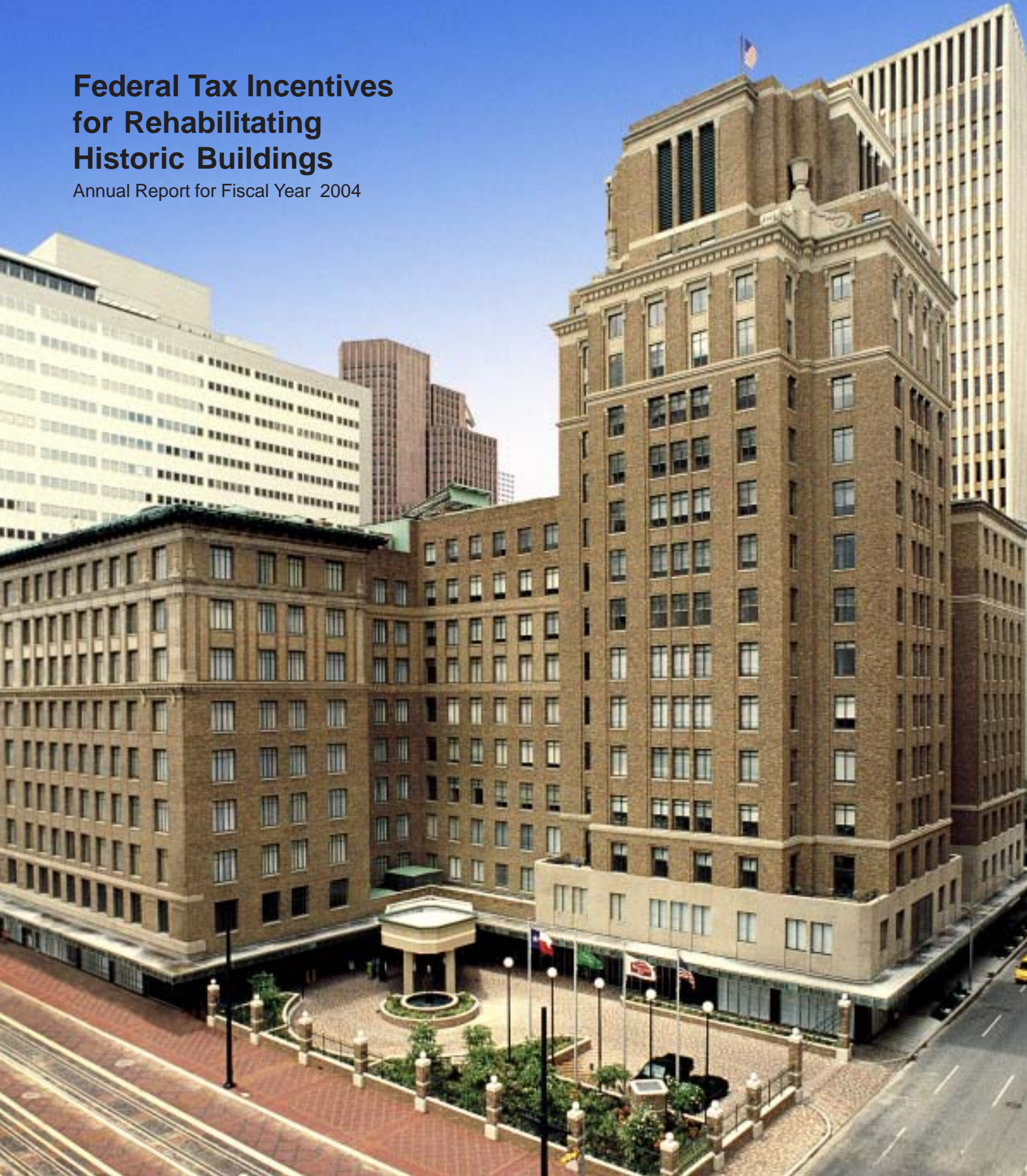


# Federal Tax Incentives for Rehabilitating Historic Buildings

Annual Report for Fiscal Year 2004



National Park Service  
U.S. Department of the Interior  
National Center for Cultural Resources  
Technical Preservation Services

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# Federal Tax Incentives for Rehabilitating Historic Buildings

A Successful 28 Year Federal/State Partnership

The Historic Preservation Tax Incentives Program, jointly administered by the National Park Service and State Historic Preservation Officers, is the nation's most effective Federal program to promote urban and rural revitalization and to encourage private investment in rehabilitating historic buildings. The tax credit applies specifically to preserving income-producing historic properties and has generated over \$33 billion in historic preservation activity since its inception in 1976. With a 5 to 1 ratio of private investment to federal tax credits, the program is an outstanding means of leveraging private investment in adaptive reuse and preservation of our nation's historic buildings. With over 32,000 approved projects, the tax incentives program has attracted private investment to historic cores of cities and Main Street towns across America and generates jobs, enhances property values, creates affordable housing and augments revenues for Federal, State and local governments. (Cover photo: The Humble Oil Company Building in Houston, Texas, a project of Housing Horizons, LLC a wholly owned subsidiary of Kimberly-Clark Corporation. The development of the project was supported by Leddy Ventures Inc. from San Antonio.)

## Widespread Economic Benefits

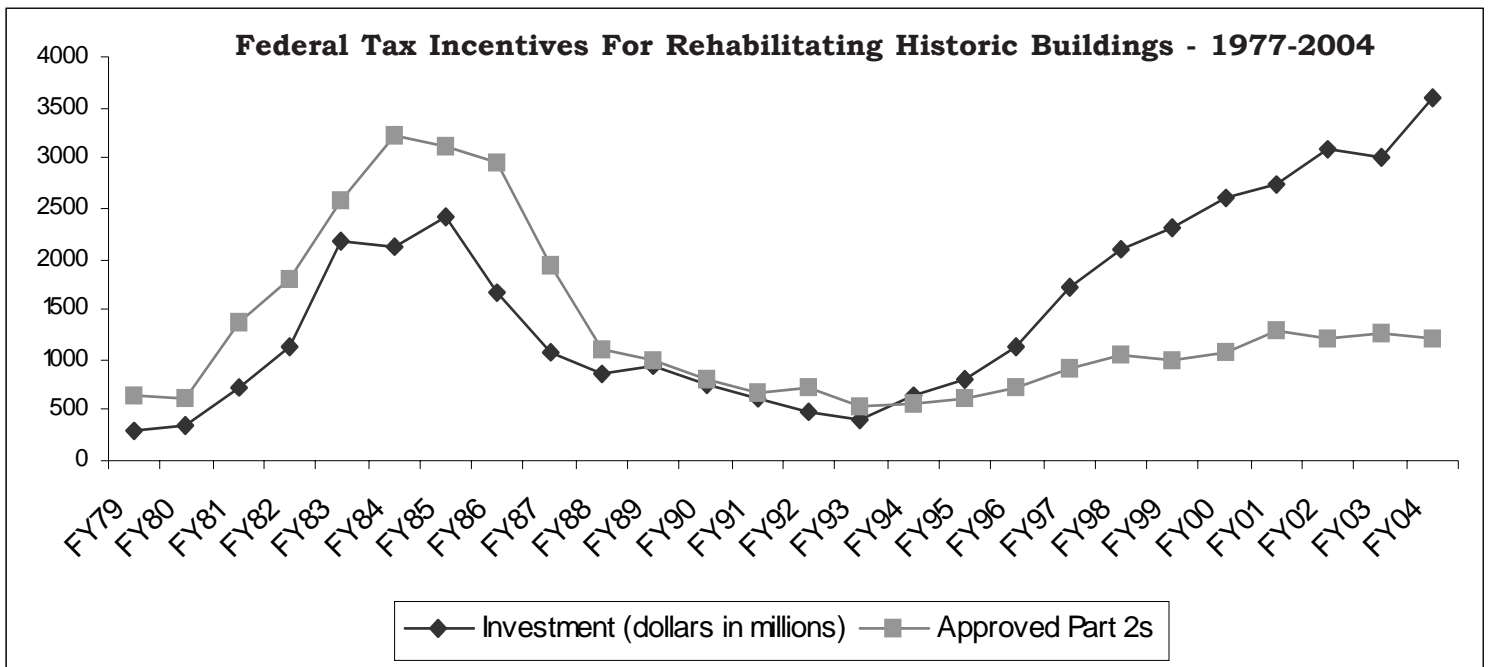
Projects approved by the National Park Service create on the average 42 new jobs (principally local). In 2004 over 50,400 jobs were created. Besides Federal income tax generated from these new jobs, taxes generated from other activities involving these rehabilitations provide further tax revenues to Federal, State and local governments. These projects also result in enhanced property values, augmented State and local revenues, and economic rejuvenation of older neighborhoods.

## Over 1.25 Million Buildings Listed on the National Register

Over 1.25 million historic buildings are listed in or contribute to historic districts in the National Register of Historic Places, with 46,619 contributing resources added last year. The National Park Service estimates that 20% of these historic buildings qualify as income-producing. Under current tax law, income-producing buildings listed individually or certified as contributing to these historic districts are eligible for historic preservation rehabilitation credits.

## 2004 at a glance

- ◆ Record-setting \$3.88 billion in private investment leveraged
- ◆ 50,400 jobs created
- ◆ 1,200 projects approved
- ◆ 5,357 low and moderate income housing units created
- ◆ 15,784 housing units created or renovated overall
- ◆ More projects leveraging over \$1,000,000 in investment





## Enhanced Services to Program Users

In 2004, the National Park Service continued its work to enhance customer service to program users. Nearly 70% of our customers are taking advantage of an expedited fee payment system by including with their application an authorization for the National Park Service to charge the certification processing fee to their credit card. By not using the traditional billing procedures, these applications avoid being placed on hold by the National Park Service until the processing fee is paid. This has led to a significant reduction in processing time before a decision regarding certification is made.

The NPS website continues to expand with updated information on the historic preservation tax incentives program and technical guidance on the preservation and rehabilitation of historic properties, <[www.cr.nps.gov/hps/tps](http://www.cr.nps.gov/hps/tps)>. The Historic Preservation Certification Application forms can be found at <[www.cr.nps.gov/hps/tps/tax/hpcappl.htm](http://www.cr.nps.gov/hps/tps/tax/hpcappl.htm)>. The Secretary of the Interior's Standards for Rehabilitation with Illustrated Guidelines for Rehabilitating Historic Buildings are available online at <[www.cr.nps.gov/hps/tps/tax/rhb/](http://www.cr.nps.gov/hps/tps/tax/rhb/)>.

## 1,200 Projects Approved in 2004

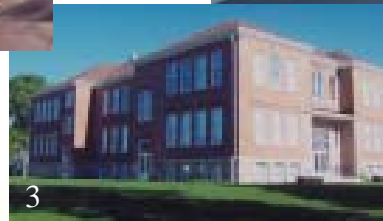
The Historic Preservation Tax Incentives Program continues to be the Federal government's largest program to stimulate the preservation and reuse of historic buildings that give our older communities their unique character. In Fiscal Year 2004, the National Park Service approved 1,200 projects--continuing a 4-year pace that exceeds the 1990s. Many of these projects involved multiple historic buildings. This high level of activity can be attributed, in part, to an increase in public awareness of the benefits of the Federal Historic Preservation Tax Incentives Program as well as the existence of various state and local preservation tax credits that can be piggybacked onto the Federal incentives.

## More Than \$3.88 Billion in Private Funds Invested in 2004

### Highest in Program History

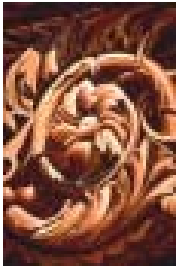
While the Federal historic preservation tax incentives encourage the rehabilitation of historic buildings, they also stimulate major private investment in our older communities. Rehabilitation projects approved by the National Park Service last year represented a private investment of more than \$3.88 billion at a fraction of the cost to the Federal Treasury. Taking into account new construction, which often takes place in conjunction with approved rehabilitations and is ineligible for the credit, the program leverages far greater than 5 to 1 in private to public investment in the preservation and renewal of our old communities.

Historic Preservation Tax Credits Save Many Types of Buildings and Create A Variety of New Use Programs



1. Flour Mill Building in Ypsilanti, Michigan
  2. Delmas-Lema shotguns in Memphis, Tennessee
  3. Whittier School in Waterloo, Iowa
  4. The Ferry Building in San Francisco, California
  5. The Traverse Block in Newport, Rhode Island
- (photos from NPS files)

Since 1976, the historic preservation tax incentives have spurred the rehabilitation of historic structures of every period, size, style and type. Abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses and offices throughout the country have been given new life in a manner that maintains their historic character. In FY2004, 41% of the new use programs completed using the historic preservation tax credits provided multiple family housing, 1/3 of which were affordable housing units; 26% created new office spaces, and 23% created new commercial facilities.



## Combining Federal and State Tax Incentives

### Preservation Activity in Missouri

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Changes in the Federal tax law in 1986 led over the next 7 years to a 75% drop in investment and an 80% decline in new projects applying for the Federal historic preservation tax credits. Partly in response to this dramatic decline and in an effort to promote economic growth and preserve historic properties, nearly half the states have since passed legislation providing for state tax incentives for rehabilitating historic structures. These can be piggybacked with the Federal credit. Since 1993, these incentives have helped contribute to a 125% increase in the number of new projects at the Federal level and a record level of private investments in rehabilitations. In fiscal year 2004, 30% of projects certified by the National Park Service included use of state tax incentives.

In 1997, the State of Missouri instituted a state rehabilitation tax credit to foster further rehabilitation activity which could be combined with the federal credit. This new program allowed the taxpayer a credit of 25 percent of the cost of the rehabilitation of both commercial and residential properties that met historic requirements. Part of the success of this state tax credit program is reflected in the fact that rehabilitation utilizing the federal tax credits doubled.

Encouraged by the state program, projects utilizing federal historic tax credits are promoting critical revitalization of the state's urban areas and preserving fragile cultural resources in historically agricultural areas undergoing rapid suburbanization. Thanks to the tax credits a hospital historically significant for its role in training African American physicians is once again the centerpiece of a proud urban community, and home to many of the community's senior citizens. The same tax credit has stimulated the preservation of historic buildings on Main Streets--and stimulated the development of tourism --in rural communities across Missouri. By FY2001 the state's average annual investment of \$25 million in historic preservation tax credits was helping stimulate \$346 million for rehabilitation of historic buildings and \$660 million in expenditures by tourists exploring the state's cultural resources.

In the seven years since the passage of the state tax credit program, 340 historic projects in Missouri have been certified by the National Park Service using the federal tax incentives for rehabilitating historic buildings. In FY2004 it ranked num-

ber one in state activity using the federal tax incentives program, with 92 certified projects totaling \$357 million in private investment, matching the \$358 million seen in FY2003.



Liggett and  
Myers  
Building, St.  
Louis,  
Missouri.  
Photos from  
NPS file.

One of the largest Missouri projects to receive federal tax credits in FY 2004 was the Liggett and Myers Building in St. Louis, built in 1889 for tobacco magnates John Liggett and George Myers. Early tenants included the Rice-Stix wholesale dry-goods company, a relative newcomer to St. Louis which by 1907 had expanded to fill the entire building. Rice-Stix left Washington Avenue in 1957 and the building was purchased by owners who opened a merchandise mart. The building, which was designated a historic landmark in 1984, was sitting empty in the early 1980s and on the verge of being demolished in 2001.

Historic Restoration Inc. (HRI), a developer based in New Orleans, recently completed the \$47 million conversion of the 350,000-square-foot building into 213 loft apartments. The development included one, two and three bedroom units as well as ground-level retail space and parking. The historic windows were retained as well as many existing original exterior features and interior spaces. In certifying the project for federal historic preservation tax credits, the National Park Service commended HRI for their innovative work in preserving important historic fabric as well as creating exciting and vibrant living spaces.

## Reusing Historic Churches

Historic church buildings are an important and recognized component of our cultural heritage. Their architecture reflects their use as a religious facility and their important function within a community. They are typically bedecked with steep roofs, steeples, and domes and their fenestration is usually quite ornate. When not being used as houses of worship, they often serve as social centers of community activity.

They are, however, a difficult building type to maintain and center city churches are too often being closed as neighborhoods change and congregations relocate to other facilities. New use programs for rehabilitation, where retention of significant features and spaces meets preservation standards, are extremely challenging.

The Tyer Temple United Methodist Church is located in a transitioning neighborhood within downtown Tampa, Florida. Within the National Register historic district of Tampa Heights, the former church was recently rehabilitated for new use by a local developer.

The church building, constructed in 1910, is one of the few surviving outstanding examples of Neo-Classical Revival architecture in the state. Its distinguishing features include dentil and modillion cornices, classical fluted columns with Corinthian capitals, pedimented gable entrances, divided window lites and fan transoms. The sanctuary is a two-story space crowned with a dome. Stained glass windows set within sweeping arches define the space on three sides. Attached to the church is a three-story brick school building, constructed in 1927.

A \$2.4 million rehabilitation project recently converted the church/school building into multi-use, office/residential. 32 residential units were created within the school. Both significant exterior and interior features and finishes were retained and renewed. Appropriate changes were made in order to accommodate life safety requirements such as the installation of magnetic hold-open devices on the smoke doors. The important main sanctuary within the church was preserved and adapted for use as office space. The use of low scale office furniture permitted retention of the open spatial qualities of the former sanctuary.



Tyer Temple United Methodist Church, Tampa, Florida. Photos from NPS file.

## User Profile and Customer Satisfaction Questionnaire

With the completion of each project, applicants are invited to comment on the certification process by submitting a User Profile and Customer Satisfaction Questionnaire. In FY 2004 26% of the owners of newly certified projects sent in their comments. Over 97% were pleased with the program and many praised the efforts of those state and federal architects and architectural historians who review the rehabilitation work. Comments included: "This program works great. This property is a cornerstone to the community that would have been demolished by a road widening project. The tax credits saved

it." (Manchester, Missouri); "Thank you so much for promoting the preservation of a piece of our country's past." (Jacksonville, FL); "Lots of forms but with the tax incentives was worth the time involved." (Stickney, ND); "The state and federal tax credit program is the only thing that makes these projects work financially for developers." (Petersburg, VA); and "We really appreciate the state and federal government for making these tax credits available. This building was in great need of repair and no one could afford or get a loan to do the work. We went over budget but that is understandable when you are working on a large project. Quality restoration pays off in the long run." (Sumner, IA).



## Finding Out More About the Program

Information on the historic rehabilitation tax credits and copies of technical publications that explain cost-effective methods of repairing and maintaining historic buildings are available from the National Park Service and from State Historic Preservation Offices. The NPS catalog of publications entitled *Caring for the Past*, provides a current listing of free and for sale publications currently available from the National Park Service and the Government Printing Office. The more than 100 publications are the most comprehensive source of information available on the preservation and rehabilitation of historic buildings. Copies of the publications catalog can be obtained by writing to Heritage Preservation Services, National Park Service, (2255), 1849 C Street, N.W., Washington, DC 20240 or <nps\_hps-info@nps.gov>. The National Park Service's "Links to the Past" World Wide Web site <www.cr.nps.gov> also provides helpful information about preserving historic buildings.

State Historic Preservation Offices (SHPOs) are the first point of contact for property owners wishing to use the rehabilitation tax credit. SHPOs can guide property owners to existing historic districts and contributing buildings that are already eligible and give technical guidance before the project begins to make the process as fast and economical as possible. Interested property owners may call the National Conference of State Historic Preservation Officers at (202) 624-5465 for the phone number and address of their state office or visit their website at <grants.cr.nps.gov/shpos/shpo\_search.cfm>.

### The Humble Oil Co. Building, Houston, Texas



Photo from NPS file.

Private investment in completed certified projects once again exceeded the \$2 billion dollar mark with over 1/3 costing more than \$1 million. The cost of preserving and adapting the former Humble Oil Co. Building in Houston, Texas, featured on our cover, exceeded \$70 million.

Occupying a prominent location in downtown Houston, the original nine-story Humble Building was one of the earliest of 40 corporate oil headquarters that existed in Texas in the early 20<sup>th</sup> century. The Humble Oil & Refining Company commissioned its design in 1921 from the New York architectural firm of Clinton and Russell. With a 17 story tower added in the 1930s and subsequent additions, it reached its current 472,000 square foot form by the mid 1940s. Despite numerous changes over the past six decades, the Humble Building

From a corporate office building to  
apartments, hotels and retail space

- ◆ number of housing units created:
  - 82 apartments
  - 2 hotels (total 362 guest rooms)
- ◆ cost attributed solely to the historic structure: >\$70,000,000
- ◆ cost attributed solely to the new construction: \$150,000

maintained much of its historic character. Many historic features had survived such as rose marble wainscot, plaster embellishments, crown moldings, polished brass elevators, original steel accordion windows and even elevator level indicators and mail slots.

These historic elements were preserved during a recent multi-million dollar conversion of the Humble Oil Company Building into a vibrant residential complex and two Marriott brand hotels. 82 luxury apartments, the Humble Tower Apartments, as well as a 191 guest room Courtyard by Marriott and a 171 guest room Residence Inn by Marriott are now infusing new life into the downtown area. Also included in the development are approximately 6000 square feet of prime retail space and a 233 space parking garage.

### **For Additional Information:**

Please contact Kaaren Staveteig, Technical Preservation Services, Heritage Preservation Services Division, National Park Service, (2255), 1849 C Street, N.W., Washington, DC 20240, (202) 354-2053. Information on Federal Tax Incentives for Rehabilitating Historic Buildings is available on the National Park Service's Technical Preservation Services web site at <<http://www.cr.nps.gov/hps/tps>>.