

City Planning 642-001
 Spring 2026, University of Pennsylvania
 Paul R. Levy
plevy@centercityphila.org

Downtown Housing
 February 26, 2026

<https://centercityphila.org/bidclass>



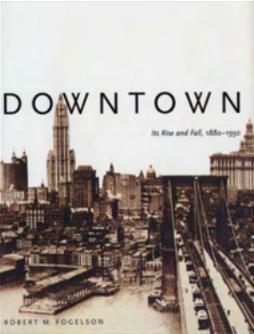
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- History & evolution of US downtowns (episodes)
- The role of federal public policy
- Comparative look at Philadelphia, Los Angeles & Houston
- Office conversions tools: Houston & Dallas



2

Origin of the term: “Downtown”



Downtown: American term invented after Civil War 1870s

“City Center” European term also applied to pre-civil war U.S. cities:

A mixed-use place, combining business & residential, usually adjacent to the port



3

Like all global cities founded before 19th century, American colonial cities began on the waterfront



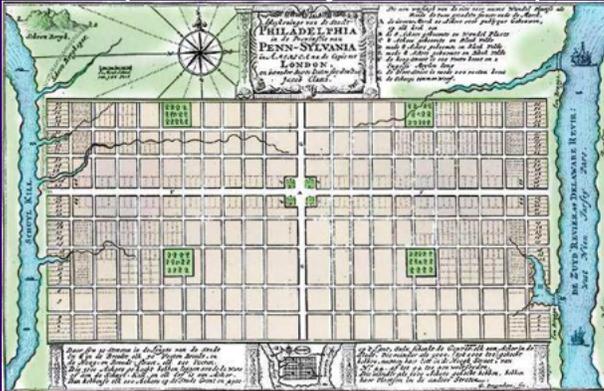

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Philadelphia began as a waterfront city




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1682 plan envisioned symmetrical development




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**Earliest development along the Delaware River
Immediately adjacent to the port: global front door**

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**Term “downtown” originated in Manhattan
To describe the lower end of the island**

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**Dense cluster of commercial property
Started to squeeze out residential
Particularly during industrial expansion after Civil War**

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**A purely business & commercial center emerges
“Downtown” noisy & congested;**

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**To avoid noise & congestion
“Uptown” north of Canal St. is where the middle class moved
Home & work begin to separate for the middle class**

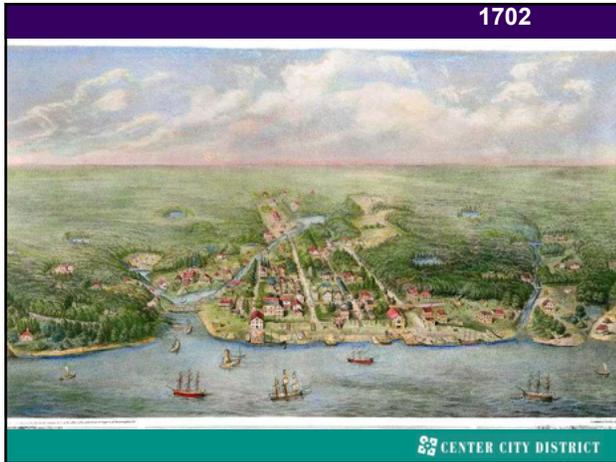
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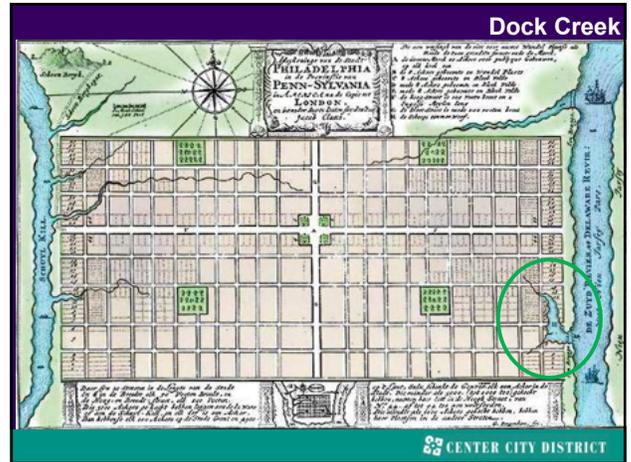
Analogous process in Philadelphia

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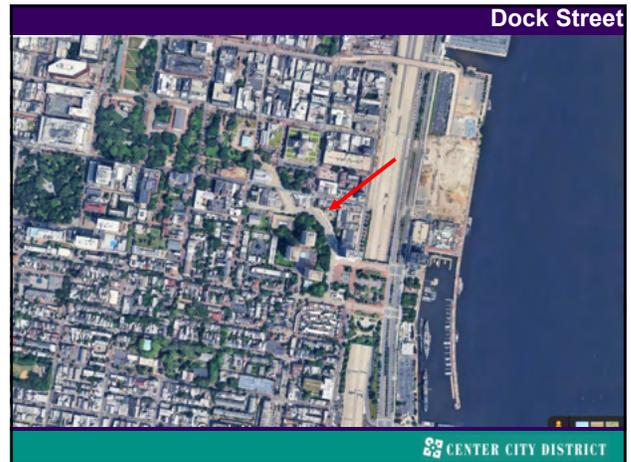
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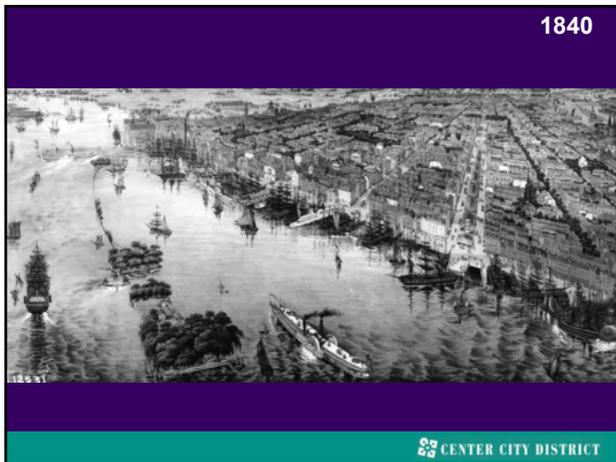
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1908: Markets congestion & noise of waterfront



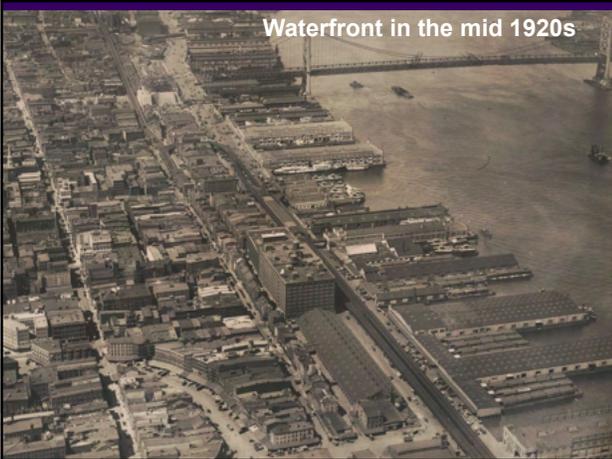
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Ever more congested with vehicles



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Waterfront in the mid 1920s



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Transformation of "downtowns" in 1870s

Rapidly expanding urban economy & migration from rural area to cities

Growth of professional & managerial functions not requiring physical labor

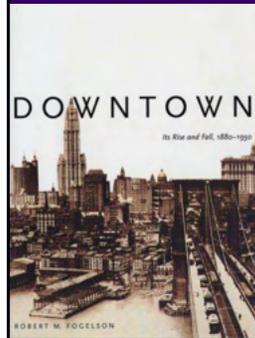
Intense competition between cities;

Intense competition for space within cities

No height controls

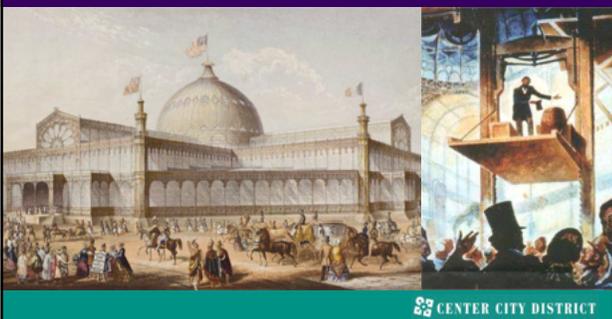
Few historic buildings or crown properties that limit the push to go up

Technological innovation:
Otis Elevator + Structural Steel



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Elisha Otis introduced first elevator
Crystal Palace for Exhibition of the Industry of All Nations
1853 in NYC: current site of Bryant Park
Modelled on Crystal Palace in London, 1851



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Installed first in Soho @ 488 Broadway in 1857, NYC



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1860: Typical commercial buildings
4-6 story masonry load bearing structures



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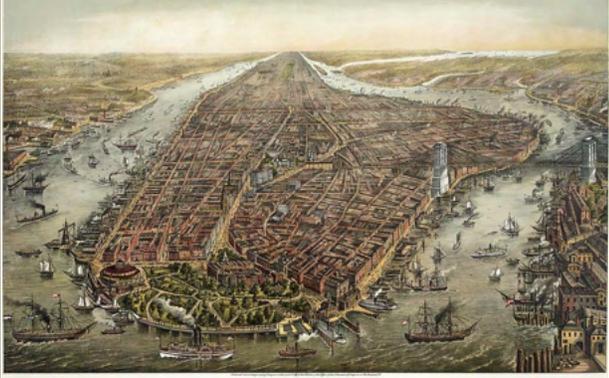
Elevator made taller buildings more feasible



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Downtown & Brooklyn, 1873



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In the aftermath of 1871 Great Chicago Fire



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Louis Sullivan designs structural steel frame building
Home Insurance Building, 1885



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Structural steel + elevators
Makes possible the skyscraper
Office buildings that begin to define "downtown"



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Housed banking, finance & insurance, management functions for manufacturing economy

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As commercial uses squeeze out residential
Creates "Downtown" Technology enables greater height
 Lower Manhattan in 1900

Fogelson quotes: European travelers astounded by the "High Sierra" of buildings "Urban Alps" Existed no place else on earth

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1876

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1913: "downtown" = lower portion of Manhattan
 37 years later

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Analogous transformation of Shanghai in 26 years

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Federal involvement & intervention in American cities:
Depression & Post WW 2

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Old manufacturing areas reaching obsolescence 1954 industrial = 2000 **blighted areas**

WHEN PHILADELPHIA WAS THE WORKSHOP OF THE WORLD, 1954
303,792 Manufacturing Jobs

MANUFACTURING EMPLOYMENT DENSITY PHILADELPHIA, 1954
0-1000 Employees Per Square Mile
1000-5000 Employees Per Square Mile
5000-10000 Employees Per Square Mile

Map derived from Oscar Newman, The Problem of Jane Chicago, 1969, using USGS Aerial 1:250,000.

In 1954, Philadelphia had 303,792 manufacturing jobs clustered along rail lines and rivers, leaving the remainder the landscape of manufacture (garbage dumps, slag yards, etc.). Manufacturing provided 24,438 jobs in the city.

LEGEND:
- Green: Greenbelt Program
- Yellow: Public Housing
- Red: Trunk and Subway
- Blue: Interstate I-76
- Orange: Interstate I-95
- Purple: Interstate I-476
- Grey: Interstate I-276
- White: Interstate I-63
- Black: Interstate I-30
- Light Blue: Interstate I-76
- Dark Blue: Interstate I-95
- Red: Interstate I-476
- Yellow: Interstate I-276
- Green: Interstate I-63
- Purple: Interstate I-30

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First federal involvement in housing: Depression 1932 Homeowners Loan Corporation (HOLC) Map

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Followed in 1934 Federal Housing Administration Homeownership: long-term fixed rate mortgage

Until 1920s typical mortgage had been 5-7 years
Required 30% -50% down-payment
Only those with high incomes or inheritance could be homeowners

In the housing crisis that emerged from Great Depression, New Deal promises the long-term, fixed rate, self-amortizing mortgage (20-30 yr)

Underwriting looks at the income of the buyer and the stability of the neighborhood in which house is located; that is the ultimate security for the mortgage.

Nothing inherently discriminatory about having criteria

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Homeowners Loan Corporation (HOLC) guidelines

Property characteristics
Apartments, row houses & “overcrowding” & density
Twins
Single family detached

Households/Ancstry
Northern European
Eastern/southern European
Asian
African American/Hispanic

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(HOLC) Map for Philadelphia

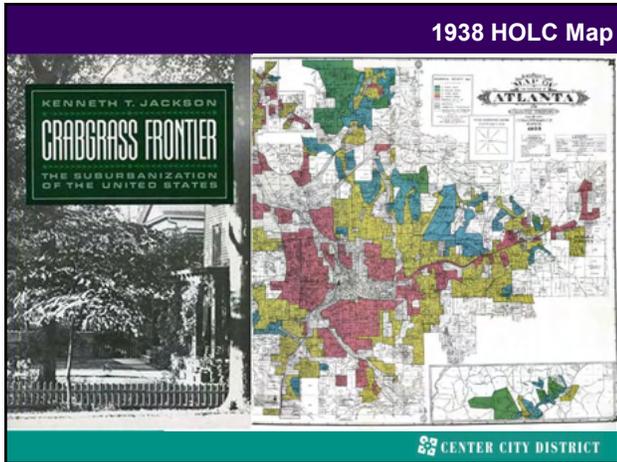
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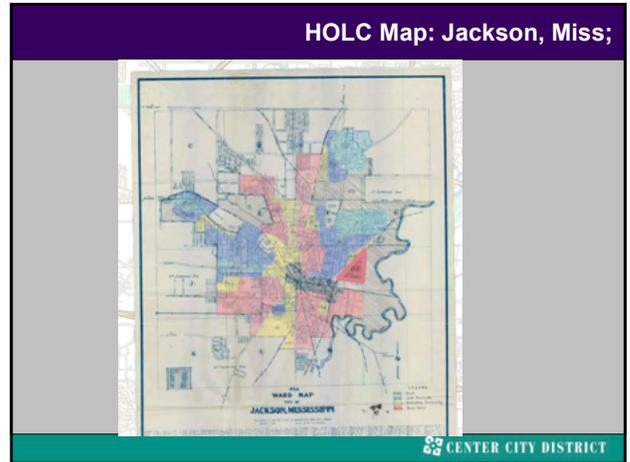
1937 HOLC Map

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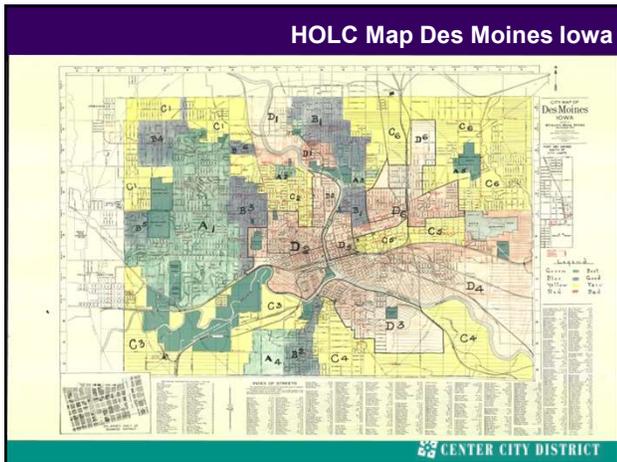
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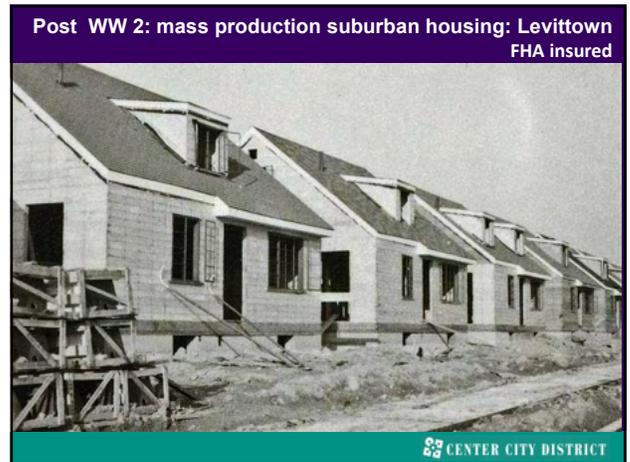
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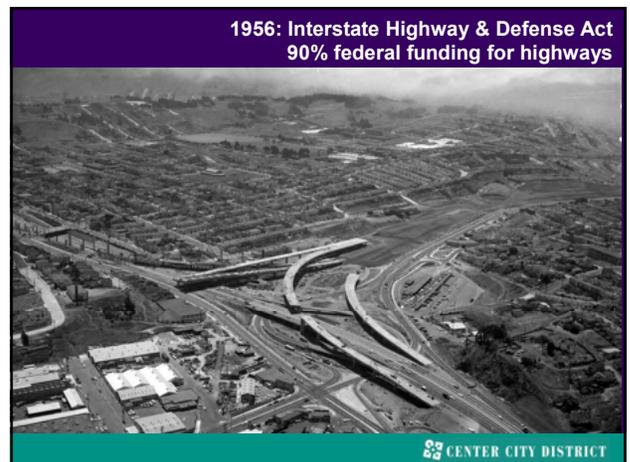
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Suburbs marketed as alternative to the city

This is the way you live at LEVITTOWN

Even though these signs for the modern suburb's great housing program, the best beauty, utility and craftsmanship have been combined in one place, the planning committee paid the money and their plans from which to show the home you have always wanted!

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Aimed at families with children

envisioningtheamericandream.com

Why did you buy a house?

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Post-WW 2 Federally insured GI Mortgages

"After total war can come total living"

It's a promise!

GENERAL ELECTRIC

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Newark, New Jersey

RESIDENTIAL SECURITY MAP

LEGEND

- A FIRST GRADE
- B SECOND GRADE
- C THIRD GRADE
- D FOURTH GRADE
- SPARSELY BUILT UP
- INDUSTRIAL & COMMERCIAL
- UNDEVELOPED OR FARMLAND

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73 Schuyler Avenue: Three unit apartment building

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Newark, New Jersey

RESIDENTIAL SECURITY MAP

LEGEND

- A FIRST GRADE
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1955: Mountainside, New Jersey



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Cross promotion of products



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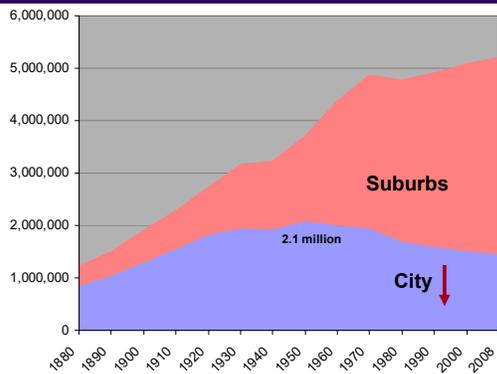
Significant new supply across the region



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Postwar suburbanization



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Sequence of suburbanization: national Synchronized with baby boom



Trend starts 1946-1947

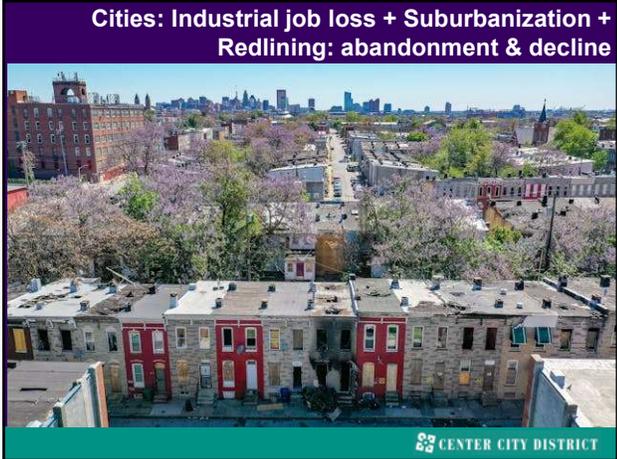
1960: 31% population suburbs
2010: 51% population suburbs

Regional shopping centers,
15,000 - 1955-1977

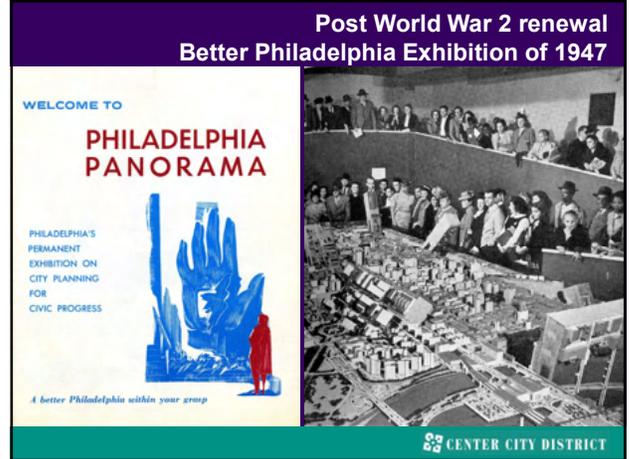
Office parks

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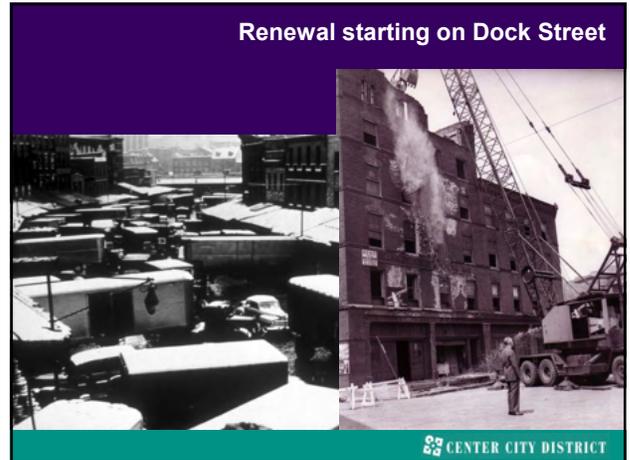
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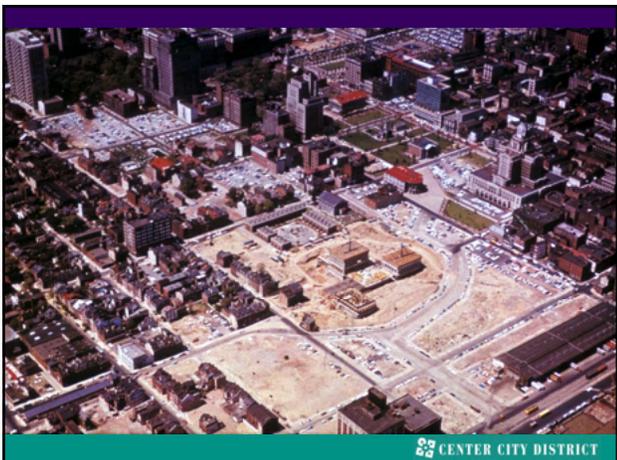
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Philadelphia: early adopter of historic preservation
Federal funds to purchase vacant properties



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Began successful downtown revitalization program
that built a post-industrial city
Philadelphia: an early leader in historic preservation



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1956: 567 properties designated for preservation



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Old Philadelphia Development Corporation formed 1956
To market renovated historic homes



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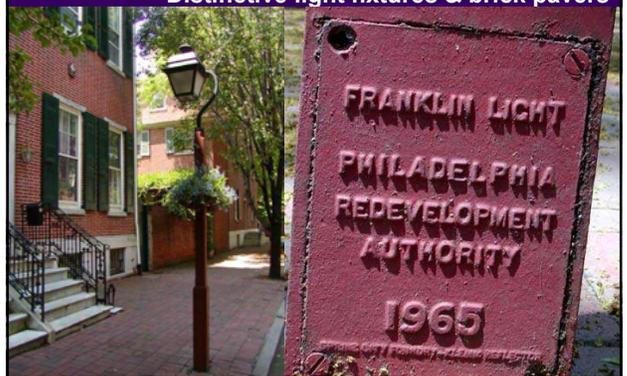
New construction to signal change



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Streetscape improvements
Distinctive light fixtures & brick pavers



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Creation of Delancey Park for children



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Three bears park



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Ed Bacon, 1962



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Expansion of McCall Public School



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System of greenways: 300 Spruce



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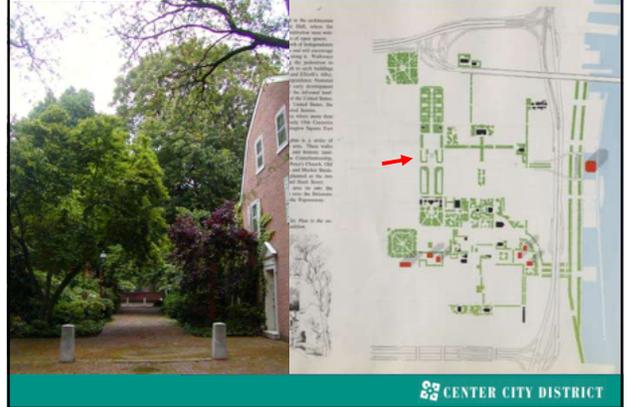
Small scale public places



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To link Society Hill to the National Historical Park



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Major stimulus to downtown living



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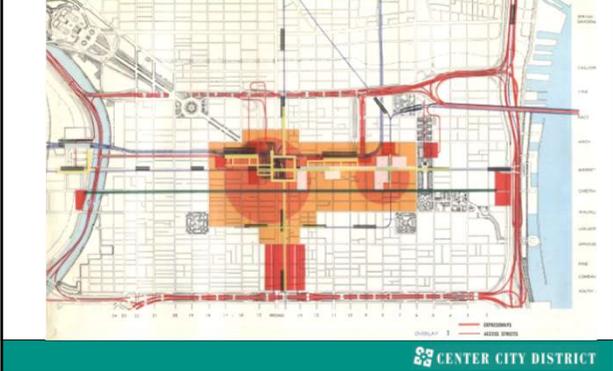
Framed by highways in the 1963 plan



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**1963 plan: Reinforce dense commercial core
With ring of highways & linked transit lines
Highways as transportation investment & demolition tools**



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Central waterfront before I-95



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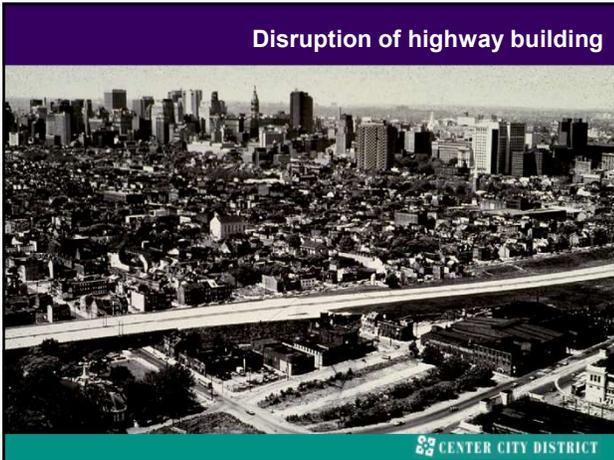
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Demolition of hundreds of homes

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Disruption of highway building

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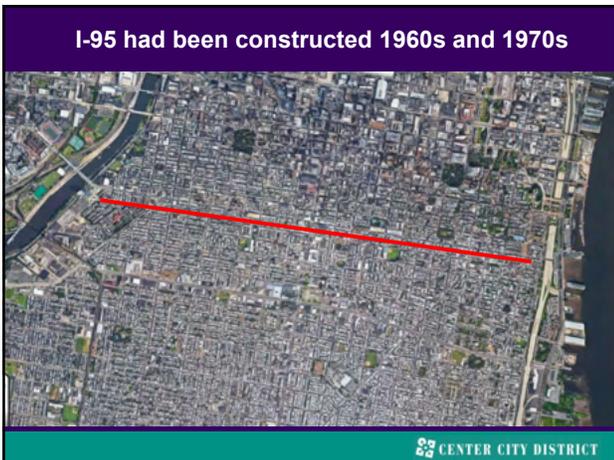
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Crosstown expressway plan

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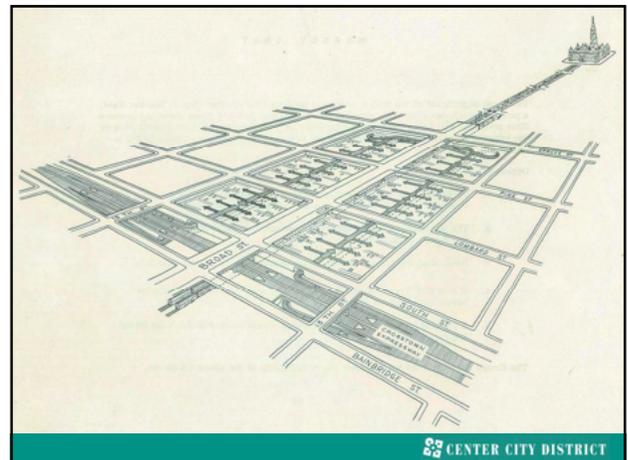
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I-95 had been constructed 1960s and 1970s

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Typical condemnation letter



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Dear Mr. and Mrs. Kubiak:

This is to inform you that your Department of Highways has decided, on the basis of comprehensive engineering and traffic studies, to build or improve the above highway, and in so doing finds it necessary to acquire right of way from the above property.

In the next few weeks it will be necessary for Department staff appraisers, local independent real estate brokers retained by the Department of Highways, or both, to inspect the property so that a proper determination of its value can be made.

Please note that your property has not been condemned, and you are not required to move from the premises. When your removal is eventually required, you will be visited by the right of way agent who will explain your rights to relocation assistance and moving costs.

We thank you in advance for the cooperation we are sure you will give your Highway Department and its employees throughout the making of this highway improvement.

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Neighborhood opposition to demolition



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Inter-racial alliances



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Strong community opposition: striking of Crosstown



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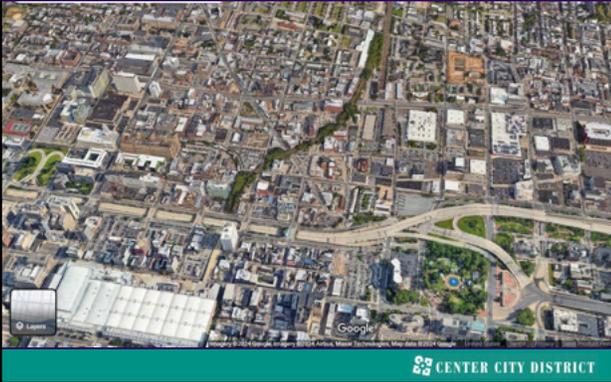
The consequences of not building Experience walkable continuity from CBD to thriving rowhouse neighborhoods



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To the north: abandoned rail viaduct & Discontinuity created by Vine Street expressway



101

Disruption reinforced by Callowhill Industrial corridor Highway oriented, large surface parking lots



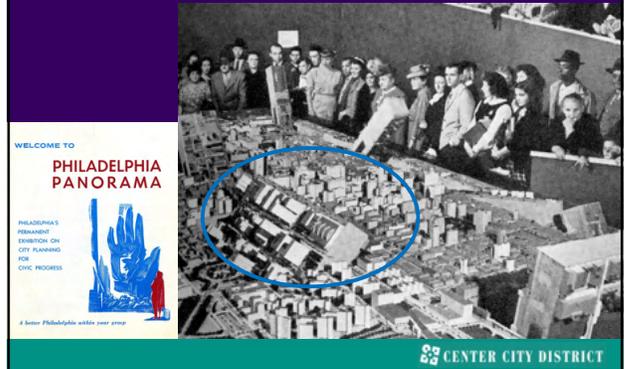
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View looking west



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Early vision of Penn Center: 1947



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1953: the demolition of Pennsylvania Railroad



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Penn Center



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1950s & 1960s renewal adds modernist office product



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Broad street: traditional office district: 2 train stations



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Broad street: 1907



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South Broad Street inventory: 40% vacant in 1990



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Inventory from 1890s to 1920 becomes outmoded:
For prime office use: New York & Baltimore



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Los Angeles Broadway: 1920s downtown



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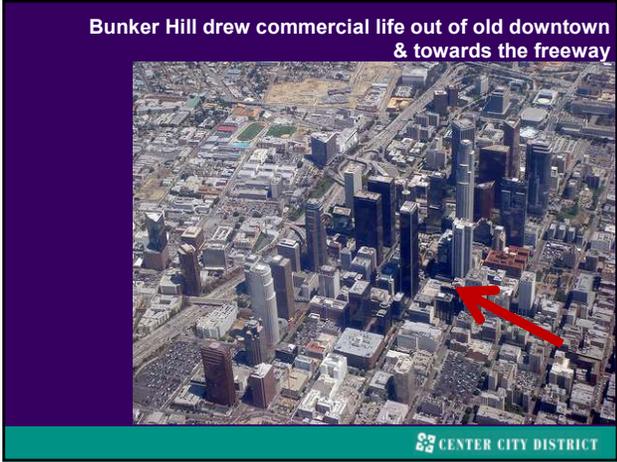
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Wall Street: 1995

21 million SF vacant office space
20% commercial vacancy rate
Over-reliance on FIRE sector
Quiet after dark

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The Downtown Alliance

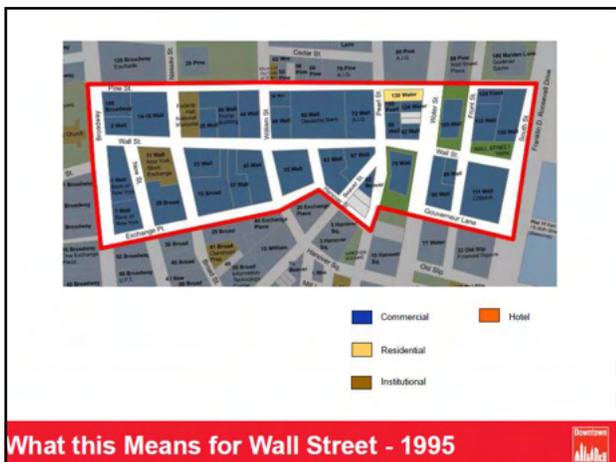
Formed in 1995

Mission: To create and promote a safe, clean, live-work, totally wired community, which showcases the nation's most historic neighborhood and serves as the financial capital of the world for the 21st century.

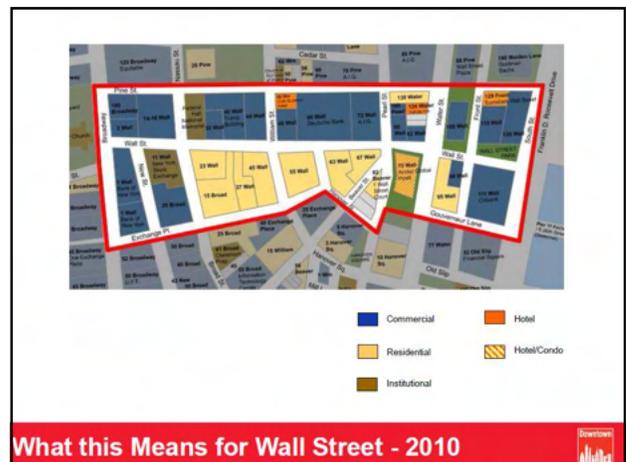
Method: Strengthen and Diversify the core commercial sector

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1996: 4.5 million sf. Vacant Class "C" office space
Within core of business district

- Retained architect & developer to evaluate buildings
- Survey to determine best buildings; floor layout, window size & exposure
- Detailed economic analysis of 10 buildings; evaluation for code compliance, cost-estimate, pro-formas.

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10 year residential tax abatement
Approved 1997

- Extraordinary costs of converting from vacant office or industrial to residential use
- 10 year abatement on improvements
- Available city wide

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10 year residential tax abatement

Value of improvement abated

Taxes on unimproved value continue to be paid

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**Case study of one of first conversions:
Vacant industrial building**



Vacant building paid **\$25,651** in RE taxes
Blighting influence for over a decade

\$17.2 million spent to create 162 apartments.
Project continued to pay \$25,651 in RE taxes on unimproved value; City forgoes **\$530,000** in RE taxes on improvements for 10 years.

- Project created 250 construction jobs & generated \$514,000 in city taxes during construction
- Project created 10 permanent jobs which generate \$16,000 per year in new wage taxes.

40% of tenants were new to city & their new spending in town + new wage taxes generate **\$980,000 per year** in new municipal taxes



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Parking lot



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**Residential tower filled in parking lot
Municipal finance conservatism vs investment mindset**



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1601 Arch Street: Smith-Kline office building conversion



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Glaxo Smith Kline moves to Navy Yard



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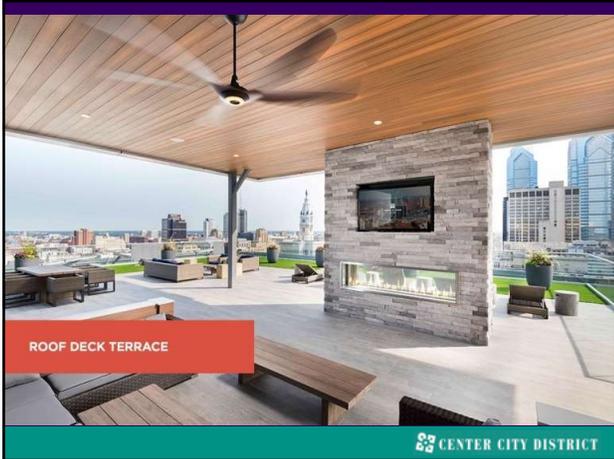
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Franklin tower office conversion
<https://pmcpropertygroup.com/property/franklin-tower-residences>

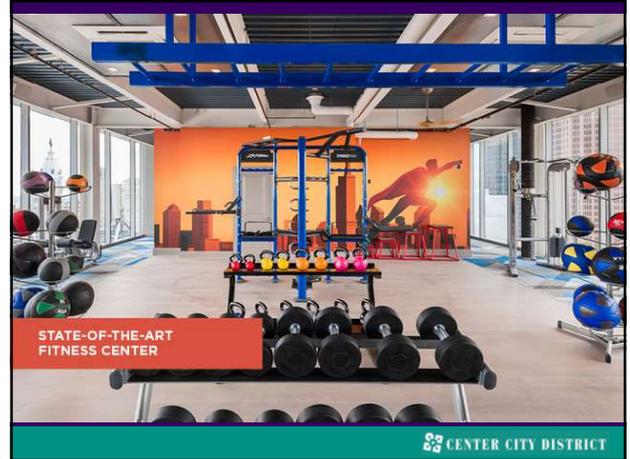


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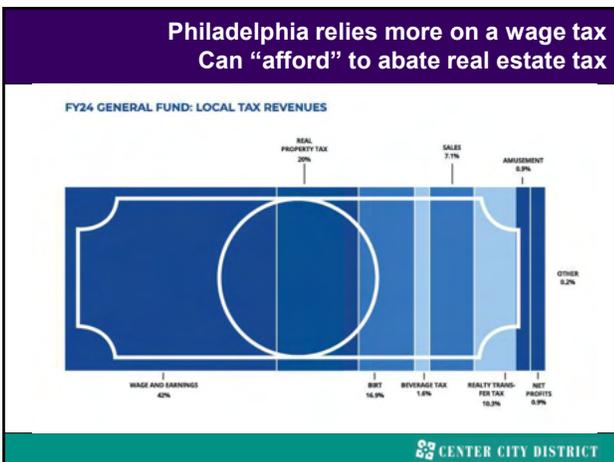
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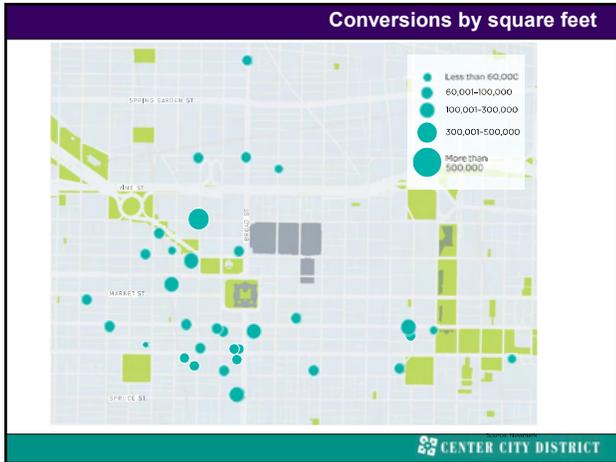
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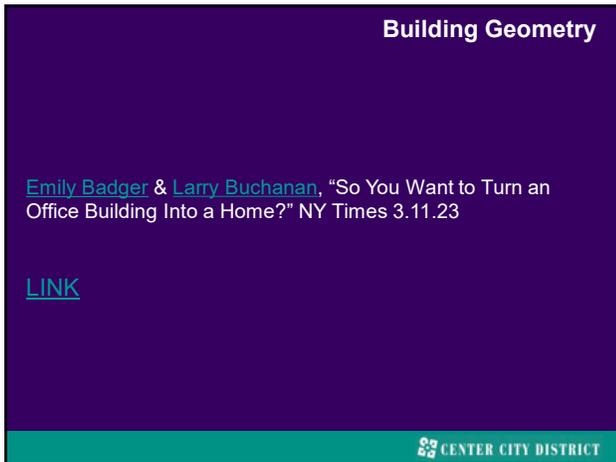
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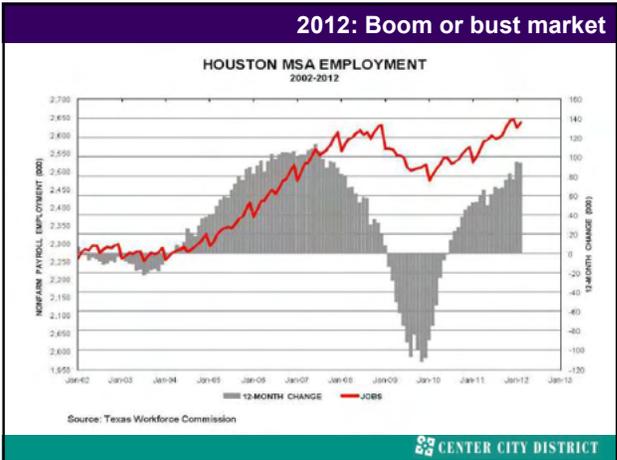
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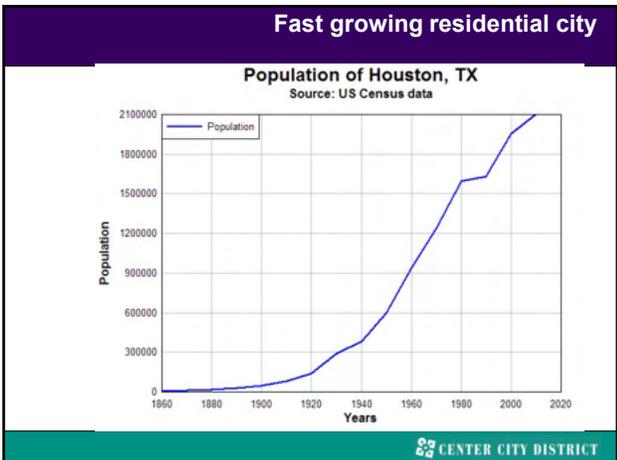
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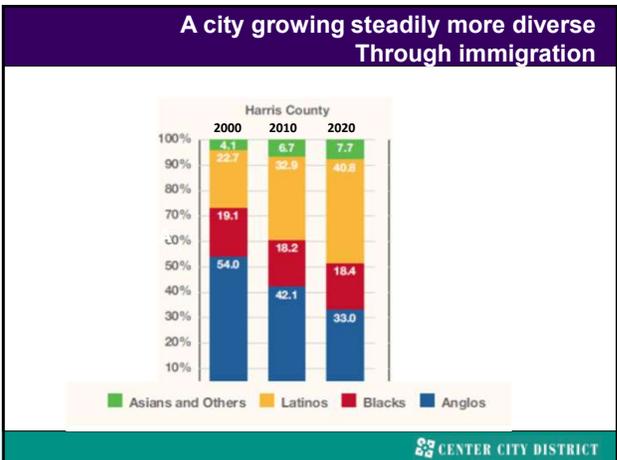
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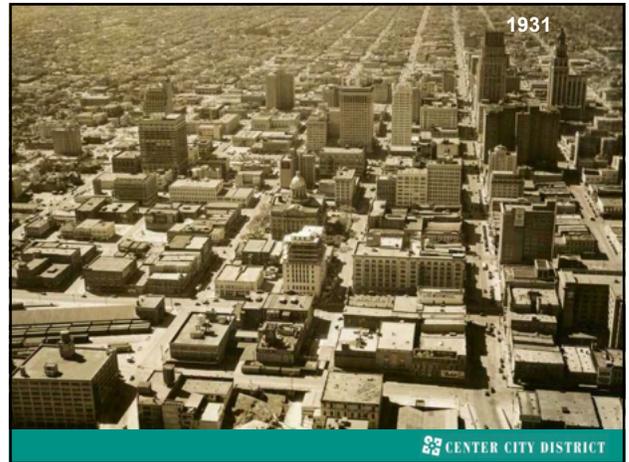
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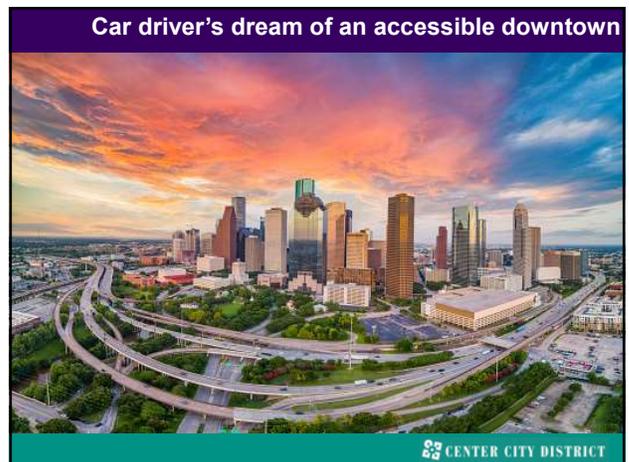
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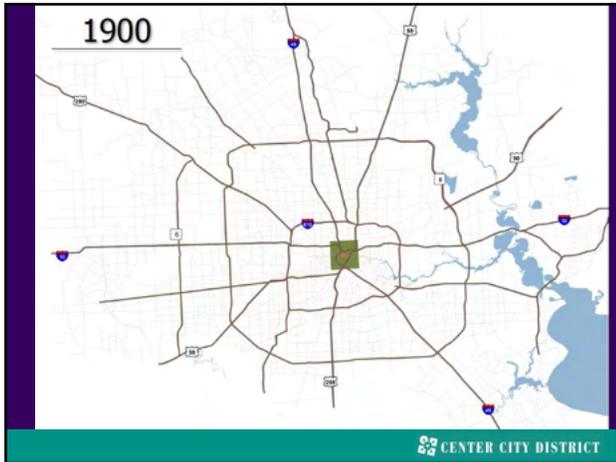
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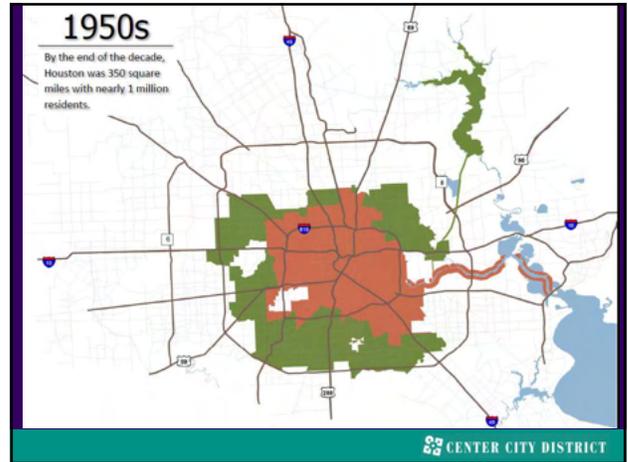
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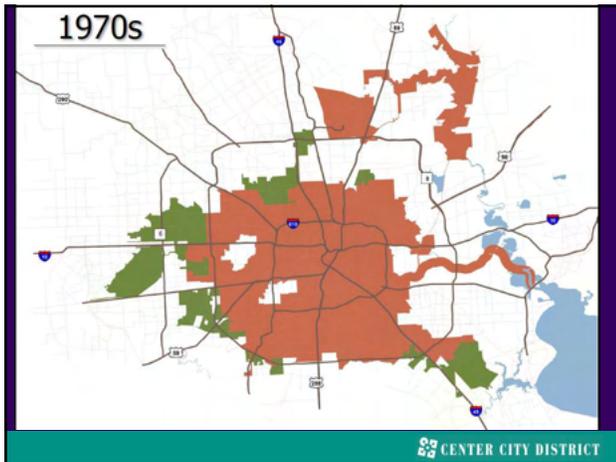
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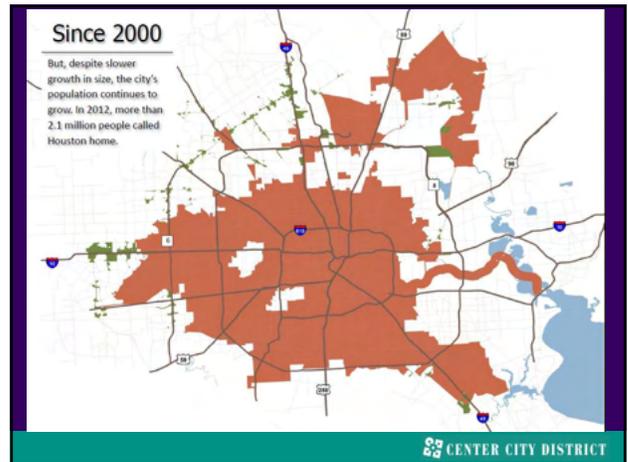
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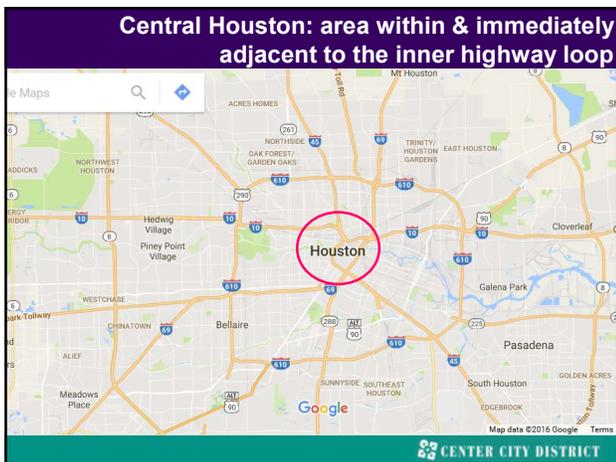
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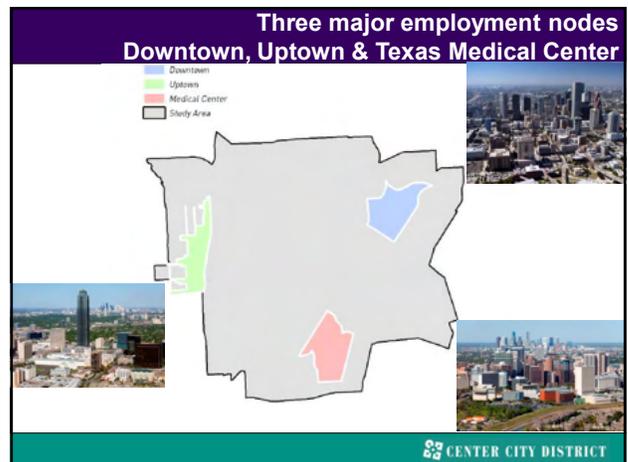
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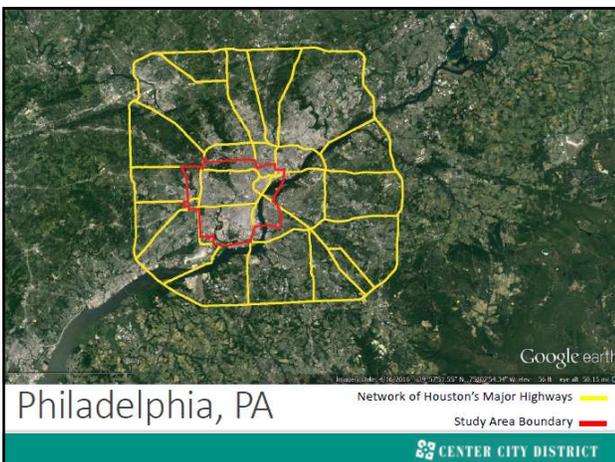
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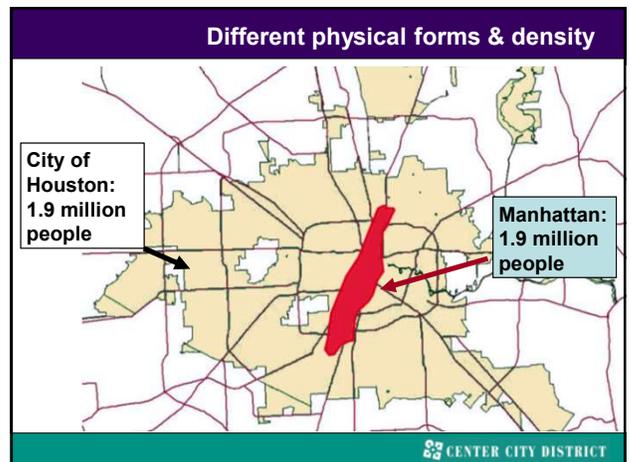
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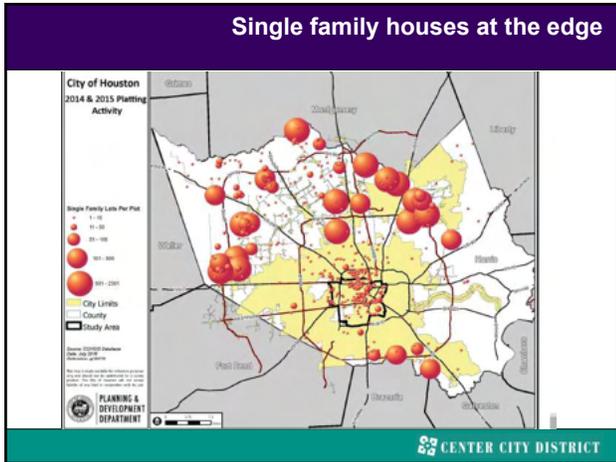
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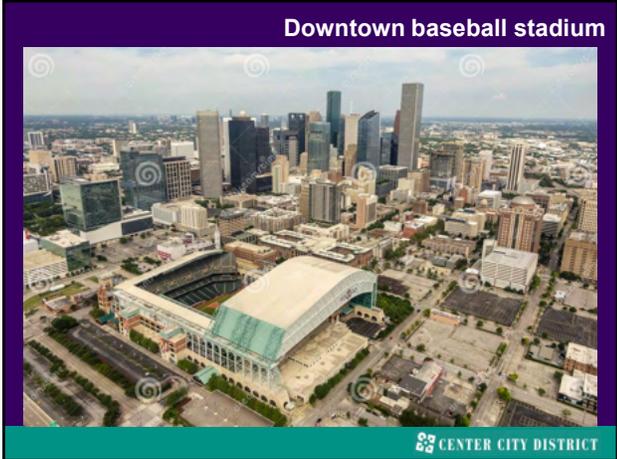
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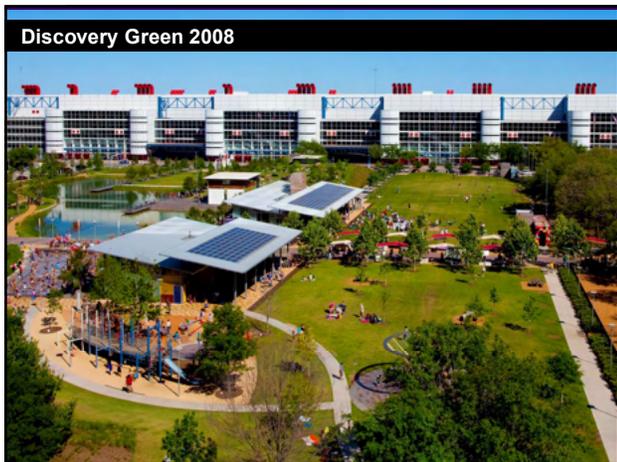
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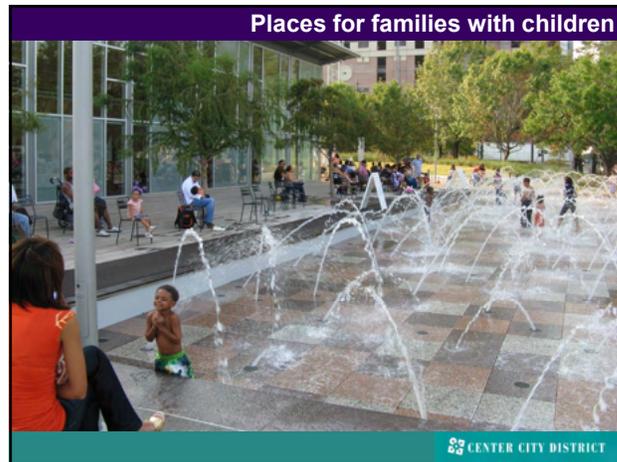
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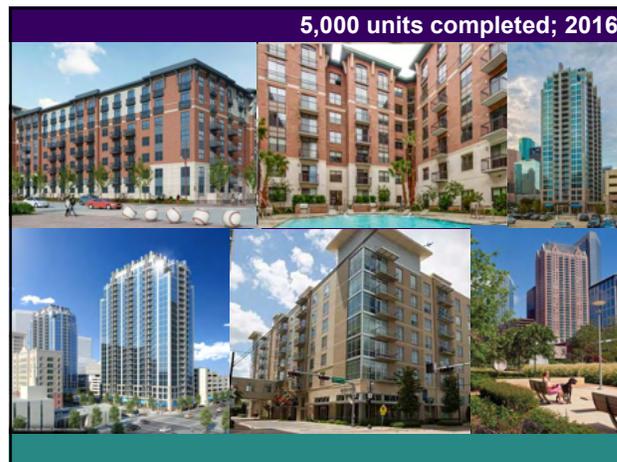
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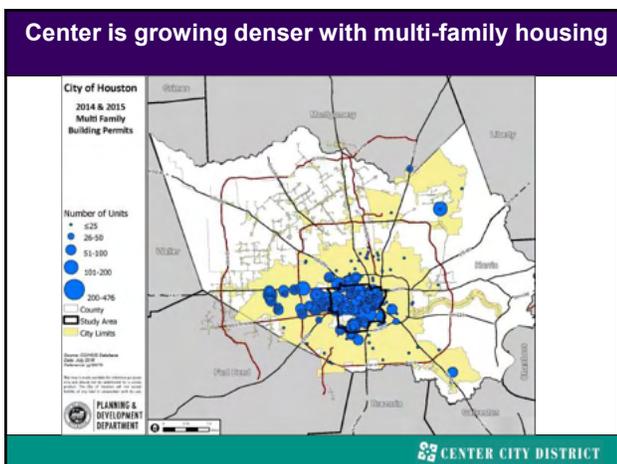
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Texas Tax Increment Financing Act

(Chapter 311 Texas Tax Code)

- Creation powers given to municipalities with petition, project plan, hearing and action of City Council
- To address areas *lacking strong growth, poor land-use deterioration, faulty lot layout, inadequate street & sidewalk layout*
- Broad definition of allowable “project costs”
- Allows for real property and/or sales tax increments to be captured and used for development incentives rather than support municipal services

CENTER CITY DISTRICT

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Tax increment financing captures the increase in value Due to the investment in a project: 25-year life

TIF Assessed Value (AV) Over Project Life

CENTER CITY DISTRICT

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BID managed Tax Increment Financing (TIF) district

Pre-pandemic focused on housing & related public amenities

Downtown Living Initiative Chapter 380 Program Design Guidelines

A. INTENT

The purpose of the following guidelines is to promote a robust, walkable neighborhood in the Downtown Living Initiative (DLI) Area on the east side of Downtown Houston. Many new buildings in Downtown already comply with these guidelines. However, individual developments are often not coordinated with one another, resulting in a discontinuous pedestrian environment. In providing these guidelines, the goal is to ensure that property owners' efforts to provide a pleasant, walkable environment surrounding their buildings will coalesce into a continuous neighborhood. Substantial public investment has improved most of the streetscape in the target area. It is the intent of these guidelines to maintain or further enhance this past investment.

B. STREET CLASSIFICATION

For the purposes of these guidelines, the streets within the DLI Area have been classified into the following types:

- A Streets: Primary pedestrian streets
- B Streets: Secondary pedestrian streets (pedestrian-oriented streets with some potential building services)
- C Streets: Vehicular / service streets

(Refer to Figure 1 for map of street types and boundaries for the Downtown Living Initiative.)

Figure 1 Street Classifications

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TIF authority then uses funds for public area improvements And/or investment back into RE development project

The Toolkit:

The Program incorporates financial and other benefits to assist in the development of mixed use residential development. These include the following:

Improved streetscapes: Program target area includes substantially upgraded infrastructure including above standard street lighting, sidewalks, landscaping and street fixtures maintained by the Downtown District. Most sidewalks that have not been upgraded are in the process of being approved or have been funded for improvement in the upcoming years. Participating developers will be expected to preserve or replace streetscapes to a level equivalent to or exceeding the existing upgraded level.

Coordinated development approvals: The Downtown District will assist participating developers with situations requiring special permits and licenses including sidewalk cafes, balcony encroachments, signage and bridges over public streets. This does not mean that variances will be granted to all requests, but answers may be obtained in an expedient manner.

Financial incentives: A qualifying project in the Program will receive a reimbursement of the lesser of \$15,000 per residential unit or equal to seventy-five percent (75%) of the incremental City of Houston property tax and the Houston Downtown Management District (HDMD) incremental assessment paid per unit over 15 years from the project's completion.

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Closes the gap in financing largely new construction

Financial incentives: A qualifying project in the Program will receive a reimbursement of the lesser of \$15,000 per residential unit or equal to seventy-five percent (75%) of the incremental City of Houston property tax and the Houston Downtown Management District (HDMD) incremental assessment paid per unit over 15 years from the project's completion.

Capital Stack*

Gap	\$64.2M
Private Debt	\$92.3M
Developer Equity	\$67.4M
Total Project Cost	\$223.9M

* Status Quo scenario (no public support) with acquisition and lease buyout costs

CENTER CITY DISTRICT

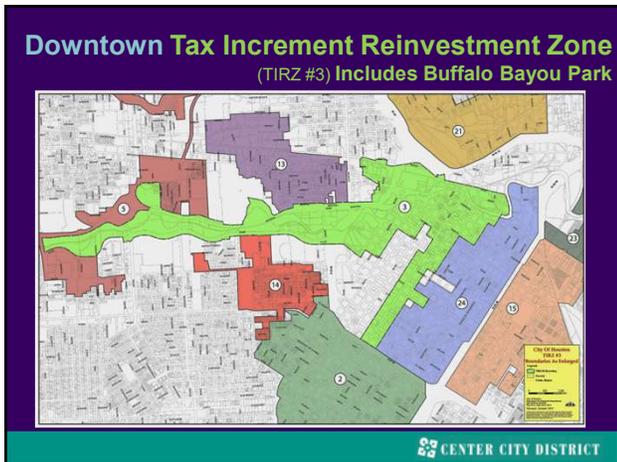
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Houston's Tax Increment Reinvestment Zones

High growth rate city

CENTER CITY DISTRICT

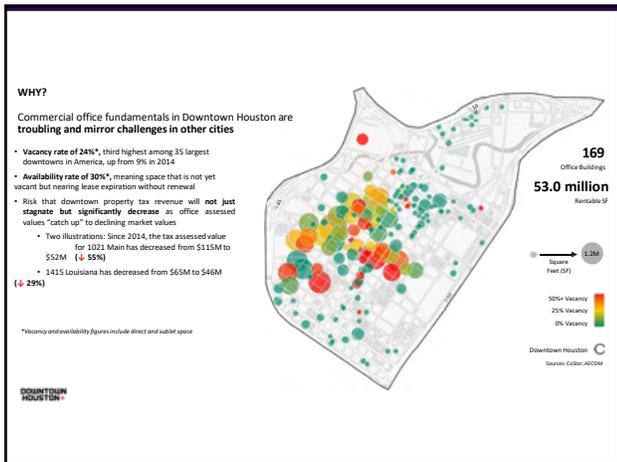
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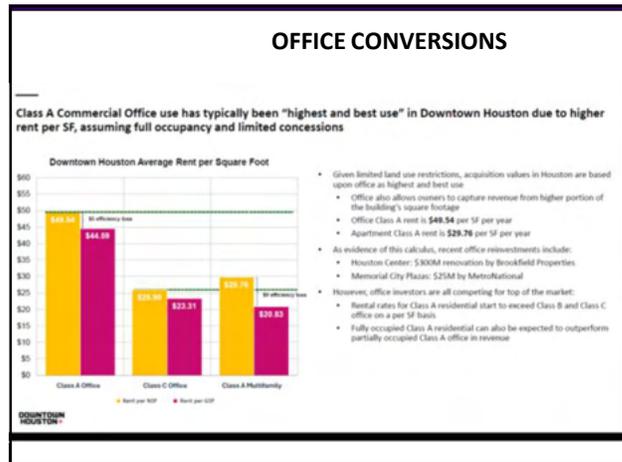
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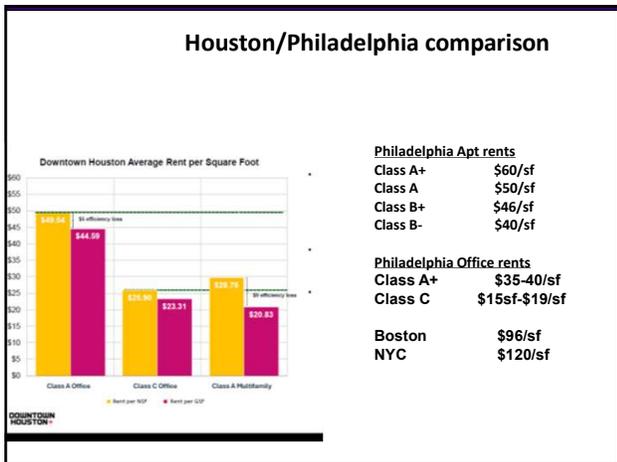
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Exec Summary: To avoid future property tax losses and increase downtown occupancy, City should create a suite of office-to-residential tools and incentives that builds upon prior new construction program

Post pandemic, telework and migration patterns have led to increasing office vacancy in downtown Houston, with 30% of square footage currently available; risk that property tax revenue will not just stagnate but significantly decrease as office values decline

Real estate market has not addressed these challenges due to several unique characteristics of downtown Houston office stock:

- Larger buildings** which result in unit counts difficult for the market to absorb
- Newer buildings** which cannot access historic tax credit funds
- Larger floor plates** which can limit efficiency of residential programs
- Persistent office tenants** which can result in higher acquisition and lease buy-out costs

Can address current private funding gap for most office buildings by creating program with the following components:

- Offer annual reimbursement for 100% of incremental tax revenues for 30 years based on 2023 assessed value
- Seek Harris County participation which increases available base from 28% to 51% of taxes
- Consider integrating adjacent TIRZ districts into shared program to facilitate larger downtown initiative
- Provide technical assistance to streamline permitting and access additional funding sources

DOWNTOWN HOUSTON+

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Three representative buildings from scoring exercise to evaluate residential test fit and financial feasibility

- Selections from office-to-residential conversion scoring tool presented in June
- Representative of Houston's downtown office stock based on several factors:
 - Building size: small ↔ medium ↔ large
 - Lease span: shallow ↔ medium ↔ deep
 - Floorplates: uniform ↔ unique
 - Historic status: registered ↔ eligible ↔ not eligible
 - Parking: none ↔ adjacent ↔ on-site
 - Veneer: high ↔ moderate ↔ low
- AECOM architects conducted residential test fits of selected buildings based on available office floor plans and stacking

708 Main
"The Houston Shoebox"
Small building
Small floorplates
Fully vacant

1415 Louisiana
"The Typical Typical"
Large building
Large irregular floorplates
Partially occupied

1021 Main
"What's Old is New Again"
Large building
Large uniform floorplates
Partially occupied

DOWNTOWN HOUSTON

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Concept 1: 708 Main Street – "The Houston Shoebox"

Overview

Location

Existing Building

Conversion Concept

Distinguishing Factors

- Smaller size based on height and lease span; limited floor plate complications
- Full office vacancy/availability at time of study
- Older building that is eligible for NHP listing but not submitted

Program	Residential	Office	Retail	Total RBA
Residential	59,417 SF	0 SF	2,803 SF	62,220 SF
Office	0 SF	0 SF	0 SF	0 SF
Retail	0 SF	0 SF	2,803 SF	2,803 SF
Total	59,417 SF	0 SF	2,803 SF	62,220 SF

DOWNTOWN HOUSTON

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Concept 1: 708 Main Street – "The Houston Shoebox"

Test Fit

Building Efficiency	54	96,960
Residential Units	977	64%
Avg. Unit Size		Building Efficiency

Building-Level Unit Mix

Unit	Count	% Total	Average SF
Studio	22 units	41%	764 SF
1-Bedroom	23 units	43%	957 SF
2-Bedroom	9 units	17%	1,475 SF
3-Bedroom	0 units	0%	N/A
Total Units	54 units	100%	977 SF

DOWNTOWN HOUSTON

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Concept 1: 708 Main Street – "The Houston Shoebox"

Financial Summary

Financial Results

- 708 Main is **FEASIBLE** under enhanced tax reimbursement (100% of tax increment for 30 years with County involvement)
- 708 Main is **POTENTIALLY FEASIBLE** under status quo, and particularly if it were to access historic tax credits in the future
- Building is currently fully vacant besides retail tenants

Feasibility by Scenario

Scenario	Vacant Building	Lease Buyout
No Incentives	Potentially	Potentially
Basic Tax Reimbursement	Potentially	Potentially
Basic plus Historic Tax Credits	Feasible	Feasible
Enhanced Tax Reimbursement	Feasible	Feasible

Factors

- Min. decrease in building efficiency
- Lower acquisition cost
- Fully vacant
- Linear construction complexity

Capital Stack*

Base	\$5.18M
Private Debt	\$17.9M
Developer Equity	\$8.9M
Total	\$31.98M

Project Cost: \$29.9M

* Status Quo scenario (no public support with acquisition and base build-out costs, correction from prior presentation version)

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City & larger county separate taxing authorities

TIF Assessed Value (AV) Over Project Life

DOWNTOWN HOUSTON

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Concept 2: 1415 Louisiana Street – “The Typical Atypical”

Overview

Location

Existing Building

Conversion Concept

Distinguishing Factors

- Larger tower with large varying floor plates
- Partial vacancy but still revenue-producing at time of study, at 56% occupied
- Not eligible for historic listing

Program

Residential	262,124SF	70%
Office	44,025 SF	12%
Retail	7,396 SF	2%
Parking	53,562 SF	16%
Total RBA	373,107 SF	100%

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Concept 2: 1415 Louisiana Street – “The Typical Atypical”

Test Fit

Building Efficiency

186 Residential Units

1,240 Avg. Unit Size

626,322 GSF

60% Building Efficiency

Typical Floor Plans

Building-Level Unit Mix

Unit	Count	% Total	Average SF
Studio	34 units	18%	812 SF
1-Bedroom	102 units	55%	1,066 SF
2-Bedroom	42 units	23%	1,818 SF
3-Bedroom	8 units	4%	2,241 SF
Total Units	186 units	100%	1,240 SF

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Concept 2: 1415 Louisiana Street – “The Typical Atypical”

Financial Summary

Financial Results

- 1415 Louisiana is **POTENTIALLY FEASIBLE** after enhanced tax reimbursement (100% for 30 years with County involvement) if fully vacant
- 1415 Louisiana is **NOT FEASIBLE** under all other scenarios; not historically eligible, so not evaluated for historic tax credits

Feasibility by Scenario

Scenario	Vacant Building	Lease Buyout
No Incentives	Not Feasible	Not Feasible
Basic Tax Reimbursement	Not Feasible	Not Feasible
Enhanced Tax Reimbursement	Potentially	Not Feasible

Factors

- Poor layout efficiency
- High acquisition cost
- Partially occupied

Capital Stack*

* Status Quo scenario (no public support) with acquisition and lease buyout costs

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Concept 3: 1021 Main Street – “What’s Old is New Again”

Overview

Location

Existing Building

Conversion Concept

Distinguishing Factors

- Larger tower with relatively consistent floor plates
- Mostly but not fully vacant, at 30% occupancy
- Older building that is eligible for NHP listing but not submitted

Program

Residential	407,877 SF	94%
Office	0 SF	0%
Retail	25,528 SF	6%
Total RBA	433,405 SF	100%

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Concept 3: 1021 Main Street – “What’s Old is New Again”

Test Fit

Building Efficiency

310 Residential Units

1,184 Avg. Unit Size

688,544 GSF

63% Building Efficiency

Typical Floor Plan

Building-Level Unit Mix

Unit	Count	% Total	Avg SF
Studio	31 units	10%	747 SF
1-Bedroom	149 units	48%	958 SF
2-Bedroom	54 units	17%	1,472 SF
3-Bedroom	56 units	18%	1,799 SF
Total Units	310 units	100%	1,184 SF

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Concept 3: 1021 Main Street – “What’s Old is New Again”

Financial Summary

Financial Results

- 1021 Main is **FEASIBLE** enhanced tax reimbursement (100% of tax increment for 30 years plus County involvement)
- 1021 Main is **POTENTIALLY FEASIBLE** under basic tax reimbursement (75% of tax increment for 15 years)
- 1021 Main is **NOT FEASIBLE** under status quo or current occupancy with basic tax reimbursement

Feasibility by Scenario

Scenario	Vacant Building	Lease Buyout
No Incentives	Not Feasible	Not Feasible
Basic Tax Reimbursement	Potentially	Not Feasible
Basic plus Historic Tax Credits	Feasible	Feasible
Enhanced Tax Reimbursement	Feasible	Feasible

Factors

- Poor layout efficiency
- High acquisition cost
- Mostly vacant

Capital Stack*

* Status Quo scenario (no public support) with acquisition and lease buyout costs

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Recommend that DRA advocate for office-to-residential program that builds upon prior ground-up residential program by reimbursing 100% of tax increment for 30 years

By increasing the percentage, timeframe, and participating entities of the tax reimbursement program, the City can better facilitate the economics for converting all but the most challenging existing office buildings to residential.

	Basic Tax Abatement	Enhanced Tax Abatement
Frequency of Reimbursement	Annual	Annual
Percentage of Tax Increment	75%	100%
Number of Years	15 years	30 years
Assessed Value Baseline	2013	2021
Per Unit Cap	\$15,000	No Limit
Participating Entities	City of Houston (Downtown Redevelopment Authority), Houston Downtown Management District	City of Houston (DRA), Houston Downtown Management District, Harris County, Harris County Flood Control District, Harris County Hospital District

Several opportunities to increase incentive program effectiveness and potentially reduce reimbursement term or percentage:

- (1) Enlist additional taxing entities
- (2) Enlist additional TIRZs
- (3) Capture increment from adjacent properties

DOWNTOWN HOUSTON

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Downtown Dallas Market Context

DOWNTOWN DALLAS INC

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