



INVESTING FOR TODAY, PRESERVING FOR TOMORROW

**PRESERVATION EASEMENTS AND
THE RESURGENCE OF DOWNTOWN
COLUMBUS**

July 2019



Prepared By:  PlaceEconomics

INTRODUCTION

The revitalization story of Columbus, Ohio is one garnering national attention. Once the lifeblood of the city, downtown Columbus was static or losing activity by 1980. The turnaround journey started with identifying existing assets: local talent, long-term businesses, transit connections, partnerships, etc. Vibrant places do not just happen, they represent the collective actions of the public, private and non-profit sectors. The historic buildings of Columbus were identified early on as one such asset to provide a foundation for growth. Although frequently overshadowed by the news of new construction, the adaptive reuse of numerous historic structures in downtown Columbus has helped transform the city into what it is today.

Columbus Context

Nationally, most of the fastest growing cities are located in the Sun Belt or West. Yet, Columbus makes the list with strong growth in population, real estate values, and per capita income all greater than the national average.¹ Home to 8% of the state's population, Columbus is Ohio's largest city, state capital, and the location of the Ohio State University and a dozen other institutes of higher education. Recently, Columbus was ranked as the number one city for startups in the country.²

1 <https://www.forbes.com/sites/adammillsap/2018/08/06/columbus-ohio-is-booming-but-will-it-last/#46ac0e6125be>

2 <https://columbusregion.com/columbus-is-the-nations-no-1-rising-city-for-startups/>



View of downtown Columbus from Stoddart Building



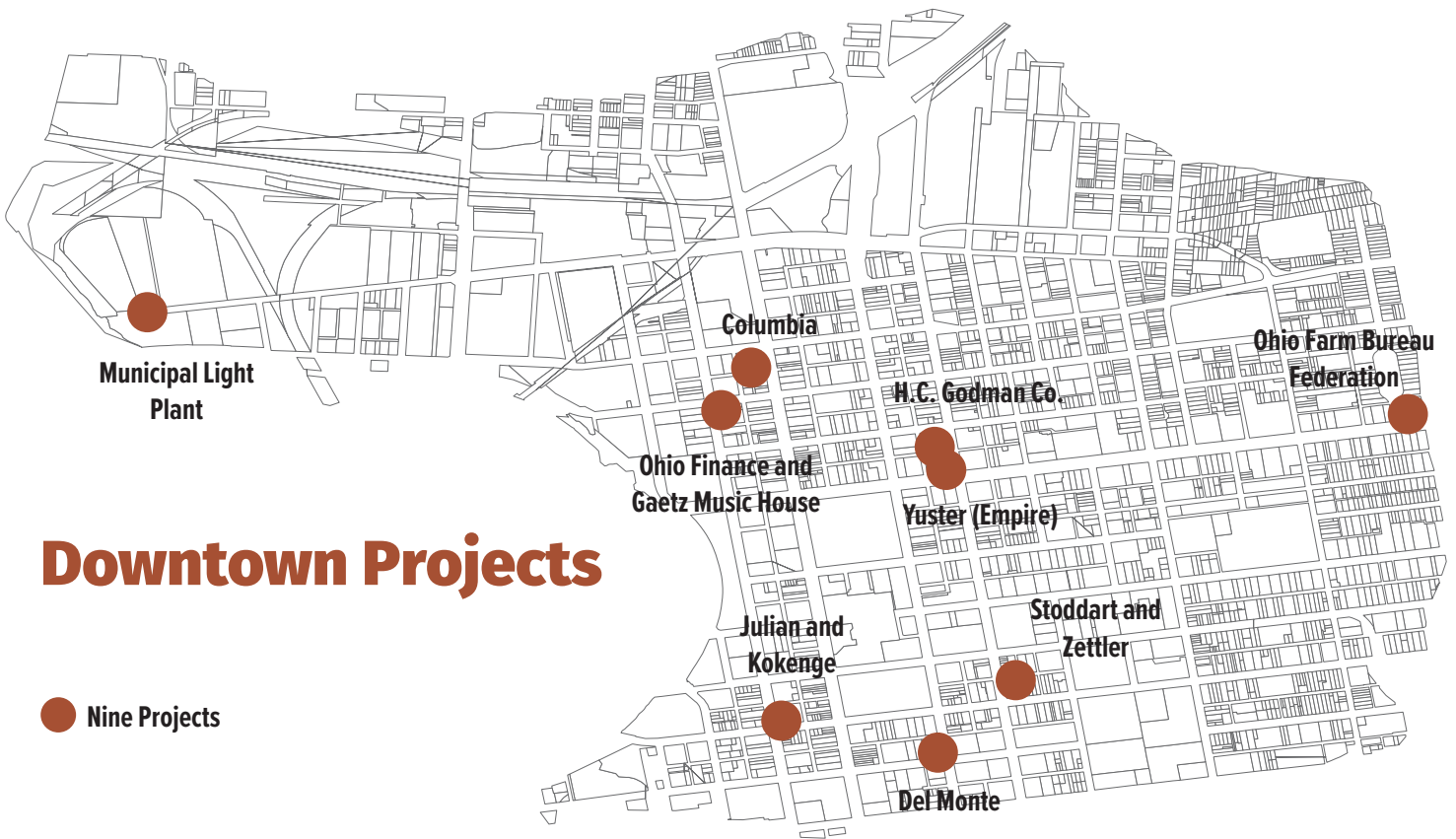
View of downtown Columbus from Julian Building



Downtown Columbus Context

Downtown Columbus, an area bounded by I-670, I-71, I-70, and railroad tracks, is recognized as one of the most attractive center cities in the country.³ The Columbus Downtown Development Corporation, founded in 2002, keeps track of investments, population, and other projects each year. In 2017, data highlights included \$360 million in construction investment.

The downtown has seen a population increase of 141% since 2000, vastly outpacing the growth rates in the downtowns of both Cleveland and Cincinnati. There is an almost mirror parallel growth rate in the number of housing units created and in the population growth.⁴



³ <https://www.columbusddc.com/>

⁴ Ibid.

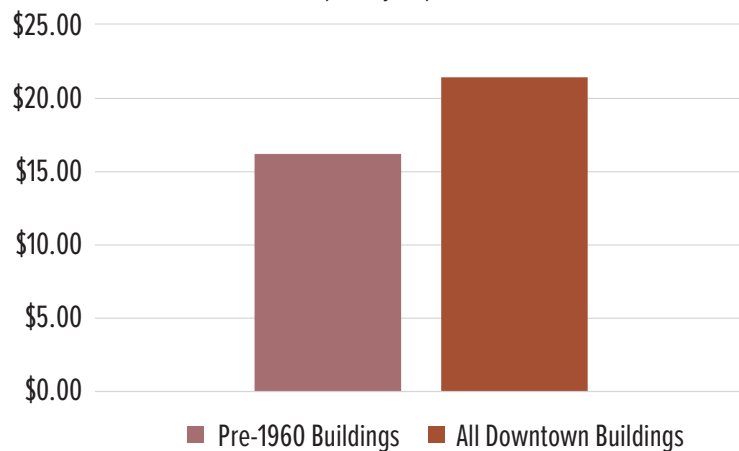


Older Building Context

About half of the buildings in downtown Columbus were built prior to 1960. Even though this represents 26% of all rentable space, they are at considerable risk of demolition. In recent years, 20 buildings were demolished that represented nearly 10% of the pre-1960 square footage. More than half of those demolished buildings were built prior to 1930.

Why does loss of these buildings matter? Apart from their historic significance and architectural character, it is these older buildings that often provide space that is affordable for the small business, the start-up business, and the young creative and knowledge-based enterprises that are drawn to center cities.⁵

Average Reported Rents in Downtown Columbus
(\$/s.f./year)



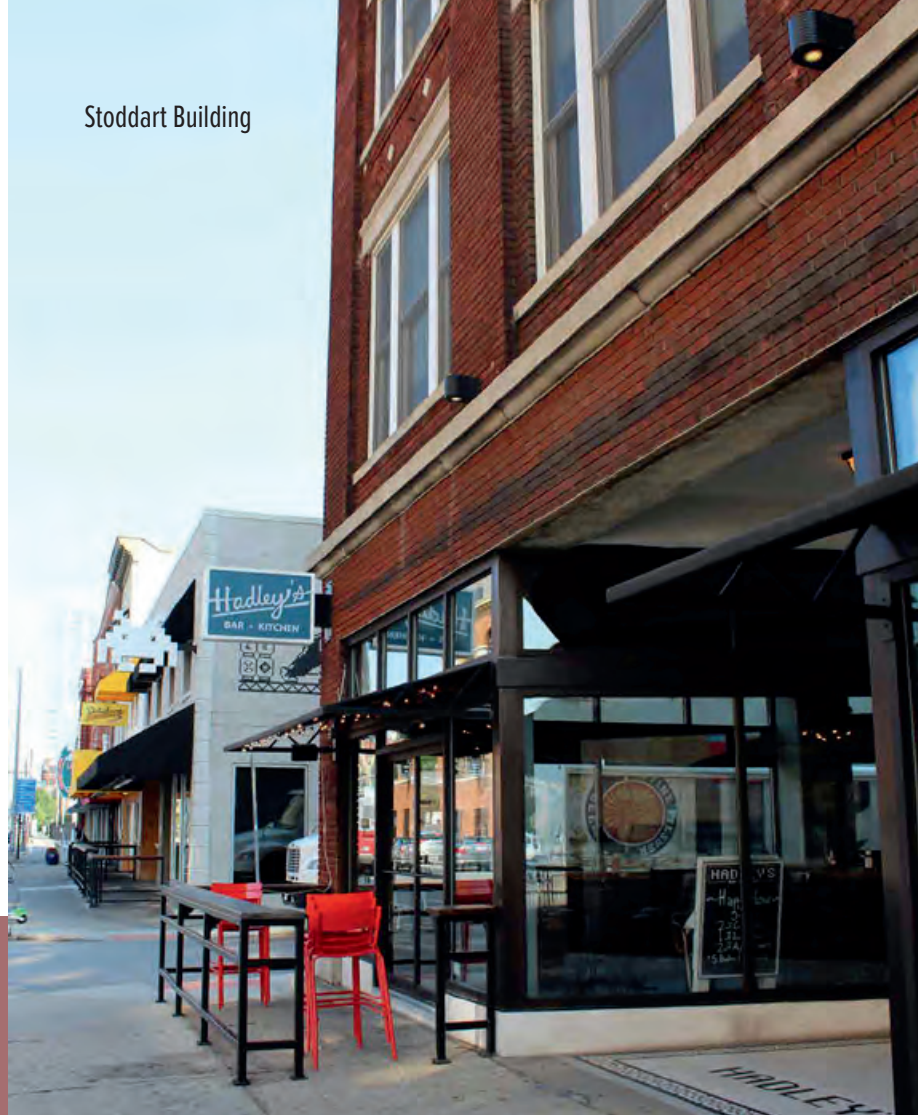
This 25% rent savings can make the difference between folding and prospering for many small businesses.

Project Context

All too often, historic preservation is accused of limiting growth, particularly in hot markets like downtown Columbus. However, the rehabilitation of historic buildings contributes to this growth. These projects have spurred additional activity while simultaneously preserving assets unique to the story of Columbus. The nine rehabilitation projects highlighted in this report have brought about striking visual change, while maintaining the scale and character of the neighborhood. The physical changes are wide-ranging and include conversion to housing, tenant upgrades for older commercial spaces, updating lobby and public spaces, facade facelifts, and increasing accessibility for those with disabilities.

Historic preservation means working with existing assets which is often challenging. But meeting those challenges often leads to innovation. In the case of Columbus, that has meant the creation of the first micro-apartments in the

Stoddart Building



Easements: A Development Tool

A conservation easement for historic buildings is a legal agreement where the owner retains rights of ownership, but grants rights to the easement holding entity to control physical changes to the exterior of the building. The agreement becomes part of the chain of title. The easements that have been used in the projects in this report are in perpetuity; therefore, affecting all future owners of the properties. The public benefits from the actions of the private owner through the permanent protection of irreplaceable heritage.

The Internal Revenue Service has had an easement donation program since authorized by the Tax Reform Act of 1976, allowing federal tax benefits in exchange for the donation.

Heritage Ohio is a statewide nonprofit organization that exists to foster economic development and sustainability through the preservation of historic buildings, revitalization of downtowns, and promotion of cultural tourism. One of the ways it meets these goals is through the easement program.

To qualify, the buildings must be a certified historic resource. The owner must also apply to Heritage Ohio and provide proof of historic certification, ownership, and an appraisal. In exchange, Heritage Ohio monitors the property annually and archives written and photographic evidence of the historic resources for future generations.

city and the dramatic re-imagining of obsolete industrial buildings. The projects have meant expanded retail and restaurant opportunities for the downtown. Columbus has one of the highest concentration of millennials in the country and the adaptive reuse of historic buildings have created opportunities for them to live downtown. Adaptive reuse also has implications for sustainability, such as the reuse of a former municipal building for industrial office space.

These rehabilitation projects were made possible by the private market utilizing one or more incentive programs. Because of the growing strength of the downtown Columbus market, many of these buildings are located on land worth more than the building. If left to the open market, demolition would likely have occurred. Yet, thanks to the innovative building owners and programs available to them, these buildings were renovated and reused, preserving Columbus' heritage and uniqueness.

The Investment Halo Effect

This report looked at nine historic rehabilitation projects in downtown Columbus. Some of the findings relate to the projects themselves; others look at impacts generated by nearby properties. A reasonable question to ask is, “Were the historic rehabilitation projects the cause of positive results nearby, or as a result of patterns of investment already underway”? In the case of Columbus, the answer is “both”.

In some instances, the historic rehabilitation project was the pioneering investment that increased the confidence level for others to invest nearby. In other cases, investment was already underway and the historic rehabilitation project was one more step in the development pattern. In the latter case, development pressures frequently increased the probability of the demolition of historic buildings for more intensive development. What is clear is there is an investment halo around these historic buildings that have measurably and disproportionately had a positive impact on the renaissance of downtown Columbus.



Project Impacts

The nine projects this study evaluated range from two to eight stories and represent an investment of \$61 million. This seems modest relative to many large-scale new construction projects cited by the Columbus Downtown Development Corporation. However, despite being smaller in scale they have increased tax revenues, produced affordable housing and improved the quality of life in the downtown Columbus. All of which are key economic drivers.

Job Creation through Rehabilitation

The rehabilitation of historic buildings is a labor-intensive activity and generally has greater ratio of labor to materials compared to new construction. This means the secondary impact of those workers is magnified. The projects reviewed for this report represented \$61 million in investment, but what does that mean for jobs?⁶ An estimated⁷ 354 jobs were created directly from these projects, as well as another 315 indirect and induced jobs. Direct workers on these projects received \$24,557,000 in salary and wages with an additional \$15,930,000 paid to those holding indirect and induced jobs. The average income for a direct worker on these projects was \$69,296, while the average wage for indirect and induced job holders was \$50,600. So these projects didn't just produce jobs, but good jobs for Columbus workers.

As one of the project developers stated, "The important story behind why rehabilitations matter is jobs. These projects are creating living wage jobs." The \$61 million invested in these projects catalyzed an additional \$44,681,000 in economic activity within Franklin County.

Bringing Buying Power to Downtown Columbus

Of the nine projects studied for this report, three of them are primarily residential developments. Residents moving to downtown are not only adding life to the center city, but bringing their spending power with them. The 184 housing units in these three developments have become home to between 230 and 275 people. The annual expenditures of these households surpass \$10,000,000 in addition to the rent they are now paying. Where is this money being spent? Much of it in downtown Columbus. An estimate⁸ of annual spending by category includes the following:



Groceries - \$764,787



Restaurants - \$592,943



Apparel - \$346,486



Utilities & Fuel - \$604,368



Household Furnishings & Equipment - \$269,075



Transportation - \$1,527,498



Entertainment - \$416,203

Economic development means jobs, people, and expenditures. The historic preservation projects are providing all three.

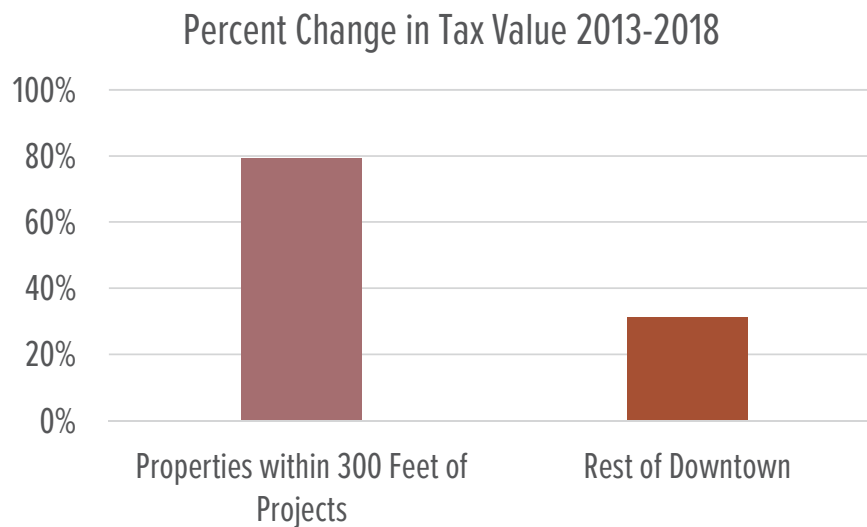
⁶ A "job" is a full-time equivalent job for one year. Thus, two plumbers each working for six months equals one job and one electrician working for two years is two jobs.

⁷ All estimates based on Franklin County specific data from the econometric model created by IMPLAN, the US leader in providing data for economic impact analysis.

⁸ Based on localized Consumer Expenditure Survey data from the US Bureau of Labor Statistics.

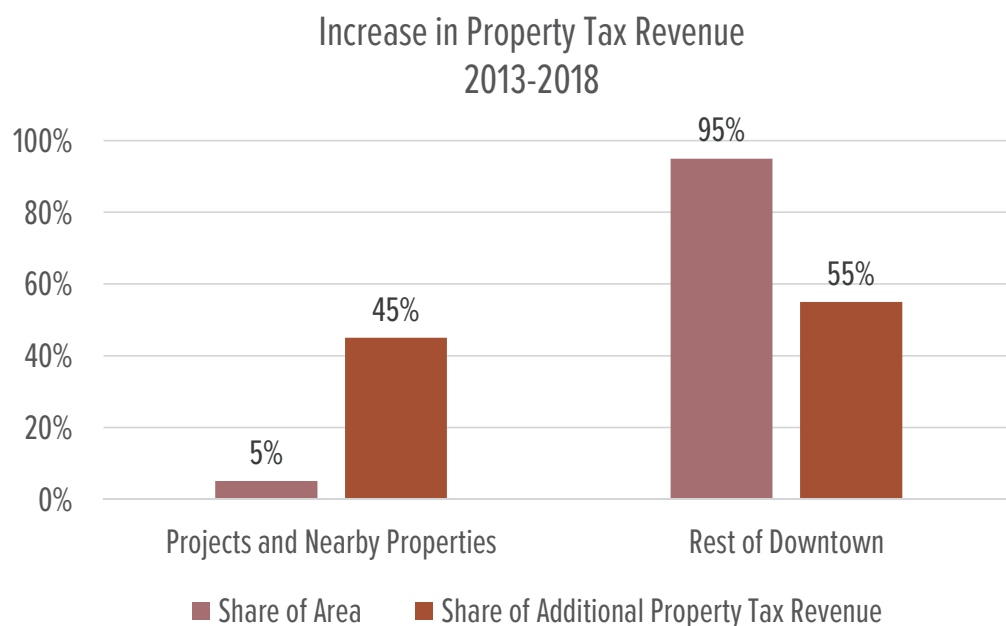
Property Tax Values

Evidence of downtown Columbus' revitalization is illustrated by the over 40% increase in property tax value between 2013 and 2018. However, properties in close proximity (within 300 feet of the projects studied) to the rehabilitation projects saw an even greater rise in property tax value, increasing at nearly 80%, compared to the rest of downtown, at 31%.



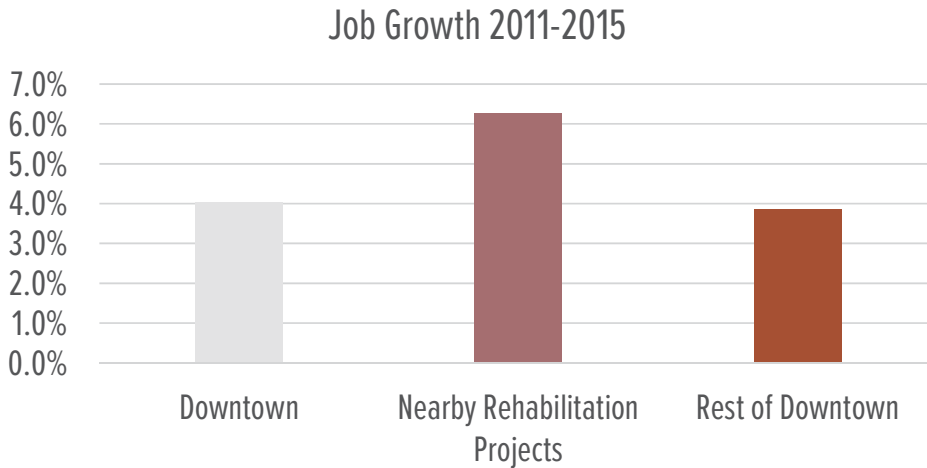
Property Tax Revenues

Building owners are not the only beneficiaries when property values increase. Local governments who depend on property taxes – the city, county and school district also benefit. Between 2013 and 2018, downtown Columbus provided an additional \$17,773,000 in new property taxes for local government. Of that amount, nearly 45% came from properties within 300 feet of the nine properties in this report. Stated differently, 5% of the land area accounted for 45% of the increased property tax revenues.



Job Growth

On the jobs front, areas within 300 feet of the rehabilitation projects saw greater job growth than elsewhere in downtown. This is good news for the City of Columbus, whose primary source of revenue for the city general fund is income tax revenue based on where one works, not resides.



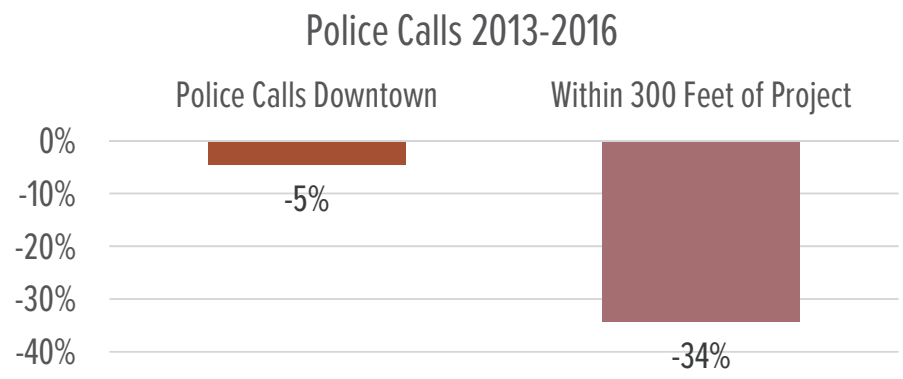
While the area around the nine rehabilitation projects represents only 5% of the area of downtown, the growth in the number of jobs nearby to the projects 2011-2015 represents 11% of all downtown jobs growth.

Affordability

Like most growing cities, Columbus has concerns about housing affordability, which is where the historic buildings contribute significantly. Just over 180 housing units were created through the rehabilitation projects, yet half of these units produced unsubsidized affordable housing. An often-overlooked aspect of housing affordability is the size of the unit. Two of the nine projects, the Stoddart Building and the Gaetz Music House and Ohio Finance Building delivered the first “micro” units to the downtown Columbus market. The census estimates that there are 280 studio and one-bedroom apartments with rents between \$750-\$1,000 per month. The micro units will rent between \$750-\$900 per month, increasing the supply in this price bracket (particularly suitable for single young professionals) by nearly a third. Furthermore, between 2000-2018, 578 subsidized units were created downtown. The micro units at Stoddart Building and the Gaetz Music House and Ohio Finance Building are bringing 87 affordable units downtown, increasing the number of affordable units by 15% without subsidy.

Crime Reduction

The increased number of residents, workers, businesses, and in general people walking around downtown Columbus has had an impact on crime. While downtown Columbus has seen a 5% decrease in police calls, there were 34% fewer calls nearby the rehabilitation projects in 2016 than four years earlier. The crime reduction illustrates the catalytic nature of these rehabilitation projects.





What Does Heritage Ohio Protect through Preservation Easements?

The answer to this question might seem simple – through the receipt of an easement on the property, Heritage Ohio has the mechanism to preserve historic buildings for future generations. Historic buildings are, in the end, real estate. The easement on a historic property has an economic value measurable by traditional market approaches including appraisals of foregone development rights, capitalized rent loss, and capitalized facade maintenance costs. But these measurements only reflect the economic value of the property and are generally described as “use values”.

Historic resources have more than economic values. Many of these additional values are “non-use” values and include aesthetic value, social value, cultural value, symbolic value, environmental value, and educational value. These values permanently disappear when the building is demolished. By providing long-term protection of the historic building through a preservation easement, Heritage Ohio is simultaneously protecting the non-use values that the building represents.

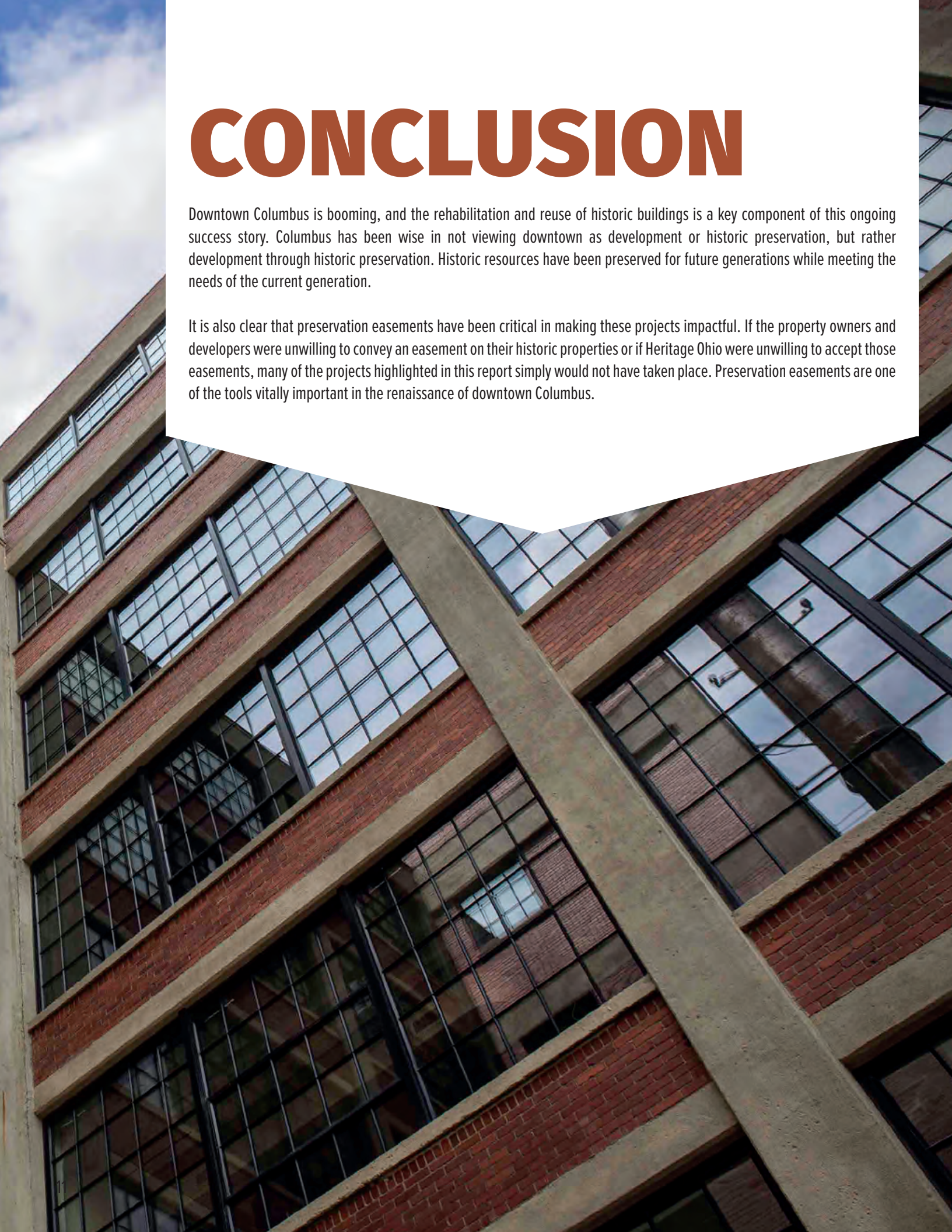
The beneficiaries of these non-use values are the city, the community at large, visitors to Columbus, and future generations.



CONCLUSION

Downtown Columbus is booming, and the rehabilitation and reuse of historic buildings is a key component of this ongoing success story. Columbus has been wise in not viewing downtown as development or historic preservation, but rather development through historic preservation. Historic resources have been preserved for future generations while meeting the needs of the current generation.

It is also clear that preservation easements have been critical in making these projects impactful. If the property owners and developers were unwilling to convey an easement on their historic properties or if Heritage Ohio were unwilling to accept those easements, many of the projects highlighted in this report simply would not have taken place. Preservation easements are one of the tools vitally important in the renaissance of downtown Columbus.



PROJECT PROFILES⁹

⁹ Of the nine projects referenced in this report, the Yuster and H.C. Godman buildings were renovated together, and are listed together.



Stoddart and Zettler Buildings

PROJECT STATS:

Address: 260-268 South Fourth Street, 166-178 East Main Street (Parking lot)

Project Completed: 2016

Year Built: 1880 (Zettler) and 1911 (Stoddart)

Total Investment: \$5,000,000

Use: Micro Units and Restaurant

The rehabilitation of the Stoddart and Zettler Buildings introduced the first micro-apartments to Downtown Columbus, offering 51 units, none larger than 300 square feet. With rents ranging from \$749 to \$900, these apartments offer high quality finishes and proximity to downtown amenities at a price point accessible to individuals making less than \$60,000 a year. With granite countertops, full bath and kitchen, and lofted storage areas, these units rent for 20% less than comparable studios with similar features.

Brad DeHays of Connect Realty has been the most prolific user of easement donations, with additional projects at Ohio Finance and Gaetz Music House, the Municipal Light Plant, and the Columbia Building.

Municipal Light Plant Building

PROJECT STATS:

Address: 1577-589 West Nationwide Boulevard

Project Completed: Ongoing

Year Built: 1903-1954

Total Investment: \$20,000,000

Use: Auction House and Office Space

The Municipal Light Plant Building serviced the City of Columbus for over seven decades. Constructed in 1903, the plant provided power to street lights, homes, and downtown businesses. In the 1950s, a newer power building was built next to the original structure. The light plant ceased operations in the 1970s and remained vacant until the city released an RFP to develop the site. Following the remediation and rehabilitation of the two buildings, the site will house 24,000 square feet of auction space, occupied by Garth's Auctioneers and Appraisers. An additional 43,000 square feet are being converted to modern office space in the 1954 portion of the building.

This project helps to further expand infrastructure and city services toward the Olentangy River. Nationwide Insurance, headquartered in Columbus, announced plans to extend the Nationwide Boulevard streetscape with brick pavers and trees to the western end of the street. Additionally, the city is moving forward with a plan to build a park and pedestrian bridge over the river where Nationwide ends, joining the Arena District to Franklinton and the Olentangy Greenway Trail.





Gaetz Music House and Ohio Finance Buildings

PROJECT STATS:

Address: 114-120-North Front Street, 49-55 West Long Street (Gaetz), 34-47 West Long Street (Ohio Finance), 31-37 West Long Street

Project Completed: Ongoing

Year Built: 1885 (Gaetz) and 1910 (Ohio Finance)

Total Investment: \$11,000,000

Tax Credit: \$1,300,000

Use: Micro Units and Restaurant

The Gaetz Music House and Ohio Finance development is another project adding to the supply of micro-luxury apartments in downtown Columbus. Situated prominently across from the City Department of Public Service building and the Downtown YMCA, this massive undertaking has been long anticipated. The project tackles four buildings to create a range of apartments from micro units at 307 square feet to one bedroom apartments. Prices will range from \$900 to \$1,300. “Our goal was to provide an affordable product for the City of Columbus,” DeHays said. “The planning process on historic buildings is exorbitant. If you want to save them, and you choose to take the route of public incentives, there’s a lot of questions to answer and a lot of input to seek. But we enjoy it, and enjoy working with the historic preservationists because the end results are buildings with real character.”

Yuster (Empire) and H.C. Godman Co.

PROJECT STATS FOR YUSTER:

Address: 150 East Broad Street

Project Completed: 2017

Year Built: 1924

Total Investment: NA

Use: Auction House and Office Space

PROJECT STATS FOR H.C. GODMAN CO:

Address: 34 North 4th Street

Project Completed: 2017

Year Built: 1910

Total Investment: NA

Use: Commercial Office Space

The Empire Building is owned by Continental Real Estate Companies, a nationwide developer and builder of commercial real estate projects, which occupies the upper floors of the building. Though their portfolio may not hint at a preservation ethic, the commitment to the rehabilitation of their 95-year-old headquarters, as well as Godman, certainly does. The company renovated the building's interior in 2017, providing high quality work and common space to promote better collaboration and workplace satisfaction.





Julian and Kokenge Building

PROJECT STATS:

Address: 272 South Front Street

Project Completed: 2015

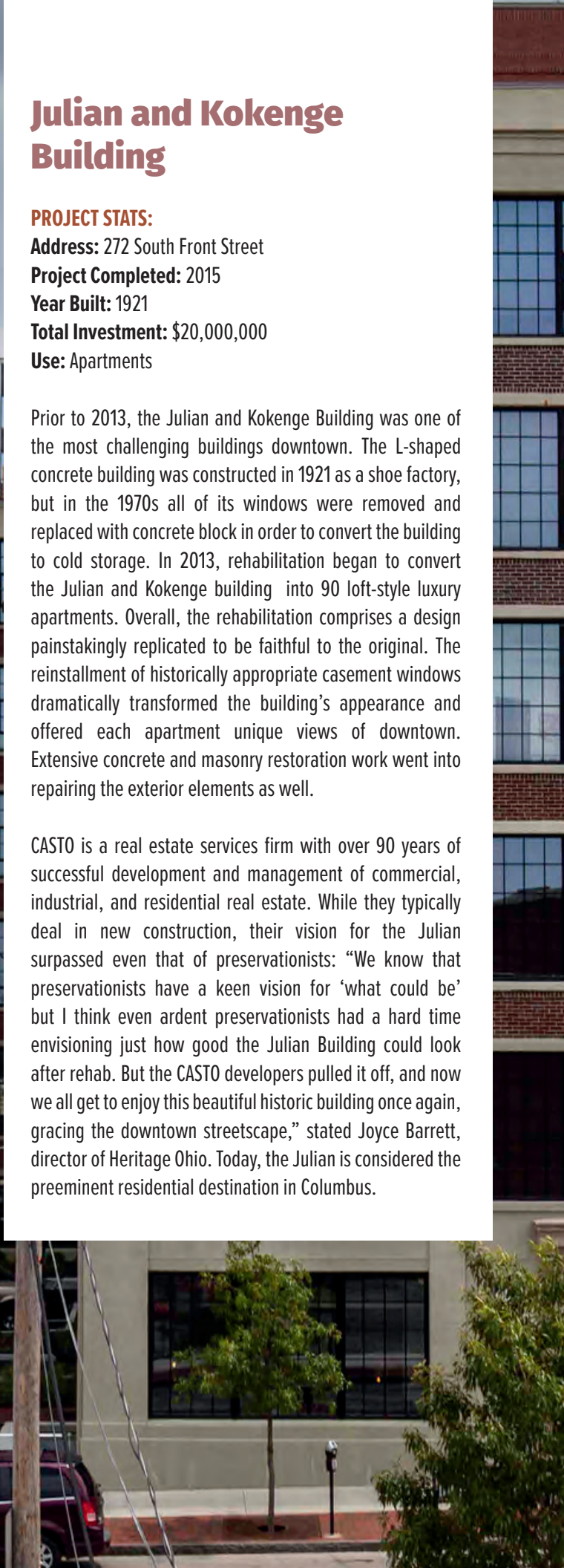
Year Built: 1921

Total Investment: \$20,000,000

Use: Apartments

Prior to 2013, the Julian and Kokenge Building was one of the most challenging buildings downtown. The L-shaped concrete building was constructed in 1921 as a shoe factory, but in the 1970s all of its windows were removed and replaced with concrete block in order to convert the building to cold storage. In 2013, rehabilitation began to convert the Julian and Kokenge building into 90 loft-style luxury apartments. Overall, the rehabilitation comprises a design painstakingly replicated to be faithful to the original. The reinstallation of historically appropriate casement windows dramatically transformed the building's appearance and offered each apartment unique views of downtown. Extensive concrete and masonry restoration work went into repairing the exterior elements as well.

CASTO is a real estate services firm with over 90 years of successful development and management of commercial, industrial, and residential real estate. While they typically deal in new construction, their vision for the Julian surpassed even that of preservationists: "We know that preservationists have a keen vision for 'what could be' but I think even ardent preservationists had a hard time envisioning just how good the Julian Building could look after rehab. But the CASTO developers pulled it off, and now we all get to enjoy this beautiful historic building once again, gracing the downtown streetscape," stated Joyce Barrett, director of Heritage Ohio. Today, the Julian is considered the preeminent residential destination in Columbus.



Historic Columbia Building

PROJECT STATS:

Address: 161-179 North High Street, 21 West Spring Street

Project Completed: 2013

Year Built: 1905

Total Investment: \$150,000

Use: Restaurant

The Columbia Building opened as a bar and billiard hall in 1905. The building functions much the same today, home to a bar and restaurant operated by Elevator Brewery and Draught Haus. Offices occupy the upper floors. In 2013, Brad DeHays with Connect Realty undertook upgrades to the building to improve its functionality and accessibility. The first phase of work replaced the deficient double hung windows on all four sides of the building. The common area leading to the first floor elevator was updated to create a more appealing office entrance for the ADA clients of the upstairs law firm. The back retail space was previously unoccupied; it was remodeled with new flooring, drywall, paint, and light fixtures. The Elevator Brewery now leases this space, adding to their leased square footage.





Del Monte Apartments

PROJECT STATS:

Address: 341 South Third Street

Project Completed: ongoing

Year Built: 1902

Total Investment: \$20,000,000

Use: Coworking Office Space

The Del Monte is a significant example of an early streetcar suburb apartment building and early middle class apartments in Columbus. The apartment originally housed six flats on each of its three floors, eighteen in total. The building was transformed into office space in the 1980s and is still used as such today, with office spaces of a variety of sizes occupied by a wide range of tenants. The second floor is currently divided into micro-office units. Rehabilitation plans for the building include making interior improvements for the current tenants and other minor repairs to the property, including upgrades to attract higher rents from future tenants. Future plans also include consolidating the second floor for use by a single tenant.



Ohio Farm Bureau Federation

PROJECT STATS:

Address: 620 and 630 East Broad Street

Project Completed: 2015

Year Built: 1871 (1928 – Office addition)

Total Investment: NA

Use: Commercial space

Both mansions were the homes of noted Columbus dignitaries at the turn of the 19th century. They were purchased by the Ohio Farm Bureau Federation during the Great Depression. The Federation added an additional building to accommodate their office needs in 1928.

The buildings sit on a very prominent site at the intersection of I-71 and East Broad Street. This renovation project included an adaptive re-use of both buildings in accordance with National Park Service standards and are now occupied by professional service firms.



Acknowledgments

We would like to thank everyone who contributed their time and expertise to this report:

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Anthony Mathena, Vice President of Finance & Development, Continental Real Estate Companies

GBX Group

GBX Group LLC specializes in acquiring, preserving and operating historic real estate in urban markets. The company partners with investors to fund the purchase and preservation of historic real estate to generate community revitalization and economic growth. Since its founding in 2001, GBX has completed over 100 projects in 18 states – breathing new life, vitality, and economic growth into neighborhoods.



Heritage Ohio

Heritage Ohio is a statewide organization dedicated to preserving Ohio's historic and cultural heritage. As Ohio's official historic preservation and Main Street organization, Heritage Ohio fosters economic development and sustainability through preservation of historic buildings, revitalization of downtowns and neighborhood commercial districts, and promotion of cultural tourism. Heritage Ohio gives Ohioans the tools and technical assistance to revitalize their cities, towns, and neighborhoods through grassroots efforts. They are also a state holder of preservation easements.



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 that address issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings. This report was written by Donovan Rypkema, Principal of PlaceEconomics, Briana Grosicki, Director of Research, and Katlyn Cotton, Research Associate. Site visits were conducted by Katlyn Cotton, Rodney Swink, and Donovan Rypkema. Mapping and data aggregation was done by Briana Grosicki and Katlyn Cotton. Report design was by Katlyn Cotton.



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