Burlington South End Market Study

November 2014

HR&A
Analyze. Advise. Act.

Burlington South End Market Study

Prepared for:

Prepared by:

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The City of Burlington retained HR&A Advisors, Inc. (HR&A) to undertake a market study and public policy analysis to inform planning efforts in the South End of Burlington, known as planBTV-South End. HR&A's work assesses:

- Market dynamics for office, industrial, and residential uses;
- Potential for new residential development in the South End, while preserving job creation and retention opportunities; and
- Approaches used by other cities to address similar challenges that could inform planning for the South End.

With support from Allen & Brooks, Inc., a local real estate consulting firm, HR&A analyzed market conditions for industrial, office, and residential property in the South End, the City of Burlington, and Chittenden County. This work included an analysis of existing land use policies in the South End and the City of Burlington. HR&A also conducted case studies of neighborhoods in cities across the United States. HR&A selected case studies in consultation with the City of Burlington, and they are meant to illustrate how cities elsewhere have addressed (or failed to address) similar land use and real estate market dynamics as those in the South End. Through these case studies, HR&A sought to answer the following questions:

- How have other cities preserved affordability and flexibility for a wide range of commercial businesses?
- How have other cities addressed increasing residential pressure on industrial corridors?
- How have other cities balanced demand for commercial and residential development in transitioning areas?

The case studies include:

- Brooklyn Navy Yard (Brooklyn, NY)
- Near North Side Planned Manufacturing Districts (Chicago, IL)
- 30th Street Industrial Corridor (Milwaukee, WI)
- Pearl District and Central Eastside Industrial District (Portland, OR)
- Central Waterfront (Portland, ME)
- Various discrete development projects across the country

Executive Summary

The study's key findings are as follows:

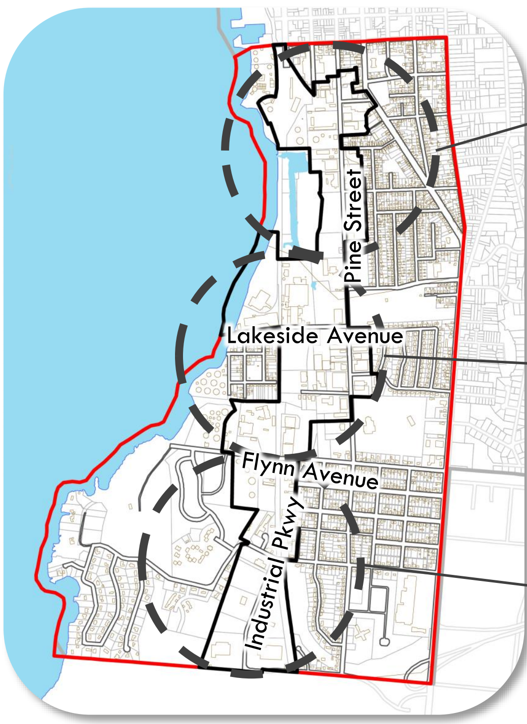
The South End has been and continues to be an important economic center for the City of Burlington. It is home to 20% (6,383) of the jobs in Burlington and approximately 92% of the industrial space. It hosts businesses ranging from breweries to technology platforms to yoga and artist studios. Many new businesses that would traditionally be located downtown are attracted by the neighborhood's urban feel with suburban conveniences. Since 2002, local employment has been stable: even as some larger businesses have relocated (such as General Dynamics), jobs have been replaced quickly enough that overall employment has remained relatively constant.

There is strong demand for both commercial and residential product in the South End, a fact that will require Burlingtonians to consider the tradeoffs among retaining high quality jobs, accommodating young professionals and families, and maintaining the traditional scale of the South End. Market indicators are equally strong for residential and commercial development in the South End. Growth in New Economy sectors such as the arts, food production, and tech are driving demand for a limited quantity of commercial space in the South End, most of it located in the Enterprise District, in which residential development is prohibited. Likewise, demand from homeowners and investors in rental property in the South End has driven up housing prices, which are now higher than they are citywide. The implication for the South End is that, should residential uses be allowed in the Enterprise District, new residential development could eventually be a "highest and best use" that could support growth in Burlington's young professional and family households but also limit economic expansion. Cities such as Brooklyn, NY and Portland, ME have experimented with strategies to address this dynamic, with varying success. Alternatively, the city could target *strategic sites* outside the Enterprise District on which to increase allowable residential density.

Limited room for expansion of existing businesses may result in current industrial sites becoming vacant and then becoming challenging to redevelop as commercial space. There are limited opportunities for existing businesses to expand in the South End; historic employment stability is a function of out-migration of large firms and in-migration of large numbers of small firms. If traditional industrial users continue to relocate to more competitive locations in the county and/or to locations that offer expansion potential, their South End sites will likely be cleared, remediated, and redeveloped to highest and best permitted uses. Overall, if land use regulations do not permit market-viable uses—which, in the future, may include residential, retail, and office depending on market demand—the South End may be left with vacant and underutilized land and property, as has been the case in certain areas of Chicago's Planned Manufacturing Districts.

Even if no changes are made to the zoning of the Enterprise District, the character of commercial uses in the South End may change as a result of a naturally evolving market. Strong commercial demand (for example, for retail and services that support the growing office market) could push out artists and other businesses valuing low cost space. Such is the case in the Pearl District in Portland, OR, and which may soon also manifest in the city's Central Eastside Industrial District. Thus, the conversation about the future of the Enterprise District is not only a question about whether residential development would displace long-time businesses, but also how to facilitate future commercial growth in a way that preserves, to the extent desired, the area's character. Note that while the case studies demonstrate approaches for preserving affordability, none use any form of overlay protection to do so.

Sub-areas within the Enterprise District have different characteristics and are transitioning at different rates, suggesting that future plans should be tailored based on the subarea. The Enterprise District's transformation into the diverse are it is today has not been uniform, instead occurring within three clusters:



"Near Downtown"

This area, close to Downtown, is home to tech, office, arts, retail, and consumer-facing industrial uses. Properties in this area are largely brick-and-mortar industrial buildings built in the late 1800s and early 1900s.

"Central South End"

This area retains some industrial character on the northern side of Lakeside Avenue to Lake Champlain, while areas closer to Pine Street resemble the Near Downtown section of the South End with converted brick industrial buildings. This area has also seen the renovation of post-World War II freestanding buildings to accommodate retail users as demand for locations along Pine Street has grown.

"Southern South End"

Properties in this area are primarily industrial and owner-occupied. These buildings were largely constructed between 1950 and 1970.

A new plan for the South End could distinguish the subareas in considering allowable uses, an approach used by Milwaukee to introduce a wide range of commercial and residential uses to its 30th Street Industrial Corridor.

Executive Summary

Burlington has a unique opportunity to think through how the South End can accommodate demand for a range of highly desirable uses in a limited space. The city's planning efforts should identify parcels that may be appropriate for denser mixed-use residential, whether and how to cost-effectively support well-paying job providers by identifying and readying expansion sites in the South End or elsewhere in the city, the potential for a public-private partnership to develop new and attractive space for New Economy employers, and the circumstances under which the city ought to participate financially in making the economics of desired land uses financially feasible (e.g. through undertaking remediation or making public land available)—strategies pursued by Brooklyn and Milwaukee, both with success. As part of the planning process, the city should also consider implementation requirements. This may include proposing changes to citywide land use policies that are limiting development and assessing the public, private, and non-profit sector capabilities required to implement the plan.

II. INTRODUCTION

The South End has been – and continues to be – one of Burlington's most dynamic neighborhoods.

From approximately the 1850s to the 1960s, the South End functioned as a manufacturing center for Burlington and the region. Over the course of the last 50 years, the South End evolved to become a home for artists, artisans, entrepreneurs, retailers, and traditional office users. With this evolution into the city's secondary businesses district and a dynamic cultural center, the South End continues to play an important role in the city and regional economy.

Currently, the South End is facing two challenges:

1. Its increasing cachet as an exciting place to visit and work has put significant pressure on commercial rents in an environment with minimal vacancy and room to grow. These factors may drive out artists and other businesses relying on cheap space and flexible lease terms.

2. Due to a county- and citywide housing crisis, there is increasing pressure to allow residential uses in the Enterprise District, which may also increase pressure on commercial uses.

In light of this changing environment, the City of Burlington has identified the South End as a candidate for a planning effort to explore the future possibilities of the neighborhood—similar to the recently completed PlanBTV Downtown & Waterfront plan adopted in June 2013.

The city retained HR&A Advisors, Inc. ("HR&A") to perform a market analysis of the South End to inform the planning efforts in the area. With support from Allen and Brooks, a locally-based real estate firm, HR&A analyzed market conditions for industrial, office, and residential property in the South End, the City of Burlington, and Chittenden County.[1] HR&A combined this work with an analysis of existing land use policies and case studies of lessons from other cities facing similar challenges.

In particular, HR&A's analysis seeks to assess market dynamics and impacts on affordability for artists and other users prioritizing affordability and explore whether the South End should allow additional residential development, particularly within the Enterprise District, to meet the city's growing housing needs.

1. HR&A considers retail potential under industrial uses as there appears to be a growing trend of industrial uses including a consumer facing component.

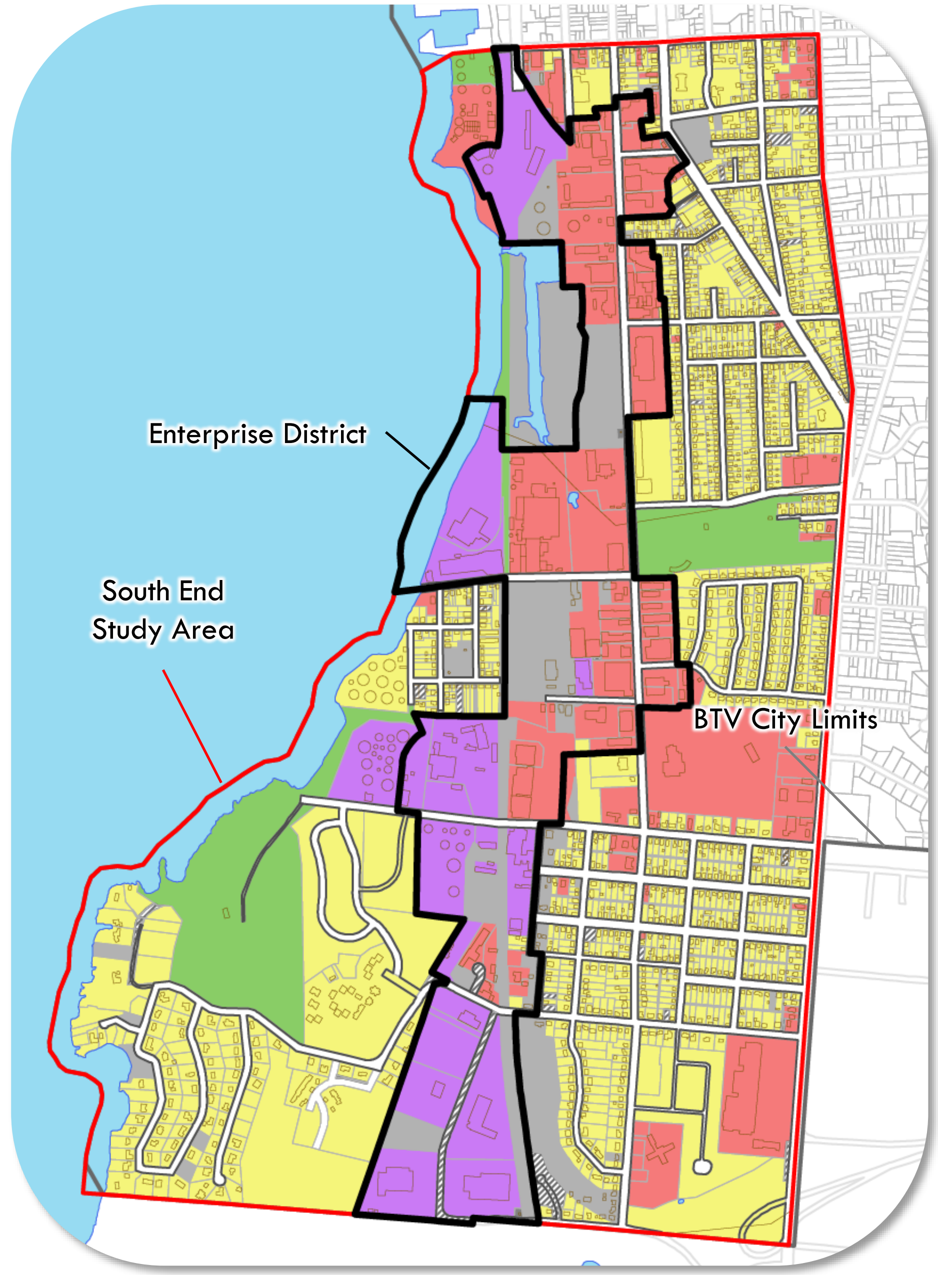
III. STUDY AREA OVERVIEW

The South End study area includes a mix of residential, commercial, and industrial uses and contains the Enterprise District, in which residential development is prohibited.

Nearly half of the South End study area's acreage (376.5 acres, or 45.4%) is devoted to residential uses. These uses are located on the periphery of the area, largely bordering US 7 and Lake Champlain.

The South End also contains a considerable amount of commercial (164.8 acres, or 19.9%) and industrial (113.8 acres, or 13.7%) uses, which are mostly segregated from the area's residential uses. This segregation is the result of the South End's being partially zoned for Light Manufacturing in the core of the study area (the "Enterprise District", which makes up 225 acres, or 27.1%). The Enterprise District was established to preserve industrial space, while ensuring compatibility of that space with nearby residential uses.

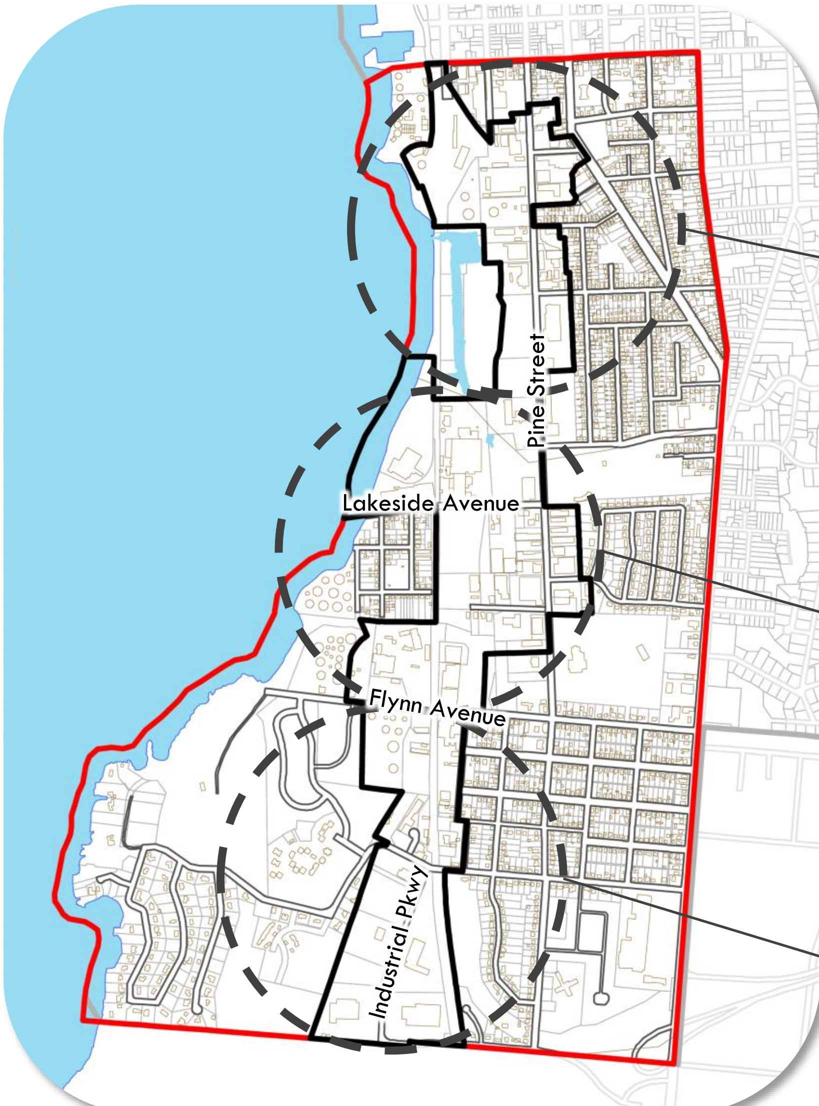
Land Use	Acres	% of Total
Residential	376.5	45.4%
Commercial	164.8	19.9%
Industrial	113.8	13.7%
Vacant	92.3	11.1%
Open Space	70.6	8.5%
Utilities	0.2	0.0%
No Data	10.4	1.3%
Total	**828.6**	**100.0%**



Source: map and land use totals based on data provided by the City of Burlington. Percentages actually total to 99.9% due to rounding.

Commercial uses within the Enterprise District are concentrated within three distinct areas, each with its own unique character.

Over the years, the conversion from industrial to non-industrial uses has progressed from north to south based on a number of factors, including availability of land and appropriate building stock, proximity to downtown, proximity to consumers, etc. As a result of this progression, the Enterprise District can be divided into three clusters or subareas. The following pages provide more detail on each subarea.



"Near Downtown"

This area, close to Downtown, is home to tech, office, arts, retail, and consumer-facing industrial uses. Properties in this area are largely brick-and-mortar industrial buildings built in the late 1800s and early 1900s.

"Central South End"

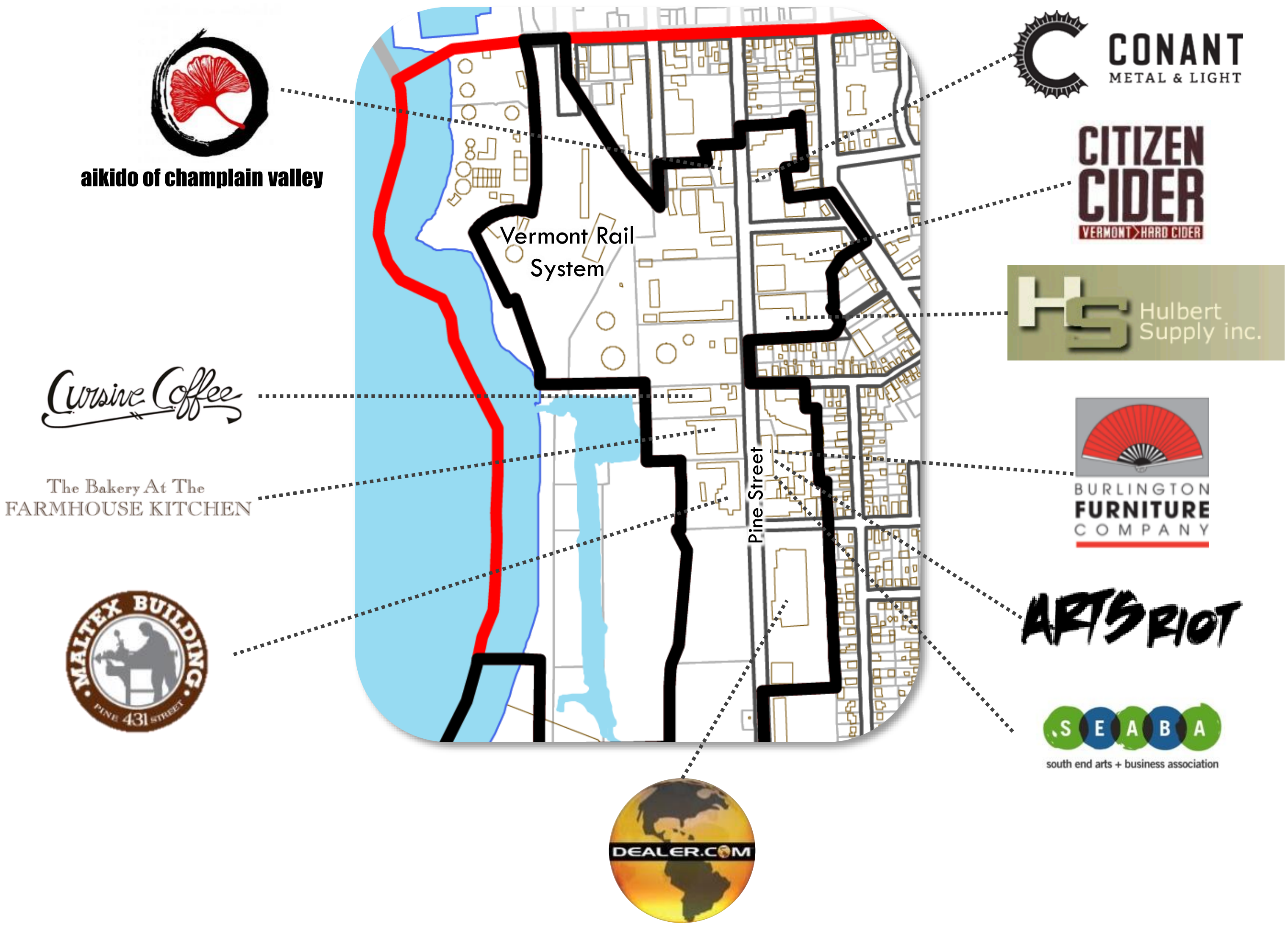
This area retains some industrial character on the northern side of Lakeside Avenue to Lake Champlain, while areas closer to Pine Street resemble the Near Downtown section of the South End with converted brick industrial buildings. This area has also seen the renovation of post-World War II freestanding buildings to accommodate retail users as demand for locations along Pine Street has grown.

"Southern South End"

Properties in this area are primarily industrial and owner-occupied. These buildings were largely constructed between 1950 and 1970.

Contemporary Business Types | Near Downtown contains a diverse group of professional and technical service and artisanal businesses.

This area exhibits the most complete transformation of the South End from a manufacturing center to a commercial business corridor. Except for the Vermont Railway rail yard, few traditional industrial uses remain.



History and Trends | Near Downtown contains the South End's oldest manufacturing buildings, most of which have been adaptively reused.

Manufacturing declined regionally through the 1970s and 1980s, and buildings in the South End became vacant. In response, property owners began to reposition them to attract new types of tenants. The South End first began to be associated with startups and artists as early as 40 years ago, with the Unsworth family's 1970s' conversion of the E.B. & A.C. Whiting Brush Fibre Factory into incubator space for artists and other businesses. The building now houses ArtsRiot, SEABA, Arentzen & Ohlander Glass Works, and other similar organizations. The most recent major building conversion in this area was of the post-war, former Specialty Filaments buildings, which was purchase and converted for use by Dealer.com and Lake Champlain Chocolates in 2006 (Dealer.com now owns and inhabits the entire building).

1970s

E.B. & A.C. Whiting Brush Fibre Factory
400 Pine Street
Now retail, artist studios
(SEABA, ArtsRiot)

Queen City Tulatex Corporation
500 Pine Street
Now residential (Jackson Terrace Apartments)

1980s

Kilburn and Gates Mill
316 Pine Street
Now office, retail

Welch Brothers Maple Company
400 Pine Street
Now retail, artist studios

Maltex Building
431 Pine Street
Now office

Vermont Bobbin Mill
306 South Champlain
Now residential (low-income housing)

Blodgett Oven Dept.
57 Maple Street
Now residential (low-income housing)

M. & F. C. Dorn Soda Company
266 Pine Street
Now retail, artist studios, small mfg. (Conant Metal and Light)

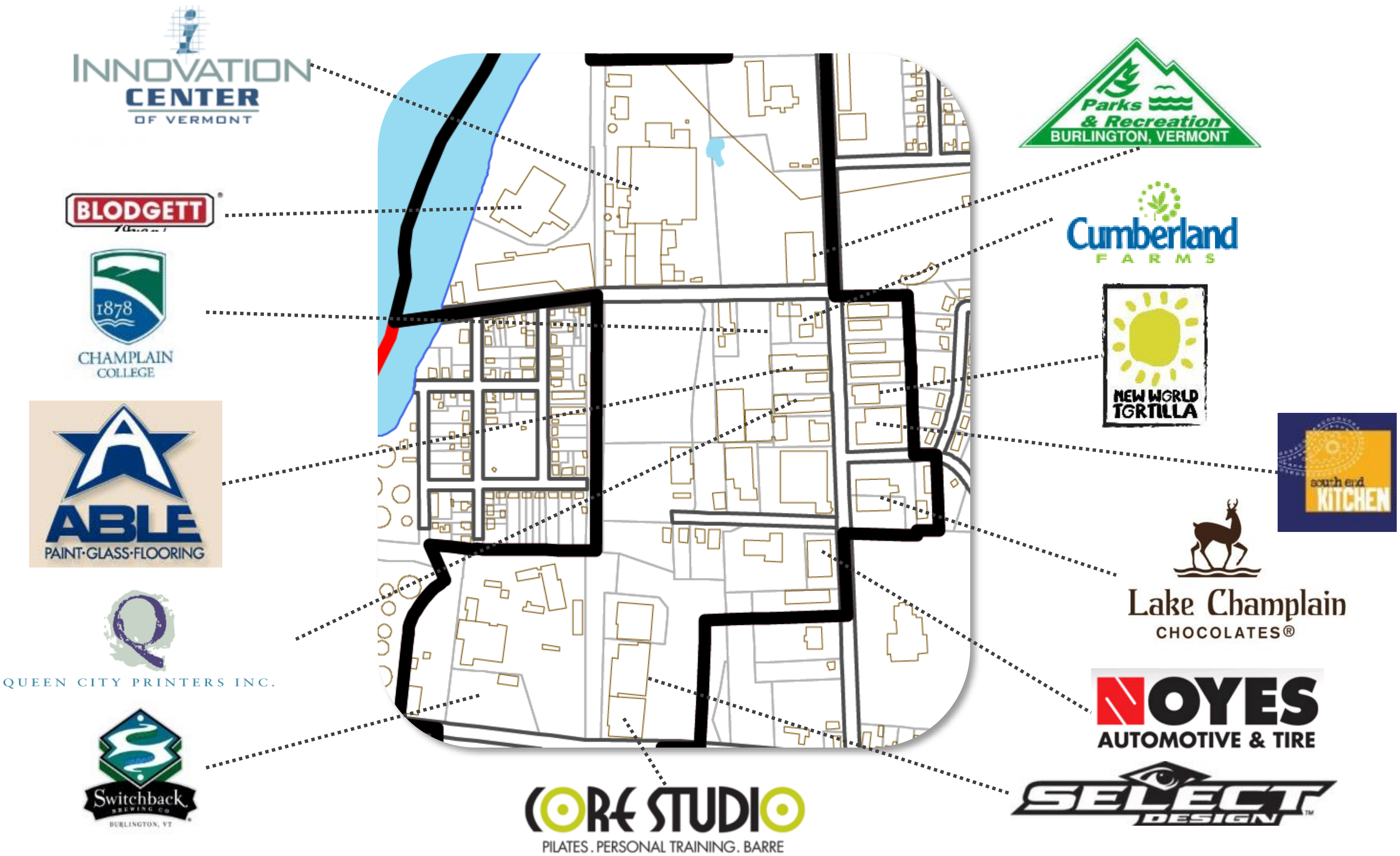
2000s

Specialty Filaments Building
1 Howard Street
Now office (Dealer.com)

Source: University of Vermont Historic Preservation Program

Contemporary Business Types | The **Central South End** is still in transition, with a number of new, consumer-facing businesses in the commercial and industrial areas.

The Central South End retains some industrial character with vast areas of surface parking and other underutilized land behind the Pine Street Corridor. The industrial character is mainly due to the presence of Blodgett Ovens, which operates in a 1945 industrial building on the lakefront. Closer to Pine Street, the area resembles the "Near Downtown" section of the South End, with converted brick-and-mortar buildings predominating. This area has also seen conversion of smaller-format, freestanding commercial buildings, built from the 1950s through 1970s.



History and Trends | In recent years, the developers have started to convert newer industrial buildings in the Central South End into retail uses as a result of an influx of nearby office workers looking for services.

With the exception of the Queen City Mill—which General Electric converted in the 1940s to office uses—conversions in this area have taken place more recently than in the buildings closer to Downtown. The Vermont Milk Chocolate Factory and Vermont Hardware buildings on Flynn Avenue are similar to brick buildings near Downtown, and have been converted to accommodate retail and artist studios. As demand for retail has increased, this area has experienced many post-WWII buildings along Pine Street being renovated for use by retail tenants seeking locations along a high traffic corridor.

1940s

Queen City Mill
128 Lakeside Avenue
Now office (General Electric/Dynamics, then Innovation Center)

2000s

Vermont Milk Chocolate Factory
208 Flynn Avenue
Retail

Vermont Hardware
180 Flynn Avenue
Retail, artist studios

668 Pine Street
Play Dog Play

688 Pine Street
Eco Bean And Juice, WND&WVS, others

696 Pine Street
New World Tortilla, SoYo Frozen Yogurt

Source: University of Vermont Historic Preservation Program; Google Streetview; City of Burlington

Contemporary Business Types | The **Southern South End** has retained its industrial character.

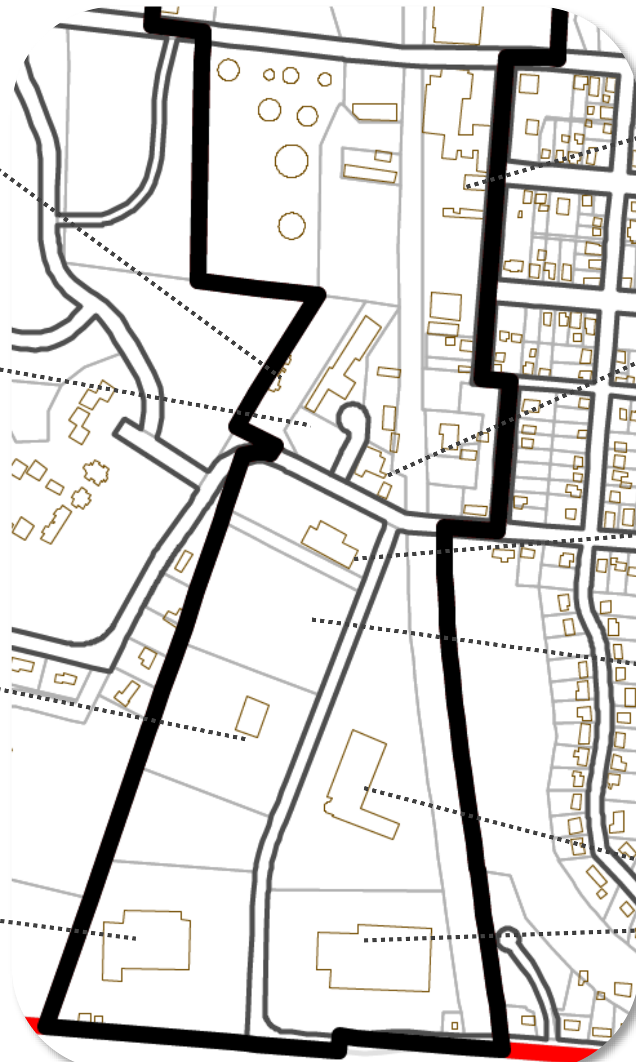
Properties in this area are primarily industrial, and house companies using spaces primarily for industrial operations—largely without consumer-facing retail operations as a component (excluding Burton Snowboards). These buildings were largely constructed from the late 1950s through the 1970s, and are large-floor plate, single-story buildings (in contrast to the multi-story brick buildings which characterize areas of the South End further north).

Barrett Trucking Co., Inc.

The Maids
Referred for a reason.

rhino
FOODS

Edlund



VERMONT RAILWAY

POOL WORLD

BM &G
Burlington Marble & Granite

C·C·T·A
Getting you where you need to go!

BURTON
SNOWBOARDS

History and Trends | Industrial businesses in the Southern South End are stable, largely owning the buildings they occupy, but potentially facing issues when trying to expand.

Industrial buildings in the Southern South End were constructed between the late 1950s through early 1970s. Current tenants include Edlund Company, Rhino Foods, and Burton Snowboards. All but Edlund Company own their buildings (Edlund Company previously owned their building, but participated in a sale-leaseback in 2005), indicated relative stability amongst these businesses in the South End. Expansion space may be limited, however, and has typically relied on opportunistic timing: the departure of General Dynamics from 80 Industrial Parkway in 2006 created an expansion opportunity for Burton Snowboards (who had moved into General Dynamic's other former property next door in 1991); but recently, Rhino Foods has expanded outside of Burlington, opening a freezer operation in Williston.

1960s

Edlund Company
159 Industrial Parkway
Company-built and occupied
Sale-leaseback to private investor in 2005

Rhino Foods
79 Industrial Parkway
Company-built, owned, and occupied

1990s

Burton Snowboards
152 Industrial Parkway
Formerly General Electric/General Dynamics (left 1991)

2000s

Burton Snowboards
80 Industrial Parkway
Formerly General Electric/General Dynamics (left 2006)

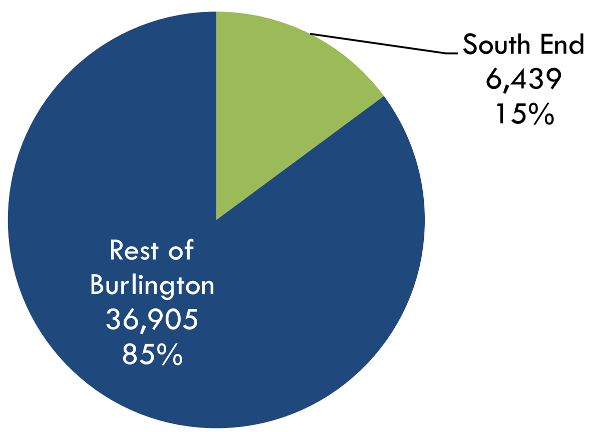
Sources: Burton Snowboards; City of Burlington

IV. DEMOGRAPHICS AND ECONOMICS

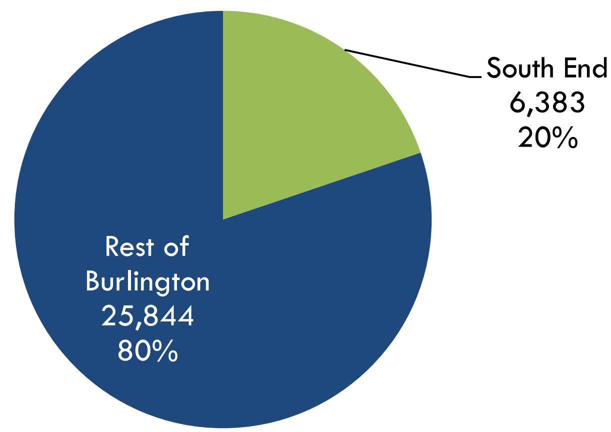
The South End has approximately equal numbers of jobs and residents, a result of its mix and concentration of commercial and residential uses.

The South End is home to 15% of the city's residents, or just over 6,400 residents. Similarly, the South End hosts nearly 6,400 jobs, which make up 20% of the city's total number of jobs.

Population, 2014



Jobs, 2014



Burlington Total = 43,344

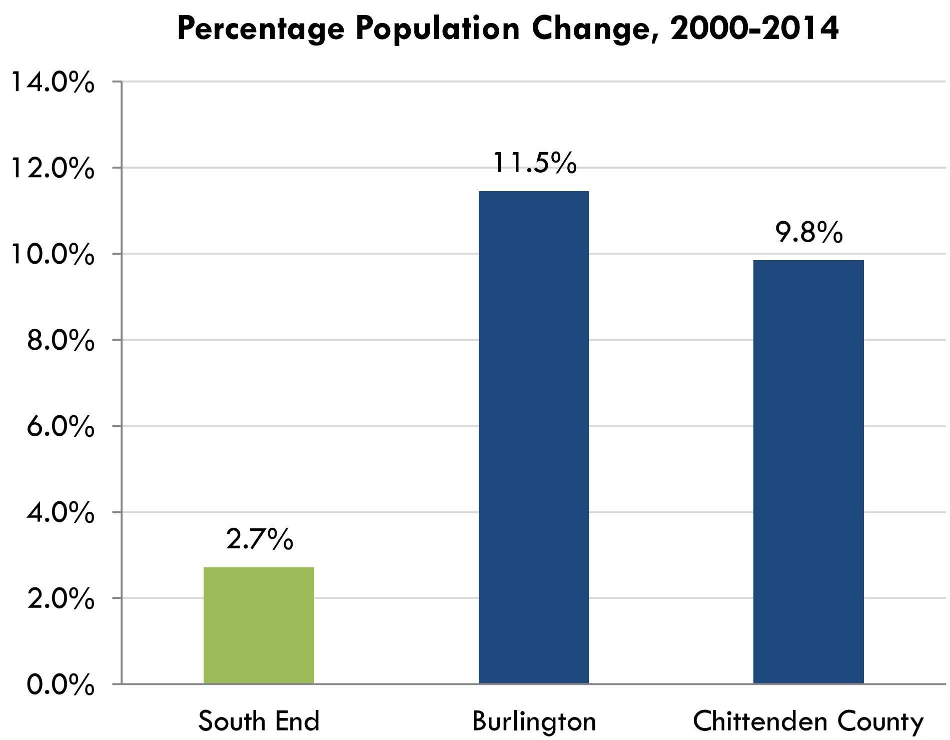
Burlington Total = 32,227

Note on data sources: HR&A's analysis of economic trends in the South End relies on three sources for employment data: the US Census, Esri Business Analyst, and InfoUSA. The inclusion of metrics and trend analyses in this report is subject to the availability and quality of data in these sources, which are only available at certain geographies and over certain time periods. As a result, these sources sometimes report different employment totals.

Source: ESRI Business Analyst estimates; InfoUSA

Over the last 15 years, the population of the South End has experienced minimal growth compared to the city and county overall.

Between 2000 and 2014, population growth in the City of Burlington outpaced growth throughout Chittenden County, increasing by 11.5% (compared to the county's 9.8%). In contrast, the population in the South End only grew by 2.7% over the same period. The presence of the Enterprise District and fact that existing residential areas are largely built out are key reasons why the South End has not captured more development.



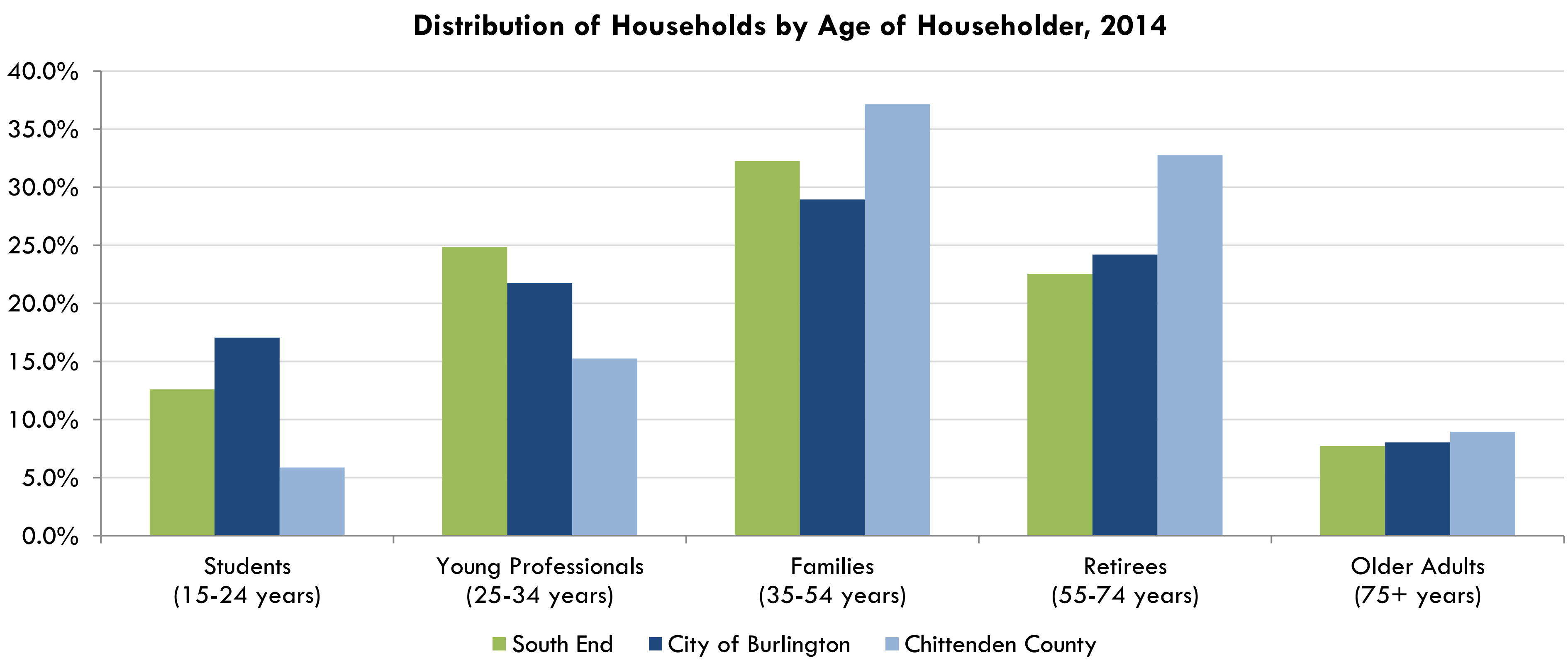
Total Population

Year	South End	Burlington	Chittenden County
2000	6,269	38,889	146,571
2010	6,353	42,411	156,545
2014	6,439	43,344	160,996

Source: ESRI Business Analyst estimates

The South End appeals to young professionals and families.

Most of the households in the South End are families (32%), representing a higher concentration than in the city as a whole (29%), but lower than in the county as a whole (37%). The South End also maintains a higher distribution of young professional households (25%) compared to the city (22%) and the county (15%). The area is home to a lower concentration of students than the city (13% versus 17%), and the South End mirrors citywide trends in hosting a lower concentration of retirees compared to the county (23% and 24% versus 33%). Older adult households maintain similar distributions across all three geographies (7% to 8%).

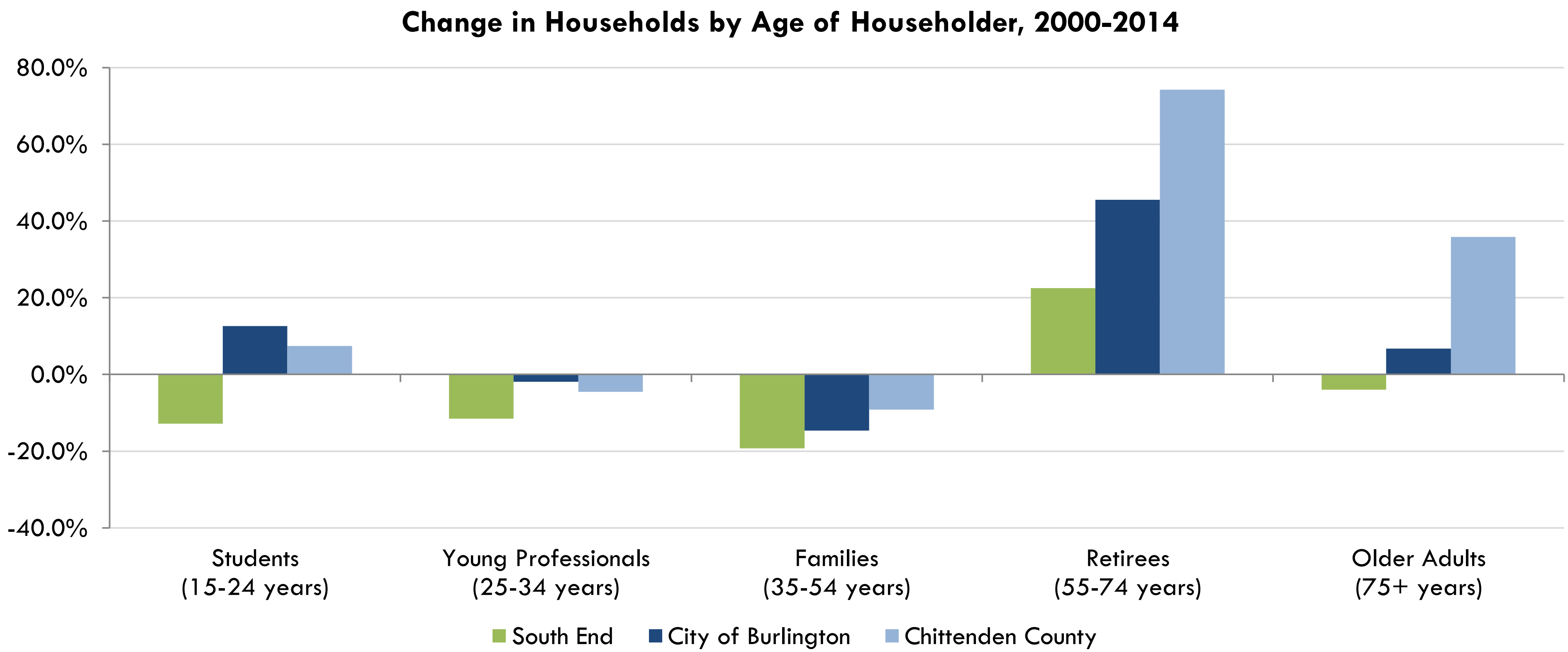


Source: ESRI Business Analyst estimates

Since 2000, the South End has lost population in four of five age groups.

The South End has experienced a loss in households across most age groups, including groups experiencing growth at city and county levels. For example, the number of young professional households in the South End declined by 12% between 2000 and 2014, while decreasing only 2% in the city and 5% in the county. The South End also lost 20% of its family households, greater than the 15% decrease in the city and 9% decrease in the county. In addition, while the number of city and the county student households has increased 13% and 8% respectively, the South End experienced a 13% decline. The same is true for older adult households, which declined 4% in the South End while increasing by 7% in the city and 35% in the county.

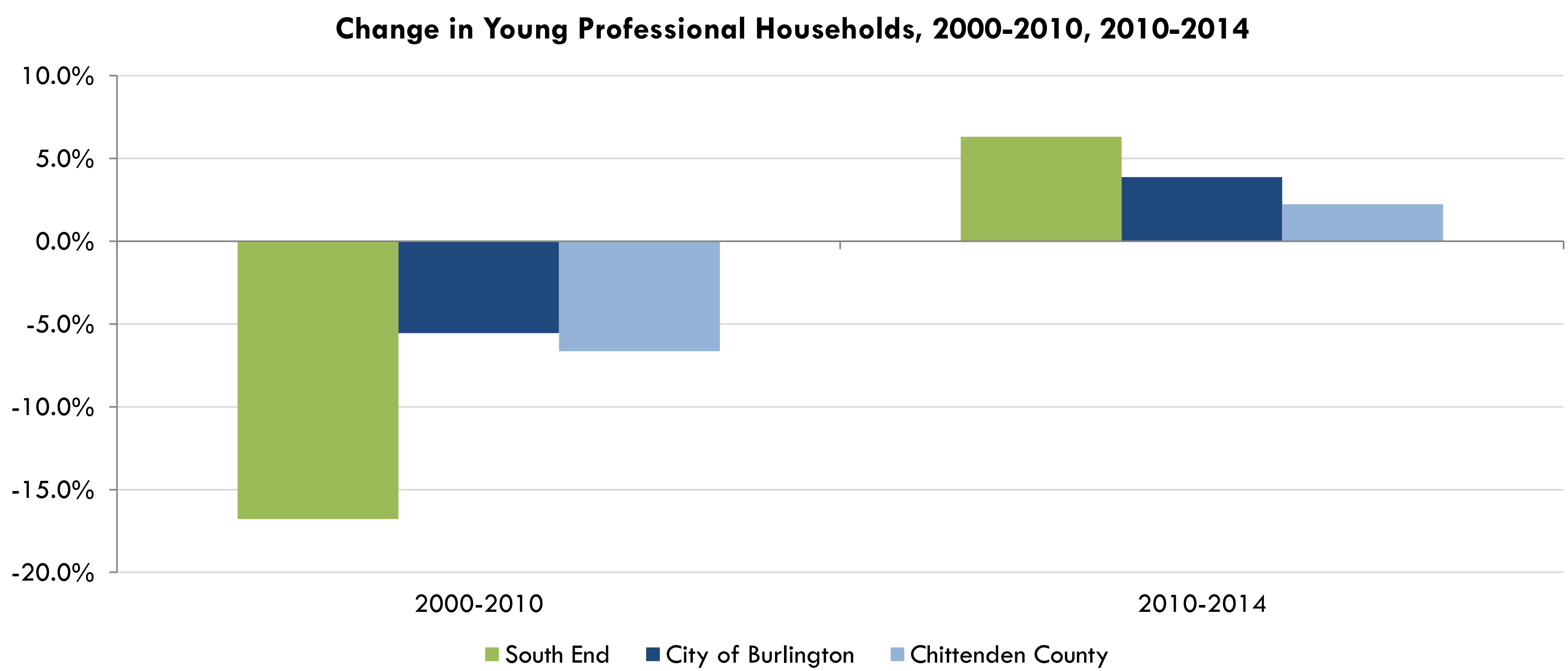
The South End did gain retirees, due to both new residents and aging-in-place, increasing by 23%. However, growth in retiree households in the city and the county outpaced growth in the South End, experiencing increases of 46% and 75% respectively.



Source: US Census; ESRI Business Analyst estimates for 2014

However more recently, the population loss in the South End appears to be reversing in key age groups.

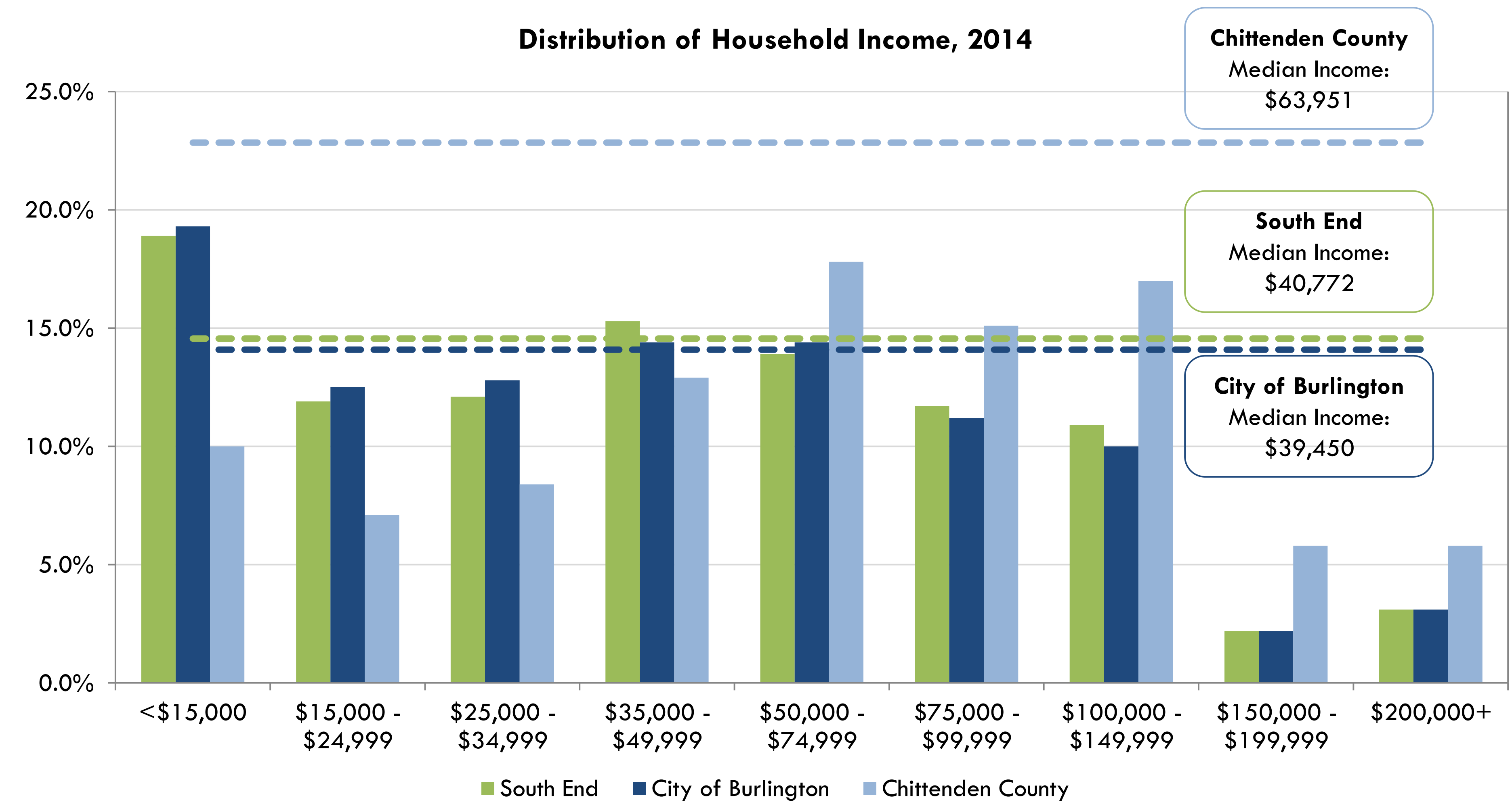
HR&A's analysis of updated demographic estimates suggests that the loss of young professionals in the South End, city, and county which occurred between 2010 and 2014 occurred primarily between 2000 and 2010. Since 2010, all three areas have experienced a gain in young professional households. In addition, in the last three or so years, growth in young professional households in the South End has outpaced growth of those households in the city and county: these households have increased by 6% in the South End, compared to 4% for the city and 2% for the county.



Source: US Census; ESRI Business Analyst estimates for 2014

Household incomes in the South End are comparable to those in the city as a whole, both of which are lower than household incomes countywide.

Median household incomes in the South End and Burlington are 36% and 38% lower than in the county overall. Households in both the South End and Burlington maintain similar distributions of income, with approximately 70% of households earning less than $75,000 per year, compared to 56% of households in the county.

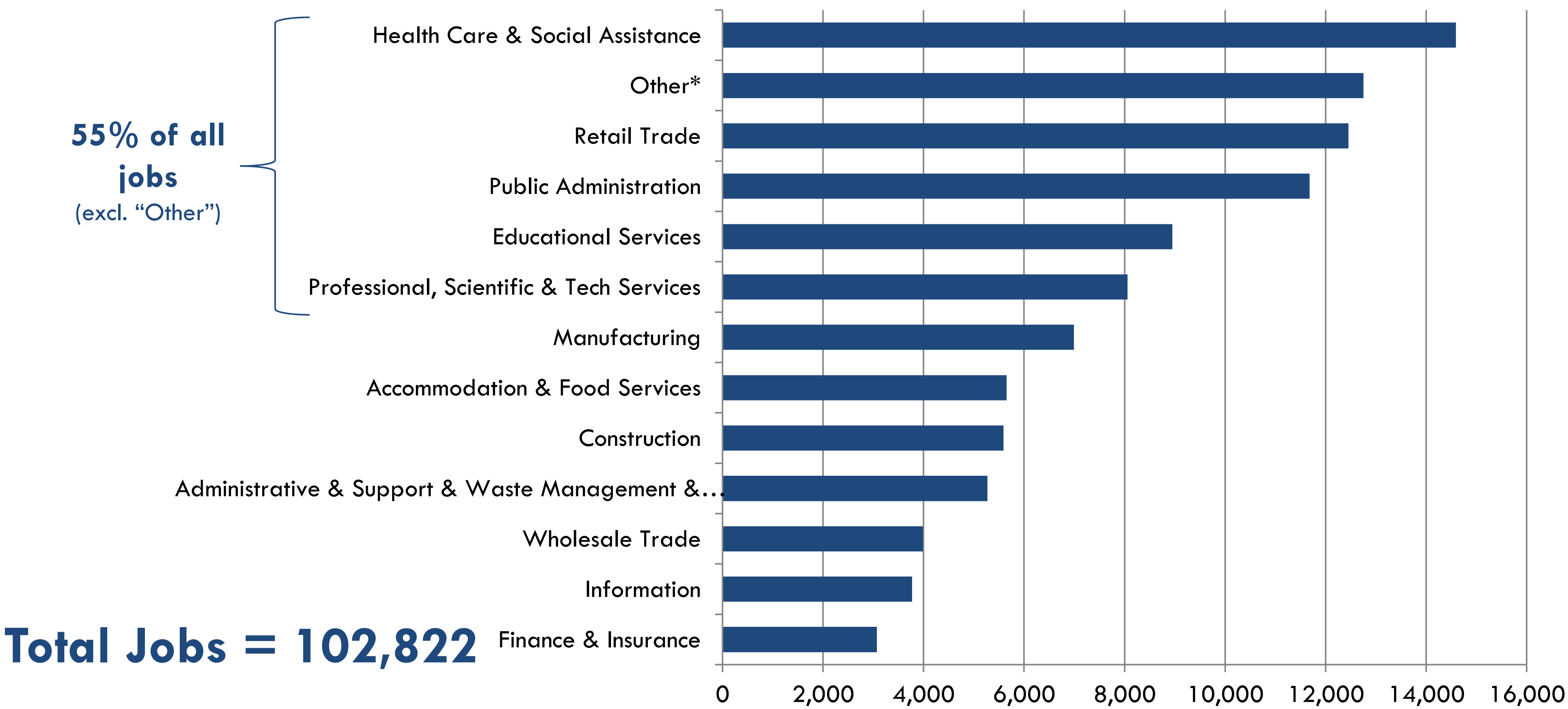


Source: ESRI Business Analyst estimates

Chittenden County supports a diverse employment base, with the majority of jobs in health care, management, education, or service sectors.

Fifty-five percent of the county's jobs are in health care and social assistance, retail trade, public administration, educational services, and professional, scientific, and technical services. Manufacturing only makes up 7,000 (7%) of the county's total jobs.

Jobs by Industry Sector, Chittenden County, 2014

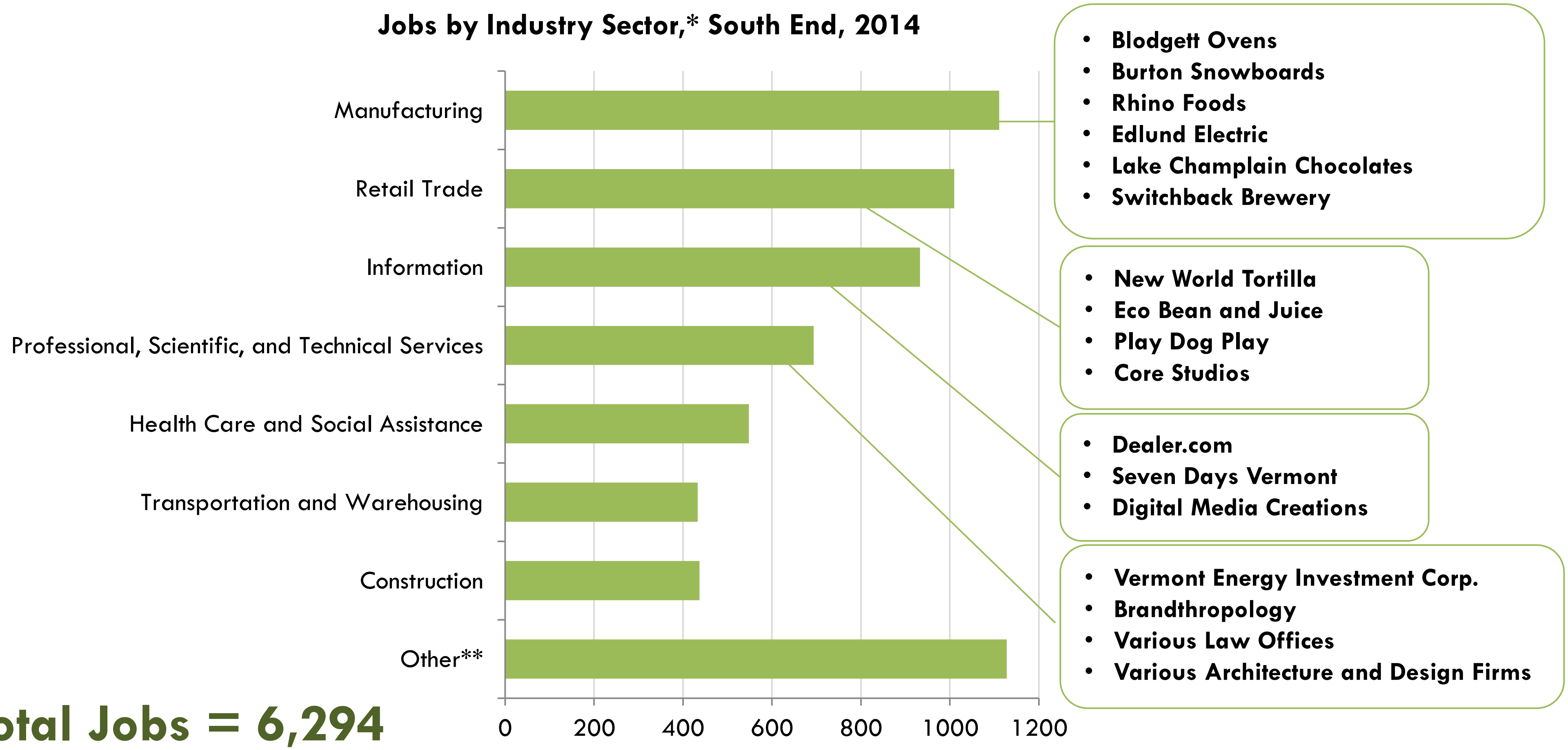


*"Other" includes transportation and warehousing, real estate, arts and entertainment, agriculture, utilities, management, mining and others.

Source: Esri Business Analyst

In contrast, jobs in the South End are primarily in manufacturing, though there are also a considerable number of jobs in retail, information, and professional, scientific, and technical services.

The South End's economic base is diverse: manufacturing accounts for over 1,100 (18%) of all jobs in the South End, closely followed by retail trade (1,010 jobs, or 16%), Information (933, or 15%), and professional, scientific, and technical services (694, or 11%).



Total Jobs = 6,294

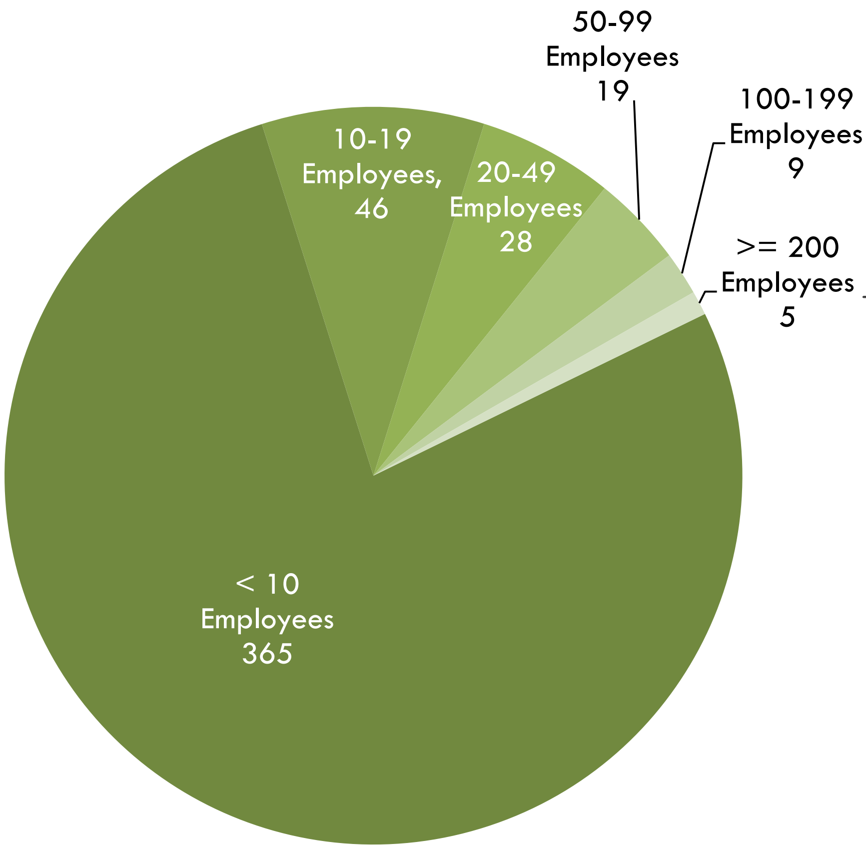
*Industry sectors describe the type of good produced or service provided.
**"Other" includes accommodation and food services, public administration, wholesale trade, arts, entertainment, and recreation, educational services, administrative support and waste management, real estate, utilities, finance and insurance, mining, agriculture, management of companies and enterprises, and other services excluding public administration.

Source: InfoUSA

An overwhelming majority of businesses in the South End are small with fewer than 10 employees; however, large companies account for most of the jobs in the South End.

In 2014, 77% of businesses in the South End employed fewer than 10 people. These businesses only account for 17% (1,087) of all jobs in the South End. On the other hand, the five companies employing 200 or more individuals account for 29% (1,810) of all jobs in the South End.

Number of Businesses by Number of Employees, South End, 2014



Total Businesses = 472

Largest Employers

DEALER.COM
795 employees

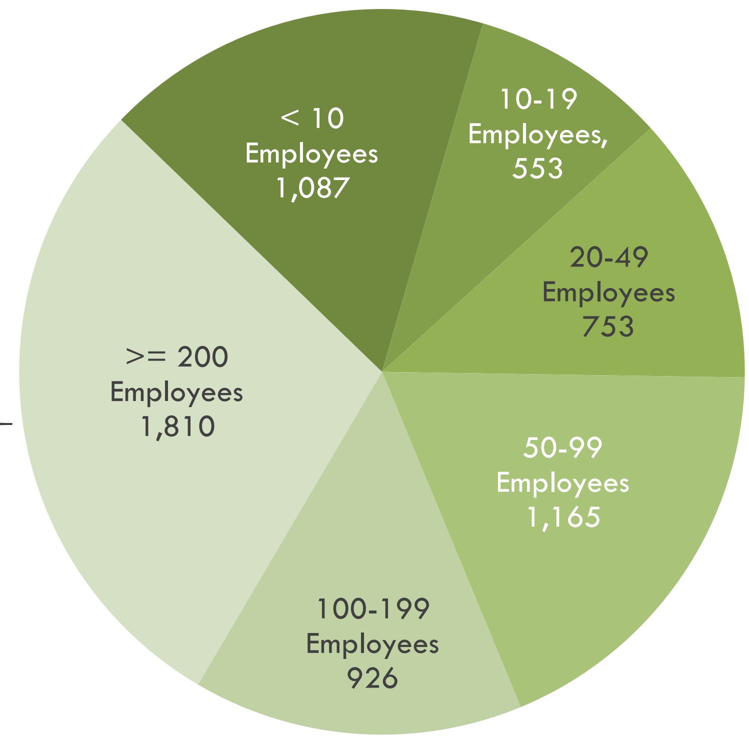
BURTON SNOWBOARDS
390 employees

BLODGETT Ovens
200 employees

Vermont Energy Investment Corporation
225 employees

Price Chopper
200 employees

Number of Employees by Size of Business, South End, 2014

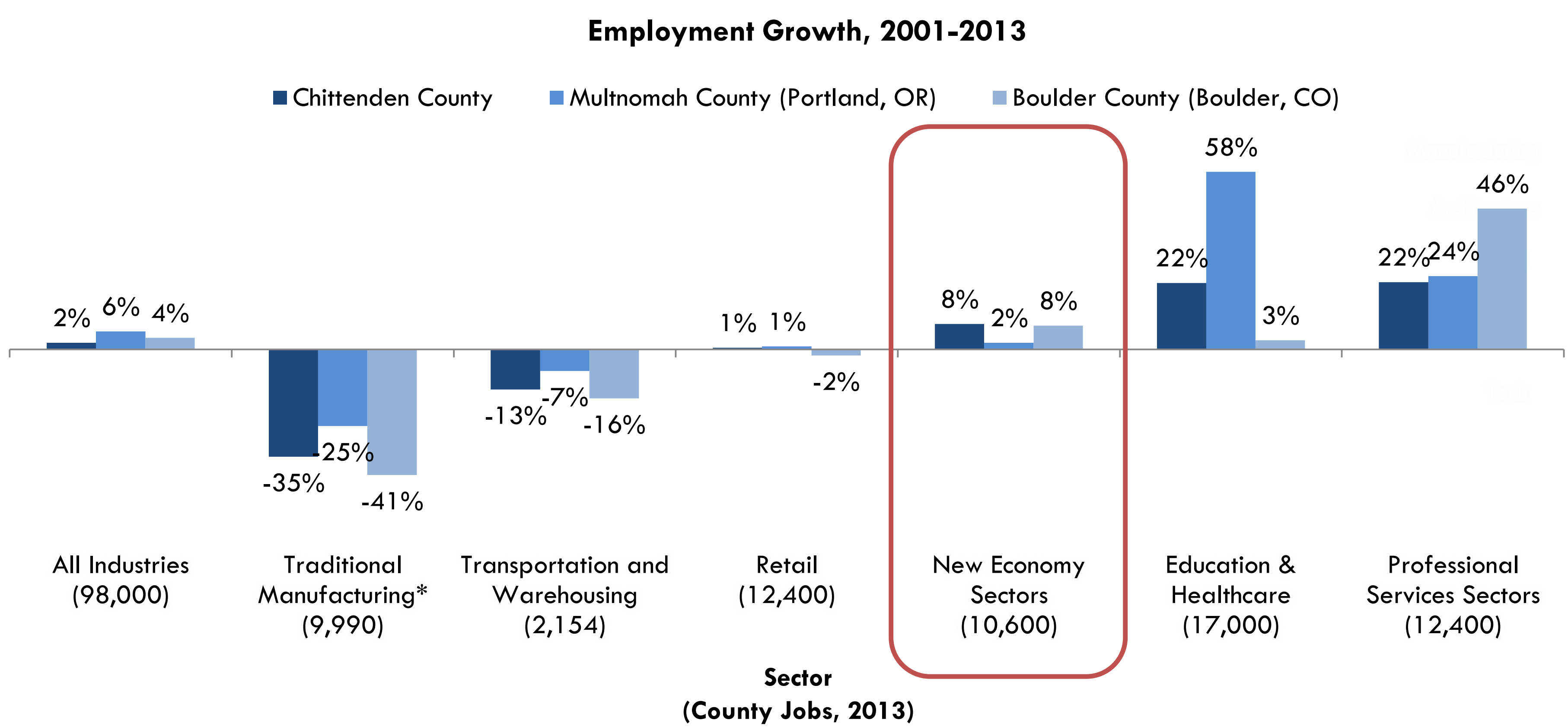


Total Jobs = 6,294

Source: InfoUSA

Following national trends in urban areas, the Chittenden County economy is becoming increasingly characterized by New Economy sectors.

Between 2001 and 2013, countywide growth occurred largely within the Education and Healthcare ("Eds & Meds") and Professional Services sectors, which both grew 22%. In this same period, New Economy sectors grew 8%, outpacing the growth of the economy as a whole. "New Economy" sectors include industries focused on technology, arts and design, and small scale, artisanal manufacturing and food manufacturing. These jobs underpin the county's economic recovery, as the number of New Economy sector jobs are now nearly equal to the number of transportation and warehousing and traditional manufacturing jobs. These dynamics are also at play in markets to which Burlington often compares itself, such as Portland, OR and Boulder, CO. As illustrated below, these geographies have also experienced growth in "New Economy" sectors as the number of jobs in traditional manufacturing and transportation/warehousing have declined.



*Includes the remainder of those sectors not defined as "New Economy" manufacturing sectors

Source: Bureau of Labor Statistics; HR&A Advisors, Inc.

Food manufacturing, one of many New Economy industry sectors, has experienced considerable employment growth countywide.

Throughout the county,* employment in food manufacturing grew by 89% between 2001 and 2013. In the same period, employment in most other manufacturing sectors declined or remained stable, with the exception of a slight increase in employment in chemical manufacturing. Growth in food manufacturing employment is a statewide phenomenon. The more than 385 specialty food businesses generate over $1 billion in annual revenue. A number of food incubators similar to South End Kitchen are open throughout the state. The strong statewide growth trend suggests continued opportunities for the South End to capture growth from this industry.

Employment, Top Five Manufacturing Subsectors, 2001-2013, Chittenden County**

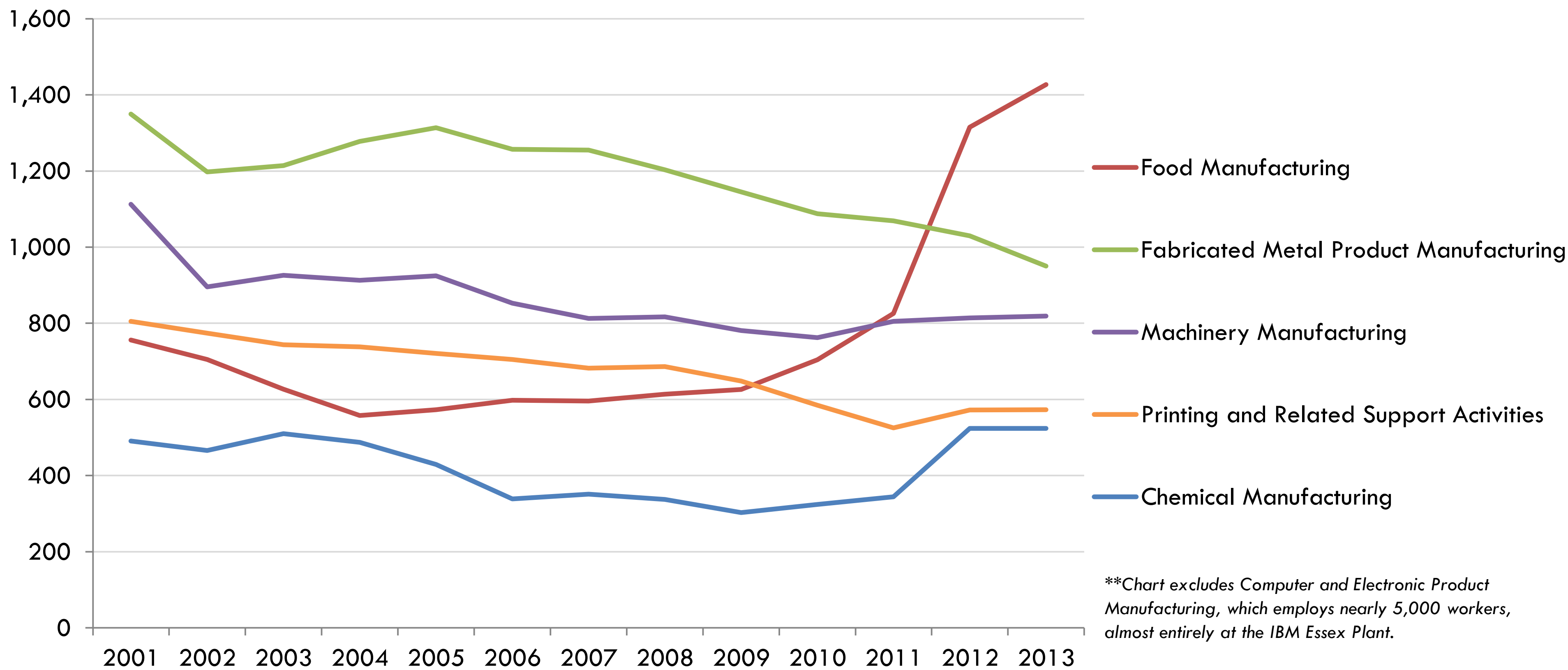


***Chart excludes Computer and Electronic Product Manufacturing, which employs nearly 5,000 workers, almost entirely at the IBM Essex Plant.*

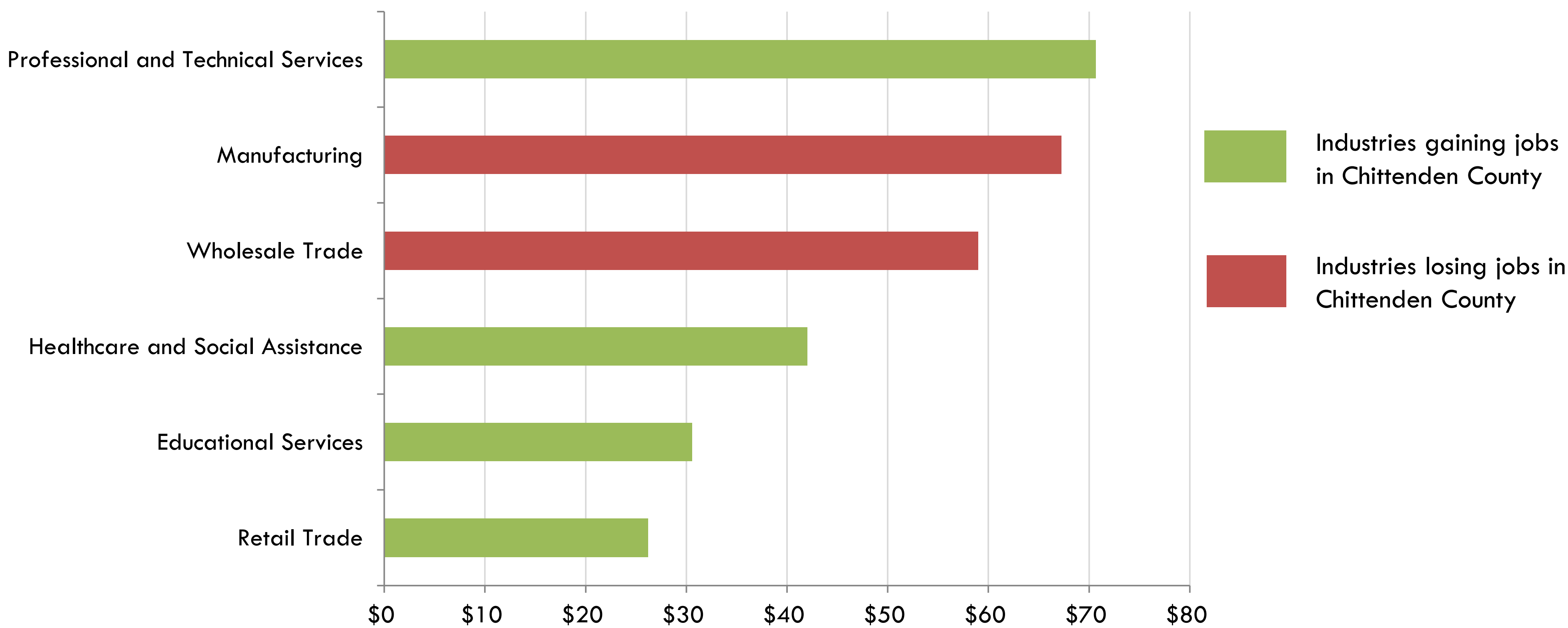
*Employment numbers at this level of detail are not available at the city or neighborhood level

Source: Vermont Department of Labor; VT Specialty Food Association

Many of the industry sectors which are growing countywide pay lower annual wages than previously strong manufacturing and wholesale trade sectors.

With the exception of Professional and Technical Services, the sectors that are gaining jobs in Chittenden County have average wages that are lower than industry sectors that are losing jobs. Healthcare and social assistance, educational services, and retail trade are all gaining jobs, however, their average annual wages (ranging from $26,207 to $42,016) are 30% to 60% lower than the average annual wages in the manufacturing ($67,228) and wholesale trade ($58,968) sectors, which are shedding jobs. As a result, people who lose their job in manufacturing or wholesale trade are more likely to end up in a lower paying sector and may find it challenging to afford to remain in the region.

Average Annual Wage by Industry* ($000's), Chittenden County, 2010



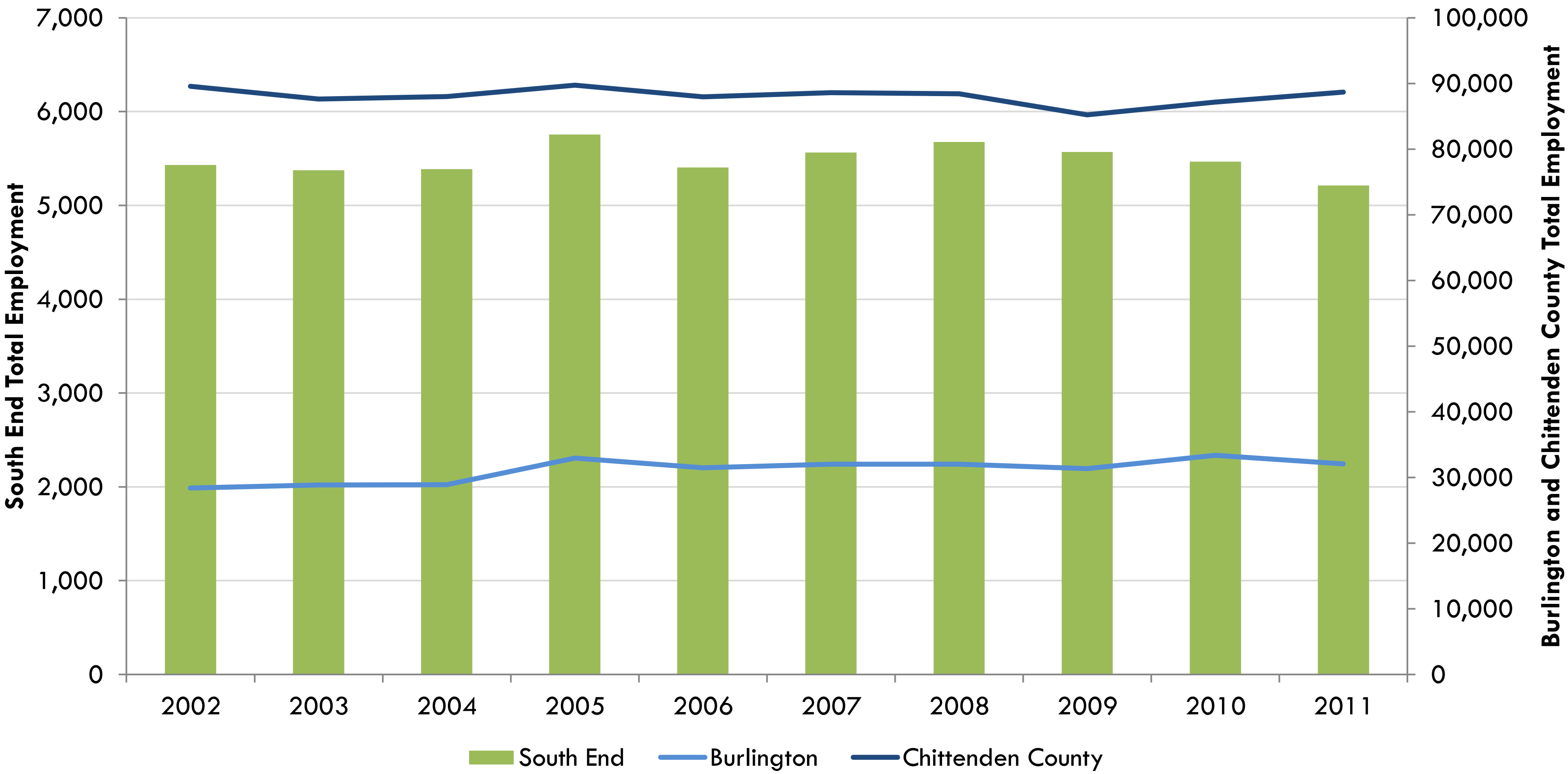
*Industry sectors group employment & compensation by the type of good produced or service provided, as opposed occupation, which is the type of work done by job description. This figure does not reflect New Economy sectors, as annual wage data is not available at the 4-digit NAICS code level, from which HR&A defined New Economy sectors in this report.

Source: Vermont Department of Labor, 2010 (most recent available)

As a result of growth in Eds and Meds, Professional Services, and New Economy sectors, the number of jobs in the county, city and South End has remained fairly stable over the last decade or so.

Though employment decreased slightly after the 2008 recession, total employment in the South End has remained fairly stable since 2000, fluctuating from a high of 5,800 in 2005 to a low of 5,200 in 2011. City and county employment has also remained fairly stable and similar to pre-recession levels.

Total Employment, 2002-2011



Source: US Census Bureau, Center for Economic Studies, LEHD

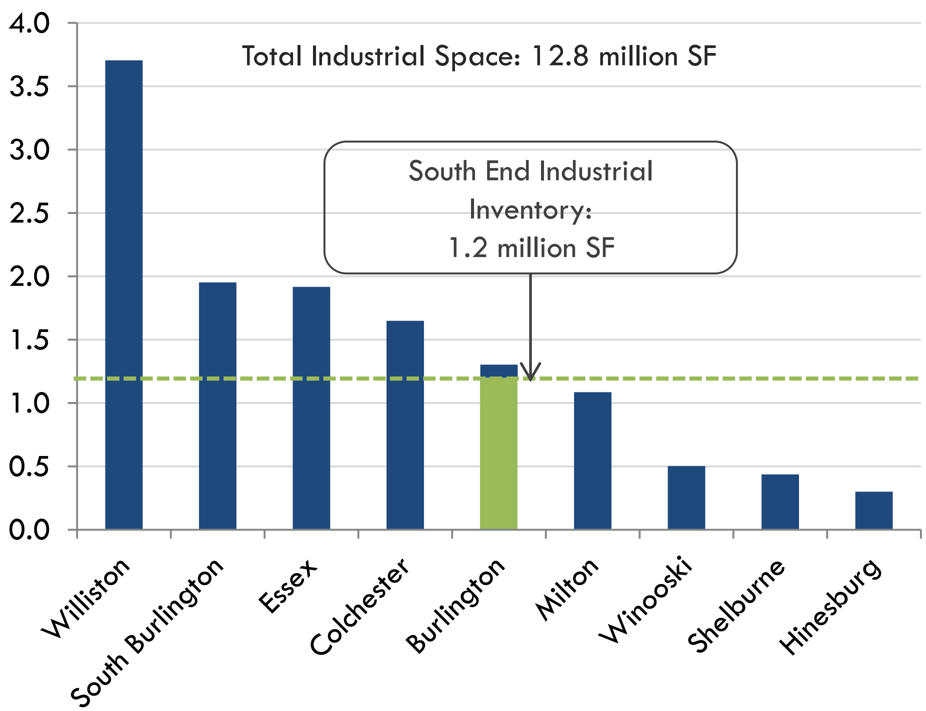
V. REAL ESTATE MARKET ANALYSIS

Industrial

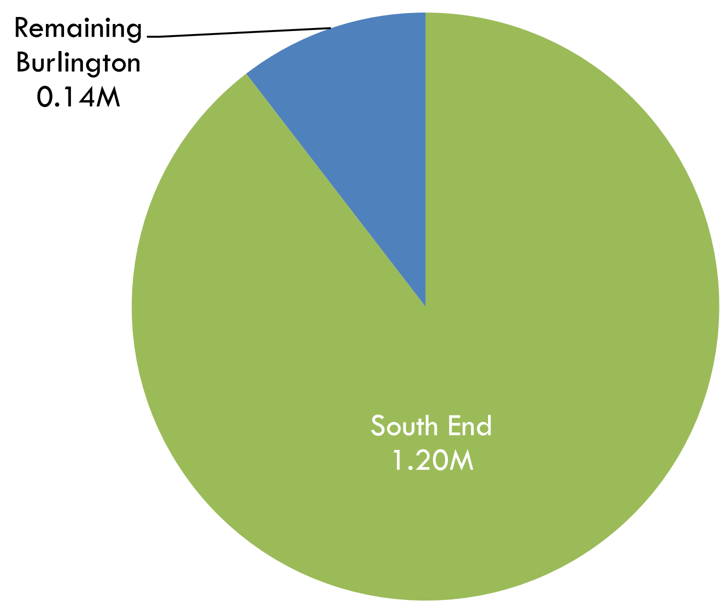
The South End is the core of the City of Burlington's industrial market.

The majority of the county's industrial activity is concentrated in Williston, which contains over 3.5 million square feet of total inventory. Burlington, by comparison, contains just over 1.3 million square feet of inventory—90% of which is located in the South End. Thus, the South End serves as the center of Burlington's industrial economy.

Total Square Feet, Industrial, Chittenden County 2014 (millions)



Total Square Feet, Industrial, Burlington, 2014

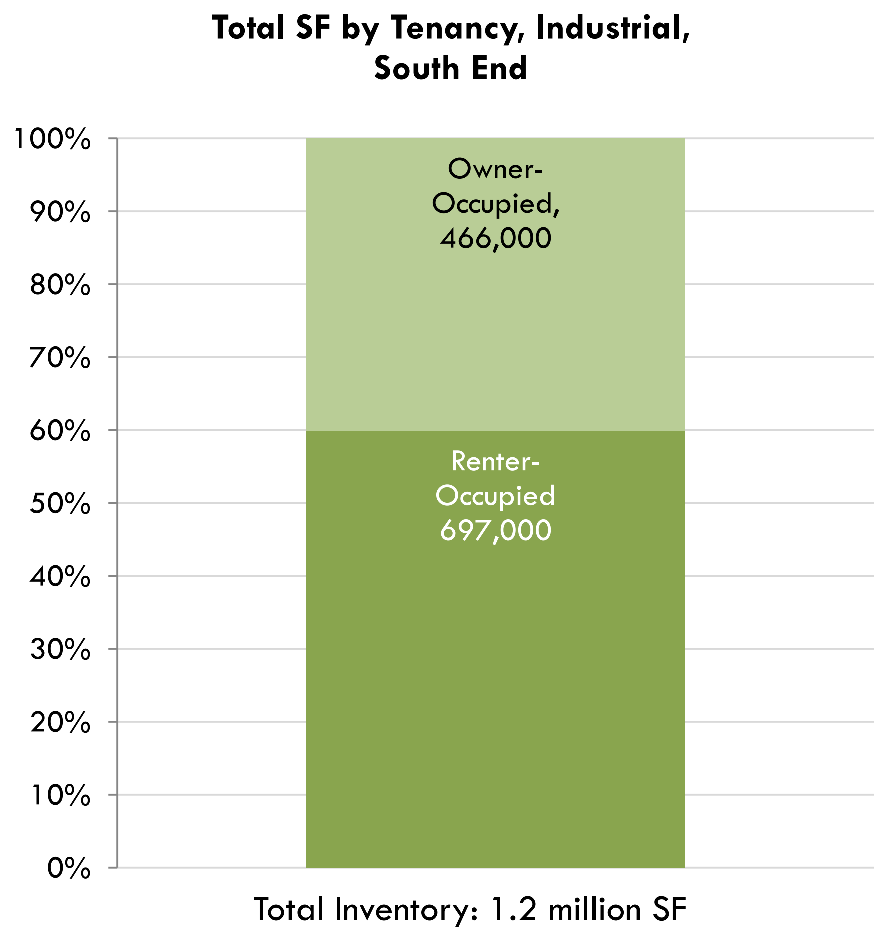


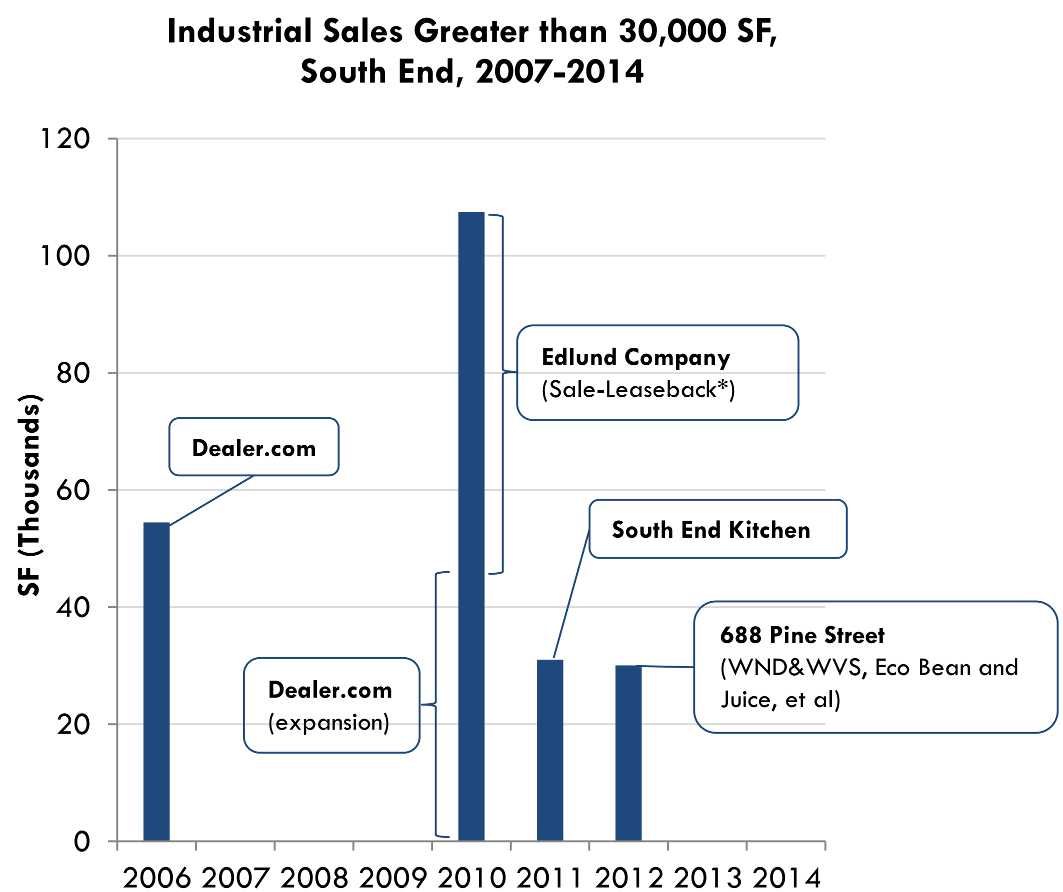
Total Industrial: 1.3 million SF

Source: HR&A analysis of data provided by Allen & Brooks

A slightly higher percentage of industrial space is renter-occupied than owner-occupied, but among the owner-occupied spaces there have been very few transactions.

Out of 1.6 million square feet of industrial buildings in the South End, 40% (466,000 square feet) are owner-occupied. There have been few transactions of industrial spaces in the South End, indicating stability amongst these users.





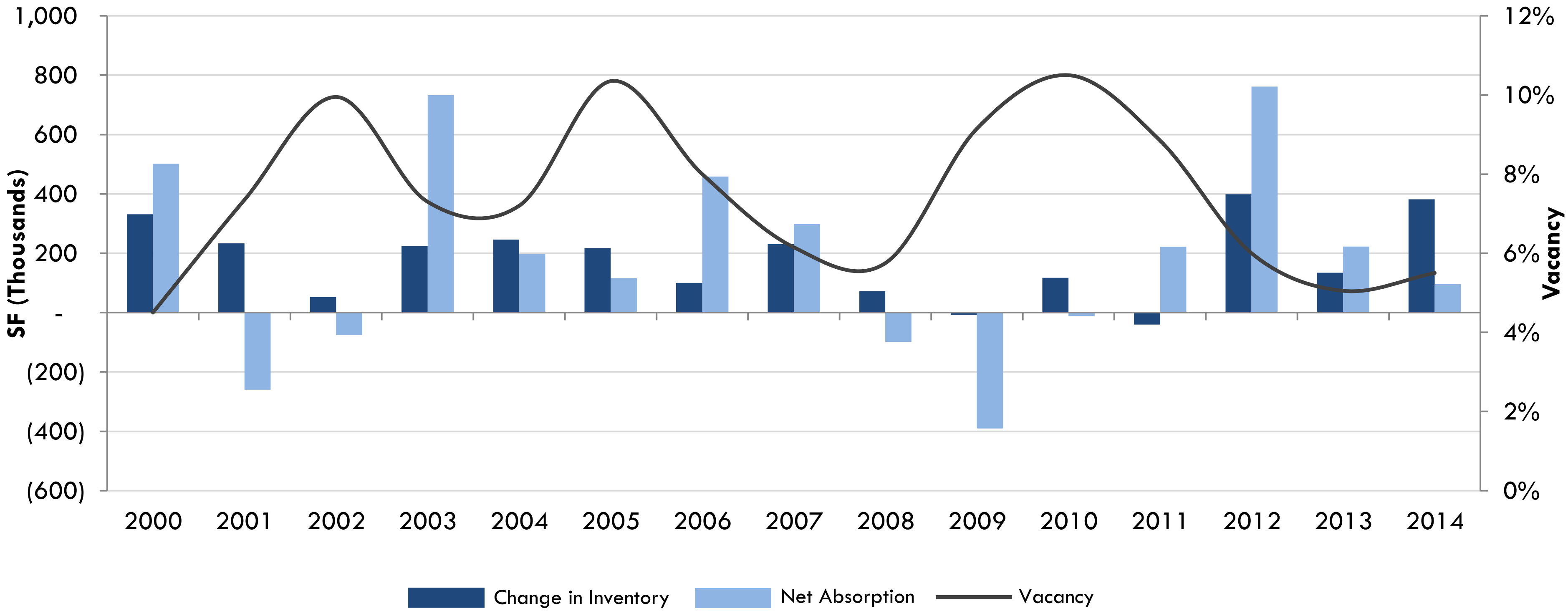
*A sale-leaseback occurs when a property owner—usually an active business—wishes to sell the property in which it operates while retaining tenancy, usually to free up capital.

Source: HR&A analysis of data provided by Allen & Brooks

As New Economy industries have grown, so has countywide rental demand for industrial property.

Even in the face of declining employment in transportation and warehousing and traditional manufacturing, employment growth in New Economy sectors appears to be driving demand for industrial properties throughout the county. Since 2011, industrial properties have experienced net positive absorption each year. In addition, even though developers have consistently delivered new industrial buildings, this new inventory has not kept up with demand; as a result, vacancy rates are lower than they were in the early 2000s.

Change in Total Inventory, Net Absorption, & Vacancy, Chittenden County, Industrial, 2000-2014*

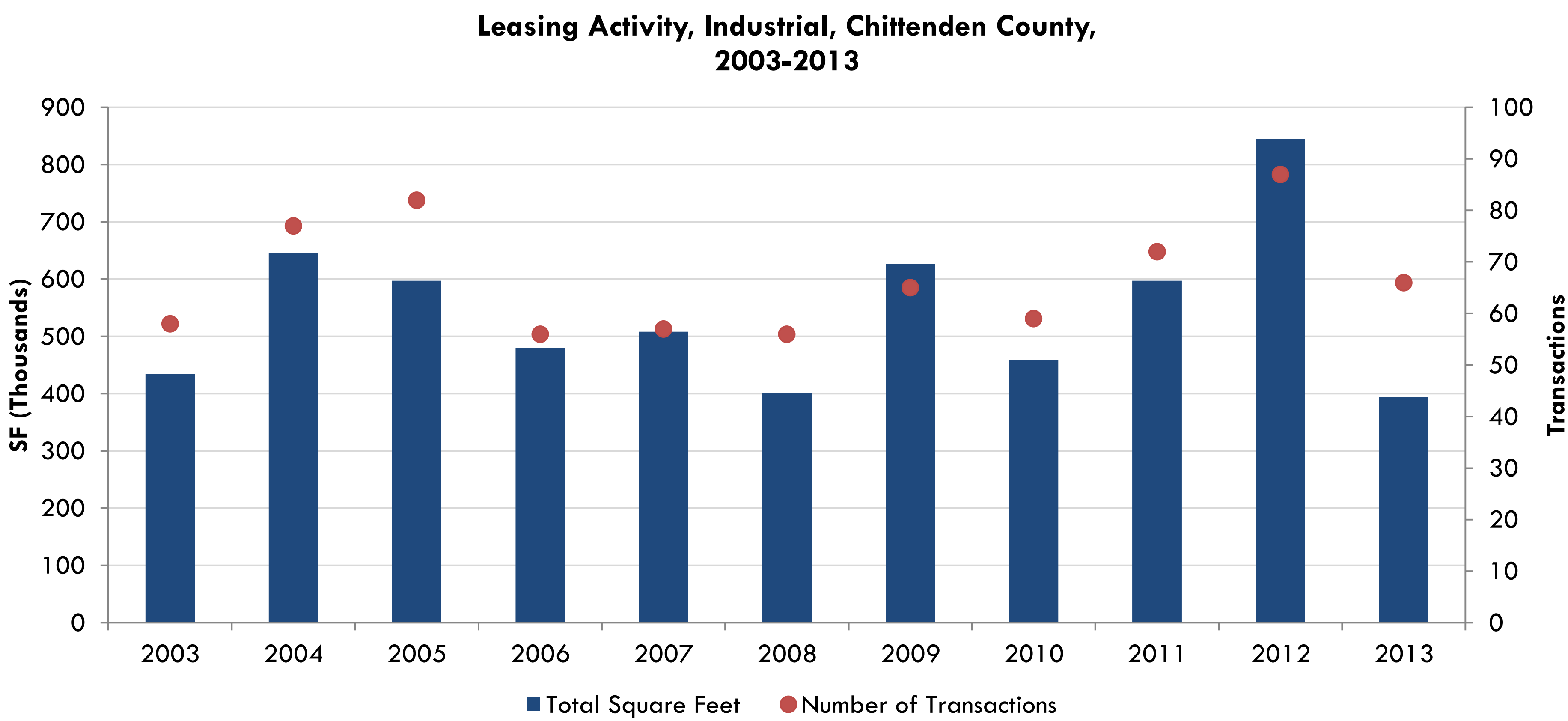


*2014 deliveries estimated; 2014 absorption and vacancy reflects the first half of the year.

Source: HR&A analysis of data provided by Allen & Brooks

Countywide leasing activity has also picked up considerably since the recession as demand for industrial space has increased.

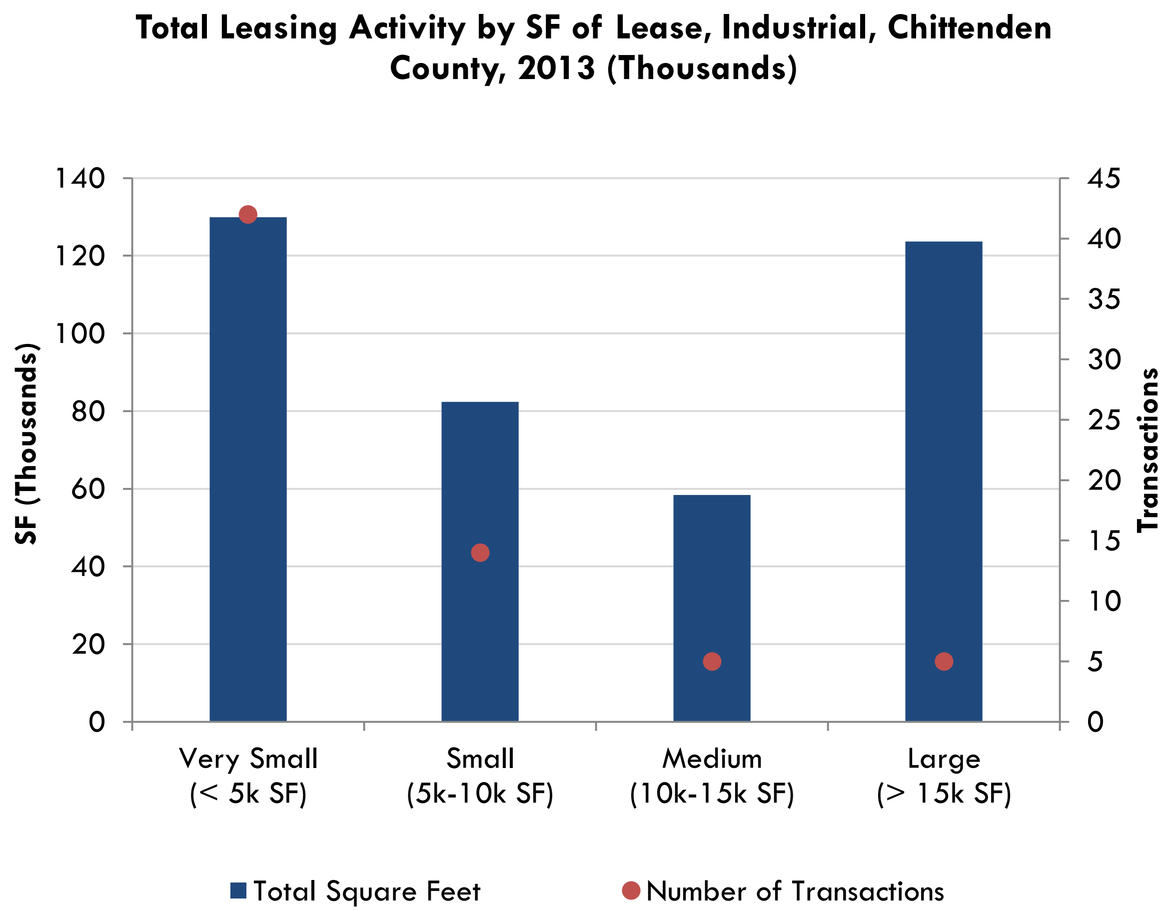
Over the last decade, leasing volumes have ranged from 400,000 SF in 2009 to 845,000 SF in 2012, with an average annual volume of 544,000 SF. The number of transactions have also ranged between 56 transactions in 2006 and 2008 and 87 in 2012. In 2013, the low volume, but average number of transactions is due to companies seeking smaller spaces.



Source: HR&A analysis of data provided by Allen & Brooks

There is current high demand for very small industrial spaces, defined as less than 5,000 square feet.

The majority of 2013 transactions (64% or 42 transactions) were for very small spaces. In contrast, there were only five transactions for spaces larger than 15,000 SF.

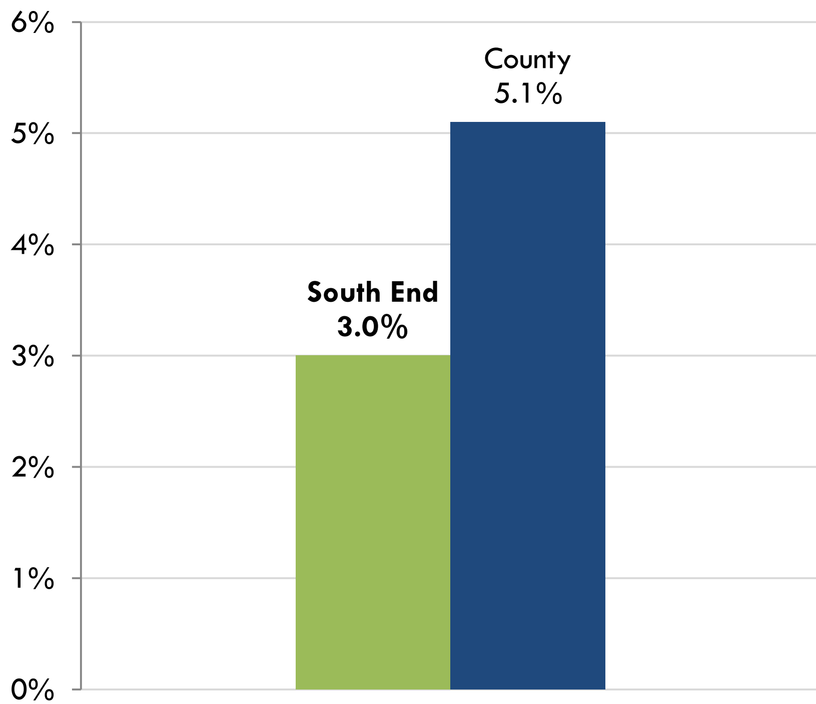


Source: HR&A analysis of data provided by Allen & Brooks

For South End buildings which are investor-owned, the vacancy rate is significantly lower than in industrial spaces in the county overall.

The South End industrial market has been more successful at attracting industrial users to the neighborhood compared to the county as a whole. (The remainder of the city is excluded from this analysis given the preponderance of city industrial space in the South End.) The average vacancy rate in South End industrial properties was 3.0% in 2013, lower than the countywide rate of 5.1%. Only one building in the South End has availability, with approximately 58,046 SF. Because many users are seeking smaller spaces around 5,000 square feet, and this building could house nearly ten smaller tenants, the owners are entertaining redevelopment options which would replace half of the existing warehouse with office or retail uses.

Vacancy, Industrial, 2013



Source: HR&A analysis of data provided by Allen & Brooks

Available Industrial Space

747 Pine Street (former Reinhart Foodservice building). This 58,046 square foot building contains the only available industrial space in the South End. All 58,046 are currently listed at $6.25 per square foot NNN. The owner expects to redevelop half of the building for office or retail uses.

Source: Allen & Brooks; Neede Real Estate; City of Burlington

The mix of industrial and retail uses in former industrial spaces contributes to the South End's low vacancy and increasing rents.

Many industrial users in the South End are simultaneously operating both industrial/commercial operations and retail operations in the same building. This is particularly true for food manufacturers, which produce goods in traditional industrial or commercial settings but also promote a consumer-oriented experience through tasting rooms, storefronts, and cafeterias.

Switchback Brewery

Bottling line (top) and **tasting room** (bottom).

Citizen Cider

Factory floor (top) and **tasting room** (bottom).

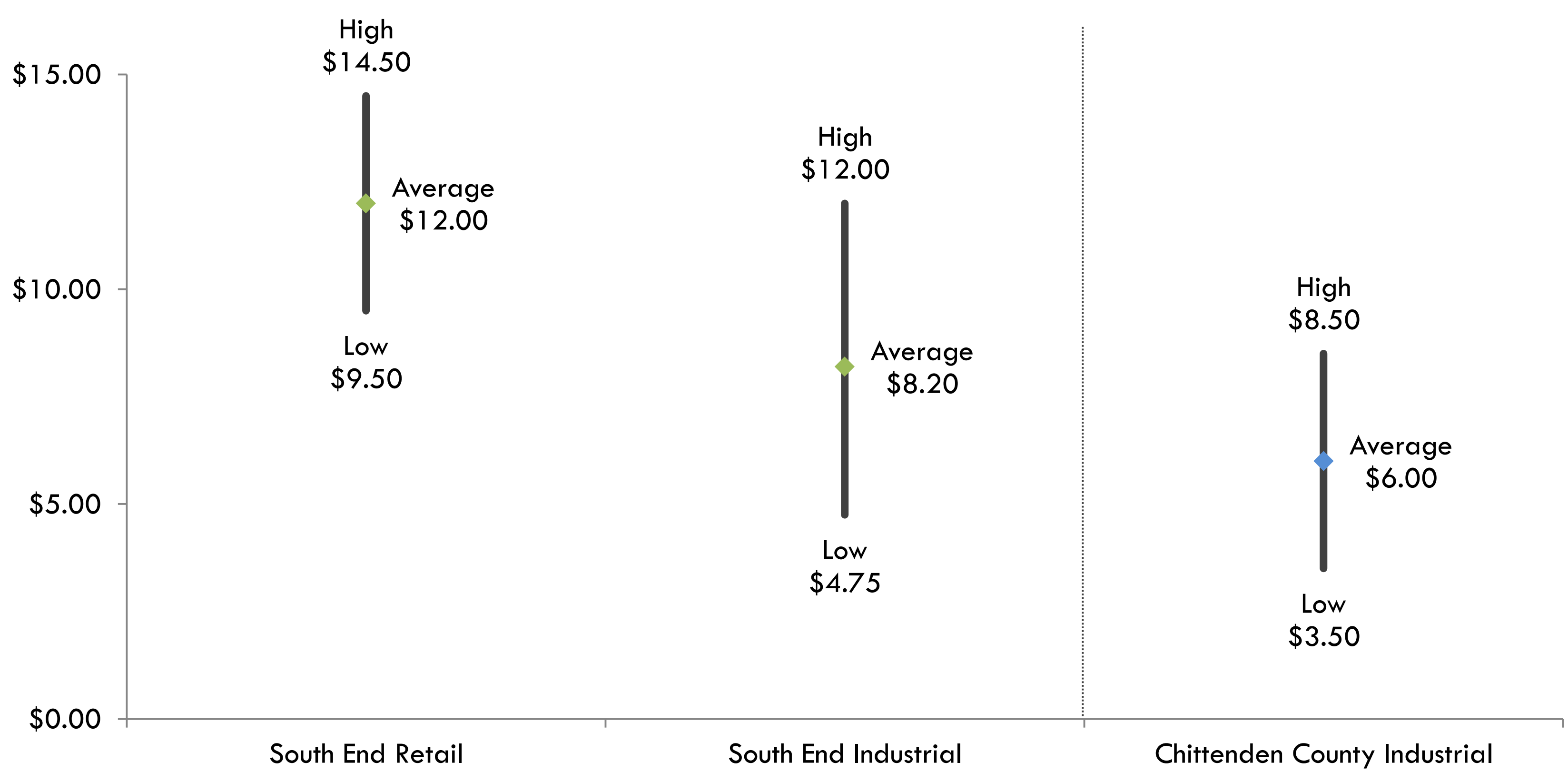
South End Kitchen

Commercial kitchen which trains new chefs and hosts cooking classes (left) **and retail cafeteria** (right).

Because many South End users are seeking space that can accommodate both industrial activity and consumer-facing, retail operations, they are willing to pay higher rents.

Retail uses typically command higher rents than standalone industrial buildings. Users seeking hybrid space in the South End are therefore willing to pay a premium for industrial properties that can accommodate retail uses. Often these businesses pay different rents for the different space types. The retail rents below reflect those buildings in which only retail operations are taking place. The industrial rents for the South End below reflect both industrial buildings in which industrial operations are taking place, as well as industrial buildings in which tenants are paying separate retail and industrial rents.

Average Rents, 2014 ($/SF NNN)

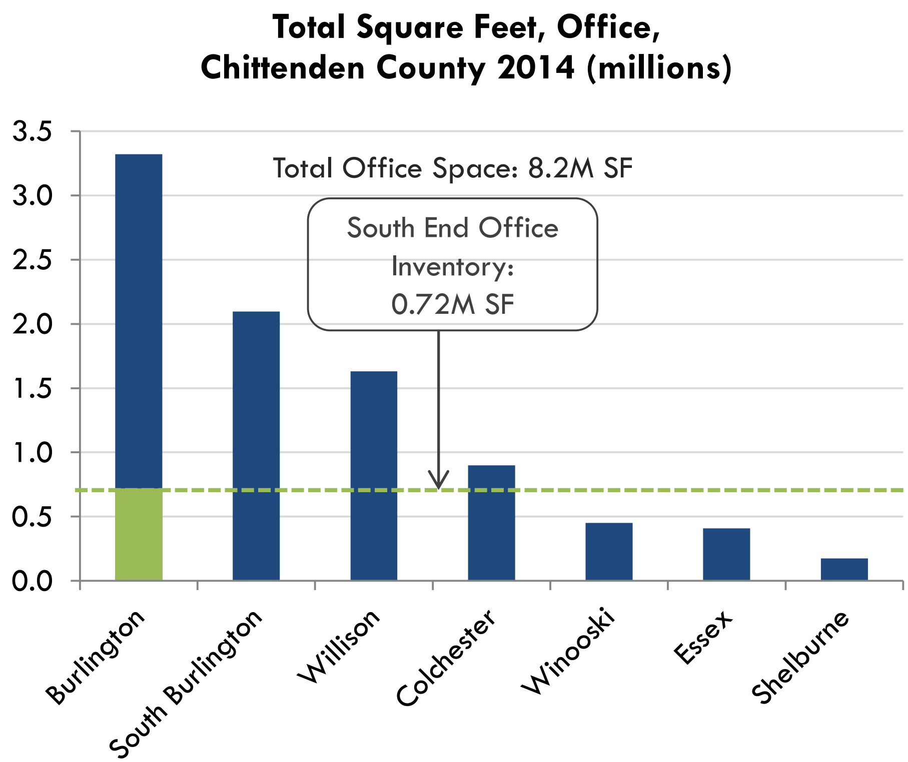


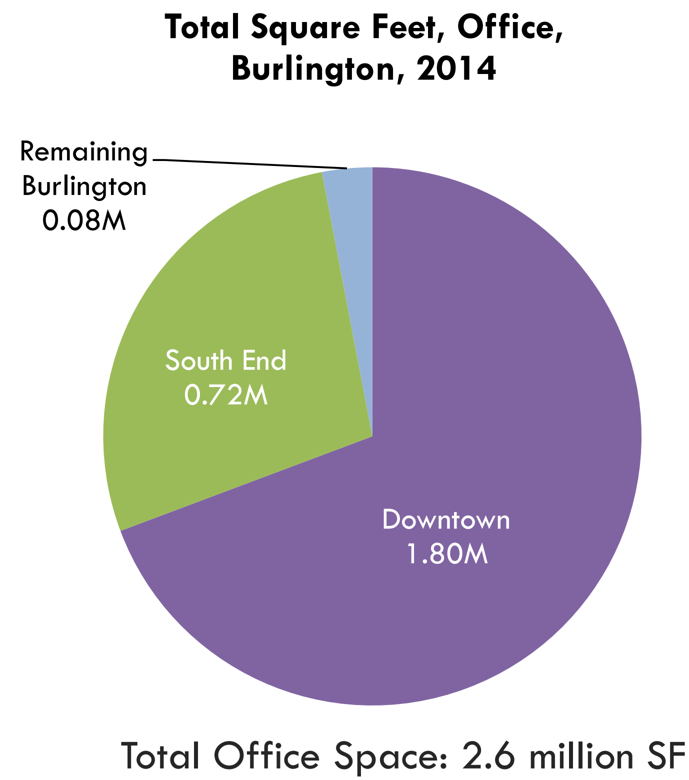
Source: HR&A analysis of data provided by Allen & Brooks

Office

The South End is a desirable location for office users. It contains 28% of all office space in the city, exceeding the amount of total office space in many of the county's other markets.

The City of Burlington is the primary office market for the county, with a total of nearly 2.6 million square feet of office uses throughout Downtown, the South End, and other areas. The South End itself contains 715,000 square feet of office space, comparable to the amount of office space in Colchester (898,000 SF), and more than the SF Winooski (452,000), Essex (410,000), and Shelburne (176,000).





Source: HR&A analysis of data provided by Allen & Brooks

The South End is attractive to office users because it offers suburban convenience with urban amenities.

Proximity to Downtown	Available Parking	Fun, Funky Neighborhood

Parking at the Innovation Center

Arts Riot Truck Stop:
~500-800 visitors per event

South End Arts Hop:
~30,000 visitors in 2011 and "estimated to be higher now"

First Friday Art Walks
~1,000 visitors per event

south end HOLIDAY SHOP

South End Holiday sHOP:
~4,000 visitors

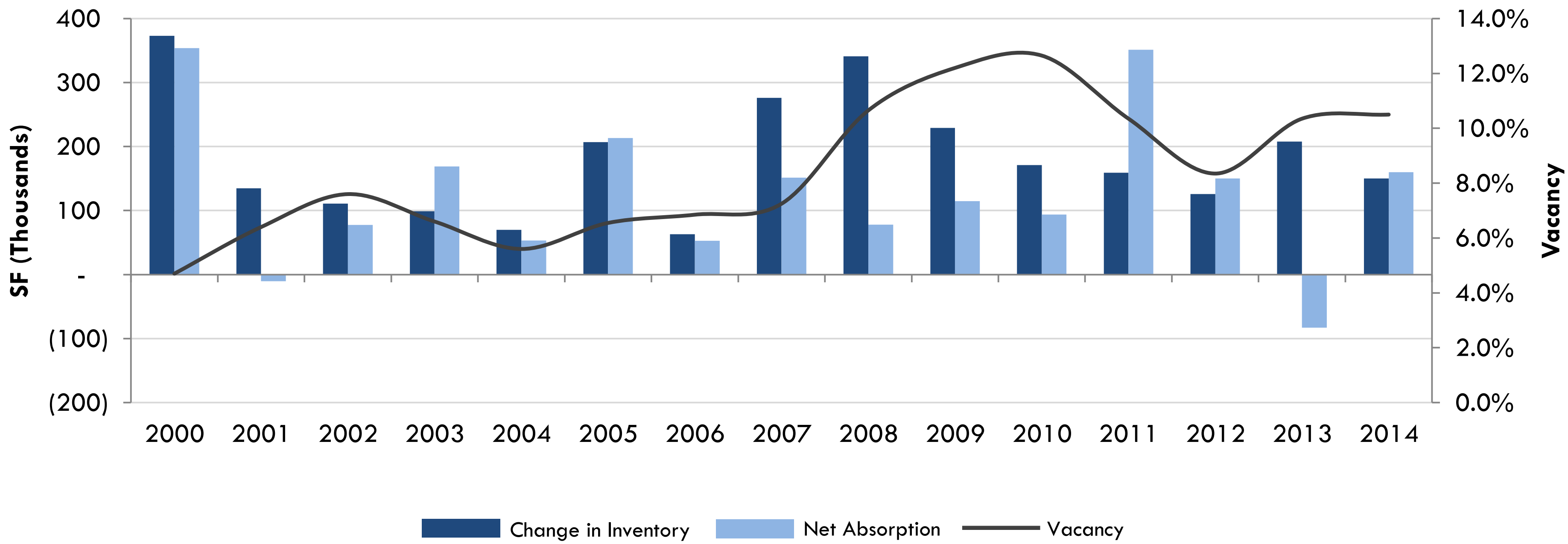
Source: SEABA

Since 2000, there has been consistent demand for office space countywide. New development has met or exceeded ongoing demand, resulting in a current 11% vacancy rate.

Growth in New Economy sectors—as well as growth in the Healthcare, Educational, and Professional Services sectors—has supported ongoing demand for office space throughout the county, as evidenced by near-constant positive net absorption since 2000. Inventory has also consistently grown over this period. However, due to the consistent addition of new space and the downsizing of IBM in Essex and Williston in 2013, vacancy rates have not yet returned to pre-recession levels and have remained at or above their historical average of 8% since 2008.

The increase in absorption in 2011 is due to Hurricane Irene. After the storm, the State temporarily relocated its office employees to privately owned office buildings, including those in Chittenden County. The State's occupancy in these properties—primarily through short-term leases—drove up absorption and lowered overall office vacancy rates. Upon completion of the new Waterbury State Office Complex, vacancy rates are likely to increase once State office workers move out from these buildings.

Change in Office Total Inventory, Net Absorption, & Vacancy, Chittenden County 2000-2014*



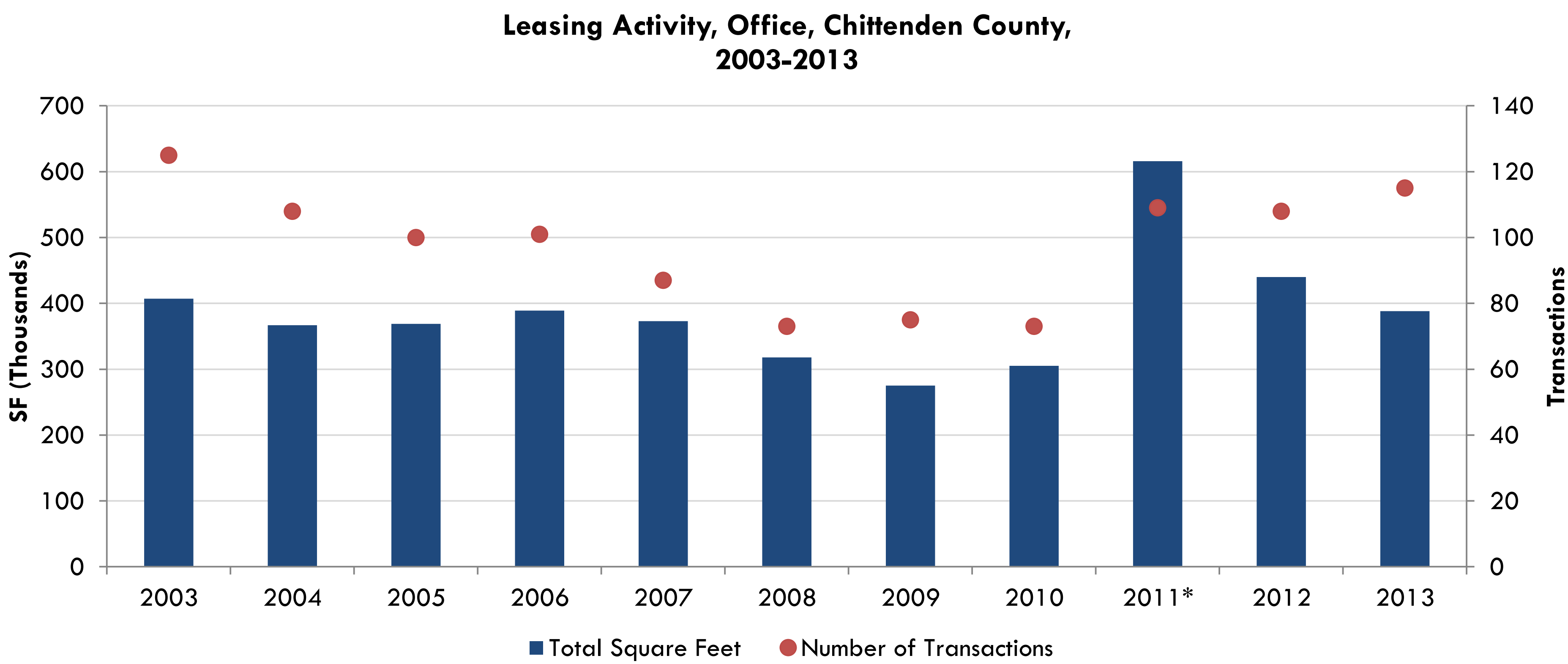
*2014 deliveries estimated; 2014 absorption and vacancy reflects the first half of the year.

Source: HR&A analysis of data provided by Allen & Brooks

Leasing activity has also picked up considerably since the recession.

Over the past decade, the number of transactions per year has ranged from 125 in 2003 to 73 in 2010. Over the past three years, however, the number of transactions has been higher than the historical average, with 2013 recording the second highest number of transactions (115).

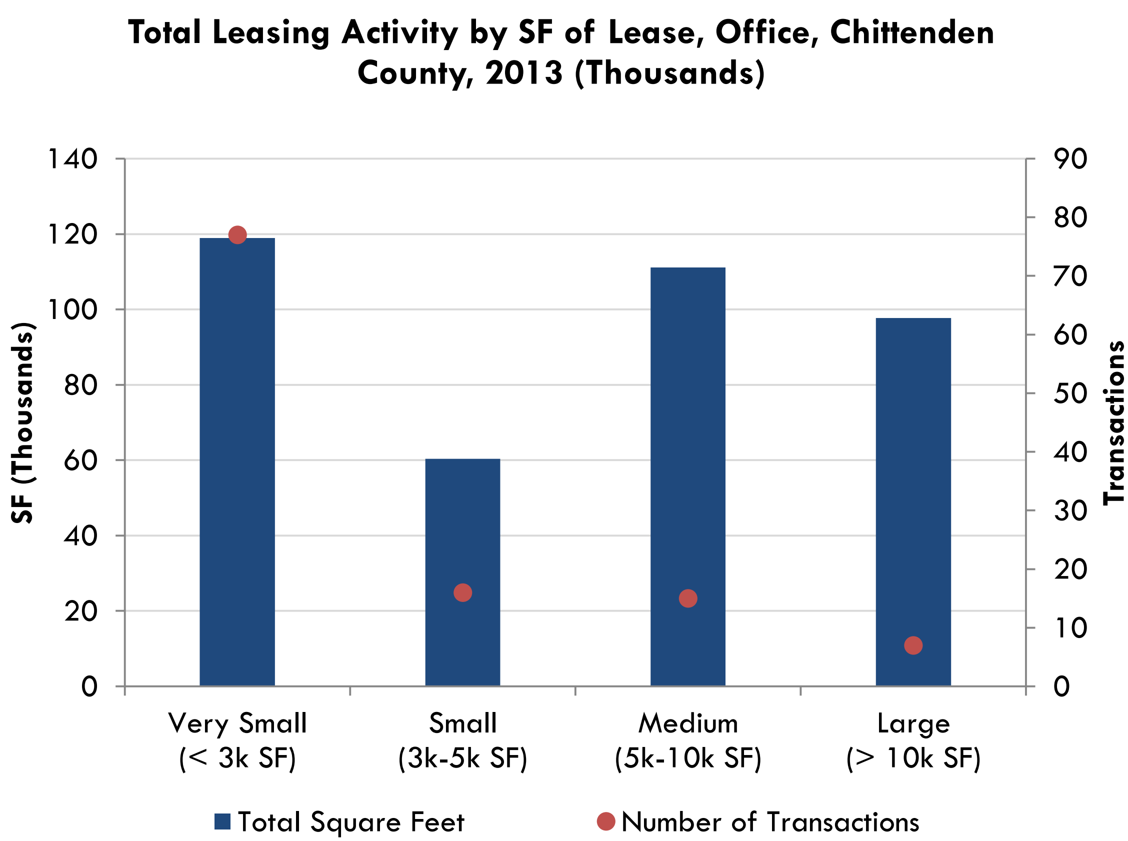
The total square feet of office spaced leased by users has remained fairly stable - between 300,000 SF and 400,000 SF. The year 2011 was an outlier for both transactions and total square footage leased due to short-term leases for State office workers following impacts from Hurricane Irene.



Source: HR&A analysis of data provided by Allen & Brooks

Although the number of transactions has been increasing, total square feet leased has decreased: more companies are leasing small office spaces less than 3,000 square feet in size.

The overwhelming majority of 2013 transactions (67% or 77 transactions) were for very small spaces. In contrast, there were only seven transactions for spaces larger than 10,000 SF. Given the trends towards growth in smaller businesses seeking flexible spaces, the demand for smaller spaces is likely to continue.

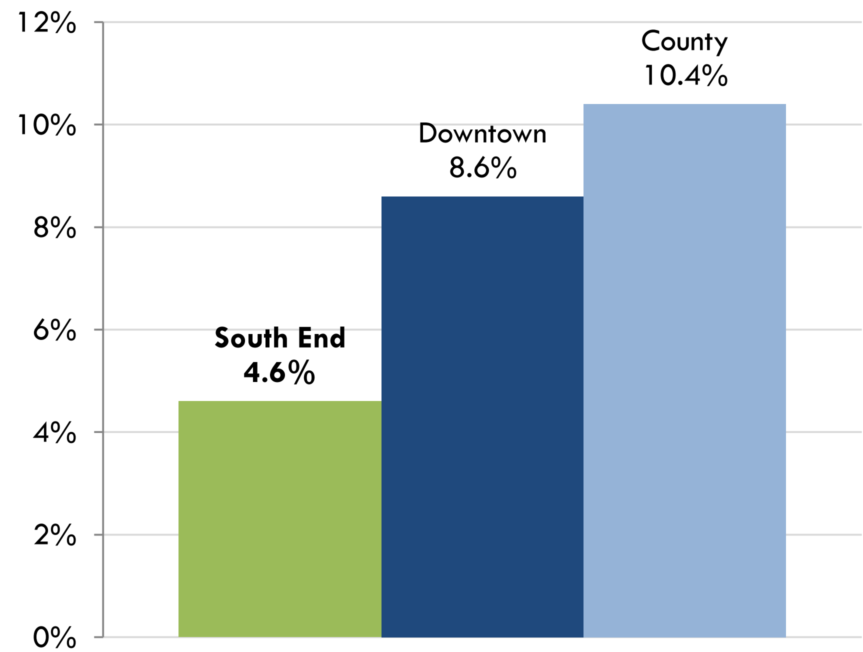


Source: HR&A analysis of data provided by Allen & Brooks

The office vacancy rate in the South End is considerably lower than in both Downtown and Chittenden County overall.

In 2013, the average vacancy rate in South End office properties was 4.6%, lower than the Downtown vacancy rates of 8.6%, and the countywide vacancy rate of 10.4%. South End office space is in demand due to its proximity to an urban environment with suburban conveniences, namely on site parking. In addition, there is a lack of office space in the area, consisting of only three larger office buildings (each with a total square footage in excess of 50,000 square feet), gives tenants few options. As of September 2014, the only available space was 27,000 SF in the Innovation Center.

Vacancy, Office, YTD 2013



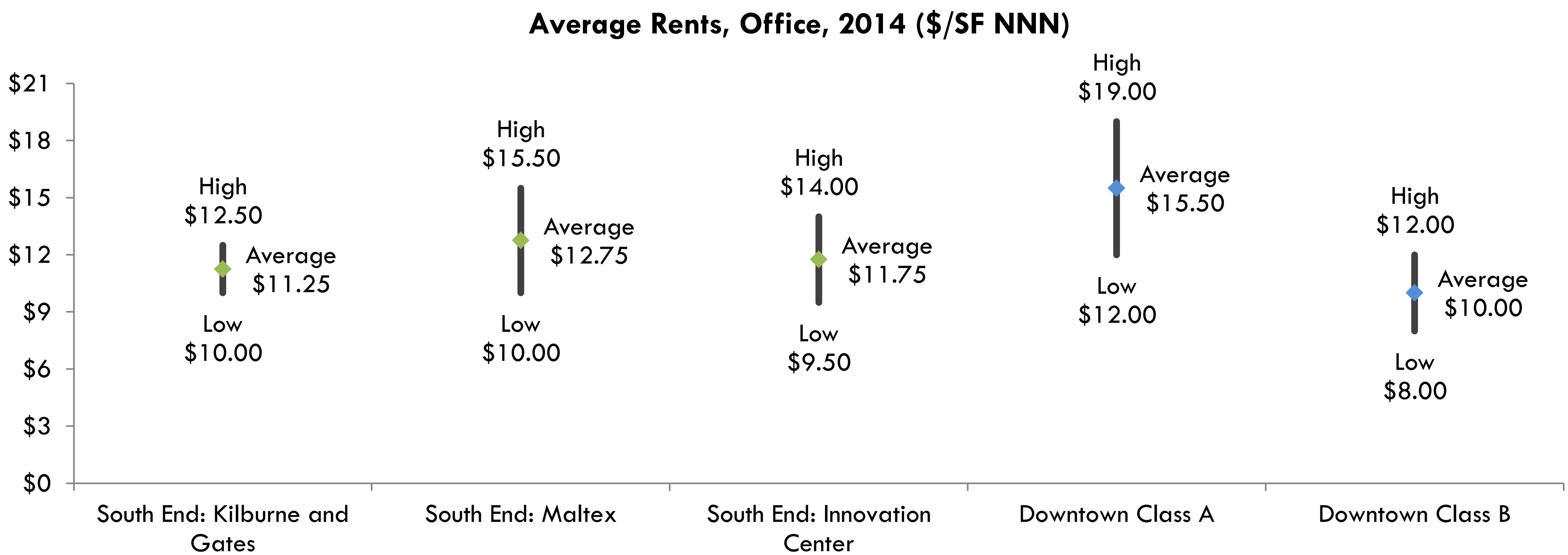
Available Office Space

128 Lakeside Avenue (Innovation Center). The Innovation Center is the only building with available office space, with 27,000 square feet available at rents of approximately $15.50 per square foot NNN.

Source: HR&A analysis of data provided by Allen & Brooks; Pomerleau Real Estate

Average rents in the South End out-perform Downtown Class B and average only 23% lower than Downtown Class A.

Rents for office space in the South End are in between rents for Class A and Class B buildings Downtown. Compared to Class B office buildings, office properties in the South End benefit from being newer, of comparable quality to properties Downtown, and maintaining ample onsite parking. South End properties such as the Kilburn and Gates Building, Maltex Building, and Innovation Center, all three of which are the products of adaptive reuse, command rents higher than Class B buildings in Downtown, which do not provide onsite parking.



100 Bank Street

1 Lawson Lane

Source: HR&A analysis of data provided by Allen & Brooks

Residential

HR&A's previous housing study demonstrated considerable excess demand for housing and a resulting affordability crisis.

Symptoms

- Burlington's lack of housing supply in the face of considerable demand is driving up the cost of available housing.
- New housing that has been developed has largely been condominiums and townhomes at high price points, or subsidized affordable rental housing. Very little has been developed for households "in the middle" that do not meet income requirements but still cannot afford housing at higher price points.
- This lack of available housing is negatively impacting the city's ability to attract young professionals and companies seeking to hire young professionals, and is therefore compromising efforts to promote economic development.

Causes

- New multifamily rental housing is not being developed because current achievable rents do not support new construction, even before affordability requirements.
- Affordability requirements and other land use and development policies further impede development feasibility.

Cures

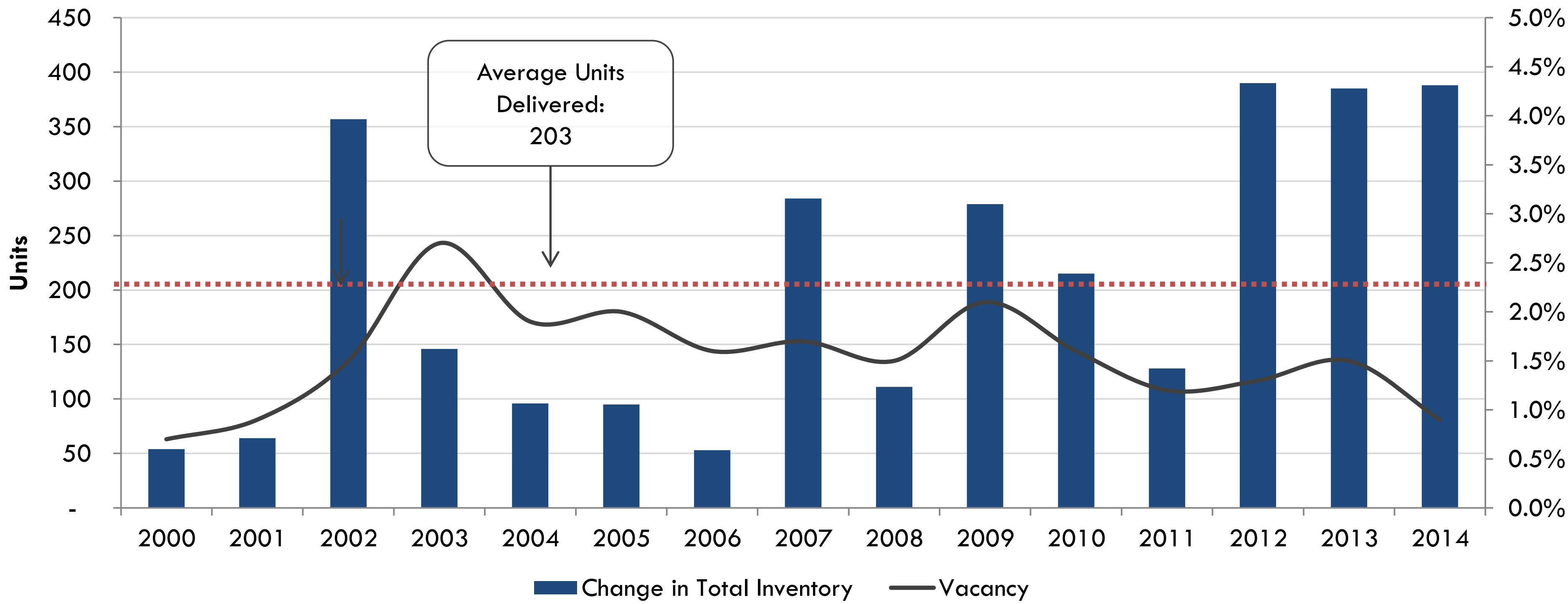
- Aligning market opportunities with specific neighborhoods and development sites.
- Addressing regulatory constraints and improving the use of existing tools to incentivize private investment.
- Linking the creation of new housing to broader economic development goals of job creation and innovation.

Undersupply of new housing in the face of increasing demand is a countywide issue, particularly with respect to multifamily rental housing.

Countywide, developers have introduced an average of 203 units each year since 2000. In recent years, developers have exceeded this average, delivering nearly 390 units in 2012 and 385 units in 2013, and are expected to deliver an additional 388 units in 2014. Most of the units completed or in the pipeline have been outside of Burlington.

Regardless of these new deliveries, demand continues to exceed supply. Countywide vacancy rates declined from 2.1% in 2009 to 0.9% in 2014, and have never exceeded the 2.7% high in 2003 even during the housing crisis and recession in 2008.

Change in Total Inventory & Vacancy, Multifamily Rental, Chittenden County, 2000-2014*



*2014 deliveries estimated; 2014 vacancy reflects the first half of the year

Source: HR&A analysis of data provided by Allen & Brooks

The South End is an appealing place to live due to the level of arts, music, and other activities; its waterfront access; variety of residential neighborhoods; and proximity to downtown.

The South End is an appealing location for residents seeking a broad collection of amenities, ranging from events such as the South End Arts Hop to access to the Waterfront and Oakledge Park and other locations. The neighborhoods in the South End are also very diverse, offering a range of housing types, and all within close proximity to Downtown.

Proximity to Downtown

Waterfront Access

Oakledge Park

Neighborhood Variety

Five Sisters

Harborwatch

Activities

Arts Riot Truck Stop

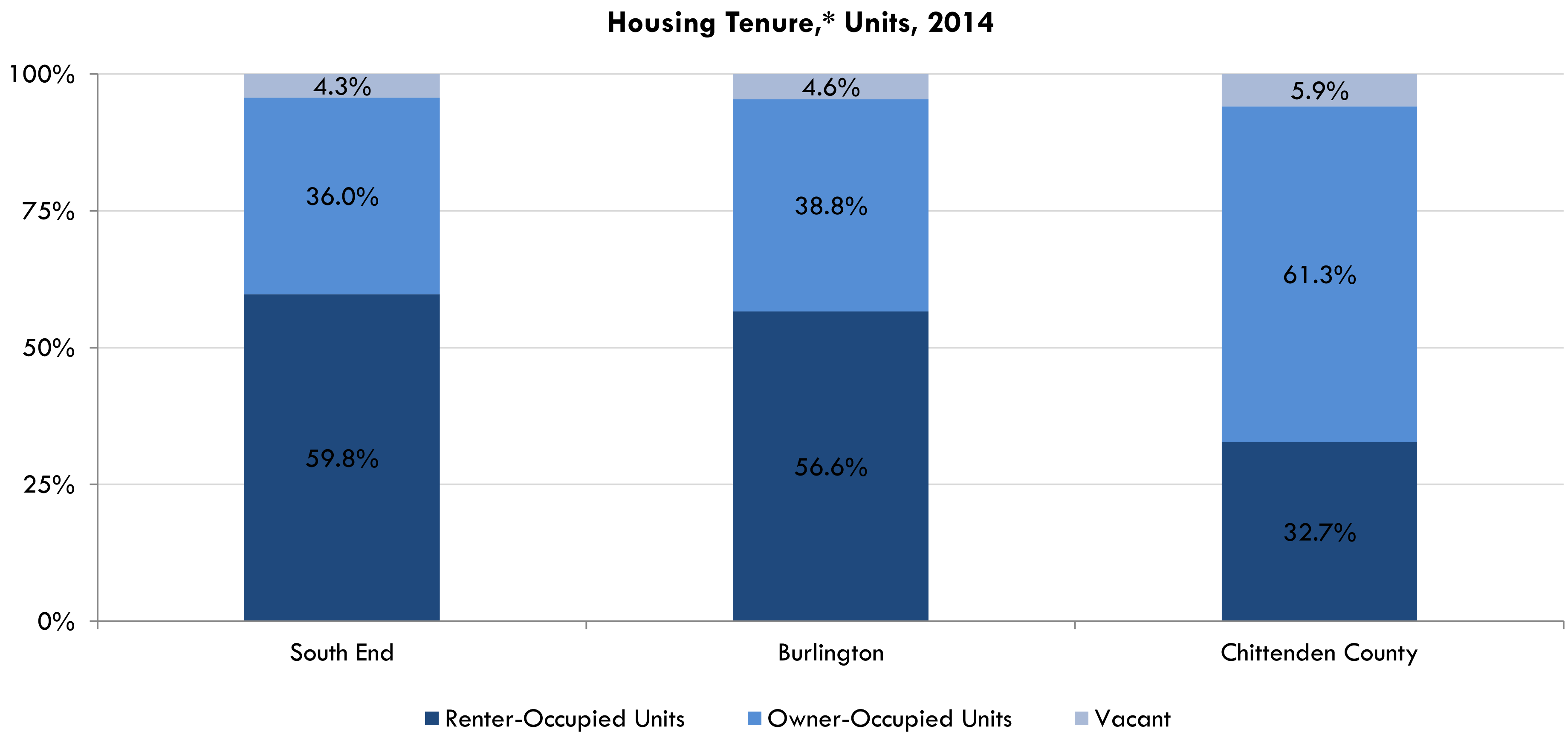
South End Arts Hop

First Friday Art Walks

South End Holiday sHOP

The South End attracts primarily renters, at a rate comparable to that of the city but a greater rate than the county.

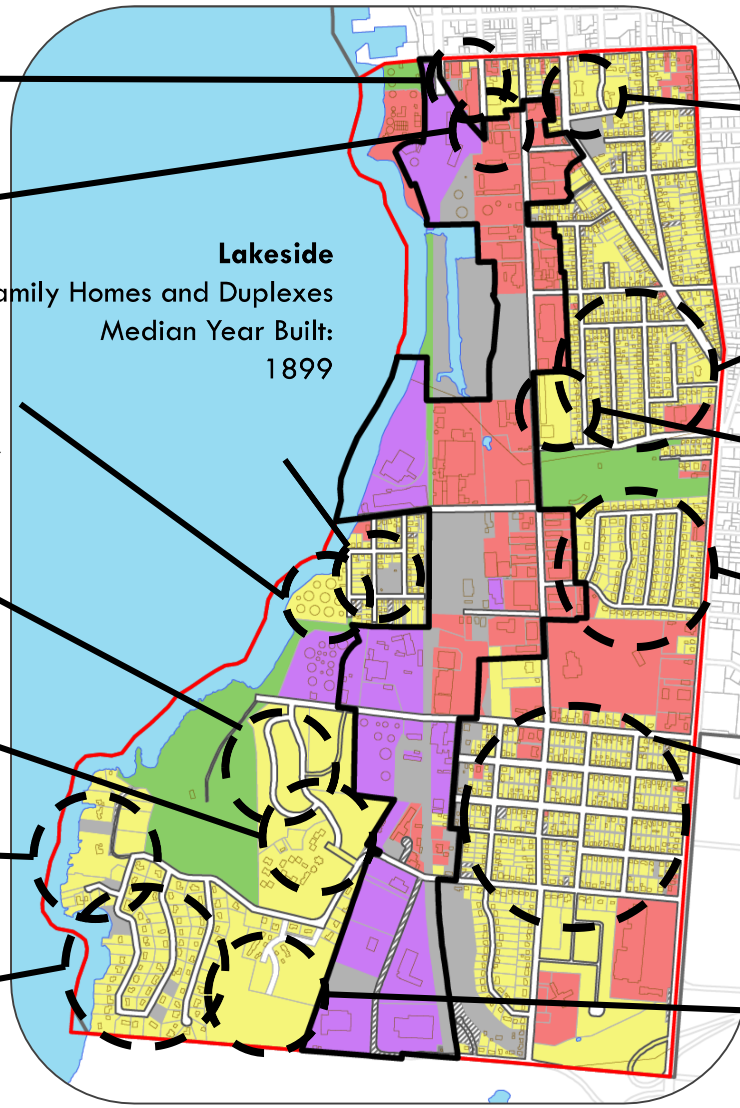
The South End's housing market, like the city's overall, is predominantly rental. Approximately 60% of housing units in the South End are renter-occupied, compared to 57% in the city overall. These rates are nearly twice that of the county overall (only 33%). As a result, the South End and the city have relatively low rates of homeownership with only 36% and 39% of units owner-occupied, respectively. In contrast, over 60% of housing units in the county are owner-occupied. All three geographies have low housing vacancy rates, under 5% in the South End and city and just under 6% in the county. These low rates suggest demand for new housing development.



*US Census reports housing tenure for all property types. Residential vacancy reported here accounts for all property types, where elsewhere in the report vacancy rates refer only to multifamily buildings.
Source: ESRI Business Analyst estimates

The South End has a diverse housing stock with apartments located closer to Downtown and a mix of single-family and townhouses distributed throughout the rest of the residential areas.

Most of the housing stock in the South End consists of single-family homes built as workforce housing for many of the former factories in the area. There are only four multifamily developments, three of which are affordable/section 8 housing: Decker Tower, Wharf Lane, Bobbin Mill, and Jackson Terrace (the only market-rate apartment building in the South End).

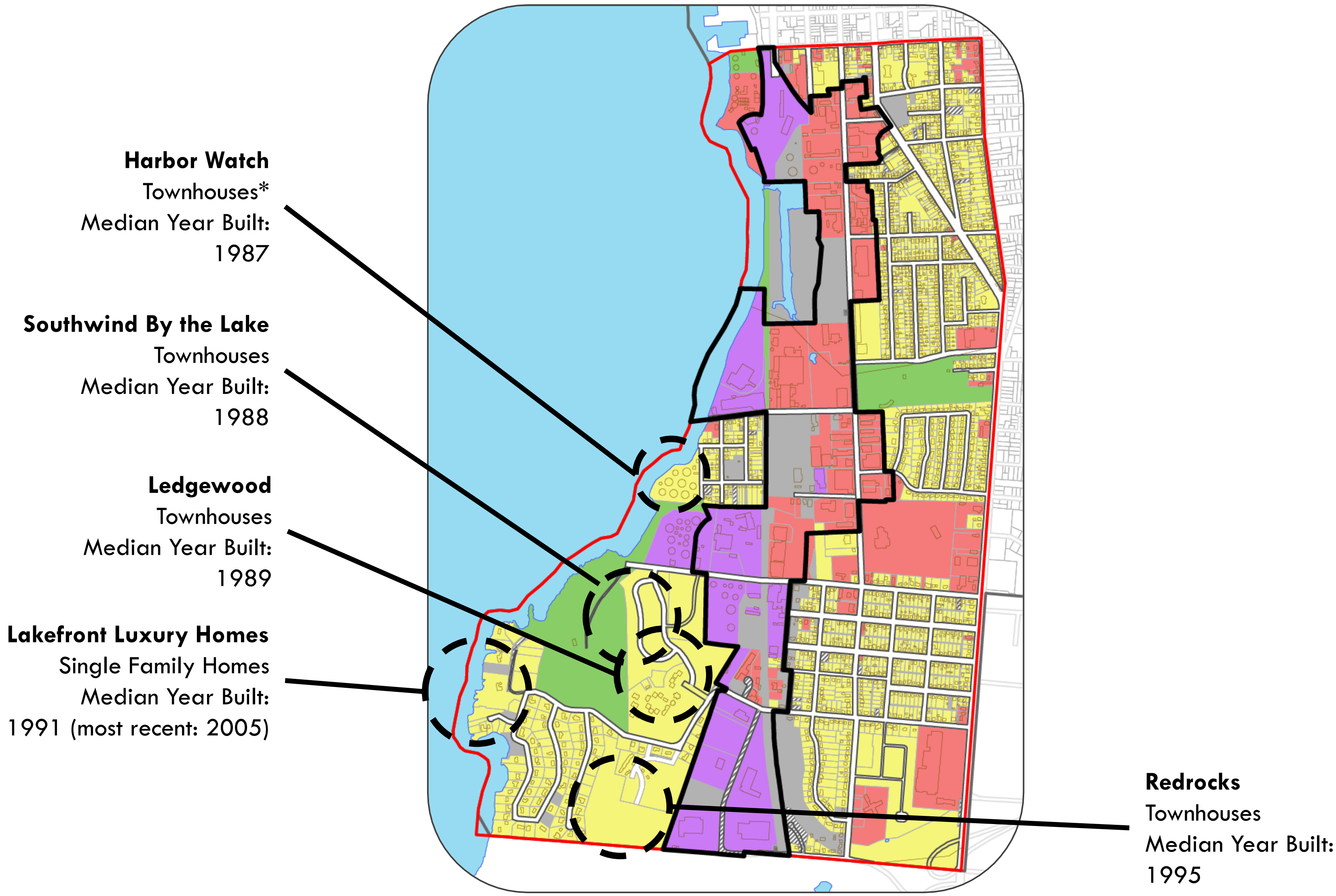


**Tank farm in graphic is due to outdated building footprint data*

Source: Zillow.com; University of Vermont Historic Preservation Program

Newer single-family housing consists of townhouses concentrated near the lake, built during the late 1980s and 1990s.

New construction single-family homes consist of townhouses built in the late 1980s and 1990s. In spite of considerable housing demand, there has been little housing constructed since these homes were built, with the exception of a cluster of luxury single-family homes on Lake Champlain southwest of Oakledge Park.

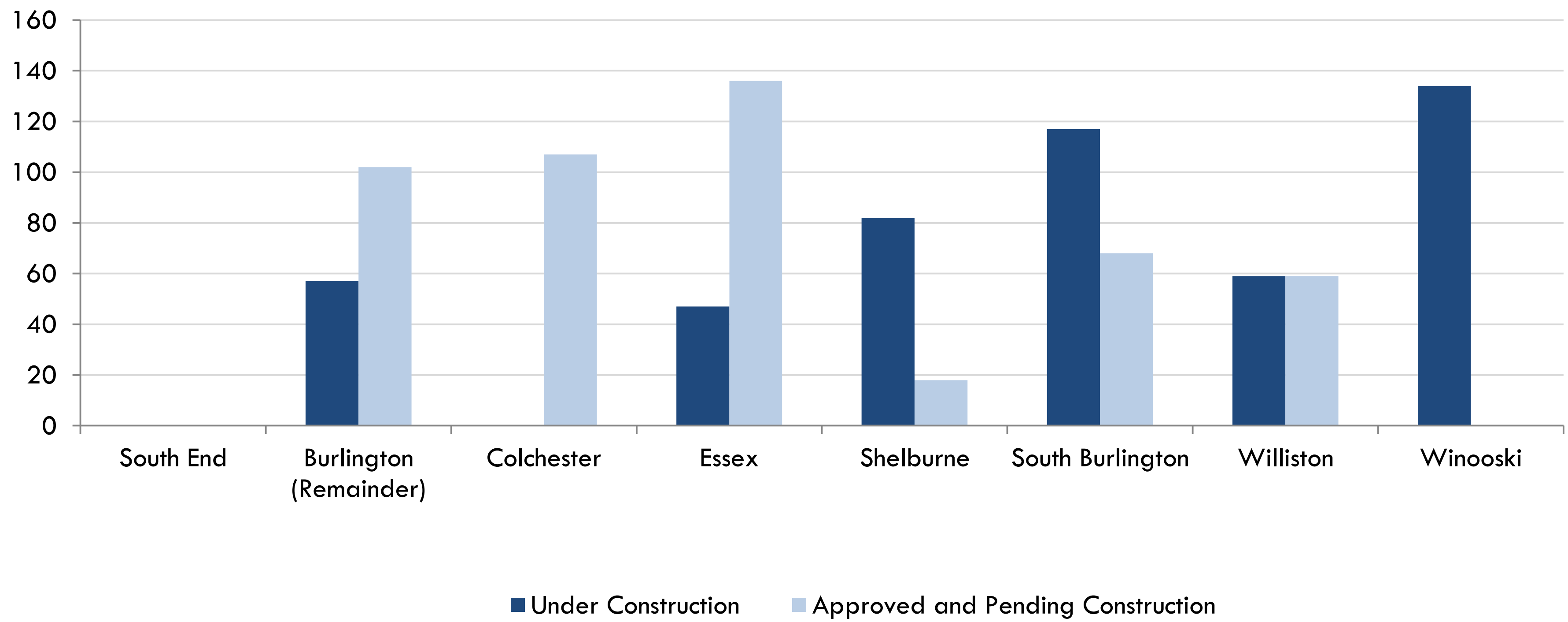


Source: Zillow.com; University of Vermont Historic Preservation Program

There are currently no multifamily projects under construction or approved for construction in the South End, and the rest of the city is not capturing its fair share of new county housing development.

There are no multifamily housing projects under construction or approved for construction in the South End. The rest of the city is not producing its proportionate share of new units in the county: out of 496 units under construction, Burlington accounts for only 57 units (or 11%), and out of 490 units approved for construction, Burlington accounts for only 102 units (or 20%).

Multifamily* Units Under Construction or Approved for Construction, 2014



**Single family building permits not available*

Source: HR&A analysis of Allen & Brooks data

Homebuyers are willing to pay a premium for single-family homes in the South End, and are also willing to pay a premium for direct lake access.

Single family homes in the South End command higher sales prices than older duplexes in Lakeside and newer construction townhouses and condominiums. In 2013, the median sales price per square foot for all units citywide was $201. Per square foot prices for single-family homes in the South End have ranged from $208 PSF to $527 PSF, 3% to 160% higher than the citywide average. By contrast, the five duplex homes which sold in Lakeside in 2013-2014 sold for $156 PSF, or 22% lower than the citywide average. In addition, sales prices for most townhouses in the South End, though newer construction, sold from $169 PSF in Southwind by the Lake to $177 PSF in Redrocks, or 16% to 12% lower than the citywide average. The one exception to this condition is the townhomes in Harbor Watch, which have sold for $299 PSF, or 49% higher than the citywide average, largely due to direct lakefront access.

Lakeside
Duplexes
Median Sales Price PSF:
$156

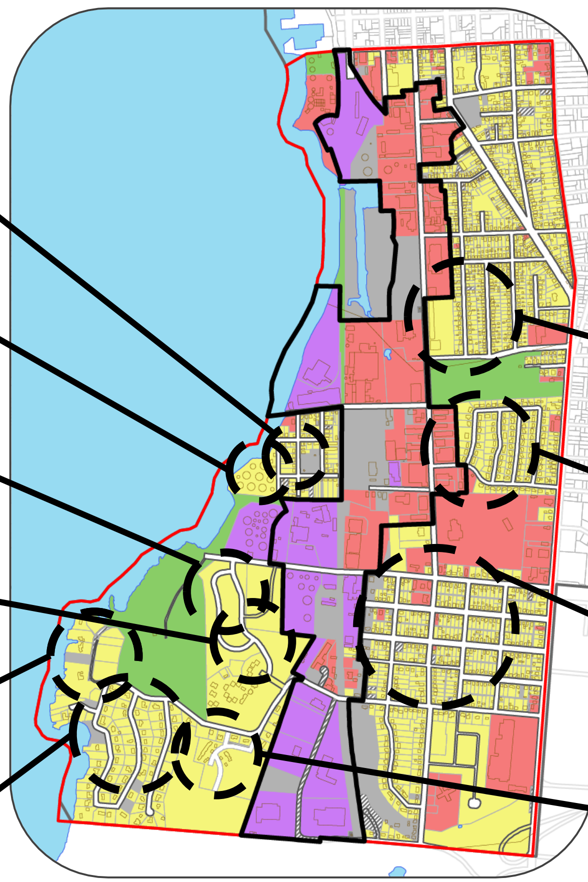
Harbor Watch
Townhouses
Median Sales Price PSF:
$299

Southwind By the Lake
Townhouses
Median Sales Price PSF:
$169

Ledgewood
Townhouses
Median Sales Price PSF:
$173

Lakefront Luxury Homes
Single Family Homes
Median Sales Price PSF:
$527

Single Family Homes
Median Sales Price PSF:
$258



Citywide Median Sale Price PSF (2013):
$201

Five Sisters
Median Sales Price PSF:
$233

Single Family Homes
Median Sales Price PSF:
$208

Five Avenues
Single Family Homes
Median Sales Price PSF:
$210

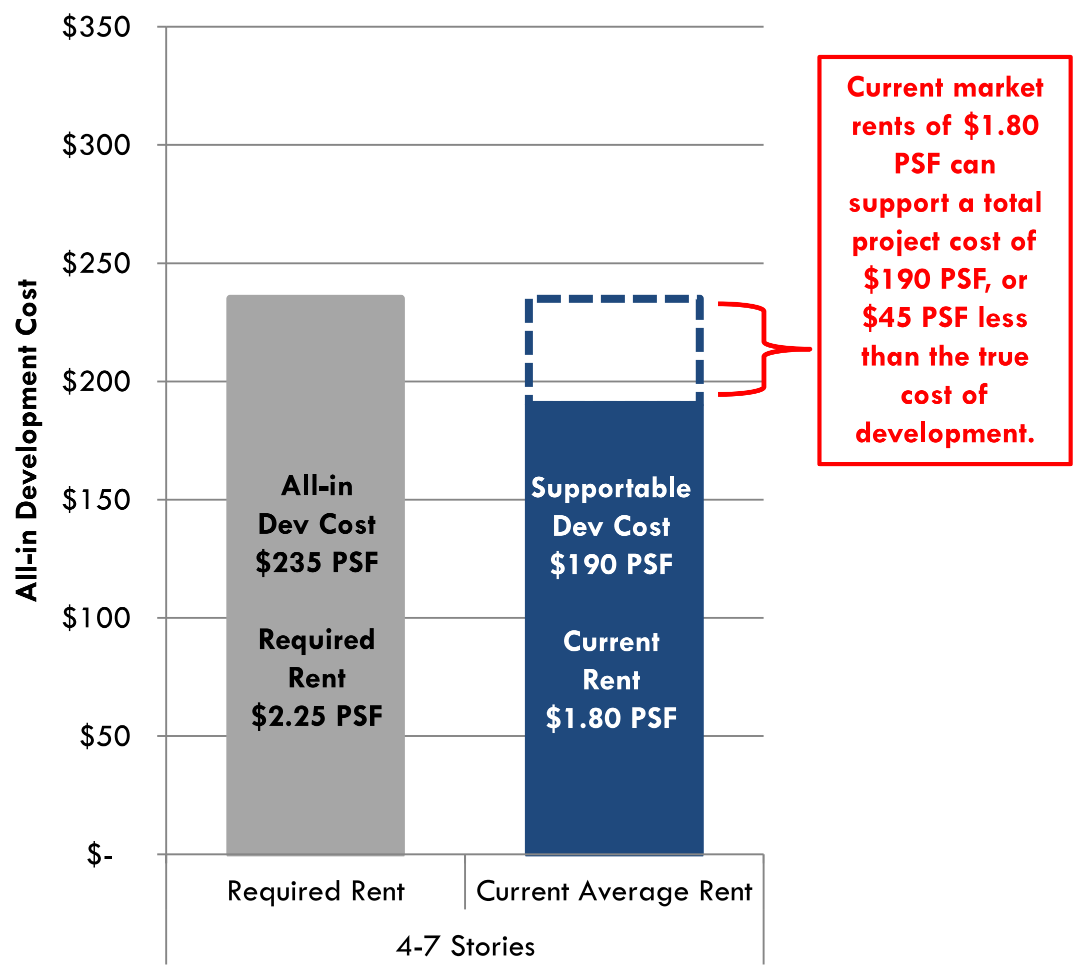
Redrocks
Townhouses
Median Sales Price PSF:
$177

Source: Zillow.com; sample of all transactions since Q1 2013

The lack of development both in the South End and citywide is significantly a function of development economics that do not currently support new multifamily rental construction without creative financing.

Based on HR&A's analysis of construction costs relative to market rents conducted as part of its previous housing report, current market rate rents are below the threshold required for competitive returns on urban multifamily development—even before affordability requirements and other aspects of the city's regulatory regime which add to development costs. These financial factors are key barriers to new housing development citywide in addition to the South End.

	ASSUMPTIONS
Product Type	4-over-1 (Wood Frame/Concrete Podium)
Gross SF per Unit	1,000 SF
Building Efficiency	85%
Net SF per Unit	850 SF
Hard Cost	$160 PSF
Soft Cost	30% of Hard Cost
Land Cost	12% of Total Project Cost
Other Income	2.0% of gross revenue
Stabilized Vacancy	5.0%
Operating Expenses	25.0% of effective income
Targeted Annual Yield on Cost	7.0%



Source: HR&A Advisors, Inc.

VI. CASE STUDIES

Case Studies: Introduction

HR&A conducted case studies to illustrate how cities with neighborhoods facing challenges similar to those in the South End have addressed them. In researching these case studies, HR&A focused on the following questions:

1. **How have other cities preserved affordability and flexibility for a wide range of commercial businesses?**
2. **How have other cities addressed increasing residential pressure on industrial corridors?**
3. **How have other cities balanced demand for commercial and residential development in transitioning areas?**

Notwithstanding a diversity of city sizes and locations, all case studies demonstrate how attempts to direct, segregate, concentrate, or exclude certain land uses for others have both achieved and failed to achieve balanced land use development and/or economic development. The following pages summarize how these questions have been addressed using a variety of approaches, some of which apply to and address multiple questions.

	Case Study **Neighborhood/District**						
	Brooklyn **Navy Yard**	Chicago **Near North Side**	Milwaukee **30th Street Corridor**	Portland, OR **Central Eastside District**	Portland, OR **Pearl District**	Portland, ME **Waterfront**	Select Mixed Use Projects **Multiple Cities**
Commercial Affordability	X		X	X	X		X
Increasing Residential Pressure	X	X		X		X	X
Balanced Commercial and Residential Uses			X				X

Case Studies: How have other cities preserved affordability and flexibility for a wide range of commercial businesses?

Leveraging publicly owned property. Cities and nonprofits designated by cities can offer public land at low cost to owners willing to guarantee affordable rents to potential tenants. In June 2014, the City of Milwaukee sold two parcels in the 30th Street Industrial Corridor at a below-market price to a for-profit developer that plans to leverage the low cost basis of the land (along with low-cost financing sourced directly from the city) to offer industrial space at affordable rents. The city also acquired and then sold an office tower located in the industrial corridor to a for-profit company. The building's main tenant, the nonprofit Mid-West Energy Research Consortium, plans to establish the Energy Innovation Center, an incubator which will offer low rents for startup energy and technology firms. Cities can also subsidize tenant improvements and other capital expenditures, and keep operating costs low through pass-through of property tax exemptions. The Brooklyn Navy Yard Development Corporation (BNYDC) manages city-owned, tax-exempt properties, and the City of New York has itself invested in capital improvements in buildings in the Yard.

Nonprofit stewardship. Nonprofits often have relatively low return thresholds, allowing for lower rents. For example, BNYDC offers both long- and short-term leases to a variety of tenants, and works with tenants that require lower rents or shorter lease terms. Rents within the Navy Yard are equal to or lower than prevailing industrial rents in New York City. Nonprofits are also well positioned to utilize a wide array of creative and below-market financing to fund projects. For example, ArtSpace, a nationwide nonprofit developer of affordable live/work space, uses a combination of its nonprofit business model, creative and below-market financing, and foundation and grant support to provide affordable live-work space to artists nationwide. For its recent Buffalo Lofts project, ArtSpace used low-income housing tax credits, HOME grants, philanthropic contributions, below-market loans, and deferred developer fees to deliver 60 affordable live-work units at 90%, 60%, and 50% area median income.

Public financing and incentives. Cities, nonprofits, and development corporations have used an array of financial incentives to facilitate property development and businesses attraction/retention in otherwise challenging markets (or those beginning to face challenges). The City of Milwaukee originated below-market rate loans to encourage development of affordable space in the industrial corridor at Century City. BNYDC, in partnership with private developers, has used historic tax credits, green job creation tax credits, federal grants from the US Economic Development Administration, and targeted financial assistance from city and State funding sources to invest in new buildings and renovate older ones.

Subsidizing affordable space with high value development. Market-feasible development can support uses which may not be otherwise feasible. Uses that generate higher levels of income can support affordable space, as can incorporation into projects with low development costs. The Loree Grand in Washington, DC—a 212-unit market rate multifamily project developed in 2010—includes 30 affordable live-work units for artists. The low cost of renovating 10 Storehouse Row in North Charleston, SC enabled the developers to offer 3,000 SF (out of a total 36,000 SF) of affordable "work-sell" space to local artists.

Case Studies: How have other cities preserved affordability and flexibility for a wide range of commercial businesses?

What happens when the city does not intervene? Portland, OR's experience in the **Pearl District** demonstrates how a city can succeed in encouraging growth and economic development, but at the expense of commercial affordability. Beginning in 1998, the city guided the transformation of the former industrial neighborhood and artist enclave by:

- Allowing residential and office development;
- Providing incentives to adaptively reuse or redevelop warehouses and to businesses looking for new or expansion space; and
- Investing in infrastructure.

Following explosive growth of the residential population and business presence, rents for office space in the Pearl District are now higher than they are in the central business district. The city is now concerned about the increasing costs of occupancy, and is exploring strategies to preserve affordability and attract the artists and entrepreneurs who once called the neighborhood home.

In contrast, in the **Central Eastside District**, the City of Portland, OR sought to protect industrial uses from residential incursion by establishing the Central Eastside Urban Renewal District as an "industrial sanctuary" in 1986. Regarded as a success, growth in commercial rents has begun to outpace growth in other parts of the city and the region, particularly for industrial property. The city is now exploring how to ensure the District evolves with the economy, remains affordable to a diversity of tenants, and does not become "another Pearl."

Case Studies: How have other cities addressed increasing residential pressure on industrial corridors?

Zoning regulations. Case study cities have primarily relied on zoning regulations to limit pressure for residential conversion in industrial corridors, with varying success. The usual strategy is an **outright prohibition on residential development in a delineated area**, as in Burlington. The Brooklyn Navy Yard, for example, only allows light and heavy industrial and other commercial uses in its "M3" manufacturing district, which is also physically walled and gated, which, BNYDC believes, helps assure the zoning's integrity. Although surrounded by residential neighborhoods, the zoning restrictions, combined with BNYDC's active property investment and tenant recruitment efforts, have attracted numerous tenants and resulted in a vacancy rate of 1%. Portland, Oregon's Central Eastside Manufacturing District also prohibits residential development, though it does allow a wide range of retail establishments—including cafes, grocery stores, and movie theaters which serve businesses in the Central Eastside as well as surrounding residential neighborhoods.

Chicago's planned manufacturing districts (PMD's) on the Near North Side and the evolving waterfront zoning in Portland, ME demonstrate that while zoning may hold off residential development, it **cannot change underlying market dynamics**. Since their inception in the late 1980s and early 1990s, manufacturing has declined as a share of all industries located within Chicago's PMD's. In fact, manufacturing in the PMD's declined more rapidly than the in city overall. In Portland, ME, moves to better integrate the Central Waterfront with Downtown and increase tax revenues by allowing non-maritime uses led to the rapid redevelopment of some industrial buildings into multifamily residential. In response, the city introduced a moratorium on all residential development in the Central Waterfront; in addition, non-maritime-related commercial uses were relegated to the upper floors of commercial buildings, reserving 100% of all first floors for marine or marine-related uses. As the maritime industry continued to decline, the city subsequently lowered that percentage to 45%. The city is now committed to utility of these a regular inventory of current uses and assessment of market conditions.

Further, as we have suggested may be the case for Burlington, **reuse of vacated industrial sites in residential-prohibited zones has not always proceeded smoothly.** Finkl Steel, which left the Chicago PMD for better space elsewhere in the city demolished its old plant and remediated the land, but has not yet found a purchaser, fueling speculation that limitations on residential development may compromise ability to sell the land. On the other hand, Chicago has attracted major "new economy" uses, such as UI ("Urban Innovation") Labs, a high-tech, digital manufacturing center which will locate within the former Republic Window and Doors factory.

Case Studies: How have other cities addressed increasing residential pressure on industrial corridors?

Finally, we note that the case studies provide some anecdotal evidence that the **permitting a retail presence in an industrial area may accelerate the demise of industrial uses.** As noted, commercial rents are rapidly rising in the Central Eastside, where retail and industrial are allowed to co-exist. In addition, Chicago's PMD's allow retail uses in certain "buffer" zones. However, poor enforcement of buffer zones has led to nearly 300,000 square feet of industrial buildings being converted to big-box and other retail uses, driven by rapid growth of households in surrounding neighborhoods.

We found only one case study where a city sought to introduce residential uses into areas previously home to industrial uses. Milwaukee, WI has sought to **balance residential with commercial uses** along the length of its 30th Street Industrial Corridor by establishing six distinct "subzones," some of which allow residential uses, and some of which allow industrial or other commercial depending on the zoning. However, there are no examples of a subzone which allows and attempts to integrate both uses together. More detail on Milwaukee's approach is found under "Planning by subarea" in the section addressing the question, "How have other cities balanced demand for commercial and residential development in transitioning areas?"

Subsidizing affordable space with high value development. As noted earlier, high-value development can incorporate and "cross-subsidize" affordable commercial space. In the case of the Loree Grand in Washington, DC, a developer took advantage of increasing residential values to accommodate affordable live-work space for artists. In that case, the Cohen Companies partnered with the nonprofit Cultural Development Corporation to include 30 affordable live-work units within its 212-unit market-rate development. The remaining 182 market-rate units subsidize the 30 live-work units, and generate enough income to achieve an acceptable return on investment for the owner.

Case Studies: How have other cities balanced demand for commercial and residential development in transitioning areas?

We were able to identify only one example of an area-wide planning effort that seeks to balance commercial and residential in a transitioning area, although there are examples of public-private development projects that seek to achieve balance on a particular site.

Planning by subarea. Milwaukee, WI has sought to balance residential with commercial uses along the length of its 30th Street Industrial Corridor. The city is treating the corridor as six distinct "subzones." Each subzone has a specific purpose and redevelopment goal. The city defined each subzone based on:

- Existing building stock;
- Presence of existing employers and likelihood of expansion or relocation;
- Size of existing operations, presence of potentially catalytic infill and redevelop sites;
- Proximity to residential neighborhoods;
- Environmental conditions; and
- Other criteria.

Subzones include, for example, a "Small Business Development Zone" which will focus on adaptive reuse of structures for multitenant industrial or flex uses; a "Community Facility / Residential Zone" which will embrace proximity to existing residential neighborhoods and which the city will rezone from industrial to residential and community uses to mitigate land use conflicts; and an "Anchor Business Retention Zone" which seeks to preserve a high-quality businesses center that is currently home to successful large businesses, including Miller-Coors and Harley Davidson.

Leveraging publicly owned property. Milwaukee is also using publicly owned land to begin implementing the 30th Street Industrial Corridor sub-zone approach to introduce residential development into former industrial areas. The city is currently soliciting development offers for the former Esser Paint factory, located within the "Community Facility / Residential Zone," and on which the city envisions new residential redevelopment which will catalyze the subzone's transition from industrial to residential uses.

Nonprofit stewardship. Discrete development projects also demonstrate the potential to mix residential and commercial uses, particularly when capable nonprofits take a leadership role. We have discussed the ArtSpace Buffalo Lofts in Buffalo, NY, and the Loree Grand in Washington, DC on previous pages.

Case Studies: Implications for Burlington

In researching these case studies, HR&A identified clear implications for Burlington's planning efforts in the South End:

- **Leveraging publicly owned property.** Burlington should consider how to leverage its public assets in the South End, including the conversion or redevelopment of city-owned property to support target sectors.
- **Nonprofit stewardship.** Either a new or existing nonprofit—such as SEABA, GBIC, CHT, or others—could potentially own, manage, and develop individual properties to keep rents low. BNYDC advises that onsite (in neighborhood) management is most effective.
- **Planning by subarea.** Burlington should consider addressing future land use planning in the South End through a subarea approach, identifying which land uses are appropriate to which areas based on local context.
- **Flexible zoning regulations.** Burlington should ensure that future land use planning accounts for changes in market conditions, at the risk of industrial users decamping for more competitive sites elsewhere and leaving behind vacant land due to restrictions on market-viable land uses.
- **Public financing and incentives.** Burlington should assess the incentives and public financing mechanisms it and partner organizations and agencies have available for developers and to businesses. The city should also continue to work with GBIC and the Vermont Economic Development Authority to direct investments and incentives to the South End.
- **Subsidizing affordable space with high value development.** Burlington could explore regulatory or incentive mechanisms to require or inspire developers to provide affordable work space within developments, similar to inclusionary zoning requirements for new housing.

VII. LAND USE AND DEVELOPMENT POLICY

Existing Policies: The Enterprise District prohibits all residential development within its borders.

This section reviews existing land use policies in the South End and, informed by findings from the case studies, suggests policies that could be reviewed and potentially modified as part of a planning process. Currently, the Enterprise District restricts uses within the South End to commercial uses (industrial, office, and retail). Retail is allowed in small-format venues, and larger retail uses are allowed on a conditional basis. Although restaurants are not allowed, the city has approved food manufacturers with consumer-facing operations.

Allowed by-right

- Art Galleries
- Auto Body Shops and Auto Parts
- Manufacturing
- Office
- Small-format retail (< 4,000 SF)
- Warehousing
- Wholesale Sales

Conditional

- Auto sales
- Café
- Large-format retail (> 4,000 SF)

Prohibited

- All residential uses
- Bars
- Grocery stores
- Restaurants

Source: City of Burlington

Existing Policies: Those portions of the South End that are not in the Enterprise District are zoned for low-density residential development or commercial retail development, with few opportunities for by-right mixed use.

Compared to Downtown Burlington, the South End is zoned for less dense residential uses with limited opportunities for by-right mixed-use development. Residential uses within the South End are allowed by-right in low-density zoning districts. These districts have enabled the development of single-family detached and attached dwelling units, including duplexes and townhouses. Some areas exist which are zoned for mixed-use residential and commercial, allowing for higher-density residential (though none is present) as well as neighborhood- and city-serving commercial and retail.

	South End (outside of Enterprise District) (RL, RL-W, RM, NAC)	**Downtown Burlington** (D, DT, RH, BST)
Residential	• Low- and medium- density residential • Allows single-family detached dwellings and small multifamily apartments	• Medium- and high-density residential • Allows single-family attached buildings of three or more, and multifamily, and mixed-use buildings
Commercial	• One "Neighborhood Activity Center" block • Allows for a wide range of small and large format retail uses, including grocery and retail malls • Allows for medium and high density residential mixed use, but none present	• Allows a wide range of small-format commercial uses, particularly those suited to mixed use (RH excepted)

Source: City of Burlington

Existing Policies: Several citywide development policies significantly affect residential and commercial development in the South End.

In its 2014 *Downtown Housing Strategy* report, HR&A identified a number of policies that affect development in the City of Burlington. Some of these policies affect development citywide, such as inclusionary zoning requirements and local development review. In addition, although recent legislation has designated Downtown as a neighborhood area in which certain projects are exempt from State-level development review, which speeds the development process, this designation does not apply to the South End.

1. Burlington is one of few places nationwide where mandatory Inclusionary Zoning (IZ) requirements exist at the local level.
2. State policies enable appeals from local development review, which can delay projects for an undetermined amount of time.
3. Exemptions from State Act 250 development review requirements for smaller residential projects only apply to the designated neighborhood area, which ends at Howard Street.

Source: City of Burlington; HR&A Advisors, Inc.

Existing Policies: Numerous organizations support business development in the South End, but those with capacity to engage in real estate activities have a city- or countywide focus.

The South End does not have a dedicated entity that can engage in real estate activities. Several organizations support businesses' development in the South End, but only SEABA focuses its activities exclusively in the neighborhood, and it does not engage in real estate development. Only certain city agencies and GBIC have the capacity to engage in real estate activities, though these entities maintain a citywide and countywide focus, respectively.

	South End Arts and Business Association (SEABA)	Burlington Business Association (BBA)	City Agencies (CEDO, Planning and Zoning, etc.)	Greater Burlington Industrial Corporation (GBIC)
Geography	**South End**	**City**	**City**	**County**
Marketing/ Branding	X	X	X	X
Business Attraction	X	X	X	X
Incentives			X	X
Regulatory Oversight		X		X
Real Estate			X	X

Source: City of Burlington

VIII. CONCLUSIONS AND IMPLICATIONS

Key Conclusions

The following factors have the most significant influence on the market conditions of the South End and will influence how a wide variety of space users will view the real estate market of the South End in the near and long-term:

- ***The challenges facing Burlington in the South End are the result of economic growth, a diversifying industry base, and high quality of life in the community.*** Proximity to Downtown, the quality and type of commercial space, and the neighborhood's fun, "funky" character as a dynamic cultural center have made the South End attractive to a diversity of space users. These include traditional industrial users, contemporary retailers, artists, artisans, and other "makers," and young professional couples and family residents attracted to this environment.
- ***Demand from businesses seeking locations in the South End is growing, but the neighborhood's supply of available industrial and office space is severely constrained.*** There are limited opportunities for existing businesses to expand, and most of the growth in the South End has been the result of small business formation and in-migration. The South End may face challenges as these companies seek expansion space, and as traditional industrial users decamp to more competitive locations in the city or county and/or locations that offer expansion potential. Growing competition for limited space will likely result in increasing rents, limiting the ability of the South End to attract smaller users seeking lower cost space. This trend will likely reduce the current diversity of economic activity.
- ***The South End also attracts residents seeking proximity to the neighborhood's economic diversity and activity, but restrictions on housing development and citywide regulatory and economic conditions have resulted in very limited new residential development.*** Although demand for housing city- and countywide exceeds the available supply, there is little housing being developed in the city, and none being developed in the South End. This is the result of challenging development economics, inclusionary zoning, and current regulations which affect housing development in the South End just as they do citywide. In addition, prohibitions on housing development within the Enterprise District and the allowance of only low- and medium-density housing allowed outside of the Enterprise District present additional obstacles to new housing development in the South End.
- ***The South End's transformation into the diverse neighborhood it is today has not been uniform.*** Three clusters have emerged: Near Downtown (already transitioned); Central (undergoing transition); and South (stable industrial base). While in the past the South End has been approached as a consolidated district, a new plan could distinguish among the subareas in considering allowable uses.

Implications for South End Master Plan

- ***By altering land use regulations and allowing residential uses in the Enterprise District, Burlington could meet some of its housing needs, but may lose well-paying jobs and economic diversity.*** Increasing Burlington's housing supply can increase opportunities for employees to live closer to work, limiting the need to drive and park, potentially alleviating additional traffic volume created by increasing employment. However, new housing may take the place of new commercial development, supplanting the potential for growth in new and existing businesses in Burlington. As a result, the South End would likely follow the trajectory of the Pearl District and Central Eastside District in Portland, Oregon, "buffer zones" in Planned Manufacturing Districts in Chicago, and areas of the Portland, ME waterfront prior to industrial protection.
- ***However, if land use regulations do not evolve with changing market conditions, over the long term industrial sites may become vacant and could become blights.*** If traditional industrial users relocate to more competitive locations in the county, and/or to locations that offer expansion potential, these sites will be cleared, remediated, and redeveloped to highest and best permitted uses. If land use regulations do not permit market-viable uses—which, in the future, may include residential, retail, and office depending on market demand—the South End may be left with vacant and underutilized property.

Implications for South End Master Plan

- ***Burlington has a unique opportunity to think through how the South End can accommodate high demand for a range of highly desirable uses in a limited space.*** Planning efforts and community considerations ought to address the following:
  - The extent to which the South End should be planned in sub-areas, each which take into account existing building stock, existing operations, the presence of infill sites, and other factors;
  - Whether and on which parcels to permit development of a denser, urban residential product than Burlington has seen to date, including a consideration of parcels currently occupied by traditional industrial users if and as they relocate, which can increase opportunities for employees to live closer to work, drive less, and thus reduce traffic;
  - Whether and how to cost-effectively support current well-paying job providers for as long as they can thrive in the city, including by identifying and readying expansion sites in the South End or elsewhere in the city;
  - The potential for a public-private partnership to develop new, competitively priced, and attractive spaces for New Economy employers;
  - The circumstances under which the city ought to participate financially in making the economics of particular, desired land uses financially feasible, e.g. through undertaking remediation, providing low cost financing, and/or making public land available;
  - How the city could begin to address citywide development policies which may limit development of target land uses; and
  - Opportunities for stronger leadership in the South End, potentially by bolstering existing nonprofits, or forming a new organization, with capacity to not only advocate for South End businesses and residents, but engage in real estate transactions and development.

IX. APPENDIX

Case Study Fact Sheets

Brooklyn Navy Yard: Non-profit Led Development Preserves Affordable Commercial Spaces

SIZE
300 acres, 4 million square feet of industrial and office uses in 45 buildings

NUMBER OF BUSINESSES
330 business with 1,100 employees

TYPES OF BUSINESSES
Artisanal/niche manufacturing, traditional manufacturing, marine manufacturing, entertainment production, contractors, standard office users, and warehouse/distribution

INTRODUCTION

The Brooklyn Navy Yard has a long history as an employment center in New York. Following the decline of maritime industry, the area maintained its employment base through public and nonprofit investment in buildings and infrastructure, provision of spaces for a range of companies, and nonprofit leadership. The Navy Yard is administered by the Brooklyn Navy Yard Development Corporation (BNYDC), which is responsible for building development and improvement, tenant attraction and retention, and overall management of the Navy Yard. The City of New York supports BNYDC by investing in area infrastructure. The city also owns much of the property in the Navy Yard, which BNYDC manages.

RESULTS

- 1% vacancy across all properties
- In 2011, the Navy Yard was responsible for generating:
    - 10,350 jobs (direct and indirect)
    - Nearly $2 billion in economic output (gross regional product)
    - $139 million in business and individual income taxes to New York City

Brooklyn Navy Yard: Non-profit Led Development Preserves Affordable Commercial Spaces

Tools and Approaches

The Brooklyn Navy Yard Development Corporation (BNYDC) uses several tools to support the attraction and growth of commercial businesses in the Navy Yard.

Strong development corporation

- The presence of a nonprofit steward allows for more flexible lease terms, lower rental rates, and assurances to both companies and private investors of the long-term outlook of a mission-driven management entity.

Robust financial incentives

- Financial incentives used by BNYDC and developers include historic tax credits, green job creation tax credits, federal grants from the US Economic Development Administration, and targeted financial assistance from city and State funding sources.

Publicly-owned property

- Public ownership of properties keeps keep operating costs low due to the tax-free nature of public property.

Brooklyn Navy Yard: Non-profit Led Development Preserves Affordable Commercial Spaces

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Chicago Near North Side PMD's: Protecting Industrial Uses from Residential Encroachment

SIZE

15 PMD's total; 3 Near North Side PMD's have 441 acres combined

NUMBER OF BUSINESSES

827 businesses with 7,408 employees

TYPES OF BUSINESSES

Heavy manufacturing, light manufacturing, warehousing, food production and research, digital and high tech manufacturing, retail, professional services.

INTRODUCTION

Declining manufacturing and increasing demand for housing led Chicago to create the first Planned Manufacturing District's (PMD's) in the late 1980s and early 1990s, protecting industrial corridors from residential encroachment through zoning restrictions. Accompanying Tax Increment Financing districts provide financial support to businesses and developers.

RESULTS

- Growth from 1991-2014:
  - **Businesses**: 169% gain, increasing from 308 to 827
  - **Employees**: 23% gain, increasing from 6,014 to 7,408
- Growth in retail & service sectors; decline in manufacturing.
- "New economy" businesses at Wrigley Innovation Center

Chicago Near North Side PMD's: Protecting Industrial Uses from Residential Encroachment

Tools and Approaches

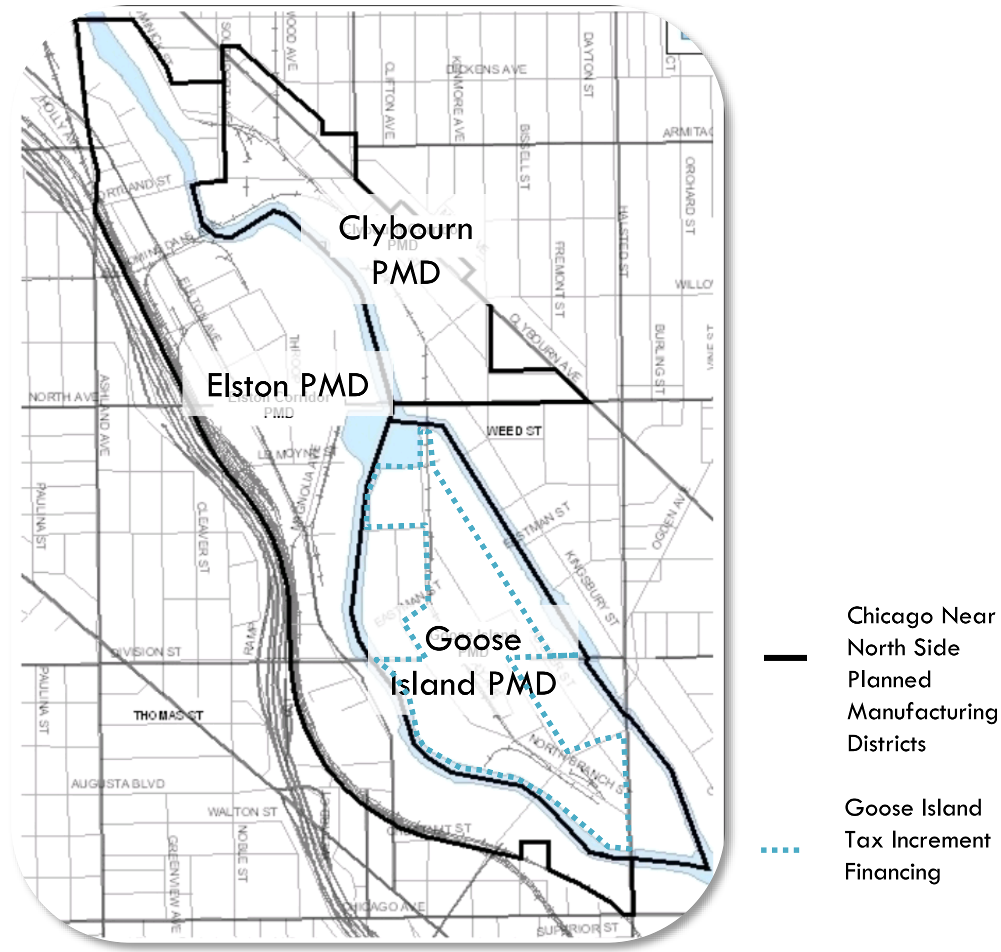
Chicago uses a combination of regulatory restrictions and financial incentives ("sticks and carrots") to manage development the Planned Manufacturing Districts (PMD's).

Zoning restrictions

- Prohibits residential encroachment into PMD
- Allows for limited conversion of industrial space to retail uses in "buffer zones" between industrial and residential areas

Tax increment financing

- TIF District established for 24 years between 1996 and 2019.
- Funds are for use only within the PMD, and have so far been used for land acquisition and new development for headquarters and factories for three companies: Republic Windows and Doors ($9 million), WaterSaver Faucet Company ($750,000), and the Wrigley Company ($15 million)



Chicago Near North Side PMD’s: Protecting Industrial Uses from Residential Encroachment

Challenges and Opportunities

Challenges

Manufacturing Decline

- The manufacturing sector declined in Near Northside PMD’s despite protections.
- In fact, manufacturing in the PMD’s declined more rapidly than in the County or region overall.
- In 2008, Republic Windows and Doors declared bankruptcy.
- In 2012, Finkl Steel vacated their 110-year-old plant (top) in the Clybourn Corridor PMD in favor of land elsewhere in the city.

Retail Incursion

- Poor enforcement of buffer zones led to nearly 300,000 of industrial buildings converted to big-box and other retail uses.

Opportunities

Adapting to a Changing Economy

- The area has experienced growth in “New Economy” users. For example:
    - Wrigley Company’s testing labs and global headquarters (top), employing 300 people
    - Pending renovation of 94,000 square feet to house UI Labs, a DOD-funded digital manufacturing center (bottom) in the former Republic Window and Doors factory

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Milwaukee's 30th Street Industrial Corridor: Balancing Uses Across a Former Industrial Corridor

SIZE
880 acres

NUMBER OF SUBZONES
6

TYPES OF USES (EXISTING AND PLANNED)
Heavy manufacturing, light manufacturing, warehousing, office, residential, community/civic

INTRODUCTION

The 30th Street Industrial Corridor is one of Milwaukee's primary industrial areas. However, in recent years many large-scale manufacturers and other companies have ceased operations in the corridor. The city used a comprehensive public planning process to create a plan for revitalization in the corridor. As a result of this exercise, the city is taking a "subzone approach" and allowing new residential, retail, and other commercial development at key location, while preserving some areas for industrial uses.

RESULTS

- A vision and plan for the corridor's future, with distinct "subzones" that will facilitate development of a variety of context-appropriate uses.
- Initial development of Century City, a 50 acre business park.

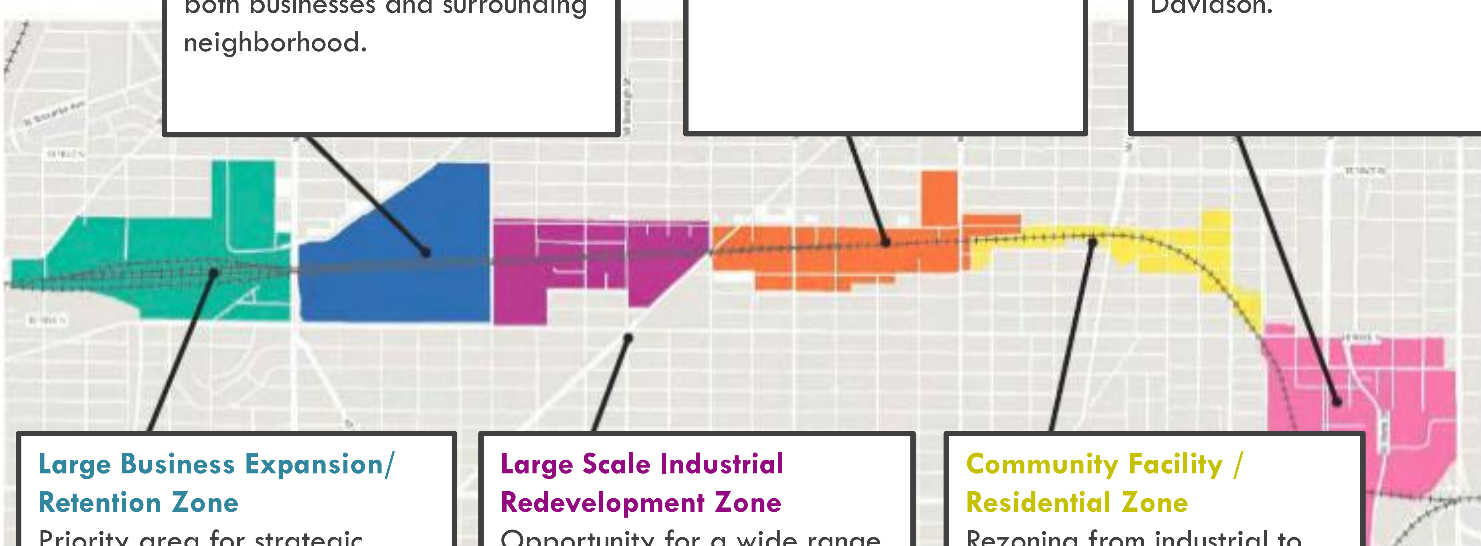
Tools and Approaches

The city's approach to the 30th Street Corridor is to address it as six distinct "subzones." Each subzone has a specific purpose and redevelopment goal. The city established each subzone based on a market study identifying opportunities for commercial and industrial growth, balanced by corridor's proximity to residential neighborhoods in need of retail and services.

Modern Business Park Zone
Support development of Century City business park, and allow for accompanying neighborhood retail to serve both businesses and surrounding neighborhood.

Small Business Development Zone
Focus on adaptive reuse of structures for multitenant industrial or flex uses.

Anchor Business Retention Zone
Retain as a high-quality businesses center given that it is currently home to successful large businesses, including Miller-Coors and Harley Davidson.



Large Business Expansion/ Retention Zone
Priority area for strategic repositioning of larger parcels for commercial uses.

Large Scale Industrial Redevelopment Zone
Opportunity for a wide range of land uses, ranging from industrial to residential, depending on market dynamics.

Community Facility / Residential Zone
Rezoning from industrial to residential and community uses to mitigate land use conflicts.

Milwaukee's 30th Street Industrial Corridor: Balancing Uses Across a Former Industrial Corridor

Decision Factors

The city considered a number of factors to determine the nature of each subzone and its potential for future redevelopment into new commercial, industrial and/or residential uses.

- Market dynamics upon redevelopment
- Presence of existing employers
- Size of existing operations
- Current building stock and potential for reuse
- Presence of potentially catalytic infill sites
- Proximity to residential neighborhoods
- Environmental conditions

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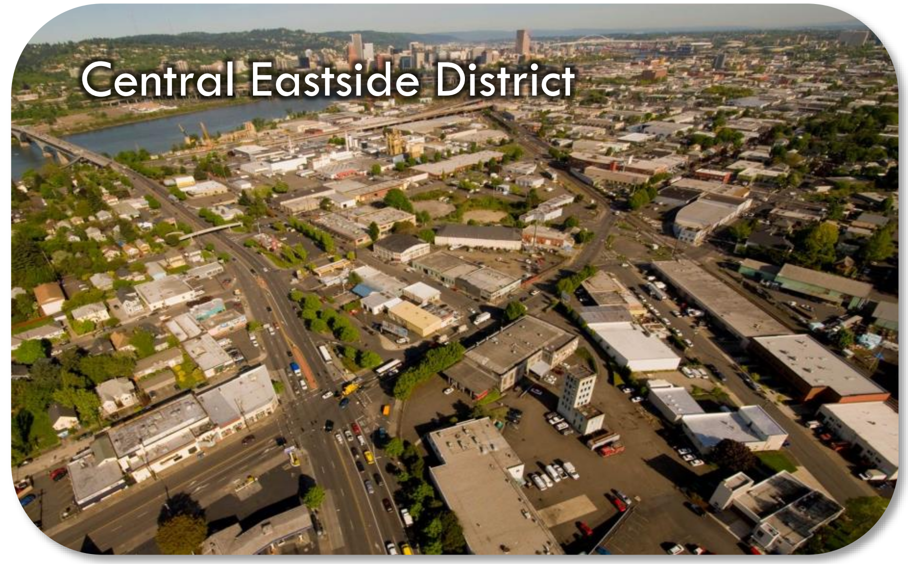
Portland, OR: Addressing Commercial Affordability in Two Downtown-Adjacent Neighborhoods



INTRODUCTION

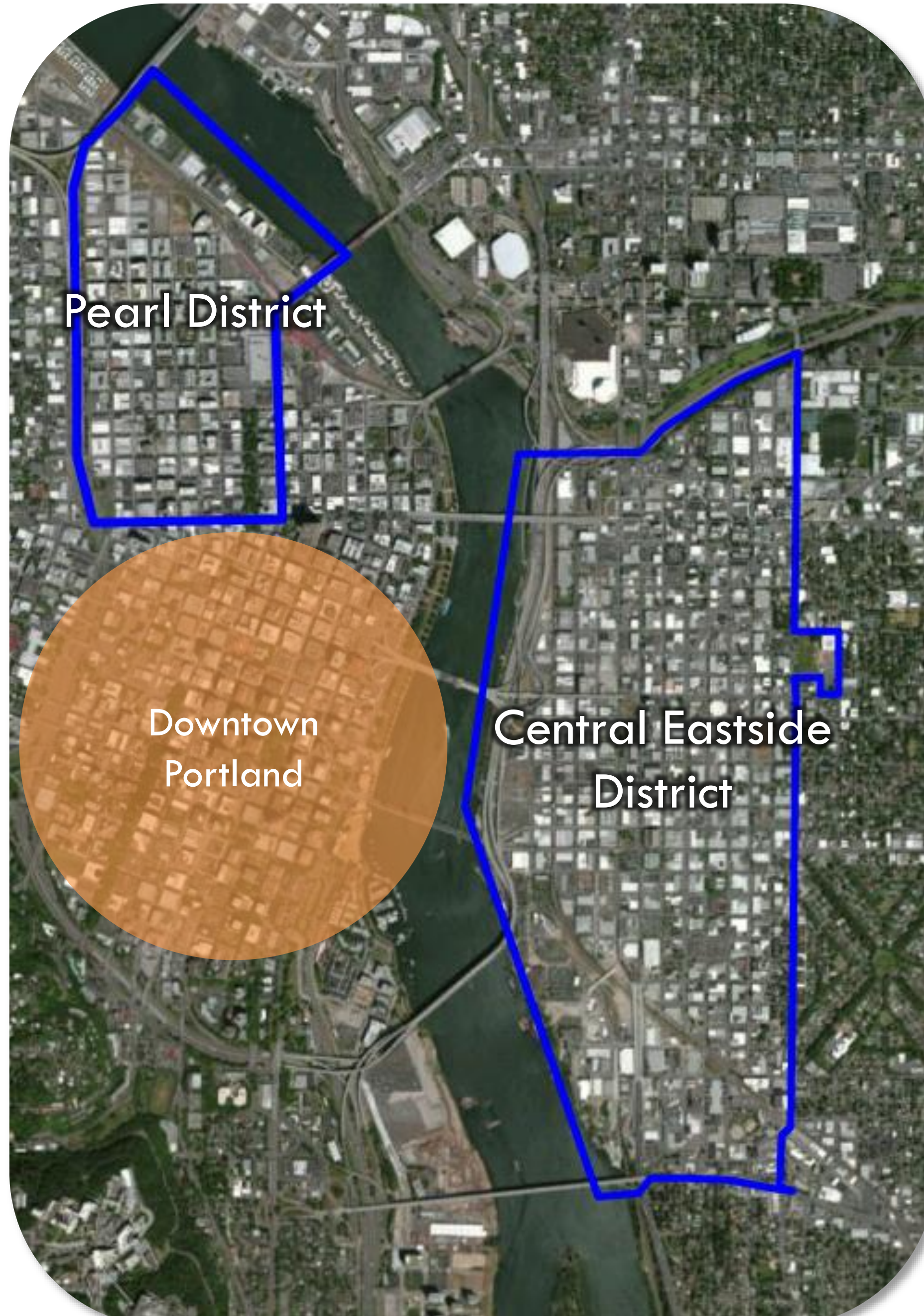
Portland's **Pearl District** and **Central Eastside District** are two neighborhoods encountering issues with commercial affordability. Though the city has applied different land use policies to each neighborhood, the increasing popularity of each is driving up commercial rents at a pace that is driving out original tenants.

In the **Pearl District**, beginning in 1998, the city guided the transformation of a former industrial neighborhood and artist enclave by allowing residential and office development, providing incentives to adaptively reuse or redevelop warehouses, providing incentives, and investing in infrastructure. Amidst explosive growth of residents and businesses, the city is now concerned about the cost of doing business and is exploring strategies to preserve affordability and attract the artists and entrepreneurs who once called the neighborhood home.

In the **Central Eastside District**, the city sought to protect industrial uses from residential incursion by establishing the Central Eastside Urban Renewal District as an "industrial sanctuary" in 1986. Regarded as a success, the city is now exploring how to ensure the District evolves with the economy and remains affordable to a diversity of tenants, and does not become "another Pearl."

Portland, OR: Addressing Commercial Affordability in Two Downtown-Adjacent Neighborhoods

The Pearl District and the Central Eastside District are located adjacent to Downtown Portland, although the Central Eastside District is separate by the Willamette River. The proximity of both neighborhoods to Downtown has rendered them popular neighborhoods for companies and, in the case of the Pearl District, residents.



Portland, OR: Addressing Commercial Affordability in Two Downtown-Adjacent Neighborhoods

Land use policies in both neighborhoods have been successful.

Pearl District

SIZE
245 acres

NUMBER OF BUSINESSES
1,800 businesses with 10,000 employees

TYPES OF BUSINESSES
Professional services, finance, insurance, and real estate, retail, accommodation and food services

NUMBER OF RESIDENTS
6,900

INDICATORS OF SUCCESS

- Between 2000 and 2014, the total number of households increased by 307% from 1,176 to 4,797 (compared to 15% growth in the city).
- Between 2002 and 2011, employment increased by 88% from 5,455 to 10,266 (compared to 7% growth in the city).
- Rents for both office and industrial uses have been increasing, and are higher than those in other markets.

Central Eastside

SIZE
681 acres

NUMBER OF BUSINESSES
2,200 businesses with 17,000 employees; has accounted for 35% of the city's growth between 2009 and 2014.

TYPES OF BUSINESSES
Manufacturing, warehousing, knowledge-based and design, health care and social service, entertainment and food service, retail

INDICATORS OF SUCCESS

- Between 2002 and 2011, employment increased by 14% from 13,634 to 15,545 (compared to 7% growth in the city).
- Rents for both office and industrial uses have been increasing, and are higher than those in other markets.

Tools and Approaches (Initial Efforts)

The city took different approaches to each neighborhood. The city embraced the Pearl District's increasing popularity among artists and small companies, and allowed for increased density, a broader range of land uses, and invested in public infrastructure. By contrast, the Central Eastside has always maintained zoning restrictions that limited residential development, focusing instead on business cultivation and commercial affordability.

Pearl District

Upzoning

- Rezoning to permit higher density and mixed-use buildings

Incentives and streamlining

- Economic incentives and streamlined approvals for private developers and business owners

Public investment

- Major infrastructure investment in a neighborhood streetcar
- Supported a P3-sponsored district energy system.

Central Eastside

Industrial protection

- Establishment of an "industrial sanctuary" that prohibits residential but allows neighborhood retail

Tenant attraction

- Active marketing of area to potential businesses by the Central Eastside Industrial Council

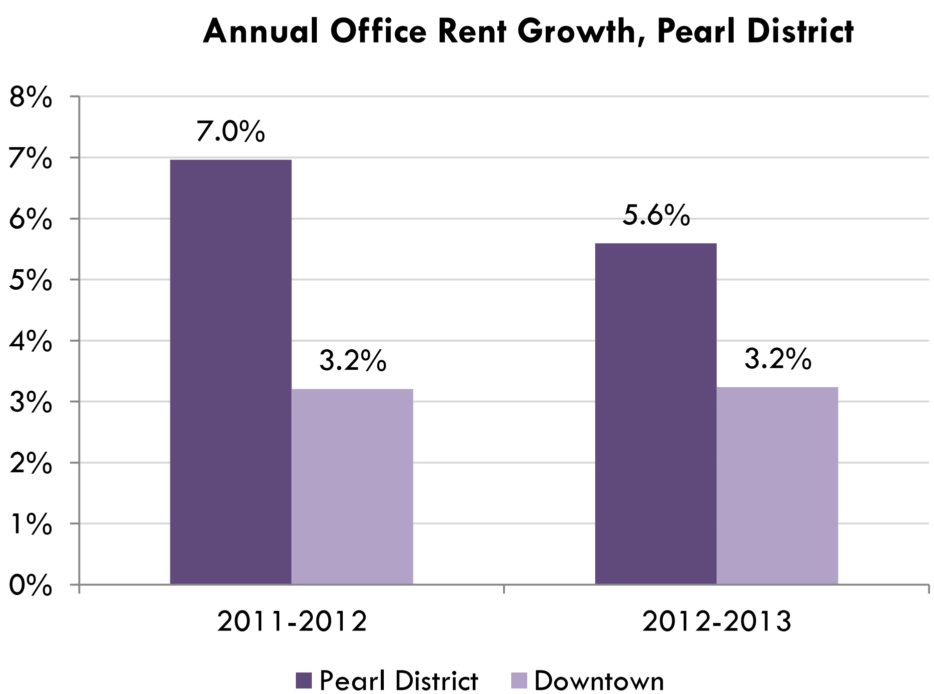
Support for businesses

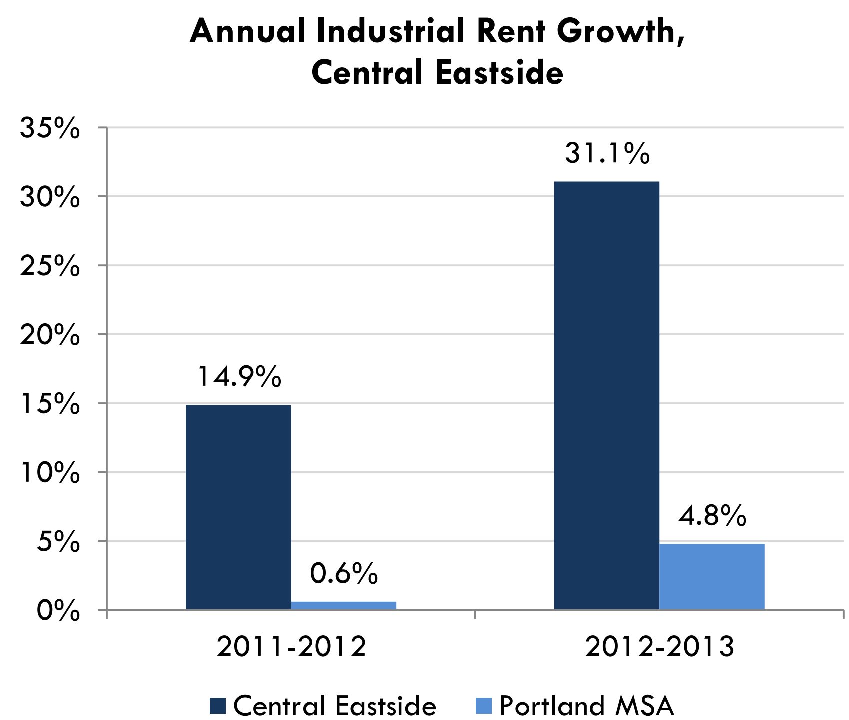
- Provision of businesses development services on behalf of the city and Central Eastside Industrial Council

Affordability Challenges

Neither neighborhood has a policy or zoning mechanism in place to preserve affordability. Therefore as both neighborhoods have become more popular, rents have increased. For example, office rents in the Pearl District have increased more than rents in Downtown, and industrial rents in the Central Eastside District have increased more than comparable properties in the region. As a result of the Pearl District's increasing popularity, the original artists and artisans who once inhabited the industrial building stock in the area have been pushed out. Recently, there are concerns that even the creative companies that moved into the Pearl District after the artists left are beginning to be priced out of the District.[1]

In the Central Eastside, regardless of protection from residential incursion, the city, local nonprofits, and business owners are concerned about the area's increasing popularity, that it area may become "another Pearl" and that it may become too expensive for existing tenants.





[1]Is the close-in eastside the next Pearl District? http://djcoregon.com/news/2011/09/14/is-the-close-in-eastside-the-next-pearl-district/

Portland, OR: Addressing Commercial Affordability in Two Downtown-Adjacent Neighborhoods

Tools and Approaches (Moving Forward): Central Eastside

The City of Portland has not yet formally adopted an approach to preserving affordability in either the Pearl District or the Central Eastside. However, two studies recommended potential strategies for the Central Eastside District that are relevant to the South End.

Key findings from recent studies specifically addressing the Central Eastside District:

Urban Land Institute: Promoting the Central Eastside as a 21st Century Employment Center (2014)

- Strive to keep land affordable
- Preserve the industrial sanctuary
- Balance old and new industry
- Allow zoning to be flexible, as some housing may be justified

CBRE: Central Eastside Industrial District At a Crossroad (2013)

- Mix multi-purpose tenants within a building to create a dynamic, non-homogeneous work environment
- Maintain industrial "vibe" and design cues

Portland, OR: Addressing Commercial Affordability in Two Downtown-Adjacent Neighborhoods

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Portland, ME Central Waterfront: Adapting Zoning to a Changing Economy

SIZE
70 acres of maritime and non-maritime industry

NUMBER OF BUSINESSES
130 businesses with 1,700 jobs (not including 100 lobster vessels)

TYPES OF BUSINESSES
Ground fishing, lobster fishing, passenger transportation, wholesale trade, professional services, retail

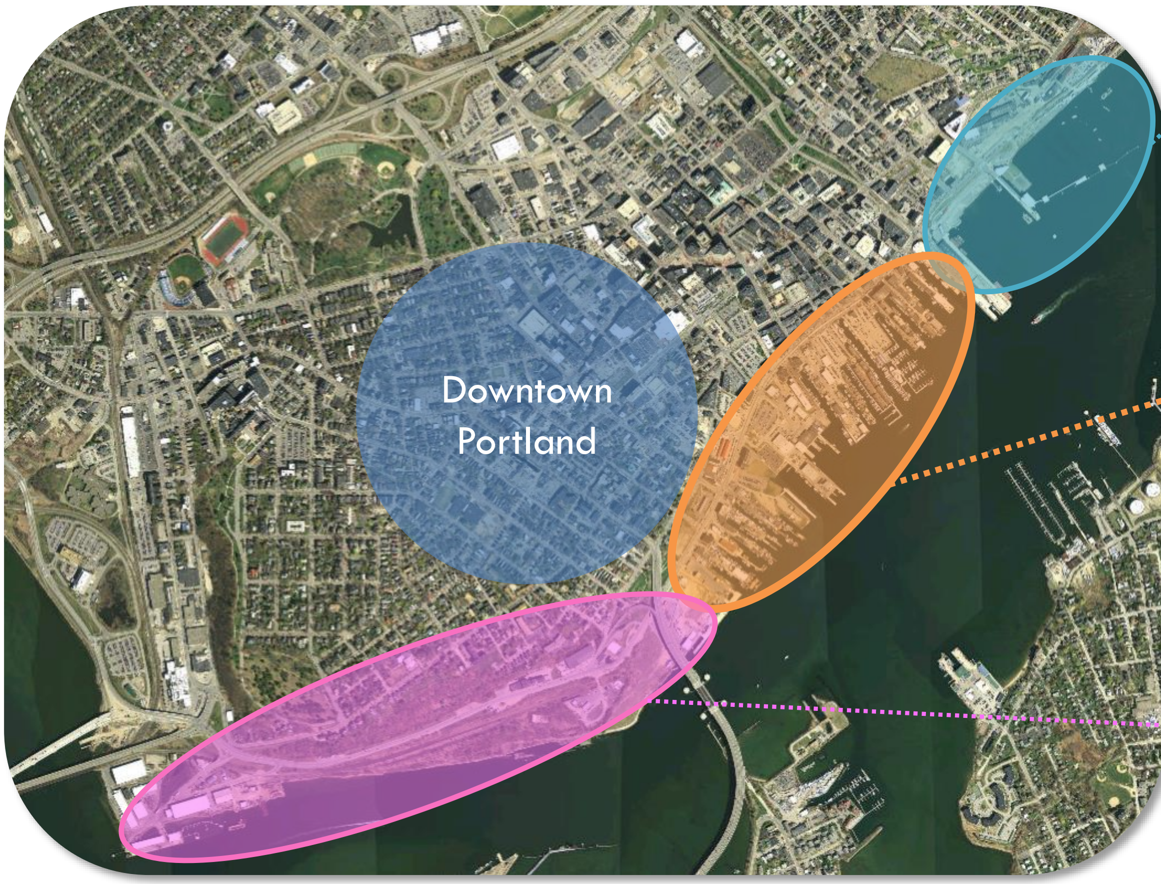
BACKGROUND
Plans in the 1980s to increase tax revenues by allowing non-maritime uses in the Central Waterfront led to rapid displacement of some industrial uses by residential development. The city has since created a waterfront zoning district with mechanisms that still protect marine industry, but can also adapt to changing economic conditions.

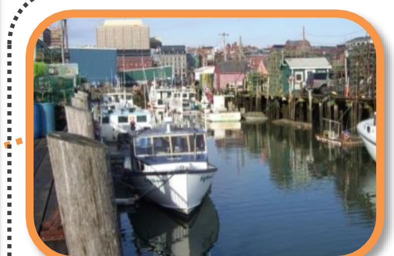
RESULTS
- New office and retail uses have been introduced to the waterfront.
- While maritime industry has been protected, the industry continues to decline.
- However, the city appears to be embracing this decline to an extent.

Portland, ME Central Waterfront: Adapting Zoning to a Changing Economy

Tools and Approaches

The city's Waterfront zoning policies vary by area based on water depth and type/intensity of existing marine uses. In particular, the city envisions the Central Waterfront as an area that can house maritime industry, mixed-use/non-marine commercial, and tourism attractions within the same area.



Zone	Intent
 Eastern Waterfront	• Marine Passenger • Mixed Use w/ Non-Marine
 **Central Waterfront**	• Light Marine Industry • Mixed Use w/ Non-Marine • Tourism
 Western Waterfront	• Deep-water Marine Industry • Freight

Evolving Efforts

In 2010, to allow pier owners to generate more revenue from non-maritime uses and fund repairs and improvements, Portland updated its zoning regulations within the Central Waterfront zone. The new regulations require developer contributions to a marine infrastructure investment fund in exchange for the right to develop non-marine-related uses. These regulations are flexible to respond to market conditions, while still outright prohibiting residential development.

New provisions

"Non-marine Use Overlay Zone"

- Contains a marine infrastructure investment requirement for new, non-marine-related development

Amended First Floor Requirement

- Previously 100% of first floors of commercial buildings had to be set aside for marine uses; now reduced to 55%

Performance Standards

- Reviews all development proposals to ensure:
  - Pier functionality
  - Marine compatibility
  - Sufficient parking
  - View protection

Annual Inventory Monitoring

- Annual inventory of all marine and non-marine uses, which can inform adjustments to the regulations

Extant provisions

Commercial Berthing Protection

Prohibition on Residential Uses

Portland, ME Central Waterfront: Adapting Zoning to a Changing Economy

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Development examples: Providing affordable work- and live-work space with residential development

HR&A also analyzed three mixed-use developments which serve as examples of delivering affordable work space for artists in a residential mixed-used setting.

Development Examples: Artspace Buffalo Lofts (Buffalo, NY)

Nonprofit development and complex financing support an adaptive reuse and new construction live/work project

Goals

- Provide affordable housing for artists and their families.
- Provide community art space as well as commercial uses to serve residents and the surrounding neighborhood.

Accomplishments

- Residential live/work units are fully leased.

Challenges

- Environmental remediation of the site was greater than anticipated, and a more thorough review would have enabled ArtSpace to seek out additional funding.

Opened
2008

Development Cost
$17.9 million

Program
- 60 affordable live/work units (90%, 60%, and 50% AMI)
- 9,750 SF of retail/office space
- 30,000 common area and art gallery

Zoning
"Transportation Station Area District": allows for dense, mixed-use residential and commercial development

Developers
Artspace (nonprofit developer), Belmont Shelter Corporation (nonprofit developer)

Financing
Tax credit sales (RBC–Apollo Equity): $11,771,415
New York Housing Trust Fund: $1,800,000
City of Buffalo (HOME): $1,600,000
Philanthropic contributions: $990,080
Deferred developer fee: $903,032
Permanent loan (Community Preservation Corporation): $575,000
Federal Economic Development Initiative funds: $250,000

Development Examples: Loree Grand (Washington, DC)

Leveraging high-value residential development and partnership with a nonprofit to provide live/work space in a new building

Goals

- Invite the artist community into live/work spaces as part of a larger, new apartment community.
- Provide enough live/work studios to meet demand while not impacting development feasibility.

Accomplishments

- 15 out of 30 live/work units leased.

Challenges

- Potential tenants faced narrow income requirements, and as a result, only 15 units were leased to artists; remainder opened up to any tenants who met income qualifications.

Opened
2001

Development Cost
$54.5 million

Program
212 units (30 originally reserved for live/work space; now down to 15)

Zoning
"C-3-C": Allows dense mixed use office, retail, and housing development

Developer
Cohen Companies (live/work units developed in partnership with the nonprofit Cultural Development Center)

Financing
Traditional debt and equity financing

Development Examples:10 Storehouse Row (North Charleston, SC)

Low-cost development and an anchor tenant support affordable space for artists and result in a financial success

Goals

- Convert an industrial warehouse into a building arts and design center.

Accomplishments

- Half of the project was pre-leased to the American College of the Building Arts, leaving only 20,000 SF to lease up to other tenants.
- The combined low cost and fast lease-up of building has rendered the project a financial success.

Opened
2007

Development Cost
$3.9 million

Program
3,000 SF Artist work/sell studios
8,250 SF Office
3,000 SF Retail
5,000 SF Event Space
17,000 Institutional (American College of the Building Arts)

Zoning
"Planned Development District": Planned development districts are reviewed on a case-by-case basis to determine compatibility and appropriateness of land uses

Developer
The Noisette Company

Financing
First Citizens Bank (traditional debt financing)
Federal historic tax credits

Typical Lease Terms
Artist Studios: $350-$675 per month, one-year lease
Loft Offices: $14-$15 psf full service gross, three-year leases

Development examples: Providing affordable work- and live-work space with residential development

Sources

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Loree Grand

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- Urban Land Institute Development Case Studies

Additional Resources

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- **Brooklyn Navy Yard Development Corporation** main website. http://brooklynnavyyard.org/
- New York City overview of **manufacturing zoning districts.** http://www.nyc.gov/html/dcp/html/zone/zh_manudistricts.shtml
- Pratt Center. **Brooklyn Navy Yard: An Analysis of Its Economic Impact and Opportunities for Replication.** http://prattcenter.net/research/brooklyn-navy-yard

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- **30th Street Corridor, list of "catalytic projects."** http://city.milwaukee.gov/Projects/30th-Street-Industrial-Corrido/Catalytic-Projects1.htm#.VG0D9sml1Bc

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Additional Resources

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