

A Toolbox for Adaptive Reuse

Adaptive reuse of existing buildings can provide a tremendous benefit to the overall community as well as to the primary investor. For the community, reusing existing buildings helps to preserve the urban infrastructure and to minimize sprawl. It reduces the overall environmental impact of construction activities and reduces waste. It also helps to preserve a community's historical grounding, particularly if the building is a key community landmark or has high sentimental value.

For the developer, adaptive reuse allows the development of buildings in locations that have underlying value such as urban centers, walkable neighborhoods or prime commercial districts. It can preserve and help to capitalize on a building's unique design features such as high quality architectural detailing, large windows or high ceilings that are attractive to many target demographics. Many times, adaptive reuse can be less expensive than new construction.

Despite the inherent advantages to adaptive reuse for certain projects several barriers often stand in the way of these projects moving forward. Due to the age of many existing buildings, a host of environmental, building code, zoning and possible even structural concerns can add significant costs to a project and be a real impediment to reuse.

Existing buildings and sites often have environmental concerns. Structures built between the mid 1920's and the mid 1970's may contain asbestos or lead paint that must be abated as part of a renovation. Often, even buildings constructed earlier than 1920 contain asbestos materials that were added as part of later renovations. Many older buildings contain underground fuel storage tanks for powering old boiler systems. Fuel oil did not commonly leak, but such tanks need to be removed and the site verified to be "clean". Sites with gasoline storage tanks pose a greater concern, as gasoline leaks are more common and can migrate across the building site or even onto adjoining properties.

Building codes have changed many times since most existing buildings were constructed. Often existing stairwells, exits, parking, electrical systems and other items do not comply with current codes and zoning ordinances. Changes in building uses can lead to structural concerns if the new use has higher load requirements than the original structure was designed to support. Age may have led to the deterioration of existing building systems, which need to be repaired or replaced.

Another common challenge is satisfying current accessibility requirements in existing structures. This typically means having to make changes to the entrances, exits, toilet rooms and doorways of a building. Often times a new elevator is required.

The list of barriers can seem daunting, fortunately, there are a number of tools available to the developer or municipality that can help to alleviate these concerns and make an adaptive reuse project feasible.

The North Carolina Rehab Code was adopted statewide in 2006 and provides architects and developers an excellent tool for dealing with code issues in older structures. The code can be used as an alternate to the code for new buildings on all renovated structures and establishes code requirements that are tailor-made for existing buildings. These requirements attempt to work within the framework of the existing building and focus on finding common sense solutions to the unique problems older buildings present without wholesale demolition and reconstruction.

In addition to this, Chapter 34 of the NC State Building Code contains provisions for existing buildings that can reduce the need for major reworking of building elements. It allows credit for beneficial safety feature over and above the minimum code requirements to offset some deficiencies that would otherwise cause a building to be in non-compliance. For example, installing a sprinkler system where one is not strictly required might offset the fact that the existing stairs are too steep and not wide enough, thus alleviating the need to demolish and rebuild them.

Pedestrian Oriented Developments (PEDs) and Unified Parking Districts have been adopted in many urban areas. These are special zoning classifications that allow parking to be spread out within walking distance and shared inside a specified district, such as a downtown area. It can be an invaluable tool in redeveloping existing buildings in urban areas where parking is at a premium and adding parking to existing buildings is often infeasible.

Tax Increment Financing (TIF) is a method of facilitating the redevelopment of defined areas of property by utilizing future increases in property tax revenues from a building to help pay for current improvements. North Carolina authorized the use of TIF in 2004. Use guidelines can vary from community to community. Some municipalities may also be willing to provide properties with simple tax abatement for some period time to help make a reuse project feasible.

Historic Rehabilitation Income Tax Credits are useful tools for historic preservation and adaptive reuse of historic buildings in North Carolina. A federal income tax credit for the rehabilitation of historic structures first appeared in 1976, and today consists of a 20% credit for the qualifying rehabilitation of income-producing historic properties. Since 1998, North Carolina also authorizes a 20% credit for those taxpayers who receive the federal credit, providing investors with a combined 40% credit against eligible project costs. In addition, the state provides a 30% credit for the rehabilitation of nonincome-producing historic properties, including private residences.

The New Markets Tax Credit (NMTC) program is designed to encourage investments in qualified low-income communities. It permits taxpayers to receive a 39% credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs) with NMTC allocations. The credit is claimed over a 7-year compliance period (5% over the first 3 years and 6% over the last 4 years) and the investor may not redeem their investments in CDEs prior to the end of the seven-year period.

Qualified low-income communities are defined as U.S. Census Tracts with household incomes at or below 80% of the area or statewide median, whichever is greater. Due to this liberal definition, 40% of all U.S. and most central business district census tracts qualify for the NMTCs.

Facade Grants are offered by many North Carolina cities, especially in downtown areas. They are designed to encourage and assist business owners who want to make improvements to their commercial properties by helping to make these improvements affordable. In addition, they ensure that exterior facade renovations are included as part of the improvements thereby improving the visual appearance of the community. In exchange for these funds, the municipality may require that the exterior design work be reviewed and approved thereby maintaining a desired level of quality control or consistency in appearance.

Superfund and Brownfield grants are available through the EPA for addressing contaminated industrial sites. The Superfund program may be able to provide technical assistance grants of \$50,000 to help create a clean-up plan for qualifying sites. Brownfield grants and loans are available to municipalities and non-profit organizations to facilitate clean up at a contaminated site. While developers and other private entities are not directly eligible for grants and loans, they may partner with community-based organizations for clean up and adaptive reuse projects.

Depending on the nature of the project, local and state governments may be willing to issue bonds to assist in the financing of a desirable adaptive reuse project. These bonds may or may not have the government's guarantee and may or may not be tax exempt.

Another option is for the city to purchase a property that the community deems as a candidate for adaptive reuse and pass it on to a developer for a small price, thus reducing the developer's initial costs. If part of the reason the site has not been previously developed includes environmental concerns, the city can also help by performing much of this initial clean up work prior to the sale. In some situations, the city may exercise its right of eminent domain on a property and force a sale at the appraised market value, thereby jumpstarting the development process.

In addition to the tools mentioned above a host of additional tools and funding sources are available for adaptive reuse housing projects, including the federal government's Low-Income Housing Tax Credits (LIHTC) and mortgage guarantee programs (through HUD) and Community Development Block Grants (CDBG) which are allocated by the state and accessed at the community level.

Through a collaborative approach, municipalities, developers, architects and planners can work together to help restore our urban building fabric and to infuse our existing architecture with new function and value to the community while reducing the impact on our environment. Along the way, an important part of our history can be reclaimed.