

THE CARE AND FEEDING OF YOUR HISTORIC BUILDING

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Economic Incentives for Historic Preservation

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Challenging economic times can result in the neglect and deterioration of historic structures. Lack of funding may also lead to insensitive redevelopment. Cities and communities can fall prey to an attractive proposal and the argument that “it just doesn’t pencil out” to incorporate historic resources in redevelopment schemes. Assistance is available though, and the long term advantages of saving historic structures can far outweigh the short term investment in obtaining help. This article outlines resources that are available to property owners, developers, agencies, and organizations for historic preservation and where to find further information.

Federal Assistance

There are many sources of federal funding for historic preservation. Financial and technical assistance is available through the National Park Service, which partners with the State Historic Preservation Offices to administer many of its programs. Direct preservation funding is offered through the “Save Our Treasures” program, which has provided \$155 million in preservation funding for threatened resources since 1999. The program was funded at \$30 million in fiscal year 2003, with half of that available for competitive grants.¹

A number of federal agencies provide funding for historic preservation in conjunction with other program or project types. Funding that can be utilized by local agencies and other organizations for historic preservation activities is available from the Federal Highway Administration and Federal Transit Administration in conjunction with transportation and transit enhancements projects; the Farmland Protection Program; the Small Business Administration; and the Environmental Protection Agency, among others.

Other agencies offer funding oriented towards special project types or targeted groups. It includes assistance for brownfield sites, enterprise zones, and specific ethnic minority groups through non-profit agencies. Certain types of historic resources such as rural historic districts can obtain preservation funding through natural resource conservation programs. Congressionally designated National Heritage Areas are eligible for funding grants from the National Park Service for developing management plans and related activities. Other specialized programs that can be used for historic preservation are offered through the National Endowment for the Humanities and the National Endowment for the Arts.

Community Development Block Grants, administered by the U.S. Department of Housing and Urban Development, are available to local agencies for the rehabilitation of both residential and commercial historic structures. They may also be used for the rehabilitation of infrastructure in historic neighborhoods. The Section 108 Loan Guarantee Program may also be used for a variety of preservation activities. Finally, structural rehabilitation and related work may be funded by agencies that assist with disaster relief, including the Federal Emergency Management Agency (FEMA).

The Advisory Council on Historic Preservation maintains an excellent outline of funding resources on their website and links to all the programs discussed above at <http://www.achp.gov/funding.html>.

Certified Local Government Program

The Certified Local Government (CLG) Program is one example of a program that is administered cooperatively by the National Park Service (NPS) and State Historic Preservation Offices (SHPO). The state offices distribute funds appropriated annually from Congress. Recipients are local agencies that meet the National Park Service's general standards, and the more specific standards established by the individual SHPOs. The state offices must allocate ten percent of the federal funding they receive to approved CLG agencies.

The projects that are eligible for CLG funds are typically small and often oriented towards preservation planning. Examples include historic resource surveys and inventories; design guidelines and modifications to development regulations to accommodate historic properties; nominations to the state, local or National Register; the development of walking tours and other public outreach activities; and other special studies. CLG funds may also be applied to Main Street programs. To find out whether your community is a CLG, contact your local planning agency or consult the following website: http://grants.cr.nps.gov/CLGs/Get_All_CLG.cfm. To research your state's requirements for becoming a Certified Local Government, contact your State Historic Preservation Office.

Rehabilitation Tax Credits

Rehabilitation tax credits are one of the most accessible sources of funding for private property owners and developers. This program is administered by the National Park Service in partnership with the State Historic Preservation Office, which acts on behalf of the U.S. Department of the Interior.

Tax credits are available for eligible buildings through the Federal Rehabilitation Tax Credit program. The 20% tax credit is available for income producing buildings – in other words, commercial structures and residential rental properties – that are listed on the National Register of Historic Places or are contributing structures in a National Register Historic District. For structures not already listed, this status can be applied for as part of the tax credit process. The 20% tax credit applies to costs incurred during

rehabilitation. Expenditures that are eligible include capital rehabilitation costs and ‘soft’ rehabilitation costs such as architectural and site development fees.

Property owners must hold the property for five years following the completion of the work, and any alterations undertaken within the five years must be reviewed by the National Park Service. Alterations must meet the Secretary of Interior’s Standards for the Rehabilitation of Historic Properties.

A 10% rehabilitation tax credit is available for the rehabilitation of non-residential buildings built before 1936. Properties that are not listed on nor eligible for the National Register can apply for this program. Again, the structure must be ‘income-producing’ and all work must meet the Secretary of Interior’s Standards for the Rehabilitation of Historic Properties.

The Investment Tax Credit for Low-Income Housing is available for property owners and developers who provide low-income housing. This credit must be applied to rental housing, and may be used for new construction and rehabilitation. The program can be utilized in conjunction with the Federal Historic Preservation Tax Incentive Program for historic structures. The program allows sponsors to raise equity for their project through the sale of tax benefits to investors.

Finally, federal tax relief may be obtained through the charitable donation of a conservation easement, resulting in income and estate tax deductions. General guidance on the rehabilitation tax credit programs can be found on the Advisory Council on Historic Preservation website noted above. A ‘reader-friendly’ discussion provided by the IRS is available on the National Park Service’s website at <http://www.cr.nps.gov/hps/tps/tax/IRS.htm>.

State Assistance

Many states also have historic preservation grant or loan programs, funded through a variety of means. In Colorado 28% of all gaming tax revenues go to the State Historic Fund grant program. The State of California distributed over \$8 million in financial assistance from their California Heritage Fund in 2002. This fund was created by the Park Bond Act of 2000. Check with your State Historic Preservation Office to learn about programs that may be available in your state: http://grants.cr.nps.gov/shpos/shpo_search.cfm.

Eighteen states offer state income tax credits for the rehabilitation of historic properties and 24 states offer tax abatements. Massachusetts recently approved a 20% tax credit as part of a \$50 million dollar economic stimulus package. Cara Metz, Executive Director for the Massachusetts Historic Commission, which is charged with administering the program, reports that in many of the states that have similar credits, economic analyses show that the average rehabilitation project returns about \$3.40 for every \$1.00 in public money after five years of operation.² The National Trust of Historic Preservation has prepared a list of the tax credit programs available in the individual states, which may be

found at http://www.nationaltrust.org/help/financing_a_home.html. Check with your State Historic Preservation Office, however, for more detailed information.

State Historic Building Codes

Utilizing your State Historic Building Code can help offset the cost of rehabilitation. The states of California, Connecticut, Iowa, North Carolina and Wisconsin are among those that allow for special treatment of certified historic structures to give property owners greater flexibility in meeting code requirements in rehabilitating their buildings.

State Historic Building Codes can be applied to structures that are on the state, local or National Register, or on an inventory of historic sites. The intention of the code is to allow for renovations that are appropriate to the historic style of a structure, while protecting public safety. Building codes differ from state to state, and the use of historic building codes must also be negotiated with the local permitting agency, typically the local building official. Check with your State Historic Preservation Office to find out what your state has to offer, as well as your local planning and/or building department.

Local Incentives

Local agencies utilize an array of economic incentives to achieve their preservation goals. Some programs are similar to those in place at the state and national level, while others take advantage of powers that are unique to the local agencies. The City/County of Spokane in Washington State offers a special tax assessment equal to the amount of rehabilitation expenditures for structures that are listed on the local register. The rehabilitation cost is deducted from a property's valuation each year for the ten years following the work. Over 300 structures in the city qualify for this program.

The City of Los Angeles provides incentives in their Adaptive Reuse Ordinance that encourage historic preservation. These provisions allow for streamlining the permitting process and provide flexibility in meeting building code and zoning requirements. They apply to projects that propose adaptive reuse of underutilized commercial buildings for residential or live/work units. The structures must be listed on the state, local or national register or be a contributing building in a Historic Preservation Overlay Zone.

Façade Easements

Many communities also have conservation and/or façade easement programs to encourage historic preservation and protect historic resources. Easements represent legal agreements between a private property owner and the easement holder, typically a qualified non-profit group. They are more powerful than local historic preservation ordinances, and provide alternative mechanisms for preservation in communities that have no preservation ordinance or program in place.

Preservation easements promote historic preservation by preventing the demolition, neglect and/or inappropriate alteration of historic structures. The property owner is responsible for their structure, and the easement holder is responsible for ensuring that properties are maintained and that any alterations are consistent with established

guidelines, typically the Secretary of Interior's Standards for Rehabilitation. Easements are maintained through a deed restriction or covenant and are often tax deductible as charitable contributions.

In addition to ensuring the preservation of a property, there may be additional incentives available for participating in an easement program. Watertown, New York has a Public Square Historic District Facade Easement Program for their Public Square National Register Historic District. Eligible property owners may obtain grants for the rehabilitation of their structures' facades; in return, they are required to participate in the easement program.

The LA Conservancy's Conservation Easement program requires that a property be listed on the National Register of Historic Places or be a contributing structure in a National Register district. In return for participating, the property owner receives tax benefits for their charitable contribution and an adjusted valuation of their property. This valuation, which is regulated by federal guidelines, is the difference between the fair market value of the property before and after the easement is granted.³ For a good discussion of federal guidelines for easement programs, see <http://www.cr.nps.gov/hps/tax.easement.htm>.

The National Trust for Historic Preservation

The National Trust for Historic Preservation is a national non-profit group that undertakes preservation advocacy activities throughout the country. It maintains active loan and grant programs that are available to local agencies and organizations for a variety of purposes. In addition, it administers the national Main Street program, which provides funding and technical assistance for revitalizing commercial districts.

The National Trust administers three grant funds that are available to non-profit organizations and local governments. They may be applied variously to preservation planning, public education and outreach, and preservation, restoration and interpretation projects. It also maintains two loan programs, again available to non-profit groups and local agencies. They are the National Trust Preservation Fund and The Inner-City Ventures Fund. See your National Trust Regional Office for more information, or visit <http://www.nationaltrust.org/help/grants.html>.

Most states also have statewide preservation advocacy groups. These organizations, as well as state Main Street organizations and local advocacy groups, can form partnerships with the National Trust and receive National Trust grants for preservation activities. For information on these activities in your state, see www.nthp.org/state_and_local/State-by-State_list.asp. For additional contact information for your National Trust and National Park Service Regional Offices see http://www.nationaltrust.org/help/statewide_org.asp.

Local Preservation Advocacy Groups

Local preservation advocacy groups may also have grant and loan programs. The Providence Preservation Society's affiliate, Providence Preservation Society Revolving

Fund, Inc, manages over \$1.9 million in assets. These funds are used to purchase endangered properties for resale and to make low-interest rehabilitation loans to property owners who do not qualify for conventional financing. They generally target specific neighborhoods that are in need of revitalization. Contact your local preservation non-profit to find out about the types of activities it sponsors. The Preservation Yellow Pages, published by the National Trust for Historic Preservation, provides a list of many local organizations and contacts, organized by state.

Indirect Economic Benefits

The indirect benefits of historic preservation include an investment in community pride, as well as the local economy. In a study prepared by Carolyn Douthat for the Oakland Heritage Alliance, the indirect benefits of preservation noted are job creation, the promotion of tourism, small business creation, neighborhood stability, general environmental benefits, potential cost savings, and affordable housing.⁴

Other studies and communities have quantified the local benefits of preservation. Philadelphia estimates that \$1.5 billion has been invested in historic commercial properties over the last 20 years, and that that investment has created over 55,000 jobs and generated over \$1.3 billion in household income.⁵

The Center of Urban Policy Research at Rutgers University, Texas Perspectives and the LBJ School of Public Affairs at the University of Texas at Austin collaborated on a study of the national Main Street program. They found that at a national level Main Street communities return about \$35 for every dollar invested in operating the program. Locally, it was found that for every \$1 million of investment in Texas Main Street cities, 24 jobs were created and \$580,000 of income generated.

Dwayne Jones of Urban Prospects reported on the study for the City of Oklahoma City, which is developing its own historic preservation program. He noted that, "Though dollar for dollar, historic building renovation creates about the same number of jobs and generates the same amount of tax revenues as new building construction, historic renovation saves tax dollars from being spent on new infrastructure and landfills." He reported that, although rehabilitation is more labor intensive than new construction and often requires a greater level of specialization, this too can translate into economic benefit. Workers for rehabilitation projects can demand higher wages. Further, rehabilitation also has environmental and local benefit, as historic preservation work often utilizes local workers and local materials.⁶

Conclusion

The intention of this article is to show the array of resources available for assisting in and supporting historic preservation activities. As has been seen, there are many organizations willing and able to provide assistance, from government agencies to non-profit advocacy groups that operate at the state, local and national levels. Organizations at the local level have been particularly creative in finding ways to support the needs of

their communities. If there is not a group or resource out there that responds to your needs, however, be proactive. Historic preservation happens because individuals and groups make it happen. Create your own program!

Notes:

¹ “Sources of Financial Assistance for Historic Preservation Projects,” Advisory Council on Historic Preservation, 2002.

² “Governor Signs State Historic Tax Credit as Economic Stimulus Package!” Preservation Massachusetts, 2003.

³ “Incentives for Preserving Historic Buildings,” Los Angeles Conservancy.

⁴ “Economic Incentives for Historic Preservation,” Oakland Heritage Alliance, 1994.

⁵ “The Economic Benefits of Preserving Philadelphia’s Past,” The Preservation Alliance for Greater Philadelphia, 1998.

⁶ “Consultant charts economics of historic preservation,” The Journal Record, Oklahoma City, Oklahoma, February 19, 2003.

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