

## Historic Rehabilitation Advisor December 2003/January 2004

### “Hot Preservation Markets:

#### Springfield, MO”

By Darryl Hicks

After suffering through decades of economic decline, the City of Springfield, MO, is undergoing a remarkable transformation. In just the past 3-4 years, the local downtown has seen a dramatic upsurge in commercial/retail redevelopment activity.

More than \$300 million in public and private funds have been invested in the downtown area since 1997. And both the Missouri and the federal historic rehabilitation tax credits have provided valuable sources of financing to rehabilitate many of the historic buildings in downtown Springfield.

"Springfield's economy is doing quite well," said Allen Casey, a local developer/architect with The Casey Associates, Inc., which is in the process of completing a \$2.6 million restoration of The Holland Building (circa 1914) into class "A" office space.

Just across the street from The Holland Building, Casey is converting the historic Sterling Hotel (circa 1911) into a classy office building with a street-level restaurant. "There's a lot of commercial development taking place in the downtown area," added Casey. "While certain parts of the country have seen a softening of the commercial real estate market, I'd say the exact opposite is true in Springfield."

#### Nightlife Returning

Parts of the downtown that local residents and college students largely avoided after sundown are becoming popular again. Abandoned buildings that were once eyesores are being turned into trendy restaurants and bars.

"It was amazing to see such a vibrant nightlife where there was none for so long," said John Bowman, President of Tax Credit Capital, a syndicator based in New Orleans, LA. TCC provided historic tax credit equity to complete The Holland Building deal. [Note: TCC operates a regional office in Montgomery, AL, which Bowman manages.]



"There has been a dramatic turnaround," said commercial developer Kimberley Harrington, of Warren Davis Properties. "It's great to see people of all ages and backgrounds coming back into the downtown area." Warren Davis Properties is coordinating the \$11 million rehabilitation of the Heer's Building into commercial/retail use to be completed sometime in 2004. The project utilized \$2.5 million in state tax credits and \$2 million in federal credits.

Key to the rejuvenation of the downtown area is the abundance of available parking, according to local CPA Sharon Faulkner, of Faulkner Financial Services, who has participated on several historic tax credit transactions undertaken by Casey.

"Many cities have a shortage of parking, which can be a big issue (if you're trying to attract new tenants)," said Faulkner. "That has been less of an issue here."

#### Redevelopment Opportunities

Developer Scott Tillman, of Tillman Redevelopment, Inc., credits local city officials for much of Springfield's resurgence. The city "really stepped up to the plate" by creating a master plan (called Vision 20/20) for improving the downtown area.

The city has even set aside public funding to help developers offset rehabilitation costs. These include the Center City Façade Loan Program (a low-interest loan to pay for façade improvements) and the Small Business Development Loan Program, which provides low interest gap financing for projects that eliminate slum and blight or create jobs for low-moderate income persons.

Although they have used the city's loan programs on a few occasions, both Casey and Tillman prefer the Missouri and federal historic tax credit programs because they provide a larger subsidy.

"I'm working on my fifth tax credit project in three years," added Tillman, who said his projects range in size from \$200,000 to \$2.5 million in total rehabilitation costs. "In most cases, I claim the credits myself (as opposed to bringing in an outside investor)."

Many of Tillman's earlier tax credit projects involved small properties, such as a hardware store, that encompassed only a few thousand square feet. "Now that those projects have been successfully completed, and the downtown is coming back, I'm seeing a lot more developers and investors acquiring larger buildings that encompass 40,000 to 50,000 square feet or more," said Tillman.

Casey noted that he has identified 12 other properties that are ripe for redevelopment in addition to the properties he has already acquired. Because they're located within an existing historic district, or eligible for listing on the National Register of Historic Places, these properties are eligible for tax credits.

"There's an abandoned building (125,000 sf) that's got a lot of possibilities and I know of another warehouse, and even some grain elevators, that could be re-used as loft apartments," noted Casey.

One of the unfortunate side effects of a strong economy, according to Tillman, is the sharp increase in acquisition prices for some yet-to-be-developed properties. "As a small developer, I can no longer afford to buy any of these properties because what once sold for \$14 or \$15 per square foot is now going for \$40 or even \$50."