Mixed use is a popular form of development today and will become even more so with the demographic shift currently underway with generation Y and baby boomers. However, mixed use faces the problem of difficulty attaining financing and to be successful often has to rely on public-private partnerships. To solve this problem mixed use in historic structures is a viable option for developers. This thesis examines mixed use in historic structures in Durham, North Carolina via case studies. The studies show that mixed use in historic structures solves these problems associated with mixed use through the application of historic tax credits and local government incentives.

INDEX WORDS: Mixed use, Historic structures, Tax credits, Public-private partnerships, Durham, North Carolina
MIXED USE IN HISTORIC STRUCTURES: A PATH TO THE FUTURE, A LINK TO THE PAST

By

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CHAPTER 1

INTRODUCTION

Mixed use has become a hot topic among developers, city planners, and architects in recent years. It has become a fixture of both the New Urbanism and the smart growth movements. Increasingly mixed use is becoming a new option for developers, planners, and architects to embark on when designing and building new developments. However, there are few developers, planners, and architects who utilize historic structures for mixed use developments.

Mixed use developments face problems in attaining financing and have been shown to need private-public partnerships and local government incentives for them to be feasible. Historic preservation offers mixed use developments a way to bridge the financing gap with tax credits and other programs available when a historic structure is used for mixed use. Preservation, because of it being a function of government for the betterment of the public good, is a function of local government and can provide the incentives and public-private partnerships to enable mixed use in historic structures to be feasible.

Historic preservation has been shown “…to yield significant benefits to the economy”.¹ Preservation has also been cited as the seventh, out of forty-five options, most used revitalization strategy.² Preservation has also been found to be “…an

² Listokin, David, Listokin, Barbara and Lahr, Michael “The Contributions of Historic Preservation to Housing and Economic Development”, Housing Policy Debate, 9 (3); pgs. 431-478
economically sound, fiscally responsible, and cost-effective response to the challenges of today’s economic environment.  

Historic preservation is economic development and applying mixed use in historic structures benefits preservation because it preserves a historic structure and benefits the local economy through job creation, tax base growth, and business growth and creation.

This thesis examines case studies of four mixed use developments, all located in historic tobacco factories, in Durham, North Carolina that utilized historic preservation tools, such as local incentives and tax credits, to make the projects feasible. It also examines how these developments fostered economic growth, job growth, and business creation in the downtown area and the city as a whole.

These case studies will show that: tax credits provide a financing tool to promote mixed use in historic structures, local incentives are a good investment for a local community and also help to preserve the character of an area, and that historic preservation is economic development and when applied to mixed use benefits both the economy and the preservation of the historic structure.

This thesis is relevant because the United States is in the midst of a demographic shift where generation Y and baby boomers have become the largest demographic in the country. They are and in the future will be demanding mixed use developments in downtowns and urban areas. This study examines how mixed use in historic structures, utilizing historic preservation tools can make mixed use into feasible and profitable developments for the next generation of Americans, while preserving historic structures to maintain the character of the surrounding area.

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CHAPTER 2

MIXED USE

The Urban Land Institute, a 501(c)(3) nonprofit research and education organization that specializes in land use trends and issues, defines mixed use as projects that have three or more significant revenue-producing uses, significant functional and physical integration of the different uses, and conform to a coherent plan. However, a project is typically defined as mixed use in today’s market if it has more than one use and most developments have retail, residential and office. For example, Brightleaf Square, which will be discussed in chapter five, is considered a mixed use development by modern standards because it has both office and retail.

Mixed use developments have different types as well. Typically, mixed use developments are vertical, horizontal, or proximate. Vertical mixed use developments are multi-story structures with a mix of uses. An example of this is a high rise with retail on the ground floor and office and residential throughout the rest of the structure. Horizontal developments are essentially vertical developments laid on their sides. A good example of this would be a historic downtown streetscape with retail on the ground floor and residential or office on the first story. Proximate developments utilize multiple buildings to form a complex with different uses throughout the structures in the complex and are in a defined area. An example of this is the American Tobacco campus in Durham, which will be discussed in chapter seven. Mixed use can also be developed in a geographical

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area, such as a neighborhood commercial center, and is similar in design to a proximate
development. Mixed use developments in the United States have typically been
characterized by retail on the ground floor with office or residential space above.

Mixed use is not a new planning or development option. Prior to industrialization,
mixed use was the norm in most cities and towns in the United States. This was mostly
due to walking being the primary means of transportation for most of the citizens of these
towns and cities and thus businesses had to be convenient and close together. People
often worked from their homes and needed to live in close proximity to other craftsmen
and businesses to fulfill their daily needs and to offer their services to the local
community. This was apparent in both cities and towns, but the more urban areas, such as
larger cities, saw the typical mixed use development of commercial space on the ground
floor and residential above become the typical living arrangement for people in these
areas.

With the onset of the Industrial Revolution in America, manufacturing moved out
of homes and small factories and into large factories, usually located in cities or on the
periphery. Many of these factories were noisy and produced substantial pollution, which
had a negative impact upon both land values near these factories and the health of
individuals that lived on these nearby parcels, in addition to destroying the character of
the community. These issues started the discussion on zoning in cities.

In 1916, New York adopted the 1916 Zoning Resolution, which required setbacks
and set a limit on the height of buildings in Manhattan in response to the construction of
the Equitable Building. These were the first zoning regulations in the United States and would pave the way for zoning throughout the country in the next decade.

Zoning was still relatively new when the Supreme Court heard the case of *Village of Euclid v. Ambler Realty Co* (272 US 365). In this case, Ambler Realty Company owned sixty-eight acres of land in Euclid, a suburb of Cleveland. Ambler Realty wanted to develop the land for industrial use. However, the village of Euclid, in an effort to prevent this industrial development, developed a zoning ordinance based on different classes of use, height, and area. Ambler sued the village on the basis that the zoning had substantially limited the use of the land and its value, thus leading to an unconstitutional taking and a violation of the due process clause of the 14th Amendment of the Constitution of the United States.

The Supreme Court heard the case in 1926 and decided for Euclid based on the ordinance being within the scope of the police power afforded to the village of Euclid. This decision established that governments had the constitutional authority to regulate land use and the character of different areas. This lead to an increase in zoning ordinances throughout the country and Euclidean zoning, which divides land uses into specific geographic areas and standards of size, became one of the prevalent forms of zoning in the United States and is still a popular form today.

The rise of Euclidean zoning had a profound effect on mixed use because it divided land into single uses, which made it difficult for mixed use to be an option. Where before “…downtown buildings might contain a variety of uses; and a single block

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in downtown might contain almost every use”, Euclidean zoning encouraged
development that created pockets or islands of single uses.\(^6\)

This pattern of development was also encouraged by the rise of the automobile
and the automobile culture in the United States. When it was introduced, the automobile
was seen as a luxury for the rich, but with mass production and the economic boom after
World War II, the automobile became a fixture among middle class Americans. This
growth of the automobile also encouraged suburbanization, as Americans were able to
live further and further away from their places of work because of the ease of
transportation afforded by the automobile.\(^7\)

This type of growth spurred by Euclidean zoning and the rise of the automobile
occurred from the onset of Euclidean zoning until the 1960’s.\(^8\) In 1961, Jane Jacobs’
book, The Death and Life of Great American Cities, was published. Jacobs critiqued the
modernist city planning policies of the time that created these islands of development and
argued that they were destroying inner-city communities through the separation of uses.
To replace these policies, Jacobs advocated for “four generators of diversity” that would
create “…effective economic pools of use”.\(^9\) These four generators are: mixed uses, short
blocks, density, and buildings in various states of repair and age. Jacobs’ work was
widely read by planners, architects, and the general public, as it still is today. Influenced
by Jacobs and others, many city planners, architects, and other professionals saw the

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\(^8\) Tombari, Edward A. “Smart Growth, Smart Choices Series: Mixed-Use Development”, 2005, NAHB

benefits that mixed use could bring to a system of planning that encouraged sprawl and ever increasing distances from city centers that people chose to live.

During the 1970’s and 1980’s mixed use saw resurgence as an option for urban revitalization and as a part of the New Urbanism architectural movement in some areas of the United States. From the New Urbanism movement and several others, the smart growth movement emerged and the Smart Growth Network, a joint effort between the United States Environmental Protection Agency and several nonprofits, was formed in 1996. Mixed use is among the ten principles of the smart growth movement:

“Smart growth supports the integration of mixed land uses into communities as a critical component of achieving better places to live. By putting uses in close proximity to one another, alternatives to driving, such as walking or biking, once again become viable. Mixed land uses also provides a more diverse and sizable population and commercial base for supporting viable public transit. It can enhance the vitality and perceived security of an area by increasing the number and attitude of people on the street. It helps streets, public spaces and pedestrian-oriented retail again become places where people meet, attracting pedestrians back onto the street and helping to revitalize community life.

Mixed land uses can convey substantial fiscal and economic benefits. Commercial uses in close proximity to residential areas are often reflected in higher property values, and therefore help raise local tax receipts. Businesses recognize the benefits associated with areas able to attract more people, as there is increased economic activity when there are more people in an area to shop. In today’s service economy, communities find that by mixing land uses, they make their neighborhoods attractive to workers who increasingly balance quality of life criteria with salary to determine where they will settle. Smart growth provides a means for communities to alter the planning context which currently renders mixed land uses illegal in most of the country.”

As a principle of smart growth, mixed use became a popular development option for many developers throughout the United States. It was “…hailed as the greatest idea in

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10 Tombari, Edward A. “Smart Growth, Smart Choices Series: Mixed-Use Development”, 2005, NAHB
commercial real estate since the debut of the enclosed mall”. \(^{12}\) Smart growth and mixed use were also noticed by the Main Street program and highlighted as an option that Main Street directors and supporters could draw upon and use. \(^{13}\) Mixed use was booming and profitable at the end of the twentieth and beginning of the twenty-first century. \(^{14}\) Large developments throughout the United States were completed and more started. However, the boom would not last as the housing market crashed and with it came the Great Recession.

The Great Recession was largely caused by real estate. Real estate, including housing, commercial, and industrial and the infrastructure that supports it, such as transportation, electricity, sewer, and others, represents 35% of the economy’s asset base and when it crashes the economy crashes with it. \(^{15}\) Economic recovery is slowly underway, but if 35% of the asset base of the economy is not being engaged the recovery will be sluggish. However, the United States economy cannot revert back to low-density suburbs that are car dependent and located on the fringes of metropolitan areas to drive the economic engine because of a massive oversupply of these types of developments brought on by decades of government policies that favored this type of growth. \(^{16}\) These policies include home loans backed by government backed securities through entities such as Fannie Mae and Freddie Mac, the expansion of highways through the Department of Transportation, and even the expansion of sewer and water connections on the local


\(^{13}\) Loescher, Doug. “ Smart Growth: New Opportunities for Main Street”, *Main Street News*, January-February, 2000


municipal level. These policies, along with others, have favored low-density and sprawl on a national level. In a startling correlation to inner-city neighborhood decline in the 1960’s, many of these developments on the fringes of metro areas are swiftly declining and turning into slums.\footnote{Leinberger, Christopher B. and Patrick C. Doherty. “The Next Real Estate Boom”, \textit{Washington Monthly}, November/December 2010}

While the Great Recession has had a crippling effect on the United States economy, it has highlighted that consumers want homes in central cities and urban neighborhoods that are walkable to retail, entertainment, and employment. This is occurring throughout the United States with property values in downtown areas on the rise and values on the fringe dropping.\footnote{Leinberger, Christopher B. and Patrick C. Doherty. “The Next Real Estate Boom”, \textit{Washington Monthly}, November/December 2010} The last time this occurred was in the 1960’s, but it was in the opposite direction with people leaving the inner city for suburbs. The demand for these walkable communities has some obvious reasons, such as traffic congestion, high gas prices, and that many cities have replaced heavy industries with higher end service and professional economies.

“But the biggest factor, one that will quickly pick up speed in the next few years, is demographic. The baby boomers and their children, the millennial generation, are looking for places to live and work that reflect their current desires and life needs. Boomers are downsizing as their children leave home, while the millennials, or generation Y, are setting out on their careers with far different housing needs and preferences. Both of these huge demographic groups want something that the U.S. housing market is not currently providing: small one-to three-bedroom homes in walkable, transit-oriented, economically dynamic, and job-rich neighborhoods”.\footnote{Leinberger, Christopher B. and Patrick C. Doherty. “The Next Real Estate Boom”, \textit{Washington Monthly}, November/December 2010}

The baby boomer generation, born between 1946 and 1964, are the largest demographic group in the United States comprising seventy-seven million people and
25% of the population. The leading edge of the boomers are approaching sixty-five years of age, most no longer are raising children and are finding that their homes in the suburbs are too large.\textsuperscript{20} Many of the boomers are drawn to walkable communities with convenient transit, public services, cultural activities, and health care. A study in 2009 by real estate advisory firm, Robert Charles Lesser and Company, found that seventy-five percent of baby boomers want to live in mixed use communities in urban settings.\textsuperscript{21} Some boomers are drawn to cities while others prefer living in or near suburban town centers, which are also expected to grow.\textsuperscript{22}

The millenials or generation Y is the second largest generation in the country numbering 76 million and born between 1977 and 1994. This generation is the one causing the baby boomer generation to have empty, large homes in the suburbs, as they are moving out. Many of this generation “…have a taste for vibrant, compact, and walkable communities full of economic, social, and recreational opportunities”.\textsuperscript{23} Like most generations, they are bucking their roots and 77% of generation Y plans to live in the urban cores of America’s cities instead of suburbs.

“The convergence of these two trends is the biggest demographic event since the baby boom itself. The first wave of boomers will be sixty-five in 2011. The largest number of millenials reaches age twenty-two in 2012. With the last of the boomers hitting sixty-five in 2029, this convergence is set to last for decades”.\textsuperscript{24} This demand for walkable communities has the potential to change the American landscape and economy.

\textsuperscript{22} Mcilwain, John. “Housing in America: The Next Decade”, Urban Land Institute, March 2010, pg. 12
\textsuperscript{24} Leinberger, Christopher B. and Patrick C. Doherty. “The Next Real Estate Boom”, \textit{Washington Monthly}, November/December 2010
as much as the suburbanization of the country after World War II. This suburbanization was driven by government policies, such as the growth of highways and underwriting of single-family homes through government sponsored entities such as Fannie Mae and Freddie Mac, as well as veterans returning from World War II and the Korean War.\textsuperscript{25} However, with the convergence of seventy-seven million boomers and seventy-six million millennials totaling nearly fifty percent of the United States population in comparison to the twenty percent of the population that consisted of the veterans who sparked suburbanization, the change could be even greater.

Mixed use fits the needs of these two demographics and because of this will become more popular and relevant for communities who want to prosper from this demographic event. The application of mixed use development in a community, when combined with this generational shift, has the potential to drastically change the local community and economy for the better. However, there are still hurdles to be overcome for mixed use to be the dominant development option to meet the needs of the baby boomers and generation Y.

One of these hurdles is the financing of mixed use projects. Christopher B. Leinberger, a visiting fellow at The Brookings Institution Metropolitan Policy Program and the director of the University of Michigan’s graduate real estate program, has identified nineteen standard real estate types “…that can readily obtain financing and virtually all of them are geared to suburban development. These include grocery-anchored retail centers, walk-up apartments, starter homes, and office parks. Nearly all of these products must be built in a low-density, suburban, sprawling fashion. Yet these are

the only products most banks and publicly traded real estate investment trusts (REITs) can build, finance, trade, and own…”26 Michael Beyard, an urban planner, economist, and senior resident fellow at the Urban Land Institute, has also recognized the difficulty of securing financing as an impediment to mixed use development.27

These statements are still true today, but with the drop in the real estate market from the recession all forms of development now have difficulty with financing, not just mixed use. They also do not take into account local market forces. The real estate market, especially today, is in a constant state of flux. Therefore, these statements, while being generally true, cannot be applied universally to all real estate markets because there are always going to be exceptions to the rule. However, these statements have been shown to highlight one of the problems that mixed use development, and presently all development, faces today.

Another hurdle is that mixed use developments have been shown to need private-public partnerships and involvement from the public sector to fulfill the goals of the development and to insure success. “Nearly 60% of developers and other real estate professionals engaged in mixed-use say involvement by the public sector is instrumental to the financial success of a project, according to the survey sponsored by four industry groups”.28 It was also found that “…government support and involvement through public/private/nonprofit partnerships is critical to project success”.29

Utilizing a historic structure for a mixed use development and gaining access to the programs available to historic preservation can overcome these two hurdles. Utilizing a historic structure allows developers to have access to tax credits at both the state and federal level, in most cases, as well as other programs that contribute to the financial success of a project.

Historic preservation has also been found to be both a tool for economic development and for the improvement of the public good.\textsuperscript{30} Thus, local and state governments are active in preservation and have programs to help developers and owners with historic preservation while utilizing preservation as an economic development tool. The following chapter will examine the major tools used for mixed use development in historic structures, focusing on those utilized in the case studies from Durham, North Carolina. These include historic tax credits, New Markets tax credits, and local government incentives. The programs presented have been shown to be the major tools that are utilized not only in mixed use developments in historic structures, but also in other historic structures such as homes and sites.

CHAPTER 3

HISTORIC PRESERVATION TOOLS

Mixed use projects have difficulty obtaining financing and often rely on public-private partnerships and public sector involvement to fulfill the goals of the project and for it to be successful. Utilizing a historic structure opens up the availability of tax credits and a willingness from the government to provide incentives that make the project feasible and profitable. These historic preservation tools offer the ability to developers of mixed use projects to close the gap on financing and make their projects a reality, which in turn strengthens the local economy and spurs economic development.

TAX CREDITS

“The most significant single program involving historic preservation and the production of housing…is the historic rehabilitation tax credit”. Signed into law in 1981, the Economic Recovery Tax Act introduced a three-tier system for the rehabilitation of historic properties: a fifteen percent federal income tax credit for the rehabilitation of nonresidential income producing properties that were at least thirty years old, a twenty percent federal income tax credit for the rehabilitation of income producing nonresidential property at least forty years old, and a twenty-five percent federal income tax credit for the rehabilitation of both residential and nonresidential income producing properties. The income tax credits could be applied against wage and investment

income or could be syndicated to investors (such as banks or corporations). The 1981 Economic Recovery Tax Act increased investment in historic properties nationwide with investment in fiscal year 1981 at $738 million and increased every fiscal year up to $2.416 billion in 1985 with a corresponding increase in the number of projects.

In 1986 the Tax Reform Act changed the tier system introduced by the 1981 Economic Recovery Tax Act reducing it from three tiers to two. The lower tier was set at ten percent and was applied only to buildings built before 1939. This replaced the first tier (fifteen percent credit for the rehabilitation of income producing nonresidential properties that were at least thirty years old) and the second tier (twenty percent credit for the rehabilitation of income producing nonresidential properties that were at least forty years old). Similar to the other tiers, the twenty-five percent credit was reduced to twenty percent. However, more stipulations were added to the twenty percent credit where the rehabilitated property had to be: (1) a certified historic structure, which meant that the building was listed on the National Register or, (2) a contributing building of historical significance in a National Register district, (3) the rehabilitation had to be substantial in nature with more than $5,000 invested or the adjusted basis of the property, and (4) the rehabilitation had to be certified by using the Secretary of the Interior’s Standards for Rehabilitation as a guide on the rehabilitation and be consistent with the historic character of the district and building. State and local districts could also qualify if “…their enabling statutes [were] certified by the Secretary of the Interior”.

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The Tax Reform Act not only capped the income tax credit at twenty percent, but it also restricted using the credit against earned income, which had a cooling effect on investment in historic rehabilitations.\textsuperscript{38} However, since passage of the 1986 Tax Reform Act, investment has generally followed the real estate investment market.\textsuperscript{39} Nevertheless, in fiscal year 2010, investment in certified completed projects was $3.4 billion, which is the highest in the program’s history.\textsuperscript{40}

Beginning in 1997, North Carolina began offering a twenty percent state income tax credit that could be stacked onto the twenty percent federal tax credit for a total of forty percent against eligible project costs in rehabilitations of historic properties.\textsuperscript{41} In addition to the twenty percent credit, North Carolina also added a thirty percent credit for the rehabilitation for nonincome producing historic properties that included personal residences.\textsuperscript{42} This addition of personal residences was touted as “…the envy of preservationists throughout the country”.\textsuperscript{43} To be considered for the credit the building has to meet the same requirements as the federal tax credit.\textsuperscript{44} Since the adoption of the state historic tax credits in 1998, 1,324 historic rehabilitation projects have been

\textsuperscript{40} Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2010. December, 2010: pg. 2
\textsuperscript{41} http://www.presnc.org/Preservation-Answers/Tax-Credits. Accessed May 12, 2011
\textsuperscript{42} http://www.presnc.org/Preservation-Answers/Tax-Credits. Accessed May 12, 2011
\textsuperscript{44} Holton, Rebecca. “A Profitable Past, A Priceless Future: The Economic Impact of North Carolina’s Historic Tax Credit”, 2008, Pg. 3
completed in North Carolina, representing just over $830 million in project expenditures”.

In 2006 North Carolina enacted a tiered income tax credit for former industrial and mill buildings, which are prevalent throughout the state. The impetus for the Mills Tax Credit, as it is known today, was the closure of many of the industrial and textile mills in the state as North Carolina transitioned away from a production economy in the 1980’s and 1990’s. These mills provided jobs in the counties they were located and often became blights on the towns in which they were located. Preservation North Carolina, a nonprofit historic preservation organization, and its president, J. Myrick Howard, proposed a bill to the state legislature in 2005 that would offer tax credits to encourage reinvestment in these structures to both save them and provide an economic boost to the counties they were located in.

The Mills Tax Credit has three tiers that are based on a county’s economic status with tier one being low economic status, tier two moderate, and tier three high. A forty percent tax credit for a certified rehabilitation of an income producing historic structure is offered in development tier one and tier two counties for structures that also qualify for the federal twenty percent credit. “In effect, the combined federal-state credits reduce the cost of a certified rehabilitation of an income-producing historic structure by 60%”

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48 State Historic Preservation Office, Office of Archives and History, Division of Historical Resources, North Carolina Department of Cultural Resources, “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
49 State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
Income producing historic structures in tier three counties that undergo a certified rehabilitation are offered a thirty percent tax credit that, just as in tier one and two counties, can be combined with the twenty percent federal tax credit for a fifty percent reduction.\textsuperscript{50} Also offered for non-income producing historic structures in tier one or two counties is a forty percent tax credit that, unlike the other two options, cannot be combined with the federal tax credit\textsuperscript{51}. Similarly, non-income producing historic structures in tier three counties are not offered the state mill tax credit, but are still eligible for the thirty percent state tax credit\textsuperscript{52}.

The mills tax credit, like the federal and state tax credits, also has eligibility requirements. The building can be listed on the National Register individually, certified by the State Historic Preservation Officer as contributing to the historical significance of a local historic district certified by the Department of the Interior, or contributing to the significance of a National Register Historic District.\textsuperscript{53} Where the mills tax credit differs is that it also has qualifiers for use and vacancy. The building must have been “… used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility”.\textsuperscript{54} It also must have been at

\textsuperscript{50} State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
\textsuperscript{51} State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
\textsuperscript{52} State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
\textsuperscript{53} State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
\textsuperscript{54} State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
least eighty percent vacant for two years prior to the date an eligibility certification is made.55

North Carolina’s mills tax credit provides an excellent incentive for the rehabilitation of mills and stands out among other programs offered by the rest of the thirty states that offer state tax credits. Generally, programs in the states that offer state income tax credits provide for a twenty to thirty percent credit on rehabilitations.56 However, some do offer less of a credit, which has done little to spur reinvestment.57

Generally, a successful tax credit program will include eligible buildings (such as those individually listed on the National Register, located in National Register Historic Districts, listed on local landmark designations, and as contributing to local historic districts), abide by the Secretary of the Interior’s Standards for Rehabilitation, be available to homeowners, have an appropriate rate that spurs reinvestment in historic properties, transferability of the credit to banks or companies that can utilize the credit, annual aggregate caps, and geographic targeting and distribution.58

North Carolina’s tax credit programs include eligible buildings, but have added the mills tax credit to spur reinvestment in mills. Their tax credit program must abide by the Secretary of the Interior’s Standards for Rehabilitation. They were one of the first states to offer rehabilitation tax credits to homeowners. Their credit rate is thirty percent, which is on the high end for state tax credits. However, with the addition of the mills tax credit and its ability to stack on top of the federal tax credit, North Carolina has devised a

55 State Historic Preservation Office “State Mill Rehabilitation Tax Credits: N.C. General Statute (GS) 105-129.70 through .75”, 3/29/07, pg. 1
57 Schwartz “State Tax Credits for Historic Preservation”, National Trust for Historic Preservation, 2011
tax credit program that enables a sixty percent credit, the highest in the country. North Carolina also makes it simple to transfer or sell credits so that developers can utilize the credits as direct cash flow, instead of applying them on their taxes. The mills tax credit also uses a geographic targeting function through its tiered system.

North Carolina’s historic tax credit program has greatly benefited the state. These tax credit programs have generated an estimated $1.4 billion in economic output statewide from 1998-2007 from the multiplication through the economy of the $830 million in direct investment in historic properties. The projects also created jobs in the state with 8,630 directly created and 14,100 jobs through multiplication effects throughout the economy from 1998-2007. Household income was also affected by $438 million with $263 million going directly to employee compensation and $176 million of income being generated from activities related to the rehabilitation projects. Durham County, where all of the case studies are located, ranked fifth in the top ten counties for completed rehabilitation projects from 1998-2007 at one hundred eleven (forty-one income producing and seventy non-income producing), but had the highest qualified rehabilitation expenses in the state ($178, 669,447). The breakdown of the economic impact of the tax credits from 1998-2007 had a majority (fifty-eight percent) of the impact being direct, followed by induced impact at twenty-three percent and indirect impact at nineteen percent.

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60 Holton, Rebecca. “A Profitable Past, A Priceless Future: The Economic Impact of North Carolina’s Historic Tax Credit”, 2008, Pg. 9
63 Holton. “A Profitable Past, A Priceless Future:”, 2008, Pg. 9
Another tax credit program available to mixed use developments in historic structures is the New Markets Tax Credit. In 1994 the United States Treasury created the Community Development Financial Institution Fund for the “…purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions”.64 One of the programs at the disposal of a community development financial institution or CDFI is the New Markets Tax Credit, which was established by congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities.

The Credit works by providing “…investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period”.65 To date, the New Markets Tax Credit has allocated $29.5 billion in tax credits to community development entities.

Along with tax credits, the federal government, through the Department of Housing and Urban Development offers the Section 220 lending program. Section 220 is a program that “…insures loans for multifamily housing projects in urban renewal areas,

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64 http://www.cdfifund.gov/who_we_are/about_us.asp. Accessed May 17, 2011
code enforcement areas, and other areas where local governments have undertaken
designated revitalization activities”.66

LOCAL INCENTIVES

Historic preservation has been shown to be a function of government for the
public good. In this vein, local governments can provide financing, consulting, and
sometimes finance a building on the mixed use site. These incentives are varied, but the
case studies presented relied on the local government agreeing to build parking decks and
providing bonds through tax increment financing for the development of these historic
structures into mixed use developments.

Many local governments also have development authorities, usually through the
Chamber of Commerce or some other business organization. These groups can provide
consulting services and help to attract developers to these mixed use projects as well as
business tenants for the projects. These groups help to spur economic growth in the area
and can provide, not necessarily a financial incentive, but the incentive that there will be
a group backing the development in the local community.

It is no secret that rehabilitating a historic building for an adaptive reuse is not
easy and is quite often a frustrating task.67 However, with strong demand for retail,
apartments, and offices in architecturally interesting urban spaces, and with tax
incentives, returns on these historic buildings can beat other commercial properties.68

Similarly, mixed use, which can combine retail, apartment, and offices into one
single building or small complex of buildings has been shown, by a study conducted by

67 Hoffelder, Kathleen Fitzpatrick. “Rehabs: A Solid Niche in a Shaky Market” National Real Estate
Investor, July 1, 2003.
68 Hoffelder, Kathleen Fitzpatrick. “Rehabs: A Solid Niche in a Shaky Market” National Real Estate
Investor, July 1, 2003.
real estate historian and author Charles Lockwood, to “…consistently outperform
‘standard suburban real estate products in many ways,’ including office and retail lease
rates, residential prices and apartment rates, retail sales and sales tax revenues, hotel
room and occupancy rates, and on-site and adjacent property values”.69 It is only logical
that a combination of the two would be successful and provide the best of both worlds.

CHAPTER 4

DURHAM

Founded in 1854, the city of Durham in North Carolina has had a history intertwined with the industries that have called the city home. North Carolina has been known for its tobacco production and Durham was the hub from which this industry revolved. In 1854, R.F. Morris opened the first tobacco factory in the city, but it was not until after the Civil War that the industry took off nationally with demand for smoking tobacco from returning veterans of the War.\(^{70}\) By 1890, Durham was home to the American Tobacco Trust, a conglomerate of five other tobacco corporations and manufactured a majority of the cigarettes in the world and was also one of the original twelve members of the Dow Jones Industrial Average in 1896.\(^{71}\)

With the increased demand for the tobacco from Durham’s factories, population increased and the city became an important financial center with banks and insurance companies moving to the city. Trinity College, which later became Duke University, came to the city in 1892 and North Carolina College for Negroes, which became North Carolina Central University was established in 1910.\(^{72}\)

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Mechanics & Farmers' Bank, were centered on Parrish St. in downtown Durham, which would come to be known as ‘Black Wall Street’.".73

The twentieth century saw Durham continue to grow as an industrialized city, with tobacco and textile manufacturing remaining the predominant industries. In 1959, the Research Triangle Park, a large research and development center, was created just under five miles from Durham. However, once that the tobacco and textile manufacturing industries began moving out of the city leading up to the 1970’s, the city began a slow decline in its downtown. This was also brought on by the suburbanization of America

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with suburbs and new malls drawing more and more people out of the downtowns of not only Durham, but also cities across the United States.\(^7^4\)

With this decline in both residents and industry, downtown Durham was left with many vacant or sometimes even abandoned tobacco warehouses and textile mills. The city needed an economic boost for its downtown, which, like many cities, also serves as the central business district. The catalyst for this reinvestment in the downtown was Brightleaf Square, a shopping and dining center that was built within two warehouses located on Main Street in downtown Durham and was completed in 1981. This reinvestment would spark three other mixed use developments throughout the city.

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CHAPTER 5

BRIGHTLEAF SQUARE

Brightleaf Square is a mixed-use adaptive re-use of two tobacco warehouses, the Watts and Yuille warehouses and is located on Main Street in Durham. The warehouses, built in 1904 by the American Tobacco Company, are named after a partner in the company, George W. Watts and a vice president in the company, Thomas D. Yuille.75

The warehouses were used to store tobacco while it was drying and have seventy-two chimneys per building that allowed this to take place.76 Like the majority of industrial buildings built in the early-1900’s they are of brick construction. The brick warehouses are parallel to each other and form a square “…with an interior courtyard that features such intricate exterior detail as stringcourses, dentils, pilasters, and elaborate chimneys on the parapet walls of the firewalls. The decorative program precisely articulates the interior subdivisions. Each building is seven bays wide and twenty bays long; the bays are divided by pilasters on the exterior”.77

“The interior of the warehouses was done in post-and-beam construction using two local materials, brick and heart pine timber. Each unit was a large open space 75 feet by 118 feet, with four units totaling 35,400 square feet on each floor, broken only by rows of thick octagonal columns, designed for easy loading, unloading, and ventilating of tobacco leaves”.78 The warehouses were in use until 1970, when the Ligget & Myers

Tobacco Company, which was one of the companies that the American Tobacco Company was divided into after they were found to be in violation of the Sherman Antitrust Act in 1911, ceased using the warehouses and they were put up for sale.\footnote{http://www.historicbrightleaf.com/history/index.html. Accessed April 22, 2011}

It was not until 1980 that developers Terry Sanford, Jr. and Clay Hammer of SEHED Development Corporation bought the two warehouses from Ligget & Myers for $400,000.\footnote{http://www.historicbrightleaf.com/history/index.html. Accessed April 22, 2011} They planned a mixed-use development of restaurants and retail shops on the ground floor and office space on the second floor. The development company invested $6.2 million into the project and the newly christened Brightleaf Square opened in 1981.\footnote{http://endangereddurham.blogspot.com/2006/11/brightleaf-square-watts-yuille.html. Accessed April 22, 2011}
“Among its original tenants were Fowler’s gourmet food store, Morgan Imports and a restaurant owned by the late Jimmy ‘The Greek’ Snyder, an oddsmaker and television sports commentator”.82 Brightleaf was also placed on the National Register of Historic Places in 1984 for its architecture, engineering, and industry.83 The development flourished until the turn of the century when several businesses moved out and pressure from retail developments in southern Durham pushed Brightleaf Square to undergo a renovation in 2004.84 “Ken Kauffman of Urban Retail Associates (who also worked on Union Station in Washington, D.C.) persuaded Sanford to revamp the courtyard and buildings so that the stores had exterior entrances off of the courtyard with outside dining and other ‘street furniture’/lighting that made the courtyard into functional public space. The result (designed by landscape architects Coulter, Jewell, and Thames and architects Roughton, Nickelson, and Deluca) is a space that is far more pleasant, even vibrant, on weekend nights when the weather is [nice]”.85 Today, Brightleaf maintains offices on the upper floor with retail on the ground floor.

<table>
<thead>
<tr>
<th>Purchase Price</th>
<th>$400,000</th>
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</thead>
<tbody>
<tr>
<td>Capital Invested</td>
<td>$6.2 million</td>
</tr>
<tr>
<td>Square Footage</td>
<td>141,600 sq. ft (35,400 sq ft. per floor, two floors, two buildings)</td>
</tr>
<tr>
<td>Uses</td>
<td>1st floor-Restaurants and Retail 2nd floor-Office</td>
</tr>
</tbody>
</table>

Figure 3. Breakdown of Brightleaf Square financials and mixture of uses.

BRIGHTLEAF’S LEGACY

As the first mixed use and adaptive reuse of a tobacco warehouse in Durham, Brightleaf acted as a catalyst to bring more reinvestment to the downtown. This catalyst effect is a strategy that can be used in downtown development.\textsuperscript{86} The effect is usually caused by a “…major development, such as a new festival marketplace or the rehabilitation and reuse of a major historic building to be the catalyst for additional projects”.\textsuperscript{87} Like many aspects of historic preservation and economics, this process is observed not through statistics, but more anecdotally, as will be seen with Durham.\textsuperscript{88}

Without the developers of SEHED seeing that the market in Durham was in need of a downtown shopping development this project would have never happened. This would influence other developers to partake in projects that would help shape Durham into the thriving city it is today. The development is unique in that it did not take advantage of tax credits or other incentives offered for historic preservation, which were not available at the time, but has still been a very successful development both financially and for its efforts to preserve the warehouses with a new use.

\textsuperscript{87} Wagner, Richard. “Urban Downtown Revitalization”. \textit{Historic Preservation Forum}, 7 (5), pg. 56
\textsuperscript{88} Listokin, David, Listokin, Barbara and Lahr, Michael “The Contributions of Historic Preservation to Housing and Economic Development”, \textit{Housing Policy Debate}, 9 (3), pg. 443
Figure 4. Brightleaf Square in 1978. Photo courtesy of Gary Kueber

Figure 5. Brightleaf Square in 2006. Photo courtesy of Gary Kueber
CHAPTER 6

WEST VILLAGE

Located a block east of Brightleaf Square in the six hundred and seven hundred blocks of West Main Street and West Morgan Street and in the Brightleaf Historic District is West Village, a large mixed use development that bridges the gap between Brightleaf and the downtown core. West Village is comprised of six tobacco warehouses, two factories, a shop, a power house, a research lab, and an office building spread in a three-block area. All of the buildings are historic and are of brick construction similar to Brightleaf Square. Ligget & Myers, the same company that owned the Watts and Yuille warehouses at Brightleaf were the owners of these buildings as well. West Village was included as contributing structures to the Brightleaf Historic District in 1999 and was named a local historic landmark in 2001 and 2006.  

Spurred on by the success of Brightleaf Square, and seeing that a need was present for residential and more business locations downtown, two former Duke University basketball teammates, Brian Davis and Christian Laettner, and two brothers, Daniel and Tom Niemann, formed Blue Devils Ventures and purchased five of the buildings located in the northern area of what is today the West Village development for $2.2 million from Ligget & Myers in March of 1997. Tom White, vice president for economic development at the Durham Chamber of Commerce said at the time, “It’s an exciting development” and “Converting the warehouses--located on the corner of Duke

and Morgan Streets in downtown Durham--into business space and residences will both
boost area commerce and preserve the historic value of the structures…”

Figure 6. Apartment buildings in phase one at West Village. Photo courtesy of Preservation Durham.

Construction on what would be known as phase one of West Village started in December of 1998 and was completed in 2000 at a cost of $40 million. The development created two hundred forty apartments for the downtown area that were initially leased for fifteen dollars per square foot annually, which was below market rate for the area. Duane Marks, chief operating officer of Blue Devil said of the low rates, “When we started phase one we were so far below market, so we kind of created a market”. Phase one also brought in 31,500 square feet of retail and office space to the downtown area.

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The location of West Village, at one block from Brightleaf Square and three blocks from the East Campus of Duke University, puts it at a prime location to foster economic development and bring more residents to the downtown area. In 2000, “Ted Abernathy, Durham's manager of the office of economic and employment development, said the West Village project was ‘by far’ the largest single source of residents downtown, and agreed about the ripple effect of residential development downtown”. Bringing residents back to downtowns is a key component of creating a healthy downtown and West Village was a catalyst, similar to Brightleaf, in bringing in new residents to the downtown area, which in turn fostered economic growth.

Figure 7. Locator map showing proximity of West Village to Brightleaf Square.

Spurred on by the success of phase one of West Village, Blue Devil purchased the remaining six buildings on the West Village complex from Ligget & Myers in December

2005 at a cost of $15.5 million. Completed in March 2008, phase two brought two hundred thirteen apartments and over two hundred thousand square feet of office and retail space to downtown Durham at a cost of $150 million. The final and third phase of West Village called for the redevelopment of the six-story Chesterfield Building, which is not yet completed.

<table>
<thead>
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<th>Phase 1 - $2.2 million</th>
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<tr>
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<td>Phase 2 - $15.5 million</td>
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<tr>
<td>Capital Invested</td>
<td>Phase 1 - $40 million</td>
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<td></td>
<td>Phase 2 - $150 million</td>
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<tr>
<td>Tax Credits</td>
<td>$33 million (state and local)</td>
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<td>Local Incentives</td>
<td>$11.3 million (bonds and parking deck)</td>
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<td>Square Footage</td>
<td>1.2 million square feet total</td>
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<tr>
<td>Uses</td>
<td>Phase 1 - 240 Apartments, 31,500 sq. ft. office and retail</td>
</tr>
<tr>
<td></td>
<td>Phase 2 - 213 Apartments, 200,000 sq. ft. office and retail</td>
</tr>
</tbody>
</table>

Figure 8. Breakdown of West Village financials and mixture of uses.

At a cost of almost $200 million and covering three city blocks the West Village is both costly and a large development. At the completion of West Village, tax credits from both the state and federal government had contributed almost $33 million to the project. Most of the tax credits were sold to Wachovia to cover the gap in funds for the project not met by private investors and the financing provided by the United States Department of Housing and Urban Development Section 220 lending program.

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Bracken, David. “Project Delayed Until Summer”, *The Durham News*, April 24th, 2011
220 is a program that “…insures loans for multifamily housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities”.99

The tax credit programs available to Blue Devil were substantial enough to almost cover the cost of phase one of West Village, which is a very good incentive, available to developers, to consider historic properties before building a new structure. As can be seen, historic preservation tax credits have a large impact on jobs, historic resources, and economic development.

As was shown, the credits can be used to close the gap on financing needed to make a project financially feasible. The ability to use these credits on both income producing and non-income producing properties makes them ideal for rehabilitations of historic properties, whether downtown, rural, or suburban. In the case of West Village, they were instrumental in providing the funds to close the gap on making the project financially feasible. This is a great draw for utilizing historic properties as mixed-use developments as the tax credits and programs offered for these properties makes these developments profitable and financially feasible.

CHAPTER 7

AMERICAN TOBACCO HISTORIC DISTRICT

The American Tobacco Historic District, named after the American Tobacco Company that was on the property until 1987, is the largest historical renovation in North Carolina history at 1.3 million square feet. The campus takes up sixteen acres and is comprised of nine former warehouse and factories of brick construction that range in age from 1879 to 1955, a baseball park, and the Durham Performing Arts Center. The complex was listed on the National Register in 2000.

In 1987 the American Tobacco Company shut down its operations at the site and moved to another location in the state, Reidsville. The complex was sold to ABD

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Associates, who intended to redevelop the site. Durham is home to the Durham Bulls, who gained popularity and success when the film, “Bull Durham” was released in 1988. This sparked, as sometimes happens with sports teams, the ownership of the team demanding a new stadium from the city or county in which they are located. In 1989, the city of Durham responded to the Durham Bulls by promising them a new stadium in downtown Durham and along with it private investment from GlaxoSmithKline and the Museum of Life and Science which also planned to be part of the new complex. It was also at this time that ABD Associates planned to start their rehabilitation of the American Tobacco complex corresponding to the new stadium. The plan to build the new stadium was approved by the city council, but rejected by the county on the grounds that it needed to be put to a vote by the public and was subsequently rejected in 1990. Because the measure was rejected ABD Associates chose not to continue their rehabilitation.

Figure 10. Cigarette ad from 1967 showing the complex. Courtesy Durham County Library.
Durham still built the Bulls a new ballpark and placed it to the east of the American Tobacco complex across the street. The park was completed in 1995. The complex had sat vacant throughout the construction of the Bulls baseball park without any redevelopment work being done by ABD Associates.

In 1998, Blue Devil Ventures, showed interest in the complex, purchasing an option to buy the site from ABD Associates for $6.6 million. Blue Devil sought out an investment package of $50 million to rehabilitate the property but were unable to find investors before their option ran out and subsequently began development on West Village, which was discussed in chapter six.

Capitol Broadcasting Company, a Raleigh-based broadcasting company that had bought the Durham Bulls, obtained an option to purchase the American Tobacco complex in 1999. Capitol Broadcasting proposed a redevelopment of the American Tobacco complex, as well as three new office buildings north and east of the Bulls baseball park. The city and county, after much negotiation, provided $43.2 million in incentives, including two new parking decks for the complex valued at $37 million. The main issue during the negotiations was if the public should be asked to contribute funds to a commercial project, to which Capitol promised 4,500 jobs in one of the city’s most blighted areas. The sale of the American Tobacco complex was completed in April 2002 at a price of $4.75 million.

Capitol then began working on a financing package for the redevelopment of the complex, which was difficult to say the least. Michael Goodmon, Vice President for Real Estate at Capitol Broadcasting, had this to say about the difficulty in finding financing,

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“We were proposing to double the amount of Class A office space in downtown Durham. We were just laughed at by the conventional loan market”.\textsuperscript{102} Capitol Broadcasting, in a bid to open up the loan market, was able to bring in GlaxoSmithKline, Duke University, and Compuware as anchor tenants in the hopes of sparking redevelopment loans through that avenue. Conventional lenders still showed little interest owing to the size of the project and downtown Durham’s disinvestment at the time. Even with Historic Tax Credits and New Markets Tax Credits helping to persuade lenders, Capitol was still unable to obtain a bank to provide permanent financing on the complex.

Capitol was forced to seek other financing options. Located in Durham just across the tracks from American Tobacco, Self-Help is a Community Development Financial Institution that is able to provide funds from the Community Development Financial Institution Fund, which is part of the United States Treasury. Self-Help was able to secure a $40 million permanent New Market Tax Credit loan, which enabled Capitol to begin the first phase of the American Tobacco complex.\textsuperscript{103}

Opened in 2004, phase one of the American Tobacco complex provided 500,000 square feet of Class A office space and several restaurants in five of the original buildings with GlaxoSmithKline and Duke University taking a combined 238,000 square feet.\textsuperscript{104} The development also saw the creation of a large public space incorporating a water tower, the 180-foot Lucky Strike smokestack, and Bull River, a recirculating river that flows through the space and is popular with visitors to the complex.\textsuperscript{105} The first phase

\textsuperscript{102} Wong, Amanda Frazier and Sarah Wolff, “New Markets Tax Credits Impacts: A Case Study in Durham, North Carolina”, March 2010, Pg. 11
\textsuperscript{103} Wong,, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
\textsuperscript{104} “Deals of the Decade Transformed Triangle”, \textit{Triangle Business Journal}, February 1\textsuperscript{st}, 2010
\textsuperscript{105} Paige, Jane F. “Bold Renovation, and a River Runs Through Campus”, \textit{Triangle Business Journal}, May 28\textsuperscript{th}, 2007.
cost $200 million and New Market financing contributed an estimated fifty-three percent of the total project cost for phase one.\footnote{Wong,, “New Markets Tax Credits Impacts”, March 2010, Pg. 12}

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<td>Phase 2- $65 million</td>
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<td>Phase 3- $45 million</td>
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<tr>
<td>Tax Credits</td>
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<td>Phase 1-$40 million (New Market)</td>
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<tr>
<td>Phase 2- $19.5 million (New Market)</td>
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<td>Local Incentives</td>
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<td>Phase 1- $43.2 million</td>
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<td>Square Footage</td>
<td>1.3 million square feet total</td>
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<td>Uses</td>
<td></td>
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<tr>
<td>Phase 1- 738,000 sq. ft. Class A office and restaurant</td>
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<tr>
<td>Phase 2- 70 apartments, 300,000 sq. ft. office and retail</td>
<td></td>
</tr>
<tr>
<td>Phase 3- 2,800 seat Performing Arts Center</td>
<td></td>
</tr>
</tbody>
</table>

Figure 11. Breakdown of American Tobacco financials and mixture of uses.

Phase two of the American Tobacco revitalization began in June 2005 when Capitol announced that they would be using Baltimore development company Struever Brothers Eccles & Rouse to complete the $65 million rehabilitation of the remaining four buildings in the northern half of the complex into residential and retail space.\footnote{Barile, Suzy. “From Baltimore to the Bull City”, Triangle Business Journal, April 10\textsuperscript{th}, 2006} This project was completed in 2008 with New Market financing contributing a third of the total project cost.\footnote{Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12}

The final phase of American Tobacco was the 2,800 seat, $45 million Durham Performing Arts Center that is owned by the City of Durham and opened on November
30th, 2008 with B.B. King as the debut act. The Center has been a huge success, with Pollstar magazine raking it as number nine among United States theaters based on attendance and highlighted as a success at the “State of Durham’s Economy 2011” by Kevin Dick, Director of Durham’s Office of Economic and Workforce Development.

In 2010, thirty-five businesses called the American Tobacco complex their home and included nationally known businesses such as GlaxoSmithKline and Burt’s Bees. However, in July of that year Capitol Broadcasting CEO Jim Goodmon announced the development of American Underground, a startup incubator for new business. American Underground is located in former storage space in the lower levels of the Strickland and Crowe buildings and is 26,000 square feet and includes a shared conference room and break room, a large classroom, and flexible office space for startups. The Council for Entrepreneurial Development is the anchor tenant.

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By December of 2010 American Underground had eight startups occupying the spaces that focused mainly on software development and investments. One of the companies is Preation; a software company that focuses on helping other small businesses find customers through search engines and social networking. Founder of Preation, Andrew Houghton moved the business to American Underground because his “…employees would be within walking distance of more than fifty other software startup companies” and Preation wants “…to be part of the Durham startup scene”.\footnote{Hoyle, Amanda Jones. “American Tobacco Lands Five new Tenants”, \textit{Triangle Business Journal}, December 14\textsuperscript{th}, 2010.} Within three months one of the original eight startups, LaunchBox Digital was offering an accelerator program, called 30-Day Table, to bring in teams of entrepreneurs to get free space (tables) in American Underground along with staff support and networking opportunities in the American Tobacco complex.\footnote{Chen, Monica. “LaunchBox Offers Entrepreneurs Free Space at American Tobacco”, \textit{Triangle Business Journal}, March 7\textsuperscript{th}, 2011.} The program puts companies in the early stages of development through intensive mentoring, networking, and product development that culminates in a presentation to investors. The program showed immediate success when, according to Chris Heivly, the Director of LaunchBox, said that “three of the seven startups that went through LaunchBox’s first session last fall are raising $150,000 to $650,000 each from investors…”\footnote{Chen. “LaunchBox Offers Entrepreneurs Free Space”, \textit{Triangle Business Journal}, March 7\textsuperscript{th}, 2011.} The success of American Underground continued in March when it was announced that six more tenants had been added to the incubator, bringing the total to fourteen.\footnote{DeBruyn, Jason. “American Underground Lands Six More Tenants”, \textit{Triangle Business Journal}, March 23\textsuperscript{rd}, 2011.}

American Tobacco, similar to both West Village and Brightleaf Square, utilized historic tax credits and served as a catalyst for redevelopment in the downtown area.
“Development officials clearly point to the role American Tobacco played in catalyzing other downtown development”. A study published in 2010 found three indicators that demonstrated the pace of downtown development: the timing of major development projects, number of development approvals by the Durham Planning Department, and the sale of buildings downtown.

In the years that American Tobacco sat vacant (1987-2003) sixteen significant development projects were completed in the downtown area, which is less than one per year. Phase one of the American Tobacco complex opened in 2004 and for five years after that sixteen major projects were completed in the downtown area which is more than three per year and results in a threefold increase in the pace of development in downtown Durham.

American Tobacco also affected the number of development approvals by the Durham Planning Department. From 2000 to 2003 the average number of development approvals was 3.75 per year in downtown compared to the 11.8 per year average in the five years after the opening of phase one.

Sales of buildings downtown were also affected by the opening of the American Tobacco complex. This study broke sales down into two distinct time periods: 2002-2004 after the redevelopment of American Tobacco was announced and 2005-2007 after phase one was opened. “From 2002-2004 to 2005-2007, the total number of sales increased by 62%, average sale prices increased 115%, and the total dollar volume of sales increased

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118 Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
119 Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
120 Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
121 Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
by 248%”. These figures are comparable to numbers presented by Ken Reiter, Senior Development Director for Struever Brothers Eccles & Rouse, the development firm that oversaw the development of phase two and three of American Tobacco. He states that, “Parcels near the historic district recently sold for $1 million to $1.2 million an acre. Three years ago, comparable land sold for about $500,000 to $600,000 an acre”.123

Another important contribution of American Tobacco is its development of a business incubator in the American Underground. Business incubators are increasingly playing an important role in fostering growth of startup businesses, encouraging entrepreneurship, and facilitating economic development in the districts where they are located.124 The number of incubators has been on the rise in the United States with twelve in 1980 and growing to 1,100 by 2006.125 These incubators in 2005 assisted 27,000 startups, created more than 100,000 jobs, and generated revenues of $17 billion.126 Incubators are important because startup businesses are lacking in many types of resources and thus are vulnerable in the market and incubators provide assistance that makes them more likely to survive when compared to businesses that were not in incubators.127 Startups that utilize a National Business Incubation Association incubator have a five-year success rate of 87% compared to a four-year success rate of 50% for

122 Wong, “New Markets Tax Credits Impacts”, March 2010, Pg. 12
125 Qian. “Incubation Push or Business Pull?” Economic Development Quarterly 25 (1): Pg. 79
126 Qian. “Incubation Push or Business Pull?” Economic Development Quarterly 25 (1): Pg. 79
127 Qian. “Incubation Push or Business Pull?” Economic Development Quarterly 25 (1): Pg. 79
United States firms on average.\footnote{Qian. “Incubation Push or Business Pull?” \textit{Economic Development Quarterly} 25 (1): Pg. 79} Also business incubators potentially have an effect on the local economy because 84\% of startups stay in their communities.\footnote{Qian. “Incubation Push or Business Pull?” \textit{Economic Development Quarterly} 25 (1): Pg. 79}

A startup business in an incubator will usually employ fewer than fifteen people and often even less than that because they are a startup and often do not have the capital to hire large numbers of people. Donovan Rypkema makes the point that of the twenty fastest growing industries in the country the average firm size is eleven people and that around 2,500 square feet is needed for these firms, which is the size of a typical older commercial building in downtowns across the United States.\footnote{Rypkema, Donovan D. “Profiting from the Past: The Impact of Historic Preservation on the North Carolina Economy” \textit{Dollars & Sense of Historic Preservation} #19, 2000, pg. 4}

Historic commercial properties are, as illustrated by the American Tobacco complex, which created over 3,000 jobs in just phase one, also job creators. “Some eighty-five percent of all net new jobs are created by firms employing fewer than twenty people. One of the few costs firms of that size can control is occupancy costs-rents. In downtowns and in neighborhood commercial districts a major contribution to the local economy is the relative affordability of older buildings. It is no accident that the creative, imaginative start-up firm isn’t located in the corporate office ‘campus,’ the industrial park, or the shopping center; it simply cannot afford those rents. Historic commercial buildings play the natural business incubator role, usually with no subsidy or assistance of any kind”.\footnote{Rypkema, Donovan D. “Economics, Sustainability, and Historic Preservation”. \textit{Forum Journal}, Vol. 20, No.2 (2006), Pg. 32} American Underground takes this one step further by offering a business incubator in a commercial historic building and having programs facilitated by other
startup firms in the incubator to draw in new startups. They have essentially created a perpetual incubator if the programs continue.

Business incubators create jobs, foster economic growth, encourage entrepreneurship, and provide a support system for startup businesses to grow to be successful. These incubators, while being a perfect fit for historic commercial structures, are also successful in historic mixed-use developments as illustrated by American Underground. An incubator in a mixed-use setting will, as was mentioned previously by Andrew Houghton, an owner of a startup in American Underground, have access to a variety of businesses within walking distance, which only serves to foster more networking and growth of the businesses in the development. Business incubators have been proven to work and will only work better in historic structures, especially mixed-use.

In making American Tobacco successful, Capitol Broadcasting had to be creative with their financing options. They pursued historic tax credits and the New Markets Tax Credit, which enabled them to fulfill their goal of making American Tobacco a successful mixed use development. They faced difficulty in utilizing traditional financing products, but were able to use programs provided for historic structures to close the financing gap and make the project a reality.
American Tobacco also used local incentives in the development of the project. They were able to, like West Village, obtain bonds and a parking deck from the local government. American Tobacco is unique in that they also provided the city with the Durham Performing Arts Center, which is city owned and has been quite successful. This public-private partnership has worked extremely well and has been profitable for both parties involved.

Tax credits and local incentives have been instrumental in making both West Village and American Tobacco into successful mixed use developments. However, without these developments being in historic structures, the projects would have been unlikely to get off the ground because of a lack of financing available to them. This is really where historic preservation provides a great contribution to mixed use development. Without tax credits and local incentives, these developments would not happen and the boom that the local economy and downtown experienced in the wake of these developments would have never happened or would have been pushed much further into the future, if at all.
CHAPTER 8

GOLDEN BELT

The history of Golden Belt and American Tobacco are intertwined. The Golden Belt Manufacturing Company originated in 1887 in the Bull Durham (later American Tobacco) Tobacco Factory and produced cloth bags to hold the loose tobacco. In 1892 the company was producing larger bags for the tobacco and had also diversified into bags for salt, which would begin a trend of the company diversifying into other markets to maintain a competitive edge.

The company moved to a stand-alone factory in 1901, which is where the Golden Belt mixed-use development is today. This factory was comprised of four buildings of brick construction and later expanded to include two more buildings. During the 1920’s, Golden Belt diversified again and started producing labels, boxes, and cartons for cigarette packages. Loose-leaf tobacco, which was bagged in Golden Belt bags, lost popularity in the 1940’s and Golden Belt diversified again to produce paper, packaging, and labels.

Figure 14. Golden Belt in the 1920’s. Photo Courtesy of Duke Archives.
The 1960’s saw Golden Belt diversify again, this time moving into the production of plastics. Throughout these several efforts at diversification, Golden Belt continued to manufacture cigarette packaging into the 1990’s. This would come to an end in 1995 when Brown & Williamson acquired American Tobacco, which still owned Golden Belt as a subsidiary and they were forced to sell off several of the company’s brands due to an antitrust judgment. Brown & Williamson were unable to find a buyer, instead opting to donate the facility to the Durham Housing Authority in 1996.

The Durham Housing Authority renovated one of the buildings in the northern portion of the Golden Belt property into a business incubator and sold several other buildings in 2002 to a Raleigh developer that created the East Village Corporate Center. The Housing Authority was left with the southern portion of the property, which had eight buildings on it. They planned to use the Hope VI program from the U.S. Department of Housing and Urban Development to complete the revitalization project,
but were criticized by HUD for inappropriate financial transactions and auditors recommended that the Housing Authority repay almost $4.3 million of the $35 million Hope VI funds back to HUD.\(^{132}\) Subsequently, the Authority was forced to sell off Golden Belt, one of the last remaining former tobacco warehouses in Durham still on the market.

This ended up working out in favor of Golden Belt. Scientific Properties, a development firm headed by former medical doctor, Andy Rothschild, bought the 7.5-acre, 155,000 square foot site from the Authority for $2.6 million in 2006.

![Figure 16. Site plan for Golden Belt. Plan courtesy of Scientific Properties.](image-url)

Scientific Properties designed a mixed-use development that drew on the local culture and the best urban settings throughout the United States as inspiration. The

development is designed as an arts community with studios, retail, live/work lofts, restaurants, and offices. The development also focused on sustainability and had a project goal of LEED Silver. During construction, 95% of the existing structure was recycled, 10 to 20% of the construction materials came from either local or recycled sources, insulated glass was used in the historic windows, 75% of construction waste was recycled, and high efficiency HVAC systems were installed to reduce energy use. On the exterior, Scientific Properties used drought-tolerant landscaping to reduce the heat effect of the campus and sustainable transportation was emphasized with bike racks installed and a ride-share program implemented.

Scientific Properties was the land development winner of the Green Awards presented by Triangle Business Journal in 2008. Another award would come in 2010 when the company missed its mark for a LEED Silver certification, instead attaining a Gold certification. With the certification, Golden Belt became the largest, all historic, Gold certified development in the southeast, along with one of only three LEED certified large office and retail spaces in the Triangle. This certification and the historic structures have helped Golden Belt attract many tenants.

Golden Belt opened in 2008, at the height of the economic downturn, and the project cost $26 million and brought thirty-five artist studios, thirty-seven loft

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135 LEED, or Leadership in Energy and Environmental Design is an international recognized rating system developed by the U.S. Green Building Council in 2000. LEED promotes sustainable design and building practices through a rating system. This system is points based and looks at five categories: Sustainable Sites (SS), Water Efficiency (WE), Energy and Atmosphere (EA), Materials and Resource (MR), and Indoor Environmental Quality (IEQ). These categories are scored on a maximum of 100 cumulative points. From these points the ratings system originates: Certified (40-49 points), Silver (50-59 points), Gold (60-79 points), and Platinum (80-100 points).
apartments, several restaurants, office space, retail space, and a live music venue to Durham. Even though the project was completed at a very difficult time for development, it has thrived throughout the downturn because of its mix of uses, LEED rating, and its focus on creativity and the arts. Currently, the development has a waiting list for both residential and retail space.

Scientific Properties, like American Tobacco, utilized the New Market Tax Credits program to finance the project. Andy Rothschild, President of Scientific Properties, said, “The tax credits were a huge factor in making it possible. At Golden Belt, we are trying to build a creative community for artists, and the price points for rent need to stay low. New Markets [tax credits] help with this. They can drive the cost of capital down.” These tax credits were also the impetus for Treasury Secretary Geithner to visit the site in February of 2010 to push the credits as job-creation tools.

<table>
<thead>
<tr>
<th>Purchase Price</th>
<th>$2.6 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Invested</td>
<td>$26 million</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>$10 million (New Markets) $3.7 million (Mills Tax Credit)</td>
</tr>
<tr>
<td>Square Footage</td>
<td>155,000 total square feet</td>
</tr>
<tr>
<td>Uses</td>
<td>35 artists studios, 37 loft apartments 84,000 sq. ft. office, 11,000 sq. ft. retail, 7,000 sq. ft. restaurant</td>
</tr>
</tbody>
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Figure 17. Breakdown of Golden Belt financials and mixture of uses.

Golden Belt is located six blocks from downtown, outside of the traditional boundaries in Northeast Central Durham in “…an area long plagued by narcotics, prostitution, random shootings, poverty and abandonment. Home ownership is low; boarded-over windows and overgrown lots are common; jobs are few, and attending to

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life’s necessities-like getting to a grocery store-often difficult”.\textsuperscript{138} Golden Belt is close to the early-twentieth century Golden Belt neighborhood, a National Register Historic District.

Figure 18. Locator map showing Golden Belts proximity to downtown.

After Golden Belt was completed in 2008, the neighborhood saw a boost. In 2009, through a subsidiary, Edgemont Neighborhood LLC, Scientific Properties bought four houses in the neighborhood and started their rehabilitation.\textsuperscript{139} Habitat for Humanity also came in and built or renovated nine homes in the neighborhood as well, while Urban InSite, a consulting firm, prepared a Golden Belt Revitalization Proposal and presented it

\textsuperscript{138} Wise, Jim. “Long Road to Renewal”, \textit{The Durham News}, May 9\textsuperscript{th}, 2009
\textsuperscript{139} Wise, Jim. “Golden Belt Area ‘Looks Live Again’”, \textit{The Durham News}, February 14\textsuperscript{th}, 2009
to the Durham Community Development Department.\textsuperscript{140} This activity, along with a growing national movement back to urban areas, spurred reinvestment and revitalization in the Golden Belt neighborhood, which was able to have a tour of homes showcasing the revival of the area in May of 2011.\textsuperscript{141}

Golden Belt, like West Village and American Tobacco, utilized historic tax credits and New Markets tax credits to close the gap on financing for the project and allow it to meet feasibility requirements. Without these programs, it is doubtful that the development would have been the success it is today or if it would have been possible.

Golden Belt is unique in that it has not only spurred reinvestment in the surrounding area, but that it is actively purchasing homes and contributing to the resurgence of the Golden Belt neighborhood. This is commendable of Scientific Properties and helps to highlight that historic preservation often encourages reinvestment in areas that are experiencing preservation efforts. Without the Golden Belt development, it is doubtful that the Golden Belt neighborhood would be on a path of reinvestment and growth.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image.png}
\caption{Golden Belt in 2010. Courtesy Scientific Properties}
\end{figure}

\textsuperscript{140} Wise, Jim. “Golden Belt Area ‘Looks Live Again’”, \textit{The Durham News}, February 14\textsuperscript{th}, 2009

\textsuperscript{141} Wise, Jim. “Golden Belt Tour Sunday”. \textit{The Durham News}, April 27\textsuperscript{th}, 2011.
CHAPTER 9

SUMMARY OF CASE STUDIES

The four case studies examined in the previous chapters served as catalysts for development, business incubation, job creation, utilized tax credits and public incentives, and as an example of sustainability in a mixed use historic structure. Brightleaf Square served as a catalyst and also created jobs. West Village utilized tax credits, public incentives, and also created jobs. American Tobacco utilized tax credits, public incentives, job creation, business incubation, and as a catalyst. Golden Belt utilized tax credits, created jobs, served as a catalyst to reinvestment in the neighborhood around it, and attained a LEED Gold certification for sustainability. The commonalities among the case studies is utilizing tax credits and public incentives, job creation, and serving as catalysts.

West Village, American Tobacco, and Golden Belt utilized tax credits at both the state and federal level. Golden Belt and American Tobacco are unique in that they also were able to use New Markets credits in their development. Tax credits were pivotal to these three developments in bridging the gap in financing they were presented with. As can be seen, tax credits are pivotal in development of mixed use in historic structures.

Similarly, West Village and American Tobacco also used public incentives to help with financing. Both of these developments had parking decks built with public funds to help the developments be financially feasible. American Tobacco also had the Durham Performing Arts Center built on its campus, which has been extremely
successful for both the city, which owns it, and American Tobacco. Local incentives were crucial to these developments in making them feasible and the incentives provided allowed them to be built. This in turn has contributed to the economic growth that Durham has experienced.

All of the developments were job creators. However, the only numbers available are from American Tobacco. All of the developments have retail and restaurants as part of the development, so they created jobs, just not on the scale that American Tobacco did. American Tobacco is also unique in respect to job creation in that it is home to a business incubator, American Underground, which is on its way to building more local businesses to contribute to Durham’s economic growth.

Brightleaf Square, American Tobacco, and Golden Belt served as catalysts to new development in Durham. Brightleaf Square provided the spark that proved that mixed use in historic tobacco factories could work and was a catalyst for West Village. American Tobacco greatly increased investment in the downtown area as a whole, as was shown in the study by Amanda Frazier Wong and Sarah Wolff. \(^\text{142}\) Golden Belt is unique in that it has sparked reinvestment in the neighborhood around it, which it shares its name with. This area, which was previously crime ridden and blighted is experiencing a renaissance that was brought on by the redevelopment of Golden Belt.

Mixed use in historic properties, as was shown by the case studies, serve as catalysts for redevelopment, job creators, business incubators, and utilize tax credits and local incentives effectively. These are all aspects that historic preservation contributes to, but when applied to mixed use it flourishes.

\(^{142}\) Wong, Amanda Frazier and Sarah Wolff, “New Markets Tax Credits Impacts: A Case Study in Durham, North Carolina”, March 2010
CHAPTER 10

CONCLUSION & RECOMMENDATIONS

Mixed use is a popular development option and with the generational shift that the United States is experiencing, will only become more popular and useful for communities to have in the future. However, mixed use projects have been shown to be difficult for developers in terms of financing packages and they have generally had to rely on local government incentives to be successful.

To solve these two problems, mixed use in historic structures has been shown to alleviate these issues through tax credits that help close the gap on financing and attract local government incentives because of historic preservation being an application of furthering the public good. These programs have made mixed use in historic structures financially feasible and a good investment for the developer. They have also spurred economic development in the surrounding area and fostered reinvestment in downtowns and local neighborhoods.

However, tax credits and financing are but part of the puzzle in a mixed use development. Developers have to factor in the staging of construction, absorption of finished space, zoning, easements, and restrictions while the development is being constructed and ongoing maintenance and management issues after the development is finished. Tax credits, while having the ability to make mixed use in historic structures financially feasible, have little effect on these other problems. But they do have a
profound effect on the economics of mixed use and making these developments financially feasible.

Historic preservation is economic development and “…is an economically sound, fiscally responsible, and cost-effective response to the challenges of today’s economic environment”. As was shown by the case studies in Durham, historic preservation when combined with mixed use has a profound effect on the local economy. It creates jobs, new, local businesses, and builds the tax base. From this there is also the catalyst effect, as illustrated by Brightleaf Square and Golden Belt, which encourages reinvestment in areas that are blighted. Historic preservation can provide these things even when not applied in mixed use, but it has been shown to work very well in this option.

1. Tax credits provide a financing tool to promote mixed use in historic structures, but they are not a remedy for all of the problems facing mixed use development.

2. Local incentives have been shown to be a good investment for local governments and help to maintain the historic character of an area.

3. Historic preservation is economic development and when combined with mixed use in a historic structure is successful both economically and as preservation.

Figure 20. Conclusions

Without these mixed use developments, Durham’s downtown would not be the thriving area it is today, nor would their local economy be thriving as well. Durham was named the third best place for businesses and careers in the United States in March of 2009 by Forbes. Forbes also found that Durham was the number one city where

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143 Rypkema, Donovan. The Economics of Historic Preservation: A Community Leader’s Guide. National Trust, 2008, Pg. 8
Americans were relocating in 2008.\textsuperscript{145} These accolades cannot be wholly attributed to the mixed use developments in Durham, but they do have an effect on them.

Mixed use in historic structures has been shown to work effectively, if tax credits and local incentives are applied to the development. These tools were used equally in all but the development at Brightleaf Square and they highlight that these programs have made these developments successful and improved the community around them. However, there is still room for improvement.

Tax credits were shown to be effective in the West Village, American Tobacco, and Golden Belt developments. North Carolina offers a mill tax credit, along with state credits for both commercial and residential historic structures. The mills tax credit is outstanding in offering a sixty percent tax credit when stacked with the federal tax credit. This has been shown to spur reinvestment in these previously vacant or abandoned mills. Other states could benefit from the mills tax credit example presented by North Carolina.

The impetus for the mills tax credit was that with many of the tobacco and textile companies downsizing or leaving North Carolina all together, many of these former mill structures were left vacant and some had fallen into disrepair. The state legislature of North Carolina had the foresight to see that these structures could contribute to blighted areas or they could offer incentives for reinvestment into these structures to save the structure and bring back business to the local economies that were effected by the companies leaving the mills in the first place.

\textsuperscript{145} Sherman, Laura. “Ten Cities Where Americans are Relocating”, \textit{Forbes}, March 2009
1. States can encourage mixed use through incentives and tax credits.

2. Incentive programs have been shown to be a sound investment for local governments in regards to economic development and maintaining the historic character of the area.

3. Incentives or tax credits could be offered at the state level when an industry leaves or disappears from a state to create a new economic driver to replace the lost industry. This could be based on the North Carolina Mills Tax Credit. States that have recently lost, or are losing, industries in certain fields, whether they be manufacturing or other types, could follow North Carolinas lead and offer a tax credit for the rehabilitation of structures that had or would become vacant because of the loss of these industries. At issue would be that the buildings would need to meet similar requirements to the mills tax credit that North Carolina uses, such as National Register status or location in, or contributing to, a National Register district. However, states could offer a state tax credit that was not able to be stacked onto the federal tax credit when the sites did not meet National Register criteria. This would not make the incentive as enticing, but it would still be an option for developers to utilize these structures to spur economic growth.

Another issue facing mixed use development is that financing is difficult to obtain. As has been shown here and in other areas, mixed use is a viable and profitable use. Mixed use developments, with the generational shift the United States is undergoing, will become more popular and be demanded by baby boomers and generation Y alike. Banks and lending institutions need to be made aware of these changes and the feasibility of mixed use, especially when combined with New Markets Tax Credits and historic tax credits. This will only spur on more reinvestment in downtowns and historic structures alike.
In the same vein, mixed use in historic structures fosters downtown revitalization and economic growth in the cities where they are developed. Local governments can provide both financing and other incentives to attract these developments to their cities. These developments, as was seen in Durham, can drastically change the local economy for the better adding jobs and fostering economic development throughout the area. Thus, if a city has the building stock to undertake these developments, it would be in their best interests to support these developments in the best way possible for them. They would see an increase in jobs, business growth, and the tax base.

Mixed use in historic structures and the field of preservation economics is as Randall Mason of The Brookings Institution Metropolitan Policy Program said, “…[A]n embryonic field compared with research in other economics disciplines, and the research is currently weighted toward advocacy”.\textsuperscript{146} Obviously, the field of preservation would benefit greatly from a more in depth study of the economic impacts of mixed use in historic structures, preferably by a researcher with an economics and preservation background. One researcher that would be excellent for this is Donovan Rypkema, who has written extensively on preservation economics and has a background in real estate economics. He or someone like him would bring a more balanced and conclusive approach to the study.

Durham is unique in that the city had an abundance of vacant tobacco warehouses and is located in a state that supports historic preservation and provides an exceptional tax credit for the rehabilitation of these vacant warehouses. It would further the research on mixed use in historic structures to look at cities and states that do not have this

building stock or the exceptional financial support that historic preservation has in North Carolina.

It would also be important to look at different sizes of cities. Does this approach to mixed use in historic structures work in small, medium, and large cities? Is it entirely market based? These questions, much like the recommendation made on the study of the economic impact of mixed use in historic structures, would benefit from a researcher with economics, urban planning, and preservation backgrounds.

Since many developers and government leaders often favor new construction it would be important to compare mixed use in historic structures versus building new. The research could focus on the difficulties, issues, and the economic impact of both of the options. It is generally more profitable to preserve a historic building than to build a new one, but it would be beneficial to attain raw data that could prove this.\textsuperscript{147}

| 1. | Field would benefit greatly from a researcher with both an economics and preservation background. |
| 2. | Future research could examine states that do not have the support for historic preservation that North Carolina has and compare and contrast with states that do support historic preservation. |
| 3. | Future research could examine the effects of mixed use in historic structures in different sizes of cities to see if there are differences or similarities. |
| 4. | Future research could compare mixed use in historic structures versus new construction and focus on the difficulties, issues, and economic impact of both options. |
| 5. | Future research could examine the 2020 United States Census to see if the findings and predictions of this thesis and other studies are correct. |

Many of the findings in this thesis and in other studies will not be fully able to be proven until the 2020 United States Census, which will provide data on where people are moving to and the age group breakdowns. An examination of the findings and predictions of this thesis and other studies would be beneficial to find if they were correct.

Historic preservation and the tools available have the potential to make mixed use in historic structures a successful development option for developers and cities alike. When combing tax credits and other financial incentives with local government incentives, mixed use in historic structures has been shown to foster economic growth, neighborhood reinvestment, job creation, business creation, and a revitalization of the downtowns in cities that it is applied to. With the current demographic shift, these developments will only become more popular and cities that embrace mixed use in historic structures will find themselves on the leading edge of the economy and preservation of their building stock alike.

This research has only scratched the surface of a subject that has the potential to ride the wave of change brought on by the demographic shift that the United States is experiencing. It will only be more important in the future and would be an excellent subject for further research.
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