

Chattanooga Times/Chattanooga Free Press

May 28, 2002 Tuesday

Incentives rejuvenate downtown housing

Dave Flessner Business Editor

Three years ago, developer Bob Corker moved back to his native Chattanooga and quickly became the city's biggest commercial landlord by buying nearly two dozen office and retail buildings.

As Chattanooga's mayor, Mr. Corker still has big real estate dreams.

In the next three years, Mayor Corker wants home builders to add as many new housing units in downtown Chattanooga as the city created in the past decade.

"Chattanooga is about to experience tremendous change," Mr. Corker said in his first "State of the City" address last week. "Residential growth is beginning. Private developers are making the investment, and we're on the front end of being able to fully realize a 24-hour downtown ... where people not only work and play but live, as well." By May 2005, Mr. Corker said, he wants developers to add 750 new housing units in the downtown area. Over the past decade, developers have added about 250 traditional homes and apartments downtown and private developers have added another 600 dorm units for University of Tennessee at Chattanooga students in the nearby M.L. King Boulevard neighborhood.

Downtown developers said meeting Mr. Corker's new goal will be a stretch. But setting the mark may help Chattanooga's downtown fill one of its last major voids, they said.

"In most cities, residential development has been one of the leading forces for the revival of downtowns," said Jon Kinsey, a real estate developer who preceded Mr. Corker as Chattanooga's mayor and now is working as a consultant to help in Knoxville's downtown efforts. "In Chattanooga, we've been fortunate to have the type of commercial development that is envied by other cities around the country. But our residential pace has not quite picked up yet."

Despite recent new condominiums and apartments, the number of people who live downtown today still is fewer than half what it was four decades ago.

But that may be changing, and new tax incentives and waterfront development plans should help, officials said.

Mr. Kinsey and Big River Vice President Rob Gentry, who helped develop the Riverset Apartments near the Tennessee Aquarium a decade ago, recently acquired a three-story building on Williams Street in the Southside for another downtown housing project.

Developer Buck Schimpf is converting the six-story former Lovemans \$10 million luxury condominium complex. Three blocks to the south, architect Thomas Johnson is adding 14 apartment units in the upper floors of the former St. John's Hotel. Just a couple of blocks to the east, Corniche Development of Knoxville has taken an option to buy the Fleetwood building on Eleventh Street for loft apartments. In the 700 block of Market Street, development agency RiverCity Co. has acquired a row of storefronts and is preparing plans for a commercial and housing development, officials said.

"Every successful new project helps the next project and begins to create a real momentum of development," said Ken Hays, president of RiverCity Co. "The demand is clearly there for downtown housing and it remains one of the critical pieces for us to have a truly successful,

vibrant downtown."

To spur more downtown housing, city and Hamilton County officials agreed last year to freeze property assessments on buildings upgraded into apartments for up to 10 years. Also, Chattanooga this year is adding a number of federal tax credits for downtown development as part of the Department of Housing and Urban Development's **renewal community** program.

Such incentives helped Memphis add nearly 5,000 housing units to its downtown area over the past two decades.

The federal **renewal community** program gives downtown businesses that \$1,500 a year in tax credits for 10 years. Builders also qualify for accelerated depreciation and other tax breaks for building in the downtown renewal area.

The programs "have the potential to be an incredibly powerful incentive for businesses and developers to locate downtown" if more is done to market and promote them, said Amy Walker Cherry, economic development assistant to Mayor Corker.

Mayor Corker also is trying to promote more commercial and recreational growth in the downtown area by creating a waterfront trust fund for major projects on the downtown riverfront and by adding a low-cost, broadband service known as MetroNet for Internet-based businesses downtown. On another front, local foundations and the Hamilton County Board of Education combined to give downtown housing a boost by building two new elementary schools, scheduled to open this fall.

Bill Sudderth, a former president of RiverCity Co. who now heads the downtown Chattanooga Land Co., said downtown Chattanooga "is increasingly an exciting place to be.

"Chattanooga really offers tremendous opportunities downtown for entertainment, education, recreation and relaxation that most downtowns simply don't have," he said.

Mr. Sudderth said Chattanooga Land is looking at residential opportunities for development downtown. But he said it continues to be easier to build in suburban areas where land costs are less, environmental cleanup issues are absent and parking is more easily available.

"It's almost always easier to build suburban rather than urban housing," Mr. Sudderth said. "But I think there is a growing demand among people wanting to live downtown."

Downtown enthusiasts said they are hopeful Chattanooga may tap into some of the growth in nearby Atlanta from people interested in an urban environment and less congestion.

"Over the next 25 years, Georgia's population is expected to grow from 8 million to 20 million people," Mr. Corker said. "That growth is coming our way."

E-mail Dave Flessner at dflessner@timesfreepress.com