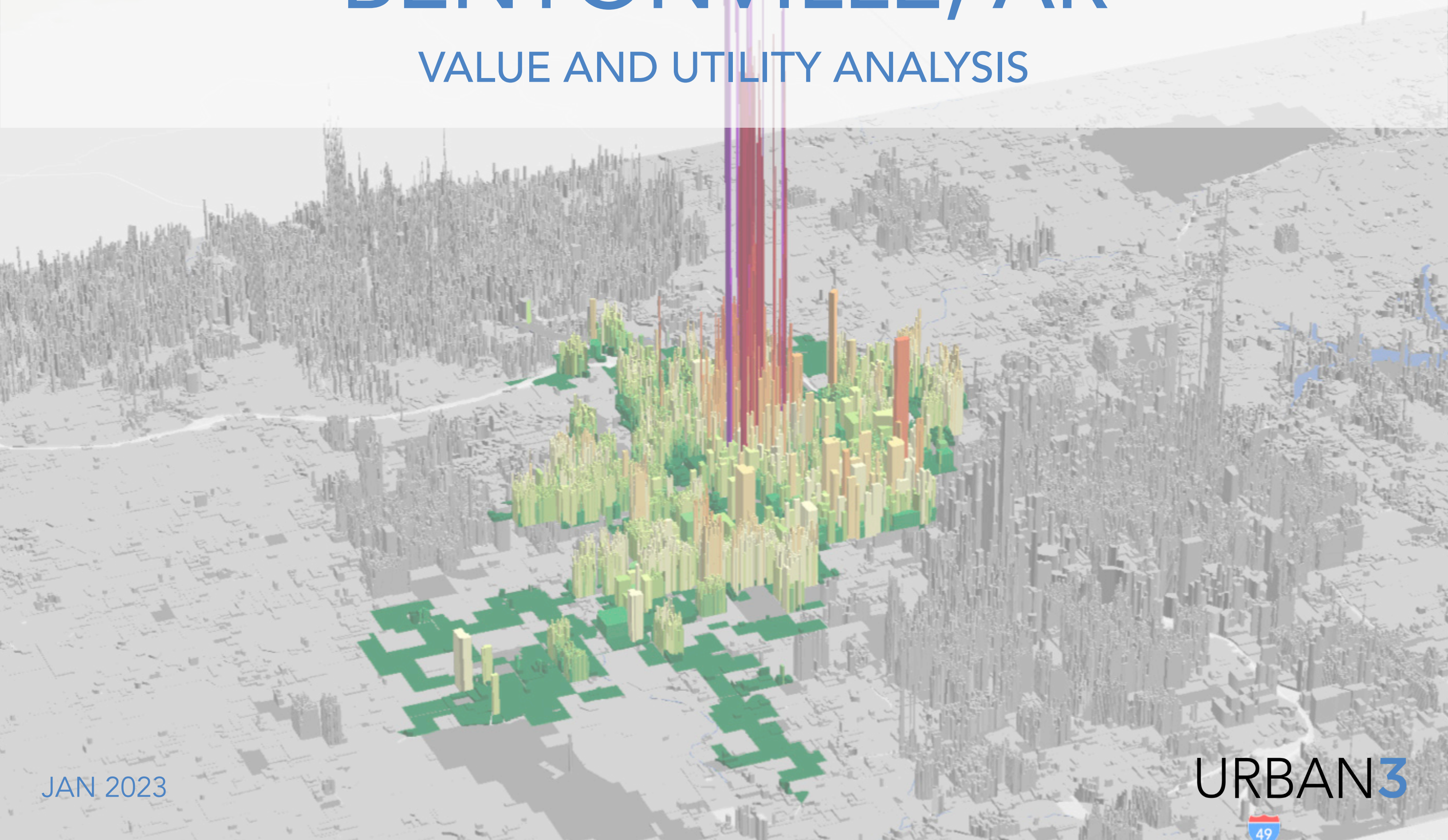


BENTONVILLE, AR

VALUE AND UTILITY ANALYSIS



JAN 2023

URBAN3



INTRODUCTION

Bentonville, Arkansas was a small mid-western town until a man named Sam Walton started a little store in nearby Rogers, AR, named Walmart. As Walmart became the company it is today, the town of Bentonville also grew. It is now home to a world-class mountain bike network, multiple corporate office parks, and a thriving tourist economy. Bentonville is still growing to its final size. The city is making development and zoning choices that will determine its financial future. This report outlines several considerations the city should be aware of when making future land use decisions.

Property and Sales Taxes are two of the key revenue sources for nearly all local governments in the United States. They are also a direct result of zoning and development patterns. This means that the local government has the power to influence both its revenues and costs, or long-term fiscal outlook, through the day-to-day development process. The way that Bentonville serves as an important center for the region, the same pattern can repeat at different scales. Even the smallest towns can still have a main street that is an effective node and central place of community and productivity.

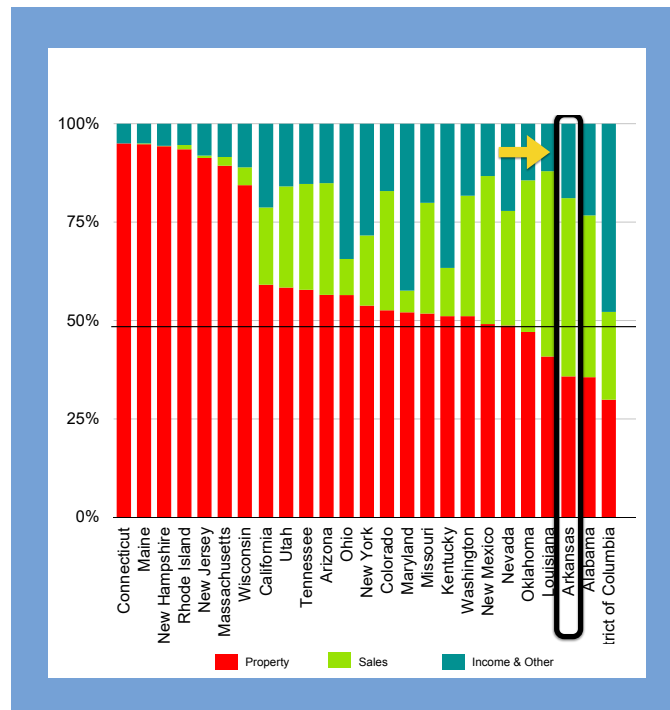


Figure 3.1 - U.S. Tax Revenue Sources by State

The city of Bentonville has seen enormous growth over the last century. While this growth has allowed the city to develop and provide more opportunities for its residents, it has also led to a growth mindset. When a city experiences long periods of growth, it can lead them to believe that the growth will continue forever. To maintain a fiscally solvent city, land use, asset management, and annexation should be intentional.

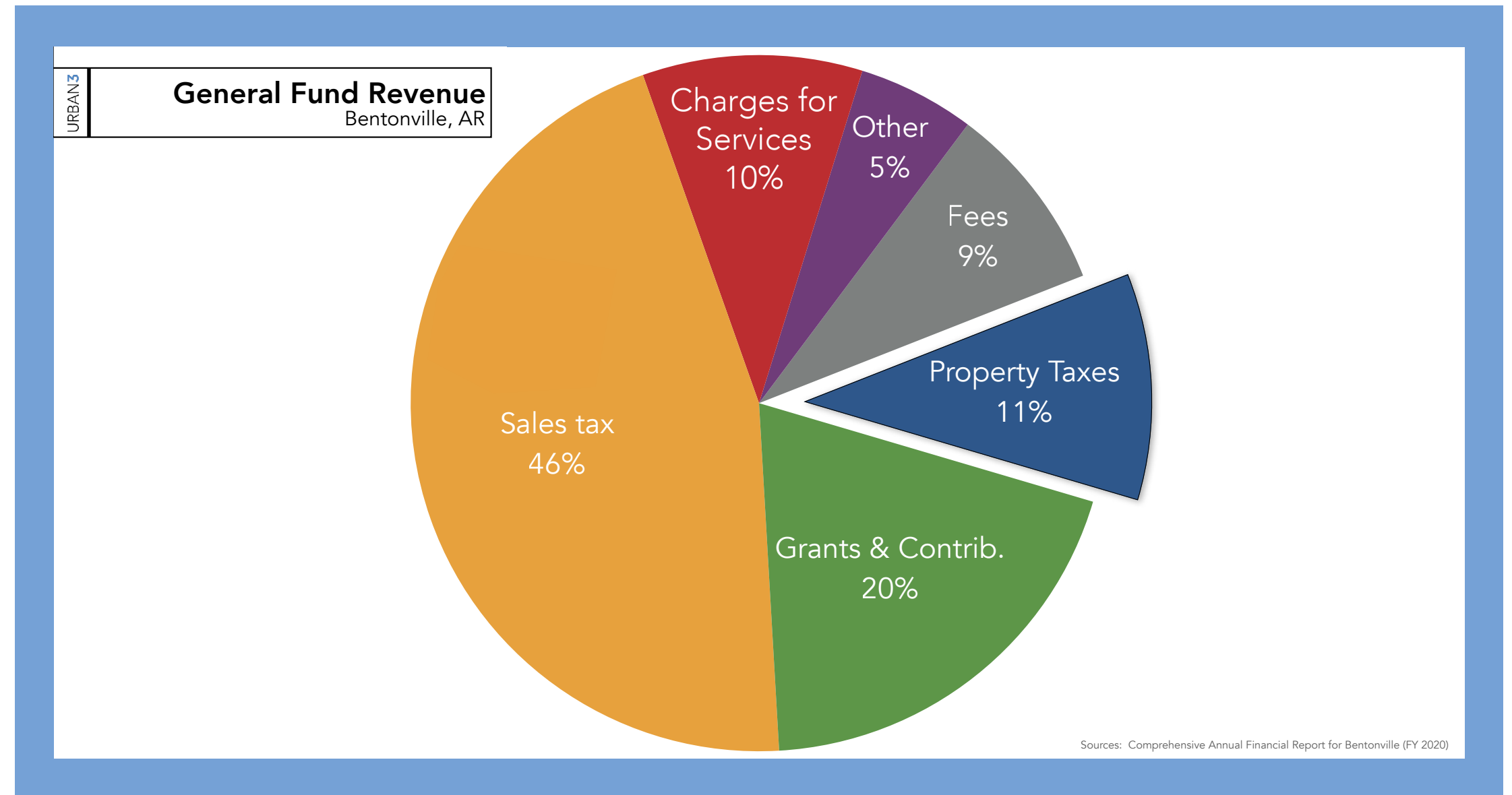


Figure 3.2 - General Fund Revenue in Bentonville Arkansas

VALUE PER ACRE

Urban3's analysis focuses on the "per acre" metric as a unit of productivity. After all, cities and counties are, at their simplest, finite areas of land, and how that land is used directly affects public coffers. This metric normalizes total revenues and tax values into a direct "apples-to-apples" comparison, utilizing land consumed as a unit of productivity.

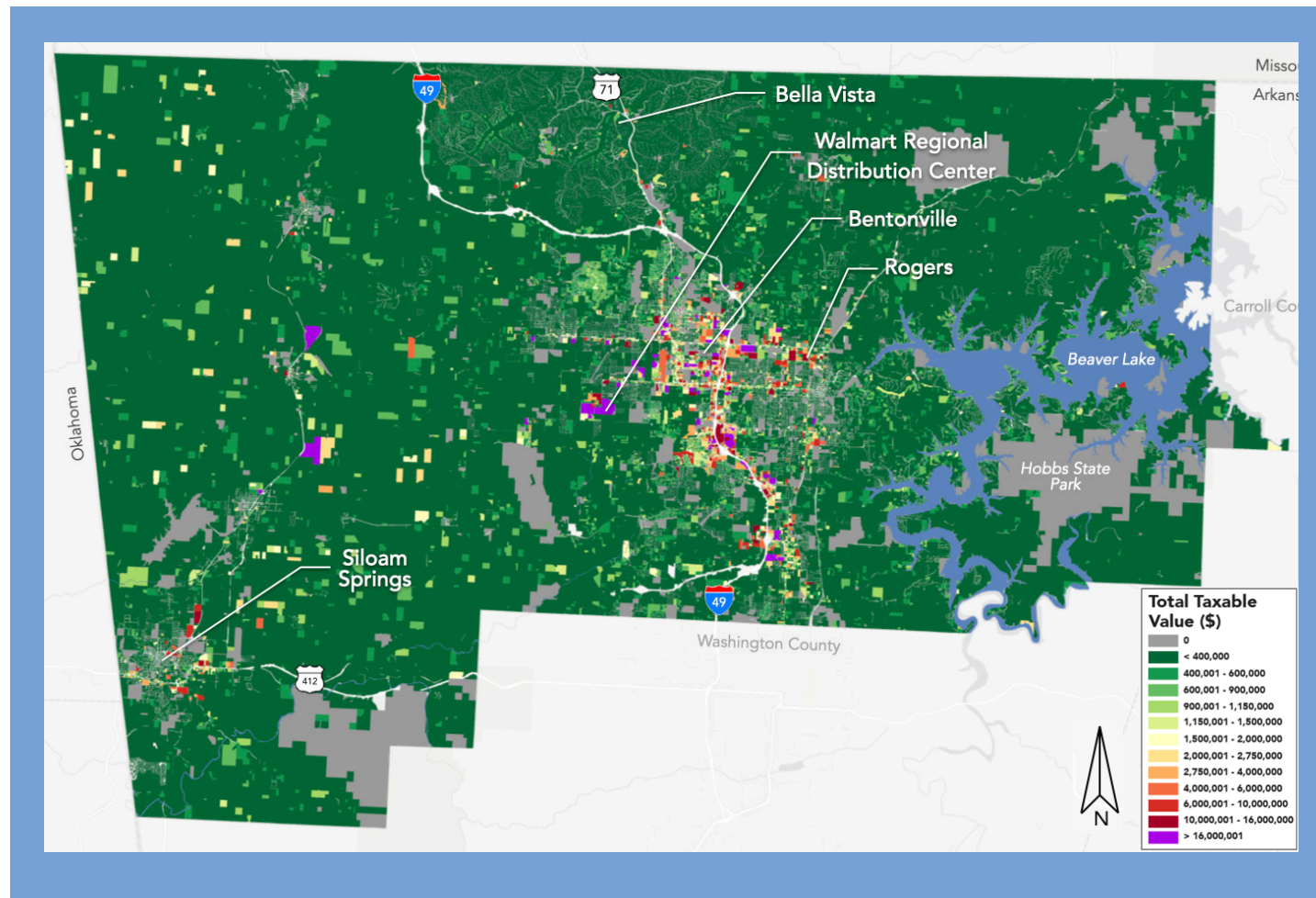


Figure 4.1 - Value per Parcel in Benton County, AR

Put another way; different cars have differently-sized gas tanks, so the gallon is used as a standardized measure, not the tank. Therefore, "miles per gallon," not "miles per tank," is common practice to gauge efficiency. We apply the same principle to measure the financial productivity of various development types across a community.

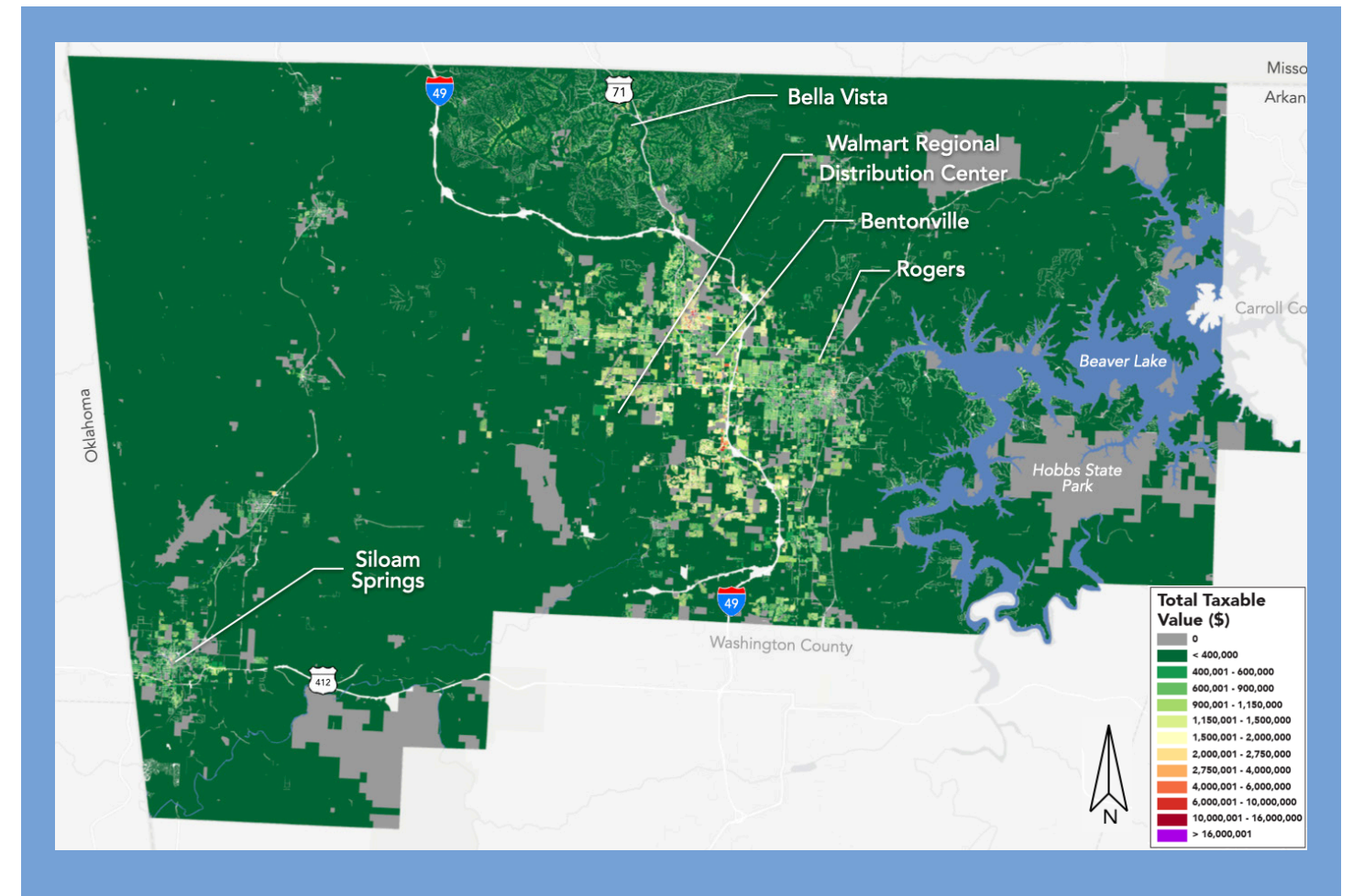


Figure 4.2 - Value per Acre in Benton County, AR

Densely developed areas have greater value per acre than undeveloped areas simply because they have buildings and improvements that make them more valuable and generate more tax revenue. We can see this pattern in our 3D model in the green swaths surrounding cities in Benton County. Within urban areas, patterns of productivity vary according to design, density, and land use decisions.

VALUE PER ACRE

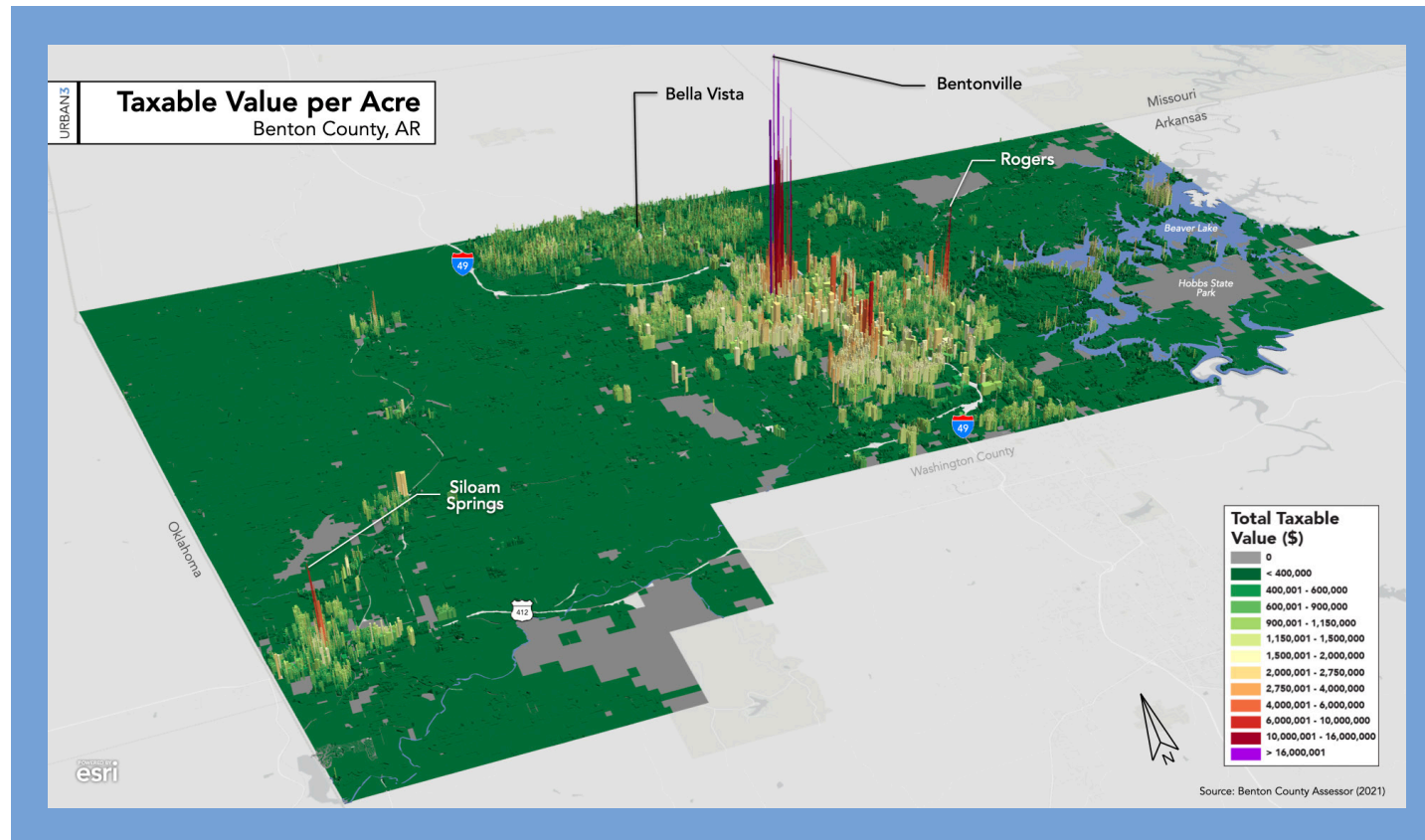


Figure 5.1 - Benton County Value per Acre

Benton County is 884.86 square miles; other major areas include Rogers, Bella Vista, and Siloam Springs. Bentonville has the most significant Value Per Acre in all of Benton County.

The highest value per acre in Benton County is located within the City of Bentonville. While other small value spikes exist in the County, Bentonville is the county's largest generator of property taxes.

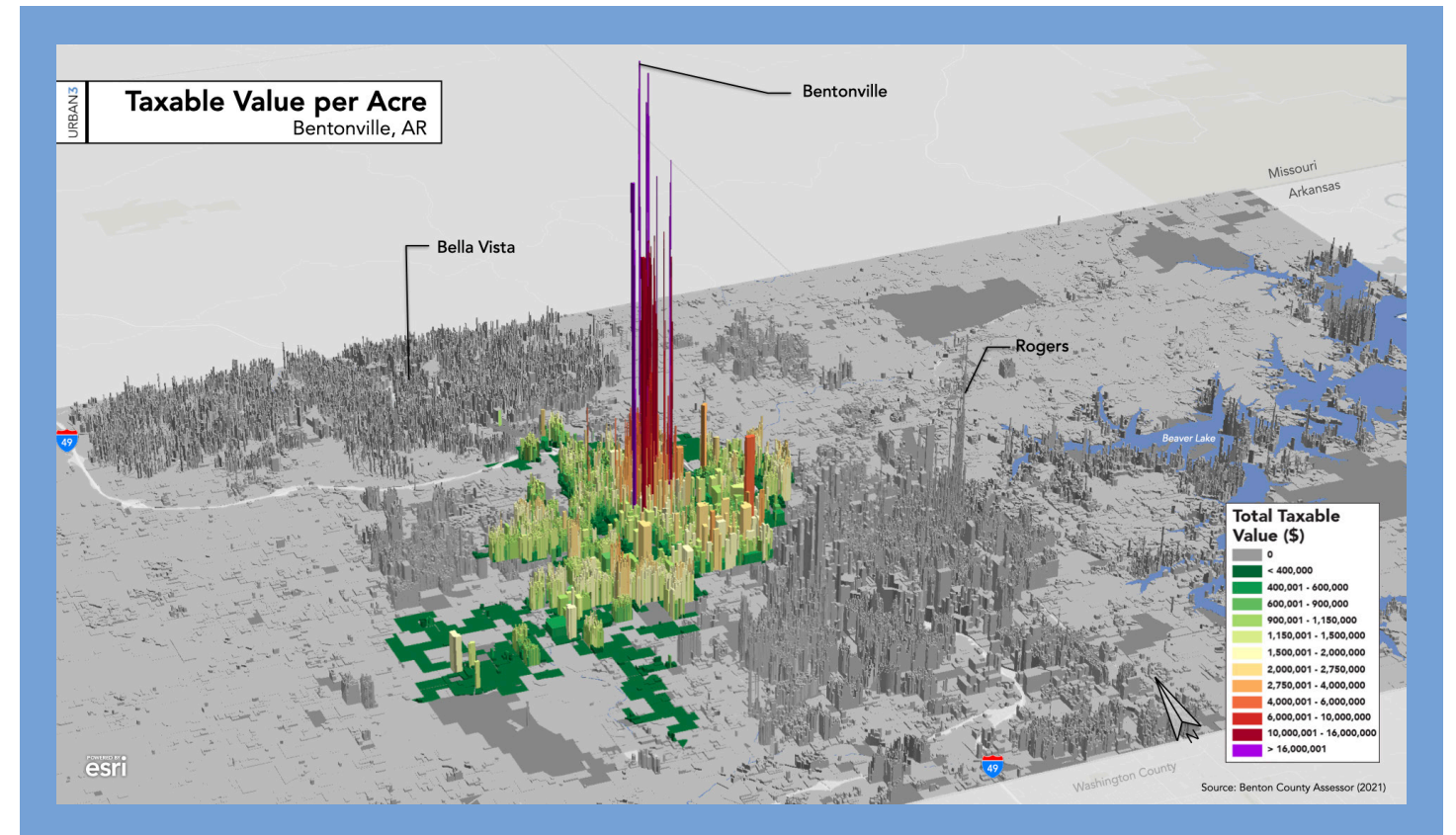


Figure 5.2- City of Bentonville Value per Acre

Bentonville, Arkansas, is growing. It may have name recognition because of Walmart, but it has grown beyond there. It is now one of the top mountain bike locations in the country and home to numerous store headquarters.

Bentonville's downtown core has the highest value per acre in the city. Lower-value areas are suburban or currently undeveloped.

NON-TAXABLE PROPERTY

The non-taxable property covers 10% of Benton County and 20% of the City of Bentonville. This area is used for civic services such as schools, government buildings, churches, and recreation spaces. The city can use non-taxable property to provide valuable services to residents; however, it creates expenses without typically giving revenue. Each piece of non-taxable property should be carefully considered.

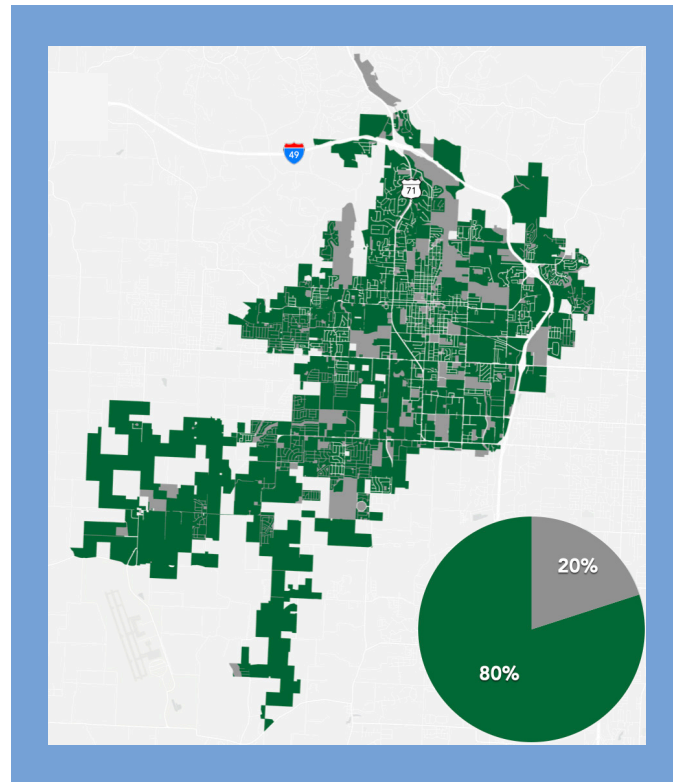


Figure 6.1 - City non-taxable property

The City of Bentonville contains a growing network of mountain bike pathways and natural areas. These areas are primarily non-taxable but provide space for recreational activities. Property values increase along the perimeter of these recreational areas, generating more property tax revenue.

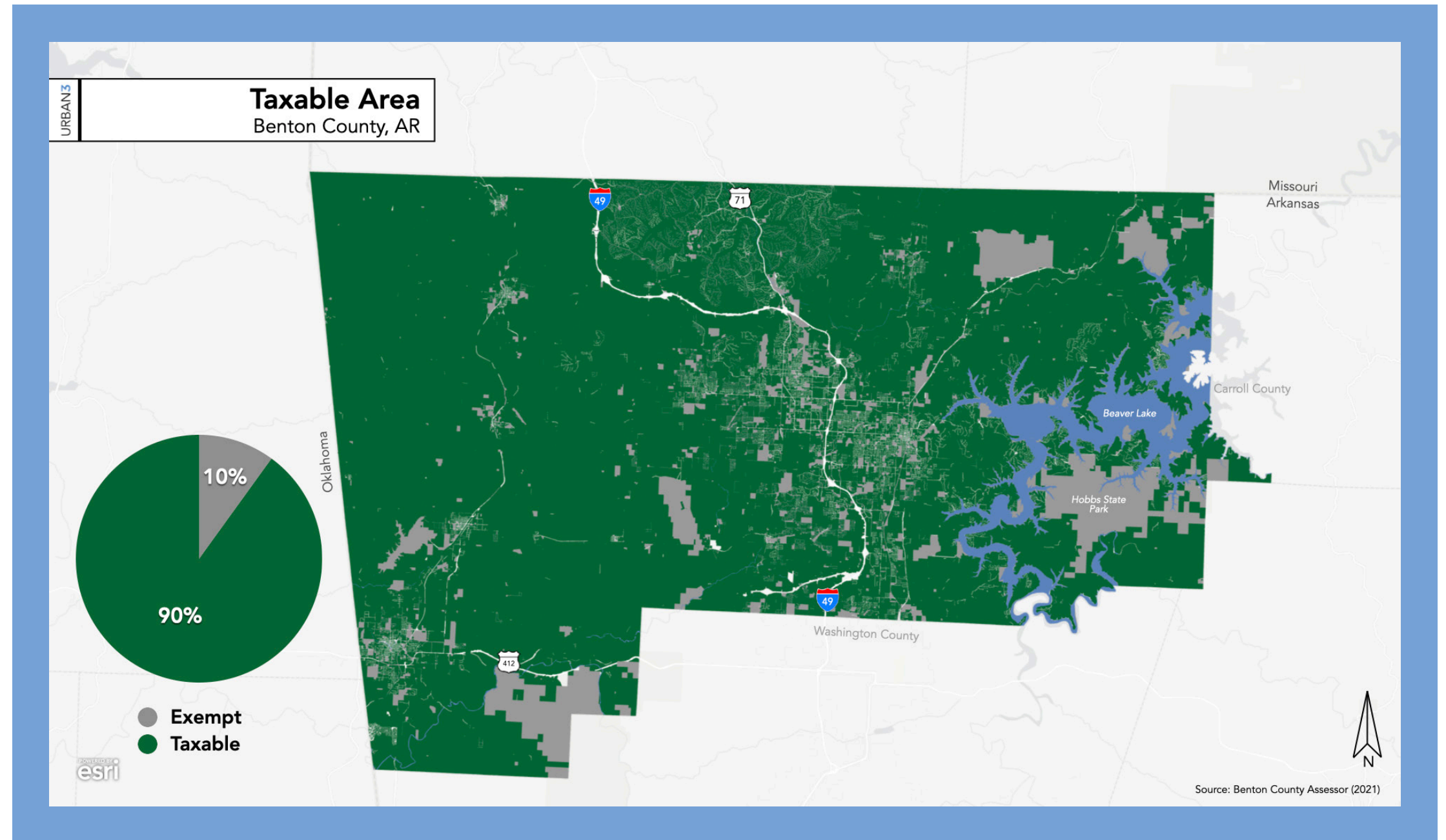


Figure 6.2 - County non-taxable property

VALUE PER ACRE

The value per acre changes across land use types. Density and land efficiency are the fastest ways to increase the value per acre of a property. Properties with less surface parking and mixed-uses tend to be more valuable. Low-value properties are not destructive, but they should be carefully considered as they often create less revenue and more expenses per acre.



Figure 7.1 - Bentonville Single Family Residential

The Single family average value per acre in the City of Bentonville is **\$1,310,658** per acre. The majority of housing in Bentonville is single-family residential. Numerous residential subdivisions are under construction or planned for development along the city edges.



Figure 7.2 - Bentonville Downtown Mixed Use

This downtown city block containing commercial spaces, office, and garage parking have a value per acre of **\$9,476,139**. This parcel generates significantly more taxable revenue than single family residential properties.

Single Family Residential average VPA
\$1,310,658

Downtown Mixed-Use VPA
\$9,476,139

ASSETS

The Land Value per Acre map highlights where the most valuable land in the city exists (according to the assessor). The downtown core is of high value, which makes sense. You can also see on the map that parcels along major road corridors also have a high value. We could expect higher land values along green infrastructure and assets like the Razorback Greenway, however, we can see on the map that this is not the case.

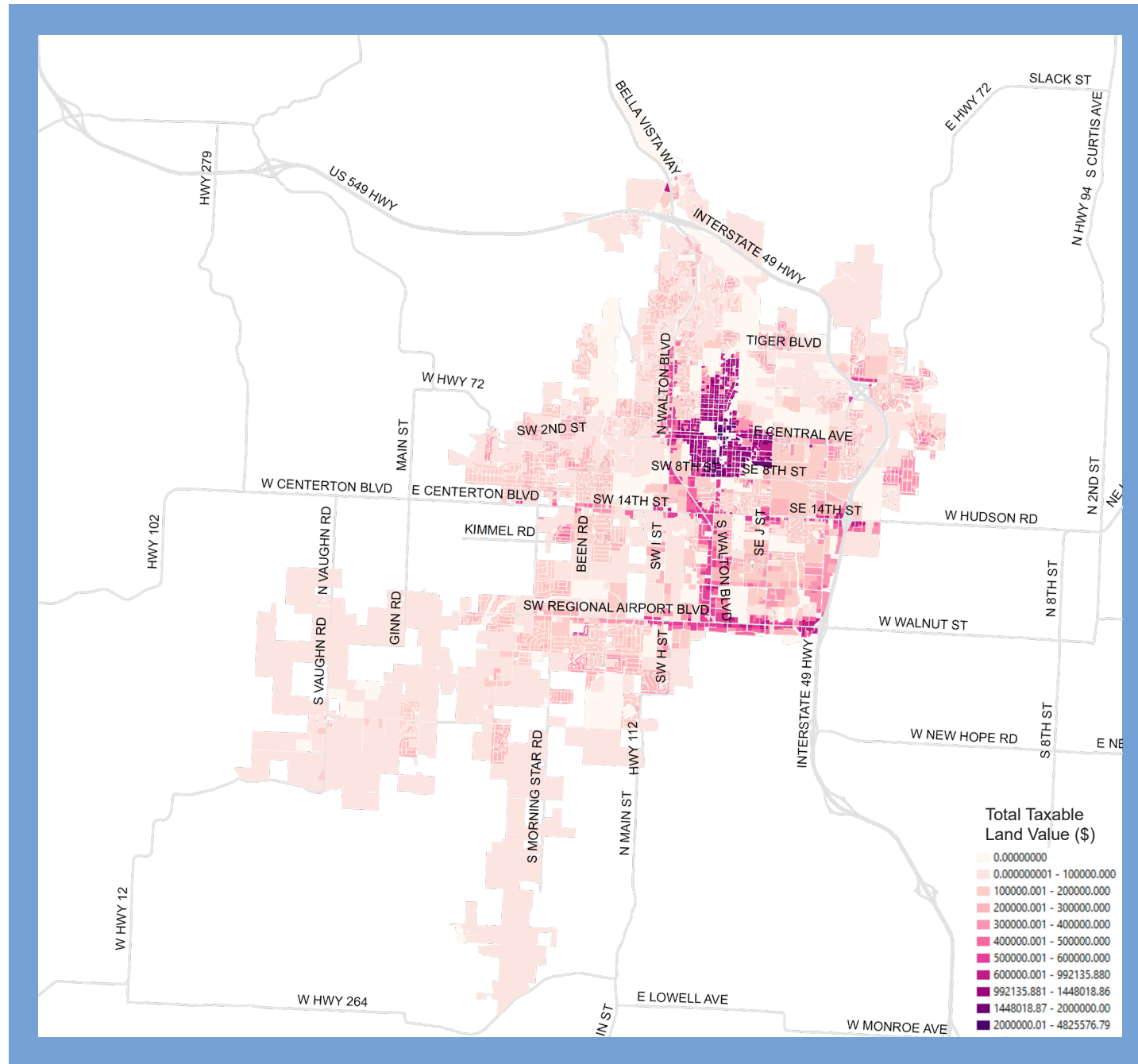


Figure 8.1 - Land Value per Acre in Bentonville, AR

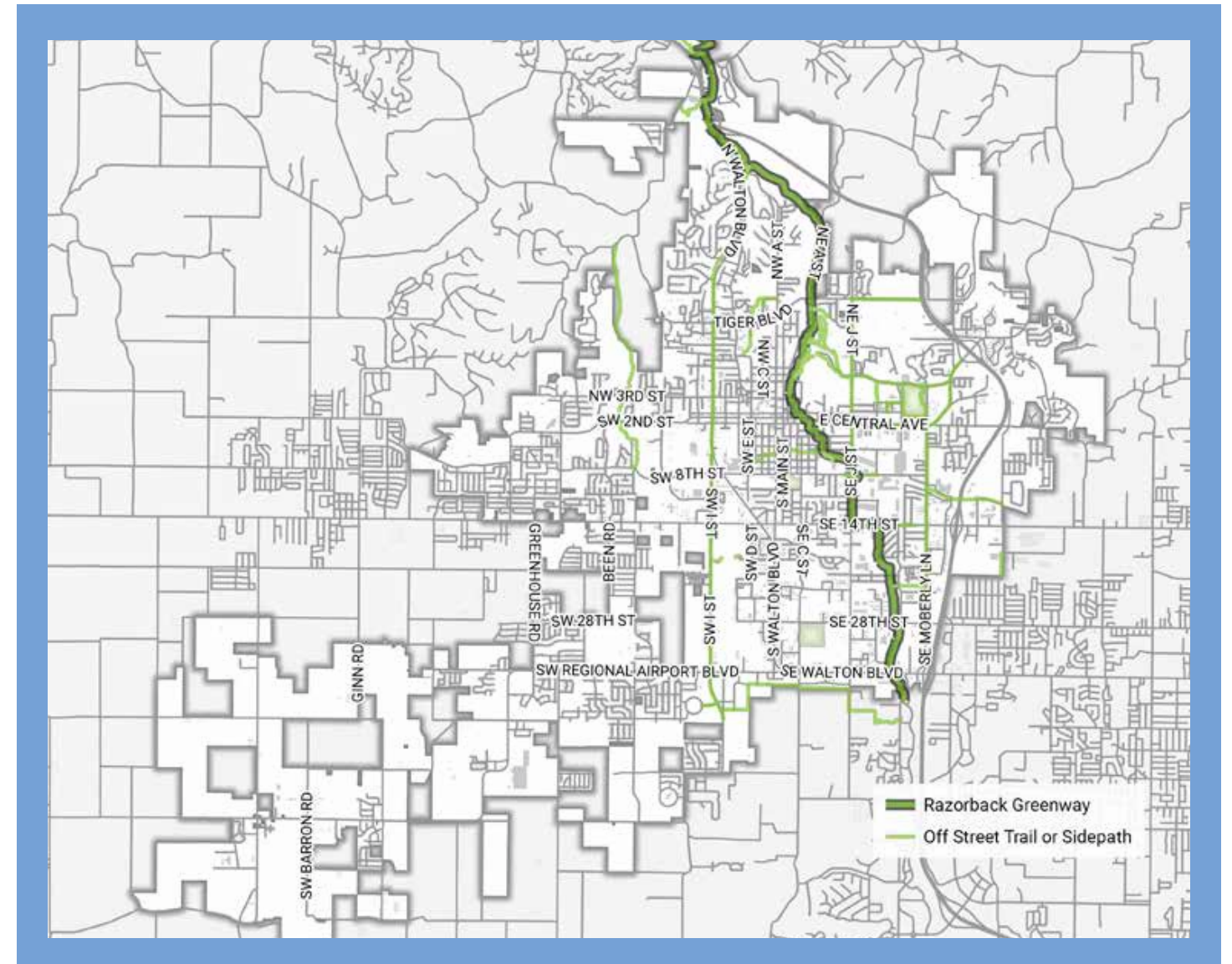


Figure 8.2 - Existing Bike Network in Bentonville, AR

Bentonville completed the Connecting Bentonville, Bentonville Bike & Pedestrian Master Plan in 2019. This plan highlights new areas for pedestrian connectivity and infrastructure expansion including bike paths and sidewalks.

SALES TAX

Sales Tax is a crucial revenue source for the City of Bentonville. While our team was unable to gather parcel-specific sales tax data from the State of Arkansas Department of Finance and Administration, we were able to take regional sales tax data and spread it spatially. This shows that in addition to downtown areas having a higher value per acre, they also generate significant sales tax revenue per acre for the city of Bentonville.

This data shows that of the \$20.6 million in sales tax revenue collected in Bentonville in 2021, the amount collected per acre was the highest downtown. Other key areas include traditional shopping centers with big box stores.

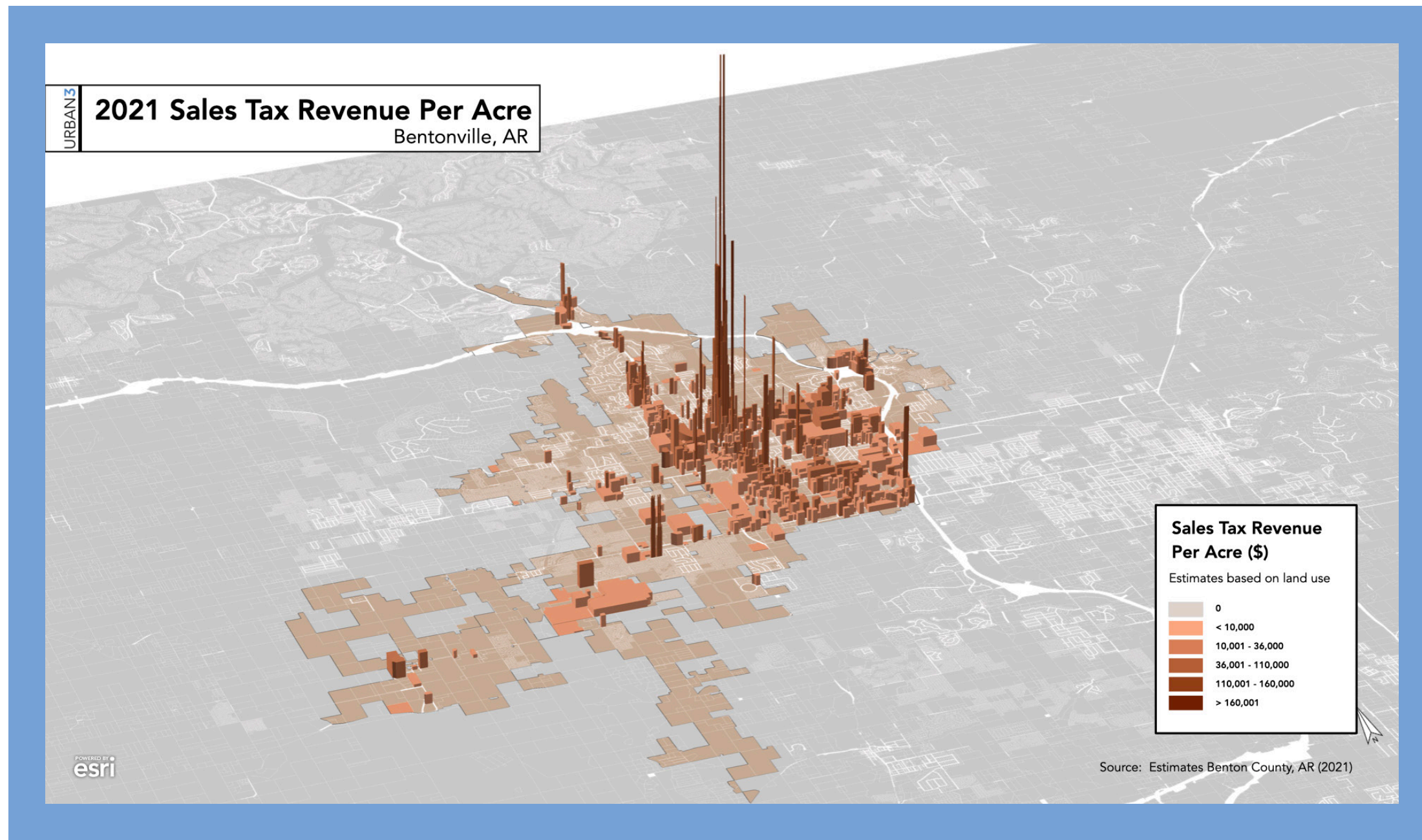


Figure 9.1 - 2021 Sales Tax Revenue per Acre in 3D

IMPERVIOUS SURFACE AREA

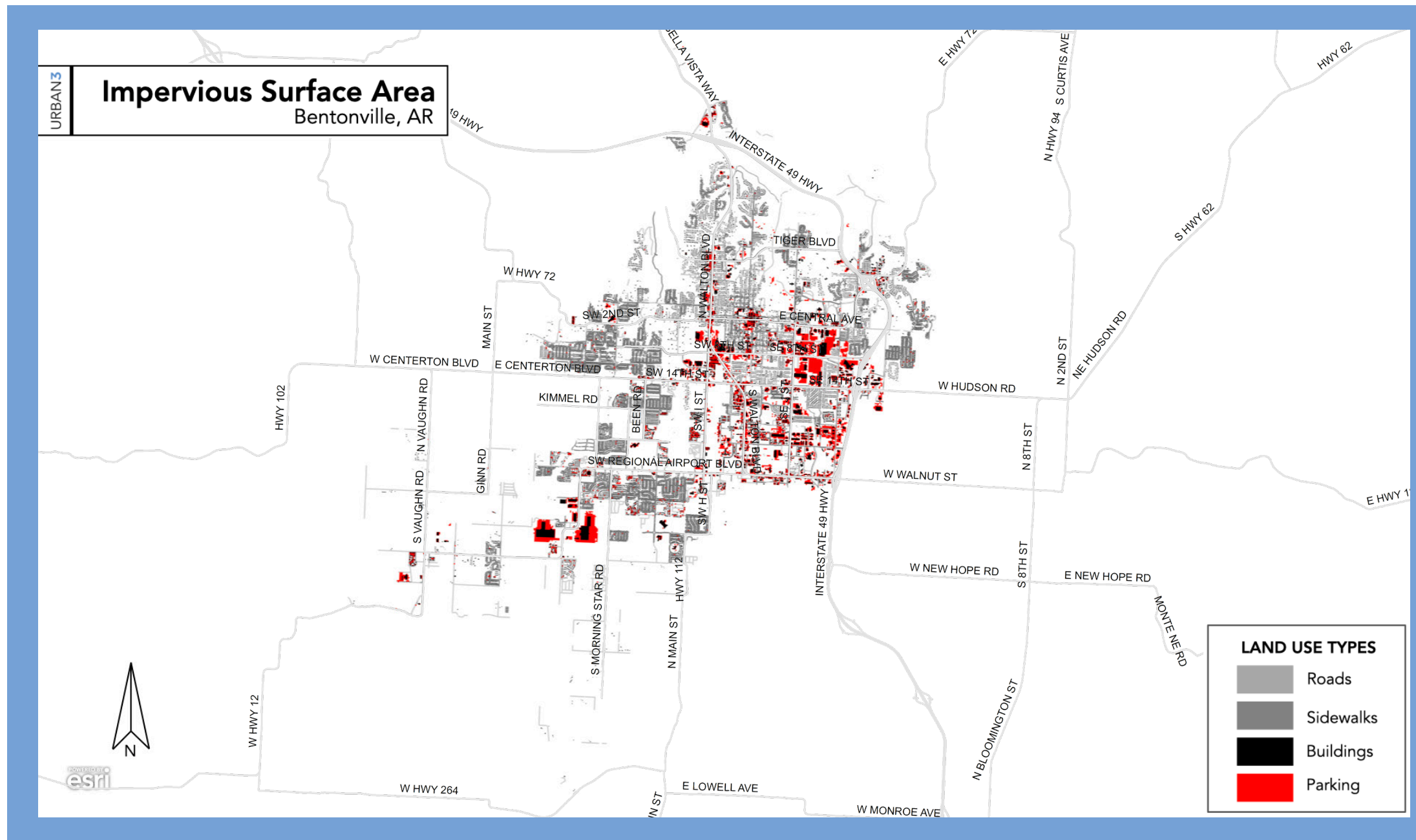


Figure 10.1 - Impervious Surface Area

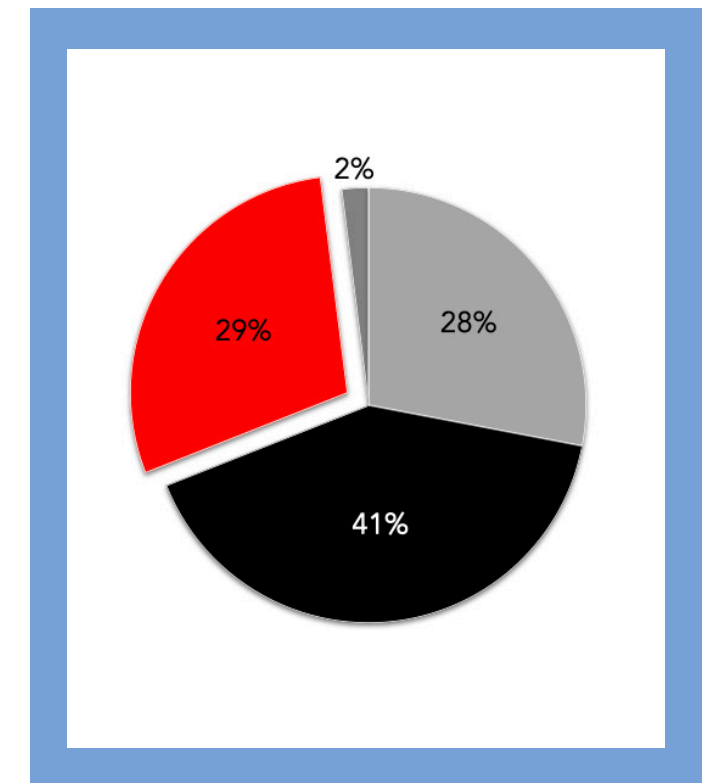
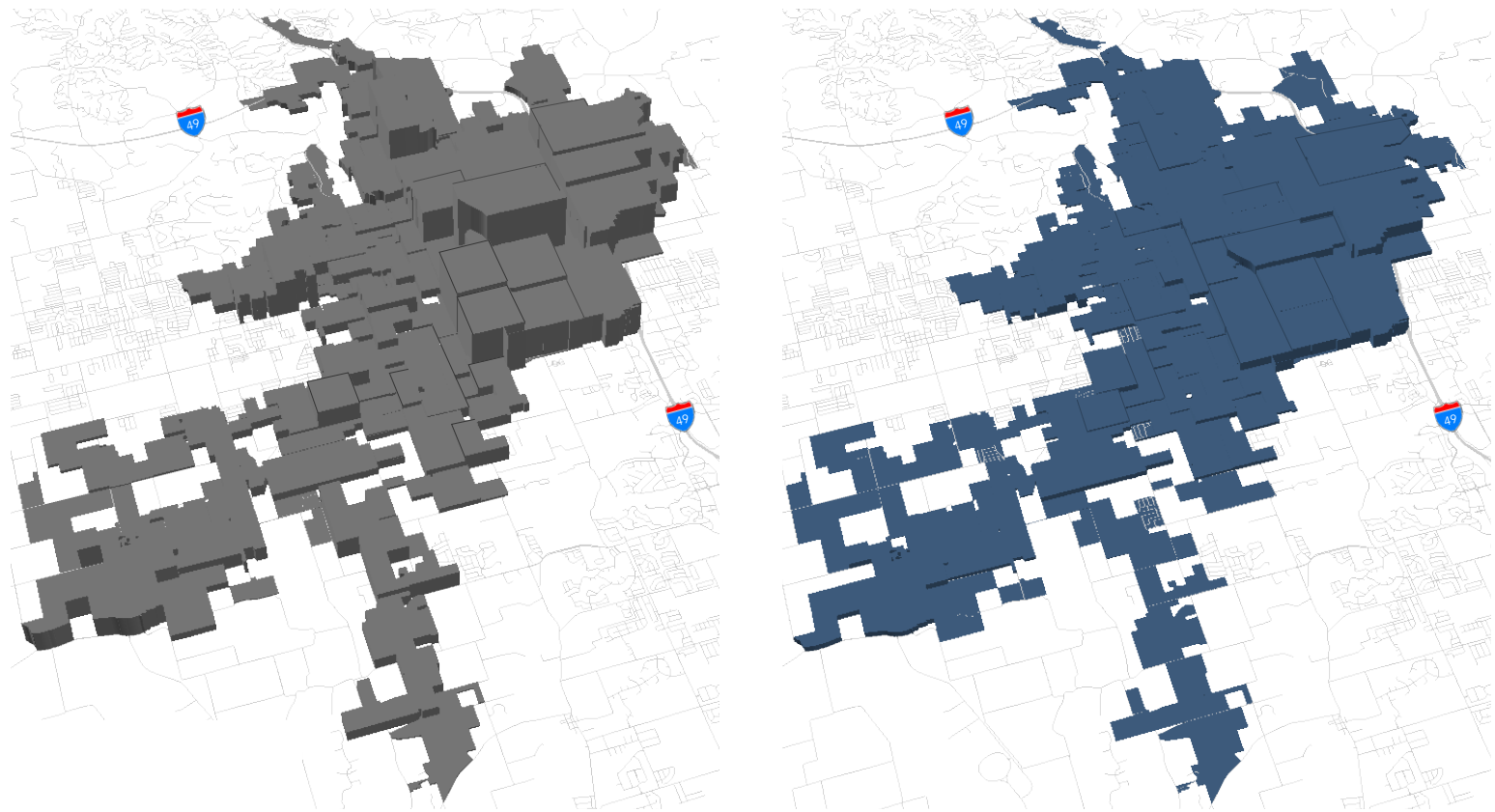


Figure 10.2 - Impervious Surface Area by percent

Of the impervious surface area in the City of Bentonville, 29% is parking, 41% is building footprint, 28% is roadways, and 2% is sidewalks. A significant portion of impervious surfaces is parking. Meanwhile, by making parking garages or parking under mixed-use buildings, the city may conserve land area while providing parking availability. As the city continues to grow and impervious surface area increases, the city should consider how this area is best used. Roadways create a significant expense for the city and its residents. Sidewalks are an expense that a municipality must pay to maintain and replace, but they provide mobility.

UTILITIES

Urban3 analyzed the utility systems in Bentonville, AR. Through this analysis an Annualized Cost Estimate was derived for each utility by spreading the cost of system components across their specific locations on the map. The cost of each neighborhood is shown in 3D to articulate the cost difference of different urban fabrics.



Roads and Stormwater are provided to citizens of Bentonville through City revenue instead of a consumer-based fee. Therefore, Road and Stormwater system maintenance and replacement is paid for using the City’s annual budget and bonds. Each of these departments runs a lean system, functioning with fewer staff members than what would be ideal. Urban3 calculated an Annualized Cost Estimate for each system, suggesting an increased annual investment into each utility system.

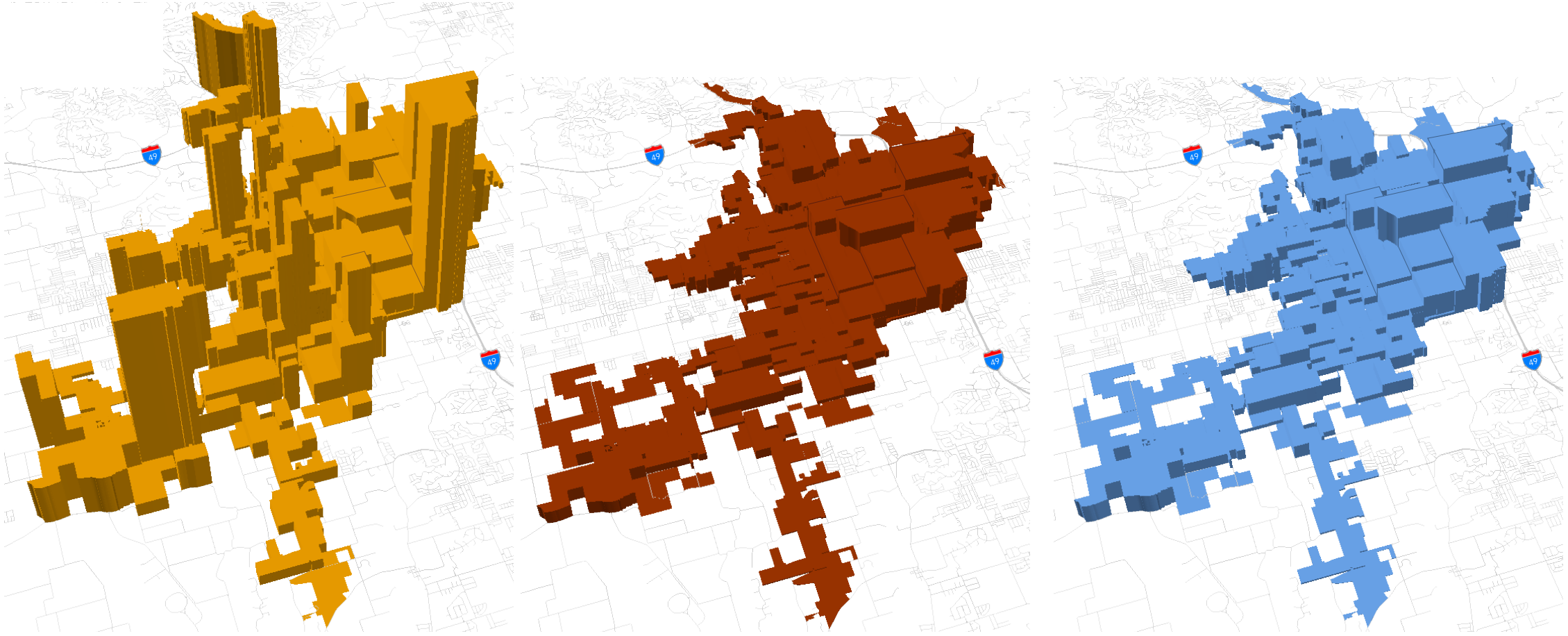
	Roads	Stormwater
Miles of Infrastructure	631	620
Estimated Annual Cost	\$25,700,000	\$3,600,000
2021 Spending*	\$25,000,000	(included in other utility budgets)

Including Average \$18,000,000 Bond Spending (\$180M Bond over 10 years)

*Including budget and bond funding

UTILITIES

The City of Bentonville provides its residents with Roads, Electric, Wastewater & Sewer, Water, and Stormwater services. Electric, Wastewater & Sewer, and Water are consumer-funded services, though they are managed through the City. While these Service Departments are limited by what is affordable to the market, they can theoretically increase fees to pay for increased development, maintenance, and replacement costs.



	Electric	Wastewater & Sewer	Water
Miles of Infrastructure	988	315	479
Estimated Annual Cost	<div>\$69,600,000</div> <div>Including \$55,000,000 Purchase of Power</div>	<div>\$25,700,000</div> <div>Including \$6,000,000 Treatment</div>	<div>\$19,600,000</div> <div>Including \$6,000,000 Purchase of Treated Water</div>
2021 Spending*	<div>\$64,800,000</div> <div>Including \$55,000,000 Purchase of Power</div>	<div>\$13,700,000</div> <div>Including \$6,000,000 Treatment</div>	<div>\$11,400,000</div> <div>Including \$6,000,000 Purchase of Treated Water</div>

*Including budget and bond funding

REVENUE & COST MODELS

We create the red and green model on the left by combining all of the spatial revenue and costs per acre of each neighborhood area in the city. By looking at this model on it's side (bottom left) we can more clearly see how different areas of the city generate more revenue or more costs. For example, the downtown area generates significant costs, but it also generated more value per acre than other areas of the city. The red and black models on the right are created when we subtract the cost per acre from the revenue per acre of each neighborhood. Areas that are shown as black are net positive, meaning that they generate more revenue than costs per acre, while areas shown in red are net negative, meaning that they generate more costs than revenue.

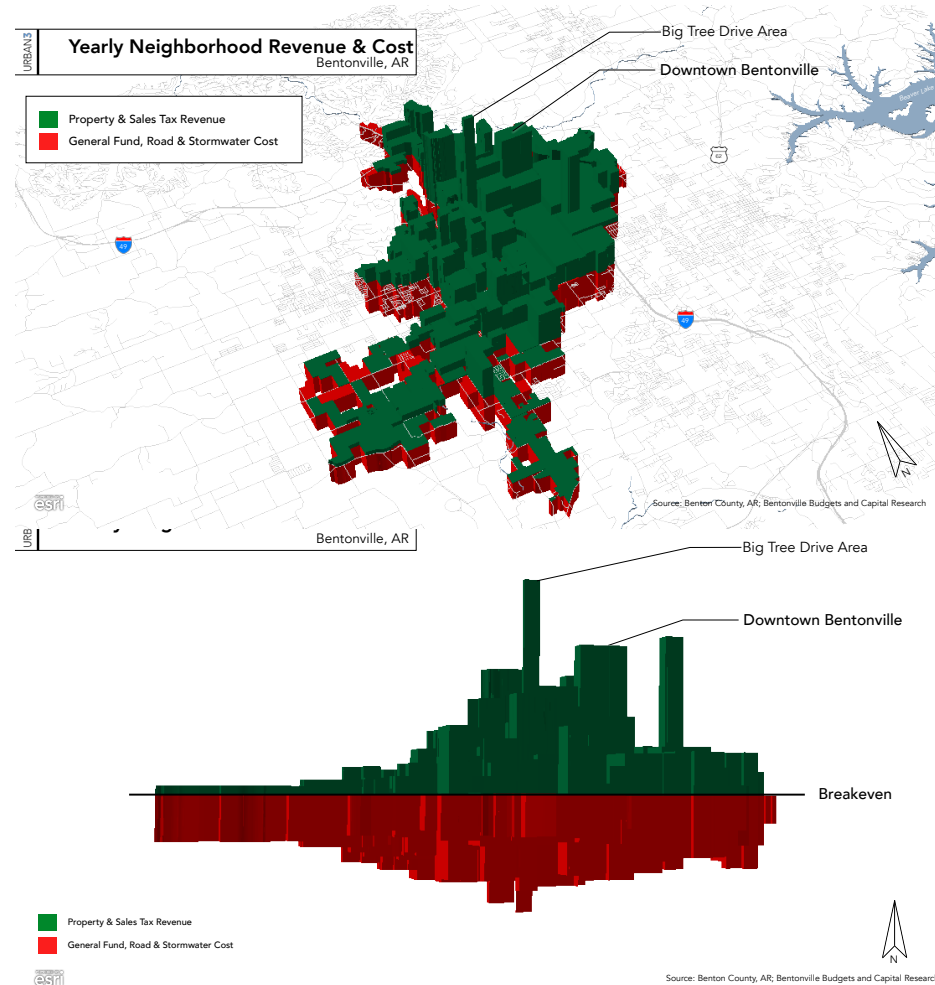


Figure 12.1 - Annual Revenue and Cost per Neighborhood in 3D

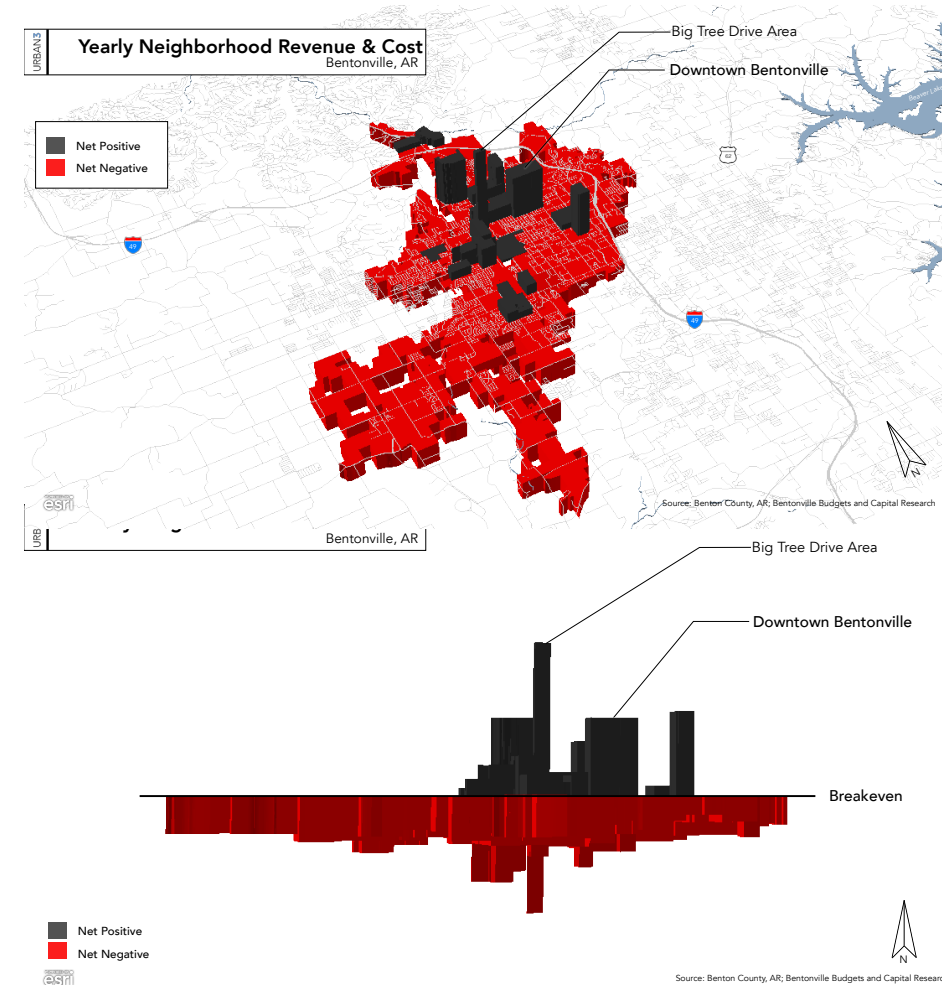


Figure 12.2 - Annual Net Revenue and Net Cost per Neighborhood in 3D

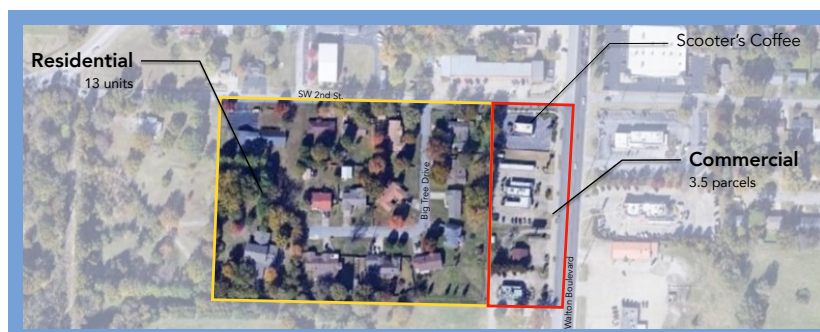
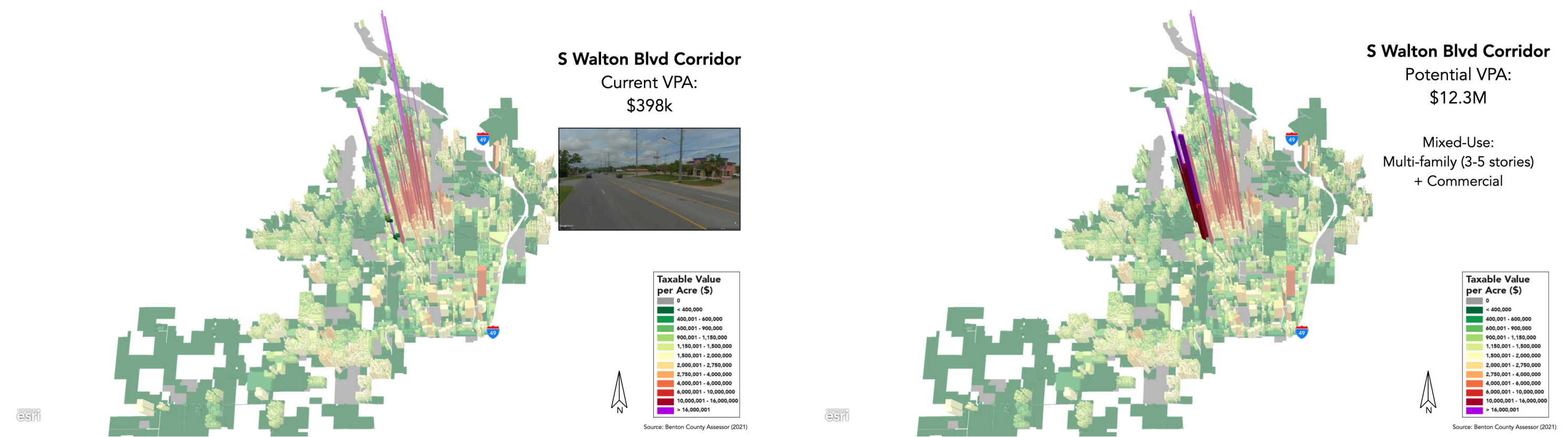


Figure 12.3 - Most Net Positive Neighborhood - Big Tree Drive Area

The Most Net Positive Neighborhood is a small mixed-use neighborhood on the west side of Bentonville. The neighborhood outline includes 13 residential properties and 3.5 commercial properties with efficient roadways and utilities. Revenue for the neighborhood is increased with efficient residential lot sizes and commercial properties while shorter roadways and utilities decrease expenses.

HOME OFFICE PROJECTION

Urban3 analyzed what the area around the old Home Office site could look like with infill mixed-use development. The area currently contains a large warehouse-style office building, while neighboring parcels are used as general commercial. Both uses contain large surface parking lots. Our projection included replacing this development with 3-5 stories of multi-family housing at the back of each parcel and smaller commercial buildings (with more efficient parking) at the front of each parcel. With this type of infill development, overall value could increase significantly.



	Current Development	Infill Development
Area	38.5 acres	38.5 acres
Avg. VPA	\$398k	\$12.3M
VPA Increase	-	\$12M

WALMART CAMPUS PROJECTIONS

The new Walmart campus is projected to add billions of dollars of value to the South East portion of Bentonville. As the new Walmart headquarters, the 350 acre site will feature office, commercial, and hotel uses. Using the master plan for the new Walmart Campus, Urban3 projected possible value.

The team also included a Walmart 2.0 analysis of what the site could look like with additional development in areas currently slated for surface parking. While the current plan for the Walmart Campus may not be as valuable per acre(VPA) as the Downtown core, the VPA could be increased with infill development, replacing some surface parking (highlighted in red) with mixed-use parking garages.



APPENDIX - COMPARISON METRICS

The metric of comparison matters greatly when looking at a city, the same way that it matters when we look at vehicle efficiency. Comparing properties by overall parcel value is like comparing vehicles by miles per tank. If that were the case, we would all be driving Ford F150's because they have a 26 gallon tank. But as we all know, when making this type of comparison, you have to find a common metric in order to fairly compare objects. This is why we compare cars by miles per gallon, Urban3 compares property by value per acre and why we should all be driving 1955 BMW Isetta's.



Vehicle:	Ford F150 Lariat LTD	Toyota Prius	Bugatti Veyron SS	Rolls-Royce Phantom Drophead	1955 BMW Isetta
Miles per tank:	648 miles per tank	571 miles per tank	390 miles per tank	380 miles per tank	245 miles per tank



Vehicle:	1955 BMW Isetta	Toyota Prius	Ford F150 Lariat LTD	Rolls-Royce Phantom Drophead	Bugatti Veyron SS
Miles per gallon:	50/70 mpg	51/48 mpg	13/18 mpg	11/18 mpg	8/14 mpg

APPENDIX - LANCASTER, CA

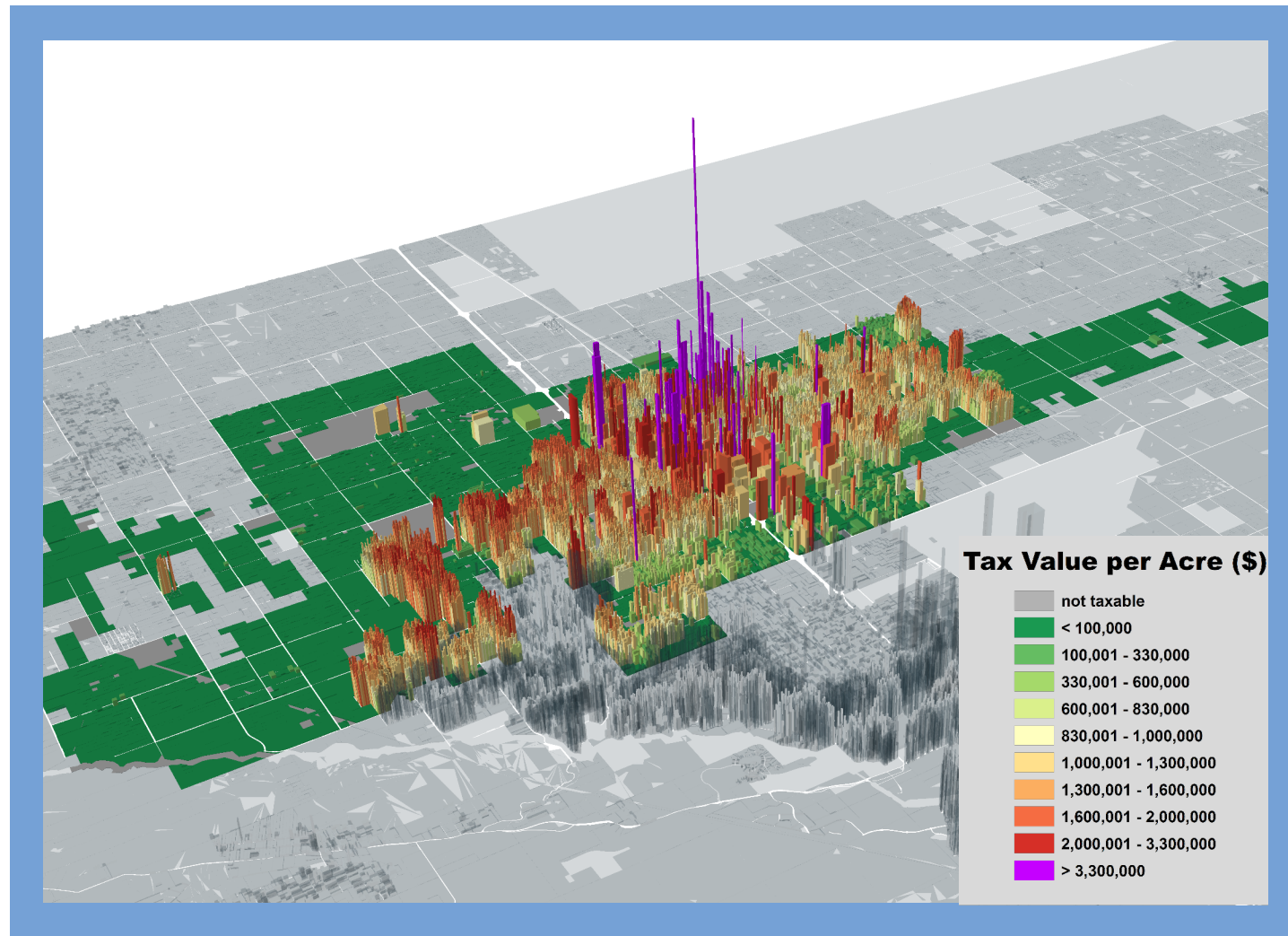


Figure A17.1 - Value per Acre in 3D

Lancaster, CA is located inland from Los Angeles on the East side of the San Gabriel Mountains. Lancaster, like many US cities, went through an infrastructure boom in the 1950's and developed their street grid beyond reasonably developed areas. As a result, the small city of Lancaster is now responsible for 953 miles of paved roads (the same distance between driving from Los Angeles, CA to Portland, OR). The problem is that roads are not an asset, they are a liability that needs to be serviced and maintained on a regular basis. As these cycles of maintaining and replacing roads continue to pile up, the city becomes overburdened with a road network it cannot afford to maintain. Instead, cities should take the time to plan for maintenance and replacement fees before building new infrastructure.

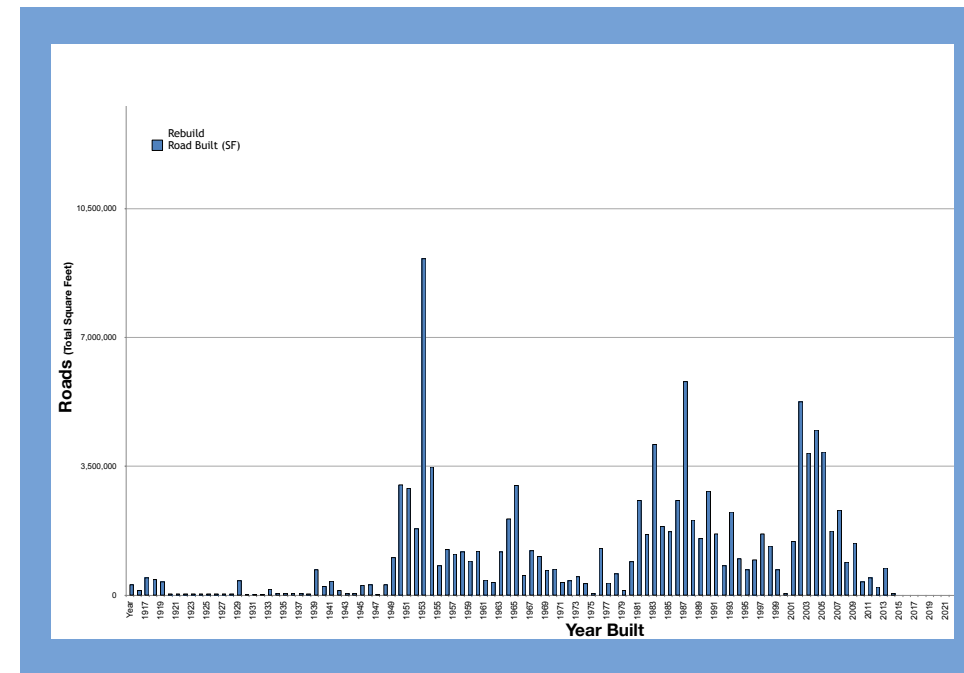


Figure A17.2 - Road construction Timeline

Road building is not a one time expense. It is an expense with a fairly predictable maintenance and replacement schedule. Each foot of road that is build today will need to be replaced in 30 years. If you continue to add roads without additional budgeting for maintenance and replacement you will compound the issue over time as seen in Figure XX below below.

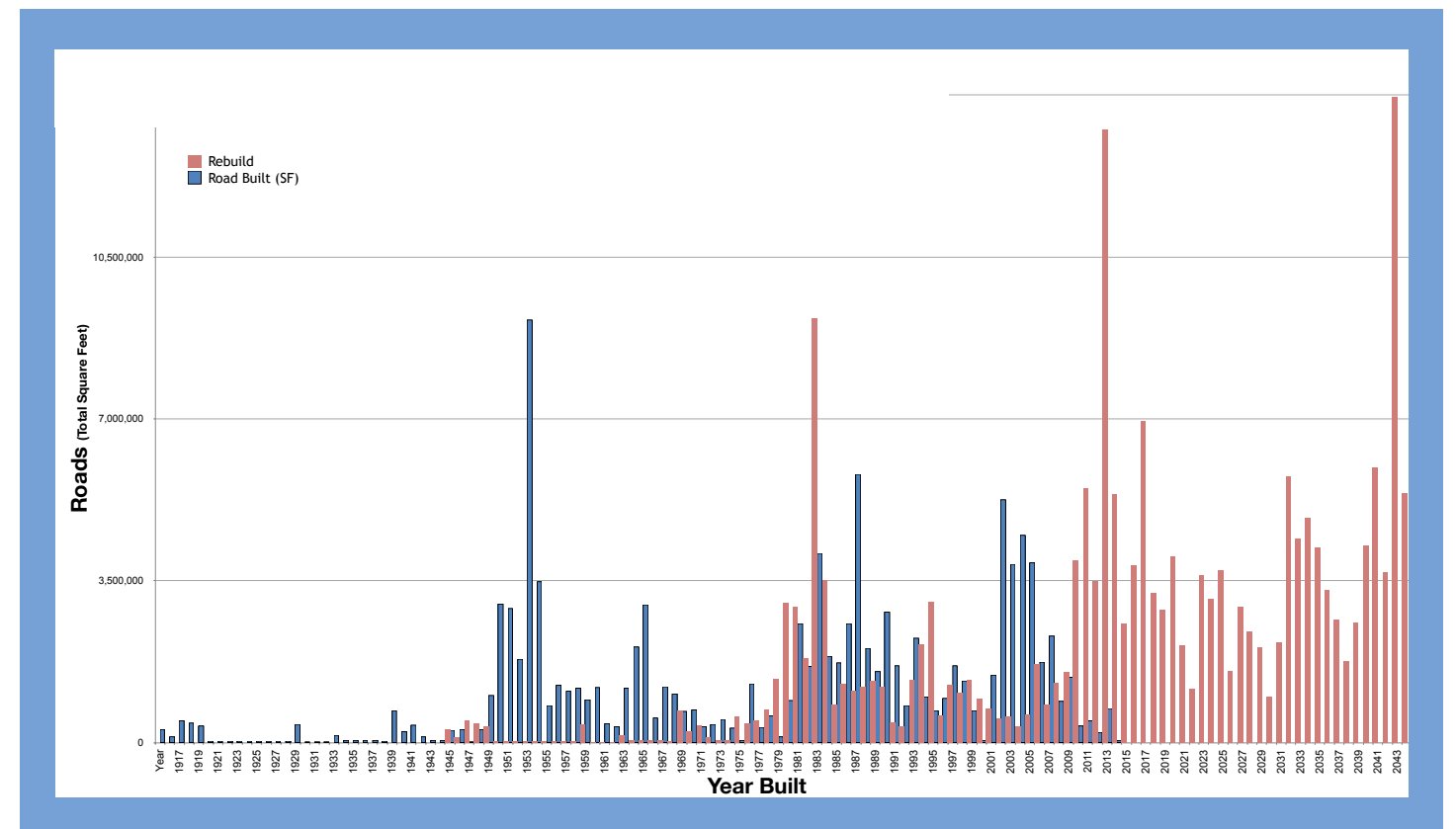


Figure A17.3 - Road Construction and Estimated Reconstruction Timeline

CREDITS AND ATTRIBUTIONS

Thank you to the entire ULI Northwest Arkansas team for their support on this project, specifically Megan Brown and Wes Craiglow.

Thank you to Bentonville Mayor, Stephanie Orman, for her participation in this project. Finally, thank you to all of the Department heads who participated in this project and shared their data including Planning, Economic Development, Water and Sewer, Stormwater and Electric.

All data used in this analysis and report, unless otherwise noted, was provided by the City of Bentonville, AR. All maps are created with ESRI software.

Street Level Photos - [Google Street View](#)

All other images created by Urban3

URBAN3

Data-driven storytelling

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