Adaptive Reuse: “'Cause Everything Old is New Again!”
What is Adaptive Reuse?

“The renovation and reuse of pre-existing structures for new purposes” ~ Mirriam-Webster
Preservation Tax Incentives

• One of the programs used by the Federal Government to encourage the preservation and rehabilitation of historic and older buildings.
• The Preservation Tax Incentives reward private investment in rehabilitating historic properties such as offices, rental housing, and retail stores.
• The tax incentives have been instrumental in preserving historic places that give cities, towns, and rural areas their special character and have attracted new private investment to historic city and town cores, generating jobs, enhancing property values, and augmenting revenues for State and local governments.
• The tax incentives help to create moderate and low-incoming housing in historic buildings often utilizing abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices in a manor that retain their historic character.
• A 20% tax credit is available for the certified rehabilitation of certified historic structures.
• A 10% tax credit is available for the rehabilitation of non-historic, non-residential buildings build before 1936.
• For both credits, the rehabilitation must be a substantial one and must involve a depreciable building.
What is a Tax Credit?

A tax credit differs from an income tax deduction in that it does not lower the amount of income subject to taxation but lowers the amount of tax owed. In general, a dollar of tax credit reduces the amount of income tax owed by one dollar.
What is the 10% Rehabilitation Tax Credit?

• The Property Can NOT be listed to the National Register of Historic Places (individually or in a district)
• The Building Must have been built before 1936
• It can not be used for Residential
• In order to qualify for the tax credit, the rehabilitation must meet three criteria: at least 50% of the existing external walls must remain in place as external walls, at least 75% of the existing external walls must remain in place as either external or internal walls, and at least 75% of the internal structural framework must remain in place.
What is the 20% Rehabilitation Tax Credit?

• The Property MUST be a Certified Structure which means it must be listed to the National Register of Historic Places (individually or in a district) when the credit is taken or be in a district that has been certified by the National Park Service.

• The work MUST be a Certified Rehabilitation which means it must be certified by the National Park Service as meeting the Secretary of the Interior’s Standards for the Rehabilitation of Historic Buildings.
What is a Certified Historic Structure?

A certified historic structure is a building that is listed individually in the National Register of Historic Places

~OR~

A building that is located in a registered historic district and certified by the National Park Service as contributing to the historic significance of that district. A registered historic district is any district listed on the National Register of Historic Places. A State or local historic district may also qualify if it & the enabling statute are certified by the Secretary of the Interior. The structure must be a building, not a bridge, ship, railroad car, or dam.
What are the Secretary of the Interior’s Guidelines for Rehabilitating Historic Buildings?
What Does This Mean?

If Your Property Looks Like This…

And You Want To Make It Look Like This…

You May Want to Reconsider Using The Preservation Tax Incentive Program or Modify Your Scope of Work
What Does This Mean?

If Your Property was Listed to the National Register Looking Like This…

And it Now Looks Like This…

You May be Ineligible for The Preservation Tax Incentive Program
What Does This Mean?

If Your Property has a Space Like This…

And in it You Want to do This…

Your Project is Ineligible for The Preservation Tax Incentive Program
What Does This Mean?

If Your Property Looked Like This…

And You NEED to do This…

Your Effort is a Good Project but does not Meet the Standards of a Certified Rehabilitation.
What are the Community Benefits?

REHABILITATION TAX CREDIT PROJECTS IN NH: 2000-2013
These projects converted vacant and underutilized historic structures into rehabilitated and revitalized facilities for residential, production, office, day care, resort, lodging, and retail uses.

$500,000  McShane Block/Concord
$6,457,000  Page Belting Co. Mills/Concord
$5,672,000  Beaver Mills/Keene
$200,000  Emily Cross House/Rochester
$5,250,000  Smith & Dow Block/Manchester
$3,490,300  Carpenter & Bean Block/Manchester
$15,875,822  Mountain View House/Whitefield
$515,000  Colony House/Keene
$1,885,737  Dunlap Building/Manchester
$123,791  Shepard Block/Franklin (Phase 1)
$2,300,000  Cottage Hospital/Portsmouth
$27,765,908  Monadnock Mills/Claremont
$5,878,352  Brown Block/Claremont
$11,000,000.00  No. Cotton Storehouse/Nashua*
$18,000,000  Newmarket Mills/Newmarket*

For a Grant Total of...

$70,663,910.00

Total investment in rehabilitation & associated new construction completed or in process over the last decade!
Case Study: Rollinsford
Case Study: Rollinsford
Case Study: Rollinsford
Case Study: Nashua
Case Study: Nashua
Case Study: Nashua

Used the 20% Credit with 79-E & Low Income Housing Tax Credits
Case Study: Nashua
Case Study: Nashua
Case Study: Nashua
Case Study: Newmarket
Case Study: Newmarket
Case Study: Nashua

Used the 20% Credit, 79-E & New Market Tax Credits
Case Study: Berlin
Case Study: Berlin
Case Study: Berlin
Case Study: Berlin
Case Study: Berlin
Case Study: Milford
Case Study: Milford

Unexpected Challenges
Case Study: Milford

Used the 20% Tax Credit & Low Income Housing Tax Credits.
Case Study: Milford
Case Study: Oscar Brown Block, Claremont, NH

Built in 1860 in what in the center of Claremont’s historic downtown. Listed to the National Register as a contributing resource in the Downtown Claremont and Lower Village Historic District.
Case Study: Oscar Brown Block, Claremont, NH

Altered several times after a first floor fenestration change in 1930, time was not kind to the Oscar Brown Block...
Case Study: Oscar Brown Block, Claremont, NH
Case Study: Oscar Brown Block, Claremont, NH

Before Rehabilitation

After Rehabilitation
Case Study: Oscar Brown Block, Claremont, NH

Before Rehabilitation

After Rehabilitation
### Case Study: Oscar Brown Block, Claremont, NH

**BROWN BLOCK DEVELOPMENT COMPANY, LLC**

**SCHEDULE OF DEVELOPMENT COSTS AND HISTORIC TAX CREDIT CALCULATION**

As of December 31, 2008

<table>
<thead>
<tr>
<th>Total Costs Incurred</th>
<th>Eligible Historic Tax Credit Basis</th>
<th>Non-Eligible Historic Tax Credit Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction costs</td>
<td>$2,216,748</td>
<td>$2,024,118</td>
</tr>
<tr>
<td>Land and Building acquisition</td>
<td>178,150</td>
<td>-</td>
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<tr>
<td>Architect's fee/site plans</td>
<td>213,484</td>
<td>213,484</td>
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<tr>
<td>Environmental</td>
<td>157,615</td>
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<tr>
<td>Legal</td>
<td>30,376</td>
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<tr>
<td>Insurance</td>
<td>12,523</td>
<td>12,523</td>
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<tr>
<td>Mortgage legal/inspections</td>
<td>7,650</td>
<td>7,650</td>
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<tr>
<td>Construction interest</td>
<td>86,401</td>
<td>86,401</td>
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<tr>
<td>Organization</td>
<td>300,738</td>
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<tr>
<td>Taxes</td>
<td>6,719</td>
<td>6,719</td>
</tr>
<tr>
<td>Management fees</td>
<td>64,431</td>
<td>64,431</td>
</tr>
</tbody>
</table>

**Federal Historic Tax Basis**

| $3,274,835 | 2,603,317 | $671,518 |

**Federal Credit Rate**

20%

**Federal Historic Tax Credit**

$520,663
Other For-Profit Incentives

- **Low Income Housing Tax Credits:** Administered through the New Hampshire Housing Finance Authority. The Low Income Housing Tax Credit Program (LIHTC) provides a strong incentive for private investment in new, affordable rental housing. Eligible projects receive federal income tax credits over a ten year period, commensurate with the percentage of the units set aside for eligible households. In order to be eligible, a minimum of 20% of the project must be targeted to households earning 50% or less of median area income, or 40% of the project must be targeted to households earning 60% or less of median area income. Sponsors commit to the affordability levels for 99 years.
Other For-Profit Incentives

- **RSA 79-E COMMUNITY REVITALIZATION TAX RELIEF INCENTIVE:*** Enabled and administered by the local municipality. RSA 79-E is a property tax relief program that seeks to encourage investment in town centers and to rehabilitate under-utilized buildings within these areas. The application process is made to the governing body by property owners desiring to make improvements that meet 79-E guidelines as well as the public benefit test. In return, the governing body may provide tax relief at a pre-rehabilitation value for a finite period. This program does not usually require formal review by the State Historic Preservation Office.

- **Newmarket Tax Credits:** Administered through the New Hampshire Business Finance Authority. Federal guidelines require that investments meet two criteria:
  - Projects must be located in low-income communities-defined as having a median income below 80% of the median income in the surrounding area.
  - Projects must show that they provide substantial benefits to their communities including employment creation/retention, tax base expansion, or reuse of Brownfield sites. Priority is given to projects located in areas with higher poverty and unemployment, lower median incomes, and that are targeted by federal, state, or local programs for redevelopment. This program does not usually require formal review by the State Historic Preservation Office.
Incentives for Government & Non Profit Owned Buildings

- **LCHIP**: Grant program administered by the Land & Community Investment Program for buildings listed to or determined eligible for the National and/or State Registers. Grants require a match and all work must comply with the “Secretary’s Standards.”

- **Conservation License Plate Funds**: Grant program administered by the NH Division of Historical Resources for buildings listed to or determined eligible for the National and/or State Registers. The grant requires no match and has a cap of $10,000.00

- **Certified Local Government**: Grant program administered by the NH Division of Historical Resources. Construction grants are applicable for municipally owned buildings, open to the public, and listed to the National Register. A community MUST be a Certified Local Government to apply. Construction grants are given a lower funding priority to survey grants and are not always funded.
Incentives for Government & Non Profit Owned Buildings

- **USDA Rural Development Funds**: Administered by the United States Department of Agriculture. The RBEG program is a broad-based program that reaches to the core of rural development in a number of ways. Examples of eligible fund use include: Acquisition or development of land, easements, or rights of way; construction, conversion, renovation, of buildings, plants, machinery, equipment, access streets and roads, parking areas, utilities; pollution control and abatement; capitalization of revolving loan funds including funds that will make loans for start ups and working capital; training and technical assistance; distance adult learning for job training and advancement; rural transportation improvement; and project planning. Any project funded under the RBEG program should benefit small and emerging private businesses in rural areas. Small and emerging private businesses are those that will employ 50 or fewer new employees and have less than $1 million in projected gross revenues. This program requires formal review by the New Hampshire State Historic Preservation Office.
Will these Programs Work for Me Financially?

Applicants are strongly advised to consult an accountant, tax attorney, or other professional tax advisor, legal council, or the Internal Revenue Service for help in determining whether these incentives pertain to their own situations.

“We are neither hunters nor gatherers. We are accountants.”
What do I Need to Move Forward?

Never Underestimate the Value & Necessity of a Good Preservation Consultant…

Provides Guidance

Interprets the Nuances of the Secretary's Standards

Interprets Your Project Goals Successfully to the Park Service

Helps You Move Forward With The PTI Process
Before you Begin, Contact your Local State Historic Preservation Office!

New Hampshire Division of Historical Resources

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