A GOVERNOR'S AGENDA

FOR

COMMUNITY REVITALIZATION

National Trust for Historic Preservation

State and Local Policy Program

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Introduction

Leadership from the top – from governors – is critical to the development and implementation of state policies that preserve and revitalize communities, and well-preserved, revitalized communities are critical to the economic health and stability of states. To provide governors with policy options available to advance these goals, the National Trust for Historic Preservation has compiled the Agenda for Community Revitalization set forth below.

The agenda emphasizes the importance of:

- providing adequate funding and incentives for community revitalization;
- supporting downtowns and Main Streets, which are important economic generators and community anchors;
- ensuring that state transportation programs support community revitalization;
- recognizing the role played by the rehabilitation of older buildings in advancing "smart growth" objectives, such as the avoidance of urban sprawl;
- recognizing that recycling buildings is the epitome of sustainable development
- preserving a state's heritage;
- making investments in existing neighborhoods and commercial districts worthwhile and secure;
- enhancing the ability of local planning and zoning laws to encourage community revitalization and preservation; and
- giving communities the tools they need to take charge of their own future.

Because there is often a temptation to emphasize brand new initiatives at the expense of programs that are already in place and working well (or starting to show promise), the National Trust cautions against allowing existing programs to suffer simply for the sake of proposing something new. Adherence to the physician's maxim – "do no harm" (to existing programs) – should be a hallmark of this Agenda for Community Revitalization.[1]

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[1] "Community revitalization" is defined in this agenda to include neighborhood and downtown improvement efforts as well as the rehabilitation of older and historic buildings.

STEPS GOVERNORS CAN TAKE

A. FINANCIAL INCENTIVES

1. Create a sustainable, reliable source of funding for the renovation and reuse of historic buildings.

While some states provide a sustainable, reliable source of funding for the preservation of open space, many do not do this for historic buildings, even though such buildings are an important part of the state's heritage. Every state should provide a steady, reliable funding source to facilitate the rehabilitation of critically important historic buildings that may be endangered.

Discussion: New Jersey provides $6 million a year for ten years for historic preservation projects pursuant to a 1998 ballot-box initiative. The tiny state of Vermont, through its Housing and Conservation Fund, has provided over $142 million since 1987 to nonprofit organizations to carry out affordable housing, historic preservation, and open space preservation projects. This program is supported by general appropriations and real estate transfer tax proceeds. In 2002, California voters approved a $2.6 billion bond that includes $267.5 million for cultural resources. Colorado dedicates 28% of all tax revenues generated by gambling for historic preservation. Kansas earmarks a portion of its mortgage registration tax proceeds for the state's Heritage Trust Fund. In Pennsylvania, historic preservation funding is administered through the Keystone Historic Preservation Grant Program, which was originally funded through the sale of bonds and is supplemented annually by realty transfer tax revenue. As each of these states has demonstrated, predictability and reliability in state funding for historic preservation are important.

2. Provide strong tax and other financial incentives to encourage the rehabilitation and recycling of older buildings.

The rehabilitation and recycling of older buildings, especially historic structures, are critical components of smart growth and economic development. Unfortunately, many states' historic rehabilitation tax incentives have been threatened during recent legislative sessions. And in some states, tax incentives for historic rehabilitation do not even exist. States should vigorously promote historic tax incentive programs to reverse the decades-old favoritism given to sprawl development. For a comprehensive list of state historic rehabilitation tax credit laws, take a look at the National Trust's publication *Model Public Policies: State Tax Credits for Historic Preservation*.

Discussion: In Rhode Island, a recent economic impact study found that $145.7 million in state historic tax credits leveraged $484.9 million in private rehabilitation expenditures over a four year period. The study also found that the tax credit produced $179.4 million in additional local property tax revenue and $289 million in wages for 8,728 new construction jobs over the same four year period.

At a national level, the critical shortage of real estate developers interested in historic rehab and community revitalization as a market niche is well-documented. The reasons are clear: profits are far higher, the risks are more manageable, and the availability of land is much greater in suburban and rural locations. Most well-known developers who specialize in historic rehab do so out of a commitment to cities and urban revitalization. When the numbers do not work for revitalization projects, subsidies like state historic tax credits make the difference between a dream and a feasible project that contributes to the economic development needs of the surrounding community.

3. **Propose "smart codes" and model local zoning codes.**

Discussion: When building codes written exclusively with new building materials and methods in mind are applied to older and historic structures, they often make it difficult, or economically infeasible, to rehabilitate and improve the latter. To address this problem, several states have adopted "smart codes" legislation. Examples include New Jersey, Maryland, Rhode Island, New York, Minnesota, and North Carolina. California, Massachusetts, Indiana and other states have created special codes for historic buildings – or chapters in state codes to address the needs of older buildings. In all cases, these initiatives ensure that the public health and safety is not compromised.

Another barrier to the revitalization of existing communities is the prevalence of sprawl-promoting zoning codes – that is, codes that virtually require the construction of automobile-oriented, inefficiently laid out development through suburban-style parking standards, building set-backs, and other provisions. Such codes effectively outlaw pedestrian-friendly, close-knit communities that people love, places like Beacon Hill in Boston, Historic Annapolis, downtown San Francisco, and Historic Charleston. For this reason, Maryland and Wisconsin have enacted legislation to establish model local zoning codes that permit new "in-fill" development that is not only compatible with, but modeled after, many historic communities.

4. Create "Smart Investments" Programs for Community Revitalization

In partnership with private capital and foundation resources, states can create special state funds to provide gap financing and infrastructure funding to support community revitalization projects, including historic preservation, housing rehabilitation/ construction, and mixed-use developments near public transit stops. States should also review the investment policies of state pension funds to explore ways in which they could support community revitalization efforts.

Discussion: Through its Historic Downtown Development Act, Vermont provides funding such as that noted above to bolster downtown revitalization efforts. In California, the state treasurer has taken the position that the state's pension and investment funds should support community revitalization efforts. He has pointed out that billions of dollars of American capital have flowed to risky and highly volatile developing countries across the globe, while undercapitalized communities – the state's own emerging markets – have been ignored. Between 2000 and 2005, under the

California initiative, $3.4 billion has been committed to urban, infill real estate ventures, including $420 million for affordable housing in California communities.,. The program also established a system for awarding $700 million annually in federal and state tax credits for the construction and rehabilitation of affordable rental housing. This program established a point system that gives priority to "smart growth" projects in struggling neighborhoods.

B. HEALTHY DOWNTOWNS

5. Encourage state agencies to locate downtown.

State agencies are important economic generators. When located downtown, they can, and often do, stimulate economic activity in adjacent areas. Some states have acted to preserve the economic health of downtowns by requiring – or encouraging – state agencies to locate downtown whenever possible. In some cases, state agencies are urged not only to locate downtown but also to occupy historic buildings when that is economically feasible and serves the needs of the agencies. Through executive orders or state legislation, governors can help to strengthen downtowns through state agency location policies. For example, California has adopted a smart growth policy for state offices, setting a standard that state owned buildings of office spaces should be, to the extent possible, located near public transportation, affordable housing, and retail services. New buildings must be designed to accommodate a mix of uses and sited with a goal of sprawl reduction in mind.

6. Create (or Maintain) and Fund a State Main Street Program

Many states have established Main Street Programs to provide technical and financial assistance for local downtown revitalization efforts. States should vigorously promote Main Street Programs and make sure that they are adequately staffed and funded. Downtowns and Main Streets are important economic generators. The Commonwealth of Virginia invested $202 million in Main Street progams between 1985 and 2005, and this has leveraged $365 million in private sector investment.

7. Reduce retail sprawl and "greyfield" blight.

It is hard for older downtowns and Main Streets to recruit (or even retain) businesses when large, sprawl-type retail developments shift the commercial center of gravity to outlying areas or glut the local economy with more retail space than it can absorb. Such developments can, and often do, drain the economic vitality out of downtowns. At the same time, a growing number of local governments are being saddled with financial and legal liabilities caused by "greyfield" blight – the proliferation of large vacant retail centers surrounded by huge parking lots, even as new, large-scale retail development is pushing farther into the countryside, paving over farmland as it goes. Governors can help local governments address these problems by encouraging retailers and developers (through "jawboning," meetings, withdrawal of subsidies for retail sprawl and other

means) to locate in existing communities – but to do so in ways that harmonize with surrounding buildings and streetscapes. (Better models for retail superstores exist in downtown Pasadena, Calif., where Target was persuaded to recycle a two-story, vacant department store; Rutland, Vermont, where Wal-Mart rehabilitated a vacant K-Mart in the downtown; and in downtown Santa Monica, where Toys R Us built a new store that fits in harmoniously with the urban fabric.)

8. Create "Retail Reinvestment Initiatives" to encourage department stores, grocers, and other retailers to return to the city and serve under-served markets.

While suburban and "exurban" areas are often over-saturated with super-centers, mega-malls, and other types of retailers, in-town neighborhoods may be starved for retail goods. States should examine ways to encourage appropriately designed and sized retailers to return to older downtowns, Main Streets, and neighborhoods. Options for addressing this challenge might include such tools as a state-level "Retail Reinvestment Act" akin to the federal Community Reinvestment Act and a state infrastructure bank to address parking issues and other challenges.

Discussion: In the late seventies, Congress enacted the Community Reinvestment Act to halt the practice of "redlining" older neighborhoods by banks. Some states enacted state-level versions of this legislation. During the last 20 years, retailers have effectively "redlined" older cities and towns, leaving these areas under-served with respect to the provision of retail goods and services. Since many large retailers pit one local jurisdiction against another in an effort to obtain subsidies (or get out from under planning and zoning laws enacted to protect local community character), the state should explore ways to help older cities and towns starved for retail goods overcome these problems.

C. COMMUNITY PRESERVATION, STABILIZATION & IMPROVEMENT

9. Sponsor legislation to allow communities to establish "neighborhood conservation districts."

While most states have enabling legislation that permits local governments to establish historic districts and designate historic landmarks in order to protect them, the concept of "conservation districts" is not as widely applied. Conservation districts are typically established in a local zoning code to protect the distinctive character of older neighborhoods. Such districts generally provide for review of proposed demolitions and other major changes to existing properties, such as large additions. Unlike historic districts, whose regulations are often more detail-oriented, conservation districts focus on the bulk, scale, and orientation of buildings.

Discussion: As "teardowns" become more common, a growing number of communities are searching for ways to deal with them. "Teardowns" are the practice of demolishing smaller houses in older neighborhoods and replacing them with grossly incompatible

(and often much more expensive) new homes. This phenomenon threatens to exacerbate the already serious shortage of affordable housing and to destroy the distinctive character of older, close-in neighborhoods. States should give local governments the ability to deal with teardowns through conservation districts and other tools.

D. TRANSPORTATION

10. Recognize the important relationships between land use, urban design, community revitalization and transportation in gubernatorial appointments and in education and training programs.

State and local transportation policies often contribute to the neglect of older cities, towns, and suburbs while fueling urban sprawl. In close working relationships with local governments, states should develop training and education programs that foster a better understanding of the relationships between transportation, land use, urban design and community revitalization. In appointing state transportation secretaries, governors should consider land use and urban design experts as well as engineers. Joint efforts in planning and maintaining transportation systems require input from land use and urban design experts as well as engineers.

11. Develop and apply state road design standards that are sensitive to existing neighborhoods, historic and scenic areas, and other state assets.

A few states have acted to help local governments protect their communities' special character against insensitively designed roads and highways by establishing "context sensitive" road design standards. Vermont, for example, has taken advantage of federal legislation permitting states to adopt their own road design standards for certain roads. Maryland's "Thinking Beyond the Pavement" initiative incorporated progressive road design concepts. (See the Maryland State Highway Administration's publication, *When Main Street Is A State Highway: Blending Function, Beauty and Identity – A Handbook for Communities and Designers*.)

12. Protect taxpayer investments in state roads and highways while improving their efficiency.

Too often, the efficiency of state-funded roads is impaired by the proliferation of curb cuts to serve poorly-planned sprawl development alongside these roads. In funding road projects, states should preserve the efficiency of their roads by limiting the number of curb cuts serving inappropriate, unplanned development adjacent to the roads.

13. Help Finance Alternative Transportation Modes

Excessive reliance on the automobile has done great damage to older cities, towns, and suburbs – as well as to state budgets, which are increasingly strained by the need to build

new roads and highways and perform maintenance on deteriorating roads and bridges. Governors and states can improve the mobility of their residents, preserve community character, and reduce the strain on their transportation budgets by encouraging and investing in alternatives to the traditional single rider automotive commute – alternatives like light and heavy rail, high speed buses, telecommuting, staggered work schedules, high occupancy vehicle lanes, and single-trip car sharing services. In addition, communities can promote shorter and more efficient car trips by choosing pedestrian-friendly infill development over suburban sprawl. Some state constitutions limit the use of state gas-tax revenues to roads and highways. Such restrictive policies should be revised to support alternative transportation modes.

E. EDUCATION AND SCHOOL FACILITIES

14. Reexamine – and change, if necessary – state school facility policies that undermine local efforts to preserve historic schools and bring them up to 21st-century educational standards.

Across the country, parents and educators are clamoring for smaller, more community-centered schools on the grounds that they are better for students and better for learning. Many historic schools are smaller – and the vast majority of them are more community-centered – than most new schools being built today. In 2004, the council of Educational Facility Planners International (CEFPI) revised its influential *Guide for Planning Educational Facilities* that informed best practices for the renovation and construction of school facilities. In this document, CEFPI embraces the notion that schools and their sites need to be responsive to the setting, client, teachers, and students and therefore no longer recommends minimum acreages for school sites. Unfortunately, some state policies still use approaches that adversely affect older schools. Examples of such policies include:

- 50% (or 60% or 2/3) rules, which hold that if the cost of renovating an existing school exceeds 50% (or some other arbitrary percentage) of the cost of building a new school, the local school district must build new or forfeit state financial assistance for capital projects. During a period of tight state budgets, it makes no sense to prohibit (or discourage) school renovation projects that could deliver state-of-the-art schools when they are actually <u>less expensive</u> than new construction projects;

- Inflexible and arbitrary acreage requirements for schools. Many states have adopted sprawl-promoting, neighborhood-destroying school site standards that threaten smaller, community-centered schools. In some states, for example, the standards call for one acre for every 100 students plus 10 acres for an elementary school, 20 acres for a middle school, and 30 acres for a high school. Such standards often force one of two undesirable choices on school districts: (a) destroy the neighborhoods they are trying to educate by requiring the demolition of existing homes surrounding schools; or (b) build "sprawl schools" on remote, isolated sites in outlying areas to which few students can walk or bike.

In Rhode Island, school districts must demonstrate new construction is the best alternative and must have considered renovation options if an existing building is available. In addition, incentive bonuses are awarded for repair and renovation. Pennsylvania eliminated its arbitrary "60% rule," which had discouraged the maintenance and renovation of older schools, and encourages the retention and adaptive use of school buildings by public and nonprofit groups. Maine has promoted better coordination between school facility planning and general community planning, assesses public involvement, the existence of a "renovation vs. new construction" analysis, and location within a locally designated growth development zone as part of the funding criteria, and has recently eliminated minimum acreage requirements. A more complete listing of state policies is available in the National Trust for Historic Preservation publication *Model Policies for Preserving Historic Schools*.

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15. Adopt programs that encourage local boards of education and local governments to work with state officials to target resources to improve schools in existing neighborhoods and communities.

States should educate school representatives, local government officials, architects and the general public about the importance of strengthening communities (and of doing no harm to them) through school construction and renovation projects. When possible, states should encourage school districts to preserve and rehabilitate – or build new, when appropriate – smaller, community-centered schools. State funding formulas for school construction and renovation should be reexamined to make sure that they do not discourage the proper maintenance of existing schools.

F. PLANNING, GROWTH MANAGEMENT AND SMART GROWTH

16. **Withdraw subsidies for urban sprawl**.

Through its Smart Growth legislation, enacted in 1997, the State of Maryland has elected to stop forcing taxpayers to subsidize the construction of wasteful, inefficient sprawl development. Developers can still build it. Local governments can still approve it. But the state will no longer subsidize it. State investments in schools, roads, and other public facilities are limited to designated Priority Funding Areas. These include all existing communities as well as areas designated and planned for new growth.

17. Include historic preservation and community revitalization goals in state growth management and smart growth laws.

Some states have overlooked the "flip side of sprawl" – i.e., the need to preserve and reinvest in existing communities – as a way of taking development pressures off of farms, forests, and open spaces. State growth management and planning laws should require local governments to include historic preservation and community revitalization elements in local plans. Rhode Island has included progressive preservation-planning provisions in its state planning law.