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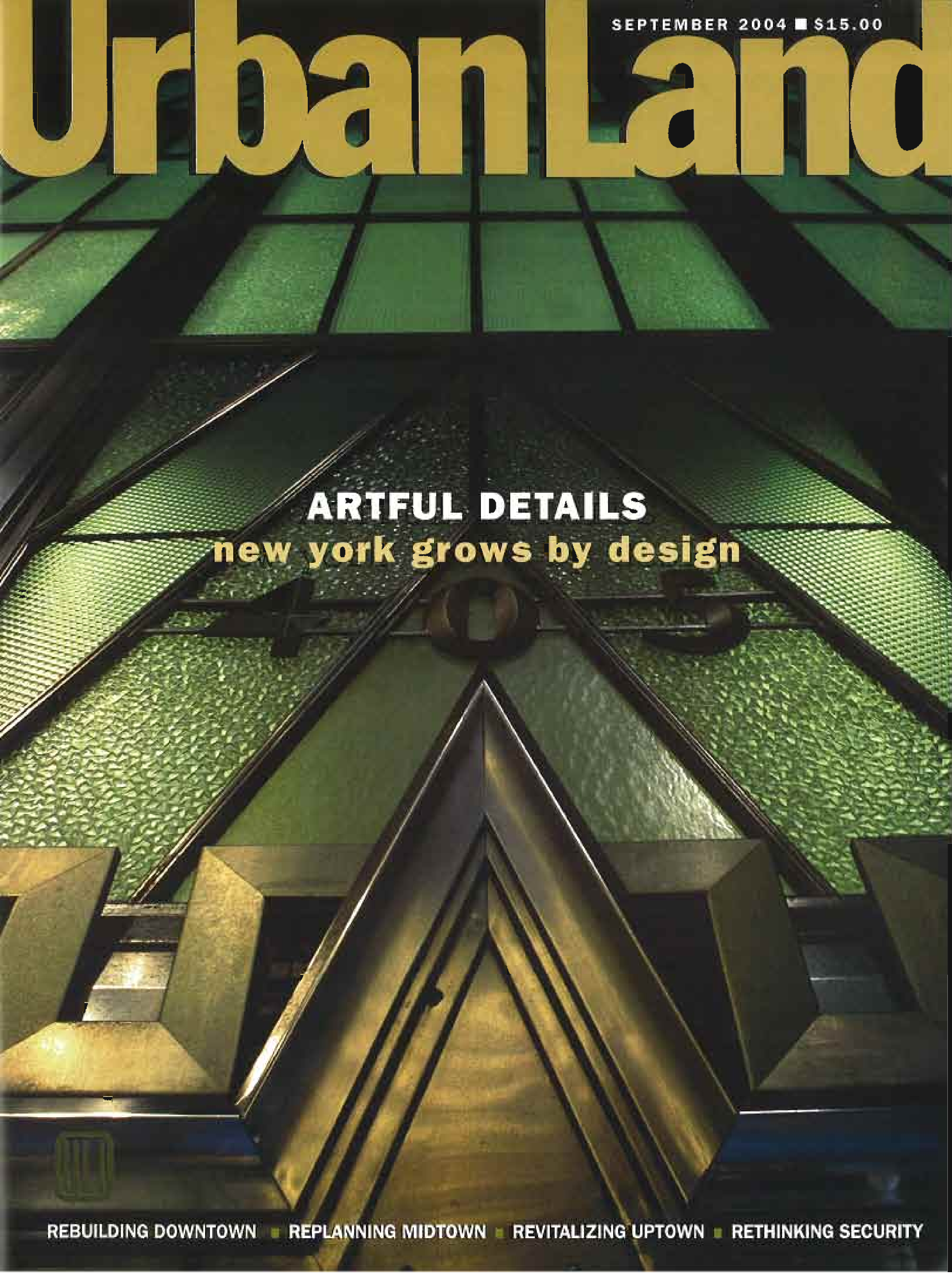

## ARTFUL DETAILS
### new york grows by design

REBUILDING DOWNTOWN ▪ REPLANNING MIDTOWN ▪ REVITALIZING UPTOWN ▪ RETHINKING SECURITY

WILLIAM P. MACHT

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# Garage Camouflage

## A public/private partnership creates a financing method in order to hide a seven-story parking garage with a mix of uses.

City redevelopment officials realize that large parking garages usually are required as economic drivers for mixed-use redevelopment projects, especially in smaller cities such as South Norwalk, Connecticut. But it is rare to find innovative public/private partnerships like the one formed between South Norwalk and the Stamford-based Spinnaker Companies to partially camouflage a seven-level parking structure and activate the streetscape with condominium lofts, shops, a restaurant, and offices.

In a historic area of South Norwalk, now known as SoNo, the city and Spinnaker recently completed a 767-space parking garage, flanked on its south along Marshall Street by a three-story building containing ten loft condominiums above 2,252 square feet of retail space. On its east facade along North Water Street, Spinnaker developed a tall two-story building covering almost four levels of the garage and containing 3,286 square feet for a restaurant on the first floor, below the same amount of square footage for office tenants.

The Maritime Garage and Lofts is located on the 1.3-acre Parcel 5 of a six-parcel mixed-use development on the Norwalk Harbor in the Reed Putnam Urban Renewal Area. Clay Fowler, founding and managing partner of the Spinnaker Companies, explained that Maritime Place LLC is the overall name of the partnership, which includes Spinnaker Development LLC, Summit Development, and Greenfield Partners, and which is the developer for three of the six parcels.

The Reed Putnam Urban Renewal Plan was adopted more than 20 years ago to bring life to a waterfront that consisted of abandoned mill buildings, former lumber yards, railyards, and miscellaneous commercial and industrial buildings on approximately 70 acres. In the late 1980s, the city funded and built the Maritime Aquarium to spark the renaissance.

In 2001, the partnership completed the renovation and conversion of the historic Lock Building—a former factory in disrepair and virtually abandoned—into a 100,000-square-foot office building. Today, investment firms, graphic and clothing designers, and the development partners occupy it. But at the time the building was rehabilitated, the city decided to allow parking to be built that would be below zoning standards because it was to be provided in the new city-owned parking structure to serve Aquarium visitors, Lock Building tenants, and overflow visitors to downtown restaurants and stores. The Maritime Garage and Lofts was to be developed on Parcel 5 and run by a newly formed parking authority.

To develop this mixed-use garage, the parties created a unique kind of public/private partnership in which they formed a condominium association composed of 14 units—

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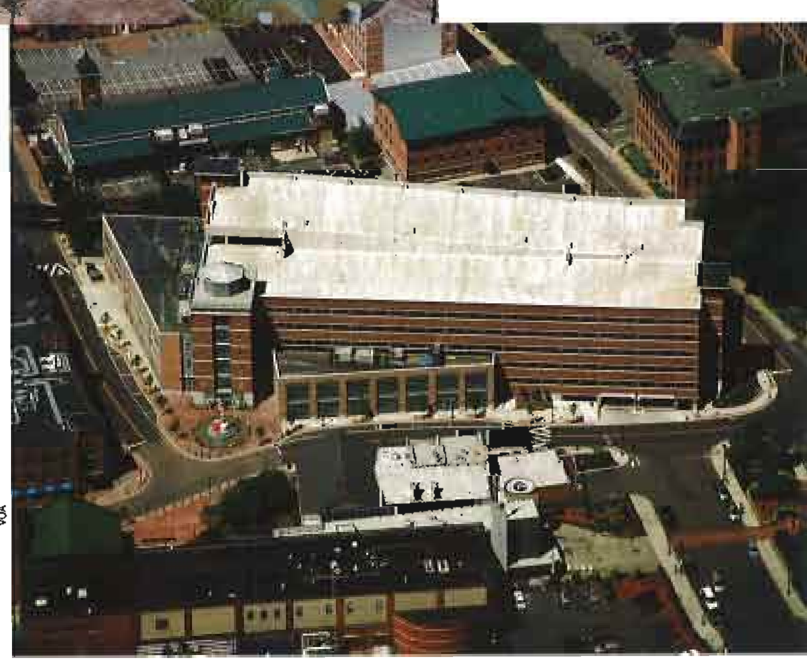


VOA

**The 767-space parking garage is flanked on its south by a three-story building containing ten loft condominiums above retail space. On its east facade, a tall two-story building covers almost four levels of the garage, and contains a restaurant on the first floor below office space. The corner elevator tower is designed to resemble a maritime beacon.**

The tall two-story building on North Water Street covers almost four levels of the garage.

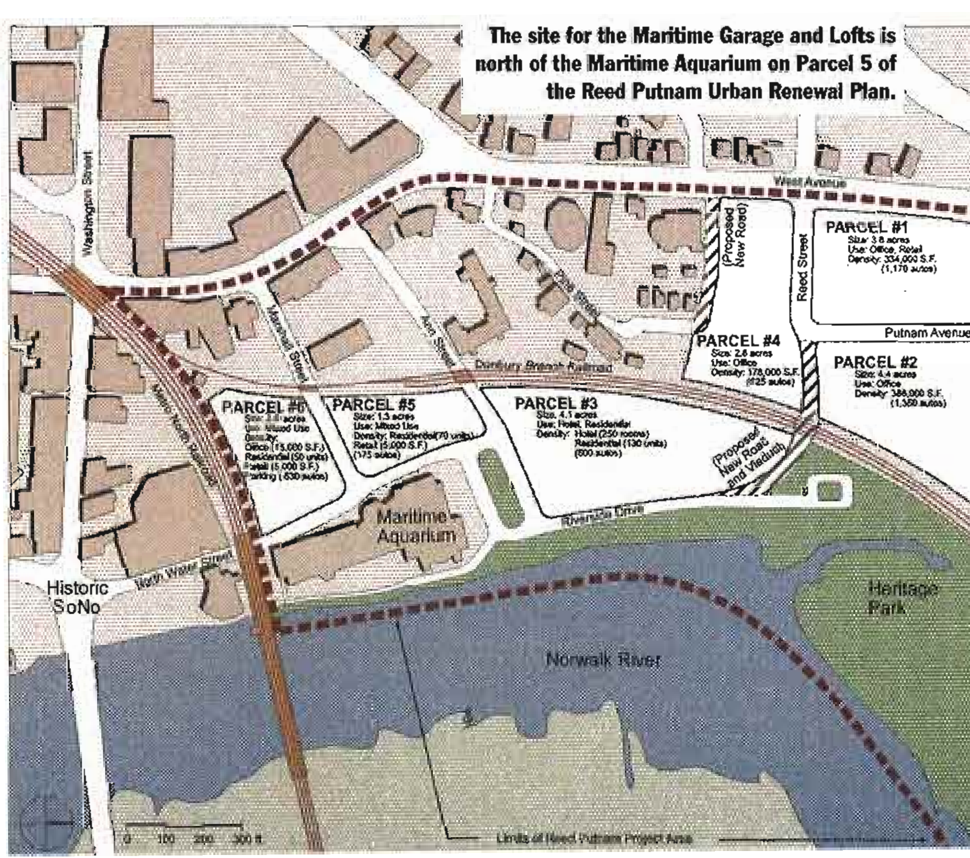
ten residential loft condominiums on two floors, three commercial units (one on the ground floor of the attached residential building and two in the attached commercial building)—and the garage. The condominium association pays common area operating expenses. Parking for residential units is located directly behind the lofts on the second and third floors; unit owners pay monthly fees directly to the garage operator. Private utilities were designed to be separate from the garage, with separate utility easements.

The creative use of lease revenue bond financing—which combines the strength of the municipality's credit rating with the more reliable income stream from parking for the private components—distinguishes this project and may serve as a model for other projects. The city sold the sites for the attached private buildings to the developer for $1 and leased the site for the Maritime Garage for $1 to the newly formed Norwalk Parking Authority, which in turn leased back to the city the site and the garage to be constructed so that the city would be ultimately responsible for paying the debt service on the bonds. The operating lease was then assigned to a trustee and lease revenue bonds were issued, secured by the operating lease payments from the parking authority to the city. Since the city is triple-A rated, and the tax-exempt bond market assumes the city will appropriate the necessary lease payments every year rather than default, the bonds were issued at very favorable rates (4.6 percent over a 25-year term). The bond insurer, Ambac, was also granted a leasehold mortgage as security on the garage portion.

Of the 767 parking spaces, 280 were allocated to the private components—225 spaces for the Lock Building and 55 spaces (required by zoning) for the new loft condominiums, restaurant, and retail and office space. The monthly fee for each space in the Lock Building and each condominium is $83.33 per month for 15 years, and the other spaces are tied to parking rates in other lots in the city. Therefore, 36.5 percent of the income stream that reimburses the city for the debt service on the lease revenue bonds is from on-site private users.

In round numbers, the total project cost was $15.2 million. The developer contributed $2.2 million for the private improvements, leaving $13 million for garage financing. The city received a state grant of $1.3 million from the Department of Economic and Community Development toward the parking garage, leaving $11.7 million for bond financing. The city issued $9.11 million of lease revenue bonds, which produced $7.8 million in net proceeds for the project (after funding a debt service reserve fund, capitalized interest, and other costs of issuance). The city then issued $3.77 million in 2.25 percent, one-year taxable notes and contributed an additional $130,000 to provide the remaining $3.9 million for project financing. South Norwalk will pay off the notes with proceeds from the sale of

The entrance on Marshall Street to the garage is adjacent to retail space and below the ten loft condominiums.




The site for the Maritime Garage and Lofts is north of the Maritime Aquarium on Parcel 5 of the Reed Putnam Urban Renewal Plan.

Parcel 3 to the developer at fair market value, but at a minimum price of $3.77 million.

In this way, almost two-thirds of the garage was financed with tax-exempt bonds, which correlates to the ratio of parking spaces used for public purposes. All of the spaces are available to the general public to use, but because the developer has special rights and/or rates for 280 spaces, those are treated as "private business use" under the tax rules, explains David Panico, the bond counsel from Robinson & Cole in Hartford, which structured the financing, condominium framework, and leases. Since the lease revenue bonds are not backed by the full faith and credit of the city and the lease payments are subject to annual appropriation, no bond referendum vote was needed, removing the expense and delay it would create and making this an attractive alternative to the issuance of general obligation bonds, especially for complicated economic development projects.

**The design of the loft spaces is open and angular. Ceilings are ten feet high, windows are large and numerous, and the floors are hardwood. Kitchens are usually placed along one wall and are finished with stainless steel countertops and glass-fronted cabinets.**

The design of the loft spaces is open and angular, with ten-foot ceilings, numerous large windows, and hardwood floors. Kitchens usually are placed along one wall and feature stainless steel countertops and glass-fronted cabinets. Each unit has a compact washer-dryer. Loft prices range from $279,000 for a 719-square-foot unit to $409,000 for the 1,378-square-foot one-bedroom unit on the third floor. The retail space below the lofts is priced at $675,000 for 2,252 square feet, while the 3,286-square-foot restaurant on North Water Street is $875,000 and the 3,286-square-foot office space above it is $850,000.

The garage is made of precast concrete panels with stamped brick coursing. The private buildings have brick veneer on steel studs and large industrial windows with intermediate mullions in line with the brick coursing. The project was built under a "guaranteed maximum price" (GMP) public bid process, and the private developer paid its portion of the costs with developer equity as the private work was completed. The disposition agreement included provisions for shared soft costs, figured at 80 percent for the city and 20 percent for the private portion. The private interiors were finished by the developer's architect and privately financed. The agreement also allocated site costs, some of which included street relocation, historic streetlights, and brick sidewalks.

On its own, the Parcel 5 project would not make financial sense. But the city's commitment to the bond financing of the garage was matched by Spinnaker's commitment for 225 spaces per month, the purchase of Parcel 3 for the Maritime Yards after the garage was built, and the parking needs of the Aquarium. An added incentive for the developer was the land cost of $1 for the private portion. The private developer's addition of the two buildings invigorated the urban renewal plan, added residential and commercial activity to the street, and reduced the massive scale of the seven-level garage. As other small cities attempt to integrate parking with a mixture of uses, they may well emulate the structure of the public/ private partnership and financing exemplified by the Maritime Garage and Lofts. ■

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