The Rehab Tax Credit: Turbo-Charged!
Preserving Portland, Oregon: Support for the Credit Begins at Home
CONGRESSMAN EARL BLUMENAUER ............................................. 3

When Preservation Came to the Tax Code
ANDREW POTTS ................................................................. 7

Tax Credits Really Do Add Up
JOHN LEITH-TETRAULT ....................................................... 30

The Historic Tax Credit: A Proven Community Revitalization Tool
ERICA STEWART ................................................................. 35

Meeting the Secretary’s Standards for Historic Rehabilitation: The Developer’s Perspective
JESSICA ENGEMAN ............................................................. 40

Developers Speak: Tax Credits Make Deals Possible
ELIZABETH BYRD WOOD ..................................................... 47

Tax Credit Resources from the National Park Service
BRIAN GOEKEN ................................................................. 53

ON THE COVER: Seawall Development used the historic tax credit to help finance the renovation of Miller’s Court in Baltimore, Md., in 2009.
PHOTO COURTESY OF SEAWALL DEVELOPMENT
Preserving Portland, Oregon: Support for the Credit Begins at Home

CONGRESSMAN EARL BLUMENAUER

EDITOR’S NOTE
Since its inception, the historic tax credit has suffered from an identity crisis. On the one hand, it may have appeared as simply a bit of feel-good federal largess, enacted largely to level the playing field between new construction and rehabilitation, a way to restore some old buildings and maybe mitigate some of the worst impacts of urban renewal and highway building on historic communities. For building owners and developers on the other hand, it was little more than an economic proposition—it was a way to bring more money to their development project. Over time however, this modest proposal became an economic engine creating jobs for highly skilled workers, stimulating local economic activity, and stabilizing and expanding the tax base at rates far higher than other investments. For all that, the tax credit remains little known or well understood except by those who have taken the time to understand just how a building came to be restored, and why that building’s restoration had a transformative effect on its community. Once you understand that, it is hard not to become a believer, and in the case of Rep. Earl Blumenauer (D-OR), a champion.

Hundreds of magnificently restored landmarks have become the pride of their communities, however few now know, and many forget, the role of the tax credits in their restoration.

I have been a long-time supporter and advocate of the federal historic tax credit (HTC) throughout my career. Historic buildings and places represent the cultural fabric of our communities, defining our heritage and creating a sense of place. They offer more than architectural interest; they embody craftsmanship, culture, and even values. They are bold statements that link us to our
past, providing tangible evidence of where we came from. In 1975, as a member of the Oregon State Legislature, I worked on Oregon’s Special Assessment of Historic Property Program, the nation’s first state-level historic preservation tax incentive. This program still pays dividends today. Later, as Portland’s Commissioner of Public Works, I came to have a great appreciation for the power of historic preservation to help revitalize a community. For me, Portland has always been a city that straddles the line between the past and the future. We have protected our history and built on that foundation to create a strong and thriving community for the future.

Preserving key elements of our past is made much easier by the HTC, which has enabled the rehabilitation and restoration of historic buildings for more than 30 years and is the most significant federal investment in historic preservation. Since its inception, the historic tax credit has generated nearly $100 billion in private investment and created 2.2 million jobs. In Oregon alone, from 2001 to 2011, the HTC helped finance the rehabilitation of 77 buildings and created more than 8,500 jobs.

Besides encouraging the rehabilitation of historic buildings of national, state, and local significance, the HTC also stimulates major private investment in our older, disinvested neighborhoods. Older cities across the country rely upon the HTC as an important tool to foster economic revitalization. As a nation, we want to live and work in places that reflect the stories that define our heritage. The HTC makes preserving, living, and working in those places possible.

Portland has several excellent examples of the significant impact of the HTC. In 2008 the University of Oregon opened a satellite campus, White Stag Block, which was created through the rehabilitation of three historic but derelict commercial buildings. The satellite campus now provides an urban base for more than 300 students, faculty, and staff, and without the HTC it would not have been possible. In addition to creating a space for the university, it also enabled the continued existence of historic buildings that are icons for downtown Portland.

The HTC has a proven track record as a job-creating, community-revitalizing investment tool; nonetheless, there are still ways
to enhance its capacity to restore neighborhoods. While the HTC has successfully led to the adaptation of more than 38,000 buildings for productive uses, the majority have been larger projects. Many smaller projects, such as Main Street projects in smaller communities, do not have the level of investment needed to take advantage of the credit. Furthermore, there is considerable potential for energy savings through the rehabilitation of historic properties—not only because restoring existing structures is almost always more energy efficient than constructing new buildings, as demonstrated in the National Trust’s Green Lab Report, *The Greenest Building*—but the latent savings from retrofitting an existing building to be more energy efficient can be significant.

To encourage these types of HTC projects, in the 112th Congress, my colleague, Representative Aaron Schock (IL), and I introduced H.R. 2479, the “Creating American Prosperity through Preservation (CAPP) Act of 2011.” I intend to re-introduce the CAPP

The historic tax credit was used for the rehabilitation of the White Stag Block in Portland, Ore. Today, these former commercial buildings are part of a satellite campus for the University of Oregon.

PHOTO BY SALLY PAINTER
Act in the 113th Congress, not only to protect this important credit, but to enhance its ability to revitalize smaller, Main Street projects and catalyze energy-efficient projects. The CAPP Act would enable smaller communities, especially those in rural America, to use federal tax credits to restore their heritage and strengthen their economies. To encourage further energy savings from retrofits, the CAPP Act includes incentives for energy-efficient approaches. These changes to the HTC would not only help preserve our heritage and strengthen our neighborhoods, they would also help to save energy and create more vibrant, sustainable communities.

CONGRESSMAN EARL BLUMENAUER is a lifelong resident of Portland, Oregon. He was elected to the U.S. House of Representatives in 1996.
The 1960s is often described as the era during which American historic preservation “grew up.” Many fixtures of our modern system—from the current National Register of Historic Places to Section 4(f)—are products of that era. Formally speaking, tax incentives for historic preservation are not. It was only in 1976 that the first federal incentives were enacted, and the historic tax credit of today is a product of the 1980s. In truth, however, tax incentives (and with them a broader concern for the basic economics of real estate) arose from the same, extraordinary preservation firmament that birthed this “New Preservation.” This article provides a brief history of how the preservation movement first came to the tax code and how income tax incentives came to be one of the U.S. government’s principal means of encouraging preservation.

It is only the beginning chapter, however. To hear more about efforts to preserve the historic tax credits in recent decades, click here.

REACTING TO URBAN RENEWAL
The years following World War II are remembered as the heyday of unconstrained highway building and indiscriminate “slum” clearance; an era in which an astounding portion of the built environment was unceremoniously demolished in the name of urban renewal. Even so, as Elizabeth Mulloy delicately put it in her history of the National Trust, by and large “protest against the urban renewal program was not immediate” among organized preservationists. American preservation laws of the early post-War era largely matched the rarefied interests of the movement. Even in the most significant of these—the Historic Sites, Buildings, and Antiquities Act of 1935—there was little that could forestall the onslaught of urban renewal projects and interstate highway construction. The federal government had few tools other than public ownership to protect historic resources, and even then its authority was largely limited
to “natural and historic properties determined to be nationally significant;” the great majority of culturally significant properties as we understand them today were simply overlooked.2

In 1963 an international network of preservationists that had helped to restore the globe’s monuments devastated by World War II propelled the United Nations Education, Scientific and Cultural Organization (UNESCO) to designate 1964 as International Monuments Year, “to develop and improve technical and legal measures for the protection, preservation and restoration of cultural property.”3 At home, some Americans were now daring to compare our self-inflicted destruction in the name of urban renewal to the war ravages Europe experienced. President Lyndon Johnson, then in office only several months, pledged his support to the UNESCO effort and declared a companion American Landmarks Celebration with his wife Lady Bird Johnson as the honorary chair.4 The U.S. Department of State asked the National Trust to assume leadership of the celebration. The Trust responded by sponsoring a preparatory conference called the Seminar on Preservation and Restoration.5

THE WILLIAMSBURG SEMINAR

Amidst an awakening concern over the weakness of preservation in the face of the destruction wrought by urban renewal and interstate highway building,6 160 preservationists assembled in September 1963 in Williamsburg, Va., to review the status of American preservation and to discuss ways to shape its future. The seminar’s report was later published under the title *Historic Preservation Today* (1966).7 It seems true, as historian Charles Hosmer later noted, that when viewed in hindsight, the Williamsburg Seminar did not fully anticipate the breadth and scope of the “New Preservation” that was
to take shape only a few years later. Its report mediates between museum quality restoration and adaptive use and ponders the comparative advantages of “open air” museums versus historic districts. The perpetuation of a “hands off” policy by the government toward preservation was predicted. Tax policy is nowhere mentioned.

The Williamsburg Seminar did however solidify key concepts that would ultimately prove essential to the conceiving, adopting or implementing tax incentives for preservation. An aim of preservation would be the “total urban environment,” where entire groups of buildings would be collectively protected as an “old and historic district.” This would entail an expansion of the scope of the preservation movement to the “wider heritage of history and architecture” including the living fabric of communities and districts and not just notable individual buildings preserved as house museums. Only a limited number of exceptional buildings were important enough to be preserved solely for exhibition; the remainder should be adapted to consistent modern uses. The movement would necessarily extend beyond historians and architects to “planners,” “bankers,” and even “lawyers.” Local, state, and national historic and architectural monuments would need to be surveyed.

Gordon Gray, chairman of the National Trust Board of Trustees, was named co-chairman of the committee charged with planning the American Landmarks Celebration along with Lyndon Johnson’s immensely influential Interior Secretary, Stewart L. Udall. The two worked throughout 1964 on the celebration, which ultimately included hundreds of organizations and observances across the country. Udall is considered one of the architects of the ground-breaking environmental legislation enacted during Johnson’s tenure and served as a confidant to Lady Bird Johnson in connection with her interest in outdoor beautification. The relationship Gray forged with Udall, as well as the preservation-minded leadership at the National Park Service that Udall oversaw, would prove key to helping to sprinkle preservation into the boiling pot of ideas then emerging as the “Great Society” administration.

THE TASK FORCE ON THE PRESERVATION OF NATURAL BEAUTY

Johnson had been sworn in as president following the assassination
of John F. Kennedy in November 1963. With the 1964 presidential election only one year away, the fledgling administration worked feverishly to lay the groundwork for its domestic agenda.\textsuperscript{17} On May 22, 1964, at the University of Michigan, Johnson articulated his plan in his now famous “Great Society” speech. In this address, Johnson described how he planned to achieve his ambitious objectives:

I intend to establish working groups to prepare a series of White House conferences and meetings—on the cities, on natural beauty, on the quality of education, and on other emerging challenges. And from these meetings and from this inspiration and from these studies we will begin to set our course toward the Great Society.

Of the 14 “working groups” ultimately established, the “Big Three” were those mentioned in the Ann Arbor speech itself—including Natural Beauty.\textsuperscript{18} “A few years ago we were greatly concerned about the ‘Ugly American.’ Today we must act to prevent an ugly America,” Johnson had said at Ann Arbor. This became the charge of the Task Force on the Preservation of Natural Beauty. Chaired by Charles Haar of the Harvard Law School\textsuperscript{19} and enjoying the direct attention of Lady Bird Johnson,\textsuperscript{20} the task force focused principally on conservation and nature, exploring in detail tree planting, outdoor recreation, parks, highway building, and junk yards to name a few of its foci.

Although historic preservation is not specifically mentioned in the task force’s Summary Recommendations,\textsuperscript{21} it does get appreciable treatment in the body of the report under the heading of “Urban Design.”\textsuperscript{22} Amid discussions about the quality of design of federal buildings and municipal rubbish pick-up, the task force took up the question of “how we can do a better job of preserving the buildings and areas of unique historic, aesthetic and cultural significance.”\textsuperscript{23} The report observed that the federal government “should not take the lead”\textsuperscript{24} but went on to call for a number of significant expansions of the federal preservation enterprise. Several proposals, including a call for a joint federal, state, and private effort to comprehensively inventory historic sites and one for attention to historic “areas” echo ideas highlighted in the Williamsburg report.

Other task force ideas, however, find little in the way of ante-
cidents in the work at Williamsburg. One example is a proposal for a board with the power to veto federal expenditures that conflict with historic preservation. And then there is the very last preservation-related recommendation contained in the task force report:

The owner of any site or area included in the inventory should be entitled to deduct from the Federal Income Tax any expenses necessary for historic preservation. The deduction should not exceed X percent of gross income.”

I have not been able to establish who is responsible for the presence of this fateful sentence—one of the first recorded serious policy proposals for tax incentives for historic preservation. Contemporaneous events suggest the close hand of Udall’s Department of the Interior and specifically the National Park Service under the leadership of George B. Hartzog, Jr., (himself a lawyer) and Ronald F. Lee in several of the report’s preservation-related provisions. Several members of the task force itself had backgrounds that could have made them proponents of the idea.

What seems equally likely, though, is that preservation proposals
simply absorbed ideas from the other, more worked-out environmental proposals also being considered by the task force.\textsuperscript{29} Using tax policy to promote social ends was a favorite Johnson administration strategy, and the task force report is replete with examples of it,\textsuperscript{30} including an informed discussion of charitable gifts of scenic easements.\textsuperscript{31} Whatever its source, with these few words, a seed was planted that almost a decade later would flower into the first federal tax incentives for historic preservation.

On February 8, 1965, President Johnson submitted to Congress his Message on Natural Beauty\textsuperscript{32} based on the task force report. In it he called for a “new conservation” that would focus not only on “protection” but also on “a creative conservation of restoration and innovation.”\textsuperscript{33} Johnson included historic preservation as a vital factor in the quality of the total environment. He complimented the citizenry for “rallying to save landmarks of beauty and history,” declaring that the government should do its share to assist those efforts. Johnson concluded by informing Congress that he intended to extend the work of the task force by convening a White House Conference on Natural Beauty. Continuing the task force’s general attention to tax matters, Johnson told Congress that “[t]he greatest single force that shapes the American landscape is private economic development. Our taxation policies should not penalize or discourage conservation and the preservation of beauty.”\textsuperscript{34} Clearly tax policies would be among the subjects to be discussed in depth at the conference.

**THE WHITE HOUSE CONFERENCE ON NATURAL BEAUTY**

The White House Conference on Natural Beauty was open by Mrs. Johnson on May 24, 1965, in Washington with task force member Laurance Rockefeller as its chairman. More than 800 conferees from private and public life discussed a wide range of topics concerning the effort to protect and extend the natural beauty of America. Fifteen expert panels addressed topics as diverse as “Highway Design,” “New Suburbia,” and “Automobile Junkyards.” Their recommendations were presented to the President himself at the final conference session held in the East Room of the White House.

The locus of historic preservation activity at the conference
was the Townscape Panel. Preservation interests were represented by Gordon Gray, one of eight panel members. Gray explained that while the initial focus of preservation had been on the homes of the great, now “landmarks of beauty, good design and neighborhood character are also being recognized.” America needed to know what exists and what was worth keeping. Once identified, “sympathetic means of ownership must be established” and “new and imaginative uses must be devised.” Gray concluded his presentation with a catalog of proposals, tucked among them a call for “other devices” including “tax relief (inheritance, income, personal and corporate, property, admissions) and scenic easements.”

Ultimately, most of Gray’s ideas made their way into the final panel report announced by its chairman, Edmund Bacon, taking their place amid calls for the planting of more shade trees and for comprehensive city planning. Treatment of tax policies, which received only passing reference in Gray’s testimony, grew into two full paragraphs. Considerably enlarging upon the narrower recommendation of the task force, the panel proclaimed itself prepared to recommend a “thoroughgoing overhaul of Federal, State, and local tax policies to encourage the implementation of natural beauty policies.” Even so, no particular preservation tax proposal seems to have been ripe for action and the panel contented itself with a call for further study that would include possible revision of tax policies to encourage greater private investment in the preservation of approved historic and landmark structures and areas, through revision of income, inheritance, property, and admission taxes.

Any survey of taxation policies, the panel report concluded, should consider a broad range of possible tax actions that would encourage business and private citizens to maintain properties in an orderly and aesthetic fashion.

**WITH HERITAGE SO RICH**

While the Johnson administration’s task force was still meeting, and even before planning for the White House Conference had begun, a trio of Washington insiders were fashioning a plan to develop the rationale for the broader-based, federally-supported preservation program ultimately recommended by the Townscape Panel. Their
brainchild would become the 1966 report *With Heritage So Rich*. The significance of *With Heritage So Rich* is forever evidenced by the fact that it was largely its policy formulations that would become the framework for the major pieces of federal preservation legislation that were to follow.

*With Heritage So Rich* was the product of a committee formed by the U.S. Conference of Mayors, often referred to as the Rains Committee in honor of its chair, former Alabama member of congress Albert Rains. The Rains committee’s findings and recommendations, with a foreword by Lady Bird Johnson, were published early in 1966. *With Heritage So Rich* called for the scope of historic preservation to “go beyond saving occasional historic houses and opening museums. It must...concern itself with the historic and architecturally valued areas and districts which contain a special meaning for the community....” Achieving this end would require preservationists to revise their outlook:

If the effort to preserve historic and architecturally significant areas as well as individual buildings is to succeed, intensive thought and study must be given to economic conditions and tax policies which will affect our efforts to preserve such areas as living parts of the community.

This and other findings set the stage for several dozen concrete recommendations put forward by the committee for a bold expansion of historic preservation and the role of the federal government in it.

*With Heritage So Rich* compellingly packaged and more fully elaborated many of the ideas first sketched out in the Williamsburg, task force, and White House Conference reports. This is certainly true of tax policy. The four tax-related recommendations advanced by the Rains Committee mirror these predecessors both in substance and in tentative tone. Two recommendations, relating to the deductibility of preservation expenditures and gifts of easements, repeat the task force report. More innovative, but of less consequence, were two new proposals related to the estate and gift tax consequences of conveyances of historic properties to nonprofits. Existing memoranda indicate a role played by NPS Director George Hartzog and his staff in this continuity.
These concrete tax recommendations are presaged but little in the 200-plus pages of supporting essays and poems that form the bulk of *With Heritage So Rich*. Indeed, the only contributor to make the case for the economic and tax aspects of preservation was the poet George Zabriskie. The central premise of Zabriskie’s essay entitled “Window to the Past” is that the past can be reused as part of a richer future. Much of Zabriskie’s piece focuses on the obstacles to such wise reuse, and it is there he runs into the tax code. Across America, older buildings embodying the “sheer joy of living” are extinguished in favor of standardized, impersonal “machines for living,” not for reasons of obsolescence or unfitness for use, wrote Zabriskie, but for that of financial gain as encouraged by the tax laws. “Some of these laws,” he reports (in increasingly prosaic terms) “pertain to depreciation, others to the costs of maintenance or improvement versus replacement.”

Reflecting on this reality, Zabriskie concluded:
As long as we have a society in which the profit motive is operable, we cannot condemn property owners for wishing to profit from their holdings. We can, however, study tax laws at all levels, with the hope of adjusting them to permit profitable remodeling and retention of sound buildings of architectural and historical importance.

With this sentence, preservation’s poet neatly distilled the central possibility of the tax code as a factor in the preservation of the built embodiment of human values. *With Heritage So Rich* was assembled by the National Trust’s Director of Information Helen Duprey Bullock and one wonders if Bullock intentionally arranged to have the crass tidings of profit’s role in the fate of

*With Heritage So Rich*, first published in 1966, became the framework for the major pieces of federal legislation concerning historic preservation for the next two decades.
our heritage sugarcoated in Zabriskie’s lyrical prose? 47

Astoundingly, a great number of the recommendations of With Heritage So Rich were almost immediately upon its release enacted into law through the landmark National Historic Preservation Act of 1966 (NHPA). While the Rains Committee’s tax proposals were dutifully read into the Congressional Record by Senator Muskie, they themselves seem not to have been seriously considered for legislative action. Perhaps at the time they were viewed as not sufficiently well fleshed out? The future was foreshadowed, however, by the last minute inclusion in NHPA of a mandate to the Advisory Council on Historic Preservation (itself a new NHPA creation) to “recommend the conduct of studies in such areas as...the effects of tax policies at all levels of government on historic preservation.” 48

Soon the task of implementing and funding the massive expansion of the federal, state, and local preservation enterprises contemplated by NHPA was fully occupying the NPS, the fledging state liaison officers (later known as state historic preservation officers) created by NHPA and indeed the entire preservation movement. New developments in 1969, however, would revive the question of whether the Internal Revenue Code was truly undermining preservation by rendering it fundamentally uneconomic and if so, what should be done about it. Fortunately, by then an expanded National Register platform, a growing network of SHPOs, and a maturing preservation policy infrastructure stood ready to fill in the contours of what an actual tax incentive program might look like.

TAX CODE BIAS AGAINST HISTORIC BUILDINGS

By the mid-1960s even poets were versifying about the tax code’s preference for new construction over rehabilitation. Many observers date the advent of this discrimination to the landmark Revenue Act of 1954, where Congress sanctioned certain accelerated depreciation methods.49

“Depreciation,” that is, a “reasonable allowance” for wear on structures and equipment was among the original deductions provided for when Congress adopted the modern income tax in 1913.50 Property wears out, the theory goes, and so reasonable business owners must set aside a portion of their earnings to cover
the eventual cost of replacement. Since the amount that would have to be set aside would thus not be available to the owner, the tax code allows the owner to deduct that amount from his or her taxable income. Throughout much of the history of the income tax, the approved way of accounting for depreciation was the “straight line method.” Under this method, the property’s basis, which establishes the total amount that can be written off, is deducted uniformly over its “useful life.” A perceived fault of this method is that it failed to take account of the idea that the obsolescence of property is front-loaded (or accelerated) in that its “newness” wears off rapidly. Even so, the straight line method remained ascended for decades.

The innovation of the Revenue Act of 1954 was its dramatic expansion of certain accelerated depreciation methods for real assets such as industrial plants and equipment. In 1954 the country was facing a mild recession even as Congress was contemplating the first major overhaul of the tax code in a generation. The Eisenhower administration maintained that expanding accelerated depreciation could promote more jobs, productivity, and better conditions. Because depreciation is a tax concept (there is no actual requirement that owners set aside cash for replacement), each dollar of deduction amounts to a dollar of tax-free profit. The more rapid the rate of depreciation, the more tax-free profit, and the higher the rate of return on that investment. The most important accelerated depreciation method authorized in 1954 was the “declining balance method,” which permitted depreciation at an initial rate of double (200 percent) the applicable straight line rate. This early-year depreciation would often exceed the current investment income from that property, in which case it could be used to shelter other income from current taxation. Real estate developers use the tax shelter potential of real estate to attract equity investors, which in turn can also facilitate borrowing. Accelerating depreciation would accelerate this outcome, which meant more equipment purchases and plant expansions.

The new depreciation scheme represented a formal step away from the traditional view of depreciation as a function of the cost of mounting obsolescence and toward the treatment of deprecia-
tion as an economic stimulus tool. Unlike prior stimulus efforts that focused on across-the-board rate cuts, the tool of accelerated depreciation could be comparatively easily targeted to certain types of desired behaviors, thereby making it a more efficient tax tool (at least compared to rate cuts). In 1954 the desired behavior was new productive facilities and undertakings to help stimulate the economy. Thus to Congress it made sense to extend statutory accelerated depreciation only to new construction and not to the perceived alternative—mere maintenance and repair.

The effort to stimulate new construction also found ready support among proponents of urban renewal. Beginning in the 1930s and then with increased speed with the Housing Act of 1949, the federal government had pursued a policy of promoting the clearance (i.e., demolition) of slums and their replacement with new housing. Experts agreed that enormous quantities of new housing were needed. Older housing showed pronouncedly higher concentrations of tenant occupancy and disproportionate incidence of substandard and dilapidated conditions. Straight line depreciation, it was said, was perverting the market, leading owners to retain
obsolete slum units rather than demolish them in favor of new housing. Among these advocates, the advent of accelerated depreciation as a stimulus for new construction was a welcomed advance.

Almost immediately, landlords who owned existing rental properties began efforts to eliminate this bias introduced by the 1954 Act by extending accelerated depreciation to “used” buildings. These efforts were partially successful when, in 1957, the IRS recognized administratively that all properties, be they “new” or “used,” could use accelerated depreciation, but with the pace of depreciation made slower for used properties (150 percent of straight line versus 200 percent). Urban renewal advocates countered that the extension of any form of accelerated depreciation to “used” buildings threatened to nullify Congress’ efforts to “encourage the withdrawal of obsolete dwellings and their replacement by new facilities.” This situation remained stalemated for more than a decade until 1969.

**REVENUE ACT OF 1969**

In need of revenue to pay for the Vietnam War, the Johnson administration had put forward a major tax reform bill in 1968, which the new Nixon administration then inherited. A general mood in the country, perceived as anti-business and liberal, agitated in favor of tax reform. What resulted was the Revenue Act of 1969 in which Congress finally acceded to the long-standing requests of the new building advocates. It reduced the rate at which “used” residential buildings could be depreciated to 125 percent of straight line and completely eliminated accelerated depreciation for “used” commercial buildings. Congress also afforded demolition expenses more favorable tax treatment. While this was viewed as a double win for tax shelter reform and the aims of urban renewal, it also significantly reduced the after-tax profitability (and thus attractiveness) of historic rehabilitation as compared to new construction. This effect, ironically exacerbated by the perceived expenses and delays accompanying NHPA’s new historic preservation processes, provided a more powerful incentive for developers to demolish rather than rehabilitate and preserve.

One result of this was to refocus the attention of the historic
preservation movement on the still-languishing tax agenda hinted at in *With Heritage So Rich*, an agenda which National Trust President James Biddle would refer to as “Preservation’s Last Frontier.” At the same time, while the *Penn Central* case was winding its way to the U.S. Supreme Court, preservationists began to see that strong legal controls on demolition, even if upheld, were not the complete answer. Something had to be done to get at the strong economic motivations behind demolitions. Enter the environmental agenda of the Nixon administration.

**ENVIRONMENTAL PROTECTION ACT OF 1972**

Back in 1965, President Johnson’s White House Conference had called for a study of the tax code, a refrain echoed by the Rains Committee in 1966. This gauntlet lay basically undisturbed until it was happily, if perhaps unexpectedly, plucked up by the Nixon administration. On February 8, 1971, President Nixon delivered his second Environmental Message. Ernest Connally, the head of the NPS’s Office of Archeology and Historic Preservation, was invited to sit front row at the White House to hear the President present his message, which included the following: “[u]nfortunately, present Federal income tax policies provide much stronger incentives for demolition of older buildings than for their rehabilitation.”

Nixon promised that in the coming months he would “propose tax measures designed to overcome these present distortions and particularly to encourage the restoration of historic buildings.”

What resulted was the Environmental Protection Tax Act of 1972 (“EPTA”), an amalgam of environment-related tax provisions addressing topics from coastal wetlands to historic buildings which for the first time put forward detailed historic preservation tax incentive proposals. The preservation provisions, Treasury Secretary John Connally told Congress, were “designed to make restoration of historic structures more appealing to private investors.”

Theories (most grounded in electoral politics) abound to explain the flowering (and later withering) of President Nixon’s interest in environmental protection. The facts are that early in 1970 Nixon appointed Russell Train—who had handled environmental matters on his transition team and then become Undersecretary of
the Interior—to be the first chair of the Council on Environmental Quality (CEQ), with a charge to “get the administration out front on the environment.” Train brought Boyd Gibbons with him from Interior and also hired a young William Reilly to help develop a sweeping agenda for law reform and institutional change in furtherance of environmental protection. As Jim Glass has noted, a key legacy of the events of 1965 and 1966 was the integration of preservation into the environmental movement. It would appear this linkage was made early on by the energetic new team at CEQ. Gibbons and Train had come from Interior and Ernest Connally recalled him, Brown Morton, and George Hartzog having discussions with them early on. “Reilly listened to what we had to say... and a lot of our ideas got adopted [by CEQ]” Connally once said. The story is also told that on April 22, 1970 the National Trust held a program for the first Earth Day and invited its new neighbors from CEQ, which had recently been assigned office space nearby on Jackson Place. Conversations ensued and, as a writer recorded at the time, “[i]f it had not been made before, the link between historic preservation and the environment was made that day and resulted in several follow-up meetings at which the two staffs discussed this issue.”

That fall CEQ appointed a Tax Law Advisory Committee to study the tax code to find tax policies that conflicted with the council’s environmental goals. A subcommittee chaired by Kenneth Gemmill, acting chief counsel of the Internal Revenue Service, was formed to determine if changes in the federal tax system could be made to encourage historic preservation. Gemmill worked with the National Trust, NPS, and council staff in preparing recommendations that were forwarded to CEQ. Tax credits were apparently discussed but ruled out by Treasury. Final recommendations were fashioned through discussion between council staff, Treasury Department officials, and the IRS. CEQ staff member William Matuszski is remembered as playing a key role. It was through this process that the provisions of EPTA were crafted, and it was these provisions that four years later in 1976 formed the basis for the first federal tax incentives for historic preservation.

While the federal historic tax credit itself would not come along until 1980, many of its key features were themselves bor-
rowed from the 1976 rules, and thus their creation too dates back to those Jackson Place efforts. These include the concepts of “substantial rehabilitations” and “certified historic structures,” a newly created class of real property defined in EPTA as structures either listed in the National Register or located in a “registered historic district and...certified by the Secretary of the Interior as being of historical significance to the district.” EPTA also provided for charitable transfers for conservation purposes.

The CEQ proposal contained two incentives for the rehabilitation of “certified historic structures.” The first incentive available to the owner of an income-producing certified historic structure was a 60-month amortization of the cost of rehabilitation expenditures made in connection with a “certified rehabilitation” (a rehabilitation certified as “consistent with the historic character of such property or the district in which such property is located”). It is thought that this provision was inspired by a similar provision contained in the 1969 Act for low- and moderate-income rental property.

The second incentive, an alternative to rapid amortization, allowed an owner of a “substantially rehabilitated” building (i.e., the amount spent on rehabilitation within a two-year period exceeds the greater of the adjusted basis of the building or $5,000) to compute depreciation “as though the original use of such property commenced with [the taxpayer].” This second incentive “[i]n effect...allowed the owner of an income-producing certified historic structure to depreciate his qualified rehabilitation expenditures and his pre-rehabilitation adjusted basis in the structure at rates applicable to newly constructed structures.”

**DISCOURAGING DEMOLITION OF HISTORIC BUILDINGS**

In another obvious response to the 1969 Tax Act, EPTA proposed elimination of the tax treatments thought to encourage building demolition. Owners who demolished either certified historic structures or structures within a certified historic district (unless the structure was certified as not being of historic significance to the district) would no longer be allowed to deduct the cost of demolition. Instead, demolition expenses were included in the owner’s adjusted basis in the property, which delayed the deduction of
demolition expenses and therefore increased the cost of demolishing historic buildings. Finally, owners who demolished their buildings were limited to the straight line method of depreciating any new construction on the same site.\textsuperscript{76}

A key building block of all these proposals was the National Register—then in existence for only a few years. This was perceived by some as a defeating limitation, since at the time only about 2,800 properties were listed. CEQ staff, however, hoped that the incentives would encourage more property owners to seek Register status, and in any event they viewed EPTA as “only the first steps”—a vision that would more than be validated almost a decade later with the enactment of the historic tax credit.\textsuperscript{77} More to the point, at the time the National Register linkage seems to have been a tax policy breakthrough by establishing a management list acceptable to the Treasury Department for determining to which private property owners these special tax treatments would be extended.

**THE TAX REFORM ACT OF 1976**

EPTA was introduced in the House on April 27, 1972.\textsuperscript{78} The timing could not have been worse. It received no action that year and was reintroduced in both the House and Senate in 1973 but with similar results.\textsuperscript{79} Also in 1973, Senator J. Glenn Beall of Maryland introduced S. 2347, the “Historic Structures Tax Act of 1973.”\textsuperscript{80} This measure embodied the historic preservation provisions of EPTA on a stand-alone basis. Similar bills were introduced in 1974 and 1975, but again with no action.\textsuperscript{81}

In terms of tax policy, 1972-1974 were what historian John Witte has called the “Years of False Starts” with virtually no tax legislation winning enactment. By 1975 tax issues could no longer be avoided and Congress began work in earnest on major tax reform. That work would culminate over a year later in the massive Tax Reform Act of 1976 (TRA76), the most costly and one of the most complex tax bills in U.S. history to that date. This result can be understood in part by the pent-up demand for action on tax issues that had been building in Congress since the early 1970s. Many provisions—historic preservation incentives included—had been lying dormant during this period or had been languishing in
earlier bills that had failed to achieve enactment.

Fortunately, by 1976 and with bicentennial-wind at their backs, preservationists were ready. In 1973 the National Trust had made a study of its own environmental goals and made establishment of a “sympathetic tax policy” a top priority. In February 1976 the Trust hosted its first ever conference on tax policy to address its “Effect on the Conservation of the Built Environment.” Sheldon Cohen and Peter Taft presided. The grassroots lobbying organization Preservation Action had just been formed and the issue had the sustained attention of the American Institute of Architects. As tax reform ground through Congress, Preservation Action and others persuaded Senator Beall to try to add his Historic Structures Tax Act into the massive reform bill. In the words of Connally, “at the last minute [Beall] just lifted [it] and stuck it onto the Tax Reform Act of 1976, and it passed. It just rode through with all those other reforms, so we got the tax act finally!” The date was July 28, 1976, just over ten years after the release of With Heritage So Rich.

Because the provisions were added to TRA76 by a floor amendment, there were no committee hearings. The floor colloquy supporting them indicates that the senators were concerned that the private sector was not attuned to the “long range and highly desirable socioeconomic and environmental” benefits of historic preservation, including conservation of raw materials, creation of traditional craft jobs, preservation of history, and others. Senator Beall concluded that

The time has clearly come for us to harness the constructive energies in our nation’s tax system so as to bring private funds and commercial interests actively and enthusiastically into the field of historic preservation. The time has clearly come for the Congress to wipe away many of the existing tax incentives which run directly counter to our national goals.

Pursuant to its original 1966 assignment to study the tax code, the Advisory Council on Historic Preservation had armed Senator Beall with an analysis of the provisions, which were duly read into the Congressional Record. In them, the ACHP presciently predicted that side benefits of the incentives would include job creation; conservation of energy and raw materials by reusing sound, existing
buildings; and revitalization of existing commercial centers without substantial new public infrastructure investment. Indeed the time had come.

By the 25th anniversary of the original 1976 tax incentives in 2001, the Department of the Interior reported that “[t]he Historic Preservation Tax Incentives Program is internationally recognized for its success at preserving historic buildings, stimulating private investment and revitalizing communities.” The program had, at that point, helped save 29,000 historic buildings and leveraged more than $25 billion in private investment. Reviewing this track record, the National Park Service summarized the program’s effect this way:

Before the tax incentives, few accepted the idea that reusing historic buildings could be profitable. Today, few question it. That turnaround has had profound consequences for saving and reusing historic properties throughout the country.

Much work was required after 1976 to correct and then implement this long-awaited incentive. The Secretary’s Standards were not yet written, the Part 2 not yet invented, SHPOs only then coming into their own, not to mention the Herculean effort by bankers, appraisers, lawyers, accountants, and building owners to translate the incentives into building-saves. Many battles were fought after 1976 that profoundly affected the contours and availability of tax incentives. And, writing in 2013, future battles loom large. In preparing for them we do well to study the successes (and failures) from these early efforts and the work of those first movers, to whom much of today’s success is owed. FJ

ANDREW POTTS is an attorney with Nixon Peabody in Washington, D.C., where he practices law in the area of preservation finance.

VIDEO
Click here to see Andrew Potts’ presentation at the 2012 National Preservation Conference on efforts to preserve the tax credits in recent decades.

4 Ibid.
5 Mulloy, History of the National Trust, 68.
7 Mulloy, History of the National Trust, 69.
8 With Heritage So Rich, 11.
10 Historic Preservation Today, 244.
11 Ibid., 244-245.
12 Ibid., 250, 253.
13 Ibid., 244.
14 Ibid., 248.
16 Rita G. Koman, “...to leave this splendor for our grandchildren: Lady Bird Johnson and the Environment,” OAH Magazine of History, (Spring 2001), 15; Also see Lewis L. Gould, Lady Bird Johnson and the Environment (University of Kansas Press, 1988).
18 Ibid. See James A. Glass, The Beginnings of a New National Historic Preservation Program, 1957 to 1969 (American Association for State and Local History, 1990), 7. (Through the influence of Mrs. Johnson, the President decided to emphasize preservation of the unspoiled environment as one of his principal domestic policies.”)(quoting Taped Interview with George B. Hartzog, Jr., July 2, 1986).
20 Koman, 15.
22 Ibid. 21-22.
23 Ibid.
24 Ibid.
25 Ibid.
26 Ibid. 22. (the “X” or blank is in the original). It is not entirely clear what the task force intended. Owners of income-producing properties were entitled to deduct or depreciate such expenditures although not necessarily over advantageous time periods. It could be that the provision was aimed at owners of non-income producing properties (i.e. historic homeowners). A few years earlier, the National Association of Home Builders had urged revision of the tax law so that homeowners could deduct expenses for home repair and modernization in excess of 3 percent of their income. The Task Force Report also proposed that the Federal Admissions Tax should be amended to exclude admissions charged to privately-operated nonprofit historic sites.
27 In 1963 Udall appointed Hartzog to succeed Conrad Wirth as director of the National Park Service. By early 1964 Hartzog was at work exploring ways for the NPS to expand its influence, including in historic preservation. Glass, The Beginnings of a New National Historic Preservation Program, 8.
28 While most of the panel’s 11 members hailed from ecology and parks, preservation and urban interests were well represented by panel members Jane Jacobs, John Dyckman, Frederick Gutheim and William Whyte. For example, only four years later Whyte would go on to author Securing Open Space for Urban America: Conservation Easements, Technical Bulletin No. 36 (Urban Land Institute, Sept. 1968), while Gutheim was at the time serving on the President’s Advisory Council on Pennsylvania Avenue. See generally Eric Pace, “Frederick Gutheim Is Dead at 85; Expert on Planning and a Writer,” New York Times, Oct. 4, 1993. John Kenneth Galbraith was also a member.
29 Federal grants for historic preservation were modeled on an existing Johnson administration program that provided grants to the states for outdoor recreation. See Glass, The Beginnings of a New National Historic Preservation Program, 9. At the same time the task force was working in the summer and fall of 1964, the National Park Service was exploring plans to expand its historic preservation engagement by providing financial assistance for historic preservation to states and localities. This effort presumably cross-pollinated the task force’s work. For a discussion of behind-the-scenes
efforts within the NPS and Department of Interior to obtain authority to provide preservation grants. See Glass, *The Beginnings of a New National Historic Preservation Program*, 8-9.

30 The deductibility of various classes of expenses from landscape reclamation to air de-pollution equipment was suggested. Rapid amortization of expenses incurred in burying electric wires is mentioned. The concept of a tax credit is mentioned once as a possible incentive for painting and landscaping by homeowners. The report also explores the use of tax deterrents, for example disallowing as business expense advertising on outdoor billboards.

31 “Another way is suggested by the special ruling on April 10, 1964, that a gift to the United States of a scenic easement constitutes a charitable gift. The validity of this ruling should be confirmed by legislation and broadened to include such gifts to nonprofit private organizations. To provide fuller incentives and to recognize the economic realities of the situation, no reduction in the taxpayer’s original basis should be required when the easement goes merely to non-use.” Task Force Report, 24.


33 Ibid.

34 Ibid.

35 Mulloy, *History of the National Trust*, 72. Other panel members with preservation credentials included Frederick Gutheim (also a member of the Task Force on Natural Beauty) and William Slayton who, as Commissioner of Johnson’s Urban Renewal Administration took early steps to include preservation in such work. See Eric Pace, “William Slayton, 82, Official Who Aided Urban Renewal,” *New York Times*, Aug. 11, 1999.


37 Ibid.

38 Fans of irony will enjoy learning that this is none other than Edmund N. Bacon of the Philadelphia City Planning Commission, a sometime nemesis of historic preservation. See Robin Pogrebin, “Edmund Bacon, 95, Urban Planner of Philadelphia, Dies,” *New York Times*, Oct. 18, 2005 (“he clashed with preservationists because he demolished so much of the city to build anew.”).

39 Interestingly, the rather more concrete proposal of the Task Force for a focus on the deductibility of expenses necessary for historic preservation was not specifically repeated.

40 *With Heritage So Rich*, 6. Richard Moe, president of the National Trust for Historic Preservation, writing on the occasion of the 50th anniversary of the National Trust for Historic Preservation, referred to *With Heritage so Rich* as the “[b]ible of contemporary American preservation movement.”

41 Ibid., 193.

42 Ibid., 194.

43 The drafting of the tax recommendations of *With Heritage So Rich* was aided by the committee’s legal consultant, Albert B. Wolfe. Wolfe recounted this many years later in testimony before Chairman Rostenkowski’s Subcommittee on Select Revenue Measures. “My second bit for the 1955-56 [sic] work was to review and make a few suggestions for its conclusions and recommendations,… My suggestions were primarily for I.R. Code amendments,… although I did not then and do not now consider myself an expert in that field.” *Expiring Historic Structure Tax Provisions: Hearing on Legislation to Extend the Expiring Provisions of Federal Tax Law which are Designed to Encourage the Preservation of Historic Structures Before the Subcomm. on Select Revenue Measures of the H. Comm. on Ways & Means*, 96th Cong. 197-98 (1980) (statement of Albert B. Wolfe). Wolfe, who died in 1998, was a lawyer with Rackemann, Sawyer & Brewster in Boston. He was counsel for the Society for the Preservation of New England Antiquities, he chaired the Cambridge Historical Commission, served on the Massachusetts Historical Commission, and was a trustee of the National Trust.

44 In addition to his essay, zabriskie composed prose-poems to accompanying many of the book’s photographs. One of the more compelling is as follows: “In parking lots,/cold-flecked with chrome,/the empty badlands/of the cities grow.” *With Heritage So Rich*, 7.


46 Ibid.

47 Upon her death, the *New York Times* assessed Ms. Bullock “an eminently practical woman” noting that in her authoritative writings on colonial Williamsburg cookery she had inserted anachronistic ingredients like vanilla to avoid “dishes no discriminating 20th-century diner would eat.” “Helen Duprey Bullock, Historian, Is Dead at 90,” *New York Times*, Nov. 11, 1995. If Ms. Bullock was indeed again “adding vanilla,” this time to *With Heritage So Rich*’s policy recipes, Ada Louise Huxtable was not eating it. The ongoing massacre of the built environment called for bedrock realities, not “sugar-coated” archness, Huxtable snapped in a criticism of *With Heritage So Rich* published the month the book was released. “The fact that a poet wrote the commentary does not save it from inanity and unsuitability.” Ada Louise Huxtable, “Program to Save Historic Sites Urged in Report to White
The original income tax legislation of 1913 permitted business to deduct from their taxable profits a “reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business.” This formulation was revised by the Revenue Act of 1916 which introduced the word “depreciation” into the Code. See William T. Hogan, Depreciation Policies and Resultant Problems (New York, 1967), 2-15.

The traditional justification for allowing a deduction for depreciation in computing taxable income was famously summarized by Justice Brandeis in U.S. v. Ludley as follows: “The depreciation charge permitted as a deduction from the gross income in determining the taxable income of a business for any year represents the reduction, during the year, of the capital assets through wear and tear of the plant used. The amount of the allowance for depreciation is the sum which should be set aside for the taxable year, in order that, at the end of the useful life of the plant in the business, the aggregate of the sums set aside with (with the salvage value) suffice to provide an amount equal to the original cost. The theory underlying this allowance for depreciation is that by using up the plant, the gradual sale is made of it. 274 U.S. 295, 300-301 (1927).

Traditionally, “useful life” was determined by each owner based on a variety of factors personal to that party.

As a scholarly matter, the correlation between depreciation, building age and obsolescence, and slum formation remained contested. In his 1969 book Cities and Housing, economist Richard Muth terms the view that federal income tax laws on depreciation expand the supply of low-quality housing as a “traditional theory” which he then rejects. In his review of Muth’s book, Robert Schaefer of the USC Law School questioned this conclusion, observing that the theory has not yet been empirically tested. Robert Schaefer, “Slum Formation, Race, and An Income Strategy,” 37 Journal of the American Planning Association, 5:347, 349.


61 ibid.


64 Ibid., 75-77; Transcript of Interview by Charles B. Hosmer, Jr. with Earnest A. Connally (July 28, 1981) (available from the Univ. of Md. at College Park).

65 Glass, The Beginnings of a New National Historic Preservation Program.

66 Connally Interview, 179.


68 Ibid., 33.


73 Carolyn Ells Cheverine & Charlotte Mariah Hayes, Rehabilitation Tax Credit: Does it Still Provide Incentives?, Virginia Tax Review. (Summer 1990) 176, 177.

75 Ibid.
77 Wall, Feasibility of Tax Credits, 34-35 (citing private interview of William Matuszski by Louis Samuel Wall conducted March, 1971).
82 Connally Interview, 185-186.
84 Ibid., at 24320 (remarks of Senator Beall).
85 Ibid.
88 Ibid., 3.
89 Ibid., title page.
In 1981 the United States was mired in an economic recession that posed a significant challenge to the newly elected Reagan administration. Much like today, the Republican Party then favored changes to the tax code to stimulate investment patterns that would promote economic growth. The President’s proposed formula included both tax cuts and “tax expenditures” such as tax credits and accelerated depreciation to steer capital back into the real estate market. Effective January 1, 1982, Congress passed a stimulus bill that included the federal historic tax credit (HTC) which, for the past 32 years, has provided a tax credit (20 percent since 1986) for the rehabilitation of certified historic properties. The purpose of the HTC was to level the investment playing field for the rehabilitation of existing buildings which was at a competitive disadvantage to new construction for capital investment in real estate.

The original rationale for the federal HTC poses an interesting question for today’s Congress, which is soon likely to debate comprehensive tax reform for the first time since 1986. Is the HTC still needed? Is historic rehab, or rehabilitation in general still at a competitive disadvantage to new construction? As the federal government struggles to pick winners and losers in tax reform, is the HTC a tax expenditure that we can afford to eliminate or roll back?

Since the enactment of the HTC, there has been growing support in public policy circles for property rehabilitation in older communities. Smart Growth advocates now argue that these buildings are part of a built environment already supported by roads, transit, educational facilities, and utility grids. Their reuse reduces dependency on automobiles and fossil fuels. The National Trust’s study, The Greenest Building: Quantifying the Environmental Value of Building Reuse, shows that older commercial buildings are inherently more energy efficient and when renovated, retain the “embodied energy” that was used to build them and reduce the use of landfills to dispose of construction waste. Since 1982 the
Main Street program has proven that the authenticity of historic buildings attracts people to unique downtown housing opportunities, restaurants, and entertainment and office spaces. Compact, walkable Main Street districts bring shoppers and tourists to locally owned businesses that provide freshness and vitality that the shopping mall can never match.

Nevertheless, historic rehab still faces some of the same economic challenges that led the Reagan administration to embrace the HTC. None of the above public policy justifications by themselves can drive decisions by individual historic property owners to invest their own money or borrow capital to rehabilitate a building unless there is a chance the building and its tenants will be an economic success. Hurdles to overcome include providing parking options for properties built to accommodate the horse and buggy, respecting the historic arrangement of interior spaces that may not contribute to the property’s bottom line, and foregoing in many instances external additions that may give an older building the space needed to adapt to its most viable new use.

On top of these well-known physical challenges to historic rehabilitation is the reality that capital in our economy still gravitates to the tried and true: the franchise that seems to work everywhere, the ubiquitous brand that consumers always come back to, and the area of town that has a track record of supporting successful businesses. Because they are unique by nature, these properties don’t offer investors the comfort that comes with sameness and repetition. Nor do these properties typically attract the attention of developers with the deepest pockets. Most developers still prefer the predictable costs, marketability, and higher returns on capital provided by new construction in automobile-friendly suburban markets with proven demand.

In fact, many historic buildings are located in disinvested and diverse parts of downtown that long ago lost the competition with suburban office parks and regional malls. Based on National Trust Community Investment Corporation research, we know that between 2001 and 2012, 77 percent of the HTC transactions were in qualified low-income census tracts.

It is the continuing and overriding need to “make the numbers
work,” and to overcome investor preferences for familiar and proven products that calls for the retention of the HTC in the U.S. Tax Code.

MAKING THE CASE FOR THE HTC ON CAPITOL HILL
In the best of times, it’s difficult to sell culture on Capitol Hill. In hard economic times like these, it’s simply a losing strategy. Creating jobs, revitalizing local economies, putting food on the table, and being careful how we spend scarce tax dollars are among the few priorities that have any support today. Fortunately, the National Trust, the National Trust Community Investment Corporation, and the Historic Tax Credit Coalition (HTCC) have followed this shift in Hill priorities and have, for the past four years, been working in partnership with Rutgers University’s Center for Urban Policy Research to measure the economic impact of the historic rehabilitation tax credit.

The findings of the recently released fourth Annual Report on the Economic Impacts of the Federal Historic Tax Credit for FY 2012 are useful for understanding the ripple effects of historic rehabilitation on the U.S. economy and make the case for saving a tax credit that continues to do all that it was designed to do. This year’s report was sponsored by the National Park Service, and the HTC’s economic impact measures are summarized below.

<table>
<thead>
<tr>
<th>ECONOMIC IMPACTS</th>
<th>FEDERAL HTC-ASSISTED REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$106.1 billion cumulative (FY 1978-2012) historic rehabilitation expenditures results in:</td>
</tr>
<tr>
<td>Jobs (person-years; thousands)</td>
<td>2,351.0</td>
</tr>
<tr>
<td>Income ($ billion)</td>
<td>89.1</td>
</tr>
<tr>
<td>Output ($ billion)</td>
<td>245.2</td>
</tr>
<tr>
<td>GDP ($ billion)</td>
<td>121.2</td>
</tr>
<tr>
<td>Taxes ($ billion)</td>
<td>35.5</td>
</tr>
<tr>
<td>Federal ($ billion)</td>
<td>25.9</td>
</tr>
<tr>
<td>State ($ billion)</td>
<td>4.9</td>
</tr>
<tr>
<td>Local ($ billion)</td>
<td>4.8</td>
</tr>
</tbody>
</table>
TAX CREDIT EQUALS JOBS
As shown above, the benefits of investment in HTC-related historic rehabilitation projects are extensive, increasing payrolls and production in nearly all sectors of the nation’s economy. The cumulative effects for the period of FY 1978 through FY 2012 are illustrative. During that period, $106.1 billion in HTC-related rehabilitation investment created approximately 2,351,000 jobs and $121.2 billion in Gross Domestic Product (GDP), nearly 30 percent of which (692,000 jobs and $34.3 billion in GDP) was in the construction sector. This is as one would expect, given the share of such projects that require the employment of building contractors. Other major beneficiaries were the service sector (418,000 jobs, $16 billion in GDP), the manufacturing sector (480,000 jobs, $31.1 billion in GDP), and the retail trade sector (345,000 jobs, $9.1 billion in GDP). As a result of both direct and multiplier effects, and due to the interconnectedness of the national economy, sectors not immediately associated with historic rehabilitation, such as agriculture, mining, transportation, and public utilities, benefit as well. David Listokin, professor and co-director of the Rutgers Center for Urban Policy Research stated, “As a generator of jobs and GDP, HTC-related investment is stimulus on steroids.”

SUMMARY OF CUMULATIVE HTC IMPACTS
- In short, the federal HTC is a good investment for local communities, individual states, and the nation. This view is supported by considering the cumulative impacts of the program to date (FY 1978 through FY 2012).
- An inflation-adjusted (2012 dollars) $20.5 billion in HTC credits encouraged a five times greater amount of historic rehabilitation ($106.1 billion).
- This rehabilitation investment generated about 2,351,000 new jobs.
The cumulative positive impacts on the national economy included $245.2 billion in output, $121.2 billion in GDP, $89.1 billion in income, and $35.5 billion in taxes, including $25.9 billion in federal tax receipts.

The leverage and multiplier effects noted above support the argument that the federal HTC is a strategic investment.

The study’s results also show that the federal cost of the HTC—a cumulative $20.5 billion in inflation-adjusted 2012 dollars for the period from FY 1978 through FY 2012—is more than offset by the $25.9 billion in federal taxes generated over the same period.

JOHN LEITH-TETRAULT is president of the National Trust Community Investment Corporation, a wholly-owned subsidiary of the National Trust for Historic Preservation, which creates partnerships with corporations that invest in properties that qualify for the federal historic tax credit.

1 Any real estate depreciation schedule that is shorter than the standard 27.5 years for residential and 39 years for commercial property. Accelerated depreciation increases the annual deduction for the property owner.

**TAKEAWAY**

To read “Research Confirms Power of Historic Tax Credits,” a *Forum Focus* white paper, click here.
The Historic Tax Credit: A Proven Community Revitalization Tool

ERICA STEWART

The historic tax credit has been called the nation’s largest community reinvestment program. Yet it is also one of its least well known. Below, we look at six areas in which the historic rehabilitation tax credit outperforms most federal investments including job creation, cost benefit, economic stimulus, building reuse, financing, and neighborhood revitalization. One case study, the New Holland Apartments in Danville, Ill., brings these points home.

THE HISTORIC TAX CREDIT
Facilitates Projects that Create More, Better-Paying Jobs than New Construction

Since its inception, the federal historic tax credit program has created 2.3 million jobs. Historic rehabilitation creates more and better-paying jobs than new construction. This is due to the intricate nature of preservation work, which requires more of the project budget to be spent on labor than a new construction project requires. For example, Atlantic Cities reported research that shows repairing existing residential buildings produces about 50 percent more jobs than constructing new ones.

Is a Cost-Efficient Incentive

The historic tax credit more than pays for itself. As of 2011, it has cost the U.S. Treasury $19.2 billion over the lifetime of the program, yet it has produced $24.4 billion in federal tax revenue. In addition, $1 million invested in historic rehabilitation produces better economic impacts in terms of jobs, wages, and taxes generated than $1 million invested in highways, manufacturing, new construction, and other common job stimulus strategies.

Stimulates Local Economies

Over three-quarters of the economic benefits generated by historic
rehabilitation remain in the local communities and states where the projects are located. This reflects the fact that the labor and materials for historic rehabilitations tend to be hired or purchased locally, rather than purchased from an assembly line half a world away.

**Rehabilitates Anchor Buildings**

Historic tax credits work best on large-scale buildings,¹ which are typically high-profile landmark buildings located in a highly visible area. Their rehabilitation signals to other developers and investors that an area is ripe for development, and as such, these projects are often the lynchpin for an area’s revitalization.

**Makes Rehabilitating Historic Buildings more Bankable**

Banks remain cautious on how much they will lend on the rehabilitation of older buildings. But developers can transfer, or “sell” tax credits to investors in exchange for equity, (a process called syndication). This equity lowers the amount that needs to be borrowed, making historic tax credit–financed projects more attractive to lenders.

For example, consider a developer who spends $1 million in eligible, or qualifying rehabilitation expenses (called QREs) to rehabilitate a historic building into loft apartments and first-floor retail space. The $1 million in QREs would yield $200,000 in federal tax credits (20 percent of $1 million). Rather than waiting to claim the credit after the project is completed and taxes are filed, the developer may partner with an investor that has a need to defray his or her federal income tax bill by $200,000. The investor will negotiate a purchase price (say $0.85 for every $1 tax credit) and make equity (cash) pay-ins to the project as construction progresses. This is often critically important to developers who need to pay architects, builders, engineers, etc., during the construction phase—and critical to getting bank financing.

In the case of a nonprofit developer, such as a community development corporation, the availability of tax credit equity can help a nonprofit with fundraising by showing prospective donors that tax credit equity will reduce the amount of charitable funds that have to be raised.
THE HTC AS A CATALYST FOR NEIGHBORHOOD REVITALIZATION—NEW HOLLAND APARTMENTS, DANVILLE, ILL.

All of the qualities that make the historic tax credit such a vital community revitalization tool are evident in the example of the New Holland Apartment project in Danville, Ill. This project illustrates how the historic tax credit can be the lynchpin to assembling a financing package, and in turn, how the transformation of a prominent, highly visible landmark can do much to rehabilitate a downtown’s image.

For years, the Holland Apartment stood as a vacant eyesore in a blighted neighborhood of Danville, a rural Illinois town of 30,000. Today, thanks to a $7 million historic rehabilitation, the building is alive with the rhythms of working parents, school-age children, and retirees. It now stands as the eastern gateway to downtown and serves as a cornerstone to the revitalization of Danville’s West Downtown neighborhood.

The New Holland Apartments, as it is now known, is an ornate, five-story brick building in the Dutch Revival style with complex...
roof forms, stepped gables, and dormers. It was built in two stages in 1906 and 1927. In 1999 the Hollnad was slated for demolition after years of poor management resulted in prolonged vacancy and foreclosure. In early 2000 Crosspoint Human Services stepped in to save it from the wrecking ball and began formulating a design and financing plan that would modernize the building, repair its historic fabric, and create safe, affordable housing. The financing package combined low-income housing and historic tax credits as well as public and private funds from grants and loans.

The rehabilitation project included uncovering and restoring street-level glass windows, uncovering and polishing tile floors, rebuilding exterior brick openings, and returning spherical finials the size of soccer balls to the exterior. New green technology, including geothermal heating and cooling, helped the building earn LEED Gold certification. The result was 46 mixed-income apartments, including 12 reserved for formerly homeless women and their children.

Awarded its certificate of occupancy in December 2005, the first few residents moved in the first week of January 2006. The New Holland reached full occupancy by the end of May, ahead of schedule. There remains a waiting list of qualified tenants for apartments in the building.

“The restoration of the Holland has completely changed the landscape of downtown,” said Michelle Blanchard, the former executive director of Downtown Danville, Inc. Instead of urban blight, there is a desirable downtown neighborhood. The New Holland offers residents comfortable, modern housing in close proximity to downtown’s amenities, including a farmer’s market, post office, library, shopping, and restaurants. Mayor Scott Eisenhauer described the historic apartment building as a barometer of the city’s fortunes throughout its history. He credited its rehabilitation as doing more than any other project to boost Danville’s confidence, calling the New Holland once again a symbol of the city’s bright future.

As for the role of the historic tax credit in making it happen, developer Thom Pollack said, “For those who love old buildings, the historic tax credit is the difference maker. Without it, you sim-
ply don’t have historic rehabilitation. Developers have better uses for their money, so unless the credit is available, historic rehabilitation projects won’t be pursued.”

The success of the New Holland is also encouraging local leaders to think creatively about the future of another one of downtown Danville’s signature buildings, the 1918 Bresee Tower. This 12-story building, named to Landmarks Illinois “Ten Most Endangered Historic Places” list in 2012, has been vacant for several years. The New Holland serves as an inspiring example of how a historic rehabilitation project can be financed and managed to bring new life to historic downtowns. FJ

---

1 For more information on how small deals can benefit from the historic tax credit, see “The New Deal for Main Street’s Historic Tax Credit Projects.”

ERICA STEWART is a manager in Public Affairs at the National Trust for Historic Preservation.
The scene goes something like this: The development team from my office receives an invitation to tour a long-vacant historic school—a veritable “white elephant” for which no one can figure out a feasible new use.

As developers of historic buildings, we are no stranger to these kinds of invitations. We go and look. We get excited about the building’s history and its one-of-a-kind historic features. We dream about new uses, new life, and new vitality as we walk through the vacant corridors.

And then, invariably, we must consider certain realities—condition of the building, environmental hazards, available financing, and market demand for new uses. All of these come to the table, as does one other: Can we—with the myriad challenges and opportunities presented by this historic building—create a feasible project that responds to the market while also meeting the Secretary’s Standards for Historic Rehabilitation? When thousands and sometimes millions of dollars in rehab tax credits are at stake, meeting the Standards is a pivotal endgame that requires careful, upfront due diligence.

**THE TEAM OF EXPERTS**

Building an expert team is the first step toward a developer’s success in the world of tax-advantaged rehabilitation. The architect must either be experienced with the Standards or be willing to respond to the input of a historic preservation consultant who can advise on design feasibility. Many developers run into trouble by selecting architects who are well-known locally or with whom they have built a working relationship on non-historic projects, yet the architect is not experienced in historic rehab. Significant dollars
can be spent on a design that is not sufficiently vetted with SHPO and NPS staff, leading to conflict and costly negotiation as the design team attempts to salvage and rework as much of the original concept as possible. For timing and budgetary reasons, it is essential to take a proactive approach to the design review process and attempt, from the outset, to create the design that is most likely to be approved.

**WHAT DOES THE BUILDING WANT TO BE?**

Besides establishing a team that is an asset rather than a liability, the developer must make many decisions, and often many compromises, when meeting the Standards. A savvy developer of historic properties will evaluate an adaptive use concept for compatibility with the Standards from the beginning—a critical early step toward managing expectations. Often, what the building wants to be and what the market wants the building to be are two different things.

Sometimes it is feasible to reconcile these two under the expertise of a highly skilled architect. An example of this in our own portfolio was a small factory building with a character-defining saw-tooth light monitor. When we rehabilitated this building in 2005, the new use was to be multiple creative offices—a use that would divide up the historically-open manufacturing space and had the potential to obscure views of this special skylight structure. The architect’s solution was to use clerestory windows and butt-glazing above the eight-foot corridor walls, which preserved oblique views of the monitor and conveys a sense of the second floor’s original volume.
However, there are times when the historic uses and the planned uses are so disparate—for instance a hotel in a historic warehouse or apartments in a Masonic temple—that meeting the Standards can be a Herculean challenge for even the most adroit design team. Sometimes the opposite use of space is desired, such as converting an old hotel with single-occupancy rooms into a bull-pen-style office. These types of conversions are challenging because the new use often requires the near obliteration of the character of the original space.

**INTERIOR FEATURES**

In addition to use, there are other situations where a developer has to reconcile market preferences with meeting the Standards. Such areas of conflict often involve interior finishes such as exposed brick walls and wood structural elements. When these features were historically finished with plaster—such as in masonry commercial buildings—the Standards dictate the interior character not be altered by exposing the structure. There is a certain cachet in the SoHo loft look, and many building users associate raw materials

Historically a manufacturing space, the fifth floor of the White Stag Block was converted to the University of Oregon’s graduate architecture studio. This new use, which preserved the open volume of space, made it easy to meet the Standards.

PHOTO COURTESY VENERABLE GROUP, INC.
with a sense of authenticity and history, even if it is less than accurate. Therefore, developer desire to fulfill market preferences is high. Acquiring a historic property where such finishes are in poor condition and the structure peeks through can be tantalizing. Yet the seasoned historic developer will be prepared for the mandate to repair the plaster or refinish the walls with drywall in order to maintain an interior finish consistent with the building’s historic use.

Historic stairs are another interior feature that can pose challenges when they are poorly located for modern use and/or do not meet code. The 1889 Ladd Carriage House in Portland had a challenging stair situation when the project came up for tax credit design review. The stairs were historic, but not in their original location. Situated in an awkward mid-floor-plate location, they also posed challenges for modern use with their narrow width, winder steps, and non-ADA-compliant handrails. The fact that they had been moved in an earlier renovation allowed for more flexibility in reusing the stair elements rather than maintaining them in situ. Had the stairs been required to remain, this small downtown building would have had three staircases—two new ones to meet modern egress code, plus the historic stair. Losing precious square footage in a small building likely could have tipped the scales toward project infeasibility.

ADDITIONS AND WINDOWS
Developers frequently find it necessary or advantageous to increase a building’s square footage with either vertical or horizontal additions. Penthouse additions are a commonly-proposed new feature on major historic projects, especially in dense urban areas. However, the Standards dictate that penthouse additions must be set back so there is minimal visual disruption from street-level views, reducing the developer’s leasable square footage. Horizontal additions must be smaller in scale and simpler in design—ensuring they are the metaphorical “bridesmaid” to the historic building.

Windows are likely the most oft-discussed element of historic design review as it pertains to meeting the Standards. The push toward energy-efficiency through replacement materials has resulted in many developers and architects being misinformed
about the potential for equally (if not more) sustainable solutions when historic windows are rehabilitated. However, there are times when historic windows—even when in repairable condition—can be a major hindrance to a project’s feasibility. Examples include a large building with substantial single-paned glazing on an unprotected southern exposure or buildings abutting high-traffic streets or railways that have significant noise impacts on building users. In these cases, not replacing historic windows with compatible new units may make conversion to a more profitable use (warehouse to office, for instance) an impossibility. The developer must then wrestle with whether the benefit of the tax credits outweighs his or her ability to respond to market demand.

**THE DESIGN REVIEW DANCE**

A frustration voiced by many developers is that design review decisions for certified rehabilitation projects are inconsistent and
unpredictable. Indeed, any government reviewer will tell you that decisions are made on a case-by-case basis, and you cannot necessarily look to a fellow developer’s project as a model for your own rehabilitation.

Many factors are at play here. First, there are often subtle differences in historic significance, building use, and National Register documentation that staff consider when reviewing projects. Decisions made based on this information can seem inconsistent to the outsider, yet—in reality—comparing two rehab projects can be like comparing apples and oranges.

Additionally, because this process is tied to standards and not to explicit design guidelines, it can feel like an unchoreographed dance to the applicant. Applying the Standards to a project requires interpretation and human judgment—two things that naturally
evolve over time and shift as the historic preservation movement continues to be refined and redefined. Indeed, when visiting tax-act projects completed 15 or 20 years ago, I am sometimes shocked by treatments (such as substantial gutting of interiors) that were considered appropriate at the time for these historic buildings.

If there’s one thing that developers dislike, it is uncertainty, but this will always exist in the world of tax-advantaged historic rehab. Uncertainty, however, can be mitigated by consulting with professionals who have gained valuable insight from navigating these waters on multiple occasions. Further mitigation can occur with early “reality check” conversations with SHPO and NPS reviewers to help manage expectations and guide the process.

CONCLUSION
But what of that historic school in Portland—the neighborhood white elephant building? Do buildings like this get a happy ending?

When I toured it for the first time last year, my preservation-developer’s radar was activated. Character-defining features collided with serious income potential in the name of 18-foot-wide hallways and a 500-seat auditorium. Was it feasible that, in a building now zoned for housing, we might be investing millions of dollars in the entire structure, yet only able to generate income off the former classroom spaces? A real dilemma for any developer—especially one trying to meet the Standards and benefit from the rehab tax credits.

After decades of rejection from others in the development community, today we have persevered in the goal of reinvigorating this building known as Washington High School. Each step along this path has been a careful negotiation of historic preservation issues and feasibility demands. Old buildings like this one present us with no shortage of challenges in meeting the Standards, but after 20 years in the business, we find the successful marrying of financial constraints with historic preservation ideals to be the most rewarding achievement in our work. FJ

JESSICA ENGEMAN is a historic preservation and development consultant with Venerable Group, Inc., in Portland, Ore. The firm specializes in tax-advantaged historic redevelopment and has completed more than $80 million in historic rehab and adaptive use projects in the last decade.
Developers Speak: Tax Credits Make Deals Possible

ELIZABETH BYRD WOOD

Miller's Court in Baltimore City was never home to wealthy robber barons, never catered to Hollywood stars, and doesn't command waterfront views. It doesn't sport gold leaf, ornate trim, or a majestic entryway. The rents are not astronomical, a doorman doesn't buzz you in, and luxury department stores are not in the same block.

Instead, this century-old brick industrial building provides much-needed housing for Baltimore City school teachers and office space for education-focused nonprofits. It is within walking distance of several elementary schools, a major university, and numerous city bus routes. A cheery café on the first floor welcomes neighbors and tenants. And that is exactly what the developer, Thibault Manekin of Seawall Development, envisioned for this former can factory when he first saw it in 2006.

But he soon found out that it would be difficult to reconcile his dream of providing affordable, safe, convenient housing for Baltimore's school teachers when faced with the expense of rehabilitating a historic building. Then he heard about the historic tax credits. Manekin explains: “We kind of fell into the credits. We wanted to do affordable apartments for teachers and nonprofit organizations and someone told us about the tax credits. We figured that we could buy a historic building and renovate it using tax credits and keep rents low for teachers. Had it not been for the historic credit there is no way we could do the project and still keep the rents low.”

Today, this building, former home of the H.F. Miller and Sons Tin Box and Can, now offers 40, one, two, and three bedroom apartment units surrounding a courtyard. These units are offered to Baltimore public school teachers at a discounted rate. Residents have access to common areas that provide amenities, such as copiers, to help them with their professional needs. It also provides more than 30,000 square feet for nonprofit organizations that serve Baltimore’s education, human service, and health needs.
These nonprofit organizations can take advantage of reduced rents, free shared conference and training rooms, and free event space.

Developers working on historic rehab projects rely on multiple sources of funds and creative partnerships to finance these projects. But getting the expense and income sides of a project’s financial spreadsheet to balance is difficult. This is where the historic rehabilitation tax credit comes in. It fills the financing “gap” and makes these projects possible.

Rocco Termini, a developer with Signature Development in upstate New York, stresses that the credits are vital to making rehabilitation projects feasible. He notes that “in upstate New York, the median income is quite low and you can’t charge high rents like you might in larger cities. Yet rehabilitation costs are high. So the tax credits are critical to filling in that financing gap.”

Termini used both the state and federal historic credits to rehabilitate Buffalo’s Lafayette Hotel, a $45 million renovation of a 107-year-old building into a mixed-use property anchored by 115 apartments, a 34-room boutique hotel, various retailers, and ban-
quet operations. He reports that the building had been underused for about 40 years. Once the project was completed, however, it had catalytic effect on the surrounding area. “People now come to this part of town at night when before people were afraid to walk in the area. Buffalo police have told me it was once the most frequently visited building by police. All that has now changed.”

Grace Pleasants, a developer with Heritage Collection in Washington State, has been in the rehab game for a number of years. She was first introduced to the rehab tax credits 20 years ago when she embarked on the rehabilitation of a former airplane hangar in Anchorage, Alaska. She embraced the idea of incorporating a community’s history into her work as a developer and has been doing that ever since, with most of her work in Seattle and Tacoma, Wash.

She is proud of her role in the transformation of Albers Mill in Tacoma, which was constructed in 1904 and operated as a grain mill until the 1960s when it closed. As is often the case with old industrial structures, the building sat vacant almost 40 years. Pleasants, however, saw the potential in the sadly deteriorated structure. In 2004 she rehabilitated the building for loft apartments using the historic rehab credits and new markets tax credits. This mixed-use project cost $10.8 million and was financed with more than $4.8 million in tax credits.

Pleasants explains why the credits were crucial to financing the project. “Historic rehab is expensive, much more expensive than ground up. With new construction, you have a budget that doesn’t alter much and generally comes in within that budget. Historic
rehabs bring surprises. You open a wall, and you might find something that isn’t so pleasant. You have to be sensitive to any demolition that you do on historic buildings. In addition you are trying to preserve the integrity of a structure and at the same time updating it to life safety code. The tax credits cover those extra costs.”

Today, she says, the credits have gotten to be big business. However she adds that you can’t really do small projects anymore because of all the fees. The transaction costs (namely legal and accounting fees) involved in a historic tax credit deal are generally too high to justify doing a project that results in a small amount of tax credits. “At the end of the day the 20 percent credit is not 20 percent anymore. There is a need for it to be more user friendly to smaller projects. Most projects today need at least $3 to $4 million in credits, so projects must be at least $20 million. Smaller developers put their toe in the water and then go away because the credit is not big enough. Developers looking at projects of a half million or a million have no place to go.”

**ROOM FOR IMPROVEMENT**

While developers working with historic buildings praise the tax credit, they stress the need to promote the credit to the public, lawmakers, city officials, and other developers.

Pleasants makes an urgent plea for the preservation community to do a better job of educating people about the value of the credit: “People don’t understand what the tax credit is. It is not
free money that the government is giving you. People think it is a federal handout—it’s not. When the public reads something about an older building being saved with the federal tax credit, they wonder right away why developers are getting free money instead of directing that money to other causes. There is a total disconnect with the public, and shame on us for not being clear about it.”

Rocco Termini also suggests that the state historic preservation offices (SHPOs) could do a better job selling these tools. He feels the SHPOs have become much more flexible in their reviews, but that more needs to be done to reassure other developers that historic rehabs are doable. He explains that he likes working with the New York SHPO. “I know what they want and I know what to give them.”

**A WORLD WITHOUT TAX CREDITS?**

The three developers interviewed for this article were unanimous—rehabilitation projects simply would not get done without the availability of the historic tax credits. Historic buildings, which bring much-needed new energy to the surrounding communities, would still be vacant and deteriorating or most likely razed. And communities would lose one more piece of their history. Thibault Manekin echoed everyone’s sentiments when he stated: “If credits go away, the rehab projects would stop altogether. I don’t
think anyone would touch rehab projects if not for the credits.”

**NO BUZZ WITHOUT THE BOTTOM LINE**

If you read some of the media buzz that surrounded the opening of Miller’s Court in 2010 you will come across phrases like “neighborhood catalyst,” “transit-oriented development,” “collaborative and economic space,” “turn-of-the-century industrial charm,” “decent affordable homes,” “socially-conscious development,” “ripple effect on surrounding neighborhood,” “desirable workforce housing,” “urban oasis.” But ultimately developers have to pay attention to the bottom line, and without the availability of the historic tax credits, these projects and the resulting accolades would never come to fruition.

Manekin, Pleasants, and Termini talk enthusiastically about current projects underway—an old tire shop converted to a restaurant and community theater, a wire wheel factory rehabbed for mixed use. They plan to continue investing in projects that provide affordable housing and community services in buildings that retain their historic character. “People would much rather live in a historic building than a plain drywall box,” says Rocco Termini. “These rehab projects create places where people want to live.” FJ

ELIZABETH BYRD WOOD is content manager in the Partnerships Office of the National Trust for Historic Preservation.

---

**VIDEO**

To see interview with Seawall developer, Thibault Manekin, click here.
The Federal Historic Preservation Tax Incentives Program has been instrumental in promoting historic preservation and community revitalization through historic rehabilitation—and, in so doing, the program has also been instrumental in preserving the nation’s heritage and the historic places that give its cities, towns, and rural areas their special character.

The program is jointly administered by the National Park Service and the Internal Revenue Service, in partnership with the state historic preservation offices (SHPOs). In a three-part application process, the National Park Service certifies that a building is a historic structure, and therefore eligible for the program; and that the rehabilitation is consistent with the building’s historic character and, where applicable, the historic character of the historic district in which it is located. The Secretary of the Interior’s Standards for Rehabilitation are the basis for this determination.

The Technical Preservation Services (TPS) office administers the tax credit program for the National Park Service and develops historic preservation policy and guidance on the care and treatment of historic buildings. TPS is also responsible for the national standards and guidelines used in the tax credit program and also widely adopted at the federal, state, and local levels. The state historic preservation offices serve as the first point of contact for applicants to the program and make certification recommendations to the National Park Service, while the Internal Revenue Service is responsible for administering the tax benefit parts of the program.

The state historic preservation offices may have additional information related to the tax incentives program, and more than half the states also have a state historic tax credit program that can be used in tandem with the federal historic tax credits. Contact information for your SHPO is available at the National Conference of State Historic Preservation Offices website.
TPS WEBSITE AND AVAILABLE INFORMATION

The Historic Preservation Tax Incentives program brochure provides an overview of the 20 percent historic rehabilitation tax credit program, the 10 percent non-historic tax credit program, and other tax incentives.

In 2011 the National Park Service launched an expanded and redesigned website at www.nps.gov/tps with detailed information on the historic tax credit program, including:

- **program basics** to understand before you apply,
- **the application** and a description of the **application process**, and
- **guidance on applying the rehabilitation standards to tax credit projects**.

The Golden Belt Mill in Durham, N.C., a former textile company, was rehabilitated into a mixed-use complex with commercial, residential, artists’ studios, and office space thanks to the availability of the historic tax credit.

PHOTO COURTESY NATIONAL PARK SERVICE
- tax credit project case studies,
- IRS information with frequently asked questions and answers,
- a feature where applicants can check their project status, and
- information about the appeals process.

THE SECRETARY’S STANDARDS AND RELATED GUIDANCE
Other guidance and information that can be found on the website includes:
- The Secretary of the Interior’s Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings, used in the administration of the tax incentives program;
- The Secretary of the Interior’s four treatment standards and guidelines; and
- Technical Preservation Services’ Preservation Briefs, Tech Notes and Interpreting the Standards series.

WEB-BASED TRAINING
The website also features web-based trainings that support the tax incentives program, including Incentives: A Guide to the Historic Preservation Tax Incentives Program and The Illustrated Rehabilitation Guidelines, as well as other online training on preserving, restoring, and rehabilitating historic buildings.

SUSTAINABILITY
The new site features expanded information on Sustainability and Historic Preservation, including the recently-published The Secretary of the Interior’s Standards for Rehabilitation & Illustrated Guidelines on Sustainability for Rehabilitating Historic Buildings. FJ

BRIAN GOEKEN is Chief, Technical Preservation Services at the National Park Service.

TAKEAWAY
For a glossary of real estate terms, click here.