

2011 Business Districts, Inc. Seminar

“Back to School: Resetting Your Community’s 3 R’s
(Retail, Restaurants, Residential)”

Changing Economics Affect On Municipal Policy Decisions and Urban Design

Housing
Office
Retail (including food and beverage)
Transportation
Job Creation
Finance

Potential Housing Municipal Policy Decisions

- Market rate rental developments must be considered by stakeholders.
- Aggressive outreach programs to bank and REO landlords would be beneficial.
- As price is prime, reasonable size requirements and design guidelines will have to be considered (for rental and equity).
- Creative parking solutions required as new pricing cannot consistently sustain covered parking.
- Age restricted development and some tax credit developments should be considered.
- Transportation access and “sense of place” are key assets.

Potential Office Municipal Policy Decisions

- Strong equity players who can buy, provide build-out and perhaps rent incentives will dominate the marketplace. Expect 65%/35% ratios at best. Learn who these players are.
- Market expected to remain weak. Focused municipal outreach to lenders, current owners and REO buyers is advised.
- Priorities: 1) location; 2) occupancy; 3) quality of building
- Expect high tenant mobility in a “wild west” environment for at least a few years.
- Don't look for new construction absent a miracle anchor tenant.
- Outreach to “B” (or perhaps even “C”) properties. Focus on rehab support and tenancing support not on “scraping” the site.
- Understand the medical, educational and N-F-P office needs in region.
- Open space is better than a building with no utility.

Potential Retail (including food and beverage) Municipal Policy Decisions

- Embrace (don't fight) “new economy” retail trends.
- Expect adaptive re-use and tenant mobility to take advantage of “deals.”
- While improving somewhat, retail growth will be very slow.
- Redefine the meaning of “mixed use” at traditional retail centers.
- It is probable that the number of retail centers needed four years ago is greater than the number needed now. Be prepared to move on.
- Meet with “B” and “C” property owners to determine rehabilitation and co-tenancy opportunities. “Scraping” is relatively unrealistic.
- Begin to think of redeveloped retail centers as a “sense of place” not just a retail center.
- There is no realistic development without tenants in place.

Potential Retail (including food and beverage) Municipal Policy Decisions Continued

- Listen to Diane and Bridget in the next two presentations.

Potential Transportation/Job Creation Municipal Policy Decisions

- Absent a catastrophe, be careful about planning for automobiles to go away.
- Given the Chicago areas strength in intermodal and distribution, examine local opportunities and perhaps prepare for this becoming a higher need (vs. consumer) for transportation financing.
- Commuters may need to pay more for service. This may be required not something to fight.
- The need for qualified service, support and creative jobs may need to be supported and viewed in a strategic manner. Hopefully compensation will follow.
- Availability and competition for state/federal support very questionable.

Potential Transportation/Job Creation Municipal Policy Decisions Continued

- Examine regional opportunities for current growth industries—medical, education, N-F-P. Determine your niche.
- Think about the connectivity of the new realities—“value priced” housing; home/job proximity; “sense of place” environment. Determine your niche.

Potential Municipal Finance Policy Decisions

- Property tax projections for the next five years should be based upon the new values of real estate (commercial, retail, housing).
- Retail sales tax projections for the next five years should be based upon the new downsized mix of retail.
- While currently in flux from a policy point of view, municipalities should attempt to determine what internet sales operations currently exist and what enhanced opportunities may exist for the current retail base.
- Municipal financing tools have been a key component of development. Abuse of these tools has forced the potential recall/changes to these tools. Municipalities **MUST** work to retain reasonable tools while developing thoughtful “new economy” underwriting standards.

Potential Municipal Finance Policy Decisions

- Similar to the private sector view of the next five years, municipalities should concentrate on incremental growth with lower risk factors
- Beware of “giving away the store” to “steal” a high sales tax generator. Overall, this has not really worked well in the marketplace for municipalities.
- The **ONLY** developers that are going to have a reasonable chance to enhance municipal revenue (rental housing, office, retail, medical, education) are the ones which have a **STRONG** connection to tenants and the capitalization required to meet current financing requirements. Identify them.