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# DODEN FOR INDIANA WHITE PAPER: INDIANA MAIN STREET INITIATIVE

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## Public Policy:

Indiana Main Street Initiative (IMSI)

## Problem to Solve:

Indiana has 80+ cities that range in population from 2,500 to 30,000 people. Nearly 1/3 of Indiana's population (2MM people) live in rural Indiana. Most of these communities have experienced a significant loss in population over the last 40 years. To make matters worse, current projections show that 59 of Indiana's 92 counties are expected to lose population from 2015 to 2050<sup>1</sup>. This has resulted in a decline in downtowns, vibrancy, small businesses, small business formation, and community pride. In many cases, the core historic downtowns of these communities have 50-80% of their buildings in significant distress or actually falling down.

## Public Policy Solution:

The Doden Administration will create the Indiana Main Street Initiative (IMSI) with a \$100MM per year budget. The IMSI will focus on rural communities of 30,000 people or less. A qualified community will receive \$5-10MM in state funding up to 30% of a project to revitalize core assets. Based on our case study, we estimate that projects will be funded roughly 30% private sector, 30% state government, 30% federal programs, 10% local government. As these communities improve, our policy team believes that private sector investment will increase<sup>2</sup>.

## Implementation Process (Case Study):

Van Wert, Ohio is a town of 10,800 people. The Van Wert County Foundation (VWCF) has an endowment of \$90MM. Pogo USA was hired by the VWCF to help develop a plan to revitalize the core assets in its downtown. Based on the Pogo USA model, the leaders of VW identified 120 buildings as core assets to the community. Of the 120 buildings, 16 were government or churches and as such, were in acceptable condition. Twenty buildings were determined to be class A or class B, with owners who had recently made significant improvements or had properly maintained them over the years. Eighty buildings were labeled class F for falling down.

Pogo USA recommended that the VWCF create a \$3MM fund to purchase as many of the 80 buildings as possible. The team felt that to be successful, the purchase and revitalization of the core assets needed to be driven by the private sector: in this case, a philanthropic foundation led by the business leaders. The VWCF **created the \$3MM fund within six weeks**. To be successful financially, the project would require a partnership between the VWCF, federal, state, and local government.

## Result:

Within 18 months of creating the fund, the VWCF purchased 45 of the 80 distressed buildings. VWCF has increased the fund by \$2MM in order to purchase additional buildings as they become

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<sup>1</sup>Indiana Peer Cities Study, IEDC (2014): <https://iedc.in.gov/program/regional-cities-initiative/home/Download/f77f299c-34ce-6748-857a-ff0000c19905/>

available. In partnership with Pago USA and the Model Group – Pago USA’s development partner based in Cincinnati – the VWCF is headed toward closing in Fall, 2021 on Phase 1 of the project to restore 13 buildings at a cost of roughly \$25MM. The projected capital stack is as follows:

- \$9.0MM in debt and equity (Equity provided by VWCF and partners; debt from local bank)
- \$6.6MM in State of Ohio grants/tax credits from 4 agencies.
- \$5.4MM in New Market Tax Credits
- \$3.7MM in Federal Historic Tax Credits
- \$1.0MM in local government TIF or grants

The VWCF intends to restore all 45 buildings in 6 years. The VWCF will hold the assets in perpetuity ensuring that they will be maintained properly for generations to come. The VWCF has hired operations managers to curate local retail, restaurants, business, and residents. In addition, a variety of community organizations will help plan events throughout the year in order to attract customers and visitors to spend time and money in their newly renovated downtown.

### **Doden for Governor Plan:**

- Benchmark Van Wert as a best practice model for Indiana rural cities.
- Educate leaders in rural Indiana cities how they can revitalize their community in under 10 years.
- Inspire private sector leaders to proactively purchase distressed real estate for revitalization.
- Make the State of Indiana a partner by providing between \$5-\$10MM for the capital stack through **one** agency in an **efficient** process.
- Develop and provide lists of qualified consultants, contractors, developers, and operators that the owner(s) could interview for their main street project.
- Measure community pride in our top 120 cities and towns annually using the survey process developed by the Gallup/Sharecare Well Being Index to help the leaders understand the results of their efforts or identify the need for course corrections.

### **Desired Outcome of IMSI Policy:**

- Double Indiana’s population growth rate (from 0.47%/year to 1.06%/year) to go from 6.9MM in 2021 to 8.0MM by 2035.
- Make small towns across the entire state attractive destinations to the people who live in them now as well as potential visitors and new residents.
- Restore and preserve historic buildings.
- Increase the number of people living downtown.
- Increase the number of business startups in smaller cities and towns.
- Incentivize leaders in communities to set bigger goals and then work tenaciously to achieve them.

### **Projected Impact:**

Using the RCI and Van Wert models as a leading indicators, our policy experts project that \$100MM in IMSI will lead to at least \$400MM in additional investment for a total of \$500MM per year. This will lead to \$4BB in projects if maintained over an 8-year period, or an average of \$5.4M in projects per county per year. Revitalizing small town Indiana main streets will lead to population growth, economic growth, community pride, and less pressure on social services. As with all efforts, each of these categories will be measured every year to make sure the efforts are having the desired impact and to identify course corrections.