

**Economic Impacts
of
Proposed Land Development Code Changes**

prepared for

City of Austin
Environmental and Conservation
Services Department

by

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SUMMARY

The City of Austin has developed a proposed strategy for protecting future water quality in Barton Springs. The strategy is to amend the City's Land Development Code so as to require developers to obtain permits for development under a new set of rules that require the implementation of specified pollution control measures that may vary depending on the amount of impervious cover developed on the land sites. The net effect of these new rules is to increase the unit cost of development in the Barton Creek Recharge Zone and the adjacent Contributing Zone (the Zone), and to limit the extent of impervious cover. The expectation is less intense development, limited mostly to single family housing with some multi-family units, but very little commercial development.

The primary economic impacts of these new rules will be to cause development that would otherwise locate in the Zone to locate elsewhere. Such relocation will change the distribution of property values among the various market areas of the MSA, impact economic growth inside the current boundaries of the City of Austin, and effect the cost and revenues of City government and other political subdivisions. There will, of course, be a positive economic benefit related to the commerce of the City that depends directly and indirectly on the quality and aesthetics of the Barton Springs area. This study has provided estimates of the economic costs of the new rules on the Austin economy and on the budget of the City of Austin. The study has not tried to quantify the positive economic benefits that flow from commerce dependent on the quality of Barton Springs. This does not mean that such benefits are unimportant or that the authors of this study believe they do not exist. It means only that it was not feasible to try to measure such benefits in the time and resources available for this study.

The problem of measuring the economic benefits to be derived from a high quality Barton Springs is not an easy one. Barton Springs is an inseparable part of a general aesthetic quality of Austin which makes the City attractive for tourism, conventions and related activities. It also enhances the quality of living for Austin residents. One possible approach to quantifying the economic importance of Barton Springs is by comparison with similar circumstances elsewhere. Such an approach would need to identify a comparable economy where such a resource was not protected for comparison with one that was protected. Another approach is to let the political process determine whether the perceived value exceeds the costs of non-degradation quantified in this report.

The economic costs of the new rules to the Austin economy can be summarized as follows. The loss of growth in construction activity in the Austin economy will amount to \$11.5 to \$13.7 million by 1993 (\$5.8 to \$6.9 million per year) and \$48.6 to \$149.1 million by the year 2001 (\$4.9 to \$14.9 million per year). This loss of growth in economic activity will mean the loss of growth in jobs amounting to an average of 119 to 142 construction and all other jobs during 1991-93 and 101 to 309 jobs during 1991-2001. The loss of employment growth will translate into a loss of annual income growth to the Austin economy of \$7.7 to \$9.1 million during 1991-1993 and \$6.5 to \$19.9 million during 1991-2001. The net present value of this lost income stream is about \$40.5 to \$115.3 million. The income and job losses in the year 2001 will amount to about 0.1% of future income and 0.05% of employment.

The impacts on the City budget are expected to be minor because relocation of growth that would otherwise occur in the Zone will go in part to other parts of the City jurisdiction. Some of the relocation will escape the property tax

of Austin but will still contribute income through the use of Austin utilities and payment of sales taxes. In other cases the relocation will go outside the City jurisdiction altogether. An estimated 545 people will locate outside Austin's boundaries and ETJ by 1993 and 2,758 by 2001. A larger number of 654 people will locate outside the property tax jurisdiction of Austin by 1993 and the number will accumulate to 4,165 by 2001 (average of 417 per year). The impacts on the Zone are relatively more important amounting to a 792 decrease in population by 1993 (396 per year) within the City of Austin, and a 1,260 decrease from within the ETJ part of the Zone (630 per year). By the year 2001, the decrease in expected population growth will amount to 3,146 (315 per year) from within the city limits and an additional 8,029 (803 per year) from within the ETJ of the Zone. The location of the people who would otherwise locate within the Zone will be mostly in other Austin ETJ areas, therefore, the net reduction in COA/ETJ areas in the aggregate will be small. The net effect of these population movements and economic activity redistribution will be \$624 thousand cost to the City budget in 1993 and \$1.8 million by the year 2001. These impacts are a modest 0.3% in 1993 and 0.5% in the year 2001.

The impacts of the Land Code change will be relatively large in the Zone when compared with impacts on Austin at large. The reduction in the growth of residential construction and the almost total absence of commercial property development in the Zone will have a substantial impact on existing land values and the accumulation of structural property values (houses, apartments and businesses) in the area. The reduction in growth in the Zone of 2,108 people by 1993 and 11,227 by 2001 will translate into reduced undeveloped land values of \$42 million by 1993 and \$64 million by 2001. The reduced value of new construction in the area will amount to \$38 million by 1993, a value which will accumulate to \$195 million by 2001.

In short, the proposed rules to limit development in the Zone will have modest economic consequences for the City budget and the Austin economy. By far, the largest impact will be on the construction and development community that have substantial investments in undeveloped property in the Zone. Those persons already located in the Zone, or those with protection from compliance with the new rules, will have either an enhanced quality of surroundings or improved property values, or both.

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LIST OF ACRONYMS
(alphabetical)

BSADJ	Barton Springs Adjacent Area
BSR&CZ	Barton Springs Recharge and Contributing Zone
COA	City of Austin
CWO	Comprehensive Water Ordinance
ETJ	Extra Territorial Jurisdiction
FIRE	Finance/Insurance/Real Estate
LP	Linear Programming Model
MSA	Metropolitan Statistical Area
MUD	Municipal Utility District
SPPM	Small Area Population Projection Model