



Untapped Potential: Strategies for Revitalization and Reuse

October 2017



National Trust for Historic Preservation
Preservation Green Lab

About the Partnership

THE PARTNERSHIP FOR BUILDING REUSE

Recognizing the environmental, economic, and community benefits of the reuse of vacant and blighted property, the National Trust for Historic Preservation formed the Partnership for Building Reuse in conjunction with the Urban Land Institute in 2012 to enhance opportunities for reuse in major U.S. cities. The Partnership for Building Reuse brings together community groups, preservation advocates, real estate professionals, and civic leaders around the common goal of making it easier to reuse and retrofit these valuable assets.

ABOUT THE PARTNERS

THE NATIONAL TRUST FOR HISTORIC PRESERVATION is a privately funded nonprofit organization that works to save America's historic places. From our headquarters in Washington, D.C. and our regional offices, we take direct, on-the-ground action when historic sites are threatened. Our work helps build vibrant, sustainable communities. We facilitate public participation in the preservation of sites, buildings, and objects of national significance or interest. We advocate with governments to save America's heritage, and we strive to create a cultural legacy that is as diverse as the nation itself so all of us can take pride in our part of the American story.

The National Trust's **PRESERVATION GREEN LAB** strengthens communities by integrating historic preservation and sustainability. Founded in Seattle and now with staff across the country, the Preservation Green Lab conducts research, delivers policy innovations, and promotes adaptive reuse to ensure healthy, equitable, and resilient communities.

THE URBAN LAND INSTITUTE (ULI) is a global, member-driven organization comprising more than 40,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 76 countries.

Cover Image:

Downtown Los Angeles has experienced increased investment and growth since the passage of an Adaptive Reuse Ordinance in 1999.

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View of downtown Detroit skyline from the El Moore lodge, a sustainable rehabilitation project in Midtown.

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Executive Summary

Neighborhood commercial corridors with a mix of uses and housing types. Thriving local businesses both new and old. These are the places that make a city distinct, provide hidden density, and cultivate diversity—and they are nearly impossible to encourage without the inclusion of older, smaller buildings.

Yet in many places, older buildings remain underutilized assets, sitting fully or partially vacant due to financial or regulatory barriers. With the knowledge that older buildings contribute measurably to the health and performance of neighborhoods, what can be done to bring the benefits of reuse to more places?

This report reflects the lessons learned from a multiyear partnership between the National Trust for Historic Preservation and the Urban Land Institute. Based upon city-specific engagements in Baltimore, Chicago, Detroit, Los Angeles, and Philadelphia, this report summarizes the technical, market, financial, and regulatory barriers to building reuse, and offers best practices for policymakers, developers, and community advocates interested in building reuse as a tool to create healthy, equitable, and resilient communities. Key takeaways include the following:



With the knowledge that older buildings contribute measurably to the health and performance of neighborhoods, what can be done to bring the benefits of reuse to more places?

- **A consistent set of barriers hinders building reuse.** While market conditions, regulations, and development patterns are unique in every city, this study revealed a common set of challenges that block the reuse of older buildings. The most frequently cited barriers include outdated or inflexible zoning and building codes, the presence of one-size-fits-all parking requirements, and a lack of adequate financing opportunities for new or small developers.
- **There is a need to map and inventory built assets.** In many places, fragmented, incomplete, and difficult-to-access information about the stock of older buildings limits the impact of reuse efforts. Mapping tools and spatial analysis should be used to develop and target incentive programs to have the most impact in neighborhoods with older resources.
- **Comprehensive programs are the most powerful.** An adaptive reuse ordinance, such as the Los Angeles ordinance adopted in 1999, demonstrates the power of packaging regulatory relief, flexibility, and technical assistance to unlock the potential of vacant urban spaces. Recognizing the transformative power of this comprehensive approach, this report provides a model adaptive reuse ordinance that can be customized and adopted in any city.
- **There is momentum on the ground.** City leaders across the country recognize the connection between older buildings and healthy neighborhoods and want to more effectively steward their historic assets. City staff and elected officials are already implementing innovative solutions to strengthen building reuse, many of which are reflected in this report.

A complete list of solutions and strategies to promote reuse is detailed in the pages ahead and can be found, along with additional resources, at savingplaces.org/green-lab.



A celebration in Hemming Park, Downtown Jacksonville, Florida.

CREDIT: RYAN KETTERMAN, VISIT JACKSONVILLE

Introduction

Our older buildings and neighborhoods are precious resources—as valuable to cities as parks, schools, or public transit. They often provide architectural-ly rich, human-scaled spaces for a diversity of residents, businesses, and services. Yet in many cities, thousands of older buildings languish empty, their productive and ongoing use hindered by outdated regulations and a lack of financial tools needed to spur investment and revitalization.

This report summarizes work in five major U.S. cities through a first-of-its-kind partnership between the National Trust for Historic Preservation and the Urban Land Institute. It offers insights into the barriers to building reuse and offers examples and best practices for how cities can unlock the potential of vacant and underutilized structures to help create healthier and more sustainable cities.


Research from the National Trust’s Preservation Green Lab shows the contribution that older buildings make to healthy, equitable, and resilient cities. Older buildings and blocks contribute to an area’s economic vitality. Old commercial corridors are home to more jobs in new and small businesses, more non-chain businesses, and more women and minority-owned businesses. These corridors harbor more affordable space and different types of housing, allowing for a greater diversity of residents and businesses. Recycling older buildings also advances environmental sustainability, reducing carbon emissions and material waste. Finally, reuse of older buildings strengthens municipal fiscal health by adding long-vacant structures to the tax rolls. In summary, old buildings are invaluable assets that cities cannot afford to waste.

With these benefits in mind, the National Trust for Historic Preservation and the Urban Land Institute launched a joint effort in 2012 to foster building reuse in cities across the country. The Partnership for Building Reuse brought together practitioners in five major cities—Baltimore, Chicago, Detroit, Los Angeles, and Philadelphia—to identify the challenges that can make reuse projects difficult and to develop solutions to overcome these barriers.

This report summarizes the lessons learned from five years of work, capturing common barriers, innovative solutions, and best practices to promote building reuse in cities across the country. It also includes a summary of the process along with snapshots of findings from each of the five cities.

LEARNING FROM FIVE CITIES: AN INTERDISCIPLINARY FRAMEWORK

The Partnership for Building Reuse leverages the national networks of both the National Trust for Historic Preservation and the Urban Land Institute, including local preservation organizations, ULI District Councils, community development organizations, and city staff. The goals of the Partnership are to:



This report summarizes the lessons learned from work in Baltimore, Chicago, Detroit, Los Angeles, and Philadelphia, capturing common barriers, innovative solutions, and best practices to promote building reuse in cities across the country.

- **Identify and understand** the common barriers to building reuse.
- **Accelerate** rates of building reuse and rehabilitation.
- **Support** community revitalization in diverse neighborhoods.
- **Decrease** building demolition and resource waste.
- **Document** best practices that encourage building reuse.
- **Create** a methodology to advance building reuse in other cities.

In each city—Baltimore, Chicago, Detroit, Los Angeles, and Philadelphia—we formed an Advisory Committee to guide the process locally. Committee members conducted interviews with key building reuse practitioners, reviewed Preservation Green Lab mapping and analysis, and identified community stakeholders for larger group discussions. We identified key barriers in four categories:

- **Market** barriers related to the supply and demand for various building types and uses.
- **Financial** barriers involving project costs, sources of capital, lending practices, and financial incentives.
- **Technical** barriers that arise related to building location, site, design, construction, and materials.
- **Regulatory** barriers such as zoning and development standards, building codes, seismic codes, and other review processes.

Following additional research and consultation with city staff, the stakeholders reconvened to develop a set of solutions to overcome barriers to reuse. Many of the solutions focused on the regulatory and financial barriers as those could most meaningfully be addressed through the expertise of the convening partners. Though market barriers can be overcome through reuse interventions—such as the City of Baltimore’s programs that focus investment in neighborhoods with an excess of vacant properties—specific recommendations to influence market conditions remain outside the scope of this report. The Advisory Committee led a process to refine and prioritize these recommendations into a Citywide Action Agenda for building reuse. More information about the recommendations for each city can be found on the pages ahead.

REUSE AND MARKET OPPORTUNITY

Repurposed older buildings offer growing opportunities across the market spectrum. Housing and hotel conversions abound in American downtowns, bringing new life to once-vacant office buildings, department stores, and warehouses. Federal tax credits have helped create hundreds of thousands of affordable housing units in repurposed historic buildings. Older buildings provide distinctive, affordable spaces for small, locally-owned retail businesses and top-ranked restaurants. Many tech and start-up companies gravitate to flexible, open plan workspaces in older buildings with distinctive features, layers of history, and a built-in marketing story.

In each of these market sectors, the reuse alternative offers potential for greater speed-to-market than new construction and the ability to adapt quickly to changing market conditions. But while the market demand for older buildings is increasing, significant barriers continue to block investment. Thousands of older buildings sit empty or underused in cities across the country.

THE PARTNERSHIP FOR BUILDING REUSE PROCESS

The chart below outlines the process developed through the Partnership for Building Reuse. City leaders and community development advocates can forge their own paths to repurposing underused older structures using this framework.





The Philadelphia Neighborhood of Fishtown is home to many smaller buildings that house new and small business.

CREDIT: NEAL SANTOS

ZONING

Top Barriers to Building Reuse

PARKING

FINANCING

CODES

Foundational to the Partnership for Building Reuse process is the identification of barriers that create an unnecessary impediment or place an undue burden on reuse and rehabilitation projects. With a local Advisory Committee, the Preservation Green Lab convened stakeholders and practitioners from a variety of fields to discuss issues faced in redevelopment in each of the five partnership cities. The barriers ranged from the specifics of local policies to larger issues within the lending or insurance industries. Many barriers were found to impact projects across the board. This report highlights four barriers that consistently emerged throughout this process: issues with the zoning code, the burden of parking requirements, the ability to find financing for building reuse, and inflexibility and complexity in a city's building, energy, and seismic codes. Local stakeholders in the five cities also identified market and technical barriers that may impact the ability for a developer to reuse a building—such as lower rents in cooler markets or difficulty meeting code in a structure with a larger floorplate. Though these barriers can impact reuse potential as much as those in the regulatory arena, the stakeholders and convening partners primarily focused on solutions related to regulation and financing.

The pages ahead detail the variety of ways these barriers are manifested in U.S. cities, as well as effective solutions that could be adopted more widely to support building reuse and strengthen cities.



Baltimore Design School
/ Ziger Snead Architects

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ZONING PARKING FINANCING CODES

As an expression of local policy, zoning is a powerful land use tool that can be used to actively facilitate or inadvertently hinder building reuse. Zoning regulations govern building use, level of occupancy, height, scale, parking, setbacks, open space, signage, and more. Following New York City's pioneering 1916 zoning ordinance, most cities adopted their first zoning regulations in the 1920s. Many of these early, so-called "Euclidean" zoning codes were rewritten in the 1950s and 60s. New provisions encouraged low-density, residential-only subdivisions and accommodated the growing number of cars. Despite various amendments and modifications, these "second generation" zoning codes remained in place in most cities until very recently.

Cities are now adopting new "third generation" zoning codes. The cities in the Partnership for Building Reuse reflect this evolution. Chicago replaced a 1957 zoning code in 2004. In 2012, Philadelphia adopted its first new code in 50 years. In 2016, Transform Baltimore was approved, replacing a 1971 zoning code. Work is underway in Los Angeles to replace a 1946 code. Even in cities not undertaking complete code rewrites, planners are devising new zone districts and updating development standards to encourage denser, mixed-use development.

This interest in zoning reform presents a once-in-a-generation opportunity to make zoning more compatible and supportive of building reuse. Conversations with local practitioners in the five Partnership for Building Reuse cities point to specific barriers to reuse that could be reduced or removed through changes to zoning codes:

- **Use limitations.** Older zoning codes separate urban neighborhoods by use: typically residential, commercial, industrial. Converting older structures to alternative uses or mixing uses within a single building can require time-consuming approvals.
- **Incompatible development standards.** Development standards typically reflect an assumption that new development will eventually replace older structures. Requirements for setbacks, parking, unit sizes, and open space can be impossible to achieve with an existing structure.
- **Non-conforming properties.** Many codes define structures that do not meet current development standards as "non-conforming," which can discourage investment. Defining small lots or historic uses as non-conforming may also block rehabilitation of existing structures.
- **Zoning mismatches.** When zoning allows new construction that is much larger than what currently exists, small buildings become vulnerable to disinvestment and demolition. Some of these structures may contribute to economic and social diversity.
- **Process complexity.** Zoning codes gain complexity with each new overlay, revised standard, and additional definition. As a result, zoning approval in many cities has become highly transactional, requiring time-consuming "one-off" solutions for each project.

SOLUTIONS TO ZONING BARRIERS

Zoning code reform offers an opportunity to align this key regulatory tool with goals for more diverse, walkable, and sustainable cities. Many planners are choosing "form-based" approaches for new zoning codes. Form-based codes focus on the physical character of buildings and how they relate to streets and public spaces. Uses are less strictly segregated in form-based codes. Analysis of existing development patterns informs development standards that are better aligned with valued older buildings and blocks. Each of the five Partnership for Building Reuse cities is using or considering aspects of form-based zoning.

Specific examples of ways that zoning changes can facilitate building reuse include:

- 1 Adopt context-sensitive, form-based zoning** that recognizes the diverse contexts and building patterns found in cities, from dense downtown cores to lower density neighborhoods. Examples of citywide form-based codes include Baltimore, Denver, and Miami.
- 2 Create new zone districts** to allow a greater mix of uses and reduce the need for variances and changes in use. Align open space, setback, and minimum lot sizes to reflect valued historic patterns. Examples include districts that allow limited commercial use in Baltimore and live/work industrial districts in Philadelphia.
- 3 Reduce or eliminate non-conforming provisions** to encourage investment in properties constructed before zoning codes. Examples include using a "compliant" rather than non-conforming status for these properties in the Denver zoning code.
- 4 Use transfer of development rights (TDR) approaches** to retain valued smaller structures in areas where policy encourages and zoning allows higher density. San Francisco and New York City have well-established TDR programs. Chicago's Neighborhood Opportunity Fund uses fees from development rights purchased in the downtown core to support commercial corridors in underserved neighborhoods.

ZONING PARKING FINANCING CODES

No technology has transformed American cities as radically as the automobile. Today's cities still bear the scars of efforts to accommodate cars, and parking continues to occupy large swaths of land in urban centers across the country. As car ownership rates soared after 1945, a cultural expectation developed, reinforced by public policy, that parking should be free (or at least cheap) and easy to find. The requirements to provide parking for reuse projects was the single most cited barrier in the Partnership for Building Reuse process.

Parking barriers are both regulatory and market-driven. The vast majority of zoning codes include minimum off-street parking requirements for most development projects outside downtown areas, adding construction and land acquisition costs that small reuse projects often can't bear. In addition, abundant parking is still viewed by many lenders as necessary for a successful project, even where code requirements are reduced or eliminated.

Specific ways in which parking can impact redevelopment include:

- **High parking minimums.** Many zoning codes include formulas requiring a minimum amount of parking based on the allowable use. Given recent mobility trends, many of these formulas may be outdated.
- **Inflexible parking requirements.** Parking demands will differ between neighborhoods or commercial corridors depending on context, availability and quality of transit infrastructure, and proximity to residential areas. Parking requirements that are one-size-fits-all eliminate the opportunity for context-sensitive development.
- **Neighborhood concerns.** Parking for projects in or near residential areas can be controversial. Neighborhood groups often protest reduced parking requirements based on the assumption that parking will overflow onto neighborhood streets.
- **Market and lender demand.** The perception that parking is universally in high demand persists among lenders, commercial tenants, and some retailers, which ignores the success of many projects with lower amounts of on-site parking.

SOLUTIONS TO PARKING BARRIERS

UCLA parking expert Donald Shoup has called minimum parking requirements "a fertility drug for cars," noting that underpriced parking leads to more cars—a feedback loop that wastes resources and hinders reinvestment in historic commercial corridors and older urban neighborhoods.

Seeking diversity, density, and accessibility, many cities are now focusing on multi-modal transit, and enhanced bike and pedestrian infrastructure. The prevalence of shared-use mobility and the future of the autonomous vehicle market further drive down the need for excessive parking availability. Given these trends, many parking formulas may be outdated. Accordingly, planners are seeking to reduce or eliminate parking requirements for projects in proximity to certain areas. Some cities are taking the shift a step further and establishing parking maximums to prevent over-parking and devote more space to people and businesses.

Specific solutions for parking include:

- 1 Allow shared and off-site parking.** Multiple properties on the same block may have differing peak parking needs and should be allowed to share use of a single parking facility located within a reasonable distance. San Diego and Seattle have both allowed for this alternative to on-site parking requirements.
- 2 Eliminate minimum parking requirements.** Many cities have removed parking requirements in their downtowns. This approach can be extended to other areas as well. In Chicago, parking requirements are reduced near transit and on designated "Pedestrian Streets." Other places, such as Buffalo, have eliminated requirements citywide.
- 3 Develop parking maximums.** Changing a minimum to a maximum allows for parking to be created where it will be valued by the market. London created maximums in 2004 and, since then, only 17 percent of projects have parking that meets the old minimum—illustrating how required minimums exceed actual market demand.
- 4 Provide exemptions for older buildings.** Subject to review, the city of Baltimore waives parking requirements for structures over 50 years old or properties that have received historic tax credits. Removal of parking requirements has also been a large part of the success of the Los Angeles Adaptive Reuse Ordinance.
- 5 New forms of neighborhood parking management.** Revenue from street meters in Old Pasadena is dedicated to improvements within the district. Not only is pricing managed locally, this income provides additional local funding within the commercial corridor. Philadelphia, which eliminated parking requirements in Center City, surveys parking use every five years to monitor supply and demand.
- 6 Unbundle Parking.** Separating the cost of parking from the development itself allows market desire for parking to be met while decreasing the price of housing for those who do not require parking. San Francisco's zoning code mandates buildings with 10 or more residential units to separate the cost of parking from that of the housing for both new construction and reuse projects.

ZONING PARKING FINANCING CODES

In all five Partnership for Building Reuse cities, local developers and preservation advocates noted the challenges involved in accessing capital for reuse projects, and in identifying and leveraging financial incentives that may be available. In addition, financing opportunities for small scale and reuse projects are more limited compared to large, new projects. The ability to finance reuse projects is further complicated in weaker real estate markets, where traditional lenders may lack experience with multi-layered financing or have concerns about unanticipated rehab costs.

Interviews with stakeholders and local practitioners in the five Partnership for Building Reuse cities point to specific financing barriers that could be removed to facilitate more reuse projects:

- **Weak markets.** Investing in areas suffering from poor economic conditions or population loss may be a tough sell for traditional lenders, who calculate return on investment based on established markets. The reality of high development costs and low returns means that many projects in weak markets are not feasible without subsidy.
- **Lender risk aversion.** Lenders often gravitate towards developers who can use reliable formulas to determine project cost or an expected loan-to-value ratio. These formulas are a poor fit for many reuse projects, as each project is unique.
- **Incentives that do not fit small projects.** Many available incentives (tax credits or abatements, for example) are oriented toward large projects, require expertise to assemble, and can be confusing and time-consuming for smaller developers.
- **Difficulty with property acquisition.** In some markets, property owners may hold title to older buildings and have no intention of investing or unrealistic expectations for the property's sale price. Many vacant properties are burdened with tax liens. Carrying costs associated with larger vacant buildings are also seen as a barrier.

SOLUTIONS TO FINANCING BARRIERS

Increased access to capital and additional financial incentives for reuse projects are needed to attract new and small developers to reuse opportunities. These changes would also encourage larger, more established developers to enter weaker markets. With tightening state and local budgets, many municipalities are turning towards alternative financial incentives, such as connecting to socially responsible investing, extending property tax abatement programs, or identifying ways to provide gap financing for smaller projects.

Specific solutions to support financing of building reuse projects include:

- 1 Retain and enhance tax incentives.** Federal historic tax credits are a proven way to spur investment in older buildings and neighborhoods and can be paired with New Markets and Low Income Housing tax credits, as well as state credits, for even greater impact. South Carolina's Abandoned Buildings Revitalization Act illustrates a creative approach, providing a 25 percent credit for development of a building that has been at least two-thirds vacant for five or more years, regardless of age or historic status. Baltimore's property tax incentive for designated historic structures has spurred thousands of small rehabilitations.
- 2 Provide innovative sources of financing.** Revolving loan funds or community capital corporations can provide gap or other much-needed financing for smaller development or reuse projects. The Buffalo Building Reuse Loan Fund provides low interest gap financing for adaptive reuse and new construction projects in downtown Buffalo. Chicago's Neighborhood Opportunity Fund uses fees from development rights purchased in the downtown core to support projects on commercial corridors in underserved neighborhoods.
- 3 Package new and existing incentives.** An adaptive reuse ordinance or program is a way to offer targeted access to financial and regulatory incentives. Phoenix's Adaptive Reuse Program offers a streamlined regulatory process, faster permitting, and financial savings for adaptive reuse projects—including fee reductions.
- 4 Leverage available underutilized property.** Affordable access to older and historic properties that are ripe for development can alleviate the barrier of acquisition costs. Land banking authorities—as seen in Philadelphia, Atlanta, Detroit, and other municipalities—can provide access to properties for a nominal fee if the developer commits to rehabilitating the property within a specific time period.

ZONING PARKING FINANCING CODES

Successful building reuse requires compliance with complex building, energy, and seismic codes. Disasters such as the 1871 Chicago Fire, the 1906 San Francisco Earthquake and Fire, and the 1911 Triangle Shirtwaist Fire in New York City prompted early adoption of fire and safety codes. Seismic codes and energy codes emerged later, as supplements to building codes. Modern seismic codes may require retroactive improvements to existing buildings. Energy codes are becoming increasingly stringent and influential for both new construction and rehabilitation projects.

Many states and municipalities are experimenting with "outcome-based" compliance, which allows a project sponsor to meet the desired intent of the code using a flexible, holistic approach to ensure overall performance requirements. While life-safety concerns are always paramount, a more tactical approach that allows flexibility in meeting life-safety standards would likely bolster opportunities for building reuse. California's Historical Building Code sets the gold standard for regulation of historic and older buildings through code enforcement. It customizes solutions to life-safety issues that allow buildings to retain their historic fabric.

Despite their laudable objectives and clear public purpose, these codes can sometimes have unanticipated consequences. In addition, navigation of a complex codes regime can be particularly challenging to new or small developers. Major code issues identified through the Partnership for Building Reuse process include:

- **Process complexity.** Building, energy, and seismic codes are often managed by different municipal departments, which can make plan approval time consuming, confusing, and expensive.
- **Code conflicts.** Code requirements may conflict with historic preservation standards, especially those triggered by historic tax credit programs. Overly restrictive historic preservation review of designated historic structures can sometimes slow or derail creative solutions to code requirements.
- **Opaque or inconsistent approval process.** In many municipalities, permit approval depends on the judgment of code officials, some of whom may lack expertise in building reuse projects. Additionally, a developer may not be able to meet code on a project, depending on interpretation and the willingness of the code official to allow alternative solutions.
- **Challenging building types.** Some building types pose specific reuse challenges. The vast size of industrial floorplates are conducive to open offices, but may impede residential uses. Energy codes may require insulation of distinctive masonry walls. Many small commercial buildings in older neighborhoods are left with vacant upper floors due to the challenge of providing a second upstairs exit.
- **Upgrades triggered by change of use.** Changing the use of a structure can trigger expensive upgrades. See section on zoning (pages 12-13) for more detail.

SOLUTIONS TO CODE BARRIERS

Adopting a flexible approach to codes and providing technical assistance to help developers navigate complex regulatory environments allows cities to unlock the development potential of their older and underutilized buildings. By reducing uncertainty, granting flexibility, and leveraging city staff who are familiar with the challenges faced by adaptive reuse projects, building reuse becomes a more compelling option for a developer, architect, or investor considering development options. Model building codes prescribe specific design, construction, and materials choices that are often difficult to meet when rehabilitating an older building. With publication of the first International Existing Building Code (IEBC) in 2000, alternative compliance paths became available for existing and historic buildings. Still, code compliance remains challenging for many rehabilitation projects.

Specific approaches for supporting building reuse through permitting, plan review, and code reform include:

- 1 Write new code for rehabilitation and reuse.** Facing the barrier posed by codes head on, many municipalities are adopting building and energy codes specifically for reuse projects. New Jersey wrote a first-in-the-nation Rehabilitation Subcode providing specific paths for reuse projects to meet code. California's Historical Building Code provides similar paths for reuse of historic buildings.
- 2 Catalog proven ways to meet existing code.** Given that many developers and practitioners have found success in creatively overcoming complex code problems, cities should create and promote a database of known solutions to challenges that may be encountered in reuse projects.
- 3 Create flexibility in the existing code.** In many instances, code officials can provide flexibility in meeting code. Code officials in Duluth, Minnesota are encouraged to be open to 'acceptable alternative solutions' to code compliance when it comes to existing buildings so as not to create an undue financial burden on the developer. Outcome-based or performance-based code alternatives, such as Seattle's Outcome-Based Energy Code, can afford representatives of building reuse projects opportunities for flexible and creative solutions to code requirements.
- 4 Provide coordinated technical assistance.** Provide a central place where developers can get help navigating complex regulatory processes, including guidance on addressing complex code challenges through examples and case studies. As a component of the city's Adaptive Reuse Program, Phoenix's Office of Consumer Advocacy provides development assistance and dedicated case managers for customers new to the land development and building permit processes. Similarly, Los Angeles established a task force for permitting adaptive reuse projects, cultivating expertise in the challenges building reuse projects face and leveraging that expertise to expedite and facilitate permitting and plan review.

Top Strategies to Promote Reuse

Cities across the country are coming up with creative and innovative approaches to make building reuse easier and more likely. The following list of strategies and best practices for strengthening building reuse draws from the five-city Partnership for Building Reuse as well as Preservation Green Lab research conducted in Jacksonville, Florida; Tucson, Arizona; and Louisville, Kentucky.



1 Leverage data and mapping tools to understand reuse opportunities.

Knowing a city's built assets is the first step to being able to target incentives, programs, and infill development. Spatial analysis can help identify needs and develop programs that are targeted for the greatest impact.



2 Eliminate, reduce, or recalibrate parking requirements.

Reducing or eliminating parking requirements in pedestrian-friendly areas and areas near transit can incentivize investment in older buildings. Shared parking in nearby locations can also fill this need.



5 Update zoning codes to meet the needs of the 21st century.

Promote new uses, greater diversity of uses, accessory dwelling units and other tools that heighten residential density, and other context-sensitive zoning changes to provide more opportunities for reuse and infill development.



6 Retain and strengthen existing incentive programs for building reuse.

Support ongoing advocacy for the federal Historic Tax Credit and new and strengthened state historic tax credits. Revitalization tax credits, transfer of development rights, and incentives for vacant properties are also important.



3 Remove key barriers that prevent change of use in existing vacant and underutilized buildings.

Establishing provisions within the zoning code for appropriate and compatible “sister uses” can ease the transition to a new use by creating more certainty and reducing red tape.



4 Develop a “Solutions Database” to track and promote ways to overcome building code challenges.

Daylighting creative solutions, successful projects, and paths to navigate complex redevelopment problems can be invaluable to small scale infill and adaptive reuse projects.



7 Develop new sources of public and private capital for smaller projects, or projects in weaker markets.

Leverage new and existing funds to cover gap financing, pre-development costs, and other expenses that may keep small scale developers out of business, hinder investment in weaker markets, or discourage reuse of underutilized buildings.



8 Adopt a comprehensive adaptive reuse program.

Adaptive reuse ordinances, whether applied citywide or adopted as an overlay, bring together incentives along with flexibility in building and zoning codes, removing unnecessary barriers to reuse projects. The Model Adaptive Reuse Ordinance (outlined on pages 24-31) can be adapted and adopted in any municipality, and builds upon the “gold standard” policy supporting building reuse established in Los Angeles in 1999.

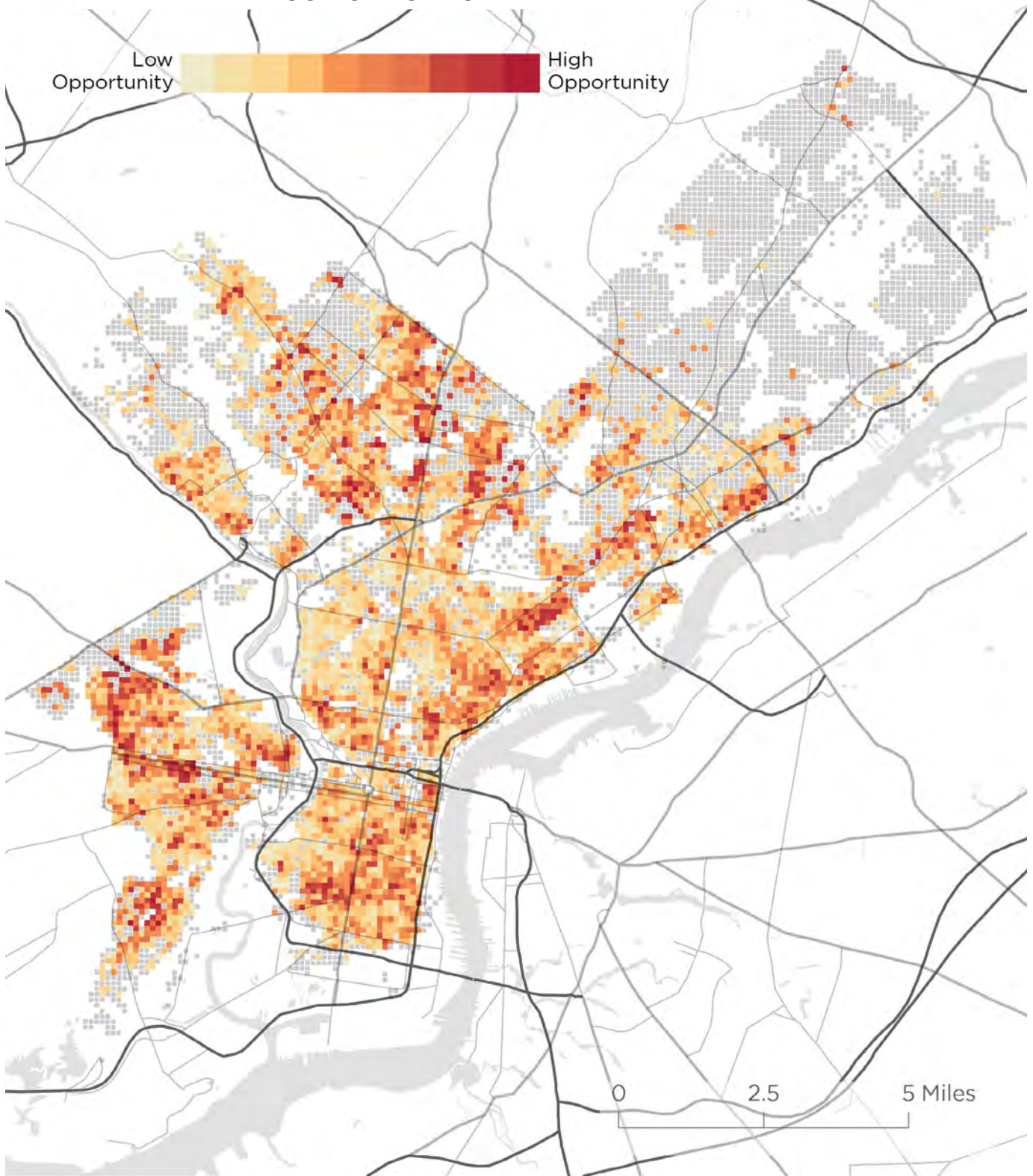
Leveraging Data and Mapping Tools: The Reuse Opportunity Model

As part of the Partnership for Building Reuse in Baltimore, Chicago, Detroit and Philadelphia, the Preservation Green Lab used a variety of data and spatial analysis to spotlight areas of these cities where building reuse could have the greatest catalytic impact and a higher likelihood of success. The Reuse Opportunity Modeling focused on areas with concentrations of older, smaller buildings and mixed-age blocks. The Preservation Green Lab research team analyzed these areas using data on transit accessibility, public school assessment data, property values, vacancy rates, and information about the characteristics and movement of the residents, jobs, and businesses, among other metrics.

The Preservation Green Lab method for Reuse Opportunity Modeling has evolved with each new Partnership for Building Reuse city. For Baltimore and Philadelphia, completed in 2014-2015, the model revealed "high opportunity" blocks in neighborhoods throughout the city using a single set of metrics. In Chicago and Detroit, completed in 2015-2016, Preservation Green Lab researchers developed more sophisticated modeling—mapping strong opportunities for building reuse in "hot markets" and "cool markets" as separate models in Chicago, and residential and commercial reuse opportunities as separate models in Detroit. The Reuse Opportunity Modeling provides new insights for real estate developers, investors, and community development organizations interested in reusing existing buildings. It offers a data-centered framework for city officials and policymakers interested in piloting and targeting new policies or programs strategically.

Reuse Opportunity Modeling offers one path in responding to market barriers by spotlighting areas of cities where strategic investment of technical assistance, regulatory relief, and capacity building could help build a market incrementally. Spurring reinvestment and revitalizing distressed neighborhoods requires partnership and coordinated effort with nonprofit developers, community development organizations, and others. In such places, building reuse could represent one small element of a revitalization strategy, but may make little difference without long-term reinvestment and deeper engagement.

PHILADELPHIA REUSE OPPORTUNITY



In the first phase of Reuse Opportunity Modeling, the Preservation Green Lab used a single set of metrics to understand what parts of Philadelphia (above) and Baltimore may have the strongest potential for building reuse. A second phase of Reuse Opportunity Modeling explored Chicago and Detroit, using segmented models based on important dimensions of the cities' geographies and varied markets. More information about the metrics included in each model can be found in their respective Partnership for Building Reuse report.

Model Adaptive Reuse Ordinance

Inspired by successful adaptive reuse policies in Los Angeles, Phoenix, and other cities, the Preservation Green Lab has developed this model ordinance for policymakers interested in spurring revitalization through reuse in their own communities. Adaptive reuse ordinances can help cities unlock the potential of older buildings.

This model adaptive reuse ordinance is comprised of two parts: model guidance policies and a model zoning overlay ordinance. The ordinance can complement existing preservation policies and programs by creating a framework to incentivize adaptive reuse of historic and non-historic older buildings alike. In most jurisdictions, this ordinance should be administered by local zoning and building officials, coordinating with historic preservation staff and commissions when designated properties are affected.

Lengthy permit review time can pose a barrier to reuse projects; therefore, in addition to the model policies and regulations, jurisdictions should consider creating a multi-departmental team that will become familiar with the adaptive reuse code and coordinate to provide efficient review of proposed projects. Jurisdictions considering an adaptive reuse ordinance should also adopt supportive policies, such as those listed on the following page, into their local comprehensive or general plan.

The model ordinance has been written as a standalone chapter that can be adopted into an existing zoning code. It should be considered in tandem with zoning map amendments to delineate and specify the extent and applicability of the proposed adaptive reuse overlay zones. The purpose of this adaptive reuse ordinance is to reduce regulatory barriers to building reuse and to simplify and facilitate the permitting process.

MODEL GUIDING POLICIES: ADAPTIVE REUSE

Policy 1: Promote adaptive reuse as part of broader goals supporting historic preservation, economic development, and environmental sustainability and resilience

Policy 2: Recognize the social, economic, and environmental value of older buildings

Policy 3: Incentivize building reuse at a neighborhood scale to encourage activation of a cohesive district of older buildings

Policy 4: Eliminate or allow nonconformance with certain development regulations that would make adaptive reuse of eligible buildings infeasible, including such standards related to parking and loading, height, density, floor-area ratio, and open space

Policy 5: Encourage adaptive reuse projects to provide space for a mix of uses

Policy 6: Prioritize the review of adaptive reuse projects through inter-departmental coordination

Policy 7: Allow alternative building and fire code compliance for eligible adaptive reuse projects able to demonstrate an alternative means or method of protecting public health, safety, and welfare

Policy 8: Allow alternative compliance with public works standards, where alternative compliance will protect public health, safety, and welfare

Policy 9: Adopt a zoning overlay outlining specific provisions to incentivize adaptive reuse

Policy 10: [Add policy identifying in general terms areas of the jurisdiction where adaptive reuse incentives could be applied]

MODEL ZONING OVERLAY, ADAPTIVE REUSE ORDINANCE

1. Purpose. The purpose of this Adaptive Reuse Ordinance is to provide a more efficient way for eligible buildings and adaptive reuse projects to meet zoning, building, fire protection, and public utility standards. The provisions of this program can apply to all or portions of eligible buildings located in a designated adaptive reuse overlay zone, where the building's current use is being changed to a different use.

2. Definitions.

2.1. *Adaptive reuse overlay zone* – An area designated on the [local zoning map] where adaptive reuse projects in eligible buildings are incentivized.

Comment: We have chosen to present this model ordinance as a zoning overlay because it can be integrated as a cohesive chapter into most zoning regimes rather than a complex series of text amendments impacting many zoning code chapters. Jurisdictions wishing to implement this model ordinance would simply adopt this zoning overlay as a chapter in their zoning code, identify districts or neighborhoods where adaptive reuse is desired, and amend the zoning map to show the overlay areas. Adoption of both the text and mapping amendments will require approval by the local legislative authority, such as the city council.

2.2. *Adaptive reuse project* – Any change of use from a building's current use to a new use in all or a portion of any eligible building.

2.3. *Eligible building* – Any building within an Adaptive Reuse Overlay Zone that is at least 50 years old and that was constructed in accordance with building and zoning codes in effect at the time of construction.

3. Applicability.

3.1. The provisions of this Adaptive Reuse Ordinance apply to adaptive reuse projects taking place in eligible buildings within an adaptive reuse overlay zone. The change of use of an existing vacant or underutilized building to new uses that promote community goals is permitted subject to compliance with the standards found in this chapter.

Comment: Jurisdictions may choose differing criteria for eligibility based on the jurisdiction's overall building stock and its goals for the adaptive reuse program. For instance, a city with majority prewar buildings may want to set a more restrictive building age criterion. Or, alternatively, if a city is dealing with challenges involving a particular type of building (e.g., vacant schools, churches, or warehouses), the original building use could be included as a criterion.

3.2. The provisions of this chapter can also apply to buildings that are listed or eligible for historic designation located in an adaptive reuse overlay zone; however, additional regulation under [local historic preservation program reference] and any other related

historic guidelines, including the Secretary of the Interior Standards may apply.

- 3.3. Expansions to the floor area of an eligible building must comply with the development standards of the underlying zone and are not eligible for the incentives provided in Section 7.
- 3.4. The provisions of this zoning overlay are intended to modify the standards otherwise applied to the site by its underlying zone. Unless specifically modified by this chapter, all other standards adopted for this site shall apply.

***Comment:** A jurisdiction may consider allowing expansions to existing buildings to qualify for some or all of the incentives in this ordinance. Expansions could be allowed in exchange for specified community benefits, such as added affordable housing units. At a minimum, projects adding new floor area to old buildings should be able to use the alternative compliance options available in Sections 8, 9, and 10.*

4. Eligibility. Projects must meet the following criteria to be an eligible adaptive reuse project:

- 4.1. Project site shall be located in an Adaptive Reuse Overlay Zone.
- 4.2. The building must be an eligible building, as defined in Section 2.3.
- 4.3. The project results in a change of use for the existing building.

5. Development Standards. Adaptive reuse projects shall, at a minimum, comply with the following development standards. [Insert development standards appropriate to local conditions and priorities]

***Comment:** A jurisdiction may choose to require certain development standards meant to balance the development incentives with local goals. Some examples could be minimum unit size, on-site amenity area, or ground floor commercial use requirements. Furthermore, if a jurisdiction has an inclusionary housing policy or otherwise requires affordable housing to be included in new development projects, the jurisdiction may also consider specifying if and how many housing units in adaptive reuse projects must be affordable to low- or moderate-income households.*

6. Incentives.

- 6.1. *Density.* The project can exceed the maximum density established by [the local zoning code] for the site provided the adaptive

reuse project is in compliance with any minimum residential unit size standards established by this code.

- 6.2. *Setbacks.* Existing building setbacks may remain and shall be considered legally nonconforming, but no further encroachments shall be permitted into any nonconforming setback.
- 6.3. *Height.* The height of the structure, if it exceeds the maximum height of the zoning district, may remain and shall be considered legally nonconforming. Any rooftop construction needed for building circulation, drainage, ventilation, utilities, or passive recreation shall be included within the height exemption. This height exemption does not include new residential or commercial floor area.
- 6.4. *Loading Zone.* A new loading zone shall not be required if the existing building does not have an existing loading zone.
- 6.5. *Parking.* New parking spaces shall not be required for any converted use within the existing footprint of the building, but expansions to floor area shall be required to provide parking according to [local jurisdiction parking rules].

***Comment:** Parking requirements pose one of the most common and most significant barriers to building reuse. If parking requirement waiver or reduction is appropriately targeted and specified, this incentive can have a powerful effect on development patterns, including reuse. If a full waiver of parking requirements for the portion of the building that has a converted use is seen as overly generous given the development climate of a jurisdiction, the jurisdiction may opt to reduce parking requirements or allow off-site parking at a specified distance as a more limited incentive.*

- 6.6. *Transfer of Development Rights Program.* This section authorizes a program through which building owners choosing to reuse older, smaller buildings, may transfer unused zoned development potential to an approved receiving site in exchange for payment. [Insert specific provisions of a Transfer of Development Rights program, or reference a locally adopted TDR program]

***Comment:** Jurisdictions with robust real estate markets can use a transfer of development rights program to incentivize building owners to reuse older, smaller buildings, in areas where many such buildings are being demolished and replaced with larger structures. This program would function like a typical transfer of development rights program by identifying eligible receiving sites where additional development capacity is desired and could be accommodated. Because of the variation in how such*

programs could be established and the differences in state law, no model language is provided.

7. Approved Land Uses. Subject to the limitations of section 9.2, a broad range of land uses or mix of uses shall be allowed in the Adaptive Reuse Incentive Overlay Zone, irrespective of the underlying zoning, as part of an adaptive reuse project. However, no new uses that emit noxious odors or excessive noise shall be allowed, unless the applicant demonstrates the use will not negatively impact nearby residences.

***Comment:** A broad range of permitted uses will provide the greatest incentive for adaptive reuse. However, if specific land uses are preferred or undesired, a jurisdiction can define these here. For example, Los Angeles' adaptive reuse overlay is intended only for conversions of non-residential uses into residential use (including hotels).*

8. Alternative Building Code Regulations

8.1. *Applicability.* The alternative building code regulations adopted in this section are applicable to eligible buildings located in an adaptive reuse zone.

8.2. In permitting repairs, alterations, and additions necessary to accommodate adaptive reuse projects, the alternative building regulations shall impose requirements that will, in the determination of the Building Official, protect the public health, safety, and welfare.

8.3. Nothing in this section shall be construed to allow the reduction of existing seismic or fire and life-safety elements of an eligible building where such elements provide a greater level of protection than the minimum requirements established by this section.

8.4. *Procedure.*

8.4.1. The applicant must submit an Alternative Methods and Materials application to the [local building department]. Upon review of such application, the Building Official is authorized to grant approval when the proposed design is found satisfactory and complies with the intent of the provisions of current building codes in effect, and that the material, method or work offered is justified by current accepted performance-based engineering and analysis in assessing quality, strength, effectiveness, fire resistance, durability, and safety.

8.4.2. The Building Official shall review adaptive reuse project proposals on a case-by-case basis, and may require pre-submittal

meetings at his or her discretion.

9. Alternative Fire Code Regulations

9.1. *Applicability.* The alternative fire code regulations adopted in this section are applicable to eligible buildings located in an adaptive reuse zone.

9.2. *Uses and Occupancies.* Subject to the approval of the Fire Official, the use or occupancy type of an eligible building shall be allowed to be changed as part of an adaptive reuse project without conforming to all requirements of the [locally adopted version of Existing Building Code], provided the new or proposed occupancy is equally or less hazardous, based on life and fire risk, than the existing use.

Comment: Many jurisdictions who have adopted the International Existing Building Code will have similar provisions in place offering flexibility when renovating existing buildings, when the use does not change. This model code provides relief when uses or occupancies change. Note these provisions only apply when the building occupancy is not becoming more hazardous. Jurisdictions may wish to provide allowance and flexibility for some common changes of use where occupancy hazards are increased, such as converting commercial space to restaurant (assembly) space. Providing guidance and examples of solutions to common code issues can also facilitate building reuse.

9.3. *Modifications.* Whenever there are practical difficulties involved in carrying out the provisions of the [local fire code], the Fire Official shall have the authority to grant modifications for individual cases, provided the Fire Official shall first find that special individual reasons make the strict letter of the [local fire code] impractical and the modification is in compliance with the intent and purpose of the [local fire code] and that such modification does not lessen health, life and fire safety requirements.

9.4. *Procedure.*

9.4.1. The applicant must submit an Alternative Methods and Materials application to the [local fire authority]. Upon review of the application, the [local fire official] is authorized to grant approval when the proposed design is found satisfactory and complies with the intent of the provisions of the current fire codes in effect, and that the material, method or work offered is at least equivalent of that prescribed in the [local fire code] in quality, strength, effectiveness, fire resistance, durability and safety.

9.4.2. The applicant must submit a Fire Life Safety (FLS) Report which shall identify the eligible building's existing features and evaluate existing fire and life-safety features against the current code requirements. The Fire Official will review the FLS report and evaluate the proposal for final recommendations.

9.5. The Fire Official shall review adaptive reuse project proposals on a case-by-case basis, and may require pre-submittal meetings at its discretion.

10. Alternative Public Works Standards

10.1. *Applicability.* The alternative public works standards adopted in this section are applicable to eligible buildings located in an adaptive reuse overlay zone.

10.2. The [local public works department(s)] may adopt alternate standards for projects within adaptive reuse overlay zones. The [local public works department] shall impose such requirements as will, in the determination of the [Public Works Director], protect the public health, safety, and welfare.

10.3. The [Public Works Director] shall review adaptive reuse project proposals on a case by-case basis, and may require pre-submittal meetings at his or her discretion.

Comment: Jurisdictions may choose to adopt incentives specific to their local infrastructure and streetscape. For example, a jurisdiction could choose to relax street tree regulations, or sidewalk improvement requirements for adaptive reuse projects, or allowing existing nonconforming driveways, alleys, or rights-of-way to remain unchanged.

11. Severability

11.1. If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The [legislative body] of the [local jurisdiction] hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.

Conclusions and Next Steps

The Partnership for Building Reuse was established to foster reuse as a strategy for revitalization in cities across the country. By delving into the barriers to reuse in five cities—Baltimore, Chicago, Detroit, Los Angeles, and Philadelphia—the Partnership revealed shared frustrations about the reuse process and enthusiasm for finding solutions.

The Partnership worked with a range of stakeholders, including real estate developers, financial experts, preservationists, community leaders, and city planners, who demonstrated an eagerness to move toward creative solutions to longstanding issues. All were eager to explore new approaches, streamline processes, and consider small tweaks to policy that might have outsized impacts.

Implementation is underway. City staff and advocates in Baltimore have undertaken the task of rewriting their zoning code to better reflect contemporary needs and priorities, including the need to reuse older buildings and encourage mixed-use, neighborhood-scale development. Partnership participants in Chicago have worked to implement modifications to the city's building code, parking requirements, and zoning appeal process, which will make building reuse easier and more likely. Partners in Philadelphia are incorporating aspects of the Partnership for Building Reuse work into new planning efforts. Where market and technical barriers persist, broad coalitions can join forces to help revitalize especially distressed neighborhoods and activate challenging buildings.

This bodes well for the future of reuse and revitalization in cities, and demonstrates the catalytic nature of the Partnership for Building Reuse process of multi-disciplinary discussions among diverse stakeholders. The Partnership has identified the top policies and best practices and has developed a Model Adaptive Reuse Ordinance as tools to overcome long-standing barriers.

THE NEXT STEP

This report provides a snapshot of the barriers that are holding back building reuse and how to overcome them. Learning how each Partnership for Building Reuse city approached the barriers and solutions relative to its market may provide policymakers and urban advocates with ideas for moving similar policies forward in their own municipality. Engaging local stakeholders will be key to this work, including partners at the ULI District Council, the National Trust for Historic Preservation, and local preservation and community development partners.

Knowledge about the built environment, its performance, and areas of opportunity is critical for strengthening building reuse and informing policy change and code reform. The Preservation Green Lab can provide the data, analytics, and mapping to demonstrate the value of cities' older buildings and highlight areas where reuse will have the greatest impact.



One of Chicago's many active older commercial corridors, Pilsen neighborhood.

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Case Study: Los Angeles

QUICK STATS

3,976,322 PEOPLE

676,764 BUILDINGS

MEDIAN YEAR
BUILT: 1950

39% BUILT
BEFORE 1945

LOS ANGELES' OLDER BUILDINGS

In Los Angeles, character-rich blocks of older, smaller, mixed-age buildings—compared to areas with large, new structures—contain:

- » **More than twice** as many units of affordable rental housing
- » **More than twice** the number of women and minority-owned businesses
- » **More diverse residents** in terms of race, country of origin, and sexual orientation

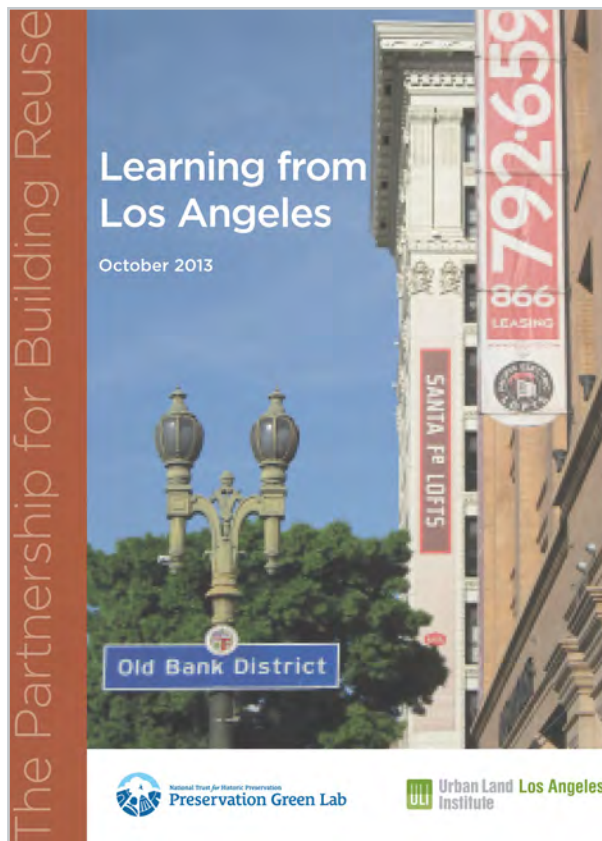
LOCAL BARRIERS TO BUILDING REUSE

The inventory of pre-World War II buildings suitable for reuse is running low in some areas of Los Angeles. Buildings constructed in the 1940s through the 1970s are now being considered for reuse. Some suitable properties languish on the **market** because of high asking prices.

Projects in weaker market locations may not fit lender formulas. The complex layering of **financing** sources, as well as a lack of comparable projects, leads some lenders to assign higher risks to reuse projects. The loss of redevelopment authorities statewide and the lack of a state rehabilitation tax credit also hinder reuse projects.

On the **regulatory** side, the city's zoning code and parking standards discourage reuse and are out of sync with the new vision for a denser and more transit-oriented city. The entitlement and permitting processes are time-consuming and unpredictable, resulting in increased costs and risks for developers, lenders, and potential tenants.

Post-World War II structures with curtain-wall construction present a new set of **technical** reuse challenges, including low floor-to-ceiling heights, large floorplates, less durable building materials, and a lack of natural light and ventilation. Convenient parking is difficult to provide for many building types and uses.



ACTIONS TO OVERCOME BARRIERS:

The Partnership for Building Reuse report and action plan was presented in tandem with Mayor Eric Garcetti's announcement of his Great Streets Initiative. This helped focus attention on the opportunity for adaptive use of smaller buildings along the city's older commercial corridors. Key strategies from the Learning from Los Angeles report include:

- » **Integrate** building reuse as a goal in the update of the Los Angeles zoning code to align land use regulations with the city's vision for reurbanization, including infill and reuse. A ULI member serves on the Advisory Committee for re:Code LA, which is the first comprehensive rewrite of the city's zoning code since 1946.
- » **Streamline** the building permitting and approval process by aligning three city departments: Planning, Building and Safety, and Fire. A proposal to simplify and condense the review process is included in the zoning code update.
- » **Share** reuse success stories and gain support for new reuse incentives at the state level, such as a rehabilitation tax credit and credits for reuse through the California Cap-and-Trade Program. Local and state preservation partners developed a state rehabilitation tax credit proposal, AB 1999, that made it to the Governor's desk, but was vetoed.

HIGHLIGHT FROM LOS ANGELES

The Los Angeles Partnership for Building Reuse Report included a summary of the groundbreaking Los Angeles Adaptive Reuse Ordinance (ARO), which, following its adoption in 1999, has helped facilitate conversion of many historic and underutilized buildings—resulting in more than 14,000 new downtown residential housing units. The ARO initially applied only to downtown LA, but, in 2003, it was amended to cover an additional five mixed-use areas of the city. It was further amended in 2005 to establish fire and life-safety provisions. The ARO applies to any building constructed before 1974 as well as a select number built after that time. Conversions must be for new residential uses (condo, apartment, live/work, hotel) and incentives are offered to mitigate the cost of conversion and streamline approvals. The result of this ordinance has been the creation of thousands of units of housing as well as the adaptive reuse of dozens of notable vacant and underutilized buildings, including numerous banks, lofts, warehouses, and factories.

Case Study: Baltimore

QUICK STATS

614,664 PEOPLE

201,238 BUILDINGS

MEDIAN YEAR
BUILT: 1924

70% BUILT
BEFORE 1945



Building on Baltimore's History: The Partnership for Building Reuse

November 2014



BALTIMORE'S OLDER BUILDINGS

In Baltimore, character-rich blocks of older, smaller, mixed-age buildings—compared to areas with large, new structures—contain:

- » **More than twice** the population density
- » **About twice** the number of jobs in small and new businesses
- » **80 percent more** women and minority-owned businesses

LOCAL BARRIERS TO BUILDING REUSE

Once a city of close to one million residents and now home to closer to 600,000, Baltimore struggles with insufficient demand for most of its 16,000 vacant buildings. As one Partnership participant put it: "Reuse isn't going to happen unless there is a **market**."

Reusing older and historic buildings in Baltimore often exceeds the cost of new construction, and developers taking on adaptive reuse projects depend on **financial** incentives to overcome steep project costs and high property taxes.

Regulatory barriers in Baltimore frustrated Partnership participants. Baltimore developers viewed the requirement of a secondary means of egress in the building code as an insurmountable barrier in "all but the largest multi-family and commercial projects." New stormwater requirements for the provision of pervious surfaces were also seen as a particularly tough challenge for small scale reuse projects. One significant barrier, the city's 1971 zoning code, was recently overcome following the passage of Transform Baltimore, an entirely new zoning code that simplifies and streamlines development review and supports many of the Partnership's goals.

Though there are a variety of building types, such as banks, churches, and theaters, in Baltimore that pose **technical** challenges for potential reuse, Baltimore's iconic single-family rowhouse

is the predominant building type, and is relatively simple to repurpose. Like Philadelphia, Baltimore has thousands of very small commercial buildings that are of little interest to national restaurants and retailers, and the upper floors of such small commercial buildings are often vacant or underused.

ACTIONS TO OVERCOME BARRIERS:

Leadership from the Baltimore Partnership for Building Reuse project met regularly with a “building reuse implementation team” within the city government. Volunteer participants from the Partnership also continued to meet to discuss pathways to strengthen the city’s existing built fabric and remove barriers to building reuse. Key milestones and proposed actions include:

- » **Most** critically, leading members of the Partnership successfully advocated for the adoption of Transform Baltimore, the city’s updated zoning code, which was passed in December 2016 and went into effect in June 2017.
- » **Promote** creative building and energy code solutions by developing a “code solutions database” for common code compliance issues associated with building reuse, and creating “code innovation zones” to model creative building and energy code solutions and facilitate reuse.
- » **Improve** and promote incentive programs, including the Maryland Heritage Structure Tax Credit. Explore the potential for use of federal demolition mitigation funding to support the creative use of older buildings in areas with relatively strong reuse potential.

Case Study: Philadelphia

QUICK STATS

1,567,872 PEOPLE

493,217 BUILDINGS

MEDIAN YEAR
BUILT: 1925

68% BUILT
BEFORE 1945



Retrofitting Philadelphia: The Partnership for Building Reuse

September 2014



PHILADELPHIA'S OLDER BUILDINGS

In Philadelphia, character-rich blocks of older, smaller, mixed-age buildings—compared to areas with large, new structures—contain:

- » **More than twice** the population density
- » **Twice** the number of jobs in small and new businesses
- » **Nearly two billion** dollars in private investment through the federal historic tax credit

LOCAL BARRIERS TO BUILDING REUSE

In many **markets** outside of Center City and its adjacent neighborhoods, rents and resale prices remain too low to justify the costs of building acquisition and rehabilitation. Some owners are holding land with little intention of developing it themselves. Complex title histories and questions about ownership can be significant barriers to redevelopment.

In discussions of **financing**, many cited “New York development costs and Baltimore rents” for building reuse projects in Philadelphia. Privately owned, tax delinquent properties are often difficult to acquire. “The cost of paying delinquent liens exceeds the market value of the property, discouraging potential redevelopers,” said one participant. Incentive programs exist, but can be complex and difficult to use, particularly for smaller projects.

Regulatory issues include conflicts between different codes (life-safety, zoning, or energy codes) and the unique circumstances of older buildings and historic preservation regulations. There is not enough “regulatory encouragement for adaptive uses,” said one participant. The lack of staff capacity in the Department of Licenses & Inspections and at the Philadelphia Historical Commission was also cited as a key barrier.

There are **technical** obstacles preventing reuse of specific building types for new uses. These

challenges range from industrial buildings and warehouses with large floor plates that make it difficult to access natural light to small Main Street commercial buildings that are too small for some retailers. Special purpose buildings with large assembly spaces, such as churches, require creative approaches.

ACTIONS TO OVERCOME BARRIERS:

In 2017, Mayor James Kenney created a Historic Preservation Task Force that is using the Retrofitting Philadelphia report as a resource for data and ideas to spur building reuse. Strategies from the report include:

- » **Direct** technical assistance to selected areas of opportunity, using the data and modeling developed by the Preservation Green Lab for the report. Create adaptive use innovation zones to test creative approaches to common zoning, building, and energy code issues in these opportunity areas.
- » **Launch** a citywide survey to identify additional areas that could benefit from historic preservation programs and increase the number of National Register districts to facilitate greater use of federal rehabilitation tax credits.
- » **Support** creation of a new citywide revolving fund to assist key reuse projects.
- » **Increase** staffing capacity at the Commission for Historical and Architectural Preservation (CHAP).

Case Study: Chicago

QUICK STATS

2,704,958 PEOPLE

489,588 BUILDINGS

MEDIAN YEAR
BUILT: 1925

65% BUILT
BEFORE 1945



Building on Chicago's Strengths:
The Partnership for
Building Reuse

May 2016



CHICAGO'S OLDER BUILDINGS

In Chicago, character-rich blocks of older, smaller, mixed-age buildings—compared to areas with large, new structures—contain:

- » **65 percent** greater population density
- » **Higher** proportions of jobs in small businesses and new businesses
- » **25 percent** more units of affordable rental housing

LOCAL BARRIERS TO BUILDING REUSE

The intensity of **market** demand in Chicago varies widely, with strong development pressures experienced in the city's near north and northwest neighborhoods and vacancy and disinvestment challenges in some parts of the city's south and west sides.

While large, established real estate development groups have an easier time **financing** projects, small scale developers, community development organizations, and inexperienced newer developers face major hurdles. Banks and institutional investors are reluctant to work in neighborhoods with weak real estate markets or take on risky reuse projects with smaller developers without an established track-record.

On the **regulatory** side, there is a perception that permitting and plan review for projects can be unpredictable, cause delays, and add substantial cost to development projects. The complexity and complications of reuse projects make them particularly susceptible to extended delays and large cost overruns. Parking requirements represent a significant barrier for reuse projects in already dense neighborhoods.

Chicago has multiple building typologies that face considerable **technical** barriers, with vacant schools, churches, and theaters presenting particular challenges as adaptive reuse projects. Many

building typologies have ground floors that are two or three steps above street level, requiring sometimes costly and complex alterations to achieve ADA-compliant accessibility.

ACTIONS TO OVERCOME BARRIERS:

In Chicago, the Partnership for Building Reuse leadership is continuing to work on overcoming the barriers to building reuse on a variety of fronts. One group of volunteer professionals took on challenges related to parking and zoning, while a second group explored opportunities to update the Chicago Building Code and align it more closely with the International Existing Building Code. Key proposed actions include the following:

- » **Modify** Chicago Building Code thresholds so that minor changes to existing buildings are less likely to trigger the requirement to abide by new construction standards.
- » **Produce** and promote a compilation of common challenges and workarounds that come up as developers make additions, alterations, and repairs to older and historic buildings.
- » **Make** it easier and cheaper to provide ramps in the public right-of-way to provide ADA-compliant access to buildings with raised entrance levels.
- » **Allow** greater integration of performance-based methods to meet health and life-safety requirements with reuse projects.
- » **Provide** a clearer path for taking advantage of existing policies that support reuse of older buildings by authorizing the Zoning Administrator to:
 - » **Make** past-use determination of buildings more than 50 years old when records search does not yield adequate evidence of prior use, which allows lower parking requirements based on the original use of the property.
 - » **Grant** administrative adjustments for reducing required off-street parking and allowing minor increases in the floor-area ratio for reuse projects.
- » **Extend** benefits of Transit Oriented Development incentives to areas with high bus ridership and provide greater benefits for reuse than new development.
- » **Extend** allowed distance of off-site parking for reuse projects to provide more flexibility, especially in denser, stronger-character areas.

Case Study: Detroit

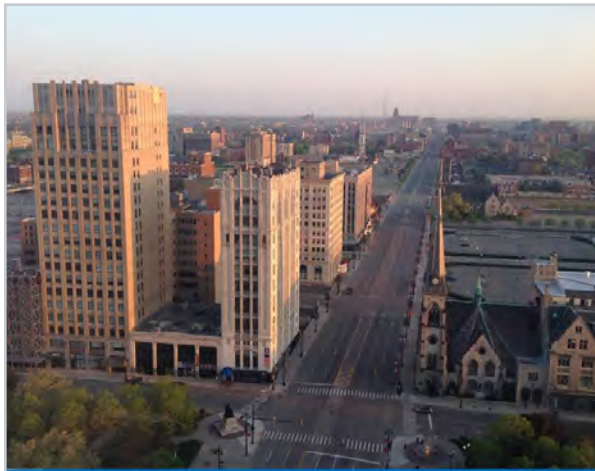
QUICK STATS

672,795 PEOPLE

379,446 BUILDINGS

MEDIAN YEAR
BUILT: 1938

67% BUILT
BEFORE 1945



Unlocking the Potential of Detroit's Neighborhoods:

The Partnership for Building Reuse

August 2016



DETROIT'S OLDER BUILDINGS

In Detroit, character-rich blocks of older, smaller, mixed-age buildings—compared to areas with large, new structures—contain:

- » **25 percent** more women and minority-owned businesses
- » **Higher** proportions of foreign-born residents
- » **32 percent** more units of affordable rental housing

LOCAL BARRIERS TO BUILDING REUSE

The **market** for building reuse varies widely across the city of Detroit, with neighborhoods including Downtown, Midtown, and Corktown seeing resurgent investment while other areas have received very little investment or redevelopment in recent decades. Some Detroiters expressed concerns that uneven demand may cause displacement, as rents rise in desirable areas and disinvestment and decay persist in weak-market areas. Partnership participants also pointed to a mismatch between the single-family detached housing stock that dominates Detroit and the increasing demand for mixed-use development and multi-family housing.

Though many large, established developers have been actively rehabilitating historic office buildings downtown in recent years, small and mid-scale developers face serious challenges in **financing** potential redevelopment projects. Many rely heavily on subsidies and tax abatements, creating a multi-layered financing process which can be difficult to navigate or confusing to lenders. There is also a lack of reliable sources of financing needed to "pencil out" many deals, such as gap financing, tax credits for rehabilitation, and traditional financing for home or small business owners. Insurance is nearly impossible to come by in less established neighborhood markets.

On the **regulatory** side, stakeholders noted that developers and property owners face an overly complicated permitting process that requires navigation between the multiple agencies that deal with permitting and plan review, as well as a keen understanding of the existing overlay and incentive programs and how to utilize them.

In Detroit, a lack of education around reuse and historic preservation was cited as a major **technical** barrier. A lack of tradespeople skilled in rehabilitation can make budgeting and planning unpredictable. Deciding when to rehabilitate versus demolish a building or when to enlist a professional to help abate environmental hazards can be confusing to new developers. The state of public infrastructure, such as schools, street, water, or sewer, also dampens the potential for new investment in many areas.

ACTIONS TO OVERCOME BARRIERS:

In Detroit, the leadership from the Partnership for Building Reuse discussed a range of ideas for overcoming these barriers.

- » **Streamline** and expedite permitting and plan review for small scale adaptive reuse projects. Create a ‘solutions database’ that daylights successful strategies for resolving complex challenges with building and zoning code and life-safety review.
- » **Update** building and zoning code regulations to make them more flexible to the challenges of reuse, removing barriers, such as parking requirements, and adopting more flexible use categories.
- » **Combine** Detroit’s large amount of public data with new mapping tools to identify priority areas for targeting numerous programs or incentives.
- » **Pilot** implementation of adaptive reuse policies and code changes in targeted districts, such as Innovation Zone areas, priority corridors, and other select neighborhoods.

HIGHLIGHT FROM DETROIT

Older, vacant commercial buildings throughout Detroit have benefited from Motor City Match, an innovative program led by the Detroit Economic Growth Corporation, in partnership with the City of Detroit, the Economic Development Corporation of the City of Detroit, and the U.S. Department of Housing and Urban Development. Motor City Match brings together owners of vacant commercial buildings with entrepreneurs aiming to open or expand businesses. To date, the program has supported more than 750 businesses in about 2.5 million commercial square feet spread across more than 300 spaces throughout the city. With just under \$4 million in grants drawn from Community Development Block Grants (CDBGs), about \$24 million in matching grants have been leveraged from a variety of philanthropic partners.

Acknowledgments

This report is the result of a multi-year effort between the National Trust's Preservation Green Lab, ULI, ULI District Councils, and the hundreds of volunteers who live and work in the Partnership cities. In each of the cities, the Preservation Green Lab leaned on key convening partners, including representatives from ULI Los Angeles, ULI Philadelphia, ULI Baltimore, ULI Chicago, Detroit Future City, and ULI Michigan. Furthermore, the Partnership in each city involved leadership from a Building Reuse Advisory Committee and volunteer hours from ULI members, local preservationists, city and state representatives, community development groups, university partners, and many others. Summarized by Preservation Green Lab staff, this national report builds upon the insights of these partners. Tom Eitler and Ed McMahon, along with other ULI staff, were instrumental in the production of this report.

Leadership for the projects in the five Partnership for Building Reuse are listed below:

- **Los Angeles (2012-2013).** Advisory Committee chair: Jonathan Curtis (California Golden Fund). ULI Los Angeles: S. Gail Goldberg, Executive Director.
- **Philadelphia (2013-2014).** Advisory Committee co-chairs: John H. Cluver (Voith & Mactavish Architects) and Michael Sklaroff (Ballard Spahr). ULI Philadelphia: Susan Baltake, former Executive Director.
- **Baltimore (2013-2014).** Advisory Committee co-chairs: Jon Laria (Ballard Spahr) and Tom Liebel (Marks, Thomas Architects). ULI Baltimore District Council: Sean Davis (former Chair), Kelly Cantley (former Vice Chair for Mission Advancement), and Lisa Norris (Coordinator).
- **Chicago (2015-2016).** Advisory Committee chair: Alicia Berg (University of Chicago). ULI Chicago District Council: Cynthia McSherry (Executive Director) and Swasti Shah (Director of Community Engagement).
- **Detroit (2015-2016).** Advisory Committee co-chairs and convening partners: Gregory McDuffee (Director of Detroit-Wayne Joint Building Authority; former Chair of ULI Michigan), Shannon Sclafani (Director of ULI Michigan), and Victoria Olivier (Detroit Future City Implementation Office).

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