



Valuing Downtowns:

Upward Not Outward is a Smart Revenue Strategy for Local Governments

Average Downtown Total Property Tax Revenue

Modesto	\$8,163/acre
Turlock	\$6,268/acre
Merced	\$7,593/acre

SAN JOAQUIN VALLEY MUNICIPAL REVENUES STUDY:

Investing in Downtowns Yields More Property Tax Revenue per acre than Building on the Periphery

A new review of city and county property tax revenues in three San Joaquin Valley cities finds that focusing growth in downtown areas is usually a better bet for cash-strapped local governments than traditional urban sprawl.

The study takes its direction from the agricultural understanding of land economics – which is calibrated on a per acre basis. The study finds that even small mixed-use developments near the centers of Modesto, Merced and Turlock achieve more revenue, on a per acre basis, for local governments than developments that consume much more land in more remote places, where land values are typically lower. That's because multi-story structures, which are more common in downtown areas, use land more efficiently than expansive single-story structures with adjacent parking lots.

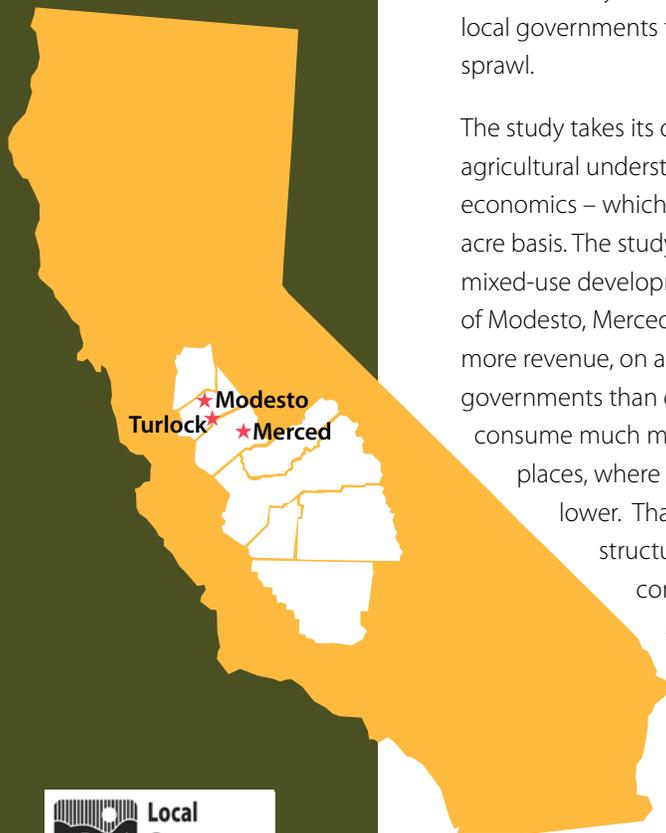
The report makes two important findings with relevance to the San Joaquin Valley region and other California communities:

Big-box style retail developments provide significantly less property tax revenue per acre to local governments (city and county combined) than the average of all downtown properties.

In Turlock... Walmart yields **48.6% less property tax revenue** per acre than the average downtown property. Walmart and JC Penny combined still produced **41.7% less property tax revenue** per acre than the downtown average.¹

In Modesto... the Central Valley Plaza area yields **43.6% less property tax revenue** per acre and Vintage Faire Mall yields **16.3% less property tax revenue** per acre than the average downtown property.²

In Merced... the Merced Mall yields **40.5% less property tax revenue** per acre than the average downtown property.³



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“We hope officials will use this property tax yield per acre as another way to quantify the importance of downtown — and of in-fill projects.”

The Modesto Bee editorial, April 23, 2012

¹ Walmart: \$2,660/acre; Walmart/JC Penny: \$3,014/acre; Downtown Turlock taxable mean: \$5,173/acre

²CV Plaza and outparcels: \$4,604/acre; Vintage Faire Mall: \$6,831/acre; Downtown Modesto taxable mean: \$8,163/acre

³Merced Mall: \$4,520/acre; Downtown Merced taxable mean: \$7,593/acre



A Case for Downtown Investment

MODESTO, CA

Modesto got its start as a railroad stop between Sacramento and Los Angeles. But the fertile farmland, proximity to the river and railroad traffic positioned it for growth well beyond its modest beginning.

Home to more than 200,000 residents today, Modesto will continue to grow. The question is will this growth be up or out? The recent San Joaquin Valley economic study, authored by Joe Minicozzi, provides insight to this question and illustrates the benefits of downtown growth, not just to the environment, but to city and county finances too.

Take **917 J Street**; this simple 3-story mixed-use property containing Modesto's Sports Bar & Grill along with other commercial space, takes up just 0.16 acres of space yet generates significant property tax revenue – to the tune of over \$38,000 per acre. Conversely, the **Vintage Faire Mall**, located near the edge of town consumes nearly 100 acres but generates just under \$7,000 per acre.

1020 Tenth Street is another example. This 3-story Class A office and retail property, home to Fuzio Universal Bistro, is located in the heart of downtown Modesto near the 13-story Double Tree Hotel and Brenden Theaters. It generates \$60,481 per acre in property tax revenue.



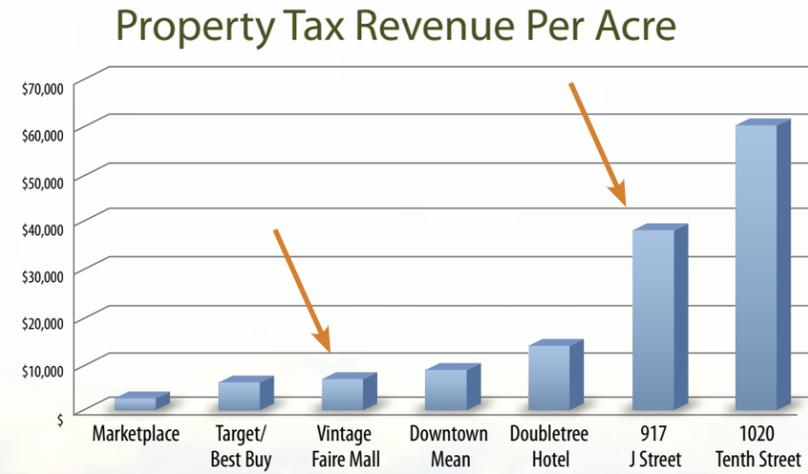
917 J Street



1020 Tenth Street



Double Tree Hotel



On a per acre basis, downtown property 917 J Street brings in 5 times more property tax revenue than the Vintage Faire Mall.

Vintage Faire Mall
Located 5 Miles from Modesto Downtown



Shopping Centers Meet Hard Times

Century Center, Modesto

As shopping centers struggle to retain and bring in new tenants, many parking lots and large stores outside of downtown remain vacant. Empty stores mean less sales tax revenue for the city and county.

The Modesto Bee, January 11, 2012
Raley's closing Modesto's Century Center store
 ...The Raley's store has anchored Century Center since 1979, when the shopping complex opened. It was Modesto's second Raley's, following its Tully Road outlet.
 Its closure marks another in a series of high-profile businesses to leave the shopping center.
 In July 2009, California department store giant Gottschalks went out of business, leaving an empty 90,000- square-foot anchor spot, which is still vacant today...



Repeating This Study in Your Community

Urban 3 obtained public assessors and GIS data from Stanislaus County, Merced County and the cities of Merced, Modesto, and Turlock, to build a database of properties in each city. The data indicates the property acreage, assessed value and the corresponding property tax revenues due to local governments.

Researchers evaluated each property by dividing its revenue obligation by its acreage to arrive at a measure of the property's land efficiency as a revenue source. The results were sorted from low to high to facilitate comparison between land use types and locations.

SAN JOAQUIN VALLEY MUNICIPAL REVENUES STUDY: *continued*

In all three cities studied, there were examples of downtown properties that yield much more than the downtown average. Here are just a few:

	Property Tax Revenue/Acre		Building vs. Downtown Average
	Building	Downtown Average	
Merced			
501 W. Main	\$85,812	\$7,593	1030% higher
550 W. Main Street	\$58,270		667% higher
1730 Canal Street	\$46,018		506% higher
Modesto			
801 10th Street	\$62,005	\$8,163	660% higher
917 J Street	\$38,285		369% higher
Turlock			
117 South Broadway	\$14,780	\$6,268	136% higher
134 Golden State	\$33,391		433% higher

The review, conducted by Joseph Minicozzi of Urban 3 for the Local Government Commission and the Council of Infill Builders offers an alternate way to evaluate local growth decisions in California, which often are decided solely on the lure of promised sales tax revenue from big box retail and other large lot developments on the periphery of cities and towns.

The report comes as communities rocked by the economic slowdown of the past few years are discovering the benefit of varying their building stock and the risk of relying too heavily on retail sales tax revenue from chain stores and other resource intensive developments.

Thinking like a farmer can benefit your community

The research suggests we can learn a lot about our cities if we think about the economics of land-use the way a farmer thinks about their farm. In knowing the costs and revenues of various kinds of development, we can find out where the smartest public investment yields may grow.

Beyond the opportunity for greater revenue for local governments, an emphasis on downtown development satisfies commercial and housing needs while reducing the impact on agriculture and open space. Creating less distance between where people live and work makes for shorter commutes, less traffic, lower transportation costs and better air quality. Plus, creating a dense downtown limits sprawl and the need to build expensive new infrastructure like roads and sewer systems, thus reducing costs for local governments.

Resources for Local Governments



Local Government Commission

1303 J St, Suite 250
Sacramento, CA 95814
www.lgc.org



Council of Infill Builders

2012 K St
Sacramento, CA 95811
www.councilofinfillbuilders.org



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