



How Connecticut can enliven its Downtowns by redeveloping under-used buildings into a blend of housing and retail, entertainment or office space.



November 2013

Final Report | Executive Summary

Funding provided by the
Connecticut Housing Finance
Authority

Prepared by
Connecticut Main Street Center
c/o CL&P ▪ PO Box 270
Hartford, CT 06141

in conjunction with
William W. Crosskey II, AIA, LEED AP, Crosskey Architects LLC
Lou Trajcevski, Newcastle Housing Ventures, LLC
David Sousa, ASLA, AICP, CDM Smith

COME HOME TO DOWNTOWN

HOW CONNECTICUT CAN ENLIVEN ITS DOWNTOWNS BY REDEVELOPING UNDER-USED BUILDINGS INTO A BLEND OF HOUSING AND RETAIL, ENTERTAINMENT OR OFFICE SPACE.

TABLE OF CONTENTS

Introduction

Overview	2
Background	4
Come Home to Downtown Goals and Outcomes.....	5

Program Overview

Selection Process	7
Pilot Communities	7
Property Owners & Model Buildings	8
Program Services.....	8
Project Team.....	9

Middletown

Findings & Recommendations	10
----------------------------------	----

Torrington

Findings & Recommendations	12
----------------------------------	----

Waterbury

Findings & Recommendations	14
----------------------------------	----

Final Conclusions & Recommendations

Findings.....	16
Conclusion.....	19

References.....	20
-----------------	----

COME HOME TO DOWNTOWN

A MIXED-USE REAL ESTATE PLANNING PILOT PROGRAM

Introduction

OVERVIEW

Connecticut’s downtowns have paid a price for the single-use zoning and high-volume sprawl that served as Connecticut’s default development option for the last several decades. Instead of bustling neighborhoods extending from Main Street hubs, irreplaceable historic buildings were demolished in favor of big box development resulting in an exodus of jobs, neighbors relocated to vast suburban lots, small businesses shuttered, and critical tax revenue lost.

Juxtaposed with this grim landscape is today’s challenging fiscal climate. Municipalities need to grow, but to grow sustainably. This means finding ways to both increase the tax base and reduce costs while ensuring our quality of life and preserving the environment for generations to come. Fortunately, most of Connecticut has potential solutions readily available to it downtown. That’s because focusing growth in our downtowns and town centers where the infrastructure is already in place and where development can enhance a walkable, mixed-use setting with housing choices for workers and families is generally more sustainable than low density development, generates revenue and saves money. In fact, according to a report by the U.S. Environmental Protection Agency (EPA), the infrastructure costs to service compact, dense development – like the mixed-use development found in most downtowns – is 32% - 47% less than for lower density suburban development (Ford 2009).

The return on investment for a municipality that directs its growth in its downtown is impressive. The City of Raleigh, NC, commissioned a study to compare compact, mixed-use development with big box development. The results demonstrated that on a per acre basis, mixed-use development provided a significantly better return to the municipality (Smart Growth America 2013):

Return on Investment Comparison		
Compact, Mixed-Use Development vs. Big Box Raleigh, North Carolina		
	<u>Big Box</u>	<u>Compact, Mixed-Use</u>
Property taxes/acre	\$2,837	\$110,461

A study commissioned by the downtown business improvement district in Asheville, NC (Minicozzi 2012) had similar results:

Return on Investment Comparison		
Downtown Development vs. Big Box		
Asheville, North Carolina		
	Big Box	Downtown
Property taxes/acre	\$6,500	\$365,000
Retail sales tax/acre	\$47,500	\$83,600
Jobs/acre	5.9	73.7
Residents/acre	0	90

Better still, demand for these types of multi-use neighborhoods – fueled mostly by Baby Boomers and their children – is strong and growing. More and more, people want to live in robust, vibrant settings with a range of housing choices where they can walk to shops, services and jobs. Moreover, for many living in a downtown is often more financially feasible than in a suburb because it is more densely developed and offers a variety of residential options and price points.

Luckily, many of Connecticut’s town centers still have good “bones,” providing us with exceptional foundations for mixed-use development. While some may be struggling with high vacancies, most of Connecticut’s downtowns are well-designed – compact, walkable, and often centered around town greens and/or waterfronts that provide development opportunity. A revitalization effort that takes advantage of these features is called “place-based development” and it creates authentic places of human scale in the historic hearts of our communities.

It is typical to find three- and four-story buildings that are family owned downtown, where the family business may be thriving on the first floor but the upper floors remain vacant. These underutilized spaces can be converted to apartment homes to satisfy the demand for downtown housing that’s close to jobs, services and entertainment. Moreover, the redeveloped space can also provide the property owners with additional income while injecting increased spending into the local economy as residents take advantage of nearby shops and services.

More Downtown Housing = Increased Spending Downtown

A study recently completed for Main Street Iowa by economist Donovan Rypkema calculated that **every new unit of downtown housing spent \$20,000-\$39,000 in the downtown annually.**

Vacant First Floor Space = Negative Downtown Revenue

Conversely, **vacant first floor commercial space has a tremendous negative impact** on the community. Mr. Rypkema calculated a vacant storefront with a modest \$250,000 in lost annual sales costs the community over \$222,000 annually in terms of lost rents, property and sales tax, and utilities, supplies, services and salaries not paid (Rypkema 2012).
(Emphasis added.)

BACKGROUND

It was out of this context that the **Come Home to Downtown** pilot program was born in the spring of 2012. The culmination of a successful collaboration between Connecticut Main Street Center (CMSC) and the Connecticut Housing Finance Authority (CHFA), Come Home to Downtown directly addresses a need plaguing many of Connecticut's underutilized Main Street districts.

As the statewide agency charged with alleviating the shortage of affordable housing for low- and moderate-income families and individuals throughout Connecticut, CHFA knows that our downtowns and Main Street districts hold a wealth of opportunity for new mixed-use development – in other words, providing a blend of housing, retail and office space in one centrally located building.

At CMSC, our mission is to be the champion and leading resource for vibrant and sustainable downtowns as the foundation for healthy communities. We advocate for a return to the Main Street way of life, one with walkable neighborhoods, where housing, shops and restaurants share the same spaces, providing people with a range of housing and transportation choices. Working closely with our statewide network of over sixty member communities, we've seen firsthand the significant impact even a modest investment in our downtowns can make. That's because development in our downtowns, where the necessary infrastructure already exists, is cheaper, more environmentally friendly and sustainable. It also generates a greater positive economic investment, as additional monies from renters, visitors and downtown employees who shop and engage in local services are poured back into the neighborhood economy. Our own Connecticut experience is evidence of this: during the height of the recession, when the rest of the state and nation were shedding jobs, our designated communities were *creating* jobs. In fact, from 2007 through 2012, CMSC's designated Main Street program communities saw a 29.6% net increase in jobs, a 22.8% net increase in new businesses and a 77% increase in private investment.

CHFA, knowing of our expertise in downtown revitalization and management, sought us out in a collaborative effort to bring more housing options to our downtowns. Although CHFA has been extremely successful in helping to alleviate the shortage of affordable housing, they understand there is a need for additional tools and resources to support smaller deals (typically less than 20 units of housing) than those it currently finances.

Created with the intention of facilitating viable, interesting housing opportunities while revitalizing downtown neighborhoods, this initiative was seeded by CHFA with an investment from Community Investment Act Funds. CMSC used this money to hire additional staff to implement the program, as well as engage consultants with expertise in the program components. Three pilot communities were then chosen from a pool of carefully vetted applicants. From there, three currently underutilized buildings representative of those typically found throughout Connecticut and their committed, enthusiastic owners were chosen to receive customized technical assistance. The consultant team worked with the owners, advising them of some possible options for

redevelopment and the expectant costs. Meanwhile, CMSC worked side-by-side with the downtown management partners and municipal officials to strengthen their organizational capacity, so that they would be able to fully support mixed-use development in their downtown. CMSC also worked with these groups to reach out to the public, both to gather feedback and elicit support for these redevelopment efforts.

COME HOME TO DOWNTOWN GOALS AND OUTCOMES

As a result of over sixty years of single-use, car oriented sprawl, mixed-use development has become a lost art form. Despite the many potential benefits that come from focusing growth in a downtown, several pervasive impediments remain as barriers to a more sustainable mix of housing and uses, including:

- An unsupportive regulatory environment;
- Limited financing options; and
- The misguided perception that density leads to blight, congestion and loss of value.

This less-than-ideal environment is further complicated by the fact that although many downtown property owners may be experienced business people, they often lack redevelopment experience and/or may be wary of becoming landlords.

Furthermore, the varied nature of the downtown itself can also be obstacle. This is because multiple property owners and building uses all need to be coordinated and integrated. Just like a shopping mall (albeit with one property owner instead of several), town centers also need a management program to convene all interested parties, forge a consensus and create a vision for the downtown.

Come Home to Downtown was designed to address these impediments by providing community leaders with strategic tools to reverse the course of sprawl and focus growth in downtowns where the infrastructure already exists, thereby ensuring the successful continuation of a sustainable, managed downtown with expanded housing choices. Moreover, we chose buildings of a design typical to downtowns throughout Connecticut so that the redevelopment process can be easily replicated in other communities. Along the way, we also made sure to note the obstacles emblematic of downtown, mixed-use development. Our recommendations for easing this process, whether through policy, additional or enhanced financing mechanisms, regulatory changes, or education and technical assistance are detailed later in this report.

In order to achieve the successful completion of Year One of the Come Home to Downtown program, CMSC set forth the following goals:

- Recommend specific solutions for accommodating mixed-use development such as changes to zoning, streamlined permitting and other financial incentives.
- Grow the relationship between communities and property owners by educating them as to the benefits of redeveloping vacant and underutilized space.
- Perform a Model Building Analysis and provide technical assistance to guide property owners (many of whom have little or no redevelopment experience) in the redevelopment of their properties.
- Provide the community with an increased understanding of the downtown's value and potential.
- Create or enhance the downtown management's function.
- Analyze lessons learned, and use them to inspire other property owners and municipalities.
- Have the respective pilot communities embrace mixed-use development in their downtowns and the municipalities support these types of property owners while understanding the inherent risk in this kind of redevelopment.

Program Overview

SELECTION PROCESS

In an effort to select pilot communities with the highest likelihood of success, CMSC created an extensive inventory of towns throughout Connecticut, looking especially at those with strong organizational capacity and a good working relationship between the municipality and the downtown. Communities with a history of active community engagement were also highly regarded.

Those towns that rose to the top were invited to an introductory meeting in late September in Middletown. Mayor Daniel Drew welcomed forty attendees who represented nineteen communities of varying size from across the state. Audience members included First Selectmen, economic development officials, town planners and town managers. CMSC presented them with an overview of Come Home to Downtown, some background on the partnership between CMSC and CHFA, and comparable success stories.

Communities were then asked to submit letters of interest to CMSC. Twelve communities interested in participating in the program submitted letters. CMSC then evaluated the communities based on the following criteria:

- Likelihood of success
- Ability to leverage other resources
- Availability of market opportunity & local real estate development capacity
- Diversity of scale and location
- An appropriate building and a willing property owner(s).

Using a matrix of the criteria to rate and rank each community, CMSC narrowed the list of candidates to five. CMSC and the consultant team then visited each of the communities, taking a walking tour of the downtown, meeting with local officials and the downtown management program and finally, seeing a few prospective model buildings and meeting with some of the owners.

PILOT COMMUNITIES

After this extensive selection process, three pilot communities were chosen: Middletown, Torrington and Waterbury. Each represents a dynamic community with many positive aspects such as walkability, a range of services and amenities nearby and a rich culture of recreation and entertainment. All of them form the epicenter of their respective region, with each of their regions varying in size. While each faces individual challenges and successes, collectively they represent a fair sampling of the many types of Main Street districts, housing stock and downtown infrastructure typically found in Connecticut.

PROPERTY OWNERS & MODEL BUILDINGS

Just as important as the downtowns themselves are the individual property owners and their buildings. CMSC wanted owners who were engaged in Come Home to Downtown and its success, and who demonstrated a commitment to the neighborhoods where they are located. Those chosen for the program exemplify a strong desire to be a part of the local fabric and include property owners who also operate thriving businesses within the downtown's borders.

With regard to the buildings, CMSC felt it was critical to choose a variety of styles indicative of those commonly found throughout the State. This was of paramount importance because ideally we viewed this program as a learning process, and one from which we could take the lessons learned in order to more easily replicate and encourage mixed-use development in other Connecticut downtowns. (More information on each of the model buildings and their owners is provided on pages later here and in the Full Report.)

PROGRAM SERVICES

Come Home to Downtown is designed to provide selected communities with new tools and strategies to revitalize their downtowns through increased mixed-use development that includes a variety of housing choices for workers and families. The Come Home to Downtown pilot program is comprised of five individual components:

Downtown Development Audit – Addresses impediments and incentives to promoting redevelopment in a downtown.

Model Building Analysis – Focuses on redevelopment plans designed to bring housing back to the upper floors of the model building.

Project Financing & Assistance to Property Owners – Property owners received a financial pro forma identifying the shortfall between the rehabilitation costs and what traditional lenders will typically finance. This section includes potential funding sources to address those shortfalls, or “gaps”. Recommendations are also provided to the property owners, as needed, to assist with the building redevelopment and management.

Downtown Management Assistance – Strengthens the organizational capacity of the downtown management function to address the area's constantly evolving housing and economic needs.

Urban Design Audit – Uses a *Walkability, Accessibility, Livability Quotient* (WALQ) audit to identify needs and make recommendations for how the downtown could function better with regard to walkability and connectivity.

PROJECT TEAM

In order to address each of these components, CMSC assembled an expert team of consultants through a Request for Proposals (RFP) process.

- William W. Crosskey II, AIA, LEED AP, Principal, Crosskey Architects LLC – Performed the model building analysis and provided development assistance.
- Lou Trajcevski, Principal, Newcastle Housing Ventures, LLC – Drafted pro forma reviews of the development in conjunction with the model building analysis.
- David Sousa, ASLA, AICP, Landscape Architect/Urban Planner, CDM Smith – Performed the Urban Design Audit, designing a program to measure the downtown area’s walkability and connectivity.

CMSC oversaw the work of the consultants while developing and coordinating the program. In addition, we also provided community engagement and downtown management advice, as well as an overall communications strategy for the program.

Middletown

Owner: The Amato Family

Location: 418-426 Main Street

Owned by the Amato family, this site actually consists of two adjacent buildings. It is located across the street from the owners' well-known and long-established shop, Amato's Toy and Hobby. The model buildings are three stories high, and are the only surviving examples of late 19th century commercial building on this block in the Middletown Central Business District.

Middletown residents will likely recognize the owners, Diane (Amato) and Joel Gervais, who are representing Phyllis Amato. Diane's father, Vincent (husband of Phyllis Amato), began Amato's Toy & Hobby Store on Main Street, which grew to five locations in Connecticut. Today, his children continue to own and operate the retail stores in Middletown and New Britain. "Vinny" loved Main Street Middletown, and as a founding member of the Downtown Business District and an active member of the Middlesex Chamber of Commerce, he never tired of working with others to keep Main Street a center for commerce and community.



FINDINGS & RECOMMENDATIONS

Middletown has many of the components found in great cities all over the world. A walkable downtown in a picturesque setting near the Connecticut River, Middletown has most, if not all, of the building infrastructure already in place to increase its availability of housing with mixed-use development. Overall, Middletown has a huge amount of potential that the City is working hard to realize. Implementing the recommendations below will help them more fully integrate and utilize their many assets.

Downtown Development Audit – One of the most significant impediments to redeveloping properties for residential use downtown is the parking requirement. To mitigate this we recommend eliminating the parking requirement for new uses in the conversions of upper floors of existing buildings in the B-1 Central Business Zone Urban Core. We recommend that the City work with the developer to identify parking alternatives and solutions that address the tenant's needs. We also recommend the City consider developing a façade program to help property owners improve their buildings and storefronts and make the downtown more attractive to residents and customers.

Model Building Analysis – This analysis makes specific recommendations for improving the model building itself, such as repairing windows and siding, etc. It also provides a recommended floor plan designed to attract new residents and bring market rate housing downtown. Two options were presented: one with a total of eight apartments of varying size, while the other had a total of six units – four large loft-style apartments and two smaller apartments at the rear of the building. The latter option was selected as the working model.

Urban Design Audit – Although Middletown scored well overall in terms of walkability, we did find some areas for improvements. Recommendations include:

- Make the streets more welcoming to walkers and bicyclists by increasing connections to adjacent neighborhoods and the Connecticut River. Improve the safety of intersections through the use of traffic-calming techniques.
- Improve parking facilities and increase the use of wayfinding signs (signs that direct visitors to local attractions and amenities).
- Ensure new infill development fits with the downtown’s overall character and density.
- Create an inviting atmosphere by installing outdoor art.
- Improve personal security and the safety of the streets by providing adequate lighting, increased police presence, and other physical improvements.

For the full scope of findings and recommendations, refer to the full report.

Torrington

Owner: Torrington Downtown Partners

Location: 11-21 Main Street

This building is owned by the Torrington Downtown Partners, who have already made significant investment in downtown redevelopment and are looking for assistance moving forward. Steven Roth, President of Elevator Service Co., Inc.; Stephen Timken, T&M Builders; and David Bender, Bender Plumbing, are the individuals behind the Torrington Downtown Partners group.



The Romanesque Revival building at 11-21 Main Street was built around 1896-1897 and is approximately 14,646 square feet and three stories high. Standing at the entrance to Torrington's downtown shopping district, it faces the Naugatuck River and bridge to the south. The owners are interested in doubling the number of units, as well as building smaller units to meet the needs of today's market.

The Torrington community is also vested in the project. In a unique participating venture, Torrington Downtown Partners have offered townspeople the opportunity to invest in the Partners through \$100 memberships. This membership entitles them to vote on future choices about the development of properties the Partners own, such as certain aesthetic renovations. (Torrington Downtown Partners currently own nine downtown buildings, of which 11-21 Main Street is one.) The \$100 membership also entitles members to discounts at some of the properties' retail tenants. To date, there are nearly 200 memberships.

FINDINGS & RECOMMENDATIONS

Downtown Torrington has several aspects that many people will find appealing, including attractive residential neighborhoods and a diversity of housing stock. It also has an active and engaged municipal government that recently launched a new promotional campaign and benefits from local entertainment activities, including a well-known performing arts center. However, there is much that Torrington can do to improve its downtown functionality and encourage development that includes mixed use buildings.

Downtown Development Audit – Torrington’s zoning regulations support upper story redevelopment of existing buildings for residential use. The approval process for upper story redevelopment is administrative which decreases the amount of time and effort necessary to complete the approval process and is an excellent strategy for promoting downtown revitalization. There are, however, certain requirements of the regulations that create impediments to downtown development. The regulations for new development require a special exception approval and require development that would not match the historic fabric and existing conditions found on most of Main Street. Recommendations have been made to require that new development better reflects the downtown, as opposed to a single-family residential zone.

Although no parking is required with upper story redevelopment of existing buildings for residential use, the parking requirement for new multi-family development is another impediment to downtown redevelopment. We recommend the City reconsider the parking requirement for new development. We also recommend that the City work with developers to identify parking alternatives and solutions that address the tenant’s needs in existing buildings.

Model Building Analysis – This analysis makes specific recommendations for improving the conditions of the structure, including removal of the rear wood porches. A recommended floor plan designed to meet the needs of today’s residents and to bring market rate housing downtown was also developed. Under this design, the number of units is doubled to 16 one-bedroom apartments ranging in size.

Urban Design Audit - Although Torrington scored well in some aspects of this analysis much work is needed in other areas. Recommendations to improve walkability and functionality downtown include:

- Improve pedestrian and bicycle linkages within downtown and to adjoining neighborhoods. Increase safety at intersections using implement traffic calming techniques.
- Increase the amount of on street parking while minimizing the appearance of surface parking lots.
- Revise zoning regulations to require that infill development complements the existing character of downtown.
- Install outdoor art to encourage street activity and make downtown more attractive.
- Encourage and incentivize downtown housing, businesses and other redevelopment that complements the existing character of downtown.
- Improve and coordinate wayfinding signage.

For the full scope of findings and recommendations, refer to the Full Report.

Waterbury

Owner: John Lombard

Location: 20 East Main Street



This building is situated at a key location in the center of downtown Waterbury and is well positioned to take advantage of other efforts underway, including local universities, hospitals and entertainment. The building's owner, John Lombard, currently maintains an office on the

second floor and many of the ground floor spaces are full. The building stands three-stories high and occupies a total of 64,494 square feet. The original art deco structure, built in 1930, burned in the 1940s. When Mr. Lombard bought the building it had been rebuilt maintaining the art deco style. It has always been a commercial building and had many businesses in it with primarily retail on the ground floor and offices on the upper two floors for dentists, doctors, barbers and more. In recent years it housed Congresswoman Nancy Johnson's Waterbury office and Rideworks, among others.

FINDINGS & RECOMMENDATIONS

Waterbury boasts an active downtown poised for growth as new institutions prepare to join other anchor establishments such as the UConn-Waterbury campus and area hospitals. Several large events take place in and around the Waterbury Green and the City recently developed a promotional video that beckons visitors to the downtown. Although Waterbury has flexible regulations that allow for buildings with a mix of housing and other uses, there are still many things they can do to promote mixed-use development in their downtown:

Downtown Development Audit – Waterbury's regulations are very flexible for the Central Business District Zone allowing the upper floors of mixed-use buildings to be developed as residential use, therefore, there are no recommendations for improvement. Indeed, Waterbury should be commended for removing this impediment to mixed-use development.

Model Building Analysis – This analysis makes specific recommendations for improving the conditions of the structure, including replacing the roof and potentially moving the equipment currently located in the center of the first floor roof to create a rooftop garden. The owner may also consider participating in the City's façade program to replace the storefronts with a more appropriate design for the historic character of the building and having an architectural materials conservator assess the lobby's decorative finishes and the corridor's terrazzo floors. A

recommended floor plan designed to meet the needs of today's residents and to bring new housing downtown was also developed. The plan calls for 38 units, mostly one-bedroom apartments with six two-bedroom apartment homes.

Urban Design Audit – Waterbury scored very well in some aspects of this analysis, however, work is needed in other areas. Recommendations to improve the walkability and functionality downtown include:

- Work with the CT Dept. of Transportation (ConnDOT) and others to ensure that redevelopment of I-84 and Route 8 includes improving connections to surrounding neighborhoods and the Naugatuck River.
- Improve conditions for walking and biking downtown and to surrounding neighborhoods, including use of traffic calming techniques to improve safety at intersections. Construct the recommended Naugatuck River Greenway Trail.
- Increase the amount of on street parking while screening surface parking lots to minimize their appearance.
- Encourage street activity and make downtown more attractive by installing outdoor art.
- Incentivize downtown housing and businesses that complement the downtown.
- Improve personal security and the safety of the streets by providing adequate lighting, increased police presence, and other physical improvements.

For the full scope of findings and recommendations, refer to the Full Report.

Final Conclusions & Recommendations

FINDINGS

Our work with the pilot communities led us to several conclusions we believe are relevant to most Connecticut downtowns. Chief among them is a lack of readily available financing for this type of mixed-use redevelopment. Unfortunately, there is not much in the way of education or outreach to the property owners, leaving them unprepared for the complex process of redeveloping their building or the potential benefit in doing so. Below are our aggregate findings after examining the three representative communities, their downtown management functions and the model buildings.

Project Financing & Assistance to Property Owners

One of the goals of Come Home to Downtown is to quantify and highlight the lack of traditional financial incentives available for mixed-use deals in order to then begin advocating for more resources for these important properties. Taken in aggregate, Connecticut's downtown vacant and underutilized properties represent an enormous potential for accommodating growth where infrastructure already exists, thereby reducing the pressure to develop in open spaces and farmlands while creating healthier neighborhoods where people drive less and walk more.

The Come Home to Downtown properties represent a diverse mix and scale of the type of buildings that can be found in downtowns throughout Connecticut. Our work with Middletown, Torrington and Waterbury over the last year led us to several conclusions we believe are emblematic of most of the State's downtowns, namely that these types of projects are perhaps the hardest real estate deals to accomplish. This is because they are:

- Mixed-use.
- In older buildings in need of a gut rehabilitation (the most costly type).
- In a complex downtown setting.
- Owned by people with little to no development experience, who may also be unprepared for the amount of debt needed to redevelop the buildings.
- In need of complex financing from multiple sources to close the gap between what traditional lenders will provide and the total construction costs.

Because these deals are so intricate and multi-faceted, financing for the total redevelopment cost does not exist from traditional sources. Also, there are very few municipal officials and experienced developers interested in small properties who know how to navigate the various funding streams, leaving the property owner – who most likely has no experience with any kind of real estate development – with scarce resources to bring a vacant building back to life.

There are other factors that hinder the ability to obtain financing. For instance, it is not unusual for market and affordable rental rates to be the same in downtowns, making market rate apartment financing just as difficult to pencil out. Yet a number of state and federal programs that incentivize housing development are only for affordable housing, leaving projects like those in the Come Home to Downtown program and their private owners in a quandary. For them there is a catch-22 – either they can apply for subsidies if they place income/affordability restrictions on the apartments, or the units are not restricted, but there are no subsidies for apartments offered at the same rental rates as HUD affordable rental rates. Another factor that limits private owner financing opportunities is they are often ineligible for state and federal grant resources that are available to municipalities and non-profit organizations. Yet private owners often have the same financial challenges to make these mixed-use rehabilitation projects work.

CMSC wants to work with the municipality, property owners and other partners to advocate for more resources to be aggregated for mixed-use development in our downtowns. In the vast majority of our downtowns, virtually all mixed-use projects are high risk, even if privately owned, and deserve support as much as projects primarily targeted for affordable housing. As indicated in the beginning of this report, successful mixed-use development projects provide a greater return on investment to the state, municipality and local neighborhood and can provide the kind of housing in demand at various market rate price points to help rebalance downtowns that currently have either no housing or mostly subsidized housing.

It is clear that more educational resources are also needed to help property owners, municipalities, investors, lenders and State agencies understand how they can work together to facilitate this kind of mixed-use development. CMSC will be working with stakeholders from the pilot communities and appropriate State agencies to determine how more education and information can be developed and disseminated to the appropriate audiences. Municipalities should also encourage local lending institutions (i.e. community banks and foundations) to support more people living in downtown with increased or new lending for mixed-use development.

Doomed to Fail?

In his book, *The Option of Urbanism*, Chris Leinberger states there are 19 standard real estate product types with associated financing mechanisms. If even the most accomplished developer tries to stray from one of these, they will most likely fail because they will not find financing. (Leinberger 2008)

Mixed-use development with residential housing over first floor commercial space is nowhere on this list. Are our downtowns, ripe with historic infrastructure and available housing stock, doomed to fail simply because there's no streamlined financing mechanism in place?

This kind of development requires three distinct sets of expertise, which most property owners have no prior experience with:

- Project Financing
- Design and Construction
- Ongoing Property Management.

CMSC will work with the property owners, municipality and downtown stakeholders to put together a team with real estate development, historic architectural and engineering and construction management expertise to demonstrate how the redevelopment of these properties can happen in a financially viable manner. This will require not only aggregating all existing potential financing resources but also advocating for new resources that can be applied to these kinds of projects.

Regulatory

Flexible zoning regulations and a streamlined approval process can go a long way toward encouraging downtown revitalization. Communities with regulations that are perceived as high-risk are not going to be viewed favorably nor sought out by developers. Mixed-use development, including housing, should be allowed as of right; however, regulations should encourage development that fits with the historic character of downtown.

No matter how large or small a building or its location, parking is almost always an issue. City planners should consider waiving parking requirements for developers of mixed-use buildings, especially if there is other adequate parking located nearby. A municipality can further incentivize downtown redevelopment by offering free or reduced fees for parking in municipal lots or structures. This requires municipalities to consider a new paradigm – that people who want to live downtown are not necessarily looking for a parking space on site of their residence.

Downtown Management Capacity

Management is critical to the success of any downtown. The form of a community's management function will vary from informal to more structured. Any community interested in promoting revitalization should consider enhancing its management function by becoming a resource center for mixed-use development downtown. Additional roles for a downtown management function to employ are:

- Convener of key stakeholders to build consensus and implement initiatives.
- Education and public relations.
- Data collector and information center.
- Coordinator of development incentives.

Over time, as the downtown management function grows in experience and capacity related to mixed-use development, it may become more involved in the real estate development process by:

- Assembling land to draw in developers.
- Finding local investors and/or institutions to provide gap financing.
- Taking on projects, possibly with a private developer partner, in the early stages to prove there is a market and to serve as case study of how it can be done.

CONCLUSION

Connecticut's downtowns can once again become thriving centers where people come home to streets brimming with pleasant chatter as families stroll along the sidewalks, bikers zip from shop to shop, and neighbors catch up on the bus as they commute to work. The infrastructure is already in place, providing a ready, sustainable stock of buildings capable of supporting first floor commercial space with upper level housing. Not only has this type of mixed-use development been shown to both save and generate monies when situated in compact downtowns, it also promotes a healthier lifestyle.

However, our experience with the Come Home to Downtown pilot program has demonstrated that if Connecticut is to encourage and promote mix-used development, we must develop a manageable, if multi-layered, financing mechanism available to the owners of small downtown properties. Education and technical assistance programs specifically designed for the owners of these small properties will help ensure they are prepared for both the financial and landlord responsibilities they face. Although it will admittedly be difficult at the outset, it is imperative that these efforts begin now if we are to have fully integrated, vibrant downtowns that sustain us today and into the future.

For additional information on the Come Home to Downtown program, including the Full Report, please visit CMSC's website at www.ctmainstreet.org.

References

Ford, Jonathan. 2009. *Smart Growth & Conventional Suburban Development: Which Costs More? An Infrastructure Case Study Completed for the EPA.*

Leinberger, Christopher. 2008, *The Option of Urbanism: Investing in a New American Dream.* Island Press.

Minicozzi, Joseph. 2012. *The Smart Math of Mixed Use Development.*

<http://www.planetizen.com/node/53922>

Rypkema, Donovan, Courtney Williams & Iowa Economic Development Authority. 2012. *Getting Results, the Economic Impact of Main Street Iowa, 1986-2012.*

Smart Growth America and Strategic Economics. 2013. *Building Better Budgets, A National Examination of the Fiscal Benefits of Smart Growth Development.*