



# Chattanooga

## High Ideals and Enduring Worth



**T**he City of Chattanooga has experienced an urban renaissance in the last 30 years. From the dirtiest city in America to the thriving, revitalized area of the present, downtown is the most prominent example of this astonishing evolution.

Chattanooga has much to celebrate as downtown continues to improve. With well executed open spaces pulsing with events and activities and the banks of the Tennessee River alive with recreation, downtown is a blooming urban hub of the South.

### The Landscape of Chattanooga

Like other typical Southern cities, Chattanooga developed based on the transportation infrastructure of the river and train tracks and experienced the post WWII development pattern of suburban sprawl. Yet, this city is by no means typical.

With a spirited love of their community, Chattanoogaans enjoy the rugged natural splendor of their mountain landscape with placid rivers and gem like parks. Shaped by this natural environment, Chattanooga starts in downtown and radiates outward. This can be seen in the names of other Chattanooga localities: Eastgate and Northgate being East and North of downtown respectively.

Many cities envy the vitality found here, and the proper direction this city is taking. With a solid foundation to build upon, there is still much work to continue this progress.

To some degree, Northgate and the surrounding office park have become somewhat obsolete. With its recent purchase by CBL, there is an opportunity to overhaul this area to complement the city and expand the cultural feel of the community.

As for the edge of Chattanooga, consideration should be given to what will happen if the current trends of suburban sprawl continue. What will

Urban<sup>3</sup>

RESEARCH CREDIT:  
Joseph Minicozzi, AICP  
Derek Sanders  
2 Vanderbilt Place  
Asheville, NC 28801  
828-255-7951x208  
urban-three.com





Decades of careful attention to detail, uncompromising design quality, and an unparalleled civic investment in projects along the Tennessee River have catalyzed significant private reinvestment in downtown with mixed-use, multi-story projects like the River Pier Landing project (right) adjacent to the Tennessee Aquarium (left).

happen to the development of Gunbarrel and Shallowford Roads? Will this area experience the same retail collapse as Hixson Pike and Lee Highway in 15 years? Will Chattanooga be left with new problems and new infrastructure demands placed in even further out parts of town?

## A Positive History

With an unparalleled citizenry, one of Chattanooga's greatest assets is the philanthropic community which is on par with a city many times its size. With wealth amassed generations ago, these organizations continue to invest in the city's future and be the bedrock to which the community is anchored. It is hard to imagine a Chattanooga without the Lyndhurst and Benwood Foundations and their financial and visionary commitment.

These foundations have led the way with their generosity and vision with amenities like the Tennessee Aquarium, Coolidge and Renaissance Parks, and the Hunter and Creative Discovery Museums. Additionally, they are responsible for social engines like Chattanooga Stand, Community Impact, and economic development groups like The River City Company.

The River City Company (RCC) is an excellent example of a downtown public-private partnership. Built upon the National Trust's Main Street Principles © of organization, promotion, quality design and economic restructuring, RCC has helped facilitate the rebirth of downtown and built a nationally known reputation for quality urban revitalization.

In smaller communities, Main Street organizations similar to RCC are funded in partnerships with the State of Tennessee. In larger cities, these organizations are funded with a blend of financing that includes a tax increment district or a business improvement district. Uniquely, RCC's funding comes largely from a combination of their own properties, philanthropic support and more recently, support from downtown stakeholders. This underscores the philanthropic nature of Chattanooga but also highlights the limitations of such an effort. This type of funding stream tends to have a limited sustainability with the risk that other

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Urban3, LLC

charitable endeavors and community interests may eventually draw the attention of the Foundations and leave RCC without working capital to continue its success.

## Structure of Study: Downtown Per Acre

In this study, Urban3 set out to research the impact of the downtown and Riverfront districts, larger commercial districts outside the City’s core, and the relative impact of RCC projects.

To understand the impact of various development patterns across a community, one must utilize a value calculation. The key is to look at the value gained by the community on a “per acre” basis just like we evaluate automobiles on a per gallon basis. This “per acre” value calculation was applied to downtown projects and development patterns across all of Hamilton County.

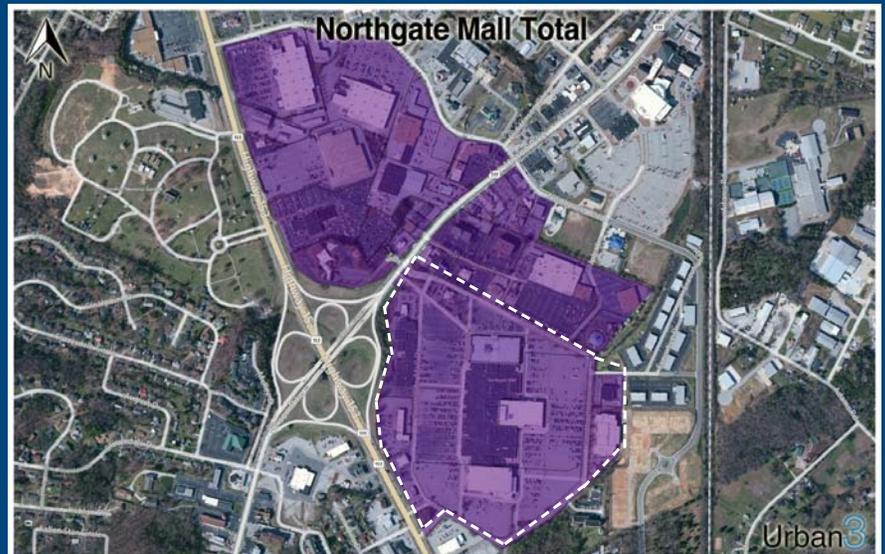
Similar to a farmer who considers how much cost and yield is produced per acre, Chattanooga could realize a higher level of efficiency and local Gross Municipal Product with the same consideration.

Currently, 2.4 acres of the NorthShore Condos Building equals the entire property tax yield that is produced by the 67.2 acre Hamilton Place Mall. Another way to look at it, the NorthShore Condos are 28 times as potent with its property taxes as Hamilton Place Mall. Furthermore, 2.6 acres of the Cherry Street Townhomes in downtown equal the property tax production of the entire 67 acre Eastgate Mall. In other words, these townhomes are about 26 times more productive in property tax production than Eastgate.

To continue the metaphor of the farmer, tending to the downtown “crop” or properties to grow the upper stories through renovation into occupied residential or office space would increase Chattanooga’s property tax production from averaging over \$44,000 per acre to well about \$80,000 per acre. By comparison, Hamilton Place Mall is only producing \$16,500 per acre in Chattanooga taxes.



Opened in 1972, the Northgate Mall (above and dashed on left) was the second Chattanooga mall. The 74 acre mall yields \$768,756 /acre in total value, which produces \$4,282 and \$7,100 in County and City property taxes per acre. When including the entire Northgate area straddling Hixson Pike in purple (right); the value drops to \$670,260/acre which yields \$3,734 and \$6,191 in City and County property taxes per acre respectively .



# Lessons Learned

Overall, new structures at the city's edges may be more valuable initially but consume considerable more real estate to achieve that value which quickly dissipates over time.

## Enduring Worth Over Time

The value density for a community should be thought of in terms of the longevity of value. For instance, the development pattern of suburban sprawl has a very short life of value. As an example, a typical Walmart is engineered to have a maximum lifecycle of 15 years. At the end of that time, the property can be abandoned as it has recouped its costs in those 15 years (presented at the IAAO Conference in 2012 by Charles Terrell, CMI; Director of Property Tax for Walmart).

In contrast, buildings like the James Building (735 Broad Street), the Read House/Sheraton Hotel on Broad or the Loveman's Building have contributed a higher per acre revenue to the community for nearly a century and will continue to do so far beyond the useful life of the Hixson Pike and Gunbarrel Road developments.

This lasting worth has been a long standing principle in Chattanooga's history. Memorialized on a small monument for the Fischer Brothers on the 800 Block of Market Street, a plaque proudly boasts the standards of "high ideals and enduring worth". These qualities are reflected in the continued use of buildings on Market and Broad Streets that have been in dutiful service for almost 100 years serving the great grandchildren of their creators. These values are matched in civic investment throughout downtown, and Chattanooga should expect a matched commitment by private investment to its civic expenditure of providing access to utilities, police and fire protection, sanitation, roads, schools, and more.

## The Art of the Small

Lessons and opportunities for development should follow the 'art of the small'. Do not expect solutions for downtown to follow similar large scale



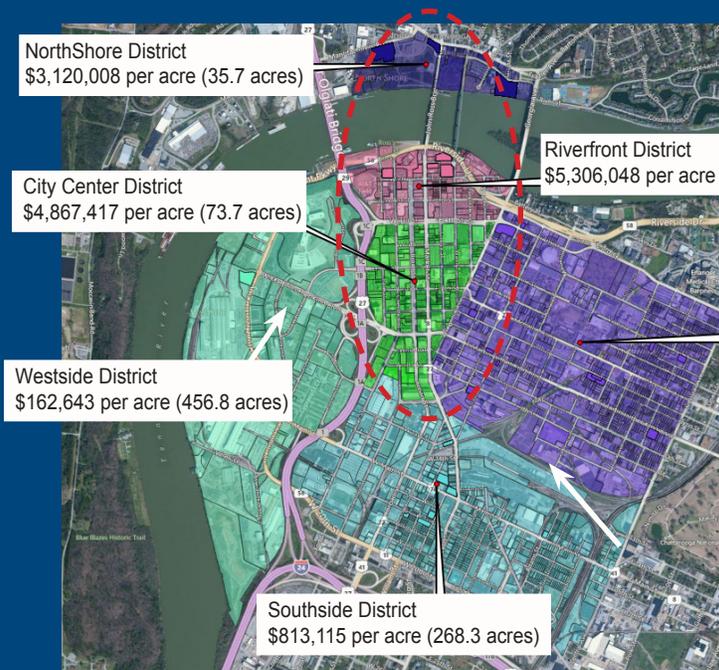
A monument on the sidewalk on Market Street educates the pedestrian about Chattanooga's pride and admiration of its citizens, the Fischer brothers. Cast on the plaque are the values of 'high ideals and enduring worth'; these qualities are reflected in the buildings that have stood by this monument on Market Street for generations.



Erected in 1906, the James Building, designed by Reuben Harrison Hunt and named after its developer, has stood tall as one of Chattanooga's first "skyscrapers". With its elegant architectural detail and handsome materials, the James has proudly occupied 735 Broad Street for over 100 years. This edifice continues to reward Chattanooga with its beauty as well as its significant value of over \$17,860,000 per acre.

James Building masonry detail at entry (far right).





## By The Numbers

3 Downtown Districts

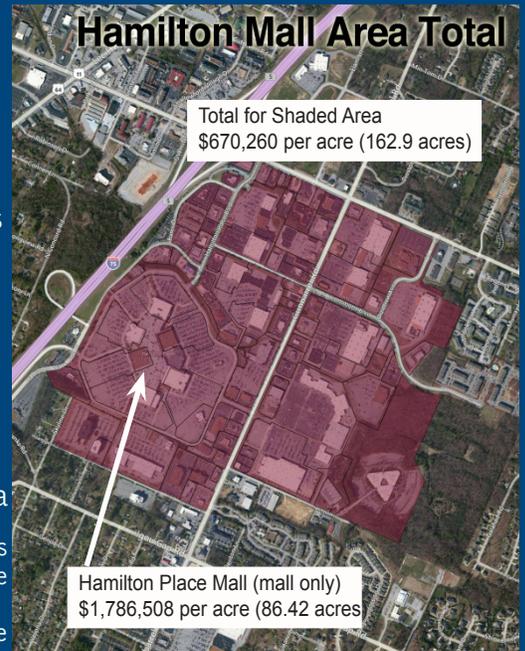
152.8 Acres  
\$700M Total Value

\$4,583,160/acre

Full Hamilton Area

162.9 Acres  
\$109.2M Total Value

\$670,260/acre



## Value Averages

For the study, several areas were 'clustered' as a way to average out the effective value of the area. This type of study helps lend a better understanding of how larger development patterns consume land and its impact on value. The suburban patterns (right) max out around \$1.7M/acre, while the areas in downtown (left) peaked out around \$5.3M/acre in the Riverfront District. It should be noted that the Riverfront District does take in the surface parking lots. Comparing the three main districts of downtown (City Center, Riverfront, and Northshore) to a similar sized area around Hamilton Place Mall demonstrates the value impact of downtown to be close to 7 times the value density (\$4.6M/acre to \$670k/acre respectively).

approaches and investment of the past. Community leaders should seek out local entrepreneurs for growth and development of the local economy to cultivate and reinforce Chattanooga's sense of place. This reinforcement of local wealth building grows this city into an authentic desirable tourist location and aids in keeping talented locals from leaving the community. Although this initiative takes time, it creates a more resilient base for the local economy.

Downtown properties definitely yield the biggest property tax revenue 'bang for the buck' invested, and the market in Chattanooga has proven that there is consumer demand. Successes in downtown districts like mixed use developments in the Riverfront and NorthShore should be repeated in other districts to meet this demand.

## Downtown Development: Barriers and Solutions

Higher land value, zoning complexities, building code issues, and the availability of land are all examples of barriers to downtown development. Conversations should continue to find ways to solve these and other policy issues and physical barriers like the "mountain range" of Highway 27 that splits downtown in two.

Redevelopment opportunities abound east of Highway 27. By connecting this area with the core of downtown, a much needed downtown housing alternative with a diversity of price-points could be provided as well as resolve this area's disconnect from the river.

Although a tremendous job generator and a great presence in downtown, the BlueCross BlueShield site's urban design seems more like a suburban

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Jane Jacobs,  
Urban Renewal Expert

campus. With access to downtown challenging, employees have little economic affect on downtown shops and businesses. This could be resolved through streetscaping projects and/or transit to better connect the campus to east of Highway 27. Furthermore, housing opportunities should be reviewed for those employees that may choose to live downtown and walk to work. A survey of the employee pool will assist in better understanding their current and desired relationship with downtown.

For any development that does occur, the community should have a minimum expectation for private investment to meet the public investment adjacent to that land. A better understanding of downtown land speculation as well as underinvestment like the single-use and single story developments at the heart of Market and Fourth Streets should be cultivated.

Many downtowns have adopted a *two story minimum* zoning requirement to achieve a density that meets the infrastructure investment typical of a pedestrian, downtown environment. In addition to providing a revenue stream where the property taxes come closer to meeting the public investment, the density allows for alternative uses like residential or office space above the ground floor. This spreads the risk of market failure by having more ‘uses’ in downtown as well as putting more people in close proximity, a key for a successful downtown. To paraphrase urban renewal expert Jane Jacobs, “people are what make downtowns successful.”

### Assessed Value Per Acre



Recent introductions to downtown (left, top to bottom: Buffalo Wild Wings, Chili's, Applebee's) have included building typologies that fall short of their urban counterparts. Urban examples like 1010 Market Street (above) demonstrate the value acheived, even while in need of rehab and full occupancy, or like the Cherry Street Townhouses at close to \$11M/acre value. Indeed, the three properties to the left underperform the average value of the Riverfront District.

#### About River City Company

River City Company was created in 1986 to serve as the catalytic organization focused on bringing the Tennessee Riverpark Master Plan's goals to life: revitalizing downtown and reconnecting downtown to the river.

Today, River City Company is Downtown Chattanooga's economic development company. Because a vigorous downtown is a prerequisite for a healthier city, we're working to keep downtown Chattanooga working as the economic, social and cultural centerpiece of the entire Chattanooga region.

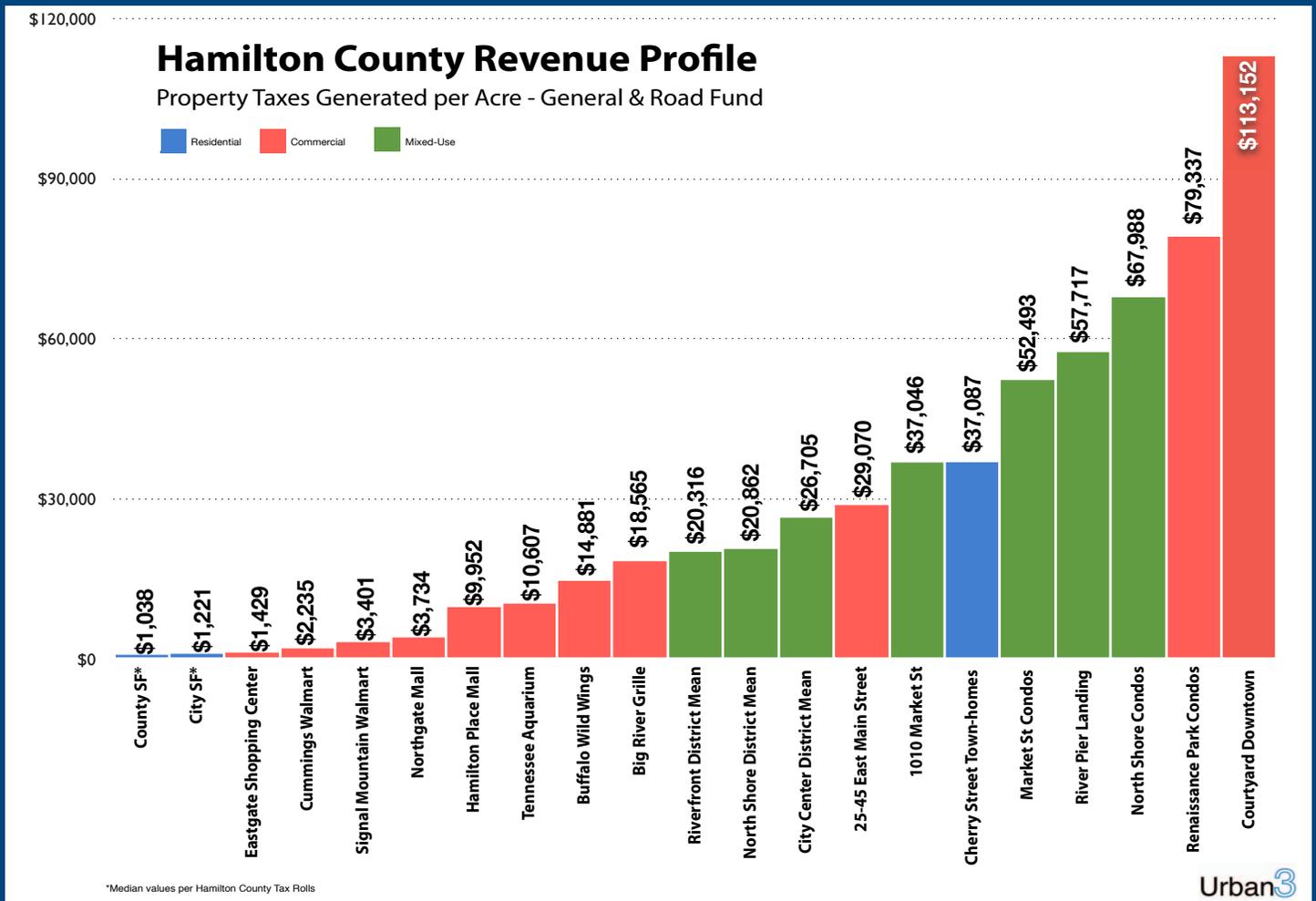
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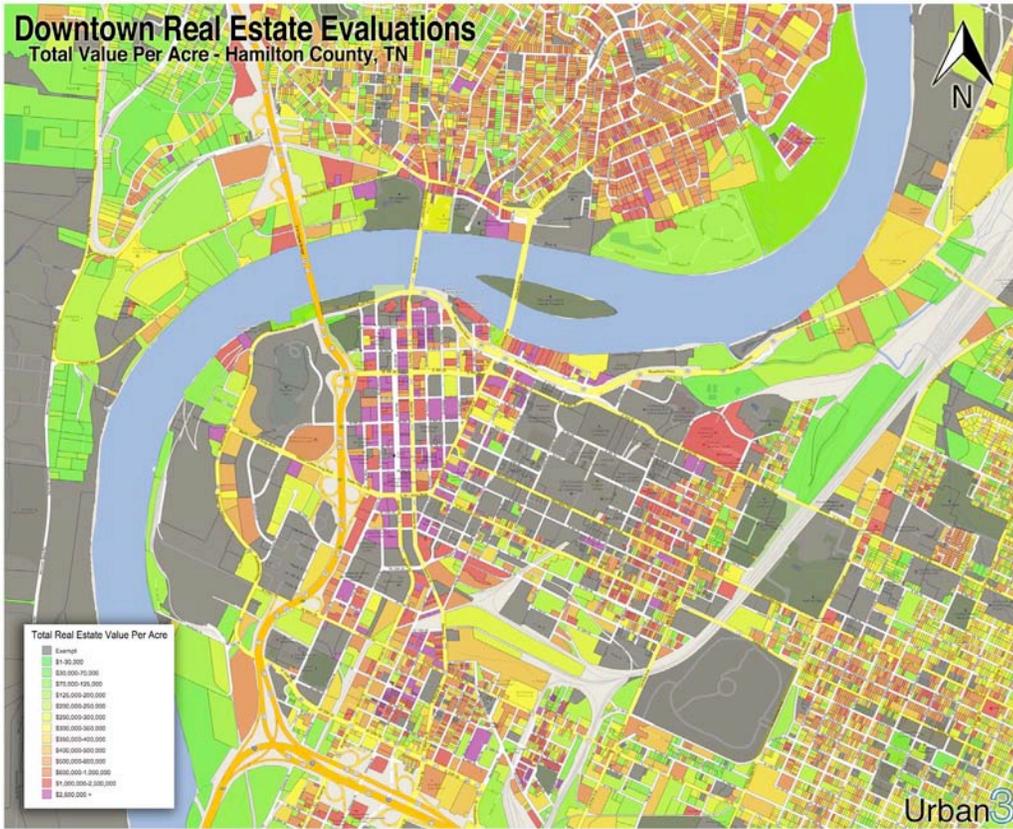
## Downtown Pays!

Urban3’s study has found that ‘what’s good for downtown is great for the City of Chattanooga and incredible for Hamilton County.’ Currently, downtown is achieving a higher value on a per acre basis when compared to the suburbs. Although land in Hamilton County is plentiful, it is not replaceable. As the community is stretched out, it takes far more infrastructure to service less development making communities more costly to service.

The way we develop our land has a direct relationship to community cost. A mile of pipe in the ground is a mile of pipe. The more units of development that are on that mile, the lower the unit cost of the pipe because more tax revenue is generated to pay for that mile. It is in the best financial interest of Chattanooga and Hamilton County to continue its efforts to revitalize its core and build off its assets downtown. By tracking the math of value on a per acre basis, Chattanooga will realize, in the end, downtown pays!



# Sample Supporting Data



## Value Heat Map

As part of this project, Urban3 created property value 'heat maps' for the total value of properties as well as the land value, independent of improvements. As shown for Downtown, 'values/acre' are rated from low value in a cool color, to higher value in reds and purples being the greatest. Grey areas are those properties that are exempt or lack data. RCC has larger resolution maps of these, as well as the rest of the City for further study. They are not part of this document because of the detail and resolution needed to fully appreciate the information.



## Production Map

During the analysis of the Heat Maps, Urban3 created property 'production map' to better understand the amount of exempt land in and around downtown. Further analysis of these non-taxable properties should result from this study. As seen above, downtown real estate is clearly the most productive land in the community, and care should be given to how much of this "fertile soil" is taken out of productivity for exempt status. Clearly, there is a need for exempt lands in the core, but the cost benefit should be carefully weighed in context of its opportunity.