

Ann Arbor Downtown Market Scan

April 2023

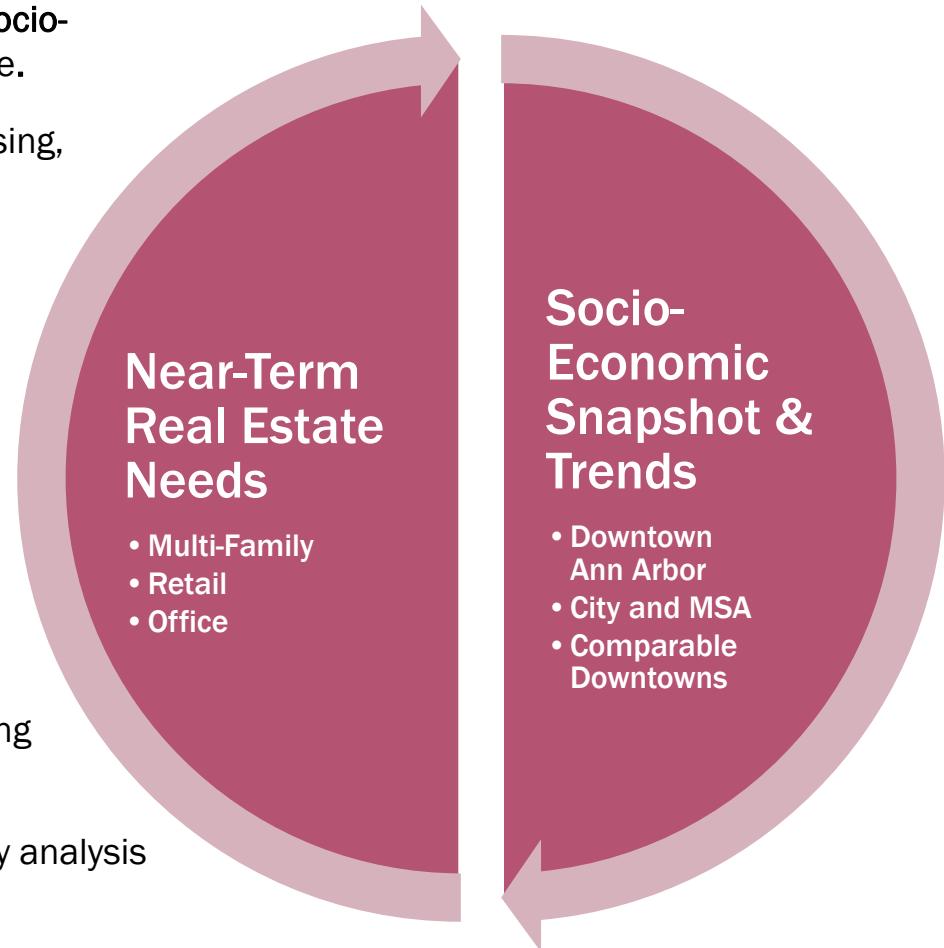
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OVERVIEW

Purpose & Overview

The 2022 Ann Arbor Downtown Market Scan provides the following:

- Considering Covid-19 pandemic-related disruptions, **socio-economic metrics** represent a current snapshot in time.
- **Near-term real estate needs or gaps** (multi-family housing, retail, and office) over the next five years
- **Benchmarks** that can be updated periodically and tracked over time
- **Relative performance** metrics that enable comparison of Downtown Ann Arbor with the City of Ann Arbor, the Ann Arbor Metropolitan Statistical Area (MSA), and other downtowns located in mid-size cities (between 40,000 and 150,000 residents) with a major university or college presence
- A dashboard for presenting available public and proprietary data in a graphic-friendly manner, permitting ease of **interpretation** and **distribution**
- An overview of recent national trends and a case study analysis of three comparable college towns



More detail on the methodology and boundaries used in this market scan are presented on the following pages.

OVERVIEW

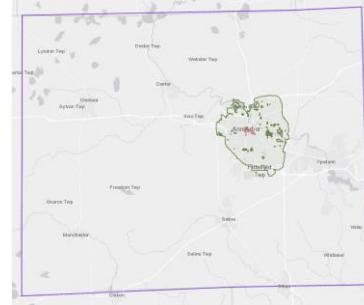
4ward Planning examined historical and expected socio-economic and real estate trends (for 2010, 2022, and 2027) to comparatively analyze Ann Arbor (DDA) District (hereafter “Downtown Ann Arbor”), the City of Ann Arbor, and the Ann Arbor Metropolitan Statistical Area (MSA) (contiguous with Washtenaw County).

For some metrics, Downtown Ann Arbor’s four districts were analyzed (Kerrytown, Main Street, State Street, and South University). Where available, metrics were also compared to similarly sized downtown areas, located in towns with a college presence (New Haven, CT; Berkeley, CA; State College, PA), in order to identify Downtown Ann Arbor’s relative performance.

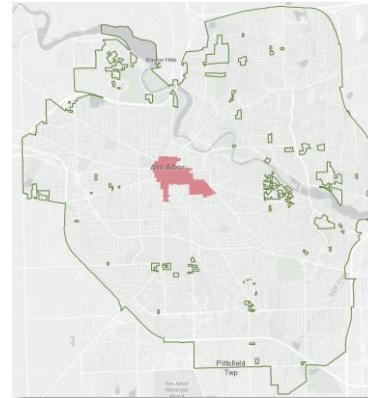
Geographies

LOCAL MARKET AREAS COMPARABLE DOWNTOWNS

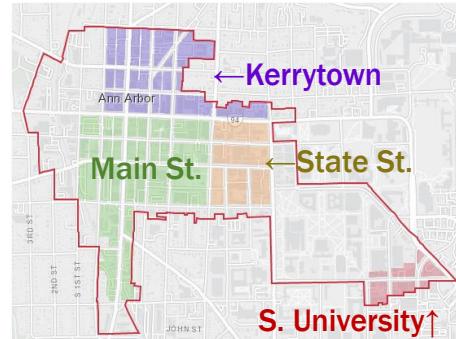
Ann Arbor MSA
(Washtenaw County)



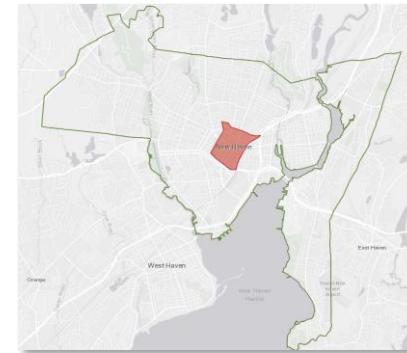
City of Ann Arbor



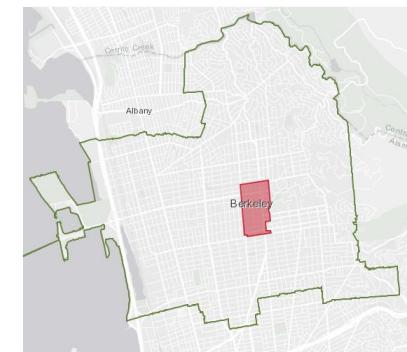
Downtown Ann Arbor



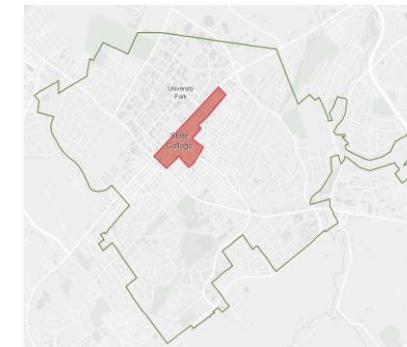
Downtown New Haven, CT
(New Haven County)



Downtown Berkeley, CA
(Alameda County)



Downtown State College, PA
(Centre County)



OVERVIEW

Methodology

Population & Households

Current year population and household estimates provided by Esri's Community Analyst are based on population, households, and housing unit data from the 2020 decennial census redistricting dataset. Population estimates are different than previous market scans due to changes in methodology and evolving data software. Downtown population estimates are likely undercounted by the Census, especially where universities are present. Nevertheless, population estimates provide a meaningful comparative analysis of census trends across similar geographies. Colleges are considered group quarters population and are not counted as households. Household income and income by age distributions are household-based variables and do not include the income of the group quarters population. Per capita Income is a population-based variable and includes the income of people in group quarters.

Multi-Family

Multi-family real estate inventory and trends are derived from City of Ann Arbor building permit data, Esri's Community Analyst, HUD, the Ann Arbor Area Board of REALTORS® Multiple Listing Service, and Zumper. Near-term housing needs (next five years) were estimated based on existing multi-family real estate inventory, household income trends, and demand drivers for the top 10 Tapestry Segments within the MSA.

Employment & Office

National data on anticipated hybrid work arrangements are based on a 2022 Gallop survey. Near-term national office space demand expectations are based on a 2022 Survey provided by CBRE. Primary jobs and earnings data are collected from the U.S. Census's OnTheMap for 2019 (the most current year available). Office real estate inventory and trends for the city of Ann Arbor and the region are derived from year-end 2021 data provided by Swisher Commercial. The inventory of available office space for lease within each downtown is derived from data provided by LoopNet and Crexi.

Retail & Restaurant

The inventory of available retail space for lease within each downtown is derived from data provided by LoopNet and Crexi. Retail spending estimates are provided by Esri. Inflation data are based on Consumer Price Index for All Urban Consumers provided by the U.S. Bureau of Labor Statistics. The inventory of retail businesses is based on DataAxe data provided by Esri and updated as needed based on data provided by Google Maps.

Construction

Historical permit development data is provided by the city of Ann Arbor. Construction cost data are based on third-quarter 2022 square-foot estimates by building type provided by RSMeans Online for the City of Ann Arbor. Estimates assume standard union labor and contractor and architectural fees, and brick/reinforced concrete construction. Historical City Cost Indexes are based on total weighted average estimates for each city by year. The City of Altoona, located outside of State College, was used since City Cost Index data for State College was not available.

Case Studies

Case studies analysis findings are derived from a combination of primary and secondary sources, and interviews with economic development leaders from each comparable college towns examined including the City of Berkeley's Director of Department of Planning & Development, the City of New Haven's Economic Development Administrator, and State Borough's Director of Planning & Community Development.

POLICY & FUNDING RECOMMENDATIONS

Build more housing in Downtown Ann Arbor to ensure its vibrancy

Compared to the other case study downtowns, Downtown Ann Arbor currently has the lowest residential density but the second highest job density, leaving its businesses vulnerable to declines in daytime office workers due to the pandemic. With remote and hybrid work environments the likely future for many white-collar type businesses, increasing population density in Downtown Ann Arbor may be an essential strategy to ensuring its resiliency and vitality moving forward.

The increase in residential density need not be, entirely, as a result of new construction, but through the permissibility of the adaptive reuse of underutilized office buildings. A leading example of this is occurring within the city of Pittsburgh's downtown where many former older office buildings have been converted to multi-family residential use and include affordable housing units. Ensuring that policies are in place to permit such adaptive reuse and without undue regulatory burden is key.

Reexamine zoning code to ensure density bonus is economically feasible

While there are 680 units either under construction or recently approved in Downtown Ann Arbor, most of these units were approved before the City updated its zoning code in 2019 and revised the density bonuses requirements for Downtown Ann Arbor (consists of D1 and D2 districts). The 2019 change replaced the *Residential Use Premium* (which had previously allowed up to 900 percent FAR in D1 and up to 400 percent FAR in D2) with the *Affordable Residential Unit Premium Options*. Other premiums to incentivize LEED development, historic preservation, and pedestrian amenities remained in place.

While the base FAR remains the same (400 percent in D1), density bonuses are now tied to the development of affordable units (at below 60 percent AMI), with the required share of affordable units increasing along with FAR bonuses (an additional 150 percent FAR for 15 percent affordable units, 300 percent for 20 percent affordable units, and 500 percent for 30 percent affordable units). While this zoning code change was intended to incentivize the creation of affordable housing in downtown, only low-density, high-end condo applications have been submitted for approval since this zoning code change was enacted. The lack of higher-density multi-family development since 2019 reflects the higher costs associated with such development, generally, and the challenge of incorporating affordable units without an offsetting development subsidy, specifically – zoning alone is not enough of an incentive.

POLICY & FUNDING RECOMMENDATIONS (continued)

Continue developing city-owned sites for affordable housing

In 2020, the City of Ann Arbor passed a housing millage to provide approximately \$160M for affordable housing over the next 20 years. The Ann Arbor Housing Commission receives this funding and is committed to developing city-owned sites for affordable housing. Currently, the only large downtown project planned under the 2019 zoning changes are Housing Commission-supported (see concluding sentence on the bottom of page five). The Ann Arbor Housing Commission's process of developing downtown parking lots into affordable housing will result in three to six new affordable housing developments in downtown. Two are actively moving forward, with the DDA covering the cost of upsizing infrastructure in order to comply with utility upsizing requirements.

Support the conversion of underutilized office buildings into multi-family residential

The conversion of underutilized office buildings into multi-family residential could be another potential strategy for increasing Downtown Ann Arbor's vibrancy. While it can be complicated and expensive to convert office buildings into residential (building layout, plumbing, light and air requirements, etc.), updating local zoning codes and creating new funding sources could help ensure that these residential conversion opportunities are market-feasible. In 2022, the City of Ann Arbor's Planning Department removed parking minimums to reduce potential barriers to converting office to residential. To the extent that the adaptive reuse of economically obsolescent office buildings to multi-family residential will include affordable housing units, the Ann Arbor Housing Commission should be encouraged to provide construction subsidies to these conversions and tied to a minimum percentage of units being reserved for households earning up to 60-percent of AMI.

POPULATION

Key Findings

Strong population growth over the past decade

Likely due to the development of new multi-family housing, Downtown Ann Arbor has experienced relatively strong population growth over the past two decades (growing by 1.4 percent per year from 2020 to 2022), stronger than that observed within the city and MSA (growing by 0.5 percent per year from 2020 to 2022), albeit not as strong as that observed within Downtown New Haven (growing by 2.9 percent per year from 2020 to 2022).

Downtown Ann Arbor is relatively young

With a median age of 24 years, the population living in Downtown Ann Arbor is relatively young compared to the city and MSA. Among the comparable downtowns, Downtown State College has the highest share of college-age residents (83 percent), while Downtown New Haven has the highest share of young workforce and graduate residents (29 percent).

Projected strong income growth to create displacement pressures

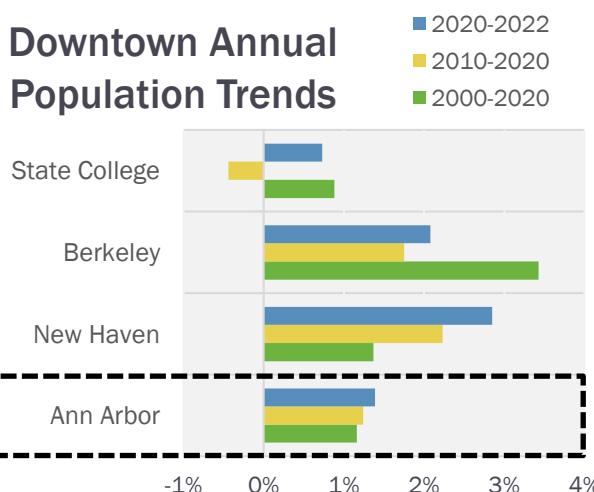
In 2022, 42 percent of Downtown households earned less than \$35,000 per year, a share much lower than that observed in 2018 (67 percent). Although the relatively low median household income in Downtown Ann Arbor (and in Downtown State College, in particular) is likely due to the large student population with incomes supplemented by parents or student loans, over the next five years, the median household income is expected to increase at a relatively fast rate in Downtown Ann Arbor (5.1 percent per year) - likely due to the continued development of higher-end, market-rate housing units attracting working professionals and affluent retirees. Consequently, there will likely be displacement pressure on lower-income residents and students in Downtown Ann Arbor who cannot afford higher-end, market-rate housing and who will continue to rely upon the preservation or development of affordable housing options.

POPULATION

Population Trends

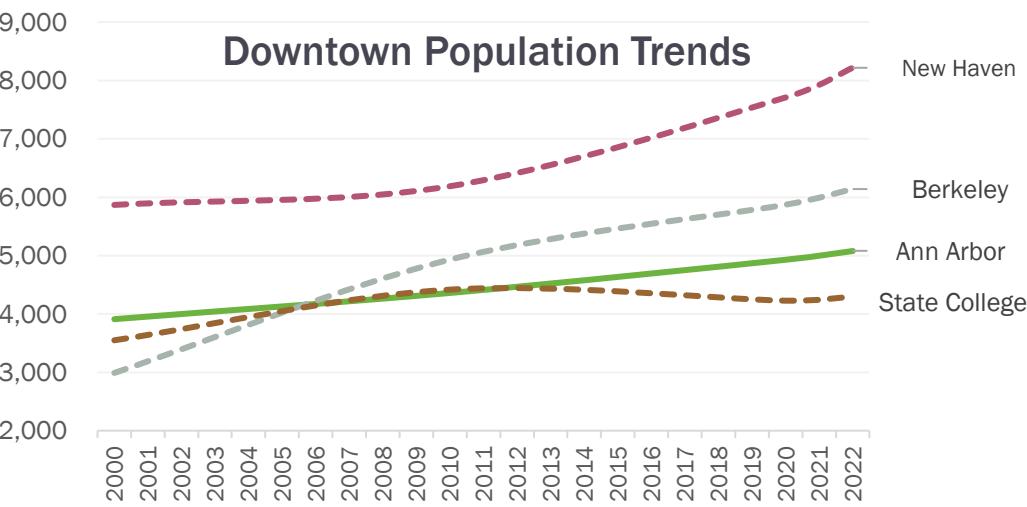
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Downtown Annual Population Trends



	<u>Total Population</u>		Annual % Growth	
	2020	2022	(2010-2020)	(2020-2022)
Ann Arbor MSA	372,260	376,080	0.8%	0.5%
Ann Arbor City	123,850	125,260	0.8%	0.5%
Downtown Ann Arbor*	4,930	5,080	1.2%	1.4%
Downtown New Haven	7,710	8,220	2.2%	2.9%
Downtown Berkeley	5,870	6,140	1.8%	2.1%
Downtown State College	4,230	4,300	-0.4%	0.7%

Downtown Population Trends



* Population estimates are different than previous market scans due to changes in methodology and evolving data software. Downtown population estimates are likely undercounted by the Census, especially where universities are present. Nevertheless, these population estimates provide a meaningful comparative analysis of census trends across similar geographies. Source: Esri, 2022

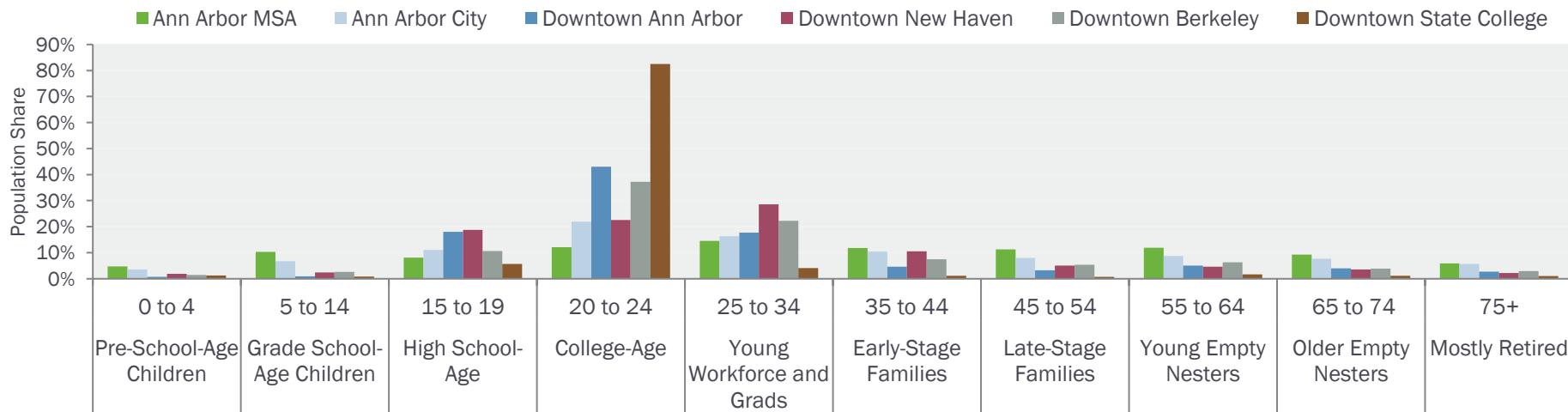
POPULATION

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Age & Household Size

	Median Age (2022)	HH Size (2022)
Ann Arbor MSA	35	2.4
Ann Arbor City	29	2.2
Downtown Ann Arbor	24	1.5
.....		
Downtown New Haven	26	1.6
Downtown Berkeley	25	2.1
Downtown State College	23	2.4

Population Share by Age Cohort (2022)



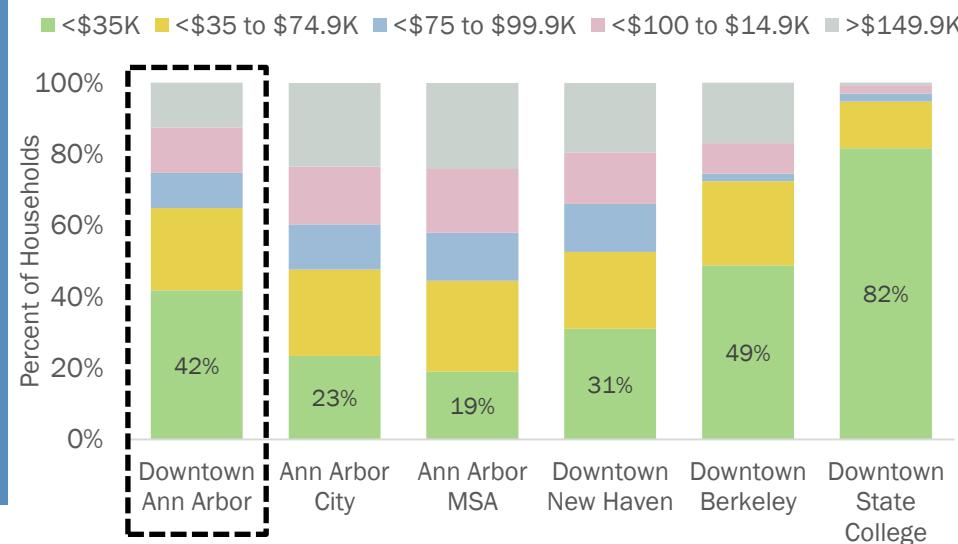
POPULATION

	Median HH Income		Annualized %
	2022	2027	(2022-2027)
Ann Arbor MSA	\$83,530	\$98,750	3.6%
Ann Arbor City	\$78,660	\$93,300	3.7%
Downtown Ann Arbor	\$45,270	\$56,750	5.1%
Downtown New Haven	\$69,090	\$81,090	3.5%
Downtown Berkeley	\$37,140	\$52,850	8.5%
Downtown State College	\$15,810	\$17,620	2.3%

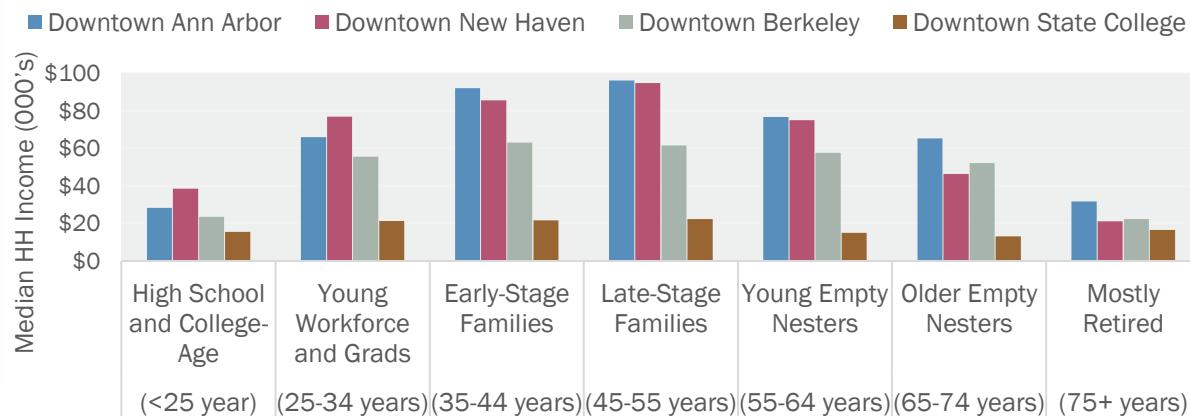
According to Esri projections, the median household income in Downtown Ann Arbor is expected to **increase by 5.1 percent per year** through 2027, likely as a result of the increase in market rate housing units occupied by upper income households.

Household Income

Households by Income Category (2022)



Median Household Income by Age of Householder (2022)



POPULATION

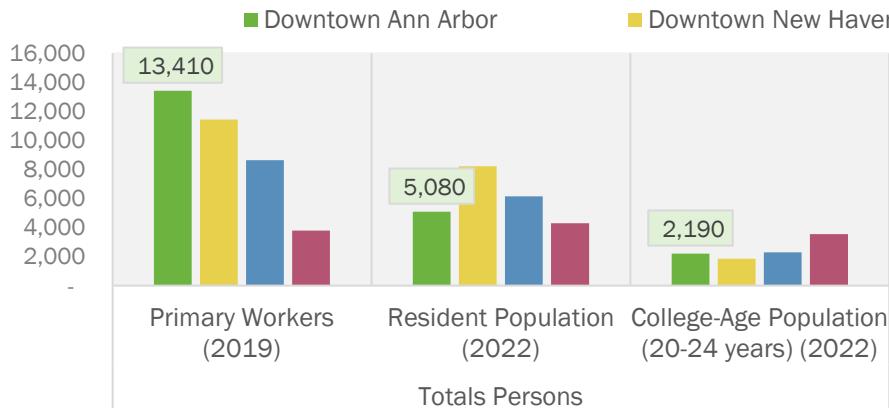
Downtown Population Comparisons

Compared to the other studied downtowns...

Downtown Ann Arbor had the **highest number of primary workers** (13,410 workers in 2019) before the onset of the Covid-19 pandemic (although Downtown New Haven had the highest number of residents). With the increase in remote-work opportunities, the number of primary workers in Downtown Ann Arbor has not recovered to pre-pandemic levels.

Downtown Ann Arbor has the **lowest density of residents** (12,100 residents per square mile), and the second lowest density of college-age residents (ages 20 to 24). Nonetheless, demand for multi-family housing in Downtown Ann Arbor remains strong and will continue to be an economic engine for local retail, professional, and personal service businesses.

Downtown Population Characteristics



POPULATION

Comparable Downtowns

Downtown	Area (Square Miles)	2019 Primary Jobs	2019 Primary Job Density	2022 Total Population	2022 Population Density	2022 College-Age Population (18-24 years)	2021 Total University Enrollment*	2022 Median Household Income
 Ann Arbor, MI	0.42	13,410	31,970	5,080	12,110	2,190	47,660	\$45,270
 New Haven, CT	0.46	11,430	24,860	8,220	17,880	1,850	14,567	\$69,090
 Berkeley, CA	0.25	8,640	35,190	6,140	25,010	2,290	45,057	\$37,140
 State College, PA	0.14	3,780	27,390	4,300	31,160	3,540	88,914	\$15,810

Note: Numbers in **bold** represent highest metric. Except for area, numbers are rounded to the nearest tenth. *University enrollment figures are sourced from respective university websites and represent total enrollment for undergraduate, graduate, and professional programs.

Source: Esri, U.S. Census, 4ward Planning, 2022

680 housing units in the development pipeline in Downtown

According to data provided by the Ann Arbor DDA, from 2012 and 2022, 1,960 new housing units were built in Downtown Ann Arbor and approximately 680 units are either under construction or recently approved. Over 80 percent of these existing and pending units are characteristic of multi-family rental apartments. Assuming the pending supply of 680 units of housing in the pipeline is developed and an average household occupancy of 1.5 (the current average household occupancy), the population in Downtown Ann Arbor could potentially increase by approximately 1,020 people over the next five years.

\$1,700 for a one-bedroom

According to data estimates provided by Esri, approximately 73 percent of occupied units within Downtown Ann Arbor are renter-occupied – lower than Downtown New Haven (75 percent), Downtown State College (82 percent), and Downtown Berkeley (83 percent). According to rental data provided by Zumper, the average asking rent for a one-bedroom apartment in Downtown Ann Arbor is approximately \$1,700. Lower-income households not receiving some form or rental subsidy are likely priced out of the current Downtown housing market.

Demand for between 690 and 930 new apartment units by 2027

Assuming Downtown Ann Arbor can capture between 15 and 20 percent of the city's overall housing demand from household formation and new workers, the downtown could capture between 690 and 930 new housing units by 2027. The greatest near-term demand for housing in Downtown Ann Arbor is from non-family renter households with small space needs who prefer to live in walkable communities and in buildings with common amenities, as well as from downsizing empty nesters. While there will continue to be strong demand for affordable housing in Downtown Ann Arbor, building affordable housing in downtown will likely continue to require public subsidies and/or other incentives (e.g., density bonus) to be economically feasible. Absent development subsidies or other incentives, residential development will be limited to high-end luxury units with few affordable units developed.

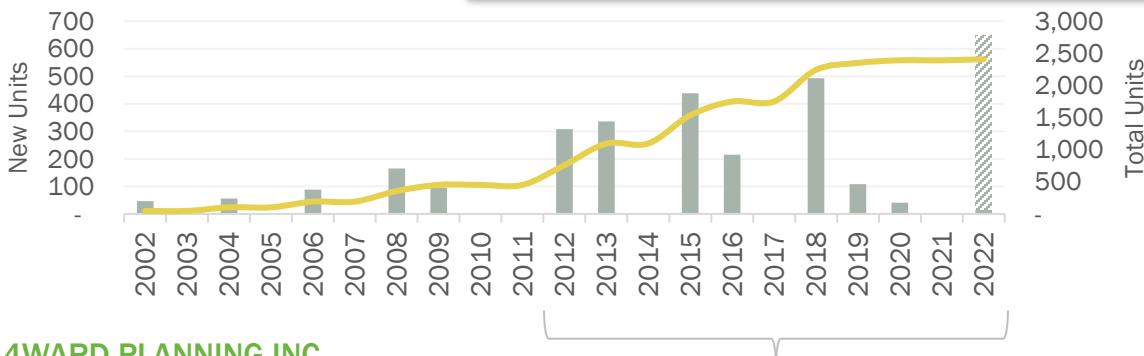
MULTI-FAMILY

Downtown Development (2012-2022)

	Built	Pipeline Units			Total	Percent
		Under Constr.	Approved Not Built			
Apartments	1,649	611	3	2,263	83%	
Condos	143	22	8	173	7%	
Extended Stay	110	-	-	110	4%	
Apt. and Condo	57	-	34	91	3%	
Total	1,959	633	45	2,637	100%	
(Affordable Units)	16	35	-	51	2%	

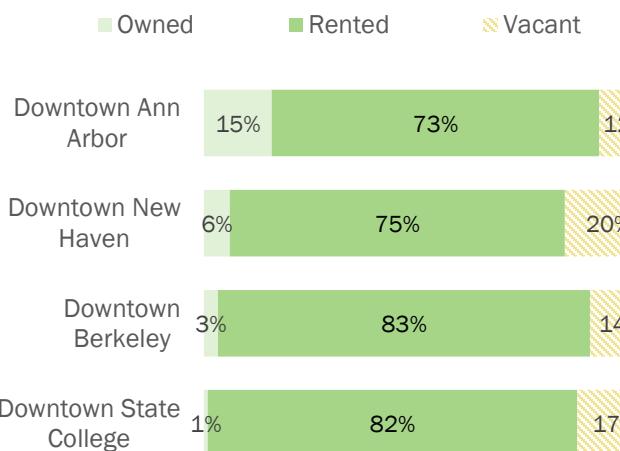
Downtown Ann Arbor Residential Development

- Units Built
- Units Under Construction
- Total Units



Development Trends

Housing Tenure (2022)



Housing Units by Building Structure (2020)

- Single Family
- Duplex
- 3-9 units
- 10-49 units
- 50+ units



MULTI-FAMILY

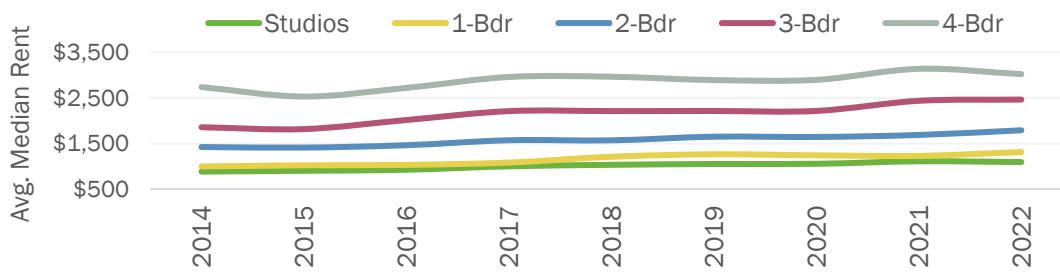
Based on average asking rents and condo sales prices, much of the available apartment and condo inventory in Downtown Ann Arbor is unaffordable to lower-income households. Assuming an affordable rent is 30 percent or less of a householder's monthly income, average asking rents in Downtown Ann Arbor are unaffordable to households earning less than \$40,000 per year (for whom an affordable rent would be less than \$1,000 per month).

Rents & Sale Prices

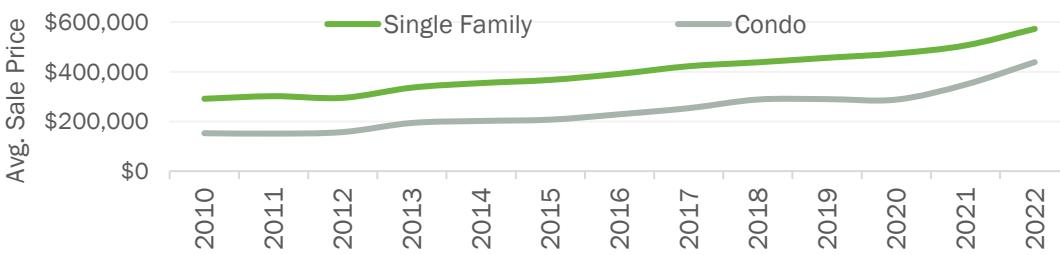
Ann Arbor MSA Affordable Rents (30% of household income)

	50% of AMI	80% of AMI
1-Person HH	\$1,031	\$1,565
2-Person HH	\$1,179	\$1,789
3-Person HH	\$1,326	\$2,013
4-Person HH	\$1,473	\$2,235

Median Rent Trends: City of Ann Arbor



Average Sale Price Trends: Ann Arbor School District



Median Rent (Sept. 2022)

	Units Listed	Median Rent	Y-O-Y Change
Studio	7	\$1,728	36%
1 Bdr.	32	\$1,700	36%
2 Bdr.	24	\$1,825	7%
3 Bdr.	28	\$2,700	10%
4 Bdr.	17	\$3,125	-10%

Downtown Condo Prices (1Q, 2022)

	Units Listed	Avg. Sales Price	Avg. Price per Sq. ft.
1 Bdr.	9	\$418,774	\$499
2 Bdr.	16	\$780,119	\$548
3 Bdr.	22	\$1,172,227	\$599
Total	45	\$724,438	\$514

Notes: Year-to-date data for 2022 represents median rent as of September 2022 and average sale price as of July 2022. Condo data represents all active, contingent, pending, and recently sold properties. Units listed are those available at time of study. Sources: HUD, Ann Arbor Area Board of REALTORS, Zumper, Boma Group

MULTI-FAMILY

Supply & Demand

Assuming Downtown Ann Arbor can capture between 15 and 20 percent of the city's overall housing demand from new households and workers, downtown could capture between **690 and 930 new housing units** by 2027. The greatest near-term demand for housing in Downtown Ann Arbor is from the following two markets:

- **Non-family renter households** with small space needs who prefer to live in walkable communities and in buildings with common amenities
- **Downsizing empty nesters** who prefer to move into smaller housing units with fewer rooms but updated fixtures and less maintenance

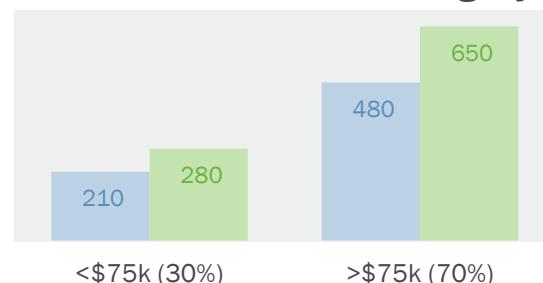
City of Ann Arbor Apartment Demand By 2027

Household Demand	51,130
Pent-Up Worker Demand	4,890
Naturally Occurring Vacant Units	2,760
Aggregate Housing Unit Demand	58,780
Housing Units	55,140
Physically Obsolete Units	990
Net Marketable Housing Units	54,150
Net Housing Unit Demand (Units)	4,630
Downtown Unit Capture (15%)	690
Downtown Unit Capture (20%)	930

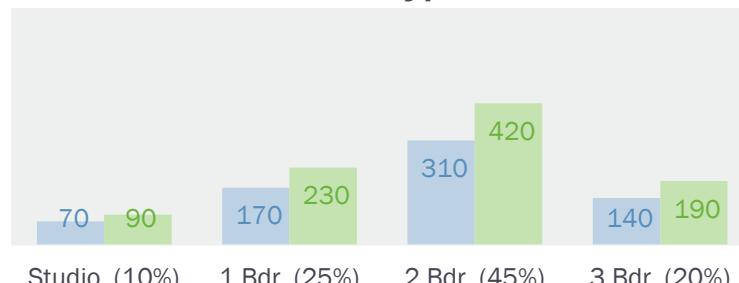
Housing Demand: Developer Perspective

■ 15% Capture ■ 20% Capture

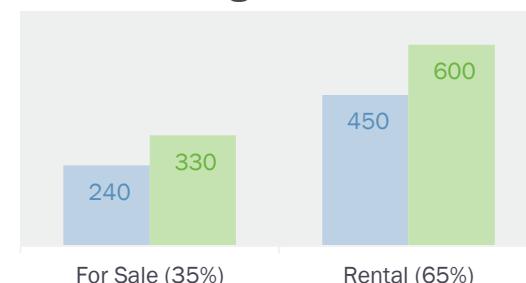
Household Income Category



Bedroom Type



Housing Tenure



EMPLOYMENT & OFFICE

Key Findings

High shares of primary workers in office-based industries

Like Downtown Berkeley and Downtown New Haven, between 20 and 30 percent of jobs in Downtown Ann Arbor are within the professional, scientific, and technical services, and finance and insurance sectors (compared to just four percent of jobs in Downtown State College), two sectors with high shares of office-based workers (typically between 80 and 100 percent). These traditional office-based jobs are associated with higher wages compared to retail and service-related jobs.

Hybrid work is the future for most offices

After the Covid-19 pandemic hit, many remote-capable employees were compelled to work from home in some capacity. Based on a 2022 Gallup poll of U.S. employers, a hybrid-work schedule will be the predominant office arrangement going forward for many remote-capable employees (53 percent in a hybrid arrangement and 24 percent exclusively remote). According to a 2022 CBRE survey, just over half of large office space occupants expect to reduce their office space portfolios over the next three years, largely due to hybrid working arrangements and under-utilized office space.

Downtown office vacancies increased dramatically due to the pandemic

Due to Downtown Ann Arbor's vibrancy, office buildings have historically attracted professional and creative services, software development, and technology firms. However, many downtown businesses have reassessed their office space needs due to the pandemic, leading them to downsize, or in some cases depart from their downtown office buildings. According to year-end 2021 data provided by the Ann Arbor real estate firm Swisher Commercial, from 2019 to 2022, Downtown Ann Arbor's office vacancy rate increased dramatically from 5.7 to 14.2 percent (an eight percent office vacancy rate would typically signify a healthy downtown). An interview with a representative of the real estate brokerage, Colliers, suggests the office vacancy in Ann Arbor's downtown could be significantly higher.

OFFICE DEMAND

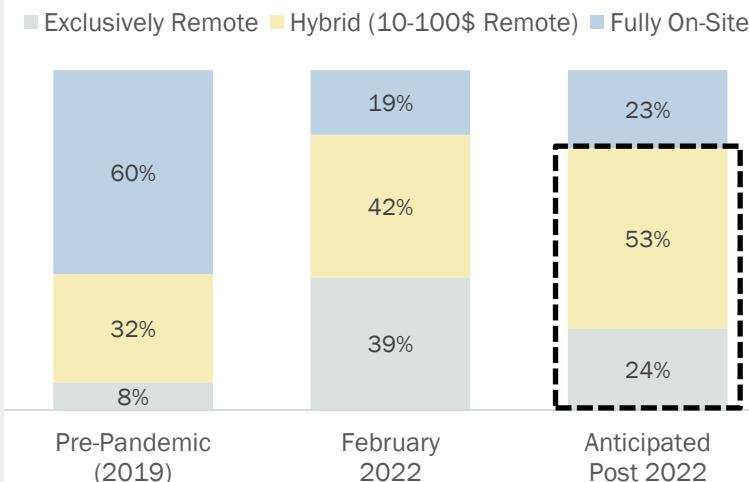
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Five-Year Office Outlook: United States

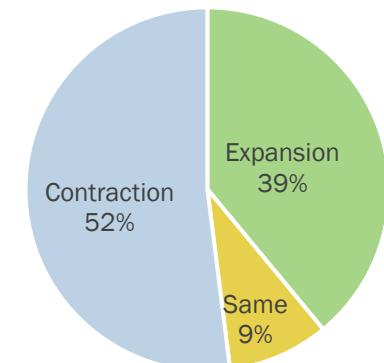
	2019	2020	2021	2022	2023	2024	
Net Absorption (Million Sq. Ft.)	58.9	-59.1	-61.8	24.1	62.1	76.7	<ul style="list-style-type: none"> Demand turns positive in third quarter of 2022
Vacancy	12.8%	14.0%	16.2%	17.4%	16.9%	15.7%	<ul style="list-style-type: none"> Vacancy peaks in second quarter of 2022
Rents (YoY%)	4.3%	3.0%	-6.5%	-2.3%	2.6%	3.5%	<ul style="list-style-type: none"> Rents bottom in first quarter of 2022

National Office Trends

Anticipated Hybrid-Work Arrangements



Three-Year Office Space Demand Expectations



EMPLOYMENT

Primary Jobs*

	<u>2019</u> Workers Earning \$40K+	<u>2010-2019</u> Primary Jobs	Job Growth
Ann Arbor City	53%	108,430	0.6%
Downtown Ann Arbor	57%	13,410	0.3%
Downtown New Haven	65%	11,430	-0.4%
Downtown Berkeley	65%	8,640	-2.4%
Downtown State College	25%	3,780	-0.4%

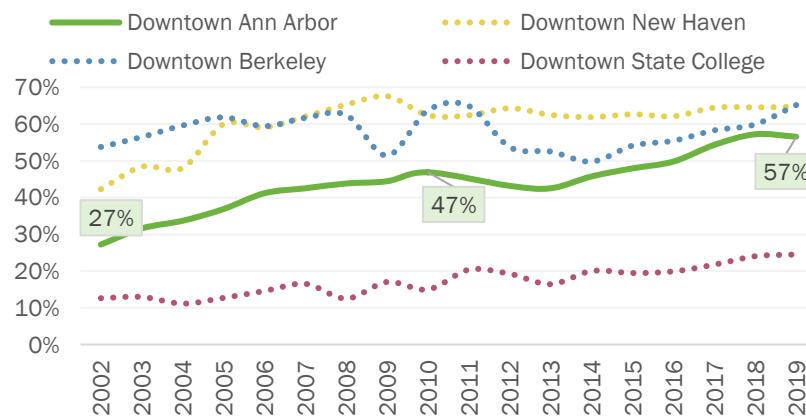
Selected Retail and Service Industries
Selected Office-Based Industries

Employment Share by Top 10 Industries, 2019

	Downtown Ann Arbor	Downtown New Haven	Downtown Berkeley	Downtown State College
Accommodation & Food Services	20.7%	13.7%	16.7%	49.4%
Public Administration	19.2%	8.7%	9.0%	8.6%
Professional, Scientific, & Technical Services	16.2%	18.3%	19.6%	3.2%
Information	10.5%	9.7%	8.8%	1.7%
Finance and Insurance	6.2%	12.1%	3.9%	1.1%
Retail Trade	5.7%	3.6%	5.5%	13.5%
Administration & Support, Waste Management...	4.6%	2.8%	2.6%	1.2%
Other Services	4.5%	5.8%	7.3%	4.8%
Real Estate and Rental & Leasing	4.0%	2.4%	1.6%	6.1%
Health Care and Social Assistance	2.1%	7.8%	9.3%	2.7%
Total Employment Share for Selected Industries	93.9%	97.5%	98.2%	96.9%
Share of Selected Retail and Service Industries	31.0%	23.1%	29.5%	67.7%
Share of Selected Office-Based Industries	22.4%	30.4%	23.5%	4.3%

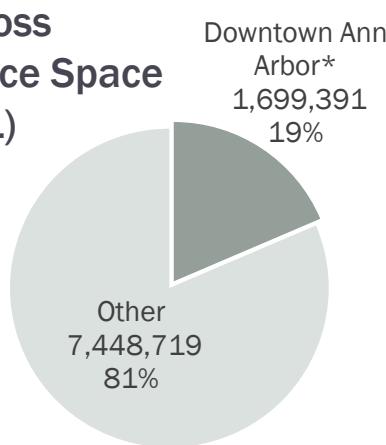
Jobs & Earnings

Share of Workers Earning More than \$40K



EMPLOYMENT

Many downtown businesses have reassessed their office space needs due to the pandemic, leading them to downsize, or in some cases depart from their downtown office buildings. According to data provided by Swisher Commercial, Downtown Ann Arbor's office vacancy rate increased dramatically from 2019 to 2021, from 5.7 to 14.2 percent, with Colliers International stating it could be higher.



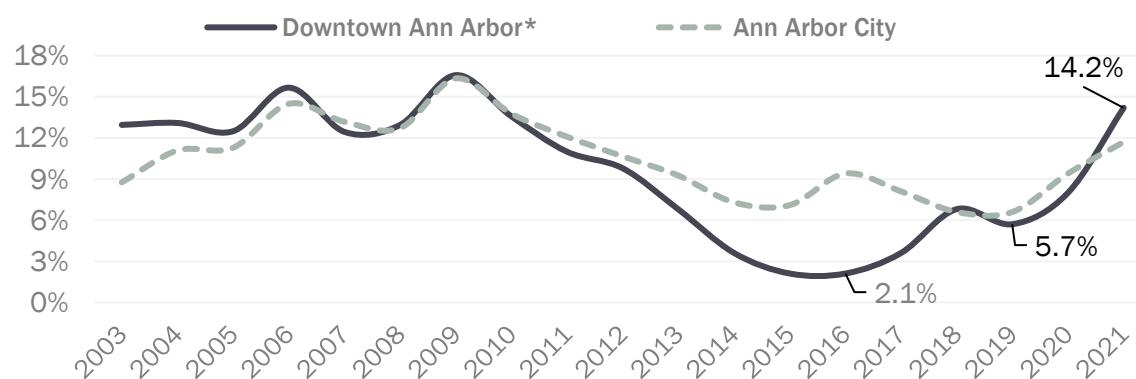
* Downtown is defined differently than the DDA boundary. Here it includes buildings zoned D1 & D2 only. Other includes the North, East, South, West and Clark-Golfside Medical Office Area (CGMA) office submarkets.
 Sources: Swisher Commercial, Year-End 2021; Crex

Office Inventory & Rents

Office Space Available for Lease (Sept. 2022)

	Vacant Sq. Ft.	Vacant Space per Sq. Mile	Asking Rents (per Sq. Ft.)
Main Street District	83,985	1,151,174	\$28.00
State Street District	6,502	236,265	\$27.00
Kerrytown District	8,336	184,583	\$30.00
S. University District	13,267	1,285,562	\$28.00
Downtown Ann Arbor	172,136	410,207	\$28.00
Downtown New Haven	174,380	379,367	\$24.00
Downtown Berkeley	123,610	503,199	\$43.00
Downtown State College	13,472	97,700	\$19.00

Ann Arbor Office Vacancy Trends



RETAIL & RESTAURANT

Key Findings

Retail businesses likely struggling due to fewer office workers and less foot traffic

Largely due to the onset of the Covid-19 pandemic, many downtown retail businesses and restaurants that primarily relied on foot traffic from office workers and their clientele were forced to close, as downtown office vacancies increased and foot traffic declined, resulting in increases in retail vacancies and declines in retail asking rates. As of September 2022, there is 72,100 square feet of vacant retail space available to lease in Downtown Ann Arbor (compared to just 47,800 square feet in July 2018), asking just over \$35.00 per square foot per year (compared to just \$36.00 in 2018).

Increases in average household retail spending, especially on groceries

Due to Covid-19 restrictions, hybrid-work schedules, and rising inflation rates (as high as 9.1 percent in June 2022), Downtown Ann Arbor households have shifted spending patterns in recent years. In 2022, the average Downtown Ann Arbor household spends \$1,135 per month on selected retail trade and food and beverage goods and services - \$350 per month more than it did in 2018, with the largest increase in spending on groceries.

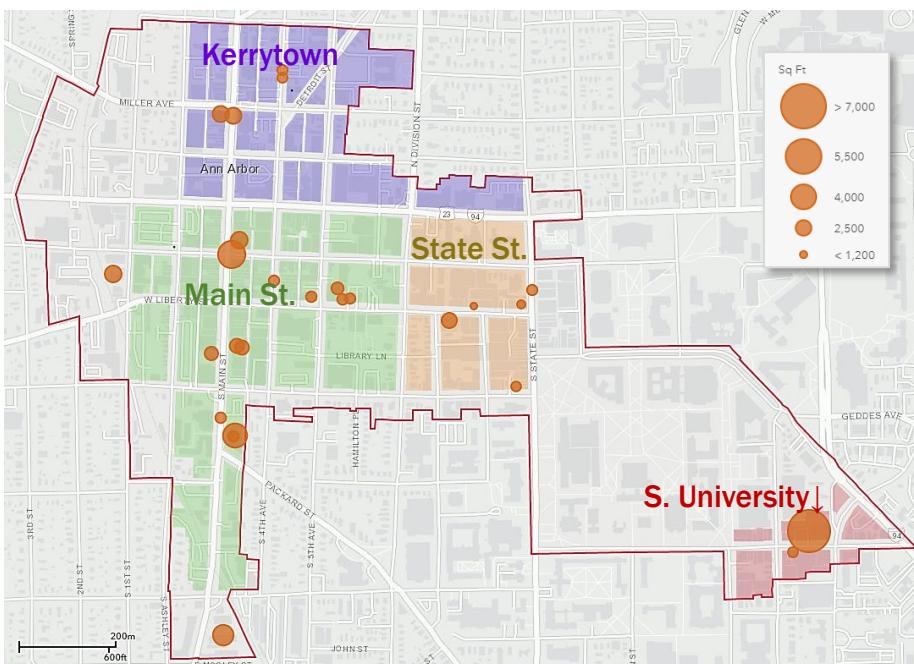
Lower retail and service businesses density than Berkeley and State College

Accommodation and food services, retail trade, and other service businesses are those that largely provide food, retail goods, and personal service to downtown residents, workers, and visitors. On a per-square-mile basis, Downtown Ann Arbor has approximately 340 accommodation and food service businesses per square mile, 70 retail trade businesses per square mile, and 60 other personal service businesses per square mile. The density of these selected convenience service and retail businesses (470 per square mile) is higher than that found within Downtown New Haven (350 per square mile) but much lower than that within Downtown State College (990 per square mile).

RETAIL & RESTAURANT

Available Retail Space

There is **72,100 square feet of vacant retail space** available for lease in Downtown Ann Arbor (compared to just 47,800 square feet in 2018). The density of vacant retail space in Downtown Ann Arbor is equivalent to 171,770 square feet per square mile (a density lower than Downtown Berkeley but higher than Downtown State College). Average rents for available retail space in Downtown Ann Arbor are asking around **\$35.00 per square foot per year** (compared to \$36.00 in 2018), a rate lower than that within Downtown Berkeley (approximately \$44.00 per square foot per year) but much higher than that within Downtown State College (approximately \$12.00 per square foot per year).



Retail Space Available for Lease (Sept. 2022)

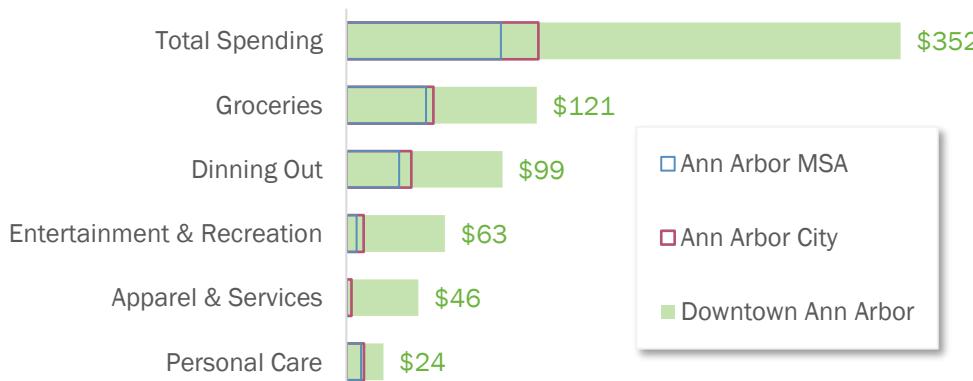
	Vacant Sq. Ft.	Vacant Space per Sq. Mile	Asking Rents (per Sq. Ft.)
Main Street District	39,740	544,770	\$33.00
State Street District	4,880	177,470	\$35.00
Kerrytown District	5,900	130,710	\$35.00
S. University District	13,270	1,285,560	\$49.00
Downtown Ann Arbor	72,080	171,770	\$35.00
Downtown New Haven	78,780	171,387	\$24.00
Downtown Berkeley	56,640	230,590	\$44.00
Downtown State College	14,380	104,250	\$12.00

RETAIL & RESTAURANT

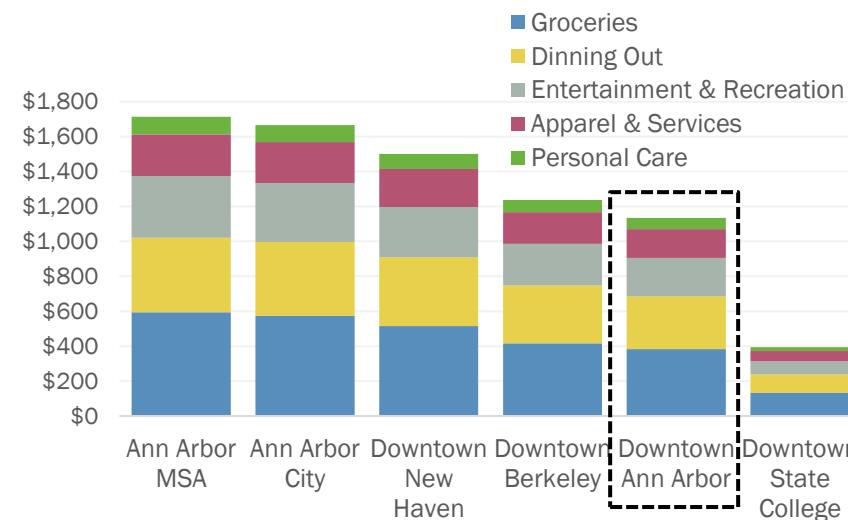
Retail Spending

Due to Covid-19 restrictions, pandemic stimulus payments, hybrid-work schedules, and rising inflation rates, households have shifted spending patterns in recent years. In 2022, the average Downtown Ann Arbor household spends **\$1,135 per month** on selected retail trade, and food and beverage goods and services, representing 66 percent of what the average MSA household spends (\$1,713). After adjusting for inflation, the average Downtown Ann Arbor household spends **\$350 per month more** than it did in 2018, with the largest spending increase on groceries.

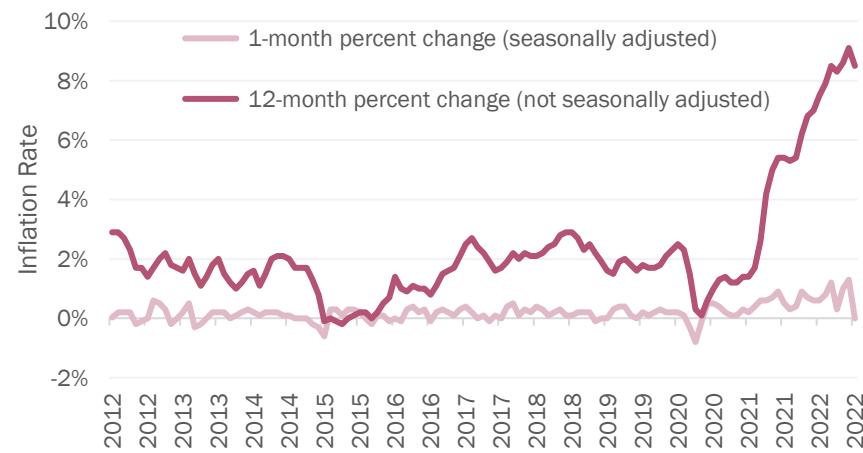
Adjusted Monthly Household Spending Change, 2022 Dollars (2018 - 2022)



Average Monthly Household Spending (2022)



U.S. Inflation Rate Trends



RETAIL & RESTAURANT

Retail Density

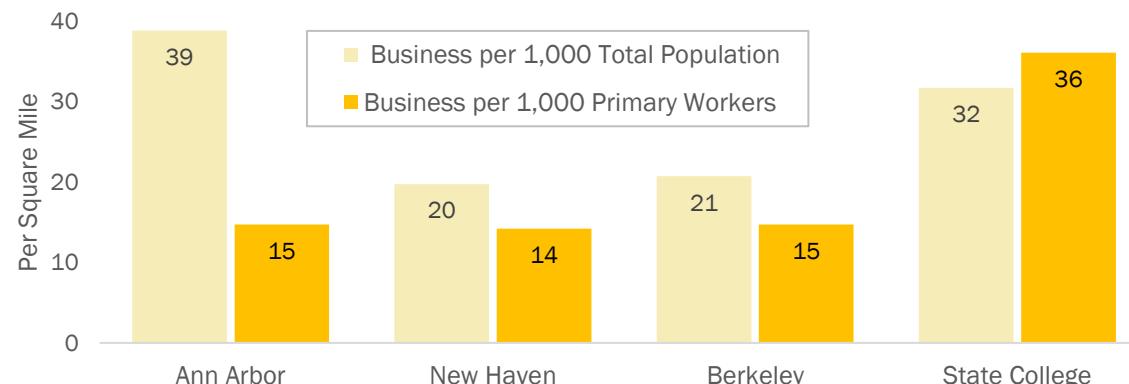
Downtown Ann Arbor has approximately **470 retail and service businesses per square mile**, a density less than those within both Downtown Berkeley and Downtown State College (520 and 990 per square mile, respectively) but higher than that within Downtown New Haven (350 per square mile).

On a per capita basis, Downtown Ann Arbor has approximately 39 retail and service businesses per 1,000 residents and 15 businesses per 1,000 primary workers.

Downtown Retail and Service Business Density per Square Mile (2022)

Industry	Ann Arbor	New Haven	Berkeley	State College
<i>Accommodation and Food Services</i>	338	244	415	689
Restaurants	164	128	187	247
Foods-Carry Out	91	65	142	283
Bars	41	26	8	73
Coffee Shops	33	17	65	51
Hotels & Motels	10	7	12	36
<i>Retail Trade</i>	67	57	28	138
Retail Shopping	24	11	12	44
Gift Shops	17	7	4	15
Convenience Retail	14	11	8	36
Grocers-Retail	7	15	0	29
Art Galleries & Dealers	5	13	4	15
<i>Other Services</i>	64	52	73	160
Beauty Salons	52	50	65	123
Barbers	12	2	8	36
Total All Selected Businesses	469	352	517	986

Downtown Retail and Service Business Density per Person (2022)



CONSTRUCTION ACTIVITY

Key Findings

5.1 million square feet of new development in 22 years

Based on data provided by the City of Ann Arbor, between 2000 and 2022 (as of August 2022), over 5.1 million square feet of residential and non-residential space has been developed within Downtown Ann Arbor. Most notably, mixed-use development projects compose more than half of this square footage (over 2.6 million square feet).

\$654 million in residential and non-residential projects

Based on data provided by the City of Ann Arbor, between 2000 and 2022 (as of August 2022), more than \$654 million in residential and non-residential projects within Downtown Ann Arbor have been submitted for approval. Commercial projects represent 72 percent of these projects by total value (\$471 million).

Construction costs comparable to the national average

According to 2022 City Cost Indexes data provided by RSMeans, Ann Arbor's total construction cost index (97.2) is comparable to the national average. By comparison, Berkeley's city cost index is 21.0 points higher than the national average, and State College's city cost index¹ is 6.1 points lower. However, supply chain and labor shortages within the construction industry, regionally and nationally, have served to slow construction investment.

¹ The City of Altoona, located outside of State College, was used since City Cost Index data for State College is not provided.

CONSTRUCTION

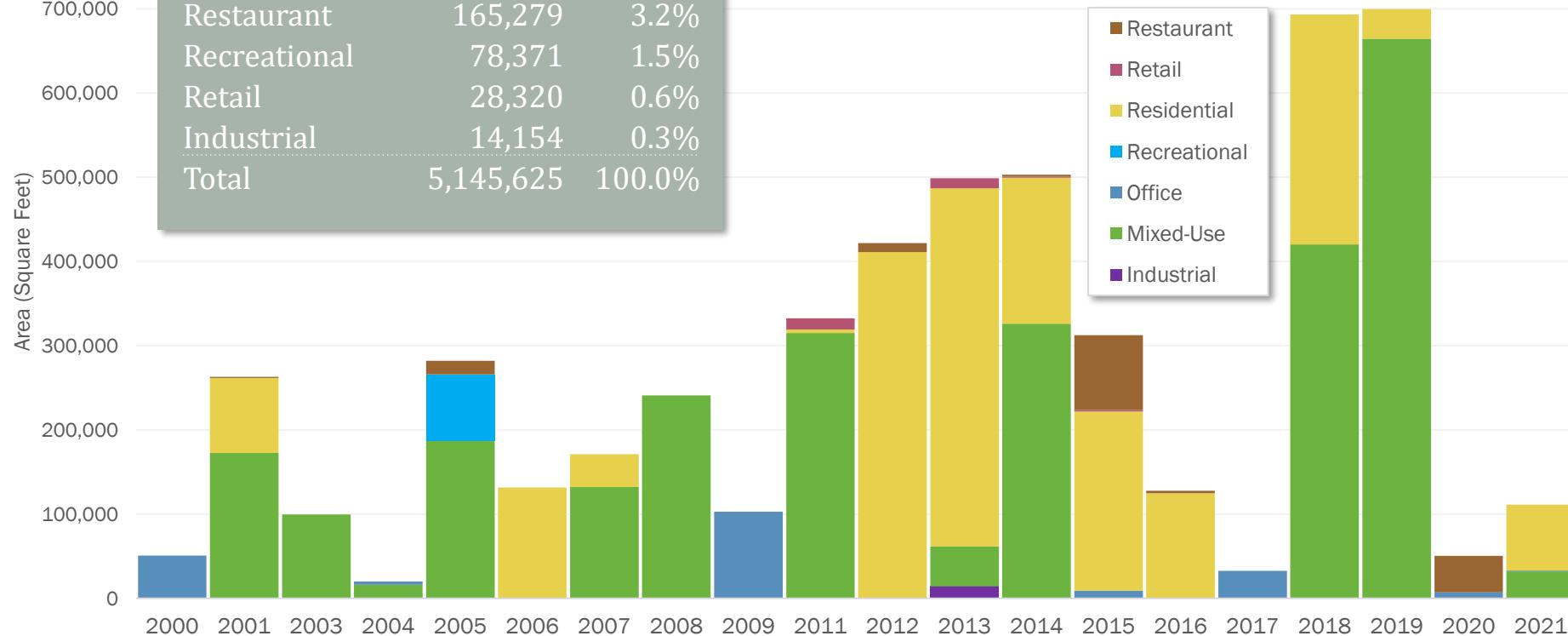
Downtown Development Projects

Development Projects (2000 - 2022)

	Sq. Ft.	Percent
Mixed-Use	2,653,833	51.6%
Residential	1,997,800	38.8%
Office	207,868	4.0%
Restaurant	165,279	3.2%
Recreational	78,371	1.5%
Retail	28,320	0.6%
Industrial	14,154	0.3%
Total	5,145,625	100.0%

Between 2000 and 2022, over **5.1 million** square feet of residential and non-residential space was developed within Downtown Ann Arbor.

Development Projects: Downtown Ann Arbor



Note: Totals do not include University of Michigan Development Projects within the DDA area. Accuracy of data prior to 2015 may vary.
Source: City of Ann Arbor, Development Projects

CONSTRUCTION

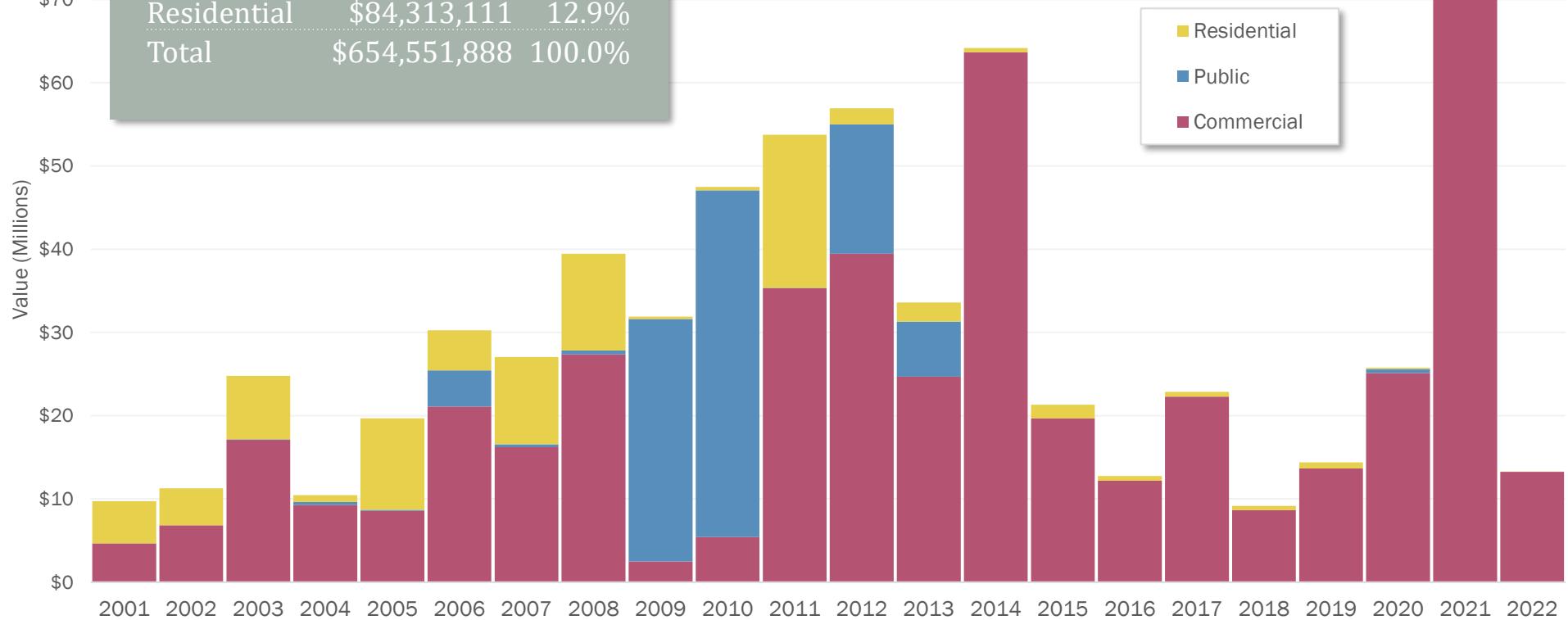
Downtown Building Permits

Building Permits (2000 - 2022)

	Value	Percent
Commercial	\$471,023,584	72.0%
Public	\$99,215,193	15.2%
Residential	\$84,313,111	12.9%
Total	\$654,551,888	100.0%

Between 2000 and 2022, over **\$654 million** in residential and non-residential projects within Downtown Ann Arbor have been submitted for approval.

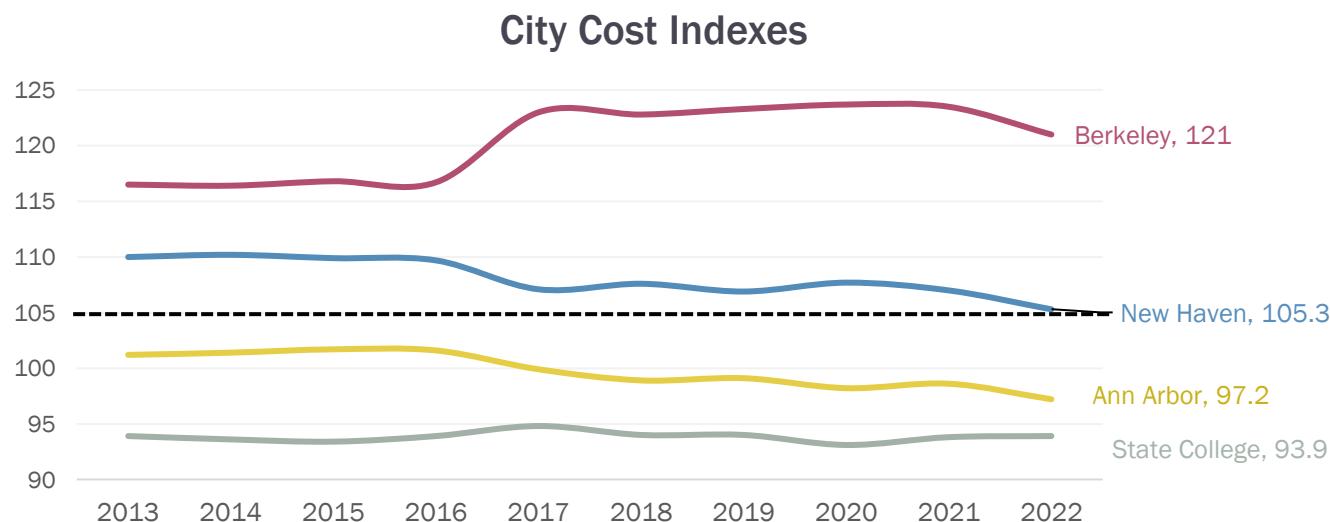
Building Permits: Downtown Ann Arbor



CONSTRUCTION

Cost Indexes

Over the past decade, Ann Arbor's city cost index has been **similar to the national average**, while Berkeley's index has been much higher and State College's index has been lower.* Although Ann Arbor's cost of construction has tracked closely with the national average and remains appreciably lower than in locations such as New Haven and Berkeley, it should be understood that supply chain and labor shortages within the construction industry over the past 24 months have not spared the Ann Arbor metro, and, as a result, construction investment locally and regionally will remain lower than what it might otherwise be.



* The City of Altoona, located outside of State College, was used as a proxy since City Cost Index data for State College was not available. Source: ProEst., RSMeans

CASE STUDIES

Overview

The Covid-19 pandemic left many downtowns like Downtown Ann Arbor splintered by diminished economic activity. As daytime populations were substantively reduced by the many office workers suddenly telecommuting from home, so too were retail purchases and transit ridership, followed by labor shortages, higher office vacancy rates, and shuttered brick-and-mortar stores, among other effects. Although the future scope of telework is unclear, it is likely to have permanently reduced demand for traditional downtown office space; and since most downtowns have been defined by their office buildings and workers, reinvention of these spaces and the way people use them will be necessary, if they are to fully rebound and thrive.

Some downtowns, however, have proven relatively resilient through the pandemic – bouncing back with stable population growth, competitive housing markets, lower vacancy rates, and private investment growth. Smaller downtowns characterized by large university presence, at first radically upended by the pandemic's forced shift to remote learning and cancellation of in-person activities beyond the classroom (e.g., athletic events, campus visits, alumni events, concerts, etc.), have been among the first to begin recuperating, with the return of in-person classes and activities. As such, the university's role as the economic engine is made apparent, with downtown campuses generating critical masses of students, faculty, staff, fans, and visitors. Still, one of the pandemic's lessons is that even these cities must strengthen existing resiliency measures and devise new measures supportive of resiliency beyond university presence, to rethink the downtown's purpose in more dynamic, creative ways.

4ward Planning's case study analysis is a cursory examination of three such downtowns, with strong university presence and comparable in size and general character to Ann Arbor: New Haven, Connecticut; Berkeley, California; and State College, Pennsylvania. Our primary goal in studying these downtowns is to better understand which factors can be attributed to promoting resilience in the face of overarching social and economic challenges and to suggest these as models for post-pandemic recovery planning, in which the creative use of cultural, architectural, and natural assets and public-private partnerships is fostered.

Our case study work began with online research of primary and secondary sources, which offered us enough background and detail to conduct outreach and interviews with economic development leaders from each of the three cities examined. While the cause and effect of post-Covid resiliency planning is more qualitative than quantitative in nature and has yet to be fully defined by the test of time, the collective portrait of these downtowns provide Ann Arbor elements for consideration and inspiration.

CASE STUDIES

Key Findings

Reimagine the purpose of downtown

Beyond being the city's center of commerce, downtown should be reimaged, creatively and inclusively, as a place for working and living. Downtowns with large university presence should take steps in creating a neighborhood for residents and visitors of all ages. New demand can be stimulated through adaptive reuse, repurposing obsolete office and retail space for in-demand uses.

Increase walkability, connectivity, community spaces, and after-hours events

Every downtown benefits from improved walkability, connectivity, and more outdoor dining, community, green spaces (including pocket parks), and public realm art. Additionally, after-hours access to galleries and shops, live music and entertainment, and retail and restaurant events strengthen downtown vitality.

Enable housing diversity and affordability

Downtown housing affordability in cities with large university presence is a common challenge. Building equity into revitalization plans by implementing policy solutions that connect downtown prosperity to more residents is a step toward greater resilience.

Proceed with carefully considered density

Ann Arbor's prescribed residential and commercial density, parking requirements, and supportive infrastructure policies are intricately entwined and have been carefully considered to support public policy initiatives in the downtown. As counterpoint, State College's push toward downtown residential density without such planning resulted in unintended infrastructure, parking, and housing equity challenges, which are currently being addressed.

Build social and cultural equity into the plan

Inclusive downtown growth is sustainable growth. Policies and programs that promote social and cultural equity in areas such as housing, employment, education, entrepreneurialism, transportation, recreation, and the arts, among others, should be part of every downtown resilience plan.

CASE STUDIES

Key Findings (continued)

Reinvigorate and update the downtown business improvement district's mission

The engagement and reach of a city's downtown business improvement district (BID) can be pivotal to a downtown's resilience. Ideally, a downtown BID will be a true city partner, filling in niches for the local government. While there has been criticism of BIDs in recent years, particularly regarding social equity issues (e.g., discrimination of homeless and lower-income populations), this can be addressed in redevelopment of a BID's approach to its mission – with the necessary collaboration of business and property owners.

Forge an interactive partnership with the university

An interactive downtown-university partnership makes a critical difference in the vitality of a central business district. Finding ways in which university students, faculty, and staff, and the downtown community can become more integrated and collaborative will yield mutually beneficial results. Downtown New Haven's unique, reinvigorated partnership with Yale University, including its developing Center for Inclusive Growth, is testament to the difference a strong downtown-university partnership can make.

Nourish other partnerships

Prior to the Covid-19 pandemic, cities with strong university presence were somewhat insulated from economic downturns, perhaps leading to an over-reliance on that presence. Creating greater balance in the economy by nourishing other economic strengths (e.g., tourism) and partnerships – including economic university presence spin-offs – is an important resilience measure. Combined efforts of the private sector, government, neighborhood groups, local organizations, and nonprofit institutions are essential to building upon a downtown's strengths, facing its challenges, and creating its opportunities.

Downtown

Downtown Resilience Measures

New Haven	Improving walkability, connectivity, public spaces, and transit; inclusive housing; focus on social and cultural equity; strong institutional and BID partnerships
Berkeley	Strong downtown BID and innovation sector; encouraging university spin-off businesses; focus on social equity and green initiatives
State College	Destination for all ages; walkability; community spaces and activities; lower-density development; quality, affordable housing; coordinated infrastructure improvements

CASE STUDIES

New Haven, CT

Downtown New Haven at a Glance:

2022 Total Population: 8,220

2022 Population Density (people per square mile): 17,880

2021 Total University Enrollment: 14,530

2022 Median Household Income:\$69,090

During the Pandemic

Since well before the Covid-19 pandemic, downtown New Haven, which encompasses most of the Yale University campus, has been considered by many to be the cultural capital of Connecticut. Significantly hobbled upon the pandemic's onset, the city took steps to support its downtown, launching an online marketplace to direct consumers to small downtown businesses and encouraging and enabling outdoor activity. Additionally, through its *Together New Haven* cultural and economic initiative online platform, the city's Economic Development Administration posted a monthly economic indicators report, tracking the impact of Covid-19 on its economy. The presence of institutional partners in many of the city's commercial office spaces kept downtown office vacancies from being as high as some pandemic-related projections.

By the first quarter of 2021, New Haven began to witness its own resilience, leading the state with permits for approximately 900 new housing units under construction and an additional 2,200 at various stages in the residential development pipeline – nourishing housing density supportive of downtown economic activity. Much of this residential growth is infill development, displacing dormant parking lots. A unique aspect of the New Haven marketplace is the size of its affordable housing sector, a result of the statewide tenant union.

Planning for Resilience

The City of New Haven is undergoing a purposeful transformation, informed, in part, by a more European style of living, with a focus on walkability, outdoor dining, and increased transit options. Additionally, the City is integrating social and cultural equity into its resilience plan, including the creation of a crisis response team to support its police department and a cultural equity plan initiative showcasing the city's artists of color.



CASE STUDIES

New Haven, CT (continued)

In March 2022, New Haven was awarded a \$5.35 million grant from the Connecticut Communities Challenge Program, a statewide revitalization program leveraging non-state and private resources, which, in New Haven, will be used to recreate a strategic downtown commercial and transit hub. This project will open several existing parking lots for transit-oriented, mixed-use development, with the goal of generating opportunities for inclusive growth and housing, creating new tax revenue to pay for essential city services, and improving safety for residents through traffic-calming measures and connections to the canal greenway.

Downtown Crossing, a four-phase City of New Haven infrastructure project that rebuilds a former expressway into a system of urban boulevards, reestablishing the urban street grid by reconnecting city streets, and reclaiming portions of land that had long been unavailable for development, began in 2013 and is expected to conclude in 2026. This project, made possible by city, state, and federal funding, promotes direct and indirect economic development, relieves traffic congestion, addresses local flooding, enhances livability, and dramatically improves safety for vehicles, pedestrians, and bicyclists.

More integrated with the city than in the past, Yale University has expanded its efforts to promote economic development, increase homeownership, support public education, and revitalize the downtown. In the fall of 2021, Yale and the City further forged their nationally unique partnership, with a significant increase in university funding and support of inclusive downtown growth. This effort includes the creation of The Center for Inclusive Growth, to be guided by an advisory committee of university, city, and community leaders and the conversion of a vehicle-free downtown corridor into a city-owned walkway.

New Haven's downtown BID, Town Green District, is also an engaged City partner, filling in niches for the local government with advocacy that includes supporting local businesses, encouraging stronger citywide transit options, and transforming downtown into an innovation district.



Source: City of New Haven, www.newhavenct.gov; Del Valle, Veronica and Marchant, Robert "What's Next for Old Office Buildings in Southern CT? Converted into Housing, Experts Say," Stamford Advocate, Jun 6, 2022; Downtown Crossing New Haven, www.downtowncrossingnewhaven.com; Interview with Michael Piscitelli, City of New Haven, Aug 19, 2022; Office of New Haven Affairs, Yale University, www.onha.yale.edu; Town Green District website, www.downtownnewhaven.com; Shelton, Jim "With New \$140+ Million Yale Pledge, Yale, New Haven Promote Growth, Economy," Yale News, Nov 17, 2021; Turmelle, Luther "Covid-19 has changed New Haven's Downtown but will Those Changes Stick," New Haven Register, Mar 13, 2021; Santiago, Ellen "\$5.2M Grant Funds State Street Revitalization Downtown, Wooster Square," www.patch.com, Apr 12, 2022; Zaretsky, Mark "New Haven to Realign Lower State Street with 'Game-Changer' \$5.35 Million State Grant," New Haven Register, Apr 13, 2022; Image: www.realtor.com

CASE STUDIES

Berkeley, CA

Downtown Berkeley at a Glance:

2022 Total Population: 6,140

2022 Population Density (people per square mile): 25,010

2021 Total University Enrollment: 45,060

2022 Median Household Income: \$37,140

During the Pandemic

Like other cities around the nation, the Covid-19 pandemic and subsequent lockdown orders transformed the streets of downtown Berkeley. The city saw steeper revenue decline during the height of pandemic-related closures than the surrounding county and state, as much of its tax revenue stems from the hospitality, retail and beverage, arts and entertainment, recreation, and personal services sectors – those most directly impacted by shelter-in-place mandates. The hospitality sector was particularly hard hit, with a 70 percent dip in tax revenue from the fourth-quarter 2019 through third-quarter 2020.

At the onset of the pandemic and in the spirit of its tight-knit small business community, the City of Berkeley took decisive steps for neighborhood-serving businesses. The City Council swiftly voted to divert \$3 million from the general fund into the Berkeley Relief Fund and grants worth \$2.6 million were given to 763 businesses and arts organizations. Business and community members raised another \$1.7 million.

The Berkeley Office of Economic Development (OED) was an active participant in the city's pandemic rescue plan, successfully applying for a CARES Act grant and, subsequently, launching Berkeley's Covid-19 Resiliency Loan Program (RLP), offering small, established area businesses very low interest loans. Additionally, the OED created a webpage to help businesses navigate the pandemic's effects and understand available assistance and worked with local architects to design free templates for outdoor dining spaces for the city's many restaurants struggling to stay open.



CASE STUDIES

Berkeley, CA (continued)

Berkeley's "innovation sector," composed of between 350 and 400 businesses (many life sciences and hybrid technology offshoots of the university), offered a cushion of economic diversity during the pandemic, as it was infused with investments and less vulnerable to the economic effects of lockdown orders, as most of its employees were able to work remotely. Although downtown Berkeley's office vacancy rates were certainly impacted by the Covid pandemic, those commercial tenants that could, chose to remain in operation and close to the university and its Energy Lab.

Planning for Resilience

Prior to the pandemic, the City of Berkeley released its 2016 Resilience Strategy, a result of its selection by the Rockefeller Foundation to participate in its *100 Resilient Cities* initiative, which was "designed to advance community preparedness for some of Berkeley's most pressing physical, social, and economic challenges - an ambitious plan aimed at helping the city tackle numerous important issues, including natural disasters, climate change, and racial, social, and economic inequities."

One of downtown Berkeley's most persistent challenges is housing affordability. As the university population has grown, demand for off-campus housing has skyrocketed, putting upward pressure on downtown residential prices and increasing displacement of low-income city residents and subsequent homelessness levels. Currently, most new residential development in Downtown Berkely is, essentially, student housing.

Cited by the city's Director of Planning and Development as a pivotal element of downtown Berkeley's resilience, the Downtown Berkely Association, the local BID, responded to scrutiny over discrimination of its homeless population in pursuit of beautification, business promotion, and safety measures by reallocating its mission to include social equity goals. Along with being a platform for local businesses and property owners, the BID has become an advocate for treating downtown Berkeley as an interdependent community of businesses, residents, and visitors.

Source: Berkeley Resilience Strategy, City of Berkeley, 2016, www.resilientcitiesnetwork.org; Dinkelspiel, Frances "Covid-19 has Hit Economy Hard: Tax Revenue Down 13.2% 3,000+ Jobs Lost," Berkeleyside, Feb 16, 2021; Downtown Berkeley Association website, www.downtownberkeley.com; Interview with Jordan Klein, Director of Planning and Development, City of Berkeley, Jul 21, 2022; Katgara, Dina "City of Berkeley, Nonprofits Provide Aid to Local Businesses During Covid-19," The Daily Californian, Oct 13, 2021; Lempres, Daniel "UC Berkeley Study: Business Improvement Districts Criminalize Homelessness," East Bay Express, Sept 19, 2018; The City of Berkeley, www.berkeleyca.gov; Image: www.visitberkeley.com



CASE STUDIES

State College, PA

Downtown State College at a Glance:

2022 Total Population: 4,300

2022 Population Density (people per square mile): 31,160

2021 Total University Enrollment: 88,910

2022 Median Household Income:\$15,810

During the Pandemic

With the closest metropolitan area an hour and a half away, Penn State University's academic and athletic activity and tourism are inextricable from the local city and county economies - both of which saw seismic downturns in the wake of the Covid-19 pandemic, as students and employees fled campus and visitors and fans stayed home. From 2020 into 2021, the city lost a reported 17 businesses, primarily in the retail and hospitality sectors, as well as \$6.2 million in revenue due to pandemic-related issues.

Despite State College's economic woes during this period, Pennsylvania's more permissive Covid-19 rules allowed the continuance of youth sports tournaments, which were held at the city's newly opened indoor sports complex. So, while the cancellation of Penn State athletic events was a significant blow to the local economy (e.g., over one April 2019 football weekend, the city of State College generated \$75,000 in parking revenue alone. On that same weekend a year later, the total was \$9.40), youth sports tourism was an unexpected balm, from which the downtown hospitality industry benefited.

Planning for Resilience

Borough officials realize further developing downtown State College as an inviting destination for all ages, rather than just as an extension of the Penn State campus, is essential to its resilience. Although catering to university students is clearly important, creating spaces, activities, and attractions with older adults, children, and the professional community in mind builds a more vibrant and resilient downtown. To this end, the Downtown State College Improvement District (DSCID) recognized enhancing downtown walkability as an important step, and so,



CASE STUDIES

State College, PA (continued)

installed a part-time (every Thursday through Saturday night) pedestrian walkway on its busiest street. Further, the DSCID enhanced the walkway with attractive lighting, additional outdoor seating, community engagement activities, and interchangeable public art.

Downtown density continues to be a pressing issue for State College. In the wake of its 2013 Downtown Master Plan and resulting zoning text amendment (setting commercial floor area ratio at 1.0 and increasing residential to 5.0 from 3.0), the borough embarked on a purpose-built student housing boom along its long, linear downtown, creating a u-shaped design with density on the edges. Since 2016, six 12-story, private-sector student residential high-rises have been constructed there, with a seventh currently in the review process.

The downtown's fast-paced growth - without anticipatory policy and regulation updates - came at a price. With the introduction of higher-rent apartments, there has been upward price pressure on housing, displacing some long-term residents and students who can no longer afford to live there. Further, with the 2013 reduction of commercial parking requirements in favor of higher residential parking requirements, few parking spaces are available for prospective commercial tenants, further burdening the already pandemic-challenged commercial market. Public works infrastructure is a key, related resilience issue for State College, as increased downtown density has strained its water and sewer systems.

Facing competing public policy objectives, State College is at a crossroads, which is likely to result in an upcoming zoning amendment deterring future non-owner-occupied high-rise development, reverting to its 40 percent non-residential requirement already in place elsewhere in the district, and establishing construction incentives that would persuade developers to work affordable housing and energy-efficient facilities into their blueprints. Ultimately, city officials are striving for a downtown with shorter, less dense, energy-efficient buildings, and more quality, affordable housing, particularly for non-student residents.

Source: Berner, R. Thomas "On the Rebound," State College Magazine, Jul 1, 2021; Carrasco, Maria "College Towns Come Back to Life," Inside Higher Ed, Apr 13, 2022, www.insidehighered.com; "Covid-19: Two Years and Counting," Centre County Gazette, Mar 24, 2022; DiSanto, Matt Is State College Oversaturated with Penn State Student Housing? Officials Share Concerns," Centre Daily Times, Aug 14, 2022; Harris, Cara "America's College Towns Are Facing an Economic Reckoning," Bloomberg, Aug 21, 2020, www.Bloomberg.com; Interview with Ed LeClear, Director of Planning & Economic Development, City of State College, Aug 16, 2022; Rushton, Geoff "Another 12-Story High-Rise Is in the Works for Downtown State College. It Might Be the Last," www.statecollege.com, Aug 22, 2022; Image: www.psu.edu



Limiting Conditions & Contact Information

General & Limiting Conditions

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