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July 17, 2018

Mr. Stu Summers, Executive Director  
Valparaiso Redevelopment Commission  
162 Lincolnway  
Valparaiso, IN 46383

RE: Affordable Housing

Dear Mr. Summers:

In accordance with our recent discussions, it is our understanding that some concern has been expressed locally that the price of housing in and near Downtown Valparaiso is becoming less affordable as the overall quality and vibrancy of Downtown continues to improve.

As you are aware, for the past 16 years that HyettPalma has served the community in the capacity of Downtown revitalization advisors, the introduction of more Downtown housing has always been a major component of the area's overall economic enhancement initiative. As you will recall, the original ***Downtown Valparaiso Action Agenda*** prepared in 2002 called for more quality Downtown housing to be introduced as the condition of Downtown's businesses, public spaces and overall environs were improved. As noted in the 2002 original agenda:

*Communities of all sizes throughout the nation -- and throughout Indiana, as has been documented through the **Indiana Downtown**® Program -- have recently experienced an increased demand for housing in and near Downtown as their Downtown's physical environment and mix of businesses has been improved. This is expected to occur in Downtown Valparaiso as well. And it should be noted that, while housing of all types is in high demand in and near quality Downtowns throughout the nation, conventional, market-rate housing is thriving. Therefore, every effort should be made, consistent with the implementation of the overall Downtown enhancement program, to introduce more quality, market-rate housing in the upper floors of Downtown's historic commercial buildings and in new low- to medium-density housing developed around the perimeters of Downtown Valparaiso -- developed on vacant or underutilized parcels.*

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As envisioned by local elected officials, businesses and residents in association with the 2009 update of the ***Downtown Valparaiso Action Agenda***, in the future:

*Downtown's "residential density" would be increased, in part by making increased use of upper floor spaces. This would result in more people living in Downtown, creating increased vibrancy and a greater base of support for Downtown's businesses.*

And, as noted in the 2017 update of the ***Downtown Valparaiso Action Agenda***, since 2002:

- As Downtown has been made more "livable," the demand for Downtown housing has increased;
- Additional Downtown housing units were created – including both loft-style apartments in the upper floors of existing buildings and high quality apartments in new infill construction;
- The Thormahlen Building – once a burned-down structure – was replaced with a new, 3-story building that includes first floor office/retail and four apartments in each of the upper floors;
- The "Chicago Street Duplexes" (4 units) were constructed on Chicago Street;
- More people want to – and are excited about – living Downtown now, causing housing units to fill more quickly;
- Downtown's residents now vary in age from university students to empty nesters;
- Realization of the Anco project and Old Jail redevelopment; and
- More investment has occurred in housing adjacent to Downtown – resulting in the improved quality of neighborhood housing.

There is every reason to expect that the overall demand for quality housing in and near Downtown Valparaiso will continue to increase in the future as Downtown and its surrounding environs continue to be revitalized, developed and redeveloped – all of which are currently taking place.

While it is understood that most caring communities desire to provide adequate shelter for residents of all income levels, the introduction of affordable housing into the economic fabric of an older commercial district like Downtown Valparaiso is most difficult due to the high cost of housing rehabilitation and new construction in an established commercial district, particularly one that has marginal or weak demand for all type of uses, as was the case back in 2002 in Downtown Valparaiso.

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Due to the need to recoup invested dollars through rents or sales prices, in Valparaiso, just like in virtually every other successful Downtown enhancement effort throughout the nation over the past 50 plus years, the goal has been to seek the highest return on housing investments in order to induce Downtown housing developers to take the initial risk of investing in Downtown housing. In fact, in most Downtown revitalization projects, for example, the income from revenue derived from upper floor housing enables retail and service businesses rents to remain reasonable on the lower floors by actually generating revenue above to help finance the cost of space below.

Since your continued efforts to further enhance Downtown Valparaiso have been so successful over the past 16 years, by design, the overall demand for Downtown housing is extremely high and the vast improvements in the overall environment and commercial offerings of Downtown Valparaiso have resulted in the introduction of a plethora of new dwellings and, because they are in high demand, it is likely that the price to rent or buy housing in and near Downtown will always be higher.

Please understand that this increase in demand and associated cost of Downtown housing has not been by accident or due to chance. This situation has been comprehensively planned and orchestrated by the community for almost two decades.

If the community would like to introduce a greater number of affordable housing units for rent and sale in Valparaiso, it is strongly recommended that such housing be developed in other areas of the City, but not in the heart of the commercial district since the demand for market rate housing in this area has been proven.

If more affordable housing had been envisioned in the heart of Downtown from the early days of the overall enhancement effort – back in 2002 – the development of more affordable housing in this area would have likely been feasible, or certainly more feasible than introducing such units into the greatly enhanced Downtown with some housing selling for well over \$200,000 and rising.

It must also be understood that the main priority over the past 16 years has been to enhance Downtown's retail and service offerings. Had the primary objective been to develop Downtown housing first, the overall Downtown enhancement strategy would have been very different and it is most likely that the current health and vibrancy of Downtown would be very different now. In the business of Downtown revitalization, housing follows retail in most ever case. Stated differently:

***Successful Downtown housing strategies are apart from successful Downtown development strategies.***

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If we can be of any further help as you contemplate the provision of more affordable housing in Valparaiso, as always we stand ready to serve.

Sincerely,

Doyle Hyett, Chairman  
HyettPalma, Inc.