Remember the Neighborhoods:
Conserving Neighborhoods through Historic Preservation Techniques

1981
Prepared by the Urban Policy Group, Advisory Council on Historic Preservation
A "sense of place," cultural continuity and a hospitable environment are increasingly recognized as paramount needs in urban American Society. (Courtesy of the National Trust.)
Easements, revolving funds, historic district ordinances—more and more frequently these "preservation" words are making their way into the vocabulary of neighborhood residents.

This change of semantics—and this change in perception—is taking place because these and other tools previously associated with historic preservation are proving effective and efficient in meeting neighborhood needs. Ranging from legal protections to funding devices, most preservation strategies and techniques are designed for use by ordinary citizens—operating on their own initiative and at the local level.

Developed over several decades of experience, historic preservation techniques are important instruments in our national urban conservation policy. But it is fairly recently that public disenchantedment with the bulldozer approach to urban renewal has led many community residents who are slightly familiar with historic preservation to embrace its techniques.

In the past, while citizens have tended to question the relevancy of historic preservation to the needs of their neighborhood, in reality one of their highest priorities may have been saving a particular building or site that reflected local traditions. In many cities, the rallying point for budding neighborhood organizations has been the fight to save a valued local institution or landmark.

For example, residents of a working class community in Seattle were given a list of neighborhood revitalization tools and asked to choose the ones they preferred. As a tool, "historic preservation" was the least popular item. However, when asked which of a number of neighborhood projects should be supported with Federal funding, the residents' overwhelming first choice was restoration and reuse of a former convent, a locally designated landmark, as a community arts center and park.

Preservationists have also broadened their concepts to recognize the need to view buildings in the larger context of social and economic life. Underlying the commitment of preservationists to their goals is a recognition that buildings and neighborhoods should be preserved for reasons that go beyond historic or architectural significance. Concepts of "sense of place" and cultural continuity are increasingly recognized as paramount needs in urban American society. Becoming equally widespread is recognition that quality of life in urban areas is intimately related to a hospitable environment. Conserving our built environment, particularly those older elements that often are more humane in terms of scale, texture, and design, is now a high priority in almost all urban revitalization programs. For many reasons—energy efficiency, cost savings, job production—Americans are beginning to see advantages in reusing old buildings, whether or not they are historic. Older structures are often better built, with workmanship and features that, in today's market, can only be duplicated at a prohibitive cost, if at all.

There is much evidence to indicate that renovation is also cheaper than comparable new construction, a vital consideration in this time of close scrutiny for both private and public spending. An impressive recent study of the activities of business firms in preservation concludes that:

The recycling and continued use of existing buildings can usually be justified on economic grounds alone. The shell of an office or factory building, including the foundation, supporting structure, and outer enclosure, represents a substantial cost in construction dollars and time. The cost of demolition and new construction, both from a dollars-and-cents and energy standpoint, is often high. While there are no universal rules... at most of the seventeen reuse projects profiled, the costs ran from 30 percent to 40 percent less than replacement with new construction.1

According to another study,2 by the 1980's the national remodeling market is expected to approach $80 billion annually.

A project in Baltimore illustrates savings inherent in renovation: The Center Stage Theater Company there rehabilitated the Loyola College and High School into an auditorium-theater complex. It would have taken two to three years and $2.5 million to build a new theater, but recycling took less than a year and cost $1.7 million.

Many old buildings are naturally energy-efficient, not needing to rely exclusively on contemporary climate-controlled systems. Designed for their climates, they have thicker walls and windows that open, and make maximum use of natural light and ventilation. By comparison, "sealed box" environments built in the 1960's and early 1970's are now seen as highly wasteful.

Besides potential operational efficiencies, long-range energy costs of renovation versus new construction argue strongly for reuse. Lockefield Garden Apartments, a public housing project in Indianapolis, is a good example. Built by the Public Works Administration in 1935 as one of the first
government-sponsored housing developments, the well-designed complex is abandoned but structurally sound. A recent study concluded that the rehabilitated Lockefield Garden Apartments would have a net energy investment advantage over an equivalent new complex for more than 50 years—despite a small annual operating advantage for new construction, which could utilize recent "state of the art" energy-saving design techniques. This reflects energy savings that come from reusing existing materials.

Job production, especially in inner-city areas, is another increasingly recognized advantage of preservation and rehabilitation. An article in Preservation News reports that statistics compiled by the Economic Development Administration for the 1977 Local Public Works program show that for every million dollars spent, renovation produces 109 jobs, while new construction results in the production of only 69 jobs. This is a yield of 64 percent more jobs for the dollar. Also, the gathering momentum of renovation activity around the country has created great demand for construction skills needed to reuse existing buildings. Thus, workers who learn rehabilitation skills stand a good chance of continuing to find a ready market for their skills—rather than face return to unemployment or welfare rolls.

There is much evidence to indicate that renovation is cheaper than comparable new construction. The Center Stage Theater Company in Baltimore was rehabilitated at a cost of $1.7 million, as compared to an estimated $2.5 million for new construction. (Courtesy of the National Trust.)

Due to the recent increase in renovation activity, there is a great demand for construction skills needed to reuse existing buildings. These plaster workers at the Pabst Theater in Milwaukee stand a good chance of continuing to find a ready market for their skills. (Courtesy of the National Trust.)

Many older buildings are naturally energy efficient. The plan of this Greek Revival cottage in Alabama, built in the form of a T, affords maximum light and ventilation. (Courtesy of the National Trust.)
Historic district ordinances have been used for many years to protect and enhance environmental qualities and manage change. The Lower Garden District in New Orleans (above) and the Savannah Victorian Historic District (below) are both designated historic districts. (Courtesy of the National Trust.)
PRESERVATION TOOLS FOR NEIGHBORHOOD REBIRTH

To analyze the potential of preservation techniques in meeting neighborhood conservation objectives, one should first identify ends that preservation can achieve. Almost by definition, preservation promotes the creation of a sense of neighborhood and special characteristics that are worth keeping. Beyond that, preservation can help build residents' ability to control forces of physical change in their neighborhood. This involves the establishing of legal and governmental mechanisms to bring about (or limit) change and to tap sources of funding—both public and private—to meet neighborhood needs. In the following sections, the relevance of various historic preservation tools to meeting these objectives will be explored.

Legal and Governmental Structures

In any successful, long-term effort, preservationists have found it crucial to develop a legal framework and governmental structures that can be used by residents to control various forces that continually threaten a sensitive historic area. A wide range of tools, easily adapted to a variety of neighborhood needs, have been developed.

Historic District Ordinances

Neighborhood residents have used historic district ordinances for many years to manage change, to protect and enhance environmental qualities, and to counteract the power of private developers and speculators. Historic district designation has often helped to strengthen the economic health of neighborhoods by, among other things, promoting neighborhood stability, keeping middle-class families from moving to the suburbs, creating neighborhood pride, and fostering local organization.

On the other hand, critics of historic district designation are quick to point out several bad effects on neighborhoods, which they attribute to designation. For example, some critics feel that strict guidelines for exterior rehabilitation imposed in historic districts can result in expensive renovation work.

Specific design restrictions and guidelines for rehabilitation vary according to local historic district ordinances. In some districts, restrictions in legislation are in-deed stringent. However, local ordinances are increasingly leaving decisions on rehabilitation to the review board. In most areas, the review board is composed of a mix of people from different disciplines who are able to provide a reasonably broad point of view. And some ordinances, such as one in effect in Washington, D.C., have a provision that releases low-income property owners from certain design guidelines and restrictions if they prove particularly burdensome.

Some other side effects of rehabilitation often attributed to historic district designation are rapidly rising property values and displacement of existing residents. This is not necessarily the case. A recent study of several neighborhoods in New York City sponsored by the New York Landmarks Conservancy observed that historic district designation seemed a less significant factor in rising property value or displacement than the basic features of an area—location, services, amenities, and architectural appeal—that exist regardless of formal designation.

This study also showed that, in many changing neighborhoods, historic district designation tended to follow rather than cause the revitalization of an area. The summary report states that "changing social composition was not caused by the historic designation, since it preceded designation by a number of years; in fact, the opposite appears to be true; changing social composition brought about the historic designation." In addition, in some areas, historic district designation has been able to alleviate exploitation of the area by speculators.

While there are no comprehensive figures on the frequency and severity of displacement nationwide, it is a perceived phenomenon in neighborhood revitalization. Several recent studies, including the New York study cited above, have presented evidence that most displacement has been caused by factors other than historic district designation. A report issued by the Department of Housing and Urban Development indicates that housing abandonment and disinvestment cause a much greater amount of displacement than activity by speculators or individual homebuyers.

A second study, released by the University of Minnesota, examined a downtown neighborhood in St. Paul and reports that income difference has been the primary factor in displacement there. The findings of this study—one of the first to produce hard, numerical data—were that middle-
aged, middle-class white residents could be pushed out of their homes as easily as poor minorities and the elderly. An even more startling fact was that a large percentage of the displaced families in this neighborhood found their new homes either equal to or better than those they left. While this is a study of one individual neighborhood, its results show that additional questions need to be asked about displacement.

Recognizing that displacement does occur in rehabilitated neighborhoods, preservationists are learning to cope with it, with the aid of various Federal programs. For example, the Savannah Neighborhood Action Project (SNAP) has found a way to combine different elements of Federal programs to produce successful revitalization efforts in a historic district—without displacement. SNAP buys deteriorated houses within one of Savannah's historic districts and rehabilitates them for rental to the former occupants, mostly low-income people. This concerted effort to deter displacement draws on various methods—Section 8 rent subsidies, Section 312 rehabilitation loans, workers funded by the Comprehensive Education and Training Act, and private donations—melded into an effective program through intense citizen involvement and an active organization. (Several of these preservation methods are described later in this publication.)

Other successful projects in historic districts include the Manchester Historic District in Pittsburgh, Pennsylvania, and the Neighborhood Housing Services-operated program in the Anacostia historic neighborhood in Washington, D.C.

Formal establishment of a historic district creates a legally binding design review process that regulates demolition, alteration, and construction of buildings within the district. The process is usually administered by a local historic district commission, composed of experts and residents, which issues "certificates of appropriateness" for construction. No physical development or substantive alterations within the district can proceed without review. Powers of these individual boards vary but they are able to prohibit changes—a power recently confirmed by the United States Supreme Court. Over 700 local governments are now empowered to create historic districts.

Historic district regulation in New York City, Savannah, and New Orleans has been particularly successful in fostering urban objectives.

Historic district regulation can adapt to a variety of neighborhood situations and needs. Related concepts have been developed for use in areas that are not of strictly historic or architectural significance. For example, Seattle employs a Special Review District technique permitting modification of zoning regulations to restrict or encourage structures, design, and land uses adapted to the specific needs of the district. There are also safeguards for preservation of the architecture and historic buildings of the district. The purpose of these provisions clearly is to conserve the character of the existing neighborhood and maintain services and amenities desired by long-time residents.

Two other flexible techniques residents may employ to make their neighborhoods more livable are Conservation Districts and Neighborhood Special Districts. In Conservation Districts, ordinances are applied without requiring a formal finding of historic significance. In this approach, restrictions are added to existing zoning of any area to regulate alterations or new construction. Neighborhood Special Districts are government-established entities with authority to supplement existing municipal facilities provided by the city. This can include power to levy real estate and property taxes; to incur debt; to own property acquired by gift, purchase, or eminent domain; to hire labor; and to contract for services.
Conserving our built environment, particularly those older elements that are often more humane in terms of scale, texture, and design, is now a high priority in many urban revitalization programs. (Courtesy of the National Trust.)

Federal Environmental Review Laws

Preservationists have been particularly effective in using Federal laws to protect historic resources and to introduce local citizen views into the Government's decisionmaking process. Federal laws require that agencies thoroughly consider environmental factors in the planning stage of their projects. While two of these review processes, the National Environmental Policy Act and the A-95 process, have been frequently employed, Section 106 of the National Historic Preservation Act has been the most widely and successfully used legal tool.

Under this authority, Federal agencies must afford the Advisory Council on Historic Preservation opportunity to comment upon Federal, federally-assisted, and federally-licensed undertakings that affect properties included in or eligible for the National Register of Historic Places. As the Register includes over 22,000 listings, an estimated 10 percent of which are historic districts, this review process has already involved many neighborhoods listed as districts.

The Section 106 process has been extremely effective in mitigating the impact of Federal projects—such as highways, urban renewal, and public works—upon historic properties in many neighborhoods. In Baltimore, citizen opposition to the proposed freeway through the heart of the historic Fells Point neighborhood became apparent during the Council review of the project, and resulted in the relocation of the road.

This effort still goes on in other neighborhoods in the freeway's path, including Little Italy and Canton. In Covington, Kentucky, successful locally-initiated community redevelopment activities, notable for combatting displacement, are threatened by a federally-funded highway bridge that will affect the Riverside Historic District. Section 106 provides the only mechanism to thoroughly consider negative impacts, citizen concerns, and possible alternatives to this and many other projects.

Code Enforcement

Preservationists have long been aware that restrictive requirements of local ordinances and codes, especially building codes, can be a serious impediment to preservation and rehabilitation.

In the past, many rehabilitation projects have been slowed down or abandoned due to unnecessarily strict code requirements designed for new construction. However, preservationists in some cities have been able to get reasonable modifications of these codes, making rehabilitation financially more attractive.

National model codes (such as those of the Southern Building Code Congress International and Building Officials and Code Administrators International) have a historic preservation provision making historic landmarks eligible for waiver of certain code standards at the discretion of the building inspector. Several cities and States, including Indianapolis, Baltimore, Oregon, and Virginia, have adopted clauses from these model codes.

In addition to historic property exceptions, some cities and States already have, or are in the process of developing, rehabilitation codes. One example is the Massachusetts Rehabilitation Project, a team which consists of members from major code and enforcement organizations. The goal of the project has been to develop a code document for Massachusetts that responds in an effective manner to adaptive reuse and restoration of older buildings. It has eliminated restrictive and costly constraints on building rehabilitation that do not have a sound technical basis. This document serves as a demonstration for possible
The establishment of a historic district creates a legally binding design review process that regulates the demolition, alteration, and construction of buildings within districts such as the Market Square Historic District in Newburyport, Massachusetts, shown both before and after rehabilitation. (Courtesy of the American Institute of Architects.)

development of a national rehabilitation code.

The Housing and Community Development Act of 1978 directed the Department of Housing and Urban Development (HUD) to develop rehabilitation code guidelines for voluntary use by cities. These guidelines were published in draft in the Federal Register, November 5, 1979. (Subsequent changes were published on May 27, 1980.) HUD's office of Policy Development and Research plans to publish additional interpretive documents.

The guidelines are divided into three volumes: Administrative and Legal Guidelines for Building Rehabilitation; Technical Guidelines for Residential Rehabilitation; and Fire Ratings of Archaic Materials and Assemblies. The administrative/legal guidelines are developed for policymakers and others who might be interested in examining and changing their building regulatory system with respect to the special needs of rehabilitation. Technical guidelines include information for use by architects, rehabilitators, and anyone who might encounter specific code rehabilitation problems. The third volume, fire ratings, provides technical data no longer available in current regulatory documents.

The problem of overly stringent codes contrasts directly to that of proper maintenance of historic properties. Ordinances exist requiring property maintenance and preventing deterioration and blight.

For example, New Orleans has an anti-neglect ordinance preventing the owner of a historic property from allowing it to deteriorate. Seattle also has a "minimum maintenance" ordinance requiring owners to bring properties up to code. The Department of Buildings inspects structures and notifies property owners (through the historic preservation board) to fix up their buildings. The preservation board has power to order the city to do repair work and bill the owner. However, in practice, the ordinance has been flexibly applied to avoid putting undue pressure on low-income tenants and property owners for whom city-funded loans are not available.

A related problem is that a zoning ordinance designed to protect residential character of an area can, through changed circumstances, become repressive and unrealistic.

For example, Denver's Capitol Hill neighborhood consists of many large buildings originally built as mansions. But economic changes made it impossible and probably undesirable to preserve these important buildings as single-family homes, and a way had to be found to adapt them to modern needs. In 1973, the Denver zoning ordinance was amended to permit certain adaptive uses in residentially-zoned structures designated as landmarks under the Denver Landmark Preservation Ordinance.

The Use-Exception Ordinance specifies occupancy limits, sign restrictions, and parking requirements. Flexible use of zoning laws permits retention and use of these significant elements of Denver's heritage in a manner that complements the drastically changed complexion of the current neighborhood.

Easements

One alternative to direct governmental regulation is easements, used successfully by preservationists to protect neighborhoods and historic buildings. In easements, property owners deed a partial interest in their property to a public body—either to restrict use or to require use in a certain way. The owner retains possession but foregoes the right to certain kinds of development of the property.

Easements can be employed to protect external features of valuable structures, preserve the immediate environment of historical properties, or secure scenic vistas that enhance a historical site or an area. Voluntarily created by contract between the owner and a public body, easements are generally acquired from the owner of the structure by cash purchase or donation. The result is a direct cash benefit or a tax deduction for the donation. The donor receives further benefit through reduction in property tax assessments as the result of having given up the development potential of his property. Facade easements are the predominant kind of preservation restriction, and the pioneering effort was in Annapolis.

For neighborhoods, easements have many benefits: they control development and guarantee maintenance of the building exterior but allow freedom for the owner to redo the interior. This is less costly than "fee simple" acquisition and is not imposed by government fiat, but by negotiation. Though they have been used primarily by more affluent preservation groups in the past, facade easements have been recognized for their applicability to low-income owners who are unable or unwilling to use cash reserves or loans to fix up their property. Sale of the easement can generate needed cash, and easements can be integrated into other assistance programs.

An active neighborhood-initiated easement program can be an effective deterrent to blight and deterioration that, unchecked, can spread through an area. Creative application of such a program, combined with a modest amount of public funding (through grants or loans) will allow neighborhood residents to control their immediate environment without resorting to more cumbersome and remote forms of government regulation. Residents do, however, need to find effective methods of enforcement.
Financing Techniques

Preservationists have devised many strategies to maximize the impact of limited public funds and to generate private capital. Some of these techniques have involved creative combinations of non-preservation government funding programs or restructuring of general government policies, such as the tax system, to indirectly spur preservation investment. Many of these approaches are used for neighborhood conservation, and more can be made of them in the future.

Revolving Funds

Revolving funds are a proven device for protecting the integrity of a neighborhood. They are generally administered by a tax-exempt nonprofit organization and use public (for example, Federal Community Development Block Grant monies) or private monies to buy and renovate buildings. They are also commonly used to hold a threatened structure by outright acquisition or purchase of an option until a suitable buyer who will agree to rehabilitate the property can be found. Proceeds from rentals, sales, and interest are used to replenish the fund. Thus, after an initial funding commitment, the pool becomes relatively self-sustaining. Depending on its operation, further capital may be required periodically to replenish it.

Revolving funds have been used to acquire and fix up abandoned or deteriorating buildings in a neighborhood. That of the Pittsburgh History and Landmarks Foundation (PHLF) is used to buy buildings and restore the interior and/or exterior; the building is then rented. This allows PHLF to provide housing at a variety of rental rates, some subsidized, following through on a pledge to maintain a stable population and encourage mixed-income residency.

At the national level, both the Department of the Interior and the private sector National Trust for Historic Preservation provide assistance for selected locally administered revolving funds.

Through the matching grants program of the National Historic Preservation Act, the Department of the Interior has helped establish a revolving fund in the State of North Carolina. Through its matching grants program, the State set aside $40,000 of its fiscal year 1978 monies and $80,000 in fiscal year 1979 for use by the Historic Preservation Fund of North Carolina for property acquisition. Under this program, the State guarantees the Historic Preservation Fund will receive a set amount of money each year. Numerous individuals, foundations, and corporations have contributed to the fund, and in its first three years of operation it has saved more than a dozen historic properties. Similar innovative approaches are being developed in other States using a combination of public and private monies to create and operate revolving funds.

A national historic preservation fund administered by the National Trust for Historic Preservation helps nonprofit member organizations set up local revolving funds. Money is loaned at low interest rates to local organizations, which then purchase, protect, and resell historic buildings in their area. With the assistance of a $25,000 loan from the Trust, the Historic Albany Foundation established a revolving fund for purchasing and rehabilitating old buildings. The Foundation then bought four buildings in a state of structural collapse, and “stabilized” them. They are now being resold for complete restoration as residences. This action has spurred private rehabilitation efforts on 23 buildings in the same area.

Additionally, in 1979 the Trust loaned $75,000 to the revolving fund of the Neighborhood Housing Service in the Anacostia neighborhood in Washington, D.C. This was the first time the Trust had made a loan from its revolving fund with the intention of rehabilitation rather than acquisition of property.

Revolving funds are highly adaptable to neighborhood conservation. Recent rulings by the Internal Revenue Service have confirmed their tax-exempt status—thereby making them even more attractive to private donors. Not dependent on cumbersome governmental machinery, revolving funds can provide a renewable source of quickly available money. They make it possible to acquire buildings (whether strictly “historic” or not) so that they can be effectively recycled—a big need in many neighborhoods.

Property Tax Relief

Another way to encourage private-sector renovation and rehabilitation of old buildings is use of sympathetic tax laws. Preservationists have experimented with a number of local variations.

Tax exemptions are found in some States where legislation allows municipalities to totally or partially exempt historic properties from real property taxes. For example, an Alaska statute allows municipalities to, by ordinance ratified by popular vote, totally or partially exempt residential property from real property taxes. Exemption may not exceed $10,000 for any one residence, and may benefit historic sites, buildings, and monuments. The technique has also been used for commercial properties when the property fails to earn a “reasonable rate of return.”

"Circuit breaker" provisions are limits on
Owners in the Jacksonville, Oregon, historic district would be eligible for a 15-year property tax freeze under a 1975 Oregon law that any structure in the State listed in the National Register of Historic Places is eligible for such a freeze.

Tax liability available in neighborhoods where assessments and sales prices are increasing at a pace beyond the citywide average. Property owners qualify if they can demonstrate that taxes exceed a fixed percentage of their income (usually 25 to 30 percent) and that, without a limit on taxes, they would be forced to sell their properties.

Tax abatements are related to circuit breaker provisions. Some State governments have permitted abatement (or deduction from the full amount of a tax) of real property taxes on designated historic properties when the tax level becomes too burdensome to owners. Connecticut, for example, authorizes municipalities to abate, in whole or in part, real property taxes on historically or architecturally significant structures if “the current level of taxation is a material factor which threatens the continued existence of the structure.” All abated taxes must be repaid by the owner if the structure is subsequently demolished or remodeled to the point that it loses its significance, and the State legislature is required to reimburse municipalities for property tax revenues lost because of this abatement.

Assessment freezes reward homeowners who rehabilitate their houses. Rising assessments can penalize improvements and serve as a severe deterrent to lower-income homeowners, who—after spending available cash for home improvements—find a substantial property tax increase threatening their ability to maintain ownership. In 1975 Oregon enacted a law that any structure in the State listed in the National Register of Historic Places is eligible for a 15-year property tax freeze at the owner’s option and at the time of his choice. This allows an owner to carry out extensive rehabilitation without having assessments raised in proportion to the value of improvements. In return, an eligible property owner must agree to maintain his property according to standards of the State Historic Preservation Office. Loss of special assessment triggers recapture of all tax savings, plus a penalty of 15 percent on those savings.

Reduction of assessment is an expansion
of the assessment freeze device. A North Carolina statute provides that (upon annual application of the owner) property designated as historic under local ordinances shall be taxed on the basis of 50 percent of the property's value. Demolition or incompatible alterations disqualify the property, and the owner is required to pay back all taxes saved for the prior three years plus interest accumulated. Some States have restricted reduction in assessment to situations where the owner places binding restrictions on the property to ensure preservation. Several States that have enacted statutes validating facade and scenic easements for preservation purposes have directed that property tax assessors must take into account reduction in value caused by the easement when making valuation of the property.

Assessment based upon actual use is a device that allows owners of eligible historic properties to have their property assessment based upon the property's current use—rather than on its "highest and best" use. The District of Columbia Code specifies that eligible historic property shall be assessed at its current value if that value is lower than its fair market value. To qualify for the benefit, the property must be designated by the local landmarks commission and the owner must sign a 20-year covenant guaranteeing the property's maintenance and preservation.

Tax credits are offered in some States for structures located in historic districts or for designated landmarks. In Maryland, for example, up to 10 percent of any rehabilitation expenses or up to 5 percent of any new construction (if the new construction is sympathetic to the historic district) qualifies for a tax credit.

With the present fiscal climate, governments may be too concerned about eroding tax bases to offer these provisions on an expanding basis. However, these techniques should be carefully considered since they have proven to be effective in aiding lower-income homeowners to retain their property.

Federal Tax Incentives

In the case of commercial properties, Federal tax laws have an even greater impact on renovation/development. In the past, Federal tax policy has always worked against rehabilitation.

However, Section 2124 of the Tax Reform Act of 1976 includes provisions to stimulate preservation of historic commercial and income-producing structures by allowing favorable tax treatment of rehabilitation. Disincentives were added to discourage demolition of historic buildings by eliminating tax breaks for the destruction of historic structures and for new construction on the site of demolished historic structures.

Revisions allow owners of rehabilitated historic buildings to take accelerated depreciation or, alternatively, to write their rehabilitation costs off over five years. Demolition costs and losses are no longer deductible, but must be capitalized and new buildings on the site are limited to straight-line depreciation.

These revisions have reversed traditional bias in the Internal Revenue Code against renovation. Since the Act came into existence, the Heritage Conservation and Recreation Service has declared approximately 700 completed projects and 1,100 plans for works in progress eligible for the tax benefits. Estimated rehabilitation investment is $800 million. As knowledge of the existence of these relatively new provisions has spread, the number of applications has increased greatly.

Eligible projects have ranged from $18,000 spent in converting an 1870's cottage to a single residential rental unit to $18 million to transform a group of industrial buildings into an apartment complex. Additional applications have been received for hotels, schools, breweries, railroad stations, and warehouses. A $2 million rehabilitation project converted an old convent in Woonsocket, Rhode Island, into low-income housing for senior citizens and handicapped people. In Central Falls, Rhode Island, a similar project adapted an old mill for senior citizen housing, which included some subsidized rents. The project involved $5 million in rehabilitation investment.

The Federal Tax Code was amended in October 1978 to allow a 10 percent investment credit for rehabilitation of commercial structures, if the present costs are incurred at least 20 years after construction of the building or 20 years after the last completed rehabilitation. Any rehabilitation expenses incurred on a certified historic structure must meet the Secretary of the Interior's standards for rehabilitation in order to qualify for the investment credit. Life tenants and lessees whose terms extend at least 30 years beyond completion of the certified rehabilitation may also qualify for favorable tax treatment, formerly extended only to owners of historic structures.

At this same time, a technical amendment to the Tax Reform Act was passed, allowing an owner who demolishes a historic structure in good faith (unaware of the tax penalties) to obtain relief from the straight-line depreciation otherwise required for the replacement structures. This is possible if the Secretary certifies that the structure was not of historic significance to a registered district or was not itself a certified structure.
Direct Federal Assistance

Numerous Federal financial and technical assistance programs are available for rehabilitation. Most were not established primarily to benefit historic preservation. However, preservationists have learned to use these sources by proposing preservation projects that also meet the principal goals of the program.

Indeed, few agencies have programs dealing solely with historic structures. The most widely used program is the Historic Preservation Grants-in-Aid program administered by the Heritage Conservation and Recreation Service. This program consists of matching grants up to 50 percent, which are available to the States and territories for preparation of Statewide surveys and plans and for acquisition and development of properties listed in the National Register of Historic Places.

The funds are awarded to a State or territory, which may then transfer them to local governments, private organizations, or individuals. Funded at $45 million for fiscal year 1976, $60 million for fiscal year 1979, and $55 million for fiscal year 1980, the impact of the program on preservation is substantially greater than the modest funding would indicate. Recently, an added emphasis has been placed on use of these funds for neighborhood conservation.

Preservation advocates have had some of their greatest successes in directing other agency programs to benefit preservation goals. Many local preservation groups that would otherwise have had no access to public money have made creative use of Federal programs which seem to have little relevance to preservation goals.

One of the programs most effectively used has been the Public Works Employment Act of 1977, which provided $4 billion in 1977 for an emergency public works program to generate employment through a variety of federally funded capital projects. Administered by the Economic Development Administration, the law allocated funds to the States in accordance with a formula based on unemployment rates and number of unemployed. Almost $2 billion ultimately went into renovation and about $200 million was used for buildings that had some historic designation.

An example is the $300,000 grant to the District of Columbia for renovation of the 19th-century Eastern Market in the Capitol Hill Historic District. Renovation of the market, which is located in a residential area, has prompted a variety of activities in the surrounding commercial area. This is just one of many instances where funding for a preservation project had important positive side effects on a neighborhood.

Preservationists also have tailored their projects to the programs of HUD and the National Endowment for the Arts. They have been particularly successful in qualifying for HUD programs, such as the following:

The Community Development Block Grant (CDBG) program provides grants to communities for projects to improve urban living conditions through housing and environmental improvements. The town of Springfield, Massachusetts, for example, has been using CDBG funds for a number of years to administer a preservation program. Initially, funds were used to do a cultural resource survey and then later to begin housing rehabilitation programs in many eligible districts.

Section 312 rehabilitation loans can be used for rehabilitation necessary to bring privately owned properties up to minimum property standards. In the Picco-Union district of Los Angeles, a fine turn-of-the-century residential neighborhood, Section 312 money has been employed with a sensitivity to historic values and has helped keep the area basically sound and ethnically mixed.

Section 8 provides rent subsidies for low-income families through housing assistance payments to property owners. For example in Newark, New Jersey, Section 8 funding facilitated the Ballantyne House project, which included new construction and the rehabilitation of a historic residence for elderly housing.

Urban Development Action Grants (UDAG) provide money to severely distressed cities and urban counties to alleviate physical and economic deterioration and to stimulate public and private investment. The effect of UDAG on downtown neighborhood preservation programs has been significant. The Upper Albany (Connecticut) Rehabilitation Program, for example, awarded UDAG funds to private developers for massive rehabilitation in Hartford.

These examples show some of the ways that creative, locally initiated preservation projects can secure Federal funding from programs not necessarily designed to aid historic preservation. In each successful program, a project has been tailored to meet both preservation and Federal program objectives.

Nevertheless, numerous impediments in Federal program regulations—for instance multiple-project review by several Federal agencies—must be overcome by a movement for community conservation in all its forms.
Indirect Federal Assistance

In addition to direct assistance, Federal programs offer indirect support to local preservation efforts. Two programs of the General Services Administration (GSA) for procurement, management, and disposal of Federal facilities can be beneficial to community conservation. They may also serve as good models for State and local programs.

The Surplus Property Program permits the no-cost transfer of surplus historic buildings from the Federal Government to State or local governments for cultural, educational, or revenue-producing activities. Under this program, the old Federal Courthouse in St. Paul, Minnesota, was transferred to the city in 1972 to be made into a community arts facility called Landmark Center. The city received title to the property and organizations ranging from the St. Paul Symphony to small community art groups paid for the renovation. The project's design received a 1980 Honor Award from the American Institute of Architects.

Besides providing important surplus Federal buildings for community use, the program provides an excellent model for State and local government programs to facilitate use of surplus schools, firehouses, and other public buildings by neighborhood groups. For example, the Preservation League of New York State conducted a program that helped four communities find new uses for surplus school buildings. The League contributed professional services of architects, engineers, and real estate experts who worked with potential developers and community leaders in forming development plans and feasibility studies. School boards, planning boards, public service agencies, and units of local government were encouraged to apply and provide an available school building. Preference was given to schools that were visual and environmental anchors in their neighborhoods and whose rehabilitation protected neighborhood character and contributed to neighborhood revitalization.

Working together, the League and the local
government agency combined the resources necessary to effectively reuse the buildings. The Public Buildings Cooperative Use Act of 1976 signified a fundamental change in Federal building policies. The Act directed GSA to acquire and rehabilitate buildings of historic, architectural, or cultural significance and to convert those buildings into Federal office space. It also encourages the mixed use of Federal buildings that will make them contribute to the vitality of downtown areas.

Renovations of the Old Post Office buildings in Washington, D.C., and St. Louis exemplify the mixed-use aspects of the Act, since they provide a combination of government offices, commercial space and public spaces such as restaurants, shops, and cultural facilities. The result is that these buildings—unlike most government offices—will contribute to their neighborhood after working hours. The adaptive use provisions, employed in the proposed reuse of the Nashville Union Station, will move the government into important but underused landmarks that might otherwise only contribute to deterioration and blight of a neighborhood.
Impact of this program on urban revitalization can be significant, infusing government workers into areas that need an economic boost and ensuring the continued use of significant urban landmarks.

Provisions of this act have also included GSA leasing activities. A large part of the unused county courthouse in Bayfield, Wisconsin, has been leased by GSA for National Park Service headquarters of the Apostle Islands National Lakeshore. In addition, the owner of the building, the city of Bayfield, has completed 95 percent of the renovation planned for the building.

While neighborhood conservation groups can use this Federal law to benefit their community, the Public Buildings Cooperative Use Act also can serve as a model for State and local laws. Locating State and local government offices in vacant or threatened structures and encouraging outlease of space in government-owned buildings, for use by community groups at little or no cost, would greatly multiply the impact of this program on preservation of the urban environment.

Subsidies

In addition to the Section 8 rent subsidy program of HUD, many local groups have developed subsidy techniques which help maintain neighborhood economic health and stability.

One such program that has proved successful is used in the Pike Place Market in Seattle. Low-income housing is subsidized by income from specialty shops on the ground floor of certain housing units. Conversely, in this same neighborhood, some low-income shops, such as the Day Old Bread Store, are subsidized by middle-income residential units on the upper floors. This procedure, employed by a public or nonprofit development corporation, permits an upper- and middle-income mix of the area. At the same time, it counters natural market movement toward higher housing costs in a reviving urban area. These innovative techniques could be used in many neighborhoods where increased attractiveness to upper-income groups threatens to displace existing residents. Through a nonprofit corporation, amounts that would otherwise be speculative profits could underwrite below-market rentals.

Private Organizations

Only part of the preservation assistance available to neighborhoods comes from the Federal sector. National nonprofit organizations provide technical and financial assistance. There are also many local nonprofit preservation organizations that perform various preservation functions.
a pilot project implemented in three Midwestern towns that had preservation problems; the objective was to analyze the choices facing each town, consider feasible solutions, and recommend plans for restoration and revitalization of blighted commercial districts. The pilot program was so successful that the National Trust has recently been awarded funds from a number of Federal agencies, and a permanent National Main Street Center is being established in Washington, D.C. The primary and immediate goal of the center is to encourage development of State strategies to support central business district revitalization through the creation of several model State programs.

In addition to Main Street, professional advice on legal and funding strategies from the Trust has helped local groups deal effectively with neighborhood conservation problems. A National Trust office has been established to deal specifically with neighborhood conservation issues; it publishes a newsletter and informational material regularly. One of its recent publications, "A Bibliography for Neighborhood Leaders," contains further information on the programs discussed above.

Other national organizations play important roles in the preservation of historic properties. The Association for Preservation Technology promotes research and development of technical skills and publishes the information in its APT Bulletin. The American Institute of Architects has a standing national committee on historic resources and has been active in other areas, including advocating preservation training for new architects and studies of the problems of building codes in preservation. A number of other national organizations, including the Society for Industrial Archeology, make additional contributions to the preservation of historic properties.

Private preservation organizations exist in large numbers and have proved most effective on the local level. In the last few years the emphasis of private preservation efforts has shifted from a relatively small number of people concentrating on the restoration of historic house museums to large numbers of individuals and organizations concerned with revitalization of urban neighborhoods as well as with mansions and historic sites. According to figures compiled by the Trust, over 4,000 preservation organizations use volunteers, membership and fund-raising drives, and grants from corporations and foundations as techniques in developing their organizations.

Don't Tear It Down, a group in Washington, D.C., is an example of a local organization involved in urban issues. Initial efforts of the organization went into saving the Old Post Office on Washington's Pennsylvania Avenue, in the heart of downtown. Since that time, the group has worked on a broad array of issues aimed at preserving and enhancing the physical environment of the city. They have been involved in zoning and planning issues that shape the future of development in sections of the city such as Dupont Circle, neighborhood preservation issues in racially mixed areas such as LeDroit Park and Mt. Pleasant, and in litigation and legislative proposals. Don't Tear It Down and similar groups have their roots in the historic preservation movement but have increasingly taken a leading role in neighborhood conservation.
SUMMARY

The value of historic preservation techniques to promote neighborhood conservation has been proved. Sophisticated, yet suited for use by citizens in their own community, these tools are adaptable to many neighborhood situations. However, to achieve their full potential for neighborhood conservation and to ensure that undesirable side effects such as displacement are avoided, further refinement and adaptation are required.

The principal shortcoming in the effective use and refinement of historic preservation techniques by neighborhood conservationists is the lack of adequate information. During a recent meeting of the National Commission on Neighborhoods, a community group related its experience with a local revolving fund to purchase abandoned houses and resell them to new owners who would renovate and maintain them. While the effort was effective, organizers acknowledged that the fund, needing continual replenishment, would more easily draw contributions if it were tax exempt. Organizers had thought that could not be done—they were totally unaware that the Internal Revenue Service had recently confirmed tax-exempt status of preservation revolving funds. Better communication between preservationists and neighborhood conservationists would help prevent these problems.

Footnotes

The Advisory Council on Historic Preservation is the chief policy advisor to the President and Congress on matters of historic preservation. An independent Federal agency, the Council was established by the National Historic Preservation Act of 1966.

Responsibilities of the 19-member body include guiding other Federal agencies to ensure that their programs are carried out with consideration to preserving the Nation's historic resources.

Staff headquarters of the Council are located in Washington, D.C.