



TEXAS HISTORICAL COMMISSION

real places telling real stories

The New Texas Historic Preservation Tax Credit

Presentation for San Antonio Conservation Society and the
City of San Antonio Historic Preservation Office

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The New Texas Historic Preservation Tax Credit

What's the story?

During the recent 83rd Texas Legislative Session (FY 2012-13) **House Bill 500** was introduced by Representative Harvey Hildebrand.



Enacted revisions to create a **Texas Credit for Certified Rehabilitation of Certified Historic Structures**, pursuant to Chapter 171, Subchapter S of the Texas Tax Code.



The New Texas Historic Preservation Tax Credit

The **Texas Historical Commission** (the state agency for historic preservation) AND the **Texas State Comptroller of Public Accounts** will jointly administer the program.

The new 20 page, Texas Historical Commission rules are found in the **Texas Administrative Code, Title 13, Part II, Chapter 13 Texas Historic Preservation Tax Credit Program**, as amended.

Application forms and guidance documents are under development.

The THPTC program is intended to mirror the Federal Historic Preservation Tax Incentive Program with a few exceptions.

The state credit may be used separately or in conjunction with the 20% federal tax credit.



The New Texas Historic Preservation Tax Credit

PROGRAM SUMMARY:

This incentive requires that work to a historic property meet the *Secretary of the Interior's Standards for Rehabilitation* to qualify for the credit.

“**Certified Historic Structures**” can include properties that are currently listed in the National Register of Historic Places, either individually or as part of a historic district, or designated as Recorded Texas Historic Landmarks or State Antiquities Landmarks.

The credit is worth 25% of the eligible rehabilitation costs for the project, which must be at least \$5,000 in value to qualify.

In the absence of a state income tax, the credit is applied against a **business's franchise tax liability**. The program goes into effect on January 1, 2015 for properties placed in service on or after September 1, 2013 to include **rehabilitation projects completed in FY 2014 and later.**

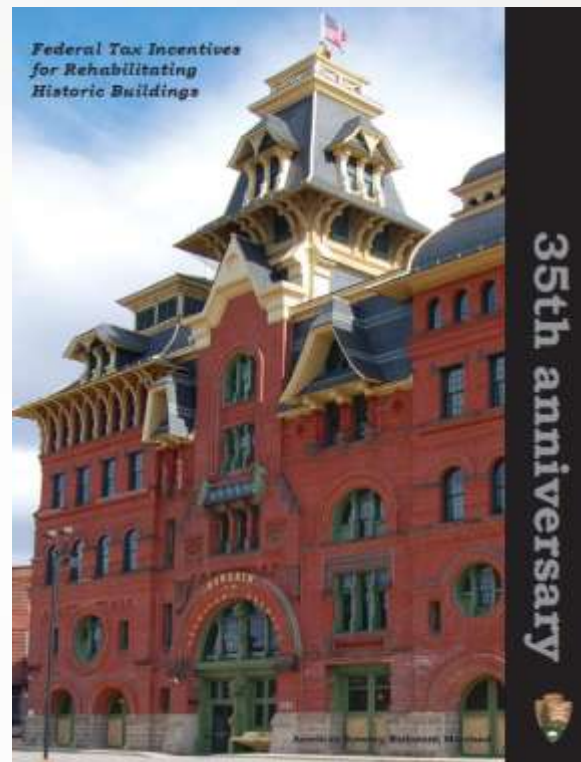
The New Texas Historic Preservation Tax Credit

What's all the excitement about?

The opportunity to leverage the new 25% state WITH the 20% federal tax credits!

The 1976 Federal Historic Preservation Tax Incentive Program is administered by the National Park Service (NPS), the Internal Revenue Service (IRS) and the State Historic Preservation Offices (SHPO).

Federal tax credit program benefits include:
38,700 vacant and underutilized buildings revitalized, **2.35 million** jobs created and **over \$106 billion** in private investment
•with the federal credit.



34 states now have various state tax incentives for historic rehabilitation to pair with the federal rehab tax credit program.



The New Texas Historic Preservation Tax Credit

What has been the impact of the Federal Historic Preservation Tax Incentive Program in Texas?

Since 1979, they have enabled a total of **nearly \$1.28 billion in rehabilitation investment**, supporting over 29,000 jobs and generating \$814 million in income.

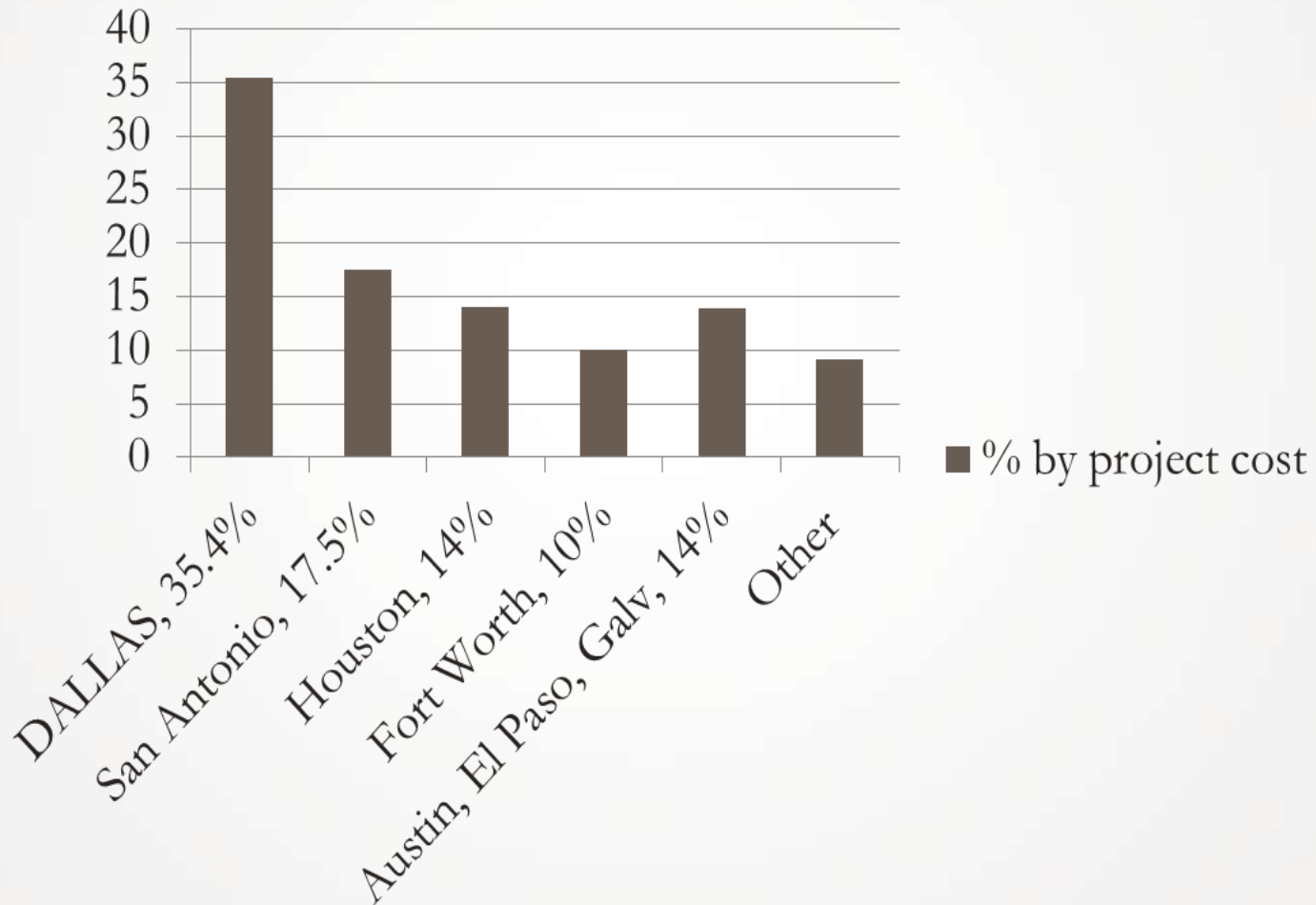
More than \$254 million in federal tax credits for Texas individuals and businesses.

An average annual investment of just over \$75 million over the 2009-2013 period.



The New Texas Historic Preservation Tax Credit

Since 1979, over 500 federal historic tax credit projects have been certified in Texas





The New Texas Historic Preservation Tax Credit

Why is this program so important to San Antonio?



Judge Roy Bean House, Langtry

Sheer Number of Historic Resources





The New Texas Historic Preservation Tax Credit



Baxter Building, Harlingen

Dominance of historic multi-story commercial buildings



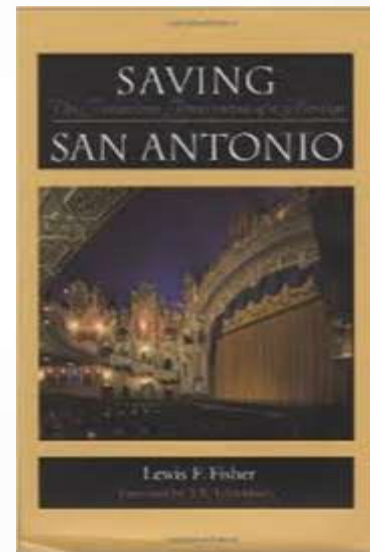


The New Texas Historic Preservation Tax Credit



The High Line, New York City

Strong Community preservation ethic





The New Texas Historic Preservation Tax Credit



Inexperienced surgeon

Experienced practitioners familiar with good preservation practices.



The New Texas Historic Preservation Tax Credit

1978-1990 Certified HTC Projects in San Antonio, 43 projects

| | | | |
|--|-------------------------------------|--|--|
| Dullnig Building | 101 Alamo Plaza | Millrace Building (Brackenridge Park Station, Pump House #2, Or "The Borglum Studio") | One Millrace |
| Louisa Vaughan Building | 1141 East Commerce | Alexander Hart-Halff House | 601 Howard Street |
| Halff-Duke House | 105 Madison | Schultze Building | 421 E. Commerce |
| Old First National Bank Building | 239 E. Commerce Street | Scholz Palm Garden | 105-109 N. Alamo |
| Caile & Altrete House | 526 E. Nueva St. | Rilling Building | 417 E. Commerce |
| German English School | 421 South Alamo St. | Old U.S. San Antonio Arsenal | 646 South Main Avenue |
| Bushnell Apartments | 240 Bushnell | Monte Howell Leather Company Building | 1201-1207 E. Commerce St., & 300 N Center |
| 1148-1150 E. Commerce Street | 1148-50 E.Commerce St. | Lone Star Building | 126 Gonzalez St |
| South Texas Building | 239 E. Houston Street | Morrison-Quinn House | 710 N. Olive Street |
| Old Continental Hotel | 322-344 West Commerce St. | Old Joske's Building | 111-115 N. Alamo |
| Crockett Hotel | 320 Bonham Or 302 E Crockett St | St. Anthony Hotel | 300 E. Travis St. |
| Stevens Buildings | 315 E. Commerce | Chandler Building | 110 East Crockett St. |
| New Moore Building | 110 Broadway | Alex Sartor House | 217 King William St. |
| Old Frost Bank Building | 103 S. Main | Hiram Partee Residence | 605 Belknap Place |
| Castle Properties | 109,111 Arcineaga, 335,339 S. Presa | Fairmount Hotel | 401 S. Alamo Street |
| North Bridge Building | 1149 E. Commerce | Dreiss, Thompson, & Company Building | 117 N. Alamo Street |
| Albert Maverick Building | 515 E. Houston | Dreiss Drug Store Building | 119-121 North Alamo |
| Crockett Block I & II | 317-323 Alamo Plaza | Carl Hilmar Guenther Home | 205 East Guenther St. |
| EMILY MORGAN HOTEL (Formerly Medical Arts Building) | 705 E. Houston St. | 108 Soledad | 108 Soledad |
| Carriage House Of Ike West House | 422 King William St. | Menger Hotel | 204 Alamo Plaza |
| Barr Building | 213 Broadway | Kirkpatrick Building | 123 Alamo Plaza |

The New Texas Historic Preservation Tax Credit

1990-2010 Certified HTC Projects in San Antonio, 20 projects

| | | | | |
|--|-------------------------------|----------|------------|------------------------|
| Kirkpatrick Building | 123 Alamo Plaza | 09/02/92 | Certified- | \$72,000.00 |
| Blue Star Arts Complex | 1432 South Alamo Street | 04/04/93 | Certified- | \$1,083,500.00 |
| Builder's Exchange Building | 152 Pecan Street | 01/20/95 | Certified- | \$2,142,150.00 |
| Calcasieu Building | 202-214 Broadway | 03/25/97 | Certified- | \$2,549,178.00 |
| The Maverick Building | 606 North Presa Street | 08/27/98 | Certified | \$5,324,554.00 |
| Robert E. Lee Hotel | 111 West Travis Street | 08/26/99 | Certified | \$5,294,319.00 |
| Navy Reserve Bldg / U.S. San Antonio Arsenal | | 09/14/99 | Certified | \$7,562,017.00 |
| Burns Building | 401 East Houston Street | 09/20/99 | Certified | \$3,903,314.57 |
| Southern Pacific Depot | 1174 E. Commerce St. | 12/13/99 | Certified | \$4,295,000.00 |
| Goad - Riata Cadillac Building | 317 Lexington Avenue | 07/11/00 | Certified | \$8,900,000.00 |
| Staacke Building (See Stevens Building) | 309-315 E. Commerce Street | 12/27/00 | Certified | \$1,000,000.00 |
| Stevens Building (See Staacke Bldg.) | 315 E. Commerce | 12/27/00 | Certified | \$1,000,000.00 |
| 1160 E. Commerce Street | 1160 E. Commerce Street | 09/27/04 | Certified | \$180,943.33 |
| Dullnig Building | 262 Losoya | 11/30/01 | Certified | \$1,400,000.00 |
| 123 Heiman Street (Alton Hotel) | 123 Heiman Street | 04/30/04 | Certified | \$550,580.57 |
| 138 East Magnolia Avenue | 138 East Magnolia Avenue | 06/22/06 | Certified | \$84,950.16 |
| Old Bexar County Jail | 120 Cameron Street | 10/10/06 | Certified | \$3,035,576.00 |
| Alamo National Bank Building | 105 South St. Mary's Street | 11/14/07 | Certified | \$45,000,000.00 |
| Aztec Theater | 104 North Saint Mary's Street | 08/09/10 | Certified | \$15,000,000.00 |
| Windows on Main | 2500 N. Main Ave | 09/23/10 | Certified | \$316,230.00 |
| | | | | \$108,694,312 |

\$108,694,312 Total Rehab Costs for Certified Projects, 1990-2010

\$97,824,881 Total Qualified Rehabilitation Expenditures

\$19,564,976 Project Credits for 20 projects between 1990-2010

\$978,248 average credit per project



The New Texas Historic Preservation Tax Credit



Blue Star Arts Complex certified in 1993
\$1.1 million in credits



The New Texas Historic Preservation Tax Credit



The **Aztec Theater**, certified in 2010, \$15 million in credits



The New Texas Historic Preservation Tax Credit



Navy Reserve Building/US San Antonio Arsenal, certified in 2010, \$7.5 million in credits



The New Texas Historic Preservation Tax Credit



Before



After

Heimann Building (formerly Alton Hotel) certified in 2004, \$2.5 million rehabilitation/\$1 million new construction, \$500,000 in federal tax credits



The New Texas Historic Preservation Tax Credit

Between 1990 and 2010, over \$100 million expended on HTC projects in San Antonio netting almost \$20 million in tax credits with an average of about \$1 million per project

\$108,694,312 Total Rehab Costs for Certified Projects,
\$97,824,881 Total Qualified Rehabilitation Expenditures

\$19,564,976 Project Credits for 20 projects between

\$978,248 average credit per project

(for 20 projects certified in San Antonio)

Now San Antonio, add a 25% state historic tax credit to your plans!!!



The New Texas Historic Preservation Tax Credit

Who's eligible for the Texas Historic Preservation Tax Credit Program (THPTC)?

- Private individuals and for-profit companies
- Non-profit organizations*
- Government entities*
- *(not eligible for Federal program)

What types of properties are eligible?

- Only historic buildings that are income-producing qualify for the credit. Structures such as bridges, ships, railroad cars, grain silos and dams are not eligible for the credit. Owner-occupied residential properties are not eligible for the credit.

What is the minimum project cost?

- \$5,000 or the adjusted basis of the building whichever is lesser.



The New Texas Historic Preservation Tax Credit

How is the THPTC credit taken?

- The state credit is taken against business franchise tax liability as determined by the Texas Tax Code.
- Credits may be transferred or sold by the property owner to an entity that owes that tax.

How does a building become a “certified historic building”?

- The building must be listed on the National Register of Historic Places (individually or in a district), designated as a Recorded Texas Historic Landmark or State Antiquities Landmark.
- A Part 1 or A is submitted to THC to evaluate its eligibility for historical designation or if it currently has any designations.
- The building must have a historical designation by the time credit is taken.



The New Texas Historic Preservation Tax Credit

How does a project become a “certified rehabilitation”?

- A project description usually including architectural plans and specifications, photographs and a narrative description of each feature impacted by the project must be submitted for review by the THC (and NPS if federal credits are sought). This is Part B.
- Rehabilitation work, exterior and interior, must meet the Secretary of the Interior’s *Standards for Rehabilitation* to qualify as a “certified rehabilitation”.
- The Part 2/B is carefully reviewed by THC and NPS to determine if its meets the *Standards*, if not what conditions must be met for it to meet the *Standards* or if does not meet the *Standards*.
- Final Certification of the Completed Work is based on another review of the completed project by THC as Part C (and by NPS as Part 3).



The New Texas Historic Preservation Tax Credit

How are the expenses submitted for the tax credit?

- The THC issues a Certificate of Eligibility for the state tax credit based on a determination that the project is a “certified rehabilitation”.
- An Audited Cost Report is submitted to the Comptroller with the Certificate which documents the project owners and costs.
- The credit is generally allowed in the taxable year that the rehabilitated building was placed in service/project completion.
- Only Qualified Rehabilitation Expenditures (QRE) as defined by Internal Revenue Code, Section 47(c)(2) apply. Costs associates with property acquisition, new construction, parking lots, sidewalks and landscaping are not eligible.



The New Texas Historic Preservation Tax Credit

Comparison: Federal and State programs

| | Federal Historic Preservation Tax Incentives Program | Texas Historic Preservation Tax Credit Program |
|---------------------------------------|--|--|
| Credit applies to: | Federal Income Tax | Texas Franchise Tax |
| Percent credit offered: | 20% of qualified expenditures | 25% of qualified expenditures* |
| Credit recipient: | Current owner(s) | Current owner(s) May transfer whole or partial credit to others |
| Eligible applicants: | Individuals, companies, partnerships | Individuals, companies, partnerships, non profits and government entities |
| Eligible building uses: | Income-producing only | Income-producing only |
| Required historic designation: | National Register (individual or district) Required within 30 months of claiming credit | National Register (individual or district), Registered Texas Historic Landmark, or State Antiquities Landmark Required when credit is claimed |
| Minimum project: | \$5000/value of building (whichever is greater) | \$5000 |
| Application structure: | 3-part Federal application (1, 2, 3) | 3-part application that mirrors Federal (A, B, C) |
| Recapture period: | 5 years | No recapture period |
| Time limit for use of credits: | 20 years | 5 years |
| Architectural oversight: | National Park Service (NPS) certifies with THC's recommendation | Texas Historical Commission (THC) certifies projects NPS reviews first if applying for Federal & State |
| Financial oversight: | Credit managed by IRS | Credit managed by Texas Comptroller |
| Application deadline: | Must apply before project completion | Projects completed between September 1, 2013 and January 1, 2015 may apply retroactively All others must apply before project completion |
| Applications accepted: | Any time | Beginning January 1, 2015 |



The New Texas Historic Preservation Tax Credit

You have the Power. Now the choice is yours what to do with it!