

Using the Right Tools:

Preservation Easements and
Downtown Columbia, South Carolina



HISTORIC
COLUMBIA

Prepared by



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AND DOWNTOWN COLUMBIA

Context Map



Downtown
Columbia



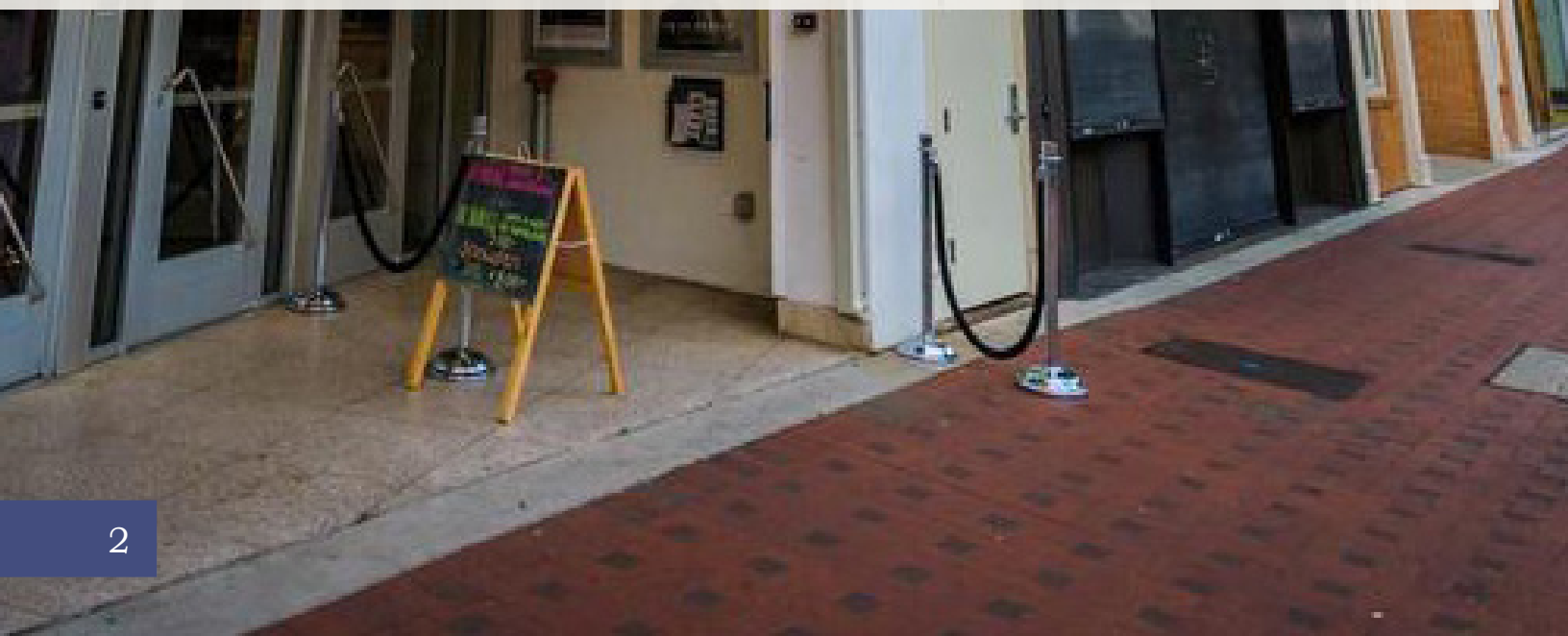
PROJECTS

- | | |
|----|------------------------------|
| 1 | Mansons |
| 2 | Arcade Building |
| 3 | First National Bank Building |
| 4 | Kress Building |
| 5 | Main Street Trio |
| 6 | Owen Building |
| 7 | Powell Furniture Store |
| 8 | Tapp's Department Store |
| 9 | The Robinson Building |
| 10 | Efird's Department Store* |
| 11 | JC Penney Building* |

* Efird's Department Store and the JC Penney Building were projects completed after this study. Therefore, they are not included in the analysis.



Introduction



DOWNTOWN COLUMBIA

In the late 1990s, Main Street Columbia was not a popular place. Few people lived there, retail was sporadic and limited, and there was little to do after 5:00PM. Three events happened that began to change that reality.

- In 1998, Tom Prioreschi moved to Columbia and began developing downtown residential apartments on the top floors of designated historical buildings.
- In 1998, the Museum of Art moved to Main Street.
- Finally, in 2002, Columbia's Center City Partnership, Inc (CCP) was created to promote thirty-six blocks of downtown.

With the new focus on downtown brought by CCP, additional small residential projects were completed, many using the Federal Historic Preservation Tax Credit. In 2004, the 17-story Meridian Building was built, the first high rise in Columbia since the late 1980s.

By 2007, with the onset of the global recession, development everywhere was curtailed. Nonetheless, in 2011, the Mast General Store opened in a circa 1870s storefront on Main Street. This was considered by many to be a vote of confidence for downtown Columbia.

All of those events contributed to turning around the fate of Main Street, however a major catalyst occurred when much of downtown became designated as a nationally registered Historical District and added to the list of National Register of Historic Places. The CCP was a major advocate for creating the historic district, in part because it recognized the financial and development tools that came along with that status. While earlier projects utilized the Federal Historic Tax Credit because they were individually listed on the National Register, this new district status greatly expanded the number of buildings that were eligible.



AN ADDITIONAL DEVELOPMENT TOOL — THE PRESERVATION EASEMENT

With the National Register District status, an additional tool became available: the preservation easement. The origin of this tool was in the National Historic Preservation Act of 1966 when Congress recognized, “The preservation of this irreplaceable heritage is in the public interest so that its vital legacy of cultural, educational, aesthetic, inspirational, economic, and energy benefits will be maintained and enriched for future generations of Americans.” Congress understood that it would be primarily the private sector that would be responsible for the investment in historic structures, so it decreed that the federal government should, “*Encourage owners to preserve such resources*

intact and in place and offer the owners of such resources information on the tax and grant assistance available for the donation of the resources or of a preservation easement of the resources.” A decade later, in America’s bicentennial year, the Tax Reform Act of 1976 authorized a tax deduction for the donation of easements on historic properties.

Although preservation easements had not been used for the last forty years, property owners in downtown Columbia have been at the forefront in using this tool as a central component in their revitalization investments. An easement was first used in 2010 on the Tapp’s



*Left: The National Bank Building
Above: Tapp's Department Store*

Projects:

Building, a mixed-use property featuring ground floor arts spaces and upper floor apartments, as part of its capital stack. While there had been several downtown properties rehabbed using the Federal Historic Preservation Investment Tax Credits, this was the first to utilize a preservation easement as part of the financing package.

Additional projects in Columbia that have used preservation easements include First National Bank, the Owen Building, Kress Building, Manson Building, Main Street Trio, the Arcade Building, Powell Furniture Store, and Robinson Building & Marks Building/Parking Lot. These nine projects represent investment in downtown Columbia of more than 51 million dollars!

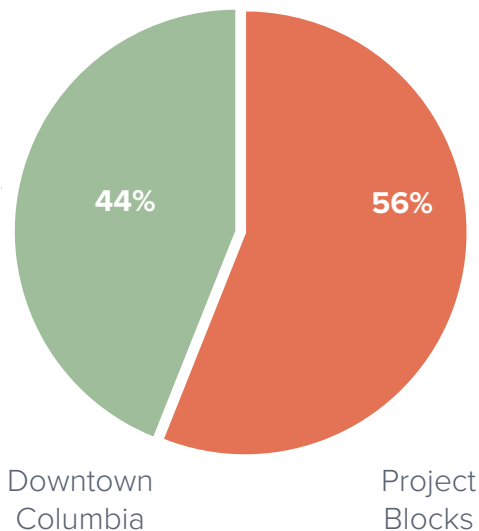
**Tapp's Department Store
First National Bank
Owen Building
Kress Building
Manson Building
Main Street Trio
Arcade Building
Powell Furniture Store
Robinson Building
Efird's Department Store
JC Penney Building**

Impacts

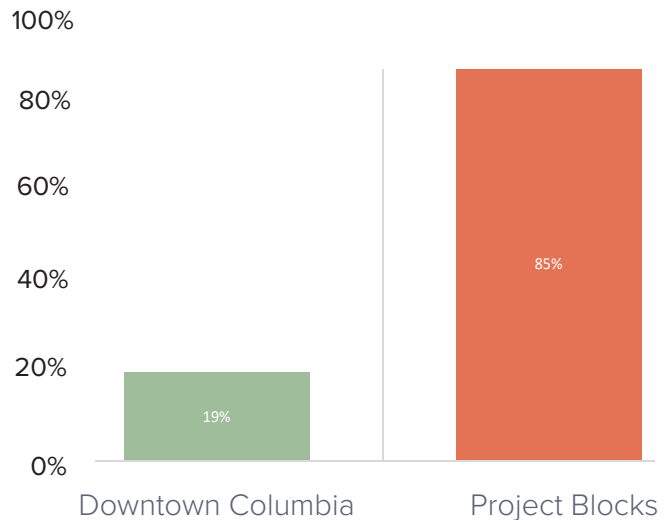
Property Values

There are numerous ways to measure the impacts these nine projects have had on downtown Columbia, and the most obvious is in property values. Over the last decade downtown Columbia has done well and saw an overall increase in property values of 19%, the blocks where these nine projects are located have increased in value 85%.

Contribution of Project Blocks to Property Value Increase



Property Values, 2006-2016



To look at it in another way, while these projects are all located in three of the thirty-six blocks of downtown, those three blocks contributed 56% of the total increase in downtown property values.



Above: Powell Furniture Store

Photo credit: Jeff Wilkinson, The State Newspaper

Revenue for Local Government

The City of Columbia, Richland County, and the Richland County school system are all heavily dependent on property tax revenues. When property value goes up, so do property tax receipts, meaning there is money to hire a new teacher, pay a police officer, promote tourism, and fund other activities of city and county government and the school system. Just the property taxes paid by the buildings that have used the preservation easement are sufficient to:



Pay the salaries each year for four new teachers



Pay the salary of one additional police officer

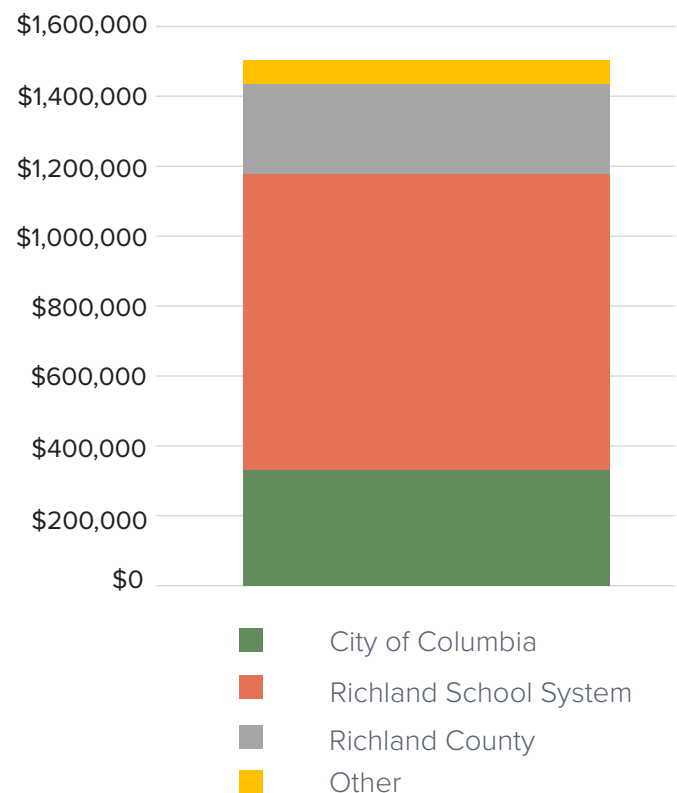


Provide five percent of the budget of the county's tourism development program

...and still provide another \$32,000 for other local government needs.

The increased value of properties on the three blocks where these buildings are located paid \$1.5 million more in property taxes in 2016 than in 2006. School children, police departments, and county government all have benefited from the use of this innovative preservation easement tool.

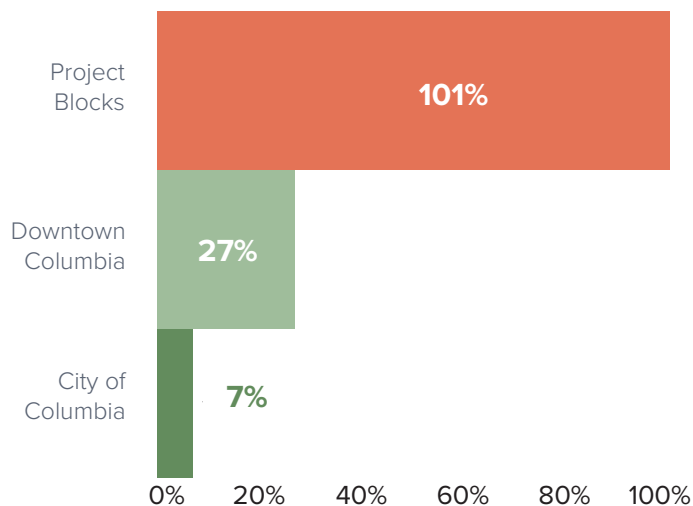
Increase in Property Tax Revenues from Project Blocks, 2006-2016



Job Growth

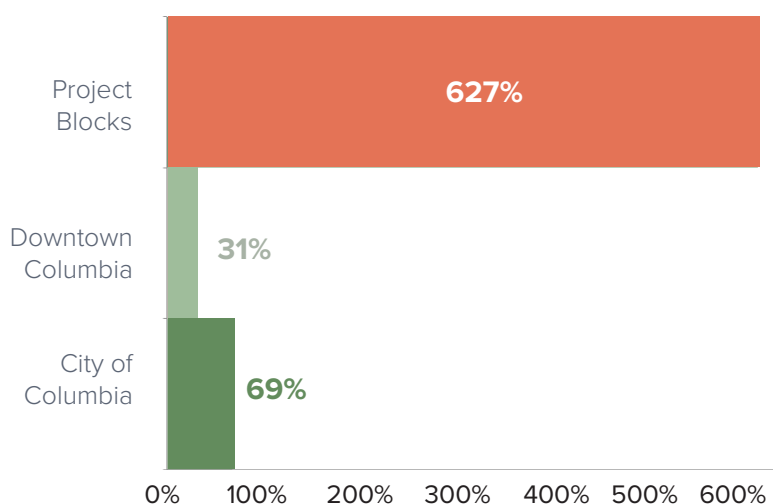
Downtown revitalization is ultimately an economic development effort. Successful downtown strategies for revitalization often include historic preservation as part of that strategy. The CCP recognized the opportunity of using the great historic resources in downtown Columbia as a tool for economic development, and that strategy has paid off.

Job Growth, 2006-2016



In the last decade, the City of Columbia has seen an increase of around 7% in the numbers of jobs. Downtown Columbia has done much better with a 27% increase in jobs. However, the number of jobs have more than doubled from a decade ago on the blocks where these catalytic projects are located.

Growth in Start-Ups, 2011-2014

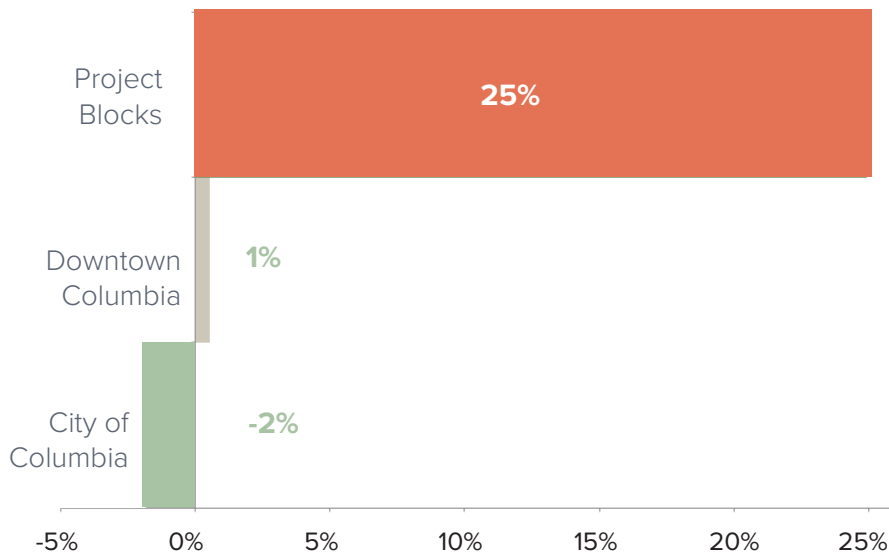


In part, the job growth in this part of downtown Columbia has been driven by the number of start-up businesses. In the three years between 2011 and 2014 (the last year for which data is available) the area in which these buildings are concentrated has significantly outperformed the rest of downtown and the city as a whole with an astounding start-up growth rate of more than 600%.

Small Business Growth

Headlines in the *Wall Street Journal* and *Fortune Magazine* notwithstanding, it is really small businesses that are the backbone of both the national and the local economy. Putting these historic buildings back in active use allows small businesses to grow.

Growth in Small Business, 2011-2014

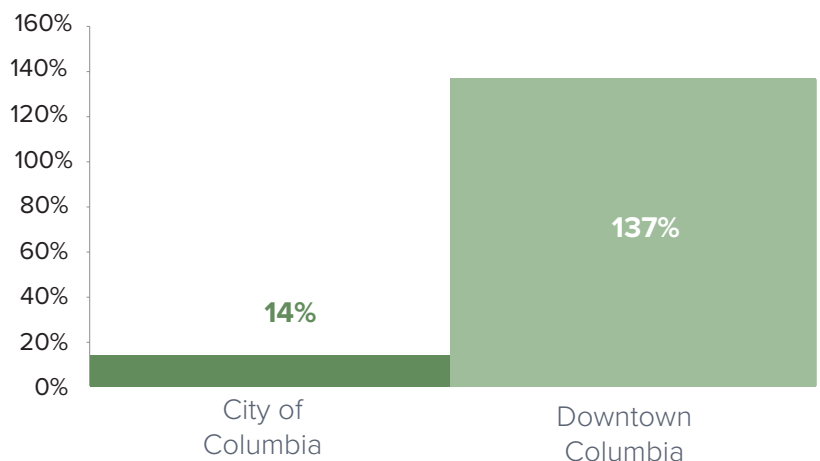


Many small businesses prefer to be located in historic buildings and neighborhoods because the character of the location helps differentiate their goods and services from those provided by chain stores. Between 2011 and 2014, while the City of Columbia overall saw a loss of 2% in the number of small businesses, downtown Columbia saw a slight gain, and the blocks in which these historic buildings are located experienced a 25% increase in the number of small businesses.

Housing Market Growth

Since its creation, the CCP has recognized the need to increase the number of residents in the downtown area. Over the last 15 years, that effort has been remarkably successful. While the City of Columbia has seen a 14% increase in housing units, downtown housing has burgeoned by more than 100%. Much of that housing growth was created through some of the nine projects mentioned in this analysis. It is, in part, the growth in the number of downtown residents that has both expanded existing businesses and encouraged new businesses in the area.

Housing Units, 2000-2015



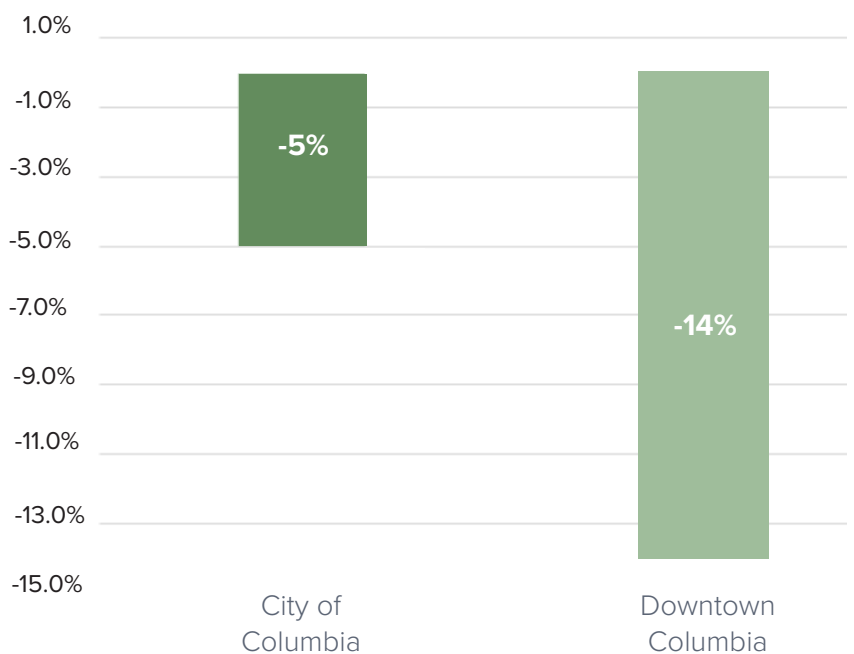


Above: Manson on Main Street

Changes in Vacancy

Not everything has gone up, however. There is one important variable that has gone down: vacancy levels. Since 2014, commercial vacancy in the City of Columbia has dropped 5%, but vacancy downtown is down 14%.

Changes in Vacancy, 2014-2016



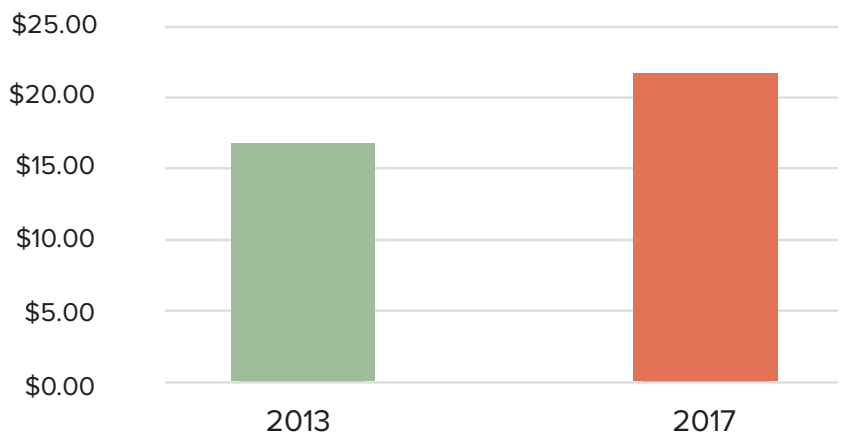


*Above: Ron Swinson and Brad Shell, Arcade Building Owners
Photo credit: Tim Dominick, The State Newspaper*

Commercial Rents

The marketplace is working in downtown Columbia. While the supply has been increased through both rehabilitation and new construction, demand has also increased. Downtown Columbia is becoming a location of choice, particularly for local small and start-up businesses. The demand for the type of space now available in downtown Columbia is reflected in increasing rents. Higher rents means that even more projects become feasible.

**Commercial Rents in Downtown Columbia
(dollar/sqft/year)**





Conclusion



THE FUTURE OF HISTORIC RESOURCES AND DOWNTOWN COLUMBIA

In an article in *The Senate* about Columbia hot spots, University of South Carolina student body president Michael Parks commented “I love the new energy that’s coming. It’s fun growing up in Columbia and seeing how Main Street has evolved in the past five to 10 years.”

What is clear is this: that evolution would not have taken place without the use of a range of development tools that include the state and Federal Historic Tax Credits and preservation easements. But there is an important bonus for future generations when a building owner uses an easement. Easements are “in perpetuity,” meaning that the current and future owners are committed to main-

taining the quality and character of the historic building into the future. That commitment is assured by the fact that a local preservation organization, Historic Columbia, holds the easement and has a legally enforceable right to assure the building is preserved and protected into the future. For this purpose, Historic Columbia has a well organized program to run their preservation easement efforts and monitor properties for which they recieved easements on a continous basis.

Through the donation of the easement each property owner—current and future—is precluded from demolishing the building or making changes that would adversely affect the quality, character, or



Above: The Kress Building

significant architectural features of the historic structure. This offers far greater protection to the structure than being a contributing property in a local historic district.

Downtown Columbia is a far different, and far better, place than it was just a few years ago. The decision by the CCP to emphasize a preservation-based revitalization strategy laid the groundwork for the significant, positive changes to take place. From there, the individual decisions of property owners and developers to invest millions of dollars into often vacant historic buildings became

the implementation of the strategy. That investment simply would not have happened without the availability of the effective tools of the historic tax credits and the preservation easement.

The result has been both measurable and amazing. The growth in jobs and new businesses, the increase in property values and rents, and the influx of new residents have all added to this high-quality, exciting downtown. All of the citizens of Columbia have benefited, and thanks to the preservation easement, they will continue to benefit for generations.

IMAGE CREDITS

Title Page

South Carolina State Capital: <http://www.way-marking.com/gallery/image.aspx?f=1&guid=a-71d6ae4-a4d1-4f65-85a4-42b6254490f8>

Watermark: https://upload.wikimedia.org/wikipedia/commons/d/d6/Main_Street_looking_towards_State_Capitol,_Columbia,_SC_1910s.png

Content Page

First National Bank Building: <http://www.1208washingtonplace.com/>

Context Map

Watermark: <https://www.sciway.net/maps/columbia-sc-historical-maps.html>

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Downtown: <https://noirgallery.co/collections/columbia-south-carolina>

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First National Bank Building: <http://www.historiccolumbia.org/tour-locations?neighborhood=Main%20Street>

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Tapp's Department Store: <https://www.tappsartscenter.com/about/>

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Arcade Building: <https://www.facebook.com/ArcadeBuilding/>

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Powell Department Store:
Jeff Wilkinson, *The State Newspaper*

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Berry's on Mainstreet: John Hensel, <http://www.historiccolumbia.org/tour-locations?neighborhood=Main%20Street>

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Arcade Interior: Tim Dominick, *The State Newspaper*

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Postcard View of Main Street: https://upload.wikimedia.org/wikipedia/commons/d/d6/Main_Street_looking_towards_State_Capitol,_Columbia,_SC_1910s.png

Page 14 and 15

Kress Building: <http://www.roadarch.com/09/3/colkress2.jpg>

GBX GROUP

GBX Group focuses on acquiring historic real estate in urban markets that have significant tax and other incentives available to them. For more than 15 years, we have specialized in helping taxpayers use their tax liabilities to fund investments in real estate projects with targeted federal, state, and local incentives. Through our direct investments we stimulate more than \$400 million in real estate development annually. GBX Group has completed over 100 projects in 14 states — breathing new life, vitality, and economic growth into neighborhoods and all they serve.

HISTORIC COLUMBIA

Historic Columbia is a non-profit organization dedicated to preserving Columbia and Richland County's historic and cultural heritage. Through historic preservation advocacy, innovative educational programs and strategic partnerships, Historic Columbia harnesses the power of history to inspire and catalyze social activism aimed at improving the quality of life in Columbia and Richland County.

THE PLACEECONOMICS TEAM

PlaceEconomics is a private sector firm with over thirty years experience in the thorough and robust analysis of the economic impacts of historic preservation. We conduct studies, surveys, and workshops in cities and states across the country that are addressing issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings.

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