

# From Trash To Treasure

In reaction to sky-high real-estate values, developers look to distressed areas for bargains

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On Dixwell Avenue in Hamden, a Home Depot is rising from the ashes of a site where a fire destroyed several stores in the late 1990s.

In downtown Ansonia, retail giant Target has its sights set on another fire-ravaged location, where the former Latex Foam Products factory burned down in 2001. Two months ago the town's Planning & Zoning Commission approved a zone change from heavy industrial to commercial for the project.

Target also is planning to build a store in Waterbury, which will replace a long-shuttered Bradlees.

For these and other New Haven area cities and towns looking to revitalize distressed areas, rising real estate values can be a blessing in disguise.

Sure, prices are higher - but they're viewed as a relative bargain compared to other places, where costs have escalated even more.

"We're still affordable in Hamden, and that is bringing in a lot of national and regional developers," says Dale Kroop, Hamden's director of economic and community development.

"Prices have gotten so high in good areas that more people are looking in distressed areas," adds Steven Inglese of the New Haven Group.

"It definitely makes the risk/reward more attractive if the economics of a deal don't make sense because of inflated prices, and maybe make sense in a blighted area," explains Frank M. Micali, vice president of C.A. White, Inc., the New Haven commercial real estate development and brokerage firm.

In Ansonia, rising real estate values "afford us an opportunity for development," says Claude Perry, the town's economic development director. "More people are looking at us, as development fills up in other places along the Route 8 corridor."

Ansonia Mayor James T. Della Volpe says four new buildings are slated for construction in the Ansonia Shopping Center, which is across from the new Target store site. Marshall's and a Bob's Store are two of the tenants.

"We very excited, and we're hoping with the opening of these new businesses, other businesses will come here," Della Volpe says. He adds that developers also are "showing interest" in Fountain Lake Commerce Park, a 44-acre site Ansonia is pitching as for industrial use. Home Pump Technology and Spectrum Plastics are current tenants.

The residential market also has benefited from rising real-estate values. "Ansonia is feeling the trickle effect from Fairfield County, where a lot of people are selling homes in for \$800,000, buying here for \$400,000 and pocketing the rest," Della Volpe says.

Downtown Derby is undergoing a reawakening, for similar reasons.

"We've been seeing tremendous interest in real estate here because people are getting priced out of Fairfield County," explains Derby Mayor Marc J. Garofalo.

In May the city signed an agreement with Starwood Cerruzzi Corp. to rehabilitate 20 acres on the south side of Main Street. The Downtown Business Revitalization District will include 700 units of market-rate housing, half owner-occupied, parking for 1,500 vehicles and 100,000 square feet of retail space.

Garofalo describes Derby as "the classic story" of urban decay.

"The heyday of downtown was the 1930s to pre-World War II," he explains. Post-war suburban residential and commercial growth left cities and towns with blighted downtown areas.

"Now we see the reverse happening in places like New Haven," Garofalo says. He envisions a similar scenario playing out in Derby. "People are desiring a return to a time when they live, work and recreate in the same place."

New restaurants are opening in Derby, including an Archie Moore's, and Garofalo believes a new bookstore also would thrive downtown.

In nearby Shelton, downtown "has experienced a lot of municipal investment over the past couple of years," says James Ryan, president of the Shelton Economic Development Corp. Those investments include food-related businesses, a 100-unit condo development at the old Birmingham Corset Factory and a New Mil Bank, which will be opening soon.

Waterbury, too, is in the revival business.

"Prices are up, but it's still a good buy here," says Waterbury Development Corp. Chief Executive Officer Michael O'Connor, who has charted heightened interest in commercial and residential real estate. A recent market study highlights the area's strengths as a retail, distribution and niche-manufacturing hub.

Carl Rosa, director of Main Street Waterbury, says last year the city compiled a comprehensive inventory of its downtown buildings available for sale or lease, and now is looking for ways to attract, retain and expand businesses in the Brass City.

Rosa says the recent multimillion-dollar restoration of the Palace Theater, the opening of a new downtown arts magnet school and UConn's relocation of its Waterbury campus to East Main Street are paving the way for the reinvigoration of downtown.

A recent marketing study recommended recruiting restaurants, and Rosa also

would like to see an influx of other retailers, including a music store, art gallery, grocery, "shoe cobbler" and Jewish deli.

In February the landmark downtown Apothecaries Hall building was bought by an investor connected with Yeshiva Gedolah, an orthodox Jewish school that moved into the former UConn branch in the Hillside section of town. Rosa says other Yeshiva members have bought 60 homes there over the past 24 months, and they've become "an integral part of the neighborhood."

In the late 1990s, Waterbury established what Rosa says was the first designated information technology (IT) zone in the state, offering financial packages and incentives to entice companies to open or relocate downtown. Nearly a dozen companies currently are in the IT zone.

Rising prices also are encouraging more companies to "look at the I-84/I-95 corridor for warehouse, distribution and retail use," observes John Famigletti, a commercial broker at Druber Industrials in Waterbury.

Of course, what may be good for investors is not always beneficial for residents. "It depends on how long a cycle lasts," explains Barbara Pearce, president and CEO of H. Pearce Co., Realtors.

"When the market peaks, it takes out end users, who can't afford prices, and tends to decrease home ownership and lower the owner-occupied ratio," Pearce explains.

"A hot market takes out housing stock, turning it into rental stock," she adds.

Neighborhood Housing Services definitely is feeling the pinch.

"We're having a great deal of difficulty getting properties to put into our affordable-housing program," explains Executive Director James Paley. The problem began around 2000 as prices started to escalate.

"We can't compete with investors, and many houses were demolished in an attempt to remove blight," says Paley.

Others view acquisition of abandoned and underused buildings and vacant space in distressed areas as a positive force for change, creating residential and commercial space crucial to revitalization.

"When prices in nice neighborhoods start to rise, people on the fringe start to push out of depressed areas, and [investors] start to buy and make improvements," explains Eric O'Brien of Urbane New Haven, which restores vintage houses. "It's happening in a great number of sections of the city."

O'Brien cites the example of developers John Wareck and Andrea Christie Pizziconi, who are converting two Church Street commercial buildings into condos "in a section of town that five years ago was very scary," and Joel Schiavone, who resurrected College and Chapel streets in the 1980s and currently is developing mixed-use residential and retail space along the riverfront in the Quinnipiac River District.

O'Brien is taking his own chances with a commercial building on Grand Avenue, in which he and his partner are developing artists' loft condos (see related story).

"Time will tell how these things play out," he says. "It just takes a few pioneers with vision, and others will follow."

Rising real estate values "definitely make areas that were marginal more attractive," notes New Haven City Planner Karyn Gilvarg.

At a recent public hearing about Yale University's plan to build a \$430 million cancer center, Gilvarg says residents of the Dwight, Hill and West River expressed a desire to fill the nearby Route 34 corridor with grocery stores, a gym, family-style eating places and other retail stores.

The vacant space, punctuated by a few trees, was created in the 1960s when dozens of houses were razed for a highway never built. It also became a barrier between neighborhoods, which Gilvarg says the residents would like to reunite.

In Hamden a new Home Depot is expected to generate 150 new jobs and replace Rickels, which closed in the 1990s. Several smaller stores nearby subsequently burned.

The Home Depot project developer, Australia- and Los Angeles- based Centro Watt, also owns the adjacent 77,000-square-foot Pathmark Plaza, which will undergo a facelift and should be "fully tenanted by spring 2006," according to economic development director Kroop. The Pathmark supermarket there has been closed since the mid-1980s.

Hamden Mayor Carl Amento calls the development the city's "most significant commercial project" in 15 years.

Among other recent moves, L.A. Fitness will soon open its third health club in the state about half a mile north of Pathmark Plaza.

Kroop is heartened by the flurry of commercial activity, which is "being driven by Home Depot," he says.

"Developers are showing interest in blighted areas they didn't ever want to go near, and snapping up vacant buildings abandoned for 15 years," says Kroop. "Two out-of-town developers each recently paid more than \$800,000 in cash on two properties, and one bought the property without having an idea what to put on it."

The other developer is planning a mini Quincy Market-type food mall.

Yet another developer has purchased 1.5 acres on Dixwell Avenue, where the city in 2002 removed the "burned-out shell" of the long-vacant former Johnson Perfume building. Plans for the mixed-use project include 20 to 25 units of artists housing and 15,000 square feet of "neighborhood businesses," Kroop says. Some artists' studios may be in the commercial space, where passersby

can watch them working.