

RALEIGH HISTORIC PRESERVATION TOOLKIT

REPORT UPDATE

Prepared by PlaceEconomics

January 1, 2018





TABLE OF CONTENTS

05	Introduction
06	Timeline of the Toolkit Process
07	Understanding the Context
07	Data Collection
08	Raleigh's Historic Resources
14	Real Estate Inventory
20	Market Analysis
22	The Significance of Rent
26	Stakeholder Outreach
28	Policy Review and Tool Framework
32	National and International Best Practices
33	Incentives, Tools and Strategies to Consider
34	Financial Tools
35	Regulatory Tools
38	Community Engagement Tools
39	Knowledge and Planning Tools
39	Direct Action Tools
43	Technical Analysis (Preliminary)
47	Recommendations
50	Next Steps
52	Appendices

The 1907 Masonic Temple, Raleigh's first skyscraper, located at 133 Fayetteville Street.



INTRODUCTION

For several years, Raleigh has consistently ranked as one of the top places in the nation for business and job growth. Understandably, that has led to a strong market for development, much of which is occurring as in-fill and redevelopment of previously built sites. While Raleigh does have robust historic preservation efforts through the Raleigh Historic Development Commission, the pace of change makes it difficult to keep up with the tools needed to fully protect Raleigh's historic resources. Therefore, the city has hired PlaceEconomics to identify, research, determine viability, and recommend tools for an expanded Raleigh Historic Preservation Toolkit.

After interviews and focus group sessions, it is clear that the citizens of Raleigh value historic and cultural resources and with the pace of investment and development, some of those resources may be at risk. In many places in the world, there is a long-held belief that a city must choose between historic preservation and economic development. This is a false choice that is being examined in quantitative and qualitative ways. In reality, more nuanced and sophisticated places are implementing economic development through historic preservation. This toolkit serves as a guide to uncover, explain, and rethink those opportunities. The current tools for protecting historic resources, while appropriate in the past, may not be sufficient for today's development climate. Therefore, additional tools may be needed to help protect critical properties and support redevelopment that respects the built heritage.

Raleigh's 2030 Comprehensive Plan provides a framework for the overarching goals of the toolkit and proclaims historic preservation as a public good with:

"Created in 1792 as the planned site for the capital city of North Carolina, Raleigh carries a certain expectation of cultural dignity associated with a seat of government. Historic resources help convey that image. They also provide the special character and scale that distinguish Raleigh from other places and give the city a certain 'southern style' livability."

The recognition of historic resources as a public good, however, should to be balanced with the need to accommodate both new development and the redevelopment of heritage buildings. Additionally, when there are changes in planning policies, zoning ordinances, and other land use regulations, impacts on individual properties might be such that additional tools, strategies, and incentives are both necessary and desirable. That is the situation today in Raleigh. To help evaluate alternatives and recommend new tools, the firm PlaceEconomics was commissioned to prepare this "toolkit" report. PlaceEconomics works at the intersection of economics and historic preservation. Much of the firm's work is with local governments and non-profit organizations to identify incentives, tools, and strategies to help protect historic and cultural resources.

TIMELINE OF THE TOOLKIT PROCESS

Over the course of several months, PlaceEconomics evaluated historic preservation tools from across the United States and internationally and visited Raleigh twice to gain an understanding of the current conditions. The team held a series of meetings with stakeholders, local government officials, and the real estate, development, and historic preservation sectors.

The PlaceEconomics team has continued to research current conditions and best practices, and to gather information to inform the preliminary findings and later technical analysis and recommendations. The following represents a preliminary list of ideas that might be considered in an expanded historic preservation toolkit.

Project Timeline

	JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	
Toolkit Preparation	[Active]										
Off-Site Data Collection and Research	[Active]										
Stakeholder Meetings			[Active]	[Active]							
Preliminary Findings and Update				[Active]	[Active]	[Active]	[Active]				
Draft Report Preparation and Delivery					[Active]	[Active]	[Active]	[Active]			
Final Report Preparation and Deliver						[Active]	[Active]	[Active]	[Active]	[Active]	

UNDERSTANDING THE CONTEXT

DATA COLLECTION

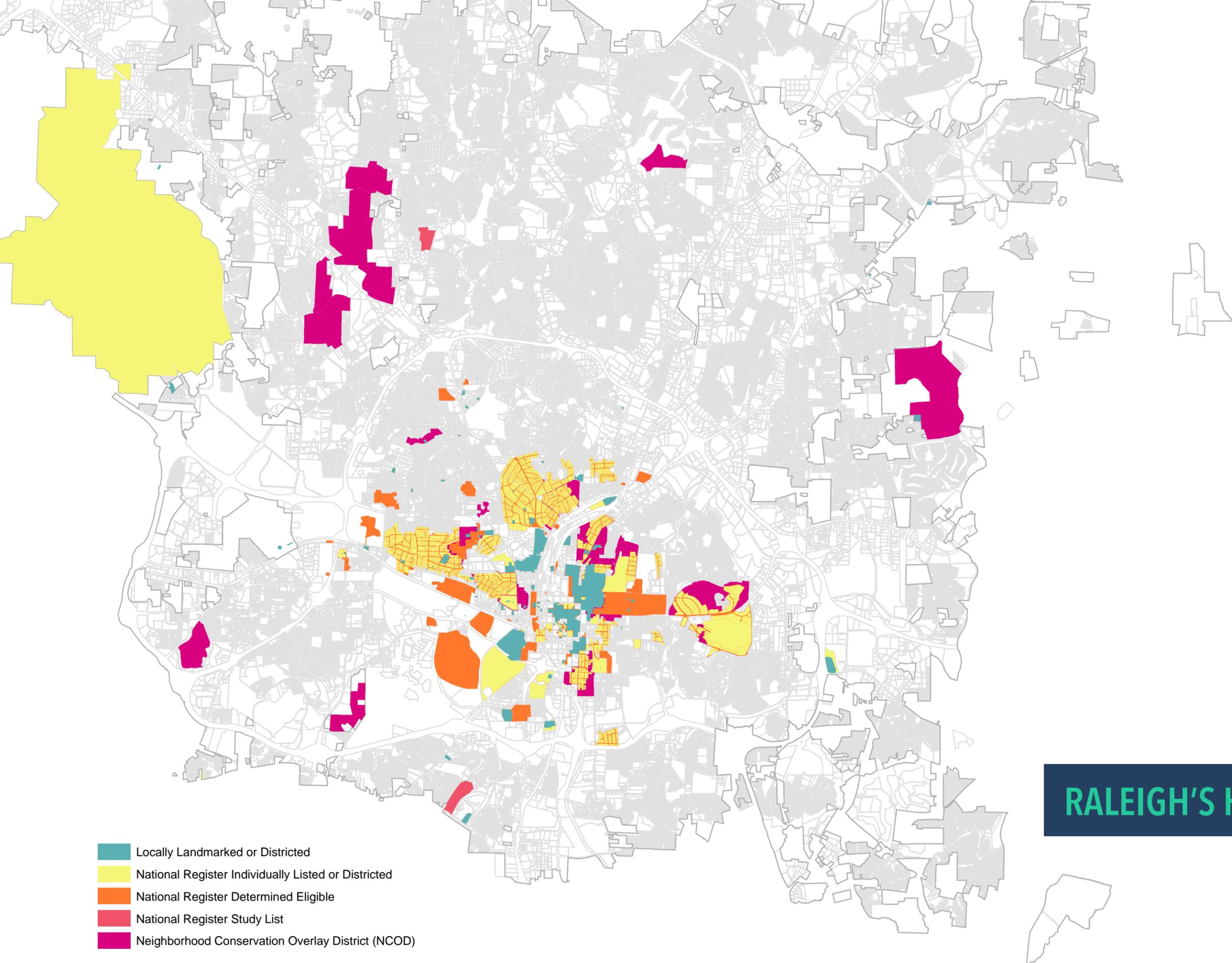
The team reviewed baseline data on Raleigh's real estate market as well as specific information on historic resources, then a brief market analysis was conducted with special focus on how historic resources fit into the Raleigh market. The historic resources that the team looked at included National Register Historic Districts (NRHD), Historic Overlay Districts (HOD-G or sometimes called "locally designated historic districts"), Neighborhood Conservation Overlay Districts (NCOD), and properties that have Raleigh Historic Landmark designation. The NRHD is an honorary designation that does

not provide for any protection of the resource from alteration or demolition. The HOD-G designation is enabled under North Carolina state law and does provide some protection from alteration and demolition, requiring a review by the Raleigh Historic Development Commission when such activity is planned. The NCOD is a zoning mechanism designed to allow neighborhoods to define their most important elements of character and to ensure that any new development in the designated neighborhood fits within that character.

Raleigh Historic Resource Designations

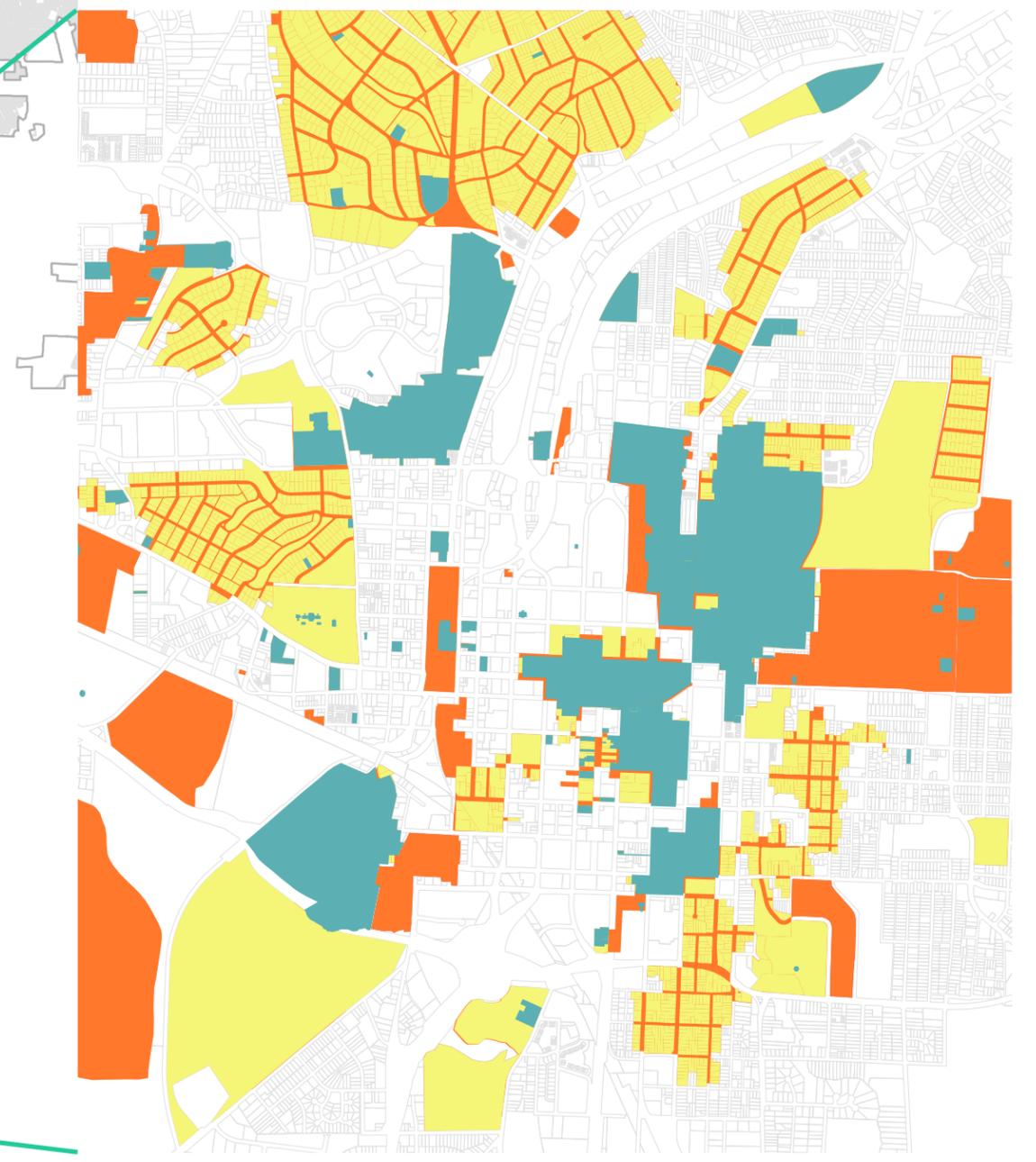
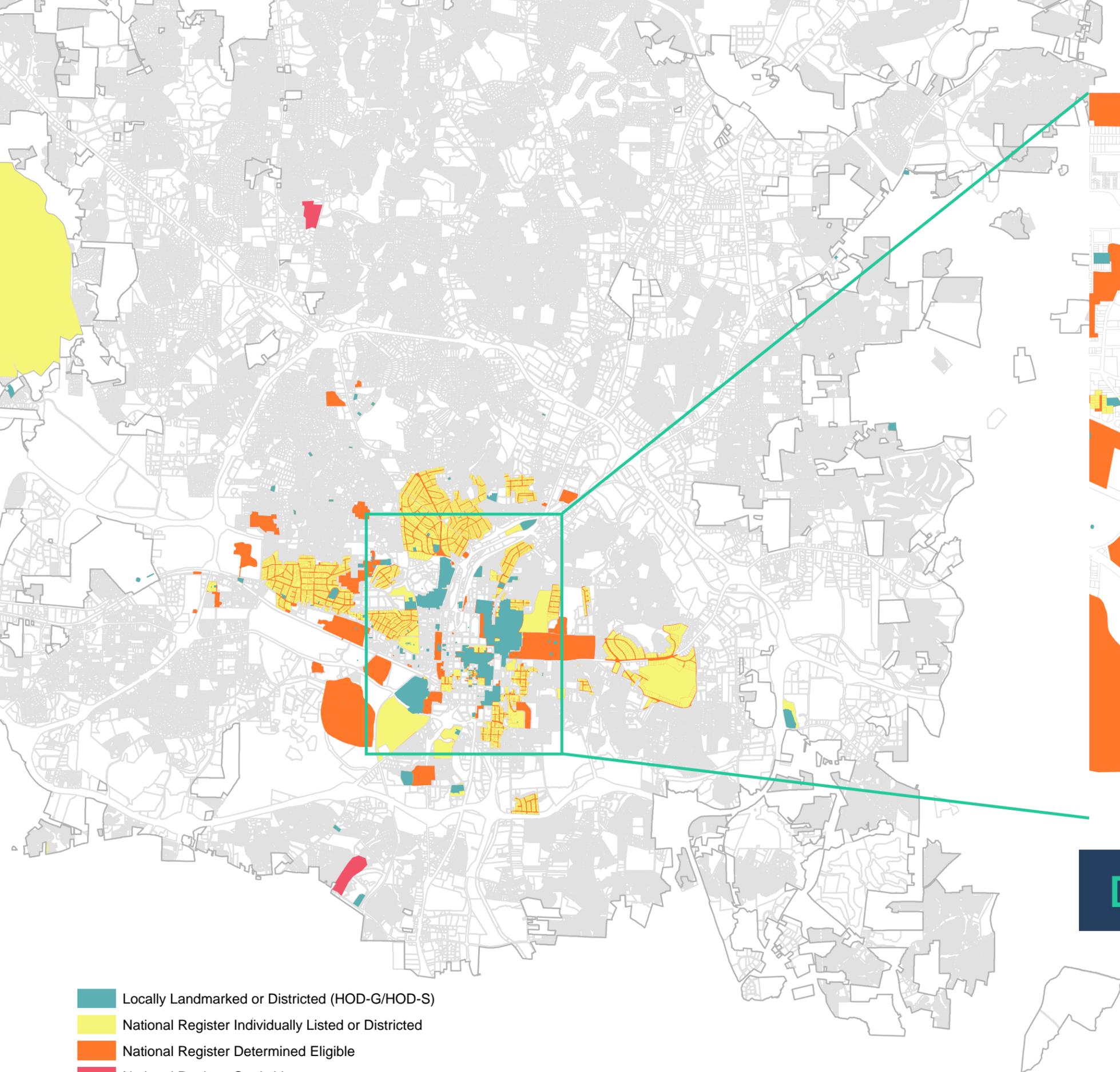
Type of Resource	Locally Designated Historic Overlay Districts (HOD-G) and Individual Landmarks	Locally Designated Streetside Historic Overlay Districts (HOD-S)	National Register Designated Historic Districts and Individual Buildings	National Register Determination of Eligibility (DOE)	National Register Study List ⁱ	Neighborhood Conservation Overlay Districts (NCOD)
Consideration	Special significance in terms of history or culture	Special significance in terms of history or culture	50 years old or older	50 years old or older	50 years old or older	Citizen petition for consideration
Process/Steps	Identified in an architectural resource survey	Identified in an architectural resource survey	Identified in an architectural resource survey	Identified in an architectural resource survey	Identified in an architectural resource survey	Analysis of lot size, setback, and building height
	Nominated to public listing	Nominated to public listing	Nominated to public listing	Eligible for public listing		Rezoned and text change to Unified Development Ordinance (UDO)
	Managed by staff/Quasi-judicial review; applies to all exterior changes	Managed by staff/Quasi-judicial review; applies to what can be seen from the street				Managed by staff

ⁱ The City of Raleigh has relied on the State of North Carolina architectural history surveying process to identify properties for inclusion in a designation listing. This traditional method of surveying in historic preservation prioritizes architectural features over other cultural values. As such, properties may be overlooked due to lack of architectural integrity (replacement windows, vinyl siding, etc.). Furthermore, there is not process for removal from the study list so properties placed on the study list may no longer exist.



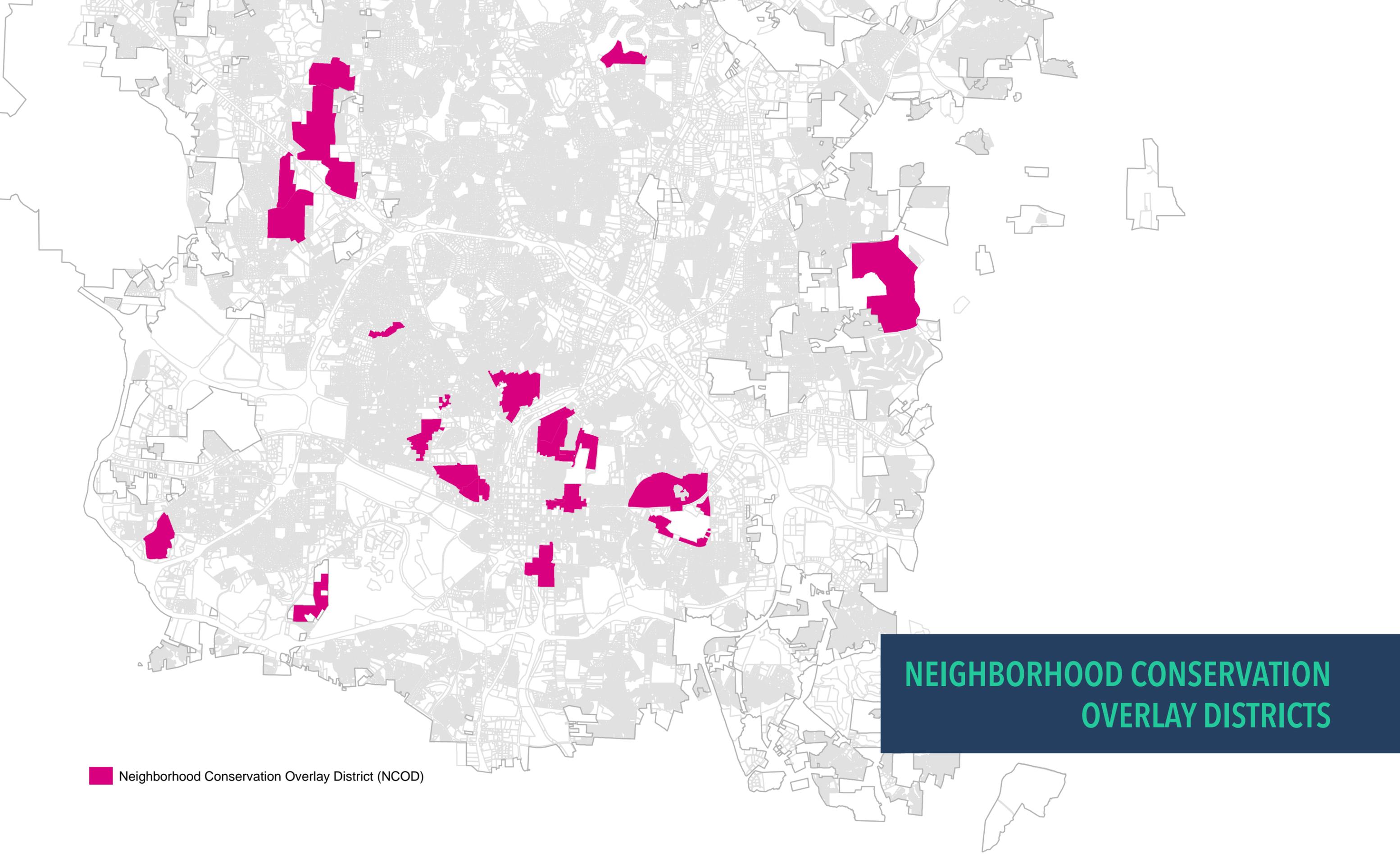
RALEIGH'S HISTORIC RESOURCES

- Locally Landmarked or Districted
- National Register Individually Listed or Districted
- National Register Determined Eligible
- National Register Study List
- Neighborhood Conservation Overlay District (NCOD)



DOWNTOWN RALEIGH

- Locally Landmarked or Districted (HOD-G/HOD-S)
- National Register Individually Listed or Districted
- National Register Determined Eligible
- National Register Study List



 Neighborhood Conservation Overlay District (NCOD)

NEIGHBORHOOD CONSERVATION OVERLAY DISTRICTS



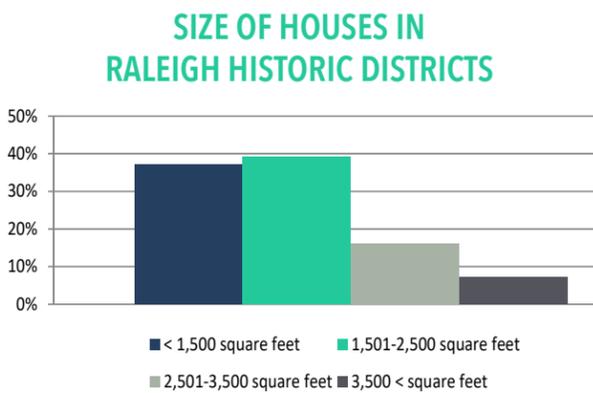
Oakwood Historic District

REAL ESTATE INVENTORY

The City of Raleigh contains 127,509 parcels with over 135,800 structures and 250,000 housing units.¹

Resources that are included in an Historic Overlay District or are designated Raleigh Historic Landmarks account for only 1% of parcels in the city, with just over 1,400 listed, covering 2% of the land area. Just over 6,000 properties (5%) are within a designated NRHD, with another 7,816 (6%) determined eligible for the National Register of Historic Places, and 1,658 on the North Carolina study list (the preliminary step for listing in the National Register of Historic Places). 4,819 (4%) properties are under a NCOD, an overlay zoning that makes some development standards more or less restrictive.

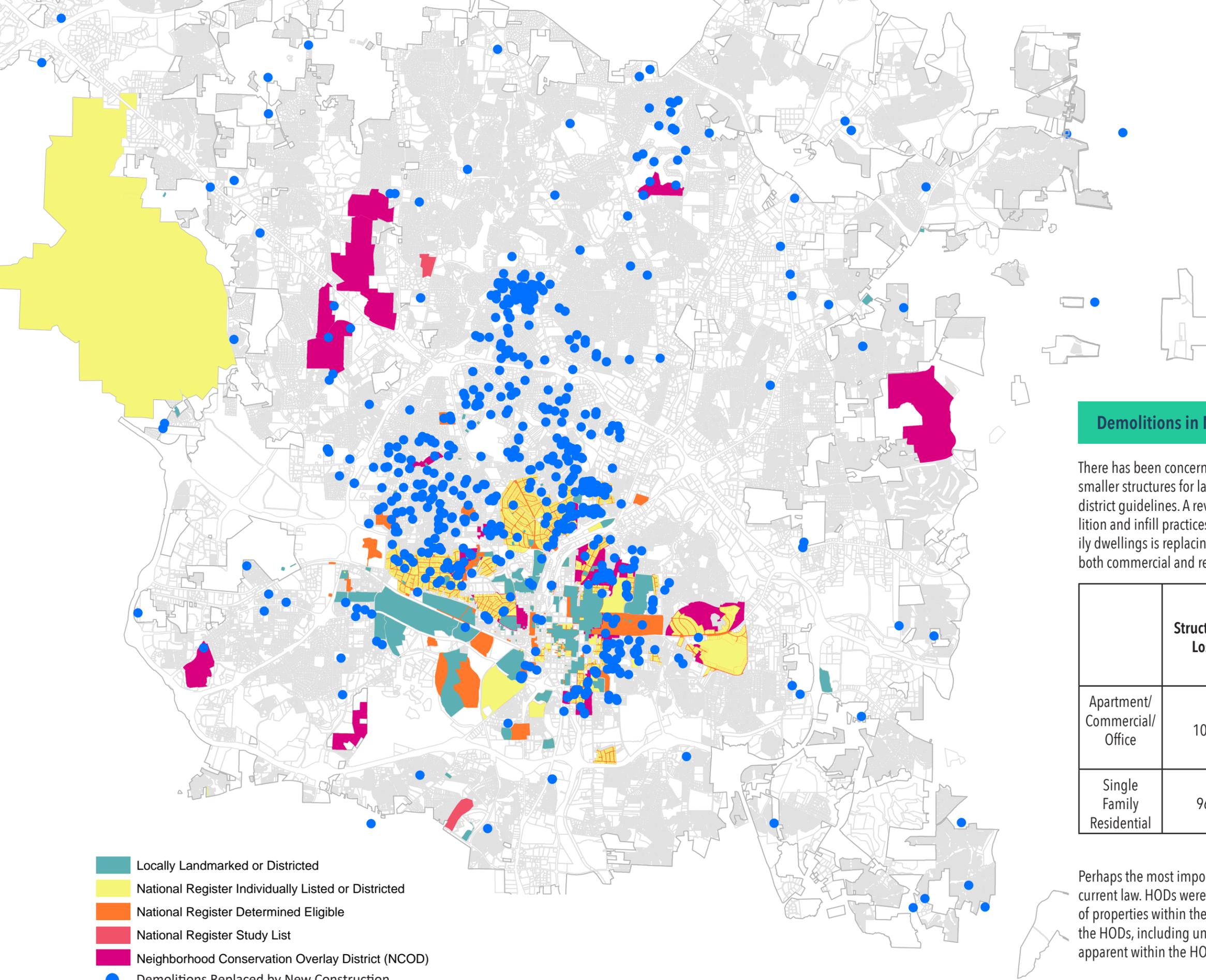
In Raleigh's designated local HODs and NRHDs, a wide range of housing sizes exists, with the majority smaller than 2,500 square feet.



¹ Source: City of Raleigh/Wake County parcel data

Composition of Raleigh's Built Environment

	CITY OF RALEIGH	LOCALLY DESIGNATED HISTORIC	NATIONAL REGISTER	NATIONAL REGISTER DETERMINED ELIGIBLE	NATIONAL REGISTER STUDY LIST	NEIGHBORHOOD CONSERVATION
Number of Parcels	127,509	1,465	6,051	7,816	1,658	4,819
% of City		1%	5%	6%	1%	4%
% of Assessed Value		4%	5%	8%	1%	3%
Land Area (Parcel Acres)	79373.58	1377.61	1370.35	3137.48	440.95	1914.32
Land Area % of City		2%	2%	4%	1%	2%
Assessed Value Per Acre	\$ 753,686	\$1,703,302	\$2,086,866	\$1,511,040	\$1,229,217	\$883,391.81
% Single Family	85%	61%	69%	73%	64%	82%



Demolitions in National Register Districts

There has been concern about the rate of growth in Raleigh and the demolition of existing smaller structures for larger infill new construction in areas not protected by local historic district guidelines. A review of City of Raleigh permits from 2013-2017 revealed that demolition and infill practices are occurring in NRHDs. In particular, the large infill of single-family dwellings is replacing significantly smaller, older homes. This phenomenon is affecting both commercial and residential historic resources.

	Structures Lost	Feet Demolished	Average size of structure demolished	Total Square Feet Built (infill)	Average Square Feet Built (infil)
Apartment/Commercial/Office	104	142,493	1,370	458,302	4,407
Single Family Residential	96		1,666		3,229

Perhaps the most important lesson from the demolition map is the effectiveness of the current law. HODs were created, in part, to prevent whenever possible, the demolition of properties within the district. While demolition has been taking place in areas around the HODs, including unprotected National Register Districts, virtually no demolition is apparent within the HODs.

Overall, 17% of Raleigh's properties are over 50 years old. While every 50-year-old structure doesn't merit being designated as "historic," that is the age when it is appropriate to ask, "Might this property be appropriate for historic designation on age and other grounds?"

Raleigh's local historically designated properties make up 4% of the assessed value of the city, with 44% more assessed value per acre than the city as a whole. Furthermore, Raleigh's local historic districts are mixed-use neighborhoods with only 61% zoned as single family residential.

In 2016, the National Trust for Historic Preservation's Preservation Green Labs completed an Atlas of ReUrbanism analysis for Raleigh. Their

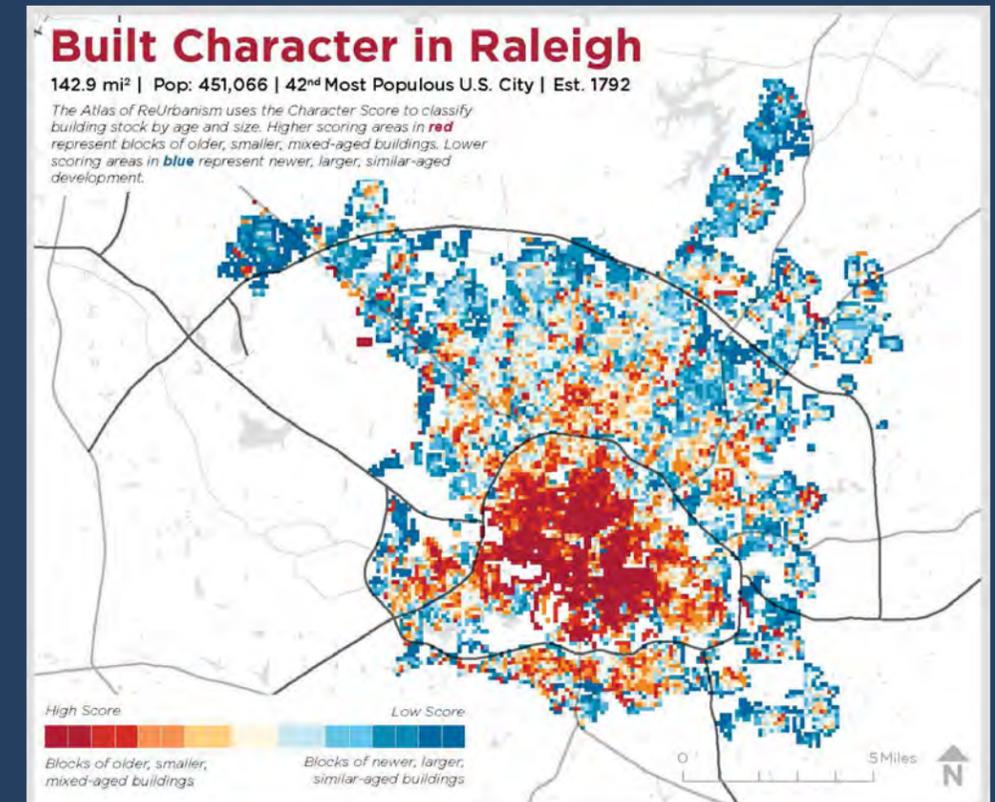
methodology relies on comparing blocks of large, new structures, to character-rich, blocks of older, smaller, mixed-age buildings. Their findings show these character-rich areas² in Raleigh contain 36% greater population density, 43% more jobs in small businesses, and 46% more women- and minority-owned businesses. In comparison with the 50 other cities involved in the Atlas of ReUrbanism, Raleigh falls behind in several categories of building and preservation statistics, including buildings per square mile and percentage of the city designated.

The character-rich areas identified by the Atlas of ReUrbanism align with the earlier map of historic resources in Raleigh.

Raleigh Compared to Other Cities

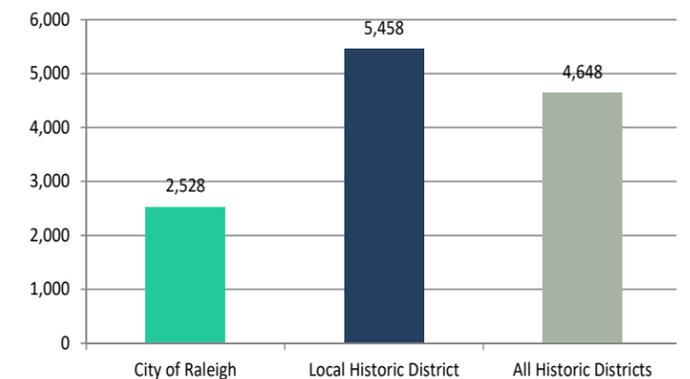
Parcels/Buildings	Raleigh	50-City Average
Total	126,253	204,038
Per Square Mile	870	1436
Median Year Built	1993	1952
On National Register of Historic Places	5.1%	6.5%
Locally Designated (Districts & Landmarks)	1.2%	4.3%
Historic Tax Credit Projects	49	27.5
Built Pre-1920	1.1%	15.7%
Built 1920-1945	4.1%	22.2%
Built 1945-1967	14.1%	27.9%
Built 1967-2017	80.7%	34.2%

² "Character-rich" blocks are those that are dense, socially diverse, walkable, have buildings with architectural character and usually in transit-connected neighborhoods.



The character-rich areas identified by the Atlas of ReUrbanism align with the earlier map of historic resources in Raleigh.

POPULATION DENSITY



From a population density standpoint, Raleigh's historic districts are the densest parts of the city. The number of people in Raleigh's local historic districts even top Downtown Raleigh, which reported 5,277 people per square mile in the 2017 annual report. Overall density in Raleigh is affected by the existence of nearly 6,000 acres of the Umstead State Park, which is entirely within the boundaries of the city.

MARKET ANALYSIS

The Raleigh area real estate market is one of the strongest in the country, with the central business districts of Raleigh and Durham doing particularly well. The residential market is booming, while the commercial sectors of retail, office, multifamily residential and industrial are all prosperous. Below is a recap of real estate market conditions based on second and third quarter data from Cushman and Wakefield and from CBRE.³

The strength of the Raleigh area market was summed up by Cushman & Wakefield this way: "Record setting absorption YTD shows no signs of slowing down. New transactions are driving up the pre-lease rate and contributing to continued confidence for landlords and developers."

But there are particular indicators for the strength of the downtown Raleigh office market:

- While downtown Raleigh represents only 8.3% of the total office space in the area, current construction activity is 13.4% of the total.
- Class A asking rents are higher than any other sub-market except Central Durham, and are 14% higher than West Raleigh; 16% higher than US 70/Glenwood; and 18% higher than Cary.
- Capitalization rates are a full percentage lower for downtown Raleigh than for office developments in the suburbs. **Based on current rates, that means that every \$1 in Net Operating Income from an office building in downtown Raleigh adds \$2.05 more to the value of the property than does an additional \$1 in Net Operating Income from a suburban office building.**

This enhanced value of downtown office buildings increases the need to find alternatives when property owners are asked (or required) to limit the intensity of development on their sites.

So that a general understanding can be made of the nature of investment in an office building in downtown Raleigh, the following pro forma example has been prepared. It is based on Raleigh-specific rents, vacancy levels, and operating costs, the latter from Raleigh data from the national Building Owners and Managers Association (BOMA) and their Expense Experience Reports (EER).

Raleigh Office Real Estate Market Conditions

OFFICE				
	Class A	Class B	Class C	All
Rentable Space (Raleigh Downtown)				4,467,186 s.f.
Rentable Space (Market Area)				53,896,245 s.f.
Under Construction (Raleigh Downtown)				220,354 s.f.
Under Construction (Market Area)				1,644,064 s.f.
Net Absorption (Market Area ½ half 2017)				700,677 s.f.
Net Absorption (Market CBD)				123,917 s.f.
Asking Rents (Downtown Raleigh)	\$28.43			
Asking Rents (Market CBD)	\$30.67			\$29.81
Asking Rents (Market Area)	\$24.83			\$22.69
Vacancy (Downtown Raleigh)	8.9%			14.7%
Vacancy (Market CBD)				3.3%
Vacancy (Market Area)				7.7%
Capitalization Rates (Downtown Raleigh)	6.0-6.5%	6.5-7.0%	7.0-8.0%	
Capitalization Rates (Suburban Raleigh)	7.0-7.5%	7.5-8.0%	8.0-9.5%	
Return Expectation on cost (D/T Raleigh)	7.0-8.0%	7.5-8.0%	8.75-10.0%	
Return Expectation on cost (Suburban)	8.0-8.5%	8.5-9.0%	9.5-10.0%	
Land Value (Downtown Raleigh)				\$90-\$125/s.f.

Example Pro Forma

Gross Scheduled Rent	\$25.00
Less: Vacancy	\$1.93
Plus: Pass-Throughs	\$0.61
Effective Gross Income	\$23.69
Less: Expenses	
Cleaning	\$2.10
Repairs	\$3.44
Utilities	\$3.04
Roads and Grounds	\$0.80
Security	\$0.32
Administrative	\$2.05
Real Estate Taxes	\$3.00
Building Insurance	\$0.35
Advertising & Promotion	\$0.09
Total Expenses	\$15.18
Net Operating Income	\$8.50
Capitalization Rate	6.50%
VALUE	\$130.81

³ Cushman & Wakefield and CBRE are two the largest real estate services in the United States providing reports and insight into market conditions.



Hillsborough Street Historic Commercial Node

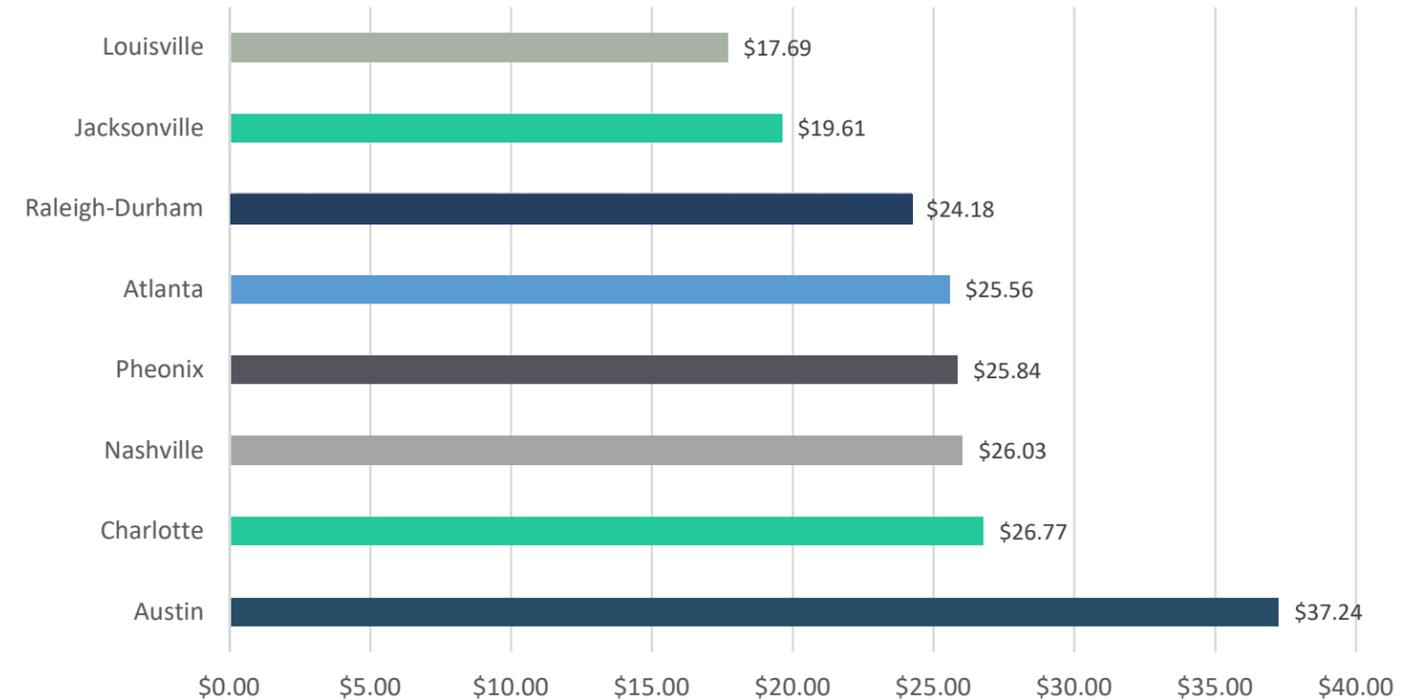
THE SIGNIFICANCE OF RENT

Rents have a significance in the marketplace beyond what the landlord collects or the tenant pays. Rents are an indicator of market conditions, including levels of vacancy, demand for space, and competitive supply for a given type of space. But, rents also directly affect the price of raw land, the quality of construction (either new or rehabilitated) that can be performed, the likelihood of whether additional projects will be proposed, and whether there are sufficient funds to provide adequate maintenance of a building. There is also a strong, if imperfect, relationship between rents and property value. All other things being equal, an increase in rent generally will be reflected in increased value.⁴ By extension, because property taxes are based on property values (ad valorem), an increase in rent can also result in an increase

⁴ Many factors can disrupt this relationship, however. A sudden increase or decrease in interest rates, for example, may change the value of a property even if rents are constant. Increases or decreases in expenses can have the same effect. Additionally, incentives provided for one project or one type of development may be reflected in the property's value but not in its rent levels.

The international real estate firm JLL publishes quarterly reports on the real estate market, including rent levels. The local reporting is on "Raleigh-Durham," and so reflects numbers from an area larger than the City of Raleigh. What can be seen, however, is that area rents are in line with cities either seen as similar to Raleigh or to those that are in the region. The asking rent number in this report for Raleigh-Durham -- \$24.18 per square foot -- is entirely consistent with the data in the tables above, which shows market area Class A office space at \$24.83. Important, however, is that the Downtown Raleigh rents are reported to be about 15% higher than rents in the overall market area.

ASKING RENTS (GROSS)⁵ \$/s.f./Year



What is the likely near-term outlook for rent levels? Here's what the JLL report states:

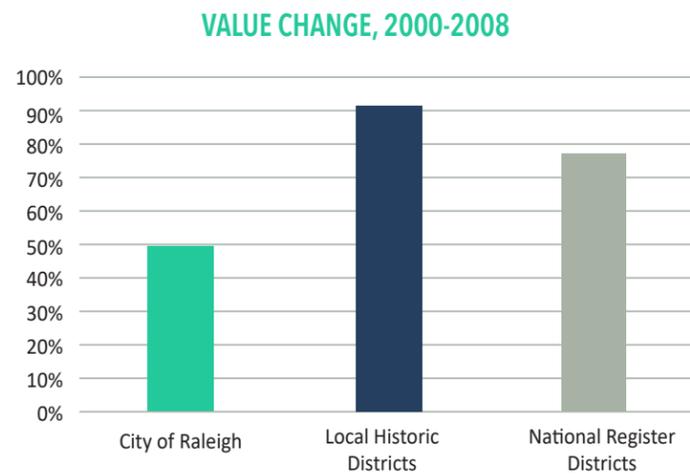
Over the next 12 months, expect average asking rents to continue to rise in both urban and suburban submarkets. Despite the slew of projects expected to deliver in 2018, we anticipate vacancy rates to remain stable thanks to high levels of preleasing.⁶

⁵ Data from JLL Research Report, United States, Q3, 2017

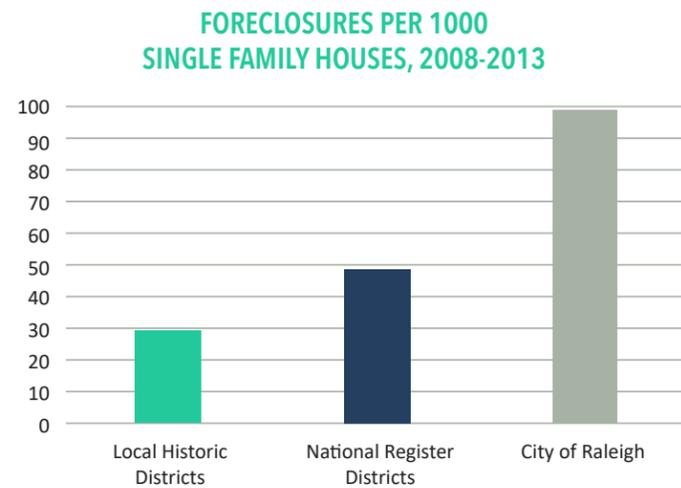
⁶ Ibid

The Raleigh residential market is booming to the point that affordability is coming a major issue. The number of home sales, according to Boxwood Means, topped 2006 levels in 2015, up from their lowest point in 2012. Home sale prices have risen steadily in the last twenty years, reaching an average of \$224,200, according to Zillow.com in 2017, with another 3.5% growth rate forecasted for the next year. Both the average home sale price and growth rate outpace the national average at \$202,700 and 3.1% respectively. Recent local news stories have noted that since 2010, the City of Raleigh has approved 279 subdivisions. Those developments represent 4,438 new homes.

A 2014 study of Raleigh's residential historic districts property value change showed HOD-Gs and NRHDs outperform the rest of the city.



Furthermore, foreclosure rates were lower in HOD-G and NRHDs than non-designated single-family residential areas.



A review of building permits shows Raleigh demolished over 4.8 million square feet of buildings since 2013, but added over 43.9 million square feet in new buildings. Over 112,000 of that new square footage of that occurred in locally designated historic districts, with 46 new building permits since 2012.

The multifamily residential side appears strong as well. Again, the data below comes from 2nd and 3rd quarter reports from CBRE and Cushman and Wakefield about the Raleigh market.

While less detailed information is available on the retail market, indications are that national chain retailers and fast food operations are signing leases in the 15 to 20-year range, and those categories of properties are seeing capitalization rates of between 5.0 and 6.5%

In summary, the regional market is very strong in all categories of development, downtown Raleigh and multifamily properties located in more urban areas hold a slight competitive advantage over their more suburban counterparts, and residential historic districts outperform the rest of the city.

Raleigh Multifamily Real Estate Market Conditions

MULTIFAMILY				
	Class A	Class B	Class C	All
Total Inventory				66,850
Vacancy Rate				4.9%
Year to Date (3Q) absorption				3,401 units
Under Construction				1,863 units
Average Rent per Unit	\$1,235	\$979	\$851	\$1,075
Average Rent per Square Foot	\$1.11	\$1.05	\$1.02	\$1.11
Capitalization Rates (Infill)	4.25-5.0%	5.25-5.75%	5.75-6.25%	
Capitalization Rates (Suburban)	4.75%-5.5%	5.25-5.75%	5.75-6.25%	
Return Expectation on Cost (Infill)	5.25-5.75%	6.0-6.5%	6.25-6.5%	
Return Expectation on Cost (Suburban)	5.5-6.0%	5.5-6.0%	6.25-6.755	
Land Value (Downtown Raleigh)				\$90-\$125/s.f.

STAKEHOLDER OUTREACH

The PlaceEconomics team held stakeholder interviews on September 14 and 15, and again on November 7 and 8. Working with City of Raleigh Project Manager John Anagnost, a representative cross section of stakeholders were identified from the preservation community, residents of historic districts, the development community, owners of historic resources, and tenants of historic resources. The team also interviewed Urban Design Center staff and other Development Services staff. Thirty-three people were interviewed (see Appendix for a list). In addition, surveys were sent to over a dozen real estate professionals to get information about local market conditions. A copy of the survey may be found in the Appendix.

While there were numerous comments and ideas offered (see Appendix for a complete set of comments), there were a few major points that emerged:

- There is a sense that Raleigh has more sticks (rules, regulations) than carrots (incentives).
- Designated historic properties should be given preferential treatment such as an expedited or streamlined process, and/or relief from site plan review. In other words, for projects involving designated historic properties, make the approval process as easy as possible.
- Administrative alternates are needed for projects involving designated historic properties.
- Locally designated historic districts tend to be protected, but National Register Historic Districts are experiencing tear downs and demolitions as they have no protections and this is a threat to the ability to create future locally designated historic districts.
- The city should create incentives to help people remain in their historic homes.
- The city needs an ombudsman or project advocate to work with all staff on understanding the values that designated historic properties represent, and to help developers of designated historic properties through the development process.



Hillsborough Street Historic Commercial Node

POLICY REVIEW AND TOOL FRAMEWORK

PlaceEconomics has reviewed policies, regulations, and statutes that may affect the implementation of projects identified later in this report. Included in this review were the 2030 Comprehensive Plan, the Unified Development Ordinance, other City of Raleigh planning documents, and state enabling legislation (see appendix 1 for full review).

Perhaps the most concise reflection of the City's policy priorities is found in the six "vision themes" found in the 2030 Comprehensive Plan. These themes were adopted to serve as goals for the City's future. Directly or indirectly all six themes relate to the purposes for which this report was commissioned:

- Economic prosperity and equity
- Expanding housing choices
- Managing growth
- Coordinating land use and transportation
- Greenprint Raleigh – sustainable development
- Growing successful neighborhoods and communities

While "Coordinating land use and transportation" may seem the least related, a 2014 report by PlaceEconomics for the RHDC found that historic districts are dense, walkable, and align with the City's goals in this area.⁷

⁷ "Designing a 21st-Century City: Historic Preservation and the Raleigh of Tomorrow, PlaceEconomics, 2014, for the Raleigh Historic Development Commission.

Additionally, the Request for Proposals (RFP) for this study further spelled out applicable goals of the city stating in part,

"Raleigh is a 21st Century City of Innovation focusing on environmental, cultural, and economic sustainability. The City conserves and protects our environmental resources through best practice and cutting edge conservation and stewardship, land use, infrastructure and building technologies. Growth and diversity are promoted through policies and programs that will protect and enhance Raleigh's existing neighborhoods, natural amenities, history, and cultural and human resources for future generations.

CURRENT POWERS OF THE RALEIGH HISTORIC DEVELOPMENT COMMISSION

The commitment of the City of Raleigh to historic preservation is already codified within the Unified Development Ordinance Section 10.1.4.B. Many of these potential powers are, however, not currently being utilized. The authorities are grouped under: Administrative, Planning, Design Review/Protection, and Economic Development/Real Estate. The numbers below represent the paragraphs in Section 10.1.4.B. Those currently unused or underused are listed in the opposite table.

Before new tools and incentives are proposed, it may make sense to consider activating authorities already granted the Raleigh Historic Development Commission (RHDC). Each of the above current authorities are also included in the list of potential tools later in this report.

Underutilized Powers of the RHDC

Design/Review and Protection	12 - Take steps, during the period of postponement of demolition of any Historic Landmark or property within a Historic Overlay District, to ascertain what the City Council can or may do to preserve such property, including consultation with private civic groups, interested private citizens and other public boards or agencies and including investigation of potential acquisition by the City Council when the preservation of a given historic property is clearly in the interest of the general welfare of the community and such property is of certain historic and architectural significance.
Economic Development/Real Estate	4 - Restore, preserve and operate historic properties.
	10 - Acquire by any lawful means the fee or any lesser included property interest, including options to purchase, to properties within any established Historic Overlay District or to any properties designated as Historic Landmarks, to hold, manage, preserve, restore and improve the same and to exchange or dispose of the property by public or private sale, lease or otherwise, subject to covenants or other legally binding restrictions that will secure appropriate rights of public access and promote the preservation of the property. All lands, buildings or structures acquired by the Historic Development Commission from funds other than those appropriated by the City Council may be acquired and held in the name of the Historic Development Commission, the City or both.
	11 - Recommend to the City Council acquisition of the fee or any lesser included property interest (including public access), preservation easements and other covenants of historic property. The City Council may make appropriations and own such property under the following conditions: <ul style="list-style-type: none"> a. Acquisition. Within the limits of its jurisdiction for planning and regulation of development the City Council may acquire properties within Historic Overlay Districts and/or properties designated as Historic Landmarks. In the event the property is acquired but is not used for some other governmental purpose, it shall be deemed to be "museum" under the provisions of General Statutes notwithstanding the fact that the property may be or remain in private use, so long as the property is made reasonably accessible to and open for visitation by the general public; b. Ownership. All lands, buildings, structures, sites, areas or objects acquired by funds appropriated by the City Council shall be acquired in the name of the City unless otherwise provided by the City Council. So long as owned by the City, historic properties may be maintained by or under the supervision and control of the City; and c. Negotiate at any time with the owner of a building, structure, site, area or object for its acquisition or its preservation, when such action is reasonably necessary or appropriate.
	18 - Accept funds to be used for preservation purposes that are granted to the Historic Development Commission by private individuals, organizations and local governing bodies. (Could also be placed under Administrative category.)



The 1941 Royal Baking Company, Hillsborough Street

SUMMARY

The adopted priority assigned by the City to historic preservation notwithstanding, there is occasionally a disconnect between the goals of the City and the implementation. Three examples suffice to illustrate that inconsistency:

- While Raleigh is recognized as a leader in historic preservation, the current City practices don't utilize all the powers of the preservation commission. For instance, by only surveying through the National Register process, properties are often missed that are significant for reasons other than architectural character. The design review process is demonstrably effective, but is not structured to respond to properties with significant intangible histories.
- Sustainability is identified as a high priority throughout the City's plans, yet there is little interface between the Office of Sustainability and preservation.
- Raleigh has an extremely robust UDO with resources provided through the Urban Design Center. However, the intensity of the ordinance is sometimes perceived as creating an environment that is over-regulatory. The ordinance lacks relief valves, especially in the context of older and historic neighborhoods. Site plan review policies and fee structures seem to incentivize larger new projects. Additionally, UDO infill regulations have not prevented larger houses from being built in historic neighborhoods that have older, smaller housing types.

NATIONAL AND INTERNATIONAL BEST PRACTICES

PlaceEconomics has reviewed a variety of incentives to encourage the investment of private resources into heritage buildings from across the United States and internationally. The RFP for this report specified that the consultants “Identify a minimum of five (5) broad categories of tools to be studied and evaluated.”

The PlaceEconomics tool framework approaches the collection, evaluation, and recommendation of potential tools in the context of the UNESCO protocol, Historic Urban Landscape (HUL). Key to understanding the HUL is to consider planning for the natural landscape. That planning can never be about stasis – grass grows, leaves fall from shrubbery, rainfall varies, trees increase in size and then at some point, die. The HUL recognizes that cities, too, are never in stasis...they grow, sometimes shrink, and change and evolve in multiple ways. So, the management of the historic fabric within a city is not successful if approached from a “freeze in place” standpoint, but rather through first the identification of the heritage and then the appropriate management, protection, and enhancement of that fabric. The approach is described as follows:

“UNESCO’s approach to managing historic urban landscapes is holistic by integrating the goals of urban heritage conservation and those of social and economic development. This method sees urban heritage as a social, cultural and economic asset for the development of cities.”

and

“The Historic Urban Landscape approach moves beyond the preservation of the physical environment and focuses on the entire human environment with all of its tangible and intangible qualities. It seeks to increase the sustainability of planning and design interventions by taking into account the existing built environment, intangible heritage, cultural diversity, socio-economic and environmental factors along with local community values.”

In the HUL framework, tools for heritage conservation fall into four categories: Financial, Regulatory, Knowledge and Planning, and Public Engagement. These four are largely consistent with the categories identified in the RFP, which were: Financial Tools and Incentives, Land Use Policies, Development Regulations and Regulatory Incentives, and Organizational Structures. In addition, we have added a category called “Direct Action” for tools that do not easily fit within the HUL framework.

It is also useful to consider the various ways that any given tool can affect a project. Based on the research, it has been found that incentives for historic buildings can be developed to assist a project in eight ways:

- Reduce the capital costs
- Reduce the cash required
- Increase the income
- Reduce the expenses
- Improve the financing
- Reduce the risk
- Improve the investment environment
- Improve the information environment

Based on this review, 26 potential tools have been identified and are briefly discussed below. It is anticipated that these will be considered by Raleigh city staff and City Council, and that four or five of them will be identified for somewhat deeper analysis. Four of these tools were included in the internal document, Innovative Tools for Preserving Historic Structures while Enabling Equitable Development Potential in the Downtown Core, prepared by John Anagnost of the Raleigh Planning Department. The language in that document, which summarized each tool, is included below.

INCENTIVES, STRATEGIES, AND TOOLS TO CONSIDER

The potential incentives, tools, and strategies included below are very briefly described and, when possible, cities in the United States or elsewhere are identified if they are using a particular tool. The RFP for this analysis asked that any proposed tools be identified as either Tier 1, meaning that there is currently statutory authority in North Carolina for that tool to be adopted, and Tier 2, meaning that a change in state enabling legislation would be required before a local ordinance could be passed implementing the tool. In addition to the Tier 1/ Tier 2 status, each tool is further categorized by what the tool does, and whether it is applicable to downtown, commercial districts, and/or residential neighborhoods.

In the section entitled “Technical Analysis” each of the potential tools are ranked as to: Cost to the City; Effectiveness; Complexity; and, Likely Acceptance by Stakeholder Groups.

FINANCIAL TOOLS

PRESERVATION EASEMENTS

IRS Code Section 170(h) and Department of the Treasury Regulation Section 1.170A-14 provide for income and estate tax deductions in historic property—often easements, but can also be the donation of a qualified historic property in order to preserve a historically important land area or certified historic structure. This can be used in conjunction with a city grant program, where post-restoration, the property is put under an easement. Recent innovations in monetizing the easement donations through a private investment firm have been seen in Columbia, South Carolina, Cleveland, Ohio, New Orleans, and elsewhere.

United States examples include: Seattle, Baltimore, San Francisco, Portland, Denver, Nashville, and Tucson.

Tier: 1

Impact: Increase income, improve investment environment

Area: Downtown

LONG TERM RESIDENT EXTENSION

An extension of property tax exemptions for long-term homeowner occupied properties in historic districts.

United States examples include: San Antonio

Tier: 2

Impact: Reduce expenses

Area: Residential neighborhoods

BUILDING REHABILITATION AND MODERNIZATION GRANT/INTERIOR SYSTEMS GRANT

Addresses modernization of the interior shell of downtown buildings. This can include upgrades to plumbing, HVAC, electricity, fiber optics, and energy

efficiency improvements. Can be funded with Community Development Block Grant (CDBG) or Municipal Service District (MSD) funds.

United States examples include: Burlington, NC, Mesa, AZ

In Denmark, owners of listed properties are entitled to grants compensating them for maintenance and repair expenses beyond the “normal” costs associated with non-listed buildings. A building’s rate of “decay per year” is used to calculate the value of its grant, ranging from 20-50% of the repair costs. The Danish government also offers special subsidies for the conservation of churches.

Tier: 1

Impact: Reduce capital costs

Area: Downtown

SALES TAX FOR HISTORIC PRESERVATION

A small (0.125 percent) historic preservation sales tax to generate funds to be used for projects inside designated boundaries.

United States examples include: Louisville, CO

Tier: 2

Impact: Reduce capital costs, reduce risk

Area: All

LOANS FOR RETROFITTING HISTORIC BUILDINGS

A low-interest loan for retrofitting historic buildings for energy efficiency, Americans with Disabilities Act (ADA) compliance, and code compliance. Work may need to be identified by a certified energy auditor.

US examples include: Lowell, MA; Iowa City, IA

Tier: 1

Impact: Improve financing

Area: All

REGULATORY TOOLS

TRANSFERABLE DEVELOPMENT RIGHTS

The use of Transferable Development Rights (TDRs) has long been touted as a potentially effective strategy to preserve historic resources.

Land ownership is commonly described as a bundle of separate rights: the right to occupy, the right to lease, the right to sell. Among those is the right to develop, or the right to build a structure on a parcel of land to the extent permitted by zoning and other land use limitations. These various right, however, can sometimes be separated and possessed by different owners. For example, one may own a parcel under which there are extractable resources. The owner of that parcel might sell to another the “mineral rights,” thereby transferring to that person the “ownership” of those minerals while maintaining the use of the surface land and all of the other rights that remain in the “bundle of rights.” Likewise, an owner might transfer—for a limited time or permanently—the “air rights” over all or part of a property to a utility company in order for power lines to be constructed.

Building on this understanding of “bundle of rights,” the concept of TDRs was established. The basic idea was this: the owner of a property had, under local land-use law, the right to develop a property to a given level (as measured by height, floor area ratio, density of units, or some other measure). To the extent not all of that “development right” was being utilized, it could be transferred elsewhere. For example, a lot that was zoned for a ten-story building, but only had a four story building in place, would have unused development rights of six stories. With a TDR ordinance, those rights could be sold and transferred to another site.

In most TDR ordinances, there is a “sending zone,” the designated area from which unused development right can be transferred, and a “receiving

zone,” the areas in which those acquired additional development rights can be used.

Cities and counties institute TDR programs to encourage the voluntary transfer of density and growth away from areas of natural or cultural significance. There are over 250 TDR programs in the nation that employ a wide range of transfer mechanisms for the protection of open space, groundwater, farmland, and historic landmarks. Of the 250+ TDR programs in the country, 23 have been identified as specifically designed for the protection of historic buildings. These programs were more intensively evaluated for this study (see appendix).

Based on this analysis, very few of the existing historic preservation oriented TDR programs work effectively. Those that do seem to have common characteristics include:

- A strong real estate market with significant development pressures.
- “Receiving zones” that are not limited to properties abutting the sending property.
- Existing zoning that creates a supply of space that is less than demand, thereby creating a market for additional development rights.

Conversely, the vast majority of programs that have not been particularly successful are usually characterized by one or more of the following:

- Ample amounts of “by-right” development capacity.
- Other incentive programs easier, faster, and/or cheaper to use reducing the value (and subsequent use) of the TDR program.
- Low market demand.
- Lack of understanding in the market place.

Programs in dense metropolises like Los Angeles and New York experience success because market demand is extremely high. Yet, where the New

York program is sometimes hindered by a special permitting process and limited transfer areas, the Los Angeles program benefits from a policy that imposes a baseline density that developers can only exceed through TDRs. Often in cities where the TDR program is ineffective, there are competing policies or programs that make TDRs unnecessary to achieve desired density, such as other bonus height programs or high zoning allowances. This is the case in Nashville, Atlanta, and Dallas. In cities like New Orleans, where there is little market demand for added density, the TDR program goes unused.

Tier: 2
Impact: Increase income, improve investment environment
Area: Downtown

HEIGHT BONUS

A height bonus adds height to the zoning in return for a preservation easement on a historic structure. Height bonuses offer a self-contained, easily codified means of transferring development capacity away from historic structures. A bonus program does not require the application of a special or overlay zoning district. It can be enforced during site plan review. It also withholds development rights unless preservation is achieved, eliminating the incentive for demolition that may accompany other tools. One drawback in the context of the UDO is the difficulty of calculating the bonus in the absence of a floor area ration (FAR) zoning scheme. [Adapted from Innovative Tools for Preserving Historic Structures while Enabling Equitable Development Potential in the Downtown Core]

Tier: 1
Impact: Increase income, improve investment environment
Area: Downtown

DISTINCT HISTORIC GUIDELINES

The City's current regulation of HODs relies on one set of general-purpose design guidelines. A separate set of guidelines could be drafted that is customized for the downtown core, such as the Fayetteville Street National Register District. This would require additional effort from staff and more expertise from the design review body. It may also entail the creation of a new review body solely for the new guidelines. It may inspire residents of other HODs to request custom guidelines as well. [Adapted from Innovative Tools for Preserving Historic Structures while Enabling Equitable Development Potential in the Downtown Core]

Tier: 1
Impact: Improve information environment
Area: Downtown

NON-CONTIGUOUS HISTORIC OVERLAY DISTRICT

A non-contiguous HOD is a HOD where the regulated parcels are not necessarily adjacent to one another. It would accomplish legal protections similar to local landmark status, but in a more expedient manner. This unorthodox approach has never been implemented in North Carolina and, for that reason, is legally untested. It has been successfully applied in Denver, Colorado. A non-contiguous HOD would only regulate some parcels in the district, leaving the overall character subject to more drastic change than a traditional HOD. [Adapted from Innovative Tools for Preserving Historic Structures while Enabling Equitable Development Potential in the Downtown Core]

Tier: 1
Impact: Improve information environment
Area: Downtown, commercial districts

CONDITIONAL USE PERMITS

It is not uncommon that the use in a historic building is different than the use for which the property is currently zoned. While most properties may continue the existing use under a grandfather clause, commonly, that special exception may end when: 1) a certain length of time passes; 2) major improvements are made to the buildings; and/or 3) there is a change in ownership. This conflict between current use and permitted use under the zoning code often has the unintended consequence of discouraging necessary investment, reducing the value in the marketplace, discouraging lenders from taking the property as security for a loan.

United States examples include: Portland and Boston
In Seoul, South Korea, the Hanok preservation district allows incentive packages including conditional use permits, tax breaks, and repair subsidies for owners to ensure the important architecture survives.

Tier: 1
Impact: Improve investment environment
Area: Downtown, commercial districts

HISTORIC DISTRICTS AS AFFORDABLE HOUSING OVERLAYS

Overlays may provide a package of incentives to property owners with a "carrot not sticks" approach for those who opt to provide affordable housing, but does not penalize those who do not. These incentives include expedited review, fee waivers, density bonuses, reduction in parking requirements, etc. Different zones may be designated to encourage appropriate and respectful development.

United States examples include: Tiburon, CA; Alexandria, VA; Simsbury, CT
In Canada, the Provincial Residential Rental Building Program (PRILL) provides grants for the reno-

vation of historic buildings into housing in specific urban areas.

Tier: 1
Impact: Reduce cash required
Area: Residential neighborhoods

STREAMLINE REHABILITATION PROJECTS

There is a common-sense principle regarding regulations that says, "Make doing the right thing easy and doing the wrong thing hard." If encouraging historic preservation is "doing this right thing," then doing it should be made as un-burdensome as possible. This could include a rehabilitation-specific window at the permit office and fast-tracking rehabilitation permits once the project has been approved by the historic preservation commission. This might also mean regulatory relief through an alternative review process like the plot plan, administrative alternates for individual standards, or an appointed board similar to design adjustments at the Appearance Commission.

United States examples include: Rapid City, SD
Tier: 1
Impact: Improve investment environment
Area: All

COMMUNITY-BASED SURVEY

These proactively identify and document historically significant resources using a variety of surveying techniques: crowd sourcing, photo-documentation, architectural history surveys, volunteer participation, and paid professional surveyors. They then highlight and celebrate the heritage uncovered through this program.
United States examples include: San Antonio, Los Angeles, and Denver

Tier: 1
Impact: Improve information environment
Area: Residential neighborhoods, commercial districts

NEIGHBORHOOD MATCHING GRANTS

Matching-grant programs for neighborhood-based organizations can be used to improve quality of life in communities. These grants could be used for preservation surveys, maintenance expenditures for publicly owned heritage resources, small need-based grants to homeowners, stabilization of deteriorating properties, etc.

United States examples include: Seattle and Boston
Tier: 1 or 2, depending on design
Impact: Reduce case required improve investment environment
Area: Residential neighborhoods

PUBLIC AWARENESS CAMPAIGN ON WHY HISTORIC PRESERVATION = RESILIENCY

This campaign could be accomplished through a series of planned events, poster campaigns, websites, documentaries, and newspaper articles. This would include a public input component, where citizens could give ideas or suggestions of how to incorporate heritage assets into a comprehensive resiliency strategy.

In Hong Kong, a 2007 campaign for heritage conservation produced a series of online websites, guided tours, roving exhibitions, and public activities. This effort was part of a larger, holistic planning initiative to identify and celebrate the heritage assets that add value to Hong Kong.

Tier: 1
Impact: Improve information environment
Area: All

INTERVENTION DURING DEMOLITION WAITING PERIOD

Under current RHDC regulations, the proposed demolition of a historic building may be delayed up to 365 days. But this “waiting period” does not need to be a passive one. During the delay, the RHDC staff, commission members, and other city officials could actively contact private civic groups, interested private citizens, and other public entities to investigate the acquisition of the property as an alternative to demolition.

Tier: 1 or 2, depending on design
Impact: Increase capital costs (i.e. disincentive for new development). Positive impacts subject to how impact funds were used.
Area: Cost – Potentially All

MITIGATION FEES

Mitigation fees differ from impact fees in their focus on the environment. These funds reimburse the community for the negative impact that a development may have on the environment or character of the community. Under the National Historic Preservation Act, if federal monies are being spent that have an adverse impact on historic properties, paying a mitigation fee is often the solution.

Tier: 2
Impact: Increase capital costs (i.e. disincentive for new development). Positive impacts subject to how mitigation funds were used.
Area: Cost – All; Benefits – Potentially all

PRESERVATION FUND WITHIN RHDC

Many public bodies establish separate funds for the advancement of policy goals using monies that are not, or not exclusively, provided by annual appropriations. Usually, these funds are funneled through a non-profit organization, usually a 501 (c) 3 entity, so that donations can be tax deductible. These funds frequently have more flexibility than strictly public funds and are less subject to the volatility of annual appropriations. In the case of a fund within the RHDC, monies could be used for educational activities, small grants, acquisition of properties, publication, conferences, or other uses for which the annual budget does not allow. Properly structured, this entity could raise funds from donations of corporations and individuals, grants from institutions and other levels of government, and other sources.

Tier: 1 **RHDC already has this authority.**
Impact: Potentially all, depending on decisions on use of funds.
Area: All

DEMONSTRATE BUILDING REUSE AS A SUSTAINABLE DEVELOPMENT STRATEGY

Heritage building demonstration projects frequently serve a number of purposes: 1) to educate the public in general, and real estate owners in particular, about the appropriate way to rehabilitate heritage buildings; 2) to serve as an on-the-job training opportunity for craftsman in the construction trades; 3) to understand costs of a heritage building rehabilitation project and investigate possible cost saving techniques; and 4) to put a heritage building into productive use for the government directly, or for other institutions providing a public benefit.

In Serbia, the Republic Institute for Heritage Protection provided partial funding for the restoration of “Suvača,” a historic horse-powered grain mill in the city of Kikinda. This project was used as an opportunity to re-learn the skills that were used to build the structure originally. However, it was also a demonstration of how to use a historic resource and a means of local economic development. The Kikinda region is known for its culinary skills and products. What was originally a food-related public asset (grain grinding) is now serving as a periodic venue for the teaching, presentation, and exhibition of those skills and products.

The National Trust for Historic Preservation, the Urban Land Institute, and the City of Baltimore are proposing demonstration projects in Baltimore, MD.

Tier: 1
Impact: Improve information environment
Area: All

ACQUISITION OF HOD PROPERTY BY RHDC AND ACQUISITION OF PROPERTY BY THE CITY OF RALEIGH

The RHDC has used this authority in a limited fashion in the past. The public acquisition of a historic property can be the most effective of all tools in saving heritage buildings. It is a tool, however, that can carry substantial economic, managerial, and political risks. See Pros, Cons, and Principles of Direct Acquisition.

Tier: 1, **RHDC already has this authority.** Impact: Potentially all, depending on decisions on use of funds.
Area: All

FEDERAL TRANSPORTATION ENHANCEMENT FUNDS

Since the passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1992; its successor legislation, the Transportation Efficiency Act for the 21st Century (TEA-21); and the Fixing America’s Surface Transportation Act (FAST), Congress has provided funding for “enhancement” projects related to transportation. In the most recent legislation, those funds come through the Surface Transportation Block Grant Program (STBG), and historic preservation activities are eligible for funding through the enhancement program along with bicycle, pedestrian, conservation, and other public efforts that enhance local quality of life. United States examples include: Seattle, Baltimore, and Portland

Tier: 1
Impact: Reduce cash required, others depending on use of program
Area: Any with a connection to “transportation”

FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANTS

Community Development Block Grant (CDBG) funds help communities carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Among the projects eligible for funding are: acquisition of real property; rehabilitation of residential and non-residential structures; and affordable housing development. United States examples include: Norfolk, VA; St. Croix Falls, WI

Tier: 1
Impact: Reduce cash required, others depending on use of program
Area: Any with a connection to “low-to-moderate income residents, eliminate slum or blight, or eliminate a public health or safety issue.”



The 1907 Prince Hall Masonic Temple

THREATENED BUILDING PROGRAM

Through the use of a special fund, the City acquires threatened properties or assists a property owner with rehabilitation work. If the City acquires a property, it will either find a public use for the property or transfer it to a new owner through a RFP process. United States examples include: Phoenix, AZ In Bulgaria, the Monuments of Culture and Museums Act requires monument owners to properly maintain their properties, and to finance all repairs. If monument owners are unable to afford any urgent repairs, then those costs can be supplied by loans from the municipality or the state secured by a mortgage on the property. Bulgaria’s Ministry of Culture utilizes the National Culture Fund to implement the policy.

Tier: 1
Impact: Reduces cost, reduces risk
Area: All

HISTORIC COMMERCIAL CORRIDORS GRANT

This grant is intended to revitalize historic commercial corridors and encourage the preservation of cultural heritage. Eligible properties must be within census tracts in which at least 65% of households are at or below 80% of area median income. There are other criteria as well, such as being individually listed or eligible for listing in the National Register of Historic Places, or being part of a district that is listed or eligible for the National Register. The City’s “Target Economic Development Areas” map from the Comprehensive Plan could also be utilized. Funding can only be used for exterior construction work or rehabilitation of commercial, nonresidential, historic buildings, and is provided as a reimbursement. United States examples include: Nashville, TN

Tier: 1
Impact: Reduce cash required
Area: Commercial Districts

TECHNICAL ANALYSIS (PRELIMINARY)

Preliminary is a very preliminary evaluation of each of the possible tools listed above, ranking them in four categories: Effectiveness, Complexity, Cost to City, and Stakeholder Approval. Once the list of potential tools is narrowed to those for which more information and depth of analysis is desired, these answers will be modified. In several instances – grants for example – the “Cost to City” would be entirely dependent on the level of total funding provided. In the “Stakeholder Approval” category, the answer is generally given for the stakeholder(s) most directly involved. “Preservation Easements” for example assumes the “Stakeholders” are the individual property owners. In other examples, however, there may be a conflict among Stakeholders. A Non-contiguous Overlay District could receive high approval from preservation advocates but moderate to low support among developers.

This table is not intended to be an in-depth analysis of any of the possible tools, but rather a “first cut” perspective on the strength of the tool in the four categories of measurement.

POTENTIAL TOOL	TIER	IMPACT	AREA	EFFECTIVENESS	COMPLEXITY	COST TO CITY	STAKEHOLDER APPROVAL
FINANCIAL TOOLS							
Preservation Easements	1	Increase income, improve investment environment	Downtown	High	Very High	Low	Low
Long-Term Resident Extension	2	Reduce expenses	Residential neighborhoods	Moderate	Low	Moderate	High
Rehab Grant	1	Reduce capital costs	Downtown	Moderate to High	Moderate	Moderate to High	High
Sales Tax to Preservation Fund	2	Reduce capital costs, reduce risk	All	Moderate	Moderate	Pass-through	Pass-through
Retrofit Loans	1	Improve financing	All	Moderate to High	Moderate	Moderate to High	High
REGULATORY TOOLS							
TDRs	2	Increase income, improve investment environment	Downtown	Low to Moderate	High	Moderate	High
Height Bonus	1	Increase income, improve investment environment	Downtown	Moderate to High	Moderate	Moderate	High
Limited-Depth HOD-G	1			Moderate	Moderate	Moderate	High
District-Specific Guidelines	1	Improve information environment	Downtown	Low to Moderate	Moderate	Low	Low to Moderate
Non-contiguous Overlay District	1	Improve information environment	Downtown, commercial districts	Moderate to High	High	Moderate	Varies among stakeholder groups
Conditional Use Permit	1	Improve investment environment	Downtown, commercial districts	Moderate to High	Moderate	Low	High
Historic Districts as Affordable Housing Overlays	1	Reduce cash required	Residential neighborhoods	Moderate	High	Low	Varies among stakeholder groups
Streamline Rehab Process	1	Improve investment environment	All	Moderate	Moderate	Low	High

POTENTIAL TOOL	TIER	IMPACT	AREA	EFFECTIVENESS	COMPLEXITY	COST TO CITY	STAKEHOLDER APPROVAL
COMMUNITY ENGAGEMENT TOOLS							
Community-Based Survey	1	Improve information environment	Residential neighborhoods, commercial districts	Low to Moderate	Moderate to High	Low	High
Neighborhood Grants	1/2	Reduce cash required, improve investment environment	Residential neighborhoods	Moderate	Low to Moderate	Moderate to High	High
Public Awareness Campaign	1	Improve information environment	All	Low to Moderate	Moderate	Low	High
KNOWLEDGE AND PLANNING TOOLS							
Intervention During Demolition Delay Period	1	Improve information environment	All	Moderate to High	Moderate	Moderate to High	High
Mitigation Fund	2	Increase capital costs (disincentive for new development), Positive impacts subject to how mitigation funds are used	Cost - All; Benefits - Potentially all	High	Moderate	Low	Low
DIRECT ACTION TOOLS							
Create Historic Preservation Fund	1	Improve information environment	All	High	High	Moderate to High	High
Sustainability Demonstration Project	1	Improve information environment	All	Moderate	High	High	Moderate
Use of Federal Transportation Funds for Historic Preservation	1	Reduce cash required, others depending on use of program	Any with a connection to "transportation"	Moderate to High	Moderate	Low	High
Use of Federal Community Development Block Grants	1	Reduce cash required, others depending on use of program	Any with a connection to "low-to-moderate income residents, eliminate slum or blight, or eliminate a public health or safety issue."	Moderate to High	Moderate	Low	High
Threatened Building Program	1	Reduces cost, reduces risk	All	Moderate to High	High	High	High
Commercial Corridor Grant	1	Reduce cash required	Commercial Districts	Moderate to High	Moderate	Moderate to High	High



Hillsborough Street Historic Commercial Node

RECOMMENDATIONS

A list of more than twenty possible tools has been offered for consideration by the City Council of Raleigh and city staff. We would encourage at least cursory consideration be given to each of them. However, we have narrowed the list to a more limited number that could have considerable impact on a city-wide basis, and that directly address the issues that have been identified. Again, it is anticipated that after further consideration by City Council and city staff, a short-list of the tools for which there is the greatest interest will be identified. There will then be additional detail and description of those tools, strategies, and incentives.

FINANCIAL TOOLS

BUILDING REHABILITATION GRANTS

Direct grants would be made to property owners to assist in the appropriate rehabilitation of historic properties. This would be funded through the Raleigh Historic Preservation Fund (RHPF) as described under Direct Action Tools below.

BUILDING RETROFIT LOANS

Loans to property owners specifically to make energy efficiency improvements within the standards for the appropriate treatment of historic buildings. Funded through the Raleigh Historic Preservation Fund (RHPF) as described under Direct Action Tools below.

REGULATORY TOOLS

TRANSFERABLE DEVELOPMENT RIGHTS

This is a complex tool that has not always been as effective in other cities as was intended. Also, its adoption and implementation appear to require new state enabling action. However, it has the potential to substantially alter the economic framework within which historic properties can be preserved.

HISTORIC DISTRICTS AS AFFORDABLE HOUSING OVERLAYS

Given the City of Raleigh's commitment to both affordable housing and historic preservation, this is a tool that could simultaneously advance both priorities. It is more likely to be appropriate for to-be-designated historic districts than existing ones.

STREAMLINE REHABILITATION PROJECTS

A number of steps could be taken to make the process of rehabilitation historic buildings as simple as possible while maintaining the standards appropriate for historic buildings.

COMMUNITY ENGAGEMENT TOOLS

COMMUNITY BASED SURVEY

Two independent factors support consideration of this tool. First, there are more and more grassroots activists who are looking for tools to protect and enhance the character of the neighborhood. Second, recent advances in technology combined with a number of successful experiments in other cities has made the concept of community-based surveys much more feasible than in the past.

KNOWLEDGE AND PLANNING TOOLS

INTERVENTION DURING DEMOLITION WAITING PERIOD

The ability to delay demolition for up to a year clearly has an impact on the likelihood of losing a historic building. However, a more proactive approach would be to systematically act to find alternatives to demolition during the waiting period.

DIRECT ACTION TOOLS

HISTORIC PRESERVATION FUND

The Raleigh Historic Development Commission currently has a revolving fund that was created 25 years ago. This proposed Raleigh Historic Preservation Fund (RHPPF) would expand the functions and the funding sources by incorporating the revolving fund into a larger pot of money. Three of the earlier recommendations are combined into the Raleigh Historic Preservation Fund: 1) the creation of a fund to accept private donations and other sources of money; 2) the allocation of eligible levels of Community Development Block Grant (CDBG) monies received by the city to the RHPPF; and, 3) the application for Transportation Enhancement funds (currently called FAST grants) for the RHPPF.

In addition to the current revolving fund loans, this new fund could then provide all or partial funding for the earlier recommendations of rehabilitation grants and retrofit loans, but also activities such as community-based surveys.

THE PROS, CONS AND PRINCIPLES FOR DIRECT ACQUISITION

The direct acquisition of historic properties by a public authority may be the singularly most effective tool – at least in the short run – for saving heritage buildings. The strategy, however, has significant risks as well as benefits.

PROS

- There is statutory authority for the public acquisition, through negotiation or eminent domain, of historic properties.
- Once in public hands, the threat of imminent demolition is avoided.
- A public body may be in a better position than a private owner to hold the property until an appropriate reuse/redevelopment opportunity can be found.
- Preservation easements, property covenants, or other tools can be created by the public entity to assure protection of the property after disposition.
- There is specific authority in North Carolina for a city to dispose of a historic property at less than its fair market value, provided there is public interest being served by assuring the preservation of the heritage asset.

CONS

- There may be considerable cost in acquiring a historic property.
- There may be no immediate source identified to recover all or most of the acquisition investment.
- There can be political controversy in allocating public funds for a property that the private market doesn't seem to value (e.g. demolition by neglect), or for which there is strong private sector demand (acquisition for demolition and redevelopment).
- There are often considerable stabilization and maintenance costs that will be required before the property is re-conveyed to a new owner.
- The property is off the tax rolls until resold.

Principles to Follow

1. Public sector acquisition should be limited to those cases when the property is at risk of being lost by either demolition by neglect or demolition by intent.
2. Properties whose redevelopment would stabilize and enhance their existing context should be prioritized over those whose historic context has already been largely lost.
3. While architectural character and age should be criteria for potential acquisition, buildings of social or cultural importance should also be considered.
4. As soon as possible after acquisition the property should be stabilized to mitigate ongoing deterioration.
5. Any environmental issues with the property should be identified and if possible fully mitigated to reduce the perception or the reality of risk by potential buyers.
6. Proactive planning for possible reuse scenarios should be undertaken including private sector and preservation advocacy group expertise.
7. Disposition should be based not just on amount of money to be received, but also on the proposed plans for the use and redevelopment of the building, and the impact the redevelopment plan would have on the surrounding area.
8. Disposition should be accompanied with a preservation easement or other tool to insure long-term protection of the property.
9. Financial gains or losses should not be calculated solely from the costs incurred in acquiring, stabilizing, maintaining, and marketing the property. The impacts beyond the property line (other property values, tax revenues generated, etc.) should also be part of the equation.

NEXT STEPS

CITY COUNCIL PRESENTATION

The team will present preliminary results of the technical analysis at least once to the City Council or a City Council committee at the City Council's request. The City Council or City Council committee may recommend tools identified in the preliminary technical analysis for additional analysis and refinement.

TOOL SELECTION AND DEVELOPMENT

The team will work closely with City Planning staff to determine a selection of Tier 1 tools that will be more fully developed as part of this project and a selection of Tier 2 tools which should be developed as part of phase 2. The recommendations of the City Council or City Council committee will have as much weight or more than any other single criterion used to select these tools. The team will perform additional analysis and/or application of selected Tier 1 tools. The analysis and/or application may take the form of draft policies, draft regulations, economic modeling, or detailed studies of examples from other locations. Tool selection and development should consider and reference the results of the data collection and policy review tasks.

FINAL REPORT/PRESENTATIONS

The team will compile a final report combining the policy review, tool framework, best practices inventory, stakeholder input, technical analysis, and tool selection and development. The report will also provide recommendations for at least two policies and two regulatory mechanisms from Tier 1. Recommendations will include draft language for selected policies and regulations as well as justification for their selection based on the criteria developed in the technical analysis. The team will create a presentation that summarizes the final report. The final report will include a complete list of Tier 1 tools that substantively satisfy the criteria developed in the technical analysis. These tools should be possible to implement through local code and ordinance amendment, appropriate for the City. The final report will include a complete list of Tier 2 tools that substantively satisfy the criteria developed in the technical analysis. The final report will include a recommended process for soliciting modifications to state enabling legislation that may be required for implementation of Tier 2 tools.



Hillsborough Street Historic Commercial Node

APPENDIX 1: POLICY REVIEW AND TOOL FRAMEWORK

2030 COMPREHENSIVE PLAN

Unsurprisingly, given Raleigh's rapid pace of development, the themes of growth management and sustainable development factor substantially into Raleigh's 2030 Comprehensive Plan. The plan begins with a prominent commitment statement to sustainability, calling it the "cornerstone of [Raleigh's] vision for the future." Alongside this focus on growth and progress, the Comprehensive Plan acknowledges the unique preservation challenge posed by the city's extraordinary growth:

"Raleigh's growth and relative prosperity make planning for the City's future critically important. In fact, the need for good city planning has never been greater as Raleigh addresses its growth and development challenges. How do we grow while maintaining Raleigh's outstanding quality of life and retaining the assets that make Raleigh special? How do we add to the community while preserving its past?"

The Comprehensive Plan further recognizes that historic preservation helps cities manage growth and affordability by utilizing existing, small-scale buildings and compact historic development patterns. Beyond sustainable development, the plan identifies five key policy areas relating to historic preservation: Raleigh's Historic Identity; Planning, Zoning and Neighborhood Conservation; Housing and Building Codes, Rehabilitation and Adaptive Reuse; Coordination and Outreach; and Funding and Incentives.

The Comprehensive Plan outlines 11 preservation issues facing the city of Raleigh:

- Fragility of the city's historic identity with only 6% of city's housing dates before 1950
- Tension between the modest scale of the downtown historic core and the development

pressures associated with a 21st century central business district

- Disparity between building size and zoning envelope
- Lack of policy guidance for National Register listed and eligible properties
- Lack of attention to unique/historic properties that are not formally designated
- Residential teardown and infill in designated National Register Historic Districts. Piecemeal change is eroding the architectural heritage of the city and affects the integrity of older neighborhoods.
- Lack of appreciation of mid-century modern architecture puts these treasures at risk
- Lack of transitions around historic resources, which can sometimes lead to jarring juxtapositions of scale and proximity that detract from the character of the resources setting
- Under-marketing and simplistic presentation of Raleigh's historic assets by the city's tourism industry, along with lack of coordination and integration among those assets, weakening economic development potential for heritage tourism
- Poor communication and understanding among city departments of the related roles and responsibilities in historic preservation of both city-owned and privately-owned historic properties
- Historic preservation programs need to be broadened to recognize landscapes and archaeological resources

UNIFIED DEVELOPMENT ORDINANCE (UDO)

The following comes directly from the City of Raleigh's Unified Development Ordinance.

Section 1.1.4. Purpose and Intent:

This UDO is adopted to preserve, protect and promote the public health, safety and general welfare of residents and businesses in the City of Raleigh. More specifically, this UDO is adopted to achieve the following objectives:

- Implement the policies and goals contained within officially adopted plans, including the Comprehensive Plan
- Improve the built environment and human habitat
- Conserve and protect the City's natural beauty and setting, including trees, scenic vistas and cultural and historic resources
- Ensure that new development conserves energy, land and natural resources
- Protect water quality within watershed critical areas, the general watershed areas of designated water supply watersheds and other watershed districts
- Encourage environmentally responsible development practices
- Promote development patterns that support safe, effective and multi-modal transportation options, including auto, pedestrian, bicycle and transit and therefore minimize vehicle traffic by providing for a mixture of land uses, walkability and compact community form
- Provide neighborhoods with a variety of housing types to serve the needs of a diverse population
- Promote the greater health benefits of a pedestrian-oriented environment

- Reinforce the character and quality of neighborhoods
- Remove barriers and provide incentives for walkable projects
- Protect and promote appropriately located commercial and industrial activities in order to preserve and strengthen the City's economic base
- Encourage compact development
- Ensure that adequate facilities are constructed to serve new development
- Provide for orderly growth and development of suitable neighborhoods with adequate transportation networks, drainage and utilities and appropriate building sites
- Save unnecessary expenditures of funds by requiring the proper initial construction of transportation networks, sidewalks, drainage facilities and utilities
- Provide land records for the convenience of the public and for better identification and permanent location of real estate boundaries

POWERS OF THE RALEIGH HISTORIC DEVELOPMENT COMMISSION

The commitment of the City of Raleigh to historic preservation is already codified within the Unified Development Ordinance Section 10.1.4.B. Many of these potential powers are, however, not currently being utilized. The authorities are grouped under: Administrative, Planning, Design Review/Protection, and Economic Development/Real Estate. The numbers below represent the paragraphs in Section 10.1.4.B.

Administrative

5. Conduct an educational program with respect to historic properties and districts within its jurisdiction.
6. Cooperate with the State, Federal and local governments. The City Council or the Historic Development Commission, when authorized by the City Council, may contract with the State or the United States of America or any agency of either or with any other organization provided the terms are not inconsistent with State or Federal law.
7. Request the advice and assistance of any officer or agency of the City Council with respect to any matter arising under its purview.
8. Enter, solely in performance of its official duties and only at reasonable times, upon private land for examination or survey. However, no member, employee or agent of the Historic Development Commission may enter any private building or structure without either the express consent of the owner or occupant or authority of law.
9. Conduct any meetings or hearings necessary to carry out the responsibilities of the Historic Development Commission.
19. Receive appropriations as may be made to the Historic Development Commission by the City Council.
20. Planning and Development shall provide such technical, administrative and clerical assistance as required by the Historic Development Commission.

Planning

1. Undertake an inventory of properties of historical, prehistorical, architectural, archaeological or cultural significance.
2. Recommend to the City Council districts or areas to be designated as a Historic Overlay District and recommend individual structures, buildings, sites, areas or objects to be designated as Historic Landmarks.
3. Recommend to the City Council that designation of any area as a Historic Overlay District or part of a Historic Overlay District be revoked or removed for cause and recommend that designation of individual structures, buildings, sites, areas

or objects as Historic Landmarks be revoked or removed for cause.

13. Propose to the City Council changes to the Historic Overlay District regulations or any other ordinance and propose new ordinances or laws relating to Historic Landmarks and the Historic Overlay District or relating to a total program for the protection or development of the historic resources of the City.
14. Study and recommend to the City Council means by which historic preservation efforts can be coordinated and strengthened.
15. Study and recommend revisions to the Historic Preservation Element of the Comprehensive Plan.

Design Review/Protection

12. Take steps, during the period of postponement of demolition of any Historic Landmark or property within a Historic Overlay District, to ascertain what the City Council can or may do to preserve such property, including consultation with private civic groups, interested private citizens and other public boards or agencies and including investigation of potential acquisition by the City Council when the preservation of a given historic property is clearly in the interest of the general welfare of the community and such property is of certain historic and architectural significance.
16. Review and act upon proposals for restoration, alteration, reconstruction, relocation, demolition or new construction within a Historic Overlay District, pursuant to procedures established in this Unified Development Ordinance (UDO) and for proposals for alteration, reconstruction, restoration, relocation, new construction or demolition of designated Historic Landmarks outside a Historic Overlay District, pursuant to procedures outlined in this UDO.
17. Report violations of Historic Landmark and Historic Overlay District regulations or other ordinances affecting Historic Landmarks and properties within Historic Overlay Districts, to the appropriate enforcement agency.

Economic Development/Real Estate

4. Restore, preserve and operate historic properties.
10. Acquire by any lawful means the fee or any lesser included property interest, including options to purchase, to properties within any established Historic Overlay District or to any properties designated as Historic Landmarks, to hold, manage, preserve, restore and improve the same and to exchange or dispose of the property by public or private sale, lease or otherwise, subject to covenants or other legally binding restrictions that will secure appropriate rights of public access and promote the preservation of the property. All lands, buildings or structures acquired by the Historic Development Commission from funds other than those appropriated by the City Council may be acquired and held in the name of the Historic Development Commission, the City or both.
11. Recommend to the City Council acquisition of the fee or any lesser included property interest (including public access), preservation easements and other covenants of historic property. The City Council may make appropriations and own such property under the following conditions:
 - a. Acquisition. Within the limits of its jurisdiction for planning and regulation of development the City Council may acquire properties within Historic Overlay Districts and/or properties designated as Historic Landmarks. In the event the property is acquired but is not used for some other governmental purpose, it shall be deemed to be "museum" under the provisions of General Statutes notwithstanding the fact that the property may be or remain in private use, so long as the property is made reasonably accessible to and open for visitation by the general public;
 - b. Ownership. All lands, buildings, structures, sites, areas or objects acquired by funds appropriated by the City Council shall be acquired in the name of the City unless otherwise provided by the City Council. So long as owned by the City, historic properties may be maintained by or under the supervision and control of the City; and
 - c. Negotiate at any time with the owner of a building, structure, site, area or object for its acquisition or its preservation, when such action is reasonably necessary or appropriate.
18. Accept funds to be used for preservation purposes that are granted to the Historic Development Commission by private individuals, organizations and local governing bodies. (Could also be placed under Administrative category.)

AFFORDABLE HOUSING IMPROVEMENT PLAN

The Raleigh City Council adopted an Affordable Housing Improvement Plan in 2015. Increasing the supply of affordable housing and neighborhood revitalization are major objectives of the City's recently-adopted Strategic Plan. The Affordable Housing Improvement Plan lays out seven "options" to address the City's housing needs in a more aggressive fashion. These options are:

- Expand the use of the 4% Tax Credit for Affordable Housing Allocated through the North Carolina Housing Finance Agency
- Site Acquisition Assistance for Affordable Rental Development: Provide Financial Resources
- Infill Homeownership Development Program: Provide Financial Resources
- Affordable Rental Preservation/Creation through 0% Forgivable Loans to Developers
- Downtown Neighborhoods Revitalization Plans for Specific Areas of Focused City Investment
- Homeless Coordinated Intake Center and Expansion of Housing Supply: Creation of an Intake Center and Providing More Permanent Supportive Housing
- Permanent Affordable Housing Funding Source: Find Sustaining Sources of Funding

Additionally, the City issued a municipal bond of \$16 million in 2011 to increase the supply of affordable housing. In 2016, a one cent increase to the property tax rate raised \$5.7 million to implement the plan.

CITY OF RALEIGH STRATEGIC PLAN

The City's strategic plan adopted in 2016 includes key focus areas of:

- Arts & Cultural Resources: Embrace Raleigh's diverse offerings of arts and cultural resources as iconic celebrations of our community that provide entertainment, community and economic benefit

- Economic Development & Innovation: Maintain and grow a diverse economy through partnerships and innovation to support large and small businesses and entrepreneurs, while providing employment opportunities for all citizens
- Growth & Natural Resources: Encourage a diverse, vibrant built environment that preserves and protects the community's natural resources while encouraging sustainable growth that complements existing development
- Organizational Excellence: Foster a transparent, nimble organization of employees challenged to provide high quality, responsive and innovative services efficiently and effectively
- Safe, Vibrant & Healthy Community: Promote a clean, engaged community environment where people feel safe and enjoy access to community amenities that support a high quality of life
- Transportation & Transit: Develop an equitable, citywide transportation network for pedestrians, cyclists, automobiles and transit that is linked to regional municipalities, rail and air hubs

The 2017, mid-year update also lists the recent designations by the Raleigh Historic Development Commission as a benchmark metric that contributed to implementing the strategic plan.

URBAN DEVELOPMENT PRINCIPLES

Sustainability

Sustainability is such an important component of the City of Raleigh's image that the subject has its own tab on the City's main webpage. The Office of Sustainability works to create an organizational environment where each City departmental operation,

investment, and initiative incorporates the Council's commitment to building a sustainable city. The City's focus has been to identify, test, evaluate, and implement innovative technologies, policies, programs, strategies, partnerships, and financing approaches. Using pilot and demonstration projects and grants to improve the City's internal operations, these efforts often save taxpayers money. The only Sustainability report detailing the City's efforts in relation to historic preservation occurs in the Greenhouse Gas Inventory Report, reviewed in 2014; *"Requiring LEED Silver standards for new municipal buildings over 10,000 square feet and prioritizing energy efficiency improvements to existing City buildings..."*

US Mayor's Climate Protection Agreement

Like many US cities, Raleigh joined the US Mayor's Climate Protection Agreement. In a recent report, "Mayors Leading the Way on Climate: How Cities Large and Small are Taking Action," the concept of energy benchmarking was raised, which may be useful to this report.

Energy Benchmarking: By tracking and reporting the energy consumption of large buildings, more information is available to compare building performance, identify opportunities for improvement, and accurately calculate potential savings. This process, called energy benchmarking, provides the vital information for building owners to improve energy management strategies and for city leaders to ensure effective efficiency policy.¹

Raleigh's reports and emphasis on sustainability and sustainable development currently take a narrow approach to the concept.

¹ "Mayors Leading the Way on Climate: How Cities Large and Small are Taking Action" http://www.usmayors.org/wp-content/uploads/2017/09/USCM_Alliance-Building-REV-16.pdf, page 8.

Economic Development

Raleigh's economic development office is branded as "Raleigh4U." Programs include:

- The Building Up-fit Grant, established in 2016, encourages growth and development by assisting property owners and businesses with improvements, renovations, and/or additions to their interior spaces.
- The Facade Grant, established in the 1980s, helps businesses and property owners in older commercial areas upgrade and improve their building's exterior appearance. Since the program's inception in the early 1980s, it has assisted in the rehabilitation of more than 100 buildings, increasing their attractiveness to new customers and contributing a positive influence toward revitalization of their respective areas. The different types of grants available include both University Village Pedestrian Business Overlay Districts and other Pedestrian Overlay District Facade Grants.
- The Business Investment Grant policy is a discretionary incentive program that provides cash grants to new and existing businesses that will provide economic benefits to the City of Raleigh, are competitive with other locations, and need the grant to carry out the project in the City. Grants are based on new job creation and new ad valorem taxable investment made by companies.

The Comprehensive Plan has also identified "target economic development areas." It describes eligible areas for many of the City's Economic Development tools. The map of these target areas in several cases overlays with Raleigh designated historic resources. This represents an opportunity to reinforce both city priorities – economic development and historic preservation – by utilizing tools to both protect resources and enhance economic opportunity.

APPENDIX 2: STAKEHOLDER OUTREACH

STAKEHOLDER MEETING MINUTES - REPRESENTATIVE COMMENTS

It should be noted that Owners of Historic Commercial Property, Developers, and Designers were given additional opportunities to be interviewed due to an initial small turnout.

Principal Concerns of Owners of Historic Commercial Property

- Carrots and sticks: Development incentives are good; here there are more sticks than carrots.
- Time is the biggest enemy of a developer, and while Development Services is getting better, it still takes 24-30 months to even get to the permit stage.
- Change of use triggering, which leads to site plan approval, needs to be looked at with regards to designated historic projects.
- For small buildings, site plan is really a stumbling block.
- The City should add text in the UDO to free historic properties from site plan and other review holdups; consider using age of the building as a criteria; others cited historic designation rather than age as a criteria.
- Look at the triggers for storm water compliance because on small projects this is prohibitively expensive.
- With non-contributing buildings in a historic district, is there a way development can be viewed through a different lens?
- If you want to protect old buildings, let us use the vacant lots to build density.
- A National Register Historic District should not be treated with the same lens as a local district.
- Many Raleigh Historic Development Commission decisions seem arbitrary; they (RHDC) do not understand the economic realities (cost of doing business)
- Developers want better predictability.
- Durham offers Building Improvement Grants up to \$75,000.

- Raleigh offers a matching loan.
- Want to make the City's approval process as easy as possible for historic projects.
- Exemption from some steps is cheaper for the City than awarding a grant
- We need "express review" for historic projects.
- We want a streamlined regulatory process and reduced infrastructure requirements.
- As valuable as a \$50,000 grant would be, just knowing your timeline is a huge value add for developers.
- We want emphasis on non-monetary incentives like exemptions.
- RHDC needs a more practical approach to problem solving at the staff level, or maybe some administrative review at the commission level – a way to appeal staff decisions.
- Is there a way to expand the "alternative means" aspect of the building code?
- Hillsborough Street corridor, near Vanderbilt Avenue, could be a Planned Development mixed-use project that might preserve some of the structures.
- Offer fee reductions or grant rebates of fees to offset costs on small projects; fee-in-lieu program to fund grants.
- Fee structure incentivizes new residential construction because you need to build big to recoup fee costs; need waivers for scale and historic district location.
- Offer synthetic Tax Increment Financing (TIF).
- Need a City "wrangler" to be a problem solver to float and help – a project advocate.
- Need incentives to keep people in their homes.
- Keep some of the homes that have been modified to serve as affordable units.
- Preservation begins with engaging the community and finding out what's important to them first. If community doesn't find something historically important, the city won't save it.
- We've identified a gap in terms of commercial districts and areas that are heterogeneous. Looking to find different ways to define the

nature of historic resources here.

- As a building owner, there's no ability to talk about the practical realities of a construction project and come up with something that makes sense on both sides. There's no way to just have a conversation with someone about the nuances of a project. Instead, the project is just shut down by the city for more review and it costs the building owner a lot of time and money. A three-month lag for the COA now leaves our building exposed and unstable, even though we thought we were doing everything right.
- "Pain points" include what are the standards, as in what are the basic approaches to the basic elements of historic structures. We need a practical approach to problem solving.
- Every year, the safety levels seem to go up and the costs just grow exponentially.
- The corridors bump up to the neighborhoods and there are code changes that vary from block to block. Can we change zoning from residential to mixed-use or commercial-use in the areas that are a half a block off the main corridor?
- Spot zoning/case-by-case zoning is so difficult. Maybe we could change use to allow for a dentist's office or something. Parking could be an issue because so many spaces are needed per a commercial building, though the City has been good about being flexible about that.
- Could building permits be waived? Is there any way to offset fee structures?
- There are real challenges with how the building code runs up against accessibility and safety measures. This could really compromise the landmark. It makes it a project that's smaller completely infeasible.
- Ex: Small projects are charged the same fees for thoroughfares, trees, etc. as large projects. For smaller infill projects, it's impractical. The fee structure with the city incentivizes developers and builders to build single-family houses.
- If the City could put out Requests For Proposals for finding good property owners for historic properties, that would be an incentive to redevelop historic properties.
- When renovating a building, if you kick up to 51% of the building value, then everything needs to be updated. Is that really necessary?
- A lot of the issues that constrain historic preservation also constrain projects that may be more innovative and could create more value for the city.
- We need a problem solver and advocate for the project on the inside. We need more leadership on this. There used to be an ombudsman for this here, but not anymore.
- Could there be a historic building advocate to help work through the obstacles, like there is in San Jose? Instead of saying "no," say "How can we get this done?"
- In terms of gentrification, are there incentives to keep people in their homes, to stay in place and age, etc. and have an ability to renovate and upgrade their homes?
- We often do a lot of assistance for the first time homebuyer, but not on the back end to help people stay in their home. How can the city help incentivize? Chapel Hill is doing a lot of land purchasing (they got a loan from UNC).
- Historically, many of these old houses have been broken up and have been turned into a lot of affordable housing for local workers. Maybe another way to look at incentives: if a house were to be preserved, it could be allowed to do more creative dividing up.
- What is historic? What qualifies? Why keep this but not that?
- In transitional neighborhoods, owners make money but renters lose out.
- The City's community development department owns a lot of land. Is that an opportunity?
- Need more and better communication, engagement to explain the nuance of historic preservation, re-use, etc.
- Need more staff? Need a local non-profit for preservation?
- Southeast Raleigh, besides losing buildings, is losing culture, history, arts, community... intangible heritage
- Scale matters to us because we have to generate income, so larger projects tend to be better.
- There seems to be no real understanding of the

value of older buildings by developers unless they are big, high style, and very historically significant.

- Naturally occurring affordable housing (NOAH properties). We've seen numerous apartment buildings torn down like this. Scale matters.
- There are no easy deals in affordable housing anymore—the gentrifying wars were all won after the economic downturn. In the past, the City would combine lots after teardowns of smaller homes and would sell to low-income people. Young white kids ended up buying those lots because they were prequalified right away. It's a huge problem in neighborhoods east of downtown. LLCs are buying up properties before they are even officially on the market. So a property owner isn't losing because they are paid for their property, but renters are losing out.
- The City is now trying to dispose of a lot of a land that they hold, lots of vacant parcels. We wish a portion of that would be affordable housing if we could reduce transportation costs and provide housing for the homeless. Wake County just completed a great housing study with a good comprehensive tool kit. A local ULI group also has a working group on affordable housing.
- There's a tension between what is an historic building. People seem okay with preserving special and unique buildings, but there may be a use of historic preservation as a tool to just block anything from changing.
- I see lots of examples of really cool buildings in other areas that were distressed or non-functioning and some version of a partnership turned the space into a community arts incubator or something like that. We don't see much of that in Raleigh.
- Lots of places eligible for the state tax credits have no idea they're available. The builder community isn't plugged into these options. They need guidance and help.
- I've seen examples of transitional areas where a row of ranch style homes were converted for businesses that businesses that have had a great ripple effect. So they preserve sense

of community and benefit everyone locally. In some areas there's opportunity for that and could be a good interim step

Principal Concerns of Developers and Designers

- Just having a 50-year-old building may not be enough; it needs to be more nuanced than that.
- When one gets beyond local district designation, it "gets gray."
- There needs to be clarity to developers regarding entitlements.
- Where there are layers of regulation, "the stricter standard shall apply."
- It is very difficult here to make the numbers work when changing use and following all of the code requirements.
- If you change use and the new use requires a minimum of 10 more parking spaces, that kicks you into site plan.
- Regular building code and the existing building code...the UDO does not recognize existing buildings.
- Historic districts really are fluid. The 1960's stuff is coming on-line now so we need to look at impacts 20 years from now.
- Signage can be an issue when one wants to restore with an "historic sign" but cannot.
- We need to look at parking requirements – is there too much?
- Impervious surface regulations penalize downtown existing buildings.
- How do we offset development rights to keep some of the "small stuff?"
- How do we impact land value to minimize threat to historic buildings?
- We should look at Transfer of Development Rights. Transit corridors might be a good receiving zone for TDR.
- Use split zoning to preserve front of building scale but allow greater height on rear.
- Make the process simpler.
- Create incentives.
- We need historic preservation administrative alternates.

Principal Concerns of Preservation Advocates

- The City, perhaps RHDC, should hire a consultant to help owners with tax credit applications; maybe plan to do 15 per year.
- Local districts seem to be taking care of themselves but National Register Historic Districts (NRHDs), especially in low-income areas, are not using tax credits and buildings are being lost.
- Need more technical assistance to property owners.
- The City's Community Development department is turning contributing structures in NRHDs to non-contributing by the use of vinyl siding and other inappropriate materials; issues with recycling materials from demolitions.
- Properties surveyed but not yet designated are currently at risk.
- Wake Forest, NC, New Bern, and Statesville have enabling legislation that allows them to do demolition review and a one-year delay in NRHDs.
- "Are we overly regulatory?"
- Landfill fees are too lenient; tipping fees should be increased for demolishing designated historic structures.
- There is an ombudsman in the (City's) system now, but may need preservation training.
- The Neighborhood Conservation Overlay District (NCOD) works, but does not affect demolition, and that is where it starts.
- Use NRHD boundaries for incentive areas.
- Reduce Landmark designated properties property tax to zero (from 50%).
- Can we streamline the permitting process, reduce fees, or use fees-in-lieu for those willing to reuse buildings in NRHDs or buildings greater than 50 years in age?
- Move historic preservation programs to the City's sustainability office.
- Target grants to the elderly to help keep them in their homes, neighborhood.
- Need more focus on 1960's neighborhoods.

Principal Concerns of Urban Design Center and Development Services Staff

- Don't forget about intangible heritage.
- There are lots of areas of the city with no protection; we can't designate everything.
- Encourage but not require.
- We have the tools; we need more will to deploy them plus maybe some new and more flexible tools beyond the traditional ones.
- The code needs some relief valves, in the case of historic preservation properties, perhaps some administrative alternates.
- Look at the rezoning process. Those that have historic preservation conditions can become a problem later.
- Could there be municipal service districts for historic preservation areas?
- Building Upfit Grant...can get a higher score if in existing historic district?
- Need ways to protect older and smaller housing types from market forces.
- UDO infill regulations have not prevented larger houses in historic neighborhoods with older and smaller housing types; dormer loophole.
- There is support from staff to look at the change of use trigger.
- Need to have a person to help shepherd people through the process.
- There is a disconnect between the value of historic preservation and economic development.
- The City has two Cultural Districts – New Bern and South Park.
- Potential for cultural tourism.
- Need internal education because staff does not understand tax credits.
- Perhaps have tools targeted to different parts of the City.
- Many projects start with a rezoning and staff would like to look at that process. The conditions are related to preservation, which creates problems because that condition is in conflict with other goals. Stream starts way further back than development plan.

Principal Concerns of Neighborhood Advocates (e.g., Community Advisory Council Representatives)

- Even with two Neighborhood Conservation Overlay Districts (NCODs) in Mordecai CAC area, there are many tear downs.
- With both a National Register Historic District (NRHD) and NCODs, perhaps there should be some incentives to help protect properties.
- Or, maybe demolition fees or tipping fees could be increased.
- Approach from broader policy hooks such as environmental sustainability or affordable housing angle.
- Accessory Dwelling Units (ADUs) need to be considered.
- Need to broaden the “brand” of historic preservation – not just big old homes for rich people.
- Historic overlay districts need some monetary incentives.
- Cameron Park is split on the issue of an historic overlay district. People who want to sell or tear their property down resist it; those who want to stay want the overlay. We all chose that place to live because it’s historic.
- Tiny Town had small homes from the 1940s that were 500-700sf and were called affordable housing. A developer bought the whole three blocks for \$5-6 million. People wanted to push to preserve it. They ended up tearing it all down and building new homes that are 2500-3500sf.
- Georgetown is evaporating—they were railroad houses, 600-800sf. Whole streets were already taken down. The closer you are to the core downtown, those are the neighborhoods really feeling it.
- I think Raleigh has been ahead of the pack in terms of preservation incentives, but there is resistance now to the historic overlay districts.
- Middle class neighborhoods are affected more. I live in a wealthier neighborhood, so it’s not as big of an issue. Right now, it’s very attractive to a builder to look for that next neighborhood that is going to go up and wait,

buy homes, and then tear them down.

- The problem is that the people who want historic overlay have nothing to offer. There are no incentives. There are no tax benefits or subsidies.
- There are cultural district programs so that communities can have a sense of their identities. East Raleigh is one and Idlewild College Park may be. But it’s simply a designation as a special place. The City could bring more planning resources to these areas.

Principal Concerns of Tenants of Historic Resources

- Provide funds for older homeowners to help with infrastructure (e.g., updating old pipes).
- The City is the problem because here “cars rule.”
- Once a bar came into our commercial district, all the parking was removed for other local businesses. Daytime businesses are starting to go away now and my business is declining because I can’t get foot traffic.
- City does not do enough to support small business.
- I think the richness of the retail has changed. Once landlords got new property taxes the rents went up, that’s also a problem. My sales flattened out four years ago. The vibrancy of the neighborhood slipped.
- Need more and better incentives for small commercial buildings improvements.
- Smaller commercial areas need help organizing property owners to reinvest.
- A lot of the building owners don’t care about maintaining or improving their property. There’s no incentive for them to do so.
- The façade program is a good effort.
- We’d love to do improvements with benches and updated lighting, etc. but there’s no incentive for building owners to do this. They don’t think they’ll get the return.
- If the City wants a template on what to do, look at what Kane has done.

APPENDIX 3: INCENTIVES INVENTORY

FINANCIAL TOOLS

Financial tools should aim to improve urban areas while safeguarding their heritage values. They should aim to build capacity and support innovative income-generating development rooted in tradition. In addition to government and global funds from international agencies, financial tools should be deployed to promote private investment at the local level. Micro-credit and other flexible financing mechanisms to support local enterprise, as well as a variety of models of public-private partnerships, are also central to making the HUL approach financially sustainable.

TITLE	DESCRIPTION	CITY USING IT
Grant money for acquisition	Funds given to property owner to acquire historic property for the purpose of rehabilitation or preservation	Carborro, NC; Dodge City, KS
Grant money for construction (rehabilitation)	Funds given to property owner for the purpose of rehabilitation	Nashville, TN; Phoenix, AZ
Grant money for soft costs	Funds given to property owner to pay soft costs (architect fee, landscape, site design, etc)	Forest City, NC
Land cost write downs	City marks down the cost of public property on the condition that a private or nonprofit entity redevelops the site	Chester, PA; San Francisco, CA
Relocation fund	Fund to provide financial assistance to any resident or business that has been displaced by a publically-funded project for rehabilitation, demolition, or other improvements.	Boston, MA
Site clearing	City provide grant or direct services to demolish or remove unwanted buildings or debris from a redevelopment site	Panola County, MI
Provision of easements	In exchange for receiving funding assistance, owners convey a conservation easement to the city for a period of time depending on the funding amount.	Phoenix, AZ

TITLE	DESCRIPTION	CITY USING IT
Rent subsidies	Residents or businesses may receive rent subsidies covering a portion of rent for a period of time depending on context	Gastonia, NC
Utility costs	Reduced utility costs for owners of historic properties that make upgrades to their properties	Homewood, FL
Direct low interest loans	City funded low interest loans for the purpose of historic preservation	Long Beach, CA; Dodge City, KS
Interest write down with traditional lender	Partnership with local banks for the city to pay a portion of interest on project financing, homeowner first mortgage, etc	Rocky Hill, CT
Loan guarantees	City assumes the debt obligation of borrower if the borrower defaults, can be limited	Lincoln Park, MI; Philadelphia, PA; Worcester, MA
Industrial Revenue Bonds	City issues tax-exempt loan through a bond to finance a desired project	Grand Rapids, MI; Lexington, KY; South Bend, IN
Bridge loans	City provides short-term loan to "bridge" the pending arrangement of larger or longer-term funding for a desired project	Denver, CO
Subordinating debt interests	City subordinates its loans to a new senior lien based on certain conditions	San Jose, CA; Winston-Salem, NC
Local Tax Credit	A dollar-for-dollar tax credit for 25% of the cost of approved rehabilitation to eligible structures	Baltimore, MD
Property tax rebates	Tax rebate is available over a certain period of years in incremental percentages following the substantial rehabilitation of older buildings	Rocky Mount, NC
Property tax assessment adjustments	Property tax exemptions valued at 100% of value of the structure to the city/county, 50% of the value of the land, 50% of the value of the structure and 25% of the value of the land for the schools. Rules vary for owner occupied properties vs. income-producing.	Austin, TX

REGULATORY TOOLS

Regulatory systems could include special ordinances, acts or decrees to manage tangible and intangible components of the urban heritage, including their social and environmental values. Traditional and customary systems should be recognised and reinforced as necessary.

TITLE	DESCRIPTION	CITY USING IT
Transfer of Development Rights	Please see Appendix E below	
Building Code Flexibility	Flexibility in the building code that allows staff to modify specific modifications to the building code historic properties	Mesa, AZ; Seattle, WA
Historic District Designation	Historic district designation generates a sense of pride and distinction among residents. These areas can also provide significant financial incentive for property owners	Salt Lake City, UT
Downzoning	Downzoning may remove the incentive to demolish historic structures to make way for larger structures. Often benefits residents, and provides confidence that incompatible developments are diminished	Bountiful, UT; New York City, NY
Incentive Zoning	Zoning allowances in certain areas in exchange for additional public amenities, such as historic preservation and affordable housing	Seattle, WA; Mountain Lakes, NJ
Height and Density Restrictions	Setback, height, and density regulations in overlay zones that prioritize existing historic structures and context	Los Angeles, CA
Parking Requirement Waivers	Waiver of parking requirements for historic properties	Austin, TX
Expedited Review	Faster review of permits/zoning for rehabilitation projects	Rapid City, SD
Disincentives for demolition	Development on a site that results in the destruction of a designated landmark is not allowed to acquire additional development rights	Seattle, WA

COMMUNITY ENGAGEMENT TOOLS

Community engagement tools should empower a diverse cross-section of stakeholders to identify key values in their urban areas, develop visions, set goals, and agree on actions to safeguard their heritage and promote sustainable development. These tools should facilitate intercultural dialogue by learning from communities about their histories, traditions, values, needs and aspirations and by facilitating mediation and negotiation between conflicting interests and groups.

TITLE	DESCRIPTION	CITY USING IT
Management/development of farmers market/city market/public events	Develop/or manage city market, farmers market, or night market event that encourages pride in historic resources and community gathering	Rochester, NY
Provide Consultant Studies	City provide consulting studies to encourage the preservation and reuse of historic buildings	Baltimore, MD; San Antonio, TX
Assistance of professionals in education community	City hire professionals to educate community residents on any number of historic preservation topics	Houston, TX
Play the City	Introduces gaming into city-making, where participants are given constraints and consider complex urban questions and co-design with other stakeholders	Istanbul, Turkey
Mobile Application for Recording Heritage	Mobile application where residents and visitors take a photo, locate, and describe any tangible or intangible piece of heritage they think is worthwhile	Nairobi, Kenya; San Antonio, TX; Detroit, MI
Pressure on owners to sell	A technical assistance strategy to encourage owners of non-maintained properties to convey the property to another	Pendleton, OR
Vocational/Technical school labor	Utilize vocational/technical school students for rehabilitation projects, sharing the necessary skills with a new generation	San Antonio, TX

KNOWLEDGE AND PLANNING TOOLS

Knowledge and Planning tools should help protect the integrity and authenticity of the attributes of urban heritage. They should permit the recognition of cultural significance and diversity, and provide for the monitoring and management of change to improve the quality of life and urban space. Consideration should be given to the mapping of cultural and natural features, while heritage, social and environmental impact assessments should be used to support sustainability and continuity in planning and design.

TITLE	DESCRIPTION	CITY USING IT
Maintaining building and business inventories	Survey and maintain an open database of identified tangible and intangible heritage including historic buildings, sites, businesses, and culture. include vacancies and actively seek to fill those vacancies.	San Antonio, TX; San Francisco, TX
Track changes in property valuation, investment activity	Staff keep up to date information on each historic district including changes in property valuations and investment activity to monitor market health	Columbia, SC
City staff professional services	City staff providing technical assistance including engineering, planning, financial package, grant application	Fort Wayne, IN
Historic District Commission staff professional services	City staff providing technical assistance including architectural services, tax credited application, National Register nominations,	Sanford, NC; West Hollywood, CA
City labor contributed to project	City contribute staff time and labor to a desired project	San Antonio, TX
Provide Consultant studies	City to provide consultant studies including, appraisal, cost estimate, feasibility study, market study, reuse analysis, engineering report, highest and best use study, proforma analysis,	Biddeford, ME

APPENDIX 4: TRANSFER OF DEVELOPMENT RIGHTS

CITY	DOES IT WORK?	WHY OR WHY NOT?
Aspen, Colorado	Yes	As of October 2014, 64 TDRs and 24 have landed purchase prices from \$174-240,000 Interrelation of county and city TDR programs: The City ordinance allows Aspen TDRs to be transferred to Pitkin County receiving sites should the County amend its code to allow such transfers.
Atlanta, Georgia	No	Hindered by the relatively high densities permitted by right under current zoning in Atlanta's Central Business District. Special Permitting Process is an added burden when allowances are already so high.
Dallas, Texas	No	Allowances are already very high. There is already an existing bonus height program that competes with TDRs.
Iowa City, Iowa	No	Few documented uses. Low demand.
Ketchum, Idaho	No	No documented uses.
Los Angeles, California	Varies	Extremely High Demand. City imposes a baseline density that developers can only exceed through TDR.
Nashville, Tennessee	No	Allowances are already very high. There is already an existing bonus height program that competes with TDRs
New York City, New York	Yes	Extremely High Demand. Successful despite special permitting process and limited transfer areas.
Oakland, California	No	Originally unsuccessful because receiving sites needed to abut sending sites. Base zoning can allow FAR as has as 7:1 to potential receiving sites, typically more than developers need.

CITY	DOES IT WORK?	WHY OR WHY NOT?
Palo Alto, California	No	3 documented uses.
Pittsburgh, Pennsylvania	No	Few documented uses.
San Diego, California	No	Two uses. Little public consensus regarding goals of program.
San Francisco, California	Yes	Requires TDR for almost all bonus development. Because many eligible sending site properties have relatively small amounts of transferable floor area, receiving site developers must often negotiate with several sending area property owners to assemble enough TDR to build their projects. There is a very active private broker market that helps the private market through the program.
Santa Barbara, California	No	Potential buyers and sellers of development rights must find one another and propose a simultaneous demolition/construction plan for two sites; this could generate a disincentive to use the program. The demand for additional development in Santa Barbara provides the owners of potential sending sites with an incentive to use TEDR since they can recycle their properties to new, conforming structures and still sell the unused existing development rights. Likewise, potential receiving site owners are motivated to buy existing development rights in order to obtain approvals to develop within the City's annual growth limitations.
New Orleans, Louisiana	No	Little demand Zero uses.

APPENDIX 5: MATRIX OF CONSIDERATION

POTENTIAL TOOL	TIER	IMPACT	AREA	EFFECTIVENESS	COMPLEXITY	COST TO CITY	STAKEHOLDER APPROVAL
FINANCIAL TOOLS							
Preservation Easements	1	Increase income, improve investment environment	Downtown	High	Very High	Low	Low
Long-Term Resident Extension	2	Reduce expenses	Residential neighborhoods	Moderate	Low	Moderate	High
Rehab Grant	1	Reduce capital costs	Downtown	Moderate to High	Moderate	Moderate to High	High
Sales Tax to Preservation Fund	2	Reduce capital costs, reduce risk	All	Moderate	Moderate	Pass-through	Pass-through
Retrofit Loans	1	Improve financing	All	Moderate to High	Moderate	Moderate to High	High
REGULATORY TOOLS							
TDRs	2	Increase income, improve investment environment	Downtown	Low to Moderate	High	Moderate	High
Height Bonus	1	Increase income, improve investment environment	Downtown	Moderate to High	Moderate	Moderate	High
Limited-Depth HOD-G	1			Moderate	Moderate	Moderate	High
District-Specific Guidelines	1	Improve information environment	Downtown	Low to Moderate	Moderate	Low	Low to Moderate
Non-contiguous Overlay District	1	Improve information environment	Downtown, commercial districts	Moderate to High	High	Moderate	Varies among stakeholder groups
Conditional Use Permit	1	Improve investment environment	Downtown, commercial districts	Moderate to High	Moderate	Low	High
Historic Districts as Affordable Housing Overlays	1	Reduce cash required	Residential neighborhoods	Moderate	High	Low	Varies among stakeholder groups
Streamline Rehab Process	1	Improve investment environment	All	Moderate	Moderate	Low	High
COMMUNITY ENGAGEMENT TOOLS							
Community-Based Survey	1	Improve information environment	Residential neighborhoods, commercial districts	Low to Moderate	Moderate to High	Low	High
Neighborhood Grants	1/2	Reduce case required, improve investment environment	Residential neighborhoods	Moderate	Low to Moderate	Moderate to High	High
Public Awareness Campaign	1	Improve information environment	All	Low to Moderate	Moderate	Low	High

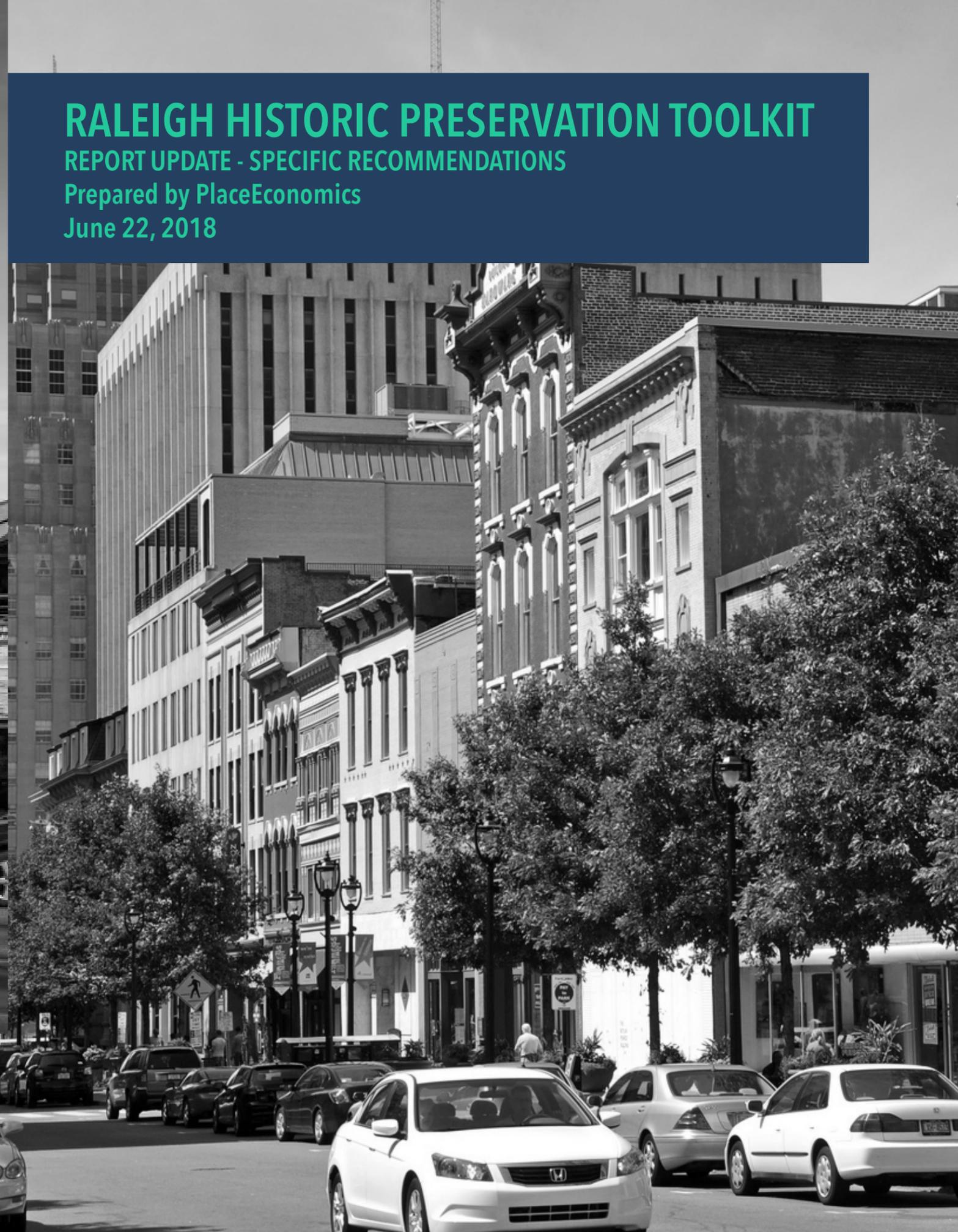
POTENTIAL TOOL	TIER	IMPACT	AREA	EFFECTIVENESS	COMPLEXITY	COST TO CITY	STAKEHOLDER APPROVAL
KNOWLEDGE AND PLANNING TOOLS							
Intervention During Demolition Delay Period	1	Improve information environment	All	Moderate to High	Moderate	Moderate to High	High
Mitigation Fund	2	Increase capital costs (disincentive for new development), Positive impacts subject to how mitigation funds are used	Cost - All; Benefits - Potentially all	High	Moderate	Low	Low
DIRECT ACTION TOOLS							
Create Historic Preservation Fund	1	Improve information environment	All	High	High	Moderate to High	High
Sustainability Demonstration Project	1	Improve information environment	All	Moderate	High	High	Moderate
Use of Federal Transportation Funds for Historic Preservation	1	Reduce cash required, others depending on use of program	Any with a connection to "transportation"	Moderate to High	Moderate	Low	High
Use of Federal Community Development Block Grants	1	Reduce cash required, others depending on use of program	Any with a connection to "low-to-moderate income residents, eliminate slum or blight, or eliminate a public health or safety issue."	Moderate to High	Moderate	Low	High
Threatened Building Program	1	Reduces cost, reduces risk	All	Moderate to High	High	High	High
Commercial Corridor Grant	1	Reduce cash required	Commercial Districts	Moderate to High	Moderate	Moderate to High	High

RALEIGH HISTORIC PRESERVATION TOOLKIT

REPORT UPDATE - SPECIFIC RECOMMENDATIONS

Prepared by PlaceEconomics

June 22, 2018



Prepared by:



PlaceEconomics

REPORT UPDATE, JUNE 2018

In February of 2018, PlaceEconomics presented the City of Raleigh with a package of national and international incentives, strategies, and tools in the four categories of the Historic Urban Landscape Approach: Financial; Regulatory; Knowledge and Planning; and Public Engagement; with one additional category of Direct Action. In Phase Two, the PlaceEconomics team researched five of those best practices and provided more specific recommendations for the context of Raleigh.

TOOLS COVERED IN THIS REPORT:

Financial/Direct Action: Establish a Preservation Fund

Community Engagement: Community Based Survey

Regulatory: Height Bonus

Financial: Historic Façade Easements

Regulatory: Limited Depth HOD-G

ESTABLISH A PRESERVATION FUND

Many public bodies establish separate funds for the advancement of policy goals using monies that are not, or not exclusively, provided by annual appropriations. Usually, these funds are funneled through a non-profit organization, usually a 501(c)(3) entity. These funds frequently have more flexibility than strictly public funds and are less subject to the volatility of annual appropriations. Potential donors are also more inclined to donate to a charitable organization than a tax-supported governmental unit, even though both types of donation can be tax deductible. Such a structure provides an opportunity to leverage private dollars toward public policy.

The City of Raleigh currently has in place a Preservation Revolving Loan Fund which was established by the city council in response to recommendations of the historic preservation element of the 1989 Comprehensive Plan. It was capitalized at a rate of \$50,000 per year from Fiscal Year 1992/1993 through Fiscal Year 1996/1997 for a fund asset total of \$250,000.

As a revolving fund, monies are lent to assist in providing gap financing for historic preservation projects; loan repayment reimburses the fund and makes those dollars available for future projects. Any for-profit or non-profit charitable organization with historic preservation among its objectives and purposes is eligible to apply through the Raleigh Historic Development Commission (RHDC) to city council for funding.

It is recommended that, in addition to the Preservation Revolving Fund, a new "Preservation Fund" be established. By supplementing the periodic loans, as is now done via the Revolving Fund, monies in the Preservation Fund could be used for acquisition, preservation, rehabilitation and restoration of historic resources, as well as for educational activities, small grants, publications, conferences, or other uses for which the annual budget does not allow. Properly structured, the Preservation Fund could raise monies from donations by corporations and individuals, grants from institutions and other levels of government, and other sources.

There are two approaches to establishing the entity to host the Preservation Fund. The easiest approach would be to utilize the RHDC's current 501(c)(3) status and structure, and expand its duties. The advantage of this approach would be the RHDC's familiarity with the issues and the city funding and staff support they receive.

This city funding may also be a disadvantage in that such funding ties the RHDC to following city rules and procedures, particularly with public process, which inherently take more time and negate "swift responses" to urgent issues. Another disadvantage may be that the ability to attract private donations and support would be limited as people are less inclined to donate to a local government group than to a non-profit independent entity.

A second approach would be to establish the Preservation Fund autonomously from RHDC. This could be accomplished either by spinning off the RHDC's 501(c)(3) corporate charter and reconstituting the entity with new bylaws and governance independent of RHDC, or by creating a new 501(c)(3) organization independent of the city. The advantage of a new, independent structure would be a greater ability to raise private dollars and receive donations. Such an entity would also be able to operate without the city's restrictions and political considerations. This would allow for quicker responses to time-constrained issues and more flexibility in deal-making and in seeking preservation-based outcomes.

A properly capitalized Preservation Fund could support the following tools:

LOANS FOR RETROFITTING HISTORIC BUILDINGS

- Money could be loaned at a low interest rate to support:
 - the retrofitting of historic buildings for energy efficiency;
 - making emergency repairs when buildings or safe occupancy is at risk;
 - making historic buildings code compliant;
 - making historic buildings accessible under the Americans with Disabilities Act (ADA).

THREATENED BUILDING PROGRAM

- There may be times when a high value property is at risk (e.g., demolition) and fast action is needed. Through the Preservation Fund the city or entity may choose to lend or grant funds to assist a property owner with rehabilitation efforts to ensure the property is not lost and/or is returned to a viable use.
- In certain circumstances, the city may acquire such property and either find a public use for it, or transfer it to a new owner through the RFP process, while placing a preservation easement or restrictive covenants on it to protect it in perpetuity. The city may also dispose of such property by transferring title to a preservation organization, without going through the RFP and bidding process.

ACQUISITION OF HISTORIC LANDMARK OR HOD PROPERTY BY THE RHDC AND/OR THE CITY OF RALEIGH OR A NEW ENTITY

- The RHDC currently has the authority to acquire property. Acquisition can be among the most effective tools available, but may also quickly deplete the Preservation Fund if used too often. This should be reserved for those properties that are most valued and at greatest risk, or where timing is deemed to be critical and other options are not available. (See Pros, Cons, and Principles of Direct Acquisition)
- If property is acquired using city funds, it must be held in the name of the city. This means that the traditional public process for disposing of the property must be engaged, or that the property may be disposed of by private negotiation and sale to a non-profit with historic preservation among its purposes as provided by G.S. 160A-266.
- If, however, an independent entity (see above) were created, and they had other resources, including access to lines of credit, then the entity would have greater flexibility in negotiating with potential buyers, and likely a more timely response.

HISTORIC COMMERCIAL CORRIDORS GRANT

- This grant is intended to revitalize historic commercial corridors and encourage the preservation of cultural heritage. Eligible properties should be locally designated landmarks, buildings that are contributing to HODs, properties that are individually listed or eligible for listing in the National Register of Historic Places, or should be part of a district that is listed or eligible for the National Register. The city's "Target Economic Development Areas" map from the Comprehensive Plan could also be a factor in eligibility. Funding should be used for exterior construction work or rehabilitation of commercial, nonresidential historic buildings, and would be provided as a reimbursement. Preservation easements would be required as a condition of funding.

NEIGHBORHOOD GRANTS

- Matching grant programs for neighborhood-based organizations can be used to improve quality of life in communities. These grants could be used for preservation surveys, maintenance expenditures for publicly owned heritage resources, small need-based grants to homeowners, stabilization of deteriorating properties, etc.

LOW-INCOME HISTORIC HOUSING GRANTS

- Grants would be available specifically in targeted areas to fund critical building maintenance; structural stabilization work; repair and restoration of historic features; reconstruction of missing historic details; and/or in-kind replacement of deteriorated historic elements, exterior rehabilitation, repair and restoration work that meets the city's historic property guidelines.

CAPITALIZING THE PRESERVATION FUND

Whether the city chooses to utilize RHDC's current 501(c)(3) status or an independent non-profit entity is established, additional money is needed to capitalize the Preservation Fund so that it can begin to utilize the tools outlined above. If the city wants to utilize the RHDC's non-profit arm, it should provide additional funds and encourage the RHDC to seek private dollars as well to carry out the Preservation Fund initiatives. This will require support of the city beyond what is currently provided, both financially and in staff time.

If it is decided that an independent non-profit entity should be established, such an entity will need staff and operating start-up funds. If the city sees this approach as viable and desirable in achieving public policy, it should consider underwriting a three year start-up phase during which the new entity would be expected to raise matching private dollars to allow it to both carry out its functions and to establish itself.

In either approach, an additional means of capitalizing the Preservation Fund would be if the city established a mitigation fee that would be assessed whenever a designated historic property, or one contributing in a historic district (HOD or National Register), was demolished. (Note that this may require enabling legislation from the North Carolina General Assembly. See Knowledge and Planning Tools: Mitigation Fees).

In recent years, community engagement has become increasingly central to how municipal governments make decisions. With the Citizen Advisory Councils, InVision Raleigh, and other programs, Raleigh is committed to empowering citizen decision making. Further, new approaches to data collection using smart technology are enabling civic leaders to analyze, understand, and plan for their communities in a more transparent environment. But how does historic preservation fit into this?

The traditional historic preservation data gathering approach is a historic resource survey, the method by which preservation entities inventory historic architectural assets. Primarily, these efforts are carried out with the intent to determine eligibility for historic designation at the local, state, or national levels, and the resulting data sets are managed by city or statewide preservation agencies. The National Register Criteria, which focus on buildings at least 50 years old, serve as the national standards when assessing properties for potential designation. These criteria establish a property's value on a building-by-building basis through the lens of its association with key historical dates, people or events of significance, or unique architectural features or styles. To gather historic preservation datasets, the city has utilized city code criteria (defined by General Statute that largely mirror National Register criteria) and State Historic Preservation Office funding. The city has dedicated funds to drafting Historic Overlay District (HOD) reports and updating National Register nominations resulting from the survey data. These historic resource surveys have traditionally involved lengthy amounts of time in the field with paid professional surveyors encumbered by paper, pen, and often a historic map for reference while taking notes on architectural styles and historic integrity as well as photographing or sketching the properties.

Community-based surveys present a new approach to identifying and documenting historic resources. Recently, methods for capturing traditional historic survey data have advanced technologically, creating electronic platforms to encourage speedier data collection in the field.¹ Increasingly, preservation organizations across the country are expanding survey methodologies beyond National Register criteria to include greater community input in an effort to more broadly understand places of import to local residents.² These new methods also provide a path to collect both tangible and intangible heritage data points.³

Community-based surveys differ from traditional historic resource surveys in several ways. First, the survey data is physically collected by volunteer community residents instead of certified architectural historians. Advancements in civic technology offer options for rapid mobile collection of a field survey such as a phone or tablet app where data is automatically uploaded. Second, these rapid mobile data collection options mean that surveying every property in the City of Raleigh can be accomplished in relatively little time.⁴ This allows for a fair use of resources to give the same attention to all areas of the city instead of waiting for an active or

¹ The National Park Service's Cultural Resources GIS Facility and its Certified Local Government (CLG) program teamed up with the City of Alexandria, Virginia in 2014 to test and develop a mobile architectural survey web-based platform that can serve as a national standard for historic resource surveying.

² The City of Denver and Historic Colorado partnered with Historic Denver to undertake Discover Denver, a surveying and social media effort to identify the city's historic resources. The survey relies on traditional documentation techniques to field survey each property along with crowd-sourced information for local residents. The pilot survey areas were completed in late 2014 (Discoverdenver.com).

³ Tangible heritage metrics -- such as architectural character or integrity, construction quality, and building condition -- have a strong role to play in guiding decision-making through data. These characteristics and assessments provide vital information on which to base decisions regarding demolition or other interventions, such as deconstruction or mothballing. In-tangible heritage, defined as the customs, language, food, traditions, etc. have long been recognized as heritage, but not often by a municipal policy. Community-based surveys allow for the collection of both tangible and intangible heritage data, thereby expanding a municipality's understanding of what the community values and improving their decision-making with respect to historic resources.

⁴ The Arches project in Los Angeles is a collaboration between the Getty Conservation Institute (GCI) and World Monuments Fund (WMF) to develop for the international heritage field an open source, web- and geospatially based information system that is purpose-built to inventory and manage immovable cultural heritage. Arches incorporates widely adopted standards (for heritage inventories, heritage data, thesauri, and information technology) so that it will offer a solid foundation that heritage institutions may customize to meet their particular needs. Arches is built using open source software tools to make its adoption cost effective, and to allow heritage institutions to pool resources to enhance Arches in mutually beneficial ways.

engaged neighborhood to request the resources.⁵ Third, the survey can be designed to collect a lot more than the on-the-ground property information. Data points could include photos, oral histories, videos, maps, written narratives, social media posts, and others. Some mediation of the data or a quality control process will be necessary to properly channel the data collected to inform public decision making.⁶ Lastly, with the emphasis on open data and governmental transparency, it is crucial to publically display the survey data as an easy-to-use online interface. This ensures the information is easily accessible for a student research project, the real estate community, and general public use.⁷

It is recommended that the City of Raleigh undertake a community-based survey initiative to gather both tangible and intangible heritage datapoints. Using new data points and collection methods, Raleigh neighborhoods stand to play a more proactive role helping to inform decisions.

The methods to undertake the community-based survey should involve:

MEDIA CAMPAIGN

- Let the public at large know the city is seeking their involvement.

NEIGHBORHOOD OUTREACH

- Establish a transparent system and the suitable technology for incorporating publically-sourced data into the larger land use system.
- Complete a pilot survey.

CORPORATE AND UNIVERSITY PARTNERSHIPS

- Consider corporate or university partnerships to provide technology and manpower.

QUALITY CONTROL

- Create a system of quality control checks to sort the data.

INTEGRATION WITH CITY SYSTEMS

- Notations of historic data points in parcel data and flags indicated in other city databases.

While a property-by-property survey of the city is a big endeavor, the resulting data points can offer meaningful information to improve the evaluation of cultural resources, inform land use decisions, create new partnerships with educational programming, and build public trust and civic pride. The information collected could be used to establish additional historic designations, new forms of public recognition of heritage (such as a legacy business registry), or result in other intangible designations.

With this information, the city can begin to build a database of every property in the city and form a notation system to indicate a point of heritage, whether it is a historic parade route, BBQ joint, protest location, etc. These historic resource data points should not be a mystery to other agencies and departments in the city. In this era of big data, open data, and civic technological advances, the city's historic preservation program can also benefit.

⁵ In 2016, the City of Muncie undertook a citywide parcel level rapid mobile survey of Muncie, Indiana using a combination of volunteer and paid surveyors. The resulting dataset for the ScoutMuncie project is available online at <https://scoutmuncie.wordpress.com/>.

⁶ The City of San Antonio has combination volunteer and paid surveyor model for its ScoutSA program. The Discover App requires a login for each surveyor but is easy for residents to sign up. The city has also undertaken a thematic approach, asking for information about mid-century modern resources or gas stations which are considered threatened resources. Available online at <https://www.sanantonio.gov/historic/historicsites/Surveys>.

⁷ London, England's neighborhood of Whitechapel is featured on a website with information about every building, including photographs, stories and research, film clips and audio recordings added by historians, local people and others with an interest in the area. The project was accomplished with a university partnership: <https://surveyoflondon.org/>



To a large degree, the city's recent rezoning and development pressures in Raleigh's downtown core prompted this Historic Preservation Toolkit. PlaceEconomics looked at a package of incentives and policies that might be implemented to address these specific pressures: height or density bonus, historic facade easements, and limited depth HOD-G.

HEIGHT OR DENSITY BONUS

Two concepts underlie the monetization of floor area ratio (FAR): bonus and transfer. This section will look at the practice of bonus. A height or density bonus adds height or units to the zoning in return for some public benefit like affordable housing, open space creation, or green building. For many cities, that public benefit is the preservation of cultural heritage—height bonuses may be allowed in exchange for onsite preservation, a preservation easement, fees that go into a preservation fund, etc. Height bonuses are self-contained and easily codified—they can be designed such that additional density is provided to a development in exchange for the preservation of a historic resource elsewhere in the city, or they can be designed to allow additional density on the same site as the resource, while ensuring that a substantial portion of the resource remains intact. A bonus program does not require the application of a special or overlay zoning district. It can be enforced during site plan review. It also withholds development rights unless preservation is achieved, eliminating the incentive for demolition that may accompany other tools.

This section will review five aspects of density bonus programs: **eligibility, review process, fee-in-lieu, bonus formulas, and levels of intervention.** Examples from cities with similar programs will be provided. Not every city listed will use density bonuses solely for historic preservation, but the structure of their programs are referenced for example.

DENSITY BONUS PROGRAM CONSIDERATIONS

Below are other broad considerations to take into account when designing a density bonus ordinance. The following is sourced from the Lehigh Valley Planning Commission's Model Ordinance on Density Bonuses.

Appropriately Valued Bonuses or Amenities

- The bonus needs to be valuable enough to offset the cost of the public amenities without becoming a windfall. The best way to determine the equivalent cost of bonus density is first to conduct a land value study to determine the cost per square foot of developable real estate within the municipality. Since the value of land is likely to vary throughout a municipality, a city might consider creating districts where this value would be determined independently in each. However, this approach can create administrative hurdles that limit the use of the bonus (see section on fee-in-lieu).

- Examples: Miami

Appropriate Amenities

- The amenities should be things the public and the municipality actually want. The amenities required for density bonuses need to be the municipality's highest priority items.
- Example: many cities offered density bonuses in exchange for underutilized urban plazas.

Clear Density Bonus Regulations

- Developers are more likely to participate in a program if there is certainty and predictability about how much density will be granted for an amenity.

Non-Conflicting Processes

- There should not be competing methods for achieving density on a development (transfer of development rights, by right zoning, etc.) If achieving higher density is the city's primary objective, then the city can provide a menu of ways for that density to be achieved through a bonus—an open space bonus, an affordable housing bonus, preservation bonus, etc. However, if the city wishes to prioritize certain amenities, such as preservation, the structure of the incentive should reflect that.
- Internally, the structure of the bonus program must not work against its own goals. For example, many cities that offer a bonus density also provide a fee-in-lieu option, allowing developers to pay a fee rather than provide that amenity. The City of Austin found that the majority of projects opted out of providing affordable housing in exchange for the fee. The program should ensure that providing the amenity is an equally attractive and procedurally simple option.

ELIGIBILITY

To advance historic preservation in Raleigh, eligibility requirements should be broad enough to capture a wide range of resources. For Raleigh, this might mean not only properties locally and nationally designated, but any properties included on the comprehensive historic resource survey or the State Historic Preservation Office's Study List or any properties deemed historically significant by the city Historic Preservation Senior Planner. The city might also give special consideration to developable lots in existing historic districts.

Austin, Texas (Preservation Density Bonus)

Properties eligible for a density bonus include buildings designated at the local, state, or national level; buildings determined by the city's Historic Preservation Officer to be historically significant; or buildings determined eligible for the National Register.

REVIEW PROCESS

The review process for a density bonus is generally administrative and can be aligned with existing procedures in the Unified Development Ordinance (UDO). It should be the responsibility of the city to determine the appropriate administrative processes for granting density bonuses. Upon surveying the review processes of similar programs, it is recommended that review authority reside primarily under the Director of City Planning, with appropriate channels for input from the Historic Preservation Senior Planner in cases where design review or COA approval by the Historic Development Commission is not triggered. Below is an example from Austin, Texas, where approval by the Historic Landmarks Commission is required regardless of historic designation if a development is to receive a preservation density bonus.

Austin, Texas (Preservation Density Bonus)

The city of Austin has certain "gatekeeper requirements" that the development must first meet to determine that the development substantially complies with the Urban Design Guidelines. The first round of the application is approved by the Director of the Planning and Development Review Department and is primarily focused on the urban design character of the development in relation to its surroundings. The Design Commission shall evaluate and make recommendations regarding whether the project complies with the Urban Design Guidelines and the director shall consider comments and recommendations of the Design Commission. The applicant shall execute a restrictive covenant committing to achieve a minimum two star rating under the Austin Energy Green Building program using the ratings in effect at the time the project is registered with the Austin Energy Green Building program. The applicant shall also provide the director with a copy of the project's signed Austin Energy Green Building Letter of Intent before the director may approve bonus area for a site.

After the director determines the applicant meets the gatekeeper requirements, the second phase of the application begins. The applicant shall provide sufficient written information so that the director can determine: (a) the site's primary entitlement; (b) the amount of bonus area that the applicant is requesting; (c) the total dollar amount the applicant will pay if the applicant chooses to obtain the entire bonus area exclusively by paying a development bonus fee, and the amount of the fee to be dedicated to each community benefit; and, (d) the community benefits the applicant proposes to provide to obtain bonus area if the bonus area will not be obtained exclusively by paying a development bonus fee.

Developments requesting additional density in exchange for historic preservation improvements must maintain the integrity of the building, whether or not the building is designated. The Historic Landmarks Commission reviews and approves modifications before a bonus is granted. Applicants provide a description of rehabilitation that describes the existing condition of the building and the proposed work. The applicant must submit photographs showing the major character-defining features of the building prior to the start of work. Before the Director of the Planning and Development Review Department may issue any type of Certificate of Occupancy, an applicant must submit documents verifying that the work has been completed as proposed. The documents must be submitted in a format similar to the Description of Rehabilitation portion of the United States Department of the Interior National Park Service Historic Preservation Certification Application.

FEE-IN-LIEU

Most density bonus programs include a fee-in-lieu option, whereby a developer may achieve bonus area by paying a development bonus fee into a public amenity fund, such as a Historic Preservation Fund. For the historic preservation density bonus in Austin, developers can purchase additional density at a dollar per square foot, up to the amount established by the city ordinance for each district.

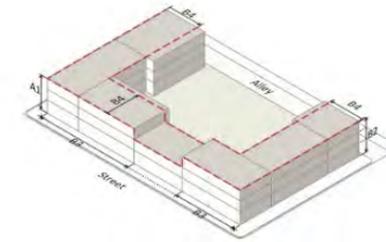
Other density fee-in-lieu programs use more complex calculations to determine fee amounts. Even within the city of Austin, for amenities other than preservation, the fees can range from \$0.50-\$10 per square foot. These prices are based upon the Consumer Price Index to measure appropriate annual fee adjustments. Fiscal Year FY16-17 marked the first year that the index has increased significantly enough to adjust the fee amounts. For example, the fees for Transit Oriented Development Density Bonus increased from \$10 to \$11 in October 2016. A similar example can be found in Miami, Florida.

Miami, Florida (Public Benefits Trust Fund)

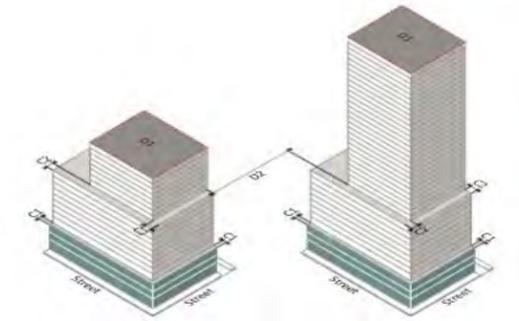
Per square footage fees depend on the area where the property is situated and is based on data that is readily available so periodic adjustments can be made depending on the current market situation. If real estate prices are up, the fees will go up and if real estate prices are down, the fees will go down accordingly. The fee schedule was established at approximately 30% of related land costs of a completed unit for each area, making it attractive enough that developers will actually contribute. The charges within the East Quadrant areas range from \$10.75 to \$25 per square foot, which demonstrate an improvement in certain areas from the current \$12.40 that is currently charged. This will increase the amount of monies received by the City for affordable/workforce housing as well the parks/open spaces funding.

However, there are drawbacks to pricing fees differently across a municipality. Cornerstone Partnerships, The Community Land Trust Network, and the Grounded Solutions Network recognized a best practice in establishing fee-in-lieu programs:

“In high-cost or strong housing market cities, a single policy which applies uniformly across the jurisdiction is often preferable for ease of administration. This approach avoids the unintended market consequences of applying policies differently across the same jurisdiction (i.e. market preferences to develop in areas not subject to inclusionary housing policies.) It can also deliver the added benefit of providing clarity to developers and landowners who may find more nuanced or layered inclusionary policies overly complicated or confusing.”



	District	-3	-4	-5	-7	-12	-20	-40
A. Max Height								
A1	Building height (max stories)	3	4	5	7	12	20	40
A1	Building height (max feet)	50'	62'	75'	90'	150'	250'	500'
B. Min Height (Urban Frontages Only)								
B2	Building height (min stories)	n/a	n/a	n/a	2	2	3	3
B3	Street facing facade at min height (min % of lot width)	n/a	n/a	n/a	75%	75%	75%	75%
B4	Depth of min height from front building facade into lot (min)	n/a	n/a	n/a	30'	45'	60'	60'



Height of Building	Up to 3 Stories	4 to 5 Stories	6 to 7 Stories	8 to 12 Stories	13 to 20 Stories	21 to 40 Stories
D. Massing						
C1	3rd - 7th story stepback (min)	n/a	n/a	n/a	12'	15'
E. Towers						
D1	Floor plate size above 12 stories (max)	n/a	n/a	n/a	25,000 sf	25,000 sf
D2	Spacing between towers - floors above 12 stories (min)*	n/a	n/a	n/a	n/a	100'

BONUS FORMULA/UNITS OF BONUS

In Raleigh’s UDO, density is generally controlled by height in mixed use districts. One drawback in the context of the UDO is the difficulty of calculating the bonus in the absence of a FAR zoning scheme. The UDO’s hybrid approach to Form-Based Zoning, with build-to lines, number of floors, and percentage built at site frontage (see above), fosters predictability, walkability, and desired outcomes by using physical form (over separation of uses) as an organizing principle. However, in the context of a bonus system, not only does height-based density complicate such a system by itself, these form-based massing standards make a bonus system even more complicated. It will require a carefully considered alternative scheme for calculating bonuses that will continue to meet Raleigh’s city-shaping goals. Below are examples of formulas from various cities, including simple per-square-foot ratios that can be used in the absence of FAR.

Durham, North Carolina (Affordable Housing Bonus)

Inspiration for calculating bonuses under a similar form-based code can be drawn from Durham, North Carolina. The Durham UDO’s Affordable Housing Bonus allows an increase in the number of housing units and building heights that are allowed under a specific zoning regulation, in exchange for building more affordable or low income housing units. In the absence of a FAR scheme, the city uses housing units as a multiplier:

For the purpose of calculating the bonus residential density within projects utilizing the affordable housing bonus, the “base density” is the maximum density allowed in the zoning district prior to applying any potential bonuses and multiplied by the gross acreage of the tract of land, including all areas typically excluded from density calculations in Article 8, Environmental Protection. The resulting number shall be rounded down to the nearest whole number.

For each affordable housing dwelling unit that is constructed, a density bonus of one additional dwelling unit can be constructed beyond the base density.

Example: The project is in the Urban Tier, and 15% (i.e., 45 units) of the 300 maximum units qualify as affordable housing dwelling units affordable. Thus, an additional 45 dwelling units are allowed above the

maximum 300 units, totaling 345 dwelling units.

The above density bonus triggers an additional height bonus, translated simply into one floor or 15 feet:

When the affordable housing density bonus is utilized, an additional 15 feet of height shall be allowed.

Austin, Texas (Preservation Density Bonus)

Austin, Texas allows a density bonus for on-site preservation of buildings designated at the local, state, or national level; buildings determined by the city's Historic Preservation Officer to be historically significant; or buildings determined eligible for the National Register. The Historic Landmark Commission must review and approve modifications to a building before the city can grant a density bonus, and a development may be granted a density bonus for on-site improvements for historic preservation only where a certain substantial percentage of the external walls and internal structure remain intact at project completion. **Five square feet of bonus area shall be granted for each one square foot of an historic building preserved according to the on-site historic preservation requirements.**

Chester County, Pennsylvania (Preservation Density Bonus)

One example from a rural Chester County township is a density bonus for historic preservation. An ordinance allows developers to add one additional unit to a project for every two acres of historic land preserved through a conservation easement, with that land also counting toward the developer's open space requirement. The ordinance also allows bonus units for the preservation of historic structures—**one additional unit for each 2,000 square feet (after the first 1,000) in floor area of structure preserved, renovated and rehabilitated in accordance with a qualified restoration architect. A maximum of four total bonus dwelling units could be added to a project through these preservation efforts.**

LEVELS OF INTERVENTION

In designing a bonus program, the city has the opportunity to incentivize the retention of fabric. The Austin historic preservation bonus specifies that a "substantial percentage of the building" must be retained. It is the city's responsibility to determine what "substantial" entails. A development proposal that retains three walls might be eligible for a greater bonus than one that retains only two. A city might choose to require that at least two walls are retained in order to receive bonus area at all, creating a preservation threshold. The city might stipulate that a development that retains less than 20 feet of the building from its facade can only receive additional density through a fee (see section on Facadism).

The city might also consider capping the amount of density that can be achieved through the fee option, such that a developer can generally achieve more density by preserving the resource. While the funding of city preservation initiatives is important and still a valuable trade-off, it is important that this tool does not become an unintentional driver of facadism and demolition.

An easement is a legal agreement between a property owner and a qualified preservation organization or public agency in which the property owner protects the building's historic integrity without inappropriate alterations, and an organization or public agency is granted the right to enforce the covenant and monitor the property.

The agreement is filed in county land records and is binding with all subsequent owners. The donors of these easements may be eligible for a federal income tax deduction equal to the appraised value of the easement. The IRS allows charitable deductions for the donation of easements to "qualified organizations." Capital Area Preservation is one such organization in Raleigh, but easements may also be held with Preservation NC, and the National Trust for Historic Preservation. North Carolina also offers a state income tax credit for eligible easement donors.

While normally the intention of these agreements is whole building preservation, each property has a unique preservation easement that will define the special qualities of that property to be protected. The easement can be designed to meet the personal and financial needs of the landowner. In such a case, it is possible that, when donating a preservation easement as part of a development package, protections could be placed on only the façade, only the first 20 feet of the building, etc.

FACADE EASEMENTS WITH NEW CONSTRUCTION

Facadism has become a generally accepted—if often unsatisfactory and environmentally unsustainable—form of compromise between "preservationists who seek to preserve the building in its entirety for future generations and developers who seek to maximize the rate of return on investment by maximizing rentable space and providing modern amenities to increase asking rents."⁸ Though it cannot truly be considered "preservation" as defined by international charters, federal preservation standards, or local ordinances, it is a common enough practice to deserve investigation. This analysis will draw heavily from "Architecture of Compromise: A History and Analysis of Facadism in Washington, DC" by Kerensa Wood.

Wood outlines three general levels of facadism: decorative, streetscape, and incorporative, paraphrased below:

Decorative Facadism: retains exterior façade wall or pieces of exterior façade wall

Streetscape Facadism: A setback of 20-40 feet creates some illusion of depth. This may mean that 20-40 feet of the original building is actually preserved, or that only the exterior façade was retained but that a setback was constructed to result in the appearance of depth.

Incorporative Facadism: Incorporates more than 40 feet of the historic building. The interior might be retained, or gutted and reconfigured. This may also include a facadism project where two or more facades are retained, and the interior is scooped out.

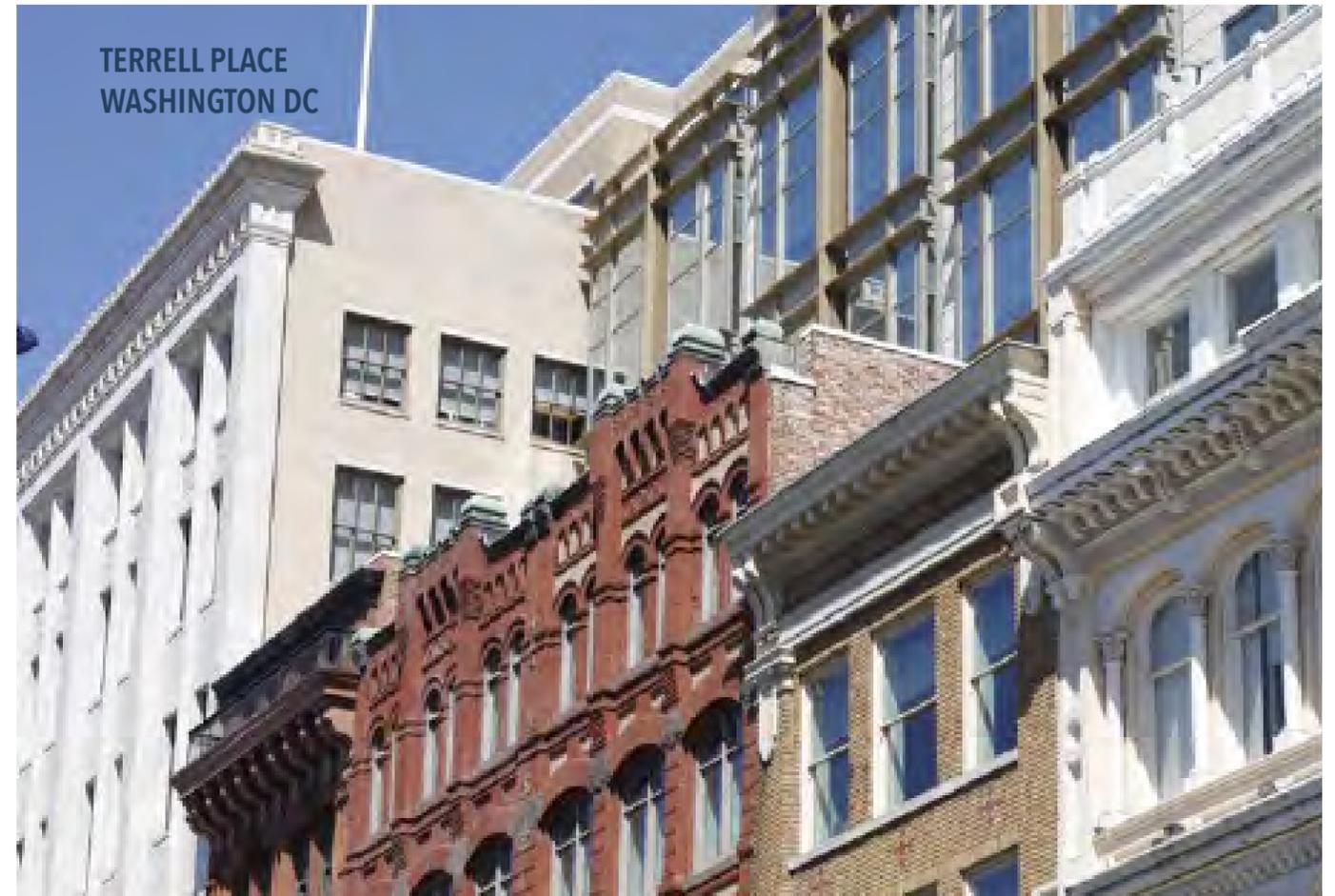
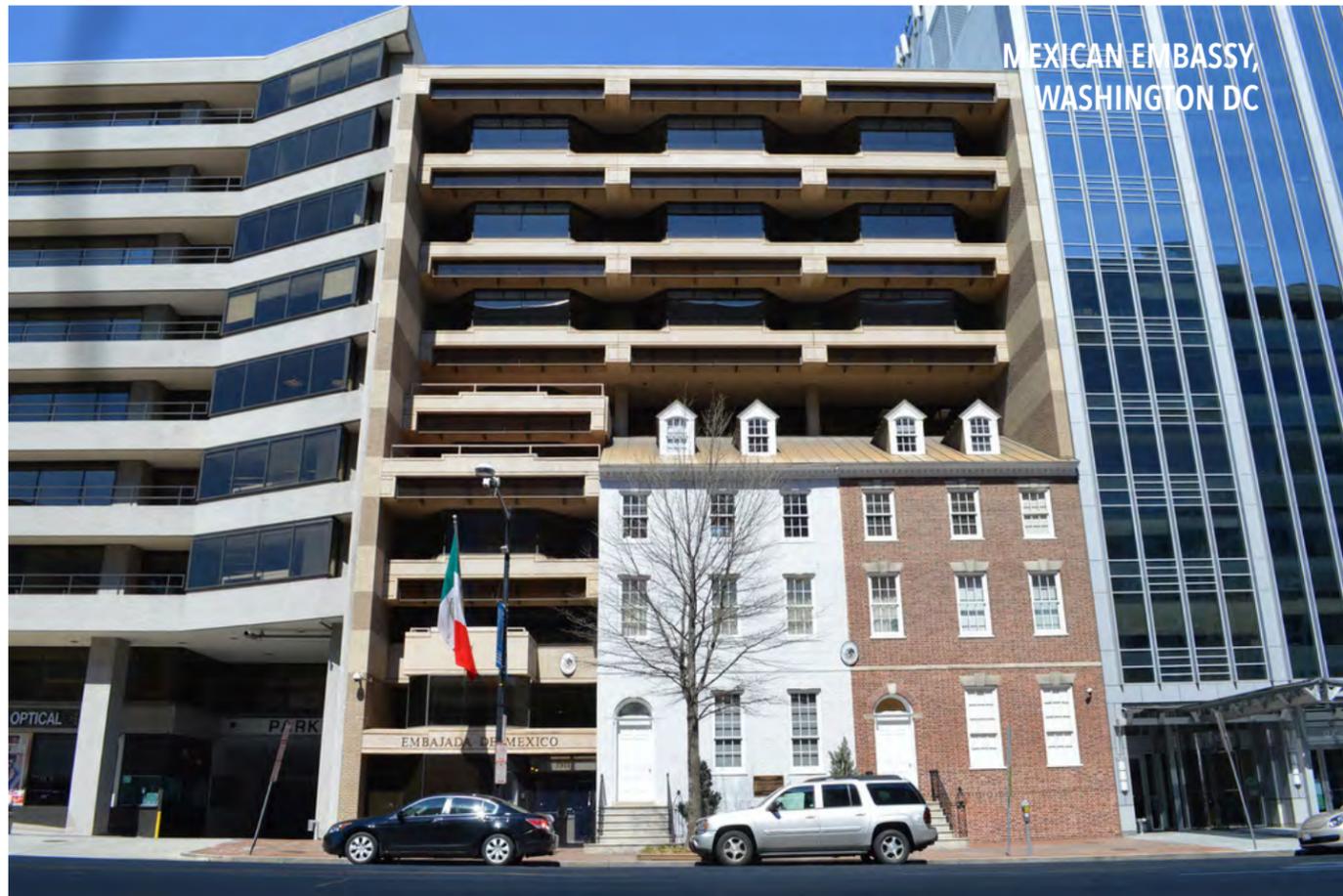
8

Wood, Architecture of Compromise, 1.

DECORATIVE FACADISM



STREETScape FACADISM (10-20 FEET SET BACK)



STREETSCAPE FACADISM (20-40 FEET SET BACK)

INTERNATIONAL SPY MUSEUM
WASHINGTON DC



INCORPORATIVE FACADISM

BOND BUILDING
WASHINGTON DC



THE JEFFERSON
WASHINGTON DC



1818 N STREET NW
WASHINGTON DC



Wood's analysis—though specific to the context of Washington DC—is a useful model for building out a decision-making framework around setbacks for new buildings built over existing ones. From these, PlaceEconomics proposes these general recommendations:

1. Decorative facadism satisfies none of the environmental values and few of the cultural values of historic preservation.
2. Facadism is not necessarily a compromise that results in a poor architectural product. However, a city should prioritize exemplary architecture over compromised preservation.
3. In general, setbacks of 20-40 feet, where feasible, are less visually-impactful and more effective for maintaining the feel and scale of a historic streetscape than setbacks of 10-20 feet.
4. A city might require preservation bonuses in exchange for partial demolition, or preservation investments that would not otherwise be required as part of the development. If a developer can prove that partial demolition is necessary, he or she may choose from the city's "wish-list" of projects to invest in.

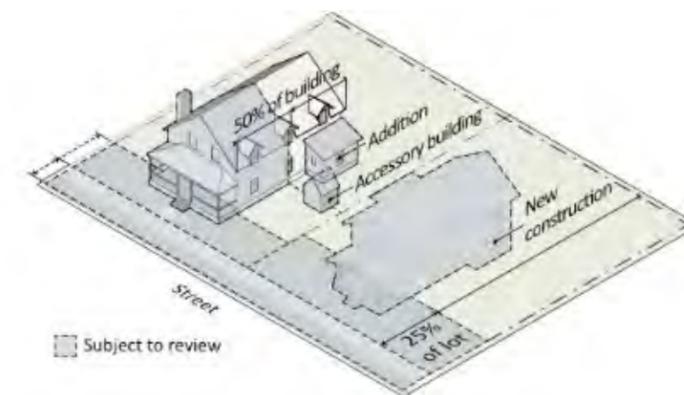
There are no hard-and-fast rules to a compromise as significant as a facadism. Factors such as the width of the street, the scale of surrounding buildings, the height of the addition, and many more determine the visual impact of facadism. Ultimately, it will be the responsibility of planners and preservationists in Raleigh to determine whether facadism is good policy or if a 20-foot setback or incorporation are good preservation.

There is precedent in Raleigh for a partial control historic district overlay—the Streetside Historic District Overlay. The UDO outlines the purpose of these districts:

The HOD-S is established to provide for protection of the traditional development patterns of an area and to preserve historic resources found in it. The focus is on maintaining that character and preserving those key character-defining features of individual historic resources within the district, as viewed from the street right of way, excluding alleys.

Within a Streetside District, control is granted only over:

- the public right of way for primary and side streets;
- the lot area between the public rights of way and the façade of any existing primary building;
- 25% of the depth of vacant lots;
- 50% of the depth of any existing principal building;
- any addition to a building or structure on the lot, regardless of distance from right of way;
- the entirety of any new building on the lot; the entirety of any new accessory building;
- and the entirety of any Historic Landmark on the property.



In the context of Fayetteville Street, these standards would trigger essentially all the regulations of a full historic district, if the goal were to increase height and density while maintaining the streetscape. However, this could be addressed if a special Downtown Streetside District Overlay were created that would grant the same powers on the front 50% of the existing structures, but allow for flexibility on the remaining lot. This may satisfy the needs of property owners and developers on Fayetteville Street. This option—as opposed, or in addition to, Historic Façade Easements or Height Bonuses—would provide a degree of predictability and security about potential change on the street, subjecting all properties to the same standards.