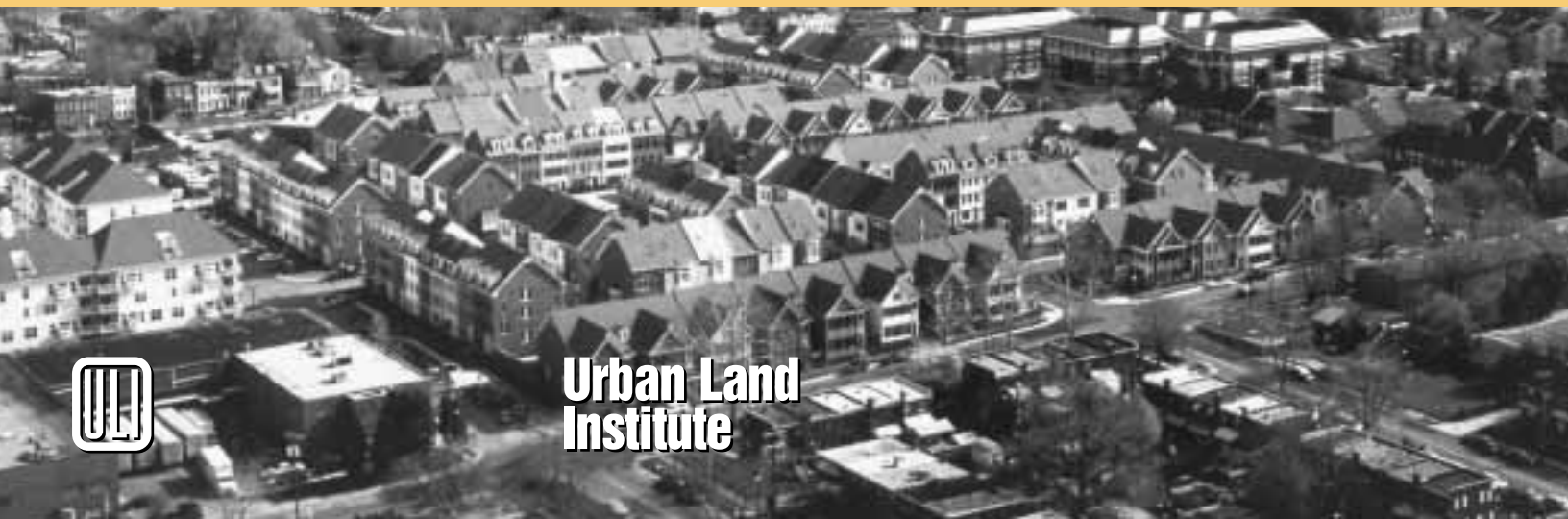


Urban Infill Housing

Myth and Fact™



**Urban Land
Institute**

U*rban Infill Housing: Myth and Fact™* is the third in a series of publications designed to address myths regarding growth and land development. The first myth and fact publication addressed transportation issues; the second publication addressed myths surrounding smart growth. This publication is underwritten by the U.S. Department of Housing and Urban Development as part of a larger partnership designed to encourage the development of housing in our cities. ULI and HUD have worked with cities around the country to identify key challenges associated with the development of urban infill housing as well as strategies and recommendations to overcome those challenges.

Over the past several years, cities have worked hard to reestablish themselves as places where people want to live, work, and play. Increased investment and a focus on urban revitalization are paying off as interest in downtown living rises. Developers, including many who historically have developed in the suburbs, have responded by rehabilitating or converting older buildings, constructing new mixed-use projects, and developing new infill projects in existing neighborhoods. However, infill development presents a unique set of challenges and involves issues that vary according to the circumstances of the individual project.

ULI will continue to provide forums in which all stakeholders can explore and debate urban infill housing issues. ULI will conduct research, produce well-balanced information, and identify best practices on issues relevant to urban infill housing. Through these efforts, ULI and its partners hope to reestablish our cities as the vibrant centers of cultural and social life they once were.

J. Ronald Terwilliger
Chairman

Review Committee

Cy Behrooz
Librarian
National League of Cities
Washington, D.C.

Terry Eakin
Chairman and CEO
Eakin/Youngentob Associates Inc.
Arlington, Virginia

Diane R. Suchman
Real Estate Consultant/Writer
Diane R. Suchman LLC
Springfield, Virginia

James W. Todd
President
The Peterson Companies
Fairfax, Virginia

Urban Infill Housing

Myth and Fact™



**Urban Land
Institute**

About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land in order to enhance the total environment.

ULI sponsors educational programs and forums to encourage an open exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, the Institute today has more than 17,000 members and associates from more than 60 countries representing the entire spectrum of the land use and development disciplines

Richard M. Rosan
President

Recommended bibliographic listing:

Haughey, Richard. *Urban Infill Housing: Myth and Fact*. Washington, D.C.: ULI—the Urban Land Institute, 2001.

ULI Catalog Number: U22
International Standard Book Number:
0-87420-878-5

Copyright 2001 by ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201

Printed in the United States of America. All rights reserved. No part of this book may be reproduced in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage and retrieval system without written permission of the publisher.

ULI Project Staff

Rachelle L. Levitt
*Senior Vice President, Policy and Practice
Publisher*

Marta Goldsmith
Vice President, Land Use Policy

Richard M. Haughey
*Director, Multifamily Development
Project Director
Principal Author
rhaughey@uli.org*

Jo Allen Gause
Senior Director, Residential

Nancy H. Stewart
*Director, Book Program
Managing Editor*

Libby Howland
Manuscript Editor

Betsy Van Buskirk
Art Director

Meg Batdorff
Design/Layout

Diann Stanley-Austin
Director, Publishing Operations

Urban Infill Housing: Myth and Fact™

In U.S. cities today, a wide variety of housing is being constructed or renovated in response to emerging market demand from people moving back to the city. Urban infill housing, including small-, medium-, and large-scale projects with single-family houses, townhouses, apartment buildings and condominiums, lofts and co-ops, is being constructed and quickly absorbed. Many cities are seeing new housing construction on vacant or redeveloped land, the construction of housing as part of mixed-use projects, the meticulous renovation of historic structures, and the conversion of structures that once held commercial or industrial uses, including former office buildings, hotels, and industrial buildings. Even old schools are being converted to one-of-a-kind residences. Yet, despite the construction and the population gains, doubts remain that this trend can continue. Many public officials and developers are skeptical about claims that urban infill housing can be produced in significant amounts. The skeptics point to the special challenges that this type of development presents. Many of these identified challenges have assumed the proportion of myth—something that is widely believed but is for the most part fictitious.

Urban Infill Housing: Myth and Fact™ itemizes some of the most prevalent myths associated with infill housing, states the facts as ULI sees them on the subjects of those myths, and discusses the subjects of the various myths—markets, land assembly, financing, permitting, environmental contamination problems, infrastructure, community opposition, and historic-preservation regulations—in some detail. This booklet is intended to dispel misperceptions about urban infill housing and to assist public officials, developers, lenders, and others in promoting its development in their communities.

After decades of losing residents, many U.S. cities are now experiencing gains in population. This is not myth—it is fact. Of the 20 largest cities (including only Census tracts within the city limits), 16 gained population from 1990 to 2000.¹ New York City led the pack in sheer growth. Almost 700,000 people were added during the decade, so New York's population now exceeds 8 million for the first time.

Austin, with a 41 percent rate of growth from 1990 to 2000, topped the group in terms of percentage growth. Houston, Phoenix, San Diego, Dallas, San Antonio, San Jose, Jacksonville, and Columbus all posted double-digit population gains for the period. Smaller cities have also participated in this back-to-the-city trend. Charlotte grew by more than 36 percent and Denver by more than 18 percent in the 1990s, while Nashville, Seattle, and El Paso all also posted impressive growth rates in this period.

To be sure, most of the cities that grew in the 1990s still have not regained the population they lost in the 1970s and 1980s. Four of the largest 20 cities—Philadelphia, Detroit, Baltimore, and Milwaukee—actually lost population from 1990 to 2000. In most metropolitan areas, moreover, suburban growth rates far exceeded the growth rate in the central city. In addition, a portion of the population gain in some fast-growing cities can be attributed to annexation.

Nevertheless, after years of decline the news of population growth in U.S. cities is remarkable. The back-to-the-city movement is now a clear trend that appears poised to continue well into the 21st century, as evidenced by housing permit activity in cities at the end of the 1990s. Nationally, the increase in city housing permit activity in the last year of the decade (1999 to 2000) exceeded the average annual increase in city housing permit activity from 1990 to 1998 by 35 percent. In contrast, suburban housing permit activity nationally was only 21 percent ahead of the average level of activity during the 1990–1998 period.²

More people living in cities has led to a construction boom for urban infill housing. In most cities, renters and buyers are snapping up this new housing as quickly as it is built. In central Denver, condominiums, lofts, rental apartments, and townhouses are

Population Change in the 20 Largest U.S. Cities: 1999–2000

	2000	1990	Change		1990 Rank
			Number	Percent	
New York	8,008,278	7,322,564	+685,714	+9.4	1
Los Angeles	3,694,820	3,485,398	+209,422	+6.0	2
Chicago	2,896,016	2,783,726	+112,290	+4.0	3
Houston	1,953,631	1,630,553	+323,078	+19.8	4
Philadelphia	1,517,550	1,585,577	−68,027	−4.3	5
Phoenix	1,321,045	983,403	+337,642	+34.3	9
San Diego	1,223,400	1,110,549	+112,851	+10.2	6
Dallas	1,188,580	1,006,877	+181,703	+18.0	8
San Antonio	1,144,646	935,933	+208,713	+22.3	10
Detroit	951,270	1,027,974	−76,704	−7.5	7
San Jose	894,943	782,248	+112,695	+14.4	11
Indianapolis	791,926	741,952	+49,974	+6.7	12
San Francisco	776,733	723,959	+52,774	+7.3	14
Jacksonville	735,617	635,230	+100,387	+15.8	15
Columbus	711,470	632,910	+78,560	+12.4	16
Austin	656,562	465,622	+190,940	+41.0	27
Baltimore	651,154	736,014	−84,860	−11.5	13
Memphis	650,100	610,337	+39,763	+6.5	18
Milwaukee	596,974	628,088	−31,114	−5.0	17
Boston	589,141	574,283	+14,858	+2.6	20

Source: U.S. Bureau of the Census.

occupied as fast as they are completed.³ In Chicago, homebuyers are paying more than \$600,000 for houses near the troubled Cabrini-Green public housing complex, which is planned to be demolished and replaced with mixed-income housing.⁴

The realization seems to be growing that cities need good housing to become the vibrant centers of cultural and social life that they once were, and thus public and political support for urban infill housing is on the rise. Urban infill housing sparks neighborhood revitalization. Not only do new residents pay property taxes, but they also spend money. New residents spur retailing, office development, restaurant openings, cultural activities and events, religious activities, and the development of parks and recreational areas.

Urban infill housing also makes sense from the perspective of smart growth. It tends to be of a higher density than suburban housing, thus making better use of increasingly limited urban land. It reuses existing properties, which often are neighborhood eyesores, thus bringing much-needed tax dollars to local governments and revitalization to inner-city communities. Infill development can represent an efficient use of public funds if the required infrastructure is already in place. It is often less destructive to the natural environment than is suburban development. Infill housing development supports mass transit and alternative modes of transportation, including walking and biking. To smart city officials and politicians, urban infill housing makes lots of sense.

Developers have discovered that urban infill housing makes sense for many of the same reasons. They have discovered that although urban infill housing may be riskier, it often generates greater financial rewards than does suburban greenfields develop-

ment. Some developers report that their most successful projects in the 1990s were urban infill projects.⁵ These projects are often high-profile developments that bring national recognition and prestige to the development company. Infill development is seen as part of the solution—not part of the problem—which is why political support for such projects is increasing in strength.

Urban infill housing may have many fans and supporters, but still it is often more difficult to build than suburban housing. Challenges to urban infill housing include: social problems in distressed neighborhoods, land acquisition and land assembly difficulties, financing complexities, regulatory constraints, contaminated sites, infrastructure problems, community opposition, and historic-preservation requirements.

Urban Infill Housing: Myth and Fact™ is the third in a series of ULI *Myth and Fact™* booklets. The series is intended to clarify the misconceptions surrounding growth and development. The first booklet addressed myths about transportation and growth and the second myths about smart growth. This booklet takes a look at some of the questions and misconceptions surrounding urban infill residential development.

Profile

The Pointe at Lincoln Park, Chicago

The 154 units in MCL Companies' townhouse project, The Pointe at Lincoln Park, in Chicago's Lincoln Park neighborhood sold out within six months of coming on the market in June of 1997.¹² In fact, demand was so strong that signed contracts were taken in just one week for all 96 units in the first phase. The developer attributes much of The Pointe's success to its mix of units, ranging in size from 1,721 to 3,566 square feet and in price from \$279,000 to \$509,000. The lower-priced units appealed to first-time homebuyers. The higher-end units appealed to move-up buyers, some of whom were families with children, as well as to empty nesters who had raised their children in the suburbs.

Occupying the site of a former hospital, The Pointe's limestone and brick townhouses are laid out in a triangle formed by the site's perimeter streets. Setbacks are close to the street, befitting the urban location. The architecture takes cues from the surrounding neighborhood of 19th-century rowhouses. The floor plans are competitive in size with plans being offered in the suburbs.



Demand was so strong for townhouses at The Pointe at Lincoln Park that signed contracts were taken for all units in the first phase in just one week.

Myth #1

The market for urban infill housing is weak.

Fact #1

A back-to-the-city trend is energizing the housing market in many cities. In many others, city governments have adopted innovative programs to encourage housing demand and production.

The demand for housing is on a strong upswing in many American cities, in contrast to the situation in the 1970s and 1980s when crime, poorly performing public schools, and high property taxes emptied many city neighborhoods of all but their poorest residents. Neighborhoods in New York, Chicago, and some other large cities have seen a dramatic reversal of fortunes.

What is spurring the back-to-the-city trend? In many cases, the negative factors that caused people to leave in the first place have been effectively addressed. New York City, for example, has a significantly reduced crime rate. Disillusionment about life in the suburbs—where crime, traffic congestion, and air pollution have become problems—is playing a role. In Atlanta, a city without a tradition of downtown housing, people are moving downtown to escape the suburban traffic.⁶ The appeal of an urban lifestyle is another important factor. City dwellers tend to value neighborhood vibrancy and diversity, the accessibility of restaurants and cultural attractions, and the ability to walk to work.

Who are the people moving into cities? They tend to be single professionals, childless couples, empty nesters, and immigrants according to both popular wisdom and sales activity for new housing developments.⁷ This general picture of the demographics of new city residents masks considerable variation by city and the presence of other types of households, such as couples with children, in the mix. Although many people consider the urban infill housing market to be a niche market, data from the 2000 Census show that many of the demographic categories attracted to city living are growing strongly. The number of single-person households now exceeds the number of married couples with children.⁸ In addition, the number of Asians and Hispanics is rising rapidly in a trend that appears to be likely to continue. The issue of poorly performing public schools remains an unsolved problem for almost all American cities and a real deterrent to families with school-age children who cannot afford to send their children to private school. Creative programs are being

explored to address the problem, but to date solutions have been elusive. For this reason, most developers do not target this demographic group for urban infill housing.

City housing markets may be characterized as ripe, developing, or lagging. In cities or submarkets where demand is strong and market-rate housing can be profitably developed without public assistance, the housing market is *ripe*. Where demand is moderate and profitable development usually requires some form of assistance, the market is *developing*. A *lagging* market lacks proven demand and usually significant public assistance is needed to develop housing successfully.

Many cities are expanding the market for urban infill housing with incentive programs aimed at either the development (supply side) or purchase (demand side) of housing. Washington, D.C., proposes to encourage the development of affordable housing with zoning incentives and tax abatements, while it provides loans, grants, and property tax credits to first-time homebuyers.⁹ Columbus and San Antonio have commissioned market studies that the cities use to help market the city to residential developers.¹⁰ Boston actively markets neighborhoods to potential homebuyers.¹¹ Many cities use neighborhood conservation programs to support existing communities and maintain their desirability. Some cities have targeted specific areas for infill housing, directing development to those neighborhoods.

Community development corporations, created and administered locally in some communities, are nonprofit organizations that seek market solutions to maintain housing production. Cities often partner with nonprofit community development corporations to kick-start housing production in lagging markets. Some business improvement districts (BIDs), such as those in Philadelphia and Denver, actively promote and facilitate housing redevelopment and new construction.

Profile

The Lincoln Condominiums, Washington, D.C.

The Lincoln Condominiums is a 156-unit mid-rise building on the U Street corridor, a rapidly revitalizing neighborhood in the northwest quadrant of the city, one block from a Metro subway station.¹³ The pioneering project sold out quickly after completion in July 2000 and has catalyzed a number of other housing projects in the neighborhood. The U Street corridor had been undergoing revitalization for several years when AMB Enterprises began trying to develop the property, but there were few actual examples of successful infill housing with which this project could be compared. After trying for years, AMB finally was able to convince investors by bringing on board a highly respected market analysis firm and a strong

marketing group. These moves gave credibility and visibility to the project, the success of which has made financing easier for future projects in the U Street-Cardozo neighborhood.



Increased suburban traffic has been a driving force behind the back-to-the-city movement.

Profile

Gramercy on Garfield and Greenwich on the Park, Cincinnati

Gramercy on Garfield and Greenwich on the Park are two mid-rise rental apartment buildings representing the first two phases of a six-phase master plan for Garfield Place.²⁰ The city used eminent domain to acquire the downtown sites, and leased them to the developer, Towne Properties, for a percentage of the return on the project. The developer would not have been able to acquire these sites at a reasonable price without the city's use of eminent domain. The city's land lease further improved the feasibility of the projects for the developer.

When Towne Properties' market analysis determined that reasonably priced apartments should be built rather than the original plan for luxury condominiums, the project fell into place. Phase 1 (Gramercy on Garfield) was completed in October 1992, and Phase 2 (Greenwich on the Park) was completed in February 1996. Both buildings leased up quickly and remain at 98 percent occupancy, more than fulfilling the expectations of both the developer and the city.



The city of Cincinnati acquired key downtown sites and leased them to the developer, making Gramercy on Garfield a viable project. The project leased quickly and remains near full occupancy.

Myth #2

Assembling land for urban infill housing is likely to be difficult and time-consuming, and land costs are likely to be prohibitive.

Fact #2

Issues related to land acquisition vary from city to city. In some cities, land is readily available and affordable. In others, it is scarce, expensive, and mired in legal entanglements. Many city governments offer developers assistance with the acquisition and assembly of land, and creative options are available.

The difficulty of acquiring/assembling land is what developers think of most often when considering the barriers to urban infill housing. Among the problems encountered, depending on the city and the market, are high land costs, limited supply, difficult assembly requirements, long chains of title, and property owners' speculative behavior. A number of factors tend to make urban land comparatively expensive, including its locational advantages, higher permitted densities, and in-place infrastructure.

Many cities can and do help developers with land acquisition and assembly, and other cities with limited land are making it easier to renovate and convert existing buildings. To make the development of properties with requirements for demolition or environmental cleanup more feasible, many cities offer assistance with their acquisition—including land grants, low-cost leases, and low-interest loans.

Cities are addressing the land acquisition barrier in various other ways. Some target specific areas for redevelopment and provide rezoning assistance and low-cost loans and grants. Some have created redevelopment authorities that acquire, assemble, clean up, and package land for resale. Atlanta, Norfolk, and Houston are three cities among others that actively acquire and assemble land for redevelopment.

City redevelopment authorities are often empowered to purchase and package land for housing development, to rezone commercial properties to residential or mixed-use, and to use incentives to write down a developer's cost of land. The city of Chicago assembles and cleans up properties—including tax-delinquent properties—and packages them for resale, offering the buyers low-cost loans.¹⁴ In California, 20 percent of the tax revenue used to fund a redevelopment agency must be set aside for housing.¹⁵

Many cities hesitate for legal and political reasons to use their power of eminent domain to acquire land for redevelopment, but the use of eminent domain can assure that parcels needed for redevelopment efforts are acquired and that hold-out property owners do not push land costs beyond what is feasible.

It can be difficult to determine ownership and clear up legal problems on property with an extensive chain of title, which is often the case in cities. The title clearing process can be time-consuming and costly and it can expose the developer to additional risk. Some cities offer title assistance. A title analyst on the staff of the San Antonio Development Agency researches title histories and problems.¹⁶ Authority contained in a 1960s redevelopment law enables city officials in Atlanta to clear titles faster.¹⁷

In some markets, developers are responding to land issues by turning to overlooked opportunities. They are redeveloping brownfields, converting commercial buildings (offices, hotels, and other types) to housing, and adapting schools and churches and other institutional buildings for residential uses. Years ago, developers in Baltimore turned abandoned factories into housing and now they are being encouraged by the city to convert an abundant supply of Class B office space to residential use.¹⁸ A move to convert abandoned office buildings in Tulsa has produced that downtown's first new housing in 30 years.¹⁹ Developers are also working with public housing authorities that are converting public housing to mixed-income housing under the U.S. Department of Housing and Urban Development's HOPE VI initiative. Cities often will sell publicly owned lands, such as schools, at reduced rates to encourage redevelopment.

Finally, some cities have used transfer of development rights programs—with limited success—to make land available for residential development.

Profile

The Exchange, New York City

Constructed as an office building in 1899 at 25 Broad Street directly across from the New York Stock Exchange, the 21-story Exchange was one of the city's first steel-framed skyscrapers.²¹ Its conversion to 345 luxury rental apartments was completed in 1998 by Crescent Heights, a Miami-based developer. The conversion of The Exchange demonstrates several techniques that public officials can use to encourage infill housing. City incentives for residential conversions, combined with high office vacancy rates in the financial district, sparked this conversion.

In the early 1990s, office vacancy in the financial district was at 30 percent. The Exchange needed renovations to stay competitive, but adequate renovation seemed financially impossible. In 1996, the city of New York formulated the Lower Manhattan Revitalization Plan. The plan sought to create mixed-use, 24-hour neighborhoods in the office-dominated skyscraper canyon of lower Manhattan, and included tax incentives to encourage residential conversions in the financial district. These incentives have stimulated numerous conversions and brought after-business-hours life to formerly desolate streets. The area's business improvement district also helped improve the neighborhood.

The Exchange's original exterior and internal features such as the historic lobby were preserved. However, the upper floors were totally gutted and rebuilt, yielding 16 units per floor—all large units by New York City standards. Spacious units and the character afforded by the restored historical exterior have helped The Exchange maintain 100 percent occupancy.



Tax incentives offered in the Lower Manhattan Revitalization Plan allowed The Exchange to be converted to luxury rental apartments.

Profile

Denver Dry Goods Building, Denver

The historic six-story Denver Dry Goods Building, built as a department store in 1888, was renovated from 1993 to 1999 for affordable and market-rent housing as well as retail and office uses.³¹ The developer, the Affordable Housing Development Corporation, subdivided the building's 350,000 square feet and packaged the project in a variety of ways in order to be able to tap 23 different financing sources. Among these sources were pension funds, state bond issues, tax increment bonds, HUD urban development action grants, low-income housing tax credits, historic-preservation tax credits, loans and equity



Twenty-three different public and private financing sources were used in the renovation of the Denver Dry Goods Building.

from public agencies and private nonprofit agencies, private bank loans, and the developer's equity. The city of Denver, viewing the preservation of the building as critical to the health of downtown, financed half the purchase price. The developer and the city are pleased with the results. The Dry Goods Building apartments leased up in two months, and the waiting list now has 200 names. The city has reaped comparable rewards, not the least of which is eight additional historic renovation projects following suit in downtown.

Myth #3

Financing for the development of urban infill housing projects either is not available or is too complicated to be worthwhile.

Fact #3

Financing is usually available for well-conceived projects. It can range from simple private deals to quite complicated public/private partnership structures, depending on the specifics of the project and the market.

In some ripe urban markets, high-end luxury housing can be financed through simple private financing. Housing in other markets—and more moderately priced housing—tends to involve complicated financing for various reasons. Sometimes government assistance is needed to bridge the gap between projected returns and construction costs. Often a lack of comparable projects in the market makes it difficult for lending institutions to appraise the value or analyze the risk of a project. Many projects involve a mix of uses, which creates complications for some institutions with separate residential and commercial lending departments. And many projects have a longer time frame than lenders like, often relying on establishing the market with early sales or rentals and realizing significant appreciation at the tail end of the project when the value of the neighborhood is established and the risk to new buyers reduced.

A number of local, state, and federal programs address development financing barriers. These include property tax abatements and low-interest loans and grants for gap financing.

Atlanta offers a ten-year tax abatement on housing developed in its urban enterprise zones if at least 20 percent of the units are set aside for low-income occupants.²² Baltimore provides a ten-year tax abatement on conversions of Class B office buildings to housing.²³ Seattle offers abatements for the construction of multifamily projects.²⁴ New York City abates taxes for 12 to 15 years on conversions of Class B and Class C office buildings.²⁵

Many cities provide gap financing. The Center City Development Corporation of Memphis offers 3 percent loans to fix up old buildings.²⁶ Chicago's HomeStart advances funds to develop housing on city-owned property funded by bond issues.²⁷ The Baltimore Development Corporation operates a \$3.5 million

loan fund that also has access to private sector commitments of between \$5 million and \$10 million. The fund provides flexible financing, including subordinated debt, low-interest loans, loans with deferred payment terms, and equity investments.²⁸

The federal low-income housing tax credit program, which is administered by state housing agencies, has been an important financing component for many affordable housing developments. The income tax credits, which are provided if certain rental-rate and resident-income conditions are met, can be converted to equity by developers. States also make tax-exempt bond financing available for qualified projects.

A number of federal programs can provide important financing assistance to urban infill projects. In 1992, the U.S. Department of Housing and Urban Development (HUD) created HOPE VI, a public housing initiative designed to correct the perceived failings of previous initiatives. Developers have used funds from the program to construct mixed-income infill communities. Many cities have access to HUD community development block grant (CDBG) funds, which may be used to finance specific site improvements. The Section 108 loan guarantee provision of the CDBG program provides communities with financing for housing rehabilitation projects, the construction of public facilities, and large-scale development projects. TEA-21—the Transportation Equity Act for the 21st Century—makes available financing administered by the U.S. Department of Transportation for transportation “enhancements,” which can include among many other possibilities the preservation of abandoned railway corridors, transportation corridor landscaping and beautification, and the construction of bicycle and pedestrian facilities.²⁹ Urban infill development is a “smart-growth” issue, and the U.S. Environmental Protection Agency administers some smart-growth-related incentive programs and funding alternatives.

The federal Community Reinvestment Act (CRA) encourages depository institutions to invest in local low- and moderate-income neighborhoods, and each institution is given a rating based upon its CRA lending record. Financing for urban infill housing in certain neighborhoods may be available through institutions looking to improve their CRA rating.³⁰

Profile

The Townhomes on Capitol Hill, Washington, D.C.

The Ellen Wilson Community was an abandoned public housing site within a middle-income residential neighborhood only six blocks from the Capitol building in Washington, D.C. Concerned about the crime and drugs being drawn to the site, neighborhood residents formed the Ellen

Wilson Community Development Corporation to redevelop the site as mixed-income housing.³² The project was financed with a \$25 million HOPE VI grant, and no longer requires any public subsidization. People outside the neighborhood tended to be cynical about the undertaking, with few believing that people with relatively high incomes would stay long living next to low-rent payers.

This 134-unit townhouse development proved the cynics wrong. The Townhomes on Capitol Hill includes 34 units reserved for households earning less than 25 percent of the area’s median income, 33 units reserved for households earning less than 50 percent of the area’s median income, and the remaining 67 units held for households earning less than 115 percent of the area’s median income. The development, completed in November of 2000, has revitalized the neighbor-

hood. Residents are once again happy to call their Capitol Hill neighborhood home.



A community development corporation took advantage of a \$25 million HOPE VI grant to produce the Townhomes on Capitol Hill, a mixed-income community that won a ULI Award for Excellence.

Profile

150 St. Mary's, Raleigh

This 48-unit for sale townhouse development is located in a transitional area of Raleigh between the downtown core and North Carolina State University, on a site that was an operating lumber company and zoned industrial at the time of purchase.³⁷ Industrial zoning in Raleigh is very flexible, allowing zero-lot-line development with no setbacks required. But it does not allow residential use.

The city has an overlay district—the Downtown Housing Overlay District—that is designed to encourage residential development. The developer, York Properties of Raleigh, was able to extend the overlay district to the St. Mary's site, which allowed housing to be built in the industrial zone with no setback requirements and no limits on density. The developer was able to achieve a



Many cities have revised their building and zoning codes to encourage mixed-use development, like this area along Colorado Boulevard in Pasadena, California, which helps to create a vibrant urban scene.

density of 23 units per acre using 18-foot-wide lots. The extension was easy to obtain, because the city and the neighborhood stakeholders, who were mostly businesspeople, supported the project as an improvement to the area. Units were presold (on a refundable deposit basis) from plans before construction started. The first townhouse closed in December of 1998 and the last in the spring of 1999.

Myth #4

Cities tend to have complex zoning and building codes and long-drawn-out building permit processes that make the development of urban infill housing too risky and time-consuming.

Fact #4

The degree of complexity of zoning and building codes and the time required to process building permits vary from city to city. Many city governments have streamlined their review and permitting processes.

Municipalities enact zoning and building codes to protect the health, safety, and welfare of residents and to make development conform to general community values. To protect themselves against legal liabilities, cities tend to prefer Euclidean zoning—that is, a strict segregation of uses—and strict codes.

Strict building codes serve an important public function: they assure that buildings are constructed in a manner that does not endanger public safety. However, by virtue of sheer complexity and attention paid to every detail, building codes can stifle creativity. The result can be uninteresting buildings that add little of value to the architectural fabric of the community. By applying the same criteria to new and old structures, many building codes may make rehabilitation and renovation infeasible options, and thus unintentionally contribute to the demolition of historic buildings. New Jersey has adopted a separate rehabilitation building code as part of its building code, a regulatory innovation that has been credited with saving a number of historic structures from demolition.³³

City government officials are often as frustrated by the complexity of the building regulatory process as are developers. Striking the balance between public health, safety, and welfare on the one hand and taxpaying economic development on the other is not easy. One promising approach that has been adopted by many cities is to work on changing regulatory agency

mindsets from an emphasis on “procedure” to an emphasis on “results.” This change can occur only through strong political leadership. In many government agencies, the layers of regulatory review tend to become more important than the end result. Putting the emphasis on the end result allows city officials to identify procedures and processes that contribute little to making a better final product.

A number of cities have attempted to streamline their approval and permit processes. Tampa’s streamlining includes quarterly meetings with developers to assess the progress of their permit applications. Tampa has raised its permitting fees by 15 percent and used the additional revenue to acquire technology to speed up plan reviews, including the capacity to receive fully electronic applications, cell phones for all inspectors, and E-mail.³⁴ Chicago allows developer self-certification for preapproved home designs, which enables the developer to bypass steps in the normal administrative review.³⁵ Cleveland and Baltimore have each hired a full-time downtown housing coordinator whose job it is to shepherd plans through the permit process and act as an ombudsman.³⁶ Much talk is heard of consolidating the many agencies that are required in most cities to review and approve plans into a one-stop shop. Action along these lines would speed the permitting process and help make reviews more consistent.

Most developers and government officials would prefer to work as part of a partnership than as adversaries. Developers report that the support of local elected officials makes a huge difference in the amount of difficulty they experience in going through the regulatory review process. Both parties need to keep in mind the desired end results of plan reviews: a project that contributes positively to the quality of life of the city’s residents and provides property tax revenues to the government and profits to the developer.



Zoning and permitting flexibility in Portland allowed the Pearl Court Apartments to be developed at a high density and with low parking requirements because of the project’s proximity to transit.

Profile

Pearl Court Apartments, Portland, Oregon

The development of the 199-unit Pearl Court Apartments involved numerous complexities, yet was accomplished efficiently and speedily.³⁸ The developer, Prendergast and Associates, was able to close on financing one year after planning began and to complete construction less than a year after that, in 1997.

The city of Portland also played an important role in the development of this project. The city’s efforts show how the coordination of residential planning with transportation planning and zoning can lead to an efficient use of public funds and a successful development, and how results-oriented thinking can create a win-win situation. In 1995,

the city council adopted a vision for the district in which the Pearl Court site is located: it would be a high-density, mixed-income, transit-oriented neighborhood. Knowing that it would be investing in the extension of a streetcar line for the neighborhood and hoping to assure ridership on the new line, the city zoned the area for high densities.

Pearl Court was built at 211 units per acre—the highest density in the neighborhood and close to the highest residential density in the city. Because of the neighborhood’s pedestrian, bicycle, and mass-transit facilities, the city allowed the developer to reduce the required amount of parking on site, making the development of

the affordable units more viable. The city also demonstrated flexibility and results-oriented thinking by allowing the developer to build an experimental stormwater management system on site. The project leased at a rate of 50 units per month, reaching full occupancy in four months. The city’s support for affordable housing developed to high design standards in this district proved to be a smart move. The district has become trendy and new housing here—with planned condominiums preselling for \$650,000—is decidedly not affordable.

Profile

Avalon Cove, Jersey City

This mid-rise, full-service, 504-unit rental apartment development on New Jersey's Hudson River waterfront commands rents \$500 above the original pro forma rent.⁴³ More instructive than Avalon Cove's current profitability, perhaps, is the fact that its development was made possible by the New Jersey Department of Environmental Protection (DEP).

The property, formerly a Conrail yard, was identified as a brownfield site in the 1980s. The DEP determined that contamination on the site was relatively modest, and the agency supported its claim by limiting liability on the site for potential developers. At this point, Avalon Properties stepped in as developer. The developer liked the site's excellent view of the Manhattan skyline, which would attract view premiums up to \$800 per unit. Furthermore, no new development had taken place on the waterfront for the past ten years despite a strong market. Completed in 1997, Avalon Cove markets exceptional services and rents that are attractive compared with New York rents. Its rental rates are the highest in the Jersey City area.



The New Jersey Department of Environmental Protection limited the developer's liability for environmental cleanup of the Avalon Cove site in Jersey City.

Myth #5

Urban properties usually have some form of environmental contamination, making them too risky to develop.

Fact #5

While previous uses on or around many urban sites are quite likely to have contaminated those sites to varying degrees, evolving government programs have made cleaning up environmental problems less costly and less risky.

Times have changed. Developers are busy building on contaminated properties and lenders are lending on them.

The fear factor associated with environmentally contaminated properties has been significantly alleviated by the proliferation of programs that specifically limit developer liability.

Possible forms of environmental contamination are numerous. Asbestos and lead are found in older buildings. Petroleum products, lead paint, industrial chemicals, and PCBs are found in soil. A site's contamination complicates its redevelopment in a number of ways. Lenders are less willing to provide financing and they often will require a lower loan-to-value ratio to account for the added risk. The uncertainty as to the extent of the contamination creates additional risk. The cost of cleaning up the land has to be factored into the development costs.

Some urban properties have few contamination issues, while others are on the federal priority list for cleanup (Superfund sites) and are not usually candidates for redevelopment. In between are the abandoned, idled, or underused industrial or commercial properties collectively known as brownfields. On the more than 500,000 brownfield properties estimated in the United States, development is complicated by real or perceived contamination.³⁹ While the development of brownfield properties poses special risks, it may also yield exceptional profits because few developers possess the knowledge to deal with the numerous brownfield development issues and because the land often can be obtained at significantly reduced rates.

Just as the level of contamination varies, so does the level of cleanup that is required. The concept of risk-based corrective

action has become part of the regulatory arsenal, with different proposed land uses requiring different levels of cleanup. Returning a property to industrial use, for example, requires less cleanup than would developing housing on the site.

The urban development market has been helped enormously by the devolution of authority over many brownfield sites from the federal government to state and local governments, the adoption of laws and programs limiting the liability of owners, and the creation of government programs to clean up sites or help fund their cleanup.

State and local agencies have succeeded in allaying some of the liability fears of developers and creating incentives for owners to clean up contaminated properties and put them back to productive use. States have instituted voluntary cleanup programs under which buyers or developers can proceed with the purchase or development of the property with the assurance that they will not be held liable for environmental problems resulting from past practices at the site.⁴⁰ Virtually all states are enacting proportional liability laws for past contamination to reduce the liability of new owners.

Many states also offer financial assistance for site cleanup costs, and other redevelopment costs, in the form of subordinated loans and direct grants. Tax increment financing districts (TIFs) have been used for financial assistance.⁴¹

Cities become involved in brownfields development in a variety of ways—donating land for redevelopment, cleaning up sites, or helping to finance cleanup costs.

Nongovernmental sources of assistance are also available. A number of insurers offer environmental insurance policies. The nonprofit Clean Sites Inc. in Alexandria, Virginia, specializes in convening the stakeholders to address site contamination issues.⁴²

Some banks can be convinced to invest in brownfields development in order to improve their CRA rating.



Renovation of the existing dairy required extensive remediation of environmental contamination in the soil and in the building.

Profile

The Belmont Dairy, Portland

Located on two city blocks in southeast Portland, Oregon, this mixed-use development was developed in two phases.⁴⁴ In the first phase, completed in 1996, a dairy that once housed Carnation Farm Products, a major distributor of ice cream in the Portland area, was converted to 85 live/work rental apartments above street-level retail, including a grocery store and a restaurant. In Phase 2, completed in 1999, 30 for sale rowhouses were constructed.

Development began with the knowledge that the site and dairy building were both contaminated. Fifteen underground storage tanks had leaked gasoline and oil. The building contained several electrical transformers with PCBs, pipes wrapped in asbestos, and steel beams coated with lead paint. Shiels Oblatz Johnsen, the developer, worked with the Oregon Department of Environmental Quality to devise a cleanup plan. During construction, additional environmental hot spots were discovered, which required additional remediation. Cleanup costs totaled \$170,000.

The developer emphasized green development techniques, including the use of construction products containing recycled materials and energy-efficient design elements such as skylights, low-flow shower heads, extra insulation, and

insulated steel doors. A consortium of lenders financed the \$14 million development cost. The developer worked with neighborhood groups to design a plan that was acceptable to the community, and the project has catalyzed the revitalization of its surrounding neighborhoods. The apartments leased quickly and have remained near full occupancy with low turnover rates. The rowhouses sold out quickly and have received numerous awards, including the American Institute of Architects Ahwahnee Award.

Profile

Courthouse Hill, Arlington, Virginia

Easy access to public infrastructure puts Courthouse Hill, developed by Eakin/Youngentob Associates Inc., at the top of its market. To be sure, the developer's reinvention of new urbanism in downtown Arlington and the skillful weaving of this infill development into its commercial and residential surroundings by means of three-story townhouses stepping up to four- and six-story condominium buildings are also important parts of the project's success.⁵² Washington, D.C.'s congested roadways and successful subway system made Courthouse Hill's location one block from the Courthouse Metro subway station a huge marketing advantage. The entire site lends itself to



Courthouse Hill took advantage of the existing urban amenities in the area. The site's proximity to a Metro subway station is considered a very marketable amenity in the gridlocked Washington, D.C., region.

the pedestrian-based ideal of new urbanism and the site's urban ambience—shops, offices, and entertainment venues within walking distance—contributes to the success of this project.

Courthouse Hill, completed in 1997, fits 69 townhouses and 133 condominiums on a 4.6-acre site. Developers know the value of location. Courthouse Hill teaches a related lesson: public amenities offer developers opportunities to create good locations—and thus good and profitable neighborhoods.

Myth #6

Urban infill housing sites lack adequate public infrastructure and amenities, or the infrastructure is severely deteriorated and too expensive to repair.

Fact #6

In most cities, existing infrastructure elements and urban amenities represent a positive—and highly marketable—feature for infill projects. In many cities in which the advanced age of infrastructure constitutes a barrier to development, policies are in place to mitigate the expense of needed infrastructure improvements.

The elements and quality of infrastructure and amenities available for urban infill housing vary from city to city and from site to site. A road network in place, service by existing public water and sewer facilities, and accessibility to a mass transit system generally add value to a site and can reduce development expenses. As mentioned previously, poorly performing public schools can be a significant market barrier—a deterrent to families who cannot afford to send their children to private schools—and few developers of urban infill housing seek to market to families with school-age children. In some cities and on some sites, other infrastructure problems can be a barrier to the development of infill housing. Such problems might include service by water lines and sewer lines that are inadequately sized or deteriorating, roads in need of resurfacing, the presence of water and sewer lines that must be relocated, and the existence of rights-of-way that must be vacated.

Many cities recognize that making certain infrastructure improvements is a primary tool for enticing infill development. They justify the expenditures in terms of the benefits that urban infill housing provides: the influx of new residents adds to property tax revenues and spurs additional nonresidential development. Their investment in infrastructure is often eventually

recouped in additional property taxes. Milwaukee put \$3.4 million into infrastructure improvements in the city's historic Third Ward neighborhood, including streetlights, gateway arches, a fountain park, a pedestrian mall, picnic tables, flower beds, floodlights, signage, and a parking garage. Property values in the area subsequently rose by \$11 million (to \$40 million).⁴⁵

Norfolk's redevelopment and housing authority acts as a developer, making infrastructure improvements to properties and reselling them.⁴⁶ Local governments also have found that they can use their investment in the infrastructure to leverage concessions from developers, including affordable housing, special design treatments, and the provision of urban amenities.

Cities use various methods to finance infrastructure improvements. Funds often come from the city's capital budget. Some communities have approved ballot measures that fund improvements. St. Louis charges a half-cent sales tax earmarked for general use on infrastructure that will spur development.⁴⁷ Some neighborhoods within cities have agreed to extra tax levies that are used to fund improvements exclusively for the neighborhood from which the tax is collected. In other cases, cities have created park enhancement districts to fund community parks.⁴⁸ (If pedestrian or bike paths are to be included in these parks, U.S. Department of Transportation TEA-21 funds can be tapped.)

An interesting and popular method of financing infrastructure is the tax increment financing (TIF) district. The increased property taxes generated by new development in a designated TIF district are captured and put toward infrastructure improvements in that district rather than being put back into a general fund. The city of Dallas created the State/Thomas TIF district in 1989, which is credited with encouraging a renaissance in the district.⁴⁹ In 1996, Dallas created a TIF district for the central city, which is expected to generate \$42.7 million in infrastructure improvements over the next 13 years.⁵⁰

The city of Austin has created a matrix that it applies to all proposed developments. Each proposal is scored based on smart-growth criteria and the highest scoring proposals qualify for fee waivers and infrastructure investments.⁵¹ Infill projects generally score favorably on the matrix. In an effort to improve the financial viability of infill development, some cities waive infrastructure hookup fees for new developments.

Profile

Homan Square, Chicago

Public infrastructure improvements made Homan Square possible. The new mixed-income community of 600 single-family detached and attached houses and apartments in the North Lawndale neighborhood is on a 55-acre site that was once the Sears company headquarters.⁵³ The development will also include the renovation of 1 million

square feet of commercial space and the development of parks, gardens, and open space. North Lawndale is a low-income neighborhood with numerous physical and social problems, including abandoned housing and high unemployment. Homan Square's development took place in phases from 1994 to 1999.

Homan Square has been a catalyst for the revitalization of the surrounding areas. The city of Chicago's commitment to the revitalization of this area through the development of new infrastructure played

the key role. A series of water, sewer, and road improvements helped make the unattractive site attractive. In addition to benefiting from significant infrastructure improvements, the site benefits from its proximity to urban amenities. The site is just a quick commute to downtown Chicago via transit or expressway. Residents enjoy access to two large public parks—Douglas Park and the newly redeveloped Garfield Park. Additionally, the site is served by improving public schools and one of the state's premier private schools.



Access to mass transit is a valuable and marketable urban amenity for housing developments in many cities with chronic traffic congestion.

Profile

Poplar Project, Boulder

Communicating with neighboring residents helped smooth the way for the Poplar Project, the first publicly assisted for sale housing project developed in Boulder.⁵⁷ The 14-unit single-family development was completed in 1996. The groundbreaking proposal initially faced serious opposition from residents concerned about trash, traffic, and other growth issues. However, the developer, the Affordable Housing Alliance of Boulder, met with community members and provided three-dimensional models and traffic studies that helped to ease the concerns of neighboring residents. Furthermore, the developer added basements and garages to the units because the community was concerned that a lack of such space would lead to junk-filled yards. These efforts paid off. Despite the initial highly organized and vocal opposition to the project, supporters came to outnumber opponents two to one. Taking a cue from public opinion, the planning board approved the project unanimously.



Computer imagery shows a strip (top photo) transformed into a high-density, mixed-use main street (bottom). Such simulations can be used to help residents and public officials visualize the benefits of higher-density infill development.

Myth #7

In general, the community opposition encountered in cities is harder to deal with than that encountered in suburbs.

Fact #7

The amount and character of community opposition tends to vary depending on the specifics of the project and the neighborhood. Neighbors and the local political establishment actively support some urban infill housing proposals.

Any new development could encounter community opposition, which is a fact of life in most urban, suburban, and rural communities. Urban infill housing projects are no exception, but some infill projects actually win support from the surrounding community. People often view projects that replace vacant lots and other neighborhood eyesores as improvements. Smart-growth advocates support urban infill housing as one of the solutions to sprawl. Local political leaders are taking a more prominent role in supporting these development proposals as well. Developers state that local political support can make all the difference between a difficult development project and an easy one.

The development process in America is too often contentious and too rarely cooperative. It would benefit immensely from improved communication, education, and planning.

Large public meetings at which development proposals are often presented and community comments invited have been called the one place in our society where everyone speaks and no one listens.⁵⁴ Small workshops, seminars, and meetings with individual community groups are often more effective communication tools. Meetings should be instituted as early in the process as possible, to alert all parties to problems that may lie ahead before plans are so far along that changing them becomes difficult.

Effective communication can be aided by technology. Arlington County in Virginia has created a software program called Virtual Arlington that offers computer-generated three-dimensional views of downtown buildings. It has been used effectively to visually represent to community residents and elected officials the impact that a new development will have on the community.⁵⁵

All parties involved in the development process could benefit from continuing education on land development issues. Developers need to understand the stages of the community growth cycle—growth, maturity, decline—to gauge a community's development needs. They need to understand the community's terrain, both physically and politically. And they need to use best practices during the construction phase to maintain positive community relations.

A community's residents, on the other hand, need to understand growth as an inevitable fact of life in most areas and they need to decide how they will deal with this reality. It is important to consider costs and benefits—the long-term environmental, social, and financial consequences—in making development decisions. The advantages of density and the public costs of sprawl are subjects about which the general public is mostly uninformed.

Planning is needed to address the inevitability of growth. Planning should be long range, regional, and inclusive—with the focus of implementation on the neighborhood and street level. Denver has established metropolitan-wide goals for residential development: some 20,000 of the new households anticipated to come to Denver will have to live in or near downtown for the region to avoid traffic gridlock.⁵⁶ Many cities are targeting areas for infill housing and redevelopment and providing incentives for projects that meet smart-growth criteria. Many are proposing higher densities around mass transit and other areas in which the city has invested in public infrastructure.

Profile

East Pointe, Milwaukee

The residential component of East Pointe development includes mid-rise and high-rise buildings, some with views of Lake Michigan. Developed in phases, the project began construction in 1991 and was completed in 2000.⁵⁸ Its 438 units include 412 apartments and townhouses for rent and 26 condominium townhouses.

The East Pointe development came about as the result of community opposition to the proposed construction of a freeway segment in downtown. This occurred during the nation's highway construction spree of the 1970s, when automobile access to downtown was considered to be a solution to urban woes, but residents of the neighborhoods in and around the East Pointe area were not convinced that the development of a new freeway offered a cure-all solution to downtown Milwaukee's urban problems. After years of

community opposition, the city dropped plans for the freeway. Several more years of discussions between citizens and government agencies ensued on how the area should be developed, culminating in 1985 in a compromise that included the formation of the Milwaukee Redevelopment Corporation (MRC). (Although formed to help develop East Pointe, the MRC continues to participate in redevelopment projects throughout the city.)

The MRC was to act as an impartial mediator between the residents and the city, coordinator of the planning and development process, and a developer for the site. The nonprofit development corporation was sponsored by local business leaders and worked closely with all parties, including community and government agencies, to ensure that the new development would be compatible with the existing community. Once a compromise plan



Community opposition to a proposed freeway sparked the idea of developing housing in the East Pointe area; the actual development took place after years of negotiations among all parties with a stake in the redevelopment of the site.

was agreed to, consisting mostly of mid-rise townhouses, some retail space, and a high-rise apartment building on the east side of the site that would maximize development profits through rent premiums on units having a view of Lake Michigan, the MRC solicited requests for proposals based on the plan. A review board was established including business leaders; state, county, and local officials; and representatives from local neighborhood groups.

The community-supported development has been a success: the prices of the townhouses had increased by 11 to 19 percent between the first and third years of the development, the retail space produces double the pro forma rents, and the high-rise apartments are currently 100 percent occupied at rents that are among Milwaukee's highest.

Profile

Cotton Mill, New Orleans

The residential conversion of this 19th-century textile manufacturing plant in the city's warehouse district has been a hit with the young, urban crowd.⁶² Developed by Historic Restoration Inc. (HRI), the Cotton Mill now comprises 269 rental apartments and 18 condominiums. Preserving the historical aspects of the building to the fullest possible extent made this development an especially intricate undertaking. The developer spent months on design studies and sightline studies and even produced full-size mock-ups of the roof. Much of this work was executed to satisfy the National Park Service and the state's historic-preservation board, the two parties responsible for granting historic-preservation tax credits for the project. The roof studies were



The apartments and condominiums in the converted Cotton Mill have proved popular with the young, urban crowd seeking unique and funky housing.

especially important, because the existing roof structures needed reinforcement and new support beams were also required. The developer sponsored an initiative to salvage objects from the mill to create on-site sculptures. Having eventually gained the approval of the preservation boards, HRI transformed the worn factory that had lost most or all of its economic utility to a local landmark fulfilling a market need. After its completion in 1999, the Cotton Mill leased up in 12 months and rents have exceeded pro forma estimates by 7 percent. Condominium sale prices have exceeded budgeted estimates by 10 percent.

Myth #8

Inflexible historic-preservation requirements make the rehabilitation or conversion of urban structures for use as housing infeasible.

Fact #8

Development involving historic structures can be complicated, but renovated historic structures often add significant market appeal and value. In addition, tax credits for historic preservation make the rehabilitation and conversion of historic structures more feasible.

Design, finance, and regulatory issues make housing projects involving historic structures more complex than new construction and therefore more costly. However, units in restored historic properties usually command some of the highest rents and sale prices in their market. In addition, a number of federal, state, and local programs help make the rehabilitation of historic properties feasible.

The conversion of nonresidential structures—office buildings, hotels, schools, churches—to housing often is difficult because of the great differences between residential and commercial floor plans. Often the placement of windows in commercial buildings is not compatible with the light and air requirements for housing, while historic-preservation regulations often prohibit the addition of new windows and limit changes to existing windows. Other design challenges in residential conversions include adapting narrow but deep buildings, providing access for the disabled, and maintaining a building's architectural integrity while meeting modern market demands.

Higher risks stemming from the uncertainty of the construction process and possible environmental contamination issues—lead and asbestos—in old buildings limit the number of lending institutions willing to finance these projects, and these often require additional guarantees, premiums, and stringent loan terms. Federal historic-preservation tax credits (awarded by the National Park Service through state historic preservation offices) represent a significant source of equity for the rehabilitation and renovation of old buildings.⁵⁹ The 20 percent tax credit is available to certified historic structures that are undergoing sub-

stantial rehabilitation. Some financing of historic rehabilitation housing projects may be available through institutions looking to improve their CRA rating.

A number of state programs support residential rehabilitation and conversions. Some states offer their own historic-preservation tax credits. Some states award extra points to applications for low-income housing tax credits for buildings that are being rehabilitated. Many municipalities offer innovative programs aimed at encouraging the preservation of their architectural heritage. The city of Dallas abates city, county, and school property taxed for historic-preservation projects in which at least 50 percent of the structure is converted to residential use.⁶⁰

As important as historic-preservation regulations may be in preserving history and urban character, there is no denying that for projects involving the rehabilitation or renovation of historic structures they add a layer of review—by local, state, and sometimes federal commissions—to the development process. If historic-preservation tax credits are used, review by the federal government is also required. Differences of opinion among the various review boards often add time to the review process.

Local building codes often are seen as barriers to the rehabilitation and renovation of historic structures. Many codes require bringing the entire building up to current building standards, even if only a portion of the building is being renovated. Many apply the same standards to rehabilitation as they do to new construction. Realizing that applying new construction requirements to rehabilitation projects was causing the destruction of the state's older building stock, New Jersey in 1998 enacted a special rehabilitation code with more realistic requirements. Thereafter, rehabilitation activity increased by 60 percent.⁶¹ Wilmington is among the cities and Maryland among the states that are using the New Jersey rehabilitation code as a model for revamping their codes.

Profile

Bass Lofts, Atlanta

Bass Lofts proves the strong market appeal of rehabilitated historic structures.⁶³ This adaptive use of a 1920s era high school and gymnasium for 103 luxury loft apartments includes the development of 30 units in a new building. The developer, the Winter Companies of Atlanta, reports that many of the tenants in the new building have signed on to the waiting list for apartments in the old school and gymnasium.

To secure historic-preservation tax credits as well as to offer unconventional living space to Atlanta's fast-growing population of young, affluent professionals, Bass Lofts retained many of the school's original features, including several rows of seats in the school's auditorium, a Depression era mural painted as part of the Works Progress Administration, and the school's original trophy display case. Nearly all of the irregularly shaped units feature a unique floor plan and original finishes, such as classroom doors and transoms, blackboards, and wood floors. Units in the former gymnasium feature 30-foot-high ceilings. The project leased up within ten months of its opening in 1998 and has remained fully leased since.



The conversion of the Bass High School to housing includes units in a newly constructed building, many of whose tenants have put themselves on the waiting list for renovated loft units in the historic school and gymnasium buildings.

Notes

- 1 U.S. Bureau of the Census, *Ranking Tables for Incorporated Places of 100,000 or More: Population in 2000 and Population Change from 1990 to 2000*, PHC-T5 (<http://www.census.gov/population/www/cen2000/phc-t5.html>).
- 2 Douglas R. Porter, *Building Homes in America: A Progress Report* (Washington, D.C.: U.S. Conference of Mayors, September 2000).
- 3 Sonia Weiss, "Center City Living," *Urban Land*, January 2000, p. 12.
- 4 Melissa Herron, "Brave New World," *Builder*, July 1998.
- 5 Bill Lurz, "The Olson Company—Solution Builder," *Builder*, December 2000, pp. 50–62.
- 6 Gregg Logan and Todd Noell, "Midtown Mania," *Urban Land*, April 1999, pp. 42–47, 91.
- 7 Jim Miara, "Residential Rebound," *Urban Land*, September 1999, pp. 86–89.
- 8 D'Vera Cohn, "Married-with-Children Still Fading," *Washington Post*, 15 May 2001.
- 9 Debbi Wilgoren, "Moderate Housing Focus of D.C. Push," *Washington Post*, 3 April 2001.
- 10 Porter, *Building Homes in America*.
- 11 "Repopulating Downtown: Part 1," *Downtown Idea Exchange*, 1 January 1998, pp. 1–4.
- 12 Steven Fader, *Density by Design* (Washington, D.C.: ULI—the Urban Land Institute, 2000).
- 13 "Encouraging Market-Rate Infill Housing in the District of Columbia" (a ULI/HUD Policy Forum, 8 June 2000, Washington, D.C.)
- 14 Porter, *Building Homes in America*.
- 15 Lurz, "Olson Company."
- 16 "Encouraging Market-Rate Infill Housing in Atlanta" (a ULI/HUD Policy Forum, 4–5 June 1998, Atlanta, Georgia).
- 17 Ibid.
- 18 Porter, *Building Homes in America*.
- 19 Ellen Perlman, "Downtown: The Live-In Solution," *Governing*, June 1998, pp. 28–32.
- 20 Adrienne Schmitz et al., *Multifamily Housing Development Handbook* (Washington D.C.: ULI—the Urban Land Institute, 2001).
- 21 Fader, *Density by Design*.
- 22 "Encouraging Market-Rate Infill Housing in Atlanta."
- 23 Porter, *Building Homes in America*.
- 24 Ibid.
- 25 Richard W. Huffman, "A New Look at Inner-City Housing," *Urban Land*, January 1997, pp. 37–42.
- 26 Perlman, "Downtown."
- 27 Porter, *Building Homes in America*.
- 28 "Repopulating Downtown."
- 29 *Infill Financing Fact Sheet* (Washington, D.C.: Smart Growth Network, 1998).
- 30 N. Richard Lewis, "Landmark Housing," *Urban Land*, October 1999, pp. 50–53, 83–84.
- 31 Schmitz et al., *Multifamily Housing*.
- 32 "Ellen Wilson Townhomes" (ULI Awards for Excellence application, 2000).
- 33 Ben Forest, "New Jersey Revs Up Its Rehabs," *Planning*, August 1999, pp. 10–12.
- 34 Porter, *Building Homes in America*.
- 35 Ibid.
- 36 Martine Roupe, "Planning for Downtown Housing," *PAS Memo*, January 1997, pp. 1–4.
- 37 Diane R. Suchman, interview by author, 2001.
- 38 Schmitz et al., *Multifamily Housing*.
- 39 Robert A. Simons, *Turning Brownfields into Greenbacks* (Washington, D.C.: ULI—the Urban Land Institute, 1998).
- 40 Steve Saunders, "Downtown Makes a Comeback," *Plant Sites and Parks*, February–March 1999, pp. 72–80.
- 41 U.S. Environmental Protection Agency, "Tools for Financing Brownfield Redevelopment," *A Guidebook of Financing Tools*, section 9 (<http://www.epa.gov/efinpage/guidbk98/gbk9.htm>).
- 42 Rick Cole et al., "Building Livable Communities: New Strategies for Promoting Urban Infill," *Urban Land*, September 1996, pp. 37–40, 63.
- 43 "Avalon Cove," *ULI Development Case Study*, no. 28017 (Washington, D.C.: ULI—the Urban Land Institute, 1998).
- 44 "Belmont Dairy," *ULI Development Case Study*, no. 30007 (Washington, D.C.: ULI—the Urban Land Institute, 2000).
- 45 Lawrence O. Houston Jr., "Urban Awakening," *Urban Land*, October 1998, pp. 34–41.
- 46 "Encouraging Market-Rate Infill Housing in Atlanta."
- 47 Porter, *Building Homes in America*.
- 48 *Infill Financing Fact Sheet*.
- 49 Rick Loessberg, "In-Town Housing," *Economic Development Commentary*, winter 1995, pp. 25–30.
- 50 Alice Murray, "Will Dallas Move Downtown?" *Urban Land*, September 1998, pp. 78–82.
- 51 City of Austin, *Smart Growth Matrix Page* (<http://www.ci.austin.tx.us/smartgrowth/matrix.htm>).
- 52 Fader, *Density by Design*.
- 53 Diane R. Suchman, *Developing Infill Housing in Inner-City Neighborhoods: Opportunities and Strategies* (Washington, D.C.: ULI—the Urban Land Institute, 1997).
- 54 Cole et al., "Building Livable Communities."
- 55 Geoffrey Booth, interview by author, 2001.
- 56 Houston, "Urban Awakening."
- 57 "Poplar Project," *ULI Development Case Study*, no. 27006 (Washington, D.C.: ULI—the Urban Land Institute, 1997).
- 58 "East Pointe," *ULI Development Case Study*, no. 30006 (Washington, D.C.: ULI—the Urban Land Institute, 2000).
- 59 Murray, "Will Dallas Move Downtown?"
- 60 Ibid.
- 61 Forest, "New Jersey Revs Up."
- 62 Fader, *Density by Design*.
- 63 "Bass Lofts," *ULI Development Case Study*, no. 29003 (Washington, D.C.: ULI—the Urban Land Institute, 1999).

Sources Not Cited in Notes

- Austin, City of, Planning and Environmental Conservation Services Department. *Infill and Redevelopment Proposals for Neighborhood Planning Areas*. Austin: City of Austin, 10 April 2000.
- Bady, Susan. "New Housing Revives Blighted Pittsburgh Neighborhood." *Professional Builder*, May 1994, pp. 58–59.
- Baker, Michael. "Urban Infill Housing." *Urban Land*, November 1998, p. 128.
- Beasley, Larry. "Living First in Downtown Vancouver." *Zoning News*, April 2000, pp. 1–4.
- Behrooz, Cy. "NLC Examples Database: Municipal Reference Service." *Nation's Cities Weekly*, 3 April 2000, pp. 9–10.
- Bennett, Julie. "Promises Made, Promises Kept." *Planning*, October 2000, pp. 4–9.
- Clairmont, Julie. "Good Land from Bad Land." *Inman News Features*, 5 April 2001.
- Cohn, D'Vera and Manny Fernandez. "Black Exodus Drove District's Population Loss." *Washington Post*, 31 March 2001.
- Corso, Stacey. "New Urbanism Concepts Battle Sprawl." *Real Estate Forum*, December 2000.
- Culberston, Steve, and Jeff Watkins. "Rebuilding Philadelphia's Neighborhoods." *Urban Land*, September 1997, pp. 24–27, 87–88.
- Funk, Susan. "Laurel Village: In-Town Affordable Housing." *Urban Land*, April 1993, pp. 22–23.
- Glaeser, Edward L., and Jesse M. Shapiro. *City Growth and the 2000 Census: Which Places Grow, and Why*. Washington, D.C.: The Brookings Institution, May 2001.
- Gosling, John R. "Patterns of Association." *Urban Land*, October 1998, pp. 42–47.
- Greenbelt Alliance. *Infill Development—Rebuilding Our Cities for a Sustainable Future*. San Francisco: Greenbelt Alliance, 2000.
- Greer, Nora Richter. "Summit Place: Urban Pioneer in St. Paul." *Urban Land*, April 1993, pp. 61–64.
- Gunts, Edward. "Code-Free Zone Urged by Planner." *Baltimore Sun*, 9 April 2001.
- "Hope VI: Emerging Examples of Inner-City New Urbanism." *New Urban News*, January–February 1998, pp. 1, 4–7.
- Hudnut, William H. III. "City Living." *Urban Land*, July 2000.
- "Infill Development." *Planning Commissioners Journal*. http://www.plannersweb.com/sprawl/solutions_sub_infill.html
- Jackson, Kenneth T. "Once Again the City Beckons." *New York Times*, 30 March 2001.
- Jenkins, Susan. "Housing That Works." *Builder*, September 1998, pp. 133–141.
- Knack, Ruth E. "Downtown Where the Living Is Easy." *Planning*, August 1998, pp. 4–8.
- Kroloff, Reed. "Live/Work Housing." *Architecture*, July 1996, pp. 117–123.
- LaFreniere, Andrea. "In-Town Renovation Provides Attractive Apartment Living." *Professional Builder*, April 1993, p. 44.
- Leinberger, Christopher B. "The Beginning of the End of Sprawl." *Urban Land*, January 2000, pp. 74–77, 86.
- Liedtke, Cyndy. "Cities Taking New Approaches in Downtown Housing." *Nation's Cities Weekly*, 3 April 2000, p. 1.
- Lindemann, Don. "CoHousing Goes Affordable in Downtown Aspen." *CoHousing*, summer 1996, pp. 19, 21–22.
- Maryland Department of Planning. *Infill and Redevelopment*. Annapolis, Maryland: Department of Planning, March, 2001.
- . *Smart Neighborhoods*. Annapolis, Maryland: Department of Planning, March, 2001.
- Maxman, Susan, and Martin Muscoe. "Manufactured Housing Urban Design Project." *Urban Land*, March 1997, pp. 49–51.
- McBee, Susanna et al. *Downtown Development Handbook*, 2nd ed. Washington D.C.: ULI—the Urban Land Institute, 1992.
- Morley, Ed. *Industry Leads the Way: Providing Higher-Density Infill Housing Solutions in High Job-Growth Areas*. http://www.bdmag.com/association_news/cbia0800.shtml
- Mulvihill, David A. "What's Going On in Downtown Housing?" *Urban Land*, April 1996, p. 96.
- National Association of Home Builders. *Developing Infill Housing*. http://www.nahb.net/growth_issues/infill/infill_kreager.html
- National Trust for Historic Preservation. *Policy and Market Barriers to Affordable Housing Rehabilitation*. Washington D.C.: The Preservation Press, 2001.
- Northeast-Midwest Institute and the Congress for New Urbanism. *Strategies for Successful Infill Development*. Washington, D.C.: Northeast-Midwest Institute, 2001.
- O'Neill, Cheryl A. "Lexington Terrace and Lafayette Courts: The Making of Inner-City Neighborhoods." *Urban Land*, September 1996, pp. 45–48.
- "Rental Apartments Offer Downtown Dwellers More Options." *Downtown Idea Exchange*, 15 April 2000, p. 8.
- "Repopulating Downtown: Part 2." *Downtown Idea Exchange*, 15 January 1998, pp. 1–2.
- Rybczynski, Witold. "Living Downtown." *Wharton Real Estate Journal*, spring 2000, pp. 5–12.
- Sichelman, Lew. "Converting Offices to Homes." *Urban Land*, January 1997, pp. 15–17.
- Siegel, Eric. "Midwest, Sunbelt See Population Rise." *Baltimore Sun*, 31 March 2001.
- Smart Growth Network. *Financing Small-Scale Urban Redevelopment Projects*. Washington, D.C.: Smart Growth Network, July 1997.
- Starkie, Edward, and Bonnie Gee Yosick. *Overcoming Obstacles to Smart Development*. <http://www.lincolnst.edu/landline/1996/july/smartrev.html>
- Suchman, Diane R. *The Case for Multifamily Housing*. Washington, D.C.: ULI—the Urban Land Institute, 1991.
- . "Rebuilding America: One Developer Tackles Distressed Urban Neighborhoods." *Urban Land*, April 1997, pp. 46–50, 82.
- . "Urban Change and Infill Housing Development" in *ULI on the Future: Creating More Livable Metropolitan Areas*. Washington, D.C.: ULI—the Urban Land Institute, 1997.
- Sweazy, John, and Cort Gross. "Urban Community Housing." *Urban Land*, November 1997, pp. 44–47.
- "24 Hour Downtowns—Residential Development Is the Way to Go." *Downtown Idea Exchange*, 15 July 1995, pp. 1–2.
- ULI—the Urban Land Institute. *Developers Can't Keep Up with Demand for Downtown Living*. http://www.uli.org/pub/pages/c_news/smartgrowthnews/newsletters/10861.cfm
- . *Urban Demographic, Lifestyle Changes Are Driving Urban Developments That Mix Housing, Office, and Retail*. http://www.uli.org/Pub/Pages/c_news/C_PrL4_11_06_00C.htm
- "Upper Floors—Studying the Reuse of Old Buildings for New Apartments." *Downtown Idea Exchange*, 1 April 1996, p. 4.
- Van Tilberg, Johannes. "Living above the Store, L.A. Style." *Urban Land*, October 1992, pp. 66–72.
- Villani, John. "Money for the Arts." *Urban Land*, March 2000, pp. 58–62.
- Weber, Carolyn. "Project of the Year—Johnson Street Townhomes, Model A." *Builder*, October 2000.
- Weinstock, Matthew. "Taking a Hard Look." *Washington Business Journal*, 11 February 2000, pp. 1, 26.
- White, Kate. *Specific Area Plans: Building Consensus for Infill Housing*. <http://www.spur.org/infill.html>
- "Who Will Invest in New Neighborhoods?" *New Urban News*, March–April 2000.
- Zastrow, Jane Bowar. "Lease/Purchase Programs for Affordable Housing." *Urban Land*, September 1997, pp. 28–31, 89.

Urban Infill Housing

Myth and Fact™

Richard M. Haughey

The growing trend of people moving back to the city is creating a demand for high-quality housing. Urban infill development can spark neighborhood revitalization, attract taxpaying citizens, and generate superior financial returns. While supported by both developers and public officials, urban infill housing development also presents some unique challenges.

Developed in partnership with the U.S. Department of Housing and Urban Development, this booklet addresses eight common misconceptions about urban infill housing development and dispels them with facts. Examples of successful projects and policies are included to illustrate what has worked for others.

Myths debunked:

- The market for urban infill housing is weak.
- Assembling land is difficult and costs are prohibitive.
- Financing either is too complicated or is not available.
- The approval process makes development too risky and time-consuming.
- Urban properties usually are contaminated, making them too risky to develop.
- Infrastructure and amenities are either severely deteriorated or inadequate.
- Community opposition is harder to deal with than it is in the suburbs.
- Inflexible historic-preservation requirements make redevelopment infeasible.

Related Titles from the Urban Land Institute

Developing Infill Housing in Inner-City Neighborhoods
1997/#D15

Smart Growth: Myth and Fact™
1999/#S50

Transportation and Growth: Myth and Fact™
1996/#T15

ULI Order #U22

ISBN 0-87420-878-5



ULI—the Urban Land Institute

1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201
<http://www.uli.org>

**Available in
Packets of 10
\$15**

Call 800-321-5011