

Mesa Riverview teaches lessons as economy rebounds

by Southeast Valley editorial board - May. 11, 2010

"Time makes more converts than reason."

- Thomas Paine

Five years ago next Monday, voters agreed to offer a developer millions of dollars to build the Mesa Riverview shopping center, a proposition *The Republic* supported.

It was the last and most controversial in a series of lucrative incentives packages that Southeast Valley officials said we couldn't do without, lest we risk losing sales-tax revenue, the lifeblood of municipal budgets.

After years of recession, we've learned the hard way that we're entirely too reliant on sales tax, one of the least stable forms of revenue, and the sprawling retail centers that provide it. It's time to acknowledge the error of our ways.

Many of us thought when the economy was booming that cities would be at a competitive disadvantage with their neighbors if they couldn't snag ever-more elaborate retail projects.

That was the argument for Riverview. A campaign flier predicted the shopping center would produce \$170 million in sales tax revenue over 30 years - or roughly \$5.7 million annually, enough to add 95 police officers or 102 firefighters each year.

That has not been the case. The shopping center has generated \$10 million in sales tax since it opened in mid-2006, but after rebates to the developer, only \$6.8 million has made it to city coffers, an average of \$1.7 million annually.

Collections are understandably lower than expected because the shopping center was only open for a few months before the economy tanked. Many other projects have failed to live up to expectations because of the recession.

To its credit, Riverview has produced \$6.8 million for Mesa that wouldn't otherwise be there. That's the argument *The Republic* used in 2005 when recommending voters approve the incentives package.

But critics were right when they said that Riverview would cannibalize retail from the struggling Fiesta

Mall area, decreasing sales even more there. Riverview's chain stores also are competing with similar ones at the Tempe Marketplace shopping center a mile west.

Both shopping centers were built and leased quickly, dispelling the worst-case scenario in an economic-impact report that one center could sit vacant for years until market demand caught up. It remains to be seen whether both will generate as much cash as predicted in the long term.

Proponents point out that Riverview is a much larger project than Marketplace and includes an office park that has yet to open. But Riverview's design also may be holding it back.

The shopping center was promised to be pedestrian-friendly and inviting, something available nowhere else in Mesa. It's not. The buildings are attractive but placed at awkward angles, and the theater district, envisioned to be the project's community center, is all but impossible to find on foot.

As the economy rebounds, it may be tempting for cities to one-up each other for revenue. But let's not forget Riverview's most important lesson: Retail is no panacea. Lobbied incentives to build shopping centers - which no matter how much we subsidize them, can only be successful if there are enough customers to support them - does nothing but make developers rich.