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The Rehabilitation of Main Street USA: The Potential Impact of HTC-GO on Main Street Communities



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Main Street USA holds a special place in the hearts and minds of Americans. Books, TV shows and movies often memorialize the historic Main Street as an integral component of American society. Even theme parks seek to recreate this feeling of nostalgia, honoring the historic commercial corridors for both their architecture and importance to the economic vitality of the communities in which they exist.

The unfortunate truth about the existing condition of the historic Main Street has been well-documented for decades, as the loss of major industries, followed by suburbanization, urban renewal and later, the development of online shopping and commercial activity, drove both businesses and patrons away. As a result, many Main Street corridors exist in varying degrees of disrepair.

Economic revitalization through historic preservation exists as one of the best tools available in jump-starting Main Street. Since the 1970s, nonprofit organizations, local governments and private developers have used preservation tactics such as historic tax credits (HTCs) to restore Main Street to its former glory. Economic incentives, however, have typically favored large-scale redevelopment projects, leaving the traditionally small-scale main street buildings in the dark. This trend may soon end, as the Historic Tax Credit Growth and Opportunity Act (HTC-GO) gains traction from both sides of the aisle in Congress.

Perhaps the most prominent and integral organization in regard to highlighting the power of historic

preservation for economic revitalization is Main Street America. Main Street America is a program of the nonprofit organization National Main Street Center Inc., a subsidiary of the National Trust for Historic Preservation. Over the past 40 years, Main Street America has grown to become a network of more than 2,000 neighborhoods and communities in rural and urban settings across the United States. Through its use of “transformation strategies,” as implemented through the Main Street Approach and its four points—namely economic vitality, design, promotion and organization—Main Street organizations have successfully served as a catalyst for billions of dollars’ worth of reinvestment into local communities, not to mention the pronounced number of jobs created as a result of their efforts.

Despite the successful efforts of Main Street America and the high number of buildings listed in the National Register of Historic Places that are located along Main Street corridors, HTCs are not often used in rehabilitation projects within these settings. According to Patrice Frey, president and CEO of the National Main Street Center, a large portion of the reinvestment that Main Street America tracks



Image: Courtesy of Marvin Wanders;
The Lienlokken Bank/Tausche Hardware Company Building in La Crosse, Wisconsin, is the type of Main Street building that could benefit from HTC-GO.

comes from private developers financing their own projects. Kelly Humrichouser, the National Main Street Center’s director of government relations, echoed Frey’s sentiments noting that many of the “smaller projects do not take advantage of HTCs due to the transactional costs associated with the process and the higher costs inherent in meeting the program standards.”

Both Frey and Humrichouser explained that HTC developments were even less likely in rural locations, where additional challenges to filling the capital stack dissuade HTC redevelopments.

Some developers in small-town America, however, are bucking the national trends. One such example being Marvin and Michelle Wanders, owners of Three Sixty Real Estate LLC in La Crosse, Wisconsin.

The Wanders have successfully capitalized on HTCs through small-scale projects in small-town communities in their home state of Wisconsin, as well as other Midwestern states. Working primarily in La Crosse, the Wanders often work with smaller-scale projects, “because the community we’re in contains buildings with smaller footprints,” as Marvin noted. A very successful example of their work with HTCs includes the rehabilitation of the Lienlokken Bank/Tausche Hardware Company Building, which was built in 1891 and is in the La Crosse Commercial Historic District in the heart of the city’s downtown. According to Marvin, the cost to renovate the building was \$765,000. As a result, the building was restored to its former glory with commercial space at the first floor and apartment units at the upper-floor levels.

Although it’s difficult to quantify the impact the rehabilitation of the Lienlokken Bank/Tausche Hardware Company Building had on the La Crosse business and real estate development community, Three Sixty Real Estate has taken a leadership role in the city’s efforts to revitalize its downtown. Marvin and Michelle Wanders were early in their efforts to restore the upper-floor levels of the historic commercial buildings they owned. As Marvin explained, “many owners use their upper floor levels for storage.” Their successful rehabilitation of the upper floors at buildings such as the Lienlokken Bank/Tausche Hardware Company Building have allowed the duo to pair with Downtown Mainstreet Inc., La Crosse’s accredited Main Street America organization, to tour the upper floors of various properties, including their own, and show local property owners what they can potentially do with those spaces.

Developers like the Wanders, however, are few and far between, in that they have the private capital available and knowledge of the HTC process to successfully rehabilitate smaller-scale buildings using the program. As Humrichouser explained, “most downtown rehabilitations occur in large department stores or warehouse spaces that can capitalize on a larger qualified rehabilitation expenditure [QRE]

total.” She said that breweries are a common tenant for these spaces. Regardless of the opportunities, most buildings in historic downtown commercial corridors are low- and mid-rise buildings, which present challenges because of both their internal size and the total number of QREs that can be captured with the HTC.

For projects the size of the Lienlokken Bank/Tausche Hardware Company Building—under \$2.5 million worth of QREs—the current reality of the federal HTC program does not appropriately entice developers. The HTC-GO legislation, which has been introduced in the House of Representatives, proposes, among other things, to increase the percentage of the federal HTC from 20% to 30% for all projects under that \$2.5 million QRE threshold. The act will also increase the percentage from 20% to 30% for all projects through 2024, decreasing to 26% for projects through 2025, 23% through 2026, and back to 20% in 2027. A primary goal of the legislation, however, revolves around its efforts to make the process easier for smaller projects, like those of the Wanders’, to be completed.

The potential for the provisions in HTC-GO to spark significant economic revitalization in smaller communities is well understood by those within those locales. As it particularly relates to the effects of the Covid-19 pandemic, with the price of materials escalating, the increase is necessary to offset those additional costs. More importantly, however, the pandemic’s shift to teleworking has resulted in a housing demand outside major urban sectors. Patrice Frey explained this trend, noting, “Strains in downtown-based housing and the need for greater investment in residential developments has increased during the pandemic, but there has also been movement within smaller markets.” Kelly Humrichouser expanded upon her

colleague’s assessment, stating, “municipalities like Tulsa, Oklahoma, or areas in southwest Michigan, for example, have incentivized people to move there [during the pandemic]. This has attracted ‘boomerangs,’ people who moved away from home to work in larger cities but are now coming back to take advantage of the walkability in historic downtown areas.”

Marvin Wanders further expanded upon the potential impact on redevelopment efforts in smaller communities if HTC-GO passed.

“I think most planning departments understand the shortfall and capital stack needs to complete an HTC project in smaller markets,” he said. “Additionally, small-business owners may not have the resources necessary to restore their buildings with HTCs. So what does an extra 10% on the HTC do? It moves the needle and presents a greater opportunity for developers and property owners to take advantage.”

As communities across the country continue to fight to restore Main Street USA to how it appeared and functioned during those bygone eras, economic incentives can aid in accomplishing that feat. If passed, the provisions of the HTC-GO legislation will entice further investment into communities, both rural and urban, that feature a smaller building stock. Echoing Marvin Wanders’ sentiments, Patrice Frey summarized the importance of HTC-GO on those communities.

“I see the HTC and HTC-GO provisions being essential in terms of helping to improve the profile of smaller projects in our main street communities,” she said. ❖

Cindy Hamilton is president of Heritage Consulting Group.

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