Federal Tax Incentives for Rehabilitating Historic Buildings

Statistical Report and Analysis for Fiscal Year 2010

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

December, 2010

On the cover: The Ford Richmond Plant, formally the Ford Motor Company Assembly Plant, in Richmond, California, was the largest assembly plant for civilian automobiles to be built on the West Coast. During World War II, production lines were retooled to support the assembly of jeeps, tanks, half-tracked armored personnel carriers, armored cars, and other military vehicles, aiding the United States' war effort. The plant is now a part of the National Park Service's Rosie the Riveter/World War II — Home Front National Historical Park. Cover photograph by Neil Mishalov, Berkeley, California.

Federal Tax Incentives for Rehabilitating Historic Buildings

Statistical Report and Analysis for Fiscal Year 2010

General Stuart Light Tanks at the Ford Assembly Building, awaiting shipment to the Pacific Theater of War. *Photo courtesy of the Richmond Museum of History Collection.*

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

December 2010

Highlights for 2010

Private investment leveraged (estimated):	$3.42 billion
Average cost of projects:	$3.59 million
Number of approved applications (Part 2s):	951
Total number of housing units completed:	13,273
Housing units rehabilitated:	6,643
Housing units created:	6,630
Low and moderate income housing units created:	5,514
Average number of local jobs created per project:	47
Estimated total number of local jobs created:	41,641

Program Accomplishments 1977-2010

Number of historic rehabilitation projects certified (Part 3s):	37,364
Private investment leveraged:	$58.93 billion
Housing units rehabilitated:	224,051
Housing units created:	201,697
Low and moderate income housing units created:	110,505

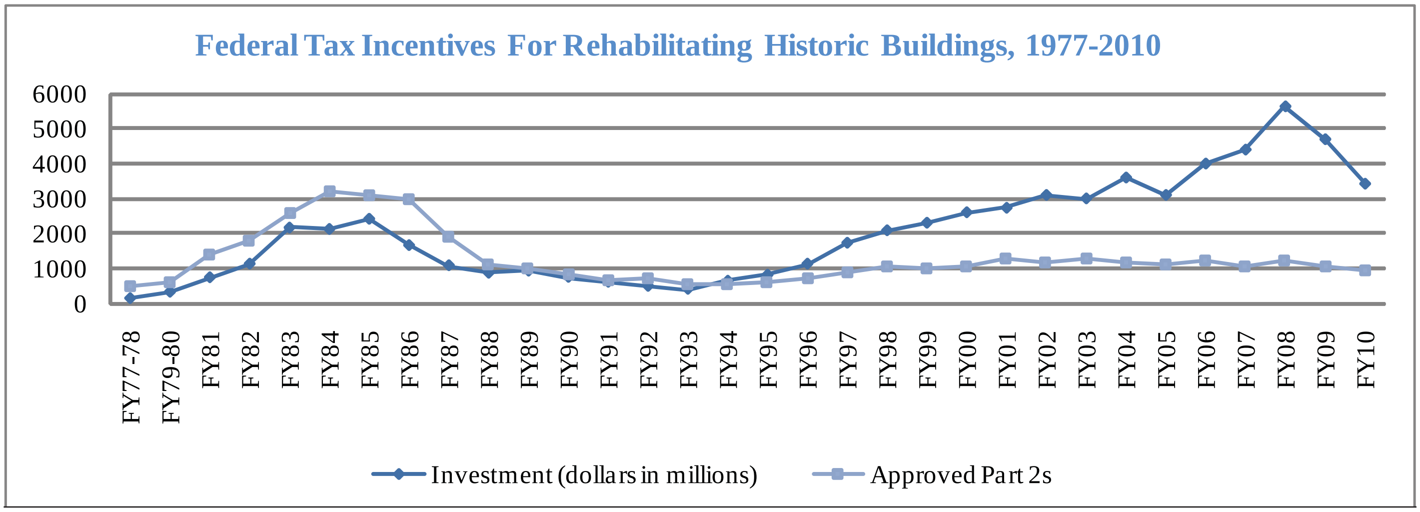


Figure 1 above shows proposed dollar investment and number of proposed projects approved by the National Park Service.

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.

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 $58 billion in historic preservation activity since its inception in 1976. During fiscal year (FY) 2010, the National Park Service approved 951 proposed projects representing an estimated $3.42 billion of investment being spent to restore and adapt historic buildings.

Over 37,000 projects to rehabilitate historic buildings have been undertaken in the past 34 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 2010, the number of completed projects increased 10% over the previous year, the fourth highest number of projects this past decade.

(continued next page)

The investment in completed projects certified in FY 2010 was $3.4 billion, the second highest in program history.

During FY 2010, 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
December, 2010

Table of Contents

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
Maine
Maryland
Massachusetts
Michigan
New Hampshire
New Jersey
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 FY 2010, the investment in completed projects was the second highest in program history, totaling $3.43 billion, as the number of completed projects increased over the previous year. Investment as a result of proposed projects was comparable at $3.42 billion, though dropping for the second straight year due to the continued nationwide downturn in the real estate market. While there was a 9% decrease in the number of new projects, 13 states actually had more proposed projects than the previous year.

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 significant stimulus for economic recovery in older communities with the estimated average number of local jobs created per project being 47. An estimated total of 41,641 jobs were created last year in certified rehabilitations across the nation.

Table 1: Projects & Expenses: FY 2006-2010

	FY06	FY07	FY08	FY09	FY10
Approved Projects (Part 2s)	1,253	1,045	1,231	1,044	951
Rehabilitation Expenses (in millions)	$4,082	$4,346	$5,641	$4,697	$3,418
Average Expense/Project (in millions)	$3.26	$4.16	$4.58	$4.49	$3.59
Maximum Amount of Credit to be Claimed (in millions)	$816	$869	$1,128	$939	$684
Average Credit/Project (approx.)	$651,509	$831,579	$916,328	$899,938	$718,885

TB Bright Farmstead, Danville, KY

An invaluable financial tool for historic building rehabilitation, the Federal tax incentives help preserve historic structures of every period, size, style, and type. Abandoned or unfertilized schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been given new life in a manner that maintains their historic character. In FY 2010, the owners of the TB Bright Farmstead in Danville, Kentucky undertook a rehabilitation project to repair their agricultural buildings including a jack mule barn, corn crib, and equipment shed. The work met the Secretary of the Interiors Standards for Rehabilitation and their project was certified by the National Park Service.

Photos: Amy Potts

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 2010 totaled $3.42 billion with an average cost of $3.59 million per project. There was little change in the size of estimated rehabilitation projects over the previous year except that 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	FY06	FY07	FY08	FY09	FY10
Less than $20,000	1%	1%	2%	.5%	.5%
$20,000-$99,999	15%	8%	15%	8%	9.5%
$100,000-$249,999	20%	15%	19%	17%	15.5%
$250,000-$499,999	16%	19%	15%	17%	17.5%
$500,000-$999,999	12%	15%	12%	14.5%	13%
$1,000,000 and over	36%	42%	37%	43%	44%
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 2010 was 983, a 28% decrease from 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 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 five years is attributable in part to the sharp decrease in applications solely for charitable donations.

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

REGION	FY06	FY07	FY08	FY09	FY10
NE	841	690	648	657	470
SE	345	303	356	309	242
MP	362	408	317	300	239
FW	71	30	44	103	32
TOTAL	1,619	1,431	1,365	1,369	983

Approvals of Proposed Rehabilitation Work

In comparison to FY 2009, the number of approved Part 2s in FY 2010 decreased in three regions, directly accounting for the 15% decrease in the nationwide activity. The Northeast region had a 1.5% increase in the number of proposed projects.

Table 4: Approved Proposals (Part 2s) by Geographic Regions: FY 1987-2010

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	FY10
NE	642	558	467	543	454	574	463	470
SE	320	286	217	289	252	251	251	230
MP	272	319	379	341	301	371	279	219
FW	36	37	38	80	38	35	51	32
TOTAL	1,270	1,200	1,101	1,253	1,045	1,231	1,044	951

Federal tax credits assisted with 9/11 recovery

Barclay-Vessey Building, (Verizon Building) New York City, NY

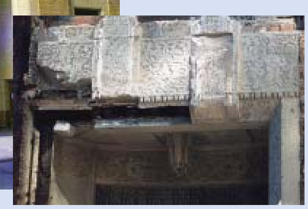
Photo: Christopher M Crans, WFC Architects

Due to its proximity to the World Trade Center in the financial district of New York City, the 32-story Barclay-Vessey Building (known also as the Verizon Building) suffered extensive exterior and structural damage as a result of the September 11, 2001 terrorist attacks--steel girders pierced the building, windows were blown out, and the basement levels flooded. The collapse of the twin towers also sent asbestos filled plaster, ceiling tiles, and fireproofing materials off in all directions. The airborne particulates and debris infiltrated the interior spaces throughout the building, affecting air handling systems, surface finishes, telecommunications equipment, and exposed surfaces.

A $69 million rehabilitation of this individually-listed National Register building, recently completed by Verizon New York Inc., was undertaken utilizing Federal tax credits for rehabilitating historic buildings. The project work included rebuilding and repairing the damaged exterior masonry and stonework--including refacing with custom-fabricated brick and the replication of the 5,000 square feet of ornamental limestone and 500 square feet of granite relief work. On the interior, all contaminated surfaces were removed and partition walls were replaced where damaged.

Verizon employees have since reoccupied the offices on the upper floors (11 and higher), while the lower floors house new telecommunications equipment. The Landmark first floor interior lobby with its vaulted ceiling and 12 hand-painted ceiling murals depicting the history of communication, and the lobby's travertine floors and Levanto marble walls were all brought back to their original appearance.

Photo: Tishman Construction



Using historic photographs, the 72-foot entrance on Washington Street and new bronze panels for the facade were carefully recreated. Photos above: MacRostie Historic Advisors, LLC

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 fourteenth time in fifteen 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 2010

REGION	NE	SE	MP	FW	TOTAL
Number	382	189	278	34	100%
Percent	43%	22%	31.5%	3.5%	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 2006-2010

	FY06	FY07	FY08	FY09	FY10
Part 2s Received	1,234	1,228	1,278	1,138	1,003
Part 2s Approved	1,253	1,045	1,231	1,044	951
Part 3s Received	1,071	936	903	849	910
Part 3s Approved	1,052	908	830	806	883

Table 7: Summary of Regional Rehabilitation Activity for FY 2010

	NE	SE	MP	FW	TOTAL
Part 2s Received	493	248	225	37	1,003
Part 2s Approved	470	230	219	32	951
Part 3s Received	401	188	282	39	910
Part 3s Approved	382	189	278	34	883
Certified Investment (in millions)	$1,799.96	$492.20	$860.61	$285.29	$3,438.06

The table above summarizes national rehabilitation activity by region. The number of Part 3 approvals was up 9.5%. During FY 2010, more Part 2s and Part 3s were received and approved from the Northeast than any other region. That same region also continues to dominate the total certified investment, accounting for nearly one-half (53%) 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	FY94
Estimated Investment (in millions)	$1,661	$1,083	$865	$927	$750	$608	$491	$468	$641
Certified Investment (in millions)	N/A	N/A	N/A	N/A	N/A	N/A	$735	$547	$483
	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Estimated Investment (in millions)	$812	$1,130	$1,720	$2,085	$2,303	$2,602	$2,737	$3,272	$2,733
Certified Investment (in millions)	$569	$757	$688	$694	$945	$1,676	$1,663	$2,110	$2,859
	FY04	FY05	FY06	FY07	FY08	FY09	FY10		
Estimated Investment (in millions)	$3,877	$3,127	$4,082	$4,346	$5,641	$4,697	$3,421		
Certified Investment (in millions)	$2,204	$2,491	$2,776	$2,988	$3,272	$4,539	$3,438		

Investment by Region

Estimated Investment

While there was a decrease last year in estimated investment in all four regions for the second straight year, still the estimated investment was the 6th highest in the program history.

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 2010, the investment in certified projects was the second highest in the history of the program, even though it was markedly lower than the previous year's record high. The national average cost per completed project was $3,893,545. While dropping from the previous year, the investment in the Far West region was 10% above its 10-year average.

Table 9: Estimated Regional Investment (in millions) FY 1987-2010

	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	FY10
NE	990	1,571	1,248	1,401	1,264	1,718	1,331	2,046	2,037	2,844	2,494	2,074
SE	355	195	520	467	408	376	453	427	541	944	709	400
MP	709	666	632	1,146	793	1,090	1,252	1,204	1,353	1,386	1,164	705
FW	248	170	337	258	268	693	91	405	414	467	330	242
TOTAL	2,303	2,602	2,737	3,272	2,733	3,877	3,127	4,082	4,345	5,641	4,697	3,421

*Table 10: Estimated Regional Investment as a Percentage of Total Investment: FY 1987-2010**

	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	FY10
NE	43%	60%	46%	43%	46%	44%	42%	50%	47%	50%	53%	60%
SE	15%	7%	19%	14%	15%	10%	15%	11%	13%	17%	15%	12%
MP	31%	26%	23%	35%	29%	28%	40%	29%	31%	25%	25%	21%
FW	11%	7%	12%	8%	10%	18%	3%	10%	9%	8%	7%	7%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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

Regional investments continue long-term trend

For 34 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 2010 reflect the long-term trend of the Northeast having the largest share and the Far West the smallest. The Mountain Plains continue to out pace the Southeast.

Photo: Michael Sullivan, Artifacts Consulting

Photo: Sunbrite Apartments, South Beach Group

Photo: Randi Richardson

Photo: John Zeller

Clockwise from top left: Bellingham National Bank Building, Bellingham, WA; Sunbrite Apartments, Miami Beach, FL; IOOF Hall, Dunlap, IA; and Miller Block, Greenville, MI.

Table 11: Regional Share of Certified Investment (in millions): FY 2006-2010

	FY06	FY07	FY08	FY09	FY10
NE	$1,466 (53%)	$1,411 (46%)	$1,631 (50%)	$2,157 (48%)	$1,799 (53%)
SE	$494 (18%)	$434 (14%)	$287 (9%)	$1,032 (22%)	$492 (14%)
MP	$669 (24%)	$951 (32%)	$1,099 (33%)	$896 (20%)	$860 (25%)
FW	$147 (5%)	$242 (8%)	$255 (8%)	$452 (10%)	$285 (8%)
TOTAL	$2,776 (100%)	$2,988 (100%)	$3,272 (100%)	$4,539 (100%)	$3,438 (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 53% of the nation's total reflecting, in part, the large number of historic buildings in the region potentially eligible for historic preservation tax incentives. The Mountain Plains increased by 5 percent while the Southeast dropped the largest percentage (8%).

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 49 states, Washington, DC, and the Virgin Islands with only Nevada and Puerto Rico reporting no rehabilitation projects in FY 2010.

Appendix B shows state ranking by approved proposals (Part 2s). In FY 2010, Virginia claimed the top spot for the most approved projects. The four states with the most rehabilitation activity were Virginia (156), Missouri (113), Ohio (76), and Louisiana (56). Six of the eleven states with the most proposed preservation activity are in the Northeast region (VA, OH, MA, NY, MI, and MD); three are in the Southeast region (LA, NC, and KY); and two in the Mountain Plains (MO and KS).

Thirteen states had more proposed projects approved in FY 2010 than in FY 2009. These states were Alaska, Arkansas, Connecticut, Illinois, Kansas, Louisiana, Massachusetts, Michigan, New York, Ohio, Oklahoma, Virginia, and Wyoming.

Preservation is green

Old Hilton Hotel, Albuquerque, NM

Photos: Hotel Andaluz

The recent rehabilitation of the Old Hilton Hotel in Albuquerque, NM is a good example of how a project can simultaneously benefit from two national programs—Federal Tax Incentives for Rehabilitating Historic Buildings and LEED (Leadership in Energy and Environmental Design) certification. Built in 1939, it was Conrad Hilton's fourth hotel and the first modern high-rise hotel in the state. The 10-story building was listed in the National Register of Historic Places in 1984 and featured a two-story lobby with hand painted murals, red clay tile flooring, carved wainscotting and beam ceilings with vigas and latias, and a tile fountain. A mezzanine level that once opened out into the lobby was infilled sometime after WW II and the number of guest rooms reduced from 160 to 114.

Lobby with mezzanine level reopened.

The hotel remained in service through multiple ownership changes until 2005, when the Goodman Realty Group purchased the building and undertook a $30 million rehabilitation. By maintaining the historic character of the building's exterior and interior, including significant finishes and feature, they received Federal tax credits for the project work. As part of the project, they reopened the mezzanine and restored three historic murals in the hotel's main public spaces.

The project also attained a Gold LEED rating by incorporating a wealth of "greenification" designed to conserve natural resources, decrease greenhouse emissions, and provide for a healthy residential/work environment. A key component to this rating is a 73-panel solar thermal system set behind the parapet on the 10th floor, so as to not be visible from the street below. The system preheats the water stored in the hotel's original, but refurbished, storage tank on the roof, saving 60 percent on the cost to provide hot water. High-efficiency toilets were also installed along with a 7,500-gallon rain-water capture system to reduce storm water runoff and irrigate outdoor and indoor landscaping at the hotel.

The solar panels are set back and installed at a low angle to the roof top so as not to be seen from the street.

When states were ranked by the number of completed projects certified (Part 3s) in FY 2010, two states tied for the number one spot, Missouri and Virginia—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 2010 (Appendix D), finds Missouri on top with $482 million. Of the 25 most active states, six states more than doubled their investment dollars in FY 2010 (CO, CT, MS, NM, OK, and TN).

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 2010, 983 certifications of significance (Part 1s) were approved, and 14 were denied. That same year, 49 rehabilitation projects were denied certification (Part 2s or 3s).

31 denials were appealed to the Chief Appeals Officers in FY 2010 with 27 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 2010.) 29 appeals were decided during the year. Of these, six denials were overturned, 11 were upheld outright, and 12 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 2001-2010

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Initial Denials	51	52	51	46	45	48	52	43	54	49
Appeals Decisions	27	29	30	18	24	20	23	19	30	31

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 2010

Individual	Corporation	General partnership	Limited partnership	Limited liability company	TOTAL
26%	3%	1%	12%	58%	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 2010 were limited liability companies with 58% of all projects, individuals with 26%, and limited partnerships with 12%. A wide distribution of project valuation was posted in FY 2010 with the $20,000 - $99,999 range accounting for 8%; the $100,000 - $249,000 range comprising 21.5%; and $250,000 - $499,999 range accounting for 17.5%; the $500,000 -$999,999 range accounting for 12.5%, and projects costing more than $1,000,000 making up over 38% of the total projects rehabilitated within the program.

Table 14: Size of Projects By Ownership Type as a Percentage of Reported Projects from Customer Questionnaire in FY 2010

Owner	<$20,000	$20,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	>$1,000,000	TOTAL
Individual	1	3.5	12	5	2	2.5	26%
Corporation	0	0	0	0.5	0.5	2	3%
General partnership	0	0	1	0	0	0	1%
Limited partnership	0	0	0	1	1	10	12%
Limited liability co.	1	4.5	8.5	11	9	24	58%
TOTAL	2	8	21.5	17.5	12.5	38.5	100%

Table 15: Comparison of Percentage of All Certified Projects in Each Size Category: FY 2006-2010

	<$20,000	$20,000-$99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	>$1,000,000	TOTAL
FY10	.5%	5%	30%	14%	12.5%	38%	100%
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%

Primary Uses of Rehabilitated Properties

The following table (Table 16) shows the final primary use of projects certified over the past five fiscal years as drawn from customer questionnaires. Of projects reporting housing as a final primary use, 43% were for multiple-family housing.

Table 16: Uses of Certified Rehabilitation Projects: FY 2006-2010

	FY06	FY07	FY08	FY09	FY10
Housing	45%	45%	40%	36%	43%
Office	22%	21%	23%	25%	23%
Commercial	23%	27%	34%	31%	24%
Other	10%	7%	3%	8%	10%

Table 17: Percentage of Projects Listing Uses After Rehabilitation by Region in FY 2010

	Housing	Office	Commercial	Other	Total
NE	54%	12%	27%	7%	100%
SE	57%	11%	25%	7%	100%
MP	34%	20%	29%	17%	100%
FW	34%	17%	36%	13%	100%

Preservation creates affordable housing

Surf Apartment Hotel, Chicago, IL.
Photo: McGuire Igleski & Associates, Inc.

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 110,500 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 2010, nearly 42% of the total 13,273 housing units completed were low and moderate income housing, representing 5,514 units.

In Chicago, IL, the early twentieth century Surf Apartment Hotel, once known as "housing for people with means", was rehabilitated creating 173 affordable housing units for seniors. Owned by the Chicago Housing Authority and developed by the Surf Senior Housing Limited Partnership, the $16 million project preserved the distinctive public spaces including the entrance pavilion, lobby, and solarium as well as the historic finishes and features within four individual units where nearly all of the historic fabric remained. Since most units had been greatly altered over time, there was a higher level of flexibility and change allowed in those spaces. On the exterior, the historic elements including the original steel sash, wood doors, masonry, brick, terra cotta, and granite were preserved.

On a smaller scale, the Smith Apartments in Salt Lake City, UT is one of over 180 "urban apartments" built in the city during the first decade of the twentieth century, a period of unprecedented growth and urbanization. These buildings were remarkably consistent with one another in terms of their plan, height, materials, roof type, and stylistic features. Over 60% are eligible or currently listed in the National Register. Previous renovations to the Smith apartments had changed out the windows, altered the original plan, and removed other historic features. In the recent $1.8 million rehabilitation, the 22 affordable housing units were updated and a number of features important to the overall historic character of the building were restored or recreated including appropriate replacement windows, wood doors, trim, and mosaic floor tiles. Window air conditioners were removed from all elevations. To help make the building more energy efficient, solar collectors were installed on the roof, set back and placed at low angles so that they are not visible from the public right of way.

Smith Apartments, Salt Lake City, UT.
Photo: LaPorte Properties.

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, the rehabilitation of one key building has resulted in the 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 five years, between 36% and 42% of the projects have included housing. Since the program began, 224,051 housing units have been rehabilitated and 201,697 new units have been created. In FY 2010, 13,273 housing units were completed, including 6,643 housing units rehabilitated and 6,630 new units created. Table 18 on the next page 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 34 years, applicants have created 110,505 low and moderate income housing units. Data from the User Profile and Customer Satisfaction Questionnaire show that in FY 2010, 5.5% of the respondents used the low-income rental housing credit.

Table 18: Historic Rehabilitation Projects Involving Housing: FY 2001-2010

	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
FY10	13,273	6,643	6,630	5,514	42%
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%

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 92.5% of the projects used one or more forms of additional incentive or publicly-supported financing in FY 2010. Of the additional incentives, 47.5% utilized state historic preservation tax incentives and 6% used the low-income housing credit. Other incentives included the HUD programs such as HOME, Insured

continued on page 20

our cover project:

Ford Motor Company Assembly Plant Richmond, CA

Preservation is sustainability

A huge array of photovoltaic solar panels was installed on the south exposure of the monitor roofs in a manner not readily visible by the public. These panels contribute greatly to the energy efficiency of the building. (Kite aerial photo: Michael Layefsky, Great Heights Photography)

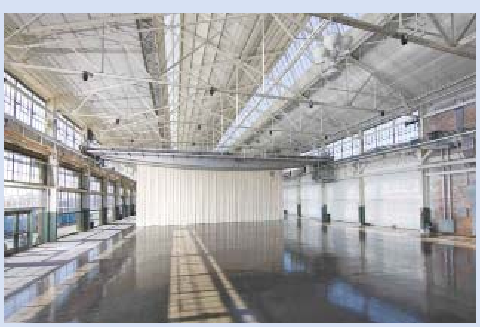
A major rehabilitation project of the former Ford Motor Company Assembly Plant in Richmond, California was certified for the purposes of the Federal Tax Incentives for Rehabilitating Historic Buildings. Respecting the original passive solar design of Albert Kahn's "daylight factory," the owners successfully integrated contemporary applications of green performance and sustainability to create an award winning project.

In 1930, the plant was the largest automobile assembly plant of its time on the West Coast. It consisted of 520,000 square feet of assembly space and was a quarter mile in length. The expansive window and bay door openings along with glazed monitors optimized natural daylight for both light and heat. The plant contained both single and two story sections, a craneway, and a boiler house.

During the Depression, workers at this plant assembled Model A and Model T Ford cars from parts shipped from Detroit via freight trains. When America became involved in World War II, President Franklin D. Roosevelt banned the production of civilian automobiles and workers at the Richmond Ford Assembly Plant retooled to produce light tanks and assorted military vehicles. Women moved into this workforce and Rosie the Riveter emerged as an American iconic symbol of women across the country that rolled up their sleeves to support the war effort. Many of these women worked at the assembly plant in Richmond, producing over 49,000 jeeps and outfitting tanks. After the War, the plant resumed production of Ford automobiles until 1953 when it closed. Later the building served briefly as a film set and book depository. Following the Loma Prieta earthquake of 1989, the City of Richmond made some repairs and sold the property to Orton Development.

The rehabilitation work began in 2004 and was implemented in three phases. Although seismic retrofits were required, special care was taken to retain historic features such as the craneway, windows, sawtooth light monitors and the smokestack as well as some of the historic mechanical systems like those housed in the Boiler house. Administrative areas were updated and the historic lobby was restored. The large assembly space with its north and south mezzanines was kept largely intact and open as it had been during it's life as an assembly plant.

After $55 million of rehabilitation work, the building is now home to several manufacturers of environmentally sustainable products as well as Craneway Pavillion, a 45,000 square-feet meeting and entertainment venue designed to accommodate up to 5,000 guests.



The assembly plant project created 150 construction-related jobs and approximately 500 permanent jobs, a significant boost to the local economy. Photo: Bill Hustace.

The Ford Motor Company Assembly Plant is part of the National Park Service's Rosie the Riveter National Historic Park with a soon to be completed visitor education center and interactive museum to interpret the WWII homefront movement and orient visitors to Richmond's history from the era.

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 16% of the respondents, and low interest loans through their cities were obtained by 5%.

*Table 19: Other Incentives Used In Addition to Preservation Tax Credits in FY 2010**

None	7.5%
Low-income Rental Housing Credits	6%
Local Property Tax/Ad Valorum Tax Abatement	16%
Historic Preservation Easement	0.5%
Facade Grant Program	6.5%
State Historic Preservation Tax Incentives	47.5%
HUD Program	3%
Low Interest Loan	5%
Local Historic Preservation Tax Credits	0%
Other	8%

*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 47.5% of the projects receiving Part 3 certification also used state historic tax credits in FY 2010. At least 30 states offer state income tax credits, including: Arkansas, Colorado, Connecticut, Delaware, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, 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 FY2010

State	Part 1 R*	Part 2 R*	Part3 R*	Part 1 A**	Part 2 A**	Part 3 A**	Certified Expense	Average Expense
AK	2	1	0	2	1	0	$0	$0
AL	14	14	6	14	11	7	$4,639,439	$662,777
AR	9	10	5	7	9	4	$2,148,738	$537,184
AZ	2	1	1	2	1	0	$0	$0
CA	17	13	13	17	12	14	$160,356,554	$11,454,039
CO	5	6	2	4	4	2	$3,442,877	$1,721,438
CT	5	8	5	4	10	4	$89,434,423	$22,358,605
DC	21	6	2	21	5	2	$40,833,068	$20,416,534
DE	1	1	0	1	1	1	$7,000,000	$7,000,000
FL	20	9	5	17	6	7	$15,986,886	$2,283,840
GA	22	20	24	19	17	18	$12,852,080	$714,004
HI	1	1	0	1	0	0	$0	$0
IA	30	34	14	26	20	11	$43,233,970	$3,930,360
ID	1	1	3	1	1	1	$164,000	$164,000
IL	26	13	95	23	9	96	$71,980,485	$749,796
IN	13	11	16	12	12	15	$19,334,048	$1,288,936
KS	27	21	13	24	25	12	$22,197,156	$1,849,763
KY	22	38	26	20	38	27	$18,223,755	$674,953
LA	60	64	42	60	56	43	$194,324,492	$4,519,174
MA	39	42	62	35	45	63	$371,655,909	$5,899,300
MD	30	31	20	29	26	14	$148,654,046	$10,618,146
ME	16	15	5	15	15	4	$9,678,853	$2,419,713
MI	45	38	18	44	31	17	$154,290,956	$9,075,938
MN	6	1	0	5	1	2	$11,148,250	$5,574,125
MO	100	96	113	97	113	118	$482,307,274	$4,087,349
MS	28	21	25	27	20	23	$91,742,076	$3,988,785
MT	4	5	2	4	3	2	$2,393,600	$1,196,800
NC	61	58	42	59	56	44	$52,268,575	$1,187,922
ND	0	0	0	0	0	0	$0	$0
NE	6	3	5	6	4	3	$1,924,633	$641,544
NH	1	0	1	1	0	1	$2,603,317	$2,603,317
NJ	3	3	2	3	2	1	$4,153,000	$4,153,000
NM	1	1	3	0	0	1	$22,5000,000	$22,500,000
NV	0	1	1	0	1	0	$0	$0
NY	74	59	27	69	43	24	$285,131,433	$11,880,476
OH	33	79	33	34	76	32	$112,861,114	$3,526,909
OK	18	13	5	13	12	6	$60,567,170	$10,094,528
OR	4	13	13	4	8	13	$64,012,616	$4,924,047
PA	32	25	49	31	21	52	$220,021,557	$4,231,183
PR	0	0	0	0	0	0	$0	$0
RI	5	9	9	5	9	8	$102,942,129	$12,867,766
SC	11	7	4	11	10	6	$12,068,461	$2,011,410
SD	4	1	1	3	1	1	$2,100,000	$2,100,000
TN	11	6	9	8	7	10	$87,949,779	$8,794,977
TX	12	10	10	12	7	7	$72,633,892	$10,376,270
UT	6	7	8	6	5	4	$40,148,305	$10,037,076
VA	139	138	125	130	156	118	$191,696,079	$1,624,543
VI	1	1	0	0	0	0	$0	$0
VT	26	14	22	25	12	21	$19,071,569	$908,169
WA	5	7	9	5	9	6	$60,760,984	$10,126,830
WI	13	11	9	13	12	12	$23,924,247	$1,993,687
WV	13	141	5	11	6	5	$20,595,484	$4,119,096
WY	3	3	1	3	3	1	$106,000	$106,000
	1048	1003	910	983	951	883	$3,438,063,279	

* Received ** Approved

Appendix B: States Ranked by Approved Proposals (Part 2s) in FY2010

Rank	State	Part 2 Approved
1	VA	156
2	MO	113
3	OH	76
4	LA	56
4	NC	56
5	MA	45
6	NY	43
7	KY	38
8	MI	31
9	MD	26
10	KS	25
11	PA	21
12	IA	20
12	MS	20
13	GA	17
14	ME	15
15	CA	12
15	IN	12
15	OK	12
15	VT	12
15	WI	12
16	AL	11
17	CT	10
17	SC	10
18	AR	9
18	IL	9
18	RI	9
18	WA	9
19	OR	8
20	TN	7
20	TX	7
21	FL	6
21	WV	6
22	DC	5
22	UT	5
23	CO	4
23	NE	4
24	MT	3
24	WY	3
25	NJ	2
26	AK	1
26	AZ	1
26	DE	1
26	ID	1
26	MN	1
26	SD	1
27	HI	0
27	ND	0
27	NH	0
27	NM	0
27	NV	0
27	PR	0
27	VI	0

Appendix C: States Ranked by Certified Projects (Part 3s) in FY2010

Rank	State	Part 3
1	MO	118
1	VA	118
2	IL	96
3	MA	63
4	PA	52
5	NC	44
6	LA	43
7	OH	32
8	KY	27
9	NY	24
10	MS	23
11	VT	21
12	GA	18
13	MI	17
14	IN	15
15	CA	14
15	MD	14
16	OR	13
17	KS	12
17	WI	12
18	IA	11
19	TN	10
20	RI	8
21	AL	7
21	FL	7
21	TX	7
22	OK	6
22	SC	6
22	WA	6
23	WV	5
24	AR	4
24	CT	4
24	ME	4
24	UT	4
25	NE	3
26	CO	2
26	DC	2
26	MN	2
26	MT	2
27	DE	1
27	ID	1
27	NH	1
27	NJ	1
27	NM	1
27	SD	1
27	WY	1
28	AK	0
28	AZ	0
28	HI	0
28	ND	0
28	NV	0
28	PR	0
28	VI	0

Appendix D: States Ranked by Certified Expenses in FY2010

Rank	State	Part 3 Approved	Certified expense
1	MO	118	$482,307,274
2	MA	63	$371,655,909
3	NY	24	$285,131,433
4	PA	52	$220,021,557
5	LA	43	$194,324,492
6	VA	118	$191,696,079
7	CA	14	$160,356,554
8	MI	17	$154,290,959
9	MD	14	$148,654,046
10	0H	32	$112,861,114
11	RI	8	$102,942,129
12	MS	23	$91,742,076
13	CT	4	$89,434,423
14	TN	10	$87,949,779
15	TX	7	$72,633,892
16	IL	96	$71,980,485
17	OR	13	$64,012,616
18	WA	6	$60,760,984
19	OK	6	$60,567,170
20	NC	44	$52,268,575
21	IA	11	$43,233,970
22	DC	2	$40,833,068
23	UT	4	$40,148,305
24	WI	12	$23,924,247
25	NM	1	$22,500,000
26	KS	12	$22,197,156
27	WV	5	$20,595,484
28	IN	15	$19,334,048
29	VT	21	$19,071,569
30	KY	27	$18,223,755
31	FL	7	$15,986,886
32	GA	18	$12,852,080
33	SC	6	$12,068,461
34	MN	2	$11,148,250
35	ME	4	$9,678,853
36	DE	1	$7,000,000
37	AL	7	$4,639,439
38	NJ	1	$4,153,000
39	CO	2	$3,442,877
40	NH	1	$2,603,317
41	MT	2	$2,393,600
42	AR	4	$2,148,738
43	SD	1	$2,100,000
44	NE	3	$1,924,633
45	ID	1	$164,000
46	WY	1	$106,000
47	AK	0	$0
47	AZ	0	$0
47	HI	0	$0
47	ND	0	$0
47	NV	0	$0
47	PR	0	$0
47	VI	0	$0