

## CHAPTER III

### IMPACT OF THE PROJECTS ON NEIGHBORING PROPERTY VALUES

*Arthur Andersen LLP*

The objective of Chapter 3 was to measure and assess each project's impact on neighboring property values. We reviewed sales of commercial buildings in each of the subject's immediate areas, including apartment, retail, and office properties that occurred from 1994 to date. Sales data was considered instead of appraised values or property listings because the information is publicly available, reliable, and most indicative of fair market value, which is the value at which a property would change hands between a willing buyer and a willing seller. We attempted to identify instances where individual properties within each project's neighborhood sold either both before and after the development of the project or both before and after the date of our first evaluation. Instances where a single property sold either both before and after the development of a project or both before and after the date of our first evaluation is considered a "paired sale." These transactions are used as illustrations of the general trends in a given project's neighborhood. *It is important to note, however, that a number of factors contribute to the sales price of a property, including, but not limited to, conditions of sale, location, building size, building age and condition, and construction quality. This information is not meant to imply that the development of the project caused or alone was responsible for an increase or decrease in the market. It is to be used only as an indication of market trends.*

In addition to searching for and analyzing paired sales in a project's neighborhood, we also analyzed the "non-paired" sales in the neighborhood. In comparison to a "paired sale," as defined above, the sale of a building before *or* after development of a project (but not both) *or* since the date of our first evaluation and within the project's neighborhood was considered a "non-paired" sale. From this data, we created one composite of sales that occurred before a project's development, another composite of sales that occurred after development, and a third composite of sales since the first evaluation as of June 25, 1999. We then calculated the weighed average per square foot sales price of each composite to identify trends in sales prices in the neighborhood. *As mentioned above, this information is not meant to imply that the development of a project caused or was solely responsible for an increase or decrease in the market. It is to be used only as an indication of market trends.*

*Liberty Commons  
8 Liberty Street  
Middletown, Connecticut*

Liberty Commons was initially constructed in 1910. It is situated on a highly visible site in downtown Middletown, on the corner of Liberty and Main Streets. Historically, the property was a hotel and rooming house operating under the name, "The Arriwani Hotel." The former owner of the property operated it as a rooming house and the property was financed by CHFA. In the mid-1990's, the former owner was unable to meet its debts and CHFA foreclosed on its mortgage and took possession of the site. The building was vacant for approximately one year, until CHFA was able to sell the property to Liberty Place Limited Partnership, which is now the current owner of record. Liberty Place Limited Partnership purchased the property on December 31, 1994.

The development of the Partnership project consisted of substantial rehabilitation of the building, including the creation of 40 units and the redevelopment of the property's street level retail space. The project was completed in June 1996.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. The project is located in the "North End" section of Middletown, which is considered to be the area north of Washington Street and west of Main Street. The project is located next to St. Vincent DePaul Place Soup Kitchen, which is operated by the same St. Vincent DePaul Place that provides the onsite social services at Liberty Commons. There is also a gas station and some retail properties in the property's neighborhood. As of the date of our first evaluation, the Community Development Specialist for the town indicated that the development transformed the neighborhood by drawing new businesses, such as a coffeehouse, and apartments for artists. Although the property values may not have indicated the development's effect, the clientele of the location and surrounding area improved dramatically. Since the date of the first evaluation, the project has appeared to have had a continued positive effect on the neighborhood.

For the purposes of this analysis, we considered property sales located on Grand, High, Liberty, Lincoln, Main, Pearl and Washington Streets in proximity to the subject. We identified two properties that were sold both before and after the development of the subject property. The increase in the value of these two properties, expressed in terms of a compound annual growth rate, was 5.7 percent and 9.6 percent over the prior sale prices. We also identified a third property that sold twice since the project was developed. That property experienced a compound annual growth rate of -0.9 percent, as it sold for \$75,000 in March of 1998, then again for \$73,000 in May of 2001.

We also calculated the weighted average price per square foot per year of sales in the neighborhood defined above. For this analysis, we identified seven transfers of properties in the defined neighborhood prior to the development of the project from January 1, 1994 through May 24, 1996. These seven sales transacted at a weighted average price per square foot of \$12.75. We then identified 14 property sales in the defined neighborhood that occurred between July 15, 1996 and June 25, 1999 subsequent to the completion of the project and as of

the date of the first evaluation. These 14 sales encompassed 578,789 square feet that sold at a weighted average sales price per square foot of \$22.56, a growth of \$9.81 since May 24, 1996 and after the property became a supportive housing site. Since the sales analyzed in the first evaluation, property values have increased again by \$9.20 from \$22.56 in the first evaluation to \$31.76 as of March 1, 2002. Therefore, the data presented implies that the market in the area surrounding Liberty Commons improved steadily from the time before the development of the project (starting March 14, 1994) to the most recent period ending March 1, 2002.

*Hudson View Commons  
525 Hudson Street  
Hartford, Connecticut*

Hudson View Commons was constructed during the 1960's as an apartment complex. It is situated on 0.462 acres in the South Green neighborhood of Hartford. The project was rehabilitated in October 1996, and contains 28 efficiency and one-bedroom units.

Until the mid-1990's, the site containing Hudson View Commons, its parking lot, and the neighboring parcel was improved with four separate apartment buildings on the land. Broad-Park-Hudson Limited Partnership purchased the four buildings and the land as part of a package deal from Freddie Mac on December 30, 1994 for \$166,000. The four buildings suffered from disrepair at the time of the purchase.

The sponsor decided to keep both the building that is now Hudson View Commons and the adjacent building. The two other buildings were sold to the neighboring owner and both of those buildings, along with the other building kept by the sponsor, were demolished and the land was developed into parking lots. Broad Park kept the building that was rehabilitated into Hudson View Commons because the number of units and the layout most closely resembled what the sponsor had planned for the project. Furthermore, the remaining building had an elevator and was the building that came closest to complying with the American with Disabilities Act.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. The project is located within the South Green section of Hartford. The majority of the properties in the neighborhood are mixed residential and commercial use. Hartford Hospital, a State office building, and another low-income housing development are located within a three-block radius of the project. The State of Connecticut recently purchased another building in the neighborhood, which it will renovate for its own use.

In assessing the impact of the project on neighboring property values, we reviewed recent sales in the vicinity of the subject property. For the purposes of this analysis, we considered property sales located on Hudson, Jefferson, Park, and Seymour Streets in proximity to the subject. We identified two properties that were transferred both before and after the development of the subject property. One of the properties experienced a compound annual growth rate of -4.7 percent as it sold for \$531,000 on May 2, 1994, then again for \$410,000 on October 5, 1999. The second property's compound annual growth rate was 5.0 percent because it sold for \$75,000 on November 15, 1995, and again for \$97,000 on March 9, 2001. A third property sold twice after the development of the project and it experienced an annual compound growth rate of 29.6 percent as it sold for \$65,000 on September 15, 1997 and then again for \$130,000 on May 18, 2000.

We also calculated the weighted average price per square foot of sales in the neighborhood defined above. We identified nine transfers of properties in the neighborhood of the subject property prior to the development of the project. These nine sales transacted at a weighted average price per square foot of \$11.10. We then identified six property sales in the defined

neighborhood that occurred after the development of the project through June 25, 1999, the date of the first evaluation. The weighted average price per square foot of those six sales was \$10.25. Finally, we identified 11 sales since our first evaluation through March 1, 2002. Those 11 sales encompassed 178,885 square feet that sold at a weighted average sales price per square foot of \$15.51, a growth of \$5.26 since the date of our first evaluation. While the data implies that market values in Hudson View Commons' neighborhood decreased from the period starting on January 1, 1994 through the date of the first evaluation, it also implies that the market values improved from the date of the first evaluation through March 1, 2002.

*Crescent Apartments*  
*431 Washington Avenue*  
*Bridgeport, Connecticut*

Crescent Apartments is an historic building initially constructed in 1889 as individually owned upscale rowhouses. The project is situated on 0.740 acres in Bridgeport's "Hollow" neighborhood. At the turn of the century, the property was considered to be the premier address in Bridgeport. The building is listed on the National Register of Historic Places.

Prior to its renovation, the property had been vacant for a number of years. As a result of the vacancy, the property had been stripped, burned, and overgrown. The property was acquired by Crescent Limited Partnership in December 1995 for \$159,914.

During the renovation, careful attention was paid to restoring the building to its original splendor. For example, the exterior doors are all mahogany and the distinctive copper "onion domes" were replaced with fiberglass replicas. The project was completed in December 1996, and now contains 38 efficiency and one-bedroom units.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. As already mentioned, the project is located within the Hollow section of Bridgeport. The neighborhood consists predominantly of apartment buildings. Route 8, a major thoroughfare, runs alongside the neighborhood.

In assessing the impact of the project on neighboring property values, we reviewed recent sales in the vicinity of the subject property. For the purposes of this analysis, we considered property sales located on Washington Avenue, Courtland, Pequonnock, and Calhoun Place in proximity to the subject. We did not identify any properties that were transferred both before and after the development of the subject property.

We calculated the weighted average price per square foot of sales in the neighborhood defined above. We identified three transfers of properties in the subject property's neighborhood prior to the development of the project. These three sales transacted at a weighted average price per square foot of \$6.68. We identified two suitable property sales in the defined neighborhood that occurred between December 1996 and February 2, 1998, subsequent to the project's completion. The two properties sold at a weighted average sales price per square foot of \$14.21, which is a \$7.53 increase since the period of time before the project was developed.

Since our first evaluation in June 1999, we identified two additional sales in the subject neighborhood as of March 1, 2002. The weighted average sales price per square foot for those two properties was \$15.36, for an \$8.68 per square foot increase in overall values since our first evaluation. While the data implies that the market did improve from the period starting on January 1, 1994 through March 1, 2002, it may not represent a sufficient sample size to permit reliance upon the conclusion.

*The Colony Apartments  
41 Ludlow Street  
Stamford, Connecticut*

The Colony Apartments is a building that was newly constructed for use as a low-income housing project. The property is situated in the South End neighborhood of Stamford. Ludlow Limited Partnership purchased the land on May 1, 1996 for \$251,914. At the time of sale, the property consisted of two parcels. One parcel was improved with a vacant, dilapidated single family house. The other parcel was vacant land. Upon purchase, Ludlow Limited Partnership demolished the vacant house and consolidated the two parcels.

The parcel now consists of a newly-constructed apartment building with 29 efficiency units. The project was completed in May 1997.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. The project is located within the South End neighborhood in Stamford. The majority of the properties in the neighborhood are of mixed residential and commercial use. Pitney Bowes' headquarters, St. Luke's LifeWorks, and its housing facilities for homeless individuals are located within a three-block radius of the project.

In assessing the impact of the project on neighboring property values, we reviewed recent sales in the vicinity of the subject property. For the purposes of this analysis, we considered property sales located on Ludlow, Cedar, Pacific, and Woodland Streets in proximity to the subject property. We did not identify any properties that were transferred both before and after the development of the subject property.

We calculated the weighted average price per square foot per year of sales in the neighborhood defined above. We identified four transfers of properties in the subject property's neighborhood prior to the development of the project. These four sales transacted at a weighted average price per square foot of \$34.24. We identified two suitable property sales in the defined neighborhood that occurred between January 14, 1998 and September 16, 1998 subsequent to the project's completion. The two properties sold at a weighted average sales price per square foot of \$47.67, which is a \$13.43 increase since before the project was developed.

Since June 25, 1999, the date of our first evaluation, we identified five additional sales in the subject neighborhood as of March 1, 2002. The weighted average sales price per square foot for those five properties was \$45.71, for a \$1.96 per square foot decrease in overall values since our first evaluation. While the data implies that the market did improve from the period starting on January 1, 1994 and ending as of our first evaluation and then declined from the date of our first evaluation through March 1, 2002, it may not represent a sufficient sample size to permit reliance upon the conclusion.

***Brick Row Apartments  
25 Vermont Drive  
Windham (Willimantic), Connecticut***

The Brick Row Apartments were initially constructed during the mid to late 19<sup>th</sup> century as housing for the City's mill workers. The property is situated on 1.2 acres in Windham, which serves the greater Willimantic area. Most recently, the property was a row of dilapidated apartment buildings. The buildings were vacant immediately preceding Brick Row Limited Partnership's purchase of the property in May of 1996 for \$180,000.

The redevelopment project consisted of the substantial rehabilitation of the former 1890's mill housing. The rehabilitation was completed in October 1997 and the project consists of 30 one-bedroom and efficiency apartments with individual entrances.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in its neighborhood in Windham. The property is located within an old mill neighborhood and across the street from multi-family homes. There are also railroad docks for the local businesses and a new building being constructed to house office space and apartments.

In assessing the impact of the project on neighboring property values, we reviewed recent sales in the vicinity of the subject property. For the purposes of this analysis, we considered property sales located on Vermont Drive and Main, Tingley, and Windham Streets in proximity to the subject property. We identified one property that was transferred both before and after the development of the subject property and two that transferred twice after the project was completed. The property that sold both before and after the development of Brick Row Apartments experienced a compound growth rate per square foot of 66.5 percent as it sold for \$30,000 on March 21, 1997 and again for \$120,000 on December 9, 1999. One of the other two properties experienced a negative compound annual growth rate of 23.5 percent, as it sold for \$312,000 on January 28, 2000, then again for \$260,000 on October 2, 2000. Positive compound annual growth of 52.5 percent was the result for the other property that sold for \$26,000 on September 8, 1998, then again for \$89,900 on August 16, 2001.

We also calculated the weighted average price per square foot per year of sales in the neighborhood defined above. We identified 15 transfers of properties in the neighborhood of the subject property prior to the development of the project. These 15 sales transacted at a weighted average price per square foot of \$17.80. We identified five property sales in the defined neighborhood that occurred after the development of the project until the date of our first evaluation, which was June 25, 1999. Those sales were at a weighted average per square foot of \$18.80. Furthermore, from the date of our first evaluation until March 1, 2002, there were 13 sales with a weighted average sales price of \$30.67 per square foot. This value per square foot is significantly greater than the values of \$17.80 and \$18.80 per square foot before the development of the project and after the development as of the date of our first evaluation. Hence, the data implies that the market did improve from the period starting on January 1, 1994 and ending on March 1, 2002.

*Mary Seymour Place  
2197 Main Street  
Hartford, Connecticut*

Mary Seymour Place was constructed on a vacant parcel situated in the Capen Street neighborhood, a revitalization zone in Hartford's North End. The subject property was a vacant parcel when MSP Housing Limited Partnership purchased the property and another vacant parcel of land on May 18, 1995 for \$169,179.

The development project consisted of new construction on the vacant parcel of land. The other parcel of vacant land that MSP Housing Limited Partnership purchased was paved, and serves as parking for people associated with the project. The project was completed in December 1997 and contains 30 one-bedroom apartments.

The property is the jewel of the neighborhood and has won an architectural award. The neighborhood consists predominantly of apartment buildings, but there is another vacant lot on an adjacent corner. In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. For the purposes of this analysis, we considered property sales located on Main, Capen, Crane, Sanford, and Elmer Streets in proximity to the subject property. We did not identify any properties that were transferred both before and after the development of the subject property.

We did calculate the weighted average price per square foot per year of sales in the neighborhood defined above. We identified six transfers of properties in the neighborhood of the subject property prior to the development of the project. These six sales transacted at a weighted average price per square foot of \$4.69. We then identified four property sales in the defined neighborhood that occurred between July 1, 1998 after the project was completed and June 25, 1999, the date of our first evaluation. Those four properties sold at a higher weighted average sales price per square foot of \$13.13. From June 28, 1999 through March 1, 2002, we identified another five applicable sales of properties in the neighborhood. The weighted average sales price per foot increased by another \$9.00 to \$22.13. While the data implies that the market did steadily improve from the period starting on January 1, 1994 and ending on March 1, 2002, it may not represent a sufficient sample size to permit reliance upon the implied conclusion.

*Cedar Hill Apartments*  
*1465 State Street*  
*New Haven, Connecticut*

Cedar Hill Apartments was constructed on a parcel of land in the Cedar Hill neighborhood of New Haven. Most recently, the property was a Polish Club. Cedar Hill Apartments Limited Partnership purchased the property on December 12, 1996 for \$175,000. At the date of purchase, the building on the parcel was seriously dilapidated.

The development project consisted of demolishing the dilapidated building and constructing a 25-unit complex. The project was completed in December 1997 and contains 25 one-bedroom apartments.

In order to assess the indirect impact of the project on surrounding property values we reviewed property sales in the neighborhood, which consists of multi-family houses, a factory next door, and undeveloped land. We reviewed recent sales in the vicinity of the subject property, including sales located on State, Ferry, Lyman, Rock, and Grace Streets.

One property was identified that sold both before and after the development of Cedar Hill Apartments. The first time the property sold was on June 5, 1997 for \$123,000. It sold again on August 17, 2001 for \$200,000, for a compound annual growth rate of 12.1 percent. A second property sold three times since the project was developed, with two of those sales occurring after the date of our first evaluation. That property sold on October 25, 1999, May 3, 2001, and January 16, 2002 for \$100,000, \$37,000, and \$125,000, respectively. It appears that the second sale on May 3, 2001 may not have been an arm's length transaction, hence the very low sale price. If that second sale had not transpired, the compound annual growth rate would have been 10.5 percent from October 25, 1999 to January 16, 2002.

We also calculated the weighted average price per square foot per year of sales in the neighborhood defined above. We identified 13 transfers of properties in the neighborhood of the subject property prior to the development of the project. These 13 sales transacted at a weighted average price per square foot of \$15.39. We also identified four property sales in the defined neighborhood that occurred between March 25, 1998 and June 25, 1999, the date of our first evaluation. The weighted average sales price per square foot for those properties was \$28.27. Since our first evaluation through March 1, 2002, we identified an additional 13 sales with a weighted average sales price of \$31.50 per square foot. Therefore, the data implies that the market did steadily improve from the period starting on January 1, 1994 and ending on March 1, 2002.

*The Fairfield Apartments  
1062 Fairfield Avenue  
Bridgeport, Connecticut*

The Fairfield Apartments was newly constructed on a parcel of land situated in the West End neighborhood of Bridgeport. Most recently, the property was a vacant parcel of land. Bridgeport Supportive Housing Limited Partnership purchased the property on Month, Day, Year for \$100,000. The project was completed in May 1998 and contains 34 one-bedroom apartments

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. The property is located within the West End neighborhood of Bridgeport. The neighborhood consists of a newer multi-family housing project, a homeless shelter, and a former home used for commercial office space. The Town Assessor's office indicated that the property is very well maintained and has had a positive impact on the neighborhood.

In assessing the impact of the project on neighboring property values, we reviewed recent sales in the vicinity of the subject property. For the purposes of this analysis, we considered property sales located on Fairfield Avenue, Norman, Yale, and Freemont Streets in proximity to the subject property. We did not identify any properties that were transferred both before and after the development of the subject property.

We calculated the weighted average price per square foot of sales in the neighborhood defined above. We identified sixteen transfers of properties in the subject property's neighborhood prior to the development of the project. These sixteen sales transacted at a weighted average price per square foot of \$39.00. We then identified two property sales in the defined neighborhood that occurred between May 1998 and October 30, 1998, subsequent to the project's completion. The two properties sold at a weighted average sales price per square foot of \$42.40, which is a \$3.40 increase since the period of time before the project was developed.

Since our first evaluation in June 1999, we identified twenty-three additional sales in the subject neighborhood as of March 1, 2002. The weighted average sales price per square foot for those twenty-three properties was \$53.73, for a \$14.73 per square foot increase in overall values since our first evaluation. Henceforth, the data implies that the market did improve from the period starting on January 1, 1994 through March 1, 2002.

*Atlantic Park  
658 Atlantic Street  
Stamford, Connecticut*

Atlantic Park's development consisted of the substantial rehabilitation of two of four historic apartment buildings in the South End neighborhood. The four buildings are listed on the National Register of Historic Places. They initially served to house the workers at the adjacent industrial buildings (some now vacant). South End Atlantic Limited Partnership purchased two of the three buildings on November 22, 1996 for \$473,474. They were not able to purchase the third building. Prior to the partnership's purchase of the two buildings, the properties were used as apartment buildings.

The project consisted of rehabilitation of the two buildings, which are now connected via a hallway on the first and second floors. The project was completed in March 1998 and contains 27 efficiency units.

Since the completion of the project, of the two buildings that the sponsor was unable to acquire, the one adjacent to Atlantic Park was totally gutted by fire. The adjacent exterior wall of the subject property was slightly damaged by the fire. The owner of the third building intends to rehabilitate the property, consistent with the historical architecture of Atlantic Park.

In order to assess the indirect impact of the project on surrounding property values, we reviewed property sales in the neighborhood. The property is located within the South End neighborhood of Stamford. The neighborhood consists predominately of dilapidated industrial buildings. For the purposes of this analysis, we considered property sales located on Atlantic and Henry Streets, and Rockland Place in proximity to the subject property.

We identified five properties that were transferred both before and after the development of the subject property. The compound annual growth rate of these properties ranged from 12.2 percent to 27.9 percent over the prior sale prices. None of the five properties experienced negative compound annual growth rates.

We also calculated the weighted average price per square foot per year of sales in the neighborhood defined above. We identified 13 transfers of properties in the neighborhood of the subject property prior to the development of the project. These 13 sales transacted at a weighted average price per square foot of \$74.81. We then identified two property sales in the defined neighborhood that occurred between May 1, 1998 and April 28, 1999, subsequent to the project's completion. These two sales had a weighted average sales price per square foot of \$70.16. From June 25, 1999, the date of our first evaluation, through March 1, 2002, we identified eight relevant sales with a weighted average sales price per square foot of \$77.69. While the data implies that the market experienced a slight decrease from the period starting on January 1, 1994 through April 28, 1999, it also implies that the market thereafter improved as of March 1, 2002.

## **Conclusion – Impact of the Projects on Neighboring Property Values**

The data collected to assess the impact of the projects on neighboring property values implied that the markets surrounding all but one of the projects improved from the date of our first evaluation, June 25, 1999, through March 1, 2002. Only the values of properties sold in Colony Apartments' neighborhood in Stamford decreased during that time period. The decrease in values, however, was a nominal \$1.96 weighted average price per square foot. The neighborhoods that experienced the most notable increases in property values since June 25, 1999 were those of Brick Row in Willimantic, which went from a weighted average price per square foot of \$18.80 to \$30.67 and Fairfield Apartments in Bridgeport, which went from a weighted average price per square foot of \$42.40 to \$53.73. The neighborhood surrounding Liberty Commons in Middletown experienced an increase from \$22.56 to 31.76 in the weighted average price per square foot; that of Hudson View Commons in Hartford experienced an increase of \$15.51 from \$10.25 in the weighted average price per square foot; that of Crescent Apartments in Bridgeport increased from \$14.21 to 15.36 in the weighted average price per square foot; that of Mary Seymour Place in Hartford increased from \$13.13 to \$22.13 in the weighted average price per square foot; that of Cedar Hill Apartments in New Haven increased from \$28.27 to \$31.50 in the weighted average price per square foot; and Atlantic Park's neighborhood in Stamford experienced an increase of \$77.61 from \$70.16 in the weighted average price per square foot of the properties sold surrounding the project.

From January 1, 1994 through March 1, 2002, values increased steadily in the neighborhoods surrounding Liberty Commons, Crescent Apartments, Brick Row, Mary Seymour Place, Cedar Hill Apartments, and Fairfield Apartments. Values in the neighborhoods surrounding Hudson View Commons and Atlantic Park had originally decreased from January 1, 1994 through June 25, 1999, but then the values in those two neighborhoods increased from of June 26, 1999 through March 1, 2002.

The neighborhoods encompassing Liberty Commons, Hudson View Commons, Brick Row, Cedar Hill Apartments, and Atlantic Park all had properties sell both since January 1, 1994, then again as of March 1, 2002. Almost all of the properties in the five neighborhoods were purchased for higher prices once they sold the second time, which is a further implication that the neighboring property values increased since the projects were completed.