



Building on Chicago's Strengths: The Partnership for Building Reuse

May 2016



National Trust for Historic Preservation
Preservation Green Lab



**Urban Land
Institute**
Chicago

Project Leadership

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About the Partnership

NATIONAL TRUST FOR HISTORIC PRESERVATION

(www.savingplaces.org)

The National Trust for Historic Preservation is a privately-funded nonprofit organization that works to save America's historic places for the next generation. We are committed to protecting America's rich cultural legacy and to helping build vibrant, sustainable communities that reflect our nation's diversity. We take direct action to save the places that matter while bringing the voices of the preservation movement to the forefront nationally.

The Preservation Green Lab strengthens the fabric of communities by leveraging the value of existing buildings to reduce resource waste, create jobs, and bolster a strong sense of community. The Preservation Green Lab integrates sustainability with historic preservation by developing research, demonstration projects, and policies that decrease demolition and promote building reuse. Guided by a belief that historic preservation is essential to sustainable development, the Preservation Green Lab works with partners to create new pathways to shared prosperity and to bring people together around a common vision for their neighborhoods, towns, and cities.

URBAN LAND INSTITUTE

(www.uli.org)

The Urban Land Institute provides leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is an independent global nonprofit supported by members representing the entire spectrum of real estate development and land use disciplines.

As one of the oldest district councils in the country with more than 1,300 members, **ULI Chicago** is the preeminent multidisciplinary real estate forum and is in a unique position to convene industry leaders and policy makers to provide leadership in the region for wise land use planning, long-term investment and sustainable development. ULI Chicago brings leaders together to address and build consensus around solutions to land use challenges. ULI Chicago also provides a vibrant forum for professional growth and development.

THE PARTNERSHIP FOR BUILDING REUSE

The National Trust for Historic Preservation and ULI created the Partnership for Building Reuse in 2012 to enhance opportunities for building reuse in major U.S. cities. Recognizing the environmental, economic and community benefits of reusing vacant and blighted property, the Partnership for Building Reuse brings together community groups, real estate developers and civic leaders around the common goal of making it easier to reuse and retrofit these valuable assets.

Contents

EXECUTIVE SUMMARY 4

INTRODUCTION 12

THE PROCESS IN CHICAGO 15

DEVELOPMENT PATTERNS AND PERFORMANCE 16

BARRIERS TO BUILDING REUSE 24

 MARKET 25

 FINANCIAL 27

 TECHNICAL 28

 REGULATORY 29

ANALYSIS OF OPPORTUNITIES FOR BUILDING REUSE 32

IDEAS TO ADVANCE BUILDING REUSE 34

ACTION AGENDA 41

CONCLUSION: BUILDING ON CHICAGO’S STRENGTHS 43

STAKEHOLDERS 44

ABOUT THE ADVISORY COMMITTEE 46

ACKNOWLEDGMENTS 49

Executive Summary

Long known for its diverse, distinctive neighborhoods, Chicago is experiencing growth and investment that is bringing population, employment, and vitality back to the city. Townhomes are being rehabilitated and new apartment blocks are sprouting up near transit stops. Commercial corridors are bustling with new restaurants, bars, and business. New employers are moving into repurposed older buildings.

Much of this activity is occurring in areas north of the Loop. In some cases, new construction is replacing existing buildings, causing concerns in some neighborhoods about the loss of character and an authentic sense of place. The scene is more mixed to the west and south, where empty buildings, vacant lots, and declining property values still characterize many areas. On other blocks, however—particularly those where rows of older structures are still intact—residents and community development groups are leading creative revitalization efforts. What can be done to extend the benefits of revitalization to more neighborhoods and citizens of Chicago?

A collaboration between the National Trust for Historic Preservation and the Urban Land Institute, the Partnership for Building Reuse fosters market-driven reuse of vacant and underused buildings in cities across the country. Chicago is one of five cities participating in this initiative.

Through a series of meetings, interviews, and workshops organized by the ULI Chicago District Council, the Partnership has engaged more than 80 community development practitioners, land use professionals, historic preservation advocates, green building leaders, and city staff. These stakeholders have identified opportunities and developed recommendations for how to increase building reuse and revitalization in Chicago. As part of this effort, the National Trust's Preservation Green Lab conducted research into the connections between the vitality of Chicago neighborhoods and the character of the city's existing building stock. The Preservation Green Lab's findings show that Chicago's older, smaller buildings contribute in key ways to the vitality of the city:

- **Older, smaller buildings provide the foundation for Chicago's new businesses and small businesses.** On average, areas of the city characterized by older, smaller buildings have about twice as many jobs in new businesses per commercial square foot, compared to areas with mostly large, new buildings. In areas with older, smaller buildings, 45 percent of jobs are in businesses with fewer than 20 employees, compared to 33 percent of jobs in areas with large, new structures.
- **Older buildings are often more energy efficient.** Residential areas with older, smaller buildings and mixed-vintage blocks use about 12 percent less energy per square foot than residential areas with mostly large, new buildings.
- **Chicago's best restaurants and bars are in older buildings.** More than 60 percent of Chicago's best restaurants and bars (as listed in *Chicago Reader* and *Chicago Magazine*) are located in areas where at least half of

This report recommends policies, incentives, and tools to help property owners and investors repurpose more older buildings in diverse neighborhoods across the city.

the buildings were constructed before 1920, though only half the city's commercial areas have such a high percentage of buildings built before that time.

- **Chicago's older commercial fabric houses more local, non-chain restaurants.** In areas with older, smaller buildings and mixed-vintage blocks, more than 84 percent of restaurants are not major chains, compared to 74 percent in areas with mostly large, new buildings. Non-chain businesses contribute to neighborhood vitality by retaining spending and supporting local business owners.

Working with local practitioners, the Preservation Green Lab also developed an analytical tool to identify areas of the city that have a significant number of older, smaller buildings that have high potential for successful reuse, whether in strong real estate markets with low vacancy rates or in areas of the city where vacancy and disinvestment are more pronounced (see map on page 11).

Mixed-use corner block,
North Broadway and Grace
Street.

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Older, smaller commercial buildings with non-chain local businesses and restaurants in Chicago's Pilsen neighborhood.

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To encourage building reuse in these areas and other neighborhoods city-wide, the Partnership identified obstacles that make building reuse challenging – including market, financial, technical and regulatory barriers. These include:

- Weak market conditions and difficulties in securing financing in some areas
- Zoning rules that unnecessarily limit uses in certain zone districts
- Onerous parking requirements
- Limited financial incentives, especially for small projects
- Appraisals that are out-of-synch with the market
- Lack of inclusive and coordinated neighborhood planning
- Complexity and cost of meeting building and energy codes

With these barriers in mind, the Partnership recommends five key strategies to strengthen building reuse in Chicago in the coming years.

1. Adopt adaptive reuse policies within the Chicago Zoning Code.

Streamline the process for reusing an existing building for a non-resi-

dential use in select residential areas and for residential uses in select non-residential areas. Begin by targeting particularly challenged building types such as schools and churches. Increase flexibility of use in existing buildings in B-1 zones. Using case studies of successful adaptive reuse projects, draft new zoning provisions that allow appropriate and compatible “sister uses,” avoiding approvals process currently triggered by a too narrowly defined change in use.

- 2. Reduce parking requirements for building reuse projects.** Extend parking relief to buildings rated “orange” in the Chicago Historic Resources Survey. Allow 1-2 additional residential units for specific building types without requiring additional parking. Promote and strengthen shared parking requirements (including government offices). Expand P Street (pedestrian) designation to more areas with concentrations of older, smaller buildings. Strengthen TOD policy by denoting well-used bus stops as transit stops, allowing expansion of benefits

The Forum, 43rd and Calumet Streets, Bronzeville.
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Participants in an October 2015 meeting to develop recommendations to increase building reuse in Chicago.

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offered by TOD policy. Streamline the process to grant grandfathering protection for parking in non-TOD older buildings.

- 3. Apply Chicago Building Code in a more flexible manner for older buildings.** Promote and expand the use of the existing rehab code. Work with the Department of Buildings to ‘tune-up’ the existing rehab code and ensure it works for small and large projects alike. Resolve issues associated with challenging building types such as schools and churches. Promote a database of solutions to common code challenges associated with reuse. Encourage improved Department of Buildings outreach to small-scale developers. Establish an annual review process to bring together designers, builders, and city officials to address on-going challenges related to building reuse.
- 4. Support community development organizations, non-profit developers, and small-scale developers.** Work with the CDFI community to improve access to capital without an appraisal for targeted properties. Encourage expanded availability of microloans, zero interest loans, and crowdfunding to invest in reuse of older buildings. Conduct outreach with IFF, LISC, NHS of Chicago, CIC, and others and assemble development partners to grow a fund targeting catalytic building reuse. Create

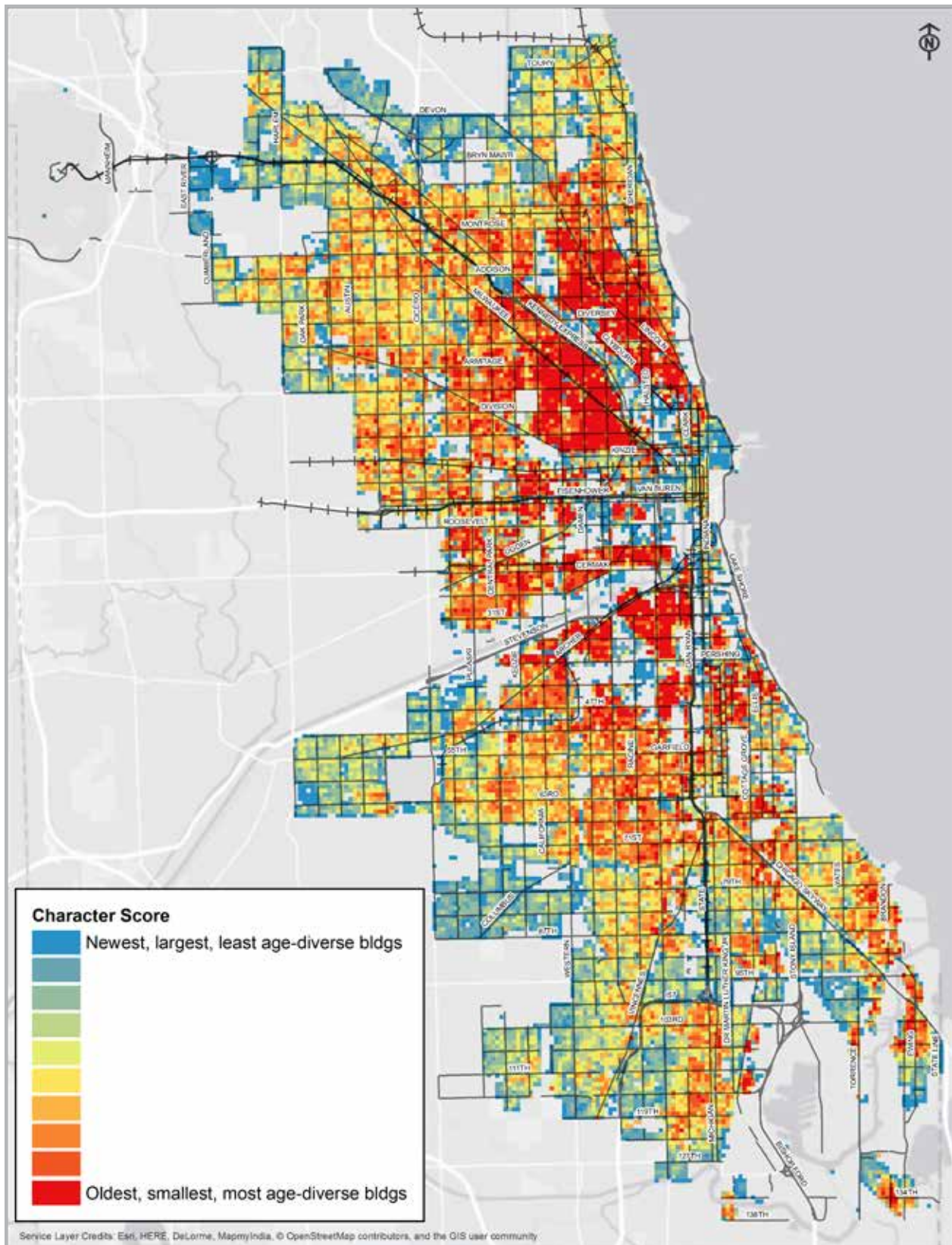
a program in which a selected set of senior development professionals are appointed “roving planners” who help work through neighborhood-specific challenges related to building reuse. Planners could be drawn from various professional organizations with approval from the city.

- 5. Strengthen the use of financial incentives that support building reuse and explore the implementation of new financial tools.** Advocate for the federal Historic Tax Credit Improvement Act that would increase the federal tax credit from 20 percent to 30 percent for small projects under \$2.5 million. Educate developers and community development organizations about the 10 percent Federal Rehabilitation Tax Credit for non-historic, non-residential buildings constructed before 1936. Advocate for the expansion of the 10 percent credit to additional buildings. Advocate for greater flexibility in the Secretary of the Interior’s Standards for Rehabilitation of Historic Buildings to open additional opportunities for use of the Federal Historic Tax Credit for older and historic buildings. Explore opportunities for, and assess the feasibility of, creating new financial incentives in both the public and private market.

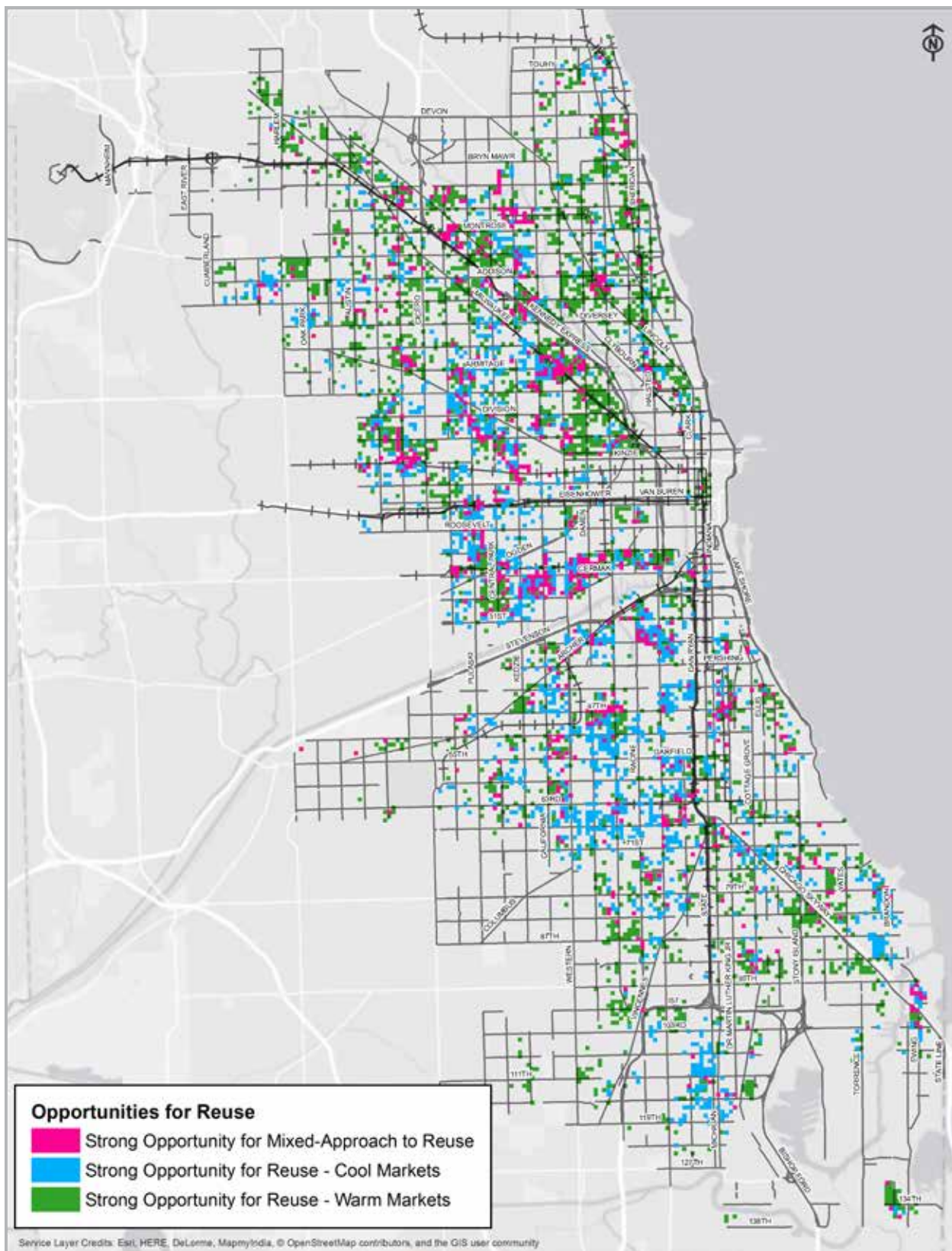
Historic mixed use buildings along Broadway.

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CHARACTER SCORE. Red squares represent areas of the city where buildings are older and smaller and where the diversity of building age is greatest. These high “Character Score” areas are concentrated in neighborhoods near the Loop and away from expressways. Preservation Green Lab research finds correlations between areas with a high Character Score and measures of social, economic, and cultural vitality.



REUSE OPPORTUNITY AREAS. The colored squares shown on this map are areas of high opportunity for successful building reuse, according to a new methodology developed as part of the Partnership for Building Reuse. Blue squares indicate strong opportunities for building reuse in cooler markets. Green squares indicate strong opportunities in hotter real estate markets. Pink squares indicate areas where a mix of for-profit and nonprofit development could be most effective



Broadway and Buena Avenue, Buena Park neighborhood, Chicago

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Introduction

The Partnership for Building Reuse fosters the market-driven reuse of vacant and underused buildings, including older buildings without any historic designation. The project brings together two national organizations, as well as local partners and stakeholders, to identify market opportunities and address challenges related to building reuse. The Partnership leverages the unique strengths and expertise of the National Trust for Historic Preservation and the Urban Land Institute. With a network of 50 District Councils across the country, ULI is the nation's leading real estate development organization. ULI District Councils bring together a broad range of land use and real estate professionals and provide opportunities for education, dialogue, and inter-disciplinary problem solving. The National Trust also works with a strong network of state and local partners to save historic places across the country. The National Trust's Preservation Green Lab provides research and policy innovation to strengthen the connections between historic preservation and sustainable development.

A STRATEGY FOR SUSTAINABLE DEVELOPMENT

Many cities are looking for innovative ways to stimulate investment, reduce vacancy, increase employment, and decrease carbon emissions. Recent Preservation Green Lab research shows that reusing existing buildings is a powerful strategy for achieving these goals. For example, a 2012 Green Lab report, *The Greenest Building: Quantifying the environmental value of building reuse*, documents how building reuse conserves energy and natural resources. Using a life-cycle-assessment methodology, the study compares the relative environmental impacts of building reuse and renovation versus demolition and new construction. The results show that it takes from 10 to 80 years for a new building to overcome, through efficient operations, the negative climate change impacts related to the demolition and construction process.

Another Preservation Green Lab report, *Older, Smaller, Better: Measuring how the character of buildings and blocks influences urban vitality*, examines the relationship between the physical character of existing buildings and a range of social and economic performance data. Based upon statistical analysis of the built fabric of Seattle, San Francisco, and Washington, D.C., this research finds that established neighborhoods with a mix of older, smaller buildings outperform districts with larger, newer structures when tested against a range of economic, social, and environmental indicators. Taken together, these recent Preservation Green Lab reports document how conserving and retrofitting existing buildings and neighborhoods can help cities achieve sustainable development.

Many land use professionals, including ULI members, recognize that the reuse of existing buildings is a growing market opportunity. Demographic trends indicate that a historic shift back to cities is underway, with large numbers of immigrants, young professionals, baby boomers, and others choosing to live and work in diverse urban neighborhoods. Many cities across the U.S. recently experienced their first population gains since the 1950s. This trend presents an opportunity to repurpose long-vacant structures, revitalize neighborhoods, and expand the tax base in cities that have suffered from decades of declining employment and population loss.

GOALS OF THE PARTNERSHIP FOR BUILDING REUSE

The Partnership for Building Reuse focuses on the places where older, vacant, and underused buildings are concentrated in the greatest numbers: our major cities. In some cities, including Chicago, thousands of buildings sit vacant and many others are only partially occupied. The Partnership seeks to realize the potential of these reservoirs of unused urban architecture. The overall goals of the Partnership are to:

- Identify and understand the common barriers to building reuse.
- Accelerate rates of building reuse and rehabilitation.
- Support community revitalization in diverse neighborhoods.
- Decrease building demolition and resource waste.



Planning means collaboration.

CENTER FOR NEIGHBORHOOD
TECHNOLOGY, FLICKR CC BY SA 2.0. .

- Document best practices that encourage building reuse.
- Create a methodology to advance building reuse in other cities.

The Partnership for Building Reuse includes three phases:

- **2012-13: Develop the methodology.** Los Angeles served as the pilot city. A final report from this phase was released in October 2013.
- **2014-16: Test the methodology in additional cities.** Baltimore and Philadelphia joined the Partnership in 2013. Chicago and Detroit were selected in 2014.
- **2016: Share lessons learned.** A national publication will draw upon the experience in the five cities, documenting lessons learned and best practices for other cities.

The Process in Chicago

Chicago's diverse collection of historic neighborhoods and international reputation for both historic and contemporary architecture make it an ideal city to explore the challenges and opportunities for building reuse. Following a solicitation of competitive proposals from seven ULI district councils, ULI Chicago was selected to participate in the 2014-16 round of the Partnership for Building Reuse. ULI Chicago has a long track record of convening and facilitating dialogue among real estate and civic leaders to address key development issues in the city. In addition, Chicago has strong local partners in organizations such as Landmarks Illinois and Preservation Chicago.

The Partnership for Building Reuse launched in Chicago in early 2015 and has included participation from more than 80 community, business, and government leaders. This report includes the perspectives of many individuals who participated in interviews and stakeholder meetings. Participants included representatives from real estate development, affordable housing, community development, finance, architecture, planning, historic preservation, sustainability, construction, state and local governments, and academia. The Partnership for Building Reuse in Chicago included the following steps:

- **Forming an 8-member Reuse Advisory Committee** to develop the local process, interview expert practitioners, review documents and reports, and provide overall guidance to the project.
- **Interviewing leading reuse development practitioners** to identify and understand barriers to reuse in Chicago.
- **Collecting data and mapping development patterns** as well as social, economic, and demographic conditions.



Contrasting building age and scale in the Boystown neighborhood.

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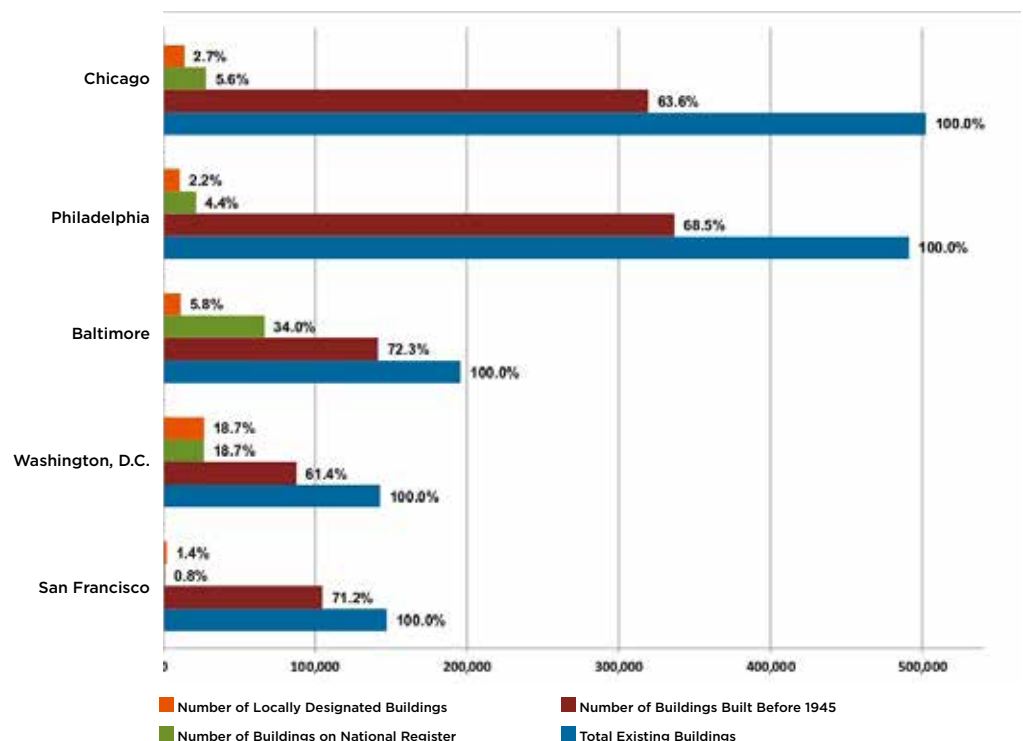
- **Convening three stakeholder meetings** to identify and discuss key obstacles to building reuse (June 2015), review potential solutions (October 2015), and prioritize recommended actions (February 2016).
- **Preparing a summary of findings and recommendations** and the action agenda to be presented to city leadership and staff, community stakeholders and ULI members (May 2016).

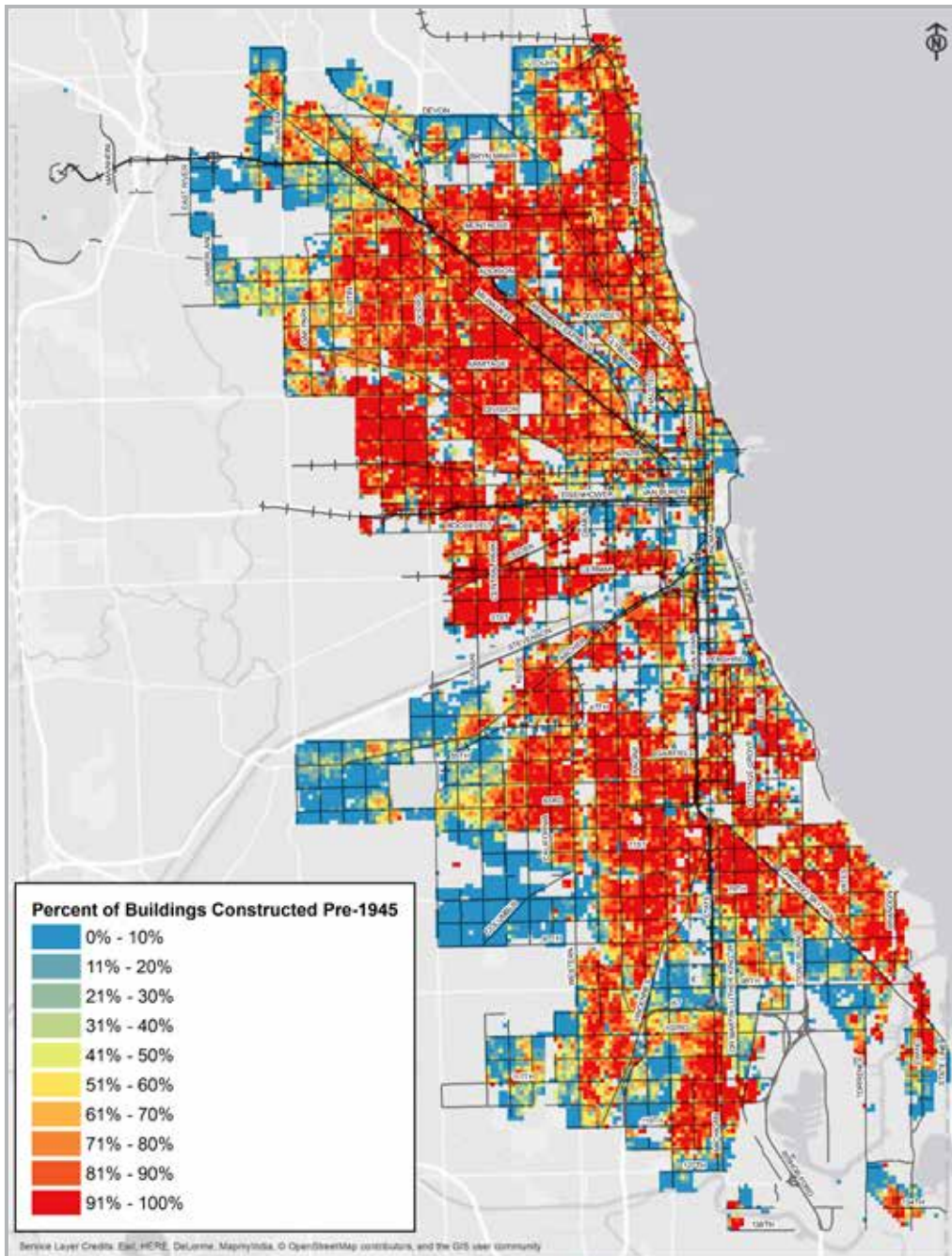
The results of the process in Chicago will also be included in a Partnership for Building Reuse summary report capturing lessons learned from all five cities. This report will be developed and released in 2016.

Development Patterns and Performance

The Partnership for Building Reuse addresses vacancy and reuse issues related to *all* existing structures, not just those designated as historic at the local, state, or national level. Based on available city data, there are 502,362 existing buildings in Chicago. Many of the city's neighborhoods developed before World War II. As a result, more than 63 percent of Chicago's existing buildings date from 1945 or earlier and nearly 90 percent are at least 50 years old.

Just under three percent of the city's existing buildings (13,829 buildings) are protected through local designation by the Commission on Chicago Landmarks. In addition, 5.6 percent of the city's existing buildings (28,010 buildings) are listed individually or within districts on the National Register of Historic Places. These percentages are lower than those found in many other cities, especially in the east. In Baltimore, for example, approximately five percent of the city's buildings are locally designated as historic and more





Buildings Constructed Before 1945. This map shows the percentage of properties in each grid square that were built before 1945. Much of the city's close-in neighborhoods are colored in red, indicating that more than 63 percent of the structures were built before the end of World War II.

than 66,000 buildings are listed on the National Register (the largest number of any city in the nation).

Fueled by industrialization and the expansion of railroads, Chicago's spectacular growth in the late 19th century made it the nation's second largest city by 1890. The city's population peaked at over 3.6 million in the 1950 census, before beginning a slow decline that did not turn around until the 1990s. Today the city continues to see population growth and reinvestment in many neighborhoods, particularly to the north and northwest of the Loop. Vacancy and stagnant or declining property values are still an issue in some neighborhoods on the south and west sides of the city, however. The City of Chicago owns more than 13,000 vacant properties, largely concentrated in



Historic 26th Street commercial corridor,
Little Village neighborhood.

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these two areas. Recent permit data shows contrasting demolition and new construction trends across the city, with demolition permits more common on the south side and new construction permits to the north.

BUILDING REUSE IN CHICAGO

Chicago's neighborhoods are known for their architectural character, history, and ethnic diversity. Chicago's residential building stock is mixed in form and scale, with both single-family and apartment housing types found in all areas of the city. Many one-and two-story frame and brick cottages from the nineteenth century are still standing, along with approximately 80,000 brick bungalows built in the first half of the 20th century. An apartment building boom during the 1920s added thousands of moderately sized, two-, three-, and four-story walk-up apartment blocks across the city, adding density and housing options for residents of varying incomes.

Chicago has an extensive legacy of historic commercial corridors. The city is laid out on a classic orthogonal grid, with major streets marking section lines at one-mile intervals, often extending along straight corridors for miles, north to south and east to west. The city's first zoning ordinance, passed in 1923, designated most of these corridors for commercial use. Several regional serving commercial nodes emerged in the 1920s, including Uptown on the North Side, Woodlawn to the south, and Madison and Pulaski to the west. With banks, theaters, and branch department stores, these areas


served urban Chicagoans much as regional shopping centers would provide for suburban residents a half century later. In addition, smaller, neighborhood-serving commercial corridors are often found along Chicago's streets at the half-mile or even quarter-mile line within section blocks. Corner stores and taverns, often featuring distinctive entrances and architectural design, help define the identity of many of Chicago's older neighborhoods.

Launched in the 1880s, an extensive network of streetcar lines (peaking at 1,000 miles and nearly 900 million riders in 1929) helped extend Chicago's urban footprint far into the prairie, as did the elevated, subway, and suburban rail lines that soon followed. Much of the city was built out before private automobile ownership became common. By 1910, Chicago's population had reached nearly 2.2 million, yet there were still only 12,000 registered private automobiles on the city's streets at that time.

With its international reputation for architectural and engineering innovation, Chicago has an abundance of important historic and architectural landmarks. The city's Landmark Ordinance was passed in 1968, after the demolition of Louis Sullivan's Garrick Theater. The ordinance was significantly strengthened in 1987 to give the Landmark Commission authority to deny demolitions. The legality of the Chicago Landmarks Ordinance has been upheld in the courts, most recently following a challenge to the designation of two districts. There are 56 landmark districts in the city, including the recently designated Fulton-Randolph Market District, a dynamic industrial and mixed-use area west of the Loop where historic warehouses and industrial structures are being adapted for technology companies, restaurants, galleries, and local business.

In 1996 a survey of Chicago buildings constructed before 1940 was completed, after more than a decade of effort. The survey was used to categorize properties according a color-coded system that indicates significance and potential eligibility for landmark designation. Properties designated "red" possess architectural features or historical associations that make them significant in the broader context of the city. Buildings designated "orange," meanwhile, are considered significant at the community level. Nearly 10,000 buildings are listed in the "red" or "orange" category, which provides a 90-day demolition delay. This provision functions much like demolition delay ordinances in other cities, but applies only to a small portion of the city's fabric.

In addition to the federal rehabilitation tax credits, there are several local financial incentive programs for historic properties in Chicago. Established in 1997, the Class L property tax incentive, offered by Cook County, provides a 12-year reduction in assessment levels for landmarked commercial, industrial and multi-family residential buildings that undergo approved rehabilitation projects equal in cost to at least half the assessed value of the property. A robust easement program managed by Landmarks Illinois provides a tax incentive to owners who donate facade easements on historic properties. However, none of these incentives apply to buildings that are just "old" and not landmarked.



Since 2002, 81 historic buildings in Chicago have been rehabilitated using the 20 percent Federal Rehabilitation Tax Credit. These projects represent more than \$2 billion in private investment in building reuse.

MEASURING BUILDING AND BLOCK PERFORMANCE

In May of 2014, the Preservation Green Lab published a new report that explores the relationship between the physical character of existing buildings and the vitality of neighborhoods. The report, *Older, Smaller, Better: Measuring how the character of buildings and blocks influences urban vitality*, analyzed data from Seattle, San Francisco, and Washington, D.C. Green Lab researchers found strong statistical connections between the presence of older, smaller buildings in these cities and measures of economic, social, and cultural vitality.

The Preservation Green Lab applied the methodology developed for the *Older, Smaller, Better* report to assess the performance of buildings and blocks across Chicago. This analysis uses a 200-meter-by-200-meter grid that is applied across the entire city to allow an “apples to apples” statistical analysis of the urban environment. The Preservation Green Lab analysis includes information from 19,395 of these squares across Chicago. Each of the squares is about the size of one-and-a-half square blocks of the city. A range of publicly-accessible data was matched and statistically apportioned to the grid square geometry to facilitate the analysis.

The Preservation Green Lab’s models compare variation in the physical character of Chicago’s existing buildings and blocks against variation in a range of social, economic, and cultural performance measures. The physical Character Score for each grid square is determined by combining available data on the age of buildings, diversity of building age, and parcel size or “granularity.” Variations in the resultant Character Score composite are then compared with variations in demographic trends, economic activity, social vitality, and real estate performance using spatial regression models. The statistical models also include variations in income and permit activity, so the effect of the built environment is statistically parsed apart from other key variables.

RESULTS FROM THE ANALYSIS

Areas of Chicago with older, smaller buildings generally have greater economic, social, and cultural vitality than areas with newer, larger buildings, according to several of the measures analyzed for this report.

Economic Activity

- Areas of Chicago with older, smaller and mixed-age buildings host many of the city’s distinctive small businesses and startups, as well as greater concentrations of business licenses, per commercial square foot. In high Character Score grid squares with older, smaller buildings and mixed-vintage blocks, about 45 percent of all private sector jobs are in small businesses. By comparison, in areas with mostly large, new buildings, about 33 percent of jobs are in businesses with fewer than 20 employees.
- Sections of Chicago with older, smaller and mixed-age buildings have greater concentrations of jobs in new businesses than areas with larger,



GRID SQUARES.

To facilitate “apples to apples” statistical analysis of the entire city, Chicago was divided into 19,395 grid squares, each 200-meters-by-200-meters. Data on the size, age, and diversity of age of all existing buildings, as well as data on the economic, social, and cultural activity of each area, were computed and constructed into a database.

newer structures. High Character Score grid squares have about twice as many jobs in new businesses per commercial square foot. High Character Score grid squares have an average of 0.8 jobs per 1,000 commercial square feet in businesses launched in the previous year, while grid squares with predominantly large, new buildings have an average of 0.4 jobs per 1,000 commercial square feet in new businesses. Furthermore, while about seven percent of all private sector jobs in high Character Score areas are in newly launched businesses, about four percent of jobs are in such new enterprises in areas with mostly large, new structures.

- By comparing the names of restaurants across Chicago with the names of chain businesses across the country, the Preservation Green Lab was able to construct a “percent non-chain business” measure to include in

this study. The analysis shows that there are significantly more non-chain restaurants in areas with older, smaller buildings and mixed-vintage blocks, both as an aggregate count of non-chain restaurants and as a percent of all restaurants. In high Character Score areas, more than 84 percent of restaurants are not major chains, compared to 74 percent in areas with mostly large, new buildings. Non-chain businesses contribute to neighborhood vitality by retaining spending and supporting other local business owners, thereby strengthening the local economy.

Environmental Sustainability

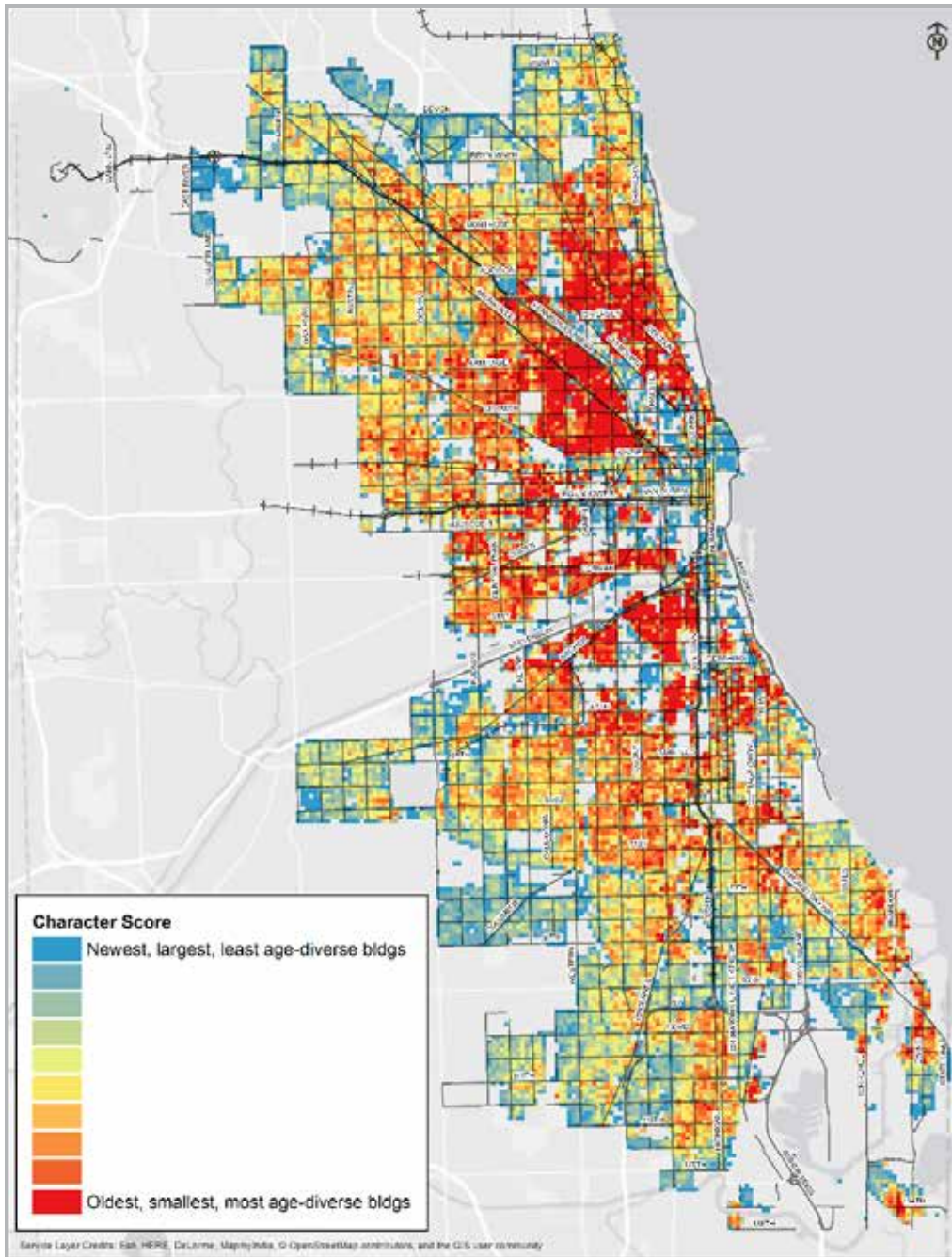
- Using 2010 energy consumption data aggregated from Commonwealth Edison and Peoples Natural Gas by Accenture, our analysis shows that residential areas of Chicago with older, smaller buildings and mixed-vintage blocks use significantly less energy per square foot. These older and historic areas use about 12 percent less energy per square foot than residential areas with mostly larger, new buildings.

Social Activity

- Areas of Chicago with older, smaller buildings and mixed-vintage blocks have greater social activity, including significantly greater population density, greater density of housing units, younger residents, higher proportions of residents age 18-34, and greater diversity of resident age overall. Residential areas with older, smaller buildings and mixed-vintage blocks have an average of about 46 percent greater population density and 32 percent greater density of housing units than areas with mostly large, new structures. On average, high Character Score grid squares have 172 residents per grid square, compared to an average of 118 residents per grid square in areas with newer, larger buildings. Similarly, on average, areas with a mix of small, old and new buildings have about 73 housing units per grid square, compared to an average of about 55 housing units in areas with mostly large, new structures.
- Parts of Chicago with small, older and historic buildings have significantly younger residents and significantly greater diversity of resident age. On average, the median age of residents in high Character Score areas is nearly five years younger than in areas with larger, newer buildings. Half of the residents in high Character Score areas are younger than 33.5 years of age, compared to an average median age of about 38 years in low Character Score areas. The proportion of residents age 18 - 34 shows similar differences: on average, in areas of Chicago with a fine-grained mix of small, old and new buildings, about 29 percent of the resident population is between the ages of 18 and 34, compared to about 24 percent of the resident population in areas with larger, newer developments. Finally, the Preservation Green Lab research team tested whether there are significant differences in the overall age makeup of areas depending on the age of buildings, diversity of building age, granularity, and Character Score. This analysis shows that, again, areas with older, smaller buildings and mixed-vintage blocks have significantly greater diversity of residents according to their age group than areas of the city that have predominantly large, new structures.

Cultural Activity

- Many areas of Chicago with concentrations of smaller, older and mixed-vintage buildings are hubs for popular shops, eateries, and bars.



CHARACTER SCORE. Red squares on this map represent areas of the city where buildings are older and smaller and where the range of building age is greatest. These high “Character Score” areas are concentrated just outside the Downtown/Loop area, particularly in Bridgeport, Pilsen, and in neighborhoods just north and northwest of the Loop. Preservation Green Lab research finds correlations between areas with a high Character Score and measures of social, economic, and cultural vitality.

The Preservation Green Lab research team mapped the winning bars, restaurants, and retailers from *Chicago Reader’s* “Best of Chicago 2015” poll and the top-rated bars, restaurants, and retailers from *Chicago Magazine’s* 2015 “Best of Chicago” list. The analysis shows that these businesses are significantly more likely to be located in areas with older, smaller building and mixed-vintage blocks. 62.5 percent of Chicago’s best bars, restaurants, and retailers are located in areas with high Character Scores, although such areas represent only half of the commercial areas citywide. More than 60 percent of Chicago’s best restaurants and bars are located in areas where at least half of the buildings were constructed before 1920, though only half the city’s commercial areas have such a high percentage of buildings built before that time.

Barriers to Building Reuse

Led locally by the ULI Chicago District Council, the Partnership for Building Reuse engaged more than 80 stakeholders to better understand the barriers to building reuse within the city. During individual interviews with expert practitioners from diverse backgrounds and at the first stakeholder meeting, participants were asked to share their views and insights about what is slowing down building reuse in Chicago. These conversations were organized around four types of barriers:

- **Market** barriers related to the supply and demand for various building types and uses.
- **Financial** barriers involving project costs, sources of equity, lending practices, and financial incentives.
- **Technical** barriers that arise related to building location, site, design, construction, and materials.
- **Regulatory** barriers such as zoning and development standards, building codes, seismic codes, and other review processes, requirements, permits, and fees.

Below is a summary of the insights from local stakeholders regarding key barriers to building reuse in Chicago. In a few instances, the barriers listed

Dense and diverse older buildings line Lawrence Avenue in Uptown.

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Restaurants, clubs, and tattoo shops fill small commercial blocks along Broadway in the Uptown neighborhood.

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below reflect a lack of complete understanding among stakeholders regarding the City's code requirements and incentive programs, market conditions, and/or available financing options. This lack of complete information may in itself be a barrier to building reuse.

MARKET BARRIERS

Generally, the market for building reuse in Chicago remains strong and is growing stronger, but it varies widely across the city's neighborhoods. Stakeholders indicated that many areas on the South and West sides of the city are cooler markets than neighborhoods on the North Side and near the Loop.

Participants suggested that there is a limited range of reuse options for older buildings in high-demand areas as well. Coordinated planning and assistance from the city could help support the market in low-demand areas. New, creative models for successful reuse could bring new activity to vacant spaces in high-demand areas, such as vacant upper floors in commercial buildings. Market barriers are the most difficult to meaningfully address through this process, yet they cannot be ignored. Specific barriers include the following:

Limited demand in some neighborhoods and among some building types

- In some neighborhoods, an overall lack of demand has kept rents and sale prices too low to make the rehabilitation of older buildings feasible. In cases where the rehabilitation is projected to cost more than the ultimate value of the product, reuse is often seen as a non-starter.
- In neighborhoods with limited demand, large developers are often unwilling to take risks with projects. Small and mid-tier developers could strengthen the market with smaller-scale projects, but there aren't many such smaller-scale developers and their efforts are uncoordinated.
- There is a perception that the North Side of Chicago has a strong market and the South Side has a weak market, but some participants suggested that the reality of these areas is much more complex.
- Some participants suggested that there is limited demand for industrial uses in older industrial buildings within Planned Manufacturing Districts (PMDs) where residential and other specific uses are prohibited, and for older commercial buildings in struggling commercial corridors, even in neighborhoods with otherwise strong real estate markets.
- Anchor buildings in economically-challenged neighborhoods are often underused. Such buildings include older and historic churches, synagogues, schools, and theaters.

Little diversity in viable options for new use of older buildings

- Many upper floors of old commercial buildings remain vacant as there are limited models for successful reuse of space above the street. As one developer put it: "We can't make every building a hotel."
- Some participants thought agriculture could be a new use for some old buildings, but currently, there are only a handful of examples of this type of reuse. Stakeholders mentioned a former meatpacking plant which now operates as a vertical farm as one such example.

Appraised value and sales price of properties

- In cooler market areas, the appraised value of buildings are often out-of-sync with the market and are often too low to reach a reasonable sales price. In some instances, property owners have unrealistic expectations of what sale price they can get for their building.
- Third party entities who could help manage property acquisition and sales are absent in many Chicago markets. Neighborhood development corporations are helpful in some places, but they work in select few markets relative to the city as a whole.

FINANCIAL BARRIERS

Financial barriers exist for some, but not all development projects. Interviewed stakeholders said that developers who have solid track records, strong business plans, and working knowledge of incentive programs generally have little trouble financing reuse projects, but newer developers with less knowledge and experience face serious hurdles in raising money. Tight government budgets have limited available incentive dollars, and some incentive programs have challenging application requirements and administrative demands. Furthermore, investors and banks are often reluctant to lend money for projects in economically-distressed neighborhoods. Specific obstacles include the following:

Lack of education and promotion of development support programs

- Many small-scale developers are not taking advantage of tax incentives and financing tools. Even where incentives are available, applying for them can be a cumbersome process. Some participants suggested there is a mismatch between incentive programs and small-scale projects in general.
- Many development teams lack someone with experience and working knowledge of all relevant codes and incentives.

Challenges of securing financing

- Banks and institutional investors are reluctant to go into new neighborhoods and are often not familiar with the complexity of reuse projects.
- Discrimination in lending is still a barrier in some neighborhoods. As one stakeholder put it: “The Community Reinvestment Act can only do so much.”
- New developers and small-scale developers struggle to obtain financing if they lack a clear track record.
- Unpredictable budgets and larger contingencies make reuse projects riskier and therefore the cost of borrowing is often higher.

Limited incentives for building reuse projects

- Without government incentives (financial assistance or regulatory relief) retrofitting and reusing existing buildings is seen by some participants as a tough sell in areas with weak markets.
- Incentives are limited as a result of tight government budgets. For example, funds from the Illinois Department of Commerce and Economic Opportunity have recently been threatened by budget cuts.
- Without dynamic scoring and incorporation of return on investment on the backend, arguments for State Historic Tax Credits aren’t favorable. Without a strong Illinois rehabilitation tax credit, developers may go to neighboring states for projects.
- Some stakeholders expressed confusion about Chicago’s *Adopt a Landmark* program, suggesting that the program may not be well understood by its potential participants.
- While there are limited incentives for buildings that are not designated as historic but are “just old,” they are not well known or frequently used.



Available second floor space above retail, Buena Park neighborhood.

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The 10 percent federal tax credit for non-historic buildings is currently limited to non-residential uses for non-historic buildings constructed before 1936. Allowing mid-century buildings to take advantage of the 10 percent credit could make the credit much more useful, as would opening the program to residential uses.

- Low-Income Housing Tax Credits (LIHTC) are often helpful, but there is far greater demand for tax credits as a funding source than are available within this market.

TECHNICAL BARRIERS

While many older and historic buildings in Chicago have been creatively reused over the years, some buildings that remain vacant or underused have physical characteristics and layouts that pose challenges for reuse. Stakeholders and interviewees mentioned low ceilings, small elevator shafts, and environmental contamination among the common technical barriers to building reuse. Specific technical barriers include the following:

Site and surrounding context

- Older buildings may contain contaminants such as asbestos, radon, and mold. Such contaminants are often discovered after a reuse development project has begun and add to project cost. Soil contamination can also pose costly challenges to a project.
- Though stakeholders noted that older buildings tend to be well-located near public transit lines, some said that a lack of on-site parking can be

an issue. One interviewee said that he has had difficulties reusing existing buildings when working with some retailers focused on parking availability and the need to accommodate a drive-through window.

Building layout and design

- Some stakeholders noted that there is limited inventory of underused older buildings with high-quality construction. Many of the well-built older buildings have already received reinvestment. Many remaining older buildings are of lower-quality construction.
- Bringing older buildings to modern standards is a common challenge. Elevators in older buildings are often too small or slow, and elevator shafts in older buildings are often too narrow.
- Accessibility can be a major issue. The first floor of many buildings is typically three-to-four steps above the street level. Because buildings are often built to the lot line, there is little room to add a ramp.
- It is often expensive to renovate and incorporate life safety improvements (e.g., sprinklers) into an older building. According to one expert interviewee, it is “rare to find a building that is more than 40 years old that has compliant life safety features.”

REGULATORY BARRIERS

Although Chicago passed a revised zoning ordinance just over ten years ago, project stakeholders and interviewees suggested that zoning, permitting, and codes still pose serious barriers to building reuse. Chicago’s building codes can be inflexible when applied to the unique characteristics of the city’s older buildings. Participants said that greater flexibility and experimentation along with clearer planning and visioning at the neighborhood level might strengthen building reuse efforts. Specific regulatory barriers mentioned by Partnership for Building Reuse participants include the following:

Zoning and permitting

- Stakeholders suggested that requiring ground floor retail use can become a barrier when retail demand is lacking. Projects in all commercial zones except B2 require a special use approval for most residential uses including artist live/work space on the ground floor.
- Inflexibility in allowed uses can pose challenges for reuse projects. For example, high tech companies prefer locations where restaurants and hotels are nearby, but Planned Manufacturing District (PMD) restrictions make that challenging. The City of Chicago’s Department of Planning and Development is exploring issues with PMD zones citywide, which led some stakeholders to express hopes that reuse in manufacturing areas may be easier in the near future.
- Meeting participants and interviewees said that the city could benefit from being more open to experimentation. According to one interviewee, “experimentation with short-term retail, office, or gallery uses can be difficult given current zoning codes. However, finding the right uses to fill these spaces often requires exactly that type of experimentation.”
- A slow approval and denial process for permits can add substantial cost to a project. Trying to get a small approval can sometimes lead to

substantial delays, and there are holding costs associated with any delay. If the city could expedite permit review wherever possible, that might facilitate reuse projects without requiring extra funds from the city.

Parking

- Parking was cited as a major barrier. Parking requirements are seen by some as overly onerous in the number of required spaces and inflexibility related to context. One interviewee suggested that parking restrictions could be tiered or made flexible based on the age of the building, the historic use, and the proposed new use of the project.
- Stakeholders suggested that more buildings near transit stations should have reduced or waived minimum parking requirements. The city's new Transit Oriented Development (TOD) ordinance may allay such concerns in many cases.

Neighborhood planning and aldermanic influence

- Participants suggested that there is an overall lack of coordinated neighborhood planning and visioning in the city.
- Stakeholders pointed to the influence of individual aldermen on plans as a challenge for developers interested in reusing an existing building. One participant said that there are "50 aldermen, which leads to 50 different standards and 50 different interpretations of zoning." The lack of neighborhood plans can exacerbate uncertainty.

Building and energy codes

- Generally, prescriptive building codes were seen as overly restrictive and challenging by meeting participants and interviewees. Some suggested that a shift toward more performance-based codes would represent an important change for developers interested in building reuse.
- Accessibility requirements are seen by many participants as challenging. Meeting participants suggested that requirements might be adjusted for smaller older and historic structures.
- It can be difficult for developers to make older buildings comply with energy code requirements. Greater flexibility in application of the code to older and historic structures could make building reuse more likely. Seattle's Outcome-based Energy Code was cited as a good precedent for a flexible code. Finally, some suggested that self-certification could be a favorable option for smaller commercial buildings, as it can save time spent on permitting.
- Requiring copper water pipes and cast iron waste stacks instead of PVC pipes adds significant cost. The more expensive materials are also more susceptible to theft. Requiring conduit for electrical wiring also adds substantial cost to reuse projects.
- Stakeholders said that fire safety standards seem to be applied inconsistently and on a case-by-case basis. Greater certainty and predictability in this process would likely make building reuse easier and more likely.
- Stringent landscape requirements pose challenges. Some indicated that proving an older building doesn't have the structural capacity for a green roof can add a lot of cost and time to a reuse project. (The City requires green roofs when a project is approved as a planned development or if the project is receiving financial assistance from the City).

Historic preservation standards

- The Secretary of the Interior Standards for Rehabilitation don't always fit well with older and historic buildings, according to stakeholders. Many suggested that an appreciation of the bigger picture is needed with these standards so that buildings can remain in active use.
- Meeting participants indicated that many “orange”-rated, character-contributing buildings in Chicago are challenged. More incentives are needed to encourage the reuse of these structures.

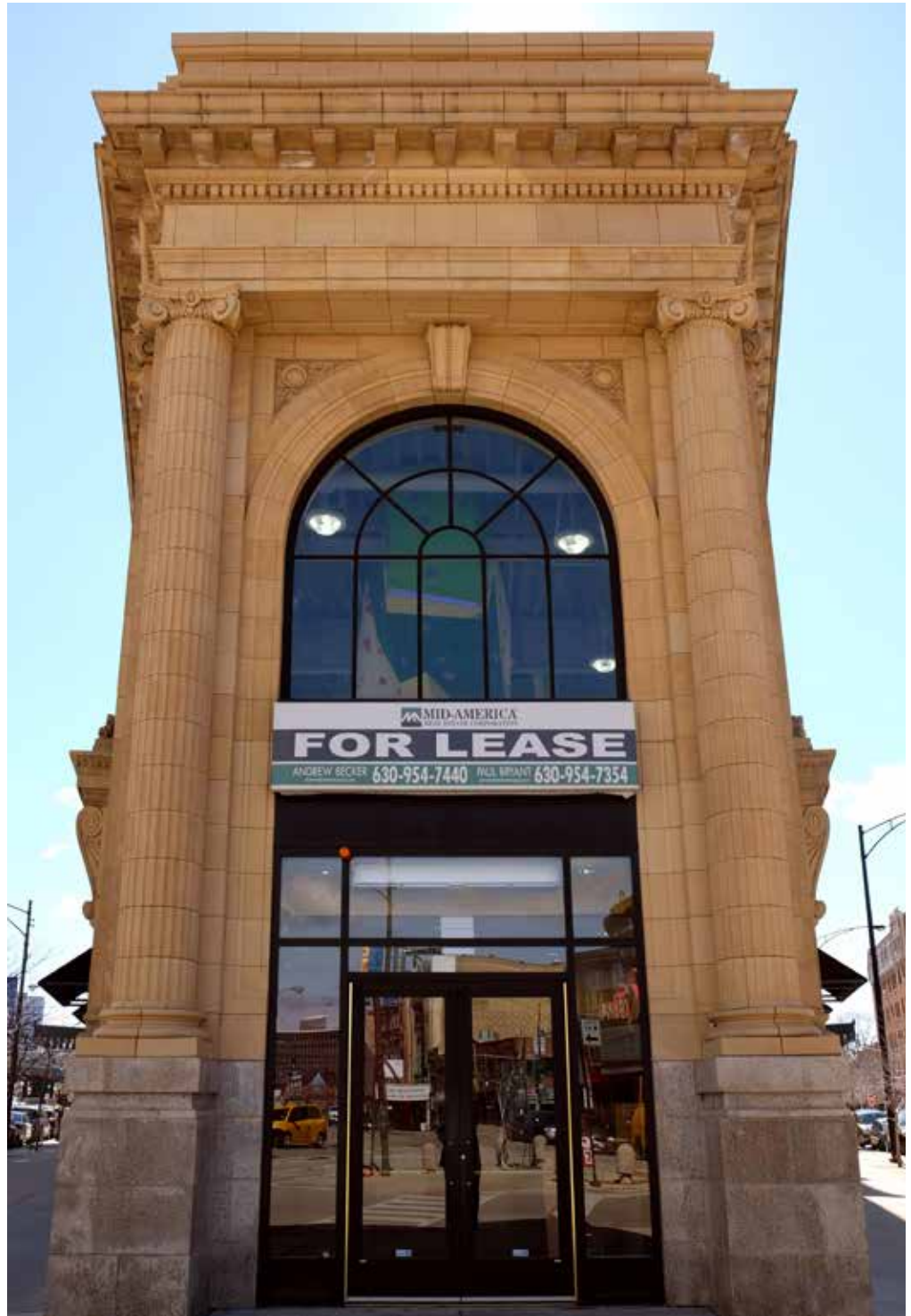
THE REUSE OF COMMON CHICAGO BUILDINGS

Many stakeholders and interviewees expressed the belief that buildings made for a specific purpose are overly inflexible in their design.

- **Theaters** were cited as building types that are particularly difficult to adapt. However, some interviewees spoke proudly of recent projects that reused old theater buildings. “By reconfiguring the layout of the theaters, we were able to create a state-of-the-art neighborhood cinema and utilize high, clear height space as an event space and loft offices for a start-up incubator.”
- **Churches.** Chicago’s ethnic diversity is reflected in its historic places of worship. Many of these distinctive structures are no longer in religious use and many are vacant, or soon will be. In 2015, the Chicago Archdiocese announced plans to explore closure of 100 Catholic churches in the city over the next 15 years
- **Schools.** Numerous stakeholders mentioned closed Chicago Public Schools as buildings that pose challenges as well as great opportunities. In 2013, Mayor Rahm Emanuel announced the closure of 50 Chicago Public Schools, with an additional 79 schools targeted for future closure. According to one meeting participant, “classrooms, gymnasiums, and assembly areas are difficult to incorporate into other uses.” Another interviewee, however, suggested that “old 1920s schools lay out nicely for senior development.” Participants suggested that if the State of Illinois emphasized the reuse of vacant schools in a tax credit program, many schools might be swiftly repurposed.
- **Small commercial buildings.** “Retailers today are generally looking for larger floor plates, which can make it difficult to find tenants for historic commercial buildings that were designed for small individual shops.” Filling upper vacant floors is also difficult.
- **Industrial buildings.** Chicago has a large inventory of vacant industrial buildings. “Some have been repurposed, but many [are still] vacant hulks.” More flexibility of allowed uses and targeted incentives could help steer investment toward some of these structures.

Analysis of Opportunities for Building Reuse

In addition to describing the obstacles that are making building reuse difficult in Chicago, interviewees and participants in the stakeholder meetings also discussed opportunities for the future.



Historic space available,
Uptown Neighborhood .

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The project participants expressed optimism about Chicago's strong real estate market, which has continued to gain momentum in many neighborhoods in recent years. However, many also expressed the hope that investment and revitalization could reach more areas of the city, particularly on the South and West sides of the city. There was also a strong feeling that Chicago would benefit from additional planning capacity to encourage strategic public and private investment in areas that are poised for revitalization. Increased community-based planning efforts could include location-specific technical assistance and incentives to increase development opportunities across a more diverse section of the city's neighborhoods, as well as taking advantage of local knowledge related to markets that often goes untapped.

MAPPING AREAS OF OPPORTUNITY

With positive market trends and increased opportunities for reuse emerging in Chicago, a key question is how to more fully engage the power of the marketplace to bring the benefits of revitalization to more neighborhoods and more residents across the city. In an effort to better understand the connections between current neighborhood conditions and the potential for building reuse and revitalization, the Preservation Green Lab brought its experience with the *Older, Smaller, Better* research to further analysis of Chicago's urban landscape.

Using data from the City of Chicago's Open Data Catalog and other publicly accessible sources, the Preservation Green Lab team developed two models for identifying areas of the city that are well-positioned for successful building reuse projects in the near future. The models spotlight areas that have concentrations of older, smaller buildings, access to some neighborhood amenities, and signs of social and economic vitality, as well as indications of vacant or underused properties and limited recent investment. These models represent an expansion of methodologies used in other Partnership for Building Reuse cities, and were developed iteratively with input and guidance from the project stakeholders and the Advisory Committee.

Both models use the Character Score (see page 23) for each 200-meter-by-200-meter grid square in the city as the baseline for analysis. Areas with high Character Scores are those sections of the city with high percentages of older, smaller buildings and mixed-vintage blocks. Grid squares with above average Character Score are included in the opportunity models, while areas with low Character Score are excluded. For the high Character Score areas, performance was assessed using a range of social, economic, real estate, and demographic measures.

The first model identifies neighborhoods that could benefit from focused programmatic and policy assistance to accelerate *market-driven* building reuse. These are areas with high Character Score and mid-range market conditions. They fall midway between areas where the market is strong and does not need intervention and areas where other pressing challenges such as property abandonment and lack of employment must first be addressed. These mid-range market areas can be characterized as areas of the city that

have strong potential for market-driven building reuse that has not yet been fully realized.

Recognizing that this approach points most strongly to neighborhoods near the Loop and on the North Side, the stakeholders and Advisory Committee recommended that a second model was needed. This model was designed to highlight areas of the Chicago that are suffering more acutely but where there are some indications of nascent recovery. These are areas with high Character Score and a strong potential for community-based redevelopment approaches, where significant capital incentives may be needed.

The tables on pages 35 and 38 provide detail on how various social, economic, real estate, and demographic metrics were used to determine market-based and community-based opportunities. The maps on pages 36 and 38 show the results of the market-based and community-based opportunity analysis of the city. Based on the input of the Advisory Committee, a third map was also created to show areas where both opportunity analysis models showed strong potential for reuse. In these areas, shown colored in pink on the map on page 39, the models indicate significant potential for a mix of market-based development and nonprofit or community development-based development approaches. These clusters of opportunity indicate areas of the city where a balanced and potentially more income-diverse segment of the city's population could benefit from reuse initiatives.

Ideas to Advance Building Reuse: Second Stakeholder Convening

Following the first stakeholder meeting in June 2015, which focused on barriers, participants in the Partnership for Building Reuse re-convened in October 2015 to generate ideas for how overcome these challenges. As background to this discussion, the Preservation Green Lab also presented an analysis of potential areas of opportunity. The meeting participants provided comments and suggestions to the Green Lab team, which were integrated into the revised maps illustrated in the previous section of this report.

The October meeting produced a range of ideas for how to increase building reuse in Chicago, which are presented below. Again, it is important to note that the Partnership is not recommending moving forward with all of these ideas, and recognizes that some might not be feasible in the near term. At the same time these ideas reflect strong support, optimism and creative thinking to increase building reuse.

INCREASE THE FLEXIBILITY OF EXISTING REGULATIONS AND REMOVE REGULATORY BARRIERS FOR REUSE PROJECTS

- *Adopt an Adaptive Reuse Ordinance that packages major regulatory*

relief for building reuse through the building code, zoning code, energy code, etc. This ordinance could be a citywide policy or one that applies to high profile, high opportunity areas. Some incentives and support could come through the streamlining of permitting and inspection, thus minimizing additional cost.

- *Remove key barriers that prevent change of use in existing buildings.* Draft zoning provisions for appropriate and compatible “sister uses.” Streamline non-residential reuse in targeted residential areas and residential reuse in targeted non-residential areas. Allow greater flexibility of first floor space in existing buildings by right in B-1 zones.
- *Explore opportunities to expand existing programs to support additional older and historic buildings.* Extend policies and incentives associated with historic buildings to a broader set of older buildings, starting with “orange”-rated buildings. Explore the adoption of a program modeled on the Class L Property Tax Incentive program for reuse of older, non-historic buildings. Extend permit fee waivers to older, non-historic buildings.
- *Reduce parking requirements for reuse projects in pedestrian friendly areas and areas with strong transit accessibility.* Convert vacant lots into shared community parking lots that support local retailers and explore other opportunities to support shared parking. Extend parking relief that is currently provided to landmarked buildings to “orange-rated” older buildings. Apply the new Transit Oriented Development ordinance to select areas with well-used bus stops. Expand pedestrian street designation to additional areas.

EXPAND AND INCREASE THE EFFECTIVENESS OF REUSE INCENTIVES

- *Utilize data mapping and modeling to strategically deploy incentives and regulatory relief to high opportunity areas.* Use data, mapping, and modeling to triage vacant buildings based on proximity to parks, schools, building condition, materials, existing programs and incentives, and other factors. Create an inventory of vacant and underused buildings based on this model.
- *Create and promote educational materials to increase understanding of existing incentive*

Metrics — Market-Based Reuse Model

SOCIAL METRICS

- Located within ¼ mile of a CTA L station with mid-tier ridership
- Located within ¼ mile of a top 33 percent performing neighborhood school or middle-third performing selective school, according to the Chicago Public Schools SY14-15 School Quality Ratings Results

ECONOMIC METRICS

- Middle third: Percentage of jobs that are in small businesses, 2013
- Middle third: Percentage of jobs that are in new businesses, 2013
- Middle third: Change in number of jobs, 2009-2013
- Located within a *Micro Market Recovery Program* area

REAL ESTATE METRICS

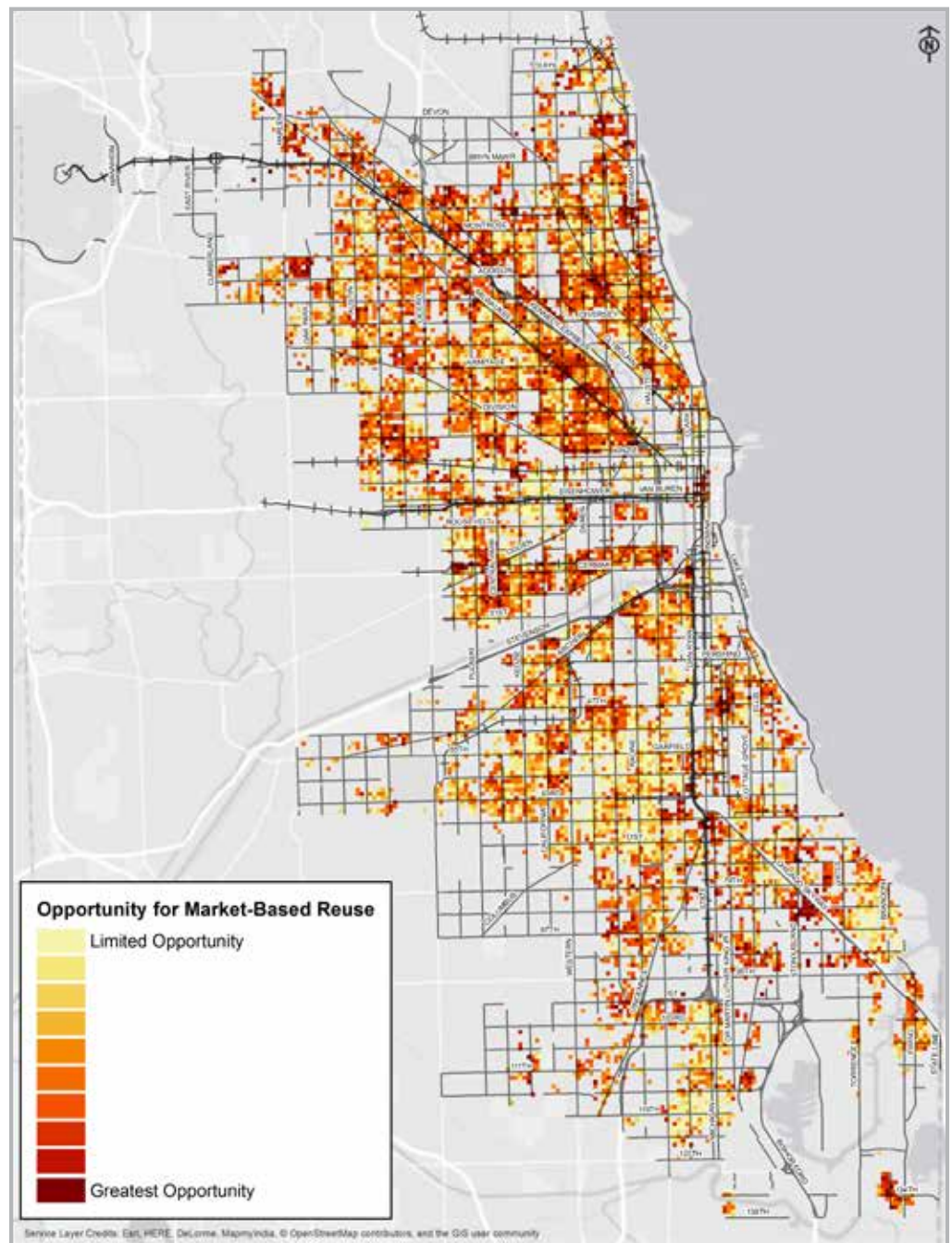
- Middle third: Total estimated value of all permitted alterations, repairs, renovations, and additions, 2010-2015
- Middle third: Number of demolition permits less the number of new construction permits, 2010-2015
- Middle third: Number of unique addresses reported via 311 call, 2010-2015

DEMOGRAPHIC METRICS

- Middle third: Percent of population that newly moved to Cook County in the previous year, 2013
- Middle third :Change in population, 2000-2010
- Middle third: Change of the computed Racial and Ethnic Diversity Index score, 2000-2010

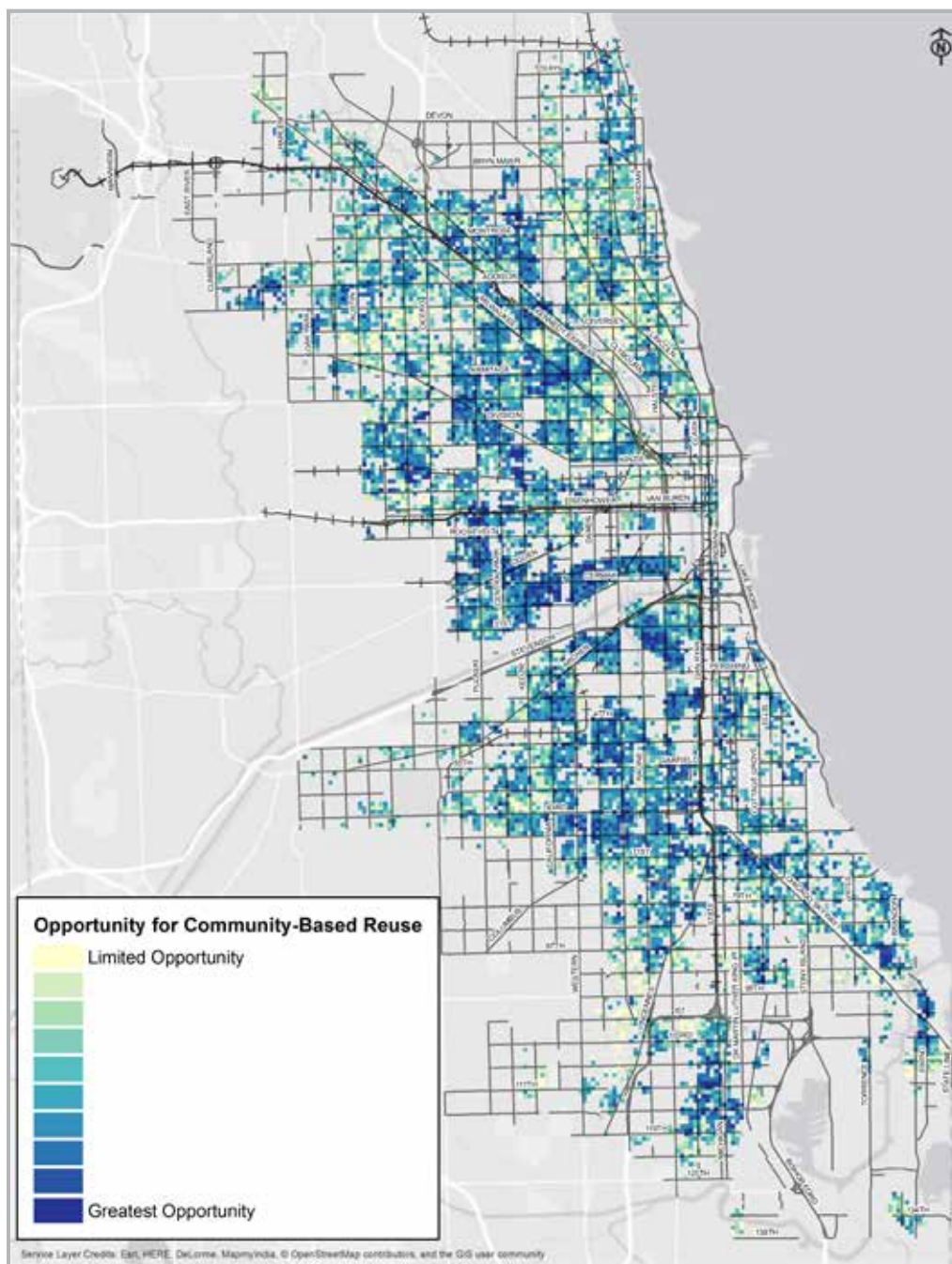
Opportunities for Reuse: Market-Based Model

The market-based reuse model shows areas of the city with strong physical fabric and high potential for building reuse according to metrics that would be attractive to profit-driven developers in high-demand markets. All of the colored grid squares shown here are above average for building and block character (see page 22 for an explanation of the Character Score composite) as well as embodying characteristics that provide opportunity for reuse as stated below. Areas with the greatest opportunity are shown in dark red, while areas with less opportunity are shown in light yellow.



programs. Promote the Property Assessment Tax Freeze program, Rehabilitation Tax Credits, and other incentive programs, and educate potential recipients of the incentives on their use. Explore opportunities to increase usage of existing incentive programs by small and mid-scale developers. Identify stumbling blocks preventing greater use of incentives for small projects and develop strategies for addressing obstacles.

- *Leverage publicly-owned land and the Cook County Land Bank to strategically assist building reuse in challenged areas.* Offer low or no-cost transfer of city-owned vacant properties adjacent to particularly challenged properties as a packaged sale. Additional land could support additions and offer new solutions for parking challenges, fire safety access, etc. Utilize the Cook County Land Bank to focus resources in



Opportunities for Reuse: Community Development Model

The community development reuse model shows areas of the city with strong physical fabric along with characteristics that create ripe opportunities to be developed by non-profit developers or community development organizations. These characteristics include proximity to good neighborhood schools and neighborhood population stability. All of the colored grid squares shown here are above average for building and block character (see page 22 for an explanation of the Character Score composite) as well as embodying characteristics that provide opportunity for community-based reuse as stated below. Areas with the greatest opportunity are shown in dark blue, while areas with less opportunity are shown in light yellow.

identified high opportunity areas, allowing the Land Bank to strategically take ownership of buildings where market is not currently strong, but could be in the future.

- *Support the case for expansion of historic tax credit programs and other incentives.* Advocate for an expanded Illinois State Historic Tax Credit. Advocate for an increase of the Federal Rehabilitation Tax Credit to 30 percent for projects under \$2.5 million to include buildings that are at least 50 years old (rather than built before 1936) and those being repurposed for residential use. Advocate for greater flexibility in interpretation of the Secretary of the Interior's Standards at local, state, and federal levels.

Metrics — Community-Based Reuse Model

SOCIAL METRICS

- Located within ¼ mile of a CTA L station with mid-tier ridership
- Located within ¼ mile of a middle-third performing neighborhood school or middle-third performing selective school, according to the Chicago Public Schools SY14-15 School Quality Ratings Results

ECONOMIC METRICS

- Lower half: Count of jobs in small businesses, 2013
- Lower half: Count of jobs in new businesses, 2013
- Lower half: Change in number of jobs, 2009-2013
- Located within a Micro Market Recovery Program area

REAL ESTATE METRICS

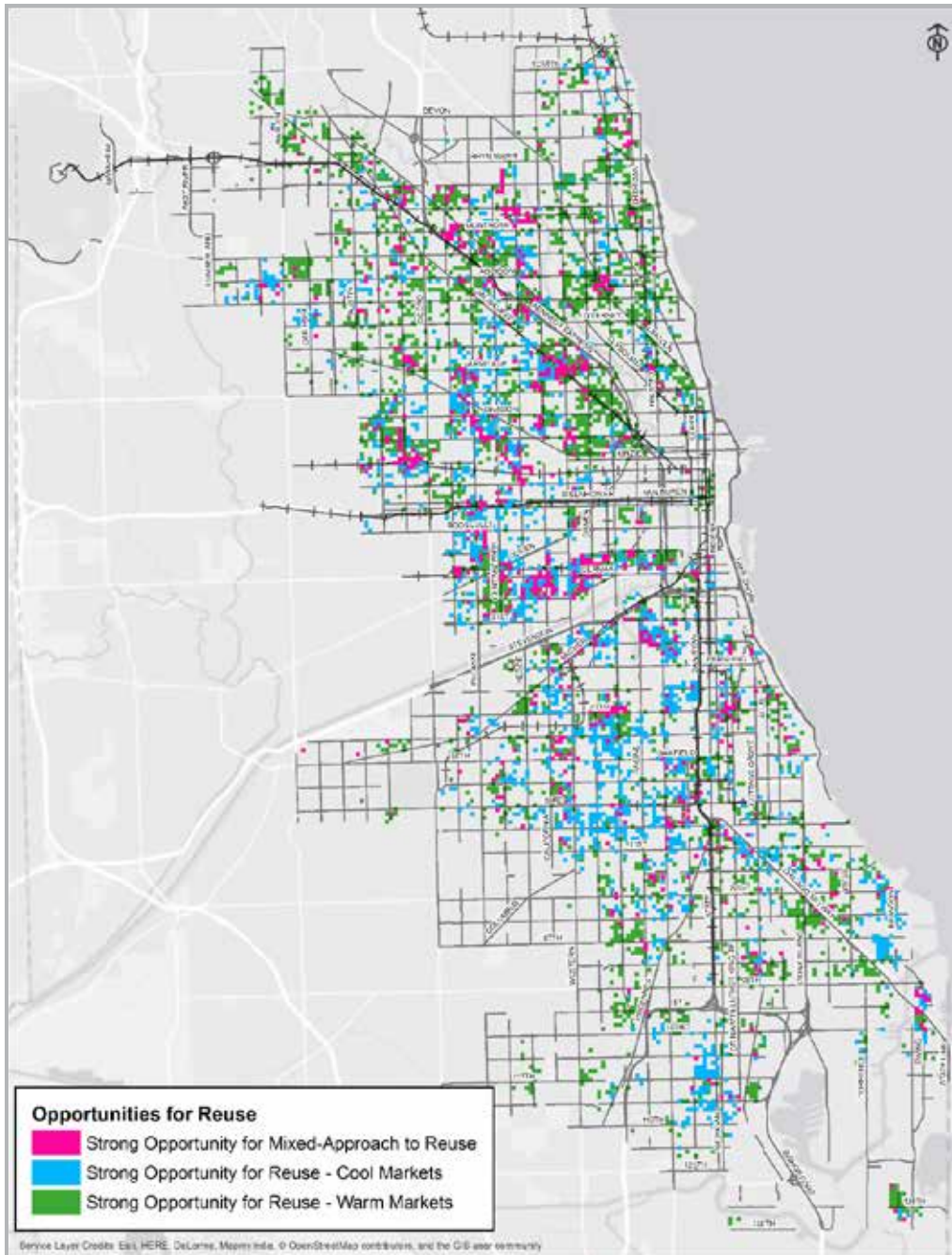
- Lower half: Total estimated value of all permitted alterations, repairs, renovations, and additions, 2010-2015
- Upper half: Number of demolition permits less the number of new construction permits, 2010-2015
- Upper half: Number of unique addresses reported via 311 call, 2010-2015

DEMOGRAPHIC METRICS

- Upper half: Percent of population that newly moved to Cook County in the previous year, 2013
- Lower half: Change in population, 2000-2010
- Upper half: Change of the computed Racial and Ethnic Diversity Index score, 2000-2010
- Lower half: Change in median income, 2009-2013

PROVIDE NEW INFORMATION AND NEW TOOLS TO SUPPORT BUILDING REUSE

- *Promote models of successful building reuse.* Put a spotlight on successes in targeted or pilot areas, allowing others to learn from successful models and encouraging the spread of policies that work to other areas of the city. Highlight retailers and other businesses who are creative and flexible in their use of older buildings. Identify and highlight buildings that mix a variety of uses and tenants.
- *Develop technical assistance programs to assist developers taking on building reuse projects for the first time.* Provide education, mentoring, or training to first-time developers working with complex capital stacks. Establish educational programs in partnership with existing community organizations and block clubs. Create and promote “how-to” documents to help developers and building owners interested in building reuse.
- *Develop technical assistance programs to support planning and development in neighborhoods challenged by high rates of vacancy and disinvestment.* Create program in which ULI and other professional organizations (American Planning Association, American Institute of Architects, etc.) act as consultants to help city conduct proactive, forward-looking planning focused on building reuse and neighborhood planning. Data and mapping from the Partnership for Building Reuse process could be utilized. Establish teams of senior neighborhood planners who act as roving planners assisting volunteer professionals. These teams of planners could focus on high-opportunity areas and provide technical expertise for these areas.
- *Create and promote a database of solutions to complex code challenges encountered in building reuse projects.* Repackage existing documentation of solutions and distribute through professional networks and associations. Convene design-build teams in concert with inspections teams to identify, resolve, and document complex code challenges.
- *Create toolkits to support the reuse of particularly challenged building types.* Create an initiative or manual for particularly challenged building types. This could be modeled after the successful “Bungalow Initiative” and applied to churches, schools, hospitals, etc.



Strongest Opportunities for Reuse: Combined Models The map above illustrates the areas of Chicago where the statistical models indicated strong reuse opportunities. All areas marked on the map have concentrations of older, smaller buildings and mixed-vintage blocks. Areas colored in green have strongest potential for market-based building reuse. Areas colored in blue have cooler real estate markets and strongest potential for non-profit developers and community development organizations. Areas where both models showed strong potential are colored in pink. These areas could benefit from a mix of approaches and could be home to an income-diverse mix of new residents.

CULTIVATE NEW SOURCES OF CAPITAL FOR BUILDING REUSE PROJECTS

- *Promote the positive impacts of building reuse and establish new pools of capital that aim to strengthen positive social impact.* Promote positive impacts of building reuse identified through Partnership for Building Reuse data analysis and mapping. Connect socially-minded investors to developers where there is clear case for positive social impact. Promote social impact funds as a possible new source of capital. Advocate for a “lower return investment pool” that generates a lower, more reliable rate of return, even if the ROI does not reach the threshold of many developers and investors.
- *Promote creative approaches to collateralization.* Possible approaches include program-related investments, foundation support, crowdsourcing, and lending by anchor institutions.

DEFINING TERMS

- **Character Score.** A signature metric created by the Preservation Green Lab, the Character Score combines data related to the median age of buildings, diversity of building age, and granularity (or smallness) of the built fabric. High Character Score areas have older, smaller buildings and mixed-vintage blocks. Past Preservation Green Lab research demonstrates that these areas often play a unique and valuable role in supporting small businesses, startups, and high population density.
- **Reuse Opportunity Areas.** The Preservation Green Lab built upon its initial Character Score methodology to identify areas where targeted attention and investment in existing buildings could have significant impact. Using additional public data, the market-based reuse and community-based reuse models highlight areas with high Character Scores and key characteristics in social, economic, real estate, and demographic metrics.
- **Opportunity for Market-Based Reuse.** The market-based reuse model leverages public data to highlight areas of the city that have strong, contiguous built fabric; proximity to good neighborhood schools and amenities; and signs of relatively stable population characteristics. Areas with strong opportunities for market-based reuse are mid-tier performers on economic, demographic, and real estate metrics. In these areas, for-profit developers should consider pursuing building reuse projects to support population and job growth.
- **Opportunity for Community-Based Reuse.** The community-based reuse model leverages public data to highlight areas of the city that have strong, contiguous built fabric and proximity to good neighborhood schools and amenities but also show signs of disinvestment and population decline. In these areas, community development organizations and non-profit developers may play a significant role in reusing vacant and underutilized older buildings to support small businesses and low and moderate-income populations.
- **Opportunity for Mixed-Approach to Reuse.** Areas with strong opportunity for mixed-approach to reuse perform well on both the community-based and market-based reuse models. In these areas, combined efforts of community development organizations, for-profit real estate developers, and non-profit real estate developers could potentially take root and support stable, mixed-income neighborhoods.

Action Agenda

In November 2015, members of the Reuse Advisory Committee met to review the ideas for solutions developed in October, as well as a new set of opportunity maps. This meeting focused on the importance of translating the plan into action and achieving results in the next twelve to eighteen months. The key action items identified below provide a prioritized set of goals to help make building reuse easier and more widespread in Chicago. ULI Chicago will work with partner organizations, members of the Advisory Committee, community groups, and city leaders to facilitate implementation of this plan.

1. Adopt adaptive reuse policies within the Chicago Zoning Code.

- Streamline the process for reusing an existing building for a non-residential use in select residential areas and for residential uses in select non-residential areas. Begin by targeting particularly challenged building types such as schools and churches.
- Increase flexibility of use in existing buildings in B-1 zones.
- Using case studies of successful adaptive reuse projects, draft new zoning provisions that allow appropriate and compatible “sister uses,” avoiding approvals process currently triggered by a too narrowly defined change in use.

2. Reduce parking requirements for building reuse projects.

- Extend parking relief to buildings rated “orange” in the Chicago Historic Resources Survey.
- Allow 1-2 additional residential units for specific building types without requiring additional parking.
- Promote and strengthen shared parking requirements (including government offices).
- Expand P Street (pedestrian) designation to more areas with concentrations of older, smaller buildings.
- Strengthen TOD policy by denoting well-used bus stops as transit stops, allowing expansion of benefits offered by TOD policy.
- Streamline process to grant grandfathering protection for parking in non-TOD older buildings.

3. Apply Chicago Building Code in a more flexible manner for older buildings.

- Promote and expand the use of the existing rehab code.
- Work with the Department of Buildings to ‘tune-up’ the existing rehab code and ensure it works for small and large projects alike. Resolve issues associated with challenging building types such as schools and churches.
- Promote a database of solutions to common code challenges associated with reuse.

- Encourage improved Department of Buildings outreach to small-scale developers.
- Establish an annual review process to bring together designers, builders, and city officials to address ongoing challenges related to building reuse.

4. Support community development organizations, non-profit developers, and small-scale developers.

- Work with the CDFI community to improve access to capital without an appraisal for targeted properties.
- Encourage expanded availability of microloans, zero interest loans, and crowdfunding to invest in reuse of older buildings.
- Conduct outreach with IFF, LISC, NHS of Chicago, CIC, and others and assemble development partners to grow a fund targeting catalytic building reuse.
- Create program in which a selected set of senior development professionals are appointed “roving planners” who help work through neighborhood-specific challenges related to building reuse. Planners could be drawn from various professional organizations with approval from the city.

5. Strengthen the use of financial incentives that support building reuse and explore the implementation of new financial tools.

- Advocate for the federal Historic Tax Credit Improvement Act that would increase the federal tax credit from 20 percent to 30 percent for small projects under \$2.5 million.
- Educate developers and community development organizations about the 10 percent Federal Rehabilitation Tax Credit for non-historic, non-residential buildings constructed before 1936.
- Advocate for the expansion of the 10 percent credit to additional buildings.
- Advocate for greater flexibility in the Secretary of the Interior’s Standards for Rehabilitation of Historic Buildings to open additional opportunities for use of the Federal Historic Tax Credit for older and historic buildings.
- Explore opportunities for, and assess the feasibility of, creating new financial incentives in both the public and private market.

Implementation

To advance the Recommendations from the Partnership for Building Reuse, the Advisory Committee identified three implementation strategies:

1. Create a target area (or areas) in which to pilot new zoning, code, and financing approaches to encourage building reuse. If successful, consider expanding to other areas or to the entire city.
2. For recommendations that need further assessment, form a working group or task force to gather more information and develop strategy for launching additional policies or initiatives.
3. To ensure that new approaches are achieving desired outcomes, establish a regular review process for key stakeholders, discuss policy refinements and brainstorm new solutions.

Conclusion

Over the past year, an energetic and dedicated group of real estate, development, planning, preservation, and government leaders have focused their attention on how to encourage investment in underused buildings across Chicago. Research conducted by the National Trust's Preservation Green Lab shows how reuse of these older structures can contribute to a more economically, socially, and environmentally sustainable future for Chicago.

The Action Agenda detailed in this report lays out a range of solutions, from incremental policy changes to broad new programmatic initiatives. In the coming months, ULI Chicago will work closely with City staff and other partners including Landmarks Illinois to advance the implementation of the report recommendations. The Preservation Green Lab will continue to provide support to this process. A key implementation strategy will be to identify one to two pilot areas within the city to test new approaches to planning, zoning, permitting, and project financing. The Reuse Advisory Committee will review Preservation Green Lab data and mapping to identify pilot areas and coordinate implementation with city staff, elected officials, neighborhood representatives and property owners.

Stakeholder Interviewees and Meeting Participants

Anna Ashcraft

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Jake Ament

LISC Chicago

Nootan Bharani

University of Chicago

Fred Brandstrater

SNP Strategies

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Blue Vista Capital Management

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Earl Chase

Bank of America

Allison Clements

Metropolitan Mayors Caucus

Matt Cole

Neighborhood Housing Services of Chicago

Jack Crane

Community Investment Corporation

Felicia Davis

City of Chicago

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The Preservation Compact

About the Advisory Committee

ALICIA BERG (REUSE ADVISORY COMMITTEE CHAIR)

Assistant Vice President for Campus Planning and Sustainability, University of Chicago

Alicia Berg, AICP is assistant vice president for campus planning + sustainability at the University of Chicago where she manages physical and capital planning, design of the campus environment and sustainability initiatives. She joined the University in 2015 after serving more than a decade as vice president of campus environment at Columbia College Chicago where she created an urban campus out of its scattered buildings. Prior to joining the college, she held increasingly responsible positions with the Chicago Department of Planning and Development, culminating in her mayoral appointment as the city's top planning and economic development official in 2001. A native of Nashville, Tennessee, Berg holds a M.S. in urban and regional planning from the University of Wisconsin-Madison. She is immediate past chairman of Landmarks Illinois.

SCOTT GOLDSTEIN

Principal, Teska Associates, Inc.

Scott Goldstein, AICP and LEED AP, is a principal at Teska Associates, Inc., a full service planning, development economics, landscape architecture, and urban design firm. Scott's work focuses on community and economic development and planning. His work has ranged from a Master Plan for the 1,300 unit Altgeld Gardens, to leading a new plan for Wicker Park Bucktown. He also leads a national community development practice with organizations including Local Initiatives Support Corporation (LISC), Habitat for Humanity and NeighborWorks America.

ELEANOR GORSKI

Deputy Commissioner of Planning, Design, and Historic Preservation, City of Chicago

Eleanor Esser Gorski, AIA is a Deputy Commissioner in the City of Chicago's Department of Planning and Development. She leads the Planning, Design and Historic Preservation Division, which coordinates the City's multi-disciplinary planning efforts. This division also serves as staff to the Commission on Chicago Landmarks managing historic tax incentives and rehabilitation projects. Eleanor has worked on numerous large redevelopment projects for the City of Chicago, most recently Wrigley Field. A licensed architect, she worked previously for Harry Weese Associates, the U.S. Army Corps of Engineers, and the City of Pittsburgh's Urban Redevelopment Authority. Eleanor is also a Fellow of the American Academy in Rome and City Planning in Rome, Berlin, and Amsterdam was the thesis of her 2003 fellowship.

TERRI HAYMAKER

Vice President for Real Estate Services, IFF

Terri Haymaker, Senior Vice President of Real Estate Services, is responsible for the direction and management of activities relating to IFF's real estate consulting and project management practice, including supporting the department's affordable and accessible housing development. Ms. Haymaker has 20 years of project management experience in public and private facility development. She managed the development of public facilities through planning, design and construction phases, with key emphasis on the comprehensive project planning phase, in the role of Chief Planning Officer for the Public Building Commission of Chicago. As Deputy Commissioner for the Chicago Department of Planning and Development, Ms. Haymaker has also served as municipal urban planner, creating and facilitating urban infill redevelopment projects, and directing and implementing community and economic development strategies for downtown Chicago. Ms. Haymaker received a Master's in Urban Planning and Policy from the University of Illinois at Chicago.

BONNIE MCDONALD

President and CEO, Landmarks Illinois

Bonnie McDonald joined Landmarks Illinois as its president & CEO in June of 2012 to advance the vision, mission, and programs of Illinois' only statewide preservation non-profit organization. Her move to Illinois was preceded by seven years at the helm of the Preservation Alliance of Minnesota where she helped create the Minnesota State Historic Tax Credit, relaunch the Minnesota Main Street Program, and found a nonprofit real estate partnership investing in development projects. She was named a "Minnesotan on the Move" in 2011 by Finance & Commerce. She serves as vice chair of the Neighborhood Housing Services of Chicago Redevelopment Corporation Board, an ex-officio board member of the Glessner House Museum in Chicago, and on the NTHP Partners Network board.

BRIDGET O'KEEFE

Partner, Daspin & Aument, LLP Chicago

Bridget is a partner with Daspin & Aument, LLP, a real estate law firm with a national practice. Her clients have included real estate developers, national, regional, and local corporations, preeminent cultural institutions, and major non-profit organizations in cases involving zoning and land use, historic preservation, and economic incentives. Bridget has extensive experience with historic preservation projects which includes working with local and state landmark officials to allow the renovation of some of Chicago's most famous landmark buildings located in Chicago's downtown and its neighborhoods. In addition to the practice of law, Bridget has been extensively involved in community redevelopment projects through her work as a former Commissioner of the Chicago Housing Authority and in her current position as Vice Chairman of the Board of Directors for Chicago Neighborhood Initiatives.

PAUL W. SHADLE

Partner, DLA Piper

Paul Shadle is a partner in DLA Piper's Development, Land Use, and Government Affairs practice group based in the firm's Chicago office. He concentrates his practice in the areas of general real estate transactions, corporate real estate services, land use and zoning, housing, public-private finance, incentives for development and facilities location, and government affairs. Paul is the Immediate Past Chair of ULI's Chicago District Council, and has taken a leadership role on a number of ULI initiatives including The Preservation Compact. He also is a member of the Metropolitan Planning Council and Lambda Alpha International, and has served on the boards of non-profits such as the Jane Addams Real Estate Corporation and the Uptown Peoples Law Center. He teaches a course on land use, zoning and eminent domain as an Instructor at the University of Chicago Law School. Prior to practicing law, Paul was a land planning and transportation analyst for the US Department of Transportation, and also was a staff member for US Senator Paul Simon.

WILLIAM W. TIPPENS

Vice President, Related Companies

William Tippens is with Related Midwest where he specializes in zoning, entitlements, land use planning, and economic incentives for historic structures. With a specific expertise in historic preservation, William identifies development opportunities, particularly those which can take advantage of the historic tax credit leveraged with the low income housing tax credit. A registered architect, William holds a bachelor's degree in architectural studies from the University of Illinois and masters in historic preservation from Columbia University. He serves as chairman of Landmarks Illinois. In addition, William is a trustee of the James Marston Fitch Charitable Foundation, and he lectures regularly on the economic incentives available for historic preservation.

Acknowledgments

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Cover Photo: Brown Line station,
Wicker Park neighborhood.

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