

Value Per Acre: An Eye-Opening Way to Look at Your Community

Nothing generates value quite like the traditional development pattern

By Mark Schnell



I sometimes stop at the Seaside Community Realty sign near Central Square and marvel at the prices of real estate in Seaside. To say it's come a long way since the initial

offering of lots in 1981 is an understatement.

The least expensive lots in that initial offering were \$15,000. In today's dollars, that's \$42,000. To say that would be a bargain today — now, that's an even bigger understatement. The last undeveloped lot on Seaside Avenue recently sold for just under \$1 million. A Gulf-view lot located one lot off the beach sold in 2018 for \$1.7 million. Houses sell for \$700 per square foot to over \$1,000 per square foot.

This remarkable creation of real estate value — in only 38 years — is certainly helped by the community's location on the beautiful white sand beaches and emerald waters of the Gulf of Mexico. But that's far from the whole story. There are plenty of communities on the same beach to the east and west that haven't generated nearly the value of Seaside (or its younger cousins Rosemary Beach, Alys Beach, and WaterColor).

The difference, in large part, is one of urban design. Seaside is a walkable mixed-use community. In fact, it's the birthplace of the New Urbanism, a movement away from sprawl and

towards walkable mixed-use communities. When you build an incredibly beautiful and livable community, the real estate prices inevitably go up.

I've used Seaside's success in my arguments for building walkable mixed-use communities for as long as I can remember. There are clearly not enough of this kind of place, because the demand has driven up the prices everywhere they have been built.

It was only in the last few years that those of us in the urbanism community have learned to see this value creation in a slightly new and different light. The value that has been created by walkable mixed-use communities — old and new — is not just an indicator of market demand. The value generated in these places is an essential part of making towns and cities that will, financially speaking, stand the test of time.

This revelation has been thanks primarily to two individuals. I've been watching and admiring the work of Chuck Marohn of Strong Towns and Joe Minicozzi of Urban3 for some time. One of the central arguments of Marohn's Strong Towns organization is that the conventional development pattern of far-flung suburban strip malls, office parks, and residential subdivisions does not generate enough value to pay for all of the immense amount of infrastructure that's constructed to support it. He describes it as the "growth ponzi scheme:" communities are building roads, highways, sewer lines, water lines, etc. for great distances and at



101 Central Square illustrates the immense taxable value created by a walkable mixed-use community. Photo by Wendy O. Dixon

enormous costs, but with no idea how to pay for the long-term liabilities that come with them.

The largest source of revenue for most local governments is property tax, and this is the case for Walton County and Florida in general. According to the 2018 Walton County budget, ad valorem taxes (i.e. property taxes) account for 42 percent of the total revenue. According to the Lincoln Institute of Land Policy, property taxes account for an average of 29 percent of local government revenue in Florida as a whole. (By comparison, sales taxes account for just 7 percent. More on that later.)

Those property taxes are a huge part of how the county government pays for new infrastructure and the maintenance of existing infrastructure (not to mention salaries, services, etc.). When the development pattern spreads buildings, roads, and sewers far across the land, the costs are higher for the government. This is the crisis that is slowly unfolding

for countless state and local governments across the country: they simply can't pay to maintain all of this infrastructure.

So, if you are a mayor, commissioner, or administrator of a local government, it would be very wise to do two things: encourage a compact and efficient development pattern to minimize the amount of total infrastructure, and build the kind of places that generate the most tax revenue. Property taxes are based on the appraised value of the building and the parcel of land where it's located.

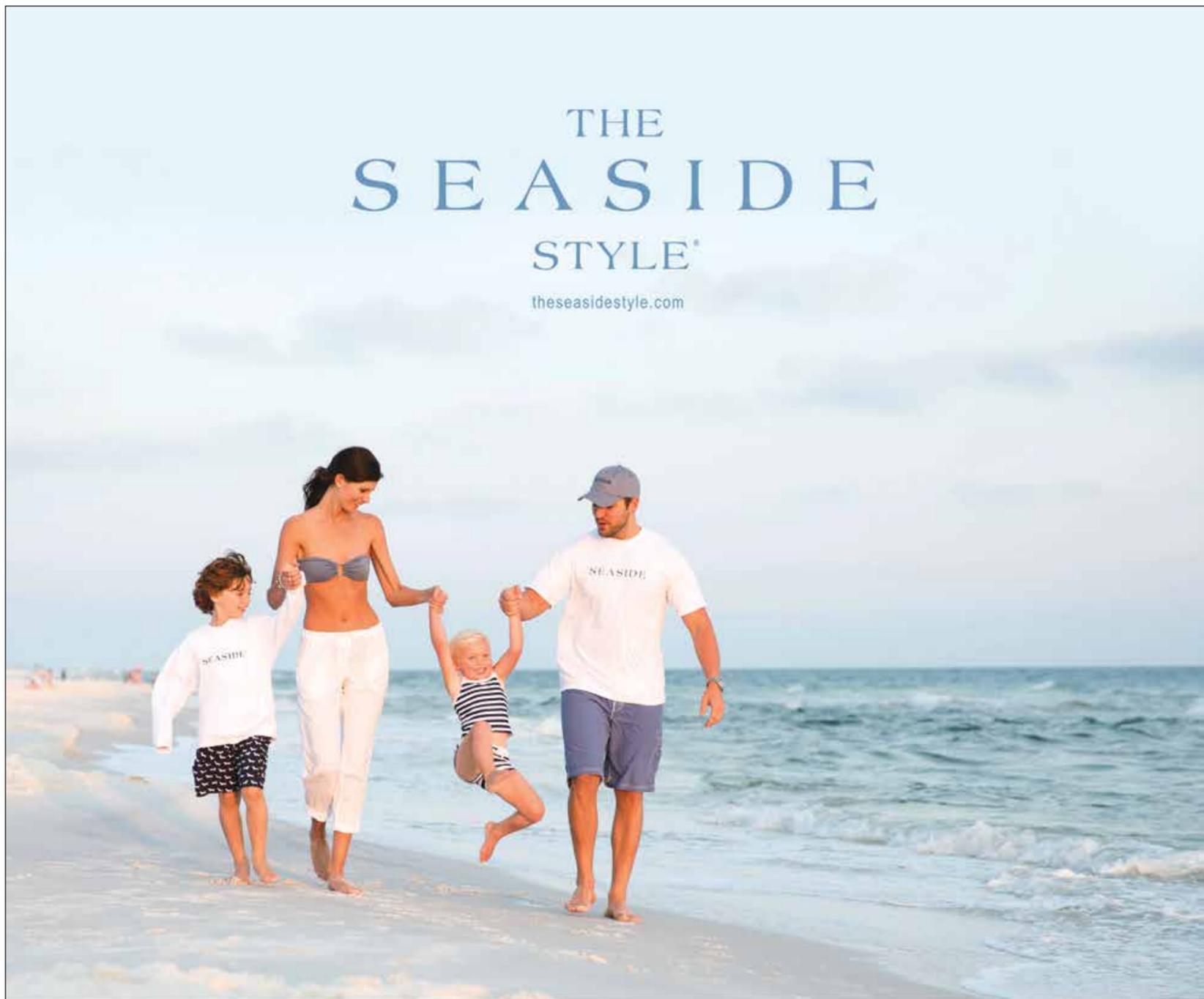
What kind of development pays for all of that infrastructure? And what kind of development does not pay its share? Marohn and Minicozzi have run the numbers, and results are astounding.

Marohn and Minicozzi pioneered and popularized something known as a "value per acre analysis." Marohn famously compared an older, modest one-story Main Street style building

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This impressive three-story-plus roof deck townhome has three master en-suite bedrooms. The interior is immaculate and current with tasteful furnishings, state-of-the-art electronics and new appliances. A spiral staircase over a glass floor leads to the large, comfortable roof deck that offers spectacular views of the town of Seaside, and sunsets over the Gulf of Mexico. Enjoy the central Seaside location with Ruskin Square just out the front door, as well as boutiques and art galleries surrounding the tranquil tree-lined green space. Catch a concert, visit a gallery or shop in the unique stores — all just steps away.

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78 East Ruskin Street
3 Bedroom, 3.5 Bath, Sleeps 9

"Revival is full of porches and swings. Super spacious and peaceful. 1 and a half blocks from the beach, pool and town square. Loved it!" — Tracey, July 2019

Revival is a family favorite close to the beach and Seaside Amphitheater. The king master and two queen bedrooms are found on the home's main floor. The master has a comfortable bed swing for lounging on the outside porch.

The second floor has an open living and dining area with an adult table and bonus kids dining table. This area flows to outdoor living on the side porch with a dining table, swing, and a loveseat. A third-floor tower with Gulf views and a bonus bunk room completes Revival, where there is plenty of space for family to visit.

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in his home town to a brand new fast food taco restaurant one block away. In terms of taxable value per acre, as well as taxes paid per acre, the old Main Street style building vastly outperforms the taco restaurant. Minicozzi has run this kind of analysis for entire cities, and has come to the exact same conclusion. He and his firm create maps showing value per acre in a given city, and the older traditional neighborhoods — and especially the old downtowns — produce much, much higher value and taxes per acre. This is even true of lower income areas. As long as a place is built in the traditional development pattern (i.e. walkable mixed-use communities), it is generally very productive.

Why do this on a "per acre" basis? As explained by Strong Towns, this is similar to why we compare gas mileage on a "miles per gallon" basis rather than a "miles per tank" basis: the gas tank size is different in every vehicle. In order to have an accurate comparison, you need to examine it on a per gallon basis. The same applies to "per acre."

I gave this a try for South Walton (and Fort Walton Beach), and the results are very much in line with the findings of Marohn and Minicozzi.

The process is relatively simple: find the value of a building and its parcel on the property appraiser's web site and divide by the number of acres. (There are several values listed on most property appraiser web sites. I used the "taxable value.") This yields the property's taxable value per acre.

I started with two buildings, just to see how they compared: 101 Central Square, a modest mixed-use building with a commercial space and two residential units on .07 acre in the middle of Seaside, and the Walmart

at the corner of US Highway 98 and W Hewitt Road. Interestingly, these were the most and least productive buildings, respectively, in my quick study. 101 Central Square has a taxable value of \$42.7 million per acre and pays \$410,709 per acre in property taxes to Walton County. Walmart has a taxable value of \$602,184 per acre and pays \$5,613 per acre in taxes.

Therefore, a relatively small mixed-use building in Seaside generates over 70 times greater taxable value and tax revenue per acre as Walmart.

101 Central Square is closer to the beach than Walmart, so I decided to compare Walmart to another (mostly) retail center on US Highway 98: the partially-finished 30Avenue development in Inlet Beach. 30Avenue is generally built in the traditional development pattern (except for the giant parking lots required by Walton County), while Walmart is obviously conventional sprawl development. Again, it's not even close: 30Avenue has a taxable value of \$1.3 million per acre while Walmart has a taxable value of \$602,184 per acre. 30Avenue is over twice as productive.

I looked at the taxable value per acre for several other buildings (and one vacant lot) in South Walton. Here are the numbers for all of them:

- **101 Central Square (Opus Building)**, Seaside: \$42.7 million per acre
- **25 Central Square (Machado & Silveti Building)**, Seaside: \$33.2 million per acre
- **Vacant lot next to 25 Central Square**, Seaside: \$4.2 million per acre
- **Red Bar**, Grayton Beach (before the fire): \$3.4 million per acre
- **4042 E County Hwy 30A**, Seagrave (mixed-use building with Goatfeathers, Donut Hut, etc.): \$2 million per acre
- **30Avenue**, Inlet Beach: \$1.3 million per acre

- **3925 W County Hwy 30A**, Santa Rosa Beach (strip mall with Keller Williams, etc.): \$1.1 million per acre

- **Walmart**, Santa Rosa Beach: \$602,184

Who pays to keep our county operational? Who pays to maintain all of that infrastructure? It looks like the traditional development pattern is subsidizing everything else.

(I even did a quick analysis of three buildings in Fort Walton Beach. Two of them are a half mile apart along Miracle Strip Parkway. The tiny Main Street building that houses the Defiance Tattoo Company pays nearly twice the taxes per acre as the Whataburger just down the road. And it pays four times the taxes per acre as the Walmart in Fort Walton Beach.)

The high taxable values in a place like Seaside are certainly helped by the fact that parking and stormwater retention are not handled on the same lot. But that's exactly the point: walkable mixed-use communities generally need parking and stormwater retention to be handled on a district scale rather than within each lot. You can't create the same kind of place without it. Even so, the lack of parking and stormwater do not nearly account for the value created. 101 Central Square would need to be located on a five-acre parcel in order to lower it down to the value per acre of Walmart.

What about sales tax, you ask? Doesn't Walmart more than make up for the low property tax value with enormous sales tax revenues? According to Strong Towns and Urban3, that's not the case, especially in areas where sales taxes are a minor part of the total revenue for the local government (such as Walton County). They found that areas built in the traditional development pattern also outperform sprawl development in sales tax revenue per acre. Also,

keep in mind that the State of Florida keeps all but one percent of our seven percent sales tax, with the extra one percent going to Walton County. Finally, places like Seaside collect significant amounts of sales taxes, too, including the store on the first level of 101 Central Square.

Some will see these numbers for value per acre and think that certain property owners are paying too much in taxes. That's not really the point. Property taxes are based on appraised value, and everyone pays the same rates. (Arguably, Walmart is not paying enough in taxes, but that's another story.) What matters is what we build, and whether that development produces enough value to pay for our services and infrastructure.

The numbers don't lie: the traditional development pattern that you see in places like Seaside, Rosemary Beach, Alys Beach, and Grayton Beach is paying a huge share of the bills for Walton County. For this county to remain strong, viable, and solvent, we need to build more places that are just as productive and just as efficient in terms of infrastructure. We cannot continue to build a development pattern that does not pay its own way. 🌱

Mark Schnell is an urban designer based in Seagrave Beach. Among his most prominent projects are three New Urban beach communities on the Texas coast: Cinnamon Shore, Palmilla Beach, and Sunflower Beach. Learn more about his firm Schnell Urban Design at SchnellUrbanDesign.com.



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