

Tax Incentives for Historic Rehabilitation in Western New York

Jane Humphreys

Commissioned by the Buffalo Branch,
Federal Reserve Bank of New York

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Cover Photos: “Before” and “After.”
Kibler Senior Housing
(formerly a junior high school, designed by E.B. Green in the 1920s)
284 Main Street, Tonawanda, New York.
Courtesy of Clinton Brown Company Architecture PC.

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Table of Contents

| | |
|--|-----|
| List of Figures | ii |
| List of Tables | ii |
| Acknowledgements..... | iii |
| Executive Summary | iv |
| Introduction..... | 1 |
| I. The Growing Importance of Historic Rehabilitation | 2 |
| A. Preservation: A Look Back..... | 3 |
| B. Historic Rehabilitation as an Investment Strategy..... | 4 |
| C. Historic Rehabilitation as a Community Development Strategy | 6 |
| D. Historic Rehabilitation in Western New York State..... | 8 |
| II. Tax Tools for Financing Historic Rehabilitation: How They Work | 11 |
| A. Historic Rehabilitation Tax Credit..... | 11 |
| B. Historic Preservation Easements..... | 16 |
| C. Low-Income Housing Tax Credit | 19 |
| D. New Markets Tax Credit..... | 24 |
| E. Converting Credits into Cash..... | 31 |
| III. Combining the Tax Incentives for Historic Rehabilitation..... | 33 |
| A. Which Incentives Can Be Combined? | 33 |
| B. Other Federal Tax Incentives..... | 39 |
| C. State and Local Tax Incentives | 40 |
| IV. Regional Opportunities for Historic Property Rehabilitation | 42 |
| A. Tax Credit Use in the State and Region..... | 42 |
| B. Tax Credit Potential in Western New York..... | 48 |
| C. Tax Credit Use in Pennsylvania..... | 54 |
| Conclusion: Looking Ahead at Rehabilitation..... | 54 |
| Glossary of Acronyms | 57 |
| Appendix A. Standards for Rehabilitation from the U.S. Secretary of the Interior..... | 58 |
| Appendix B. Sites on the National Register of Historic Places in Western New York | 60 |
| Appendix C. NMTC Allocatees Working in New York State..... | 67 |
| References..... | 69 |

List of Figures

Figure 1. Diagram of Key Players in NMTC.....29

Figure 2. Completed HRTC and LIHTC Tax Credit Projects in Western New York.....47

Figure 3. Sites on the National Register of Historic Places in Western New York.....49

Figure 4. LIHTC Qualified Census Tracts in the Buffalo-Niagara Region.....52

Figure 5. NMTC Qualified Census Tracts in the Buffalo-Niagara Region.....53

List of Tables

Table 1. Historic Rehabilitation Tax Credit.....12

Table 2. Historic Preservation Easement Deduction.....16

Table 3. Low-Income Housing Tax Credit.....20

Table 4. New Markets Tax Credit.....25

Table 5. Possible Tax Credit Combinations.....33

Table 6. Combining HRTC and LIHTC35

Table 7. Combining NMTC and HRTC.....37

Table 8. Combining HRTC and Historic Preservation Easement38

Table 9. Completed HRTC Projects in Western New York.....43

Table 10. Provisional HRTC Projects in Western New York.....44

Table 11. Number of LIHTC Sites and Units in Western New York.....45

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Executive Summary

Tax incentives to preserve and rehabilitate historic sites in the United States provide investors, entrepreneurs, and community developers with strategic investment opportunities. Such incentives create mutual private and public benefits by providing a market-based alternative to government ownership and management of historic properties. They also produce opportunities for leveraging limited community resources. In recognition of these opportunities, the Federal Reserve Bank of New York's Buffalo Branch initiated this study. Research focused on the major incentives that are most appropriate for historic rehabilitation in western New York, how these incentives can support regional economic and community development, and the extent to which these the incentives are currently being utilized.

The report is divided into four sections. The first section provides an overview of the growing interest in historic property rehabilitation among investors and community developers. The second section outlines four key tax incentives available for historic property rehabilitation: the historic rehabilitation tax credit (HRTC), the preservation easement deduction, the new markets tax credit (NMTC), and the low-income housing tax credit (LIHTC). The third section offers some guidelines for combining incentives, and lists some of the other tax incentives and grant programs that might be applicable to historic rehabilitation. The report's final section examines current use and opportunities for historic rehabilitation in western New York.

Our major findings follow.

A changing role for historic rehabilitation

Governmental policy in support of historic preservation has evolved in the decades since the mid-twentieth century. Not until then—partly as a reaction to widespread loss of historic sites and a growing environmentalist movement—did preservation emerge as a growing concern.

Today, preservation experts cite several ways in which the rehabilitation of older and historic structures serves economic and community development interests, including providing affordable and centrally-located housing, building municipal tax revenue, strengthening heritage tourism, providing jobs, and promoting denser growth patterns over sprawl, and complementing strategic investment corridor strategies.

Tax Incentives for Historic Rehabilitation

There are four primary tax incentives at the federal level being used in historic rehabilitation. Two of these are designed specifically for rehabilitation and preservation of historic structures—the historic rehabilitation tax credit (HRTC) and the historic preservation easement tax deduction. In addition, for historic property development in low-income census tracts, it is often possible to combine these tax credits with either the low-income housing tax credit (LIHTC) or the new markets tax credit (NMTC). These programs can be summarized as follows:

- The *Historic Rehabilitation Tax Credit* program provides an income tax credit worth **20 percent** of the qualified rehabilitation expenses on historic, income-producing properties. The work performed must meet federal preservation standards and must constitute a substantial rehabilitation. A separate **10 percent** credit is also available

for nonhistoric, nonresidential properties that meet other qualifications for age and physical integrity.

- The *Historic Preservation Easement* program provides an income tax deduction worth the **full market value of the easement** donated as a charitable contribution (usually 10-15 percent of the fair market value of the property).
- The *Low-Income Housing Tax Credit* program provides an income tax credit worth up to **90 percent** of a building's qualified basis for new and substantially rehabilitated properties. Properties receiving the credit must meet residency income requirements.
- The *New Markets Tax Credit* program provides an income tax credit worth up to **39 percent** of the equity invested in a certified community development entity over a seven-year period. The community development entity must meet guidelines for serving the low-income community through equity and loan investments and technical assistance.

A significant benefit of the four tax credits reviewed in this report is the potential to combine them for maximum effect, particularly when rehabilitating historic properties in low-income communities. Additionally, other federal, state, and local tax incentives and grants are likely to be available, depending on the type and location of the project.

Regional Opportunities for Historic Property Rehabilitation

Public and private organizations in New York State have been active participants in tax incentive programs, resulting in some of the highest levels of tax credit use in the country. Most rehabilitation activity has been centered in the New York City and Hudson Valley regions.

- Over the past five years, 125 HRTC projects in New York were submitted to the National Park Service for approval on rehabilitation projects worth over \$1 billion in rehabilitation work. Over the past ten years, four HRTC projects have been completed in western New York with rehabilitation work totaling \$9.6 million.
- The New York State Historic Preservation Office has verified the historic status of approximately 350 properties for historic easement donations. Three of these are in Buffalo.
- Out of 410 LIHTC projects placed in service in New York State through 2000, thirty-nine of them (10 percent) are in western New York.
- Nineteen of the sixty-six NMTC allocatees announced in 2004 have included New York State in their scope of activity, with total tax allocations of \$1.7 billion.

Looking Ahead at Rehabilitation

There are signs that historic preservation and rehabilitation are becoming regional priorities. Targeted investment strategies at the local level can help to promote common goals among developers and preservationists.

This region's economic difficulties, combined with a rich architectural and historical legacy, should make incentives broadly applicable.

- 249 of the 2,400 National Landmarks—sites with particular national significance—are in New York State;
- About 4,400 of the country's 77,000 National Historic Register places are in the state;

- About 270 of these National Historic Register places are in Western New York; Many of these registered places are districts, which may contain hundreds of individual contributing structures.
- Much of western New York qualifies under low-income provisions guiding the distribution of LIHTC and NMTC.

Conclusions

The field of tax credit use for historic rehabilitation is constantly changing, bringing new opportunities and approaches. Across the country, an interest in reuse of existing historic structures is growing, coupled with greater governmental incentives for encouraging private investment toward this end. Market conditions will always drive development decisions and tax incentives are only one element in a decision about whether or not to rehabilitate an historic property. The tax incentive programs described in this report offer tools to help the communities of western New York State pursue development, strengthen communities, and protect the past.

Tax Incentives for Historic Rehabilitation in Western New York State

Introduction

A wide range of tax incentives to preserve and rehabilitate historic sites in the United States provides investors, entrepreneurs, and community developers with strategic investment opportunities. These opportunities are particularly abundant in the low- and moderate-income communities in western New York State, where a variety of incentives can be combined to maximize their effects. Such incentives create mutual private and public benefits by providing a market-based alternative to government ownership and management of historic properties. They also produce opportunities for leveraging limited community resources.

This report is an introduction to tax incentives for people and organizations engaged in or interested in redeveloping and preserving historic properties. A better understanding of these tools will help:

- property owners, private developers, and entrepreneurs in evaluating the feasibility of historic site development and recognizing opportunities for preservation;
- private and corporate investors capitalizing on untapped investment potential;
- attorneys, accountants, and other advisors directing clients toward opportunities and facilitating transactions;
- architects in creating designs that effectively utilize the deductions allowable under state and federal guidelines and ensuring more rapid regulatory approvals;
- community developers in maximizing their impact on neighborhood stabilization and economic development; and
- political leaders in bringing innovative financial strategies to community development prioritizing and planning.

The report is divided into four sections. The first section provides an overview of the growing interest in historic property rehabilitation among investors and community developers. The second section outlines four key tax incentives available for historic property rehabilitation: the historic rehabilitation tax credit (HRTC), the preservation easement deduction, the new markets tax credit (NMTC), and the low-income housing tax credit (LIHTC). The third section offers some guidelines for combining incentives, and lists some of the other tax incentives and grant programs that might be applicable to historic rehabilitation. The report's final section examines current use and opportunities for historic rehabilitation in western New York.

I. The Growing Importance of Historic Rehabilitation

Before beginning a review of historic rehabilitation, it is useful to define some terms. For the purposes of this report, historic places are those which have been listed on the National Register of Historic Places or are eligible for listing. The National Register, administered by the National Park Service, is the official Federal list of districts, sites, buildings, structures, and objects significant in American history, architecture, archeology, engineering, and culture. Properties must possess historic *significance* and *integrity* as defined under National Park Service guidelines and, generally, properties must be at least fifty years old (New York State Office of Parks, Recreation and Historic Preservation). These properties include a broad range of sites—schools, churches, taverns, factories, barns and waterways—that help illustrate and explain the history and people of the United States. Preservation expert Donovan Rypkema (2002, p. 5) notes:

“Historic preservation today celebrates and champions the neighborhoods, downtowns, and rural areas that are less grand architecturally, but perhaps even more significant in the building of America.”

The term “rehabilitation” in the context of historic properties means adapting historic buildings for efficient contemporary use, while retaining the structures’ distinctive materials, features, and spaces. In this way, rehabilitation is more flexible than preservation or restoration, which both aim to retain or recapture a structure’s historic form (U.S. Secretary of the Interior’s Standards for the Treatment of Historic Property 1995).¹

Rehabilitation is defined in the regulations governing Historic Preservation Certification (36 CFR Part 67) as “the process of returning a building or buildings to a state of utility, through repair or alteration, which makes possible an efficient use while preserving those portions and features of the building and its site and environment which are significant to its historic, architectural, and cultural values.”

A. Preservation: A Look Back

Throughout much of its history, the United States has emphasized invention over preservation. Not until the mid-twentieth century—partly as a reaction to widespread loss of historic sites and a growing environmentalist movement—did preservation emerge as a growing concern. Government policy in support of historic preservation has also evolved in the decades since the mid-twentieth century. Important changes include:

- the National Historic Preservation Act of 1966, which created a National Register of Historic Places;
- the Transportation Act of 1966, which provides protection for historic resources in transportation projects; and

¹ See Appendix A for a list of the ten guidelines for appropriate rehabilitation established by the Department of the Interior. These guidelines govern the approval of building plans eligible to receive a historic rehabilitation tax credit.

- the National Environmental Policy Act of 1969, which requires an assessment of the impact of federal projects on the environment, including historic resources.

Prior to these congressional acts, few safeguards existed to protect historic properties affected by government-sponsored development, urban renewal, or interstate transportation projects (Listokin et al. 1998).

B. Historic Rehabilitation as an Investment Strategy

Until the Tax Reform Act of 1976, incentives in the U.S. tax code favored investment in new construction over rehabilitation. Today, the rehabilitation tax credit is cited for having stimulated more than \$30 billion of private rehabilitation affecting more than 31,000 properties (National Park Service). A survey in 1986 indicated that 75 percent of the projects would not have been undertaken without the incentive (Olsen 1989).

The Tax Reform Act of 1976 contained the first tax incentive designed to encourage rehabilitation by allowing owners of historic properties to amortize rehabilitation costs over sixty months. The Revenue Act of 1978 extended the incentive by establishing an historic rehabilitation tax credit (HRTC) equal to 10 percent of rehabilitation expenses for commercial properties at least twenty years old. In 1981, a tiered structure for credits was introduced, ranging from 15 percent for nonhistoric buildings at least thirty years old, up to 25 percent for certified historic structures. Following the introduction of the tiered structure for credits, rehabilitation investments grew from \$738 million in 1981 to \$2.416 billion in 1985 (Listokin 1978). Although the Tax Reform Act of 1986 lowered credit allowances and restricted a property owner's

ability to claim credits,² use of HRTC continues to grow, with approved investment reaching nearly \$3 billion in 2003 (National Park Service 2004).

The historic preservation easement deduction was introduced in 1976. Preservation easements help protect historic structures by allowing property owners to donate in perpetuity historically significant features of a site (usually a building façade) to a historic preservation organization for protection while retaining other property rights. The owner takes a one-time charitable deduction against income, thereby lowering federal taxes, and may benefit from lower estate, gift, and local property taxes.

More recently, two tax incentives were created to steer investment to lower income communities, where many historic properties are located. The low-income housing tax credit (LIHTC) was introduced under the Budget Reform Act of 1986, and the new markets tax credit (NMTC) was introduced under the Community Renewal Tax Relief Act of 2000. The LIHTC program provides approximately \$3 billion in tax credits annually. The first round of NMTCs, totaling \$2.5 billion, was issued in 2003 to sixty-six organizations, and by 2007, the program is expected to allocate credits to generate \$15 billion in new capital.

The opportunity to layer, or “piggyback,” multiple tax incentives enhances the investment potential of historic properties, particularly in lower-income communities. From 1996 to 2001, some 27,851 low- and moderate-income housing units were created in historic properties by combining the LIHTC and the HRTC (Advisory Council on Historic Preservation 2004). With only two rounds of the NMTC allocated to date, the record of combining this credit with the HRTC is thin, but the potential is great. For

² The restrictions included an alternative minimum tax and passive activity loss rule.

example, the National Trust for Historic Preservation, which received tax credits totaling \$127 million in 2003, specifically targets such combinations. In partnership with Banc of America, the National Trust is combining the incentives in twelve historic rehabilitation projects with development costs totaling \$372 million (National Trust for Historic Preservation 2003).

The Office of the Comptroller of the Currency has recently given financial institutions an incentive to pursue investments in the NMTC. They determined that investments and loans in community development entities would be favorably considered under the Community Reinvestment Act (Comptroller of the Currency Administrator of National Banks 2004).

C. Historic Rehabilitation as a Community Development Strategy

While protecting elements of the past for future generations, historic preservation can also play a role in community and economic development. Historic preservation, like new construction, has positive economic effects on the community. According to a report issued by the Preservation League of New York State, \$1 million spent rehabilitating a historic building in New York State ultimately adds \$1.9 million to the state's economy using a multiplier effect (Preservation League of New York State 2000).

Preservation experts cite several ways in which the rehabilitation of older and historic structures serves economic and community development interests, including providing affordable and centrally-located housing, building municipal tax revenue, strengthening heritage tourism, providing jobs, and promoting denser growth patterns over sprawl.

Affordable housing

A recent study by Donovan Rypkema (2002) shows that one-third of households in the United States below the poverty line live in older and historic homes. Many of these households cannot afford newly built homes that are of comparable quality and in a similarly desirable location. As Donovan Rypkema (2002, p. 4) writes, “there is one fact of life in real estate that must be reckoned with—you can’t build new and rent (or sell) cheap—it can’t be done.” Thus, preserving and rehabilitating the country’s older housing stock can be seen as tools for continued provision of affordable housing.

Tax revenue

Many regions are finding that as abandoned properties are rehabilitated and brought back on the tax rolls, neighboring property values also increase. For example, in Saratoga Springs, New York, the tax revenue from the rehabilitated Broadway Historic District has risen from \$15 million in 1973 to \$63 million in the mid-1990s (Preservation League of New York State 2000). The New York City Independent Budget Office (2003) concluded in a recent study that:

- all else being equal, prices of houses in historic districts are higher than those of similar houses outside historic districts; and
- overall price appreciation from 1975 through 2002 was greater for houses inside historic districts.

Cultural tourism

In August 1997, the Travel Industry Association of America released a report citing the merits of heritage tourism over other tourism. Compared with tourists overall, heritage tourists are older, better educated, take longer trips, participate in more activities, and are more likely to pay for accommodations than to stay in private homes. As a result,

heritage tourists spend an average of \$688 per trip compared with the average of \$425 for all U.S. travelers (Leithe and Tigue 2000). In the United States, an estimated \$20 billion to \$25 billion is spent each year for heritage travel (Listokin et al. 1998).

Jobs

Preservation work tends to create more jobs than most new construction. According to the Real Estate Services Group of Washington, D.C., “in New York City, \$1 million invested in preservation construction creates five more construction jobs and three more permanent jobs than \$1 million spent on new construction” (Preservation League of New York State 2000).

Smart growth

Current thinking on “smart growth” favors the rehabilitation of historic buildings. By choosing to focus on existing structures, communities can promote dense development—as opposed to sprawl—for more efficient use of public services, infrastructure and transit (Rypkema 2003). For example, communities can achieve economies by refurbishing historic buildings that are almost always served by public facilities already in place, including water and sewer lines, streets, curbs, and gutters. Not surprisingly, in a recent survey of more than three hundred city governments, preservation was ranked as one of the top strategies for economic development (Listoken et al. 1998).

D. Historic Rehabilitation in Western New York State

New York State has an impressive share of designated National Landmarks (National Park Service 2004) and sites listed in the National Register of Historic Places. Of the 2,400 Landmarks—sites with particular national significance—249 are in New York

State; of the 77,000 places across the country on the National Historic Register, about 4,400 are in the state.

Within New York State, the western region has a particularly rich architectural and cultural heritage. First settled by populations of Clovis, Lamokas, Senecas and other Native Americans, the region has served as an historically significant gateway between the eastern and western United States, and between slavery to the south and freedom to the north. Running through the center of western New York is the Erie Canalway National Heritage Corridor, one of just twenty-three nationally designated heritage areas in the country (Barrett 2002). The eight-county region of western New York (including Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, and Wyoming Counties) currently has about 270 places on the National Historic Register.³ Many of these registered places are districts, which may contain hundreds of individual contributing structures (New York State Office of Parks, Recreation, and Historic Preservation).

While many historic sites in western New York have been recognized and preserved, neglect and demolition threaten others. As populations move out of the region's turn-of-the-century industrial centers, architectural and cultural infrastructures have been allowed to deteriorate. Many family farms are disappearing, and an increasingly widening base of urban development threatens the historical barns, bridges, and other structures that characterize the rural landscapes of the western region.

There are many signs, however, that historic preservation and rehabilitation are becoming regional priorities. For example, a preservation plan is being developed in Buffalo for the first time in decades, four neighborhoods in the city are undergoing an

intensive historic resources survey, and historic preservation has been made one of five key principles guiding the Queen City Hub Regional Action Plan for Downtown Buffalo. In Niagara Falls, a seven-member historic preservation commission was established by the city two years ago, an historic resources survey is underway, and several major rehabilitation projects have been undertaken, including the conversion of a 1920's-era high school into the Niagara Arts and Cultural Center. Across the Canadian border in such nearby cities as Hamilton and Kitchener, Ontario, early-industrial sites are being converted into residential lofts and commercial spaces to attract young professionals and “empty-nesters” back downtown.

These initiatives reflect a new awareness that heritage sites are to be valued not just as links to the past but also as sources of future economic growth. In a recent State of the City speech, Buffalo Mayor Masiello (2001) said, “we know that preservation pays, and we believe Buffalo is sitting on a gold mine.”

The region's economic difficulties, combined with a rich architectural and historical legacy, should make incentives broadly applicable. The tax incentive programs described in this report can help the communities of western New York State to implement their plans for preservation and rehabilitation.

³ See Appendix B for a list of sites on the National Register of Historic Places in western New York.

II. Tax Tools for Financing Historic Rehabilitation: How They Work

The two primary tax incentives at the federal level designed specifically for rehabilitation and preservation of historic structures are the historic rehabilitation tax credit (HRTC) and the historic preservation easement tax deduction.⁴ In addition, for historic property development in low-income census tracts, it is often possible to combine these tax credits with either the low-income housing tax credit (LIHTC) or the new markets tax credit (NMTC).

A. Historic Rehabilitation Tax Credit

The HRTC, introduced in 1978, is the primary tax incentive designed specifically to promote rehabilitation of historic commercial properties. Owners of qualified historic and older structures may be able to substantially offset the higher costs associated with historic rehabilitation by syndicating⁵ the tax credits to institutional investors in exchange for investment capital.

The National Park Service and the Internal Revenue Service jointly administer the program and the National Park Service works with each state's State Historic Preservation Office (SHPO). Since the program began, about 31,000 historic properties have been rehabilitated using HRTC, totaling more than \$30 billion in private investment. The largest share of credits, 42 percent in 2003, goes to fund projects in the northeastern states (National Park Service 2004).

The key elements of the program are summarized in Table 1, with further explanation below.

⁴ Tax credits are subtracted from the amount of federal income tax owed. Tax deductions reduce the amount of income to be taxed.

⁵ See section E. Converting Credits to Cash for more information on the syndication process.

Table 1. Historic Rehabilitation Tax Credit

| Historic Rehabilitation Tax Credit | |
|---|--|
| History | Enacted in 1978 \$30 billion in credits claimed on 31,000 properties |
| What does the credit provide? | 20 percent of the amount spent on rehabilitation of a certified historic structure ⁶ OR 10 percent of the amount spent on rehabilitation of a nonhistoric, nonresidential structure built before 1936 |
| Over which years is the credit is taken? | Usually one year (the year in which the building is returned to commercial use following rehabilitation) |
| Who is eligible for the credit? | Property owner OR limited partner(s) |
| What properties are eligible? | Property must be: A qualified structure ⁷ AND Depreciable (used for business or trade) AND Returned to commercial use following the rehabilitation |
| What types of work are eligible? | Work must be a substantial rehabilitation ⁸ AND a certified rehabilitation ⁹ |
| What are the IRS compliance rules? | Property must be held for at least five years after rehabilitation and no unapproved alterations can be made during this time. For more information, see Internal Revenue Code (IRC) 47. |
| Where do I begin? | Contact the SHPO to confirm qualification of structure and for preapproval of work plans. For more information, see http://www.nysparks.state.ny.us/hist/ (accessed May 12, 2004). |

⁶ A certified historic structure is a building that is listed individually in the National Register of Historic Places or is located in a registered historic district and certified by the National Park Service as contributing to the historic significance of that district.

⁷ A qualified structure for the 20 percent credit must be a certified historic structure. A qualified structure for the 10 percent credit must be a nonresidential, nonhistoric structure built before 1936.

⁸ Rehabilitation expenditures must meet a minimum threshold level. See section “*What types of work are eligible?*” for details.

⁹ Work plans must conform to particular guidelines depending on the amount of credit claimed. See section “*What types of work are eligible?*” for details.

What does the credit provide?

Two forms of tax credits have different levels of incentive:

- a credit equal to 20 percent of the amount spent for rehabilitation of a certified historic structure used for commercial purposes (including residential rental); and
- a credit equal to 10 percent of the amount spent for rehabilitation of a nonhistoric property used for commercial purposes (excluding residential rental) built before 1936.

Over which years is the credit is taken?

The credit applies to the building owner's federal income tax for the year in which the project is completed and the completed work is approved. If the credit cannot all be used in one year, the excess can be carried back one year or forward twenty years.

Who is eligible for the credit?

The owner of the property title is eligible for the tax credit. This can be either:

- an individual owner; or
- a limited partnership investor(s).

Since the Tax Reform Act of 1986, limitations on the ability of individuals and organizations to use tax credits (such as the alternative minimum tax and the passive activity limitation) mean that tax credits are often transferred to entities with high tax liabilities through the formation of limited partnerships. Typically, the corporate investor is admitted into a limited partnership (or similar legal ownership structure) prior to issuance of the certificate of occupancy and the official "in service" date (Plotka 1999).

What structures are eligible?

Structures must be buildings; they cannot be bridges, ships, railroad cars, or dams.

Buildings must be qualified in one of two ways, depending on the level of tax credit sought:

- for the 20 percent credit, the building must be a certified historic structure; and
- for the 10 percent credit, a structure cannot be a certified historic structure, must be nonresidential, and must have been built before 1936.

Buildings must be depreciable, meaning that they must be used in trade or business or held for the production of income. Retail residential properties (such as apartment buildings) are eligible for the 20 percent credit but not for the 10 percent credit. If a portion of the property is for personal use and a portion is for business use (such as a bed and breakfast establishment), only rehabilitation expenditures on those portions of the property used *exclusively* for business can be counted.

If a building is taken out of service for the rehabilitation, it must be returned to service following the rehabilitation.

What types of work are eligible?

Rehabilitation must be *substantial* to be eligible for the tax credits. A substantial rehabilitation is defined as one in which qualified rehabilitation expenses¹⁰ exceed the greater of:

- \$5,000; or
- the adjusted basis of the building (generally equal to the purchase price less land value, plus capital improvements made, less depreciation taken).

To be eligible for the 20 percent credit, rehabilitation plans must be precertified by the National Park Service as conforming to the Secretary of the Interior's Standards for Rehabilitation. To be eligible for the 10 percent credit, 50 percent or more of the existing

¹⁰ Qualified rehabilitation expenses are the costs for work done on the historic structure, including architectural and engineering fees, site survey fees, legal expenses, and development fees. They do not include the cost of purchasing the building, or costs for developing around the building, such as additions, parking lots, sidewalks, or landscaping.

external walls must be retained in place as external walls and 75 percent or more of the existing external walls must be retained as external or internal walls. In addition, 75 percent or more of the existing internal structural framework must be left in place (National Park Service 2004).

What are the Internal Revenue Service compliance rules?

To avoid recapture of the tax credit, a building must be held for a minimum of five years after the credit is taken. The owner would be required to pay back 100 percent of the credit if the property is sold in the first year. Recapture is reduced by 20 percent each year thereafter (U.S. Department of the Interior). For more information, see Internal Revenue Code (IRC) 47.

Where do I begin?

If you have a project that you think will qualify for the HRTC, contact the New York State Historic Preservation Office before any work on the structure is initiated.

Otherwise, there is a risk that historically significant elements of the exterior or interior will be removed or damaged, making the building ineligible for the tax incentive. See <http://www.nysparks.state.ny.us/hist/> for more information.

Application for the rehabilitation tax credit is a three-step process:

- Part 1: Determination that the building qualifies for the credit
- Part 2: Approval of work plan
- Part 3: Certification of completed work

The SHPO is the key contact for information and technical advice. Each of the three steps must first go through this office before being forwarded to the National Park Service in Washington, D.C., for final approval.

B. Historic Preservation Easements

Since 1976, the Internal Revenue Service Code has provided for the donation of a historic preservation easement as a charitable contribution. Such easements help protect historic structures by allowing the property owner to donate historically significant features of a site (usually the building façade) to a historic preservation organization for protection while retaining other property rights. The owner takes a one-time charitable deduction against income, thereby lowering federal taxes, and may benefit from lower estate, gift, and local property taxes. Once recorded in the County Records Office, an easement becomes part of the property’s chain of title and is binding for all future owners.

Historic preservation easements are being used increasingly in New York State. Three hundred and fifty applications have been approved by SHPO in New York for the purpose of making an easement contribution (New York State Office of Parks, Recreation and Historic Preservation). The majority of these are located in the New York City area. The key elements of the program are summarized in Table 2, with further information below.

Table 2. Historic Preservation Easement Deduction.

| Historic Preservation Easement Deduction | |
|---|--|
| History | Enacted in 1976 350 applications approved by SHPO in New York for purpose of making an easement donation |
| What does the incentive provide? | A property owner donating an easement can deduct the value of the easement (usually 10 to 15 percent of the fair market value of the property) from income for federal taxes |
| Over which years is the deduction taken? | Usually in the year the donation is made. Unused credit may be carried forward five years |
| Who is eligible for the deduction? | The owner of a historic property |

| | |
|------------------------------------|--|
| What structures are eligible? | Certified historic structures or land areas ¹¹ |
| What projects are eligible? | Donations must be made to qualified nonprofit organizations ¹² AND Donated property must be accessible to the public, in accordance with the particular preservation requirements of the property |
| What are the IRS compliance rules? | An easement must be donated in perpetuity, to a qualified organization, and exclusively for conservation purposes. For more information, see Internal Revenue Code (IRC) 170. |
| Where do I begin? | Contact SHPO to confirm eligibility of the site for an easement. See http://www.nysparks.state.ny.us/hist/ (accessed May 1, 2004) For a list of organizations eligible to receive a historic easement donation, see http://www2.cr.nps.gov/tps/tax/easement.htm (accessed May 12, 2004) |

What does the incentive provide?

In most cases, the donor can deduct the value of the easement (usually 10 to 15 percent of the fair market value of the property) from income for federal taxes. This deduction may be up to 30 percent of the taxpayer's adjusted gross income (Kearns 2003).

The value of the easement is judged to be the difference between the fair market value of the property before and after the easement is granted. The assumption is that the easement limits the development potential and consequently limits the value.

Over which years is the deduction taken?

¹¹ Certified historic structures and land areas must meet state and national guidelines for historic significance. See section "What structures are eligible?" for details.

¹² Qualified nonprofit organizations must be committed to the property's preservation and have the means to enforce development restrictions. See "What projects are eligible?" for details.

The deduction is usually taken in the year the donation is made. Any excess value may be carried forward for up to five years.

Who is eligible for the deduction?

The owner of a historic property is eligible for a deduction.

What structures are eligible?

The property must be a historic structure or a historic land area. It is estimated that millions of commercial and residential properties qualify (Kearns 2003).

A historic structure is any structure (building, portion of a building, bridge, ship, railroad car, dam, or any other kind of structure) that is either:

- listed in the National Register of Historic Places; or
- located in a registered historic district and certified by the U.S. Department of the Interior as being historically significant to the district.

A historic land area is:

- an independently significant area, including any related historic resources that meet National Register criteria for evaluation; or
- a land area within a registered historic district, including buildings, which contributes to the significance of the historic district; or
- a land area adjacent to a property individually listed in the National Register of Historic Places (but not within a historic district where physical or environmental features of the land contribute to the historic or cultural integrity of the historic property).

What projects are eligible?

Easement donations can only be made to organizations committed to protecting the historic preservation purposes of the donation, and with the resources to enforce the restrictions. These may be governmental entities or 501(C)(3) charitable organizations.

In addition, the easement must be accessible to the public. The exact degree of accessibility is determined in cooperation with the property owner and in accordance with the particular preservation requirements of the property.

What are the Internal Revenue Service compliance rules?

The IRS imposes three requirements on donors seeking the federal income tax deduction.

An easement must be donated:

- in perpetuity;
- to a qualified organization; and
- exclusively for conservation purposes.

For more information, see Internal Revenue Code (IRC) 170.

Where do I begin?

Contact the SHPO at <http://www.nysparks.state.ny.us/hist/> to file a Part 1 application.

SHPO can also provide assistance in identifying a qualified nonprofit organization to hold the easement. For a listing of state and national organizations, visit <http://www2.cr.nps.gov/tps/tax/easement.htm>.

C. Low-Income Housing Tax Credit

The low-income housing tax credit was introduced under the Budget Reform Act of 1986 as a tool for rehabilitating older, and constructing new, multifamily residential properties.

Although it originally required annual renewal, the credit was made permanent by the Revenue Reconciliation Act of 1993.

The LIHTC program provides approximately \$3 billion in tax credits annually, assisting in the construction of about 70,000 housing units (Novogradac 2000). New York State has seen 410 LIHTC projects placed in service through 2000, providing roughly 21,000 housing units for low-and moderate-income families (NYS Division of Housing and Community Renewal 2003).

The program is administered at the state level to help ensure that credit allocation is based on local needs. In New York, the Division of Housing and Community Renewal is the Lead Housing Credit Agency, working with the Development Authority of the North Country, and others.

The key elements of the program are summarized in Table 3, with further information below.

Table 3. Low-Income Housing Tax Credit.

| Low-Income Housing Tax Credit | |
|---------------------------------------|--|
| History | Established in 1986 More than \$3 billion in tax credits annually |
| What does the credit provide? | 90 percent of a building's qualified basis (9 percent annually for ten years) OR 40 percent of a building's qualified basis (4 percent annually for ten years) if combined with other federal subsidies For properties in hard-to-develop ¹³ areas, credits can be based on 130 percent of the qualified basis |
| Over which years is the credit taken? | Usually ten years |
| Who is eligible for the credit? | At least .01 percent of the credit goes to the |

¹³ Hard-to-develop areas are designated tracts that have high construction, land, or utility costs relative to area median gross income (IRS 2004).

| | |
|--|---|
| | general partner and up to 99.99 percent goes to the limited partner (exact proportions match ownership interests) |
| What properties are eligible? | Properties must meet low-income residency requirements ¹⁴ for fifteen years. Mixed-use properties (residential and business) must be at least 80 percent residential |
| What types of construction are eligible? | New construction or substantial rehabilitation ¹⁵ of existing properties in low-income communities |
| What are the IRS compliance rules? | Residents must meet earnings requirements for at least fifteen years. For more information, see Internal Revenue Code (IRC) 42. |
| Where do I begin? | Credits are awarded each year to qualified projects in a competitive process. The lead Housing Credit Agency for New York is the NY Division of Housing and Community Renewal. For more information, see http://www.dhcr.state.ny.us/ocd/progs/lihc/ocdli0.htm (accessed May 12, 2004), or contact the local Division of Housing and Community Renewal office. |

What does the credit provide?

Property owners are eligible to receive a credit worth as much as 90 percent of the building’s qualified basis (9 percent each year for ten years.) With an adjustment for inflation over this time period, the credit is valued at approximately 70 percent in present value terms. The credit is 40 percent of the building’s qualified basis (4 percent each year for ten years) if combined with federal subsidies or tax-exempt bonds. This is equal to

¹⁴ A portion of the units must be reserved for low-income households. See section “*What properties are eligible?*” for details.

¹⁵ Rehabilitation expenditures must meet a minimum threshold during a two-year period. See section “*What types of construction are eligible?*” for details.

about 30 percent in present value terms. For projects in hard-to-develop areas, the credits can be based on 130 percent of the qualified basis of the project.

Over which years is the credit taken?

In most cases, the tax credit can be deducted from federal taxes every year for ten years once a qualified tenant occupies the property.

Who is eligible for the credit?

Each state receives a pool of tax credits each year for distribution to eligible applicants. The amount in the annual pool is determined on a per capita basis. New York is one of the states that receive the most credits annually. In 2001, New York's LIHTC program had an average allocation of \$9,501 per unit on 3,007 units for a total of nearly \$29 million (Danter Company 2003). State housing authorities allocate the credits to property owners in a competitive process. Once awarded for development of a property, the credit is divided as follows:

- At least .01 percent of the tax credit goes to the general partner responsible for the management of the completed property—often a nonprofit governmental, religious or social service organization, or affiliates thereof.
- Up to 99.99 percent of the tax credit (along with depreciation losses, mortgage interest deductions, and sometimes a portion of the cash flow) goes to the limited partner(s). These are typically institutional investors that have provided substantial equity capital.

Limited partners may own any percentage of the project, but the tax credits and the profit and loss must be allocated in the same ratio as ownership interest (Becher-Smead 1996).

What properties are eligible for the credit?

Properties receiving the tax credits must conform to residency requirements for at least fifteen years. The minimum low-income requirements are as follows:

- at least 20 percent of the units must be reserved for households earning no more than 50 percent of the area's median income; or
- at least 40 percent of the units must be reserved for households earning no more than 60 percent of the area's median income.

The development of mixed-use buildings is allowed, but properties must be at least 80 percent residential.

What types of construction are eligible for the credit?

The LIHTC program is not limited to historic property rehabilitation, but it is used for this purpose. Rehabilitation expenditures must meet a minimum threshold to qualify as substantial. *Substantial rehabilitation* is defined as expenditures incurred during a two-year period that are not less than the greater of:

- \$3,000 of qualified basis per low-income unit; or
- 10 percent of the adjusted basis of the building.

What are the Internal Revenue Service compliance rules?

State agencies are responsible for monitoring properties to ensure that residents meet the earnings requirements for at least fifteen years. All properties are audited when first put in service, and a portion are audited every year thereafter. Credits may be decreased or lost if a property is found to be out of compliance (IRS 2004). For more information, see Internal Revenue Code (IRC) 42.

Where do I begin?

At the start of each year, the Division of Housing and Community Renewal publishes in the state register a notice of credit availability, which informs applicants of submission dates and deadlines. Applicants must submit the appropriate application forms and fee by the published deadline and be able to show market demand (Low-Income Housing Credit

Qualified Allocation Plan 2004). For more information, visit

<http://www.dhcr.state.ny.us/ocd/progs/lihc/ocdli0.htm> or contact your local Division of Housing and Community Renewal office.

D. New Markets Tax Credit

The Community Renewal Tax Relief Act of 2000 provides for the allocation of \$15 billion in new markets tax credits through 2007. These credits were introduced to spur investment of private capital in the “new market” of low-income communities, which are often overlooked by investors.

The program is structured differently from the previous incentives in that the tax credits and investment dollars are channeled through certified community development entities (CDEs), and the credit value is based on the amount invested rather than the cost of a particular project. This approach increases flexibility and takes advantage of the community development organizations’ local knowledge and accountability, but it is a more complex process. Property development is just one possible use for the investment dollars.

The NMTC program is administered jointly by the IRS and the Community Development Financial Institutions (CDFI) Fund under the direction of the U.S. Department of the Treasury.

The key elements of the program are summarized in Table 4, with further details below.

Table 4. New Markets Tax Credit

| New Markets Tax Credit | |
|---|--|
| History | Enacted in 2000. \$2.5 billion in credits allocated in 2003, \$3.5 billion allocated in 2004. A total of \$15 billion to be allocated by 2007 |
| What does the credit provide? | 39 percent of the equity invested in a certified community development entity (CDE) ¹⁶ over seven years |
| Over which years is the credit taken? | Seven years (5 percent for the first three years and 6 percent for the next four years) |
| Who is eligible for the credit? | <u>CDE</u> : A for-profit certified CDE can apply for an allocation of federal tax credits <u>Investor</u> : By making a qualified equity investment in a CDE with credits, the investor is eligible for a tax credit worth 39 percent of the investment over seven years <u>Low-income community business</u> : The CDE directs that money into a qualified active low-income community business (QALICB) ¹⁷ |
| What types of properties are eligible for investment? | Commercial properties are eligible for investment. Mixed-use properties (business and residential) must be at least 80 percent nonresidential. |
| What types of construction are eligible for investment? | New construction or rehabilitation of existing properties in low-income communities |
| What are the IRS compliance rules? | The tax credit is subject to recapture for a period of seven years. For more information, see Internal Revenue Code (IRC) 45D. |
| Where do I begin? | Visit the Community Development Financial Institutions Fund website at http://www.cdfifund.gov (accessed May 12, 2004). For a list of CDEs operating in New York that received tax credits in 2003 and in 2004 see Appendix C |

¹⁶ Community development organizations with a record of commitment to low-income communities can apply to become certified community development entities. See section “Who is eligible for the credit?” for details.

¹⁷ A qualified active low-income community business must be located in, and have substantial connection to, a low-income community. See section “Who is eligible for the credit?” for details.

What does the credit provide?

The tax credit available to investors is equal to 39 percent of the equity invested in a certified community development entity over a seven-year period, up to the maximum amount of credits allocated to that entity. With an adjustment for inflation over this time period, the credit is valued at approximately 30 percent in present value terms.

Over which years is the credit taken?

The credit is taken over seven years. The total credit of 39 percent is divided into increments of 5 percent for the first three years and 6 percent for the next four years.

Who is eligible for the credit?

Tax credits are first allocated to certified community development entities. The CDEs can offer the tax credits as an incentive to attract equity investors. The CDE is then charged with taking the capital raised and investing most of it in appropriate businesses in low-income communities. Property development and rehabilitation are types of business investment allowed. It is important to remember that it is the investor who claims the new markets tax credits, not the low-income community business. The low-income community business benefits by receiving favorable terms on a loan or equity investment from a CDE. The use of tax credits therefore involves three key players: the community development entity, the investor, and the qualified active low-income community business.

1) The Community Development Entity

Organizations involved in community development, with a recognized commitment to serving low-income communities, can apply to the U.S. Department of the Treasury's

Community Development Financial Institutions Fund to become a certified community development entity. Certification requires that an organization pass the following tests:

- *Primary mission test:* At least 60 percent of the entity's activities must serve or provide investment capital for low-income communities or low-income persons, and
- *Accountability test:* The CDE must maintain accountability to residents of low-income communities by including representatives of the residents on governing or advisory boards.

Certified CDEs that operate on a for-profit basis can then apply for an allocation of new markets tax credits. They must be for-profit so that they can solicit equity investment.¹⁸

2) *The Investor*

After receiving an allotment of tax credits, the CDE solicits equity investment from individuals or corporations seeking to offset a high tax liability. Any taxable investor, individual, company, or investment fund can make a qualified equity investment in a tax-credit-holding CDE. These investors might be banks, thrifts, insurance companies, venture capital and other investment funds, finance companies, individuals, or corporations (see <http://www.cdfifund.gov>).

In addition to acquiring ownership interest in the community development entity, the investor is able to claim a tax credit equal to 39 percent of the investment over seven years. Each year, the CDE issues a certificate to attach to the investor's federal income tax form (Venture Capital Journal 2003).

3) *The Qualified Active Low-Income Community Business*

Investments can be either loans or equity to a QALICB. To be considered a QALICB, businesses must be

- located in a census tract¹⁹ with a poverty rate of at least 20 percent, or
- located in a census tract with a median income that does not exceed the greater of 80 percent of the median income for the metropolitan statistical area, or 80 percent of the statewide median income, and
- substantially connected²⁰ to that location.

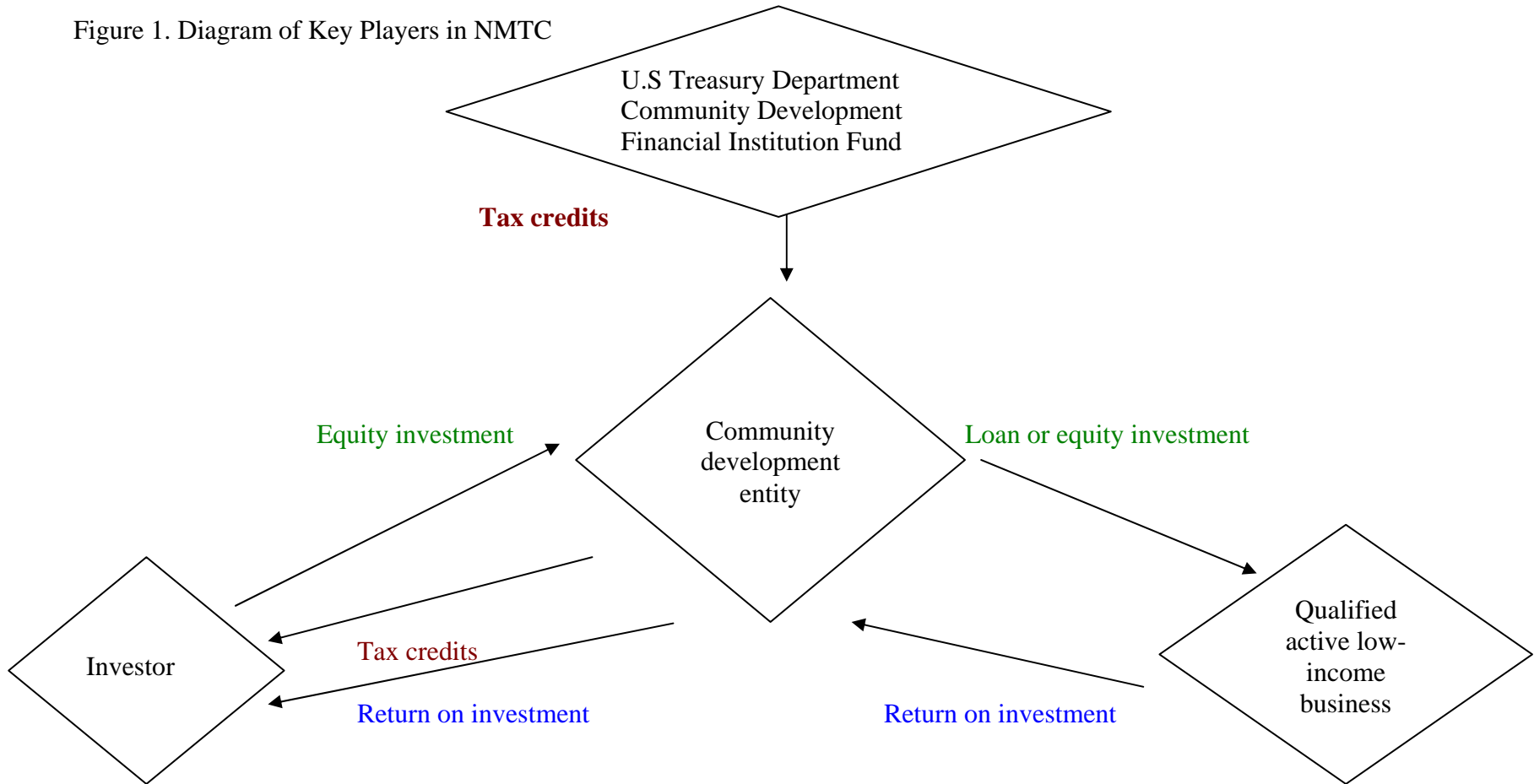
Figure 1 shows how each of the three entities are engaged in the NMTC incentive arrangement.

¹⁸ To qualify for an allotment of new markets tax credits, some nonprofit CDEs have formed companion for-profit entities. For example, the National Trust for Historic Preservation formed the National Trust Community Investment Corporation.

¹⁹ It is also possible to apply for a neighborhood within a census tract to satisfy low-income location requirements.

²⁰ To show substantial connection, a business must meet the following criteria: at least 50 percent of its income is derived from activity in a low-income community; 40 percent of its property must be located there; 40 percent of the services performed by the business must take place there; and less than 5 percent of the business's assets can be held in unrelated investments (<http://www.cdfifund.gov>). Substantial connection can also be established by meeting the first test and meeting either of the next two tests by at least 50 percent.

Figure 1. Diagram of Key Players in NMTC



What types of properties are eligible for investment by CDEs?

Although the new markets tax credit program is not specifically designed to promote rehabilitation of historic property, it is available for rehabilitation in low-income census tracts. The NMTC can be used for the development of commercial, nonresidential, or mixed-use (business and residential) property. In a mixed-use development, at least 80 percent of the use must be nonresidential.

What types of construction are eligible?

The NMTC program is not limited to historic property rehabilitation.

Compliance with Internal Revenue Service rules

The tax credit is subject to recapture by the IRS for a period of seven years. In order to avoid recapture:

- investors may not redeem their investments in community development entities before the conclusion of the seven-year period (Venture Capital Journal 2003);
- CDEs must invest “substantially all” (at least 85 percent) of each equity investment in qualified low-income community investments within one year;
- CDEs must maintain certification from the Community Development Financial Institutions Fund; and
- CDEs must secure investment in exchange for tax credits within five years. Unused new markets tax credits will be returned to the Community Development Financial Institutions Fund for reallocation.

For more information, see Internal Revenue Code (IRC) 45D.

Where do I begin?

Community development organizations wanting to participate in the new markets tax credit program should visit the CDFI Fund website and consider becoming a certified CDE. Investors wanting to invest in CDEs and to be eligible for the tax credits, as well

as businesses wanting to be considered as a qualified active low-income community investment business, may want to work with one of the entities already certified by the Fund. For a list of CDEs operating in New York that received tax credits in 2003 and in 2004, see Appendix C.

A growing number of legal and financial consultants specialize in facilitating new markets tax credit transactions.

E. Converting Credits into Cash

While tax credits are ultimately used to offset high tax liability, very often the party awarded the credit is not in a position to use the credit directly to offset federal income tax. For example, the recipient of a tax credit might be a nonprofit or might not have high enough tax liability to claim the credits. The recipient can still benefit by syndicating the credits in order to raise equity. Syndication involves a process whereby an investor enters into a partnership with the tax credit holder and infuses capital in exchange for a pro rata share of the credits and other benefits of ownership. Such arrangements become particularly complex when working with multiple credit programs. Advisors familiar with the requirements of each program and their combinations can assist in packaging the best financing deals.

With the NMTC, it is assumed that the parties seeking investment and taking the credit are not the same. The CDE serves as an intermediary between them. For example, it might be advantageous to pursue a leveraged deal, whereby a legal entity is created to accept loans in addition to equity investments, and then combine these resources for an equity investment in a CDE. Tax credits will be earned on the total equity investment in the CDE. When NMTCs are used in combination with HRTCs, the equity raised from the

HRTCs can be invested into the CDE, thereby increasing the amount of NMTCs generated.

The amount of equity that can be raised from tax credits will vary depending on a variety of factors including market conditions, timing of the delivery of credits, financial strength of the guarantor, experience of the developer, attributes of the project and construction risk. For example, the HRTC provides a credit that can all be claimed in one year and will currently yield approximately \$.90 of equity investment on \$1.00 of credit. LIHTC credits, spread over ten years, generally provide a lower rate of return if equity is required up-front to cover development costs.

III. Combining the Tax Incentives for Historic Rehabilitation

A. Which Incentives Can Be Combined?

A significant benefit of the four tax credits reviewed in this report is the potential to combine them for maximum effect, particularly when rehabilitating historic properties in low-income communities. However, combining the credits can be complicated; the guidelines for each credit program—used alone or in combination with other credits—are outlined below (Table 5).

The historic rehabilitation tax credit is designed specifically for historic property development and can be used in combination with any of the other tax incentives. The historic easement donation can also be combined with any of the other incentives. The low-income housing tax credit—designed for rental housing—and the new markets tax credit—created for businesses—generally cannot be used together.²¹

Table 5. Possible Tax Credit Combinations

| | Historic rehabilitation tax credit | Historic preservation easement deduction | Low-income housing tax credit | New markets tax credit |
|--|------------------------------------|--|-------------------------------|------------------------|
| Historic rehabilitation tax credit | N/A | Yes | Yes | Yes |
| Historic preservation easement deduction | Yes | N/A | Yes | Yes |
| Low-income housing tax credit | Yes | Yes | N/A | No (see note 21) |
| New markets tax credit | Yes | Yes | No (see note 21) | N/A |

²¹ However, under certain circumstances, both programs can be used in a single building

A tax credit specialist can explain how to combine tax credits for a specific property and advise on liability and depreciation. Even when combinations are allowed, there may be certain limitations on their use. General guidelines for combining the HRTC with other credits, along with examples, are provided below. *These examples should be read for basic illustrative purposes only. In practice, these deals will be considerably more complex with additional legal and financial implications.*

The four federal tax incentives presented in this report are not the only sources of financial assistance available. Other federal, state, and local tax incentives and grants are likely to be available, depending on the type and location of the project. In particular, the Brownfields Tax Incentive is emerging as an important contributor to historic rehabilitation.

Combining the Historic Rehabilitation Tax Credit and the Low-Income Housing Tax Credit

The HRTC's value is not affected when used with the LIHTC. However, the HRTC's value must be deducted from the LIHTC's eligible basis. The HRTC can be claimed in one year, while the LIHTC can be claimed over ten years. The following hypothetical example shows how the HRTC could be used in combination with the LIHTC.²²

Example:

A historic turn-of-the-century hotel is being rehabilitated for use as low-income housing. Table 6 outlines tax credit use for a \$10 million rehabilitation project.

The \$1.6 million rehabilitation tax credit, A, is deducted from qualifying expenditures, B, leaving an eligible basis of \$6.4 million, C. Because the project

is in a designated “hard-to-develop” area, the basis can be multiplied by 130 percent for calculation of the LIHTC, D.

In this case, the credits are not claimed directly by the developer but used to generate equity investment. More than \$7.4 million in equity investment is raised using the tax credits, toward total development costs of \$10 million.

Table 6. Combining HRTC and LIHTC

| Combining HRTC and LIHTC | |
|--|--------------------|
| Historic Rehabilitation Tax Credit | |
| Total development costs | \$10,000,000 |
| Total qualifying expenditures | \$ 8,000,000 |
| Rehabilitation tax credit (percent) | 20 percent |
| Total rehabilitation tax credit | (A) \$ 1,600,000 |
| Equity yield for rehabilitation credit | \$ 0.90 |
| Equity raised from rehabilitation credit | \$ 1,440,000 |
| Low-Income Housing Tax Credit | |
| Total development costs | \$ 10,000,000 |
| Total qualifying expenditures | (B) \$ 8,000,000 |
| Less rehabilitation tax credit | (A) [\$1,600,000] |
| Eligible basis | (C) \$ 6,400,000 |
| Low-income proportion ²³ | 130 percent |
| Qualifying basis | (D) \$ 8,320,000 |
| Annual credit (percent) | 9 percent |
| Annual credit amount | \$ 748,800 |
| Total low-income housing tax credit | \$ 7,488,000 |
| Equity yield for low-income credit | \$0.80 |
| Total equity raised from low-income credit | \$5,990,400 |
| Total combined equity | \$7,430,400 |

²² This example is modeled on an actual case study documented by the National Park Service. The case study is available at <http://www.cr.nps.gov/hps/tps/Affordable/CSI/finance.htm>.

²³ This project can use 130 percent of the eligible basis because of its location in a hard-to-develop area.

Combining the Historic Rehabilitation Tax Credit and the New Markets Tax Credit

The HRTC's value is not affected by use of the NMTC, and vice versa. The HRTC can be claimed in one year while the NMTC can be claimed over seven years.

The following hypothetical example traces the benefits of tax-credit use to the investor, the community development entity, and the qualified active low-income community business.

Example:

Investor: Jane Doe would like to make a \$10 million investment. By investing in a certified CDE with tax credits, she becomes eligible to claim a federal tax credit of \$500,000 (5 percent) a year for three years and \$600,000 (6 percent) a year for the next four years, for a total of \$3,900,000 (39 percent) over seven years. At the end of the seven-year period, her equity investment is returned.

The CDE: A national historic preservation organization, Historic For-Profit, applies to the CDFI Fund for the NMTC. Having successfully detailed its investment plan and commitment to low-income community development, Historic For-Profit is granted \$100 million in tax credits. It receives an equity investment totaling \$100 million from Jane Doe and nine other investors like her. Keeping no more than 15 percent at any time, Historic For-Profit uses the capital raised to make investments in QALICBs.

The QALICB: Joe operates in a low-income community and has a strong business model. Joe wants to expand into the abandoned factory he owns next door, which has been identified as a historic landmark. Coincidentally, his rehabilitation costs are identical to those for the hotel in the previous example. However, instead of

applying for an LIHTC and “selling” the credit for an equity investment, he turns to Historic For-Profit for an equity investment worth \$3.7 million.

Meanwhile, Joe has worked with the local State Historic Preservation Office to apply for the HRTC and his building plans have been approved as adhering to the Secretary of the Interior’s Standards for Rehabilitation. He will therefore be eligible for a tax credit worth 20 percent of the qualifying expenditures, or \$1.6 million. Joe does not claim the credits himself but syndicates the tax credits to institutional investors in exchange for investment capital. Total equity reaches nearly \$5.2 million. Table 7 outlines how Joe is able to benefit from the tax incentives to finance the project.

Table 7. Combining NMTC and HRTC

| Combining NMTC and HRTC | |
|---|---------------------|
| New Markets Tax Credit | |
| Total equity from Historic-For-Profit | \$ 3,740,000 |
| Historic Rehabilitation Tax Credit | |
| Total development costs | \$10,000,000 |
| Total qualifying expenditures | \$ 8,000,000 |
| Rehabilitation tax credit (percent) | 20 percent |
| Total rehabilitation tax credit | \$1,600,000 |
| Equity yield for rehabilitation credit | \$ 0.90 |
| Equity raised from rehabilitation credit | \$1,440,000 |
| Total combined equity | \$ 5,180,000 |

Combining the Historic Rehabilitation Tax Credit with the Historic Preservation Easement Deduction

The HRTC and historic preservation easement can both be claimed in the same year. However, expenses for work done on the easement portion of the structure cannot be counted toward the qualified rehabilitation expenses eligible for the credit. For more information on the tax effect of combining these incentives, see Revenue Ruling 89-90 and *Rome I, Ltd v. Comm.*, 96 T.C. 697 (1991).

Example:

This example builds on the previous illustrations of HRTC use. Assuming that 20 percent of the qualified rehabilitation expenses involve changes to the façade, these expenses (\$1,600,000) must be deducted before calculating the tax credit (Table 8). The equity raised is \$228,000 less than in the previous example.

However, because of the easement donation, the property owner becomes eligible for a federal income tax *deduction* worth \$1,000,000 (the estimated value of the easement.)

Table 8. Combining HRTC and Historic Preservation Easement

| Combining HRTC and Historic Preservation Easement | |
|--|---------------------|
| Historic Rehabilitation Tax Credit | |
| Total development costs | \$ 10,000,000 |
| Total qualifying expenditures | \$ 8,000,000 |
| Less expenditures on easement | [\$ 1,600,000] |
| Remaining qualifying expenditures | \$ 6,400,000 |
| Rehabilitation tax credit (percent) | 20 percent |
| Total rehabilitation tax credit | \$ 1,280,000 |
| Equity yield for rehabilitation credit | \$ 0.90 |
| Equity raised from rehabilitation credit | \$ 1,152,000 |
| Historic Easement deduction | |
| | \$ 1,000,000 |

B. Other Federal Tax Incentives

Although the tax incentives described above are the primary tools available to assist in historic property development, there are other federal tax incentives that can be applied in specific situations, including the *Brownfields Tax Incentive*, *Renewal Communities*, *Empowerment Zones*, and *Enterprise Communities*.

Potential exists for the use of the Brownfields Tax Incentive for historic property rehabilitation. This program, from the Environmental Protection Agency, encourages the cleanup and reuse of environmentally contaminated land. Originally signed into law under the Taxpayer Relief Act of 1997 (Public Law 105-34), the program stipulates that environmental cleanup costs can be fully deductible in the year they are incurred, rather than having to be capitalized. For more information, see <http://www.epa.gov/brownfields/bftaxinc.htm>.

The United States currently has 180 Renewal Communities, Empowerment Zones, and Enterprise Communities. The goal of these programs is to promote economic development in distressed communities by providing businesses with a range of federal tax incentives, including targeted hiring and sales tax credits. The U.S. Department of Housing and Urban Development has designated the following areas in western New York as Renewal Communities: Buffalo-Lackawanna, Jamestown, and Niagara Falls. For more information, visit <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/index.cfm>.

C. State and Local Tax Incentives

In addition to the federal tax incentives described above, numerous state and local tax incentives are available for historic rehabilitation. Twenty-one states currently offer a rehabilitation tax credit similar to the federal credit. In 2002, the Preservation League of New York State submitted a bill called the Neighborhood Reinvestment Act to introduce a state tax credit (Landmark Society of Western New York 2004). This Act is again being considered and more than 44,000 residences, statewide, have been identified as eligible for the program (*Democrat and Chronicle* 2004).

Current New York State and local tax incentives include:

- *The New York State Low-Income Housing Credit*

New York State enacted a low-income housing tax credit for state income taxes in January 2001. The program is similar to the federal program but places less stringent controls on renter income. The New York State credit is applicable to housing where tenant income is up to 90 percent of the area median gross income. As of 2003, eight projects had been approved for the state credit. Of these, one is in Buffalo. For more information, visit <http://www.dhcr.state.ny.us>.

- *The New York State Historic Barns Tax Credit*

Enacted under the Farmer's Protection and Farm Preservation Act of 1996, New York State offers a tax credit equal to 25 percent of the cost of rehabilitating a historic barn. To qualify for the credit, the structure being rehabilitated must be an income-producing barn built or placed in agricultural service before 1936. For more information, visit <http://www.nysparks.state.ny.us/field/fsb/incometaxcred.html>.

- *Property tax freeze*

In 1999, Buffalo became the second city in the state (after Rochester) to put a temporary freeze on property tax increases after a designated historic property had undergone significant rehabilitation. As in the Rochester program, taxes remain fixed for five years, with the result that any increase in the property's assessed value attributable to the rehabilitation is exempt from taxation. After five years, the amount of the exemption is decreased 20 percent each year until it reaches zero in ten years.²⁴

For more information about Buffalo's program, contact the Buffalo Department of Assessment and Taxation.

In addition to tax incentives, there are many government grant programs available to assist in historic rehabilitation. For more information, see www.nysparks.state.ny.us and <http://www.cr.nps.gov/helpyou.htm>.

²⁴ In Buffalo, the following properties have been granted a delay in tax increases to date: 35 North Pearl, 29 Brunswick, 540 Delaware Avenue, 158 Park, and 325 Pennsylvania.

IV. Regional Opportunities for Historic Property Rehabilitation

Public and private organizations in New York State have been active participants in tax incentive programs, resulting in some of the highest levels of tax credit use in the country. In this section, we outline the use of tax incentives at the state and regional levels and look closely at some local initiatives for advancing community and economic development through historic rehabilitation.

In addition, we present data on similar rehabilitation programs in Pittsburgh, Pennsylvania that are viewed by Buffalo preservationists as offering valuable lessons. In 2002, Buffalo Mayor Anthony Masiello led a delegation of city planners, housing officials, developers, financiers and others to Pittsburgh for an exchange of ideas sponsored by the National Trust for Historic Preservation. However, because regional differences contribute to very different tax-use patterns for rehabilitation in different areas, caution should be used when making any direct comparisons between the two cities. The complexity of these tax credit programs and their dependence on private investment make them especially sensitive to local conditions.

A. Tax Credit Use in the State and Region

Historic rehabilitation tax credit²⁵

In 2003, New York State generated over \$100 million in tax credits on nearly \$550 million in rehabilitation work. Over the past five years, 125 projects were submitted to the National Park Service for approval on rehabilitation projects worth over \$1 billion (New York State Office of Parks, Recreation and Historic Preservation). These totals are among the highest in the nation, with the most tax credits being generated in New York,

Pennsylvania, Louisiana, California, Ohio, Texas, Massachusetts, Colorado, Georgia and Missouri (National Housing and Rehabilitation Association).

Within the state, tax credit use is centered in New York City and the Hudson Valley. Manhattan and Newburgh alone account for more than one-half of the nearly 150 state projects approved between 1999 and 2003 for rehabilitation tax credits (New York State Office of Parks, Recreation and Historic Preservation).

In the past ten years, four tax credit projects have been approved in western New York: three in Erie County and one in Chautauqua County (Table 9). The total qualified rehabilitation cost for these projects was \$9.6 million, generating a tax credit of \$1.9 million.

Table 9. Completed HRTC Projects in Western New York

| Address | County | Qualified Rehabilitation Expenses | Date Approved for Credit |
|--|------------|-----------------------------------|--------------------------|
| M. Wile & Co 77 Goodell Street Buffalo | Erie | \$1,500,000 | May 2002 |
| Kibler Housing 284 Main Street Tonawanda | Erie | \$8,115,000 | July 2001 |
| 36 Foster Avenue Chautauqua, | Chautauqua | \$29,656 | September 1999 |
| 61 Whitney Place Buffalo | Erie | \$106,376 | May 1994 |

Source: New York State Office of Parks, Recreation and Historic Preservation.

In addition, developers are considering using historic rehabilitation tax credits in several projects (Table 10). The SHPO and the National Park Service must certify the historic significance of a site and approve project plans before work begins. If this is not

²⁵ Use of the 10 percent historic rehabilitation tax credit (for nonhistoric buildings) is not tracked by the State Historic Preservation Office and is not included in this analysis.

done before work begins, historically significant elements of the site might be removed or damaged, making the building ineligible for the tax incentive.

Table 10. Provisional HRTC Projects in Western New York

| Name | Address | City |
|-----------------------------|--|---------------|
| Asbury Delaware Church | 341 Delaware Avenue | Buffalo |
| Buehl's Block Building | 38-40 Broadway | Buffalo |
| Hotel Lenox | 140, 173, 175 North Street and 131 Allen Street | Buffalo |
| Old Firehall Building | 33 Church Street | Fredonia |
| Spencer Hotel | 26 Palestine Avenue | Chautauqua |
| St. Mary's Nurses Residence | 542 Sixth Street | Niagara Falls |
| Trico Plant | 817 Washington Street | Buffalo |
| United Office Building | 220 Rainbow Boulevard | Niagara Falls |

Source: New York State Office of Parks, Recreation and Historic Preservation.

Preservation easement tax deduction

New York State property owners are also active in the donation of preservation easements. The State Historic Preservation Office has verified the historic status of about 350 properties for easement donations since the program began in 1976. The majority of these properties are in New York City; only three of the total number are in Buffalo (New York State Office of Parks, Recreation and Historic Preservation).

Low-income housing tax credits

Low-income housing tax credits are allocated by state housing credit agencies each year to eligible applicants. The amount in each state's annual pool is determined by population and proven success in administering the program. New York State received an allotment of low-income housing credits worth \$33.2 million for 2003 (New York State Division of Housing and Community Renewal).

Out of 410 low-income housing tax credit sites placed in service in New York through 2000, thirty-nine of them (10 percent) are in western New York (Table 11).

These statewide sites provide a total of about 21,000 housing units for low- and moderate-income families, of which 1,600 (8 percent) are in western New York (U.S. Department of Housing and Urban Development 2003). These figures are about the same as the percentage of the state’s population in western New York—9 percent.

Table 11. Number of LIHTC Sites and Units in Western New York

| County | Number of Sites | Number of Units |
|--------------------------------|-----------------|-----------------|
| Allegany | 3 | 88 |
| Cattaraugus | 5 | 120 |
| Chautauqua | 4 | 74 |
| Erie | 18 | 1,157 |
| Genesee | 3 | 72 |
| Niagara | 3 | 34 |
| Orleans | 1 | 24 |
| Wyoming | 2 | 48 |
| Total for western New York | 39 | 1,617 |
| Total for New York State | 410 | 20,589 |
| Percentage in western New York | 10 percent | 8 percent |

Source: U.S. Department of Housing and Urban Development.

About 30,000 low- and moderate-income housing units were developed countrywide using a combination of low-income housing tax credit and the historic rehabilitation tax credit (Advisory Council on Historic Preservation). A major project in western New York in the past decade – the Kibler Senior Housing project in Tonawanda- used a combination of the two tax credit programs.

New markets tax credits

Because new markets tax credits have only been available since late in 2003, the record of NMTC activity is still thin. Of the sixty-six community development entities to receive allocations of tax credits in the first round, seventeen include New York within

their range of activity. The total allocation of tax credits to these entities operating in New York State is over \$1 billion (Appendix C). In addition, organizations such as Rural Opportunities, Inc., based in Rochester, New York, are working with other CDEs with credits to bring projects to this region.

Many deals are still being negotiated. However, the National Trust for Historic Preservation has announced closing a deal for using a combination of NMTC and the HRTC for the Dia Beacon Art Museum in Beacon, New York. For this project, combining the two tax credit programs toward a \$30 million restoration of the former Nabisco label printing plant generated \$6.6 million in equity investment (*HDR Current Developments* 2003).

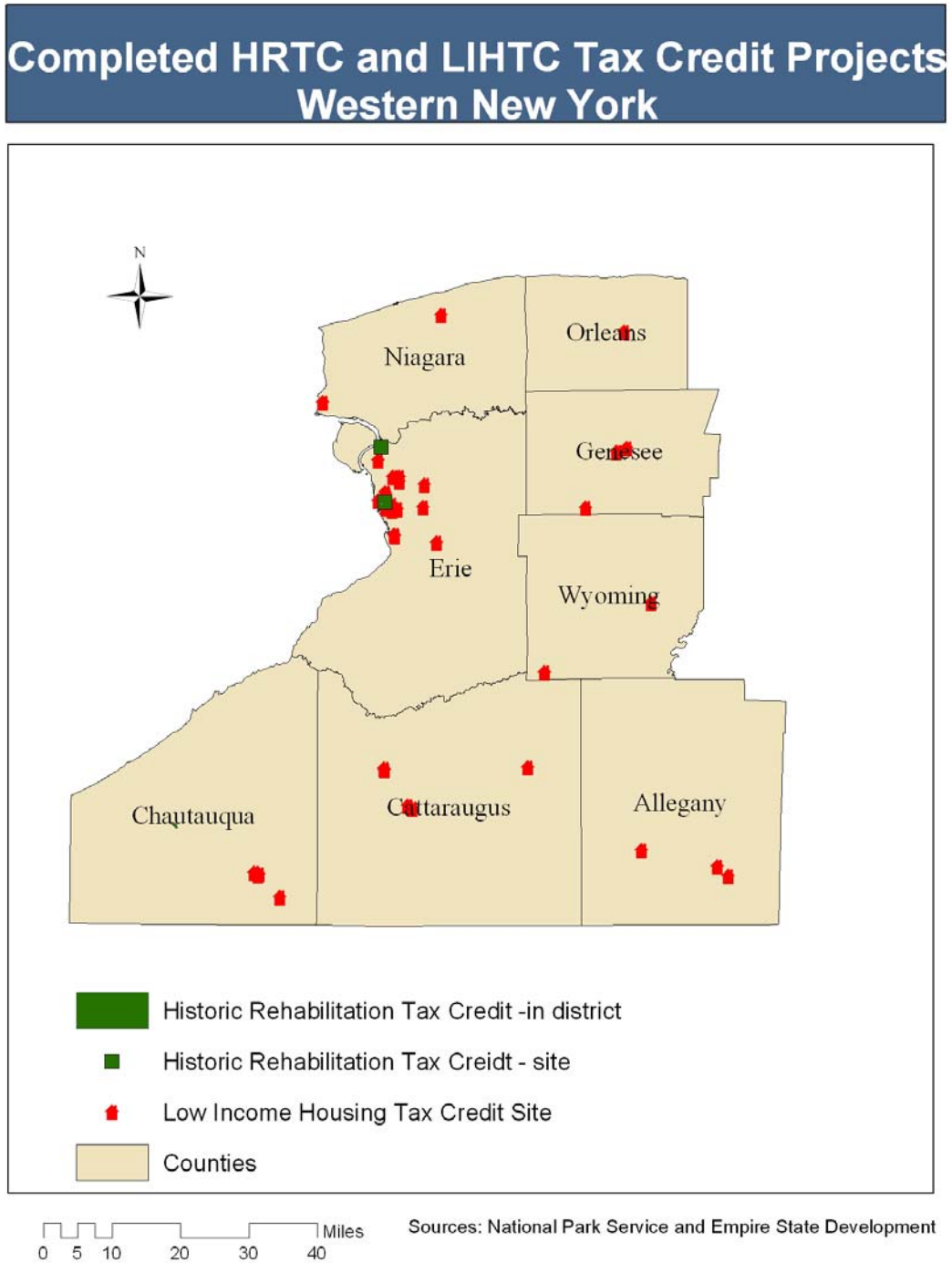
Locally, the use of the new markets tax credit is being pursued for a number of projects, including the restoration of the Delaware Asbury Church in Buffalo. A separate case study on this project is being prepared in conjunction with this report.

A second round of tax credit allocations – in this case totaling \$3.5 billion – was announced on May 6, 2004. Nineteen of the sixty-two allocatees have included New York State in their scope of activity, with total tax credit allocations of \$1.7 billion. Six of the allocatees are located in New York State (Appendix C).

Summary of regional tax incentive use

Figure 2 provides a snapshot of the use of HRTC and LIHTC programs across western New York.

Figure 2. Completed HRTC and LIHTC Tax Credit Projects in Western New York



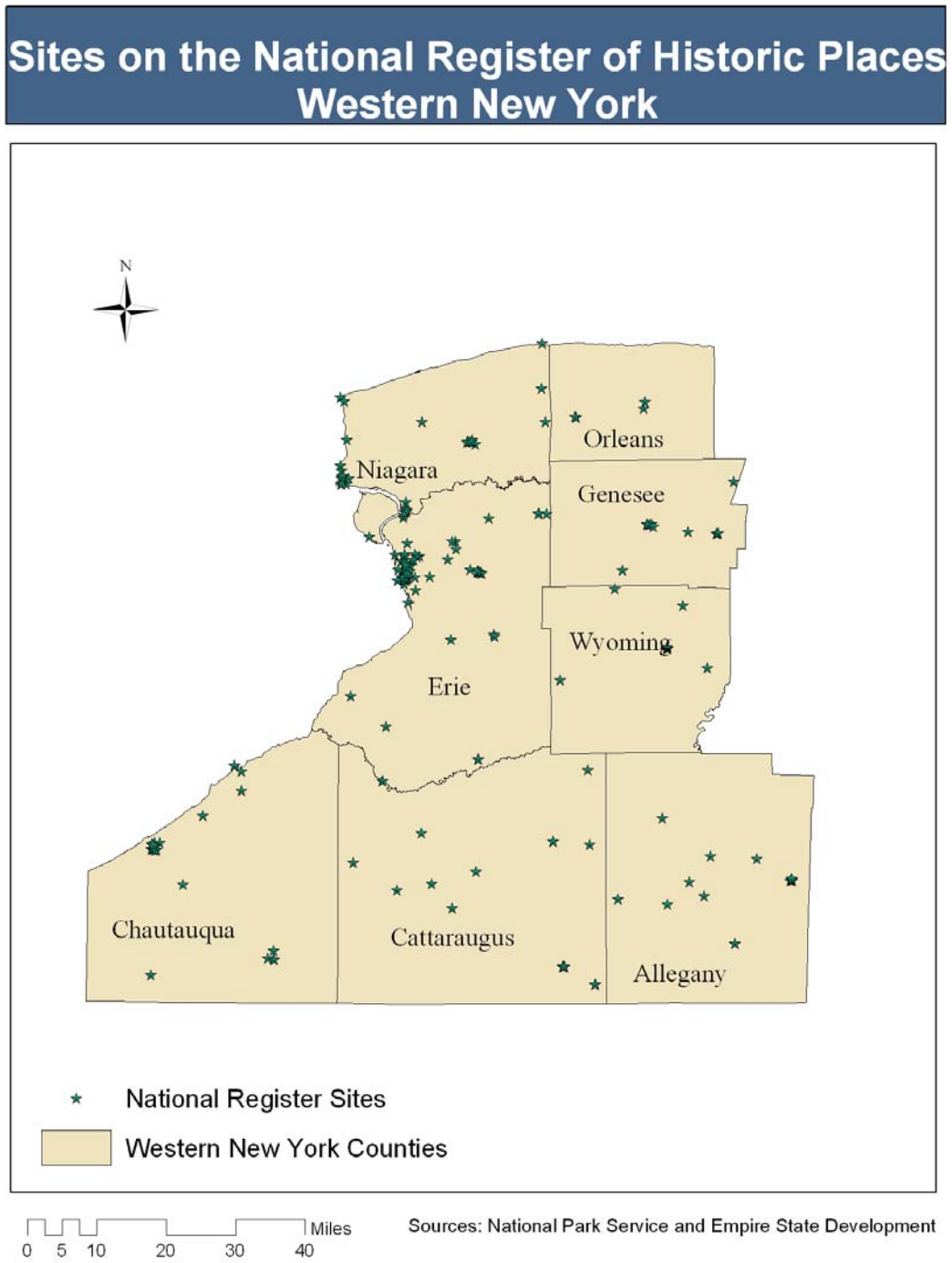
B. Tax Credit Potential in Western New York

The region's economic difficulties, in combination with a rich architectural and historical legacy, should make tax incentives broadly applicable. The variety of western New York properties listed on the National Register of Historic Places is one indication of this potential (Figure 3).

Of the 2,400 Landmarks—sites with particular national significance—249 are in New York State; of the 77,000 places across the country on the National Historic Register, about 4,400 are in the state. The eight-county region of western New York (including Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, and Wyoming Counties) currently has about 270 places on the National Historic Register.²⁶ Many of these registered places are districts, which may contain hundreds of individual contributing structures (New York State Office of Parks, Recreation, and Historic Preservation).

²⁶ See Appendix B for a list of sites on the National Register of Historic Places in western New York.

Figure 3. Sites on the National Register of Historic Places in Western New York.



However, many more properties have been determined as eligible, or could be eligible but have not been listed. Comprehensive surveys of several neighborhoods in Buffalo and Niagara Falls currently underway have already revealed many hundreds of sites that meet the state and federal standards for certification as National Historic Places. Formal listing requires nomination by a sponsor, as well as submission of an application and supporting documents with detailed historical and architectural information. Listing on the National Register means that an owner of a depreciable property wanting to benefit from the historic rehabilitation tax credit can move directly to the second part of the application process. Registered properties also receive priority consideration when federal or state agencies are looking to rent or lease space and other benefits.

Property owners might worry that listing will restrict their option to make alterations to their properties. At the national level, no restrictions are placed on private owners of registered properties; owners can sell, alter, or dispose of their properties as they choose. However, if they demolish their property, they cannot deduct the cost from their income tax (National Park Service). Locally, Buffalo and other municipalities place restrictions on building and demolition permits granted. However, these limits may apply to *any* property that is of historic value, regardless of its official designation. In addition, any project that uses state or federal funds is required to comply with regulations established by Section 106 of the National Historic Preservation Act, the State Environmental Quality Review Act, and the National Environmental Policy Act to monitor the impact of development on historic structures.

Low-income housing tax credits and new markets tax credits are targeted to census tracts that meet criteria for economic distress. Much of western New York falls

within these programs' limits. In addition, neighborhoods within census tracts that meet the criteria, when the tract as a whole does not, can petition for special consideration. See Figures 4 and 5 for maps of eligible census tracts in the Buffalo-Niagara area.

Figure 4. Low-Income Housing Tax Credit Qualified Census Tracts in the Buffalo-Niagara Region.

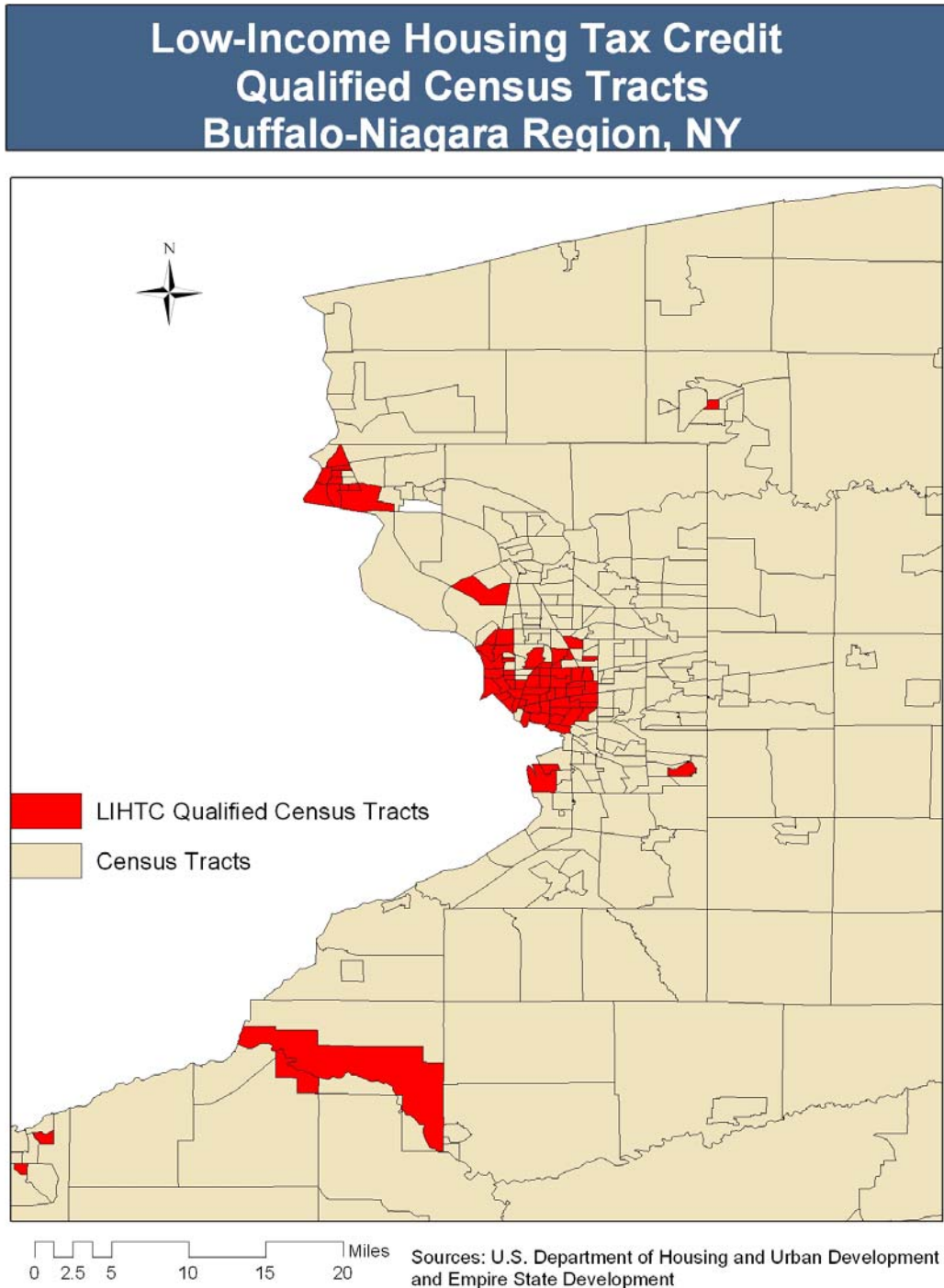
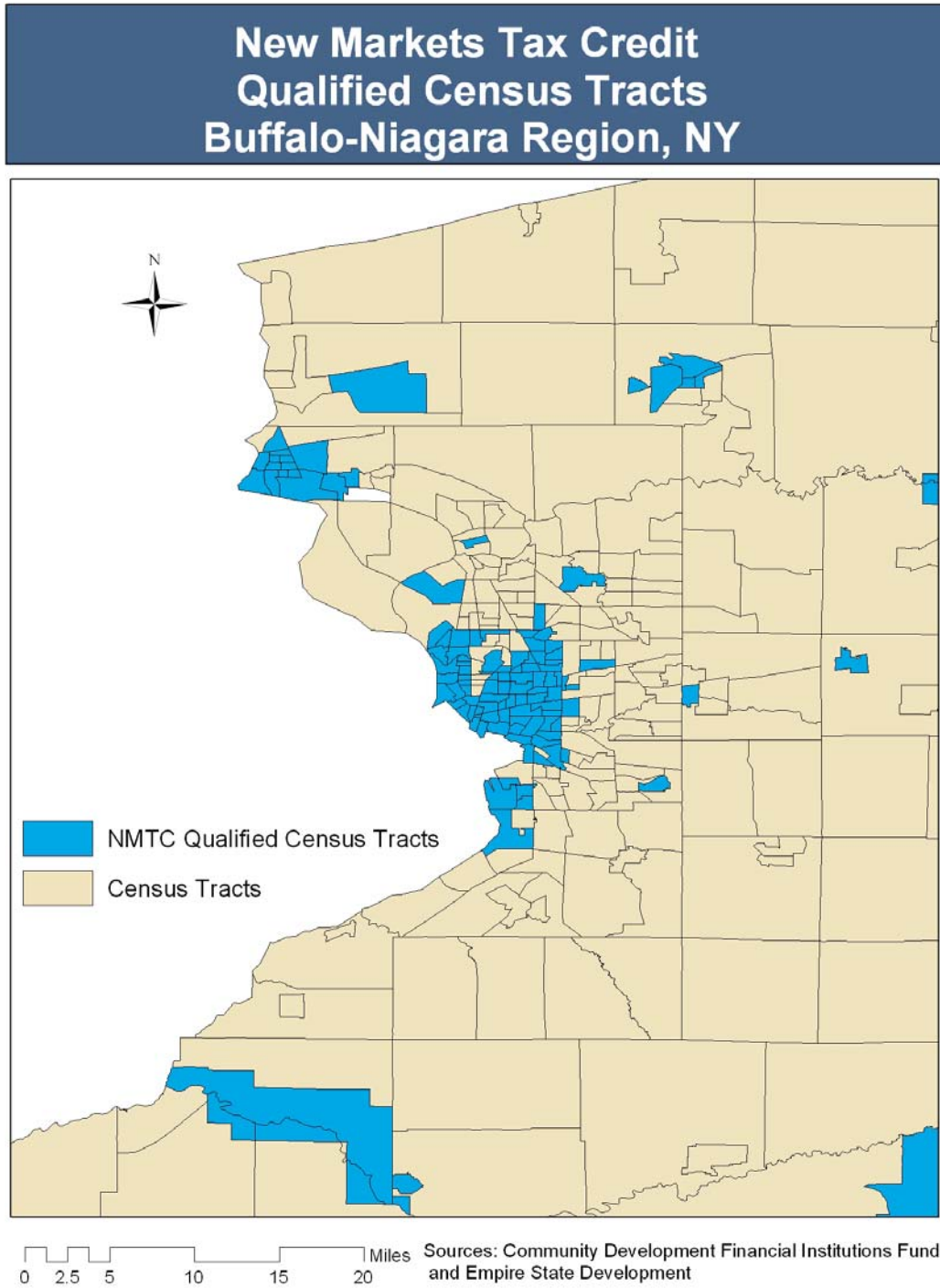


Figure 5. New Markets Tax Credit Qualified Census Tracts in the Buffalo-Niagara Region.



C. Tax Credit Use in Pennsylvania

Property owners in Pittsburgh have been active in applying for sites to be listed on the National Register of Historic Places. A total of 143 sites in Pittsburgh are listed, compared with forty-seven in Buffalo. Four of these sites have the special designation of National Historic Landmarks (Pennsylvania Bureau for Historic Preservation 2003).

Between 1999 and 2003, twenty-eight historic rehabilitation tax credit projects were completed in Pittsburgh. Since the program began in 1978, a total of 426 HRTC projects have been completed in Allegheny County—all but five in Pittsburgh—generating tax credits of over \$60 million (Pennsylvania Bureau for Historic Preservation 2004).

Pittsburgh developers have also been active in pursuing low-income housing tax credits. According to the Pennsylvania Bureau for Historic Preservation records, nineteen of the completed tax credit projects in Pittsburgh were for low-income housing.

A Pittsburgh community development entity was successful in securing an allocation of the new markets tax credit. In 2003, the Northside Community Development Fund received an allocation of \$500,000. In addition, the Pittsburgh History & Landmarks Foundation worked with the National Trust for Historic Preservation toward their allocation of \$127 million (Pittsburgh History and Landmarks Foundation 2004).

Conclusion: Looking Ahead at Rehabilitation

The field of tax credit use for historic rehabilitation is constantly changing, bringing new opportunities and new approaches. Across the country, an interest in reuse of existing historic structures is growing, coupled with greater governmental incentives for encouraging private investment toward this end.

The NMTC is expected to bring jobs and retail stores to many of the same neighborhoods that have benefited from the LIHTC. Uncertainties remain with such a new and untested instrument. However, determinations such as that recently delivered by the Office of the Comptroller of the Currency, regarding the favorable consideration of NMTC investments under the Community Investment Act serve to improve the investment conditions (Comptroller of the Currency Administrator of National Banks 2004).

The Brownfields Tax Incentive is being discovered as a significant tool for historic rehabilitation, particularly in turn-of-the-century industrial centers like Buffalo. Through the use of tax incentives for remediation, contaminated sites can help to raise the necessary capital to revitalize abandoned tracts.

In New York State, legislators are again considering adopting a separate state tax incentive, after defeating a similar bill in the wake of September 11, 2001 (*Democrat and Chronicle* 2004). Passage of this bill would make New York one of twenty-two states to have adopted such a tax incentive.

As an outgrowth of the Pittsburgh exchange program in 2003, Buffalo's municipal government has begun an historic preservation planning effort designed to dovetail with the new Buffalo Comprehensive Plan. Those involved with the new initiative are exploring several interrelated issues, including historic resource surveying and priority setting, the granting of building and demolition permits, vacant land concerns, strategic investment initiatives, and implementation tools for the future.

Market conditions will always drive development decisions and tax incentives are only one element in a decision about whether or not to rehabilitate an historic property.

Municipalities across the country are also developing strategic investment initiatives to aid growth. Tax incentives can be useful in creating the right conditions to pursue development, strengthen communities and protect the past.

Glossary of Acronyms

CDE (Community Development Entity): A corporation or partnership whose primary purpose is to serve or provide investment capital for low-income communities or their residents and which is certified by the CDFI Fund for the purposes of the New Markets Tax Credit program.

CDFI Fund (Community Development Financial Institutions Fund): The primary division of the Department of the Treasury that administers the New Markets Tax Credits program (the Internal Revenue Service also has some responsibility for the program's administration).

HRTC (Historic Rehabilitation Tax Credit): A federal tax credit available to developers and investors for 20 percent of the qualified costs of rehabilitating a certified historic structure. A 10 percent credit is also available for certain nonhistoric structures built before 1936.

LIHTC (Low-Income Housing Tax Credit): A federal tax credit available to developers and investors for up to 90 percent of the qualified basis for the acquisition, rehabilitation or new construction of affordable rental housing.

LLC (limited liability company): A legal entity that blends some of the benefits of a corporation, a partnership, and a sole proprietorship. It provides the tax benefits of a partnership and the personal liability protection of a corporation.

NMTC (New Markets Tax Credit): A new federal tax credit for investors who invest in CDEs that, in turn, make loans to or equity investments in businesses in low-income communities.

QEI (Qualified Equity Investment): An equity investment in a CDE that meets the legal requirements of the New Markets Tax Credits program.

QLICI (Qualified Low Income Community Investment): A loan to, or an equity investment in, a "qualified active low income community business" by a CDE. There are a few other investments that qualify as QLICIs, also, including purchasing a loan that qualifies as a QLICI from another CDE, or providing technical assistance to businesses in low-income communities.

QALICB (Qualified Active Low Income Community Business): A business that is eligible for a loan or an equity investment from a New Markets Tax Credits-advantaged loan or equity pool. Most types of businesses are eligible, but there are some benchmarks they must meet.

Appendix A. Standards for Rehabilitation from the U.S. Secretary of the Interior

Rehabilitation projects must meet the following standards, as interpreted by the National Park Service, to qualify as “certified rehabilitations” eligible for the 20 percent rehabilitation tax credit. The standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The standards (36 CFR Part 67) apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The standards also encompass related landscape features and the building’s site and environment as well as attached, adjacent, or related new construction.

1. 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.
2. 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.
3. 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.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. 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.
7. 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.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. 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.

10. 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.

Appendix C. NMTC Allocatees Working in New York State

1. First Round New Markets Tax Credit Allocatees working in New York State (Amount received in 2003)

Advantage Capital Community Development Fund, L.L. (\$110 million)

Coastal Enterprises Incorporated (\$65 million)

Community Development Funding, LLC (\$25 million)

Community Development New Markets I LLC (\$150 million)

Empowerment Reinvestment Fund, LLC (\$10 million)

ESIC New Markets Partners Limited Partnership (\$90 million)

Greater Jamaica Local Development Company, Inc. (\$21 million)

GS New Markets Fund (\$75 million)

HEDC New Markets, Inc. (\$30 million)

KHC New Markets CDE, LLC Series A (\$134 million)

Local Initiatives Support Corporation (\$65 million)

National Community Capital (\$8 million)

National New Markets Tax Credit Fund, Inc. (\$162.5 million)

Paramount Community Development Fund, LLC (\$75 million)

Self Help Ventures Fund (\$75 million)

Urban Development Fund, LLC (\$15 million)

WNC National Community Development Advisors, LLC (\$50 million)

Total: \$1.2 billion

2. Second Round New Markets Tax Credit Allocatees working in New York State (Amount received in 2004)

Banc of America CDE LLC (\$150 million)

Boston Community Capital Inc. (\$70 million)

TAX INCENTIVES FOR HISTORIC REHABILITATION IN WESTERN NEW YORK

CDF Development LLC (\$100 million)

Charter Facilities Funding LLC (\$50 million)

Coastal Enterprises Inc. (\$64 million)

Community Development Capital Partners, LLC (\$35 million)

Community Development Funding LLC (\$55 million)

Community Revitalization Fund Inc. (\$73 million)

Empowerment Reinvestment Fund LLC (\$25 million)

ESIC New Markets Partners LP (\$140 million)

GreenPoint New Markets, L.P. (\$85 million)

HEDC New Markets (\$135 million)

Independence Community Commercial Reinvestment Corp (\$113 million)

National Community Investment Fund (\$38 million)

NCB Development Corporation (\$75 million)

Related Community Development Group LLC (\$140 million)

Stonehenge Community Development (\$127.5 million)

TCG Community Enterprises, LLC (\$125 million)

Urban Development Fund LLC (\$57.5 million)

Total: \$1.7 billion.

Source: New York Community Development Financial Institutions Fund.

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