

# NEW URBAN NEWS

COVERING DESIGN & DEVELOPMENT OF HUMAN-SCALE NEIGHBORHOODS

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## Best bet for tax revenue: mixed-use downtown development

*Studies in Florida and North Carolina show that dense urban development pays off for local governments. Big-box retail doesn't.*

**A**t a time when local governments are struggling financially, two studies — one in Sarasota County, Florida, the other in Asheville, North Carolina — suggest that one of the best fiscal remedies is dense, mixed-use development.

The studies, by Public Interest Projects, a real estate development firm in downtown Asheville, show that on a per-acre basis, sprawling single-use developments such as big-box stores do a poor job of providing governments with needed tax revenue. Dense, mixed-use development, usually downtown or adjacent to transit, is financially much more beneficial.

Peter Katz, director of smart growth/urban planning for Sarasota County, commissioned J. Patrick Whalen Jr. and Joseph Minicozzi of Public Interest Projects to analyze how much property tax is produced *per acre* by various kinds of development. Looking at specific properties — from high-rise buildings in the City of Sarasota's downtown to big-box stores and shopping malls across the county — the researchers discovered that dense, mixed-use urban development is far superior.

From a tax revenue-per-acre (versus per lot or per household) perspective, the properties that are typically occupied by retailers like Walmart, Costco, and Sam's Club turn out to be very disappointing. They generate about \$8,350 per acre — "maybe \$150 to \$200 more per acre per year than single-family houses in the city like mine," Katz says.

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**Planners in Dublin, Ohio, put together a chart that illustrates why a commercial corridor is not walkable. See page 9 for the story of a suburban community that is transforming itself.**

### Would you walk here?

LEED-ND walkability standard: at least 150 intersections/sq. mile; 300-400+ is desirable. The Bridge Street corridor has fewer than 30/sq. mile.



**Bridge Street Corridor East**

Bridge St. (East) | Less than 30 intersections /sq. mile along

**A recognized model of walkable urban identity in Columbus.**

Short North | Approximately 200 intersections /sq. mile

COURTESY OF GOODY CLANDY & ASSOCIATES

## A melding of New Urbanism and 'One Planet Communities'

*Sonoma Mountain Village is envisioned as a walkable, mixed-use center with thousands of jobs and a world-class environmental performance.*

PHILIP LANGDON

**T**he City Council in Rohnert Park, California, voted approval August 24 for the transformation of a 175-acre light industrial business park into a new urban community that promises to be one of the "greenest" in the US.

Developer Coddling Enterprises intends to turn the auto-oriented 1980s complex, where Hewlett-Packard and Agilent Technologies once made products, into a pedestrian-friendly precinct that within a decade could have 4,600 employees and 4,400 residents.

Sonoma Mountain Village, as the

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# HUD announces HOPE VI and 'Choice Neighborhoods' funding

*HUD announces \$124 million to keep HOPE VI going, and \$65 for new 'Choice Neighborhoods' program*

The federal HOPE VI program will disburse \$124 million for five or six public housing redevelopment projects in the coming fiscal year, the US Department of Housing & Urban Development announced Aug. 25. HUD also will give \$65 million in grants through a new pilot program, Choice Neighborhoods, which will build on the accomplishments of the 17-year-old HOPE VI program.

Though the money available for HOPE VI in fiscal year 2010 falls well short of peak spending during the Clinton administration, allocations for HOPE VI are rising year by year. HOPE VI revitalization grants, which replace rundown public housing with mixed-income development in new or renovated buildings, grew from \$88.9 million in 2007 to \$97.2 million in 2008, to \$113.6 million in 2009 — and now are rising another \$10.4 million. That's something of a turnaround for a program that the George W. Bush administration had once sought to phase out.

Over its history, HOPE VI has distributed \$6.1 billion through 254 grants to 132 housing authorities in 34 states, the District of Columbia, and Puerto Rico, officials said. More than 111,000 units of new or renovated housing have resulted from the program, which uses new urbanist planning principles to produce safer, less stigmatized developments where low-income people are mixed with households of somewhat higher income levels.

The maximum HOPE VI grant will be \$22 million, with applications due by Nov. 22. HUD Assistant Secretary Sandra Henriquez said the department will introduce several additional factors in evaluating the new applications: health; workforce and economic development; green jobs training; early childhood education; broadband Internet access; and green development and energy-efficiency.

## NEW PILOT PROGRAM

Choice Neighborhoods will consist of \$3 million in planning grants (a maxi-

mum of \$250,000 each) and \$62 million to "transform distressed neighborhoods and public and assisted projects into viable and sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs," according to HUD.

"Even some of the best HOPE VI projects are islands of hope surrounded by a sea of need," Henriquez acknowledged in a HUD press release. Choice Neighborhoods will consequently operate more broadly, she indicated, "investing

in strategies to address interconnected challenges — housing decay, crime, lack of educational prospects and economic connections — that keep families and communities in severe distress."

James Shelton, assistant deputy secretary of education, said the Department of Education will "work with HUD to ensure that there are great schools at the center of every Choice Neighborhood."

Henriquez pointed out that the Choice Neighborhoods initiative will insist upon a one-for-one replacement of any housing units that are razed. Replacements can be on the site of the existing development or elsewhere in the neighborhood. The maximum award in the Choice Neighborhoods program will be higher than in HOPE VI. ♦

## Tax revenue

FROM PAGE 1

The county's premier mall, Westfield Southgate, anchored by Macy's, Dillard's, and Saks Fifth Avenue, was found to produce almost \$22,000 per acre — nearly three times as much as a big-box center. "This is not surprising, given that it's a higher-quality building in a better, close-in location (actually within the City of Sarasota)," Katz notes.

Yet even a top-of-the-line mall pales in comparison to the per-acre revenue obtainable from dense urban development. A 17-story mixed-use building occupying .75 acres on Main Street downtown generates \$1.01 million annually in city and county taxes, according to Katz. That building, completed in May 2007, which has retail in its base, several floors of offices, and then condominiums in the upper levels, produces \$1.2 million *per acre* in county property taxes alone. "It would take about 145 acres of Walmarts — or five of them, to be precise — to equal the contribution of that one downtown building," says Katz.

"Even a mid-rise mixed-use building — about seven to nine stories — in the downtown brings in a healthy amount per year, from the mid-\$500,000s to just under \$800,000," he says. "Low-rise construction — just two or three stories, with housing or offices over retail — the kind of 'town center' redevelopment now replacing many older suburban shopping areas, can bring in around \$70-90,000 per acre. The high end of that range is more than four times that of the county's high-

est earning mall," Katz emphasizes.

Similar patterns were found in Asheville and Buncombe County, North Carolina. Per acre, the best generator of county property taxes in the Asheville area was urban residential buildings of six stories or more, says Minicozzi. Ranking below those as tax generators were mixed-use condos of 3 to 4 stories and urban mixed-use buildings of 2 to 4 stories.

## ALWAYS HIGHER RETURN

"Downtowns achieve a higher rate of return than an acre of suburban development could ever do," Minicozzi says. The reason is simple: "Once you start getting two stories, you start getting twice as much value." As buildings go higher while covering much or all of their ground, the revenue escalates.

Minicozzi argues that a municipality should look at tax revenue per acre just as a farmer looks at income per acre: "Urban development produces a valuable yield, like that of a cash crop, while low-density suburban development is the equivalent of growing an acre of grass. By our estimates, suburban development doesn't even cover the cost of the infrastructure that serves it in a reasonable period of time."

When land and buildings are included, the suburban Asheville Mall produces taxes of \$7,995 per acre for the county. That's slightly more than the yield from one- and two-story buildings in the central business district. But keep in mind that many downtown buildings surpass the mall in tax contributions.

Two- to four-story apartment buildings downtown generate more than twice as much as the mall: \$18,109 per acre.

The Asheville area's most productive development, in terms of paying for public services, is mixed-use and in a dense, walkable area. Three- to four-story, downtown mixed-use buildings containing condo units generate \$44,887 — more than five times as much per acre as the mall. "A moderate high-rise, mixed-use development that was proposed in the downtown could have generated as much local property taxes as the 73-acre Asheville Mall *plus* the Asheville Walmart,

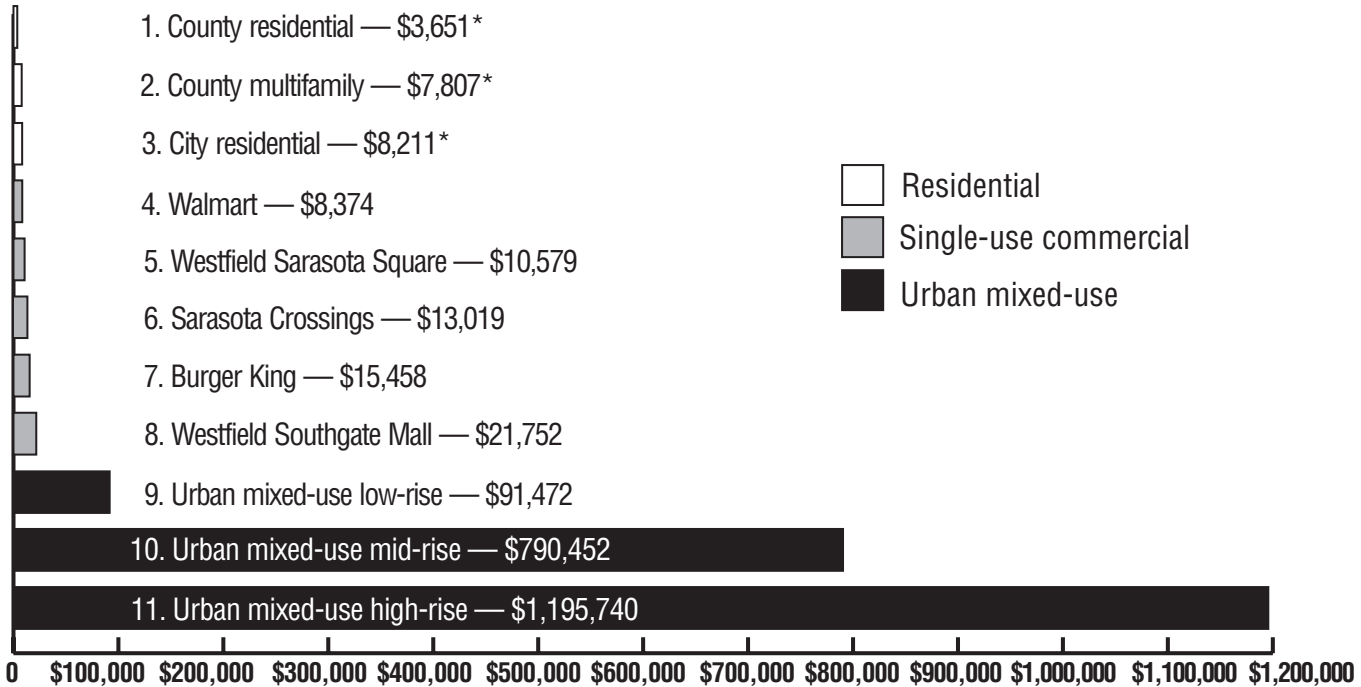
*plus* the new 60-acre big-box power center near the airport," Minicozzi says. (The downtown building was approved and is awaiting financing.)

What's best is downtown mixed-use/condo construction that rises six stories or more. It produces more than \$250,000 per acre in taxes to the county alone. Minicozzi believes the results are similar in other communities. "We feel that Asheville is a model for the entire country," he says.

Many states distribute a portion of their sales tax to the localities in which it was collected. This has encouraged



## Annual tax yield per acre: Sarasota County, Florida



New Urban News; Sources: Sarasota County Government, Office of Financial Planning; Joe Minicozzi, Public Interest Projects. Based on 2008 tax figures. \*Based on average sales price per Sarasota County Board of Realtors, 2008 data.



some localities to pursue big-box and other sprawling retail projects no matter how bad an impact they exert on urban form.

Analysis reveals that the sales tax benefit is often smaller than local officials think. When a dollar of sales tax is collected in Asheville, the state gets a major portion, Minicozzi observes. Some of what's returned is distributed throughout the county. Ultimately only 27 cents reaches Asheville itself.

It's estimated that an average Walmart sells \$77 million of merchandise per year. That volume would result in \$1.6 million in retail sales tax being returned to Asheville. This amounts to about \$47,500 of sales tax revenue per acre, Minicozzi points out. "Couple this with the \$3,300 in property taxes per acre for the City, and we're looking at only about \$51,000 per acre in total taxes for Asheville."

"When you compare that to the \$248,000 per acre that the City gets for property taxes alone for 6-story mixed-use development downtown, the case is clear as to which form of development returns more to our tax base," Minicozzi says.

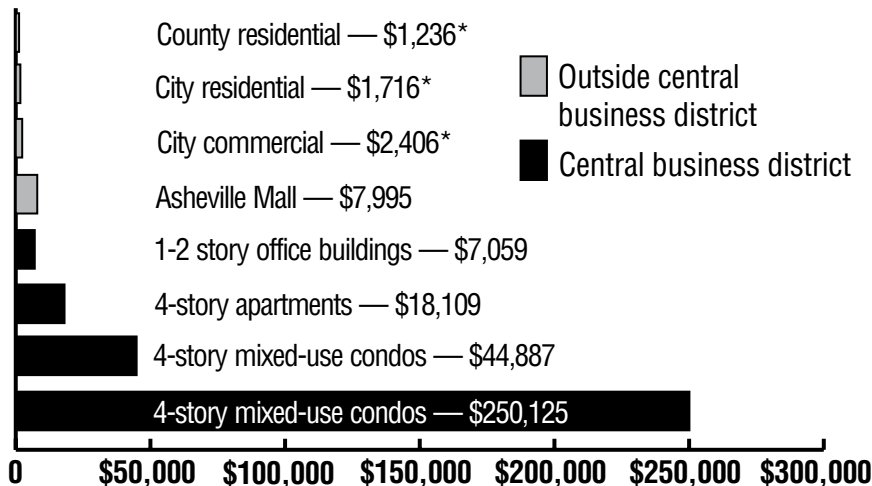
Furthermore, compact development costs less for roads, water, sewer, and other necessary infrastructure. A 1989 study by the Florida Department of Community Affairs found that the infrastructure cost per "compact" housing unit in downtown was \$9,252, versus between \$15,316 and \$23,960 for more "scattered" suburban style housing units (amounts adjusted to today's dollars).

Minicozzi continues: "When one does the math on those costs against the tax revenues we were seeing in Sarasota County, it took a suburban multifamily housing development 42 years to pay off its infrastructure, while a mixed-use downtown tower (calculated for its residential portions only) was paying off its infrastructure costs in three years."

**LESSONS LEARNED**

Katz concludes: "A simple change of metric — from revenue per lot or unit or household to revenue per acre — makes a huge difference in assessing the fiscal impacts of alternative planning scenarios. What's most surprising to me is that it's taken planners so long to ask such questions and begin looking at the data in this way. Given the lean times we're in, I suspect this will increasingly be part of the conversation in many

**Annual tax yield per acre: Asheville, North Carolina**



New Urban News; Source: Joe Minicozzi, Public Interest Projects.  
\*Average values as per Board of Realtors

municipalities."

The findings from the two studies, Katz says, "reinforce a concept advanced in the mid- to late 1800s by Henry George: the idea that land is our most precious shared resource. Since land is the raw material from which government derives most of its working capital in the form of property taxes, it makes sense to evaluate different forms of development in terms of their potential for revenue return."

"For years, I've been trying to make

this connection," says Sarasota County Administrator Jim Ley, who runs the county government. "As long as the economy and the tax base continued to grow," many found it easy to ignore the financial downside of sprawl, Ley says. Now, with the economy and tax base in trouble, Ley thinks Katz's study will help lead the county toward a more rational attitude on development.

"A blinding flash of the obvious" — as Ley characterizes the study — can make a difference. ♦

**Rohnert Park**

FROM PAGE 1

project is called, is planned to have "very low energy consumption and very low water consumption, and would be very livable and walkable," said Jake Mackenzie, a Council member who chairs Sonoma County's Regional Climate Protection Authority. "We're hoping it will be a shining light."

In 2005, Fisher and Hall Urban Design drew up a plan for converting the business park — Agilent Technologies Campus, in a postwar suburb about 40 miles north of San Francisco — into a gridded, mixed-use community, consistent with the SmartCode. That by itself was a big step forward for a site that had consisted mostly of large, gray concrete buildings and undeveloped land. The goal: establishment of a new urban community where people can live, work, and fulfill many of their daily needs.

The \$1 billion undertaking, which

will include retail, offices, light industry, and assembly facilities, is expected to take about 12 years to complete. Roughly 750,000 square feet of industrial and office space is being retrofitted, a process that began about four years ago.

Council rezoned the property from light manufacturing to mixed-use, and authorized the developer to produce 1,694 housing units. It will occupy a form-based zoning district regulated by the SmartCode. When another 25 adjacent acres also owned by Coddling are considered as part of the project, there will be 1,892 highly diverse housing units in all, including co-housing, live/works, auxiliary units (granny flats), family and senior housing, low-income units, and dwellings for young people interested in a combination of urbanism and the environment.

**NEW URBANISM PLUS**

Brad Baker, CEO of Coddling Enterprises, decided a few years ago that the