

ULI Case Studies

Paseo Verde



HALKIN MASON PHOTOGRAPHY

Paseo Verde combines low- and moderate-income housing, plus medical retail and office uses, within a LEED-ND Platinum and LEED for Homes Platinum development adjacent to rail transit.

PROJECT SUMMARY

Paseo Verde is a 120-unit mixed-income multifamily rental development on an infill site in the ethnically and economically diverse neighborhood of North Philadelphia, Pennsylvania. The project was built by a partnership between an established community development corporation and an experienced developer committed to affordability and sustainability. Paseo Verde achieved three Leadership in Energy and Environmental Design (LEED) Platinum certifications—LEED for Neighborhood Development across the entire site and LEED for Homes for both its mid-rise and townhouse buildings—partly thanks to its location adjacent to a commuter rail station and near neighborhood services built by the community development corporation. The one- to three-bedroom apartments accommodate a mix of households and incomes, and on-site gardens, gathering spaces, and medical and fitness facilities support residents' health and wellness.

QUICK FACTS

Location

Philadelphia, Pennsylvania

Project type

Multifamily housing—rental

Site size

1.9 acres

Land uses

Rental housing, medical office, community spaces

Keywords/special features

Affordable housing, LEED certified, healthy place features, sustainable development, transit-oriented development, mixed-income housing, urban redevelopment

Website

www.paseoverdeapts.com

Project address

1950 N. Ninth Street
Philadelphia, PA 19122

Owners/developers

Asociación Puertorriqueños en Marcha (APM)
1900 N. Ninth Street
Philadelphia, PA 19122
www.apmphila.org

Jonathan Rose Companies
551 Fifth Avenue, 23rd Floor
New York, NY 10176
www.rosecompanies.com

Architect

Wallace Roberts & Todd (WRT)
Philadelphia, Pennsylvania
www.wrtdesign.com

Paseo Verde is a keystone development that connects an ethnically diverse, low-income neighborhood to the adjacent train station and to Temple University. Before the development, commuter trains hurried past a drab station and a dingy, fenced-in parking lot, shadowed by public housing on one side and blighted row-houses on the other.

Today, the same trains pull up alongside a mosaic of bright green panels, with tree-shaded roof gardens peeking through. A health clinic that had been hidden inside a public housing complex now announces its presence with a campanile, its wide windows facing a broad sidewalk bustling with pedestrians. Above are 120 environmentally sustainable homes—affordable for downtown commuters, university students, and families leaving public housing, all of whom enjoy green views and healthful amenities.

A site that had once marked the neighborhood's edge is now a focal point for the community, thanks to Paseo Verde. Its development was the natural next step after over 40 years of systematic work by the Asociación Puertorriqueños en Marcha (Association of Puerto Ricans on the March, or APM) to rebuild North Philadelphia and its quality of life. Paseo Verde was realized through a close collaboration between a community organization with deep roots in its neighborhood, a developer with a deep commitment to meeting the highest standards of triple-bottom-line (social, environmental, and financial) sustainability, a designer commit-

ted to integrating a green building into a green neighborhood, and public officials who saw the perfect symbol for a resurgent, forward-thinking city. Above it all, this remarkable transformation was built for an enviably low price, using strictly off-the-shelf technologies.

The Site and the Idea

The 1.9-acre site sits less than two miles north of Center City Philadelphia and one block east of Temple University, Philadelphia's largest higher education institution. Immediately west of the site is the elevated Temple University station on Philadelphia's regional rail system, where 12 different Southeastern Pennsylvania Transportation Authority (SEPTA) regional rail lines make the trip to Center City in just four minutes; several bus lines and the Broad Street subway also traverse the neighborhood. Despite the site's central location, the property had been a city-owned parking lot leased to the local gas utility for decades. It was desolate and unwelcoming, described as an "open wound" in the neighborhood.

APM, one of Philadelphia's most prolific community development corporations, spearheaded development of Paseo Verde. Launched in 1970 by activist Vietnam War veterans dissatisfied with the public services available to the Puerto Rican community of eastern North Philadelphia, APM has grown from a staff of five working from a storefront to a broad network of social services at sites across North Philadel-

phia. Its health and human services include bilingual, culturally sensitive health services such as behavioral health, drug and alcohol treatment, and services for people with AIDS. APM offers an array of services for young children, including three Head Start programs, two early childhood education centers, and an Early Intervention program for special needs children. As one of ten city-designated "community umbrella agencies," APM supports over 1,200 adopted and foster children in 600 families. Complementing these services are a Financial Opportunity Center that focuses on income and wealth building, job readiness, and housing counseling for both homeowners and tenants.

APM focuses its community and economic development activities in eastern North Philadelphia, a neighborhood that experienced severe hardship as industries and residents abandoned Philadelphia. By the 1990s, the area was reeling from decades of disinvestment: a city survey found that over 2,000 abandoned properties outnumbered occupied structures by more than two to one and that median home sales prices had dropped to a mere \$3,000. To address that situation and to identify major needs within the community, APM created its first Comprehensive Physical Development Plan in 1990. APM used the plan and subsequent updates to prioritize investments that would stabilize and strengthen a neighborhood that lacked basic amenities and offered residents few housing choices.

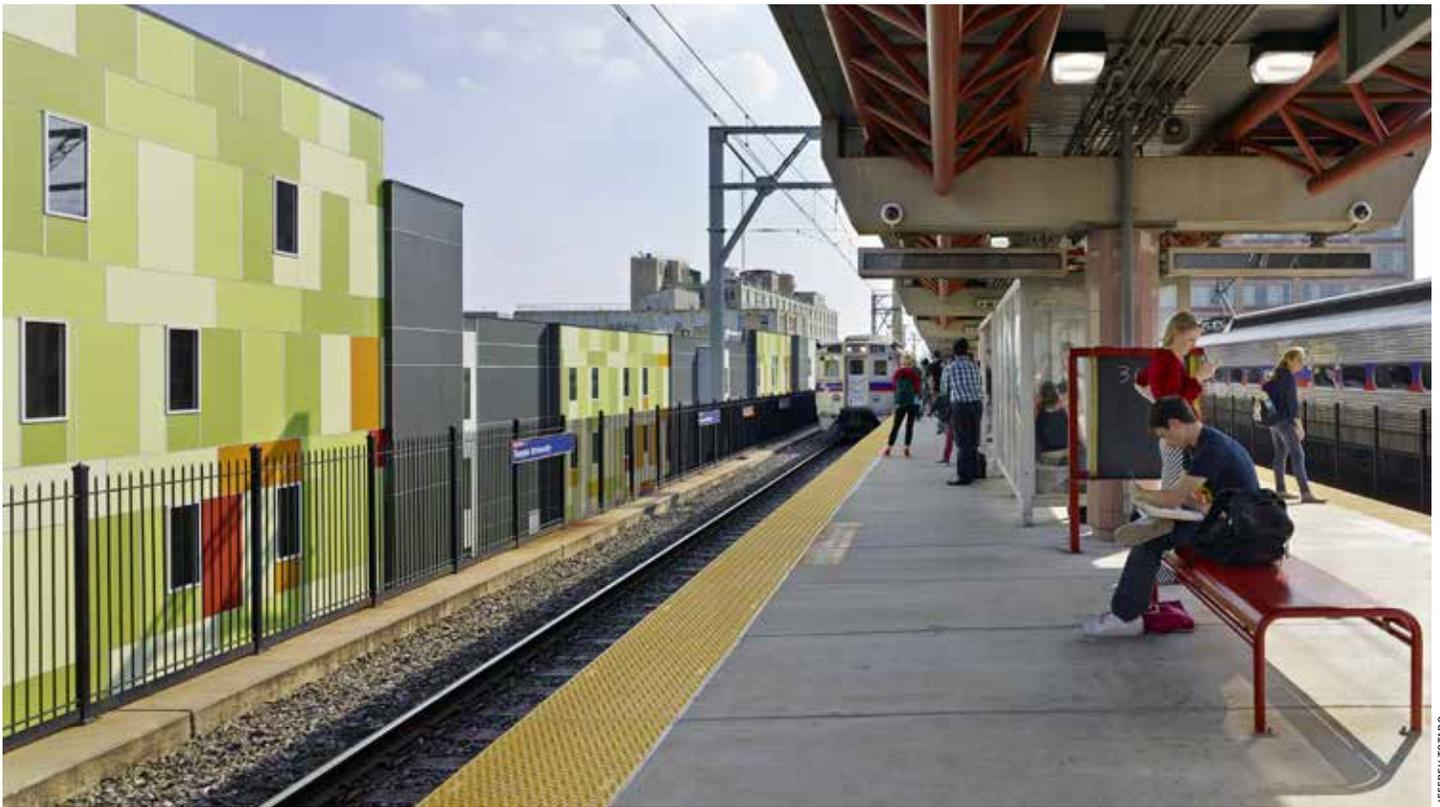
The planning process highlighted the financial and housing challenges of residents, notably the area's need for a supermarket. To address these issues, APM won city housing investments to build hundreds of housing units, ranging from low-rise houses for moderate-income families to mid-rise apartments for low-income people with disabilities—in all, leveraging over \$140 million in private and public investments. To reinvigorate Germantown Avenue, the neighborhood's main street, APM teamed with the city's redevelopment authority to assemble 111 vacant parcels into Borinquen Plaza, a shopping center anchored by a credit union and a 40,000-square-foot cross-cultural supermarket.

APM stabilized abandoned buildings, helped over 100 low-income families rehabilitate their homes, and partnered with the Pennsylvania Horticultural Society (best known for its annual flower show) to clean up and beautify formerly neglected open spaces around the neighborhood, such as the yards of apartment buildings and 20



A bird's-eye view of Paseo Verde. Paseo Verde South comprises the three buildings at left center, and Transit Village, the two structures to the right. The SEPTA Regional Rail station is immediately behind the property. Temple University is just beyond the top edge of the photo, and APM's commercial development is just beyond the left edge.

APM PHOTOS OF NEW JERSEY



JEFFREY TOTARO

Bright wall panels present a welcoming face to the transit station, showing off the neighborhood's rejuvenation to passersby.

acres of vacant lots. APM's housing counseling programs ensured a ready and capable market for the housing it developed.

APM's earlier developments had focused on reclaiming blocks near Germantown Avenue, well east of the railroad viaduct that separated the neighborhood from Temple University. The designs used the area's plentiful land to bring suburban-style features to the residents, such as driveways and fenced-in backyards for the houses and an interrupted street grid that accommodates the large supermarket.

Updated plans written in 1999 and 2002 focused on quality of life and livability, suggesting the potential of denser, transit-oriented development (TOD) to address the community's needs. Development next to the rail line could stitch the community to the train station, enhancing transit's accessibility and attractiveness and encouraging local residents to take advantage of the area's cost-effective transit options.

APM and its partners realized that a housing development that supported a car-free lifestyle could save residents money and provide easy access to jobs in Center City, in the suburbs, and at the university just past the train station. At the same time, APM also explored the potential benefits that a "green" development could bring to the neighborhood and to its residents, by both

improving their health and reducing their energy costs. When the gas company's lease on the parking lot expired, the city put out a request for proposals (RFP) for the site; APM won.

Meanwhile, the housing market in North Philadelphia made a strong recovery in the 2000s, as a population and housing boom that had started in Center City spread to surrounding neighborhoods. Loft apartments and trendy retailers began filling formerly industrial precincts such as Fishtown and Brewerytown, less than a mile away. Temple was expanding its enrollment, and a growing number of student-oriented businesses nearby were drawing controversy. More development would ultimately come to APM's doorstep, and it needed to both embrace the opportunity and guard against displacement.

Rose Gray, senior vice president for community and economic development for APM, found that her membership in the Urban Land Institute was crucial in connecting APM with Jonathan Rose Companies, the project's developer. In the early 2000s, Nilda Ruiz and Rose Gray met with Henry Cisneros, an active ULI participant and chairman of APM's Corporate Advisory Board. Cisneros then discussed APM's plan for transit-oriented development with Jonathan Rose, also an active member of ULI. Jonathan Rose Companies expressed interest in working with APM on

the project, then came to Philadelphia and confirmed that the site looked like a good fit for the TOD concept. These early conversations led to a long and fruitful partnership.

Development Background

The long predevelopment process proved to both parties that they could easily work together; they also shared the same goal of serving low-income communities through mixed-income housing. Jonathan Rose's experience in developing Via Verde, a LEED-certified affordable housing development in the Bronx, New York (see ULI Case Study, January 2014), also proved informative.

After a year of predevelopment analysis, the developers decided that a transit-oriented, affordable housing development was feasible, and they searched for a design firm. They wanted someone familiar with Philadelphia, with experience in both TOD and energy-efficient, "green" development. APM put out an RFP for design services and chose Wallace Roberts & Todd (WRT), a Philadelphia-based planning and design firm known for sustainable design and community development.

The project benefited enormously from being a partnership between organizations with the same values and goals. WRT has a strong background

in transit-oriented development, as well as experience in both affordable and market-rate housing. The firm's approach meant it could integrate its architecture, landscape architecture, and urban design services. Jonathan Rose Companies' experience and business model suited the project, too. It had a long track record of sustainably designed projects and often relies on local nonprofits to provide necessary hometown knowledge. Furthermore, the Jonathan Rose Companies had extensive experience in creatively financing affordable housing.

To set about creating a low-cost, energy-efficient lifestyle, APM, Jonathan Rose Companies, and WRT began to conceive of Paseo Verde as an affordable housing development that would simultaneously leverage the neighborhood's transit assets, offer healthful housing options to residents, and improve an abandoned block that had divided the neighborhood from the university campus.

Jonathan Rose Companies and APM split Paseo Verde's development responsibilities and equity equally. During the development process, APM took the lead on gaining political support, land, and public subsidies for the project. Jonathan Rose Companies focused on implementing design and construction and on structuring the financing. A critical component of the predevelopment process was a tour to show APM staff around Via Verde, Jonathan Rose Companies' LEED Gold mixed-income housing development in the Bronx. The tour highlighted how the design had built community among its mixed-income tenants.

In 2010, just as the project team came together, APM and the Local Initiatives Support Corporation concurrently launched a year-long Sustainable Communities Initiative planning effort for eastern North Philadelphia—part of a broad national effort by the New York–based nonprofit organization to strategically target its community development resources. This updated quality of life plan was based on broad community input from over 400 residents and community leaders. The plan used SWOT analysis to identify possible improvements in seven areas: the physical condition, leadership, wealth, health, economic development, arts, and education.

Among the community's top concerns was the need for connections: not only connections to jobs in Center City and the suburbs but also to friends and relatives throughout the region.

TOD, especially along the regional rail network, seemed like an especially appropriate way to connect the neighborhood to the region.

Approvals

The city planning commission embraced APM's proposal to rezone the site from industrial to CMX-3 mixed-use, a somewhat denser classification than many of the surrounding blocks. At the time, the city was writing a new zoning ordinance (ultimately adopted in 2012) and was open to trying out new ideas—particularly a dense, transit-oriented development in a low-income community.

The new zoning code was a perfect match for Paseo Verde: it awards density bonuses for both affordable housing and high-performance green buildings, and it reduces the required parking ratio from 1.0–1.5 parking spaces per apartment to 0.3 parking spaces per apartment. APM built community and political support for Paseo Verde by holding numerous community meetings for the neighborhood revitalization plan, by connecting with the city council and particularly local council members, and finally by winning the support of Mayor Michael Nutter. Nutter's support made the project feasible; he had embraced green development in Philadelphia early on and saw Paseo Verde as a natural next step for that philosophy.

Financing

Paseo Verde was financed as two separate parts: Transit Village, the subsidized rental portion (53 units), and Paseo Verde South, the market-rate housing and commercial portion (67 units). Jonathan Rose Companies led the way in assembling a creative capital stack that enabled a high-quality mixed-income development. Meanwhile, APM's political and community organizing efforts helped Paseo Verde win highly competitive funds from the city, state, and federal governments.

Nearly three-quarters of the project cost for Transit Village, the subsidized rental portion, was financed with equity from 9 percent low-income housing tax credits, allocated through the Pennsylvania Housing Finance Agency. Because less than half of the tax credit equity was paid out during construction, a \$4.7 million two-year conventional loan, at a 2.79 percent interest rate, carried the project through construction and lease-up. A \$4 million city grant through the city's Housing

Trust Fund and a \$520,423 Affordable Housing Program grant from the Federal Home Loan Bank of San Francisco provided additional funds. The 53 units financed using this combination of tax credits and grants were made affordable to residents earning between 20 and 60 percent of the area median income (AMI).

For Paseo Verde South, which combines workforce rental housing and retail, financing required cobbling together a wide variety of grants alongside more conventional sources. Of the units, 17 (25 percent) are reserved for low-income renters earning less than 115 percent of AMI, pursuant to a grant agreement with the Philadelphia Office of Housing. One of the development team's priorities was to keep rents for all of the units affordable to moderate-income neighborhood residents. That commitment meant that the project could not rely solely on conventional financing.

Most equity resulted from a \$7.99 million allocation of new markets tax credits, and Jonathan Rose Companies and APM added interim equity by deferring their developer's fee until permanent financing was found. Such tax credits do not come cheap, though: related legal and consulting fees added up to well over \$2 million.

A \$9 million conventional first mortgage, with a seven-year term and a 4 percent interest rate, and a \$3 million second mortgage from the Pennsylvania Green Energy Loan Fund and EnergyWorks (administered by the Reinvestment Fund), with a seven-year term and a 3.5 percent interest rate, combined to fund about half of construction costs and also to serve as permanent financing.

In all, \$9 million in grants and soft debt provided a substantial share of Paseo Verde South's costs. The largest grants came from government sources: \$5.5 million of state economic development funds over three years of the Philadelphia Industrial Development Corporation's Redevelopment Assistance Capital Program, \$1.5 million from the city's Housing Trust Fund through a competitive annual RFP process, \$500,000 from the state Department of Community and Economic Development through its Growing Greener II fund, and \$487,000 earmarked in the 2010 federal budget by U.S. Senator Bob Casey. In addition, the project qualified for Philadelphia's ten-year tax abatement for new residential construction, which reduced ongoing occupancy costs.

Smaller grants were sought for specific goals such as the creating the community room and planning the project's green features; these

SITE PLAN



WALLACE ROBERTS & TODD

A roof plan of Paseo Verde. The first-floor retail/parking podium supports three landscaped courtyards, the three wings of Paseo Verde South have “blue roofs,” and solar panels crown the mid-rise portion of Transit Village. A motor court separates the mid-rise buildings from the townhouses facing Norris Street.

were awarded by Home Depot, Citi, the Local Initiatives Support Corporation, Comcast, the city’s Department of Commerce, Bank of America, and Enterprise Green Communities.

JPMorgan Chase financed nearly \$41 million of the total project cost, through both conventional loans and tax-credit equity. Jonathan Rose, as a high-profile developer of affordable housing in New York City, has strong relationships with large banks that are also major tax credit investors.

Design

Within Paseo Verde’s 219,933 square feet are 120 rental apartments, ranging from one to three bedrooms; 30,574 square feet of commercial space; a 994-square-foot community room; and 24,623 square feet of indoor parking.

The structure’s steel and concrete plank ground floor spans much of its site, with commercial space facing Berks Street at the south end of the site (adjacent to the rail station’s primary entrance). Residential lobbies, one small retailer, and a community room face east along the long Ninth Street frontage. A separate three-story building with six street-front entrances faces Norris Street at the north end, separated from the larger structure by a driveway. A garage with 67 parking spaces is tucked behind the residential lobbies, as are a fitness room and bicycle storage rooms.

Most of the apartments are above the ground-floor podium and are arranged in four wood-framed structures that span the site from

east to west, separated by three east-facing courtyards. The courtyards, lined with patios for the second-floor units, are really a green roof that sits atop the podium.

The 139,482-square-foot southern building, called Paseo Verde South, is a three-winged structure housing 67 elevator apartments that average 894 square feet apiece (44 two-bedroom and 23 one-bedroom units) and

commercial space. An interior corridor along the railroad side of the property ties together the building’s three three-story apartment wings while also shielding the apartments from the noisy tracks. The building’s bright-green panels present a cheery facade to the elevated rail station behind. Nineteen parking spaces are reserved for commercial tenants and 27 for Paseo Verde South residents.



JEFFREY TOTORO

The townhouse-sized buildings, complete with the front stoops common throughout Philadelphia, fit into the urban fabric along Norris Street. Inside are nine apartments for low-income families, each with an individual street entrance.

The northern third of the site consists of two buildings together called Transit Village. In 80,451 square feet, this section houses 53 apartments affordable to renters with incomes between 20 and 60 percent of AMI. Twenty-nine one-bedroom and 15 two-bedroom apartments are within a four-story, interior-corridor elevator building that lines up with Paseo Verde South's residential wings.

Along Norris Street, another building houses nine three-bedroom apartments that are designed to look like six modern three-story rowhouses. It contains three accessible single-story units with street-level entrances, and six two-story units that span the second and third floors. The upper-floor apartments feature twinned stoop entrances, which are common on Philadelphia rowhouses. Twenty-one parking spaces are reserved for Transit Village residents.

Sustainability

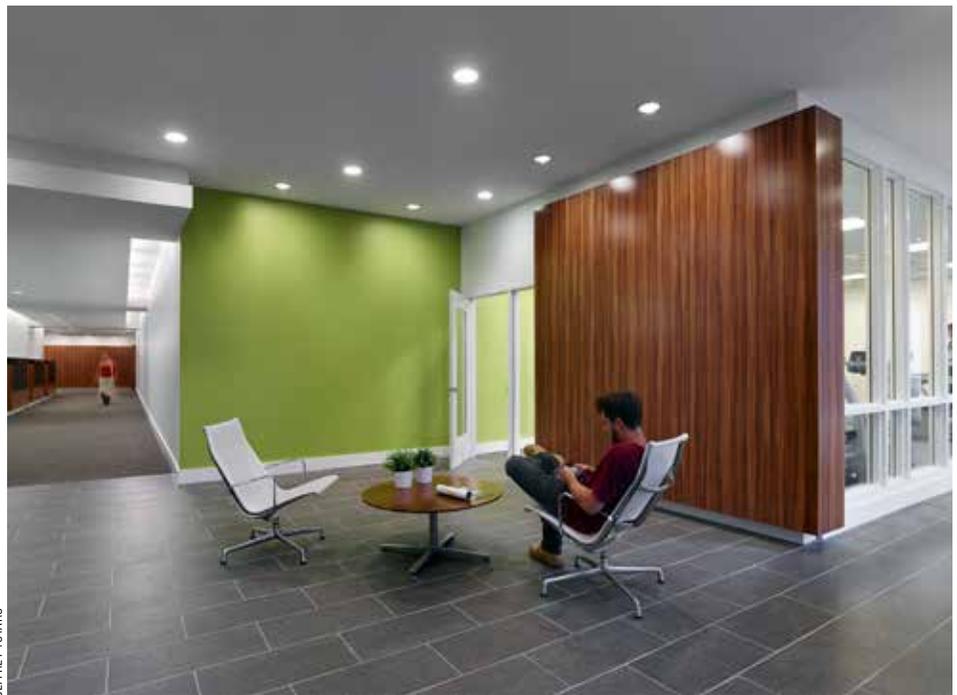
The development team made LEED certification a priority from the start of the project. The team pursued and achieved Platinum-level certification under LEED for Neighborhood Development (LEED-ND) and LEED for Homes, the Multifamily Midrise version for the apartments and the Multifamily Lowrise version for the townhouses. Upon completion, Paseo Verde became the second development in the world with a LEED-ND Platinum designation and the first in the Americas—a particularly noteworthy achievement for an affordable development in a low-income community.

The LEED-ND certification was validation of APM's decades of work in the neighborhood, its pursuit of transit-oriented development, and the development team's decision to apply top health and energy efficiency standards to the building. APM's decades of community development work facilitated the LEED-ND certification process. In particular, APM had put food, banking, health services, and education facilities within walking distance of the site, garnering substantial credit under LEED-ND. Antonio Fiol-Silva, principal of WRT, says of LEED-ND, "Sustainable neighborhood development means that you don't just make a LEED Platinum building in a neighborhood with other issues. A building doesn't exist by itself; it's in a context, so the sustainability of the overall project is contingent on the rest of the neighborhood being sustainable as well."

Despite its green design goals, the fundamental purpose of Paseo Verde was to provide afford-



The entrance to Paseo Verde South's apartments is recessed between two commercial bays and sits below one of the landscaped rooftop courtyards.



Amenities at Paseo Verde South include a fitness room, located behind the paneled wall. Inviting staircases also encourage residents to make exercise part of their daily lives.

able housing, so it needed to maintain reasonable construction costs and price points. To achieve these dual—and sometimes competing—goals, the team looked for efficiencies in every green design element it pursued and chose features that would provide multiple benefits at once. Some of Paseo Verde's green elements were modeled

after those at Via Verde, where rooftop garden terraces and solar power also crown a mixed-income building.

One green feature that saved on costs was a transportation program that emphasizes choices rather than costly parking garages. Paseo Verde supplies only 0.4 parking spaces per apartment,



HALKIN MASON PHOTOGRAPHY

Part of the corner plaza is landscaped with plants and surfaces that absorb stormwater, in keeping with Philadelphia's citywide green infrastructure plan.

offers more bike storage spaces than parking spots within its ground-floor garage, hosts an on-site car-sharing vehicle, and provides information for residents about the area's plentiful transit options. Developments like Paseo Verde are proving to banks that residential projects can successfully be underwritten with low parking ratios, even outside Center City Philadelphia.

Many of the building's sustainability measures were designed to do double duty as building amenities and thus help market the building. The building's green infrastructure, in particular, incorporates rain gardens, wide sidewalks with permeable paving, and green-roof courtyards that permit private decks for some apartments; all of those add visual appeal. The design supports the city of Philadelphia's nationally recognized rainwater management strategy, which processes stormwater through green infrastructure rather than through pipes, and helps tie the site into a neighborhood known for its tree-lined streets.

WRT also incorporated high performance green features that required additional planning but not additional construction costs. The "blue roofs" (actually white) atop Paseo Verde South's apartments collect water during storms of up to a 100-year magnitude, and then slowly release it afterwards. Designing additional strength into

the roof required different, but no costlier, engineering than for a typical roof.

It was very important to APM and Jonathan Rose Companies that Paseo Verde support healthy living habits. WRT's design helps residents achieve this goal through elements such as staircases that have both windows for daylight and background music and that are located closer to the entrances than the elevators are. Large, high-performance windows enhance the living experiences of residents with views of green space and trees from every apartment and from the fitness room as well.

Energy-saving measures within each unit include gas instant-on water heaters, which heat water as it is used instead of continuously throughout the day; high-performance Energy Star appliances; and separately metered energy—unusual in a multifamily building—that allows residents to track (and reduce) their energy use. Finally, common-area electricity comes from the solar panels atop the Transit Village, a feature that reduces the building's operating costs.

Construction

Once the extensive predevelopment work had been completed, Paseo Verde needed to be developed under strict financial parameters and on a very



JEFFREY TOTARO

An interior corridor parallel to the railroad tracks connects the three wings of Paseo Verde South. The corridor serves as a sound buffer between the residences and the tracks, and screens views between the building and neighborhood.

compressed schedule that further cut costs. The project's financing continued to change even after construction had started, shifting the balance between affordable and market-rate units and requiring late-stage design changes.

One technical issue that the project faced was the need to mitigate the noise from the adjacent elevated rail line. Noise levels were measured at different times and heights, and strategies were implemented to soundproof the units. The sound wall along the railroad tracks mitigates sound, bridges the different parts of the building, and provides the project with a visual identity that is literally green.

Even though Philadelphia's construction costs are comparable to other expensive East Coast cities, Paseo Verde was built at a very reasonable cost—just \$143 per square foot in 2012. Notably, this cost per square foot is comparable to conventionally built wood-framed apartment buildings. The final numbers prove that a creative and sensible architect and developer can achieve the highest standards for sustainability, all without spending more.



JEFFREY TODARO

A night view showing the prominent corner retail entrance, with the rail station entrance immediately behind.

Marketing and Management

Despite the building's diverse program—affordable and market-rate housing for families and singles alike, retail and office, and various amenity spaces—the entire building is managed by one management company, Altman Management Company. Managing around the needs of each of these occupants is a challenge, especially because the subsidized units have a particular set of legal requirements, but Altman has proven adept in handling the differences.

The market-rate housing units were marketed across the city primarily online, using a variety of property listing websites and pay-per-click

advertising on social media. Although these platforms were useful for spreading the word about the property, by far the most effective promotion appears to have been word of mouth. Jonathan Rose Companies observed that many tenants seek to live in the building after hearing about it from a friend who already lives there.

Paseo Verde's high energy efficiency standards not only reduce operating costs and improve residents' environment but also provide a way to market the building. The development team found that many potential residents admired the striking design of the building, particularly the natural daylight and greenery—especially in a historic neighborhood, where comparable units lack both.

Paseo Verde's energy performance and compelling back story garnered significant media attention throughout the city—notice that helped deliver very high lease-up rates from the start.

Performance and Impact

Within one year of opening, 90 percent of Paseo Verde's commercial and residential space was occupied. Paseo Verde is 100 percent occupied in the subsidized rental portion, and since mid-2015 it has been 100 percent occupied on the market-rate side. Commercial tenants include APM's offices and foster care program, plus several neighborhood-serving medical uses: a federally qualified health center, a dental office, and a pharmacy.

Paseo Verde inspired other developers and investors to quickly acquire the homes across the street, before APM could do so. Neighboring developments have helped to further enliven and green the sidewalks. The development team estimates that over the next few years, Paseo Verde will have leveraged close to a billion dollars in development around the neighborhood—a ten-to-one leverage ratio on every dollar invested. The development not only brightened the block it was on, but also attracted infrastructure improvements to neighboring blocks. New bike lanes began attracting more cyclists, and SEPTA cleaned and renewed the train station with new lighting and paint.

After Paseo Verde opened, North Philadelphia was awarded a grant (after APM's third application) under Choice Neighborhoods, a highly competitive U.S. Department of Housing and Urban Development program for redeveloping communities around public housing. Through Choice Neighborhoods, the department has invested \$30 million in neighborhood improvements—notably including the demolition of Norris Towers, a low-rise public housing development that stands in the block between Paseo Verde and Temple and that formerly housed the health center. As “lead people implementation entity” for the Choice Neighborhood, APM is coordinating relocation assistance, social services, training, and community integration for Norris residents and is helping residents into 147 replacement public housing units to be built on several blocks surrounding Paseo Verde.

Paseo Verde and the Choice Neighborhoods plan have helped heal the divide between Temple University and the neighborhoods to its east.

Temple's inward-looking, modernist campus has long given the neighborhood a cold shoulder, with a fortified eastern front of blank concrete walls, loading docks, parking lots, and a camera-festooned guard house. Temple's official plans did not acknowledge that anything existed east of the train tracks, and its students rarely ventured beyond the train station, save for occasional visits by architecture or social work classes.

As APM president Nilda Ruiz explains, "Paseo Verde bridged the gap between Temple and the neighborhood. It closed the open wound that was an empty parking lot, which kept it from being a transit-oriented community." Today, not only do Temple students live at Paseo Verde, but also students even venture past Paseo Verde to patronize APM's shopping center. Similarly, community members now feel more welcome walking onto the campus and using its facilities, such as the university library. The team believes that Temple would have not opened up the eastern gates of its campus had it not been for decades of community development work by APM and other organizations and the ongoing public housing redevelopment efforts.

Observations and Lessons Learned

Paseo Verde has taught the development team a lot about design and management. The developers were glad they had made LEED certification a top priority from the very beginning. As Rose Gray from APM put it, "People say LEED is expensive. But put it in your budget up front, and you find a way to pay for it." In the case of Paseo Verde, that meant pursuing low-cost green features and achieving sustainability through multiple efficiencies.

Indeed, APM's experience with achieving LEED on a budget was so positive that the firm has committed to achieving the same health and safety standards in all future development it spearheads in the neighborhood. Three blocks away, APM recently completed 13 strikingly modern single-family houses with LEED for Homes Gold certification, complete with green roofs and solar hot water systems.

Given the limited budget available, Paseo Verde South's common spaces consist principally of the outdoor courtyards, in addition to the fitness center and a small lobby. Comparable market-rate apartments nearby have been built with extensive shared amenities geared toward a

Millennial clientele—rooftop decks and resident lounges, for example—and the team suggests that future projects should have more indoor common spaces, given the market context.

The project has certainly made the rail station more attractive, but it has not improved a fare structure that (as in many large cities) makes in-city commuter rail trips much more expensive than equivalent trips on local buses or subways. Dale White from the Jonathan Rose Companies suggests that simply equalizing these transit fares could attract more infill developments to sites like Paseo Verde's—underutilized industrial land along commuter rail tracks.

Development team members also noted that they had not fully appreciated the complexities of managing a mixed-use building. A property manager's responsibilities in a mixed-use building are far more varied than with a single-use building; in particular, commercial and residential tenants require very different types of support. Although they realized this early on and were able to adjust, team members consider the lesson one that will help them navigate future mixed-use projects.

The development team believes that Paseo Verde will serve as a national model for many other cities. Jonathan Rose Companies' Via Verde set a new bar for affordable, sustainable housing in New York City, but much about the project would only be suited to that uniquely dense city. Paseo Verde, on the other hand, occupies a setting much more typical of American cities. Its density of 63 dwelling units per acre, mid-rise format, and reasonable construction costs could fit into many other urban neighborhoods.

APM's long-term commitment to place-based community development has not only ensured that low-income residents are not displaced. The Quality of Life Plans made it clear that residents should also be able to gain equity and improve their financial standing as the neighborhood improved. The development team hopes that Paseo Verde's success in a low-income community will encourage other developers to invest in similar communities around the country.

OTHER PARTICIPANTS

Mechanical, electrical, and plumbing engineer

CSA Group

Structural engineer

David Chou & Associates

Civil engineer

Urban Engineers

Environmental engineer

Pennoni Associates

Contractor

Domus

Property manager

The Altman Management Company

Interviewees

Nilda Iris Ruiz, president and CEO, Asociación Puertorriqueños en Marcha (APM)

Rose Gray, senior vice president of community and economic development, APM

Dale White Jr., development project manager, Jonathan Rose Companies

Antonio Fiol-Silva, principal, WRT

OTHER RESOURCES

Video

www.youtube.com/user/ULITV

About eastern North Philadelphia

www.planphilly.com/series/desolate-dynamic

www.lisc.org/philly/where_we_work/eastern_north_philadelphia.php

PROJECT INFORMATION

Development timeline

Planning started	July 2009
Site purchased	November 2010
Construction financing arranged	January 2012
Construction started	February 2012
Project completed	August 2013

Gross building area (GBA)

Transit Village	Square feet
Residential	71,666
Net residential	45,335
Parking	7,791
Community room	994
Subtotal GBA	80,451

Paseo Verde South

Residential	92,076
Net residential	59,881
Retail	30,574
Parking	16,832
Subtotal GBA	139,482

Paseo Verde total

Residential	163,742
Net residential	105,216
Retail	30,574
Parking	24,623
Community room	994
Total GBA	219,933

Land use plan

	Acres
Buildings	1.33
Landscaping/open space	0.57
Total	1.90

Residential information

Unit type	Number of units	Average sq ft	Typical rent
Transit Village			
1 bedroom	29	712	\$218–\$804
2 bedrooms	15	897	\$263–\$972
3 bedrooms	9	1,248	\$302–\$1,198
Total units	53	855	
Paseo Verde South			
1 bedroom	23	714	\$1,225
2 bedrooms	44	988	\$1,400
Total units	67	894	

Commercial space information

Commercial gross leasable area (GLA) occupied	100%
Annual rent range	\$19.00 per sq ft per year
Average length of lease	10 years

Key commercial tenants

	GLA (sq ft)
Asociación Puertorriqueños en Marcha	21,058
PHMC Health Connection	7,594
Pharmacy of America	1,922
Total	30,574

Development cost information

Site acquisition cost	\$1
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Hard costs

Site work	\$1,790,806
Environmental abatement	\$250,000
Mid-rise and commercial	\$23,416,457
Townhouses	\$1,557,190
General conditions	\$1,530,246
L&I permits	\$109,132
Overhead and profit	\$1,146,536
Performance bond premium	\$163,941
Commercial tenant improvements	\$1,108,850
Hard-cost contingency	\$1,555,225
Subtotal	\$32,628,383

Soft costs

Affordable developer fee	\$1,326,193
Market-rate developer fee	\$4,000,000
TRF sinking fund reserve	\$550,000
Architecture	\$1,308,100
Market study, feasibility, appraisal	\$137,849
Accounting fees, cost certification	\$45,000
Marketing, leasing, advertising	\$206,000
FF&E and maintenance equipment	\$95,568
Surveys	\$14,378
LEED fees and consultant	\$143,061
Engineering	\$151,972
Controlled inspections	\$43,783
Permits, utility fees	\$169,275
Closing costs, title insurance	\$147,006
Property, transfer taxes	\$52,000
Soft-cost contingency	\$90,383
Subtotal	\$8,480,568

Carrying charges and finance fees

LIHTC construction period interest	\$304,297
LIHTC construction loan fees	\$103,898
Builders risk insurance	\$298,004
Predevelopment loan fee/interest reserve	\$22,359
Legal fees	\$118,725
LIHTC fees	\$119,400
New markets tax credit (NMTC) loan interest reserves	\$1,021,263
NMTC study, consultants	\$267,800
NMTC fee/expense reserves	\$762,858

NMTC consultant fee	\$402,848
NMTC legal fees	\$1,035,401
NMTC sponsor financing fee (paid to APM)	\$775,802
Tax, escrow, insurance, lease-up reserves, other	\$509,994
Investor operating reserve/operating reserve	\$421,905
Subtotal	\$6,164,554
Total project costs	\$47,273,506
Transit Village total costs	\$15,458,345
Paseo Verde South total costs	\$31,815,161

Financing information

	Construction and predevelopment	Permanent
Transit Village (affordable residential)		
Debt		
Construction mortgage	\$4,717,184	
Equity		
Pennsylvania Housing Finance Authority (LIHTC)	\$4,922,064	\$6,015,858
Grants		
Federal Home Loan Bank of San Francisco (AHP)	\$520,423	
Philadelphia Office of Housing (HOME)	\$3,600,000	\$400,000
Total Transit Village	\$13,759,671	\$6,415,858
Paseo Verde South (residential and commercial)		
Debt		
Construction/permanent first mortgage	\$8,074,355	\$935,645
Energy Works second mortgage	\$3,000,000	
Equity		
New markets tax credit	\$7,993,714	
Deferred developer fee		\$2,765,161
Grants/soft debt/other		
Philadelphia Industrial Development Corporation (PIDC)	\$5,500,000	
Federal earmark	\$487,000	
Home Depot/Pennsylvania Horticultural Society	\$350,000	
Philadelphia Commerce Department	\$50,000	
Bank of America/LISC green grant	\$43,750	
Comcast community room	\$50,000	
Citi	\$150,000	
Philadelphia Department of Commerce (Growing Greener)	\$500,000	
Philadelphia Office of Housing (affordable RFP)	\$1,500,000	
Leverage lender interest income	\$90,463	
Lease-up net operating income	\$338,356	
Total Paseo Verde South	\$28,114,355	\$3,700,806



About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 36,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Patrick L. Phillips, Global Chief Executive Officer

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About Allen Matkins

Allen Matkins is a California-based law firm specializing in serving the real estate industry. The firm has more than 200 attorneys in four major metropolitan areas of California: Los Angeles, Orange County, San Diego, and San Francisco. Its core specialties include real estate, real estate and commercial finance, bankruptcy and creditors' rights, construction, land use, natural resources, environmental, corporate and securities, intellectual property, joint ventures, taxation, employment and labor law, and dispute resolution and litigation in all these matters.

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ULI CASE STUDIES

The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. For more information, visit the ULI Case Studies website at www.uli.org/casestudies.

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