

REPORT OF THE AD HOC COMMITTEE ON REVITALIZATION OF OLD TOWN

Introduction

The Ad Hoc Committee on Revitalization of Old Town¹ was created by vote of the City Council on December 3, 2007, and its members² were appointed by Mayor John Landwehr on December 17, 2007. The Ad Hoc Committee was charged with investigating ways that the City of Jefferson might foster investment and revitalization in the Old Town area of Jefferson City³ and to report its findings to the meeting of the City Council on April 7, 2008.

Investment and revitalization contemplates more than the restoration of aging buildings and infrastructure. The Ad Hoc Committee's overarching objective was to identify initiatives that together might serve as an economic stimulus package for Old Town and, ultimately, the entire City of Jefferson. Support of "attractive redevelopment in central neighborhoods" is one of the seven objectives identified by Market Street Services, Inc. in its Economic Development Strategic Plan submitted to the Jefferson City Area Chamber of Commerce on October 17, 2006. At the same time, the Ad Hoc Committee recognized that the City of Jefferson has limited resources and sought to leverage those resources by focusing on mechanisms that could either be coupled with existing programs or offered in partnership with other funding sources.

The Ad Hoc Committee met ten times in its three months of existence with most members in attendance at each meeting. Even though the Ad Hoc Committee included a banker, a realtor, a representative of the Jefferson City Chamber of Commerce, a commercial developer, a representative of a local neighborhood associations, and three council persons, it first sought to broaden the input it received by spending a little over two months meeting with people who had either invested in the Old Town area or had special expertise in spurring economic activity.⁴ The information-gathering culminated in a public hearing on February 28,

¹ The Old Town area was officially designated by a vote of the City Council in the spring of 2007 and is roughly described as the area within lines running from Dix Road on the west to Stadium Boulevard on the south to Moreau Drive on the east and then back to the Missouri River on the north.

² The individuals appointed to serve on the Ad Hoc Committee were Brian Crane, Phil Freeman, Cindy Layton, Ron Medin, Mark Mehmert, Alan Mudd, Bob Robuck, and Jim Wisch. City Administrator Steve Rasmussen, Assistant City Administrator Melva Fast, and Finance Director Steve Schlueter have also been active participants in the Ad Hoc Committee's work.

³ The mission statement adopted by the Ad Hoc Committee at its organizational meeting states: "The Ad Hoc Committee on Revitalization of Old Town shall explore, gather input from constituent interests, identify and recommend financial incentives that the City of Jefferson, alone or in combination with other funding sources, might provide to initiate, sustain and augment investment and revitalization in the Old Town sector of our community."

⁴ Those accepting the invitation to visit with the Ad Hoc Committee included Judge Jon Beetem, Randy Scherr, Darryl Hubble, Juanita Donehue, Ron Dawson, Reggie Walker, and Mark Mathers.

2008, in which over twenty residents participated.⁵ The Ad Hoc Committee then met four times in March to discuss what it had heard and to arrive at a consensus of recommended actions in response to its findings.

This report identifies ten priorities for revitalization of Old Town and provides both the Ad Hoc Committee's rationale for the identified priorities as well as an explanation of how the initiatives might interact to promote revitalization in Old Town. In addition, the Ad Hoc Committee submits four recommendations for further study and consideration. These recommendations involve items not strictly within the scope of the Ad Hoc Committee's mission statement but the Ad Hoc Committee nonetheless believes they could encourage investment in Old Town and merit further exploration.

⁵ Articles by reporter Michelle Brooks appearing in March 1, 2008, edition of the News Tribune that summarize the public meeting are included in Addendum #1.

PRIORITIES AND RECOMMENDATIONS FROM THE AD HOC COMMITTEE ON REVITALIZATION OF OLD TOWN

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Foundational Priorities

The revitalization of Old Town breaks down into two distinct challenges - promoting residential investment and spurring commercial redevelopment. These challenges intersect at some points where they can be commonly addressed, but generally require separate responses. However, any sustained efforts in revitalizing Old Town first requires a foundation that can support revitalization independent of the transitory interests of elected officials or the piecemeal efforts of city staff already consumed in a host of equally pressing matters. Both residential revitalization and commercial development in Old Town will be advanced by the creation of two entities which are the Ad Hoc Committee's top two priorities.

1. Old Town Revitalization Action Committee

Nearly everyone who appeared before the Ad Hoc Committee lamented the lack of a clearinghouse where those interested in investing in or rehabilitating structures could go for guidance concerning potential sites and available financial assistance. The Ad Hoc Committee strongly recommends the creation of such a clearinghouse that would not only provide information but also serve as a counselor and guide through the matrix of available resources.⁶

The precise organizational outline of the Old Town Revitalization Action Center must necessarily be left to others, but it should initially be headquartered at the Jefferson City Area Chamber of Commerce. A single point of entry for interested persons is desirable – even though some might be interested in commercial development while others might be inquiring about residential opportunities (or both commercial and residential opportunities). It should be as simple as possible to contact the Old Town Revitalization Action Center; maintaining separate portals to access residential and commercial assistance would needlessly complicate the process. However, it is anticipated that after the initial contact at the Jefferson City Area Chamber of Commerce the inquiries involving residential revitalization would be forwarded to the City of Jefferson while Chamber personnel would handle inquiries related to commercial revitalization.

With the possible exception of some reallocation of staff resources and incidental overhead expenses at both the Jefferson City Area Chamber of Commerce and the City of Jefferson, the Old Town Revitalization Action Center would not require the appropriation of any additional funds for its operations.⁷

⁶ Lists of financial resources presently available to qualifying projects appear on Addendum #2.

⁷ A project that neatly coincides with this priority is already underway. The City of Jefferson is already working on a historic preservation manual funded by a state grant that will list available funding sources and programs.

2. Old Town Development Corporation

The informal restructuring of resources at the Jefferson City Area Chamber of Commerce and the City of Jefferson City to create the Old Town Revitalization Center is not sufficient to meet the need for sustained revitalization efforts in Old Town. A non-profit corporation should be created with the sole focus of promoting commercial and residential revitalization in Old Town.⁸

The Old Town Development Corporation could be the vehicle for carrying forward revitalization on several fronts. Among them:

- a. Serving as a conduit for state and federal funding for Old Town projects.
- b. Serving as a repository for the commercial historic façade easements that would make property owners eligible for federal tax deductions (20 U.S.C. Section 170 h) if they restore their buildings to their original facades.⁹
- c. Serving as an umbrella organization to help guide and coordinate the activities of a variety of business and neighborhood groups already at work within Old Town.
- d. As a tax-exempt organization, the Old Town Development Corporation could independently raise funds to support revitalization efforts in Old Town and could accept donations of real estate.
- e. As it became more financially established, the Old Town Development Corporation could purchase, develop and sell properties to advance revitalization in Old Town.
- f. At some point the Old Town Development Corporation would assume the operations of and be responsible for the Old Town Revitalization Action Center.

Most immediately, a board of directors appointed by the Mayor with the approval of the City Council for an Old Town Development Corporation would bring the City of Jefferson's imprimatur to revitalization efforts in Old Town. The directors' first task would be recommending target areas of Old Town where the City of Jefferson's resources would best be focused (to be discussed more fully below as Priority #3).

Like the previous priority, creation of the Old Town Development Corporation would not require any additional outlay of city funds. Although it would initially require the administrative support of city staff, it would be an independent entity committed to the revitalization of Old Town.

⁸ Concurrently with the Ad Hoc Committee's work, a consultant working with the Southside Business League separately concluded that a redevelopment corporation is a necessary tool for Old Town.

⁹ The tax deductions come from the federal government but the "easement" assuring that the original façade will be maintained after it is restored necessarily must be given to a local organization that can monitor the property owner's observance of the easement. Presently, no local organization fulfills that role in Jefferson City.

3. Target Areas of Old Town for City and Financial Resources

The Old Town area of Jefferson City is large and the resources available for its revitalization are limited. Rather than spreading the available resources so thinly that results are not readily discernible, the Ad Hoc Committee believes that targeting areas and/or properties within Old Town for focused support will breed the kind of success that will lead to further successes beyond the targeted areas throughout the rest of Old Town and the City of Jefferson. The third foundational priority essential to laying the groundwork for Old Town's revitalization efforts is the designation of a handful of designated target areas that would be the focal points of financial incentives and support from the City of Jefferson.

The target areas would be designated by the board of directors of the Old Town Redevelopment Corporation. Criteria should include not only the needs of a particular area but also the extent to which a neighborhood engages in "self-help" by undertaking its own revitalization with established plans independent of governmental assistance.

Like the first two foundational priorities for revitalization of Old Town, the designation of target areas would not require any outlay of city funds. However, designation as targeted areas would have financial consequences for the areas so designated. A target area would be given some deference when city officials divide up the available resources for public infrastructure improvements and code enforcement. A target area would also be eligible for a number of financial incentives hereinafter described.

Residential Investment Priorities

The prototypical residential investor that the Ad Hoc Committee hopes to attract to Old Town is a young person with a stable income who is probably unable to afford a comparable home in other areas of town.¹⁰ The following programs, alone or in combination with other incentives, would allow homebuyers in a designated target area to purchase houses of a size and quality that they could not otherwise afford. In return, Old Town would gain homeowners interested in improving and preserving their homes who would stabilize the area and improve property values throughout Old Town. The ultimate returns on the proposed investments would be an improved tax base for the City of Jefferson and reduced city expenditures for police, fire, and code enforcement in the former “problem areas” of Old Town.

4. Down Payment Assistance for Residential Purchases in Targeted Areas of Old Town

This initiative would provide down payment assistance to homebuyers making purchases in a targeted area of Old Town. A qualifying homebuyer must purchase a house in a target area built before 1951, must live in the home for five years after purchase, and must bring the house into compliance with the city codes. The homeowner’s obligations would be secured by a mortgage held by the City of Jefferson that would be forgiven incrementally each year until it was completely forgiven after five years. This initiative would be capped with a given number of homeowners receiving down payment assistance per year and would automatically expire after three years unless extended by the City Council.

5. Bank Loans for Residential Purchases in Targeted Areas of Old Town

A would-be homeowner qualifying for down payment assistance from the City of Jefferson would automatically be considered for a bank loan with more favorable terms than are otherwise available. The loan would be made by a participating lender chosen by the borrower. The degree to which local banks participate as well as terms which they would offer to borrowers would be left to the marketplace, but in each case a bank loan under this initiative would be linked to the down payment assistance program. A potential homebuyer that did not qualify for down payment assistance from the City of Jefferson would not be eligible for a bank loan under this program. Because the loan program would be linked to the down payment assistance initiative, it also would be limited to a give number of homeowners each year and would automatically expire after three years unless extended by the City Council.

¹⁰ There is no requirement that the persons purchasing house in Old Town be young or that it be their first home purchase. The prototype merely reflects the Ad Hoc Committee’s expectation of who would likely be interested.

6. Financial Assistance for Conversion from Multi-Unit to Low Density Rentals

It has become almost an article of faith among policymakers that the goal for Old Town should be owner-occupied housing and that most problems of code enforcement and substandard housing can be laid at the doorsteps of landlords trying to squeeze profits out of structures never intended to be multi-unit rentals. At least one person¹¹ appearing before the Ad Hoc Committee challenged those assumptions and suggested that rental housing will inevitably be part of mix of residential living in Old Town. The Ad Hoc Committee, too, believes it is unrealistic to expect that rental housing will completely disappear from Old Town. Nor is it desirable. Responsible landlords and responsible tenants add to the efforts to revitalize Old Town.

However, it should be a priority to encourage landlords to reduce the number of tenants living in what were originally built as single-family homes. Financial assistance should be made available to landlords in targeted areas who will commit to reducing the number of rental units in houses ill-equipped to accommodate such occupancy rates.

7. Incentives for Neighborhood Improvement Districts

Old Town developer Ron Dawson suggested to the Ad Hoc Committee that public funds applied to target areas be directed primarily to public improvements rather than to improvement of private properties. Mr. Dawson reasoned that the increased market values achieved by improving a private property might be realized by a single owner who might quickly sell the property – taking the profit and city’s investment out of Old Town. In contrast, public improvements like sidewalks or street lighting also improve neighborhoods but remain even after turnover in private ownership of property.

Mr. Dawson’s suggestion should be taken a step further by encouraging mechanisms for self-help already available to neighborhoods. Rather than arbitrarily funding public improvements in selected areas, the City of Jefferson should reward those areas demonstrating a commitment to contributing funds for own their public improvements. Two programs already authorized by state statutes are available to neighborhoods wishing to engage in self-help – Neighborhood Improvement Districts in residential neighborhoods and Community Improvement Districts for commercial areas (to be discussed more fully below). Both of these special benefit districts allow neighbors to assess or tax themselves for common improvements and services within their districts.

This self-help should be encouraged with an incentive offered by the City of Jefferson in which city property taxes collected within an area which has created a

¹¹ Judge Jon Beetem

Neighborhood Improvement District would be earmarked for public improvements in that same area for a given number of years following creation of the Neighborhood Improvement District. The City of Jefferson would match the money spent by the Neighborhood Improvement District dollar for dollar but only to the extent of the city property taxes collected within the district. The Neighborhood Improvement District could not sit on the money indefinitely; after a prescribed number of years the earmarked property taxes collected within the Neighborhood Improvement District would no longer be restricted and would be available for use by the City of Jefferson in its sole discretion.

Commercial Investment Priorities

Commercial development which might seem out of place in outlying residential neighborhoods is desirable in most areas of Old Town. Part of the appeal of Old Town for would-be residents is the ready access to shopping, entertainment, schools and churches within walking distance. It is a symbiotic relationship – retail establishments require nearby residents for regular patronage while residents require establishments to patronize. Consequently, the Ad Hoc Committee suggests the following priorities to foster commercial development.

8. Incentives for Community Improvement Districts

A mechanism similar to that discussed immediately above for Neighborhood Improvement Districts should also be available to encourage the creation of Community Improvement Districts for commercial neighborhoods. Like Neighborhood Improvement Districts, the mechanism permitting creation of Community Improvement Districts already exists. In fact, one area has already formed a Community Improvement District¹² and its members are taxing themselves to pay for public improvements in their area. The Ad Hoc Committee was told at its public meeting on February 28, 2008, that another group of property owners situated along Capitol Avenue is also interested in the concept.¹³

Incentives to create Community Improvement Districts would again take the form of earmarked tax dollars being applied on a matching funds basis to public improvements within a target area for a limited number of years following creation of the Community Improvement District. This approach allows a “leveraging” of public funds far beyond what they might otherwise achieve if merely appropriated to fully fund public improvements within the target areas.

9. Bank Loans for Commercial Development

For many years the State of Missouri has promoted economic development in targeted areas with a program administered by the State Treasurer’s office in which state funds deposited with a participating bank earn a reduced rate of interest and, in turn, the bank lends money at a reduced rate of interest to a borrower engaged in the activity the State of Missouri wants to encourage. The deposit made by the State of Missouri is equal to the amount of the loan. Put another way, the state deposit earning a reducing rate of interest “buys down” the interest rate on the loan to the borrower. There is no guarantee of the loan by the State of Missouri. No state funds are at risk. The state cost is the reduction of interest it would have otherwise received for a deposit accruing interest at market rates.

The model of the state program can be adopted and modified by the City of Jefferson to spur commercial development in Old Town. Rather than a direct outlay

¹² Southside Munichburg Community Improvement District

¹³ Comments of Steve Veile from the newly-formed Capitol Avenue Landmark League.

of city funds to commercial developers, the City of Jefferson could leverage some of its available resources to encourage local banks to make loans for commercial development within Old Town on more favorable terms than would otherwise be available for such commercial projects. The City of Jefferson's only involvement would be to make a deposit in the amount of the loan which would accrue interest at something less than the market rate. The city money would be deposited with the participating lender for five years or for the term of the loan, whichever is shorter. The City of Jefferson's expenditure on the program would be limited to the difference between the lower interest rate its deposits accrue in exchange for the more favorable bank loans and the interest rate those deposits would have otherwise earned. The number of loans and consequently the number of low interest deposits should be capped so that the reduced interest income for the City of Jefferson would not exceed a given amount in any fiscal year.

10. Tax Increment Financing Districts

Tax increment financing (TIF) can be controversial and has not been readily accepted by the local community. But TIF has its place and Old Town might just be it. TIF is a tool to use future gains in taxes to finance the current improvements that will generate those gains. When a public project is carried out, there is an increase in the value of surrounding real estate and often further investment and development by the private sector. The increased site value and investment create more taxable property, which increases tax revenues. The increased tax revenues are the "tax increment" that is dedicated to finance the debt issued to pay the initial public project.

Old Town appears to be just the sort of venue for which TIF is intended and could allow funding for public projects that would not otherwise occur. It should be noted that while TIF districts are often based on property tax revenues, it is also possible to use increased sales tax revenues to repay TIF financing or to apply both increased property tax and sales tax revenues to repayment. Presently, TIF authority resides with the Housing Authority of Jefferson which has used it sparingly. This is an under-utilized tool that could play a significant role in the revitalization of Old Town.

Other Recommendations

Inevitably the discussions of how best to stimulate economic development in Old Town led to subjects not strictly within the purview of the Ad Hoc Committee's mission statement. While the Ad Hoc Committee does not believe it has authority to identify the following items as priorities, it nonetheless considers them to be potentially valuable tools and worthy of further consideration.

11. Mixed Use Rezoning

Development over nearly two centuries in Old Town has been a haphazard affair with commercial, residential, entertainment, and public properties all existing within a stone's throw of one another. That is not necessarily undesirable and might even be viewed as among the potential attractions of Old Town. Still, current zoning ordinances are ill-suited to assuring that property owners in mixed-use areas can co-exist and prosper together.

City planning officials should re-evaluate all areas within Old Town currently zoned C-2 to determine whether they might better be served with a new zoning category called "Mixed Use Zoning". Mixed Use Zoning would strive to accommodate residential, commercial and entertainment components. It would allow for the preservation of historic buildings, new construction compatible with existing buildings, and on-street and shared off-street parking where possible. Further conversion of older homes into multi-unit rentals would be discouraged by minimum living space standards and by requirements for off-street parking.

12. Vacancy Registration

A disturbing trend within Old Town has been the willingness of some commercial property owners to allow their buildings to sit idle as they wait for the rising tide of economic development to improve their property values. This has a number of negative results including increased oversight by police, fire and code enforcement and a general "dragging down" of the neighborhoods where these properties sit vacant.

Don Trabue appeared before the public meeting on February 28, 2008, and described another community's "use it or lose it" approach towards vacant properties where property owners were given the option of either improving their properties or risking condemnation. The Ad Hoc Committee would not suggest a similar approach, but believes a requirement that vacant properties within C-2 zoned areas of Old Town be registered should be studied further.

An owner of a building might be required to register if the property sits vacant for more than six months. Registration could include completion of a vacant building form, a plan to maintain the building's exterior, and registration fee. The

registration would be renewed annually for as long as the building remained vacant. Registration would not only discourage vacant buildings and recoup some of the city's administrative expenses in dealing with them; it would also provide a registry of potentially available properties to anyone interested in investing in Old Town that could be maintained at the Old Town Revitalization Action Center.

13. New Job Creation Incentive

The Jefferson City Area Chamber of Commerce is not an agency of the City of Jefferson and has its own priorities and obligations to its membership. However, the local chamber receives financial support from city and county governments to foster economic development. Moreover, a key objective of the Economic Development Strategic Plan prepared by Market Street Services, Inc. for the Jefferson City Area Chamber of Commerce was to "foster greater entrepreneurial spirit". In furtherance of that objective, the Ad Hoc Committee encourages the Jefferson City Area Chamber of Commerce to consider incentives it might provide to businesses creating new jobs and retail opportunities within the Old Town.

14. Building Codes Specific to Old Town

Renovation of older structures built before the advent of modern building codes can be complicated by strict adherence to such standards. The Ad Hoc Committee is informed that strict compliance may be waived on a case by case basis by code enforcement, but suggests that a less arbitrary and more comprehensive approach might be achieved by an alternative building code within Old Town. Uniform codes applicable to older structures have promulgated by nationally-recognized authorities. While the Ad Hoc Committee does not propose anything that would undermine the safety and soundness of structures in Old Town, the possibility that those goals might be achieved with less expense by property owners is worthy of further investigation.

Conclusion

Revitalization of Old Town is a serious matter and is a key to the economic prosperity of the entire community. As noted in the Economic Development Strategic Plan by Market Street Services, Inc. dated October 17, 2006, “[a] downtown area is the heart and soul of a community – it can embody the overall characteristics of a city..... A thriving downtown requires a public and private commitment to developing a dynamic area for residents, visitors and businesses.” The Ad Hoc Committee appreciated the importance of the task to which it was assigned and spent many hours working to arrive at the priorities and recommendations discussed in this report.

At the same time, the Ad Hoc Committee is mindful that its work is advisory only. It has no authority or responsibility for setting policy, enacting legislation, or appropriating public funds. These findings and recommendations provide a framework for addressing issues long neglected so that Old Town might reclaim its place as a vital and vibrant center of our community. It is now incumbent upon the City of Jefferson to act. This report should be referred to the City Council’s Administration Committee for further study and implementation of the priorities identified herein.

ADDENDUM #2

EXISTING FINANCIAL RESOURCES AVAILABLE TO QUALIFYING PROJECTS

Commercial Projects

- 20% Federal program for certified historic structures
- 10% Federal program non-certified, pre-1936 structures;
- 25% State program for certified historic structures;
- \$10,000 Federal & State disabled access credits;
- Facade easement for charitable contribution;
- Tax Reimbursement Program for Commercial facades /\$25,000 low interest loans from banks;
- Free parking for downtown residents.

Residential Projects

- 20% Federal program for certified historic structures
- 10% Federal program non-certified, pre-1936 structures;
- 25% State program for certified historic structures;
- \$5,000 Code Deficiency Program-LMI;
- Five-year Tax Reimbursement Program for vacant/rentals converted to owner-occupied;
- UMB Low Interest Loans;
- Free parking for downtown residents.
- Neighborhood Preservation Tax Credits
- Facade Program encourages upper floor
- Overlay districts
- Neighborhood Watch/Community Action Team