

SECTION VI

INFORMATION AND ANALYSIS OF INCENTIVES FOR PRESERVATION

In order to be effective, a preservation program must include incentives that encourage the protection of historic resources.

- Incentives can help offset additional costs incurred in complying with historic preservation regulations.
- Providing incentives for rehabilitation of historic properties can be a catalyst for neighborhood and downtown revitalization and conservation.

As a result of the interviews conducted by consultant Mimi Sheridan in 2004, two main areas of viable incentives were identified as possible options for Olympia:

- Explore options for incentives such as fee reductions for projects on historic buildings.
- Identify methods in which the city, the heritage commission and other parties can work cooperatively with property owners to facilitate building renovations, including clarifying and coordinating regulations and processes.

OPTIONS FOR INCENTIVES

A variety of both financial and non-financial incentives are used in historic preservation programs across the country. Options that are currently used or may be options for the City include:

Tax-related Incentives

Tax relief for historic rehabilitations is the most common incentive. They include programs at the federal, state and local level.

- **Special Tax Valuation (Authorized by the State, Administered Locally)**
This is the most popular program state-wide, and is available in at least forty Washington cities and towns including Olympia. Any property tax increases that would occur due to an approved historic rehabilitation are exempted for ten years. The project cost must equal 25% of the building's assessed value. This incentive is available for either depreciable residential or commercial buildings that are listed on the Olympia Heritage Register.



American Legion Building renovated in 2003.
Olympia Heritage Commission photo.

Incentive Options

- **Federal Investment Tax Credits (Federally Authorized)**

Federal tax credits are available for substantial rehabilitations of income producing properties listed in the National Register of Historic Places or properties determined to be “contributing” to the historic character of a NRHP listed historic district. The regulations and requirements for review and the high standards of integrity for the work can be complex. A 10% credit is also available for non-residential buildings that were built before 1936 but are not designated as historic. This program has been used by several Olympia property owners.

About half of the states also have income tax credits for rehabilitation projects, a program this is not available here since Washington currently does not levy state income tax.
- **Easements (Federal)**

Owners of National Register properties can obtain a federal income tax deduction for donating an easement (a development restriction) on their property to a governmental or non-profit entity. The easement helps protect the property from demolition or alteration.
- **Other Federal Programs**

Community Development Block Grants and other federal grant/low interest loan programs such as USDA Rural Development and Small Business Administration (SBA) loans may also be available for historic preservation projects.
- **Project Facilitation (Local)**

Perhaps the simplest approach to assisting rehabilitation projects is to provide regulatory relief, professional assistance, or fee waivers.
- **Current Use Taxation (Authorized by the State and Administered Locally)**

King County offers an incentive program that establishes “current use taxation” that is lower than the “highest and best use” on which property assessments are usually based. This incentive is primarily to preserve open space, but county-designated landmarks qualify for a 50% reduction in taxable value for the land portion their assessment. The

Incentive Options

land must have the potential for additional development, or the owner must agree to public access or other conditions in return for the tax reduction.

- **Direct Financial Assistance (Local)**

Direct financial assistance programs typically require appropriations for grants or as seed money for a loan fund. They also require an administrative structure to review applications, make awards and monitor projects, tasks that could potentially be contracted out to another entity.

- **Grant Programs (State and Locally Administered)**

Grants are typically made for small amounts for specific tasks such as restoring the historic features of commercial facades. Grants are most typically channeled through a non-profit agency, with the money coming from donations or governmental appropriations. They are one of the major tools of Main Street programs throughout the country, which aim to restore the vitality of downtown commercial areas.

The Washington Trust for Historic Preservation also makes small grants for specific tasks.

An annual King county stabilization grant-in-aid program is funded through county appropriations. In addition, the Washington Heritage Resource Center, an office of the Washington State Historical Society, administers a statewide grant program, the Heritage Capital Project Fund, which is supported by legislative appropriations.

- **Rehabilitation Loans (Local)**

Both King County and the Downtown Walla Walla Foundation work with local banks to offer low-interest rehabilitation loans. Since 1984, Walla Walla, through the Downtown Walla Walla Foundation, has made a concerted effort to promote the city. The Foundation, an off-shoot of the city's Main Street program, has as its mission "to strengthen the economic and cultural vitality of downtown while enhancing and preserving its historic character and beauty." The city has won numerous state and national awards and honors for their successful efforts, including awards from Sunset Magazine, the National Trust, and the Association of Washington Cities. The city gives annual awards for outstanding building restorations.

Incentive Options

The local Baker Boyer Bank has been the leader in financing, with more than 30 downtown buildings restored with its assistance. The foundation recently established an endowment fund to provide further assistance. Another means for providing incentives would be a revolving loan fund, which would operate in a similar manner to grant programs, except the beneficiary pays the money back to be loaned to another project.

- **Neighborhood Matching Grants (Local)**
In some cases, neighborhood matching grants can be used for small rehabilitation projects that benefit an entire community. Seattle’s matching grant program is often used for heritage projects such as research and neighborhood histories, and for restoration of parks and similar facilities. In Olympia, the Bigelow Highlands Neighborhood took advantage of the neighborhood matching grant program to partly fund a history of the neighborhood.
- **Lodging Tax (State Authorized, Administered Locally)**
Over the past decade, the King County Office of Cultural Resources (now 4Culture, a public development authority), has distributed more than \$5,000,000 in lodging tax funds for heritage and preservation projects. Virtually every preservation group and facility in the county has probably benefited from this program. There are three funding categories:
 - support for special projects on heritage education in schools;
 - facilities grants given to historic buildings or museums for projects such as remodeling and upgrades or equipment for exhibits or collection storage;
 - special projects to support exhibits, events, publications, videos, oral histories, historical inventories, technical assistance, etc.

The City of Olympia has allocated lodging tax funds for heritage education projects.

- **Building and Seismic Code Flexibility (Local)**
Numerous jurisdictions provide flexibility in meeting building codes in order to reduce costs for historic rehabilitation projects. Some jurisdictions adopt a special code for historic buildings, such as the “smart codes”

Incentive Options

in New Jersey and California. In a larger number of jurisdictions, code officials work with project applicants to determine how health and safety requirements can be met without being cost prohibitive for the rehabilitation project. This approach is used in Seattle, Spokane, Olympia and other Washington cities.

- **Zoning and Land Use Code Flexibility (Local)**
Jurisdictions often provide greater flexibility in land use, zoning and other requirements for historic buildings. Examples of such flexibility would be a complete or partial waiver of parking requirements for a building being adapted to residential use; allowing a bed and breakfast in a residential area; or a waiver of density or setback requirements. The specifics can be tailored to the needs of the city and the project.
- **Streamlined Permitting or Fee Waivers (Local)**
Waivers of certain city fees or streamlined permitting are often undertaken for new construction or economic development projects desired by a jurisdiction, and are well accepted as an enticement to encourage desirable projects. The same approach can also be used to encourage rehabilitation of historic buildings, reducing the costs for the property owner.
- **Design and Technical Assistance (Local)**
Providing design or technical assistance can encourage owners of smaller historic properties to undertake rehabilitation projects that they may otherwise avoid due to a lack of expertise or general uncertainty. Such assistance can be provided by city staff, contractors or non-profit entities. The King County Historic Preservation Program provides this service for county-designated landmarks, both through the advice of the Design Review Committee and through staff assistance when possible. The Washington Trust for Historic Preservation also provides technical assistance for some projects.
- **Transfer of Development Rights (TDR) (Local)**
“TDR” programs allow owners of historic properties to sell or transfer their rights to develop for use on another site. Although they can have substantial benefits, such programs can be difficult to understand and administer, and require willing buyers and sellers and an appropriate receiving site to accept the transferred rights. Currently the City of Olympia allows the transfer of development rights for city development from designated agricultural land in the rural area of Thurston County.

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