Plan On It

A Dutchess County Planning Federation eNewsletter

DUTCHESS COUNTY PLANNING FEDERATION

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Balancing Local Budgets with Mixed-Use Blocks and Buildings

By John Clarke, Development and Design Coordinator

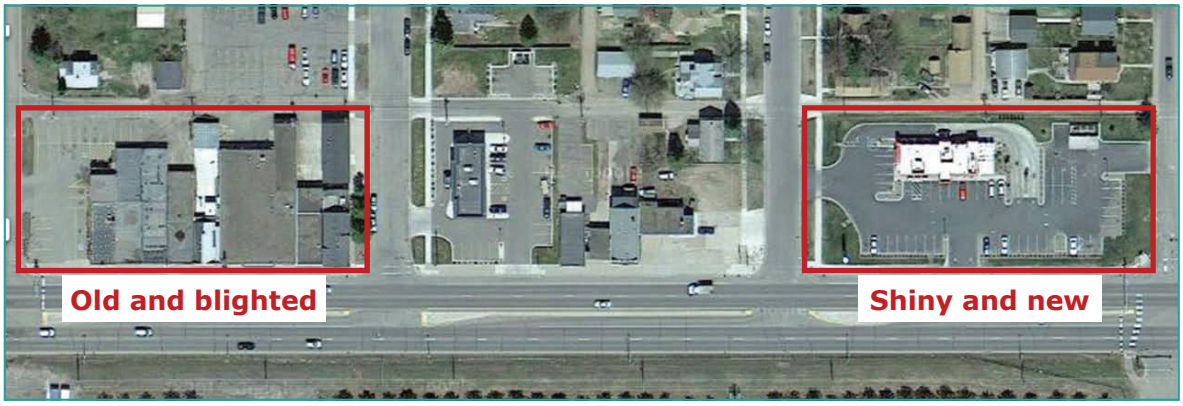
A 2013 Smart Growth America analysis of 17 research studies from around the U.S. has shown that building in compact centers with a walkable mix of nearby uses makes profound financial sense. On average, when compared to conventional suburban development, it:

- Saves 38 percent of upfront infrastructure costs;
- Saves 10 percent of ongoing delivery of public services such as police, ambulance, and fire protection, because of more efficient coverage areas;
- Generates 10 times more property and sales tax revenue on a per acre basis.[1]

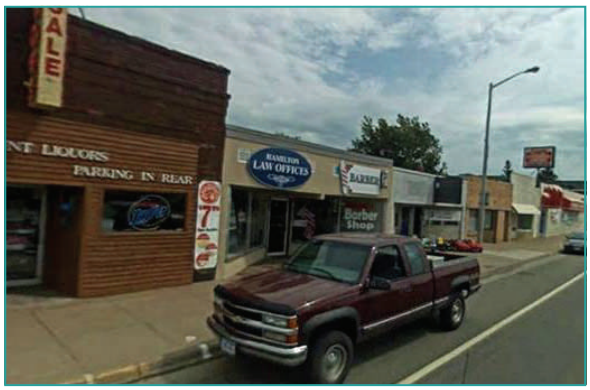
That's right --- **10 times more tax revenue on a per acre basis**. This last fact is particularly startling, but specific studies of local land use patterns have documented the tax revenue benefits of traditional mixed-use blocks and buildings over single-use and auto -oriented sites. The results have important implications for municipal budgets.

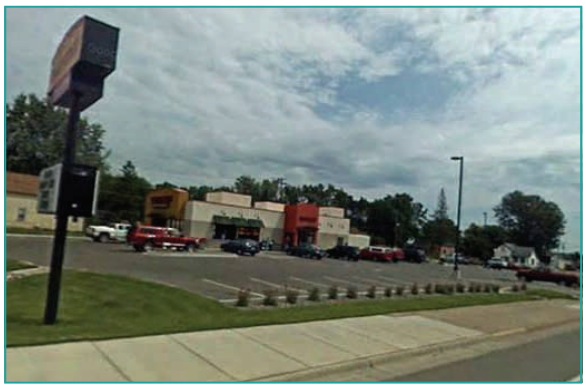
Which Block Contributes More?

Strong Towns, a website created by self-described "recovering engineer" Charles Marohn, focuses on strategies to make cities and towns financially solvent by building a tax base that can cover long-term infrastructure costs and other commitments. As a test case on fiscal responsibility, Marohn analyzed two close-by blocks along the main road through his home city of Brainerd, Minnesota. The first block was old and considered blighted with mostly one-story buildings lining the sidewalk and parking to the side and rear. The connected storefronts included two liquor stores, a barber shop, pawn shop, law office, and café. One block away was a brand new fast food restaurant with a drive-through lane and ample front yard parking. The chain restaurant met all the city's zoning law and design standards. It had replaced older so-called underperforming buildings and was welcomed by local officials and economic development advocates.



Aerial view showing the struggling, traditional development pattern block (left) and the newly-built, auto-oriented Taco Johns (right), located along Washington Street in Brainerd, Minnesota. [Adapted from "The cost of auto orientation" blog post by Charles Marohn on the Strong Towns website, January 2, 2012]





Street views of the "old and blighted" (left) and the "shiny and new" (right) blocks. [Credit: Google Maps]

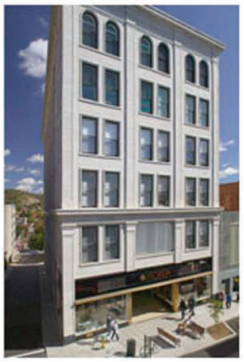
However, the tax rolls tell a different story. The 11 narrow parcels on the supposedly blighted block had a combined land and building tax base of $1,136,500, while the shiny new building on the same street with the same lot acreage was only valued at $803,200. Even these struggling, one-story storefronts outperformed the new auto-oriented site by 41 percent.[2] Imagine how much more prosperous the community could be if they concentrated on fixing up those old blocks of connected storefronts and filling in any gaps in the streetscape with a new close-knit mix of buildings and uses.

More Studies Support Tax Revenue Advantages of Mixed-Use in Centers

Larger scale comparative studies show the tax advantages grow substantially as the mix of uses increases. Joe Minicozzi from Urban3 in North Carolina has completed multiple studies documenting the higher tax values of centrally located mixed-use buildings versus single-use or suburban structures. Given the increasingly limited amount of developable land, the fairest way for municipalities to do these evaluations is on an equivalent per acre basis, like farmers analyzing the production yield of various crops per acre or cars being compared by miles per gallon.

Asheville, NC Case Study

Asheville is a prime example of a small city seeing that the best return on investment for the public coffers comes from its revitalized central district. Overall, a typical acre in the mixed-use center yields $360,000 more in tax revenue to the city than an acre of strip malls or big box stores further out. As a direct comparison, the giant Wal-Mart on the outskirts provides approximately $54,000 per acre in combined property and sales taxes, while a six-story downtown mix of ground floor retail with housing above contributes over $717,000 per acre. That is 13 times more revenue to the city, with the added benefits of more jobs per acre and more residents living within walking distance to support all the local businesses.[3]



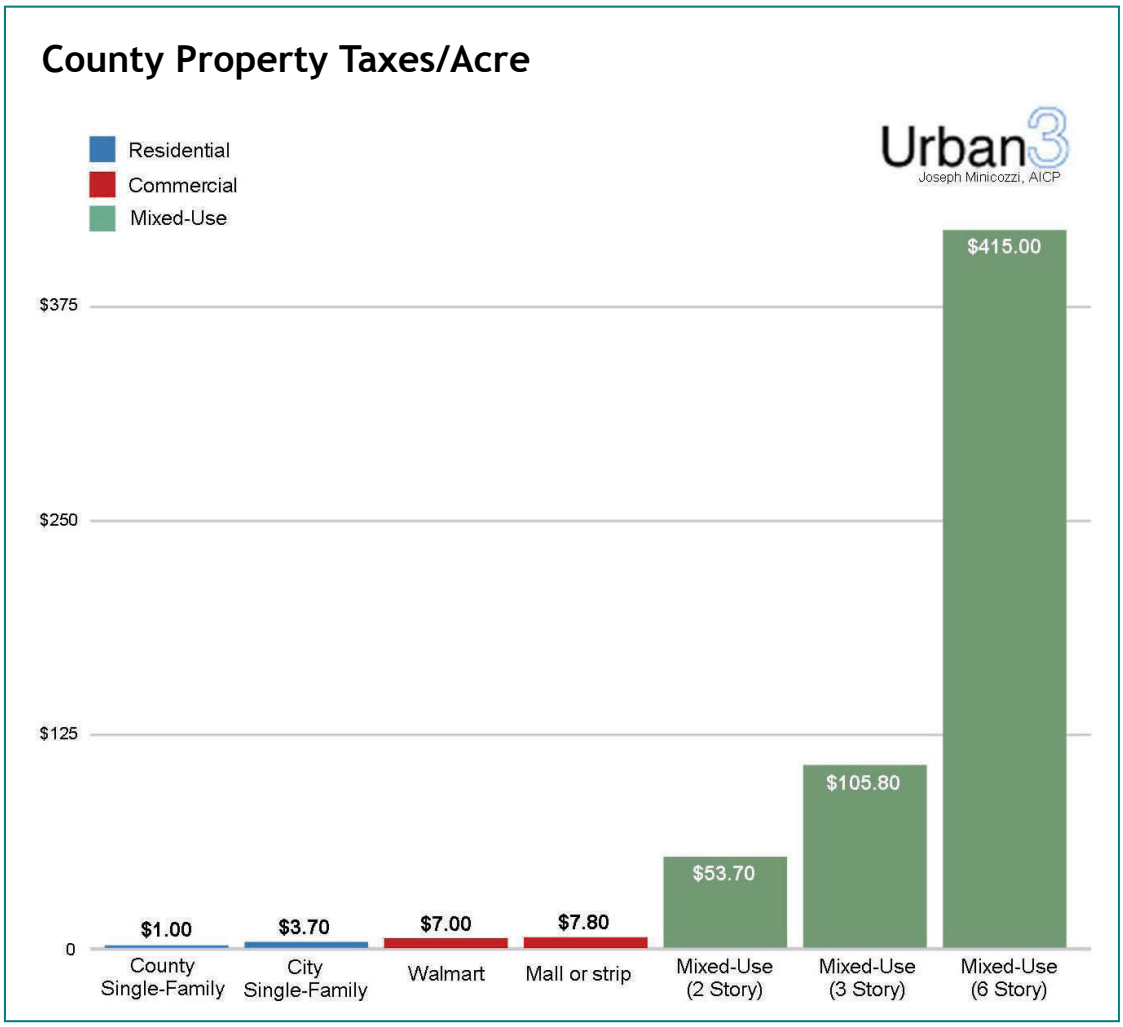
	ASHEVILLE WALMART	DOWNTOWN MIXED-USE
Land Consumed (acres):	34.0	00.2
Total Property Taxes per Acre:	$6,500	$634,000
Retail Taxes* per Acre to City:	$47,500	$ 83,600
Residents per Acre:	0.0	90.0
Jobs per Acre:	5.9	73.7

*Estimated from public reports of annual sales per sq.ft..

Urban3

Comparison of Asheville big box with downtown mixed-use development. [Credit: Joseph Minicozzi, AICP, with Urban3]

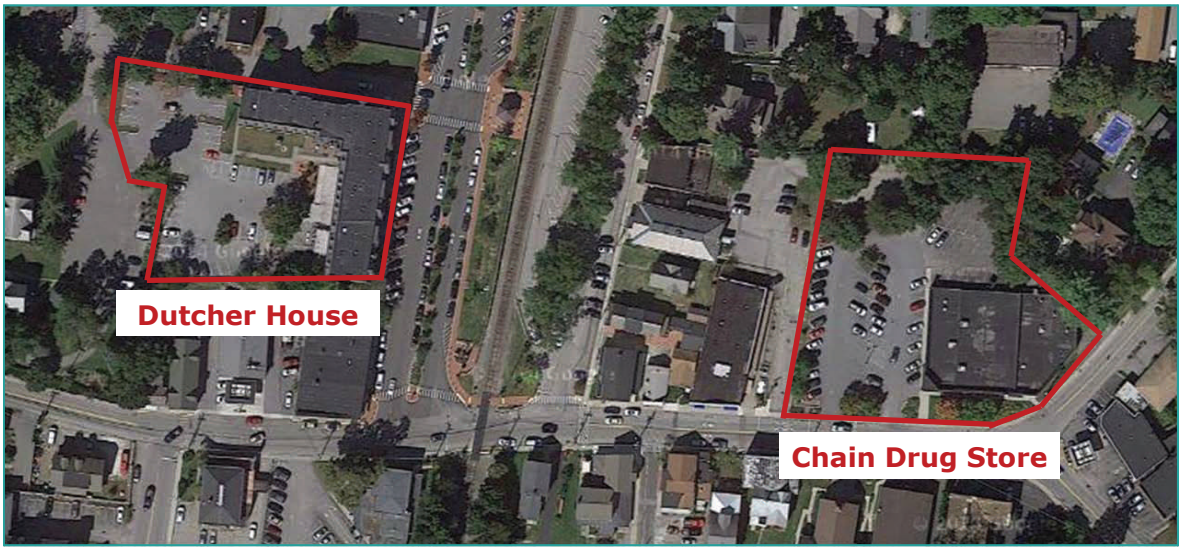
Minicozzi has performed similar tax revenue comparisons in a diverse set of communities across the country from Florida to Montana and now is confident that the same principle applies: mixed-use buildings and blocks in the center pay their way, while single-use, spread-out, and suburban-style developments with their large lots and long infrastructure lines cost communities more upfront and provide less revenue over the long term.



Average county property tax/acre ratio across sample set of 15 different cities from Montana to Florida (2012). [Credit: Joseph Minicozzi, AICP, with Urban3]

Local Examples in Pawling

The Village of Pawling provides a similar Dutchess County example of tax productivity per acre. The centerpiece of the Village is the historic 1884 Dutcher House, across from the recently rebuilt Village Green and a one-block walk from the Metro-North Railroad Station. It features 10 storefronts on the ground floor and 46 apartments on the three upper floors with about 50 parking spaces screened behind the building and 28 on-street parking spaces along the frontage of the 1.2-acre property. One block away on a comparable 1.4-acre lot is a modern chain drug store, also with about 50 parking spaces, but in a very visible side yard lot that creates a gap in the Main Street frontage.



By comparison, the assessed full market value of the modern, single-story drug store is listed at $1,151,400, while the multi-story, mixed-use Dutcher House is assessed at $3,372,500, approximately 3 times more value for local tax revenue purposes (Pawling's taxable value is set at a uniform 51%). Even the big-box grocery store on 4.05 acres outside the Village along Route 22 is only assessed at $1,909,600, or about one-sixth of the Dutcher House on a per acre comparison. Clearly, the Dutcher House is not only a beautiful and beloved historic structure that has anchored the central business street for 130 years, but it should also be considered a model for future development – located in the village center to take advantage of existing infrastructure, mixed-use to generate more tax revenues for the Town and Village, and designed for walkability to reduce traffic and so the residents on upper floors provide a base of close-by customers for the surrounding shops and services.

The mixed-use Dutcher House in the Village of Pawling.

Per Acre Full Market Assessment
Pawling Case Study

Big-Box Grocery outside Village:	$471,506
Chain Drug Store in Village:	$822,429
Mixed-Use Dutcher House:	$2,810,417

The auto-oriented chain drug store in the Village of Pawling (left), and the big-box grocery outside the Village (right).

The Budget Bottom Line

As municipalities fight budget shortfalls and expensive infrastructure repair costs, plans and zoning codes should be encouraging efficient forms of development that pay their fair share of local taxes. However, none of the villages in Dutchess County would likely allow a building the size/height of the Dutcher House under current zoning laws. Instead, many communities allow outlying commercial strips and residential sprawl in the elusive chase for new tax ratables. What they find is that the new tax revenues from spread-out suburban buildings do not cover the initial costs of road and utility construction, additional ongoing maintenance costs, infrastructure replacement over time, and other supplemental services.

As the dramatic tax revenue differences above show, traditional forms of mixed-use buildings in city or town centers not only consume less land, promote walkability, limit infrastructure spending, and streamline service delivery, they are also far better models for municipalities interested in balancing their bottom line.

More Information

[1] Examining the Fiscal Benefits of Smart Growth, Government Finance Review

[2] The Cost of Auto Orientation, Strong Towns/Charles Marohn

[3] The Smart Math of Mixed-Use Development, Planetizen/Joseph Minicozzi

See also:
The Missing Metric, Government Finance Review, by Peter Katz

Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development, Smart Growth America

Click here to view past issues of *Plan On It*.

This newsletter was developed by the Dutchess County Department of Planning and Development, in conjunction with the Dutchess County Planning Federation.

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