# RESIDENTIAL MARKET POTENTIAL

## Downtown Springfield

City of Springfield,
Hampden County, Massachusetts

December, 2006

Conducted by
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Research & Strategic Analysis

## STUDY CONTENTS

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## INTRODUCTION

The purpose of this study is to identify the depth and breadth of the market for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold within Downtown Springfield. For the purposes of this study, the Downtown Springfield study area has been defined as the area bounded by the Amtrak railroad tracks, including Union Station, in the north, Byers and Myrtle Streets in the east, Union Street in the south, and the Connecticut River in the west. This is a smaller area than was covered in the 2001 Master Plan for Downtown Springfield. The Downtown Springfield study area encompasses most of the Metro Center neighborhood, which includes the Central Business District; the Business Improvement District; the Quadrangle-Mattoon Street and Lower Maple Historic Districts; the Club Quarter, the city's entertainment district; and several public parks—including Court Square, Tower Square Park, Stearns Square, and Riverfront Park.

A core premise underlying an overall housing strategy for the City of Springfield is that retaining existing households is just as important as attracting new households. The attraction of resident households to Downtown housing need not be at the expense of other city neighborhoods; the strengthening of urban residential neighborhoods, when skillfully implemented, is not a "zero-sum" exercise. Properly-targeted new housing opportunities within the Downtown—appropriate in tenure, unit type and location—should provide attractive alternatives, not only for the sizeable number of households that would otherwise move out of the city, but also for the significant number of urban households moving to the Springfield area.

The extent and characteristics of the potential market for new market-rate housing units in Downtown Springfield were identified using Zimmerman/Volk Associates' proprietary target market methodology. This methodology was developed in response to the challenges that are inherent in the application of conventional supply/demand analysis to urban development and redevelopment. Supply/demand analysis ignores the potential impact of newly-introduced housing supply on settlement patterns, which can be substantial when that supply is specifically targeted to match the housing preferences and economic capabilities of the draw area households.

In contrast to conventional supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

In brief, using the target market methodology, Zimmerman/Volk Associates determined:

- Where the potential renters and buyers for new market-rate housing units in Downtown Springfield are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many have the potential to move to Downtown if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);

- What their alternatives are (new construction or existing housing stock in Downtown Springfield, in nearby areas of the city, and, for purposes of benchmarking, in Downtown Hartford, Connecticut);
- What they will pay to live in Downtown Springfield (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

The target market methodology is described in detail in the METHODOLOGY section at the end of this study.

NOTE: Tables 1 and 2, included in this document, contain summaries of the market potential and general target groups for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within Downtown Springfield. Tables 3 and 4 provide the relevant supply-side context. Tables 5 through 8 outline the optimum initial market position and the specific target household groups for new Downtown housing units. The appendix tables, provided in a separate document, contain migration and target market data covering the appropriate draw areas for the city and for the Downtown.

## MARKET POTENTIAL

American households, more than any other nation's, have always been extraordinarily mobile. In 2005, although varying by region, an average of 17 percent of American households moved from one dwelling unit to another. Household mobility is higher in urban areas; a higher percentage of renters move than owners; and a higher percentage of younger households move than older households.

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is therefore integral to the determination of the depth and breadth of the potential market for market-rate and affordable housing units within Downtown Springfield.

Analysis of Hampden County migration and mobility patterns from 2000 through 2004—the latest data available from the Internal Revenue Service—shows that the county continues to experience net migration losses, ranging from a net out-migration of 385 households in 2001 to a net out-migration of more than 1,250 households in 2004. (*See* Appendix One, Table 1.)

Over the study period, annual in-migration to Hampden County has ranged between approximately 5,750 households, in 2000, to more than 6,100 households, in 2001. Over the same period, annual out-migration from Hampden County has ranged between just under 6,400 households, in 2002, to more than 7,100 households, in 2004. Approximately 18 percent of the out-migration is to Hampshire County, although collectively, the majority of out-migration is to other Massachusetts counties and to urban areas in New England and along the East Coast.

However, even though net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move <u>into</u> an area (gross in-migration) that represent that area's external market potential. For Hampden County, more than 20 percent of in-migration is from Hampshire County; both Hartford, Connecticut and Worcester, Massachusetts each represent an additional eight to nine percent; the Boston area (Middlesex, Suffolk, Essex and Norfolk Counties) adds another 10 percent; and the remaining 50 percent is from urban counties elsewhere in the United States, and from the commonwealth of Puerto Rico.

This study therefore identifies the depth and breadth of the potential market for new and existing housing units within both the City of Springfield and Downtown Springfield, and includes those households already living in the city as well as those households likely to move into the city.

***Where will the potential market for housing in the City of Springfield move from?***

*—The Draw Areas—*

The depth and breadth of the potential market for new and existing market-rate housing units in the City of Springfield was determined through migration, mobility and target market analyses of households currently living within defined draw areas. Based on the migration analysis described above, the draw areas for the City of Springfield and Downtown Springfield have been delineated as follows:

- The primary draw area, covering households currently living within the Springfield city limits. Between 10 and 12 percent of the households living in the city move to another residence within the city each year.

- The local draw area, covering households currently living in the balance of Hampden County. Between two and three percent of the households living in the balance of Hampden County, with the financial capacities to rent or purchase market-rate dwelling units, could move to a residence in the city each year, if appropriate housing units were to be made available.

- The regional draw area, covering households with the potential to move to the City of Springfield from Hampshire and Worcester Counties in Massachusetts and Hartford County in Connecticut.

- The metropolitan Boston draw area, covering households with the potential to move to the City of Springfield from Middlesex, Suffolk, Essex and Norfolk Counties, Massachusetts.

- The national draw area, covering households with the potential to move to the City of Springfield from all other U.S. counties and the commonwealth of Puerto Rico. Between 2,900 and 3,300 households move into Hampden County from elsewhere in the United States each year; a small additional number are households moving from outside the United States. Approximately a quarter of those households move into the City of Springfield.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Springfield) would be as follows (*see also* Appendix One, Table 9):

**Market Potential by Draw Area**
***City of Springfield, Hampden County, Massachusetts***

| | |
|---|---|
| City of Springfield (Primary Draw Area): | 39.5% |
| Balance of Hampden County (Local Draw Area): | 31.8% |
| Hampshire, Worcester, Hartford Counties (Regional Draw Area): | 11.5% |
| Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area): | 4.5% |
| Balance of US (National Draw Area): | 12.7% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

## MARKET POTENTIAL FOR DOWNTOWN SPRINGFIELD

The City of Springfield, Massachusetts, situated on the eastern bank of the Connecticut River in the southwestern corner of the state, is an attractive and historic city of approximately 152,100 people. The city—established in 1636—is one of the oldest cities in America, and is the third largest city in Massachusetts. Springfield is also the county seat of Hampden County, and the regional center of the Pioneer Valley—the designation for the three counties (Hampden, Franklin, and Hampshire) of Western Massachusetts that lie within the Connecticut River Valley. The city is located 25 miles north of Hartford, Connecticut, and, at 90 miles, is nearly equidistant from Albany, New York and Boston, Massachusetts; New York City and the New York metropolitan area is within 150 miles of Springfield. Two interstates traverse the city: Interstate 91, the north-south highway with its northern terminus at the Canadian border and the southern terminus at I-95 in New Haven, Connecticut; and Interstate 291, an east-west connector highway, which links I-91 in Downtown Springfield with Interstate 90 just north of the city in Chicopee. Bradley International Airport in Connecticut is a 10-minute drive to the south.

Springfield, the "city of homes," is home to 17 neighborhoods—from the older neighborhoods of the South End, McKnight and Forest Park (McKnight and Forest Park Heights are Historic Districts) in the western part of the city, to the more recently-constructed neighborhoods of Sixteen Acres, including the Outer Belt, in the easternmost area of the city.

Springfield currently contains approximately 61,000 housing units, of which an estimated 57,445 are occupied. In 2006, median housing value citywide is estimated at $132,200, approximately 18 percent lower than the national median of $161,600, in part because nearly 65 percent of the city's housing units were built before 1960. Because the city is the center of a relatively slow-growth region, new residential construction has tended to draw the majority of buyers from the existing population, rather than households that are new to the area. One consequence of this dynamic is the deterioration of several older in-town neighborhoods. The Springfield median income of $33,400 is 32 percent below the national median of $48,800; however, a third of Springfield's households have annual incomes of $50,000 or more.

Downtown Springfield is the location of most of the county and city's civic buildings, the MassMutual Convention Center, Tower Square, several office buildings, the new Federal Courthouse which is nearing completion, a number of historic churches, several banks, the Marriott and Sheraton Hotels and Holiday Inn in the central business district, and a Hilton Garden Inn on the riverfront. Estimates of the downtown workforce range from 8-to-10,000 to 17,000 employees. Major employers in the city include the Bay State Health System, Mercy Medical Center, the Springfield Public Schools, the MassMutual Financial Group, and Springfield City government. In addition, several institutions of higher education—Springfield Technical Community College, Western New England College and Law School, Springfield College, and American International College, with a combined total of more than 15,250 undergraduates and graduate students—are based in the city.

Several arts and cultural institutions are located in Downtown, from CityStage and Symphony Hall—home to the Springfield Symphony Orchestra—to the Museums at the Quadrangle, where the Museum of Fine Arts, the Science Museum, the Connecticut Valley Historical Museum, and the George Walter Vincent Smith Art Museum surround the Dr. Seuss National Memorial Sculpture Garden. Major downtown attractions include the Naismith Memorial Basketball Hall of Fame; the Springfield Falcons, an American Hockey League team which plays at the MassMutual Center; and the Club Quarter, the city's entertainment district with more than 40 restaurants, clubs and bars.

Court Square Park is surrounded by extraordinary buildings: the 1819 Old First Church, the 1871 H.H. Richardson-designed Courthouse, and the 1909 City Hall and Symphony Hall. During the summer, Stearns Square is the venue for the Thursday night free City Block Party concerts, and Tower Square Park hosts City Block Party Lunchtime concerts every Wednesday through Friday. The Mattoon Street Arts Festival, which features the work and crafts of dozens of artists and artisans, as well as food vendors and street musicians, is held every year in early September.

Currently, although the perception is that Downtown Springfield offers limited neighborhood-oriented retail and services, Main Street, the historic retail street, currently has several bakeries, coffee shops, galleries, and some of the retailers or services—such as beauty salons, jewelry stores, two dry cleaners, two pharmacies, a florist, and a bookstore—normally found within a traditional "Main Street" environment. There are numerous restaurants, with a broad selection of cuisines, ranging from downtown institutions such as the Fort/Student Prince (German/Continental), the Red Rose (Italian), and Theodore's (barbecue), to more exotic offerings at Café Lebanon (Middle Eastern) and Sitar (Indian), to the newer creative American menus at Cobalt, L'Uva, and Sonoma.

The nearest grocery stores to downtown are a Big Y across the river in West Springfield, and a Stop n' Shop and another Big Y in Chicopee. As in many cities across the country, major retailers are found in auto-oriented malls, in this case, the Eastfield Mall off Boston Road, where 55 stores—including Macy's, Sears, the J.C. Penney Outlet Store, Old Navy, the Gap, and Bath and Body Works, among many other national credit tenants and specialty shops—are located.

***Where will the potential market for housing in Downtown Springfield move from?***

The target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that have preferences for suburban and/or rural locations, the distribution of draw area market potential for new and existing units within Downtown Springfield would be as follows (*see also* Appendix One, Table 10):

**Market Potential by Draw Area**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| | |
|---|---|
| City of Springfield (Primary Draw Area): | 32.2% |
| Balance of Hampden County (Local Draw Area): | 23.7% |
| Hampshire, Worcester, Hartford Counties (Regional Draw Area): | 11.8% |
| Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area): | 12.4% |
| Balance of US (National Draw Area): | 19.9% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The City of Springfield and balance of Hampden County represent considerably smaller proportions of market potential for new housing in the Downtown (just under 56 percent) than for the city as a whole (71.3 percent). Conversely, the regional, metropolitan Boston, and national draw areas represent significantly larger segments of market potential for Downtown (44.1 percent) than for the city as a whole (28.7 percent). (*See again* Appendix One, Table 9.)

***How many households are likely to move within or to Downtown Springfield each year?***

As determined by the target market methodology, which accounts for household mobility within the City of Springfield and the balance of Hampden County, as well as migration and mobility patterns for households currently living in all other cities and counties, in the year 2006, more than 2,100 younger singles and couples, empty nesters and retirees, and families with children, with the financial capacities to rent or purchase market-rate dwelling units, represent the potential market for new and existing housing units within Downtown Springfield.

The housing preferences of these 2,110 draw area households—based on tenure (rental/ownership) choices and financial capacity—are outlined as follows (*see also* Table 1):

**Annual Potential Market for New Housing Units**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|---|---|
| Multi-family for-rent (lofts/apartments, leaseholder) | 430 | 20.4% |
| Multi-family for-sale (lofts/apartments, condo/co-op ownership) | 400 | 19.0% |
| Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership) | 320 | 15.2% |
| Low-range single-family detached (houses, fee-simple ownership) | 190 | 9.0% |
| Mid-range single-family detached (houses, fee-simple ownership) | 440 | 20.9% |
| High-range single-family detached (houses, fee-simple ownership) | 330 | 15.5% |
| Total | 2,110 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

These 2,110 households comprise one quarter of the approximately 7,850 households that represent the potential market for new and existing market-rate units in all of the City of Springfield, a share of the total market that is consistent with Zimmerman/Volk Associates' experience in other cities. For example, in recent analyses, the downtown market was found to represent approximately 23 percent of the city's potential market in Birmingham, Alabama, Fort Wayne, Indiana, and Atlanta, Georgia; 24 percent in Mobile and Montgomery, Alabama, and Lafayette, Louisiana; 26 percent in Norfolk, Virginia, Redding, California, and Toledo, Ohio; 30 percent in Detroit and Grand Rapids, Michigan, Spokane, Washington, and Baltimore, Maryland; 35 percent in Lexington, Kentucky and Buffalo, New York; and 36 percent and 38 percent in Louisville, Kentucky and New Haven, Connecticut, respectively.

Like Springfield, many of these cities are located in regions where the majority of any increase in the number of households has typically occurred outside the city limits. In most cases, the introduction of newly-created, appropriately-positioned housing units within the city limits, particularly in the downtown, has had an impact on settlement patterns by providing suitable new housing options for households that previously had none.

The market potential numbers indicate the depth of the <u>potential</u> market for new and existing housing units within Downtown Springfield, not housing <u>need</u> and not <u>projections</u> of household change. These are the households that are likely to move within or to Downtown <u>if expanded housing options were to be made available</u>.

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Springfield market area, the potential market for new housing units within Downtown could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, downtown development should concentrate on higher-density housing types, including redevelopment of existing buildings, which support urban development and redevelopment most efficiently and provide the greatest fiscal benefit.

Table 1

## Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2006

## *Downtown Springfield*

*The City of Springfield, Hampden County, Massachusetts*

*City of Springfield; Balance of Hampshire County;*
*Regional Draw Counties; Boston Region; All Other U.S. Counties*
*Draw Areas*

| | |
|---|---|
| Total Target Market Households With Potential To Rent/Purchase In The City of Springfield, Hampden County, Massachusetts | 7,850 |
| Total Target Market Households With Potential To Rent/Purchase In Downtown Springfield | 2,110 |

### Potential Housing Market

| | *Multi- Family* | | *Single- Family* | | | | |
|---|---|---|---|---|---|---|---|
| | | | *Attached* | *Detached* | | | |
| | *For-Rent* | *For-Sale* | *All Ranges* | *Low-Range* | *Mid-Range* | *High-Range* | Total |
| Total Households: | 430 | 400 | 320 | 190 | 440 | 330 | 2,110 |
| *{Mix Distribution}:* | 20.4% | 19.0% | 15.2% | 9.0% | 20.9% | 15.5% | 100.0% |

### Downtown Residential Mix
**(Excluding Single-Family Detached)**

| | *Multi- Family* | | *Single- Family* | |
|---|---|---|---|---|
| | | | *Attached* | |
| | *For-Rent* | *For-Sale* | *All Ranges* | Total |
| Total Households: | 430 | 400 | 320 | 1,150 |
| *{Mix Distribution}:* | 37.4% | 34.8% | 27.8% | 100.0% |

NOTE: Reference Appendix One, Tables 1 through 12.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Appropriate housing types include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work (single-family attached for-sale).

The residential re-use of existing non-residential structures is one of the most beneficial downtown redevelopment types; adaptive re-use creates and enhances a pedestrian-oriented street environment at a familiar, and often historic, urban scale. In downtown locations, large buildings that contain more potential adaptive re-use square footage than can be absorbed for housing within a feasible time frame could be redeveloped with retail and/or office uses augmenting housing.

The creation of "loft" dwelling units through adaptive re-use of existing buildings has been instrumental in the establishment of successful residential neighborhoods in or near the downtowns of numerous American cities, from Louisville, Kentucky, where the first loft apartment building was successfully introduced and leased in 2002, to Saint Louis, Missouri, where, over the past three years, more than 900 loft apartments in the Washington Avenue Loft District have been completed and occupied, are under construction, or are in development. In addition to the major cities of New York, Boston, San Francisco and Chicago, other cities where loft development has occurred or is underway include Albuquerque, Atlanta, Baltimore, Birmingham, Buffalo, Charlotte, Dallas, Denver, Detroit, Grand Rapids, Lexington, Louisville, Minneapolis, Nashville, New Orleans, Portland, Richmond, Roanoke, Saint Paul, Syracuse and Toledo.

The raw space version of a loft, or "hard" loft, is adaptable for a wide range of non-residential uses, from an art or music studio to a small office, as well as residential living areas. The loft is not dependent upon building form, other than that it is almost always within a multi-unit building.

Although lofts can accommodate work space, live-work units are typically attached buildings, each with only one principal dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Live-work units could therefore be developed through adaptation of a rowhouse or even the combination of two adjacent rowhouses. The non-residential ground-floor uses could be helpful in establishing a daytime presence in neighborhoods that are largely residential, thereby adding an element of security.

Live-work units can also be an important tool for revitalization, representing an opportunity for the small investor: a resident investor can lease the flex space for residential, retail or office use; a non-resident investor can lease both the main residential space or the flex space. Since experience shows that it is uncommon for retail operators to live above the store, live-work units should meet appropriate local codes permitting the legal separation of uses in order to maintain investor flexibility.

• • •

Excluding single-family detached units, then, this analysis has determined that in the year 2006, up to 1,150 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures) within Downtown Springfield (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached housing types would be as follows:

**Annual Potential Market for New Housing Units**
**Market-Rate Higher-Density Housing Units**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|---|---|
| Rental Multi-Family (lofts/apartments, leaseholder) | 430 | 37.4% |
| For-Sale Multi-Family (lofts/apartments, condo/co-op ownership) | 400 | 34.8% |
| For-Sale Single-Family Attached (townhouses/rowhouses/live-work, fee-simple ownership) | 320 | 27.8% |
| Total | 1,150 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Again, these numbers indicate the depth of the potential market for market-rate housing units within Downtown Springfield if expanded housing options were available. These households currently represent a "lost" opportunity for the city. Without an appropriate range of available housing options throughout the Downtown, these households have either moved elsewhere or have moved less frequently than their typical mobility rates would predict.

## TARGET MARKET ANALYSIS

***Who is the potential market?***

*—The Target Markets—*

The market for urban housing, particularly within downtowns, is now being fueled by the convergence of the two largest generations in the history of America: the 79 million Baby Boomers born between 1946 and 1964, and the 77 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime in the next decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban, particularly downtown housing. After fueling the dramatic diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, particularly affluent Boomers, are rediscovering the merits and pleasures of urban living.

At the same time, Millennials are just leaving the nest. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as a necessity of life. As has been the case with predecessor generations, significant numbers of Millennials are heading for the city. They are not just moving to New York, Chicago, San Francisco and the other large American cities; often priced out of these larger cities, Millennials are discovering second, third and fourth tier urban centers.

The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented. This year, there are about 41 million Americans between the ages of 20 and 29, forecast to grow to over 44 million by 2015. In that same year, the population aged 50 to 59 will have also reached 44 million, from 38 million today. The synchronization of these two demographic waves will mean that there will be an additional eight million potential urban housing consumers nine years from now.

As determined by the target market analysis, and reflecting national trends, the potential market for new market-rate housing units in Downtown Springfield can be characterized by general household type as follows (*see also* Table 2):

**Downtown Residential Mix By Household Type**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSEHOLD TYPE | PERCENT OF TOTAL | RENTAL MULTI-FAM. | FOR-SALE MULTI-FAM. | FOR-SALE SF ATT. |
|---|---|---|---|---|
| Empty-Nesters & Retirees | 35% | 31% | 40% | 34% |
| Traditional & Non-Traditional Families | 12% | 16% | 5% | 16% |
| Younger Singles & Couples | 53% | 53% | 55% | 50% |
| Total | 100% | 100% | 100% | 100% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

- **The largest general market segment is composed of younger singles and couples. These households prefer to live downtown for its diversity, as well as for the availability of a variety of activities, including employment and cultural opportunities, as well as restaurants and clubs.**

  At 53 percent, younger singles and couples represent the largest market for newly-created dwelling units within Downtown Springfield. These households—which include the target groups of *Twentysomethings, Small-City Singles, New Bohemians, Urban Achievers, The VIPs, e-Types, Fast-Track Professionals* and *Upscale Suburban Couples*—tend to move frequently and prefer neighborhoods that are ethnically and culturally diverse. These younger households are employed in a variety of occupations, ranging from office work, junior executives, artists or artisans, and retail and service employees. Two-thirds of these households would be moving to Downtown Springfield from locations outside the city.

  Younger singles and couples currently make up between 50 and 55 percent of the market, depending on housing type, for market-rate housing units in Downtown Springfield.

However, as noted above, the "Millennials" are likely to become an even larger market for Downtown housing. If the preference for urban housing demonstrated by the leading edge of this group is representative of the entire generation, the market potential from this segment should increase significantly over the next decade.

- **The next largest market segment is comprised of older households (empty nesters and retirees). Two-thirds of these households are currently living in Springfield's close-in neighborhoods, and in suburbs surrounding the city. A significant number of these households have grown children who moved out of the family home; another large percentage are retirees, with incomes from pensions, savings and investments, and social security.**

Empty nesters and retirees—which include the target groups of *Affluent Empty Nesters, Middle-Class Move-Downs, Suburban Establishment, New Empty Nesters*, *Small-Town Establishment, Urban Establishment, Cosmopolitan Elite, Multi-Ethnic Empty Nesters, Old Money* and *Cosmopolitan Couples*—make up 35 percent of the potential market for new housing units in Downtown Springfield. An increasing number of these older households choose to leave the houses in which they raised their families to move to newly-constructed housing wherever it is available. They have different expectations from either younger or family households, and paramount among them is the perceived ease and convenience of apartment living, whether rental or for-sale, without the maintenance and repairs required for single-family detached houses. In other cities, these households have been among the first to move into downtown units, particularly once larger and more amenity-oriented condominiums have become available.

Empty-nest and retiree households currently represent between 31 percent and 40 percent of the market for housing units in Downtown Springfield, depending on housing type. However, as with the Millennial Generation, over the next several years this market segment should substantially increase, because larger numbers of the "Baby Boom" generation will be entering the empty-nest life stage. In 2006, the oldest Baby Boomers are celebrating their 60th birthdays; in city after city across the country, a significant number of Baby Boomers have already made the decision to move from detached houses in the suburbs to rental or condominium apartments in or near downtowns, when those units have been available. This will be a significant segment of the empty-nest market in Downtown Springfield.

- **The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated same-sex couple with children. Traditional families contain a married man and woman with an average of two or more children. These can also include "blended" families, in which each parent was previously married to another individual and each has children from that marriage.**

  Households with school-age children have historically been among the first to leave a city when one or all of three significant neighborhood elements—good schools, safe and secure streets, and sufficient green space—are perceived to be at risk. Although this is the smallest market segment, half of the households within the family groups—which includes the target groups of *The Entrepreneurs*, *Multi-Ethnic Families*, *Urban Establishment* and *Multi-Cultural Families*—would be moving into the downtown from urban neighborhoods elsewhere in the country. Most of the adults in these households were raised in or near an urban center and have rejected the suburban alternative; most will already have made appropriate school accommodations—public, parochial or private.

  Depending on housing type, family-oriented households, many of whom are single parents with one or two children, comprise between five and 16 percent of the market for new housing units in Downtown Springfield.

Table 2

**Downtown Housing Market By Household Type**

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2006

***Downtown Springfield***

*The City of Springfield, Hampden County, Massachusetts*

| | | *Multi- . . . . . . Family . . . . . .* | | *Single- . . . Family . . . . . Attached . .* |
|---|---|---|---|---|
| | Total | *For-Rent* | *For-Sale* | *All Ranges* |
| Number of Households: | 1,150 | 430 | 400 | 320 |
| **Empty Nesters & Retirees** | 35% | 31% | 40% | 34% |
| **Traditional & Non-Traditional Families** | 12% | 16% | 5% | 16% |
| **Younger Singles & Couples** | 53% | 53% | 55% | 50% |
| | 100% | 100% | 100% | 100% |

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

The primary target groups, their median and range of incomes, and median home values, are:

**Potential Housing Market**
**(In Order of Median Income)**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSEHOLD TYPE | MEDIAN INCOME | BROAD INCOME RANGE | MEDIAN HOME VALUE (IF OWNED) |
|---|---|---|---|
| Empty Nesters & Retirees | | | |
| *Old Money* | $273,600 | $200,000–$350,000 | $372,900 |
| *Urban Establishment* | $119,600 | $75,000–$175,000 | $306,000 |
| *Small-Town Establishment* | $102,700 | $50,000–$160,000 | $216,000 |
| *Suburban Establishment* | $102,600 | $45,000–$150,000 | $205,400 |
| *Affluent Empty Nesters* | $102,100 | $50,000–$145,000 | $202,200 |
| *Cosmopolitan Elite* | $98,900 | $45,000–$140,000 | $201,200 |
| *Cosmopolitan Couples* | $94,400 | $40,000–$150,000 | $266,100 |
| *New Empty Nesters* | $88,000 | $50,000–$125,000 | $189,300 |
| *Multi-Ethnic Empty Nesters* | $76,500 | $45,000–$120,000 | $202,400 |
| *Middle-Class Move-Downs* | $63,500 | $35,000–$95,000 | $150,100 |
| Traditional & Non-Traditional Families | | | |
| *The Entrepreneurs* | $141,600 | $75,000–$250,000 | $296,900 |
| *Full-Nest Urbanites* | $106,700 | $50,000–$165,000 | $339,800 |
| *Multi-Cultural Families* | $70,900 | $40,000–$100,000 | $200400 |
| *Multi-Ethnic Families* | $63,600 | $35,000–$95,000 | $131,800 |
| Younger Singles & Couples | | | |
| *e-Types* | $117,400 | $60,000–$200,000 | $328,000 |
| *Fast-Track Professionals* | $93,600 | $40,000–$140,000 | $199,600 |
| *The VIPs* | $89,900 | $45,000–$135,000 | $178,600 |
| *Upscale Suburban Couples* | $84,200 | $40,000–$120,000 | $157,800 |
| *New Bohemians* | $78,700 | $45,000–$115,000 | $237,200 |
| *Twentysomethings* | $66,900 | $35,000–$90,000 | $140,500 |
| *Urban Achievers* | $62,800 | $30,000–$95,000 | $175,800 |
| *Small-City Singles* | $57,200 | $30,000–$90,000 | $132,800 |

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain "anomalous" households, such as empty-nester households within a "full-nest" category.

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The mix of general household types often progresses during the establishment of downtown living. In city after American city, the successful establishment of new market-rate housing options in downtown or in-town neighborhoods has often been initially dependent upon "risk-oblivious" households. "Risk-oblivious" households are mostly young singles and couples, often with a large contingent of gays and a high percentage of artists and artisans seeking inexpensive live-work space. These pioneers will typically begin neighborhood transformation by living illegally in commercial space. Eventually, once the area becomes populated, restaurants, bars, clubs and innovative or off-beat retail establishments begin to define the neighborhood character. At this point, these neighborhoods become sought after by "risk-tolerant" households. "Risk-tolerant" households are also usually young and almost always childless. The "risk-tolerant" includes those willing to make investments in ownership housing—sometimes they are the former "risk oblivious" seeking to recoup years of sweat equity.

In every case, however, the neighborhood established by these households has grown to encompass more than simply housing; its flavor and tone has been reinforced by the non-residential uses—*avant garde* shops, cutting-edge galleries, trendy clubs, and stylish eating and drinking establishments—that follow the risk-oblivious and risk-tolerant households, make the neighborhood acceptable for the "risk-aware" households that follow and contribute to the area's residential rent/price escalation and perceived economic stability.

The target market analysis indicates that there is a significant number of younger and older, single- and two-person households who already live within the Springfield city limits, and a sizeable market with the potential to move from other urban areas, particularly Hartford and Boston.

(*Reference* APPENDIX FOUR, TARGET MARKET DESCRIPTIONS, *for detail on each target group.*)

## THE CURRENT CONTEXT

More than 2,200 households are currently estimated to live in Downtown Springfield (census tracts 8011.01 and 8012); approximately 78 percent of these households contain just one or two persons. The Downtown population is estimated at 4,400 in 2006, nearly three percent fewer persons than in 2000.

Of the more than 2,500 housing units located in Downtown, approximately 85 percent are occupied rental units, just 3.3 percent are owner-occupied, and the remaining 11.8 percent are vacant. Government-assisted units—including public housing, low-income housing tax credit projects, and Section 8—represent the vast majority of Downtown rental units, with 13 properties containing approximately 1,765 subsidized units, and an additional 324 units occupied by residents with Section 8 vouchers.

There are four Downtown rental properties, totaling 860 units, that are predominantly market-rate (*see* Table 3). Armoury Commons—262 apartments in several apartment buildings, built in the 1920s, on Winter, Pearl, Spring and Salem Streets—contains a mix of studios, one- and two-bedroom flats and two-story units. At the time of the field investigation in August 2006, rents ranged between $525 per month for a 395-square-foot studio to $1,000 per month for a 1,750-square-foot two-bedroom unit ($0.57 to $1.33 per square foot), and occupancy stood at 88 percent.

Similar in size to Armory Commons, at 266 units, Morgan Square is the adaptive re-use of several buildings flanking Taylor Street east of Main Street. The unit configurations range from studios to two-bedroom flats, and include “live-work loft” units fronting on Taylor Street. Rents started at $585 per month for a 400-square-foot studio and reached $820 for the two-bedroom unit at 850 square feet ($0.76 to $1.46 per square foot). At the time of the field investigation, Morgan Square was at functional full occupancy (more than 95 percent occupied).

## Summary Of Selected Rental Properties

*Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut*

**September, 2006**

| *Property (Date Opened)*<br>*Address* | *Number of Units* | *Reported Base Rent* | *Reported Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| | | *. . . . . Downtown Springfield . . . . .* | | | |
| **Armoury Commons** | | | | | |
| **(1920s: Renovated 1977)** | **262** | | | | **88% occupancy** |
| *69 Winter Street* | Studio | $525 to | 395 to | $1.18 to | *Sport courts.* |
| | | $560 | 475 | $1.33 | *High speed internet.* |
| | 1BR/1BA | $600 to | 675 to | $0.89 to | |
| | | $720 | 700 | $1.03 | |
| | 2BR/1BA | $820 to | 875 to | $0.86 to | |
| | | $950 | 1,100 | $0.84 | |
| | 2BR/1.5BA | $950 to | 1,125 to | $0.57 to | |
| | | $1,000 | 1,750 | $0.94 | |
| **Morgan Square** | | | | | |
| **(1985: Remodeled 2000)** | **266** | | | | **96% occupancy** |
| *15 Taylor Street* | Studio | $585 | 400 | $1.46 | *Gated,* |
| | 1BR/1BA | $675 to | 680 to | $0.99 to | *fitness center.* |
| | | $710 | 720 | $0.99 | |
| | 1BR/1.5BA w/loft | $720 | 950 | $0.76 | |
| | 2BR/1BA | $820 | 850 | $0.96 | |
| **Stockbridge Court** | | | | | |
| **(1980: Remodeled 2005-6)** | **233** | | | | **96% occupancy** |
| *45 Willow Street* | Studio | $622 to | 470 | $1.32 to | *Gated parking,* |
| | | $667 | | $1.42 | *business center,* |
| | 1BR/1BA | $683 to | 640 to | $1.07 to | *community room.* |
| | | $886 | 800 | $1.11 | |
| | 2BR/1BA | $1,005 | 870 to | $1.09 to | |
| | | $1,036 | 950 | $1.16 | |
| | 2BR/1 or 2BA | $1,055 | 820 to | $1.25 to | |
| | | $1,485 | 1,185 | $1.29 | |
| **122 Chestnut** | **99** | | | | **80% occupancy** |
| *45 Willow Street* | 1BR/1BA | $700 to | 665 to | $1.05 to | *Fitness center,* |
| | | $950 | 670 | $1.42 | *high speed internet,* |
| | 2BR/1BA | $825 to | 920 | $0.90 to | *elevators,* |
| | | $975 | 990 | $0.98 | *community room,* |
| | 2BR/1.5BA -TH | $1,000 to | 1,250 | $0.80 to | |
| | | $1,100 | | $0.88 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut*

**September, 2006**

| *Property (Date Opened)*<br>*Address* | *Number of Units* | *Reported Base Rent* | *Reported Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| | | *. . . . . Enfield, Connecticut . . . . .* | | | |
| **Bigelow Commons (1828: 2002** | **471** | | | | **100% occupancy** |
| *55 Main Street* | Studio | $825 to $860 | 600 | $1.38 to $1.43 | *Fitness center, pool, gated entrance.* |
| *Adaptive re-use of former carpet factory* | 1BR/1BA | $985 | 1,000 | $0.99 | |
| | 2BR/2BA | $1,250 to $1,270 | 1,050 to 1,300 | $1.19 $1.21 | |
| | 3BR/2BA | $1,770 | 1,579 | $1.12 | |
| | | *. . . . . Downtown Hartford . . . . .* | | | |
| **250 Main Apts. (1988)** | **214** | | | | **99% occupancy** |
| *250 Main Street* | 1BR/1BA | $735 to $840 | 530 | $1.39 to $1.58 | *Concierge, business center, fitness center, deli, market.* |
| Income qualifications. | 2BR/2BA | $870 to $970 | 946 | $0.92 to $1.03 | |
| **Park Place Towers (1987)** | **451** | | | | **99% occupancy** |
| *24 Park Place* | 1BR/1BA | $840 | 600 | $1.40 | *Concierge, business center, fitness center, barbecue, picnic area.* |
| | 2BR/2BA | $950 to $975 | 870 to 1,050 | $0.93 to $1.09 | |
| **55 On the Park (1930: Renovated 2003)** | **130** | | | | **98% occupancy** |
| *55 Trumbull Street* | 1BR/1BA | $910 to $1,550 | 700 to 850 | $1.82 to $1.30 | *Concierge, game room, fitness center.* |
| | 2BR/2BA | $1,400 to $2,600 | 910 to 2,000 | $1.30 to $1.54 | |
| **Trumbull on the Park (2005)** | **100** | | | | **96% occupancy** |
| *21 Temple Street* | Studio | $950 to $1,100 | 483 | $1.97 to $2.28 | *Concierge, fitness center.* |
| | 1BR/1BA | $1,200 to $1,400 | 706 to 748 | $1.70 to $1.87 | |
| | 2BR/2BA | $1,800 to $3,200 | 935 to 1,078 | $1.93 to $2.97 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut*

**September, 2006**

| *Property (Date Opened)*<br>*Address* | *Number of Units* | *Reported Base Rent* | | *Reported Unit Size* | | *Rent per Sq. Ft.* | | *Additional Information* |
|---|---|---|---|---|---|---|---|---|
| | | | | *. . . . . Downtown Hartford {continued}. . . . .* | | | | |
| **The Lofts** | | | | | | | | |
| **at Main and Temple (2006)** | **78** | | | | | | | **In lease-up** |
| **(Adaptive Re-Use)** | Studio | $1,050 | to | 654 | to | $1.37 | to | *Concierge,* |
| *21 Temple Street* | | $1,300 | | 950 | | $1.61 | | *business center,* |
| Former Sage Allen | 1BR/1BA | $1,300 | to | 726 | to | $1.60 | to | *fitness center.* |
| department store | | $2,000 | | 1,249 | | $1.79 | | |
| | 2BR/2BA | $2,225 | to | 1,193 | to | $1.87 | to | |
| | | $3,400 | | 1,807 | | $1.88 | | |
| **Hartford 21 (2006)** | **262** | | | | | | | **In lease-up** |
| *221 Trumbull Street* | 1BR/1BA | $1,405 | to | 737 | to | $1.91 | to | *Concierge,* |
| | | $2,100 | | 971 | | $2.16 | | *business center,* |
| New Construction | 2BR/2BA | $2,155 | to | 1,089 | to | $1.98 | to | *fitness center.* |
| High-rise | | $3,175 | | 1,443 | | $2.20 | | |
| | PH | $4,500 | to | 1,565 | to | $2.88 | to | |
| | | $6,000 | | 2,035 | | $2.95 | | |

SOURCE: Zimmerman/Volk Associates, Inc.

Stockbridge Court, which was still being remodeled in August, is an adaptive re-use of the former Milton Bradley toy factory buildings on Willow Street. The 233 units include a mix of studios, and one- and two-bedroom flats, ranging in rent from $622 per month for a 470-square-foot studio to $1,485 per month for an 1,185-square-foot two-bedroom/two-bath apartment in the "Toy Factory" building ($1.07 to $1.42 per square foot). At the time of the field investigation, Stockbridge Court was 96 percent occupied.

The fourth property, 122 Chestnut, is an adaptive re-use of the former YMCA on Chestnut Street. The building, which contains 99 units in 33 different configurations, from one- and two-bedroom flats to two-bedroom two-story units, had rents starting at $700 per month for a 665-square-foot one-bedroom flat to $1,100 per month for a 1,250-square-foot two-bedroom, two-story unit ($0.80 to $1.42 per square foot). At the time of the field investigation, occupancy was at 80 percent.

A significant number of residents at these properties are medical professionals employed at Baystate Hospital and Western New England College Law School graduate students. Approximately half of the residents have lived in their units for several years, and a majority moved from out of town. According to the resident managers, concerns about safety are the first questions posed by potential residents; many are deterred from renting because of the overt drug dealing and prostitution in the area, the amount of trash on the streets, and the visible homeless population, some of whom panhandle for a living and often take up temporary residence in the entryways to these buildings.

Downtown Hartford, Connecticut demonstrates what could happen in Springfield, with appropriate incentives and concentration of efforts. Hartford, which contains over 12,000 fewer households than Springfield, and considerably lower median income ($26,500 compared to Springfield's $33,800), has experienced, through the management and financing provided by the Capital City Economic Development Authority, a resurgence in downtown housing, as well as a new convention center and related commercial uses.

There have been at least four new apartment properties and one new condominium tower developed (both new construction and adaptive re-use) in Downtown Hartford since the late 1990s. All but the two newest properties to enter the market—The Lofts at Main and Temple, an adaptive re-use of the former Sage Allen department store, and Hartford 21, a new construction high-rise, which are still in the lease-up phase—are almost 100 percent occupied. Rents start at $840 per month for a one-bedroom at Park Place Towers, whereas at Hartford 21, the smallest one-bedrooms—at 737 square feet—lease for more than $1,400 per month. The largest unit at Park Place Towers, a 1,050-square-foot two-bedroom flat, leases for $975 per month; the largest unit at Hartford 21, a 2,035-square-foot penthouse, leases for $6,000 per month. Rents per square foot in Downtown Hartford generally range from $1.30 to $2.95.

• • •

There is limited new for-sale development activity in Springfield, mostly small subdivisions of single-family detached houses on infill parcels with prices ranging from just under $190,000 to $400,000 and up. In Downtown Springfield, the three largest condominium buildings are the Classical Condominiums, an adaptive re-use of Springfield's Classical High School on State Street; Kimball Tower, the former Sheraton Hotel, on Chestnut Street; and McIntosh Condominiums, on Worthington Street. (*See* Table 4.) Only a small number of units were on the market in October. At Kimball Tower, one-bedroom flats ranging in size from 510 to 700 square feet were listed at prices ranging from $35,000 and $47,800 ($58 to $70 per square foot); a two-story unit, containing more than 2,000 square feet, was listed at $150,000 ($72 per square foot). Just under half of the units in this property, which has had a troubled history due to the bankruptcy of the developer, are now owner-occupied, a substantial increase from three percent owner-occupants several years ago.

Four condominiums at the McIntosh building were listed, ranging in size from 745 to 1,300 square feet, and in price from $74,900 to $99,900 ($77 to $101 per square foot). Five units were listed at Classical High, the highest-value condominium property in Downtown, with the least expensive unit, a 936-square-foot one-bedroom flat, priced at $119,000, and the most expensive, a 2,500-square-foot two-bedroom, priced at $339,000. The prices per square foot for units listed for sale at Classical High currently range between $127 and $195, a range comparable to condominiums on the market in Forest Park and Sixteen Acres.

In contrast, in Downtown Hartford, there are several condominium buildings, the newest of which, the Metropolitan, is a high-rise. The least expensive condominium on the market in October was a 711-square-foot one-bedroom flat, priced at $164,900 ($232 per square foot), at Bushnell on the Park. The most expensive, a 1,000-square-foot two-bedroom flat on an upper floor at the Metropolitan, was listed at $355,000 ($356 per square foot). In general, few units were listed at less than $200 per square foot, although, except for most of the units at the Metropolitan, all were listed at prices under $300 per square foot.

## Summary of Selected Multi-Family Listings

*City of Springfield, Massachusetts; Downtown Hartford, Connecticut*

**October, 2006**

| *Building/Area* | *Year Built* | *Unit List Price* | *Unit Size* | *Price psf* | *Configuration* |
|---|---|---|---|---|---|
| | | *. . . . . Springfield Condominiums . . . . .* | | | |
| Kimball Tower | 1910 | $35,000 | 510 | $69 | 1BR/1BA |
| | | $35,000 | 500 | $70 | 1BR/1BA |
| | | $40,000 | 690 | $58 | 1BR/1BA |
| | | $44,900 | 680 | $66 | 1BR/1BA |
| | | $47,900 | 700 | $68 | 1BR/1BA |
| | | $59,800 | 850 | $70 | 2BR/2BA |
| Mulberry House | 1962 | $58,500 | 590 | $99 | 1BR/1BA |
| | | $70,000 | 590 | $119 | 1BR/1BA |
| | | $79,500 | 1,180 | $67 | 2BR/1.5BA |
| McIntosh | 1913 | $74,900 | 745 | $101 | 1BR/1BA |
| | | $79,500 | 745 | $107 | 1BR/1BA |
| | | $79,500 | 850 | $94 | 1BR/1BA |
| | | $99,900 | 1,300 | $77 | 2BR/1BA |
| Summer Place | 1989 | $109,000 | 590 | $185 | 1BR/1BA |
| | | $140,000 | 1,008 | $139 | 2BR/2BA |
| | | $159,900 | 1,116 | $143 | 2BR/2BA |
| Classical High | 1897 | $119,000 | 936 | $127 | 1BR/1BA |
| | | $144,900 | 1,079 | $134 | 1BR/1BA |
| | | $184,900 | 1,079 | $171 | 1BR/1BA |
| | | $189,900 | 976 | $195 | 2BR/2BA |
| | | $339,000 | 2,535 | $134 | 2BR/2.5BA |
| Georgetown | 1968 | $129,900 | 679 | $191 | 1BR/1BA |
| | | $135,900 | 892 | $152 | 1BR/1BA |
| | | $136,900 | 665 | $206 | 1BR/1BA |
| | | $149,000 | 949 | $157 | 2BR/1.5BA |
| | | $149,900 | 697 | $215 | 1BR/1BA |
| Sixteen Acres | 1976 | $137,500 | 1,328 | $104 | 2BR/1.5BA |
| | | $144,000 | 1,014 | $142 | 2BR/2BA |
| | 1971/1972 | $135,900 | 1,058 | $128 | 2BR/1.5BA |
| | | $159,900 | 1,058 | $151 | 2BR/1BA |
| | 1986 | $149,000 | 949 | $157 | 2BR/1.5BA |

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

**Summary of Selected Multi-Family Listings**

*City of Springfield, Massachusetts; Downtown Hartford, Connecticut*

**October, 2006**

| *Building/Area* | *Year Built* | *Unit List Price* | *Unit Size* | *Price psf* | *Configuration* |
|---|---|---|---|---|---|
| | | . . . . . *Springfield Townhouses* . . . . . | | | |
| Sixteen Acres | 1971/1972 | $119,900 | 850 | $141 | 1BR/1BA |
| | | $135,900 | 1,058 | $128 | 2BR/1.5BA |
| | | $144,900 | 1,067 | $136 | 2BR/2BA |
| | | $145,900 | 1,067 | $137 | 2BR/2BA |
| | | $148,999 | 1,014 | $147 | 2BR/2BA |
| | | $349,900 | 1,646 | $213 | 3BR/2.5BA |
| | 1989 | $139,900 | 1,058 | $132 | 2BR/1.5BA |
| | 1986 | $145,900 | 1,122 | $130 | 2BR/2BA |
| | 1976 | $152,000 | 1,486 | $102 | 2BR/2BA |
| Georgetown | 1968 | $129,900 | 682 | $190 | 1BR/1.5BA |
| | | $136,900 | 665 | $206 | 1BR/1.5BA |
| | | $165,000 | 1,000 | $165 | 2BR/1.5BA |
| | | $165,000 | 1,037 | $159 | 2BR/1.5BA |
| | | $174,900 | 1,030 | $170 | 2BR/1.5BA |
| | | $175,000 | 1,032 | $170 | 2BR/1.5BA |
| | | $192,900 | 1,038 | $186 | 2BR/1.5BA |
| | | $198,900 | 1,098 | $181 | 2BR/1.5BA |
| | | $199,900 | 1,032 | $194 | 2BR/1.5BA |
| | | $289,900 | 1,352 | $214 | 3BR/2.5BA |
| | 1971 | $169,900 | 768 | $221 | 2BR/1.5BA |
| | | $179,900 | 936 | $192 | 2BR/1.5BA |
| Five Mile Pond | 1989 | $90,900 | 855 | $106 | 2BR/1.5BA |
| | | $99,900 | 855 | $117 | 2BR/1.5BA |
| Hampden East | 1971 | $139,888 | 1,058 | $132 | 2BR/1.5BA |
| Hampden Meadov | 1986 | $143,900 | 1,125 | $128 | 2BR/2BA |
| Kimball Tower | 1910 | $150,000 | 2,080 | $72 | 2BR/1.5BA |
| Forest Park Comm | 2006 | $159,900 | 1,200 | $133 | 2BR/1.5BA |
| | | $169,900 | 1,400 | $121 | 2BR/1.5BA |

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

## Summary of Selected Multi-Family Listings

*City of Springfield, Massachusetts; Downtown Hartford, Connecticut*

**October, 2006**

| *Building/Area* | *Year Built* | *Unit List Price* | *Unit Size* | *Price psf* | *Configuration* |
|---|---|---|---|---|---|
| | | *. . . . . Downtown Hartford Condominiums . . . . .* | | | |
| Bushnell on the Pa | 1978 | $164,900 | 711 | $232 | 1BR/1BA |
| | | $209,900 | 1,100 | $191 | 2BR/1.5BA |
| | | $259,900 | 1,133 | $229 | 2BR/2BA |
| | | $267,500 | 1,148 | $233 | 2BR/2BA |
| | | $269,000 | 1,228 | $219 | 2BR/2BA |
| | | $274,900 | 1,148 | $239 | 2BR/2BA |
| The Linden | 1895 | $179,900 | 745 | $241 | 1BR/1BA |
| | | $189,999 | 931 | $204 | 1BR/1.5BA |
| | | $199,900 | 928 | $215 | 1BR/1.5BA |
| | | $224,900 | 915 | $246 | 1BR/1BA |
| | | $229,900 | 1,133 | $203 | 1BR/1.5BA |
| | | $235,000 | 1,188 | $198 | 1BR/1.5BA |
| | | $249,900 | 1,080 | $231 | 1BR/1.5BA |
| | | $299,000 | 1,206 | $248 | 2BR/2BA |
| | | $314,900 | 1,357 | $232 | 2BR/2BA |
| Bushnell | 1969 | $190,000 | 809 | $235 | 1BR/1BA |
| | | $209,900 | 1,100 | $191 | 2BR/1.5BA |
| | | $799,900 | 2,266 | $353 | 2BR/3BA |
| Metropolitan | 2005 | $255,900 | 717 | $357 | 1BR/1BA |
| | | $267,000 | 751 | $356 | 1BR/1BA |
| | | $274,000 | 780 | $351 | 1BR/1BA |
| | | $275,000 | 730 | $377 | 1BR/1BA |
| | | $285,000 | 1,014 | $281 | 2BR/2BA |
| | | $286,000 | 875 | $327 | 1BR/1BA |
| | | $344,000 | 1,157 | $297 | 2BR/2BA |
| | | $345,000 | 1,236 | $279 | 2BR/2BA |
| | | $355,000 | 997 | $356 | 2BR/2BA |

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

## DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

From a market perspective, the major challenges to new residential development in Downtown Springfield include, in order of importance:

- **Safety concerns**: Unlike many other downtowns, Downtown Springfield has genuine, not just perceived, security issues: every downtown stakeholder group—residents, business owners, employers, property managers, residential and commercial brokers, city staff, developers, and bankers—reported that drug-dealing and prostitution have been both widespread and highly visible, and that the homeless population has become increasingly aggressive, engaging in highly uncivil and antisocial behavior.

  These issues must be resolved satisfactorily for successful new residential development to take place; this should be of the highest priority for the City and the new police commissioner.

- Neglected or vacant properties: Derelict and vacant properties are a deterrent to potential downtown residents, as they contribute to the perception that downtown is a neglected, low-value and dangerous neighborhood.

- High costs: The rising costs of materials, in addition to the typically high cost of adaptive re-use, drive rents and prices beyond the reach of many potential downtown residents.

- Developer perceptions: Few developers have been willing to risk downtown development due to permitting problems, current low real estate values and their belief that the market does not want urban lifestyles.

- An unsupportive real estate community: Because of some of the issues outlined above, a significant number of real estate agents steer potential buyers away from Springfield's downtown and in-town neighborhoods.

- Parking misconceptions: Regardless of the abundance of parking garages and open parking lots, the local perception is that there is no place to park downtown.

- Lack of marketing: Most of the marketing materials, including the city's community guide, have a regional focus, which relegates the downtown to just another place in, rather than the urban center of the region.

From a market perspective, the assets of Downtown Springfield that make it an attractive place to live include:

- Historic buildings: The large number of civic, commercial, and residential buildings that are architecturally and historically significant and provide a unique identity for the city.

- Employment: Downtown is a significant regional employment center and home to major medical facilities.

- Culture: Nearly all of the major cultural venues of the region are located in downtown.

- Walkability: Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots and the safety concerns outlined above, the quality of the pedestrian experience could be improved significantly.

- Parks: Stearns Square and Tower Square Park are gathering places for city residents; Court Square is the civic heart of the city.

- The Riverfront: Although it is still relatively undeveloped, the riverfront represents a tremendous asset for Downtown, particularly the Riverwalk and Bikeway project.

- Tourism: Venues such as the Museum Quadrangle, the Basketball Hall of Fame, Symphony Hall and City Stage, the Club Quarter, and the summer concerts and wide range of excellent restaurants which make Downtown a tourist destination are also a great asset to downtown residents.

- Location and Access: Downtown is well positioned in the citywide and regional transportation and arterial network, which makes it a convenient and highly accessible area.

***What is the market currently able to pay?***

*—Rent and Price Ranges—*

Based on the tenure preferences of draw area households and their income and equity levels, the general range of rents and prices for newly-developed market-rate residential units that could currently be sustained by the market is as follows (*see also* Table 5):

**Rent, Price and Size Range**
**Newly-Created Housing (Adaptive Re-Use and New Construction)**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSING TYPE | RENT/PRICE RANGE | SIZE RANGE | RENT/PRICE PER SQ. FT. |
|---|---|---|---|
| **RENTAL—** | | | |
| Hard Lofts * | $600–$1,100/month | 450–900 sf | $1.22–$1.33 psf |
| Soft Lofts † | $850–$1,300/month | 600–1,000 sf | $1.30–$1.42 psf |
| Luxury Apartments | $1,000–$2,000/month | 650–1,450 sf | $1.38–$1.54 psf |
| **FOR-SALE—** | | | |
| Hard Lofts * | $90,000–$175,000 | 500–1,100 sf | $159–$180 psf |
| Soft Lofts † | $165,000–$250,000 | 800–1,350 sf | $185–$206 psf |
| Luxury Condominiums | $225,000–$500,000 | 1,000–2,000 sf | $225–$250 psf |
| Rowhouses | $195,000–$325,000 | 950–1,650 sf | $197–$205 psf |
| Live-Work | $300,000–$350,000 | 1,500–1,750 sf | $200 psf |

* Unit interiors of “hard lofts” typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of “soft lofts” may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The above rents and prices are in year 2006 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover the broad range of rents and prices for newly-developed units currently sustainable by the market in Downtown Springfield. <u>However, it is important to note that the optimum market position also assumes that the illegal activities and public disturbances outlined above have been reduced to a minimum or eliminated entirely</u>. These rents and prices are also "market rates"—that is, within the economic capability of the target households that represent the current market for downtown housing; however, depending on acquisition and construction costs, it is probable that many buildings or projects could require financing assistance, subsidies and/or tax incentives to provide units at these rents/prices.

***How fast will the units lease or sell?***

*—Market Capture—*

After nearly 20 years' experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that an annual capture of between 10 and 15 percent of the potential market, depending on housing type, is achievable, given the production of appropriately-positioned new housing. Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of single-family attached units, Downtown Springfield should be able to support up to 157 new market-rate housing units per year, as follows:

**Annual Capture of Market Potential**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | CAPTURE RATE | NUMBER OF NEW UNITS |
|---|---|---|---|
| Rental Multi-Family (lofts/apartments, leaseholder) | 430 | 15% | 65 |
| For-Sale Multi-Family (lofts/apartments, condo/co-op ownership) | 400 | 15% | 60 |
| For-Sale Single-Family Attached (townhouses/rowhouses/live-work, fee-simple ownership) | 320 | 10% | 32 |
| Total | 1,150 | | 157 |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Table 5

## Optimum Market Position--Market-Rate Dwelling Units

## *Downtown Springfield*

*City of Springfield, Hampden County, Massachusetts*

**November, 2006**

| *Housing Type* | *Base Rent/Price Range** | *Base Unit Size Range* | *Base Rent/Price Per Sq. Ft.** | *Annual Market Capture* |
|---|---|---|---|---|
| **Multi-Family For-Rent** | | | | **65 units** |
| Hard Lofts<br>*Open Floorplans/1ba* | $600 to<br>$1,100 | 450 to<br>900 | $1.22 to<br>$1.33 | |
| Soft Lofts<br>*Studios to Two-Bedrooms* | $850 to<br>$1,300 | 600 to<br>1,000 | $1.30 to<br>$1.42 | |
| Luxury Apartments<br>*One- to Three-Bedrooms* | $1,000 to<br>$2,000 | 650 to<br>1,450 | $1.38 to<br>$1.54 | |
| **Multi-Family For-Sale** | | | | **60 units** |
| Hard Lofts<br>*Open Floorplans/1ba* | $90,000 to<br>$175,000 | 500 to<br>1,100 | $159 to<br>$180 | |
| Soft Lofts<br>*One- and Two-Bedrooms* | $165,000 to<br>$250,000 | 800 to<br>1,350 | $185 to<br>$206 | |
| Luxury Condominiums<br>*Two- and Three-Bedrooms* | $225,000 to<br>$500,000<br>and up | 1,000 to<br>2,000<br>and up | $225 to<br>$250<br>and up | |
| **Single-Family Attached For-Sale** | | | | **32 units** |
| Rowhouses<br>*Two- and Three-Bedrooms* | $195,000 to<br>$325,000 | 950 to<br>1,650 | $197 to<br>$205 | |
| Live-Work<br>*Two-Bedrooms*<br>*500 to 750 sf work space* | $300,000 to<br>$350,000 | 1,500 to<br>1,750 | $200 | |

NOTE: Base rents/prices in year 2006 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

The annual market capture of 157 new units would require a capture rate of 13.7 percent of the 1,150 households, identified through target market analysis, that have the potential to rent or purchase newly-developed market-rate housing units within Downtown Springfield—a rate that is well within the target market methodology's parameters of feasibility.

> NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.
>
> The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.
>
> The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.
>
> The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.
>
> Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

Over five years, these capture rates would result in a total of 785 new dwelling units, or more than 1,500 new residents, in Downtown Springfield—a population increase of 34 percent. In five years, this would mean 325 new market-rate rental units, 300 new condominiums, and 160 new townhouses or rowhouses more than currently exists in the Downtown.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, up to two-thirds of the annual market potential of 157 new market-rate dwelling units in Downtown Springfield, or approximately 106 units per year, could be from households moving from outside Springfield. Over five years, the realization of that market potential could lead to an increase of 530 households living in Downtown Springfield that moved from a location other than elsewhere within the city.

This analysis examines market potential over the next five years. Because of the dramatic changes in the composition of American households that occurred during the 1990s (*see again* THE TARGET MARKETS *above*), and the likelihood that significant changes will continue, both the depth and breadth of the potential market for downtown and in-town living is likely to increase. The experience of other American cities has been that, once the downtown residential alternative has been securely established, the percentage of households that will consider downtown and in-town housing typically increases.

*—Rental Distribution—*

The market-rate rent range covers leases by households with annual incomes ranging between $35,000 and $100,000 or more. A single-person household with an income of $35,000 per year, paying no more than 25 percent of gross income for rent and utilities—the national standard for affordability is 30 percent—would qualify for a rent of $600 per month. A two- or three-person household, with an income of $100,000 per year, paying no more than 25 percent of gross income for rent and utilities, would qualify for a rent of $2,000 per month.

Based on the target household mix (*listed on* Table 6) and the incomes of the target households, the distribution by rent range of the 65 new rental units that could be absorbed each year over the next five years in Downtown Springfield is as follows:

**Loft/Apartment Distribution by Rent Range**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| MONTHLY RENT RANGE | UNITS PER YEAR | PERCENTAGE |
|---|---|---|
| $500–$750 | 10 | 15.4% |
| $750–$1,000 | 15 | 23.1% |
| $1,000–$1,250 | 12 | 18.5% |
| $1,250–$1,500 | 10 | 15.4% |
| $1,500–$1,750 | 10 | 15.4% |
| $1,750 and up | 8 | 12.2% |
| Total: | 65 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Two-thirds of the lofts/apartments with monthly rents of $1,250 or less are likely to be leased by younger singles and couples. Empty nesters and retirees represent the market for 19 percent of these units, and the remaining 16 percent are non-traditional families. More than 61 percent of he most expensive soft lofts and luxury apartments (with monthly rents of $1,500 or more) are likely to be leased by older couples, another 28 percent are likely to be leased by affluent dual-income younger couples, and the remaining 11 percent likely to be rented by compact families where both parents are employed.

Table 6

**Annual Market Capture**
**Target Groups For Multi-Family For-Rent**
**Market-Rate Lofts/Apartments**
***Downtown Springfield***
*City of Springfield, Hampden County, Massachusetts*

| **Empty Nesters & Retirees** | *Number of Households* | *At 15 Percent Capture* |
|---|---|---|
| Urban Establishment | 10 | 2 |
| Small-Town Establishment | 10 | 2 |
| Suburban Establishment | 20 | 3 |
| Affluent Empty Nesters | 20 | 3 |
| Cosmopolitan Elite | 10 | 2 |
| New Empty Nesters | 20 | 3 |
| Multi-Ethnic Empty Nesters | 10 | 2 |
| Middle-Class Move-Downs | 30 | 4 |
| Subtotal: | 130 | 21 |
| **Traditional & Non-Traditional Families** | | |
| The Entrepreneurs | 20 | 3 |
| Full-Nest Urbanites | 10 | 2 |
| Multi-Cultural Families | 10 | 2 |
| Multi-Ethnic Families | 30 | 4 |
| Subtotal: | 70 | 11 |
| **Younger Singles & Couples** | | |
| e-Types | 20 | 3 |
| Fast-Track Professionals | 20 | 3 |
| The VIPs | 20 | 3 |
| Upscale Suburban Couples | 10 | 2 |
| New Bohemians | 30 | 5 |
| Twentysomethings | 40 | 6 |
| Urban Achievers | 40 | 5 |
| Small-City Singles | 50 | 6 |
| Subtotal: | 230 | 33 |
| **Total Households:** | **430** | 65 |

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

### *—For-Sale Distribution—*

The market-rate price range covers purchases by households with annual incomes ranging between $40,000 and $200,000. A single-person household with an income of $40,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest, taxes, insurance and utilities, would qualify for a mortgage of $80,000 at current interest rates. A two- or three-person household with an income of $200,000 per year under the same criteria would qualify for a mortgage of at least $500,000 at current interest rates.

Based on the target household mix (*listed on* Table 7) and incomes of the target households, the distribution by price range of the 60 market-rate for-sale apartments that could be absorbed each year over the next five years in Downtown Springfield is as follows:

**Loft/Apartment Distribution by Price Range**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| PRICE RANGE | UNITS PER YEAR | PERCENTAGE |
|---|---|---|
| $50,000–$100,000 | 8 | 13.3% |
| $100,000–$150,000 | 8 | 13.3% |
| $150,000–$200,000 | 12 | 20.0% |
| $200,000–$250,000 | 12 | 20.0% |
| $250,000–$300,000 | 10 | 16.7% |
| $300,000 and up | 10 | 16.7% |
| Total: | 60 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Younger singles and couples represent three-quarters of the market for units priced at $200,000 or less; non-traditional families comprise just seven percent; and empty nesters and retirees another 18 percent. More than 65 percent of the most expensive soft lofts and luxury apartments, priced at $200,000 or more, are likely to be purchased by empty nesters and retirees, with 28 percent likely to be purchased by affluent younger couples and the remaining six percent by urban families.

Table 7

**Annual Market Capture**
**Target Groups For Multi-Family For-Sale**
**Market-Rate Lofts/Apartments**
*Downtown Springfield*
*City of Springfield, Hampden County, Massachusetts*

| **Empty Nesters & Retirees** | *Number of Households* | *At 15 Percent Capture* |
|---|---|---|
| Old Money | 10 | 2 |
| Urban Establishment | 10 | 2 |
| Small-Town Establishment | 20 | 3 |
| Suburban Establishment | 30 | 4 |
| Affluent Empty Nesters | 30 | 4 |
| Cosmopolitan Elite | 10 | 2 |
| Cosmopolitan Couples | 10 | 2 |
| New Empty Nesters | 10 | 2 |
| Multi-Ethnic Empty Nesters | 10 | 2 |
| Middle-Class Move-Downs | 20 | 3 |
| Subtotal: | 160 | 26 |
| **Traditional & Non-Traditional Families** | | |
| The Entrepreneurs | 10 | 2 |
| Multi-Ethnic Families | 10 | 2 |
| Subtotal: | 20 | 4 |
| **Younger Singles & Couples** | | |
| e-Types | 20 | 3 |
| Fast-Track Professionals | 10 | 2 |
| The VIPs | 30 | 4 |
| Upscale Suburban Couples | 20 | 3 |
| New Bohemians | 30 | 4 |
| Twentysomethings | 50 | 6 |
| Urban Achievers | 20 | 3 |
| Small-City Singles | 40 | 5 |
| Subtotal: | 220 | 30 |
| **Total Households:** | **400** | 60 |

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Based on the target household mix (*listed on* Table 8) and incomes of the target groups, the distribution by price range of the 32 market-rate townhouses/rowhouses/live-work units that could be absorbed each year over the next five years in Downtown Springfield is as follows:

**Townhouse/ Distribution by Price Range**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| PRICE RANGE | NUMBER OF UNITS | PERCENTAGE |
|---|---|---|
| $150,000–$200,000 | 12 | 37.5% |
| $200,000–$250,000 | 10 | 31.3% |
| $250,000–$300,000 | 6 | 18.8% |
| $300,000 and up | 4 | 12.4% |
| Total: | 32 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

In this case, younger singles and couples represent two-thirds of the market for townhouses, rowhouses, or live-work units priced at $250,000 or less; non-traditional families comprise nine percent; and empty nesters and retirees another 22.7 percent. Sixty percent of the townhouses/rowhouses/live-work units priced at $250,000 or more are likely to be purchased by empty nesters and retirees; 30 percent by families, and the remaining 10 percent by entrepreneurial younger couples.

Table 8

## Annual Market Capture
## Target Groups For Single-Family Attached For-Sale Townhouses/Rowhouses/Live-Work Units
## *Downtown Springfield*

*City of Springfield, Hampden County, Massachusetts*

| **Empty Nesters & Retirees** | *Number of Households* | *At 15 Percent Capture* |
|---|---|---|
| Old Money | 10 | 1 |
| Urban Establishment | 10 | 1 |
| Small-Town Establishment | 10 | 1 |
| Suburban Establishment | 10 | 1 |
| Affluent Empty Nesters | 20 | 2 |
| Cosmopolitan Elite | 10 | 1 |
| New Empty Nesters | 10 | 1 |
| Multi-Ethnic Empty Nesters | 10 | 1 |
| Middle-Class Move-Downs | 20 | 2 |
| Subtotal: | 110 | 11 |
| **Traditional & Non-Traditional Families** | | |
| The Entrepreneurs | 20 | 2 |
| Full-Nest Urbanites | 10 | 1 |
| Multi-Cultural Families | 10 | 1 |
| Multi-Ethnic Families | 10 | 1 |
| Subtotal: | 50 | 5 |
| **Younger Singles & Couples** | | |
| e-Types | 10 | 1 |
| Fast-Track Professionals | 10 | 1 |
| The VIPs | 20 | 2 |
| Upscale Suburban Couples | 10 | 1 |
| New Bohemians | 20 | 2 |
| Twentysomethings | 40 | 4 |
| Urban Achievers | 20 | 2 |
| Small-City Singles | 30 | 3 |
| Subtotal: | 160 | 16 |
| **Total Households:** | **320** | 32 |

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

## DOWNTOWN HOUSING TYPES

Adaptive re-use of existing, non-residential buildings can yield either lofts or fully-finished apartments. The lofts, whether for-rent or for-sale, new construction or adaptive re-use, should include work space as a permitted use.

Building and unit types most successfully used in residential redevelopment or new residential construction in other downtowns comparable in size and scale to Downtown Springfield, include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

  The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

- Loft Apartment Building: Either adaptive re-use of older warehouse and manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version is usually elevator-served with double-loaded corridors.

  Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

  Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of "hard lofts," such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

The building's loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- Mansion Apartment Building: A two- to four-story flexible-use structure with a street façade resembling a large detached or attached house (hence, "mansion"). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

  Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

  Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

- Townhouse/Rowhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit.

Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also be flexible in order to comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

In New Urbanist developments that are currently under construction across the country, true live-work units tend to be most successful in projects that have been underway for several years, within an already established neighborhood or town center. In most of the developments for which information is available, live-work units are likely to be purchased by households for use as dwelling units only, or purchased by investors. A resident investor can lease the flex space for residential, retail or office use; a non-resident investor can lease both the main residential space or the flex space. Since experience shows that it is uncommon for retail operators to live above the store, live-work units must comply with local codes permitting the legal separation of uses in order to maintain investor flexibility.

## UNIT, PROPERTY AND DOWNTOWN AMENITIES

### In-Unit Amenities

To meet the expectations of potential urban residents, all units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system. For "hard lofts" or "soft lofts" in adaptive re-use structures, existing floors should be salvaged and refinished wherever possible. Although hard lofts are typically designed without interior walls, with the exception of the bathroom, as much closet and storage space as possible should be provided in both hard and soft lofts. Wherever possible in both types, masonry walls should be exposed.

In the kitchens, buyers in particular will expect countertops to be granite or Corian, with integral or undermount sinks, and with backsplashes either matching or finished in stainless steel; renters will expect contemporary, durable finishes appropriate to urban living, as opposed to the "beige" interiors of suburban multi-family housing. Cabinets should have flush fronts with integral or contemporary pulls, offered in a variety of finishes, ranging from bamboo to frosted glass. Appliances should be mid-grade with stainless fronts.

In new construction, suburban condominium finishes should be avoided. Larger units should be configured as "soft" lofts, with bedrooms separated by walls or, in cases of interior rooms, partitions that run only partially to the ceiling. HVAC should be designed with exposed spiral ductwork. Lighting fixtures should have clean and minimalist designs, capable of accommodating compact fluorescent bulbs.

Floors should not be carpeted, but should, instead, be offered with scored, stained and polished concrete as standard and with bamboo as an option in the main rooms and bedrooms, and slate as an option in the kitchens and baths.

Walls should be drywall finished with simple contemporary baseboards. Doors should be flush, matched-grain wood with stainless handles and hardware.

Bathrooms should have a standard contemporary finish package, including vessel-style sinks, and slate, marble or granite counter, shower and/or tub enclosures. All fixtures, faucets and lighting should be clean, minimalist and contemporary. Again, lighting should accommodate compact fluorescent bulbs.

Some of the "luxury apartments" will require more conventional finishes, such as crown molding, chair rails, five-panel interior doors, carpeted bedroom floors, with carpet or hardwood in living and dining areas and tile in the kitchens and baths. Kitchen countertops should be Corian, granite or bluestone, with integral or undermount ceramic sinks and upscale appliance, such as stainless steel, and a choice of European or traditional cabinets. Bathrooms should have ceramic tile floors and high-style, traditional fixtures.

Property Amenities

Larger rental properties, in order to be competitive, should provide the amenities that have become the norm for investment-grade assets: business center, clubroom with catering kitchen, and some level of exercise facility.

For condominiums, if the property is large enough (at least 50 units), property amenities could include a small fitness center with state-of-the-art treadmills, bikes, Stairmasters, free weights. Building amenities in a large condominium property could also include an owners' club with a full working bar, media area with flat-screen television, chess, backgammon and card room, library and either high-speed internet access or Wi-Fi.

If space within the building is available, other amenities that are not very expensive to provide include storage units, bicycle racks, and recycling bins.

Any additional property amenities would depend on the scale of the development and the proposed price points; the more expensive the units, the greater the number of amenities that the buyers will expect. For very high-end developments, concierge services, accommodating a wide range of personal services, from dry cleaning pick-up/delivery to theater reservations, would be appropriate. However, if these kinds of services generate high condominium fees, there is likely to be buyer resistance. It is for this reason that swimming pools are not recommended; pools are expensive to build and maintain, and are typically infrequently used by residents.

## Downtown Amenities

Since the diversity, and social and cultural amenities of the city are one of the attractions of urban living, successful downtown housing is not necessarily dependent upon the creation of extensive (and expensive ) recreational amenities.

However, locations that are within walking distance of parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as provide convenient access to a variety of retailers, including a grocery store—hold a significant market advantage. Because of the high value placed by the potential market on intimate urban green spaces, additional small "pocket parks" could be created on "leftover" land throughout the Downtown. Some of these parks could be specialized, such as "Bark Parks," where residents can take their dogs, or just a small green area, perhaps enhanced by a sculpture, but including seating that is shaded by trees.

The lifestyle affinities and purchase propensities of the target household groups for Downtown Springfield support the idea that additional community amenities are not required. Most of the activities in which the potential market demonstrates the highest participation rates are natural for households with a propensity for downtown living. In aggregate, although the prospective residents have lifestyles that do not include extensive physical activities, they do have very strong interests in those activities that are typically only available in a downtown.

Relevant activities in which these groups participate at rates at least 25 percent higher than the national average are, in order:

- Belong to a health club, YWCA/YMCA (46 percent higher than the national average)
- Go to jazz clubs (41 percent higher)
- Shop online (40 percent higher)
- Attend live theater (36 percent higher)
- Go to concerts (36 percent higher)
- Ice hockey fan (34 percent higher)
- Belong to a business club (31 percent higher)
- Belong to an arts association (31 percent higher)
- Go to museums (31 percent higher)
- Go to the movies six or more times a month (27 percent higher)
- Belong to an environmental organization (26 percent higher)

## DOWNTOWN HOUSING STRATEGIES

From the perspective of draw area target market propensities and compatibility, a broad range of new construction as well as adaptive re-use of existing buildings will be required to support and sustain residential diversity in Downtown Springfield.

An effective housing strategy to attract the target households should include:

- Preservation of the built environment: the restoration, repositioning and/or adaptive re-use of existing vacant or under-utilized buildings;
- Mixed-use development: the inclusion of a residential component within mixed-use buildings, either adaptive re-use or new construction;
- The establishment of general neighborhood guidelines to assure the compatibility of every scale and type of housing; and
- The development of programs and policies that encourage the creation of downtown housing.

In order to achieve maximum positive impact of downtown housing, three elements—location, design and marketing—must be carefully considered and executed.

1. <u>Evaluate Buildings/Areas for Residential Development</u>

In general, areas or buildings slated for new development or redevelopment should be evaluated relative to the following criteria for successful urban housing initiatives:

(a) Advantageous adjacency. It is critical to "build on strength," not only to provide maximum support for any proposed housing initiatives, but also, conversely, so that housing initiatives will reinforce existing or proposed adjacent developments (commercial, retail, or residential).

(b) Building and/or land availability. At present, several buildings or parcels within the downtown are underutilized or vacant. From the city's perspective, poorly-located or under-used surface parking lots are better utilized as sites for new infill mixed-use development, not only to enhance the city's tax base, but also to provide a more inviting and interesting pedestrian experience for downtown residents and visitors.

(c) Potential for expansion. Each housing initiative should be located in an area where, at the successful completion of the initial project, adjacent or nearby buildings and/or land appropriate for the continuation or extension of the neighborhood, either through new construction or adaptive re-use would potentially be available. Each housing initiative should be viewed not as a "stand-alone" project, but rather as a potential catalyst for additional residential development in surrounding areas.

(d) Anchors/linkage. Each housing initiative must be seen as part of an overall urban strategy to build a critical mass of both housing and related non-residential uses. "Anchor" locations establish the potential for economic activity in an underutilized area; "linkage" locations build on the strength of two or more established, but disconnected assets.

There are a number of important sites and buildings throughout the downtown that represent opportunities for residential or mixed-use development. Serious consideration should be given to the conversion of office buildings that no longer represent Class A space and are only partially occupied. Existing parking spaces in open lots can be preserved by developing residential over one or two levels of parking, and lining the parking with live-work lofts or retail.

2. <u>Ensure Appropriate Urban Design</u>

A neighborhood is the sum of a variety of elements: the configuration of the street and block network, the arrangement of lots on those blocks, and the manner in which buildings are disposed on their lots and address the street. Successful residential development in Downtown Springfield will depend upon the preservation, enhancement, and restoration of the area's urban character. A downtown residential neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of city life; conversely, attempts to introduce suburban scale and housing types (or, indeed, suburban building forms in general) into urban areas have invariably yielded disappointing results. Therefore, appropriate <u>urban</u> design—which places as much emphasis on creating quality streets and public places as on creating or redeveloping quality buildings—will be essential to success.

3. Market and Monitor the Downtown

A high-profile marketing program should be undertaken to promote the neighborhoods of downtown as exciting residential alternatives.

(a) Advertising and public relations should include an "image" campaign that not only keeps the downtown within the public consciousness, but also reinforces the positive aspects of urban living. The City of Norfolk, Virginia adopted the slogan "Come Home to Norfolk Now" as the centerpiece of their marketing campaign that focuses on downtown and surrounding in-town neighborhoods. The campaign has been highly successful in attracting new residents, to both the downtown as well as the city's in-town neighborhoods.

(b) Many cities sponsor annual downtown housing tours, which have been enormously successful in familiarizing the public with the available housing options. Currently, Mattoon Street holds an annual tour, which could be expanded to include units in other residential buildings. In Louisville, Kentucky, the first Downtown housing tour attracted over 100 people with minimal marketing; tours now require several buses to accommodate the hundreds of participants. Many cities charge fees for the tours, with the fees donated to public or charitable organizations, ranging from arts organizations to the public library.

(d) Special events, such as the City Block Party concerts, draw large numbers of households downtown. These types of events are critical to establishing the downtown as a center for public activity. Another proven tactic is the extended charity event, in which multiple reproductions of a common iconic image (the cows of Chicago, the mermaids of Norfolk, Virginia, the Mastodons of Fort Wayne, Indiana) are decorated by sponsored artists and displayed throughout downtown. These events typically draw large crowds, including suburban families, to the downtown and encourage visitors to explore the city on foot.

Marketing efforts are most effective when they are constantly fine-tuned based on results, which requires some means of monitoring marketing impact. In the City of Baltimore, Maryland, the Downtown Partnership maintains a database of all existing residential properties located within the downtown. The Partnership updates, on a quarterly basis, the monthly rents, vacancy and turnover rates at each rental building; the values and sales of newly-developed units in new construction or adaptive re-use of existing buildings; and the values and frequency of resale activity within older condominium buildings, to determine value escalation, if any. In addition, the Partnership monitors the status of all new development proposals. This information is readily available to potential developers via the Partnership's website.

Downtown, and most of Baltimore's in-town neighborhoods, are actively marketed through another website, "Live Baltimore," which is linked to the Downtown Partnership website. This site describes in detail each neighborhood's assets, from cultural institutions to architectural characteristics, and also provides comprehensive listings of available rental and for-sale units (with location, asking rent/price, unit size and photograph).

## POLICIES AND PROGRAMS

Impediments to downtown residential development and redevelopment that typically discourage private sector developers—both for-profit and not-for-profit—include regulatory obstacles (inappropriate zoning and code requirements and/or an inflexible bureaucratic culture), high asking prices for existing, underutilized buildings and vacant land, and high production costs relative to the initial value of completed units. The cost problem may actually be more acute in adaptive re-use, since the existing structure often complicates the design effort while costing nearly as much as or, under some circumstances, more than new construction.

Strategies for downtown housing should be supported by targeted policies and programs that are coordinated for effective and efficient implementation. Policies and programs that have been effective across the country, and "best practices" resources are outlined here.

### 1. POLICIES AND PROGRAMS TO ADDRESS REGULATORY OBSTACLES

***—Special Code for Adaptive Re-Use—***

New Jersey was the first state to adopt a separate construction code for existing buildings. One important element of the code is that it is responsive to scale, easing compliance for small projects; code requirements increase with the scope of the rehabilitation project. This is of primary importance, since most neighborhoods will derive maximum benefits from residential and, indeed, non-residential initiatives that occur on a variety of scales. In cities across the country, it has become clear that neighborhoods with significant historic rehabilitation efforts have fared best in the maintenance and building of housing value. These historic rehabilitations have ranged in scale from the professional renovation and rehabilitation of large, multi-unit buildings to sweat-equity efforts of individual owner occupants.

Since the New Jersey code's adoption in 1998, the amount of rehabilitation in the state's largest cities has increased by 60 percent. Springfield could adopt a similar code, following the example of Wilmington, Delaware, which was the first of many cities to adopt a code modeled on the New Jersey statute. [New Jersey Department of Community Affairs, Division of Codes and Standards: Rehab Subcode of the Uniform Construction Code (NJAC 5:23-6).]

### *—Adaptive Re-Use Handbook—*

A handbook for developers and building professionals could be produced that summarizes the code and, if applicable, typical trade-offs and variances allowed. Qualification for regulatory relief should be presented clearly and unambiguously to assist in the evaluation of building suitability. The handbook could be used in the redevelopment of other city neighborhoods, not just the Downtown.

### *—Adaptive Re-Use "Ombudsman"—*

Even with an appropriate and clearly-presented code for existing structures, given the wide variety of conditions represented by existing buildings, it should be anticipated that an equally wide variety of solutions to code compliance of adaptive re-use will be required. The coordination of the regulatory process can be overwhelming. The city can smooth the process by appointing a single code officer—an adaptive re-use "ombudsman"—to provide technical assistance to owners and developers. The ombudsman's oversight of all adaptive re-use would also assure an informed and even-handed treatment of all cases. Again, depending on the volume of development, the ombudsman could also oversee development and redevelopment in other city neighborhoods.

### *—Pre-Development Meetings—*

A number of cities have instituted the practice of pre-development meetings, which are held prior to submission of plans and in which the development team meets with relevant city departments, *i.e.*—zoning, permitting, engineering, inspections, etc., in an effort to streamline the pre-construction process. When well-managed, these meetings can be very effective, with all disciplines cooperating for the benefit of the common development objective. However, when managed poorly, these meetings can actually become counter-productive if each discipline is allowed to establish an unyielding position.

## 2. POLICIES AND PROGRAMS TO ADDRESS ACQUISITION OBSTACLES

### —*City-Owned Land*—

City-owned land and/or building in key downtown locations should be used to leverage residential development. This has been a key factor in stimulating residential development in numerous downtowns across the country with little or no existing market-rate housing. City-owned land is not subject to the unrealistic land values often promulgated by private landowners, and can therefore act as a catalyst for development.

The first market-rate housing in 20 years in the City of Norfolk was developed on three blocks owned by the city; that 300-unit project established the downtown market, and the City has since attracted national developers to the downtown through development RFPs for remaining city-owned parcels; at the present time, downtown Norfolk has several hundred units in development or recently completed.

To ensure maximum beneficial impact, the City of Springfield could require that each appropriately-located development parcel include residential uses.

### —*Land Bank*—

Vacant and abandoned properties reduce property values in surrounding areas, depress property tax revenues, and stifle economic development. In response, several cities across the country have utilized land banks to hold, manage and develop tax-foreclosed properties.

A land bank program is a government entity that functions as a development tool to convert vacant, abandoned, or tax-delinquent properties into productive use; a land bank acquires abandoned or tax-foreclosed properties, or properties obtained by other means, in order to transfer that land to a third party for redevelopment or improvement. A wide variety of cities, including Macon, Georgia, Louisville, Kentucky, St. Louis, Missouri, and Detroit, Michigan have adopted land bank programs, which have proven effective in reducing the number of vacant properties.

### *—Investment in Infrastructure—*

In the early 1990s, the City of Louisville invested significant funds to upgrade the infrastructure of West Main Street in downtown to encourage private investment in the historic cast iron buildings that line both sides of the street. Improvements included rebuilt sidewalks and new lighting, as well as the installation of brick pedestrian crosswalks. As a result, West Main Street is now home to the Louisville Slugger Museum, a boutique hotel, a children's museum, several businesses, and dozens of residential units.

The infrastructure investment proposed for the State Street corridor should have a beneficial impact on redevelopment, both in the Downtown as well as the neighborhoods that flank the corridor further to the east.

## 3. POLICIES AND PROGRAMS TO ADDRESS HIGH DEVELOPMENT COSTS

### *—Gap Financing Pool—*

Compared to suburban locations, most of the infill development opportunities remaining within Downtown Springfield are likely to be smaller in scale—in most cases, fewer than 75 units and usually fewer than 50. These small properties lack development efficiency; since fixed costs are spread over fewer units, the cost per unit is higher without any corresponding increase in market value. Small properties have historically had difficulties attracting public capital assistance in any form; because of their small size, they are generally not considered to have the potential for catalytic impact. (This is one of the long-standing ironies of American urban initiatives: the properties that are large enough to have gained government support are often self-contained and have significantly less impact on surrounding uses than the same number of units in smaller, pedestrian-oriented properties.)

If the mortgage pool established by Springfield financial institutions in the 1970s for difficult-to-finance downtown development is no longer active, it should be re-established. It should be structured as a revolving loan pool for subordinated, low-interest gap funding to put the financial feasibility of smaller downtown properties on an equal footing with larger suburban properties.

<u>Gap funding should be available to both adaptive re-use and to new construction</u>. The gap fund should be very flexible in order to respond to the special needs of each small, highly-individual property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

The Greater Downtown Partnership of Detroit has assembled a $23 million fund to provide gap financing; the fund is currently being used to assist in the renovation and conversion of a number of downtown buildings from commercial to residential use.

Smaller cities can be successful with smaller funds: Louisville, Kentucky matched the $3 million dollars contributed by six downtown banks, the sum of which, when augmented by $1 million from the state and local businesses, created a $7 million gap financing pool. The Lowell Plan, a private non-profit organization in Lowell, Massachusetts is currently building a $20 million pool, targeted specifically to assist residential and mixed-use developers, following the commercial funding pool created during the 1990s that was successful in stimulating retail development in the downtown.

### —*Tax Incentives*—

#### —*Property Tax Exemption and Abatement*—

Concerning the imbalance of rehabilitation or construction cost and initial value, a proven mechanism for encouraging the creation of new housing—either through adaptive re-use or new construction—is a highly-specific and predictable program that combines tax abatement with tax exemption.

The program was pioneered in New York City, and is credited with spurring the redevelopment of SoHo where, at the time, loft buildings had a 25 percent vacancy rate. In New York, the program was limited to the improvement of existing structures, but the same approach could be used for new construction. The program loads significant benefits into the early years of a residential building's operation. The benefits, in the form of reduced property taxes, apply equally to rental or for-sale, since the effective carrying cost of the building is reduced for both.

The tax program used in New York City since 1955 has two main components:

- Exemption, for 12 years, from increases in property taxes resulting from property improvements; and
- Abatement of 90 percent of the City-certified "reasonable cost" of improvements at a maximum of 8.33 percent a year for up to 20 years.

From the City's perspective, the exemption foregoes, for 12 years, tax revenues that would not have been realized without the building improvement. By spreading the abatement over 12 to 20 years, the City's tax revenue loss is minimal in any given year. Ultimately, the revenue loss is likely to be recovered through non-exempt development activity stimulated by the program and through non-property tax revenues generated by economic activity in the revitalized neighborhood.

The City of Norfolk, Virginia has a 14-year tax abatement program, applicable to residential, commercial, and industrial properties throughout the city. The program provides 100 percent abatement of taxes on improvements to existing structures for the first 10 years, with a sliding scale of 20 percent per year of assessed value through year 14. For residential renovations of buildings of four or fewer units, the building must be at least 15 years old, and improvements must increase the assessed value by at least 20 percent. For residential renovations of buildings of five or more units, the building must be at least 50 years old, and improvements must increase the assessed value by at least 40 percent.

***—"Arts District" Housing—***

A proven approach to maintaining a stock of affordable housing and live-work space for artists is the use of dedicated Low-Income Housing Tax Credits (LIHTC). In addition to household-size income qualification, prospective residents are also subject to a portfolio review to assure that at least one member of the household is a working artist. This program can be augmented with federal and state historic tax credits to redevelop existing buildings within an historic district.

Artspace Projects, Inc., based in Minneapolis, Minnesota, has redeveloped several buildings for artists in St. Paul, Minneapolis and Duluth using this strategy and has provided consultation services, with planned projects, for equivalent redevelopments in Buffalo, New York; Jackson, Michigan; Salt Lake City, Utah; Detroit, Michigan; and Philadelphia, Pennsylvania, among others.

## 4. BEST PRACTICES

***—Downtown Development Entities—***

Many of the most successful revitalized downtowns have been guided by quasi-public entities such as a downtown development authority (DDA). A DDA works with developers, both local and non-local, assisting with planning, approvals, financing and implementation of development and redevelopment projects within a designated urban area. Many of the programs outlined here—such as adaptive re-use ombudsman, pre-development meetings, a gap financing pool, live where you work programs, etc.—are typically administered by a DDA.

If Springfield Central Business District, Inc.—established in the 1960s and revived in the late 1970s—is no longer active, it should be re-established as a DDA.

***—Young Professionals Organization—***

Young people are not only a significant market for downtown housing, they represent the future of a city. Too many cities have been losing their young people because of the scarcity of employment geared to "knowledge workers," the small number of attractive and stylish eating and drinking establishments and shopping options, and the lack of housing types appropriate for young people. In many cities, service and social organizations of young professionals—such as Young Leaders of Northeast Indiana in Fort Wayne, Indiana, and Young Professionals Association of Louisville—have demonstrated a commitment to downtown revitalization and through their activities have raised the downtown's profile among their membership.

***—Smart Growth Zoning Codes: A Resource Guide—***

<u>Smart Growth Zoning Codes: A Resource Guide</u> is a publication of the California-based Local Government Commission, and is based on research on more than 150 "smart growth" zoning codes from across the nation. The guidebook is designed to encourage walkable, mixed-use neighborhoods and the revitalization of existing places. Each chapter analyzes a critical issue—such as design, streets and parking—and highlights exemplary codes from across the

country. The guidebook comes with a CD-ROM that contains copies of some of the best zoning codes in the United States and other resources.

### *—Form-Based Zoning Codes—*

Form-based zoning codes are currently being examined in Springfield's zoning ordinance revision project, with selected form-based elements proposed to be incorporated into Springfield's Zoning Ordinance. The city is to be commended for undertaking this project, because inappropriate zoning is often a deterrent to redevelopment. Since the maximum benefit of form-based coding—particularly increased economic investment—comes from the system's clear and unequivocal application in a specific and geographically-defined area, it is highly recommended that adequate funding be allocated to establish a form-based code for Downtown Springfield. The resulting assurance of high-quality urbanism will enhance the marketability of both dwelling units to residents and development parcels to developers. This work must be conducted by a design firm with acknowledged expertise in form-based code.

Form-based zoning has recently been adopted in a wide variety of municipalities, ranging from Arlington, Virginia, Waynesville, North Carolina, Charleston, South Carolina, Contra Costa County, California, to Louisville/Jefferson County, Kentucky. In contrast to Euclidian zoning models—which regulate land use and only indirectly deal with the form of buildings and streets—form-based zoning deals directly with building form and sets only broad parameters for use. Form-based zoning regulates the size, shape and organization of streets and buildings to create a walkable, transit-friendly collection of inter-connected streets and to foster the development of a dense mix of housing and businesses.

Form-based zoning codes assert that a community's physical form—its buildings—is its most defining characteristic. As such, form-based codes avoid regulating development based on the use of a tract of land, but rather make design of the buildings, streetscape and civic infrastructure the central issue. Proponents of form-based coding claim that it regulates fewer elements than a typical zoning ordinance because it does not encompass every combination of setback and density, but prescribes upfront what types of developments are acceptable and then graphically illustrates them to promote usability. Form-based codes seek to control only the most important physical attributes of a group of buildings. This often includes their alignment on a street, the disposition of space between them and their overall height. Typically, such controls are not expressed as absolutes, but rather as ranges of acceptable values. For example, building heights along a street can range from two to eight stories. The ultimate design objectives can vary from seeking an absolutely consistent eave line, requiring nearly uniform building heights, to one that allows a tower location that clearly rises above nearby buildings to "punctuate" a key location.

***—Reduced Parking Requirements—***

Although lack of parking is a recurring complaint in many cities, detailed analysis of parking capacity typically reveals under-utilization of existing parking. A number of cities have recently begun to eliminate parking requirements. For example, Portland, Oregon now exempts downtown residential development from required off-street parking; Olympia, Washington and Lafayette, Louisiana have no minimum parking requirements in their downtowns.

Resident parking on designated streets should be expanded to accommodate the number of dwelling units created through adaptive re-use of existing structures or in other circumstances where no on-site parking spaces can be created; permits should be issued at the cost of administering the program, including the added cost of enforcement.

Shared parking should be encouraged in the core Downtown. The overall number of required parking spaces could be significantly reduced if businesses and residential development shared parking facilities, freeing more land for economic development.

***—Sales and Income Tax Incentives for Artists—***

Revitalization of urban neighborhoods across the country has often been initiated by the arts community. Since resident artists are critical to the establishment of a recognizable urban arts district, they can be encouraged through targeted tax relief. The City of Providence, Rhode Island has populated its DownCity Arts and Entertainment District through the use of sales and income tax exemptions. Artists and artisans in DownCity are exempt from state and local sales taxes; and resident artists are exempt from personal state income tax. The program has been deemed so successful that the Rhode Island General Assembly subsequently passed legislation to establish similar districts in two other Rhode Island cities, Westerly and Pawtucket.

***—"Live Near Your Work"—***

In order to increase homeownership opportunities, many cities have, in collaboration with local employers, universities, and medical institutions, created employer-assisted housing benefit plans for employees. Through these initiatives, employers provide eligible employees with a forgivable loan of a set amount—typically between $2,000 and $15,000, depending on local housing costs—as well as housing information and education, and innovative financing options. These initiatives are designed to promote urban revitalization by targeting dwelling units in the downtowns and in-town neighborhoods. This program has been highly successful in Baltimore, where more than 90 employers participate, and more than 2,100 families have benefited since the program's inception in 1997.

In Seattle, the City and Washington State have created the House Key Plus Seattle program, which offers first-time buyers loans at below-market interest rates. Since its start in 2004, the program has provided 71 homebuyers, with incomes no more than 80 percent of the area median income, an average assistance of more than $40,700.

And in Lancaster, Pennsylvania, Franklin & Marshall College offers three employer-assisted housing benefit plans for employees through its City Life neighborhood housing program: Mortgage Guarantee, Settlement Assistance and Curb Appeal. These range from the College acting as a mortgage insurer, to deferred payment loans for down payments, closing costs, and interior and exterior home improvements; these programs apply to buildings located within a defined area adjacent to the campus. To date, 23 employees have purchased homes using Settlement Assistance, and 19 employees have participated in the Curb Appeal program.

## METHODOLOGY

The technical analysis of market potential for Downtown Springfield included delineation of the draw areas and physical evaluation of the area and the surrounding context.

The delineation of the draw areas for housing within the City of Springfield was based on historic settlement patterns, migration trends for Hampden County, and other market dynamics.

The evaluation of market potential for the Downtown was derived from target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

NOTE: The Appendix Tables referenced here are provided in a separate document.

**DELINEATION OF THE DRAW AREAS** (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Hampden County. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns.

Appendix One, Table 1.
**Migration Trends**

Analysis of Hampden County migration and mobility patterns from 2000 through 2004—the latest data available from the Internal Revenue Service—shows that the county continues to experience net migration losses, ranging from a net out-migration of 385 households in 2001 to a net out-migration of more than 1,250 households in 2004.

Over the study period, annual in-migration to Hampden County has ranged between approximately 5,750 households, in 2000, to more than 6,100 households, in 2001. Over the same period, annual out-migration from Hampden County has ranged between just under 6,400 households, in 2002, to more than 7,100 households, in 2004. Approximately 18 percent of the out-migration is to Hampshire County, although collectively, the majority of out-migration is to other Massachusetts counties and to urban areas in New England and along the East Coast.

However, even though net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential. For Hampden County, more than 20 percent of in-migration is from Hampshire County; both Hartford, Connecticut and Worcester, Massachusetts each represent an additional eight to nine percent; the Boston area (Middlesex, Suffolk, Essex and Norfolk Counties) adds another 10 percent; and the remaining 50 percent is from urban counties elsewhere in the United States.

Based on the migration data, the draw areas for the City of Springfield and Downtown Springfield have been delineated as follows:

- The primary draw area, covering households currently living within the Springfield city limits. Between 10 and 12 percent of the households living in the city move to another residence within the city each year.

- The local draw area, covering households currently living in the balance of Hampden County. Between two and three percent of the households living in the balance of Hampden County, with the financial capacities to rent or purchase market-rate dwelling units, could move to a residence in the city each year, if appropriate housing units were to be made available.

- The regional draw area, covering households with the potential to move to the City of Springfield from Hampshire and Worcester Counties in Massachusetts and Hartford County in Connecticut.

- The metropolitan Boston draw area, covering households with the potential to move to the City of Springfield from Middlesex, Suffolk, Essex and Norfolk Counties, Massachusetts.

- The national draw area, covering households with the potential to move to the City of Springfield from all other U.S. counties. Between 2,900 and 3,300 households move into Hampden County from elsewhere in the United States each year; a small additional number are households moving from outside the United States. Approximately a quarter of those households move into the City of Springfield.

Anecdotal information obtained from real estate brokers, sales persons, leasing agents, and other knowledgeable sources corresponded to the migration data.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

### TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.
**Target Market Classifications**

Of the estimated 57,445 households living in the City of Springfield in 2006, just over 46 percent, or 26,535 households, have the capacity to rent or buy market-rate housing. (*Reference* Appendix One, Table 2.) Median income within the city is estimated at $33,400, approximately

32 percent lower than the national median of $48,800. Median home value within the city is estimated at $132,200, just 18 percent below the national median of $161,600. Up to 36.2 percent of the city's "market-rate" households can be classified as empty nesters and retirees, another 33.8 percent are traditional and non-traditional families, and 30 percent are younger singles and couples.

Just under 62 percent, or 111,450 households, of the estimated 180,410 households living in Hampden County in 2006 have the capacity to rent or buy market-rate housing. (*Reference* Appendix One, Table 2.) Median income within the county is estimated at $45,000, approximately eight percent lower than the national median. Median home value within the county is estimated at $179,600, more than 11 percent higher than the national median. Up to 42 percent of Hampden County's "market-rate" households are classified as empty nesters and retirees, another 34.5 percent are traditional and non-traditional families, and the remaining 23.5 percent are younger singles and couples.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM geo-demographic system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

In geo-demographic segmentation, clusters of households (usually between 10 and 15) are grouped according to a variety of significant factors, ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes such as mobility rates, lifestyle patterns and compatibility issues. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

### DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF SPRINGFIELD (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Springfield in the year 2006. The total number from each city/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.
**Internal Mobility** (Households Moving Within the City of Springfield)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that up to 3,100 households living in the City of Springfield, and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city this year. Over 39 percent of these households are likely to be younger singles and couples (as characterized within six Zimmerman/Volk Associates' target market groups); another 35.8 percent are likely to be family-oriented households (in eight market groups); and the remaining 24.8 percent are likely to be empty nesters and retirees (in seven market groups).

Appendix One, Table 5.
**External Mobility** (Households Moving To the City of Springfield from the Balance of Hampden County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county. Using these data, up to 2,500 households, currently living in the balance of Hampden County and with the capacity to rent or purchase market-rate housing, have the potential to move from a residence in the county to a residence in the City of Springfield this year. Just over 36 percent of these households are likely to be traditional and non-traditional families (in 10 market groups); 35.2 percent are likely to be empty nesters and retirees (in nine groups); and the remaining 28.4 percent are likely to be younger singles and couples (in eight groups).

Appendix One, Tables 6 through 8.
**External Mobility** (Households Moving To the City of Springfield from Outside Hampden County)—

These tables determine the number of households in each target market group living in each draw area county that are likely to move to the City of Springfield in 2006 (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 9.
**Market Potential for the City of Springfield—**

Appendix One, Table 9 summarizes Appendix One, Tables 4 through 8. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing market-rate dwelling units in the City of Springfield in the year 2006 originating from households currently living in the draw areas. Up to 7,850 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Springfield this year. Together, younger singles and couples (in 11 groups) and compact traditional and non-traditional families (in 13 groups) are likely to account for 70.8 percent of these households, with the remaining 28.2 percent likely to be empty nesters and retirees (in 12 groups).

The distribution of the draw areas as a percentage of the potential market for the City of Springfield is as follows:

**Market Potential by Draw Area**
***City of Springfield, Hampden County, Massachusetts***

| | |
|---|---|
| City of Springfield (Primary Draw Area): | 39.5% |
| Balance of Hampden County (Local Draw Area): | 31.8% |
| Hampshire, Worcester, Hartford Counties (Regional Draw Area): | 11.5% |
| Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area): | 4.5% |
| Balance of US (National Draw Area): | 12.7% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

## DETERMINATION OF THE POTENTIAL MARKET FOR DOWNTOWN SPRINGFIELD—

The total potential market for the new market-rate housing units to be developed within existing buildings or new construction within Downtown Springfield also includes the primary, local, regional, metropolitan Boston, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to Downtown Springfield in a given year.

Appendix One, Tables 10 through 12.
**Market Potential for Downtown Springfield—**

As derived by the target market methodology, more than 2,100 of the 7,850 households that represent the market for new and existing market-rate housing units in the City of Springfield are a market for new market-rate housing units within Downtown Springfield. (*See* Appendix One, Table 10.) More than 48 percent of these households are likely to be younger singles and couples (in eight market groups); another 40.3 percent are likely to be empty nesters and retirees (in 10 groups); and just 11.4 percent are likely to be traditional and non-traditional family households (in four groups).

The distribution of the draw areas as a percentage of the market for Downtown Springfield is:

**Market Potential by Draw Area**
**DOWNTOWN SPRINGFIELD**
***City of Springfield, Hampden County, Massachusetts***

| | |
|---|---|
| City of Springfield (Primary Draw Area): | 32.2% |
| Balance of Hampden County (Local Draw Area): | 23.7% |
| Hampshire, Worcester, Hartford Counties (Regional Draw Area): | 11.8% |
| Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area): | 12.4% |
| Balance of US (National Draw Area): | 19.9% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The 2,110 draw area households that have the potential to move within or to Downtown Springfield this year have been categorized by tenure propensities to determine renter/owner ratios. More than 20 percent of these households (or 430 households) comprise the potential market for new market-rate rentals. The remaining 79.6 percent (or 1,680 households) comprise the market for new market-rate for-sale (ownership) housing units. (*See* Appendix One, Table 11.)

Of these 1,680 households, 23.8 percent (or 400 households) comprise the market for market-rate multi-family for-sale units (condominium apartments and lofts); and another 19 percent (320 households) comprise the market for market-rate attached single-family (townhouse/rowhouse/live-work) units. The remaining 57.1 percent (or 960 households) comprise the market for all ranges and densities of market-rate single-family detached houses. (*See* Appendix One, Table 12.)

**—Target Market Data—**

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications are based on the Claritas PRIZM geo-demographic segmentation system, which was established in 1974 and is the most widely-used neighborhood target marketing system in the United States. Claritas uses 15 unique clustering algorithms to define various domains of affluence and settlement density. These algorithms isolate the key factors in each density-affluence domain that accounted for the most statistical difference among neighborhoods within that group.

Over the past 18 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.

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Research & Strategic Analysis

## ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

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