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HISTORIC TAX CREDIT TOOLBOX



HTC on Main Street: Small-Scale Projects with a Big Impact

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Typically, when we think of historic tax credit (HTC) projects, we picture large, architecturally significant buildings located in densely populated urban downtowns and commercial areas, such as the IBM Building in Chicago; vast industrial facilities repurposed

for residential use, such as the Colt Factory in Hartford Conn.; or textile mills-turned-loft-apartments throughout the mid-Atlantic and New England regions. These types of HTCs involve a lot of square footage—and usually a lot of capital, due to the fact that the rules of the HTC program

Image: Courtesy of Heritage Consulting Group

A sandwich shop occupies the bottom floor of a former toy store in Philadelphia. It has helped spark additional development.

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require that the qualified rehabilitation expenditures (QREs) must exceed the pre-rehabilitation cost of the building. Additionally, the scale of these projects necessitates the involvement of a large team of architects, developers, project managers and historic consultants, further increasing the project cost.

However, not all HTC projects have to be large-scale. In fact, countless redevelopment opportunities exist in all towns in the United States, on historic commercial corridors known as “Main Streets.”

The rise of the automobile in the early 20th century was the beginning of the decline of the traditional downtown commercial corridor in towns and cities across the United States. Suburban sprawl resulted in the shopping mall and big-box stores, drawing people away from historic Main Streets, leaving these typically low-rise, mixed-use buildings to suffer years of neglect. Entire blocks in downtowns across the country have been completely abandoned over the past 60 years.

In recent decades, however, downtowns started to regain popularity. More and more people choose walkable neighborhoods because of their historic character, proximity to work and affordability. Furthermore, many cities enacted economic incentives to encourage downtown redevelopment, such as storefront rehabilitation grants and property tax abatement. Some states target their state tax credits toward smaller projects to encourage downtown development.

Often, Main Street developments make great HTC projects because many downtowns are already designated as National Register Historic Districts or certified historic districts. If the building is a contributing resource within either National Register-listed or a certified historic district, a Part 1–Evaluation of Significance application confirming that the building is a contributing resource to the district has to be submitted, rather than a draft of a National Register nomination, as is the case with buildings that are not already in a district. This makes the first step toward certification a little easier. However, if a Main Street building is not already listed, the process to prove National Register eligibility can be relatively straightforward, as Main Street buildings often tell the story of a town’s development, which gives them local significance. Before pursuing a Main Street project,



Image: Courtesy of Heritage Consulting Group
A former toy store in Philadelphia was rehabilitated into a bi-level apartment, rear studio apartment and retail space occupied by a sandwich shop.

regardless of its National Register status, it is important to secure a historic consultant who knows the ins and outs of the HTC process to ensure the success of the project.

When combined with local incentives and the public’s desire to return to downtown, the HTC program can be a successful endeavor for the property owner, but also can also stimulate additional development, resulting in a revitalized downtown and increased property values. Moreover, giving new life to buildings on Main Street reestablishes a town’s historic center, reconnecting citizens to their identity and history to their place in the history of a community. Numerous municipalities across the United States have seen their once-derelict downtowns transformed into lively, desirable neighborhoods—and the HTC program has played a leading role in their revival.

Case Study: Brewerytown Neighborhood

The Brewerytown neighborhood in Philadelphia was the home of dozens of breweries in the late 19th and early 20th centuries. Brewery owners built houses for

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their employees and a commercial strip along West Girard Avenue became a bustling, vibrant heart of the neighborhood. To this day, the area contains a significant amount of historic building stock from Brewerytown's heyday. West Girard Avenue is lined with two- and three-story commercial and residential structures dating from 1860-1920. Until recent years, however, many of these buildings were showing signs of long-term neglect. As was the case with many historic neighborhoods in Philadelphia, Brewerytown was gradually abandoned during the 1970s and 1980s, as economic depression set in, resulting in disinvestment. Much of the neighborhood was deemed blighted by the municipal government. Fortunately, in 1991 the Brewerytown Historic District was listed in the National Register for Historic Places, creating a major impetus for reinvestment. In the past decade, an increasing number of new businesses moved into West Girard Avenue, creating a domino effect of reinvestment in the neighborhood. Using HTCs, local real estate developers rehabilitated historic structures into market-rate and low-income housing units.

Prominent among these is MM Partners, a development team of Philadelphia natives. Since 2001, this team has rehabilitated several buildings in the area as residential and mixed-use projects utilizing HTCs. In 2011, the company acquired a historic mixed-use property that once functioned as a toy store on West Girard Avenue and embarked on a full renovation, resulting in a bi-level apartment, a rear studio apartment and a retail space occupied by a sandwich shop. The success of the sandwich shop, located on prominent West Girard Avenue and its heavily used trolley line, has played a significant role in the ongoing revitalization of Brewerytown. MM Partners has continued to purchase blighted properties along West Girard Avenue and in the surrounding area and, using HTCs, renovated them into attractive, desirable places to work and live. Currently, all of their residential projects have 100 percent occupancy—a testament to the resurgence of a neighborhood that suffered years of neglect, disinvestment and abandonment. Each building has a small footprint, but the effect of rehabilitation is huge. Brewerytown is now considered one of Philadelphia's hottest neighborhoods for young professionals and young families.

Case Study: Downtown Salem, Ore.

In Oregon, the Salem Downtown State Street-Commercial Street Historic District features a cohesive collection of largely two-part commercial block buildings that date from the second half of the 19th century to the midpoint of the 20th. The district has been the heart of the commercial, social, cultural and political life of the city, the county, the mid-Willamette Valley, the territory and later state, since the 1850s. This collection of buildings—both in its consistent form and stylistic variety—tells the story of the city's evolution.

The Gray Building, at 105-135 Liberty Street, is a two-story, Italianate, commercial building constructed in 1891 with ground-floor retail and offices above. Today, the cast iron bulk heads have been covered with brick and the awnings were replaced with a modern arched cloth awning covering the transoms. The second floor is largely vacant and in disrepair.

Using HTCs, this building is undergoing a rehabilitation that will return the storefront's historic charm and reintroduce an updated office space on the second floor. There have been significant strides to rehabilitate Salem's historic commercial buildings: the Gray Building is one of eight properties in the Salem Downtown State Street-Commercial Street Historic District to use HTCs since 2008. As with the positive results seen in the Brewerytown neighborhood of Philadelphia, the success of these projects can help to facilitate further redevelopment and rehabilitation in downtown Salem. It only takes the completion of a few small-scale HTC projects in an area suffering from disinvestment to create a groundswell of rehabilitation and economic revival.

These case studies are just a couple of examples of the exploding downtown revitalization market across the United States. Often, Main Street properties can be acquired relatively inexpensively, lowering the threshold for QREs and making them extremely viable projects for a wide range of property owners and developers. But aside from their relative ease compared to larger, big-budget projects, the effect these projects have on their surrounding Main Streets is enormous. With the help of HTCs, these projects can help neglected Main Streets across the United States reclaim their place as the heart of a community. ❖

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