Case Study: Gallatin Pike

What are Effects of “SP” zoning along Gallatin Pike?

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(15 Dec, 2009)
Preliminary Findings

- Assessed value comparisons by Planning Commission probably overstate the increase along Gallatin Pike.
- Hillsboro Village neighborhood has different demographics than Gallatin:
  - More workers, businesses, and sales
  - Higher density and income
- These differences suggest Gallatin SP zoning creates a mismatch between demand and (zoned) supply:
  - Causes reduced sales, investment, tax revenue
- Grandfathered firms operating under an excluded use gain market power (and ability to raise prices)
- Compliance trigger reduces incentive to renovate or rebuild
Outline of Presentation

I. What is Gallatin SP zoning?
II. Potential effects of new zoning
III. Property Appraisal Comparisons
   • Gallatin Pike vs. Nolensville, Dickerson, & Lebanon
IV. Demographic Comparisons
   • Gallatin Pike vs. Hillsboro Village
V. Conclusions
I. What is Gallatin SP zoning?

- **Goals**: pedestrian friendly, economically viable, aesthetically pleasing
- **Area**: 3-mile stretch of Gallatin Pike
- **Building standards**: “new urbanism”
  - Move storefront to sidewalk
  - Parking in back
- **Excluded uses**: auto repair, auto sales, pawn shops, ...
- **Compliance “trigger”**: New construction or expansion
- **Enforcement**: judgment replaces simple rules
  - Increases uncertainty
Gallatin zoning chronology

- July 2007: Specific Plan (SP) zoning enacted on Gallatin Pike corridor
- 2008: Proposed SP zoning on Nolensville Pike and Charlotte Pike
- 2009: Nolensville SP suspended pending further investigation of effects of Gallatin SP zoning
II. Potential effects of Gallatin SP zoning

- If consumers do not want what zoning allows, then
  - fewer sales and less investment
- Other effects on investment
  - Is new urbanism more costly to build?
  - Enforcement uncertainty and delay
- Grandfathered incumbents face less competition
  - Potentially higher prices
- Compliance “trigger” reduces incentive to renovate or rebuild
  - >25% floor space
Does Gallatin zoning create mismatch between demand and supply?

- “Retailers follow the demographics of a neighborhood. In the case of Gallatin Pike, observers say no one in officialdom sought to see what types of space tenants might actually rent. That’s also not happening with the districts now being discussed.”

- “In addition to saying the zoning is too restrictive, developers and property owners say this is not a case of build it and they will come. As their argument goes, the zoning isn’t market-driven: On Gallatin Pike, the new zoning didn’t create a stampede of desired businesses didn’t clamor to replace the title pawn stores and other undesirables.”

City Paper “Chatter: Zoning won't turn every area into Hillsboro Village” 3/30/2009
III. Gallatin Appraisal Analysis: 2005 → 2009

- Planning Commission: Total value increased by 54.6%
- Falls to 38.2% if we exclude apt. building at 5th & Main.
  - Largely empty apartments (8 units sold out of 118)
- Exclude Wal-Mart (before 2007) and Home Depot (2008)
  - Traditional zoning: parking in front
- Most of Gallatin increase is due to increases in land value
  - Land value increased by 41.0%
  - Building value increased by 14.0% (~$7 million)
- Note that building valuation of exempt properties (churches, schools, etc..) increased 694.9%, indicating the building values were not assessed in 2005
Shortcomings of Appraisal Analysis

- Done every four years (2005, 2009)
  - Is it too soon to see an effect of 2007 zoning decisions on Gallatin Pike?
- Appraisals based on estimates, not market prices
  - Re-appraisals?
- Compared to what? (are these good benchmarks?)
  - 14% Gallatin assessed value of commercial buildings
    - Nolensville Pike – 0.01%
    - Dickerson Pike – 32.4%
    - Lebanon Pike – 12.4%
  - Should we be comparing similar businesses?
IV. Demographic Comparison

- Design of Hillsboro Village arose organically, and conforms to “new urbanism.”
  - Is Hillsboro a good model for other areas of the city?
  - Can we replicate it using zoning?
- Compare demographics of Hillsboro Village to that of Gallatin Pike and similar roads
  - 5 selected areas representing potentially “walkable” neighborhood
  - Boundaries of geometric areas correspond to main roads (interstates and highways)
Gallatin Pike: 10.07 square miles
Hillsboro Village: 4.05 square miles
Nolensville Pike: 3.92 square miles
Dickerson Pike: 6.80 Square Miles
Lebanon Pike: 2.65 Square Miles
Residential Population Comparison

- 2009 Total Population
- 2009 Household Population
- 2009 Family Population

ESRI BAO 2009 estimate
Population per square mile

- Dickerson Pike
- Lebanon Pike
- Nolensville Pike
- Hillsboro Village
- Gallatin Pike

2009 Total Population
2009 Household Population
2009 Family Population

ESRI BAO 2009 estimate
Income Comparison

2009 Per Capita Income
2009 Median Household Income
2009 Average Household Income

ESRI BAO 2009 estimate
Number of Businesses

Total Businesses

- Dickerson Pike
- Lebanon Pike
- Nolensville Pike
- Hillsboro Village
- Gallatin Pike

ESRI BAO 2009 estimate
Employee Population Comparison

Total Employees

[Bar chart showing the comparison of total employees for different locations: Dickerson Pike, Lebanon Pike, Nolensville Pike, Hillsboro Village, Gallatin Pike.]

ESRI BAO 2009 estimate
Sales Comparison

Total Sales

[Bar chart showing total sales for different locations: Dickerson Pike, Lebanon Pike, Nolensville Pike, Hillsboro Village, Gallatin Pike. Hillsboro Village has the highest total sales, followed by Lebanon Pike and Nolensville Pike.]

ESRI BAO 2009 estimate
Preliminary Conclusion: “how do we get there from here?”

- The demographic comparisons suggest a chicken-and-egg problem: “demand pull” vs. “supply push”
- If development is market driven, then supply follows demand
  - Then Gallatin SP zoning creates mismatch between (zoned) supply and demand and causes reduced sales, investment, tax revenue
- The alternate view, that SP zoning would create new demographics (higher density) to support the zoned uses seems unlikely because the compliance trigger reduces incentive of firms to renovate or rebuild
  - Consequently, change would take a long time. Meanwhile,
    - Grandfathered firms protected from competition; and
    - Mismatch between zoned supply and demand causes reduce sales, investment, tax revenue
- Next steps?