

Corporate Partner Spotlight

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Emerging Suburban Development Issues

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There are signs of economic recovery and, while the housing market remains challenged, a number of issues are emerging as communities try to take advantage of the improved economy, demographic changes and evolving Federal policy. In this article, we will touch on four primary issues:

Redevelopment of Obsolete Shopping Centers.

We are working with several clients to try to redevelop aged, obsolete shopping centers with high levels of vacancy, low tenant sales performance, and low rents. These centers need to be repositioned/reconceptualized to meet today's retailer and consumer preferences. In some cases, these centers have been passed by; in others, they are still good locations but need major reinvention. In all cases, municipalities are being asked to step up in unexpected ways using Tax Increment Financing (TIF), Business Districts, Special Service Areas (SSAs), and Sales Tax Sharing. Need for public assistance is being driven by many factors including demolition costs, rehabilitation costs, higher stormwater standards and competitive market factors. One key difference from the past: Due to tenant need for certainty of delivery, developers are seeking municipal assistance commitments before they have tenants in hand. In other cases, developers may need deal assurance before they close on a property. Localities need to become an earlier participant to make these projects happen – an uncomfortable but now necessary change in position.

Meeting Diverse Housing Needs of Seniors.

As the suburban pioneers of the 1960s and 70s age, communities face new needs for specialized housing and facilities. The senior market is diverse with regard to ability to pay and types of housing desired. Most seniors seek to stay in their traditional residence as long as possible, with some initial downsizing to condominiums or apartments. Services may be needed to keep these seniors in the community. A subset of seniors choose or need a variety of other housing types (the demand for which can be quantified by doing a senior housing market segmentation study). These include senior apartments (no services) and independent living units with some services such as meals, assisted living, dementia care and nursing care. Evaluating the needs in the community and formulating plans to accommodate the variety of housing for the aging demographic can be a win-win. This type of planning would retain longtime residents while opening up housing to a younger population with resources to invest in keeping the community vital.

Increased Local Funding of Transportation Infrastructure.

In the past few years, federal policy and practice on funding transit and roadway infrastructure have shifted to require a higher share of local funds for projects. As you look around the country, transit is increasingly being funded by locally imposed taxes and value capture techniques that raise 40% to 60% of the cost. Regions with "legacy" systems like Chicago tend to believe that the old 80/20 formula will return. Newly developing regions are taxing themselves for transit (e.g., Los Angeles, Oklahoma City, Phoenix, Denver) which increases their competitiveness for New Starts funds at the national level. In our region, the communities

along the proposed Elgin-O'Hare West Bypass were presented with a variety of "Value Capture" tools as part of the Governor's Task Force deliberations. While none have been accepted to date, various options for increasing local share included a form of Special Service Area, TIF, Transit Districts, and Business Districts with additional hotel and sales taxes, among others. Most would require legislative amendments, except for use around transit stations in a single jurisdiction, so there will be much debate before anything happens. But as we look at the national scene and competition for federal funds, we believe localities and the region will have to come up with a larger share to see transportation projects get completed.

Redevelopment of Older Industrial Areas.

Many inner-ring suburbs and cities face extensive need to redevelop older industrial areas. In some cases, stormwater detention is not just required because of current code, but also because of unacceptability to end users. Streets and loading access are inadequate, often forcing trucks into the right-of-way or resulting in awkward turning movements. Buildings have often become obsolete as to size, configuration or height. Adjacent properties cannot expand. These issues will result in increasing need to use TIF and SSAs to underwrite the costs of improvements. In some cases, there may be land use transitions to other, more intense uses such as commercial office or hotels, but in others there may be redevelopment to maintain industrial functionality.

As the economy continues to recover, we expect these four issues to increasingly be part of the municipal agenda. All four have good solutions if the public sector, residents, businesses and the development community work together to take advantage of opportunities and move the community forward.



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