

Game Changer

Will 360 State spark a lower Chapel renaissance?

By Karen Singer

Around seven years ago, Chris Nicotra began buying and rehabbing buildings on lower Chapel Street, near a corner that had been a parking lot since the Shartenberg department store was demolished in the late 1960s. The area had little foot traffic and many historic structures in dire need of repair.

“We knew that some day this was going to be developed and property values were going to be going up,” says Nicotra, managing principal of Olympia Properties, which owns five parcels on the block, including 754, 760 and 786 Chapel Street.

The parking lot became the 360 State Street project, a 32-story, mixed-use “green” development with 500 apartments, powered by a fuel cell. Today the project is nearing completion and filling space ahead of schedule with residents attracted by its location and amenities ranging from a swimming pool to 24-hour concierge service.

Nicotra says his strategy is “already proving successful,” and all his properties are “100-percent” occupied with office and retail tenants.

The latest tenants are Wireless Wizard, a cell phone store occupying the first floor of 786 Chapel Street, and EpiEP, a medical device start-up that recently was the recipient of a more than \$1 million investment from Connecticut Innovations Inc. and which is leasing the building’s entire second floor.

“I know [EpiEP CEO] Pamela Bunes looked at Science Park and 545 Long Wharf, and settled on the CBD [central business district],” Nicotra says. “She wanted her employees to be able to walk out and get a cup of coffee and enjoy the vibrancy of life that comes with renting downtown.”

Nicotra views the new arrivals as evidence that “serious companies are relocating to this section of Chapel.

“I have to believe it’s the result of the progress and development of 360 State Street,” he says. “This is an area where you want to be. You’re central to the Green and you’re central to the [Shore Line East] train station” at 370 State Street.

The project is creating other ripples in the neighborhood.

“From what I’ve heard it has all been positive so far,” says 360 developer Bruce Becker, who notes Bru Café on Orange Street is “reporting a significant increase in



360 State’s luxury apartments are already bringing in some new customer’s to downtown new haven eateries.

business” and Zinc owner Denise Appel recently told him “she already has had quite a few of our residents as patrons” at her Chapel Street eatery.

The increasing foot traffic “obviously is good for restaurants and theaters and any kind of night life,” says H. Pearce President Barbara Pearce.

“The amount of people moving into the area also will create demand for more retail,” adds Albert Scafati, a commercial broker with Press/Cuozzo.

“Whenever you add a significant building of that quality to the marketplace, it enhances the marketplace,” says Richard Michaud, president of Michaud Co., a commercial real estate appraisal firm. “Because it’s new construction with nice amenities, rents are generally priced higher than most but not all of the competitive properties, which allows the competitive properties to raise their prices.”

On July 30 360 State Street received its first certificate of occupancy (CO), according to Becker.

“That took us up to the 21st floor, with over 200 apartments, which we think will be fully rented by the end of September,” he says. “We’re hoping to get the next CO on September 8 to get our first parking decks for two of the four levels of parking, and up to the 28th floor, with another 150 apartments. The final CO we hope to get by the final week of October for the remaining parking decks, apartments and 100 percent of the common areas. “And all of this is way ahead of schedule.”

So far, 360 State Street hasn’t put a dent in rental activity at nearby residential properties, according to agents and others who acknowledge prospective tenants are checking out the new development.

“We have the lowest vacancy rate we’ve had for the longest time,” says Jennifer D’Amato, leasing consultant for the Residence Court apartments at 900 Chapel Street.

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A recent survey of residential buildings near 360 State Street found “occupancies are holding their own or up, at 92 percent to 100 percent, which is pretty much the trend over the last few years,” according to New Haven Economic Development Director Kelly Murphy, whose department conducted the poll.

“It shows there was room in the marketplace for more capacity, and there clearly is a market for people wanting to live in downtown New Haven in a different product,” Murphy says.

Some question the limits of that capacity.

Can the market absorb all those units at 360 State Street and “not put too much pressure on surrounding buildings?” asks Frank Micali, CEO of Capitalize 360 Group. “That’s what I and everybody else are watching.”

Becker isn’t surprised by the survey results.

“We haven’t heard of any dip in occupancy,” he says. “I think there was a concern that we would take tenants from other buildings, but we really have not gone out of our way to attract people from New Haven.”

Instead, 360 State Street is targeting out-of-towners throughout New Haven and Fairfield counties. Bozzuto Management Co. is employing “guerrilla marketing” and other incentives to boost leasing activity, according to Lauren Lenox, Bozzuto’s general manager for the development. These include running print ads on Metro North with a mobile number for train riders to text for more information, underwriting NPR’s *Morning Edition* and other programs on WSHU public radio, social networking and a raffle where Yale graduate students could win a stay at one of 360’s guest suites.

A recent promotion gives renters two and a half months’ free rent on certain apartments if they sign a 24-month lease.



Area realtors are still unsure of the ability of downtown to absorb 500 additional upscale housing units

“We do have preferred faculty programs, employer programs and university programs,” Lenox says, adding that Bozzuto is averaging six leases per week.

The company also is forging ties with local businesses for the Club 360 card provided to all residents. Foster’s Restaurant, for example, is offering 360 card carriers a two-course meal and drink for \$20, and Olde School Saloon and Bistro is promoting ten percent off on their first three bills through March 2011.

As of September 1, 131 units were leased, 110 were occupied, 286 were available and 62 renters had signed up for monthly parking at the 360 State Street garage, which costs \$100 a month and is unreserved.

“360 State Street has just breathtaking views but the units are smaller, and maybe on a square footage basis, higher in price,” says John Wareck, a local commercial and residential broker who recently helped a physician

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relocating from New York to work at the Smilow Cancer Hospital to rent an apartment in the new development.

Wareck is acquainted with the perils of the marketplace. Several years ago, during the height of the city's condominium boom, he renovated the nearby Johnson & Simon building at 85-89 Church Street into 13 luxury condos. Three units still are vacant.

"I have slashed the prices twice in the last year, to \$399,900 from \$529,000 for the last two standard units, and the last remaining penthouse, originally priced at \$729,000, now is \$449,900," Wareck says. "I want to move them all in September. It's time to move on."

Mid Block Development owner Paul Denz also would like to move ahead with plans for a mixed-use retail and residential project at 91 Church Street but he's "stuck running in place" until he resolves a legal battle with the city over demolition costs from a 2008 fire that damaged the building and ravaged a block on lower Chapel Street. Part of the site now is used for parking.

Denz is fighting payment for the demolition of one of his buildings and the city has put a \$1.85 million lien on his property.

"I had a tenant for 91 Church Street, but they couldn't wait any longer," Denz says. "I've had inquiries for some tenants for the second floor of my garage, which is 20,000 square feet, and an artist wants to put a gallery in the lower part of the garage."

But the lien, he adds, makes it "hard to get financing to build anything out for any tenant."

Wareck believes 360 State "can only help the neighborhood and only help New Haven retail and commercial.

"If you're bringing at least 500 to 1,000 new people to those apartments, obviously it's going to help support neighborhood commercial businesses," he says. "The bulk of their retail is not competing and destined to be a grocery, which is sorely needed."

Becker predicts 360 State Street's forthcoming hybrid food coop will be a catalyst for growth.

"Even though it's only about five percent of the project in terms of its size, it will have at least as important impact on the city as the housing," he says.

Scheduled to open in spring 2011, the coop will be run by Mark Regni, a general manager recently hired following a national search. Becker says Regni has 35 years' experience in the natural food industry and "most recently opened eight stores for Whole Foods and Wild Oats."

The 24,000-square-foot coop will have around 12,000 square feet of selling space. The only other retail shop at 360 State Street is a 2,000-square-foot space housing the Devil's Gear bike shop.

Pearce thinks 360 State Street is "great for that end of Chapel Street," but improving the block "is going to take a while.

"Over time, I would expect rental rates for nearby properties would rise, and sales of nearby properties will go up," she says.

That's already happening.

Nicotra says he has raised rents on his properties "from the lower teens [dollars per square foot] to the higher teens."

And over the last several months, New Haven Economic Development Director Murphy has seen an increase in "volume of inquiries about what is permitted by building code and zoning" for properties between Church and State streets. She also has spoken with several property owners.

Becker is uncertain whether 360 State Street will be "transformative" to the area.

"We hope it might strengthen the core where they are some vacancies and hopefully attract new businesses. One of the things we've envisioned is the block on Chapel Street will become more of a connector to Wooster Square."

Press/Cuozzo's Scafati believes 360 State Street "will provide a link to Wooster Square, and will have a positive impact on nearby properties.

"[Lower] Chapel Street is going to improve and State Street is going to improve," he says.

Nicotra, who was a major player in reviving Temple Street into a retail mecca several years ago, may be among those making improvements.

"We own land on State Street near the corner of Chapel, a big vacant parking lot, and I've got my thinking cap on," he says. "The best use certainly is not a parking lot, and it could be some sort of development, residential, office or mixed use, which seems to be what really works here.

"We're monitoring the progress of the area," Nicotra adds. "And our wheels are spinning."



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