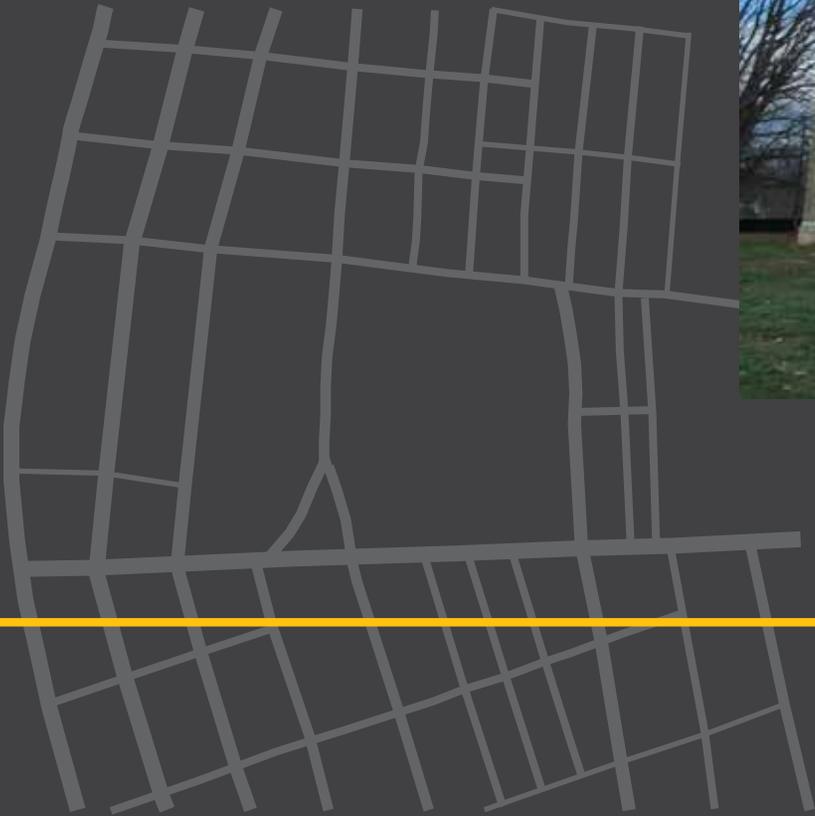
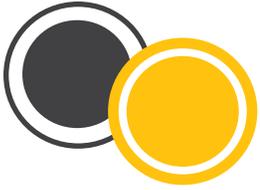


Economic Development





Economic Development along the Division Street Corridor

The Division Street Corridor currently has multiple possibilities for economic development. This section will provide an overview of the existing economic conditions, propose two concepts for the development of catalyst sites along the corridor, explore the challenges associated with these developments, and offer recommendations to encourage broader economic development that would provide benefits to the city as a whole and to the residents living near Division Street.

Economic Existing Conditions

The Division Street Corridor is an economically diverse in function and features. Moving from west to east, the street begins with a residential area, Academy Manor, an upper middle class neighborhood. Many of the homes in this neighborhood are large, ornate homes with well-kept landscaping. Continuing east along the street there is a zone of institutional, civic and religious buildings; including the Hadee Mosque, the Zembo Shrine and the Scottish Rite Building. Further along the street the William Penn High School and the Camp Curtin Academy are located on the northern side of the street. The Camp Curtin Academy is an active education facility, while the former high school is currently vacant and for sale, and presents a redevelopment opportunity. Crossing over 6th Street, the fabric of the neighborhood begins to shift to more commercial uses. *Figure 48* shows one example of the many vacant commercial buildings along Division Street.

On both the north and south sides of the street there are a mixture of

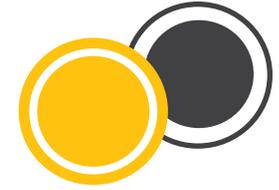


Figure 48. Vacant commercial building at 545 Division Street

shops and small commercial centers, with residential neighborhoods behind them. These neighborhoods are made up of mostly duplexes. These neighborhoods are not well maintained with overgrown foliage, cracked streets and sidewalks.

The Uptown Shopping Plaza is located at the eastern end of Division Street, which serves as the major economic anchor of the corridor. Division Street ends just after 7th Street, terminating at the Norfolk Southern Rail tracks.

The corridor, as it is currently zoned, allows for a number of different types of commerce. The school, religious and civic buildings along the corridor are zoned Institutional. The Uptown Shopping Plaza is zoned General Commercial, which allows for a wide range of uses. The smaller commercial uses along the street serve the neighborhoods behind them



and are in the Medium Density Residential district. Along 7th street to the south, and to the north of the Uptown Shopping Center, there are significant portions of industrial zoning areas. Refer to the Zoning Map included as *Figure 14*.

The Division Street Corridor is composed of many disparate economic zones, evidenced by the contrast in housing along the corridor. The range of property values in the study area are summarized in Table 10 and *Figure 49*.

Table 10. Property Values by Block Group

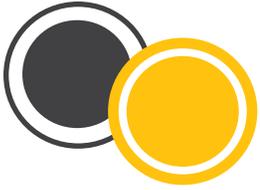
Census Tract 209	Description of Area	Range of Property Values
Block Group 4	Academy Manor Neighborhood and close to Riverfront Park and Italian Lake	\$120,000 - \$200,000
Block Group 1	North of William Penn High School	\$60,000 - \$80,000
Block Group 3	South of William Penn High School	\$20,000 - \$80,000
Block Group 2	East of William Penn High School	\$20,000 - \$50,000

Source: Zillow.com



Figure 49. Property Values by Block Group

Some parcels of particular interest along the corridor are the William Penn High School and the Uptown Shopping Plaza properties, which are both underutilized assets to the corridor. The William Penn High School has been vacant for the past six years and is falling into disrepair. The facility is an expansive 1920's structure with much potential and presents an opportunity for economic development and community revitalization. The Uptown Plaza is a 1950's style suburban shopping plaza which has not been updated for many years and no longer effectively serves the community. The complex sits far back from the main corridor, has expansive parking in front with retail stores lining the edge, creating an auto-dominated as opposed to pedestrian friendly location. The shopping center is imposing and unwelcoming to shoppers from nearby neighbor-



hoods who may prefer to, or have to, walk. Currently about half of the retail space is vacant and available for rent. The Shopping Center offers Class B/C retail space, and the owners are charging between \$12 and \$16 per square foot. While this rate is comparable to rents commanded by retail spaces in the suburbs, what is most telling about this retail center is the amount of vacant rental space, suggesting that the asking price per square foot is not appropriate for the current condition of the plaza. The plaza has a total of 72,074 square feet available for rent which is spread through 10 retail spaces along with an available pad site (Bennett Williams, 2015).

Economic Redevelopment Recommendations

In order to foster economic development along Division Street, this plan includes redevelopment recommendations for two catalyst sites, which will hopefully jumpstart additional economic activity along the corridor. For the continued growth of the corridor, recommendations have also been crafted for general economic vitality. The broader economic development recommendations are formulated based on the EPA's Framework for Creating a Smart Growth Economic Development Strategy. The EPA recommends a three pronged approach involving business, workforce and quality of life (2016). Using this framework, our recommendations follow a balanced approach to foster increased and inclusive economic activity along the Division Street Corridor.

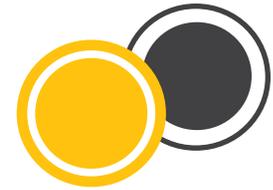
Recent Development Trends

Similar types of redevelopment are happening across the country as demographic shifts are bringing more residents back to the cities. After decades of decline, cities such as New York, San Francisco, Philadelphia,

Boston and Washington, D.C. have experienced a resurgence of their downtowns and the surrounding neighborhoods. According to the Pew Research Center, between 2000 and 2010, the thirty largest cities in the U.S. have added population by a median of 5.5 percent. The Brookings Institution has reported that between 2011 and 2012, center cities of the 51 largest U.S. metropolitan areas (averaged together) experienced more growth than their surrounding suburban areas for the first time since 1920 (Butcher, 2013). According to the 2010 U.S. Census, Harrisburg has also benefited from this urban resurgence with a slight population gain for the first time since 1950. And this growth has largely been driven by young adults (Butcher, 2013). Harrisburg increased its share of 20 to 34 year olds by 8.7 percent, or 979 residents. In fact, the increase in young adults is actually larger than the total population gain of 578 residents according to U.S. Census Data. This highlights this new trend's strength in offsetting population losses in other age groups (Butcher, 2013).

According to William Frey, a demographer at the Brookings Institute, this trend can largely be attributed to the convergence of the two largest U.S. population groups – Millennials and aging Baby Boomers (Westcott, 2014). In 2015, Millennials, or those born between 1980 and the mid-2000's, became the largest and most diverse generation in America. (The Council of Economic Advisors, 2014). This group is helping to fuel resurgence of urban areas, along with the Boomers or “empty nesters” who are retiring and moving back to cities.

The Boomers and Millennials are at points in their lives in which they favor an urban lifestyle, in neighborhoods that are diverse, walkable, and with a strong sense of character and community. All indicators point to a trend away from the auto-dominated landscape of large homes on spacious lots in the suburbs. This new urban lifestyle allows for more



time to enjoy the social, cultural and recreational resources of the city, as opposed to long commutes on congested highways, and time spent maintaining large suburban homes and lawns.

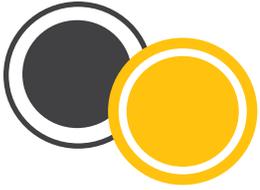
Millennials are also turning out to be a powerful economic engine and are reshaping the future workforce and the work environment. These young, technologically savvy workers are choosing to live and work in the city, and the jobs are following them there. The demand to meet the needs of the “creative class” is resulting in new models for working space; including co-working spaces, live-work spaces, and makerspaces.

It is envisioned that the catalyst sites, and the types of projects proposed for these sites, will capitalize on and harness these recent development trends. This includes providing market rate rental housing, and makerspaces, along with making Division Street a more pedestrian and bicycle friendly corridor linked to other city wide trails and transit.

The two catalyst sites selected were Catalyst Site #1, the William Penn High School; and Catalyst Site #2, the Uptown Plaza Shopping Center. See *Figure 50* for the location of these catalyst sites.



Figure 50. Selected Catalyst Sites Location Map



William Penn High School Recommendations

Building

William Penn High School has been vacant since 2010 and is currently for sale. The building is centered in the middle of Division Street and is one of the most prominent spaces along the corridor. For these reasons, and at the request of the City, the school was selected as a catalyst site for redevelopment efforts. The school is a massive structure (222,446 SF) providing space for many possible development opportunities. Based on current trends for shared living and working space and the need for additional rental units in the city, it is recommended that the school is used for a mix of residential housing and makerspace. The renovated structure would contain 83 total units:

- 74 one bedroom apartments
- 7 Studio apartments and
- 2 Loft units.

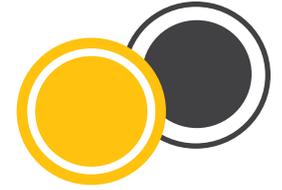
These units would be centered in the western section of the school. *Figures 51 and 52* show a potential “before and after” of what a schoolroom apartment could look like at the former William Penn High School.



Figure 51. Existing condition of classroom at William Penn School (February 2016)



Figure 52. Example of a school converted to apartments in Atlanta, GA. Source: basslofts.com



Makerspace will fill the spaces on the eastern side of the building. These spaces lend themselves well to this use as they are relatively isolated from the residential section with connections through hallways that would not have apartments along them and have served industrial uses in the past when they functioned as vocational classrooms. *Figures 53 and 54* show the existing conditions of eastern section of the building.



Figure 53. Outside elevation of eastern section of school (one of five similar structures)

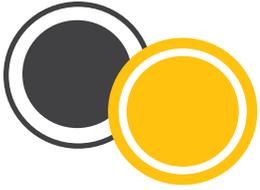
Figure 54. Inside condition of eastern section of school, illustrating former industrial use



Makerspaces are a growing trend nationally; they provide a space for people to work alongside one another, learning and sharing skills and information. Makerspaces provide a collaborative environment for DIY enthusiasts. These spaces often offer a variety of classes including fabric arts, hydroponics, woodworking and metal working. Makerspaces provide an environment for members to learn skills which they can apply in the workforce or to enrich their lives. An example of a makerspace workspace is shown in *Figure 55*.



Figure 55. Example of makerspace workspace Source: FEIC31.com



Similar projects that include the renovation of historic buildings into residential space and the creation of makerspaces have been occurring in Harrisburg and the surrounding region. One recent example of renovated housing in Harrisburg is LUX. LUX located across the street from the Capitol Building was a masonic temple, built in 1909. The building was recently repurposed for luxury condominiums. The building has 42 units and rises eight stories (Teampete, 2016). Reusing the existing historic building, the character of the streetscape was preserved as well as a piece of Harrisburg history.

The Maker717 Innovation Center is a new makerspace that opened in fall 2015, in Lancaster City. The makerspace provides shop equipment for members to work on projects. Equipment can be expensive for an individual but through collective resources the organization is able to purchase expensive equipment for members to use (Umble, 2015). The group offers workshops which introduce students to new skills. Interests vary widely from metal working to electronics.

The William Penn High School has three gymnasiums. One of these, the northern most gym, will be demolished to make room for parking. This will allow for additional parking, both for residents, visitors and users of the makerspace. With the additional parking spaces there is opportunity for the use of green infrastructure technology, reducing the impact on the city's combined sewer system. Technologies for consideration include porous pavement, permeable pavers and rain gardens. These elements would help to offset the effects of the large amount of impervious area at the high school. Additionally, it is recommended that the building incorporate a geothermal heating system. This system is both environmentally conscious and also would result in large heating and cooling cost savings. The remaining two gym spaces will be left as amenity space for residents

and community members. The school also has a large auditorium, which will be refitted and be used for amenity space for residents and community members. These spaces allow for community assets or other further development opportunities later.

Green Space

William Penn High School is surrounded by large amounts of green space to the north and south of the building. In the redevelopment of the high school, it is recommended that these spaces be turned into park space with a community garden. North of the high school there is a small stadium complex with a track, a field in the middle and bleachers. This space should be resurfaced and added to the city's park system. This space would provide an area for organized sports and activities, something lacking throughout much of the Harrisburg park system. The space behind the school will also include a dog park, a resource the city does not currently have. These recreational resources will help to draw interest to Division Street. This park space will be connected with Italian Lake, combining the two areas. Crosswalks along 3rd Street would serve to link the two areas.

One of the most visual dog park examples in the area is the dog park in Buchanan Park in Lancaster City, Pennsylvania. Beau's Dream Dog Park has two separate sections, one for small dogs and another for large dogs. The park includes water features, obstacles and even a tennis ball launching tree. For the City of Harrisburg, this park can serve as an ideal for what is possible, and a resource to pull elements from for the park at William Penn High School. *Figure 56* shows the dog park in Lancaster, which could serve as inspiration for the design of a dog park in Harrisburg.

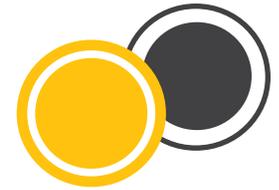


Figure 56. Beau's Dream Dog Park in Lancaster, PA Source: Purina.com

A community garden should also be established to the south of the school building. This area should be shared as an educational space with the Harrisburg School District. Community gardens provide space for neighborhood residents to garden their own plot of land. Community gardens often charge a small fee to rent the plot and any crops go to the people who farmed the plot. These spaces provide a community resource and a common space for people to connect. Community gardens also provide space for environmental education in the urban fabric. In addition this space would help feed members of the community, improving access to fresh food. A number of community gardens have sprung up within Harrisburg and have had some success (*Figure 57*). The Green Urban Initiative has worked in the Harrisburg Area to build five community gardens (Green Urban Initiative, 2016). This group works with the community to set up gardens and provides guidance and assistance and should be considered for partnership for the proposed community

garden. All park space would be turned over to the city for inclusion in the city parks network and future maintenance. The recommendations for the former William Penn High School support the following concepts identified during the Comprehensive Planning:

- Business incubator/makerspace
- Stormwater landscaping
- The William Penn High School Redevelopment,
- Diverse housing options, and
- Multifamily housing.

Visualizations of the recommendations for the former William Penn High School site are included as *Figure 58* and *59*.



Figure 57. Atlas Street Community Garden in Uptown Harrisburg Source: Greenurban.org

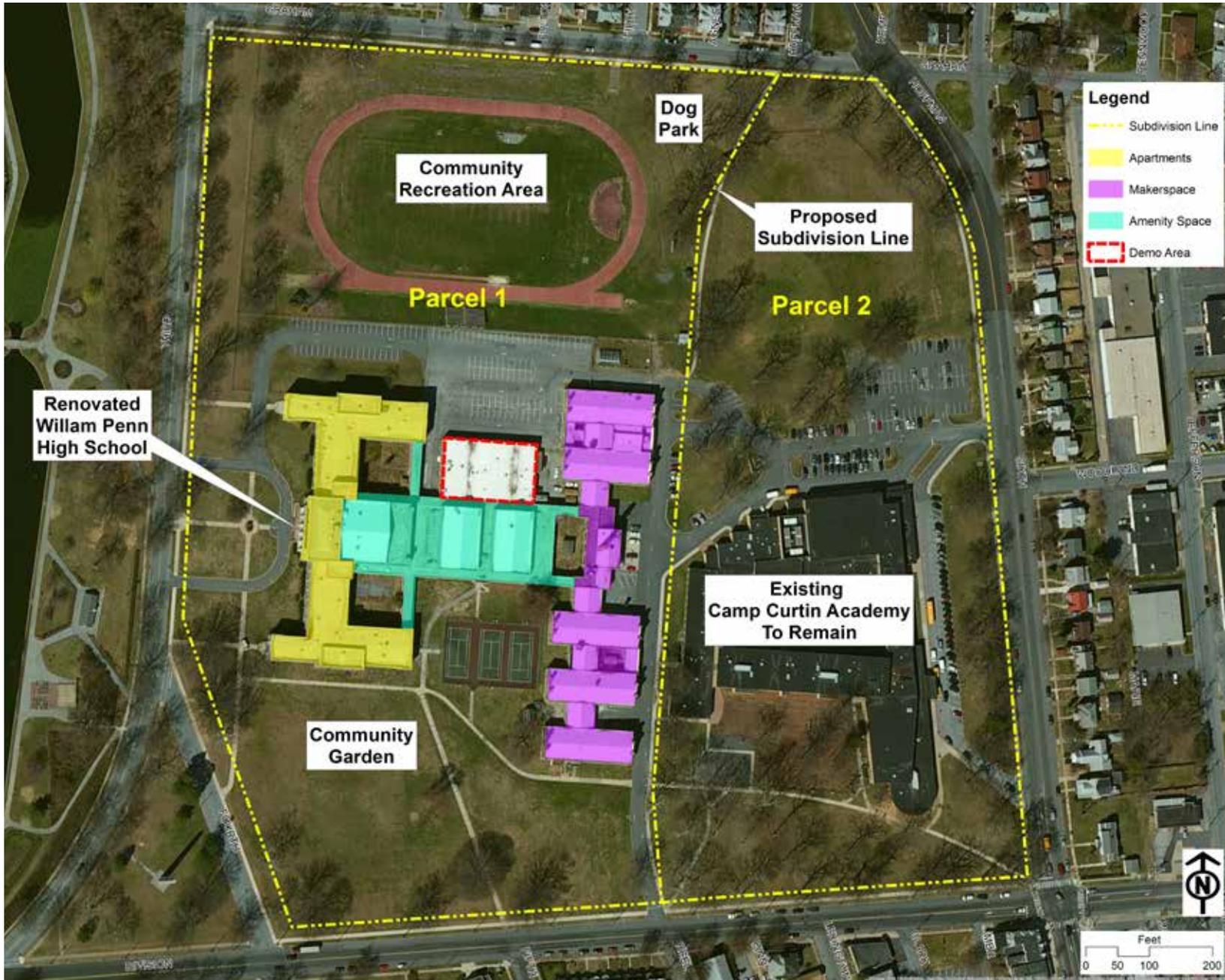


Figure 58. Visualization of recommendations at the former William Penn High School, site scale

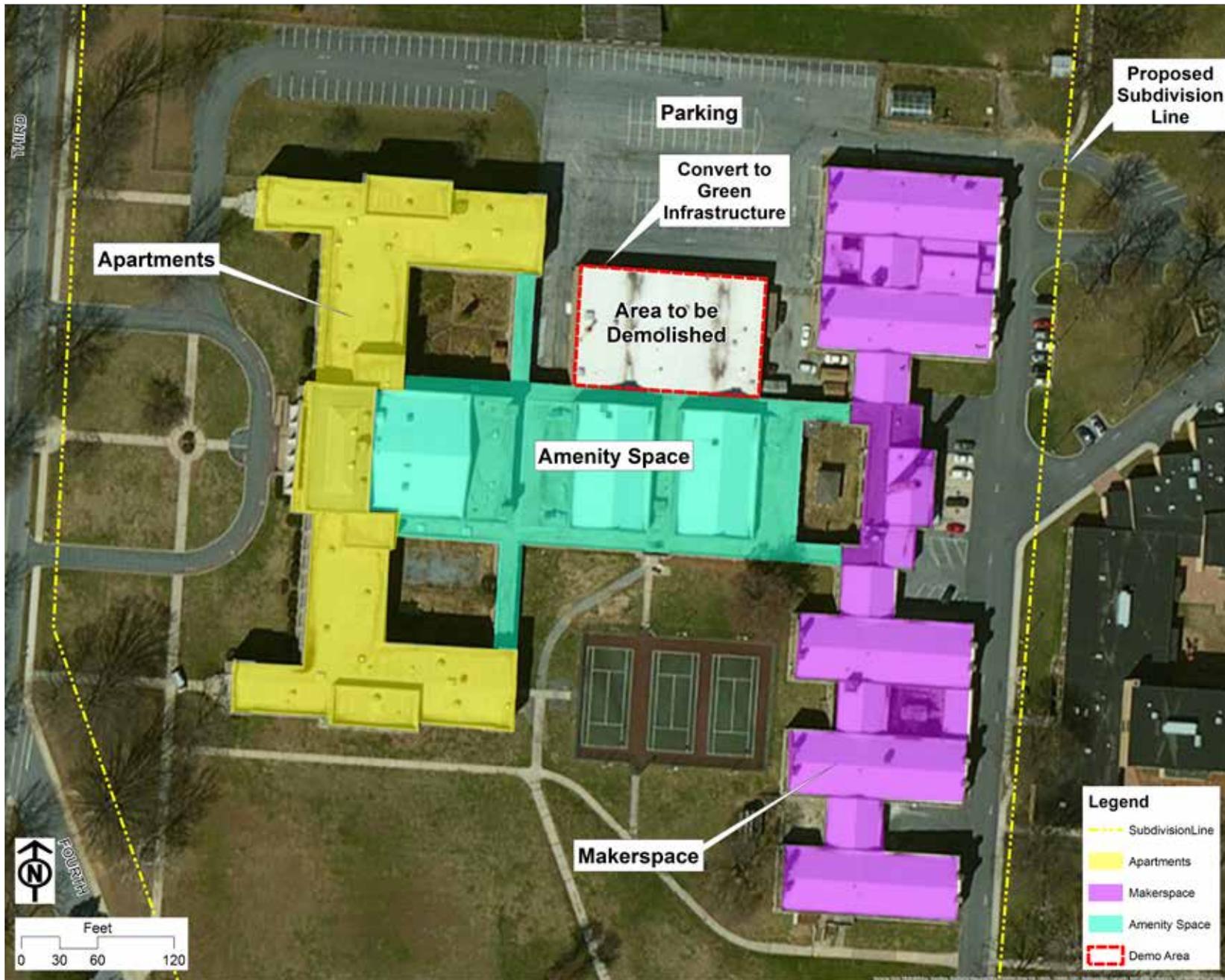
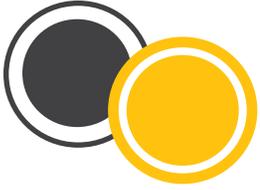


Figure 59. Visualization of recommendations at the former William Penn High School, detail scale



Pro-Forma

In order to illustrate the costs of the above proposals, and to also understand why no development has taken place at this site so far, a pro-forma model was used to garner an understanding of what it would look like financially to transform this vision into a reality.

The model is built to first calculate the estimated revenues from the site (from residential rental units and commercial space leases). Next, the model calculates the estimated operating expenses, which are calculated for the continued operation of the facility, and include items such as taxes, vacancy carrying costs, insurance, utilities, maintenance, management, and a reserve. The operating expenses are subtracted from revenue to find the net operating income for the project. The net operating income is then divided by an estimated cap rate to find the appraised value.

The next stage of the pro-forma model establishes the costs for the project. These costs include construction and design related costs, acquisition cost, and marketing costs. These costs are subtracted from the appraised value to find the value surplus or deficit of the project. The pro-forma model is built to include standard financing in the form of a traditional commercial real estate loan at 75% loan-to-value (*Table 11*).

Using this model, the proposal for the William Penn High school would have a net operating income of \$434,875. The project would have an appraised value of \$5,435,931. The total costs for the project (not including the proposed improvements to outside spaces, such as recreation areas and the community garden) are estimated at \$31,746,001. This leaves the project at a \$26,310,070 development deficit. In order to overcome this deficit, the city will need to look to put together a gap financing package

in order to make this project feasible for and attractive to a developer. Potential gap financing options will be discussed as part of the recommendations for both catalyst sites.

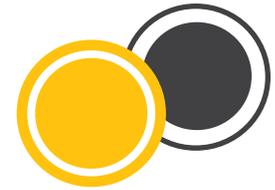


Table 11. Pro-forma for the William Penn High School site

William Penn High School Redevelopment

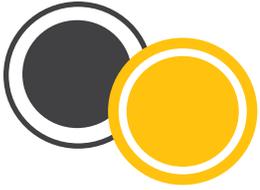
Manual Variables

Revenue Assumptions			
Total Number of Residential Units	83		
Total Studio Units	7		
Rent/Unit	\$ 700.00		
Total 1 Bedroom Units	74		
Rent/Unit	\$ 995.00		
Total 2 Loft Bedroom Units	2		
Rent/Unit	\$ 1,600.00		
Total Monthly Residential Revenue	\$ 81,730		
Total Annual Residential Revenue	980,760		
Single Pod Square Footage for Maker Space	7,250		
Total Number of Maker Space Pods	5		
Total Commercial Square Footage	36,250	16%	
Annual \$/SF	\$ 10.00	NNN	
Total Commercial Revenue	362,500		
Total Annual Revenue	1,343,260		
OPEX Assumptions (Landlord)			
		%	\$/SF
Vacancy	\$ 67,163	5.00%	
Taxes	\$ 427,830.00		\$ 1.93
Property Insurance	\$ 41,835.59		\$ 0.19
Electric	\$ 90,000.00		\$ 0.41
Gas	\$ 3,000.00		\$ 0.01
Water/Sewer	\$ 30,121.62		\$ 0.14
Trash	\$ 20,081.08		\$ 0.09
Owner Maintenance	\$ 67,163.00	5.00%	\$ 0.30
Management	\$ 94,028.20	7.00%	\$ 0.42
Replacement Reserve	\$ 67,163.00	5.00%	\$ 0.30
Total	\$ 908,385		\$ 4.09
Net Operating Income (NOI)	434,875		
Cap Rate	8.00%		
Appraised Value	\$ 5,435,931		

Project Cost Estimates			\$/SF
Total Gross SF	222,000		
Acquisition Cost	\$ 1.00	\$	0.00
Total Construction Hard Costs	\$ 27,750,000	\$	125.00
Total Soft Costs (Due Diligence, Entitlements, Design, Purchase, Financing)	\$ 688,000	\$	4.00
Marketing and Leasing	\$ 222,000	\$	1.00
Subtotal Development Costs	\$ 28,860,000	\$	347,710.84
Subtotal: Land and Development	\$ 28,860,001	\$	130.00
Plus: Contingency	\$ 2,886,000	\$	13.00 10.00%
Plus: Developer Fee	\$ -	\$	- 0.00%
Total Cost	\$ 31,746,001	\$	143.00

Financing Summary			
Equity	\$ 27,669,053		
Loan	\$ 4,076,949	75.00% LTV	
Interest Rate	4.00%		
Amortization	20		
Term	5	(Five year call)	
Annual Interest Payment	(\$299,989.01)		
Debt Coverage Ratio (DCR)	1.45		

Profit/Loss Summary	
Total Project Cost	\$ 31,746,001
Appraised Value	\$ 5,435,931
Value Surplus/(Deficit)	\$ (26,310,070)
Total Equity	\$ 27,669,053
Annual Cash Flow	\$ 134,885.50
Annual ROE	0.49%



Uptown Shopping Plaza Recommendations

The Uptown Shopping Plaza sits at the eastern edge of Division Street. Currently there are 11 spaces available for lease, about half of the total retail space. The plaza serves as one of the few places for commercial and retail activity in Uptown Harrisburg. The plaza was built in 1957 and is blighted by vacant space (*Figure 60*), especially the large anchor space in the plaza. The plaza is in need of revitalization, which is why it was selected as a catalyst site for redevelopment efforts.

The major component to the proposal for this site is the addition of a three story mixed-use building along the southern and western edge of the plaza. This building will have commercial space on the first floor and two floors of residential space above. Additional quality rental units will help meet the need for quality apartments within the city.

The retail spaces on the first floor will face Division Street, connecting the space with the corridor and pedestrians nearby, thus activating the streetscape and multi-modal improvements discussed in the transportation recommendations. The spaces will have two entrances, one facing in towards the rear of the building and parking lot and the other out toward



Figure 60. Closed bank at the entry of the Uptown Shopping Plaza

the street. The building will have 154 residential units and 71,750 ft² of new retail space. The residential units will be primarily one-bedroom apartments, consistent with market demand demonstrated from other recent projects in the city. The layout for this new space can be seen in *Figure 61a* and *61b*. This building will have a green roof, helping to absorb the runoff from the new impervious surface. The McDonald's restaurant currently present at the site would need to be demolished to accommodate the building of this structure; however, commercial space exists along other parts of the corridor for its relocation.

The anchor of the plaza was once a department store but is sitting vacant (*Figure 62*). The city does not have many large grocers within the city. Residents have to travel outside the city to find large grocery outlets. The anchor store in the Uptown Plaza will be retrofitted to accommodate a large grocery store. This store will serve the neighborhoods in the area and commuters looking to shop on their way home. Access to fresh, affordable food is often difficult to find in many cities, including Harrisburg. The redevelopment of this space for a grocer (potential design shown in *Figure 63*) will serve two purposes, providing access to fresh food and rejuvenating the neighborhood economy.

Figure 61a (Below) Proposed changes to existing structures at the Uptown Shopping Plaza

Figure 61b. (Right) Proposed site plan for the Uptown Shopping Plaza redevelopment



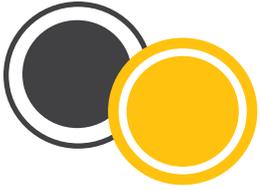


Figure 62. Currently vacant anchor within the Uptown Shopping Plaza



Figure 63. Potential design for renovation of vacant site into a grocery store Source: buildipedia.com

In order to provide space for maneuvering trucks and to provide parking for employees the stores along the northern edge of the plaza will be removed with the exception of the space for the grocery store. This space will be converted into parking with a row of trees along the southern edge. This parking lot will be created using porous pavement, helping to capture storm water runoff. The trees along the southern edge will be planted in a tree trench to capture additional storm water runoff from the surrounding impervious surfaces. There will also be a small picnic area included on the southern edge of this new parking area. The remaining commercial space within the plaza would receive updates to the facades to complement the new mixed-use building and the new grocery store.

In order to accommodate changes in the traffic pattern, the plaza will be reconfigured with a one way entrance at the southeastern edge. Traffic will be allowed to enter and exit along 7th Street in the northwest corner of the plaza. Buses will also be routed through the plaza with two stops in the plaza. There will be a small transfer center in the plaza in the southeastern corner of the plaza. The second stop in the plaza will be located near the grocery store on the northern edge of the shopping area, bringing more people to the grocery store. The new stops within the plaza provide an opportunity for public art to be displayed, through a unique stop, murals or sculptures. Creating a new, unique space for commerce will help provide new economic opportunity for those in the community making the Division Street corridor a better place to live, learn and work. *Figures 64-66* provide visualizations of the proposed redevelopment at the Uptown Shopping Plaza.



Figure 64. Visualization recommendations for the Uptown Shopping Plaza



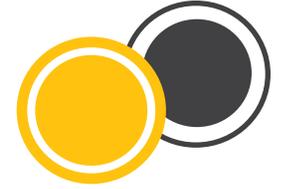
Figure 65 a. Overview of the proposed redevelopment at the Uptown Shopping Plaza



Figure 65 b. Views of the proposed public plaza at 7th and Division Street



Figure 66. Views of the proposed roundabout and proposed mixed use building at the Uptown Shopping Plaza



The proposed recommendations for the Uptown Shopping Plaza support the following concepts identified during the Comprehensive Planning:

- Fresh food center,
- Stormwater landscaping,
- Diverse housing options, and
- Multifamily housing.

Pro-Forma

As described in the discussion of the William Penn High School site, a pro-forma was developed to estimate the proposed costs of these recommendations. The Uptown Shopping Plaza would have a net operating income of \$2,975,293 (from residential rents and commercial leases) and an appraised value of \$37,191,169. The costs for this project are estimated at \$60,768,246. This leaves the project with a \$23,577,077 value deficit (*Table 12*). As with the William Penn High School redevelopment proposal, there will need to be a financing package put together to help close the deficit and make the project desirable to a developer.

Gap Financing Options

In order to encourage economic development along the Division Street Corridor, there are a number of local, regional, state and federal programs that could be used as incentives to spur growth and revitalization. These programs include tax credits, grants, tax abatement, economic development zones, and infrastructure improvements.

Tax Credits

There are two types of programs that offer tax credits that could possibly be utilized in the project target area. These include the Historic Preservation Tax Credit (HPTC), and the New Markets Tax Credit.

The Historic Preservation Tax Credit (HPTC) is administered by the Pennsylvania Department of Community and Economic Development (PA DCED), and provides tax credits to qualified taxpayers and investors. These credits could be utilized for the William Penn High School project. For a developer to qualify for these tax credits, they must complete the restoration of an approved historic structure into an income producing property. As part of the process the developer must have their plan approved by the Pennsylvania Historical and Museum Commission. The tax credits may be applied against the outstanding taxes of a qualified taxpayer. A qualified taxpayer includes individuals, corporations, business trusts, limited liability partnerships or any other legal business entity. With this program tax credits shall not exceed 25% of the approved expenditures, and total tax credits may not exceed \$500,000 in any fiscal year (PA DCED, 2016b).

The New Markets Tax Credit (NMTC) was established by the U.S. Con-

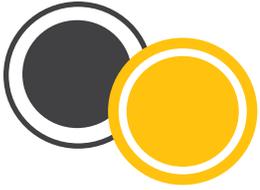


Table 12. Pro-forma for the Uptown Shopping Plaza

Uptown Plaza Redevelopment

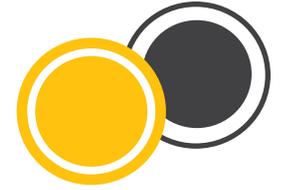
Manual Variables

Revenue Assumptions			
Total Residential Square Footage (3 Stories Total)	145,150	43%	
W/Common Loss Factor	123,378	15%	
Average SF/Unit	800		
Total Number of Residential Units	154		
Average Rent/Unit	\$ 1,100.00		
Total Monthly Residential Revenue	\$ 169,644		
Total Annual Residential Revenue	2,035,729	14.025	
Existing Retail Space - Grocery Store	55,440		
Annual \$/SF	\$ 14.00	NNN	
Existing Strip Retail Space	65,500		
Annual \$/SF	\$ 12.00	NNN	
New Strip Retail Space	71,750		
Annual \$/SF	\$ 14.00	NNN	
Total Commercial Square Footage	193,690	57%	
Total Retail Revenue	2,571,460		
Total Annual Revenue	4,607,189		
OPEX Assumptions (Landlord)			
		%	\$/SF
Vacancy	\$ 230,359	5.00%	
Taxes	\$ 926,000.00		\$ 2.74
Property Insurance	\$ 32,184.99		\$ 0.10
Electric	\$ 12,000.00		\$ 0.04
Gas	\$ -		\$ -
Water/Sewer	\$ 32,184.99		\$ 0.10
Trash	\$ 42,913.32		\$ 0.13
Owner Maintenance	\$ 101,786.44	5.00%	\$ 0.30
Management	\$ 152,679.66	7.50%	\$ 0.45
Replacement Reserve	\$ 101,786.44	5.00%	\$ 0.30
Total	\$ 1,631,895		\$ 4.82
Net Operating Income (NOI)	2,975,293		
Cap Rate	8.00%		
Appraised Value	\$ 37,191,169		

Project Cost Estimates			
		\$/SF	
		Total	Existing \$/SF
Total Completed Gross SF	338,240		
Acquisition Cost	\$ 6,450,960.00	\$ 19.07	\$ 40.00
Total Construction Hard Costs - Grocery Store	\$ 4,158,000	\$ 75.00	
Total Construction Hard Costs - Existing Retail	\$ 3,295,000	\$ 50.00	
Total Construction Hard Costs - New Retail & Residential	\$ 37,957,500	\$ 175.00	
Total Soft Costs (Due Diligence, Entitlements, Design, Purchase, Marketing and Leasing)	\$ 1,691,200	\$ 5.00	
Subtotal Development Costs	\$ 48,792,900	\$ 144.76	
Subtotal: Land and Development	\$ 55,243,860	\$ 163.33	
Plus: Contingency	\$ 2,762,193	\$ 8.17	5.00%
Plus: Developer Fee	\$ 2,762,193	\$ 8.17	5.00%
Total Cost	\$ 60,768,246	\$ 179.66	

Financing Summary			
Equity	\$ 32,874,870		
Loan	\$ 27,893,376	75.00%	LTV
Interest Rate	4.00%		
Amortization	20		
Term	5		(Five year call)
Annual Interest Payment	(\$2,052,443.46)		
Debt Coverage Ratio (DCR)	1.45		

Profit/Loss Summary			
Total Project Cost	\$ 60,768,246		
Appraised Value	\$ 37,191,169		
Value Surplus/(Deficit)	\$ (23,577,077)		
Total Equity	\$ 32,874,870		
Annual Cash Flow	\$ 922,850		
Annual ROE	2.81%		



gress in the year 2000 to encourage investment in low-income neighborhoods and provide tax incentives to private investors to encourage capital to businesses and low income communities. The goal of the program is to stimulate investment and economic growth in low income urban neighborhoods and rural communities. The areas that typically qualify lack the needed capital to encourage business growth, job creation and sustainable local communities. Projects that typically qualify for this type of tax credit are in census tracts where the individual poverty rate is at 20%, or where median family income does not exceed 80% of the area income (New Market Tax Credit Coalition, 2015). The NMTC program is administered by the U.S. Department of Treasury and is supported by investors who support a community development institution or Community Development Entity (CDE), after which they get federal income tax credits. The Commonwealth Cornerstone Group, a non-profit created by the Pennsylvania Housing Finance Agency is one prominent CDE in Central Pennsylvania and is the intermediary for providing loans, investments and financial counseling to qualified developers and projects. (Mekeel, 2016).

Economic Development Zones

There are three types of economic development zones in the Harrisburg metropolitan area. These include Enterprise Zones, Keystone Opportunity Zones and Keystone Innovation Zones. The Keystone Opportunity Zone (KOZ) would be an ideal program to utilize in the Division Street Corridor.

A KOZ would allow for state and local tax abatement, including a Payment in Lieu of Tax (PILOT) that was negotiated without any revenue loss for the school district, county or city. Unfortunately none of the 152

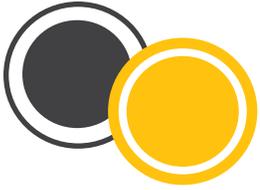
approved parcels in the City of Harrisburg are located in the Division Street Corridor target area (Capital Region Economic Development Corporation, 2016).

Tax Abatement

A tax abatement is a reduction or an exemption from taxes granted by a government for a specified period, usually to encourage certain activities such as investment in capital equipment. Tax abatement programs are also known as LERTAs, or Local Economic Revitalization Tax Assistance. Pennsylvania first adopted LERTAs in 1977 to help encourage development in economically distressed communities by providing tax breaks for certain types of development (Barker, 2014).

For many years the City of Harrisburg had a phase-in tax abatement program. A phase-in tax abatement program is one in which a new development is fully exempt in the first year. Then, the owner pays an increasing portion of taxes each year, until it reaches the full assessment in the 11th year of the agreement. Unfortunately Harrisburg's LERTA was allowed to expire in 2010 and was not renewed. (Barker, 2014)

In May of 2015, with strong support to the Mayor and local developers, the Harrisburg City Council voted approve a new LERTA program, offering a 100 percent tax break for 10 years for improvements to residential properties. The newly approved measure also allows a 50 percent tax breaks on renovations or new construction on commercial projects for 10 years as well. Additionally, if commercial developers create a certain number of permanent jobs, they could even be eligible for additional tax breaks, up to 100% (Vendel, 2015c).



While an encouraging action for economic development in the city, this LERTA program still will require approval from Dauphin County and the Harrisburg School District, the city's two other taxing authorities (Vendel, 2015c).

Zoning Recommendations

The recommendations for the catalyst sites, William Penn High School and the Uptown Shopping Plaza, include uses that are not allowed under the current zoning ordinance. It is recommended that the zoning in these areas be changed or that special exceptions be made to allow for the proposed changes.

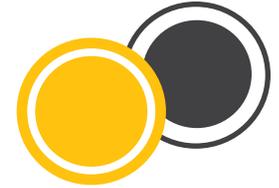
At William Penn High School, the parcel currently includes the Camp Curtin Middle School. These two parcels should be split to allow for a change in zoning at the old high school. The zoning needs to be changed to allow for makerspace and residences. The current zoning, institutional, does not allow for permanent residences to be built on the premises. Our proposed plans incorporate apartments in combination with makerspace. In order for this space to exist, the zoning will need to be changed to allow for these uses either through special exception or a different zoning classification for the high school.

At the Uptown Shopping plaza, the proposed changes to the site will require a change in the zoning to allow for apartments and mixed used buildings. The parcel is currently zoned Commercial General which would not allow for residential units, as proposed in the catalyst site revisions. The rezoning would allow for an increase in residences along the corridor and hopefully bolster the economic vitality of the community. Attention should be given to allowing high enough density to improve

the feasibility of redevelopment. Currently the Uptown Plaza has about half of the spaces available open, demonstrating that the plaza is not currently a thriving center for commerce (Bennett Williams, 2015). With the proposed changes, the hope is to turn the plaza into a vibrant center for neighborhood commerce and living.

Recommendations for Corridor Wide Economic Opportunities

The recommended zoning changes will provide new possibilities for the two catalyst sites. However it is important to consider economic recommendations that can benefit the entire corridor. The City of Harrisburg should work to find a public/private sector partner, perhaps through the Elm Street or Main Street Programs, to help give properties along Division Street an updated appearance. In addition, an apprentice and/or workforce development program should be established through a public private partnership, between the makerspace, the Harrisburg School District, the City of Harrisburg, and Dauphin County. This program would help to teach workforce ready skills to children or adults in the neighborhoods around Division Street. This initiative would serve a twofold purpose, to engage the community with the newly renovated space and to improve the economic wellbeing of those living nearby. The Capital Region Economic Development Corporation would provide an excellent partnership, able to recommend the most in demand skills in the regional workforce and foster teaching spaces for these groups within the makerspace area of the William Penn High School. Using local unions to build an apprentice program would also help build community ties and valuable skills for local students. Vocational training should also be offered to adults within the community looking to add a skill set and open



themselves to new careers.

According to the Pennsylvania Apprentice Coordinators Association, there are six different unions in Harrisburg which work in a variety of trades. These include, HVAC, Pipefitting, Ironworking, Elevator Construction, Finishing Trades and Bricklaying (2016). These organizations could be partners for an apprenticeship program within the new makerspace. The goal of this initiative is to give community members the skills to elevate their standard of living, hopefully raising their income levels and reducing the amount of poverty in the area. The areas in the eastern area of the corridor especially, have elevated levels of poverty and lower median incomes when compared with other parts of the corridor.

The city can help facilitate the creation of a Division Street Corridor Improvement Association, working with local leaders, institutions and businesses. The role of the city in this organization would be to provide a platform for interests in the group to work together for the betterment of Division Street. Currently there is no such organization uniting the communities through the entirety of the corridor. This group would allow for leaders to start conversations about what stakeholders want to see in their neighborhood and how they can work to achieve those outcomes. This would benefit the business community, workforce and area residents by uniting the corridor. As an extension of this organization, it is recommended that a Business Improvement Committee be created. This group would specifically focus on the business and commerce issues faced by retailers on the Division Street Corridor. This group would create connections among businesses which could combine resources to help improve the economic health of the corridor. This group would work in conjunction with the Corridor Improvement Association for the betterment of Division Street as a whole.

As discussed in the Existing Conditions section, the Division Street Corridor varies significantly in income and other demographic indicators. The median income and poverty levels fluctuate greatly between the four block groups represented along the corridor. The plan recommendations are aimed to bring together the corridor, through opportunities for education, recreation and new economic activity.