CHAPTER 9 - FINANCIAL INCENTIVES

A. Introduction

The preservation of historic buildings benefits communities by connecting people to their heritage and enriching the quality of their lives in countless ways. Preservation also provides opportunities for demonstrable economic benefits. Unfortunately, anyone who has ever been involved in a rehabilitation or revitalization project is acutely aware of the time, disruption, and financial commitment associated with such an undertaking. This can be especially true when an historic structure is involved. All too often, a rehabilitation or revitalization project begins with all good intentions of being completed only to be stopped or abandoned due to rising costs.

Mixed-use Building—East Washington Street

Recognizing the importance of the rehabilitation and revitalization of historic resources, the federal, state, and local governments have developed financial incentive programs intended to off-set the cost of such efforts. The following is a brief description of some of these programs available for use within the Suffolk Historic Conservation Overlay District.

B. Federal and State Tax Credits for Rehabilitation

Through the federal and state rehabilitation tax credit programs, property owners are given substantial incentives for private investment in preservation, resulting in enormous advantages to the public. These investments represent monies paid for architects, contractors, craftsman, and suppliers. The capital investment in historic buildings can result in increases in local property taxes as well as a general enhancement in commercial activity. The rehabilitated building can also provide housing, office, retail, and other commercial space. Thus, communities benefit from property improvement, blight removal, and increased occupancy of buildings in historic core neighborhoods.

The rehabilitation tax credits are dollar-for dollar reductions in federal and state income tax liability for taxpayers who rehabilitate historic buildings. Buildings listed in the National Register of Historic Places and the Virginia Landmarks Register or certified as contributing to a historic district are eligible.

To be eligible, for federal tax credits , the property must be income producing. The cost of the rehabilitation must exceed the owner's basis in the building or $5,000, whichever is greater. The program has rewarded private investment in rehabilitating historic properties such as offices, rental housing, and retail stores. It has proven to be one of the nation's most successful and cost-effective community revitalization programs through its generation of jobs and creation of moderate- and low-income housing in historic buildings. The program is administrated by the National Park Service in partnership with the Internal Revenue Service and State Historic Preservation Offices (see Appendix E for contact information).

State tax credits are available for owner-occupied, as well as income-producing buildings. If the property is income-producing, it may also be able to take advantage of federal tax credits. Property owners who complete a

certified rehabilitation of a significant historic building can receive an income tax credit for 25% of their eligible expenses (see Appendix E for contact information). An additional 20% credit is available through the Federal Rehabilitation Tax Credit Program. The following criteria apply to this program:

Office Building—North Main

- Income-producing properties: The cost of the rehabilitation must be at least 50% of the assessed value of the year preceding the rehabilitation.
- Owner-occupied properties: For rehabilitations completed after January 1, 2001, the cost of the rehabilitation must be at least 25% of the assessed value of the building in the year preceding the rehabilitation.

The federal government also allows a 10% rehabilitation tax credit for buildings which were constructed before 1936, but are not certified historic structures. If the building is listed on the National Register, it is automatically a certified historic structure and is not eligible for the 10% credit. If it is located within a listed historic district, it is eligible for the 10% credit only if it is certified (through the submission of a Virginia Tax Credit Application, Part 1: Evaluation of Significance) as not contributing to the district. The building must also meet the following conditions:

- Is used for non-residential purposes;
- Has not been physically moved; and
- Meets the external and internal wall retention tests set forth under federal regulations.

Property owners are not required to follow the Secretary of Interior's Standards in order to claim the 10% credit. It is important to note that there is no corresponding state credit for rehabilitation of buildings that are not certified historic structures.

Owner-occupied residential properties located within the National and State Register Historic District are eligible for a 25% State tax credit for qualifying rehabilitation costs. To qualify for the State Credit, an owner must improve the property value at least 25% of the assessed value of the building. When both of the federal and state criteria can be met, then the two credits can be combined. Contact the Virginia Department of Historic Resources with questions about this program.

C. City Programs

- Partial Exemption from Real Estate Taxes

  - Residential Property:

    - The building should be improved so as to increase the assessed value of the structure no less than forty percent (40%).
    - The total square footage shall not be increased more than 15%.

- No improvements made upon vacant land, nor total replacement of the structure shall be eligible.
- No property shall be eligible unless appropriate building permits have been acquired and an application for the exemption has been filed with the City Real Este Assessor.

o Commercial Property:

- The building should be improved so as to increase the assessed value of the structure no less than sixty percent (60%).
- No improvements made upon vacant land shall be eligible.
- No property shall be eligible unless appropriate building permits have been acquired and an application the exemption has been filed with the City Real Estate Assessor.

Contact the Suffolk Real Estate Assessor at (757) 514-7475 for additional information.

- Suffolk Facade Improvement Program

Preserving a building's facade is not only important to maintaining a building's general appearance but also serves to enhance its general streetscape and attraction to customers. Within the historic district, the preservation and rehabilitation of facades also serves to facilitate the overall character of the district. In this regard, it serves as a visible sign of a property owner's pride in their business and community.

The City's Department of Economic Development has established a Facade Improvement Program to facilitate opportunities for facade improvements. Under this program, businesses looking to improve the appearance of their property within an approved area of the city can receive up to fifty percent (50%) of the total cost:

- To a maximum of $10,000 for improvements to a building's facade.
- To a maximum of $5,000 for new or restored fencing.
- To a maximum of $2,000 for new or restored signs.
- To a maximum of $1,000 for design services of a licensed architect to design a building's facade or store front.

Contact the Suffolk Department of Economic Development at (757) 514-4040 for additional information.

D. Enterprise Zone Program

The Suffolk Enterprise Zone Program represents state and local incentives intended to develop and improve a variety of properties. The Suffolk Enterprise Zone is a specially targeted area designated by Virginia's Governor to receive an attractive package of state and local incentives for up to a 20-year period to encourage economic growth and neighborhood revitalization. With regard to its relationship to historic preservation/ rehabilitation efforts, the Suffolk Enterprise Zone includes the downtown central business district and older residential neighborhoods with state and federal historic district designations.

The following are several examples of some of the available incentives:

- Real Property Investment Grant

  Available for new construction, renovation, or expansion of structures in the Enterprise Zone. Approving agency is the Virginia Department of Housing and Community Development (VDHCD).

- Utility Tax Credit

  Applied to the usage of utilities. Approving agency is the VDHCD and Suffolk Department of Economic Development.

- Business, Professional and Occupational License Tax Credit

  Available for a non-manufacturing company located in the Enterprise Zone.

- Building Permit Fees Credit

  Applications can be made for new construction or rehabilitation in the Enterprise Zone. Approving agency is the Suffolk Department of Economic Development.

- Application Fee Waiver

  Applications are made to the City Assessor for renovation of qualifying structure. Approving agency is the Suffolk Department of Economic Development.

See Appendix E for contact information.

E. Historic District Discount Paint Program

In order to assist property owners with paint expenses, the Suffolk-Nansemond Historical Society has established a paint program through a local paint dealer. This program is available to all properties in the local Historic Conservation Overlay District and includes paint and paint supplies. Contact the Historical Society for additional details.