

Preservation Tax Incentives for Historic Buildings – 20%

Tax Credit

This program is offered through the National Parks Service (NPS) on behalf of the Secretary of Interior. Please note that this is a tax credit and is not an income tax deduction. Tax credits lower the amount of tax owed whereas tax deductions lower the amount of income subject to taxation.

Eligibility:

- Structures must be designated as a Certified Historic Structure.
 - ❖ This is defined as a building that is individually listed in the National Register of Historic Places or is located in a Registered Historic District and certified by the NPS as contributing to the historical significance of the area.
 - ❖ If you are unsure of your building's standing please contact your State Historic Preservation Officer (SHPO).
- Building must be depreciable (income producing).
- Renovations must be substantial.
 - ❖ \$5,000 or equal to the adjusted basis of the building, whichever is greater.
 - ❖ Adjusted Basis = Purchase Price - Cost of Land + Improvements – Depreciation.
- All work must be done according to the rules set forth in *The Secretary of Interior's Standards for Rehabilitation*.

Terms:

- Complete all application forms with the SHPO, who will submit your application to the NPS.
- Application fee for review of Part 2 application based on cost of rehab:
 - \$5,000-\$79,999 = No fee
 - \$80,000 - \$3,849,999 = \$845 + 0.15% of costs over \$80,000
 - \$3,850,000 or more = \$6,500
- Only work on the building may be used for tax credit; renovations such as landscaping or sidewalk replacement are not eligible for this program.
- The building must be placed in service before the tax credits are used.
- The owner must hold the building for at least five years after renovations or the tax credit must be returned.
- All rehabs must be reviewed before completion by the NPS to verify that all rehab treatments are in compliance with the rules and regulations set for the in *The Secretary of Interior's Standards for Rehabilitation*.
- The tax credit is claimed using the Internal Revenue Service (IRS) form 3468 in the tax year that the renovated building is placed in service.

Contact:

For application information or any additional information or questions please contact:

State Historic Preservation Office

Brian Beadles

2301 Central Ave.

Cheyenne, WY 82002

(307)777-8594

<http://wyoshpo.state.wy.us/>

Secretary's Standards for Rehabilitation

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

The Standards 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.

The (Economic) Value of National Register Listing

To ask if properties listed in the National Register of Historic Places have value is to ask a tautological question. Of course they have value or they wouldn't have been listed in the first place. The nomination process to the National Register itself implicitly requires the source and the substantiation of the property's value—architectural, cultural, associative, historical, etc. Further, by implication the National Register property is more valuable on some set of criteria than non-listed properties, otherwise everything would be National Register eligible.

So historic preservation in general and National Register listing in particular doesn't have one value, it has a multitude of values—cultural, environmental, social, educational, aesthetic, historical. The question becomes, “Do these values manifest themselves in economic value?” Let's begin with what we do know, and that is about local designation. Over the last decade a number of analyses have been conducted asking, “What is the impact on property values of local historic districts?” Using a variety of methodologies, conducted by a number of independent researchers, this analysis has been

undertaken in New Jersey, Texas, Indiana, Georgia, Colorado, Maryland, North and South Carolina, Kentucky, Virginia, and elsewhere. The results of these studies are remarkably consistent: property values in local historic districts appreciate significantly faster than the market as a whole in the vast majority of cases and appreciate at rates equivalent to the market in the worst case. Simply put—local historic districts enhance property values.

Anecdotally, it has been found that when a local district has the greatest positive impact on property values four variables are usually in place: clear, written design guidelines for the affected properties; staff for the preservation commission; active educational outreach by the staff and commission to property owners, real estate brokers, architects, builders, etc.; and consistent and predictable decisions by the commission.

Since listing in the National Register provides little protection for an individual property, sources of value enhancement created by a local district do not exist. There are, however, at least four situations in which listing in the National Register does often add economic value to the listed properties:

- When the properties are commercial, rather than owner-occupied residential, the eligibility for the Federal Rehabilitation Tax Credit can add economic value to the properties. At a recent symposium funded by the National Park Service and chaired by the Urban Land Institute, some developers noted that in their communities, sellers of unrehabilitated properties were raising the price of listed buildings to reflect the tax credit opportunity potential of the investment.
- In some communities the creation of a National Register district triggers the creation of a corresponding local district. This local district then would provide the protections (and perhaps incentives) as noted above, leading to economic value enhancement.

Listing can add economic value to commercial properties since National Register status is a pre-requisite to using the Federal Rehabilitation Tax Credit.





National Register residential neighborhoods may command a premium if local buyers and the real estate community understand and appreciate the significance of designation.

- In real estate markets that have a level of knowledge and sophistication among both real estate professionals and buyers regarding historic properties, National Register listing can have an economic premium attached. How do you know if the local market has reached that point? When the real estate ads say, “This house is located within the XYZ National Register Historic District,” or “This house is listed in the National Register.” The broker wouldn’t pay for the extra lines in the ad if he/she didn’t believe that potential buyers responded knowingly and positively to that information.
- A common characteristic of neighborhoods—both residential and commercial—that are seen as places of sound investment is the existence of a strong citizen-based advocacy organization. Often the creation of a National Register district is a catalyst for the creation of such a citizen advocacy group. The group may have been formed for the specific purpose of getting a neighborhood listed, but once that mission is accomplished the organization expands its focus to broader neighborhood advocacy. This can have a positive affect on property values.

But perhaps it makes sense to step back briefly from the specific question, “Does National Register listing add economic value?” to a broader identification of the variables that affect value. In real estate economics there are identified the Four Forces of Value, those factors in the marketplace that push the value of a given piece of real estate—historic or otherwise—up or down. Those forces are physical, social, economic, and political. If as preservationists it is our intention to positively influence the value of

historic properties it will be necessary to knowingly bring those forces into play.

The physical force of value is the only one of the four even partially emerging from within the property lines. A leaky roof, the wrong kind of mortar, deteriorating foundation walls, sandblasted bricks are all examples of physical forces that will diminish the economic value of a building. But physical forces beyond the lot lines will also have an impact. The condition of the streets and sidewalks, the proximity of parks, levels of public maintenance, and whether nearby properties are vacant or occupied are all examples of the physical force of value over which the individual property owner has no direct control.

The social force of value is how people understand and attach importance to any given property characteristic. When more people hold historic resources “valuable” by any criteria, there will be a corresponding increase in the economic value of those resources.

The economic force of value is more complex than it may seem. If financing is more difficult to obtain for historic properties than for new properties, there will be a relative adverse impact on historic properties’ values. Adaptive re-use of historic properties, when the use for which they were built is no longer in demand, is central to the buildings having economic value. The proposed Historic Homeowners Tax Credit, by adding an economic incentive for re-investment, will add economic value.

The last of the four forces of value is political. To the extent that elected officials and other political decision makers recognize and emphasize the importance of heritage buildings and correspondingly take public policy actions to encourage appropriate rehabilitation, the economic value of historic buildings will increase.

Listing in the National Register of Historic Places does not necessarily add economic value to a given piece of real estate. Rather, National Register status can be an important catalytic tool to utilize all four forces of value. National Register listing is one of a basket of tools that can be used to assure that the economic value of historic preservation takes its rightful place among the multiple values that historic buildings contribute to American communities of every size.

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Photos by the author.



WYOMING CERTIFIED LOCAL GOVERNMENT PROGRAM

WHAT IS A CLG?

A city, town, or county that has made a commitment to support historic preservation in their community.

WHAT ARE THE BENEFITS OF CERTIFICATION?

- Grant funding
- Technical assistance
- National Register participation
- Training opportunities
- Networking opportunities
- Participation in federal consultation
- State and federal support for preservation in your community

WHAT ARE THE REQUIREMENTS?

- Maintain a historic preservation commission or board
- Enforce local preservation ordinance or resolution
- Survey and inventory historic properties
- Provide opportunities for public participation
- Submit an annual report

HOW DOES A COMMUNITY BECOME CERTIFIED?

- Pass a historic preservation ordinance or resolution
- Form a commission or board
- Complete and submit an application

<http://wyoshpo.state.wy.us/CLG/>

For more information, please contact:

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