

# *Preliminary Economic Feasibility Analysis*

Prepared for:

**The City of Minneapolis**

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## Summary: Preliminary Economic Feasibility Analysis

### *Analytic Methods and Tools*

Recent analysis, particularly in an academic setting, has sought to quantify the premium buyers will pay for property located near open spaces, including parks. According to many experts, the premium placed on residential property located very near open space is 20-25%. The figure declines as distance from the park increases, diminishing significantly in various studies beyond 1,000 to 2,500 feet.<sup>1</sup> We have built a modeling tool for commercial property designed to mimic impacts on property values using data for 10,400 parcels in the Minneapolis Central Business District.

To create the model, we first produced a matrix of properties located within a range of distances (100, 200, 300, 400, 500, and 1000 feet) of a number of prospective park blocks. We then assigned to each distance category a level of estimated average property value increase attributable to park conversion, ranging from 0% for property more than 1,000 feet from open space, to 17% for property within 100 feet. These values are conservative when compared with studies of properties in other cities as well as with local leasing agents' estimations.<sup>2</sup> Property investors and brokers in the

<sup>1</sup> See attached appendix for additional detail on basis for assumptions used in this analysis. Summaries of the literature on residential values and open space include Crompton, John L., "The Impact of Parks on Property Values: Empirical Evidence from the Past Two Decades in the United States," *Managing Leisure* (10: October 2005, 203-218), and Fausold, Charles J., "The Economic Value of Open Space: A Review and Synthesis," Lincoln Institute of Land Policy, 1996.

<sup>2</sup> This methodology is similar to that used for a substantive study of 36 urban parks undertaken by New Yorkers for Parks and Ernst and Young, LLP. In that case, the analysis of rent and property value data and interviews with owners of adjacent property revealed a premium of 42% to 184%.

Minneapolis area suggested that a well-maintained park within two blocks could add a premium of up to 40% to commercial leasing rates.

We then projected the amount of property taxes the City could reasonably anticipate collecting for each parcel by assuming annual appreciation of 3.03% (a twenty-year average), assuming no significant changes in the property tax system, and using constant tax rates based on current levels. The data used for the analysis is the latest available and reflects assessments for property taxes payable in 2008. We calculated the estimated tax capacity (the basis for property taxation) and the estimated amount of property tax payable to the City of Minneapolis and the Minneapolis Park and Recreation Board.

| Property Value Assumptions          |  |
|-------------------------------------|--|
| <i>Radius from Park Parcel (ft)</i> | <i>Increase in Value Attributable to Park Conversion (Yrs 0-2)</i> |
| on block                            | 0%   |
| 100                                 | 17.00%   |
| 200                                 | 15.00%   |
| 300                                 | 12.00%   |
| 400                                 | 10.00%   |
| 500                                 | 5.00%  |
| 1000                                | 1.00%  |
| >1000                               | 0.00%  |

The model does not consider factors such as created views or transit links as components of property value in conjunction with open space. It does reflect the consensus view that property located close to well-maintained open space is more valuable than comparable property found a longer distance from the open space. Analysis of a range of sites suggests that creating a new downtown park could boost values to the extent that up to an additional \$1.2 million of property tax revenue (for the City and Park Board combined) could be raised –without increasing the tax rate. At current interest rates, the

increased revenue could likely support a capital financing of over \$10 million.

any of the adjacent property, but would be concentrated only in the new redevelopment.

The modeling described here provides a tool of lasting application for the City, to examine downtown sites using the methods described. While no tool can be used to predict the future, this model can be used by the City to prioritize potential park conversions by looking at the impact of given levels of park-induced appreciation for neighboring property.

### ***A Sample Site***

A one-block site in downtown Minneapolis is surrounded by a ring of property within 1,000 feet that is worth an estimated \$1.4 billion, including \$10.9 million on the block itself. If the parcel is converted from commercial-industrial use to open space, the taxable property worth \$10.9 million becomes tax-exempt; this is an ongoing cost to the City from a property tax perspective.

However, the property surrounding the space will experience appreciation that is attributable to the demand lessors will have for property adjacent to a park. The net effect is likely to be positive and significant.

### ***Comparison of Park Conversion to Traditional Building Development***

The alternative of potential commercial redevelopment of urban space also merits consideration. If the singular policy objective is to generate tax base, even with the proximate effects discussed above, traditional commercial redevelopment is very likely to produce an outcome superior to a park.

For example, the Fifth Street Towers are, for taxes payable this year, valued at \$2,773 per square foot of land. If the sample site above were razed and redeveloped at this high level of density, the additional value is estimated to be able to generate additional tax revenue of \$3.3 million per year. This value would not occur in

## Preliminary Economic Feasibility Analysis

### Methods and Data

Inquiries into the relationship of residential property value to homes' distance from open space have become more prolific for three reasons: Significant improvements in the quality of hedonic analysis, increased availability and detail of electronic Multiple Listing Service ("MLS") data, and the advances in GIS imaging and mapping tools.

With this additional capacity, academics and park advocates have been better able to quantify what Frederick Law Olmsted famously observed over a hundred years ago: The financial benefits that accrue to a broad base of property owners due to the presence of nearby parks. The "proximate property" represents the notion that a public value of open space is capitalized in property values near open space, and that property located nearer a park accrues more park-related value than those further away. As observed in a residential setting, the premium placed on property very near open space is 20-25%, and the figure declines as distance from the park increases, diminishing significantly in various studies beyond 1,000 to 2,500 feet.<sup>1</sup>

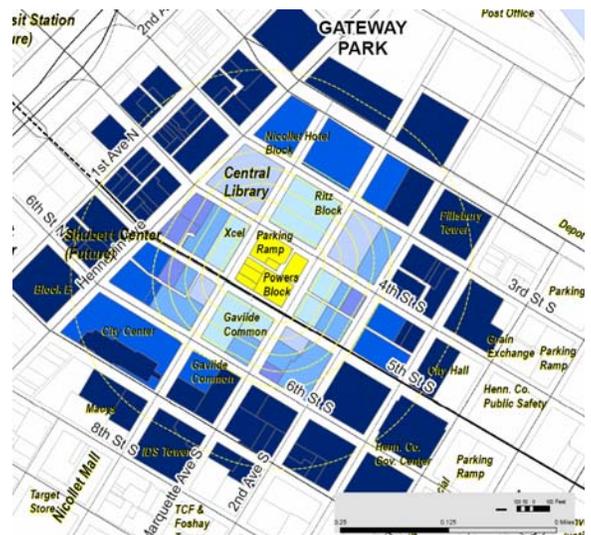
The rise of statistical research on open space impacts on residential property value has not been reflected by studies of commercial property. Reasons for this scarcity of research include the reduced amount of turnover in

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commercial property ownership and the proprietary nature of the lease rates and building cash flows that (along with interest rates) powerfully influence a building's value. Still, a growing body of anecdotal evidence from park construction informs this process despite lack of academic attention.

I have built a modeling tool specifically to mimic the potential park blocks, using data for 10,400 parcels in the Central Business District. Parcels under public control are omitted. Lil Leatham at Hoisington Koepler produced a matrix of properties located within 100, 200, 300, 400, 500, and 1000 feet of each of the three primary candidates for park conversion (see the Powers Block example shown above). This matrix allowed a close examination of the parcels located within a very close proximity to each of the prospective park blocks. Among other data, the following tables show that while relatively few in number, the parcels within 1,000 feet of these blocks represent a significant amount of the tax base in the Central Business District.

Adding the matrix described above to the data set from the City of Minneapolis Assessor's Office, I assigned to each distance category (100



| Quantity of Parcels                                  |                      |              |            |
|--|----------------------|--------------|------------|
| Radius from Park Parcel (ft)                         | Nicollet Hotel Block | Powers Block | Ritz Block |
| on block   | -                    | 7            | 1          |
| 100  | 3                    | 6            | 5          |
| 200  | 4                    | 4            | 5          |
| 300  | 3                    | 9            | 8          |
| 400  | 7                    | 5            | 4          |
| 500  | 8                    | 10           | 9          |
| 1000   | 108                  | 77           | 83         |
| >1000  | 10,278               | 10,294       | 10,297     |
| Total  | 10,412               | 10,412       | 10,412     |
| Number Located Within 1000 Feet as Proportion of CBD | 1.30%                | 1.15%        | 1.12%      |

| Estimated Market Value of Parcels                   |                      |               |               |
|---|----------------------|---------------|---------------|
| Radius from Park Parcel (ft)                        | Nicollet Hotel Block | Powers Block  | Ritz Block    |
| on block  | -                    | 17,358,400    | 10,899,000    |
| 100   | 37,575,000           | 203,509,500   | 45,060,400    |
| 200   | 27,126,200           | 20,000,000    | 64,541,700    |
| 300   | 4,620,700            | 291,972,000   | 80,582,100    |
| 400   | 4,568,200            | 30,483,400    | 85,095,300    |
| 500   | 48,464,900           | 233,131,600   | 137,575,000   |
| 1000  | 678,636,500          | 1,119,179,200 | 975,071,600   |
| >1000   | 7,371,664,600        | 6,257,022,000 | 6,773,831,000 |
| Total   | 8,172,656,100        | 8,172,656,100 | 8,172,656,100 |
| Value Located Within 1000 Feet as Proportion of CBD | 10.94%               | 30.62%        | 20.65%        |

estimated market values for land and building for each parcel, I collected the zoning, gross building area, property type, square footage of land, and taxpayer data. Using this information, I calculated estimated tax capacity (the basis for property taxation) and the estimated amount of property tax payable to the City of Minneapolis and the Minneapolis Park and Recreation Board, omitting the amounts paid to the Minneapolis School District, Hennepin County, the State of Minnesota, and others.

Using this process, I evaluated the amount of additional property value projected to result from construction of open space in one

feet, 200 feet, et cetera) a level of property value increase attributable to park conversion. These values can be characterized as conservative when compared with a range of studies in other cities as well as conversations with leasing agents operating in the commercial market in Minneapolis.<sup>2</sup> Property investors and brokers suggested in conversations that a well-maintained park within two blocks could be expected to add a premium of up to 40% to commercial leasing rates. The adjacent table shows the incremental increases in property values attributable to a park conversion in this analysis.

The data used for the analysis are the latest available and reflect assessments for property taxes payable in 2008. In addition to assessor's

of the three blocks under consideration. The lion's share of the appreciation represented in the model takes place within two years of park construction, with much diminished park-induced appreciation that follows. For the sake of clarity with property value definitions, the reader should note that the "estimated market value" is a figure derived by the City Assessor's office, and this figure serves as the basis for determining the property tax payable for each parcel. The estimated market value is not the price a buyer on the open market would likely

| Property Value Assumptions   |   |
|------------------------------|---|
| Radius from Park Parcel (ft) | Increase in Value Attributable to Park Conversion (Yrs 0-2) |
| on block                     | 0%  |
| 100                          | 17.00%  |
| 200                          | 15.00%  |
| 300                          | 12.00%  |
| 400                          | 10.00%  |
| 500                          | 5.00%   |
| 1000                         | 1.00%   |
| >1000                        | 0.00%   |

<sup>2</sup> This methodology is similar to that used for a substantive study of 36 urban parks undertaken by New Yorkers for Parks and Ernst and Young, LLP.<sup>2</sup> In that case, a premium of 42% to 184% has been revealed by a study of rent and property value data, and supplemented by interviews with owners of adjacent property.<sup>3</sup>

pay for the parcel; that figure is approximated by the “indicated market value.” I also projected the amount of property taxes the City could reasonably anticipate collecting for each parcel, assuming long-term property value growth factors for each zone, with no significant changes in the property tax system. I have also assumed that the current tax rates for the City and the Parks and Recreation Board remain constant (at 46.046% and 10.535%, respectively), suggesting that the two property tax levies will increase at a comparable rate to net tax capacity. Finally, I added up the City and Park Board property taxes attributable to the new park, and present-valued these revenues back to today’s dollars for the sake of comparison.

**Findings**

The concentration of tax base in downtown increases significantly moving southward from Second Street to Seventh Street. For this reason, the highest numbers for tax capacity and tax revenue attributable to a park conversion are observed for the Powers block, followed by the Ritz and Nicollet Hotel blocks.

The additional net tax capacity prompted by park-induced appreciation for the various distance categories and potential locations is summarized in the adjacent table. The negative change in net tax capacity for property on the Ritz and Powers blocks reflects the removal of taxable property from tax rolls, while the Nicollet Hotel block is currently publicly held and tax-exempt. Not considered in this property tax analysis but of interest are the roughly \$180,000 in annual net receipts collected by the City of Minneapolis from

parking revenues on the Nicollet Hotel block. These revenues would be eliminated as a source for the City if the Nicollet Hotel Block is converted exclusively to open space.

From a perspective solely focused on economic and property impact, the City stands to enhance the value of the largest body of property (in terms of tax base value) by converting the Powers block to open space. As mentioned above, over 30% of the total market value in the Central Business District is within 1,000 feet of the Powers block – a very significant proportion. Within this 1,000-foot radius are some of downtown’s most densely developed blocks. Projections for the Ritz block suggest a park could produce about half as much additional net tax capacity as the Powers; and Nicollet Hotel block about half again as much net tax capacity.

| NTC Attributable to Park in Year 2 |                      |              |            |
|------------------------------------|----------------------|--------------|------------|
| Radius from Park Parcel (ft)       | Nicollet Hotel Block | Powers Block | Ritz Block |
| on block                           | -                    | (377,503)    | (239,573)  |
| 100                                | 164,496              | 891,646      | 197,176    |
| 200                                | 102,790              | 75,814       | 225,171    |
| 300                                | 13,391               | 864,358      | 237,731    |
| 400                                | 10,616               | 73,525       | 206,069    |
| 500                                | 55,789               | 263,497      | 158,985    |
| 1000                               | 147,341              | 248,662      | 214,073    |
| >1000                              | -                    | -            | -          |
| Totals                             | 494,423              | 2,039,998    | 999,631    |

| Added City Tax Revenue Attributable to Park in Year 2 |                      |              |            |
|---|----------------------|--------------|------------|
| Radius from Park Parcel (ft)                          | Nicollet Hotel Block | Powers Block | Ritz Block |
| on block  | -                    | (173,826)    | (110,314)  |
| 100   | 75,744               | 410,569      | 90,792     |
| 200   | 47,331               | 34,909       | 103,683    |
| 300   | 6,166                | 398,004      | 109,466    |
| 400   | 4,888                | 33,855       | 94,887     |
| 500   | 25,689               | 121,331      | 73,206     |
| 1000  | 67,845               | 114,499      | 98,573     |
| >1000   | -                    | -            | -          |
| Totals  | 227,663              | 939,343      | 460,292    |

| Added Parks and Rec Board Tax Revenue Attributable to Park in Year 2 |                      |              |            |
|--|----------------------|--------------|------------|
| Radius from Park Parcel (ft)   | Nicollet Hotel Block | Powers Block | Ritz Block |
| on block   | -                    | (39,769)     | (25,238)   |
| 100  | 17,329               | 93,932       | 20,772     |
| 200  | 10,829               | 7,987        | 23,721     |
| 300  | 1,411                | 91,058       | 25,044     |
| 400  | 1,118                | 7,746        | 21,709     |
| 500  | 5,877                | 27,759       | 16,749     |
| 1000   | 15,522               | 26,196       | 22,552     |
| >1000  | -                    | -            | -          |
| Totals   | 52,086               | 214,908      | 105,308    |

**Capacity for Financing**

Examining a project on a cost-benefit basis is useful in communicating how and why a park conversion is prudent for the City. Over the course of twenty years starting with taxes paid in 2010, I have projected growth in revenues attributable to the park conversion at 3.03% per year, reflecting a twenty-year average inflation rate. I have also assumed a discount rate – the rate used to equate future cash flows with their present value – of 6.22%, which is the twenty-year average Bond Buyer’s Index (BBI) plus 0.50%. Industry standard is generally to use the cost of capital or bond borrowing rate as the discount rate, and the discount rate used here is more than 1.50% higher than the current tax-exempt bond rate the City could likely secure if borrowing today. A higher discount rate reduces present value, and hence the estimation of how much financing the additional tax revenue could potentially support.

redevelopment of the three blocks under consideration. While a park is very likely to have significant and positive impacts on properties in the Central Business District and therefore tax capacity, a commercial redevelopment may bear superior (but private and more concentrated) improvements to market value and tax capacity. Estimating the impact of redevelopment scenarios is speculative and of uncertain value in this process.

| Present Value of Projected Additional Property Tax Revenues, 2010-30 |               |                     |                |
|--|---------------|---------------------|----------------|
|  | City Revenues | Park Board Revenues | Total Revenues |
| Powers Block   | 13,116,111    | 3,000,778           | 16,116,890     |
| Ritz Block   | 6,427,096     | 1,470,428           | 7,897,524      |
| Nicollet Hotel Block   | 3,178,881     | 727,282             | 3,906,164      |

**Conclusion**

The present value of the projected additional property tax receipts to the City for the three prospective parcels are shown in the table shown above. These data suggest that the City could potentially finance \$16.1 million in acquisition and improvements for a park conversion of the Powers block, \$7.9 million for the Ritz block, and \$3.9 million for the Nicollet Hotel block, using the property tax revenues projected by the model described above. A more detailed spreadsheet showing the projected revenue stream is attached to this document.

An important additional note for the team’s consideration is that this analysis does not consider the potential commercial

# Appendix A: Additional Detail on Present Value Analysis

**PROJECTIONS OF PROPERTY TAX REVENUE**  
 Minneapolis Open Space Initiative  
 October 29, 2007



| Year               | Present Value Calculations |                      |  | Present Values of Tax Revenue Attributable to Park |                           |                               |                         |   |                                   |
|--------------------|----------------------------|----------------------|--|--|---------------------------|-------------------------------|-------------------------|---|-----------------------------------|
|                    | Years from Now             | Present Value Factor |  | Powers Block - City and Library                    | Powers Block - Park Board | Ritz Block - City and Library | Ritz Block - Park Board | Nicollet Hotel Block - City and Library | Nicollet Hotel Block - Park Board |
| Levy '09 / Pay '10 | 2.0                        | 0.8864               |  | 832,630  | 190,494                   | 408,002                       | 93,345                  | 201,800                                 | 46,169                            |
| Levy '10 / Pay '11 | 3.0                        | 0.8345               |  | 807,663  | 184,782                   | 395,767                       | 90,546                  | 195,749                                 | 44,785                            |
| Levy '11 / Pay '12 | 4.0                        | 0.7857               |  | 783,444  | 179,241                   | 383,900                       | 87,831                  | 189,879                                 | 43,442                            |
| Levy '12 / Pay '13 | 5.0                        | 0.7397               |  | 759,951  | 173,866                   | 372,388                       | 85,197                  | 184,185                                 | 42,139                            |
| Levy '13 / Pay '14 | 6.0                        | 0.6964               |  | 737,163  | 168,652                   | 361,221                       | 82,642                  | 178,662                                 | 40,875                            |
| Levy '14 / Pay '15 | 7.0                        | 0.6557               |  | 715,058  | 163,595                   | 350,390                       | 80,164                  | 173,305                                 | 39,650                            |
| Levy '15 / Pay '16 | 8.0                        | 0.6173               |  | 693,616  | 158,689                   | 339,883                       | 77,760                  | 168,108                                 | 38,461                            |
| Levy '16 / Pay '17 | 9.0                        | 0.5812               |  | 672,817  | 153,931                   | 329,691                       | 75,429                  | 163,067                                 | 37,307                            |
| Levy '17 / Pay '18 | 10.0                       | 0.5472               |  | 652,642  | 149,315                   | 319,805                       | 73,167                  | 158,177                                 | 36,189                            |
| Levy '18 / Pay '19 | 11.0                       | 0.5152               |  | 633,072  | 144,838                   | 310,215                       | 70,973                  | 153,434                                 | 35,104                            |
| Levy '19 / Pay '20 | 12.0                       | 0.4850               |  | 614,088  | 140,495                   | 300,913                       | 68,845                  | 148,833                                 | 34,051                            |
| Levy '20 / Pay '21 | 13.0                       | 0.4567               |  | 595,674  | 136,282                   | 291,889                       | 66,780                  | 144,370                                 | 33,030                            |
| Levy '21 / Pay '22 | 14.0                       | 0.4299               |  | 577,812  | 132,195                   | 283,137                       | 64,778                  | 140,041                                 | 32,039                            |
| Levy '22 / Pay '23 | 15.0                       | 0.4048               |  | 560,485  | 128,231                   | 274,646                       | 62,835                  | 135,842                                 | 31,079                            |
| Levy '23 / Pay '24 | 16.0                       | 0.3811               |  | 543,678  | 124,386                   | 266,411                       | 60,951                  | 131,768                                 | 30,147                            |
| Levy '24 / Pay '25 | 17.0                       | 0.3588               |  | 527,376  | 120,656                   | 258,422                       | 59,123                  | 127,817                                 | 29,243                            |
| Levy '25 / Pay '26 | 18.0                       | 0.3378               |  | 511,561  | 117,038                   | 250,673                       | 57,350                  | 123,984                                 | 28,366                            |
| Levy '26 / Pay '27 | 19.0                       | 0.3180               |  | 496,222  | 113,528                   | 243,156                       | 55,631                  | 120,267                                 | 27,515                            |
| Levy '27 / Pay '28 | 20.0                       | 0.2994               |  | 481,342  | 110,124                   | 235,865                       | 53,963                  | 116,660                                 | 26,690                            |
| Levy '28 / Pay '29 | 21.0                       | 0.2819               |  | 466,908  | 106,822                   | 228,792                       | 52,344                  | 113,162                                 | 25,890                            |
| Levy '29 / Pay '30 | 22.0                       | 0.2654               |  | 452,907  | 103,619                   | 221,931                       | 50,775                  | 109,769                                 | 25,113                            |
| Total              |                            |                      |  | 13,116,111   | 3,000,778                 | 6,427,096                     | 1,470,428               | 3,178,881                               | 727,282                           |

Present Value Analysis of Property Tax Revenue Stream  
 Growth Rate of Net Tax Capacity

Discount Rate:

6.22%  
 3.03%

(20-Yr Avg BBI + .5%)  
 (20-Yr Avg)

## **Appendix B: Methodology and Assumptions for Property Impacts**

A large volume of studies of the impact of open spaces on residential property values has been published in recent years, very firmly establishing the positive and significant contribution of parks to home values (Embrace Open Space, 2007; Anton, 2005; Crompton, 2005; Wachter, 2005; Ernst and Young, 2003).

Unlike studies of residential real estate, analyses for commercial property values are made difficult by the proprietary nature of financial information and reduced turnover, in particular. In addition, while residential property is more easily categorized by numbers of bedrooms, neighborhood, size of lots and other attributes, commercial property is characterized by more variables. Still, improved analysis and interest in the topic by stakeholders in the public and private sectors have led to some notable studies of both residential and commercial property, a sample of which is summarized below.

A 2003 study undertaken by New Yorkers for Parks with Ernst and Young examined thirty parks in New York City. The analysis found residential premiums for proximity to open space ranged from 8% to 30%, and leasing rates for commercial space near parks ranged in the area of 300% of the rates in surrounding submarkets.

The Insight Research Corporation produced an economic impact analysis in 2006 for Woodall Rodgers Deck Park in Dallas Texas. Over the period 2006-25, the authors projected a 25.0% premium on property adjacent to the park, and a 10.0% premium on property within a five-minute pedestrian zone,

which equates to over 1,000 feet using the standards in use at the Metropolitan Council. Based on a consensus of Dallas developers, the study assumed a 10% premium for all other property within 0.25 miles, or about 1,300 feet. The study findings also cited a 2004 study by Dr. John Crompton that concluded commercial properties located next to parks enjoy a 20-25% increase in value above similar properties not adjacent to parks.

Dr. Crompton has been a prolific voice on the proximate principle, and several of his articles have informed this analysis. His 2005 article, “The Impact of Parks on Property Values,” cited analysis of Philadelphia’s Pennypack Park, where the park was shown to represent 33.0% of property values at 40 feet, 9.0% at 1,000 feet and 4.2% at 2,500 feet. Crompton also cites a 2001 study of Dallas, where homes adjacent to one of fourteen parks were found to be worth 22.0% more than homes more than one half mile from the respective park.

A seminal study, if not the most recent, of the “proximate principle,” was published in 1978 by lead researcher M. R. Correll. The study found that properties adjacent to greenbelts in three neighborhoods in Boulder, Colorado were worth an average of 32% more than those 3,200 walking feet away.

In 2005, a study of a Philadelphia neighborhood authored at the Wharton School of Business reported that cleaning and greening of vacant lots can increase adjacent property values by as much as 30.0%, and that houses within 0.25 mile (roughly 1,300 feet) of a park exhibit 10% higher values than those located further from the park.

## Appendix C: Walking Times and Distances

The distances in feet described in this report should be viewed in the context of an average pedestrian speed of 2.5 miles per hour. The following tables reflect this rate, which is identical to the standard used in transit planning at the Metropolitan Council. *Source: Mark Filipe, Metropolitan Council*

| Feet | Minutes |
|------|---------|
| 100  | 0.5     |
| 200  | 0.9     |
| 300  | 1.4     |
| 400  | 1.8     |
| 500  | 2.3     |
| 1000 | 4.6     |

| Miles | Minutes |
|-------|---------|
| 0.125 | 3.0     |
| 0.25  | 6.0     |
| 0.50  | 12.0    |
| 0.75  | 18.0    |
| 1.00  | 24.0    |

## Appendix D: Analysis of Traditional Development on Prospective Park Blocks

### ANALYSIS OF PROPERTY TAX IMPACT OF TRADITIONAL DEVELOPMENT

#### Key Information

|  |         |
|--|---------|
| Land Square Footage for Nicollet Hotel Block | 72,382  |
| Land Square Footage for Powers Block         | 102,201 |
| Land Square Footage for Ritz Block           | 108,986 |
| City Current Tax Rate                        | 46.0%   |
| Parks and Rec Current Tax Rate               | 10.5%   |

#### Analysis of Traditional Development on Prospective Park Blocks

| Density of Prospective Development | <i>Median</i>       | <i>Mean</i>            | <i>Maximum</i>                      |
|------------------------------------|---------------------|------------------------|-------------------------------------|
| Address                            | 24 North 3rd Street | 400 North First Avenue | 150 South Fifth Street              |
| Building                           | McKesson Building   | The Wyman Building     | Fifth Street Towers<br>(One of Two) |
| EMV/Land SF                        | 193                 | 309                    | 2773                                |

#### If Nicollet Hotel Block Developed at This Density:

|   |            |            |             |
|---|------------|------------|-------------|
| Estimated Market Value                              | 13,969,726 | 22,366,038 | 200,715,286 |
| Net Tax Capacity                                    | 278,645    | 446,571    | 4,013,556   |
| City Tax Revenue at Current Tax Rate                | 128,305    | 205,629    | 1,848,091   |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 29,354     | 47,045     | 422,817     |
| Total Tax Revenue at Current Tax Rates              | 157,660    | 252,674    | 2,270,908   |

#### If Ritz Block Developed at This Density:

|   |            |            |             |
|---|------------|------------|-------------|
| Estimated Market Value                              | 21,034,298 | 33,676,674 | 302,218,178 |
| Net Tax Capacity                                    | 419,936    | 672,783    | 6,043,614   |
| City Tax Revenue at Current Tax Rate                | 193,365    | 309,791    | 2,782,857   |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 44,239     | 70,876     | 636,678     |
| Total Tax Revenue at Current Tax Rates              | 237,604    | 380,667    | 3,419,535   |

#### If Powers Block Developed at This Density:

|   |            |            |             |
|---|------------|------------|-------------|
| Estimated Market Value                              | 19,724,793 | 31,580,109 | 283,403,373 |
| Net Tax Capacity                                    | 393,746    | 630,852    | 5,667,317   |
| City Tax Revenue at Current Tax Rate                | 181,305    | 290,484    | 2,609,587   |
| Parks and Rec Board Tax Revenue at Current Tax Rate | 41,480     | 66,459     | 597,036     |
| Total Tax Revenue at Current Tax Rates              | 222,785    | 356,942    | 3,206,623   |

# Attachment A: Maps of Candidate Blocks and Surrounding Areas (maps courtesy of Hoisington Koeigler Group)

