Inspiring Great Downtowns

CONNECTICUT ECONOMIC DEVELOPMENT WEEK 2021
May 10-14
Today’s Webinar: Housekeeping

- Today’s session: 1 Hour
- Type questions in the chat box – we’ll pause for Q & A
- We’re recording! You can watch on ctmainstreet.org
- Please complete brief evaluation
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Vacant Property Strategies: Turning the Lights Back On

Vacant Property Strategies

Learning Objectives

• To provide critical thought and understanding of vacant properties, struggling Main Streets, and insights into strategies to reposition these properties and places to compete for investment, prosperity, and vibrancy.

• To accomplish this, we will explore:
  • Change and why Main Street (downtown and town centers) struggle
  • Our Economic Development Toolbox
  • Case Studies – Examples of Interventions
Vacant Property Strategies

Jason Vincent
• Friend
• Accomplished Planner
• ‘Urban Truth­teller’

Understanding Change:
Vacant Properties & the Struggles of Main Street
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Think carefully and critically about ‘why’ and ‘how’ change occurs—and why some places prosper, while others falter.

• Why does Main Street (downtown or town center) struggle to compete for investment?

• To understand, let’s explore:
  • Real Property as a Commodity
  • Macro versus Micro Change
  • Market
  • Location
  • Governance – Plans & Codes

Real Property (and Place) as a Commodity

• Fixed Location: Real estate is fixed in location. Utility and value tied to location, conditions, image, governance, and subject to change. What was a desirable location yesterday may not be desirable today or tomorrow.

• Durable: Buildings and long lasting and expensive to construct. They require continuous investment to maintain utility and value. They are susceptible to changes in investment behaviors and consumer preferences. Unlike other commodities, they remain on landscape for a very long time.

• Temporal: Buildings are constructed at specific moments in time—designed to satisfy consumer needs/wants and market demand at that moment. Consumer preferences and market demand continuously shift and change. The moment a building is constructed, it is competing with newer and better product—and at risk of functional obsolescence.

• Creative Destruction: Innovation (new methods, materials, and techniques) creatively destroy that which came before. Buildings and place (Main Street) are continually being creatively destroyed.
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This building has existed through the entire era of the automobile.

- While these autos come and go, this building persists.
- The building’s original utility passed decades ago, as did its location and value.
- If it and its location do not find new utility and value, it will remain vacant.

Understanding Change

- Change is episodic, not constant
- Slow-moving variables punctuated by periods of release—crossing thresholds or tipping points

Macro and Micro Change—Tipping Points

- Waterpower to Electricity
- Wagon to Rail
- Rail to Interstate (Auto)
- Fordism to Just-in-Time Manufacturing
- Industrial to Service Economy
- Tailored Cloths to Off-the-Rack
- Dining at Home to Dining Out
- Bricks & Mortar Retail to Online Retail
- Etc.

Panarchy

Nested Cycles

Source: Gunderson and Holling, 2002.
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Market - Demand Drivers

- **Jobs**: Growth in jobs drivers demand for residential, commercial, and industrial space.
- **Population**: Growth in population drives demand for residential and commercial space.
- **Household Formations**: Growth in new households, drives demand for residential and commercial space.
- **Income, Household**: Growth in income organizes and drives demand for product and space.

Location – Shifting Location

- **Downtown Hartford 1950s**
- **Westfarms 1970s**
- **WHC & BBS 2000s**
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Governance Structures

– The action or manner of governing.
  – Municipal Government
  – Managing the Everyday
  – Codes/Regulations
  – Plans, Policies, and Strategies
  – Business & Merchant Organizations
  – Etc.

*Governance cannot create market (demand). However, governance structures can be used to cultivate an environment (an urban ecosystem) that allows unmet demand to be realized.

“Whether investments are financial or social, individual decisions are based on the issues of choice, competition, confidence, and predictability. Taken together, these aspects of any [investor’s] decision-making shape investment patterns that strongly influence a neighborhood’s prospects.”

David Boehlke, ’Great Neighborhoods, Great Cities’ (2004:4)

“If a revitalization strategy does not take into account that any neighborhood [building or main street] …is subject to consumer decision making, then that strategy (no matter how good it looks on paper) will run into trouble when it encounters the realities of the...marketplace.”

David Boehlke, ’Great Neighborhoods, Great Cities’ (2004:5)

“Capitalism is performative: it is always engaged in experiment... Capitalism is therefore a highly adaptive and constantly mutating formation... The whole point of capitalism, then, is precisely its ability to change its practices constantly, and those who run corporations must be able to surf the right side of the constant change that results, or risk being washed up on the reefs of irrelevance—and thrown into bankruptcy.”

Sir Nigel Thrift
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The Problem to Solve is Market

52 Broadway, Norwich CT
0.05 Acre Site; 3,639 SF; 5 D.U.; 1 Commercial

- 2003 Acquired by Developer
- 2012 Fire and Foreclosure 2012
- $80,000 Acquisition ($22/sf)
  - Required Rent (RR) $3.14/sf
- $90,000 investment ($25/sf)
  - Total Investment: $80k + $90k = $170,000 = $46.71/sf = RR $6.67/sf
- $2018 Sold for $135,000 ($37/SF)
  - RR = $5.30/sf

*If the property could return $10/sf in rents it would likely prosper. At $10/sf, why is the property vacant? Answer: choice, competition, confidence, and predictability.
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How to (re)position properties and places to compete for investment—prosperity and vibrancy:

- **Grow Demand**
  - Image – Market – Conditions – Social Connections
- **Place-Making**
- **Manage, Maintain, and Add Supply**
  - High standards of maintenance—public and private property
  - Only add supply when demand requires it

<table>
<thead>
<tr>
<th>A Strategic Approach to Investment and Improvement</th>
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<tr>
<td><strong>Strategy Steps</strong></td>
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<tr>
<td><strong>Step 1. Read Market</strong></td>
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<td><strong>Step 2. Set Outcomes</strong></td>
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<td><strong>Step 3. Strategy and Tactics</strong></td>
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<td><strong>Step 4. Establish Measures</strong></td>
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<td><strong>Step 5. Capacity Building</strong></td>
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<td><strong>Step 6. Implement Strategy</strong></td>
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<td><strong>Step 7. Measurement</strong></td>
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<td><strong>Step 8. Adjustment</strong></td>
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Economic Development Toolbox

- Governance
  - CDC’s, BID’s, Main Street, Etc.
- Business Engagement
  - Visitations, Afterhours Events, Etc.
- Marketing & Market Information
  - Demographics, Segmentations, Etc.
- Incentives
  - Tax Abatements, TIF Districts, Etc.
- Funding
  - Tax Credits, Grants, Etc.
- Plans
  - Redevelopment, Economic Development, Etc.
- Regulations
  - Zoning, Historic, Design, Etc.
Vacant Property Strategies:

Vacant Properties are Often Functionally Obsolete

You Can’t Fix Them With the Wrong Tools or Wrong Attitude

How can we intervene and (re)position properties and places to compete for investment?

- Zoning
- Market Alignment
- Parking
- Master Plans
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Zoning

• Many Properties Do Not CONFORM!
  • Issues of:
    • Non-conforming use
    • Non-conforming standards
    • Parking Requirements
    • Permitting Requirements
    • Etc.

Many Properties Do Not Conform!

Zoning – A Barrier to Investment

• Why do your regulations require:
  • Special Permits for retail, office, and restaurants?
  • Site Plans for change of use?
  • Commission approvals for outdoor dining or alcohol?
  • Onsite parking?
• Answer: you prefer control and vacancy over market and occupancy.
• If the standards and requirements in the regulations are clear, staff are capable of review and approval.

YOU CONTROL THE LAW
CHANGING THE REGULATIONS
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WHY IS IT UNUSED? Understanding Vacancy

It is not enough to catalog vacancy, assessing and understanding ‘why’ a property is vacant is what’s most important.

When Norwich had a vibrant and prosperous downtown.

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Downtown Norwich today.

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WHY IS IT UNUSED? Understanding Vacancy

- 43 ACRES OF PRIVATELY-OWNED LAND
- 160 BUILDINGS
- 1.74MM SQUARE FEET OF BUILDINGS
- 40% VACANCY (696,000 SF)
- 65% OF VACANT SPACE IS UNUSEABLE
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WHY IS IT UNUSED? Understanding Vacancy

- 43 ACRES OF PRIVATELY-OWNED LAND
- 160 BUILDINGS
- 1.74MM SQUARE FEET OF BUILDINGS

Knowing why a property is vacant starts to inform us of the tools we need, and the strategies we can employ to cultivate investment, improvement and occupancy.

<table>
<thead>
<tr>
<th>ABSENT</th>
<th>UNDER WATER</th>
<th>NOT REALISTIC</th>
<th>NO CAPACITY</th>
<th>NO MOTIVATION</th>
<th>TOO EXPENSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>15%</td>
<td>19%</td>
<td>29%</td>
<td>36%</td>
<td>14%</td>
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MARKET ALIGNMENT - Feasibility

IS THE PLAN OR PROJECT ECONOMICALLY & FINANCIALLY FEASIBLE?

- Economic Feasibility = Market Demand
- Financial Feasibility = Funded or can be Financed

YES

DOES IT WORK?

NO
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MARKET ALIGNMENT – Economic Feasibility

<table>
<thead>
<tr>
<th>Space</th>
<th>Market Rent</th>
<th>Potential Use</th>
<th>Feasible Rent</th>
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<tbody>
<tr>
<td>Retail</td>
<td>$8 - $12</td>
<td>Restaurant</td>
<td>$14 - $18</td>
</tr>
<tr>
<td>Office</td>
<td>$10 - $15</td>
<td>Office</td>
<td>$12 - $16</td>
</tr>
<tr>
<td>Industrial</td>
<td>$4 - $6</td>
<td>Industrial</td>
<td>$5 - $5.50</td>
</tr>
</tbody>
</table>
Consequently, zoning is often a barrier to investment and occupancy. The time, cost, and uncertainty in permitting increase risk—undermining confidence and predictability.
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Economic Feasibility – Basic Calculation

- What are the land costs?
- What are the construction costs?
- What are the market rents?
- Can market rents cover the cost of development and operation (assumed over seven years)?
- If costs (land & construction) exceed the returns (rents), the project will not get built.

Sample: Estimating Feasibility

- Land Cost = $500,000
- Construction Costs = $250/sf
- $250/sf x 50,000sf = $12,500,000
- Total Cost = $13,000,000

[Do market rents justify investment and risk?]

- Market rents - $15/sf
- $13,000,000 / 7yrs = $1,857,142/yr.
- $1,857,142 / 50,000sf = $37.14/sf
- Required Rent: $37.14/sf

Is the project financially feasible? NO!

What tools do we have, and can we fill the gap?
- TIF
- Abatement
- Tax Credits

Downtown Parking

Is parking more valuable than occupied buildings?

- Yes
- More nuanced
- How to best provide and manage parking?

No Room: Many of the properties in Norwich were built before the automobile was invented. There is insufficient lot area to accommodate off-street parking required in the zoning regulations.

The average assessed value / acre of the six buildings above = $2,843,637

Make Room: In some instances buildings have been demolished, often to meet the need to provide off-street parking. These sites are likely to remain off-street parking lots.

The assessed value / acre of this off-street parking lot = $362,500.
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Downtown Parking

Pawcatuck Parking District:
New Businesses in Existing Buildings Are Exempt

CREATIVE THINKING SPACE

Downtown Norwich:
ZERO SPACES REQUIRED FOR ANY USE

West Hartford Center – Case Study:
• Parking
  • Capacity
  • Zoning

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Downtown Parking
West Hartford Center – Case Study:

- Zoning – Change of Use
- Retail to Restaurant

Restaurant Openings (Post-1991):

1992: Peter B’s, Manhattan Bagel, Brugger’s Bagel.
1993: Alforno’s Brick Oven Pizza.

Master Plan
Mystic River Boat House:

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Vacant Property Strategies
Master Plan
Mystic River Boat House:

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Master Planning
Bloomfield Center – TIF District Plan:
• The Problem to Solve
  • Wintonbury Mall Property
    • Outdated
    • Underperforming
    • High Vacancy
• Public Investment Strategy to Leverage Private Investment:
  • Sidewalks
  • Parking
  • Streetscape
• Conceptual Plans:
  • Aim is to Inspire Investment
  • Not to Pre-Ordain Development

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CONCLUSION

- Zoning ✓
- Market Alignment ✓
- Parking ✓
- Master Plans ✓

Vacant Properties are Often Functionally Obsolete

Expand Your Toolbox
And Change Your Attitude
Adapting to a Changing World – Urban Resilience

- Embrace the simple notion that things change.
- Change is not continuous and gradual, it is episodic.
- Never presume we have sufficient knowledge. Recognize and accept of our ignorance.
- Keep options open, while embracing, not trying to resist or constrain change.
- Don’t assume that future events are expected, but that they will be unexpected.
- Embrace diversity—diversity in land use, housing, business, socio-economics, ethnicity/race, etc.
- Pay close attention to slow moving variables.
- Stop trying to preordain the future—build capacity to absorb disturbance and adapt to change.

“IT is not the strongest of the species that survive, nor the most intelligent, but rather the one most adaptable to change.”

THANK YOU!
Online Resources

Small Business Resource Video Library

RECOVERY & RESILIENCY ON MAIN STREET
Educational Series

Next Webinar

PEOPLE-FOCUSED PLANNING:
Ensuring your POCD Update is Inclusive & Embraces Your Downtown Renaissance

- Francisco Gomes, AICP, ASLA, FHI Studio
- Todd Dumais, Town Planner, Town of West Hartford
- Zainab Kazmi, FHI Studio

Tuesday, June 15, 2021
10:00 – 11:00 AM