

5 Things You Should Know about Historic Preservation Incentives

By Mark McIntire, AIA, LEED AP, NCARB

In the last 30 years, the federal tax credit for historic properties has revitalized communities and created 2.4 million jobs through the rehabilitation of nearly 40,000 historic buildings. In some places, it has helped reinvent neighborhoods, starting with a single building such as a vacant snack factory that was repurposed into a world-class, contemporary art museum. In others, it has given a shuttered school new life as senior housing, and remade an abandoned brewery into a social services center for the disabled and disadvantaged.

Often, developers are hesitant to take on historic properties because the projects appear too complicated. While it's true that they come with a certain degree of complexity and require assistance from experienced professionals, these buildings offer several advantages.

1. Federal Rehabilitation Tax Credit: Commercial, mixed-use, and residential buildings listed on the National Register of Historic Places are eligible for an income tax credit of 20 percent against qualified rehabilitation expenses. Even though an income-producing property may not be listed, it is eligible to receive a 10 percent income tax credit toward qualified rehabilitation expenses if it was built before 1936.

2. Special Valuation for Historic Properties: Owners of local or county historic landmarks, as well as those with properties within National Register Districts, are eligible to deduct qualified rehabilitation expenses from the assessed value of their property for ten years. The reviewing landmark body evaluates and approves qualified expenses and verifies that they are equal to at least 25 percent of the current assessed value of the property. County landmark properties are eligible for a property tax adjustment that reflects current use rather than the highest and best use of the improvements.

3. Building and Zoning Code Relief: Local development and land-use jurisdictions have the authority to allow flexibility in applying code provisions at the landmark property owner's request, with exceptions determined on a case-by-case basis.

4. Transfer of Development Rights: Landmark property owners in many urban centers may transfer or sell unused development rights allowed by their jurisdictional land-use code to adjacent properties.

5. Historic Preservation Financial Assistance: Whether a landmark property is owned by a for-profit, nonprofit entity or governmental agency, there are annual or biennial grants available, all with varying matching requirements. For example, Seattle and King County Landmarks, contributors to National Register Districts, and historic cultural facilities may apply for specific grants from 4Culture. The Washington Historical Society provides grants from the Heritage Capital Projects Fund for nonprofits, tribal governments, public development authorities, and local governmental agencies to assist the preservation and interpretation of Washington State's history and heritage. The National Trust for Historic Preservation also administers a number of financial assistance programs.

If you're considering developing a historic building, doing your due diligence will help to determine whether your plans are worth the investment. Consulting with an architect or design professional who has experience with historic preservation will ensure that you avoid costly mistakes and missed opportunities.