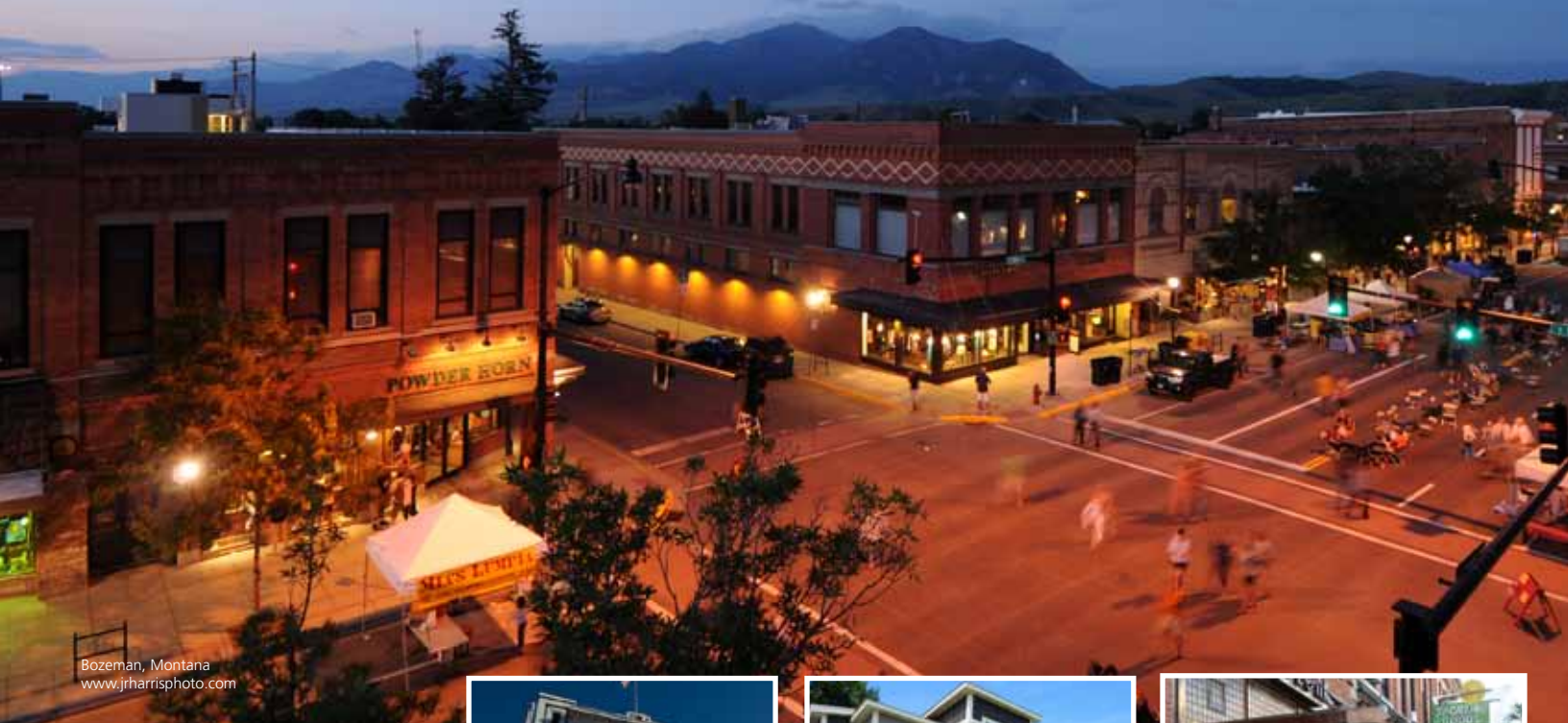


About Town

Building Revenue for Communities



Bozeman, Montana
www.jrharrisphoto.com



Shaping the Future of the West





Shaping the Future of the West

The Sonoran Institute inspires and enables community decisions and public policies that respect the land and people of western North America. Facing rapid change, communities in the West value their natural and cultural resources, which support resilient environmental and economic systems.

Founded in 1990, the Sonoran Institute helps communities conserve and restore those resources and manage growth and change through collaboration, civil dialogue, sound information, practical solutions and big-picture thinking.

The Sonoran Institute,
Shaping the Future of the West



The Study

The Sonoran Institute analyzed public data from nine communities in Colorado, Idaho, Montana and Wyoming to discover where cities, counties and towns could most likely generate tax revenue and improve their communities now and well into the future.

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Downtowns are not only centers of commerce, culture and entertainment, and places that a growing number of people want to live—they are also highly efficient generators of tax revenue.”



Downtown Bozeman

Executive Summary

Today's economy demands a laser focus on the bottom line. Financial strain can be a burden on local governments, but it can also be a force for change, encouraging officials to streamline operations, reduce waste, and seek reliable ways to build stable revenues while spurring economic growth.

In the search for solutions, local officials would do well to recognize the value of downtowns and mixed use centers, which are bringing excellent revenue to cities and counties throughout the Rocky Mountain West.

This study looked at nine communities in Idaho, Montana, Colorado, and Wyoming, and found that downtowns and other mixed-use centers efficiently produce tremendous value in tax revenue, particularly in comparison to big-box retail outlets and strip malls. In terms of dollars per-acre, mixed-use, downtown parcels bring in, on average, five times the property tax revenue as conventional single-use commercial establishments on the outskirts of town.

The logic goes like this: imagine a table, and imagine needing to fit as many dollar bills onto that table as possible. Is it best to lay the bills flat side-by-side, or stack them vertically?

The answer is clear: stack the bills vertically to get the most money onto the table.

The same holds true for communities seeking to generate and sustain tax revenue. Compact development is the equivalent of stacked dollar bills, and the city or county limits represent the edges of the table.

The take-home message is that downtowns are not only centers of commerce, culture and entertainment, and places that a growing number of people want to live—they are also highly efficient generators of tax revenue. Local governments should consider that revenue potential in land use and development decisions.

For municipalities, it means investments that spur downtown revitalization and redevelopment of outdated commercial districts into walkable mixed-use centers can pay big dividends. Creating financing mechanisms and removing regulatory barriers can help pave the way.

County governments have much to gain as well and should not overlook the substantial tax revenue benefits to be gained from compact development within city limits. This research shows that what's good for the city is great for the county. An important step forward would be greater coordination between cities and counties to help ensure vibrant downtowns, sound public investments, and prosperous economies.



Downtown Value

Cities and counties struggling with the impacts of the recession need to do more with less. At the same time, local jurisdictions must foster vibrant economies that attract good jobs and provide a high quality of life.

With this in mind, local officials are looking for ways to maximize productivity and minimize waste. When local officials make planning and development decisions, they are in a unique position to affect the long-term productivity of their cities and counties, as well as the costs of production. So how do communities attract quality development that generates a high yield while cultivating fertile soil for the future?

More simply, how can communities get the best bang for their buck as they grow?

The study that follows explores these questions by analyzing property tax revenues from different types of developments in nine communities in Colorado, Idaho, Montana and Wyoming. The pattern is clear: downtowns represent an important but overlooked economic opportunity for cities and counties.

Many communities don't realize these values. Instead, misguided policies inadvertently encourage dispersed growth while creating barriers to higher value development in downtowns. In particular, county governments often overlook the value of higher density mixed-use development which exists inside municipal boundaries. One of the key findings of this research is that creating vibrant downtowns and mixed-use centers is good for cities and counties alike.

Municipal officials are generally aware that downtowns and compact centers are hubs of economic activity where businesses, visitors and residents all come together to create a vibrant economy and a great sense of place. What may be less known, and what is shown below, is that these areas also create exceptional value. This research highlights the value that compact, mixed-use development provides to city and county revenues, and provides recommendations to communities that want to encourage vibrant downtowns, main streets and mixed-use centers.

Thinking Like A Farmer

When municipalities consider development options, it helps to think like a farmer: maximize productivity and minimize waste. Potential tax revenue – to pay for things like police, parks or other public services – is a central consideration when local officials contemplate proposed development. In fact, innumerable projects have been approved on the basis of the total anticipated annual tax revenue.

In general, the numbers used to inform these decisions are based on total annual tax revenue, which fails to account for the basic economic reality that land is, in almost all cases, a limited resource. When *per acre* revenue generation is taken into account, an entirely different picture emerges.

Let's compare the massive Mesa Mall in Grand Junction, Colorado to the much smaller "300 Main," a two-story mixed-use building in the city core. The mall does bring in \$300,000 in property tax revenue to the county annually, which is substantial. The building at 300 Main brings in a more modest \$9,000. But, when compared on a per-acre basis, the 95-acre mall yields \$3,000 per year, while the 0.22-acre downtown building yields \$43,000.

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and mixed-
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good for cities,
it is great for
counties.”

That means the per-acre yield of 300 Main is over 14 times greater than that of the mall; a dramatic difference.

In other words, less than 7 acres of the downtown property would yield as much revenue as the 95-acre mall. Counties are fixed areas of land, and generally speaking, cities are as well. Therefore, it makes sense for local governments to try to maximize returns on that fixed area of land, and increase their revenue generation per acre.

Another consideration is the cost of supporting new development on the periphery with roads, water mains and access to government services versus the costs of downtown developments which already have that infrastructure in place. A big box store that is located on the outskirts of town may be taxed less than a downtown retailer, yet this tax situation does not account for the cost of services and infrastructure. This very often works out to a losing proposition.

This simple discrepancy in the accounting that underlies local taxation makes a big difference. It means we place very little value on the land beneath a building as compared to the building itself. On any given parcel, the cheaper the building, the lower the tax bill. This creates an incentive to develop land as cheaply as possible—with low-value buildings and large parking lots—instead of producing the most value from each acre of land.

To maximize the return from land we must take into account how efficiently we are using the resources at hand. We looked at a variety of different types of development to examine the per-acre tax revenue generated.

The findings summarized below indicate that on a per-acre basis, downtowns and mixed-use centers generate far greater public wealth than their counterparts, conventional strip malls and big-box centers.

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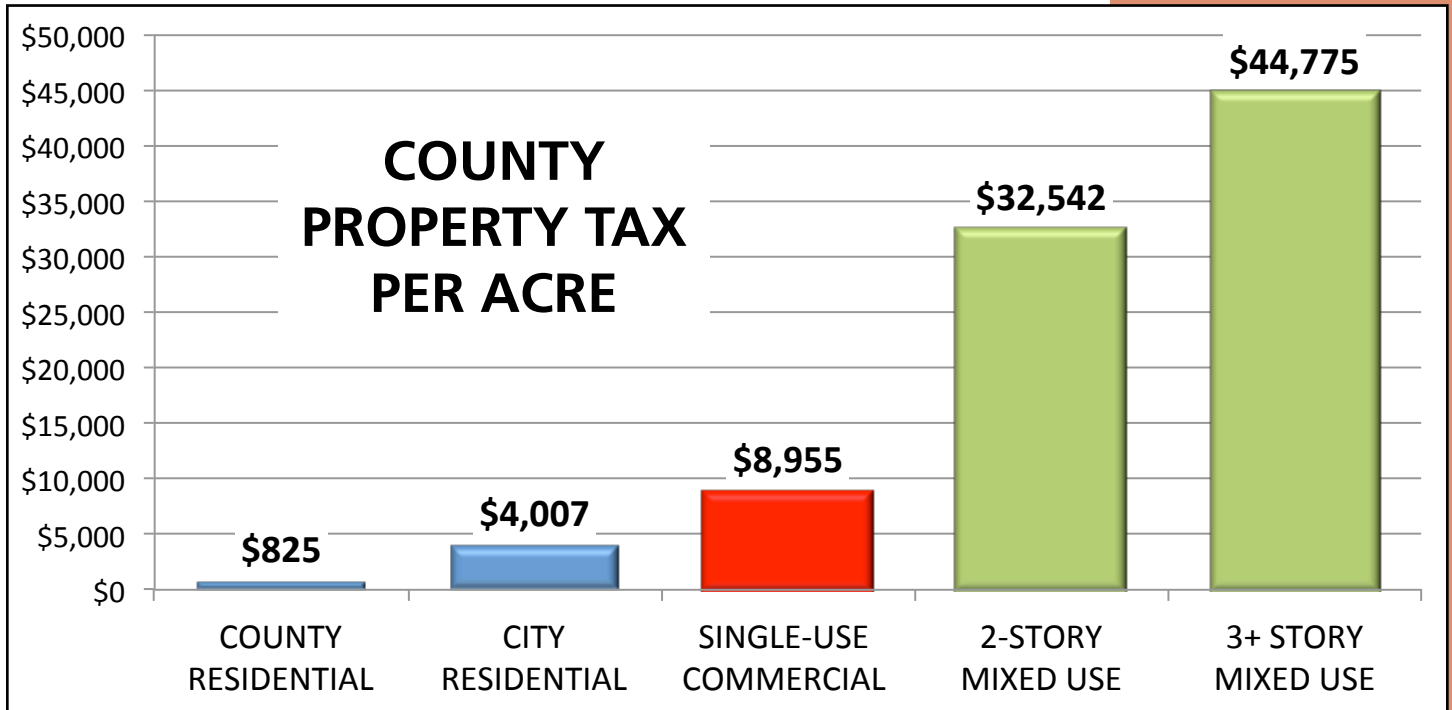


Figure 1: This chart combines findings from each of the nine communities analyzed, showing average county property tax revenue per-acre for different development types.

Commercial Overview

The per-acre property tax revenue generated by multi-story, mixed-use properties that are typical of downtowns and main street districts is much greater than revenue from commercial properties with a suburban configuration. Additionally, suburban retailers tend to be located in low-value architecture. When these buildings reach the end of their useful life, they are abandoned for greener pastures. The community is left with large properties that are often declining in value, a barrier to future investment, and a negative impact on adjacent neighborhoods.

In some cases, the pattern holds true even when sales tax is considered in addition to property tax. In Glenwood Springs, Colorado, we compared both property and sales taxes for the Roaring Fork Marketplace, a strip-format retail district on the south edge of the city, with the Denver Center, a four-story, mixed use building downtown. The retail strip yielded about \$50,000 in total retail tax per acre and nearly \$3,000 in total property tax per acre. The downtown property paid about \$35,000 in total retail taxes per acre, and \$76,000 in total property tax per acre. This computes to a total tax yield per acre of roughly \$53,000 for the retail strip versus the \$111,000 yield of the downtown property—more than twice as much. While both types of development serve a purpose, it is important to recognize the productivity of multi-story, mixed use projects and their efficiency as revenue generators.

“*How can communities get the best bang for their buck as they grow?*”

Property	Property Tax/Acre		Retail Tax/Acre		Total Tax/Acre		Total
	City	County	City*	County	City	County	Combined
Roaring Fork	\$626	\$2,156	\$39,330	\$10,630	\$39,956	\$12,786	\$52,742
Denver Center	\$17,052	\$58,724	\$27,797	\$7,513	\$44,849	\$66,237	\$111,086

Table 1: Comparison of sample properties in Glenwood Springs, Colorado

* City retail sales from are averaged from the total central business district, with adjustments removing non-taxable lands.

In states that do not have a retail sales tax—like Montana—it makes even less sense to encourage commercial developments on the fringe of town. Dispersed commercial developments require substantial expansion of county services, but generate relatively low property tax revenues per acre, in comparison to mixed-use, urban development (Table 2).

Denver Center, downtown
Glenwood Springs



County	COMMERCIAL		MIXED USE / DOWNTOWN	
	Average # of Acres	Average Property Tax Per Acre	Average # of Acres	Average Property Tax Per Acre
Billings/Yellowstone County	39.26	\$9,820	0.45	\$44,801
Bozeman/Gallatin County	23.48	\$4,086	0.27	\$37,901
Cheyenne/Laramie County	23.91	\$854	0.24	\$15,490
Driggs/Teton County	4.69	\$10,571	0.41	\$43,692
Glenwood Springs/Garfield County	22.01	\$2,740	0.38	\$35,525
Grand Junction/Mesa County	23.89	\$6,735	0.50	\$26,944
Laramie/Albany County	9.71	\$985	0.18	\$5,325
Rifle/Garfield County	5.02	\$5,841	0.11	\$28,314
Sheridan/Sheridan County	14.33	\$33,021	0.42	\$70,315

Table 2: Comparison of average county property tax per acre from select single-use commercial properties vs. vs. mixed-use downtown properties.

Residential Overview

There are also several reasons to encourage residential developments near the city center instead of in more remote areas. For the nine cities in this study, we looked at the amount of taxes that residential properties pay on a per-acre basis to county governments. We compared single family homes within city limits to single family homes on county lands. On average, homes within city limits pay nearly five times as much per acre. In Cheyenne, the most extreme example in the study, county residents paid \$154 an acre in county property taxes while city dwellers paid \$1,690 an acre for their share in county property taxes – a more than ten-fold difference.

In other words, city residents are paying more for county services than county residents are, on a per unit basis. This is despite the fact that city dwellers typically rely on city services—for water, fire, roads, police, and fire protection—not county services. And, landowners within city limits also pay city taxes in addition to county taxes.

That means what’s good for the city is great for the county. Counties have a vested interest in the development within city limits rather than on more dispersed development countywide. Communities should seek opportunities to improve city-county collaboration and investment in areas poised for infill and redevelopment within city limits.



“*What’s good for the city is great for the county.*”

Bozeman, Montana

POPULATION: **37,280** SIZE: **20.3 square miles** COUNTY: **Gallatin**

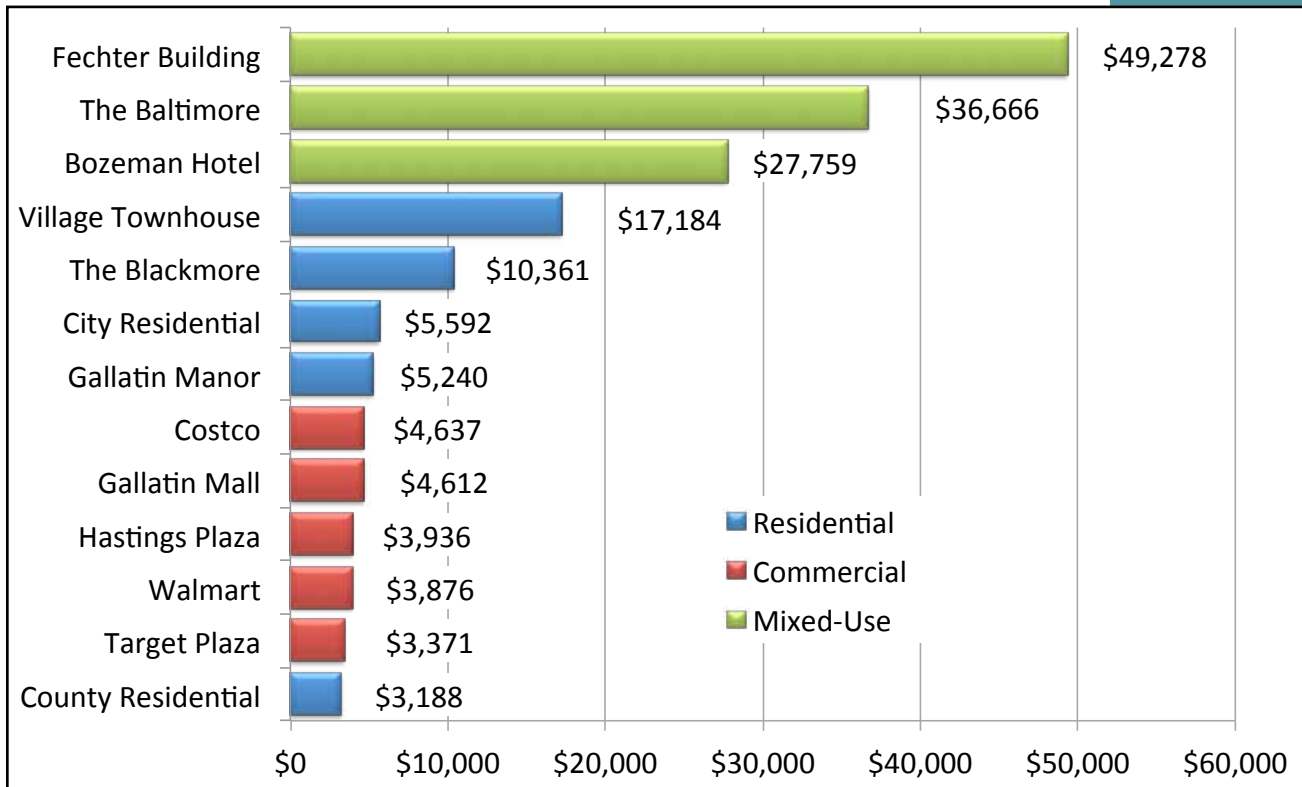


Figure 2: Select Properties in Bozeman, Montana – Gallatin County Property Tax per Acre 2010

SYNOPSIS: Bozeman, Montana is a tourist hub supporting nearby ski resorts and Yellowstone National Park, and is home to Montana State University. In 1995, however, downtown Bozeman was feeling the effects of new commercial developments on the outskirts of town. A new highway interchange on the west side of town and a flood of new big-box stores were draining the city’s core of customers.

At the request of a downtown urban renewal committee, the city commission approved a city-centric Downtown Urban Renewal Plan and the corresponding tax-increment finance (TIF) district. This system provided a vision and the funding for investment in urban renewal at the city’s core.

The urban renewal plan defined a boundary for the TIF district encompassing all of Bozeman’s historic downtown. Within that boundary, a portion of any increase in tax revenue over the 1995 base value was re-invested in downtown improvement projects as prescribed by the urban renewal plan and the TIF district’s annual work plan.

Over the life of the downtown Bozeman Urban Renewal Plan, the taxable value of the TIF district increased 84 percent. Even during tough economic times, the downtown area showed significant increases in tax revenue. For example, from 2010 to 2012, the taxable value of the downtown district grew by 20 percent, while the value of the city as a whole grew by only 5 percent.

Downtown Bozeman tax increment financing paid for the construction of the Bridger Park Garage, housing 435 parking spaces, a public bus transfer station, and several new commercial spaces in an area previously occupied by a surface parking lot. Other recent improvements in the downtown area included new street trees and lighting, a new public library, town hall, and new mixed-use buildings on formerly underutilized lots.

There is still some pull outside of the downtown region to larger retail developments on the outskirts of town, however. For example, on the outskirts of town, North 19th Avenue has been improved three times in the past eight years. As roads are widened and infrastructure is extended toward dispersed residential developments, new retail developments are establishing outside the central core. Since Montana has no retail tax, though, there is little community payback from developing remote single-use commercial shopping strips.

CONCLUSION: For Bozeman, our recommendations include recalibrating property taxes and fees to better encourage investments in development patterns that are efficient and reward dense, mixed-use areas—like downtown—through reinvestment. The city should consider dropping the impact fee for new buildings in downtown Bozeman. These buildings can tap into existing infrastructure and nearby services for water, sewer, and fire protection at little or no added cost to local governments. Bozeman could also reduce the total downtown area currently allotted to surface parking lots, enhance pedestrian infrastructure north and south of Main Street, and allow taller buildings in the city center.

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In downtown Bozeman, new mixed-use buildings (below) provide retail, office, and residential space on formerly underutilized lots (above).

Billings, Montana

POPULATION: **104,170** SIZE: **33.8 square miles** COUNTY: **Yellowstone**

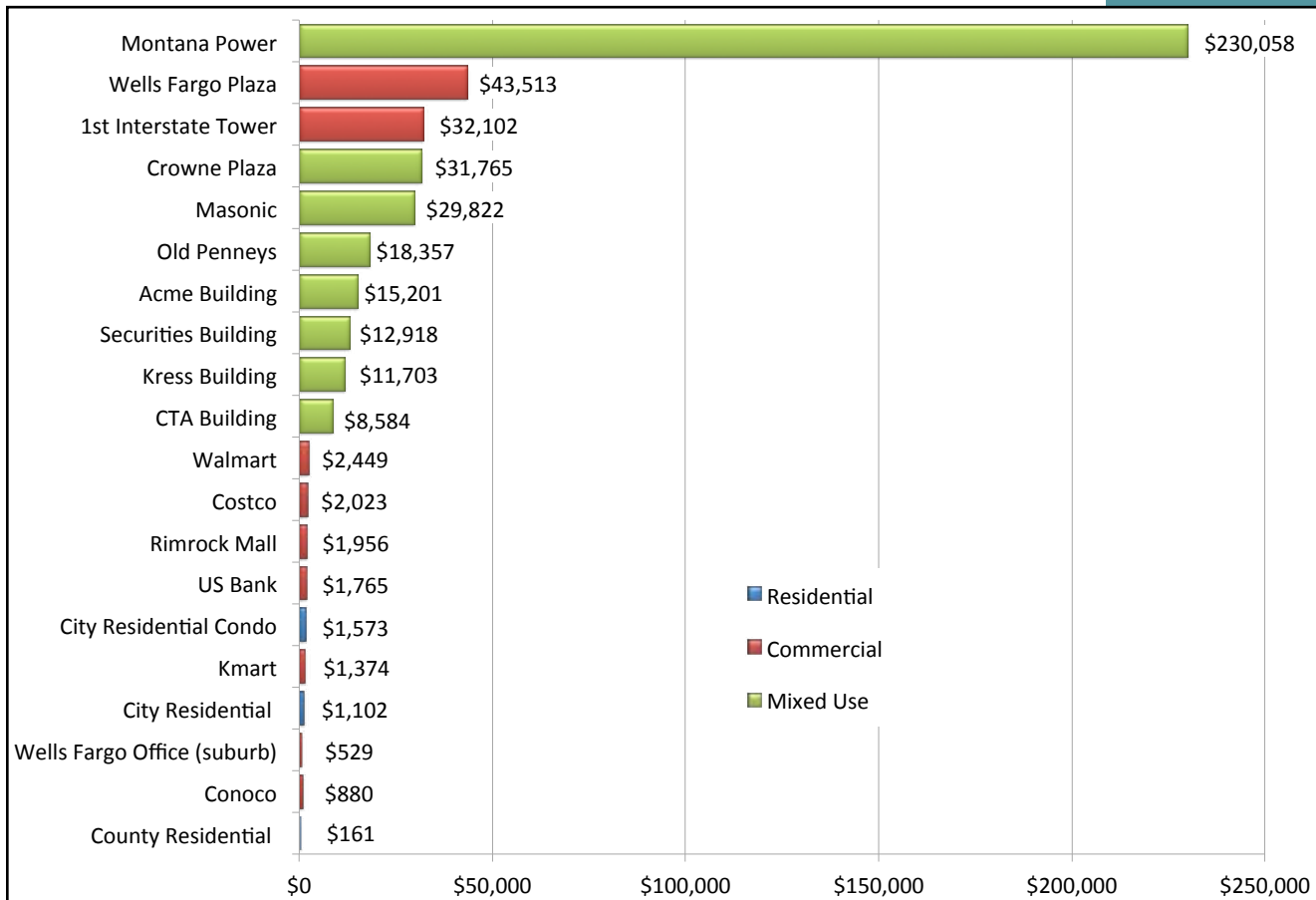


Figure 3: Select Properties in Billings, Montana - Yellowstone County Property Tax per Acre 2010

SYNOPSIS: There is a lot of energy in downtown Billings associated with a growing retail and restaurant presence. The city has also successfully used Tax Increment Financing in its redevelopment efforts, helping to pay for downtown parking garages, signs for pedestrians, and facilities for downtown events.

A challenge the city faces is its growing footprint – mostly due to the expanding suburban development at its edges and the introduction of suburban development patterns into the urban core. The community has taken steps to reduce growth at the edge, with recently adopted infill prioritization policies, but the city could still benefit from connecting different areas together in a way that is friendly to pedestrians. Currently, many downtown buildings are set back too far from the street, which makes it harder for pedestrians to connect with establishments.

The community could also reconsider its traffic patterns, including one-way thoroughfares which lead out of town, such as North 31st Street and 6th Avenue. These streets bleed the downtown area of motorists and potential customers. They are also in areas where residential infill could take place. One way streets are not

generally conducive to healthy downtowns – they allow traffic to move faster and make it harder for people driving through town to make a casual stops.

CONCLUSION: The Montana Power building and other downtown housing developments bring vibrance to the city. Community leaders should consider making more mid-market and affordable housing available to support the potential growth in the employment base.

Infill developments like the CTA building demonstrate the powerful impact of smaller projects. The mixed-use CTA Building is yielding four times the property taxes per acre than the Costco building on the edge of town. Infill projects such as these are part of a conscious strategy in Billings. Billings demonstrates that cities can utilize a combination of tools—including overarching policy, large projects, small infill and rehabilitation—to achieve revitalization of their community and capture community value.

“*There is a lot of energy in downtown Billings associated with a growing retail and restaurant presence.*”

Mixed-use CTA building, downtown Billings



Sheridan, Wyoming

POPULATION: **17,444** SIZE: **8.5 square miles** COUNTY: **Sheridan**

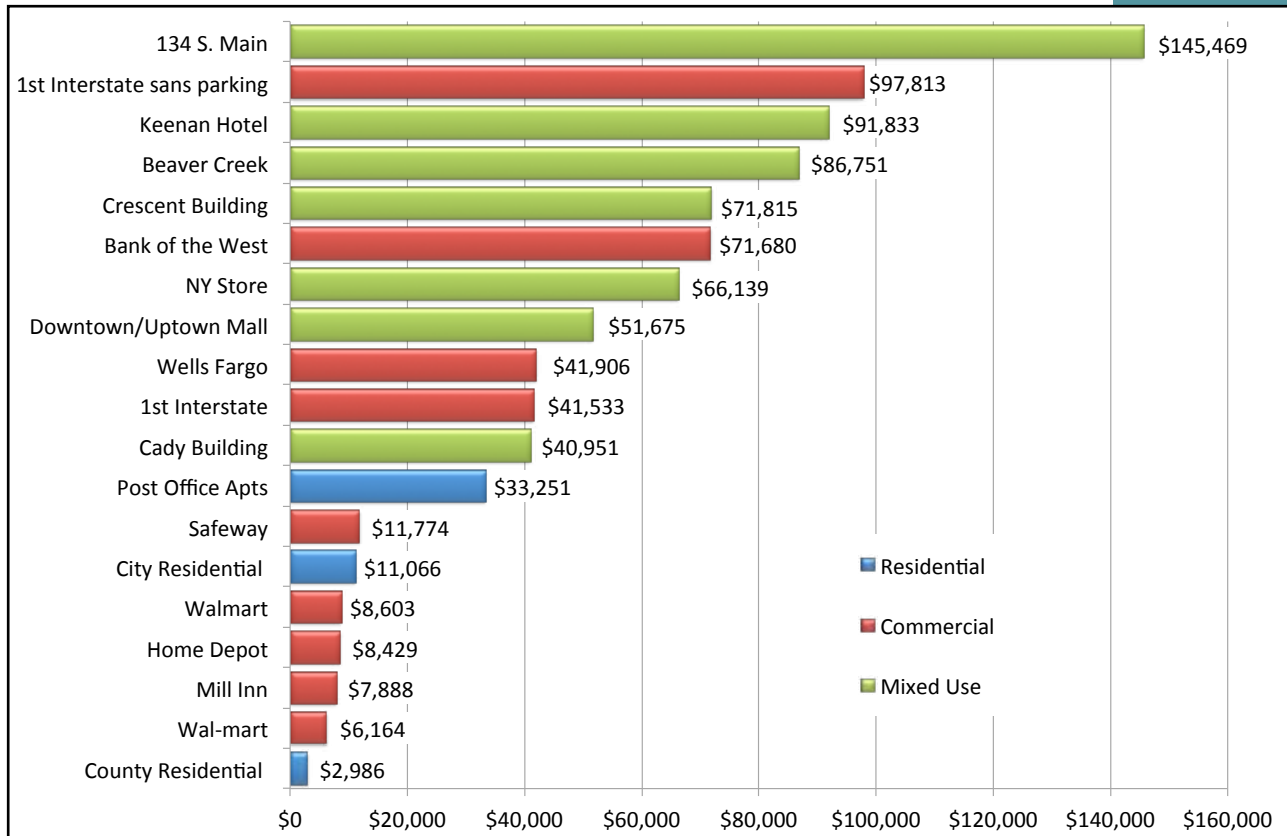


Figure 4: Select Properties in Sheridan, Wyoming - Sheridan County Property Tax per Acre 2010

SYNOPSIS: Sheridan has a strong foundation, including solid existing infrastructure and a downtown master plan for future development. Sheridan also has a tremendous amount of opportunities, such as a cooperative city-county relationship, a stock of downtown buildings ready for rehabilitation, a strong philanthropic community and many healthy neighborhoods and public facilities within walking distance of Main Street. The city and county have also invested in new parks and schools very close to downtown, and Sheridan enjoys a great deal of public infrastructure for a town its size.

Developers in Sheridan, for the most part, seem to understand the advantages of increasing density near the downtown core, as seen by newer establishments such as the Black Tooth Brewery. But Sheridan also has a great collection of historic structures that are ripe for utilizing federal historic tax credits – something the community has yet to take full advantage of.

CONCLUSION: Sheridan should pursue historic tax credits to help offset the additional costs that are typical of revitalizing old buildings, as opposed to erecting brand new buildings. Other funding mechanisms for historic rehabilitation could also be created at the state level. These could be implemented through existing vehicles like the Wyoming Historic Architecture Assistance Fund. The result would be an immediate injection of jobs in construction. This would also create new units for lease in the downtown, which would, in turn, generate more community revenue in the form of boosted property taxes.

The city should implement next-stage strategies in the Downtown Master Plan such as widening sidewalks on Main Street and providing handicapped access to upper stories downtown. New parking projects could include a parking garage downtown, installing parking meters on streets and undertaking an educational campaign to discourage employees from parking on the street adjacent to their stores.

The city should also find ways to maximize the potential of downtown structures that are currently underutilized. The Uptown/Downtown Mall could be transformed by installing windows on the second story. The King's Ropes Saddle Museum could help drive more tourists downtown if it had better visibility and marketing assistance.

“*Sheridan also has a great collection of historic structures that are ripe for utilizing federal historic tax credits...*”

Cady Building, Sheridan



Cheyenne, Wyoming

POPULATION: **59,466** SIZE: **21.2 square miles** COUNTY: **Laramie**

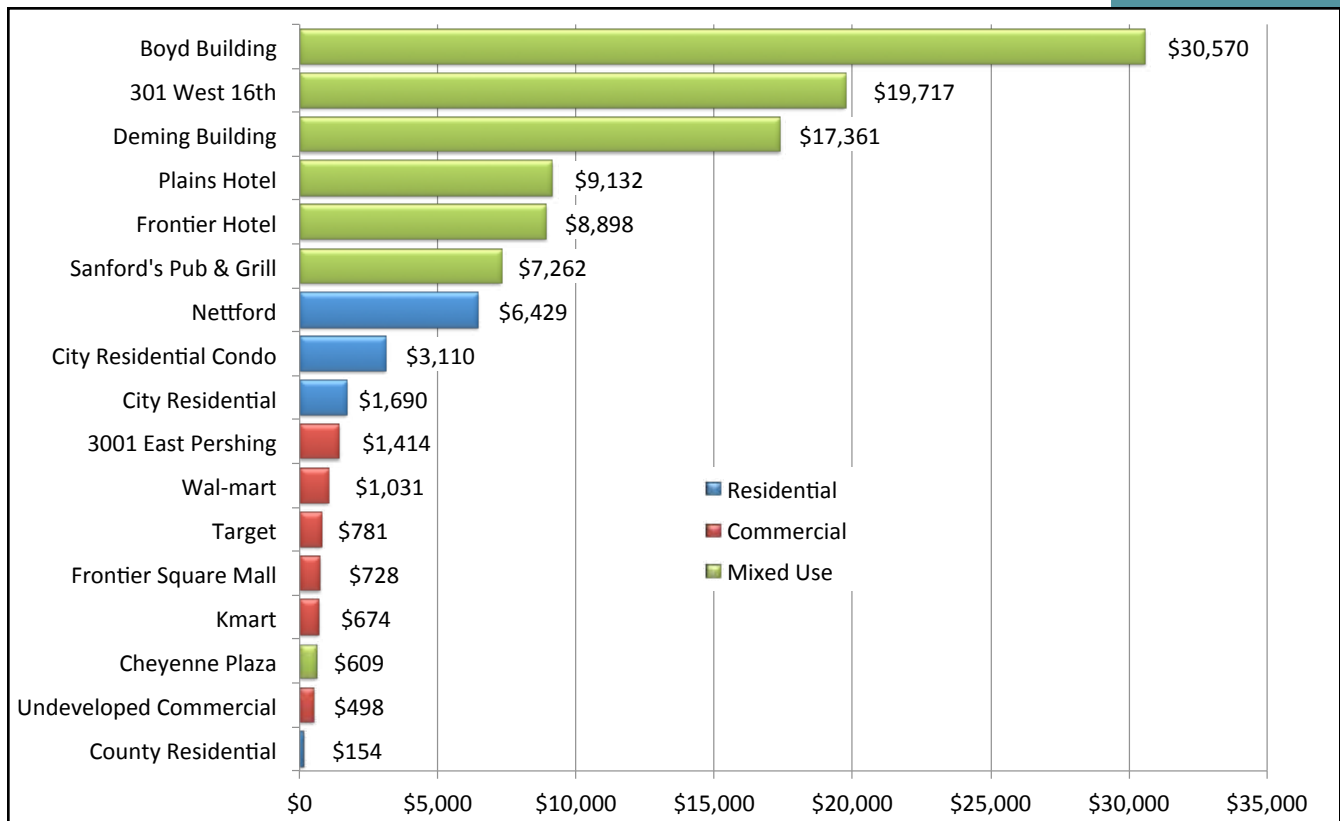


Figure 5: Select Properties in Cheyenne, Wyoming – Laramie County Property Tax Per Acre 2010

SYNOPSIS: Cheyenne, as Wyoming’s capitol, has deployed city staff time and financial resources toward strategically reinvesting in the edges of downtown. In particular, the restoration of the old train depot downtown has been a big success. The new parking garage blends in with the architecture of the area and allows for adjacent dense development to have ample nearby parking. The garage is bringing new energy to the southwest part of downtown, which has some of the lowest property values per acre. This is an example of how an investment in public infrastructure in an area that has a lot of room to grow can bring about higher property tax yields in adjacent properties by stimulating private investment. Additionally, while the city has ample highways, it has done well to keep interchanges far apart so as not to draw folks away from downtown.

The County Assessor’s office and the City Planning Department are discussing ways to update policies and practices to encourage community improvement and address barriers to efficient community growth. GIS analysis could highlight discrepancies in future land use and property valuation.

CONCLUSION: There are several areas of opportunity for investment in Cheyenne. The city has a vast collection of historic structures ready for an infusion of capital. Federal historic tax credits or the Wyoming Historic Architecture Assistance Fund could potentially provide incentives for this type of work.

A next step could be to improve pedestrian access northward from the central business district toward the state capitol. Also, the community could work to better integrate state offices to the restaurants and retail within downtown.

Hynds Building, downtown Cheyenne



Wyoming State Capitol Building, Cheyenne



“ Multi-story buildings provide cultural and financial wealth as well as a mix of commercial and residential properties all on the same infrastructure.”



Downtown Cheyenne

Laramie, Wyoming

POPULATION: **30,816** SIZE: **11.2 square miles** COUNTY: **Albany**

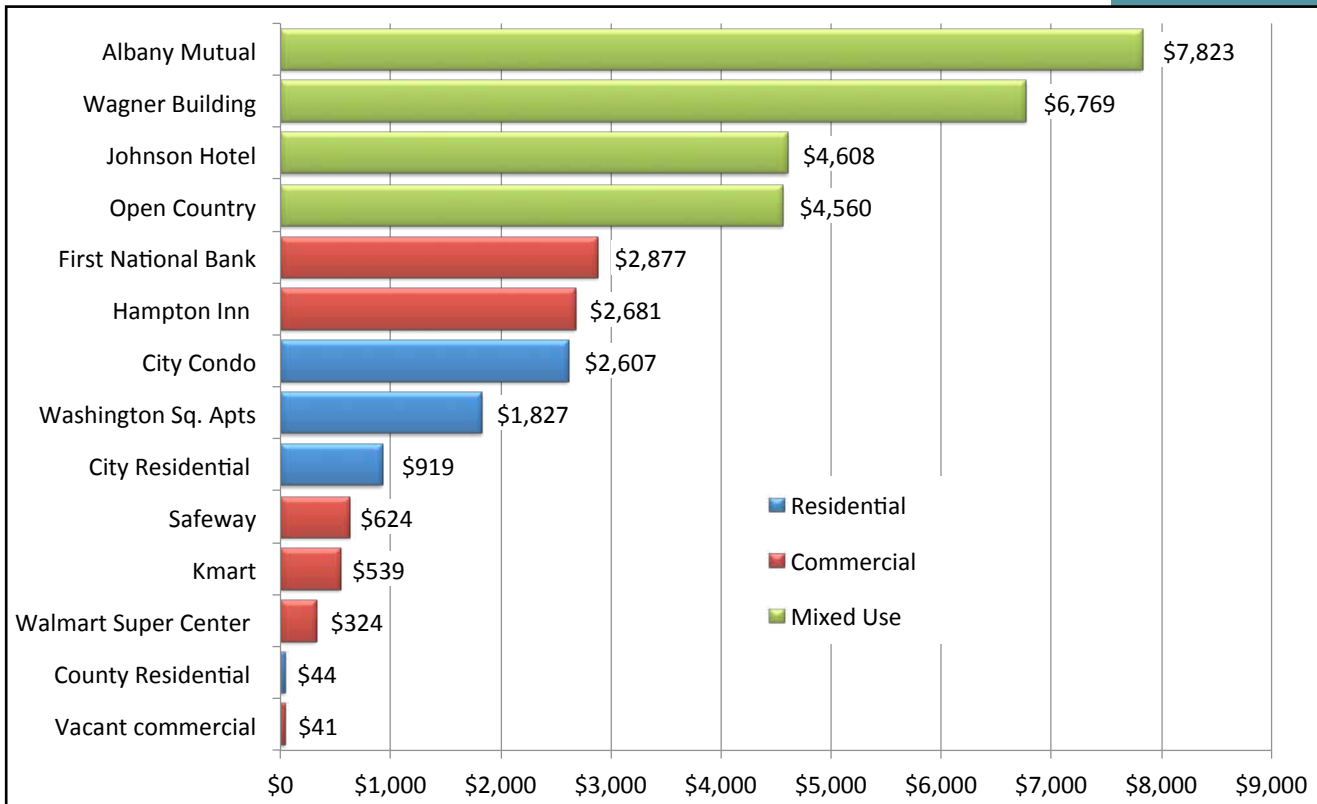


Figure 6: Select Properties in Laramie, Wyoming - Albany County Property Tax per Acre 2010

SYNOPSIS: Laramie is blessed with a large student population that feeds stores and coffee shops in its vibrant downtown. There are promising opportunities to concentrate growth between the campus and the central business district, rather than continue the spread of residential and retail establishments on the outskirts of the city.

The city, in fact, has a rich history of private sector investment in its downtown. For example, the housing unit at 709 Iverson Street is yielding more than eleven times the property yield-per-acre than the community's Wal-Mart. The two-story former Johnson Hotel has an approximate tax value of \$84,000 on 0.18 acres; 2.5 acres of that building type would yield as much property tax that is yielded by the 36-acre Wal-Mart. These multi-story buildings provide cultural and financial wealth as well as a mix of commercial and residential properties all on the same infrastructure.

CONCLUSION: Downtown Laramie is a good example of well-designed, higher density development, which, combined with amenities and public spaces, creates a compact, pedestrian-friendly downtown with a great sense of place. The results for the city, besides a great downtown, is more wealth-per-acre in the community's tax base. There are many street-front retail establishments, restaurants and nightlife. The key is to build off that asset and focus on nearby underutilized properties. One option could be the addition of a downtown mixed-use parking garage that would help facilitate more rehabilitation of the historic properties downtown by providing a needed infrastructure investment.

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There
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connection
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the downtown,
and economic
development.”

Driggs, Idaho

POPULATION: **1,100** SIZE: **1.0 square mile** COUNTY: **Teton**

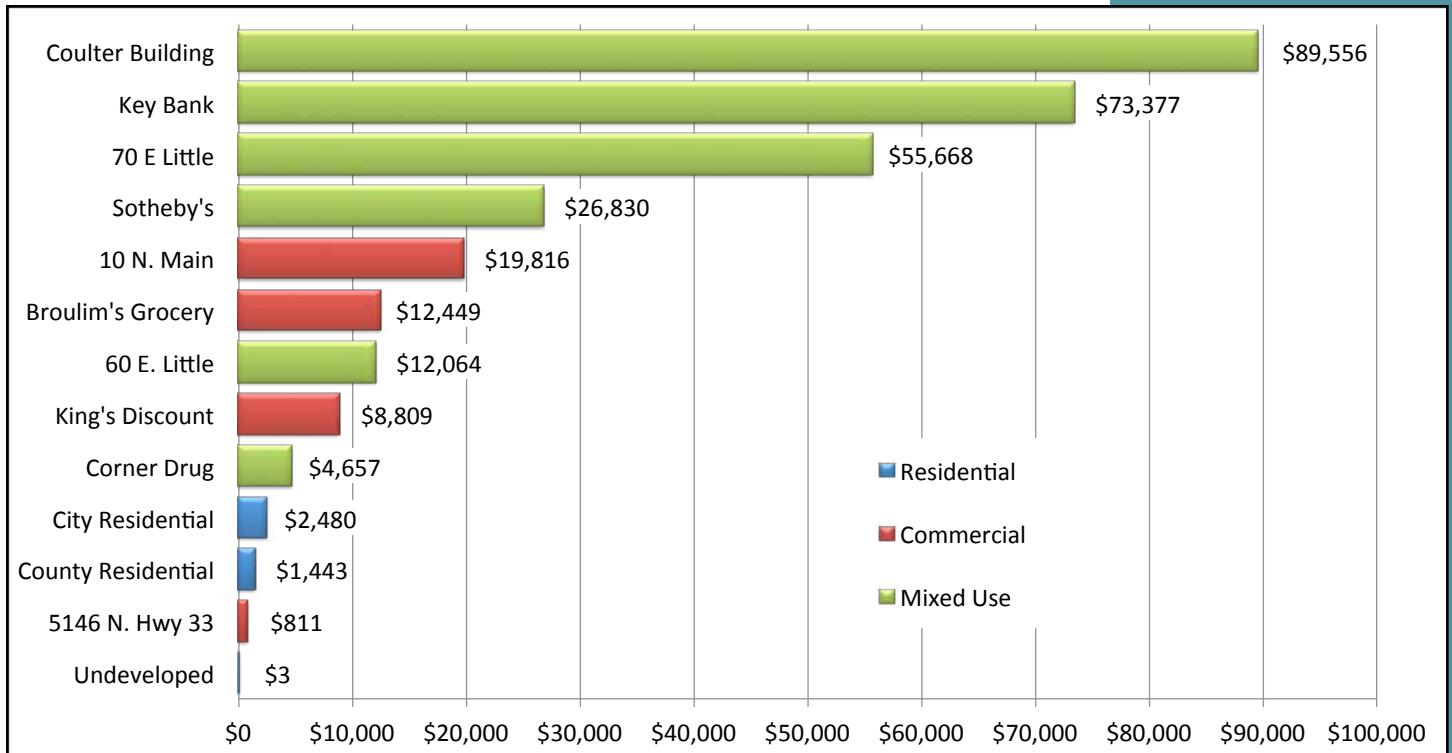


Figure 7: Selected Properties in Driggs, Idaho - Teton County Property Tax per Acre 2010

SYNOPSIS: In the real estate boom of the past decade, Teton County approved an estimated 142-year supply of residential lots—far more homesites than the market could bear. The vast majority of these are located in the rural parts of the county. Even with this surplus looming, city and county leaders have made commitments to downtown Driggs, and there has been growth in the main core.

Downtown Driggs boasts several recent examples of quality development in the downtown, which are realizing sizable values per acre. The Coulter Building leads the pack with a taxable value per acre of \$12.2 million, followed by 70 East Little at a value per acre of \$7.6 million, and 10 South Main at \$4 million.

Conversely, the total value per acre for the Broulim’s plaza—a retail development on the edge of downtown—has a \$1.5 million value per acre, while consuming 12.18 acres. The top three buildings combine for 0.9 acres, respectively. In other words, 3.2 acres of the downtown properties would equal the property tax revenue of the 12.2 acres of the Broulim’s and plaza.

CONCLUSION: Recommendations for Driggs include developing a master plan that encourages density and improves pedestrian access to downtown areas. If the community is going to continue to develop in a low-density manner, they have to find a way to compensate for the higher infrastructure costs of spreading people out. The city and county could use tools like tax increment financing or impact fees to make up the financial shortfall for those development patterns that consume the most resources.

Grand Junction, Colorado

POPULATION: **58,566** SIZE: **38.6 square miles** COUNTY: **Mesa**

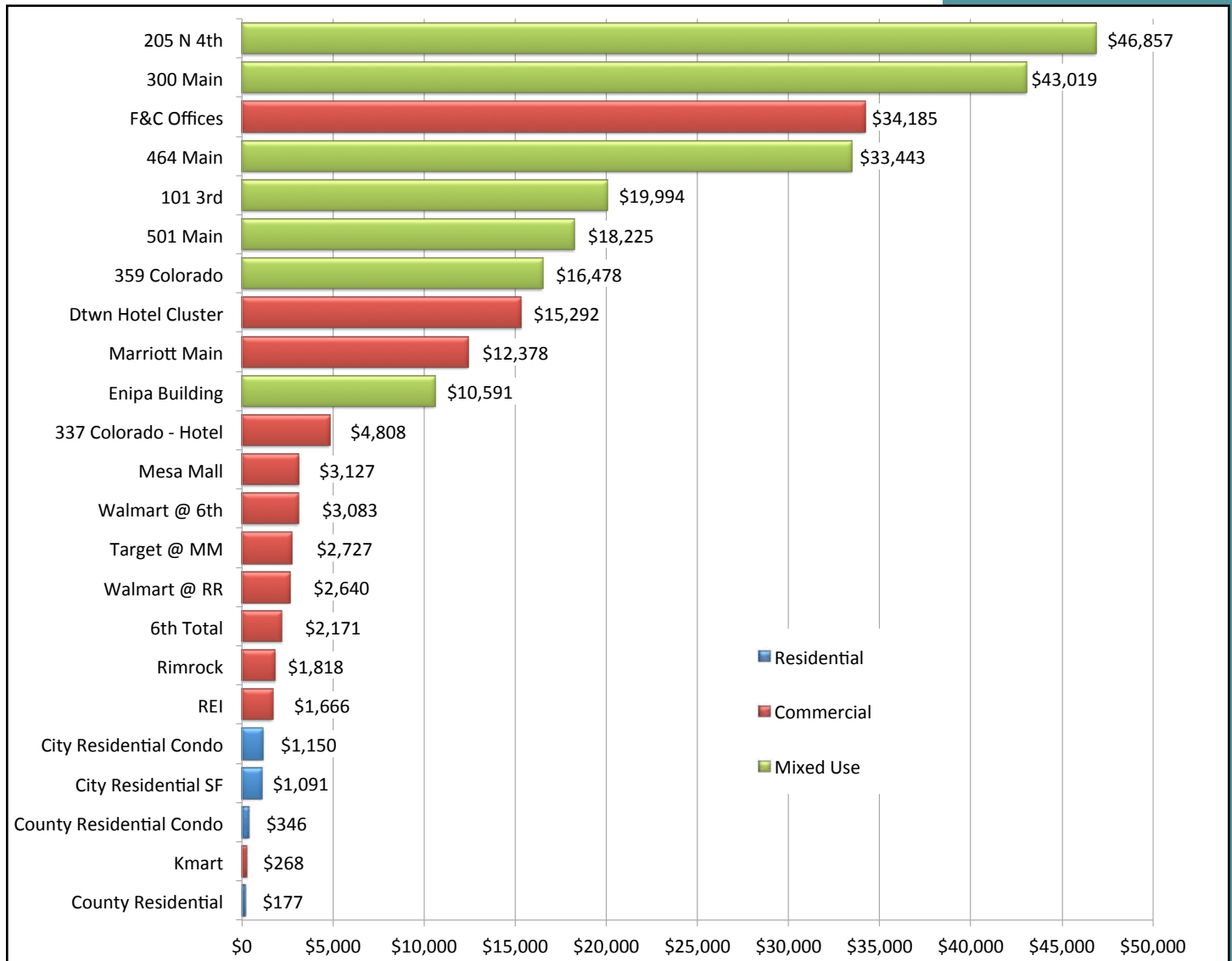


Figure 8: Select Properties in Grand Junction, Colorado - Mesa County Property Tax per Acre 2010

SYNOPSIS: In the past, Grand Junction, like many communities, allowed retailers to stray from the downtown core and locate in strips along local arterial roads. The downtown lost energy and value. Today, the City of Grand Junction is working to bring vitality back to the downtown and has recently made several improvements to amenities and infrastructure that are helping add vitality and real estate appeal to the downtown. At the same time, many of the commercial strips outside of the downtown have declined in value, some precipitously. The city is now looking at ways to revitalize and redevelop these corridors into walkable, mixed-use districts.

CONCLUSION: Grand Junction understands there is a strong connection between revitalizing key areas, including the downtown, and economic development. The city is now working to revitalize its downtown and surrounding neighborhoods, and redevelop defunct malls and commercial strips. By investing in infrastructure and amenities, the City, Downtown Development Authority and Downtown Partnership have made tremendous improvements to the downtown, sparking private sector investment. Looking forward, the city is targeting a handful of areas within and adjacent to the downtown to catalyze high quality infill and redevelopment.

300 Main Street, Grand Junction



Rifle, Colorado

POPULATION: **9,202** SIZE: **4.3 square miles** COUNTY: **Garfield**

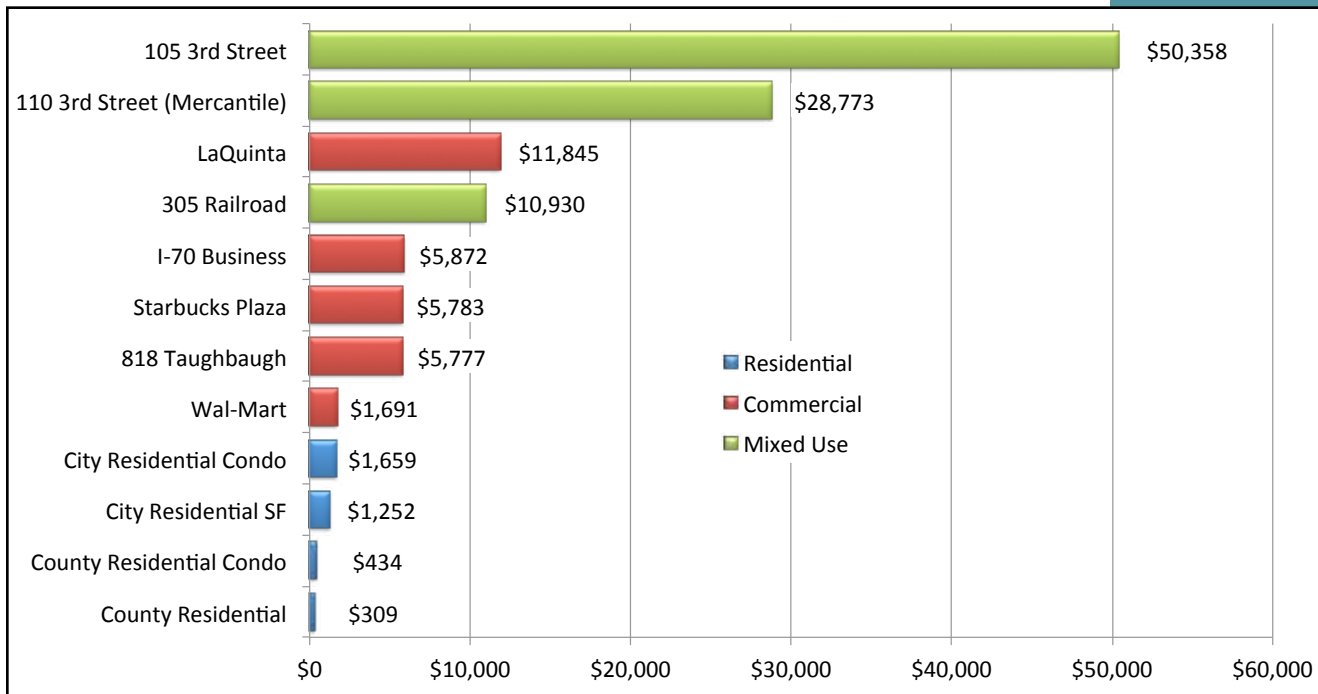


Figure 9: Select Properties in Rifle, Colorado - Garfield County Property Tax per Acre 2010

SYNOPSIS: Rifle has taken several steps to revamp and revitalize the downtown in recent years, including a new two story parking structure and library building, and the new Centennial Park. The city is seeing the fruits of its labor: just this year a new multiplex theater opened up, which will add “after hours” activity to the downtown.

Rifle’s recent success is largely the result of effective public-private partnerships and ongoing collaboration between the city, the Rifle Regional Economic Development Corporation and Downtown Development Authority. Now, with a grant from the Department of Transportation and Housing and Urban Development, Rifle is exploring ways to incorporate transit needs into its downtown development goals.

CONCLUSION: The City of Rifle and the Rifle Regional Economic Development Corporation recognize the important impact a vibrant, walkable downtown

can have for economic development. They have a good framework to build upon, including a compact street grid, several historic buildings and proximity to the Colorado River. Rifle’s focus on its downtown is paying off and if the city can maintain this momentum, more progress is sure to come.



Glenwood Springs, Colorado

POPULATION: **9,053** SIZE: **4.8 square miles** COUNTY: **Garfield**

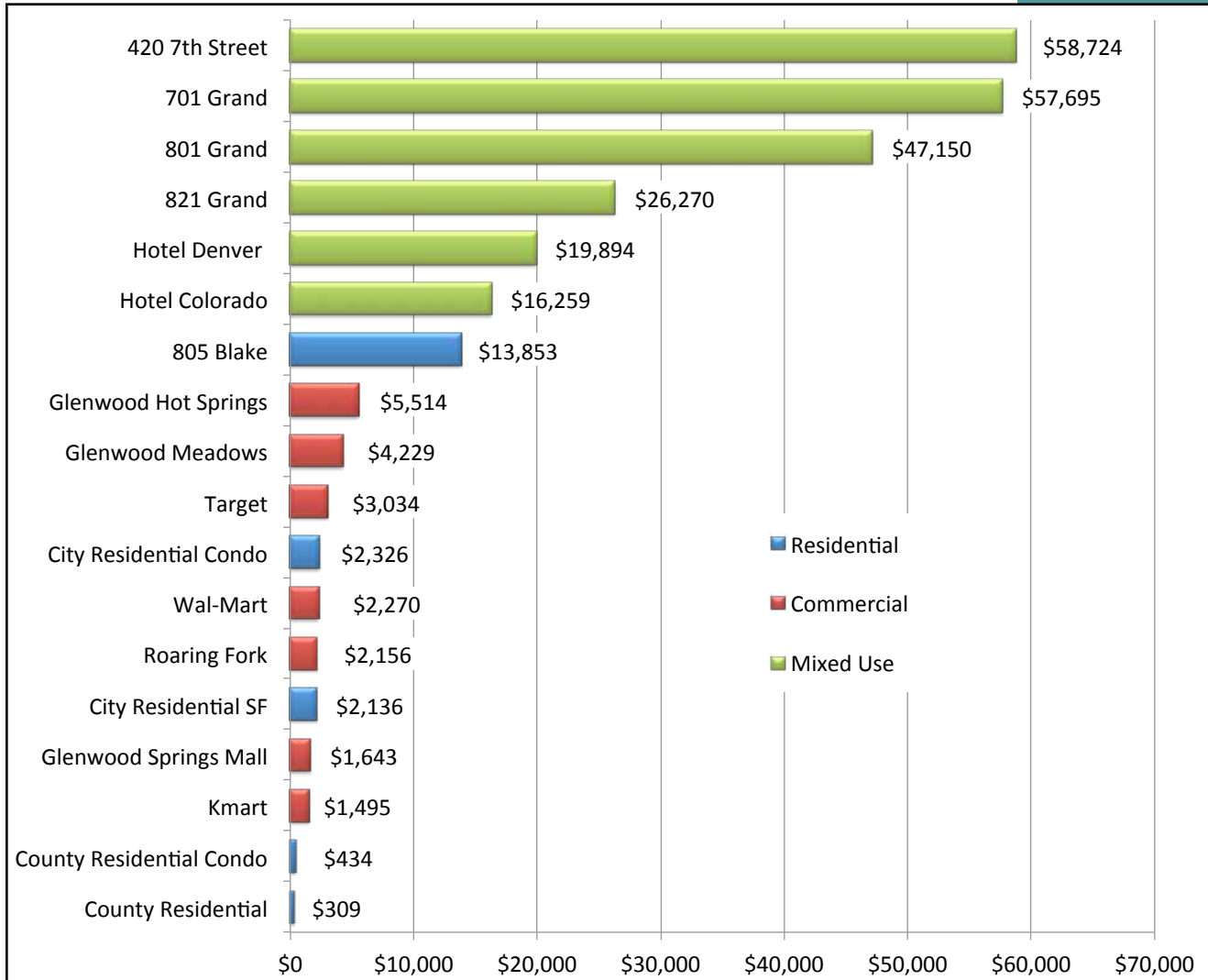


Figure 10: Select Properties in Glenwood Springs, Colorado - Garfield County Property Tax per Acre 2010

SYNOPSIS: The small city of Glenwood Springs has one of western Colorado’s great downtowns. The city has a history of developing an attractive, pedestrian-friendly feel while encouraging a variety of housing options in the core and adjacent neighborhoods. Glenwood Springs’ Downtown Development Authority oversees the city’s tax increment financing program, which is dedicated to downtown revitalization, and has been increasingly active in spurring new projects.

Glenwood Springs’ Finance Director has created a retail tax map for the entire city, which demonstrates where the most retail tax revenue is generated. This is an excellent analytic tool for understanding community revenues and is a model that should be replicated in every community that has retail tax revenue.

“Glenwood Spring’s retail tax map is an excellent analytic tool for understanding community revenues.”

CONCLUSION: Glenwood Springs is fortunate to have a great downtown today, but it has potential to improve even more. To further increase investments in downtown, Glenwood Springs should consider revisiting its three-story height limit, allowing additional density in the core where services and demand are in place. The city should also ensure that future transportation decisions, particularly related to Highway 82, do not impact the ability to redevelop and expand the downtown.

Roaring Fork Marketplace, Glenwood Springs



Downtown Glenwood Springs

“
The city
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of housing
options.”

Further Recommendations: Fulfilling the Promise of Downtown

Improve Coordination and Collaboration

Cities and counties should work collaboratively to plan growth and meet goals. Typically, county governments pay little attention to the downtowns within their jurisdiction, assuming this is only the purview of municipal government. But every downtown property pays taxes to the county as well as the city. In fact, this analysis shows that, counties reap big dividends from the higher density, mixed use development characteristic of most downtowns.

With so much additional potential for property tax revenues within the core, county governments have a significant stake in a healthy downtown. But in most communities, the downtown is not fully realizing its potential, which is why downtown revitalization efforts are so important. For counties, successful revitalization efforts result in greater revenues, so being a helpful partner pays off.

To encourage collaboration, city and county officials should build bridges between departments and agencies. For example, in Cheyenne, the County Assessor and the City Planning Department are working together to update policies and programs that affect community improvement and address barriers to efficient community growth. Other local governments could adopt this model.

Use Plans and Policies to “Set the Table” for Quality Development

More often than not, the deck is stacked against higher-density mixed-use development in downtowns or other infill and redevelopment sites. To make such projects achievable, communities need to ensure that plans, policies and investments “set the table” for the type of development they want to see.

This starts with a clear vision that responds to local needs and market realities. A sub-area plan that focuses on a relatively small area, such as a downtown, can help to orchestrate land use, design, infrastructure, financing and other details and provide a clear vision that the private sector can respond to. Sub-area planning is often done in conjunction with zoning code updates to ensure the plan enables and implements the vision. The City of Rifle’s Downtown Master Plan and subsequent Downtown Development Code are good examples.

Private sector investment typically follows public sector investment in infrastructure and amenities. Tax increment financing and similar tools are often used fund capital projects that spur private sector investment. Communities should also prioritize downtown projects in capital improvement planning. Public-private partnerships – from cost sharing to reducing or deferring fees – are another way to make quality projects more feasible.

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Seek Balance and Stability in Boosting Revenues

It is important for communities to seek ways to create a reliable revenue stream, but communities should be careful in how they do it. Often, in the hunt for tax revenue, communities look to big-boxes and other large retail projects, and overlook the value that multi-story mixed-use development bring. Large-format commercial projects have their place, but approving them solely on the basis of their potential to boost local tax revenue is not likely to pay off in the long-term.

For downtowns and mature business districts, the best strategy may be to fill in gaps with well-designed buildings and encourage rehabilitation of existing structures. In parts of the community that are stagnant or maturing, communities may need to make investments in infrastructure that help to reshape adjacent development patterns and open the door to new projects. The end goal is to build a balanced portfolio with a mix of uses that can provide a stable source of revenue over time.

Design Matters

In addition to innovation in tax policy, a key to driving higher yields-per-acre is thinking about how to make small, pedestrian-friendly moves toward achieving higher density urban cores. These strategies can act as the fertilizer for cultivating greater investment in the downtown.

A. Downtown Parking Design Patterns

Many cities allocate valuable downtown space to parking. Policies that tax parking areas as low-value unimproved land create an incentive for this development pattern.

Parking is a valuable commodity for retail, but in downtown areas a better strategy may be to develop multi-story parking garages. Not only does this minimize the land area occupied by cars in downtown areas, it frees up more space for new mixed-use infill properties in the urban core. Bozeman, Billings and, more recently, Cheyenne, have had success with this model.

In suburban retail areas, cities may adopt maximum parking standards, rather than minimum parking requirements that are more common today. This would minimize the ability to add more land into a development that is low value revenue return.

B. Neighborhoods Supporting the Downtown Core

Cities should encourage a greater mix of housing in close proximity to downtown to meet the demands of diverse communities. Within a few blocks of main streets, high-density neighborhoods could devote a small fraction of their land area to alternative uses including parks, community gardens, or senior living communities.

By investing in core residential neighborhoods, cities can effectively raise downtown property values as a whole. Cities can increase density incrementally over time, as demand for downtown housing grows. As downtown grows, more people want to live near it, increasing the vibrancy and variety of activities.

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C. Traffic Patterns and Adjacent Land-Use

The question for the cities involved in the study is whether they want their highways and roads to simply move traffic through the community as quickly as possible or if they want to create a safe and connected transportation network. The trade-off is that if you push traffic through the downtown, you lose the energy that comes from having more people in downtown. When communities prohibit on-street parking, create one-way bypasses, or widen roads, they are jettisoning people out of downtown while making the downtown area feel less safe and inviting to pedestrians.

Rethinking traffic patterns also means allocating space for things like sidewalks and bike lanes that support the vibrancy of downtown businesses. Multi-story, mixed-use development is dependent upon a great pedestrian environment and creating places for people, in addition to cars.

In an area previously occupied by a surface parking lot in downtown Bozeman (above), a new parking garage houses 435 parking spaces, a public bus transfer station, and several new commercial spaces (below).

Before



After



Conclusion: Opportunity is Out There

Like a farm, a city depends on the land in order to generate revenue. Recognizing that land is a finite resource, cities would do well to cultivate the most productive soils—namely, steer growth to the regions that will generate the most return on a per-acre basis.

Downtowns are potential pay dirt in many ways – they are gathering places, business districts, tourist attractions, and cultural centers. Put simply, communities already have strong emotional and cultural connections to their downtowns—they are part of our history and they are places people have built and maintained for centuries.

Furthermore, our research shows that downtown properties are a “cash crop”—contributing more property tax revenue than any other form of building type on a per acre basis. An average three-story mixed-use building in the study yielded more than five times the per-acre property tax revenue as a big box store.

Cities mistakenly shoot themselves in the foot when they steer the majority of new development outside of the core. They double-down on that mistake when they fail to recognize that they have created tax policies that encourage dispersed development. Communities can't afford to make these mistakes any longer.

It is time to rethink the value of downtowns as powerful economic drivers. Downtowns offer diverse places to live, work and recreate, and they are also more efficient and less expensive to maintain – something every planner and politician should be paying attention to these days. In other words, downtown pays. The time is ripe for cities to invest in this important cash crop and see how it will bloom.

PHOTO: www.jrharrisphoto.com

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The Sonoran Institute inspires and enables community decisions and public policies that respect the land and people of western North America. Facing rapid change, communities in the West value their natural and cultural resources, which support resilient environmental and economic systems.

Founded in 1990, the Sonoran Institute helps communities conserve and restore those resources and manage growth and change through collaboration, civil dialogue, sound information, practical solutions and big-picture thinking.

The Sonoran Institute, *Shaping the Future of the West*



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