



# A City at a Crossroads

The Impact of Historic Preservation in  
the City of Cumberland, Maryland



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35 N. Liberty Street





# Executive Summary

**The City of Cumberland is at a crossroads: it can invest in existing resources to promote a higher quality of life, or it can start from the ground up. Only one option represents a wise use of public funds.**

This report was commissioned by the City of Cumberland to analyze the contribution of historic preservation to the city's economic health. This analysis looked at the impact of historic preservation on property value growth, economic development, and the city's supply of affordable housing. The results of this study make it clear: Cumberland is at a crossroads after years of dwindling fiscal resources. With limited resources, it makes the most sense to invest in existing resources. Among the City's greatest existing assets are its natural and historic resources. These should serve as the foundation for economic development efforts that move towards quality of life and place-based development.

## **The key findings of this analysis are:**

- Historic Districts encompass **only 10% of the city's land area**, with 6% in local and 4% in National Register not also covered by a local district.
- Historic districts are home to **households across the income spectrum**. In the local historic district, 62% of households make below the median income. This is true of 59% of households in National Register Districts, but only 48% of households in the rest of the city.
- Residential property values in the local historic district have **increased at a rate higher** than properties in the National Register Districts and the rest of the city.
- Nearly 25% of all building permits took place in historic districts, but these represent **32% of all permit investment**.
- Businesses and commerce show **a preference for historic districts**. 28% of Cumberland's jobs are located in historic districts, despite making up only 10% of the city's land area. There is **greater job growth in historic districts** than in the rest of the city.
- Every year since 2000, historic tax credit project investment has generated an average of **14.8 Direct and 25.3 Indirect/Induced jobs** annually. This has generated \$501,573 in Direct Labor Income and an additional \$801,036 in Indirect/Induced Labor Income each year.
- The local tax credit alone has spurred over **\$21 million dollars in private investment**. Overall, for every \$1 of foregone property tax revenue to the City, roughly \$10.63 in private investment is made in historic buildings.
- Since 1998, Cumberland's Main Street District has seen **\$82.6 million in public and private investment**. Additionally, the ratio of businesses opening to closing has out performed the state and national average.
- Cumberland faces a paradox: low rents and low property values, yet families still struggle to afford housing.
- Existing older housing stock, and historic districts in particular, are poised to address this. **New construction and subsidized housing cannot solve the problem alone.**
- The final section of this report includes possible solutions for addressing the problem of affordable housing in Cumberland.

# Introduction

**Cumberland has every ingredient needed to leverage heritage resources for a thriving economy and a high quality of life.**

The City of Cumberland has no shortage of historic resources. Cumberlanders have long understood this—in fact, Cumberland got many things right very early on. Cumberland developed its preservation ordinance in 1974, and its historic districts were some of the first designated in the state of Maryland. Cumberland was one of the first Main Street programs in the state. With the designation of the Canal Place Heritage Area in 1993, Cumberland was also part of the first heritage area in the state. Cumberland also took initiative early by developing a number of incentives for rehabilitation, including a local tax credit, as well as a local and county assessment freeze. Today, Cumberland continues to try to do the right thing: the city has begun to explore land banking as a means to preserve older properties, and they've conducted a survey of vacant and dilapidated properties to direct resources wisely. Further, Cumberland has undertaken many initiatives to address affordable housing needs. Through these efforts, Cumberland has built a great foundation for stewarding its cultural heritage.

However, Cumberland is also a legacy city: an older industrial city that once served as a regional hub for industry, business, retail, and services, but has seen sustained population and job loss since the mid-twentieth century. This loss of an economic base is often accompanied by a weak demand for housing and stagnant property values. These circumstances have resulted in decreased municipal resources, further hampering the capacity of the local government to deliver the public services that help address these problems. Under such circumstances, the wise use of limited public resources is absolutely crucial. The most fiscally responsible approach to providing affordable housing is to ensure that existing housing, which often meets the needs of low income households, is maintained as habitable in the marketplace.

Yet legacy cities like Cumberland have many assets that can be leveraged for catalytic redevelopment—historic resources that impart a sense of identity and uniqueness, efficient transportation connections, existing infrastructure, etc. Cumberland is naturally well situated at the crossroads of the Potomac River and the CSX Railroad, and it is home to the C&O Canal National Historical Park and the Passages of the Western Potomac State Heritage Area, formerly known as the Canal Place Heritage Area. Cumberland's early preservation efforts helped maintain a large stock of older and historic structures--industrial warehouses, commercial buildings, well-built housing--that hold enormous potential for redevelopment.

**WHERE PUBLIC  
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RESOURCES.**

There are reasons to invest in heritage resources beyond preservation for its own sake. These assets, if properly maintained, invested in, and promoted, can create new economic engines for the City. In the 21st century, economic development is increasingly dependent on quality of life. Economic development today is not about proximity to raw materials, cheap land, or a massive labor pool. No longer do people follow jobs: jobs and companies follow talented, mobile workers. A recent survey found that two-thirds of millennials first look for a place they want to live and then look for a job or create their own job. This trend is likely to increase in the wake of the COVID-19 pandemic. There are early indications that some are moving from high density cities to smaller communities from where they can work remotely. If cities like Cumberland want to attract young, creative, knowledge workers, they must use their resources wisely, and invest in assets that have a proven track record of increasing residents' quality of life. Cumberland has every ingredient needed to make this happen: a recreational trail system, well-connected transportation, a walkable downtown, and historic character.

## Historic Preservation Program in Cumberland

Cumberland's municipal historic preservation efforts began in direct response to demolition and Urban Renewal efforts of the 1960s and 1970s. Spurred by the loss of a number of important buildings, the historic preservation program was established in 1974, with a preservation ordinance enacted the same year. The City undertook a citywide historic resource survey in 1976, which helped guide early planning and revitalization efforts. Today, the city boasts one local historic district, the Canal Place Preservation District, and six National Register Districts, two of which are fully encompassed by the local district.

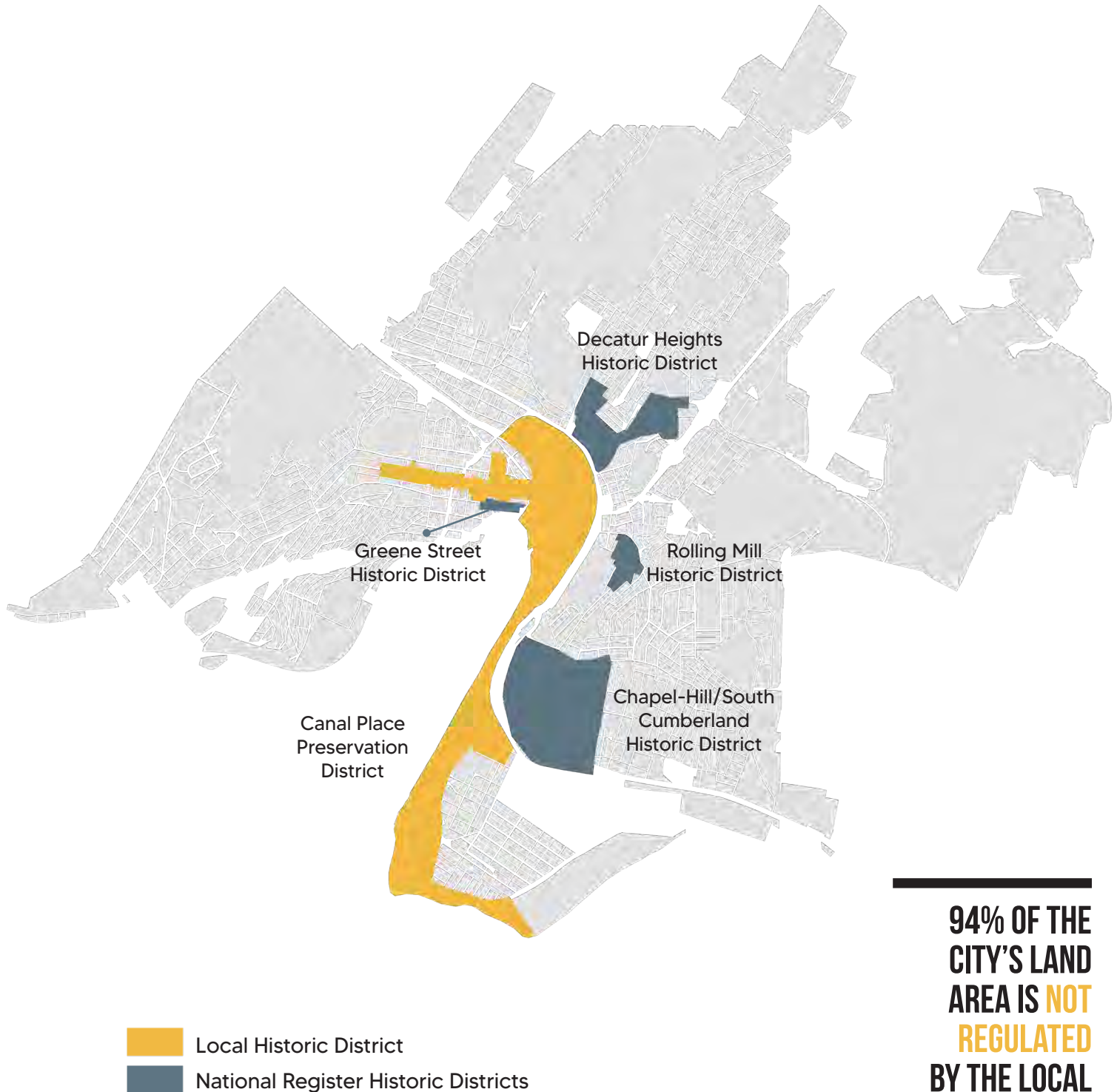


**“THE PRESERVATION OF SITES, STRUCTURES AND DISTRICTS OF HISTORICAL, ARCHAEOLOGICAL OR ARCHITECTURAL SIGNIFICANCE TOGETHER WITH THEIR APPURTENANCES AND ENVIRONMENTAL SETTINGS IS A PUBLIC PURPOSE IN THE CITY.”**

— CUMBERLAND ZONING ORDINANCE, SECTION 11.02 PURPOSE

## Basic Statistics

There are just over 2,400 properties in historic districts, 77% of which are in National Register Districts, while 23% are in the local historic district.

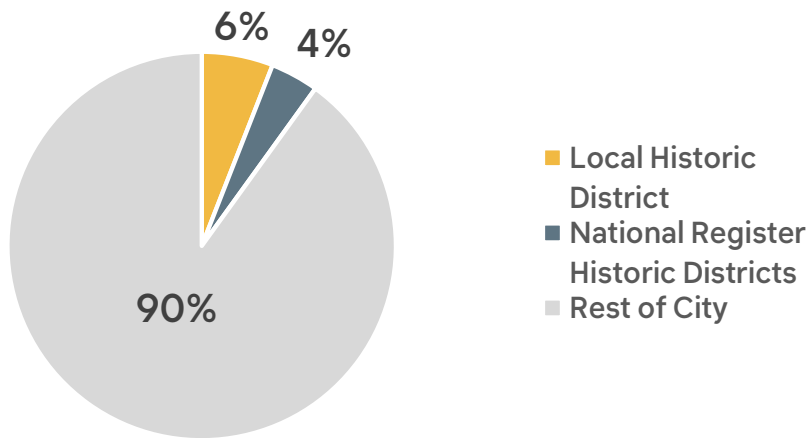


**94% OF THE  
CITY'S LAND  
AREA IS **NOT**  
**REGULATED**  
BY THE LOCAL  
HISTORIC  
COMMISSION.**



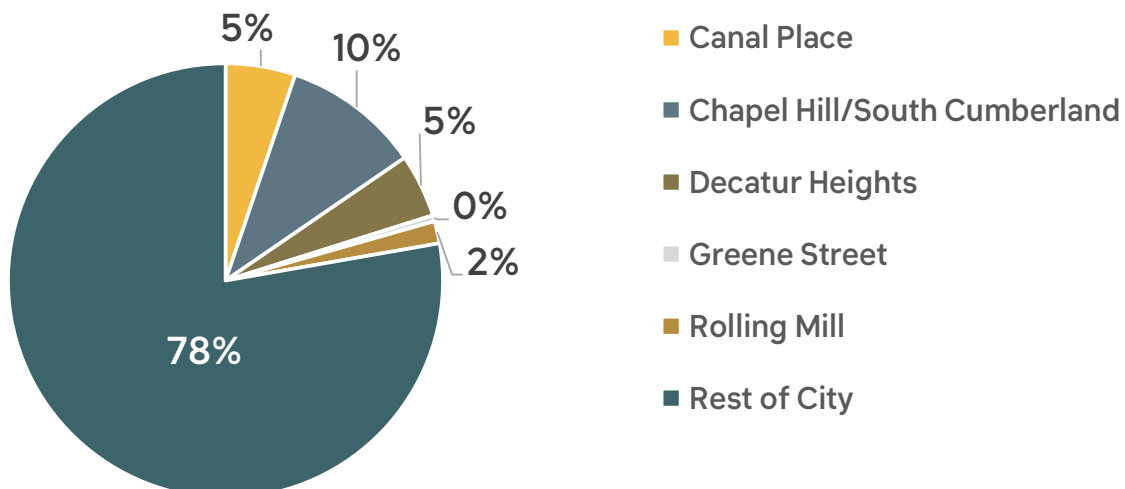
Combined these districts encompass only 10% of the city's land area, with 6% in local and 4% in National Register not also covered by a local district. This means that 90% of the City's land area is not protected by the City's preservation ordinance. While these areas may contain properties that are eligible for historic designation, there is no review or protection for these properties. The one exception to this principle is when Federal monies are being used. In that case not only designated properties, but also those that have been deemed eligible for listing on the National Register of Historic Places, need to be evaluated as to any adverse impact on the historic resources. If it is determined such adverse effects exist, either the plans must be changed or a mitigation must be proposed to respond to the negative impact.

### Share of City Land Area



The locally designated Canal Place Preservation District and the Chapel Hill/South Cumberland National Register District are Cumberland's largest districts. Together, they make up over 15% of the City's parcels.

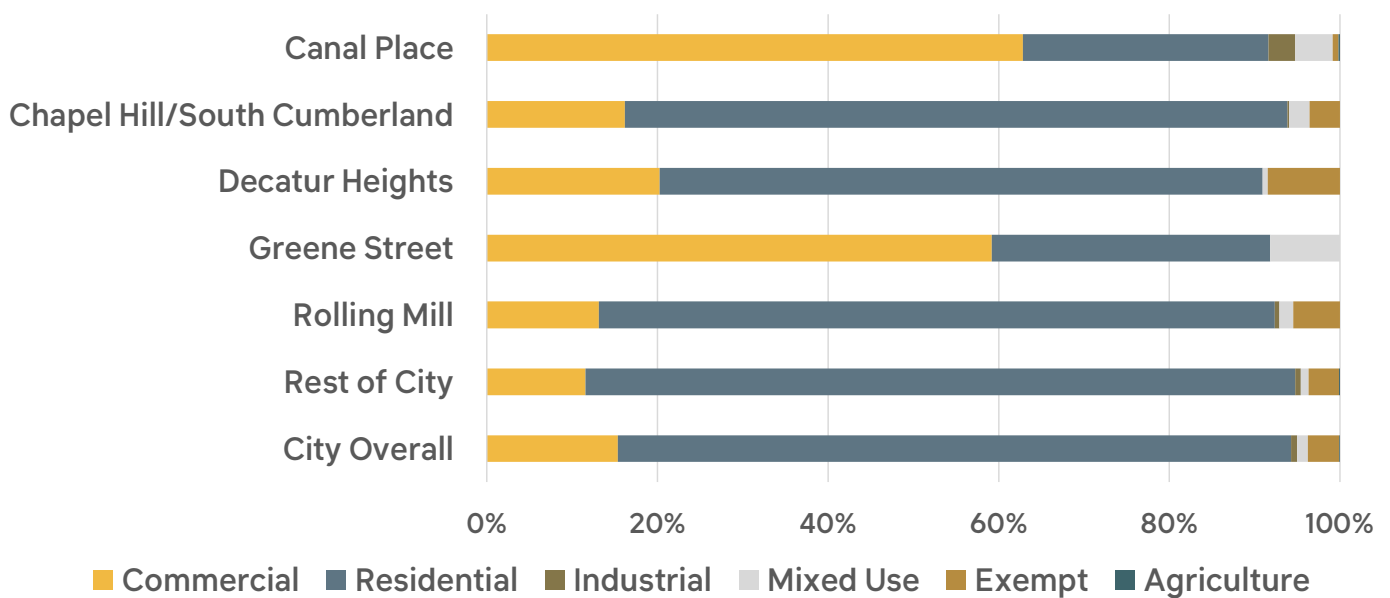
### Share of Parcels





From a property use standpoint, the Canal Place Preservation District is mainly commercial, while the National Register areas are largely residential. The Greene Street National Register District is the exception, as the core of that neighborhood is a commercial area.

### Property Use in Historic Districts





## Canal Place/Passages of the Western Potomac Heritage Area

In 1993, Canal Place<sup>1</sup> became the first state-designated heritage area in Maryland, created to acknowledge and celebrate the western end of the C&O Canal. Allegany County is widely recognized for its role in early railroad transportation history as well as for being the starting point for the National Road. Canal Place has become the center where this story is brought to life. The Canal Place Preservation & Development Authority was established to manage and oversee the preservation and development of this 11-acre area. The Authority renovated the Western Maryland Railway Station which now houses the C&O Canal National Historical Park Cumberland Visitor Center, the Allegany County Visitor Center, the Western Maryland Scenic Railroad, and the administrative offices of the Canal Authority. Canal Place

houses commercial spaces, including a bike shop, winery, restaurant and retail shops. The Authority provides ground leases for a Fairfield Inn & Suites as well as three parking areas. The site also is home to the Footer Building (see sidebar), a renovated historic steam and dye works. Canal Place is the meeting ground for the C&O Canal Towpath (Washington to Cumberland) and the Great Allegheny Passage trail to Pittsburgh. These bike trails, with nearly 200,000 users per year, continue to demonstrate Allegany County's unique place in transportation evolution. In 2018 the area was expanded to include districts within the cities of Cumberland and Frostburg and renamed Passages of the Western Potomac Heritage Area. This larger area highlights the more complete story of the region's heritage and history.

<sup>1</sup> A clarification of terms: The grounds owned and operated by the Canal Place Preservation and Development Authority (CPPDA), which include the historic Western Maryland Railway Station, the Shops at Canal Place, and the C&O Canal National Historical Park's Cumberland Visitor Center, are together known as "Canal Place." The Passages of the Western Potomac Heritage Area--formerly known as the Canal Place Heritage Area--is the overall heritage area for which the CPPDA is known as the management entity.

-  Passages of the Western Potomac Heritage Area
-  Potomac River





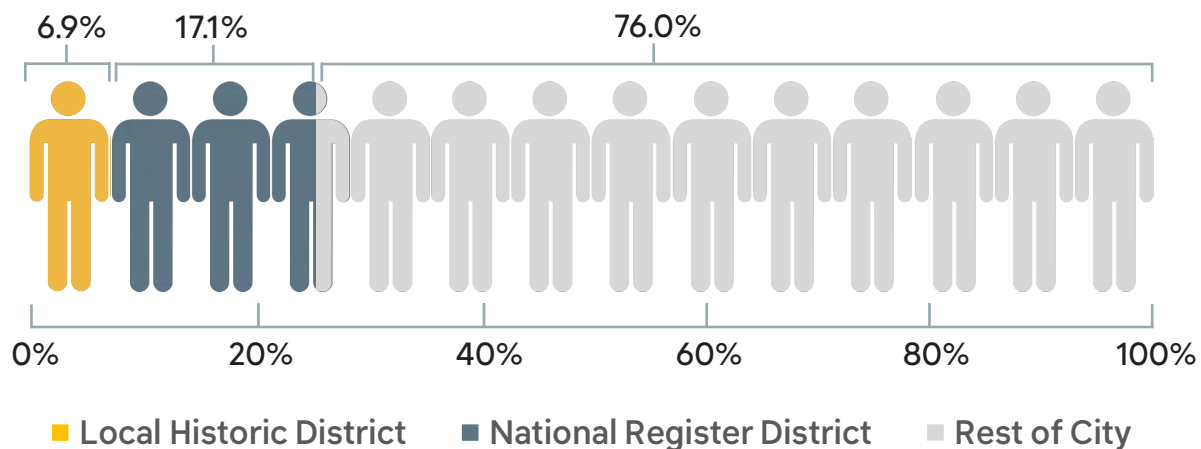


Canal Place

# Population and Demographics

**Cumberland's historic districts are home to economically and socially diverse residents.**

Approximately 24% of the population lives in a historic district, with 7% in the local district and 17% in National Register Districts. This means that 17% of Cumberland's population lives in the 4% of the City's land area that is designated as only a National Register District. The residential nature of these National Register Districts contributes to this dense population distribution.



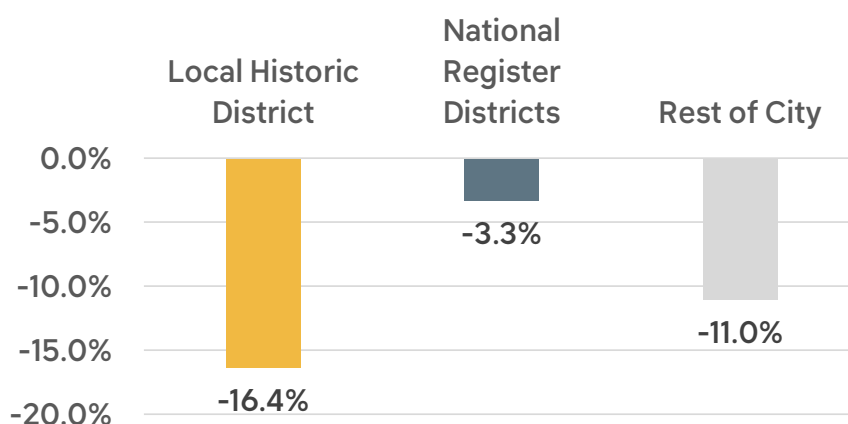
**CUMBERLAND'S NATIONAL REGISTER DISTRICTS ARE DENSE IN POPULATION. THE CITY'S LOCAL HISTORIC DISTRICT IS 60% COMMERCIAL, AND THEREFORE LESS POPULOUS.**





Like many legacy cities, Cumberland has lost population since the mid-twentieth century. Cumberland's population peaked at 39,000 in 1940, and the city has been losing population in subsequent decades. Since 2000, Cumberland has lost almost 10% of its population, or approximately 2,000 residents. However, the National Register Districts saw the least outgoing migration with only a 3% loss.

### Change in Population (2000-2018)

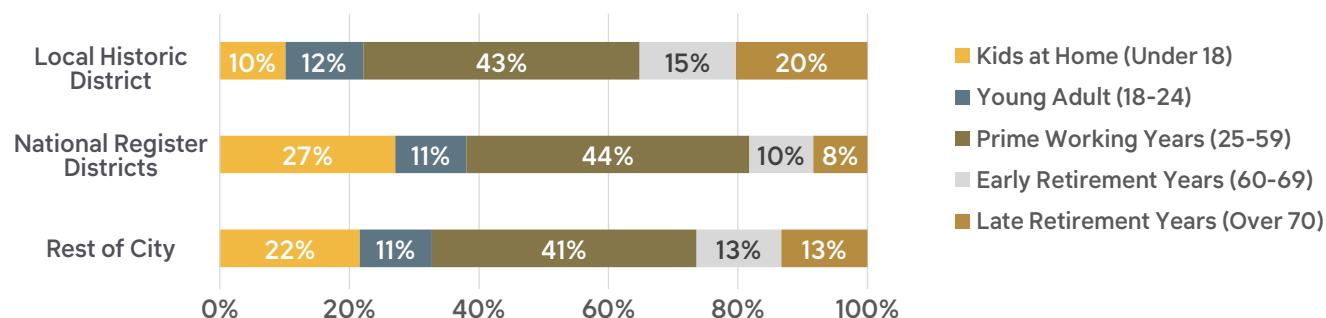


**NATIONAL  
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National Register Districts in Cumberland have a considerably younger population than the Local Historic District. As the property use graph illustrated, the National Register Districts contain mainly residential properties. These consist of a variety of small- to mid-sized single family homes befitting young families, while the Local Historic District has a section of larger, single family homes, as well as apartment buildings home to an older population.

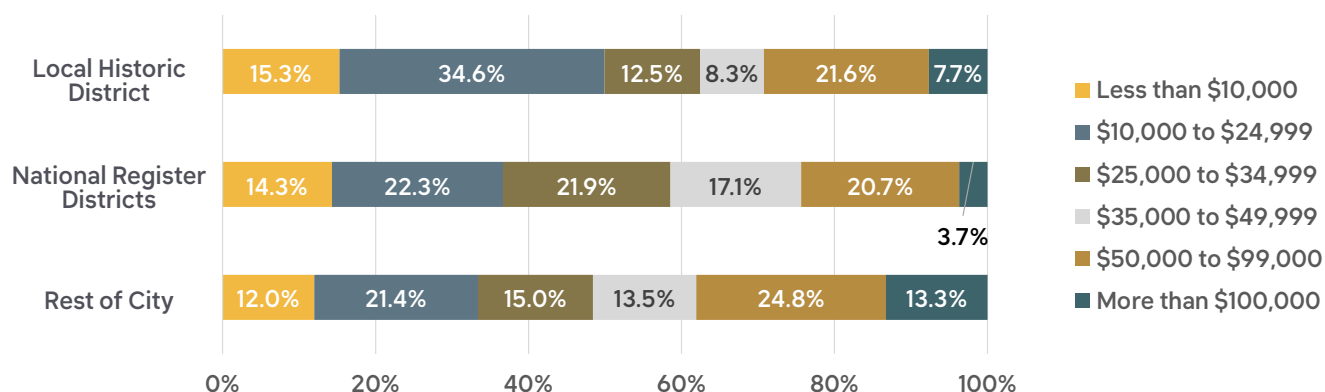
### Resident Ages



While the stately homes on Washington Street may leave a lasting assumption about the wealth status of historic district households, the data illustrates the Canal Place Preservation District is home to mainly low- and moderate-income households. This is likely a result of the presence of subsidized senior housing apartments located in the district. The National Register areas are home to wide a variety of households across the income spread. The largest share of Cumberland's upper-income households are living elsewhere in the city.

**HISTORIC  
DISTRICTS  
ARE HOME TO  
ECONOMICALLY  
DIVERSE  
HOUSEHOLDS.**

### Household Incomes



Though they make up a small portion of the city, Cumberland's historic districts punch above their weight. These neighborhoods are densely populated and home to economically diverse residents. It is evident that historic districts in Cumberland are the neighborhoods of choice.

# Historic Building

# Investment

**The market place “reveals” its preference for investments in historic districts.**

Like many legacy cities, Cumberland has not seen a large amount of investment in recent years. This is a consequence of a community losing population and the corresponding decline in the local economy. However, the data below demonstrates that historic districts are attracting investment in spite of the overall weakness in the investment environment. Historic districts see a higher share of the city’s overall building permit investment, they see higher quality alterations because of design review, and historic properties see higher value appreciation. This is an example of the marketplace “revealing a preference” for investment in historic districts.

In Cumberland, historic preservation regulations and protections are only applicable to the local Canal Place Preservation District. The National Register Districts are honorific designations, but they do offer some opportunities for local, state, and federal tax incentives.

## **Certificate of Appropriateness**

Cumberland’s Historic Preservation Commission reviews exterior work within the local historic district through a process known as a Certificate of Appropriateness (COA). COAs are issued for projects that have been determined by the Historic Preservation Commission to meet the intent of the Preservation District Design Guidelines for Cumberland, Maryland.<sup>2</sup> All COA applications must be received by the Department of Community Development by the first Wednesday of each month in order to be placed on that month’s meeting agenda. Applicants are required to have applied for all other relevant building permits and provide a written scope of work, photographs of the site, scaled drawings of elevations and digital renderings if available, product specifications, and samples of proposed paint and materials.

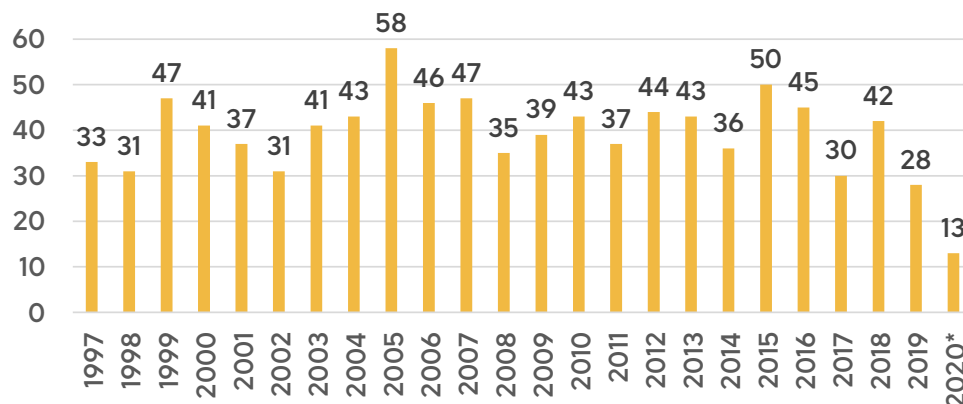
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<sup>2</sup> <https://www.cumberlandmd.gov/DocumentCenter/View/1276/Cumberland-MD-Design-Guidelines>

COA applications for certain work may be eligible for review and approval administratively by the Historic Planner/Preservation Coordinator. Additionally, the Commission and its staff provide technical assistance to property owners for questions regarding design and maintenance issues, as well as direction seeking financial assistance for rehabilitation projects.

Since 1997, there have been almost 950 applications for COAs. Overall, the local historic district has seen an average of 39 COAs a year.<sup>3</sup>

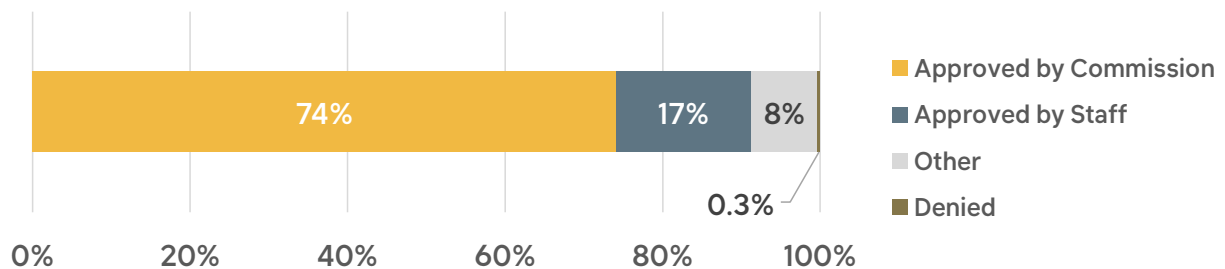
### COA Applications by Year



**OVER 99% OF  
COAS HAVE BEEN  
APPROVED OVER  
THE LAST 20  
YEARS.**

In the last 20 years, the Commission and staff have overwhelmingly approved COAs. In fact, since the start of the historic preservation program, only .3% of COAs have been denied. Just over 35% of all applications seeking approval were for signage, while alteration, rehabilitation, and design review applications made up another 40%.

### Action Taken by Commission or Staff



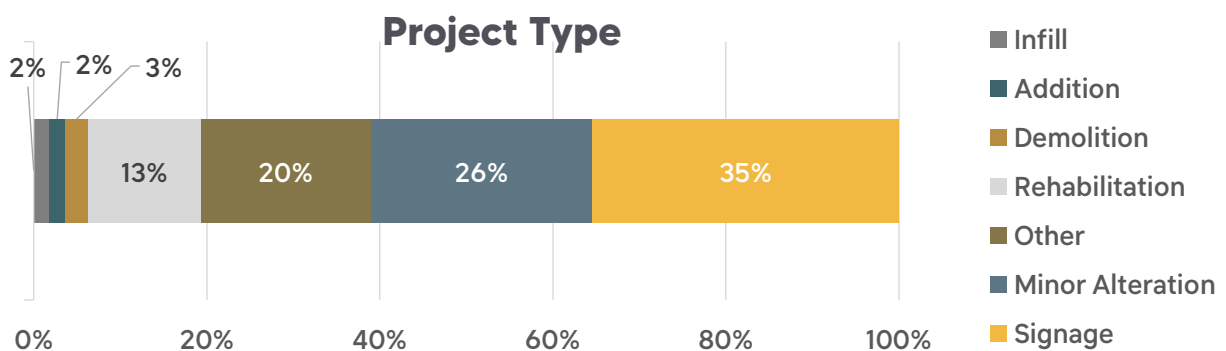
<sup>3</sup> 2020 data only goes through May. It should also be noted that nearly every economic benchmark, in Cumberland and elsewhere, is being adversely affected by the COVID-19 pandemic.





All exterior changes to a structure in the local historic district, above general maintenance, must be reviewed and receive a COA prior to the commencement of permitted work. This includes but is not limited to additions, alterations, awnings, entrances and doors, painting, porches, fences, siding, signage, window replacement, demolition, and new construction/infill.

Overall, over 60% of COA applications are for signage, alteration, and rehabilitation work.



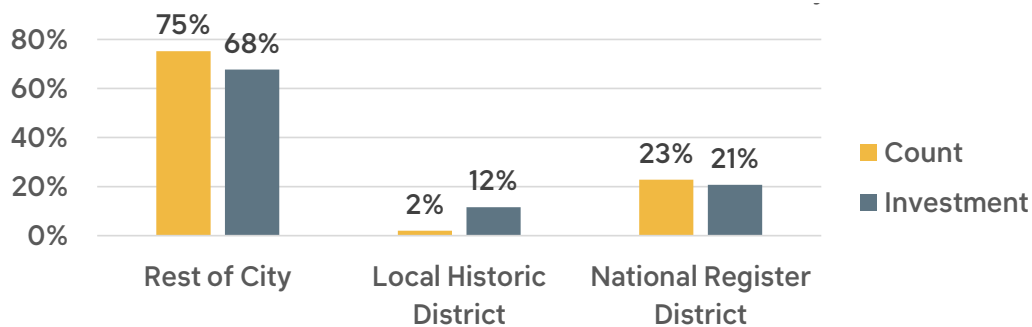
## Building Permits

As mentioned previously, overall the City of Cumberland has very low building permit numbers. While this may be alarming, it is not uncommon in legacy cities in general. For there to be significant increases in building activity, four factors must change: 1) there needs to be an increase in demand for space, either residential or commercial; 2) the rent levels for additional space must be sufficient to warrant the expenditure; 3) the cost of construction (either rehabilitation or new construction) must be at a price point justified by the achievable rents; and 4) incentives targeted to the areas deemed to be in the public interest need to be available and effective.

However, historic districts help move the needle on those four factors. Building improvement activity in historic districts occurs at a higher rate and amount than elsewhere in the city. Analysis of City data reveals that between 2007 and 2019, nearly 25% of all permits took place in historic districts (which only make up 10% of the city's land area), but 32% of all permit investment.

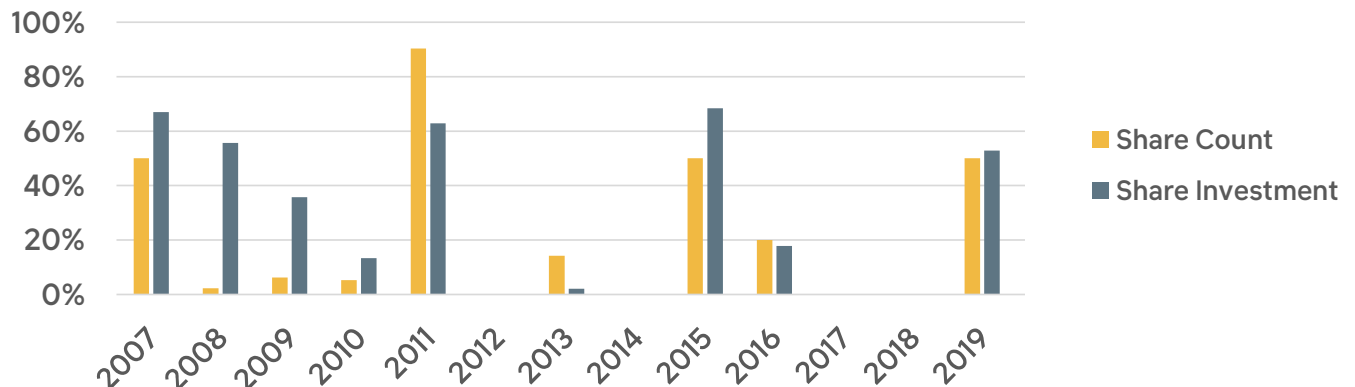
**32% OF ALL  
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### Permits in Historic Districts v. Rest of City



In both the number of projects and the amount of investment per project, Cumberland's historic districts have been a magnet for such investment. For instance, in 2015, 50% of all the city's building permits took place in historic districts, but these permits account for 70% of all permit investment in the city for that year.

### Permits in Historic Districts

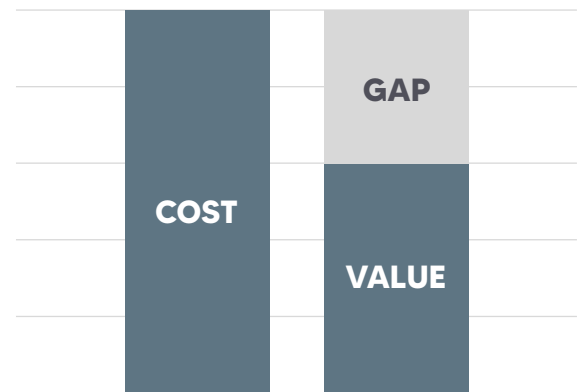


## Rehabilitation Incentives

The U.S. has had a federal historic tax credit program for rehabilitation since 1976. Although the credit has been tweaked over the years, currently the National Park Service offers a 20% tax credit for qualified rehabilitations. The historic tax credit was one of the few federal tax credits retained during the Tax Reform Act of 2017. Additionally, 37 states including Maryland have a state level historic tax credit that largely mirrors the federal. Cumberland also provides a local property tax credit of 10% for qualified rehabilitations, as well as an assessment freeze for up to ten years. These programs have made a tremendous economic impact on Cumberland.

**Historic preservation tax incentives are good public policy, and their purpose is to close what is called the development gap.**

In real estate terms, “Cost” is the sum that will have to be spent from the conception to the completion of the project. “Value,” in financial terms, is what the marketplace is willing to pay in rent or purchase price for that restored building. Where Value exceeds Cost, the marketplace will support the project, and incentives may not be necessary. Yet when Cost exceeds Value, as is often the case with historic buildings, a gap exists. The primary purpose of incentives is to close this gap—to make an irrational economic act rational.



Beyond the purely financial argument, preservation incentives are good public policy because they promote a public good. Historic buildings have values beyond just financial. These values can be aesthetic, social, environmental, educational, cultural, etc., and they are enjoyed by a larger group of beneficiaries than just the property owner. Therefore, preservation incentives can be considered not only the provision of a public good, but also as partial payment for the values that the public, not the property owner, receives as a result of the property owner’s investment.

## Federal and State Historic Tax Credits

The Federal government offers a historic rehabilitation tax credit to attract investment for the reuse of historic buildings. The program provides a 20% tax credit to qualified investors who complete certified rehabilitations on designated historic buildings that are listed as contributing on the National Register of Historic Places. The National Park Service (NPS) works alongside the State Historic Preservation Office (SHPO), the Maryland Historical Trust, to administer the federal historic tax credit.

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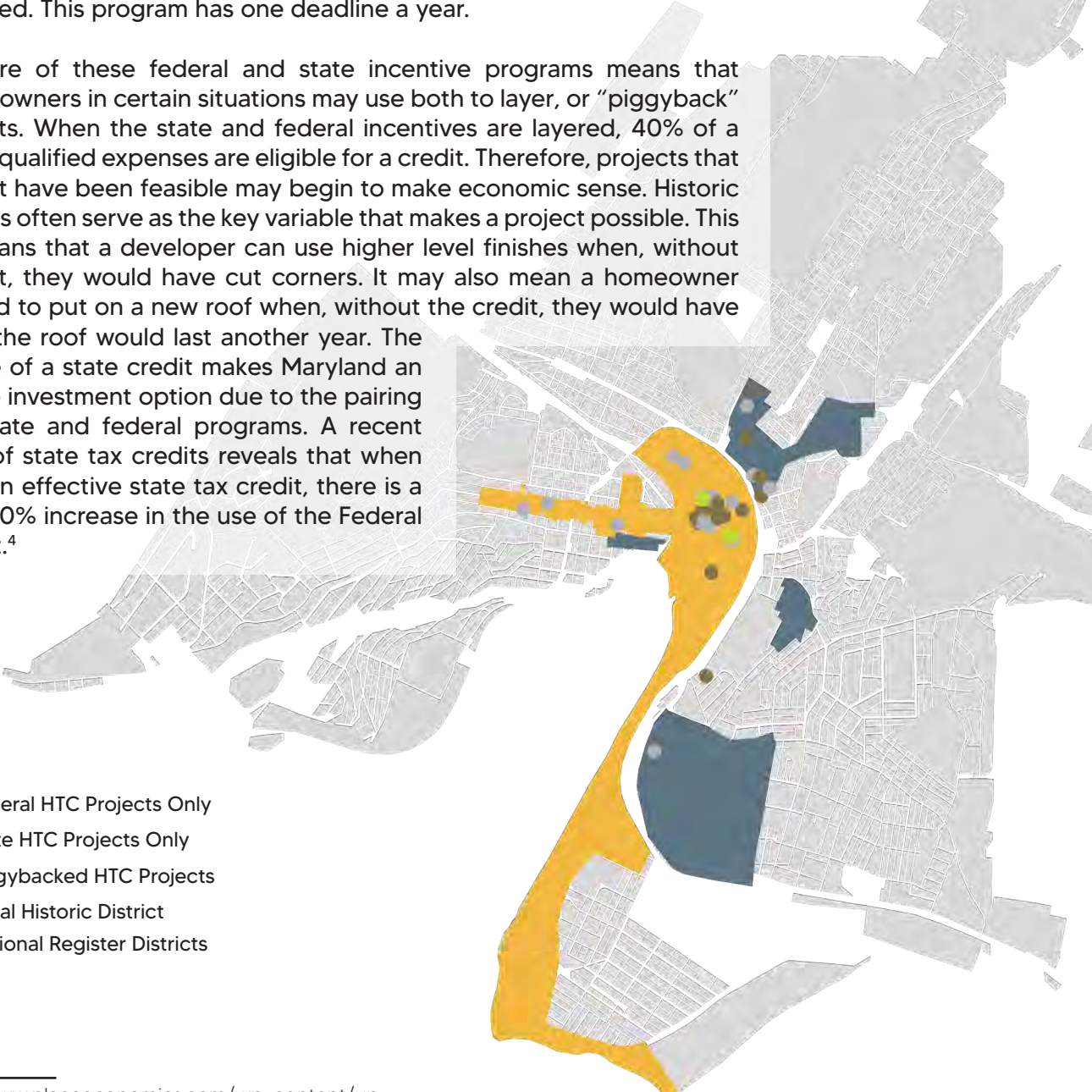


Additionally, Maryland has three state historic tax credits:

- Homeowner Tax Credit - 20% of qualified rehabilitation expenditures (QREs) capped at \$50,000 with a minimum of \$5,000 in eligible expenses to qualify.
- Small Commercial Tax Credit - 20% of qualified rehabilitation expenditures capped at \$50,000 with a minimum of \$5,000 in eligible expenses to qualify. This program has a \$4 million annual cap and projects are qualified on a first-come-first-serve basis until the cap is reached.
- Competitive Commercial Tax Credit - 20% of qualified rehabilitation expenditures with eligible expenses that exceed \$25,000 or the adjusted basis value of the building. This program has a \$9 million annual cap and projects are qualified on a first-come-first-serve basis until the cap is reached. This program has one deadline a year.

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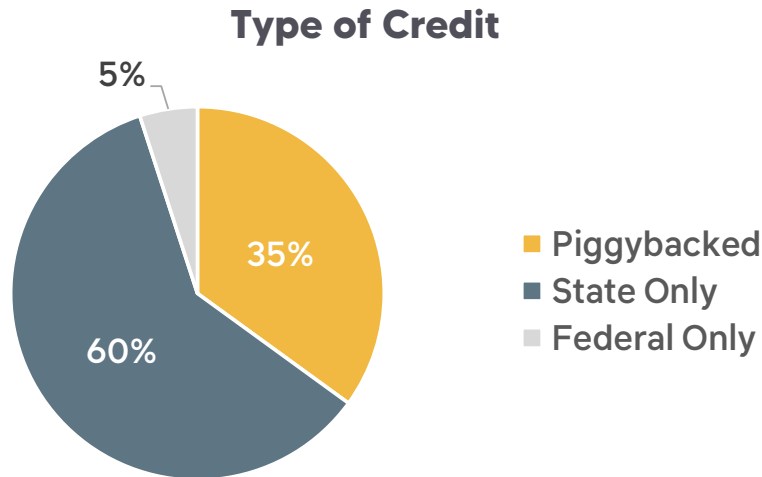
The nature of these federal and state incentive programs means that property owners in certain situations may use both to layer, or “piggyback” the credits. When the state and federal incentives are layered, 40% of a project’s qualified expenses are eligible for a credit. Therefore, projects that would not have been feasible may begin to make economic sense. Historic tax credits often serve as the key variable that makes a project possible. This often means that a developer can use higher level finishes when, without the credit, they would have cut corners. It may also mean a homeowner can afford to put on a new roof when, without the credit, they would have to hope the roof would last another year. The existence of a state credit makes Maryland an attractive investment option due to the pairing of the state and federal programs. A recent analysis of state tax credits reveals that when there is an effective state tax credit, there is a 40% to 60% increase in the use of the Federal tax credit.<sup>4</sup>

- 
- Federal HTC Projects Only
  - State HTC Projects Only
  - Piggybacked HTC Projects
  - Local Historic District
  - National Register Districts

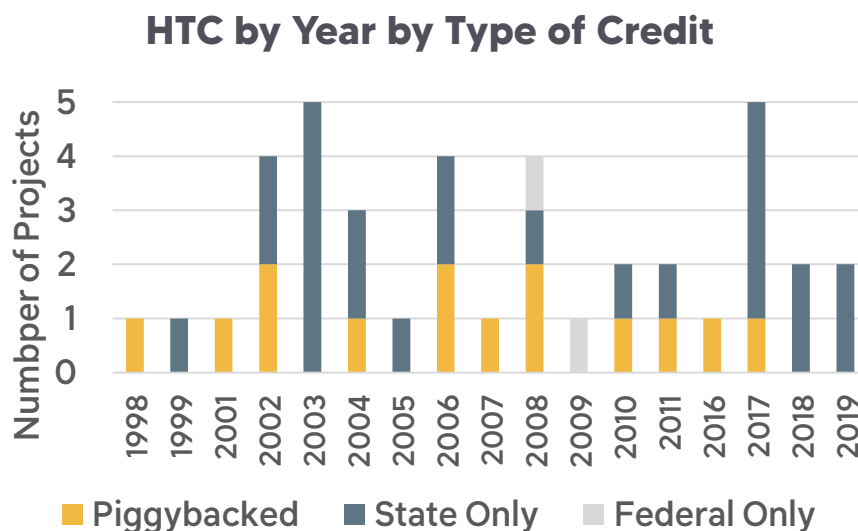
4 <https://www.placeeconomics.com/wp-content/uploads/2019/05/PA-Tax-Credits-5.15.pdf>

## Investment

Since 1998, there have been 40 projects that have used some combination of federal and/or state historic tax credits. Overall, 60% of tax credit projects have used the State credit on its own. While this has had a positive impact on jobs, income, and historic properties in Cumberland, it still translates to around two projects per year. Considering the quantity and quality of the historic resources in Cumberland, there is an opportunity for that number to be higher.



The use of the federal and state historic tax credits in Cumberland has varied over the years. Not surprisingly, its use generally decreased following the Great Recession, though in 2017, Cumberland saw a spike in use, particularly in use of the state tax credit.<sup>5</sup>

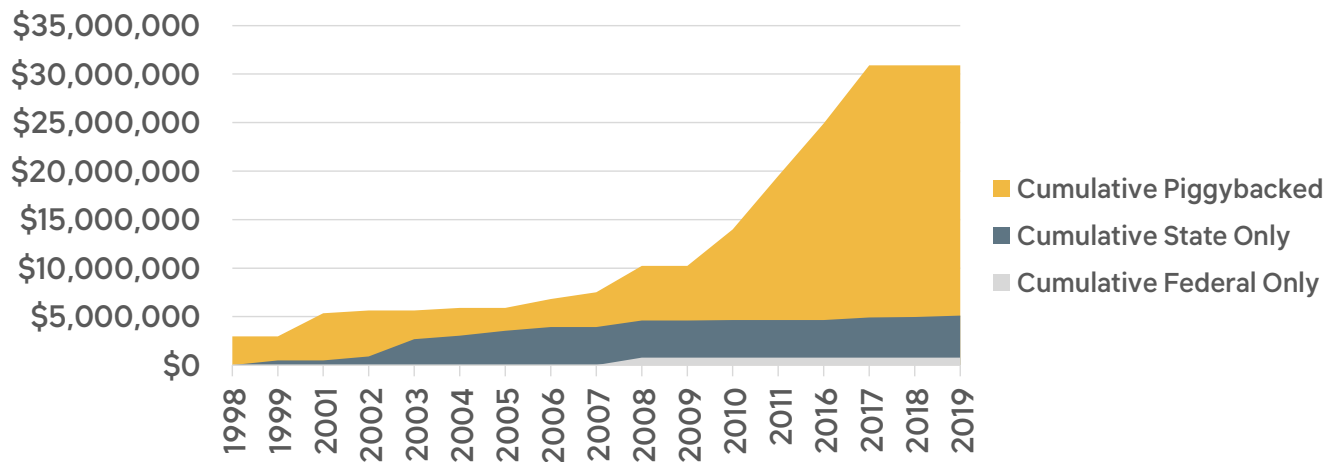


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<sup>5</sup> In 2017, Cumberland introduced a new program, the Leasehold Improvement program for the Central Business District as well as a limited amount of funding for the Community Legacy-funded Upper Story Redevelopment Program. These probably contributed to this spike.

While only 35% of Cumberland's projects piggybacked the state and federal credits, these projects represent 84% of the overall investment. The average project cost for piggybacked projects is over \$2.2 million, while state-only or federal-only projects have average project costs of \$212,000 and \$382,000 respectively.

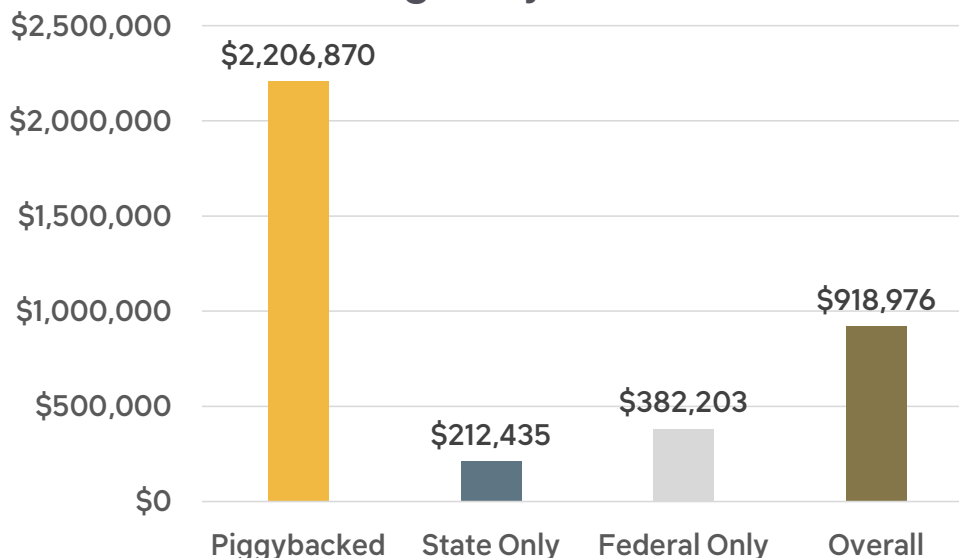
### Cumulative QRE Investment by HTC Type



The ability to use both the state and federal credits means that larger (and often riskier) projects can be undertaken. The relatively small size of projects using only the state credit is probably attributable to the fact that many of these were owner occupied residential units, a category of real estate that is not eligible for the federal credit.

**THE LAYERING  
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CUMBERLAND.**

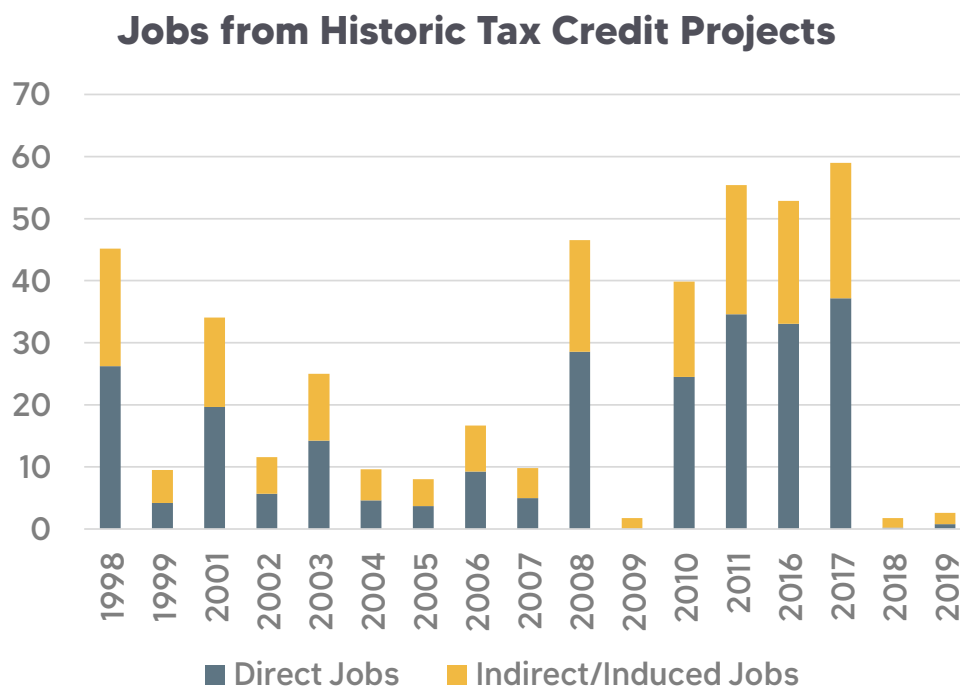
### Average Project Cost





## Jobs and Income from Tax Credit Activity

Based on the amount of investment, it is possible to calculate the number of jobs and the amount of labor income each year.<sup>6</sup> This was done using the IMPLAN Input-Output model.<sup>7</sup> Every year since 2000, historic tax credit project investment has generated an average of 14.8 Direct and 25.3 Indirect/Induced jobs annually.<sup>8</sup> It should be noted that these are jobs (and incomes) in Cumberland and Allegany County. It was heard anecdotally during the research for this report that there are an insufficient number of local contractors and tradespeople in Cumberland to undertake these projects, so companies and their workers from elsewhere in Maryland often do the work. If more of the firms/workers doing historic rehabilitation projects in Cumberland were locally based, the jobs and labor income numbers would most likely be higher.



<sup>6</sup> It is important to note that these jobs and income numbers are from the construction phase of the projects only and do not include permanent jobs within these buildings after construction is completed.

<sup>7</sup> IMPLAN is the industry standard for Input-Output modeling. Based on user data the model generates numbers of direct, indirect, and induced jobs, the labor income those jobs represent, proprietor's income and other measures. A "job" is one full time equivalent job for one year.

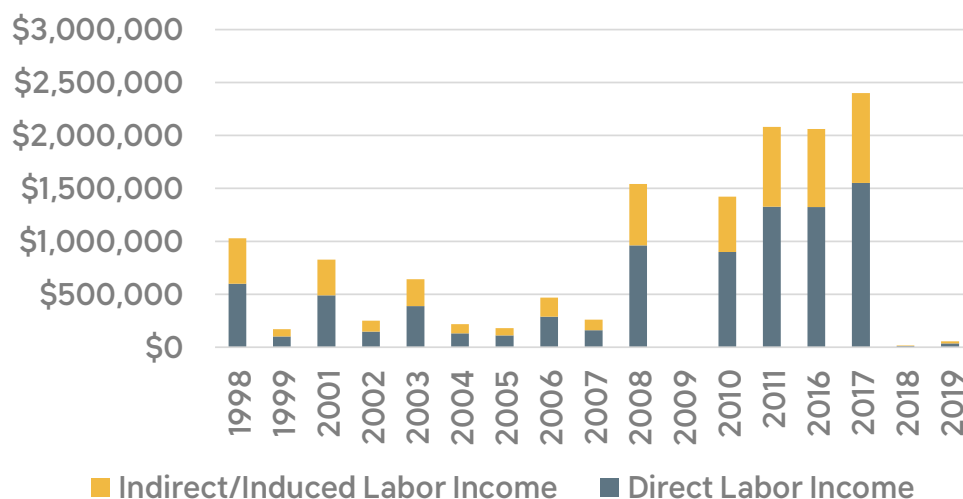
<sup>8</sup> Every dollar spent has both a direct impact and an indirect/induced impact. The direct impact consists of labor and material purchases made specifically for the activity. The indirect impact consists of spending on goods and services by industries that produce the items purchased for the activity. Induced impact focuses on the expenditures made by the households of workers involved either directly or indirectly with the activity. <https://www.americansforthearts.org/by-program/reports-and-data/legislation-policy/naappd/economic-impacts-of-historic-preservation>



49 N. Liberty Street  
Federal and State Historic  
Tax Credit Project

These jobs come with income. Every year since 2000, jobs from historic tax credits have generated an average of \$501,573 in Direct Labor Income and an additional \$801,036 in Indirect/Induced Labor Income.

### Labor Income from Historic Tax Credit Projects



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## **The Footer's Dye Works Building**

Joy Development, LLC – Michael Joy

A native of Washington, DC, Michael Joy has been a long-time home builder in the DC metro area. He first reached into the Cumberland/Frostburg market after 2001, and his initial downtown Cumberland project was the development of the Liberty Street Lofts in 2005-06, seven luxury apartments with retail space. Noting that “the city is very pro-active and the community is very receptive”, Michael has continued to pursue housing development opportunities in Cumberland.

With a company theme, “transforming communities, preserving the past”, as guidance, it is understandable that another of Michael’s projects in Cumberland is the Footer’s Dye Works Building. Built in 1906 as part of a much larger steam and dye works complex, the Footer Building is located in what was Maryland’s first state designated historic heritage area, now known as the Passages of the Western Potomac Heritage Area. This approximately 32,000 square foot building houses 24 high-end apartments with plans for a restaurant, and the adjoining

sawtooth building hosts a brewpub. The tenant mix is typical of many historic urban mixed-use projects, with three quarters of the residents in their 20’s and 30’s and the remaining quarter at or near retirement. The project utilized local tax incentives, Federal and Maryland state historic tax credits, and a grant from the State of Maryland.

The Footer Building is located at the nexus of two internationally recognized bike trails, the C&O Canal Towpath (Georgetown to Cumberland) and the Great Allegheny Passage, which goes all the way to Pittsburgh, PA. Collectively these 333 miles of trails host thousands of bikers each year. There is also good connectivity to downtown Cumberland, which creates a strategic link for shoppers and residents.

Michael believes that there are “a ton of good, solid historic buildings that could be developed” in the area and sees more opportunity for “transforming communities, preserving the past.”



Footer's Dye Works Building  
Federal and State Historic Tax  
Credit Project





## Local Historic Tax Credit and Freeze

Similar to the State and Federal historic tax credit programs, Cumberland also offers its own incentive programs. The City of Cumberland Historic District Tax Incentive Program provides a City real estate tax credit equal to 10% of the project's QREs. Eligible properties must either be listed individually or as part of a local district, National Register District, or within the certified heritage area. A minimum expenditure of \$5,000 in private investment is required. A credit of up to 5% is offered for new construction infill of architecturally compatible structures. Commission and staff review applications for the local historic tax incentive programs, and those located within the Canal Place Historic District must receive a COA. The credit is applicable for expenditures incurred within a two year period, though it can be used for up to five years if the amount of the credit is greater than the amount of the annual taxes due. Projects taking place within the Special Taxing District are eligible for an additional local historic tax credit which will freeze the assessment related to the Special Tax for the same period of time that was awarded in the Historic District tax assessment freeze.

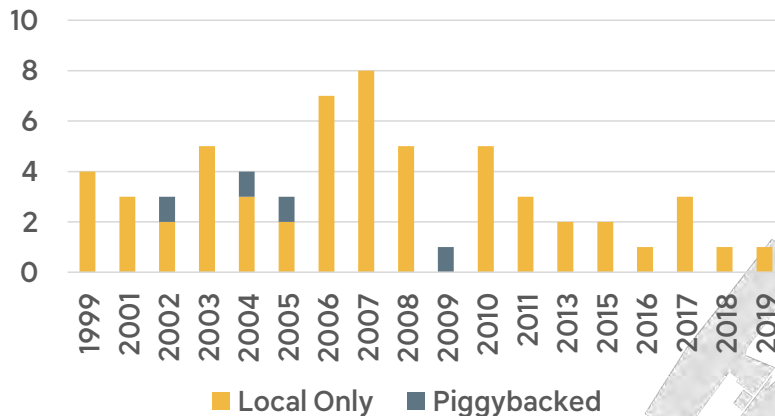
Additionally, a city property tax assessment freeze is available for a period of up to 10 years for projects that take advantage of the local historic tax credit. The length of the freeze depends upon the amount of the expenditure in relation to the pre-improvement market value of the property. In 2006, this program was expanded to include not only the Canal Place Preservation District, but also all National Register Historic Districts within Cumberland, many of which had been recently designated. The Allegany County Commissioners mirror the tax assessment freeze equal to the City of Cumberland's program. Applicants must have work approved by the Cumberland Historic Preservation Commission in order to be eligible. Approved City of Cumberland Historic District Tax Incentive Applications are forwarded to the Allegany County Office of Finance for processing, and a separate application is not required.

In 2013, at the request of the Downtown Development Commission, the Mayor and City Council approved a tax assessment freeze equal to that received by the City of Cumberland's Historic District Tax Incentive Program to be applied to the Special Tax for property owners in the Downtown Cumberland Special Taxing District. As with the City and County assessment freezes, work must be approved by the Cumberland Historic Preservation Commission in order to be eligible and a separate application is not required, though property owners must indicate on the Historic District application that they are located within the Special Taxing District.

**CUMBERLAND  
HAS A GREAT  
FOUNDATION OF  
EXISTING LOCAL  
TAX INCENTIVES.**

Since 1999, there have been 62 projects that have taken advantage of the Cumberland Historic District Tax Incentive Program, 93% of which took place without piggybacking state or federal credits. Given Cumberland's low amount of building activity overall, it is not surprising that there have only been an average of three projects per year. This is likely attributable to the overall weakness in the local economy than any deficiency in the incentive itself.

### Local Historic Tax Credit by Year by Credit Type



The Great Recession was clearly a cause of the decline of these incentivized projects. It appears that Cumberland simply never fully recovered from the last recession before the more recent one began.





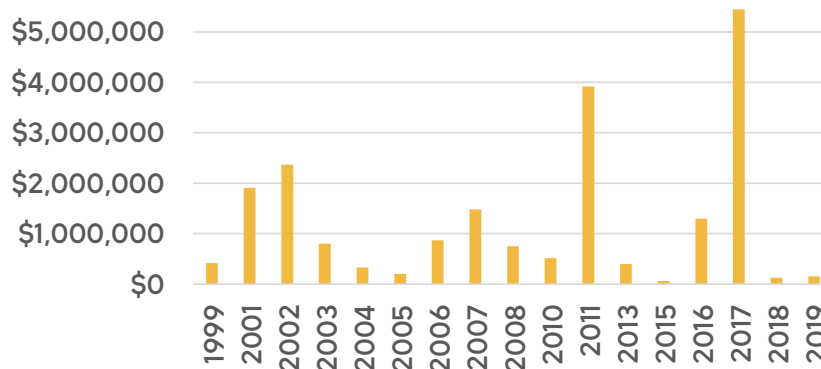


152 Bedford Street  
Local Historic Tax Credit Project

## Investment

The weak building improvement environment notwithstanding, the local tax credit alone has spurred over \$21 million dollars in private investment.<sup>9</sup> This investment was almost exclusively in the Canal Place Local Historic District.

### Local Historic Tax Credit Investment by Year



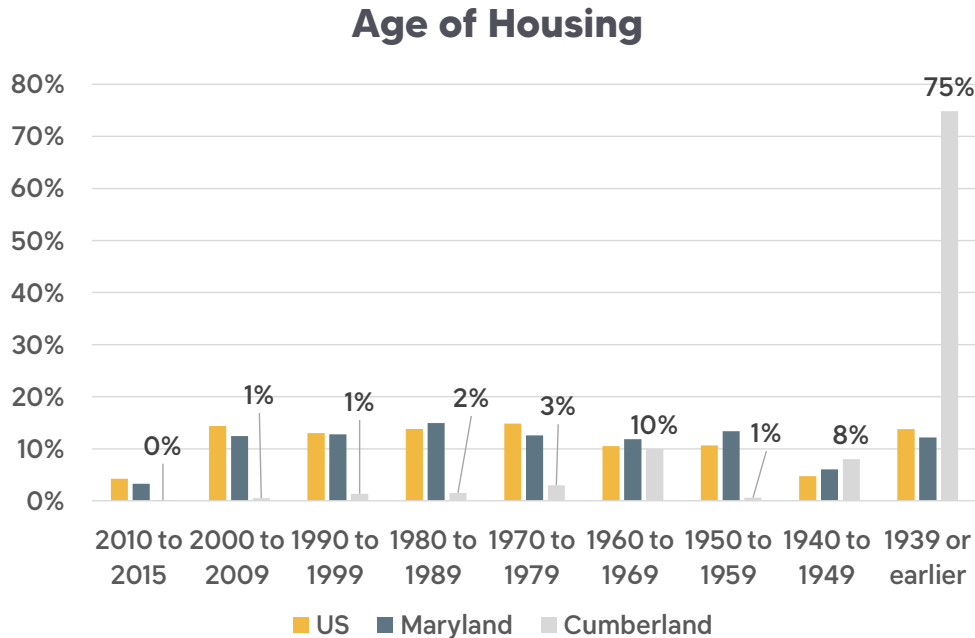
Overall, for every \$1 of foregone property tax revenue to the City, roughly \$10.63 in private investment is made in historic buildings. This investment increases the value of the property. When the time period of the incentive expires, the property comes back on the tax rolls at its full taxable value. This results in higher tax revenues to the city that can be used for public services.

<sup>9</sup> This excludes projects that were piggybacked with either the state or federal rehabilitation historic tax credit.

# Property Values

**With higher appreciating property values, historic districts are some of Cumberland's **strongest neighborhoods**.**

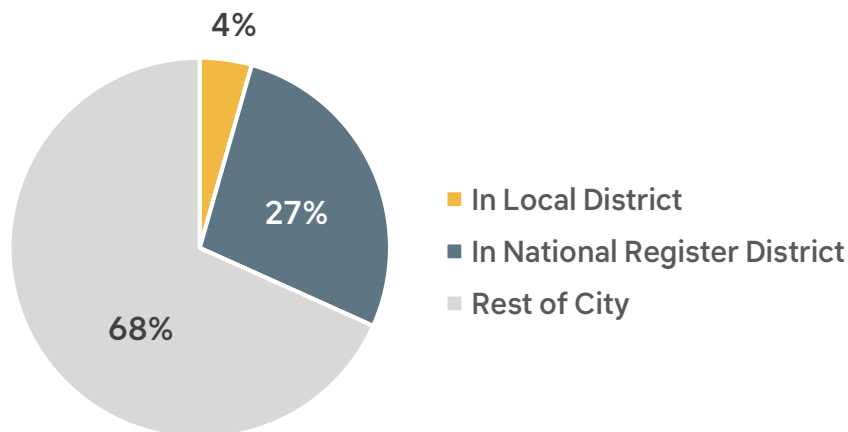
Driving through Cumberland, one is met with street after street of stunningly extant older row houses and historic residential neighborhoods. It can be difficult to tell where historic districts begin or end. The age of housing in Cumberland trends significantly older: nearly 75% of the housing was built prior to World War II. This is in sharp contrast to the rest of Maryland and the U.S. as a whole where the housing stock is much more uniform across the age spectrum.



**CUMBERLAND'S  
HOUSING  
STOCK TRENDS  
SIGNIFICANTLY  
OLDER.**

Not every property that is old is worthy of historic designation. Yet when a property reaches 50 years old, it is appropriate to ask the question, “Does this property merit historic status?” Properties currently located within a national or local historic district are certainly far less than the number possibly eligible for such designation based on age alone. This is a normal and appropriate state of affairs, especially for a legacy city. Of the houses 100 years old or older, less than 5% are protected by the local historic district, and another third are located within National Register Districts.

### Protection for Century Old Housing



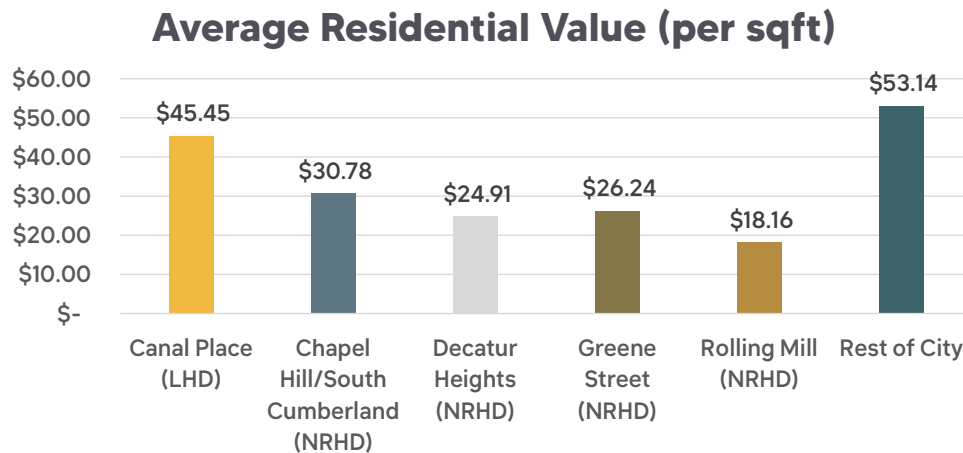
In Cumberland, so much of the housing is old and relatively little is designated historic. Designated or not, 97% of properties in the city are 50 years or older, and thus share many of the same core characteristics: residential density, walkability, quality construction and materials, and unique architectural character. This raises the question: if most of the housing stock is older and similar in characteristics, what value does historic designation add? A way to measure this in the marketplace is by looking at assessed property values. For most Americans, their home is their largest financial asset, and the wealth-growing potential of that home is on the minds of every homeowner. An analysis of single-family residential properties in historic districts versus elsewhere in the city provides an illustration of how the marketplace reacts to historic district designation.<sup>10</sup>

**IN CUMBERLAND,  
MUCH OF THE  
HOUSING IS OLD  
AND RELATIVELY  
LITTLE IS  
DESIGNATED.**

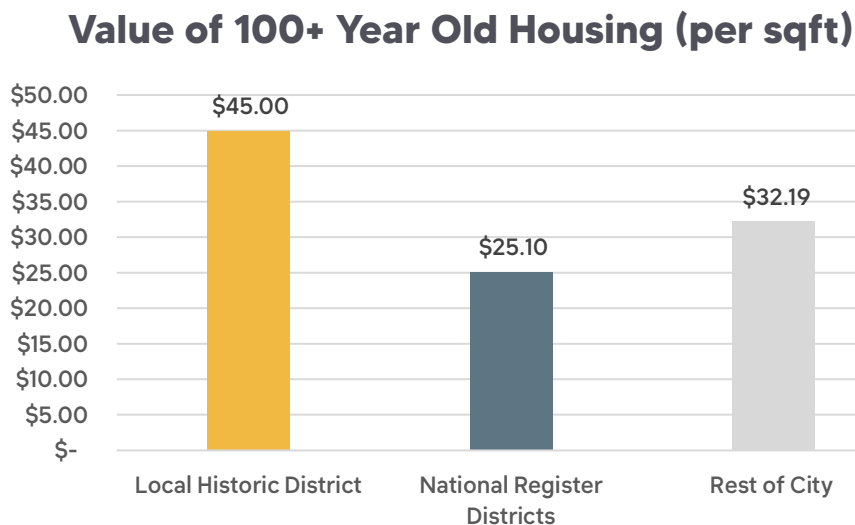
<sup>10</sup> The reasons that only single family residential properties were included in the value change analysis are these: 1) the vast majority of residential properties in Cumberland are single family dwellings; 2) commercial properties are traded in the marketplace for different motivations than are residential properties and are much more difficult to establish comparability between properties; 3) even in slow markets there are far more residential transactions and thus more statistically reliable than are commercial sales.



Only 15% of Cumberland's parcels are in either local or National Register Districts. From a point-in-time value per square foot perspective, the 2019 property values in historic districts are less than the rest of the city. However, properties within the local historic district, i.e. those granted protection and COA review, are valued higher than those in National Register Districts.



When disaggregated by housing that is 100 years old or older, the influence of the design guidelines and protection in the Local Historic District show a clear value impact. In fact, residential properties over 100 years old in the Local Historic District are valued 79% more than those in National Register Districts and 40% more than properties in the rest of the city.

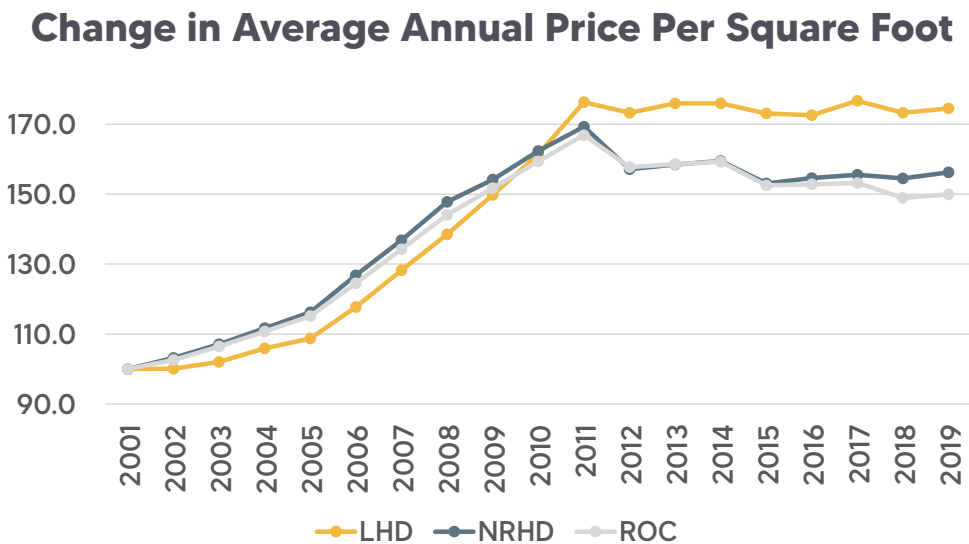


**DESIGN REVIEW  
AND PROTECTION  
SHOW A CLEARER  
IMPACT ON  
HOUSING THAT IS  
100 YEARS OLD  
OR OLDER.**



222 Washington Street

However, the point-in-time data does not tell the full story. The wealth-growing potential of historic districts is best illustrated by the change in value of properties over time. Between 2001 and 2019, the value of the single-family residential properties in the local historic district increased the most. National Register Districts have also started to outperform the rest of the city in the last few years.



# Economic

# Development

**“Over the long term, places with strong, distinctive identities are more likely to prosper than places without them. Every place must identify its strongest, most distinctive features and develop them or run the risk of being all things to all persons and nothing special to any... Livability is not a middle-class luxury. It is an economic imperative.”**

**- Robert Merton Solow,  
Nobel Prize Laureate in Economics**

The past 10 years have been hard on downtown Cumberland. While economic downturns have played a role, city funding priorities have also pulled resources away from downtown. Too often these resources are used to demolish buildings with the hopes of attracting out-of-town investment, instead of investing in Cumberland's already walkable, character-rich downtown. Having a downtown that can serve as the civic, economic, and social heart of the city contributes to Cumberland's overall quality of life. Cumberland is well poised to have a thriving downtown that serves residents and visitors alike--between the bike trails connecting downtown Cumberland to Pittsburgh and Washington DC, the proximity to natural recreation areas, the unique character of the commercial architecture, and the layers of funding opened up by being part of both a National Historical Park and a State Heritage Area. The ingredients for success are there. Appendix 2 includes a report on quality-of-life economic development approaches that are directly applicable to Cumberland.

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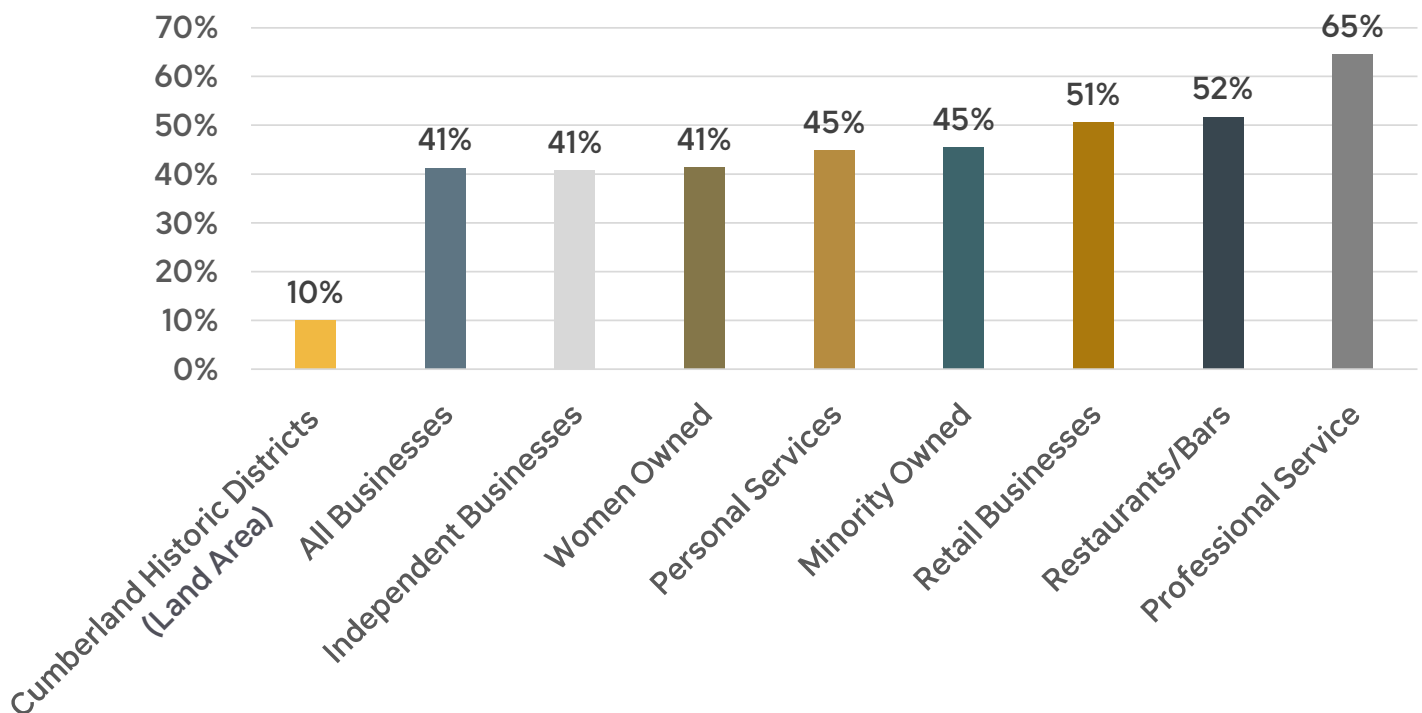
**CUMBERLAND  
HAS EVERY  
INGREDIENT  
FOR QUALITY  
OF LIFE BASED  
DEVELOPMENT.**



## Historic Districts are Good for Business

Like many cities, Cumberland's historic districts contain their own commercial corridors. These corridors serve as commercial, civic, and social hubs in Cumberland. Using data from Dun & Bradstreet, the largest database of business information, an analysis of businesses in historic districts was performed.<sup>11</sup> Overall, just over 41% of all private businesses are located in historic districts. Additionally, nearly 65% of the professional service businesses, including lawyers, accountants, banks, real estate and insurance agents, as well as architecture and design firms, are located in historic districts. While historic districts only make up 10% of the City's land area, 41% of all businesses, 50% of retail establishments and almost 52% of restaurants and bars are located within them. This demonstrates a revealed preference on the part of certain types of business to locate in historic districts.

### The Cumberland Economy Share of Businesses within Historic Districts

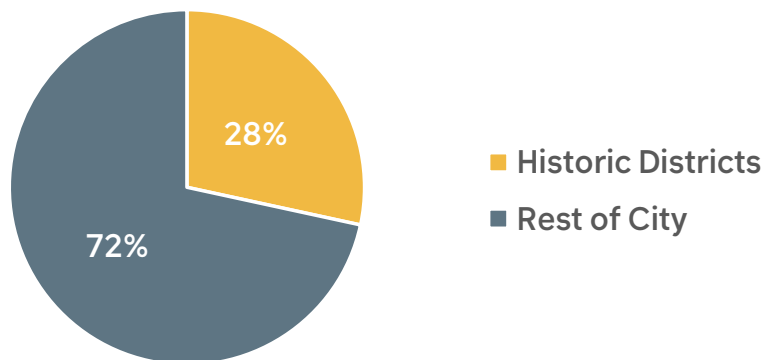


<sup>11</sup> Dun & Bradstreet relies on self-reported business data. Therefore, it is not a reporting of 100% of businesses and may skew towards larger businesses.

## Historic Districts are Good for Jobs

Historic districts are magnets for jobs. 28% of Cumberland's jobs are located in historic districts, despite making up only 10% of the City's land area. The larger share (41% of businesses) in historic districts when they only host 28% of the jobs is due to the type of business. Historic districts house a large share of locally-owned, small firms that individually employ fewer people.

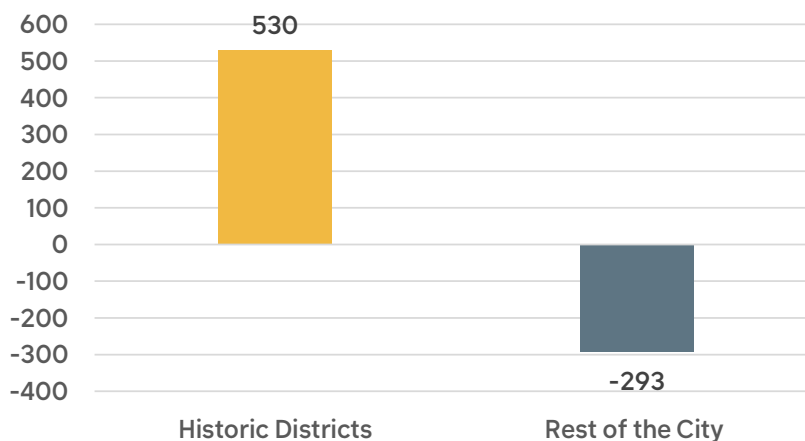
### Share of Jobs in Historic Districts (2017)



At a macro view, job growth in Cumberland has been fairly stagnant at 2.4% since 2002, well behind the state of Maryland's 12% growth from the same time period. However, on deeper analysis, Cumberland has seen significant growth in certain sectors and in historic districts.

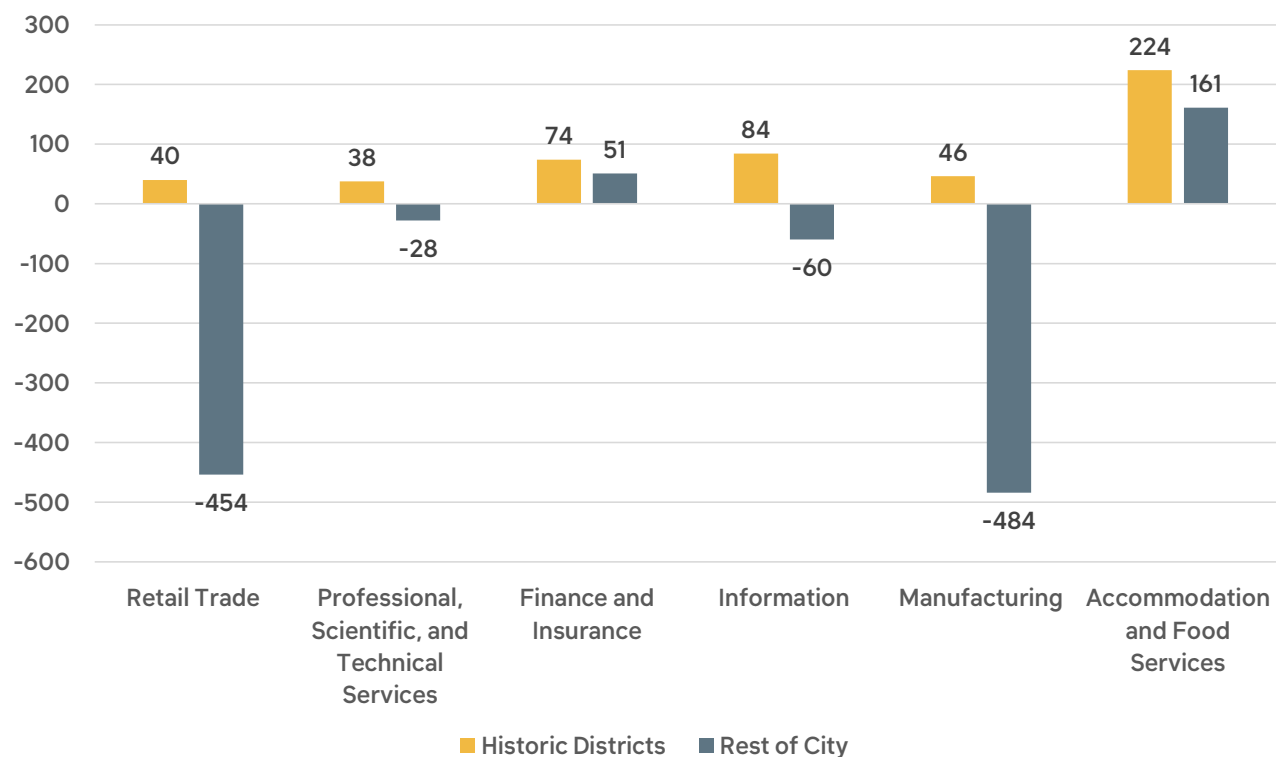
In fact, while the citywide job growth numbers show a net job growth of 237 jobs between 2002 and 2017, that number is deceptive. The historic districts in Cumberland saw a growth of 530 jobs; the rest of the community lost 293 jobs over that period.

### Change in Jobs, 2002-2017



The job growth in certain sectors has been significant. Cumberland's health care industry has been the lead in job growth, and more than a quarter of new jobs in that sector have taken place in historic districts. The large growth in the Accommodation & Food Service jobs reveals that historic districts are the locations of choice for the types of businesses that bring vitality to a city, such as restaurants, bars, hotels, cafes, and more. Even retail jobs, many of which disappeared over the 15 year period, saw a growth in numbers in the historic districts. Three sectors in the knowledge industries –Professional, Scientific, and Technical Services; Finance and Insurance; and Information—all grew disproportionately within Cumberland's historic districts. Finally, while Cumberland has not escaped the nationwide pattern of job losses in manufacturing, there has actually been a light increase in those jobs in the historic districts.

### Change in Jobs – Selected Industries, 2002-2017



Cumberland's modest job growth should not be overlooked. It's a significant positive economic health indicator. However, according to data from the Longitudinal Employer Household Dynamics dataset from the US Census, 77% of workers in Cumberland live outside the City. The challenge for Cumberland will be to not only continue this job growth, but also reverse its population decline to increase the number of people living and working in Cumberland. Historic Districts are an asset to the City in this pursuit because they are magnets for job and property value growth, as well as the location of choice for small businesses.

**CUMBERLAND'S  
MODEST JOB  
GROWTH IS A  
SIGNIFICANT  
ECONOMIC  
HEALTH  
INDICATOR.**



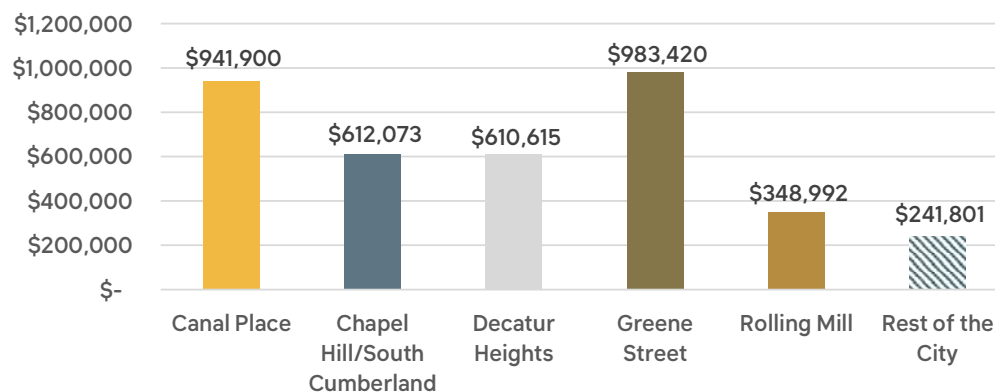
215 S. George Street



## Value Per Acre

The economic density of historic districts is felt in other ways. From a tax revenue perspective, the historic districts disproportionately provide the needed revenue stream for the City of Cumberland, Allegany County, and the local school districts. Properties in historic districts combined represent 3 times the assessed value per acre than the rest of the city. That revenue is critical for paying for teachers, police officers, and fixing potholes.

**Total Assessed Value Per Acre  
Historic Districts vs. Rest of City**



## Main Street Cumberland

Cumberland was one of the first communities to be a part of the Maryland Main Street Program in 1998. The Main Street program is economic development within the context of historic preservation, with a focus on downtown. Main Street communities like Cumberland receive economic and technical support from the Maryland Main Street program for economic planning, marketing and promotion, training, and education. Simply stated, communities use their historic assets - their built heritage - as the basis for their economic growth. The program saw much early success due to dedicated champions of downtown, but that breadth of energy is missing today. While Cumberland is still recognized as a Main Street community, the program's energy has waned. Additionally, the City has redirected economic development efforts away from downtown. However, with the recent hiring of a new Executive Director of the Downtown Development Commission, Cumberland Main Street could see renewed energy.

Nationally, Main Street communities have seen over \$85.43 billion reinvested, 150,079 businesses started, 672,333 jobs created, and 295,348 buildings rehabilitated since 1980. In Maryland, there have been \$706 million reinvested and 1,500 net new businesses since 1997. These numbers are possible because participating towns have recognized that part of their competitive advantage comes from their unique history as reflected in their built environment. This built history has become the economic asset that differentiates their community. People and businesses show a preference for uniqueness and authenticity, and communities that utilize their historic built structures are able to capitalize on that. That is reflected in a community's economic investment record.

Main Street is not a quick fix program. It rests on the principle of incremental improvements over time. But unlike quick fix efforts that often are expensive and rarely live up to expectations, Main Street's building by building, business by business approach is achievable and sustainable. The 40-year track record demonstrates that. The bottom line - Main Street works!

Though the Main Street District only makes up only .7% of the City's total land area, it has accounted for tens of millions of dollars of investment, as well as hundreds of new jobs and businesses.




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**MAIN STREET  
HAS ACCOUNTED  
FOR HUNDREDS  
OF NEW JOBS  
AND BUSINESSES  
IN CUMBERLAND.**





Baltimore Street

-  Main Street District
-  Local Historic District
-  National Register Districts

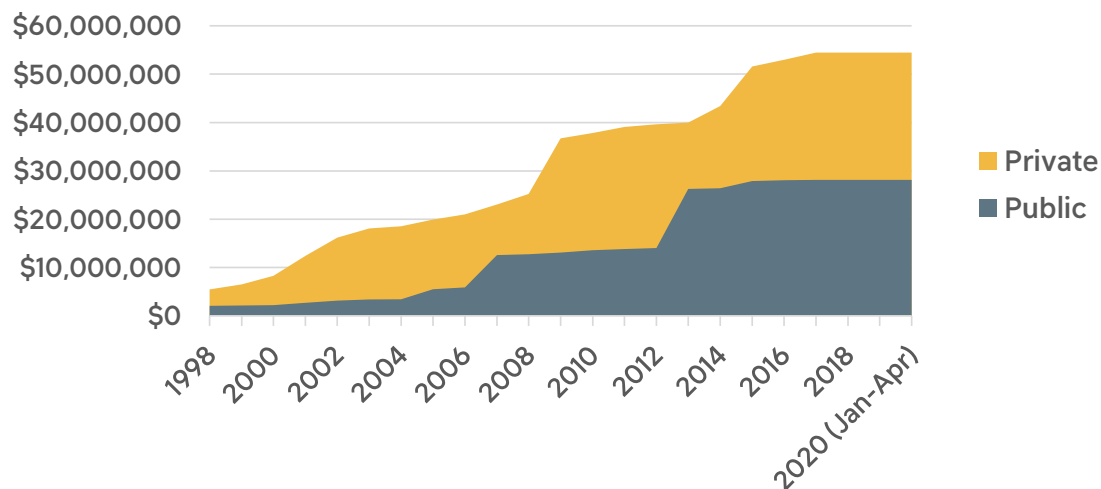




## Investment

The Main Street Approach has been an important economic development tool for historic preservation in Cumberland. Since 1998, over \$82.6 million has been invested in the buildings, infrastructure, and public improvements in Cumberland's Main Street District. 66% of this has been from the private sector, which has invested nearly \$55.5 million in the Main Street district.

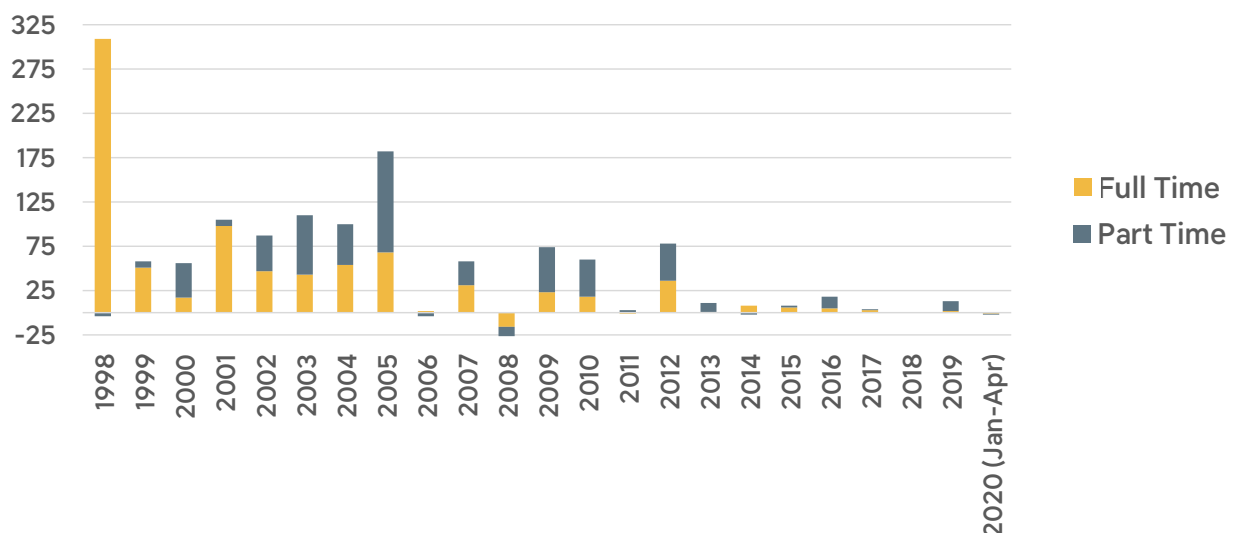
### Public & Private Investment Downtown Cumberland



## Net New Jobs

Main Street Cumberland reports on a broad range of statistics to measure change in the district. Overall, Cumberland has reported a cumulative total of just over 800 net new full-time jobs and nearly 500 net part-time jobs.

### Net New Jobs Downtown Cumberland

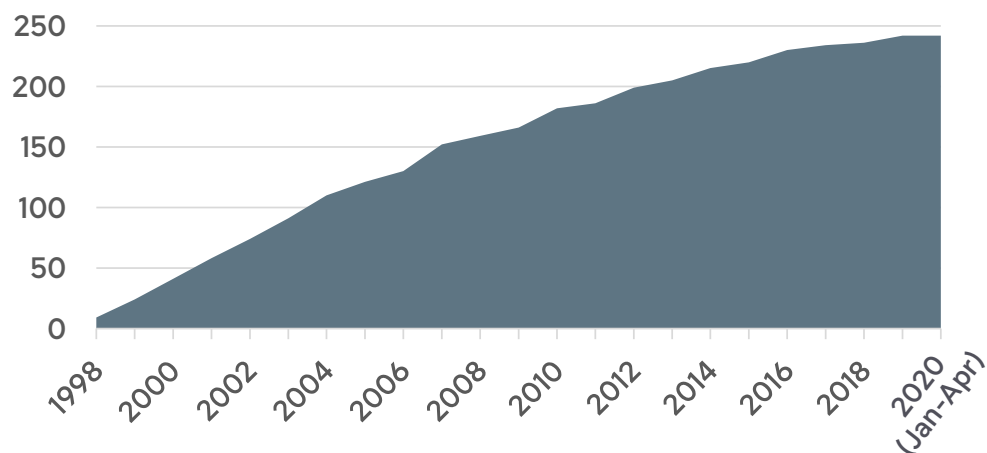




## Net New Businesses

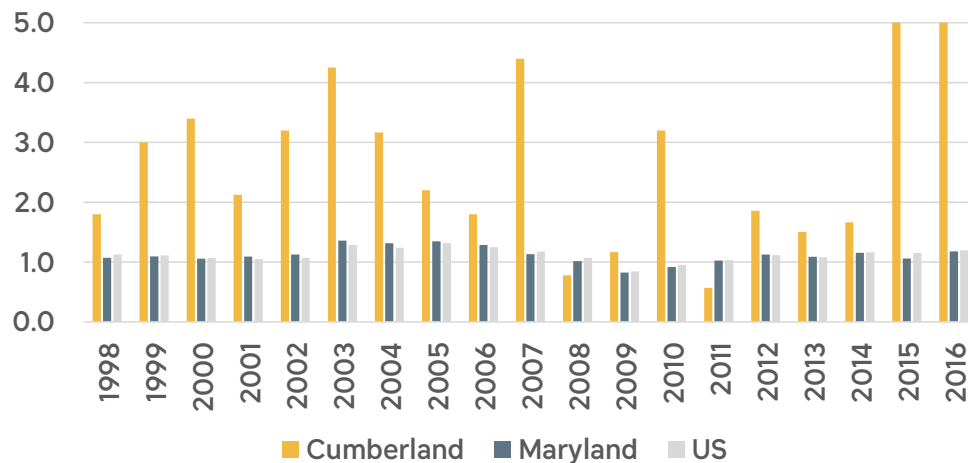
Only reporting new business start-ups would not accurately reflect the true status of a local downtown economy. Therefore, Main Street Maryland asks its communities to report new businesses and business closings. In total, Cumberland Main Street has seen over 240 net new businesses. Why is this number so large? First, downtowns, with their variety of spaces (size, condition, availability) and often more affordable rents, have proven to be ideal for business start-up. Second, the availability of a Main Street Director to help support people in their new business efforts, coupled with incentives, has fueled the creation of new businesses.

**Cumulative Net New Businesses  
Downtown Cumberland**



A useful test of local economic health is the relationship between the number of businesses that open vs. those that close, which can be expressed as a ratio. If, for example, over the course of a year one town saw 11 new businesses open but 10 businesses shut their doors, the ratio would be 1.1. The entire US economy was hit hard in the recession, which began in 2007 and officially lasted for 18 months. However, because the recovery was so weak, many parts of the country experienced a prolonged period of recession. That economic downturn was reflected in the open-to-close ratio in both the U.S. and in Maryland. In 2006, the national open/close ratio was 1.24, meaning 124 business opened for every 100 that closed. By 2009, the ratio was down to .84, meaning only 84 businesses opened for every 100 that closed. The state of Maryland as a whole fared a little worse—for three consecutive years, the state saw a slightly greater drop in the open/close ratio than the national average. But Main Street districts? Even in the depths of the recession, more businesses were opening than closing. At the recession's height in 2009, Cumberland's Main Street district had an open/close ratio of 1.17, meaning for every 117 businesses that opened, 100 closed. With the exception of 2011, for every year over the past decade, Cumberland's Main Street has outperformed both the state and the country on that measure.

### Ratio of Business Opening to Business Closing



Cumberland was an early leader in the Main Street Maryland movement and enjoyed much success in the first years of the program. The economic turndowns of the last decade have caused activity to slow in downtown. However, with the upcoming redevelopment of Baltimore Street in the pipeline and the newly hired Executive Director of the Downtown Development Commission, downtown Cumberland is well poised to thrive under the Main Street approach once again.





## **CG Enterprises, LLC Christopher Hendershot, Garrett Eagan**

Cumberland natives Chris Hendershot and his partner, Garrett Eagan, opened a video game store, Cartridges Galore, in downtown Cumberland in 2013. Building on the success of that initial venture, they have since expanded to 10 locations in three states. With that kind of business growth, they could have relocated their headquarters at any time, but Chris said that they stayed in downtown Cumberland because “we love this city; it is near and dear to us.”

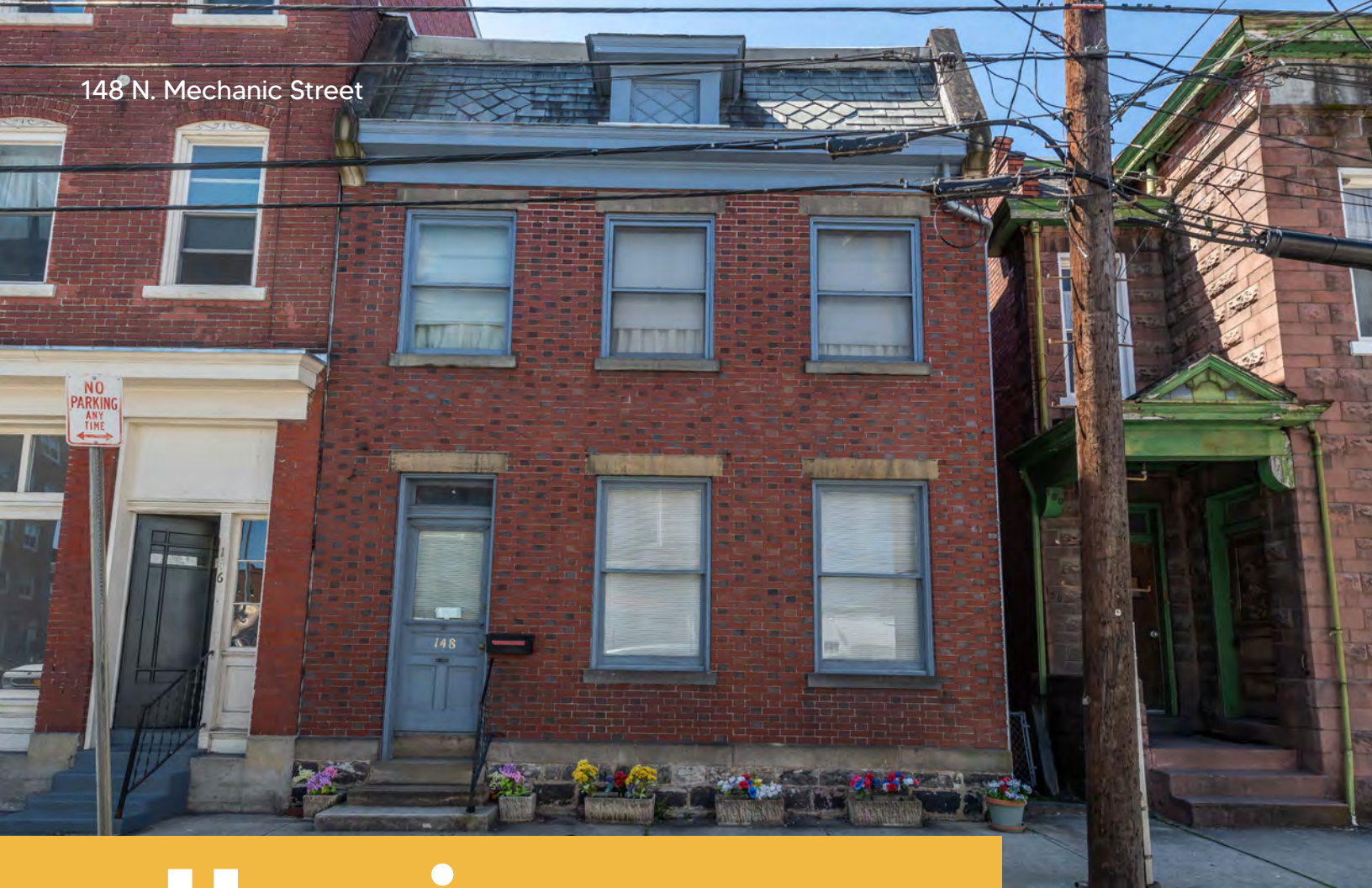
Chris and Garrett initially rented space in The Perrin Building, a 1920’s structure on Pershing Street. But with their success came a desire to create a more permanent presence, so they bought the building. They have utilized Federal and State historic tax credits to help underwrite the cost of rehabilitation and now have a mixed-use structure with two high end luxury apartments on the top floor, second floor office space, and three commercial units on the ground floor, including Cartridges Galore.

With this move into real estate, Chris and Garrett formed CG Enterprises, LLC. Their most recent purchase is The McMullen Building, a 70,000+ square foot structure on Baltimore Street. Also built in 1920, this building currently houses commercial and office space with plans to add 10 upper floor luxury apartments and lofts plus ground floor retail and dining opportunities. With the City’s commitment to the Baltimore Street Access Project, which calls for the replacement of underground utility lines, followed by the reopening of Baltimore Street and adding streetscape upgrades, The McMullen Building will be strategically located to help lead downtown’s revitalization, something Chris wants to be a part of. He has said that “downtown’s architecture is really extraordinary” and believes that downtown, with the right re-branding and marketing effort, is poised to excel.

**CARTRIDGES  
GALORE  
DEMONSTRATES  
THE IMPACT  
OF DOWNTOWN  
INVESTMENT.**



148 N. Mechanic Street



# Housing

# Affordability

**The reasons for Cumberland's affordable housing issues are different than elsewhere in the country, and so they will require **unique solutions**.**

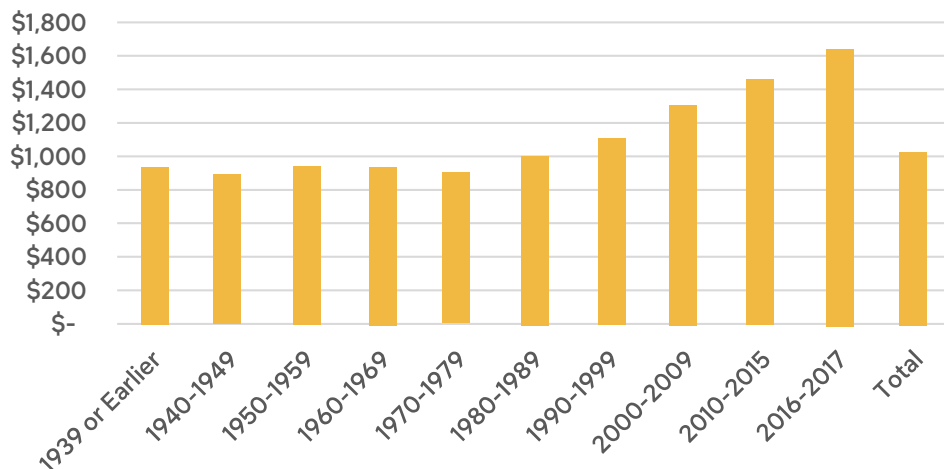
Housing affordability is a critical issue throughout the country. According to the National Low Income Housing Coalition, "no state has an adequate supply of homes affordable and available to its lowest-income renters." In hot market cities like Los Angeles or Nashville, rents and property values are rising faster than incomes, which exacerbates the problem. This is not the case in Cumberland, where affordable housing issues take a different form. Like many other legacy cities, Cumberland is facing a paradox: lack of affordable housing, rising homelessness, vacant and dilapidated properties, and low property values, to name a few. The causes of Cumberland's affordable housing crisis are different, so the solutions require a different approach.

**OLDER HOUSING  
IS A NECESSARY  
COMPONENT  
OF ANY  
AFFORDABLE  
HOUSING  
APPROACH.**

## Older Buildings and Housing Affordability Nationally

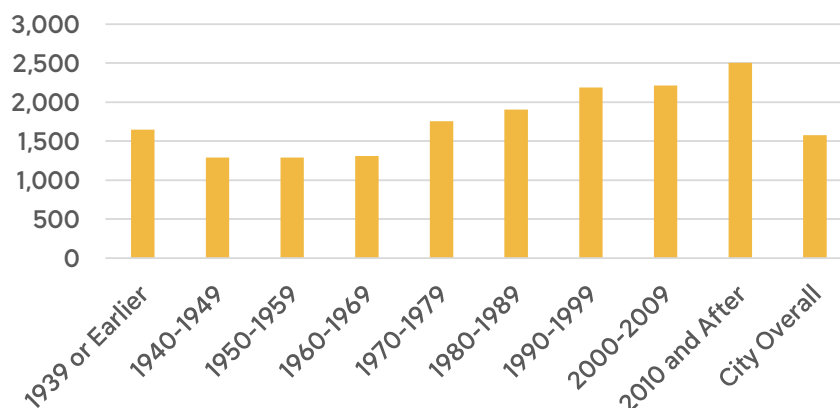
Across the nation, older, unsubsidized, and unprotected buildings provide the vast majority of affordable housing, and this is no less true in Cumberland. Due to a variety of factors, namely unit size and property condition, older housing trends towards lower costs. According to the American Housing Survey, nationally, nearly a third of all housing units were built prior to 1960. This older housing is home to 33% of households with incomes less than \$40,000.

### Median Housing Costs (US) All Occupied Housing Units (2017)



One major contributor to affordability is unit size. According to recent data, the average US home built today is 74% larger than one built in 1910.<sup>12</sup> This trend rings true in Cumberland, where homes built today are 52% larger than those built prior to 1940.

### Average Sqft of House by Decade Built (Cumberland)

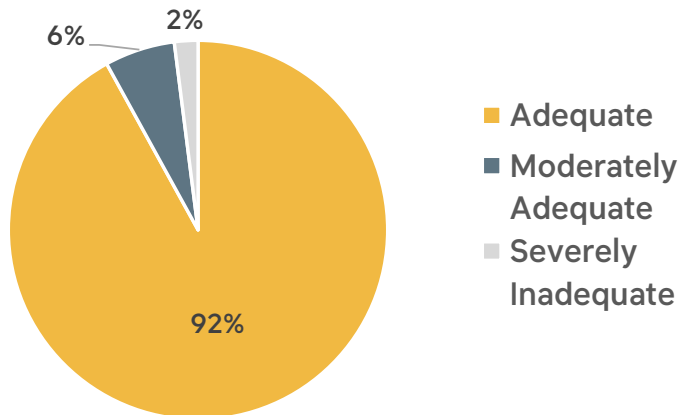


<sup>12</sup> <https://www.propertyshark.com/Real-Estate-Reports/2016/09/08/the-growth-of-urban-american-homes-in-the-last-100-years/>



Condition is often cited as a concern for older housing. According to data from the most recent (2017) American Housing Survey, the vast majority of pre-1960 occupied housing in the U.S. is habitable.

### Pre-1960 Housing Conditions (US)



Comprehensive property condition data was not available for analysis in Cumberland, however recent quantitative survey responses indicate that the overall condition of older housing is a major issue.<sup>13</sup>

Therefore, the trends in Cumberland differ from those seen nationally. Older housing no doubt plays a role in providing low-cost housing in the city, but the challenges faced by legacy cities adds an additional layer of complexity. While older housing in Cumberland is smaller, it falls victim to deferred maintenance. The marketplace for building quality new construction is not well supported, but property owners also lack the capital for maintaining their properties. This has resulted in a situation where Cumberland has plenty of low cost housing in older buildings, but the housing is not adequate.

<sup>13</sup> 2020 Analysis of Impediments to Fair Housing Choice, City of Cumberland, June 2020.

## Housing Affordability in Cumberland

In a recent report, Analysis to the Impediments to Fair Housing,<sup>14</sup> it was found that in Cumberland:

- About a third of renter households and more than a quarter of homeowners are housing cost burdened, spending 30% or more of their income each month on housing.
- Fifteen percent of renters and 10.9% of homeowners are severely cost burdened, spending half or more of their income each month on housing.
- Lower income households are significantly more likely to be housing cost burdened. More than 80% of renters with incomes below \$20,000 are cost burdened.
- Nearly a quarter of the City's population has a disability, which presents a further barrier for finding adequate housing.

To the average person, "affordable housing" might bring to mind large scale public housing developments or government subsidies and voucher programs. The reality is that affordable housing means a place to live that is "affordable" to a household so that they do not exceed the 30% rule of thumb.

According to the 2018 U.S. Census data, the Median Household Income (MI) in Cumberland is \$34,189. That is represented as 100% in the table below. The table below also shows the monthly housing costs that would be affordable to a household in each income range using the 30% rule of thumb, as well as occupations that fall within the given income range.<sup>15</sup>

	Percentage of Median Income	Income Range	"Affordable" Monthly Housing Cost Range	Occupation
<b>Supportive Services</b>	<30% MI	<\$10,257	<\$256	Part-time worker or unemployed
<b>Affordable Housing</b>	30-60% MI	\$10,257-\$20,513	\$256-\$513	Cashier, Bartender
	60-80% MI	\$20,513-\$27,351	\$513-\$684	Waitress, Retail Salesperson, Janitor, Food Prep Worker, Bank Teller, Home Health Aid
<b>Workforce Housing</b>	80-100% MI	\$27,351-\$34,189	\$684-\$855	Security Guard, Stock Mover, School Bus Driver
	100-120% MI	\$34,189-\$41,027	\$855-\$1,026	Receptionist, EMT, Stock Clerk, Prison Guard, Secretary
<b>Market Rate Housing</b>	120-150% MI	\$41,027-\$51,284	\$1,026-\$1,282	Welder, Fire Fighter, Administrative Assistant, Nurse (LPN), Police Officer, Plumber, Public School Teacher
	150-200% MI	\$51,284-\$68,378	\$1,282-\$1,709	Electrician, Accountant, Paralegal, Dental Hygienist, Nurse (registered)
	>200% MI	>\$68,378	>\$1,709	Physical Therapist

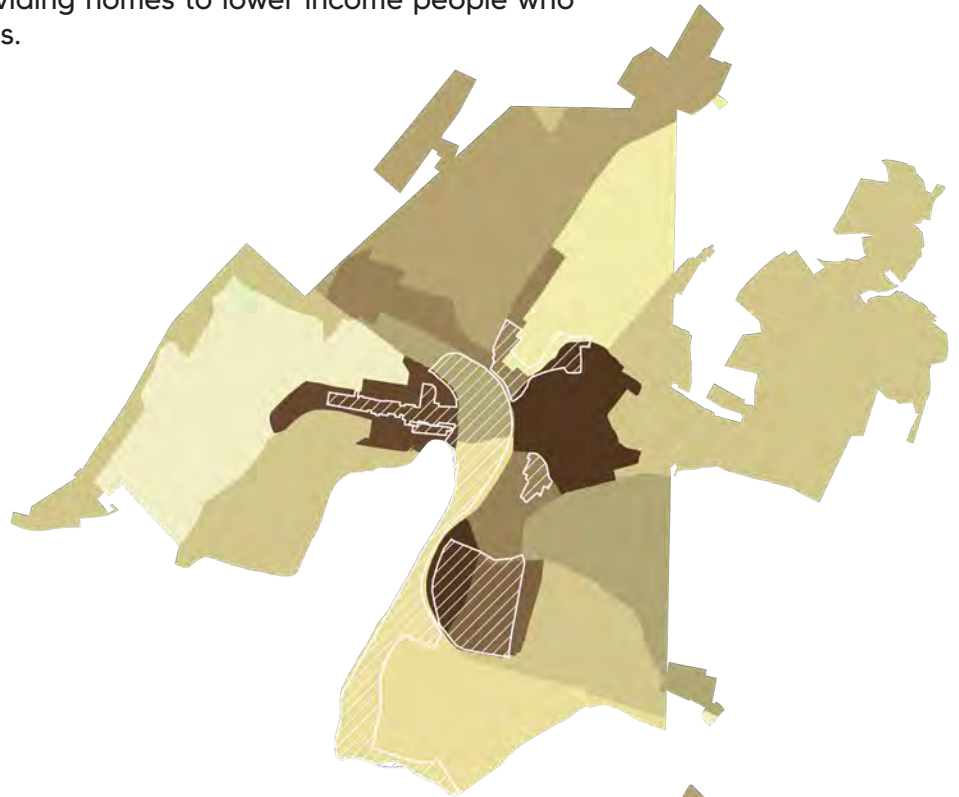
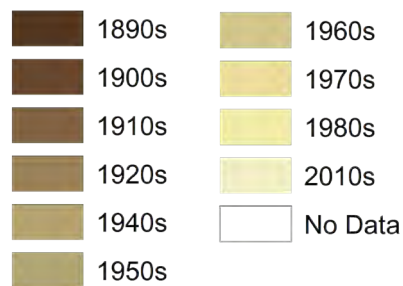
<sup>14</sup> 2020 Analysis of Impediments to Fair Housing Choice, City of Cumberland, June 2020.

<sup>15</sup> Source for occupation data: National Housing Conference Paycheck to Paycheck Database for the Cumberland Metropolitan Statistical Area.

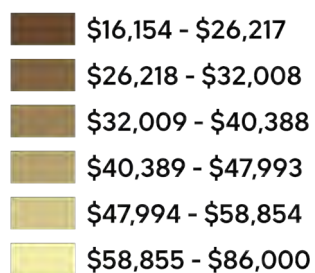
## Role of Older Housing

As earlier noted the age of the building stock in Cumberland is significantly older than the U.S. and Maryland on average. While the great majority of housing is old, only 10% of the City is designated, either locally or nationally. Similar to nationwide data, in Cumberland, it is clear that the areas of the city with older housing are providing homes to lower income people who need low cost rent or mortgages.

Block Groups by  
Median Decade Built



2018 Median  
Household Income



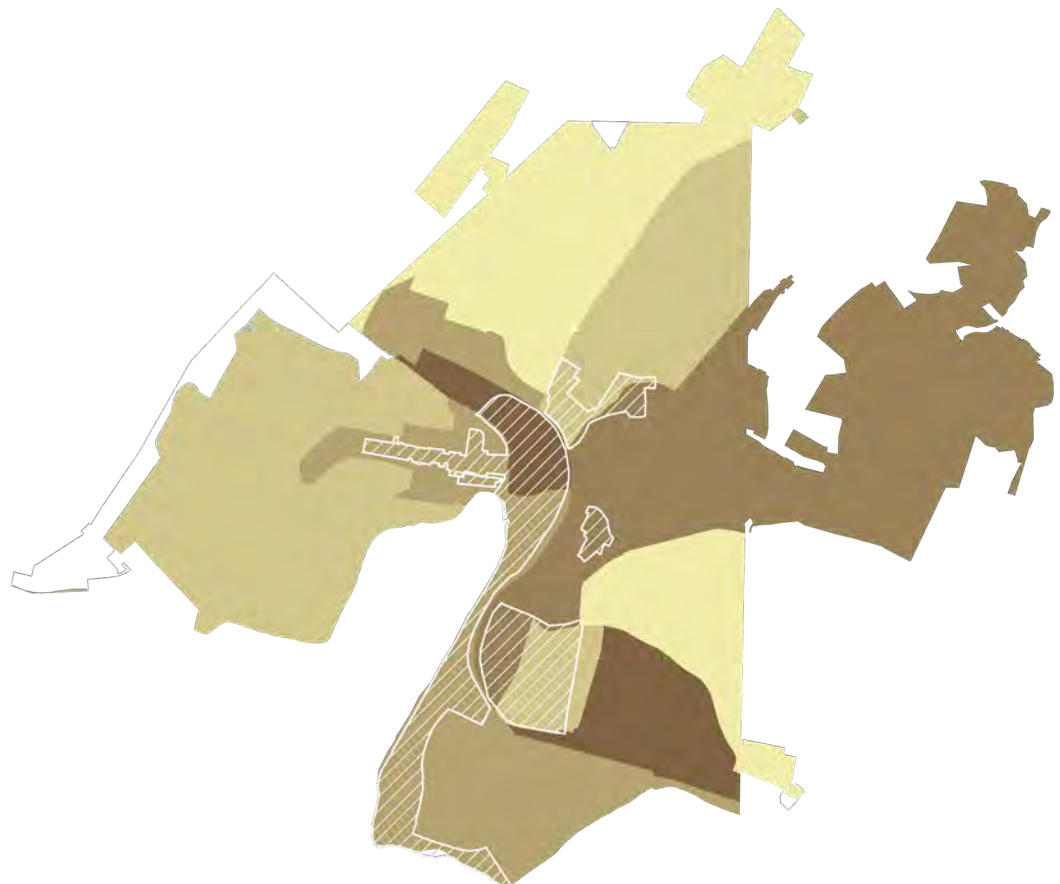


This “older buildings house lower-income households” pattern primarily is true for both renters and owners.

### 2018 Median Ownership Costs



### 2018 Median Gross Rent



## Condition, Vacant, and Abandoned Housing

While the national data shows the vast majority of older housing is in adequate condition, this may not be the case in legacy cities like Cumberland. Legacy cities suffer from a cycle of population loss, job loss, tax revenue declines, etc., that results in substandard housing. Homeowners and landlords alike often lack sufficient funds to properly maintain their buildings.

Getting a handle on property condition is imperative to tackling the problem of affordable housing. Cumberland currently lacks a citywide property condition survey to fully illustrate the circumstances quantitatively, though as of 2020, a housing study is underway. However, qualitative survey findings demonstrate residents are impacted. Findings from the *Analysis of the Impediments to Fair Housing* illustrate the severity of the problem:

- 15.1% of Cumberland residents say that several homes in their neighborhood appear to have “major structural issues and seem uninhabitable.”
- 25.8% of residents say that several homes “appear to be in need of major repair (e.g. new roof, siding, or windows).”
- More than 43% of Cumberland residents say that vacant properties are a problem in their neighborhood.

Additionally, in 2018 West Virginia University (WVU) and Downstream Strategies Surveyors conducted a “windshield survey” of over 11,000 properties. The survey identified 512 properties that were dilapidated and/or vacant buildings. This data is crucial to understanding the vacant and abandoned building situation in Cumberland. A majority of the problem properties are single-family homes. The following are some takeaways from the Blight Plan:<sup>16</sup>

- 203 were both vacant and dilapidated,
- 195 were dilapidated and occupied, and
- 114 were vacant but not dilapidated.<sup>17</sup>

<sup>16</sup> As a firm, PlaceEconomics intentionally does not use the term “blight.” While it is common in HUD and urban planning lexicon, the term is fraught with racist history, often leveled at powerless or vulnerable communities. Instead, we apply more descriptive terms, like vacancy, abandonment, disrepair, etc.

<sup>17</sup> Vacant lots were not included in this number, which are a major contributor to the economic health of a block.



The work that has been undertaken in Cumberland through the Blight Inventory is a good foundation for making decisions about targeted investment, as it helps decision makers:<sup>18</sup>

- Identify properties that cannot be restored: lowest value properties
- Prioritize properties of a certain condition that can be brought up to marketable condition
- Address physical exterior of homes: create curb appeal, protect interior condition
- Find scalable redevelopment opportunities: not just one building on a block, but rather identify areas of strength and target the low value properties on those blocks that can add to market stability

While these studies are important, understanding building conditions on a property by property basis is extremely important background knowledge.<sup>19</sup> It is good to know the worst of the worst, but it's even more beneficial to understand the spectrum of condition: which properties are in danger of slipping into dilapidation without a small, one time investment, or conversely, which groupings of properties are suitable for targeted investment to rebuild market strength. These efforts of surveying should be cyclical as the situations with vacant or dilapidated buildings can change day to day.

<sup>18</sup> [https://449a2c9c-7771-4989-8aef-8f4e3c257ce3.filesusr.com/ugd/aa5f1e\\_f8d13f5d-035c4b23938c7edaad70cefc.pdf](https://449a2c9c-7771-4989-8aef-8f4e3c257ce3.filesusr.com/ugd/aa5f1e_f8d13f5d-035c4b23938c7edaad70cefc.pdf)

<sup>19</sup> The City's code enforcement data was not available at the citywide, property by property level for this report.



## The Double-Edged Sword of Low Rent

Having available rental units at a relatively affordable price seems like a great deal. However, as discussed elsewhere in this report, “affordability” is not a fixed amount but a share of a household’s income that it can devote to housing costs – rent or mortgage payments and other bills related to housing that have to be paid. There are too many households in Cumberland that are “rent burdened”.

Even so, in absolute terms, rents are lower in Cumberland than many other places. Barely an hour away in Hagerstown, rents are nearly a third higher than in Cumberland. Here’s the problem – it costs the same \$4,500 to \$9,000 to replace the roof in Cumberland as it does in Hagerstown, but far fewer dollars available to pay for it.

Certain bills have to be paid, whether the property is lived in by the owner or by a rent-paying tenant. These include property taxes, insurance, and other fixed costs. In addition, another cost that also should be paid each year is property maintenance. But when the rent that is collected is only enough to make the mortgage payment, taxes, and insurance, there is nothing left to go towards repairs and maintenance.

In Cumberland, a house worth, say, \$80,000 and generating rents of \$850 a month should spend between \$1,400 and \$1,600 in property repairs and maintenance annually. But maybe this year all of the rent was consumed paying the “must pays” – mortgage, taxes, and insurance with nothing left for maintenance. So the owner doesn’t make those expenditures. But the repairs that should have been made this year don’t go away, and new repairs will be needed next year. What should have been spent becomes “deferred maintenance.” According to a recent report by the Federal Reserve Bank of Philadelphia, nationally, a single-family house built prior to 1939 that is occupied by a low-income tenant needs on average \$4,162 in repairs.<sup>20</sup> If the rents are only sufficient to pay the mortgage, taxes, and insurance, where is that money going to come from?

Here’s what makes the situation even more challenging: the cost of doing the repairs doesn’t just go up each year they are deferred, it goes up at an increasing rate. This has been compared to compound interest on a loan – the bill gets higher and higher each year. One analyst developed the Law of Fives – if repairs are not made, the ultimate cost of replacement will be five times the amount the repairs would have been.

It is often this compounded growth in repair costs that results in an owner simply walking away from a property, tearing it down, or keeping it vacant. In Cumberland, each of those alternatives removes one more unit of affordable housing from the market, adding to an already challenging housing affordability environment for many households.

It is for these reasons that early and effective action to stabilize and repair older housing has to be at the core of Cumberland’s affordable housing strategy.

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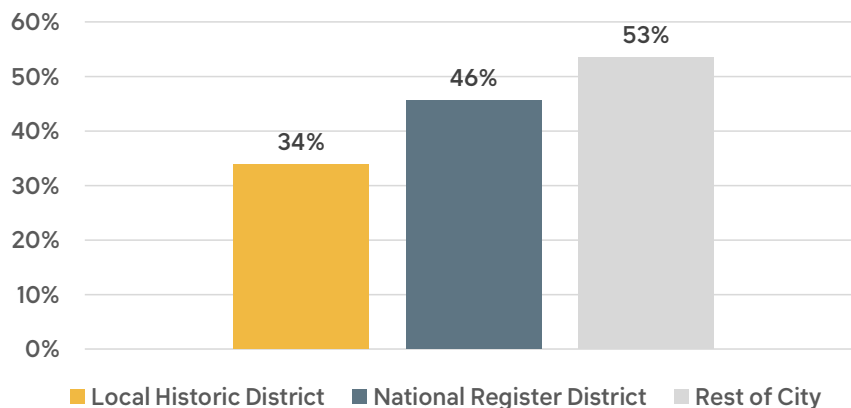
<sup>20</sup> Measuring and Understanding Home Repair Costs: A National Typology of Households, September 2019. <https://www.philadelphiafed.org/-/media/community-development/publications/special-reports/home-repair-costs-national-report.pdf>

## Historic Districts and Housing Affordability

It is often assumed that historic districts largely cater to high-income and privileged population groups, excluding people of lower income. It is also assumed that historic districts do not contain either unsubsidized or subsidized affordable housing. However, the findings of this study suggest otherwise.

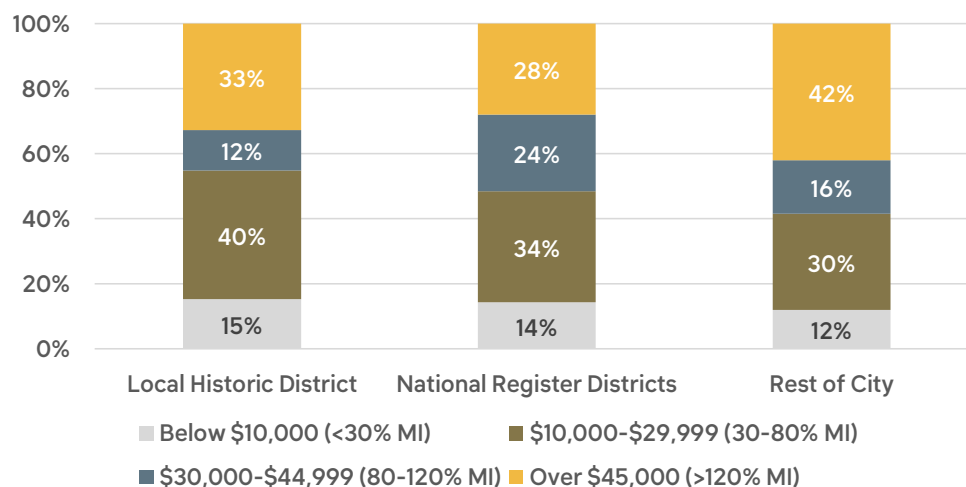
Overall, the Cumberland's historic districts are home to just over 25% of the City's households. While the City itself is comprised of 50.5% owner households and 49.5% renter households, the homeownership rate in the National Register Districts is slightly less (45.6%), and the local historic district's home ownership rate is only 33.8%. This means that historic districts in Cumberland largely serve renter households.

### Homeownership Rates



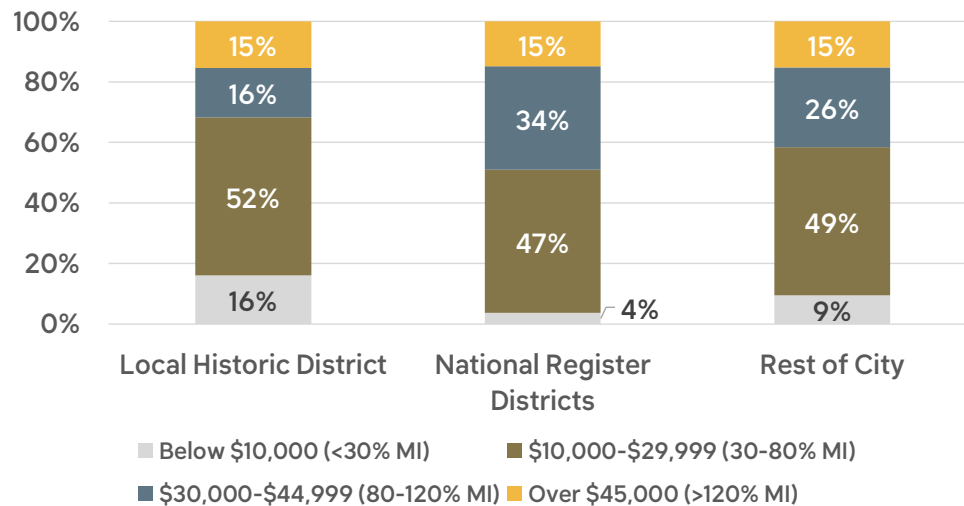
While historic districts only house 25% of households, they overwhelmingly accommodate those earning less than the median household income (100% MI).

### Share of Households by Cumberland's Median Income



Utilizing the 30% “affordable” rule of thumb, the housing costs for renters and owners show that historic districts provide affordable housing to both low-and-moderate income households.

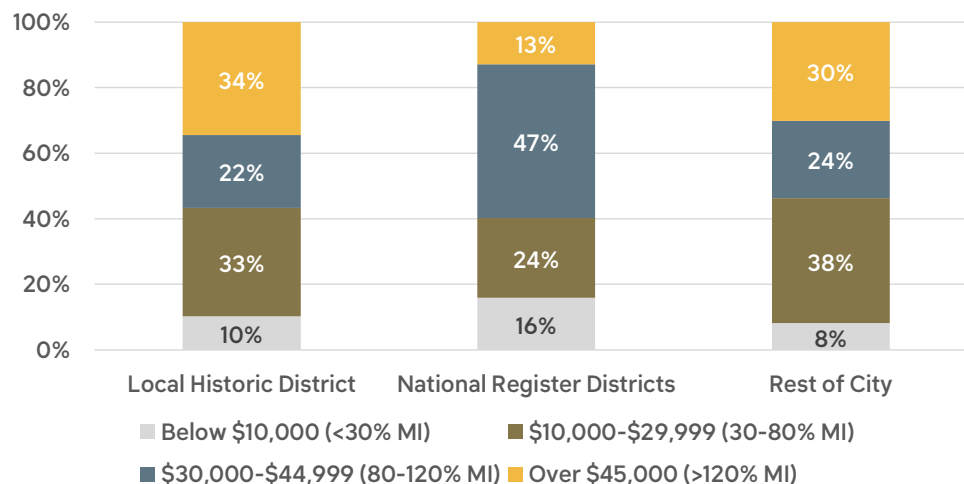
### Share of Rental Units Affordable by Cumberland’s Median Income



**HISTORIC  
DISTRICTS  
PROVIDE  
AFFORDABLE  
HOUSING TO LOW  
AND MODERATE  
INCOME  
HOUSEHOLDS.**

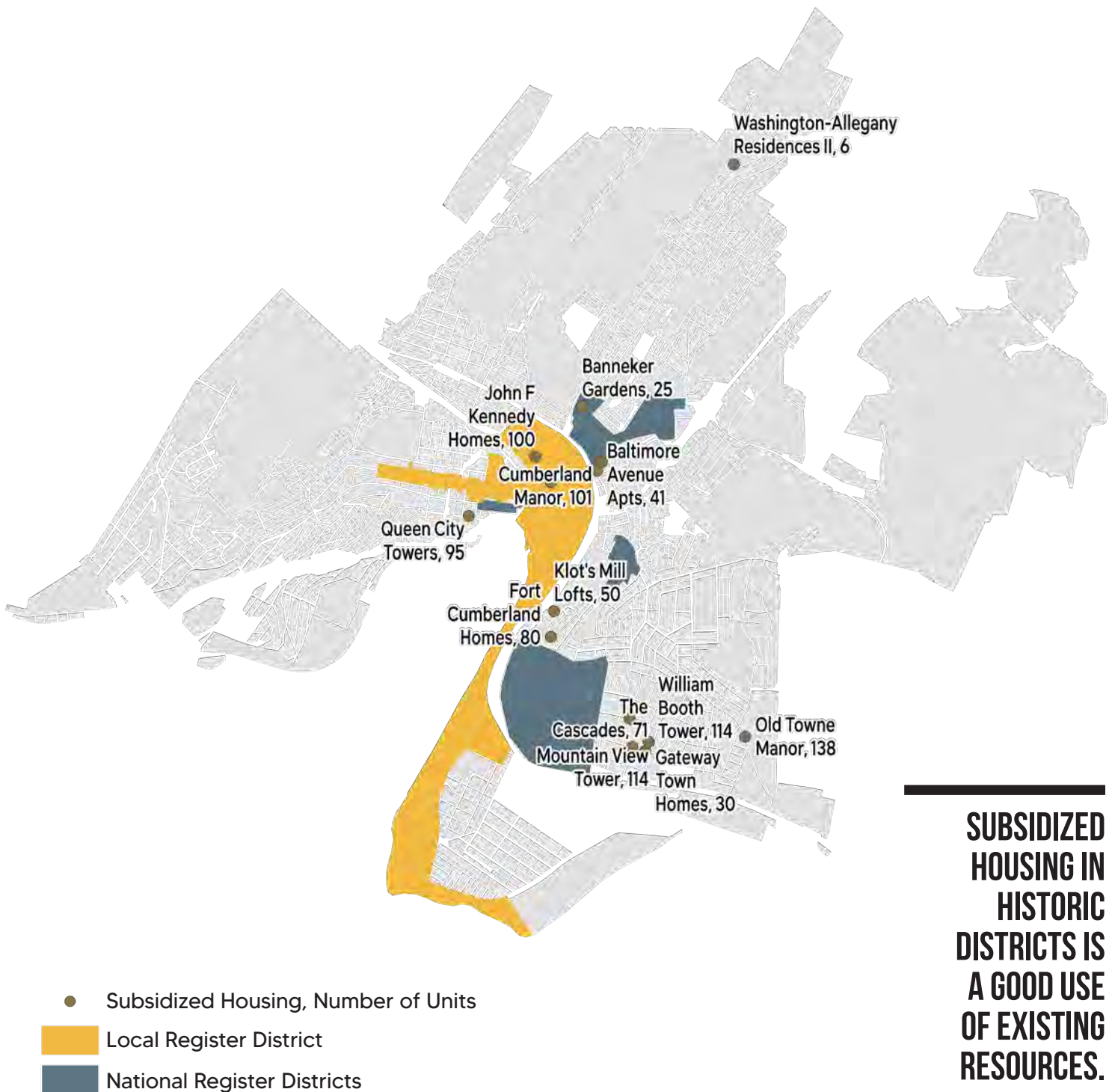
This pattern is also true for owner occupied units.

### Share of Owned Units Affordable by Cumberland’s Median Income





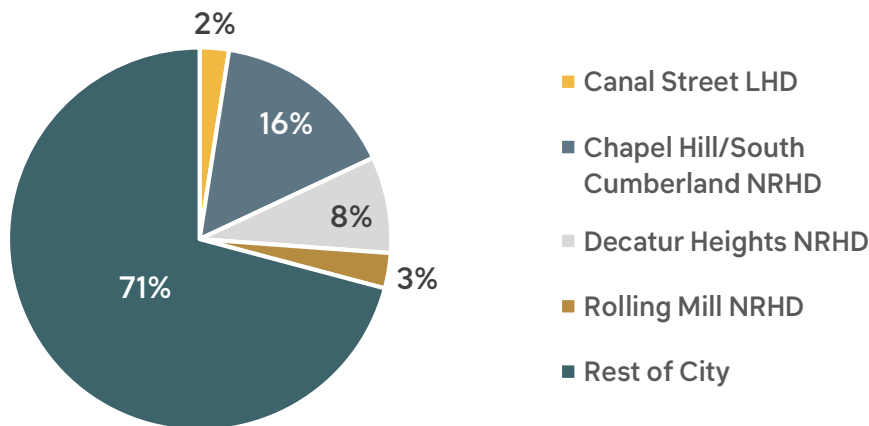
A significant share of Cumberland's subsidized affordable housing is located in historic districts as well. In fact, 30% of subsidized public housing units are located in historic districts. Subsidized housing in historic districts makes perfect sense: it represents a wise use of larger, older structures and puts residents closer to the amenities and benefits that historic districts offer.



**SUBSIDIZED  
HOUSING IN  
HISTORIC  
DISTRICTS IS  
A GOOD USE  
OF EXISTING  
RESOURCES.**

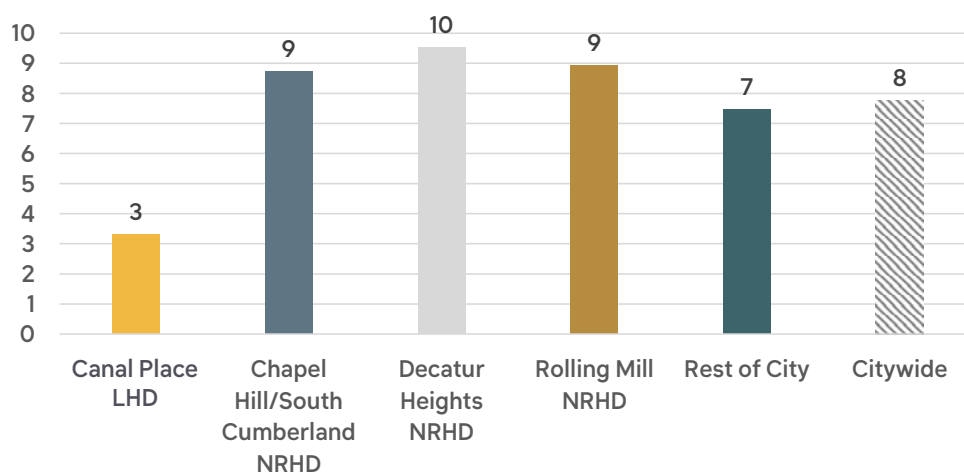
The local historic district, where properties are subject to historic design guidelines, does seem to offer some protection from vacancy and deteriorating property conditions. This is key to protecting affordable housing. When looking at data from the Blight Plan survey, only 2% of the problem properties are located in the local historic district.

### Share of Blight Properties



Areas that have historic properties but are not subject to design review, i.e. National Register Districts, do not appear to be insulated from Cumberland's vacancy challenges. However, their Overall Property Condition Scores indicated better conditions than those in the Local Historic District and the rest of the city.<sup>21</sup>

### Average Overall Blight Score



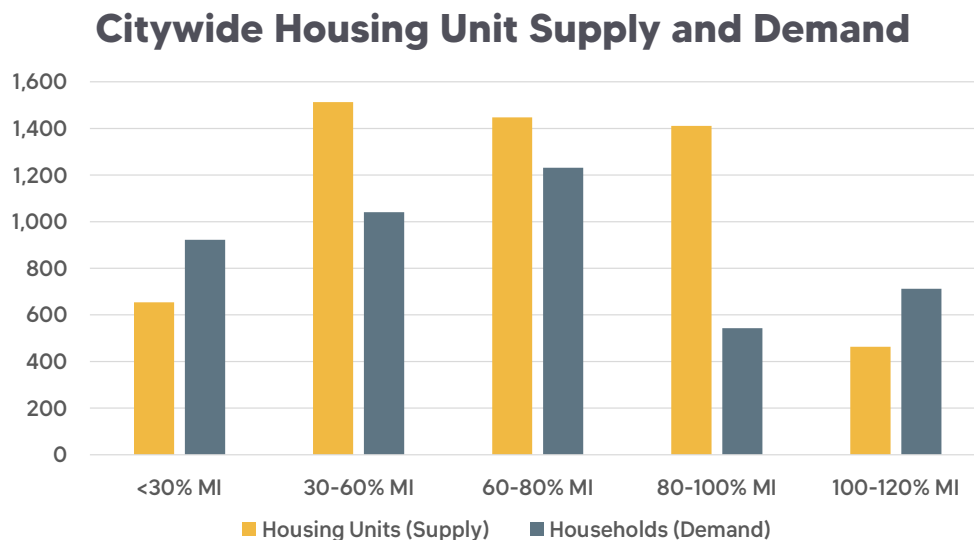
**PROPERTIES  
IN THE LOCAL  
HISTORIC  
DISTRICT ARE  
LESS LIKELY TO  
BE DILAPIDATED.**

<sup>21</sup> The WVU project team developed a ranking scheme to prioritize the collected survey points based on the severity of dilapidation. The survey app prompted surveyors to rate seven exterior building features (roofing, windows, doors, exterior walls, porches/stairs, foundation, and storefront/signage) on a scale from one (poor) to four (excellent). The project team assigned a weighted score [overall score] for each property based on each structure's cumulative score as well as its vacant and/or dilapidated status. The higher the score, the better condition the property is considered to be in.

## Scale of the Problem

Cumberland has low cost rent, vacant structures, job growth, and historic districts with appreciating real estate values. These are not conditions that one usually associates with unaffordable housing.

Like many places across the country, Cumberland's "problem" is a mismatch of housing options and households that can afford them. To illustrate the mismatch, the number of housing units with housing costs "affordable" to households in Cumberland using the 30% rule of thumb was applied. In the graph below, the blue bar indicates the number of households in the given Median Income (MI) category. The yellow bar indicates the number of housing units being affordably rented/owned in that range.<sup>22</sup> For example, citywide, there are 922 households that earn below 30% MI (around \$10,200), but there are only 654 housing units either being rented or owned that are affordable to those earning below 30% MI.



**THERE IS A  
MISMATCH  
BETWEEN THE  
NUMBER OF  
AFFORDABLE  
UNITS AND THE  
NUMBER OF  
HOUSEHOLDS  
REQUIRING  
AFFORDABLE  
HOUSING.**

What this graph doesn't tell us:

- When a household that earns 120% MI or more may be renting an apartment that only costs them 10% of their income. Commonly, affordable housing solutions are directed at households earning 120% of the median income or less.
- Whether the perceived surplus of units available to the 30%-100% MI range are units that are habitable.
- What the market will support. For a household that earns 120% or more, the rent would be more than \$800 per month. The market in Cumberland just does not support many of those types of units. Therefore, it is assumed that these households are not spending 30% of their income on rent.

<sup>22</sup> See Appendix 1 for a full listing of the affordability gap.



## Cannot Build New and Rent Cheap

Across the nation, as cities have explored various strategies to address the affordable housing crisis, local leaders and affordable housing advocates have started to recognize that they cannot build themselves out of this crisis. Of course new construction is both desirable and necessary, but affordable housing developers are increasingly finding that housing preservation is faster and cheaper than building new. A 2016 study found that “preserving existing affordable housing generally costs less than new construction, prevents displacement, and takes advantage of existing land-use patterns.”<sup>23</sup> Reports from the MacArthur Foundation’s Window of Opportunity initiative, which has preserved 45,000 affordable rental homes, state that the average cost per unit was \$81,000—about half the cost to build a new rental apartment in the U.S.<sup>24</sup>

It is incredibly difficult to build new and rent cheaply, at least not without deep subsidies. Even where those subsidies are used, it is still often cheaper to rehabilitate an existing structure with subsidies than to build new. A recent study of new construction costs for Low Income Housing Tax Credit (LIHTC) projects across the U.S. found costs were approximately \$40,000 to \$71,000 (25 to 45 percent) higher per unit than those of acquisition-rehab projects.<sup>25</sup> While rehabilitation costs of course depend on the condition of the unit, not all units need significant work to be brought up to habitable standards, and the quality of their original construction makes them worthy of the reinvestment. Many homes built pre-1900 were built individually, not as part of a development plan. As a result, the homes vary more in style and craftsmanship, but they were also made with quality materials that make rehabilitation an attractive option because it adds to their market uniqueness.<sup>26</sup> Again, it is unlikely that a new building can be built cheaply at the same level of quality and character as these existing structures.

**IT IS NOT  
POSSIBLE TO  
BUILD NEW AND  
RENT CHEAPLY,  
AT LEAST NOT  
WITHOUT DEEP  
SUBSIDIES.**

23 <https://www.bloomberg.com/news/articles/2016-08-26/urban-institute-affordable-housing-study-focuses-on-preservation-of-existing-homes>

24 <https://www.macfound.org/press/publications/brochure-window-of-opportunity-preserving-affordable-rental-housing/>

25 Comparing the Costs of New Construction and Acquisition-Rehab In Affordable Multi-family Rental Housing: Applying a New Methodology for Estimating Lifecycle Costs. <https://pdfs.semanticscholar.org/5337/abc2544ae5820a1bc92e52ce3d8f6d5fb8f9.pdf>

26 Hilltop Alliance [https://449a2c9c-7771-4989-8aef-8f4e3c257ce3.filesusr.com/ugd/aa5f1e\\_f8d13f5d035c4b23938c7edaad70cefc.pdf](https://449a2c9c-7771-4989-8aef-8f4e3c257ce3.filesusr.com/ugd/aa5f1e_f8d13f5d035c4b23938c7edaad70cefc.pdf)

## Subsidized Housing Can't Do All the Lifting

One distinction that is important to make is the difference between Affordable Housing with an Uppercase "A" and affordable housing with a lowercase "a."

When talking about small-scale, single-family or multi-family buildings, this mainly refers to unsubsidized affordable housing. This is affordable housing with a lowercase "a." This type of affordable housing doesn't rely on subsidies, but rather the owner's ability to rehab and maintain their buildings in an economical manner. This, in turn, allows owners to make their units available at relatively affordable prices. The one overarching caveat to this type of affordable housing is that the supply of it is also dependent on multiple variables, including public policies, building codes, parking requirements, taxes, etc. These variables have everything to do with whether or not the private market provides housing that is affordable.

Then there is Affordable Housing with an Uppercase "A." This is mainly provided when the public sector subsidizes it and is usually achieved through some combination of Public Housing units and Low Income Housing Tax Credits units on the front-end and Housing Choice Vouchers for tenants on the back-end. Public housing was a large source of units in the past, but today subsidized affordable housing almost entirely hinges on LIHTC; 9 out of 10 affordable housing units are built using LIHTC.<sup>27</sup>

In Cumberland, there are over 1,300 public housing and LIHTC units and 630 Housing Choice Vouchers. The nearly 2,000 units of subsidized affordable housing in Cumberland will not fill the affordable housing need alone. Therefore, in order to address an affordable housing crisis, Cumberland must focus on preserving existing unsubsidized affordable housing that is currently provided by their older housing stock.

It is often assumed that historic preservation inhibits affordable housing. However, affordable housing tax credits can be layered with the federal historic tax credit. When used in combination, this type of Affordable Housing relies on sophisticated layering of finances.

27 <https://www.nytimes.com/2018/07/27/us/politics/hud-affordable-housing-crisis.html>





10 N. Liberty St  
Cumberland Arms Apartments



## What's Preservation Got to Do With It?

So if it's not possible to build new and rent cheap, and subsidies alone cannot solve the affordability problem, what other option does a city like Cumberland have to address affordable housing? The option that represents the best use of limited public resources includes a strategy of building preservation and rehabilitation of older affordable properties. This can take many forms, as preservation can also be thought of through the uppercase versus lowercase analogy used previously in the subsidized housing section. This is due in part to the preservation field's definition of what is "historic."

Uppercase "P" Preservation is reserved for areas that have been surveyed, researched, and designated as historic in a quasi-judicial, public manner. Cumberland was an early achiever in formal designation of its most important historic resources. This designation makes Cumberland's historic districts eligible for the use of preservation incentives at the local, state, and national level. Such incentives often serve as gap funding in Affordable Housing developments; therefore, Uppercase Preservation is often used to produce Uppercase Affordable Housing.

However, small-scale, vernacular buildings make up the majority of most of the city's housing stock. These buildings often lack the historical and architectural significance—and sometimes integrity—needed to qualify for historic designation. This is a situation in Cumberland, where a large majority of the building stock may be eligible based on age, yet it is not practical to designate the entire city. Cumberland also has circumstances where places like the Decatur Heights and Chapel Hill National Register Districts, that were designated over 15 years ago, have deteriorated over time, yet these areas mainly consist of small-scale, residential houses. This makes it difficult to use Uppercase A and Uppercase P tax incentives to improve the housing quality. This is why Cumberland needs alternative solutions for the preservation and creation of lowercase affordable housing using lowercase preservation initiatives.

# Addressing the Problem

**The city has all the ingredients to address affordable housing issues: old buildings, historic districts with a higher appreciation and track record, blight data to help make targeted decisions, incentive programs on the books with proven track record.**

In order to do this, there must be a change in perception around historic preservation and affordable housing. It was heard during research for this project that historic preservation is the biggest barrier to affordable housing. In reality, older housing provides the majority of Cumberland's affordable housing. Historic districts are prime locations for targeted reinvestment. However, Cumberland needs to find solutions for small "p" preservation and small "a" affordable housing to best tackle this problem.

The research for this project coupled with stakeholder interviews identified certain challenges, but also revealed possible opportunities. Therefore, recommendations are provided below to address five identified challenges. Overall, these suggestions work to increase both the supply and meet the demand for quality affordable housing.

While some of these recommendations, at face value, don't scream affordable housing, they do indirectly address various aspects of the affordable housing crisis. These recommendations are holistic, in that they retain and improve the inventory of affordable housing. Others create high quality, locally-based jobs that would increase the income of residents and improve their quality of life. Getting vacant properties rehabilitated and back on the tax rolls would generate needed revenue for the City to provide public services. All together, these create the environment for a vibrant local economy that can support a healthy housing market.

## Affordable Housing Challenges and Opportunities

The chart below translates Cumberland's affordable housing "challenges" to opportunities that can be taken advantage of through a preservation based affordable housing approach.

Challenge	Opportunity	Possible Solution
Vacant structures	Abundance of quality constructed older buildings, market for deconstruction and salvaged materials	Baltimore Vacants 2 Value Program, San Antonio Vacant Building Registry, Salvage Warehouse
Poor property conditions	Numerous opportunities for investment and job creation in building rehabilitation	Greensboro, NC Housing Bonds; proactive code enforcement,
Lack of sufficient construction firms and trades people	Quality jobs in building industry (training)	Preservation Maryland Campaign for Historic Trades
Low rents/low acquisition costs	Low cost of living and market/ wealth growth	Rehabilitation, Maintenance, and Homeownership Programs
City Directive	City takes direct action to prioritize home preservation	Redirect funding from demolition city line item; Amend HUD five-year action plan to prioritize home preservation; Redirect CDBG funding for housing preservation





## Challenge: Vacant Structures

For any city that has an abundance of vacant structures, it's important to recognize these as assets that with a little improvement and sometimes a change of ownership can be changed into tax producing productive properties. In Cumberland, the City can utilize the data from the Blight Study, isolating the properties that were not dilapidated, but vacant and located within historic districts as the first priority. For vacant properties in private ownership, the [San Antonio Vacant Building Program](#) is a great example. The program requires property owners of vacant properties to register their properties, board and secure, actively market it, and includes fees and penalties. For City owned properties in Cumberland, something like [Baltimore's Vacants 2 Value Program](#) would be a good approach; where homeowners and developers can purchase individual or small-bundles of properties to redevelop. Vacant 2 Value properties are openly marketed online via an interactive map making it easy for interested buyers to find information. For properties in the Blight Survey that are in poor condition, where demolition might be the best avenue, instead choosing to deconstruct these properties would allow opportunities for reclaimed materials, architectural salvage, and workforce development. Although on a larger scale, St. Louis, MO, a well-known legacy city, has seen success where [architectural salvaged materials](#) are recirculated.

## Challenge: Poor Property Conditions

Property condition in Cumberland is a real issue. Many structures have fallen into disrepair because of neglect and a lack of resources to properly maintain them. This is true for both owner-occupied structures and rental properties. However, Cumberland has a shockingly large amount of its older housing stock left intact. This older housing was constructed at a time when quality materials and craftsmanship were used, therefore the quality of the original construction is much higher than what is typically built today. Additionally, areas that are designated historic have a higher property value appreciation rate than the rest of the city. Therefore, when so little investment is taking place in the city, it only makes sense to reinvest in areas that have older and historic structures. So while property condition is an issue in older and historic buildings, addressing the needed improvements in these properties results in a higher quality product than new construction. This poses an attractive investment opportunity, while the abundance of repair work needed also opens up the possibility for local job creation in building rehabilitation (see recommendation below).

The typical tool that a city has to address property condition is code enforcement. When owners fail or are unable to exhibit responsible ownership habits, a city is tasked with encouraging safety standards through code enforcement. Many cities are trending towards a strategic or proactive code enforcement program to supplement the traditional reactive format. Code enforcement is reactive when it only responds to complaints from neighbors, only penalizes non-compliance, or only addresses the problem when the disrepair is dire. The goal of code enforcement should be construed more broadly: to improve communities through responsible property ownership. This larger goal requires more than wrist-slapping; it requires a blend of regulation, policy, cost recovery, incentives for responsible maintenance, and disincentives for irresponsible behavior.<sup>28</sup> It is also important to remember that code enforcement is no magic bullet: “The ability to gain code compliance is more a function of the economics of the property and the neighborhood as of the effectiveness of the code enforcement system. No system can substitute for a healthy neighborhood economy and housing market.”<sup>29</sup>

The City of Greensboro, North Carolina uses another tool to improve the city’s property condition. In 2016, Greensboro established a [Housing Bonds Program](#), which allows the City to borrow up to \$25 million for housing projects. Bond funds can be used to buy, build, improve, or equip multi-family and single-family homes for low- to moderate-income residents. These bonds have funded a number of initiatives, including a Workforce Housing Initiative, Code Compliance and Repair, Handicapped Accessibility Improvements, Emergency Repairs, Low-Income Homebuyer Assistance, and Homeowner Rehabilitation.

28 <https://www.communityprogress.net/read-more---strategic-code-enforcement-pages-265.php>

29 <https://www.communityprogress.net/read-more---strategic-code-enforcement-pages-265.php>

## Challenge: Labor Shortage

Cumberland has many buildings that need significant work. However, there is a weak market for rehabilitation and new construction, due in part to high construction costs. This is likely reflective of an insufficient pool of local labor with the skills and training necessary to complete this work. It is nearly impossible to produce affordable housing units with construction costs being so high. However, this presents a great opportunity for building a new market by developing a new workforce in the rehabilitation sector, as well as the deconstruction of buildings that cannot be saved. Work within these fields is more labor intensive and skill-based than demolition, so there is opportunity for the development of a new labor force. Additionally, building a local labor pool will help bring down labor costs, and thus the cost to produce affordable housing units.

A recent initiative of Preservation Maryland, the statewide preservation nonprofit, presents an opportunity for Cumberland to build out their rehabilitation workforce. The Campaign for Historic Trades is a partnership of the National Park Service and Preservation Maryland that creates opportunities for workforce development and skills-based training in rehabilitation. Apprentices receive training through the Traditional Trades Apprenticeship Program, administered by the National Historic Preservation Training Center, and are placed with crews working on NPS projects. The Campaign for Historic Trades is now also part of the Corps Network, which allows their apprentices to be placed with public sector entities through various service corps. Since an NPS site is located in Cumberland (C&O Canal), the City has the ability to capitalize on this program. For instance, if Cumberland is contracting work with federal money, they should include a provision that the chosen contractor offer an apprenticeship through the Campaign for Historic Trades. This would not be mandatory, but would confer an advantage in the selection process. Cumberland can also institute an apprenticeship policy locally as well by offering apprenticeships on city-funded rehabilitation, deconstruction, and salvage projects (see recommendation above.)

## Challenge: Low Rents/Low Acquisition Cost

Cumberland is a city with a relatively low cost of living, which is not an altogether bad thing. However, incomes are low citywide, and job growth is modest, with the exception of historic districts. These conditions lead to low rents and low acquisition prices. While this report has demonstrated the double-edge sword of low housing costs, it does present an opportunity for wealth-building through property investment and homeownership.

Where low rents leave little money for property maintenance and rehabilitation, a program like [San Antonio's Substantially Rehabilitated Low-Income Rental Properties Tax Exemption](#) would help fill the gap. Under this program, if 40% or more of the units in a substantially rehabilitated historic multi-family residence are offered to low-income tenants, then the property owner will owe zero City taxes for ten years following rehabilitation.



Cumberland has a homeownership rate lower than the national average, and the City would like to see this rate increase. Homeownership is a tool to stabilize neighborhoods. A home is a family's largest financial asset and can also help grow generational wealth. Programs that promote homeownership are imperative to building a healthy community. The Closing Cost Assistance Grant and New Homebuyer Education services offered by Cumberland Neighborhood Housing Services are great examples of these kinds of programs.

As noted previously, acquisition costs are low, but still 77% of the people working in Cumberland do not reside there. This means they are giving their property tax dollars to some other jurisdiction. There needs to be a way to incentivize workers to live in Cumberland. A program like the one in Macon, Georgia would make home buying in Cumberland an attractive option. [The Down Payment Assistance Program](#), offered in partnership with the Mercer University, the John S. and James L. Knight Foundation, and the Historic Macon Foundation, is designed to encourage employees of the University to buy homes in the historic districts. All full-time Mercer faculty and staff are eligible to receive up to \$20,000 in down-payment assistance to purchase a home from Historic Macon. Seeing as 48% of the jobs in Cumberland are healthcare jobs, a program like this could be tailored to attract those workers.

Given the general property conditions in Cumberland, once someone has acquired a property, what kind of support can be provided to rehabilitate or maintain it? As mentioned previously, maintenance costs are the same or higher because of a lack of local tradesmen. However, there are many examples of home repair assistance programs. Again, San Antonio offers quite a few examples of ways that a City could provide support to owners of older and historic buildings.

- [Minor Home Repair Program](#) - provides a one-time grant of up to \$25,000 for homeowners to address health and safety hazards, code issues and ADA modifications;
- [Owner Occupied Rehabilitation and Reconstruction Program](#) - provides assistance for owners of single-family, detached homes to rehabilitate their substandard and non-code compliant residential properties;
- [Under 1 Roof](#) - provides a one-time grant of up to \$14,000 for the replacement of worn or damaged roofs with new, energy-efficient "white" roofs.

## Challenge: City Directive

The City of Cumberland has the same aspirations as any smaller legacy city. They want to have stable property values, job growth, and quality housing options that improve the overall quality of life for residents. The City has endeavored to make Cumberland attractive to new businesses, residents, and investors by acquiring properties deemed unsightly and demolishing them. While this conclusion is understandable, it is short sighted—urban renewal is not good housing policy. It is widely known that urban renewal in the 1960s was a failure and disproportionately impacted poor communities. Demolishing properties without an immediate strategy for their redevelopment results in lots that sit vacant for years on end. The city needs to take direct action to prioritize home preservation.

An important tool in the preservation toolkit is the right to delay demolition of designated historic properties at the local or national level. [Demolition delays](#) allow time for a preservation solution to be found. A second benefit of a delay is that it may discourage speculative demolition, by either private developers or the City, by adding the element of time, hence cost, of development. The City should also look seriously at their funding priorities. The City currently has a demolition city line item budget of \$200,000. A wiser use of those funds would be to redirect them to home repair programs, rehabilitation training programs, reinvesting in Main Street, etc.

Every five years, public housing authorities submit plans to the federal Department of Housing and Urban Development. It is this plan that serves as the basis for HUD funding as well as management strategies for the intermediate term. Cumberland could consider amending its 5-year plan so that the preservation of older, affordable housing is a priority activity. Additionally, the City prepares a five-year plan for Community Development Block Grant (CDBG) funding. This plan should also prioritize housing preservation and rehabilitation.

“Although “blight,” “vacancy,” and “abandonment” are sometimes used interchangeably, they refer to different situations. Blight is a nebulous term fraught with a complex racial history. It originally applied to slum housing to describe negative public health effects associated with substandard housing and later was used as legal justification for urban renewal of predominately African American neighborhoods. Today, blight refers to a broad category of properties that experience disrepair, vacancy, abandonment, foreclosure, and environmental contamination. Vacancy and abandonment are more precise terms. Vacancy refers to properties that are not occupied but may have active ownership. Some properties are vacant through normal market turnover (i.e., the house may be waiting to be sold or rented). Vacancy becomes an issue when the property loses active ownership or stewardship and becomes a public nuisance (e.g., the property deteriorates or becomes neglected and in a state of constant disrepair, or the neighborhood or block has many vacant properties). Abandoned properties, on the other hand, have no active owner and typically have become uninhabitable, structurally unsafe, or beyond repair.”

- Joseph Schilling, Katie Wells, Jimena Pinzon, and John Kromer, Charting the Multiple Meanings of Blight: A National Literature









620 Washington Street

# Conclusion

## **Cumberland is at a crossroads.**

It can pursue economic development that tears down existing resources in hopes of attracting economic investment, or it can invest in its older housing stock and commercial corridors to capitalize on their potential. The latter strategy was a priority for the City in decades past, though in more recent years, it has lost sight of this goal. By leveraging these older and historic resources for catalytic redevelopment, Cumberland can improve the quality of life of residents, businesses, and visitors alike. Historic districts are the wisest investment the City can make: they have higher appreciating property values, structures built with quality materials and craftsmanship, and they are the proven economic engines of the city in terms of job growth and new businesses. Cumberland has every ingredient it needs to be a thriving city—all it needs to do is invest in itself.

# Further Readings

*Revitalizing America's Smaller Legacy Cities: Strategies for Postindustrial Success from Gary to Lowell*, Lincoln Institute of Land Policy, 2013, [link](#).

*Hilltop Housing Market Restoration Strategy*, Hilltop Alliance and Fourth Economy, 2013, [link](#).

*Window of Opportunity: Preserving Affordable Rental Housing*, MacArthur Foundation, 2007, [link](#).

Smaller Legacy City Tool Kit, Greater Ohio Policy Center, [link](#).

*Preserving Naturally-Occurring Housing Affordability in Metro Atlanta Neighborhoods: Findings and Recommendations for Policymakers, Foundations, Developers, and Nonprofits*, Enterprise Community Partners, 2018, [link](#).

# Acknowledgments

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# Appendix 1

## Housing Affordability Gap

In the table below, negative numbers indicate when the number of households in the given MI category exceeds the number of housing units being affordably owned/rented in that range. For example in the Local Historic District, there are 97 households that earn Below 30% AMI, but there are only 86 housing units in the Local Historic District either being rented or owned that are affordable to those earning Below 30% AMI.

	<30% MI	30-60% MI	60-80% MI	80-100% MI	100-120% MI
LHD	-11	-8	36	38	-4
NRHD	-60	-4	18	202	-25
Rest of City	-197	483	162	628	-220
City	-263	472	216	868	-249



# Appendix 2

**Principles of Economic Development in the  
21st Century (paper)**

# **PRINCIPLES OF ECONOMIC DEVELOPMENT IN THE 21ST CENTURY**



PlaceEconomics

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# Introduction

*“Over the long term, places with strong, distinctive identities are more likely to prosper than places without them. Every place must identify its strongest, most distinctive features and develop them or run the risk of being all things to all persons and nothing special to any...Livability is not a middle-class luxury. It is an economic imperative.”*

- Robert Merton Solow, Nobel Prize Laureate in Economics

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Economic development is too important to leave up to only the marketplace or to the experts. The community has an important role beginning with answering the questions:

- **Why do we want economic growth?**
- **For whom?**
- **What kind?**
- **At what pace?**
- **At what cost?**

The economic development of the 21st Century will be primarily quality of life based. The character of the built environment in general and the social, cultural, environmental and educational opportunities and activities are critical in a quality of life equation.

To think strategically about economic development, it may be useful to begin with a recollection of history and a real estate cliché. Think about how nearly all cities began – they were founded and grew because of their dependence on a fixed location. They were located on a seaport, or near raw materials, at a transportation crossroads, or close to a water source, or at a point that was appropriate as a military defensive outpost. They were location dependent cities.

Now think about that old cliché that the three most important things in real estate are location, location, location. And for a long time that has been true. But the US economy is in the midst of changes that will move towns and cities of all sizes from being driven by location economics to be driven by place economics. What is the distinction between a place and a mere location? A location is a point on the globe; an intersection of longitude and latitude. Certainly every “place” has to have

a location but not every location meets the test of being a “place.” Location is a quantitative measure. “Place” includes qualitative characteristics. The landscape artist Allan Gussow has defined “place” as “a piece of the whole environment that has been claimed by feelings.” So, place is not a synonym for “location.”

What most of those who are advocates and proponents for local economic development are striving for is a place, not a mere location – a piece of the whole environment that has been claimed by feelings, and understanding that concept is central to economic development today.

In most communities there is a core group of citizens who are the advocates and proponents of economic development – bankers, elected officials, city and county staff, property owners, business owners, professionals. When they are asked, “Why are you involved in economic development efforts?” the usual response is, “We need to increase the tax base; build loan demand and generate deposits for the bank; increase household income; attract higher paying jobs.”

But in the end, those are rarely the real reasons. When given enough time to consider the question, and when it is asked enough times the real reason emerges and it is this: “I want my kids to have the chance to stay here and work if they choose to.” That is the real motivation for economic development – so one’s child can have the opportunity to live and work where they grew up. And if opportunities can be created for them to do that, that too is economic growth, without necessarily there being population growth.

But there's one more issue here – Why would a child want to come back if the place they grew up in is indistinguishable from anywhere else?

Strategically it is useful to begin to understand that economic growth and population growth are not inherently one-in-the-same. This will be difficult, because for at least 200 years in the United States it has been assumed population growth was essential for economic growth. But that is no longer necessarily true. How can there be economic growth without population growth? There are at least six ways: a better educated existing workforce; increased productivity; expanded markets; technological innovation; internet transactions; and telecommuting. That is not to suggest that population growth is not desirable or cannot be a path to economic growth, but that need not be the automatic assumption.

This paper was prepared to help broaden the definition of what constitutes economic development and to suggest a set of principles upon which economic development should be based so that a community can be competitive in the 21st Century economy.

Economic development efforts are (or should be) a community-based activity. But decision makers need not wait for unanimity to take effective actions. The words of writer Lucy Lippard are instructive:

*“Community doesn't mean understanding everything about everybody and resolving all the differences; it means knowing how to work within differences as they change and evolve...A healthy community in a mixed society can take these risks because it is permeable; it includes all ages, races, preferences, like and unlike, and derives its richness from explicit disagreement as much from implicit agreement.”*

- Lucy Lippard, *The Lure of the Local*

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## Economic Development Defined

*“A place's potential depends not so much on a place's location, climate, and natural resources as it does on its human will, skill, energy, values, and organization.”*

- Philip Kotler, *Marketing Places*

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What, exactly, is economic development? There are probably as many definitions as there are practitioners. But a straight forward, simple definition might be: Economic development is the conscious, organized effort to improve a local economy.

But that definition is inadequate if the goal is not just to make something happen, but to make something happen that has lasting impact. So, a revised definition, under which this paper was written, is:

**Economic development is the conscious, organized effort to improve a local economy.**

But effective, strategic, and sustainable economic development meets six tests:

1. **There are positive, measurable benefits**
2. **Benefits extend beyond the short term**
3. **The public benefits are significantly greater than the public costs**
4. **The economic benefits are primarily local and broadly distributed**
5. **There are significant qualitative as well as quantitative benefits**
6. **Incentivized economic development activities serve as a catalyst to additional, primarily market driven economic activities**

If quality of life is a major economic development variable, then this expanded definition is more applicable for communities pursuing “efforts to improve a local economy.” Today, Economic Development and Quality of Life are inescapably intertwined.

“Our mission is to improve the **quality of life**, health and well-being of the citizens of the City of Kings Mountain through the collaborative efforts of local, state and federal agencies as well as local business and industry, by providing natural resource based recreational opportunities.” - Mission Statement of the Kings Mountain Gateway Trail



## Quality of Life Defined

***“Communities with integrated live, work and play opportunities create strong market demand. Just as people are attracted to places close to work, recreation, entertainment and transit options, employers are learning that the same quality of life benefits enhance their business’s competitive position. As people and businesses make livable communities their home, these places become strong economic centers.”***

- The Livability Economy: People, Places and Prosperity (AARP)

Like Economic Development, Quality of Life has eluded a universal agreement on a definition. On an individual level different people have very different criteria on what quality of life means to them. For some it might be good health, good weather, and easy access to the outdoors. To others the quality of life priorities might be fine restaurants, a local opera company, and proximity to the beach. In their Economic Development Workbook, the AARP has stated that individual quality of life is made up of “multidimensional factors that include everything from physical health, psychological state, level of independence, family, education, wealth, religious beliefs, a sense of optimism, local services and transport, employment, social relationships, housing and the environment.”

None of those responses are wrong, just different. So, there is a good reason why a widely accepted definition of quality of life on an individual level has proven elusive.

On the community level, however, both scholars and practitioners have begun to identify the elements of quality of life applicable in most places. In outline form below is a list of twelve broad categories of Community Quality of Life (CQoL) with examples of what each element might include.



# Categories of Quality of Life Determinants

## Economic environment

- Employment opportunities
- Employment structure
- Average income and income distribution
- Cost of living

## Social environment

- Crime
- Social inequalities
- Social exclusion
- Networks and infrastructure

## Natural environment

- Air quality
- Water resources
- Waste management
- Suburban natural environment
- Accessibility to areas of natural beauty
- Weather and climate

## Built environment

- Building density
- Housing conditions
- Public monumental buildings
- Building stock
- Neighborhoods

## Urban and suburban green spaces

- Total area and rate per resident
- Condition
- Allocation
- Accessibility
- Usage

## Public spaces/Public buildings

- Area
- Quality
- Condition and maintenance
- Accessibility
- Visiting rates

## Culture/Leisure

- Cultural resources
- Tourism infrastructure
- Recreation areas
- Leisure activities
- Entertainment capabilities
- Cultural life
- Available choices

## Demographic data

- Marital and family status of adults
- Age rates
- Level of education

## Education

- Education units
- Quality and maintenance
- Audience per education level
- Private schools

## Health care

- Health services
- Accessibility
- Social welfare for the disadvantages

## Democratic institutions

- Democratic regime
- Election of local government
- Voting rates

## Traffic and transportation

- Traffic conditions
- Parking spaces
- Efficiency of public transportation
- Level of transportation services
- Accessibility of districts

With this wide range of variables that can add to quality of life, there are multiple opportunities for a division of local government, like a county, to make strategic investments, establish policies, enact regulations, define strategies, and

development incentives to enhance the competitiveness of the community being served. The table below identifies which of these variables can be targets for action by local government.

## QUALITY OF LIFE COMPONENTS

	Major Role for County	Minor Role for County	No Role for County
Economic Environment	X		
Social Environment	X		
Natural Environment	X		
Built Environment	X		
Green Spaces	X		
Public Spaces & Buildings	X		
Culture/Leisure	X		
Demographics			X
Education		X	
Health Care		X	
Democratic Institutions	X		
Traffic & Transportation	X		

Perhaps the most important lessons here are these:

1. Economic development is increasingly dependent on quality of life attributes.
2. There is a wide range of categories that constitute quality of life
3. Many of the quality of life areas are targets of opportunity for local government.
4. Investments that may appear to be within other categories – education, traffic, culture, public spaces, etc. – are simultaneously investments in economic development.

# Some Economic Development Realities

*“I’ve always believed that talent attracts capital more effectively and consistently than capital attracts talent.”*

– Michael Bloomberg, former Mayor of New York City

Quality of life as a component of economic development, however, is not the only reality that faces those involved in promoting their community, however. There are five macro forces that are beyond the control of any individual community and frame the environment within which economic development is taking place.

## Jobs Following People

For most of American history, people followed jobs. The western migration, the pre-World War II movement from the south to the north, the late 20th century movement back to the south and the southwest, were all people following jobs.

Today jobs follow people. People – especially young, educated people – decide where they want to live and then either find a job there, or bring their job with them. A recent survey reported that two-thirds of Millennials look for a place first, and then a job, or create their own job.

Today a third of the workforce is locationally indifferent. The actuary, the stockbroker, the consultant, the graphic artist, the import-export dealer, the software engineer, the technical writer. These people will be able to work anywhere there is a telephone and electricity. And they will be a third of the entire workforce.

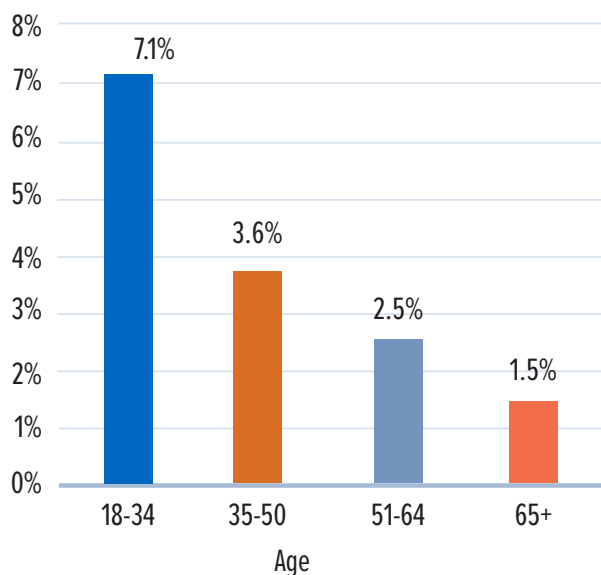
If a community want to grow economically it will be necessary to retain and attract workers who make their decision based on the qualitative factors of a place.

## Millennials in the Driver’s Seat

Many of those who are making their live and work decisions based on the quality and character of a place are millennials, those born between 1981 and 1996. In 2019, millennials will outnumber the previous largest demographic cohort in American – the Baby Boomers. It is difficult to imagine a community being economically competitive over the next 40 years without having a sizeable share of their population being in the Millennial category.

But they are going to have to be retained and/or attracted soon. The rate that people move across county lines (within a state or across the country) falls dramatically once they hit 35. Twice as many people move when they are between 18 and 34 than once they turn 35. Over the next five years more than 26 million Millennials will move away from the county in which they now live. The challenge for towns and cities for which economic development is a priority will have to answer two questions: 1) how do we keep the Millennials who live here now; and 2) how do we attract more of them. The answer, in part, for both questions will be quality of life investments.

### SHARE OF POPULATION MOVING BEYOND COUNTY EACH YEAR





An international retail consulting firm recently published a research study<sup>1</sup> on how to sell goods to Millennials, and the answer was a combination of five strategies:

1. Create an Experience
2. Make it Frictionless
3. Offer Customization
4. Build Loyalty
5. Demonstrate Value

While those were methods to sell products to Millennials, perhaps they are applicable to keeping and attracting them as well.

1. **Make sure the community has a range of experiential opportunities of interest to Millennials.**
2. **Make it easy to relocate to the community and even easier to stay.**
3. **Offer wide range of housing options, job alternatives, recreational opportunities, lifestyle choices, so that each Millennial can “customize” their own living experience.**
4. **Build loyalty to the community through avenues of participation, inclusion in process, listening.**
5. **Demonstrate value in housing costs, transportation costs, overall cost of living, perceived “getting my money’s worth” in public goods and services.**

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## New Means of Measurement Required

In the economic development of the past it was a reasonably easy task to measure the “returns” on the public investment. In simplified terms it was usually done with a formula that calculated based on:

- What is the amount of public investment (in infrastructure, below market land sales, direct incentives, etc.)?
- What will be the direct return to the public coffers (in property taxes, local income taxes, industry generated sales taxes, etc.)?
- How many years will be required for the investment to be recovered? [amount of public investment ÷ annual public return = years to recovery] or
- What is the “rate of return” on the investment [annual public return ÷ total public investment = annual rate of return].

That approach is still necessary for major public investments – necessary but not sufficient. Because the purpose of many quality of life investments is to attract and retain people and thereby attract business, the calculations are less direct and more complex. Further many of the measures of “return” may be qualitative rather than quantitative and may include metrics that are not directly financial.

For example, the investment in a hiking/biking trail may be a quality of life amenity that attracts and retains workers. The business that was recruited came because of the people in the community, but the trail helped retain and attract those very people to the community. So the metric might be how many users does the trail get each year, or in citizen surveys, what is the user’s opinion of the value of the trail built with public funds.

<sup>1</sup> A New Perspective on Millennials: Segmenting a Generation for Actionable Insights for Consumer Goods Companies and Retailers, Interbrand Design Forum.

Almost every public amenity investment will have a slightly different set of metrics to measure “return”. It is also likely that the time frame over which the returns from public investments are measured are much longer than a simple “we paid for the water line, how much are they paying in taxes” kind of calculation. Afterall, investments in public amenities – parks, public buildings, public spaces, recreational water access, sports facilities – will likely serve the community for two or three generations.

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## Everyplace is the Competition

Globalization is not going away. Barring an international depression and vastly increased protectionist policies by multiple nations, there will continue to be a growth in commerce in goods and services among countries. While a degree of global trade has existed for centuries, the 21st century market place is different. Because of ease of communication, effective transportation systems, and the ease of capital movement, an individual town or city is not just competing with a town in the next county or a state 200

miles away. Virtually every place is in potential competition with every other place.

***“Any good strategist will attest that the key to a successful strategy is to positively differentiate your product from your competitors, and that such “me too” efforts are therefore wasteful and self-defeating.”***

– John O’Brien, former Head of Business Strategy, Industrial Development Agency (Ireland)

That means that communities must first identify, then protect, then enhance their assets – physical, locational, human, cultural, economic – to be competitive. It is important to keep in mind that a community that chooses to compete based on how cheap the labor, how low the taxes, and how cheap the land, will be competing with Bangladesh, Indonesia, Haiti, and similar countries, who can always provide cheaper land, labor and taxes. It is a “race to the bottom” strategy.

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## Always Finite Resources

There will almost be a limitation on what even the most prosperous local government can provide to promote economic development, either in the traditional model of land, infrastructure, and spec buildings, or in community amenity investment to enhance quality of life measurements.

Three basic strategies are, therefore, called for. First, leverage scarce resources. Use limited local government funds to attract monies for state and federal government, private investors (including industries being recruited), and non-profit organizations.

Second, make recipients of incentives accountable to an agreed upon rate and timeframe to generate the returns to public investment. This might be in taxes collected, jobs created, or other measures. And the consequences of failing

to meet the commitments needs to have sufficient financial returns to the local government that justify having taken the risk.

Third, whenever possible make investments of public monies that meet multiple public policy ends. For example, an investment in a hiking/biking trail, might be primarily thought of as an investment for recreation. But it also might constitute an investment in economic development as a quality of life amenity, an investment in public health, and an investment in environmental quality. In that case each dollar of public funds serves four different public goals. In that case the recreational benefits do not have to by themselves justify the total costs, since public health, economic development, and environmental initiatives are each receiving a “benefit” and, therefore, and support some of the “costs.”

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# Economic Development Yesterday; Economic Development Today

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How many people brag that they were hired for their job because they were the cheapest person that could be found? Few if any. For most jobs an individual is hired because of experience or education or managerial skills or creativity or communications ability or diligence or intelligence. For most people, thinking that the employer chose you only because of how cheap you would work for would generate the response, "That isn't the kind of place I want to work."

Then why then do some economic development advocates spend their time courting companies whose primary criteria

are, how cheap the land, how cheap the labor, how low the taxes, how cheap the utilities? Communities should be targeting businesses and industries that recognize the qualities of the place and its workforce, not just how low the price tag is.

Over the last 30 years, but particularly since the beginning of the 21st century, there has been a sizable shift in the approach to economic development. Some of the major differences are identified in the table below:

## 20TH CENTURY ECONOMIC DEVELOPMENT VS 21ST CENTURY ECONOMIC DEVELOPMENT

20th Century	21st Century
Promoted advantages of location	Promotes quality of place
Competed on low wages, low taxes, cheap land	Competes on quality workforce, community quality of life
Measured success by economic outputs	Measures success by economic, social, and environmental outcomes
Perspective was "what benefits the company"	Perspective is "what benefits the community"
Incentives as "bribe" to locate here	Incentives as leverage for long-term investment

Long term, competitive communities will prioritize companies that are a good fit with the culture, the character, and the qualities of the community and its people. Less competitive communities will just be thrilled someone wants them.



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# Principles of Today's Economic Development

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Based on experience, input from economic development professionals, and research by both scholars and practitioners, PlaceEconomics has assembled principles for 21st century economic development. These principles have been divided into three levels – Focus of Economic Development, Form of

Economic Development, and Competitiveness of Economic Development. For each of the principles, we provide a brief description of what that principle means and why it is important.

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## Focus of Economic Development

The principles included under Focus of Economic Development are those that define the basic framework within which strategic economic development should operate. This set of five principles also constitute a way to evaluate any economic development initiative by asking the questions:

- Is it place based?
- Is it Local/Community?
- Is it long-term?
- Is it sustainable?
- Is it knowledge based?

If the answer to any of those questions is “no” the initiative might need to be revisited to determine if it really is an approach based on quality of life criteria.

### Place Based

*“There are two ways to make people homeless: One is to take away their home, and the other is to make their home look like everybody else’s home.”* - Thomas Friedman

The shift from location based economic development strategies to place based strategies means that the “place”—its character, quality, people and amenities is the primary selling point to attract investment. If there are lower than typical taxes or utility rates, that should be considered a bonus. But the strength of the “sell” should be the strength of the “place”.

### Local/Community

*“A community is a place in which people know and care for one another—the kind of place in which people do not merely ask ‘How are you?’ as a formality but care about the answer.”*

- Amitai Etzioni

This new form of economic development will necessitate that local government be seen as “us” not as “them.” The population of that community will again see themselves as citizens, not merely as consumers of public services. Our devolution from citizen to consumer has, more than anything else, reduced our confidence in and our participation in the public process. That pattern will begin to correct itself in the competitive community.

### Long-Term

Strategic economic development necessitates having a long-term perspective. Elected officials will think more about the next generation than the next election. Business leaders will think about the next quarter century instead of the next quarterly dividend. How long term should we be thinking? Here might be a useful rule of thumb – we should think as far into the future as the age of the oldest public building still in use.

In many cases the cities and towns of today are a direct reflection of decisions made by public officials a century or more ago. Economic development strategies that do not consider impacts at least as long as the bonds used to fund public improvements are too short term.

## Knowledge-based

*"Tomorrow's educated person will have to be prepared for life in a global world. He or she must become a "citizen of the world" – in vision, horizon, information. But he or she will also have to draw nourishment from their local roots and, in turn, enrich and nourish their own local culture". - Peter Drucker*

Knowledge-based as a principle of economic development has two different but important meanings. First, more and more industries – importantly including manufacturing – are knowledge based. Employers often spend considerable time and money training their employees about the knowledge of the product and the processes that made it. In general terms, the more knowledge-based the industry, the greater the value added in the development process, whether it is the manufacture of a good or the delivery of a service.

The second meaning of knowledge-based in this context is the necessity of making strategic public investment decisions with the understanding of the costs, the impacts, and the consequences of that action. This applies to the acquisition of land for an industrial park, plans to extend a greenway, the development of a sports facility or any of the other potential economic development initiatives.

## Sustainable

To have successful place-based economic development it is also necessary to have sustainable economic development. Sustainability has for some time been recognized by the resource industries – the necessity to pace extraction or renew resources so that the local economy is sustainable over the long term. A broadened principle of sustainability recognizes the importance of the functional sustainability of public infrastructure, the fiscal sustainability of a local government, the economic sustainability of the local economy, the physical sustainability of the built environment, and the cultural sustainability of local traditions, customs, and skills.

Many think of the notion of sustainability as solely an environmental concept, but the English words "ecology" and "economy" come from the same root, the Greek word oikos, which means "house". Economic development analysts – based on the models of the ecologists – have discovered that what is necessary to keep our economic house in order is the same as it takes to keep our ecological house in order and that, in part, is sustainability.

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# Form of Economic Development

Form of Economic development means those principles that will guide how the economic development process is structured and economic development initiatives implemented.

## Diverse

*"A good city...depends not only on imaginative people taking risks in pursuit of opportunities they see in particular locations, but also on those risk takers being widely diverse in their dreams and their manner of pursuing them."*

- Daniel Kemmis, former mayor, Missoula, Montana

Diversity is another of principles of economic development that has more than one meaning. Certainly it includes racial, ethnic, age, education, and income diversity. A community-centered economic development strategy must respond to that.

But importantly, the diversity of the economic base is critical. Over dependence on one firm or even one category of industry

makes a local area extremely vulnerable to rapid change. The more diverse the economic base the more both sustainable and resilient the local economy is.

## Inclusionary

*"Successful economic development should put a [local] economy on a higher trajectory of long-run growth by improving the productivity of individuals and firms in order to raise local standards of living for all people. This means that, at least over the long term, ... areas should seek to achieve growth that also increases prosperity and inclusion." - Brookings Institution*

An effective economic development strategy must incorporate elements that benefit all of the citizens in the area. Sometimes that means special programs are created focused on the aging, for example, or for high school drop outs, or for women entrepreneurs.

## Accessible

Like other economic development principles, “accessible” has different meanings. It certainly includes the physical accessibility to highways and other means of transportation for industries to bring in materials and send out finished products. Accessibility also means that the programs of economic development be accessible to a wide range of potential beneficiaries, including existing businesses, small businesses, start-up businesses, and businesses looking to expand.

But critically in a quality of life based economic development approach accessible means looking for options other than the automobile. Earlier was discussed the range of answers one might give to what is most important to one’s family in the community. If local residents were asked what was most important in the community, they might respond quality schools, public safety, affordable housing, their church, their friends, access to outdoor recreation, perhaps not having to shovel snow in the winter.

But how many would put at the top of their quality of life list “How many cars can be moved past a fixed point as quickly as possible.” No one has that on their list. But for the last fifty years all kinds of public decisions have been wrapped around that one. “The highway engineers say we have to move more

cars faster.” So dozens of decisions are made to accommodate that one. That is not a quality of life-based decision.

Certainly traffic flow should be addressed but it is myopic and counterproductive for every other decision about communities is subordinate to that one. 21st Century competitive cities will allow that no more.

## Partnerships

Strategic economic development requires partnerships. Not the public sector, not the private sector, not the non-profit sector has all the answers; but each has value to add to the process. More and more issues will be addressed locally through partnerships.

## Interdependent

Strategic economic development requires that the competitive place be neither dependent nor independent but rather recognize interdependence – interdependence among property owners; interdependence among business owners; interdependence of the private and public sectors; interdependence of business and labor; interdependence between landlord and tenant, interdependence between residential neighborhoods and commercial neighborhoods.

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# Competitiveness of Economic Development

## Quality

*“And from the Brave New World of the Internet comes the following new term. “Generica: fast food joints, strip malls and subdivisions, as in ‘we were so lost in Generica, I didn’t know what city it was.’” -Steve Weigand, Sacramento Bee*

Quality is an economic development principle that includes the quality of life of the local community. It also means reaching for the highest quality of public investments that can be afforded. Elected officials are often tempted to take the least expensive option available. That may have short-term benefits, in that taxes don’t need to be raised and that citizen complaints that “you’re spending too much” might be mitigated. But nearly always spending public money on low quality goods or services – whether it is playground equipment, resurfacing of

a road, or erecting a public building – is not saving money in the long-term but simply shifting the costs to taxpayers later. This manifests itself in higher maintenance costs, shorter useful life of the investment, and often an image of “cheap” rather than “good”.

Usually the best example of the importance of quality is the County Court House. In many communities that structure was built three or four or five generations ago. It was not built as cheaply as possibly; it was built to serve the area for a century or more. In most cases that public investment of citizens in the 19th century has effectively and cost effectively served the citizens for decades. That was a quality investment that should set the standard for quality investments today.



## Livability

*"Livable communities are good for people and good for business. They are places where Americans increasingly want to live, work and play. Whether a person is young or old, starting a family or a business, livable communities provide a host of appealing advantages that enhance the quality of life of residents, the economic prospects of businesses and the bottom lines of local governments."*

— The Livability Economy: People, Places and Prosperity (AARP)

"Livability" has become the word most often used to reflect the attributes of a town or city with high quality of life. When people whose jobs make them locationally indifferent, and for those who choose where to live and then worry about what will they do for a living, it is on some set of criteria for "livability" that the decision will be made. Nearly all the measurements for livability are qualitative rather than quantitative, and economically competitive communities will make the investment in amenity assets a priority in order to advance the place's livability.

## Differentiation

*"Where there is no differentiation, there is no distinction of quality." - Giordano Bruno*

In a market economy it is the differentiated product that commands a monetary premium. In the realm of economic development, towns and cities need to think of themselves as products. If that "product" is no different from hundreds of others (and as noted earlier, today every other place is a potential competitor) then there is no reason for that particular town to be chosen, either by an industry or an individual.

Being like other places is a self-defeating strategy. Being different than other places becomes a competitive advantage. There is one significant advantage in the shift from a location-based approach to economic development to a place-based approach. A town or city is where it is. There is not much that can be done about its location. But there are hundreds of things that can be done regarding the quality of the place. And striving to differentiate in as many ways as possible is what competitive towns and cities do.

## Resilient

*"Where sustainability aims to put the world back into balance, resilience looks for ways to manage an imbalanced world." - Resilience: Why Things Bounce Back, Andrew Zolli and Ann Marie Healy*

Resilience has become a major priority for many towns and cities around the world. The 100 Resilient Cities program of the Rockefeller Foundation is spurring the development of local strategies and the investment of millions of dollars in cities on every continent.

Often "resiliency" is discussed in the context of climate change – what are cities going to do to respond to sea levels rising or more frequent storms, or more severe temperature changes. But the climate related elements of resiliency are only a portion of an overall strategy.

Towns and cities face multiple natural risks that existed before climate change became an issue: tornados, hurricanes, draughts, floods, all existed before there was any evidence of global warming. So the resiliency after a natural disaster is certainly part of an overall strategy.

But there are other events for which resiliency is necessary. Barely a decade ago the Great Recession occurred and millions of American families lost their primary asset – their home. While this was devastating on an individual household level, it also had major adverse impacts on nearly every town and city in the country. But the response to that crisis varied from place to place with the more resilient towns and cities recovering faster.

There can be international economic crises, like the Great Recession, but also local ones – a major industry closing, for example. How prepared is the town or city to face the unexpected? That is the measure of resiliency and it should be built into an overall economic development strategy.

## Entrepreneurial/Risk Taking

There was a time when local governments thought their function was to be the enactor and enforcer of regulations, the guardians of the peace, and the builders of public improvements. Any other activities were the responsibility of someone else. Any action that represented risk taking was an action to be avoided. Many places still have this definition of their roles.

But competitive places understand that they need to be both entrepreneurial and occasionally risk takers. That does not mean using public funds to buy Powerball tickets. But it does mean that occasionally actions are undertaken that while deemed prudent, may not include a guarantee of success. Industrial parks are an example of this as are strategic land acquisitions to facilitate appropriate future development.

A local government that refuses to take any risk will, more often than not, be a place that falls behind its competitors.

## Catalytic

With scarce public resources it is not enough to make an investment – in infrastructure, amenities, public assets – where the value of the investment is only equal to the amount spent. To stretch public dollars, it is important to make the investments that spur additional investments from others – the private sector, other levels of government, the non-profit sector, and individuals.

Every investment that is considered should be measured, in part, by the likelihood that it will catalyze additional investment. One of the ways to make a prudent cost/benefit analysis is to include the additional investments that are made by others as a result of the initial public investment.



Strategic land acquisitions to facilitate appropriate future development are examples of long-term, entrepreneurial, and potentially catalytic quality of life investments.

# Lessons from Amazon

In 2018 Amazon, conducted an extensive process in the search for a second world headquarters location. The same year Amazon reached a market valuation of \$1 Trillion dollars and its CEO, Jeff Bezos, became the richest man on the planet. Amazon issued a Request for Proposals for cities to compete to be the recipient of 50,000 jobs and billions of dollars of investment. More than 200 cities responded to the RFP. Ultimately two locations were selected, Long Island City, a neighborhood in the New York City borough of Queens, and Crystal City, Virginia, a suburb of Washington DC.

There has been plenty of debate about the appropriateness of taxpayers providing incentives and subsidies to one of the world's richest companies, and that discussion will no doubt continue. But Amazon is nothing if not a cutting-edge, 21st century company, and what was included as their criteria for their new headquarters is instructive for all economic development efforts.

A few of their criteria were location based – no more than two miles from a major highway, and within 45 minutes of an international airport, for example. And, not surprisingly, Amazon sought a business-friendly regulatory and tax structure and asked for incentives.

But what was more revealing was how many of the criteria were place-based rather than location-based. They wanted a place where their highly skilled workforce already existed – jobs following people. They placed a priority on amenity investments such as bike trails and pedestrian access. Culture and diversity were both specifically mentioned, as was community and quality of life.

Amazon was not looking for the cheapest place to locate. They were looking for the most high quality place to locate. Nearly every one of the principles found in this paper was included, directly or indirectly, in the Amazon RFP.

Principle	Reflected in Amazon RFP
Place Based	X
Local/Community	X
Long-Term	X
Sustainable	X
Knowledge-based	X
Diverse	X
Inclusionary	X
Accessible	X
Partnerships	X
Interdependent	
Quality	X
Livability	X
Differentiation	X
Resilient	
Entrepreneurial/Risk Taking	X
Catalytic	X

There may be no stronger evidence of the shift to Quality of Life based economic development of the 21st century than the criteria of Amazon for what certainly is the largest economic development opportunity so far in the 21st century.

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# Conclusion

*“I What ‘we’ do depends upon who ‘we’ are (or who we think we are). It depends, in other words, upon how we choose to relate to each other, to the place we inhabit, and to the issues which that inhabiting raises for us. If in fact there is a connection between the places we inhabit and the political culture which our inhabiting of them produces, then perhaps it makes sense to begin with the place, with a sense of what it is, and then try to imagine a way of being public which would fit the place.”*

– Daniel Kemmis, former mayor, Missoula, Montana

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From the earliest days of the American republic, local governments have made strategic investments, provided incentives, created policies, and in other ways encouraged economic activity to be in their location rather than elsewhere. The “free market” has always been influenced by actions taken by levels of government, particularly in the choice of locations. The characteristics of a particular location was usually the competitive edge that one town had over another in attracting a new industry, a new business, or other private sector investment.

It is widely regarded as an appropriate public role to take public actions to benefit private companies if there is a net benefit to local citizens.

What is different today is the changing nature of both what companies are looking for and what towns and cities are willing to invest in. The traditional public investments like streets, water and sewer service, utilities, are still necessary

but not sufficient to be competitive in the 21st century American economy. Places need to compete with qualitative investments, the initial beneficiaries of which are not the companies to be attracted, but the citizens – present and future – who will ultimately be the reason a company makes a decision.

These investments which enhance a community’s quality of life are not the “frosting on the cake.” Instead they represent the fundamental basis upon which today’s economic development strategies are based. Towns and cities will either make those investments or they will fall behind in a very, very competitive economic environment, and their citizens will be the losers.



# Appendix 1 – Amazon RFP

1. Site/building. Amazon is looking for existing buildings of at least 500,000 square feet and total site space of up to 8 million sq ft. It would like the site to be within 30 miles of a population center and within 45 minutes of an international airport. It prefers metro areas with more than 1 million people. Its Seattle headquarters includes 33 buildings totaling 8.1 million sq ft.

2. Capital and operating costs. Amazon is prioritizing “stable and business-friendly regulations and tax structure” in its considerations. The company is seeking out incentives from state and local governments “to offset initial capital outlay and ongoing operational costs.” At its Seattle headquarters, Amazon says it invested \$3.7 billion in buildings and infrastructure from 2010 to 2017, and spent another \$1.4 billion on utilities and maintenance.

3. Incentives. The company is asking applicants to outline the specific types of incentives they could offer, such as tax credits and relocation grants, as well calculations on the amount of total incentives that could be provided. “The initial and ongoing cost of doing business are critical decision drivers,” the RFP states.

4. Labor force. Hiring 50,000 skilled workers is no easy task, and Amazon wants to make sure its new headquarters is in an area with a readily available pool of talent. The company is prioritizing sites with a “strong university system.” It’s asked cities to provide a list of universities and community colleges with “relevant degrees” plus the number of students to graduate with those degrees over the past three years. Amazon also wants information on computer-science programs in the local and regional K-12 education system.

5. Logistics. Amazon is first and foremost a master of logistics, so it should come as no surprise that the company cares a lot

about transportation. Amazon wants on-site access to mass transit—train, subway, or bus—and to be no more than one or two miles from major highways and connecting roads. It wants to be within 45 minutes of an international airport with daily direct flights to Seattle, New York, the San Francisco Bay area, and Washington DC. The company is also asking applicants to identify “all transit options, including bike lanes and pedestrian access” for the proposed site and to rank traffic congestion during peak commuting hours.

6. Time to operations. To begin construction as soon as possible, Amazon wants an outline of the permitting process and approximate timetable ahead of “Phase 1” of the building process—the first 500,000 to 1 million sq ft, for an investment of \$300 million to \$600 million.

7. Cultural community fit. Like any tech company, Amazon cares about “culture fit.” It defines this as a diverse population, strong higher-education system, and local government that is “eager and willing to work with the company.” Amazon is asking cities to “demonstrate characteristics of this” in their responses. “We encourage testimonials from other large companies,” it adds.

8. Community/quality of life. The new headquarters should be in a place where people want to live. Amazon is interested in daily living and recreational opportunities for people in each proposed metro area. It is also requesting information about housing prices and availability, general cost of living, and crime statistics.

## About PlaceEconomics

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 addressing issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings.

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# A City at a

# Crossroads

THE IMPACT OF HISTORIC PRESERVATION IN THE  
CITY OF CUMBERLAND, MARYLAND

