Mixed-Use Downtown Development Creates the Most Tax Revenue

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by Zachary Shahan

With a much smaller carbon footprint and much more economic bang for its buck, mixed-use downtown development seems like a win-win development option for cities and counties. Localities across the country, due to the economic problems of the past few years, are struggling to provide the services citizens are used to, but if they are smart about the development projects they support, they can have a lot more money in the future than if they aren't.

It is common to think that big box stores (e.g. Wal-Mart, Sam's Club, Target) and shopping malls will bring your city or county some good tax revenue, but in a recent analysis of different types of urban development in Sarasota, FL (my hometown), leading urban planner Peter Katz, Director of Smart Growth/Urban Planning for Sarasota County and founding executive director of the Congress for the New Urbanism, found that this is not the case.

"Big box stores such as WalMart and Sam's Club, when analyzed for county property tax revenue per acre, produce barely more than a single family house; maybe $150 to $200 more a year," his analysis found. "That hardly seems worth all the heat that elected officials take when they approve such development," Katz said.

A high-end shopping mall, Southgate Mall, with shops like Macy's, Dillards, and Saks Fifth Avenue, brought in the most per-acre property tax revenue (nearly $22,000 per acre) of any purely retail development. But far more than that, a high-rise mixed-use project in downtown Sarasota generated the most property tax revenue -- $800,000 per acre if you only count county property taxes and $1.2 million per acre if you include city property taxes.

"It takes a lot of WalMarts to equal the contribution of that one mixed-use building," Katz noted.

The 3/4-acre, 16- to 18-story, mixed-use development is actually worth more property tax revenue than the county's 21-acre Wal-Mart Supercenter and 32-acre Southgate Mall combined.

"Even a mid rise (up to about seven stories) mixed use building brings in $560,000, and the low rise (up to three stories with residential over retail) brings in over $70,000 per acre - more than three times the return of Southgate Mall," Mary Newsom of Citywire.net reports.

What About Sales Taxes?

You might be inclined to bring the topic of sales tax into this discussion. Sure, it is a source of revenue as well, but it's nothing compared to property taxes for localities. "Generally speaking, there isn't a heck of a lot of return to the municipality with sales tax - at least compared to the return from property tax," Joe Minicozzi of Public Interest Projects says.

Katz says it makes a lot more sense to focus on building "smart growth districts" than trying to steal commercial development from neighboring counties with "fiscal zoning." "With a receptive mindset among citizens and elected officials, such places should be infinitely replicable; doing so may actually be easier than trying to squeeze a little more spending out of our citizens' mostly fixed disposable income."

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