

Case Studies

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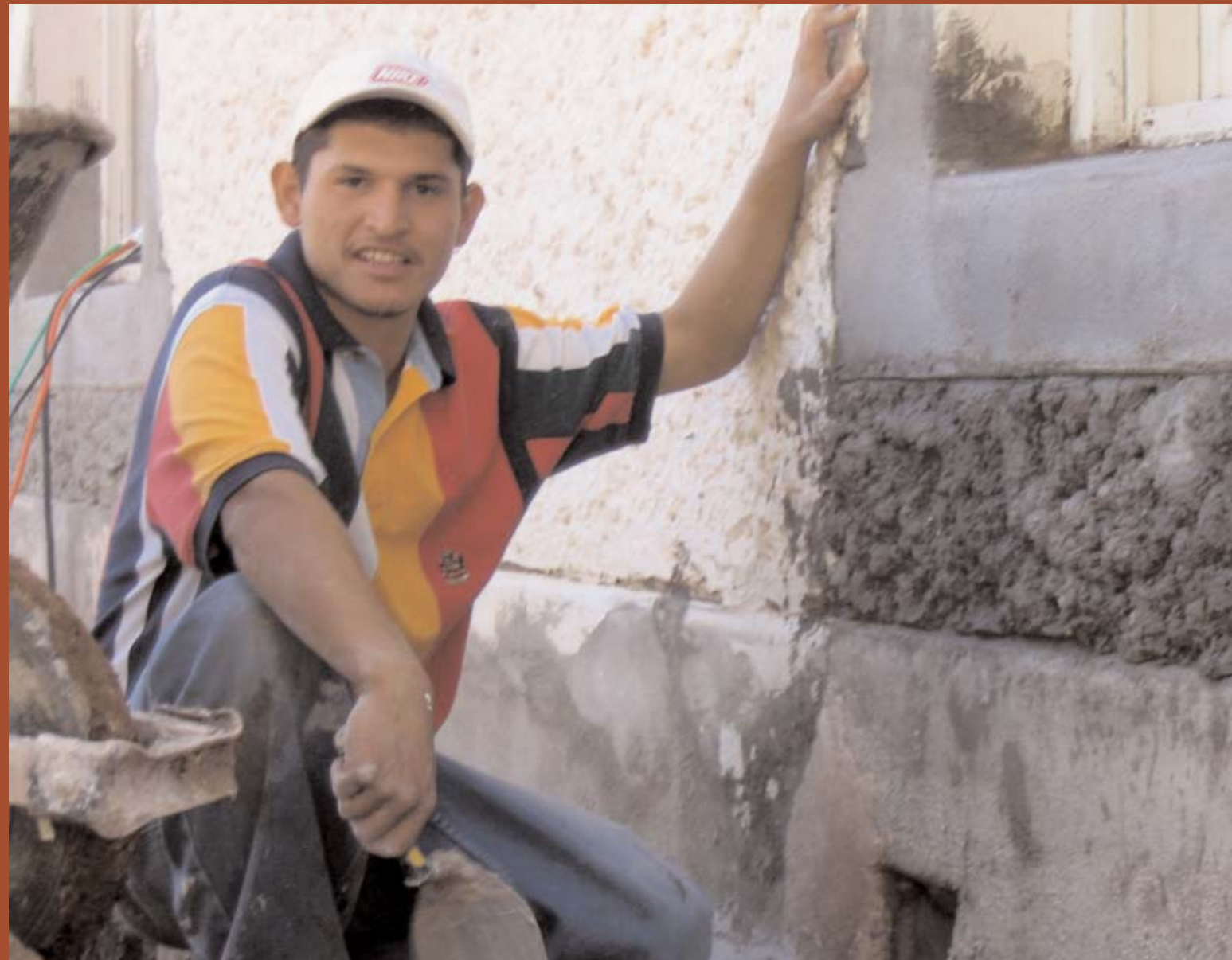
- 1 A contributing structure to the Monte Vista-College View Historic District in Albuquerque, roof and gutter repair were approved for a potential credit of more than \$7,000. photo: Robyn Powell, HPD.
- 2 Determine online if your property is listed in the State Register of Cultural Properties: www.nmhistoricpreservation.org photo: Tom Drake, HPD
- 3 HPD urges tax credit applicants to consider reglazing, rebuilding and restoring historic windows in lieu of replacing them with modern ones, whenever possible. Here, children on the Zuni Pueblo near Gallup participate in the restoration of the Kelsey Trading Post, a contributing structure to the pueblo listed in the historic registers. Much of the restoration of the ca. 1900 building was completed with TEA-21 funds, which also are available to some historic resources. photo: Ed Crocker, Crocker, Ltd.
- 4 Check dams help control erosion by allowing fill to collect, encouraging plant growth. These dams stabilize the constantly eroding Galisteo Creek, along whose banks a massive adobe pueblo flourished ca. 1500. Large segments of the pueblo have been swallowed by the arroyo. Current landowners granted a 384-acre conservation easement to the Archaeological Conservancy, which built the dams using an HPD grant and funds from the Friends of Archaeology. The project is eligible for tax credits. photo: Wolcott Toll, Office of Archaeological Services
- 6 Restoration of windows once obscured by a slip-cover facade bring out the Romanesque style of the Rio Grande Theatre in Las Cruces. Closed for decades, the theatre is a downtown performing arts center. HPD file photo
- 7 The governor-appointed CPRC. photo: Tom Drake
- 7 Depression-era construction of homes at Bosque Farms began with workers making adobe bricks. Built as a resettlement camp, the small homes and large acreages still exist. Courtesy: Library of Congress/Farm Securities Adm.
- 8 Bill Cook, of La Mesilla, completed work on his roof, parapet, wood-frame doors and windows and restuccoed, using tax credits. He filed a Part 1 in August 2002; the Part 2 in October 2004. photo: Robyn Powell
- 10 The Southern Union Gas Building built in 1949 in the Modernist Institutional Style was designed by John Gaw Meem. It was rehabilitated into a popular restaurant using federal and state tax credits. Loft condominiums are being built next door. photo: Ed Boles, City of Albuquerque
- 11 Empty for 25 years, the Hall Hotel in Magdalena now features 14 apartments, commercial businesses and a community center for the tiny Socorro County town. HPD and N.M. Mortgage Finance Authority provided a \$395,000 loan; \$200,000 in federal tax credits were approved. photo: Dorothy Victor, HPD
- 12 A private partnership was formed in 1997 to save the Hall. Work was completed in 2000. photo: Dorothy Victor
- 13 The Eklund Hotel in Clayton, Union County, became the showpiece of the town after a partnership of local residents formed to re-open and rehabilitate rooms closed for decades. A \$2.4-million lending package—\$200,000 HPD loan, a First National Bank of New Mexico loan and U.S. Dept. of Agriculture funds—helped pay the bills. In addition, \$495,000 in federal and state tax credits were issued. photo: Dorothy Victor
- 14 The Eklund's third-floor landing is depicted before and, on page 14, after work was completed. photo: Dorothy Victor

Tax Credits and Preservation Incentives

New Mexico
Historic Preservation Division
Department of Cultural Affairs

New Mexico
Historic Preservation Division
www.nmhistoricpreservation.org

Additional forms and documents available online,
or contact HPD
407 Galisteo St., Suite 236
Santa Fe, NM 87501
505-827-6320



Funding Preservation

New Mexico is known throughout the world for its rich cultural history. We take great pride in our multi-cultural identity; our historic buildings and sites give us a sense of continuity, identity and stability. It is the policy of the State of New Mexico to encourage the preservation of historic properties.

This booklet and a companion CD serves as an introduction to the rehabilitation income tax credit, preservation loan fund and related programs. It provides the basic information you need to complete the necessary forms to receive financial help and offset expenses incurred when repairing and maintaining eligible historic properties.

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New Mexico's 50% Rehabilitation Tax Credit

The Historic Preservation Division (HPD) and Department of Taxation and Revenue administer the New Mexico income tax credit program for historic properties. Hundreds of projects, including minor repairs and major overhauls to small, private homes, the adaptive reuse of large schools and hotels, and façade and interior work on commercial buildings have been completed by individuals, partnerships and corporations with the assistance of tax credits. Costs associated with protecting archeological sites also are eligible for credits under this program.

Eligible properties must be listed in the State Register of Cultural Properties. In addition, a federal rehabilitation tax credit is available for commercial and income-producing properties listed in the National Register of Historic Places. Projects eligible for federal credits often qualify for the state program, as well.

Tax Credit and Credit Amount

A tax credit differs from an income tax deduction, which lowers the amount of income subject to taxation. A tax credit lowers the amount of tax owed. In general, a dollar of tax credit reduces the amount of income tax owed by one dollar. For New Mexico's rehabilitation tax credit program, the credit for a project is:

- 50% of eligible costs spent in an approved rehabilitation; or
- \$25,000; or
- 5 years of income tax liability, whichever is the least.



| | Project 1 | Project 2 |
|-----------------------|-----------|-----------|
| Project Costs | \$2,400 | \$95,000 |
| Work approved by CPRC | \$2,000 | \$85,000 |
| Eligible Credit | \$1,000 | \$25,000 |

Eligible Properties

New Mexico taxpayers who own property listed in the State Register of Cultural Properties, or properties listed as contributing to an historic district, are eligible to apply.

Only work begun after it is described on an application received and approved by the Cultural Properties Review Committee is eligible for the credit. The CPRC is the governor-appointed policy and review committee of HPD.

Check our website, www.nmhistoricpreservation.org, to find out if your property or historic district is listed. And, please call HPD should there be doubts about the property's status as contributing to a district. Some historic districts contain hundreds of contributing buildings, although not every building or home in a district may be considered contributing.

All types of properties and buildings are eligible: private homes or rental properties, commercial buildings and retail stores; restaurants, breweries, hotels, motels, theatres, churches and other cultural resources that are listed in the State Register. Unlisted properties with historic value can be nominated and listed. HPD will help you determine eligibility.

Persons renting historic properties also can utilize tax credits if the tenant has a minimum five-year lease and is financially responsible for the project.



Eligible Work

Repairs to historic building features, or replacing them with closely matching materials and workmanship, are eligible for credit. The CPRC reviews applications for conformance to the *Secretary of the Interior's Standards for Rehabilitation* to determine eligibility. Please familiarize yourself with these preservation standards. They are printed on the inside front cover and are the tax credit program standards.

The standards are short, common-sense principles. They are guidelines for simple repairs or maintaining historic window treatments, for example. They apply to projects as complex as roof replacements and adaptive re-use of large buildings. The guiding principle is minimal change to the elements that define the building's historic character. When planning and carrying out a project, features, finishes, materials and original construction are repaired rather than replaced whenever possible. When a distinctive feature is severely deteriorated and cannot be repaired, the new feature must match the old feature in design, color, texture, materials and other visual qualities. HPD will help you understand what a project needs to be approved.



Typical tax credit projects include roof repair or replacement, repair of deteriorated woodwork, stabilization of foundations or other structural elements, window repair, restoration of interior and exterior finishes and replacement of broken or out-of-code mechanical and plumbing systems. Historic landscaping may be eligible when it is documented in the State Register.

Projects that do not meet program standards or would compromise a resource's integrity and listing in the registers will not be approved. All aspects of a project — interior and exterior — are reviewed. Any work begun before written CPRC approval is ineligible, as is remodeling, new construction, and most landscaping.

Archaeological Sites Eligible

Stabilization and preservation of archaeological sites are eligible for the credit. Fencing a site, hauling dirt and covering it, reseeding the bank of an arroyo near a site to prevent erosion and installing stabilization measures can qualify for tax credits. Archaeological excavation is not eligible. Please refer to *Archaeological Sites and Tax Credits* on the CD.



The Part 1 Application

The program has a two-part application process. Part 1 is submitted before work begins, and Part 2 after work is completed. A copy of the application and instructions are available on the companion CD found inside the back cover. Download and save it to a file so you can fill it out on your computer or print it. The CD includes a checklist of all items needed for the Part 1 application, and an example of one completed. Applications also are available at HPD or can be downloaded from our website.

Once your Part 1 Application is completed, it should be submitted as early as possible for HPD staff to review. Applications received less than two weeks before a scheduled CPRC meeting will be delayed at least two months.

Meetings generally are held the second Friday of even-numbered months, but check with HPD to verify the schedule.

CPRC meeting dates and deadlines are published on our website and in *Preservation New Mexico*, the division's bimonthly newsletter. CPRC approval is required prior to beginning work on the structure. Most in-progress and all completed projects are ineligible for the program.

You will find "boxes" on the application. They are for describing the condition of a building feature. Each box is for a different feature, such as the roof or foundation, etc. The adjacent box is for explaining how you propose to fix, restore or change the feature.

When describing your plan, we have found it helpful to

This photograph was submitted with a Part 1 Application for a tax credit project that included parapet and window repairs



think about your building and repairs in terms of overall systems. When you describe work on the application, start at the top of the building and work down, or start at the bottom and work up. Most people begin outside and work their way inside. For example, if you began with the roof, the natural progression would lead to the walls, their surfaces, then the windows and doors and finally the foundation and drainage. Move inside. Ceiling and wall finishes, moldings, floors, and finally the plumbing, mechanical and electrical systems all can be addressed in the boxes. For instance, if you plan on a new heating or plumbing system, it is likely repairs to the floors, walls or ceilings will be needed, too. Explaining all the work for a complete system within a building rather than everything you plan to do room-by-room works better and is more efficient.

Completing the Package

Remember a Part 1 Application must be received at least two weeks before a CPRC meeting to be placed on the agenda for consideration by the committee. In addition to the application, the following must be included:

- printed photographs of each façade of the building*;
- close-up printed photographs of proposed work areas *;
- detailed contractors' estimates;
- historic survey form of your property (Albuquerque, only)

**Printed digital images are accepted when details of the building are clearly shown.*



Documentation

Providing building or site plans is helpful. Large or complex projects, demolition, new elevations and floor plans should be illustrated and drawings included in the package submitted to HPD. Additional documentation may be required. Window replacement requests may require scaled drawings that show existing historic profiles and elevations, and proposed replacement profiles and elevations. As part of the review, HPD may request additional information to process your application.



Consulting with HPD

Applicants are encouraged to call HPD to discuss their projects or ask what type of work qualifies. Contact us about the nature of your project and the scope of work as early as possible. Tax credit staff will serve as your HPD representative, review your project and make site visits, when possible. HPD staff prepares a packet on your project for review by the CPRC. Site visits sometimes are necessary to better understand the property, proposed work and its effect on the building and its surroundings. Submitting your application at the last minute may delay a site visit, and the mandatory CPRC review of your project .



Project Approval

Applicants are welcome to attend the CPRC meeting when their project is reviewed. Review by a local preservation commission or design-review board, such as the Albuquerque Landmarks and Urban Conservation Commission or the Santa Fe Historic Design Review Committee, cannot be considered approval for a tax credit project.

CPRC approval expires in two years. All eligible work you want subject to tax credits must be completed in that time, although it is not required that everything outlined in the Part 1 Application be completed.

Written notification of the CPRC's decision is provided within two weeks after the meeting. Conditions placed on your project and any requested clarification will be included with the notification. **Do not proceed with the work without understanding and complying with these conditions.**

When Work is in Progress

Remember, work on your project needs to reflect what is described in the application. Changes sometimes are necessary due to discoveries made while the project is underway. The program requires you to discuss these changes with your HPD representative before proceeding. In some cases, a project will need to return to HPD for CPRC review and action.



The Part 2 Application

After your project is completed, you will need to fill out the Part 2 Application. The Part 2 is used to describe completed work. The package includes photographs of finished work, invoices and copies of cancelled checks.

The Part 2 Application should be submitted within 60 days of completing all work and no later than January 25 of the year following the tax year in which it was completed.

This is the tax year for applying the credit, so the credit for work completed in 2005 is on the return filed in 2006. Part 2 Applications received by HPD will be placed on the agenda for the following CPRC meeting if they are received at least two weeks prior to the meeting date.

The program has no mechanism to extend approvals. If your approval expires, a new Part 1 Application must be completed and submitted for CPRC approval.

Filing Your Taxes: After completing the work and submitting your Part 2 Application, HPD will send you a photocopy of the approved Part 2. This must be attached to your New Mexico Income Tax return along with the appropriate Taxation and Revenue department claim form and worksheet. Additional guidance is available on the CD.

The Federal 20% Rehabilitation Tax Credit

The federal government offers an income tax credit for the rehabilitation of historic buildings, a program also administered by HPD. It allows up to 20% of the eligible

This photograph was submitted with a completed Part 2 Application



costs of rehabilitation work to be credited against federal income taxes. The program has three key provisions:

- The property must be an income-producing building and not a personal residence;
- Expenses eligible for the credit must equal the adjusted "basis" of the property, a figure derived in part by subtracting the value of the land from the value of the building; and
- The property must be individually listed in the National Register of Historic Places, or considered a contributing building within a district listed in the National Register.

If the project meets the criteria, you may apply for both federal and state tax credits. Most projects that qualify for the federal program qualify for New Mexico's 50% rehabilitation income tax credit. But the programs are different and require separate applications. Participation in one program does not automatically qualify you for the other. Only the National Park Service (NPS) can certify a project for federal tax credits. Reviews by local or state commissions cannot be substituted for the NPS review. Details of the federal program are available at HPD.



The Historic Preservation Loan Fund

In 1987 the State Legislature created the revolving, Historic Preservation Loan Fund. Administered by HPD, funds are kept in the State Treasury and made available for loans to help finance rehabilitation of historic properties. Since 1989, \$3.7 million has been loaned by HPD and participating lending institutions for work on properties in Bernalillo, Colfax, Grant, Santa Fe, Socorro, Taos, Union and Valencia counties. HPD encourages applications from these and other counties. Like the state tax credit program, the loan fund is available only for properties listed in the State Register.

Eligible Applicants: Participants in the loan program must be the sole owner, joint owners, owners in partnership or a corporate owner of a registered historic property, or one listed as contributing to an historic district. Lease holders are eligible when the lease on the property runs not less than 19 years.

Allowable Costs: Repairs must meet the *Secretary of the Interior's Standards for Rehabilitation* listed on the inside front cover of this booklet. Partial restoration, rehabilitation, or repair of the building's façade is required. Eligible costs include:

- architectural, engineering and planning fees;
- inspection of work in progress;
- contracted restoration, rehabilitation and repair; and



- work necessary to meet code requirements.

Additional expenses may be eligible depending on the participating lender's policies.

Lenders

HPD provides the loan in cooperation with a financial institution, such as a commercial bank, savings and loan, or credit union, that agrees to act as the lender of record and to service the loan.

Applicants can share information provided by HPD with a local lender. The HPD loan fund coordinator will meet with your lender to provide examples of past loans and information on the loan-participation agreement between the bank and HPD.

Principal

The maximum amount of an HPD loan is \$200,000. HPD loans usually range from \$20,000 to \$60,000, and often are used in conjunction with funds from other lenders. The dollar amount of HPD's participation in a loan depends on the funds available in the revolving State Treasury account.

Term

Five years is the maximum term of an HPD loan.



Interest Rates

HPD's portion of a preservation loan has a set interest rate of 3%. The lending institution negotiates a separate interest rate with the borrower. The commingled funds from two or more sources have a single effective rate of interest that is lower than commercial loan rates.

Repayment

The schedule for repayment is negotiated among the lending institution of record, HPD and the borrower. Loan Fund installments must be paid at least annually. The first installment is due within one year of the loan closing date.

Application

The loan fund application form is on the CD. Applications also are available from HPD or may be found on the HPD website. Applications are reviewed by HPD staff according to a priority-ranking system approved by the CPRC. Factors include geographic distribution of projects around the state, severity of deterioration of the property, project feasibility as shown by the degree of architectural and construction detail in the application, and the participation of a local lending institution.



Requirements

The borrower must agree to:

- repay the loan within five years and maintain the property as restored, rehabilitated or repaired for at least seven years;
- maintain complete and proper financial property records available to HPD on request;
- complete the project within two years from the closing date of the loan; and
- provide sufficient collateral based on the projected value of the property after rehabilitation.

Process

It usually takes three to six months to process a residential, preservation loan application. This includes review of the application, meetings or correspondence between HPD and the local lending institution, drafting loan documents, and establishing any lending requirements by the local lending institution. The loan fund coordinator may make a site visit. Because commercial preservation projects often have two or more lending sources, they usually require more time to process than conventional loans or those for private residences. It is advisable to plan early to meet the requirements of the program and your private lender.



Related Preservation Incentives

Land Conservation Incentive Act

The incentive is a tax deduction for landowners who protect private land for historic preservation purposes by donating an interest, or easement, in the land. General information is available from HPD, but consult a tax attorney about the program's benefits.

Cultural Properties Preservation Easement

The easement preserves the historic property by limiting ground disturbance, alteration, or development while reserving non-destructive uses and tax benefits for the owner. There are additional federal income tax and estate tax benefits for easements that run in perpetuity. Please consult a tax attorney about the program's benefits.

There is detailed information about conservation and preservation easements on the companion CD. Additional information also is available in the HPD brochure, *New Mexico Historic Preservation Division*, which provides an overview of all our programs, including grants for planning certain projects.

Investment Tax Credit for Low Income Housing

Federal tax credits are granted for acquisition, construction or rehabilitation of low-income housing. Congress was considering broadening the program at press time as part of a series of amendments to the 1976 federal tax credit program. Credits are allocated by the New Mexico Mortgage Finance Authority, Housing Development Department: 505-843-6880.

New Market Tax Credit.

The National Trust for Historic Preservation's Community Investment Corporation offers the 39% federal New Markets Tax Credits to investors by directly making active investments in commercial and mixed-use real estate rehabilitation projects in low-income areas. Capital is routed through qualified community development groups. NTHP: 1-800-944-6847.

USDA Business and Industry Guaranteed Loan

The Business-Cooperative Service, of the U.S. Department of Agriculture, lends money to improve business, industry and development in small, rural communities through acquisition, construction and repair of facilities, equipment and historic buildings. USDA can partner with HPD's Historic Preservation Loan Fund, which it did for the Eklund Hotel mentioned in this publication. USDA: 505-761-4953.

Secretary of the Interior's Standards for Rehabilitation

A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.

The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.

Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.

Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.

Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.

Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of

a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

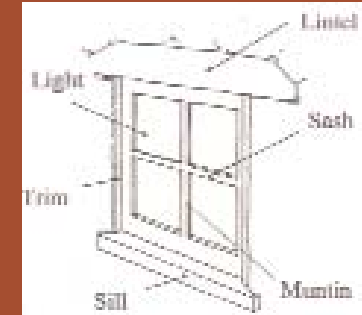
New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.



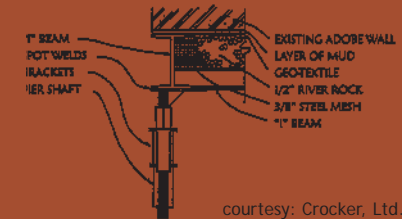
Restoration vs. Replacement

Whenever possible, HPD and the CPRC encourage — and prefer to grant credits for — work that restores original features. Illustrated, here, is a traditional northern New Mexico Territorial-style home with its original windows and molding, a standing-seam roof and adobe construction revealed toward the rear of the home. By familiarizing yourself with the program standards reprinted on this page and applying them to your project, the outcome not only will be more rewarding, but you will be helping preserve a piece of New Mexico history.

Windows and Foundations



Windows are an important defining element of the exterior of a home or building. HPD encourages restoration of historic windows whenever possible. Shown here are the main features of a four-light sash-style window, elements shared by more complex styles. Window restoration frequently is part of a tax credit or loan project.



courtesy: Crocker, Ltd.

Many historic adobe homes and buildings in New Mexico were built with, what would be considered today, inadequate foundations. In some cases there is no foundation, at all. Also, with time, even massive stone foundations may need to be shored. A helical pier can be installed to stabilize an existing adobe wall and create a new foundation where there was none. Foundation work is a typical component of tax credit and loan projects.

This brochure was written and designed by the New Mexico Historic Preservation Division, Department of Cultural Affairs using federal funds from the National Park Service, U.S. Department of the Interior, and state funds. The overall contents and opinions do not necessarily reflect the views or policies of the Dept. of the Interior. This program received federal financial assistance for identification and protection of historic properties. Discrimination on the basis of race, color, national origin, disability or age is strictly prohibited. Brochure design: Tom Drake. House drawing: Harvey Kaplan. Cover photo of Abraham Rodriguez: Robyn Powell.

Companion CD

includes:

- Downloadable Application Forms
- Completed Sample Applications
- Archaeological Site Tax Credit Qualifications
- Easements and Other Preservation Incentives