

## VIII. GOAL – EXPAND THE RANGE OF INCENTIVES AND PROTECTION TO PROPERTY OWNERS

### A. Existing Financial Incentives for Historic Preservation

A number of financial incentives exist to aide and encourage business and property owners who wish to improve their downtown Little Rock properties. These include various tax advantages, as well as low-interest loan programs and other forms of financial assistance. These incentives are excellent tools that allow property owners to enhance their investments in downtown and add to the overall revitalization of the downtown area. Eligibility for these different incentives depends upon property type and other requirements.



*The Rose Building at 307-311 S. Main Street was an early federal tax certification project.*

### Federal Historic Rehabilitation Tax Credit

For properties listed on or eligible for the National Register, the most important financial incentive is the Historic Rehabilitation Tax Credit. A federal tax credit of 20% is available for the certified rehabilitation of historic structures that are income-producing. Properties must be rehabilitated according to standards set by the Secretary of the Interior to ensure that the property retains its historic architectural character and appearance. (A 10% tax credit is also available for the rehabilitation of non-historic commercial buildings that were constructed prior to 1937. Presently, the 10% tax credit does not apply for rental-residential developments.)



*The National Register-listed Gus Blass Department Store at 320-322 S. Main Street would qualify for the federal rehabilitation tax credit.*

The federal historic tax credit (HTC) has been used fairly extensively in Arkansas to support the renovation of historic housing, office, and retail space in the state. Between 2000 and 2006, the federal historic tax credit program has supported 57 projects totaling more than \$54 million in renovation (in 2006 dollars). The size of projects supported by the HTC has varied from approximately \$10,000 to \$10 million dollars.



*The Arkansas Rehabilitation Tax Credit would apply to contributing dwellings in National Register districts such as Central High Neighborhood (2209 S. Battery Street).*



*The state tax credit could also spur interest in listing areas on the National Register, such as the South End Neighborhood (2516 S. Broadway).*

To qualify for the tax credit, property owners must meet the adjusted basis of the building with their rehabilitation costs. The adjusted basis of a building is the purchase price plus capital improvements minus depreciation and land value. For example, if the adjusted basis of a building is \$200,000, then a minimum of \$200,000 must be expended in rehabilitation costs. These costs can include professional fees and all work within the footprint of the building. The costs of additions to buildings and landscaping generally do not qualify for the credit.

This program is administered by the Arkansas Historic Preservation Program and the National Park Service. In order to obtain the credit, property owners must first provide photographs showing the current condition of the property and complete an application that details their rehabilitation plans. Once plans are approved, property owners complete their work and then submit another set of photographs when they are finished. Once the reviewers at the state and federal level certify the rehabilitation, then property owners can claim the credit for the year the building is placed in service.

### **Arkansas Historic Rehabilitation Tax Credit**

In March of 2009, Arkansas enacted a state historic rehabilitation tax credit providing the credits toward state income taxes. This bill was passed following several years of requests by a variety of supporters including the Historic Preservation Alliance of Arkansas. The key elements of the state tax credit include:

- Allows for a credit on state income taxes equal to twenty-five percent (25%) of the total qualified rehabilitation expenses that are:
  - incurred by the property owner to complete a certified rehabilitation of buildings that are listed or are considered eligible by national, state, or local designation
  - in excess of \$25,000 annually
  - up to \$500,000 for a commercial property
  - up to the first \$100,000 for a residential property

The state tax credit can be transferred, sold or assigned and any unused tax credit may be carried forward for five consecutive taxable years.

The Arkansas Historic Rehabilitation Tax Credit provides another valuable financial incentive for restoring historic properties. Private property owners rehabilitating their own properties can take up to a \$25,000 tax credit towards their state taxes if they exceed \$100,000 in qualified, expenditures while owners of income producing properties can take up to \$100,000 in credits.

This program is administered by the Arkansas Historic Preservation Program and follows the application process currently used for the federal rehabilitation tax credit. Property owners must first submit photographs showing the current condition of the property and an application that details their rehabilitation plans. Once approved, property owners complete their work and then submit another set of photographs when they are finished. Once the state certifies the rehabilitation, then property owners can claim the credit.

In states that have passed similar tax credits, the amount of rehabilitation expenditures on historic buildings has often doubled, and this holds tremendous potential for historic preservation efforts in Little Rock and across the state.

### **Historic Preservation Easements**

The Arkansas Historic Preservation Program accepts easement donations on historic properties which can be of financial benefit to property owners. An easement is a voluntary transfer of some rights of ownership. In the case of a historic preservation easement, an owner grants a government agency or qualified non-profit organization the authority to protect the historical and architectural significance of a property. In exchange, the owner gives up the right to engage in actions that would be detrimental to the property. Often this means giving up the right to demolish a historic building and replace it with a new building or development. Giving up these development rights has a dollar value which is the easement valuation afforded to the owner.



*Houses rehabilitated for income-producing purposes could qualify for both the federal and state tax credits in National Register districts (1902 S. Schiller Street).*

Historic preservation easements are accepted on properties that are listed on the National Register of Historic Places, either individually or as part of a district. Easements are held in perpetuity and always run with the deed of the property so that the easement can be enforced. The value of the easement to the property owner is determined by a qualified appraisal, and can in many cases be claimed as a charitable donation from taxable income on federal income taxes. The Arkansas Historic Preservation Program has accepted over 300 easements on properties across the state and dozens in Little Rock.

### **State Grants for Historic Preservation**

The Arkansas Historic Preservation Program provides a variety of grants and other incentives for historic properties. These are as follows:

#### **Historic Preservation Restoration Grants (HPRG)**

go to the rehabilitation and restoration of a variety of non-profit & public (city, county, school district) owned structures. A select few HPRGs have also been used for restoration work on private property. All HPRGs require a 1:2 cash match. (Grantees must provide \$1 for every \$2 of grant funds.)

**Model Business (MB) grants** are passed through local Main Street organizations for rehabilitation and restoration of commercial structures. All MBs require a 1:1 match. At least 50% of the required match must be cash. These types of grants would be available for property owners in the Southside Main Street Project.

**Downtown Revitalization Grants & Slipcover grants.** Like Model Business, these are passed through local Main Street organizations for commercial restoration projects.

**Downtown Revitalization (DTR) grants** are funded by the Real Estate Transfer Tax (RETT). DTR grants require a 1:2 match, up to 50% of which may be in-kind services or labor rather than cash. These grants may be used for building rehabilitation, façade restoration and other downtown revitalization activities.

**Slipcover (SC) grants** are used exclusively for the removal of slipcovers on downtown commercial properties. These are funded by the state's General Improvement Fund (GIF). They require a 1:4 match, up to 50% of which may be in-kind services or labor.

**Certified Local Government (CLG) grants.** Little Rock is one of a number of communities across Arkansas that is a Certified Local Government



*Projects in Main Street programs, such as Southside, may qualify for Downtown Revitalization Grants.*

(CLG). The CLG program is part of a local, state, and federal partnership that promotes historic preservation at the grassroots level. An incentive for participating in this program is the pool of matching grant funds available annually for CLG communities. These grants may be used for surveys of historic buildings, the preparation of National Register nominations, the development of design review guidelines, and structural assessments of properties. Though usually funded by the federal Historic Preservation Fund (HPF), the state of Arkansas has supplemented this program with allocation from RETT as well as the state's 1/8 cent conservation tax. All CLG projects pass through local governments. CLG grants range with regard to match, though are commonly a 1:1 match.

**Historic Preservation Restoration Grants:** Two options are available for rehabilitation of historic structures in Arkansas. Both categories of grants require a 50 percent cash match (i.e.: a \$10,000 grant would require at least a \$5,000 cash match). Grants of up to \$10,000 are available to the owners of properties that are 1) listed on the Arkansas Register of Historic Places and/or 2) if the grant project will make the property eligible for listing on the National Register of Historic Places and the owner follows through with the National Register listing process. Grants at a minimum of \$10,000 are available to the owners of properties that meet all of the following criteria: (a) listed on the National Register of Historic Places, and (b) owned by a not-for-profit organization or a municipality. This grant will not be made to individuals. Preference will be given to projects that are not eligible for other AHPP grant programs. Recipients of this grant must donate a preservation or conservation easement on the property for which the grant is awarded.



*Certified Local Government Grants are available to pay for historic resource surveys and National Register nominations for areas such as South End (2901 S. State Street).*

## **Little Rock Housing Programs Related to Historic Preservation**

Many housing programs designed to assist low-income residents in the purchase of an affordable home or a neighborhood in community improvements, have important associations to historic preservation. These programs can help prevent abandonment and neglect in older neighborhoods. Through allocation of federally-funded grants, these areas can be rehabilitated and returned to a vital state, effectively preserving their historic buildings.



*Little Rock has many programs aimed at rehabilitating neighborhoods with historic housing, such as Central High Neighborhood (1900 block of S. Schiller Street).*

### **HOME Program**

Created by the National Affordable Housing Act of 1990 (NAHA), HOME is a federally funded, large scale grant program for housing. The intent of HOME is:

- To expand the supply of decent, safe, sanitary and affordable housing
- To strengthen the abilities of state and local governments to provide housing.
- To assure that federal housing services, financing and other investments are provided to state and local governments in a coordinated, supportive fashion.

The HOME Program must be used to promote low-income, affordable housing activities (defined as 80% or less of area median family income, adjusted for family size).

### **Save-A-Home**

Low-income potential homebuyers may apply for the Save-A-Home Program. The City, from time to time, acquires a house that is basically sound, but needs extensive repairs. The City thoroughly rehabilitates the structure, then sells it to a low-income homebuyer at a cost as much as \$10,000 below the total investment by the City if necessary to make it affordable. The Save-A-Home program usually results in the rehabilitation of two to three homes annually.

## Community Development Block Grants

Community Development Block Grants (CDBG) were created by Congress with the Passage of Title I of the Housing and Urban Development (HUD) Act of 1974. HUD's CDBG program was intended to consolidate programs and services, replace existing Urban Renewal and Model Cities programs, and place more responsibility in the hands of local governments concerning the expenditure of federal funds. In Little Rock approximately \$2,824,701 in CDBG funds have been expended to improve streets, drainage, and infrastructure facilities. During the first 30 years of the CDBG Program, more than 30 miles of Little Rock streets have been improved, 23.5 miles of drainage facilities have been installed, and 38 miles of sidewalks have been constructed.

### American Dream Downpayment Assistance Program (ADDI)

The ADDI is a federally funded program designed to help low-income families make a down-payment on a home. The purchaser must be a first-time home-buyer with an income not to exceed 80% of the median income for the applicable county. The program must be used in conjunction with bond money. No repayment is required if the buyer remains in the home for five years. The amount of the down-payment shall be six percent of the sales price to a maximum amount of \$10,000 for down-payment and closing costs. A house built prior to 1978 must be lead-tested, must be inspected by a City Codes Inspector, and must be, before the closing, free of Codes deficiencies that are hazards to health or safety. The homebuyer is required to successfully complete an eight (8) hour housing counseling course through an approved agency. Application is made through a mortgage lender, and the process is started simply by making the offer to buy contingent upon the buyer obtaining a ADDI grant from the City of Little Rock.



*Community Development Block Grants have been used to build sidewalks and install street lights in many of Little Rock's historic districts.*

## **Elderly Housing Program Loans (DHP)**

Homeowners who are 62 years of age or older or disabled and whose income does not exceed 50% of the area median for households of the same size may be considered for an “Elderly Home Repair Loan.” This is a deferred payment loan of up to \$25,000 to bring the home up to full code standards. If the maximum loan will not be enough to bring the house up to full code, no loan will be made. The City requires a lien on the property to assure that the borrower continues to own and occupy the home, but releases the lien after 5 – 10 years (depending on the amount of the assistance) provided these conditions are met.



*Elderly residents in historic neighborhoods may qualify for tax abatement programs and loans for home repair (2200 block of S. Battery Street).*

## **Leveraged Home Rehabilitation Loans**

Low-income persons who own and occupy their home within Little Rock may apply at any time for a "Leveraged Rehabilitation Loan." Applicants must be willing and able to borrow 50% of the total rehabilitation costs from a bank. The remaining 50% of the costs will be provided by the City in the form of a forgivable loan. These funds are forgiven by the City over a period of five to ten years, depending on the amount of the loan, provided the homeowner continues to own and occupy the home. The City gives technical assistance to help the homeowner determine Code deficiencies, describe the work needed, estimate costs, apply for the bank loan, find a reliable contractor who will do the work for a fair price, and assure that the contracted work is done in keeping with industry standards.



## B. Regulatory Tools for Historic Preservation

### Overview

Financial incentives are one approach to spurring rehabilitation and revitalization efforts. However, property owners may also agree to create local ordinance historic districts and overlays for their areas in order to provide a regulatory framework for design review. In Little Rock, the city utilizes both local ordinance historic districts and design overlay districts. The state government also provides a separate design review process for properties within the Capitol Zoning District.

### Local Ordinance Historic Districts

Local ordinance historic districts are allowed under the city's Historic Preservation Ordinance which was enacted in 1981 and amended in 2007. The HDC, in consultation with the Arkansas Historic Preservation Program and Little Rock Planning Commission, can propose areas that meet the requirements for such districts. Public hearings are then required to solicit support prior to the enactment of a local ordinance historic district. As of 2009, only the MacArthur Park Neighborhood has approved such a district. Local ordinance historic districts provide for design review of exterior rehabilitation, new construction and demolition. Prior to receiving a Building Permit, property owners must first obtain a Certificate of Appropriateness (COA) from the HDC. This ensures that the proposed project is compatible with the architectural character and surroundings of the property.

The image shows a form titled "APPLICATION FOR A CERTIFICATE OF APPROPRIATENESS" from the Little Rock Historic District Commission. The form includes fields for: 1. Date of Public Hearing, 2. Address of Property, 3. Legal Description of Property, 4. Property Owner (Name, Address, Phone, Fax), 5. Owner's Agent (Phone/Fax/E-mail), 6. Project Description (with a note that additional pages may be added), 7. Estimated Cost of Improvements, 8. Zoning Classification and a question "Is the proposed change a permitted use?" with Yes/No options, and 9. Signature of Owner or Agent. A note states: "NOTE: Should there be changes (design, materials, size, etc.) from the approved COA, applicant shall notify Commission staff and take appropriate actions. Approval by the Commission does not excuse applicant or property from compliance with other applicable codes, ordinances or policies of the city unless stated by the Commission or staff. Responsibility for identifying such codes, ordinances or policies rests with the applicant, owner or agent." Below the form, there is a section for "Little Rock Historic District Commission Action" with checkboxes for Denied, Withdrawn, Approved, Approved with Conditions, and See Attached Conditions. At the bottom, there are lines for Staff Signature and Date, and contact information for the Little Rock Historic District Commission and the Department of Planning and Development.

*Property owners in local ordinance historic districts must receive a Certificate of Appropriateness before conducting work subject to design review.*

## Design Overlay Districts

Design Overlay Districts (DODs) provide an additional layer of design standards beyond that normally provided in the underlying base zoning. These overlay zones are generally used to protect or maintain a particular design theme to support an architectural style or period.

The city currently has eight Design Overlay Districts:

Presidential Park Overlay District  
River Market Overlay District  
Central City Redevelopment Overlay District  
Granite Mountain Overlay District  
Hillcrest Overlay District  
Midtown Overlay District  
Highway 10  
Chenal/Financial Center



*The Hillcrest Historic District has a Design Overlay District to promote compatible new construction with historic dwellings, such as at 4220 Woodlawn Drive.*

A ninth DOD for the Central High School Neighborhood is presently under discussion. A map of the DOD's is located on page C.10.

With the exception of the River Market Overlay District, the design review oversight is within the Department of Planning and Development. The River Market Overlay District has its own design review committee.

The advantage of DODs is additional design requirements tailored specifically for that area. This can include requirements for building footprints, height, and setbacks. DODs, however, do not provide for design review of the appearance of new construction and additions, nor do they require review of or prohibit demolition.

## Capitol Zoning District

The state legislature enacted its own design review process when it created the Capitol Zoning District and Commission. This Commission has design review authority for the area around the State Capitol as well as the Governor's Mansion Historic District. Property owners in these areas must first obtain a CZDC permit before beginning any work on additions or alterations to existing structures and before beginning work on a new structure or permanent site improvement. A CZDC permit is a prerequisite to a city Building Permit but may be required even when a Building Permit is not. Permits No are required for routine maintenance, excluding the repainting of existing painted surfaces.

As in the case of local ordinance historic districts, a COA is also required for work undertaken within the Capitol Zoning District. Minor modifications and some rehabilitation work may be approved on a staff level but full Commission approval is generally needed when major alterations or new buildings are proposed. Demolition of structures may not be completed without receiving a permit from the Commission.



*New construction on vacant lots in the Capitol Zoning District would be reviewed to ensure compatibility with adjacent buildings (22<sup>nd</sup> and Louisiana Streets).*

## Little Rock Land Bank Commission

A new city commission which holds promise for historic preservation efforts is the Little Rock Land Bank Commission (LBC). The mission of the LBC is to “reverse blight, increase home ownership and stability of property values, provide affordable housing, improve the health and safety of neighborhoods within the City, and maintain the architectural fabric of the community through the study, acquisition, and disposition of vacant, abandoned, tax delinquent, and city lien property while collaborating with citizens, neighborhoods, developers, non-profit organizations and other governmental agencies.”



*The Land Bank may be a useful tool to prevent demolition of vacant properties such as this dwelling at 1420 Booker Street.*

The LBC can acquire properties through a variety of actions including foreclosure due to code violations, properties that are considered vacant and abandoned, properties that are tax delinquent and offered at auction, properties that are bank-foreclosed, and properties donated by the owner. The priorities of the LBC are based on a combination of three factors: the intended or planned use of the property; the nature and identity of the transferee of the property, and the impact of the property transfer on the short and long term neighborhood and community development plans. Historic preservation is one of thirteen priorities identified in the use of property by the LBC.

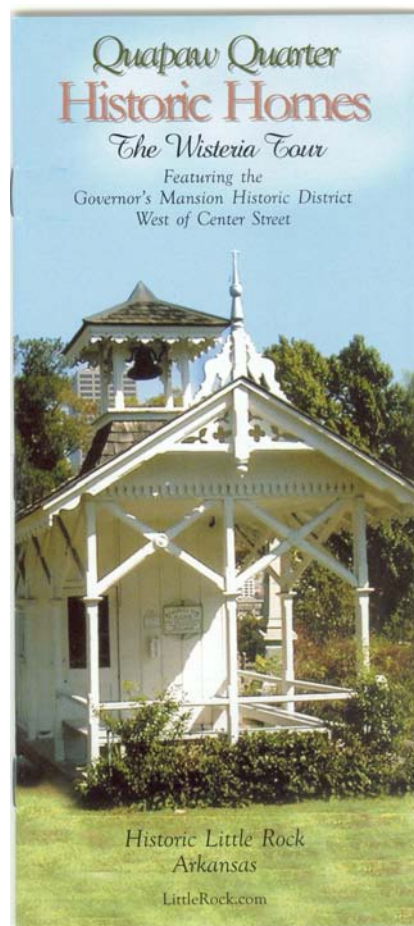
Acquiring properties for redevelopment is one of the primary goals of the LBC, but it should also be utilized to obtain deteriorated but restorable properties in National Register-listed and – eligible historic districts. Many of the blocks in the city’s older and historic neighborhoods have vacant and abandoned houses adjacent to one another. Rather than raze these and take them off the tax rolls in anticipation for future development, the LBC should consider selling these properties at a minimal fee to new owners who will commit to investing both financial resources and labor to their rehabilitation. This approach is similar to that of Urban Homesteading Programs, and a combination of these types of programs could together stimulate reinvestment in neighborhoods that need it the most. Historic preservation should be a key priority for acquisition by the LBC. Historic preservation and neighborhood community leaders should serve on the LBC as well.

## Action – Expand Heritage Tourism Opportunities

One of Little Rock’s achievements in the past decade has been its tourism development. Little Rock has become a “Destination City,” with civil rights tourism representing the single biggest draw to little Rock. The opening of the Central High School National Historic Site, the Clinton Presidential Center, and the Daisy Bates house all contribute to the civil rights theme that draw tourists to other prominent locations, such as Montgomery, Birmingham, and Memphis. The development of the River Market District has created additional tourism venues. There are also numerous historic homes tours available in MacArthur Park and the Governor’s Mansion Historic Districts sponsored by the Quapaw Quarter Association. National Historic Trails efforts are also underway to identify sites associated with the Trail of Tears, and a Civil War tour of Little Rock is also available.

Currently, most heritage tourism opportunities are downtown and in the MacArthur Park and Governor’s Mansion Historic Districts. The city’s other historic districts should be highlighted and connected by driving and walking tours in the years to come. Hillcrest, Central High Neighborhood, the Heights, Dunbar and other neighborhoods possess buildings of notable architectural and historical significance worthy of inclusion in driving and walking tours. The neighborhoods of Broadmoor and Briarwood also appeal to those with an interest in 1950s architecture, and driving tours should be developed for these areas.

Another opportunity for heritage tourism is developing walking and driving tours for the city’s historic cemeteries. Mount Holly, Oakland, and Calvary cemeteries contain exceptional examples of funerary art and monuments of the 19<sup>th</sup> and early 20<sup>th</sup> centuries. In addition to their stylistic and artistic merits, these cemeteries also contain the graves of many of Little Rock’s leading citizens. The development of additional tour materials for these historic sites is highly recommended. A National Register nomination for the city’s historic cemeteries not currently listed is recommended for completion over the next five years.



*The QQA has developed excellent walking tours for the Governor’s Mansion Historic District including the Mount Holly Cemetery.*



*Calvary Cemetery features many significant examples of mortuary art and statuary.*

*Action – Coordinate and Standardize Signage and Wayfinding*



Little Rock has benefited from the increase in visitation over the past decade, and tourism is expected to have an even greater economic impact in the future. The city has well marked signage on the interstates and other main roads directing tourists to the Visitor’s Center at Curran Hall. Once they leave Curran Hall and begin various tours and sightseeing, visitors are then confronted with a wide array of signs and wayfinding displays and markers in the city. This can be confusing for visitors, and the city should look towards more uniformity and standardization of signs in the future.

One approach would be to create various designs through city efforts or through a competitive design project within the private sector. Once a logo or overall design is approved, this should be applied to directional signs, street signs, markers, and exhibits. This standardized signage should also be utilized by the Quapaw Quarter Association, River Market Design Committee and other groups who work closely with tourism initiatives. Historic District Commission review of future signage in the historic areas of the city is also recommended.



*Directional signs should be standardized throughout the downtown and historic neighborhoods.*



*The MacArthur Park Historic District sign is an add-on to the street signs at this corner, but how readily visible is it? A free-standing sign at entrances to the district may be more effective.*

## C. Recommendations for Additional Protection

The City of Little Rock has two primary methods of protecting historic properties within a regulatory framework; local ordinance historic districts and Design Overlay Districts. Although local ordinance historic districts have been available to property owners and neighborhoods for over 25 years, only the MacArthur Park neighborhood has moved forward to approve such an overlay for their area. In some neighborhoods, there is the perception that local ordinance historic districts are too restrictive and place too many burdens on the property owner. Design Overlay Districts on the other hand are seen as having limited effectiveness in historic areas since they do not prevent inappropriate alterations, demolition or the appearance of new construction. A third approach, which is recommended for Little Rock, is to adopt Conservation Zoning or to adopt guidelines for limited local ordinance historic districts.

### *Action – Adopt Conservation Zoning Provision and Promote its Use*

An important preservation tool which has been widely adopted in communities across the country is Conservation Zoning. Conservation Zoning is an overlay which encourages compatible new buildings and additions in historic areas while discouraging demolition. The purpose of Conservation Zoning is to protect neighborhood character, guide future development, stabilize property values and encourage revitalization. In a Conservation Zone, only new construction, additions to historic properties, and demolition are reviewed. This scope of review helps maintain the appropriate size, massing, setback, building form, building orientation and alignment, and character defining features and materials of properties within the designated area.

In Arkansas, Conservation Zoning is currently not available within state law and would require a legislative act to have it approved. Efforts to enact this type of overlay are recommended to occur in the next one to three years. In the meantime, local ordinance historic districts could be approved by neighborhoods with limited application and guidelines following the same language and intent as Conservation Zones. The HDC could adopt such language, prepare guidelines and conduct design review on a limited basis.



*Conservation zoning or limited historic ordinance districts would ensure that new construction was compatible with adjacent historic buildings. This new dwelling was subject to design review in the MacArthur Park Historic District (1421 Cumberland Street).*



*A Conservation Zoning overlay in historic districts such as Marshall Square would require design review only for additions to houses but not for siding, window or porch alterations (802 E. 18<sup>th</sup> Street).*

*Action – Adopt Design Overlay Districts or Conservation Zoning Provisions to Promote Appropriate Infill*

New construction poses different challenges in Little Rock’s historic neighborhoods. In areas without any protective zoning or overlays, new buildings can be constructed without any consideration of adjacent historic properties. Some builders and developers make a good effort to construct compatible buildings, while others build standardized plans without regard to their surroundings. In neighborhoods such as Stephens or South End, new construction often reflects designs more appropriate for new subdivisions. In the Heights and Prospect Terrace, new construction is sometimes out of scale and massing with the adjacent historic houses.



*These new houses at S. Spring and W. 23<sup>rd</sup> Streets are compatible with the adjacent dwellings along the block and provide appropriate models for neighborhoods such as South End and Stephens.*

The creation of protective overlays such as Design Overlay Districts or Conservation Zoning provides neighborhood residents with responsibility for future development. Standards for each DOD or Conservation Zone can be tailored to reflect the design review standards proposed by residents. The standards may be written to allow for specific approaches to building design, square footage and lot coverage. Without protective overlays, residents will lack any effective response to development or construction out of keeping with their neighborhoods.



*This new construction in the 5000 block of Stonewall Road in the Heights Neighborhood is out of scale with historic dwellings along the same block.*



*This new construction in the 1400 block of Taylor Street is out of scale and design with the adjacent dwellings in the proposed Fair Park Historic District.*



A constant theme in Little Rock’s Neighborhood Action Plans is the loss of buildings due to deterioration on the part of the owner. A term widely used to describe this type of deterioration is “Demolition by Neglect.” Demolition by neglect is defined as the destruction of a building through abandonment or lack of maintenance. There are a number of scenarios that contribute to the neglect of historic properties, including impoverished owners, difficulties arising from unsettled estates, absentee landlords or simply an uncaring attitude on the part of an owner. Sometimes neglect is precipitated by the desire to be rid of the building, or as a way of avoiding rehabilitation costs while determining the best use of the property.

In order to prevent demolition by neglect, many communities have passed minimum maintenance codes or added demolition by neglect provisions to their historic preservation ordinances. Common language of these provisions generally requires owners to keep the property maintained to prevent deterioration or structural defects. Owners, or other persons having legal possession, are required upon request by the municipality to stabilize or repair such exterior features if they are found to be deteriorating, or if their condition is contributing to deterioration of the property or the district. This generally includes:

- Deterioration of exterior walls, foundations, or other vertical support that causes leaning, sagging, splitting, listing, or buckling.
- Ineffective waterproofing of exterior walls, roofs, and foundations, including broken windows or doors.
- Defective protection or lack of weather protection for exterior wall and roof coverings.
- Rotting, holes, and other forms of decay.
- Deterioration of exterior stairs, porches, handrails, window and door frames, cornices, entablatures, wall facings, and architectural details.

Demolition by Neglect provision usually include information regarding compliance and penalties as well. The adoption of such an ordinance provision is recommended to occur within the next one to three years.



*Demolition by neglect provisions would require owners of vacant properties to maintain houses to minimum standards (420 E. 9<sup>th</sup> Street).*

## D. Recommendations for Additional Financial Incentives



*Urban Homesteading programs provide opportunities to reverse abandonment and demolition of older houses in neighborhoods, such as Stephens (1600 S. Woodrow Street).*

Financial incentives are available to property owners of historic buildings through federal and state tax credits, various state grants, and city assistance programs. While these efforts have contributed to neighborhood and downtown revitalization, the level of vacant and underutilized properties in the historic areas of the city suggest that other financial programs may be of use. Two additional programs have been useful in other cities and should be considered in Little Rock: Urban Homesteading and Revolving Funds.

### *Action – Reduce Abandonment and Demolition Through an Urban Homesteading Program*

In order to address the problem of deteriorated and vacant housing in its historic neighborhoods, the City of Little Rock should consider establishing an Urban Homestead Program. In this type of program a city buys and renovates vacant and abandoned houses for resale to low- or moderate-income households. Homesteaders must meet certain income requirements and are offered a low-interest loan. They must live in and maintain the dwelling for a minimum period of time. Such programs have proven to be effective tools in revitalizing neighborhoods in cities across the country, including Davenport, Iowa. In other communities such as Richmond, Virginia, properties are condemned, acquired by the local government, rehabilitated and then sold for \$1 plus the cost of rehabilitation.

Houses available through most Urban Homesteading programs are generally valued from \$75,000 to \$150,000 after rehabilitation. Houses of various sizes are targeted for these programs. To purchase an Urban Homesteading house, a family (consisting of at least one steadily employed person who is 21 years old or older), must have good credit and qualify for a low-interest loan. The family must generally also be a first-time homebuyer and own no other real property. Program guidelines also prescribe minimum and maximum incomes, such as combined gross family income being at least \$35,000 - \$40,000 per year.

Urban Homesteading Programs can help to rejuvenate neighborhoods that are in decline by improving one building at a time. This type of incremental revitalization typically has a longer lasting impact on areas than more traditional large-scale projects. Urban Homesteading is cost-effective as it utilizes existing resources. It can also have a positive ripple effect by enhancing neighborhoods and encouraging additional housing rehabilitation. This type of program helps to build community pride and identity by maintaining the historic character of a neighborhood and strengthening residents' commitment to the area.

*Action – Promote Rehabilitation Through a Revolving Fund Program*

Rehabilitation can also be promoted through Revolving Fund Programs. In this type of program, the city loans funds for building rehabilitation up to a certain amount and at an interest rate several points below prime. These loans are generally for property owners who reside in National Register-listed or –eligible historic districts or properties within local historic or conservation overlay zones. Such loans are intended to provide positive incentives to property owners in these districts to maintain and improve the community's architectural heritage.

In most programs eligible properties are fifty years old and contribute to the character of the district or overlay zone. Loan amounts can range from \$10,000 to \$30,000 with terms of 2% or 3% for ten to fifteen years. Rehabilitation must be in keeping with the city's historic design review guidelines. As the loans are paid back, they go back into the revolving fund to be loaned again to another property.

Successful Revolving Fund programs are found throughout the country and serve as models for Little Rock. The Providence, Rhode Island Revolving Fund is a community-based, non-profit, development and lending corporation which was established in 1980. It manages two capital funds, the Neighborhood Loan Fund with over \$2 million in assets and the Downcity Loan Fund with \$6.5 million. The Revolving Fund's resources are targeted to specific historic neighborhoods and primarily serve low-to-moderate income families and merchants in the Downtown Providence National Register District.



*The use of Urban Homesteading and Revolving Fund programs could assist in reversing vacancy and abandonment (3412 W. 13<sup>th</sup> Street).*



*Endangered properties, such as the Woodruff House at 1017 E. 8<sup>th</sup> Street, could benefit from a Revolving Fund program.*

The Neighborhood Loan Fund focuses on low and moderate income historic neighborhoods in need of revitalization and stabilization. The fund is used to purchase endangered properties which are developed for owner occupied affordable housing and to make rehabilitation loans to owners who cannot get conventional financing due to income level and/or the condition of the building and area. Funds are committed on a short-term basis and are "revolved" back into the capital fund when a building is resold or as loans are paid back. Seventy-percent of the contractors used for projects are minority-owned and/or women-owned and reside in the neighborhoods that the Revolving Fund serves. Since 1982, the Neighborhood Loan Fund has invested over \$7.4 million in low and moderate income neighborhoods for 460 building restorations, including the renovation of 46 previously abandoned buildings. This has leveraged over \$23.75 million in additional financing.

In Bloomington, Indiana a non-profit organization, Bloomington Restorations Inc., started a revolving fund in 1980 with \$63,800 in Community Development Block Grant funds through the City of Bloomington. The organization committee then began making loans from the fund to owners of historic buildings. As of 2009, the organization has made some 37 loans totaling more than one and a quarter million dollars for restoration projects in the city and county.

Providence and Bloomington illustrate two approaches to successful Revolving Fund programs and there are many others across the country. The Quapaw Quarter Association (QQA) is encouraged to start such a program in coordination with the city. A Revolving Fund program could benefit the QQA not only through increased visibility and hands-on work in the community, but could also serve as a source of funding for additional staff and programs as part of overall program management.

*Goal – Promote Building Rehabilitation By Easing Home Occupation Standards*

One of the trends occurring across the country is the increase in the number of home offices and businesses. This trend is expected to continue in coming decades. Using part of the first floor for an office in a two-story dwelling is becoming frequently common for pre-1960 homes. Houses particularly well suited for such combination residences/home offices will have side by side housing units or separate upstairs and downstairs units.

Little Rock’s Zoning Ordinance allows for home occupations under certain conditions. These conditions include no more than 49% or 500 square feet of the dwelling to be used for office space, no outside employees, and no traffic generated in greater volume than would normally be expected in a residential neighborhood. Home occupations also need to provide parking off the street. In order to increase investment and rehabilitation of Little Rock’s older dwellings, these limitations should be amended. The 49% of square footage should be maintained, but the limit of 500 square feet should be removed. One employee on the premises should also be allowed. This approach to home offices is becoming increasingly common in recognition of demographic trends and the rise in self employment and outsourcing.



*Dwellings in Little Rock’s historic districts should have more flexibility in their use as home occupation businesses (129 Thayer Street).*