AN EVALUATION OF THE HISTORIC REHABILITATION TAX CREDIT PROGRAM (FOR NON-INCOME-PRODUCING PROPERTIES) IN NORTH CAROLINA

by

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Introduction

In 1998, North Carolina introduced a tax incentive program that for the first time allowed owners of historic private residences to earn a credit worth 30% of their rehabilitation expenditures against their state income taxes. The non-profit organization Preservation North Carolina lobbied extensively for this policy, and their efforts have paid off. Since then, over 450 projects worth $60.2 million have been completed.[1]

In fact, the number of historic rehabilitation tax credit applications for non-income producing properties has been steadily rising each year. This might be due to a number of factors. The popularity of television shows such as *This Old House* and *Trading Spaces* and the proliferation of Home Depot and Lowes stores have created a "do it yourself" trend that has caught on across the nation. As more people take on rehabilitation projects, their friends and neighbors take note and are encouraged to start their own projects. Each year there are new historic districts added to the National Register, making hundreds more homes eligible for the tax credits. Still, the amount of rehabilitation activity in North Carolina is not what it could be. Many people have never heard of the historic rehabilitation tax credit program, and of those who have, many are confused or discouraged by the application process. They may hear that it takes time to get their project approved, and they don't want to wait for approval before beginning work. This study will examine the barriers to getting more residents to apply for the North Carolina Historic Rehabilitation Tax Credits. I will then look at the ways to address those barriers, in order to encourage more people to participate in the tax credit program and to stimulate historic preservation activity.

[1] Restoration Branch, North Carolina State Historic Preservation Office, as of June 30, 2004

Methods

Historic preservation organizations around the state were identified as possible sources for contacts for interviews. These include local non-profit organizations, neighborhood organizations, municipal historic district commissions, and the regional offices of Preservation North Carolina (PNC). Several representatives from PNC were chosen to interview since it is the most active and influential preservation organization in the state. PNC operates a revolving "endangered properties" fund for the sale of historic properties and conducts a wide variety of other preservation advocacy, education, and stewardship programs. The non-profit is active across the entire state, unlike smaller organizations which tend to have a regional or local focus.

Interviewees from local organizations were chosen using a purposive or judgmental sampling technique, concentrated in the Raleigh-Durham area. Because the conditions of other urban areas (age of housing stock, number of historic districts, existence of local preservation organizations) are similar to Raleigh-Durham, it is likely that similar findings would have resulted had other urban areas been included. More rural areas of the state tend to have fewer historic districts and therefore participate less in the tax credit program. Interviewees were asked a series of open-ended questions about the current tax credit program and ways that it could be improved in order to increase the number of applicants. Based on these interviews, several case studies were chosen as "best practices" of encouraging participation in the tax credit program. The findings from these interviews are summarized in the "Results" section. Implications from the findings are described in the Conclusion section.

The Benefits of Historic Preservation

Why is historic preservation so important? First, the benefits to the economy are many. Preservation of existing buildings creates more jobs and increases household income more than new construction does. In 1996, Donovan Rypkema, a well-known urban economist, looked at the number of income-producing projects that had been completed in North Carolina since the Federal historic rehabilitation tax credit program was introduced in 1976. Using three regional input-output multipliers developed by the Bureau of Economic Analysis of the U.S. Department of Commerce, he concluded that preservation yielded 1,800 more jobs and $26 million more in household income than the same amount of money spent on new construction would have.[2] Using the same multipliers, the NC Historic Preservation Office estimates that rehabilitation expenditures for tax credit projects have created a total of 22,600 new full-time jobs, added $1.2 billion dollars to the state's economy, and added $437 million dollars to the household incomes of North Carolina residents since the program began.[3] These figures factor in expenditures for both income-producing and non-income-producing projects.

Preservation is important because it conserves existing resources rather than promoting sprawl. When developers build homes on greenfields, they are not only consuming previously undeveloped land, they are creating a burden on cities and counties who must maintain the new infrastructure and provide municipal services. At the same time, existing infrastructure often lays idle in neglected center city neighborhoods,

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[2] Donovan D. Rypkema, *Profiting from the Past, The Impact of Preservation on the North Carolina Economy, p.8,* 1997. A publication of Preservation North Carolina.
[3] The Economic Impact of the Rehabilitation Investment Tax Credit Program for Historic Structures in North Carolina, http://www.hpo.dcr.state.nc.us/ta90nc.htm, accessed March 7, 2005.

creating what is called a “stranded investment.”[4] This happens when lines and equipment for utilities such as electricity, water, and gas are used at a rate far less than their capacity, and are not able to provide a return that makes up for the initial capital outlay for the equipment. Not only are utility companies affected when buildings are deteriorated or lay idle but the local government also misses out on property tax revenue.

Preservation is also important because it revitalizes neighborhoods. Run-down buildings that are fixed up not only improve the neighborhood aesthetically but can increase the property values of its neighbors and the tax base of the area. Preservation produces more economically and racially diverse neighborhoods, as homes in historic districts have a broader appeal and include a range of housing sizes and styles. Preservation produces a sense of pride and a vested interest in one’s surroundings, as residents invest time and money and take an interest in the history of their homes and neighborhood. Preservation can also provide an important source of affordable housing as commercial buildings such as old mills, hotels, and schools are converted into housing using historic rehabilitation and low-income housing tax credits. Preservation also creates very livable communities, as older neighborhoods tend to be in-town and close to the central business district, with close proximity to work, schools, shopping, and public transportation.

Description of the North Carolina Historic Rehabilitation Tax Credit Program for Non-Income-Producing Properties

There are several historic rehabilitation tax incentive programs available to North Carolina residents, both at the federal and state level. The federal program began in 1976

[4] Rypkema, p.5.

and today provides a 20% credit against federal income taxes to owners of income-producing historic properties that undergo certified rehabilitations. A certified rehabilitation is one that meets the Secretary of the Interior's Standards, a set of guidelines created to help protect the character of historic buildings. “Historic” typically means that the property is listed in the National Register of Historic Places or is a contributing structure within a National Register historic district, or within a certified state or local district. There is also a 10% federal credit for the rehabilitation of non-historic, non-residential buildings built before 1936. In North Carolina, there is a 20% credit for income-producing historic properties, which can be taken on top of the federal credit. Lastly, there is the North Carolina 30% credit for non-income-producing historic properties, which is the focus of this study.

The North Carolina historic rehabilitation tax credit for non-income-producing properties was introduced in 1998. This credit for the first time allowed owners of private residences to receive a credit against their state income tax for expenses related to renovating their home. North Carolina is one of only 16 states, and one of the first, to offer such a credit. From 1998 through June 2004, 452 completed non-income-producing rehabilitation projects have been reviewed by the North Carolina State Historic Preservation Office (SHPO). These projects have amounted to almost $60.3 million in rehabilitation costs. Most of these projects have involved single-family historic residences, with a few involving residential condominiums in historic apartment and industrial buildings. Rehabilitation expenditures have ranged from $25,000 to $1.4 million, with an average construction cost of $126,300 per residential unit.[5]

Nonincome-Producing Tax Credit Projects Reviewed				
Year	Proposed Rehabilitation Projects (Part As):	Proposed Rehabilitation Expenditures ($)	Completed Rehabilitation Projects (Part Bs):	Completed Rehabilitation Expenditures ($)
1998	134	9,985,249	3	393,849
1999	123	12,011,056	26	2,353,961
2000	114	18,355,618	41	5,408,316
2001	167	37,272,571	74	8,987,714
2002	134	31,921,106	105	11,968,437
2003	194	30,964,601	123	17,876,770
Jan-Jun 04	*101*	*16,596,839*	*80*	*13,273,853*
Total	**967**	**$157,107,040**	**452**	**$60,262,900**

Source: Restoration Branch, North Carolina State Historic Preservation Office, June 30, 2004

In order to be eligible for the credit, the building must be a certified historic structure, which is either a contributing building in a National Register historic district or listed in the National Register of Historic Places. Renovation expenses must exceed $25,000 over a 24 month period, and only certain expenses apply. Expenses related to the cost of acquisition, new additions, site work, or personal property do not qualify. All proposed work must meet the Secretary of the Interior's Standards for Rehabilitation, and must be approved by the SHPO before the project can begin. To apply for the credit, Part A of the application, or "Description of Rehabilitation" must be submitted to the SHPO.

[5] The Economic Impact of the Rehabilitation Investment Tax Credit Program for Historic Structures in North Carolina, http://www.hpo.dcr.state.nc.us/ta90nc.htm, accessed February 15, 2005.

This involves writing a description of the current condition and proposed work for each part of the house (kitchen, bathrooms, plumbing, electrical, interior and exterior woodwork, etc.) as well as taking photos of each room and the exterior. Work can begin once the SHPO approves Part A. Part B, or “Request for Final Certification” is submitted after the work is completed and involves taking photographs but does not require further written description. Work must be completed within a 24 month period, and the tax credit can be claimed beginning with the year Part B is approved. The credit amounts to 30% of all qualifying rehabilitation costs, and must be taken in increments over a minimum of five years up to a maximum of ten years, based on the amount of state tax liability.

Tax credit applications for both income-producing and non-income producing properties are processed by the Restoration Branch of the SHPO, which is in the Office of Archives and History within the Department of Cultural Resources. Within the Restoration Branch, there are six restoration specialists, two architects, and an office assistant on staff. Three of the restoration specialists work out of regional offices in Asheville and Greenville. These specialists are available to travel, by request, to provide technical assistance to building owners and their architects, enabling them to make changes to their home that are consistent with the Standards for Rehabilitation while suiting the building owner’s needs. The Restoration Branch also provides coordination and technical services for state and federal preservation grant-in-aid projects throughout the state, reviews, monitors, and assists restoration and rehabilitation work on all state-owned properties listed on the National Register of Historic Places, and provides technical restoration services to local governments, private organizations, and private citizens who own historic buildings.[6]

The office receives approximately 200 applications (for non-income-producing properties) per year from around the state. Most of these are from counties where historic resources are concentrated: in older settlements on the coast; in Piedmont cities; and in early 20th century growth towns in the western part of the state. Including income-producing properties, tax credit projects have taken place in 76 counties and in all thirteen congressional districts, spreading the benefits across the state.[7] The most tax credit activity is seen in Durham, Wake, and Mecklenburg counties.[8]

In November 2004 the SHPO began to charge a graduated fee, based on the cost of the rehabilitation, to those applying for the tax credit. The fee starts at $250 per project and increases as the project cost goes up, with $250 due at the time Part A of the application is submitted, and the remainder due when Part B is submitted after project completion. This fee was created in part to help fund more positions at the SHPO. However a representative from the SHPO reported that no staff had been hired since the induction of the fee, partly because of administrative delays, but also because of the delay in receiving the funding. Since the majority of the fee is charged when projects are completed, and most projects have at least a 2 year turnaround, it may be several years before the Restoration Branch is able see a major increase in funding.

[6] North Carolina State Historic Preservation Office, Restoration Branch, http://www.hpo.dcr.state.nc.us/rebranch.htm, accessed February 2, 2005.
[7] The Economic Impact of the Rehabilitation Investment Tax Credit Program for Historic Structures in North Carolina, http://www.hpo.dcr.state.nc.us/ta90nc.htm, accessed March 7, 2005.

[8] David Christenbury, Personal Interview, February 15, 2004

Results

Barriers

Among the issues examined were barriers to proper utilization of the tax credit program. These barriers can be grouped into three categories: lack of information, concern about the application process, and unwillingness to apply. These will be further described here.

Lack of Information

The lack of information seems to occur because there are only so many ways that people hear about the tax credit program. Based on my discussions, the primary ways that people learn about the tax credits are through word of mouth, communication from a local preservation organization, their historic district commission, a mention in a newspaper article, or on the SHPO's web site (which they must first hear about in order to look it up on the Internet). Sometimes they might learn about the tax credits when their neighborhood is going through the national register nomination process. The SHPO's web site contains information on the tax credit program and the application process, but the web address is not well advertised. Someone would need to know the site was there and look for it, or type key words into a search engine to find it. The SHPO does distribute fact sheets with the same information as the web site to local historic district commissions and other preservation organizations, but it is unclear how often these fact sheets make it to the homeowner. It appears that many commissions do not distribute these.

Sometimes the lack of information stems from people not knowing they live in a historic district. Many districts do not have markers or signs to delineate the district's boundaries. Even when people know they live in a district, they may not know the implications of being eligible for the tax credits, or there may be confusion over the difference between National Register and locally designated districts. People who live in more rural areas may be at a disadvantage because they often do not have an active neighborhood association or historic district commission. They also might be less in touch with neighbors who are undertaking renovations of their homes.

Concern About the Application Process

The second barrier is the concern about the application process. Many people liken the process to their income tax filing and assume it is very time consuming and complicated. A Chapel Hill real estate agent and preservationist who specializes in historic properties confirmed that many of her clients are "baffled" by the tax credit application process.[9] Another deterrent happens when people attempt to fill out the forms. They often don't know how much detail to go into when describing the existing conditions and proposed changes to the house, since they don't have a way of knowing the SHPO's expectations for these fields. They may be unfamiliar with architectural and technical terms, and may not be sure how to take the proper photos that will give the reviewer of the application a true sense of the house.

Personal and Financial Reasons

The third barrier to participation in the tax credit program is that some people do not want to bother with the tax credits – either for personal reasons or financial ones. On a personal level, the fact that the project must be approved before starting work, a process

[9] Diane Lea, personal interview, February 11, 2005

that takes anywhere from one week to several months, can deter people from applying since many want to get started on their project as soon as possible. Especially if the house to be rehabilitated is uninhabitable, the owner may not be able to afford paying for a second residence while waiting for construction to begin. A similar issue happens when a house is not in a historic district but may be eligible for the National Register of Historic Places. Since the process is time consuming and may be expensive (due to consulting fees), the homeowner may not want to go through this process just to be eligible for the credits. (As a side note, one can apply for the credits and be approved to start work before the house is listed on the Register, as long as the house is added to the Register before construction is completed. However, there is no guarantee as to when the property will be listed. This process often takes at least six months or longer.)[10]

Moreover, some eligible homeowners don't apply for the credits because they are not willing to conform to the Secretary of the Interior's Standards for Rehabilitation. They may want to add a large addition that would change the character of the house, or replace dilapidated wood-frame windows with lower-maintenance vinyl ones, or put on vinyl siding rather than having to paint every ten years. Many people want to adapt their historic home to today's trends, which mean larger kitchens, more bathrooms, and an open floor plan. The reconfiguration that is necessary to make these modifications is usually not compatible with the Secretary's Standards, which restrict drastic change.

Sometimes what prevents people from applying for the credits is a matter of private property rights. This was referred to by one interviewee as the "big brother

[10] North Carolina Historic Preservation State Tax Credits, http://www.hpo.dcr.state.nc.us/credits.htm, accessed March 8, 2005.

effect." People do not want to be told what they can and cannot do in their own living room, it can feel very intrusive.

On a financial level, one might not have the income to make the credit worthwhile. On a $25,000 renovation, one would receive $7,500 in credits taken over five years. In order to owe $1,500 in taxes per year at a 7% state income tax rate, one would need to make an annual income of $21,429. This may seem to be a low income, but if the person has other credits or deductions, he/she may not be able to take advantage of the credit. A person may have the income, but may already have credits from other sources and may not need the historic rehabilitation tax credits. It is also possible that the homeowner does not have the means to spend at least $25,000 on a renovation, or that the home does not require $25,000 in work. The $250 application fee may also be a large deterrent, especially if homeowners feel unsure that their project will be approved.

Addressing the Barriers

Lack of Information

Lack of information seems to be the key barrier, but there are many ways it can be tackled. Nobody I spoke with seemed to think the responsibility to educate residents on the tax credits should fall on any one party, but that the cooperation of different organizations together was necessary. Several interviewees suggested greater participation by certified local governments (CLGs). CLGs were established after the 1966 National Historic Preservation Act was amended in 1980 to give local governments a role in the national historic preservation framework. CLGs operate a historic district commission at the county or the municipal level, and are responsible for enforcing appropriate state or local legislation for the designation and protection of historic properties, maintaining a system for the survey and inventory of historic properties compatible with the statewide survey, and providing for adequate public participation in the local historic preservation program, including the process of recommending properties to the National Register of Historic Places.[11] There are 90 CLGs in North Carolina. From my discussions I learned that only some CLGs were active in promoting the tax credits, and that many were not. Some ways that CLGs could help educate residents about the tax credits would be to: discuss the program at historic district commission meetings, distribute written material through mailings, and educate residents on the tax implications when a new historic district is being proposed in their area. When explaining the guidelines (either in a meeting or on paper) on what changes can and cannot be made to homes in a historic district, it would be an appropriate time to discuss the tax credits and the Secretary of the Interior's Standards.

The SHPO should have a large part in educating residents, but the interviewees agreed that they are not solely responsible. The main barrier to the SHPO doing more is lack of staffing, so budgetary adjustments will likely need to be made before more responsibilities can be taken on. When funding does become available, hiring more staff to travel and hold tax credit workshops around the state would be an effective way of educating more people. The SHPO has held several of these workshops in the past in conjunction with local non profits, neighborhood associations, and realtor groups, but has not held any workshops recently because the increasing number of tax credit applications to process takes a priority. The SHPO should also distribute written materials on the

[11] The Certified Local Government Program in North Carolina, http://www.hpo.dcr.state.nc.us/clg.htm, accessed March 10, 2005.

credits with a link to their web site to every neighborhood association, CLG, and preservation non-profit in the state.

Neighborhood associations can play a large part in educating residents at the local level. Like other organizations, they can hold workshops, distribute flyers or send newsletters to residents. But neighborhood associations can do even more because they have a real physical presence. Getting markers put up in a historic district or starting a plaque program for historic homes can go a long way in making residents feel they live in a "special" place and address the issue that many don't know they live in a historic district and are entitled to tax incentives. Showcasing tax credit projects that are completed or in construction during an association meeting or other event can bring more attention to the credit program and generate interest in home renovation as people see what their neighbors have done and what their house might be capable of. In areas where a historic district is in the process of being nominated, the neighborhood association can have a very active role in educating its residents on what the nomination means and its tax implications.

It should not be left only to organizations such as the SHPO, CLGs, non-profits, and neighborhood organizations to educate residents on the tax credits. Professionals such as attorneys, appraisers, architects, accountants, and realtors could serve as key avenues to disseminate information to homeowners about the tax credits, but currently, many of these professionals are not informed themselves. One way to accomplish this would be for the SHPO, CLGs, and preservation non-profits to create workshops for these professional organizations, so those professionals, in turn, could educate their clients. One PNC representative I spoke with, who is also a realtor, suggested creating a course for realtors on the tax incentives as part of their required continuing education.[12]

Concern About the Application Process

Concern and confusion over the application process was the second barrier to applying for the tax credits. In order to address this, the SHPO, CLGs, and preservation non-profits could walk participants through the application process and distribute sample applications during workshops. The SHPO could do a great job of addressing this by putting a sample completed application and photos on their web site. A representative from the SHPO said they would like to do this but did not have the time or a web person on staff. Having a sample set of photos to follow is especially important as the application process is often slowed down when a tax credit coordinator needs to contact the applicant for more clarification on some aspect of the home because of poor photos. It would also be helpful to have a copy of the application available online to download. Currently, a potential applicant must contact someone from the SHPO by phone or email in order to obtain the Word document. Being able to download the forms online would save the applicant time and energy as well as utilize the SHPO staff resources more effectively.

Another way to streamline the application process would be to coordinate with other architectural reviews. Since homeowners in local historic districts who are planning exterior alterations also need to get approval from their local commission, it would make sense to complete the state application at the same time. The local commission could play a part by distributing tax credit application materials when a homeowner requests a review of their plans. This might also reduce some of the confusion that exists between

[12] Mike Stout, Preservation North Carolina, Personal Interview, February 22, 2004

the local commission's guidelines and the Secretary of the Interior's standards. Because many commissions only require approval of changes to the home's exterior, some people think that the guidelines for applying for the tax credits are the same. Currently, the SHPO sends a fee schedule for the tax credit applications to all of the historic district commissions in the state, but the information is not always passed on to residents.

Personal and Financial Reasons

Of the barriers to increased participation in the tax credit program, the third barrier, personal and financial reasons, is the most difficult to address. In cases where a homeowner wants to make changes that aren't conforming to the Standards, a knowledgeable architect or a preservation architect from the SHPO making a site visit could work with the homeowner to adjust their plans to fit the standards. A faster application approval process might encourage those who did not want to wait for approval to apply. And of course, more education goes a long way in dispelling myths about the application process and private property rights.

Evaluation Using Belmont's 11 Elements of Successful State Historic Preservation Tax Incentive Programs

In her book, *Smart States, Better Communities, How State Governments Can Help Citizens Preserve Their Communities*, Constance Beaumont identifies 11 elements of a successful state historic preservation tax incentive program. They are:[13]

- Incentives generous enough to motivate property owners to invest in preservation opportunities, but not to provide unnecessary giveaways.

[13] Constance E. Beaumont, *Smart States, Better Communities, How State Governments Can Help Citizens Preserve Their Communities,* 111. National Trust for Historic Preservation, 1996.

- Simplicity of administration- for both program administrators and property owners.
- Minimal paperwork that is nonetheless adequate to yield information that guards against abuse and gives the state the data it needs.
- Minimum investment requirements appropriate to the state's goals. Lower requirements favor small projects by lower-income people; higher requirements, major projects by larger developers.
- Technical assistance to help property owners perform high-quality work, avoid pitfalls, and save money.
- Controls over the fiscal impact, whether through caps on incentives, restrictions on types of historic properties eligible, or limitations on rehabilitation activities.
- Good promotion and explanatory materials.
- Outreach and education for tax assessors, whose cooperation and understanding are critical.
- Certainty for property owners.
- Well-defined and appropriate rehabilitation standards.
- Good coordination with other relevant programs- e.g. federal tax credits for rehabilitation, low-income housing tax credits, etc.

This study focuses on the practical aspects of the tax credit program, such as educating residents about the program's availability and the application process, and not the actual policy behind the program. Therefore, the North Carolina historic rehabilitation tax credit program will be examined along several, but not all of the dimensions identified by Beaumont.

Regarding “Minimal paperwork that is nonetheless adequate to yield information that guards against abuse and gives the state the data it needs,” the paperwork itself seems appropriate but more information about how to fill out the paperwork needs to be disseminated, a responsibility that should fall not only on the SHPO, but on preservation organizations, historic district commissions, and neighborhood associations. The misperception that the application form is complicated and very time consuming also needs to be addressed.

Regarding “Technical assistance to help property owners perform high-quality work, avoid pitfalls, and save money,” the state does provide this type of assistance, but many people don’t know about it, and the state is too understaffed to fully respond to the current demand. If more architects and contractors were aware of the tax credit program and the standards for rehabilitation, they could play a key role in helping property owners achieve not only a high-quality but a historically accurate rehabilitation that conforms to the standards.

In terms of “Good promotion and explanatory materials,” this is where the state, preservation organizations, and professionals such as realtors, accountants, etc. could really improve their efforts. As discussed earlier, there is a lot of useful information on the state’s web site, but many don’t know how to find it. The web site could be even more effective if application forms were available for download, and if an application guide including how to take effective photos was posted. Realtors could include information about the tax credit program on their promotional materials for homes that are eligible. Appraisers could note that a property is eligible for the tax credits, therefore impacting its value, upon appraisal. Accountants could ask their clients if they've considered applying for the tax credits, and educate them about the program.

Case Studies

Watts Hospital- Hillandale Neighborhood Association, Durham, NC

The Watts Hospital- Hillandale Neighborhood Association was formed in 1984 in response to rezoning concerns in the neighborhood, and has since then grown to an active neighborhood association with several hundred members. The neighborhood was first established in the early 1900s, evolved into a streetcar suburb during the pre-war era, and now is a diverse community with a wide variety of housing styles from early 1900s Queen Annes to 1930s Craftsman bungalows to 1960s ranches. The association is engaged in a number of activities which help address the barriers to applying for the tax credits, especially the lack of information issue.

The association's community outreach regarding the tax credits began when the neighborhood was in the process of being nominated for National Register Historic District status, which was granted in 2001. As the association assisted in the process of taking an inventory of the homes, determining architectural significance and establishing historic district boundaries, they explained to residents the implications of the designation, that they would be eligible for the tax credits. This raising of awareness from the beginning has shown residents the value of living in a historic place, and has encouraged projects that might not have happened if it were not for the tax incentives.

Each year the association sends a letter directly to each homeowner in the neighborhood which discusses the tax credit program. They have even contacted nonresident property owners with a similar letter to educate them about the credits and to encourage them to update or rehabilitate their property if it has fallen into disrepair. They have hosted a workshop on the tax credits with a representative from the SHPO present to guide attendees through the application process and to answer any questions. One member of the association has even created a web site[14] which displays all of his completed application materials, including before and after photos. Blank copies of the application form are available for download, and there are links to relevant areas of the SHPO's web site.

The association has also promoted a plaque program, which allows owners of properties more than 70 years old to display a specially designed plaque with the name (based on the original owner) and date their property was built. Lastly, they are also working to get a historic marker placed in the neighborhood to denote its National Register status. If other neighborhood organizations similarly disseminated historic tax credit information and raised awareness of the value of living in a historic district, it could have a great effect on increasing the number of historic rehabilitations across the state.

The Durham Historic Preservation Society, Durham, NC

The Durham Historic Preservation Society (HPS) was established in 1974 and has established a proactive preservation stance in Durham by saving endangered properties, forming partnerships with local organizations, raising money and establishing foundations, and nominating historic districts, of which there are fourteen in Durham.

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[14] State and Federal Historic Rehabilitation Tax Credits
http://mysite.verizon.net/tedhelen/pages/SHPO1.html

Their efforts also tackle the barriers to applying for the tax credits, again mainly by disseminating information.

One way they do this is through their Endangered Properties Program, which helps save threatened properties by encouraging their current owners to rehabilitate them or to sell them to someone who will, and by placing protective covenants on the properties so that their architectural integrity will be maintained. These properties are advertised regularly in the major local newspaper (*The Durham Herald Sun*) and each advertisement mentions the property's eligibility for the tax credits. They also work with newspaper editors to write articles on endangered properties and other preservation issues, which also discuss the tax credit program. They send a quarterly newsletter to all members that lists the current endangered properties and the associated tax incentives.

Durham HPS also holds workshops, often in conjunction with local neighborhood associations, where they describe the application process, provide application materials and sample applications, and direct attendees to resources on the SHPO's web site. The Renovators Network program allows people who are renovating their house to share knowledge and information with each other during workshop sessions and through an online listserv. This helps spread tax credit information through word of mouth. Lastly, Durham HPS held a meeting with the Triangle Board of Realtors, where they described the tax credit program and distributed educational materials to the real estate agents. This meeting was an important one, since real estate agents are such an underutilized means of passing on information about the tax credit program to homebuyers. Other historic preservation non-profits around the state should consider forming similar partnerships with their local realtor groups.

Conclusion

The purpose of this report was to look at the historic rehabilitation tax credit program for non-income-producing properties in North Carolina. My assumption was that the program was being under-utilized, that is, that there are not as many applications for the credits as there could be. Maximizing the number of tax credit projects is important because of the positive effects that preservation has on the local economy, on community development, and in the quality of life in historic neighborhoods. What the state might lose in income tax revenues by granting the credits, it can make up for through the increased income taxes coming from those working on the rehabilitation projects, which include architects, construction workers, service technicians, and designers. These income taxes might come from new jobs being created because of increased demand, or more hours worked by those currently employed. There are also spillover effects to the local economy through the increased incomes and spending power of these workers.

In order to discover why more residents do not apply for the tax credits, and to determine what might encourage more to apply, I conducted interviews with eight representatives from the historic preservation field. These included a realtor, two members of the State Historic Preservation Office, a former president of a neighborhood association, and several leaders of local and statewide non-profit preservation organizations.

In the *Results* section, I identified the barriers to applying for the program, and then described some ways to address the barriers. The three barriers are: lack of information about the program itself, concern over the application process, and personal and financial reasons for not wanting to apply for the credits. Next I identified some of the ways these barriers might be addressed. For "lack of information", better coordination between different organizations including the state, non-profits, and neighborhood associations is recommended. The direct involvement of CLGs with local residents and coordination with other preservation organizations is highly suggested. More activity from the State in terms of workshops and promotional materials is advised, especially as more funding becomes available. Neighborhood associations can play an especially important role in communicating with residents, as they can provide "on the ground" direct contact. Lastly, professionals such as real estate agents, attorneys, architects, and accountants were identified as a major avenue for information sharing, who are currently underutilized as they are often unfamiliar with the tax credits themselves.

The second barrier, concern over the application process, would again involve increased outreach by the SHPO, non profit organizations, CLGs, and neighborhood associations. Workshops where residents are walked through the application process and given sample completed application forms are suggested, and the SHPO is highly encouraged to improve its web site by posting application forms for downloading, application instructions, a sample completed form, and samples of acceptable photos. Lastly, coordination with other architectural reviews such as the local historic district commission would help alleviate some of the confusion between the different requirements and processes.

The third barrier, personal and financial reasons, is the most difficult to address. Some myths or assumptions about the tax credit program can be addressed by disseminating information more widely and thoroughly as described above. Technical assistance from private or state historic preservation architects can work with homeowners to help the project conform to the Standards for Rehabilitation while still accomplishing the homeowners' goals. Streamlining the application process so that project approvals are more timely might encourage those who did not want to wait for approval to apply.

The main conclusion that was drawn after speaking with different representatives of the preservation community was an emphasis that the state alone was not responsible for increasing participation in the tax credit program. Until the SHPO receives more funding dedicated to the tax credit program, it is unlikely that its educational efforts will improve. Cooperation between the state, local non profits, statewide non profits (PNC) and local organizations (historic district commissions and neighborhood associations) is necessary for true success of the program, and these organizations can be even more effective by educating not just historic homeowners and potential homebuyers but the professionals (real estate agents, accountants, etc.) who have direct contact with and influence on the homeowner.

Each historic rehabilitation completed in North Carolina has a positive effect by improving the local economy and revitalizing neighborhoods. The analysis mentioned earlier confirms the historic rehabilitation tax credit program's far reaching effects on the economy, and a walk through any of the state's historic neighborhoods illustrates the intangible benefits the program has produced in creating better places to live. If the SHPO and historic preservation organizations can work together to address the barriers to participating in the program, the results just might be profound.

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