STYLE WEEKLY

Lofty Pursuits

High rent. Exposed brick. River views. Is a $2,000-a-month apartment the new American Dream? Richmond developers are banking on it.

by Brandon Walters
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It's a hot and hazy afternoon, and John Woodward is professing his glee from the rooftop of the five-story Cheek-Neal building in Manchester just south of Mayo Bridge. He's extolling the virtues of the place for his new landlord, Sam MacDonald, and a reporter and photographer.

Projects like MacDonald's will transform Richmond, Woodward says. A century ago blue-collar workers roasted Maxwell House coffee beans in this warehouse. Now, after decades spent idle, it's home to artists and architects and suits like Woodward, the city's economic development director.

In the midst of a soft economy when interest rates are the lowest they've been since the Eisenhower administration, Woodward is trading house, yard and equity — what he calls trappings and others call the American Dream — for the chance to become avant-garde and unapologetically urban. He has company.

Woodward represents an emerging class of city dwellers: renters by choice. And if their numbers are growing at the rate economic indicators suggest, they could have immeasurable effects on whether the more than $1 billion invested in downtown Richmond fulfills dreams or fosters disasters.

City leaders and loyalists have long debated what's necessary to restore the fabric of an ailing downtown. The chicken-and-egg argument over what's needed first — a residential base or the amenities and resources to support it — has proven to be as indefatigable as it is consequential. Now it appears there's a scramble to produce both at once.

The city buzzes under construction. (A dangling carrot is the tidal wave of tourists expected in Richmond for Jamestown's 400th anniversary in 2007.) Optimists clamor that regionalism, private-public partnerships and collective vision will thrust the city forward. Skeptics, even pragmatists, wonder if divisiveness and special interests will thwart Richmond's potential.

The concomitant irony is that the rapid emergence of an urban residential core, primarily of young to middle-aged professionals who opt to rent and, more importantly, stay in the city 24/7, appears to be happening casually, if not too quietly. Could it be that people — the element that was missing in the past — at last are moving in and with their presence and might will make things like the convention center, a performing arts complex and downtown retail stand a better chance?

Woodward waves an arm to the north over the James River, pointing out Libby Hill Park to the east — near his Church Hill house — then drags his hand westward across the city skyline and stops at the half-visible double spires of the Landmark Theater. This panorama is why MacDonald bought the Cheek-Neal building. And it's what convinced Woodward that living in an ultra-hip urban apartment and paying a premium price to do it is a reasonable thing for a city official and one-time New Yorker.

This terrace perch and Woodward's access to it will allow him to come home from work, kick back with a beverage and like a happy hawk watch deals he's championed or else questioned along fruition's way. Brown's Island, for example. Riverside Village, the $82 million Daniel-Cordish Power Plant Project with office and retail space plus 125 luxury apartments is a stone's throw away. So is the floodwall, a perfect place to walk his dogs, he notes. For Woodward, the place is right. So he's pocketing the keys to his $2,000-a-month, "Manhattan-esque," 2,400 square-foot loft apartment, complete with bubble glass and skylights. Perhaps it's a less risky and trendier alternative to the traditional American Dream than one might expect.

Look around Richmond. Once-vacant historic buildings boast banners that read: Now leasing. Luxury loft apartments. Traditional-style. New-York-style. Industrial-style. One, two or three-bedroom varieties. Complete with everything from doormen to fitness centers to wine cellars. High-speed Internet hookups included.

Such projects mark a sharp detour from typical multifamily affordable housing that intermittently crops up throughout the city and its suburbs. Yet by the numbers, they are becoming typical. A handful of developers are responsible for more than 50 "upscale" or "luxury" multifamily rehabilitative projects in or within close proximity to downtown. Once completed and occupied, they'll be downtown homes to thousands of new and relocated residents. So who's noticing?

The Developers

Robin Miller's theory is that "it's like a snowball rolling down a hill," he says from his downtown office at Linden Tower, one of the first mixed-use rehabilitative projects he's undertaken in Richmond during his 25 years as a developer. "I'm a firm advocate of getting the people there first," he says.

Miller is principal and owner of Miller and Associates. In the last five years, he's spent more than $50 million on apartment and condo projects such as Grace and First, Kensington Court, Sydnor and Hundley, and Parsons Row. Just last week, he sold the last of 21 newly constructed townhouses that range in price from $150,000 to $262,000 and are adjacent to the restored Parsons House in Oregon Hill.

The reason Miller and his colleagues have been able to buy and redevelop old building stock in Richmond is simple, he says. It's incentives. Developers are taking advantage of federal and state historic-rehabilitative tax credits and the city of Richmond's tax abatement program. Projects reviewed and approved by the state's Department of Historic Resources can receive a 20 percent federal tax credit that — in many cases — can be combined with the state's 25 percent tax credit. Add to this a 10- to 15-year tax relief on improvements offered by the city. With such pluses, projects that would have been too costly to develop become attractive and, what's more, profitable. "Without the incentives most of my deals wouldn't have worked," Miller says.

But with so many multifamily projects in the pipeline and with the inventory of available historic buildings being depleted as developers purchase and convert them, is Richmond reaching a saturation point?

Some say yes, but Miller doesn't agree. He sees the renting trend moving toward ownership, as in downtown condos and townhouses. "If you build it they will come," he says. His latest project is the conversion of a historic building at 19th and Broad streets into condos. "Buildings are so much risk you don't know what's behind the brick," he acknowledges. He says it's worth the risk. "I'm extremely bullish on downtown Richmond. We still have a long ways to go. But thanks to the city and the private sector making this happen, it's a powerful win-win solution," he says adding: "And I see the momentum rolling."

Developer Mark Merhige has his own ideas about how an urban residential base helps drive business — his own and others'. He likens it to a hit that was 16 years in the making, referring to the number of years he's been developing projects downtown. The numbers are staggering. In 1993 there were 400 apartment units downtown. By 2005 there will be close to 3,000. Likewise, Merhige says, 400 are in the works this year, and 500 are slated for 2004. "It's almost a vertical incline," he says.

Still, the growth in downtown dwellers didn't happen overnight. "It's a little bit of the stars aligning," he says. For a decade, he says, there's been pent-up demand for apartments in and around downtown. So in today's climate, despite a sluggish economy, low interest rates and an influx of product — meaning rehabilitative housing stock — occupancy rates downtown, according to area leasing agents, have only dipped slightly from 95 to about 92 percent. "It's relative," Merhige says. "Having said that, the occupancy rate in downtown is what suburbia would kill for."

What Merhige projects, and hopes for, is that the market will force the city and entrepreneurs to diversify and look for new ways to foster urban renewal. Think retail opportunities and new housing construction. He acknowledges it's difficult to anticipate outcomes. And unlike Miller, he thinks the boom in downtown development, particularly multifamily rehab projects, is approaching its threshold. "When the last 100 don't rent, then the market takes control of the situation," he says. When this happens, city leaders and developers will have to look to new ways to "incentivize" and "consider the next area that needs a leg up." New construction projects like Brown's Island and Rockett's Landing will likely be benchmarks for this kind of development.

The Occupants

The sophisticated renter. That's how leasing agents and developers describe those moving downtown. But to what extent will this core of downtown dwellers become active in their neighborhoods? And what will keep them there?

Merhige acknowledges a significant void — in voters. "One thing I'm noticing — apartment livers are transient in general — we're getting renters by choice who want flexibility," he says. "These are not people voting, not people overly concerned with the community."

Woodward acknowledges that renting may not translate into voting, but he disagrees that renters are not concerned about community.

"If you're spending a thousand dollars or more on rent you're not going to let hoodlums hang out on the corner," Woodward stresses. "That's the inherent 24/7 of downtown living." Perhaps. But the city's new urbanites want security; they don't want to be it. It's one of the first things prospective tenants ask about, says Jennifer McClenny, manager of Shockoe Properties, which oversees leasing for more than a dozen downtown high-dollar housing developments.

McClenny says that character is what her clients are looking for. Exposed brick. Wooden beams. River views. Historic buildings. And there is convenience. The amenities offered are attracting a different — often deeper pocketed — clientele than five years ago, McClenny says. "I would have told you then it was a younger market of people in their mid-20s," she says. "Now it ranges from college-aged to middle-aged professionals. Downtown isn't just for kids anymore. You can be 35 or even 45," she says. Additionally, she says of places like the Canal Walk, Brown's Island and Farmers' Market: "It's a huge perk to say you have a festival going on right around the corner."

But the influx of “product” and consequent influx of residents downtown is a reality that could make some people nervous. “Before, you may have had 100 units come online per year,” and now it’s 400. “That’s dramatic. You almost have to say to the restaurants and shops, Hey, the people are going to be here; it’s a fact. You better be prepared and have the resources. It’s almost scary for someone in the business.”

Melissa Baker is trying to stay on her toes. She started her company, Shockoe Corporate Living, two years ago because of the escalating demand from local and out-of-town businesses needing temporary housing for employees, consultants or clients. Baker’s domain is almost exclusively downtown. Typically, the people she places in downtown apartments are in Richmond for one month to a year. Her clients include Virginia Commonwealth University Health Systems, The Martin Agency, Media General and the General Assembly. And a bulk of her business comes from the movie industry and consultants in town to do business with Capital One, Philip Morris and Wachovia Securities. “The biggest selling point is proximity,” she says. “These are people who are never going to live here, so they’re not interested in the suburbs.” What they are interested in, she says, is Virginia and Richmond’s history, and that downtown “isn’t cookie-cutter.” And they want shopping — something she stresses is noticeably absent. Whether here for 30 days or on an extended lease that dates more than a year, Baker says for her clients, the appeal of downtown luxury apartments is simple: “I think a lot of these folks like trying it on for a while.”

The Proving Ground

But if there’s a caveat, it’s that people tried it on for a while in the mid-’80s and it didn’t take. That’s when the initial project by Tobacco Row Associates — a group of more than 30 limited partners formed in 1983 — caught much public attention. It called for using federal tax credits to help finance a decade-long, multiphase, $200 million historic renovation of Tobacco Row, starting with 145 apartments. The project was touted as the first and largest of its kind in the nation. And amid prolonged anticipation of its materializing, Richmond appeared — uncharacteristically — ahead of the curve. It could have set the trend in downtown upscale apartment living that’s now sweeping and revitalizing historic midsize cities across the country. Then, Richmond wasn’t ready. The project toppled under the weight of its own innovation and intention. Insiders say investors lost their shirts. Financing proved to be a nightmare. In the end, hundreds of individual and corporate investors soured to the deal. It fell apart and, subsequently, developer Forest City stepped in.

How far have we come? MacDonald, the developer, and Woodward, the renter, say the climate has changed for good. Still, they seem to recognize and expect certain risks with trends.

“A lot of banks thought we were crazy,” says MacDonald, about getting financing in place to purchase and convert the once-forlorn Cheek-Neal building into 14 upscale “industrial” lofts. Eventually he convinced a small bank to back him. It took six months to negotiate with the owner to sell. Cheek-Neal is nearing completion, and already 11 units are rented, fetching prices of up to $2,100 a month. In five years — the time developers are required to keep rehabbed apartments “income-producing” in order to qualify for federal tax credits — he’ll likely sell the units as condos. People have called MacDonald and his partners pioneers “not because we were geniuses but because we were the idiots to do it first” south of the river, he says.

MacDonald’s tackling his third project, the historic Enders building at 20 N. 20th St. For now he and Woodward relish the view from the rooftop, content that the “industrial” lofts underfoot offer something people can’t get anywhere else. “People call what’s over there lofts,” he says, pointing out to Woodward projects visible across the river. “But they ain’t lofts.” MacDonald and Woodward laugh at what must be their shared sense of cutting-edge. “It’s not like you walk out and there’s a Starbucks across the street,” MacDonald tells Woodward, then adds: “Yet.” S