

Historic Tax Credits

New Mexico Main Street

Economic Development Department

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State and Federal Historic Preservation Tax Credits

Protect the historic integrity of the property and its environment

State: 50% state income tax credit of eligible rehab expenses

Federal: 20% federal income tax credit of eligible rehab expenses



Three Rivers Brewery, 101 Main St., Farmington, NM

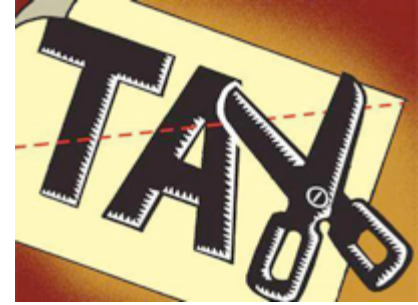
Income Tax Credit

- ✓ A dollar-for-dollar reduction in the amount of income taxes you owed
- ✓ Example: If your tax bill is \$1000, a \$200 tax credit would reduce the tax owed to \$800



State of NM 50% Tax Credit

NM Historic Preservation Division (HPD)



50% of eligible costs in a pre-approved rehabilitation or a maximum credit of \$25,000 - whichever is least

Example:

- \$5,000 in approved expenses would earn a 50% tax credit of \$2,500
- Approved expenses of \$50,000 would earn the maximum tax credit of \$25,000

State of NM 50% Tax Credit

A listed historic buildings in an **Arts & Cultural District**:

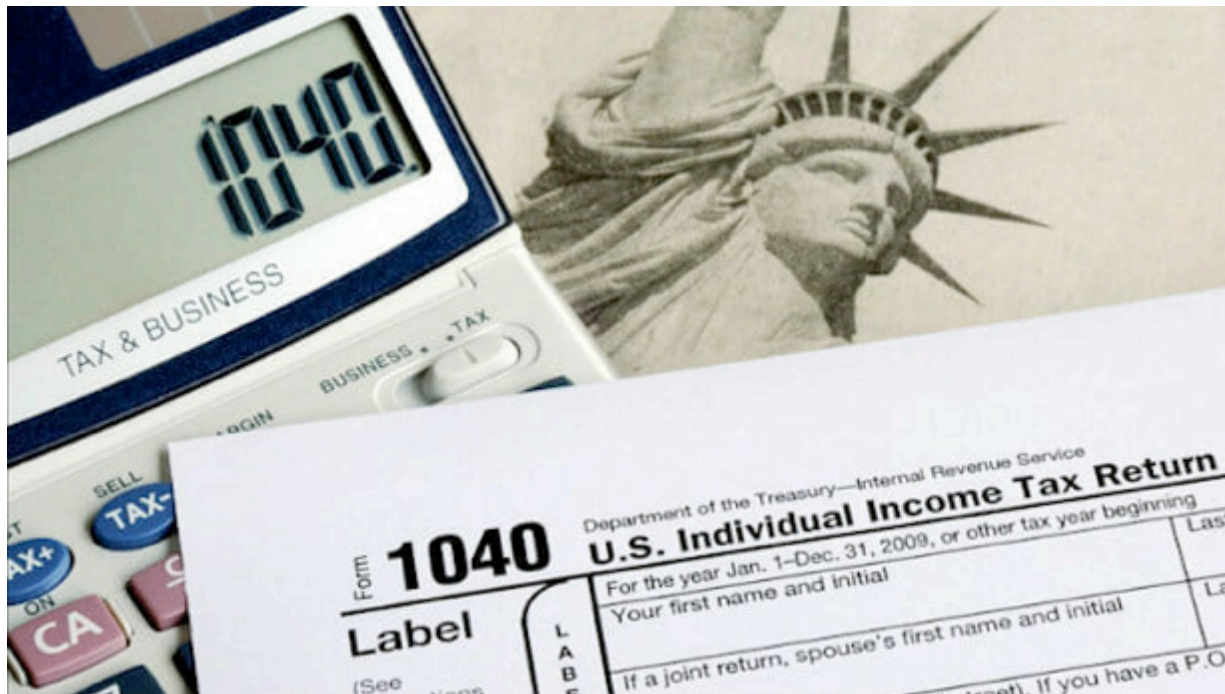
Maximum eligible expenses is \$100,000 for a 50% tax credit maximum of \$50,000



Farmington Arts & Cultural District

State of NM 50% Tax Credit

- ✓ Amount subtracted from NM state income taxes owed Applied the year the project is completed
- ✓ Balance may be carried forward for additional 4 years



State of NM 50% Tax Credit

ELIGIBILITY:

- Own or lease a commercial or residential property
- May be a personal residence or a commercial income-producing property
- Must be LISTED in the *State Register of Cultural Properties*
- or
- Designated as a *CONTRIBUTING PROPERTY or resource to a listed historic district*

State of NM 50% Tax Credit

ELIGIBLE COSTS FOR CREDIT:

✓ Roofing (new/repair), eaves & fascia, woodwork, stabilizing foundation & structural elements, repairing windows, restoring interior & exterior finishes, repairing/replacing utility services to conform to code requirements.

✓ Rehabilitation work must conform to:

Secretary of the Interior's Standards for Rehabilitation:

www.nps.gov/tps/standards/rehabilitation.htm

State of NM 50% Tax Credit

Nominate unlisted properties with historic value to the *State Register of Cultural Properties (State Register)*

✓ Step 1:

Submit the **State and National Register Preliminary Questionnaire** to

Steven Moffson, State and National Register Coordinator (steven.moffson@state.nm.us)

Federal 20% Rehabilitation Tax Credit

Federal income tax credit* of 20% of eligible costs of rehabilitation work

State Historic Preservation Division (HPD) in Santa Fe:
(SHPO)

- 1st contact for participating in the federal program
- Assist with listing the property in *the National Register of Historic Places (National Register)*
- Steven Moffson, State and National Register Coordinator
(steven.moffson@state.nm.us)

*Credit only be carried forward for 5 years (used to be 20 years)

Federal 20% Rehabilitation Tax Credit

✓ ELIGIBILITY:

Income-producing property, not personal residence

Certified historic structure

Must own building for 5 years after rehab completed

✓ ELIGIBLE REHABILITATION EXPENSES:

20% of Qualified Rehabilitation Expenditures (QREs)

Costs directly related to the repair or

improvement of structural and architectural

features of the historic building

Federal 20% Rehabilitation Tax Credit

Repairs must be “*substantial*”

Your *qualifying rehabilitation expenses* must be more than **\$5,000** or the building’s ADJUSTED BASIS

A – B – C + D = ADJUSTED BASIS

A= Purchase Price of Property \$150,000

B= Cost of land at time of purchase \$70,000

C= Depreciation for income-producing property \$41,000

D= Cost of capital improvements \$2,000 (new AC)

$\$150,000 - \$70,000 - \$41,000 + \$2,000 = \$41,000$

\$41,000 is the Adjusted Basis

Eligible rehab costs can exceed this amount

Federal 20% Rehabilitation Tax Credit

Example:

\$41,000 - new roof, repair rotten siding, upgrade the wiring, rebuild portal
Costs qualify as a substantial rehabilitation project

Owner completes the application process

Receives certification from the National Park Service that the rehabilitation meets the *Secretary of the Interior's Standards for Rehabilitation*

Owner eligible for a 20% credit on the cost of his rehabilitation, or a \$8,200 credit (available when rehabilitation is completed)

Some expenses may not qualify for the tax credit, such as an addition or landscaping.

Federal 20% Rehabilitation Tax Credit

Minimum Project Size

Aside from the \$5,000 minimum investment to meet the “substantial” rehabilitation requirement, there is no minimum project size requirement. However, because the application and approval process requires significant design, legal and accounting costs, professionals in the HTC arena have suggested that projects seeking credits should have at least \$1,000,000 in QREs. This number may need to be even higher if the owner wants to syndicate the credits.

It should be noted that the NPS charges a fee to perform its Part 2 and 3 review. According the NPS’s [site](#), the current fees (based on project cost) are:

Project Cost	Federal Fee
\$5,000 – \$79,999	\$0
\$80,000 – \$3,849,999	\$845 + 0.15% of rehabilitation costs over \$80,000
\$3,850,000 or more	\$6,500

Federal 20% Rehabilitation Tax Credit

FY 2014-2018: 3 NM Buildings Approved

FY 2018:

Under \$250,000 – 18%

\$250,000 - \$999,999 – 28%

\$1 Million - \$4,999,999 – 28%

\$5 Million - \$24,999,999 – 20%

Over \$25 Million – 6%



46% of all completed projects in U.S. - under \$1 Million



Almost half (48%) of all Qualified Rehabilitation Expenses were between \$1 Million and \$24,999,999.

20% of projects involved properties not yet listed in the National Register of Historic Places

Historic Register

The Secretary of the Interior, through the National Park Service, determines whether or not the building is a “certified historic structures”



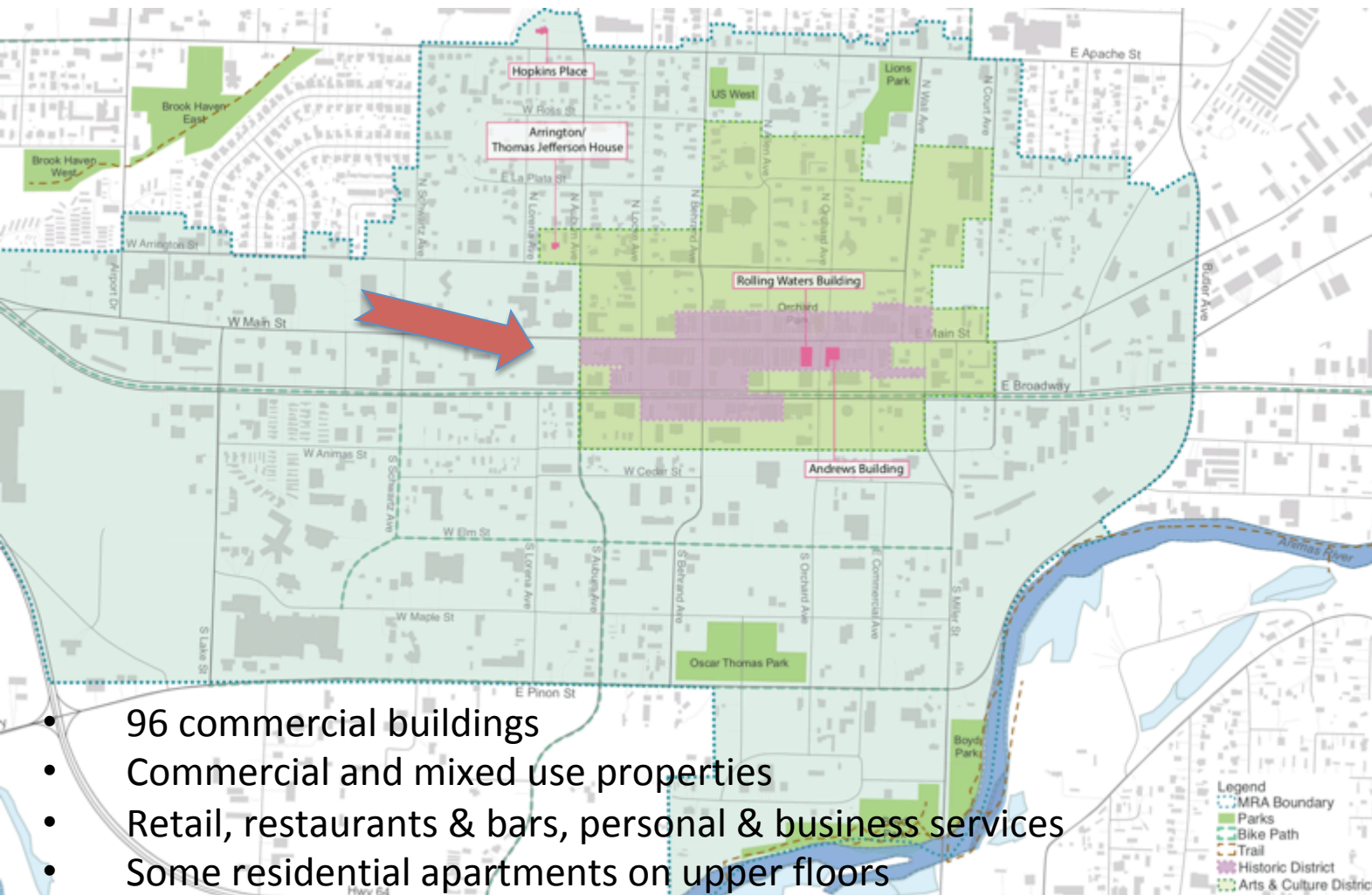
The Andrews Building was originally built in 1912, and housed the Farmington Drug Store and Farmington Times-Hustler newspaper.

Andrews Building, 101 E. Main Street, Farmington

Farmington Historic Downtown Commercial District

Listed in the National Register of Historic Places (December 2002)

6 block stretch of Main Street and Broadway from Auburn to Miller



- 96 commercial buildings
- Commercial and mixed use properties
- Retail, restaurants & bars, personal & business services
- Some residential apartments on upper floors

Farmington Historic Downtown Commercial District

Designation of historic districts and properties helps to recognize, preserve and protect important properties in Farmington's history.

- Listing in the State and National Registers **DOES NOT** enable SHPO (State Historic Preservation Office) or NPS (National Park Service) to prohibit development or improvement projects

However

- Changes to listed properties may make a structure ineligible for tax credits

Changes to Listed Properties

✓ Historic properties are allowed some exceptions to the regulations in the NM Existing Building Code and the International Existing Building Code

✓ The Americans with Disabilities Act (ADA) includes allowances for historic properties so that accessibility modifications do not “threaten or destroy” architecturally and historically significant building elements

Listed Historic Property State Register of Cultural Properties

A Building's Classification:

★SIGNIFICANT:

Has significant architectural features and/or work done by a prominent architect

★CONTRIBUTING:

Built within the building's period of significance and retains

★NON-CONTRIBUTING:

No contribution to the historical period of significance or because of alterations now have diminished integrity

Farmington Historic Downtown Commercial District

To be considered CONTRIBUTING:



- Facades/storefronts oriented to the street with sidewalk access
- Shared side walls
- Frontage along Main Street or Broadway or one of these intersecting streets: Auburn, Locke, Behrend, Allen, Orchard, Commercial, Wall or Miller Avenues

Farmington Historic Downtown Commercial District

To be considered CONTRIBUTING:

- Retain characteristic features, materials and details that communicate a distinct style
- Retain original massing and roof shape
- Retain original door and window positions



Farmington Historic Downtown Commercial District

If a building has lost its integrity through demolition or modifications it may be considered NON-CONTRIBUTING



Secretary of the Interior Standards for Rehabilitation

1. Minimal change to building's defining characteristics
2. Retain and preserve property's historic character
3. Maintain physical record of property's time, place, and use
4. Preserve distinctive features, finishes, construction techniques, and craftsmanship
5. Repair deteriorated historic features (only replace when severe): *New feature shall match old in design, color, and texture*

Secretary of the Interior Standards for Rehabilitation

6. No use of chemical or physical treatments (e.g., sandblasting) that cause damage to historic materials
7. Protection of significant archeological resources
8. Additions, exterior alterations, or new construction shall not destroy historic materials: *New work should be compatible with original massing, size, scale, and architectural features*
9. Removal of additions and new construction cannot impair the historic property's form and integrity

Preservation as a treatment

This approach focuses on the maintenance and repair of existing historic materials and retaining the form and character of a property as it has evolved over time.





Techniques to
Protect historic
Integrity:

1. Preservation
2. Rehabilitation
3. Restoration
4. Reconstruction



Rehabilitation as a treatment

Rehabilitation recognizes the need to alter or add to a historic property in order to meet continuing or changing uses while simultaneously retaining the character of the historic property.



Restoration as a treatment

This method focuses on depicting a property at a certain period of time in history, and removes evidence from other periods that aren't appropriate.





No fire resistant walls
or sprinkler system



Reconstruction as a treatment

Reconstruction sets out to re-create lost or non-surviving aspects or portions of a property for interpretive purposes.

Final Thoughts

- Water Damage is the enemy
- “Get the building watertight. Fix the roof, windows, and masonry.”
- Updating heating, cooling, and electrical systems are the most expensive part of any renovation



For More Information

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