Joe Minicozzi Lecture
Panel Discussion

Understanding the Market Forces of Regional Development

September 22, 2017

Moderator:

Jim McKenzie
Former Executive Director, Metroplan

Panelists:

Ward Davis
Principal, High Street Real Estate and Development

Gabe Holmstrom
Executive Director, Little Rock Downtown Partnership

Jimmy Moses
Chairman, Moses Tucker Real Estate

Mayor Mark Stodola
City of Little Rock

Mayor Mike Watson
City of Maumelle

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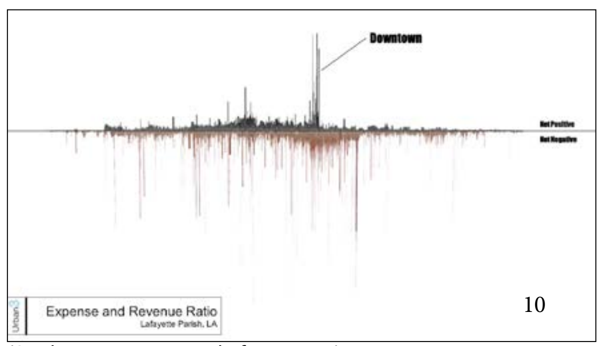
The times listed in brackets specify the approximate location of the exerpt in the video.
See the video: http://tinyurl.com/yd2ducho

Jim McKenzie: [0:00] Hello. I'm Jim McKenzie. I'm sitting in today for Tab Townsell, Metroplan's Executive Director. Welcome to the Better Communities Lecture Series. This is a local panel discussion based on the first lecture in that series – Understanding the Market Forces of Regional Development Patterns, the Dollars and $ense of it by Joe Minicozzi.. Joe is a nationally known urban planner and a lecturer in great demand. In August, 2017 he spoke to over a hundred citizens of Central Arkansas - business people, government officials, professional planners and interested citizens. Mr. Minicozzi is principal of the planning and development firm Urban 3 in Asheville, North Carolina.

Joe's lecture emphasized that since all cities are corporations, the business side of the organization should pay some attention to the productivity of its assets. In this case, the tax productivity of different development patterns, some of which contribute to the corporate bottom line and some of which continue costing the corporate bottom line over time. If you're interested in seeing Joe's presentation for yourself, you can find it on the Metroplan website, www.metroplan.org, or at the link that will be shown on your screen later. You can find a PowerPoint presentation at that location as well.

Joining me today on the panel are Mayor Mark Stodola of the City of Little Rock. We want to thank Little Rock for hosting us here today and LRTV for filming this discussion; Mayor Mike Watson of the City of Maumelle; Gabe Holmstrom, the Executive Director of the Downtown Little Rock Partnership; and Ward Davis with High Street Real Estate and Development in Springdale, and formerly with Hendrix Village in Conway. Thank you all for being here and participating.

You all attended the initial lecture, so let's start in turn by each of you giving us your key takeaway from Joe's presentation.



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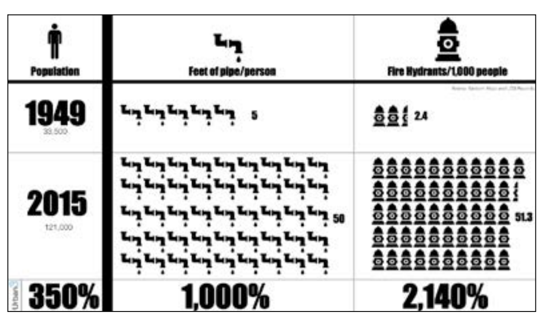
Ward Davis: [02:36] I think in terms of income statements and balance sheets. When I look at his information, my key takeaway on the income side is where value is concentrated and where it's not. In Joe's examples, value is very much concentrated in downtown. In Lafayette, Louisiana, for example, value was concentrated in downtown. The second largest spike was in a traditional neighborhood development that was outside of downtown. On the other side where value is not concentrated, and that's in big-box stores.



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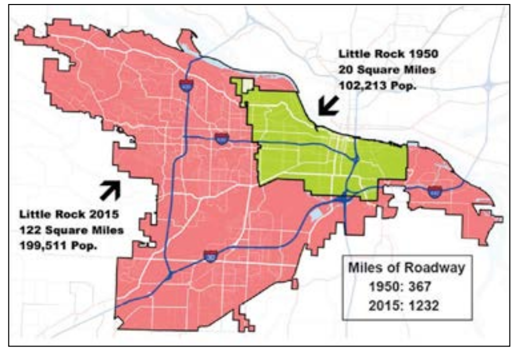
On the expense side, what jumped out at me was just a massive growth in infrastructure per capita. For instance, fire hydrants per thousand people has increased 2,000 times. You have 2.4 per thousand people in 1949 increasing to 51.3 in 2015. And the linear feet of pipe per person has increased from 5 feet 50 feet over the same period. In Little Rock, based on information provided by Metroplan, the miles of roadway has increased from 367 miles in 1950 to 1232 in 2015 but the population has not quite doubled. So that's a massive increase in infrastructure per capita on the expense side.



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Jim McKenzie: Okay. Gabe?

Gabe Holmstrom: [04:31] Well, I think it was a fascinating way to present data the way Mr. Minicozzi has been able to do. It is very informative to people that are interested in the development in cities and downtowns. The slide where he compared the big-box store with the six story building that's over a hundred years old and then to a residential house. That's pretty amazing when you look at that. At first glance—especially for people that don't look at these numbers everyday—if you ask somebody what would you rather have, a Wal-Mart or a restored 120 year old building, they're going to oftentimes suggest the new big-box store. So showing the actual dollar value and the tax value of what each produces, and how it effects the balance sheet for the government, the municipalities is so fascinating.

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Jim McKenzie: Thanks. Mayor Watson?

Mayor Watson: [06:06] Well, as Gabe and Ward both said, it was eye-opening to me. I'd never thought of taking the taxes and dividing it out on the size of the project to get a per acre tax return on it like Mr. Minicozzi demonstrated. We buy and sell land based on an acre price. But I'd never sat down and looked at it that way. So he made me go back to my office, and I actually looked at comparable numbers within our city. And it was very clear that our differences weren't near as great as some of the ones he'd pointed out. But it was also very clear that a large development that covered more than ten acres was not returning as much as the half acre and the one acre developments and partially because of the just the standalone buildings on a half acre site, was still a cost in the improvement side. He mentioned the land cost but then you had the improvement cost on top of that and so that was interesting to me go back and just look at it in our community. What he also pointed out in the presentation that tax assessors give a break if they have a large tract of land, so a large area that had 200 acres got a break on their taxes where everybody across the road with smaller parcels had higher tax rates. And that 200 acre has a lot more road frontage on it that we're responsible for maintaining, so that kind of made me look at things a little differently. But it also changed my way of thinking on how we look at taxes and especially property taxes in Maumelle slightly differently than other cities. We don't have a downtown with the high-rise buildings, but we do have older buildings that could be redeveloped. So that was what we've got to look at in some of our rules and ordinances

Jim McKenzie: Great. Mayor Stodola—Little Rock's more of a classic case. What are your thoughts?

Mayor Stodola: [07:55] Thank you, Jim. Certainly I think the map that shows the growth of the city of Little Rock from 20 square miles to 122 square miles tells the story of growth. And I guess the question really is how you define growth and put it in an urban or and in a suburban context. So while 122 square miles is the urban area of Little Rock, it's still from a standpoint of Mr. Minicozzi's premise, more suburban in nature in those western reaches. There's no question that the formula that he suggests -- the more dense the property and the more commercial the development -- the higher the value of revenue you're going to get off of taxes. The challenge, of course, is that in defining the productivity of your assets and how you spend your revenues to maintain public services is really a balance question.

Mayor Stodola: [09:01] One could argue that the growth of Little Rock is based purely on annexation. It doesn't take into account the issues of integration and desegregation, and the growth of the city westward, partially fueled by those issues, partially fueled by schools, partially fueled by just this situational narrative of developers and where they choose to develop. When you balance that relative to those other constraints - distance, congestion, and an urban density – you get some of the realities that we as mayors and cities have to deal with. There's no question that if we could concentrate everything in that urban area much like in New York City, where you have boundaries and to the point where you don't have to worry about whether or not you have parking downtown. Nobody uses parking. They use all sorts of transit to get around, and you don't have to worry about whether you have parking spaces or not. Even in downtown Little Rock, you know the issue still is, how close can I park to where I work in the most dense part of the of the state, which is the downtown part of the city of Little Rock.

And so I appreciate the analysis. I think it certainly tells the story of maximizing value and minimizing the kind of expense that we cities have for streets, sewers, drainage, gutters and all of those kinds of things. But I think there's got to be a real factor put into it in terms of how you balance that. So what does it mean if you put in various restraints on annexation? Does it mean you put in various incentives for redevelopment downtown that are not otherwise available for people who choose to build beyond certain boundaries? I think those are some of the interesting questions that we as municipal officials and land use planners should look at in terms of whether those kinds of things would help us maximize the return on investment that we as a city make.

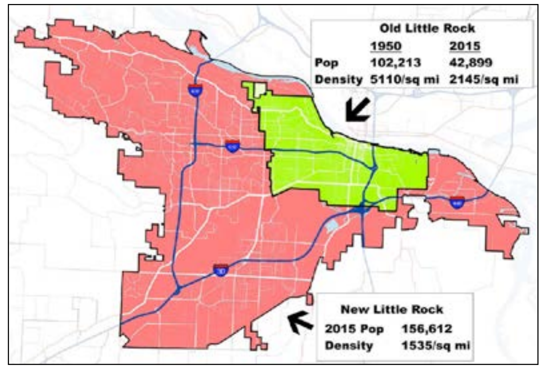
Jim McKenzie: [11:21] There's one word that you used several times, which was balance, and Ward used it too in terms of a balance sheet. So you have to consider both the revenues generated by a particular type of development on a parcel and you've got the cost to serve on the other side of the ledger and how those balance out citywide determines whether you're in the red or in the black from a tax revenue standpoint for the services that you've got to provide long term. There's one other interesting slide that's a variation on the Little Rock slide shown earlier. It shows the population density. Within the 1950 boundaries of the city, Little Rock has lost 60 percent of its population since 1960, but it is still more dense per square mile than the remainder of the city of Little Rock that's grown since the nineteen fifty boundaries, which is interesting. The city, of course, is still responsible for maintaining all of the infrastructure in the 1950 boundaries, with sixty percent fewer taxpayers there, so it certainly puts the public sector in a dilemma.

Jim McKenzie: [12:40] We want to welcome to the panel one other member—Mr. Jimmy Moses, who is with Moses Tucker Real Estate, is in the development business and has been a developer in downtown Little Rock for some time. Jimmy you got here just in the nick of time because I was about to ask the next question to you and Gabe from a standpoint of downtown development and redevelopment. What should we be doing to maximize what Mr. Minicozzi says is some of the most tax productive land in our metropolitan areas?

Gabe Holmstrom: [13:00] I think the easiest thing for me to talk about immediately is continuing to work on improving what we have now with the historic rehabilitation tax credit. This past legislative session the legislature increased those incentives a little bit, and so where the overall benefit will go from at the high end $125,000 to $400,000, but still that pales in comparison to every single state that surrounds us. So if you really increase that incentive, that's going to really be an attracting factor for some of these older, especially larger buildings that we still have in some of our downtowns in Little Rock and across the state. So that's going to be the easy answer, and I think that's what I'd like to see continued to be improved at the state level.

Jim McKenzie: [14:17] Jimmy, how about you?

Jimmy Moses: [14:21] Well, I would say that when you look at a downtown like Little Rock you've got this wealth of built infrastructure investment. It is what makes a city unique, its urban core, and so we need to embellish it. We need to take it to the next level. How do we do that? Well it's complex. It's not easy, but it starts I think with the public sector stating that it's important that our urban core be as vibrant as we can possibly make it, and then developing a systematic methodology from the top of City Hall down to assure that quality development is done and expedited. And that we form perhaps a one-stop shopping method of getting your building permit and all the related activities, zoning entitlement—all handled perhaps by one person in City Hall. That's one thing that's relatively low cost that could be accomplished quickly, and sends a message to the world out there that Little Rock is solicitous of downtown development.



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The other thing that I really believe that we're missing here in Little Rock is we don't have a development strategy in place. It's been many, many years since we've done that. We had a downtown development plan and it actually seeded the River Market. Not many people know that. But I think putting a plan in place that's thoughtful, that involves professionals and locals—both public and private sector—would give us some directions for say the next 5-10 years about where investment should occur, both publicly and privately, and set the stage for the private sector to put money into the urban core.

Mayor Stodola: [16:24] I might add to that in a couple of ways. First of all on the issue that Gabe mentioned, there's an educational level that our developers need that many do not have or desire to take advantage of because of the ease of development in other parts of the city.

Jimmy is one of the few that understands not only the challenges but also the opportunities that development downtown creates. So the ability to take advantage of historic tax credits, both state and federal, the ability to leverage money through the EPA on brownfield loans, zero interest brownfield loans, some ADFA-type (Arkansas Development Finance Authority) lending and loan structures that can benefit the rent structures that ultimately play out in these buildings—are issues that in other states and in other urban areas there's a much higher level of sophistication, in my opinion, in the development community. And I think that's important.

And certainly I'm a big proponent of the preservation aspect of our buildings. We've lost some, unfortunately, because we have a lack of sensitivity by some folks who own property. We've been able to save many of those properties now, and I think people are understanding the benefit of that. We still have two or three major structures right in the core of Main Street that are prime for redevelopment, and we've got people talking about it. Hopefully they'll take advantage and learn the levers that can be used to try and get those areas developed. As to the master plan, I can't agree more with the comment that Jimmy Moses made. We had money in our budget for this year to contract professionally for a master plan downtown. I hope to have some of that money available this year and get it fully funded for next year, so that in 2018, before the end of 2018, we do have a new master development plan for downtown. We know that we've got some areas east of Main Street and south of the River Market that are certainly underdeveloped in terms of density, and it would play directly into the concept of Minicozzi's formula, that would be very beneficial. The desire that we see now with millennials and others that want to live in a more urban environment I think plays hand-in-glove with an opportunity that's there. But we've got to have the financial triggers that are available. We've got to have the developers that are willing to do it, and I'll certainly compliment Moses Tucker as being one of those developers that's taking advantage of that and continue to let us know the things that as a city we can do to try and improve.

Mayor Stodola: [19:24] One of the things that is high on my list is burying the overhead utility lines that we've got which we think are obviously not only ugly but they cause extra problems in terms of electrical outages and things of that nature. And it causes a frustration factor with developers who see it as a needless extra expense that they would prefer not to have. I think that means you've got to try and have a good working relationship with your private utilities which we continue to try and address. For example, I just had a meeting with the Public Service Commission to talk about the usage of LED lighting downtown and in other parts of the city, and it's a struggle to try and get people to understand the importance of that and figure out a financial way to get that done. But again, it's what's happening in a very direct way to help cities be progressive.

Jim McKenzie: [20:14] Well let me take what the mayor said and ask Ward and Jimmy to respond, not necessarily strictly as developers that are sympathetic to this kind of development, but for the broader development community, if we will. What does the private sector need in order to see the benefits to this more productive type of land development?

Ward Davis: [20:48] You know I appreciate programs like historic tax credits and that sort of thing, but to me the real key to encouraging development downtown and in urban areas is actually to knock down the regulatory barriers that stand in the way. There are actually two sources of barriers. One is the tax code, which makes it very hard to aggregate land because it's very easy to park a piece of land in an unproductive state. For instance, since we tax a piece of property based on value, somebody has a parking lot downtown that's even if it stays empty it's a good way for them to set that piece aside especially if a downtown is increasing in value. It is the lowest cost of entry to be able to participate in the appreciation of a downtown. Unfortunately, that parking lot also holds hostage all the infrastructure that's around it. So that burden is borne by the rest of us and the only person that benefits is the unproductive property owner. So it's just a function of our tax code that makes it very easy to hold property hostage when it could be elevated.

Ward Davis: [22:05] The second piece is, generally our zoning codes and technical design standards—in most places in the country but in Arkansas in particular—are aimed at suburban areas. I'll take zoning codes first. With Euclidean zoning it's a use-based zoning people talk about in terms of four units an acre or twelve, but it's residential segmented against a commercial segment and that happened for very good reasons in the past. (The point is that we currently have use-based zoning vs. intensity. In the past this made sense because incredibly dirty factories were being built right next to houses). But it makes it very difficult to do mixed-use development. Even when cities encourage me to develop in their municipalities, I've got a different regulatory process to do mixed-use development than I would if I was going to do single-use stuff out in the suburbs. But some cities around the state are doing a great job of addressing that. They have a PUD (Planned Urban Development) process and allows you to do mixed-use. Some cities have form-based overlay districts that allow mixed-use zoning based on form not on use. That helps a lot, but then the next layer kicks in and that's the technical design standards. So a lot of times cities will require large front setbacks for front yards and that sort of thing for residential homes and won't allow utilities to be put under streets or in alleys. Those technical design standards are perfectly comfortable in a suburban environment, but they're not comfortable at all if you're trying to do tight urban development that's really focused on walkability, and are really antagonistic to walkability. So our technical design standards and our rezoning standards are tilted against us when we try to do dense, mixed use development. I actually get more uncomfortable talking about incentives, because it makes people think that downtowns have got to be subsidized.

This math that Joe has done has shown us that the downtowns are the most productive areas. If we just level the playing field for developers then we can develop actually the most productive stuff not the least productive stuff in the city.

Jim McKenzie: Jimmy, what are your thoughts?

Jimmy Moses: [24:25] Well, I actually think the city I'm by far the most familiar working in—Little Rock—has done a great job from a zoning standpoint to encourage mixed-use development in the center of our city, which is all largely an urban use or zone. There are no parking requirements, for instance. Mix- use is encouraged. Public transit is built into giving additional density and upgrades to a developer. So we have done a lot of good thinking and are implementing some really good ideas in Little Rock, and I applaud our city for doing that. But we as a city and we as a state don't really get it yet, that urban development is so much more effective and efficient from a cost standpoint and the utilization of our best resources in the state. And so we have no real incentive program whatsoever. Tax increment financing doesn't work very well. It's very limited here in its ability for several reasons. That's been in use around the country for thirty years. It's almost not in use at all in the state of Arkansas. If you build a new building in downtown Memphis, for example, there are tax abatements and they staged them, but they range from a few years out to twenty years.

Jimmy Moses: [25:47] Tax abatement would encourage tremendous additional development in the urban core. And there's all sorts of arguments about whether that's good or bad, but rest assured the cities that you see around the country that have done great things in their core have got a series of true incentives to work from. And, of course, we've had Improvement Districts, and we've used one in downtown Little Rock. We can't even agree in Little Rock among our business leadership whether they're good or bad. I personally think they make a lot of sense, and they help underpin the policing and maintenance and upkeep of downtowns, but they require investment. So I think we need to look at the quiver of incentives, both public and private, that we don't have here, and particularly compare ourselves to progressive cities that do have them and then attempt replicate them. And we have to work at the state level through our legislature and constitutional reform to get some of these changes made, but we need to do that. A few things could make a big difference, I think.

Jim McKenzie: [27:05] Okay. So the private sector guys have bounced the ball over the net to the public sector guys. Let me ask the two mayors your perspective. Now you come from very different types of cities. Little Rock is an older Central City with some historic density. Maumelle was designed as a suburban community and is actually developing less dense than it was originally designed. But Mayor Watson, for example, you alluded to going back and doing the math, which is one of the things that Joe recommended for each community. Do the math for your community and see what it tells you. Where do we go from here in terms of taking the information that Joe presented to us and putting it to work. For example, Arkansas is 50th out of 51 jurisdictions, if you can include DC, in its lack of reliance on the property tax to fund local government over reliance perhaps on the sales tax. So what kind of policy changes are needed, what's the next step in taking this information and actually putting it to work here in Central Arkansas?

Mayor Watson: [28:04] Let me share just one small step that I've already looked at. About the same time we did this seminar, we had a building that was being remodeled in Maumelle. And when we looked at the building permit fees, the building permit was 4.6 times higher for remodeling than it was for a new construction of the same sized building. And so my city council is now considering an ordinance to make a remodeling permit not be higher than new construction would have been. So for instance, if you have a 10,000 square foot building that you want to build new, it would cost you $1,900 for your building permit. Just the building, not including mechanical and electrical and plumbing, but the building permit. But if you were going to spend million dollars to remodel an existing ten thousand square foot building, the fee was ten thousand dollars. So it was five times more to remodel than to build new. We've realized that we're disincentivizing people to remodel their existing building and encouraging them to tear it down- and build a new one through our building permit process.

Mayor Watson: [29:17] Now I understand there's still the economic consideration of having an existing building, but we're already looking at the permit fee inequity to try to change because I knew it was a problem. I went to the seminar, then the building permit came in, so then the owner comes and complains and it's like, okay, we need to do something here. The other thing that we've always done in Maumelle, even though we've been a planned community from day one, and we do have PUDs. PRDs and PCDs which allows so much commercial within a residential district, and it allows for development, but the development has not really occurred. We've got one six-story building that has offices on the first two floors and then residents on the next four going up from there. But their dilemma is always keeping tenants in that building because the other thing is we've got to have the buyers or the people that want to live in that type use. So which comes first sometimes? Does the developer build it hoping they'll come? But that building was built in 1988, so it's an older building. It could probably be updated, and they could keep occupancy up in those residences.

Mayor Watson: [30:21] But it's small things that we could do and one is right now we're limited to three stories in a lot of our areas. We need to look at that issue also. Do we need to raise that limit, especially in a PUD development, that could allow for some mixed-use so that we could go to the six stories shown in the seminar, whereas now we have to grant a variance if somebody comes in with a three or higher than three story. Our code says two and a half. We compute that to three, but it's two and a half stories which I've always tried to figure out where the half story was in a building. So we need to look at those items too. I think that's the takeaway because if we develop denser, then the infrastructure cost is less, the tax base is more, and it helps us. Now, we still have vacant lots within our town center district that are still developable. We need those to develop too so we're kind of fighting our own selves to say let's go back in and develop these older buildings, but now we've still got vacant tracks inside. We're not looking to expand out a whole lot beyond our core already. So it's a balancing act, it really is. And the problem is the property owner controls the price of the land not the city. We've talked about ways to try to create entities that do economic development, groups or something to be able to purchase that land - maybe incentivize development at times through that avenue. It's done in industrial land all the time, but I don't think it's been done in commercial districts.

Jim McKenzie: [32:02] Good, Mayor Stodola?

Mayor Stodola: [32:08] You know in reflecting on some of the conversation that's just occurred, I was thinking through a couple of the issues. Sometimes you know you put in regulations but the mindset of the people who are using them does not always follow through in the same context. And let me explain. We, as Jimmy mentioned, we've got use zoning which is very open and flexible. You can do just about anything you want to - no requirement for parking - and yet we've had people who've wanted to move downtown, they want that urban environment and use and then all of a sudden they figure out they need parking because they still are in the mode of wanting to drive their car or they live at such a distance that they have to drive a car as opposed to use transit. So then they push on the city to bring in more parking. And so there's a real disconnect there to some extent that we've got to work on and just in terms of that whole cycle of how we narrow that that divergence.

Mayor Stodola: [33:14] Then there's the issue of desirability. I can't remember at the moment what big major business that was in a suburban area and had an office in Seattle or Portland that decided they were going to move back downtown. They were going to bring their employees to live or to work down here which obviously is going to prompt many of them to want to move back downtown. So when we've got a building like the Donaghey Building that's over 150,000 square feet or the Boyle Building, both of which are now being looked at as residential, probably with some mixed-use on the first and second floors, you could ask the question, is there some major employer that would move into one of those buildings that would really spur a lot of additional activity? We want that residential. We know that if we have that residential downtown that a lot of the commercial will follow. I know that we're desirous of trying to get a real grocery store downtown and a lot of it's going to be tied to the addition of residential. I think before the end of this year or early next year there's going to be close to 300 apartments right on Main Street itself, with the planned developments that we know of in a couple of the buildings. So what else can the city do? We waive fees. If you put presidential in one of our buildings in the downtown area, as I recall, we are required to waive 75% of all the building permit fees. Obviously it's an incentive to try and get developers to bring in residential. So doing that, and trying to educate some of our land owners.

Mayor Stodola: [34:53] It's interesting, I've made this comment before that a lot of the people who own property on Main Street really made their money in other ways. As was mentioned earlier, they are able to hold property and make it into a parking lot and get some sort of a rate of return on it. But they do hold it hostage. In terms of development, we've got two blocks right on Main Street that are the most desirable blocks for redevelopment in the entire state. And one of them is a very nice parking lot and the other one is a whole half block of a parking lot. And this is right at the intersection of Markham and Main Street. That is really not the best way to be looking at land use intensity, by making that into a parking lot. How do we get people to look beyond that and get a vision for what can be developed? That is a challenge that we have. It's a parochial challenge, really. These are people who grew up in Little Rock and you find that really frankly the more sophisticated people that come in to look at redevelopment are people that have done it in other locations, with t the exception of my friend Jimmy Moses, who obviously has looked around the country at redevelopment there too. And you know we would love to see more intense development because Minicozzi is exactly right. The tax base that gives us a positive return is going to be much more desirable than seeing a residential subdivision out west or another open-air promenade, that is certainly going to be nice but it's not going to give us the best rate of return from a taxation standpoint.

Ward Davis: [36:45] I can explain the thought process on the parking lot just in two seconds, especially for a person that's made their money in other areas and doesn't need cash flow. If let's say, a parcel in downtown – if downtown's doing great- thanks in large part of the work Jimmy and Rhett have done downtown. And everything downtown increases in value - all the buildings increase in value by 5% and the land is 10% of the value of an overall building. Well really when the tide goes up its location based. So that 5% value increase is really attributed to the land. Well, that means that the person that just held the land and didn't have to build a building, with all that headache that comes with it, their piece of property just increased about 50% in value. Actually the incentive is for them just to sit on empty land because a building is a pain and their return on total capital invested is actually much less. So they have an incentive to hope that everybody else develops something and that they do not.

Mayor Stodola: [37:50] That's a real interesting observation. You know, from a public sector standpoint the city stepped up to the plate with 22 million dollars for a technology park. I prefer to call it an innovation corridor, but it's a tech park. We were able to convince that board to locate downtown basically on vacant land. In the meantime we were working with other developers to try and develop some of the existing buildings. And they were being relatively successful and not only doing that but raising the property values extraordinarily high as it relates to those adjacent properties. So you fast forward about eighteen months, and the property then that the city is going to use, these vacant lots, has just increased extraordinarily high. From a value standpoint it cost us a whole lot more money to buy those vacant lots and buildings that were underutilized than it would have had if we were not trying to promote the redevelopment of some of those other buildings. People asked me how did the values on Main Street—you know what's the value of property—and I said it escalates daily and you know you better jump in now because you know tomorrow it's going to be at a different rate. It's likely going to be higher. The bottom line is that the redevelopment helps to promote and really incentivize a person who owns property that's undeveloped to wait and see how high it's really going to go.

Jim McKenzie: [39:35] Folks will do what they make money at. It sounds like the underlying tax structure provides incentives for doing what is antithetical to the greater public interest and disincentives for doing what benefits the greater public interest. Perhaps that's where we ought to look, to change the rules of the game a little bit. We're about out of time so we have an opportunity for one last comment. Jimmy, why don't we start with you?

Jimmy Moses: [39:59] Well I would say the key to successful urban development starts with enlightenment. Realizing that a vibrant urban core makes an entire metropolitan area more vibrant is almost now a given. You know we're embarking on trying to bring Amazon to Little Rock - a very worthy idea by the way - and I applaud the Mayor for wanting to lead that effort. We don't qualify very well but if we can engage in an enlightened discussion about what we should do to encourage major employers like Amazon or Bank of the Ozarks, you name it, local or from afar, to come first to our city and then, perhaps, to locate into our urban core, that is what we should be doing. We need to identify and act on the things we need to be doing to set the stage to encourage that to happen. That includes everything from looking at our tax structure, the way we value things, as Ward has said, to public transportation. We had a chance to vote for public transit here a year ago. We turned it down. We got close, and I think ultimately we will pass it. But if we want to do away with surface parking lots then I'll tell you that we've got to have a great public transit system. You can't just have an average one. And we have an average one trying to become great. So we've got work to do there.

I think it's all about a lot of little things that we can do at City Hall right now to facilitate quality development, make it as easy as possible so that the return of a dollar of private-sector investment will ripple through the economy in a pretty remarkable way. And that happens best I think in the urban core.

Jim McKenzie: Great. Ward?

Ward Davis: [42:00] I think Jimmy makes great points from the development perspective I'm going to take a stab at the municipal side. Joe Minicozzi keeps saying "Do the math," and I just think of the math that I would like to see is this - with our current development pattern, and let's assume zero growth. I hear over and over if a city's not growing that then it's dying, but if I said that about my personal finances - if I told you that my personal finances have to go up three to five percent every year or else I was going to go to not be able to feed my family, you would tell me I was being irresponsible. So, if we had zero growth, would we be able to finance the infrastructure that we've already got in place. Are we suffering an effect of really chasing after the next sugar rush by chasing a big box. It's very infrastructure intensive and just really not that productive over time. I think Joe is kind of opening me up to thinking about that, but I'd like to see them do the math really on a specific local level to know more.

Jim McKenzie: [43:03] Good points. Gabe?

Gabe Holmstrom: [43:06] I think you know another part of this is, here we are now in 2017. We're within a couple of clicks on your phone on Amazon Prime ,and whatever you want that you may have gone to the big box store previously for is on your doorstep in two days. So what does that look like two years from now? I think everybody read the paper today saw that Wal-Mart wants to have a tube into your refrigerator to populate your fridge with food. I don't know that I'm ready for that yet, but they're apparently thinking what's the next big thing. I think what becomes clear, and one of the things that Jimmy has alluded to and talked about, are the lack of the tools, the incentives that we have here as a state. So I think a discussion among the people that stand to benefit - whether it's the municipal leaders ,whether it's the developers, whether it's the Realtors - to have a discussion and pick an incentive. How do we go about tweaking the TIF districts? How do we go about changing/educating the legislators. Let's go for that and let's advocate for that. Is tax abatement what we want to work on? All these are valid ideas that have seen a great deal of success in other communities and in cities our size and cities that are bigger across the country. So I think a discussion among the impacted parties that leads to pursuing a specific targeted incentive a would be a great step in the right direction.

Jim McKenzie: [44:50] All right, thanks. Mayor Watson?

Mayor Watson: [44:52] From the city's perspective, what we have to do is we have to provide services to our constituents, our citizens, and the way we do that is through general taxes or through fees for specific services. Maumelle is the only community in Arkansas that has what's called a community service fee that we collect -six dollars a month per house - so you know that everybody hates that fee. So we're looking at ways to do away with it with another tax or something like that. But it's one of those things where we've got to think outside the box and you know maybe there's ways to do it, because we've also got to have viable police departments and fire departments and low crime rates for our cities to grow. And we also have to maintain all of our extra infrastructure. Infrastructure that's, as Mr. Minicozzi pointed out, given to us, then we're responsible for in perpetuity. So it's something we have to do.

Mayor Watson: [45:49] We've got to look at ways to increase our tax base either through property taxes and/or through just the redevelopment of property. Someone else brought up Amazon and internet retail. I'll throw out there the internet sales tax. We've got to do something. Everybody's purchasing on-line, the big boxes are going away, the stores are going away - the brick and mortars. What we've always thought about is we want that big box to come to our community. Well, that may not happen anymore. So we've got to replace the tax dollars that we lose if there's not a brick and mortar there, whether it takes federal legislation, state legislation, that's something that's got to happen. I think that we need to look at it hard, and I know that every purchaser on the internet hates to hear that. But it's gospel to the cities that if we are to continue to provide the services that we're expected to provide, we need an internet sales tax.

Jim McKenzie: [46:25] Right. Mayor Stodola? Last word?

Mayor Stodola: [46:35] Well, I guess I would close by saying that the strength of a city or the healthiness of a city is really defined by its core - the heart of the city. And I've always considered that the urban downtown is the heart, and that, if the heart's beating strongly, the rest of the city and the appendages will be strong as well. And in that context, we have to understand, as it relates to Mr. Minicozzi's point, is that not everybody wants to put their business downtown. Not everybody wants to live downtown. And so from a municipal standpoint, we still have an obligation to serve those citizens, as Mike said, and that's the challenge when you balance the revenue stream that you've got. In our state, 85% of our property taxes, which is what we've been talking about, and go for our schools, so the city's revenue streams are largely dictated by my sales taxes and franchise fees, and we get a little bit of that property tax but nowhere near what other cities in other states get.

Mayor Stodola: [47:57] So I can't underscore any more what Mike said about the internet sales tax. We are eroding 10 to 13 to 15 percent a year of our local tax base by failing to collect the use tax that otherwise would be collected as a sales tax. That has a direct impact on our bottom line. And now we've got Congress talking about other tax reforms. They're talking about eliminating state and local tax deductions for citizens and mortgage deductions for citizens. That is going to put additional pressure on municipal government to try and figure out a way to fund other things. So when you look at all of those issues, if you're going to redevelop the urban core, the preservation tax credits for commercial use property is extraordinarily valuable. 20 percent federal and 25 percent state, the higher we can get those limits that really can help make the numbers work. You do that and you look at some APA opportunities to help and you can make some of these things pencil out. The bottom line is for a developer and we've got two good ones right here, if it doesn't pencil out it's not going to get built. You've got to figure out a way to pencil it out. So if we can educate our developers to be sophisticated about our existing constraints and try to work on some of these areas that will help free up some of the revenue, I think we can accomplish a lot that is ultimately going to help us maximize the ability to get the most amount tax revenue off of the least amount of property that we've got.

Jim McKenzie: [49:57] Thank you Mayor. Well that just about wraps it up for the panel today. We've identified a couple of dozen very meaty issues that I've taken notes on and all could deserve an independent panel discussion. We want to thank our panel: Mayor Mark Stodola the City of Little Rock; Mayor Mike Watson, the City of Maumelle; Gabe Holmstrom, director of the Downtown Little Rock Partnership; Ward Davis of High Street Development in Springdale; and Jimmy Moses of Moses Tucker Real Estate. Thank you all very much and thank you all for watching. Again, if you want to see Mr. Minicozzi's presentation, go to Metroplan.org or to the link that is going to be on your screen. Thank you very much for joining us.

Disclaimer: This is not a verbatim transcript of the panel discussion. It has been edited for clarity and readability. If you watch the videotape of the panel discussion, you will notice some minor differences in phrasing. All edits were approved by the participating panelists.

See the video: http://tinyurl.com/yd2ducho

Issues raised by the panel discussion

1. Given the importance and tax productivity of traditional downtowns, what additional development incentives should be provided, such as an improved Tax Increment Financing (TIF) law, authorizing tax abatements for development/redevelopment projects, the creation of a redevelopment authority (similar to industrial development authorities) that can acquire property for development/redevelopment purposes, and perhaps others.

2. How do we "do the math" to calculate the government corporation's balance sheet overall and develop a tool to analyze the cost to serve and revenue productivity of various development types?

3. Is it possible to levy differential property tax rates/fees based on differences in cost to serve different development types? If not, what laws need to be changed to allow it?

4. How can cities address the issue of fallow property that is being warehoused, often times as surface parking lots or weed lots, but still benefit from surrounding city infrastructure without contributing markedly to its maintenance?

5. What is the long-term impact of internet sales on existing commercial real estate, including tax returns. Are abandoned/underutilized commercial properties (old malls or Wal-Mart sites) opportunities for dense mixed use redevelopments that are not in downtown and how could those help the city balance sheet? What areas outside of downtowns are ripe for higher density/mixed use redevelopment and how can that be incentivized?

6. How can city development codes and zoning practices be modernized to incentivize mixed use/higher density developments?

7. It appears that the property tax system incentivizes high cost/low productivity use of land and disincentivizes lower cost/higher productivity cost of land. How can that be reversed?

8. What small things like discriminatory building permit fees or bureaucratic red tape involved in mixed use development can cities correct quickly?

9. How can cities educate their development communities about how to do profitable higher density/mixed use development?

10. The importance, given the changing landscape in retail, to local governments of Congressional action allowing states to levy internet sales taxes.

Walmart

34.0 Acres
220,000 sf Building
$20,000,000 Tax Value

Property Taxes/Acre
$6,500

0.19 Acres
54,000 sf. Bld
$11,000,000 Tax Value

Property Taxes/Acre
$634,000

My House

0.13 Acres
1 unit (2 people + 2 dogs)
$232,000 Tax Value

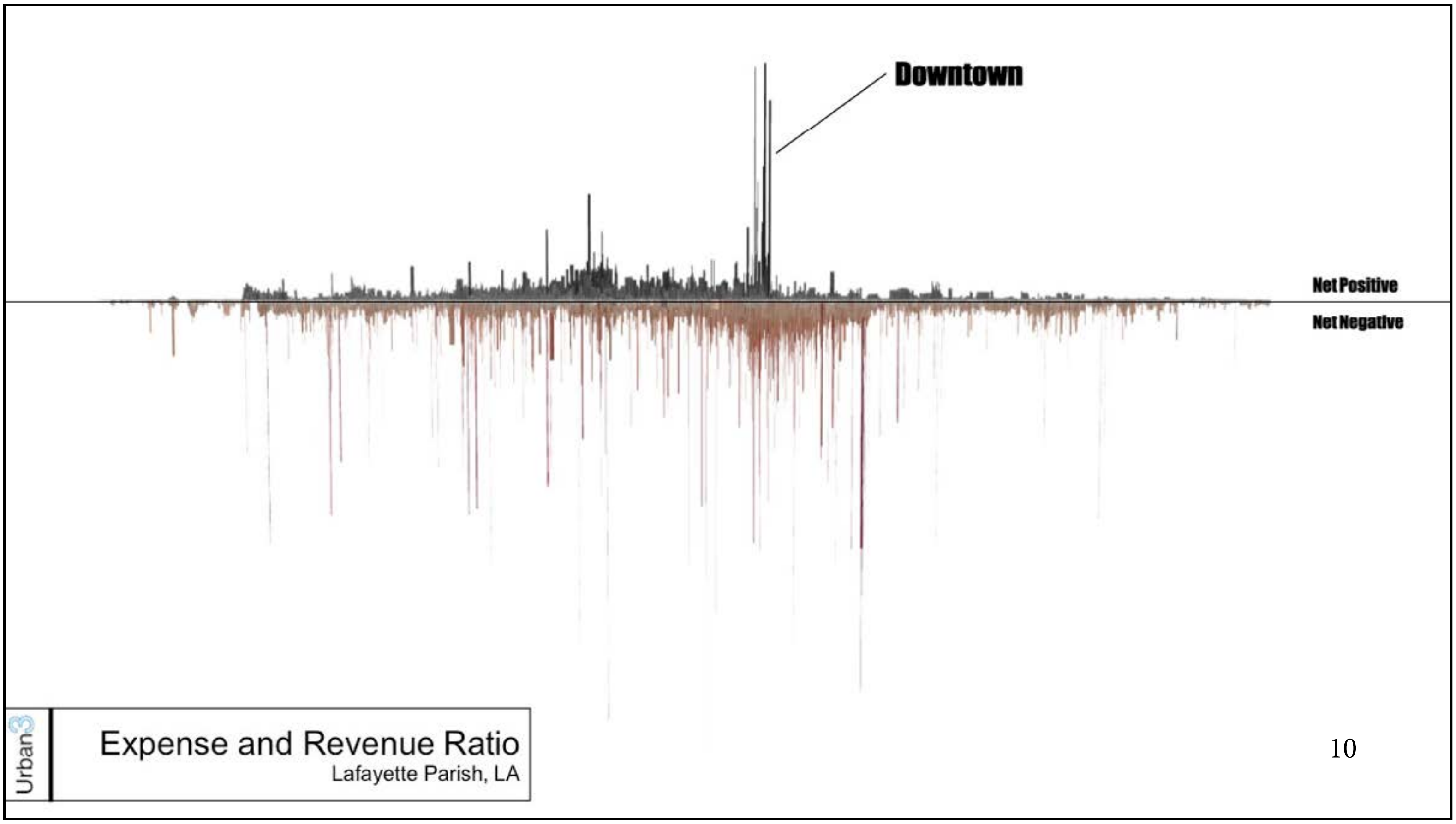
Property Taxes/Acre
$19,542

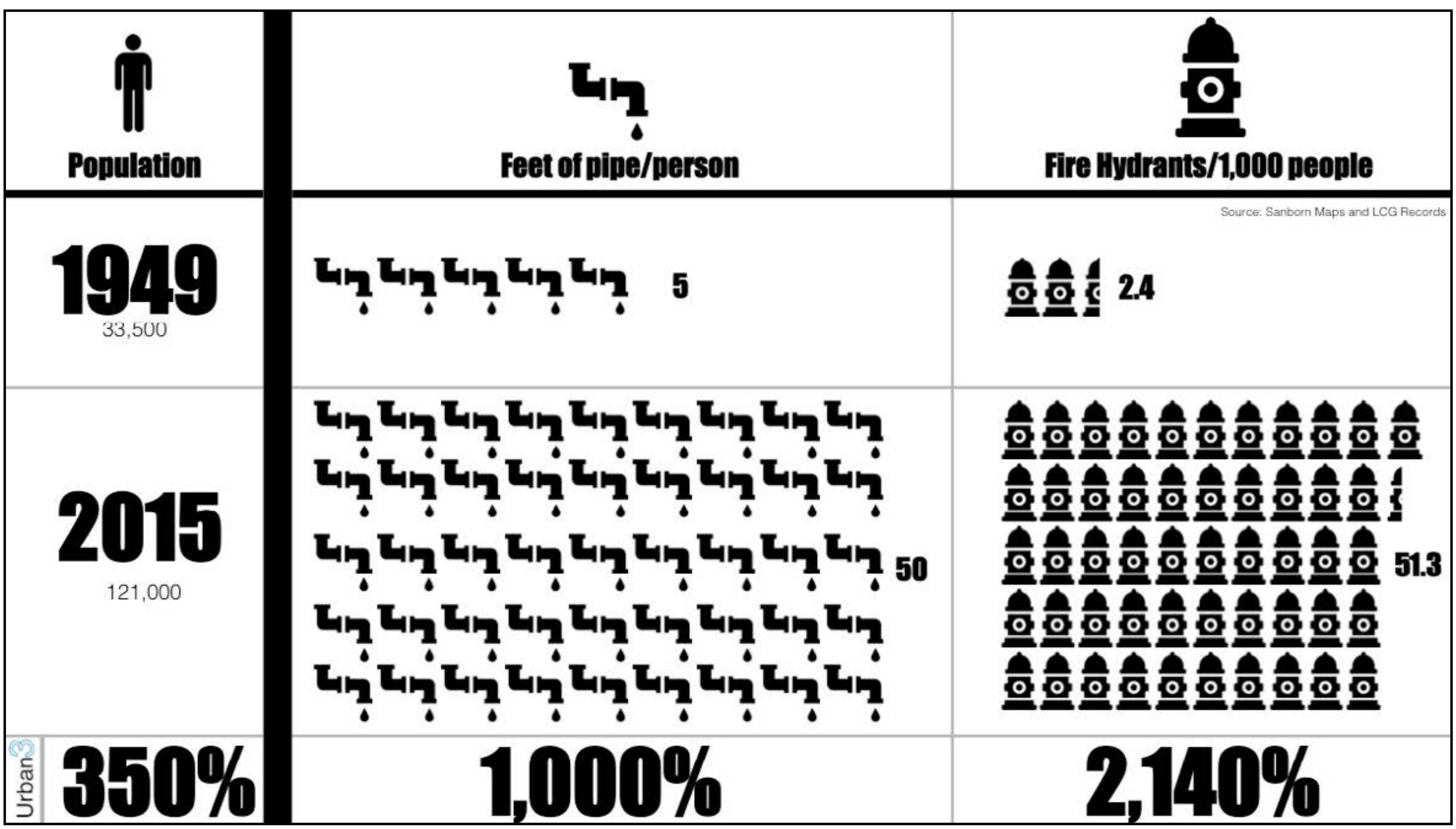
5

Urban3

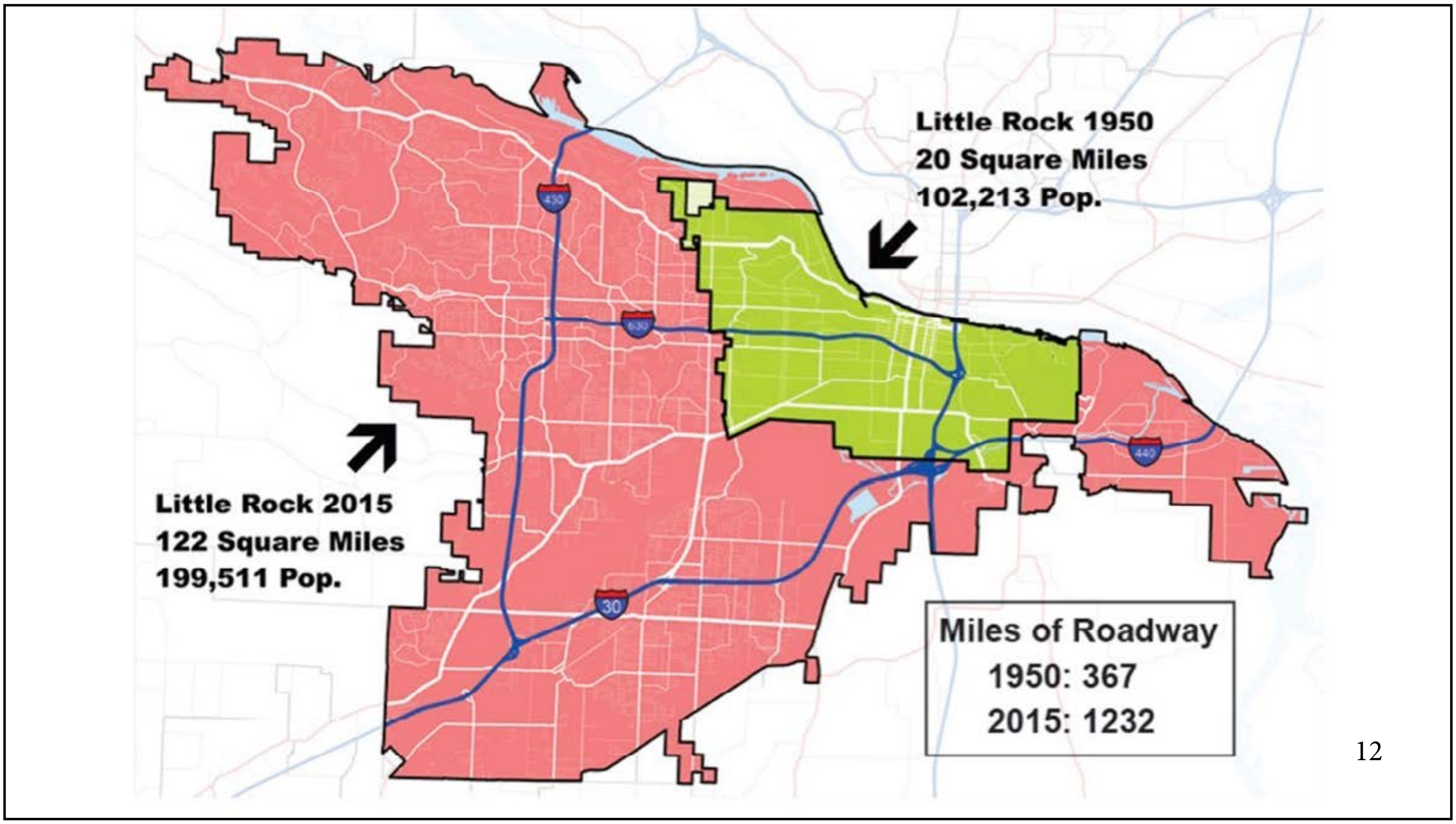
Land Consumed (Acres):	34.0	00.2
Total Property Taxes/Acre:	$ 6,500	$634,000
City Retail Taxes/Acre:	$ 47,500	$ 83,600
Residents per Acre:	0.0	90.0
Jobs per Acre:	5.9	73.7

6

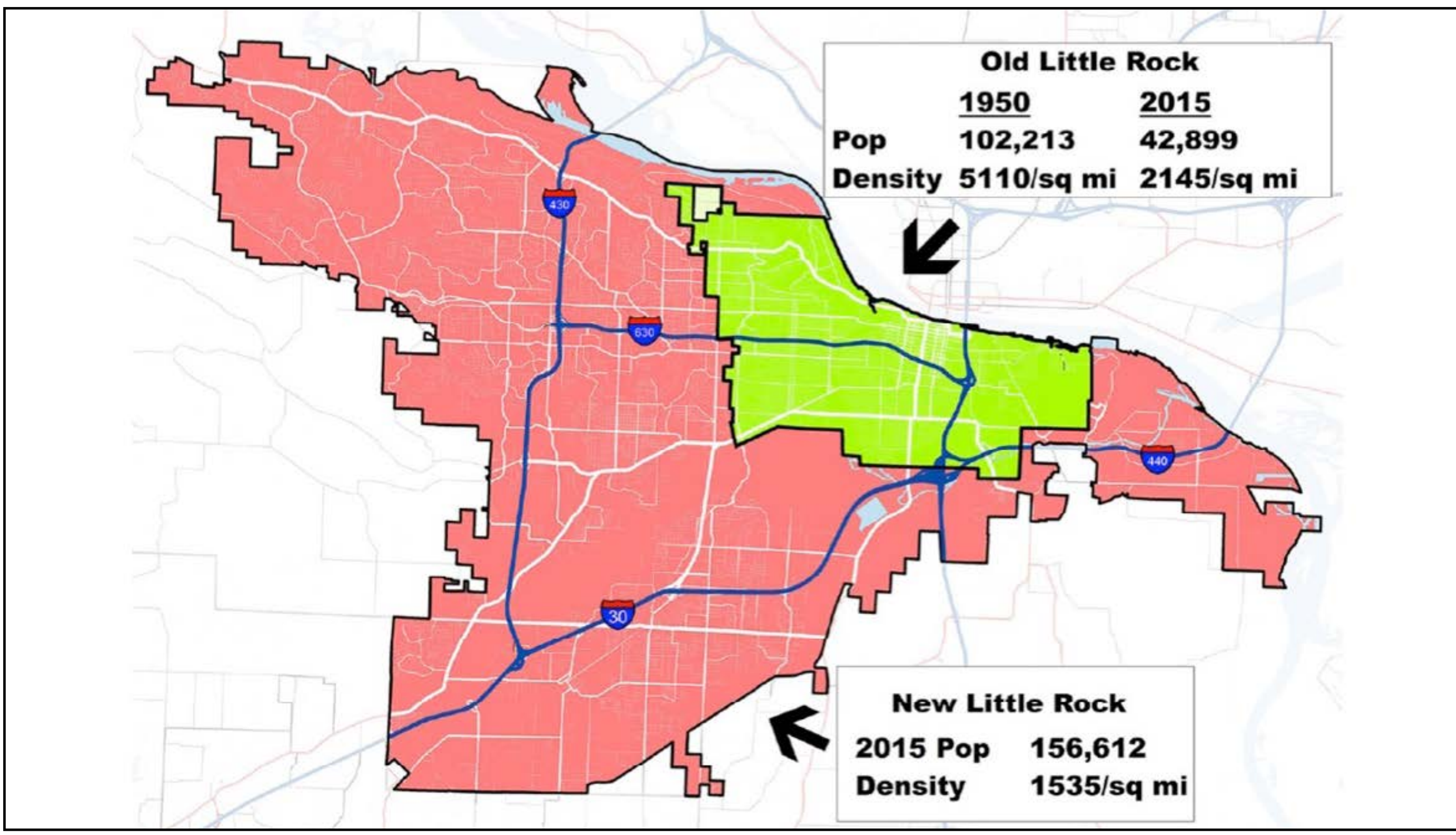

Downtown
Net Positive
Net Negative
Urban3
Expense and Revenue Ratio
Lafayette Parish, LA
10


Population
Feet of pipe/person
Fire Hydrants/1,000 people
Source: Sanborn Maps and LCG Records
1949
33,500
5
2.4
2015
121,000
50
51.3
Urban3
350%
1,000%
2,140%

11


Little Rock 1950
20 Square Miles
102,213 Pop.
Little Rock 2015
122 Square Miles
199,511 Pop.
Miles of Roadway
1950: 367
2015: 1232
430
630
440
30

12


Old Little Rock
1950 2015
Pop 102,213 42,899
Density 5110/sq mi 2145/sq mi
New Little Rock
2015 Pop 156,612
Density 1535/sq mi
430
630
440
30

13