

## Recycling America: Adaptive Reuse in the 21<sup>st</sup> Century

### **Why Adaptive Reuse?**

Though the community economic development (CED) movement has long been focused on communities' economic health, community development corporations (CDCs) may be missing an important opportunity if they pursue economic revitalization without also addressing broader social and environmental concerns. CDCs must instead develop sustainable communities to “meet the needs of the current generation without compromising the ability or opportunity for future generations to meet their needs.”<sup>1</sup> Through adaptive reuse, CDCs can leverage their core competencies to pursue sustainable community development.

Adaptive reuse is the process of recycling abandoned or decrepit structures. Vacant properties are often seen as a burden on communities, as they lead to increased crime (from vandalism and by providing a location for criminal activity), pose fire hazards, and damages and penalties accrue in the taxpayers' name. But adaptive reusers realize that through renovation or sustainable deconstruction, these properties present a resource and an opportunity. Specifically, CDCs can use adaptive reuse to:

- Remove blighted properties and the accompanying crime from communities,
- Preserve natural resources and the environment,
- Pursue historic preservation, and
- Protect important intangibles like the community's sense of place.

By redeveloping vacant properties, CDCs can perform a role for which they are uniquely suited—creating economic conditions suitable for for-profit ventures to reenter a community. Though for-profit developers are also active in the adaptive reuse field, in many communities, non-profit organizations will have to act as first-movers. Local investors and developers will be worried about the social and financial risks associated with properties that may have histories of blight or crime. And, for-profit developers often have difficulty obtaining funding for projects in depressed neighborhoods. Thus, CDCs will remain the vanguard for sustainable community development in such neighborhoods, and adaptive reuse will continue to be an important part of this effort.

### **Where to Begin?**

Adaptive reuse encompasses two related but divergent concepts: (1) renovation and (2) sustainable deconstruction. When

beginning or expanding an adaptive reuse program, it is important to determine which focus will better suit your community's needs. There are numerous factors that will influence a CDC's strategic approach to adaptive reuse, such as:

- The number of vacant properties,
- The amount of existing and potential for-profit activity,
- The availability of affordable non-profit office space, and
- The availability of community centers, affordable housing, park spaces, and other community assets.

Additionally, municipal demographic trends will influence a CDC's strategic approach to adaptive reuse. In growing cities, renovation is most likely to adequately protect a community's character and spur revitalization. While in communities with a declining population, sustainable deconstruction may be necessary to remove the structures causing community blight and create an opportunity to convert these spaces into community assets.

### **In with the New: 3 Tips for Successful Renovation**

Wealthy Americans have begun to move back into urban centers.<sup>2</sup> In many areas, this influx has gentrified inner cities and pushed many residents of low-income communities to the suburbs in search of low-cost living.<sup>3</sup> But even in rapidly growing areas, there will remain vacant properties

that are unlikely to be developed, whether because of environmental concerns or blighted location. CDCs can therefore help low-income residents and even other non-profits find affordable spaces by renovating these abandoned buildings.

However, renovation does create a number of challenges not present when building from scratch. Below are just a few ways CDCs can overcome common renovation problems.

#### 1 - Choose Wisely

Though adaptive reuse can reduce the cost of land procurement and building materials, renovation typically does entail numerous additional costs. Old buildings often contain environmental hazards such as asbestos or lead paint, and abating these conditions can be expensive. Many practitioners find that renovating within the existing framework of a building is also more time consuming than building from the ground up. For example, the building may have to be changed significantly to meet new building codes. Older buildings will also generally have higher energy costs as they are not as well insulated or as well designed as modern structures.

Therefore, to guarantee that the renovation is cost effective, it is important to choose a building that suits the project's needs or choose a project based on the buildings available. Particular structures are suited to particular projects. For example, many organizations have turned vacant school buildings into senior apartments. While an

old school lacks the outdoor facilities to provide quality family housing, the large windows, high ceilings, and great indoor spaces can become comfortable senior apartments.

The work of DHIC, the Triangle's largest and oldest non-profit housing organization provides an example of just such a successful renovation. DHIC began its adaptive reuse project as a way to save the historic Murphey School (which was the first school to be integrated in Raleigh, North Carolina) from demolition. For-profit ventures had expressed tentative interest in the property, but none could make a reuse project economically feasible. DHIC devised a plan to create a 48-unit senior apartment community and used historic tax credits, low-income housing tax credits, and support from the city of Raleigh to fund the project. By choosing a project that utilized the school's existing attributes, DHIC was able to afford preserving a community landmark while providing a needed community resource.

## 2 – Use Available Tax Credits and Grants

As DHIC can attest, federal and state tax credits and grants can lessen the financial burdens of renovation. Because adaptive reuse projects address numerous community goals, there are a number of federal tax credits and grants available to CDCs engaged in adaptive renovation. Some are familiar to the CED community, while others may be new to CED practitioners.

### A. Historic Preservation

For those seeking to renovate older buildings, the Historic Preservation Tax Credit (HPTC) is an option. Run by the National Park Service (NPS), the HPTC is a 20% credit available for buildings designated as historic and a 10% tax credit for non-historic properties renovated for non-residential use. The NPS does, however, impose significant restrictions on how much of the original structure can be removed and on the sorts of renovation that can be conducted, which may impact the CDC's ability to achieve other goals. For example, many old buildings have large, energy-inefficient windows that the CDC may be prevented from replacing.

### B. Environmental

Properties that are underdeveloped because of environmental contamination may be eligible for brownfields incentive programs. The largest brownfield sites are former industrial facilities, but smaller commercial operations located in residential neighborhoods, like dry cleaners and gas stations, can also result in the presence of hazardous substances eligible for cleanup incentives. While the Environmental Protection Agency's Brownfield Tax Incentive expired on December 31, 2011, the EPA does still provide grants and loans for brownfield redevelopment, including the Smart Growth grants to local governments (which may be willing to partner with CDCs)<sup>4</sup> and grants for brownfield job training and cleanup.<sup>5</sup>

Additional grants are available through the Partnership for Sustainable Communities.<sup>6</sup> Further, numerous state and local programs still exist. For example, North Carolina's Department of Environmental and Natural Resources offers Brownfields Agreements, which allow developers to limit their liability for environmental hazards if they follow certain clean-up protocols.

### C. New Markets

Another important source of funding is the New Markets Tax Credit (NMTC). The NMTC provides tax credits to investors in certified Community Development Entities equal to thirty-nine percent (over seven years) of their total investment. If the property is located in a Qualified Low Income Community, the NMTC could help spur investment in the adaptive reuse project. And, given that many for-profit developers are already pursuing adaptive reuse projects, there should be numerous opportunities to use the NMTC to build partnerships with for-profit entities in connection with adaptive reuse projects.

### D. Affordable Housing

Finally, the Low Income Housing Tax Credit (LIHTC) can be an important method of making affordable housing development viable for the provider. The LIHTC is not limited to new construction, but can also be used for adaptive reuse of all manner of buildings—from homes to factories—as long as the final product provides housing for low-income individuals or families.<sup>7</sup>

## 3 – Involve Community Groups

For adaptive reuse projects to succeed, community support is vital. Despite their condition, many old buildings have enormous local significance. The structure might be an abandoned school that many residents attended, an old factory that employed much of the population, or just a home or store front that has been a part of the community for generations. Regardless, this historical attachment means community members will likely have distinct ideas about how the property should be used.

The following two strategies may help to prevent the project from causing tension in the community you are trying to serve. First, invite structured input into how to best preserve the building's history or community significance. Second, if possible, find ways to keep at least part of the building open to the public after the renovation. Providing a wide range of services or having a section open to the public can lessen any community opposition.

Renovation can be a powerful tool to foster revitalization of an entire community. Reusing a vacant property to create new non-profit office space, a community center, or affordable housing can simultaneously remove a problematic property and begin the process of sustainable community development.

### **Out with the Old: Sustainable Deconstruction**

Not every community will benefit equally from renovation strategies. As the Detroit Works Project stated in its recently released Strategic Framework, “a ‘build it and they will come’ approach is not going to work for Detroit.”<sup>8</sup> For land-rich areas as well as places where the population is in decline, like Detroit, the best reuse option may be deconstruction rather than construction. Where no market for new homes or businesses exists, deconstruction allows CDCs to remove the vacant properties causing community blight. Deconstruction also helps the local real estate market rebound by removing surplus inventory.

CDCs are increasingly recognizing that conventional demolition is a missed opportunity. A demolition process that would otherwise produce only waste can benefit the community if done by means of a process developed by CED practitioners called sustainable deconstruction. Sustainable deconstruction is “systemically dismantling a structure in an environmentally, economically, and socially responsible manner, aiming to maximize the recovery of materials for reuse and recycling.”<sup>9</sup> There are two phases to sustainable deconstruction: (1) removing the structure from the property, and (2) repurposing the vacant land to serve the community.

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## 1—Deconstruction

CDCs can convert wasteful demolition into a productive opportunity for sustainable community development. First and foremost, CDCs can use sustainable deconstruction programs as a job training mechanism. Successful programs like the Rebuilding Exchange in Chicago have been able to provide training in:

- Deconstruction/Demolition,
- Materials Management,
- Retail Warehousing, and
- Carpentry.

Moreover, CDCs can manage the resale of the salvaged materials.<sup>10</sup>

And though sustainable deconstruction can take longer and is more expensive than traditional demolition, it benefits numerous community stakeholders:

- The property owner can obtain a tax deduction by donating the salvaged materials or can sell the materials for a profit,
- The local government can meet recycling and waste diversion goals as less of the building will be sent to landfills, and
- Developers and construction supply retailers will gain access to quality

recycled building materials—which are often highly sought after.<sup>1</sup>

## 2—Using Vacant Land

This second phase of sustainable deconstruction may be less familiar territory for CDCs; nevertheless, the newly vacant land can be an important community resource.<sup>11</sup> Perhaps the most promising use for these spaces is urban agriculture. Beyond providing yet another job training opportunity and a potential source of capital, community gardens and other systems of urban agriculture address a variety of community ills. The EPA states that urban farms “provide a local source of fresh healthy food, increase surrounding property values, reduce environmental hazards, create biologically diverse habitats, reduce stormwater runoff, create jobs, promote physical activity, increase community connections, and attract economic activity.”<sup>12</sup>

Will Allen’s work with Growing Power in Milwaukee is a great example of urban agriculture run in a manner familiar to many CDC practitioners.<sup>13</sup> Growing Power provides job training while also selling vermicompost and produce to support its

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<sup>1</sup> For example, one couple in Cary, North Carolina has been able to turn boards from abandoned barns into tables that sell for almost \$1000 because of the aged wood’s unique grain and character. Andrew Kenney, *Cary Business Finds New Uses for Cary’s Last Barns*, THE NEWS AND OBSERVER (April 22, 2013), [http://m.newsobserver.com/observer/db\\_111686/contentdetail.htm?contentguid=BoAKNLOB&full=true#display](http://m.newsobserver.com/observer/db_111686/contentdetail.htm?contentguid=BoAKNLOB&full=true#display).

activities. Although it is a far cry from CED’s roots in affordable housing, urban agriculture and community gardens are an opportunity for CDCs to leverage their business development skills to reach a broader audience and tackle a broader range of social problems.

A second use for the newly vacant lots could be the creation of parks and green spaces, which are an important part of community revitalization. By partnering with local governments who will take control of the property once the building has been sustainably deconstructed, CDCs can help communities benefit from new, green landscapes.<sup>14</sup> CDCs and local governments may even qualify for any of a large list of EPA-funded grants to finance this “green infrastructure” creation.<sup>15</sup>

For more information on adaptive reuse, the Delta Institute has published a comprehensive guide on beginning a sustainable deconstruction project.<sup>16</sup>

### **Advocating to and Partnering with Local Governments**

Though adaptive reuse projects often begin within the traditional bricks and mortar competencies of CDCs, the most successful adaptive reuse projects usually require an advocacy strategy at the state and local level. Large-scale redevelopment will likely require government involvement, but fortunately, some practitioners have noticed that the level of public involvement is directly related to the level of community distress. The greater the community’s

problems, the more committed the local government will be to fixing them.

### 1 – Direct Investment

Local governments may be interested in directly investing in adaptive reuse projects to improve the neighborhoods surrounding the property. Government investment will not only increase the viability of the adaptive reuse project, but will also likely spur for-profit business development. Further, cities can provide tax credit incentives similar to the federal new markets tax credit program. If your local government does not offer grants or tax credit programs, the success of tax incentives in places such as Erie County, New York,<sup>17</sup> and Prince George’s County, Maryland may help convince them that public investment is worthwhile.<sup>18</sup>

### 2 – Zoning Ordinances

Local governments can also create zoning schemes that promote adaptive renovation by granting exemptions from normal zoning requirements if the building meets certain reuse criteria. For example, Los Angeles has enacted an adaptive reuse ordinance that provides an expedited approval process and exemptions from some building codes, like waiving density restrictions, parking requirements, and setback enforcement if the reused property is of a certain age or its current use is not economically viable.<sup>19</sup> Adaptive reuse zoning ordinances can make it much easier to renovate older properties.

Burlington, Vermont, however, offers a cautionary tale. Burlington enacted an ordinance similar to LA’s, but in Burlington, the ordinance has resulted in community groups fighting, with little success, against a developer using the ordinance to build high-density, high-end condos in a single-family neighborhood.<sup>20</sup> Neighborhood groups fought the intrusion into their quiet neighborhood up to the Vermont Supreme Court, claiming that the property was not being reused appropriately.<sup>21</sup> Rather, the neighborhood claimed the developer used the adaptive reuse ordinance as a loophole to evade maximum density requirements while maintaining little of the original structure and none of its character.<sup>22</sup> Burlington’s experience shows that if CDCs are going to lobby for adaptive reuse zoning exemptions, the exemptions should be tailored to redeveloping properties as part of sustainable community development. Otherwise, the ordinances may exacerbate the gentrification of a community.

### 3 – Land Banking

Finally, adaptive reuse projects can benefit from support from a land bank. Land banks are “public authorities created to efficiently acquire hold, manage, and develop tax-foreclosed property.”<sup>23</sup> Most land banks can hold property tax-free, have the ability to correct title problems, and can make trump bids at tax foreclosure auctions. Therefore, land banks are powerful tool for collecting, managing, renting, and selling recycled buildings and newly vacant lots.

However, land banks can be time consuming to create. Fewer than ten states have passed a land banking statute.<sup>24</sup> Thus, forming a specific land bank likely will require state-level enabling legislation to allow local governments to create land banking entities.<sup>25</sup> Further, designing your advocacy strategy will require significant research and planning as there are many land bank varieties and numerous potential activities that land banks can be empowered to pursue. Fortunately, the Center for Community Progress has released a comprehensive guide discussing the benefits of land banking and how to make land banking work for your community.<sup>26</sup>

### Now is the Time

Adaptive reuse is not new to the CED movement, but two recent development trends make reuse critically and immediately important. While some cities were devastated by the recent housing crash and subsequent recession, others are experiencing a population boom. America's urban landscapes are transforming rapidly, and abandoned properties will allow CDCs to play an active role in ensuring this transformation leads to vibrant, healthy, and sustainable urban communities.

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<sup>1</sup> World Commission on Environment and Development, Report, *Our Common Future*, THE UNITED NATIONS (1987), available at [http://conspect.nl/pdf/Our\\_Common\\_Future-Brundtland\\_Report\\_1987.pdf](http://conspect.nl/pdf/Our_Common_Future-Brundtland_Report_1987.pdf).

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<sup>2</sup> [BILL ROSE'S WHITE PAPER].

<sup>3</sup> For an in-depth study of the suburbanization of poverty, see Elizabeth Kneebone & Emily Garr, *The Suburbanization of Poverty*, METROPOLITAN POLICY PROGRAM, BROOKINGS INSTITUTE (Jan. 2010), available at [http://www.brookings.edu/~media/research/files/papers/2010/1/20%20poverty%20kneebone/0120\\_poverty\\_paper.pdf](http://www.brookings.edu/~media/research/files/papers/2010/1/20%20poverty%20kneebone/0120_poverty_paper.pdf).

<sup>4</sup> Environmental Protection Agency, *Brownfields and Land Revitalization Application for Funding* (March 2013), <http://www.epa.gov/brownfields/applicat.htm>.

<sup>5</sup> Environmental Protection Agency, *Grants & Funding* (March 2013), [http://www.epa.gov/brownfields/grant\\_info/index.htm](http://www.epa.gov/brownfields/grant_info/index.htm).

<sup>6</sup> Departments of Housing and Urban Development, Department of Transportation, and Environmental Protection Agency, *Partnership Grants, Assistance & Programs*, <http://www.sustainablecommunities.gov/grants.html>.

<sup>7</sup> U.S. Department of Housing and Urban Development, *The Low Income Housing Tax Credit for Nonprofits Developing Rural Rental Housing* (Jan. 2004), [http://portal.hud.gov/hudportal/documents/huddoc?id=19565\\_LowIncomeTaxCredit.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=19565_LowIncomeTaxCredit.pdf).

<sup>8</sup> Detroit Works Project, *The Land Use Element: The Image of the City*, LONG TERM PLANNING: A BLUEPRINT FOR OUR FUTURE CITY 93 (Dec. 2012), available at [http://detroitworksproject.com/wp-content/uploads/2013/01/DFC\\_Plan\\_Land-Use.pdf](http://detroitworksproject.com/wp-content/uploads/2013/01/DFC_Plan_Land-Use.pdf).

<sup>9</sup> Delta Institute, *Deconstruction and Reuse, Go GUIDE: GREEN OPPORTUNITIES IN GROWING CITIES* (2d ed., Oct. 2012), available at [http://www.delta-institute.org/sites/default/files/DeconstructionAndReuseGoGuide2ndEd\\_Web.pdf](http://www.delta-institute.org/sites/default/files/DeconstructionAndReuseGoGuide2ndEd_Web.pdf).

<sup>10</sup> Alternatively, if a particular property is not suitable or if there are more properties than can be deconstructed in a reasonable time, CDCs may want to partner with a local fire department. Fire departments are often desperate for properties on which to practice fire containment. Donating properties to a department therefore benefits the community and provides an opportunity for a CDC



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to develop a relationship with the local government.

<sup>11</sup> For an in-depth look at Cleveland's struggles with vacant property and the approaches they have taken to maintain this property, see Michael Tortorello, *Finding the Potential in Vacant Lots*, THE NEW YORK TIMES, D1 (Aug. 3, 2011), available at <http://www.nytimes.com/2011/08/04/garden/finding-the-potential-in-vacant-lots-in-the-garden.html?pagewanted=all>.

<sup>12</sup> Environmental Protection Agency, *Land Revitalization Fact Sheet: Urban Agriculture* (April 2011), [http://www.epa.gov/landrevitalization/download/fs\\_urban\\_agriculture.pdf](http://www.epa.gov/landrevitalization/download/fs_urban_agriculture.pdf).

<sup>13</sup> Growing Power, *About Us*, [http://www.growingpower.org/about\\_us.htm](http://www.growingpower.org/about_us.htm).

<sup>14</sup> The Detroit Works Project has compiled a number of creative ways to reuse vacant land as part of a community-wide revitalization. Detroit Works Project, *supra* note 8 at 127–36.

<sup>15</sup> Environmental Protection Agency, *Water: Green Infrastructure Funding Opportunities* (Jan. 11, 2013), [http://water.epa.gov/infrastructure/greeninfrastructure/gi\\_funding.cfm](http://water.epa.gov/infrastructure/greeninfrastructure/gi_funding.cfm).

<sup>16</sup> *Id.*

<sup>17</sup> Erie County Industrial Development Agency, *2012 Results of Performance Measures* (finding that the five adaptive reuse projects approved in 2012 would spur \$280 million in private investment and create over 500 jobs), [http://www.ecidany.com/documents/ecida\\_group\\_reports/Results\\_2012\\_Perform\\_Measures.pdf](http://www.ecidany.com/documents/ecida_group_reports/Results_2012_Perform_Measures.pdf).

<sup>18</sup> Prince George's County Economic Development Corporation, *Revitalization Tax Incentive*, <http://www.pgcedc.com/business-development/incentives/revitalization-tax-credit>. The Revitalization Tax credit has helped Prince George's County incentivize over \$190 million in private investment and create over 5,000 jobs since 2005. Prince George's County Economic Development Corporation, *Business Development*, <http://www.pgcedc.com/business-development>.

<sup>19</sup> City of Los Angeles, *Adaptive Reuse Handbook* (2d ed., Feb. 2006), <http://www.scag.ca.gov/Housing/pdfs/summit/housing/Adaptive-Reuse-Book-LA.pdf>.

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<sup>20</sup> Kevin J. Kelley, *Weinberger's Condo Project not the Fresh Start Some Neighbors Were Expecting*, SEVEN DAYS (July 3, 2012), <http://www.7dvt.com/2012weinbergers-condo-project-not-fresh-start-some-neighbors-were-expecting>.

<sup>21</sup> *In re Hartland Grp. N. Ave Permit*, 184 Vt. 606, 606 (2008).

<sup>22</sup> *See id.*

<sup>23</sup> Frank S. Alexander, *Land Banks and Land Banking*, CENTER FOR COMMUNITY PROGRESS (June 2011), available at [http://www.communityprogress.net/filebin/pdf/new\\_resrcs/LB\\_Book\\_2011\\_F.pdf](http://www.communityprogress.net/filebin/pdf/new_resrcs/LB_Book_2011_F.pdf).

<sup>24</sup> Georgia, Indiana, Kentucky, Maryland, Michigan, Ohio, Missouri, Pennsylvania, and Texas have enabling legislation. Smart Growth America, *State Policy Toolkit: State Land Bank Enabling Legislation* (2009), [http://www.smartgrowthamerica.org/documents/sga\\_statepolicy\\_toolkit.pdf](http://www.smartgrowthamerica.org/documents/sga_statepolicy_toolkit.pdf). This guide provides a model for framing lobbying efforts before state legislatures. *Id.*

<sup>25</sup> Frank Alexander, *supra* note 23 at 76.

<sup>26</sup> *Id.* at 10.