Carmel City Center Redevelopment Efforts

An Updated Analysis

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INTRODUCTION

The nature of evolving communities requires a consistent review of a community's development and growth processes. In 2014, the Indiana University Public Policy Institute completed a case study of Carmel's City Center and Old Town's outcomes and policy process. Yet additional investments have been made within this project area, and throughout Carmel and Hamilton County. In the spring of 2018, the city of Carmel asked PPI to update the key comparative outcome measures provided in the original 2014 report.

The following analysis provides updated measures of:

- Employment
- Private investment as measured by building permits
- The estimated economic activity attributable to the investments (as measured by building permits) made in the project areas
- Changes in net and gross assessed value

In addition, the new analysis added one new metric:

- Change in housing price as measured by multiple listing service sales provided by MIBOR.

The updated analysis is based primarily on data from January 1, 2014, through December 31, 2017. As in the prior study and for the purposes of this analysis, the boundaries of the project area studied are as follows:

Northern boundary:

- East and West Smokey Row

Eastern boundaries:

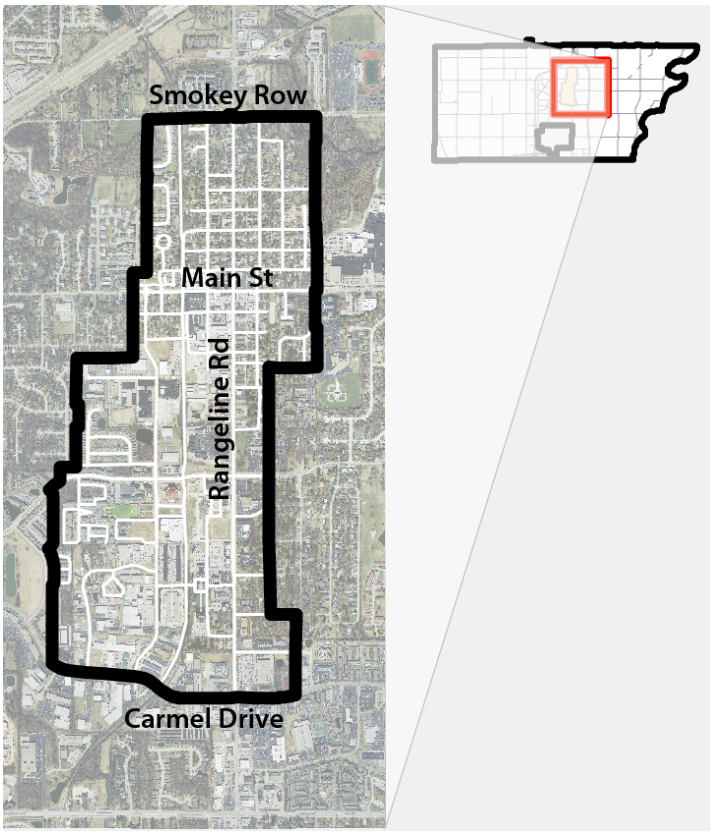
- 4th Avenue NE
- 4th Avenue SE
- Roughly one lot's width east of Rangeline Road, south of 4th Street SE

Southern boundary:

- East and West Carmel Drive

Western boundaries:

- 4th Avenue SW, extended from north of Main to 8th Street NW
- One block west of 4th Avenue SW, south of Main
- Property boundaries between those areas with egress to 3rd Avenue SW between 3rd Street SW and City Center
- Carmel Garden extended south to West Carmel Drive.

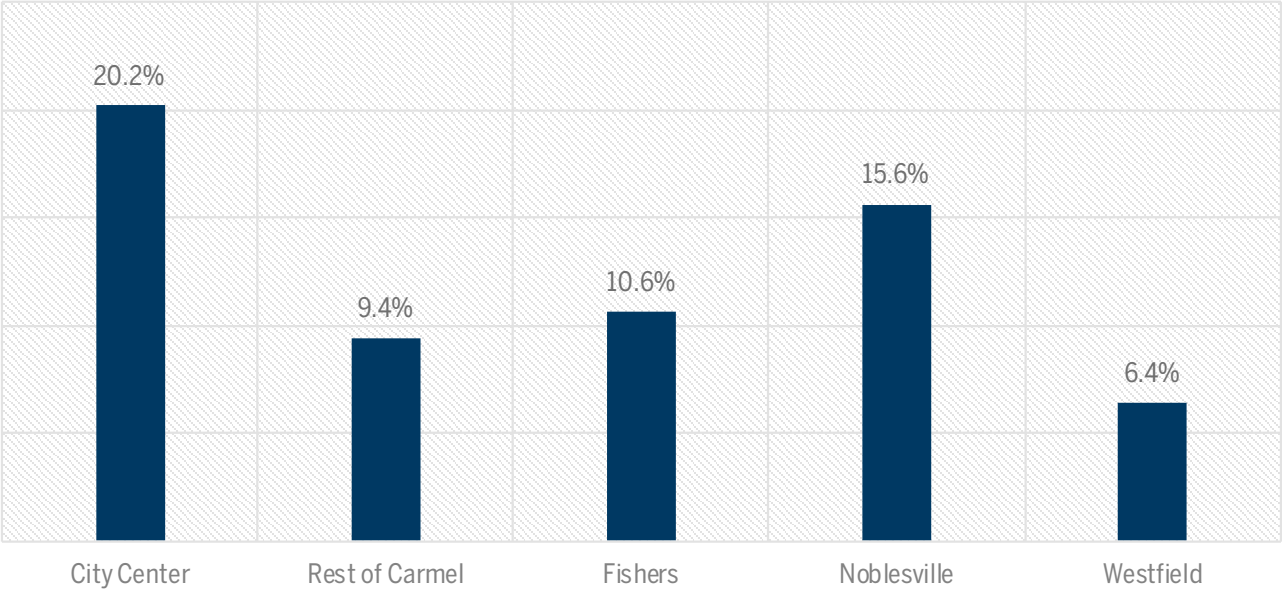


The remainder of this report covers the metrics from 2014 through 2017 and provides perspective in relation to the outcome measures from the 2014 report. However, it is important to note that the time frame for each report is significantly different. The initial study covered 10 years from 2004 through 2013 while this update focused on only four years of data (2014–2017).

EMPLOYMENT

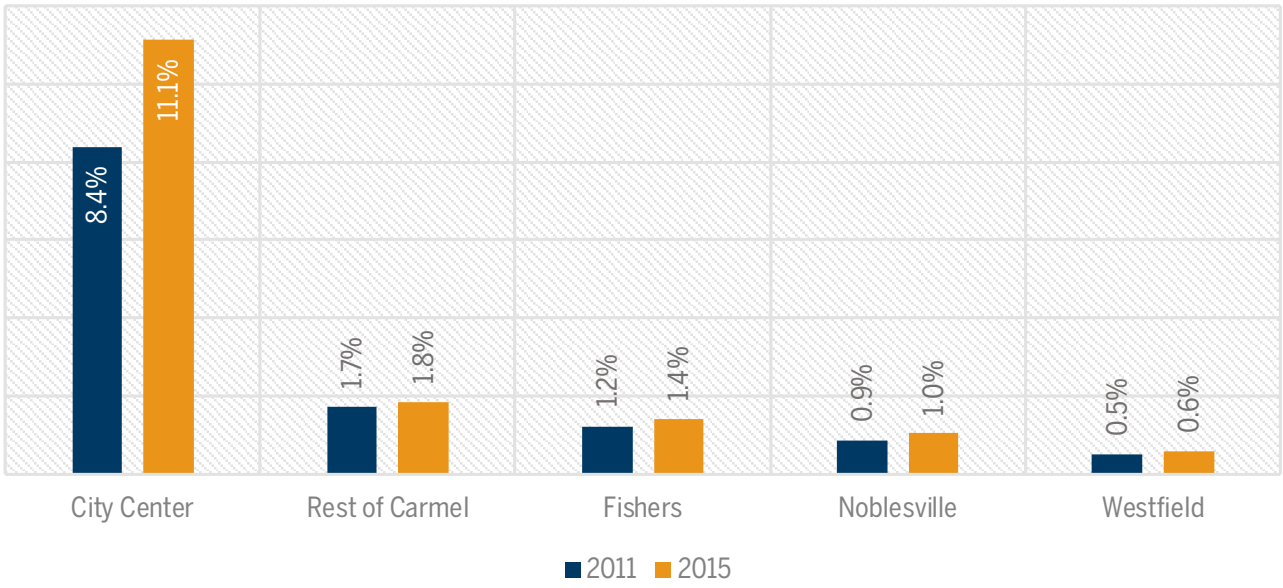
Based on the use of On the Map software and data available from the U.S. Census Bureau's website for small area estimates, PPI estimates there were 6,648 jobs in the project area in 2015—the most recent year of data available. Comparing employment growth in the project area from 2012 to 2015 with the balance of Carmel and the communities of Fishers, Noblesville, and Westfield, the project area enjoyed the highest growth rate. For example, the rate of job growth within the project area was more than twice that of the rest of Carmel. In addition, it was nearly 5 percent higher than Noblesville, which enjoyed the second highest job growth rate. In the 2004–2013 report, both Carmel (34.7 percent) and Hamilton County (23.9 percent) enjoyed a higher job growth rate than the project area (13.2 percent).

FIGURE 1. Jobs growth rate (2011-2015)



Additionally, the intentional effort to create a density not typically seen in Indiana suburbs has led to a much greater ratio of jobs per acre. The project area boasted 11 jobs per acre in 2015, compared to the nine and 10 jobs per acre in the rest of Carmel and other Hamilton County communities at that same time.

FIGURE 2. Jobs per acre (2012 & 2015)



BUILDING PERMITS

The annual dollar value of building permits varied widely between the study areas, ranging from a low of $13.2 million in 2015 to a high of $40.5 million in 2016. However, the dollar value of building permits per acre in the project area was consistently greater than the per-acre value of building permits in the rest of Carmel. While the project area was comprised of 1.9 percent of the city's geographic territory, its total building permit value ranged between 3.5 percent in 2015 to 13.6 percent in 2016.

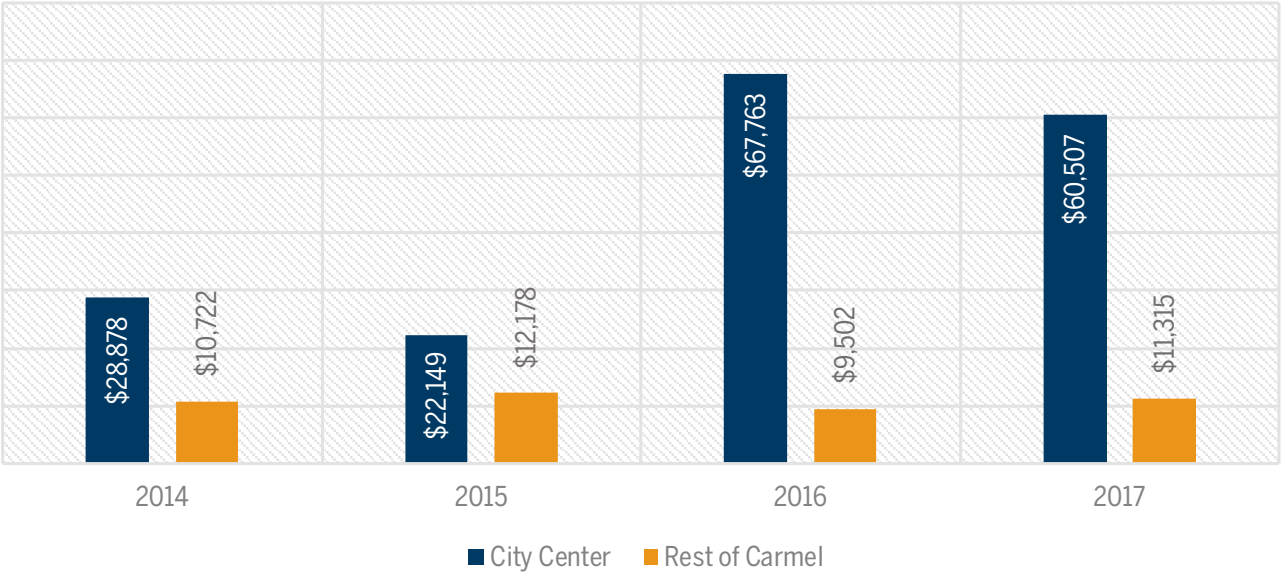
TABLE 1. Dollar value of building permits per acre & percent of total building permit value (2014-2017)

AREA	2014	2015	2016	2017
Project area	$17,264,034	$13,241,205	$40,510,473	$36,173,181
Carmel outside	$337,266,485	$383,046,247	$298,875,536	$355,896,851
Project/Rest of Carmel	5.1%	3.5%	13.6%	10.2%

The intentional effort to create a high population density in the project area resulted in substantially more private investment per acre there than in the remainder of Carmel, which experienced more traditional suburban development. For example in 2015, the project area experienced nearly $10,000 per acre more in

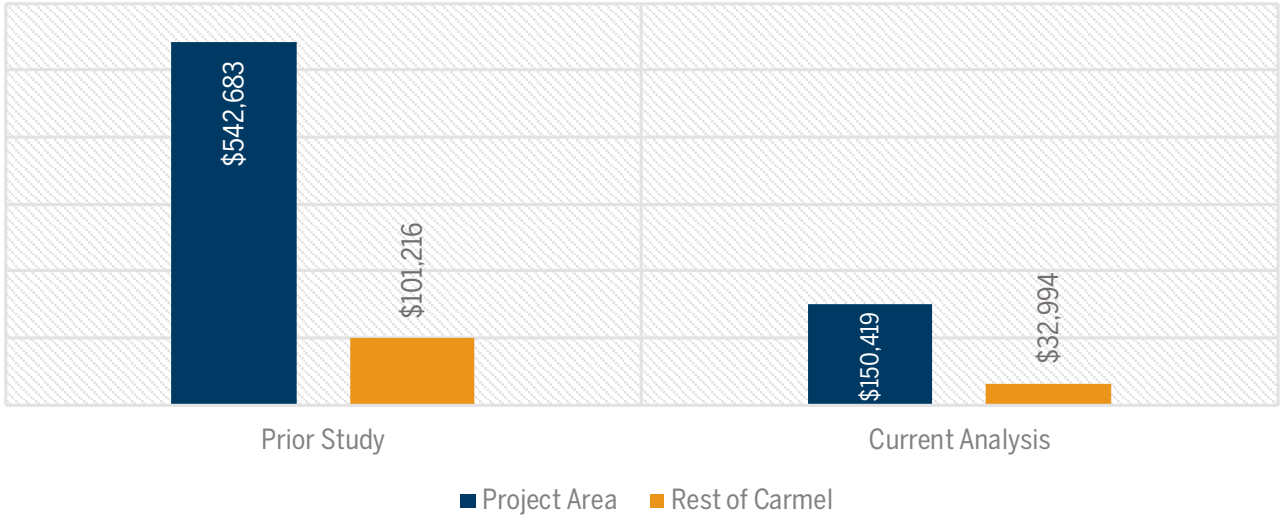
private development than the rest of Carmel. This gap was the narrowest in building permits per acre among the two areas. The widest investment gap came in 2016 when the project area saw nearly $57,000 more in per-acre building permit investment than in the rest of Carmel.

FIGURE 3. Building permit value per acre (2014-2017)



Comparing building permit data from the previous 10-year study to the four years in the updated analysis, the amount of investment per acre was much greater in the project area. From 2004–2013, investment measured by building permits per acre was 5.3 times greater in the project area than in the rest of Carmel. During the past four years, investment in the project area was 4.5 times greater per acre than in the rest of Carmel.

FIGURE 4. Building permits per acre, comparison of prior study and current analysis



ECONOMIC IMPACT OF BUILDING PERMITS

The increased density of building permit-related investment represents investment beyond what might have occurred in the project area. It also represents investment beyond what has occurred elsewhere in Carmel and Hamilton County, absent any intervention to incentivize greater density.

In 2014 there was $28,878 worth of building permit value per acre within the project area. That's compared to $10,722 in the rest of Carmel. The difference ($18,155) outpaces historical growth in the district and throughout Hamilton County. This difference may not have occurred without intentional intervention and, as a result, may be thought of as new to the local economy.

Using that logic multiplying the annual difference in investment per acre by the acres in the district provides an estimate of the value of investment beyond what might have been expected. Using this approach, $81,053,715 of $107 million in total building permit value from 2014 to 2017 is attributable to density beyond what would have occurred if investment in the project areas was similar to that in the rest of Carmel.

The following chart displays the direct investment and labor income associated with construction. The indirect and induced amounts noted in the chart are the spin-off economic activity and wages attributable to the initial direct investment. For example, the construction firm hired to create the building needs to purchase materials. Doing so creates new demand at the firms supplying the material.

The input/output model (IMPLAN) estimates all the indirect and induced activity required to support construction. When that is completed, IMPLAN models provide estimates of the total amount of economic impact generated by the initial investment.

Using approximately $81 million as input into the construction element of IMPLAN the output or total economic impact is estimated to be nearly $132.5 million. Also, contained within that impact are 824 jobs and nearly $58 million of labor income.

While economic impact is defined as investment that is new to the local economy, economic contribution seeks to measure the value of all investment including the amount that may have occurred naturally (without inducement).

When that base investment of $26 million—or the amount of investment that would have taken place without intentional intervention intended to increase density—is included in the input/output model, the estimated total contribution of the private investment from building permits increased to $175 million and labor income to more than $76 million.

FIGURE 5. Economic impact of dense development (2014-2017)

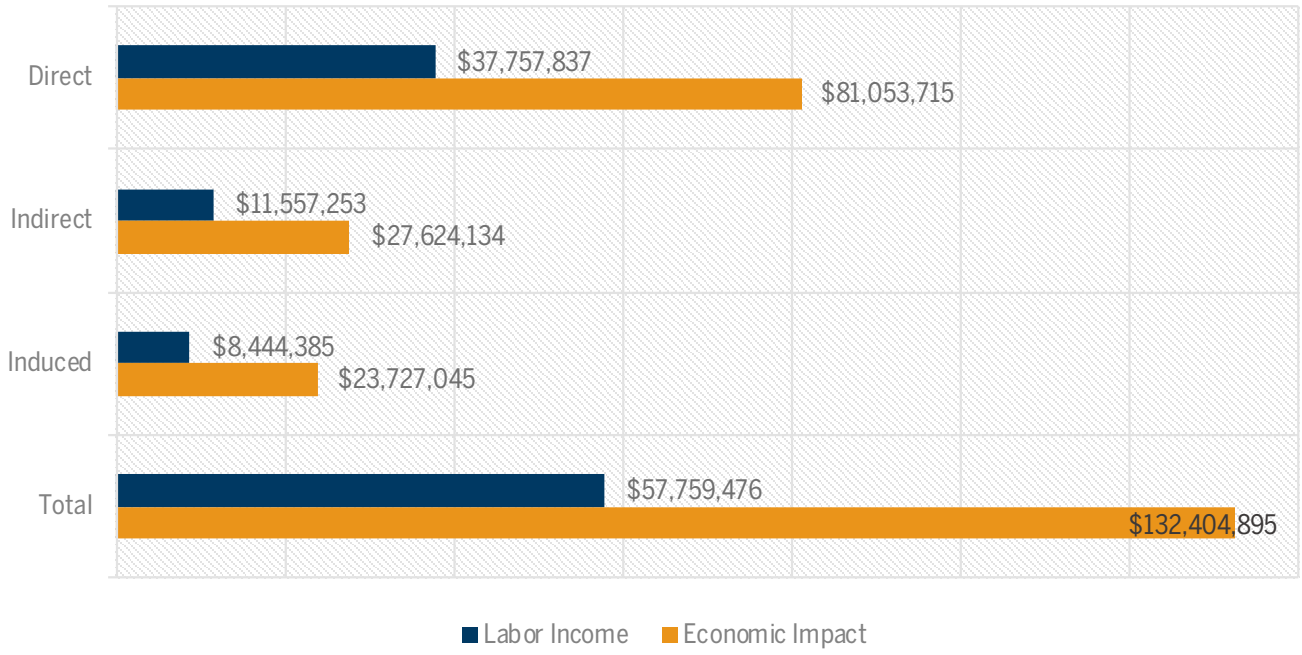
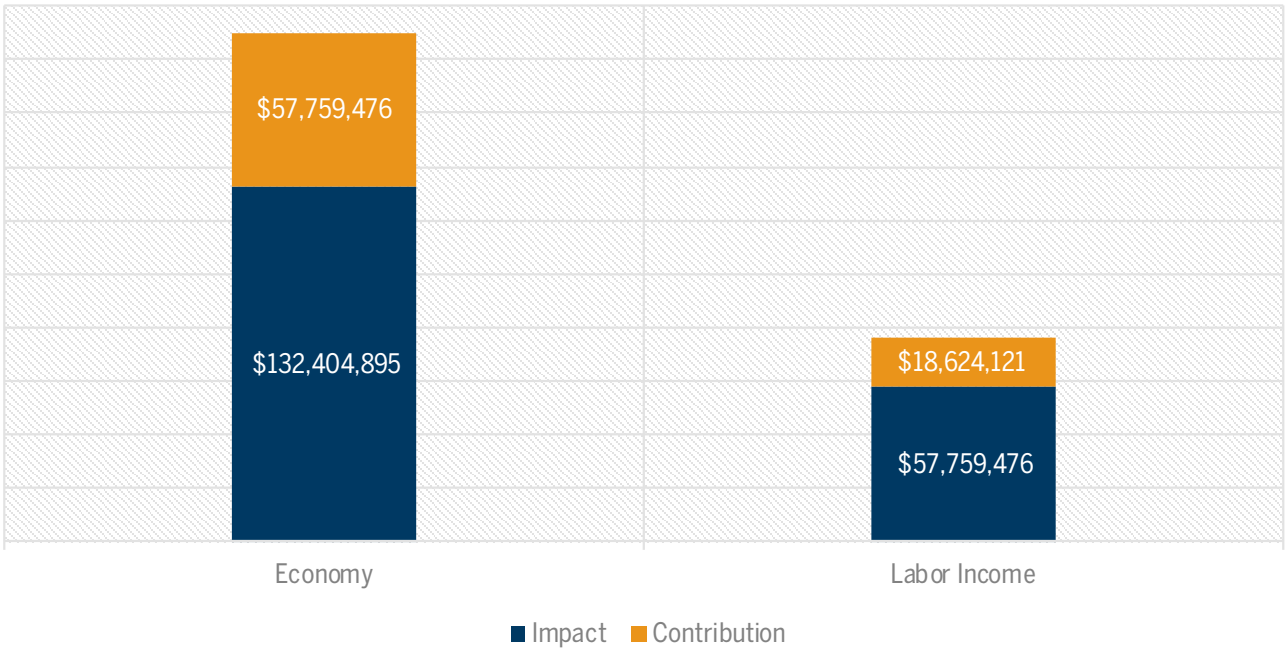


FIGURE 6. Total economic impact and contribution (2014-2017)



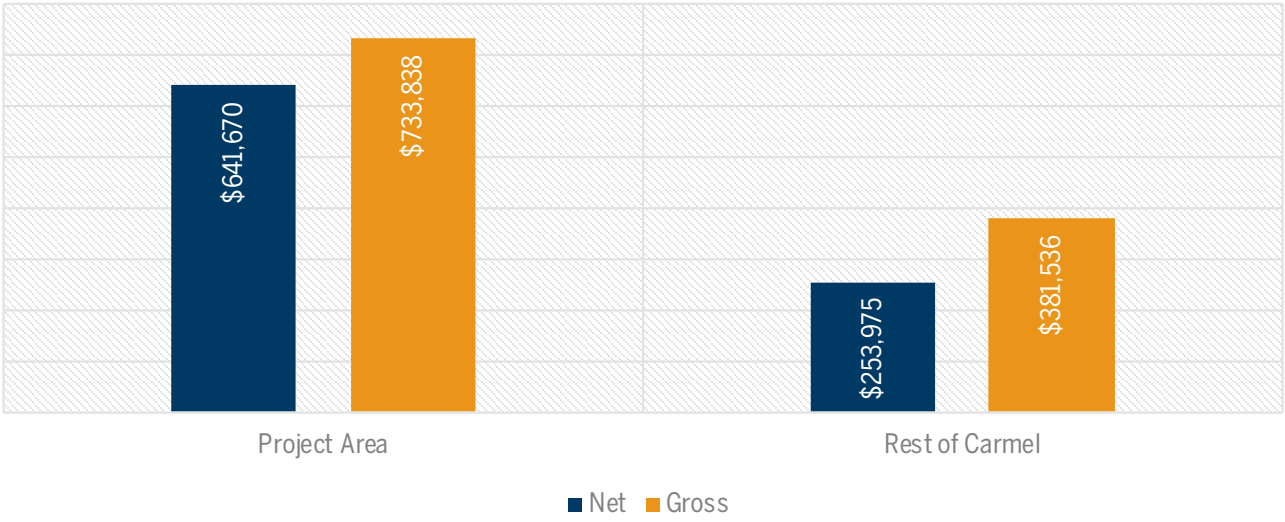
ASSESSED VALUE

PPI found that, between 2004 and 2013, gross taxable assessed value in the study increased by more than 130 percent compared to approximately 70 percent in Carmel. During the 2014 and 2017 analysis gross taxable assessed value increased by 15 percent in the study area and 12 percent in the rest of Carmel. While the rate of increase is much lower it is important to remember that the prior study period covered 10 years while the current update covers only four years. Taking the time frame into consideration the average increase within the study are an average of 14.4 percent per year in the prior study and 5 percent annually during the current study.

When examining the fiscal impact of dense, mixed-use developments, existing research suggests the costs realized by the municipality to service the project area are less than the costs when serving the same number of households and businesses with more typical suburban development patterns. Specifically, a series of models have examined the fiscal impact to municipalities. This research compares dense development to more traditional suburban patterns. They show that—when normalized (Robert Charles Lesser & Co., LLC & Smart Growth America, 2015)—dense development leads to lower costs in a wide range of services including: road maintenance, trash collection, school transportation, and—perhaps most importantly—fire protection.

These reduced costs coupled with much higher levels of taxable assessed value per acre has a positive effect on city finances. In 2017, there was $733,838 of gross assessed value and $641,679 of net assessed value per acre in the project area. That is compared to $381,536 of gross assessed value and $253,975 of net assessed value per acre in the rest of Carmel. Thus, while likely experiencing lower costs, the project area produced a higher amount of property tax revenue per acre.

FIGURE 7. Assessed value per acre (2017)

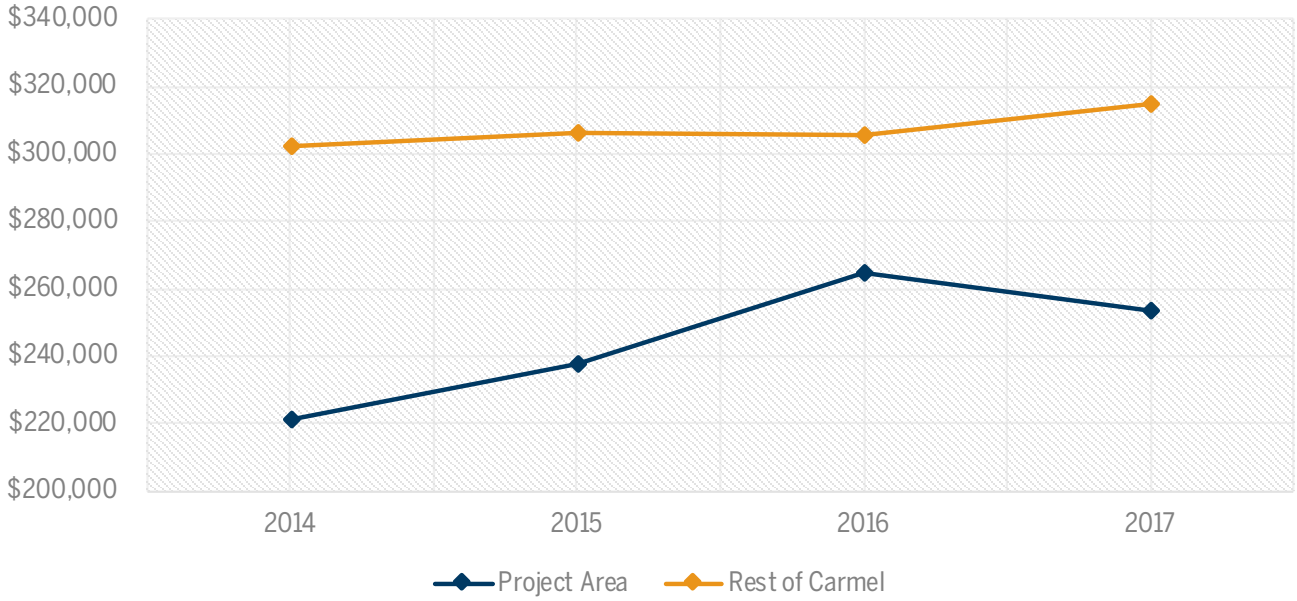


HOUSING MARKET

While the prior report did not include home sales, PPI researchers include the data as an indicator of perceived changes in value from the home buyers' or citizens' perspective. While the average sales price of homes and condos within the project area is not equal to the rest of Carmel, the gap in average sales prices has narrowed from $80,589 in 2014 to $61,312 in 2017. The average sales price of homes and condos within the project area increased by 14.4 percent from 2014 to 2017, while the average sales price in the rest of Carmel increased by 4.2 percent during that same time frame.

It's important to note that while the available housing inventory within the project area typically features condos and homes with footprints smaller than what is found in the rest of Carmel's residential property, the overall higher rate of increase may indicate that it is becoming an increasingly more popular destination for residents.

FIGURE 8. **Average sales price (2014-2017)**



SUMMARY

Overall, the intentionally greater density of development within the project area continues to produce a higher rate of investment, employment, and tax base growth. Yet equally as important is the attempt to intervene and create a walkable, bike-friendly new urban alternative to traditional suburban developments. This intervention appears to be favorably received by residents—based on increasing property values—and thus provides current and future residents with a wider range of housing alternatives than may have occurred without the strategic investments made in the study area.

REFERENCES

Robert Charles Lesser & Co., LLC and Smart Growth America. (2015, April). *Making Neighborhoods Great Together.* Retrieved from Smart Growth America: https://smartgrowthamerica.org/app/legacy/documents/fiscal-implications-of-development-patterns.pdf

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