

Academy #1: Investing in History: Understanding Historic Tax Credits

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Cavalier Hotel, Virginia Beach



The Ace Hotel, NOLA



Fontainebleau Resort Hotel, Miami



The Drury, Cleveland



The Crawford, Denver



Hotel Lafayette, Buffalo



The Fairmont, San Francisco



La Fonda, Santa Fe

Understanding Historic Tax Credits

- The basics of the federal rehabilitation tax credit program
- How to determine if your property and project qualifies
- Tips for how to ensure your project receives certification
- How to pair the federal credit with state credit
- How a successful rehabilitation can generate positive attention for your property
- Questions



“Projects such as the Bolling Wilson Hotel would only be a pipe dream if we did not have the tax credits. Historic tax credits allow projects to succeed that would not otherwise be viable and sustainable through traditional financing.”

William Smith, Wytheville, VA

The basics of the federal rehabilitation tax credit program

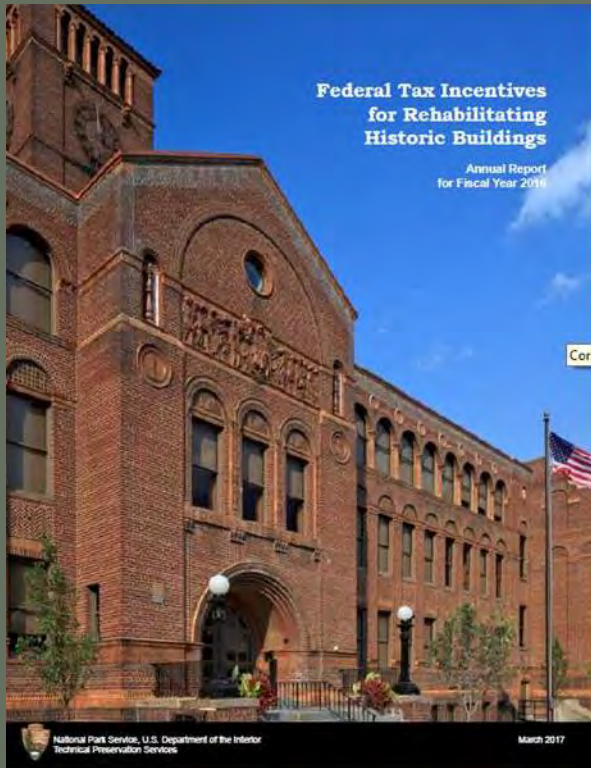
- Administered by National Park Service
- Income-producing buildings only
- 20% of eligible expenditures
- 5-year holding period
- 20-year carryforward, 1-year carryback



The Quirk, Richmond, VA



The Williamsburg Inn, Williamsburg



Program Accomplishments 1977-2016

Number of historic rehabilitation projects certified	42,293
Rehabilitation investment	\$84.15 billion
Rehabilitated housing units	271,174
New housing units	277,831
Low and moderate income housing units	153,255
Estimated total number of total jobs created**	2.44 million

* Statistics used in this report are based on the Part 1, 2 and 3 Historic Preservation Certification Applications and the voluntary User Profile and Customer Satisfaction Questionnaire. All rehabilitation costs are estimated as reported by the applications.

**Jobs numbers are based on a National Park Service-funded study of the economic impacts of the historic tax credits by the Rutgers University Center for Policy Research.

Federal Tax Incentives For Rehabilitating Historic Buildings 1977-2016

Approved Proposed Projects (Part 2 applications)

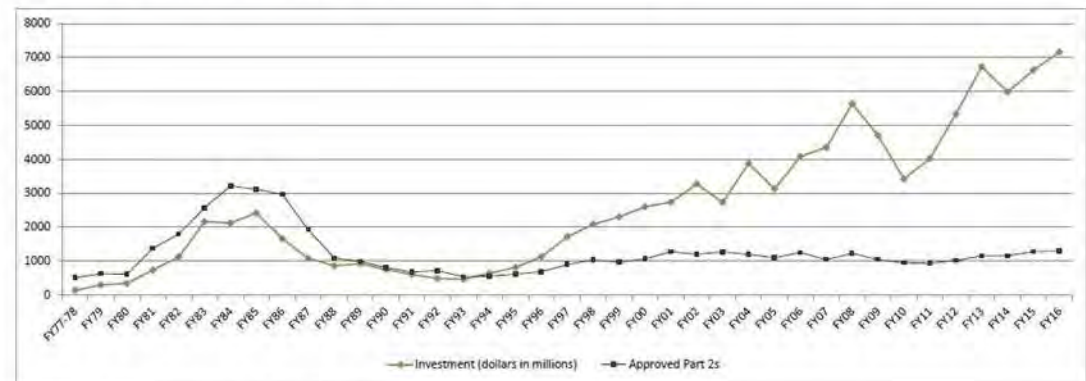


Figure 1. Note: Investment dollars above are not adjusted for inflation.



San Jose Hotel, Austin, TX

*Highlights for FY 2016**

	<i>Part 2 (proposed)</i>	<i>Part 3 (completed)</i>
<i>Investment in historic rehabilitation</i>		
Rehabilitation costs	\$7.16 billion	\$5.85 billion
Median cost of projects	\$900,000	\$1,028,571
Number of approved applications	1,299	1,039
<i>Number of housing units sets new record</i>		
Number of housing units		21,139
Rehabilitated housing units		6,572
New housing units		14,567
New low and moderate income housing units		7,181
<i>Job creation remains strong**</i>		
Average number of local jobs created per project		104
Estimated number of local jobs created		108,528

The basics of the federal rehabilitation tax credit program



Test #1:
Must be a “Certified
Historic Structure”

The Skirvin Hotel, Oklahoma City

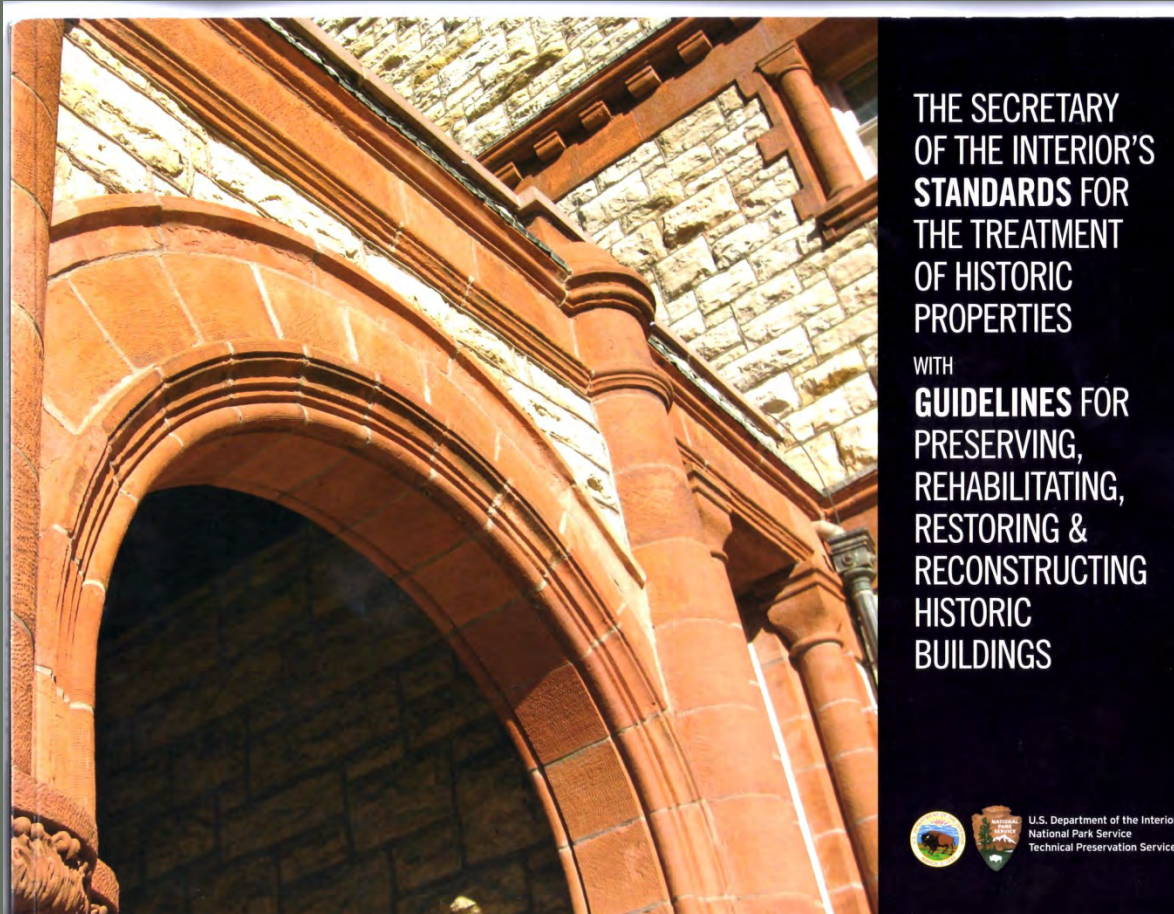
- Listed on the National Register
- Contributing to a listed historic district
- Eligible for the National Register



The Standard Hotel, Los Angeles

The basics of the federal rehabilitation tax credit program

Test #2: Rehab must meet The Secretary of the Interior's Standards for the Treatment of Historic Properties



The Secretary of the Interior's Standards for the Treatment of Historic Properties



West Baden Springs, IN



The Craddock Terry, Lynchburg



Jefferson Hotel, Richmond, VA



La Fonda, Santa Fe

The Secretary of the Interior's Standards for the Treatment of Historic Properties



Bedford Springs, PA



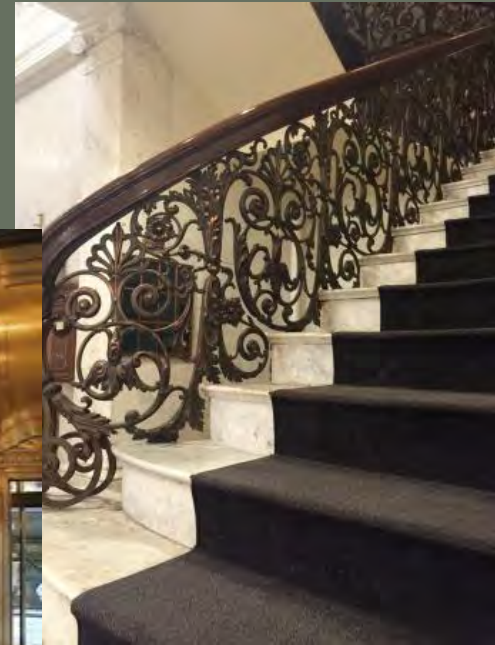
Ocean Spray Hotel, Miami



The Secretary of the Interior's Standards for the Treatment of Historic Properties



The Secretary of the Interior's Standards for the Treatment of Historic Properties



The Blackstone, Chicago

The Secretary of the Interior's Standards for the Treatment of Historic Properties



La Posada, Albuquerque



The Quirk, Richmond



The Jefferson Hotel, Richmond



The Crawford, Denver

The basics of the federal rehabilitation tax credit program



The Secretary of the Interior's Standards for the Treatment of Historic Properties



The basics of the federal rehabilitation tax credit program

Test #3: The investment must be substantial.

Eligible expenditures must exceed the owner's adjusted basis or \$5,000, whichever is greater.



Willard Hotel, Washington, DC



The basics of the federal rehabilitation tax credit program

Size of building doesn't matter...but size of project does



The Georges, Lexington, VA



Steele Mansion, Painesville, OH



The Jefferson, Richmond VA



West Baden Springs, IN

The basics of the federal rehabilitation tax credit program

Test #4: Timing

- For most projects, the measuring period is 24 months
- For phased projects, the measuring period is 60 months
- Measuring period must end the same year the project is completed



Chicago Athletic Association Hotel

The basics of the federal rehabilitation tax credit program

3 Step Process:

Part 1:

Certification of Significance



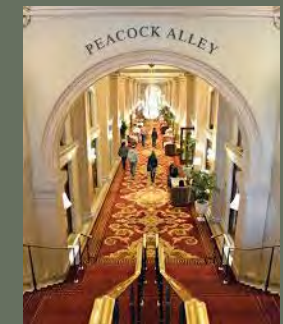
Part 2:

Description of Rehabilitation



Part 3:

Request for Certification of Completed Work



How to determine if your property and project qualifies

- Online listings of registered properties; in case of districts, look for inventory

<https://www.nps.gov/nr/research/>

- Contact State Historic Preservation Office (SHPO)

<http://ncshpo.org/directory>

- Engage a qualified consultant



The Georges, Lexington, VA



The Quirk, Richmond, VA

QRE's: Qualifying Rehabilitation Expenditures

- **Must be capital in nature: work done on the historic structure of the building**
- **Includes certain soft costs such as architectural and engineering fees, construction period taxes and interest, reasonable developer fees**
- **Does not include acquisition costs, expenditures attributable to enlargement or additions, landscaping or site work, appliances and cabinetry unless built-in**

Tips for how to ensure your project receives certification



La Fonda, Santa Fe



Mimslyn Inn, Luray, VA

Assemble qualified team

Ensure building qualifies

Ensure proposed work qualifies

Ensure you meet the test of
"substantial rehab"

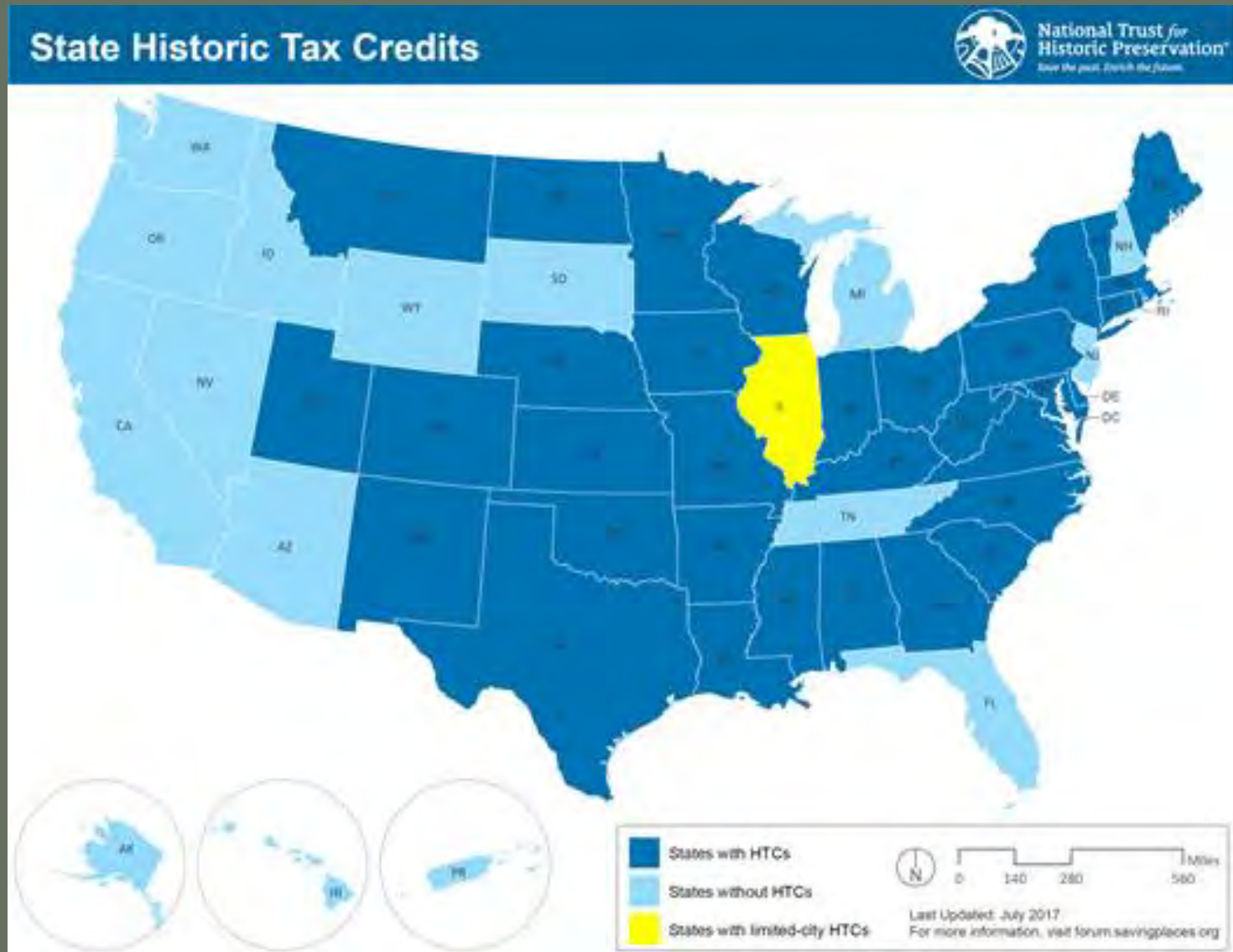
Consider timing & phasing on
front end

Document, document, document

Consult with SHPO early & often

Exercise caution with demolition

How to pair the federal credit with state credit



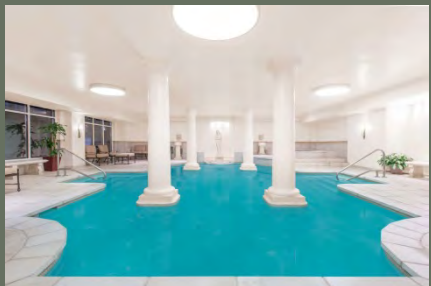


Table 5: FY2016 State-by-State Project Activity and Estimated Qualified Rehabilitation Expenditures (QRE)

STATE	Part 1 R*	Part 2 R*	Part 3 R*	Part 1 A**	Part 2 A**	Part 3 A**	Estimated QRE at Part 2	Estimated QRE at Project Completion (Part 3)
AK	0	1	1	0	1	1	\$90,000	\$90,000
AL	21	9	13	13	9	11	\$45,576,627	\$46,061,788
AR	33	25	24	23	22	23	\$56,354,383	\$44,927,514
AZ	1	4	8	2	3	8	\$4,450,000	\$38,934,676
CA	18	7	6	17	7	5	\$387,133,675	\$80,116,630
CO	8	5	5	7	4	5	\$20,756,000	\$13,014,852
CT	9	15	6	11	8	17	\$186,856,681	\$155,553,302
DC	11	9	3	9	4	2	\$61,769,684	\$17,151,804
DE	7	6	4	6	5	4	\$6,299,352	\$17,571,967
FL	25	16	9	24	13	8	\$101,405,050	\$20,981,104
GA	79	71	31	28	16	22	\$104,204,513	\$37,528,139
HI	1	1	0	1	1	0	\$700,000	\$0
IA	39	35	28	42	43	25	\$193,323,823	\$113,019,293
ID	0	0	0	0	0	0	\$0	\$0
IL	39	29	15	38	29	15	\$235,452,035	\$271,976,061
IN	39	24	14	32	12	14	\$80,363,845	\$46,607,634
KS	26	27	16	24	13	15	\$31,817,500	\$61,151,971
KY	46	46	55	41	38	50	\$157,179,398	\$74,235,891
LA	188	163	91	161	144	91	\$465,015,328	\$308,665,795
MA	79	89	48	75	52	40	\$355,862,497	\$306,051,457
MD	51	47	47	48	38	42	\$77,728,890	\$199,025,809
ME	12	13	12	10	12	12	\$47,792,615	\$44,551,963
MI	40	42	21	39	40	17	\$307,039,129	\$132,442,994
MN	19	15	20	17	13	14	\$160,378,135	\$242,318,696
MO	133	133	95	146	121	96	\$309,950,691	\$600,969,399
MS	31	19	15	26	15	14	\$20,021,908	\$25,173,430
MT	1	1	5	1	0	5	\$0	\$13,038,964
NC	76	50	44	55	52	40	\$174,204,995	\$389,575,926
ND	2	2	0	2	0	0	\$0	\$0

Case Study: Hilton Garden, Richmond, VA



Total QRE's: \$99,563,903
Federal Credit: \$19,912,780
State Credit: \$24,890,975



Case Study: Drury Plaza Hotel, Cleveland



"In all of my career, I have never had the amount of interest that we've experienced here," said Krisandra Lippert, development project manager for Drury Southwest.

Case Study: The Fontainebleau Resort Hotel, Miami



QRE's: \$317M

Federal Tax Credit: over \$74M



Case Study: Bedford Springs



Overall Project: \$120M
QRE's: \$53M
Federal Credit: \$10.6M



Case Study: The Cavalier Hotel, Virginia Beach



How a successful rehabilitation can generate positive attention for your property



**National Trust Historic Preservation Awards
American Institute of Architects Awards
HUD Historic Preservation Award**

Sense of Identity Through Adaptive Use



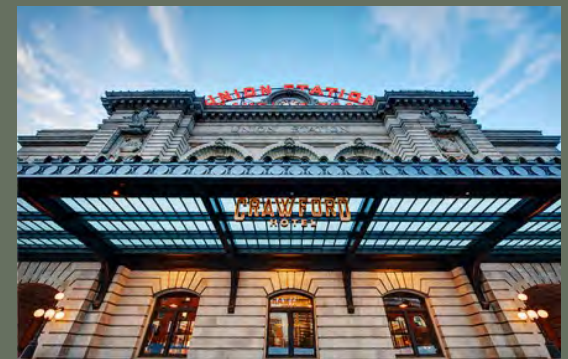
Craddock Terry Hotel, Lynchburg, VA



Detroit Foundation Hotel



Liberty Hotel, Boston



Crawford Hotel, Denver

Historic Hotels Attract Heritage Tourists

“Virginia is a state that is steeped in such rich history, which makes heritage tourism a critical sector of the travel industry in the Commonwealth,” Rita McClenny, president and CEO of Virginia Tourism Corporation.

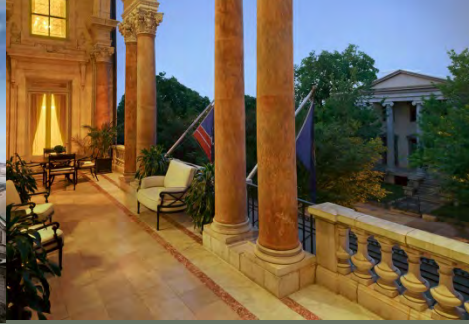
A recent study found that an estimated 50 million people visit Virginia annually. Of this number, 42,887,000 people visit Virginia heritage sites annually. Heritage Tourists spend almost \$7.7 billion each year in Virginia





Questions?





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