

AN ANALYSIS OF FEDERAL REHABILITATION TAX CREDITS

by

JULIE MARBURGER

(Under the Direction of James K. Reap)

ABSTRACT

Federal rehabilitation tax credits are a valuable resource to the field of historic preservation. These credits help invest money in the community and rehabilitate historic structures. This thesis analyzes the effectiveness of the incentives and recommends areas for improvement. A thorough explanation of the laws and their benefits to the economy and community is provided as background. The examination of case studies from four different states provides the information for the determination of the effectiveness of the credits. Recommendations to improve the credits are made after an analysis of the law and changes made in the past, and suggestions are provided on how to maximize the potential of the credits , as they exist today.

INDEX WORDS: Federal Rehabilitation Tax Incentives, Georgia, Illinois, Pennsylvania, California, Rehabilitation, Tax Credits

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JULIE MARBURGER

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JULIE MARBURGER

Major Professor: James K. Reap

Committee: John Waters
Melvin B. Hill
Rebekah McElreath

Electronic Version Approved:

Maureen Grasso
Dean of the Graduate School
The University of Georgia
August 2009

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Chapter 1:

Introduction

Overview

Our culture is often regarded as a “throw-away culture,” the kind of society where a person can obtain whatever he or she desires, whenever he or she desires it, with minimal difficulty. However, in the current economic and resource crisis in which the world finds itself, changes have to be made. The news is filled with phrases like “economic slump,” or “global warming portends a food crisis.”¹ Gas prices reached record highs in fall of 2008.² Resources are limited, forcing people to find ways to maximize conservation of their financial and physical resources. Therefore, now is the perfect time for the public to become aware of federal rehabilitation tax incentives that encourage the rehabilitation of older homes. The incentives provide benefits two-fold, by providing the positive effects of historic preservation and by offering the financial benefits of tax credits

First, historic preservation by itself is a smart investment for several reasons. By properly investing in property, the value can increase exponentially. Rehabilitation also minimizes the need for new building materials and mortgages, which are both costly resources. It prevents the

¹ Sang-Hun, C. (2009, January 13). *Japan and Korea Vow Unity on Economic Slump*. Retrieved January 13, 2009, from nytimes.com:
<http://www.nytimes.com/glogin?URI=http://www.nytimes.com/2009/01/13/world/asia/13korea.html&OQ=rQ3D1Q26refQ3Dbusiness&OP=6abba38cQ2FAQ20Q2AQ5EAqQ23GhvQ23Q23Q3EJAJuulAuIAI5AQ20Q23v8qAQ5CheQ5CAI5EQ23vQ2AQ5C4wQ3Ed8>, Walsh, B. (2009, January 13). *Why Global Warming Portends a Food Crisis*. Retrieved January 13, 2009, from timemagazine.com:
<http://www.time.com/time/health/article/0,8599,1870766,00.html>

² Musante, K. (2008, December 11). *Gas Prices May Be Near Bottom*. Retrieved January 13, 2009, from cnnmoney.com:
<http://money.cnn.com/2008/12/11/news/economy/gasoline/>

“wasting [of] vast quantities of energy and resources to demolish buildings which themselves embody vast quantities of energy and resources.”³ Historic preservation is also valuable in a cultural sense. It provides understanding of our past and allows us to “celebrate the hallmarks of our democracy and our unique American experience.”⁴

Second, the incentives are a smart financial choice. They provide either a 10 or 20 percent of rehabilitation costs credit to the owner’s federal income taxes. In an economy where any money saved is desired, people should take advantage of this government-financed benefit. The incentives also provide other useful benefits for the community, including:

- America’s older and historic neighborhoods already house record numbers of low- and moderate-income residents. Thirty-two percent of households below the poverty line and 34 percent of renters whose household income is less than \$20,000 per year live in older and historic homes. The incentives help owners of structures meet the need to offer better low-income housing by subsidizing the cost of improving these structures.
- Of the nation’s 12,000+ historic districts, comprising over a million contributing structures, 60 percent overlap census tracts in which the poverty rate is 20 percent or greater. In many parts of the country where abandoned buildings are located in some of the nation’s most disinvested communities, there is a need for incentives to create housing and stabilize neighborhoods.
- ,Vacant or underutilized historic structures that were not built for housing, and no longer serve their intended purpose -- such as warehouses, factories, mills, and

³ Wood, B. (2000). Why We Do What We Do. *Forum Journal* , 6 (5).

department stores -- can be adaptively re-used as catalysts for attracting new investment in the neighborhoods that need it most. Many of these historic and older buildings are located near existing infrastructure, transportation hubs, schools, and neighborhood-serving retail establishments.⁵

The incentives are a valuable resource for the economy and the community, and should be taken advantage of to the fullest extent.

Historic preservation is a rising trend of great value. People are looking for every way to save money and valuable resources, and restoring an historic structure is one of the easiest ways to accomplish these tasks. The political context is also primed for historic preservation. With the change of administration in the United States of America, now is the time for historic preservation to make itself a force, within the political world. Historic preservation is a valuable resource, and with the use of the incentives it can prove to be even more powerful and influential. The key is to make the incentives as publicly known, easy to use, and efficient as possible.

Methodology

In order to demonstrate the usefulness and applicability of the federal rehabilitation tax incentives, this thesis will use multiple methodologies.

⁴ Montgomery, S. W. (2003). The Historic Preservation Fund and Why It Matters. *Forum Journal*, 19 (3).

⁵ Preservation, T. N. (2009). *Federal Rehabilitation Tax Credits*. Retrieved January 13, 2009, from preservationnation.org: <http://www.preservationnation.org/issues/rehabilitation-tax-credits/>

The first section is a detailed explanation of the incentives. It also details the history and changes of the laws surrounding the incentives and then explains both the 10 and 20 percent credits.

The second section will be the benefits of the incentives. The first part of this section discusses why the incentives are good for the economy. The second part details the benefits for the community. The third part describes why the incentives are good for the field of historic preservation.

The next part of the thesis provides the background for the recommendations on how to improve the incentives. In this section, four different states are chosen in the four different regions of the United States of America.⁶ The first state discussed is Georgia, which is located in the Southeast region. The second state is Pennsylvania, which is located in the Northeast region. Next is California, which is located in the Far West region. The last state discussed is Illinois, which is located in the Mountains/Plains region. A survey was sent to a group of states and the ones chosen for the case study are the states that replied. Below is a chart listing the region to which all states belong (See Table 1-1).

Table 1-1: States Listed by Geographic Regions:⁷

Mountains/ Plains	Northeast	Southeast	Far West
Colorado	Connecticut	Alabama	Alaska

⁶ The regions are based on the regions as defined by the National Park Service.

⁷ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C.

Illinois	Delaware	Arkansas	Arizona
Iowa	Indiana	Florida	California
Kansas	New Jersey	Georgia	Hawaii
Minnesota	Maine	Kentucky	Idaho
Missouri	Maryland	Louisiana	Nevada
Montana	Massachusetts	Mississippi	Oregon
Nebraska	Michigan	North Carolina	Washington
New Mexico	New Hampshire	Puerto Rico	
North Dakota	New York	South Carolina	
Oklahoma	Ohio	Tennessee	
South Dakota	Pennsylvania	Virgin Islands	
Texas	Rhode Island		
Wisconsin	Vermont		
Wyoming	Virginia		
Utah	Washington, D.C.		
	West Virginia		

There are three parts to the application for the federal rehabilitation tax credits. Part 1 demonstrates the eligibility of the property. Part 2 details the work that is to be completed and Part 3 declares that all work completed was in accordance with Part 2. In 2007, and historically, the Northeast region has had the most Part 2 and Part 3 approvals.⁸ (See table below.) This finding is due to the comparison of historic structures in the Northeast versus the other regions.

Historically, the western regions of the United States have the fewest of certified rehabilitation projects. However, starting in 2004 the Mountains/Plains region moved ahead of the Southeast region in certified rehabilitation projects.

Table 1-2: Summary of Regional Rehabilitation Activity for Fiscal Year 2007⁹

	NE	SE	MP	FW	TOTAL
Part 2s Received	494	273	412	44	1,228
Part 2s Approved	454	252	301	38	1,045
Part 3s Received	439	161	306	30	936
Part 3s Approved	437	155	287	29	908
Certified Investment in Millions (Percentage of total certified investment)	1,411 47%	384 13%	951 32%	242 8%	2,988 100%

The states for examination in this thesis were chosen randomly and represent the middle of the spectrum in the number of projects completed and the amount of money invested, in order to give an accurate depiction of the effectiveness of the laws. Each state is ranked annually in terms of how many submittals and approvals it has, as well as how much certified expenses came from the project. In 2007, six states had zero Part 2 approvals, seven states had zero Part 3 approvals and \$0 of certified expense. Below is a table listing the rankings of the four states studied in this thesis (Table 1-3).

Table 1-3: Ranking of States Studied in Thesis¹⁰

⁸ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 7.

⁹ Ibid, p 8.

	Part 2 Approval Ranking (out of 29)	Part 3 Approval Ranking (out of 27)	Certified Expense Amount (out of 47)
California	17	17	3
Georgia	14	11	23
Illinois	16	20	12
Pennsylvania	8	6	2

Each of the states included in this thesis were analyzed in a methodical way. Statistics were obtained from the Federal Tax Incentives For Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007, as published by the National Park Service. From this publication, a decision was made on the effectiveness of the incentives in that particular area, based on number of projects proposed, number of projects approved, amount of money invested, special circumstances, and assistance provided in the area. Included in this section are interviews, conducted via e-mail, with the State Historic Preservation Offices. Information from these interviews are extrapolations of data published by the National Park Service.

The next section is devoted to the analysis of the effectiveness of the incentives. The aforementioned criteria were applied to each of the individual states to reach a conclusion. “Effectiveness”, defined as “producing a decided, decisive, or desired effect,” is the incentives’ goal throughout this thesis.¹¹

The section that follows the analysis discusses the ways to improve the laws. In 2006, the National Park System Advisory Board undertook a study and produced a report on how to make

¹⁰ Ibid.

¹¹ *effective*. In *Merriam-Webster Online Dictionary*. Retrieved January 14, 2009, from <http://www.merriam-webster.com/dictionary/effective>.

“a good program better,” in reference to the incentives.¹² Suggestions on how to improve the incentives were taken from this study, among other sources, and compiled into a unified list.

Through the utilization of these sources and methods, the goal of this thesis is to formulate a plan that would improve the incentive program. The goals of the improvements would be to make the incentives more publicly known, easier to understand, and easier to use.

¹² Board, N. P. (2006). *Federal Rehabilitation Tax Credit Program: Recommendations for Making a Good Program Better*. Washington, D.C.: The National Park Service.

Chapter 2:
Presentation of Laws

History

Two different tax laws allowing a 10 percent credit and a 20 percent credit, based on the property types, have been enacted in order to further the field of historic preservation; however, these laws have undergone massive changes since their inception in 1976 which is when the first tax law specifically promoting historic preservation came about with the Tax Reform Act of 1976 in Section 191.¹³ This act finally confirmed, “that historic buildings are economic assets that have economic value,” a fact that many preservationists already knew.¹⁴ Four parts, regarding the “treatment of deductions in reference to older buildings,” comprise this act:

1. A provision to allow a 5- year amortization of rehabilitation expenditures. (Costs except land and original shell)
2. Alternative to the above which allowed for accelerated method of depreciation to be used on both shell and rehabilitation costs.¹⁵
3. A provision to allow only a straight-line method of depreciation on any new building constructed where an older building has been demolished.

¹³ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. .

¹⁴ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal* , 21 (1).

¹⁵ [Shell is used to describe the structure standing on the property.](#)

4. A prohibition against any deduction or recognition for tax purposes of any costs for demolition or site clearing and no deduction for the purchase price of the property, (building before demolition).¹⁶

These four steps contain alternative approaches. The first provision allowed “owners of income-producing historic buildings to write off rehabilitation expenditures over five years rather than the over the life of the improvements.”¹⁷ The second provision allowed owners to “accelerate depreciation,” or write off the costs of rehabilitation at the same rate as new construction.¹⁸ These first four steps or two provisions, while not spurring much physical preservation, became the building blocks for the laws in use today.

The next change, enacted as part of the Revenue Act of 1978, created the first historic tax credit.¹⁹ A 10 percent investment tax credit was only available on “historic commercial buildings that had been in use for at least 20 years.”²⁰ Owners taking this credit were “specifically prohibited from using the five-year depreciation rules with the tax credit, but were allowed to use accelerated depreciation.”²¹ Congress believed that this credit “would be more attractive to owners or investors than amortization or depreciation deductions.”²²

¹⁶ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service.

¹⁷ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

²¹ Ibid.

²² (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service.

In 1981, significant changes were made to the tax laws as part of the Economic Reform Tax Act (ERTA).²³ This act was three tiered:

1. Buildings at least 30 years old were allowed a 15 percent credit for qualifying rehabilitation expenditures.
2. Buildings at least 40 years old were allowed a 20 percent credit for qualifying rehabilitation expenditures.
3. Qualifying rehabilitation expenditures for a 'Certified Historic Rehabilitation' were allowed a 25 percent credit.²⁴

This act had many new sections that were very useful for preservationists. The act allowed for buildings at least 30 years old to qualify for the credit. It also increased the amount of credit to be taken and “eliminated most of the depreciation incentives.”²⁵ The ERTA also introduced the concept of a “certified” historic structure, which is “any building individually listed in the National Register of Historic Places or buildings located in the National Register districts that were certified by the National Park Service as contributing to the historic significance of the district.”²⁶ The new act, however, “fueled rehabilitation projects (and other real estate development projects) that were about the tax benefits and not sound economics.”²⁷

In 1986, the most drastic changes were made to the tax laws under the Tax Reform Act.²⁸ The changes of this act were not only unprecedented in the historic preservation field, but was

²³ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service.

²⁴ Ibid.

²⁵ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

²⁶ Ibid.

²⁷ Ibid.

²⁸ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service.

“one of the most comprehensive and sweeping changes in our Nation’s history.”²⁹ This act organized the incentives into two tiers:

1. A 10 percent credit available for the rehabilitation of non-historic buildings with an additional requirement the building must have been originally constructed before 1936, or
2. A 20 percent credit available for the rehabilitation of a Certified Historic Structure, (one listed on the National Register of Historic Places or located in a Registered Historic District and determined to be of significance to the Historical District).³⁰

The rehabilitation investment tax credit was reduced from 25 to 20 percent and the credits for non-rehabilitation were reduced to one 10 percent credit.³¹ The reduction of the credits, however, was not as “significant as the addition of the provisions that characterized income as active, passive, and investment.”³² These “passive activity loss provisions” were designed to “stop ‘abusive tax shelters’ that had plagued our tax system.”³³ The provisions set forth limited the amount of credit that some investors could claim, and those with a gross adjusted income greater than \$250,000 may not be allowed to take any credit.³⁴

The only other change to the program was in 1990. Under the Revenue Reconciliation Act of 1990, the content of the law was moved from IRS section 48(g) to IRS section 47.

Certification Process

²⁹ Ibid.

³⁰ Ibid.

³¹ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

³² Ibid.

³³ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service.

³⁴ Ibid.

Certain criteria must be met in order to obtain either one of the current federal rehabilitation tax credits:

- The building must have been substantially rehabilitated;
- The building must have been placed in service as a building before the beginning of the rehabilitation work;
- The building must be used for income-producing purposes;³⁵
- The building must be considered a certified historic structure for the 20 percent structure or must be a pre-1936, non-contributing structure for the 10 percent credit.³⁶

Once the building has qualified for the credit, the proposed rehabilitation work must be approved. The rehabilitation work must be completed to the Department of the Interior's standards for rehabilitation for the 20 percent credit. For the 10 percent credit the building must pass the wall retention test. (See below, Federal Rehabilitation Tax Credit of 10 Percent.)

Federal Rehabilitation Tax Credit of 10 percent

Of the two types of credits created under the Tax Reform Act of 1986, the first will be discussed in this section. The 10 percent credit for non-historic rehabilitation, also known as the non-historic credit, allows the owners of a structure undergoing rehabilitation to claim a credit on their federal income taxes of 10 percent of their qualified rehabilitation expenses. This credit is obtained only under stringent requirements. The property in question must not be on the National

³⁵ The building must not be used for residential rental in order to qualify for the 10 percent credit.

Register of Historic Places or located in a Registered Historic District, unless it has been certified by the National Park Service as not contributing to the significance of the district.³⁷ This process is called decertification. In order to get a decertification, the taxpayer must submit a “narrative to the State Historic Preservation Office (and ultimately the National Park Service) to demonstrate that the building, although physically located within the district, does not contribute to the significance of the district.”³⁸ There are multiple ways a building can be in a Registered Historic District and not contribute. For example:

- The building is of a different time period than the rest of the district.
- The building is of a different style than the rest of the district.
- A different architect than the rest of the district designed the building.

Any of these criteria could entitle the building to the non-historic credit, as long as it was located in a Registered Historic District and did not meet the criteria for the 20 percent credit.

A building, whether in or out of a Registered Historic District, must also meet the following criteria in order to qualify for the non-historic credit:

- was placed in service before 1936;
- Is used for non-residential purposes;
- Has not been physically moved;
- Meets the internal and external wall retention:
 - o 50 percent or more, of the existing external walls are retained in place as external walls,

³⁶ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service, p 2-1.

³⁷ Ibid, p 4-1.

³⁸ Ibid, p 4-2.

- 75 percent or more, of the existing external walls are retained in place as internal or external walls,
 - 75 percent or more, of the existing internal structural framework is retained in place.³⁹
- Is not a certified historic structure.⁴⁰

Upon verification that these criteria are met, the taxpayer can proceed with claiming his or her credit. Rehabilitation work under the 10 percent tax credit program is not subject to review by any state or federal agency. If the above criteria are fulfilled, then the 10 percent rehabilitation tax credit can be claimed as an investment credit on an owner's federal income tax return.⁴¹

Federal Rehabilitation Credit of 20 Percent

The second credit is the historic credit or the 20 percent credit. This credit allows owners of historically significant structures to claim a credit on their federal income taxes of 20 percent of their certified rehabilitation expenses. In order to obtain this credit, both the building and the rehabilitation have to be certified.

³⁹ The wall retention requirements existed for both the historic and non-historic credits before 1986. For certified projects the National Park Service must approve destruction of all walls.

⁴⁰ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service, p 4-1.

⁴¹ Georgia, H. P. (2007, March). *Historic Preservation Federal Tax Incentive Programs*. Atlanta, Georgia.

Once it is verified that the building and the work have met the required criteria further described in Certification Process below, the owner can start the application process. Part 1 is the Evaluation of Significance (Form 10-168).⁴² It is used for the following purposes:

- To request certification that a building contributes to the significance of a registered historic district;
- To request certification that a building or structure, and where appropriate, the land area on which such building or structure is located, contributes to the significance of a registered historic district for charitable contribution for conservation purposes;
- To request certification that the building does not contribute to the significance of a registered historic district (needed to claim the non-historic rehabilitation credit, see Federal Rehabilitation Tax Credit of 10 Percent above);
- To request a preliminary determination whether an individual listing not yet on the National Register meets the National Register Criteria for Evaluation and will likely be listed in the National Register, when nominated;
- To request a preliminary determination that a building located within a potential historic district contributes to the significance of the district;
- To request a preliminary determination that a building outside the period or area of significance of a registered historic district contributes to the significance of the district.⁴³

Also, this section of the application must include a physical description of the building, consisting of all major features, a statement of significance, photographs and maps.⁴⁴ All applications for preliminary decisions must include all documentation demonstrating that the

⁴² This is not needed for the 10 percent credit that does not require decertification-See Federal Rehabilitation Tax Credit for 10 Percent.

⁴³ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service, p 2-1.

⁴⁴ Ibid, p 2-2.

building, or district where the building is located, meets the National Register Criteria for Evaluation.

Part 2, or the Description of Rehabilitation (Form 10-168a), details the work that is to be completed. This part should be submitted before work is begun. Any work that is not “consistent with the Department of the Interior’s Standards will be identified [and] the owner will... be advised how to bring the project into conformance with the Standards for Rehabilitation.”⁴⁵ Part 2 should include:

- Name of the property;
- Relevant data on existing property;
- A detailed description of all rehabilitation work, including:
 - o All site work,
 - o Exterior and interior work,
 - o new construction.
- Internal and external “before” photographs;
- Drawing or sketches for plan alterations or new construction;
- Any other special rehabilitation concerns.^{46 47}

Once Parts 1 and 2 are completed, they are submitted to the State Historic Preservation Office, who in turn submits them to the National Park Service, with a recommendation. The application will be reviewed within 60 days, 30 days at each level, the State Historic Preservation Office and the National Park Service.⁴⁸ The National Park Service will make

⁴⁵ Ibid, p 2-2.

⁴⁶ Special rehabilitation concerns include new heating, ventilation, and air systems, windows, interior partitions, removing interior plaster, masonry restoration, new additions, new construction, etc.

⁴⁷ (2002). *Rehabilitation Tax Credit*. Department of the Treasury, Internal Revenue Service. Internal Revenue Service, p 2-2.

⁴⁸ Ibid, 2-2.

notification of the certification in writing.⁴⁹

Part 3, or the Request for Certification of Completed Work, is submitted once the rehabilitation work is done. Part 3 must include:

- Completion date;
- Signed statement by owner(s) expressing their opinion that the project meets the standards and it is consistent with the work described in Part 2;
- Include costs and photographs of the completed work;
- The names and taxpayer identification numbers of all the owners.⁵⁰

The project does not become a certified rehabilitation until Part 3 is submitted and approved by the National Park Service.⁵¹ Part 3 does not have to be filed at the time the credit is taken; however, if the taxpayer fails to obtain certification within 30 months of claiming the credit, additional requirements need to be fulfilled.⁵² Also, the Secretary of the Interior has the right to make inspections for up until five years after the completion of the rehabilitation and can withdraw certification.⁵³

⁴⁹ Ibid, 2-3.

⁵⁰ Ibid, 2-2.

⁵¹ Ibid.

⁵² Ibid 2-3.

⁵³ Ibid 2-2.

Chapter 3:
Explanation of Law's Benefits

Overview

Historic preservation benefits communities in a multitude of ways. Not only does preservation improve the aesthetic values of the area, especially in more downtrodden locales, but it also has economic benefits. Preservation can also help improve the sense of community. The impact of the federal tax incentives for rehabilitating historic structures have been apparent, over the years. Over 35,000 projects to rehabilitate buildings have been undertaken since the inception of the laws discussed in this thesis.⁵⁴ These projects have resulted in many jobs and even more income drawn into the communities in which the projects are taking place.

Economic Benefits

Any program that gets money invested into the communities will end up providing economic benefits, and the federal tax incentives for rehabilitating historic structures are no exception. The incentives have “generated over \$45 billion in historic preservation activity since its inception in 1976.”⁵⁵ Over the years the incentives have proved their worth in an economic sense.

⁵⁴ (2007). *Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 1.

⁵⁵ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 2.

While they have been beneficial to the economic welfare of communities throughout the years, the incentives saw some tough times after passage of the Tax Reform Act of 1986. Invested amounts fell dramatically between Fiscal Years 1989 and 1993.⁵⁶ In Fiscal Years 1991, 1992, and 1993, “the greatest number of projects cost between \$20,000 and \$99,999.”⁵⁷ But in 1994, the greatest number of projects totaled over \$1,000,000.⁵⁸ However, in 1997 and 1998 the trend reversed itself again, with the greatest number of projects costing between \$100,000 and \$250,000.⁵⁹ Since 1999, the greatest number of projects have been in the greater than \$1,000,000 range.⁶⁰

In 2007, over \$4.34 billion was invested in historic rehabilitation projects that claimed the incentives.⁶¹ Current statistics estimate a \$5 return to every \$1 spent on all investments in this sector, which represents \$21.7 billion being brought into the communities.⁶² A record \$4.2 billion was recorded in proposed investments, a 27% increase from 2006.⁶³ Overall, 2007 was a record setting year in the form of money invested through rehabilitation projects, despite the downturn in the real estate market nationwide.⁶⁴ These numbers speak to the potential and actual effect the incentives have on individual community economies.

⁵⁶ (2007). *Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 5.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ Ibid, p 6.

⁶¹ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 1.

⁶² (2007). *Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 5.

⁶³ Ibid.

⁶⁴ Ibid.

Other economic benefits from preservation involve increasing property values and returns, not only in the building being rehabilitated, but also in surrounding buildings. Property reinvestment can:

- Generate tax credits and establish a new (and higher) depreciation schedule;
- Extend the property's economic life;
- Allow the owner to achieve a better quantity, quality, and durability of the income stream;
- Allow the owner to be eligible for more attractive financing;
- Be the most cost effective way to free up the value of the land that is currently under-producing;
- Be the most effective way to spur adjacent property reinvestment, which can have a positive effect on the cumulative value of the properties within the area;
- Decrease vacancy in the area;⁶⁵
- Eliminate areas of operating inefficiency, like heating and air conditioning units;
- Allow currently unused or underused areas of the building to be placed in financially productive service, which increases the net-gross-ratio.⁶⁶

When used on one building, the incentives have great economic benefit, which, in turn, can spur investment into the entire community.

Community Benefits

⁶⁵ Vacancy tends to be much lower in well-maintained buildings in good condition compared to deteriorating buildings.

⁶⁶ Rypkema, D. D. *The Economics of Rehabilitation*. Washington, D.C.: The National Trust for Historic Preservation.

While providing vast benefits to the economic sector, the federal rehabilitation tax incentives also generate other valuable benefits to the community. These benefits include jobs, enhanced property values, creation of affordable housing, and augmentation of revenues for federal, state, and local governments.⁶⁷ Most of these benefits can be seen in downtown areas of cities, where once purely commercially used buildings are being transformed into “centers of entertainment, residential living, and education.”⁶⁸ In fact, the rehabilitation of older buildings can even lead to new construction projects, which are beneficial not only to the community as a way of providing jobs for residents, but also economically by generating new investment possibilities.⁶⁹

The incentives have created many new jobs. Each rehabilitation project creates 39 local jobs, on average.⁷⁰ With the incentives having a record of 34, 845 projects completed, that projects to roughly 1,358,955 jobs created since 1977.⁷¹ In 2007 alone, 40,755 jobs were created due to projects that received the incentives.⁷²

The incentives also create new housing in a community, many of which are moderate and low-income units. In 2007, 6,272 housing units were rehabilitated.⁷³ In this same time frame over 11,730 units of new housing were created.⁷⁴ Of these units, 6,553 were moderate to low-

⁶⁷ Ibid.

⁶⁸ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

⁶⁹ Ibid.

⁷⁰ (2007). *Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007*. U.S. Department of the Interior, National Park Service, Washington, D.C.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

income.⁷⁵ Since 1977, 176,696 housing units were created; 93,061 of which were moderate to low-income.⁷⁶

The incentives also remove blight from communities. They have proved to be a valuable link in “the increased public awareness of the importance of preserving tangible links to the nation’s past,” while providing the community with an economically efficient way to rehabilitate decaying or decayed establishments.⁷⁷ If one blighted structure in a neighborhood is rehabilitated, studies show rehabilitation in other buildings has followed.⁷⁸ Therefore, the incentives have also provided an aesthetic benefit to the community.

Because of incentives, “abandoned or under-used schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been restored to life in a manner that maintains their historic character.”⁷⁹

Historic Preservation Benefits

Not only are the federal rehabilitation tax credits beneficial to the economy and community, they also prove to be a useful tool for making people aware of historic preservation. According to research done by the National Park Service, over 80% of rehabilitation projects would not have been undertaken without the incentives.⁸⁰ The incentives also provide historic preservation for sites outside of the urban fabric.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid, p 15.

⁷⁸ Ibid.

⁷⁹ Ibid, p 1.

⁸⁰ Jandl, H. W. (1990). Federal Tax Incentives Have Radically Changed Preservation. *Forum Journal*, 4 (1).

The incentives have proven useful in a many places, not just urban centers. They have led to the “revitalization of the historic cores of our cities, suburbs, and towns throughout the country.”⁸¹ In addition, they are successful in saving different types of structures. The incentives “have spurred the rehabilitation of structures of every period, size, style and type.”⁸²

With over one million historic structures listed on the National Register of Historic Places, and 20% of these qualifying as income-producing structures, it is easy to see usefulness of the incentives.⁸³ The incentives spur historic preservation activity in communities by demonstrating the first-hand benefits of the program.

⁸¹ White, B. J. (2006). 30 Years of Federal Tax Incentives for Historic Buildings. *Forum Journal*, 21 (1).

⁸² (2007). *Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2007*. U.S. Department of the Interior, National Park Service, Washington, D.C.

⁸³ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C.

Chapter 4:

Case Study: Georgia

Statistical Information

Each year the state of Georgia contributes relatively significantly to the amount of rehabilitation projects submitted and approved for federal rehabilitation tax incentives nationally. The federal government publishes an annual report containing data on the total amount of projects approved and completed, and amount of expenditures related to the credits. From this data, each state is given a ranking.⁸⁴ Georgia was ranked the 14th state of 29 on the amount of Part 2 approvals and ranked the 11th state out of 27 on the amount of Part 3 approvals in Fiscal Year 2007.⁸⁵ The region in which Georgia is located (Southeast) was ranked third in Fiscal Year 2007 for Part 3 approvals.⁸⁶ Within the region, Georgia had the third highest number of Part 3 approvals, behind North Carolina (51 Part 3 approvals) and Louisiana (27 Part 3 approvals).⁸⁷ Judging by the number of projects completed each year, it is clear that Georgia is a strong contributor for historic preservation in the Southeast.

⁸⁴ Often, states have similar data or have no data to submit, resulting in a smaller ranking field.

⁸⁵ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 18-19.

⁸⁶ Ibid.

⁸⁷ Ibid.

Table 4-1: Submittals and Approvals in Georgia for Fiscal Year 2007⁸⁸

Part 1 Submittals	Part 1 Approvals	Part 2 Submittals	Part 2 Approvals	Part 3 Submittals	Part 3 Approvals
26	24	24	21	22	19

Despite the number of projects, Georgia typically has projects on a smaller scale, so its total of dollars certified is much lower than other states have with the same number of projects. Georgia is ranked 23 of 47 on the amount of certified expenses in Fiscal Year 2007 (See Table 4-2 for expense amounts).⁸⁹

Table 4-2: Project Expense Amounts in Georgia for Fiscal Year 2007⁹⁰

Certified Expense	Average Expense
\$39,946,158.00	\$2,102,429.37

If many appeals are made each year, there is potential to overwork the current process and cause it to operate inefficiently. In the past 20 years, the state of Georgia has had about 20 appeals to the decisions made by the Georgia State Historic Preservation Office.⁹¹ In the last ten years there have been 255 appeals throughout the United States of America.⁹²

Some examples of projects completed in Georgia in Fiscal Year 2007 include a circa 1896 duplex on Habersham Street in Savannah's Thomas Square Streetcar Historic District and the Curry Building in Rome's Between the Rivers Historic District.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ Dolder, C. (2008, November 19). Georgia Federal Rehabilitation Tax Credit. (J. Marburger, Interviewer)

⁹² (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 12.



Figure 4-1: Habersham Street Duplex



Figure 4-2: Curry Building

Analysis

In Georgia, the incentives are reasonably effective. The state has more projects completed than any of its neighbors (in the Southeast region). While this finding might be due to more historic fabric, it is unlikely since states such as Mississippi and South Carolina, which both have significant historic fabric, do not boast as many completed projects as Georgia does. While the state does not record large amounts of certified expenditures, it is not due to lack of rehabilitation projects within the state.

Within the state, a domino effect of one project inspiring other projects is noticeable only in areas such as Savannah.⁹³ Savannah “was designated a National Historic Landmark in 1966, and it remains one of the largest community urban-preservation programs of its kind in America.”⁹⁴ Savannah is a hub for historic preservation activity and is an environment conducive to the success of the incentives. Smaller areas, or areas less involved in the historic preservation movement, tend to produce fewer submissions of historic preservation projects. “Communities where historic preservation has become an integral part of the community development process can be found throughout Georgia” and are a great place to target the use of the incentives.⁹⁵

In Georgia, the typical project lasts about two years.⁹⁶ The sooner the State Historic Preservation Office is contacted during the process, the smoother the project goes.⁹⁷ The State

⁹³ Dolder, C. (2008, November 19). Georgia Federal Rehabilitation Tax Credit. (J. Marburger, Interviewer)

⁹⁴ Buddy Sullivan. (2008, August 13). *Savannah*. Retrieved January 21, 2009, from New Georgia Encyclopedia: <http://www.newgeorgiaencyclopedia.org/nge/Article.jsp?id=h-1056>

⁹⁵ Lyon, E. A. (2002, July 31). *Community Preservation*. Retrieved January 21, 2009, from The New Georgia Encyclopedia: <http://www.newgeorgiaencyclopedia.org/nge/Article.jsp?id=h-568>

⁹⁶ Dolder, C. (2008, November 19). Georgia Federal Rehabilitation Tax Credit. (J. Marburger, Interviewer)

Historic Preservation Office suggests that potential applicants contact them during the planning process to help with the technical aspect, but it is usually first contacted during the rehabilitation process.⁹⁸

The Georgia State Historic Preservation Office has published literature on the incentives for the benefit for the taxpayer, in addition to the materials published by the National Park Service.⁹⁹ Information is available on their website and it publishes a “Federal Tax Incentive Programs fact sheet.”¹⁰⁰

In addition to Georgia taxpayers being eligible for the federal incentives, the state also offers historic preservation tax incentives. Two programs are available for those who take part in rehabilitation:

- The Georgia Preferential Property Tax Assessment Program for Rehabilitated Historic Property allows eligible participants to apply for an 8-year property tax assessment freeze. The Georgia Preferential Property Tax Assessment Program fact sheet provides an overview of the state tax abatement program and those properties that may be eligible to apply for this incentive;
- The Georgia State Income Tax Credit Program for Rehabilitated Historic Property allows eligible participants to apply for a state income tax credit equaling 25% of qualifying rehabilitation expenses capped at \$100,000 for personal, residential properties, and \$300,000 for income-producing properties. The Georgia State Income Tax Credit Program fact sheet provides an overview of the state income tax

⁹⁷ The State Historic Preservation Office in Georgia is the Historic Preservation Division, which is located in the Department of Natural Resources.

⁹⁸ Dolder, C. (2008, November 19). Georgia Federal Rehabilitation Tax Credit. (J. Marburger, Interviewer)

⁹⁹ *Federal Tax Incentives Program*. (n.d.). Retrieved January 22, 2009, from Georgia Historic Preservation Division: www.gahpo.org

¹⁰⁰ Ibid.

credit program and those properties that may be eligible to apply for this incentive.¹⁰¹

Both programs are eligible for historic residential and commercial properties.¹⁰²

Like the federal incentives, the property must be a “certified structure” and the rehabilitation work must be certified, but, in this case, by the Historic Preservation Division.¹⁰³ Properties in Georgia that are not eligible for the Georgia Register of Historic Places are not eligible for state rehabilitation tax incentives.¹⁰⁴ Also, applicants for the Georgia Preferential Property Tax Assessment Program for Rehabilitated Historic Property must have less than two acres of property.¹⁰⁵

Between July 1, 2007 and June 30, 2008 (SFY 2007), projects were approved for the State Preferential Property Tax Assessment Program and thirty-four projects were approved for the State Income Tax Credit Program for Rehabilitated Historic Property.

On January 1, 2009 the state tax incentives for Georgia changed. The amended credit will allow 25% of qualified expenditures to be taken as a state income tax credit for both historic homes and income producing structures.¹⁰⁶ If a property is in a low-income target

¹⁰¹ *State Incentives Programs*. (2009, January 6). Retrieved January 21, 2009, from Georgia Historic Preservation Division:

<http://gashpo.org/content/displaycontent.asp?txtDocument=430>

¹⁰² *Ibid.*

¹⁰³ *Ibid.*

¹⁰⁴ *Ibid.*

¹⁰⁵ *State Incentives Programs*. (2009, January 6). Retrieved January 21, 2009, from Georgia Historic Preservation Division:

<http://gashpo.org/content/displaycontent.asp?txtDocument=430>

¹⁰⁶ (2009). *Georgia State Income Tax Credit for Rehabilitated Historic Property*. Atlanta: Historic Preservation Division, Georgia Department of Natural Resources.

area, the credit allows 30%.¹⁰⁷ The credit is capped at \$100,000 for historic homes and \$300,000 for income producing structures.¹⁰⁸

An official at the Georgia State Historic Preservation Office has some suggestions on how to make the federal incentives better. The official suggests that the process be “more straightforward in ease of preparation.”¹⁰⁹ With the current process, it is very easy for property owners to get confused. If the application was not so difficult it would be easier for property owners to complete the application process. The official also suggests that the incentives be “available to a limited degree to all historic structures, not just ones on the National Register.”¹¹⁰ The State Historic Preservation Office also suggests improvements to the literature published by the National Park Service. The literature, which “needed to be used effectively by large scale developers” was created on the premise of spurring “revitalization in decimated downtown commercial cores.”¹¹¹ It is, therefore, not the most beneficial material for “general [property] owner or small building owners.”¹¹² If the literature were directed toward a less technical audience, then it would be more useful for individuals who were interested in rehabilitating their historic structure.

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ Dolder, C. (2008, November 19). Georgia Federal Rehabilitation Tax Credit. (J. Marburger, Interviewer)

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Ibid.

Chapter 5:
Case Study: Pennsylvania

Statistical Information

Pennsylvania has contributed substantially to the amount of rehabilitation projects submitted and approved for federal rehabilitation tax incentives in the nation on an annual basis. It was ranked the 8th state out of 29 on the amount of Part 2 approvals and ranked 6th state out of 27 on the amount of Part 3 approvals in Fiscal Year 2007.¹¹³ The region in which Pennsylvania is located (Northeast) was ranked first in Fiscal Year 2007 for Part 3 approvals.¹¹⁴ Historically, this region has the highest number of projects within the entire nation.¹¹⁵ Within the region, Pennsylvania had the fourth highest number of Part 3 approvals, behind Ohio (115 Part 3 approvals), Virginia (89 Part 3 approvals), and Vermont (32 Part 3 approvals).¹¹⁶ Pennsylvania is a strong contributor for historic preservation in the Northeast, which is also strong region for historic preservation within the nation, and demonstrates what a state with a historic preservation conscious population can do on behalf of the field.

¹¹³ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 18-19.

¹¹⁴ *Ibid.*

¹¹⁵ *Ibid.*

¹¹⁶ *Ibid.*

Table 5-1: Submittals and Approvals in Pennsylvania for Fiscal Year 2007¹¹⁷

Part 1 Submittals	Part 1 Approvals	Part 2 Submittals	Part 2 Approvals	Part 3 Submittals	Part 3 Approvals
61	62	37	38	29	30

Pennsylvania is ranked 2 of 47 on the amount of certified expenses in Fiscal Year 2007.¹¹⁸ The only state ranking higher, was Missouri with 189 Part 3 approvals and certified expenses totaling \$534,854,460.¹¹⁹

Table 5-2: Project Expense Amounts in Pennsylvania for Fiscal Year 2007¹²⁰

Certified Expense	Average Expense
\$237,604,181.00	\$7,920,139.37

Since the inception of the incentives, Pennsylvania “has been a national leader in certified tax credit projects, completing over 2,055 projects and generating over \$3.3 billion in private reinvestment, back into Pennsylvania communities.”¹²¹ In the past 13 years, Pennsylvania has “approved 548 projects that total \$2.2 billion of investment.”¹²² This number demonstrates the state’s commitment to historic preservation and the programs that support it.

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ *Federal Rehabilitation Tax Credits*. (2009). Retrieved January 22, 2009, from The Pennsylvania Historical and Museums Commission: http://www.portal.state.pa.us/portal/server.pt?open=512&objID=2646&&SortOrder=500&level=2&parentid=3741&css=L2&mode=2&in_hi_userid=2&cached=true

¹²² Mark, B. W. (2009, January 9). Pennsylvania Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

Table 5-3: Pennsylvania Yearly Tax Act 1996-2008¹²³

	Part 1 Approvals	Part 2 Approvals	Part 3 Approvals
1996	55	51	37
1997	53	32	53
1998	71	72	35
1999	112	99	54
2000	64	45	63
2001	90	80	47
2002	89	66	50
2003	63	70	62
2004	47	25	86
2005	71	45	38
2006	57	39	47
2007	58	28	28
2008	117	107	16

Pennsylvania has a very low denial rate. Only two or three projects have been denied in 12 years and only two projects have been sent to the National Park Service without a recommendation.¹²⁴

Some examples of projects completed in Fiscal Year 2007 include the F.W. Woolworth Building in Scranton and The Homestead National Bank located at 211 E. 8th Avenue in Homestead Historic District, Allegheny County.

¹²³ Ibid.

¹²⁴ Mark, B. W. (2009, January 9). Pennsylvania Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)



Figure 5-1: The F.W. Woolworth Building



Figure 5-2: The Homestead National Bank

Analysis

Pennsylvania is an excellent example of a state that is a significant contributor to the success of the tax incentives. Each year it posts large numbers of projects completed and money invested. Within the Northeast region, which is the highest ranked region in the United States of America for the use of the federal incentives, Pennsylvania is one of the top ranked states.

Approximately 95% of the projects get Part 2 approval from Pennsylvania's Bureau for Historic Preservation or will be approved with conditions.¹²⁵ Sometimes a project will be put on hold and asked for additional information.¹²⁶ About 95% of Pennsylvania's Part 3 submittals get approved.¹²⁷ Sometimes a project will be put on hold and the owner will be asked to do remedial work prior to receiving approval. In 2008 about 50% to 60% of projects were fully completed.¹²⁸ Approximately 65 projects did not go forward in 2008 due to lack of funding but had Part 2 approvals.¹²⁹

Pennsylvania has noted a domino effect, but only in certain situations. Numerous individuals have done "multiple projects after they have finished the first project, but mostly in larger cities where there are a larger number of historic districts and developers."¹³⁰ This is especially true in the case of contractors who "will encourage others into applying for the credits and will 'volunteer' to prepare the application for [property owners], especially if they are doing rental housing."¹³¹

¹²⁵ Pennsylvania's Bureau for Historic Preservation is part of the Pennsylvania Historical and Museum Commission and serves as the State Historic Preservation Office (SHPO).

¹²⁶ Mark, B. W. (2009, January 9). Pennsylvania Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Ibid.

In Pennsylvania, typically there is a 90-day review period from when the Bureau for Historic Preservation receives the application to when the National Park Service approves it.¹³² This has recently changed due to a change in National Park Service procedures with a new Part 1 reviewer.¹³³ It now has one person who is doing all the Part 1 reviews for the entire country.¹³⁴ As a result, the Part 2 30-day review period will not begin until the National Park Service staff has reviewed Part 1 and the Part 2 \$250 review fee has been paid.¹³⁵ Pennsylvania requests that a taxpayer contact them in the planning stage of the process. Developers who have worked with the Bureau for Historic Preservation previously will contact the Bureau well before the application is submitted if they think there are going to be any problems or if they are using a preservation consultant and the consultant thinks that there will be problems.¹³⁶ If there are issues or if there are multiple buildings within a project, then the Bureau will schedule a site visit just so they can become familiar with the project.¹³⁷ Nine times out of ten the government tries and solves the problems before the application is submitted.¹³⁸ In some cases, first time users will disregard warnings to submit applications before they start work.¹³⁹

The Pennsylvania Bureau for Historic Preservation has a packet of information to send to an interested party on the incentives for the benefit of the taxpayer. The packet includes the materials published by the National Park Service, in addition to materials formulated by the Bureau's staff. In this packet, helpful literature is included, such as:

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

¹³⁶ *Ibid.*

¹³⁷ *Ibid.*

¹³⁸ *Ibid.*

¹³⁹ *Ibid.*

- A brochure published by the Park Service titled Preservation Tax Incentives for Historic Buildings;
- A glossary of terms relevant to the process;
- Tax Aspects of Historic Preservation, a booklet of frequently asked questions;
- Forms describing the process, published by both the state and the federal government;
- The Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Structures;
- A checklist of everything needed for the application.

The compilation is a very thorough collection of information that should make the application process easier for any owner of a historic structure interested in utilizing the incentives.

An official at the Pennsylvania Bureau of Historic Preservation has suggestions on how to make the federal incentives better. The official suggests that the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Structures be published, in hard copy, by the federal government.¹⁴⁰ This will eliminate the need for the state to do so. The official also suggests a return to having the Technical Preservation Service staff reviewing the Part 1 submittals.¹⁴¹ Lastly, the official suggests that the National Park Service should also resume offering conferences.¹⁴² It is very helpful for owners of historic structures to be able to attend conferences on how to properly complete work in order to obtain the incentives.

¹⁴⁰ Ibid.

¹⁴¹ Ibid.

¹⁴² Ibid.

Chapter 6:

Case Study: California

Statistical Information

Each year, the state of California is one of the median states according to the amount of rehabilitation projects submitted and approved for federal rehabilitation tax incentives in the nation. It was ranked 17 of 29 on Part 2 approvals and ranked 17 out of 27 on Part 3 approvals in Fiscal Year 2007.¹⁴³ The region in which California is located, Far West, was ranked fourth (out of four) in Fiscal Year 2007 for Part 3 approvals.¹⁴⁴ Within the region, California had the highest number of Part 3 approvals, with four states in the region contributing zero Part 3 approvals.¹⁴⁵ California is the strongest contributor for historic preservation in the Far West region.

¹⁴³ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 18-19.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

Table 6-1: Submittals and Approvals in California¹⁴⁶

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Completed Part 1 Applications	12	52	30	9	22
Completed Part 2 Applications	13	52	10	12	20
Completed Part 3 Applications	11	9	17	10	22
Total Completed Project Reviews	90	160	105	65	83
Represented Counties	15	18	16	12	16

Despite having fewer number of projects completed than many of the other states, California has the third highest certified expense amount for the nation.¹⁴⁷ California is ranked only behind Missouri and Pennsylvania for certified expense amount in Fiscal Year 2007.¹⁴⁸

Table 6-2: Project Expense Amounts in California for Fiscal Year 2007¹⁴⁹

Certified Expense	Average Expense
\$175,463,150.00	\$17,546,315.00

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ (2007). *Federal Historic Preservation Tax Incentives Program California Office of Historic Preservation Certified Project Applications Federal Fiscal Year Ending 2007 October 1, 2006 through September 30, 2007*. California Office of Historic Preservation Architectural Review and Incentives Unit.

The two most expensive projects in California for Fiscal Year 2007 totaled over \$93 million combined.¹⁵⁰ These two projects, The Security Building and The Subway Terminal Building, both located in Los Angeles County, are a dramatic representation of the types of projects that are undertaken in California.¹⁵¹



Figure 6-1: The Security Building¹⁵²

¹⁵⁰ (2007). *Federal Historic Preservation Tax Incentives Program California Office of Historic Preservation Certified Project Applications Federal Fiscal Year Ending 2007 October 1, 2006 through September 30, 2007*. California Office of Historic Preservation Architectural Review and Incentives Unit.

¹⁵¹ Ibid.

¹⁵² (n.d.). Retrieved from [http://upload.wikimedia.org/wikipedia/commons/thumb/8/88/Security_Building_\(Los_Angeles\).jpg/250px-Security_Building_\(Los_Angeles\).jpg](http://upload.wikimedia.org/wikipedia/commons/thumb/8/88/Security_Building_(Los_Angeles).jpg/250px-Security_Building_(Los_Angeles).jpg)



Figure 6-2: The Subway Terminal Building¹⁵³

In California, there are no more than two appeals of unfavorable decisions per year.¹⁵⁴ In fact, some years have had fewer than two appeals.¹⁵⁵

Within the state, there are counties with more preservation activity than others (See Table 6-3 below).

¹⁵³ *Subway Terminal Building*. (n.d.). Retrieved January 26, 2009, from http://www.you-are-here.com/downtown/subway_terminal.html

¹⁵⁴ Huck, M. (2009, January 15). California Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

Table 6-3: Distribution of Projects by County¹⁵⁶

Counties	Number of Projects
Marin	21
Los Angeles	13
San Diego	10
San Francisco	6
Alameda	6

Analysis

In California, the incentives seem to be effective based on the amount of money invested in the state. The state, , has a higher certified expense than any of its neighbors (in the Far West region). While the state does not record large numbers of projects completed, it still reaps the financial benefits of the incentives.

Within the state, a domino effect of one project inspiring other projects is not noticeable. However, it is noticeable that many of the applicants have applied for the incentives for multiple projects.¹⁵⁷

In California, the Office of Historic Preservation acts as the State Historic Preservation Office and administers the incentives. The office also publishes its own literature on the topic of federal rehabilitation tax incentives in the form of a technical bulletin titled “Incentives for Historic Preservation.”

¹⁵⁵ Ibid.

¹⁵⁶ (2007). *Federal Historic Preservation Tax Incentives Program California Office of Historic Preservation Certified Project Applications Federal Fiscal Year Ending 2007 October 1, 2006 through September 30, 2007*. California Office of Historic Preservation Architectural Review and Incentives Unit.

¹⁵⁷ (2007). *Federal Historic Preservation Tax Incentives Program California Office of Historic Preservation Certified Project Applications Federal Fiscal Year Ending 2007 October 1, 2006 through September 30, 2007*. California Office of Historic Preservation Architectural Review and Incentives Unit.

California does not offer any state incentives for rehabilitation work.¹⁵⁸ It does, however, offer a local incentive, called the Mills Act Program.

The Mills Act Program is administered and implemented by local governments. Mills Act contracts are between the property owner and the local government granting the tax abatement. Each local government establishes their own criteria and determines how many contracts they will allow in their jurisdiction.¹⁵⁹

These incentives, like the federal incentives, require a property to be a qualified structure. In order to meet these requirements, a property must be:

A property listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.¹⁶⁰

The Mills Act allows property owners to obtain up to a 60% property tax savings for up to ten years.¹⁶¹ The Mills Act is a very effective method of propagating the values of historic preservation in California.¹⁶²

An official at the California Office of Historic Preservation suggested a more administrative approach to increasing the effectiveness of the incentives, dealing mostly with the paperwork aspect of the credits. The official also suggests making the contact information more

¹⁵⁸ Huck, M. (2009, January 15). California Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

¹⁵⁹ *Mills Act Property Tax Abatement Program*. (n.d.). Retrieved January 26, 2009, from California Office of Historic Preservation: http://ohp.parks.ca.gov/?page_id=21412

¹⁶⁰ *Ibid.*

¹⁶¹ *Ibid.*

¹⁶² *Ibid.*

readily accessible on the application.¹⁶³ The Office for Historic Preservation also suggests that if parties interested in the incentives would take the time to read the literature published on the topic, than the whole process would proceed much more smoothly.¹⁶⁴

¹⁶³ Huck, M. (2009, January 15). California Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

¹⁶⁴ Ibid.

Chapter 7:

Case Study: Illinois

Statistical Information

Each year the state of Illinois contributes a great deal to the number of rehabilitation projects submitted and approved for federal rehabilitation tax incentives in the nation. It was ranked the 16th state of 29 on Part 2 approvals and ranked 20th state of 27 on Part 3 approvals in Fiscal Year 2007.¹⁶⁵ The region in which Illinois is located (Mountains/Plains) was ranked second in Fiscal Year 2007 for Part 3 approvals.¹⁶⁶ Within the region, Illinois had the fifth highest number of Part 3 approvals, tied with Wisconsin, and behind Iowa and Kansas (16 Part 3 approvals, each), Texas (11 Part 3 approvals), and Utah (9 Part 3 approvals).¹⁶⁷ It appears that this year Illinois was a strong contributor to the early stages of the incentives, but did not have that many projects completed (See Table 7-1).

Table 7-1: Submittals and Approvals in Illinois for Fiscal Year 2007¹⁶⁸

Part 1 Submittals	Part 1 Approvals	Part 2 Submittals	Part 2 Approvals	Part 3 Submittals	Part 3 Approvals
142	135	105	13	9	7

¹⁶⁵ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C, p 18-19.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

Despite the few number of projects, Illinois typically has projects with higher expense amounts than other states with the same amount of projects. Illinois is ranked 12 of 47 on the amount of certified expenses in Fiscal Year 2007, and highest in their region (Mountains/Plains).¹⁶⁹

Table 7-2: Project Expense Amounts in Illinois for Fiscal Year 2007¹⁷⁰

Certified Expense	Average Expense
\$97,130,617.00	\$13,875,802.43

Approximately 80 percent of all applications in the state of Illinois receive approval from the State Historic Preservation Office and the National Park Service approves approximately 90 percent of applications.¹⁷¹ In the state of Illinois, appeals are not commonplace. There have been no appeals within the last 3 years and only one potential appeal has even been discussed within this time frame.¹⁷²

Some examples of projects completed in Fiscal Year 2008 included the Hilliard Senior Apartments and the Mormon Building, both of which are located in Chicago.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

¹⁷¹ Huck, M. (2009, Febraury 2009). Illinois Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

¹⁷² Ibid.



Figure 7-1: Hilliard Senior Apartments



Figure 7-2: Marmon Building

Analysis

Despite the small number of projects completed in Illinois, the incentives are effective when it comes to the amount of money invested in the state. The state is listed as the highest in its region for certified expenses, despite being ranked only 5th for amount of projects completed. This finding shows that many of Illinois' projects are at a larger scale than its neighboring states. The large amount of certified expenses on record also demonstrates that the incentives are effective in achieving their goal of spurring economic investment in the community.

Within the state, a domino effect of one project inspiring other projects is noticeable only in certain areas, especially after a district is designated. The Buena Park Historic District was listed on the National Register in 1984.¹⁷³ Soon after, a number of apartment rehabilitation projects started, but the activity lessened within a few years of designation.¹⁷⁴ Another example of this is the Motor Row Historic District, which is a National Register and Chicago landmark. Designated in 2002, rehabilitations for rental/commercial purposes are beginning to take place.¹⁷⁵ This rehabilitation activity in the Motor Row Historic District also relates to an overall boom in the near south side of the city, which has seen much new condo construction and commercial/rental residential construction.¹⁷⁶

In addition to Illinois taxpayers being eligible for the federal incentives, the state also offers historic preservation tax incentives in the form of a state rehabilitation property tax assessment freeze for owner occupied residential properties. The Property Tax Assessment Freeze Program provides tax incentives to owner-occupants of certified historic residences who rehabilitate their homes, unlike the federal incentives, which are available to only income

¹⁷³ Ibid.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

producing properties.¹⁷⁷ Through the Property Tax Assessment Freeze Program, the historic property's assessed value is frozen for 8 years at the same level as the year rehabilitation began.¹⁷⁸ The valuation then is brought back to market level over a period of 4 years.¹⁷⁹ While these incentives are not available to solely commercial properties, it is a viable option for homeowners. The state also offers grants, however, no grants are available or are expected to be available in the near future.¹⁸⁰

It is noted by the Illinois State Historic Preservation Office that many large scale developers usually consult with the office prior to initiating work, or before a substantial amount of work has been completed.¹⁸¹ Also, larger scaled projects may have a hired consultant, who is more familiar with the process.¹⁸² Smaller projects often come in already started or completed, which often makes it difficult to conform the project to the Secretary of the Interiors Standards for Rehabilitation.¹⁸³

The Illinois State Historic Preservation Office has no recommendations for improving the incentives.

¹⁷⁶ Ibid.

¹⁷⁷ *Property Tax Assessment Freeze*. (2007). Retrieved February 5, 2009, from Illinois Historic Preservation Agency: <http://www.illinoishistory.gov/PS/taxfreeze.htm>

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ *Heritage Grants FY2003*. (2007). Retrieved February 5, 2009, from Illinois Historic Preservation Agency: <http://www.illinoishistory.gov/PS/heritagegrants.htm>

¹⁸¹ Huck, M. (2009, February 2009). Illinois Federal Rehabilitation Tax Credits. (J. Marburger, Interviewer)

¹⁸² Ibid.

¹⁸³ Ibid.

Chapter 8:

Analysis of Effectiveness of Laws

Overview

Each year many historically and economically valuable buildings get demolished, either by intent or neglect. However, the federal government has devised a program that makes it an economically rewarding venture to rehabilitate such structures. Any building, or dollar, saved is a positive benefit and the federal rehabilitation tax incentives provide many of these each year. In the introduction of this thesis the definition of the word “effective” was quoted as “producing a decided, decisive, or desired effect”.¹⁸⁴ The desired effect of the incentives is to “encourage the preservation of historic buildings” and to “attract new private investment to the historic cores of cities and towns.”¹⁸⁵

Comprehensive Reviewed State Analysis

Each of the states studied in this thesis contributes to the overall success of the incentive program in its own way. Pennsylvania and Georgia both have a high number of projects completed in Fiscal Year 2007, which indicates each year numerous historic structures are rehabilitated and placed in service, many of which would not have been perceived as

¹⁸⁴ *effective*. In *Merriam-Webster Online Dictionary*. Retrieved January 14, 2009, from <http://www.merriam-webster.com/dictionary/effective>.

¹⁸⁵ *About the Federal Tax Incentives for Historic Preservation*. (2009). Retrieved January 29, 2009, from The National Park Service: <http://www.nps.gov/history/hps/tps/tax/brochure1.htm#intro>

economically viable without the incentives. Pennsylvania and California have a high certified expense total. A high certified expense means that there is high level of private investment due to the projects being undertaken. Illinois is a well-rounded state with a relatively high number of projects and a high certified expense. Pennsylvania, California, and Illinois would be good examples of the incentives achieving the goal of attracting investment to historic cores. Pennsylvania, Illinois, and Georgia are good examples of encouraging preservation of historic buildings.

Table 8-1: Case Study State Analysis

State	Part 1 Approvals	Part 2 Approvals	Part 3 Approvals	Certified Expense (in dollars)	Average Expense (in dollars)
Georgia	26	21	19	39,946,158	2,102,429
Pennsylvania	61	37	29	237,604,181	7,920,139
California	12	13	11	175,463,150	17,546,315
Illinois	135	13	7	97,130,617	13,875,802

In the Table 8-1, it is easy to see the difference in each state’s posted statistics. California has a low number of projects, but each project costs significantly more than projects in Georgia or Pennsylvania. Illinois has a low certified expense compared to California and Pennsylvania, but high cost per project. Georgia has the least expense amounts, but has the second highest amount of completed projects, out of the four states studied. Each of the states is proving the incentives’ effectiveness, but each is doing it in a different way. These four states represent 66 completed projects and \$550,144,106.00 in money spent on projects. The case studies of the 4 states demonstrate how the incentives meet the desired goals of the program.

National Analysis

The case study analysis only confirms what is happening on a national level. The incentives are a very effective means of furthering the agenda of historic preservation on the national level. In Fiscal Year 2007 over 900 projects nationally were completed and over \$2.9 billion were recorded in certified expense.¹⁸⁶ If each \$1 spent on a project equals \$5 in return, then over \$14.5 billion in investments was created in Fiscal Year 2007.¹⁸⁷ These statistics are evidence of the incentives' effectiveness. Without the incentives, many, if not most, of these projects would not have occurred and the investment would not be as high. Therefore the incentives meet the goals set forth. However, some states have zero incentive activity. These states include: Hawaii, North Dakota, New Hampshire, Puerto Rico, Virgin Islands, and Wyoming.¹⁸⁸ If these states were to have incentive activity, it would further increase the national effectiveness of the incentives.

Maximum Potential

The most effective way of maximizing the benefits of the federal rehabilitation tax incentives at the current time is to combine them with other programs. These programs can include, but are not limited to:

1. State Tax Incentives
2. Low Income Housing Tax Credit
3. Grants
4. Façade Easements

¹⁸⁶ (2008). *Federal Tax Incentives for Rehabilitating Historic Structures*. U.S. Department of the Interior, National Park Service, Washington, D.C.

¹⁸⁷ Ibid.

1. Some states, like California and Georgia, offer state tax incentives, which can come in many forms. Twenty-nine states have credits against state taxes to provide incentives for the rehabilitation of historic buildings.¹⁸⁹ Twenty-four states offer incentives for rehabilitating owner-occupied residential properties, compared to the federal version of the credit, which only allows for incentives on income-producing properties.¹⁹⁰ Although the programs vary from state to state, most include the following elements:

- Criteria establishing what buildings qualify for the credit;
- Standards to ensure that the rehabilitation preserves the historic and architectural character of the building;
- A method for calculating the value of the credit awarded, reflected as a percentage of the amount expended on that portion of the rehabilitation work that is approved as a certified rehabilitation;
- A minimum amount, or threshold, required to be invested in the rehabilitation; and
- A mechanism for administering the program, generally involving the state historic preservation office and, in some cases, the state department of revenue.¹⁹¹

When used in combination with the federal incentives, these programs can increase the maximum economic benefit of the incentives.

2. The Low Income Housing Tax Credit, offered by the federal government, is also a valuable tool to increase the economic potential of the incentives. This program allows owners of residential rental property providing low-income housing to claim separate tax credits for new

¹⁸⁸ Ibid.

¹⁸⁹ *State Rehabilitation Tax Credit*. (2009). Retrieved January, 29 2009 from National Trust for Historic Preservation: <http://www.preservationnation.org/issues/rehabilitation-tax-credits/state-rehabilitation-tax.html>

¹⁹⁰ Ibid.

construction and rehabilitation of low-income housing and for certain costs of acquisition of existing housing to serve low-income individuals.¹⁹² There are two credits available under this program. A 30% credit is available for projects where the building is acquired and will be substantially rehabilitated and for projects receiving a federally subsidized rehabilitation expenditure.¹⁹³ A 70% credit is available to rehabilitation projects where no federally subsidized expenditures were received.¹⁹⁴

3. Many organizations offer grants for historic rehabilitation projects. The National Trust for Historic Preservation offers a program known as the National Trust Community Investment Corporation (NTCIC), which is the for-profit subsidiary of the National Trust for Historic Preservation. The organization:

makes equity investments in the rehabilitation of historic properties eligible for the 20 percent federal historic rehabilitation tax credit, and where available, state historic tax credits and the New Markets Tax Credit (NMTC). NTCIC invests in projects that have at least \$6.0 million in total development costs and that generate at least \$1.5 million in historic tax credit equity.

Smaller deals will be referred to the Small Deal Fund for equity investment consideration. Tax-exempt nonprofit organizations and public-sector developers may be eligible for an NTCIC equity investment by creating a limited liability partnership. NTCIC has a special interest in those projects with a high community benefit.¹⁹⁵

4. Façade easements are another means of increasing the financial benefits of the

¹⁹¹ Ibid.

¹⁹² Jayne F. Boyle, S. G. *A Guide to Tax-Advantaged Rehabilitation*. The National Trust for Historic Preservation.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

incentives. Façade easements are “voluntary legal agreement[s] that protect a significant historic, archaeological, or cultural resource” between a homeowner and an accepting organization.¹⁹⁶

These documents guarantee that no changes will be made to the structure, thus protecting its historic value. When a homeowner donates an easement, they are eligible “to claim a charitable deduction on Federal income tax in accordance with rules set by the IRS”.¹⁹⁷ In order to qualify for the credit, the homeowner and the accepting organization must both meet certain criteria set forth by the Internal Revenue Service.

These four programs are just a small subset of the various types of programs that can be combined with the federal incentives. Other varieties of grants are available through alternate organizations, similar to the grants offered by the National Trust for Historic Preservation, and vary by location, and other types of incentive programs may be offered through local governments, such as the Mills Act Program in California.

¹⁹⁵ *Non-Profit Organization and Public Agency Funding*. (2009). Retrieved January 29, 2009, from The National Trust for Historic Preservation:

<http://www.preservationnation.org/resources/find-funding/commercial-funding.html>

¹⁹⁶ *Historic Preservation Easements*. (2009). Retrieved February 2, 2009, from The National Park Service: <http://www.nps.gov/hps/TPS/tax/easement.htm>

¹⁹⁷ *Ibid.*

Chapter 9:

Proposal for Future Use of Incentives

Overview

The federal rehabilitation tax incentives have been regarded as a highly effective program since its inception. That sentiment, however, has not stopped the attempt to improve the program. In the past, many reports studied how to improve the federal rehabilitation tax credits. The most recent include:

- The Tax Act Review Reform Policy Paper (June 2003), issued by the National Conference of State Historic Preservation Officers, recommended “reforms to the Tax Act Review process conducted between the individual states and the National Park Service in order to improve the review process, to clarify the roles in the review process, to streamline reviews and to apply the Standards in a consistent and direct manner.”
- Recommendations for Improving Administration of the Certified Historic Rehabilitation Tax Credit Program, issued December 29, 2003, by the Historic Preservation Development Council, contained recommendations “for improving the federal historic rehabilitation tax credit program by making it more sensitive to the realities of the real estate development process.”¹⁹⁸

In August of 2004, a report was published by the National Park Service to address the issues that were brought up in these two previous reports. This report, titled “Improving the Administration of the Federal Historic Rehabilitation Tax Credit Program,” was an agreement by

the National Park Service to “carry out a number of tasks aimed at improving the project review process and enhancing training for project sponsors and reviewers and to establish a committee of the National Park System Advisory Board to be made up of appointees broadly representative of all those who have a professional interest in what the Secretary’s Rehabilitation Standards say and how they are interpreted.”¹⁹⁹

With the approach of the 30-year mark of the program, in 2003, the National Park Service decided it was time to study the program with the objective of ensuring “that it is utilized to the fullest extent and that it is still providing the best possible service to the public.”²⁰⁰ This review led to the report titled “Federal Historic Rehabilitation Tax Credit Program: Recommendations for Making a Good Program Better.” The questions addressed by the report were two-fold:

- Are the requirements of the Federal Historic Rehabilitation Tax Credit Program clear to program users? Do program users have realistic expectations when they undertake projects? If the process is not clear, how can it be made clearer?
- How can the interpretation of the Secretary of the Interior’s Standards for Rehabilitation, which has been successful since its inception, ensure that it is utilized to the more user-friendly so that program users and the preservation community can better understand them?²⁰¹

¹⁹⁸ (2006). *Recommendations for Making a Good Program Better Federal Historic Rehabilitation Tax Credit Program*. National Park Service Advisory Board.

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

²⁰¹ Ibid.

Making a Good Program Better

The report published by the National Park Service Advisory Board in 2006 on how to improve the program made valid assertions. The board suggested that the program be improved by making the following changes:

1. The National Park Service, in consultation with its historic preservation partners, reexamine and revise as appropriate its interpretation of the Standards in order to provide some greater measure of flexibility in addressing especially challenging projects. The National Park Service review should focus in particular on windows, interior treatments, new additions and related new construction, modern-day requirements, life safety requirements, energy efficiency improvements, green building features and use of new technologies and materials.
2. The National Park Service, in consultation with its historic preservation partners, revise and expand its current guidance materials as appropriate, so that the National Park Service interpretation of the Standards is clearer to project designers, and so that the outcome of the National Park Service review is more predictable.
3. That, during its review of particularly complex projects, the National Park Service ensure the fullest communication with state staffs, so as to foster consistency and to ensure that State Historic Preservation Offices have adequate opportunity to participate by phone or in person in the review process.
4. The Committee recommends that the National Park Service, in consultation with its historic preservation partners, review and enhance its existing training sessions and materials and enhance and refine guidance in an effort to provide the highest possible level of clarity and consistency among all project reviewers in their application of the Standards.
5. The Committee recommends that the National Park Service investigate how increasing and restructuring Certification Applications could facilitate and expedite review of project

applications.

6. The Committee recommends that the National Park Service, in consultation with its historic preservation partners, review and enhance its guidance materials to make those materials and the application process, itself, more accessible and user-friendly to first-time users and small project owners. In particular, the Committee recommends that the National Park Service continue to emphasize the importance of early involvement of the National Park Service and the State Historic Preservation Office in project planning, and that the National Park Service promote more widely the use of “preliminary consultation” on complex and difficult projects.
7. The Committee recommends that this investigation include mechanisms for sharing some portion of fee revenues with State Historic Preservation Offices.
8. The Committee recommends that the National Park Service, in consultation with its historic preservation partners, reevaluate and revise its current policy to lessen the dependence of projects within such a complex on each other for purposes of eligibility for the tax credits.

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The report gave the recommended deadline of December 2007 to implement changes, stating that the recommendations be a “priority” despite the substantial nature of the recommendations.

Throughout 2007, the National Park Service went about implementing the recommendations.

They took the following measures:

- In reference to number 1 no changes were made.
- In reference to number 2, the National Park Service examined its interpretation and application of the Standards and the process used by the State Historic Preservation Office and has clarified that:
 - o A project meets the Standards when the overall effect of all work on the property

is consistent with the property's historic character, even when some individual features may not have been given "recommended" treatments. Each property exhibits a unique set of conditions; therefore, evaluation of any single aspect of the proposed work can be made only in the context of those conditions and all the other work that constitutes the project. Determination that a project meets the Standards is based on the cumulative effect of all the work in the context of the specific existing conditions. The National Park Service has revised and clarified its guidance and established some new and more flexible policies with regard to the rehabilitation issues that were of particular concern to the committee: windows; interior treatments; new additions and related new construction; and modern-day requirements, including life safety requirements, energy efficiency improvements, green building features and use of new technologies and materials.

- In reference to number 6, the National Park Service has taken the following actions to make its guidance materials and, consequently, the application process, more accessible and user-friendly; to provide materials aimed specifically at first-time users and small project owners; and to continue its long-standing practice of encouraging consultation with the State Historic Preservation Office and the National Park Service early in the project planning process.
 - Developed and published Technical Preservation Services' Publications and Online Materials, a 50-page index to printed and web information pertaining to the Historic Rehabilitation Tax Credit Program and technical information about the treatment of historic materials and buildings. Organized by subject, each entry identifies whether a document is available in hard copy and/or on the web.
 - Created a search-by-topic web site map to lead users to all materials on the

²⁰² Ibid.

Historic Rehabilitation Tax Credit Program and technical information about the treatment of historic materials and buildings on the National Park Service web site.

Developed and published Introduction to Federal Tax Credits for Rehabilitating Historic Buildings – Rowhouses, a guide to the tax credits and the application process for first-time program users and small-project owners, using rowhouses as sample projects.

- Additional guides focusing on other types of small projects are in progress and will be published in 2008.
 - Developed and posted two supplemental forms designed to assist applicants in preparing complete applications – Supplemental Information Guide and Transmittal Sheet/Checklist – on the National Park Service web.
 - Developed and posted Guidelines for Preliminary Consultations and Meetings on the National Park Service web in January 2007.
 - Made and will continue to make, within workload constraints, every effort to accommodate requests for conference calls and meetings on complex and difficult projects. State Historic Preservation Office program staff will be offered the opportunity to attend or to participate by conference call.
- In reference to number 4, the National Park Service has implemented a regular program of biennial training for all State Historic Preservation Office tax credit program staff in an effort to ensure consistent interpretation of the Standards.
 - Also in reference to number 4, the National Park Service has participated and will continue to participate, as time and finances permit, in historic preservation conferences and will explore options for organizing conferences and training sessions for historic building owners and tax credit program users.
 - In reference to number 7: the current application review fees appear in the program

regulations, published in 1990. Because the regulations set forth the fees in specific dollar amounts, a technical correction must be made to the regulations before the fees can be raised. The National Park Service has drafted this technical correction, which has begun its way through the review process within the Department of the Interior and the Office of Management and Budget. When the rule is published in the Federal Register, it will remove all dollar amounts, and state that the fee levels will be set in accordance with a periodic notice in the Federal Register. A notice with new fee levels will then be published. The revised fees will allow the National Park Service to improve the program in a number of ways: to hire more professional and administrative staff to expedite application review, to finance more frequent project site visits and consultations with owners, and to develop more publications and other products to assist applicants. Increased fees will also permit the National Park Service to conduct more training for State Historic Preservation Office staff and to subsidize more of the costs incurred by those attending. The National Park Service also will explore ways to use money from revised fees to allow the State Historic Preservation Offices to increase staff travel to project sites.

- In reference to number 3: The Committee's report discussed the problem of rehabilitating multiple-building properties in the context of the military Base Realignment and Closure process. This process in particular highlights the difficulties inherent in treating the rehabilitation of multiple buildings as a single historic property, as required by program regulations. Previous policy dictated that all such buildings be understood as constituting a single project. The National Park Service recognizes the difficulties inherent in these unique properties and has implemented the following policies.
 - o These very large, functionally-related, multiple-building complexes will be treated as historic districts, which allows the National Park Service to limit the definition of "functionally-related buildings" to distinct usage-related groupings.

- Long-term lessees in these very large, functionally-related, multiple-building complexes will be treated as owners.²⁰³

The National Park Service made sweeping changes to the program based on recommendations made by the Advisory Board. These changes, for the most part, have been perceived as beneficial.

It is difficult to recommend new changes to the incentives, without total knowledge of changes made in the past. It is, however, imperative that the scope of the changes made to the incentives be communicated before recommendations for further changes can be made.

Compilation of State Historic Preservation Offices' Ideas

Perhaps those who work with the incentives the most can best decipher what improvements should be made to the incentives. With hands-on experience of working with the federal rehabilitation tax incentives, the individual State Historic Preservation Offices have developed some ideas on how to improve the program. The offices recommend:

1. The process be more straightforward in ease of preparation. The current process is convoluted in the fact that there are 3 different parts that have to be approved by 3 different government bodies. This suggestion was addressed in the prior changes made to the program by the National Park Service after the "Making a Good Program Better Report", but needs to be readdressed.
2. The incentives be made available to a limited degree to all historic structures, not just ones on the National Register of Historic Places. This availability would promote

²⁰³ (2007). *Making a Good Program Better: Final Guidance and Implementation of National Park System Advisory Board Recommendations For the Federal Historic Rehabilitation Tax Credit Program*.

the use of the incentives on buildings that have not been added to the National Register

3. Improvements to the literature published by the National Park Service- directed towards a less technical audience. The current literature published is not very helpful to a small project owner with little knowledge in the field. This was also addressed in the changes made by the National Park Service.
4. The Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Structures be published by the federal government. It is time consuming and wasteful for these to have be published on the state level.
5. Return to having the Technical Preservation Services (National Park Service) staff reviewing the Part 1 submittals. The current process is time consuming and overwhelming to the limited staff reviewing the applications.
6. National Park Service should resume offering informational conferences about the incentives. Conferences by the National Park Service allow for clarification and proper training on the incentives. This was addressed by the changes made, but obviously was not effective.
7. Making the contact information more readily accessible on the application. This would allow questions to be addressed to the proper person.
8. Parties interested in the incentives would take the time to read the literature published on the topic. If people applying for the incentives would read the literature it would prevent mistakes in the process.

Other Recommendations

By examining case studies and analyzing the historical changes made to the law, opportunities to make the incentive program more effective are apparent. Some other suggestions, in addition to those suggested by the various State Historic Preservation Offices, on how to improve the incentives include:

1. Allow residential projects to be eligible for the incentives. The people who economically need the incentives the most are individual homeowners, not the large-scale developer. Granted, this demographic will not typically be undertaking multi-million dollar projects, but they do undertake a large portion of the historic preservation projects in the United States. Perhaps in the current economical climate, the government should promote the conservation of resources by offering the incentives to the homeowner.
2. Provide more advertisement for the incentives. Many people who are not large developers, are not aware that the incentives exist. Also, provide advertisement about the ability to combine multiple programs, such as the federal and state incentives.
3. Streamline the process. It is a waste of personnel resources to have to go through so many levels of approval. The current application has three parts, which must be approved by three different government entities. Many projects apply and never make it to the final approval, due to a multitude of reasons of which are not necessarily denials. If the process was streamlined this would be less of an issue.

Chapter 10:

Conclusion

This thesis's initial goal was to prove how ineffective the federal rehabilitation tax incentives were. However, through the research process, the actual effectiveness of the incentives has become clear. The incentives, in order to be effective, need to meet the desired goals of encouraging the rehabilitation of historic structures and providing for investment in historic cities cores. Each year the incentives invest much needed money into the economy, while returning to service many previously unusable structures. Therefore, the incentives program meets the definition for effective. While it is possible for the program to be improved upon, most of the improvements suggested are minor changes and easily implemented.

The incentives are very well reviewed and often referred to as the most effective program dealing with historic preservation. Below are some critiques of the incentives:

The Federal Historic Preservation Tax Incentives program encourages private sector rehabilitation of historic buildings and is one of the nation's most successful and cost-effective community revitalization programs. It generates jobs and creates moderate and low-income housing in historic buildings.²⁰⁴

²⁰⁴ *Historic Preservation Tax Incentives*. (2009). Retrieved February 2, 2009, from The National Park Service: <http://www.nps.gov/history/HPS/tps/tax/>

The tax credit program is one of the most successful and cost-effective programs that encourage private investment in rehabilitating income producing, historic properties such as office buildings, rental housing, hotels, bed and breakfasts, and retail stores.²⁰⁵

The Federal Historic Preservation Tax Incentives Program has proven to be one of the nation's most successful and cost-effective tools for creating affordable housing in historic buildings, revitalizing communities, and preserving historic places that give cities, towns, and rural areas their special character.²⁰⁶

The incentives are commended in every state for their effectiveness and ability to achieve their goals. The recommendations made by the State Historic Preservation Offices of the four states analyzed in this thesis are relatively minor. Most of the recommendations are geared toward improving the ease of use for the taxpayer.

Historically, through analysis of the incentives, it became apparent that changes needed to be made to the program. The result of these changes led to the current program, which has had the dual benefit of increasing community investments and increasing the amount of historic preservation activity. Each year a large number of historic properties are rehabilitated using the rehabilitation tax credit, either alone or in combination with other incentives. Without the incentives, a large percentage of these properties would not be rehabilitated, which would deprive communities of investment.

²⁰⁵ *Federal Rehabilitation Tax Credits*. (2009). Retrieved January 22, 2009, from The Pennsylvania Historical and Museums Commission:
http://www.portal.state.pa.us/portal/server.pt?open=512&objID=2646&&SortOrder=500&level=2&parentid=3741&css=L2&mode=2&in_hi_userid=2&cached=true

²⁰⁶ (2007). *Federal Historic Preservation Tax Incentives Program California Office of Historic Preservation Certified Project Applications Federal Fiscal Year Ending 2007 October 1, 2006*

The most effective way of using the incentives is to combine them with other programs, such as state offered incentives, the low-income housing credit, or grants. By using the incentives with these other programs, a taxpayer is increasing the immediate return of investment on the property.

In this thesis, most of the recommendations made to improve the incentives are meant to improve the program at a technical level. The main goal of many of the recommendations is to make them easier for the taxpayer to use. Much of the current literature published is written in a very technical tone. It would be easier for a first-time user or small project owner if the information was presented in a more manageable manner. Larger scale recommendations were made to alter to whom the incentives were available. It was suggested that structures that are historically important, but are not on the National Register, be eligible for the incentives. Many states have made this allowance in their programs. The property need not be on the National Register in these such programs, but it does need to be locally-or-state designated as a historically important site. This designation allows structures that may not be of national importance to still receive the benefits. Another larger scale recommendation provided is that residential structures be eligible for the incentives. With stringent regulations, this eligibility suggestion would be a good provision to have added to the program, which would allow historic homes that are not being used for income-producing purposes to be eligible for the incentives. It is obvious that most, if not all, of the projects would not be the same economic scope as the commercial properties, but they would provide valuable economic investment into communities. Some of these suggestions came from the State Historic Preservation Offices, but others came from the analysis of material presented in this thesis.

through September 30, 2007. California Office of Historic Preservation Architectural Review

Overall, the federal rehabilitation tax incentives are a very good program. However, there is room for improvement. Many of the changes suggested would not take significant effort on the part of the administrators of the program, but would nonetheless be invaluable to the State Historic Preservation Offices, who are instrumental in the process, and the owners of historic structures. Any of the improvements made to the program that were suggested in this thesis would only propagate its use and, therefore, increase the amount of buildings rehabilitated and the amount of money invested in the community, making the program even more effective.

Further Areas of Study

There are several areas pertaining to this thesis on which further research could be conducted in order to provide a more thorough understanding of the federal rehabilitation tax credits and its various components.

Many programs are available for use in conjunction with the federal rehabilitation tax incentives. One of these programs is the Low Income Housing Credit. The program allows developers to take a credit on their federal income taxes if they rehabilitate a building for the purpose of low-income housing. Also, a more developed study of the interaction and benefits of the combined use of the state and federal programs would be an invaluable study. Another valuable area of study would be the use of grants in conjunction with the federal credits. Easement incentives would also be a good study. Even though each of these topics was discussed briefly in this thesis, it would be beneficial to have them studied more in depth.

An interesting and beneficial field of study for the use of improving the federal

and Incentives Unit.

rehabilitation tax incentives would be a study of international programs with the same goal in mind. The American field of historic preservation has learned and derived an immense amount from the fields abroad. It would be a valuable lesson in the subsidy of rehabilitation projects to analyze how other countries with historic preservation programs tackle the same issue.

Another element of this thesis that could be studied more in depth is a more detailed study of each individual state. This study would provide further reinforcement for the conclusions reached in this thesis. Also, included in this section should be research on why some states have a lack of activity.

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Appendices:

Appendix A: Secretary of the Interior's Standards for Rehabilitation

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or

pictorial evidence.

7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Appendix B: Secretary of the Interior's Guidelines for Rehabilitating Historic Structures

Choosing Rehabilitation as a Treatment

In Rehabilitation, historic building materials and character-defining features are protected and maintained as they are in the treatment Preservation; however, an assumption is made prior to work that existing historic fabric has become damaged or deteriorated over time and, as a result, more repair and replacement will be required. Thus, latitude is given in the Standards for Rehabilitation and Guidelines for Rehabilitation to replace extensively deteriorated, damaged, or missing features using either traditional or substitute materials. Of the four treatments, only Rehabilitation includes an opportunity to make possible an efficient contemporary use through alterations and additions.

Identify, Retain, and Preserve Historic Materials and Features

Like Preservation, guidance for the treatment Rehabilitation begins with recommendations to identify the form and detailing of those architectural materials and features that are important in defining the building's historic character and which must be retained in order to preserve that character. Therefore, guidance on *identifying, retaining, and preserving* character-defining features is always given first. The character of a historic building may be defined by the form and detailing of exterior materials, such as masonry, wood, and metal; exterior features, such as

roofs, porches, and windows; interior materials, such as plaster and paint; and interior features, such as moldings and stairways, room configuration and spatial relationships, as well as structural and mechanical systems.

Protect and Maintain Historic Materials and Features

After identifying those materials and features that are important and must be retained in the process of Rehabilitation work, then *protecting and maintaining* them are addressed. Protection generally involves the least degree of intervention and is preparatory to other work. For example, protection includes the maintenance of historic material through treatments such as rust removal, caulking, limited paint removal, and re-application of protective coatings; the cyclical cleaning of roof gutter systems; or installation of fencing, alarm systems and other temporary protective measures. Although a historic building will usually require more extensive work, an overall evaluation of its physical condition should always begin at this level.

Repair Historic Materials and Features

Next, when the physical condition of character-defining materials and features warrants additional work *repairing* is recommended. Rehabilitation guidance for the repair of historic materials such as masonry, wood, and architectural metals again begins with the least degree of intervention possible such as patching, piecing-in, splicing, consolidating, or otherwise reinforcing or upgrading them according to recognized preservation methods. Repairing also includes the limited replacement in kind--or with compatible substitute material--of extensively deteriorated or missing parts of features when there are surviving prototypes (for example, brackets, dentils, steps, plaster, or portions of slate or tile roofing). Although using the same kind

of material is always the preferred option, substitute material is acceptable if the form and design as well as the substitute material itself convey the visual appearance of the remaining parts of the feature and finish.

Replace Deteriorated Historic Materials and Features

Following repair in the hierarchy, Rehabilitation guidance is provided for *replacing* an entire character-defining feature with new material because the level of deterioration or damage of materials precludes repair (for example, an exterior cornice; an interior staircase; or a complete porch or storefront). If the essential form and detailing are still evident so that the physical evidence can be used to re-establish the feature as an integral part of the rehabilitation, then its replacement is appropriate. Like the guidance for repair, the preferred option is always replacement of the entire feature in kind, that is, with the same material. Because this approach may not always be technically or economically feasible, provisions are made to consider the use of a compatible substitute material. It should be noted that, while the National Park Service guidelines recommend the replacement of an entire character-defining feature that is extensively deteriorated, they never recommend removal and replacement with new material of a feature that--although damaged or deteriorated--could reasonably be repaired and thus preserved.

Design for the Replacement of Missing Historic Features

When an entire interior or exterior feature is missing (for example, an entrance, or cast iron facade; or a principal staircase), it no longer plays a role in physically defining the historic character of the building unless it can be accurately recovered in form and detailing through the

process of carefully documenting the historical appearance. Although accepting the loss is one possibility, where an important architectural feature is missing, its replacement is always recommended in the Rehabilitation guidelines as the first or preferred, course of action. Thus, if adequate historical, pictorial, and physical documentation exists so that the feature may be accurately reproduced, and if it is desirable to re-establish the feature as part of the building's historical appearance, then designing and constructing a new feature based on such information is appropriate. However, a second acceptable option for the replacement feature is a new design that is compatible with the remaining character-defining features of the historic building. The new design should always take into account the size, scale, and material of the historic building itself and, most importantly, should be clearly differentiated so that a false historical appearance is not created.

Alterations/Additions for the New Use

Some exterior and interior alterations to a historic building are generally needed to assure its continued use, but it is most important that such alterations do not radically change, obscure, or destroy character-defining spaces, materials, features, or finishes. Alterations may include providing additional parking space on an existing historic building site; cutting new entrances or windows on secondary elevations; inserting an additional floor; installing an entirely new mechanical system; or creating an atrium or light well. Alteration may also include the selective removal of buildings or other features of the environment or building site that are intrusive and therefore detract from the overall historic character. The construction of an exterior addition to a historic building may seem to be essential for the new use, but it is emphasized in the Rehabilitation guidelines that such new additions should be avoided, if possible, and considered

only after it is determined that those needs cannot be met by altering secondary, i.e., non character-defining interior spaces. If, after a thorough evaluation of interior solutions, an exterior addition is still judged to be the only viable alternative, it should be designed and constructed to be clearly differentiated from the historic building and so that the character-defining features are not radically changed, obscured, damaged, or destroyed. Additions and alterations to historic buildings are referenced within specific sections of the Rehabilitation guidelines such as Site, Roofs, Structural Systems, etc., but are addressed in detail in New Additions to Historic Buildings.

Energy Efficiency/Accessibility Considerations/Health and Safety Code Considerations

These sections of the guidance address work done to meet accessibility requirements and health and safety code requirements; or retrofitting measures to improve energy efficiency. Although this work is quite often an important aspect of Rehabilitation projects, it is usually not a part of the overall process of protecting or repairing character-defining features; rather, such work is assessed for its potential negative impact on the building's historic character. For this reason, particular care must be taken not to radically change, obscure, damage, or destroy character-defining materials or features in the process of meeting code and energy requirements.

Appendix C: Federal Rehabilitation Tax Credit Part 1 Application

Form 10-168
Rev. 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE

OMB Approved
No. 1024-0009

**HISTORIC PRESERVATION CERTIFICATION APPLICATION
PART 1 – EVALUATION OF SIGNIFICANCE**

NPS Office Use Only

NRIS No:

NPS Office Use Only

Project No:

Instructions: Read the instructions carefully before completing application. No certifications will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets or attach blank sheets.

1. Name of Property: _____
Address of Property: Street _____
City _____ County _____ State _____ Zip _____
Name of historic district: _____
 National Register district certified state or local district potential district

2. Check nature of request:

certification that the building contributes to the significance of the above-named historic district (or National Register property) for the purpose of rehabilitation.

certification that the structure or building, and where appropriate, the land area on which such structure or building is located contributes to the significance of the above-named historic district for a charitable contribution for conservation purposes

certification that the building does not contribute to the significance of the above-named historic district.

preliminary determination for individual listing in the National Register.

preliminary determination that a building located within a potential historic district contributes to the significance of the district.

preliminary determination that a building outside the period or area of significance contributes to the significance of the district.

3. Project contact:

Name _____
Street _____ City _____
State _____ Zip _____ Daytime Telephone Number _____

4. Owner:

I hereby attest that the information I have provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to \$10,000 in fines or imprisonment for up to five years pursuant to 18 U.S.C. 1001.

Name _____ Signature _____ Date _____
Organization _____
Street _____ City _____
State _____ Zip _____ Daytime Telephone Number _____

NPS Office Use Only

The National Park Service has reviewed the "Historic Certification Application – Part 1" for the above-named property and hereby determines that the property:

- contributes to the significance of the above-named district (or National Register property) and is a "certified historic structure" for the purpose of rehabilitation.
- contributes to the significance of the above-named district and is a "certified historic structure" for a charitable contribution for conservation purposes in

accordance with the Tax Treatment Extension Act of 1980.

- does not contribute to the significance of the above-named district.

Preliminary determinations:

- appears to meet the National Register Criteria for Evaluation and will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer according to the procedures set forth in 36 CFR Part 60.
- does not appear to meet the National Register Criteria for Evaluation and will likely not be listed in the National Register.
- appears to contribute to the significance of a potential historic district, which will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer.
- appears to contribute to the significance of a registered historic district but is outside the period or area of significance as documented in the National Register nomination or district documentation on file with the NPS.
- does not appear to qualify as a certified historic structure.

Date

National Park Service Authorized Signature

National Park Service Office/Telephone No.

- See Attachments

HISTORIC PRESERVATION
CERTIFICATION APPLICATION –

PART 1

Property Name

NPS Office Use Only

Project Number:

Property Address

5. Description of physical appearance:

Date of Construction: _____ Source of Date: _____

Date(s) of Alteration(s): _____

Has building been moved? yes no If so, when? _____

6. Statement of significance:

7. Photographs and maps.

Attach photographs and maps to application

Continuation sheets attached: yes no

Appendix D: Federal Rehabilitation Tax Credit Part 2 Application

Form 10-168a
Rev. 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE

OMB Approved
No. 1024-0009

**HISTORIC PRESERVATION CERTIFICATION APPLICATION
PART 2 – DESCRIPTION OF REHABILITATION**

NPS Office Use Only

NRIS No: _____

NPS Office Use Only

Project No: _____

Instructions: Read the instructions carefully before completing the applications. No certifications will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets or attach blank sheets. A copy of this form may be provided to the Internal Revenue Service. The decision by the National Park Service with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings, and specifications), the application form shall take precedence.

1. Name of Property: _____

Address of Property: Street _____

City _____ County _____ State _____ Zip _____

Listed individually in the National Register of Historic Places; give date of listing: _____

Located in a Registered Historic District; specify: _____

Has a Part 1 Application (Evaluation of Significance) been submitted for this project? yes no

If yes, date Part 1 submitted: _____ Date of certification: _____ NPS Project Number: _____

2. Data on building and rehabilitation project:

Date building constructed: _____ Total number of housing units before rehabilitation: _____

Type of construction: _____ Number that are low-moderate income: _____

Use(s) before rehabilitation: _____ Total number of housing units after rehabilitation: _____

Proposed use(s) after rehabilitation: _____ Number that are low-moderate income: _____

Estimated cost of rehabilitation: _____ Floor area before rehabilitation: _____

This application covers phase number _____ of _____ phases Floor area after rehabilitation: _____

Project/phase start date (est.): _____ Completion date (est.): _____

3. Project contact:

Name _____

Street _____ City _____

State _____ Zip _____ Daytime Telephone Number _____

4. Owner:

I hereby attest that the information I have provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to \$10,000 in fines or imprisonment for up to five years pursuant to 18 U.S.C. 1001.

Name _____ Signature _____ Date _____

Organization _____
Social Security or Taxpayer Identification Number _____
Street _____ City _____
State _____ Zip _____ Daytime Telephone Number _____

NPS Office Use Only

The National Park Service has reviewed the "Historic Certification Application – Part 2" for the above-named property and has determined:

- that the rehabilitation described herein is consistent with the historic character of the property or the district in which it is located and that the project meets the Secretary of the Interior's "Standards for Rehabilitation." This letter is a preliminary determination only, since a format certification of rehabilitation can be issued only to the owner of a "certified historic structure" after rehabilitation work is completed.
- that the rehabilitation or proposed rehabilitation will meet the Secretary of the Interior's "Standards for Rehabilitation" if the attached conditions are met.
- that the rehabilitation described herein is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's "Standards for Rehabilitation." A copy of this form will be provided to the Internal Revenue Service.

_____ National Park Service Authorized Signature _____ National Park Service Office/Telephone No.

See Attachments

**HISTORIC PRESERVATION
CERTIFICATION APPLICATION –**

PART 2

Property Name _____

NPS Office Use Only

Project Number: _____

Property Address _____

5. DETAILED DESCRIPTION OF REHABILITATION / PRESERVATION WORK – Includes site work, new construction, alterations, etc. Complete blocks below.

Number 1	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 2	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 3	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 4	Architectural feature _____	Describe work and impact on existing feature:

Approximate Date of feature _____

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

HISTORIC PRESERVATION CERTIFICATION APPLICATION –

PART 2

Property Name

NPS Office Use Only

Project Number: _____

Property Address

<p>Number 5</p>	<p>Architectural feature _____ Approximate Date of feature _____</p>	<p>Describe work and impact on existing feature:</p>
<p>Describe existing feature and its condition:</p> <p>Photo no. _____ Drawing no _____</p>		
<p>Number 6</p>	<p>Architectural feature _____ Approximate Date of feature _____</p>	<p>Describe work and impact on existing feature:</p>
<p>Describe existing feature and its condition:</p> <p>Photo no. _____ Drawing no _____</p>		
<p>Number 7</p>	<p>Architectural feature _____ Approximate Date of feature _____</p>	<p>Describe work and impact on existing feature:</p>

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

**Number
8**

Architectural feature _____

Approximate Date of feature _____

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

Describe work and impact on existing feature:

HISTORIC PRESERVATION
CERTIFICATION APPLICATION –

PART 2

Property Name

NPS Office Use Only

Project Number:

Property Address

Number 9	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 10	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 11	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 12	Architectural feature _____	Describe work and impact on existing feature:

Approximate Date of feature _____

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

HISTORIC PRESERVATION
CERTIFICATION APPLICATION –

PART 2

Property Name _____

NPS Office Use Only

Project Number: _____

Property Address _____

Number 13	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 14	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 15	Architectural feature _____ Approximate Date of feature _____	Describe work and impact on existing feature: Photo no. _____ Drawing no _____
Number 16	Architectural feature _____	Describe work and impact on existing feature:

Approximate Date of feature _____

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

HISTORIC PRESERVATION
CERTIFICATION APPLICATION –

PART 2

Property Name

NPS Office Use Only

Project Number:

Property Address

Number 17	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 18	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 19	Architectural feature _____ Approximate Date of feature _____ Describe existing feature and its condition: Photo no. _____ Drawing no _____	Describe work and impact on existing feature:
Number 20	Architectural feature _____	Describe work and impact on existing feature:

Approximate Date of feature _____

Describe existing feature and its condition:

Photo no. _____ Drawing no _____

Appendix E: Federal Rehabilitation Tax Credit Part 3 Application

Form 10-168c
Rev. 12/90

UNITED STATES DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE

OMB Approved
No. 1024-0009

HISTORIC PRESERVATION CERTIFICATION APPLICATION
REQUEST FOR CERTIFICATION OF COMPLETED WORK
PART 3

NPS Office Use Only

NRIS No:

Instructions: Upon completion of the rehabilitation, return this form with representative photographs of the completed work (both exterior and interior views) to the appropriate reviewing office. If a Part 2 application has not been submitted in advance of project completion, it must accompany the Request for Certification of Completed Work. A copy of this form will be provided to the Internal Revenue Service. Type or print clearly in black ink. The decision of the National Park Service with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form shall take precedence.

1. **Name of Property:** _____

Address of Property: Street _____

City _____ County _____ State _____ Zip _____

Is property a certified historic structure? yes no If yes, date of certification by NPS: _____

or date of listing in the National Register: _____

2. **Data on rehabilitation project:**

National Park Service assigned rehabilitation project number: _____

Project starting date: _____

Rehabilitation work on this property was completed and the building placed in service on: _____

Estimated costs attributed solely to rehabilitation of the historic structure: \$ _____

Estimate costs attributed to new construction associated with the rehabilitation, including additions, site work, parking lots, landscaping: \$ _____

3. **Owner:** (space on reverse for additional owners)

I hereby apply for certification of rehabilitation work described above for purposes of the Federal tax incentives. I hereby attest that the information provided is, to the best of my knowledge, correct, and that, in my opinion the completed rehabilitation meets the Secretary's "Standards for Rehabilitation" and is consistent with the work described in Part 2 of the Historic Preservation Certification Application. I also attest that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to \$10,000 in fines or imprisonment for up to five years pursuant to 18 U.S.C. 1001.

Name _____ Signature _____ Date: _____

Organization _____

Social Security or Taxpayer Identification Number _____

Street _____ City _____

State _____ Zip _____ Daytime Telephone Number _____

NPS Office Use Only

The National Park Service has reviewed the "Historic Certification Application – Part 2" for the above-listed "certified historic structure" and has determined:

- that the completed rehabilitation meets the Secretary of the Interior's "Standards for Rehabilitation and is consistent with the historic character of the property or the district in which it is located. Effective the date indicated below, the rehabilitation of the "certified historic structure" is hereby designated a "certified rehabilitation." A copy of this certification has been provided to the Department of the Treasury in accordance with Federal law. This letter of certification is to be used in conjunction with appropriate Internal Revenue Service regulations. Questions concerning specific tax consequences or interpretation of the Internal Revenue Code should be addressed to the appropriate local Internal Revenue Service office. Completed projects may be inspected by an authorized representative of the Secretary to determine if the work meets the "Standards for Rehabilitation." The Secretary reserves the right to make inspections at any time up to five years after completion of the rehabilitation and to revoke certification, if it is determined that the rehabilitation project was not undertaken as presented by the owner in the application form and supporting documentation, or the owner, upon obtaining certification, undertook unapproved further alterations as part of the rehabilitation project inconsistent with the Secretary's "Standards for Rehabilitation."

- that the rehabilitation is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's "Standards for Rehabilitation." A copy of this form will be provided to the Internal Revenue Service

Date

National Park Service Authorized Signature

National Park Service Office/Telephone No.

- See Attachments

REQUEST FOR CERTIFICATION OF COMPLETED WORK, *continued*

_____ NPS Project No.

Additional Owners:

Name _____
Street _____
City _____ State _____ Zip _____
Social Security or Taxpayer Identification Number: _____

Name _____
Street _____
City _____ State _____ Zip _____
Social Security or Taxpayer Identification Number: _____

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Street _____
City _____ State _____ Zip _____
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