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INTRODUCTION

As consumer preferences shift toward the compact, walkable lifestyle afforded by urban centers, public officials, developers, and design professionals must identify the most effective means of providing adequate space for the residential, workplace, and recreational needs of city dwellers. Many vacant, historic industrial buildings are located in central cities or on the periphery of core urban areas, positioning them well to respond these needs through the adoption of adaptive reuse practices to “repurpose older, existing buildings to serve the new, creative economy and help meet goals to reduce carbon emissions” (Partnership for Building Reuse 2013, 28). This approach builds on existing community assets, creates jobs, provides an environmentally friendly alternative to new construction, catalyzes additional development, reduces vacancies, improves property values, and adds unique character to the urban fabric, making adaptive reuse not only an attractive option at the project scale, but also at the neighborhood and city levels.

There are gaps in the existing literature pertaining to the relationship between urban planning, community development and historic structures (Ryberg-Webster and Kinahan 2014, 129; Mason 2005, 1), and of integrated quantitative and qualitative analyses of adaptive reuse projects and their urban impacts. Based on that need, this study will center on the research question, “What are the urban impacts of the adaptive reuse of large industrial buildings, and what best practices tend to maximize positive impacts?” and will comprise of a literature review and series of case studies. This literature review will 1) provide a foundational overview of adaptive reuse practices, 2) assess the urban impacts of adaptive reuse, including environmental, economic, and social concerns, and 3) outline the role of government in the facilitation of rehabilitation projects. The subsequent series of case studies will analyze ten large former Sears Roebuck & Company mail order and retail centers, using a set of buildings with similar histories and configurations and varied modern uses to illustrate different potential approaches and outcomes of large industrial adaptive reuse projects.

LEFT: Sears, Roebuck & Co. Mail Order Distribution Center
LITERATURE REVIEW
LITERATURE REVIEW

I. WHAT IS ADAPTIVE REUSE?

Unlike historic preservation, which through restoration maintains the “existing form, integrity, and materials of a historic property,” the practice of adaptive reuse rehabilitates structures for a “compatible use through repair, alteration, and addition while preserving those portions or features that convey its historical, cultural, or architectural values” (Burley and Peterson 2000). Both approaches maximize historic resources, minimize waste, and make older, often abandoned structures relevant, dynamic components of existing neighborhoods. Adaptive reuse in the United States emerged as a trend as early as the 1960s (Ryberg-Webster and Kinahan 2014, 121) and has since evolved to address a range of scales, contexts, and uses. Historic homes, smaller commercial buildings, schools, churches, and other structures in both urban and rural settings have all been retrofitted to serve new uses. This literature review will address general adaptive reuse practices with a focus on historic, large, former industrial buildings in urban environments.

Historic Properties

Historic properties are traditionally defined as “buildings, districts, and other resources designated on national, state, and/or local government historic registers” (Listokin, Listokin, and Lahr 1998, 432), which typically require buildings be 50 years old or older and apply for official designation. This distinction plays an important role in adaptive reuse in that these historically designated properties qualify for the historic rehabilitation tax credits that make many rehabilitation projects feasible. However, in the context of adaptive reuse, properties need not necessarily fall under this definition to provide the authentic character and existing structures by retrofitting them for new functions.

Vacant Properties

Most, though not all, adaptive reuse projects begin as vacant properties which, as defined by the National Vacant Properties Campaign (NVPC), are residential, commercial, and industrial buildings and vacant lots which 1) pose a threat to public safety and/or 2) have been fundamentally neglected by their owners or managers, such as by a failure to pay taxes or utility bills, default on mortgages, or carry liens against the property (2005, 4). Properties may become abandoned due to changes in economic or demographic trends, because the cost of maintenance and operation is greater than the apparent value of a given property, or for a variety of personal reasons specific to the property owner. In the case of industrial buildings, abandonment is often a result of functional obsolescence due to advancements in manufacturing and distribution technology and related space requirements. These older industrial buildings must often be retrofitted to serve new uses in order to maintain relevancy in the modern economy. Brownfields, former industrial sites with environmental contamination, pose unique challenges to adaptive reuse, as they require extensive, costly environmental assessment and remediation (U.S. HUD 2014).

When left vacant for extended periods of time, abandoned properties common become sources of blight to their communities, attracting crime and dumping, creating fire and health hazards, and promoting a sense of disinvestment (National Vacant Properties Campaign 2005, 7; U.S. National Park Service 2012, 8). These negative externalities draw on the resources of municipal employees, such as fire departments and code enforcers, further damaging their communities by draining municipal funds. They simultaneously decrease tax revenues by 1) frequent tax delinquencies, 2) generating low tax revenues from low values, and 3) depressing property values across neighborhoods (National Vacant Properties Campaign 2005, 7).

Vacancy rates for industrial properties reached peak levels in 2009, at the height of the recession, as a result of the foreclosure crisis and long-term urban decline (U.S. HUD 2014). They have recently dropped to their lowest level in a decade in light of the economic recovery (Cushman Wakefield 2015, 4). The growth within the industrial sector is largely attributable to an increased demand for distribution centers for online retailers. The warehouse sector had a national vacancy rate of 6.7 percent as of third quarter 2015, following 19 consecutive quarters of declining vacancies, and continued decline is forecasted. The manufacturing and flex space sectors have demonstrated comparable strength (Cushman Wakefield 2015, 15). The role of adaptive reuse in the decline of vacant industrial space has not been documented.

Alternative Approaches to Vacant Properties

Faced with a vacant property, several courses of action may be taken, including continued vacancy, demolition, or rehabilitation:
Continued Vacancy
If a property is left vacant and abandoned, the condition of the property will continue to deteriorate, worsening the effects of the vacancy outlined above. Persistent vacancies contribute to the physical decline of neighborhoods, increased rates of instability, and a more rapid relocation of existing residents (Rypkema 2005, 66), as well as decreased property values of adjacent assets.

Demolition
Demolition of vacant structures, often at the expense of the city, is a common response to blight when it is not believed the property can be cost effectively rehabilitated and returned to productive economic use (U.S. HUD 2014). The lot may remain vacant, or a new structure may be built in its place, depending on market demands in the area. Some scholars relish the creative design opportunities presented by demolished sites in shrinking cities (Ryan 2012, 14), while others warn of a repeated urban renewal with “neighborhoods destroyed, historic structures leveled, and the community fabric of too many once great cities ripped to shreds” (Florida 2011).

Rehabilitation
Often, buildings can be either restored to their original use or rehabilitated to serve new uses, improving the vitality of the property and neighborhood while reducing waste. The remainder of this review addresses the potential impacts, barriers, and roles of government when this course of action is pursued.

II. URBAN IMPACTS OF ADAPTIVE REUSE

The adaptive reuse of vacant industrial properties can have both positive and negative effects on the surrounding communities, including environmental, economic, and social impacts. *(See Table 1 for a summary of the urban impacts of adaptive reuse.)*

Environmental Impacts
Building construction and operations have significant environmental impacts, accounting for more than 40 percent of U.S. carbon emissions and 25 percent of the total waste entering municipal waste streams annually (Boston University 2015). Compared to new construction, building rehabilitation reduces both the waste produced by and embodied energy use of buildings of equal sizes and qualities.

Reduced Waste
Reuse of existing materials both reduces the need to extract more raw materials from the environment and the amount of demolished waste entering landfills by 4,000 tons per 50,000 square feet of building space (Preservation Alliance of Minnesota 2013; National Association of Home Builders 2004). As municipalities increasingly face challenges with landfills reaching capacity, this reduction become critical (Rypkema 2005, 33).

Lower Embodied Energy
Utilizing a majority of materials already on site eliminates the need to transport and manufacture new building materials, which cuts down on carbon emissions (Rypkema 2005).

Passive Heating and Cooling
Historic buildings, particularly those constructed prior to 1920, were often constructed to provide passive heating and cooling through climate responsive site orientation and ventilation, use of natural light, and use of durable local materials (Reeder 2015).

Fewer Vehicle Miles Traveled
In addition to reducing the vehicle miles traveled to transport supplies, the central location of most historic industrial buildings reduces the vehicle miles traveled by users, who may be able to live closer to work and amenities than in a typical suburban context and take advantage of alternative transportation options. A shift toward these urban locations, and away from suburban sprawl, may reduce the need to construct additional roads or lanes in the future and better utilizes the infrastructure in which cities have already invested (Rypkema 2005, 54).

Because of these positive environmental externalities, the practices of adaptive reuse and historic preservation have been recognized sustainability advocates as important strategies to address climate change. The U.S. Green Building Council awards credits toward the Leadership in Environmental and Energy
TABLE 1. SUMMARY OF THE URBAN IMPACTS OF ADAPTIVE REUSE

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<th>ENVIRONMENTAL</th>
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<th>NEGATIVE</th>
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<tr>
<td></td>
<td>Reduced construction waste in landfills</td>
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<td>Reduced embodied energy of buildings</td>
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<td>Reduced user vehicle miles traveled (if centrally located)</td>
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<td>Reduced energy usage from passive heating and cooling in older buildings</td>
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<td>Increased density and efficiencies of public transit</td>
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<th>ECONOMIC</th>
<th>POSITIVE</th>
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<tr>
<td></td>
<td>Fewer wasted resources</td>
<td>Potential catalyst of gentrification</td>
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<td></td>
<td>More localized expenditures</td>
<td>Decreased affordability (compared to distressed properties)</td>
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<td></td>
<td>Job creation (during and post-construction)</td>
<td>Benefits of historic preservation tax credits skewed toward the wealthy</td>
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<td></td>
<td>Competitive locational advantage from unique cultural assets</td>
<td>Additional costs from the complexity and restrictions of historic designation</td>
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<td>Attraction of new businesses</td>
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<td>Higher than average economic impacts than investments in other industries</td>
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<td>Affordability (compared to new construction)</td>
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<td>Increased project and neighborhood property values</td>
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<td>Tourism attraction</td>
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<th>SOCIAL</th>
<th>POSITIVE</th>
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<tr>
<td></td>
<td>Maintained community character and history</td>
<td>Perpetuation of “preferred past” narrative</td>
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<td>Communicates to residents, investors, and visitors that the community cares about itself</td>
<td>May limit potential for residential density and associated affordability</td>
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<tr>
<td></td>
<td>Potential provision of affordable housing</td>
<td>Resulting gentrification may interfere with social ties within the existing community</td>
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LITERATURE REVIEW

Design Neighborhood Development (LEED-ND) certification for projects that have at least one historic building, contributing building in a historic district, or cultural landscape on the project site” and do not demolish any historic buildings or contributing buildings in historic districts (USGBC 2009, 87). Even compared to new construction built for energy efficiency, rehabilitated older buildings have fewer environmental impacts. Using a 75-year life cycle assessment methodology, “it takes from ten to 80 years for a new building that is 30 percent more efficient than an average-performing existing building to overcome, through efficient operations, the negative climate change impacts related to the construction process” (Partnership for Building Reuse 2013, 10), proving the greenest building really is the one that already exists.

Economic Impacts
Quantifying the economic impact of historic designation on property values has been the prevalent theme of contemporary urban preservation research, a discipline that long touted the “pricelessness” of cultural and architectural resources (Ryberg-Webster and Kinahan 2014, 122). Numerous studies now point to the positive economic development impacts of historic rehabilitation (Listokin, Listokin, and Lahr 1998; Rypkema 2005; Listokin, Lahr, and Heydt 2012; Ryberg-Webster and Kinahan 2014; Hunter 1995).

Stewardship of Resources
Historic preservation shares inherent commonalities with economical practices in the saving of scarce resources by making the most of existing building materials, expended labor, and built infrastructure to maximize the utility of money spent (Rypkema 2005, 7).

Economic Stimulation
U.S. Department of Commerce measures economic impact of industries according to: 1) number of jobs created, 2) increase in local household incomes, and 3) impact on all other industries. Based on these criteria, rehabilitation consistently outperforms new construction (Rypkema 2005).

Localized Expenditures
Rehabilitation projects put more money back into the local economy than do new construction projects, through greater direct local purchases from retailers and wholesalers, frequent use of regional materials, and hiring local tradespeople (Rypkema 2005, 14; Solomon 2003).

Job Creation
Historic rehabilitation projects result in significant job creation, both during and after construction. New construction budgets typically allocate 50 percent of costs to labor and 50 percent to construction materials, while historic rehabilitation projects are more labor intensive, spending 60 to 70 percent of a project budget on labor and 30 to 40 percent on building materials (Rypkema 2005, 12; Colorado Historical Foundation 2002).

Competitive Locational Advantage
Municipalities routinely compete against one another to offer financial incentives, public investments, and other contributions to entice businesses and developers to select their jurisdiction. Well-maintained historic resources are thought to offer an authenticity that is “marketable in an environment that all too often features routinized and formulaic development” (Sohmer and Lang 1998, 425) and cannot be matched by competing municipalities (Rypkema 2005). Although some scholars promote this theory of “product differentiation,” there is limited quantitative research to support it (Ryberg-Webster and Kinahan 2014, 127), and its validity is debatable.

Attraction of Small, Innovative Businesses
Innovation-based companies tend to gravitate toward environments that “bright, creative people find attractive. They want an amorphous thing called quality of life” (Birch 1987), a finding confirmed in multiple studies. An authentic building, architectural detail, perceived character, a “gritty” urban feel, transit access, and proximity to the street and street life are commonly sought qualities, which also tend to be present in historic buildings (Sommers et al. 2000; Partnership for Building Reuse 2013). Rehabilitation also tends to offer a faster “speed to market” than new construction, an attractive quality to start-ups seeking to get up and running quickly (Partnership for Building Reuse 2013, 28).
Affordability
Historic rehabilitation projects are often the more affordable option compared to new construction, due to the utilization of existing structures and a reduced construction time of up to 18 percent. In cases where moderate renovation is required, rehabilitation tends to be cheaper than new construction, and “when complete renovation is required, it is usually possible to build something new that is cheaper. But that something will almost inevitably be a structure of vastly lower quality and shorter life expectancy than the quality rehabilitation of a historic structure” (Rypkema 2005, 89). The cost of land acquisition, potential demolition, and new construction is typically the more expensive option and requires high rents to offset upfront capital investments. According to the Brookings Institution (1994), “all new American dwellings are too costly for low-income people to occupy without direct subsidies.” As a result, most affordable housing, incubator space, and affordable workspace is located in historic structures.

Heritage Tourism
Historic sites and buildings are reported as among the top one or two most important attractions to tourists, more important than recreational amenities (Travel Industry of America 2003). Heritage travelers are a particular coup for municipalities, as they spend more money and stay longer at destinations than the average American traveler (Leithe and Tigue 1999).

Increase in Property Values
Rehabilitation tends to increase not only the value of the project property, but also the value of adjacent properties, reflected the interrelated nature of real estate assets (Rypkema 2005, 67; Ryberg-Webster and Kinahan 2014; Zahirovic-Herbert and Chatterjee 2012). This increase is even more marked compared to the potential decline in neighborhood property values and neighborhood instability that may have occurred with persistent vacancy and deterioration in the absence of rehabilitation. Studies also show “property values in local historic districts appreciate significantly faster than the market as a whole in the vast majority of cases and appreciate at rates equivalent to the market in worst cases” (Rypkema 2002, 39). Rehabilitation of historic buildings is also a catalytic activity with multiplier effects, frequently sparking renovations from adjacent property owners, and increasing the confidence of lenders in making loans in the area (Listokin, Listokin, and Lahr 1998, 444).

Expanded Tax Base
The inhabitation of vacant buildings through adaptive reuse expands the municipal tax base by 1) returning active ownership to formerly abandoned and often tax delinquent properties; 2) increasing the value of the property and thereby the value of the property taxes; 3) increasing the value of neighboring properties and their property taxes; and 4) filling the building with tenants who will contribute additional fund to the municipal coffers, such as through payment of income taxes or sales tax on goods and services purchased in the area.

Urban preservation projects are considered key incremental economic development strategies for their effective stimulation of local spending, development, employment, housing, tourism, and property values (Listokin, Listokin, and Lahr 1998; Ryberg-Webster and Kinahan 2014; Hunter 1995; Rypkema 2005). Their effects are among the most high-yielding of investments in any sector, given “a $1 million investment in historic rehabilitation yields markedly better effects on employment, income, Gross State Product (GSP) and state and local taxes than an equal investment in new construction (including highway construction, a stimulus favorite), manufacturing (including machinery and automobiles), or services (such as telecommunication” (Listokin, Lahr, and Heydt 2012, 7).

Despite this heralding, several economic objections to adaptive reuse have been made. From the developer’s perspective, some people complain of the additional construction costs imposed by regulations and the complexity of such processes as the application for government historic rehabilitation incentive programs. Conversely, some equity advocates that because only educated and experienced investors have the resources to navigate the complex process, public subsidies historic rehabilitations transfer more wealth to the wealthy at the expense of the general public (Ryberg-Webster and Kinahan 2014; Swaim 2003; Fein 1985; Sohmer and Lang 1998; Listokin, Listokin, and Lahr 1998; Smith 1996; Werwath 1998; Lees, Wyly, and Slater 2007). Perhaps the most frequent criticism of historic preservation and adaptive reuse are their
associations as catalysts for the onslaught of gentrification, the “the conversion of an aging area in a city into a more affluent middle-class neighborhood, as by remodeling or renovating dwellings, resulting in increased property values and displacement of the poor” (Rypkema 2005, 64), by reducing affordability and producing inequitable outcomes (Ryberg-Webster and Kinahan 2014, 123). However, limited empirical research exists to illustrate a direct relationship between preservation and gentrification (Ryberg-Webster and Kinahan 2014, 123; Allison 2005). Overall, in terms of the economic impact of adaptive reuse projects on their surrounding communities, “despite the growing number, range, and sophistication of studies [...] the field is not thoroughly studied, nor is there much agreement on answers to basic pragmatic and policy questions” (Mason 2005, 1).

Impact of Gentrification on Social Ties
The increased property values in neighborhoods with rehabilitated properties may lead to the displacement of existing residents who can no longer afford their units. This displacement has negative economic effects on residents who must relocate and likely endure longer commutes, as well as sever the social ties between neighbors (Listokin, Listokin, and Lahr 1998).

Perpetuated Narrative of a Preferred Past
Historic preservation and, to a lesser extent, adaptive reuse are criticized for their role in the perpetuation of a narrative of a preferred past in the physical representation of civilization. Preservation projects can tend to “fit the values, aspirations, and desired associations of white upper- and middle-class men and women who own and invest in those projects and who are strongly motivated by capitalistic goals” (Domer 2009, 99). The histories of people groups without the resources to rehabilitate the structures that reflect their stories are equally important and dynamic, but may become overshadowed by those with the capacity to do so.

Limitations on Density and its Benefits
Urban preservation, particularly the limitations placed on certain historically designated properties, may hinder high-density development (Glaeser 2011), including high-density residential developments that allow for more affordable housing options in areas with high land costs (Listokin, Listokin, and Lahr 1998).

III. BARRIERS TO ADAPTIVE REUSE

A number of barriers prevent the widespread implementation of adaptive reuse as a development and urban revitalization strategy. In 2012, the Partnership for Building Reuse initiative was launched as a collaboration of the National Trust for Historic Preservation and the Urban Land Institute to identify these barriers and provide resources to make it easier to reuse and retrofit historic structures.
The initiative has partnered with five pilot cities to produce a series of case study reports outline the status of and barriers to adaptive reuse in American cities. Research has already been published for Los Angeles, Philadelphia, and Baltimore, with two additional city reports, a summary publication, and a national conference expected in 2016. (National Trust for Historic Preservation 2015). The research from these initial publications identifies four primary categories of barriers to successful adaptive reuse: market, financial, technical, and regulatory (Partnership for Building Reuse 2013; Partnership for Building Reuse 2014), including:

**Market Barriers**
Market barriers to adaptive reuse involve project-specific context and the supply and demand for real estate within a given market, such as:

- Unrealistic seller pricing of many existing buildings, particularly in markets where previous reuse projects have proven successful
- As more buildings become rehabilitated, fewer pre-World War II buildings suitable for reuse remain
- In dilapidated areas lacking strong market demand, rents and resale values remain too low to justify the cost of acquisition and rehabilitation
- Real estate submarkets challenged by low population densities, large numbers of vacant parcels and buildings, and high demolition rates deter investor confidence, creating a vicious cycle of disinvestment
- Difficulty acquiring properties with complex title histories

**Financial Barriers**
Financial barriers involve difficulties obtaining project financing, managing project costs, or meeting investor expectations, such as:

- Lender and investor concerns over increased uncertainty and risk due to project complexity (factors such as hazardous materials, structural soundness, permitting delays, hidden costs, and complicated layers of public and private funding)
- Lack of comparable properties in areas without previous renovations
- Lower loan-to-value ratios in areas considered risky by lenders and lead to higher equity requirements for developers (for instance, a project may only be able to obtain a loan for 40 or 50 percent of project value rather than 60 or 70 percent)
- Longer project planning time required for complex projects may increase holding costs
- Legal and accounting expenses for projects applying for tax credits
- The complexity, time, and money necessary to get tax credits or abatements makes them more beneficial to large projects than to small ones
- The cost of paying delinquent liens may exceed the market value of the property
- The need for highly-skilled tradespeople increases labor costs for rehabilitation project compared to new construction
- Demand for subsidies exceeds local and federal funding available for affordable housing projects

**Technical Barriers**
Technical barriers to adaptive reuse address problems regarding the physical structure, siting, or environmental condition of the land, such as:

- Lack of adequate building infrastructure (power, water, pressure, gas lines, etc.)
- Long, narrow buildings or buildings with deep floor plates may not allow enough natural light for residential use
- Older buildings created prior to the prevalence of the automobile may not have sufficient space to meet on-site parking requirements
- Property-specific structural elements—such as low ceilings or dense column grids—may make adaptation to modern uses difficult
- Older architecture, especially of taller buildings, may not meet building seismic codes
- Environmental contaminants, such as toxic spills, underground storage tanks, asbestos, or lead paint

**Regulatory Barriers**
Regulatory barriers are those imposed by ordinances, codes, or government administrative procedures that may inhibit the realization of a project, such as:

- Overly restrictive use definitions trigger change of use for adaptive reuse projects, which then triggers code requirements for the new use
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• Permit review is uncertain and time-consuming
• Restrictions on elements such as minimum residential unit size limit potential alternative uses
• Burdensome parking requirements
• Conflicts between building codes, energy codes, and historic preservation codes

IV. ROLE OF GOVERNMENT

Adaptive reuse projects are most commonly developed by the private sector, but the government plays an important role in the development process. Governmental bodies at the local, state, and even federal level have the potential to facilitate or hinder the adaptive reuse of historic buildings through such mechanisms as financial incentives, grants, building ordinances, environmental regulations, technical assistance, the stabilization of historic structures, or other means. In areas with significant vacancy rates, a weak real estate market may limit the potential for a sufficient market return on private investment without some form of subsidy or government assistance to improve the feasibility of adaptive reuse (Kromer 2002). Broader commitments to reinvestment in historic areas, such as through historic district overlays or the allocation of public works funds, may introduce a greater degree of certainty into the market, improve investor confidence, and catalyze private development (Rypkema 2005, 37; Gale 1991). Alternatively, if governments choose not to proactively invest in the revitalization of vacant urban properties, they will likely incur alternative related expenditures, such as the cost of cleaning, boarding, or securing abandoned buildings, soliciting demolition bids, demolishing properties, or placing liens on properties to recover their expenses (National Vacant Properties Campaign 2005, 9).

Federal Historic Rehabilitation Tax Incentives Program
The Federal Historic Rehabilitation Tax Incentives Program is the most widely available preservation incentive, created through the Tax Reform Act of 1976 to encourage investment in historic buildings. The program—which is administered by the National Park Service in partnership with the State Historic Preservation Offices and the Internal Revenue Service—offers a 20 percent tax credit on qualified rehabilitation costs for income-producing historic properties. Between 1977 and 2012, the program facilitated 38,000 certified rehabilitation projects, generated 2.4 million jobs, and leveraged $66 billion in private investment. Projects applying for this program must involve substantial rehabilitation, defined as a minimum of $5,000 or exceeding the building’s depreciable basis by at least one dollar, whichever is greater. Certifications of rehabilitation are based on completed work, which must meet the Secretary of the Interior’s Standards for Rehabilitation. The majority—approximately 69 percent—of the projects that have used the federal rehabilitation incentive program have been for the adaptive reuse of functionally obsolete, vacant, or underutilized buildings (U.S. National Park Service 2012).

The policy is not only beneficial to the restoration of abandoned properties, its financial returns to the government justify the upfront expenditure. As illustrated by former Philadelphia Mayor Edward Rendell (1994), “while a $1 million rehabilitation expenditure would cost the Treasury $200,000 in lost tax revenues, it would at the same time generate an estimated $779,478 in wages. Taxed at 28 percent, the investment would produce $218,254 in federal tax revenue. Corporate income, capital gains, and real estate taxes would further complement gains in household income tax. Thus […] these offsetting factors make the historic rehabilitation tax credit a largely self-funding program. Best of all, it would provide cities with much-needed private investment capital for redevelopment and housing.”

State Historic Rehabilitation Tax Credits
Building on the success of the Federal Historic Rehabilitation Tax Incentives Program, 31 states have developed state rehabilitation tax credit programs, each of which has its own set of incentives and stipulations. These state credits can be combined with federal credits for a given project (U.S. National Park Service 2012).

Local Financial Incentives
Local governments are not directly involved with the big ticket historic rehabilitation tax credits offered by the federal and state governments, though they sometime offer technical assistance to support applicants within their jurisdictions. Many municipalities offer their own set of financial incentives to encourage rehabilitation projects, including property tax rebates, property assessment freezes, low-interest loan programs, revolving loan programs,
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loan guarantees, façade improvement grants, general rehabilitation grants, roof or window repair grants, Americans with Disabilities Act (ADA) compliance grants, acquisition funding, transfers of development rights, or energy incentives and rebates (Ryberg-Webster and Kinahan 2014, 121; Paxton and Rypkema 2015)

**Local Building and Zoning Ordinances**

Meeting building and zoning code requirements is often difficult for historic structures, which were built prior to the adoption of the regulations. Most municipalities will “grandfather in” older buildings that do not comply with current code requirements, allowing them to remain without violation, provided they were construction prior to its adoption. However, if a building changes use, it is no longer grandfathered in and must comply with the requirements for the new use under the current ordinances (Listokin and Listokin 2001). If the municipality’s use definitions are strict, most adaptive use projects will trigger this change in use and subsequent code requirements and become subject to administrative interpretation of the building code’s intent with regard to historic properties, increasing development uncertainties and potentially resulting in delayed permitting.

Flexible codes designed to encourage adaptive reuse have successfully fostered rehabilitation. The Los Angeles Adaptive Reuse Ordinance (ARO) was adopted in 1999 and is now widely regarded as a model for regulating adaptive reuse and resulted in decreased rates of demolition and increased real estate investment within the designated incentive area centers. As of 2013, 14,000 new housing units in reused historic buildings had been created in downtown Los Angeles. The program, which is meant to be permissive rather than restrictive, applies to all buildings with commercial or high-density residential zoning that were built before 1974 or are at least five years old and no longer economically viable in their current use. It allows developers of “eligible projects to bypass the usual zoning and environmental approvals and apply for a building permit, thus making redevelopment less costly and time-consuming than it would be otherwise” and eliminates the requirement for a California Environmental Quality Act (CEQA) review. In addition, density restrictions are waived, no additional parking spaces are required, no loading space is required, rental units are not subject to rent control, and nonconforming floor areas, setbacks, and heights are grandfathered in without variances (Partnership for Building Reuse 2013, 36). The ordinance has been so successful the city was rewriting its zoning ordinance as of 2013, with the promotion of adaptive reuse as a major goal.
Adaptive reuse projects take place across geographies, architectural styles, building scales, and contexts. To further examine the urban impacts of these types of projects, the barriers experienced by their developers, and the role of the government in their implementation, a set of case studies will address the experience and approach taken for comparable projects, using the ten former Sears, Roebuck, & Co. mail order distribution centers. These buildings fit the criteria for adaptive reuse of historic industrial buildings as described in the literature review, all having been constructed more than 50 years ago, abandoned due to functional obsolescence, and sat vacant for as long as 20 years. Controlling for the building typology, which is highly similar in all ten cases, allows for a clearer focus on the development process, critical decisions made, and neighborhood context to illustrate the range of potential outcomes for large-scale, industrial adaptive reuse projects.
Sears, Roebuck & Co. once flourished as a national leader in the merchandising industry. The Chicago-based company implemented revolutionary approaches, like its mail-order catalog, which made consumer goods widely and inexpensively available to the American public. Aaron Montgomery Ward of Montgomery Ware & Co., a long-time competitor of Sears, Roebuck & Co, originally conceived the mail order distribution center concept in 1872. The model was intended to serve rural customers, who gained access to the types of products available to their urban counterparts by ordering directly through a company catalog (Schneider 2013). Building on the Ward’s model, Sears, Roebuck & Co. built a booming mail order business that surpassed Montgomery Ward by 1900, with annual sales of $11 million (U.S. Department of Interior 1990). Between the turn of the century, Sears built ten regional distribution centers: Chicago (1905), Dallas (1910), Seattle (1913), Kansas City (I) (1913), Philadelphia (1920), Kansas City (II) (1925), Atlanta (1926), Los Angeles (1927), Memphis (1927), Boston (1928), and Minneapolis (1928).

Most of the Sears, Roebuck & Co. warehouse facilities were located in residential districts, the very places in which many of their employees and customers were expected to live. The company, therefore, “decided that within reasonable limits they would be willing to spend money to make the buildings appear attractive,” through features such as exterior brickwork and trimmings, which were meant to maintain the character of the surrounding neighborhoods (American Institute of Architects 1906, p. 411). Their interior architecture was designed for efficiency, with elements such as large, open floor plates; shipping rooms; massive storage facilities; spiral chutes; large freight elevators; conveyor belts; and, often, elevated rail tracks leading directly into the building.

One of the most consistent, distinctive features of the warehouses is the use of the tower, which came to be known as the trademark of George Nimmons, the architect who designed most of the facilities. The design came about from a functional requirement from insurance companies to install a water tank at such a height that they would be protected from freezing. Though Nimmons wrote that the mail order plants were intended to be modern designs, not reflective of any particular historic style, they ultimately became some of the most recognizable examples of Art Moderne architecture (City of Boston 1989, p. 22). Six of the structures are now listed on the National Register of Historic Places.

In the 1920s, at the onset of the automobile era, Sears expanded its mail-order model to include brick-and-mortar retail stores. According to company president Robert Elkington Wood, the stores would be located in, “outlying districts which would offer the advantages of lower rentals yet would also, because of the great mobility of Americans, be within reach of potential customers” (City of Chicago 2014). Some of these retail stores were standalone facilities, while others were combined as consumer-facing components of existing mail order distribution centers.

Sears, Roebuck & Co. saw declining profits in 1987 and sought to reconfigure its operations to improve efficiency and increase its margins (Groves 1987). In 1988, it made a strategic decision to eliminate its ‘Big Book’ catalog and reduce the number of distribution centers, bringing their number down from ten to six. The distribution centers in Philadelphia, Boston, Atlanta, Minneapolis, and Memphis saw the first wave of closures. By 1994, they had all been closed. When the plants closed, they took thousands of jobs with them and left massive, empty structures looming over the neighborhoods they once sustained. Some of the buildings remained vacant for as long as twenty years, others found interim uses, and two were demolished. Over the years, six of the distribution centers have been successfully redeveloped as adaptive reuse projects serving a variety of purposes and two more are underway as of 2016. The following case studies illustrate the history and context of each of the ten Sears, Roebuck & Co. distribution centers, its fate, the development strategies implemented, and the outcomes of the project.
SEARS, ROEBUCK & CO. DISTRIBUTION CENTER LOCATIONS

- **SEATTLE**
  - Built 1913 / Redeveloped 1991

- **LOS ANGELES**
  - Built 1927 / Redevelopment TBD

- **MINNEAPOLIS**
  - Built 1928 / Redeveloped 2004

- **CHICAGO**
  - Built 1905 / Redeveloped 1993

- **KANSAS CITY**
  - I: Built 1913 / Redeveloped 1996
  - II: Built 1925 / Demolished 1996

- **MEMPHIS**
  - Built 1927 / Redeveloped 2017

- **ATLANTA**
  - Built 1926 / Redeveloped 2015

- **BOSTON**
  - Built 1928 / Redeveloped 2000

- **PHILADELPHIA**
  - Built 1920 / Demolished 1994

- **DALLAS**
  - Built 1910 / Redeveloped 2000

- **KANSAS CITY**
  - I: Built 1913 / Redeveloped 1996
  - II: Built 1925 / Demolished 1996

- **MINNEAPOLIS**
  - Built 1928 / Redeveloped 2004

- **CHICAGO**
  - Built 1905 / Redeveloped 1993

- **KANSAS CITY**
  - I: Built 1913 / Redeveloped 1996
  - II: Built 1925 / Demolished 1996

- **MEMPHIS**
  - Built 1927 / Redeveloped 2017

- **ATLANTA**
  - Built 1926 / Redeveloped 2015

- **BOSTON**
  - Built 1928 / Redeveloped 2000

- **PHILADELPHIA**
  - Built 1920 / Demolished 1994

- **DALLAS**
  - Built 1910 / Redeveloped 2000

- **KANSAS CITY**
  - I: Built 1913 / Redeveloped 1996
  - II: Built 1925 / Demolished 1996
1. Nimmons’ signature tower, built around a water tank, at the L.A. warehouse (Source: Central City Development Group); 2. Typical warehouse windows, shown at the Atlanta facility (Source: Civil and Structural Engineering News); 3. Spiral chutes for moving merchandise, as seen in Memphis (Source: Crosstown Concourse); 4. Large concrete columns at regular intervals (Source: Todd Dominey); 5. Conveyor belts facilitated order fulfillment at the Chicago plant (Source: Architecture Chicago Plus); 6. Freight elevators in Atlanta (Source: Amy Rogers); 7. Rail tracks leading directly into the building, shown in Chicago (Source: Architecture Chicago Plus); 8. Facade detailing, such as the exterior brick work and carved stone trim in Chicago (Source: John Delano); 9. Suburban locations with large, adjacent surface parking lots, shown in Memphis (Source: Crosstown LLC)
In 1910, Sears, Roebuck, & Co. sought to expand its mail order business westward and, enticed by the new connection to the Union Pacific Railroad, selected Seattle as its Pacific Coast distribution hub. When it first opened operations in Seattle in 1910, Sears rented space in an existing warehouse, but the volume of its operations was so high that it decided to build its own warehouse the following year. The company selected a cheaply priced, 17-acre site in the tidelands, a mile south of the central business district in the industrial Sodo neighborhood (PCAD 2015).

Seattle firm Blackwell and Eustace designed the first wing of the Seattle warehouse built in 1913, totaling 800,000 square feet. The building was later expanded in 1914, 1945, 1956, 1965, 1974, and 2001 to reach its present scale of 2 million square feet spread over six city blocks, making it the largest building in Seattle (Nitze-Stagen 2016). The 1914 addition was designed by George Nimmons and included the warehouse’s signature tower, the first of the distribution centers to feature this element (Seattle Department of Neighborhoods 2010). The building typology he established in Seattle influenced the later design of the distribution centers throughout the country (PCAD 2015).

In 1987, Sears decided to close the distribution center and sell its 2,100-employee Seattle facility for an initial asking price of $27 million. With little interest in what was perceived to be a behemoth of a project, most of the
building sat vacant for three years. Nitze-Stagen, a Seattle-based commercial real estate firm, was looking for a redevelopment opportunity in the late 1980s and came across the vacant site. Recognizing the building’s potential and the inherent value of a site with convenient access to highway, rail, and port facilities, they purchased the Sears complex for $11.6 million in 1990 to be redeveloped as SODO Center (ULI 1999).

NEIGHBORHOOD CONTEXT
The site is located in an area officially called the Duwamish Manufacturing and Industrial Center (Sillman 2014). Warehousing, manufacturing, marine cargo, and shipping are major industries in the neighborhood, whose proximity to the Duwamish Waterway and 120 acres of railroad yards and tracks provide the necessary logistical support (Duwamish Transportation Management Association 2013). At the time his company purchased the distribution center, the industrial neighborhood was undergoing what owner Frank Stagen called, “gentle gentrification,” in which developers were slowly purchasing and improving dilapidated industrial properties, with mostly moderately priced retailers and office users as tenants (Flores 1990). As part of an effort to rebrand the area in the early 1990s, developers began referring to it as Sodo, referring to its location South of the Kingdome (Steinbrueck Urban Strategies 2012).

REDEVELOPMENT VISION
Nitze-Stagen’s company mission is to develop, “complex and challenging dense urban commercial real estate projects that make significant impacts on the communities where they are located, with an emphasis on adaptive reuse as the most green, sustainable development option” (Seattle Office of Economic Development 2013). The company opted for a cost-effective approach for the initial redevelopment, focusing on moderate renovations to the property and marketing it to tenants with functions similar to the original user, minimizing the need for rezoning or major interior modifications (ULI 1999). The team did not have a clear initial vision for the tenant mix, but felt confident the large, well-crafted building at a bargain price would succeed. The newly dubbed SODO Center opened in 1991, with the remaining Sears retail store, Home Depot, and Office Max as anchor tenants.

FINANCING
Nitze-Stagen paid the $11.6 million purchase price in cash and pursued debt financing to cover renovation expenses. Finding a bank loan was difficult initially, considering the lack of a committed anchor tenant, the perceived risk of the area, and the difficulty in predicting the costs of environmental remediation in an industrial area (Lane 1990). Rainier Bank, later acquired by Bank of America, provided an $18 million construction loan to fund the demolition and site improvements. In the terms of sale, Sears agreed to reimburse Nitze-Stagen up to $3 million in environmental remediation expenses over the course of their first seven years of ownership; the remediation ultimately cost only $1 million. The total hard costs for the redevelopment came in more than $10 million under budget at $75,476,000 (ULI 1999). The project does not appear to have used federal historic tax credits, and other funding sources are not publicly available.

REDEVELOPMENT STRATEGY
The redeveloped facility incorporates retail, office, warehousing, light manufacturing, and distribution uses. The first three stories of the building are retail tenants. The Sears retail store operated continuously on the site until 2014, when shrinking sales forced it to close the location (Gonzales 2014). Other major retailers on site include Office Max and Home Depot. Manufacturing and warehousing tenants, like Olympic West Sportswear, occupy 518,487 square feet on the middle three floors. The property’s major tenant started off with a 25,000-square-foot lease and has since expanded to the top three floors of the building: Starbucks. The first Starbucks office located in the building in 1992, and it now leases 600,000 square feet of office and warehousing space for its global headquarters and obtained naming rights to the building in 1997, when it became Starbucks Center (Starbucks Company 1997). The total redevelopment includes 483,487 square feet of office; 518,487 square feet of warehouse and industrial space; 451,705 square feet of retail; and 436,408 square feet of other uses (ULI 1999).

Few major structural changes were initially made to accommodate the building’s new tenants, and most renovations were cosmetic. Five interior stairwells with glass skylights were added to improve interior circulation and create atrium spaces throughout the building. Two floors of the north building were converted to a parking garage, contributing to the site’s total of 1,436 parking spaces spread across four surface lots and the garage (ULI 1999).
1993, Home Depot was seeking an urban retail location in Seattle and saw the SODO Center as the right fit. The Sears Arcade Building and Auto Center were demolished to accommodate the big box retailer (ULI 1999). Following the Nisqually Earthquake in 2001, the developers completed a full seismic upgrade of the building in 2003 (Nitze-Stagen 2016). In partnership with Starbucks, the developer made additional upgrades to the building’s energy systems to improve its environmental performance. In 2007, the building received a LEED Gold rating, making it both the largest and oldest building in the country to receive green certification. Qualifying environmentally friendly design features included energy-efficient lighting; waterless urinals; the purchase of renewable energy; bicycle storage and changing rooms; flex cars available on site; and diverting 48 percent of the site’s waste from landfills (Natsu 2007).

PUBLIC PARTNERSHIPS
The developer has not publicized the use of public funding, official public-private partnerships, or a formal community engagement process related to this project. Its related public involvement includes:

Public Improvements
Stagen credits public transportation improvements made near the site as key forces in the appeal and success of the redevelopment. Between 1990 and 1992, the City of Seattle completed a Metro bus tunnel connecting the site to downtown, began running new shuttle routes to the area, and extended ramps from Interstate 90 to the neighborhood (Flores 1990).

SODO Business Improvement Area
Nitze-Stagen “spearheaded the development of a neighborhood association to encourage dialogue and action aimed at generating interest and development activity in the surrounding area” (Davis 2016).

SODO Urban Art Corridor and Urban Artworks Project
In 1996, Nitze-Stagen became a founding financial sponsor of the SODO Urban Art Corridor, a program in which industrial building owners donate facades along a bus transit route to be painted as murals by neighborhood youth. The program was expanded in 1998 to include the Urban Artworks Project, a neighborhood arts program for “at-risk youth” (Nitze-Stagen 2016).

PROJECT OUTCOMES
The project leased up successfully, fully leased and keeping a waiting list for available space by 1995 (Schechter 1995). The developer reports significant activation of the neighborhood following the redevelopment of the Sears facility, with pedestrian counts in front of the building increasing from 10,000 per week in 1991 to 25,000 per week by 1998 (ULI 1999). Many neighborhood residents were pleased with the results of the collective development that took place in their neighborhood, noting in particular that, “city officials stopped talking about rezoning part of the area for adult businesses” (Flores 1990). The redevelopment of the Sears distribution center coincided with other redevelopment projects and new construction taking place in the Sodo neighborhood in the early 1990s, including the $150 million redevelopment of Union Station; the conversion of a former Eddie Bauer warehouse as an office building and retail center; a nine-story hotel and 17-story condominium building from Trident Investments; a new Seattle SuperSonics arena (Flores 1990). Sodo has become what the Seattle Mayor XYZ calls the city’s new “economic powerhouse,” anchored by the Starbucks Center development. According to a study on gentrification in Seattle neighborhoods, with the wave of new investment, rising property prices, and new area users, Sodo did experience higher than city average rates of change between 1980 and 2000 for select socioeconomic variables (white alone, black alone, Asian alone, proportion of population age 25-34, and percent of population at or below poverty), but did not see as significant a rate of change or an impact on as many variables as was experienced in other Seattle neighborhoods over the same period (White 2012, p. 48). However, more recent developments, particularly of professional sports stadiums, in the area have added fuel to the gentrification fire.

Building on the area’s redevelopment momentum, in 2012, the City of Seattle announced a proposal for the Sodo district, funded by the stadium development authorities, which featured an additional 2,000 housing units, hotels, a streetcar, and major open space. The plan did not address industrial uses, cargo, or freight operations within the district, which elicited a negative response from the Manufacturing Industrial Council of Seattle, who fears industrial companies are being pushed out of the city. Instead, the plan focuses on building out hospitality and residential developments surrounding the City’s stadiums (Stiles 2012). Other critics of Starbucks Center and other major redevelopments in Sodo credit them with spreading, “yuppie flu,” around blue-collar Seattle (Howland 2006).
1. Sketch of the Seattle Sears distribution center in Sodo; 2. Sears warehouse amidst a flood in 1918, a hazard of its location in Seattle’s tideflats (Source: Seattle Engineering Department); 3. Aerial of Sodo neighborhood facing south, showing the Sears building in the upper right corner beside the railroad tracks; 4. Site context facing west, with the commercial waterfront behind (Source: George White); 5. Redeveloped Starbucks Center, featuring the Starbucks logo atop the signature tower (Source: Waymarking); 6. Starbucks employee commons on the 8th and 9th floor (Source: Glassdoor); 7. Starbucks employee cafeteria (Source: Glassdoor); 8. Storefront of the Sears retail store, which operated on site until 2014 (Source: Seattle Times); 9. Office space at the Starbucks global headquarters (Source: Andrew Gibbs)
PROPERTY HISTORY
Sears, Roebuck & Co. acquired at 41.6-acre tract in North Lawndale, just outside of Chicago, in 1904 and began construction on a $5 million, 14-story merchandise building a year later. The site served as the company’s headquarters, and its adjacency to a railroad provided access to trains from 30 different railroads, making it a prime location for a distribution center (Architecture Chicago 2013). The massive facility, designed by Nimmons and Fellows, was expanded in 1925 to include the company’s first retail store. The complex took 23 million bricks, 13 million board feet of yellow pine timber, and substantial quantities of cement, concrete, steel, and other fireproof materials. The two-million-square-foot merchandise building housed administrative offices, printing services, and the merchandise fulfillment department, and was accompanied by a power plant two annex buildings in the rear, which were used to hold and manage the freight rail cars (Becker 2013). At the time of completion, it was the largest commercial structure in the United States (City of Chicago 2014). The facility employed 9,500 train switch operators, typists, factory workers, merchandise sorters, phone operators, advertisers, accountants, restaurant workers, power plant technicians, medical staff, groundskeepers, department store clerks, and executives (Becker 2013). In 1974, Sears relocated its headquarters from North Lawndale to Downtown Chicago, and in April 1987, operations at the North Lawndale Merchandise building ceased altogether.
CHICAGO

NEIGHBORHOOD CONTEXT
The North Lawndale neighborhood is located on Chicago’s west side, five miles west of the Loop and is considered, “one of the most architecturally eccentric and socially complex,” neighborhoods in the city (Neighborhood Housing Services of Chicago, Inc. 2010). It was once home to refugees of the Great Fire of 1871, later a haven for Chicago’s Jewish population in the early 1900s, and by the 1950s the neighborhood had become 91 percent black, drawing residents displaced by urban renewal projects elsewhere in the city and migrants relocating from southern states (Chicago Historical Society 2005). Industrial complexes—including Sears, Roebuck & Co., a Western Electric Plant, and McCormick Reaper Works—provided employment to many area residents and commuters.

The neighborhood was the base of Dr. Martin Luther King Jr.’s operations in the area during the Civil Rights Movement, and after his assassination riots broke out. This period of turbulence caused a number of major employers and small businesses to relocate, and resident attrition soon followed. Community organizations like the Lawndale People’s Planning and Action Council and the Pyramidwest Development Corporation attempted to attract businesses and residents back to the area, but between 1960 and 1993, North Lawndale lost more than 60 percent of its housing and more than half of its population. Nearly half the land was vacant, half the residents lived below the poverty line (Heuer 1993), and the neighborhood suffered from unemployment, crime, and physical disinvestment (Steans Family Foundation 2009).

DEVELOPMENT VISION
Anticipating the negative impacts of the North Lawndale plant closure and wanting to leave a more positive legacy in the community, Sears CEO Edward Brennan contacted Chicago developer Charles Shaw in 1988, seeking a redevelopment proposal (Oharenko 2005). Shaw proposed Homan Square, a five-phase redevelopment project for the complex, featuring 600 residential units and one million square feet of retail, light industrial, and institutional uses (Heuer 1993). In the wake of the Sears departure, the goal was to, “recreate a stable, secure, economically integrated neighborhood,” and to catalyze other development in North Lawndale (ULI 1996). Sears and the Shaw Company formed West Side Affordable Housing, Inc., a nonprofit development partnership, in 1991 to facilitate the development, and Sears donated the property to the project (ULI 1996).

PUBLIC RESPONSE
The proposal was met with opposition from neighborhood residents, who saw a wave of gentrification afflicting surrounding neighborhoods and feared this redevelopment would price them out of their own neighborhood. More than 500 neighborhood residents turned out for a poorly publicized city council meeting to oppose to the first phase of development, resulting in an “explosive atmosphere” that warranted police intervention (Heuer 1993). The residents’ primary concern was the affordability of the residential component of the development. The anticipated sale and rental prices for the residential unit prices were more expensive than neighboring residents could afford, coming in at $76,000 to $93,000 for owned units and $375 to $575 per month in rent, in 1993 dollars. Beyond their concern over affordability of housing, residents noted the area did not need housing in general; more than 1,000 housing units were abandoned in the area each year. Instead, they wanted to the buildings to be returned to industrial use and once more provide jobs for neighborhood residents.

The public also questioned the use of public financing to support the project. Ed Smith, then-alderman of the neighboring 28th Ward, saw the redevelopment as, “a golden opportunity to unload corporate dead weight in the guise of philanthropy,” particularly in light of the government’s history of helping the Sears corporation relocate to other facilities in the state, taking its jobs with it and leaving the North Lawndale community in the lurch (Heuer 1993). They were further troubled by the lack of transparency regarding the complete vision for the complex; initially, the developer only disclosed plans for the first phase.

FINANCING
Sears donated the property to the Homan Square project at no cost and contributed $30 million for site preparation (Wille 1997, p. 200). The total project budget for Phases I, II, and III was $60 million, including $31.2 million in private equity, $5.2 million from the U.S. Department of Housing and Urban Development, $4.1 million from the City of Chicago, $500,000 from the Chicago Park District, and $19 million from individual home mortgages (ULI 1996).
CHICAGO

REDEVELOPMENT STRATEGY
The Merchandise Building was demolished in 1993, having been determined by the Sears Company as unsuitable for reuse (City of Chicago 2014, p. 4). The remaining buildings and site have been redeveloped as a combination of residential, commercial, and institutional spaces. Though the originally planned goal of 600 residential units was not met, 308 units of mixed-income rental and owner-occupied housing were built (Myerson 2001). The units include apartments, townhomes, and single-family houses developed on site. The Homan Square Community Center provides 70,000 square feet of space for health, recreation, education, and social service providers, including a fitness center, swimming pool, a primary health center for uninsured residents, and a YMCA Child and Family Center (Oharenko 2005). A charter high school, Henry Ford Academy, opened in 2009 as a 95,000 square foot, LEED Gold certified facility. In 2015, Nichols Tower opened as, “a new hub for arts and multi-media education, youth leadership development, job training, and urban farming” (Homan Square 2015d). The $15 million project took five years to complete, and now includes the Foundation for Homan Square, a media-based training organization for teens, Lawndale Business Renaissance Association, Neighborhood Housing Services of Chicago, a parental education support organization, youth empowerment programs, part of the Art Institute of Chicago, and an event space (Shefsky 2015).

PUBLIC PARTNERSHIPS
Homan Square received funding and support from several federal and local sources, and was strongly supported by Chicago Mayor Richard Daley and other local elected officials. Public involvement with the project was centered on the community center, and the Community Center Advisory Council was formed to partner with local residents and better understand their vision (Dean 2002).

Federal Tax Credits
$17 million in federal tax credits were used toward the restoration of the facility (Shaw Company 2016).

Low-Income Housing Tax Credits
Low-Income Housing Tax Credits were used to finance multi-family residential units, providing $1 million in project equity (ULI 1996).

Community Development Block Grant
The project received a Community Development Block Grant of $1.6 million. Federal grant funds are allocated to the City, which then administers the funds to qualified projects that, “serve the needs of low- and moderate-income people, families, and communities” (City of Chicago 2016).

New Homes for Chicago
The City of Chicago’s New Homes for Chicago program subsidized the residential portion of the development through a $20,000 forgivable loan for each single-family home, at a total value of $1.1 million (ULI 1996). This subsidy was only used for homes constructed during Phases I and II of the development.

Public Improvements
The Homan Square Community Foundation received $15 million from the City of Chicago toward the construction of the community center, including tax credits and other sources (Myerson 2001). As part of its contribution, the City provided water, sewer, and road improvements to the area surrounding the development. The Chicago Park District gave $500,000 toward the creation of a new public park on site. The City also offered grants for home improvements to homeowners in the neighborhood to improve the overall community (ULI 1996).

Private Donations
In addition to the funds provided by the City, private donors contributed $13 million to cover the remaining construction costs of the community center (Myerson 2001).

Tax Increment Financing
The Homan/Arthington Tax Increment Financing District (TIF) was formed in 1998 to support improvements to the area immediately around the property. Because it was formed after the initial phases of development were complete, TIF funds were only used for later phases. Like other TIF districts, it is funded through property taxes by maintaining a consistent taxation rate for property owners, but freezing the property tax revenues collected by the municipality at a set initial value. As redevelopment occurs and property values go up, the difference between the initial, frozen revenue value and the new, higher
property tax value (the tax increment) is placed into a TIF trust fund, which is used to make public improvements like streetscapes. At the end of a set period, the freeze is dissolved and the municipality will begin to collect the full revenues based on the new, higher property values, theoretically increasing its long-term revenue potential (City of Chicago 2016).

**Land Donation**

Two and a half acres of the site were donated to the Chicago Park District as a neighborhood park (ULI 1996). A portion of the facility was used for an undercover training facility for the Chicago Police Department, which has recently made headlines for interrogation and human rights scandals at its Homan Square location (Ackerman 2015).

**PROJECT OUTCOMES**

Homan Square was the only distribution center redevelopment project in which the Sears Company played a direct role and was the first of the sites to be revitalized. The Homan Square Community Center campus was awarded the Urban Land Institute Award of Excellence in 2002, recognized as a, “new model for comprehensive, multifunctional community centers” (Handley 2002). The rest of the site has been continually developed in phases over the course of two decades. The final phase was initially planned for 1999 but was delayed over time, and the official Phase IV proposal was not submitted to the City until 2014. This phase will be a $12.9 million, 52-unit, mixed-income, multi-family project, with the majority of units (46) reserved for residents earning below 60 percent area media income (City of Chicago 2014). The project did spur on some neighboring development, like Lawndale Plaza, a 16-acre project with a grocery store, movie theater, and retailers just south of Homan Square (Dean 2002).

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**CHICAGO TIMELINE**

1904: Sears acquired a 41.6-acre tract in North Lawndale
1905: Site construction began
1925: Sears opened its first retail store in the Merchandise Building
1973: Sears relocates its headquarters from North Lawndale to Sears Tower in Downtown Chicago
1978: Designated as a National Historic Landmark
1987: Operations at the North Lawndale Merchandise Building ceased
1991: Sears and the Shaw Company formed West Side Affordable Housing, Inc.
1993: The Merchandise Building was demolished, except for the tower
1994: First phase of Homan Square redevelopment opened
1996: Phase II completed
2000: Phase III completed
2001: Homan Square Community Center opened
2002: Sears Administration Building designated as a Chicago Landmark
2015: Nichols Tower at Homan Square opened
1. Distribution center Power House Building under construction (Source: Architecture Chicago); 2. Postcard of the North Lawndale Sears complex (Source: Homan Square Foundation); 3. Neighboring single-family greystones in North Lawndale (Source: Architecture Chicago Plus); 4. Homan Square site plan (Source: Green Street Limited); 5. Interior of Nichols Tower prior to renovation (Source: Medill Reports Chicago); 6. Henry Ford Academy in the former Power House Building (Source: Architecture Chicago) 7. Interior of Homan Park Community Center (Source: The Examiner); 8. Affordable single-family homes developed on the Sears property (Source: The Examiner); 9. Charles Shaw Technology and Learning Center
The fourth Sears, Roebuck & Co. warehouse building in Philadelphia opened in October 1920 as the largest concrete-reinforced structure in the nation. The location was prized for its ability to distribute goods by rail and mail, originally serving the entire Atlantic coast. The warehouse and related functions occupied 40 acres on the outskirts to the northeast of the city, an area largely undeveloped at the time of construction and later filled with houses built around the facility, which employed 6,000 people (Sitton 1994). Architect George C. Nimmons designed the original brick buildings in a neo-Gothic style, and over the years the complex was expanded to accommodate the needs of the growing enterprise. At full build out, it featured a merchandise building, administration building, a clock tower, a power plant, gardens, and recreation facilities. The complex totaled 4.6 million square feet of floor space, making it a million square feet larger than the Pentagon and the largest of the ten Sears distribution centers. Its capacity and role within the company’s logistics made it what its regional general manager called, “the queen of the fleet” (Miller 1988).

In 1990, Sears closed operations at the Philadelphia distribution warehouse as part of its corporate restructuring and shift to retail operations (Knox 1989). The facility employed 1,770 full-time and 1,718 part-time employees at the time. After eliminating the distribution center operations, the Philadelphia center was initially used as a store replenishment center with fewer employees, but later ceased operations entirely (Warner 1990).

Sears sold the property to the Rubin Organization, which elected to demolish the distribution center and redevelop the site from scratch (Wallace 1994). When the 25,013,400-cubic-foot structure was demolished in October 1994, it beat the national record for largest implosion by nearly fourfold. The old Sears power plant remains on the site. The site of the former Sears complex now houses a 455,000-square-foot shopping center with mostly national chain retailers, like Home Depot.

**PHILADELPHIA TIMELINE**

1920: Sears’ Philadelphia distribution center opened  
1990: Philadelphia distribution center closed  
1994: Building was demolished
1. Postcard of the Philadelphia Sears Mail Order Center; 2. Philadelphia center (Source: Northeast Times); 3. Postcard encouraging tourists to visit the Sears warehouse (Source: Phila PA Chronicles); 4. The fire station on site was retained in the redevelopment process; 5. Demolition of Sears warehouse (Source: Implosion World); 6. Live broadcast of demolition; 7. Site cleared after demolition (Source: Engineered Demolition); 8. The former Sears warehouse site is now a shopping center with national, big box retailers; the former power house is used as a billboard (Source: Michael Minn); 9. Home Depot on the site of the former Sears warehouse (Source: Michael Minn)
**KANSAS CITY I**

**ADDRESS:** 715 ARMOUR ROAD, NORTH KANSAS CITY, MO 64116  
**PROJECT:** PARK LOFTS  
**DEVELOPER:** NORTHLAND LOFTS  
**NEIGHBORHOOD:** NORTH KANSAS CITY  
**CENSUS TRACT:** 221  
**BLOCK GROUP:** 2

**KANSAS CITY II**

**ADDRESS:** 3625 TRUMAN ROAD, KANSAS CITY, MO, 64127  
**PROJECT:** N/A  
**DEVELOPER:** UNITED STATES POSTAL SERVICE  
**NEIGHBORHOOD:** NORTHEAST KANSAS CITY  
**CENSUS TRACT:** 160  
**BLOCK GROUP:** 1

**PROPERTY HISTORY**

The first of two Kansas City Sears, Roebuck & Co. warehouses was opened in 1913 on Armour Road in North Kansas City as one of the company’s early distribution facilities. The nine-story, Industrial Gothic building, designed by architect George C. Nimmons, occupied 2.42 acres in the city’s central industrial district. The building did not fulfill its original purpose for long, as World War I broke out shortly after its completion, and much of the building became used as a soldiers barracks and mechanics training camp. Later, Sears used portions of the building for its operations and leased out portions to other industrial and distribution companies. In 1925, the company constructed a new, 1.5 million-square-foot facility on Truman Road in Kansas City and shifted its operations to the new facility.

*LEFT: Sears, Roebuck & Co. Mail Order Distribution Center on Truman Road in Kansas City, the second facility to be constructed in the city. (Source: Library of Congress)*
the new location (U.S. Department of the Interior 1990). The property was sold to the National Bellas-Hess, another major catalog retailer, in 1925. It later briefly operated as an antique mall. The building was converted to a 120-unit residential development, Park Lofts, in 1996 at a cost of $13 million.

NEIGHBORHOOD CONTEXT
North Kansas City was planned as an integrated, industrial and residential community along the Missouri River in 1912, intended to serve as the hub of industrial activity for the growing metro area. Proximity to both the river and railroad provided made the area a strong center for logistics. The Sears, Roebuck, & Co. warehouse was one of the first major, planned sites in the area (U.S. Department of the Interior 1990). The community is now home to 4,300 residents (U.S. Census Bureau 2013).

Note: Very limited reliable information has been published regarding the redevelopment of this facility. The development does not appear to have utilized public funds or engaged in significant public partnerships, but may have done so.

KANSAS CITY II

PROPERTY HISTORY
The second Kansas City Sears, Roebuck & Co. distribution center was constructed in 1925 to manage mail order logistics for the Midwest. The new, larger facility was designed by architect George C. Nimmons and created to replace another Kansas City distribution center, which had been constructed in 1913. The building was constructed of reinforced concrete with a brick veneer, industrial sash windows, stone detailing, Gothic style embellishments, and Nimmons’ signature tower (Society of Architectural Historians 1997). It was the largest single construction job in the city’s history at the time (Kansas City 1925).

The U.S. Postal Service purchased the Truman Road property in 1996. The complex is located about two miles from the core of downtown, in an area with predominately older, industrial buildings. Its proximity to Truman Road and Interstate 70 provided strong regional access for the Postal Service that helped to reduce transportation costs. The 43-acre property reportedly sold for close to the asking price of $10.9 million, and construction costs were estimated to bring the total project cost to $84 million (Davis 1996). The Postal Service elected to demolish the distribution center and build a new mail center and parking in its place (City of Kansas City 2000). The surrounding neighborhood now serves primarily commercial and industrial uses, characterized by wide, suburban, arterial roads lined with businesses like auto repair shops, used car sales lots, and national chain retailers (City of Kansas City 2000, p. 5).

KANSAS CITY TIMELINE

1913: Warehouse constructed at 715 Armour Road
1925: New Kansas City distribution center constructed at 3625 Truman Road replaced the Armour Road facility
1925: Original facility sold to National Bellas-Hess
1974: National Bellas-Hess declared bankruptcy
1996: Armour Road facility redeveloped as Park Lofts
1996: Truman Road facility demolished
1. Second of two historic Sears warehouses constructed in Kansas City on Truman Road in 1925, showing the original structure on the right and a later addition on the left; 2. Original rooftop Sears sign (Source: Dallas Library); 3. Historic image of the Truman Road distribution center; 4. Truman Road warehouse addition (Source: Library of Congress); 5. Sears distribution center addition repurposed as a U.S. Post Office; 6. Aerial view of the existing Truman Road site, showing the U.S. Post Office and surrounding surface parking lots (Source: Google) 7. Original Sears distribution center constructed in North Kansas City on Armour Road in 1913; 8. Armour Road warehouse renovated as loft apartments (Source: The Examiner); 9. Renovated loft interior at Armour Road warehouse facility
The Boston Sears, Roebuck & Co. Mail Order House was the last of the ten warehouses designed by George C. Nimmons, built in 1928 in the West Fens neighborhood, just a few blocks south of the Charles River, Boston University, and Fenway Park. The eight-story, Art Moderne warehouse sits beside the Fenway, part of the city’s 1,200-acre park system designed by Frederick Law Olmsted and known as the Emerald Necklace.

The first two stories once housed a Sears retail store, while the rest of the building operated as distribution center and administrative offices. Its architecture is distinctive, featuring light beige-grey brick; cast stone; Indiana limestone trim; arched, green, austral windows; decorative carvings; and the large, cylindrical pilings spaced regularly throughout the interior, as in its peers across the country. When it opened in 1928, the president of the Chamber of Commerce hailed it as a, “monument to the advancement of a great business institution and to the progress of Metropolitan Boston as one of the greatest trading centers of the country” (City of Boston 1989, p. 18). More than 1,500 people were employed by its construction, and upon opening, the warehouse and store employed 1,200 people and brought customers into the neighborhood from throughout the New England area. It continued to contribute to the local economy until 1988, when Sears announced it would close the plant and sell the building.
BOSTON

NEIGHBORHOOD CONTEXT
The West Fens neighborhood was once the border between the City of Boston and neighboring Brookline, gradually filled in with apartments, hotels, row homes, and light industrial development as the city grew westward in the late 1800s (City of Boston 1989, p. 27). The neighborhood attracted the Museum of Fine Arts, Longwood Medical area, and Fenway Stadium, home of the Boston Red Sox. By the mid-1990s, the neighborhood had become known for its, “feisty mix of sports bars, undistinguished restaurants, and low- to moderately-priced housing that caters to students” (Diesenhouse 1999).

DEVELOPMENT VISION
Before ultimately being redeveloped as the Landmark Center in 2000, the Sears complex nearly found several other fates. After the plant’s closure in the late 1980s, the City considered purchasing the building for use as the Boston Latin Academy, school department administrative offices, early learning childhood centers, or other uses (Beggy 1987). Three private development bids moved forward on the property, but failed:

JMB/Urban and Macomber Development Associates
In 1988, JMB/Urban and Macomber Development Associates (MDA) formed a joint venture and won the initial bid to redevelop the Sears site as a $268 million biomedical research center, Olmsted Plaza. The proposal played off the site’s proximity to Harvard Medical School and Boston University and Northeastern University hospitals, and was approved by the Boston Redevelopment Authority (Diesenhouse 1990). With the decline of area property values and tight credit policies, the developers were, “unable to secure conventional bank loans and a pension fund that promised a permanent mortgage withdrew that support,” so they had to turn to creative financing (Ackerman 1991). They secured a 20-year city industrial bond issue for $100 million, backed by leases with Beth Israel Hospital, Brigham & Women’s Hospital, and the Harvard Medical School. The Teachers Insurance and Annuity Association had signed on to provide $207 million in permanent financing for the first phase of the project (Ackerman 1990). After investing $4 million in the project during the planning phase, the deal fell through in 1992, when two major tenants backed out of the project (Ackerman 1992).

Abraham Gosman
Nursing home magnate Abraham Gosman nearly purchased the Sears property in the early 1990s, intending to somewhat resurrect the Olmsted Plaza proposal as the Mediplex Technology Center. The City offered to build a 1,100-space parking garage behind the warehouse, at an estimated cost of $7.2 million, to stimulate interest in the project (Ackerman 1992). The deal fell through in negotiations, when the buyer balked at the purchase price of $27 million and tried to reduce the down payment from $12 million to $5 million (Kindleberger 1993).

New England Development Co.
The New England Development Co. had a contract on the property in 1993 for $9 million, this time proposing to reinvent the warehouse as an urban shopping mall (Kindleberger 1993). The neighborhood association responded poorly to the proposal, fearing the development would create traffic congestion (Kindleberger 1997). The deal later fell through.

Abbey Group
After lying vacant for nine years, the Sears property was purchased in 1997 by the Abbey Group, a Boston-based developer for $15 million (Kindleberger 2000). The company has a history of investing in “somewhat troubled neighborhoods that have a big upside” (Ross 2014), and was one of the early developers of Boston’s now affluent Back Bay area. The initial redevelopment proposal for the Sears complex called for a $70 million investment to convert the warehouse facility into a mixed-use complex with office, research, and retail users called the Landmark Center (Kindleberger 1996). The overall redevelopment cost estimate was significantly lower than previous redevelopment bids, increasing the feasibility of the plan. Their intent was to renovate the space at a reasonable price point and not to construct any new buildings, allowing them to attract tenants by charging rental rates that could compete with the suburban market. Whereas the Sears Company had supported the redevelopment of Homan Square in Chicago in an effort to mitigate the negative community impacts in its own backyard, the Abbey Group was the first private developer to independently undertake the redevelopment of one of the distribution centers based solely on their belief in the market potential of the building as an adaptive reuse project.
FINANCING
The Abbey Group financed the $115 million Landmark Center development using a combination of private equity, debt financing, and equity from tax credit investors. The firm put up $13 million of its own equity upfront, along with $85 million in debt financing from a consortium of lenders, including CIBC Oppenheimer. The remaining $12 million was funded by historic tax credits, which were purchased by investors and converted to equity in the project (Diesenhouse 1999). The developer has been criticized for its lack of transparency regarding its financing structure (City of Somerville 2014).

REDEVELOPMENT STRATEGY
The property was redeveloped as a mixed-use property with office, institutional, and retail components, but did not include residential units in the initial redevelopment. The development benefitted from the local economic cycles, which had created a strong demand for office space downtown. The citywide office vacancy rate was at 4.5 percent at the time of delivery, compared to 17 percent just a few years earlier in 1992, and the cost of space was creeping upward (Diesenhouse 1999). The Landmark Center was able to deliver large blocks of reasonably priced office space—about half the price of downtown office space-- and was met with high demand from tenants.

Despite its proximity to other medical facilities, the developer did not explicitly target health care industry tenants, given the previous failed attempts to redevelop the property as a medically oriented plaza. Yet, the original tenants included Blue Cross Blue Shield of Massachusetts, Harvard Medical School, and the Harvard School of Public Health, some of the very entities previous, failed developers had tried to secure. According to Robert Epstein, CEO of the Abbey Group, “it was more successful than we envisioned” (Archambeault 2002). Seventy percent of the space was leased out more than a year before construction was finished (Diesenhouse 1999).

PUBLIC PARTNERSHIPS
The Abbey Group participated in a formal community engagement process throughout the development, and partnered with federal and local agencies for financial assistance and public improvement projects.

Federal Historic Tax Credit
The project was awarded a $10 million federal historic tax credit to support the rehabilitation of the historic property (Abbey Group 2014).

121A Real Estate Tax Agreement
The City’s Chapter 121A property tax exemption was created in 1945 to support affordable housing in distressed communities and amended in 1960 to include commercial and luxury housing projects on sites the City defined as blighted (Kressel 2014). Rather than pay standard property taxes at a rate around 3 percent of the property value, for a period of 15 years the developer pays the City 1 percent of the property plus 5 percent of gross income annually.

Park Restoration
In the mid-1960s, a 1.6-acre parcel adjacent to the facility had been converted from park space to a parking lot, creating a broken link in the City’s Emerald Necklace park system. As part of the redevelopment proposal, the Abbey Group agreed to restore the park.

Infrastructure Improvements
The Abbey Group contributed more than $2 million for infrastructure improvements to the surrounding neighborhood throughout the development process (Abbey Group 2014).

PUBLIC RESPONSE
The redevelopment proposal was met with largely positive response from neighborhood residents, who had seen the negative effects of the large, vacant property over the preceding decade. Locals were, “pleased at the possibility that the graffiti-scarred structure might finally be reclaimed” (Kindleberger 1996). A representative of the Fenway Civic Association, the local neighborhood organization, did take issue with the project’s construction of 1,966 parking spaces, which she characterized as excessive and “completely unacceptable given the availability of public transit in the area” (Kindleberger 1996).

PROJECT OUTCOMES
The restoration of the Landmark Center sparked investment throughout the neighborhood from both the Abbey Group and other developers. The Fenway
Community Development Corporation stated, “The Landmark Center was singlehandedly responsible for the revitalization of Fenway, bringing over a million square feet of retail and office to the neighborhood and sparking growth which continues to this day” (Abbey Group 2014).

Directly across from the property, the Abbey Group built a new, 132-unit luxury apartment building (Diesenhouse 1999). In 2011, the Abbey Group sold the Landmark Center to gain, “the flexibility to do other projects” (McClay 2011). The complex was purchased by Samuels & Associates and a unit of JPMorgan Chase & Co. for $530.5 million. At the time of sale, it was 99 percent leased, with major tenants including Blue Cross Blue Shield of Massachusetts, Harvard School of Public Health, Harvard Medical School, Bed Bath & Beyond, Best Buy, and a Regal Entertainment Group movie theater. Samuels & Associates had been investing in the neighborhood since 2004, with other nearby properties like the Fenway Triangle trilogy and the 1330 Boylston Street Building (Garcia 2014).

The new owners have continued to invest in the property, most notably through their 2014 expansion project, which involved the demolition of a 380,000 sf above ground parking garage; the construction of a new 1,500-space underground garage; 110,000 sf new retail; a 75,000 sf Wegmans grocery store; 15,000 sf additional office space; and 550 residential units. Because of the inclusionary development policy implemented in Boston in 2000 under Mayor Thomas M. Menino that required fifteen percent of all new units as affordable housing, ten percent of the units constructed on-site in this phase were affordable, and the developer paid into a city fund to have the equivalent of another five percent built elsewhere (Garcia 2014). The expansion was projected to generate more than 1,000 construction jobs and around 600 permanent jobs.

A major goal of the 2014 site redevelopment was to “make the historic Sears building and the surrounding block more permeable” and to better integrate the project with nearby transit (Samuels & Associates 2013, p. 1). Public infrastructure improvements included the creation of pedestrian pathways near the Fenway MBTA station; intersection modifications to reduce congestion at Brookline Avenue and Park Drive; and a bike lane to connect the Riverway Park bike path to Fenway Park and Kenmore Square. The interior of the building was also reconfigured, “to provide weather protected travel from the Fenway MBTA station to the commercial district of the Fenway neighborhood, through a destination food market anchored on the Fullerton side of the building by the new supermarket” (Samuels & Associates 2013, p. 1).

Although the complex’s main tenant, Blue Cross Blue Shield, moved out in 2015, it has continued to attract new tenants. The eighth floor of the building was renovated as a 110,000-square-foot startup space, aimed at businesses that have outgrown coworking spaces but are not yet ready to sign a long-term office lease. The space, called Hatch Fenway, is anchored by a software management company and accommodates 10 to 12 total companies with space for 600 to 700 employees (Carlock 2015).

The Abbey Group went on to invest in several other properties in the Fenway area. 1282 Boylston Street was developed as a 330,000-square-foot, mixed-use complex with 100,000 square feet of office space, 18,000 square feet of ground floor retail, and 210 apartment units (Bisnow 2011). The Viridian apartment building a few blocks away has 342 units currently under construction, offering “impeccably design apartments” for “lush urban living,” with marketing materials that highlight the area’s redevelopment (Abbey Group 2015).

### BOSTON TIMELINE

- **1928**: Sears, Roebuck & Co. warehouse designed by Nimmons, Carr & Wright
- **1988**: Sears ceased operations at the 1,600-employee facility
- **1988**: 130 developers bid on the redevelopment of the facility
- **1989**: Building given city landmark status
- **January 1990**: JMB/Urban Investment Development and Macomber Development’s $268 million Olmsted Plaza proposal approved
- **1992**: Olmsted Plaza deal fell through
- **1993**: New England Development Co. proposed a redevelopment of the site as an urban shopping mall
- **1996**: Abbey Group redevelopment proposal approved by Boston Redevelopment Authority
- **1997**: Abbey Group acquired Sears building for $15 million
- **2000**: Redeveloped Landmark Center opened as a mixed-use office and retail complex
- **2011**: Samuels & Associates and a unit of JPMorgan Chase & Co. purchased Landmark Center as a joint venture for $530.5 million
- **2014**: Developers proposed an expansion of the Landmark Center to include 550 apartments, retailers, and a Wegmans grocery store
1. Aerial context of Boston Sears distribution center; 2. Historic Sears warehouse (Source: Samuels & Associates); 3. Rendering of food hall (Source: Elkus Manfredi Architects); 4. Anchor retailers at Landmark Center (Source: Chris Mearn); 5. Renovated Landmark Center (Source: Boston Business Journal); 6. Central atrium space (Source: Weiner Ventures); 7. Loft apartments, part of the second wave of renovations (Source: Samuels & Associates); 8. Landmark Center office space (Source: Samuels & Associates); 9. Rendering of proposed new development adjacent to Landmark Center (Source: Samuels & Associates)
PROPERTY HISTORY
The Dallas Sears Catalog Merchandise Center was designed by Lang & Witchell in 1910 and was later supplemented by an adjacent, nine-story Sears office building, a two-story retail store, and additional warehouse space (Southside on Lamar 2015). The facility operated in the Cedars neighborhood on Dallas’ south side until the regional office closed in 1993, leaving the 1.4-million-square-foot, six building compound vacant. Several attempts were made to redevelop the property in the following years, including contracts by Southwest Properties in 1995 and PanAmerican Capital Corporation in 1996, but the deals fell through. In February 1997, Matthews Southwest successfully acquired the Sears Lamar Street Complex and ultimately redeveloped the warehouse as a thriving, mixed-use center with residential, retail, office, entertainment, and educational uses.

NEIGHBORHOOD CONTEXT
The Sears Catalog Merchandise Center was located in the Cedars neighborhood immediately south of Downtown, which claims the “best proximity to the Central Business District of any other area in the City” (City of Dallas Office of Economic Development 2011). It is bordered by railroad lines to the south, west, and east, and separated from Downtown by Interstate 30 to the north. The Sears complex played an important role in the neighborhood’s evolution, employing more than 2,000 people at its peak. Its closure in 1993 led to heightened unemployment, increased vacancy rates, and disinvestment in the
DALLAS

According to Matthews, before the redevelopment, the South Side neighborhood was, “mostly empty buildings—there was no traffic on the road and the lights were barely working” (Brown 2014). Because of the lack of investment and the perception of crime in the area, other developers “thought the redevelopment proposal was insane” (Perez 2011). However, the neighborhood did have several existing strengths to leverage, including its proximity to the Central Business District, the Dallas Convention Center, Old City Park, the Dallas Farmers Market, and transit access. Matthews credits the construction of the Dallas Area Rapid Transit (DART) Cedars Station, which opened a block from the site in 1996, as, “the key to getting this deal done; it gives us the link we need for our residents” (Brown 1999).

DEVELOPMENT VISION

Prior to the Matthews Southwest acquisition, the City had envisioned the site as warehouses, a minimum-security prison, or a demolition site. Dallas developer Jack Matthews, president of Matthews Southwest, had a different vision for the site. He led the team in the first large-scale, industrial, adaptive reuse project in the region, inspired by the revitalization of Faneuil Hall in Boston. The goal was to develop a, “high quality mixed-use, mixed-income rehabilitation project that would appeal to a racially and ethnically diverse population and provide opportunities, create jobs, and benefit the entire community” and to embrace the site’s cultural heritage (South Side on Lamar 2015).

FINANCING

Matthews Southwest acquired the 17.1-acre Sears property for $2.1 million in February 1997. The development partners put in $12 million in upfront equity on the project and received a loan of $64.4 million through Reilly Mortgage, guaranteed through the U.S. Department of Housing and Urban Development (HUD) Section 221(d)(4) program, making it the largest project of its kind insured by the program at the time (U.S. HUD 2000). Additional project funding sources included the Federal Rehabilitation Tax Credit, local property tax abatements, Section 108 funds, and brownfield remediation funds from the U.S. Environmental Protection Agency and the City of Dallas. (See Public Partnerships.)

REDEVELOPMENT STRATEGY

Rather than gradually phasing the project, the team decided to redevelop the entire site at once, with the intention of building a critical mass of users to enliven the area (Galley 2004). Much of the complex was converted to 455 residential lofts. Rooftop amenities, such as a pool and jogging track, offer residents recreational opportunities with a view overlooking the Downtown skyline. Twenty percent of the units must meet HUD’s affordable housing requirements, per the terms of its mortgage insurance program (U.S. HUD 2000).

In the project’s commercial realm, the developers wanted to avoid creating a generic, chain store environment and decided they would allow only local tenants. Matthews also wanted to attract artists to the space, so a permanent gallery space was created, arts event programming was sponsored, and a permanent artist-in-residency program was established. The artist-in-residency program was designed to prevent the full effects of future gentrification, which often prices artists out of transitioning communities. The program was initially structured to host 23 artists annually, providing loft residences and space in artist studios, subsidized between 50 and 100 percent by the developer, according to contractual terms, and could make in-kind payments with their work. In 2003, Matthews shifted the residency to a partnership with the University of Texas at Dallas to host their artist-in-residency program, CentralTrak, on the site, but the program has since relocated to the nearby Deep Ellum neighborhood (Huffenberger 2007). South Side on Lamar now continues to offer discounted rent to artists through its Artists’ Quarter program, using the original program model.

PUBLIC PARTNERSHIPS

Matthews Southwest partnered with a number of public agencies over the course of the project for both programming and financing:

Dallas Police Department Partnership

Through a public-private partnership between Matthews Southwest, the City of Dallas, the Dallas Police Department, and Reilly Mortgage, Matthews donated a 3.2-acre brownfield site to the City, which in exchange committed to building a new police headquarters across the street from the development. At the time, the Dallas Police Headquarters had been located in a 1914 courthouse
with water leaks, deteriorating ceilings and walls, and substandard plumbing (City of Dallas 2003). The six-story, donated building underwent environmental remediation and renovations beginning in 2001 and opened in 2003 at a total cost to the City of $58 million. The 354,000-square-foot building allowed for the consolidation of 36 police functions and a maximum capacity of 1,365 employees, and its sustainable design features and infill location helped it become the City’s first LEED-certified municipal building (Barista 2004). This unique public-private partnership strategy provided a community service, a needed public facility, and a perception of increased safety in the area, improving the viability of the development.

**Brownfield Remediation**
The property was a brownfield site, meaning it contained hazardous waste, and environmental contaminants like underground storage tanks, asbestos-containing materials, and lead paint needed to be removed and remediated before renovations could occur (U.S. HUD 2000). Environmental remediation on the site was supported by the U.S. Environmental Protection Agency’s (EPA) Brownfield program and matched by a City of Dallas program, totaling $5.5 million in funds (Galley 2004, p. 7).

**Cedars Tax Increment Financing District**
The South Side on Lamar Development is just beyond the boundary of Dallas’ Cedars Tax Increment Financing (TIF) District, which covers the property on the north side of Lamar Street, but not the south side, on which the complex is located. (The site now falls within the City’s Transit Oriented Development (TOD) TIF District, however that district was not established until 2008 and did not assist with the South Side on Lamar redevelopment. See Figure ##.) Neighboring projects, many of which have also been developed by Matthews Southwest or were developed in response to the momentum at South Side on Lamar, have taken advantage of TIF funds. The Cedars TIF District was approved in 1997, the same year the Sears Street Complex was purchased, in an effort to extend the Central Business District (CBD) of adjacent Downtown Dallas toward the new DART Cedars Station by “using public investment to attract and underwrite private investment” (Cedars TIF District 2011, p. 4). A term extension was authorized in 2012, extending the TIF district until December 2022 and increasing TIF funding.

The Cedars TIF District places requirements upon developers wishing to use TIF funds to make public improvements to their properties, including an affordable housing requirement and a Business Inclusion Development Plan (Cedars TIF District 2011, p. 18-19). The affordable housing stipulation requires all projects using TIF funds to provide 20 percent affordable units, based on the 80 percent area median income for the Dallas metropolitan area. All projects must also abide by the City’s Business Inclusion Development Plan by meeting goals for certified Minority and Women-Owned Business participation in publicly funded infrastructure projects.

**Historic Tax Credit and Abatement**
The site is listed on the National Register of Historic Places and as a City of Dallas Landmark, making it eligible for both Federal Historic Tax Credits and local historic tax abatements, which together represented $15 million in project funding (Galley 2003, p. 7). The ten-year historic tax abatement from the City of Dallas (Chacko 2011) contributed an estimated $9,205,352 in project savings (Bright 2003). Although this tax abatement supported the feasibility of the project, it was projected to have a negative direct fiscal impact on City revenues, even after revenue generated by new residents and tenants was accounted for, when considering the forgone property taxes and the increased costs to the City to provide infrastructure, services, and schools for the area (Bright 2003). The potentially positive fiscal impacts to the City stemming from catalyzed nearby development were acknowledged but not calculated in the study.

**PROJECT OUTCOMES**
The former Sears warehouse complex has been completely transformed as the mixed-use South Side on Lamar development with one million square feet of residential, 100,000 square feet of office, and 10,000 square feet of retail space (City of Dallas 2003). The site now features: 455 loft residences; retailers; a full-service grocer; a mix of high- and low-end restaurants and bars; two art galleries; twelve artists’ studios; a KIPP Charter School; Dallas County Community College District facilities; 31 office tenants; a 2,100-person music hall; a country music dance hall; a movie theater; and a ballroom (South Side on Lamar 2015).

The redevelopment of the Sears Roebuck and Co. warehouse in 2000 catalyzed
ongoing development in the South Side neighborhood, much of which has been developed by Matthews Southwest. The company has developed a total of nearly two million square feet in the neighborhood (Perez 2015). The activity surrounding the Sears complex has resulted in the redevelopment of most of the other older, industrial buildings along Lamar Avenue, but Matthews says he won’t be done developing the neighborhood for a long time (Brown 2014). Now, newly built, infill development leverages the energy and authenticity created by the adaptive reuse projects. Nearby developments that followed South Side on Lamar include:

**NYLO Dallas**
NYLO Dallas opened in 2011 as a boutique hotel, offering 76 rooms in a refurbished coffin factory. The hotel, another Matthews Southwest project, features a restored façade, a rooftop pool and bar, an eclectic loft design, and sustainable elements that earned it LEED Gold status (NYLO Hotel 2016).

**Gilley’s**
Gilley’s, a 112,000-square-foot, $18 million country western entertainment complex, opened in 2003 in the neighboring former Schepps dairy factory (Galley 2004, p. 7).

**Belleview Apartments**
Matthews Southwest developed a new, $24 million, 164-unit apartment complex in 2014, located a few blocks from the Sears complex. This development provides workforce housing, with units starting at $500 per month. “We wanted to build a place where the people who work in the hotels and the restaurants can afford to live,” said Matthews (Brown 2014).

**The Beat**
The Beat is a 75-unit, upscale condominium development from Matthews Southwest, located a block from South Side on Lamar. It promotes its proximity to a DART station and the dining, live music, and cultural amenities of the South Side neighborhood as key selling points (The Beat Lofts 2016).

**South Side Flats by Jefferson**
The South Side Flats are 290 new, market rate apartments currently under construction. The complex boasts its location in the South Side neighborhood as a key selling point, billing it as an “art-centric, urban oasis,” in a historic area (Jefferson 2016).

**Row Home Development**
In March 2016, David Weekly homes, an upscale, Houston-based homebuilder, announced plans to develop a single-family residential community on Lamar Street. These three-story row homes will begin at $450,000 (Brown 2016).

**The Rivers**
Matthews Southwest has announced preliminary plans to redevelop a 60-acre, $400-million project extending the South Side neighborhood toward Downtown Dallas, but has not yet released a site plan or detailed project program (Carlisle 2014).

According to the Cedars Tax Increment Finance District 2014 Annual Report, the most recently available volume, 648 residential units had been completed since 1997 and 472 additional units were under construction in the Cedars neighborhood, together representing 160 percent of the District’s multifamily housing development goal. (These figures do not include the 455 units in the South Side on Lamar property, which is located on the other side of the street from the district.)
DALLAS TIMELINE

1910: Dallas Sears Catalog Merchandise Center designed by Lang & Witchell
1913: Adjacent, nine-story Sears office building constructed
1925: Two-story Sears retail store opened nearby
1929: Constructed an addition to the original warehouse
1929: Constructed a second addition to the original warehouse
1929: Constructed a second addition to the original warehouse
1966: Constructed a second addition to the original warehouse
1980s: City of Dallas considered purchasing the buildings
1983: Dallas Area Rapid Transit (DART) plans to locate Cedars Station on Belleview Street, a block east of the Sears buildings
1993: Sears regional office closed and building became vacant
1995: Sears buildings under contract by Southwest Properties, but the deal fell through
1996: PanAmerican Capital Corporation had the buildings under contract, but the deal fell through
1996: DART Cedars Station opened
1997: Matthews Southwest acquired the Sears Lamar Street Complex for $2.1 million and began renovations
1997: Cedars Tax Increment Financing District approved
1997: Building designated as a National Historic Landmark
1999: Building designated as a National Historic Landmark
2000: Redeveloped mixed-use facility, South Side on Lamar, opens including 457 loft apartments
2001: Broke ground on the Jack Evans Police Headquarters on donated land across the street from the site
2002: Won a historic rehabilitation award from Preservation Texas
2003: Jack Evans Police headquarters opened (360,000 sf, $65 million building, 1,300 employees)
2003: Giley's 92,000 sf country music dance hall opened on the site
2011: Matthews Southwest proposed to restore the neighboring Dallas Coffin Co. building as a hotel
1. Historic Sears warehouse (Source: Western Architect 1914); 2. Original rooftop Sears sign (Source: Dallas Library); 3. Interior prior to renovation; 4. Site context prior to renovation; 5. Warehouse complex redeveloped as South Side on Lamar (Source: South Side on Lamar); 6. Newly constructed Jack Evans Police Headquarters, built on donated land adjacent to the property (Source: Dallas Police Department); 7. Renovated loft apartment (Source: Turner Construction); 8. Renovated event space (Source: Wedding Spot); 9. South Side on Lamar rooftop pool deck (Source: South Side on Lamar)
PROPERTY HISTORY
The Minneapolis Sears, Roebuck & Co. distribution center is located in South Minneapolis’ Chicago-Lake neighborhood on Lake Street, just south of a freight rail that provided strong regional connectivity for the company’s operations. The 1.1 million-square-foot monolith remains the largest building in Minneapolis and is surrounded primarily by low-rise residential buildings. The distribution center operated from 1928 to 1994, when the facility was closed and vacated for more than a decade. After several previous attempts to renovate the property fell through, the City of Minneapolis acquired the property in 2001 and proceeded to issue a request for proposals (RFP) for developers interested in the site. In 2004, the development rights were awarded to Ryan Companies, who planned to convert it to a mixed-use development (Ryan Companies 2016).

NEIGHBORHOOD CONTEXT
The Phillips neighborhood in South Minneapolis is known for its diverse mix of nationalities and residential, commercial, and institutional land uses (City of Minneapolis 2016). Prior to the redevelopment, the neighborhood had a poverty rate of 31.9 percent, an unemployment rate of 12.4 percent, and a median household income of $21,353, 44 percent of that of surrounding neighborhoods (Phillips Neighborhood Network 2000).

LEFT: Sears, Roebuck & Co. Mail Order Distribution Center in Minneapolis, Minnesota redeveloped as Midtown Exchange. (Source: Mapio)
Ryan Companies hoped the project would become, “a vital, contributing cornerstone of the community, bringing together jobs, homes, and activities that will have a positive impact on the Midtown district,” according to vice president of development Rick Collins (Ryan Companies 2004). The development was planned to include a variety of uses that would provide spaces to live, work, and play.

**FINANCING**
Project costs totaled $190 million (National Trust for Historic Preservation 2006), and were funded through a financial package that included developer equity, federal Historic Preservation Tax Credits, New Markets Tax Credits, Low-Income Housing Tax Credits, and local grants and loans.

**REDEVELOPMENT STRATEGY**
The project’s anchor tenant is Allina Hospitals and Clinics, Minnesota’s largest nonprofit healthcare provider and the occupant of 418,000 square feet of office space in the building. Other tenants include 12,000 square feet of retail space, a full-service Sheraton hotel, a 10,000-square-foot Hennepin County Service Center, 1,900 parking spaces, and a 71,000-square-foot public market and business incubator called Midtown Global Market (MGM), a project of the Neighborhood Development Center and its nonprofit partners. MGM supports 60 aspiring entrepreneurs, many recent immigrants and low-income residents, to grow small businesses and focuses on international food and crafts. The development also includes 219 apartments, 88 condominiums, and 57 townhomes. Of the apartments, 28 percent are affordable at 50 percent area median income (AMI), 52 percent are affordable at 60 percent AMI, and 20 percent have no income or rent restrictions (Midtown Exchange 2016).

**PUBLIC PARTNERSHIPS**
Having owned and issued the RFP that began the project, the City of Minneapolis was involved throughout the redevelopment process. In partnership with the developers, the Department of Community Planning and Economic Development expedited the site plan and development review processes, facilitated environmental clean up grants, and provided project financing (City of Minneapolis 2010).

**Affordable Housing Trust Fund**
The project received $5 million from the City’s Affordable Housing Trust Fund (Ascierto 2007), which offers deferred payment loans for 20-year terms with a 1 percent simple interest rate (City of Minneapolis 2004). The allocation was the largest in the trust fund’s history at ten times the average award of $500,000.

**Federal Historic Preservation Tax Credit**
The project was awarded $15.08 million in historic preservation tax credits, which were purchased by U.S. Bancorp (Neighborhood Development Center 2006). The equity from the credits can be used to reimburse for eligible expenses related to historic preservation (Midtown Exchange 2006).

**New Markets Tax Credit (NMTC)**
Midtown Exchange received $17.05 million in New Markets Tax Credits, $8.15 million of which was provided through the Midwest Minnesota Community Development Corporation (Erickson 2011). The New Markets Tax Credit is a federal initiative designed to help revitalize low-income neighborhoods by providing capital for job-creating projects that locate in distressed areas (LIIF 2015). The funds function as gap financing, helping developers to profit on projects that would not typically break even using traditional financing. Tax credits are sold to equity investors, and the equity generated is invested in new developments. The credits are administered through community development entities (CDEs), agencies that compete for federal allocations and in turn allocate the credits to qualified projects (Bailey 2015).

**Low-Income Housing Tax Credits (LIHTC)**
Sherman Associates, the developer of the multifamily component of the project, received a $14.5 million equity contribution from the sale of 4 percent annual low-income housing tax credits, syndicated by PNC MultiFamily Capital (Midtown Exchange 2006).

**Community Development Block Grant (CDBG)**
The project received $3.2 million in Community Development Block Grant funds from the U.S. Department of Housing and Urban Development (U.S. HUD 2006). The funds were used toward the construction of housing units and to provide low-interest loans to Midtown Global Market business owners.
Brownfields Revolving Loan Fund
Hennepin County provided $250,000 from the U.S. Environmental Protection Agency’s Brownfields Revolving Loan Fund program to facilitate site remediation (U.S. EPA 2006).

Tax Increment Financing
The project received approximately $20 million in funding from the Lake Street/Sears Center Tax Increment Financing (TIF) district, which were used for eligible costs, such as demolition, environmental work, public improvements, or historic preservation (Midtown Exchange 2006). The TIF district term extends to the year 2031 (City of Minneapolis 2005).

Empowerment Zone
The City indirectly supported the development by providing loans for a signature tenant, Midtown Global Market (MGM), through the Minneapolis Empowerment Zone (EZ) program. The program allocates funds to “projects, programs, services and businesses that will benefit the residents of the EZ area” (City of Minneapolis 2008, p. 2). The loan funds were used to make microloans to MGM tenants to purchase equipment and build out their spaces.

Public Improvements
Midtown Exchange benefitted from a local infrastructure project that coincided with the redevelopment, the creation of the Midtown Greenway beginning in 2000. Through a rails-to-trails conversion, a 5.5-mile stretch of the railroad corridor that once facilitated the distribution center’s movement of freight now moves Minneapolis residents throughout the city by foot and by bike. The trail passes directly by Midtown Exchange, providing nonmotorized access to the site and entertainment for the patrons of restaurants on the property, which have created outdoor dining areas facing the greenway (Midtown Greenway Coalition 2016).

PROJECT OUTCOMES
Midtown Exchange was awarded the National Trust for Historic Preservation’s 2006 National Trust/Housing and Urban Development Secretary’s Award for Excellence in Historic Preservation, the National Association of Industrial and Office Properties (NAIOP) Award of Excellence for Best Repositioned/Renovated Over 100,000 SF, and numerous other awards. The National Trust for Historic Preservation credits the project for having “given new life not only to [the] historic structure, but also to a community that was beginning to lose hope” (Ryan Companies 2016). The project had an acute impact on area crime rates; within six months of the project’s opening, crime in the surrounding 16-block radius fell by 30 percent (Ascierto 2007). All of the original anchor tenants remain active in the property to this day. The Midtown Global Market has strong occupancy and revenue generation, and is moving towards subsidy-free operations (Roper 2014).

Despite these and other positive indicators, the overall neighborhood effects to date have been put up for debate in a study of neighborhood perceptions conducted by the McKnight Foundation Region & Communities Program in 2014. The report analyzed interviews with more than 30 community and business stakeholders and found, “the consensus view is that East Lake Street has done ‘okay’ since the opening of the Midtown Exchange complex and Midtown Greenway, but that the expected benefit to the area has not materialized” (Waters 2014, p. 2). Since 2005, the neighborhood has seen $48 million in City investment, $30 million in street improvements from Hennepin County, and an investment of $700 million in property redevelopment (including the $190 million Midtown Exchange project), with the highest intensity of new development occurring along the Midtown Greenway. Commercial property values have increased and stabilized, though vacant storefronts remain prevalent. More than 25 percent of neighborhood residents continue to live below the poverty line (Waters 2014, p. 5). A repeated refrain from interviewees was that after the initial development of the Midtown Exchange and Midtown Greenway, the City and County shifted their focus to other neighborhoods and local organizations were not working together effectively, so there has not been a continuous, concerted effort to improve the area. The findings suggest that although Midtown Exchange reanimated a key anchor and contributed to the neighborhood economy, it alone did not sufficiently revive the area.
MINNEAPOLIS

MINNEAPOLIS TIMELINE

1928: Building constructed
1994: Distribution center closed
2000: Construction of the Midtown Greenway began
2001: City of Minneapolis acquired the property
2003: City of Minneapolis issued a Request for Proposals to redevelop the property
2004: Ryan Company awarded development rights to the property and began construction
2005: Property listed on the National Register of Historic Places
2006: Midtown Exchange opened
MINNEAPOLIS

1. Aerial view of Sears distribution center circa 1928; 2. Multilevel atrium prior to renovation (Source: Minnesota Public Radio); 3. Midtown Exchange site rendering (Source: Midtown Community Works); 4. Redeveloped Midtown Exchange (Source: Ryan Companies); 5. Ground floor approach to Midtown Exchange (Source: Climate Master); 6. Site connection to the adjacent Midtown Greenway; 7. Midtown Global Market (Source: Allied Sober Living); 8. Newly constructed Sheraton on site (Source: Trip Advisor); 9. Allina Commons lobby (Source: Ryan Companies)
PROPERTY HISTORY

The 2.1 million-square-foot Sears building in Atlanta, built in 1926, is the largest brick structure in the Southeast. In 1989, Sears closed the facility and sold the building to Coldwell Banker Commercials. The City purchased the property for $12 million in 1990, but proceeded to occupy only 10 percent of the building with government offices known as City Hall East (Brown 2011). The City decided to sell the property to relieve its financial burden, receiving interest from several parties and placing it under contract unsuccessfully once before selling it in 2011.

The Morsberger Group et al.

In 2007, a development team put a contract on the property for $33 million, intending to recreate the space as Ponce Park, a $375 million mixed-use project. The team included The Morsberger Group, Adams & Co, The Integral Group, Lane Investment & Development, and the Atlanta Neighborhood Development Partnership. Their proposal included 170,000 square feet of retail, 140,000 square feet of office, and 1,116 residential units. The developers put down $1 million on the building, but the contract was stalled as they waited for the previous tenant, City Hall East, to vacate the property and to settle a lien on the property (Scruggs 2007; Atlanta Rail Corridor 2016). With the sale stalled and the economic recession in full swing, the Morsberger Group decided to walk away from the project.
Jamestown Properties
In 2011, Jamestown Properties successfully purchased the property from the city for $27 million, planning to develop a mixed-use development similar to its Chelsea Market property in New York City (Brown 2011). The City supported the redevelopment efforts, seeing it as “transformational for that area of Atlanta” (Brown 2011).

NEIGHBORHOOD CONTEXT
Atlanta’s Old Fourth Ward neighborhood is famed as the home of Dr. Martin Luther King, Jr. and holds a number of nationally significant Civil Rights landmarks. The intown neighborhood fell into a state of decline in the 1960s, as middle-class residents fled to the suburbs, leading to disinvestment (Hensley 2015). Characterization of the neighborhood prior to redevelopment was mixed. A New York Times article described it as, “motley assortment of restaurants, underground dance halls, and a strip club a few miles northeast of downtown” (Brown 2011). However, the area had already seen development activity prior to the redevelopment of the Sears building. A Whole Foods, Home Depot, and other major retailers occupy a shopping plaza across the street from the site, and developers had been purchasing nearby properties with plans for residential developments (Scruggs 2007).

DEVELOPMENT VISION
The development team saw the property’s position at the center of Atlanta’s flourishing Midtown, Old Fourth Ward, Inman Park, and Virginia Highlands neighborhoods as an opportunity to make it into, “the emerging centerpiece of the city’s east side” (Bedford 2012). The mixed-use development would include restaurants, retail, office, and loft residences, all integrated with the neighboring Atlanta BeltLine trail.

FINANCING
Jamestown Properties closed on the property for $27 million in 2011, paying $15.5 million at the time of closing and the remainder of the payments made to the city over time as the development meets predetermined milestones (Bedford 2012). The total investment is estimated at $200 million (Sams 2015), which the company initially funded entirely as out-of-pocket equity (Reid 2014). $50 million in federal Historic Tax Credits were awarded in 2011, with stipulations that the design would be pedestrian-oriented (National Trust for Historic Preservation 2014; Weible 2013). The project’s $180 million construction loan, issued in 2014 by PNC Bank, SunTrust Bank, and JP Morgan, was the largest construction loan in the city of Atlanta since the economic recession.

REDEVELOPMENT STRATEGY
Ponce City Market features a vertically integrated mix of uses, including 300,000 square feet of retail and restaurants, more than 500,000 square feet of Class A office space, and 250 residential units (Bedford 2012). A parking garage was created within the existing structure, providing 2,000 spaces (Brown 2011). The Central Food Hall is the social center of the project, with an array of local food vendors, sit down restaurants, and communal dining spaces. Most of the restaurants and some of the stores are locally owned, though the majority of stores are high end national retailers, like Williams-Sonoma, West Elm, Anthropologie, J. Crew, and Lululemon. Office tenants include tech companies like MailChimp, Cardlytics, Athenahealth, and Twitter. Other tenants include a preschool, a technology training company, and a rooftop amusement park (Kahn 2016).

The renovation retained the building’s key historic characteristics, like the original maple floors and steel-framed windows (Bedford 2012). The developers wanted the building to maintain an authentic feeling with a sense of history, so they took “paining taking care not to clean it up too much, not to strip the patina away from the building,” according to Jim Irwin, senior vice president of development for Jamestown Properties (Weible 2013). Their high standard for design is meant to create “spaces that will surprise and delight people” (Kahn 2016).

Sustainable Design
Sustainable construction and operation practices were at the forefront of the Ponce City Market design scheme, and the developers are currently seeking LEED Core and Shell Silver certification. The project uses highly efficient HVAC system; sub-metered electrical panels for tenant energy use; waterless urinals and low-flow fixtures; energy-saving LED lighting; reclaimed rainwater for site irrigation; and restored windows that provide 10 to 15 percent annual energy savings. (Jamestown Properties 2016b). The designers used as many original materials as possible, salvaging and repurposing some pieces into sculptures
and other decorative elements.

The design encourages patrons to utilize alternative means of transportation. Building entrances are oriented to the street, providing dignified entrances for pedestrians. The site is also located alongside the Atlanta BeltLine Eastside Trail, a former railroad converted to a pedestrian and bicycle trail in 2012. The two-mile trail is meant to be the first segment of a 22-mile loop forming an “emerald necklace” around the city and connecting its neighborhoods through active transportation infrastructure. Jamestown leveraged this proximity by creating a convenient, distinctive pedestrian bridge and entrance to the project directly from the trail, complete with 400 bike parking spaces, a bicycle valet service, changing facilities, and showers for customers arriving by bike. A free shuttle is provided to take users to and from the North Avenue MARTA Station, a rail and bus transit hub 1.3 miles to the west. For those who do choose to drive to the site, preferred parking spaces and electric charging stations are provided for drivers with low-emission vehicles (Jamestown Properties 2016a). The project manages parking demand and discourages driving by not providing any free parking on site, a practice unusual by Atlanta standards. The first dollar from every parking session will be donated to the Atlanta BeltLine’s Light the Line campaign, a fundraising effort to provide adequate lighting for the trail and further enhance its pedestrian utility (Kahn 2016).

PUBLIC PARTNERSHIPS
The majority of the project was privately funded by Jamestown Properties, though it did receive some public financial support through historic tax credits and public improvements, and has made an effort to contribute to neighborhood efforts.

Federal Historic Tax Credits
Ponce City Market received $50 million in federal Historic Tax Credits, equivalent to 20 percent of the certified rehabilitation costs for the project (Hudson 2014). The funds were used toward the restoration of the brick façade, glass panes, original maple floors, and the elevated rail bridge that now ushers pedestrian into the development from the BeltLine.

State Historic Tax Credit
The project received a $300,000 state historic tax credit for the property (Hudson 2014).

Public Improvements
The City of Atlanta, the nonprofit Atlanta BeltLine, Inc., and Ponce City Market have committed to infrastructure improvement projects that will enhance the efficiency and experiential quality of the pedestrian experience surrounding Ponce City Market (Pendered 2015). In 2015, Invest Atlanta, the city’s development arm, approved plans for $1.3 million complete streets improvements along Ponce de Leon Avenue; $875,400 toward the North Avenue Plaza; and $230,000 for traffic signal upgrades on North Avenue. These improvements will be made in conjunction with investments from Jamestown Properties and anticipate a completion date of June 2018.

Events held at Ponce City Market, like the Party on Ponce concert and food festival, have benefitted local organizations like the Atlanta BeltLine Partnership, Georgia Organics, Atlanta Bicycle Coalition, the Museum of Design Atlanta, and others (Flynn 2015).

PROJECT OUTCOMES
Jamestown estimates the project will have a $1 billion economic impact on Atlanta’s eastside neighborhoods and generate 1,850 permanent jobs (National Trust for Historic Preservation 2014). It received the Marguerite Williams Award from the Georgia Trust for Historic Preservation, which recognizes the project that has had the greatest impact on preservation in the state (Darnell 2016).

Office space has leased up faster than the development team expected. According to Jamestown Properties CEO Matt Bronfman, much of the success of the office product has to do with the current trend in office design moving toward open floor plans and collaborative spaces, and a preference for locating on a single floor rather than multiple floors of an office tower, a trend that falls in line with the building’s big, open floor plates (Harrison 2015). The building’s historic character and attention to detail meet tenants’ desires for more authentic workspaces, and its location along the BeltLine helps satisfy employee demand for walkable locations (Weible 2013). This level of demand has placed the office rental rate amongst the highest in the metro area at $38 per square foot (Sams 2016).
In 2012, the Atlanta BeltLine opened the Eastside Trail and Historic Fourth Ward Park, a public park and stormwater management facility. These infrastructure investments coincided with the renovation of Ponce City Market, the combined forces of which have led to considerable development activity in the surrounding neighborhood. There were two total building permits issued in the neighborhood in 2009, two years prior to the acquisition; in 2013, two years after the acquisition, there were 38 (Rypkema 2014). Owners of the plaza adjacent to Ponce City Market on the east side of the BeltLine, currently home to a Kroger grocery store, loft apartments, and small retailers—announced plans in January 2016 to undertake a $140 million redevelopment of the site as 725 Ponce. The developer on the project is New City, a company founded by Jim Irwin, who led the Ponce City Market redevelopment at Jamestown Properties. The 12-story project will relocate the existing Kroger and add 360,000 square feet of office space in a design oriented to the BeltLine (Sams 2016). Another new, nearby development, 525 North, will bring in an additional 500,000 square feet of office space designed as a faux old warehouse (Hensley 2015).

This level of development has made the Old Fourth Ward neighborhood one of Atlanta’s poster children for gentrification. Since 2012, hundreds of millions of dollars have been invested in 1,176 new, market rate multifamily housing developments, including the Flats at Ponce City Market (207 units), 755 North (227 units), AMLI Ponce Park (244 units), Camden Fourth Ward (276 units), Alexan on Krog (222 units). Another 290 units had been proposed as of 2015, including North & Line (228 units), Anthem (244 units), 608 Ralph McGill Boulevard (268 units), and Edgewood Avenue and BeltLine (250 units) (Hensley 2015).

A study published by Governing in 2015, which defined gentrification as a Census tract with income and median home values in the bottom 40th percentile at the beginning of a decade moving to the top third percentile of both categories (Governing 2015). According to the study, the Old Fourth Ward neighborhood (Census Tract 17) gentrified in both the period from 1990 to 2000 and in the period from 2000 to the present. Median home values increased 28 percent from 1990 to 2000, and another 119 percent from 2000 to 2013, the most recently available data at the time of the study. However, Old Fourth Ward was not alone; 16.7 percent of eligible Census tracts gentrified from 1990 to 2000 and 46.2 percent did from 2000 to 2013. In the most recent period, though, the Census Tract 17 median home value escalation of 119 percent was significantly higher than adjacent tracts, which ranged from 44 percent reduction in home values (Census Tract 18) to a 26 percent increase (Census Tract 29). While these findings do not prove causation, they do suggest a strong correlation between the timeline of the Ponce City Market development, infrastructure improvements, and rapid increases in cost of living in the neighborhood, and are cause for concern over the displacement of residents. The issue has been recognized by city officials, including City Councilman Kwanza Hall, who is, “not happy that we have seen the price points of land and housing go through the roof. Affordability needs to be part of the equation” (Hensley 2015).
1. Grand Opening of the distribution center in 1926 (Source: Historic Fourth Ward Park); 2. 1953 site aerial, showing the baseball park north of the warehouse (Source: Historic Fourth Ward Park); 3. 1930s hand drawn aerial showing proposed transit to Sears warehouse (Source: Historic Fourth Ward Park); 4. Atlanta Mayor Kasim Reed announcing the final sale of City Hall East to Jamestown Properties for conversion to Ponce City Market (Source: Southeast Green); 5. Renovated Ponce City Market, viewed from the Atlanta BeltLine; 6. North Avenue market entrance (Source: Jamestown Properties); 7. Athenahealth office space; 8. Ponce City Market Food Hall (Source: Jamestown Properties); 9. Rooftop amusement park (Source: Jamestown Properties)
PROPERTY HISTORY
Sears, Roebuck & Co. opened a mail order distribution center in Memphis, Tennessee, a national logistics hub, in 1927. The 1.5 million-square-foot building on an 18-acre site in the Crosstown neighborhood, just east of downtown. The Art Moderne building was originally designed by George C. Nimmons and expanded five times by 1965 to reach its present size, making it larger than the Chrysler Building in New York City and 25 percent larger than Amazon’s largest fulfillment center (Minervini 2015). The facility operated as a distribution center until 1993, when it became one of the first to be shut down as a result of Sears’ corporate restructuring. It has remained vacant ever since, until recent redevelopment efforts have breathed new life into the building after more than 20 years.

The latest incarnation of the site, dubbed the Crosstown Concourse, has been made possible through a shared community vision and backed by investment partners with a desire to revitalize the neighborhood. The project is co-led by Dr. Todd Richardson and McClean Wilson, a developer with Memphis-based Kemmons Wilson, Inc. Richardson is a professor of European Renaissance Art at the University of Memphis, making him a less than traditional leader for a massive real estate development undertaking. His involvement began through a conversation with the Sears building’s owner, Staley Cates, president and chief investment officer of Southeastern Asset Management, and his wife, Elizabeth, who had purchased the building in 2007. They wondered,

LEFT: Vacant Sears, Roebuck & Co. Mail Order Distribution Center in Memphis, Tennessee, prior to groundbreaking on the Crosstown Concourse development. (Source: Isaac Singleton)
“What is something amazing could happen at Sears Crosstown, and arts was the catalyst?” (University of Memphis 2015). Inspired by the idea, the Cates donated the building to the Crosstown Concourse project. According to Mr. Cates, “People were telling us not to waste our time and to tear it down and on and on, but the reality is it’s a massive building in the middle of our city that is incredibly located, it’s got this great history, iconic status, beautiful Art Deco design, and we decided we’ve got to take a crack at it or it’s going to be torn down” (Maki 2015).

NEIGHBORHOOD CONTEXT
The closure of the Sears, Roebuck & Co. warehouse had a devastating effect on the surrounding Crosstown neighborhood, composed primarily of residential and neighborhood commercial uses. According to Richardson, “within five years, all the buildings around it were abandoned” (Scott 2015). The building would remain a looming, vacant eyesore to the neighborhood for 20 years. The closure of the distribution center coincided with a regional population shift in the 1980s, when many of the middle and upper class white residents moved eastward toward the suburbs. The combination of the loss of employment from the center and the broader social and economic trends left the area with high rates of unemployment and poverty for decades. At the onset of the redevelopment project, the neighborhood had an unemployment rate above 30 percent and a poverty rate three times the citywide average (University of Memphis 2015). The neighborhood is notably home to a significant local refugee population, thanks to the work of Catholic charities, which have helped relocate refugees for the past 30 years, often finding homes for families in the Crosstown area (Whitfield 2015).

DEVELOPMENT VISION
The vision and development model for Crosstown are uniquely collaborative and community-oriented. The project team prides itself on being a, “collective spirit, the coming together of a lot of people who believed in the idea, as farfetched as it may have seemed” and insists it is, “not just about renovating a building, but also about building a community” (Assink 2015). The goal of the project is not only to generate economic returns, but really, principally to support the Crosstown residents. “Simply put,” said Richardson, “if the development is a commercial success, but the community remains poor and underserved, then we’ve failed” (Construction Equipment Guide 2015).

FINANCING
A patchwork of financing sources were used to meet the project’s $200 million budget, including more than 30 private, public, and philanthropic financing sources (Maki 2014). Sources include the donation of the property, $25 million in commitments for philanthropic donations; $85 million in traditional debt financing, including an $80.5 million senior loan from SunTrust Bank; $45 million in historic tax credits (Bailey 2015); $56 million in New Market Tax Credits (LIIF 2015); $15 million from City of Memphis; $5 million from Shelby County; and a $35 million equity investment from Goldman Sachs (Maki 2014). The Cates donated the property itself, and the profits from the project will be reinvested back into the development, funding things like the buildings long-term upkeep, small business startup grants, and façade renovations (Morris 2015).

The public and philanthropic financing for the project will allow the developer to charge below-market rates to education, health, and community-based organizations (LIIF 2015). The project’s creative financing was honored by the Novogradac Journal of Tax Credits as the Community Development Qualified Low-Income Community Investment of the Year Award for the real estate category. The project was selected for its “huge and transformational community impact,” its scale, and the complexity of its finances (Bailey 2015).

REDEVELOPMENT STRATEGY
Crosstown Arts, a 501(c)3 nonprofit organization, was created in 2010 to initiate the redevelopment of the Sears building as a vibrant neighborhood hub. In addition to its development capacity on the Sears project, the organization also programs cultural events and curates a neighborhood art gallery, which will become a tenant of the project. The redevelopment process officially launched in 2012, when the founding tenants came onboard, and project financing was secured in 2014 (Assink 2015).

Several explicit goals were used to evaluate project direction and success: promoting health and well being; fostering curiosity, discovery, and imagination; creating a sense of interconnection and exchange; and remaining sustainable (LIIF 2015). The development is centered on these concepts of health and wellness, anchored by three industries core to the Memphis economy and culture: healthcare, arts, and education. In all, the project
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will include 60,000 square feet of ground floor retail, 600,000 square feet of commercial and office space, and 270 loft-style apartments. This new “vertical urban village” will feature major tenants, including the Church Health Center, Methodist LeBonheur Healthcare, St. Jude Children’s Research Hospital, ALSAC, Memphis Teacher Residency, Rhodes College, Crosstown Arts, Christian Brothers University, Southern College of Optometry, Goodwill Excel Center, V02 Networx (a Memphis-based IT company), a high school, an art gallery, a grocery store, a teaching kitchen, shared art labs, a technology training center, and a fitness center (Arnold 2014a). Forty percent of the residential units have been set aside for founding tenants to support initiatives like the Crosstown Arts artists-in-residence program (12 units), fellows and visiting doctors for St. Jude Children’s Research Hospital (25 units), employee housing for the Church Health Center (10 units), and affordable homes for teachers in training with the Memphis Teacher Residency program (55 units) (Faber 2015).

The intent is to create more than a typical, mixed-use environment, with a variety of adjacent users coexisting in close proximity to one another. Richardson says, “what inspired our founding tenants was the possibility of interweaving programming and resources, even sharing space” (Morris 2015). Not only were tenants selected that would feed off each other, he interior design has also been crafted to encourage both intentional and spontaneous interactions. The developers envision the art gallery functioning as a waiting room for the medical offices, three common atriums as shared programming space, and the commercial and institutional tenants as hands on learning labs for students. The entire site is being designed to minimize barriers to access and invite people into the site, “to promote openness, interconnection, and unbounded exchange” (Hill 2015).

Community Involvement

The team’s efforts in the Crosstown neighborhood began before its involvement with the Sears building itself, led in large part by Crosstown Arts. In addition to their regular events, like public lectures and art exhibitions, the developers formally engaged in thousands of community conversations throughout the visioning stage of the project in order to better understand what made sense for the neighborhood, changing course on the project based on feedback. Richardson admits that process was difficult and at times a setback, “but the end results were better than anything we had previously imagined” (Assink 2015). The team viewed the project as a process of collaborative discovery, relying on the ideas contributed by community members to fill out the vision.

As an official public launch to the redevelopment project, the team partnered with the Mayor’s Innovation Team; Crosstown Arts; Livable Memphis; Memphis Light, Gas, and Water; and the Memphis Regional Design Center to host MEMFix Crosstown, a tactical urbanism event. MEMFix events have been held in other areas throughout the city as a way to demonstrate what the enlivened space could feel like and built momentum for revitalization projects. The MEMFix Crosstown event, held in November 2012, featured temporary street improvements, bike lanes, crosswalks, pop up retail, food trucks, activities, and live music. More than 100 volunteers helped organize the event, which spanned beyond the Sears site to cover two neighborhood blocks and paint a picture of the potential neighborhood impact.

Neighborhood residents have shown their ongoing support of the project through participation in both stakeholder workshops and project events. At the groundbreaking celebration, more than 1,200 residents showed up on a cold and rainy day to usher in a new era for their neighborhood, gathering for food trucks, live music, and talk of what Crosstown might now become (Construction Equipment Guide 2015).

Sustainable Design

Sustainable design strategies have been central to the redevelopment, which will achieve LEED certification. In addition to saving building material through adaptive reuse, the team went to painstaking lengths to salvage every bit of discarded material it could. They have recycled more than 10 million pounds of metal from the building, in the form of discarded fixtures, like radiators. This metal has been melted down and thoughtfully forged into medallions designed by local artisan at Memphis’ Ornamental Metal Museum. These medallions feature the project logo and will be used as embellishments throughout the building (Crosstown Concourse 2016). Other design elements, such as stack ventilation and radiant surface cooling, will help reduce the building’s energy footprint (LIIF 2015).
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PUBLIC PARTNERSHIPS
Strong city, county, and federal support made the Crosstown Concourse project possible. Officials recognized the difficulty of the undertaking, particularly in Memphis, and were eager to see it move forward. According to Mayor AC Wharton, “You better believe that on a project like this, there are more red lights than green lights. We don’t have laws that just push and encourage this” (Morris 2015).

New Market Tax Credits
The project received $56 million from the New Market Tax Credit program. Crosstown Concourse applied to and received funds from multiple Community Development Entities: Low Income Investment Fund, Mid-City Community CDE, DV Community Investment LLC, SunTrust Community Development Enterprises LLC, MidWest Renewable Capital, and National Trust Community Investment Corps.

Brownfields Economic Development Initiative (BEDI) Grant
Crosstown Concourse was awarded a $6 million Brownfields Economic Development Initiative grant, which could be applied to activities that “1) benefit low and moderate income persons; 2) prevent or eliminate slums or blight; or 3) address imminent threats and urgent community needs,” typically used for land writedowns, site remediation costs, or loan financing for brownfields projects (U.S. HUD 2016). These funds were part of the City’s $15 million grant commitment to the project (City of Memphis 2014).

Minority-Owned, Women-Owned, and Local Businesses
The project was awarded a 20-year payment-in-lieu-of-taxes (PILOT) through Memphis’ Center City Revenue Finance Corporation (Corbet 2016). The agreement required 20 percent of overall construction spending go to minority and women-owned local businesses, a benchmark the project exceeded, with 29 percent of spending going toward minority- and women-owned contractors (Thomas 2016). The developers shared the city’s vision on this point and were intentional about involving small, local businesses. Recognizing a project of this magnitude was beyond the capacity of most locally owned contractors, they divided the project into 11 smaller, more manageable sections. The organizational effort required to coordinate this structure added an estimated three to four months to the pre-bid preparation process, but the developers feel it was worth it and wound up hiring nearly 100 percent local contractors.

City Funding
Additional contributions from the City include $1.5 million from the Public Works Division for street improvements; $500,000 from Memphis Light, Gas, and Water for street lighting; and $950,000 from the city stormwater fund (Connolly 2013).

PROJECT OUTCOMES
The Crosstown Concourse is still under construction, expected to open in early 2017. Tenant demand for the project appears to be strong, with 90 percent of the office space already pre-leased as of October 2015. The project is estimated to create 1,000 construction jobs and $36 million in construction wages; 800 permanent jobs with $50 million in wages; 262 housing units; support 125,000 health care patients annually; and host 2,500 students and teachers (LIIF 2015). Initial projections value the broader, indirect economic impact of the project at $330 million (Whitfield 2015). The team hopes the redevelopment and the 3,000 daily users it brings in will support neighboring businesses along Cleveland Avenue, the neighborhood’s primary, though languishing, commercial area. They claim the project is not about gentrification. Dr. Scott Morris, founder of the Church Health Center, says supporting gentrification would be a “dealbreaker” for the tenant and believes, “this is about the people who live there now, not driving them out—but giving them more hope and giving them more opportunity” (Dries 2015). Still, it has already had an impact on nearby residential real estate, which has seen a significant increase in home prices and owners receiving unsolicited offers from speculative buyers looking to invest in the area (Bailey 2015b). While the project’s ultimate impacts on the surrounding neighborhood have yet to be determined, it is already clear that the project has shifted Crosstown’s direction moving forward, hopefully for the better.
MEMPHIS TIMELINE

1927: Sears Crosstown Facility constructed
1983: Sears retail store closed
1993: Sears ceased distribution operations in the facility
2007: Memtech LLC began marketing the sale of the property
       Staley Cates, president and chief investment officer of
       Southeastern Asset Management, Inc., and his wife Elizabeth
       bought the property
2010: Crosstown Arts formed
2010: Cates and colleagues commissioned a development feasibility
       study for the site
2012: Tactical urbanism visioning event, MEMFix, demonstrated
       project potential
February 2015: Construction began on the Crosstown Concourse
       redevelopment
2017: Anticipated opening
1. Historic Memphis Sears warehouse; 2. Sears administrative employees at work in the Memphis center (Source: Crosstown LLC); 3. Vacant building interior prior to renovation (Source: Crosstown LLC); 4. Adjacent commercial buildings along Cleveland Avenue in Crosstown (facing south); 5. Community members gathered for MEMFix Crosstown, a tactical urbanism event used to revitalize the site (Source: Urban Land Institute); 6. Preliminary hand drawing of Crosstown Concourse site (Source: Memphis Business Journal); 7. Officials display project renderings at Crosstown Concourse groundbreaking (Source: Memphis Business Journal); 8. Construction underway on the center atrium (Source: Memphis Business Journal); 9. Most recent project rendering (Source: Memphis Business Journal)
LOS ANGELES (TBD)

ADDRESS: 2650 E. OLYMPIC BOULEVARD, LOS ANGELES, CA, 90023
PROJECT: TBD
DEVELOPER: IZEK SHOMOF AND LEO PUSTILNIKOV
NEIGHBORHOOD: BOYLE HEIGHTS
CENSUS TRACT: 2060.50
BLOCK GROUP: 1

PROPERTY HISTORY
Sears constructed its 1.8 million-square-foot Los Angeles distribution center in 1927 on a 23-acre site in the Boyle Heights neighborhood. The warehouse was closed in 1992, but the ground floor retail store remains in continuous operation with a 90-year lease on the site. MJW Investments purchased the property for $32.1 million in 2004, planning a mixed-use development with a $500 million budget. The developer decided not to move forward with the project and placed the property on the market in 2007. Golden Boy Partners, a real estate company owned by champion boxer Oscar de la Hoya, had a contract to purchase the property for $70 million, but the deal fell apart as the recession hit. The property finally sold in 2013 to IzeK Shomof and Leo Pustilnikov, who paid $32.1 million for the complex (Firnhaber 2013).

NEIGHBORHOOD CONTEXT
Boyle Heights is a working class, predominately Latino (94 percent) community east of Los Angeles. At 14,229 people per square mile, it is one of the densest neighborhoods in the city (Los Angeles 2016). Many of the neighborhood’s residents have historically been immigrant families (52.4 percent), though a recent wave of younger, more affluent Latinos moving back into the neighborhood has brought about the first wave of what locals call “gentefication” (Medina 2013). The term combines the Spanish word, “gente,” (meaning “people”) and “gentrification,” and refers to a more idealistic version of neighborhood growth that comes from residents investing in their own

*LEFT:* Operating Sears retail store beneath the now vacant Sears, Roebuck & Co. Mail Order Distribution Center in Los Angeles’ Boyle Heights neighborhood.
In Boyle Heights, though, as its proximity to Downtown Los Angeles and recent investments, like new light rail stations and proposed high-rise developments, are quickly increasing real estate values. Resident Alfred Fraijo articulated the balance the neighborhood is seeking, saying, “If we’re closed to outsiders, we’re going to be stuck in the past. If we can figure out how to say yes to development and history at the same time, we can really be a model for this city that hasn’t had one yet” (Medina 2013). Other residents are less optimistic, hanging large, homemade banners around the neighborhood telling gentrifiers they are unwelcome (Barragan 2015).

**DEVELOPMENT VISION**

Shomof and Pustilnikov are in the planning phase of the development, intending to convert the warehouse to a mixed-use center. Like the owners of the other distribution centers, Shomof and Pustilnikov were attracted to the scale of the building. “When I saw it on the outside, I said the size of this building can be its own community by itself,” said Shomof. “It sits over 22 acres of land, and the building is 1.8 million square feet, and that by itself is a community by itself, a town by itself” (Rudabeh 2013). They will retain the 250,000-square-foot Sears retail store on the first floor and add 99,000 square feet of retail alongside it. The second and third floors will be occupied by 250,000 square feet of creative office and workspace (Barragan 2015). Above, an estimated 1,030 units will fill floors four through ten. The developers say some units will be limited to, “artists, artisans, and designers,” though there are no initial plans to offer affordable units (Barragan 2014). The project got preliminary zoning approvals in December 2015 and currently awaits final approval before the development can move forward.

**PUBLIC RESPONSE**

The developers have begun a bilingual public engagement effort, seeking community buy in on their project. Community members have had mixed responses to the preliminary redevelopment proposal. Some are excited that the developers want to clean up a neighborhood eyesore and bring in desired amenities, like a grocery store and a movie theater. Others are more focused on fear that the project will speed up the gentrification process in their neighborhood, particularly considering the developers’ decision not to include affordable housing. Local organizations like Unión de Vecinos and Innercity Struggle have spoken out against redevelopment of the site (Rojas 2011). At a community meeting, Pustilnikov defended the value of his project despite its lack of inclusivity, stating it would, “provide housing that will appeal to Boyle Heights’ young professionals and college graduates who can afford to pay more for the type of housing and amenities they want. Otherwise, he said, they will move downtown or to other higher-income neighborhoods. We hope to keep them in Boyle Heights” (Garcia 2014). The developer has not yet announced any specific cultural programming or community benefits as part of the project, though it is still in the beginning phases of the development process.
1. Historic Sears warehouse in Boyle Heights neighborhood; 2. Gas station at historic Sears center (Source: Water and Power Associates); 3. Boyle Heights neighborhood context; 4. Rendering of the proposed redevelopment (Source: Curbed LA); 5. Rendering of proposed outdoor dining area (Source: Curbed LA); 6. Rendering shows proposed recreation space approaching the facility (Source: Bisnow); 7. Developer presents initial site drawings at community meeting (Source: Boyle Heights Beat); 8. Sign posted by neighborhood residents reads, “Ya Basta! No al desalojo! (That’s enough! No displacement! Boyle Heights Says No to Gentrification!”; 9. Boyle Heights residents march in protest of their neighborhood’s gentrification (Source: Unión de Vecinos)
<table>
<thead>
<tr>
<th>Project</th>
<th>ATLANTA</th>
<th>BOSTON*</th>
<th>CHICAGO</th>
<th>DALLAS</th>
<th>KANSAS CITY I</th>
<th>KANSAS CITY II</th>
<th>LOS ANGELES</th>
<th>MEMPHIS</th>
<th>MINNEAPOLIS</th>
<th>PHILADELPHIA</th>
<th>SEATTLE</th>
</tr>
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<tbody>
<tr>
<td>Jamestown Properties</td>
<td>Ponce City Market</td>
<td>Landmark Center</td>
<td>Homan Square</td>
<td>South Side on Lamar</td>
<td>Park Lofts</td>
<td>U.S. Post Office</td>
<td>N/A</td>
<td>Crosstown Concourse</td>
<td>Midtown Exchange</td>
<td>N/A</td>
<td>SODO Center/Starbucks Center</td>
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<tr>
<td>Status</td>
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<td>Redeveloped</td>
<td>Redeveloped</td>
<td>Redeveloped</td>
<td>Redeveloped</td>
<td>Demolished</td>
<td>TBD</td>
<td>Redeveloped</td>
<td>Redeveloped</td>
<td>Demolished</td>
<td>Redeveloped</td>
</tr>
<tr>
<td>Year Built</td>
<td>1926</td>
<td>1928</td>
<td>1905</td>
<td>1910</td>
<td>1913</td>
<td>1925</td>
<td>1927</td>
<td>1927</td>
<td>1928</td>
<td>1920</td>
<td>1913</td>
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<td>Square Footage</td>
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<td>1.1 million sf</td>
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<td>Acreage</td>
<td>16 acres</td>
<td>8.79 acres</td>
<td>41.6 acres</td>
<td>17.1 acres</td>
<td>2.42 acres</td>
<td>43 acres</td>
<td>23 acres</td>
<td>18 acres</td>
<td>11 acres</td>
<td>40 acres</td>
<td>17 acres</td>
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<td>Purchase Price</td>
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<td>$15 million</td>
<td>Donated</td>
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<td>Donated</td>
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<td>$11.6 million</td>
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<td>Redevelopment Budget</td>
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<td>$70 million</td>
<td>$60 million</td>
<td>$97 million</td>
<td>$13 million</td>
<td>N/A</td>
<td>TBD</td>
<td>$200 million</td>
<td>$190 million</td>
<td>N/A</td>
<td>$75.5 million</td>
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**TABLE 2. DEVELOPMENT COMPARISON**

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<tr>
<th>Uses</th>
<th>ATLANTA</th>
<th>BOSTON*</th>
<th>CHICAGO</th>
<th>DALLAS</th>
<th>KANSAS CITY I</th>
<th>KANSAS CITY II</th>
<th>LOS ANGELES</th>
<th>MEMPHIS</th>
<th>MINNEAPOLIS</th>
<th>PHILADELPHIA</th>
<th>SEATTLE</th>
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<tbody>
<tr>
<td>Residential</td>
<td>207</td>
<td>0</td>
<td>308</td>
<td>455 units</td>
<td>Not specified</td>
<td>N/A</td>
<td>1,030 units</td>
<td>270 units</td>
<td>364 units</td>
<td>N/A</td>
<td>0 units</td>
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<tr>
<td>Retail</td>
<td>320,000 sf</td>
<td>300,000 sf</td>
<td>0 sf</td>
<td>10,000 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>349,000 sf</td>
<td>60,000 sf</td>
<td>418,000 sf</td>
<td>N/A</td>
<td>451,705 sf</td>
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<tr>
<td>Office</td>
<td>550,000 sf</td>
<td>650,000 sf</td>
<td>0 sf</td>
<td>100,000 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>250,000 sf</td>
<td>600,000 sf</td>
<td>83,000 sf</td>
<td>N/A</td>
<td>483,487 sf</td>
</tr>
<tr>
<td>Hotel</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
<td>0 sf</td>
</tr>
<tr>
<td>Institutional</td>
<td>0 sf</td>
<td>(Grouped with office)</td>
<td>165,000 sf</td>
<td>Charter school; community college</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
<td>(Grouped with office)</td>
<td>10,000 sf</td>
<td>N/A</td>
<td>0 sf</td>
</tr>
<tr>
<td>Industrial</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
<td>518,487 sf</td>
</tr>
<tr>
<td>Performance Space</td>
<td>0 sf</td>
<td>Movie theater</td>
<td>0 sf</td>
<td>2,100-person music hall; movie theater ballroom</td>
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<td>N/A</td>
<td>0 sf</td>
<td>Performance/conference hall</td>
<td>0 sf</td>
<td>N/A</td>
<td>0 sf</td>
</tr>
<tr>
<td>Parking Spaces</td>
<td>2,500</td>
<td>1,512</td>
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<td>Not specified</td>
<td>Not specified</td>
<td>N/A</td>
<td>TBD</td>
<td>1,750</td>
<td>1,900</td>
<td>N/A</td>
<td>1,436</td>
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<tr>
<td>National Register of Historic Places</td>
<td>N**</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N/A</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N/A</td>
<td>N</td>
</tr>
<tr>
<td>Percent Affordable Housing</td>
<td>25%</td>
<td>N/A</td>
<td>28%</td>
<td>20%</td>
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<td>0%</td>
<td>20%</td>
<td>80%</td>
<td>N/A</td>
<td>N/A</td>
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### TABLE 3. PROJECT FUNDING SOURCES

<table>
<thead>
<tr>
<th></th>
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<th>DALLAS</th>
<th>MEMPHIS</th>
<th>MINNEAPOLIS</th>
<th>SEATTLE</th>
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<tbody>
<tr>
<td>Developer Equity</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Investor Equity</td>
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<td>-</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Debt Financing</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Federal Historic Tax Credits</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>-</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>State Historic Tax Credits</td>
<td>X</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local Historic Tax Credits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New Markets Tax Credits</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>X</td>
<td>-</td>
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<tr>
<td>Community Development Block Grant</td>
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<td>X</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>U.S. HUD Section 221(d) (4) Loan Guarantee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>X</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Local Property tax Abatements</td>
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<td>X</td>
<td>X</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Tax Increment Financing</td>
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<td>X</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>U.S. EPA Brownfield Remediation Funds</td>
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<td>-</td>
<td>-</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>Local Brownfield Funds</td>
<td>-</td>
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<td>-</td>
<td>X</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Low-Income Housing Tax Credits</td>
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<td>Section 108</td>
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<td>Federal Qualified Energy Conservation Bonds</td>
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<td>-</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>Property donation; New Homes for Chicago; public infrastructure improvements</td>
<td>-</td>
<td>Property donation; Philanthropies; City funding; County funding</td>
<td>-</td>
<td>Environmental remediation funds from seller</td>
</tr>
</tbody>
</table>

Note: The Philadelphia and Kansas City I-I distribution centers were demolished and the Los Angeles center has not yet been redeveloped; funding source information on the Kansas City I redevelopment was unavailable; they are not included in the redevelopment funding comparison. This table shows identified funding sources for each project based on publicly available information sources. Projects may have utilized additional funding sources.
CONCLUSIONS

This series of case studies provides a tangible illustration of the urban impacts, barriers to adaptive reuse, and role of government in projects of this type and scale, as theorized in the literature review. While not all of the typical impacts and barriers discussed played out in these developments, many did and offer insight to developers and communities looking to take on similar projects.

SUMMARY OF URBAN IMPACTS

Environmental Impacts
By maintaining the existing structures and repurposing the majority of the materials, the adaptive reuse projects saved millions of tons of materials from winding up in landfills. Their urban locations, mixed-use programs, and in some cases concerted efforts to coordinate with local transit authorities (Dallas and Boston) and promote active transportation (Minneapolis, Atlanta, and Memphis) have sought to maximize internal trip capture and reduce associated vehicle miles traveled. Several of the redevelopments have achieved or are in the application process for LEED certification, including Starbucks Center in Seattle, Ponce City Market in Atlanta, and Crosstown Concourse in Memphis.

Economic Impacts
Across the board, the redevelopments have been well-received by tenants and patrons, generating strong financial returns for their investors by maintaining high occupancy rates and commanding rental premiums for the unique products. One of the strongest economic impacts of these projects has been their ability to create thousands of jobs, both during construction and operation. The types of jobs created varied widely, with tenants ranging from retailers to government offices or healthcare companies. Thoughtful project planning in Memphis exemplified the potential to use the project to further local economic development goals for job creation by curating a tenant mix focused on the region’s signature industries and by breaking down the construction project into subareas that were manageable for smaller firms, allowing the developer to contract almost entirely local companies. For the municipalities, the projects had the positive economic impact of reactivating vacant properties, increasing their values, and increasing property tax revenues, though this was sometimes tempered by local property tax abatements offered as development incentives. In every case, the redevelopment of the Sears, Roebuck & Co. distribution center was followed by nearby development projects, increasing the economic productivity of neighborhoods overall. Both the Chicago and Memphis projects were undertaken with an explicit goal of revitalizing the surrounding community and bringing jobs back to distressed neighborhoods (ULI 1996). These projects were better able to incorporate uses with social benefits, such as community centers or affordable housing, in part because they received significant philanthropic funding and were overseen by nonprofit development partnerships, demonstrating the community impact of alternative financial structures.

Although many of the economic impacts of these projects have been positive, and have certainly been framed as catalytic projects by the developers and municipalities, their economic impact on the surrounding neighborhoods has often been a double-edged sword. Some of the redevelopments have in fact led to the displacement of former neighborhood residents and businesses, such as by the rapidly rising rental rates in Atlanta’s Old Fourth Ward neighborhood or by the de-prioritization of the marine cargo industry in Seattle’s Sodo area. Neighborhood-wide and city-wide approaches to redevelopment, such as inclusionary zoning policies or renovation grants to nearby low-income homeowners, can help mitigate these effects.

Social Impacts
The structures have the potential to serve as neighborhood assets, providing jobs, gathering spaces, and social services that contribute to residents’ quality of life. The restoration of historic properties allowed communities to retain landmarks that had formed part of their cultural identities. Neighborhood crime reduction was a frequently reported metric used by developers to suggest a positive impact on the community, such as in Minneapolis, where crime dropped a reported 30 percent within six months of the redevelopment (Ascierto 2007). Some of the projects contributed to affordable housing choices within their neighborhoods; of the developments with residential components, Chicago, Dallas, Minneapolis, Atlanta, and Memphis included affordable housing, provided to fulfill the requirements of funding sources like Low-Income Housing Tax Credits or government programs. Despite these positive social impacts, these massive redevelopment projects were sometimes met with public resistance. In Chicago, Los Angeles, residents were vocally concerned by anticipated gentrification of their neighborhoods and attempted to thwart redevelopment efforts (Heuer 1993; Rojas 2011). More transparent
CONCLUSIONS

communication and community collaboration proved effective in improving project reception. The stakeholder engagement process implemented in Memphis’ Crosstown Concourse redevelopment exemplifies the potential benefits to both the neighborhood and developer that occur when genuine community insight is solicited and project functions are targeted at fulfilling community needs.

BARRIERS TO ADAPTIVE REUSE
The developers of the Sears warehouses experienced many, though not all, of the market, financial, technical, and regulatory barriers common to adaptive reuse projects, as outlined in the literature review.

Market Barriers

_Unrealistic Seller Pricing_
High property prices did not often result in redevelopment bids. In instances in which there were multiple attempts to purchase the property over time, the sale price was typically too high at first and decreased following each failed deal. Many of the developers that ultimately purchased the properties at discounted prices and considered their investments to have been a deal.

_Lack of Submarket Demand_
Burdened by the massive, abandoned buildings, many of the neighborhoods surrounding the distribution centers had fallen into a state of decline prior to the site’s redevelopment and were considered risky development submarkets. Developers like Jack Matthews in Dallas often referred to their peers thinking they were crazy for taking on such large-scale projects in untested markets, but spoke of this experience in such a way that they viewed the project as an exciting, creative challenge (Perez 2011). In many cases, such as Boston, Dallas, and Seattle, the developer continued to invest in other properties in the neighborhood after creating stronger submarket demand through the distribution center redevelopment.

Financial Barriers

Lender and Investor Concerns
Prior to their successful redevelopments, most properties received multiple bids from developers interested in renovating the warehouses. These offers consistently fell through as a result of market and financial barriers, typically when a developer was unable to secure anchor tenants of financiers willing to take a risk on the project. This occurred in Boston, Minneapolis, Atlanta, and Los Angeles.

Lack of Comparable Properties
Later projects, such as those in Atlanta and Memphis, repeatedly cited earlier renovations of Sears, Roebuck & Co. warehouses in other cities as comparable projects early on in the development process, using those examples to paint a picture of what their renovation would be like. The ability to draw these connections and exhibit the success of previous adaptive reuse projects helped increase public understanding of the project at hand and gave financial institutions an increased sense of security over its feasibility.

Project Complexity
The financial complexity of these projects was frequently cited as a major hurdle to redevelopment. Most projects had to compile an array of funding sources to meet their renovation budgets. In addition to traditional debt financing, which was used in every project, developers often turned to historic tax credits, brownfield redevelopment funding, New Market Tax Credits, Low-Income Housing Tax Credits, Community Development Block Grants, federal loan guarantees, property tax abatements, and other sources, each of which was accompanied by its own set of regulations. Several of the developers of the Sears sites specialize in adaptive reuse projects, which improved their familiarity with many of the tools and processes involved and helped move the projects forward.

Technical Barriers

_Structural Elements_
The distribution centers were meant for storing products and were designed with large, open floor plates, sometimes as large as three football fields. In order to improve lighting and ventilation to make them
CONCLUSIONS

more suitable to residents and office workers, several developers cut out central atriums with skylights overhead, as in Boston, Seattle, and Memphis. Large, concrete columns are regularly spaced across most of the buildings’ floors for structural support, adding another design challenge. Rather than battle their configuration, most developers embraced the layout and marketed to tenants who sought open floor plans with an industrial aesthetic.

Parking: Parking was rarely an issue on the distribution center sites, which were typically located in suburban areas and built with surrounding surface lots. Because the buildings were strong enough to support the weight of vehicles, several of the projects converted portions of the warehouse into parking garages, reducing the need for adjacent surface parking. For sites with parking constraints, such as Boston and Atlanta, developers coordinated with transit agencies, provided amenities for pedestrians and cyclists, and used pricing as a management tool to curb demand for on-site parking.

Seismic Codes
Only one project, Starbucks Center in Seattle, had issues meeting the City’s seismic code and had to complete a full seismic renovation to meet regulations.

Environmental Remediation
Several projects did report undergoing environmental remediation prior to redevelopment, though brownfield funding from the Environmental Protection Agency and/or local agencies helped offset the costs for most projects or, in the case of Seattle, the owner responsible for the contamination agreed to pay the costs of remediation.

Regulatory Barriers
Developers did not emphasize regulatory barriers to redevelopment specific to adaptive reuse projects, such as triggering code requirements for new uses or conflicts between historic preservation codes and building codes.

ROLE OF GOVERNMENT

Local, federal, and, less frequently, state governments were directly involved in each of the redevelopment projects. At minimum, local agencies were involved in the permitting and zoning approval process and often helped expedite the process. In Minneapolis and Atlanta, the cities previously owned the properties, making them particularly motivated to expedite approval processes and get the property of their books and back on the tax roll. Public financing was also used in the majority of projects. The most frequently used subsidy was the federal historic rehabilitation tax credit. Local jurisdictions provided financial support of various kinds, including tax abatements, loan guarantees, tax increment financing, or public improvements to the surrounding area. (See Table 3 for a summary of project funding sources.)

CONCLUSION

Though they began with similar structural contexts, the range of development strategies, building programming, funding sources, community responses, government involvement, and project outcomes within this series of adaptive reuse case studies is vast. By taking on these complex and challenging projects, the developers and communities created unique assets out of vacant buildings that had long plagued their surroundings. While there is no silver bullet solution for creating a development that generate positive environmental, economic, and social impacts while staving off gentrification, adopting a practice of transparency, engaging in community dialogues, and creating public policies that support holistic community development have helped maximize the potential of adaptive reuse projects in revitalizing their neighborhoods.
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