Federal Tax Incentives for Rehabilitating Historic Buildings

Statistical Report and Analysis for Fiscal Year 2009

National Park Service
U.S. Department of the Interior
Technical Preservation Services

February, 2010

cover photo of Fort Baker, Sausalito, CA by Shannon Koy

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historic Fort Baker, California 1905

U.S. Department of the Interior, National Park Service
Heritage Preservation Services Division, Technical Preservation Services, Washington, DC

February 2010

Highlights for 2009

Private investment leveraged (estimated):	$4.69 billion
Average cost of projects:	$4.49 million
Number of approved applications (Part 2s):	1,044
Total number of housing units completed:	13,743
Housing units rehabilitated:	5,764
Housing units created:	7,979
Low and moderate income housing units created:	6,710
Average number of local jobs created per project:	68
Estimated total number of local jobs created:	70,992

Program Accomplishments 1977-2009

Number of historic rehabilitation projects certified (Part 3s):	36,481
Private investment leveraged:	$55.51 billion
Housing units rehabilitated:	217,408
Housing units created:	195,067
Low and moderate income housing units created:	104,991

Federal Tax Incentives For Rehabilitating Historic Buildings, 1977-2009

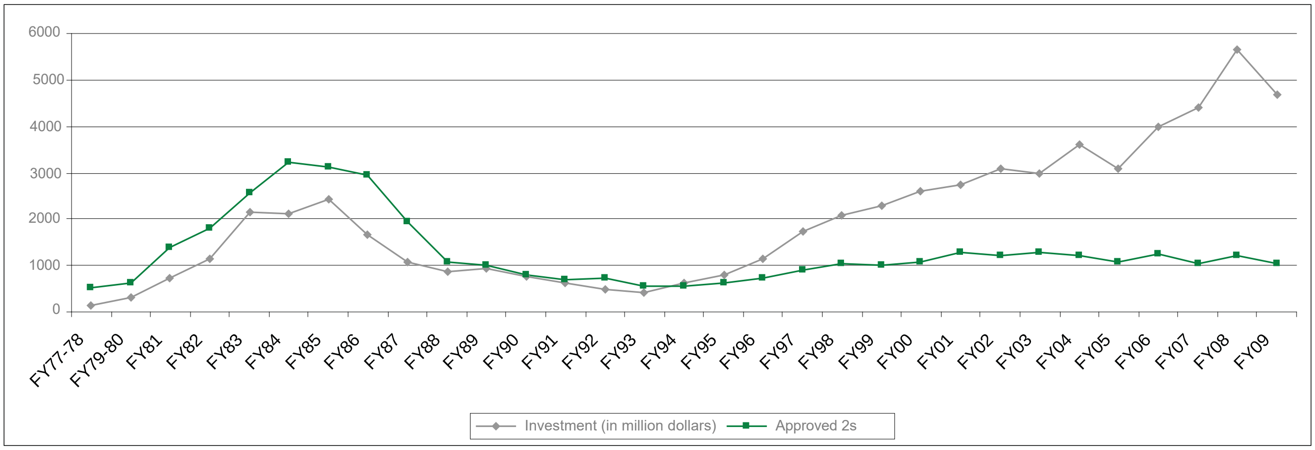

Figure 1 above shows proposed dollar investment and number of proposed projects approved by the National Park Service.

Since the passage in 1976 of the first Federal Tax Incentives for Rehabilitating Historic Buildings, there have been a number of changes in the tax laws. Notably, there was the Economic Recovery Act of 1981 which resulted in the most favorable incentives in the program's history followed by the Tax Reform Act of 1986 which reduced the historic preservation tax credits from 25% to 20% and imposed several significant restrictions on all forms of real estate investment. In the past 10 years, the amount of investment in rehabilitating historic buildings has more than doubled, outpacing inflation by nearly 75%.

Foreword

The Historic Preservation Tax Incentives Program, administered by the National Park Service (NPS) in partnership with the State Historic Preservation Offices (SHPO), is the nation's most effective Federal program to promote both urban and rural revitalization and encourage private investment in historic building rehabilitation. Since 1976, the tax incentives have spurred the rehabilitation of historic structures of every period, size, style, and type. The incentives have been instrumental in preserving the historic places that give cities, towns, and rural areas their special character, and have attracted new private investment to historic cores of cities and towns. The tax incentives also generate jobs, enhance property values, create affordable housing, and augment revenues for Federal, state, and local governments. Through this program, abandoned or under-utilized schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been restored to life in a manner that maintains their historic character.

The tax credit applies specifically to income-producing historic properties and throughout its history has leveraged many times its cost in private expenditures on historic preservation. This program is the largest Federal program specifically supporting historic preservation, and has generated over $55 billion in historic preservation activity since its inception in 1976. During fiscal year (FY) 2009, the National Park Service approved 1,044 proposed projects representing an estimated $4.69 billion of private investment being spent to restore and adapt historic buildings.

Over 36,000 projects to rehabilitate historic buildings have been undertaken in the past 33 years using the Federal historic preservation tax incentives. Rehabilitation work has taken place in all 50 states, the District of Columbia, the Virgin Islands, and Puerto Rico. The completed projects have brought new life to deteriorated business and residential districts, created new jobs and new housing, and helped to ensure the long-term preservation of irreplaceable cultural resources.

In 1986, Congress amended the Federal Tax Code, significantly reducing the Federal tax incentives for historic preservation and creating more stringent rules for their use. The result was a dramatic decline in activity. Starting in the mid-1990s, activity nationwide rebounded, reaching record highs in recent years in the amount of investment dollars. While the recent downturn in the economy in general and the real estate market in particular has had an impact on program activity in (FY) 2009, the number of approved proposed projects continued a ten-year trend by exceeding 1,000. The average proposed project investment was just under $4.5 million

(continued next page)

with a total investment of $4.6 billion, the second highest in program history.

During FY 2009, National Park Service review of project submissions continued to be undertaken by Heritage Preservation Services Division, Technical Preservation Services Branch, in Washington, DC. To enhance customer service, Technical Preservation Services maintains a Web site, <*http://www.nps.gov/history/hps/tps/index.htm*>, where applicants, State Historic Preservation Officers, and investors can check the status of projects online. In addition, the certification application, guidance on applying the Secretary of the Interior's Standards for Rehabilitation, and technical information concerning the treatment of historic buildings can be found on the National Park Service Web site.

This report was prepared by Kaaren Staveteig of Heritage Preservation Services, Technical Preservation Services Branch. Questions regarding the data and analysis discussed may be addressed to Ms. Staveteig by e-mail at <kaaren_staveteig@nps.gov>. Special thanks are due to the individuals in the National Park Service who collected the data and to Charles E. Fisher, Michael Auer, and Liz Petrella who contributed to this report.

Technical Preservation Services
February, 2010

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States By Geographic Region

for Purposes of Statistical Reporting and Analysis

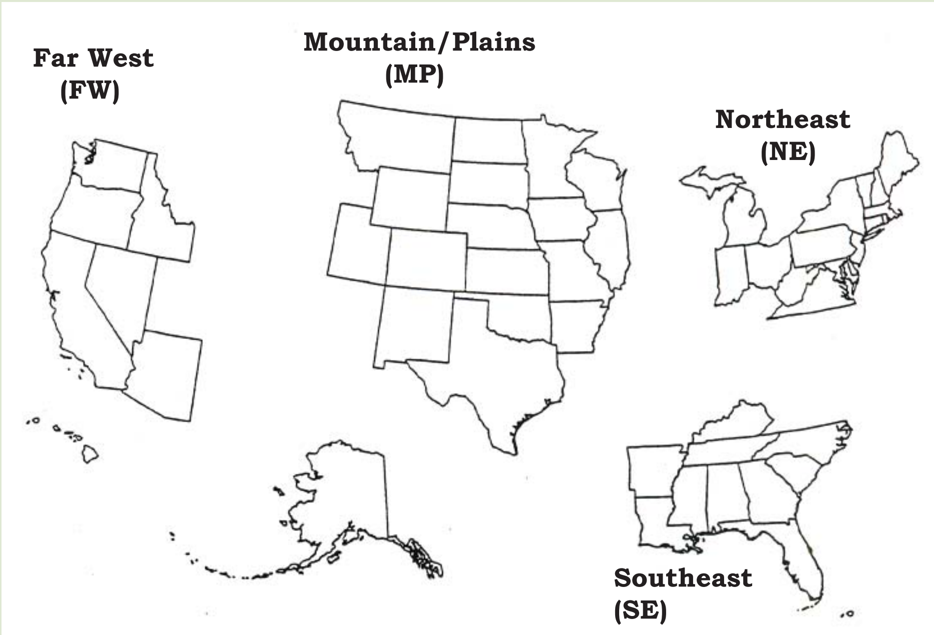

Figure 2

States listed by Geographic Regions:

Mountain/Plains:
Colorado
Illinois
Iowa
Kansas
Minnesota
Missouri
Montana
Nebraska
New Mexico
North Dakota
Oklahoma
South Dakota
Texas
Wisconsin
Wyoming
Utah

Northeast:
Connecticut
Delaware
Indiana
New Jersey
Maine
Maryland
Massachusetts
Michigan
New Hampshire
New York
Ohio
Pennsylvania
Rhode Island
Vermont
Virginia
Washington DC
West Virginia

Southeast:
Alabama
Arkansas
Florida
Georgia
Kentucky
Louisiana
Mississippi
North Carolina
Puerto Rico
South Carolina
Tennessee
Virgin Islands

Far West:
Alaska
Arizona
California
Hawaii
Idaho
Nevada
Oregon
Washington

Preservation Tax Incentives Project Activity

In fiscal year 2009, the proposed investment in rehabilitation projects was the second highest in program history, totaling $4.6 billion. This has occurred despite the 17% decrease in the number of new projects due to the nationwide downturn in the real estate market. Investment as a result of completed projects reached a record $4.5 billion, a 39% increase over the previous year's record number. With a five-to one ratio of private investment to tax credit, the Historic Preservation Tax Incentives Program remains an outstanding means of leveraging private investment in the adaptive reuse and preservation of historic buildings. The program continues to be a strong stimulus for economic recovery in older communities with the estimated average number of local jobs created per project setting a record high of 68. This represents a 23% increase over the previous year. Besides an estimated total of 70,992 jobs created in certified rehabilitations, the program set a record high in the number of low and moderate housing units that were created with 6,710 units.

Table 1: Projects & Expenses: FY 2005-2009

	FY05	FY06	FY07	FY08	FY09
Approved Projects (Part 2s)	1,101	1,253	1,045	1,231	1,044
Rehabilitation Expenses (in millions)	$3,127	$4,082	$4,346	$5,641	$4,697
Average Expense/Project (in millions)	$2.85	$3.26	$4.16	$4.58	$4.49
Maximum Amount of Credit to be Claimed (in millions)	$625	$816	$869	$1,128	$939
Average Credit/Project (approx.)	$569,721	$651,509	$831,579	$916,328	$899,938

The Roosevelt Hotel
New Orlean, LA

Preservation creates jobs

The historic Roosevelt Hotel in New Orleans, one of the South's first grand hotels, reopened it's doors in FY 2009 following a $145,000,000 rehabilitation using Federal Tax Incentives for Rehabilitating Historic Buildings. The Roosevelt's rebirth was also a milestone in the city's recovery from the August 2005 storm. Hurricane Katrina had penetrated the outer walls, soaking most guest rooms and leaving 10 feet of water in the basement. The owners had closed the hotel as a result. In August 2007 the Hilton Hotel Corporation purchased the building for $19 million, intending to add the hotel to its upscale portfolio. The hotel rehabilitation project that followed brought new jobs to the city, employing approximately 450 full-time individuals and an additional 30 part-time. When the project was complete, the hotel hired 360 full-time employees and another 50 part-time employees, a significant addition to the community job base and the city's revitalization effort.

Photo: MacRostie Historic Advisors

Estimated Future Investment

While the estimated investment amounts between FY 1989 and FY 1993 fell dramatically as a result of the 1986 changes in the tax law, this trend was reversed in FY 1994 and numbers since then have increased more than sevenfold. Estimated investment for FY 2009 totaled $4.69 billion with an average cost of $4.49 million per project. Though lower than the previous year's record, the FY 2009 figure is the second highest in the program history. Last year 17% of the total number of proposed projects were over $5 million, a record high for the program.

Table 2: Size of Estimated Rehabilitation Projects Using Historic Preservation Tax Credits (Percentage of Total)

COST	FY05	FY06	FY07	FY08	FY09
Less than $20,000	1%	1%	1%	2%	.5%
$20,000-$99,999	16%	15%	8%	15%	8%
$100,000-$249,999	21%	20%	15%	19%	17%
$250,000-$499,999	19%	16%	19%	15%	17%
$500,000-$999,999	11%	12%	15%	12%	14.5%
$1,000,000 and over	32%	36%	42%	37%	43%
TOTAL	100%	100%	100%	100%	100%

Certifications of Significance

Certifications of Historic Significance (Part 1s) are the first step in receiving preservation tax credits for rehabilitation work. A building must be individually listed in the National Register of Historic Places or be certified as contributing to a certified historic district (Part 1), in order to qualify for the 20% credit. The number of properties approved for Certification of Historic Significance in FY 2009 was 1,369, a slight increase over the previous year.

The National Park Service also certifies buildings as nonsignificant, that is not contributing to a National Register historic district. A building that has been certified as nonsignificant but was built before 1936 can qualify for a 10% tax credit if it is rehabilitated for income-producing, non-residential purposes. The NPS also can certify State or Local Historic Districts that are not in the National Register. This allows buildings in these districts to qualify for tax credits if they meet the other criteria of contributing and being income-producing, and the rehabilitation meets the Secretary of the Interior's Standards for Rehabilitation. In addition, the NPS certifies Part 1 submissions where the applicant is seeking only to take a charitable donation for a historic preservation easement. In such a case, no Part 2 or 3 submissions are necessary. The overall decrease in the number of Part 1 certifications in the past four years is attributable largely to the decrease in applications solely for charitable donations.

Table 3: Approved Certifications of Significance (Part 1s)

REGION	FY05	FY06	FY07	FY08	FY09
NE	1,164	841	690	648	657
SE	289	345	303	356	309
MP	445	362	408	317	300
FW	45	71	30	44	103
TOTAL	1,943	1,619	1,431	1,365	1,369

Approvals of Proposed Rehabilitation Work

In comparison to FY 2008, the number of approved Part 2s in FY 2009 decreased in two regions, directly accounting for the 15% decrease in the nationwide activity. The Far West region had nearly a 50% increase in the number of proposed projects while the Southeast held its own.

Table 4: Approved Proposals (Part 2s) by Geographic Regions:

REGION	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
NE	981	561	430	333	270	307	217	195
SE	555	271	321	295	214	224	145	178
MP	345	204	201	146	160	155	137	149
FW	50	56	42	40	34	33	39	38
TOTAL	1,931	1,092	994	814	678	719	538	560
REGION	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
NE	220	283	348	406	404	467	542	493
SE	204	208	219	384	315	319	408	399
MP	150	204	293	204	211	217	264	258
FW	47	29	42	42	43	62	62	52
TOTAL	621	724	902	1,036	973	1,065	1,276	1,202
REGION	FY03	FY04	FY05	FY06	FY07	FY08	FY09	
NE	642	558	467	543	454	574	463	
SE	320	286	217	289	252	251	251	
MP	272	319	379	341	301	371	279	
FW	36	37	38	80	38	35	51	
TOTAL	1,270	1,200	1,101	1,253	1,045	1,231	1,044	

our cover photo

Fort Baker, Sausalito, CA

Preservation is sustainability

In 2009, a major rehabilitation project was completed at historic Fort Baker, a former army post in the Marin Headlands near Sausalito, CA. Using the Federal Tax Incentives for Rehabilitating Historic Buildings, a private investment group successfully integrated historic preservation, modern amenities, life/safety improvements, and green performance to create an award winning project.

Photos: Shannon Koy

First used for coastal defense of San Francisco Bay in the late 19th century, permanent buildings for Fort Baker were initially constructed between 1902 and 1910 and remained an active military post until the mid-1990s. By 2001, the transfer of the decommissioned site to the National Park Service was completed. Now part of the Golden Gate Recreation Area, the historic fort encompasses 91 acres surrounding a parade ground and a collection of over two dozen historic military buildings.

The National Park Service and a private investment entity, the Fort Baker Retreat Group, began working together in 2006 to convert a portion of the military base to a first-class retreat and conference center, Cavallo Point - the Lodge at the Golden Gate. Plans called for the post's main barracks buildings to be converted into assembly, dining, and office spaces; the officer's housing into 68 guest rooms; and various other structures into buildings that could provide modern and sustainable support services.

During the rehabilitation, the exteriors of 27 historic buildings were sensitively repaired and a significant percentage of the historic interior features and fabric, including pressed tin ceilings, cast-iron columns, stairs, fireplaces, and built-in wood cabinets, were preserved. The historic windows were repaired and made operable again to allow in fresh bay breezes and eliminate the need for air conditioning. Porches and verandahs were rebuilt on the barracks buildings using early photographs and physical evidence for the design. The parade ground was cleared of later alterations and taken back to its 1939 appearance. Research to determine the most appropriate vegetation was undertaken.

In the laundry facility, a filtering system was introduced to reduce water use by about 60%. This contributed to an overall 30% water-use reduction for the project. New construction sited on the footprints of noncontributing buildings that had been removed provided 74 new guest rooms. Energy saving systems were chosen as well as green building materials, including insulation made from recycled denim and environmentally friendly paints and carpets. The National Park Service certified the rehabilitation work at this newest National Park lodge.

Certified Rehabilitation Projects

Certifications of completed projects (Part 3s), are issued only when all work has been finished on a certified historic building. These approvals are the last administrative actions taken by the National Park Service where taxpayers are eligible for the 20% tax credit. For the thirteenth time in fourteen years, the Northeast region led the nation in certified projects (Part 3s). The Mountain/Plains, Southeast, and Far West regions followed respectively.

Table 5: Certification of Completed Work (Part 3s) by Region: FY 2009

REGION	NE	SE	MP	FW	TOTAL
Number	323	192	240	51	100%
Percent	40%	24%	30%	6%	100%

Project work may extend over more than one fiscal year, which accounts for some of the discrepancy in proposals received and completed. Other factors include projects withdrawn, or projects whose approval is pending. The National Park Service makes final decisions on certification within 30 days of receipt of a complete application. However, more time may be required if the initial information provided by the owner is not sufficient.

Table 6: Comparisons of Proposals Received & Approved with Projects Completed & Certified: FY 2005-2009

	FY05	FY06	FY07	FY08	FY09
Part 2s Received	1,282	1,234	1,228	1,278	1,138
Part 2s Approved	1,101	1,253	1,045	1,231	1,044
Part 3s Received	889	1,071	936	903	849
Part 3s Approved	813	1,052	908	830	806

Table 7: Summary of Regional Rehabilitation Activity for FY 2009

	NE	SE	MP	FW	TOTAL
Part 2s Received	511	259	319	49	1,138
Part 2s Approved	464	250	279	51	1,044
Part 3s Received	341	203	258	47	849
Part 3s Approved	323	192	240	51	806
Certified Investment (in millions)	$2,157.82	$1032.26	$896.64	$452.43	$4,539.16

The table above summarizes national rehabilitation activity by region. During FY 2009, more Part 2s and Part 3s were received from the Northeast than any other region. This region also accounted for the most Part 2s and Part 3s approved in FY 2009. The Northeast region still dominates in total certified investment, accounting for nearly one-half (47%) of all project dollars.

Private-sector investment is estimated on the Part 2 application which is submitted for approval of proposed rehabilitation work. While work is supposed to be completed within 24 months, projects can be phased under a special 60-month provision or otherwise delayed because of financing or other reasons. Thus, estimated investment cannot be relied upon for actual costs in any given year or even for any given activity. Certified investment, reported on the Part 3 form, represents the amount actually claimed as qualifying costs associated with the rehabilitation and does not include new construction costs.

Table 8: Investment Since the Tax Reform Act of 1986

	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93
Estimated Investment (in millions)	$1,661	$1,083	$865	$927	$750	$608	$491	$468
Certified Investment (in millions)	N/A	N/A	N/A	N/A	N/A	N/A	$735	$547
	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Estimated Investment (in millions)	$641	$812	$1,130	$1,720	$2,085	$2,303	$2,602	$2,737
Certified Investment (in millions)	$483	$569	$757	$688	$694	$945	$1,676	$1,663
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Estimated Investment (in millions)	$3,272	$2,733	$3,877	$3,127	$4,082	$4,346	$5,641	$4,697
Certified Investment (in millions)	$2,110	$2,859	$2,204	$2,491	$2,776	$2,988	$3,272	$4,539

Investment by Region

Estimated Investment

While there was a decrease last year in estimated investment in all four regions, both the Northeast and Southeast totals exceeded all but the previous year's record high. As a result, the $4.69 billion estimated investment in FY 2009 was the second largest ever for the program.

The highest percentage of investment in rehabilitation continues in the Northeast region, which has the largest number of historic resources listed in the National Register of Historic Places.

Certified Investment

In FY 2009, the investment in certified projects was the highest in the history of the program and even exceeded by 39% the previous year's record number. All but the Mountain/Plains region set new record totals for certified investment. The national average cost per completed project was $5,631,151.

Table 9: Estimated Regional Investment (in millions) FY 1987-2009

	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98
NE	610	550	476	357	422	144	178	353	427	444	849	1,249
SE	163	74	218	135	41	84	18	152	122	240	245	355
MP	229	207	143	184	82	111	129	94	233	287	521	356
FW	82	35	90	74	65	152	81	42	30	159	113	124
TOTAL	1,084	866	927	750	610	491	406	641	812	1,130	1,728	2,085
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	
NE	990	1,571	1,248	1,401	1,264	1,718	1,331	2,046	2,037	2,844	2,494	
SE	355	195	520	467	408	376	453	427	541	944	709	
MP	709	666	632	1,146	793	1,090	1,252	1,204	1,353	1,386	1,164	
FW	248	170	337	258	268	693	91	405	414	467	330	
TOTAL	2,303	2,602	2,737	3,272	2,733	3,877	3,127	4,082	4,345	5,641	4,697	

*Table 10: Estimated Regional Investment as a Percentage of Total Investment: FY 1987-2009**

	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98
NE	56%	64%	51%	48%	69%	29%	38%	55%	52%	39%	42%	60%
SE	15%	8%	24%	18%	7%	17%	17%	24%	15%	21%	16%	17%
MP	21%	24%	15%	25%	14%	22%	28%	15%	29%	25%	34%	17%
FW	8%	4%	10%	10%	11%	31%	17%	7%	4%	14%	7%	5%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	
NE	43%	60%	46%	43%	46%	44%	42%	50%	47%	50%	53%	
SE	15%	7%	19%	14%	15%	10%	15%	11%	13%	17%	15%	
MP	31%	26%	23%	35%	29%	28%	40%	29%	31%	25%	25%	
FW	11%	7%	12%	8%	10%	18%	3%	10%	9%	8%	7%	
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

*Totals may not add up to 100% due to rounding.

Regional investments set record high

For 33 years the Federal Historic Preservation Tax Incentives have spurred the rehabilitation of historic buildings all across the country. The regional breakout of certified investment for FY 2009 shows an increase in three of the four regions: the Southeast more than doubled (260%), the Far West increased by 77% and the Northeast rose by 32% accounting for the record high of $4.539 billion. All but the Mountain/Plains region established new record highs for investment.

Photo: Scott Jarson/azarchitecture.com

Photo: Bobbi Scheon, Studio B Design

Photo: Gary A. Appel, Esq.

Photo: Steve Morse

Clockwise from top left: Hanny's Building, Phoenix, AZ (Far West); German Bank, Dubuque, IA (Mountain/Plains); Sinclair Hotel, Miami Beach, FL (Southwest); and Traverse City Opera House, Traverse City, MI (Northeast).

Table 11: Regional Share of Certified Investment (in millions): FY 2005-2009

	FY05	FY06	FY07	FY08	FY09
NE	$1,190 (48%)	$1,466 (53%)	$1,411 (46%)	$1,631 (50%)	$2,157 (48%)
SE	$403 (16%)	$494 (18%)	$434 (14%)	$287 (9%)	$1,032 (22%)
MP	$561 (23%)	$669 (24%)	$951 (32%)	$1,099 (33%)	$896 (20%)
FW	$337 (13%)	$147 (5%)	$242 (8%)	$255 (8%)	$452 (10%)
TOTAL	$2,491 (100%)	$2,776 (100%)	$2,988 (100%)	$3,272 (100%)	$4,539 (100%)

The regional share of certified investment, indicative of the final cost of the rehabilitation work, is shown in table 11. The Northeast continues to dominate the country with 48% of the nation's total. Investment in the Southeast region more than doubled over the previous year while the Far West also saw increased activity. The Mountain/Plains dropped in its total certified investment by 18%. All but the Mountain/Plains region established new record highs for investment in certified rehabilitations.

Activity Investment on a State-by-State Basis

Comparisons of state-by-state activity may be made by referring to the lists in the Appendices. Project activity occurred in all 50 states, and Washington, DC with only Puerto Rico and the Virgin Islands reporting no rehabilitation projects in FY 2009. Appendix B shows state ranking by approved proposals (Part 2s). In FY 2009, Missouri remained in the top spot for the most approved projects. The four states with the most rehabilitation activity were Missouri (168), Virginia (147), North Carolina (72), and Maryland (55). Six of the ten states with the most proposed preservation activity are in the Northeast region (VA, MD, OH, PA, MA, and VT); three are in the Southeast region (LA, NC, and KY); and one in the Mountain Plains (MO).

Twenty states and the District of Columbia had more proposed projects approved in FY 2009 than in FY 2008. These states were Alaska, Arizona, Colorado, District of Columbia, Delaware, Florida, Georgia, Hawaii, Iowa, Kentucky, Maryland, Minnesota, Missouri, North Carolina, New Jersey, New York, Oklahoma, Texas, Virginia, Vermont, and Washington.

(continued page 14)

A.J. Lindemann & Hoverson Showroom & Warehouse
Chicago, IL

Preservation is green

Photos: Greg Lapinsky

The recent rehabilitation of the A.J. Lindemann & Hoverson Showroom and Warehouse in Chicago, Illinois is a good example of how a project can benefit from two national programs—Federal Tax Incentives for Rehabilitating Historic Buildings and LEED (Leadership in Energy and Environmental Design) certification. Built in 1824 for the Chicago headquarters of the A.J. Lindemann & Hoverson Company, manufacturers of a wide range of heating devices and kitchen appliances, the building was designed to provide a duel function—a showroom on the ground floor and storage on the upper floors. The entry lobby and showroom are the most notable interior spaces with walls of gleaming, white-glazed terra cotta tile, decorative freizes, and ornamental plaster crown moldings which can be seen through the large display windows along Washington Street.

Beginning in 2008, LK Growth LLC and Bold Development LLC undertook a major rehabilitation project introducing a mixed use program of retail and residential. They applied for Federal tax credits and were certified by maintaining the historic character of the building's exterior and interior, including significant finishes and features throughout.

The project also attained a Silver LEED rating by incorporating a wealth of "greenification" designed to conserve natural resources, decrease greenhouse emissions, and provide for a healthy residential/work environment. High-efficiency HVAC systems with heat exchangers were installed along with the use of formaldehyde-free kitchen cabinets, low VOC paint, and carpeting. Additionally, new "green elevators" were installed, saving 70% of the energy over traditional elevators, and low-volume plumbing fixtures were selected to reduce water consumption. A green roof with a "Herb Garden Boardwalk" was also created. The development team was able to achieve a 92% revenue generating floor plate on the residential units and full-residential occupancy within 7 months of opening in 2009.

When states are ranked by the number of completed projects certified (Part 3s) in FY 2009, Missouri remained on top while Virginia held second place—both have piggyback state tax credit programs. Appendix C ranks the states in descending order by the number of certified projects.

For certified projects (Part 3s), states ranking by investment dollars in FY 2009 (Appendix D), finds Virgnia on top with $471 million. Of the 25 most active states, nine states more than doubled their investment dollars in FY 2009 (IN, LA, FL, MI, CA, DC, OR, WI, and ME).

Denials and Appeals

Projects are denied certification by the National Park Service if they are found not to meet the Secretary of Interior's Standards for Rehabilitation. Meeting the Standards is required to ensure that the historic character of the building is retained, a primary purpose of the preservation tax credit. The Internal Revenue Service disallows the tax credit for projects without certification. If a project is denied certification, the owner may appeal the decision to the National Park Service's Chief Appeals Officer.

In FY 2009, 1,369 certifications of significance (Part 1s) were approved, and 28 were denied. That same year, 54 rehabilitation projects were denied certification (Part 2s or 3s), representing 3% of the projects reviewed.

Thirty-two denials were appealed to the Chief Appeals Officers in FY 2009 with twenty-eight heard by the Chief Appeals Officer. (Appeals are not necessarily heard in the same fiscal year as the projects were denied. The data presented here refers to appeals heard during FY 2009.) Thirty appeals were decided during the year. Of these, four denials were overturned, nine were upheld outright, and seventeen were upheld with conditions. The ruling to uphold a denial decision with conditions allows the developer/owner the option to make changes to bring the project into conformance with the Secretary of the Interior's Standards and then resubmit the project for further consideration.

Table 12: Denials and Appeals Parts 2s and 3s: FY 2000-2009

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Initial Denials	57	51	52	51	46	45	48	52	43	54
Appeals Decisions	21	27	29	30	18	24	20	23	19	30

Ownership of Certified Rehabilitation Projects

Information collected from the User Profiles and Customers Satisfaction Questionnaires sent to property owners indicates that the limited liability company form of ownership is the most common and is used in over half of all projects.

Table 13: Type of Ownership in FY 2009

Individual	Corporation	General partnership	Limited partnership	Limited liability company	TOTAL
18	9	3	13	57	100%

Ownership and Size of Completed Projects

Table 14 shows the breakout of projects by the amount of investment developed under each type of ownership. The largest groups investing in tax incentive projects in FY 2009 were limited liability companies with 57% of all projects, individuals with 18%, and limited partnerships with 13%. A wide distribution of project valuation was posted in FY 2009 with the $20,000 - $99,999 range accounting for 8%; the $100,000 - $249,000 range comprising 14.5%; and $250,000 - $499,999 range accounting for 9.5%; the $500,000 - $999,999 range accounting for 14.5%, and projects costing more than $1,000,000 making up 53.5% of the total projects rehabilitated within the program.

Table 14: Size of Projects By Ownership Type as a Percentage of All Reported in FY 2009

Owner	<$20,000	$20,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	>$1,000,000	TOTAL
Individual	0	6.5	6	1.5	2.5	1.5	18
Corporation	0	0	1	1	2	5	9
General partnership	0	0	0	1	1	1	3
Limited partnership	0	0	1	2	0	10	13
Limited liability co.	0	1.5	6.5	4	9	36	57
TOTAL	0	8	14.5	9.5	14.5	53.5	100%

Table 15: Comparison of Percentage of Projects in Each Size Category: FY 2005-2009

	<$20,000	$20,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	>$1,000,000	TOTAL
FY09	0%	8%	12.5%	9.5%	15%	55%	100%
FY08	0%	5%	15%	17%	10%	53%	100%
FY07	1%	7.5%	12%	18%	17.5%	44%	100%
FY06	1%	7%	18%	22%	11%	41%	100%
FY05	1%	11%	21%	20%	12%	35%	100%

Primary Uses of Rehabilitated Properties

The following table (Table 16) shows the final primary use of projects certified over the past five fiscal years. Of projects reporting housing as a final primary use on the voluntary data sheets, 36% were for multiple-family housing.

Table 16: Uses of Certified Rehabilitation Projects: FY 2005-2009

	FY05	FY06	FY07	FY08	FY09
Housing	46%	45%	45%	40%	36%
Office	24%	22%	21%	23%	25%
Commercial	27%	23%	27%	34%	31%
Other	3%	10%	7%	3%	8%

Table 17: Percentage of Projects Listing Uses After Rehabilitation by Region in FY 2009

	Housing	Office	Commercial	Other	Total
NE	46%	14%	29%	11%	100%
SE	41%	21%	27%	11%	100%
MP	53%	14%	31%	2%	100%
FW	25%	23%	29%	23%	100%

Record number of affordable housing units created

Besides preserving historic buildings and promoting community revitalization, the Federal Tax Incentives for Rehabilitating Historic Buildings Program has led to the creation of more than 100,000 low and moderate income housing units. Over the years, the number of affordable housing units has continued to rise. In 1993, only 19% of the total 8,286 housing units completed that year aided by the historic tax credits were specifically targeted for affordable housing. In FY 2009, a record number of 6,710 low and moderate-income housing units, representing 49% of the total 13,743 housing units, were completed.

Photo: Tonkin/Hoyne Architecture & Urban Design

In Spokane, WA, the Peck and Hills Furniture Company building, an early twentieth century warehouse, was converted to residential use with 50 affordable housing units. Developed by the Spokane Housing Authority and DBA Northeast Washington Housing Solutions, the $11.4 million project included provisions for resident parking in the basement, a community room, exercise room, and laundry room. On the exterior, the work focused on preserving historic elements, including the original steel sash and stucco siding. Great care was also taken to keep the interior structural members exposed thereby retaining the industrial character while at the same time creating attractive and livable loft apartments.

Pacesetter Gardens in Riverdale, IL, an early 1960s affordable housing community, has also been revitalized using Federal Tax Incentives for Rehabilitation Historic Buildings. Originally designed by architect and developer Harry M. Quinn, these rowhouses received national media attention upon their completion a half century ago not only for their contemporary design but for the opportunity for families to acquire a single family home through a rent-to-own option. The community fell into disrepair over the years and in 2007 Holsten Real Estate Development Corporation moved in to rehabilitate the historic rowhouses. Important historic features and finishes in the 89 units were preserved including many of the historic aluminum windows, doors, and hardware. The colorful siding and metal window shutters were replicated to recapture the community's historic appearance.

Photo: Kaaren Staveteig, NPS

When using Federal Tax Incentives for Rehabilitating Historic Buildings, affordable housing projects can bring life back into disinvested communities or bolster the ongoing vitality of historic neighborhoods as well as of the businesses and institutions that serve them.

Housing and Preservation

The Historic Preservation Tax Incentives Program has been an invaluable tool in both the revitalization of historic communities and neighborhoods and in the increased public awareness of the importance of preserving tangible links to the nation's past. In many cases, rehabilitation of one key building has resulted in rehabilitation of adjacent buildings. Housing has been the single most important use for rehabilitated historic buildings under the Historic Preservation Tax Incentives Program. Over the past decade, between 37% and 62% of the projects have included housing. Since the program began, 217,408 housing units have been rehabilitated and 195,067 new units have been created. In FY 2009, 13,743 housing units were completed, including 5,764 housing units rehabilitated and 7,979 new units created. Table 18 on page 19 shows the total number of housing units completed, including those rehabilitated and new housing built during the past decade.

One of the objectives of the program is the retention of affordable housing in historic districts, particularly for longtime residents. Various Department of Housing and Urban Development (HUD) programs, such as the low-income housing tax credits, have been used by private investors in conjunction with preservation tax credits to achieve this goal. Using the Historic Preservation Tax Incentives program over the past 33 years, applicants have created 104,991 low and moderate income housing units. Data from the User Profile and Customer Satisfaction Questionnaire show that in FY 2009, 5.5% of the respondents used the low-income rental housing credit.

Table 18: Historic Rehabilitation Projects Involving Housing: FY 2000-2009

	Total Number of Housing Units Completed	Number of Units Rehabilitated	Number of Units Created	Total Number of Low/Moderate Units	Percentage of Low/Moderate Units to Total Number of Housing Units Completed
FY09	13,743	5,764	7,979	6,710	49%
FY08	17,051	6,659	10,392	5,220	31%
FY07	18,006	6,272	11,734	6,553	36%
FY06	14,695	6,411	8,284	5,622	38%
FY05	14,438	5,469	8,969	4,863	34%
FY04	15,784	5,738	10,046	5,357	34%
FY03	15,374	5,715	9,659	5,485	36%
FY02	13,886	5,615	8,271	5,673	41%
FY01	11,546	4,950	6,596	4,938	43%
FY00	17,266	5,740	11,530	6,668	38%

Rock Hill Cotton Factory Rock Hill, SC

Piggybacking the credits

Photo: Alice Davis

Dramatic declines in investment and applications for new projects seeking Federal Tax Incentives for Rehabilitating Historic Buildings followed the changes in the Federal tax law of 1986. In response to this drop and in an effort to promote economic growth and the reuse of historic buildings, many states have passed legislation providing for state tax incentives for rehabilitating historic structures which can be piggybacked with the Federal credit. Since 1993, these credits have helped contribute to a 125% increase in the number of new projects at the Federal level and a record level of private investment in rehabilitation. In fiscal year 2009, 37.5% of the projects certified by the National Park Service included the use of state tax credits.

State historic tax incentives are structured in a variety of ways. For instance, the State of South Carolina offers a 10% credit to owners of historic buildings who successfully qualify for the Federal tax credits. For projects such as the Rock Hill Cotton Factory in Rock Hill, SC, there is an additional credit available against local property taxes or state income tax equal to 25% of the rehabilitation expenses for the redevelopment of an abandoned building previously used as a textile manufacturing facility.

Built in 1881, the Rock Hill Cotton Factory was the first steam-driven textile mill in South Carolina. Barwick & Associates began a rehabilitation project in 2006, converting the underutilized 90,000 square foot mill into a mix of office and commercial spaces. The project met the Secretary of the Interior’s Standards for Rehabilitation and was certified by the National Park Service in 2009.

The owners were able to use the state credits as well as the New Market Tax Credits, a 39% reduction of eligible renovation costs applied toward federal income taxes. In the end their permanent debt totaled just $5.6 million against a $13 million project.

Use of Additional Incentives and Funding Assistance

Using historic preservation investment tax credits generally does not preclude the use of other Federal, state, or local funding sources, or other programs designed to encourage rehabilitation. Information from the User Profile and Customer Satisfaction Questionnaire indicates that 91% of the projects used one or more forms of additional incentive or publicly-supported financing in FY 2009. Of the additional incentives, 37.5% utilized state historic preservation tax incentives and 5.5% used the low-income housing credit. Other incentives included the HUD programs such as HOME, Insured Loan Programs and the Community Development Block Grant (CDBG); New Market Tax Credit Program (NMTC); Tax Increment Financing (TIF); Brownfields Economic Development Initiative Grant; and USDA Rural Development Loan Programs. Local property tax/ad valorum tax abatement was used by 14.5% of the respondents, and low interest loans through their cities were obtained by 6%.

*Table 19: Other Incentives Used In Addition to Preservation Tax Credits in FY 2009**

None	9%
Low-income Rental Housing Credits (1986 Tax Reform Act)	5.5%
Local Property Tax/Ad Valorum Tax Abatement	14.5%
Historic Preservation Easement	2%
Facade Grant Program	5.5%
State Historic Preservation Tax Incentives	37.5%
HUD Program	5%
Low Interest Loan	6%
Local Historic Preservation Tax Credits	3%
Other	12%

*Many projects used more than one type of program. This is reflected in the percentage rates above. This data is taken from the questionnaire voluntarily returned by property owners.

State Historic Preservation Tax Incentives

Many states offer state tax incentives of various kinds for preservation rehabilitation projects. Over 37% of the projects receiving Part 3 certification also used state historic tax credits in FY 2009. At least 28 states offer state income tax credits, including: Colorado, Connecticut, Delaware, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Ohio, South Carolina, Utah, Vermont, Virginia, West Virginia, and Wisconsin. Property tax relief is available for qualified projects through statewide programs in Alabama, Arizona, Georgia, Illinois, Indiana, Nebraska, Michigan, Oregon, and South Dakota. Half of the states offer property tax relief as a local option. These states include: Alaska, California, Delaware, Florida, Hawaii, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New York, North Carolina, North Dakota, South Carolina, Texas, Virginia, and Washington.

Appendix A: Alphabetical List of State Activity in FY2009

State	Part 1 R*	Part 2 R*	Part3 R*	Part 1 A**	Part 2 A**	Part 3 A**	Certified Expense	Average Expense
AK	1	2	2	1	2	2	$21,716,615	$10,858,307
AL	18	5	7	19	4	6	$15,073,192	$2,512,198
AR	4	5	5	4	6	5	$29,382,032	$5,876,406
AZ	3	4	3	4	4	4	$10,568,659	$2,642,164
CA	11	17	28	17	17	31	$260,298,399	$8,396,722
CO	10	10	5	10	4	3	$1,178,575	$392,858
CT	12	6	2	12	4	2	$1,425,252	$712,626
DC	35	6	5	33	5	7	$146,678,296	$20,954,042
DE	1	3	2	1	4	4	$8,087,866	$2,021,966
FL	18	14	12	18	14	12	$332,744,499	$27,728,708
GA	31	30	21	31	29	18	$17,293,282	$960,737
HI	0	13	0	70	14	0	$0	$0
IA	29	30	12	32	26	11	$43,886,207	$3.989,655
ID	1	1	1	1	0	1	$1,832,855	$1,832,855
IL	22	4	14	24	6	14	$124,715,780	$8,908,270
IN	14	17	6	15	13	6	$134,377,944	$22,396,324
KS	17	21	16	20	15	16	$57,671,709	$3,604,481
KY	52	46	33	71	46	25	$45,098,341	$1,803,933
LA	59	44	41	54	46	43	$383,241,556	$8,912,594
MA	46	36	20	45	38	17	$241,892,094	$14,228,946
MD	61	63	32	62	55	31	$158,588,155	$5,115,746
ME	14	4	5	12	3	6	$49,121,071	$8,186,845
MI	34	24	28	36	21	25	$327,042,806	$13,081,712
MN	6	5	6	6	6	4	$18,659,252	$4,664,813
MO	161	194	163	161	168	149	$400,984,058	$2,727,782
MS	28	25	15	23	22	11	$6,205,418	$564,128
MT	5	2	1	5	3	1	$1,534,503	$1,534,503
NC	62	70	52	67	72	59	$124,890,527	$2,116,788
ND	0	0	0	0	0	0	$0	$0
NE	3	4	0	4	5	1	$1,640,588	$1,640,588
NH	1	1	1	1	1	1	$16,315,908	$16,315,908
NJ	4	7	2	4	3	2	$12,460,000	$6,230,000
NM	1	2	0	1	2	0	$0	$0
NV	0	1	1	0	1	0	$0	$0
NY	88	38	37	84	32	36	$160,068,020	$4,446,333
OH	65	37	11	71	46	15	$103,461,481	$6,897,432
OK	6	5	3	9	8	1	$4,342,526	$4,342,526
OR	6	6	8	7	9	7	$114,049,875	$16,292,839
PA	48	47	33	50	39	29	$124,001,673	$4,275,919
PR	0	0	0	0	0	0	$0	$0
RI	10	10	20	11	11	21	$179,205,335	$8,533,587
SC	13	7	9	9	3	8	$66,214,918	$8,276,864
SD	8	5	4	7	5	5	$6,358,605	$1,271,721
TN	14	13	8	12	9	5	$41,319,697	$8,263,939
TX	6	12	10	7	12	13	$154,701,686	$11,900,129
UT	5	5	4	4	3	5	$20,152,366	$4,030,473
VA	185	173	121	179	147	103	$471,197,362	$4,619,581
VI	1	0	0	0	0	0	$0	$0
VT	27	34	10	28	34	11	$12,114,079	$1,101,279
WA	5	5	4	4	4	6	$43,965,999	$7,327,666
WI	12	17	19	11	16	16	$59,852,725	$3,740,795
WV	131	8	8	14	8	7	$11,782,622	$1,683,231
WY	0	0	1	0	1	1	$975,000	$975,000
	1277	1138	849	1369	1044	806		

* Received ** Approved

Appendix B: States Ranked by Approved Proposals (Part 2s) in FY2009

Rank	State	Part 2 Approved
1	MO	168
2	VA	147
3	NC	72
4	MD	55
5	LA	46
5	OH	46
6	KY	45
7	PA	39
8	MA	38
9	VT	34
10	NY	32
11	GA	29
12	IA	26
13	MS	22
14	MI	21
15	CA	17
16	WI	16
17	KS	15
18	FL	14
18	HI	14
19	IN	13
20	TX	12
21	RI	11
22	OR	9
22	TN	9
23	OK	8
23	WV	8
24	AR	6
24	IL	6
24	MN	6
25	DC	5
25	NE	5
25	SD	5
26	AL	4
26	AZ	4
26	CO	4
26	CT	4
26	DE	4
26	WA	4
27	ME	3
27	MT	3
27	NJ	3
27	SC	3
27	UT	3
28	AK	2
28	NM	2
29	NH	1
29	NV	1
29	WY	1
30	ID	0
30	ND	0
30	PR	0
30	VI	0

Appendix C: States Ranked by Certified Projects (Part 3s) in FY2009

Rank	State	Part 3
1	MO	149
2	VA	103
3	NC	59
4	LA	43
5	NY	36
6	CA	31
6	MD	31
7	PA	29
8	MI	25
9	KY	24
10	RI	21
11	GA	18
12	MA	17
13	KS	16
13	WI	16
14	OH	15
15	IL	14
16	TX	13
17	FL	12
18	IA	11
18	MS	11
18	VT	11
19	SC	8
20	DC	7
20	OR	7
20	WV	7
21	AL	6
21	IN	6
21	ME	6
21	WA	6
22	AR	5
22	SD	5
22	UT	5
23	AZ	4
23	DE	4
23	MN	4
23	TN	4
24	CO	3
25	AK	2
25	CT	2
25	NJ	2
26	ID	1
26	MT	1
26	NE	1
26	NH	1
26	OK	1
26	WY	1
27	HI	0
27	ND	0
27	NM	0
27	NV	0
27	PR	0
27	VI	0

Appendix D: States Ranked by Certified Expenses in FY2009

Rank	State	Part 3 Approved	Certified expense
1	VA	103	$471,197,362
2	MO	149	$400,984,058
3	LA	43	$383,241,556
4	FL	12	$332,744,499
5	MI	25	$327,042,806
6	CA	31	$260,298,399
7	MA	17	$241,892,094
8	RI	21	$179,205,335
9	NY	36	$160,068,020
10	MD	31	$158,588,155
11	TX	13	$154,701,686
12	DC	7	$146,678,296
13	IN	6	$134,377,944
14	NC	59	$124,890,527
15	IL	14	$124,715,780
16	PA	29	$124,001,673
17	OR	7	$114,049,875
18	OH	15	$103,461,481
19	SC	8	$66,214,918
20	WI	16	$59,852,725
21	KS	16	$57,671,709
22	TN	5	$54,132,233
23	ME	6	$49,121,071
24	KY	25	$45,098,341
25	WA	6	$43,965,999
26	IA	11	$43,886,207
27	AR	5	$29,382,032
28	AK	2	$21,716,615
29	UT	5	$20,152,366
30	MN	4	$18,659,252
31	GA	18	$17,293,282
32	NH	1	$16,315,908
33	AL	6	$15,073,192
34	NJ	2	$12,460,000
35	VT	11	$12,114,079
36	WV	7	$11,782,622
37	AZ	4	$10,568,659
38	DE	4	$8,087,866
39	SD	5	$6,358,605
40	MS	11	$6,205,418
41	OK	1	$4,342,526
42	ID	1	$1,832,855
43	NE	1	$1,640,588
44	MT	1	$1,534,503
45	CT	2	$1,425,252
46	CO	3	$1,178,575
47	WY	1	$975,000
48	HI	0	$0
49	ND	0	$0
50	NM	0	$0
51	NV	0	$0
52	PR	0	$0
53	VI	0	$0