

Memorandum: Downtown 911 Center Return on Investment

To: Mayor Harold Copenhaver, City of Jonesboro, Arkansas

From: Matthew Lambert, Partner, DPZ CoDesign

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This memo provides a brief analysis analyzing the return on investment to the City for 3 future development scenarios of the properties 410 W. Washington and 314 & 316 W. Washington. The uses being considered - a 911 call center, a Children's Museum, and a mixed-use development all contribute in different ways. While much of Downtown is underdeveloped today, every acre offers an opportunity to enliven and inspire, producing significant and compounding revenue to support City services and activities, as well as reinvest in the Downtown and other areas of need.

To bring the most value to the City, investing in and enhancing Downtown will pay dividends over time, financially, for quality of life, and for the City's reputation. But the character of investment is very important. Investments should either:

- Bring more residents to the Downtown;
- Bring more visitors to the Downtown; or
- Enhance the Downtown environment, including plazas, pedestrian improvements, and activities.

Currently there are not enough people living in or visiting Downtown on a daily basis to support its retail, nor enough of a diversity of ages and active times of day. With more people, including different family compositions and levels of discretionary spending, more and various types and price points of Downtown businesses will be supported. In turn, that diversity of business then appeals to more residents of the greater community, growing vibrancy and tax base at the same time.

Secondary spending in the community is key. Considering a realistic mixed-use development of the site as well as a museum, both would bring between \$1.5M and \$2M of annual spending to area businesses. Not all spending would be Downtown initially, but more could be captured over time as businesses grow. Of that, the City itself (excluding State & County taxes) would benefit from \$30K to \$40K in annual sales tax revenue from resident or visitor spending. In addition, the small retail component of either redevelopment scenario would also generate sales tax revenue, likely another \$5K to \$10K to the City on top of the secondary spending.

There are some financial benefits to the 911 call center, but they are small, about \$280 per year in secondary sales tax to the City. The 911 call center provides other community benefits, a necessary service, but its location in Downtown does not contribute to the vibrancy of the Downtown environment, nor does it generate visitors or house residents, both of which contribute more to the Downtown economy.

Scenario estimates

I've put a few assumptions together for this estimate. It is a bit beyond the typical Urban3 analysis, especially with the museum, and we haven't yet modeled the City. I've instead run the comparison with some examples from Urban3 as well as research, showing my work so you can check my assumptions. Both scenarios use the general retail per square foot amount that is averaged from Urban3's recent work in Rogers - \$8.67 in total sales tax per square foot of retail use. Arkansas does not provide property-level detail for sales tax, despite the tax's importance to city budgets. Assumptions can be made based upon other states, but I have not included any downtown tax revenue increases compared to suburban commercial tax revenues that are typically seen across the country.

Overall it looks like both the mixed-use development and museum are good options. It's really based on the indirect spending in the surrounding area for both cases. Given the location, retail would be limited, which is where you make most of your revenue, and retail for the museum is also a small portion of the footprint. For-profit museums pay sales tax on tickets, and property tax, but non-profits only pay tax on cafe & gift shop sales. But in the overall community, it seems a museum with 100,000 visitors per year is equivalent to a 90-unit apartment building. The 911 call center unfortunately provides very little secondary financial benefit for the City.

For a 911 call center

- Spending in the community
 - 30 staff for the call center -> \$280 per year in city sales tax (excluding state & county tax) = about \$1,400.00 per year in total sales tax on \$142,350.00 spending using \$13 per day per employee, with 30 staff.
- Direct tax revenue
 - No revenue for the city based on either property or sales tax

911 call center assumptions:

The call center would maintain a staff of approximately 30 people, typical of similarly sized cities and current staffing. Staff spending is considered only as employees in Downtown, not also as residents. Staff as residents are equivalent to any other additional residential growth in the area, but the site does not provide additional residents on premise. A call center could be housed within a mixed-use development that includes housing, but this is not common because retail tenants and households provide higher rents and outcompete services like call centers.

For a development

- Spending in the community
 - 90 units in the mixed-use building -> \$37K per year in city sales tax (excluding state & county tax) = about \$185K per year in total sales tax on \$1.9M spending using \$30 per day per person, with 90 units, assuming many singles.
 - 60 units in the mixed-use building -> \$26K per year in city sales tax
- Direct tax revenue
 - \$14K per year in city sales tax on about \$70K total.
 - \$36K per year in property tax, \$8-9K for the City

Development assumptions:

I'd estimate you could get between 26 and 30 units per floor and up to 26,000 sq.ft. on ground floor space. Though the location isn't going to support that much commercial, so more likely corner-focused

retail and more ground floor dwelling units. So if it goes 4 stories, that's about 8,000 sq.ft. of retail and 90 units, and about 60 units at 3 stories.

For the children's museum

- Spending in the community
 - \$39K per year in city sales tax = about \$195K per year in total sales tax on \$2M spending using \$20 per day per visitor, with 100,000 visitors over the year (can vary).
- Direct tax revenue
 - \$4K per year in city sales tax -> tax revenue would be based on cafe & gift shop sales tax, so it's hard to estimate, maybe \$20K per year in on-site sales tax with 2,000 sq.ft. for these uses within the museum.
 - I'm assuming the museum is non-profit and would be tax exempt for ticket sales and property tax.

Museum assumptions:

The children's museum would be non-taxable so you don't have any direct tax benefit from tickets but you do for the cafe & gift shop. As for indirect benefit, we don't know, that's really more of an economist thing. Visitors spend \$15-30 per visitor for food, parking, and retail, so it depends on annual visitors ([here is a study](#)) from the Children's museum on Myrtle Beach). Basically they'd increase sales tax revenue in the downtown area and help retailers and restaurants. If there are 150 visitors per day, that's around \$3,500 in spending per day.

Recommendation

Notwithstanding the convenience for staff, a call center can be located just about anywhere. Downtown has a lot of potential but needs a lot of support. That should come from new residents, attractions for visitors, and new businesses. Employment is also important, especially for daytime sales, but high-density employment compliments downtowns, not low scale. The City certainly has other locations that would be best suited for a call center. Focus Downtown on concentrating and scaling activity - on the street. People walking, driving in, enjoying public spaces. This is critical; Urban3 has proven that across the country, downtowns are, were, and can be the financial powerhouse of a city, exceeding even high sales tax generating power centers. Most cities adopted policies and positions, nationally promoted, prohibiting downtown success. Some have learned, and from my brief time in Jonesboro, I see new development in Downtown has turned the page. Every acre in Downtown is precious and should contribute to its vibrancy, which is its success, which is the City's success.

As always I am available for any questions or further considerations or analysis.

Sincerely,

Matthew Lambert
Partner, DPZ CoDesign