



Incentives at the Local Level



How Can Historic Properties Be Protected?

- Ownership
- Regulation
- Property Rights
- Incentives
- Information/Education

Ownership

- Probably best option for monuments of national importance
- Some countries have requirement that national monuments be publically owned



But Ownership & Operation might be Separated

- Public/Private Partnerships
- Britomart, Auckland, New Zealand



Regulations

- Prohibition of demolition
- Approvals required for changes
- Standards for repair & maintenance
- Minimum maintenance requirements
- “Demolition by neglect” ordinances
- May apply to individual buildings or groups of buildings (historic districts)



Property Rights

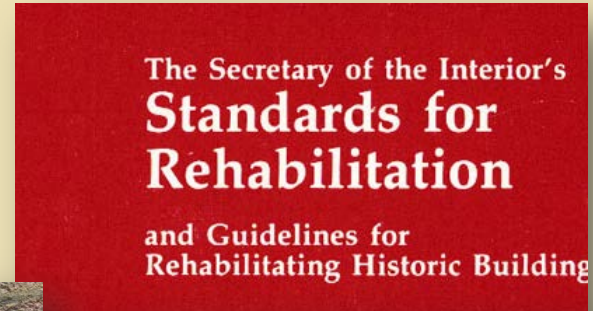


- Preservation easements
- First right of refusal
- Separation of “property right” from “development right”
- Transferable Development Rights (TDRs)

- Part of “chain of title” rather than ordinance
- Usually individual properties affected

Education/Information

- Listing
 - Identification/documentation
- Recognition
- Promotion
- Conservation technical information
- Persuasion
 - Peer pressure
 - “Most endangered”
 - “National Treasures”



The National Trust for Historic Preservation's list of America's 11 Most Endangered Historic Places



Incentives

Particularly
important when

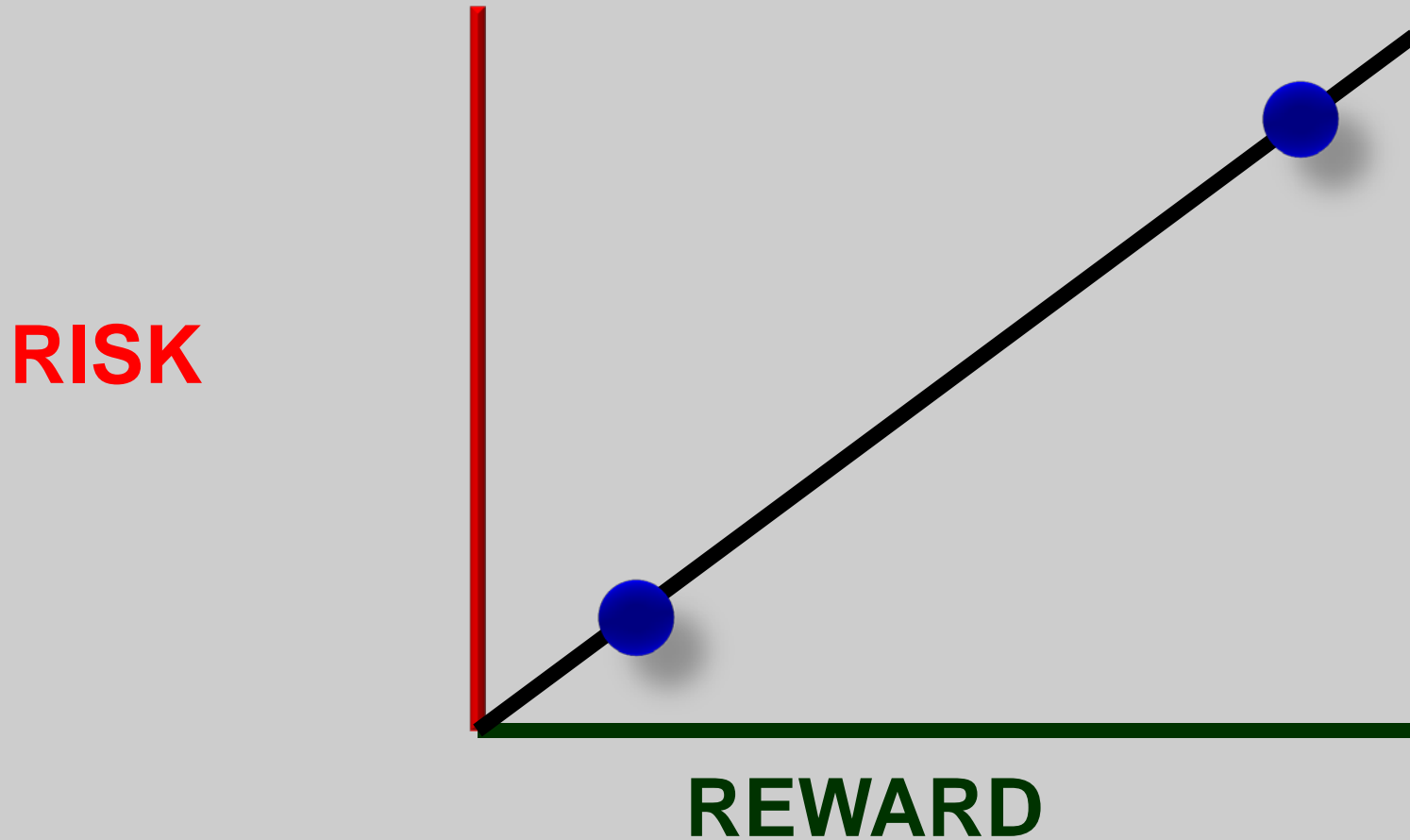
- Market economy
- historic buildings
in private hands



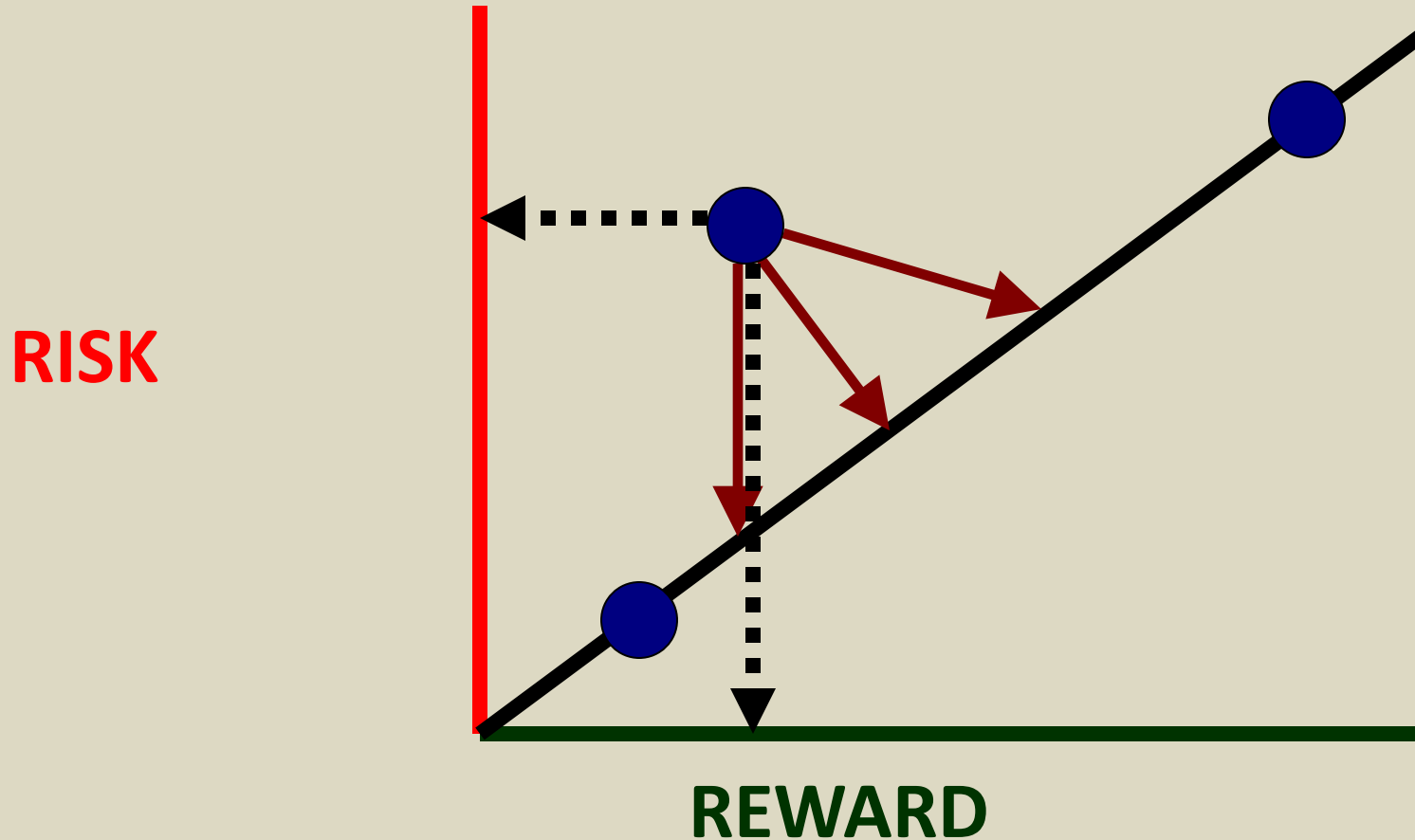


**Why incentives
and what do they
do?**

The Risk/Reward Relationship



The Risk/Reward Relationship



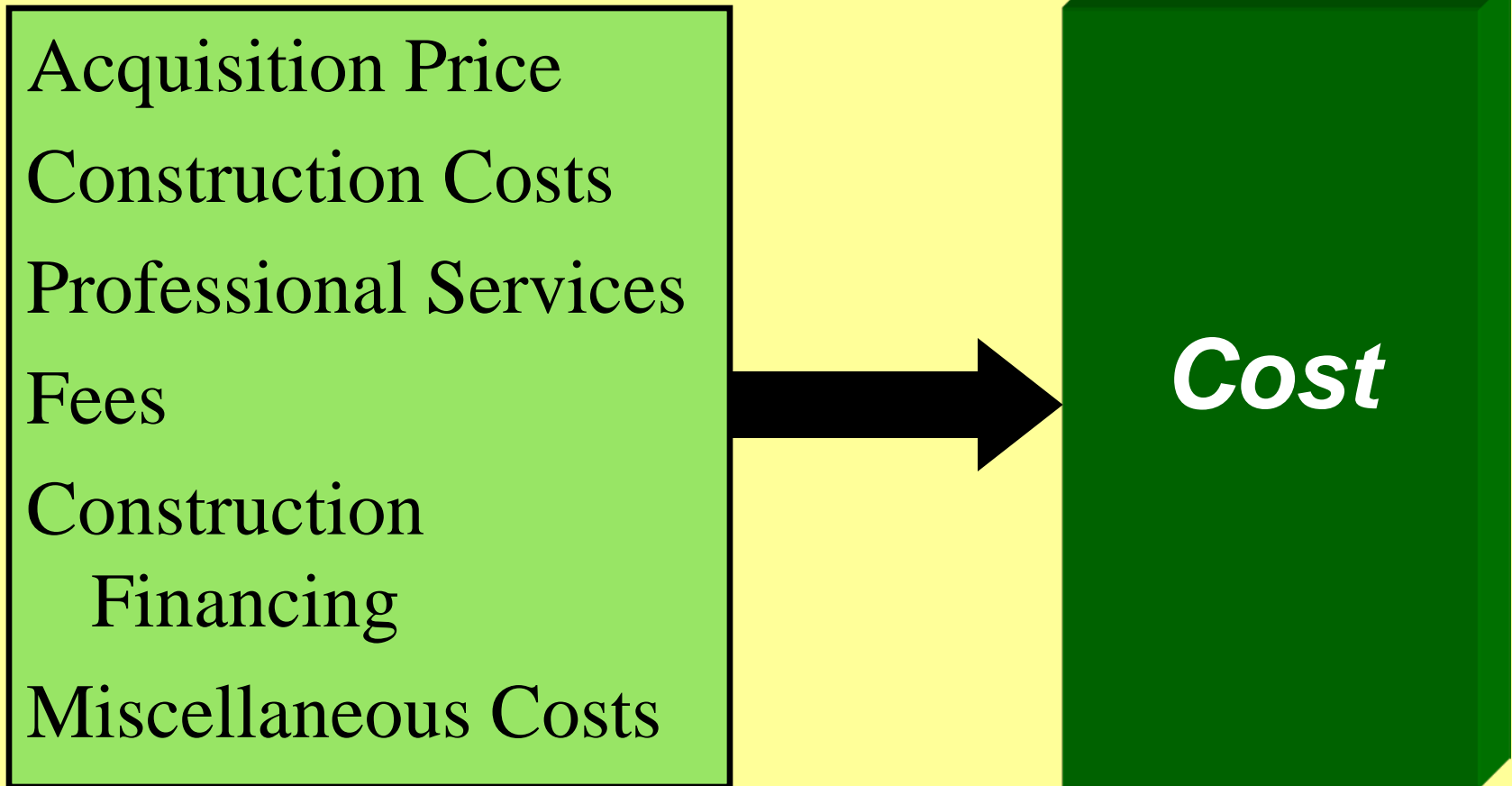
The Three Misunderstood Words

Cost

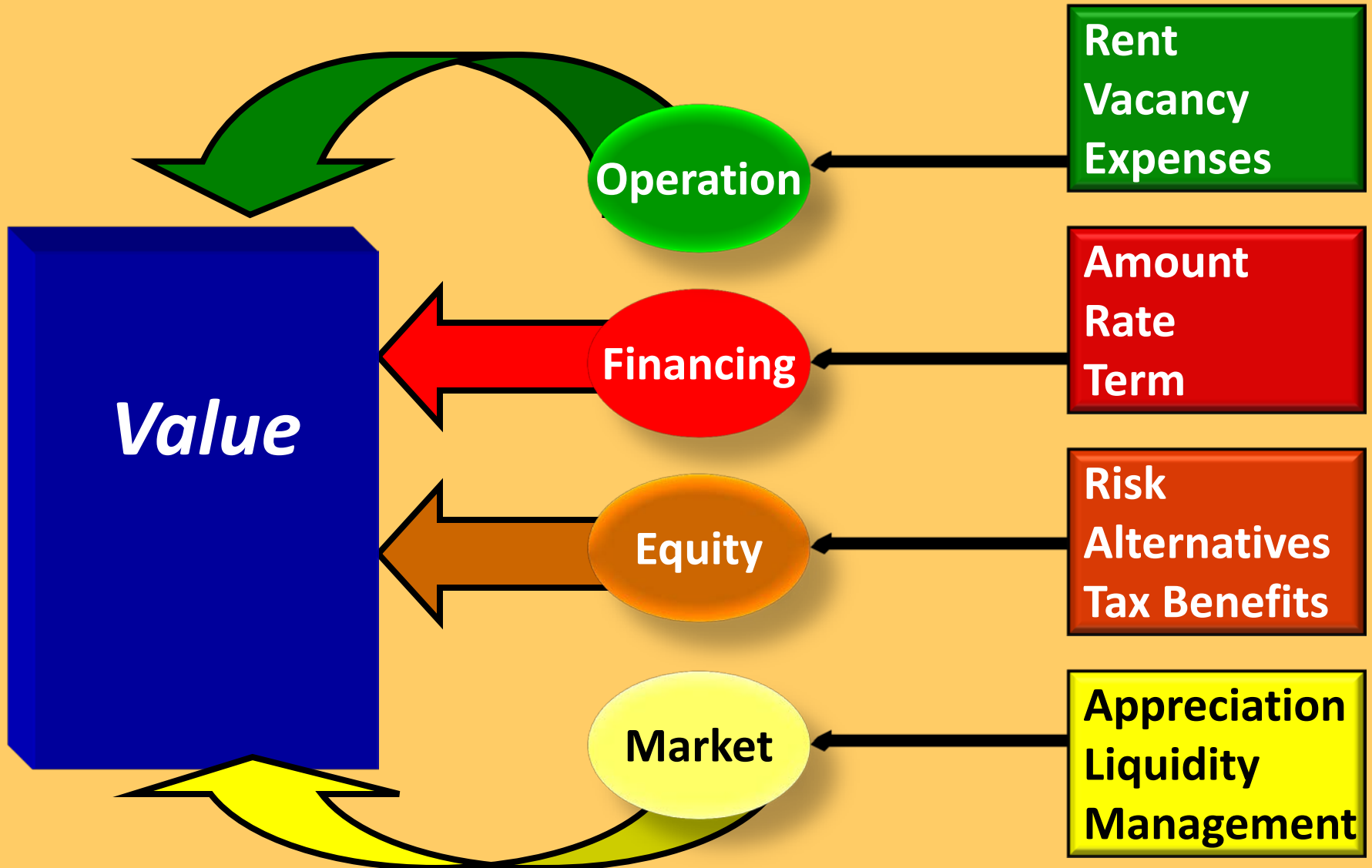
Price

Value

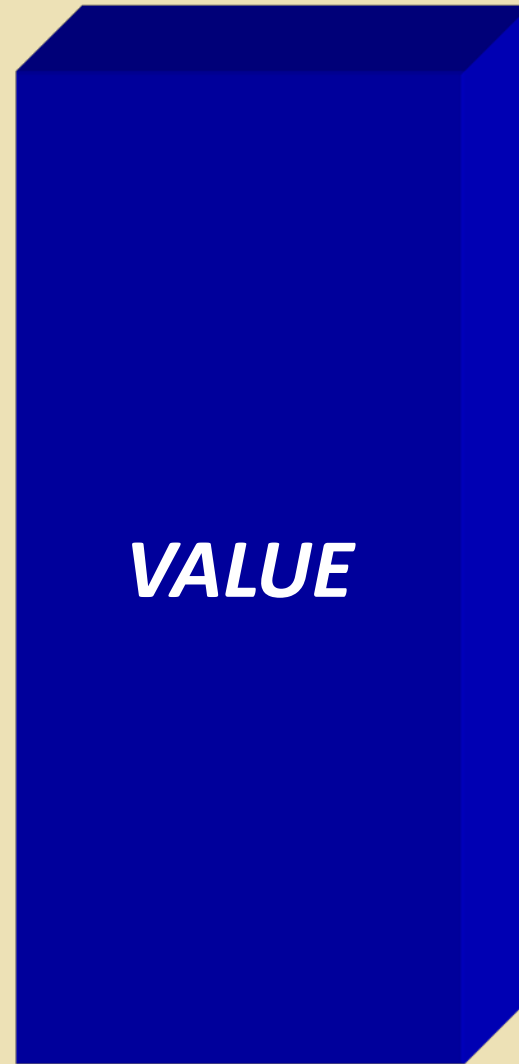
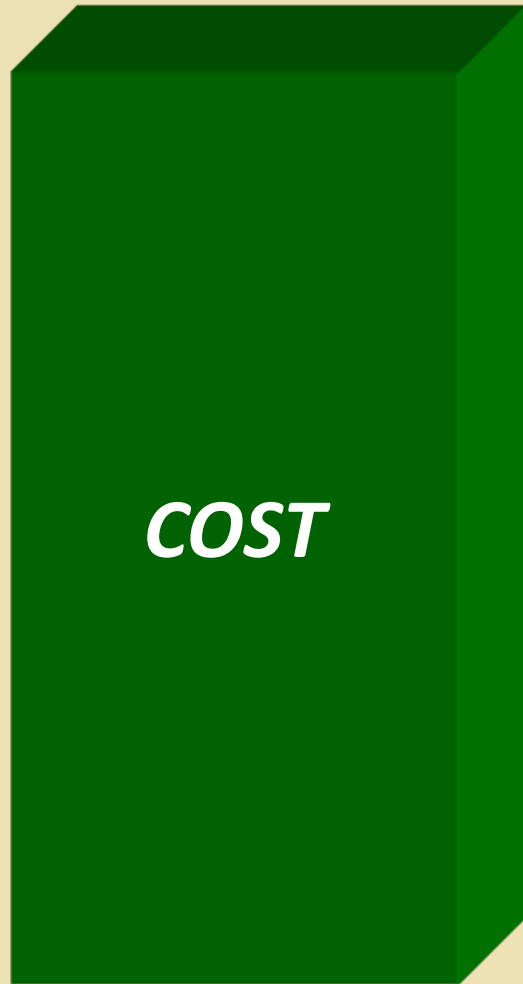
In real estate what makes up *COST*?



In real estate what makes up *VALUE*?

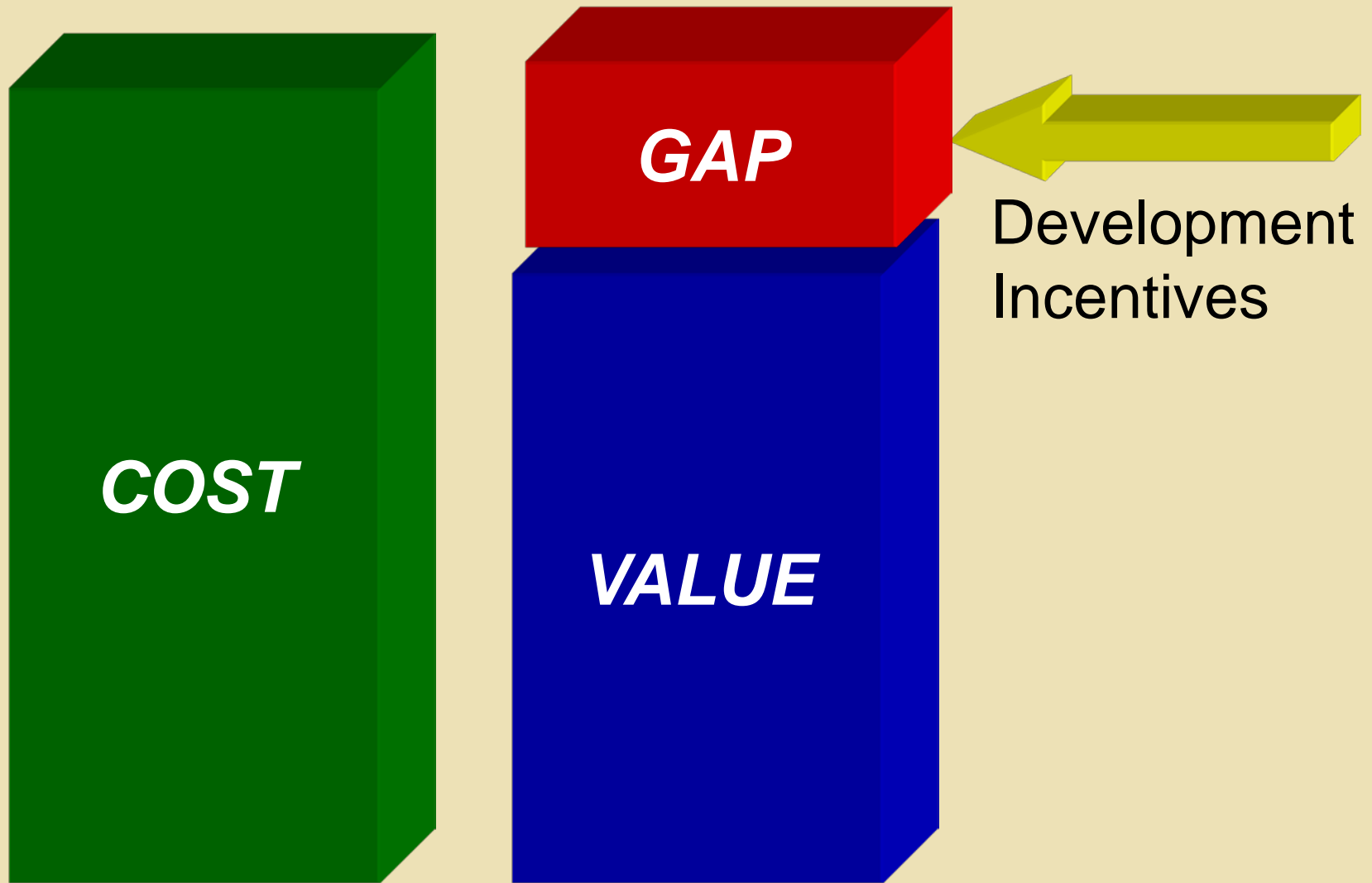


The *Cost/Value Relationship*



When *Value Exceeds Cost*
Capital will
flow quickly
to the
opportunity

The *Cost/Value Relationship*



Incentives May Be Necessary When:

- **The Private Sector Can't Act***
- **The Private Sector Won't Act***
- **There is a need to influence the character, use, scale, timing of the development**
- **Extension of public benefit or purpose**
- **As a catalyst for additional activity**
- **Infrastructure required**

When the Private Sector Can't/Won't (by itself) Act

- No Financing Available
- No Acceptable Financing Available
- High Actual Risk
- High Perceived Risk
- Cannot Acquire Property
- Scale of Project – Too Big/Too Small
- Risk/Reward out of Balance
- Significant Public Benefits
- Not Net Revenue Producing
- General Economic Conditions
- High Transaction Costs
- Other Investments more Attractive
- COST > VALUE

The 3 “W’s” of Incentives

- **WHEN** do they affect the project?
- **WHO** provides the incentive?
- **WHAT** does the incentive accomplish?

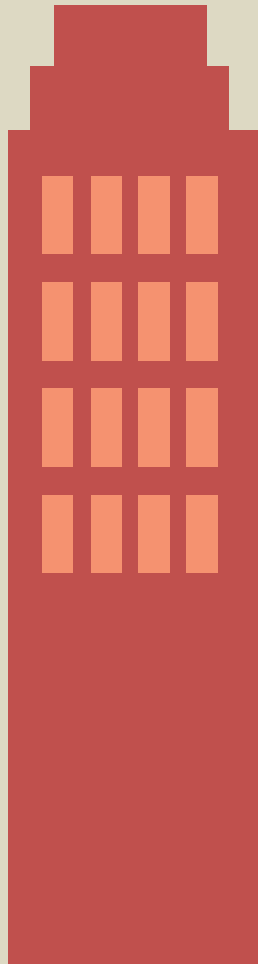


Thinking about incentives...

When do they affect the project?



Economic Costs & Values

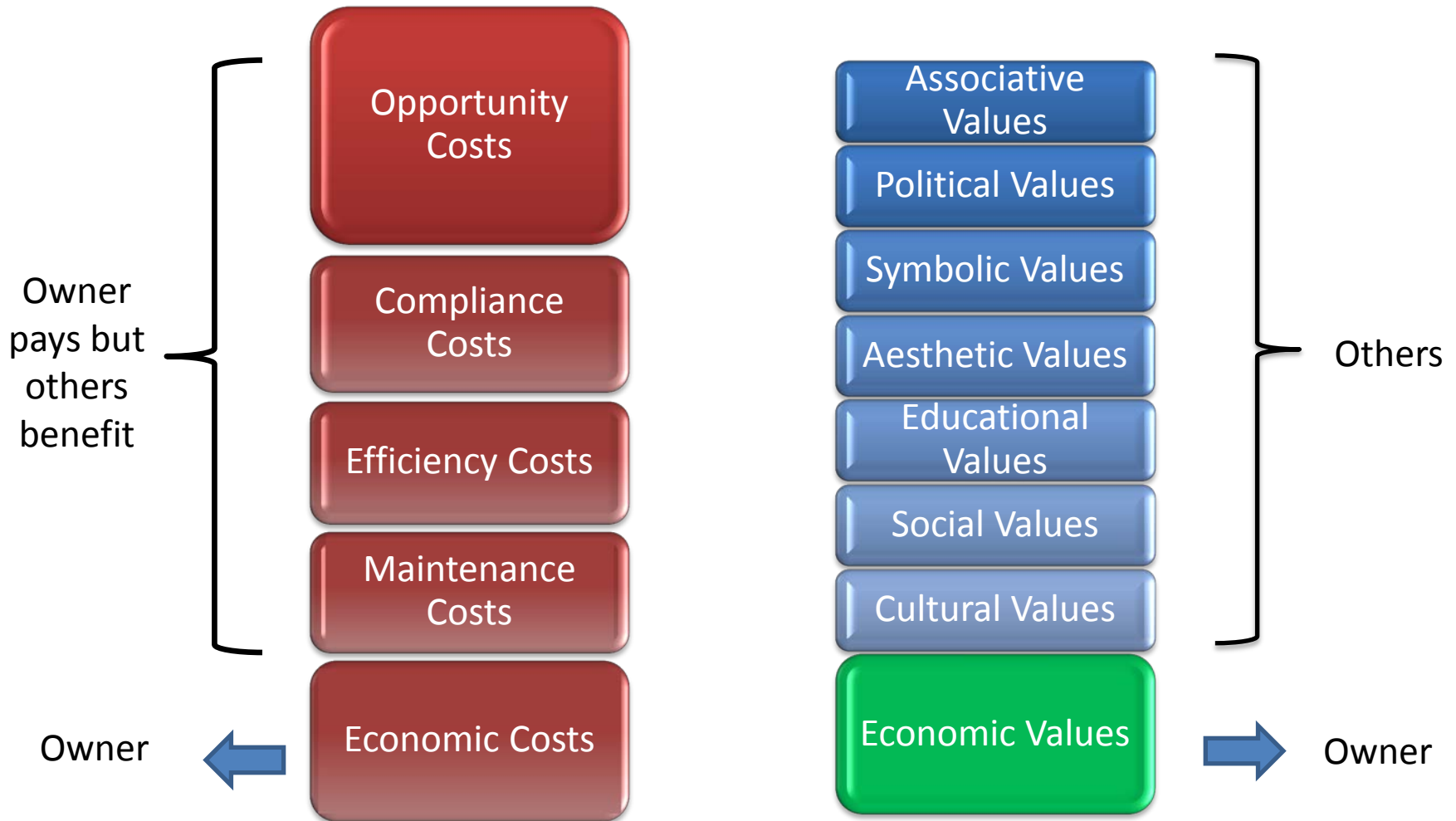



- Costs of Sale
- Capital Improvements
- Financing Costs
- Land Lease Payments
- Operating Costs
- Construction
- Acquisition

- Proceeds at Sale
- Appreciation
- Non-Rent Revenues
- Rents Received
- Occupancy
- Use

When only economic values are considered, the owner/developer has to bear the costs but also receives the benefits (economic value)

But historic buildings also have non-economic values





Opportunity
Cost

Incentives are a means
of recognizing that
many of the values of
historic buildings don't
accrue to the owner
but to the public at
large

What does the incentive do?

Reduce Costs

Reduce Cash
Required

Increase
Income

*Reduce
Expenses*

Improve
Financing

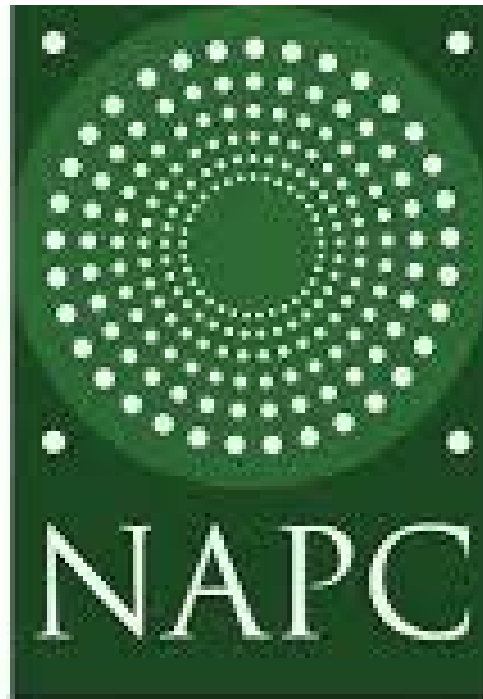
Reduce Risk

Improve
Investment
Environment

Improve
Information
Environment



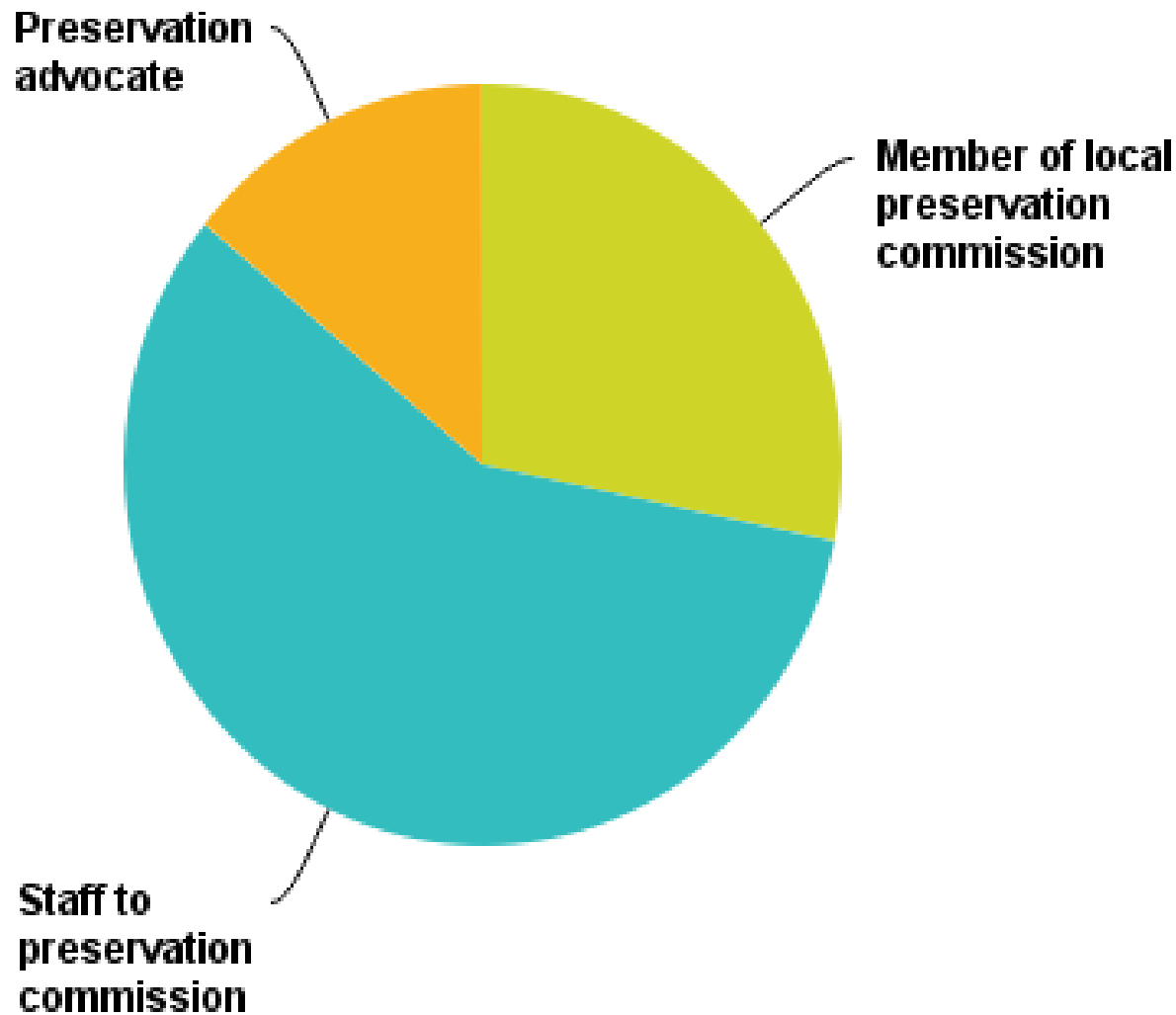
WHAT'S & WHY'S OF THE SURVEYS



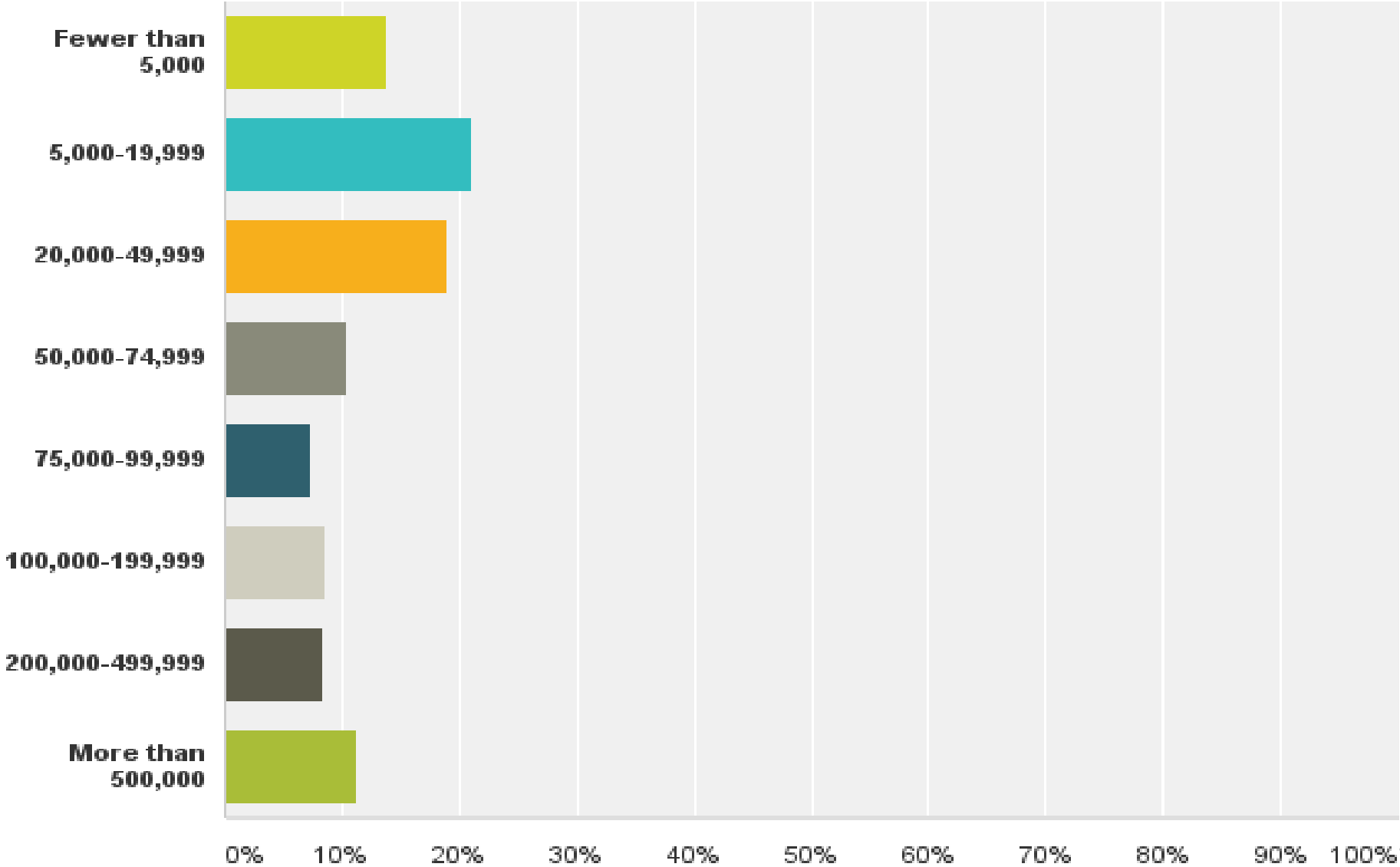
NATIONAL ALLIANCE *of*
PRESERVATION COMMISSIONS

education + advocacy + training

Who Answered the Survey?



Population of Responding Communities

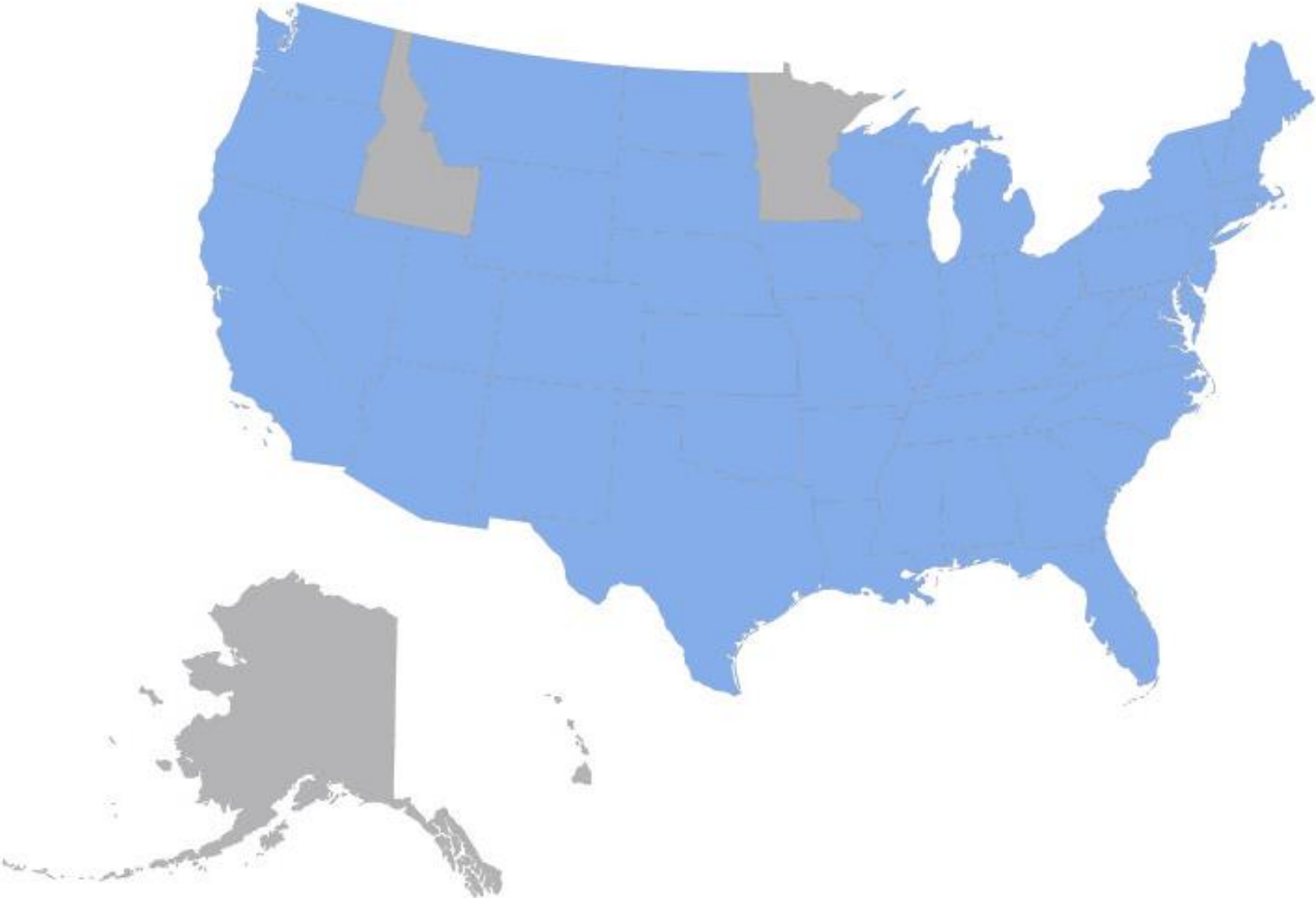




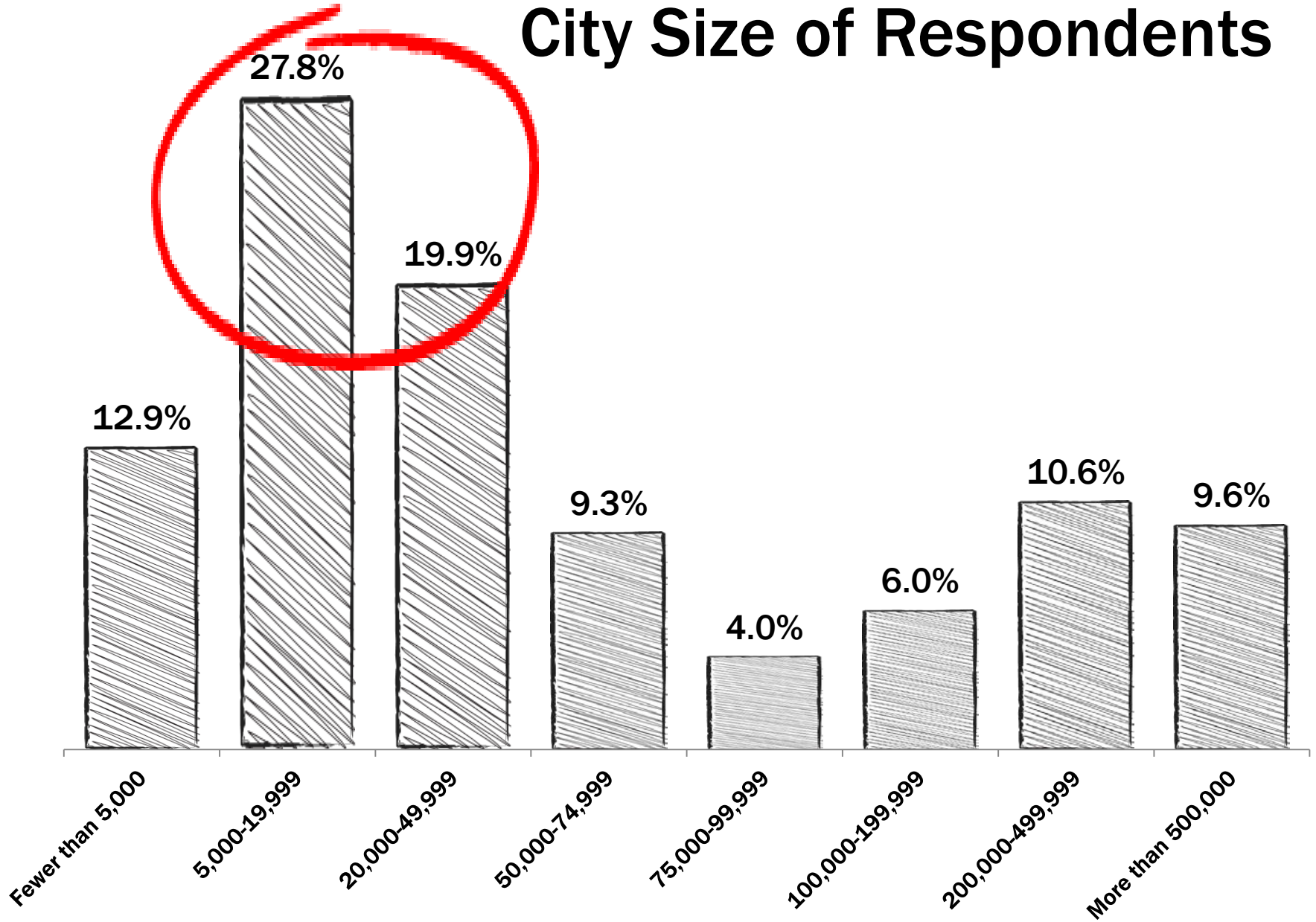
National Main Street Center

a subsidiary of the
National Trust *for* Historic Preservation

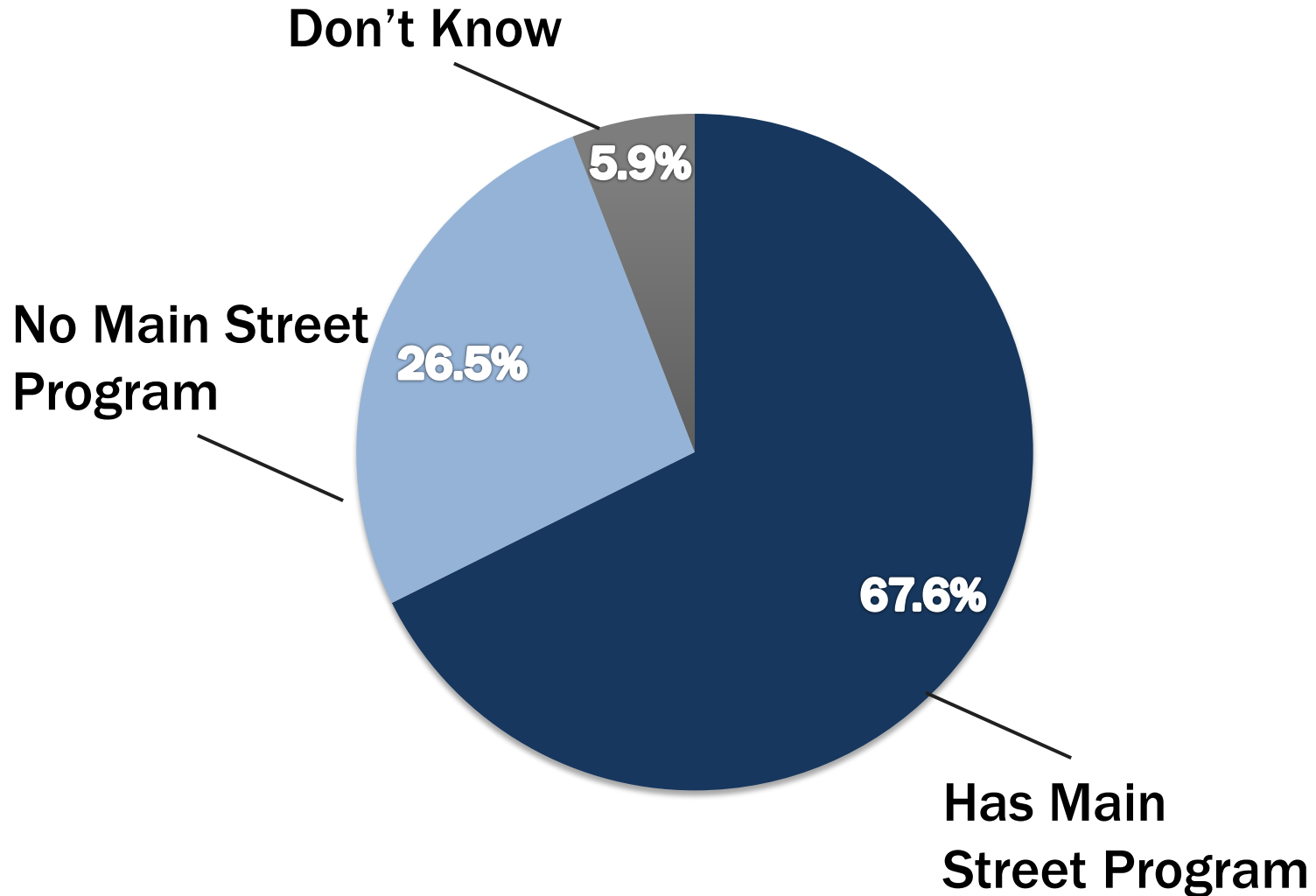
306 Responses from 46 states and DC



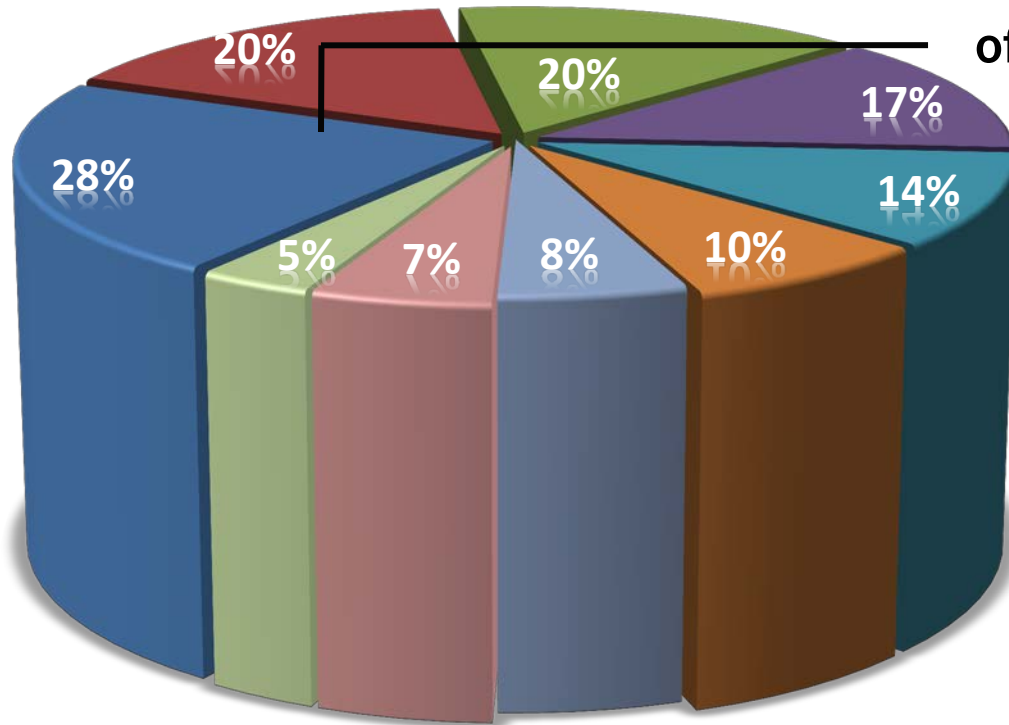
City Size of Respondents



Main Street Community Respondents



Who were the Respondents

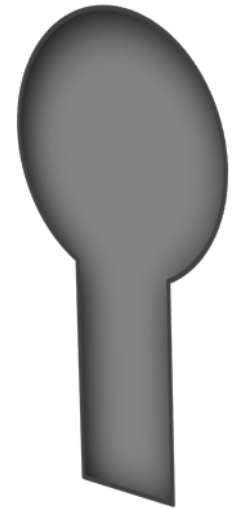
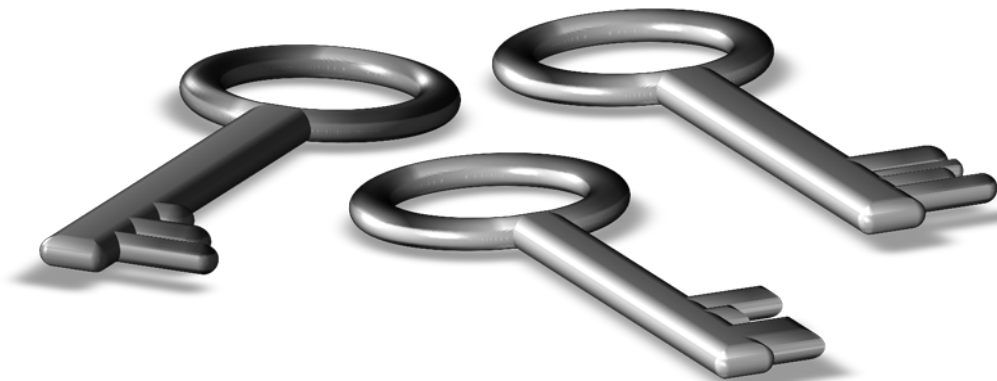


Main Street Staff were 28% of Respondents

24% Described themselves as Preservation Professional or Preservation Activist

- Main Street Staff
- All Other
- Preservation Professional
- Other Revitalization Organization
- City Staff including Planner
- Interested Citizen
- Preservation Activist
- Architect/Consultant/Attorney

Key Findings



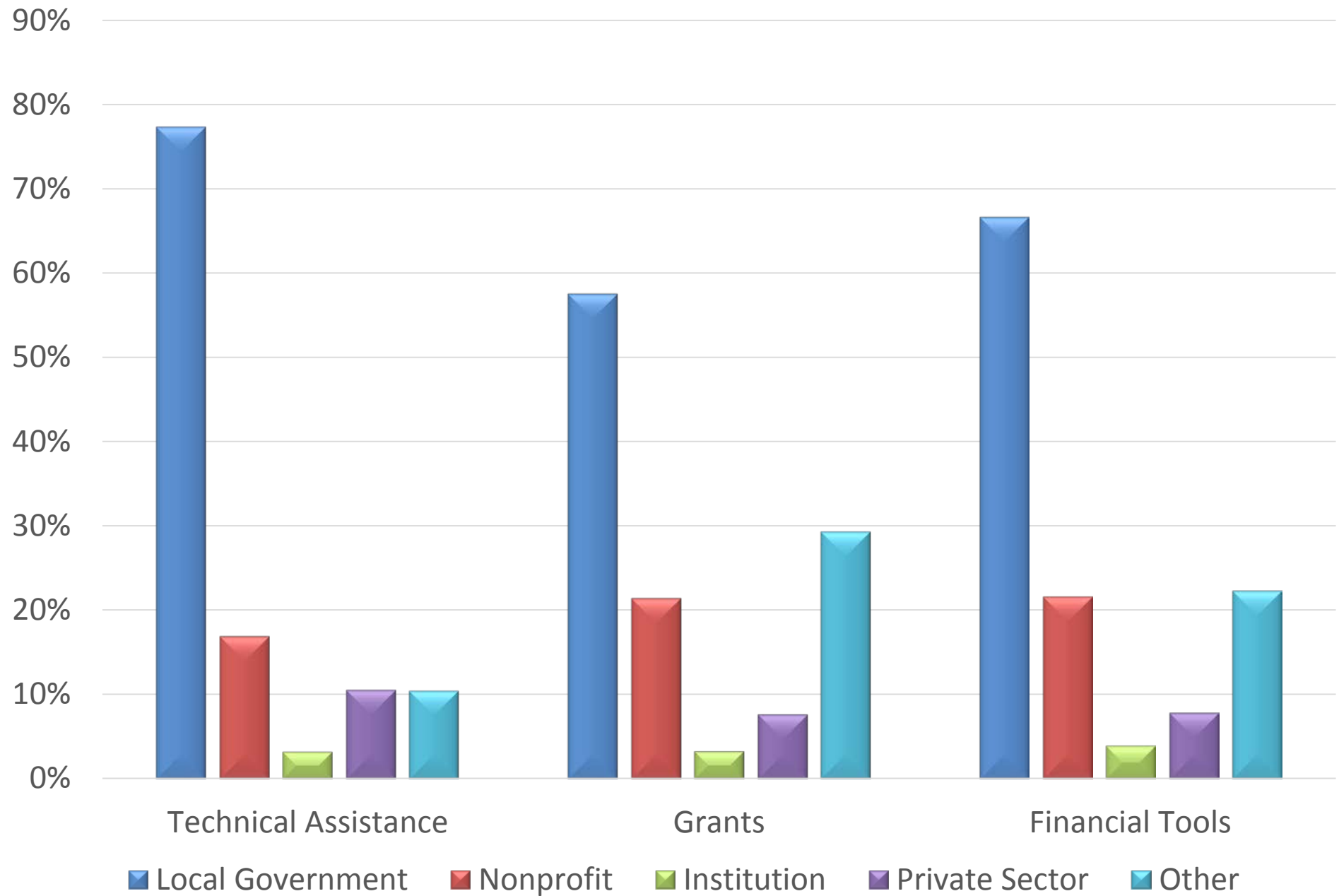
NAPC Survey



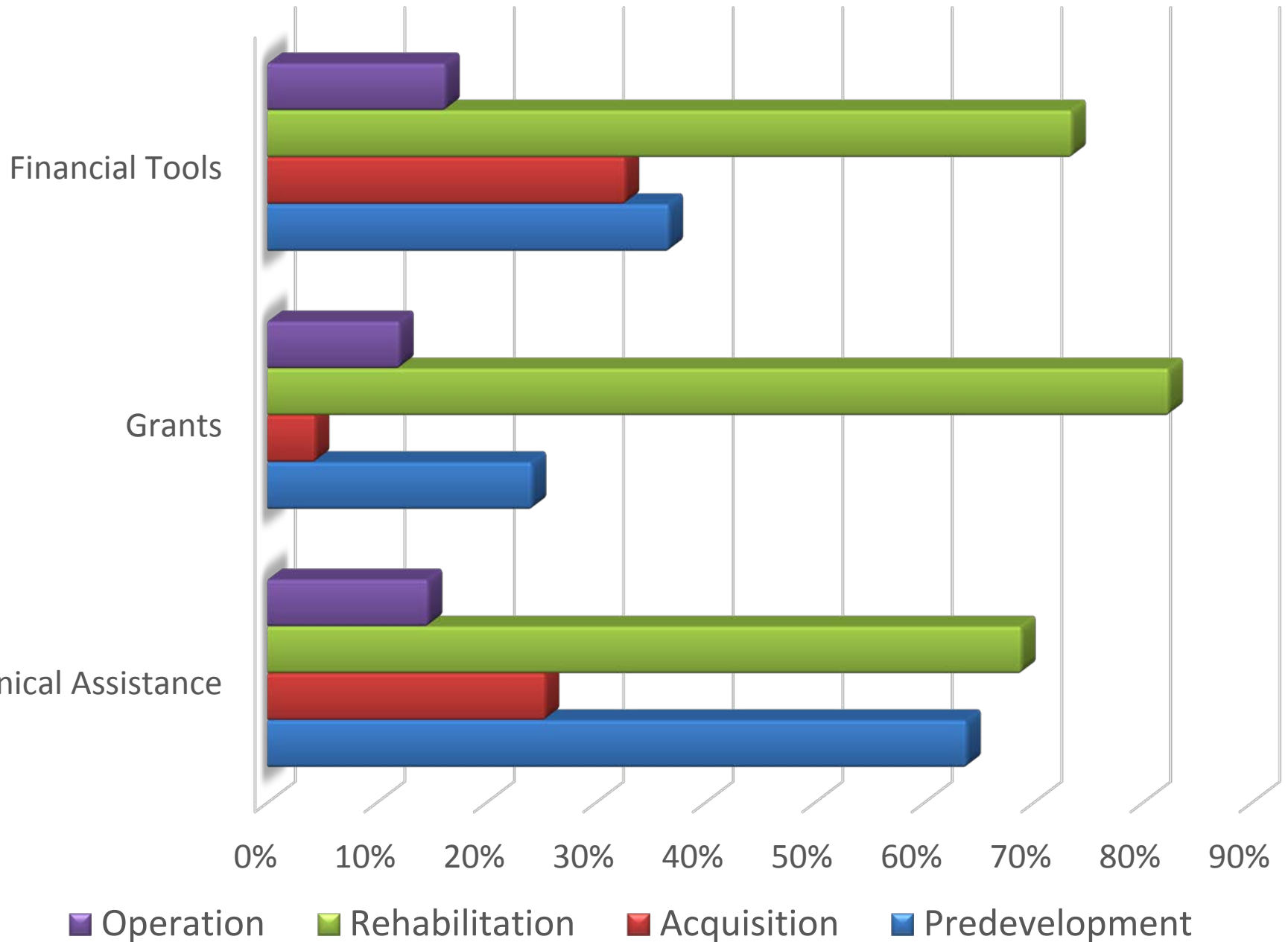
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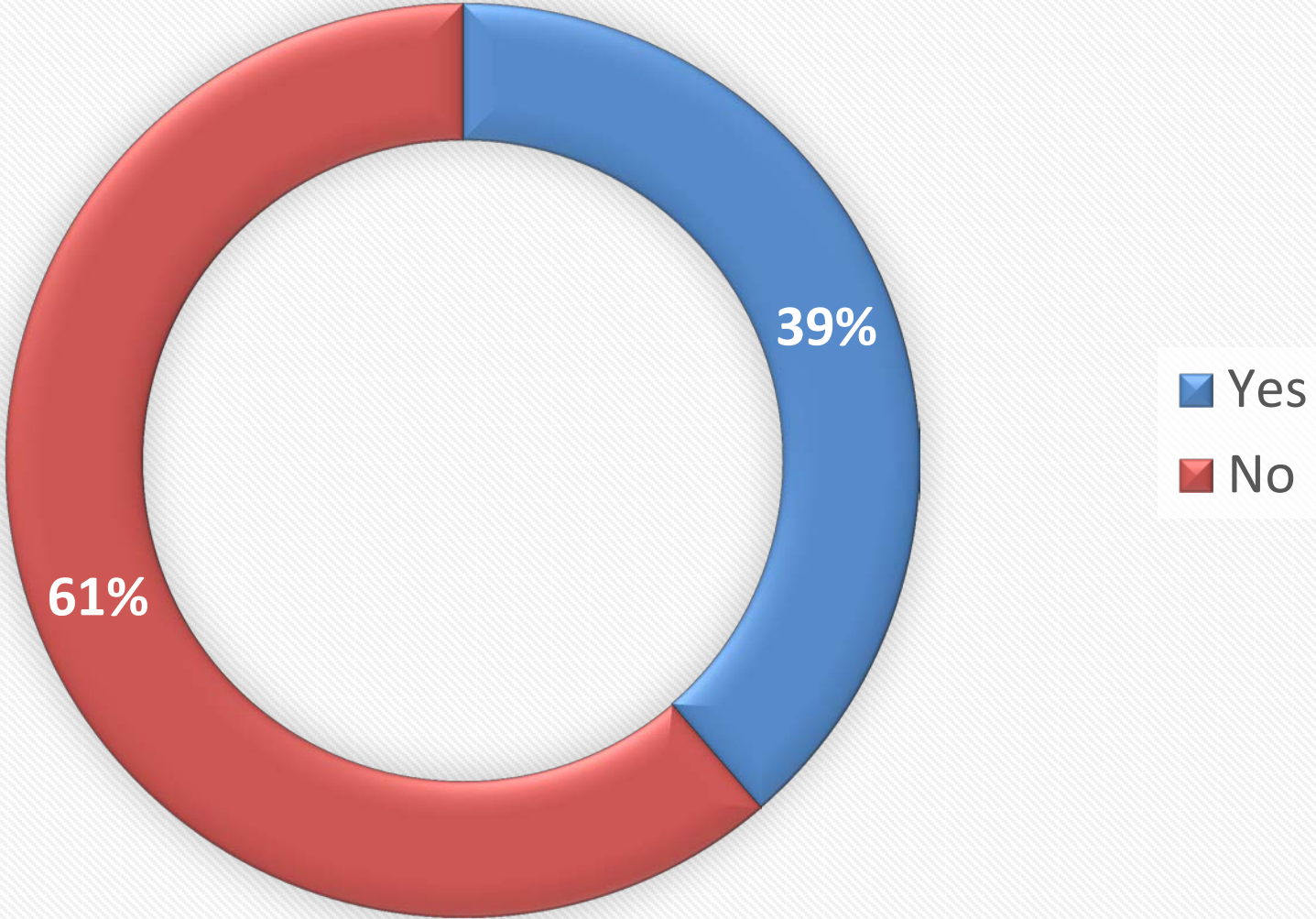
Who Provides Incentive?



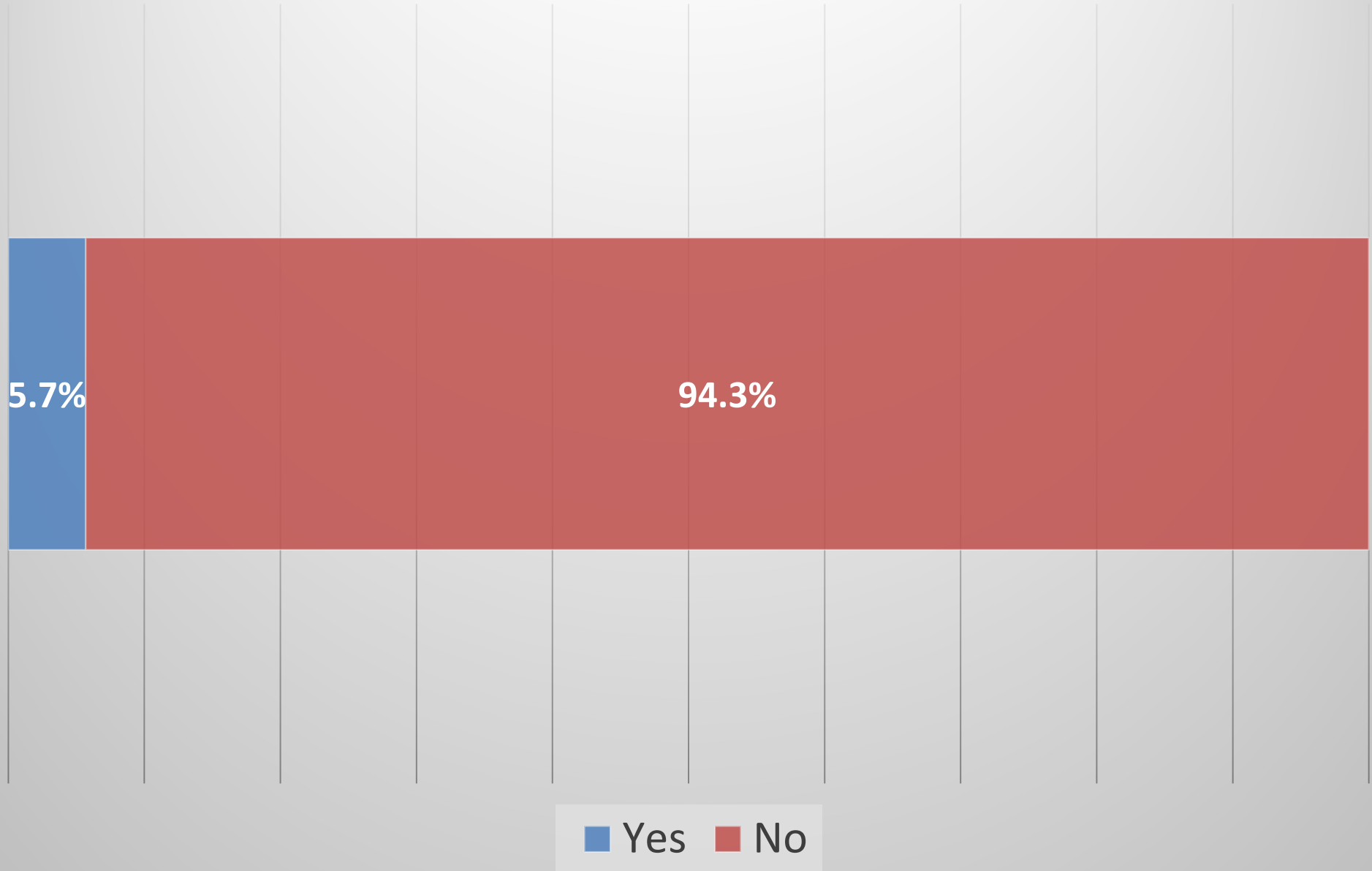
When is Incentive Received/Used?



Does Your Community Use Preservation Easements?



Incentives for Using Historic Buildings for Affordable Housing?



National Main Street Center Survey



National Main Street Center

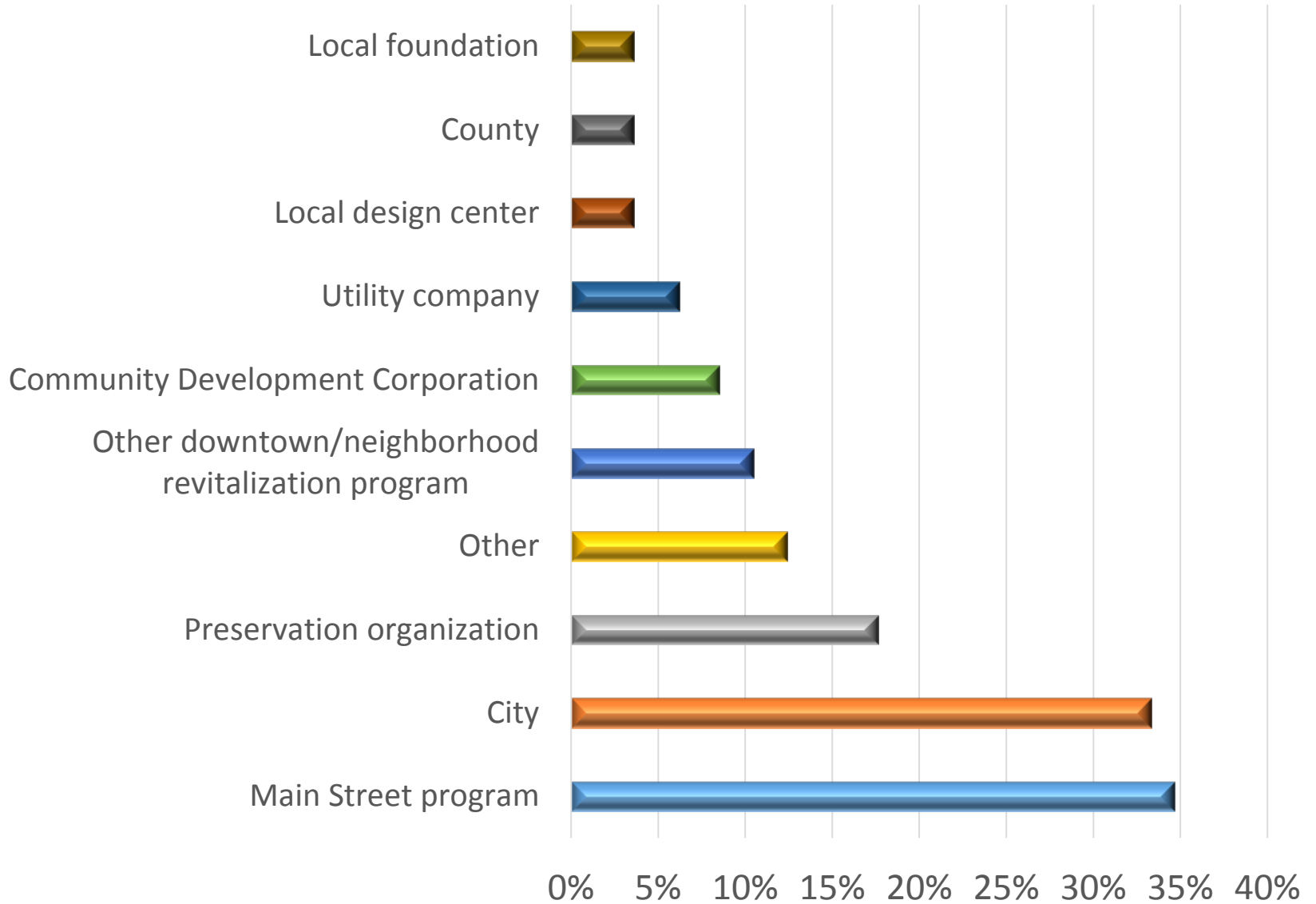
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Types of Incentives

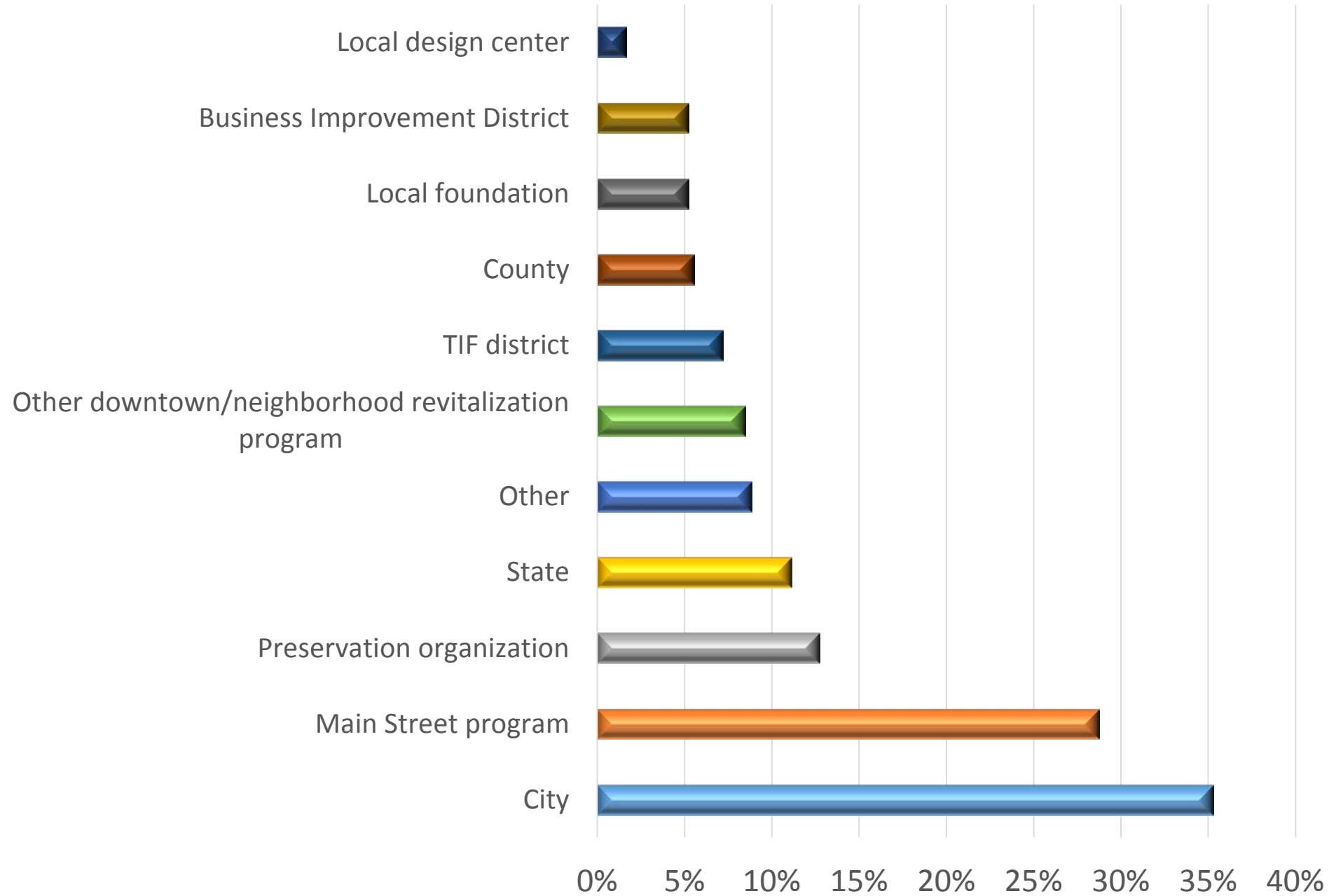


-  Grants
-  Technical Assistance
-  Regulatory Incentives
-  Local Tax Incentives
-  Financial Tools

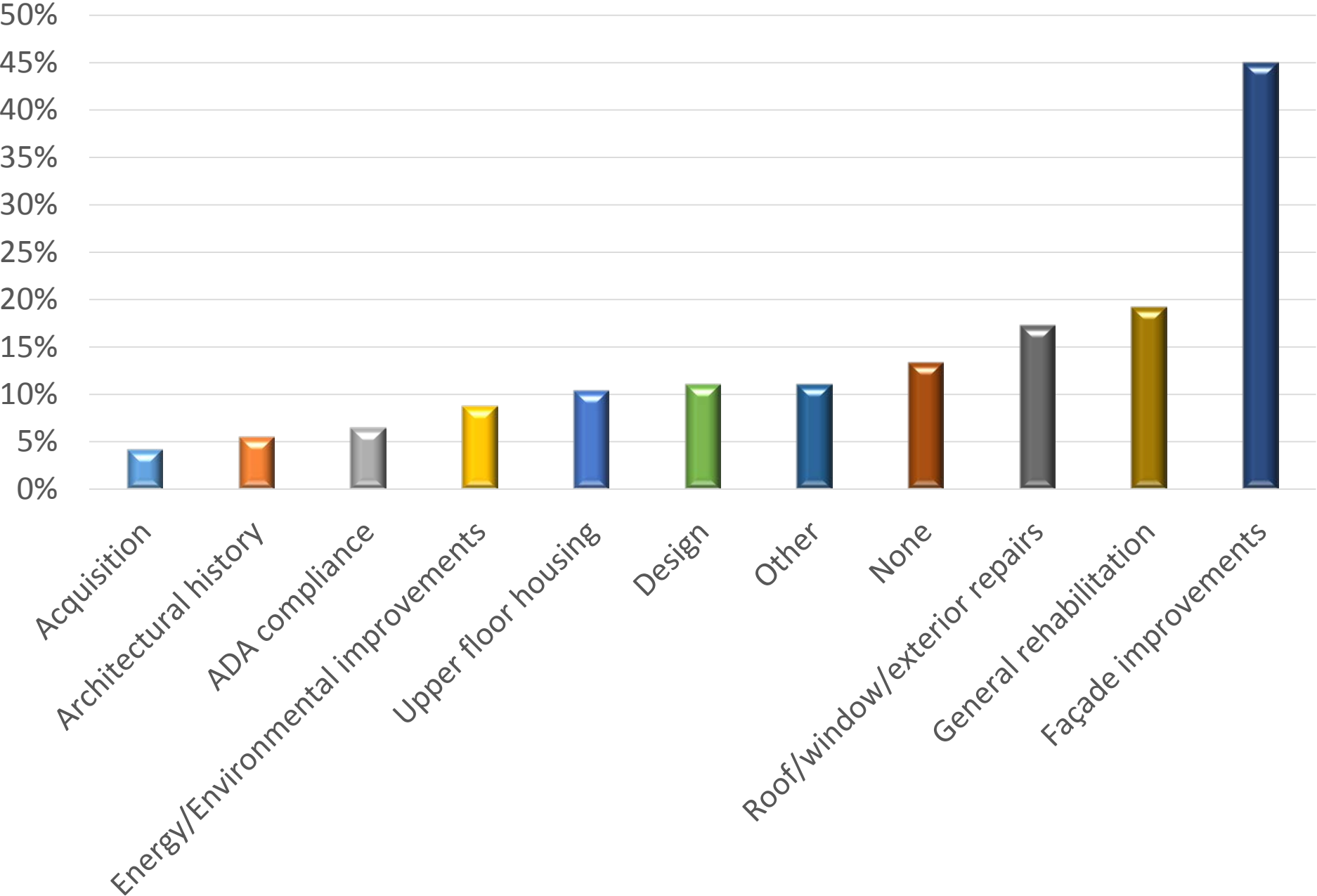
Who Provides Technical Assistance



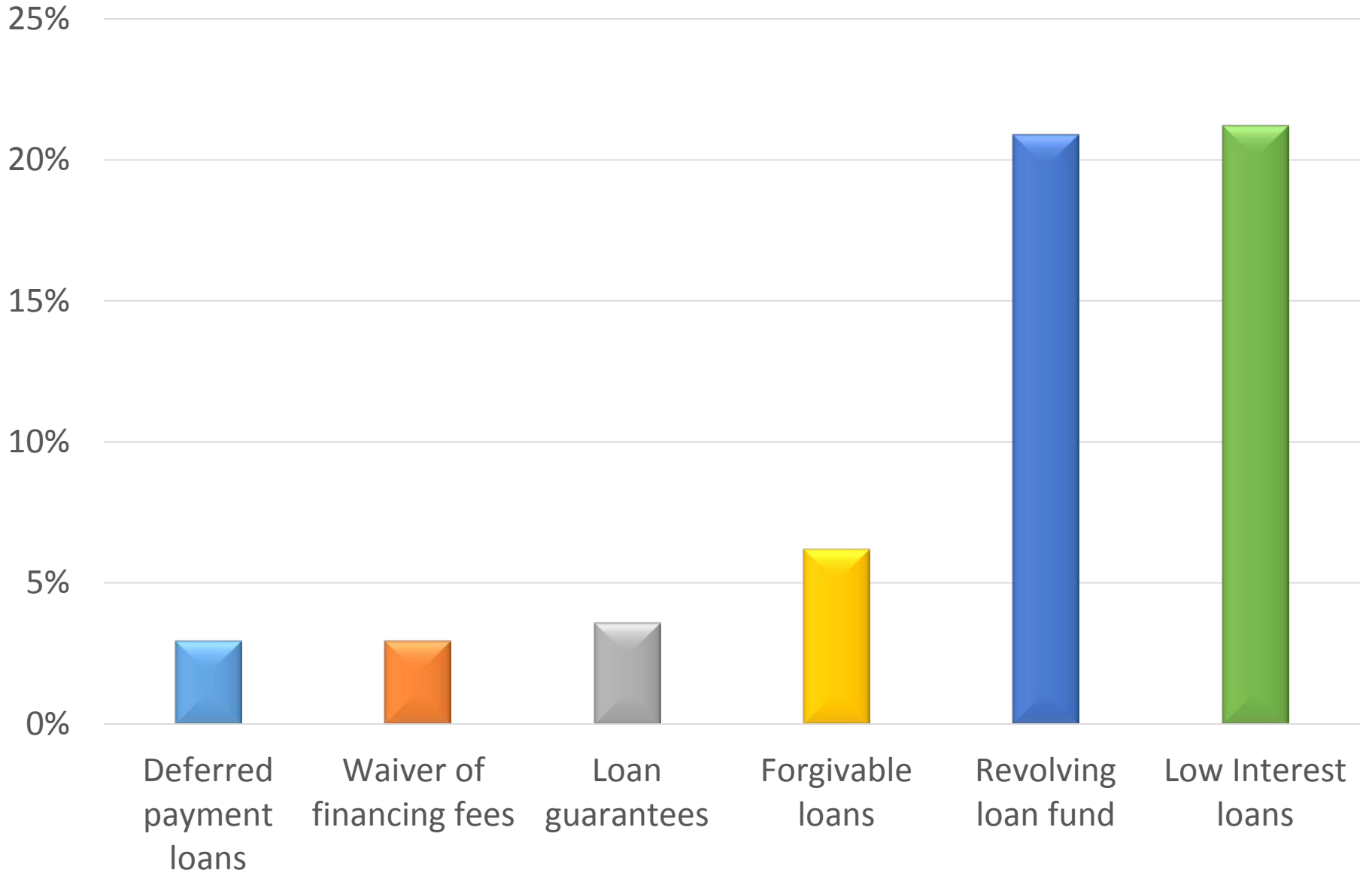
Who Funds Technical Assistance



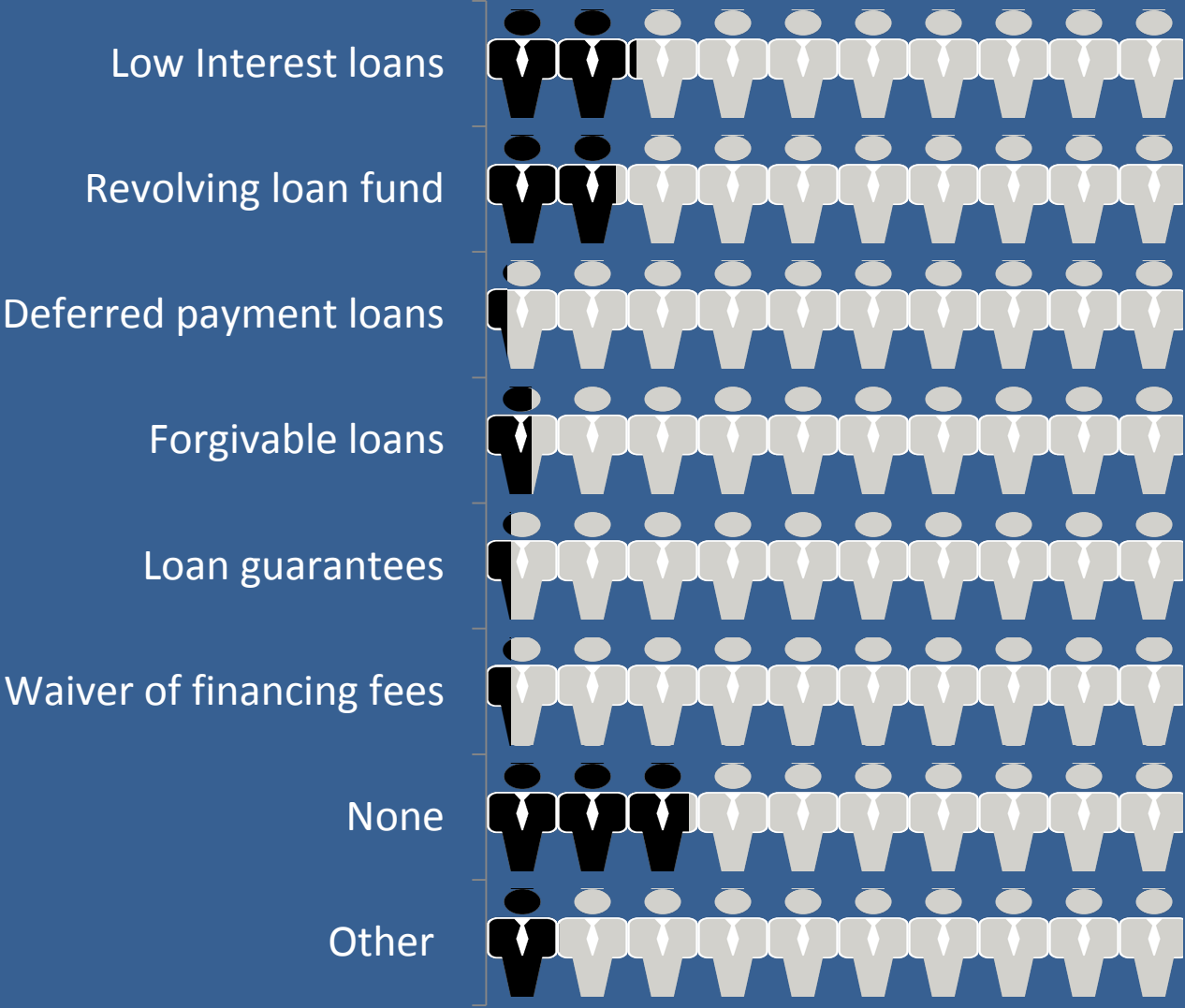
Types of Grants for Buildings



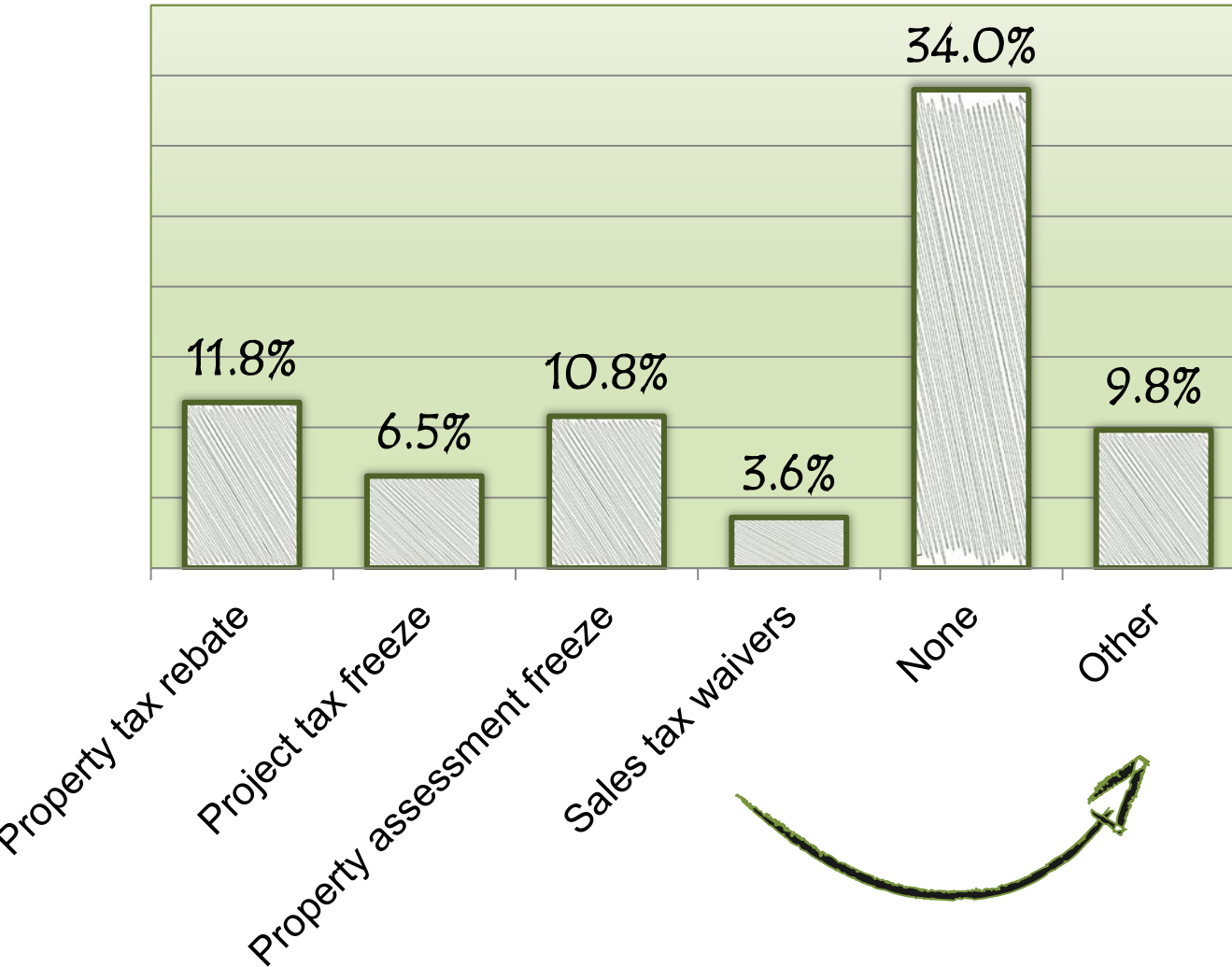
Financial Incentives for Buildings



Use of Financial Incentives for Buildings



Local Tax Incentives for Buildings



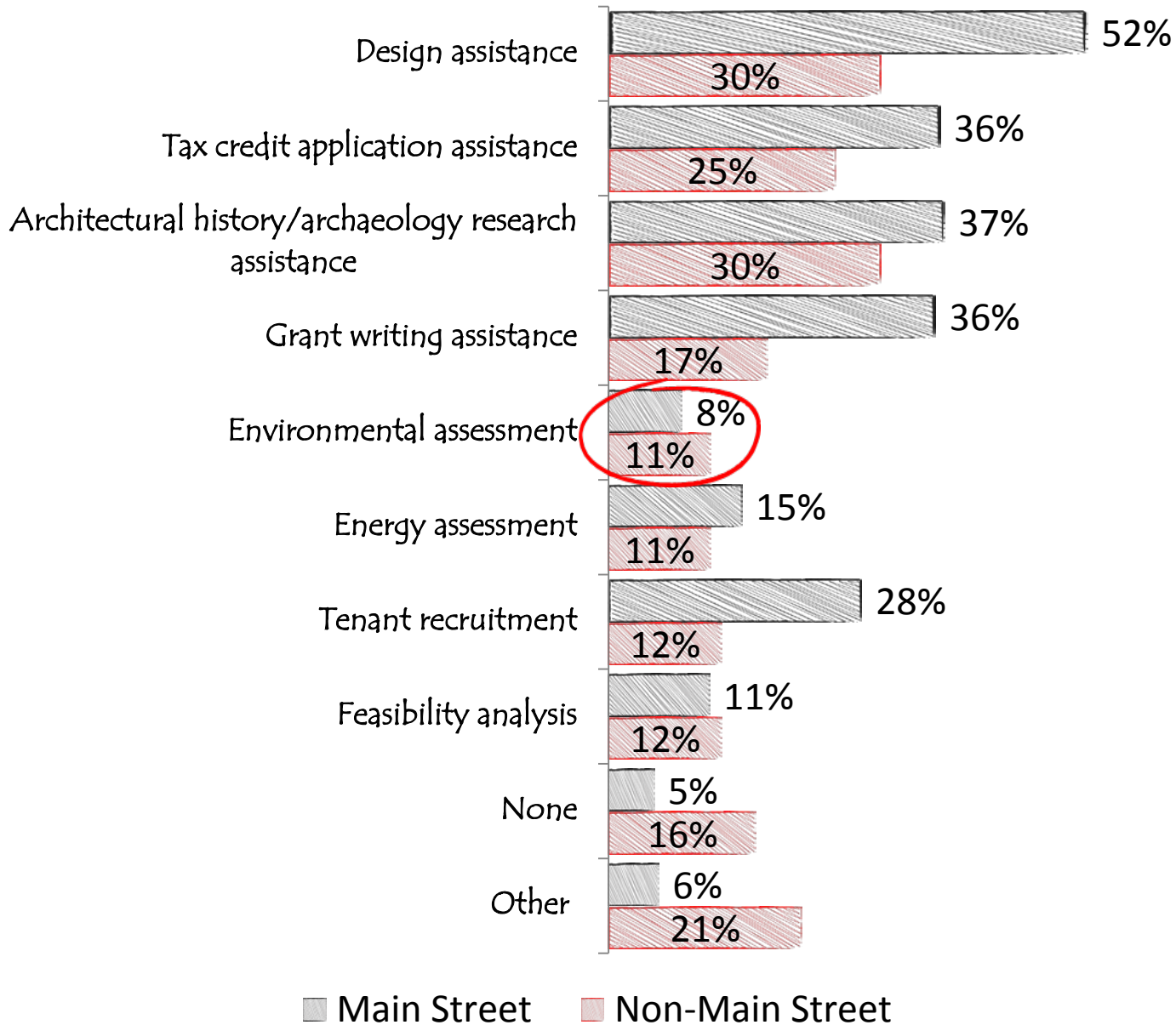
Very few communities have local tax-based incentives for buildings



Main Street vs Not Main Street

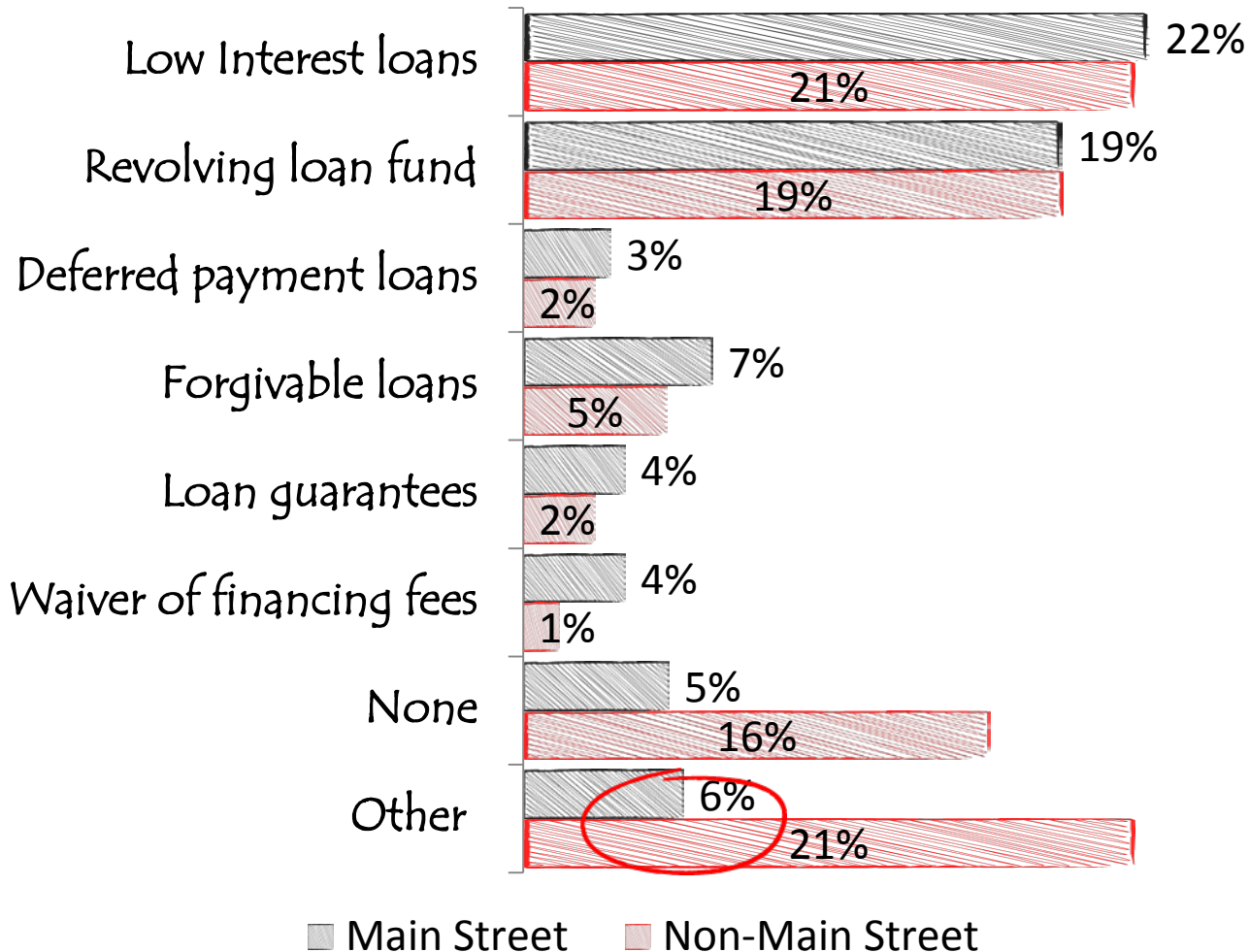


Technical Assistance Provided



Main Street much more likely to provide technical assistance

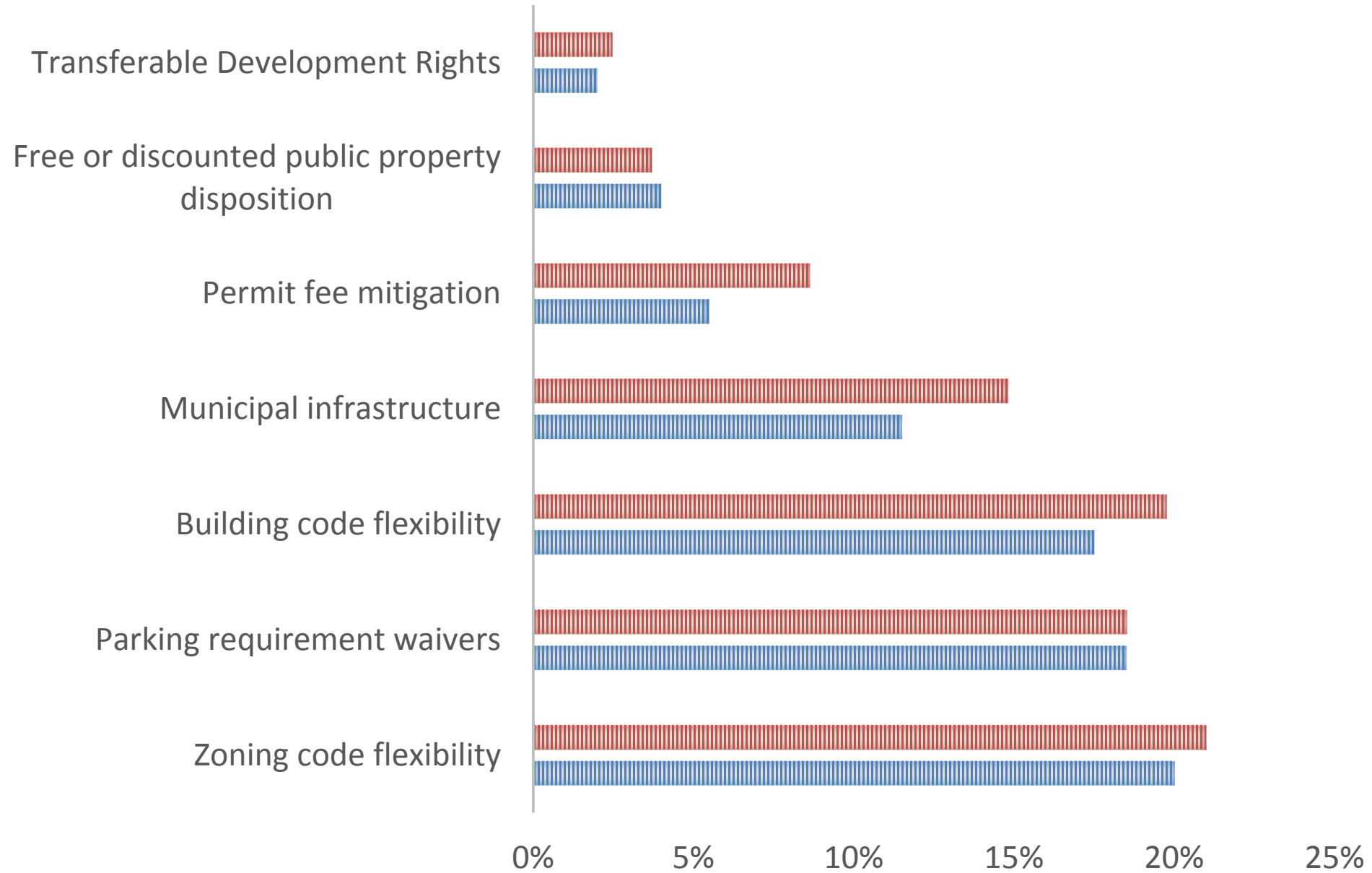
Financial Assistance Provided



Main Street and non-Main Street communities aren't different in financial assistance provided (except "other")

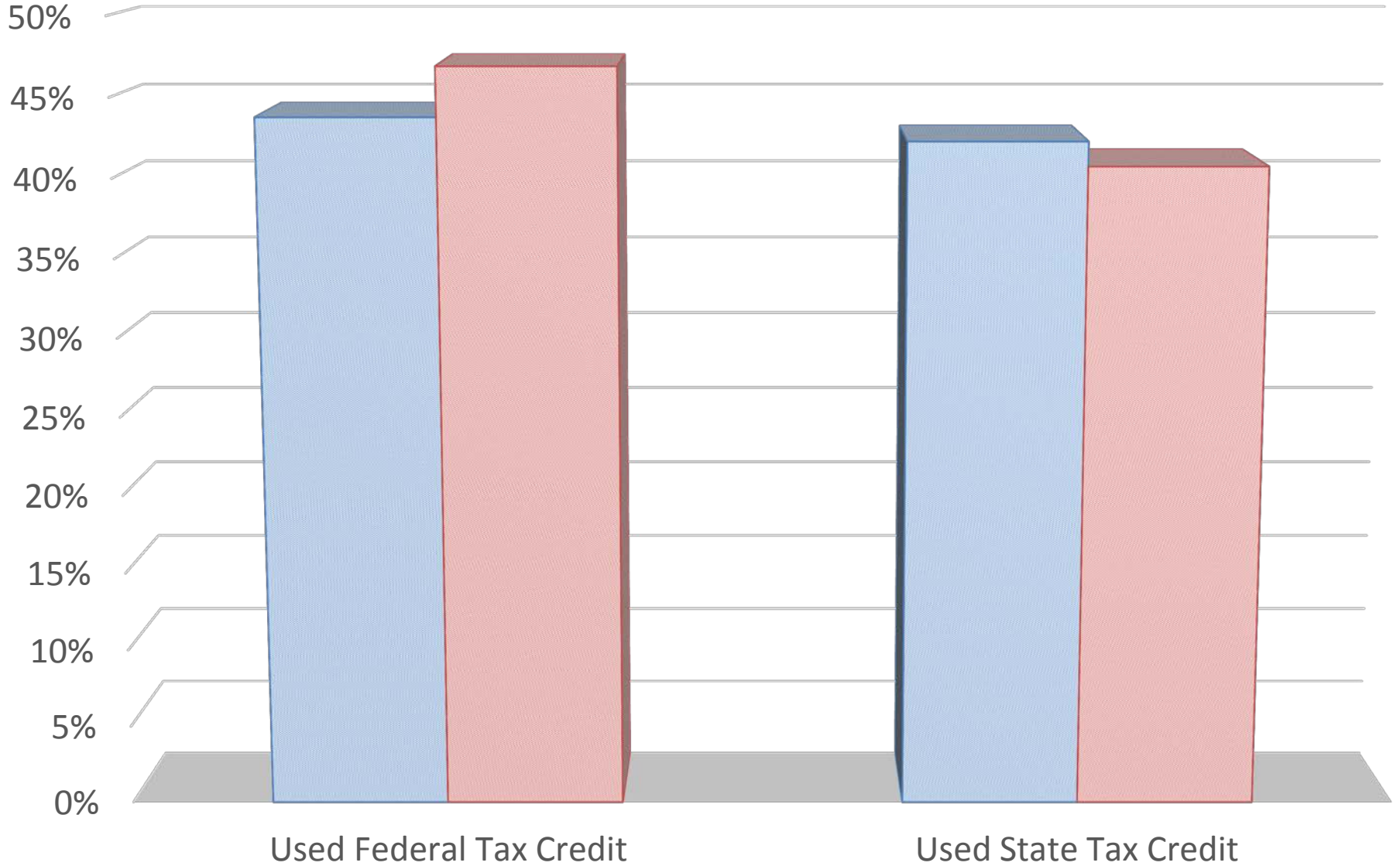
REGULATORY INCENTIVES

Not Main Street Main Street



USE OF HISTORIC TAX CREDITS

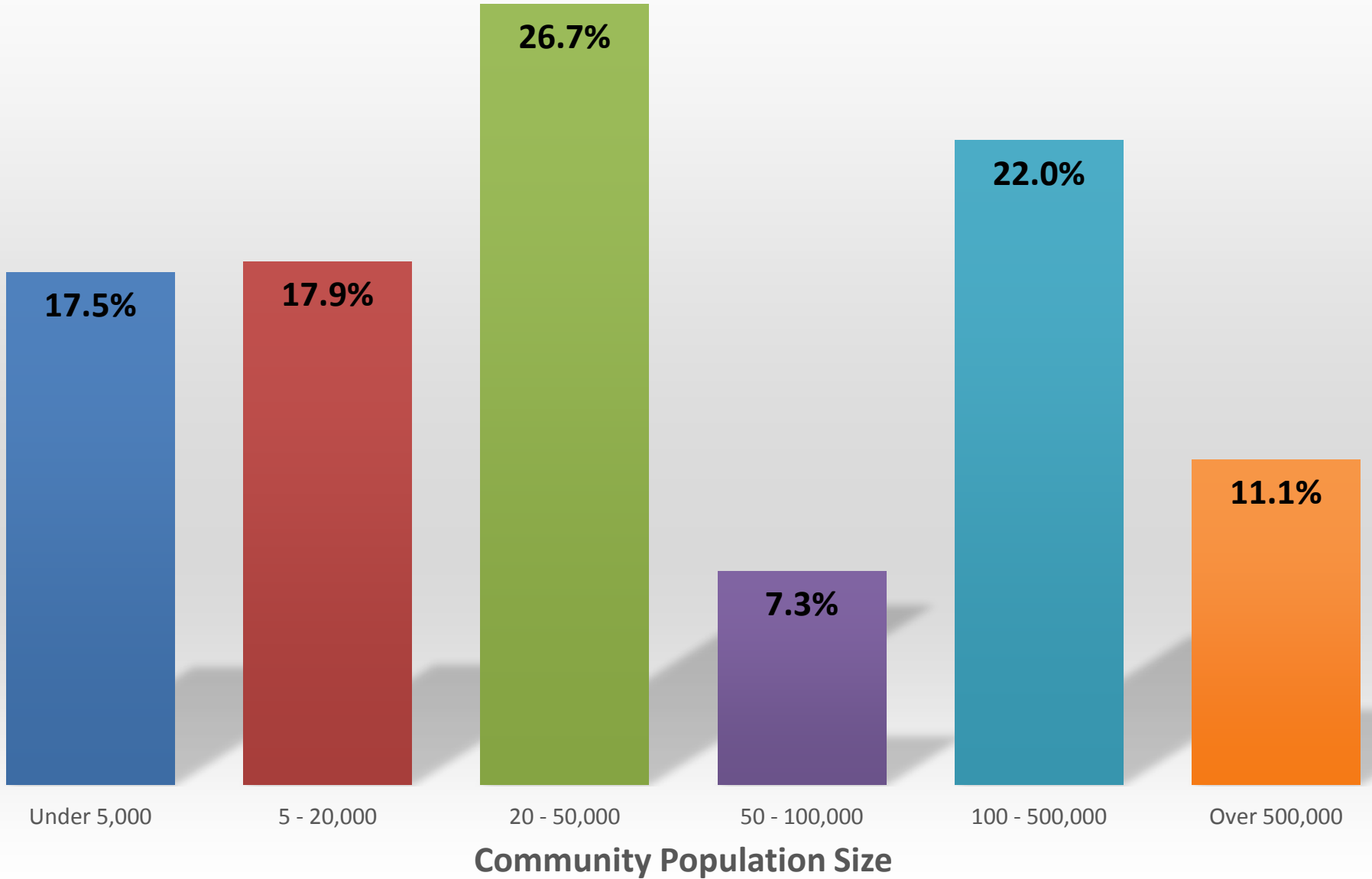
■ Main Street ■ Not Main Street



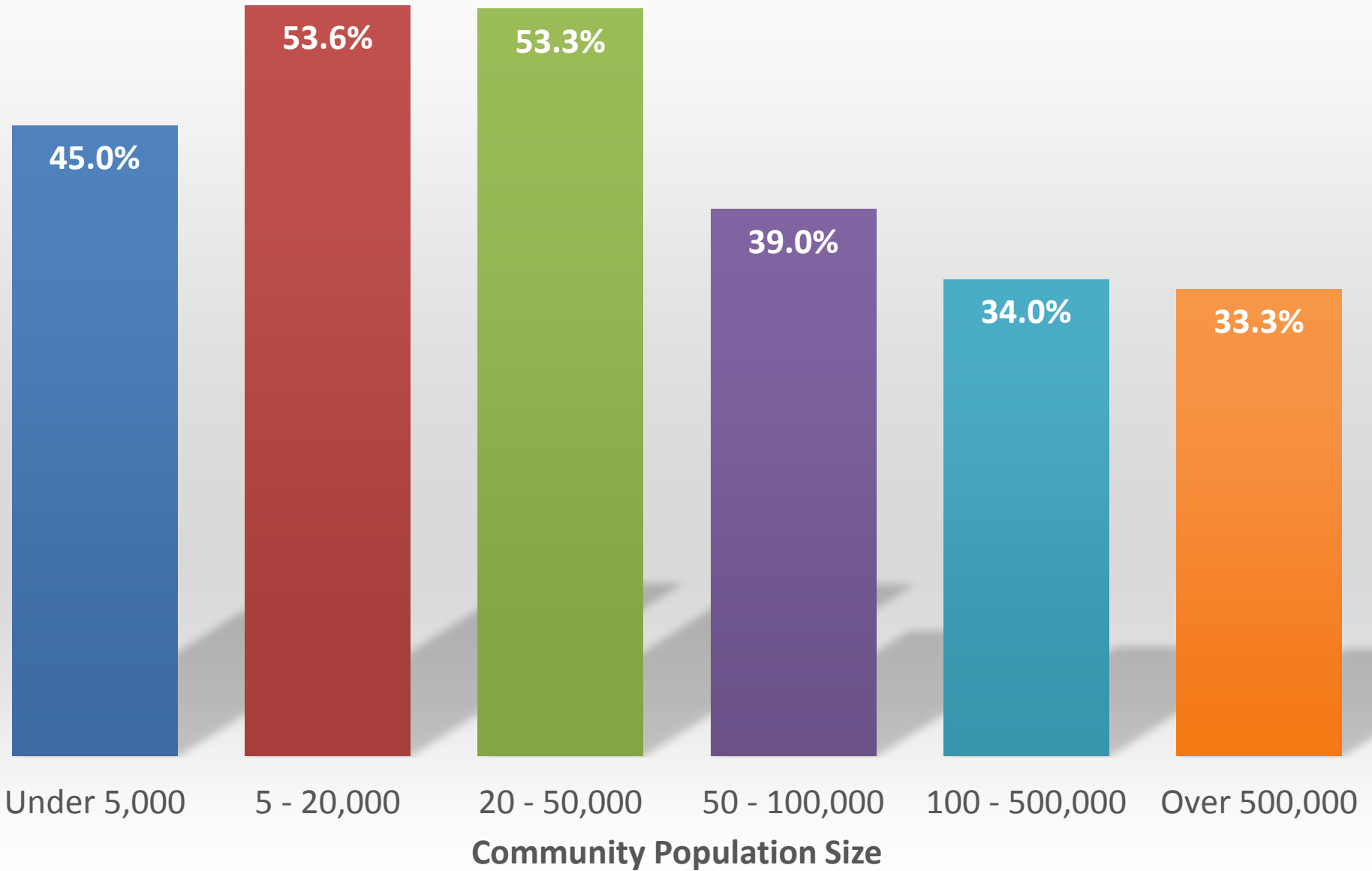
Differences by Population Size



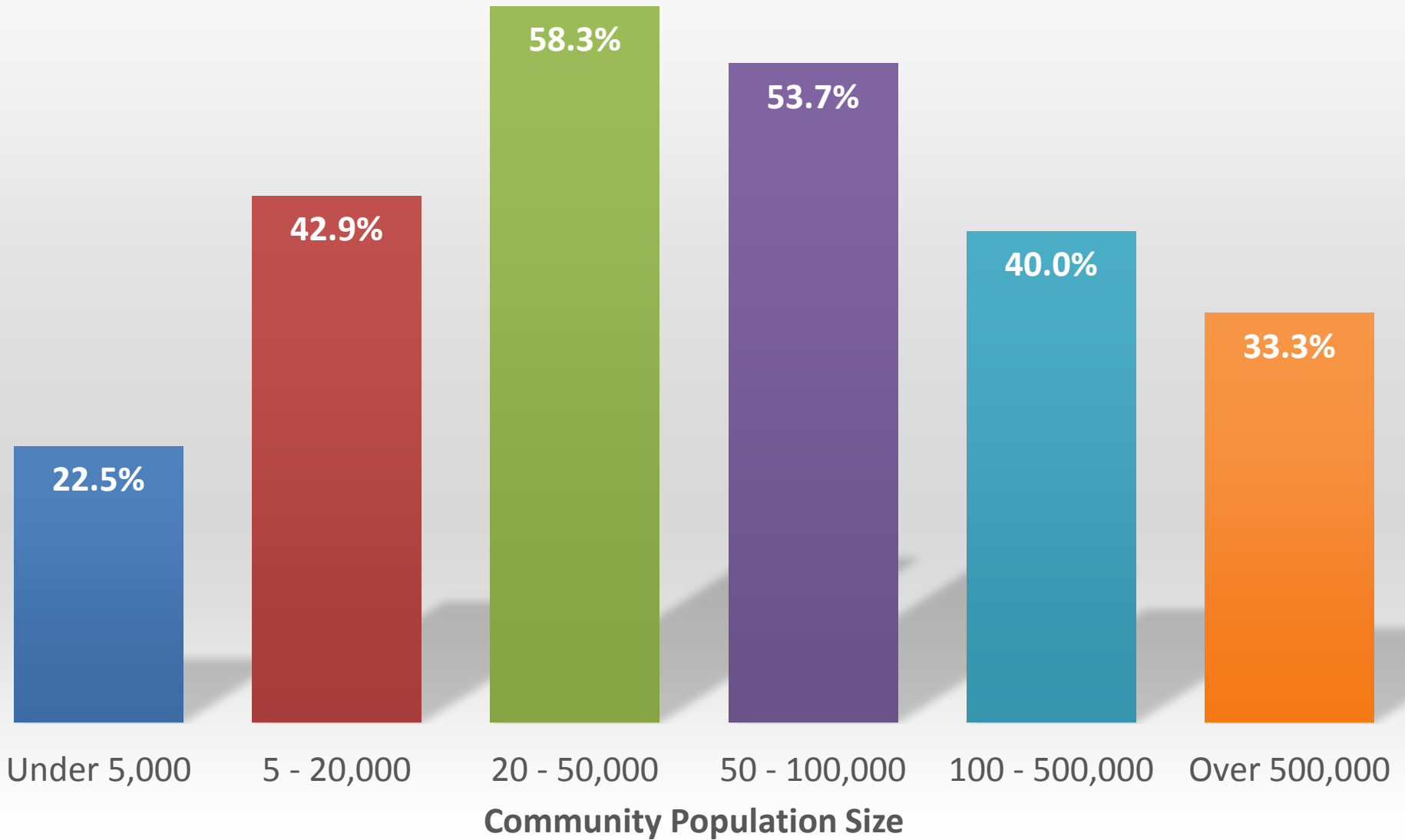
Revolving Loan Fund



Façade Improvement Grants



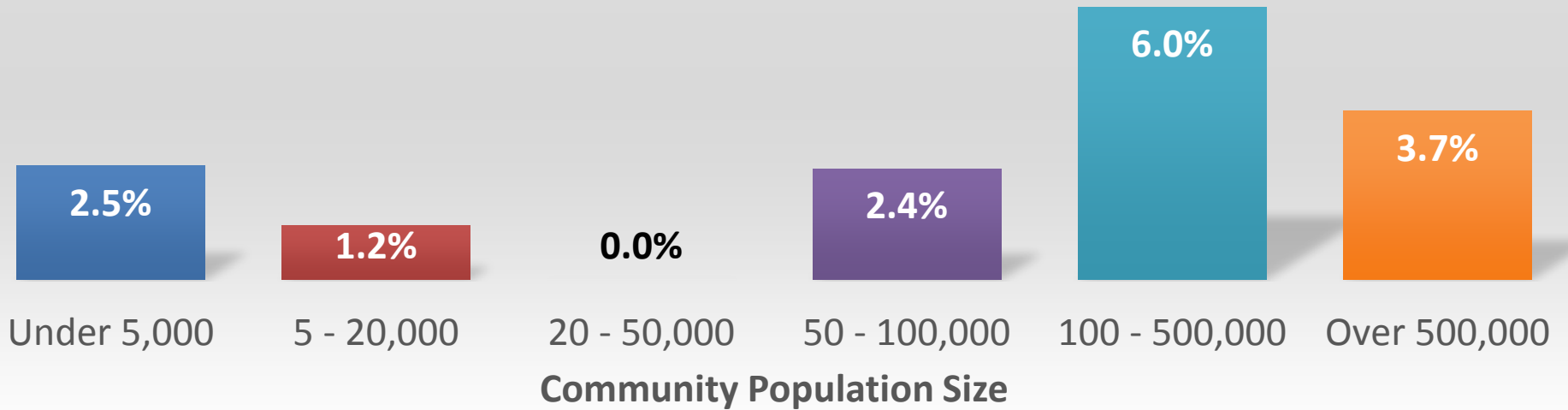
Used Federal Historic Tax Credit



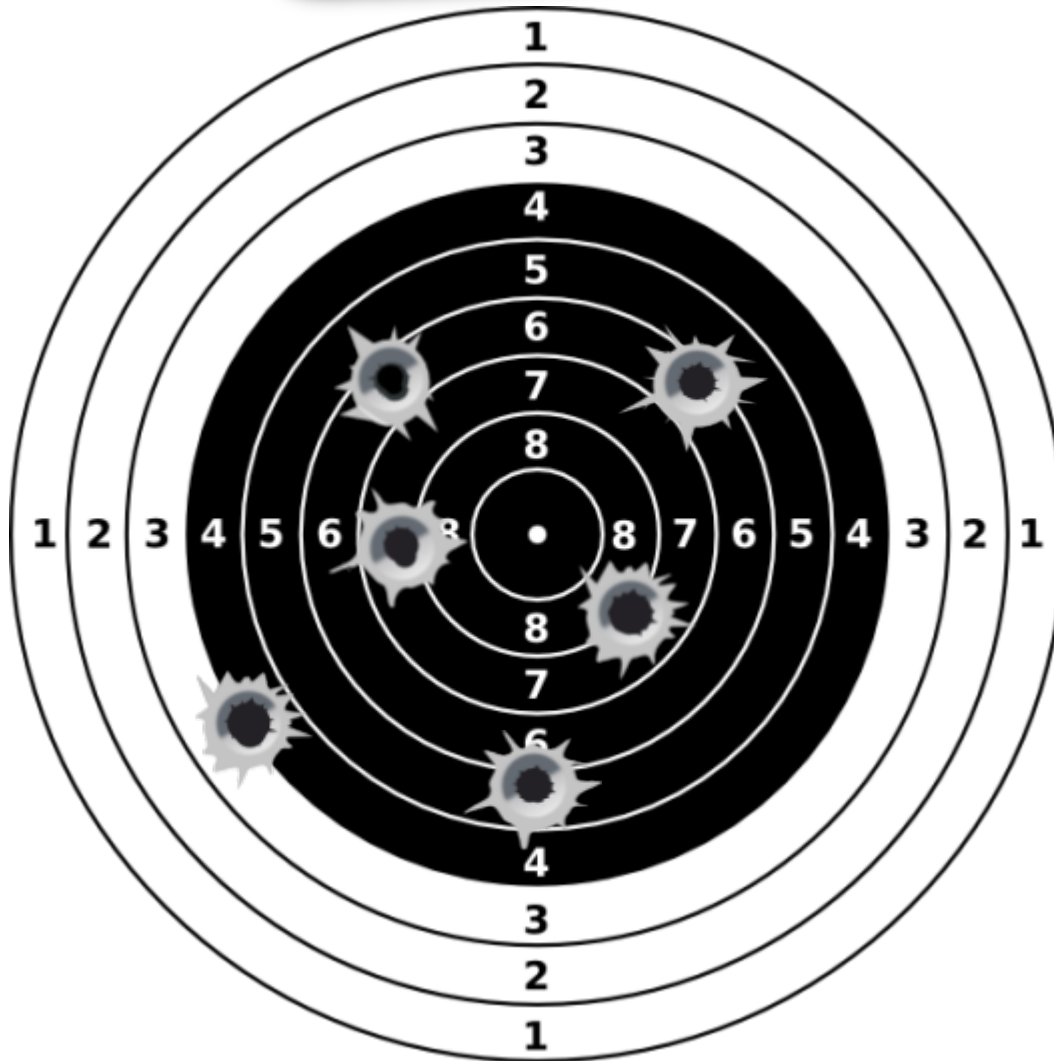
Used Preservation Easements



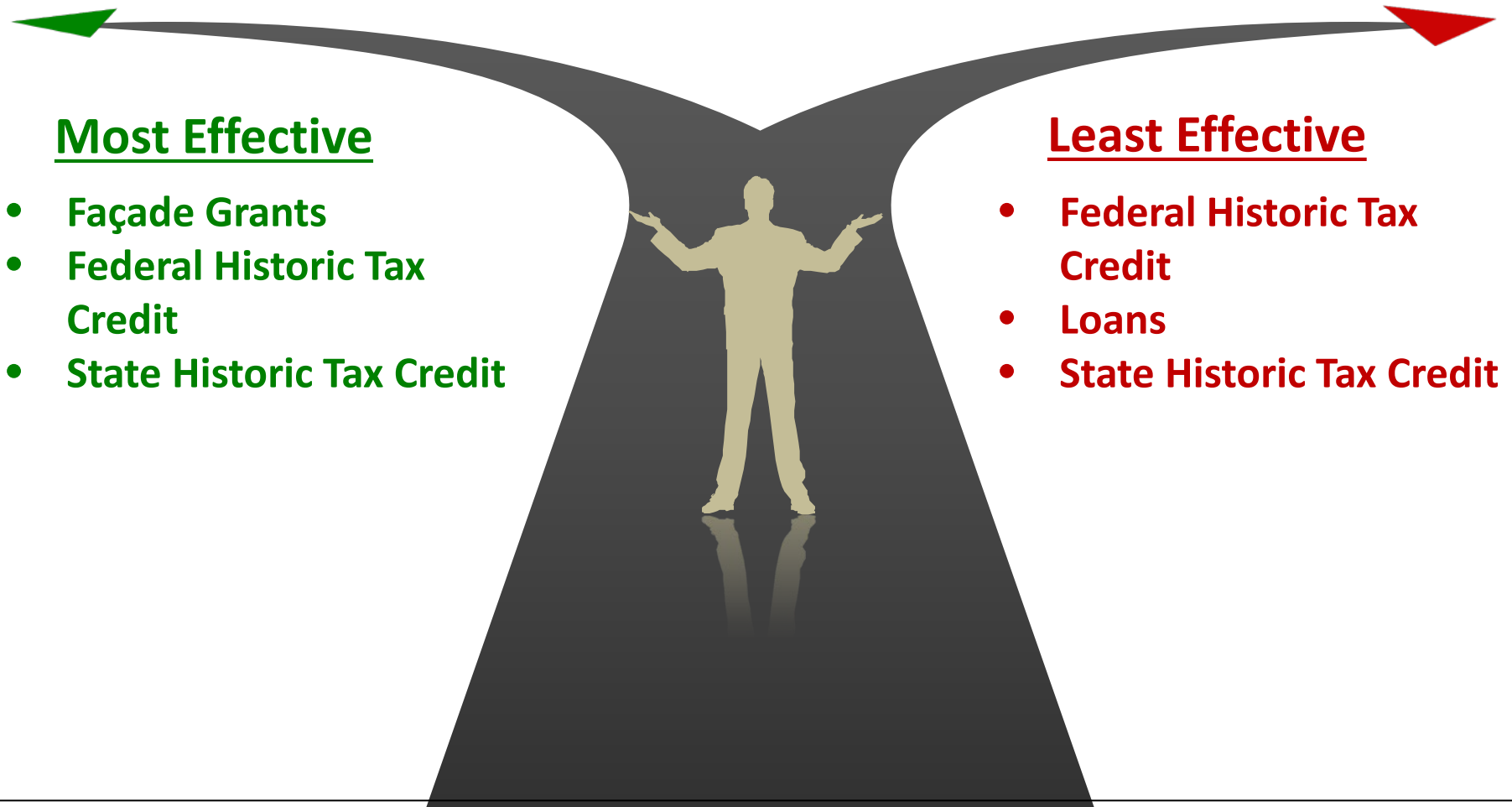
Transferable Development Rights



When Incentives work; Conclusions



Effectiveness of Building Incentives



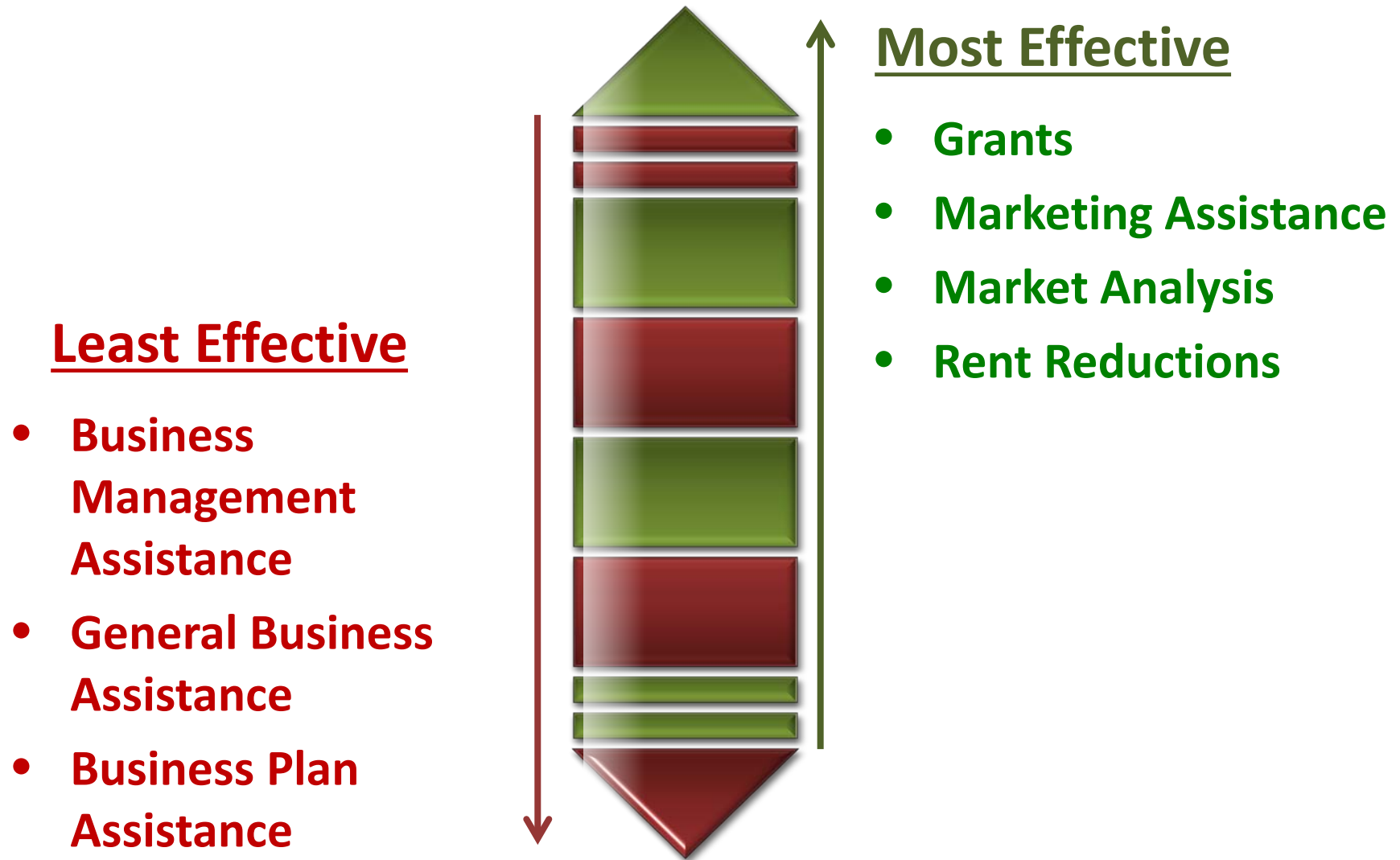
Most Effective

- Façade Grants
- Federal Historic Tax Credit
- State Historic Tax Credit

Least Effective

- Federal Historic Tax Credit
- Loans
- State Historic Tax Credit

Effectiveness of Business Incentives



Least Effective

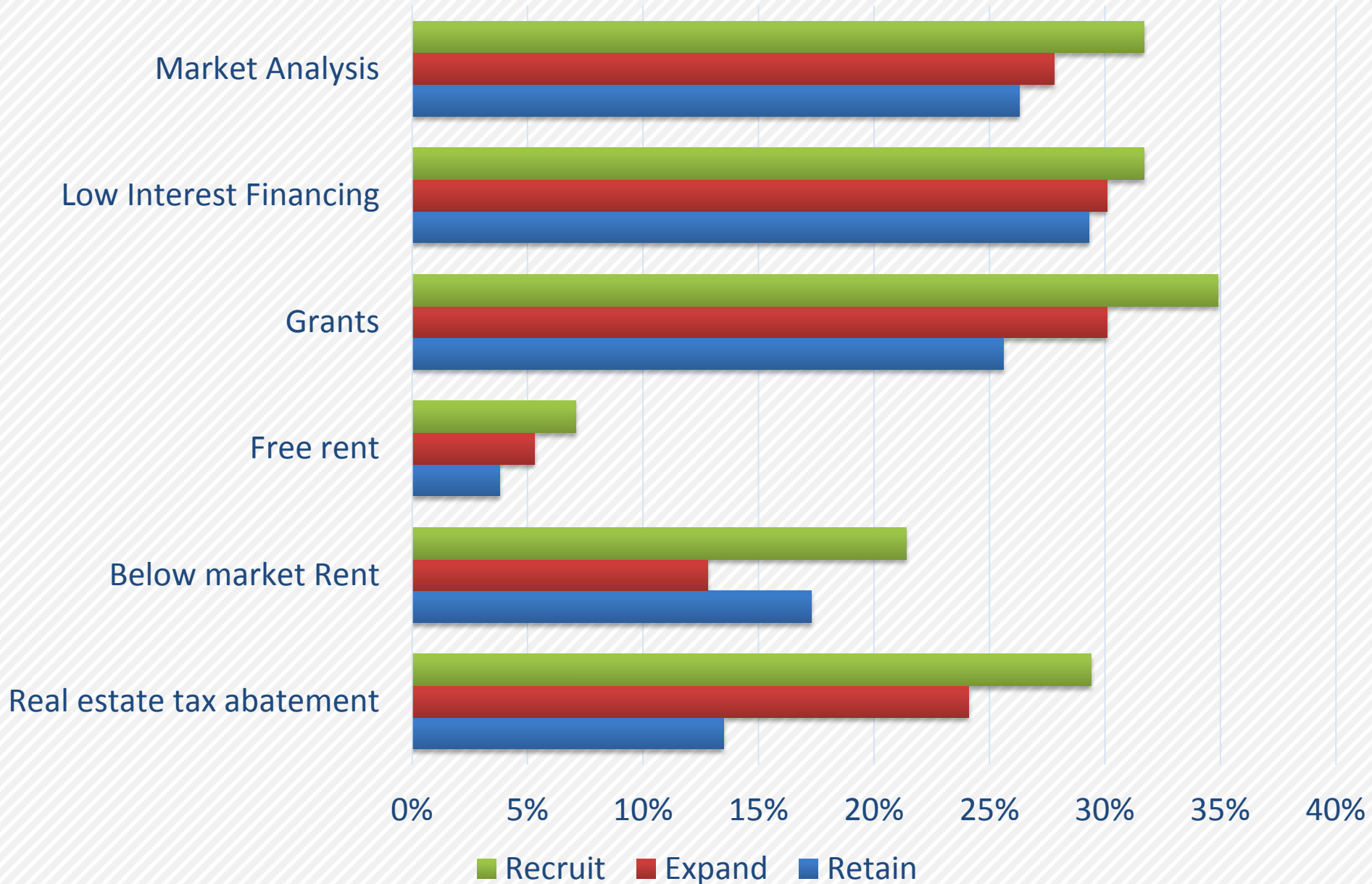
- Business Management Assistance
- General Business Assistance
- Business Plan Assistance

Most Effective

- Grants
- Marketing Assistance
- Market Analysis
- Rent Reductions

Who Gets Incentives?

Retain, Expand, Recruit



Incentives Work Best When...

Directed to a particular need

Directly related to the gap

Paired with appropriate regulations

Clearly communicated

Actively marketed

Simple in implementation

Within an overall public policy objective

Depoliticized