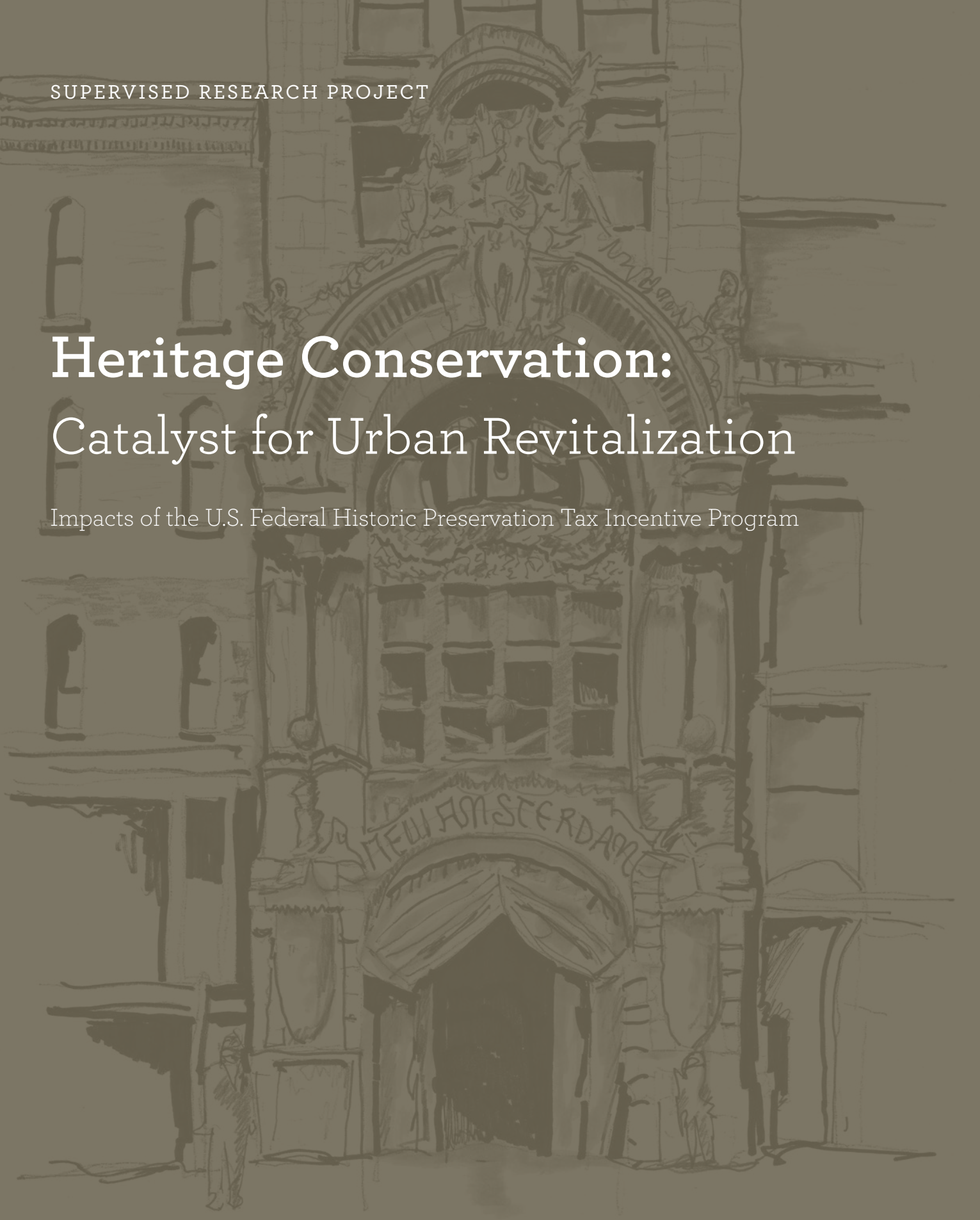
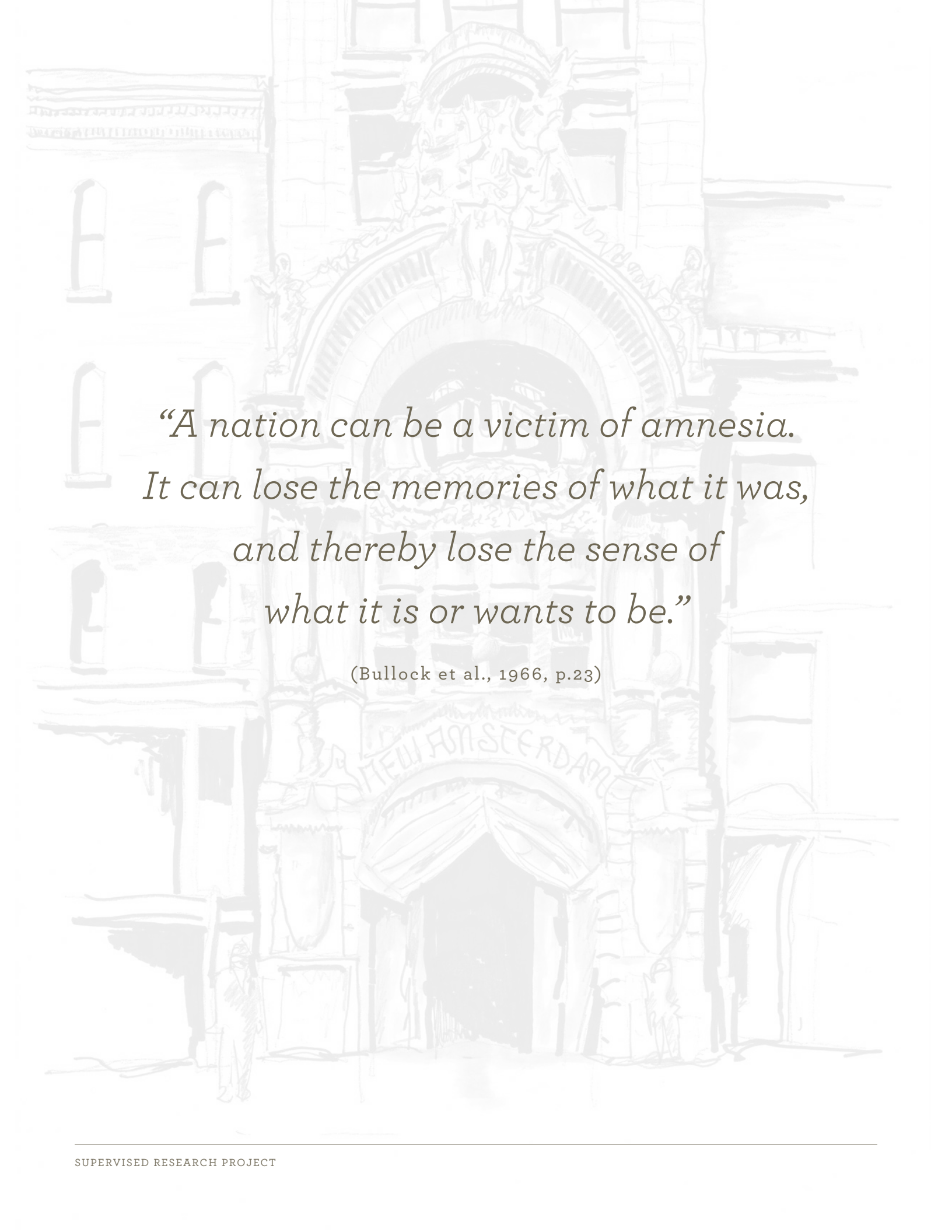
SUPERVISED RESEARCH PROJECT

Heritage Conservation:
Catalyst for Urban Revitalization

Impacts of the U.S. Federal Historic Preservation Tax Incentive Program



David André Tirman
School of Urban Planning, McGill University
August 2024



"A nation can be a victim of amnesia. It can lose the memories of what it was, and thereby lose the sense of what it is or wants to be."

(Bullock et al., 1966, p.23)

Heritage Conservation:
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Impacts of the U.S. Federal Historic Preservation Tax Incentive Program

Written by David André Tirman
In partial fulfillment of the requirements for the Master of Urban Planning degree

Submitted to Associate Professor Nik Luka, Ph.D.
School of Urban Planning, McGill University
August 2024

Abstract

This study examines how historic tax credits (HTC) in the United States have had impacts on conserving built heritage, helping rejuvenate many urban centres and neighbourhoods. Had it not been for the Historic Preservation Act (HPA) of 1966 in the United States (US), the rampant demolition of downtown urban areas that occurred during the 1950s and 1960s would likely have continued unabated, causing the continued widespread loss of properties of historical value and significance throughout the nation. The HPA, in turn, ultimately led to the establishment of the Federal Historic Preservation Tax Incentive Program or historic tax credits (HTC), a notable outcome of the Tax Reform Act of 1976 and the Economic Recovery Act of 1981. HTC offered owners, builders, and developers a financially competitive alternative to new construction and encouraged preserving, rehabilitating, and restoring America's historic properties versus razing and building anew. This, in turn, helped protect America's building heritage and slow the demolition of historic urban cores. The federal tax incentive program, often coupled with separate state-sponsored tax incentives, has proven to be the critical difference between losing and saving much of the nation's built heritage. Since the program's origins in 1976, reports from federal, state, and non-governmental organizations (NGOs) and the private sector have attested to the impact of HTC in promoting heritage conservation and spawning urban regeneration in towns and cities large and small across the nation. The study also investigates the role of historic tax credits in project funding and risk mitigation by examining federal legislation, policy documents, reports, literature, discussions with key informants, and case studies. Additionally, the study investigates how HTC functions to encourage adaptive reuse, helping bring new housing, uses, and renewed life back to many of America's main streets and urban cores.

KEYWORDS

HISTORIC PRESERVATION

HERITAGE CONSERVATION

HISTORIC TAX CREDITS

ADAPTIVE REUSE

URBAN REGENERATION

Résumé

Cette étude porte sur les crédits d'impôts historiques aux États-Unis (« historic tax credits » ou HTC) et leurs impacts quant à la conservation du patrimoine bâti, ainsi que la manière dont le programme a contribué à rajeunir de nombreux centres urbains et des quartiers. Sans « l'Historic Preservation Act » (HPA) de 1966 aux États-Unis, la démolition rampante des centres-villes qui a eu lieu dans les années 1950 et 1960 se serait probablement poursuivie sans relâche, entraînant la perte généralisée et continue de propriétés de valeur et d'importance historiques dans tout le pays. Le HPA a, à son tour, conduit à la mise en place du programme fédéral d'incitation fiscale à la préservation historique ou des crédits d'impôts historiques (HTC), un résultat notable de la loi sur la réforme fiscale de 1976 et de la loi sur la relance économique de 1981. Le HTC a offert aux propriétaires, aux constructeurs et aux promoteurs une alternative financièrement compétitive aux nouvelles constructions et a encouragé la préservation, la réhabilitation et la restauration des propriétés historiques américaines au lieu de les raser et d'en construire de nouvelles. Cela a permis de protéger le patrimoine immobilier américain et de ralentir la démolition des centres urbains historiques. Le programme fédéral d'incitations fiscales, souvent associé à des incitations fiscales distinctes accordées par les États, s'est avéré être la différence essentielle entre la perte et la sauvegarde d'une grande partie du patrimoine bâti de la nation. Depuis la création du programme en 1976, des rapports émanant d'organisations fédérales, étatiques et non gouvernementales (ONG) ainsi que du secteur privé, attestent du succès du programme HTC sur la promotion de la conservation du patrimoine et la régénération urbaine dans les villes, grandes et petites, de tout le pays. L'étude se penche également sur le rôle des crédits d'impôt historiques dans le financement des projets et l'atténuation des risques en examinant la législation fédérale, les document politiques, les rapports, la littérature, les discussions avec des informateurs clés et les études de cas. En outre, l'étude examine la façon dont le crédit d'impôt historique fonctionne pour encourager la réutilisation adaptative, en aidant a ramener de nouveaux logements, de nouvelles utilisations et une vie renouvelée dans de nombreuses rues principales et noyaux urbains

MOTS-CLÉS

PRÉSERVATION HISTORIQUE

CONSERVATION DU PATRIMOINE

CRÉDITS D'IMPÔTS HISTORIQUES

RÉUTILISATION ADAPTATIVE

RÉGÉNÉRATION URBAINE

Acknowledgments

The inspiration for this supervised research project (SRP) came from my experience working for the Walt Disney Company (Disney) during the 1990s. I was a project manager for the renovation and rehabilitation of the historic New Amsterdam Theatre on 42nd Street in New York City. Disney envisioned the theatre as a venue for showcasing their musical productions. Renovating and rehabilitating the landmark New Amsterdam was made financially feasible with the addition of historic preservation tax credits. The experience of renovating the theatre and managing the tax credit process in collaboration with city and state officials from New York led to the rebirth of the theatre, which played an early role in the renaissance of New York's famed 42nd Street. In short, the New Amsterdam heritage conservation project left an indelible impression on me.

I thank my supervisor, Associate Professor Nik Luka, for his valuable input and insightful guidance. I also thank my program academic advisor, Associate Professor Lisa Bornstein, and thank Professor-of-Practice Julia Gersovitz for imparting her expertise in heritage conservation. I am grateful for the steadfast patience and unwavering support of my partner, Lorna Tirman, and the encouragement of our daughters, Laura and Kristina. I also thank Jack Bousquet for tapping me to join the New Amsterdam project team in 1996, which introduced me to the beauty and complexities of heritage conservation. Thank you to Christina Cameron, Michael Jackson, Melissa Hafey, Patrick Shattuck, Kathy Beyer, Rebecca Palmer, Robin Reed, and Jen Scarisbrick for their contributions. Finally, I greatly appreciate my McGill cohort for also pursuing studies in urban planning, a field that is all about making our world a better place.

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Abbreviations

CAR	Capital Authorization Request
CRHP	Canadian Register of Historic Places
FY	Fiscal Year
HPA	National Historic Preservation Act
HPCA	Historic Preservation Certification Application
HTC	Historic Tax Credits
HTC-GO	Historic Tax Credit Growth and Opportunity Act
IRS	Internal Revenue Service
LLC	Limited Liability Company
NGO	Non-governmental Organization
NPS	National Park Service
NTHP	National Trust for Historic Preservation
QRE	Qualified Rehabilitation Expense
SHPO	State Historic Preservation Office
SRP	Supervised Research Project
TCPS2	Tri-Council Policy Statement (on Ethical Conduct for Research Involving Humans Core Principles)
TRA	Tax Reform Act of 1976
US	United States

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01 Introduction

From time immemorial, structures crafted by man have served as reflections of the time during which they were built, telling tales that can go beyond those of providing basic shelter and protection from the elements. Structures from the past can relay a sense of memory and heritage about what came before, helping to educate present and future generations. Preserving our collective heritage is a means of expressing our shared humanity, whether through the totems of the Pacific Northwest reflecting the cultural legacy of Indigenous peoples or the spiritual symbolism of the Gothic Revival spires of the Basilique Notre-Dame de Montréal. In his foreword to *With Heritage So Rich* (1966), Richard Moe stated that "Preservation today is more than just buildings. It's about creating and enhancing environments that support, educate and enrich the lives of all Americans. Preservation today is rooted firmly in an appreciation of the value of history and tradition, but it is no longer concerned primarily with the past. It is essential to the quality of our life here and now." (Bullock et al., 1966, p. 7). Going a step further, author Max Page (2016) claimed that today is preservation's moment where "it can find itself offering solutions to some of the most pressing problems of our world---crafting a sustainable approach to climate change, honestly confronting our difficult pasts, and reclaiming a more equitable society" (Page, 2016, p. 18). Given the increasing awareness of the devasting effects of global warming in recent years, of the injustices suffered by the Indigenous peoples of North America at the hands of colonial settlers, and of the limitations associated with our planet's natural resources, conservation as expressed through preservation, renovation, and rehabilitation, presents itself as an antidote. Conserving our natural resources and built heritage takes individual and collective effort. Many, including Feigenbaum and Jenkinson (1984), have concluded that effective conservation also requires government intervention through policies, legislation, and bylaws (Feigenbaum & Jenkinson, 1984). The impacts of specific government regulation and financial incentives that began in the 1960s and 1970s helped to promote and implement preservation projects across the US, underscoring the critical alignment between heritage conservation and sustainability (Fisher, 1998).

Heritage conservation, or historic preservation, as it is known in the US, provides numerous benefits, including protecting cultural heritage, promoting economic development, and fostering community revitalization. However, many preservation projects face financial challenges that can limit their feasibility (Adorno, 2017; Azizi et al., 2016). Financial incentives, such as tax credits, grants, and low-interest loans, can play a critical role in ensuring the feasibility and success of historic preservation projects. Incentivizing private investment in heritage conservation can help generate positive economic impacts, enhance community vitality, promote sustainable development, and protect our shared cultural heritage (National Park Service, 2012).

In the United States, the National Park Service (NPS) administers the Federal Historic Preservation Tax Incentives Program (HTC) through collaboration with the State Historic Preservation Offices (SHPO) (National Park Service, 2023). The National Historic Preservation Act of 1966 (HPA) required all fifty US states to establish SHPOs

(Glass, 2014). Since its inception in 1976, the NPS historic preservation tax credit program has leveraged over $130 billion in private investment to restore over 49,000 historic properties nationwide. Included are over 670,000 new and rehabilitated housing units and nearly 200,000 low and moderate-income housing units (National Park Service, 2024). Additionally, the program has created jobs, stimulated local economies, and enhanced the quality of life in many US communities (National Park Service, 2024).

This study seeks to illuminate the importance of government intervention in safeguarding the built cultural heritage of the United States and the need to maintain and strengthen initiatives such as the Federal Historic Preservation Tax Incentives Program. While focused on the US, the findings discussed are also relevant to Canada, which has a rich cultural history and an abundance of heritage properties but lacks a cohesive, countrywide program to financially incentivize heritage conservation (Cameron, 2024). Ultimately, it is hoped that the insights generated from this report will help stakeholders and policymakers to make more informed decisions regarding future initiatives in heritage conservation, ensuring the protection of significant landmarks and historical structures for future generations to enjoy.

This SRP examines how Federal HTC influenced the conservation of heritage properties throughout the US and how conservation has spurred urban regeneration in both urban and rural settings alike. Furthermore, this paper explores how tax incentives can help mitigate the risks and cost premiums associated with conservation projects, including how HTC factor into the decision-making process of owners and developers when undertaking such projects. In exploring these issues, the paper delves into the mechanics of the HTC program, including property eligibility requirements, specific rehabilitation standards and guidelines, and how local and state governments come into play. Case studies are used as the vehicle for evaluating the successes and shortcomings of HTC, helping to shed light on how incentives can render projects more financially viable and what measures are needed to ensure the long-term health of the HTC program. Importantly, the case studies help illuminate the relationship between heritage conservation and urban regeneration and the extent to which the former influences the latter. Lastly, this paper explores how the US HTC program might serve as a model for Canada and key considerations for a federally-based Canadian heritage tax incentive program.

1.1 Methodology

The work of heritage conservation involves applying human, manufactured, and natural resources to diverse property or artifact types, uses, sizes, and geographic locations. As such, this SRP takes a qualitative research approach, drawing extensively on primary sources. The applied research first identified documentation related to the HTC program and its inception, including the historical context prior to the program's introduction in the 1970s. Database searches were conducted, including those available through the McGill University library system, such as the urban studies abstracts, and other academic databases including JSTOR, Scopus, and Google Scholar. Over one hundred articles, books, reports, and other documents about the US Federal Historic Preservation Tax Incentive Program were identified, triaged, and reviewed. Supplementing the source documentation were the historic preservation standards and guidelines published by the NPS Heritage Preservation Services, as a review of the standards and guidelines is required of projects seeking to use HTC.

The scope of this SRP also included canvassing for potential case study projects and finalizing their selection. Case study selection involved referencing criteria from other studies as well, including Shipley et al. (2011), Ryberg-Webster (2013), Gilliland (2002) and Bornstein (2010). Case studies were central to the research strategy, aligning with one of the key recommendations for qualitative-oriented research conveyed in Creswell's *Research Design* (Creswell & Creswell, 2018). The case study scoping and selection process began with a review of the comprehensive listing of US-based heritage conservation projects from the National Trust for Historic Preservation (NTHP) that secured historic preservation tax credits between fiscal years (hereafter abbreviated as FY) 2001 and 2022.

Similar to the approach taken by other qualitative research projects using case studies (Shipley et al., 2011; Ryberg-Webster, 2013), diverse criteria, such as geographical distribution, community size and type were crucial to understanding their respective topics' commonalities, differences, and trends. A study by Gilliland (2002) on the effects of street widening in Montreal during the late nineteenth century determined that using three cases based in different boroughs of the city sufficed to convey a commonality of causes and effects (Gilliland, 2002). Similarly, a study on large-scale mega-projects by Bornstein (2010) used three city case studies to convey strategies, outcomes, and the various lessons learned (Bornstein, 2010). Developing case study selection criteria for this research report, which also centred around three cases, served as an exercise in due diligence regarding the role(s) played by historic tax credits in project financing and how projects impacted neighbourhoods and communities. The case study criteria emphasized diverse project types, locations, sizes, and uses. Due to the practical need to narrow down the selection from among the thousands of projects on the NTHP list, the chosen cases were the New Amsterdam Theatre in New York (New York), the Riverside Hotel in Reno (Nevada), and the New Avenue House in St. Johnsbury (Vermont). These cases thus represented diverse project types, sizes, locations, development costs, and financing requirements, as summarized in the following table (**Fig. 1**).

Case Study Selection Criteria	Case 1-New Amsterdam	Case 2-Riverside Hotel	Case 3-New Avenue
Geographic location			
Urban	X	X	
Rural			X
Large city	X		
Medium city		X	
Small city			X
Project type			
Housing		X	X
Commercial	X		
Public			
Industrial			
Mixed-use		X	X
Project size			
Up to 1,000 m2			
1,000-2,500 m2			X
Over 2,500 m2	X	X	
Development cost			
Less than $1M			
$1-10M		X	
$10-20M			X
Greater than $20M	X		
Rehabilitation completion year	1997	2000	2022
Local prominence	X	X	X
National Register of Historic Places			
Individually registered	X		
District registered		X	X
Used other financial incentives			
State tax credits	X		
Local (e.g., county) tax incentives	X	X	X
Political support			
Strong	X		X
Mixed		X	
Weak			
Urban impacts			
Positive	X	X	X
Neutral			
Negative			

Figure 1: Case Study Selection Criteria

Project-specific information was drawn from publicly available documentation, including the requisite three-part National Park Service HTC application that outlines the historical significance of the case study properties, their rehabilitation approaches, and a summary of the final results. Supplemental information came from key informants, including state historic preservation officers, project consultants (e.g., architects), and representatives of non-governmental organizations (NGOs) involved in the projects. The research discovered limited degrees of detailed financial information, which is often considered proprietary information. Regarding broader urban regeneration impacts stemming from the cases, online reviews were conducted to gauge media and other public reactions to the projects to help determine if there were spillover effects (e.g., subsequent new construction or renovations nearby).

My prior professional experience with historic preservation and the HTC program led to my selection of the New Amsterdam Theatre as one of the case studies. Serving as the project manager for the New Amsterdam HTC process while with Disney during the 1990s exposed me to the technical and structured nature of heritage conservation projects, each with its unique characteristics and challenges. Case study files were separately organized into folders containing background or contextual information, plans, photographs, articles, reports, financial information, communications, field notes, etc. As information was gathered and assessed, it was classified and filed into the appropriate folder headings. Analysis and organization of data sought to identify trends, patterns, commonalities, pitfalls, and successes. As a matter of course, the accuracy of information was continuously verified. This included fact-checking all information provided by key informants, verifying research-generated information with informants and peers as required, cross-checking document sources, and having research participants and peers review draft written assessments to verify the accuracy of the content before finalization.

This SRP was determined to be exempt from formal ethics review consistent with guidelines outlined in *'Activities exempt from review by the Joint Committee and the REB'* (March 2023) provided by McGill University's School of Urban Planning. The research did not involve surveys or interviews with participants who were research subjects. Instead, case study information was supplemented by discussions with key informants who had been directly involved with the cases. The Government of Canada's Tri-Council Policy Statement on Ethical Conduct for Research Involving Humans Core Principles (TCPS2, 2022) outlines three complementary and interdependent core principles: 1) respect for persons, 2) concern for welfare, and 3) justice, which transcend all methods of ethical research regardless of the approach (Government of Canada, 2022). The research for this SRP was conducted in a way that was consistent with the TCPS2 core principles. Initial outreach to key informants was done in writing, informing them upfront about the nature and intent of the research before subsequent communications (e.g., telephone interviews). Records of discussions, including meeting notes, conversation summaries, reports, and other such documentation, were shared with key informants for review and comment before finalization. Unless the informants preferred anonymity, the informant's contributions were acknowledged. Interactions with informants and others were conducted to ethical standards rooted in honesty, integrity, transparency, and sensitivity to expressed concerns.

1.2 Federal Historic Preservation Tax Incentive Program: An Overview

The US Federal government has encouraged heritage conservation through the HTC program since the late 1970s. The NPS, which officially administers this program on behalf of the Secretary of the Interior and in collaboration with the Internal Revenue Service (IRS) and State Historic Preservation Offices (SHPO), has touted it as "one of the government's most successful and cost-effective community revitalization programs" (National Park Service, 2023). The 2023 NPS guide provides a clear and easy-to-understand summary of the fundamentals of the HTC program. The program was designed to incentivize heritage conservation throughout the US and help cities, towns, and rural areas protect the unique character of historic properties. Notably, the program applies only to heritage conservation properties that are income-producing and depreciable, such as commercial, industrial, or residential rental properties and is not available for private residences (National Park Service, 2012). The NPS defines a depreciable building as any building that is used for a business that is income-producing and not used as a private residence. Key side benefits of the program include economic growth, community revitalization, and the creation of employment and housing (National Park Service, 2023). The program has often filled financial gaps, allowing for renovations of abandoned buildings, including warehouses, underutilized schools, hotels, former department stores, factories, churches, and office buildings in both urban and rural areas (National Park Service, 2012).

1.2.1 TAX CREDIT DEFINED

Unlike a tax deduction, which reduces the amount of taxed income or revenue, a tax credit directly reduces the amount of tax owed. It is a dollar-for-dollar reduction of a tax obligation. Simply put, one dollar of tax credit equates to one dollar less of tax owed (National Park Service, 2012). The HTC program is jointly administered by the US Department of the Interior, which oversees the NPS, and the US Department of the Treasury, which oversees the Internal Revenue Service (IRS). Created by the Tax Reform Act of 1976, the tax credit equates to 20% of total 'qualified rehabilitation expenses' (QRE) related to rehabilitating a certified historic structure (National Park Service, 2012). Direct costs associated with preserving a property's historic elements, such as architectural and engineering fees, surveys, renovation construction costs, and legal services, are considered QRE. However, code-mandated building upgrades, parking, and landscaping are not classified as QRE (National Park Service, 2012). The following section further describes the certification process of heritage conservation rehabilitation work.

1.2.2 HISTORIC PRESERVATION TAX INCENTIVE PROCESS

The Historic Preservation Certification Application (HPCA) is a three-part application used to request certifications necessary to receive HTC (**Fig. 2**). Approval of applications for HTC is conveyed in writing by authorized officials of the NPS acting on behalf of the Secretary of the Interior. The first step of the process involves contact with SHPO for the state where the project is located. The SHPO conducts an initial review of the proposed project application. SHPO will then either formally recommend approval of the initial application to the NPS on behalf of a project proponent or sponsor or work with the project proponent to address areas of concern before application submittal. Project applicants are strongly advised to have prior ap-

proval from the NPS for a proposed project before undertaking work. Otherwise, the applicant would risk incurring expenses that do not qualify for credit if work is started before NPS approval (National Park Service, 2023).

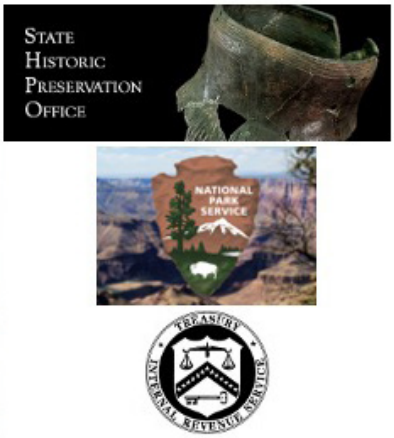
How do HTCs work?		
A 3-Step Process		
1	2	3
		
Listing on the National Registry Must be an income-producing building	Comply with Standards & Guidelines	SHPO Recommendation NPS Approval IRS administers HTC

Figure 2: HPCA Tax Credit Certification Process

Part 1 of the application process determines if the heritage property is a "certified" property listed on the National Register of Historic Places or meets the registration criteria as determined by the NPS. To be eligible for historic tax credits, the property must be a 'certified historic structure.' If the property is not listed on the National Register, the applicant must submit a Part 1 application and request the SHPO to nominate the building or district where it is located for National Register consideration (National Park Service, 2023).

Part 2 of the application can be submitted after a structure is confirmed as a "certified historic structure" through the Part 1 evaluation and approval process. Applicants can then submit Part 2 of the application to the NPS. This provides a detailed description of how proposed conservation efforts will comply with the Secretary of the Interior's Standards for Rehabilitation while preserving the historic character of the building and its site. This portion of the application outlines the specific rehabilitation plans for the building and is required for all applicants seeking the Federal tax credit for historic building restoration. The NPS will only consider Part 2 submissions after reviewing and responding to Part 1 filings (National Park Service, 2023).

The Standards for Rehabilitation apply to both interior and exterior work, and the NPS reviews the entire rehabilitation project, including any attached, adjacent, or related new construction on the property. The following are the Secretary of the Interior's Rehabilitation Standards (National Park Service, 2012, pp. 24-25), which ensure adherence to the norms and principles of heritage conservation:

1. A property shall be used for its historic purpose or placed in a new use that requires minimal change to the defining characteristics of the building, its site, and its environment.

2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.

3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.

4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.

5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.

6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

7. Chemical or physical treatments, such as sandblasting that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

The Secretary's Standards for Rehabilitation are the requisite criteria for determining consistency with the property's historic character and the historic district, taking precedence over other regulations and codes. The Standards, which are reasonably applied, consider a project's economic and technical feasibility. Rehabilitation certification is contingent on the project meeting the Standards. A rehabilitation project must align with the historic character of the building to be certified and, if applicable, the surrounding historic district. (National Park Service, 2023).

A prerequisite for submitting **Part 3** of the HTC process is completing rehabilitation work as described in Part 2. Similar to Parts 1 and 2, approval of Part 3 is overseen by the NPS, which, once approved, notifies the IRS to enable project proponents to claim the tax credit. An authorized representative of the Secretary of the Interior may, at their discretion, as it is not mandatory, inspect the completed project to assess compliance with the Standards for Rehabilitation. The Part 3 approval request form must include both estimated rehabilitation costs quantified as QRE and total estimated costs encompassing all project expenses. QRE should be directly associated with preserving the property's historic elements, including costs for architectural and engineering fees, surveys, and legal services (National Park Service, 2012). Upgrades to mechanical, electrical, and plumbing systems, furnishings, ADA-mandated accessibility upgrades, landscaping, and streetscape enhancements are not considered QRE. If the applicant is not the property's fee simple owner or if ownership changes after Part 3 submission, a written statement from the fee simple owner is required to affirm their awareness of the application and lack of objection to the certification request (National Park Service, 2012).

An important distinction among approvals is that IRS requirements for the tax credit are separate from those of the NPS. A project may receive NPS approval for its certification, but this does not necessarily mean that the HTC application meets IRS requirements for Federal income tax purposes. Historic preservation tax credits are claimed on a separate IRS form (Form 3468) for the tax year in which a rehabilitated property is placed into operations or service. However, the NPS Part 3 certification must accompany the IRS form (National Park Service, 2012). The owner of a heritage property successful at receiving a Part 3 certification from the NPS must continue ownership of the property for up to 5 years after completion of the rehabilitation; otherwise, they may risk losing the 20% tax credit. For example, a property owner who sells a rehabilitated building within a year of receiving the 20% tax credit would have to pay the credit back in full. If the property is held between one and five years under the same ownership earning the tax credit, then the tax credit recapture is reduced by 20% per year (National Park Service, 2012). Rehabilitated projects must also demonstrate that substantial costs were expended, meaning the greater of $5,000 or the 'adjusted basis' of the property. The real estate term 'adjusted basis' is used to denote the value of the property less the land cost, any improvements already made, or depreciation already taken (National Park Service, 2012).

A key feature of the HTC program is the ability to transfer tax credits. The 20 percent HTC helps reduce a developer's debt burden through an agreement to transfer the tax credit to investors or other entities willing to provide equity in exchange for the credit. The 20 percent HTC can be factored into the project financing equation, which also typically includes equity and a construction loan. The 20 percent HTC helping lessen construction loan

amounts also appeals to financial lending institutions given the commonly-held perceptions of risk and higher cost associated with heritage conservation projects. (PlaceEconomics, 2014).

In summary, HTC's origins stem from the seminal National Historic Preservation Act of 1966, eventually leading to the federal government incentivizing and promoting heritage conservation through tax credits. The HTC program, again geared toward income-producing and depreciable properties, has resulted in the saving and rehabilitation of thousands of heritage properties nationwide, helping spark revitalization in many communities in the process. Key benefits have included economic growth, job creation, housing development, and adaptive reuse of underutilized and abandoned buildings (PlaceEconomics, 2014). In simple terms, one dollar of tax credit means one dollar less tax owed. Reducing tax obligations through historic tax credits has had broad appeal to project investors and owners (Cheverine & Hayes, 1990). The HTC program's three-part application process was designed to ensure a level of consistency in the planning, design, and construction approach to conservation projects nationwide. Some, however, have cited the program's administrative shortcomings and have called for amendments to include adequate funding and personnel resources needed to further enhance the HTC program's effectiveness (Gleye, 1988).

The joint administration of the program through the US Department of the Interior and the Treasury Department has been central to the program's operation. The ability to transfer tax credits has also been a primary attraction to investors in exchange for providing upfront project funding. Providing initial project equity in exchange for HTCs help lower construction loan amounts and render heritage projects more attractive to lenders concerned about such projects' costs and risks. The HTC track record in the US is well documented, particularly the cumulative number of rehabilitated properties and their overall value. However, growing concerns about the corrosive effects of inflation and the inefficiencies of program administration will need to be addressed for HTC's long-term health and welfare.

02 Literature Review

Much of the early scholarly and professional work examining the HTC program addressed its development following the passage of the Tax Reform Act of 1976, program modifications stemming from the Economic Recovery Tax Act of 1981, and federal tax reforms enacted in 1986. Another notable wave of articles, reviews, and critiques coincided with the 40th anniversary of HTC in 2016. The writings took many forms, including government and NGO reports, law review articles, trade publications, and legislative policy briefs. The literature can be broadly categorized as follows:

a. **History and evolution** of the Federal Historic Preservation Tax Incentive program.

b. **State tax incentive programs**

c. **Impacts** such as employment generation, new affordable and market-rate housing, additional tax revenue, and catalyzing urban regeneration in adjacent areas.

d. **Critiques** of the federal program's success in promoting heritage conservation nationwide, examination of program challenges, and recommendations for making the HTC program more effective, efficient, and expansive.

On balance, the majority of articles, reports, and scholarly writings offered positive assessments of the HTC program. The literature also delved into whether policy and program adjustments were needed to ensure that heritage conservation remained a financially viable alternative to new construction. Several non-governmental journal articles made it clear that there was room for improvement in both the federal and state programs, particularly in addressing cost escalation and program administration. Some authors suggested expanding state financial incentives to further help bolster the feasibility of conservation projects.

Several assessments of HTC-supported projects focused on economic growth defined by employment generation, increases in business and tax revenues, and subsequent development activity near completed rehabilitated heritage properties. If for example, a heritage conservation project appeared to spur neighbouring building permit and construction activity, Rypkema et al. (2011) drew correlations between conservation activity and its catalyzing effects while also considering other factors, such as the overall state of the regional or national economy.

2.1 Background on Tax Incentives and Heritage Conservation

Tax incentives can help increase the feasibility of heritage conservation projects and, in many cases, their adaptive reuse, making them more viable and attractive to property owners and developers (Auer, 1996). Incentives were identified decades ago in a journal article, "Requiem for zoning" (Reps, 1964), as one of four main ways that government-sponsored planning functions, with the other three broader measures being advice, controls, and development ('ACID' mnemonic) (Fischler, 2012). Tax credits are one example of a government-sponsored incentive and planning initiative. Incentives can be in the form of tax credits, deductions, exemptions, or abatements (Kohtz, 2012). By reducing tax burdens and/or increasing the tax benefits of investing in heritage properties, HTC can help offset the higher costs often associated with rehabilitation projects, such as complying with heritage standards and guidelines, updating buildings for code compliance, and dealing with structural or environmental issues (Historic Tax Credit Coalition, 2023).

Another way that tax incentives promote heritage conservation and encourage adaptive reuse is generating positive community and environmental impacts. HTC can help offset urban decay, prevent demolition, and counter consumptive urban sprawl by supporting preservation and adaptive reuse (Adorno, 2017; Historic Tax Credit Coalition, 2023). Incentives can also foster social and economic development by creating jobs, generating income, revitalizing neighbourhoods, and strengthening a sense of place and identity, helping raise awareness and appreciation of the importance and benefits of heritage conservation among the broader public (Historic Tax Credit Coalition, 2023; Kinahan, 2019).

Although HTC has proven effective in economic, social, cultural, and environmental terms, incentives face some challenges and limitations. These include onerous eligibility criteria, a bureaucratic administration process that can add complexity and cost, and inflationary pressures that have diminished the value of tax incentives in recent years (Historic Tax Credit Coalition, 2023). Several studies have concluded that incentive-induced preservation has also been associated with the displacement of lower-income residents and neighbourhood gentrification (Grevstad-Nordbrocka, 2019; McCabe, 2019).

2.2 History and Evolution of the Federal Historic Preservation Tax Incentive Program

Following the end of World War II, heritage properties in US cities were extensively demolished to make way for new residential and commercial construction and the Eisenhower-era federal interstate highway system, which was approved in the late 1950s **(Fig. 3)** (Bullock et al., 1966). Controversial urban demolition projects to make way for new expressways were not unique to US cities but also occurred in Canada, as evidenced by the Spadina Expressway controversy in Toronto during the 1960s (Robinson, 2011). Many at the time, quite notably Mumford (1958), decried the negative impacts that the interstate highway system had on cities. This included the loss of large swaths of housing with heritage value, the associated displacement of resident populations, and the denigration of walkability and public transportation in favour of the automobile (Mumford, 1958).

Figure 3 Aerial view of Kansas City and clearing for the Interstate Highway System (1957)

This concern was further amplified by the NTHP and an influential 1966 book and report published by the US Conference of Mayors Special Committee on Historic Preservation entitled *With Heritage So Rich* (Bullock et al., 1966). Such demolition of vacant or underused historic buildings was commonplace in cities throughout the US during the first several decades following World War II (Glass, 2014). Federal policies were not always aligned, as policies that supported historic preservation were diminished by tax codes that allowed deductions related to demolition costs and that favoured new construction (Cheverine & Hayes, 1990). Jean-Paul Sartre, remarking on the differences between how Europeans and Americans viewed their cities shortly after the end of World War II, stated, "For us, a city is, above all, a past; for them, it is mainly a future"(Collins, 1980). In the years following Sartre's observation, the new interstate highway system accelerated the destruction of blocks of older inner-city neighbourhoods, leading to new auto-centric planning and building patterns further buoyed by the tax advantages of demolition. In *The Death and Life of Great American Cities*, Jane Jacobs (1961) argued that demolishing historic buildings and neighbourhoods in the name of urban renewal and modern development was destructive to the social fabric of cities and eroded the unique character and identity of urban spaces (Jacobs, 1961). Demolished heritage properties in downtown areas were, in fact, frequently replaced by new construction built at higher densities (Page, 2016).

Further highlighting the plight of heritage properties in the US, Day (1980) noted that well over half of the landmark properties listed on the US Historic Building Survey, first administered in 1933, were lost through demolition (Day, 1980). US tax codes continued to favour demolition over conservation until mounting public outrage reached a high point in 1963 due to the start of the infamous demolition of the historic Beaux-Arts monument that was Penn Station in New York City **(Figures 4 and 5)** (Broyles, 2012). The demise of Penn Station not only galvanized New York City but also much of the nation to act and do more to protect heritage properties (Avrami, 2020).

Figure 4: Penn Station during its heyday circa 1920

Figure 5: Demolition of Penn Station in 1963

With Heritage So Rich (1966) was pivotal in generating public support for historic preservation and stemming the tide of destruction (Stipe, 2003). The report also informed legislators of the ongoing threat posed by the loss of the nation's building heritage, leading to the passage of the National Historic Preservation Act (HPA) (Bullock et al., 1966). The HPA's preamble declared, "The historical and cultural foundations of the Nation should be preserved as a living part of our community life." The HPA, signed into law by President Lyndon Johnson in 1966, prioritized nationwide conservation through preservation, renovation, and rehabilitation and helped increase public awareness of the threat that unchecked demolition was having on America's building heritage **(Fig. 6)** (Broyles, 2012). Not only did the HPA mark a turning point in slowing the destruction of heritage properties, but it also established the National Register of Historic Places. The formal registration of heritage buildings with the National Register later became a requirement for eligibility under federal and state HTC programs (National Park Service, 2012).

Figure 6: President Lyndon Johnson signing the Historic Preservation Act of 1966

The passage of the HPA chartered a new course for the US, requiring all states to establish SHPOs, which helped foster a sense of shared responsibility for maintaining the heritage of the still relatively young nation (Cullingworth, 1997). Although SHPOs were initially established to provide supportive services such as project review, technical support, and public education, they were challenged to make meaningful inroads in promoting heritage conservation without being able to offer financial incentives (Glass, 2014). The HPA also compelled the federal government, for the first time, to assess the impacts of its own actions on the nation's heritage properties before acting. This protocol was enshrined by the Act's protective clause known as Section 106. Glass (2014) also noted that the passage of the HPA coincided with the rising tide of environmental activism that swept the US during the late 1960s into the early 1970s. The Section 106 protective clause bolstered the goals of the HPA, including tax reform, eventually leading to the establishment of the HTC program in 1976 (Glass, 2014).

Although the HPA was an essential early step in stemming the tide of what seemed to be the systematic demolition of the nation's heritage buildings, the passage of the Tax Reform Act of 1976 began making inroads. Tax reform provisions allowed for accelerated depreciation of expenses related to heritage rehabilitation versus depreciation over a much more extended period following new construction. This helped to level the construction playing field, making heritage conservation competitive with demolition and building new (Roddewig & Young, 1979; Stein & Brown, 1985). Day (1980) lauded the benefits of historic tax credits during the program's infancy yet warned that the tax incentives were likely insufficient to completely stem the tide of demolition and new construction that followed World War II (Day, 1980).

Oldham (1980) wrote about the importance of federal legislators in enticing private investment in heritage conservation, an essential goal of the Tax Reform Act. Other provisions of the Act designed to discourage demolition and encourage preservation included denying tax deductions for demolition costs and denying accelerated cost depreciation on new construction located on heritage property sites (Oldham, 1980). While the initial federal tax credit was established at 20 percent, later tax reform legislation in 1981 under the Reagan administration increased the credit to 25 percent, only to be rolled back to 20 percent again in 1986, which has remained since. The federal HTC program has had a varied history subjected to the dynamic partisan political agendas of revolving congressional legislatures. The results of the HPA have nonetheless been noteworthy and measurable, resulting in over 88,000 heritage properties or historic districts being listed on the National Register of Historic Places, representing over 1.4 million individual buildings, sites, structures, or objects nationwide (Glass, 2014). Among the many rehabilitated heritage properties supported by HTC, nearly 40 percent have been critically-needed rental housing in urban areas (Stein & Brown, 1985).

Annual government reports on the HTC program quantify the high volume of heritage properties that have used tax credits since its inception. The FY 2023 annual report cited the more than 49,000 historic rehabilitation projects that have used HTC and have been certified since the program's start in the late 1970s, reflecting a nearly $132 billion nationwide investment in heritage conservation (National Park Service, 2024). Although the rehabilita-

tion project numbers are considerable, recent trends since the COVID-19 pandemic show fewer projects using HTC based on the annual NPS reports published from FY 2019 to FY 2023. A congressional policy brief in early 2023 attributed HTC's decline to various causes, including administrative inefficiences, the prolonged distribution of the tax credit over five years, and cost pressures, all of which have diminished HTC's competitive edge (American Institute of Architects, 2023). This downward trend parallels the impacts of nationwide cost escalation and its dampening effect on building activity since the COVID-19 pandemic (Historic Tax Credit Coalition, 2022). Ongoing bipartisan congressional support is certain to prove vital to the continued health of the HTC program.

Some HTC critics have cited concerns about the program's equity and social justice effects, claiming that tax credits have primarily benefitted investors, developers, and higher-income individuals (Grevstad-Nordbrocka, 2019). However, the number of affordable and low-income housing units built from heritage properties tells a different story. The FY 2023 NPS annual report also highlighted the importance of the tax incentive program in generating housing from heritage properties, noting the over 314,000 rehabilitated housing units, 356,000 new housing units, and nearly 200,000 low- and moderate-income housing units constructed since the program's inception **(Fig. 7)**.

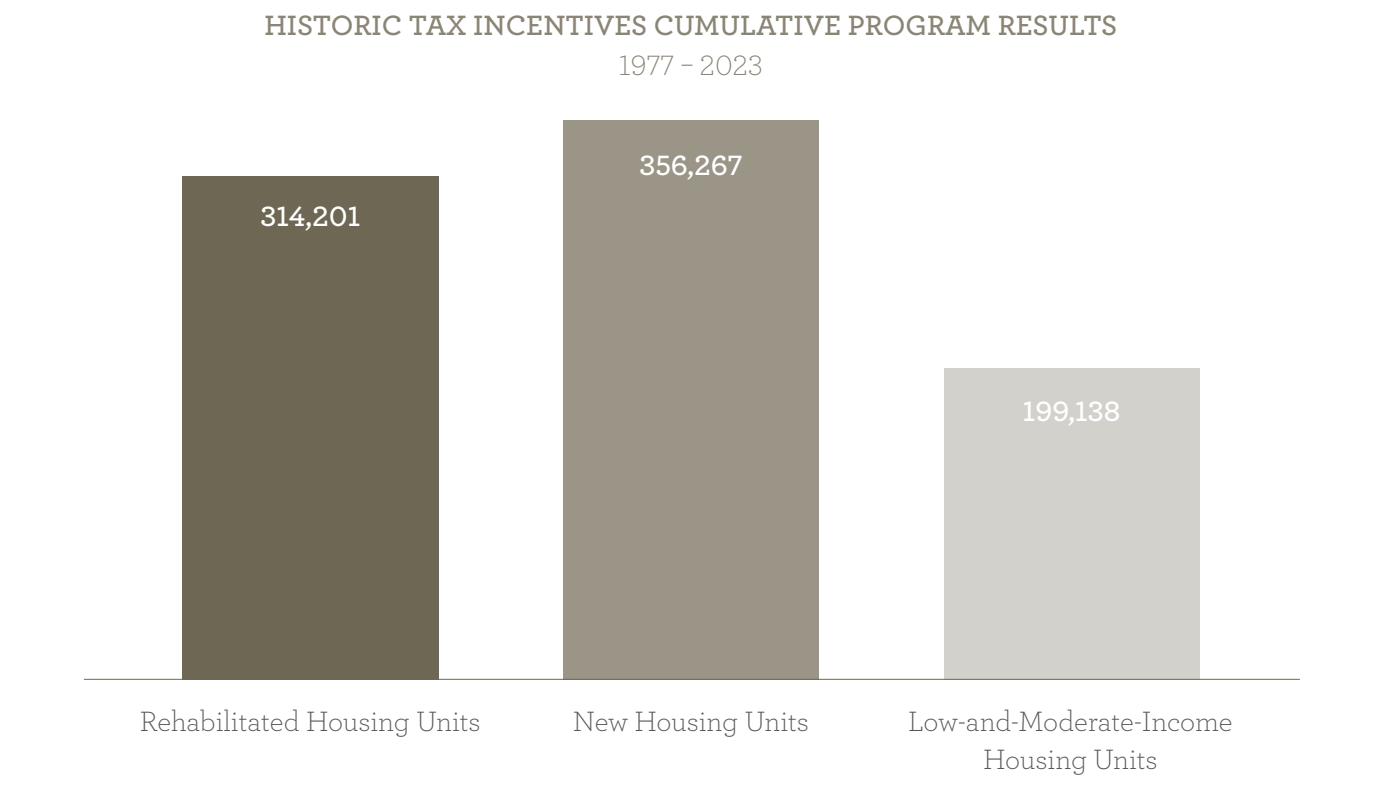


Figure 7: Housing units produced through Historic Preservation Tax Credits

Nonetheless, the improved housing stock generated by HTC projects has yet to dampen concerns about preservation leading to gentrification. A study by Ryberg-Webster (2015) of six legacy cities in the US concluded that historic preservation tax incentives in these cities boosted housing production without resulting in gentrification (Ryberg-Webster, 2015). Legacy cities were defined as those with low market demand and a high percentage of underutilized historic properties, such as St. Louis, Philadelphia, and Cleveland. However, a case study of a Chicago neighbourhood by Grevstad-Nordbrocka (2019) found a strong cause and effect between heritage conservation policies, planning, implementation and gentrification (Grevstad-Nordbrocka, 2019). Although heritage conservation in legacy cities might not have thrived without HTC, some scholars have called for further investigations to address questions about the role of HTC in promoting gentrification (Kinahan, 2019).

2.3 State Historic Preservation Tax Incentive Programs

Many US states have modelled their incentive programs after the federal HTC framework. Thirty-nine states currently offer some form of state tax incentive for heritage conservation (National Park Service, 2024). Some states without HTC programs have cited concerns about taxpayer cost-benefits. However, ample evidence from the US shows that HTC benefits far outweigh the costs (National Trust for Historic Preservation, 2023). While federal HTC are fixed at a maximum of 20 percent, state programs vary in tax credit rates, structures, and property qualification standards. Maryland, for example, initially offered a 25 percent state tax credit in addition to the 20 percent federal credit. Maryland's experience with federal and state tax incentives led to a proliferation of historic preservation projects; however, it also led to subsequent shortfalls in state revenue (Swaim, 2003). By comparison, other state tax incentive programs only offer property tax abatements instead (Swaim, 2003). Experiences from Iowa, Oklahoma, and New York suggested that maximizing tax credit percentage rates, eliminating caps on preservation investment, making credits transferable, and establishing clear eligibility standards have improved the heritage conservation process (Adorno, 2017). This finding is further supported by a state historic tax credit guide from the NTHP in 2023, which suggested an optimal range from 20 to 30 percent for the state tax credit (National Trust for Historic Preservation, 2023).

Louisiana is one state that has maximized the tax credit percentage and optimized the ability to transfer tax credits. PlaceEconomics, a consulting firm specializing in analyzing heritage conservation and related economic impacts, produced a detailed report on the fiscal impacts of heritage conservation in Louisiana. Louisiana offers a 25% state historic preservation tax credit on state income tax obligations, a meaningful supplement to the 20 percent federal HTC. PlaceEcomomics (2017) stressed the long-term dividends the Louisiana tax credits paid in the form of increased property and sales tax revenue, employment and housing generation, and the catalyzing of urban regeneration in cities such as Baton Rouge and Shreveport. The redevelopment of downtown heritage properties in Shreveport alone led to an increase of over 90 percent in the downtown residential population, mainly due to the additional state-administered historic preservation tax credit (PlaceEconomics, 2017). The PlaceEconomics report described that an attractive feature of the Louisiana tax credit was the ability to transfer the tax credit without having

an ownership stake in the rehabilitated heritage property. Transferring tax credits is appealing to financial institutions and investors seeking tax credits in exchange for providing equity or construction loans for heritage conservation projects. This sort of flexibility further enhances the impacts of the state tax credit by allowing private, public, and non-profit entities to benefit. Tax credits are also refundable when any amount not used to offset current-year state tax obligations can be returned to the tax credit owner as a cash payment (National Trust for Historic Preservation, 2023). The federal tax incentive, on the other hand, is transferable but only by parties with an ownership stake in the property. As with the federal program's requirement to meet the Secretary of the Interior's Rehabilitation Standards, state programs such as Louisiana's also have requirements to ensure that heritage conservation projects are executed with high quality and care. The PlaceEconomics (2017) Louisiana report found a three-to-one return on state investment stemming from tax credits offered and new tax collections (e.g., $1.00 in historic tax credits provided generated $3.22 in new taxes collected). The report stressed that the impacts of heritage conservation are better understood and evaluated at individual project levels that vary from location to location, with no two projects being identical. Additionally, the report cited the impacts of the Louisiana HTC measured in terms of downtown vacancy rates, tax revenues, employment generation, crime rates, and additional investment in other heritage properties, older buildings, and new construction.

State-sponsored HTC has increasingly become a critical component of project financing, particularly in the years since the COVID-19 pandemic. The NTHP State Historic Tax Credit Resource Guide (2023) correlates a higher percentage of heritage conservation projects in states that augment the federal HTC with state-sponsored HTC. State HTC further helps convert vacant and blighted heritage buildings into viable, income-producing properties, reducing pressure to build on vacant land (National Trust for Historic Preservation, 2023).

Criticism of state-sponsored HTC programs has centred around a perceived lack of transparency regarding state tax revenues, budget impacts, equity guidelines, and public access. Ensuring public access to historic preservation projects can help counter perceptions that preservation tax incentives were subsidies for the wealthy (Kohtz, 2012). If publicly funded incentives are used for heritage conservation projects, then it seems reasonable that such projects should be publicly accessible.

There is little doubt that the combination of federal and state tax incentives has fueled historic preservation along with new employment opportunities and revenue streams. Since the HTC program was first introduced, steady investment in historic preservation attests to the initiative's success. Reviewing the previously described state-sponsored incentives raises questions about whether the conservation movement might benefit from closer policy alignment between federal and state programs. However, complete standardization among states seems unlikely, given the well-established distinction between state and federal governance in the United States.

2.4 Impacts

Most of authors, analysts, consultants, and government audits reviewed found the impacts of the federal HTC program to have had far-reaching benefits for American towns and cities. The economic impacts have ranged from new affordable housing stock to developing small businesses, revitalizating small towns, and renewal of city centres. As

Rypkema et al. (2011) found, the appeal of heritage conservation has been extensive across political, geographical, social, and economic perspectives. Despite overwhelming evidence that HTC work, periodic threats to the program's health and longevity persist due to ongoing federal budgetary concerns (American Institute of Architects, 2023).

A report by PlaceEconomics (2014) entitled "Catalyst for Change: The Federal Historic Tax Credit: Transforming Communities" claimed to be the first report to quantify the HTC program's catalytic impacts. The report's findings emphasized that 75 percent of the economic benefits fueled by HTC projects stayed in the communities and regions where projects were located (PlaceEconomics, 2014). Emphasis was placed, however, on the unique nature of individual projects, each with varied impacts depending on location. For example, historic designations in Texas have led to increased property values of between 5 and 20 percent (Vivian et al., 2000). The PlaceEconomics report's bottom-line conclusion was that HTC work and the conservation it promotes benefit both project owners and their communities, cumulatively enriching the nation. A key objective of HTC was to enlist the private sector in conserving America's heritage, recognizing that the government alone would be unable to do so.

Given the nearly fifty-year history of HTC in the US, there is no more uncertainty as there was early on over whether tax credits would entice the private sector to consider saving and rehabilitating heritage properties versus demolishing them and constructing new buildings. The 2014 PlaceEcomomics report found that every $1 of HTC generated a minimum of $4 in private-sector investment. Critiques of HTC frequently cite the positive return on investment that the tax incentive program has yielded for both federal and state governments (Historic Tax Credit Coalition, 2022). As recently as 2017, the Historic Tax Credit Coalition (2017) touted the 20 to 25 percent return on investment to the US Treasury from HTC. Data from the NPS FY 2021 annual report included a cumulative look at HTC's economic effects since its inception in 1978. From 1978 through FY 2021, the HTC program resulted in a net gain for the US Treasury (and taxpayers) of nearly $6 billion (National Park Service, 2021b). The report found that $199.1 billion in HTC-supported heritage conservation projects throughout the US created over three million jobs and contributed over $213 billion in gross domestic product (GDP), with a significant portion going to the construction industry (National Park Service, 2021b). In 2002, the IRS, summarized their assessment of the HTC program by stating, "The completed projects have brought renewed life to deteriorated business and residential districts, created new jobs and new housing units, increased local and state revenues, and helped ensure the long-term preservation of irreplaceable cultural resources."

Another crucial impact of the HTC program has been the production of affordable housing. The federal HTC program has supported affordable housing development, which state-offered historic preservation tax incentives have further buoyed. Landers (2021) looked at how structuring tax incentives in three states led to higher investment in affordable housing than other state-sponsored tax incentive programs. The findings were consistent with those of Adorno (2017), stating that higher levels of investor interest come from state programs with 1) no HTC program cap, 2) that allow for HTCs to be transferred, and 3) that have higher HTC percentage rates, such as 25 or 30 percent (Landers, 2021). There are currently eight states

in the US that have affordable housing provisions in their HTC programs. Notable among them is the state of Maine, which has no annual program cap and implemented a higher 30 percent HTC for conservation projects generating affordable housing (Landers, 2021). The federal data indicating that nearly 200,000 affordable housing units were generated through HTC projects between 1978 and 2023 underscores the mutually-beneficial relationship between heritage conservation and affordable housing. Income-restricted housing has also played a role in helping prevent gentrification, as concluded by some studies (Kinahan, 2019; Ryberg-Webster, 2017). Generating affordable and market-rate housing from heritage properties often involves HTC-driven adaptive reuse. A study by Ryberg-Webster & Kinahan (2017) on the impacts of heritage conservation in declining urban neighbourhoods highlighted the strong correlation between the use of HTC in project financing and the adaptive reuse of heritage properties. This process often helps address marketplace imbalances by converting unused office or warehouse space into much-needed housing, especially in urban cores (Ryberg-Webster & Kinahan, 2017).

Finally, it has been often stated that the greenest building is one that already exists (e.g., heritage buildings). Rehabilitating existing heritage buildings demonstrates clear environmental advantages by reducing carbon emissions and minimizing the use of natural resources compared to new construction (Historic Tax Credit Coalition, 2022; Landers, 2021).

2.5 Critiques

Although much of the HTC program's critical analysis highlights the positive economic and environmental benefits of heritage conservation across the US, recent trends have shown a decline in the number of HTC applications nationwide (American Institute of Architects, 2023). The downward trend is discernible when analyzing the data in the NPS annual reports on the HTC program from 2019 to 2023 **(Fig. 8)**.

Most American registered voters view federal and state intervention in promoting heritage conservation as a legitimate and appropriate governmental function (Mason, 2005). Public support has been widespread and bipartisan, underscoring the importance that the broader public places on preserving the built heritage of the US. Mason (2005) cited the challenges related to quantifying the benefits of heritage conservation in a traditional economic sense primarily due to the qualitative nature of heritage conservation itself, which considers what is in the greater public good and the importance of preserving an understanding of the nation's past and cultural evolution (Mason, 2005). Heritage projects, by nature, are inherently unique, with each having its own set of technical and financial challenges. Project financial information for such projects can be complicated to obtain, given that private sector interests tend to keep financial information proprietary. A study by Shipley et al. (2006) on the adaptive reuse of renovated buildings in Ontario, Canada, cited similar challenges in finding developers willing to share financial information (Shipley et al., 2006). The Ontario study also aptly noted that conventional real estate development typically involves a user looking for a site. In contrast, heritage conservation projects usually involve a property needing new use, such as converting warehouses into housing (Shipley et al., 2006).

A common misconception about the HTC program is that it is geared toward larger projects in urban areas and provides less support for smaller projects in rural areas (National Park Service, 2021b). The FY 2021 annual report on the state of the federal HTC program counters this misconception with data that suggests otherwise, quantifying that roughly half (47 percent) of all HTC projects in FY 2021 were valued at less than $1 million and nearly 20 percent were for projects under $250,000. Furthermore, the NPS 2021 report found that nearly half of all HTC projects were in communities with populations of 50,000 or less, meaning that the HTC program is almost as engaged in smaller cities and rural areas as it is in larger urban centres (National Park Service, 2021b).

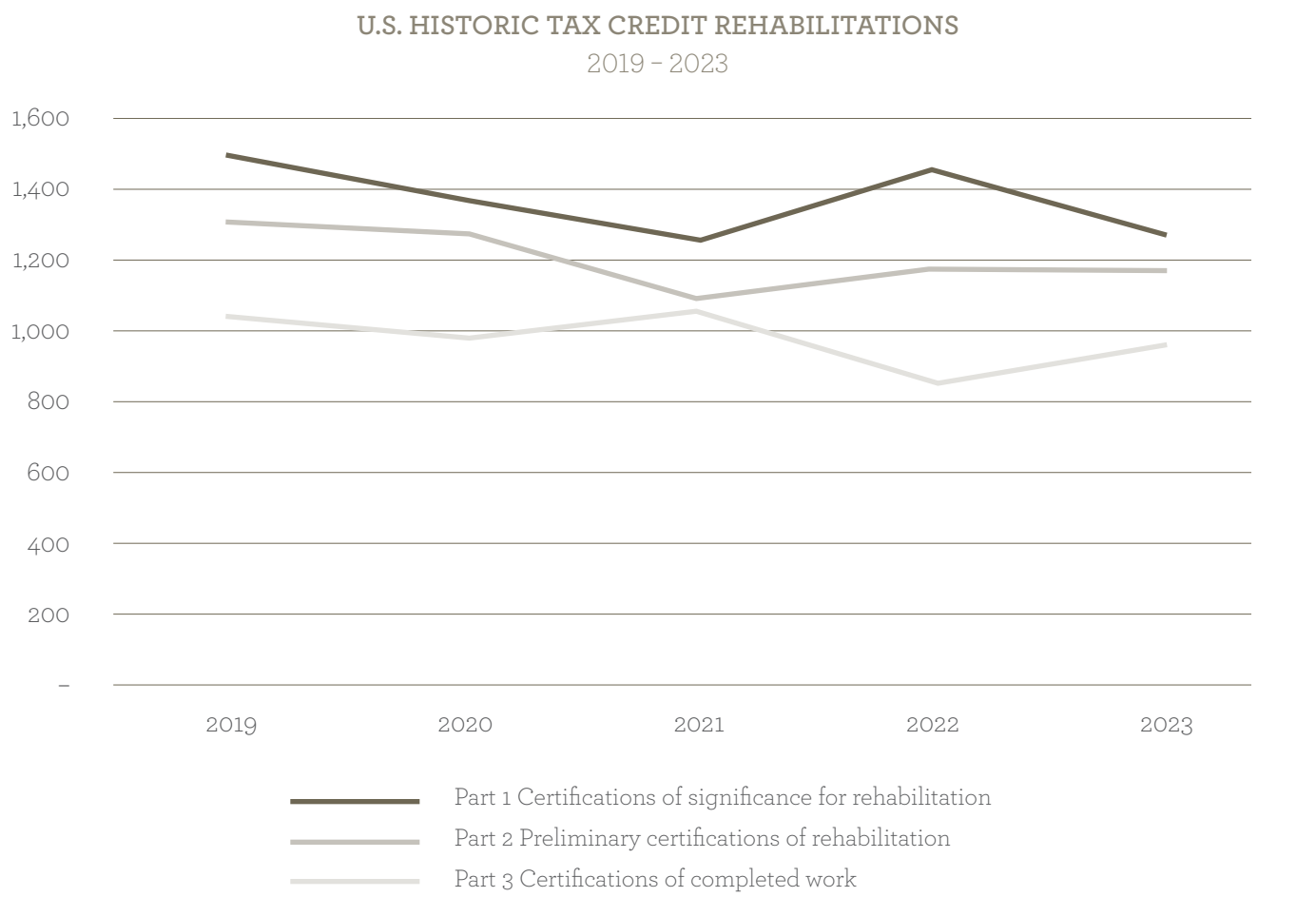


Figure 8: Historic Preservation Certification Applications over five years (2019-2023)

Data reveals a nearly 20 percent drop in HTC applications since 2019, resulting in an estimated decline of between 20 to 25 percent in HTC investment value due to rising interest rates and cost escalation for both construction materials and labour, thus negating the earlier pre-pandemic levels of return on investment (Historic Tax Credit Coalition, 2022; American Institute of Architects, 2023). As a study by Ryberg-Webster & Kinahan (2017) underscored, however, HTC is but one tool used to incentivize heritage conservation, which could be further enhanced through planning policies and regulations, such as addressing regulatory hurdles and proactively identifying other heritage properties ripe for rehabilitation and adaptive reuse (Ryberg-Webster & Kinahan, 2017).

The literature notably lacked content regarding the inherent risks builders and developers face in undertaking heritage conservation projects. Instead, many of the writings elaborated more on the mechanics of the HTC program and its impacts, particularly those that were economic (Auer, 1996; Brown, 2004; DeSantis, 2020; Rypkema et al., 2011). Even a survey conducted by the NTHP in 2020 on the top challenges facing the field of heritage conservation did not mention development risks. Instead, the survey highlighted issues ranging from funding challenges to better communications with the broader public on the relevancy of preservation (Webb, 2020). However, an analysis conducted by Azizzi et al. (2016), identified external risk factors

associated with heritage conservation, ranging from adverse building conditions and locational challenges to project economic pressures. The Azizzi study focused more broadly on international incentive programs not specific to the US, whereas Adorno (2017) briefly highlighted the hurdles investors face in undertaking heritage projects, including high costs and complex regulations (Azizi et al, 2016).

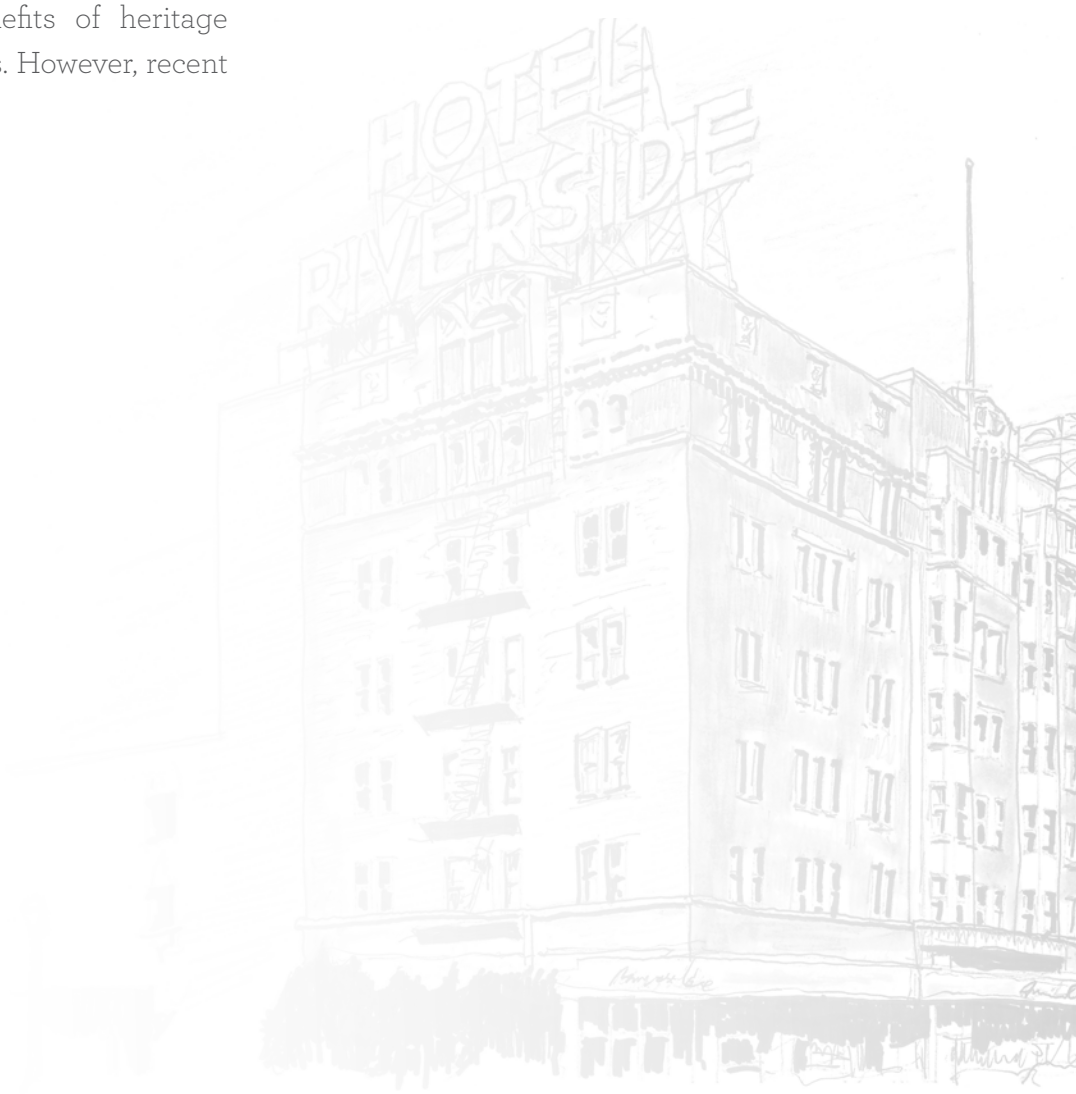
Several scholars discussed the link between historic preservation, tax incentives, and gentrification, providing a range of observations and conclusions (Grevstad-Nordbrocka, 2019; McCabe & Ellen, 2016; McCabe, 2019; Ryberg-Webster & Kinahan, 2014). An analysis by Gervstad-Nordbrocka (2019) of Chicago's Lincoln Park neighbourhood told of the gentrifying effects that a historic district designation can have in attracting new investment, developers, and status-seeking homebuyers, ultimately resulting in the displacement of many lower-income residents. A study by McCabe & Ellen (2016) found some alignment with the Lincoln Park case study; however, it observed that while education and income levels rose in historic district census tracts in New York City, there was no discernable change in the overall racial composition nor reported residential rents of the historic districts (McCabe & Ellen, 2016). The article concluded with a cautionary call on urban planners to find ways to balance historic preservation districts, which may attract more educated, wealthier residents, with programs designed to support the welfare and home security of longstanding residents (McCabe & Ellen, 2016). A separate study, also by McCabe (2019), determined that community characteristics such as employment levels, market demand, and economic health can influence the degree to which historic preservation can have gentrifying effects (McCabe, 2019). The study further found that cities with high residential market demand, such as San Francisco and New York, tended to have greater displacement of lower-income residents compared to low market-demand legacy cities, such as Cleveland or Baltimore (McCabe, 2019). In a study of six such legacy cities with lower market demand, Kinahan (2019) examined the role that historic tax incentives played in the renewal and generation of housing in historic neighbourhoods. The research found that historic preservation in various legacy cities had minimal neighbourhood impacts in terms of racial and housing composition and socioeconomic characteristics (Kinahan, 2019). The same study found that the HTC program generated signficant new and rehabilitated low-income and affordable housing without resulting in gentrification (Kinahan, 2019). While some case studies linked heritage conservation to gentrification, others painted a more nuanced and complex picture of the relationship (McCabe & Ellen, 2016; McCabe, 2016).

2.6 Summary

Much of the scholarly and professional work that analyzed the HTC program focused on its creation, development, and current status while describing the notable impacts HTC has had on US heritage conservation. The summary of these impacts mostly centred around job creation, increased business and tax revenue, and urban revitalization. Some studies highlighted the HTC program's role in promoting heritage conservation and catalyzing further urban regeneration, yet scarcely mentioned the risks builders and developers face. While the majority of the literature praised the promotional effects of HTC, others, such as Grevstad-Nordbrocka (2019), noted links to neighbourhood displacement and gentrification and made claims that tax credits primarily benefitted investors, developers,

and higher-income individuals, reinforcing concerns about social equity. However, the number of affordable and low-income housing units built from heritage properties tells a contrasting story. Some scholars, such as McCabe (2019), noted that community characteristics such as employment levels, market demand, and overall economic health can influence the degree to which historic preservation might influence displacement and gentrification. Although some case studies linked heritage conservation to gentrification, others were less conclusive (Grevstad-Nordbrocka, 2019; McCabe, 2019, 2016; Ryberg-Webster, 2017).

The predominant theme of the critical analysis of the HTC program was centred around the economic and environmental benefits of heritage conservation in US communities. However, recent trends have shown a decline in HTC applications nationwide, particularly since the COVID-19 pandemic, which has concerned legislators and NGOs supporting preservation. The importance of ongoing bipartisan congressional support will likely prove vital to the continued health and welfare of the HTC program, as underscored by the Historic Tax Credit Coalition (2023) and others (Historic Tax Credit Coalition, 2023; American Institute of Architects, 2023) .



03 Policies & Legislation

The National Historic Preservation Act of 1966 was the foundational legislation in the US that marked a turning point for America's heritage conservation movement following years of neglect and the widespread destruction of America's historic resources. The legislation ushered in an eventual shift in how US tax codes favoured demolition and new construction over conservation (Stein & Brown, 1985). The later Tax Reform Act of 1976 laid the foundations for the first tax-related incentives to encourage heritage conservation and rehabilitation over deterioration or demolition. A relatively quick succession of tax reform acts followed, including the Revenue Recovery Act of 1978, the Economic Recovery Act of 1981, and the Tax Reform Act of 1986. During this period, there were fluctuations in tax incentive rates ranging from 10 to 25 percent (Ryberg-Webster, 2015). Since then, however, the federal government has settled on a consistent 20 percent HTC, which has endured to the present day. Recent years, however, have seen an erosion of the HTC program's effectiveness. This has been notably due to increases in real estate values, construction cost inflation, and tax code changes during the Trump administration that prolonged administering HTC from one year to a five year period, thereby reducing the appeal and value of HTC (Historic Tax Credit Coalition, 2023; American Institute of Architects, 2023).

In recent years, there has been a renewed bipartisan interest in the health and well-being of the federal HTC program (American Institute of Architects, 2023). In 2023, a bipartisan group of legislators submitted a draft bill to congressional committees in the Senate and House of Representatives seeking adjustments to the HTC program designed to meet the challenges of inflation, administrative red tape, and the process of HTC disbursement following the certification of heritage conservation projects seeking tax credit advantages. The draft legislation, known by the abbreviated heading of "The Historic Tax Credit Growth and Opportunity Act," also aims to broaden support for smaller heritage conservation projects in rural areas to make such projects more competitive with new construction. Although there are slight differences in the provisions of the Senate and House bills, they share common goals of enhancing the HTC program, allowing it to remain competitive with new construction, and continuing to promote and help incentivize heritage conservation nationwide. The proposed legislation seeks to strengthen the HTC program with the following temporary and permanent measures (American Institute of Architects, 2023; H.R.1785-118th Congress, 2023-2024; S.639-118th Congress, 2023-2024).

- Temporarily increase the HTC credit to 30 percent and gradually scale it back down to the current 20 percent rate by the end of 2029. The 30 percent provision, however, would remain permanent for smaller projects with a lower level of QRE (below $2.5 million).
- Permanently lower the threshold for "substantial rehabilitation," making more heritage properties eligible for using HTC.
- Make permanent tax provision adjustments to effectively increase the value of HTC and facilitate pairing HTC with other federal tax credit programs such as the Low-Income Housing Tax Credit.
- Facilitate the use of HTC by non-profits for various community-minded uses, such as art centres, affordable housing, community health centres, and homeless shelters.

These proposed HTC program changes have been under consideration by both the House of Representatives and the Senate for possible action in 2024 (American Institute of Architects, 2023). However, an update from the NTHP in April 2024 indicated that the HTC legislation will likely be deferred to the 119th Congress in 2025 due to broader, more sweeping tax policy concerns centred around another bipartisan tax bill known as the "Tax Relief for American Families and Workers Act."

3.1 National Historic Preservation Act of 1966

As discussed, the HPA of 1966 is a vital US law that focuses on preserving historic buildings, sites, districts, structures, and objects to protect the country's cultural heritage. The opening line of the HPA's preamble set a directional tone when it stated that "The spirit and direction of the Nation are founded upon and reflected in its historic heritage" (U.S. Government, 1966, 2014). The act led to the creation of the National Register of Historic Places, an official list of locations with historical significance worthy of preservation. With the destruction of Penn Station still a fresh part of the nation's collective consciousness, the US Congress passed the HPA in 1966, which had significant policy implications. It established a framework for historic preservation efforts, created various programs and processes, and required all US states to establish a State Historic Preservation Office (SHPO) with a designated officer to oversee preservation activities statewide (U.S. Government, 1966, 2014). Section One of the Historic Preservation Act spelled out the context and intent of the legislation as follows (U.S. Government, 1966, 2014):

(1) the spirit and direction of the Nation are founded upon and reflected in its historic heritage;

(2) the historical and cultural foundations of the Nation should be preserved as a living part of our community life and development in order to give a sense of orientation to the American people;

(3) historic properties significant to the Nation's heritage are being lost or substantially altered, often inadvertently, with increasing frequency;

(4) the preservation of this irreplaceable heritage is in the public interest so that its vital legacy of cultural, educational, aesthetic, inspirational, economic, and energy benefits will be maintained and enriched for future generations of Americans;

(5) in the face of ever-increasing extensions of urban centers, highways, and residential, commercial, and industrial developments, the present governmental and nongovernmental historic preservation programs and activities are inadequate to insure future generations a genuine opportunity to appreciate and enjoy the rich heritage of our Nation;

(6) the increased knowledge of our historic resources, the establishment of better means of identifying and administering them, and the encouragement of their preservation will improve the planning and execution of Federal and federally assisted projects and will assist economic growth and development; and

(7) although the major burdens of historic preservation have been borne and major efforts initiated by private agencies and individuals, and both should continue to play a vital role, it is nevertheless necessary and appropriate for the Federal Government to accelerate its historic preservation programs and activities, to give maximum encouragement to agencies and individuals undertaking preservation by private means, and to assist State and local governments and the National Trust for Historic Preservation in the United States to expand and accelerate their historic preservation programs and activities.

Key provisions of the HPA included:

1. The creation of the Advisory Council on Historic Preservation (ACHP) to oversee federal actions impacting historic resources.

2. The establishment of the State Historic Preservation Offices (SHPOs) to manage preservation activities at the state level.

3. The Section 106 Review Process mandates that federal agencies consider the effects of their un-

dertakings on historic properties and consult with the ACHP and SHPO.

By recognizing the value of historical resources and offering the means necessary for their preservation, the HPA has not only helped protect historic landmarks, buildings, and sites nationwide but has also increased public awareness of the importance of preserving history and helped instill a sense of collective responsibility for the nation's heritage (Mackintosh, 1986).

3.2 Federal Historic Preservation Tax Incentive Program of 1976

The Tax Reform Act of 1976 (TRA) introduced significant changes to federal tax laws, with noteworthy implications for the historic preservation movement in the US. The TRA led to establishing HTC aimed at incentivizing the preservation and rehabilitation of historic properties (Day, 1980; Stein & Brown, 1985). Key provisions of the TRA relevant to historic preservation included (Lifton, 1977; Weber, 1979):

1. Introduction of Tax Incentives: The TRA created tax incentives for the owners of historic properties, encouraging them to preserve and rehabilitate these structures.

2. Certification Process: The law established a system to certify historic structures, which could qualify for tax benefits if the rehabilitation work met the Secretary of the Interior's Standards for the Treatment of Historic Properties.

3. Preservation Easements: It promoted historic preservation through charitable deductions for donating preservation easements, which are legal agreements that protect a property's historic character in perpetuity.

The TRA was significant in that it had the following effects (Lifton, 1977; Stein, 1985):

1. Boosted Preservation Efforts: The tax incentives provided by the TRA encouraged private investment in historic properties, leading to an increase in preservation activities. Property owners were likelier to restore and maintain historic buildings, contributing to community renewal.

2. Generated Economic Impacts: By making historic preservation financially viable, the TRA stimulated economic development. It enhanced real estate values, attracted tourism, and created jobs in construction and related industries.

3. Promoted Heritage Protection: The TRA played a crucial role in the broader historic preservation movement by fostering public-private partnerships and raising awareness.

Overall, the TRA furthered the HPA's objectives through tax-based financial incentives designed to protect and rehabilitate America's architectural and cultural heritage (Lifton, 1977; Stein & Brown, 1985; Weber, 1979).

The succession of legislation, starting with the HPA in 1966 and the TRA in 1976, along with subsequent modifications to HTC during the 1980s under the Reagan administration, has served as the enduring bedrock for the federal HTC program to this day. The HTC program's endurance has been buoyed by executive branch and bipartisan legislative support over the years and an approximately twenty-five percent return on federal tax investment (PlaceEconomics, 2014; Stipe, 2003). The taxpayer return has been measurable for both federal and state HTC programs, not to mention the program's impact on the broader goal of promoting

the preservation of the nation's heritage resources (National Park Service, 2021a, 2024; PlaceEconomics, 2014). Nonetheless, legislators and program veterans recognize the HTC program's loss of competitiveness in recent years. This has given rise to a greater sense of urgency for program reforms being advocated by many, including the NTHP, the Historic Tax Credit Coalition, and bipartisan legislators in the House of Representatives and Senate. The proposed reforms call for streamlining the administration of HTC, given the complexities and challenges associated with heritage projects and the stringent set of federal preservation standards and guidelines necessary to receive tax incentives (American Institute of Architects, 2023; H.R.1785-118th Congress, 2023-2024; S.639-118thCongress, 2023-2024). The three case studies in the following chapter illustrate a range of such complexities and challenges and how they were managed.

04 Case Studies

The three case studies, a Broadway theatre in New York City and two adaptively reused hotels in Nevada and Vermont illustrate how HTC was critically important to the feasibility of all three heritage projects. The case studies detail 1) contextual information, 2) background on the historical significance of each site, 3) the development of the projects, and 4) financial information illustrating how HTC factored into making each project financially feasible. Although separated by geography and differing in project type, work scope, costs, and complexity, the projects shared the need to assemble a variety of funding sources, including tax credits, to enable the rehabilitation efforts to move forward. All three projects enjoyed varying degrees of political support, with their renovations considered important to promoting the urban regeneration of adjoining areas. From the largest of the cases, the New Amsterdam Theatre in New York City, to the Riverside Hotel in Reno, Nevada, to the smaller New Avenue, located in St. Johnsbury, Vermont, the use of HTC was a common denominator that played a central role. In addition to factoring HTC into their financing schemes, the projects all experienced complexities and challenges, as do many construction projects, including the need to abate hazardous materials. The following table **(Fig. 9)** compares the key characteristics of each case study.

	Case Study Selection Criteria		
	Case 1-New Amsterdam	**Case 2-Riverside Hotel**	**Case 3-New Avenue**
			
Address	214 W. 42nd St., New York, NY	17 S. Virginia St., Reno, NV	10 Eastern Ave., St. Johnsbury, VT
Project type	Commercial (Theatre)	Mixed-use	Mixed-use
Year Built	1903	1927	1898
Year Renovation Completed	1997	2000	2020
Parcel size (in acres)	0.344	0.412	0.48
Project size (in square feet)	119,905	59,279	40,985
Number of storeys	8	6	4
Number of seats	1801	not applicable	not applicable
Architectural Style	Art Nouveau	Gothic Revival	Richardsonian Romanesque
Development cost (in U.S. $ at time of rehabilitation)	$39,000,000	$9,000,000	$17,000,000
Development cost (equivalent value in 2024 U.S.$)*	$76,440,000	$16,470,000	$20,570,000
*Federal Reserve Bank of Minneapolis inflation calculation tool (https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator)			

Figure 9: Case Study Projects Comparison

The New Amsterdam Theatre, New York, New York

Sketch by author

4.1 Case — The New Amsterdam Theatre, New York, New York

Figure 10: New Amsterdam pre-renovation 1996

Figure 11: New Amsterdam post-renovation 1998

4.1.1 CONTEXT

New York City, the largest city in the United States, is home to the New Amsterdam Theatre. This iconic theatre is located on 42nd Street in the heart of New York's Broadway theatre district, adding to the city's vibrant cultural scene. The New Amsterdam underwent extensive rehabilitation during the mid-1990s thanks to a public-private partnership between the Walt Disney Company, the State of New York, and New York City. An essential component of the partnership and the financial structuring for the New Amsterdam historic rehabilitation project was HTC valued at $7 million.[1] The tax credit application process first required submittal to New York's State Historic Preservation Office (SHPO) for review and a recommendation of approval to the NPS, which then had final approval authority over the tax credit.

The challenges surrounding the New Amsterdam were many and varied, including vacancy and deterioration since the theatre's closing in the early 1980s. Based on my early observations at the start of the project and consultant assessments of the theatre's condition, the building's exterior was largely intact and undamaged; however, the theatre's interior was in a severely deteriorated state, as shown in the contrasting 'before' and 'after' images **(Figures 10 and 11)**. Openings in the roof had allowed water to infiltrate the theatre, leading to widespread damage and decay, including mould, over many years. Repairing the roof and its structural support became a priority to prevent further water damage and to allow the interior to dry. Once the interior space was stabilized to prevent further water infiltration, initial field efforts focused on cleaning the interior space, removing irreparable

[1] At the time, I was with Walt Disney Company's real estate development arm, the Disney Development Company. I managed the project's federal historic preservation tax credit application.

building elements, and a triaging what could be repaired and rehabilitated versus what needed to be replaced. However, hazardous materials, including asbestos and lead paint, were removed before any interior work could begin. The hazardous materials had been identified during an earlier environmental assessment of the building's condition and were accounted for in the project's budget.

4.1.2 HISTORICAL SIGNIFICANCE

Constructed between 1902 and 1903 under the direction of theatrical producers Klaw and Erlanger, the New Amsterdam Theatre stood as a prominent fixture in Times Square, serving as the renowned venue for the celebrated Ziegfeld Follies **(Fig. 12)**. Designed by esteemed theatre architects Herts and Tallant, the New Amsterdam garnered acclaim not only for its entertainment offerings but also for its architectural significance (Building Conservation Associates, 1995). Beyond its theatrical role, the building was purposefully designed at the request of Klaw & Erlanger to encompass two performance areas alongside an eight-storey office tower accommodating their diverse theatrical endeavours. Moreover, the New Amsterdam stood as a notable example of Art Nouveau design in New York City and a significant architectural statement by architects Herts and Tallant. Collaborating with sculptors, painters, and artisans, the architects employed Art Nouveau motifs to convey a dual narrative: the essence of drama and the theatrical world and the historical significance of the New Amsterdam as an early Art Nouveau design combining an office tower with theatre space. At the same time, the detailed Art Nouveau-inspired interior design features evoked the dramatic arts (Building Conservation Associates, 1995; Henderson 1997; Pearson, 1979).

The New Amsterdam debuted in 1903 and gained

Figure 12: New Amsterdam Theatre circa 1905

Figure 13: New Amsterdam Parcel Map

widespread acclaim for its amenities and forward-thinking features. The building's design was influenced by the site's limitations and the demands of its theatrical patrons and owners, Klaw and Erlanger. The central portion of the building, situated on a 150 by 100-foot lot on 41st Street, housed two theatres **(Fig 13)**. However, Klaw and Erlanger insisted on positioning the main entrance on the prominent 42nd Street (Building Conservation Associates, 1995; Henderson, 1997).

To accommodate the 42nd Street entry, they crafted a central entrance flanked by an office tower, serving as their hub for booking and production activities. Anticipating future developments, the side walls of the tower were plain brick, awaiting adjacent construction (Pearson, 1979). The architects employed structural steel throughout the framework to accommodate the building's dual purposes—theatres and offices. The 42nd Street facada was the architectural highpoint of the theatre's exterior, where the architects concentrated their design ingenuity (Henderson, 1997; Pearson, 1979).

4.1.3 PROJECT DEVELOPMENT

Over the years, the New Amsterdam, much like its Times Square surroundings, descended into decay and seediness (Building Conservation Associates, 1995). Once praised by both the media and the public as a symbol of architectural beauty, the New Amsterdam Theatre found itself embroiled in scandal during the 1950s, 1960s, and 1970s, marked by a series of sordid crimes reported in the local New York newspapers ranging from robbery involving hostage-taking to the killing of two theatre security guards (Building Conservation Associates, 1995). During this period, the 42nd Street and Times Square area had become emblematic of the larger issue of urban decline in the US (Reichl, 1997). In 1982, the New York City Industrial Development Agency acquired the New Amsterdam through a $4 million bond issuance. It then leased the theatre to the Nederlander Organization, one of the largest live theatre operators in the US. Nederlander was responsible for paying off the bonds and making annual payments of roughly $250,000 instead of paying property taxes. In 1983, Nederlander began renovation work for the theatre to house new theatrical productions. However, the renovation stopped when significant structural flaws were discovered in the steel girders spanning the building. The Nederlander organization promptly halted the renovation process despite having already advanced to the stage of removing orchestra, balcony, and gallery seats. This left the painted murals and artwork vulnerable to water damage (Building Conservation Associates, 1995).

Following years of vacancy, the State of New York took control of the New Amsterdam from the Nederlander Organization as part of its 42nd Street Redevelopment Project (Dunlap, 1994). The New York Times reported that in the settlement, Nederlander was obligated to settle the remaining $2.6 million principal and interest on the bonds. At the same time, the state agreed to cover the outstanding $250,000 annual payments (Dunlap, 1994). Although a relatively small portion of the more significant 42nd Street Redevelopment Project, the New Amsterdam, along with other historical Broadway theatres, garnered considerable positive public attention and political support, which helped lessen the focus on more controversial aspects of the broader urban renewal initiative (e.g., large office towers) (Reichl, 1997). This laid the foundation for subsequent events involving the 42nd Street Redevelopment Project and the Walt Disney Company in the mid-1990s (Building Conservation Associates, 1995).

For years, the city had dangled the prospect of the New Amsterdam in front of various developers and producers, but they had yet to find someone willing to move forward. However, with plans for a stage adaptation of the musical production of "Beauty and the Beast" in the works following the box office success of the animated film by the same name, the then-CEO of the Walt Disney Company, Michael Eisner, became intrigued by the notion of securing a theatrical venue to be owned by Disney rather than relying on rented spaces. In April 1993,

Eisner negotiated with the city to restore and lease the New Amsterdam. The renovation was projected to cost $32 million, with the city providing $24 million in loans that favoured Disney and the company itself contributing $8 million, subject to strict monitoring of expenses. The lease terms were set for 49 years (Dunlap, 1994; Maslon, 2015).

In the winter of 1994, Disney's decision to proceed with the renovation of the New Amsterdam initiated a wave of redevelopment, helping further the objectives of the 42nd Street Redevelopment Project. By the end of 1995, the nearby New Victory Theater, having undergone a meticulous restoration, welcomed its first patrons. A new spate of leases for retail spaces in the Times Square vicinity was signed, ushering in a resurgence of vibrant electronic signage in the theatre district unseen since the onset of World War II. Additionally, numerous business and communication firms disclosed intentions to erect new offices on or adjacent to West 42nd Street (Maslon, 2015).

In the fall of 1997, Disney unveiled "The Lion King" at the New Amsterdam, marking the theatre's first new musical production since 1936. Both the show and the venue garnered effusive praise, a testament to the painstakingly successful restoration of the theatre and Disney's entertainment savvy (Maslon, 2015).

4.1.4 ANALYSIS (INCLUDING FINANCIAL SUMMARY)

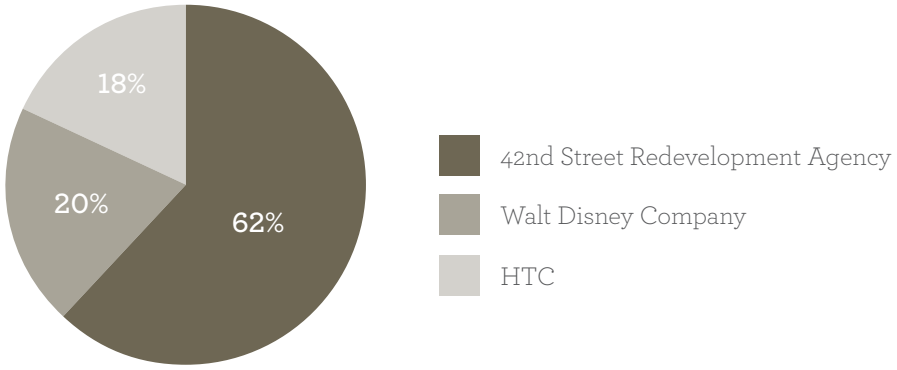
Based on my direct knowledge of the New Amsterdam project, the total development cost for the renovation and rehabilitation of the theatre was approximately $39,000,000 in 1997 US dollars, which, when adjusted for inflation, would equate to roughly $76,440,000 in 2024 dollars **(Fig. 14)**. The total development costs were verified with the then-Disney Development Company's Director of Design and Development, who oversaw the redevelopment project at the time (Bousquet, 2024). The City of New York, through the 42nd Street Redevelopment Project, managed the City's $24,000,000 in low-interest loans to the project designed to cover hard (construction) and soft (architects, engineers, permitting fees, etc.) costs. Disney contributed roughly $8,000,000 to cover the cost of furniture, fixtures, and equipment (FF&E) and an upgrade to the theatre's capacity by another two hundred seats to a total of 1,801 seats deemed essential to the operating performance and viability of Disney's theatre operations (Bousquet, 2024)(Viagas, 1997). Disney's internal financial review and approval process, known as a Capital Authorization Request (CAR), factored in the $7 million HTC as a critical component of the financial structure for the project. The CAR was a form of an elaborated project financial proforma that weighed development costs against anticipated project revenue and made the case that without the HTC, the project would not be financially viable. The HTC, credited over five years, essentially acted as a reimbursement for Disney's equity contribution, allowing Disney to reduce its corporate tax burden by $7 million. Based on direct knowledge of the CAR process, Disney executives would not have approved moving forward with the project had it not been for the HTC[2].

The renovation and rehabilitation of the New Amsterdam was one of the first such projects completed on 42nd Street in alignment with the larger vision for turning the street away from its chequered past and using historic preservation as a vehicle to galvanize public and political support for its transformation (Reichl, 1997). Even before the Disney

[2] The CAR detailed the role of HTC in the financial feasibility of the New Amsterdam. Final approval of the CAR required sign-off by a half dozen Disney executives, including the then-Chief Operating Officer.

team began renovating and rehabilitating the New Amsterdam, the New York Times reported that the 42nd Street Development Project was already working on other nearby development deals, such as the renovation of the historic New Victory Theatre across from New Amsterdam into a children's-oriented playhouse (Dunlap, 1994). Upon reopening the newly renovated New Amsterdam in 1997, then-Governor George Pataki of New York heralded the theatre as a centrepiece of 42nd Street's renaissance, which he envisioned becoming "the number one tourist attraction in America" (Viagas, 1997). The theatrical-oriented newspaper *Playbill*, in a 1997 article about the New Amsterdam, wrote that the theatre "returned to the fold as a Broadway theatre" and also as "the centrepiece of the 42nd Street revival that has seen the eradication of sex-oriented businesses on the block between Broadway and Eighth Avenue that were once the trademark of the New York City thoroughfare (Viagas, 1997). Combining a newly renovated New Amsterdam Theatre with the Disney brand and their Broadway musical productions undoubtedly helped spark the renaissance of 42nd Street and accelerate the street's transition into a family-friendly entertainment district. Historic tax credits helped make the rehabilitated New Amsterdam Theatre a reality and were instrumental in cementing Disney's participation in the public-private partnership with the 42nd Street Redevelopment Project. The New Amsterdam Theatre project, which helped to revive 42nd Street, speaks of the noteworthy impacts that heritage conservation can have on the urban fabric.

NEW AMSTERDAM FINANCE SOURCES



New Amsterdam Theatre Funding Source	Amount	Percentage
42nd Street Redevelopment Agency	$24,000,000	62%
Walt Disney Company	$8,000,000	21%
HTC	$7,000,000	18%
Total Development Costs	**$39,000,000**	100%

*Estimation of project financial structure in 1997 U.S. dollars based on direct knowledge and corroborated input from a former Disney executive involved with the project

Figure 14: Project Financial Profile*

Riverside Hotel, Reno, Nevada

Sketch by author

4.2 Case — Riverside Hotel, Reno, Nevada

Figure 15: Riverside Hotel circa 1928

Figure 16: Riverside Hotel 2024

4.2.1 CONTEXT

The Riverside Hotel (Riverside) is in the heart of Reno, Nevada's downtown, situated on the south bank of the Truckee River **(Fig. 15)**. The hotel was completed in 1927 on the site where Reno had its beginnings as a settlement in the late 1860s, which coincided with the completion of the transcontinental railroad a few years earlier (Historic Reno Preservation Society, 2024). The Riverside Hotel replaced an earlier wood frame and brick hotel by the same name that had burned down in 1922 (Historic Reno Preservation Society, 2024). The historic renovation and rehabilitation of the Riverside Hotel, completed in 2000, converted the building's ground level into commercial space and adapted the upper levels into affordable housing geared towards meeting the housing needs of Reno's art community **(Fig. 16)**. Due to the decline of the gaming industry in Reno beginning in the 1980s, large amounts of square footage in the downtown area formerly occupied by casinos and gaming hotels had been vacated, leading to a need for adaptive reuse of significant amounts of downtown space (Van Houten, 2021). The Riverside Hotel was one of the first such adaptive reuse projects. Project financing for the Riverside Hotel affordable housing project required multiple funding sources, including from numerous public agencies such as the City of Reno and Washoe County. Federally sponsored historic preservation tax credits figured prominently in the structuring of the renovation financing (Artspace, 2019).

4.2.2 HISTORICAL SIGNIFICANCE

The Riverside, a six-story Gothic Revival architectural style structure constructed of red brick with terracotta trim and decoration, is situated at the corner of Virginia Street and the Truckee River in downtown Reno. The current structure, preceded by two prior iterations of the Riverside Hotel **(Figures 17 and 18)**, was built in 1927 by a wealthy Nevada entrepreneur, George Wingfield, who enlisted architect Frederic J. DeLongchamps (Johnston, 2019).

Figure 17: Original Riverside Hotel in the late 1860s

Figure 18: Riverside Hotel in the early 1900s

The hotel holds historical significance as it stands where Reno was first established as a settler-colonial town in 1868 (Historic Reno Preservation Society, 2024). Initially constructed to offer apartments and hotel rooms, the Riverside Hotel became synonymous with Reno's divorce trade. As the hotel's owner, George Wingfield was instrumental in lobbying the Nevada state legislature to reduce the residency requirement for divorce from six months to three months, which benefited his hotel business at Riverside. The hotel's proximity to the county courthouse, where divorce legal proceedings were finalized, further solidified its role in the divorce industry (Lawrence-Dietz, 1983).

The original 1927 Riverside Hotel had a T-shaped floor plan with a central entrance fronting Virginia Street, Reno's main commercial street **(Fig. 19)**. The building's entry facade features nine bays, with a central arched entry and eight storefront bays and upper-floor windows aligning with the hotel room modules. The building was topped off with a terra cotta cornice, a brick parapet, and a terra cotta pediment with Gothic ornamentation above the central entrance (Lawrence-Dietz, 1983).

Over the years, the hotel underwent several physical and operational changes, including a 1950 expansion that added more rooms and, on the ground level, a swimming pool, a theatre restaurant, a casino, and a dance floor along the property's west side parallel to the river. The hotel's ownership changed hands in 1955, leading to a series of further alterations as well as periodic closures (Lawrence-Dietz, 1983). Some of the sizeable ground-floor storefront windows were later bricked over, and alterations included updates to the main entrance and signs, including marquees. By the late 1990s, when renovation and restoration work began, most of the exterior remained unchanged from the earlier alterations (Lawrence-Dietz, 1983).

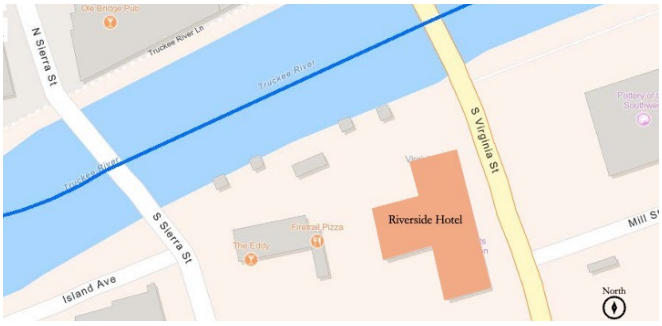


Figure 19: Riverside Hotel T-shaped building outline

4.2.3 PROJECT DEVELOPMENT

The Riverside Hotel casino ceased operations in 1986, and the hotel and restaurant followed suit in 1987. Several years prior to the hotel's closure in 1983, the hotel was nominated to the National Register of Historic Places as part of a designated thematic group historic district featuring ten buildings designed by Nevada architect DeLongchamps (Historic Reno Preservation Society, 2024; Lawrence-Dietz, 1983). A formal listing on the National Register of Historic Places was required for the renovation project to qualify for HTC.

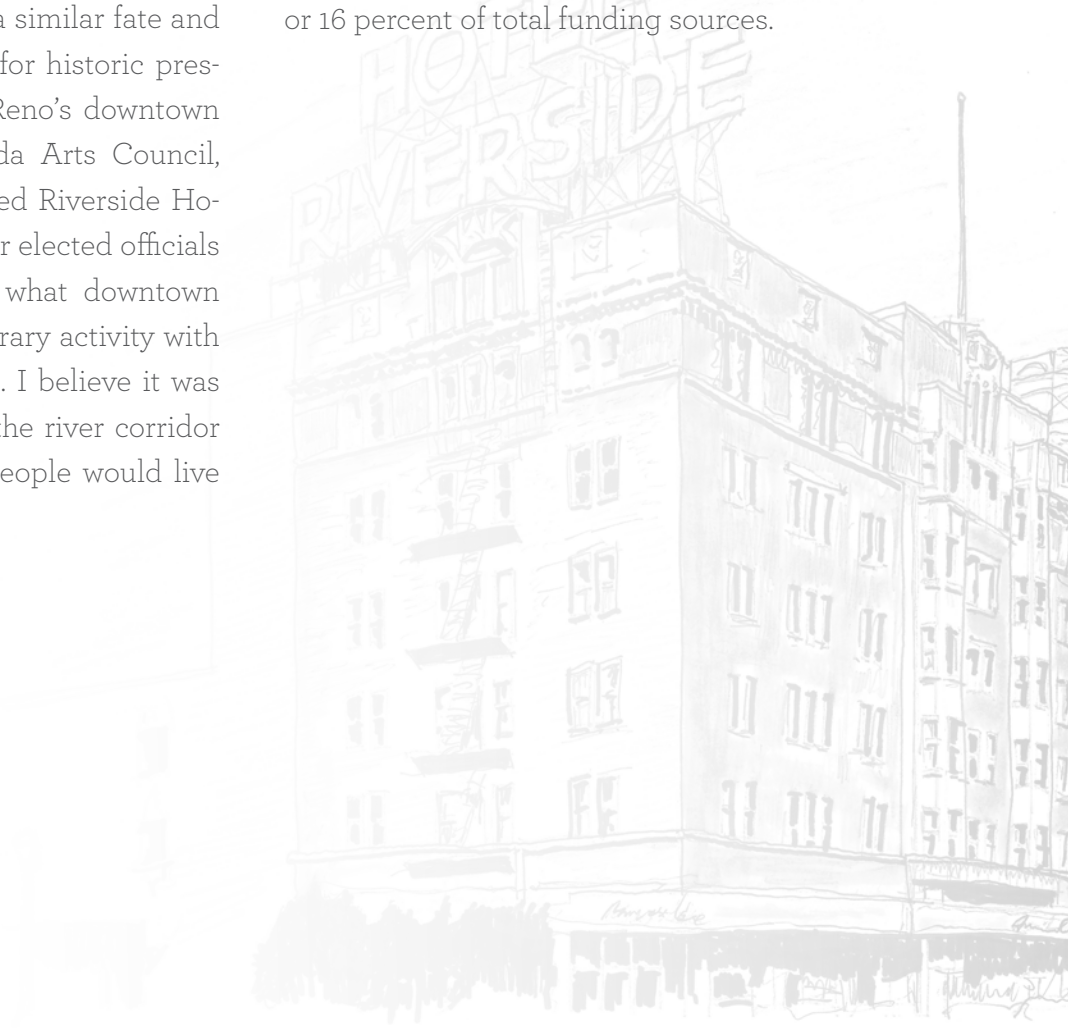
A decade later, in 1997, the city considered demolishing the building. However, Riverside was ultimately saved when Artspace, a Minneapolis-based developer specializing in adaptively reusing historic properties for housing, acquired the hotel (Gerthoffer, 2011). Artspace partnered with the Reno-based non-profit Sierra Arts Foundation to transform the hotel into 35 affordable artist lofts geared to serve the Reno art community (Gerthoffer, 2011). Challenges faced by the development team included adhering to costly historic preservation standards and guidelines while simultaneously creating affordable housing, a goal which placed pressure on the overall project budget (Q&D Construction, 2024). Additionally, the building had to enhance its structural integrity to meet current seismic codes (Q&D Construction, 2024). The rehabilitated Riverside reopened in 2000, with offices for the Sierra Arts Foundation and various retail businesses on the ground floor and artist residential lofts on the upper levels (Gerthoffer, 2011).

4.2.4 ANALYSIS (INCLUDING FINANCIAL SUMMARY)

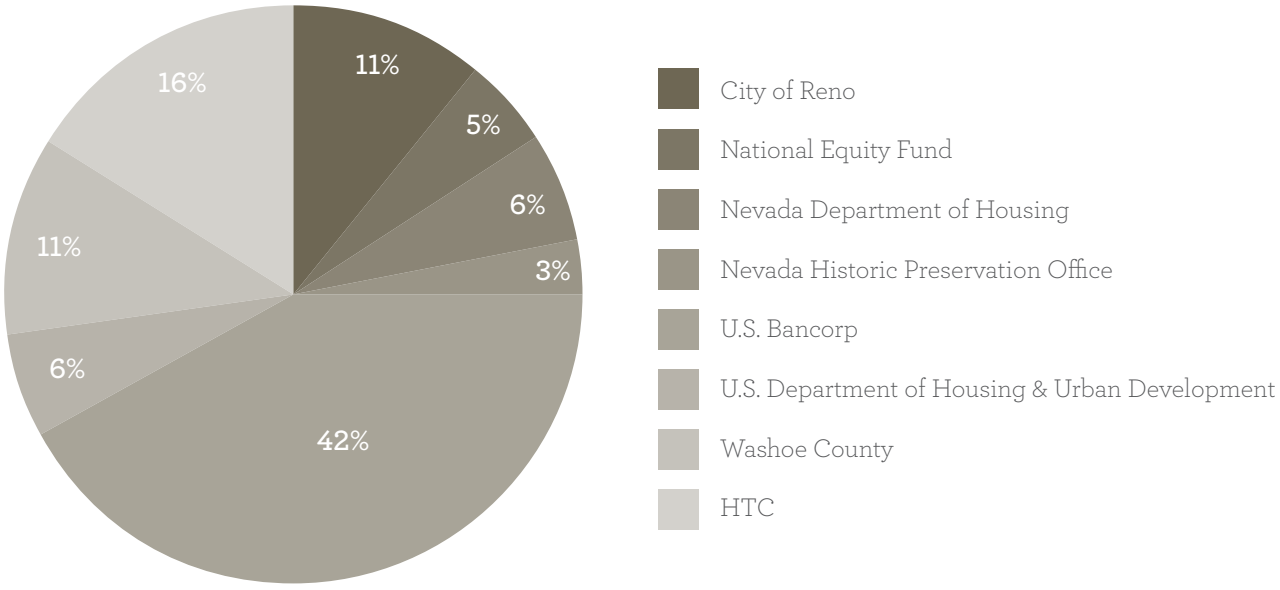
The Part 3 Historic Preservation Certification Application (2001), otherwise known as a 'Request for Certification of Completed Work,' estimated the direct costs or qualified rehabilitation expenses (QRE) related to Riverside's rehabilitation at $6,983,996 in FY 2000 US dollars. In addition to the QRE, new construction was required, including parking, landscaping, and other non-QRE upgrades. The general contractor for the project noted the challenges of working in a blighted area of the city and adhering to strict federally mandated historic preservation standards and guidelines. The standards and guidelines added cost to the low-income affordable housing project, a challenge the contractor described as a "dual-edged sword." Despite efforts by the project team and owners to curtail costs through so-called value engineering, the project still ended up with a budget shortfall of $300,000, which was later remedied thanks to the creative efforts of the project team involving the sale of water rights from the property (Q&D Construction, 2024).

In the decades since the completion of the Riverside Hotel's rehabilitation in 2000, the riverfront area of downtown Reno has undergone further development, including new office and retail space, a cinema complex, additional restaurants, and improved pedestrian and cycling infrastructure along the river, as highlighted by the Reno Redevelopment Agency or RDA (City of Reno, 2024). The demolition of another historic property in early 2000, the Mapes Hotel, across the river from the Riverside Hotel, galvanized the preservationist community in both Reno and the state and caught the attention of the National Trust for Historic Preservation, which had listed the Mapes on their "endangered places" list only a few years before the demolition (Clifton, 2015). The loss of the Mapes Hotel, decried by many, is believed to have helped rescue the Riverside Hotel from a similar fate and encouraged more consideration for historic preservation and adaptive reuse in Reno's downtown core. The director of the Nevada Arts Council, when speaking of the rehabilitated Riverside Hotel, said, "It opened the eyes of our elected officials and members of the public to what downtown could be, and it linked contemporary activity with the historic uniqueness of Reno... I believe it was pivotal to the transformation of the river corridor and demonstrated that clearly, people would live downtown" (Lindquist, 2014).

The total development cost for the renovation and rehabilitation of the Riverside was approximately $9,000,000 in 2000 US dollars, which, when adjusted for inflation, would equate to roughly $16,470,000 in 2024 dollars. The following table **(Fig. 20)** outlines a deductive supposition regarding the allocation of financing based on the sources known to have participated in funding the project, as the research did not uncover a detailed accounting of the Riverside's development financial structure (Artspace, 2019). As is common with many low-income or affordable housing projects, multiple sources of project financing were needed to support the project. The historic tax credit of $1,396,800 was based on 20 percent of the approximately $7,000,000 in QRE listed in the Historic Preservation Certification Application (Part 3), equating to roughly $1.4 million or 16 percent of total funding sources.



RIVERSIDE HOTEL FINANCE SOURCES



Riverside Hotel Funding Source	Amount	Percentage
City of Reno	$1,000,000	11%
National Equity Fund	$500,000	6%
Nevada Department of Housing	$500,000	6%
Nevada Historic Preservation Office	$250,000	3%
U.S. Bancorp	$3,753,200	42%
U.S. Department of Housing & Urban Development	$500,000	6%
Washoe County	$1,000,000	11%
HTC	$1,396,800	16%
Total Development Costs	**$8,900,000**	100%

*Estimation of project financial structure expressed in FY 2000 U.S. dollars based on input from partially available public reporting

Figure 20: Project Financial Profile*

New Avenue, St. Johnsbury, Vermont

Sketch by author

4.3 Case — New Avenue, St. Johnsbury, Vermont

Figure 21: New Avenue circa 1939

Figure 22: New Avenue 2024

4.3.1 CONTEXT

New Avenue House (AKA New Avenue), located in St. Johnsbury, Vermont, was initially built as an eighty-five-room hotel in the late 1890s and operated as such until closing in the 1970s (Jamele, 2019). Later, the building had a succession of owners who converted the former hotel into low-income apartments starting in the 1980s and into the 1990s (Beyer, 2019). The conversions involved various modifications to New Avenue with little regard for the building's historic character and architectural integrity (Beyer, 2024). Due to years of deferred maintenance, the building gradually fell into severe disrepair in the 2000s, although it continued to operate as low-income apartments (Rural Edge, 2021). With pressure from local community leaders and state officials, the building's owner ultimately agreed to sell New Avenue to a Vermont-based non-profit affordable housing developer. The developer, Evernorth, managed the heritage conservation rehabilitation process of New Avenue from 2018 through the approved historic preservation certification from the National Park Service (NPS) in 2022 (Beyer, 2024).

4.3.2 HISTORICAL SIGNIFICANCE

The geographical context of St. Johnsbury played a vital role in the birth and evolution of the New Avenue House. The town was a significant railroad hub during the late 19th century, coinciding with the extensive construction of railroads throughout the northern part of the state. Situated at the intersection of north-south and east-west railway lines, St. Johnsbury served as a crucial connection between southern New England and Québec, as well as western Vermont and Maine. St. Johnsbury's train depot, constructed in 1883, operated as the central hub for the north-south and east-west railroad lines. The town was an essential stop for passenger trains travelling between Boston and Montréal during the railroad era (Henry, 1974).

New Avenue, one of the most prominent historic brick buildings in downtown St. Johnsbury, originally opened as the "New Avenue House," a first-class hotel that garnered praise from the local newspaper upon its opening in January 1898. The building's architecture is a modified Richardsonian Romanesque style that was prominent during the latter part of the 19th century (Hodgdon, 2018)

(Fig. 21). New Avenue forms part of St. Johnsbury's Railroad Street Historic District in the US National Registry of Historic Places. The historic district comprises the train depot, adjoining park, and five other brick buildings that formed the commercial area linked to the railroad (Henry, 1974).

New Avenue's corner location and L-shape helped make it one of the more recognizable buildings in the town. The long, prominent red brick street facades of New Avenue are broken into two distinct halves by the round four-story tower at the corner intersection of Railroad Street and Eastern Avenue. The tower element distinguishes New Avenue from all other commercial brick buildings in St. Johnsbury's downtown business district. The tower originally contained a fifth story and a bell-cast conical roof, but these were removed in the 1950s (Henry, 1974).

4.3.3 PROJECT DEVELOPMENT

The New Avenue underwent extensive renovation and rehabilitation from 2018 through 2020, adapting the building to accommodate forty new affordable housing units. The rehabilitation work entailed revamping the interior spaces to incorporate code-compliant plumbing, electrical, and HVAC, as well as fire and life safety upgrades. The ground-level interior commercial space and storefront, modified over the years in ways that deviated from the building's original historic character and aesthetic, were demolished and rebuilt as code-compliant, more historically accurate retail space (Shattuck, 2024). The discovery of asbestos in the original interior plaster in 2020 and the subsequent abatement process added an unanticipated $1 million to the overall project cost and additional time to the construction schedule, further exacerbated by the COVID-19 pandemic (Evernorth, 2020).

The renovated New Avenue was recognized with accolades, including the annual preservation award from the Preservation Trust of Vermont in 2022 **(Fig. 22)**. It was praised in the local and regional press and highlighted in the Federal Tax Incentives for Rehabilitating Historic Buildings Annual Report for FY 2022 as a testament to the project's success in preserving a St. Johnsbury landmark (Preservation Trust of Vermont, 2022).

4.3.4 ANALYSIS (INCLUDING FINANCIAL SUMMARY)

Historic tax credits and other incentives played a vital role in the financial structuring of the New Avenue project, although HTC requirements increased the project's cost (Beyer, 2024). The non-profit organization Evernorth purchased and renovated New Avenue from 2018 to 2020. Evernorth is a provider of affordable housing and community investment geared toward low- and moderate-income residents of Vermont, as well as neighbouring New Hampshire and the state of Maine. Evernorth teamed up with another non-profit developer and operator of affordable housing properties in Vermont known as Rural Edge. Rural Edge manages and operates the building (Beyer, 2024; Shattuck, 2024). As the building's owner, Evernorth formed a limited liability company (LLC) to undertake the New Avenue heritage conservation project. The building was legally structured into a ground-level commercial condominium owned by a separate St. Johnsbury-based community development corporation and an upper-level condominium encompassing all the residential units owned by Evernorth. Evernorth was contracted, however, to manage the renovation and rehabilitation work for the entire building, including the ground-level commercial space. Leasing the ground-level commercial space was considered riskier by Evernorth than leasing the

affordable housing component, for which there was known market demand compared to the commercial space (Beyer, 2024).

Regarding qualification for HTC, the NPS reviewed a single Part 1 project application for the commercial space and the residential component, even though there were separate owners (Beyer, 2024). Similarly, despite the separate ownership entities, one HTC application for certification (Part 3) was submitted following the completion of rehabilitation work (Beyer, 2024). The HTC amounted to approximately $2.6 million, with $2.2 million related to the rehabilitation of the upper-level housing and $400K associated with the ground-level commercial space (Beyer, 2024). Since the tax credit was not awarded until after the completion of the rehabilitation and once the application for certification had been approved by the NPS, a private equity firm provided upfront funding equivalent to the HTC's value in exchange for receiving the tax credit once approved. The equity firm paid 85 cents on the dollar for the HTC, meaning that they bought the $2.6 million HTC at a discounted amount of roughly $2.2 million yet still provided the funding necessary for the rehabilitation project (Beyer, 2024). As with the Nevada case study, the New Avenue required multiple funding sources, each contributing at different levels. The total development costs in 2020 US dollars amounted to $18.4 million, including $14.9 million for the affordable housing component, $2.6 million for renovating the ground-level commercial space, and the unexpected $1 million for asbestos abatement **(Fig. 23)**. When adjusted for inflation, this would amount to total development costs of $20,570,000 in 2024 US dollars. The developer mentioned that adhering to the Secretary of the Interior's Standards for Rehabilitation increased the cost and complexity of the project. However, determining the percentage of rehabilitation costs linked to the federal standards proved challenging. Another significant risk was the uncertainty surrounding the final HTC certification process post-project completion. If, for instance, the NPS had not approved the certification, the developer would have faced even greater indebtedness to the private equity firm entitled to the tax credit (Beyer, 2024).

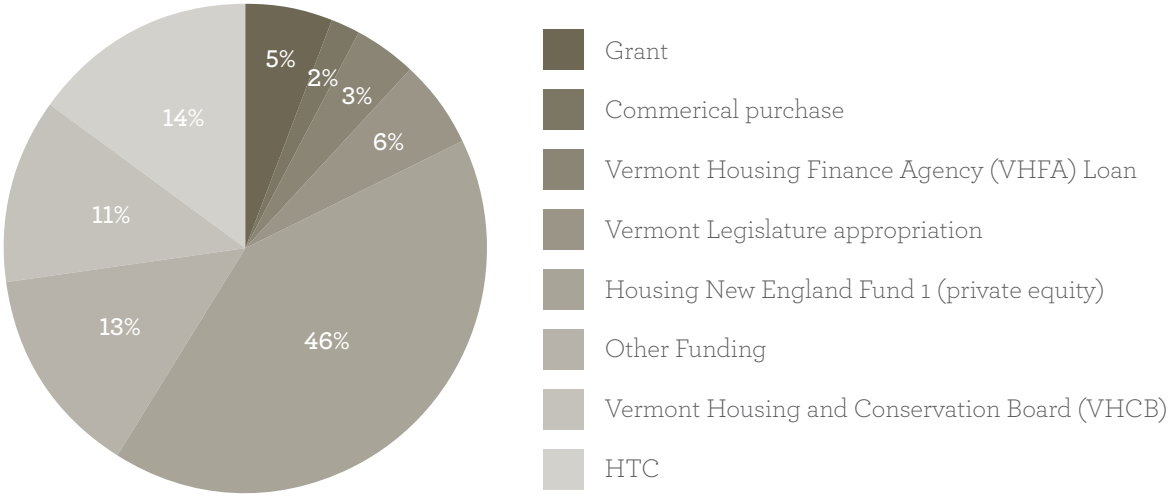
Although a crucial aspect of the financial structuring of the New Avenue, Evernorth pointed out that the HTC program added cost and time to the project. There was significant back-and-forth communication with the NPS while reviewing the proposed rehabilitation approach and the final certification application. Evernorth also noted that the NPS process does not currently include sustainability criteria to reduce carbon emissions and enhance building energy efficiency. The developer identified this aspect of the HTC program as an area for improvement. Improving the efficiency of the NPS review and administration of the three-part HTC application was also considered a key area for enhancement (Beyer, 2024).

Augmenting the federal HTC program for New Avenue was a Vermont-specific historic preservation incentive program known as the Vermont Downtown Program. Like many states in the US, Vermont also offers incentives to encourage heritage conservation specifically geared toward downtown areas in alignment with the Main Street America program, which is a federally designated program implemented through the NTHP that emphasizes community revitalization through historic preservation (Robertson, 2004). The Vermont Downtown Program offers financial incentives through tax credits and priority consideration for State Grants designed to support heritage conservation projects. Several state tax incentives include aspects of rehabilitation not covered by the federal HTC pro-

gram, such as tax credits for upgrades related to code compliance and energy efficiency (Vermont Agency of Commerce & Community Development, 2024).

New Avenue was completed in 2020 and certified in 2022 to have met US standards for rehabilitating historic buildings, marking a notable transformation for one of the most prominent buildings in St. Johnsbury's central commercial district. The project provided much-needed affordable housing and revitalized the ground-level commercial space, which subsequently became fully leased, exceeding the expectations of the development and leasing team (Beyer, 2024; Shattuck, 2024). According to both the developer and property manager, the impact of the building's renovation and adaptive reuse into affordable housing has helped reinvigorate downtown St. Johnsbury, serving as a community inspiration and fueling further renovation and renewal efforts in the centre of town (Beyer, 2024; Shattuck, 2024).

NEW AVENUE FINANCE SOURCES



New Avenue Funding Source	Amount	Percentage
Grant	$970,000	5.27%
Commercial purchase	$400,000	2%
Vermont Housing Finance Agency (VHFA) Loan	$625,000	3%
Vermont Legislature appropriation	$1,000,000	5%
Housing New England Fund 1 (private equity)	$8,416,000	46%
Other Funding	$2,389,000	13%
Vermont Housing and Conservation Board (VHCB)	$2,000,000	11%
HTC	$2,600,000	14%
Total Development Costs	**$18,400,000**	**100%**

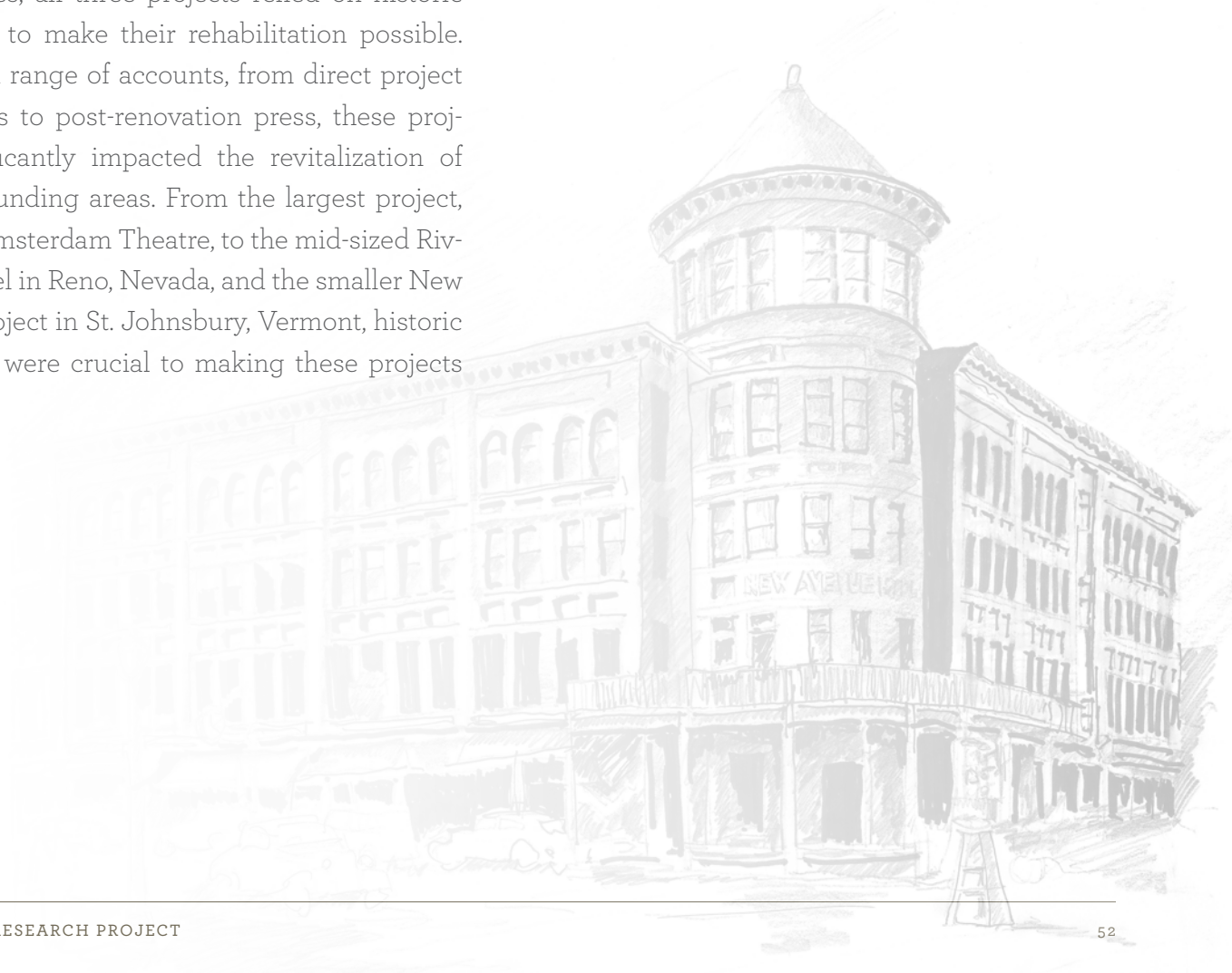
*Estimation of project financial structure based on input from key information and publicly available data.

Figure 23: Project Financial Profile*

4.4 Summary

This chapter provided an in-depth analysis of three case studies, each with financial and rehabilitation challenges. All three projects involved neglected buildings situated in evolving environments and at risk of being demolished. The Riverside Hotel in Reno and the New Avenue in St. Johnsbury were considered blights in their respective communities, while the New Amsterdam Theatre was part of the more significant problem of 42nd Street. Without innovative financing, determined political support, backing from the community, local advocates, and the utilization of historic tax credits, these buildings may have remained in decay and abandoned or have been torn down to make way for new developments. Despite their differences in location, purpose, scope of work, cost, and other complexities, all three projects relied on historic tax credits to make their rehabilitation possible. Based on a range of accounts, from direct project participants to post-renovation press, these projects significantly impacted the revitalization of their surrounding areas. From the largest project, the New Amsterdam Theatre, to the mid-sized Riverside Hotel in Reno, Nevada, and the smaller New Avenue project in St. Johnsbury, Vermont, historic tax credits were crucial to making these projects feasible.

The following chapter discusses the difficulties, intricacies, and insights gained from the three case studies relative to the impacts of the Federal HTC program on heritage conservation and urban revitalization in the US. The case studies helped cast light on how HTC can help reduce the risks and expenses associated with such projects and how they can influence the decision-making of developers and builders when embarking on heritage conservation projects. Finally, the next chapter examines the potential for the US tax incentive program to serve as a template for a Canadian heritage tax incentive program, considering Canada's diverse geography and history and outlining critical considerations for a federally supported program in Canada.



05 Discussion

The following discussion presents an overview of the diverse insights and lessons learned from the literature review and three case studies on the effects of HTC on heritage conservation and urban revitalization in the US. Second, it examines the challenges of cost premiums and risks commonly associated with conservation projects and how the HTC can help alleviate them. Finally, the discussion explores the possibility of the US HTC program serving as a blueprint for Canada in the wake of a prior effort to implement a similar federal program during the early 2000s.

5.1 HTC Impacts on Historic Preservation and Urban Regeneration

The work of heritage conservation entails the renovation and rehabilitation of projects that are often intricate and marked by uncertainties. While the HTC program and its impacts are well-documented, heritage conservation projects, whether using historic tax credits or not, are not necessarily linear due to the unique nature and contexts of such projects (Mason, 2005). As the literature and NPS annual reporting attests, historic preservation tax credits have had a significant influence on the promotion and effectuation of various heritage conservation projects in cities and towns across all fifty US states (National Park Service, 2021a, 2024). The positive economic impacts of heritage conservation projects are supported by quantitative data touting employment generation and tax revenue increases (Historic Tax Credit Coalition, 2017; National Park Service, 2021a; Rypkema et al., 2011). However, numerous case studies, including those reviewed in this report, have also demonstrated the link between preservation and urban regeneration (Advisory Council on Historic Preservation, 1979).

Due in large part to tax reform during the late 1970s, heritage conservation in the United States became increasingly widespread (Rypkema, 2011). Reforming the federal tax codes led to the creation of the HTC program, helping make preservation a financially competitive alternative to demolition and new buildings, which were often more auto-oriented (e.g., expansive parking areas) than pedestrian-oriented (Roddewig & Young, 1979). It took the loss of heritage properties to lead to gains in renewing America's historic urban cores, as underscored by the national call to action in *With Heritage So Rich* (1966). Preserving and rehabilitating buildings in downtown cores reinforced the pedestrian nature of downtowns throughout the nation, helping reverse the trending loss of walkability in favour of the automobile, as decried by Mumford (1958) and others. Not only have efforts to preserve America's building heritage through tax reform led to renewed life in threatened or decaying neighbourhoods, but preservation has arguably improved the quality of the nation's urban fabric. However, some academics and preservation specialists have acknowledged the need for more extensive research on the connection between HTC and urban revitalization (PlaceEconomics, 2014; Ryberg-Webster, 2014; Rypkema, 2011).

Likely, few people outside of certain government circles thought that reforming America's tax codes to encourage preservation was the key to arresting the widespread loss of the nation's built heritage in the decades after World War II. Tax codes at the time offered building owners tax deductions and credits for removing older landmark buildings (Lifton, 1977; Shull, 1976). It took public outcry over the extensive loss of historic buildings, symbol-

ized by the demolition of the Beaux-Arts-inspired Penn Station, and responsive, insightful legislators to realize that more than zoning or building code changes were needed; instead, financial incentives were necessary to encourage preservation and discourage the destruction of America's built heritage (Broyles, 2012; Roddewig & Young, 1979). The nearly fifty-year track record of the HTC program has demonstrated that historic preservation tax incentives yield meaningful results, as data in the annual NPS reports attests (National Park Service, 2024). HTC also led to widespread adaptive reuse, such as converting downtown warehouses and office buildings into housing and other forms of lodging, serving as a reminder that reusing existing structures is sustainable development (Listokin et al., 1998).

The renovation and rehabilitation of one heritage property can provide the spark needed for the renewal of an entire neighbourhood (Stewart, 2013). All three SRP case studies were considered prominent examples of local heritage, demonstrating varying degrees of regenerative urban impact and neighbourhood renaissance. Before conservation efforts began, all three buildings, which were in various states of deterioration, contributed to a sense of decay and economic decline in their respective neighbourhoods (Dunlap, 1994; Gerthoffer, 2011; Rural Edge, 2021). Upon completion, the case study projects conveyed renewed hope for their respective neighbourhoods, demonstrating that renovating and giving new life to an older, historic structure was good for the local economy and the environment. In the cases of Reno and St. Johnsbury, the buildings also provided much-needed local housing. Just as the deterioration of a vacant, underutilized, or poorly-maintained property can have negative impacts on a neighbourhood and lead to further degradation, the renovation, restoration, and rehabilitation of a heritage property can have the opposite effect, leading to positive impacts, as seen in the three case studies. Other casestudies examining historic preservation's influence on urban regeneration came to similar conclusions (Advisory Council on Historic Preservation, 1979). The "Federal Tax Incentives for Rehabilitating Historic Buildings" annual reports offer multiple examples of HTC-fueled heritage conservation projects positively impacting urban and rural communities across the US. Interestingly, one of the highlighted HTC projects in the FY 2023 report was the Moynihan Train Hall across from the site of the former Beaux-Arts-inspired Penn Station that came to symbolize the plight of many an American heritage property during the early 1960s. Penn Station's demise served as a reminder that, like the Phoenix rising from the ashes, the destruction of the iconic train station led to the establishment of the National Historic Preservation Act and, ultimately, the HTC program **(Fig. 24)** (National Park Service, 2024).

Figure 24: Moynihan Train Hall in the renovated U.S. Post Office across from Penn Station in New York City

5.2 Financial Incentives, Risks, and Costs of Heritage Conservation

As noted in the literature review, financial institutions can be more reluctant to offer construction loans on heritage conservation projects due to perceived risks (Rypkema, 2011; Stewart, 2013). Economic incentives, however, can help mitigate concerns associated with undertaking heritage projects (Rypkema, 2011). As described in the New Amsterdam Theatre and the New Avenue Hotel case studies, concerns can include the potential for unexpected issues during construction, such as the discovery of hazardous materials like asbestos and lead paint or the impacts of unwanted moisture penetration. As the early field investigations of the New Amsterdam study demonstrated, other risk factors might involve a building's structural integrity or the condition of its roof membrane. Based on firsthand knowledge from decades of working as an architect in the building industry, both developer and construction project budgets typically include cost contingencies to address unforeseen issues. Addressing unforeseen discoveries, such as toxic materials, can add significant costs to a project. For example, the construction contingency for the New Amsterdam was ten percent of overall building costs. Having adequate financing, a healthy budget, and a cost contingency does not necessarily reduce the risk associated with heritage conservation projects; however, it better positions owners, developers, and builders to adequately respond to and mitigate unforeseen issues that might arise during construction. As demonstrated by all three cases, reasonable cost contingencies backed by adequate construction financing, including historic tax credits, can help alleviate such risks.

Stricter rehabilitation design and construction standards on heritage projects often lead to higher costs per square foot than on new construction (Silver, 1982). Historic tax credits help heritage property owners and developers reduce construction loan amounts below more standardized bank loan-to-cost thresholds, lowering a bank's risk exposure (Duke University School of Law, 1985). Case studies have shown that once a heritage property is renovated, the positive impacts on a neighbourhood can help convince financial institutions to lend to other neighbourhood heritage conservation projects (Advisory Council on Historic Preservation, 1979).

Some scholars have suggested that larger projects benefit more from HTC than smaller projects, meaning that higher costs associated with large projects yield higher tax credits or a greater cost-benefit ratio (Stein & Brown, 1985). Others suggest that smaller projects tend not to reap as many HTC benefits primarily due to the stringent and sometimes onerous rehabilitation standards that must be met, which are identical to those applied to larger, more expensive projects (Ryberg-Webster, 2015). Whether a project is large or small, a similar level of cost and effort goes into the three-part Historic Preservation Certification Application (HPCA) for requesting certifications necessary to receive federal historic preservation tax credits. This logically tends to penalize smaller projects wherein upfront costs can rival larger projects, yet with lower tax credit dollar value. Nonetheless, data from the NPS reflecting the nearly fifty-year track record of the HTC program supports the conclusion of the program's success in promoting heritage conservation and urban regeneration in the US (National Park Service, 2024).

5.3 Historic Preservation Tax Credits: A Template for Canada?

In a journal article entitled "The Spirit of Place: The Physical Memory of Canada" (2000), renowned Canadian heritage conservation author, educator, and advocate Christina Cameron pleads with all Canadian citizens and levels of Canadian government to create 'a culture of heritage preservation' that becomes engrained into the day-to-day modus operandi of the country (Cameron, 2000). To achieve such a heightened level of heritage conservation awareness, Cameron argued that more effective federal policies and plans are needed, notably including heritage conservation tax incentives.

Although this research project aimed to study the wide-ranging impacts of historic preservation tax incentives in the United States, it raises questions about why such a program does not exist in neighbouring Canada. Like the US, Canada is geographically large and diverse, with a rich and varied cultural heritage reflected by its many historic buildings, properties, town centres, and landscapes. Landscapes, in particular, can hold strong spiritual significance to First Nation communities that do not draw distinctions between nature and culture, meaning that nature and culture are considered one. A notable example is the Pimachiowin Aki boreal forest between Manitoba and Ontario, home to several First Nation communities, which was designated as a World Heritage site in 2018 (Cameron, 2023). **(Fig. 25)**.

Pimachiowin Aki Boreal Forest in Manitoba and Ontario (left) and Montréal Square Saint-Louis (right)

Figure 25: Examples of heritage conservation in Canada

Given a similar history of post-World War II demolition of heritage properties that gave rise to historic preservation movements in both nations, a persuasive argument can be made for establishing a US-like historic preservation tax incentive program in Canada. To properly delve into the question of a federally-sponsored tax incentive program for heritage conservation in Canada and give it due justice would require, however, an in-depth analysis of Canadian heritage conservation practices, regulations, and tax codes worthy of a separate research project. Nonetheless, this section puts forth a brief discussion regarding the feasibility of a federally-backed heritage conservation tax incentive program in Canada.

Over many decades, progress has been made to protect and promote Canada's built heritage, as reflected in a myriad of federal, provincial, regional, and municipal laws (Atkins, 2015; Cameron, 2009). Although concerted efforts were made earlier in the 2000s toward establishing heritage conservation tax credits, Canada lacks a countrywide federally-backed historic preservation tax incentive program (Cameron, 2024). A void of political will and leadership at the federal level and varying degrees of resistance and lack of interest from specific key federal departments, such as the Department of Finance and the Department of the Environment, have been cited as impediments to establishing such a federal program (Cameron, 2009; Gersovitz, 2023). Various heritage conservation tax incentives exist at the provincial, regional, and municipal levels. Still, these programs, described as an 'uneven patchwork,' can vary widely in scope, requirements, and administration (Cameron, 2009, p. 66).

As a result of the Historic Places Initiative in the early 2000s, Canada established several of the critical elements needed to facilitate a tax incentive program, including the Canadian Register of Historic Places (CRHP) and rehabilitation standards and guidelines known as the Standards and Guidelines for the Conservation of Historic Places in Canada, not dissimilar to those of the US (Cameron, 2009; Gersovitz, 2023). Parks Canada maintains the national registry for heritage properties, which was established in 2001; however, the registry is not consistently kept up-to-date due to insufficient staffing resources (Cameron, 2024). Furthermore, the political reaction to heritage preservation in Canada has resulted in a decentralized approach, with the federal government and provinces creating separate bureaucracies and legislative requirements. Intergovernmental relations are, at times, strained, making it uncertain if this issue will be resolved (Atkins, 2015). A clear federal mandate to incentivize heritage conservation and a centralized federal authority leading the charge could mitigate this dilemma (Atkins, 2015). Considering this state of affairs, outlined below are potential measures to support a federally backed Canadian heritage conservation tax incentive program modelled after the US program. Note that adaptations would undoubtedly be needed for a Canada-specific tax incentive program to address conditions unique to the Canadian context.

- Establish a Canadian equivalent of the National Historic Preservation Act of 1966 in the U.S., clearly delineating responsibility between federal and provincial governments regarding nationwide heritage conservation.
- Mandate provincial governments to establish heritage conservation offices or modify existing ones to serve as the equivalent of State Historic Preservation Offices in the US. These offices would need to be adequately funded and staffed by the provinces to serve as a first point of contact for nationally registered historic properties seeking federal historic preservation tax incentives.

- Conduct a review of existing federal tax codes to identify reforms needed to facilitate the establishment of a federal heritage conservation tax incentive program, including estimations of cost and revenue to the federal coffers. As cited in the literature review, the US program has consistently shown a healthy return on investment for the US Treasury. There is no reason to believe such would not be the case in Canada.
- In the US, the ability to transfer a historic preservation tax credit is part of the program's success. This allows lenders and other equity providers (investors) to fund projects in exchange for tax credits. As such, Canada's tax codes would also need to be structured to allow for the transfer or "flow-through" of tax credits. Without transferability, tax incentives would likely have a more limited effect on attracting capital to undertake heritage conservation projects.
- In addition to a federally-backed tax incentive program, continue to encourage and allow provincial, regional, and municipal heritage conservation tax incentives to apply to supplement project financing schemes.
- Like the US program, establish clear criteria for tax incentive eligibility, which requires heritage properties to be registered or registering with the CRHP. Additionally, a well-defined process for heritage property owners and developers to apply for heritage conservation tax incentives, like the three-part US application, should be established.

If the federal government of Canada implemented tax reforms to offer tax credits for heritage conservation, it could help trigger a positive countrywide impact through historic preservation, leading to economic growth and urban revitalization. Introducing a tax credit program could result in the restoration of numerous properties countrywide, the development of specialized skills, the creation of job opportunities in various industries, and the rejuvenation of city centres (Gersovitz, 2023).

Benjamin Franklin is widely credited with saying, "Never leave that till tomorrow, which you can do today." When considering Canada's varied and rich cultural heritage, Franklin's words may inspire rekindling efforts to implement a federally-sponsored heritage conservation tax incentive program in collaboration with provincial governments.

06 Conclusion & Recommendations

This SRP examined how the Federal Historic Preservation Tax Incentive Program has encouraged and influenced the conservation of heritage properties throughout the US and how heritage conservation has spurred urban regeneration in both urban and rural settings alike. This SRP also delved into how tax-based financial incentives have helped mitigate the risks and cost premiums associated with conservation projects, in addition to how HTC has weighed into the developer, builder, and owner's decision-making process when undertaking such projects.

As documented by the NPS, over 49,000 historic properties across the US have taken advantage of federally offered tax incentives to renovate, rehabilitate, and preserve heritage buildings and properties. The NPS FY 2023 annual report on Federal Tax Incentives for Rehabilitating Historic Buildings used quantitative data to highlight the cumulative impacts of the federal tax. Since the tax credit program's inception, there has been over $131.71 billion in estimated rehabilitation investment across the US, including creating nearly 900,000 rehabilitated, new, and low-to-moderate income housing units (National Park Service, 2024). The nation's many rehabilitated historic buildings encompass millions of square feet of space, providing a wide range of uses from housing to offices to hotels and other commercial spaces. Heritage conservation in the US, supported by tax incentives, has made possible the preservation of much of the nation's historic fabric while carrying forward the stories that older buildings engender to future generations. Many of the renovated historic properties in the US are located in the downtown cores of large and smaller cities and towns, mainly built before the advent of the automobile. These renovated historic properties in communities like St. Johnsbury, Vermont, further enhance America's walkable historic downtowns and Main Streets **(Fig. 26)**.

Figure 26: St. Johnsbury, Vermont

The Historic Preservation Act of 1966, followed later by the HTC program, was instrumental in helping to slow the widespread pattern of demolishing heritage properties to make room for new construction, which, as noted earlier, was often represented in the US and Canada by the building of vast highway networks for automobile access and convenience during the first several decades following World War II. Furthermore, the HTC program has had an urban regeneration spillover effect in countless US towns and cities. One tax credit-incentivized preservation project has often led to other renovation and rehabilitation projects, as transpired in the case study cities.

Historic tax credits have helped to level the construction and development playing field and make historic preservation projects a cost-competitive alternative to new construction. Tax credits have also proven to be a critical component in the financial feasibility of many heritage conservation

projects. However, the program's nearly fifty-year track record faces new challenges. Inflation across the construction industry, particularly since the COVID-19 pandemic, has eroded the value of historic tax credits, making the financial feasibility of heritage conservation projects increasingly difficult. Bipartisan federal legislation to address program challenges has been proposed in the US Senate and House of Representatives. However, progress has been slow primarily due to linkage with other politically-wrought legislation during the 2024 election year.

Along with cost inflationary pressures, a 2019 survey by the National Trust for Historic Preservation cited that bureaucratic processing delays at both the state and federal levels have had the unwanted effect of discouraging, hampering, or completely halting progress on many heritage conservation projects seeking tax incentives (Webb, 2020). The same survey cited the added cost of registering historic structures and applying for tax credit certification. New legislation aimed at improving the tax incentive program must address both cost erosion and the bureaucratic inefficiencies tied to reviewing and processing tax credit applications, which are critical goals of the pending Historic Tax Credit Growth and Opportunity Act (HTC-GO) (H.R.1785-118th Congress, 2023-2024; S.639-118th Congress, 2023-2024). State-sponsored historic preservation tax credits are an added bonus for heritage conservation projects seeking to reduce construction debt and equity requirements, helping enhance project financial feasibility. However, there is wide variation among states regarding tax credit percentages and annual statewide tax credit caps or maximums in terms of credits available for historic preservation projects. Additionally, thirteen US states do not offer historic preservation tax credits. Although the Historic Preservation Act of 1966 required all fifty states to establish State Historic Preservation Offices (SHPO), there's room for more uniformity and standardization among the states regarding the application and processing of tax credits in alignment with federal guidelines. This presents opportunities for state-sponsored tax credit program improvements and could invite closer collaboration with the NPS-administered HTC program.

What does the future hold for the Federal Historic Preservation Tax Incentive program? With the continuing aging of America's building stock, the heritage conservation project pipeline looks promising, particularly given that the NPS considers any building or property fifty years old or older eligible for listing on the National Register of Historic Places (National Park Service, 2023). This will help ensure a steady stream of heritage properties joining the National Register of Historic Places, particularly given the vast number of mid-century modern buildings that were constructed post-World War II during the 1950s, 1960s, and into the early 1970s. The most recent annual federal report on the tax incentive program for FY 2023 cited several mid-20th century modern buildings that were rehabilitated thanks to historic preservation tax credits. This new crop of heritage properties from the mid-20th century serves as a reminder that both the adaptive reuse and renovation of such buildings can help sustain the tax incentive program and give new life and uses to older buildings. Efficiencies and improvement are needed, however, with the costs and timeframes related to placing historic properties on the National Register as well as costs and timeframes tied to seeking tax credit certification. Allowing the elevated cost burdens and processing inefficiencies of project registration and tax certification to continue unaddressed will only further hinder the effectiveness of historic

tax credits, whether at federal or state levels.

The pending bipartisan federal legislation includes promising program recommendations designed to address the impacts of inflation and make tax incentives more appealing, further promoting heritage conservation. The legislation seeks to increase the federal tax credit percentage, at least temporarily, to offset the effects of post-COVID pandemic inflation. The proposed legislation also aims to streamline program administration, broaden the types of projects eligible for HTC, including non-profit organizations, and further encourage smaller heritage conservation projects to apply and qualify for tax incentives. Although the pending legislation does not address the program's shelf life, future legislation could consider setting a longer-term tax incentive program lifespan to help insulate the program from periodic legislative funding threats.

As the fiftieth anniversary of the Federal Historic Tax Incentive program approaches in 2027, there can be no denying the impacts tax credits have had on promoting historic preservation in the US. The program benefits have been wide-reaching, including the creation of much-needed housing, the generation of employment and tax revenue, the reduction of carbon emissions through adaptive reuse, the regeneration of urban neighbourhoods, the preservation and celebration of history, and the providing of hope for a more sustainable future built on the foundations of the nation's past. The synergy between federally-sponsored historic tax credits, heritage conservation, and urban revitalization provides a well-defined roadmap for neighbouring Canada to follow, which has many of the critical ingredients for success already in place. Making a federally-backed HTC program in Canada happen will require solid and persistent political will, leadership, and perseverance, just as it will for maintaining and improving the health and welfare of the US HTC program.

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