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Invest in downtown, expert says

More valuable than malls, per-acre

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Cities may be wowed by flashy retail developments – the malls, shopping centers, and big box stores that some municipalities show off like badges of honor.

But according to Joe Minicozzi, cities waste their time by chasing those sprawling big-money developments.

Instead, a renewed focus on dense, urban environments simply pays off better for municipalities, Minicozzi says. That's right – redeveloping those much-maligned downtowns generates more tax revenues per-acre than even the busiest of malls.

Minicozzi, a principal with planning and architecture firm Urban 3 LLC, has seen firsthand the effect a renovated downtown can have on a city.

He cut his teeth in Asheville, N.C., a city which was one of the gems of America before the Great Depression sent it hopelessly into debt. It took until 1976 before Asheville paid off its debts, then promptly built a huge mall outside of town which turned downtown into a ghost town.

After it died, no one had any interest in bringing it back.

“The Greek chorus would come out every time someone tried to do something downtown,” Minicozzi said.

Rebuilding Asheville

It wasn't feasible, people said. Everyone wanted to shop at the malls.

Then, in the late 80s, a developer wanted to bulldoze downtown Asheville to build a new mall. One man led a crusade which changed the public mindset, and drove citizens to vote down the development by a more than 2-to-1 margin.

And Asheville went to work to try to bring its downtown back from the dead.

"We tried to make this, really modestly, a great place to live," Minicozzi said.

The effort worked. Asheville has been named the #1 downtown by Fodor's. More than 2.9 million tourists now visit a "vibrant" downtown each year.

But as downtown Asheville was revitalized, planners saw an unexpected secondary impact: huge increases in both taxable sales, and in property tax revenues. Downtown property values even climbed – sharply – through the recession.

One building was worth \$300,000 in 1991. Today, the mixed-use building is worth \$11 million – a 3,500 percent increase.

Most strikingly, that building occupies less than one-fifth of an acre.

The revelation led Asheville planners to reconsider how it valued development. Rather than looking at the raw value of development, they began looking at it on a per-acre basis, just as farmers view cash crops.

A mall may be worth \$50 or even \$100 million, but consumes tens of acres. That same value could be realized in two acres of dense, mixed-use development.

And that compact development is less expensive to service, in terms of infrastructure, police, and fire services.

The value of Turlock's downtown

Through the non-profit Local Government Commission, Minicozzi brought his research to the Central Valley, investigating the per-acre tax impacts of downtowns in Modesto, Merced, and Turlock.

In Modesto, the Vintage Faire Mall produces about \$4,500 in property taxes per acre. Some downtown buildings produce upwards of \$41,000 an acre. Just 17 acres of Modesto downtown could produce as much revenue as a 90-acre mall.

Minicozzi's research shows similar results in Turlock.

Monte Vista Crossings averages \$1.2 million in property value per acre. The Walmart development, \$875,000 per acre.

And despite its vacancies, downtown Turlock is right there, at \$938,000 per acre. When factoring in exempt properties – those government-owned and churches – the average property value rises to \$1.2 million per acre.

Turlock's Walmart actually yields 48.6 percent less property tax revenue per acre than the downtown average. That's \$2,660 per acre, versus \$5,173 per acre.

"You've actually got a lot of properties that are producing a tremendous amount of value," Minicozzi said.

In fact, some downtown Turlock properties, like 134 Golden State Blvd., produce as much as \$33,391 per acre in property taxes. Other developments, like 117 S. Broadway, produce \$14,780 per acre.

And even modest downtown developments – those without second floor occupants – can produce four times the per-acre value of a Walmart, Minicozzi said. Just 1.5 acres of moderate value downtown development can match the total tax production of the entire 10-acre Target site.

Sales taxes are closer than one might think; Turlock's downtown averages \$8,000 per acre in retail sales taxes, while Monte Vista Crossings averages just under \$20,000 an acre.

More value possible

If developed, Turlock's downtown could become even more valuable, Minicozzi said.

Stacked mixed-use developments, with second-story housing, can lead to “ridiculous” property tax values, at a minimal investment. The Merced Lofts development is valued at over \$5.6 million per acre.

Once residents move in, retail space becomes more valuable, and the cycle continues.

Turlock's in-progress downtown plan revision could help drive the development of more upstairs housing. And maximum building heights could also be increased, making development of stacked mixed-use developments easier.

But convincing developers to pursue infill development, oftentimes more costly than new builds on large parcels, can be difficult.

Turlock's deputy director of development services Debbie Whitmore said the city is planning to educate developers about the possible availability of tax credits, and historical building laws which can reduce costs. Turlock also hopes to bring in developers who have successfully completed projects in other Valley cities, Whitmore said.

Much work remains before Turlock can take direct advantage of Minicozzi's research, which Mayor John Lazar termed “very provocative.”

But Turlock is already on the right track with its downtown, Minicozzi said, pointing at the numerous pedestrians who walk around daily.

“The pedestrian is the canary in the coal mine for the success of a downtown environment,” Minicozzi said.