

To: Bill Shane, Town Manager, Cumberland
From: Kristina Egan, Executive Director, Greater Portland Council of Governments
Date: May 14, 2019
RE: The Cost of Growth

You asked GPCOG to help town officials understand the impacts of different kinds of growth on the municipal portion of property tax bills (the portion that excludes education costs).

I've attached a memo that presents our research on this issue to date. This was prepared by our Planning Director, Steph Carver, and our Data Analyst, Abe Dailey.

Because I know you are looking for answers fairly quickly, I want to share with you the results of our research so far. GPCOG will not be charging Cumberland for this work.

Here's a summary:

As more young families move into Cumberland, turn-over in existing housing stock may be a bigger driver of municipal costs than new housing development.

Young families are moving into Cumberland, replacing older adults whose children are grown. In fact, Cumberland has more population growth in the cohort aged 25 to 44 than any neighboring community. Cumberland is gaining population in the under 18 cohort, second only to Windham.

Many of the young families moving to Cumberland are buying existing homes. Cumberland is not experiencing a building boom.

Sales of *existing* homes are accelerating in Cumberland, and there's been a lot of home ownership turn-over. In fact, since 2010, about 40% of the town's existing housing changed hands, at a rate of about 144 homes per year. In contrast, new housing construction is averaging about 29 new units a year since 2010, and is below the long-term average rate of growth. Between 1970 and 2009 new residential development in Cumberland ranged between a low of 33 new units per year in the 1970s and a high of 46 new units per decade in the 1980s.

Demographic changes and development outside of Cumberland has created more traffic.

Housing growth in many neighboring communities has outpaced housing growth in Cumberland. We believe this growth may be causing traffic impacts in Cumberland as residents in Gray, Windham, Falmouth, or Portland commute through or to Cumberland for work. Also, households with busy young families tend to create more traffic than households with older adults.

Smart growth policies can encourage growth patterns that have a lower impact on municipal budgets.

Smart growth policies provide incentives for walkable neighborhoods near existing village areas and employment centers, which minimize the impacts of new development on town infrastructure and on the property tax payer. Smart growth policies and practices also preserve rural character. Cumberland should continue to work with land trusts to conserve land in the more rural parts of Cumberland to minimize the spread of suburban sprawl. This will limit the growth in demand for the town to provide services to suburban developments in rural areas.

I know, Bill, that this information does not provide the town with any easy answers. The factors that are burdening the Cumberland's property tax payers are largely beyond the control of municipal government and are driven by regional trends in housing and transportation.

Some of your questions are beyond the scope of this project. I would be happy to sit down with you and talk about the work required to answer all your questions and explore what resources are available to fund a more comprehensive study. Another approach is to explore working with Cumberland and neighboring towns to create a regional plan that would give communities more control over their future.

The Costs and Impacts of Growth in Cumberland

The Town has requested that GPCOG research the costs and impacts associated with different types of growth. This memo does not examine the costs of potential increased school enrollment. This memo examines the other municipal impacts associated with growth and identifies how preserving land and encouraging growth in places people already live and work can help mitigate these impacts.

Municipal costs of residential growth include public safety, road maintenance, trash services, and stormwater management.

All residential development increases the demand for services from local government. Many municipalities link new residential development to an increase in student enrollment, and ultimately rising education costs for residents. Education is typically the largest line item in most municipal budgets, but it is not the only cost associated with new development. In Cumberland, other costs primarily consist of public safety, road maintenance, trash pickup, and stormwater management.

The location of new housing can mitigate or increase those costs.

Although age-restricted housing may minimize the impact of new development on the school budget, it may still increase the demand for public services in Cumberland. The fiscal impacts of new development can vary significantly depending on where the housing is built. If new housing is built near existing village areas where infrastructure and services already exist, residents can walk or use public transportation to reach employment centers, shopping, or other services, then the impacts on local government services may be minimized. However, if the new housing is built outside of existing village areas where residents are required to use personal automobiles to travel to employment centers, shopping, or other services, then this will likely increase traffic and road maintenance costs. Development outside of existing village areas may also have significant impacts on other line items in the municipal budget, such as fire and EMS or trash pickup.

Demographic turn-over in existing housing stock may be a bigger driver of municipal costs than new housing development.

While new housing development does place additional demands on local government services, it is important to consider that turnover in the town's housing stock may have an even larger impact on the demand for government services.

Cumberland is becoming a host to a new generation of young families who are moving into old houses.

According to the town's assessing data, half of the town's housing stock was built between 1970 and 2000, 15% was built between 2000 and 2010, and an additional 9% was built since 2010. Households that moved into their homes 20-45 years ago may have raised their family, retired, and decided to move on with their lives. As they sell their homes, a home new generation of young families may be moving to Cumberland. This is supported by demographic data from the Census.

Cumberland is growing younger more quickly than everywhere but Portland.

According to the US Census and American Community Survey (ACS) Cumberland has gained about 700 residents since 2010, and unlike many surrounding communities, 34% of the population growth is from people aged 25-44. Cumberland has more population growth in the cohort aged 25-44 than any neighboring community and nearly as much population growth in this cohort as Portland. Cumberland is gaining population in the under 18 cohort, second only to Windham. All other communities have a net loss in this cohort, even Portland.

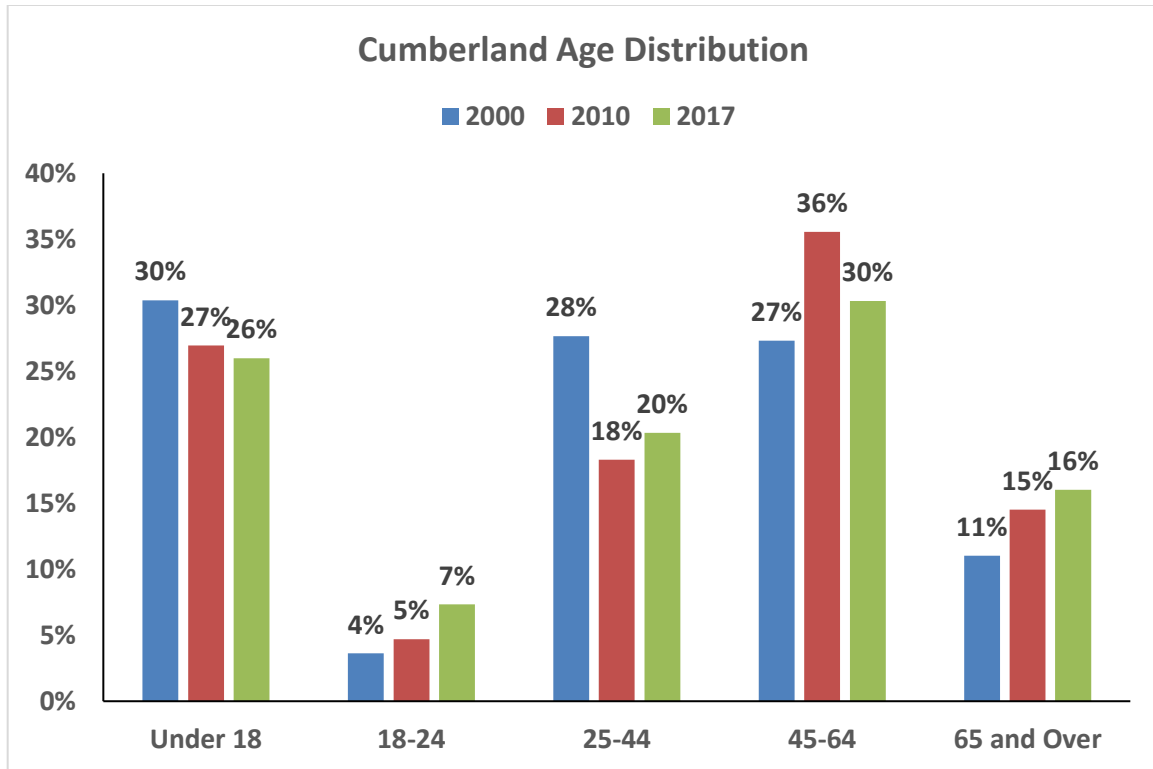
Share of Population Growth by Age Cohort 2010-2017					
	Under 18	18-24	25-44	65 and Over	Population Growth
North Yarmouth	0%	34%	0%	38%	237
Yarmouth	0%	21%	0%	79%	516
Falmouth	0%	7%	9%	43%	753
Gray	0%	0%	10%	73%	656
Windham	9%	0%	25%	65%	749
Cumberland	8%	32%	34%	26%	714
Portland	0%	0%	36%	64%	1,250
Cumberland County	0%	7%	11%	58%	16,858

Cumberland's population growth is driven by young families.

Cumberland has more residents in the cohorts aged 45 and over today compared to in 2000. However, population growth in Cumberland since 2010 has been driven by the population under the age of 45. This population growth may be mostly explained by an increase in young families moving to Cumberland.

Younger families tend to drive more.

This demographic shift in Cumberland may come with significant traffic impacts, as younger families tend to spend more time driving their children to daycare, school, or recreational activities.



Over time, Cumberland has added a lot of low-density residential houses.

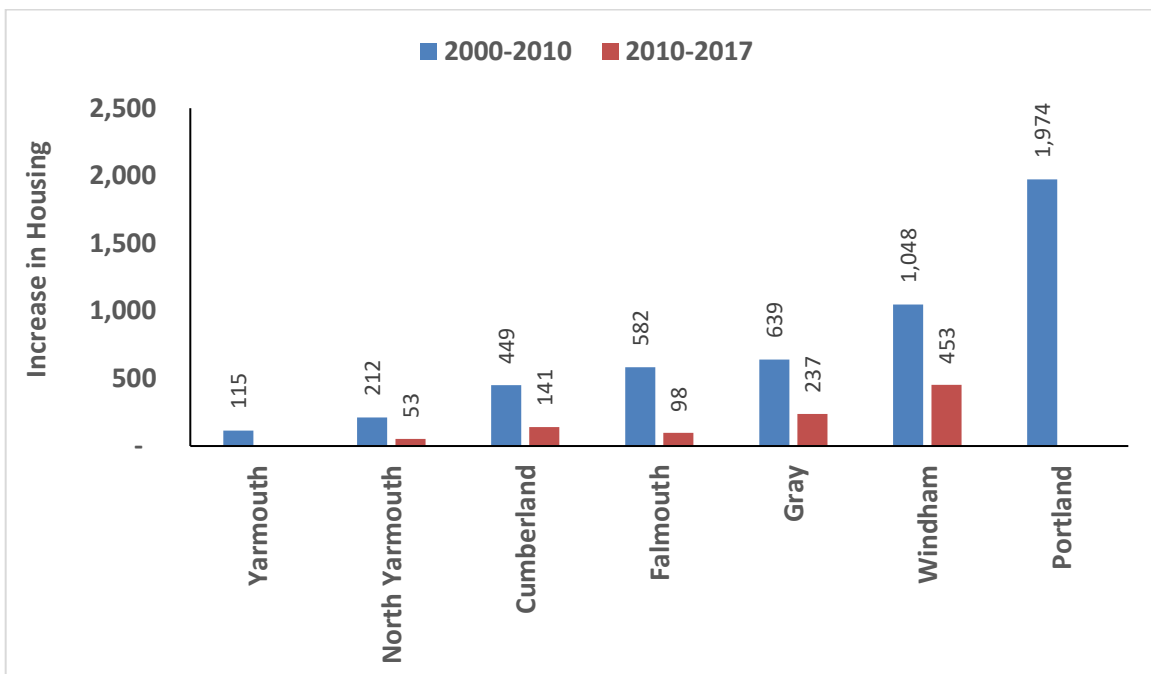
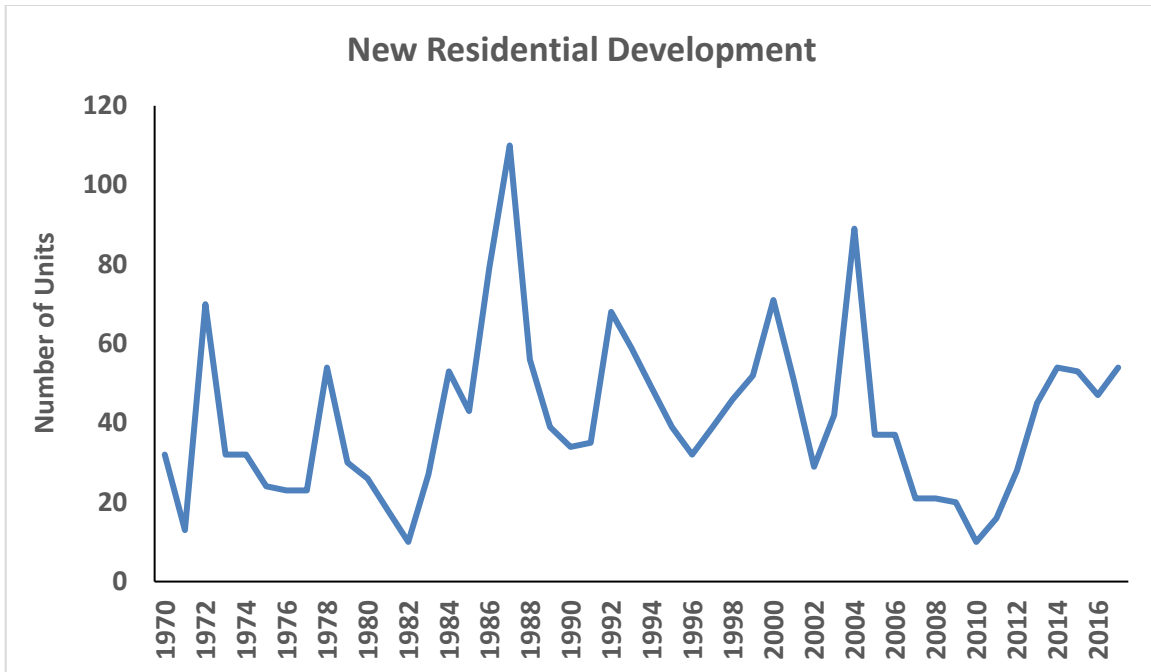
A significant amount of land in Cumberland has been zoned for low density, single family housing development. This development happened gradually over the years, and the impacts on government services may have been minimal as these developments happened. However, the cumulative impacts of this growth over time have been significant as the town's housing stock has increased by 50% since 1994.

Low-density residential growth has recently slowed.

Between 1970 and 2009 new residential development in Cumberland ranged between a low of 33 new units per year in the 1970s and a high of 46 new units per decade in the 1980s. Since 2010 Cumberland has added on average 29 units per year. Growth in Cumberland has occurred at a relatively slow pace over the past 50 years, and growth in recent years is below the long-term average rate of growth.

Cumberland's neighbors are adding more housing than Cumberland.

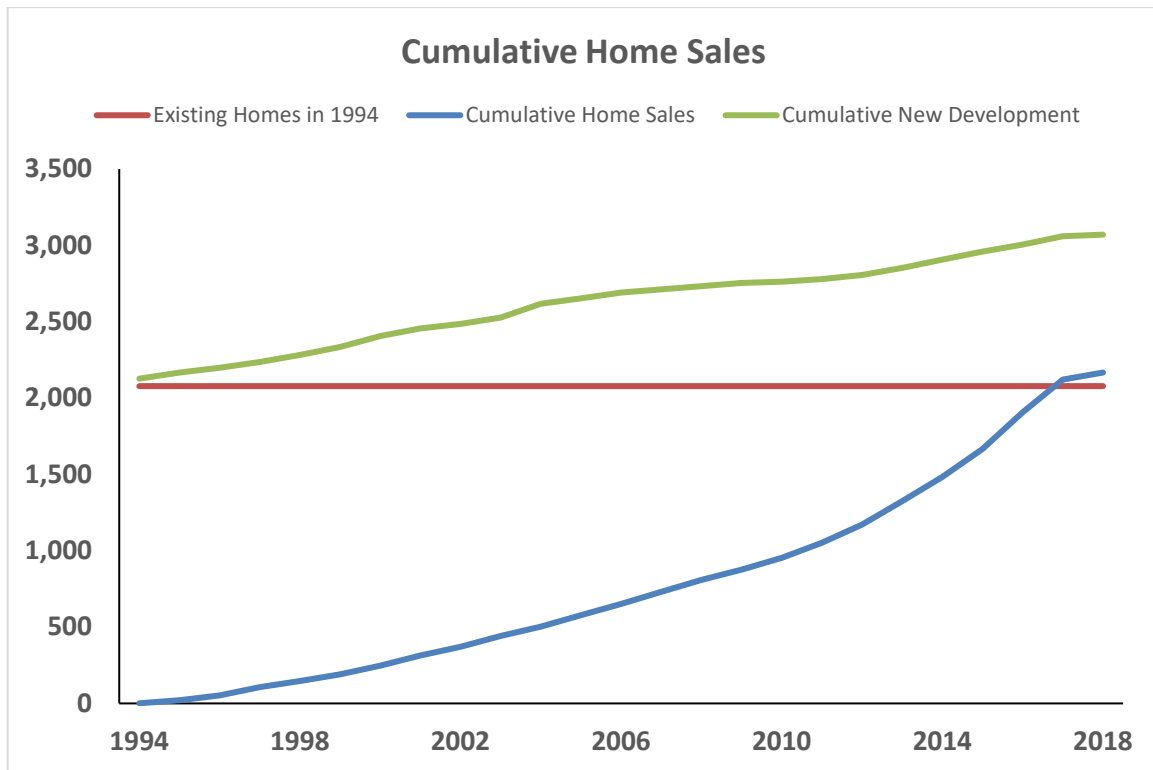
Housing growth in many neighboring communities has outpaced housing growth in Cumberland. This may also create traffic impacts in Cumberland as residents in Gray, Windham, Falmouth, or Portland may commute through or to Cumberland for work.



Sales of existing homes are accelerating in Cumberland, and there's been a lot of home ownership turn-over.

According to town assessing data, in 1994 there were about 2,080 residential properties in Cumberland, and there have been about 1,000 new residential properties developed in Cumberland since 1994. Existing home sales averaged about 32 per year between 1994 and 1999, about 69 per year between 2000 and 2010, and 144 per year between 2010 and 2018. The rate of existing home

sales has more than doubled every decade, and the significant increase in recent years has led to substantial turnover in the town's housing stock.



The above graph shows the total increase in new development and existing home sales since 1994. Cumulative New Development is calculated by adding the amount of new development that occurred in 1994 to the amount of existing residential development in 1994. For each successive year the amount of development that occurred in that year is added to the total residential units at the end of the previous year. Cumulative Home Sales is calculated in a similar manner, using 1994 as the base year. The amount of home sales in each successive year is added to the running total from prior years.

In fact, 40% of the town's housing has changed ownership.

By 2017 the number of existing home sales since 1994 exceeded the total number of homes that existed in 1994, which means that in theory every home that existed in Cumberland in 1994 has now changed ownership at least once. Nearly 1,300 homes, or 40% of the town's housing stock, has changed hands since 2010, and more than half of these home sales occurred between 2015-17.

Baby boomers are likely selling their homes.

In 2010 the baby-boom generation (the population aged 45-64) was the largest demographic in Cumberland, but since 2010 the proportion of residents in this cohort has declined as the population aged 44 and under has grown. The oldest members of the baby-boom generation turned 65 in 2011.

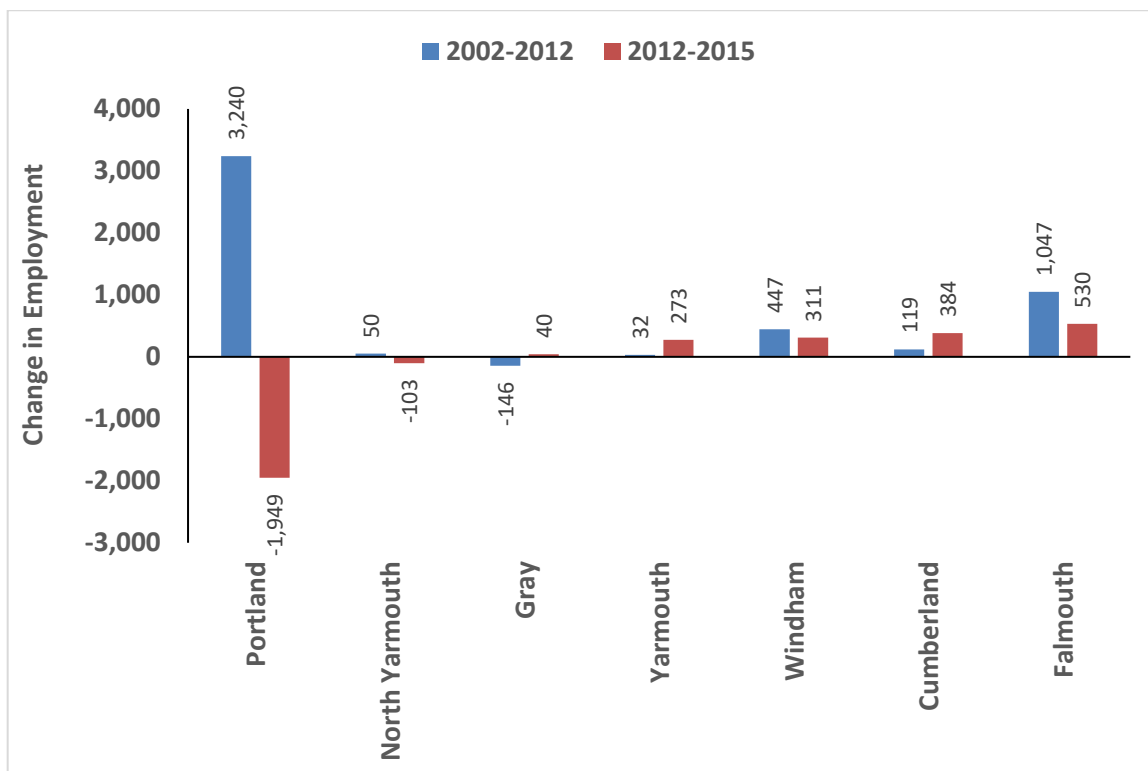
Residents in this age group may have temporarily delayed retirement following the 2008 recession and the collapse of home prices and the stock market. Now that prices have recovered the baby-boomer households may be looking to sell their homes as they retire.

Birth rates are rebounding.

Meanwhile, birth rates in Cumberland County fell from 2,824 in 2009 to a low of 2,685 in 2011. Since 2011, birth rates in Cumberland County have increased, returned to 2,824 per year by 2016. As these young families buy homes many are moving to communities like Scarborough, Yarmouth, Cape Elizabeth, or Cumberland, which are known for their excellent school systems. The new families that are moving into these homes may have different traffic impacts than the previous residents.

Cumberland is creating new jobs, which are a significant portion of the County's job growth.

Between 2002 and 2012 employment in Cumberland increased by 119 jobs, which was about 1% of the 10,377 jobs that were created in the county over this period. Between 2012 and 2015 employment in Cumberland increased by 384 jobs, which was about 9% of the 4,069 jobs created in the county.



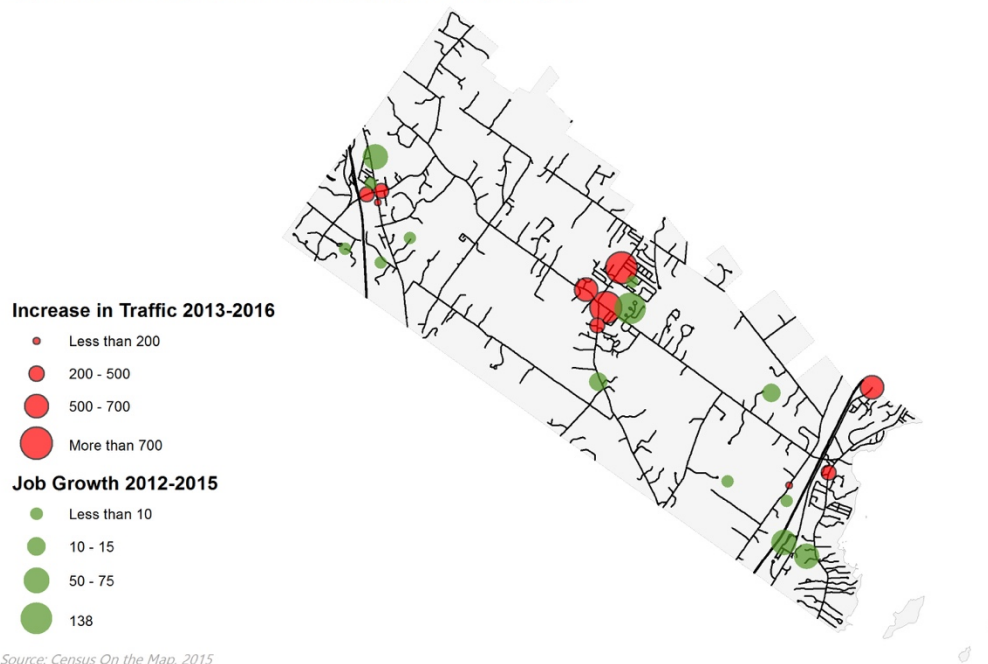
While jobs are growing in Cumberland, neighboring communities are growing housing faster than they are growing jobs.

Employment growth in Cumberland in recent years has exceeded employment growth in most neighboring communities, especially in North Yarmouth and Portland, where employment declined between 2012 and 2015. Meanwhile, housing has grown faster than employment in many communities surrounding Cumberland, which implies that the new residents of the new housing built in Gray, Windham, North Yarmouth, and Portland may have to commute outside of their home town for employment.

Traffic is increasing near Cumberland's employment centers.

The below map shows the general locations where employment has grown in Cumberland since 2012. Most of the job growth has occurred in Cumberland Center, along route 26/100 in West Cumberland, or on Route 1. There have also been significant increases in traffic near these employment centers. Traffic count data from MaineDOT show that traffic volumes at many of these locations were higher in 2000 than in 2016. Traffic volumes generally declined between 2000 and 2012, but since 2012 there has been a noticeable increase at many traffic count locations in Cumberland. Some of this increase may be due to people commuting into Cumberland for work.

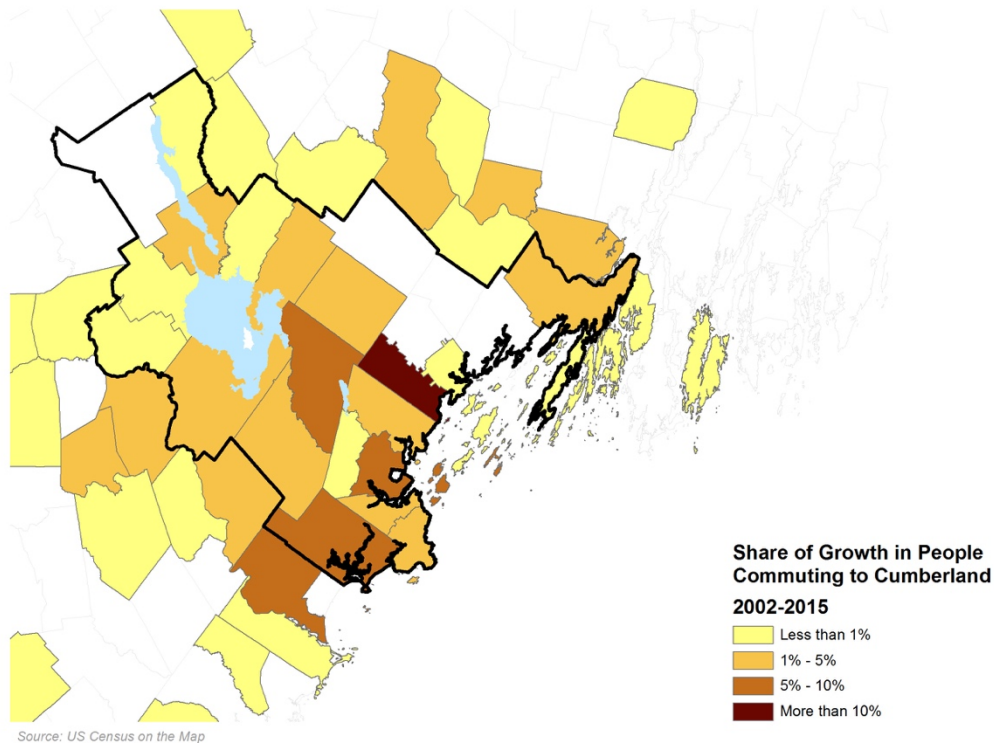
CUMBERLAND JOB AND TRAFFIC GROWTH 2012-2015



People working in Cumberland are – for the most part – not living in Cumberland.

In 2002 half of the people working in Cumberland commuted from Cumberland (29%), Portland (11%), and North Yarmouth (9%). As employment in Cumberland has grown, 88% of those jobs have been filled by people who do not live in Cumberland. The towns that have contributed the most to

the growth in commuting into Cumberland include Windham (10%), Portland (8%), Scarborough (7%), Saco (6%), and Gray (5%). As a result, Windham residents have increased from 2% to 5% of the population commuting to work in Cumberland. There are now more towns sending a smaller share of commuters to Cumberland, which could create a variety of unexpected traffic impacts.



There are multiple strategies for mitigating the property tax burden caused by new development.

Maine towns have traditionally relied primarily on property taxes to fund local services. In recent years cuts at the state level are forcing municipalities to provide more services while receiving less financial support from the state. This has increased the reliance on using the property tax to fund local services, which is especially burdensome on older residents who are on fixed incomes. In this environment every increase in municipal budgets faces greater scrutiny and debate from residents. Towns that are facing these budgetary pressures may want to pursue measures that will lower the tax burden for existing residents.

Below are some policy options for reducing the costs associated with growth, for the Town's consideration:

1) Expand housing choices for older adults in Cumberland.

Expanding age-restricted housing for the growing population of senior citizens is one option for meeting the housing needs in Cumberland while not increasing school costs. However, we offer two

considerations. First, it appears that a larger driver of school costs derives from the turn-over in existing housing stock, over which the Town has little control, than from new residential development. Second, locating 55+ housing in walkable neighborhoods, already served by infrastructure and town services, will result in lower municipal costs than locating 55+ housing outside of Cumberland's village and employment centers.

There remains a need for more affordable housing choices for older adults in our region. According to the Maine Affordable Housing Coalition in 2012 about 1/3 of Maine's population was aged 55 and older and 21% of older people in Maine were living in unaffordable housing. In 2012 there was a shortage of 9,000 affordable units available to the low-income elderly population, and unless the existing rental stock increases, this shortfall will grow to 15,000 by 2022.

Currently 30% of Cumberland's population is aged 45-64, and over the next 15-20 years they will be transitioning into retirement. Expanding housing for people aged 55 and over may be one way of enabling people to remain in Cumberland after they age out of their family home.

2) Encourage walkable neighborhoods near existing village areas and employment centers.

Smart growth helps preserve rural character and protect natural resources. Smart growth policies also encourage development in places with infrastructure and where people already live and work. By encouraging walkable neighborhoods, a municipality can help reduce the amount people drive, which helps reduce wear and tear on roads and helps reduce traffic. Walkable neighborhoods also reduce the amount of new infrastructure that needs to be built and maintained, and can also reduce the geographic span of services provided. If new development is mixed-use (housing and commercial), the property tax revenues for development in village centers will likely be higher per acre than from single-family, low-density residential development. In some cases, mixed use, neighborhood development can actually generate more revenue than expenses.

Here's some data from a national analysis comparing compact neighborhood development to low-density residential development:

Stantec (2013), Ford (2010), and Burchell and Mukherji (2003) all found municipal fiscal savings from smart growth development compared to low density development. Smart Growth America's national review of the fiscal benefits of this type of development found an average savings of one-third of capital costs and 10% of operating costs (SGA, 2013).

Here's some data from specific places:

The Charlotte, North Carolina Department of Transportation found that neighborhood, compact development yielded a 75% reduction in emergency services costs compared to low density neighborhoods with dead end streets (CDOT, 2012).

A study commissioned by the Calgary Plan-It program found that smart growth development would save about 1/3 in capital costs and 14% in operating costs compared to low-density development (IBI, 2008).

The City of Madison, Wisconsin achieved a net fiscal impact of smart growth development of \$4,534 per acre, compared to \$1,286 per acre for low-density development (SGA, 2015a).

Smart Growth America studies for the cities of Madison, Wisconsin and West Des Moines, Iowa found that the net fiscal impact of Smart Growth development was at least 50% higher than low-density development (SGA, 2015a ; SGA, 2015b).

3) *Preserve rural character by conserving land.*

A critical complement to encouraging development in places that are already served by infrastructure is to intentionally preserve the natural areas of Cumberland to maintain the Town's rural character. Cumberland can continue to work with land trusts to conserve land in the more rural parts of Cumberland to minimize the spread of suburban sprawl. This will limit the growth in demand for the town to provide services to suburban developments in rural areas.

Pursuing these strategies will minimize the impacts of new development on town infrastructure while also growing the tax base and reducing the tax burden for Cumberland residents.

Additional Smart Growth Resources

The organization *Smart Growth America* provides some brief summaries of ten principles that they have identified to be the foundation of implementing smart growth principles in a community at the following website: <https://smartgrowthamerica.org/our-vision/what-is-smart-growth/>

"Building Better Budgets" is a report completed by *Smart Growth America* that provides tangible support to the notion that smart growth can prove to be a financially responsible development pattern for communities of any size.

The *Green Communities Center*, within the *American Planning Association*, works towards fiscally responsible actions that will protect and conserve a community's natural resources—especially important when your community's identity is founded in its natural beauty. You can learn a little more about *Green Communities Center* here, at the APA website:

<https://www.planning.org/nationalcenters/green/>

The *Fiscal Implications of Development Patterns* is a document developed by Smart Growth America that describes how they have adapted a traditional fiscal model to consider how growth occurs and how buildings are designed. You can read the methodology and request technical assistance from Smart Growth America here: <https://smartgrowthamerica.org/resources/the-fiscal-implications-of-development-patterns-overview/>