

A black and white photograph of a highly ornate, classical-style building facade. The image shows a corner of the building with intricate carvings, including a prominent central column with a decorative capital and a base. The windows are large and framed with decorative moldings. The overall aesthetic is grand and historic.

Preservation Tools: Financial Incentives

LAURA HUGHES

EHT ||| TRACERIES

HISTORIC PRESERVATION 101/201

April 23, 2021



FINANCIAL INCENTIVES

- Historic Preservation Easements
- Tax Credits for the Rehabilitation of Historic Buildings
- D.C. Historic Homeowner Grant

HISTORIC PRESERVATION EASEMENTS

- Voluntary legal agreement (usually in the form of a deed) which permanently protects a significant historic property
- Preservation easements in some states are called “restrictions,” or “covenants”
- An owner who donates a historic preservation easement may be eligible for one of more forms of tax benefits:
 - Federal income tax deduction for the value of the easement (if donated to qualified charitable or gov. organization)
 - Reduced Federal estate taxes
- More than 1,700 properties in D.C. are currently protected through easements held by non-profits
- You can combine easements with Federal Rehabilitation Tax Credits, but need to consult with accountant or tax attorney

Easements to Protect
Historic Properties:
A Useful Historic Preservation Tool
with Potential Tax Benefits



National Park Service
Technical Preservation Services

2010

HISTORIC PRESERVATION EASEMENTS

Conservation Easements play an important role in protecting DC's architectural treasures

They are an important preservation tool that protects against demolition, neglect and insensitive alterations and ensure that the building maintains its historic character in perpetuity

L'Enfant Trust , Foundation for Historic Georgetown,
Capitol Historic Trust, NTHP



DC HISTORIC HOMEOWNER GRANT PROGRAM

- Historic Preservation Office accepts applications for Historic Homeowner Grant Program, available to low- and moderate-income households living in specific historic districts.
- Grants may be up to a maximum of \$25,000, except the Anacostia Historic District where the maximum is \$35,000.
- Grants are awarded for exterior repairs, rehabilitation, and structural work on historic properties in:
 - Anacostia, Blagden Alley/Naylor Court, Bloomingdale, Capital Hill, Emerald Street, 14th Street, Kingman Park, LeDroit Park, Mt. Pleasant, Mt. Vernon Square, Mt. Vernon Triangle, Shaw, Striver's Section, Takoma Park, U Street, Wardman Flats
- Specific deadlines and application requirements. Contact DC Historic Preservation Office.
- <https://planning.dc.gov/service/historic-homeowner-grant-program>





TAX CREDITS: HISTORY & PROGRESS

In 1976, Congress created federal tax incentives to promote historic preservation and community revitalization

- Over 46,000 buildings rehabilitated in all 50 states, DC, Puerto Rico and US Virgin Islands
- \$144.6 billion investment leveraged (2020 numbers)
- Used 27.5 billion in tax credits to leverage 32.4 billion in federal tax revenue



HIGHLIGHTS for FY 2020

Investment in Historic Rehabilitation

- Rehabilitation costs: 6.54 billion
- Median costs of projects: 1.22 million
- Number of approved Part 3: 989
- Number of housing units
 - Rehabilitation: 5,730
 - New Housing: 10,894
 - Low-moderate Income: 5,889

Rehabilitation

- Returns a property to a state of utility through repair or alteration
- Makes possible a contemporary use
- Preserves portions and features that are significant to property's historic, architectural and cultural values



GENERAL GUIDELINES

- 20% of the amount spent on rehabilitation
- Available to owners and long-term lessees of rehabilitated building
 - May be syndicated, but not sold
 - Requires taxpayers take 20 percent credit ratably over five years instead of the year placed in service



Exterior

Interior



HOW TO QUALIFY FOR THE CREDIT: 3-PART TEST

- Certified historic structure
 - Listed in National Register of Historic Places
 - Depreciable property
- Undergo a “substantial rehabilitation”
- Certified by the Secretary of the Interior (NPS) as consistent with the historic character of the property



Individually Listed



Historic Districts



Commercial/Office



Institutional



Residential
(Income Producing)



SUBSTANTIAL REHABILITATION TEST

During a 24-month period, rehabilitation expenditures must exceed \$5,000 or the adjusted basis of the building-*whichever is greater*

“Adjusted basis” = Purchase price less value of the land,
plus improvements already made, less depreciation already taken

Example: Property purchased for \$150,000, of that, 40,000 was attributed to land. In the past 15 years the property has been depreciated for tax purposes a total of \$60,000; Improvements have cost \$8,000

$150,000 - 40,000 - 60,000 + 8,000 = 58,000$ (adjusted basis)

Owner must spend at least \$58,000 on the rehabilitation to qualify for the tax credits

HPCA APPLICATION – PART 1

Documenting Significance

- Narrative and photographs
- Contributing Resource within National Register-listed Historic District
- Potential individual listing
- Response is an NPS-signed form certifying whether NPS considers the building historic, or having potential to be listed in the National Register, or not



HPCA APPLICATION – PART 2

Describe the building condition and what you want to do

- Narrative, photographs, drawings
- Same for all
- Response is an NPS-signed form, and typically a letter stating conditions of the approval, called a Conditional Approval



HPCA APPLICATION – AMENDMENTS

Part 2 Amendments

- Must be submitted and approved before you complete the work on the building to get Part 3 approval



HPCA APPLICATION – PART 3

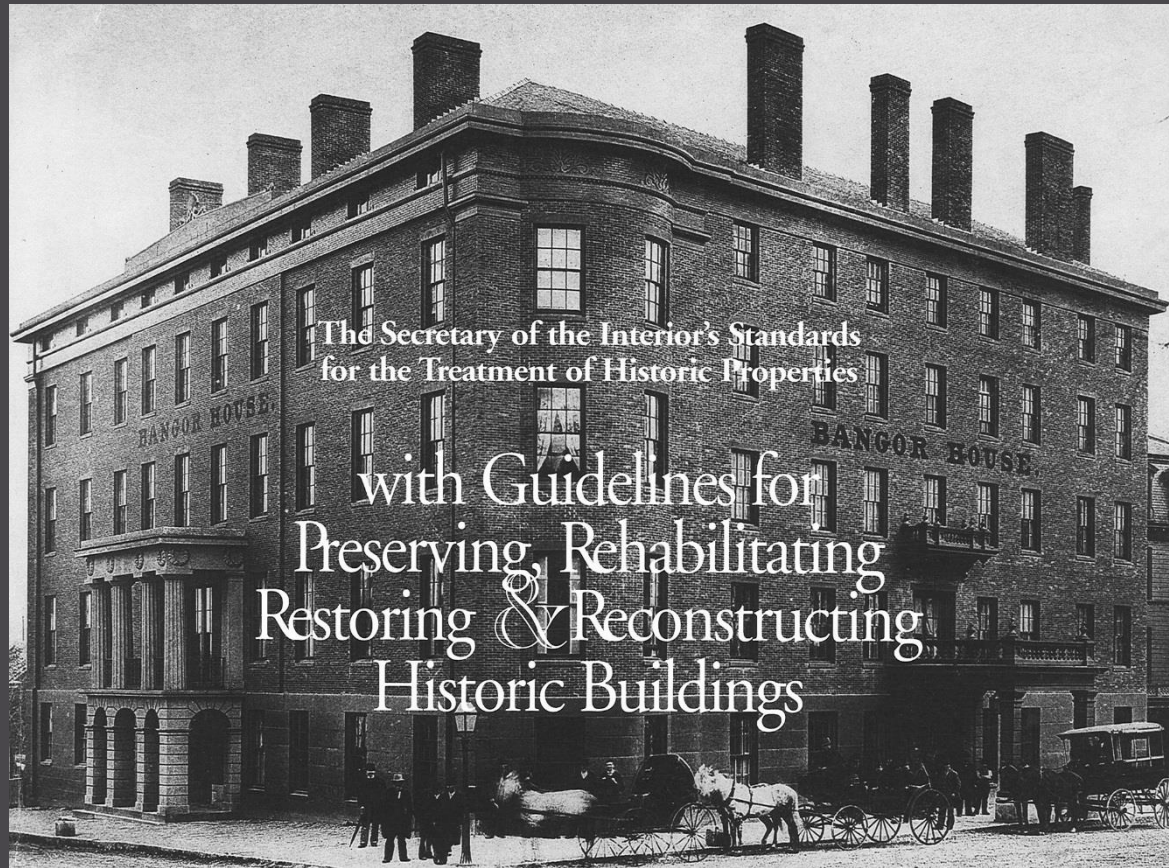
Document what was done

- Photographs
- Response is an NPS-signed form if accepted, or a signed form and a letter stating why the project is not certifiable
- Part 3 denials can be appealed



Certified Rehabilitation

Work meets *Secretary's Standards for Rehabilitation* as determined by NPS



- Retain and repair historic fabric
- Match needed replacement





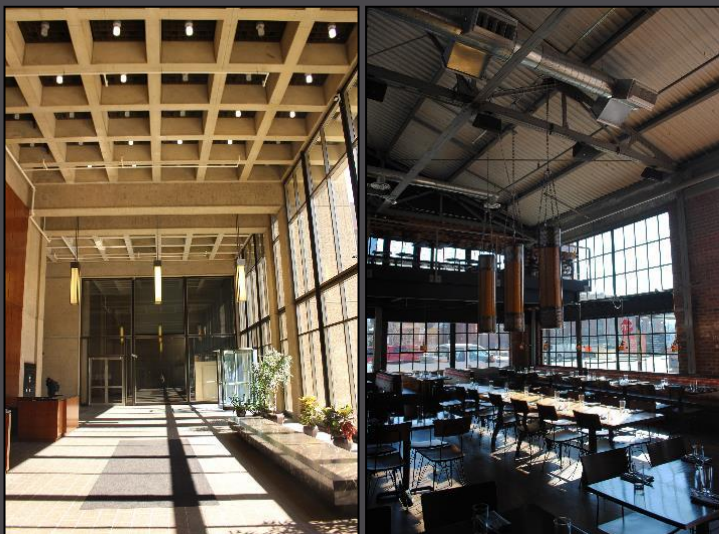
Additions must be compatible



Additions



Spaces



Historic character must be preserved



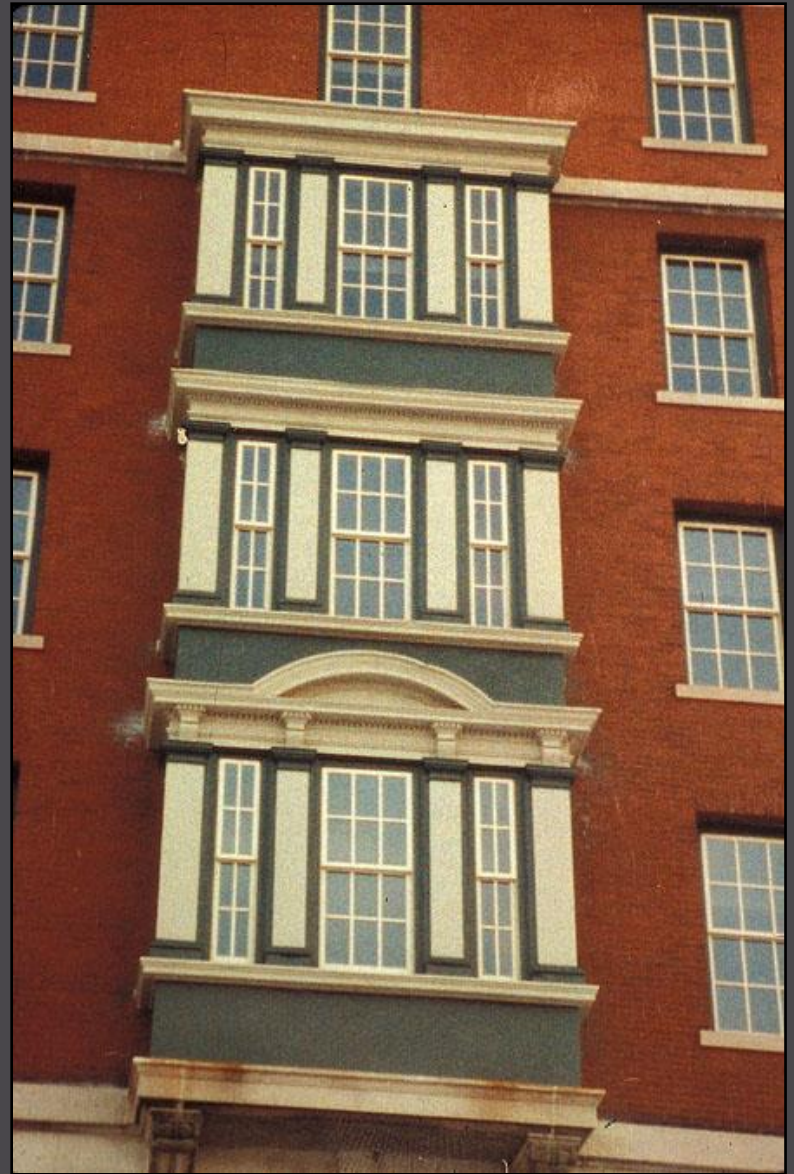
Features



Retain and Repair historic fabric, or match where necessary



Replacement





Windows



\$18.5 mil.
rehabilitation



Margaret Murray Washington School
Washington, DC



\$18.5 mil.
rehabilitation



RESILIENT POWER PROJECT CASE STUDY

Maycroft Apartments Pepco Resiliency Center

Marrielle Mango, Clean Energy Group
November 2019



RESILIENTPOWER
A project of Clean Energy Group



Maycroft Apartments
Washington, DC



\$63 million
rehabilitation



CT Campus at St. Elizabeths East
Washington, DC



1370-1372 Fort Stevens
Drive
Washington, DC





Dahlgreen Courts
10th St. NE
Washington, DC



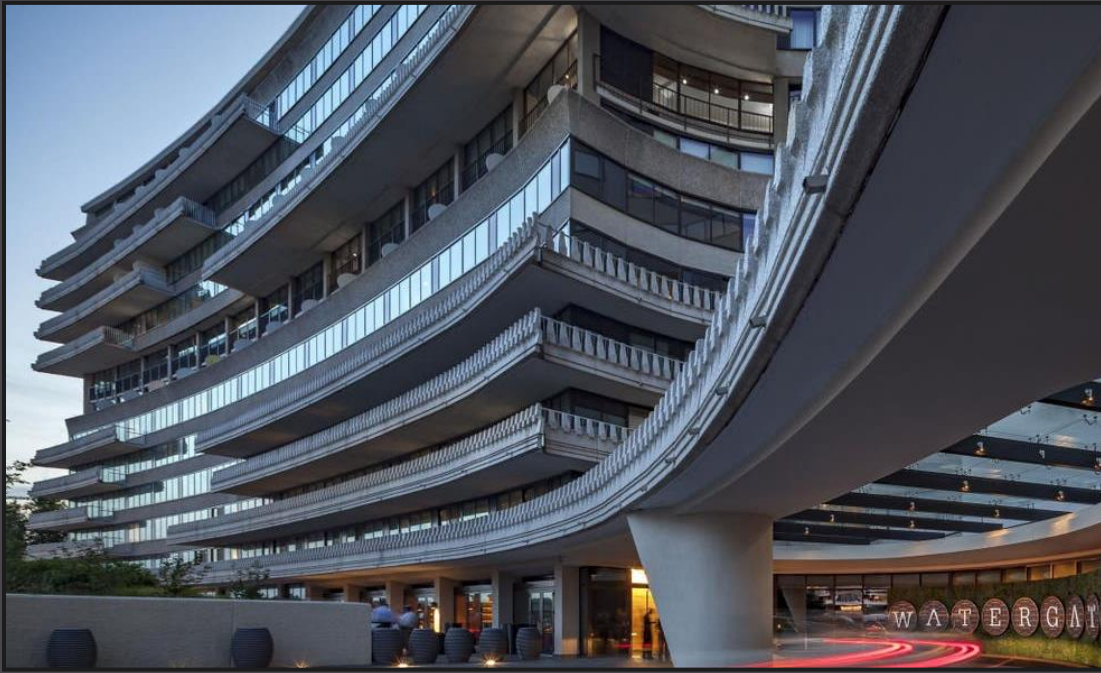
\$14.2 mil.
rehabilitation



\$8.4 mil
rehabilitation



Building 167
Southeast Federal Center
Washington, DC



\$30 mil.
rehabilitation



Watergate Hotel
Virginia Avenue, NW
Washington, DC

515 22nd Street, NW (1941), DC



Dominion Arms (1954), Arlington VA



Current Projects



www.nps.gov/tps

The screenshot shows the homepage of the National Park Service's Technical Preservation Services (TPS) website. The header includes the title "Technical Preservation Services" and the National Park Service logo. A navigation menu contains links for "About", "The Standards", "Tax Incentives", "How To Preserve", "Sustainability", "Historic Surplus Property", and "Education & Training". A search bar is located in the top right corner. The main content area features a heading "Preserving our nation's historic buildings." followed by a paragraph describing the TPS mission. Below this, there are three sections: "Latest Headlines" with a link to the "Annual Report for Fiscal Year 2020", "New Historic Preservation Certification Application forms" with a link to download forms, and "Keep in touch with TPS" with a link to sign up for updates. A large photograph of a brick building is featured on the right side of the page, with a text overlay that reads "Independent Movies Now Showing at a Former Brass Foundry".

- While no development project is without its challenges, adding the tax credit can provide the additional funds to ensure a solution to the problems.
- Find a “partner” who can use the credits to reduce their taxes, and will invest into the project, thereby reducing your investment (usually banks and financial institutions)
- The key is making sure that you consider all options BEFORE committing to an action plan. Reach out to NPS/DC HPO first!

A black and white photograph of a highly ornate, classical-style building facade. The image shows a corner with a prominent, intricately carved column and decorative elements. The text is overlaid on the upper portion of the image.

Thank you DCPL for hosting!

Questions?

LAURA HUGHES

EHT ||| TRACERIES

HISTORIC PRESERVATION 101/201

April 23, 2021