro faces intense development pressures, threatening their natural resources. Planning tools, like this economic analysis report, were tailored for use in Pittsboro's planning process. The planning tool development process for Pittsboro will also be documented in a case study, to outline the process and tools to other rural communities. The background information and explanations can be used by any community to understand what may help them manage their future development.

Summary Report was written by: New England Environmental Finance Center (<http://efc.muskie.usm.maine.edu>)



For further information or to download a copy of this summary report or the technical report, *Pittsboro, NC: Land Cover Change Analysis and Urban Tree Canopy Assessment*, visit the Chatham Conservation Partnerships wikispace: www.chathamconservation.wikispaces.com



Funding for this project was provided in part through the Urban & Community Forestry Program of the North Carolina Forest Service, Department of Agriculture and Consumer Services, in cooperation with the USDA Forest Service, Southern Region.

The North Carolina Forest Service is an equal opportunity employer. Its programs, activities and employment practices are available to all people regardless of race, color, religion, sex, age, national origin, disabilities, or political affiliation.

