Reuse & Redevelopment: Two Sides, Same Coin?

Brought to you by Preservation Leadership Forum and the Historic Properties Redevelopment Program

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The Panelists

- James Wright
- Regina Brewer
- Todd Zeiger
Anchor Building Redevelopment

James Wright
People’s Emergency Center CDC
People's Emergency Center (PEC) nurtures families, strengthens neighborhoods, and drives change. We are committed to increasing equity and opportunity throughout our entire community. We concentrate our efforts on providing comprehensive supportive services to homeless women and their children, revitalizing our West Philadelphia neighborhood, and advocating for social change.
## Demographic Snapshot (2010 Census)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>18,082</td>
</tr>
<tr>
<td>Age 65+</td>
<td>14.5%</td>
</tr>
<tr>
<td>Under 18</td>
<td>24%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$19,914</td>
</tr>
<tr>
<td>Poverty</td>
<td>38%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>17%</td>
</tr>
<tr>
<td>Homeownership</td>
<td>29.2%</td>
</tr>
<tr>
<td>Vacancy</td>
<td>17.5%</td>
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</tbody>
</table>
| Housing Cost Burden (paying over 30% income) | Owners - 32%  
Renters - 53% |
Lancaster Ave.
The Rodeo Drive
of West Phila.
48th Annual
May Hop Fri. May 25th
Jimmy McDade's Band
Stop. Think. Protect.

#dontgetburned
hip2knew.org
Rehabilitation Tax Credits

Small Projects, Big Payoff

Regina Brewer
City of Decatur, Georgia
Rehabilitation Tax Credits (RTC’s)
RTC Refresher

• Federal Program
  – Incoming producing properties only.
  – 20% rehab costs-no cap
  – Earned as a tax credit against federal income tax.
  – Must retain building for 5 years after project completion.
  – Comply with Secretary of Interior Standards for Rehabilitation- Interior and Exterior

Ponce City Market-Former Sear Retail and Distribution Center. $47 Million dollars in RTC’s.
Ponce City Market Large Scale Project

- Before

- Conceptual drawings
Why Aren’t RTC’s Used More?

- Unknown
- Complex
- Large Scale Projects Only
- Syndication—Too much math!
- Syndication—The sale of tax credits at a reduced value for shelter or for cash infusion in project.
Using RTC’s for Small and Local Projects

• Value of RTC’s more significant for small property owners

• Can be shared between building and business owner

• Develop pro-forma for eligible building and shop the project

• Find local, helpful source for RTC syndication. (Still too much math!)

• Development authority can assist in acquisition of loans (CDBG, TIF) to help finance the project

• RTC’s can be combined with New Market Tax Credits. (New Market Tax Credits given to projects in Low Investment Communities)
What Do Property Owners Need to Make the Deal?

- Clear process
- Help with zoning variances (easements, parking relief)
- Expedited permit process
- Team Approach
- Financial Incentives!
Cakes and Ale: The Issues

• Building owner different from business owner

• 3 non-contributing store fronts located on the historic square

• Incompatible Businesses

• “Dead Zone” encouraged loitering
Cakes and Ale: Incentives

- City granted sidewalk easement for outdoor seating
- Permit process expedited
- DDA guaranteed low interest loan for build out and restoration
- Staff knowledge of RTC’s
- Robust GA RTC program
- Investigation revealed original elements and project eligibility for RTC’s
After
Cakes and Ale

• $665,000 in tax credits shared between building and business owner

• Redevelopment led to two more storefront renovations

• “Dead zone” eliminated

• Jobs created, tax rolls increased

• Restaurant wins James Beard Award!
High House: The Issues

• One of the original historic buildings in city
• Listed on the National Register and in a local historic district
• “Boarding Home” for law offices
• Lots of deferred maintenance
High House: Even the Lawyers were Happy

- Federal RTC’s
- GA RTC’s: $300K state tax credit, 8.5 year property freeze
- Building restored
- Lawyers now looking to duplicate the process with house across the street
Rehabilitation Tax Credits

• One of the most important tools in preservation tool box
• Learn the math! (If I can, you can!)
• Find training at conferences or through National Development Council in partnership with the National Trust for Historic Preservation
• Have a list of tax credit consultants at the ready
Barriers and Opportunities for Preservation

If it was easy the private sector would have already done it!

Todd Zeiger
Indiana Landmarks
Statewide non-profit historic preservation dedicated to saving meaningful places

Founded in 1960

Serve as a resource to non-profit organizations and private owners seeking to save and restore historic places

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Preservation = Barrier

• Every real estate project faces barriers

• New green field or empty lot projects must address
  – Zoning
  – Variances
  – Abatements
  – Neighbors concerns
  – Planned unit development requirements
  – Design review often more stringent than with a historic district

• Projects involving historic buildings
  – Design review for exterior
  – Will go inside – which is a difference
  – The trade off is a significant financial incentive that is not available to new developments
Foreclosure - is anyone out there?

• Historic Properties in foreclosure are caught in a limbo of market value vs. perceived value or current investment

• Can’t find a real person to talk to
  – Realtors and property management companies hired by financial institution to deal with a bundle of properties
  – Out of town buyers – purchase site unseen and are burned – property continues to deteriorate
How can a non-profit help solve a problem property situation?

- Facilitate transition from problem owner to developer
  - Voluntary or non-voluntary
    - Partner with municipality’s code / building department to compel repair
  - Tax deduction for donation
    - Time to correspond for simultaneous closing
    - Environmental assurances
    - Tax deduction balanced with appraised value – protection helps justify reduced sale price
  - Gain control to direct grant funds to bridge gap before transfer to developer
    - TIF Funds, CDBG, Façade grant money
How can a non-profit help solve a problem property situation?

• Impact problem properties
• Repurpose buildings in the community with a connection to residents
• Community awareness and brand building for non-profit
• Earn part of developer fee or management income
• Back end ownership at the expiration of the tax credits
Tax Credits

– New LLC as a partner for each project

– Developer and tax credit equity contributor will require majority ownership

– LLC shields parent non-profit from liability should deal go south
Ruston - A problem solved with partnership

- Owner skipped town just as roof was being
- Put on demolition list
- Receivership process through unsafe building laws
- Secured control and cleared up massive title issues
- Sold to local CDC who partnered with developer to create senior housing
- Revolving Loan, TIF, FITC, LIHTC
- A decade in the making
- Public tours before, during and after
- Media about the effort
Rumely - foreclosure

- Purchased by previous owner at height of real estate market
- Owner had tried to sell for several years following 2008 market challenge - Lost to foreclosure
- Listed for $500,000 and steadily reduced in price over three year period
- Gained “stigma” after being on the market for so long
- Out of state financial institution was unresponsive
- Eighteen months to negotiate a purchase price
- Purchased for $150,000
- Invested $60,000 in to correcting issues that made conventional mortgage financing
- Brought $20,000 in donations and grants to the table
- Selling to private party
Beyond real estate

• Community involvement
• Organization name marketing
• Exposure for preservation awareness
• Helps market property
North Manchester Historic Homes Group

- Identifies foreclosed homes and work with Realtor (on their board) to purchase and flip
- Borrow dollars from Indiana Landmarks revolving loan fund and invest their volunteer time and some cash
- Sell for single family homes
Historic Properties Redevelopment Program (HPRP)

A new program of the National Trust for Historic Preservation to foster an interactive information network amongst the preservationists and other community redevelopers around the country.

http://www.preservationnation.org/forum/hprp/

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Preservation Leadership Forum

Preservation Leadership Forum of the National Trust for Historic Preservation is a community of preservation professionals. Forum is where preservation leaders—professionals, students, volunteers, activists, experts—can keep up with what is happening in the preservation world, as well as share and network with one another.

www.PreservationLeadershipForum.org

Redevelopment Affinity Group:
https://www.linkedin.com/groups?home=&gid=8209873&trk=anet_ug_hm

Contact:
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