

Adaptive Reuse and Federal Redevelopment Incentives

As infrastructure ages, communities face blight, lost jobs and diminished local tax revenue from underutilized buildings that no longer provide the highest and best use for cities or towns.

In the retail sector, the growth of e-commerce and the subsequent pandemic forced closures, especially for enclosed spaces, and accelerated the demise of certain malls. Industry analysts suggest that smaller regional malls located in secondary and tertiary markets will become underutilized during the next five years. These developments are often located on a large tract of land in a prominent location within a community's retail corridor with good access and egress.

Repurposing these properties can be complicated, with outdated zoning codes, updated environmental regulations and disputed ownership making redevelopment difficult, drawn out and prohibitively expensive. Yet these spaces can and should be adapted to encourage the creation of housing, health care, transit, education and recreation spaces through public-private partnerships.

Remote work, combined with the historically rapid rise in interest rates, is also generating significant challenges in other parts of the U.S. commercial real estate market. The widespread increase in vacant or underutilized office properties is hurting cities, local tax revenue and small businesses in these communities.

ICSC supports leveraging federal economic development grants to access low-cost, flexible financing for expeditious and efficient grayfield redevelopment. ICSC also supports tax incentives that promote the conversion of commercial real estate to other uses, particularly residential.

Requests

1. ICSC is seeking cosponsors for and passage of the "GREATER Revitalization of Shopping Centers Act of 2023" (S. 1533/H.R. 3178), recently introduced in the Senate by Senator Corey Booker (D-NJ) and in the House by Congressman Emanuel Cleaver (D-MO-5) and Congresswoman Maria Salazar (R-FL-27). The bill would establish a grant program at HUD providing \$50 million in annual funding to local governments to assist with redevelopment efforts at underutilized shopping malls across the country.
2. ICSC will also be seeking cosponsors for legislation to be introduced by Congressman Mike Carey (R-OH-15) that would create a tax credit to facilitate the conversion of older, underutilized commercial properties into affordable housing. This incentive would help overcome the many challenges of converting existing properties, while strengthening local communities by accelerating the necessary realignment of real estate assets.

Why Redevelopment Matters

- Marketplaces contribute more than \$500 billion in tax revenue annually.
- Each dormant mall represents tens of millions of dollars of lost tax revenue and economic activity.

Adaptive Reuse Benefits

- Eliminates blight through redevelopment and revitalization of outdated facilities.
- Provides a pathway for community priorities such as increased mobility and connectivity, access to health care, education, recreation and housing.
- Allows for increased density to centrally locate the efficient delivery of goods and services.
- Adds jobs for the construction trades and new business creation.
- Stabilizes/increases sales and ad valorem tax collection.