

AN ADVISORY SERVICES PANEL REPORT

Paterson New Jersey



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Strategies for Development of a Transit Village

December 7–12, 2003
An Advisory Services Panel Report

ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
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About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a non-profit research and education organization that promotes responsible leadership in the use of land in order to enhance the total environment.

The Institute maintains a membership representing a broad spectrum of interests and sponsors a wide variety of educational programs and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has more than 20,000 members and associates from 70 countries, representing the entire spectrum of the land use and development disciplines. Professionals rep-

resented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

This Advisory Services panel report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

Richard M. Rosan
President

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Cover photo: View from Paterson train station courtesy of Master of Infrastructure Planning Program, New Jersey Institute of Technology.

About ULI Advisory Services

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's Advisory Services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI panel teams are interdisciplinary and typically include several developers, a landscape architect, a planner, a market analyst, a finance expert, and others with the niche expertise needed to address a given project. ULI teams provide a holistic look at development problems. Each panel is chaired by a respected ULI member with previous panel experience.

The agenda for a five-day panel assignment is intensive. It includes an in-depth briefing day composed of a tour of the site and meetings with sponsor representatives; a day of hour-long interviews of typically 50 to 75 key community representatives; and two days of formulating recommendations. Many long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. A written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, partic-

ipants in ULI's five-day panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academicians, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

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Foreword: The Panel's Assignment

The city of Paterson has been presented with an opportunity to work with the New Jersey Department of Transportation (NJDOT) and New Jersey Transit (NJ Transit) as part of the Transit Village Initiative, a multi-agency effort spearheaded by NJDOT and NJ Transit. The Transit Village Initiative was established to help communities revitalize areas around their transit stations, making them an appealing choice for live, work, and play, thereby reducing reliance on the automobile.

Two important goals of the Transit Village Initiative are to reduce traffic congestion and to improve air quality by increasing the number of transit riders. Studies have shown that greater housing options within walking distance of a transit facility—typically within a one-quarter to one-half-mile radius—do more to increase transit ridership than any other catalyst. Therefore, the Transit Village Initiative seeks to attract housing, businesses, and people into communities with transit facilities.

The inter-agency Transit Village Task Force recommends a community for transit village designation. To be designated, a community must demonstrate a commitment to revitalizing and redeveloping the area around its transit facility into a compact, mixed-use neighborhood with a strong residential component.

The city of Paterson is very interested in better understanding viable strategies for the creation of a transit village in order to facilitate: 1) business development that leverages the city's assets; 2) increased housing options that take advantage of underused buildings; 3) improved mobility through better access and linkages; and 4) revitalization that capitalizes on Paterson's ethnically diverse community.

NJ DOT and the city of Paterson asked a ULI Advisory Services panel to recommend steps that the



Location map.

city can take to create a transit village around its train station in order to enhance community revitalization, increase transit ridership, and spur economic development. Specific questions posed to the panel included the following:

- What land uses are appropriate around the train station in order to create a true transit village? What are appropriate densities for these uses, keeping in mind the need to balance infrastructure requirements, economic development, and the environment?
- What are appropriate design guidelines that will make the transit village appealing, yet will not be so restrictive as to discourage development?
- How can some of the existing structures be incorporated into the transit village?

City of Paterson and surrounding area.



- What additional infrastructure is needed on the site to support the proposed development and to foster transit-oriented development?
- What additional parking is needed to support the transit village? Where should it be located?
- What is an appropriate development plan for the transit village that will accommodate proposed uses, promote smart growth, and connect the village to the downtown in a pedestrian-friendly environment?
- What is the appropriate sequencing of development? Which projects will be catalytic for development?
- What is the appropriate process for development of the transit village (that is, master developer, several developers, etc.):

- What incentives should be offered to the private sector for developing a transit village?
- Which portions of the project should be funded by the public sector? What are potential sources of funds?

The ten-member ULI panel assembled in Paterson for an intensive week of work to answer these questions. Panel members—who contributed their time—were selected for their relevant expertise and objectivity. Months of preparatory work completed by the sponsor and ULI staff, including the compilation of extensive briefing materials, enabled panel members to undertake an in-depth evaluation of Paterson as a potential transit village center, and to draw up recommendations.

During their week in Paterson, panel members interviewed city, community, and business leaders, were briefed by the sponsor on the assignment, and toured the transit village study area and surrounding neighborhoods. The panel evaluated Paterson's potential for designation as a transit village community based on New Jersey state standards, market potential, existing infrastructure and building resources, and available institutional, financial, and political support. They evaluated the existing City Center development proposal in light of these standards. The panel drew up findings and recommendations including, as requested, transit village design guidelines, and presented them at a public meeting on December 12th, 2003. This report presents the panel's findings, conclusions, and recommendations.

Summary of Recommendations

The panel wholeheartedly recommends that Paterson pursue designation as a transit village. The city has the physical, market, and political resources needed to create a transit-oriented urban village around its train station, achieving the complimentary goals of increased public transportation use as sought by the state, and the goal of local economic development.

Paterson has a rich base of assets on which to build: a dense and diverse population; a strong sense of history; a compact, walkable urban core; an ample supply of historic structures and under-used commercial buildings that can be converted to housing; infill and brownfield redevelopment opportunities; and existing transportation infrastructure.

The underpinning of successful revitalization and economic development efforts for Paterson's urban core, and for the city as a whole, will be residential development. New housing opportunities in the transit village will bring an influx of residents to the area, at first primarily from within Paterson, and later from beyond the city limits. New transit village residents will invest in homes, spend money in stores, dine in restaurants, establish businesses, use public transit, and take advantage of recreational and entertainment opportunities.

The catalyst for new residential development in the transit village will not come from a large-scale, mixed-use development such as the one proposed for the Center City site, even one better planned and designed than the panel believes the current proposal is. Rather, demand will grow out of a steady flow of new small-scale, primarily market-rate residential developments undertaken by private sector developers. Success will breed success; investment will attract new investment.

The panel recommends that the city take the following actions to facilitate the development of a

true transit village around its train station and to spur economic development communitywide.

Set the Stage for Future Residents

To attract private investment and development to the transit village, the city must first create a safe, attractive, and convenient environment for future residents. The panel therefore urges the city to take the following steps:

- Provide convenient and secure parking in close proximity to residential development in the transit village;
- Reduce traffic congestion by providing a shuttle bus system between remote parking facilities and downtown office buildings;
- Make it more convenient for residents to use public transit by providing shuttle bus service between the transit village, bus, train, and future light-rail stations;
- Establish a transit loop system that will provide better linkages between key areas of the city;
- Create a system of small urban parks and engaging public spaces along four key transit village streets: Market Street, Main Street, Ward Street, and Memorial Drive; and
- Reduce real and perceived crime in the city's urban core.

Target Small-Scale Residential Development

The panel believes that the most effective strategy for facilitating the creation of a transit village is to target many small-scale, mostly market-rate residential development projects that take advantage of existing and proposed transit infrastructure.



Convert Underused Buildings and Land to Housing

The three- and four-story commercial structures that line Main and Market streets are development opportunities waiting to happen. For the most part, these buildings are occupied by retail tenants on the ground floors, and are vacant or underused on the upper levels. Converting these upper floors to housing units presents an immediate development opportunity and has the potential to bring significant numbers of new residents to the transit village. The capital required to convert them to housing will, in most cases, be lower than that required for new construction.

Paterson also has an enviable stock of vacant and underused historic structures that can be converted to rental and for-sale housing. Examples include the Armory, the Alexander Hamilton Hotel, and historic mill buildings.

The city should also pursue opportunities for new ground-up residential development on infill sites such as the vacant lot at Straight and Ellison streets and the surface parking lot adjacent to the parking deck at Market and Railroad streets. Brownfield sites around the perimeter of the city

can accommodate demand for larger-scale commercial uses that are likely to follow an influx of new residents into the urban core.

Create a Transit Village Development Corporation

To realize its potential as a true transit village, the panel recommends that the city create a Transit Village Development Corporation (TVDC). The TVDC would bring together public and private stakeholders to develop and implement a plan to create a transit village. A board of directors comprising members of key city, state, community, and business interests would govern the TVDC. A full-time executive director, dedicated administrative support, and a grants specialist would execute the board's policies and plans. The panel believes that TVDC operations can be funded by a portion of the Urban Enterprise Zone sales tax revenue that is allocated to Paterson by the state.

Recommended action steps for the TVDC include:

- Develop a fully articulated master plan and design standards for the transit village;
- Prepare an inventory and analysis of potential development sites;

- Streamline the city's development approval process;
- Initiate and manage city-sponsored requests for proposals for the transit village; and
- Champion transit village development projects through the approval process.

Foster New Ways to Attract Private Development

Perhaps the single most important incentive the city can offer to attract private development and investment to the transit village is a well-defined vision that has staying power from administration to administration. Businesses and developers need to know that the adopted plan will not change later, down the road.

Other actions the city can take to attract and support private development include:

- Give high priority to city-funded infrastructure improvements and economic development projects that will enhance the transit village area;
- Establish realistic annual revenue goals for economic development projects;

- Tap into existing state, county, and federal funding;
- Offer land writedowns for city-owned development sites;
- Pay for some or all of the environmental clean-up costs on brownfield sites;
- Aggressively market Paterson and transit village development opportunities to the region;
- Reduce parking requirements in selected areas;
- Provide density allowances;
- Make use of transit infrastructure investment funds;
- Facilitate public/private development ventures; and
- Take advantage of funding programs available through the Paterson Restoration Corporation, the city's department of community development, and other entities.

Market Potential

Founded in 1792, Paterson has a unique history as the nation's first planned industrial city. With Alexander Hamilton's founding of the Society for Establishing Useful Manufactures (S.U.M.) at the 77-foot-high Great Falls on the Passaic River, Paterson was at the forefront of America's industrialization. Designed for industrial uses along the raceways of Great Falls, with nearby housing for workers who would walk to the factories, Paterson developed as a compact, pedestrian community that persists to this day.

The city retained its character as an industrial city through the centuries, with manufacturers providing good jobs to skilled and semiskilled factory workers. Paterson has served as a gateway community for wave after wave of new immigrants attracted by employment opportunities.

Paterson Today

Paterson continues to draw new immigrants from a variety of nations. Its current residents come from over 80 different countries. One-third of the city's residents were born outside of the U.S. One-half of Paterson residents responding to the U.S. Census in 2000 were of Latino heritage—the real percentage is likely higher given the tendency to undercount the immigrant population. Just under one-third of residents are African Americans, 6 percent report themselves as being of two or more races, 13 percent are non-Hispanic whites, and the remaining 2 to 3 percent are of Asian, Native American or Pacific Islander descent.

Paterson's role as a gateway community contributes to a concentration of lower income households. In 2000, the median income of Paterson households was \$32,778 compared with \$49,210 in Passaic County as a whole. Thirty-eight percent of Paterson households had incomes below \$25,000 in 2000, including 23 percent with incomes below \$15,000. In part, these incomes reflect the educa-

tional attainment of Paterson residents. While 47 percent of Paterson residents aged 25 or more had a high school diploma or the equivalent, only 11 percent had an associate, bachelor or graduate degree. Thirteen percent of Paterson residents in the civilian labor force aged 16 or older was unemployed in 2000.

Paterson is New Jersey's third largest city, with an official Census population of 149,222 residents in 2000, and perhaps 10,000 to 30,000 more uncounted residents. The city has a relatively young population, with a median age of only 30.5 years and a smaller component of elderly residents than most other jurisdictions in the state.

Shifting from an early employment base dominated by manufacturing jobs, the city's economic base continues to include manufacturing, food distribution, and other industrial uses. However, the predominant employment sources are now government, health care, and education. As the seat of Passaic County, downtown Paterson hosts county courts and a range of city, county, state, and federal offices.

Development Assets and Challenges

The panel began its analysis of the market potential for a transit village in Paterson by evaluating the city's competitive strengths and challenges. As part of this process, panel members identified key assets that contribute to the area's development potential, as well as liabilities and challenges that may inhibit future development.

Assets

Paterson has a number of important economic and physical assets on which to build, including:

- City and county government operations;
- Major regional hospitals;
- Highway and road accessibility;

- Good bus and rail service, which will improve with the opening of the Secaucus transfer station in December 2003 and the proposed Hackensack light-rail line in the longer term;
- High retail occupancy rates;
- An available labor force;
- A walkable community;
- History and historic resources;
- A dense population base; and
- Ethnic diversity.

Challenges

Issues that challenge the city's ability to achieve its development goals include:

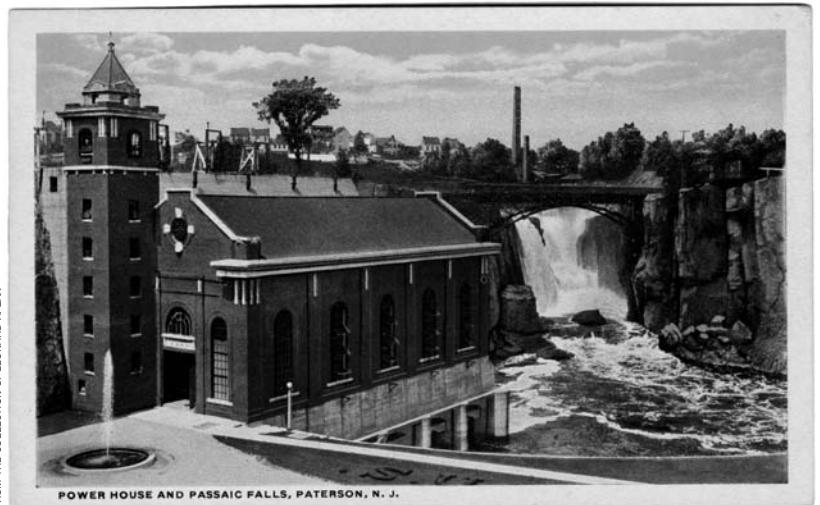
- Relatively low household incomes;
- Perception of high crime rates;
- City image as a blue-collar community;
- Limited parking in locations required by shoppers and other customers;
- Traffic congestion in downtown;
- Loss of some local manufacturers to international competition;
- Retail competition from malls and shopping centers in surrounding areas;
- Absentee landlords reluctant to invest in their buildings; and
- Lack of physical connectivity among several of the city's economic engines.

Housing Market Potential

As traffic conditions continue to worsen, many individuals and families are rethinking their housing choices so as to shorten and simplify their commutes. Housing located in a transit village offers them the opportunity to take advantage of transit service and to avoid traffic congestion. Transit-oriented development works best when higher densities place more people within easy walking distance of the transit station. Most people will



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FROM THE COLLECTION OF LEONARD A. ZAK

POWER HOUSE AND PASSAIC FALLS, PATERSON, N. J.

walk one-quarter to one-half mile to a transit station, longer if the walk is attractive and safe.

The Paterson regional housing market has experienced high rates of price increases, particularly during the last three years of low mortgage interest rates. Nevertheless, Paterson housing remains markedly more affordable than housing in other parts of northern New Jersey. With housing prices at an all-time high throughout the state, first-time homebuyers and even middle-income renters are finding it harder and harder to secure appropriate housing.

This creates significant opportunities for a city like Paterson. Cost pressures are forcing house-

Above: Paterson's Great Falls is an icon of the city. Below: The city wants to preserve and capitalize on the legacy of Paterson's industrial past.

holds to consider locations they would not have considered in previous years, leading to investment in deteriorated neighborhoods that have been bypassed during earlier waves of suburbanization. Paterson can attract new middle-income residents by offering an attractive environment with an improved quality of life.

The city offers a range of housing in a variety of neighborhoods, from single rooms and small apartments to large single-family houses and even mansions. However, many residents leave the city when they get ready to buy a housing unit or move up to a house or a larger unit.

The panel identified five major market opportunities for residential development:

- Housing for first-time homebuyers;
- Adaptive reuse of historic mill buildings to attract young singles and couples who value historic architecture, and to retain some of the city's young people as they pursue careers;
- Condominiums and apartments for transit commuters to Manhattan and northern New Jersey employment centers. Though small now, this market should grow significantly with the opening of the Secaucus transfer station, and in future years with the new light-rail line to Hackensack;
- Move-up, for-sale housing for middle-income households; and
- Rental housing for low- to moderate-income households.

First-Time Homebuyers

With two-thirds of the city's households renting, there is pent-up local demand for affordable homeownership opportunities. Paterson has roughly 15,000 households with incomes of \$35,000 to \$75,000, many of which could qualify for new housing given below-market mortgage rates and downpayment assistance. Rent-to-own programs would be very effective in helping them make the transition from renters to homeowners. Housing units priced from \$150,000 to \$200,000 in a well-designed development would meet with strong market acceptance.

Recently built housing resulting from investment by the Paterson Housing Authority and local Community Development Corporations has met with high demand and good market response. Some homebuyers have found doubles an attractive option, living in one unit and using rent from the second unit to help make the mortgage payments.

Reuse of Historic Buildings

Across the country, cities are finding that high-quality historic architecture can attract young singles and childless couples to formerly deteriorated neighborhoods. With an improved environment around Passaic County Community College, students could be exposed to Paterson's advantages while in school and be drawn to stay once they graduate and enter the workforce. The children of Paterson residents often leave the community as they pursue their careers. An environment of attractive housing, coupled with additional retail facilities, could persuade some to remain in town. Condominiums priced from \$150,000 to \$250,000 would be appropriate for this market.

Housing for Transit Commuters

Currently, Paterson's Main Line transit access to Hoboken and the PATH trains into New York City attract only 208 daily commuters. However, the opening of the new Secaucus transfer station will significantly improve the rail commute from Paterson to Manhattan. Over time, as commuters grow to appreciate the new service and convenience, and seek new housing opportunities, Paterson will become increasingly attractive.

Move-Up, For-Sale Housing

The predominant pattern of tenure in Paterson is that households stay in the city for a limited period until their economic status improves and they can afford to move to a more suburban jurisdiction. Attracting employees of the hospitals and government agencies, as well as retaining young Patersonians ready to buy their first or second home, will depend on creating a more attractive environment. Building on Paterson's assets while reducing negative elements that impact the city's quality of life can encourage such an environment.



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Underused historic buildings in the transit village area like the ones shown have tremendous potential for conversion to housing.

Currently, larger residential units suitable for move-up, for-sale housing sell for \$200,000 to \$300,000.

New Affordable Rental Housing

Paterson's Community Development Corporations and the Paterson Housing Authority have done a good job of tapping into outside resources to create affordable rental housing for the city's workforce. Creation of additional rental units, integrated into mixed-income developments near transit, would be a very appropriate way to ensure that new housing development does not involve displacement of current Paterson families.

Residential Development Prerequisites

To attract the middle-income renters and homebuyers identified above, it is critical that the city ensure the following improvements are in place:

- Convenient and secure parking in close proximity to housing (preferably directly connected or adjacent to it);
- A quality environment with clean and attractive public spaces; and
- A secure environment with low incidence and perception of crime.

Office Market Potential

Currently, Paterson has no Class A multi-tenant office space. The city's existing office space is concentrated in government-owned and occupied buildings and four larger privately owned, multi-tenant buildings located within downtown. The general-occupancy buildings open to multiple tenants have roughly 320,000 square feet of space, with only 10,000 square feet of available space and a waiting list for additional tenants. Government tenants occupy much of the multi-tenant space.

Existing rents are \$18 to \$25 per square foot for the highest-quality office space, and \$8 to \$10 per square foot for Class C space. Such rents would not cover the costs of new construction. The city has seen no new office construction for several years. Passaic County as a whole has a stable office market of 4.77 million square feet in multi-tenant buildings, with more than 687,000 square feet of space available for an overall vacancy rate of 14.4 percent. Within the Class A market, the county has 766,000 square feet of high-quality office space, with 11.3 percent vacant as of the third quarter of 2003 according to Cushman & Wakefield's inventory. Leasing activity through the first three-quarters of the year totaled only 101,000

square feet countywide, with only 18,700 square feet of net absorption. No new office space is currently under construction.

The only significant office activity within Paterson is the consolidation of Board of Education offices into a single building with 70,000 to 80,000 square feet of space. The consolidation will open up space in multi-tenant buildings that the Board of Education now rents. Other institutions, such as St. Joseph's Hospital, may have comparable needs for build-to-suit office space.

Paterson has a limited demand for new private office space, focused primarily on businesses with links to the city, county, state, and federal agencies and courts. Given the narrow focus of potential tenants, preleasing should precede any major new development.

One major constraint on Paterson office demand has been the lack of adequate parking in close proximity to private office buildings. With additional parking made available to office tenants and their clients/customers, the demand for office space could be increased.

Tourism Market Potential

Tourism development can bring new retail customers to Paterson and increase the community's visibility in the region. Paterson has a remarkable history to tell and architectural assets with which to tell its story. The city's initiative to create an historic park at Great Falls is an outstanding opportunity. The Great Falls Historic District, with its remarkable physical environment at the falls and along the Passaic River, offers a unique setting in which to share Paterson's story. The Paterson Museum already does an outstanding job of profiling the city's industrial history. Designation of the historic district as a national park, a state historic park, or both, would greatly raise its visibility as a tourism destination to be appreciated by regional residents and tourists alike. Coupled with the proposed Colt Gun Mill museum, Great Falls could attract significant numbers of new people to Paterson.

Private reinvestment to reuse the industrial mill buildings can create a unique and attractive envi-

ronment that will encourage visitors to linger in Paterson, eat in local restaurants, and visit local shops. Paterson's rich history of immigration and ethnic diversity should be celebrated through ethnic and heritage festivals that promote the historic district. Development of additional ethnic restaurants in the vicinity of Great Falls can be justified as the visitor base grows over time.

To successfully compete for visitation, Paterson must offer an authentic setting and a visitor-friendly experience. This means vigorous preservation and protection of the historic assets that characterize the Great Falls Historic District. The city needs to ensure that existing buildings are retained and reused in a manner compatible with their historic character. It should also prevent intrusion of development that is inconsistent with the historic design and materials of the district. Visitors will seek out and return to attractions that offer an easy and enjoyable experience. Clear wayfinding signs to help them find their way through town, available and easy-to-find parking, and other support facilities (restrooms, restaurants, and retail) will support such an experience.

Hotel Market Potential

Opportunities for hotel development are currently somewhat limited given the nature of the downtown employment base—government uses do not typically generate significant visitor demand. Following development of the Great Falls National Historic Site, Paterson will have a site suitable for development of a bed and breakfast or a small inn in the historic district. St. Joseph's Hospital has an immediate need for expanded conference space and accommodations for its visitors. With careful design and siting, it might be possible to develop a facility that will serve both the hospital and the tourist market. Consideration should be given to siting and configuring a facility so as to provide a greater community benefit, for example, including community meeting space.

Retail Market Potential

Paterson can be proud of its vibrant local retailing. Main and Market streets host a rich array of local shops that have responded well to the retail

demands of the city's residents. These shops serve primarily a walk-in and transit-dependent customer base, emphasizing lower-cost goods that appeal to price-conscious customers. Some retailers have developed particular niches serving specific ethnic markets.

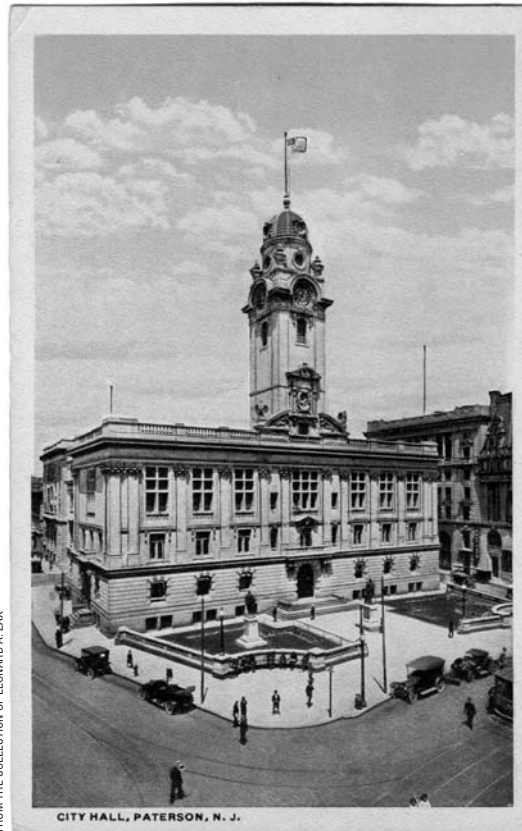
Rents for first-floor retail space along Main Street are reported to range from \$20 to \$30 and even \$35 per square foot, indicating a healthy level of retail activity.

Paterson's retailers have developed market orientations and strategies that differentiate them from the regional malls and shopping centers that encircle the city. Though downtown does not offer the full range of goods and services typically offered by national chain retailers or sought by the area's middle-income residents, it does fill a particular need quite successfully.

R.J. Brunelli & Co., Inc. reports that the 21-mile stretch of Route 46 south of Paterson and I-80, with 160 properties of 5,000 square feet or more, offers 5.59 million square feet of retail space with vacancies of only 1.5 percent.

While the low vacancy rates in and around Paterson indicate a healthy retail market, it is important to keep in mind that retail development cannot lead a revitalization effort. Few retailers can take the long view and invest in an area that does not yet have the market potential to support their retail operations. Small, local entrepreneurs typically lack the capital required to operate at a loss for several months, let alone a couple of years, before an area is revitalized. National chains have a wide variety of alternative locations available to them and will not open stores in locations that do not meet their threshold requirements for consumer income and potential sales.

Paterson's concentration of 149,000 or more residents in an area of eight square miles offers a significant market for certain types of retailers. Claritas, a national data provider, estimates that Paterson residents have the capacity for \$347 million in shoppers goods purchases and an additional \$175 million in convenience retail purchases. Given the Census undercount of Paterson residents and the informal economy of unreported in-



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Paterson's city hall is as grand today as it was in the city's industrial heyday.

come, that estimate could be as much as 20 percent lower than the city's actual expenditure potential. These retail dollars are currently being spent not only in Paterson but across northern New Jersey, in New York City, and in other parts of the country by vacationing Patersonians. Recapturing these dollars for new Paterson retailers will depend on a retail mix and environment that can compete with existing malls and shopping centers.

With significant new residential development, particularly housing at higher price levels than currently exists in Paterson, the expenditures that Paterson retailers can draw on will expand. Following residential expansion, opportunities to attract and support new retail space will emerge.

Creating an environment that is more inviting and supportive of the retail customer can increase retail sales in Paterson. Easy-to-find and convenient parking reserved for short-term use will enhance the retailer's ability to compete with area shopping centers and their free parking lots.

Particular opportunities exist for additional ethnic restaurants that will draw patronage from Paterson as well as surrounding towns. Marketing efforts to promote Paterson restaurants, and creation of additional retail spaces appropriate for restaurant use, will support authentic ethnic food operations.

Market Potential Conclusion

The panel believes that Paterson should build from its unique strengths of ethnic diversity, history, riverfront setting, and the city's compact, walkable layout. Paterson's greatest near- and mid-term market opportunities lie in residential development. Attracting new residents will depend on overall efforts to improve the city's qual-

ity of life through continued investment in upgrading of the public school system, reduction of crime, and creation of public spaces and parking resources. The goal of improved quality of life is best achieved by focusing on a single neighborhood or two for a period of time, building on existing assets, and then allowing the market to respond to enhanced market demand.

There are no quick fixes in economic development. What it requires is a continual program of successful small projects and investments that over time add up to create an enhanced environment that attracts private reinvestment. Success breeds success.

Planning and Design

In responding to the sponsor's request for design guidelines appropriate for a transit village, the panel first assessed the feasibility of creating a transit-oriented development in the vicinity of Paterson's train station. The panel identified the major assets and activity generators within the area and assessed their potential to contribute to the viability of a transit village. As part of this analysis, the panel evaluated the merits of the development proposal currently under consideration by the city for the Center City site. The panel recommended several action steps that the city should take to improve mobility and parking in the transit area. This chapter concludes with a set of design guidelines that can help shape the creation of a successful transit village in Paterson and in other cities in New Jersey.

Transit Village Defined

In recent years, cities throughout New Jersey and across the country have seen a resurgence of new residents and housing development in their urban cores. This renaissance in urban housing results from a convergence of several forces: significant public sector investment in downtown cultural, entertainment, and sports venues; a younger generation with fewer prejudices against urban living and a preference to live near work and play; and new interest in urban infill development on the part of production builders. Downtown residents offer many benefits to cities, including a built-in constituency for urban retail, commercial, cultural, and entertainment activities.

The New Jersey Department of Transportation (NJDOT) and New Jersey Transit (NJ Transit) spearheaded a multi-agency effort known as the Transit Village Initiative. The Transit Village Initiative strives to help revitalize communities around transit stations to make them appealing choices for live, work, and play, thereby reducing reliance on the automobile.

Two important goals of the Transit Village Initiative are to reduce traffic congestion and to improve air quality by increasing the number of transit riders. Studies have shown that greater housing options within walking distance of a transit facility—typically within a one-quarter- to one-half-mile radius—do more to increase transit ridership than any other catalyst. Therefore, the Transit Village Initiative seeks to attract housing, businesses, and people into communities with transit facilities.

The benefits of being designated as a transit village community include priority funding and technical assistance from some state agencies, and eligibility for grants from NJDOT's \$1 million in annual transit village funding.

Transit Village Criteria

A community must meet specific criteria defined by NJDOT and NJ Transit to be designated a transit village. The criteria include the following:

- A commitment within the community to grow jobs, housing, and population;
- A transit facility rail or a light-rail station, a ferry terminal, or a bus hub or a bus transfer station;
- Vacant land and underutilized buildings within walking distance of transit where redevelopment can take place;
- An adopted land use strategy for achieving compact, transit-supportive, mixed-use development within walking distance of transit. This can be in the form of a redevelopment plan, zoning ordinance, master plan or overlay zone;
- A strong residential component and a wide variety of housing choices within walking distance of transit;

- “Ready-to-go” transit-oriented projects that can be completed within three years;
- Pedestrian- and bicycle-friendly streets and pathway frameworks;
- A community that sees its transit station as the focal point of the community and uses its station plaza as a gathering place for community activities such as festivals, concerts, public ceremonies, and farmers markets;
- A transit station that is included in a station area management plan, a special improvement district (SID), or is part of a Main Street New Jersey designation;
- Planning policies that strive to minimize automobile use by maximizing the appeal of transit, reducing parking requirements near transit stations, and implementing shared parking solutions wherever possible;
- Support for local arts and culture; and
- Guidelines that support the historic and architectural integrity of the community by ensuring that new buildings blend in with the existing buildings.

Paterson Transit Village Area Strengths

Paterson’s transit village study area is defined by a one-half-mile radius around the Paterson train station that extends in the direction of the Great Falls Historic District to the west, and to Madison Avenue and the Conrail tracks to the east. The area lies within a comfortable five- to ten-minute walking zone. It encompasses approximately 250 acres, and includes most of the downtown business core and much of the 5th Ward neighborhoods east of the central business district.

Within the transit village area are several major activity generators and physical assets that contribute to the viability of a transit village. The panel’s assessment of each of these key assets is discussed below.

The Downtown Business Core

The urban fabric and scale of Paterson’s Center City is still very much intact and reflects its roots

as a small, tightly knit, self-contained, industrial city with a rich variety of industrial and commercial uses and a grid of pedestrian-friendly streets. Two main shopping streets—Main and Market streets—and several major centers of employment including county government offices, local businesses, and the Passaic County Community College energize the downtown business core. Some 40,000 people are employed in downtown Paterson.

5th Ward Neighborhood

The area to the east of downtown is characterized by a tightly knit grid of residential-scale streets; a variety of small single-family houses on small lots; duplexes; apartment buildings in two-, three-, and some four-story configurations; neighborhood-scale, street-level retail; churches; and schools. In other words, the area is a model of traditional neighborhood development. The missing elements are trees along the streets, a system of parks and urban open space, and newer housing types with enclosed garages or off-street parking.

Train Station Area

The area surrounding the train station is defined by street-level retail along Market Street and municipal parking facilities. The panel believes this area should be targeted for higher-density, mixed-use development that will create a 360-degree activity center linking the downtown core with the 5th Ward neighborhood. Development should embrace both sides of the rail line. The side nearest the Center City site should accommodate the needs of vehicular and bus traffic, commuter parking, and heavy foot traffic, and should present an “urban gateway” image of downtown Paterson. The side facing the 5th Ward should be designed to reflect the surrounding community and be integrated into the neighborhood with such features as public art, inviting public spaces, opportunities for recreation and relaxation, and attractive street furniture.

The Government Center

While it is unlikely that this area will see significant new growth in the future, it has one of the largest concentrations of employment in downtown Paterson, providing jobs for some 22,000 people. Its location opposite the Center City site

is important as it can provide a potential customer base for future retail and residential development on that site.

Bus Terminal

Over 26 cross-town and regional bus routes originate from the Broadway bus terminal served by New Jersey Transit and Spanish Transportation. The panel considered the possibility of relocating the bus terminal to the train station area to create an intermodal transit center. However, because of the terminal's location on the edge of downtown and its ready access to regional roadways, the panel concluded that moving it to the train station would add even more bus traffic to the area's already congested streets. Instead, some bus traffic could be rerouted to serve the train station when commuter rail ridership increases.

Passaic County Community College

Passaic County Community College (PCCC) is a key downtown activity generator. With an enrollment of over 6,000 students, activity extends well into the night. PCCC has grown rapidly in the past few years, and the college has ambitious plans for expansion in the immediate vicinity of the existing campus. A central issue for the college is the need for contiguous space that will link the expansion program together. The panel understands that to help achieve this objective, a new municipal parking structure is proposed for Memorial Drive. The panel recommends that this new parking garage be carefully located where it can serve not only PCCC but also future residential development in the transit village area.

Downtown Street Framework

Four major streets—Market, Main, and Ward streets and Memorial Drive—provide a strong arterial framework for the transit village area. Street tree plantings and beatification now underway help to accentuate the street grid. From a transit village point of view, Market Street is the most important of the four, as it links city hall and the downtown retail core with 5th Ward neighborhoods. Main Street performs a similar function, moving north to south through the downtown core, one-half mile west and parallel with the rail line and train station. Both streets are lined with street-level retail and some upper-floor-level businesses and housing.



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The panel believes that Memorial Drive and Ward Street offer the greatest potential for new infill development. As part of the main circulation street system ringing the downtown business core, they are wider in width and carry the highest volume of traffic.

Parking on these streets should be programmed to reinforce connections to adjacent centers of activity, including connections to the Great Falls Historic District and the potential light-rail station area on Ellison Street.

Parking Recommendations

The responsibility for planning, overseeing, and managing public parking within the city's boundaries rests with the Paterson Parking Authority. Established in 1948, the Parking Authority currently oversees approximately 4,000 public parking spaces, both on and off the street. The majority of these spaces are located within the central business district.

The Parking Authority's portfolio consists of three parking garages providing a total of over 2,000 parking spaces and 11 surface lots with a combined capacity of nearly 1,100 spaces. In addition the Parking Authority controls 900 on-street metered spaces.

Parking revenues have increased steadily in recent years. They reached \$4.3 million in 2002 and were forecast to grow to \$4.6 million in 2003.

The corner of Main and Market streets is still the heart of downtown Paterson. These streets—along with Ward Street and Memorial Drive—provide a strong street network for the proposed transit village.

Rates have been \$1.00 per hour since 1996, with a daily maximum of \$6.00 per day. Monthly permits are available in most parking facilities. Promotional coupon books and parking stamps are available and can be used in lieu of cash.

The panel understands that future plans include development of at least two and possibly as many as four new parking facilities. These facilities are designated for the Historic Mill District, the public safety area adjacent to Passaic County Community College, and a third in conjunction with the Center City development.

The panel made the following recommendations related to parking.

Expand Parking Authority's Jurisdiction

The Parking Authority's scope of responsibility should be expanded to include areas outside the central business district and the Historic Great Falls District. It should include secondary commercial areas such as South Main and East 21st streets, residential neighborhoods, light-rail station nodes, and the area around St. Joseph's Hospital.

Conduct Parking Studies

Comprehensive parking studies should be conducted in areas exhibiting parking problems. It is imperative that parking demand be established and stratified by user groups and compared with available supply. A strategy and implementation plan should be developed to address parking shortfalls.

Furthermore, the Parking Authority should conduct a study to determine the demand for parking in the central business district, including the proposed Center City mixed-use development, based on the shared use of parking spaces. For example, parking spaces used during the day by retail or office parking can be available in the evening for residential parkers or entertainment and restaurant uses.

Increase Residential Parking Capacity

There currently is a critical shortage of residential parking in most of Paterson's residential neighborhoods in and around Center City. To unlock the potential of housing conversions, adequate parking capacity is imperative.

Increase Parking Around St. Joseph's Hospital

The panel understands that the area surrounding St. Joseph's Hospital is in dire need of additional parking. The city might consider exploring the formation of a public/private partnership to increase parking in some form.

Parking Must Support Light Rail

Additional parking will be needed to support the proposed multistation light-rail line. The Parking Authority should play an active role in the development of this important resource.

On-Street Parking Enforcement

The enforcement of on-street parking regulations currently rests with the Paterson Police Department, while collections are the responsibility of the Parking Authority. The panel recommends that the Parking Authority assume responsibility for establishment and enforcement of on-street parking regulations.

Transportation Linkage Recommendations

The panel considered regional transportation issues in light of Paterson's new role as a transit village. They made the following recommendations for new transportation linkages that will improve regional transportation flow and at the same time support the functions of the transit village.

Support Light-Rail Links to Hackensack and Beyond

Historically, there has been very limited use of Paterson's rail station for commuting purposes. Thus, the primary challenge for bringing a transit village to life is to establish a new pattern of commuting behavior. The panel reviewed available information on the proposed new light-rail route and believes that the combination of light rail and Paterson's existing system will provide walk-on access to approximately half of the city. The light-rail system can connect to the city's concentrated commercial service and industrial uses, providing access to jobs for many of Paterson's citizens. The operation of the light-rail system, linked to downtown and the main train line by efficient shuttle connection, will support downtown retail, tourism, parking, and residential functions. Such a system

can provide a tremendous boost to Paterson's economic development.

The panel believes that implementation of the light-rail line is a critical element in activating the transit village, and it encourages the city and community to lobby aggressively for its timely development. In the meantime, redevelopment and densification of downtown residential, office, and retail uses within convenient walking distance to the existing train station should be pursued.

Provide a Parking Shuttle to Connect Downtown and Transit Stations

Parking in Paterson is clustered along Market and Main streets, with many of the existing surface lots occupied by government workers from federal, state, county, and city offices. Their daily arrival and departure adds to already congested streets. These employees rarely use their vehicles during the day yet they occupy most of the premium locations in the commercial area.

The panel recommends that the Parking Authority establish a parking shuttle system that will transport full-day workers from remote surface lots at the edge of town to their downtown places of employment. The benefit of the shuttle would be twofold: it would relieve congestion by clearing the streets of employee parking, and it would free up additional transient parking spaces for commercial daytime use.

Create a "Bow Tie" Transit Loop

To provide better linkages between key destinations within the city, the panel recommends that the city provide a transit loop that will connect the Historic Mill District, the train station, the central business district, eastside residential and educational institutions, and the Paterson Armory.

Depicted as a bow tie with the train station being the "knot," the transit loop route proceeds west from the train station to its terminus point on Spruce Street in the heart of the Historic Mill District. This western terminus point can be served by the parking garage proposed by the Parking Authority. The route continues south on Spruce Street to Ward Street, heads east on Ward Street through the government center and the Center City site, and terminates at the train station.

A second loop could proceed east along Market Street past Eastside High School, the Armory, and the Roberto Clemente School, north on Madison Avenue to the proposed light-rail station at Broadway and Ellison Street, and then west on Ellison Street to the train station.

The transit system should use state-of-the-art rolling stock that is attractive, fast, and fun. The city should consider using equipment that runs on alternate fuel.

Evaluation of Proposed Center City Development Project

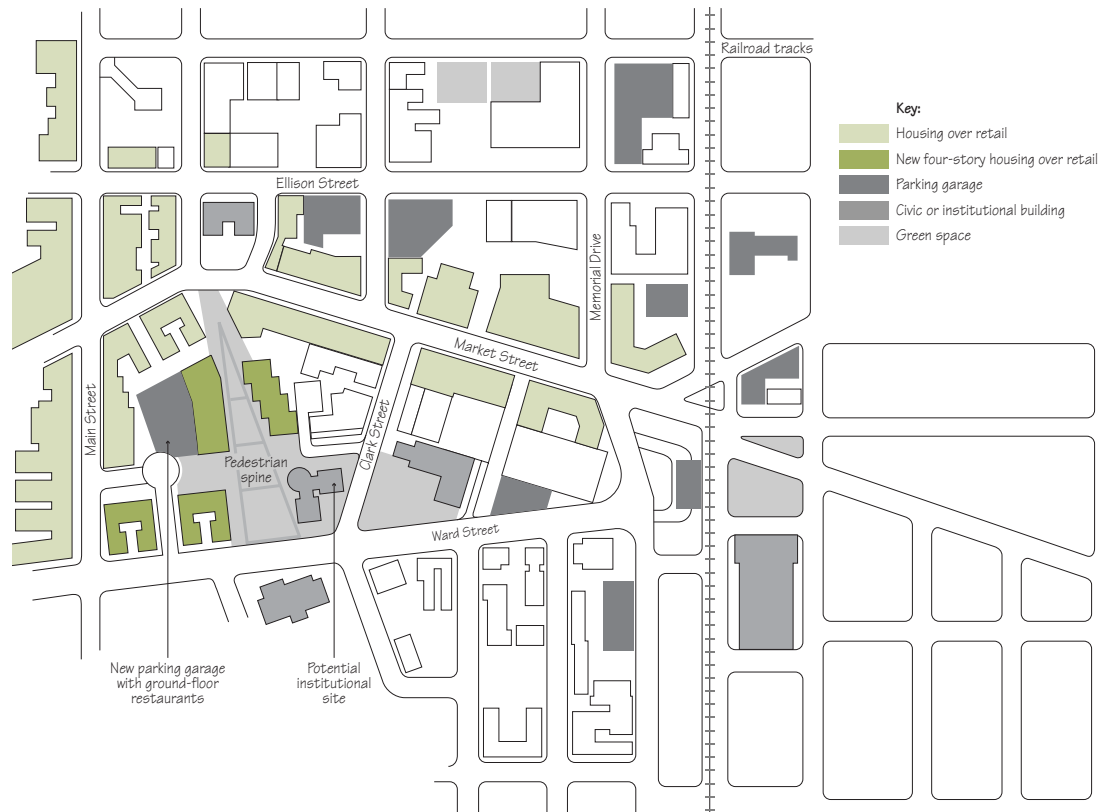
The panel was asked to assess the development proposal currently under consideration for the 5.25-acre Center City site, to consider its suitability and potential as a catalyst for the creation of a transit village. Without question, the Center City site represents an important development opportunity for the city. However, as significant as the site is, it is important to keep in mind that retail development cannot lead a revitalization effort. The development of such a large-scale, mixed-use project, no matter how well designed, will not stimulate sufficient residential development for the creation of a true transit village.

The panel strongly believes that the most important catalyst for residential development in the transit village area will be targeted conversion of existing underused commercial and historic structures to market-rate housing, and selected new infill residential development. This strategy is the cornerstone of the panel's development strategies recommendations, and is described in detail in the next chapter of the report.

While the panel cautions the city not to rely on a mixed-use project to galvanize new residential development in the transit village area, the Center City site does represent a unique development opportunity. It should be developed in a manner that will enhance and support other revitalization and housing creation efforts.

The panel believes that significant limitations in the physical and programmatic elements of the proposed mixed-use project exist, and that the proposal should be reconsidered. First, there

Concept plan for the Center City site and surrounding area.



should be greater emphasis on the housing component of the proposed Center City project and less emphasis on the retail, entertainment, and office components.

Second, because the rate of absorption for the wide range of currently proposed land uses, particularly street-level retail, will take time, the project will have to be developed in multiple phases. Therefore, the plan should employ a simple, yet flexible, building typology conducive to incremental development. The proposed atrium linking the major building blocks precludes this option.

Any development on the Center City site should be designed and built with an urban form and a human scale. It should be an outward-looking development that engages the downtown framework and provides an open system of streets and public spaces, This should be supported by external architectural elements such as windows and storefronts that promote an “eyes-on-the-street,” self-policing public and semipublic environment.

The panel’s recommendations for specific elements of the proposed plan are summarized below.

Street Retail

Locating housing over large footprint “big box” retailers is expensive and often results in a highly compromised solution for the residential tenants. In contrast, smaller retail tenants can easily be incorporated into urban neighborhoods. Community-scale retail generally fits within 60- to 65-foot residential building depths, can function effectively with front access for delivery and trash pickup, requires smaller-scale mechanical systems, and needs less parking.

The panel recommends that Paterson’s transit village retail program be divided into two elements: small-scale, neighborhood support retail spaces at the base of the building blocks fronting Main Street, and larger retail spaces such as urban supermarkets and mid-sized anchor tenants located along Ward Street, the more heavily trafficked downtown collector street.

Public Space

The public space element of the current Center City site proposal consists of an atrium space and a small exterior courtyard hidden behind the existing and proposed buildings. Hidden public spaces in urban settings are an invitation to trouble. By removing the atrium, or by reworking it as a covered arcade, these spaces can be combined into an interesting traffic-free pedestrian area that can function as a “people” place. It can serve as a space for meetings and programmed events and a pedestrian connection between the government center and city hall. Mixed-use/multifamily residential buildings that bring vibrancy to the streets with ground level restaurants, outdoor café seating, and live/work flex space can frame this area.

Live/Work Space

Introducing street-level live/work units will energize the public spaces and will provide a built-in population to police them. Live/work units can initially be designed as apartment flats, or two-level units for studios or small professional businesses, and can later be re-tenanted for retail space as necessary.

Parking: Costs Savings

Underground parking is expensive. A basic underground parking garage with sprinklers costs \$30,000 to \$35,000 per space, while above-grade parking structures cost \$10,000 to \$13,000 per space, depending on the quality of the architectural cladding. It is now common practice across the country to wrap an above-grade parking structure with retail shops, small tenant offices, residences, and flex space units. This approach reduces parking costs, turns a potentially ugly parking garage into an attractive urban building, and makes the parking function all but invisible from public view.

Paterson Is an Excellent Candidate for Transit Village Designation

Paterson’s urban fabric and scale is still very much intact and reflects that of a small industrial city of the 1900s. As a result, the Paterson of the early 21st century already has many characteristics that make it ideally suited for a transit village.

The panel believes that Paterson’s urban form and physical assets make it an ideal candidate for transit village designation. Although there are many ways to improve and augment the existing urban core, Paterson has:

- A connected, pedestrian-friendly environment with active street-level retail and a connected sidewalk system that encourages pedestrian traffic;
- A rich fabric of historic buildings and structures;
- A mix of land uses;
- An extended activity cycle;
- Close-in, tight-knit neighborhoods within an easy, ten-minute walk to the train station;
- A discernable town center and an active retail core;
- A variety of housing types;
- Buildings located close to the street that encourage a self-policing environment;
- Streets that form a connected network able to disperse traffic congestion;
- A supply of available public parking;
- Prominent civic, educational, religious, and cultural facilities;
- A comprehensive feeder bus systems; and
- Redevelopment opportunities in the form of vacant and underutilized land and buildings.

Planning and Design Recommendations for Creating Transit Villages

The successful planning and design of a transit village incorporates stakeholder participation in the visioning process, an understanding of density, scale, and appropriate mixed uses, and attention to the public realm. With this in mind, the panel makes the following recommendations.

Consolidate the Vision

Building a true transit village requires attention to scale and design. It is essential that the key principals in the process—the transit agency, city and state policy makers and planners, and participating developers—seek the best planners and apply design principles that will create a memorable sense of place.

The goals, objectives, and vision for the transit village area must be shaped by considerable community and stakeholder input. Market and economic analyses for the transit village area, past planning initiatives, and interviews with the appropriate public officials and community leaders should be synthesized into a set of preliminary planning discussion points. A series of charrette and workshop sessions should be held with stakeholders, business leaders, community leaders, and neighborhood groups to create a sense of community “ownership” of the plan. These steps typically provide more focused direction for ongoing implementation, making it less likely that the wrong project or issue will be studied in great detail to the detriment of the overall strategic planning effort for the transit area.

Pump Up the Housing Density

Transit-oriented developments (TODs) are not just about living close to work; many urban dwellers do a reverse commute to their jobs in the suburbs. TODs succeed because they provide a more convenient and amenitized lifestyle than can be found in many of today’s suburbs. This is true because TODs are developed at densities that can economically support a wide range of amenities (clinics, health clubs, corner delis, transit options, restaurants, take-out food, etc.) and land uses (housing, retail, office, civic, and public spaces). TODs provide a connected, pedestrian-friendly environment, reduce the need to drive for every household purchase, and facilitate community interaction and neighborliness. Successful TODs are not densified versions of suburban garden apartment complexes transplanted back to the inner city. Rather, they incorporate a sophisticated urban form that is timeless and enduring—one that is as focused on the design and upkeep of the public realm as it is on architecture.

Success also hinges on building density and achieving a critical mass of population that is able to support such features as structured parking, comprehensive property management services, and community building activities. It is not unusual for TODs to start at densities of 40 to 75 units per net acre. Density at these levels does not necessarily translate into high-rise buildings. Many urban housing developments being developed across the country employ wood-frame construction technology in three- and four-story configurations that achieve these densities.

Critics say that higher-density apartment projects result in enclaves as well as more churning and rent rollover. In fact, experience shows that many of these projects have spurred investment in their immediate area by creating new markets for in-town living. Because these higher density developments support a wider range of services, rent rollover is often much lower than the typical apartment product.

NAHB data drawn from the Census Bureau, the American Housing Survey, and HUD reports demonstrate that multifamily development has a positive economic effect on the neighborhoods in which it occurs, while its impact on traffic, property values, and school crowding is benign. For example, NAHB economists estimate that 100 new multifamily units typically add \$5.3 million in local income—wages for workers, as well as profit for local businesses—to a city’s bottom line; \$630,000 in taxes and other revenue for local government; and 122 local jobs. On an annual basis, the 100 units generate \$2.2 million in local income, \$384,000 in taxes and revenue, and 47 new permanent jobs.

Expand Housing Choices

Multifamily development is an important strategy for smart growth. Higher-density housing, especially in infill locations, can expand housing options in areas with limited housing stock, allowing people to live near transportation, jobs, cultural, and entertainment amenities. Expanded housing choices that include multifamily housing can also help revitalize neighborhoods by attracting residents—and the retail development that follows.

While infill development increases the downtown residential base incrementally, it seldom results in enough critical mass of housing within a single location to support a traditional urban neighborhood. In other words, this approach does not create a sustainable urban neighborhood quickly enough to attract a significant share of the housing market back into the city center. A mixed-use development site, such as the Center City property in Paterson, presents a unique opportunity to build critical mass for the creation of a true urban neighborhood. The resident population brought in by the project will be large enough to reclaim street space and support local shops and services.

In the panel's experience, the demographic profiles of urban transit-oriented developments include:

- People who are tired of fighting traffic, and are willing to give up the second car;
- Diverse age groups looking for options to move up or down in housing size, depending on where they are in their lifecycle; and
- Seniors who desire an independent lifestyle while reducing their dependence on the automobile.

The new class of owners and renters attracted to these types of live/work neighborhoods is typically made up of singles, couples without children attracted to the urban lifestyle, and empty nesters downsizing and moving to a more convenient, labor-saving housing type than the typical suburban home.

Mix and Layer Uses

Zoning standards and overlay ordinances that affect transit village areas should permit a high degree of design flexibility. For example, land use and zoning ordinances should permit layering and mixing of uses in a single building or street, including the mixing of commercial, residential, civic, and cultural uses to extend the activity cycle. Above all, zoning should allow the community to reclaim the street space by encouraging street activity and by permitting the private use of public space through more permissive land use regulations. Examples include outdoor café seating, kiosks, street-level "flex space" with housing

above, multifamily buildings designed as live/work space, and street closures for public events or block parties.

Reclaim the Public Realm

One of the essential elements in urban community development is the reclaiming and control of street space. The goal is to populate the space with people who live, work, and play in the neighborhood, and who will protect and support it. Streets are the outdoor living rooms of urban neighborhoods and represent—in higher-density neighborhoods of this type—a significant percentage of the urban open space. The transit village should provide a fully amenitized street space. This calls for outward-facing development with no fences or gates. Urban open space must have a clearly defined "owner" and be designed with no leftover ambiguous spaces between buildings.

Get the Retail Strategy Right

Introducing retail into mixed-use developments requires discipline and an understanding of the function and nature of retail in an urban mixed-use setting. Specifically, it requires an understanding of the different requirements of neighborhood support retail, main street retail, and destination specialty retail. The challenge is to understand the different needs of retail tenants, commercial tenants, and residential tenants in terms of parking, security, servicing, and mechanical services. Key issues include: control over hours of operation, parking management, street space activities, and competition for on-street parking and traffic circulation.

The footprint sizes and scale of retail should be kept in scale with residential building typologies. For example, large overhanging retail roof space disconnecting the dwelling unit from the street, and large-footprint retail buildings, are not conducive to residential plumbing, HVAC systems, and structural bay spacing.

Street retail uses energize the street space with activity, shops, and with support services that generate high densities of pedestrian traffic. However, it is important to realize that while retail may generate activity, the retail component of the transit village should not be the primary justification for its development. Transit access can en-

hance the retail market, but the market must be viable without the transit component. Retail follows other development; it is not a leading land use. The most important considerations for retail development are location, market, and design. Proximity to transit is nowhere near the top of the list. Retail cannot be forced, and nothing stigmatizes an entire development like failing retail.

Good Design Matters

Fundamental to the design principals governing creation of a user-friendly transit village is the placement and relationship of key project elements including buildings, parking, and roadways. A sense of place is fostered not by the buildings themselves, but by their ability to define public spaces. Equally important is the scale of these elements, which relates to their ability to welcome and engage pedestrians. New development should promote outstanding design in residential development, innovation in mixed-use neighborhood development, and creative landscaping. The following design principles should guide the implementation of transit villages:

- Commitment to high-quality public infrastructure that sends a signal that associated architecture will be of an equally high standard;
- An urban form that links neighborhoods through the orientation and identity of open space, retail, and building massing.
- A development scale that is set by residential rather than commercial uses.
- Activated sidewalks and streets with connections to ground-level retail, multiple front doors, and on-street parking.
- Street design standards created for the needs of the pedestrian as much as for the automobile—with narrow cross-sections, wide sidewalks, on-street parallel parking, neck-downs, shade trees, and traffic-calming techniques designed to deflect nonlocal through-traffic;
- Parking that is relegated to a hidden, secondary location so that development and sidewalks are not interrupted; and
- External architectural design elements such as bay windows, front doors, stoops, balconies, and street-level amenities like shops, cafés, and health clubs that animate the streetscape.

Development Strategies

Development is often thought of as getting rid of the old and creating something brand new. But it is more accurate to think of it in terms of maximizing existing assets, of creating something better out of an existing fabric.

Whether in Atlanta, San Diego, or Paterson, urban revitalization is driven by housing. Residents are the foundation and essence of any community. The panel believes that Paterson's greatest opportunity for economic development and revitalization of its urban core is through the creation of new housing. The city has a rich base of assets on which to build: a dense urban environment, an enviable stock of underused commercial and historic structures, existing transportation infrastructure, and proximity to regional employment centers and centers of culture and recreation.

Key Development Strategy Recommendations

The panel made the following key development strategy recommendations aimed at achieving the goals of: economic development in the form of new jobs, greater consumer spending, and increased private investment; enhanced quality of life for residents through the creation of high-quality open space and a wider array of live-work-shop-play opportunities within a cohesive, walkable environment; reduced traffic congestion and greater use of existing transit infrastructure; and the creation of the transit village environment envisioned by the state of New Jersey and the city of Paterson:

- Focus first on encouraging privately-sponsored, small-scale residential development projects that take advantage of existing and proposed transit infrastructure. Housing development opportunities include the redevelopment of under-

used buildings and new construction on infill and brownfield sites.

- Facilitate the conversion of the upper floors of commercial buildings along Main Street to residential uses.
- Facilitate the adaptive reuse of Paterson's significant yet underutilized landmark structures for housing. Opportunities include redevelopment of the Armory and the Alexander Hamilton Hotel, and the reuse of historic mill structures, as has been successfully demonstrated by the city.
- Encourage Paterson's major employers, such as St. Joseph's Hospital and Passaic County Community College, to partner with private developers and investors to develop new and expanded facilities.
- When appropriate, augment private sector housing development efforts with not-for-profit housing creation.
- When a critical mass of new housing units has been absorbed into the transit village area, focus on attracting market-driven retail, office, dining, entertainment, and lodging development.
- Identify brownfield redevelopment sites to satisfy anticipated new demand for commercial uses driven by new residential development.

Converting Upper Floors of Commercial Buildings to Housing

The numerous multistory commercial buildings along Main and Market streets now used only for ground-level retail represent a tremendous opportunity for new housing. In downtowns of all sizes, in all parts of the country, the conversion of underused space above street-level retail to housing has breathed life into abandoned central cores. The

Market and Main streets are bustling and vibrant at street level, but upper floors of buildings are mostly underused or vacant.



panel urges the city to aggressively pursue the development potential of these underused assets.

Advantages of Conversion

The conversion of underused space in commercial buildings to housing units offers many advantages:

- Adaptive use represents an immediate and achievable means of creating additional housing units in the transit village area. Building supply is plentiful; individual building investment requirements are relatively manageable; and multiple ownership provides dispersed opportunities to participate in the housing creation process.
- New residents will in turn create greater demand for new and improved retail, dining, personal services, and entertainment offerings within the urban core, thereby generating new tax revenue for the city and income for local businesses.
- Increased cash flow resulting from the conversion of nonincome-producing space to income producing units will raise the value of building owners' assets, and will in turn expand the city's tax base. Paterson's existing five-year tax abatement ordinance ensures that owners will be able to capture more of the increase in value immediately upon completion of a conversion. Thereafter, the community will further benefit from increased ratables associated with these properties.
- Placing more housing units in the vicinity of existing and proposed transit lines will increase usage of the city's transit infrastructure.
- Creating new residences in what is currently abandoned space will bring new residents who will make further improvements to the structures and the neighborhood.
- The conversions will provide needed new housing opportunities for people in all stages of life, including members of extended families who wish to establish separate residences, young adults moving out of the family homestead, working families who want the convenience and amenities of urban living, and seniors seeking to downsize their housing needs. With Paterson's strong employment base in the public and service sectors, as well as its growing community college student population, downtown conversions will create housing opportunities that are both affordable and close to employment locations.
- Since the structures already exist, the capital required to convert them to housing will in most cases be lower than that required for new construction, making it more feasible for developers to develop affordably priced housing.

Turning Perceived Obstacles into Opportunities

Despite the stated advantages of pursuing housing conversions in Paterson's transit village area, numerous concerns have been raised about the viability of these conversions. The panel accepts that there is validity to some of the concerns. However, panelists also believe that perceived obstacles can be turned into opportunities. Finding workable solutions to the problems presented by housing conversion will give the city an opportunity to demonstrate to the development and investment communities that Paterson is a supportive, ready, willing, and able partner in the housing creation process. The panel suggests the following set of approaches to address challenges related to housing conversion:

Increased Traffic Congestion. The addition of housing units leading into and within an already congested central core area raises the concern of parking availability and increased traffic. While it is true that new residential development in the transit village will strain existing parking capacity, the increased demand will justify the creation of a new parking facility with sufficient capacity

for new residents, shoppers, and nearby office employees. Additional surface parking capacity can be created through selected, ad hoc acquisition of property in close proximity to the new housing units.

New residential development in close proximity to transit infrastructure will encourage greater use of public transit, thereby reducing the demand for additional parking capacity.

Increased traffic is inevitable, due to the use of currently vacant space. The panel recommends that traffic studies be undertaken and mitigation measures that have been used in other similar situations be considered and implemented. Such measures could include things such as reduced on-street parking during peak hours, reversible traffic lanes, designated loading zones, dedicated turn lanes and selected roadway widenings.

Building Codes. Concern has been raised that building, fire, life-safety, and disabled access codes preclude economically feasible conversion of these buildings for residential use. While the panel concurs that in some cases, individual building conditions may prove to be prohibitively expensive to remedy or mitigate, the panel also knows that numerous cities throughout the country have adopted adaptive use ordinances. Such ordinances tailor the applicable codes to the existing buildings in a way that appropriately balances the need for safety with the need for revitalization of vacant and underutilized assets. Adaptive use ordinances in Los Angeles and Seattle have facilitated the creation of over 2,000 units of housing in 1920s-era vacated commercial structures, and provide an excellent example of such code balancing. New Jersey's Separate Rehabilitation Code has already demonstrated the state's willingness to undertake and facilitate such a balancing exercise.

Absentee Landlords. A number of buildings with good conversion potential are owned by individuals and entities not located in Paterson. While this is not in and of itself a negative, absentee ownership can reflect a misalignment of community and owner interests. This misalignment often becomes evident through deferred maintenance, physical



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deterioration, building code violations, ignorance or disregard of applicable municipal programs which benefit the property owner, misunderstanding of applicable tax codes, and tenancies that are not consistent with community objectives for the particular location.

It is not surprising that an absentee owner who is currently deriving significant economic benefit solely from a ground-floor rental might not immediately see the benefit of converting the upper floors to housing. To overcome this initial resistance, the city can avail itself of several approaches.

The panel recommends that the upper floors of commercial buildings lining Market and Main streets be converted to new apartments and condominiums.

First, the city can proactively seek out and educate absentee owners about the economic benefits of conversion. Outreach efforts can include preparation and review of cash flow pro formas and helping owners to meet and consult with qualified development, design, financial, and construction professionals. The city should clearly demonstrate to building owners the economic benefit of existing city incentives, such as the sidewalk improvement fund, the façade improvement program, city parking programs, and relaxed building code requirements under the rehabilitation statutes.

Second, the city can stimulate conversion activity by undertaking a demonstration project in an available vacant commercial building. The goal would be to show building owners the cost, time frame, and potential rental stream of a building conversion.

Third, where proactive education measures are not successful in securing owner participation in the conversion process, the panel recommends that the city force compliance, on a selective basis, through various coercive means available. These means may include building code enforcement and, ultimately, the power of eminent domain.

This three-pronged approach is equally applicable to locally based ownership that resists movement towards the conversion process. Panel members note that they have been advised of the perception that the practice of assessing these properties at less than full value is a disincentive for converting the upper floors to residential. This is a false perception and suggests the need for an effective outreach program by the city.

Based on its experience with housing conversions in other cities, and on Paterson's residential rental rates, the panel believes that any concerns regarding the economic infeasibility of these conversions is misplaced. Current market rental rates of \$18 per square foot point to a building valuation of approximately \$200 per square foot. Using a conservative estimate of conversion costs of approximately \$125 per square foot, \$75 per square foot of value is added to the building, generating an annualized 14 percent cash-on-cash return for the owner. The return, along with the increase in the

asset's value, is in addition to the additional cash flow to the owner created by Paterson's five-year property tax abatement ordinance, as well as the additional depreciation expense for the new capital improvements.

Negative perceptions about the quality of life and safety of the corridors where these buildings are located, particularly during the evening hours, must be aggressively combated. The "safe and clean" emphasis of business improvement districts throughout the country has gone a long way towards changing perceptions grounded in past realities. In fact, Paterson itself has already proven this to be the case with the installation of enhanced lighting in the South Market Street corridor, as well as the ongoing urban tree planting program. More importantly, as more residents move into these converted properties, greater activity on the sidewalks and fewer abandoned and darkened upper floor windows help create an environment that is perceived as more friendly, safe, and comfortable.

Access to Upper Floors. The panel heard concern regarding blocked access to upper floor spaces through current ground floor retail space in many buildings suitable for conversion. Admittedly, this will take a concerted negotiation effort on behalf of the landlord with its retail tenant to secure the necessary access. Building code enforcement may come into play as well. Ordinances that encourage the maximum use of storefront space may also need to be revisited. When negotiations with owners and code enforcement efforts fail, the panel believes that the Housing Authority may be able to condemn portions of a building to secure the necessary access. This has been done in other states.

Suitability for Housing. The panel heard some concern about the suitability of the space in these buildings for housing use. Historically, in urban areas throughout the United States and elsewhere in the world, living above retail and office space has been more common than not. The current wave of urban living in converted commercial structures suggests that there is indeed market acceptance for such housing. With Paterson's healthy demand for housing, and with vacancies of about 5 percent, concern about a lack of demand

for attractive, well-located, affordable housing should be put to rest.

School Capacity. Increasing the number housing units could raise concern about putting additional pressure on public school capacity. However, the smaller size, the location, and the configuration of the housing units proposed for Paterson's transit village area will appeal more to single and childless couples than it will to larger families. Even so, the state of New Jersey expects to allocate in excess of three-quarters of a billion dollars in new school facility improvements, which should be sufficient to mitigate any additional capacity demand placed on Paterson's schools.

Opportunities for Adaptive Use and Infill Development

All of the advantages and opportunities associated with the conversion of underutilized commercial structures described above are equally applicable to the adaptive use of historic structures, as well as to the redevelopment of underused land.

As a gateway community, Paterson's population is inherently transient. People entering the community typically rent housing. Consistent with this pattern, more than two-thirds of the households living in Paterson are renters, in contrast with the national average of one-third. There are many community and personal benefits to having a larger owner-occupied residential base. These include a more stable employee base, pride of ownership, and a sense of belonging. Homeowners create demand not only for retail and other commercial amenities, but also for a more diverse mix of housing opportunities. The historically high appreciation of owner-occupied property yields a higher tax base for the city than does rental property. In addition, converting rental property that is subject to tax abatement into owner-occupied property will immediately place the property on the tax roll.

The benefits of housing conversion and the adaptive reuse of historic structures apply to the development of both rental and affordable for-sale housing. The panel believes there are many good



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The historic buildings along the old mill raceways can be converted into desirable new apartments and condominiums.

opportunities in Paterson for both. For example, Paterson's historic mill properties offer ideal opportunities to create for-sale housing. The conversion of the upper floors of commercial buildings into for-sale housing should also be considered. Again, through its Housing Authority, the city has an opportunity to take the lead on a demonstration project and to jump-start the redevelopment process.

It should also be noted that the relatively low cost of homeownership in Paterson is conducive to for-sale residential development. With the many no- and low-downpayment programs available today through federal and state governments, and with today's historically low interest rates, a \$150,000 mortgage translates to a monthly payment of approximately \$900. Even with the addition of property taxes and utilities, home ownership costs are comparable to the \$1,000 per month or so rent levels for a typical Paterson rental unit. With assumed development costs on the order of \$125 per square foot, for-sale residential development is economically feasible.

The panel believes that potential ownership opportunities primarily serve the demand of those already living and working in Paterson, or those desiring to do so. In the future, with the larger stock of housing in Paterson, coupled with the expanding and extensive regional transit network, this base may also provide ownership opportunities for those working elsewhere in the region.

Future Retail and Entertainment Development

As noted earlier in this report, urban residents are the driving force for the creation and ongoing vitality of urban retail, entertainment, and dining services. Paterson's urban core and surrounding neighborhoods have a rich and diverse array of thriving ethnic retail and dining offerings. The addition of residents made possible by the conversion of upper floors in commercial buildings, coupled with the adaptive reuse of historic structures and new infill development, will increase the demand for additional retail, dining, and entertainment options within the city's urban core.

A critical mass of new residents in the transit village area will also create a market opportunity for mass merchandisers who can take advantage of

larger brownfield sites around the perimeter of the city. Such users bring significant tax revenue and provide residents with conveniently located shopping opportunities. Care must be taken in selecting the appropriate larger retail offerings so that a balance of local and national retailers is maintained. A good example is the Home Depot project, which is bringing needed home improvement goods to the community without displacing significant local retail offerings.

Future Office Space Development

Rental rates for office space in Patterson are currently too low to justify new speculative office development. However, existing office space users such as the Board of Education, area hospitals, and various other public agencies might need additional space. This demand may present opportunities for build-to-suit office space in existing structures, such as the Fabian Theater or the Armory, or in vacant upper floor space in buildings on Main and Market streets.

Future Hospitality Development

Designation of the Great Falls Historic District as a national park, coupled with new development along the Passaic River, could create opportunities for small to medium lodging development. In the shorter term, St. Joseph's Hospital has an immediate need for expanded conference space and overnight visitor accommodations. Care should be given to siting and configuring such facilities so that they provide a greater community benefit than just new hotel capacity. For example, meeting space can be made accessible for community meetings, and parking can be made available to the community at large.

Implementation

The panel recommends that the city aggressively pursue designation as a transit village. Paterson meets the state's criteria for transit village designation, and the city's economic development initiatives are entirely supportive of the state's objectives.

The creation of a transit village requires much more interaction and collaboration with multiple public and private stakeholders than does conventional, single-use planning and development. And this enhanced need for collaboration requires new forms of implementation and organization. The panel's implementation recommendations are summarized in this chapter.

Address City Staff Capacity

Before developing an implementation strategy, the panel first looked at the city's capacity to execute the recommended development strategy. In the panel's view, the city does not have sufficient staff to undertake the kinds of activities described in this report.

Although the city staff is supplemented in numbers and experience with a variety of consultants, institutional memory is lacking in certain departments. Questions about city affairs are addressed to former employees who are now employed as consultants to the city. City functions such as code enforcement and engineering, which have a great impact on development, seem to lack full-time employees. As a result, city services and improvements suffer.

For example, the panel heard that millions of dollars of state funds have been committed to the city in the last five years but none of the funds have been used—a “massive problem of coordination and implementation” according to several interviewees. The panel heard that state funds for parks have not been released because the

state has not seen progress on previously funded projects.

Also, tracking the decision-making process is difficult because there are no defined “point persons” within city government. Lack of appropriate staffing is viewed by the community as the city being “penny wise and pound foolish,” especially when lack of capacity means failure to use committed public funds. This lack of capacity must be addressed if redevelopment in the transit village area is to occur.

Create a Transit Village Development Corporation

To address the lack of city staff capacity, and to draw key stakeholders into Paterson's transit village development effort, the panel recommends that the city create a Transit Village Development Corporation (TVDC). The TVDC could merge public and private stakeholders and be charged with oversight of the creation and implementation of a master plan to develop a transit village in Paterson.

Successful implementation of a transit village will require unwavering, long-term commitment from all stakeholders who are working together to achieving a shared vision. A master plan must be developed and approved; an appropriate design oversight and review process must be established; and a multi-disciplinary staff will need to work together from the inception of the transit village development plan to full buildout of construction and ongoing management and maintenance.

If a TVDC is not created, the panel urges the city to hire experienced development professionals who will report directly to the mayor and city council, and who will have the same responsibilities as described below.

Why Create a TVDC?

Transit-oriented developments draw on resources and forge connections from beyond the city limits. They require an organization that can connect public and institutional authorities with shared interests in transit villages (city, NJDOT, NJ Transit, Parking Authority, PCCC, etc.) not only with each other, but with private stakeholders such as larger employers and business owners in the Special Improvement District.

Transit villages, especially those undergoing changes such as Paterson's, need a plan that belongs to the city as a whole and not to any single administration. This will provide continuity and predictability for existing and prospective community members, developers, and other sources of private capital over the coming decades.

The city needs an entity with a professional staff that is enabled to work across various city departments and other involved stakeholders to assure timely progress on plan execution. The staff does not need to be large, but it does need to be focused.

TVDC Structure

The TVDC should have a board of directors that consists of eight to 12 voting members, representing both the public and private sectors. Appropriate public and quasi-public members may include the mayor, a council member, senior representatives from NJDOT, NJ Transit, the Paterson Parking Authority, the Downtown Paterson Special Improvement District, and PCCC. Private sector representatives should include persons with relevant professional expertise (engineers, appraisers, architects/planners, developers, etc.) who live in or have significant business interests within Paterson. Given that there are other organizations in Paterson with a commitment to revitalization, perhaps some could be consolidated in the TVDC.

The TVDC must have an executive director with appropriate professional credentials to execute the policies and plans of the board. The executive director should report to the board and should have appropriate administrative support, plus a dedicated grants specialist (full-time preferred).

The panel advises the city to extend its search for appropriate expertise to the broader region. It is important to remember that Paterson is a regional city, not just a bedroom community, and a transit village will represent a major development project in the region. Paterson's revitalization will benefit not only Paterson, but also the entire region.

The executive director will work closely with the mayor and city staff. In fact, he/she will be an extension of that staff in many ways. For example, the executive director will likely "chaperone" projects proposed for the designated transit village area through the necessary departmental and public approvals.

In addition to the creation of the TVDC, the panel recommends that certain changes be made at city hall to facilitate the development of the transit village. As currently structured, the Department of Community Development, through its divisions of Community Development, Housing, Economic Development, Planning and Zoning, and Historic Preservation, will play a defining role in implementing the transit village, and will have a peer relationship with the executive director of the TVDC. As such, the panel feels that the profile of these divisions should be raised. These critical departments, plus a dedicated grants manager, should be removed from the Department of Community Development and reorganized as a separate department. The new department would have a direct reporting relationship to the mayor, giving its director access across department lines and underscoring the critical importance of the transit village. Among the priorities of this new department would be to provide support services to the TVDC and facilitating implementation of the transit village.

TVDC Funding

It is the panel's understanding that the state returns 3 percent sales tax from the Urban Enterprise Zone to the city (in addition to the city also receiving the benefit of a lower tax rate). The panel recommends that some portion of the sales tax that is returned to the city—perhaps one-third—be designated for operations of the TVDC

and its staff. If this is not feasible, then the city should approach the Paterson Restoration Corporation for initial operational funding, with a directive to secure permanent funding thereafter. Other potential sources of permanent funding include NJDOT, NJ Transit, and the Parking Authority. Sources of funds for development incentives and other transit village revitalization costs are discussed later in this chapter.

Action Steps for the TVDC

The panel makes the following recommendations for actions that the TVDC can take to undertake a successful transit village development process.

Develop a Transit Village Master Plan

One of the first goals for the TVDC should be to shape and define the vision for Paterson's transit village through a process that results in a fully articulated master plan. The plan development process should incorporate and consolidate all other planning efforts for the transit village. Because the plan will represent the collective vision for the transit village, it is imperative that the process includes broad public participation, education, and outreach efforts.

The plan should include design standards that ensure consistent, high-quality development, but that still have enough flexibility to promote creative ideas. The plan should incorporate a comprehensive branding and marketing program that will promote the transit village as a great place to live, work, play, and shop.

Inventory and Assess Development Sites

The approach of "if you offer it, development will come" may have been a reasonable approach at one time in Paterson's development history. However, as a largely built-out city with few vacant sites remaining, this approach is no longer appropriate. Additionally, demographic and retail marketing changes are freeing up buildings that are strategically located and can be recycled for other uses. Therefore, the city needs a blueprint for a realistic and achievable marketing strategy to maximize its return from the development of its real estate assets.

The objectives of the analysis of each potential development site should include the following:

- Determine how a property is positioned in the marketplace;
- Assess its advantages and disadvantages compared to its competition;
- Gauge the extent of developer interest; and
- Classify the site according to its readiness for development.

As initial steps, the city should prepare an inventory of its available development parcels and engage the services of a competent real estate consulting firm. It will be the responsibility of this firm to evaluate and rank each site according to when and how it is to be marketed for development. For example, first priority designation will go to those sites which have sufficient private sector interest and are deemed ready to market; second priority sites will have some private sector interest but have existing constraints that need to be overcome; third priority designation will go to those sites which not only lack private sector interest but need substantial and sustained city work to make them marketable.

The real estate analysis should be updated periodically as data change. The analysis should indicate whether linking a site to public incentives and support programs would alter or improve its ranking.

The real estate analysis should be used by the city as a basis for establishing a well-considered marketing program and developing a solicitation offering document. (See page 38.) It is to the city's advantage to offer sites that have been market-tested and that are likely to be successfully developed. It would help to eliminate the image of the city as one that offers sites and development opportunities only to leave them to languish for years before being built, or as has occurred in several cases, to never be built at all. If done properly, the real estate analysis will allow the city to better manage its real estate development resources. The sites will be marketed when they are ready, and the city will save time, money, and staff resources.

Streamline the Solicitation and Approval Process

The panel believes that the city's planning and development process needs to be streamlined. Existing procedures appear confusing, cumbersome, and time-consuming. In real estate development, time means money. A slow process can be a significant disincentive for new private investment.

The panel believes that the TVDC can help streamline the process. With multiple priorities needing the city's attention, development items are often deferred to future meetings, delaying the approval process. With a TVDC, the city will have an entity that will specialize in transit-oriented development. The board members will have an experienced real estate professional on staff and they will develop expertise and an understanding of the nuances of projects, building institutional capacity. The TVDC will be able to address and resolve issues before recommending a proposal to the mayor and council for action, thereby speeding the process. To answer those who might be concerned about "another layer of government approvals," the city and the TVDC should have as a goal close cooperation and agreement on design standards so that developers get consistent feedback from city and TVDC staff. A consistent, streamlined process will greatly enhance the likelihood of attracting private developers and investors to transit village development opportunities.

The city's development process should strive to be more like private sector negotiations. The city currently processes approvals for development projects in much the same way as approvals to procure goods and services. This does not recognize the highly sophisticated nature of real estate development transactions. The panel feels that the development process will be markedly improved by removing development projects from the traditional procurement process and creating a separate set of development procedures, overseen by the TVDC, with an emphasis on marketing opportunities rather than purchasing goods.

Other action steps that the panel believes will improve the approval process include:

- Ensure that the new zoning regulations provide flexibility in the application of parking requirements, establishing maximum rather than minimum space requirement for projects.

- Use sophisticated, experienced real estate brokers or consultants to expedite the marketing of city-owned sites in the transit village area and to reach a broader regional audience.
- The TVDC should have oversight of the RFP process for transit village-related projects. RFPs should be used as an opportunity both to market Paterson and to negotiate the best financial package (with the most reliable, credit-worthy developer). The distribution of the RFPs should be at least regional so as to maximize access to "best practices." Posting the RFPs on the American Planning Association website can yield unanticipated respondents. Paterson will benefit from the increased activity in older urban centers around the country. Successful models decrease risk for investors and bankers, and, hence, will increase interest in and competition for Paterson.
- The TVDC should actively be involved with the negotiation of public/private ventures.

The Role of Regulatory Agencies

City planning, zoning, and other regulatory agencies have a number of opportunities to support development of the transit village area through changes to local regulations, modifications of established policy or practice, and amendments to their respective work programs. Each city agency and department should study opportunities to emphasize transit village concepts in their existing functions.

Financing Transit Village Development Projects

The panel makes the following recommendations for effective financing of transit village development projects.

Establish the Ground Rules and Don't Change Them

It cannot be emphasized too strongly that a primary incentive for private sector development will be a well-defined transit village vision that has "staying power" beyond any particular administration. New businesses and real estate developers need to know that if they make an invest-

ment in Paterson's transit village area, the vision and roadmap for accomplishing it will not change.

The approaches to financing a development project by the public and private sectors and the transactions that are made will vary depending on the market situation. For example, in a strong market, the price that can be obtained for any development product, whether office, apartments, or retail, exceeds the physical cost of development by some amount that assures the developer an acceptable profit. In this case, market-rate development will occur of its own accord and there is no need for public financing subsidies. However, when the market is weaker, as it has been in Paterson for a number of years, public subsidies are required to attract private investment

To take full advantage of development opportunities in the downtown area and the area around the proposed new light-rail line, the city will need to make some changes in the management and allocation of its economic development and redevelopment program funding. City officials may have to make difficult choices in the short run to ensure long terms benefits from the transit village area.

The panel recommends the following financial strategies:

- Prioritize completion of the Capital Improvements Program;
- Establish a realistic annual revenue goal from economic development projects based on the real estate analysis;
- Create a Public Services Plan (PSP) as a companion to the city's annual budget. The PSP should identify scheduled operations and maintenance activities, establish annual expenditures, and link and leverage external public and private funds. Priority should be given to infrastructure improvements in the transit village area;
- The city has already received federal, state, and county funds to undertake a variety of planning and development activities; these activities should be completed as soon as possible. Demonstration by the city that it is using the funds it has received will significantly increase future funding from these entities.

- Other tools that have been used successfully by cities to support transit village development include: land writedowns, environmental cleanup, marketing/promotion, density allowances, reduced parking requirements, infrastructure support, transit infrastructure investment funds (TIIF), and public/private partnerships.

Maximize Existing Funding Sources

The city of Paterson, Passaic County, and the state of New Jersey offer a dazzling array of programs that could support business development and infrastructure improvements in the proposed transit village. Additionally, a number of very specific programs for existing and new businesses are available for Paterson's Urban Enterprise Zone, which covers over 30 percent of the city. The programs range from incentive programs for new and expanding businesses to direct loans and grants to assist in financing working capital, fixed assets, new equipment and building acquisition, and construction. The following key support programs are available through the Paterson Restoration Corporation, the city's Department of Community Development, and other entities:

General Funding Programs

Small Business Loan Program. Provides loan guarantees on bank financing from \$5,000 to \$25,000. Interest rates are traditionally 1.5 to 2 percent above prime.

Direct Loans. Provides loans of up to \$100,000 for fixed-asset improvements (i.e., purchase of machinery and equipment, with an interest rate as prime + 1 percent). Loan terms are for up to seven years.

Urban Enterprise Zone Funding Programs

Urban Enterprise Loan Program. Provides direct loans for fixed assets, for loan amounts up to \$1,000,000. Interest rates range from 3 to 7 percent based upon the term of the loan, three years to seven years.

Facade Improvement Program. Provides loans and grants to retail businesses located along Main Street from Crooks Avenue to Memorial Drive. Retail businesses in this area can receive a 50 percent matching grant to improve store facades, awnings, windows, etc. up to \$50,000 per company.

A matching grant of 70 percent per company is available if an entire block front is rehabilitated.

Capital Improvement Program. Companies can receive a matching grant of up to \$20,000 for capital improvements to their property.

Sidewalk Improvement Program. Companies can receive a matching grant of up to \$6,000 to repair or replace sidewalks.

Employee Tax Credits. A one-time tax credit of \$500 to \$1,500 per new employee to qualifying firms subject to the Corporation Business Tax.

Sales and Use Tax. Exemptions from state sales taxes on the purchase of taxable tangible personal property and taxable services and on the sale of materials, supplies, or services to a contractor, subcontractor, or repair person erecting buildings on, or making improvements to, the real property of a qualified business.

Unemployment Insurance Awards. Based on the amount of unemployment insurance paid by a firm within the zone for new employees. Awards can range from 50 percent of an employer's unemployment insurance payment for the first four years to 10 percent in year 20.

Reduced Sales Taxes. Retail sales of tangible personal property within the zone are reduced by up to 50 percent of the current rate, effectively reducing the sales tax rate to 3 percent.

It is the panel's understanding that monies from this program are not budgeted. Therefore, they can be used for a variety of purposes. The panel recommends that some of these monies be used to support the proposed TVDC.

Beyond Paterson: What State and Local Governments Can Do to Promote Transit Villages in New Jersey

The panel recommends the following action steps for New Jersey state and local governments to take in order to promote transit villages:

- Examine development codes to identify barriers to transit village implementation, and change them if required;

- Maintain an ongoing dialogue between the state, county, and city on planning and zoning changes in a transit village;
- Consider linking eligibility of State TOD incentives to local government adoption and implementation of TOD-friendly planning, zoning, infrastructure adequacy, housing, and/or other measures. The specific characteristics of the linkage mechanism can take any of a number of possible forms. (For example, the mechanism can be prescriptive, or based on a "scorecard" approach, or it can be based on eligibility criteria or be competitive.);
- Support local government adoption and implementation of TOD-friendly planning, zoning, infrastructure adequacy, housing, and/or other measures to promote transit villages, including the creation of an entity to focus specifically on implementing transit villages;
- Evaluate the implications of creating a "capitalized" transit village revolving fund through NJ Transit or some other appropriate state agency for "gap" financing of projects in transit villages; and
- Define and implement a transit village location efficient mortgage program if one does not currently exist at the state level.

Summary of Implementation Recommendations

The panel recommends the following key steps to Paterson's realization of its potential as a transit village location:

- Pursue transit village designation;
- Create a TVDC;
- Enhance existing city planning and economic development staff resources for the transit village;
- Aggressively pursue private development opportunities;
- Define a clear and unambiguous development process;
- Use existing resources more creatively; and
- Leverage public financial assistance.

Conclusion

The panel's recommendations are intended to help the city of Paterson envision and implement a plan for redevelopment of the train station area into a vibrant transit-oriented neighborhood with residents, shops, restaurants, urban parks, and public spaces.

The creation of a transit village will revitalize not only the transit village area, but will create a more viable city. New development will provide a wide range of transit-accessible housing options for those who already live in Paterson, and will eventually entice some from outside the area to dis-

cover attractive, affordable, and accessible housing in Paterson's transit village.

The city has the ingredients in place for the development of a successful transit village. To realize its potential, the city must build the foundation of support and marshal the public and private resources necessary to see this long-term effort through. The panel believes that the creation of a separate development entity—the Transit Village Development Corporation—will enable the city to accomplish this goal.

About the Panel

Smedes York

Panel Chair
Raleigh, North Carolina

A Raleigh native, York is president of York Properties, Inc., and board chairman of two related companies: York Simpson Underwood and McDonald-York Construction. He also serves on the board of SCANA, a major public corporation.

York has spent his professional career in real estate and construction. He has served in a leadership capacity in many organizations, including past chairman of the North Carolina Citizens for Business and Industry, the Greater Raleigh Chamber of Commerce, the Urban Land Institute, and the trustees at North Carolina State University. Current positions include the Board of Directors and Executive Committee of the Research Triangle Park Foundation, the Triangle United Way, and the YMCA of the Triangle.

From 1964 to 1966, York served as a Lieutenant in the U. S. Army Corps of Engineers, and receiving an Army Commendation medal in 1966. He also spent time in elective office as Raleigh City Councilman (District E) from 1977 to 1979, and as mayor of the City of Raleigh for two terms, from 1979 to 1983.

York received a Bachelor of Science in Civil Engineering degree from North Carolina State University, and a Master of Business Administration degree from the University of North Carolina at Chapel Hill.

Stephen A. Cebra

Boston, Massachusetts

Cebra, born in Paterson and raised in neighboring Garfield, New Jersey, has more than 20 years of experience in the parking consulting and urban planning fields. With Walker since 1980, he is

actively engaged in project master planning, programming, and parking functional design. In addition, he provides assistance with market feasibility studies, site analysis, and financial pro formas.

Specializing in urban projects, Cebra has completed parking structures for communities and governmental agencies all along the east coast, including facilities in Philadelphia, Harrisburg, Scranton, Greenwich, Montclair, Jersey City, Atlantic City, Providence, Portland, Medford, Chelsea, and Boston. He also acts as a functional designer who performs site planning activities and assists with functional design of parking layouts with other team members.

Prior to joining Walker Parking Consultants, Cebra was an urban designer with Cole Associates in South Bend, Indiana, and responsible for preparation of community land use plans, UDAG programs, and park and recreational facility design.

Cebra received his Master of Science in City & Regional Planning from Southern Illinois University, and his Bachelor of Science from Valparaiso University. He is a member of the Urban Land Institute and the Society for Marketing Professional Services.

John Gosling

Washington, D.C.

Gosling is company-wide residential sector leader and director of planning and urban design for the Baltimore and Washington offices of RTKL Associates Inc. In these roles, he has been responsible for managing and developing some of the firm's most high-profile urban design and planning assignments in major cities around the nation and abroad. They have included the award-winning State/Thomas Urban District Plan in Dallas; the Downtown and Arkansas River Corridor Plan in

Wichita; the Oklahoma City Redevelopment Plan; the Center City Plan in Nashville; the Tower City Center in Cleveland, Ohio; and recent assignments for mixed-use development and urban infill housing at Baltimore's Inner Harbor.

A native Londoner, Gosling received his architectural education at the Architectural Association School of Architecture in London, and is a certified architect and planner. He has been a practitioner of planning and urban design for over 30 years, working for both developers and professional service firms.

Gosling is a Fellow of the Institute for Urban Design, the recipient of the 1998 City of Dallas Kessler Award for Individual Achievements in Urban Design, and a member of Lambda Alpha International, the land economics society based in Washington, D.C. He teaches a graduate course, "Rebuilding the American City" at the University of Virginia; and for the past two years has taught advanced residential development process classes for the Urban Land Institute. A recipient of ULI's Agar Award for Journalism, Gosling has written numerous articles on urban revitalization and urban design for *Urban Land*, including "Points of View—Debating Density," appearing in the August 2001 issue.

He joined RTKL in 1984 as director of planning and urban design in the Dallas office, was named a principal in 1988, and relocated to the RTKL Washington office in 1996.

E. Eddie Henson

Tulsa, Oklahoma

Henson is president of Henson-Williams Realty. Founded in 1987, the firm specializes in development of urban properties and resort communities, and provides asset management services to major public corporations nationwide.

Previously, Henson was president of Williams Realty Corporation, where he directed the development and management of a number of major mixed-use projects, including Williams Center in Tulsa, Tabor Center in Denver, Rivercenter in San Antonio, and Independence Center in Charlotte.

Henson is an active member of the Urban Land Institute. He has served as a ULI trustee, member of the Executive Committee, chairman of the Awards Committee, the ULI Research Committee and the Urban Development/Mixed-Use Council. He is a member of the American Society of Real Estate Counselors, the Institute of Real Estate Management, and the International Council of Shopping Centers—where he served as chairman of ICSC's certification program, which trains, tests, and recognizes outstanding shopping center managers on an international basis.

He received a bachelor degree in mechanical engineering from Texas Tech University and an MBA degree from Harvard Business School.

John (Jack) C. Hewett

Santa Barbara, California

Hewett has been involved in the real estate industry for the past 30 years. He assists currently with tailored financings, plus acquisitions and dispositions of property. For ten years he worked with the now CB Richard Ellis organization as an investment broker, with a focus on securing funds for existing projects. Prior to this, Hewett was associated with the Bishop Corporation, a Honolulu-based real estate developer/investor, dealing with all aspects of ownership, from acquisition, and development through long-term management of investments. Projects included apartments, condominiums, shopping centers, master planned communities, resorts, theme parks, and luxury hotels.

Hewett received his MBA and JD from Syracuse University and is admitted to the Bar in California, New York, and Hawaii. He has also served as a faculty member at five colleges and universities, where he has taught business and law courses both domestically and abroad. Hewett's professional designations include Certified Property Manager (CPM) from the National Institute of Real Estate Management, Commercial Investment Member (CCIM) from the National Board of Realtors, Real Estate Financier (CREF) from the National Real Estate Forum, and the SIOR designation from the Society of Industrial and Office Brokers.

Edwin R. Kimsey, Jr.

Atlanta, Georgia

Kimsey is vice president and principal of Niles Bolton Associates (NBA), a professional design firm based in Atlanta providing architecture, interior design, landscape architecture, and urban planning services. A licensed architect in seven states with over 28 years of experience, he received his bachelor of arts and master of architecture degrees from Yale University.

NBA maintains a national reputation for work in mixed-use developments, multifamily housing, transportation architecture, department stores, universities, clubhouses, hotels, and resorts. With exposure to diverse project types and geographic locations, Kimsey has had extensive experience in working with both private and public organizations. He is currently principal-in-charge of the San Jose State University Campus Village, a \$150 million mixed-use development under construction in San Jose, California.

Kimsey has been active in numerous business and civic associations, including the Urban Land Institute and the American Institute of Architects. He was the lead facilitator for a community visioning charrette for Buckhead, Atlanta's premier business and retail neighborhood. Kimsey has previously served on ULI Advisory Services panels for the California State Capitol area in Sacramento, and the San Pedro community adjacent to the Port of Los Angeles, California. He has been a vice chair of ULI's Residential and Multifamily councils.

Alvin R. McNeal

Washington, D.C.

McNeal directed WMATA's unique and highly successful public/private development program until October 2003. He is now a development and transportation consultant. During McNeal's tenure, WMATA's program became a model "transit-oriented development program," encompassing 60 transit-oriented development projects valued at over \$3 billion. Since its inception in 1974, the program has generated over \$100 million in revenue

and will exceed \$150 million in 2004. The projects have added 50,000 new daily riders to WMATA's Metrorail and bus systems, and 25 primary jobs and several million dollars in new taxes to the coffers of local jurisdictions. They have successfully demonstrated that more compact developments at Metrorail stations can offer housing choices, diverse living areas, and create financial returns for transit agencies, developers and the public.

McNeal earned a bachelor degree from North Carolina Central University and a masters degree from the University of Cincinnati. He has served as an adviser to several transit agencies on transit-oriented development. McNeal has written articles for a variety of journals, and presented papers at professional conferences. He is a coeditor of *Washington on Foot*, a popular book of neighborhood walking tours published by the Smithsonian Institution.

Anita B. Morrison

Silver Spring, Maryland

As a principal of Bay Area Economics, Morrison manages the firm's Washington, D.C., office, directing BAE assignments for the eastern United States. She has 26 years of experience in economic and development consulting, specializing in market and financial feasibility analysis, strategic economic development, and urban revitalization.

Morrison's work in transit-oriented development began with analyses of potential development spin-off generated by transit investments in Detroit and St. Paul, Minnesota. Most recently, she has worked with the Washington Metropolitan Area Transit Authority and the District of Columbia in evaluating the economic development potentials associated with alternative new light-rail transit lines. The District's goal was to ensure that new transit investments will reinforce the city's economic development initiatives to revitalize neighborhoods and attract new investment. She evaluated opportunities for new development and then estimated the potential fiscal impacts of alternative transit lines.

For the Georgia Avenue/Petworth Metro station in Washington, D.C., Morrison led a market study

and participated in a corridor planning effort that culminated in a developer solicitation for District-owned property above the station. For the West Hyattsville Metro station just outside the District in Prince George's County, Maryland, she evaluated the market and financial feasibility of new mixed-use development as input to the station area plan.

Morrison received a Master of Public Policy degree from the University of Michigan Institute of Public Policy Studies, based on a course of study in economics and public policy analysis.

Alex J. Rose

El Segundo, California

Rose serves as director of development for Continental Development Corporation in El Segundo, California. He is responsible for managing all development and construction activities for the suburban office/R&D park developer, whose holdings cover 3.5 million square feet in Southern California's South Bay market and in the city of San Francisco. Rose oversees acquisitions and new project development; planning and execution of all tenant improvement, core and shell renovation, and new construction work; major facilities maintenance and upgrades; project budgeting and cost controls; internal project management; and architect, engineer, and contractor management.

Over the past nine years, Rose has overseen the development and acquisition of nearly 1 million square feet of Class A office space, as well as the physical transformation of over 1 million square feet of single-tenant R&D facilities into multi-tenant office space, restaurants, retail, and entertainment uses. Prior to assuming development and construction responsibilities, he served as director of property management. Rose also has extensive experience in title insurance and is a licensed California attorney, with experience in general civil and bankruptcy litigation practices.

Rose received his MBA from the University of Southern California (USC), his JD from Southwestern University School of Law, and his BA in Political Science from University of California in Los Angeles (UCLA). He is a trustee of the

Urban Land Institute, chair of ULI's Commercial and Retail Development Council, a vice chair of ULI's National Program and District Council committees, and a member of ULI's Los Angeles District Council Executive Committee. Rose has chaired and served on numerous ULI Advisory Service Panel assignments, focusing on downtown and transit corridor redevelopment and revitalization and office development issues, and has participated in several ULI office sector workshops.

Rose has been a member of numerous other community, industry, legal, UCLA- and USC-affiliated groups, including the Los Angeles Conservancy, Leadership Manhattan Beach, and the steering committee of New Schools Better Neighborhoods—a broad-based private and public citizen's advisory board which is researching and developing standards and methodologies for the development of over 100 new community-asset public schools in the Los Angeles metropolitan area.

Ruth A. Wuorenma

Chicago, Illinois

Wuorenma has devoted her career to helping diverse public, private, for-profit, and nonprofit groups work together to achieve mutual goals. Her experience spans national and international commercial real estate, market-rate and affordable housing, and various civic activities.

In 2003, Wuorenma created the Neighborhood Capital Institute, an Illinois not-for-profit research and policy corporation, which offers planning and real estate development strategies to foster capital investment, economic vitality, and an enhanced quality of life in cities, neighborhoods and households. In commercial real estate development for over 20 years, she decided to bring that experience to clients with revitalization goals. The central goal of the Institute is to foster the creation of great plans that can be implemented. Clients served include public, private, for-profit, and not-for-profit organizations of all types that seek to stabilize and enhance neighborhoods.

Although the Institute provides a broad range of development advisory services, one of its highest priorities is to foster connections among the multi-

tudes of stakeholders in the planning process, including development and private investment communities. The Institute works to link public goals to private capital. This commitment helps keep the planning process not only on-track but helps to smooth the transition to plan implementation.

Before founding NC Institute, Wuorenma served as development advisor to the City of Waukegan, Illinois as it launched a redevelopment master plan and financial strategy for its 1,400-acre lakefront and 400-acre downtown. In that role she acted as executive director for the internal and external groups established to spearhead the planning process. One of the Midwest's largest planning projects, the redevelopment plan encompasses more than 4,000 new residences, an intermodal regional commuter rail and bus station, a restored eco-park and moorlands system, and improvements to the expansive marina.

Prior to her work in Waukegan, she was a managing director for Mesirow Financial/Stein Real Estate, where she oversaw the firm's work on a variety of mixed-use, high-density, often transit-oriented urban developments, including market-rate and public housing transformation projects. Previously, with Joseph Freed Homes, she developed a variety of market-rate products, both new construction and loft conversion.

Under NC Institute's predecessor, Neighborhood Capital Company, Wuorenma partnered with Freed in an award-winning, nonsubsidized condominium conversion affordable to households below 40 percent of area median income. Positioned as "value housing" rather than "affordable housing,"

the property attracted buyers highly diverse in income, race, and age—from young adults to retirees who had never before owned a home. Her background also includes experience as a top-producing developer for the Marriott Corporation in the United States and Europe. She began her career as a land use and zoning attorney at Rudnick & Wolfe (now Piper Rudnick), orchestrating sophisticated planning and design teams through the entitlement process as she balanced the interests of developers and communities.

A licensed real estate broker and attorney, Wuorenma is a member of the Urban Land Institute, its Affordable Housing Council, and the Chicago Local District Council Policy Committee; Lambda Alpha International honorary society for land economics; the Congress for the New Urbanism; and the National Housing Conference. Her memberships outside the real estate arena include the Chicago Finance Exchange, the University of Chicago Women's Board, and the executive committee of Roosevelt University's Chicago College of Performing Arts board. Committed to addressing the issues facing lower-income households, she has also served on the executive committee of Chicago Commons and on the board of Meals on Wheels Chicago. She graduated with honors from the University of Illinois at Urbana-Champaign and earned her JD from its College of Law.

Active on national panels relating to workforce/affordable housing, transit-oriented development and smart growth, Wuorenma has a passion for helping diverse, mixed-use communities thrive in ways that benefit all residents and stakeholders.

