

Germantown Smart Growth Partnership Program – Meeting the Triple Bottom Line

Located in southeast Shelby County, adjacent to Memphis, Tennessee, Germantown is a suburban community with a population of 41,011. The City boasts the lowest crime rate for any city its size in Tennessee and an average police and fire response time of five minutes. The City's parks and recreation department is nationally accredited. Germantown Performing Arts Centre presents world-renowned artists with a focus on world music and programs. Community participation is high with over 300 citizens serving on 22 advisory commissions and boards. The City continues to merit a triple-A bond rating from both Moody's and Standard & Poor's, established in 1994 and most recently reaffirmed during FY09.

Assessing the Situation

Like some other suburban municipalities nearing build-out, Germantown lacks a dynamic, vital central business district on which to rely for significant tax revenue and thus minimize residential property tax increases. Through its Smart Growth Plan and the Smart Growth Partnership Program, tools are now in place in Germantown that could be easily duplicated in other communities facing the same challenge.

Smart Growth is a comprehensive mixed-use redevelopment plan that unites commercial and residential spaces within a pedestrian- and traffic-friendly environment. As part of the plan, the City defined a Smart Growth zoning district; gathered public opinion in planning the integration of commercial, residential and public desires for the area; gained input from developers, business owners and community organizations and developed a Smart Code of regulations to govern development in the area. The Smart Growth Partnership Program encourages development in the district by offering incentives to prospective developers.

The Triple Bottom Line

In May 2008, the City of Germantown adopted The Smart Growth Partnership Program, a unique public/private partnership policy to encourage and aid redevelopment of its central business district. This

innovative tool was devised by the City to engage multiple stakeholders in updating and enhancing a 700-acre commercial area.

The policy is designed to encourage active participation by the City, the development community and residents with a focus on financial sustainability, environmental stewardship and community building. These three goals are referred to as the “triple bottom line,” designed to provide a quantitative measure of how well a proposed development project accomplishes the City’s Smart Growth standards.

The term “triple bottom line” was first coined by John Elkington in 1994. Based on the idea that businesses and investors should measure development plans against a set of metrics capturing economic, social and environmental value, the “triple bottom line” seeks to strike a balance between these, sometimes competing, priorities in a manner that ensures long term sustainability.

The City of Germantown determined that, in order to ensure our triple bottom line of financial and environmental sustainability and community building, public-private partnerships are necessary to facilitate Smart Growth development patterns. To this end, the City has established these three goals to measure the success our Smart Growth plan, code and Partnership Program.

1. Financial Sustainability

The public/private partnership policy requires that anyone wishing to develop in the Smart Growth zone complete a fiscal impact analysis to determine whether revenues generated by the project are sufficient to cover the resulting costs for service, the facility demands placed on the City and reimbursement of public infrastructure improvements. The fiscal impact analysis will be performed by an independent consultant approved by the City and the developer.

2. Environmental Stewardship

Development in the Smart Growth area and participation in the City’s public/private partnership policy requires that the developer provide a balanced environmental footprint that promotes conservation and environmental stewardship. The policy provides that the developer meet certain criteria in terms of

development efficiency, sustainable site development practices, sustainable building practices and LEED (Leadership in Energy and Environmental Design) certified construction. Depending upon how aggressive the developer wishes to be translates into additional incentives by the City in the form of tax incentives or public improvements. These development requirements and incentives further enhance and support environmental stewardship today and in the future for Germantown.

3. *Community Building*

A central requirement in development in the Smart Growth zone and participation in the public/private partnership policy is the recognition of the public as a partner in the development process. The community must be engaged in the project through an invitation that engages the residents in a collaborative conversation about the project. By informing residents about plans early in the process, they feel that they can influence the course of the project. The public participation plan consists of a two part process designed to enhance dialogue between applicants and those members of the community who may be impacted by a proposed development in the Smart Growth zone. The minimum standards for the plan are to ensure the following:

- Identification of all property owners within a quarter mile of the site that may be impacted and affected by the application and development
- Explanation of how interested parties will be informed of the development application process
- Methods for facilitating and incorporating discussion with interested parties
- The applicants schedule for completing the public participation plan

A complete report on all discussions and meetings held must be submitted for each project.

Under the City's public/private partnership policy the triple bottom line for development in the Smart Growth zone can be achieved. If we are to sustain as a community and navigate through these extremely difficult economic times this type of involvement and planning and community involvement is critical to our long

term success. The triple bottom line can be achieved but only through a collaborative process that involves all three players.

Purpose of the Smart Growth Partnership Program

The Smart Growth Partnership Program is designed to assist City officials in analyzing Smart Growth development proposals. It is designed to provide a quantitative measure of how well a development project accomplishes the City's Smart Growth priorities and achieves our triple bottom line. The matrix incorporates criteria that reflect the Smart Growth goals described above.

If a development project, as measured by the matrix, significantly advances the City's Smart Growth Initiative, certain public-private partnerships may be available to help offset the higher cost of developing in urban areas. A maximum value for partnerships is based on the project matrix score and the increase in property tax revenue related to the project.

The Smart Growth Partnership Program recognizes the City of Germantown as an essential leader in partnership with two main participants: the public and various stakeholders and developers. The City provides vision, administrative and planning expertise, coordination and possible funding in support of Smart Growth projects. The policy also recognizes residents in the immediate vicinity as key stakeholders. Finally, the policy is integral to the City's Vision 2020 master plan for greater efficiency and effectiveness in local government and long-term economic and environmental sustainability for the community.

Results

Currently in the design stage is a \$250 million mixed-use lifestyle development proposed on 35 plus acres located in the heart of Germantown. The developer in this project is participating in the Smart Growth Partnership Program and is interested in possible tax increment financing and special assessment bonds for public improvements. As required by the plan, a fiscal impact analysis was completed to determine the financial impact of the development on City revenues and expenditures. The analysis evaluated the fiscal characteristics of the proposed development to help the City measure the estimated difference between

anticipated revenues and the related costs of the new development. Results showed the net fiscal impact to the City to be up to \$3.5 million dollars annually. The analysis clearly demonstrates that sufficient property taxes would be generated to support tax increment financing while covering general fund operating expenditures associated with the project and providing net revenues to the city helping to secure our financial sustainability.

In terms of environmental sustainability, plans for the proposed development include one eight story office building and one eight story hotel. Both buildings are planned to qualify for LEED (Leadership in Energy and Environmental Design) certification. The project will also incorporate best management practices in regard to stormwater retention and irrigation.

The developer has been successful at community building efforts by engaging the surrounding neighborhoods in discussion about the project. Officials met frequently with Neighborhood Association board members and officials. A record of attendees, questions and answers was developed.

As a result of the Smart Growth Partnership Program, the first Smart Growth project to be submitted has qualified for the maximum financial incentive package available under an approved development contract with the City. By meeting the financial, economic and social standards associated with the triple bottom line, the developer of this project will receive priority permitting and reimbursement of community development fees, utility connection fees and public infrastructure improvements. The total eligible incentive package is not to exceed the net present value of increased property taxes generated over a 15 year period.

Lessons Learned

Germantown will emerge from this dramatic economic slowdown better prepared to address long term economic, social and environmental sustainability. This era has taught our City officials that the city's economic health should not be measured by the number of building permits issued or big box chain stores. The soul of our community is at risk if we do not focus our growth and development efforts on projects that produce wonderful places and environments for our citizens to reside and embrace the triple bottom line.