Incentives at the Local Level
Heritage Ohio Annual Conference
October 6, 2015

Briana Grosicki
Donovan Rypkema
PlaceEconomics
The Afternoon's Presentation

1. Introduction
2. Why, When and What of Incentives
3. Two Incentive Surveys NAPC and NMSC
4. Key Findings
5. Innovative Incentives
6. Conclusions & Q&A
Why incentives and what do they do?
The Three Misunderstood Words
In real estate what makes up COST?

Acquisition Price
Construction Costs
Professional Services
Fees
Construction Financing
Miscellaneous Costs

Cost
In real estate what makes up VALUE?

- Rent
- Vacancy
- Expenses
- Amount
- Rate
- Term
- Risk
- Alternatives
- Tax Benefits
- Appreciation
- Liquidity
- Management

- Operation
- Financing
- Equity
- Market
The Cost/Value Relationship

When Value Exceeds Cost, Capital will flow quickly to the opportunity.
The Cost/Value Relationship

- COST
- VALUE
- GAP

Development Incentives
When only economic values are considered, the owner/developer has to bear the costs but also receives the benefits (economic value)
But historic buildings also have non-economic values

- **Opportunity Costs**
- **Compliance Costs**
- **Efficiency Costs**
- **Maintenance Costs**
- **Economic Costs**

- **ASSOCIATIVE VALUES**
- **POLITICAL VALUES**
- **SYMBOLIC VALUES**
- **AESTHETIC VALUES**
- **EDUCATIONAL VALUES**
- **SOCIAL VALUES**
- **CULTURAL VALUES**
- **ECONOMIC VALUES**

Owner pays but others benefit
Incentives are a means of recognizing that many of the values of historic buildings don’t accrue to the owner but to the public at large.
What does the incentive do?

- Reduce Costs
- Reduce Cash Required
- Increase Income
- Reduce Expenses
- Improve Financing
- Reduce Risk
- Improve Investment Environment
- Improve Information Environment
WHAT’S & WHY’S OF THE SURVEYS
Who Answered the Survey?

- Staff to preservation commission
- Member of local preservation commission
- Preservation advocate
Population of Responding Communities

- Fewer than 5,000
- 5,000-19,999
- 20,000-49,999
- 50,000-74,999
- 75,000-99,999
- 100,000-199,999
- 200,000-499,999
- More than 500,000
GREAT DOWNTOWNS DON’T JUST HAPPEN
WHY BUILDINGS AND BUSINESSES?
306 Responses from 46 states and DC
City Size of Respondents

- Fewer than 5,000: 12.9%
- 5,000-19,999: 27.8%
- 20,000-49,999: 19.9%
- 50,000-74,999: 9.3%
- 75,000-99,999: 4.0%
- 100,000-199,999: 6.0%
- 200,000-499,999: 10.6%
- More than 500,000: 9.6%
Main Street Community Respondents

- Don't Know: 5.9%
- No Main Street Program: 26.5%
- Has Main Street Program: 67.6%
Who were the Respondents

- Main Street Staff: 28%
- City Staff including Planner: 20%
- All Other: 20%
- Interested Citizen: 17%
- Preservation Professional: 14%
- Preservation Activist: 10%
- Other Revitalization Organization: 8%
- Architect/Consultant/Attorney: 7%

Main Street Staff were 28% of Respondents

24% Described themselves as Preservation Professional or Preservation Activist
Key Findings
NAPC Survey
Who Provides Incentive?

- Technical Assistance:
  - Local Government: 80%
  - Nonprofit: 15%
  - Institution: 5%
  - Private Sector: 3%
  - Other: 1%

- Grants:
  - Local Government: 60%
  - Nonprofit: 10%
  - Institution: 3%
  - Private Sector: 2%
  - Other: 1%

- Financial Tools:
  - Local Government: 60%
  - Nonprofit: 10%
  - Institution: 3%
  - Private Sector: 2%
  - Other: 1%
When is Incentive Received/Used?

- Financial Tools
- Grants
- Technical Assistance

- Operation
- Rehabilitation
- Acquisition
- Predevelopment
Does Your Community Use Preservation Easements?

- Yes: 39%
- No: 61%
Incentives for Using Historic Buildings for Affordable Housing?

- Yes: 5.7%
- No: 94.3%
Types of Incentives

- Grants
- Technical Assistance
- Regulatory Incentives
- Local Tax Incentives
- Financial Tools
Who Provides Technical Assistance

- Main Street program
- City
- Preservation organization
- Other downtown/neighborhood revitalization program
- Community Development Corporation
- Local design center
- Utility company
- Local foundation
- County
- Other
Who Funds Technical Assistance

- City: 35%
- Main Street program: 30%
- Preservation organization: 15%
- TIF district: 10%
- Other downtown/neighborhood revitalization program: 5%
- Other: 0%
- Local design center: 0%
- Business Improvement District: 0%
- Local foundation: 0%
- County: 0%
Types of Grants for Buildings

- Acquisition
- Architectural history
- ADA compliance
- Upper floor housing
- Design
- Other
- None
- Roof/window/exterio repairs
- General rehabilitation
- Façade improvements
Financial Incentives for Buildings

- Deferred payment loans
- Waiver of financing fees
- Loan guarantees
- Forgivable loans
- Revolving loan fund
- Low Interest loans
Use of Financial Incentives for Buildings

- Low Interest loans
- Revolving loan fund
- Deferred payment loans
- Forgivable loans
- Loan guarantees
- Waiver of financing fees
- None
- Other
Very few communities have local tax-based incentives for buildings.
Main Street vs Not Main Street
Main Street much more likely to provide technical assistance.
Financial Assistance Provided

Main Street and non-Main Street communities aren’t different in financial assistance provided (except “other”).

- **Low Interest loans**: 22% Main Street, 21% Non-Main Street
- **Revolving loan fund**: 19% Main Street, 19% Non-Main Street
- **Deferred payment loans**: 3% Main Street, 2% Non-Main Street
- **Forgivable loans**: 7% Main Street, 5% Non-Main Street
- **Loan guarantees**: 4% Main Street, 2% Non-Main Street
- **Waiver of financing fees**: 4% Main Street, 1% Non-Main Street
- **None**: 16% Main Street, 5% Non-Main Street
- **Other**: 6% Main Street, 21% Non-Main Street

- **Main Street**
- **Non-Main Street**
REGULATORY INCENTIVES

- Transferable Development Rights
- Free or discounted public property disposition
- Permit fee mitigation
- Municipal infrastructure
- Building code flexibility
- Parking requirement waivers
- Zoning code flexibility

Not Main Street | Main Street
USE OF HISTORIC TAX CREDITS

- Used Federal Tax Credit
- Used State Tax Credit

- Main Street
- Not Main Street
Differences by Population Size
Façade Improvement Grants

- Under 5,000: 45.0%
- 5 - 20,000: 53.6%
- 20 - 50,000: 53.3%
- 50 - 100,000: 39.0%
- 100 - 500,000: 34.0%
- Over 500,000: 33.3%
Used Federal Historic Tax Credit

<table>
<thead>
<tr>
<th>Community Population Size</th>
<th>Under 5,000</th>
<th>5 - 20,000</th>
<th>20 - 50,000</th>
<th>50 - 100,000</th>
<th>100 - 500,000</th>
<th>Over 500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.5%</td>
<td>42.9%</td>
<td>58.3%</td>
<td>53.7%</td>
<td>40.0%</td>
<td>33.3%</td>
</tr>
</tbody>
</table>
Transferable Development Rights

- Under 5,000: 2.5%
- 5 - 20,000: 1.2%
- 20 - 50,000: 0.0%
- 50 - 100,000: 2.4%
- 100 - 500,000: 6.0%
- Over 500,000: 3.7%
Dodge City, KS – Combination Grant/Loan Program

- Since 2011
- 50/50 grant program up to $10,000
- 50/50 zero % loan program up to $10,000
- 19 exterior grant projects
- 4 interior loan projects
Washington, MO – Sign/Awning and Window Grants

• Matching grant up to $500
• Granted $3,200 but private investment has reached nearly $14,000 in the program
• Window grant in planning phase
Mesa, AZ – Sprinkler Assistance

• 50/50 match for up to $10,000 to assist with costs of installing a fire suppression system
• Must be in downtown area with preference given to Main street
• Applicants have all been tenants/businesses
Smithfield, NC – R2 Rush

- Restaurant/retail
- $4/$2 per square foot for one year up to $10,000
- “online is the new word of mouth” – Yelp/Urbanspoon/Open Table
Beatrice, NE – Low Interest Revolving Loan Fund

- Seeded with $50,000
- Business retention, expansion, recruitment
- Gap financing
- 1.9% interest
Birmingham, AL – sales tax rebate

- Sales tax rebate
- Share of % of new revenue
- Case-by-case basis
Water Valley, MS – creative economy grants

- Since joining Main Street 8 years ago Water Valley Main Street has undergone major renovations
- Creative economy businesses driving the energy back into town
- State grant for $10,000
- Matching from 4 recipients and Main Street
- Totaling $40,000
Grand Haven, MI – Business Assistance Team

- MS staff of 1
- Business assistance pro bono by local businesses, accounting, legal, real estate, banking, window/storefront design
- Confidential one-on-one meetings
When Incentives work; Conclusions
Effectiveness of Building Incentives

Most Effective
- Façade Grants
- Federal Historic Tax Credit
- State Historic Tax Credit

Least Effective
- Federal Historic Tax Credit
- Loans
- State Historic Tax Credit
Effectiveness of Business Incentives

Least Effective
- Business Management Assistance
- General Business Assistance
- Business Plan Assistance

Most Effective
- Grants
- Marketing Assistance
- Market Analysis
- Rent Reductions
Who Gets Incentives?
Retain, Expand, Recruit

- Market Analysis
- Low Interest Financing
- Grants
- Free rent
- Below market Rent
- Real estate tax abatement

Legend:
- Green: Recruit
- Red: Expand
- Blue: Retain
Incentives Work Best When...

- Directed to a particular need
- Directly related to the gap
- Paired with appropriate regulations
- Clearly communicated
- Actively marketed
- Simple in implementation
- Within an overall public policy objective
- Depoliticized
Q & A