

# MainStreetNews

THE MONTHLY PERIODICAL of THE NATIONAL TRUST'S NATIONAL MAIN STREET CENTER®

## upstairs DOWNTOWN

By Luke VanBelleghem



Virtually all Main Street revitalization professionals will agree that putting unused or underused upper floors to productive use would significantly contribute to their goals of fostering a vibrant, economically healthy commercial district.

Some know this because they've seen it firsthand; others suspect it is true based on common sense. After all, preservationists know that our heritage and our built environment are safer when buildings fulfill their economic potential. Retailers and restaurateurs know that an increase in upper-floor residents and downtown employees will create more business. Building owners know that leased square footage is better than vacant space. Local governments know that when retailers, restaurateurs, and building owners are doing good business, they will generate more tax revenue. While these are all strong reasons for considering upper-floor development, they merely scratch the surface. Upper-floor usage can broaden the markets and marketability of a commercial district by expanding its economy in a wide variety of ways.

While retailers, restaurants, and professional services tend to dominate ground-floor space, upper stories offer countless ways to diversify the uses of main street buildings. Depending on local building stock and zoning laws, upper floors can host an ever-growing variety of activities. Potential uses or "occupancies" for vacant upper-story space include retail, office, housing, light manufacturing, high-tech businesses, art studios, even some type of hybrid use such as live/work space.

*Our heritage and our built environment are safer when buildings fulfill their economic potential.*

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# upstairs DOWNTOWN

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Invariably, when the spectrum of activity that people come downtown to engage in widens, markets expand and economic opportunities increase.

Generally speaking, an appropriate use for an upper floor can be determined by analyzing the capacity of the space and local market forces. Capacity consists of the possible uses or functions that a space can accommodate. Considering the former use of a space will give a good idea of its capacity. It will also generate some obvious redevelopment ideas. Vacant hotels, for example, are often converted to apartments because housing requires many of the same attributes in a building as hostelry. Furthermore, it may be easier to satisfy building code requirements if you redevelop an upper-floor space to serve its former function.

Changing from one type of occupancy to another may bring a whole new set of building code provisions into play, requiring expensive alterations to ensure compliance. Sometimes, however, a space's redevelopment potential is not particularly obvious. In these cases, a professional feasibility study should be commissioned to determine potential reuses based on the space's capacity.

Also crucial in determining possible uses for upper floors

are local market forces. Again, in some cases, these forces may be plain to see, while in others, professional analysis will be needed to make sense of them. Nearby educational institutions and military installations, for example, can produce a highly transient segment of a community's population. Because military personnel and students usually plan to stay in the area for only a couple of years, they create a readily discernable demand for rental housing.

In other circumstances, a local property owner or developer with keen instincts may recognize an empty market niche. Due to development outside the downtown area, Wenatchee, Washington, has experienced a surplus in its supply of office space. Yet one property owner recognized the need for more small offices, according to Kathy Allen, executive director of the Wenatchee Downtown Association. The owner renovated a five-story building so that the upper-floor rental units could serve as two-person offices. His shrewdness has paid off, resulting in a significant drop in his building's vacancy rate.

Unfortunately, not every community has market-savvy property owners or obvious population characteristics that direct demand. You may need



Upper-story office space.

to conduct or commission a rental market analysis, a housing need assessment, or a preference survey to determine whether local market forces are likely to support various redevelopment options for your commercial district's upper-story spaces. While surveys and market analyses will not ensure low vacancy rates, they will reduce the risk for lenders and investors by allowing informed decision making.

## Living on Main Street

Over the past decade, the demographic trend of urban cores losing population has been reversing itself. Urban living has been gaining in popularity for a variety of reasons. Some Americans have become disenchanted with suburbia. They have turned to main street districts in part because they find the charm and individuality of historic architecture more appealing than the blandness of cookie-cutter subdivisions.

Also, as average commuting times increase due to traffic congestion and runaway sprawl,

more people are choosing to live close to work. Young professionals are being drawn not only by main street's convenience but also by its rebounding entertainment, dining, and cultural opportunities. Retirees and empty nesters are attracted to downtown living for much the same reasons. Finally, falling crime rates and increased investment in public improvement programs have helped make downtowns feel safer. Now is the time for main street revitalization programs to seize the opportunities provided by this general shift in attitudes.



This former warehouse now houses the Wenatchee Downtown Association, the chamber of commerce, the small business development center, and LINK transit offices on the second and third floors.

## PONCA CITY Oklahoma



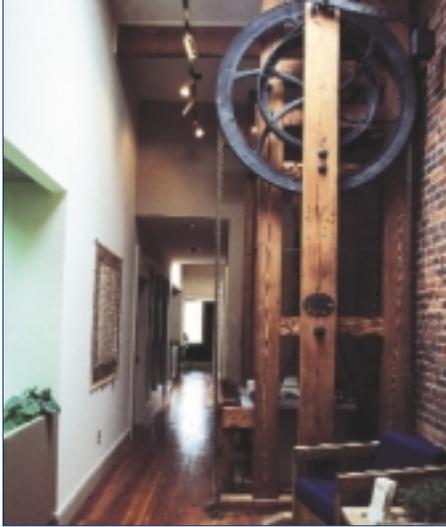
Exterior: Rear upper façade before rehab.



Exterior: Rear upper façade after rehab.



Interior after rehab.



Americans tired of living in bland suburban subdivisions are moving to main street because of the charm and individuality of historic buildings.

Turning upper floors into housing can have many positive effects on a commercial district. Establishing a residential base provides a built-in market for main street businesses. Proximity to downtown shops, restaurants, and professional services will have a profound impact on where this constituency spends its money. Moreover, the presence of people 24 hours a day increases the types of businesses a commercial district can support, as well as the hours they stay open.

Urban dwellers bring more than money to main street. Residents contribute to a commercial district's image by creating a vibrant, active environment. They help counteract the abandoned feeling many main streets experience after 6 p.m. Along with this activity comes an element of safety. When there are more eyes downtown after dark, vandalism and other crimes are discouraged. People feel safer when streets are full of traffic, and they see others out in the evenings.

Because main street is their home, residents act as guardians. In 1995, Denton, Texas, experienced a late night building fire in its downtown core. While the building was severely damaged, several other structures were saved because an alert downtown resident quickly notified the fire department and got them on the scene in time to prevent the fire from spreading.

Aside from safety, residents protect main street's interests by being advocates to local politicians and providing a strong

volunteer base. Perhaps the most important contribution of upper-floor residents is the sense of social fellowship they create. "Downtown residents get involved," says Julie Glover, director of the Denton Main Street Program, "They really create a community." Residents tend to be the first to notice changes,

the first to respond to challenges, and the ones who are most likely to get involved with the continual process of revitalizing downtown.

### Business Is Looking Up

Much the way young professionals and empty nesters are attracted to downtown living, businesses are increasingly drawn to main street locations. Setting up shop near entertainment and professional services in an organic setting is a welcome change to doing business in sterile office parks or strip malls. Some companies choose to locate on main street because of the proximity to public transportation and the appealing environment can give them an edge when recruiting new employees. Upper-floor spaces frequently offer less expensive rents as well, making them ideal for small firms or business incubators. Similarly, cheaper, unfinished upper floors can host back office and light manufacturing operations.

Finally, the emerging high-tech economy has fueled a demand for nontraditional office space that can be met with upper floor spaces. In an effort to capitalize on this demand, many property owners and developers have begun to retrofit their buildings with amenities such as fiber optic cable during renovation. Some communities are taking advantage of both the character of main street office space and the

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# IMMEDIATE OCCUPANCY

## Richmond, Indiana

### Gearing Up for the "NEW ECONOMY"

office suite w/ loading dock, conf

In 1999, the Main Street program in Richmond, Indiana, launched a technology initiative to target "new economy" companies and convince them to locate in the second stories of buildings in the Uptown area. Funded by the Indiana Department of Commerce, with local matching funds, the project received more than \$300,000 to conduct a feasibility assessment, put together a marketing plan, and offer work force training.

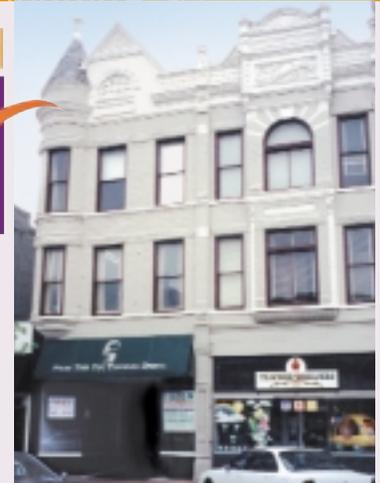


Main Street Richmond expects to retain, expand, create, and recruit high-tech businesses by:

- > Developing top-quality office space;
- > Developing a high-quality work force by providing training opportunities;
- > Providing business incubation space at below-market rates;
- > Assisting with business plans;
- > Creating venture capital funds; and
- > Communicating all of this through aggressive marketing under the banner of a recognizable logo for the tech zone.

In addition to its other goals, Main Street Richmond is targeting some of its marketing efforts at nearby universities in an effort to encourage younger people to settle in town. The community hopes that high-tech business opportunities combined with a high-quality living environment will help counter the youth drain that Richmond, like many small cities around the country, has experienced.

One of the essential ingredients in creating a Tech Zone in Uptown Richmond was the improvement of its telecommunications capacity. When Main Street Richmond Program Manager Renee Oldham initially contacted national telecommunications providers to inquire about local infrastructure



upgrades, "they said we would never get it."

Richmond Power and Light, however, was impressed by the initiative and leapt at the opportunity to get involved on the ground level.

Today, Richmond's Uptown serves as a hub for the Richmond Power and Light fiber optic network. Currently, the area has two sonet rings, which are essentially highly protected data routers that ensure uninterrupted service. Additionally, the company is working on upgrades to extend the broadband with ATM, a high-speed switching technique that uses fixed-sized cells to transmit audio, video, and data.

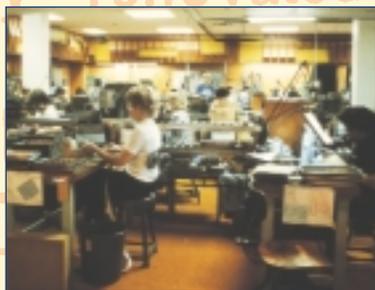
A new Technology Center will soon serve as the centerpiece of Uptown Richmond's Tech Zone. Main Street Richmond has bought an old theater that had previously been converted to a drugstore. The building has two floors but they dropped the ceiling to allow it to become one floor and a full basement. The Technology Center will contain the offices of Main Street Richmond, the Urban Enterprise Association, and The Neighborhood Services Clearinghouse. The building will also house a video conferencing facility, business incubation space, a technology training facility, a cyber café with data hotels for entrepreneurial training of high school students, and back-up data storage in the basement.

# CE SPACE 50

Many main street districts may offer a market for luxury apartments. The upper floors of this building were renovated to create a dramatic two-story apartment for the owner of the property.



portation. Call  
ry: 230-236-1601.



An unused meeting hall can be ideal for tenants who need large spaces. This old Masonic Hall is a perfect practice room for a dance group (above). Light manufacturing (left) is another possible use for large upper-floor spaces.

VSON Offices, work  
warehouse. 1568 sf.  
zone. 410-666-1045

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demand for modern infrastructure to position their commercial districts on the forefront of the high-tech frontier. (See sidebar, "Gearing Up for the New Economy" on pg.3.)

In the same way as housing, upper-floor office and business space contributes

significantly to the downtown's economy and ambiance. Individually, office workers can spend thousands of dollars a year at main street shops and restaurants. Also, most businesses need to buy goods and services, such as printing, catering, graphic design, and legal representation, to name a few. Finally, downtown employees eating their lunches outside or doing daily errands can add to a lively atmosphere downtown.

### Culture and Commerce

Artists and art patrons are often attracted to traditional commercial districts because of the aesthetic quality of their buildings and their surroundings.

"Artists are attracted to our downtown," notes Bill King, CEO of the Bath (Maine) Business Association, "because of its characteristics as a picturesque, rural riverfront town."

The quality and variety of main street space is another attraction: frequently, a single building can provide dwelling, studio, gallery, and/or recital space on various floors. In fact, artists are often seen as the pioneers of redevelopment. Some communities, such as Eureka, California, (See *Main Street News* #145, August 1998) have created whole arts districts by facilitating the redevelopment of vacant space into studio space and loft apartments.

Occasionally, building owners will reduce rents in exchange for improvements that increase the value of the property. Not only do art galleries and studios bring people and money to main street, they help reinforce

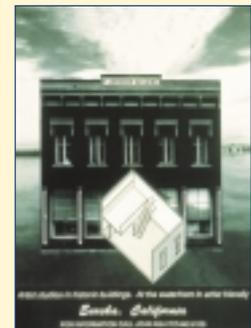
the district's role as the cultural center of the community. Moreover, since artists are usually viewed as the vanguard of "hipness," their presence can make main street living fashionable.

### Roadblocks to Redevelopment

Despite the benefits it offers, upper-floor redevelopment is not without its challenges. For starters, the rehabilitation of upper stories of large and small buildings takes money, and market-rate rents will not always justify these costs. Furthermore, loans may be hard to obtain if local lending institutions don't have any comparable projects they can use to gauge the risk of their investments.

One of the factors that can significantly affect the cost of an upper-story rehab is building code compliance. A number of building codes make little differentiation between new construction and rehabilitation of existing or historic buildings. Some codes mandate compliance of an entire structure even though the proposed renovation only includes a portion of the building, thereby making the entire rehabilitation project unfeasible because the cost of compliance is exorbitant.

Similarly, compliance with ADA provisions and fire and safety codes typically requires additional expense. Fire and safety codes can be especially strict when it comes to high-density living arrangements, such as apartments. While no one would argue with the need to protect the lives and property of a community, the costs of retrofitting older buildings to include sprinkler systems and firewalls can stop a rehabilitation project in its feasibility stage.



# IMMEDIATE

## Cumberland, Maryland: FUNDING UPPER- FLOOR DEVELOPMENT

Another potential regulatory barrier is local zoning. Many municipalities have zoned their commercial districts to exclude certain land uses, such as housing or manufacturing. Other times, zoning regulations may require the addition of parking spaces or municipal services for each residential or office unit added. Invariably, parking itself can be a problem when you increase the number of people downtown at any one time.

Regulatory barriers aren't the only impediment to upper-story development. The lack of services for residents, businesses, or employees can severely restrict the demand for upper-floor space. Moreover, one cannot discuss the market for upper-floors without considering the public's view of main street commercial districts. Some communities have to fight the perception that only low-income people live downtown. Other towns must contend with the belief that main street is unsafe or lifeless after 6 p.m. In any case, the battle against negative and/or false perceptions will be familiar to all those working to revitalize a traditional commercial district. Just as these perceptions affect the decisions of shoppers and retailers, they also have a serious impact on potential developers and tenants for upper-floor space.

Despite the difficulties that can impede efforts to put upper floors to new uses, some communities experience this type of development without even trying. In some places, it is purely market driven, often a reflection of the success of a revitalization program. If people view a commercial district as attractive, vibrant, and safe, they will seek opportunities to live and work there. In other communities, the reuse of upper floors will require a concerted marketing and recruit-

ment effort. Still others may not be ready to tackle upper-floor development. It's not usually a good place for a beginning revitalization program to start. However, in communities with the revitalization experience and the appropriate market and building stock, there are several things that can be done to facilitate the process and mitigate the difficulties.

### Financing for Upper-Floor Rehabs

Most upper-floor redevelopment projects will require a pro forma analysis to examine: 1) the cost of acquisition; 2) the cost of rehabilitation; and 3) the projected income and expense stream of the rehabilitated property. This analysis will provide an estimate of the debt that must be assumed and the rate that it can be paid back. Next, the financing must be assembled to move the project forward. It is not uncommon to use multiple financing sources, methods, and incentives in a single project.

Two of the most common financing methods are low-interest loans and revolving loan pools. (See *Main Street News* #138, December 1997, and #146, September 1998.) These loans can be administered by local banks, nonprofit organizations, states, or municipalities. Banks have a lot to gain by helping establish these loan pools—they can attract new customers, make other market-related loans, receive good PR, and fulfill their Community Reinvestment Act (CRA) requirements. (For more information about CRA, call 202-872-7584, send an email to [crahelp@frb.gov](mailto:crahelp@frb.gov), or visit [www.ffiec.gov/cra/](http://www.ffiec.gov/cra/).) If lending institutions refuse to make below-market-rate funds

For the past few years, Cumberland, Maryland, has focused on upper-story development as one means to achieve its goal of revitalizing the downtown business district. Since Cumberland has more than 215,000 square feet of upper-floor space, much of it underutilized, the city's Department of Community Development realized early on that this would be no small task. Undaunted, the city assembled a creative mix of federal and state funding and local partnerships to encourage local developers to tackle upper-floor projects.

Since 1999, the city has awarded grants, paid for by Community Development Block Grant funds, of up to \$6,000 to downtown building owners. This money is intended to cover the costs of floor plans, schematics, and code analysis or project cost analysis of upper-floor renovation projects. To attract only serious applicants, the city requires that the owner match 25 percent of the grant total.

To test the market, the city contracted with a private consulting firm in 2000 to ascertain the demand for upper-floor housing. The resulting study concluded that demand would support about 64 downtown residential units at rents ranging from \$500 to \$700 a month.

These figures, combined with estimates of renovation costs at current commercial loan rates, led the city to conclude that additional assistance would be needed to make upper-floor projects economi-



cally feasible for developers. Thus, in January 2002, the city designated \$150,000 of its \$1.005 million award from the State of Maryland's Community Legacy fund as gap financing for upper-story renovation. Stipulations for use of this funding include:

- > Per project funding can equal no more than \$50,000 or 20% of total construction costs.
- > The money is to be used for gap financing only.
- > Funds are not to be used for acquisition of property.
- > Eligible projects must be located within the Special Taxing District/Main Street District.
- > The owner must allow the property to be showcased on scheduled tours for a one-year period following completion of the project and allow photos, press releases, advertising, etc., for an unlimited period of time.
- > The owner must agree to participate in other funding assistance programs for which the project is eligible, including STAR Façade Improvement and federal, state, and local historic tax credit programs.

City officials hope this funding will spur development of at least two commercial and four residential units. They expect the resulting renovations to demonstrate the demand for downtown apartments, stimulating downtown business, encouraging similar projects, and, ultimately, revitalizing their downtown business district.



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available, a local government or private foundation can make the loans more affordable by buying the interest down by a couple of percentage points.

Gap financing or bridge loans are sometimes used to make up shortfalls when financing has been secured but is not sufficient to pay for the entire project. These types of loans are typically provided by secondary or tertiary lenders who have an interest in seeing the project succeed. (See sidebar on Cumberland, Md.,

pg. 5) In some cases, federal funds, such as federal Community Development Block Grants, can be used to pay for various phases of a rehab project, such as a feasibility analysis.

Various tax incentives can also be used to supplement financing, reduce the cost of renovation, or increase the project's profitability. These incentives, which include credits, deductions, abatements, and rebates, may be offered at the federal, state, or local level.

Frequently, a project will use multiple tax incentives simultaneously. Larger projects will sometimes syndicate federal rehabilitation tax credits whereby the future value of the tax credit is sold for up-front capital. (See sidebar on Rock Hill, S.C., below.)

State and local incentives can vary widely from place to place. (See sidebar on State Assistance Programs, pg. 13.) It is advisable to contact state and local officials to see what types of incen-

tives and assistance are available for upper-story development in your community. If there is not much in the way of assistance in your location, take the opportunity to educate your elected officials on the value of upper-floor development and communicate any impediments you may be facing. These impediments indicate a larger problem that needs to be addressed by local or state government.



## Rock Hill, South Carolina: PARTNERING WITH THE NATIONAL TRUST

enclosing the main street only exacerbated the deterioration.

In August 2001, the National Trust's Community Partners program helped turn that downward trend around. Through its \$25 million Banc of America Historic Tax Credit Fund, Community Partners made an equity investment of approximately \$1 million in the \$5.8 million rehabilitation of the Dalton Building and Annex. The Dalton Building was converted into a mixed-use property with upper-floor housing and first-floor office and retail space while the Annex was rehabbed entirely as office space.

Throughout the United States, the Banc of America Historic Tax Credit Fund makes equity investments in the rehabilitation of commercial and residential historic properties that are eligible for the federal and state historic tax credit. The Fund is designed to provide equity to developers of historic properties that can serve as catalysts for the economic revitalization of commercial districts and residential neighborhoods. It is administered by the National Trust's for-profit subsidiary, the National Trust

Community Investment Corporation (NTCIC), which is managed by Community Partners. The for-profit nature of NTCIC allows it to take advantage of the credit against federal and state income tax liability for the purpose of rehabilitating income-producing historic resources.

By completing a detailed closing process with the Dalton development team, Community Partners, through NTCIC, negotiated terms for purchasing the 20% federal historic tax credit for the Dalton Building and the 10% rehabilitation credit for the Annex. For the development team, this meant bringing cash flow into the project during the construction phase, rather than after taxes were filed and the credit processed. For Main Street Rock Hill, the deal meant that a critical piece of the downtown revitalization puzzle had fallen into place.

**In addition to the Banc of America Historic Tax Credit Fund, the National Trust's Community Partners offers other financing tools and resources for historic property reuse projects. They include:**

- **Community Partners Network** revitalizes neighborhoods by integrating historic preservation tools with traditional community development planning to create a grassroots, development-friendly approach to historic preservation that works through local partnerships.
- **Heritage Property Services** provides fee-based tax credit and development consulting services to nonprofit, for-profit, and local government developers of historic properties.
- **National Trust Loan Funds**
- **Inner-City Ventures Fund** offers loans to nonprofit organizations and public agencies to support historic preservation projects that stimulate economic development in low- and moderate-income neighborhoods.
- **National Preservation Loan Fund** offers loans to assist the acquisition and/or rehabilitation of a broad array of historic resources.

For more information on the Banc of America Historic Tax Credit Fund or another Community Partners program, call (202) 588-6054 or visit its web site at [www.nthp.org/community\\_partners](http://www.nthp.org/community_partners).

For almost 15 years, one of the most prominent structures in the South Carolina Main Street community of Rock Hill sat vacant and abandoned. Built in 1919 and listed in the National Register of Historic Places, the Dalton Building and Annex was once a key fixture of the community, first as a bank and later as a clothing retailer. But shifting vitality from main street to the surrounding suburbs triggered an economic downturn that spread throughout Rock Hill's central business district. Efforts to give the downtown a suburban facelift by creating a pedestrian mall and partially

## To Protect and Preserve

Theoretically, building codes and zoning laws are put into place to protect community safety and quality of life. Building codes, in particular, are designed to safeguard individuals and property. Local code officials are charged with ensuring our safety where we take it for granted; they can even be held liable for damage to life or property if they do not fulfill their duties competently. Ultimately, it is their interpretation of building codes that will determine whether a project goes forward or not. For this reason, it is necessary to establish a good working relationship with the local code enforcement authority.

Furthermore, it is extremely important to engage code officials in the process of redeveloping upper floors as early as possible. (See sidebar, "Noblesville, Indiana: Leading by Example," pg. 15.) They can help spot problem areas while it is still early enough to reach a compromise. Often times, code officials will sign off on a project if a comparable level of safety can be achieved in some way other than specified by the code. For example, certain building codes require apartments to have sprinkler systems in each bedroom. However, code officials may decide that fire-rated corridor exits and an alarm that allows adequate evacuation time are acceptable substitutes.

Many factors can affect a code official's decision to compromise or not; they include the age and size of the building, the type of occupancy being proposed, the occupancies of adjacent properties, market demand for the building, and potential alternative uses for the property.

Another issue the code official must consider is whether the project represents a net increase in safety for the community. If the proposed rehab will improve the safety of a neglected or vacant building, it may be in the community's best interest for it to be renovated even if it does not meet every single code

provision. Otherwise, the building will continue to be a hazard until an accident destroys it or it is demolished. The key is to work with code officials. Emphasize the importance of putting main street's upper-floor spaces to productive use while ascertaining their chief concerns and discussing ways to accommodate them.

If code officials are not willing to work with you, it may be necessary to take your concerns higher up in city hall. The goal here is not to override an official's safety concerns but rather to impress upon municipal leaders the value of upper-story development. Code officials may be more willing to make concessions if they know that a mayor or council member supports the project. It also may be necessary to bring in an outside professional to work with an official. The credibility of an architect with experience in upper-floor development or adaptive use may go a long way toward satisfying a code official's concerns.

In many cases, however, it is not the official that is the problem. It's the code itself. Some codes do not adequately distinguish between renovation and new construction. The resulting rehab costs can be totally unreasonable and may not provide any increase in safety. In addition to satisfying building code provisions, some communities require that rehabilitation projects meet additional safety requirements, such as the Life Safety Code. Frequently, this creates a redundancy that neither facilitates the reuse of main street buildings nor enhances public safety. In such situations, it may be worthwhile to consider adopting a new building code or at least streamlining the approval process.

Maryland, for example, has created a Building Rehabilitation Code as part of a Smart Codes initiative that facilitates reinvestment in existing buildings and furthers other smart growth goals. New Jersey has developed a Rehabilitation Subcode to get rid of unreasonable code

requirements that were preventing the rehabilitation of vacant or underused buildings. Other state planning offices, such as Maine's, are developing model building codes that localities can use to update their regulations. In some states, communities can adopt more universal codes, such as the International Building Code which attempts to standardize provisions while addressing such issues as building rehabilitation and adaptive use. (See *Main Street News* #170, November 2000.)

Zoning laws present a more straightforward issue. If a single property is being renovated for a use not included in the zoning regulation, a variance can be requested. On the other hand, if your goal is to create

***In many cases, however, it is not the official that is the problem.***

***It's the code itself.***

multiple apartment units in several different buildings, the area may need to be rezoned to allow residential uses. In either case, historic precedent can be a powerful argument. For example, if your commercial district was historically a mixed-use area but was zoned "commercial" after a period of abandonment, you can make a strong case that the previous uses should still be acceptable.

Sometimes, zoning regulations will stipulate that a developer must create parking spaces for any new uses added to a property. These types of zoning regulations can be relaxed in specific cases if it is determined that the regulation puts an unreasonable burden on the project. When requesting a variance or a relaxation of the zoning code, it is important to address the intent of the regula-

tion. If you can satisfy the spirit of the rule in a different way than is prescribed, you have a better chance of succeeding than if you disregard its purpose just because it conflicts with your goals. One example would be requiring tenants to rent parking spaces in a nearby lot or garage as a condition of the lease instead of adding parking spaces for each residential unit created.

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# state ASSISTANCE PROGRAMS

Several states have recognized the need to designate programs and funds for upper-floor rehabs and adaptive-use projects in order to facilitate their overall development and economic goals. Some examples of state incentives follow:

## California

### Downtown Rebound Planning and Predevelopment Grants Program.

The Department of Housing and Community Development administers these grants to cities or counties for the following:

> infill site inventories, development feasibility studies, strategic action plans to remove regulatory barriers and promote infill housing, mixed-use developments, and transit corridor development;

> updates of general plans and zoning ordinances to encourage adaptive use, higher density residential development, mixed-use development, residential development within walking distance of transit nodes, employment centers, and other urban amenities;

and

> seismic and structural feasibility studies on candidate buildings for adaptive reuse. **For more information,** contact the Department of Housing and Community Development at (916) 445-4782 or visit <http://housing.hcd.ca.gov/ca/drpgp/>.

## Iowa

### Main Street Revitalization Loan.

The Iowa Finance Authority, in partnership with Main Street Iowa and the Federal Home Loan Bank of Des Moines, is administering loans ranging

from \$50,000 to \$250,000 at interest rates 1.125% above the CIP/CIA interest rate for the proposed loan term. These loans can be used for upper-floor rehabilitation of residential or commercial properties or for new construction on infill lots in downtown areas of communities participating in the Main Street Iowa program.

**For more information,** call the Iowa Finance Authority at (515) 242-4965 or visit [www.ifahome.com/partner\\_main-street.htm](http://www.ifahome.com/partner_main-street.htm).

## Kentucky

### Kentucky Housing Corporation Grants.

At the urging of the Kentucky Main Street Program, the Kentucky Housing Corporation now offers \$8,000 grants to designated "gold" cities to conduct downtown housing market needs assessments.

Also, developers working in designated downtown "Renaissance" areas are eligible for 25 bonus points on applications for low-income tax credit projects. **For more information on the "gold" city grants,** call the Main Street Kentucky program at (502) 564-7005 ext. 131. / **For more information on the bonus points for tax credit applications,** call the Kentucky Housing Corporation at (502) 564-5820 ext. 305.

## Louisiana

**Louisiana Main Street Grants.** As do several other Main Street programs, Louisiana Main Street provides each currently funded Main Street community with a façade improvement grant that can be used for exterior improvements of upper floors. Graduate communities compete for \$10,000 grants that can be used for the same purpose.

The Louisiana Main Street Program also helped one of its communities obtain a grant from the Louisiana Decentralized Arts Funding Program for the design of the interior space of an adaptive-use project. **For more information,** contact the Louisiana Main Street Program at (225) 342-8160.

## Maryland

**Community Legacy Program.** The State of Maryland is awarding grants to governments and community development organizations that undertake com-

prehensive neighborhood revitalization strategies, including capital and non-capital projects. **For more information,** call the Maryland Department of Housing and Community Development at (410) 514-7446 or visit [www.dhcd.state.md.us/legacy/index/cfm](http://www.dhcd.state.md.us/legacy/index/cfm).

## New Hampshire

### GrowSmart New Hampshire Initiative.

In an effort to develop mixed-use properties with upper-floor housing in downtown districts, three agencies have agreed to pool their resources and streamline application processes for these development projects. The Community Development Finance Authority, the Office of State Planning, and the Housing Finance Authority will develop a single application, solicit downtown redevelopment proposals, and select a minimum of three pilot downtown housing projects. Projects chosen for this initiative will receive funding and development assistance from the three agencies, along with assistance from the Department of Resources and Economic Development. **For more information,** contact the New Hampshire Community Development Finance Authority at (603) 226-2170 or visit [www.nhcdfa.org](http://www.nhcdfa.org).

## New Jersey

### Upstairs-Downtown building rehabilitation low-interest loan program.

The New Jersey Housing and Finance Mortgage Agency has made FHA-insured, below-market-rate financing available to acquire, refinance, and renovate commercial properties with the potential for a residential component. Nonprofit organizations and owners and investors in small, mixed-use properties that need rehabilitation are eligible. **For more information,** call 1-800-NJ-HOUSE or visit [www.state.nj.us/dca/programsbook/hmfa.htm](http://www.state.nj.us/dca/programsbook/hmfa.htm).

## Oregon

### The Community Incentive Fund.

Oregon Housing and Community Services provides financial incentives or gap financing to local governments, nonprofits, and for-profits for projects that meet two or more of the following goals:

- > create more jobs in distressed communities that want economic growth;
  - > increase the supply of affordable housing near jobs and transportation;
  - > reduce sprawling development patterns; and
  - > revitalize urban centers, downtown areas, and main streets.
- For more information,** contact Oregon Housing and Community Services at (503) 986-2020 or visit <http://www.hcs.state.or.us/community-incentivefund.html>.

## Vermont

### In designated downtowns:

- > Projects qualifying for the federal 20% rehabilitation investment tax credit are eligible for a 5% state tax credit "add-on."
- > Projects on properties built before 1983 that are not eligible for the federal 20% rehabilitation investment tax credit (i.e., do not meet the "substantial rehabilitation" test) are eligible for a 25% state tax credit of up to \$25,000 for the costs of code and accessibility compliance, hazardous substance abatement, and façade rehabilitation. The applicant, either owner or lessee, may take the state allocation in the form of a mortgage credit certificate which a bank may accept in return for adjusting the rate or term of the applicant's loan on the building.
- > The 5% sales tax paid on construction materials for a downtown project can be reallocated to support the project.
- > The Downtown Reinvestment Fund provides grants of up to \$75,000 for individual building rehabilitations and up to \$100,000 for multiple building projects that involve the same or similar work. Public improvement projects are eligible on a limited basis. Matching requirement is 25%. **For more information,** contact the Vermont Downtown Program at (802) 828-3211.

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## The Americans with Disabilities Act

In 1990, the U.S. Congress enacted the Americans with Disabilities Act (ADA). The ADA covers five areas of discrimination: private-sector employment, public services, public accommodations, transportation, and telecommunications. The public accommodation section or "Title Three" has the greatest impact on main street building renovation projects. It mandates that buildings open to the public must be accessible to persons with disabilities. Specifically, it states three goals that are intended to ensure accessibility:

> All new construction must comply with minimum accessibility standards.

> All altered portions of existing buildings must meet minimum accessibility standards.

> All barriers to accessibility in existing buildings must be removed if the removal can be readily achieved.

Guidelines for bringing buildings into compliance have been issued by the Architectural and Transportation Barriers Compliance Board. Application of the ADA will vary, depending on the use of the building and the type of action, i.e., alteration, barrier removal, or new construction. Some buildings, due to size, are exempted from certain of the law's requirements. For example, buildings with fewer than three stories and less than 3,000 square feet per floor are exempt from installing elevators unless they are used as shopping malls or health care facilities.

The law also includes protections for historic buildings if alterations would threaten or destroy their significance. These protections permit alternative standards for accessible routes, entrances, and toilet facilities and may permit alternative forms of access, such as video presentations of inaccessible spaces. The protections for his-

toric buildings can only be used if the State Historic Preservation Officer determines that the alterations would "threaten or destroy" the structure. You may also need to work with local building code officials to determine how to comply with local access codes as well as the ADA provisions when developing an upper-floor rehab project or applying for a new occupancy permit.

As you can imagine, bringing a building into compliance with the ADA can seriously affect the cost of a renovation project. To mitigate the expense generated by compliance with the ADA, the federal government offers a tax credit of up to \$5,000 for small businesses and a tax deduction of up to \$15,000.

(To find out more about the Americans with Disabilities Act and the financial incentives for compliance see *Main Street News* # 71, September 1991, visit the ADA web site at <http://www.usdoj.gov/crt/ada/ada-hom1.htm>, or call the toll free ADA information line at 800-514-0301 (voice) or 800-514-0383 (TDD). You can also visit the Architectural and Transportation Barriers Compliance Board web site at [www.access-board.gov](http://www.access-board.gov) or call them at 800-872-2253.)

## Parking, Parking, Parking

Alas, there is no magic solution to the downtown parking crunch. A perennial issue in most traditional commercial districts, the parking "problem" can be further exacerbated by interior renovation projects, which rarely include the addition of parking spaces.

However, even if parking cannot be added, it can be managed. The first step is to institute stringent parking regulations, such as parking time limits, and enforce them consistently. Communicating alternative parking options and stressing the importance of parking to retail businesses can also help alleviate the problem. (See sidebar, "Athens, Georgia: Moving Upstairs," pg. 16.)



Upper-floor tour, Florence, Ala.

## Creating Demand

As discussed earlier, demand for a commercial district's upper-floor spaces will, in large part, reflect the perception people have of the district. If you've been successful in promoting your main street as a vibrant, exciting shopping district, it will not be a far leap to convince people that it is a great place to live or work.

Although people may approach you with proposals for upper-floor projects, you might find that you need to nurture their creativity by planting ideas. If the ground-floor vacancy rate is low, try to convince businesses that do not rely on foot traffic and high visibility that they will benefit by relocating into less expensive upper-floor space. Also suggest to business owners that it may help their bottom line to consolidate their living and overhead expenses under one mortgage on a single commercial building.

In any case, be sure to conduct an inventory of upper-floors that includes as many details as possible about the features and potential of the spaces. That way when someone does express an interest in reusing an upper-floor space, you'll have quality information to give them. Moreover, the information you collect in an inventory can be used to create marketing materials for developers and other investors.

Instead of approaching people with proposals, sometimes it is best to lead by example. If the office for your revitalization program is on the ground floor and you can line up a tenant to take your place, consider moving upstairs. This will give visibility to the potential of upper-floor space. Some communities, such

as Florence, Alabama, and Noblesville, Indiana, conduct annual or biannual tours of upper-floor space to generate excitement about the potential for redevelopment.

Finally, some of the best marketing or advertising comes from seeing people live and work upstairs. The first people to move into main street's upper-story spaces are the trendsetters. They get people thinking about the potential of vacant and underused space. They counter negative perceptions about safety, and they dispel the idea that downtown living is only for low-income individuals. Once a fledgling residential and office base has been established and a credible effort to redevelop upper floors is under way, you may be able to recruit businesses and services that cater to the new occupants and thus fuel further demand.

## Out of Sight, Out of Mind

All too often, upper floors escape our notice because we don't see them when we are walking or driving down the street. A commercial district may be bustling with storefront activity, but if upper floors are allowed to stay out of sight and out of mind, the district's full vitality will not be realized. The variety of activities that upper floors can host will help main street achieve a much greater economic and social potential.

Upper-story rehab projects are rarely simple or easy, but with the right amount of facilitation they can become feasible and advantageous. Furthermore, putting upper floors to productive use is necessary if we are to practice good stewardship of our built environment.

*Luke VanBelleghem is a program assistant with the National Trust's Main Street Center.*

### FOR MORE INFORMATION:

Search the MAIN STREET DATABASE in the members area of our web site – [www.mainstreet.org](http://www.mainstreet.org). Use the keyword "March 2002" to learn more about upper-floor development.

# Noblesville, Indiana: LEADING BY EXAMPLE

IMMEDIATE

Over the past decade the Noblesville Main Street program has made a significant commitment to upper-floor redevelopment in the downtown. Leading by example, the program has achieved considerable success in putting the main street district's upper floors back into productive use.

Shortly after Noblesville Main Street was formed in 1991, a generous building owner offered to lease the organization the second floor of his building for \$1 a year for 10 years if the Main Street program would assume responsibility for renovating the space. The building's second story had never been used for anything but storage; in fact, it had never even been finished. The original lath was still visible on the interior walls. Through an extraordinary grassroots effort, Noblesville Main Street was able to secure all the labor, contracting, hardware, and furniture through donations and the sweat-equity of its board of directors. *(For more information on upper-floor development and sweat equity, see Main Street News #88, April 1993.)*

When they finished the renovations in 1994, Noblesville Main Streeters had created a second-story office with two rooms and a bathroom. Perhaps most impressive is the fact that the office space

occupied by the program is now estimated to be worth \$7,200 in annual rent.

After demonstrating what could be done with downtown's upper floors, Noblesville Main Street proceeded to promote the district's available space. Twice a year, the Main Street program hosts "Upstairs Downtown," a tour of Noblesville's upper floors. Participants buy tickets—\$4 in advance, \$5 at the door—to visit downtown's residential, office, and warehouse space. The event serves three primary functions: fund raiser, marketing event for upper-floor space, and community builder. The tour almost always achieves all three purposes.

The success of "Upstairs Downtown" as a marketing effort for upper-floor space can be seen in the fact that only 3,000 of the 30,000 available square feet of upper-floor space in downtown Noblesville is vacant. Moreover, the 3,000 square feet of vacant space needs either renovation or modern amenities. Thus, while downtown Noblesville has an upper-floor vacancy rate of about 10%, the vacancy rate for renovated or modernized upper-floor space is virtually 0%.



Twice a year, Noblesville Main Street hosts a tour of the downtown's upper-floor residential, office, and warehouse space.



While many communities might be satisfied with this level of success, Noblesville Main Street has taken the process even further; it has restructured the duties of its design committee by creating subcommittees that will be responsible for the following:

- > architectural design review to help building owners with basic design concepts and renovation plans;
- > a revolving loan pool to help these people finance their renovations;
- > a list of approved trade professionals and contractors to help building owners find reliable expertise to complete renovation projects.
- > a research group to gather building histories and store them in a data base so the information can be used in articles, bronze historic markers (of which there are 38 now installed), and walking-tour brochures; and
- > a regulations subcommittee to keep building owners, tenants, and trade professionals informed about building codes, inspection requirements, associated fees, and other regulatory issues at a local, county, and state level.

Another goal of the design committee in the coming year is to draft a checklist for people planning building improvements. The checklist would spell out exactly what is necessary to comply with regulations and ensure a successful project.

In addition to restructuring the design committee's duties, Noblesville Main Street has retooled its membership to include trade professionals, preservationists, academics, bankers, lawyers, building owners, tenants, and representatives from the municipal planning department. Putting together this broad coalition of skills, interests,



Professional offices occupy the upper floors of the renovated Adler Building.

and points of view will help take care of roadblocks at the front-end of projects. Without the varied input of this committee, problems could surface randomly and kill rehabilitation projects or add extra costs through extended timelines.

Invariably, each of the design subcommittees will have some crossover with the promotion, economic restructuring, and organization committees. This is especially true of the Downtown Noblesville Economic Development Committee, which is divided into three focus areas: (1) recruiting high-quality, appropriate businesses to maintain the city's current mix of retail, restaurants, professional services, and government; (2) retaining businesses through assistance programs; and (3) parking.

Again, this committee is composed of people representing a variety of perspectives, including building owners, business owners, bankers, city government, chamber of commerce, the Hamilton County Alliance (a countywide economic development organization), and a real estate professional/business broker.

## Athens, Georgia: MOVING UPSTAIRS



Upper-floor residents (far left and center) enliven downtown Athens day and night, providing a built-in market for main street restaurants (above) and shops.

Athens, Georgia, is a community that has successfully retooled its regulations to bring residents back downtown. Until the early 1980s, zoning regulations prohibited residents and businesses from occupying the same building. Through the efforts of the Athens Downtown Development Authority, the zoning was changed to allow housing in the second and third floor spaces above businesses. Today, downtown Athens has nearly 500 residents.

The demand for downtown living has been fueled by many factors, including the character and quality of downtown buildings, the convenience of the district, and the student population of the adjacent University of Georgia. Some speculate that demand will further increase when the commuter rail line from Athens to Atlanta is completed.

"There is definitely more demand than supply for downtown housing," says Art Jackson, director of the Athens Downtown Authority. "The only thing limiting the growth of residential use downtown is the limited number of properties."

Jackson expects the residential market to move away from students in the coming years and attract a more diverse constituency. "People value their time more than sitting in traffic," he says.

In order to integrate the growing residential community with the rest of downtown, the Athens Downtown Development Authority has commissioned two local graduate student volunteers to create a residents' association that will:

- > communicate the importance of parking away from retail enterprises and direct residents to appropriate parking facilities;
- > relay information about municipal services, such as trash collection, to new residents;
- > facilitate volunteer recruitment for special events and committees; *and*
- > provide direct marketing opportunities for downtown businesses.

Above all, however, Jackson hopes the "the association will give residents a forum for communication," among themselves and with merchants, property owners, and other groups that have a vested interest in the downtown.

