

NORTH CAROLINA PRESERVATION

*Special Edition:
NC's Rehabilitation
Tax Credits*



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NORTH CAROLINA PRESERVATION

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Preservation North Carolina would like to extend a special thank you to Catherine French, who contributed greatly to this special issue of *NC Preservation*.

On the cover: Patrons enjoy a meal at the Raleigh Times Building after its renovation with NC Rehabilitation Tax Credits.

The mission of Preservation North Carolina is to protect and promote buildings, sites and landscapes important to the diverse heritage of North Carolina.

“Historic Preservation makes sense in large measure because Historic Preservation **makes** dollars and cents, but it also **saves** dollars and cents.”
– *Donovan Rypkema*



Grove Arcade in downtown Asheville

Since their creation in 1998, the North Carolina Rehabilitation Tax Credits have stimulated **\$1.6 billion** of private investment in North Carolina’s heritage, creating an estimated **23,000 jobs**, boosting local economies and communities and attracting **out-of-state investment**.

This special issue of *North Carolina Preservation* summarizes the impact of the North Carolina Rehabilitation Tax Credits and highlights a few of the many rehabilitation projects that the program has helped bring about.



What is the North Carolina Historic Rehabilitation Tax Credit Incentive Program?

The Federal Rehabilitation Tax Credit program started in 1976, designating a 20% historic tax credit for qualified rehabilitation expenses for properties listed on the National Register of Historic Places. In 2012, **\$5.33 billion** was invested nationwide for **1,020 rehabilitation projects**, creating **57,783 jobs**. On the national stage, North Carolina is consistently a leader in the use of the federal rehabilitation tax credits, **ranking third nationally in 2011**.

The reason North Carolina has

ranked so high is the boost provided by the state Rehabilitation Tax Credits. In 1997, the North Carolina General Assembly enacted the state tax credits to provide an additional incentive for investment in National Register properties in North Carolina. The State income tax credit “piggybacks” off the Federal tax credits, increasing their use in North Carolina. There are three different types of state tax credits offered for substantial rehabilitation of properties listed in the National Register of Historic Places.

North Carolina Rehabilitation Tax Credits

Historic Income-producing Properties Credit

State income tax credit = 20% of qualified rehabilitation expenditures

Historic Mill Credit

State income tax credit = 30% of qualified rehabilitation expenditures in Tier 3 counties
40% of qualified rehabilitation expenditures in Tier 1 or 2 counties

Owner-occupied Historic Properties Credit (Homeowner)

State income tax credit = 30% of eligible rehabilitation expenditures (minimum expenses = \$25,000 over a 24-month period)



Former Wilkesboro School

By 2013, NC Rehabilitation Tax Credit projects have been completed in **90 of the 100 counties**. These range from rural to urban, income-producing properties to owner-occupied homes. Generally the largest projects have used the “mills credit” for the redevelopment of massive industrial buildings, like the American Tobacco mixed-use complex in Durham, which saw \$167 million in investment.

According to the April 2013 economic and fiscal impact analysis of the North Carolina Rehabilitation Tax Credit program prepared by the

NC Department of Commerce, the credits **contribute an annual average of \$124.5 million** to the state gross domestic product and approximately **2,190 jobs**. These rehabilitation projects generate federal, state, and local tax revenue during construction, and they continue to do so after construction ends—with sales taxes from new businesses, increased property taxes, and income taxes from newly created jobs.



Case Study – Historic Mill Tax Credits: Historic Golden Belt Textile Mill, Durham

The state’s rehabilitation tax credits are essential for investment. Large project investments are catalyzed by the state Rehabilitation Tax Credit working in tandem with the federal Rehabilitation Tax Credit. In a survey of developers who have used the “mills credit,” **94% interviewed** indicated that their project would not have been financially feasible without the **state** Rehabilitation Tax Credit program for income-producing properties. The Federal tax credit alone is not sufficient.

Golden Belt in downtown Durham, renovated with the “mills credit,” has

truly transformed its surroundings and the local economy since its opening in 2008. Formerly the home to the Golden Belt Manufacturing Company, the seven-acre, 155,000 square foot complex has six architecturally significant buildings listed in the National Register of Historic Places. Golden Belt set the standard for sustainability and historic preservation as the **first Gold LEED-certified historic mill renovation** in the Southeast.

Renovated by North Carolina-based Scientific Properties, Golden Belt has thirty-seven live/work residential lofts,

Golden Belt by the Numbers

Pre-rehabilitation tax value (2007)	\$794,379
Post-rehabilitation tax value (2012)	\$15,987,966
Increase in tax value following the Historic Tax Credit Project	2,012%
Number of full-time jobs created	400
Number of tenants/businesses (facility formerly 80% vacant)	55 commercial tenants 37 apartments 35 artist studios



Golden Belt in Durham, before and after

thirty-five artist studios, a central gallery, a live music venue, event space, boutique retail stores, restaurants, and office space.

The rehabilitation of the once-vacant Golden Belt Mill in Durham represents a **\$20.3 million private investment** which created **400 full-time jobs**. In five years, the property tax value alone increased twenty-fold. In addition,

Golden Belt is now an urban hub for the arts and has contributed significantly to the revitalization of the surrounding East Durham neighborhoods. The transformation would not have happened without the North Carolina Rehabilitation Tax Credits.



Case Study – Historic Income-Producing Credits: Mount Airy Downtown Rehabilitation

The rehabilitation of twenty historic downtown buildings in Mount Airy illustrates the impact of the Rehabilitation Tax Credits in a town of **10,000 residents**. Led by developer Gene Rees, revitalization in downtown Mount Airy has resulted in **172 permanent jobs** (post-construction) for 42 businesses in previously underutilized or vacant buildings. In 2012, those businesses generated **\$13 million in sales**, with \$500,000 in sales tax revenue to the state. Property values have increased eight-fold. Mount Airy has witnessed the snowball effect the Rehabilitation Tax Credits can provide

for small town reinvestment; the tax credit projects have stimulated many additional renovations.



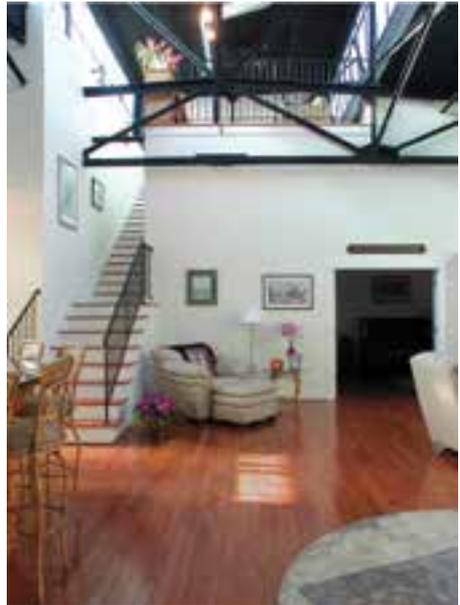
Gene Rees of Mount Airy

Mount Airy by the Numbers

Pre-rehabilitation tax value (2007)	less than \$1,000,000
Post-rehabilitation tax value (2012)	\$8,000,000
Increase in tax value following the Historic Tax Credit Project	800+%
Number of full-time jobs created	172
Number of tenants/businesses	42 professionals and retail tenants



Downtown Mount Airy (above) and Renfro Mill, Mount Airy (below).





Case Study – Historic Homeowner Tax Credits: The Story of One Residence in Raleigh



Historic residence after a fire in Raleigh's Oakwood Historic District; craftsmen and professionals (below right) after rehabilitation (right).

Rehabilitation work using the North Carolina Rehabilitation Tax Credits requires more skilled labor, supports higher wages, and sustains more local investment than new construction. These jobs are generally local and can't be outsourced.

After her 1851 home in Oakwood was badly damaged by a disastrous fire, Ann Robertson's insurance company declared it a total loss. Ann, working with a skilled contractor, pushed

ahead to restore it. This house, one of the earliest in the neighborhood, would have been lost without the Rehabilitation Tax Credits. This one property alone **employed 70 craftsmen and professionals in 2012 through 2013.**

Most renovations of historic owner-occupied homes using the North Carolina tax credits haven't been quite so dramatic. Many have involved substantial updating of mechanical



systems that are out of sight but critical to the homes' long-term viability. Our state's historic neighborhoods have benefited greatly from multiple tax credit projects.

The North Carolina Rehabilitation Tax Credit program is the only incentive available for homeowners whose homes

are listed in the National Register of Historic Places. Up to 30% of the rehabilitation costs can be eligible for state income tax credits, when expenditures have reached a minimum of \$25,000 over a 24-month period. Those credits are taken over five to ten years.





Case Study – Community Revitalization: State Historic Tax Credits in Edenton



At the end of 1995, the Edenton Cotton Mill and mill village was donated by Unifi to Preservation North Carolina. The industrial complex was mainly vacant, and the total tax value of the 44-acre property with 57 houses and a hulking factory was only \$1.45 million. Eight years later, the property’s cumulative assessed value was \$20.7 million, and now it probably exceeds \$30 million. More than 60 homeowners in the village and condo owners in the mill have taken advantage of the North Carolina Rehabilitation Tax Credits to

renovate their new homes.

For several years, the village’s streets were lined with the trucks of contractors as house after house was fixed up. Jobs, jobs, jobs! And now, tourists come to see the revitalized mill village, and new construction is filling in the vacant space behind the mill where frame warehouses stood long ago. More jobs! This long-term sustainable economic development project probably wouldn’t have been such a resounding success without the tax credits. The project has contributed mightily to the vitality of a small town in northeast North Carolina.





“But For” the State Historic Tax Credit Incentive Program: A Pet Store in Forest City



Forest City Pets Store, before (inset) and after. On the right, the multi-level interior of the pet store with pressed-tin ceilings.

North Carolina’s Rehabilitation Tax Credits are essential for Main Street revitalization, providing an incentive for downtown investment that works in tandem with federal tax credits. In many cases, investors would not undertake historic rehabilitation projects **but for** the state

credits. The state tax credits are often treated by lenders as equity in the project and have helped owners obtain the financing needed to undertake both large and small commercial projects, like the Forest City Pets Store in Rutherford County, a fantastic addition to downtown Forest City



“But For” the State Historic Tax Credit Incentive Program: Cranford Industries Office in Asheboro

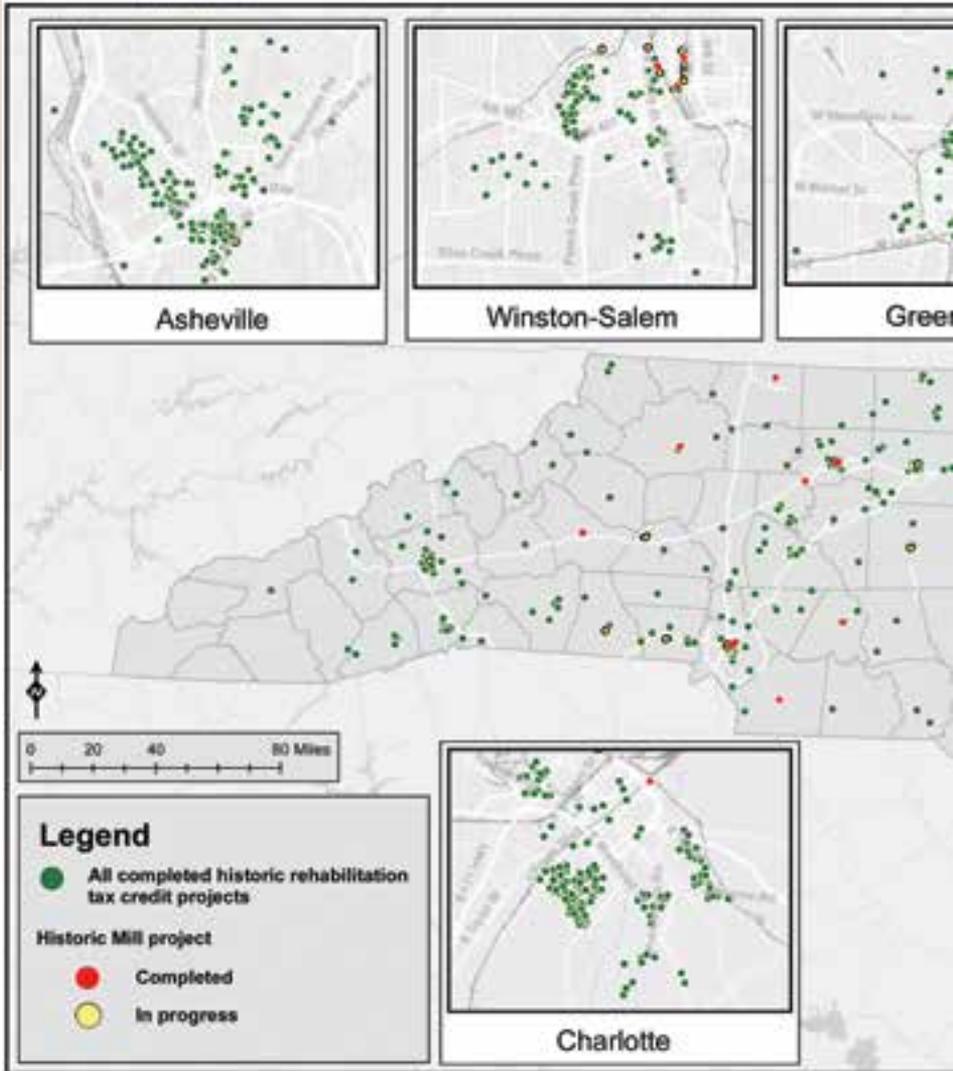


The Cranford Industries Office in Asheboro before (inset) and after rehabilitation, with plenty of room for diners.



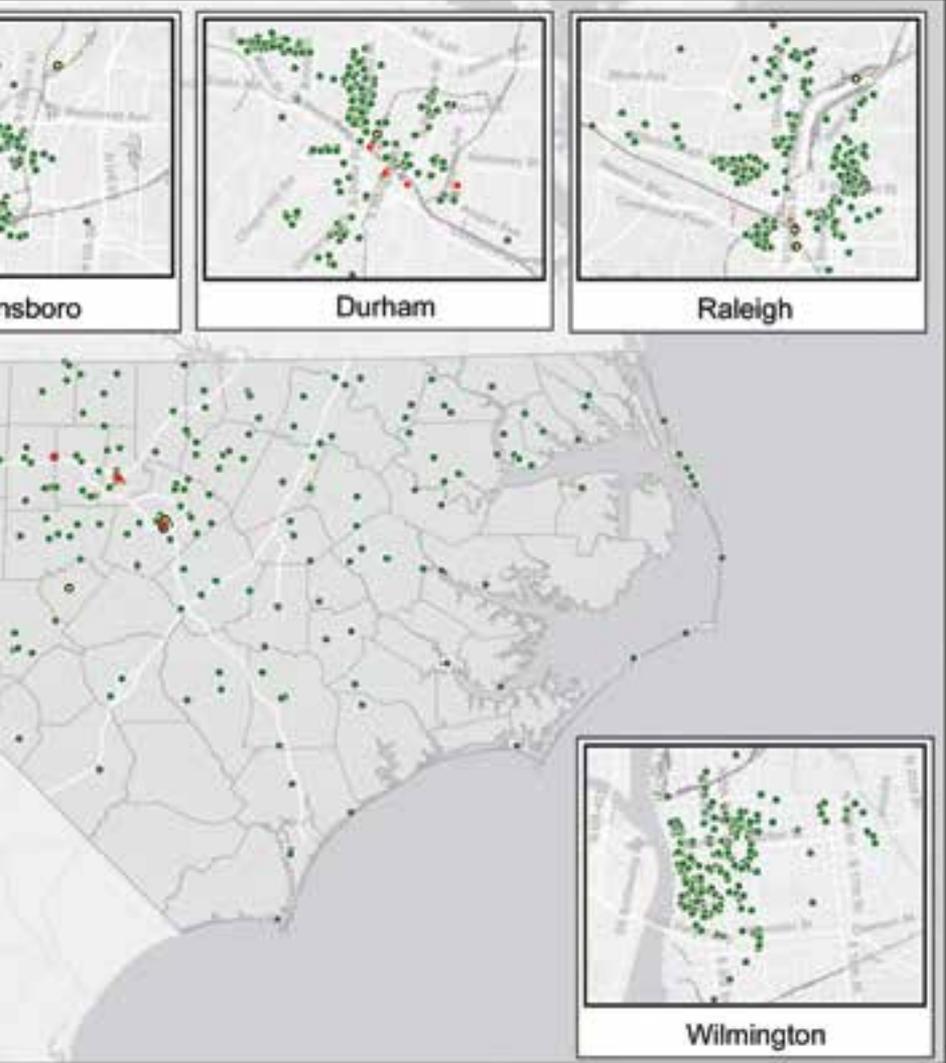


Commercial and Historic Preservation (as of January)





and Residential Tax Credit Projects (January 1, 2013)





Impact of Investment: Factory 91 in Winston-Salem



The former RJ Reynolds Factory 91 in Winston-Salem after rehabilitation. Right, the 2012 grand opening ceremony for the new Wake Forest BioTech Place.

The former RJ Reynolds tobacco warehouse “Factory 91” in Winston-Salem has seen **\$93 million in investment** during its rehabilitation into a world-class biomedical research and innovation center known as Wake Forest BioTech Place. BioTech Place, the second largest historic rehabilitation project in North Carolina, is notable for attracting significant out-of-state investment into the local economy.

The BioTech Innovation Corridor is now currently under development in downtown Winston-Salem, which is attracting additional private investment. Investors have earned \$31 million in state income tax credits, but the project is expected to yield \$51 million in state and local tax revenue. The BioTech Place is a great case study that indicates that the state tax credit is likely revenue-positive.





Impact of Investment: The Hanes Knitting Company in Winston-Salem



The Hanes Knitting Company Warehouse building after rehabilitation was completed.

Adjacent to the new Wake Forest BioTech Place and the BioTech Innovation Corridor in Winston-Salem is the former P. H. Hanes Knitting Company building. The rehabilitation of the former knitting buildings into 156 market-rate apartments has brought an additional **\$30.4 million to the local economy**. There are currently 86 additional apartments under construction in the third Hanes building in the

complex. Federal and state Historic Tax Credits have spurred this redevelopment.

The spinoff of all this activity includes significant job creation, downtown revitalization, improved community appearance, and greater community pride. It is safe to say that **but for** the state historic tax credits, the significant reinvestment in Winston-Salem vacant textile and tobacco factories downtown would not have happened.



*Above, rooftop resident area with a view of downtown Winston-Salem.
Below, apartment in the rehabilitated Hanes Knitting Company building.*





State Historic Tax Credits and Affordable Housing: The Gaston Memorial Hospital in Gastonia



Highland Memorial Apartments, formerly Gaston Memorial Hospital.

The economic benefits of the state historic tax credits are often supplemented by quality-of-life enhancements, such as providing affordable and senior housing. In 2012, the long-vacant Gaston Memorial Hospital in Gastonia was converted into affordable housing for seniors and people with severe disabilities. Instead of costing Gaston County about \$750,000 in demolition costs, the renovation of the hospital has resulted in nearly \$15



million in private reinvestment in the local economy. Gastonia is also benefiting from nearly \$50 million in additional revitalization in historic Armstrong Apartments and Loray Mill.



Affordable housing in historic buildings in Mebane (top), Henderson (above left), Lumberton (above right) and Cramerton (below).





Creative Uses for Historic Buildings: The Win-Mock Farm Dairy in Davie County



The rehabilitated Win-Mock Farm Dairy in Davie County. Right, the special events space in the main barn. Photo above courtesy of Tom McCulloh Photography, photo at right courtesy of Autumn Song Photography.

Historic buildings often lend themselves to adaptability and creative new uses. From large, structurally sound, vacant mills with large windows to smaller turn-of-the-twentieth century main street buildings with sidewalks and their human-scale facades, many historic properties just need a little imagination and reinvestment.

The rehabilitated Win-Mock Farm Dairy in Davie County has been adapted

into an upscale event space for weddings and other large events. In North Carolina, we have historic structures that are now home to offices, retail establishments, restaurants, microbreweries, hotels, living spaces, artist studios and galleries, boutique shops, music venues, and community spaces.

Our historic structures are often the most sought-after spaces today, attracting new businesses and much-needed jobs.





A few of the nearly 1,500 homes in North Carolina Renovated Using State Tax Credits



The tax credits have helped revitalize homes of a wide variety of sizes, styles and locations! This page: houses in Franklin County, Elizabeth City and Raleigh. Opposite page: houses in Ashe County, Charlotte, Macon County, Raleigh, Durham and Salisbury.







Transformative

Back in 1997, Preservation North Carolina, working with our Main Street allies, encouraged the North Carolina General Assembly to create the North Carolina Rehabilitation Tax Credits, benefiting both businesses and homeowners who own historic properties. Little did we know how effective these credits would be!

These credits have absolutely transformed many of North Carolina's downtowns, large and small, and turned entire neighborhoods around.

Every five years since then, the preservation and downtown redevelopment community has had to go back to the North Carolina General Assembly to justify the continuation of the tax credits, and each time they've been renewed. From Day One, legislative support for the tax credits has been bipartisan and nearly unanimous. It doesn't matter whether you are conservative or liberal when you see our state's historic buildings coming back to life.

There are few activities that are more job-intensive and return more dollars to the local economy than historic rehabilitation! You can't outsource renovation. Returning a historic building to new utility requires more labor and higher skills than new construction, and more money is pumped back into the community. It just makes so much sense to reuse our historic buildings.

We're proud of what the North Carolina Rehabilitation Tax Credits have accomplished, and our successes have not gone unnoticed by other states. Over the last fifteen years, our credits have been replicated time and again by other states, both red and blue.

It's been a remarkable success story. We hope you'll enjoy this look at what our North Carolina Rehabilitation Tax Credits have accomplished over the last fifteen years. Our state's clearly a better place because of them.

Sincerely,

Myrick Howard

President, Preservation North Carolina



The Bank of Four Oaks building in Four Oaks, before (inset) and after.



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The Nash Street Candy Store in Southport, before (inset) and after.



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