



Report to the Secretary of the Interior on the Federal Historic Preservation Tax Incentives Program

National Park Service
March 1, 2013

Results of Program Review - Recommendations and Action Plan

The Tax Reform Act of 1976 first established Federal tax incentives for rehabilitating historic buildings. In its report on this law, the Joint Committee on Taxation of the United States Congress declared, "Congress believes that the rehabilitation and preservation of historic structures and neighborhoods is an important national goal."

The Federal Historic Preservation Tax Incentives Program has been instrumental in promoting historic preservation and community revitalization through historic rehabilitation, and it is the largest and most effective Federal program specifically supporting historic preservation. Since its inception in 1976, the program has generated over \$66 billion in private investment in historic rehabilitation, counting over 38,700 completed projects.

The program provides for a 20% tax credit (commonly referred to as the Federal Historic Tax Credit) for the substantial rehabilitation of income-producing historic buildings. The program is administered by the National Park Service and the Internal Revenue Service, in partnership with the State Historic Preservation Offices. The National Park Service certifies that a building is a historic structure, and therefore eligible for the program, and that its rehabilitation is consistent with the building's historic character. The Secretary of the Interior's Standards for Rehabilitation are the basis for this determination. Developed by the National Park Service, these Standards are widely used throughout the country at the local, state and national levels. Only rehabilitations consistent with the property's historic character can qualify for the Federal tax incentive. The Technical Preservation Services office administers the program on behalf of the National Park Service.

Through the program, abandoned or underutilized schools, warehouses, factories, commercial buildings, churches, retail stores, apartments, hotels, houses, agricultural buildings, and offices throughout the country, and particularly in economically depressed areas, have been given new life in ways that maintain their historic character. Properties in the program have often been vacant for years, or even decades, and are in highly deteriorated condition. A recent analysis found that about two-thirds of all projects nationally were in neighborhoods at or below 80% of area median family income.

The program stimulates economic growth and supports community revitalization, job creation, affordable housing, small businesses, farms and Main Street development, among other economic benefits. Over 2.2 million jobs have been created by the program since its inception, and these jobs tend to be local, and more high skilled and higher paying than new construction. Over 118,000 low and moderate income units have been created under the program.

Introduction

On January 25, 2013, Secretary of the Interior Ken Salazar and Senator Carl Levin hosted a meeting in Detroit, Michigan, with economic development, real estate and design professionals and other stakeholders to discuss ways in which the Federal Historic Preservation Tax Incentives

Program can help spark development in communities that have faced significant long-term economic challenges. The Secretary was also joined by Federal Housing Administration Commissioner Carol Galante, National Park Service Deputy Director Peggy O'Dell and Associate Director Stephanie Toothman, Michigan State Housing Development Authority Director Scott Woosley, and Brian Conway, the Michigan State Historic Preservation Officer.

At the meeting, Secretary Salazar announced that he had requested that the National Park Service conduct an internal review of the tax incentives program by March 1, with the intent of ensuring that the program is maximizing opportunities to use historic preservation to promote economic development and revitalization of communities, especially in urban areas.

The Secretary asked that the review consider how the highly successful program might be improved, and specifically that it focus on ways to better promote the program to broaden the public's understanding of its benefits and eligibility requirements; to strengthen program partnerships with the State Historic Preservation Offices and local communities; and to consider additional opportunities to increase the program's utilization and effectiveness.

At the meeting the Secretary also announced to the attendees that additional comments could be provided in writing and submitted to the National Park Service for further consideration as part of this internal review. Written comments were received from developers, economic development, real estate and design professionals, preservation partners, and other stakeholders. Comments made at the meeting as well as those subsequently received by the National Park Service were considered as part of its internal review of the program.

Recommendations and Action Plan

The Secretary called for the greater promotion and utilization of the Federal Historic Preservation Tax Incentives Program in economically depressed areas, and asked that the National Park Service conduct an internal review focused on additional opportunities to improve the program and help revitalize these areas.

The National Park Service and the State Historic Preservation Offices, with whom the program is administered in partnership at the state level, already undertake a number of activities each year to promote the program and provide education and training on the program benefits and eligibility requirements for program users and the general public. More than half of the states also have a companion state historic tax credit program, and the State Historic Preservation Offices distribute promotional materials, hold workshops and training activities, provide technical assistance, and coordinate with local communities in support of both programs.

The National Park Service publishes program materials, first-time user guides, a widely-circulated annual report with statistics on the program and its benefits, and other information in support of the program, and makes presentations and offers training at several national and state conferences each year. In 2011, an expanded and redesigned website was launched by the Technical Preservation Services office (which administers the tax credit program for the National Park Service) at www.nps.gov/tps with additional and detailed information on the historic tax

incentives for program users and the general public, and much new guidance on sustainability and historic preservation has been released over the last two years. These activities continue.

This year, the National Park Service entered into a cooperative agreement with the Rutgers University Center for Urban Policy to undertake a report, to be issued later this spring, on job creation and other economic impacts of the Federal historic tax credits program for Fiscal Year 2012 and since the program's inception. A new fillable PDF version of the certification application will be released, and additional content will be added to the website, including an online training version of the Sustainability Guidelines, additional tax credit project case studies, and a "Preservation-by-Topic" linked index to program guidance and publications. To mark the 35th anniversary of the first certified historic building to receive Federal historic preservation tax incentives, the National Park Service will also produce a special report highlighting how the program has benefited communities both small and large across the nation.

In response to the Secretary's call for the greater promotion and utilization of the Federal Historic Preservation Program in economically depressed areas—especially urban areas with high concentrations of historic properties whose rehabilitation could have a positive and catalytic impact—the National Park Service makes the following eight recommendations.

The recommendations include some additional targeted program promotion, outreach, education, and training; strengthened partnerships with other Federal agencies, State Historic Preservation Offices, local communities and stakeholders; and possible changes to program guidance and other service delivery improvements for program users. In developing the recommendations, consideration was given to the intent of the review, the actions likely to have the most positive impact, and the need to prioritize and take into account existing resource levels.

Among the recommendations, the National Park Service will partner with the Strong Cities, Strong Communities Initiative (SC2) on the tax incentives program, beginning with an initial partnership effort to promote greater use of the program in Detroit as part of that city's pilot SC2 Community Solutions Team. If effective, this effort could be repeated in other SC2 pilot communities, as well as other economically depressed communities. The National Park Service will also discuss with the Department of the Treasury and the Internal Revenue Service issues related to the tax incentives program and its utilization and effectiveness, especially in economically depressed areas.

A number of the recommendations could be implemented immediately. Some of the recommendations involve further consultation with the respective Federal agencies, the State Historic Preservation Officers, and other preservation partners and stakeholder representatives before final implementation.

Action 1 *Additional Webinars and Training.* Beginning in 2013, the National Park Service will offer a series of webinars in support of the tax incentives program for program users, State and local partners, and the general public, as well as (dependent upon budgetary and travel limitations) additional training and workshops. (January 2013 and continuing)

Action 2 *Strong Cities, Strong Communities Initiative.* The National Park Service will partner with the White House Council on Strong Cities, Strong Communities and the Department of Housing and Urban Development on the tax incentives program as part of the Strong Cities, Strong Communities Initiative (SC2), beginning with an initial partnership effort along with the Michigan State Historic Preservation Office to promote greater use of the tax incentives program in Detroit as part of that city's pilot SC2 Community Solutions Team. If effective, this initial partnership effort with SC2 could be repeated in other SC2 pilot communities, or in other economically depressed communities generally.

This effort is anticipated to predominantly consist of webinars and training under Action 1, as well as additional technical assistance. One such workshop, jointly sponsored with the Michigan State Historic Preservation Office, was already held on January 25th in Detroit to coincide with the Secretary's meeting. (Spring 2013 and continuing)

Action 3 *Tax Code Issues.* The National Park Service will meet with the Department of the Treasury and the Internal Revenue Service to discuss the issues raised as part of the January 25th meeting, as well as in other forums, related to tax policies that may restrict appropriate usage of the historic preservation tax incentives. (Spring 2013)

Action 4 *HTC Federal Inter-Agency Group.* The National Park Service will form a historic tax credit inter-agency group with the Department of Treasury, the Internal Revenue Service, the Department of Housing and Urban Development, the White House Council on Strong Cities, Strong Communities, the Department of Energy, and the Environmental Protection Agency to better coordinate, as necessary, on issues related to the tax incentives program. (Spring 2013 and continuing)

Action 5 *Certified Local Governments and Local Partners.* The National Park Service will look for additional opportunities to strengthen its partnerships with State Historic Preservation Offices, local communities and the Main Street program and promote the tax incentives program in economically depressed areas, particularly through the Certified Local Government (CLG) Program. The National Park Service will also promote the program to local communities through its 50-state America's Great Outdoors initiative. (2013 and continuing)

Action 6 *Clarification of Guidance in Interpreting and Applying the Secretary of the Interior's Standards for Rehabilitation.* The National Park Service, in consultation with the State Historic Preservation Offices, historic preservation partners, and other stakeholders, will reexamine and revise as appropriate its interpretation of the Standards with the goal of identifying additional opportunities to provide greater clarification and/or flexibility in addressing especially challenging projects in the following areas (December 2013):

- Differentiating between levels of significance in interior spaces and making changes to secondary spaces
- Making changes to certain types of assembly spaces as part of adaptive reuse projects
- Applying Standard 1 in cases of continuing historic use, where modern needs may necessitate specific interior changes
- Identifying changes to a historic building that have occurred over time and have acquired historic significance in their own right
- Applying Standard 2 to interior spaces, features and materials in highly deteriorated condition

Action 7 *Policy on Buildings Functionally Related Historically.* The National Park Service, in consultation with the Internal Revenue Service, State Historic Preservation Offices, historic preservation partners, and other stakeholders, will reexamine and revise as appropriate its policy, and possibly regulations, regarding the review of rehabilitation work within large, functionally-related multiple-building complexes in single ownership. (December 2013)

Action 8 *Administrative Guidance.* The National Park Service, in consultation with the State Historic Preservation Offices, historic preservation partners, and stakeholder representatives, will reexamine and revise as appropriate the following policies and administrative guidance (December 2013):

- Improving the preliminary consultation process
- Reducing review times for routine project amendments

It is also worth noting that the National Park Service strongly encourages that tax incentive applications for proposed work be submitted early and that applicants wait to receive approval from the National Park Service prior to starting work. The majority of denials under the program are due to construction work well underway or completed prior to review. Applicants who undertake rehabilitation projects without prior approval from the National Park Service do so at their own risk. Some states with state tax credit programs, as well as other local, state and federal programs, require prior review of applications before work is begun.

Also, additional incentives, either at the Federal or state/local levels, may be necessary in economically depressed areas. In areas where the Federal tax credit has been increased for a period following a natural disaster, and in areas with a new or expanded state or local tax credit, Federal tax credit application activity has typically increased. In areas where a state or local tax credit has been eliminated or its use restricted, Federal application activity has typically decreased.

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