

Date: June 7, 2010

To: Dustin Nilsen, Village of Antioch

From: *S. B. Friedman & Company*

Re: **Draft Form-Based Code and Design Guidelines / Preliminary Comments on Potential Impacts on Development Economics**

### ***Introduction***

Please find attached the DRAFT Form-Based Code ("Code") for the Village of Antioch prepared by The Lakota Group ("Lakota") in conjunction with *S. B. Friedman & Company ("SBFCo")*, the Village of Antioch ("the Village"), the Regional Transportation Authority ("RTA"), Metra, and Pace. The Code provides clear policy guidelines to enable over time the creation (as properties are developed or rehabbed) of a distinctive built environment, in line with the historic character of Antioch.

The Code, if adopted as the attached draft or in amended form, will provide the Village's elected officials, staff and citizens with predictability regarding the forms, finishes and placement of future buildings, open spaces and streetscapes within the Downtown. The Code will also send a clear and consistent message to developers as to what can be built 'as of right' in the community. This point is particularly helpful to both the community and developers in the context of large-scale redevelopment as anticipated within the Orchard Plaza and Train Depot Redevelopment Areas.

As there will be cost implications associated with some of the provisions in the Code, it is important for policy makers to be aware of its potential impacts on the economics of future development and the extent to which it will impact development interest in Downtown Antioch. In this memo, we identify some of the key provisions of the Code that are likely to affect the economics of a private developer seeking to redevelop in the Downtown, and make a preliminary assessment of the potential implications of these provision. (While this Code applies to all sites within the Village's Downtown limits, we will subsequently quantify and evaluate in detail the development economics associated with the redevelopment of the two strategic sites, Orchard Plaza and the Train Depot.)

### ***The Purpose of Form-Based Codes***

Form-based codes foster predictable built environments by referencing physical forms in three dimensions with detailed finishes, rather than merely delineating land-use designations, separation of uses, and location of structures on a two-dimensional basis, as is the case with traditional zoning codes.

An alternative to conventional zoning, form-based codes are adopted into law and provide local governments the codified regulatory means to achieve development objectives with greater certainty by describing expected outcomes with greater clarity. Form-based codes address the relationship

between building facades and the public realm; the form and mass of buildings in relation to one another; and the scale and types of streets, blocks and open spaces that connect the elements of the built environment. In essence, form-based codes designate a desired character of development.

Downtown Antioch's Code will regulate all infill development, both redevelopment/new construction and rehabilitation. New construction/redevelopment projects are contemplated for the two opportunity sites and include townhomes, apartment buildings and mixed-use buildings that could potentially house a new Village Hall, retail, office and additional residential units. The reuse/rehabbing of underutilized buildings and sites will also be subject to the Code. Ideally, infill redevelopment within the Village will involve land assemblage and coordinated development activities to achieve the desired character demonstrated in the Regulating Plan. The Code, however, also allows for "one-off" development or rehab of lots to create a uniform character over time.

As mentioned, specific elements of the Code will pose cost impacts on future development, both positive and negative. This memo examines each of the five major elements of the Code to assess preliminarily the economic implications for development.

### ***Key Regulating Elements and Implications for Development***

The Downtown Antioch Form-Based Code includes a Regulating Plan, which outlines five distinct character districts within the greater downtown area. These districts include: a Village Core (VC), Transitional Core (TC), Neighborhood General (NG), Business Park (BP) and Commercial Edge (CE). This memo will focus on the VC and TC districts, as these districts represent the core of Antioch's Downtown and contain the two target opportunity sites, the Orchard Plaza and Train Depot Redevelopment Areas.

The Form-Based Code establishes the desired physical form for Antioch's downtown by setting regulatory parameters for allowed uses, height, building placement and frontage, parking placement and ratios, and urban design standards. *SBFCo's* review identified the following regulations in the Code that are likely to have significant impacts on development economics:

- Restriction of building heights
- Fenestration/articulation requirements of building facades and other exterior walls
- Relaxation of parking ratios and allowing shared parking
- Requiring structured parking on residential buildings with 30 units or more
- Preference for brick or stone as the primary building material

These regulations and their implications for development are discussed in the following pages.

#### **Restriction of Building Heights**

While higher density and relatively taller structures should generally be encouraged in downtowns with transit access such as Antioch, they should be carefully implemented to respect local community character. Existing buildings in Downtown Antioch are all within three stories (approximately 35 feet in height, with the exceptions of a church and the Antioch School and Museum). The base allowed heights for zoning districts in the proposed Downtown Code ranges from 35 to 45 feet. Additional height bonuses of up to ten feet for architectural features such as pitched roofs, parapet walls, clock towers or

cupolas are permissible and subject to approval. The Regulatory Plan also prescribes a minimum ceiling height of 15 feet for commercial structures such that they meet modern retailing standards.

The allowed heights appropriately fit the character of Downtown Antioch. Additionally, current market conditions in Antioch are such that there is limited demand for multi-family residential (market-rate apartments or condominiums) and commercial uses that need multi-storied structures in excess of three stories. The majority of real estate products developed in the Village and surrounding communities within the past five years includes one or two story single-family homes, townhomes that are within three stories in height, and one-story commercial and industrial structures.

After the recovery of the real estate market, however, there is likely to be greater interest in mixed-use centers with transit access such as Downtown Antioch. At such time, when there is a demand for condominiums, apartments and/or multiple-story commercial products, the code would accommodate such uses but limit the height to four stories. Based on *SBFCo's* experience in downtowns throughout the Chicago region, Table 1 below shows typical threshold prices/rents at which high-quality, newly constructed multi-storied multi-family residential and commercial products of appropriate quality level tend to be economically feasible.

Table 1: Typical Price/Rents for New Construction

Product Type (New Construction)	Approximate Minimum Price/Rent Threshold for Economic Feasibility	
	Average Price	Average Rent
Condominium with structured parking	\$200,000- 250,000/Unit or \$175-\$200/Sq.ft.	
Condominium with surface parking	\$160,000/Unit or \$160/Sq.ft.	
Apartments with structured parking		\$1.50/sq. ft. per month
Apartments with surface parking		\$1.03/sq. ft. per month
Commercial		\$15-20/sq. ft. per year (net of all expenses)

Note: Above prices are estimates based on review of product prices/rents of new development throughout Chicagoland. Actual price/rent threshold levels at which a particular product will be economically feasible varies by location, specific site conditions, land prices and other factors.

Once these approximate price thresholds are reached and developers consider the above products in Antioch, there may be tension between developers requesting variances for greater height to improve their development economics and the Village wanting to maintain its traditional low-rise character. Four stories tend to represent the height when development economics are at break-even, and every additional floor helps increase a project's financial feasibility. Therefore, if such a situation occurs in the Village in the future, it may be appropriate to revisit the maximum height regulation or provide targeted financial assistance to developers.

### **Fenestration/Articulation Requirements of Building Facades and Other Exterior Walls**

The Code prescribes standards for delineating the building facade and other exterior walls. For the VC district, 75% of any street-facing building facade must consist of non-reflective windows; for the TC district, this percentage is 50%. Additionally, blank unarticulated walls exceeding 30 feet in length are not allowed in the Downtown. Windows allow commercial store vendors to advertize their wares and invite downtown patrons to look inside stores. This creates visual interest at the street level and contributes to the creation of a vibrant downtown.

The majority of independent and chain retailers occupying smaller downtown stores (10,000 square feet or less) prefer facades with adequate display windows, and therefore developers are likely to view the requirement of 75% non-reflective windows on commercial facades as a market norm. Relatively larger chain stores contemplated for the Orchard Plaza store, including grocery stores and pharmacies, typically have building prototypes with significantly less facade fenestration and exterior wall articulation due to cost and security reasons. Because the Code requires retailers and/or developers to make deviations from their typical prototype to locate in Downtown Antioch, it may reduce interest from some retailers and/or require incentives to attract them.

### **Relaxation of Parking Ratios and Allowing Shared Parking**

The parking ratios by use provided in the Code are 10% to 15% less than the market norm. Retail and service establishments in the VC and TC districts are not required to provide any parking. Reduced parking requirements will help minimize the negative visual impact of surface parking lots, promote walkability and reinforce the transit-oriented character of Downtown Antioch. Finally, allowance of shared parking, particularly for uses that have peak parking demand at different times, will increase efficiency by reducing the number of parking spaces required in the Downtown.

The reductions in parking ratios allow for a direct reduction in development costs and therefore serve as a key incentive for attracting developers. Parking, however, is a market need for most uses, and inadequate parking can negatively impact the marketability of a new development and the Downtown as a whole. Therefore, cost savings for developers from reduced parking will be realized only if the market need for parking is adequately satisfied by the following methods:

- Creating a pedestrian-friendly environment where potential customers are encouraged to walk
- Developing new residential units within the Downtown such that there are new customers who can walk to stores
- Ensuring that there is adequate provision of shared parking in on-street spaces and in easily accessible, proximal public parking lots/structures

If the Village establishes these alternative parking solutions, then the parking requirement reductions will likely reduce the cost of development.

### **Requiring Structured Parking for Multi-Family Residential Buildings**

The Code requires decked or structured parking for multi-family developments. Townhome developments within Antioch and surrounding communities typically provide garage parking (detached or within the interior of the building) as a market norm. No major condominium or apartment

complexes have been developed in Antioch in the recent past (last ten years). Therefore, there is no established market norm regarding parking for these products. Requiring structured parking for condominiums and apartments significantly increases development costs, and is likely to either delay the feasibility of developing this product in Downtown Antioch until the prices/rents are high enough (see Table 1) or require public/private incentives.

While the Code also provides relief from the cost of providing structured parking by granting a height bonus of one additional floor, the height bonus is likely to begin benefitting the development economics only when the price/rent thresholds (see Table 1) for such products with structured parking have been achieved. At that point, whether or not the bonus fully offsets the added cost can be determined as the details of a specific development project are analyzed.

### **Preference for Brick or Stone as the Primary Building Material**

While the Code does not mandate the use of brick and stone as primary building materials, they are referenced as the preferred building materials. The use of brick and stone as primary building materials typically results in a building appearance superior to that of buildings with vinyl siding or concrete blocks. Recent townhome and commercial developments (other than bank structures) in Antioch have not incorporated brick as the primary building material. Brick and stone are typically more expensive building materials and would likely result in higher building costs that may result in financing gaps for new development.

### ***Conclusion***

While the Code has the benefit of setting clear objectives that will enhance the quality of Antioch's built environment, the Village should also be mindful of the impact it can have on development in Antioch. As discussed in this memo, some of the provisions in the Code may detract from developer interest in Downtown Antioch by limiting the full development potential (by regulating height), increasing costs and requiring deviations from market norms. While the reductions in parking ratios, allowance of shared parking and density bonuses for certain development features (such as structured parking) can serve as development incentives, it is unclear at this point whether these incentives are sufficient to offset potential costs added by other requirements of the Code.

In short, there are trade-offs involved in setting a higher standard of forms and finishes – the combined effect can result in financing gaps as individual developments are undertaken. To deal with this challenge, the Village may consider establishing public/private partnerships, utilizing financing mechanisms such as Tax Increment Financing (TIF) and Special Service Areas (SSA) or by allowing cost relief (waiving permits and fees, for example). The specific strategies and recommended policy standards in utilizing public/private partnerships will be discussed in greater detail once the Code has been finalized.