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Capturing rising real estate values key to transit implementation

As money to build rail lines and transit-oriented development falls short, advocates search for new revenue sources.

PHILIP LANGDON

Since 2004, a number of regions, including Denver, Salt Lake City, Seattle, Los Angeles, Minneapolis-St. Paul, Portland, Oregon, and Charlotte, North Carolina, have been planning to expand their transit systems more rapidly than in decades past. The combination of a depressed economy and reduced government revenue, however, has become a major hindrance.

Despite the Obama administration's enthusiasm for rail and streetcar lines, federal agencies lack the funds to support more than a fraction of projects being envisioned.

How large is the shortfall? The Center for Transit-Oriented Development (CTOD) gathered information last year on 413 planned or proposed fixed-guideway transit projects that were seeking federal New Starts funds. CTOD found that at the current rate of New Starts grants (\$1.6 billion a year), it would take 73 years for all those projects to receive the money they need.

The mismatch between demand and revenue is a chief reason why the advocates of transit and transit-oriented development (TOD) are increasingly turning to "value capture" mechanisms. Value capture enables transit projects to extract sizable revenues from properties whose value goes up because of proximity to transit.

Essentially, a public entity lays claim to part of the rise in property values along a transit line, and uses it to help finance transit or other public investments.

In the US, four main methods of value capture have gained favor. They are:

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A new house on a back lane in Vancouver, British Columbia. There have been 450 built, and as many as 60,000 allowed under the codes. See article on page 12.



PHOTO COURTESY OF SMALLWORKS STUDIOS

Social network assists downtown rebirth

Bristol Rising in Connecticut is one of the most comprehensive small city redevelopment plans in the US.

ROBERT STEUTEVILLE

This past August in Bristol, Connecticut, 15,000 people attended a "pop-up piazza" — a festival on the site of a planned downtown public space. Across the street, a new café and art gallery more recently opened, followed by a pool hall. An alehouse is planned.

This spurt of energy and excitement is unusual in a Connecticut city with a once-thriving downtown now marred by vacant buildings and too many parking lots. Bristol was the victim of a devastating 1955 flood, even more damaging urban renewal, and a changing economy. But residents are gung-ho about revitalizing the core of this suburban city, population 61,000 — the home of ESPN. In October, city council approved a revitalization plan to build as many as 3,500 new housing units downtown along with substantial retail and office development.

The development, on scattered underutilized sites around the 400-acre city center, could bring an estimated 2,200 construction jobs, 2,400 permanent jobs, \$103 million in annual income, and \$17 million in annual city revenues.

The Bristol Rising plan focuses on eight districts and 30 sites with significant development potential. Bolstered by market studies, developer Renaissance Downtowns is starting with rental units and focusing primarily on mixed-use loft construction to attract the up-and-coming "millennial" generation and downsizing Baby Boomers.

Renaissance Downtowns of Plainview, New York, cuts deals with small

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Downtown makeover

FROM PAGE 1

urban and suburban municipalities to be selected as the master developer of underutilized downtowns. In exchange for preferred developer status, the company pays for top consulting teams who create master plans for entire downtowns — not just the city-owned properties that Renaissance gets to develop. The firm also partners with private property owners and brings citizens together on a unified plan that includes ideas that never would be feasible if all property owners worked independently.

Bristol is the first comprehensive test of this development model — and of a novel “crowd-sourcing” public participation system that has given residents a strong sense of ownership of the plan.

The first part of the project is the heart of downtown, where Renaissance is redeveloping a 17-acre former shopping mall site. This project called Depot Square will include 1,000 residential units — almost two-thirds of which will be rental and the rest condominiums — 150,000 square feet of retail, 128,000 square feet of office/commercial, and a 125-room hotel.

Depot Square is meant to be a catalyst for redevelopment of the entire city core. The first phase includes a “piazza” — designed to be a transformative public space that includes an open-air market, brew pub, and a venue for events (see rendering below). The cost of the piazza is not cheap at \$2.6 million, mostly for bluestone paving, which will be paid for

through the development of surrounding 4-6 story mixed-use buildings.

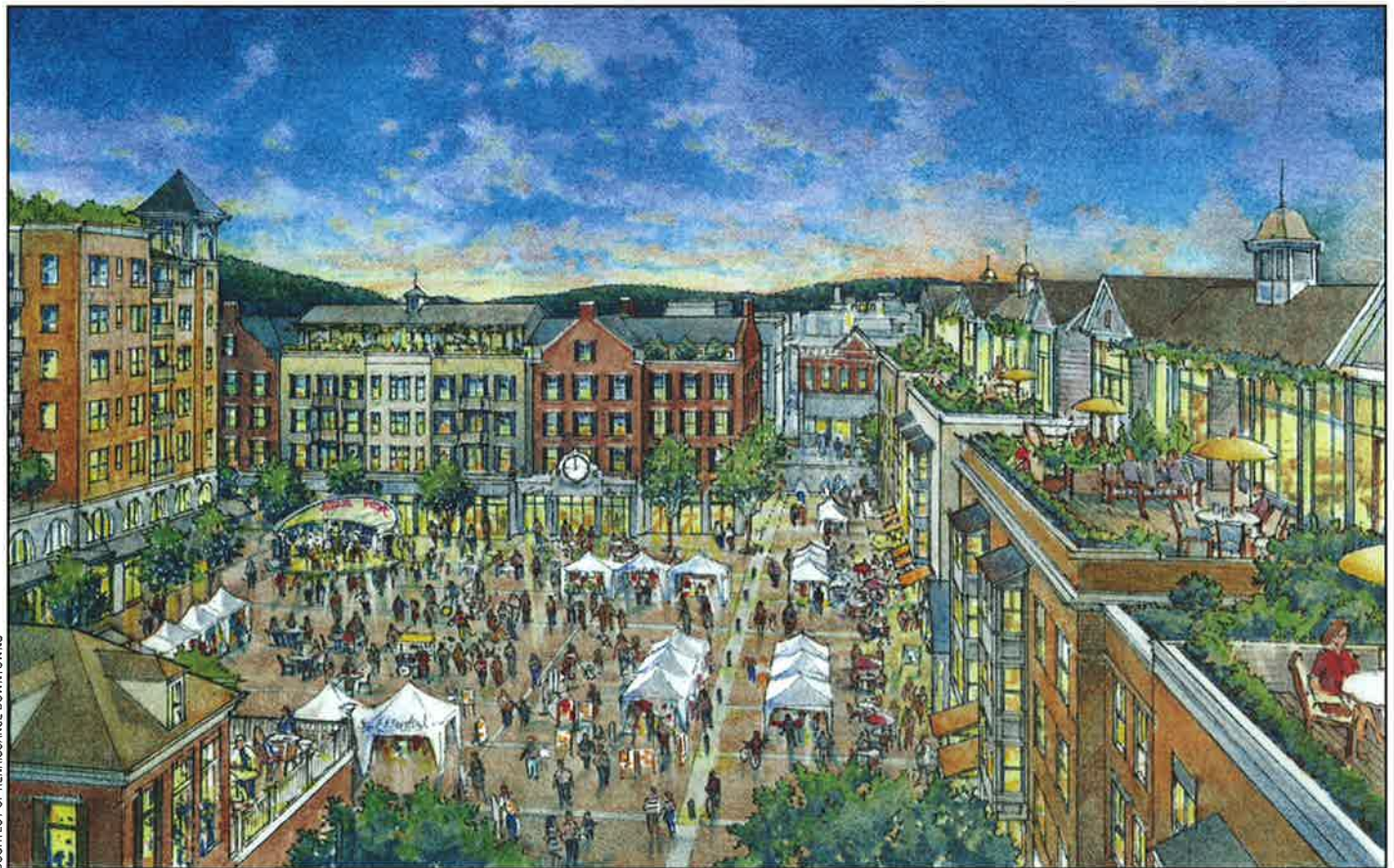
INTELLIGENCE FROM THE CROWD

What gives Renaissance the confidence that the expense will be worth it? The piazza was the most popular idea to come out of a social networking site that the developer set up. The site — called Bristol Rising (bristolrising.com) — allows residents to propose ideas and vote for ones they “like.” More than 200 “likes” of a major project — such as a public space, a performing arts center, or daylighting a river — trigger a feasibility study paid for by the developer. Similarly, if enough residents say they want a type of business — a brew pub and bookstore/café gained a lot of votes — the developer pays its retail market analyst to examine the idea. The website, set up by Cooltown Studios of Washington, DC, in cooperation with Renaissance Downtowns, has more than 700 participants.

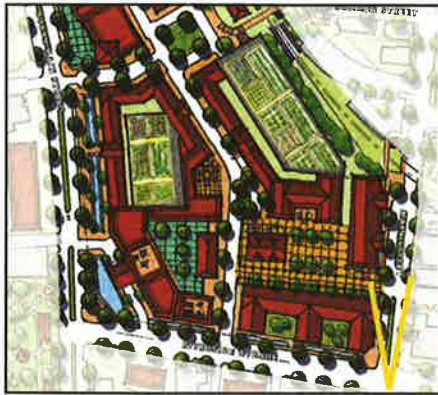
“This is an amazing tool that developments all across the country can be using,” says Ryan Porter, Bristol Rising project manager. “It’s focus group work on steroids. The fear [among developers] is that you ask the community what it wants, they ask for something that is not feasible, and then you say no and look like the bad guy. But in order to implement urban nodes in suburbia, we think you have to take it to the other extreme, and get as much input as possible.”

Residents chose the name “Bristol Rising,” and they all agree to what Porter calls the “triple bottom line, which states that ‘I’m not going to ask the developer to do anything that is not socially, environmentally, or economically responsible.’ ”

A rendering of a market in Bristol’s planned piazza surrounded by 5-6 story buildings — the first phase of the Depot Square redevelopment.



COURTESY OF RENAISSANCE DOWNTOWNS



The Depot Square plan is shown above, with the new plaza in yellow. The overall plan for Bristol downtown is at right, with new infill development highlighted in red, yellow, and blue.

There are social events and gatherings, and the most active members attend monthly meetings. But the most important aspect is the voting, where residents can campaign for an idea. "This gets the community involved, builds an internal market, and provides risk mitigation," Porter says. "Businesses and entrepreneurs can see there is a live market clamoring for uses."

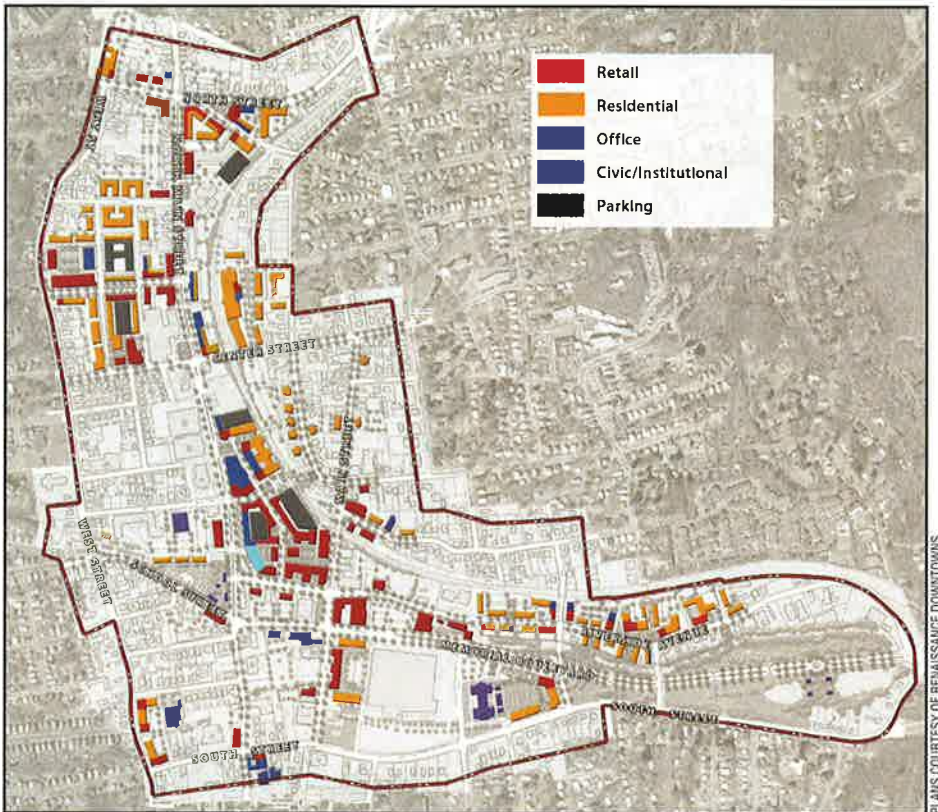
Renaissance Downtowns set the thresholds for "likes" based on "how much support we want to see before we start investing in an idea," Porter says. "The way it has shaken out is that the ideas that people love have risen to the top, and the ideas that are more personal to an individual have settled to the bottom."

WHAT'S THE MARKET?

Renaissance Downtowns hired experts to conduct thorough market studies for housing, commercial/office, and retail.

The housing study by Zimmerman/Volk Associates (ZVA) set a target mix of 61 percent rental and 39 percent for-sale units. "We are subscribers to the idea that rental market is going to be the predominant market in coming years," Porter says. "The rental can build value for future for-sale units."

The vast majority of these units — 83 percent — are proposed to be multifamily, heavily weighted toward lofts. The rest, 17 percent, are townhouses/row-houses with fee-simple ownership. The lofts are divided into categories of "hard" (a raw, industrial feel) and "soft" (more like a finished apartment). Young



PLANS COURTESY OF RENAISSANCE DOWNTOWNS

renters are expected to gravitate toward the "hard" lofts, but not exclusively, and Boomers will tend toward the "soft" variety.

The residential market analysis points towards a massive shift to downtown living — especially in the suburbs. Two-thirds of the demand for walkable, compact neighborhoods will be filled in suburbs/small cities like Bristol, ZVA says. Moreover, Bristol is located in the Northeast, one of six megaregions where most of the demand for housing will

take place in the coming decades, ZVA says (the others are coastal Southeast, eastern Texas, upper Midwest, and southern and northern California).

DESIGN OF STREETS AND PUBLIC SPACES

The piazza is a pedestrian space in the middle of a block that will be carved out by adding a new street and walkways. The piazza and new buildings around it will be well connected to surrounding streets, and they will support pedestrian

Rentals are key to market

Renaissance Downtown reports: Rental options will drive the early phases of residential construction as value is built for for-sale opportunities in the future. This is true for the following reasons:

- new rental housing is the linchpin of urban redevelopment and should be introduced to the market as quickly as possible.
- rental apartments are required for the establishment of "critical mass," because rentals are absorbed at higher rates than for-sale units.
- rentals are the fastest way to

bring a large number of households to a downtown.

- rentals allow households to experiment with living in an area without the mortgage commitment of home ownership.
- Declining home values create a lack of confidence in the for-sale market.
- renters form a pool of potential purchasers of for-sale condominiums, and townhouses that can be built in later phases, when the market has recovered.

uses on those streets.

Although the downtown is old, its street pattern is badly connected because of urban renewal projects that created superblocks. Thus the plan by Urban Design Associates and refined by Town Planning Partnership calls for new streets and pedestrian connections and substantial improvement of existing streetscapes (see plan on page 5 and the aerial views on this page).

The new streets will have on-street parking that calms traffic, buffers pedestrians from cars, and provides immediate access to businesses and public spaces. On-street parking will be added to many of the old streets as well.

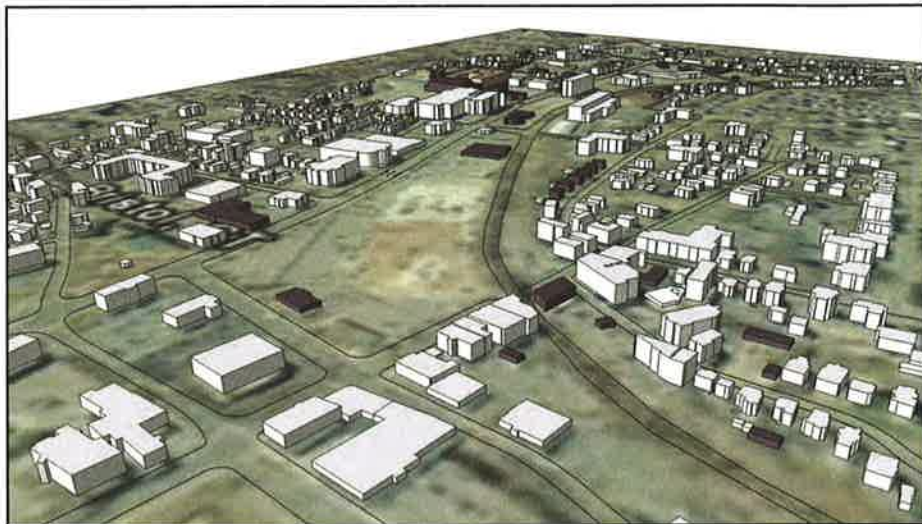
The plan also proposes 8,118 off-street parking spaces, many of which are provided by reorganizing existing underutilized surface parking. The initial redevelopment of the 17-acre mall site includes 1,806 parking spaces — including 104 on-street spaces and a 1,542 spaces of structured parking.

ZONING AND FINANCING

Typically a new urban plan of this type requires a form-based code, but Renaissance Downtowns has chosen to work with existing zoning. A careful examination of Bristol regulations revealed that few changes were required to build the required uses and pedestrian-oriented public spaces — especially in the central business district, Porter says. The current zoning is fairly neutral on form and would allow a far different kind of development if the developer had different intentions, but it is also flexible enough to enable urban mixed-use development. The developer is even asking the city to “tone down the aggressiveness” of the mixed-use requirements where it calls for 100 percent ground-floor commercial uses.

The company believes that its leadership and the detailed master plan will encourage other developers to follow suit on pedestrian-friendly urban design. Renaissance is now submitting the first requested zoning amendments, which Porter describes as “tweaks.”

For financing, Renaissance Downtowns is seeking funding from a variety of sources, including institutional and private equity funding. The company also plays a master developer role whereby it partners with regional and national vertical development firms in



COURTESY OF RENAISSANCE DOWNTOWNS

The massing of existing buildings is shown above, and the new downtown — with Depot Square in foreground — is below. New buildings and streets create a fine-grained, continuous urban fabric.



COURTESY OF RENAISSANCE DOWNTOWNS

constructing the mix of components in the plan.

The “pop-up piazza” was created with the help of the Project for Public Spaces, a nonprofit based in New York City. Their method, which they dub “lighter, quicker, cheaper,” focuses on taking inexpensive, incremental steps toward improving public spaces in a variety of environments — including streets, parks, and even parking lots. The one-day festival, put on by about 50 Bristol Rising volunteers and featuring 10 musical acts, was designed to show citizens how appealing a real piazza could be.

Renaissance Downtowns is also using its unique process in other municipalities in the Northeast. The firm first tested

its method in Nashua, New Hampshire — but the project there focuses on a single site on the edge of downtown rather than an entire downtown, says Porter. In at least two municipalities on Long Island, New York, where Renaissance is based, the firm is moving ahead with two comprehensive planning and development projects along the lines of Bristol Rising. Huntington Station and the Village of Hampstead are both sizable transit-oriented developments at stops along on the Long Island Rail Road.

Renaissance Downtowns expects to start development in Bristol in the middle of 2012. “We could easily be working on this project for 10 years,” Porter says. ♦