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HISTORIC TAX CREDIT TOOL BOX

Historic Tax Credits and Local Landmarks

JOHN TESS, HERITAGE CONSULTING GROUP



Historic buildings are celebrated as local landmarks across the country. From the tallest skyscrapers in large cities to the quaint Main Streets in small town America, these landmarks form the identity of communities. Due to their status, these landmark buildings can attain multiple levels of historic designations, including listing in the National Register of Historic Places and local designation under local historic preservation ordinances. While multiple levels of designation protect the historic integrity of these landmarks, potential conflicts arise when rehabilitating a locally landmarked building using historic tax credits (HTCs). In these cases, the path to historic approval may encompass local, state and federal reviews, which often add time and complexity to a project. There are many challenges.

Local Historic Designations and Reviews

The mid-20th century was a transitional period for American cities and the pressures of the automobile and the need to incorporate modern building services such as air conditioning and computers significantly affected the built environment. Cities throughout the country saw significant numbers of aged buildings demolished, fomenting a burgeoning historic

preservation movement. Following the demolition of New York's famed Pennsylvania Station in 1963 and the feared demolition of Grand Central Station, the city of New York enacted its landmarks law in 1965 to protect historic resources through historic designations and local design review. Following the landmark Supreme Court case *Penn Central versus City of New York*, which determined local historic preservation ordinances legal, such local measures were enacted throughout the country.

With a nod to Tip O'Neill, all preservation is local. Unlike the straightforward HTC review process, which is completed by reviewers at the state historic preservation office (SHPO) and National Park Service (NPS), local historic designations and reviews take many shapes and forms. While there is an archetype for the standard local preservation ordinance, no two ordinances are the same. Names and procedures for landmark listing and design review vary from town to town. For example, in Chicago and New York City, locally designated historic buildings are officially considered to be "landmarks," while in Philadelphia, locally designated buildings are listed in the Philadelphia Register of Historic Places. Often in smaller communities, historic design review is

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undertaken by the local historic architectural review board (HARB), whereas larger municipalities may have preservation commissions or landmarks commissions. The process is typical for local historic review. Initial reviews and minor work are generally reviewed by the local historic preservation or planning staff, with major work reviewed by the full historic preservation commission (or its local variant). It is important to understand the players and the process early in the project to most effectively prevent delays.

Review Process

It is critical for a project team to understand early on whether a building is a locally listed landmark, as well as the review process and design standards associated with the local designation. Unlike the HTC review process, under which SHPO/NPS have review jurisdiction over all work, local historic review may be limited to only certain aspects of the project.

Review of locally designated buildings varies, with some municipalities requiring historic review applications to obtain certificates of appropriateness, while other municipalities may only require a building permit. Most cities limit review to resources listed under the local historic preservation ordinance. Others link design review as an assessment of integrity to listing in the National Register, while others review work proposed for all buildings of a certain age, whether determined to be historic or not. Typically, local design review is limited to work on the exterior, including site and new construction beyond the building envelope. Sometimes when local incentives, such as property tax abatement are used or when building interiors are designated, that review may be extended to the interior. Development teams need to fully understand the scope of local and HTC design review to understand how these processes may intertwine.



Image Courtesy of Heritage Consulting Group
The Reynolds Building in Winston Salem, N.C., required a decision on what to do with an iconic sign.

On the surface, the HTC and local review processes seem simple—both are usually based on the Secretary of the Interior’s (SOI’s) Standards and are evaluated by government entities that protect the integrity of historic resources. One might assume that design reviews would be similar. This presupposition is misguided for a variety of reasons, including the basis of design review standards, the interpretation of design review standards and the timing of reviews.

The various subsets of the Standards, including preservation, rehabilitation, restoration and reconstruction, are defined by unique guidelines. The federal HTC program is based on the Standard for

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Rehabilitation, while local municipalities may use their own standards, another set of the SOI standards or the SOI Standards in general, as is the case in San Francisco. Since the proposed design could be evaluated based on differing Standards, there is potential for conflicting reviews. In the case of conflicting reviews, the design process becomes a balancing act as one level of review does not take precedent. Awareness of the Standards of both review entities early in the design process is imperative.

Case Study: Reynolds Building, Winston Salem, N.C.

One case of overlapping local review: the Reynolds Building, originally built as the headquarters of the R. J. Reynolds Tobacco Company in Winston Salem, N.C. Philadelphia-based developer PMC Property Group successfully completed the \$59 million rehabilitation project in 2016. Built in 1929 and designed by the renowned New York architectural firm of Shreve and Lamb, the Reynolds Building is has a limestone-clad Art Deco exterior. It is comprised of a nine-story base that extends the full footprint of the site, with a central tower rising 22 stories.

The building was listed on the National Register of Historic Places in August 2014 and listed as a Winston-Salem Local Historic Landmark in May 2015. Thus, it was subject to review by the SHPO and the NPS for HTC purposes and the Winston-Salem Historic Review Commission (HRC) for local landmark purposes.

A conflicting review between the HRC and NPS arose, involving exterior signage and site work. The Reynolds Company requested that the owner remove the sign which reads “R.J. Reynolds Tobacco Company” above the primary entrance on Main Street, since the company was no longer using the building. The applicant proposed removal of the sign in the HTC Part 2 application, which the NPS approved. However, when the HRC reviewed the application, removal of the sign was denied based

on the grounds that it defined the character of the building and was specifically called out in the National Register nomination. The applicant then worked with the Reynolds Company to keep the sign. After receiving approval from the Reynolds Company, an amendment to retain the sign was submitted and approved by the NPS. The HRC took a more hands-on role in reviewing masonry samples. Since local historic commissions can easily visit project sites, it is common for local commissions to take a more active role in reviewing mockups for masonry cleaning, repair and replacement. These reviews should be factored into the overall project schedule as it may take time to have samples approved.

Case Study: Globe Hotel

Another case is the Globe Hotel in Portland, Ore. Built in 1911 as a “working-man’s hotel” and later used as offices, the Globe is a contributing resource in the Skidmore-Oldtown Historic District. Starting in 2009, Beam Development began a federal HTC rehabilitation of the building into an educational facility for the Oregon College of Oriental Medicine (OCOM). The project was subject to review by both the NPS and the Portland Historic Landmarks Commission (PHLC).

Updates to the building’s mechanical systems were necessary and the project team determined that new mechanical equipment needed to be housed on the roof. Originally, the mechanical equipment design featured a screening system which concealed the equipment. PHLC was amenable to this type of system and approved the design. However, NPS did not approve the rooftop work. After negotiating with the NPS and redesigning the project so the mechanical equipment was less visible, the rooftop work was approved. Despite receiving NPS approval for HTC purposes, the project team still had to reapply to PHLC with the new design. Ultimately, the project team devised a strategy that analyzed local building codes and design guidelines as applied to other recently completed projects to make the case for

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approval of the new rooftop design and obtained both NPS and PHLC approval.

Conclusion

The Reynolds Building and the Globe Hotel show that balancing local and federal design review may present challenges to gaining necessary approvals. Redesigning and negotiating was the key to the success of the Reynolds Building project. While the requirement to keep the original sign could have been a roadblock, the project team remained open to design changes and negotiated with the HRC and NPS to achieve approval for both local and HTC design reviews. For the Globe Hotel, an initial NPS denial led to design changes and negotiation with the PHLC.

It is vital to assess the typical local design review process and timeline, as well as local guidelines and codes and weigh potential outcomes against NPS standards. It is important to begin the design and review process early to rectify any conflicts that may result from the overlapping historic reviews. ❖

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John M. Tess is president and founder of Heritage Consulting Group, a national firm that assists property owners seeking local, state and federal historic tax incentives for the rehabilitation of historic properties. Since 1982 Heritage Consulting Group has represented historic projects totaling more than \$3 billion in rehabilitation construction. He can be reached at 503-228-0272 or jmtess@heritage-consulting.com.

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