Looking Up, Downtown: A National Survey and Assessment of Residential Development Incentives for the Rehabilitation of Vacant Upstairs Space in Historic Downtowns

Abstract
In order to facilitate redevelopment and foster economic growth in their downtowns, many local governments across the United States offer financial incentives to assist developers and business owners in rehabilitating their older or historic structures. While many economic development tools focus on the establishment and growth of businesses in historic downtowns, there is a general understanding that in order for a neighborhood or downtown commercial district to thrive, it must also have a solid residential population. This thesis focuses specifically on redevelopment incentives aimed at creating or enhancing upper floor residential space. Through short case studies, it evaluates different types of incentives, including Tax Increment Financing (TIF), tax abatement, revolving funds, and other grant programs. It then delves into the Upstairs Fund program initiated in Wilmington, Delaware, before comparing Wilmington's program to others around the country. It concludes with a discussion of the importance of dedicated local governments, committed developers, and the utilization of public-private partnerships in successful redevelopment projects and incentive programs.

Keywords
incentives, urban revitalization, residential redevelopment, vacant buildings, public private partnerships

Disciplines
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LOOKING UP, DOWNTOWN: A NATIONAL SURVEY AND ASSESSMENT OF RESIDENTIAL DEVELOPMENT INCENTIVES FOR THE REHABILITATION OF VACANT UPSTAIRS SPACE IN HISTORIC DOWNTOWNS

Laura DiPasquale

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______________________________
Advisor
David Hollenberg
University Architect
Lecturer in Historic Preservation

______________________________
Program Chair
Randall F. Mason
Associate Professor
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CHAPTER 1: INTRODUCTION

Numerous economic development tools focus on the establishment and growth of businesses in historic downtowns. While the viability of storefront businesses is important to town and city economies, there is a general understanding that in order for a neighborhood or downtown commercial district to truly thrive, it must have a solid and active residential population. There has been discussion for several decades about the importance of residential occupants as a key component in the revitalization of downtowns and yet many towns and cities still have vacant and deteriorating upper story space in mixed use commercial/residential buildings.

The composition of downtown residents, as well as policies surrounding downtown housing, has changed dramatically in the past seventy years. Traditionally, downtowns were the center of commercial, retail and government activity. It was common for people to live in apartments above their shops, in residential hotels, or in compact neighborhoods within walking distance to downtown.\(^1\) After World War II, increases in automobile production and dependence, coupled with highway construction and incentives for new housing development, such as the G.I. Bill, discouraged downtown living and drove people from traditional downtowns. As residents moved away from downtowns, retail and commercial activity declined as well. With little market for downtown living, it was often cheaper and easier to board up the upper floors. Sometimes, in an effort to increase usable floor space and profit in ground

floor commercial spaces, businesses removed the stairs to the upper floors of their buildings, leaving them vacant and deteriorating.

In an effort to alleviate the perceived blight in and around city centers, from the 1950s through the early 1970s, many cities undertook urban renewal projects focused around expansive transportation projects that were largely federally funded. The construction of massive highways such as Interstate 95 through Wilmington, Delaware and Philadelphia cut swaths through many traditional neighborhoods, fracturing urban communities and further isolating downtown residents.

Early promoters of downtown living, such as Jane Jacobs, reacted negatively to such projects, promoting instead human scale development and economic development through planning techniques and strategies that included historic preservation. An official response to the negative consequences of urban renewal came in 1966 with the passage of the National Historic Preservation Act (NHPA), which, among its other provisions, requires that all federal agencies evaluate the impact of federally funded or permitted projects on historic properties and resources. This review process, known as Section 106, has a particular impact on large-scale transportation projects. In addition to Section 106, the NHPA established several other institutions and policies that still oversee historic preservation activities today, including the Advisory Council on Historic Preservation, State Historic Preservation Offices, and the National Register of Historic Places.²

By the late 1970s and 1980s, many communities also realized that measures needed to be taken to counteract the effects of urban renewal and the high levels of vacancy in downtown areas, and formed advocacy groups with the mission of

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downtown revitalization. It is in this vein that programs such as the National Main Street program\(^3\) and Business Improvement Districts (BIDs)\(^4\) came into being.

Today, the planning aspects associated with downtown development and the requirements of thriving downtowns, such as legibility, accessibility, new/improved regional amenities, safety and cleanliness, streamlined regulations, and preserved and reused old buildings, are well understood and employed by towns, cities and BIDs nationwide.\(^5\)

In many places, the issue facing downtown living is no longer a lack of demand, but limited supply. With increasing numbers of people moving back to walkable city and town centers, the demand for downtown housing is high. So then why do many downtowns still face vacant or underutilized upper floor space? The answer most often boils down to cost. The “gap” between rehabilitation cost and return on investment can be prohibitively high, with building codes and minimum parking requirements creating additional project costs that are seen as major impediments to the rehabilitation of existing structures.

\(^3\) The National Main Street Center, founded in 1980, promotes a four-point approach (organization, promotion, design, and economic restructuring) to downtown revitalization that has been utilized in more than 2,000 communities across the United States. See: National Trust for Historic Preservation, About Main Street, http://www.preservationnation.org/main-street/about-main-street/ (accessed December 15, 2011).

\(^4\) The first Business Improvement District (BID) in the United States was established in 1974 in New Orleans. A BID is a defined area in which businesses pay an additional fee to fund improvements within the district’s boundaries. These improvements often take the form of cleaning and safety services, which supplement services provided by the municipality. Enabling legislation for BIDs varies between municipality, but generally involves the following steps. First, there must be state enabling legislation that allows individual municipalities to form BIDs. The creation of a local BID is generally initiated by business owners within an area who petition by local businesses to the local government for the formation of a BID. The municipality must then determine that the majority of business owners within the district approve of the creation of a BID. Finally, the local government must enact legislation to create the BID. For more information, see Lawrence O. Houston, BIDs: Business Improvement Districts (Washington, D.C.: Urban Land Institute; 2003).

But building owners themselves may also be hindering rehabilitation and downtown revitalization efforts. Many vacant building owners are absentee landlords, and do not know the current condition of their buildings. They may see revitalization efforts around them and overvalue their properties, underestimate the cost of deferred maintenance to rehabilitate their buildings, or simply desire to maintain the status quo. It can often be cheaper for them to “wait it out” than to rehabilitate their properties and incur higher taxes, or they may not have the resources to rehabilitate the property themselves. To combat these issues, pro-active city officials, such as those in the cities highlighted in this thesis, have developed incentive programs to assist developers and building owners in the rehabilitation of their properties for apartments and condominiums.

In the early 2000s, the issue of vacant upper story space became apparent to municipalities nationwide, including the city of Wilmington, Delaware, the primary case study for this paper. Having already completed infrastructure and public space enhancement projects, the city turned its sights on vacant upper floors, seeking a way for a public entity to intervene in privately owned property. The result was the formation of a public-private partnership (PPP) with committed local developers and a City-funded upper floor redevelopment program called the Upstairs Fund. While Wilmington modeled its program on those in Pittsburgh, PA and Elkhart, IN, numerous other cities around the country also developed upper floor housing and redevelopment incentive programs. The idea of and need for upper floor redevelopment was so popular that two state organizations, the Illinois State Historic Preservation Agency, and the Preservation League of New York State, created programs to teach the strategies for
and implications of upper floor redevelopment to local governments, business leaders, and historic building owners.

This thesis explores different aspects of downtown living and redevelopment, focusing specifically on upper floor redevelopment incentives, with a primary focus on Wilmington, Delaware. Ultimately it suggests that the structure of these incentive programs is less important than the joint, long-term commitment of public and private entities who have a strong grasp on the issues facing their community and who are willing to be flexible, negotiate, and work together. The need for flexibility in various aspects of the rehabilitation process is evident in the literature surrounding the perceived impediments to rehabilitation, such as building codes and parking requirements, both of which are addressed in this paper.

The thesis begins with a discussion of trends in downtown living and the need for an increased supply of downtown housing. It then looks at the impediments facing redevelopment in downtowns, and how these impediments have been dealt with at various levels, and in various locations, before describing the most common types of upper floor redevelopment incentives—Tax Increment Financing (TIF) grants, tax abatement, low-interest loans and revolving funds. It then focuses specifically on upper floor redevelopment efforts in the city of Wilmington before comparing Wilmington’s program to those in other cities, and evaluating the strengths and weaknesses of such programs. It concludes with a discussion of the importance of public-private partnerships in successful redevelopment projects and incentives, and with questions for future research.
CHAPTER 2: NATIONAL TRENDS

CHANGING DOWNTOWNS: BABY BOOMERS, MILLENNIALS AND THE BACK TO THE CITY MOVEMENT

Downtowns are changing. In 2005, the Brookings Institution published a seminal report titled “Who Lives Downtown,” which evaluated 44 selected cities in the United States, and found that during the 1990s, downtown population grew by ten percent (10%), with a shifting composition of smaller households, more ethnic diversity and higher education levels. The report highlighted downtown housing as an “increasingly important niche in the residential real estate market” and an “emerging alternative to the suburbs.” The article noted that the renovation and occupation of previously vacant space in central locations facilitates further residential and commercial development by increasing the number of people on the street. These findings are echoed in journal and newspaper articles such as Birch (2009), Perlman (1998), and Strom (2008) and in a fall 2011 report titled “Global Trends Affecting Downtowns: Revisited” by Progressive Urban Management Associates, which discusses the changing demographics, lifestyles and global competition facing downtowns today. Growth is occurring in vibrant downtowns that are able to adapt to and take advantage of these changes. One of the ways downtowns can adapt is through the redevelopment of vacant extant buildings.

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7 Ibid., 2.
8 Ibid., 2.
Studying census data from 1970-2000, Birch (2005), Katz (2006)\(^\text{13}\) and Strom (2008), found that downtown market-rate housing has already increased in many places, as have the number of college-educated residents and homeownership rates. Over the last decade, there has been what the New York Times calls a “profound structural shift” towards cities and downtowns, as well as in the demographics of the United States.\(^\text{14}\) Today, half of the U.S. population is made up of baby boomers (people born between 1946 and 1964) reaching retirement age and so-called “millennial” (people born between 1979 and 1996) who are entering the workforce. Many baby boomers are looking to downsize from their large suburban homes to smaller, centrally located spaces within walking distance or a short ride on public transit to a variety of amenities. According to a survey by the National Association of Realtors, baby boomers are seeking homes in walkable communities with access to shops, restaurants and local businesses.\(^\text{15}\) Millennial, too, are looking for housing in urban downtowns and suburban town centers. King and Hirt (2008) estimate that by 2020, married couples with children will represent only 20% of all households, while one or two person households will increase, along with the demand for smaller homes such as condominiums, townhomes, duplexes, apartments and one and two bedroom single-family homes.\(^\text{16}\) One and two bedroom apartments can easily be accommodated in traditional upstairs space in downtowns.


\(^{16}\) Leigh Ann King, AICP, and Jeff Hirt, *Housing Diversity and Accessibility*, Sustainable Community Development Code: Research Monologue Series, The Rocky Mountain Land Use Institute (Rocky Mountain Land Use Institute, 2008).
However, as King and Hirt (2008) note, the number of young couples with children choosing to locate downtown in urban areas is also increasing. The article recommends that changing zoning regulations to encourage multi-family units with two, three and even four-bedroom units would help satisfy the needs of growing families. King and Hirt (2008) further discuss encouraging families who want to live in center cities by providing child-friendly amenities and quality educational facilities within the urban core. They provide a list of implementation options, including: the removal of barriers such as the definition of “family” in cases where it is an obstacle to non-traditional families; permitting duplex and multi-family development in more places; providing incentives such as density bonuses when incorporating a variety of housing options, and the reduction in mandatory development standards such as parking (discussed in greater depth in the following chapter).

King and Hirt (2008) address the American Planning Association’s Policy Guide on Housing policy, which recommends that planners “promote, through Comprehensive Plans, Zoning Codes, and Subdivision Regulations, housing stock in a wide range of prices, with a variety of types and configurations, to offer choice in location, type and affordability to all members of the community.” Jurisdictions may provide incentives within their zoning and subdivision ordinances that encourage the development of housing types that are lacking. The implementation of incentives for upper floor redevelopment has been used to catalyze downtown housing development nationwide.

Revisiting “Downtown in the ‘New American City,’” Birch (2009), discusses changes impacting downtowns after the economic collapse of the late-2000s. She notes

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17 Ibid., 5.
18 Ibid., 9.
that, as mixed-use areas, downtowns have fared somewhat better than their suburban counterparts. She notes that new development under construction was often cancelled or stopped as a result of the collapse. Even prior to the collapse, the supply of newly constructed condominiums was outpacing demand. Smart developers were, however, able to be flexible and convert their properties into rental units, appealing to the growing 20 to 29 year old population.19

PUBLIC POLICY

Policy literature impacting upper floor reuse exists on multiple levels. At the federal level, legislation informs the types of programs that are promoted and funded at the state level. The federal government also administers the most successful national rehabilitation tool, the Federal Historic Preservation Tax Credit program. At the regional level, there is an increasing push for comprehensive regional plans for transportation and sustainability initiatives. At the state level, reports from state historic preservation offices and non-profit organizations discuss tools that have been successful in their states. At the city level, housing studies and master plans are able to delve the most deeply into issues confronting an individual place and the policy mechanisms in place to address these issues. Local policy also increasingly addresses impediments to redevelopment by creating redevelopment incentives and exempting existing or historic properties from minimum parking requirements and establishing alternative approaches to satisfy building code requirements.

19 Birch, “Downtown in the ‘New American City,’” 152.
Federal

In addition to the National Historic Preservation Act of 1966, the federal government oversees several policy tools that influence rehabilitation projects and incentivize the use of existing structures as part of community revitalization efforts. The most influential of these is the Federal Historic Preservation Tax Credit program, jointly administered by the Internal Revenue Service and the National Park Service. The federal government also oversees the long-running Community Development Block Grant (CDBG) program, which has aided in revitalization efforts nationwide.

One of the most effective federal community revitalization tools, jointly administered by the Internal Revenue Service and the National Park Service, is the Federal Historic Preservation Tax Incentive for the rehabilitation of certified historic structures. The program offers a 20% tax credit for the rehabilitation of income-producing historic structures, thus encouraging private sector investment in existing buildings. Since its inception in 1976, the program has leveraged more than $30 billion in private investment in historic buildings across the nation. According to Swaim (2003), federal leadership in historic preservation policy has created an “essential framework for state and local initiatives.” As Schuster (2002) notes, federal listing on the National Register of Historic Places may trigger a broader range of policy actions embedded in state and local law than can be addressed by a national organization.

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Another federal program with proven influence on upper floor redevelopment is the Community Development Block Grant program (CDBG), administered by the U.S. Department of Housing and Urban Development (HUD). Enacted in 1974, the CDBG program allocates funding to state and local governments for community development activities, particularly decent and affordable housing, and has helped stimulate development and redevelopment nationwide. In its description of the program, HUD notes that the program is flexible, and can be used for a variety of community development needs. The CDBG program provides funds to designated Entitlement Communities, Renewal Communities, Empowerment Zones and Enterprise Communities for activities that benefit low- and moderate-income people. Many older and historic downtowns have large low and moderate incoming populations, positioning them well to take advantage of CDBG support. Funds may be used for the rehabilitation of residential and non-residential structures, as well as the acquisition of real property, which is usually restricted in other grant programs.22

Regional

While historic preservation and community development are not generally administered on a regional level, there has been a push in recent years to develop more comprehensive regional plans for sustainability, including transportation, land use, affordable housing and economic development. The rehabilitation and reuse of existing structures can be an active part of all of these types of planning.

Publications such as the National Trust for Historic Preservation’s “Rebuilding Community: Best Practices Toolkit,” which are aimed at helping community leaders preserve the existing housing stock, can be helpful in identifying issues related to housing rehabilitation and redevelopment. The National Trust’s “Toolkit” is targeted specifically at leaders in the Northeast where the number of abandoned or vacant structures far exceeds that of any other region. This publication provides twenty-four examples of public policies, financing programs, marketing strategies, model partnerships, and design and adaptive reuse approaches that have contributed to community renewal. With simple explanations of the initiator, background, project impacts, and factors of success for each project, the Toolkit relates well to the topic of this thesis, as many of the projects discussed involve upstairs redevelopment. For example, one case study describes the overlay district in Lowell, MA, which turns upper stories of commercial buildings into artist live/work space, while another discusses the New Jersey Rehab Subcode, addressed later in this document.

Another recent report that talks about upper story housing is the Governors’ Institute on Community Design, led by former Maryland governor Parris Glendening and former New Jersey governor Christine Todd Whitman, outlines “Policies that Work” for various topics, including housing. All of the housing policies promoted in this report encourage the development of upper-story housing in transit-oriented downtowns. The report encourages cities and counties to permit more multi-family and higher density housing, update or establish state sub-codes for housing rehabilitation and support redevelopment of vacant and abandoned properties. The report
specifically discusses the actions that states can take to encourage upper story housing development, but does not discuss incentives on a local level.  

State

Many historic preservation policies and programs are administered at the state level, with thirty states having adopted laws creating state historic rehabilitation tax credit programs. These programs are run by State Historic Preservation Offices, which were established by the National Historic Preservation Act of 1966, and are modeled on the federal historic preservation tax credit. The state rehabilitation programs provide an additional percentage of tax credits (which usually range from 10% to 20% for income-producing historic structures, and 30% for non income-producing structures) towards the cost of rehabilitation, and may be used in conjunction with federal tax credits for properties listed on the National Register of Historic Places. Buildings may also qualify for state tax credits if they are listed on the State or Certified Local Government Register of Historic Places, or are located within a State or Local Historic District. In many states, the credits can be sold, transferred or assigned to other properties with income tax or franchise tax liability.

As Schwartz (2011) notes, the effectiveness of state tax credits is severely limited when a limit or cap on the amount of the credit is imposed, as well as when the credit lacks transferability. So-called “annual aggregate caps” limit the amount of credits

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available annually for all projects within the state, which presents an issue when demand for the credits exceeds the amount permitted by law. Tax credits are also only valuable “to the extent that the credit holder has sufficient liability for state taxes that the credit can be used to offset.” Since state tax rates vary and are generally lower than federal income tax rates, not everyone may be able to utilize the credit. For this reason, Schwartz (2011) notes, it is important for state tax codes to do one or more of the following:

1. Permit the party that earns the credit to sell it outright to a third party with adequate tax liability to use it.
2. Permit a partnership that owns the property to make a disproportionate distribution of the credit, so that a local taxpayer can acquire the state tax credit while a national corporation not doing business in the state acquires the federal tax credit.
3. Allow a tax credit not fully usable in the current year to be carried back to offset taxes previously paid for prior tax years.
4. Allow the tax credit to be refundable, so that any amount not used to offset current-year taxes is paid in cash to the holder of the credit.25

The effectiveness and economic benefits of these state tax credit programs has been evaluated for several states, including Maryland,26 Virginia,27 Hawaii,28 Rhode Island,29 Kentucky,30 and Delaware. In his 2010 report on Delaware’s state historic preservation tax credit program, Donovan Rypkema notes that a successful state incentive program meets four tests:

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1. The incentive achieves the purposes for which it was created.
2. There are measurable economic development benefits.
3. The incentive significantly leverages private investment.
4. The use of the incentive meets the 'but for' test: 'But for this incentive, the investment would not happen.'

Since the enactment of Delaware’s State Tax Credit in 2001, Rypkema concludes that the State of Delaware’s commitment of around $35 million in tax credits has leveraged more than $166 million in private investment, created more than 2,400 jobs, and added nearly $90 million in household income in a state with a population of less than one million. Similar effects can be seen on a broader scale in larger states, such as Virginia, whose state historic preservation tax credit has generated more than $1.5 billion in private investment, created more than 10,700 jobs, and $444 million in associated wages and salaries. The use of state and federal tax credits may be combined with local incentives to make rehabilitation projects more feasible and lucrative for the developer.

Local

Incentives for redevelopment are most commonly implemented at the local level through departments such as a municipality’s Office of Economic Development, or through a Main Street or downtown business organization. It is at the local level that most code enforcement and project review processes happen as well. Important codes and review processes that impact rehabilitation projects include zoning, building and

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32 Ibid., 12.
33 *Prosperity Through Preservation: Virginia’s Historic Rehabilitation Tax Credit Program*, (Richmond: Virginia Department of Historic Resources, 2008).
fire codes, Americans with Disabilities Act (ADA) review, and Historical Commission review, when applicable. Navigating these codes and reviews may be a deterrent to building owners unfamiliar with the rehabilitation process, and thus it is important for local governments or the initiators of rehab incentive programs to provide technical, as well as monetary, assistance. Once the need for downtown housing has been determined, an incentive program that addresses local conditions and relevant processes can and should be created.

The first step in identifying the housing needs of a community is often to conduct a housing survey. Local housing studies have helped identify barriers to redevelopment within their municipality and directly or indirectly led to the implementation of upper floor redevelopment incentives. For example, in 2000, the city of Cumberland, Maryland initiated a study focused on smart growth and upper story reuse that indicated there was an immediate market for downtown housing, including resident/studio art spaces. The study recognized that, although there was demand for housing, properties were not being rehabilitated due to the “gap” between high renovation cost and low rents. To address this issue, Cumberland utilized the Community Legacy funds from the State of Maryland, targeted at designated communities with evidence of decline and disinvestment but with the potential to reverse the trend, and reallocated them to an Upper Story Housing grant program.34 While Cumberland’s program lasted only three years, it helped fund twelve projects in a small downtown area, creating five upper floor commercial spaces and seven

34 In 2001, Cumberland was designated one of the State’s first Community Legacy participants, enabling it to utilize CL funds as part of one of Maryland’s Smart Growth initiatives. As of June 1, 2010, all previously designated Community Legacy Areas are now known as Sustainable Communities. For more information, see: http://www.mdhousing.org/website/programs/dn/default.aspx
residential units, and leveraging over three million dollars in private investment. Although the program was relatively small, it revealed a market for downtown housing in Cumberland.\textsuperscript{35}

In Philadelphia, an in-depth report on downtown upper floor reuse and incentives by Philadelphia’s Center City District (CCD) led indirectly to the initiation of a ten year tax abatement program, addressed later in this paper. Published in 1996, the report, titled, “Turning on the Lights Upstairs,” provides a guide to building owners for how to convert the upper floors of older commercial buildings to commercial use. The study gives an overview of city code requirements, including zoning, building and fire prevention codes, federal and local accessibility requirements and federal and local historic preservation policies, and their impact on rehabilitation projects for upper floor reuse. Since all the properties in the study were zoned “C-5 Commercial,” which permits office, residential, retail and wholesale uses, there were no zoning disincentives to prevent the buildings’ reuse. In the guide, the CCD noted that the Philadelphia Building Code allows for flexible application of regulations for existing structures as long as all crucial health and life-safety objectives are met. The city Fire Code, on the other hand, is more stringent and may require extensive retrofitting of the existing structure.\textsuperscript{36} This same issue was encountered in Wilmington, Delaware. While Wilmington has a rehabilitation subcode in place that allows for the flexible application of building codes, the Fire Marshall enforces strict regulations that sometimes vary

between visits. More information on the application of building codes to rehabilitation projects are addressed later in this document.

Similarly, a report entitled “Financing Vacant Upper Floors in Downtown Pittsburgh: Needs and Recommendations” from December 2006 prepared for the Pittsburgh Downtown Partnership found that redevelopment in Pittsburgh was stagnating due to several factors. Many building owners owned their buildings outright, and thus had little economic motivation to rehabilitate, or they did not have development experience for such an extensive project. This report suggested creating a revolving loan fund to help finance projects in vacant upper floors, and led to the creation of a Vacant Upper Floors program, which, unfortunately, has not been successful due to a lack of funding and the poor economy at time at which it was initiated.

The city of Concord, New Hampshire Downtown Housing Survey also looked at what incentives might work to increase residential redevelopment in their downtown, as opposed to those that had already been implemented. Its 2011 survey estimates the number of housing units that could be created downtown, identifies obstacles to downtown residential redevelopment and what programs, incentives or regulatory changes could be instituted to incentivize redevelopment and adaptive reuse of vacant upper story space.37

The City of Trenton, New Jersey’s Central Business District Master Plan of 2008 also advocates for an Upper Floor Restoration Program, noting that many property owners have expressed the desire to renovate the upper floors of their buildings, many of which were abandoned or cut off during the 1950s to maximize ground floor space.38 For

38 *Living Trenton: The Downtown Capital District Master Plan*, Master Plan (Trenton: City of Trenton, May 2008).
buildings whose original staircase still exists, the New Jersey historic structure building codes (NJAC 5:23-6.33) apply, but for those that have removed the original stair, building codes require that a modern staircase be installed. This is often cost-prohibitive as the new stair may be required to be considerably larger than the structural opening of the original stair, and enclosed within a fire-rated wall.

Each city adopts its own building and fire codes, or references a model code, such as those set forth by the International Code Council (ICC) or the Building Officials and Code Administrators International (BOCA). The increasing prevalence and importance of flexible, performance-based building codes that accommodate existing buildings is addressed in the following chapter. City Fire codes, however, are often less flexible, and may require extensive retrofitting of existing structures due to life/safety issues. Each city also adopts its own zoning code, which enables a certain use or uses for a building. In the case of upper story housing over commercial ground floor space, a building needs to be zoned for mixed use, and may in some cases need to receive a zoning variance to permit residential use.

The federal Americans with Disabilities Act (ADA) is also enforced at the local level, with ADA guidelines often being incorporated into City review processes. These requirements are often more flexible, as long as projects make a reasonable attempt to accommodate people with disabilities. ADA compliance standards may vary based on the use of the building. If it is determined that full compliance with ADA will threaten or destroy the historic significance of the structure, the minimum standards may be used. This decision is generally made in conjunction with the State Historic Preservation Office (SHPO).
Depending on local historic preservation ordinances, projects that involve buildings that are listed on the State or National Register of Historic Places must be reviewed by the City Historical Commission. The Historical Commission will determine whether or not the project is in compliance with the Secretary of the Interior Standards for historic preservation, which also determines whether a project qualifies for federal or state historic preservation tax credits. Only income-producing properties, such as commercial and residential rental property, are eligible for the federal (and most state) tax credit.

While each municipality faces its own unique problems in terms of downtown development, there are also many similar challenges. Although a great deal of literature has focused on market studies and possible viable incentive programs, information on the effectiveness of implemented upper story housing incentives is fairly lacking. This thesis begins to gather information on this important topic and, in its concluding chapter, suggests further research activities for future scholars.

**AFFORDABLE HOUSING & REHABILITATION**

Although not specifically the topic of this thesis, it is important to note that affordable housing is also a viable option for downtown upper floor redevelopment. Much academic and housing policy literature focuses on the development of affordable housing. In his history and analysis of affordable housing policy in the United States, Schwartz (2010) discusses the housing problems facing Americans, and the policies and programs designed to address decent and affordable housing for people of modest means. In particular, this book looks at federal programs, with some mention of state
and local programs, but does not focus on policies “concerned with the physical aspects of housing, such as design standards and building regulations—except when they are explicitly employed to promote affordable housing.”

With chapters such as Trends, Patterns and Problems; Housing Finance; Taxes and Housing; The Low-Income Housing Tax Credit; Fair Housing and Community Reinvestment, this book provides a larger context with which to evaluate affordable housing projects, which may in some cases involve the reuse of existing buildings in downtowns.

The Smart Growth America website’s Policy Guide section on housing also discusses the advantages of affordable housing and gives a general overview of what states and cities can do to increase affordable housing. They specifically encourage the use of upper stories of downtown buildings for affordable units, and note that the benefits of downtown housing include an increased tax base and additional income to property owners. The website also supplies information on how to encourage redevelopment and provide incentives for affordable housing in vacant spaces, through the identification of downtowns that would benefit from affordable housing, the completion of inventories of vacant space, and the application of fire prevention, life safety and accessibility codes in predictable and flexible ways that support state goals. Some of the types of incentives Smart Growth America encourages are increasing tax credits, instituting property tax stabilization or reduction, and utilizing TIF or CDBG funds to designated downtowns.

The synergy between rehabilitation and affordable housing has been studied on various levels, including by preservation economics expert, Donovan Rypkema (2002),

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who boldly states, “you can’t build new and rent (or sell) cheap—it can’t be done.” He notes that the problem is not demand, but supply, which is available in vacant upper floors of downtown buildings. Briefly addressing the constraints of historic designation on affordability, he notes that preservation professionals have been increasingly flexible in reconciling cost and historic character.

The 1991 Advisory Commission on Regulatory Barriers to Affordable Housing looked more deeply at the issues restricting affordability in housing and rehabilitation projects. In their report, “Not in My Backyard: Removing Barriers to Affordable Housing,” they found that one of the primary barriers to affordable housing was building codes focused on new construction rather than rehabilitation.

This subject was revisited in 2004 by the Department of Housing and Urban Development (HUD), which commissioned papers for a Workshop on Regulatory Barriers to Affordable Housing, again citing strict, prescriptive rather than performance-based building codes and other regulations on housing construction as having a limiting effect on rehabilitation and affordable housing.

While they do not specifically mention “upstairs” housing, the website for the Center for Housing Policy, the research affiliate of the National Housing Conference, discusses the barriers facing development and renovation. Their Toolbox features specific sections on policy goals, including increasing the availability of affordable homes. To achieve this goal, they recommend reducing or removing regulatory barriers

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that restrict development of housing by “ensur[ing] zoning policies that support a
diversity of housing types,” “adopt[ing] expedited permitting and review policies, and
“adopt[ing] ‘rehab codes’ to facilitate rehabilitation of older homes.”44 Each of these
recommendations is accompanied by an in-depth discussion of what the policy entails,
the problems it solves, and the cases in which it is applicable.

44 HousingPolicy.org: Online Guide to State and Local Housing Policy, Toolbox, 2011,
CHAPTER 3: ISSUES & IMPEDIMENTS

BUILDING CODES AND REHABILITATION

The adverse impact of building codes on the development and cost of housing has been discussed in numerous national commission reports and scholarly journals. Many scholars advocate the adoption of rehabilitation subcodes, citing the New Jersey Rehab Subcode as the forerunner of and model for these efforts.

As early as 1969, the National Commission on Urban Problems, also known as the Douglas Commission, noted that unneeded provisions and restrictions in local building codes added significantly to the cost of housing. In 1979 and 1982, the National Bureau of Standards and the President’s Commission on Housing, respectively, looked at the restrictions imposed upon rehabilitation efforts by prescriptive building codes.45

Since the late 1990s, the previous three regional model code groups have merged into two model codes (the International Code Council (ICC) and National Fire Protection Association (NFPA 5000) (2003)). The adoption of rehabilitation codes has become increasingly popular as a way to address existing structures, rather than new construction.46 As Listokin (2004) notes, rehabilitation codes were introduced in response to code regulation that was seen as “arbitrary, unpredictable, and [which] constrained the reuse of older properties.”47

46 Philip Mattera, Breaking the Codes: How State and Local Governments are Reforming Building Codes to Encourage Rehabilitation of Existing Structures, (Washington, DC: Good Jobs First, 2006).
As noted by Burby, Salvesen and Creed (2006), Schill (2002), Listokin & Hattis (2004), and May (2005) there are numerous soft impediments to rehabilitation that cost time, money and effort on the administrative efforts of a developer. These issues can include delays in construction and inspections, as well as confusion caused by under-trained or inconsistent inspectors, and excessive permitting costs. Hard and soft impediments create uncertainty and risk, and may limit the amount of redevelopment that occurs.

In terms of code enforcement, research has shown that there are two general philosophies: a strict, systematic philosophy, known as “prescriptive codes,” and a more “flexible,” facilitative, outcome-based approach, described as “performance codes.” Traditionally, rehabilitation projects have been subject to the prescriptive “25/50 Percent Rule,” which refers to the cost of building alterations relative to the value of the building. Where the cost of work is less than 25% of the value of the structure, the traditional code allows the building code official to determine the degree to which the alteration work can meet the code requirements for new construction. When the cost of the rehabilitation is between 25-50% of the building’s value, the code requires the altered parts of the building to meet the requirements of new structures. Finally, when the cost of the rehabilitation exceeds 50% of the structure’s value, the code mandates that the entire building be brought up to the standards for new construction. Too frequently, the cost of

interior finishes such as cabinetry and millwork so greatly increases the value of the rehabilitation project that the prescriptive cost ratio is tipped beyond 50% and full building code compliance comes into effect and the project becomes unfeasible.

Performance codes are intended to ensure an equal degree of life safety as prescriptive codes, but achieve those safety measures through different interventions. Burby, May, Malizia and Levine (2000) found that more facilitative enforcement could increase home construction and commercial rehabilitation by five to ten percent (5-10%). The necessity for flexibility in building code enforcement has led many scholars to advocate for the adoption of rehabilitation codes that are flexible but maintain clear requirements.

New Jersey Rehab Subcode

A national model of this approach is the New Jersey Rehabilitation Subcode, which came into effect on January 1, 1998. It changed the former 25/50 cost rule by requiring upgrading to new code requirements only when the rehabilitation project involves significant, substantive structural, mechanical, electrical, plumbing or fire work. This removes non-life/safety costs such as cabinetry and finishes, which can dramatically increase the project cost, triggering the requirement that the whole building meet standards for new construction under the previous 25/50 regulation.

In the first year after its adoption alone, the Governor’s Office of Regulatory Reform

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52 Ibid.
found that the value of rehabilitation projects in New Jersey's five largest cities increased by 60%, as opposed to 1.5% in the years before the code was adopted.55 Listokin and Hattis (2004) posit that the adoption of the rehab code by New Jersey may have reduced rehabilitation costs between 10-40%, and increased the amount of building renovation activity substantially. However, Burby et al. (2006) found that, while the New Jersey subcode has increased the number of rehabilitated housing units, it has not increased the aggregate value of rehab activity.

Burby et al. (2006) are skeptical of the reports that found such dramatic increases in rehab activity after the adoption of the subcode, because the studies did not control for several important factors, including the booming economy and a large increase in the number of people choosing to remain or move to downtowns. In their 2006 study, Burby et al. controlled for alternative explanations to increased rehabilitation found in other studies, and found only a moderate positive association between the facilitative approach to enforcement and the number and value of rehab permits issued.56 Despite this, they still maintain that both building code reform and facilitative building code enforcement are valuable in increasing housing rehabilitation.57 They suggest that the rehab code benefits small projects over large ones, for which the project savings are much greater, making them extremely applicable to upstairs renovation projects, which tend to be smaller scale.

57 Ibid., 192.
PARKING REQUIREMENTS

Another obstacle to the rehabilitation of upper floor space into residential units is the minimum parking requirement of many zoning codes. More stringent parking requirements may require that a certain number of parking spaces per unit be provided on-site, while others may allow developers to provide parking off-site. In historic downtowns, on-site parking is often impossible, as it would require partial demolition of buildings to accommodate these requirements. Even off-site parking may be a barrier for developers in areas where space and money is limited. The cost to purchase land for surface parking, or to develop underground or above-ground parking decks, may make rehabilitation projects cost-prohibitive. According to a study by Shoup (1999), generous parking requirements are the largest regulatory burden placed on developers, about four times greater than all other development fees combined, such as levies for schools, parks and roads. McDonnell, Madar and Benn (2011) likewise note that minimum parking requirements are “binding for developers,” as suggested by the fact that developers tend only to build the minimum number of required parking spaces. Litman (2011) echoes these sentiments, noting that requiring one off-street parking space per unit adds roughly 6% to the unit cost, while two spaces adds 16%, and three spaces increase development costs by 34%. Litman (2011) argues that,

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59 Shoup argues in favor of in-lieu fees, which allow for the adaptive reuse of historic buildings where additional parking is difficult to provide.
61 Todd Litman, Parking Requirement Impacts on Housing Affordability, (Victoria Transport Policy Institute, 2011).
because parking requirements reduce developers’ profit per acre, they reduce the incentive to create affordable housing units.\footnote{Ibid., 14.}

Minimum parking requirements not only limit the number of affordable units developed, but are also, according to Litman (2011), “regressive and unfair to many lower-income households that own fewer than average cars.”\footnote{Ibid., 1.} Parking requirements are generic and assume an average number of cars per apartment dweller that may not be accurate for all populations, particularly those living downtown. Litman notes that the parking requirements under many current zoning and development laws force downtown residents to pay for parking regardless of actual need. Litman claims that one parking space per unit increases housing costs by about 12.5%, greatly increasing the percentage of income spent on housing, even if alternative transportation methods are available.

Taking it a step further, and focusing specifically on the redevelopment of older buildings as opposed to new construction and infill projects, Manville and Shoup (2010) show that removing residential parking requirements can help stimulate conversion of existing structures into residential units. They argue that developers, when faced with the added costs of parking construction without additional financial benefits, will build less housing. They note that stringent parking requirements, such as those that require covered on-site parking, are especially problematic for old buildings in high-density downtowns that often occupy their entire lot. Furthermore, dense downtowns, where residents are less likely to need a car because amenities are generally accessible by

\footnote{Ibid., 14.} \footnote{Ibid., 1.}
walking or public transportation, are often the location of numerous vacant buildings ripe for redevelopment, or demolition for surface parking lots.64

Progressive cities such as Richmond, VA, Champaign, IL, and South Miami, FL have taken measures to combat minimum parking requirements in historic areas by adjusting their zoning ordinances or developing overlay districts to create exemptions from off-street parking requirements for older or historic buildings. Many towns in Allegheny County, Pennsylvania have also enacted off-street parking requirement exemptions for designated historic structures within their Central Business Districts, stating:

“No additional parking spaces shall be required for a historic landmark or a building or structure located in a historic district that is certified by the Pennsylvania Historical & Museum Commission as a contributing structure to the character of that historic district.”65

Amendments such as these greatly decrease the cost of rehabilitation and encourage the development of housing in historic downtowns.

FINANCING THE “GAP”

The viability of any development or redevelopment project depends, obviously, on its ability to be financed. Historic preservation, rehabilitation, and adaptive reuse projects are often more complicated than new construction, with unforeseen costs and an inherent risk that cannot be fully and confidently accounted for in the contingency

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64 Michael Manville and Donald C. Shoup, Parking Requirements as a Barrier to Housing Development: Regulation and Reform in Los Angeles, Faculty Research (Berkeley: University of California Transportation Center, 2010): 4.
budget of an economic model. Even without impediments such as prescriptive building codes and strict parking requirements, rehabilitation projects are costly endeavors. As Jeff Flynn of the Wilmington, DE Office of Economic Development notes, many building owners underestimate the cost of deferred maintenance in their old or historic buildings, the upper floors of which may have sat vacant and deteriorating for decades without much notice. The difference between the cost of rehabilitation and the after-rehabilitation market value is known as the “gap,” and numerous municipalities have developed incentives to help bridge it.

CHAPTER 4: COMMON TYPES OF INCENTIVES

UPPER FLOOR REDEVELOPMENT TRAINING PROGRAMS

Due to the high level of interest in downtown living and revitalization, organizations such as the Illinois Historic Preservation Agency and the Preservation League of New York have created outreach initiatives and programs to educate city officials, building owners, contractors, architects, downtown professionals, and preservationists alike about approaches to realizing the potential for the redevelopment of vacant upper floor space.

The Preservation League of New York State’s daylong workshop, “Enhancing Main Street: Making Upper Floors Work Again,” is in high demand across the state of New York. The workshop provides information about design, building code, and financing along with innovative case studies for the revitalization of upper floors. The PLNYS workshop is supported by the Empire State Development Corporation, the New York State Office of Parks, Recreation and Historic Preservation, and the New York State Homes and Community Renewal, and was part of a series of workshops and lectures hosted by Preservation Buffalo Niagara, which is supported in part by the New York State Council on the Arts.  

Similarly, the Illinois Historic Preservation Agency’s award-winning program, “Upstairs, Downtown,” launched in 2005, utilizes the knowledge and experience of professionals from relevant companies, universities, architecture firms, city governments, and development corporations, presenting workshops and lectures

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nationwide. Presentations are aimed at helping people understand topics relevant to upper story redevelopment, including: accessibility and building codes, architectural assessments, energy conservation, feasibility studies and pro-formas, insurance for historic buildings, community and tax incentives, as well as case studies of successful rehabilitation projects.⁶⁸ The case studies shown in the Upstairs, Downtown presentation are primarily Tax Increment Financing (TIF) grants/forgivable loans.

**TYPES OF INCENTIVE PROGRAMS**

Of the seventeen upper floor redevelopment programs surveyed across the nation for this thesis, six were TIF funded grants/low-interest loans, four employed tax property abatement, four were grants/forgivable loans funded by the city or state, and two were revolving loan funds. Five of the six TIF incentives were located in the state of Illinois. Tax abatement appears to be more common in larger municipalities, such as Philadelphia and New York. Of all of the programs, the revolving funds seem to be the most sustainable and to have elicited the greatest amount of private investment and actual production of upper floor housing.

The following chart gives a brief overview of the programs consulted for the purposes of this thesis. Four of these programs were chosen as representative of trends in funding for upper floor housing incentive programs nationwide. Three of these, the TIF grant program in Rock Island, Illinois, the Tax Abatement program in Philadelphia, Pennsylvania, and the Revolving Loan Fund program in Louisville, Kentucky, are

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discussed in greater depth in this chapter. The following chapter explores the Upstairs Fund program initiated in Wilmington, Delaware, providing a detailed analysis of the program and comparison to other programs around the United States.

<table>
<thead>
<tr>
<th>City</th>
<th>State</th>
<th>Name</th>
<th>Participating Organizations</th>
<th>Year Est</th>
<th>Type</th>
<th>Funding Source</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aurora</td>
<td>IL</td>
<td>Upper Floor Housing Initiative Grant</td>
<td>Economic Development Commission</td>
<td></td>
<td>GRANT</td>
<td>TIF</td>
<td>Matching grant: $25k interior for buildings up to 15k sqft; $50k for buildings 15-30k sqft; up to $100k for buildings over 30k sqft</td>
</tr>
<tr>
<td>Beloit</td>
<td>WI</td>
<td>Residential Redevelopment Incentive Program</td>
<td>Downtown Beloit Association</td>
<td></td>
<td>GRANT</td>
<td>TIF</td>
<td>30% up to $30,000 per upper floor housing unit within TIF District</td>
</tr>
<tr>
<td>Champaign</td>
<td>IL</td>
<td>Residential Redevelopment Incentive Program</td>
<td>City</td>
<td></td>
<td>GRANT</td>
<td>TIF</td>
<td>20-50% of all permanent improvements. Cannot exceed $100,000 over five year period.</td>
</tr>
<tr>
<td>Columbus</td>
<td>OH</td>
<td>Downtown Housing Incentive</td>
<td>City of Columbus Downtown Development Office</td>
<td></td>
<td>TAX</td>
<td>ABATEMENT 10 year</td>
<td>10-12 year tax abatement for renovation or conversion of rental property (3+ units) where improvements equal at least 50% of current property tax value</td>
</tr>
<tr>
<td>Cumberland</td>
<td>MD</td>
<td>Upper Story Program</td>
<td>City of Cumberland</td>
<td>2002</td>
<td>GRANT</td>
<td>Legacy funds</td>
<td>Twelve CL projects created 5 upper story commercial spaces and 7 residential areas</td>
</tr>
<tr>
<td>Elkhart</td>
<td>IN</td>
<td>Downtown Development Fund</td>
<td>Elkhart Redevelopment Commission</td>
<td>2004</td>
<td>GRANT</td>
<td>unknown</td>
<td>Reimbursement for 25% of total rehabilitation costs up to maximum of $15,000 per unit, not to exceed a total of $100,000</td>
</tr>
<tr>
<td>Louisville</td>
<td>KY</td>
<td>Downtown Housing Fund</td>
<td>City of Louisville, 8 Banks, 6 Corporations</td>
<td>2001</td>
<td>LOW</td>
<td>INTEREST LOAN</td>
<td>Secondary financing, usually 1% below first mortgage amount. 10-20% of project financing</td>
</tr>
<tr>
<td>Monroe</td>
<td>NC</td>
<td>Residential Investment Grant</td>
<td>Downtown Monroe (Main Street and CBD)</td>
<td></td>
<td>GRANT</td>
<td>unknown</td>
<td>Up to 20% of assessed tax value. Rehabilitation work must be at least 2x the grant amount</td>
</tr>
<tr>
<td>New York</td>
<td>NY</td>
<td>Housing Finance Programs</td>
<td>NYC Dept of Housing Preservation &amp; Development</td>
<td></td>
<td>TAX</td>
<td>ABATEMENT 14/14 years</td>
<td>As-of-right tax exemption and abatement for residential rehabilitation or conversion to multiple dwellings; and conversion of commercial buildings to multiple dwellings</td>
</tr>
<tr>
<td>Pekin</td>
<td>IL</td>
<td>Upper Story Housing Loan</td>
<td>Pekin Main Street Program</td>
<td></td>
<td>GRANT</td>
<td>TIF</td>
<td>Matching grant up to $25,000</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>PA</td>
<td>Tax Abatement</td>
<td>City of Philadelphia Office of Housing and Community Development</td>
<td>1999</td>
<td>TAX</td>
<td>ABATEMENT 10 year</td>
<td>Tax abatement for improvements to existing residential properties</td>
</tr>
</tbody>
</table>

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**Table 1**

<table>
<thead>
<tr>
<th>Location</th>
<th>State</th>
<th>Program Name</th>
<th>City or County</th>
<th>Grade</th>
<th>Low-Interest Loan</th>
<th>Grant Fund</th>
<th>Amount or Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pittsburgh</td>
<td>PA</td>
<td>Vacant Upper Floors Loan Program</td>
<td>Pittsburgh Downtown Partnership</td>
<td>2004</td>
<td>LOW-INTEREST LOAN</td>
<td>Revolving Fund</td>
<td>Loans up to $1 million for capital improvements within historic district.</td>
</tr>
<tr>
<td>Providence</td>
<td>RI</td>
<td>Downcity Loan and Grant Program</td>
<td>The Providence Revolving Fund</td>
<td>2001</td>
<td>LOW-INTEREST LOAN</td>
<td>GRANT</td>
<td>5 year, 0% forgivable loan, not to exceed 40% of project cost. Maximum $20,000 per newly established unit.</td>
</tr>
<tr>
<td>Rock Island</td>
<td>IL</td>
<td>Upper Story Housing Program</td>
<td>City of Rock Island Planning &amp; Redevelopment Division</td>
<td>TAX ABATEMENT (5 year)</td>
<td>TIF</td>
<td>Loan up to $35,000 at 3% fixed interest or a one-time per unit rebate of six months’ rent or $3,000</td>
<td></td>
</tr>
<tr>
<td>Saskatoon</td>
<td>SK, CA</td>
<td>Renovation Program &amp; Residential Conversion</td>
<td>City of Saskatoon</td>
<td>2009</td>
<td>GRANT (Forgivable loan)</td>
<td>City funded</td>
<td>$15 million in funding from the City funded 38 projects, ranging from $300,000 to $6 million</td>
</tr>
</tbody>
</table>

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**Figure 1:** *Comparison of Upper Floor Incentive Programs Nationwide*

**Explanation of TIF vs. Tax Abatement**

Tax increment financing is a public method for subsidizing redevelopment in areas where redevelopment is unlikely to occur “but for” the incentive. TIF functions by using future gains in taxes to subsidize current projects. When redevelopment occurs, it often results in increases in the value of surrounding real estate, which generates additional tax revenue. This increase beyond the original value is called the “tax increment.” Tax Increment Financing freezes taxes at the pre-development base, and uses the “tax increment” to subsidize other projects within the designated area. For example, if the total Equalized Assessed Values (EAV) of all properties within a TIF

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district is $100,000 before redevelopment, and after a few years of redevelopment, the EAV is $150,000, the tax increment is $50,000. Despite this increase, the properties within the district continue to pay taxes on the frozen base of $100,000. The local taxing bodies receive no new tax revenue for the length of the TIF, which can last up to 27 years. The additional $50,000 in tax revenue is then reinvested in targeted projects within the TIF by the City. Once the TIF has expired, the idea is that the newly redeveloped land will increase the tax base and generate more revenue for all local taxing bodies.\footnote{Progressive Dane Economic Development Task Force, Tax Increment Financing 101, February 2005, http://www.prodane.org/in_the_news/pdf/tif.pdf (accessed March 20, 2012).}

Tax abatement, on the other hand, provides an incentive for property owners to make improvements to property by exempting the resulting increase in valuation from increased property taxation for a set period of time. The new valuation is "abated" and therefore not subject to tax.\footnote{Indiana Department of Transportation, Encouraging Economic Development: Tax Abatement, http://www.in.gov/indot/div/projects/i69planningtoolbox/_pdf/Tax%20Abatement.pdf (accessed March 20, 2012).}

**TIF Grants: Rock Island, Illinois**

To aid in the revitalization of its downtown, Rock Island, Illinois, offers several incentives aimed at "increasing job opportunities for residents, expanding the City’s tax base, and increasing the level of economic activity with particular emphasis on retail activity." These incentives include an enterprise zone, retail sales tax rebate program, sustainable development loan, façade improvement program, commercial/industrial revolving loan fund, brownfield assistance, and TIF districts.
In conformance with the City Council goals and Downtown 2000 plan, the City of Rock Island Planning and Redevelopment Division ratified a downtown TIF upper story housing loan program in 2002, aimed at increasing the number of residential units, upgrading existing units and enhancing the appearance of façades in the Downtown Rock Island TIF district.

With this program, the City of Rock Island recognized the need to provide assistance to building owners to bridge the financial gap and increase the knowledge of building codes, construction and project management. The program has budgeted $160,000 in Downtown TIF funds annually, and is aimed at vacant upper floors not occupied for the past five years. The goal of the program is to increase the number of residential units, upgrade existing units, and enhance the appearance of facades in the Downtown Rock Island Tax Increment Financing (TIF) District.72

In order to be eligible for the program, a structure must be:

- Located in the Downtown TIF district
- Existing (but not necessarily historic) property only, no new construction
- Units must be vacant
- Owner or tenant occupied
- Market Rate
- First floor must be a viable commercial use (new or existing)

The program is structured as a five year, 0% forgivable loan, effectively making it a grant for building owners who retain ownership of the structure for at least five years after the award. The loan is capped at $20,000 per vacant unit not occupied in the past five years, and may not exceed 40% of total project cost. If a unit has been occupied in the past five years, it is only eligible for $10,000 per unit. A 10%

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construction contingency is required, and the ground floor of the structure must retain a viable commercial use for at least five years following the renovation.

Loan monies may be used towards interior or exterior rehabilitation costs, including soft costs:

- Architectural and design fees
- Appraisals
- Plan review
- Permit fees
- Frequent Uses:
  - Carpet, paint, and trim-finish units
  - Install new doors
  - Move interior walls
  - Plaster and drywall
  - Reconstruct bathrooms and kitchens
  - Upgrade electrical systems
  - Upgrade windows

City staff administer the program, and are required to keep track of the number of hours spent on the incentive, so that the city may be reimbursed for their time through TIF funds.

The TIF funding of $160,000 helps to finance up to eight units each year, with a $20,000 cap per unit. As of 2008, six applications had been submitted for the program, and newspaper articles from 2004, 2006, 2008 and 2010 discuss the small, but significant, impact the program has had on the city of Rock Island. For the four projects about which information was available, the city’s TIF funding of $220,000 had leveraged roughly $866,000 in private investment.73

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While the program does not invest a large sum of money annually, it seems to have been utilized consistently for small-scale projects since its inception in 2002. Unlike in Wilmington and Philadelphia, where investment has primarily occurred due to developers working in conjunction with the city, in Rock Island, it appears that individual building owners are the ones taking advantage of the redevelopment incentive. The limited number of projects each year (around two) enables the City to work closely with property owners to make the projects come to fruition.

**Tax Abatement: Philadelphia, Pennsylvania**

Unlike many municipalities in the country, Philadelphia has largely avoided TIF funding for new construction and redevelopment (except in the case of the 13th Street corridor), relying instead on a generous ten-year tax abatement program that went into effect in 1997. The abatement was in part spurred by the Philadelphia Center City District’s initiative “Turning on the Lights Upstairs,” which encouraged building owners to renovate and rent vacant or underutilized upper floor space, and explained and analyzed techniques for doing so.

The tax abatement provides an incentive for property owners to make improvements to their property by exempting the resulting increase in property tax

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74 Philadelphia’s 13th Street corridor was redeveloped in the late 1990s and 2000s by the development and management group, Goldman Properties, in conjunction with the City of Philadelphia and Center City District. For more information on this redevelopment, see Kevin McMahon, *13th Street*, Master’s Thesis (Philadelphia: University of Pennsylvania, 2011).

valuation for a period of time, in this case ten years. The new valuation is “abated,” and thus not subject to tax during this period.

Between 1997 and 2005, Philadelphia’s Board of Revision of Taxes approved 1,876 ten-year property tax abatements associated with residential development and improvement activities. Of these projects, 272 abatements were approved for the rehabilitation and improvement of owner-occupied properties, while 1,038 abatements were approved for new construction projects, and 566 abatements were approved for 225 buildings developed for rental housing, with twelve building being converted to condominiums and receiving their own abatements. In April of 2006, the number of abated properties in Philadelphia had increased to 3,358, and by August of 2008, there were a total of 8,951 properties. Of these properties, 4,049 were improvements or conversions.76

In their 2005 report, the Fels Institute of Government at the University of Pennsylvania evaluated the City’s ten-year tax abatement program and its effectiveness at stimulating housing development in a variety of ways.77 The report states that the abatement acts as a development incentive by:

- Reducing “soft costs” associated with rehabilitation through the abatement of taxes on property improvements during the construction period (Act 175)
- Reducing annual operating cost for owners of rehabilitated rental housing (Ordinance 1130)

- Reducing annual expense for owner-occupants of rehabilitated housing

  (Ordinance 961)

Developers of condominium and rental housing and owners or rental housing receive almost all of the financial benefit from residential tax abatement. Perhaps the reason for the popularity of tax abatement in cities such as Philadelphia is due to the availability of large-scale projects and apartment buildings. In Philadelphia, during the 1980s and 1990s, many “Class A” offices relocated from older buildings along and near South Broad Street to newly constructed high rise commercial buildings on Market Street west of City Hall, leaving an abundance of vacant space behind. Due to the size and configuration of these spaces, many were viable candidates for conversion to housing.

As the Fels report points out, although the abatement is available to eligible homeowners, the amount of abatement for these projects is much smaller than for large-scale projects. Smaller projects, such as those of two- to three-story rowhouse style buildings in traditional downtowns are not likely to benefit significantly from tax abatement.

Philadelphia’s tax abatement incentive, however, differs from other tax abatements in several meaningful ways.

- It is not geographically targeted or income restricted
- The application, submission, review and approval process is straightforward and uncomplicated
- No city inspection or monitoring of construction work in progress is required
The abatement gives developers of sales housing a clear advantage in marketing their products in competition with suburban housing.\textsuperscript{78}

Philadelphia’s tax abatement has encountered severe skepticism and debate over its utilization as a tool for redevelopment. The Fels report argues that the abatement falls short of being a true redevelopment incentive because it is most often used within downtown and neighborhood real estate markets that are already strong or that are showing signs of growing development potential, and that the value of the abatement does not appear to be great enough to decisively influence overall project feasibility. Popular perception has been that growth due to the abatement has happened primarily in Center City, the wealthiest area of the city. In his analysis of the tax abatement program for the \textit{Philadelphia Inquirer} in 2008, Patrick Kerkstra argues against the tax abatement, stating that the City’s School District has suffered immeasurably from the lost property tax revenue during the ten-year tax abatement period. However, as now former First District Councilman, Frank DiCicco, who helped implement Philadelphia’s tax abatement, notes, the abatement costs the City nothing, because the program abates taxes on buildings that do not currently exist (vacant land) and thus are not paying taxes, or in the case of vacant buildings, are paying very few taxes.\textsuperscript{79}

DiCicco’s assertion that development has not only occurred in Center City but in less well-off neighborhoods is supported by the 2008 Econsult report which states that the abatement exhibits “more spatial variation across the city than might be

\textsuperscript{78} \textit{Ibid.}, 49.
expected.” The report also finds that the economic impacts of the abatement policy, (spending, earnings, and employment), that are the result of the construction spurred by the abatement, have “generated incremental tax revenues to the City (and to the state) that also would not have been generated in the absence of the abatement program.” The report concludes that, as of 2008, the abatement program had generated an additional one-time repayment of $154 million in tax revenue to the City and the State, and that after the abatement expires, it will generate an additional $60.6 million or more in property tax revenue to the city, which will continue in perpetuity. It is yet to be seen how many of these properties will function in year eleven, as no analysis has been conducted on properties whose abatement has expired.

**Revolving/Low-Interest Loan Fund: Louisville, Kentucky**

Founded in 2001, the Louisville, Kentucky’s award-winning Downtown Housing Fund was established with $5.06 million in seed money from public and private investors. As a revolving fund, the central fund is replenished as individual projects pay back their loans, thus creating the opportunity to fund additional projects. The Downtown Housing Fund began with a total capitalization of $6.7 million, but grew to over $7.2 million with interest. As of 2009, the program had invested $7.4 million in loans, yielding $176 million in total development, and creating 412 units.

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80 Gillen, 13.
2000 and 2009, the number of downtown residents in Louisville increased from just over 3,000 to almost 4,500.\(^8\)\(^4\)

The revolving loan fund is administered by the Louisville Downtown Development Corporation, a non-profit public private partnership (PPP).\(^8\)\(^5\) The partnership includes the City of Louisville and 14 other members, including eight banks and six large corporations. It was established because the PPP recognized several deficiencies in the downtown housing market and wanted to assist building owners and developers in investing in downtown housing. In terms of supply, they recognized that the existing housing stock was mostly low-income and that the supply of market rate housing was very small. Furthermore, properties were difficult to assemble, and there were few urban-oriented developers willing to invest in the downtown. There was a general lack of understanding of the urban housing market, and banks, developers and other investors were unwilling to risk investing in projects without appropriate comparables.\(^8\)\(^6\)

The Downtown Housing Fund was established to build confidence in the demand for market rate housing in the city’s downtown, and to create project comparables to aid in securing financing. The program was not intended to be permanent, and is scheduled to expire in 2012. The Downtown Housing funds are used as secondary financing, with the rate determined based on the first mortgage terms, usually 1% below the first mortgage amount. Project funds were meant to fill the “gap,”

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\(^8\)\(^5\) Ibid.

with amounts ranging from $45,000 to $2.5 million, to be used for a variety of housing
types and price ranges. In addition to directly funding over 400 projects, the Downtown
Housing fund encouraged the development of 826 additional units, and over $2 billion
in other development within the Central Business District.87

Providence, Rhode Island also has an effective revolving fund for the
rehabilitation of downtown properties. The loan program is administered by the
Providence Revolving Fund, a community-based nonprofit development and lending
corporation whose main priority to is encourage upper story housing in its downtown
historic district. The Downcity Fund Loan and Grant program was established in 2001
as part of a program between the Rhode Island Foundation and the Downcity
Partnership, a PPP with the City and the Providence Foundation. The program’s assets
were transferred to the Providence Revolving Fund in 2004, and have since provided
$7.5 million in loans and $94,000 in matching grants, leveraging $101 million in historic
building development and creating 110 units of housing.

87 Ibid.
Figure 2: Map of Downtown Wilmington
DEVELOPMENT OF MARKET STREET

Lower Market Street, once Wilmington’s main commercial corridor, stretches from the recently redeveloped waterfront to the tall office buildings of the city’s contemporary commercial core. The nine blocks between Martin Luther King Boulevard and Rodney Square have been the focus of much of the city’s recent redevelopment efforts. During the 1990s, much focus was put on brownfield redevelopment along the Christina River in the former manufacturing and shipping areas of the city. Today, the riverfront is home to mostly new construction—office, residential and retail space, with some converted industrial buildings.88

The nine blocks of lower Market Street that have been the focus of redevelopment efforts in the 21st century are composed of traditional two- to four-story buildings from the 19th and early 20th century. Like many cities, following World War II, downtown Wilmington suffered from population loss to the surrounding suburbs. In the 1970s, in an early urban renewal effort to capture some of the fleeing retail shoppers, Market Street was closed to traffic and converted into a pedestrian mall, known as the “Market Street Mall.” This effort was unsuccessful, and the corridor continued to decline.

During the 1980s, the State of Delaware liberalized its banking, finance, and insurance laws, establishing a business-friendly tax structure that attracted many corporate headquarters and financial institutions to Wilmington. Large office buildings were built on the edge of the traditional downtown, creating a distinct business district.

88 Unfortunately, the riverfront remains cut off from Market Street by elevated train tracks and a multi-lane roadway.
In the early 1990s, revitalization efforts turned to Wilmington’s abandoned industrial riverfront. In 1992, Governor Mike Castle created the Task Force on the Future of the Brandywine and Christina Rivers, which led to the establishment of the Riverfront Development Corporation (RDC) in 1995. The RDC was tasked with “creating economic vitality along the Brandywine and Christina rivers, while enhancing the environment, encouraging historic preservation, and promoting public access.”

The public funding generated extensive private investment, improved the environmental conditions of the area, enhanced infrastructure, and created a vibrant mixed-use area with retail, commercial, residential and cultural attractions. The RDC also incentivized businesses such as ING to locate there, generating additional employment in the area.

Following the successful riverfront redevelopment, the city turned its sights on Market Street, the primary connection between the riverfront and the CBD. An early public private partnership, known as Wilmington 2000, was established in 1993. The privately funded, nonpartisan, nonprofit organization has since changed its name to the Wilmington Renaissance Corporation (WRC), and has completed five strategic plans for the city.

In 1999, in conjunction with City officials and local architects Homsey Architects, the WRC created the first plan for the redevelopment of lower Market Street for residential use. The project, which they named the Ships Tavern District, began with the 200 block of North Market, the block closest to the waterfront and the Wilmington train station (Figures 3 and 4). The plan was to convert the row of eighteen 19th century buildings into 86 apartments and 15 shops and restaurants.\(^9\) WRC selected Baltimore real estate developers Struever Bros. Eccles & Rouse Inc. to conduct the first phase of the work. The developers had previous experience working on historic renovation projects in Baltimore, and were able to help finance the lower Market Street project with the use of federal and state historic preservation tax credits and the New Markets Tax Credit.

\(^9\) [Link](http://www.nytimes.com/1999/04/11/realestate/wilmington-del-to-renew-a-key-historic-area.html?pagewanted=all&src=pm)
The redeveloped apartments leased up almost immediately, with rents ranging from $600-950/month. The ground floor retail, however, was not as successful, and Struever Brothers struggled to secure tenants. Eventually, ownership of the properties transferred to Preservation Initiatives, a small development company that had relocated to Wilmington in 2005. Preservation Initiatives president Don Meginley had previous experience working on urban revitalization projects in Philadelphia and South Beach, Florida, and saw potential in Wilmington’s strong historic fabric, state tax credit program, and low building costs.

![Image](image_url)

**Figure 4:** Part of the 200 Block (225-233 N. Market) in June 2011, *(photograph by author)*

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The focus of Preservation Initiatives’ first project in Wilmington was the redevelopment of the 300 block of North Market (Figures 5 and 6). The location of race riots and civil unrest in the late 1960s, the historic fabric of the 300 block of North Market reflected this history into the 21st century. Vandalism, shootings, looting, and even firebombs along Market Street during the riots caused damage to many storefronts and caused some owners to block up their storefronts with cinderblocks and stucco.92 Preservation Initiatives’ initial plan to rehabilitate the properties into mixed-use retail/residential changed to retail/commercial due to limited financing, but the care with which the company executed the project caught the attention of City officials and helped create a trusting relationship that has since aided in the comprehensive rehabilitation of the entire 400 block of Market Street. The company was able to take advantage of the state historic preservation tax credit, receiving $695,250 in tax credits toward the $12.5 million rehabilitation project.93

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92 Following the assassination of Dr. Martin Luther King, Jr. on April 4th, 1968, a memorial and prayer service was held in Rodney Square in Wilmington on April 7th. After the memorial, several groups of young people marched down Market Street vandalizing stores. The violence was so bad that the National Guard was mobilized, occupying the city for almost nine months.

Figure 5: View Northeast from Corner of 3rd and Market, 2006 (above, photograph courtesy of Downtown Visions) and June 2011 (below, photograph by author)
Figure 6: 300 Block in 2005 (above, photograph courtesy of Downtown Visions), and in June 2011 (below, photograph by author)
When Market Street reopened to vehicular traffic in 2007, the mid-Atlantic real estate development and management firm, Buccini/Pollin Group (BPG), which had already redeveloped several other properties in downtown Wilmington and along the riverfront, recognized the potential of the buildings to serve as new retail and residential units. BPG purchased 28 buildings along the Market Street corridor and partnered with other local developers, businesses and city officials to create the Lower Market Design District ("LOMA").

The purpose of LOMA, a public-private partnership (PPP), was not to function as a regulatory entity, but simply to collect and brand downtown Wilmington’s dispersed assets and to create a “vibrant, creative community in downtown Wilmington.”

Around this time, in March of 2006, Wilmington implemented the National Trust for Historic Preservation’s Main Street Four Point Approach,™ creating Main Street Wilmington within the city’s Business Improvement District, which goes by the name Downtown Visions (DTV) (Figure 7). The 70 square block BID, which encompasses Market Street and its surrounding streets, was created in 1994 to provide supplemental safety and cleaning services to the city. The implementation of the Main Street

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94 In addition to BPG, the LOMA Committee Members included: The Archer Group, the City of Wilmington Office of Economic Development, The Commonwealth Group, Delaware College of Art and Design, GVA Smith Mack, Preservation Initiatives, Stuever Brothers Eccles & Rouse, Wilmington Main Street, and the Wilmington Renaissance Corporation.


96 The creation of Business Improvement Districts in Delaware was permitted by House Bill 387, which was sponsored by State Representative Joe DiPinto, and passed in the Delaware General Assembly in June 1994. In September 1994, Wilmington’s City Council passed an ordinance for the creation of Wilmington’s Downtown Business Improvement District (WDBID), a private, non-profit organization, also known as Downtown Visions. http://www.downtownvisions.org/about/what-is-a-bid

97 These privately operated services are funded by an additional assessment that building owners within the BID agree to pay in addition to their property taxes.
Approach sought to advance revitalization by focusing on business and residential economic development.98

The goal of LOMA and Main Street Wilmington was to attract the “creative class” to Wilmington by offering amenities such as boutique retail, entertainment, and a variety of bars and restaurants.99 Seeing potential in the area, BPG and Preservation Initiatives utilized the New Markets Tax Credit as well as the City’s newly established Upstairs Fund to create retail and residential units. The use of combined incentives is a tried and true method of financing rehabilitation projects, which often require multiple forms of financing. The New Markets Tax Credit, which is administered through the Federal Treasury Department, provides a tax credit equal to 39% of qualified investment in low-income neighborhoods and can be claimed over a seven-year period. In order to qualify for the New Markets Tax Credit, the poverty rate within a census tract must be at least 20%.100 Based on the 2010 census, the percentage of persons below the poverty level in the City of Wilmington was 23.9%.101

98 In March of 2006, Wilmington Mayor James Baker initiated a feasibility study for starting a Main Street program, forming a Main Street Steering Committee. The Committee was composed of representatives from Downtown Visions, the Downtown Business Association, the City’s Office of Economic Development, and the Wilmington City Council.
99 Main Street Wilmington’s mission statement: “Main Street Wilmington’s mission is to direct the promotion and improvement of the central business district by partnering with key stakeholders in the community and to transform ideas into action, through outreach, design, promotion, historic preservation and economic development.” http://mainstreet.visitdelaware.com/towns.htm
THE UPSTAIRS FUND

Wilmington’s Upstairs Fund redevelopment incentive was initiated in 2008 to “stimulate economic revitalization of Wilmington’s downtown; facilitate development to attract a diverse residential population; and contribute to a vibrant community with retail, entertainment and beverage establishments.” The purpose of the funding is to finance the “gap” between rehabilitation costs and post-development market value and revenue.

Figure 7: Map of BID, City Historic District, and National Register Historic Districts in Downtown Wilmington (image by author, courtesy of Downtown Visions)

Background

Aside from the 200-block redevelopment project, during the late 1990s and early 2000s, development elsewhere in downtown Wilmington began to stagnate. The city government had done what it could to enhance the public assets—investing in infrastructure, opening up the pedestrian mall and installing modern utilities and high-speed underground wiring for all buildings along Market Street—and yet many buildings remained only partially occupied, with ground floor businesses but no upper floor use. Many building owners preferred to keep their upper floors vacant because they owned the buildings outright and it was economically feasible, and simply more comfortable, to maintain the status quo. Seeing the revitalization of other parts of Wilmington, some property owners overvalued their buildings and/or underestimated the cost of deferred maintenance that would be necessary to rehabilitate their structures, preferring instead to “hold out” for better offers.

Noticing that many buildings suffered from absentee owners and real estate investors, the City decided to undertake a vacant buildings survey and instituted a vacant property “registration fee,” which levies fines against all properties vacant for more than one year.\(^\text{103}\) The City then tried to implement stricter building code violations, but many property owners simply completed the minimum necessary to bring their facades, but not their interiors, into compliance. Struggling with how to get

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\(^{103}\) Under the Wilmington Vacant Building Ordinance (§ 125.0 of the Wilmington municipal code) buildings vacant for more than 45 days must register with the City of Wilmington. Owners of buildings vacant for more than one year must pay an annual registration fee, which increases with the length of time the property is vacant. A one-year fee waiver (or two year waiver, if the building is owned by a non-profit organization) is available if the owner demonstrates that he/she is rehabilitating the building or trying to sell or lease it. The fee begins at $500 for buildings vacant one to two years, increasing to $5,000 for buildings vacant for ten years. Kevin E. McCarthy, *Wilmington Vacant Property Ordinance*, January 25, 2007, http://www.cga.ct.gov/2007/rpt/2007-R-0141.htm (accessed March 10, 2012). or The City of Wilmington Delaware, *Vacant Property Registration Fee Program*, http://www.wilmingtonde.gov/residents/vacantproperties (accessed March 10, 2012).
involved with private property, the City looked at other programs around the country, including Pittsburgh’s Upstairs Fund, addressed later in this chapter, and created a program to make upper floor rehabilitation projects more feasible.

In 2007, the City surveyed a seven-block stretch of Market Street, creating an inventory of the active versus inactive properties, and the square footage of these properties. They then sorted the properties based on their judgment about each building owner’s capacity and willingness to renovate, placing them in three categories: capable and willing to renovate, incapable of renovating, and capable but unwilling to renovate. Based on an average cost per square footage, the City determined that roughly 60% of the costs would be financeable, leaving a $65-70 million gap still in need of financing. Recognizing that this would not be a feasible cost for the City, as well as determining that it would take more than twenty years for the city to realize a return on investment, the City focused on the percentage of the inventory with the capacity for and interest in rehabilitation. This brought the gap down to $25 million. They then hired a private, third-party economics consulting group, Economics Research Associates (ERA), to conduct the same survey and provide “public-side fiscal revenue analysis of the Market Street Redevelopment Zone” to determine “appropriate levels of public investment and build public sector project consensus.”

Around this time, the Buccini/Pollin Group (BPG) began purchasing properties along Market Street through a third party real estate investor. Given the above market-rate asking price for many of the properties, the City was surprised to learn that BPG

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was paying full asking price for these properties. Soon thereafter, BPG turned to the City and asked for additional funding to complete the necessary rehabilitation projects. Forming a public private partnership, the City of Wilmington, BPG, Preservation Initiatives and various other organizations hired consultants and conducted a series of focus groups and charrettes aimed at determining how best to get funding for upper floor redevelopment projects through City Council. They hired the ERA to conduct a second survey of the study area, and decided to narrow the focus of the study to properties owned by BPG.

The resulting 2008 ERA report helped guide the City’s decision as to which projects to fund. The report, which is based on information available as of July 2008, uses IMPLAN Econometric Modeling Software to predict the economic and fiscal impact of the total redevelopment of Market Street. It divides the total impact into groups based on: properties owned by the two main developers in the city, “Buccini/Pollin Group” and “Preservation Initiatives;” on additional development that had recently occurred, “Additional Development;” and on properties the City had targeted for redevelopment, “Additional Potential.” The study forecasts the one-time impacts, annual recurring impacts, and 10-year cumulative impacts of employment, construction wages, and total output for each of the four divisions, and further divides the impacts by direct, indirect and induced. The report goes further in depth on selected projects, evaluating their individual economic and fiscal impact.

105 It is unclear why BPG paid full price for the buildings, but it may have been for a combination of reasons. Due to the economic (and real estate) boom of the mid-2000s, BPG may have had the funds available at the time, and have believed that acquisition costs, and the values of buildings, would only continue to increase. Compared to other cities, real estate prices in Wilmington were (and are) relatively low. Also, if BPG had not purchased at that time, deferred maintenance would have continued to accrue, making subsequent projects even more costly.

In 2008, BPG and the City came before the Mayor and asked for $25 million to help finance 30 projects. Based on available City funds, the Mayor agreed to $15 million, and the Upstairs Fund was officially established. The distribution of funds was determined by the budgets provided in the project applications. Due to the high cost per square foot of the early projects, the City requested that the quality of finishes in later projects be reduced to decrease the amount of gap funding necessary.

**Application Requirements & Restrictions**

The public-private partnership between the City, BPG, Preservation Initiatives, and other downtown businesses and organizations established committees and reviewed the applications for each project, requiring detailed applications that included: a one-page abstract of the project and its budget; development documents; the two most recent years of tax returns; scope and cost of capital improvements to date; construction plans and bids; pro-forma of projected revenue and expenses; financing plan with sources and uses; funding request and economic justification; a marketing plan for commercial use; and a $500 application fee. In order to support local businesses, the application also required copies of the Wilmington Business Licenses and list of wages for all contractors and subcontractors on the project.

Properties over five stories, buildings whose owners owed charges or taxes to the BID or to the City of Wilmington, as well as applicants delinquent or in default of federal, state or local taxes or of existing loans did not qualify for the program. Although they were encouraged to pursue additional incentives, such as state and federal historic preservation tax credits, based on the terms of the loan agreement, any
project taking advantage of the Upstairs Fund had to forego the City Tax Credit Abatement for Historic Properties, which is available to properties within the City Historic District encompassing Market Street.

The forgivable loan basically functioned as grant money for building owners who maintained ownership of the property for at least seven years after the rehabilitation, ensuring the owner’s commitment to the project’s viability. The loan was disbursed in multiple draws: the first after the execution of the agreement, and the remaining balance after verification that the Borrower (owner) had put in sufficient equity and submitted two monthly invoices. The disbursements were made based on qualifying amounts and were subject to a ten percent holdback to be released after the final certificate of occupancy was issued.

**Impact**

The $15 million helped fund nine projects, encompassing more than 18 properties, and creating or rehabilitating 46 residential units, 11 defined commercial/retail spaces, and over 22,000 square feet in additional office or boutique retail space. The demand for the incentive was so high that some applications were not able to be funded. Although the City did not approve the requested funding of $50,000 for the renovation of 817 Market Street through the Upstairs Fund, the completion of improvements to the property were included as a condition of the loan agreement for the six million dollar loan for the rehabilitations of 421 & 423, 605, 730, 811, 823 and 837 Market Street. In total, the $15 million funding leveraged more than $50 million in private investment.
Project Examples

Of the $15 million funding from the City, nearly $11 million went towards three projects, encompassing 14 individual properties. $1.8 million went towards the redevelopment of 421-423 N. Market Street, $3 million towards the Queen Theatre at 500 N. Market Street, and $6 million towards 400-426 N. Market Street, which is currently under construction.

421-423 N. Market Street: Buccini/Pollin Group, Delaware College of Art and Design Apartments

In 2007, BPG purchased the four-story building at 421-423 Market for $850,000, at a cost of $35 per square foot. The developer then spent $5.7 million, including $1.8 million from the Upstairs Fund, and $160,000 previously committed from the Department of Real Estate and Housing to completely renovate the exterior and interior of the roughly 24,000 square foot building and modernize all building systems. The project created twelve residential units leased to the Delaware College of Art and Design (DCAD) to house approximately 30 students, as well as 3,880 square feet of ground floor retail space (Figure 8). In addition to the Upstairs Fund money, the company was able to finance the project using historic tax credits,\textsuperscript{107} city real estate and housing funds, and a senior loan of $2.9 million.\textsuperscript{108}

\textsuperscript{107} Type of credits not specified in Upstairs Fund application.
\textsuperscript{108} A senior loan is a type of financing obligation issued by a bank or financial institution that is usually secured by a lien against the assets of the borrower. If the borrower declares bankruptcy in the future, the assets used to secure the senior loan must be used to repay the loan before any other creditors receive repayment. http://www.investopedia.com/terms/s/senior-bank-loan.asp#axzz1rwEY0HGb
Figure 8: 421-423 N. Market Street, DCAD Apartments, September 2007 (photograph courtesy of Google), and April 2012 (photograph by author)
500 N. Market Street: Buccini/Pollin Group, The Queen Theatre

Located at the south corner of 5th and Market Streets, the Queen Theatre had sat vacant for decades, continuing to deteriorate despite several renovation attempts (Figure 9). The Queen was almost demolished until it was acquired by BPG in the mid-2000s to become the second World Café Live venue, managed by Real Entertainment Group.109 In 2007, BPG and Real Entertainment established a nonprofit group, Light up the Queen, to help raise funds to renovate the theatre and create a live music venue. The renovation, which totaled $25 million, received $3 million from the City’s Upstairs Fund, $4.5 million in state historic preservation tax credits, and also utilized federal historic preservation tax credits.

Although the Upstairs Fund program was established to provide assistance to projects that convert vacant upper floors of existing buildings into residential units, the Upstairs Fund also contributed to the Queen Theatre project, seeing it as an important exception that would be economically beneficial to the city. A rehabilitated Queen would not only help clean up the image of the block, but would be a regional draw and an additional amenity for downtown residents. For the Queen, the ERA report estimated that the project would create a fiscal benefit of $204,000 million annually, with $78,000 of direct benefit to the City of Wilmington, making it a viable choice for funding.110 The Queen opened in April 2011 and hosts performances, fundraising, and private events multiple times per week.

109 The first World Café Live venue opened on Walnut Street in West Philadelphia in 2004. It serves as a live music venue and home to WXPN, the University of Pennsylvania’s campus radio station. The adaptive reuse of the former plumbing supply warehouse into a state-of-the-art performance hall, bistro and radio station won the development company, Dranoff Properties, the 2005 Philadelphia Best Real Estate Deals award for “Best Rehab/Renovation.” See, Dranoff Properties, Portfolio: World Cafe Live, http://www.dranoffproperties.com/portfolio/world-cafe-live/ (accessed March 10, 2012). For more information on World Café Live, visit http://www.worldcafelive.com/
110 Ibid., 47.
Figure 9: The Queen Theatre Under Construction February 2010 (photograph courtesy of Light Up the Queen), and in April 2012 (photograph by author)
Figure 10: View Northeast from Corner of 4th and Market Streets, December 2005 (photograph courtesy of Preservation Initiatives) and April 2012 (photograph by author)
The project that received the most funding from the Upstairs Fund, a total of $6 million, was the redevelopment of the east side of the 400 block of Market Street, 11 parcels owned by the development company Preservation Initiatives (PI). Formerly home to Wilmington Drygoods, a neighborhood landmark, the 400 block of Market Street was the last large assemblage of property in dire need of redevelopment when PI acquired it. Of the 11 parcels, only two remained completely intact after a parking garage for the new Renaissance Centre on King Street cut through the back of the other buildings in 2005, leaving only 15 feet of interior space from the building facades (Figures 12 and 14).

Preservation Initiatives purchased the properties in November 2006 from Renaissance Centre, LLC. Although the buildings had been vacant for years and appeared in poor condition, due to their historic character and significance, a covenant agreement was placed on the Renaissance Centre construction that the structures be preserved. Unfortunately, as the company began drilling for the underground parking garage, the structures on the 400 block became unstable, and the garage design had to be altered, demolishing a larger portion of the buildings than intended. The remaining 15 feet of interior space and the buildings’ facades were left exposed to the elements until Preservation Initiatives’ project commenced five years later (Figures 11 and 13).

The Drygoods project is what Preservation Initiatives’ president Don Meginley calls “extreme” for Wilmington, due to the extensive rehabilitation process and the quality of units being created. The company, which often works with state and federal historic preservation tax credits, was denied any conventional financing for the project, and only received state and federal historic preservation tax credits for the

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111 Don Meginley, President, Preservation Initiatives, Wilmington, DE, interview by Laura DiPasquale, (March 9, 2012).
renovation of the two intact buildings. The rejection letters from the state and federal historic preservation tax credit program for the 20% tax credit for historic structures did, however, enable the company to apply for the 10% tax credit for non-historic structures.

Following the ERA report, which determined that the renovation of these structures would benefit the city in multiple ways, including an upgrade in tax revenue, Preservation Initiatives was able to secure $6 million (50% of the project cost) in funding from the city’s Upstairs Fund. The quality of their work on the 300 block, and their willingness to work with City officials helped build the trust necessary to execute a project of this magnitude. Meginley also credits the Upstairs Fund’s detailed application process with allowing the company to demonstrate their commitment to the project and the quality of the proposal, the contents of which filled two 2” three-ring binders.

The City of Wilmington and Preservation Initiatives negotiated a deal where the developer borrowed additional money for the project (the cost of new construction on vacant parcels in the center of the block) by leveraging its assets in other buildings and taking out second mortgages on these properties. In return for half of the project cost, the City will receive 60% of the rehabilitated properties’ cash flow.

The 400 block project itself is part preservation, part recreation, part experiment. Some of the facades, which were in poor condition, had to be rebuilt reusing the original materials, and Preservation Initiatives ensured that the greatest attention to detail went into the construction and painting. The original wooden turret on the corner of 4th and Market Streets was replicated and all trim on the set of buildings was painted in bright, almost gaudy colors (Figures 10, 11 and 12). This was
Preservation Initiatives’ goal; to create more than just some nice buildings, but rather an “icon for redevelopment” on Market Street.\textsuperscript{112}

Currently under construction are ten new, high-end residential units and six commercial ground floor spaces. Although the finishes within the apartments are simple, the design of the space is creative, and makes use of an otherwise difficult space. The project incorporates as many original elements as possible, including the original tin ceiling and leaded glass windows, but has reconfigured interior partitions to create modern apartment units. Preservation Initiatives hopes to capture more sophisticated renters from other metropolitan areas through the creation of unique, dramatic spaces that speak to the history of the building and the city. Don Meginley describes the project as “testing the upper limits” of market rate housing in Wilmington, with one bedroom rents estimated at around $1,700/month. While this is not unheard of for the area (one bedroom apartments managed by BPG at the Residences at LOMA, Rodney Square and Christina Landing average around $1,200/month but can range from $725/month to $1,900/month depending on the quality of the unit), it is yet to be determined if the market can support this. Meginley says it is a risk he is willing to take, given Wilmington’s 98% residential occupancy rate and demand for additional downtown housing.\textsuperscript{113}

Due to the space constraints and fire code regulations, PI had to be creative in the design of these apartments, making some of them three levels. Under Wilmington’s fire code, buildings under four stories are only required to have one means of egress, while buildings four stories or above are required to have two. The buildings between 400-
426 Market Street are four stories. Working with the Fire Marshall and the City, Preservation Initiatives was able to satisfy the fire code by limiting apartment entry to the first three floors of the building, but was able to utilize the fourth floor by creating two-story loft apartments on the upper two floors of the building.

Not only has Preservation Initiatives’ redevelopment of the 400 block satisfied the terms of the Renaissance Centre’s covenant to preserve the properties, but it has succeeded in turning one of Market Street’s biggest eyesores into one of its biggest assets. Once a physical safety hazard due to falling architectural debris from years of neglect, and a perceived safety hazard as a vacant part of a barren, unwelcoming pedestrian mall, today the 400 block welcomes residents and visitors alike with its cheerful colors and beautifully restored architectural details. Located in the heart of the city, across the street from the Queen Theatre, within walking distance to restaurants and other amenities, as well as the CBD and waterfront, the 400 block redevelopment project is a quality investment in downtown Wilmington.
Figure 11: 400-406 N. Market Street, December 2005 (above, photograph courtesy of Preservation Initiatives), and April 2012 (below, photograph by author)
Figure 12: View of Back of Block from 4th Street, Showing Demolition for Renaissance Centre Parking Garage, December 2005 (photograph courtesy of Preservation Initiatives), and April 2012 (photograph by author)
Figure 13: View of 426-422 N. Market from Corner of 5th and Market Streets, December 2005 (photograph courtesy of Preservation Initiatives), and April 2012 (photograph by author)
Figure 14: View of Back of 426-422 N. Market from 5th Street, Before and After Renaissance Centre Construction, December 2005 (photograph courtesy of Preservation Initiatives), and April 2012 (photograph by author)
Current Status

In the summer of 2011, the OED decided to collaborate with Downtown Visions/ Main Street Wilmington (DTV/MSW), the city’s Business Improvement District, to make the incentive available to all building owners within the BID and to seek additional funding from private sources for the Upstairs Fund and the BID’s façade improvement program. Administration of the program will remain under the purview of the OED.

In 2012, the City of Wilmington will be undergoing administrative changes, including the election of a new Mayor, making it unlikely that funding will be available through the City this year. DTV/MSW is also struggling to secure funding. As Will Minster, Director of Business Development for DTV/MSW notes, there is reluctance on the part of funders to provide money for grants to for-profit property owners. Private money, such as donations from JP Morgan, generally comes with restrictions for specific uses, such as the removal of security grates from windows.¹¹⁴

¹¹⁴ Will Minster, Director of Economic Restructuring, Downtown Visions/Main Street Wilmington, Wilmington, DE personal correspondence with Laura DiPasquale, (March 9, 2012).
CHAPTER 6: CONCLUSIONS

COMPARISON TO OTHER PROGRAMS

Without the public private partnership between the City of Wilmington Office of Economic Development and the two primary developers in the city, the Buccini/Pollin Group and Preservation Initiatives, development along Market Street would not be happening. The key, both sides believe, has been being flexible with one another and working together to come to a mutually beneficial solution. All parties involved are deeply committed to Wilmington and recognize that true revitalization does not happen overnight. Also aiding in redevelopment are the City’s performance-based building codes, which allow for more flexible application of codes to rehabilitation projects.115 Developers within the city have also been able to take advantage of state and federal historic preservation tax credits and the New Markets Tax Credit, which is available to revitalization projects in low-income communities.116 While many municipalities encourage the use of multiple incentives and forms of financing for upper floor redevelopment projects, Wilmington’s program is somewhat unique in the method, range, and amount of funding, and the scope of projects.

A similar public private partnership and incremental approach helped to revitalize the 13th Street corridor in Philadelphia during the 1990s and 2000s. Formerly occupied by low-quality tenants such as cash checking stores and pornography shops, today 13th Street is one of the most popular downtown locations for its high quality

115 Substitute No. 1 to Ordinance No. 06-059. An Ordinance to Amend Chapter 4 of the City Code Regarding the Number of Exits and Continuity of Buildings with One Exit as Set Forth in the International Code Council of 2003.
restaurants and boutique retail shops, as well as residential space. Applying a long-term, incremental approach to development often seen in small downtowns, the development and management firm, Goldman Properties, was able to spearhead private development in the 13th Street corridor. With the help of the City of Philadelphia and the Center City District (CCD), as well as Philadelphia’s preservation community, among others, Goldman was able to assemble properties along the corridor and finance their rehabilitation with the use of tax increment financing. Following the Center City District (CCD) 1996 study, “Turning on the Lights Upstairs,” which suggested that the city provide low-interest financing or increase property tax abatements, the Preservation Alliance for Greater Philadelphia proposed that the city implement a tax-increment financing (TIF) district along 13th Street and adjacent blocks. The Philadelphia City Council authorized such a twenty-year TIF in late 1999.

Don Meginley, now President of Preservation Initiatives in Wilmington, worked on the 13th Street project with Tony Goldman and notes that TIF districts are more feasible in Philadelphia than Wilmington for a variety of reasons. In Philadelphia, taxing entities are combined and the City Council’s budget includes other taxing bodies such as the school system, and also sets the tax rate. In Delaware, there are several independent taxing bodies that must all approve a TIF separately. Jeff Flynn, Deputy Director of Economic Development for the City of Wilmington, also notes that in

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118 Ibid., 54.
119 Don Meginley, President, Preservation Initiatives, Wilmington, DE, interview by Laura DiPasquale, (March 9, 2012).
Wilmington, the key component to TIF, namely the increase in property value and taxes following a rehabilitation project, is not generally substantial.¹²⁰

Like Delaware, the state of Illinois also has separate taxing entities that must each approve a TIF district, and yet TIF is the most common form of funding for the upper floor redevelopment incentive programs that are prevalent throughout the state. Anna Margaret Barris of the Illinois Historic Preservation Agency confirms that TIF is the main source of funding for Upstairs Downtown projects in Illinois, and notes that in Rock Island, IL, several projects that took advantage of the TIF grant saw their taxes increase by as much as 400%.¹²¹

The difference between the projects in Illinois and Wilmington may be the scope of the funded projects. The City’s commitment of $15 million is far greater than that provided in most cities, including public-private funding for revolving loan funds. The amount of grant funding provided to developers in Wilmington through the Upstairs Fund per project is considerably higher than that awarded to projects in places such as Illinois, which generally caps funding at $100,000. In Aurora, IL, the one-to-one architectural grant provides $25,000 for interior renovations of buildings up to 15,000 square feet, $50,000 for buildings between 15,000-30,000 square feet, and up to $100,000 for buildings over 30,000 square feet. Champaign, Illinois’s Residential Redevelopment Incentive Program supplies 20-50% of all permanent improvements, not to exceed $100,000 over a five-year period. In Pekin, IL, the matching grant funds are limited to $25,000. (By contrast, in Wilmington, $300,000 was the least amount

¹²⁰ Jeff Flynn, Deputy Director of Economic Development for the City of Wilmington, interview by Laura DiPasquale, (March 2, 2012).
provided for any of the Upstairs Fund projects.) Unfortunately, other than for Rock Island, IL, addressed earlier in this document, data on the number of properties redeveloped and level of investment publically or privately is not generally available for the Illinois programs. Perhaps given the extent of damage caused by deferred maintenance and years of deterioration, or the sheer cost of a rehabilitation project in general, the grants and loans that are limited do not provide developers or building owners with enough money to make their projects feasible, and thus have not been widely used.

Those programs elsewhere in the United States—in particular, Pittsburgh’s Vacant Upper Floors program—that sparked the idea for Wilmington’s Upstairs Fund also have caps on their loan amounts, and do not appear to have been successful. In Pittsburgh, the loan amount is limited to $500,000 or $75,000 per unit, whichever is less. Despite having been an inspiration for Wilmington’s program, Pittsburgh’s Vacant Upstairs Fund only managed to fund one project before it was transferred from the Pittsburgh Downtown Partnership (BID) to the Urban Redevelopment Authority. This project consisted of two, one-bedroom, one bath residential units and ground floor retail space. Unlike Wilmington, Pittsburgh did not have an established public-private partnership with local developers and businesses in place, and instead had to market the program to property owners and developers within the “identified housing preference areas.”

The revolving loan programs in Louisville, KY and Providence, RI are the most similar to Wilmington’s program, and might provide an alternative model for a more

122 Brian Kurtz, Project Manager, Pittsburgh Downtown Partnership, personal correspondence with Laura DiPasquale, (February 6, 2012).
sustainable fund. The City of Wilmington’s commitment of $15 million came in late 2008, immediately prior to the deepest part of the recession. Today, most state and local governments do not have the funds available to provide a comparable grant for upper floor redevelopment downtown. Private investors, too, are unwilling to provide funds that essentially go directly to individual building owners or developers, even if there is strict government oversight over the projects. Perhaps a revolving loan would be more amenable to investors, as the loan money would be recycled back into the community. With a portfolio of more than 18 projects under the Upstairs Fund that have leveraged more than $50 million in private investment, Wilmington’s Upstairs Fund program certainly has a proven track record of catalyzing investment in downtown living.

**EVALUATION OF PROGRAMS**

While upper floor redevelopment incentives face many challenges, if properly supported, they can make an enormous impact on a downtown. Some of the shortcomings of the programs surveyed for this thesis in general have been: their short duration, when they were initiated, change-over in program administration, and a lack of quantifiable data. The most successful programs are those that are highly funded (such as the revolving funds and the City of Wilmington grant), involve a public private partnership, and that are flexible and help developers and building owners secure other means of financing, and have the support and engagement of building and fire code officials.
Many programs that began in the early 2000s lasted only a few years, or funding for the programs ran out or was allocated to other community needs. Since most programs are administered on the local level, funding is largely determined by the economic climate, especially of the municipality, but also of the state or nation. Federal funds that were once allocated to states for redevelopment efforts have been severely limited in the past few years as a result of the recession, and many states and cities are suffering from their own budget crises.

Most upper floor redevelopment programs are not meant to function as the primary source of project funding, but as catalysts for private investment. As Dr. Henry Bullamore notes, the Community Legacy Upper Story Housing program in Cumberland, Maryland was “never intended to be a continuing program.”\(^\text{123}\) The program, in his eyes, was intended to demonstrate an actual demand for upper story housing, and to act as seed money to catalyze private redevelopment. Due to the small size of Cumberland’s downtown, the completion of twelve projects under the Upper Story Housing project was enough to make a visible difference in the downtown.\(^\text{124}\) In Louisville, the revolving fund discussed in the previous chapter was intended only as a secondary financing program to “stimulate the production of market rate housing units in the central business district and adjacent neighborhoods,” but was slated to expire after ten years.\(^\text{125}\) However, for many of these programs, the issue of “but for” still remains. “But for” these incentives, would redevelopment happen? Unfortunately, for

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\(^{123}\) Dr. Henry Bullamore, *Professor of Geography, Frostburg State University*, personal correspondence with Laura DiPasquale, (February 7, 2012).

\(^{124}\) It is worth noting a unique aspect of Cumberland’s revitalization. The retention of Cumberland’s urban renewal era pedestrian mall has actually proved beneficial to the city. Families have moved in to upper floor apartments overlooking the pedestrian mall, which they use as a safe, traffic-free area for their children to play.

the purposes of this assessment, information on private investment after the cessation of a program is not available. Future research should explore the level of investment after incentives programs come to an end.

Many programs simply were initiated at the wrong time. Brian Kurtz of the Pittsburgh Downtown Partnership describes the Pittsburgh Vacant Upper Floors Loan program as “a great idea that unfortunately came at the absolute worst time.” He pinpoints national economic pressures on commercial lending as limiting factors on project funding. For this reason, after only one project, the program was reprogrammed as part of the Urban Redevelopment Authority of Pittsburgh, an organization with greater experience administering loan funds. Although the URA does not seem to be specifically marketing the Vacant Upper Floors program anymore, it has a track record of encouraging downtown housing and homeownership through low-cost mortgages and numerous other redevelopment incentives.

Programs such as the Upstairs Fund in Wilmington, Delaware also had to reprogram to remain in operation. Administered by the city’s Office of Economic Development, the initial funding of $15 million ran out after two years, and in July of 2011, the OED decided to partner with the city’s BID, Downtown Visions, to market the program alongside its popular Façade Improvement program.

Quick change-over of program administration may make it difficult for slower projects to take advantage of the program, as the partnership between public and private entities is one of the most critical elements in a successful redevelopment.

126 Brian Kurtz, Project Manager, Pittsburgh Downtown Partnership, personal correspondence with Laura DiPasquale, (February 6, 2012).
incentive. Smaller organizations may not have the capacity to implement and conduct the necessary owner outreach. In Wilmington, two main developers assembled numerous properties and filed multiple applications, eliminating the need for the City to explain the program repeatedly to individual building owners. For programs that are not initiated by a developer or building owner in conjunction with the local government, there may be poor outreach and marketing, and limited or outdated information available online. Online searches often prove difficult, as programs are inconsistently named, or buried within confusing websites. For example, although no longer under their administration, the Vacant Upper Floors program is still advertised on the Pittsburgh Downtown Partnership’s website as its newest incentive.

The effectiveness of programs such as these is also difficult to assess, as quantitative data available is limited. Overworked city or community development staff may not have the time or infrastructure to keep detailed records, or the information may not be publically available. The very absence of data may also in and of itself indicate that these programs have not been deeply or broadly successful.

Future research should investigate whether or not, given the supposed catalytic impact of redevelopment incentives, private investment continue after public funding runs out? Do or can these redevelopment incentives change the market enough that future projects can become privately financed rather than rely on public money to fill the gap?
CONCLUSION

While the flexibility of building codes and the removal of restrictions such as minimum parking requirements for housing are important steps to making residential redevelopment projects more feasible, many projects may require additional technical or financial assistance. To aid in this, many progressive local governments across the nation have developed redevelopment incentives. The most successful of these programs have three main components: they are led by a forward-thinking City government, who injects a sufficient amount of funding to attract the essential private partners; they are provided to developers who have a long-term commitment to the city; and they create and maintain a strong public-private partnership between City officials, dedicated developers, and local building and business owners.

No project can come to fruition without proper funding. Even with the use of state and federal tax credits, many rehabilitation projects still may require additional financial assistance. Upper floor redevelopment incentives provide one form of the multiple forms of financing necessary to make a project feasible. The presence of state historic preservation tax credits, in addition to federal tax credits, makes an enormous difference to project feasibility, and demonstrates state support for preservation and revitalization efforts. Even with state and federal historic preservation tax credits, however, projects may still be inadequately funded and may need outside investment. Developers in Wilmington, for example, stated that
without the benefit of grant funding from the City’s Upstairs Fund, the projects in downtown Wilmington would not have been successful, much less initiated. In order to initiate development within a downtown, the City must demonstrate its own commitment to potential projects it sees as beneficial to the downtown economy and viability.

The case study of Wilmington’s Upstairs Fund project is not meant to be a perfect model for a sustainable incentive program, but rather representative of the positive outcome of dedicated public and private entities working in concert to effect change in their downtown. The developers to whom the City provided the incentive are dedicated to the long-term viability of the downtown, and have engaged in the rehabilitation of multiple projects and properties. The success of public private partnerships in Wilmington has been proven by over twenty years of revitalization efforts in the city. The partnership model has also proved successful in places such as Philadelphia, PA, Louisville, KY, and Providence, RI.

Can public or private entities create change on a large scale on their own? Probably. Will private investment continue once public assistance runs out? Possibly. But the importance of a public private partnership should not be overlooked. One of the advantages of public funding for redevelopment projects is the added government oversight, which ensures the quality of proposed projects and their alignment with City goals. Detailed applications for public assistance, such as the one required by Wilmington’s Upstairs Fund, may actually reduce the amount
of bureaucracy and barriers to redevelopment, since all parties are working toward a common goal from the start.

In a successful partnership, each partner brings something different to the table, contributing to and enhancing the vision of the downtown as a place where people want to live, work, shop and play. Public entities can only do so much. They can begin by providing quality infrastructure, public spaces, cleanliness and safety, but they cannot and should not solely be in the business of acquiring private property for redevelopment. Conversely, due to the high costs and risk of restoration, developers and building owners are often unable to achieve successful redevelopment on their own; they must be willing to work with the City, to take the time to understand the history of the place and what makes it unique, and be dedicated to the long-term viability of the project and the downtown. The City, in turn, can provide guidance and, when possible, financial assistance to developers and building owners to design projects that are in accordance with the goals of the community. The cooperation and coordination of multiple parties can create a vision for the downtown that is fuller, deeper, and more responsive to the needs of the community as a whole.
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