



PROPERTY ADVISORS

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NEDA - Crash Course in Economic Development

Planning for Economic Development:

Planning and Land Use as Tools to (Re)Position
Communities to Compete for Wealth and
Investment

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Commercial Real Estate Activity & Asset Class





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Retail:

- Consumer confidence & spending = ↑
- Department Stores = ↓ - Majors lowering projections
- Uneven recovery across markets ↓ ↑
- Holidays 2016 – mixed results
- Holidays 2017 – stronger
- Store closing continue



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Retail Development:

1. New Construction: very little new construction
 2. Teardowns & Conversions of malls and strip centers
- Functional Obsolescence – buildings and locations
 - Excessive marginal properties

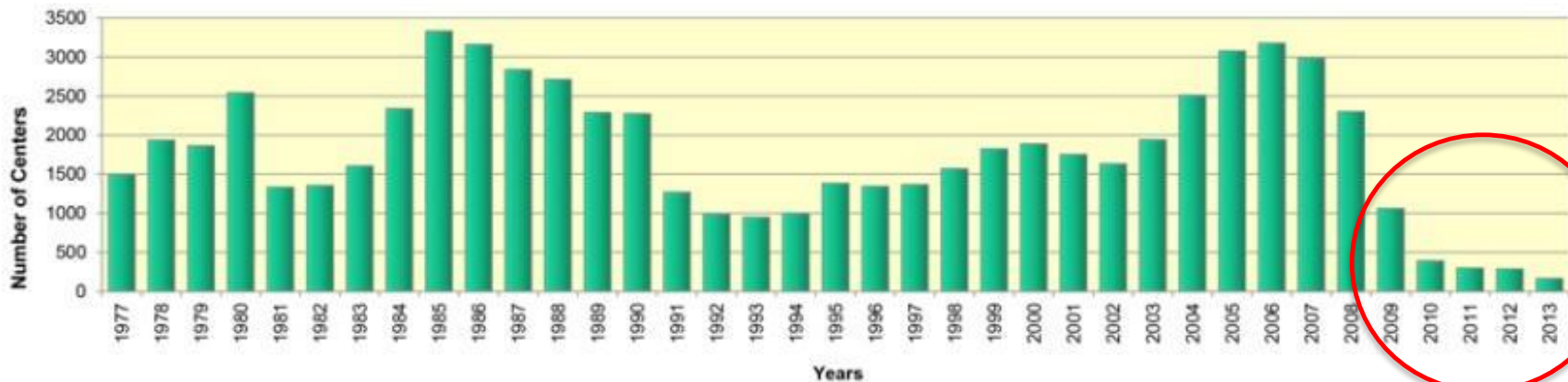
It is not that we're overbuilt, we're under demolished.

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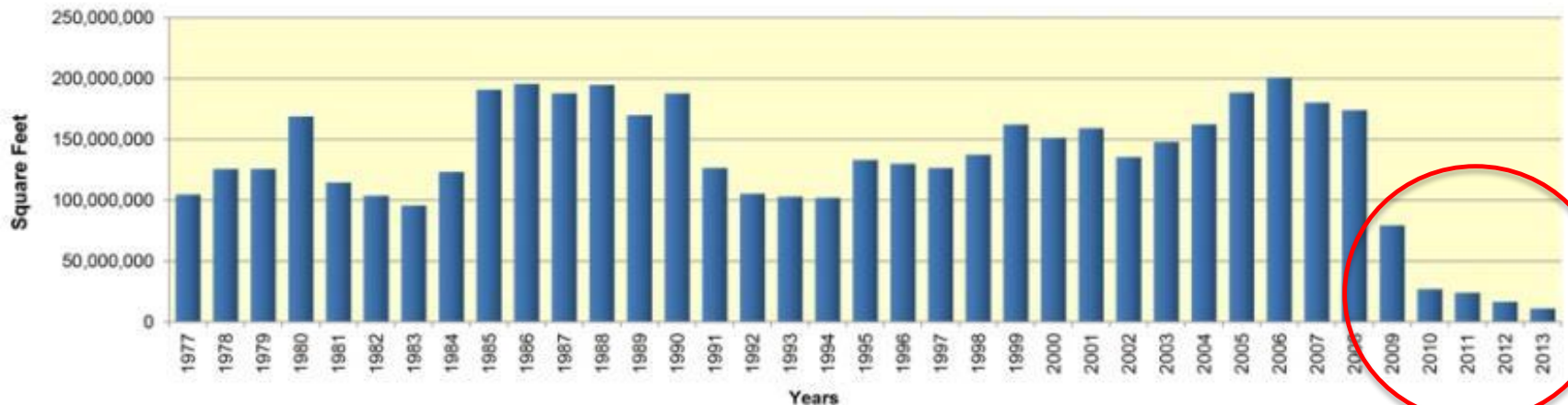
U.S. Shopping-Center Industry

All Center Types and Space, Change in Inventory Per Year



Source: CoStar Realty Information, Inc., www.costar.com (Copyrighted)

Note: Data represent year-end counts, except the most recent year, current as of latest quarter



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Retail – Factors to Watch

- Centers as “Place” or “Consumer Centers”
 - Shifting to service and experience:
 - Food & Drink
 - Entertainment
 - Leisure
 - Healthcare
 - Education
- Showrooming
- Delivery/Pick Up locations
- Technology
- Good News:
 - Vacancies = ↓
 - CoStar = Q4 quoted rents ↑





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Commercial Office

- Vacancy:

 - Cities:*

 - Hartford CBD: +/-30% (SS)
 - New Haven: 12%

 - Suburbs:*

 - Hartford: <20%
 - New Haven: 15% - 22%

- Lease Rates:

 - Cities: \$19 - \$25 Gross
 - Suburbs: \$17 - \$25/\$19-\$28 Gross

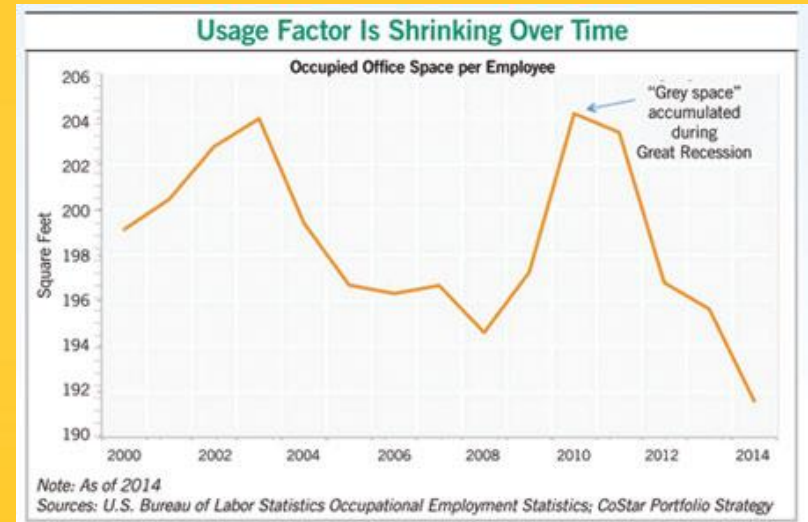
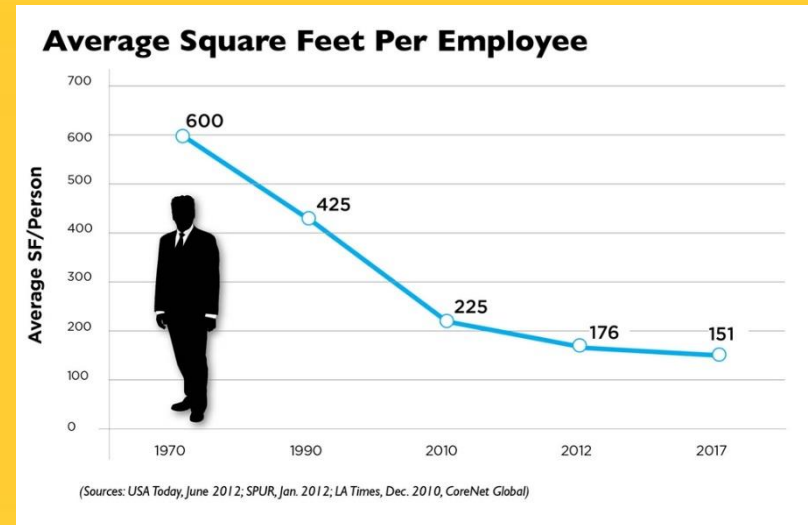


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Office – Factors to Watch

- Job creation/growth
- Population growth
- Business formation
- Obsolete buildings
- Owners: tenants, operations, leasing & marketing
- Tenants: fewer large, more small, space per worker



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Industrial Space

- Absorption = ↑
- Vacancies = ↓
- Lease Rates = ↑
- Flight to quality – new vs. pre-1980
- Redevelopment of older “B” properties
- Focus on location – highway access and distribution



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Multi Family Residential

- Substantial new development activity
- Solid interest from buyers/investors
- Strong rents & leasing activity for new product
- Flight to quality – Class “C” properties will struggle
- Redevelopment of older Class “B” properties





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Market Summary

- Challenging market:
 - Job creation/business formation
 - Substantial, persistent vacancy
 - Tenant concessions, shorter terms
 - Buyer's/Tenant's market
 - Absence of new retail/office development
 - Multi-Family residential & mixed-use development
- Projection: continued modest recovery



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Trends to watch:

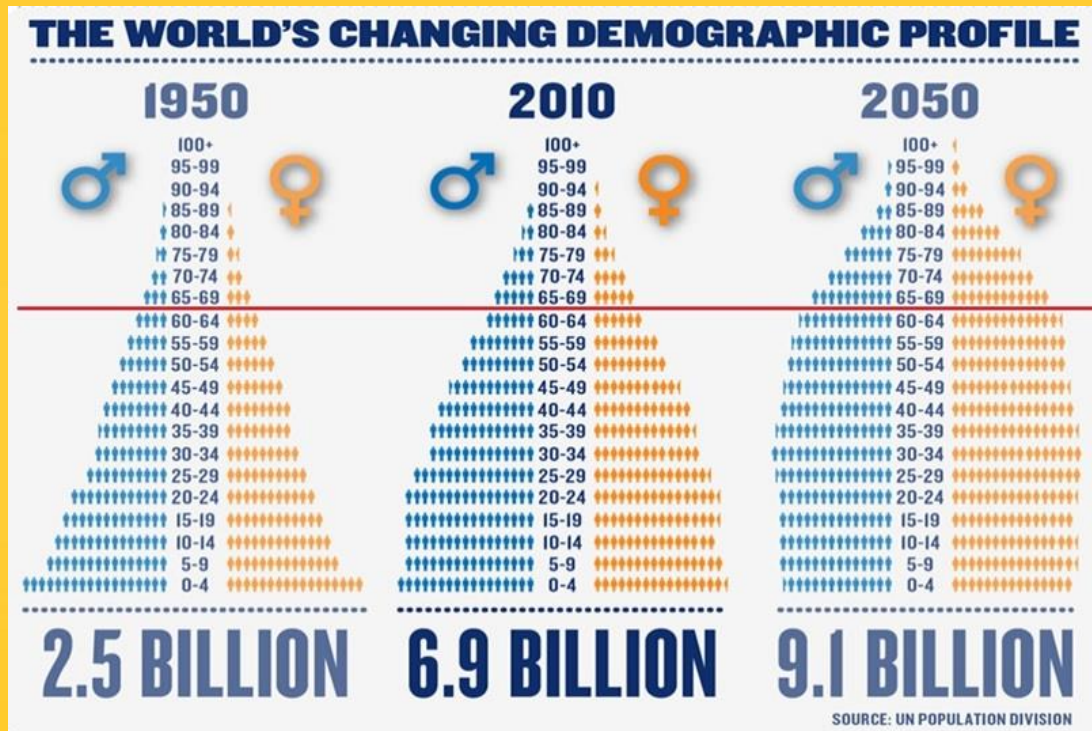
- Increased public-private partnerships)
- Office tenants: small company's = ↑
- New gov't regulations/policies/Tax reform
- Tech-driven changes
- Adaptive reuse of older buildings
- Meds & Eds
- Media/Tech company's
- Crowd Funding
- Mixed-use
- Hospitality (food & drink)

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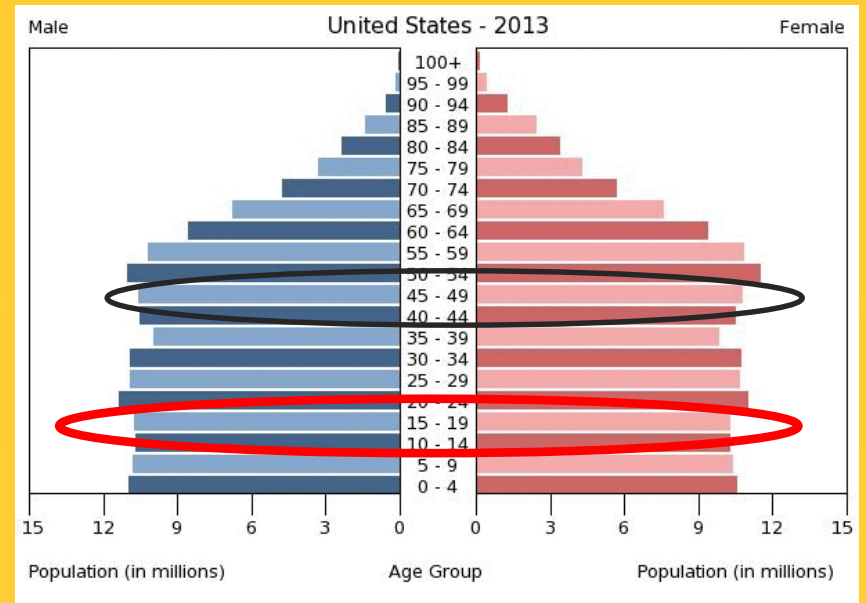
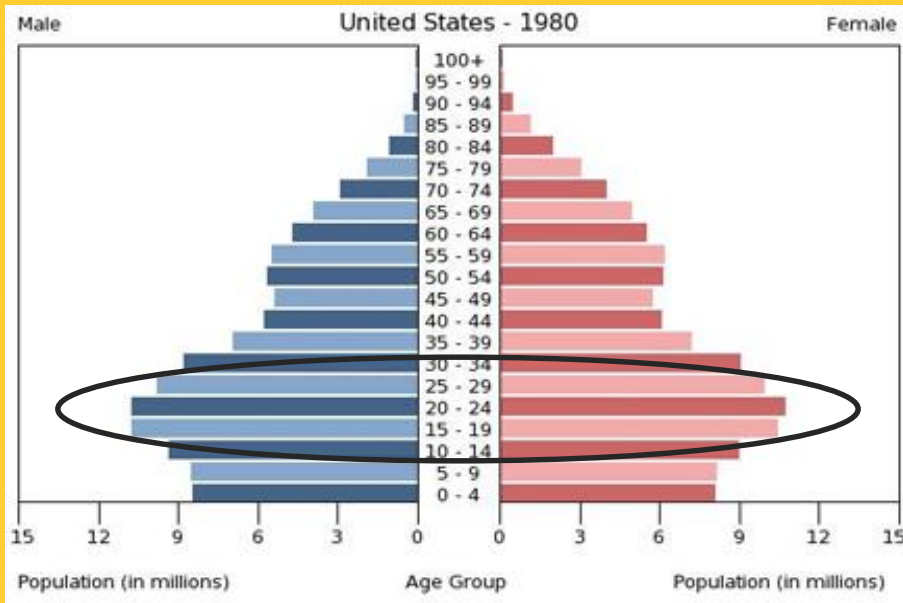
A Couple of Things to Think About...

- Demographic Changes
- Impact of Technology
- Creation of spaces with “social value”



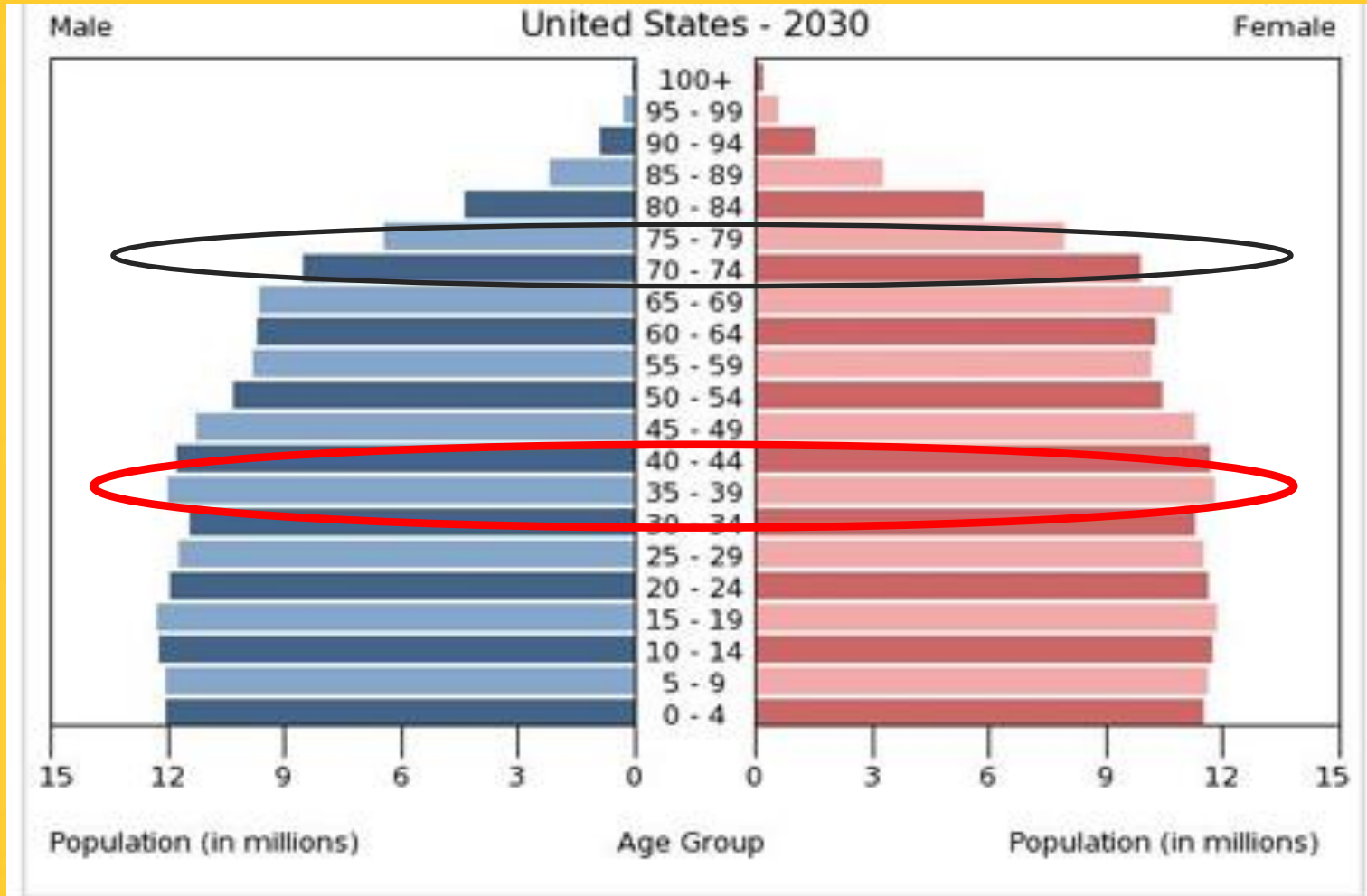
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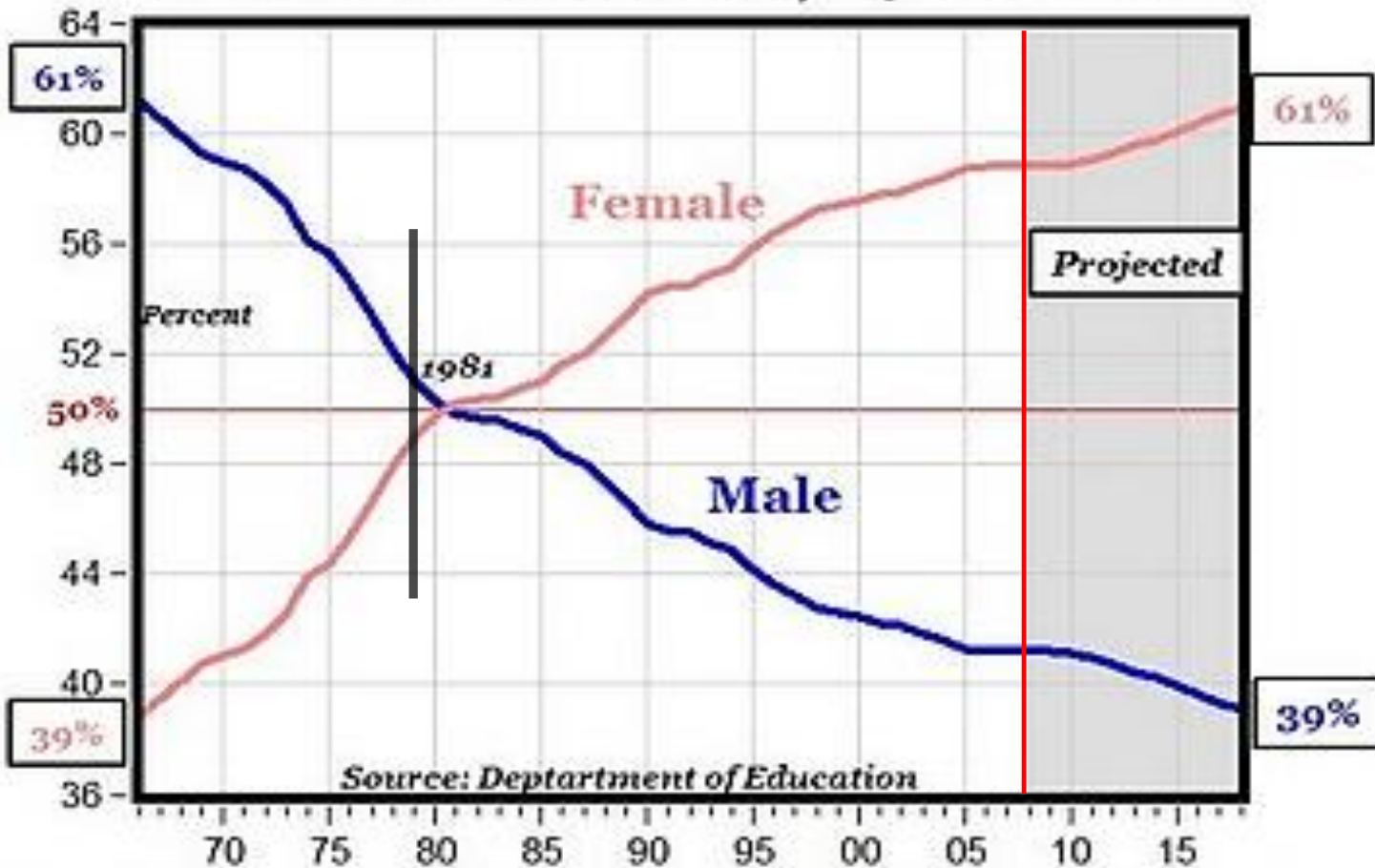
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Percent of All College Degrees* Female vs. Male, 1966-2018



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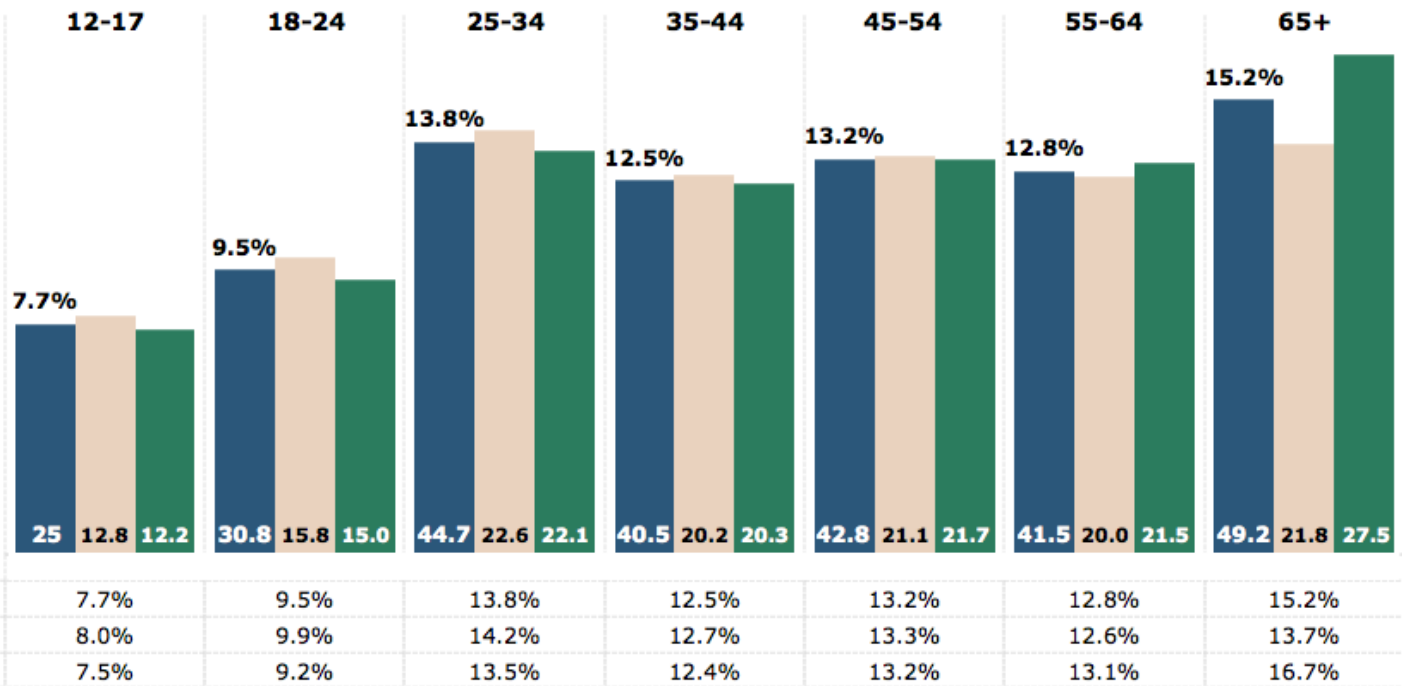


Share of US Population, by Popular Age Group and Gender

share of total population | population size (in millions)
as of July 1, 2016

Read as:

As of July 1, 2016, there were 22.1 million American females aged 25-34, comprising 13.5% of the total female population.





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Lessons to be learned for the Design of Projects:

- create connections, provide experience
- add social value
- create a more inviting atmosphere
- more flexible facilities
- provide communication links
- focus on place and placemaking

Don't doubt the value of a physical presence.

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Economic Development





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What is Economic Development?

- **Economic Development:** is the work of *creating wealth and attracting investment*.
- **The (my) Desired Outcome of Economic Development:** to position (or re-position) a community (region, city, town, neighborhood, block, or site) to become a *socially and economically healthy, vibrant, prosperous, and resilient place that competes for wealth and investment*.



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The Words We Use Are Important!

- **Creating Wealth:** retaining and attracting jobs, increasing the quantity and quality of jobs, increasing wages/incomes, increasing rents and property values (growing the grand list), and creating equity.
- **Attracting Investment:** the willingness of outsiders, locals, businesses, and residents to *invest their time, energy, and money* in the community.



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The Words We Use Are Important!

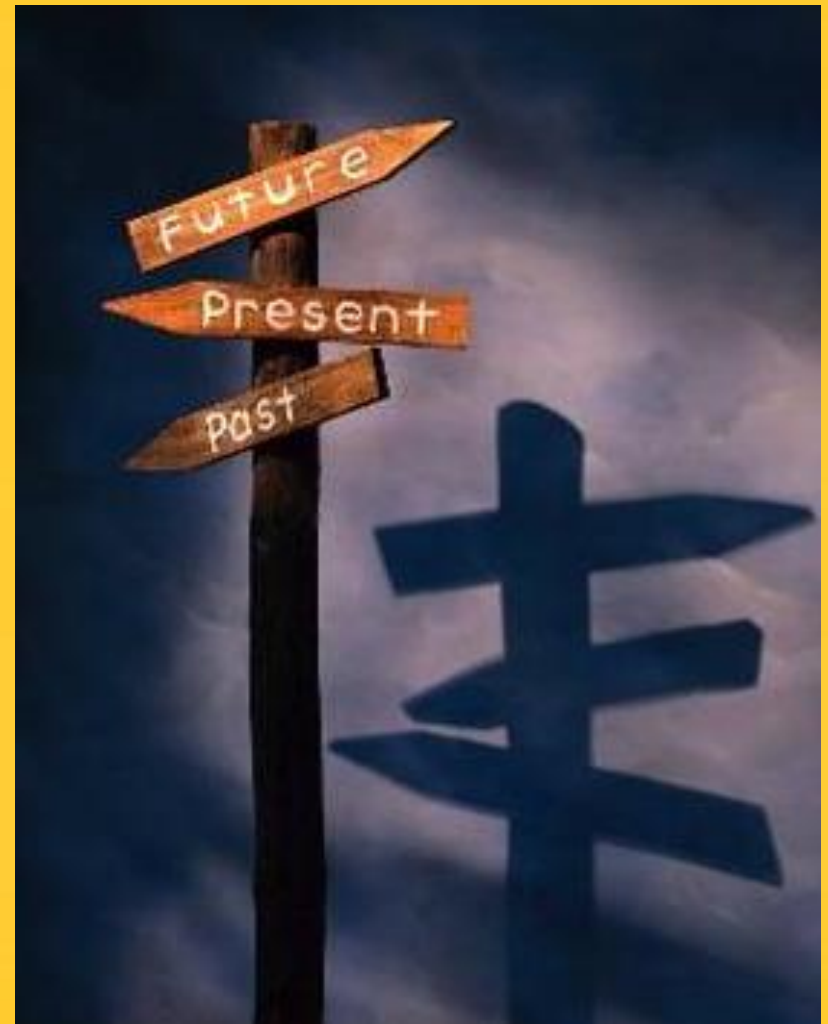
– Socially and Economically:

- **Healthy:** full of strength and vigor.
- **Vibrant:** energy, enthusiasm, and activity.
- **Prosperous:** economic wellbeing, flourishing, and wealth.
- **Resilient:** the capacity to absorb shock while retaining function and structure.

Desired outcome of economic development: “to position a community to become a *socially and economically **healthy, vibrant, prosperous, and resilient** place that competes for wealth and investment.*”

What is Planning?

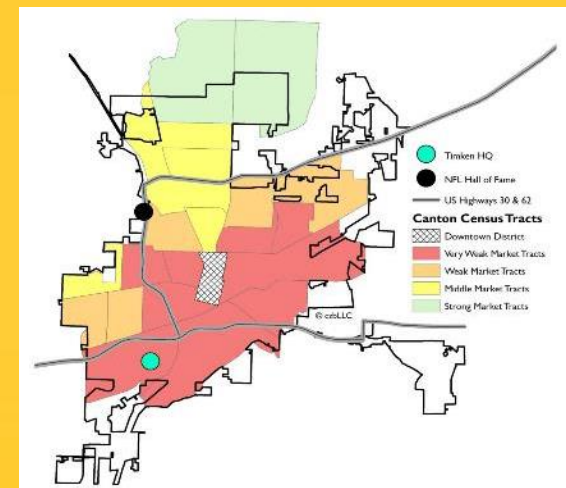
- A process of preparing for the future.
- A systematic approach to problem solving.
- A strategy for improvement.
- A continual process of learning and adjustment.
- A Prediction of the future with the risk of being wrong.



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Planning is not simply about:

- Urban design and architecture.
- Zoning and land use regulations.
- Smart Growth and fighting sprawl.
- Traditional Neighborhood Design.
- Transit Oriented Development.
- Complete streets & streetscapes.
- Etc.





The Role of Land Use Commissions in Economic Development?

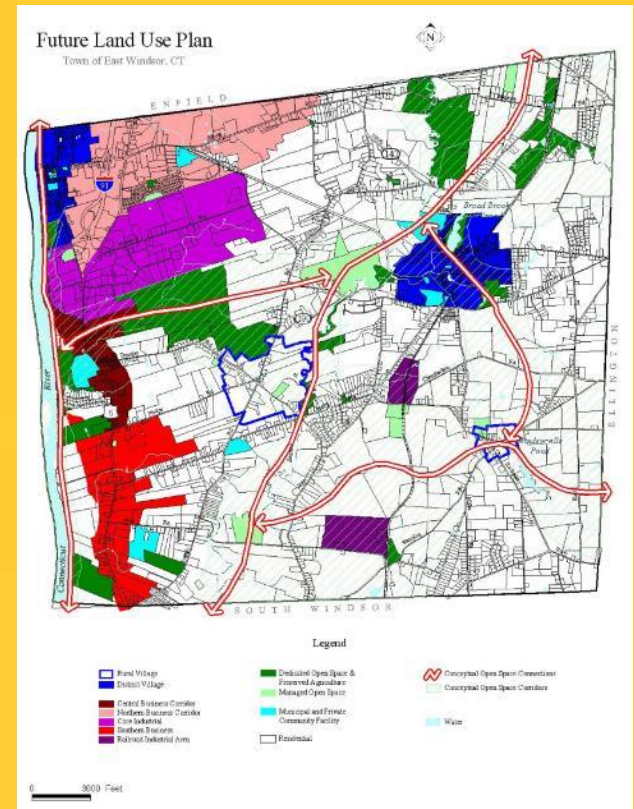


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The Role of Land Use Commissions:

- Planning Commission:
 - Create a Plan of C&D that clearly states what the community wants (e.g. conservation, development, and infrastructure) and where.
 - Recognize that land use and infrastructure investment policies allocate the supply of land, density and intensity of development, and quality of location (access to infrastructure).
 - CIP and POCD (should) have a symbiotic relationship.





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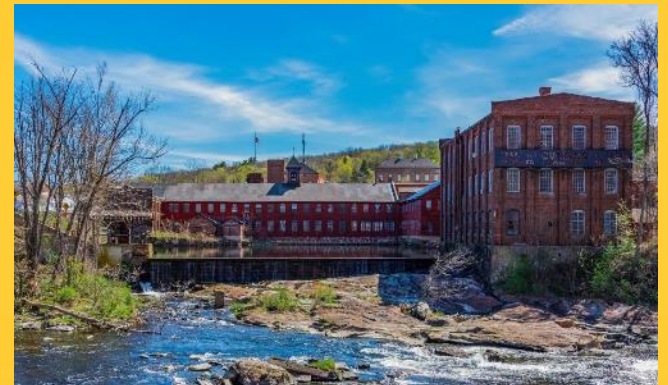
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The Role of Land Use Commissions:

- Zoning Commission:
 - The Zoning Regulations and Zoning Map are a 'plan' for the future development of the community.
 - A powerful tool to implement the Plan of C&D land use policies.
 - Clearly state what you want and where: uses, density, and intensity.
 - Favor as-of-right applications/approvals for *what you want* (staff zoning permits and simple site plans and complex site plans by commission).
 - Reserve conditional uses (special permits/exceptions) for those uses that may not be acceptable in all locations or have characteristics that may create negative off-site impacts.

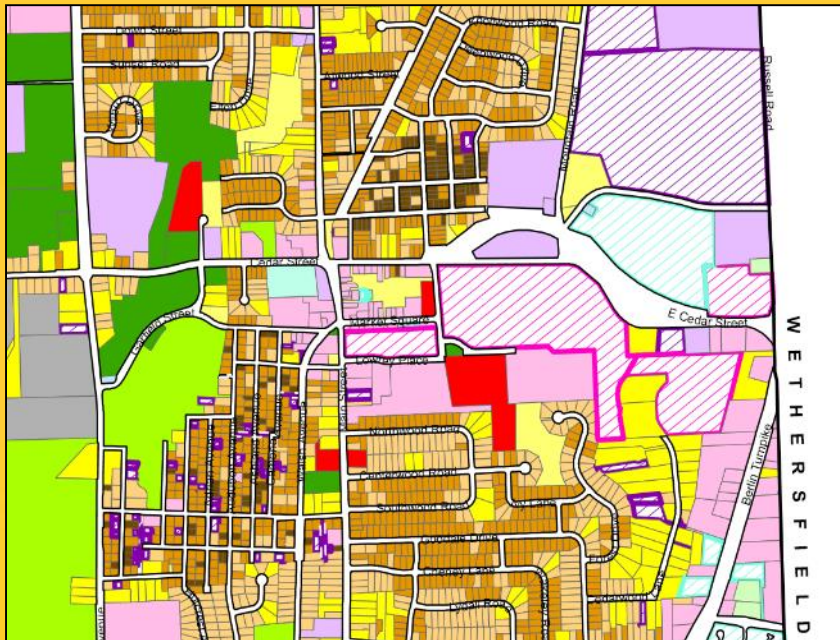
The Role of Land Use Commissions:

- Economic Development Commission:
 - Plan for economic investment: What – Where – How
 - Support the business community
 - Promote and market your community
 - Advocate social and economic growth
 - Businesses
 - Housing
 - Infrastructure
 - Speak in favor of land use applications
 - Embrace and be a voice for change and continuous improvement





The Planning Commission – Comprehensive Planning





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Comprehensive Planning

(The Plan of Conservation and Development)

- A physical plan of the community – A Land Use Plan
 - Some socio-economics
- A long range plan
 - Covering a time period of 10 or more years
- It is comprehensive
 - Covers more than one neighborhood—the community
- It is a statement of policy
- ***A guide to decision making***



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Plan of Conservation & Development - Thematic Content

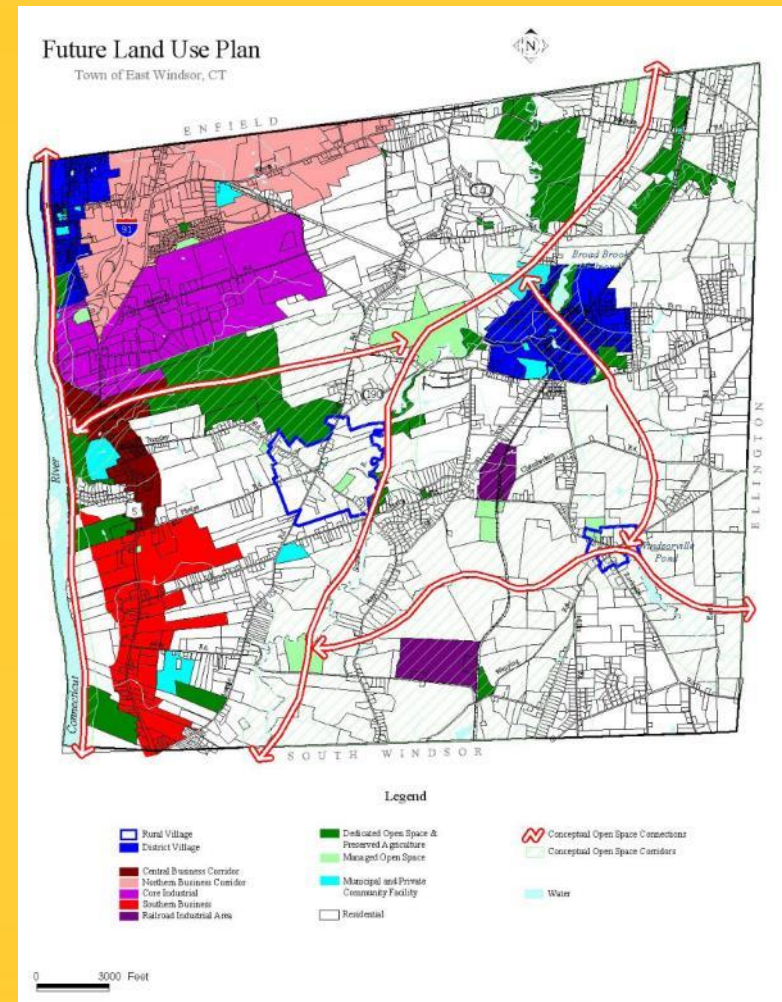
- Protecting Natural Resources (water, soils, etc.)
- Conservation (open space, working lands, & recreation)
- Residential Land Uses (housing and neighborhoods)
- Commercial Land Uses (commerce and industry)
- Infrastructure (transportation, utilities, & community facilities)
- Future Land Use Plan (graphic and spatial description of policies)
- Implementation (who, when, capacity, and resources)

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Future Land Use Plan

- Spatial organization of land use
- Geographic representation of desired policy outcomes
- A guide to present and future development





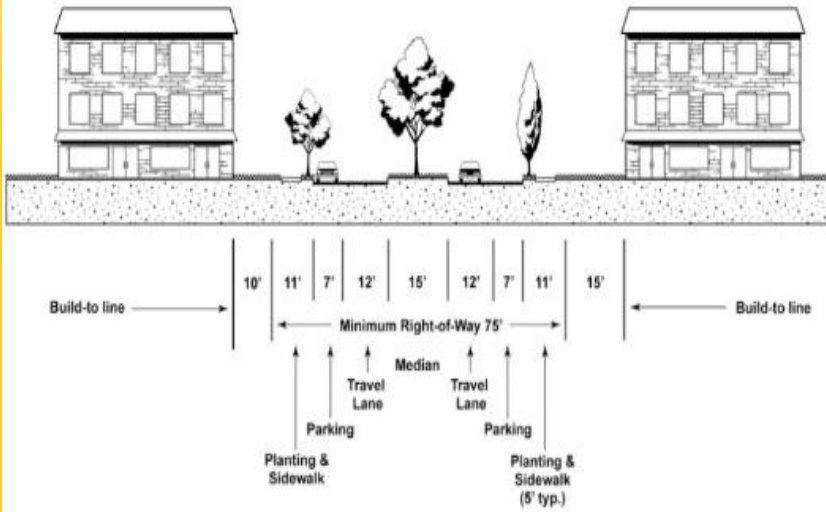
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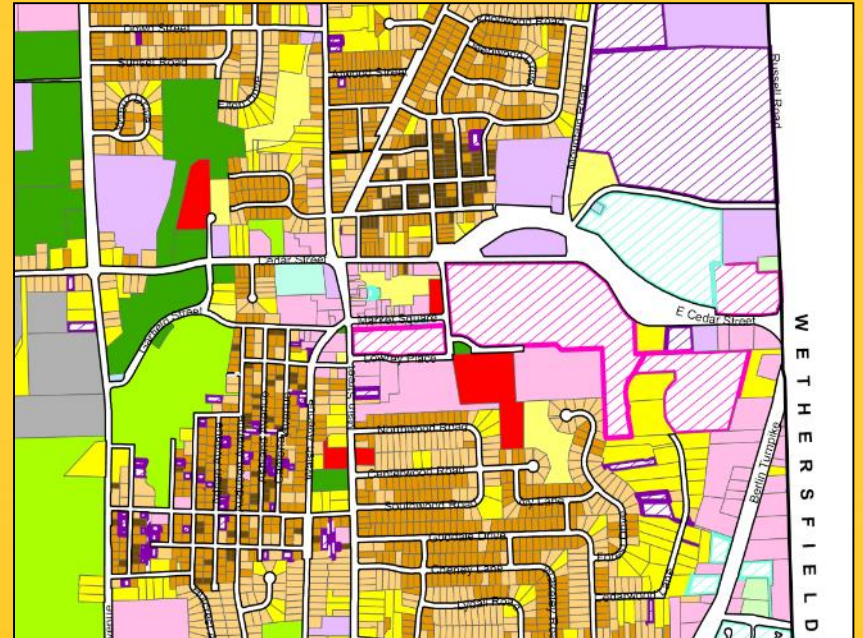
The Plan of Conservation & Development

- **Market and Economic Development Implications**
 - Establishes policies that allocate the supply of land.
 - Allocation of land by use (commercial, industrial, residential, etc.), density, and intensity.
 - What we want, where, and how...
 - Influences the supply side of land markets
 - Establishes policies that spatially distribute and allocate public infrastructure investments.
 - Allocation of public investment (what we value)
 - Influences the demand side of land markets – quantity, quality, and spatial location

COMMERICAL STREET WITH MEDIAN



The Zoning Commission - The Comprehensive Plan of Zoning





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The Fundamentals of Zoning:

- The legal authority to regulate the use, density, and intensity of land.
- Evolved out nuisance law as a means to address the unfavorable conditions of the industrial city to protect the public from harm caused of noxious land use.
- Zoning authorizes local government:
 - “to regulate and restrict the height, number of stories, and size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open space, the density of population, the location and use of buildings, structures, and land for trade, industry, residence, or other purposes.”



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The Fundamentals of Zoning:

- A police power – zoning protects public health, safety, and general welfare:

“to lessen congestion in the streets; to **secure safety from fire, panic, and other dangers**; to promote health and general welfare; to provide **adequate light and air**; to prevent the **overcrowding of land**; to avoid **undue concentration of population**; to facilitate the adequate provision of transportation, water, sewerage, schools, parks, and other public requirements.”

- Zoning is a plan for future development



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The Fundamentals of Zoning :

“Such regulations **shall be made with reasonable consideration**, among other things, to the **character of the district** and its peculiar **suitability for particular uses**, and with a **view to conserving the value of buildings** and **encouraging the most appropriate use of land** throughout such municipality.”

- Through the process of regulation and segregation of incompatible land uses and regulating the density and intensity of land development, zoning doesn't simply protect (and improve) public health, safety, and welfare, zoning also creates **predictability, stability, and confidence real estate markets.**



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The Comprehensive Plan of Zoning:

- The Zoning Regulations and Zoning Map, collectively create a comprehensive plan of zoning.
- The Comprehensive Plan of Zoning is a **‘plan’** for the present and future use of land, providing property owners (investors) with a reasonable expectation as to use of land, density, and intensity.
- Zoning as a **‘plan’** (The Comprehensive Plan of Zoning) is a powerful tool for the work of economic development.
- It is through the Comprehensive Plan of Zoning that a community sets forth the regulatory provisions (the desired outcomes) of land use, density, and intensity—what we want versus what we don’t want. The Comprehensive Plan of Zoning *allocates the supply of land by use, density, and intensity.*



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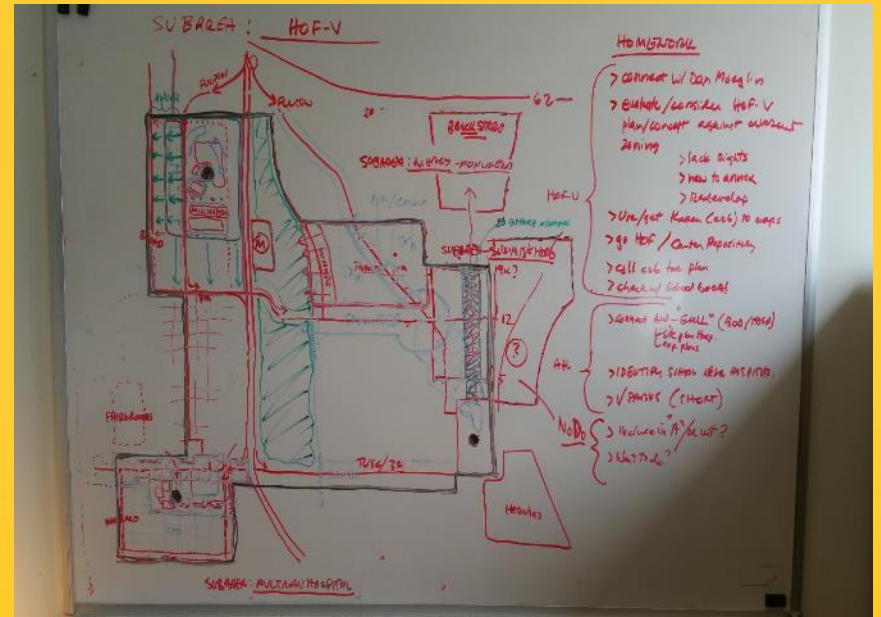
An Intentional Plan?

Industrial District (Sample)

- Authorized **Without A Zoning Signoff**:
 - Open Space and passive recreation.
 - Public utility substations...
- Authorized By **Zoning Signoff**:
 - None.
- Authorized By **Site Plan**:
 - Banks.
 - Day care centers/nurseries.
 - Municipal facilities.
 - Offices.
 - Parking areas.
 - Personal service shop.
 - Retail stores.
 - Schools: colleges, public and private
 - **Warehouses less than 100,000 sq. ft.**
- Authorized by **Special Permit**:
 - Adult-oriented establishments
 - Alcoholic liquor sales
 - Automotive repair & service
 - *Bulky waste disposal area*
 - *Bulky waste recycling facility*
 - Cemeteries
 - *Commercial kennel*
 - **Fabricating**
 - *Leaf composting facility*
 - **Manufacturing.**
 - Museums.
 - Outside storage, accessory use.
 - *Recycling storage*
 - Restaurants and ice cream bars
 - *Transfer Station*
 - **Warehouses.**



Reimagining Planning and the Work of Economic Development





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Planning Versus Market

- Planning, in many ways is often viewed as something different or independent of ‘the market’—approached as an anti-market process or as means of coercing the market.
 - **Market:** the *social, cultural, and economic forces* that drive and shape the flow and spatial organization of investment—investment decision and behaviors.
- Planning and market are interrelated and have a symbiotic relationship that is critical to understand if we are to ‘*plan for economic development*’.

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Planning should work to manage the complexities of (socio-economic) space and place...

- Understand the functioning of cities (towns) and government.
- Integrate the social, cultural, and economic forces with the role of governance.
- Pay attention to the *slow-moving variables of change*.

UNDERSTANDING PLACE	
Market	Who and what is there
Capacity	What abilities and behaviors
Condition	How things look and feel
Image	What signals are being sent



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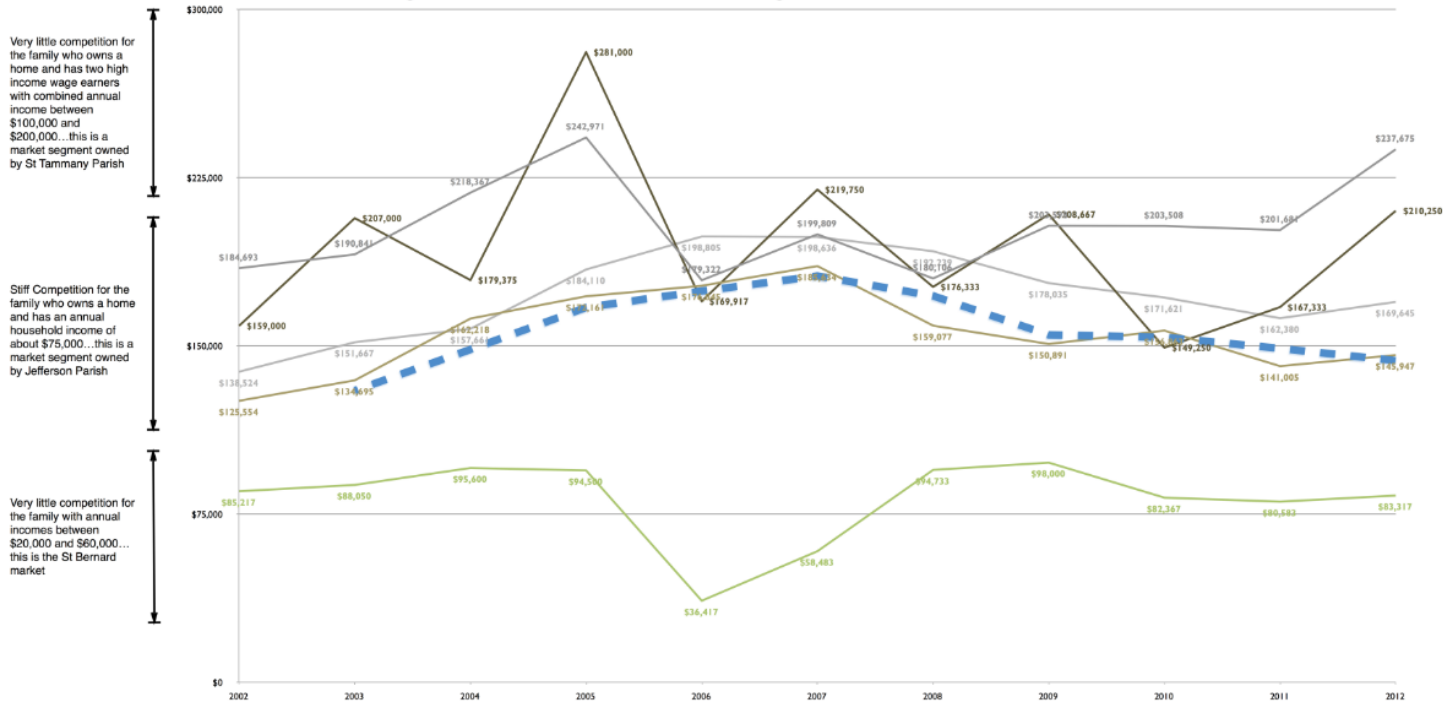
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2000

Some Big Changes and Some Important Things That Have Not Changed

2011

Average Median Sale Price among MLS Areas in each Parish, 2002-2012



Very little competition for the family who owns a home and has two high income wage earners with combined annual income between \$100,000 and \$200,000... this is a market segment owned by St Tammany Parish

Stiff Competition for the family who owns a home and has an annual household income of about \$75,000... this is a market segment owned by Jefferson Parish

Very little competition for the family with annual incomes between \$20,000 and \$60,000... this is the St Bernard market

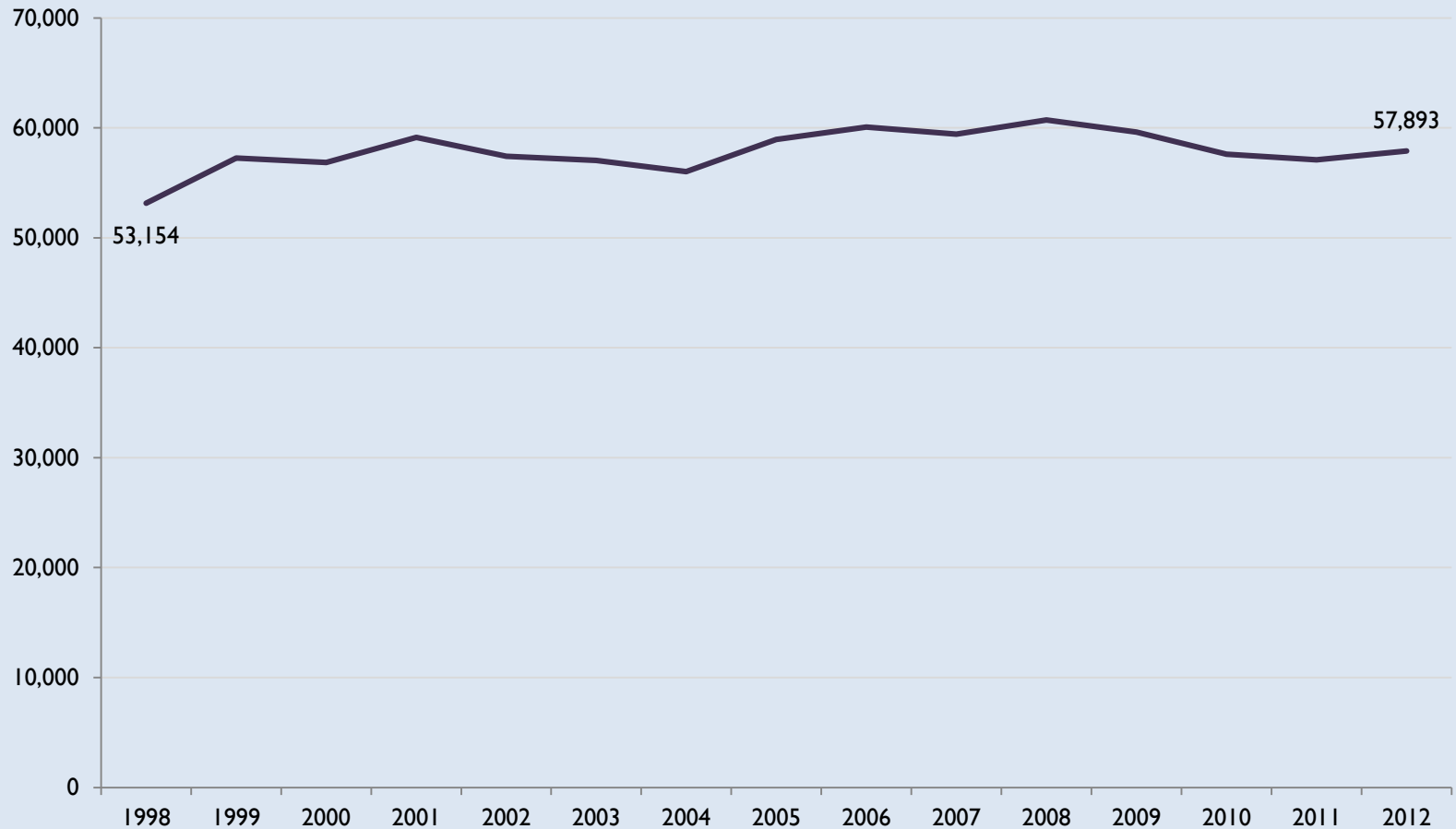




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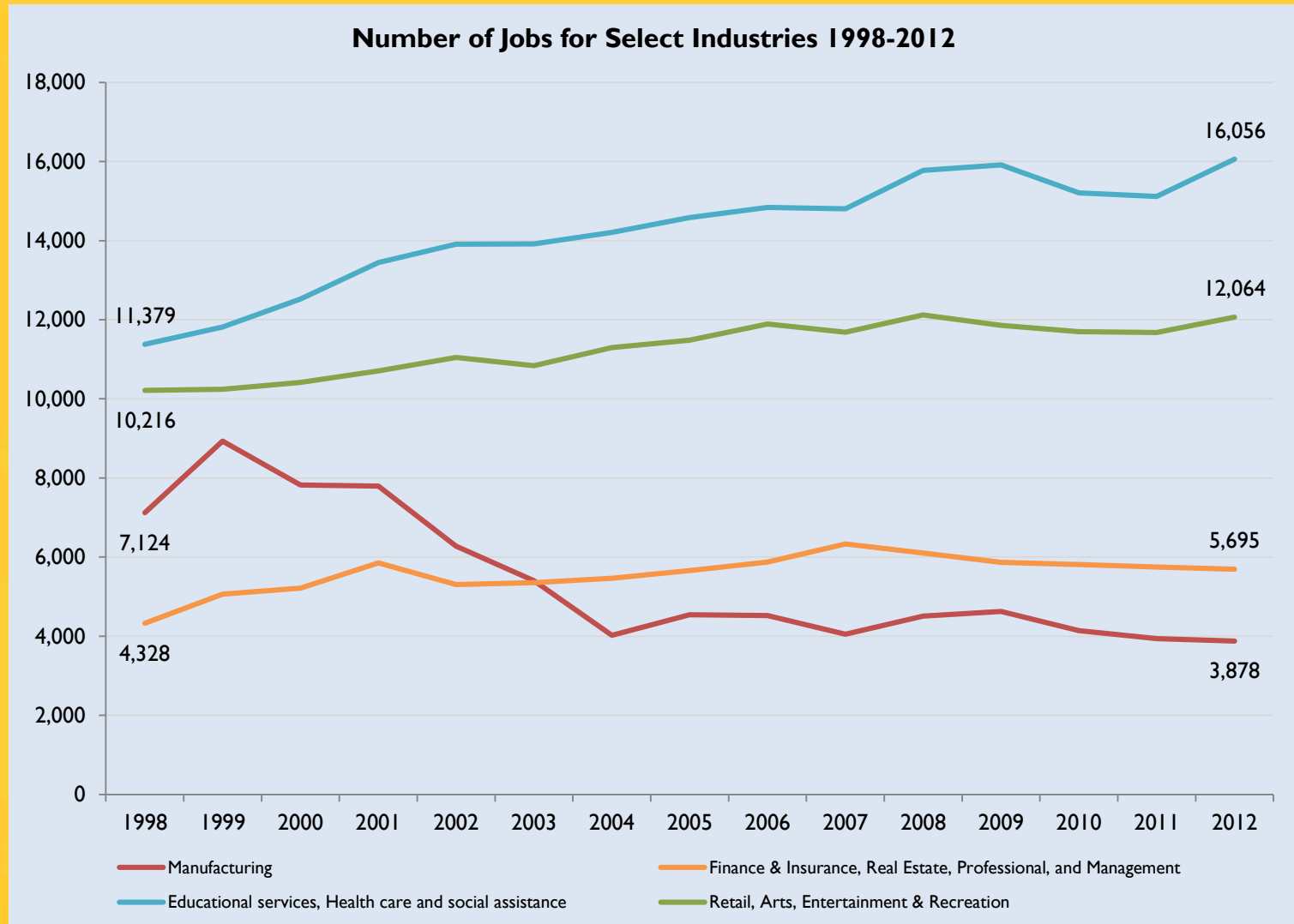
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Number of Jobs 1998-2012



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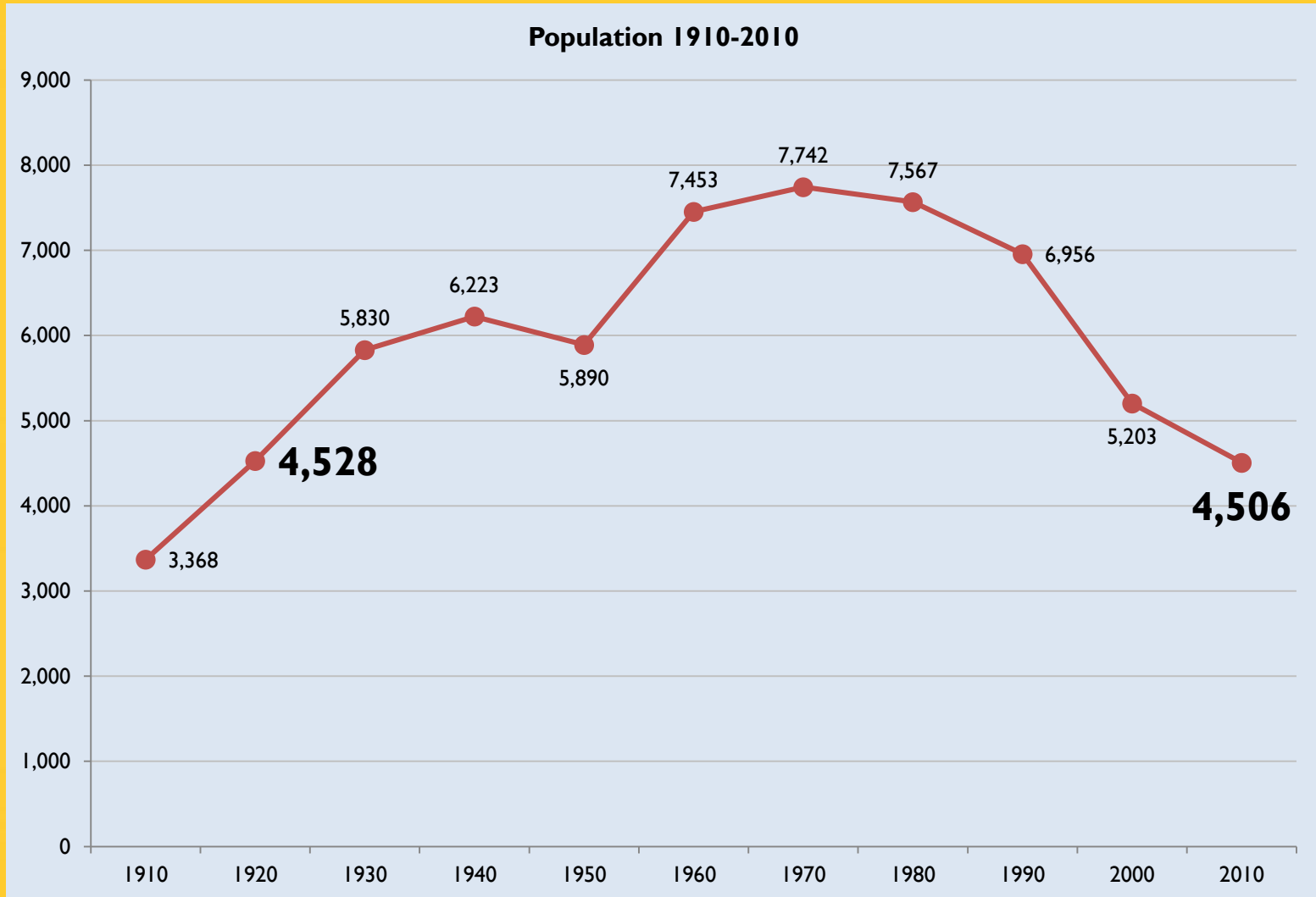
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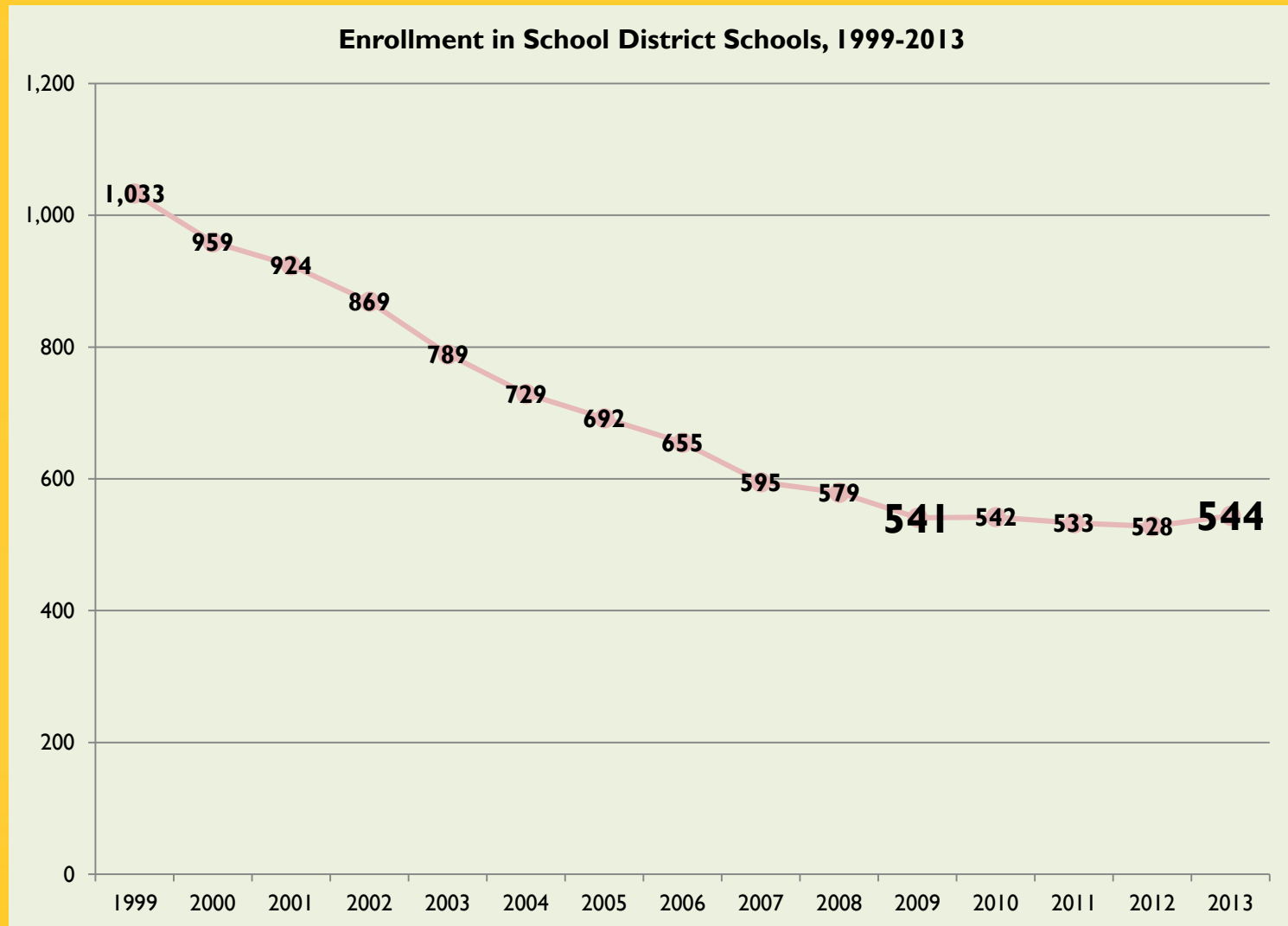
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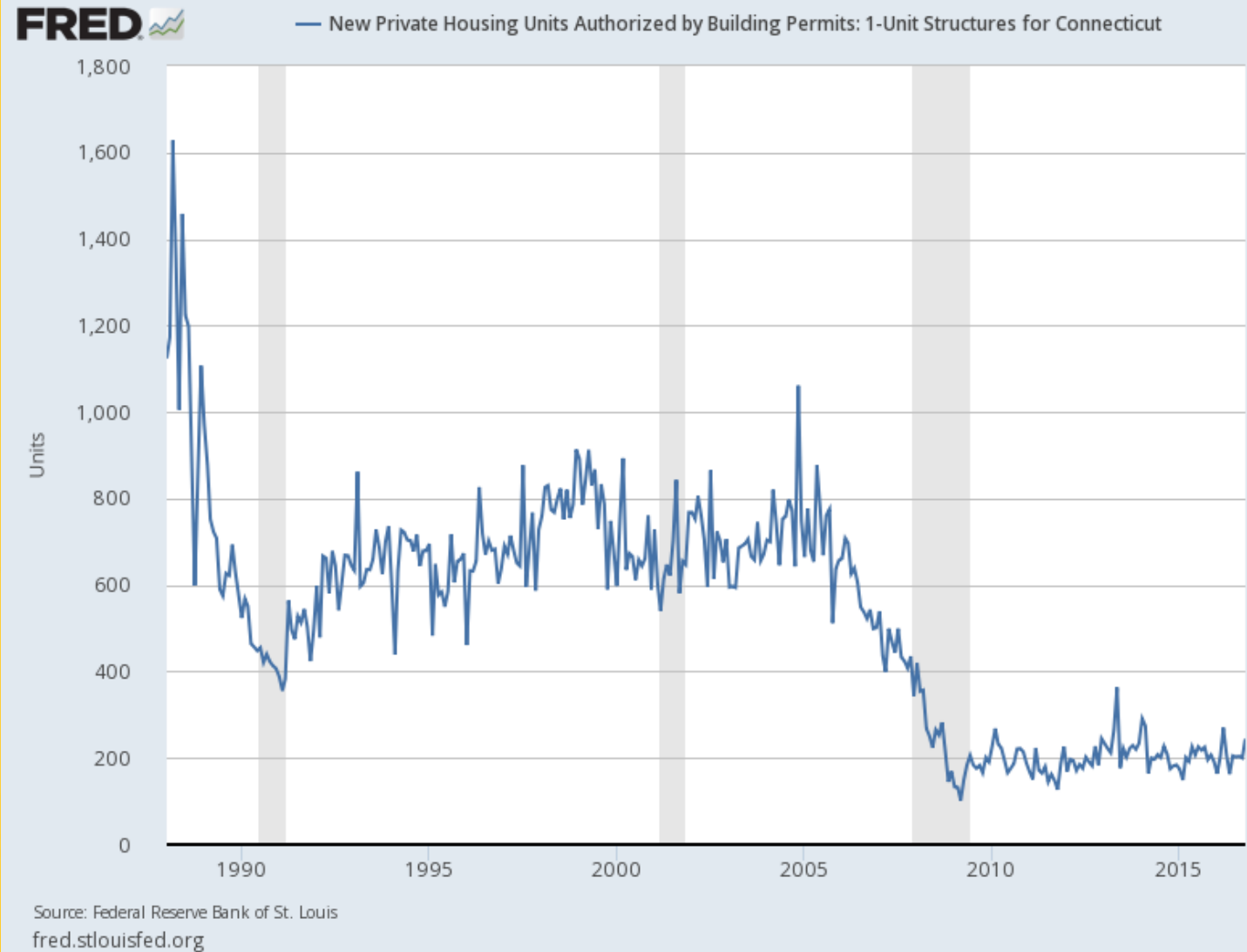
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School Enrollments and the Decline of Community

Your Town	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Per Pupil Expenditures	\$13,039	\$13,192	\$13,776	\$14,455	\$15,178	---	---	\$17,461
Total Enrollment	2,538	2,515	2,430	2,369	2,320	2,267	2,174	2,077
Enrollment Decline	---	-23	-85	-61	-49	-53	-93	-97
Neighboring Town								
Per Pupil Expenditures	\$13,303	\$14,132	\$14,937	\$15,571	\$15,878	---	---	---
Total Enrollment	2,890	2,829	2,711	2,642	2,572	2,552	2,528	---
Enrollment Decline	---	-61	-118	-69	-70	-20	-24	---
Any Town								
Per Pupil Expenditures	\$13,220	\$13,354	\$14,026	\$14,493	\$15,236	---	---	---
Total Enrollment	3,113	3,084	2,985	2,939	2,868	2,839	2,792	---
Enrollment Decline	---	-29	-99	-46	-71	-29	-47	---
State of Connecticut								
Total Enrollment	567,792	564,449	558,377	554,804	549,877	546,347	541,815	---
Enrollment Decline	---	-3,343	-6,072	-3,573	-4,927	-3,530	-4,532	---



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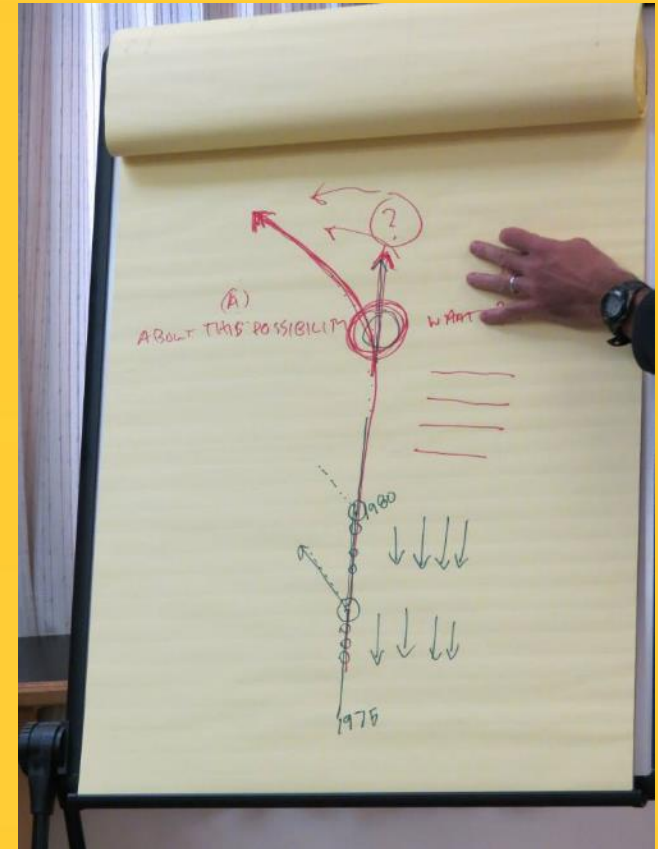
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The Challenge of Planning (simply) for Land Use

- Planning for optimal or ideal land use, often misses the connections to *social, cultural, and economic forces—market forces*. For example:
 - The desire for higher density and mixed use development may conflict with market (social, cultural, and economic forces) realities.
 - The desire to preserve open space may reduce the supply of land and raise the cost of land/housing.
 - The desire to reduce education cost (and misinterpreting education costs) associated with residential development may result in an aging population, stagnation, and decline. If we are not open to adding young families, how will we grow?

The Limits of Planning:

- Comprehensive plans often contain only objectives and strategies and little else.
- Sometime there are lists of inputs and outputs without clear objectives or outcomes.
- Most of the time desired outcomes, measures for improvement, and evaluations of impact are missing.
- Improvement can be measured only when impacts and results are compared to outcomes.





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Asking the ‘Right’ Questions

- What are the problems we are trying to solve?
- What are the desired outcomes?
- What strategies can we employ to move us toward our outcomes?
- What do we need to implement our strategies (capacity)?
- How will we implement strategies?
- How can we measure for improvement—movement toward the desired outcomes?
- Is what we are doing working—are we getting what we want?
- Do we need to adjust what we are doing?



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Understanding Land Value Signals

- The variations of values for land (and rents) carries a message that have to be interpreted:
 - Rising prices, in general, indicate *more demand than supply*
 - Falling prices, in general, indicate *supply is larger than demand*
- Although lower land values (and rent) might make housing more affordable to more households, falling prices are not always a positive sign. For instance:
 - If land values (and rents) are falling in a neighborhood (or town), it may have two possible meanings:
 - *Supply is catching up with demand* (positive signal)
 - *Demand is decreasing because of poor environment, poor quality of services, or loss of jobs and population* (negative signal).



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What Planning Should Do to Increase Chances of Successful Plan Implementation

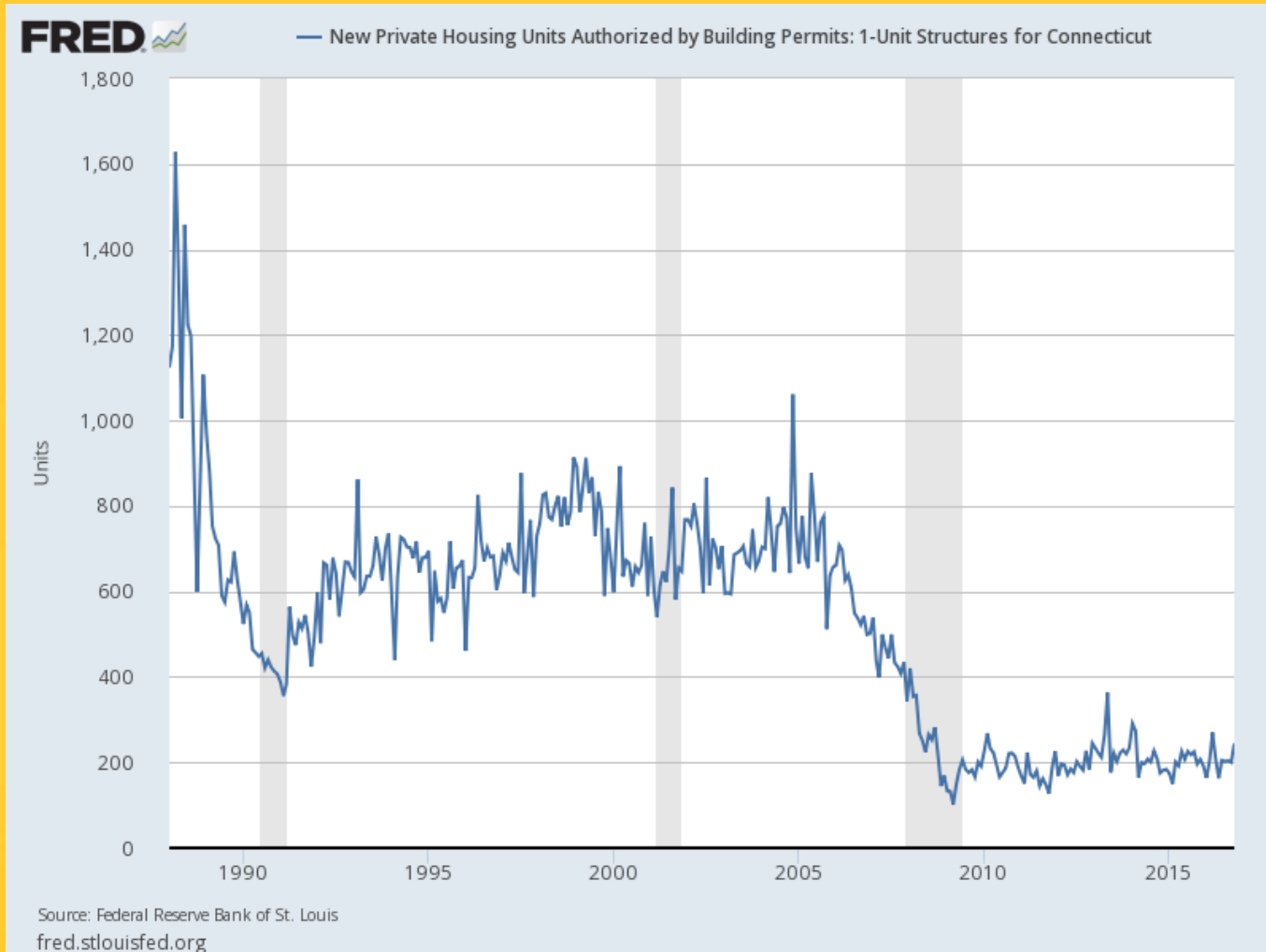
- Do not approach land use in isolation from *social, cultural, and economic forces—the market*.
- Monitor real estate markets and interpret property value signals.
- Plan scenarios, conduct cost benefits analysis, and use anticipated property values as a proxy for benefits.
- Investigate possible negative consequences of strategies, regulations, and infrastructure investments.
- Constantly monitor indicators like densities, number and location of building permits, traffic flows, land value and rents.

Measure for outcome—are the plans and strategies we are implementing moving us toward our desired outcomes?

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Is what we are doing getting us what we want?





Some Things to Know About Real Estate Development



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- **The Development Process**

1. Preliminary market research
2. Evaluating/establishing demand
3. Analysis of potential sites
4. Engineering feasibility
5. Financial feasibility (site commitment)
6. Design the development
- 7. Land Use/Development Permitting**
8. Financing
9. Construction
10. Occupancy/opening/operations
11. Property management





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- **Basic Economic Feasibility**

- What are the land costs?
- What are the construction costs?
- What are the market rents?
- Can market rents cover the cost of development and operation (typically assumed over seven years)?
- If costs (land & construction) exceed the returns (rents), the project will not get built.
- The same is true for redevelopment.
 - Why is investment not flowing into your community or town center or older shopping plaza or office park?

- **Estimating Market/Financial Feasibility**

- Land Cost = \$500,000
- Construction Costs = \$200/sq. ft.
- $\$200/\text{sf} \times 50,000\text{sq. ft.} = \$10,000,000$
- Total Cost = \$10,500,000
- Do market rents justify the investment?
- Market rents - \$25/sq. ft.
- $\$10,500,000 / 7 = \$1,500,000/\text{year}$
- $\$1,500,000 / 50,000 \text{ sq. ft.} = \$30/\text{sq. ft.}$
- Do market rents justify the investment?
- Answer: NO!



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Planning for Economic Development

The Economic ‘Cost’ of Permitting

- Permitting fees are intended to cover the real costs of permitting (review and inspections). They are not intended to be a source of profits.
- High fees can be a barrier to investment.
 - NY Case: \$60M development & \$4.2M permitting & user fees (7%).
 - Building permit fees alone = \$400,000 or equal to four building inspectors earning \$75K + \$25K in benefits or 8,000 hours of time.
 - 15% ROI is \$9M – permit fees 46.6% of ROI. Applicant is applying for tax-abatement.
 - CT Case: 40-unit M-F development and \$70,000 building permit.
 - \$70K equals 1,400 staff hours.
 - The zoning permit is an additional \$30,000 or *600 staff hours*.



The Land Use Approvals & Permitting Process





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Planning for Economic Development

Effective Permitting

- How do we ensure that the regulatory and permitting process protects public health, safety, and welfare and encourages investment in our community?
- We start by understanding what investors and applicants expect from the land use approval process.
 - *“The Development Review Process: A Means to a Noble and Greater End”* by James van Hemert, AICP identifies a list of what applicants want:
 1. Predictability
 2. Fair Treatment
 3. Accurate and Accessible Information
 4. Timely Process
 5. Reasonable and Fair Costs
 6. Competent Staff
 7. Elegant Regulations



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Planning for Economic Development

What Applicants/Investors Want:

1. Predictability

- Clear expectations, no surprises
- *Clear process and decision points*

2. Fair Treatment

- Rules are the same for everyone
- No “good” or “bad” developers—offer trust and be trustworthy

3. Accurate and Accessible Information

- Easy to find and understand
- *Clear application requirements and standards*

4. Timely Process

- Establish early tentative dates for hearings
- Guaranteed review turn-around times
- Published commission and council meeting dates

5. Reasonable and Fair Costs

- *Application fees*
- Development commitments
- *Impact and user fees*

6. Competent Staff

- Staff team should have a balance of “hard” technical skills and “soft” people skills

7. Elegant Regulations

- That fit
- That are easy to navigate
- That are rational
- The most desired outcomes are easy to meet



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Dr. Poland is an urban geographer, planner, and community strategist whose work focuses on assisting communities to compete for wealth and investment (socio-economic prosperity) through strategic interventions that build community confidence, foster pride in place, create predictability in market, and grow demand.

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