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Build up downtown to boost tax revenue, expert says

By Ken Carlson kcarlson@modbee.com

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Over the years, leaders in Stanislaus County have heard plenty of advice from urban planners. One of the concepts frequently repeated was to build homes in the foothills in order to preserve rich farmland on the valley floor.

Real estate consultant Joe Minicozzi thinks housing and commercial projects should be built right in the center of San Joaquin Valley cities such as Modesto.

Why? Revenue-starved cities can garner more taxes per acre from downtown multistory buildings than from strip malls and housing subdivisions.

He gave examples at a forum Thursday evening at Modesto Centre Plaza.

Modesto and Stanislaus County have pulled about \$26,800 per acre in property taxes from a building in the 900 block of J Street that has housed a sports bar and other businesses. That's compared with \$6,900 per acre from Vintage Faire Mall.

The three-story downtown building stands on less than an acre. The mall covers 94 acres of what used to be prime farmland.

Minicozzi has drawn national attention with his studies of his hometown of Asheville, N.C., and cities across the country. He argues that cities can reap substantial tax benefits by encouraging high-density downtown development, and the benefits are greater than landing a Target or another major retailer.

The nonprofit Local Government Commission paid him to run the analysis for Modesto. And he will soon do similar studies for Turlock and Merced.

Minicozzi gleans information from county assessor databases and uses a computer program to produce maps of high-value and low-value taxable properties. He includes sales tax information when he can get it.

Multistory buildings are "more potent and effective for communities to gain their wealth," he said.

In addition to the tax benefits of building up — or restoring tall buildings in the city core — Minicozzi contends that cities spend less money providing public services and infrastructure to their downtowns.

Asheville's downtown died in the 1970 and '80s after construction of a mall and commercial strips on the outer fringe of the city, Minicozzi said. Community leaders later created a downtown plan and hired a manager to oversee revitalization.

The city is now heralded as an arty tourist stop in the western mountains of North Carolina.

In other examples, Minicozzi's study found that the 56,360-square-foot City Tower building, at 10th and H streets in Modesto, is the highest-grossing building for property taxes in Modesto. It generates \$20,700 per acre for the city and \$41,300 per acre for the county.

The larger Target site on McHenry Avenue yields \$840 per acre for the city and \$1,600 per acre for the county, according to his study.

Minicozzi, a projects director for developer Public Interest Projects, said the firm converted a long-vacant JCPenney store in downtown Asheville into offices, condominiums and retail stores. The property yields \$634,000 per acre in taxes, compared with \$6,500 per acre from a Wal-Mart in Asheville, he said.

After his presentation, a panel composed of Modesto Mayor Garrad Marsh, Chris Ricci of Commonwealth Modesto, developer Peter Janopaul III and real estate investor John Given discussed the potential for the downtown.

Marsh said it costs more for police to patrol areas of north and east Modesto that paved over farmland than it does to safeguard the 87-acre downtown.

Ricci said there are empty floors in some of the downtown properties that the consultant touted. "We have prime retail

space on J Street that we can't seem to rent out right now," he said.

Business owners have developed many restaurants and entertainment venues downtown, but the city is waiting for someone to build housing for young professionals, panelists said.

Minicozzi's work in the valley is funded by grants from the Smart Valley Places project and private foundations, the Local Government Commission said. The commission is working with cities in the San Joaquin Valley to draw a regional plan for growth.

Bee staff writer Ken Carlson can be reached at kcarlson@modbee.com or (209) 578-2321.

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Phone: (209) 578-2000.