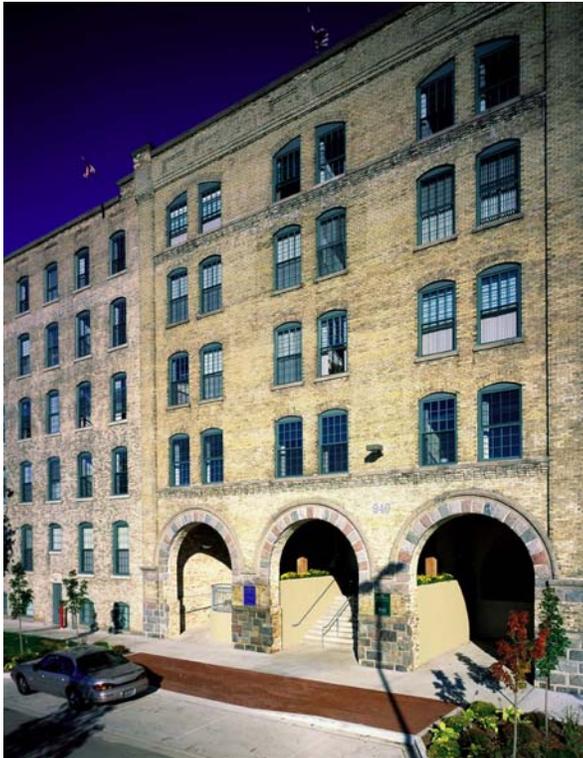


Economic Development Case Studies



National Association of REALTORS®
Government Affairs
February 2005

Economic Development Case Studies

Summary

This series of case studies examines seven redevelopment projects across the country that have served as catalytic projects for urban revitalization in their communities.

Methodology

Research for this project began with the consultant sending out a call for case study subjects to colleagues in the field of smart growth. A short list of projects was then measured against a list of criteria (listed below) to make the final choices. The consultant conducted a series of phone interviews with developers and designers involved with each project and these interviewees are noted in each case study. Published articles that covered the developments that were studied were also consulted and are noted at the conclusion of each case study. However, most information came directly from transcripts of the phone interviews.

Criteria for inclusion

Criteria were developed by NAR to insure the relevance of the case studies to a wide range of communities in the United States. The following qualifiers were used to identify potential case studies:

- Project must be substantially (80%) built
- Project must be located in an urban setting
- Project must contain a residential component
- Project preferably included a reputable public involvement process
- Project preferably is accessible to convenient public transportation options
- Project is not a HUD Hope VI project
- Project is not in one of the ten most populous cities (New York, Los Angeles, Chicago, Houston, Philadelphia, Phoenix, San Diego, Dallas, San Antonio, Detroit), nor in a city that has an extremely strong real estate market (Washington, San Francisco, Las Vegas)

Lessons learned

The projects examined in these case studies have transformed urban areas once known for high crime rates, underutilized and run-down buildings, and industrial warehouses. All the projects could now be classified as bellwether developments in their respective neighborhoods as each has revitalized the community in which it is situated.

During the course of the research, it was found that every project that met the above qualifications faced more or less the same challenge: finding financing in an unproven market. Each developer or development corporation for each project utilized tax incentives. **The most frequently used incentives were the Federal Low-Income Housing Tax Credit and the Federal Historic Rehabilitation Investment Tax Credit.** Also used by these projects were state historic preservation tax credits, local tax abatements, local tax increment

financing tax credits, and HUD grants. Nearly every person interviewed for this project stressed the importance of more financial incentives specifically targeted toward the reuse of existing buildings as the best way to make urban infill projects viable.

Project: Robertson Apartments, South Bend, Indiana



Program:

Size: 90,000 sq. ft.
Retail/commercial: 10,000 sq. ft. Includes a restaurant, office of a local nonprofit, and an art gallery and office for the Notre Dame Architecture Department
Residential: 92 units total. Studio, 1- and 2-bedroom apartments.
Housing price mix: Affordable units: \$375-500/month. Market rate: \$750-900/month.
Percentage of affordable units: 87%
Percentage of market rate units: 13%

Financing:

Major sources of funding: Federal Low Income Housing Tax Credit Program, Wells Fargo, Key Bank, National City
Number of construction jobs created: Approximately 75
Number of permanent jobs created: 23 (now employed at the property management offices, restaurant, nonprofit and Notre Dame offices)
Role of public money: City gave the property to the South Bend Heritage Foundation (nonprofit development agency), secured the outside of the building, and completed some façade work. Low Income Housing Tax Credit Program. 10-year local tax abatement program.
Construction cost: 9 million dollars

History of the area:

What is now the Robertson Apartments building was once Robertson's, a classic, full-service department store. Located in the heart of South Bend and taking up more than half a city block, it fell on hard times during the 1970s and was purchased by the City of South Bend in the early 1980s. The City winterized the building and it remained underutilized for around sixteen years. The empty department store had a very negative psychological effect on the entire downtown area that had struggled economically since the time of the store's closing.

Project description:

The City was anxious for the area to be redeveloped – and several parties had attempted to develop the building – but prior to the South Bend Heritage Foundation, none could find an economically feasible plan. When the South Bend Heritage Foundation (SBHF) initiated the project they were met with immediate cooperation from the City. The SBHF saw the need for a downtown revitalization project in South Bend and realized that getting people to live there would be a good first step. They were the first to discover a viable adaptive reuse for the building, affordable and market rate housing for senior citizens with commercial uses on the ground floor.

The Robertson Apartment building now houses 92 units with a variety of affordable and market rate options. Though mainly intended for senior citizens, the market rate apartments are available to those under the age of 55 provided they do not have any young children. A total of 90% of the building must be rented to seniors. The apartments serve mainly seniors as well as professionals who work downtown. The ground floor of the building includes 10,000 sq. ft. of commercial space including a sandwich shop, offices affiliated with the Notre Dame Architecture Department, a Notre Dame-affiliated art gallery, and the office of a local nonprofit, Downtown South Bend. There is a secure, attached parking garage next door as well as bus and trolley lines nearby.

South Bend's strategic plan made downtown revitalization a priority and the Robertson Apartments were at the vanguard of this type of redevelopment. It was one of the first significant downtown revitalization projects in South Bend and has served as a catalyst for other adaptive reuse projects downtown. In an area once full of boarded-up buildings, there are now a number of other projects in the surrounding area that have been renovated. Shortly after the Robertson Apartments were completed, a theater across the street was renovated which in turn attracted new restaurants and cafes to the area.

The public was involved in the project in City Council and Planning Commission meetings. It was an "easy sell" because everyone, the City, members of the community, local business owners, etc, was very excited about it. Even the financing was established fairly quickly. The SBHF found an "enormous amount of cooperation" in the community.

Challenges:

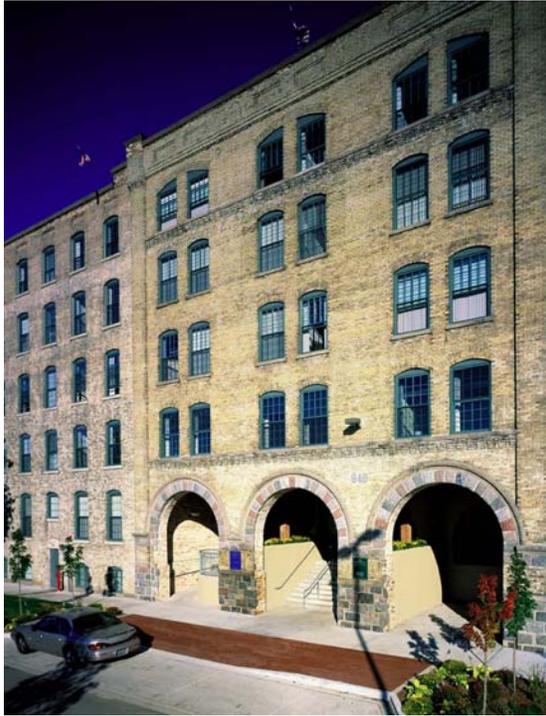
Making an adaptive reuse building affordable as well as attractive is very difficult. It would not have been possible without the Federal Low Income Housing Credit.

Tools to encourage projects like the Robertson Apartments:

- Projects that meet a strategic downtown revitalization plan should be given a higher priority in the awarding of tax credits.
- A higher priority should be given to mixed-use and mixed-income projects.
- Less emphasis should be placed on greenfields development

Information gathered from interviews with Jeff Gibney, Executive Director of the South Bend Heritage Foundation

Project: Berkey and Gay Building, Grand Rapids, Michigan



Program:

Size: 375,000 sq. ft. plus 450-space parking ramp
Retail/commercial: 100,000 sq. ft. (restaurant, coffee shop, three law firms, salon, offices)
Residential: 275,000 sq. ft. 242 units total: 22 efficiencies, 72 1-bedrooms, and 148 2-bedrooms
Other: Classrooms for the Grand Rapids Medical Education Research Consortium
Housing price mix: \$650-\$1,500/month
Percentage of affordable units: All are market rate, but most are considered affordable for the area
Percentage of market rate units: 100%

Financing:

Major sources of funding: Individual equity contributions, Fifth Third and National City banks
Number of construction jobs created: Approximately 150
Number of permanent jobs created: Approximately 90 (restaurant employees and leasing personnel)
Role of public money: Federal and state historical tax credits, Tax Increment Financing Authority credits from the City of Grand Rapids
Construction cost: 35 million dollars

History of the area:

The Berkey and Gay Furniture Company was the largest domestic furniture factory in Grand Rapids until the 1960s. In the 1960s it was shut down and remained empty for about 30 years. Located in a district full of industrial warehouses and underutilized buildings, squatters eventually moved in, contributing to the negative perception of the area that challenged developers.

Process:

The project used the conventional public process prescribed by city ordinances, consisting largely of public hearings. The owners of the neighboring properties (all of which were non-residential) were not directly involved with the project planning, but they were supportive of the proposed plan.

Project description:

Today, the Berkey and Gay building is a successful, mixed-use residential and commercial development that has played a large role in the revitalization of downtown Grand Rapids. It contains 242 residential units, a restaurant, coffee shop, classrooms for a local medical research consortium, three law firms, a beauty salon, and a number of other offices. The residential units house a wide variety of people, from empty nesters from the suburbs to students. Tenants are allowed to have pets, which has the added benefit of putting people onto the streets walking and playing with their dogs etc; this in turn makes the area safer. In addition to the parking available for the residents, the project is also located on a bus line.

The Berkey and Gay building established a successful market for housing in the downtown area and inspired the revitalization of the North Monroe neighborhood. Its successful redevelopment proved to the investment sector that the downtown area was a good place to invest. At least an additional hundred housing units, offices, restaurants, and entertainment venues have been built or planned in the wake of the successful redevelopment of the Berkey and Gay building.

Challenges:

The major challenge to this project was the fact that building housing in downtown Grand Rapids was not proven. The developer was assuming that the finished project would attract tenants, but investors had to be convinced. The developer was proven right when the entire building leased up quickly. Demand for housing downtown was apparent immediately.

Tools to encourage projects like the Berkey and Gay Building:

- Financial incentives specifically targeted toward the reuse of existing buildings
- Making more rehabilitation credits (e.g. historical) available

Information gathered from interviews with Rick Chapla, Vice President, The Right Place and Randy Zandbergen, Chief Financial Officer, Pioneer Construction.

Project: Crawford Square, Pittsburgh, Pennsylvania



Program:

Size: 18.5 acres

Retail/commercial: None

Residential: Garden stack and townhouse units, 1-, 2-, and 3-bedrooms

Housing price mix: ranges from \$350 – \$1,190/month

Percentage of affordable units: Approximately 50% of all unit types are affordable. Affordable units have rents based on 50% or 60% of the HUD table of median income levels. Rents are set at 33% of the 50% or 60% as determined by metropolitan area income levels.

Percentage of market rate units: 50%

Financing:

Major sources of funding: Sun America Affordable Housing Partners, Urban Redevelopment Authority of Pittsburgh, Pennsylvania Housing Finance Agency (HOME), Local leader consortium, Department of Community Affairs, Local Foundations

Number of construction jobs created: N/A

Number of permanent jobs created: 10, multifamily housing management and maintenance

Role of public money: Federal low income housing tax credits, HOME Funds

History of the area:

Located in uptown Pittsburgh, immediately adjacent to downtown, the Lower Hill district once was home to a vibrant community. However, in the 1960s and 1970s, the area was severed from downtown by highway construction and downtown redevelopment. Urban renewal progressed to uptown, but the community organized to halt any further downtown incursions at Crawford Street.

In the 1970s and 1980s several residential plans were considered, but never approved because they were not financially feasible. By the 1990s, the area was considered to be the most dangerous part of the city.

In the late 1980s and early 1990s, the Urban Redevelopment Authority (URA), the owner of most of the land in what would become Crawford Square, contracted with McCormack Baron, a developer in St. Louis with a reputation for successfully transforming similar urban sites.

The goal that they later developed with members of the community was to develop a mixed-income neighborhood with the image of a market rate development in which there was no distinction between subsidized and market rate units.

Process:

In the early stages of the pre-development phase there was considerable community resistance. According to McCormack Baron, "Some members of the community were concerned that the project would exclude minorities and low-income residents, while others were concerned that the development might provide housing exclusively for low-income residents."

The Hill Cooperative Development Corporation (HCDC) and the Hill residents were engaged in the planning stages and invited to biweekly meetings in the pre-development phase to ease community concerns and they eventually endorsed the development.

There was a series of working sessions with the leadership group. Additionally, there was a series of meetings and workshops to gauge the needs of the members of the community, their goals, and what they wanted to achieve. The bottom line, which emerged after several of these meetings, was that the residents wanted a neighborhood and not a project. They wanted brick facades and residences that looked like traditional housing. They also expressed a need for connections to the rest of the city that would require a change in the street pattern.

Project description:

Today, Crawford Square is a successful residential development that once again is a vital and healthy part of the city. Although the local real estate community never believed that anyone would want to live there, it has proven to be a complete success. Because the project is held in high regard, it has set a new precedent for the city and it also received the attention of the Department of Housing and Urban Development (HUD), which in turn had an impact on how they fund Hope VI projects.

Crawford Square has proven to be a catalyst for a revitalization of the commercial district on nearby Center Street as well as Bedford Square, another mixed-income residential neighborhood.

It has greatly improved the housing options in the lower hill district, increased occupancy viability, and lowered the crime rate. Housing values have increased and the residential development has led to spin-off commercial developments. It has stimulated business start-ups, including a grocery store. The development has also provided housing opportunities for people born and raised in the hill district.

Challenges:

Partly because it is steeply sloping, Crawford Square was a difficult site. The preparation costs were high. As part of an old and run-down neighborhood, the basic water/sewer lines had to be repaired. Therefore, the redevelopment costs were substantial. As noted, there was also considerable community resistance to the project in the pre-development stages.

Tools to encourage projects like Crawford Square:

- Organizations like the Urban Redevelopment Authority that have the ability to assemble properties and facilitate their development through financing assistance
- Local lender consortia comprised of banks and businesses that make low interest money available
- Federal low income housing tax credits
- Working collaboratively with the community and local leadership groups

Information gathered from interviews with Ray Gindroz (Principal, Urban Design Associates) and information submitted by McCormack Baron (Developer) as well as:

Jones, Tom, et. al. *Good Neighbors: Affordable Family Housing*. McGraw-Hill New York 1995. pp. 168-171.

Project: The Alice Building, Providence, Rhode Island



Program:

Retail/commercial: 5,000 sq. ft. (3,000 is now a café, the remainder of the space is an art gallery and a specialty bookstore)
Residential: 38 units, ranging from 820 – 2,500 sq. ft.
Housing price mix: Ranges from \$940 – \$2,100/month
Percentage of affordable units: Officially, zero, but a handful (5 or less) of the units rent for under \$1,000/month (which more or less meets affordability criteria in the area)
Percentage of market rate units: 100%

Financing:

Major sources of financing: Conventional bank financing, bridge loans from a local historical foundation, federal and state historic tax credits
Number of construction jobs created: 100-200
Number of permanent jobs created: 15 retail and property management
Role of public money: The Alice Building is a private venture, but the developer negotiated a tax treaty with Providence, where the taxes were set in 1998 and then ramped up 10% each year over ten years. Then the total for the ten years was divided equally over the ten years such that there was a level payment for each year.

History:

By the early 1990s, downtown Providence had lost its vitality and like many Northeastern cities, it was suffering from an economic depression. There were virtually no residential units in the downtown area, the once-great department stores were closed, banks had moved out, and there was nothing downtown except for government offices and services. It was not an attractive place for people to live or visit. However, to its great advantage, Providence had retained most of its historic building stock.

Process:

In 1992, civic-minded business leaders, in collaboration with the City, hosted a seven-day charrette to create a vision for the historic downtown core of Providence known as Downcity. A charrette is a holistic and collaborative planning process that revolves around a series of feedback loops with all community stakeholders and the design team. During a charrette all relevant stakeholders, including elected officials, community leaders, the developer, architects, and others participate in a transparent and open process with the design team to create a win/win plan for all involved. Before the 1992 charrette, Providence was losing its residents to nearby urban centers such as Boston and New York as the city became more run-down. The charrette served as a catalyst for downtown redevelopment. National experts created a comprehensive vision and strategy for Downcity redevelopment including recommendations on transportation, parking, urban design, and market economics. The seven-day charrette process was met with enthusiastic public involvement, and extensive publicity from local media. Daily public meetings focused on different components of the plan, from housing to financing to historic preservation of existing buildings. The charrette mobilized the community, including business owners, elected officials, neighborhood residents, and community leaders, to implement redevelopment efforts.

The City adopted the findings of the charrette, which included a reclassification of streets and served as the model for a total rezoning of the downtown based on the charrette regulating plan. The combination of the public support, combined with positive media coverage, gave the developers the confidence they needed to invest in their Downcity properties

Project description:

One of the buildings that was renovated in the wake of the charrette is the Alice Building. When purchased by the developers (Cornish LP), it was 97% vacant, as were most buildings in the area, and it had begun to fall into structural repair. Cornish saw a dual opportunity in the aftermath of the Downcity charrette: not only was this an opportunity to create a successful mixed-use development in the Downcity area, but also they felt that as developers, they should give back to the community. They believed that building new residential units above the area would create enough of an economic engine to support the businesses on the ground floor. They also believed that it would create an incentive for other building owners in the area to renovate their buildings. Cornish constructed a

new stair tower and elevator core and renovated the building into loft style apartments, using the existing elements as much as possible. These elements can be seen in the walls, entrances and corridors, and the wooden floors. Cornish anticipated that tenancy would consist of graduate students and people working downtown, but that has proven to represent only a narrow cross section of the people who would come to live in the Alice Building. Today, the tenants consist of not only graduate students and "staircase commuters," but also people who work from their homes and elderly couples who have primary homes outside of Providence who come into the city for the theater or other entertainment. To aid these commuters, there is a transit hub one block away.

The renovation of the Alice Building has resulted in job growth, increased valuations of buildings throughout the area and has generated demand for new retail space. It has proven that it is economically viable to renovate older, historically significant, vacant properties into mixed-use buildings.

The Alice Building was one of many projects, both public and private, that came about in the wake of the 1992 charrette. The charrette afforded the area a new vision and the means to carry it out. Providence has gone through a downtown renaissance in only ten years. What once was an underutilized and uninviting area now serves as an attractive urban core with neighborhood services, jobs, housing, as well as regional entertainment and cultural amenities.

Challenges:

Early in the process, it was difficult to obtain appropriate appraisals. Cornish had to invent creative finance mechanisms because there were no comparable projects for the banks to examine.

Tools to encourage projects like the Alice Building:

- State and federal historic tax credit programs (tax credits for renovating and restoring historic buildings)
- Selling federal credits creates a source of funds making projects like this viable

Information gathered from interviews with Douglas Storrs (Developer, Cornish LP) and Scott Baker (Project Manager, Duany Plater-Zyberk and Co.)

Project: Ballpark District, Memphis, Tennessee



“The ballpark, business, and entertainment districts are all interconnected and work hand in hand to increase the value of the housing units nearby. The ballpark is a class A facility and it is one of the most enjoyable amenities in town. It fits in well with the neighborhood and has added value to the neighborhood.”

- Tom Davis

VP Director of Sales

Henry Turley Realtors

Program:

Size: 20 acres

Retail/commercial: 683,000 sq. ft. commercial, 200,000 square ft. class 'A' office rehabilitation

Residential: 385 units: 79 efficiencies, 24 lofts, 145 1-bedrooms, 130 2-bedrooms, 7 3-bedrooms

Other: Public elementary school

Housing price mix: Varies greatly

Percentage of affordable units: There are no publicly financed or subsidized units in the project. There are smaller studio units to provide a more affordable threshold for residents.

Percentage of market rate units: 100%

Financing:

Major sources of funding: Parkway Properties, Inc., Echelon

Number of construction jobs created: Thousands over a five-year period

Number of permanent jobs created: Estimated 480 including property management staff, Storage USA headquarters, other Toyota Center office building tenants

Role of public money: \$8.5 million City and County financing for land purchase, Center City Revenue Corporation 25-year property tax freeze, Federal Historic Rehabilitation Income Tax Credit

Construction cost: \$48,802,920

History of the area:

By the early 1990s, the area that is now the ballpark district was home mainly to abandoned buildings, adult movie theaters, and surface parking lots. Downtown was held in such low regard that many people who had moved to the suburbs as part of the white flight in the 1960s had not visited the city. In 1996, Dean and Kristi Jernigan decided to build a park for their recently-purchased AAA baseball franchise, the Memphis Redbirds, and to put it downtown instead of in the suburbs. Baltimore's Camden Yards particularly inspired them. After establishing a nonprofit organization to run the new team, the Jernigans began getting options on land downtown and then approached the City and County. Although the project up to this point was still solely concerned with baseball, it quickly turned into an urban revitalization project.

Process:

The project used the conventional public process prescribed by city ordinances, consisting largely of public hearings. The Center City Commission (who approve the design of new developments in Memphis's downtown core) were involved with the selection of the design firms. The public at large was not involved directly during the design phase of the project. However, when the plan called for the removal of one "debatably historic" building, public hearings were held. Each project also had to gain final approval from the Center City Commission design board, and the Toyota Center, a building distinct from the ballpark, had to gain approval from the U.S. Park Service and the local landmarks commission.

Project description:

Today, the ballpark district is famous for the revitalization that it spearheaded in Memphis's urban core. The ballpark succeeded not only in introducing a successful new development into the downtown area, but it changed residents' perceptions. People began to react much more positively toward mixed-use development. It changed people's attitudes about downtown and brought people back into Memphis's core that had not visited for twenty years. There was a generation that had grown up outside of the urban core, who had never planned on returning to the downtown area, who were now visiting it for the first time to attend a baseball game. In addition, the ballpark has become a social core of downtown even for people who have no interest in baseball.

The ballpark district acted as a catalyst for further infill and renovation downtown, including the Peabody Place entertainment and retail center, the downtown riverfront master plan, and the development of a \$250 million downtown arena for Memphis's new NBA team.

What once was an area inhabited solely by adult theaters, surface parking lots, and empty buildings is now a teeming mixed-use neighborhood, community gathering place, and home to a myriad of new businesses, including the headquarters of Storage USA and the Memphis Redbirds.

Challenges:

The challenges to this project were numerous. One of the most significant factors was the public's skepticism about the project. Because the project broke ground before the financing was finalized, the project stood still, leaving a muddy hole in the middle of Memphis for a year. When local radio stations sponsored "Fill in the Hole" contests, public skepticism only worsened. The nonprofit status of the baseball team brought tax questions, and the financing took quite a while to secure.

Tools to encourage projects like the Ballpark District:

- Quick response mitigation for environmental issues so that a project is not stopped or bogged down
- Financial incentives to help with "underground" costs such as fiber optic lines, sewage, and storm drainage
- City and county financing for land purchases
- Private tax-exempt bonds
- Cities that acquire and make land available – the ability to use eminent domain for mixed-use revitalization projects.
- Anything that can be done to lower the initial development costs
- Creating incentives to develop infill instead of greenfields
- Minimizing risks of the developer and homebuyer

Information gathered from interviews with Frank Ricks (Principal, Looney Ricks Kiss), Tom Davis (VP Director of Sales, Henry Turley Realtors) and information supplied by LRK.

Project: Winchester Greens, Chesterfield County, Virginia



Program:

Size: 80 acres

Retail/commercial: 3,500 sq. ft. leasing office, 3,000 sq. ft. bank

Residential: 222 two- and three-bedroom townhouse apartments, 12 two- and three-bedroom garden apartments, and 105 senior housing apartments

Other: 13,400 sq. ft. childcare center (serves up to 140 children). 3,000 sq. ft. neighborhood center

Housing price mix: Townhouses are between \$665-\$765/month. Market Square (the senior housing) apartments are between \$425-\$525.

Percentage of affordable units: 25% Section 8 voucher holders. The senior housing in Market Square is available only to people whose income is no more than \$25,000/year. The average income of the residents is \$15,000/year.

Percentage of market rate units: 75%

Financing:

Major sources of funding: US Dept. of Housing and Urban Development, Chesterfield County Community Development Block Grant Office, Jackson Foundation, Dain Rauscher Incorporated, Wachovia Bank, Local Initiatives Support Corporation

Number of construction jobs created: +/- 500

Number of permanent jobs created: 36 (with 25 more on the way before 2007)

Role of public money: HUD grant, federal low income housing tax credits, Community Block Grant (from Chesterfield County)

Construction cost: \$32 million

History of the area:

What has become Winchester Greens was once a privately owned, HUD-financed development named "Park Lee Apartments." There were over 400 units, half of which were occupied. The average yearly income of the residents at the time was \$6,000 and the crime rate was very high. HUD foreclosed on the mortgage due to the owner's failure to pay the loan payment. The residents had heard about the Better Housing Coalition (BHC) and approached them with fears that they were going to be evicted. BHC then entered into negotiations with HUD with the goal of redeveloping the property. The goals of the redevelopment project were to preserve affordable housing and to revitalize and improve the community. To this end, the existing residents, BHC, HUD, and Chesterfield County partnered to begin designing what is now Winchester Greens. BHC acquired the property in late 1996. BHC applied for and received a 13.5 million dollar grant to redevelop the neighborhood. The first townhouses opened in April 1999.

Process:

The residents initiated the process by contacting the BHC. From there, a series of charrettes, public meetings, resident council meetings, and local neighborhood association meetings were held. Later, the residents of surrounding neighborhoods were also brought in for consultation. In addition to the regularly scheduled resident council and neighborhood association meetings, there were three major workshops over the course of nine months. This includes a series of charrettes designed and facilitated by Urban Design Associates. The residents' input was sought and incorporated into the neighborhood plan during the public meetings and charrettes. All new buildings had to be designed as the existing buildings were poorly constructed and beyond repair. The demolition was planned in phases so that no residents would be left without a place to stay at any time during the process.

Project description:

Today, Winchester Greens consists of low-income senior housing, town houses, garden apartments, a state-of-the-art daycare facility, a bank, a small satellite library, a leasing office, and plans to add office space. Ground has been broken to add 14,500 sq. ft. of retail space, scheduled to be completed in October 2004. Another 10,000 sq. ft. office building is under contract. Residents were very involved in the visioning and design process. The residents identified various New Urbanist elements as desirable. This led to the design of the community based on the principles of New Urbanism. There are sidewalks, many small parks, on street parking; in short, it is a walkable community. The residents also identified the services and amenities that they want and need in their community. To this end, a support system for mothers transitioning from welfare to work was created including the daycare center. Utility costs are kept low because the buildings were designed "green," to use energy as efficiently as possible. In fact, all buildings meet the Department of Energy's Five Star Rating. The redevelopment of the site dramatically increased housing values and brought three new businesses to the area (though there should be a total of ten by 2007).

The county wished to develop a vision for revitalization along the entire corridor and because the Winchester Greens area is so large, it has facilitated this. Winchester Greens has become a bellwether project.

Challenges:

There was acute resistance from the surrounding neighborhoods regarding the redevelopment of the area. They wanted the county to simply tear everything down and start over. They were unconvinced that the revitalization of the area would alleviate the high crime rates. To address this issue, the BHC met with representatives from the surrounding communities, invited them to come to Winchester Greens, and hosted neighborhood walks. The BHC also spearheaded a huge marketing campaign to battle the area's "unsafe reputation." The diplomatic overtures and marketing campaign chipped away at the surrounding residents' perceptions of Winchester Greens and resistance from their communities gradually went away. At this point, people have nearly forgotten what the development used to look like.

Tools to encourage projects like Winchester Greens:

- Winchester Greens would not have been possible without a 13.5 million dollar grant from HUD—it made the high quality development possible at affordable prices/rents
- Involving the county government in the visioning process to make the process as streamlined as possible for the developer. The county has the ability to grant money, waive fees, and create partnerships for the developer.
- Federal low income tax credits
- Community Block grant money from the county that comes in yearly and goes toward infrastructure needs

Information gathered from an interview with Lynn McAteer at the Better Housing Coalition of Richmond, Virginia.

Project: Thea's Landing, Tacoma, Washington



"Thea's Landing was the first new condo development on the Foss Waterway and the first in downtown Tacoma in over 20 years. It sold out before construction was finished and in the first twelve months prices jumped 15%. Thea's Landing established the benchmark for design and pricing for the other condo projects that are now being developed and are coming online. Now that this project has demonstrated that the tax abatement incentive works, other developers are following."

- George Pilant CRS

Associate Broker/Owner

Sterling Real Estate Brokerage

Board of Directors for Pierce County Association of Realtors

Program:

Size: 343,600 sq. ft.

Retail/commercial: 19,000 sq. ft. includes, restaurants, retail shops, building management office, and a physicians' office

Residential: 234 units total. 189 apartments including studios, 1- and 2-bedroom apartments with 46 for-sale penthouse condominiums on the top floor

Housing price mix: \$736-\$2,100/month, for-sale penthouses \$120,000-\$568,000

Percentage of affordable units: 0%

Percentage of market rate units: 100%

Financing:

Major sources of funding: Columbia Bank was the primary lender with two participating banks

Number of construction jobs created: Approximately 600

Number of permanent jobs created: Approximately 50

Role of public money: Washington Multi-family Tax Abatement Program, Renewal Community Tax Credit

Construction cost: 30 million dollars

History of the area:

The entire Foss Waterway – where Thea's Landing is now located – was once owned by the Burlington Northern Santa Fe Railroad. Tacoma was the terminus of their Northern Pacific line. The railroad leased the property in parcels to various companies who utilized the area for such industrial uses as manufacturing and lumber processing. There were oil storage tanks on the property and shipping warehouses; it was a working waterfront and railroad lines ran along it.

In 1991 the property was acquired by the City of Tacoma after the industrial users began to move to the Port of Tacoma in the 1970s and 1980s, leaving the waterfront underutilized. The waterfront qualified as a Superfund site in 1983. By the early 1990s, it was an environmentally damaged eyesore. It was at this point that the City Council acquired the property to begin a redevelopment initiative.

The city had been working on its master plan since the 1980s. In 1991 the city seized an opportunity to buy the contaminated land from the railroad. The city took on the responsibility and liability of cleaning up the site, a very complicated process. Because the Waterway was designated a Superfund site, the cleanup effort was completed through the federal government. The Environmental Protection Agency had to identify potential liable causes for the contamination and track each company down. In the end, the total cleanup cost was 40 million dollars of which the City of Tacoma paid for half. The rest of the cost was parceled out to those who had contributed to the contamination.

The City Council wanted to separate the redevelopment effort from the council, so they created the Foss Waterway Development Authority. All properties were transferred to this new Authority and they were charged with developing the area according to the city's master plan. They were given seed money from the city. Thea's Landing is a small part of the Foss Waterway that was sold to its developers by the Foss Waterway Development Authority.

Process:

In the early 1990s, the city completed a Programmatic Environmental Impact Statement process that examined the entire Waterway. This included a series of public workshops and information gathering sessions.

The master planning process was created by the city with public input. The Planning Commission held a number of public hearings as well as a charrettes to develop a community-wide vision for the redevelopment of the Waterway. The city required the newly-created Foss Waterway Development Authority to complete an urban design review that entailed more public participation. Throughout the course of the development, public input was gathered through hearings, charrettes, visioning workshops, and design reviews. During these exercises, community members expressed a strong preference for commercial and retail uses on the site and they gave a very high priority to residential neighborhoods. They also expressed interest in a museum.

The input from all of the public workshops and other events was then captured in the master plan and the regulatory component was codified in the development code.

Project description:

In 1999, the City of Tacoma chose economic development as the chief priority and one of the means by which to jump start development on the Waterway was the development of market rate housing. Thea's Landing was the first development to include multi-family, market rate housing in the neighborhood and in the entire downtown core of Tacoma. The Foss Waterway is now a thriving downtown residential and commercial area and Thea's Landing is a mixed-use development within the redeveloped Waterway. Thea's Landing includes studio, one-, and two-bedroom apartments mainly leased by professionals who work in downtown Tacoma. The development also includes for-sale penthouse condominiums on the top floor. Among the commercial inhabitants of the building are two restaurants, three retail stores, and a physicians' office. Every business housed in Thea's Landing is locally owned and four are start up ventures. Local artisans were hired to decorate Thea's Landing, giving it a local flavor and tying it in with Tacoma's artistic community. It is connected to Seattle by the Sounder Commuter Train that also connects to the Light Rail system that links the entire region. It is also located to a bus system that offers local service. Now that the Waterway is an established development, it has opened downtown access to the waterfront. People are holding parties and weddings on the esplanade; it is becoming part of the fabric of downtown.

Challenges:

The initial investment in the site was tremendous and caused public outcry in the beginning. The community was concerned that the city was just "cleaning up for a developer," and concerns about the use of public funds to clean up the site were voiced loudly. However, once the development began, it became less and less of an issue.

Tools to encourage projects like Thea's Landing:

- The EPA and Department of Ecology process was "horrendous." It took many years and was extremely expensive to prepare the site for private investment. It was an "act of faith" for the City Council to stick with the redevelopment effort because the regulatory process was so complicated and drawn-out that no private investors would have risked it.
- The tax incentives made the difference between a project being profitable or not. The developers benefited greatly from the Washington Multi-Family Tax Abatement Program that waived the property tax for a period ten years on new construction of four units or more.
- The Waterway is included in a federally designated Renewal Community (RC) zone, 2002-2009, which provides four targeted tax incentives for businesses. Developers in the RC zone may apply for the Commercial Revitalization Deduction allocation, up to \$10 million in accelerated depreciation.

- The City of Tacoma Building Division guided the project through necessary hoops very efficiently
- Low interest rates helped a great deal with the success of the project

Information gathered from interviews with Bart Alford, Development Division Supervisor, City of Tacoma, JJ McCamment, Manager of Development Division, City of Tacoma, Angie Lausch, Vice President, Glacier Management, Kim Nakamura, Vice President, Rushforth Construction, George Pilant, Sterling Real Estate Brokerage