

Redeveloping Downtown Killeen

Prepared by the Greater Killeen Chamber of Commerce & 14 Forward Foundation

In a previous report, the important notion of establishing an Innovation District to support a Research Park was discussed. The combination could provide the spark that ignites the region's investment in education and talent development to result in economic prosperity for the future. This report is a supplement to the companion report on An Innovation District in Killeen.

The Brookings Report, "The Rise of Innovation Districts: A New Geography of Innovation in America," explains that there are three categories of economic assets required for a successful Innovation District: **Innovation Drivers**, **Innovation Cultivators** and **Neighborhood-Building Amenities**.

The report states that, "Neighborhood-Building Amenities provide important support services to residents and workers in the district. This ranges from medical offices to grocery stores, restaurants, coffee bars, small hotels and local retail (such as bookstores, clothing stores and sport shops)."

In most communities with an Innovation District, this unique character can be found in their downtown. Downtowns typically have the unique history, layout, public spaces and business mix where innovation thrives. This makes them a natural location for companies and individuals to converge and think creatively.

Downtown Killeen is no different. For many reasons, it should be a natural location where innovation can thrive as it does in other communities.

Problem Identification

There is a long history of failed attempts to revitalize downtown Killeen, whether due to market conditions, mismanagement, lack of funds or disinterest. This has created an attitude of apathy towards the region - a sense that the venture is not worth the time and effort.

When viewed from the perspective of a knowledge-based economy, this is not the case. The City of Killeen, the chamber and a growing segment of the local community should invest to undertake this task. Knowledge workers see downtown as an opportunity for more authentic dining, shopping and entertainment. These residents crave access to unique venues and spaces they can congregate that are not big-box chains. Indeed, they are leaving this community to have these experiences in neighboring communities.

Failure to create a downtown environment where new businesses can thrive and residents feel safe will result in continual loss of revenue, lack of confidence by area residents, and perpetuate negative opinions about downtown and the city.

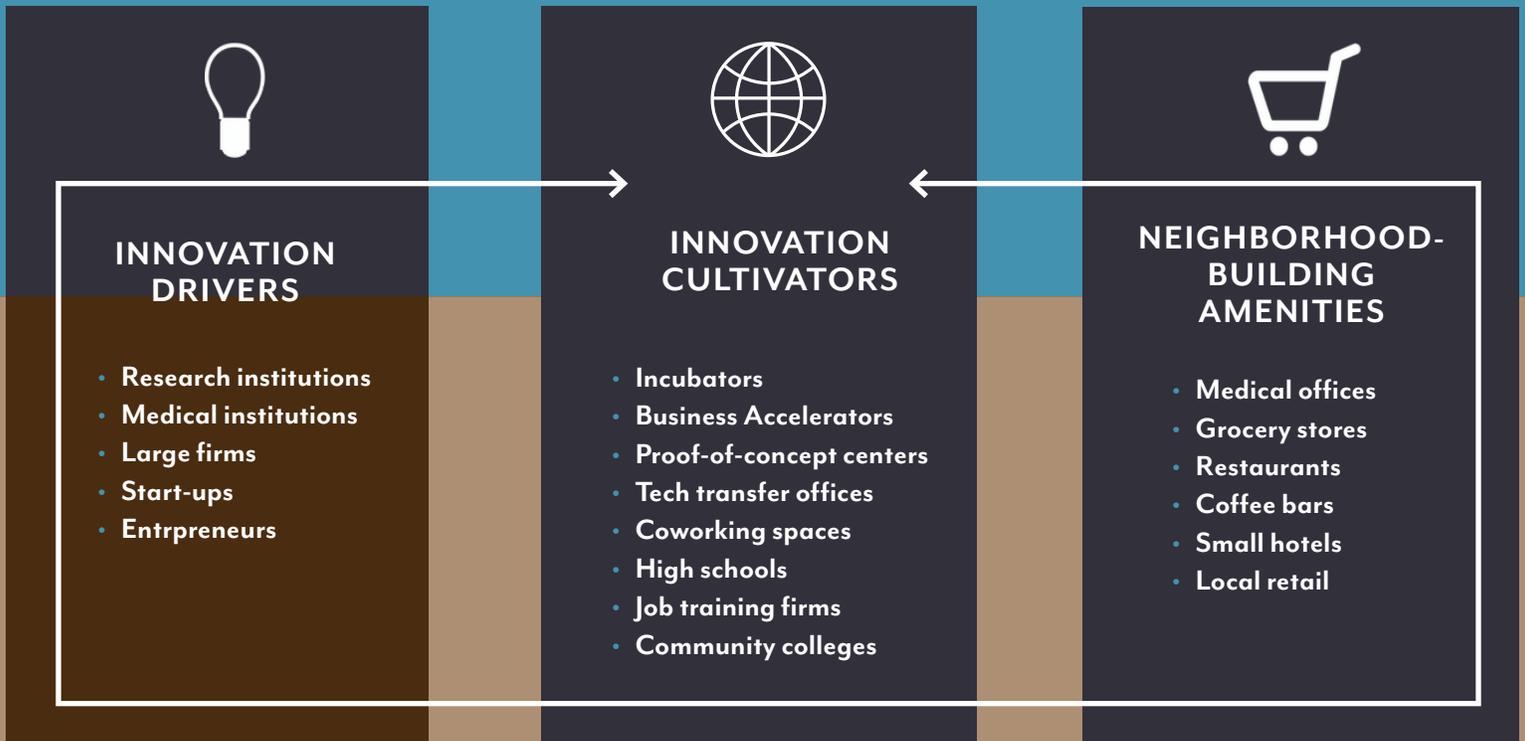
Buildings

Downtown can offer a source of unique, reasonably priced office/work space.

Killeen's downtown buildings traditionally range in size from 1,000-2,000 square feet and are ideal for scaling a company to 10-15 employees. As density is a standard measure of connectivity, the historic downtown with its tight grid pattern is an ideal place for interactions to occur among businesses and entrepreneurs more so than anywhere else in the City.

Despite this ideal layout, Downtown Killeen experiences a high vacancy rate. Of the approximately 180 structures (consisting of around 1,045,700 square feet), about 97 structures (53.9%) are vacant. Buildings used as storage were not included in the vacancy totals; otherwise the rate would have easily approached 70%. The 53.9% vacancy rate represents nearly 400,000 square feet of unproductive space. Consequently, active properties in the district lease for \$0.40-\$0.50 cents per square foot.

ELEMENTS OF AN INNOVATION DISTRICT:



An Innovation District is a designated zone where public and private interests collaborate to attract existing businesses, entrepreneurs and business startups. Successful districts are densely packed, offer mixed-use space (commercial and residential), and have access to reliable broadband.

As with many vacant structures, maintenance and repairs have been deferred for years. Vacancy, irrespective of its exterior condition, causes further blight and property degradation. Vacant properties are often offered to nonprofits by their owners for the tax benefits. Often, these nonprofits do not possess the financial means to effectively repair the property. Of the 24 churches located in the historic district, more than 50% are vacant or abandoned.

Vacant buildings in downtown cost money. Economist Donovan Rypkema of Place Economics has estimated the loss of a retailer with \$300,000 in gross annual sales will cost the local municipality \$222,000 in property value, taxes, banking fees, insurance, maintenance, supplies, vendor services, etc. Consequently, the 97 vacant buildings cost the local economy approximately \$21,534,000 (97 x \$222,000) in annual revenue.

Moreover, in many situations, the postponed maintenance of vacant structures culminates in roofing systems failure, compromising building integrity and public safety. It is difficult for municipalities to legally make uninsured or absentee property owners accountable for the removal of dangerous and/or open and accessible conditions. Therefore, it is conceivable that the City of Killeen may inherit demolition expenses as well as the loss of future tax revenue because of prolonged property vacancy.

Existing buildings in downtown Killeen could easily become a strategic asset to the Innovation District.

Property Owner Cooperation

Vacant properties are a public safety hazard, do not generate revenue for the property owners or the city and they are an eyesore. It is essential that property owners take responsibility for maintaining and filling these buildings to avoid these issues.

Incentives should be provided to owners who maintain their buildings and lease their property, ideally to companies in the target industries for the Research Park. Many of these companies will be local. Some may come from the Austin area where they are being priced out of the market.

Properly marketed, the local talent pipeline, network of resources and affordable property inventory will make this an ideal place to relocate.

To reduce the vacancy rate and find viable tenants for the Innovation District, several Downtown property owners have agreed to participate in a pilot program. The objective of the program is to attract tenants by offering reduced rents for a specified period of time. Property owners asked to participate in the program will be selected for their location, size, condition, connectivity and long-term investment approach.

Public Partnerships

While the private sector will play an integral role in filling vacant buildings downtown, the public sector must also do its part. The City of Killeen has previously invested in streetscaping, banners and wayfinding signs to improve navigation and beautify downtown. They have also started a weekly Farmer's Market to offer shoppers a variety of goods ranging from fresh produce to handmade crafts. This will help drive traffic to downtown and offer area residents a unique shopping experience. More should be done.

Work is also underway at the city to develop guidelines that property owners must follow to maintain their properties. The city has developed incentive programs to assist with façade and infrastructure improvements. City staff is reviewing zoning ordinances to encourage more mixed-use development downtown. Special zoning ordinances could also be considered throughout the Innovation District.

The Façade Improvement Program could be repurposed to help property-owners address International Building Code violations, including ADA requirements, electrical and mechanical systems, plumbing, water and sewer connections, roof maintenance and repairs. To participate in this program, downtown property owners would need to bring the exterior condition of their buildings into compliance with the standards set by the Façade Improvement Program.

HISTORIC DOWNTOWN KILLEEN:



Downtown Killeen's newest mural by Joe Perez III, on the side of Balfour's Men's Wear (318 N. Gray St.)



Downtown Farmer's Market, Gray & 8th St.



Greater Killeen Chamber of Commerce in the historic Santa Fe train depot (1 Santa Fe Plaza)

To accelerate renovation activities, First National Bank Texas has agreed to provide bridge loans to tenant ready property owners for the city's portion of the project. Upon project completion, First National Bank Texas will release payment to cover 50% of the cost up to \$10,000. Bank participation will minimize the burden of property owners to carry the entire project cost. Alleviating property owners of this unnecessary financial burden will increase program participation, speed investment within the district and ensure that property owners fully renovate their buildings.

In addition, the City of Killeen could offer five-year tax abatements to owners who invest 130% of the appraised value in their property. To participate, property-owners would need to have a lease in hand, with a minimum term of three years at the pre-construction market rate. After the initial term, the lease rate would be the median rate as determined by the independent opinions of three commercial realtors.

Additional Action Steps

To implement a vision for downtown and to fully realize the benefits of an Innovation District, the following additional activities should be considered.

- The establishment of a Land Bank.
- The establishment of a public arts program.
- A vacant property registration ordinance should be enacted.
- A plan to improve ingress and egress in downtown should be developed.
- Connectivity with Fort Hood via the East Gate should be improved.

The importance of a vibrant downtown to the economic future of the community cannot be over emphasized. There is much work to do. It will require many participants acting collaboratively. The payback will far exceed the cost.

For more information, contact the 14 Forward Foundation, killeenchamber.com/forward or 254.526.9551.

