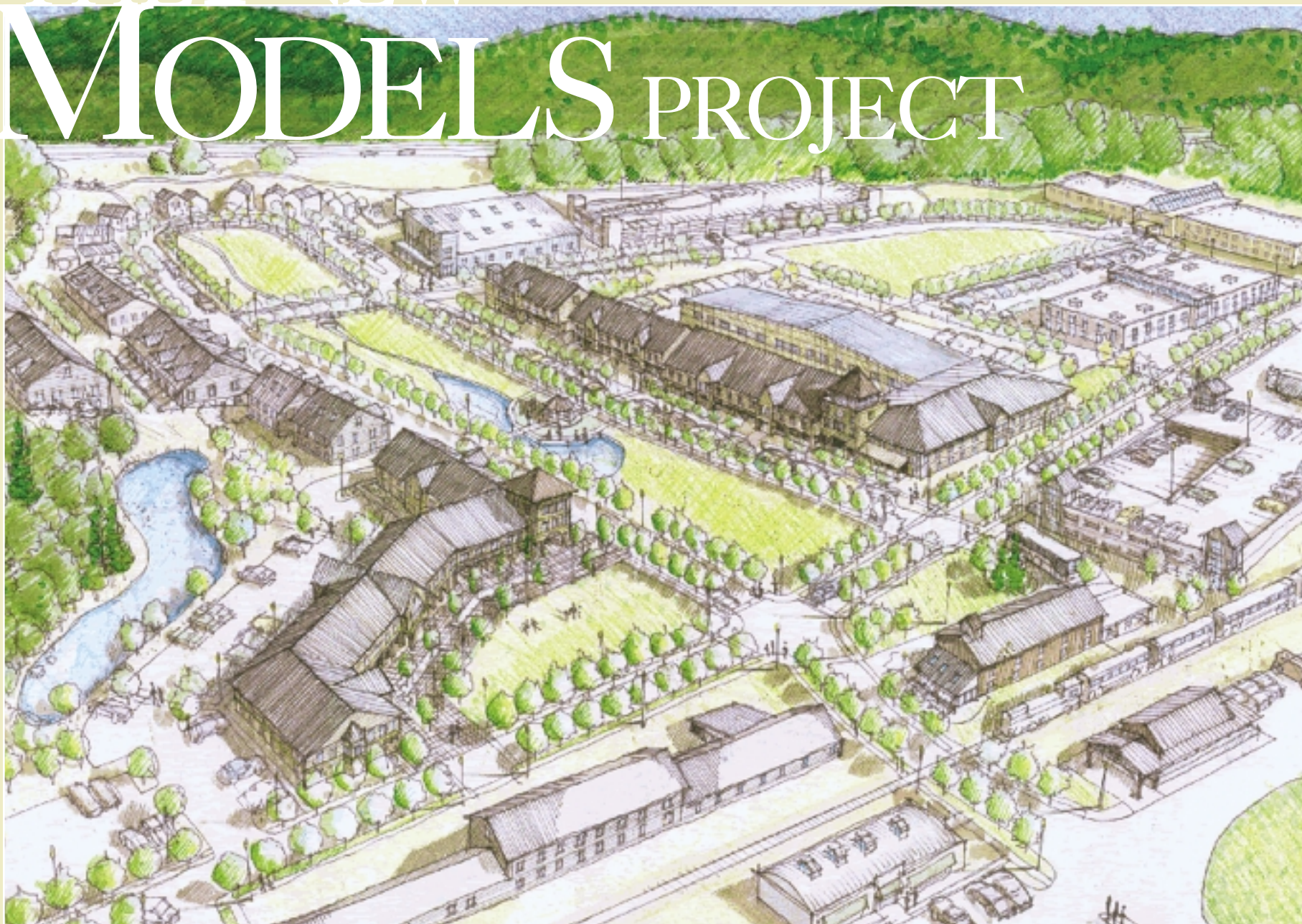


THE NEW MODELS PROJECT

The report of a partnership project for achieving smart growth in commercial and industrial development.



THE NEW MODELS PROJECT

This project is a partnership between the Vermont Forum on Sprawl and the Vermont Business Roundtable.

The Vermont Business Roundtable, created in 1987 as a non-profit, public interest organization, is comprised of 108 CEOs of Vermont's most active and committed businesses and employers representing, in the aggregate, more than half of the private sector employees in the state of Vermont. The VBR has dedicated itself to thoughtful, deliberative, and well-documented analyses of significant public policy issues affecting all Vermonters, ranging from education, economic health, environmental quality, health care policy, and technology.

The Vermont Forum on Sprawl was founded in 1998 to preserve Vermont's unique working landscape and quality of life while encouraging economic vitality in community centers. VFOS implements solutions and sustains citizen involvement on smart growth by facilitating coalitions, spearheading legislation, providing smart growth training to communities and others and creating educational materials.

The Vermont Business Roundtable and the Vermont Forum on Sprawl acknowledge the generous financial support for this project by: the US Environmental Protection Agency, Region I, the Lintilhac Foundation, the Freeman Foundation and the Vermont Business Roundtable.

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On the cover: Bird's eye view of Waterbury Model.

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THE NEW MODELS PROJECT

FOR COMMERCIAL AND INDUSTRIAL DEVELOPMENT

The New Models Project for Commercial and Industrial Development is a collaborative effort of the Vermont Forum on Sprawl and the Vermont Business Roundtable, working as partners and assisted by many professional community members volunteering their time and expertise. The partners undertook this project in 1999 because they recognized a commonly shared set of values around enhancing economic opportunity in a manner that values Vermont's quality of life, including preservation of the environment.

Both the Vermont Business Roundtable and Vermont Forum on Sprawl have been intent on providing tangible, practical results that can be applied in a real world context. While this project deals specifically with commercial and industrial development, we believe that the same overarching principles can also be applied successfully to housing and municipal development projects.

Overall, the project has had two purposes:

- To develop effective new models for commercial and industrial development that reinforce Vermont's policy favoring growth within compact settlements, separated by rural countryside; and
- To recommend ways that these models can be implemented through policy changes, including land use laws and regulations, development and infrastructure planning, funding and financing mechanisms, and public education programs, along with better planning and incentives.

The Need

We began the New Models Project with the shared observation that the public policy objectives of a strong economy and “smart” commercial and industrial development decisions are not mutually exclusive. They are common goals that can be achieved through proper planning, regulatory processes that encourage and reward good choices, and private market decisions and finance mechanisms that appropriately recognize and apportion the public and private costs and benefits of commercial and industrial development.

When we looked at the recent Vermont experience, we observed that new industrial and commercial developments are often sited on large isolated parcels of land some distance from the community center. Once these businesses are in place, their employees must not only drive to work; often they must use their cars at lunchtime as well, to run errands and catch a bite to eat. This has been a national pattern of commercial development.

A premise of the New Models Project was that while the causes of these trends are multi-faceted, this national pattern of commercial development could have adverse effects in Vermont. In some cases, as businesses migrate out from community centers, people of low and moderate income are left behind, with fewer nearby job opportunities and services. Other effects that have been observed are that these patterns can waste land, create

or worsen environmental problems, and fragment natural resources. They may also weaken community centers by sapping their economic base and social vitality. In Vermont, commercial development that is spread out along highways and into rural areas can be out of character with our traditional settlement patterns of compact town and village centers among open, rural countryside.

For many reasons, the time was ripe for undertaking this New Models Project. Vermont businesses have shown a growing interest in rethinking where they locate and how they develop. Officials at the state Agency of Commerce and Community Development say Vermont’s industrial parks are beginning to fill up, and it is time to think about other spaces.

Our research also tells us that many Vermont business people and developers would like to conduct their work in ways that do not contribute to sprawl. Nevertheless, market forces, local planning requirements, and complex permitting processes have driven development to outlying “greenfield” sites. In addition, high land costs, difficulty in aggregating developable properties, and practices of lending institutions can make development in downtowns more problematic. The availability of public infrastructure is another factor influencing development location.

Vermonters support economic development in downtowns, village centers, and new growth centers. In the 2002 Vermonter Poll by UVM’s Center for Rural Studies, 86% of respondents agreed that redevelopment of vacant properties in urban and village centers should be encouraged over new buildings in outlying areas.

The New Models collaborative believes that the economically viable commercial and industrial development is achievable in existing and planned communities and growth centers. But, we asked ourselves, HOW is it achievable in Vermont?



The Pine Street Enterprise Zone in Burlington

The Principles of Smart Growth

To guide the New Models Project through to its conclusion, the Steering Committee developed a definition of smart growth, embraced the concept of growth centers, and established smart growth principles that would guide the project.

The Principles of Smart Growth

1. Uses land efficiently.
2. Through planning and design, meets the needs of the people it will serve, and is economically viable.
3. Uses existing infrastructure to the fullest extent.
4. Is connected with other development, and/or integrated into existing and planned growth centers.
5. Reuses existing structures to the fullest extent, and does so creatively.
6. Promotes mixed uses, including existing or new workforce housing in or near the proposed development.
7. Represents good design that integrates into the community, respecting community desires and fitting in terms of scale, aesthetic qualities, and character of surroundings.
8. Recognizes the importance to Vermont of environmental quality.
9. Enables alternative forms of transportation, minimizes vehicle trips, shares parking with other businesses and uses, and minimizes curb cuts.

The Concept of Growth Centers

The concept of growth centers is well-established in Vermont law and public policy. Since the 1960s, Vermonters have been encouraged to plan development in compact settlements separated by a rural landscape. This planning principle has been reinforced by Act 250 (1970 and 1973), the Governor's Commission on the Future of Vermont: Guidelines for Growth (1988),

Act 200 – the State Growth Management Law (1988), and numerous other policies.

According to the Vermont Agency of Commerce and Community Development and the Agency of Natural Resources, a growth center is “an area designated by a community in its municipal plan and/or designated by a regional planning commission in its regional plan to accommodate a significant amount of growth anticipated by a community over the next 20 years. A growth center replicates traditional growth center patterns already present within historic communities and contains a mixture of uses that may include commercial, business, civic, residential (including affordable housing), and recreational activity. Industrial uses may also be appropriate in densely settled, compact areas. Growth centers may include public spaces that promote social interaction, as well as distinct organization around central places or focal points. Development density within the growth center is far greater than the rest of the community, resulting in compact, concentrated areas of development that facilitate pedestrian use and alternative transportation uses.”



The current conditions at the New Models case study site in Bennington.

The Process

The New Models Project was carried out by the Vermont Forum on Sprawl and the Vermont Business Roundtable with guidance from a volunteer Steering Committee, whose members brought a diversity of informed viewpoints and working expertise.

STEERING COMMITTEE:

Staige Davis, president and CEO of Lang Associates, a Vermont residential and commercial real estate firm

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Here are the steps the project has completed in pursuit of its goals:

1. **Assemble a Technical Advisory Committee.** Chaired by Bill Truex of Truex, Cullins & Partners, Architects, this committee's membership included then-Commissioner of Economic Development Chris D'Elia, Pennie Beach of the Basin Harbor Club, Staige Davis of Lang Associates, Wayne Fawbush of the Sustainable Jobs Fund, Phil Harter of Vermont Law School, Karen Horn of the Vermont League of Cities and Towns, Mark Neagley of Neagley and Chase Construction Company, Mark Sinclair of the Conservation Law Foundation, Julie Taylor of Pizzagali Construction, Harvey Yorke of Southwestern

Vermont Health Care, and Michael Zahner of the Vermont Environmental Board.

- 2. Review design issues.** Participants identified both the practical issues that can come up in implementing smart growth, and ways to measure implementation and its costs and benefits. Project staff researched the site requirements of businesses – industries, offices, resorts, and retailers – that might invest in new or redeveloped Vermont facilities, along with the market for new development models that reflect smart growth principles.
- 3. Research models.** The project identified models that reflect smart growth, from Vermont and around the nation – models both of physical development and of permitting processes.
- 4. Identify obstacles and opportunities.** Challenges to smart growth include the ways that businesses have been thinking about development; local zoning provisions that prevent mixed uses and compact development; state planning, regulatory, and permitting processes that discourage capital investment and innovative development; and the emphasis that economic development specialists often place on single-use projects in open spaces. Also, sites in traditional centers and urban areas often have constraints. They may be undersized, have hazardous waste problems, lack parking space, and/or have poor access. Participants in the project met with experts in all these areas, to better understand the issues and make recommendations.
- 5. Develop plans for three case study sites, including graphic models and financial analyses.** As illustrated on pages 8-12, those include manufacturing/office growth adjacent to a village; shopping center redevelopment; and a downtown revitalization site.
- 6. Develop an implementation program.** To address as many of the identified obstacles as possible, participants developed recommendations for local and state planning and permitting, along with incentives to achieve the models.
- 7. Convene a roundtable.** This professionally facilitated, daylong discussion on the smart growth principles, the design of new models, and implementation issues brought together Vermonters from business, industry, and state government, along with developers, realtors, local officials, and planners. The day generated new recommendations for further action.
- 8. Produce this report.** Presenting the project's smart growth guidelines, models, and recommendations, this report is being distributed to a diversity of key Vermonters, and is being posted on the Web site of both the Vermont Forum on Sprawl and the Vermont Business Roundtable.
- 9. Develop a training program.** This education program will promote the New Models around Vermont with state agencies, regional planning commissions, and regional development corporations.

Challenges and Opportunities

As it began its work, the Technical Advisory Committee came to grips with eight important challenges facing the New Models effort, along with five key opportunities. Here is a briefing:

Challenges

- 1. Costs:** Smart growth projects need to provide a competitive return, yet costs for projects sited downtown or in “brownfields” are often higher than for those in outlying areas. Budgets may have to factor in relatively high expenses for financing, permitting, codes, land prices, public infrastructure deficits, uncertainties, and construction.
- 2. Financing:** It's important to find ways to make smart growth projects more attractive for private investment. Successful Vermont initiatives have so far often relied on public funding; sources have included Vermont Housing and Conservation Board and Community Development Block grants, tax credits, the Downtown Program, and the Vermont Economic Development Authority.
- 3. Land:** Assembling land for a project in locations such as downtowns and historic growth centers can be more difficult, and costs higher per square foot, than in outlying locations. The supply of land available for imaginative new projects can also be restricted by absentee ownership, and by owner attitudes toward building improvements in older, downtown, and industrial areas.
- 4. Regulations:** These can have a number of impacts. Municipal plans may encourage smart growth, but local regulations often do not conform. Some regulations don't permit higher-density or taller projects, or those with greater site coverage. Cumbersome and vague regulations can delay the permitting process. And there are often conflicts among various types of regulations: local, state, and federal. Within targeted growth centers,

environmental issues, such as hazardous materials and storm water, can complicate infill development – as can other regulations, such as those for transportation, parking, and air and water quality.

5. Codes: Efforts to renovate certain buildings can be impeded by codes implementing the Americans with Disabilities Act and life safety requirements. While the Vermont Department of Labor and Industry has recently taken steps to facilitate code compliance for new construction in existing buildings, there are more steps that can be taken.

6. Design: There is a shortage of creative designs for integrating commercial and industrial development into Vermont community centers. Businesses' own design requirements can conflict with such smart growth principles as mixed-use, multi-story buildings, and minimum necessary parking. Also, both neighbors and municipal officials can be less than receptive to alternative designs.

7. Market: Even though mixed-use development is Vermont's traditional pattern, it is unclear what its market is in the state today. There is actually less of this sort of activity in Vermont at present than in many other parts of the country; and the attractions to outlying development, such as regulatory and financial incentives, remain strong here.

8. Infrastructure: Essential utilities are already available in most settled areas, and they often are planned for new growth centers; yet they may require upgrading or expansion for smart growth projects. Transportation access is critical for most businesses, and these needs must also be factored in, along with local and regional plans that promote alternative transportation modes.

Opportunities

1. State and regional incentives:

- Technical assistance is available from Vt. Agency of Commerce & Community Development, regional economic development groups, and regional planning commissions.

4 Smart Growth Examples

- Financial incentives can include Vermont Economic Progress Council (VEPC) tax credits that encourage downtown locations; low-interest loan programs, Designated Downtown and Designated Villages Programs tax credits, the Downtown Transportation Fund, the Vermont Sustainable Jobs Fund, the Community Development Block Grant program, and the Vermont Housing and Conservation Trust Fund.
- The state targets some funds to downtowns, villages, and growth centers, such as sewer grants and municipal planning grants.
- Act 250 permit incentives for mixed-income and mixed-use housing in Designated Downtowns.

2. Potential state and federal incentives:

- Vermont Economic Progress Council incentives may be expanded to encourage mixed use.
- Revisions to the local and state permitting processes are being widely debated, and will undoubtedly undergo changes in the next year.
- Policies may be revised on access management and interstate interchanges.
- Accelerated depreciation may become available for smart growth projects.

3. Municipal interest and training:

- New publications and trainings on smart growth encourage better planning and regulation.
- Municipalities are asking for assistance on smart growth ideas.
- Smart growth principles and ideas are being incorporated into regional plans, local plans and ordinances.

4. Changing market:

- Business interest is growing in smart growth locations and designs.
- Interest is also growing among community residents in downtown and village-center housing locations.
- Demographic changes, including the size of households and the aging population, could lead to more demand for smart growth housing.
- Technology is making it possible for more and more people to work at home.
- Vermont is perceived as a good place to live, with a high quality of life.
- Models of smart growth in commercial and industrial development are coming into prominence nationally. Vermont's traditional settlement patterns still offer a powerful model.

5. Collaboration:

- Among those interested in development, there is a growing interest in collaboration instead of confrontation. More diverse partnerships are forming to tackle issues.

Examples from Vermont and Around the Nation

As part of our research, the New Models Project collected notable examples of commercial and industrial projects from around the country that reflect and incorporate smart growth principles and illustrate some of the challenges and opportunities that these projects present. This section briefly portrays a selection of these, in three groupings:

- Downtown and Village Centers,
- Older Industrial Areas Contiguous to Downtowns and Village Centers, and
- New Growth Centers.

Downtown and Village Centers

Lantman's IGA, Hinesburg, VT

Built in the 1860s and converted in the 1930s from a hotel to a general store, this village market was doubled in size 10 years ago, from 8,000 to

16,000 square feet. The owner bought the house next door to add parking, relocated the store entrance, and changed the directional flow to share their entrance with an adjacent animal hospital.

"Retail needs visibility – and we have a good location downtown," said owner Brian Busier.



Lantman's IGA, Hinesburg, VT

Mascoma Savings Bank, Windsor, VT

Having redeveloped two adjoining historic properties, the bank will use part of the space and lease the rest for professional offices.

The town was very supportive of the project, but financial and construction issues complicated it. The

Mascoma Savings Bank, Windsor, VT



bank did not receive the historic preservation tax credits on which it had counted; underground tanks were discovered; and poor conditions

made the historic buildings difficult to work with.

Yet the project was completed and was widely regarded by the community as a contribution to the village. “We believe in downtowns as a location for success,” said bank president Steve Christy.

East End, Boulder, CO

This four-building mixed-use project centered on a landmark renovated Victorian commercial building. Mixed-use zoning was already in place, and mixed-use projects receive reductions in city parking requirements.

Completed in 1996, with about 8,000 square feet of commercial space and eight residential units, both market-rate and affordable, the project became a catalyst for other mixed-use infill initiatives in the area.

“There is so little ‘product’ of this type that there is a great demand – and therefore a great return,” said Pete Weber of Coburn Development, which carried out the project.

Older Industrial Areas Contiguous to Downtowns and Village Centers

Howe Center, Rutland, VT

A former manufacturing site on the outer edge of the city’s historic downtown, the Howe Center was redeveloped by a private owner after the city first tried and failed.

Challenges to the project included two and a half years of permit hearings with various local and



Howe Center, Rutland, VT

state agencies; the presence of asbestos and underground gas, which made this a Superfund site; and the absence at the time of a lending protocol for mixed-use development.

After persevering and finally succeeding, owner/developer Joe Giancola asked: “Should downtown and former industrial sites be subject to a different Act 250 process than greenfields?”

Pine Street/Flynn Avenue District, Burlington, VT 208 Flynn Avenue

Having served various manufacturing and industrial uses over the years, this redeveloped site is currently almost 100% occupied, with about 16 tenants and a range of

uses – from retail to services to offices to artists’ studios. Bought by Farrington Construction for \$1.4 million, with financing from Chittenden Bank, the building was renovated for \$1.7 million, with exposed brick and hardwood floors and added skylights. Tenants could choose from “modern/conventional” and “refurbished” spaces – and the 65,000 square-foot site was so attractive, no marketing was needed.

“Purchasing an environmentally clean site was helpful,” noted owner Dave Farrington.

Howard Space, 400-520 Pine Street and 2-20 Howard Street

This complex was originally a manufacturing facility, with portions built in the 1870s. Purchased when empty in the 1960s and turned into an incubator in the 70s, the site has been renovated and upgraded over time, allowing for comparatively lower rents. With five buildings, 71,000 square feet, and 57 tenants, the complex is at 99 percent occupancy.



208 Flynn Avenue, Burlington, VT

This was the area’s first model of a business incubator, and though it has succeeded – Champlain Chocolates, Conant Custom Brass, and Mountain Air are among its “alumni” – selling the idea was initially difficult. Parking and traffic issues continue; but, said owner/founder Ray Unsworth, “I would say that this has been successful.”

Belmont Dairy, Portland, OR

“The Belmont Dairy established a new precedent for inner-city redevelopment in Portland,” says the *Community Building Sourcebook*. The 133,000 square-foot retail and mixed-



Belmont Dairy, Portland, OR

income residential project was created on the brownfield site of an abandoned 70-year-old dairy. Construction incorporated energy efficiency and “green design,” reusing part of the old dairy and townhouses built on a former parking platform.

Funding for the transit-friendly site came from a number of private and public sources, including city and state programs.

Anchor Mill, Huntersville, NC

This abandoned, 80,000 square-foot mill will be redeveloped as a mixed-use site with office, residential, and city uses on a planned transit line next to Vermillion, a new “traditional neighborhood development.” Politics have been a challenge, with some wrangling over the price of the town-owned building, and a local election that stalled the effort in mid-process.

The project has adapted to limited road access, with developers planning major retail for other sections of Vermillion. Though developer Nate Bowman no longer has troubled financing mixed-use projects, he chooses to use smaller, local banks. On building support for projects like this, Bowman said, “You need to educate – that’s the single best thing you can do. Pick up a copy of *Suburban Nation* and read.”

New Growth Centers

Essex Town Center, Essex, VT

This mixed-use project has first-floor retail and commercial, with a consistent waiting list for its second-floor housing. Challenges to its development included a wet-meadow designation that led to a long permitting process with the Army Corps of Engineers, and the need to change local zoning to mixed-use and incorporate design controls.

Developers also found it difficult to finance a mixed-use project, as the demands for retail and



Essex Town Center, Essex, VT

residential are not always parallel. The project raised the question: Should every town center or new growth center project be mixed-use, or should the goal be a mix overall?

Berlin Town Center, Berlin, VT

“We want a place for people to live, work, and play,” said Tom Willard, chair of Berlin’s Planning Commission. “We’re trying to make win-win situations to achieve this.”

Local participation created a “Citizen’s Vision of Berlin,” and this development concept follows on that. The plan is for a new town center near Berlin Four Corners, with civic buildings, clustered housing, a town green, new roads, and small-scale commercial and professional offices. Up to 120,000 square feet of commercial space are envisioned.

Constraints and issues include wetlands, a lack of infrastructure, a need to change local zoning or create new “Town Center District” zoning, the presence of an interstate interchange, and the lack of a full-time town administrator.



Mashpee Commons, Cape Cod, MA

Mashpee Commons, Cape Cod, MA

This site of a traditional 70,000 square foot shopping center surrounded by acres of parking has been transformed into a lively mixed use of downtown with over 275,000 square feet of retail and office space, restaurants, theater, post office, apartments and

more. Within walking distance is a residential area with a church and a library.

This project has been developed over the past 12 years using principles of the New Urbanism. Traditional lenders financed the project through five different loans. The project has achieved some of the highest rents in the area and tenants’ sales are excellent. The developers worked with the community to change the local bylaws to enable the project to go forward.

Washington Town Center, Washington Township, NJ

Located in a historic, traditional town center, the proposed 400-acre project has been sited where infrastructure already exists, and will have 250,000 square feet of retail and office space.

“We are working as partners with the developers,” said Bob Melvin, township planning director. The land is privately owned, but the township has led the planning process, used an RFP process to select the developer, and been a leader in obtaining permits. Issues include the existence of wetlands, the need to negotiate with the state for permits, 20-25 current property owners, and the need for the right local leadership to see the project through to success.

The “New Models” Case Studies

To embrace real challenges and possibilities on the ground in Vermont, the New Models project carried out design workshops on three noteworthy Vermont sites: one adjacent to the village center in Waterbury, the second an aged shopping-center plaza in South Burlington, and the third within Bennington’s historic town center.

Participating together in the workshops were project consultants and other members of the project team, local officials, and community residents. Each workshop led to the development of one or two detailed preliminary designs for each envisioned site. These designs and many more details are shown on the pages that follow.

But first, here are capsule descriptions of the project sites, and of preliminary analyses that looked at financial feasibility and zoning compliance.

Brief Site Descriptions

Waterbury

Known as Pilgrim Park, this site of 40-plus acres is visible from Routes 2 and 100 entering the town center from the south, just beyond a park and the local passenger rail depot. It includes four parcels that have been acquired by a local partnership over time. Significant utility infrastructure has already been installed to support current commercial/industrial uses, including the production facilities for Green Mountain Coffee Roasters.

The build out scenario prepared for this site envisions 600,000 square feet devoted to a range of uses: 220,000 s.f. of industrial space, 228,000 s.f. of office space, 67 housing units in a range of types, community uses to include a childcare center and a recreation facility, and a small amount of retail, including a drive-through bank office. The property owners, local officials and citizens helped with the design.

Aerial view of the Waterbury site.



Aerial view of the South Burlington site.



Aerial view of the Bennington site.



South Burlington

This aged shopping plaza just off the west side of Shelburne Road (Route 7) currently has K-Mart as its only active tenant, with much space unoccupied and a substantially depreciated building.

The project prepared two buildout scenarios. Both assume that the current building would be demolished, the site would be reconfigured, parking would be added both in a structure and below grade, and a new road would be built to link with a north-south street currently running from a new apartment complex to a new retail shopping area (with Hannaford's and Lowe's). Both schemes also offer some protection to a riparian area at the rear of the property, and good links to public transit.

Scheme A envisions an 80,000 s.f. "big box" retail building, with an office tower above it, along with several mixed-use buildings that would have retail and service space on ground level and 77 residential apartments above.

Scheme B calls for a 312,000 s.f. buildout, with a hotel and conference facility along with several mixed-use buildings that would house offices, retail space, and 84 residential apartments.

Bennington

In the heart of Bennington's downtown, this site includes seven buildings, including the historic Putnam Hotel, and 6.45 acres at the southwest corner of the routes 7 & 9 intersection. Several of the structures are listed on the National Register of Historic Places; overall, the site houses a number of businesses and some office space, with several current vacancies. None of the upper floors are fully accessible, and building conditions range from good to deteriorated.

With the help of town residents, officials, and the owner's representative, the consultants designed two scenarios for this site. Both assume that some non-historic buildings would be demolished, the lumber and hardware business now on site would be relocated, and the site would be reconfigured, with combined on-street and structured parking added. Each scheme would provide up to about 170,000 s.f. in total built space.

Scheme A assumes restoration of the Putnam Hotel as a 90-room hotel and conference center, construction of 20 townhouses along the property's southern edge, a gateway park and visitor center at the western edge, and a mixed-use, multistory anchor building on the northwest corner, with its ground-floor space suitable for a downtown market and 76 apartments above.

Scheme B would adapt the Putnam Hotel for a mix of retail, office, and residential uses; install a recreation center and performance space in existing industrial buildings; increase the number of townhouses to 36; and put up a new building for retail, office, and apartments at the northwest corner.

Financial Feasibility

The consultant team that developed these designs, Renaissance Development Company and William Maclay Architects and Planners, carried out only a preliminary assessment of financial feasibility. Preparing a full feasibility report would require new research on market demand, finance, regulatory compliance, infrastructure capacity, and construction cost estimating. The project partners believe, however, that this preliminary estimate is sufficient to illustrate the basic fiscal issues that would likely face each project.¹

The financial analysis of each development model includes three components: a buildout analysis, a development budget including the cost for each particular use, and an operating and investment analysis, showing the likely operating income and expenses from each particular use, along with proceeds from sales of components and the ability to raise private-sector debt and equity capital.

¹ The Financial Feasibility Worksheets are available as a separate document from the Vermont Forum on Sprawl and Vermont Business Roundtable.

The assumptions employed are:

- Acquisition prices for properties are close to the current owners' target prices, and typical percentages apply for construction and other development costs. These assumptions do not include factors or conditions that may be unique to a site or a project.
- Operating analyses assume current market rates for commercial and residential rentals, and operating expenses are based on a combination of current actual expenses and standard underwriting assumptions for commercial real estate financing.
- The investment analysis is basic and assumes the fixed-rate commercial financing is available based on a debt coverage ratio of 1.25. Equity investment is derived from a cap rate of 15 percent on the net operating income (NOI). No assumptions were performed on mezzanine financing structures, debt-to-equity ratio requirements, or public subsidies for capital and operating costs.

For each model, preliminary analysis shows that assumed development costs would exceed assumed funding sources. To identify strategies for closing that gap, the team next assessed all project components – including ways to reduce development costs, opportunities to increase net operating income, and seeking below-market-rate sources of financing.

For these models, the consultants found that some reductions in acquisition costs would likely be needed, and further refining parking requirements might help reduce parking costs. They also note that total development costs will likely rise over time.

Also, each analysis assumes that all development would occur at one time, when in reality the projects, if implemented, would more likely take a phased approach that would involve the financing measures best suited to each specific piece.

Specific financing options, including those from public programs, would also likely be available, and would reduce costs and enhance the feasibility for each model. These options could include tax credits for reuse of historic buildings, long-term fixed-rate VEDA

financing for the development of new industrial space, and 40-year fixed-rate financing for the development of rental apartments.

In sum, given current market and regulatory conditions, there is no easy way to bridge this gap. Changes, such as market conditions, public investment in infrastructure, tax policy and tax increment financing, will be necessary to make these projects financially viable in creative ways. In addition, the scale of the projects makes them particularly difficult to finance. Alternatives, such as phasing and reduction in the overall size, could be tried to address this situation.

Zoning Compliance

In each case, the consultant team worked with the municipal planner and studied the current town plan and zoning ordinance, along with any recent updates. In all cases, both the municipal planner and residents who participated in the design workshops were enthusiastic about the project and the models that were developed.

Each community was either revising its municipal development plan, or had recently revised that plan and was about to update its zoning ordinance. After working with the New Models Project, community leaders and local planners said they were interested in making revisions that would facilitate development proposals consistent with the models that the project designed.

Here are brief summaries of zoning analyses for each site:

Waterbury

The site is zoned industrial; permitted uses include office, equipment sales/rental, farming, storage facilities, and recreation. Conditional uses include manufacturing, retail, service, farming, government, and parking/transportation. (See zoning map on page 15.)

Current zoning would not permit the envisioned design. Residential uses are now excluded from the industrial zone, as are various other proposed public and semi-public uses, such as child care. Other limitations come from stipulations on lot coverage, setbacks, and

building heights; and a rail crossing proposed for the project would not be guaranteed approval.

The landowner, however, is supportive of the multiple-use concepts envisioned in this model – and both the town planner and Planning Commission members showed interest in using this model as a tool to revise Waterbury's zoning ordinance, in ways that will promote and better permit innovative development in this part of town.

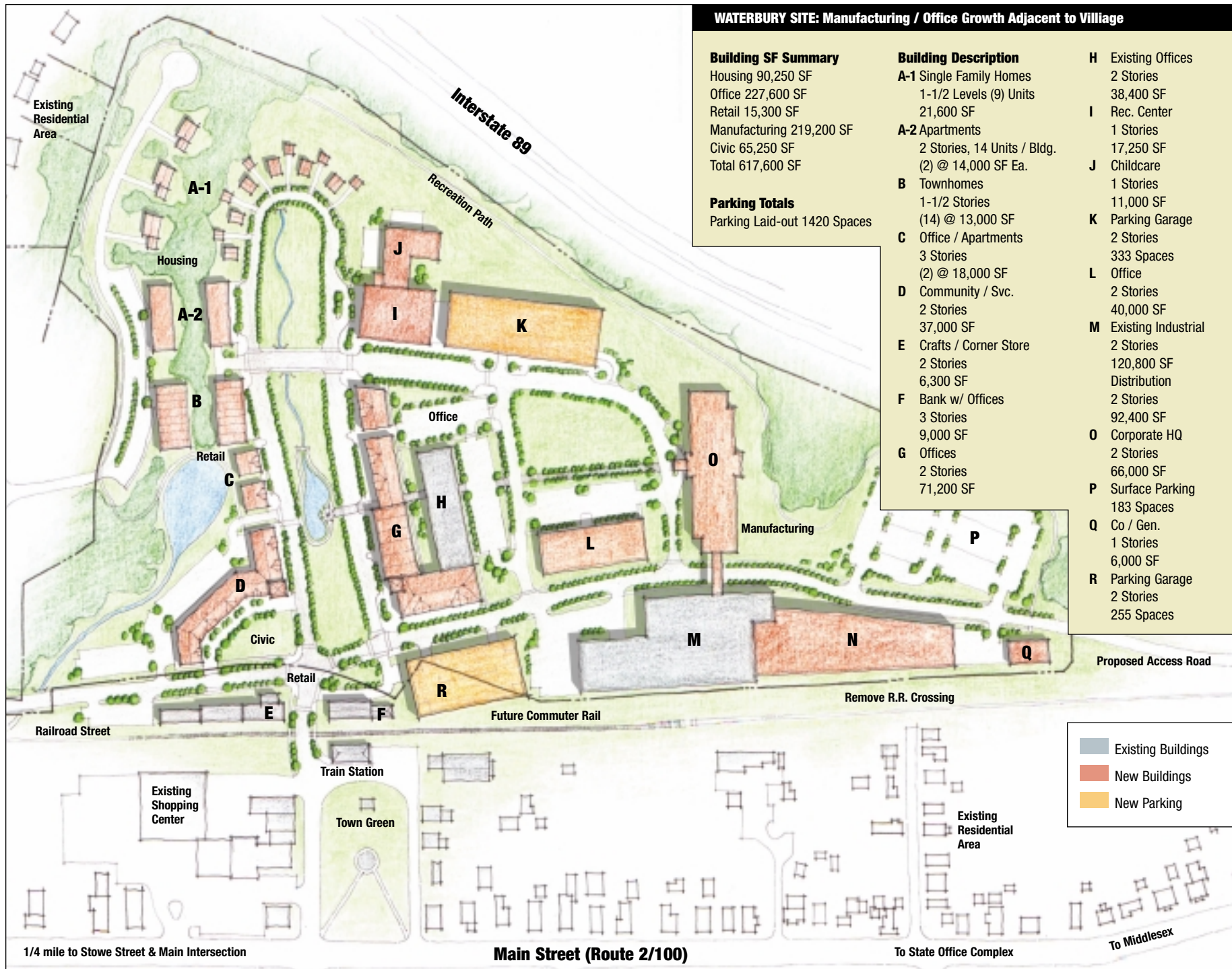
South Burlington

This site is zoned commercial, with most commercial uses permitted – except for shopping centers, supermarkets, department stores, and discount stores. However, local zoning also permits planned-unit developments, “in order to encourage innovation of design and layout, encourage more efficient use of land for commercial development, [and] promote mixed-use development and shared parking opportunities,” among other stated goals. This provision does enable the consideration of retail uses otherwise excluded from the zone, such as supermarkets.

As a result, the planned-unit development option opens the door for consideration of models like the one proposed. Current limits on maximum lot coverage and building height would, however, likely be issues. Importantly, though, the municipal planner has shown interest in using these new models as tools in revising local zoning so that South Burlington can better encourage innovative redevelopment of its aging, underused shopping centers.

Bennington

The site is zoned “Central Business District,” with a wide range of uses allowed – including all those proposed in these designs. Proposed revisions to local zoning would expand the list of allowed uses. This would not impact the good prospects for approval of these designs, but it does show the efforts that Bennington is making to encourage innovative redevelopment of its downtown resources.



SOUTH BURLINGTON SITE: 2 STORY BIG BOX RETAIL SCHEME A – Shopping Center Redevelopment Site Plan

Building SF Summary

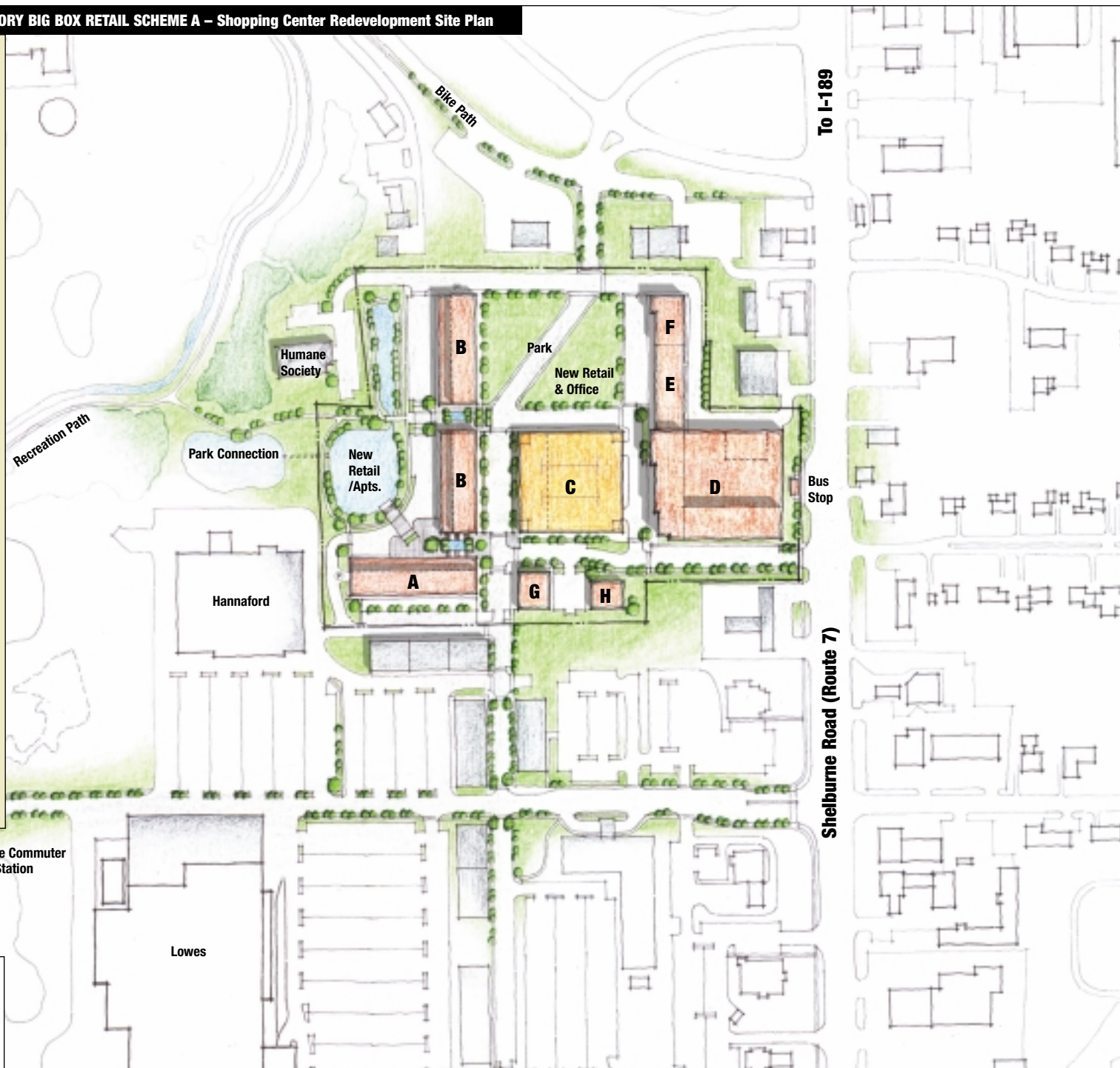
New Retail 156,000 SF
 New Office 157,500 SF
 Apartments 64,504 SF
 Total 378,004 SF

Parking Totals

Parking Laid-out 1073 Spaces

Building Description

- A** New Retail / Apts. Above
 3 Stories
 44,104 SF
- B** New Retail / Apts. Above /
 Parking Garage
 3 Stories
 68,000 SF, 168 Parking Spaces
- C** New Retail / Parking Garage
 7 Stories
 11,400 SF
 500 Parking Spaces
- D** New Retail / New Office /
 Parking Garage
 6 Stories
 100,000 SF
 316 Parking Spaces
- E** New Retail / New Office
 3 Stories
 27,000 SF
- F** New Retail / New Office
 5 Stories
 30,000 SF
- G** New Retail / New Office
 3 Stories
 13,500 SF
- H** New Retail / New Office
 3 Stories
 6750 SF



- Existing Buildings
- New Buildings
- New Parking

SOUTH BURLINGTON SITE: HOTEL / CIVIC SCHEME B – Shopping Center Redevelopment Site Plan

Building SF Summary

New Retail - Svc 93,650 SF
Office 44,000 SF
Hotel 108,000 SF
Apartments 66,000 SF
Total 311,650 SF

Parking Totals

Parking Laid-out 1196 Spaces

Building Description

- A** New Retail (Svc / Apts.)
3 Stories
42,200 SF, (33) Units
- B** New Retail (Svc / Apts.)
3 Stories
37,800 SF, (25) Units
- C** New Retail (Svc / Apts.)
3 Stories
37,800 SF, (25) Units
- D** New Retail (Svc / Office)
3 Stories
15,600 SF
- E** New Retail (Svc / Office)
3 Stories
50,400 SF
- F** New Retail (Svc / Office)
3 Stories
40,950 SF
- G** New Retail (Svc / Office)
3 Stories
15,200 SF
- H** Hotel
5 Stories
108,000 SF



Existing Buildings
New Buildings

BENNINGTON SITE: HOTEL SCHEME A – Downtown Revitalization Site Plan

Building SF Summary

New Retail 27,250 SF
Existing Retail 10,625 SF
Hotel 52,085 SF
Apartments 54,500 SF
Townhomes 24,000 SF
Total 168,460 SF

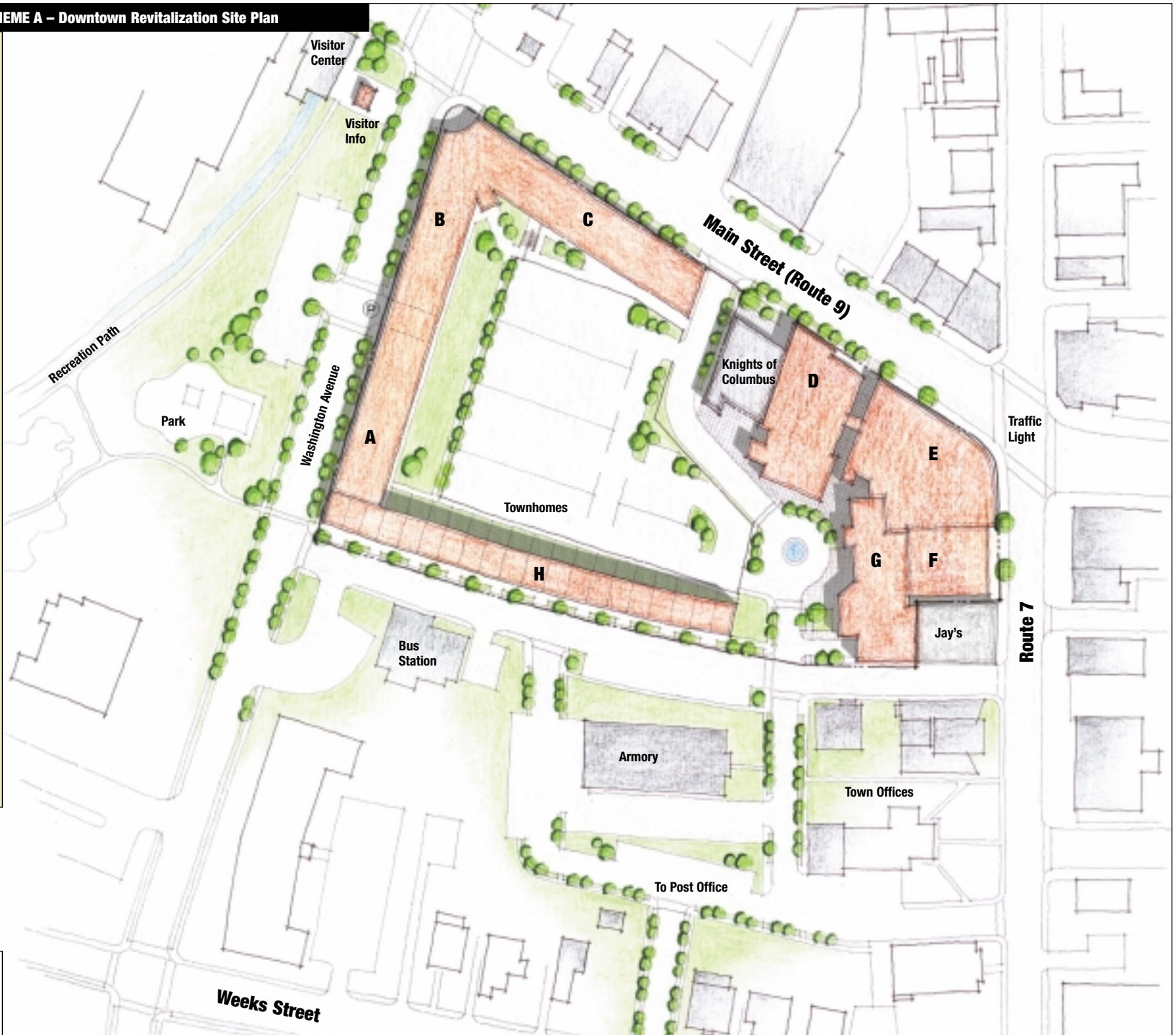
Parking Totals

Parking Laid-out 498 Spaces

Building Description

- A New Retail / Apts.
3 Stories, A-B-C (76) Units
22,500 SF
- B New Retail / Apts
3 Stories, A-B-C (76) Units
25,500 SF
- C New Retail / Apts
3 Stories, A-B-C (76) Units
33,750 SF
- D Existing Retail / Hotel
3 Stories
35,545 SF
- E Existing Retail / Hotel
3 Stories
19,340 SF
- F Hotel (Conference / Mtg.
/ Dining Rm)
2 Stories
6,870 SF
- G Hotel (Conference / Mtg.)
2 Stories
10,745 SF
- H Townhomes
2 Stories (w/ parking
below)
168,460 SF

Existing Buildings
New Buildings



BENNINGTON SITE: RECREATION SCHEME B – Downtown Revitalization Site Plan

Building SF Summary

New Retail 26,400 SF
 Existing Retail 31,925 SF
 New Office 9,800 SF
 Existing Office 19,800 SF
 Existing Apts. 19,800 SF
 Senior Apts. 25,600 SF
 Townhomes 18,720 SF
 Performance 5,500 SF
 Rec. center 15,475 SF
 Total 173,020 SF

Parking Totals

Parking Laid-out 504 Spaces

Building Description

- A** New Retail / Senior Apts.
3 Stories, (36) Units
47,100 SF
- B** New Retail / New Office
3 Stories
14,700 SF
- C** Ext. Retail / Ext. Office /
Ext. Apts.
3 Stories
24,225 SF
- D** Ext. Retail / Ext. Office /
Ext. Apts.
3 Stories
35,175 SF
- E** Ext. Retail / Performance
Space
2 Stories
9,625 SF
- F** Ext. Retail
1 Stories
8,000 SF
- G** Rec. Center
1 Stories
15,475 SF
- H** Parking Garage
2 Stories
468 Spaces
- I** Townhomes
2 Stories, (36) Units
18,720 SF

-  Existing Buildings
-  New Buildings
-  New Parking



Findings and Recommendations

Findings

1. It is possible, through a collaborative process, to design commercial and industrial development that reflects the principles of smart growth. The designs that the project partners developed for Bennington, South Burlington, and Waterbury demonstrate this.
2. But for models like these to be widely implemented, the Vermont community must address the following major challenges:
 - a. Implementing these models can require high costs, especially for structured and underground parking, when compared to typical one-story, single-use, surface parking lot projects.
 - b. The scale of the five models is larger than most Vermont projects. The size of the projects could overwhelm a community, and have impacts on existing buildings and services. Even if there is phasing, there could be huge upfront costs for infrastructure. It may be difficult to stay with a project while the market expands to fill the space.
 - c. Mixed uses mean that the project is dependent on several different markets. This could be both an advantage and a disadvantage.
 - d. There is a lack of awareness of the possibilities for reusing developed sites, and of alternative approaches to commercial and industrial development.
 - e. There is no coordinated, statewide planning process within the state administration that could bring support to bear on smart growth projects.
 - f. Local regulations often do not support these types of developments, and fragmented, time-consuming state and local permit processes also pose a major challenge.

- g. Larger-scale projects may have substantial potential impacts on traffic and the reaction of neighbors.
- h. Land ownership fragmentation: While not an issue in these case studies, this can be a serious obstacle to larger-scale mixed-use development.

The partners and participants in this project have concluded that for smart growth to succeed on the scale that our future requires, Vermont must make significant changes – in funding, in education and training, and in planning, legislation, and permitting.

Responding to these findings, the partners developed a list of possible solutions, which led to the recommendations that follow.

Recommendations

Consistent with the principles for smart growth, the Vermont Business Roundtable and the Vermont Forum on Sprawl endorse the following recommendations to implement the new models for commercial and industrial development:

Permitting that is supportive of smart growth principles:

To develop regulations that make smart growth principles workable and that achieve greater certainty and less delay in permitting for these new models for commercial and industrial development,

- a. Develop methods for expeditious phasing and permitting of master plans that provide greater predictability, long-term stability, and due weight to master planning, and that reduce appeals.
- b. Consider the following actions:
 - Overlay zoning regulations based on development master plans that enable smart growth models to be built;
 - Specify the detail that is required to provide master plan approvals with long term stability;
 - Integrate the development master plans into state and local permit processes and local and regional planning;

- Ensure that master plans benefiting from these provisions meet smart growth principles; and
- Conduct periodic renewal and reevaluation of effectiveness of master plan processes.

Education, outreach, and training on implementation of models:

To illustrate the effectiveness and marketability of the models to economic development groups that could implement them; and to train local review boards and regional planners on the need for the models, and on the regulatory techniques and processes that should be considered to implement them,

- a. Target training programs to REDCs, RPCs, local officials, developers, banks, architects, landscape architects, engineers, realtors, etc.
- b. Consider the following actions:
 - Develop effective comparative analysis tools to help market models;
 - Develop formal training curricula;
 - Create Web-based resources;
 - Develop evaluation tools;
 - Train the trainers;
 - Identify "mentor developers," and
 - Develop an exchange program to share this knowledge with other communities.

Improved funding levels and mechanisms from state and federal government:

To facilitate development in downtowns, village centers, and new growth centers, including housing and historic structures, with particular attention to infrastructure needs (e.g., parking, sidewalks, streetscapes, and alternative modes of transportation),

- a. Seek a broad array of additional and/or creative financial incentives at the state and federal level that develop incentives for the private sector, along with support for municipal actions that would implement the new smart growth models.

b. Consider the following actions:

- Use federal transportation funds for parking improvements in small downtowns;
- Enable the use of tax incremental financing districts (TIFs) that would support infrastructure investments for implementing smart growth projects;
- Seek assistance with local bond issuance to finance improvements;
- Offer tax credits for mixed use projects;
- Increase the size of the downtown transportation fund;
- Remove the land gains tax for these projects, so that a developer can acquire and resell components of the project to other qualified developers;
- Streamline permitting (see above);
- Eliminate some impact fees for downtown projects: and
- Reformat the state Hazardous Waste sites programs and laws to encourage more brownfield development.

Planning partnerships that engage all stakeholders:

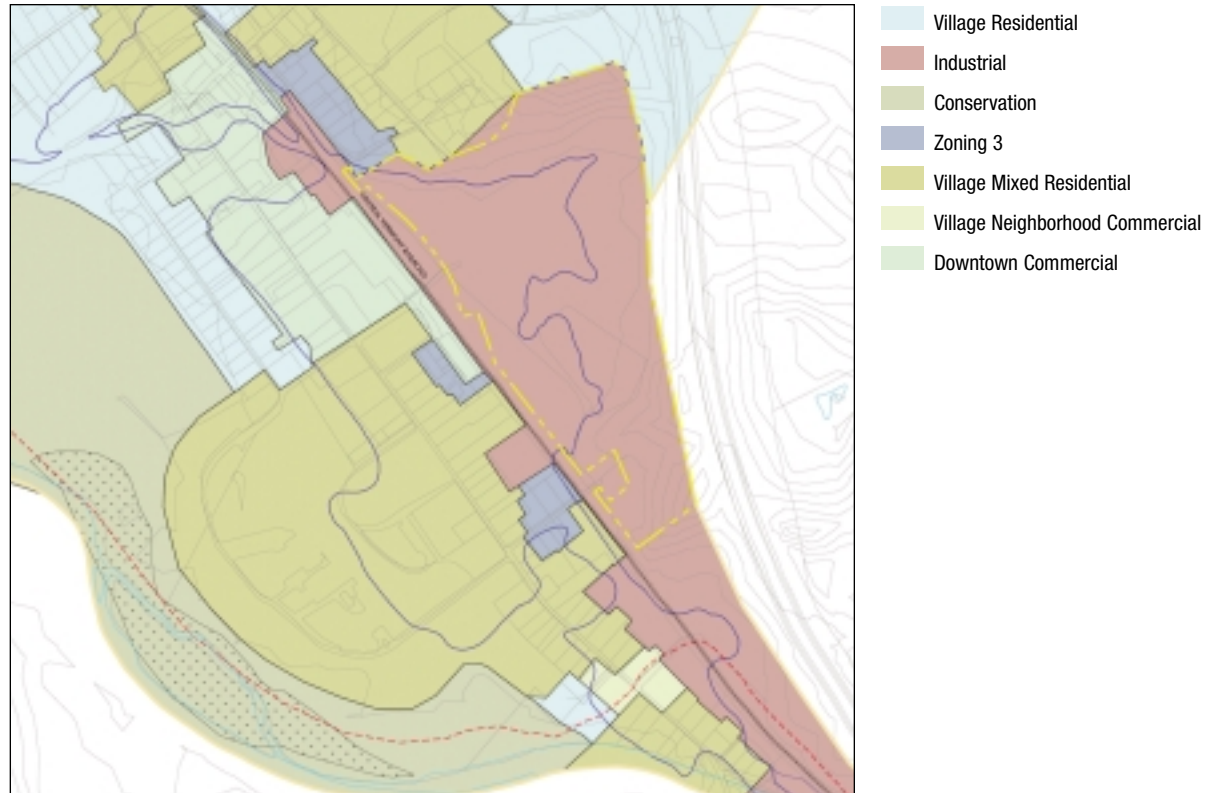
To engage the state of Vermont, municipal officials, property owners, and interest groups in a partnership with developers of these smart growth models, reflecting a shared responsibility for enabling development and ensuring that the master plan is successful,

- a.** Promote the partnership approach to the planning and development of the models by establishing pro-active strategies for bringing interests together and identifying problems and opportunities.
- b.** Consider the following actions:
- Build opportunities for partnerships and economic incentives for partnerships into local plans, regional plans and state plans;
 - Use incentives for partnerships in state funding programs; and
 - Incorporate smart growth incentives for economic development into statutory planning requirements.

Revisions to brownfields statutes:

Develop an aggressive state brownfield redevelopment policy, amend statutes to be more effective, and consider the creation of a brownfield redevelopment authority.

Waterbury Zoning Map with New Models Site Highlighted



Next Steps: What We Each Can Do

It is possible for us to move the ideas and designs of smart growth all the way to inspiring realities that meet the needs of Vermont people, businesses, and communities by identifying and eliminating impediments to smart growth as a means to counteract sprawl. To do this will call for more collaboration, new initiatives, and focused advocacy.

Here, specifically, are the actions that people and organizations can take:

Vermont Forum on Sprawl and Vermont Business Roundtable

1. Disseminate this report.
2. Work with state administration, members of the Legislature, and others to implement this report's recommendations.
3. Develop an education and training program and deliver the program to realtors, for-profit and not-for-profit developers, bankers, and local, regional and state officials.

State Administration

1. To develop ways that the new models can be implemented through existing state programs and incentives, convene a working group that includes the Agency of Commerce and Community Affairs, Agency of Natural Resources, Sustainable Jobs Fund, Vermont Economic Development Authority, Vermont Economic Progress Council, Vermont Department of Banking and Insurance and others.
2. Support efforts to find an effective solution to the issues that surround master plan permitting.

3. Provide training on the new models to staff of key state agencies.
4. Train state planners so they can train others in the principals of the new models.
5. Include new models in state guiding documents, such as the State Consolidated Plan.

Regional Economic Development Corporations

1. Include the new models in regional economic development strategic plans.
2. Review current projects and sites, to see if and how new model concepts can be integrated into them.
3. Look for new opportunities to develop projects at sites that reflect these new models.
4. Work with regional and local planning commissions.
5. Provide materials on the new models in sufficient quantity to be disseminated to developers.
6. Train regional development corporation directors in the application of smart growth principals.

Regional Planning Commissions

1. Promote these models in regional and local planning, and reference new models in regional plans.
2. Provide technical assistance to municipalities on planning for new models, and for regulations that support them.
3. Present new models to regional planning commissions as well as staff.

Local Planning Commissions

1. Review plans and regulations to see if they are supportive of these models. If not, make revisions.
2. Look at potential sites for new model projects, and consider doing detailed site planning. Seek planning grants for these initiatives. To involve them in the process, reach out to property owners, neighbors, business leaders, and political leaders.

Citizens

1. Advocate for new models with the planning commission and select board.
2. Volunteer to serve on, or organize, a committee to develop a detailed plan for a potential site for smart growth development.

Private Sector:

1. Members of the business community can familiarize themselves with this report and its findings, so that they can advocate effectively for the elimination of impediments to smart growth.
2. Work within professional/trade/business organizations to create a broader base of support for these new models of commercial/industrial development, and include this initiative as a part of these groups' legislative agenda.
3. Communicate with local planning boards, legislators, and elected officials, demonstrating interest in these types of development opportunities; and work to identify possible sites.
4. Keep involved with local and statewide efforts to remedy planning and zoning guidelines.



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