

HISTORIC TAX CREDIT PROGRAMS

ANNUAL REPORT

FISCAL YEAR 2019-2020

Presented by:

S.C. Department of Archives & History
State Historic Preservation Office

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Historic Tax Credit Annual Report: Fiscal Year 2019-2020

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Photograph on front cover: NH61 Nurses' Quarters & NH62 Rec Building, North Charleston

THE SOUTH CAROLINA DEPARTMENT OF ARCHIVES AND HISTORY State Historic Preservation Office (SHPO) has had another busy year in the historic tax credit programs. In Fiscal Year (FY) 2019-2020 the SHPO received applications for a record-breaking **91 new tax credit projects from 23 counties, covering all seven congressional districts.** Historic tax credit projects continue to make a significant contribution to the South Carolina economy with more than \$31 million dollars in total project costs spent on tax credit projects completed in FY 2019-2020 and an estimated **\$515 million** dollars in total project costs planned by in-progress tax credit projects. Together, the federal and state historic tax credit projects that were completed in FY 2019-2020 **earned an estimated combined \$9.5 million dollars in historic tax credits.**

“...over \$31 million dollars in total project costs spent by tax credit projects completed in FY 2019-2020”

The SHPO is responsible for reviewing applications for income-producing projects seeking the 20% Federal Historic Tax Credit and/or the 10% (optional 25%) State Historic Tax Credit, and applications for residential projects seeking the 25% State Historic Owner-Occupied Tax Credit (Homeowner). Each tax credit program includes a 3-part application process. The applications for the income-producing projects are denoted with a **P**, and the applications for homeowner projects are denoted with an **S**. The first part of the application process is the determination of historic status with a P1 or S1 application. The second part is the description of work submitted for review on a P2 or S2 application. The third part is certification of the project once the work is complete and is submitted on a P3 or S3 application. During the course of the project, if the proposed work is revised, added to, or removed from the project scope, a P2 Amendment or S2 Amendment form must be submitted to the SHPO for review. In FY 2019-2020, the SHPO reviewed **169 total** P1, P2, P2A, and P3 tax credit applications and **6 total** preliminary determinations for income-producing projects,

and **89 total** S1, S2, S2A, and S3 tax credit applications for homeowner tax credit projects. **The average review time for a completed homeowner tax credit application was 4 days and the average review time for an income-producing tax credit application was 17 days.**

In FY 2019-2020, the SHPO continued to publish Project Spotlights in the monthly digital newsletter and across social media platforms that featured recently completed income-producing and homeowner tax credit project from across the state.

From July 2019 through February 2020, SHPO staff traveled to various locations throughout the state speaking to local governments and the general public about tax credit opportunities for historic properties. Due to COVID-19, SHPO staff moved to teleworking in March of 2020. In order to continue providing excellent service while remote working, the SHPO quickly made adjustments to the tax credit programs and processes. The state homeowner tax credit application was amended to accept digital applications which has allowed staff to maintain quick review times. From March to the end of June 2020, approximately 55% of the applications received for homeowner tax credit program were submitted electronically using the new digital submission process. Although the pandemic brought unforeseen challenges, SHPO staff have adapted to the changes. In FY 2019-2020, the number of tax credit applications SHPO reviewed increased and the average review times decreased.

This report provides greater detail on the income-producing and homeowner tax credit applications from FY 2019-2020. Thank you to the property owners that have participated in the historic tax credit program. If you have any questions about the tax credit programs please visit our website at scdah.sc.gov or contact the appropriate SHPO staff.

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New tax-credit projects submitted to SHPO in FY 2019-2020



Ninety-one new applications for historic rehabilitation projects seeking federal and state tax credits were submitted to the State Historic Preservation Office (SHPO) in Fiscal Year 2019-2020. Of those new project applications, 26 of the applications were seeking the South Carolina 25% tax credit available for owner-occupied certified historic residential structures (Homeowner tax credit). 65 of the new project tax credit applications were seeking the 20% Federal Historic Tax Credit (HTC) and the 10%/25% South Carolina State Historic Tax Credit for income-producing tax credits. 2 of the new tax credit projects submitted to the SHPO were mixed-use projects meaning they are both owner-occupied and income-producing and will be seeking both forms of historic tax credits.

Total Tax Credits Earned in SC in FY '19-'20*

\$9.5 Million

*Estimated Federal & State Income-Producing Credit, & State Homeowner

In FY 2019-2020, the SHPO reviewed a total of 258 applications for new and ongoing income-producing and homeowner tax credit projects.

The SHPO strives to review each tax credit application submitted to our office within 30 days. In FY 2019-2020, 95 percent of tax credit applications were reviewed within 30 days of receiving complete applications.



4

Average number of review days for a complete **Homeowner** tax credit application



17

Average number of review days for a complete **Income-Producing** tax credit application



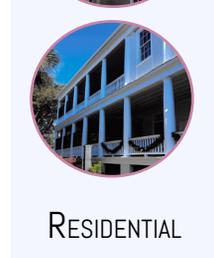
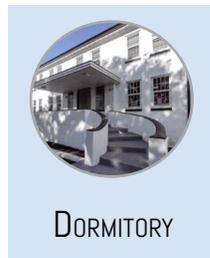
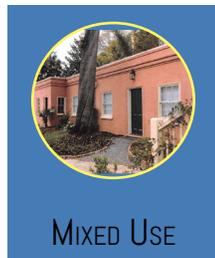
95%

Percentage of tax credit applications reviewed within 30 days

COMPLETED PROJECTS | USE ANALYSIS

(INCLUDES COMPLETED AND APPROVED PROJECTS FOR THE FEDERAL & STATE HISTORIC TAX CREDITS)

Number of Completed Tax Credit Projects



Use of Completed Tax Credit Projects

About the Income-Producing Historic Tax Credit Programs

Taxpayers who rehabilitate income-producing historic structures may be eligible for both federal and a state income tax credits:

- **20% Federal Historic Rehabilitation Tax Credit:** Owners and some lessees of historic buildings used to produce income may be eligible for a federal income tax credit equal to 20% of their rehabilitation costs.
- **S.C. State Historic Rehabilitation Tax Credit:** taxpayers who qualify for the 20% federal income tax credit may also qualify for a state income tax credit of 10% (no cap) or 25% (capped at \$1 million for each certified historic structure) of their rehabilitation costs.

What buildings qualify for the credit?

The building must be:

- Listed individually in the National Register of Historic Places (NRHP), or located within a National Register-listed historic district and certified by the National Park Service (NPS) as contributing to the significance of the district
- After rehabilitation, you must own the building and use it to produce income for 5 years. Income-producing buildings are those used in a trade or business or held for the production of income.

How much must be spent to qualify?

The costs of the rehabilitation work must be “substantial”. This means your rehabilitation costs during a 24-month period must be more than \$5,000 and greater than the adjusted basis of the building. The adjusted basis of the building is usually the purchase price, minus the cost of the land, plus the value of improvements already made, minus depreciation already taken.

What are the review criteria?

The National Park Service (NPS) must review and certify that all work meets the Secretary of the Interior’s Standards for Rehabilitation (Standards). The Standards ensure the rehabilitation respects the historic character of the building while allowing for reasonable changes to meet the needs of the project. Owners complete a three-part application to request approval from NPS.

What rehabilitation work qualifies for the credit?

Qualified rehabilitation expenses (QREs) include costs associated with:

- Exterior and interior work undertaken on the historic building, architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs, if they are added to the basis

Qualified rehabilitation expenditures do not include:

- Acquisition costs, furnishings, new additions that expand the volume of the existing building, new building construction, and parking lots, sidewalks, and landscaping.

What is the application process?

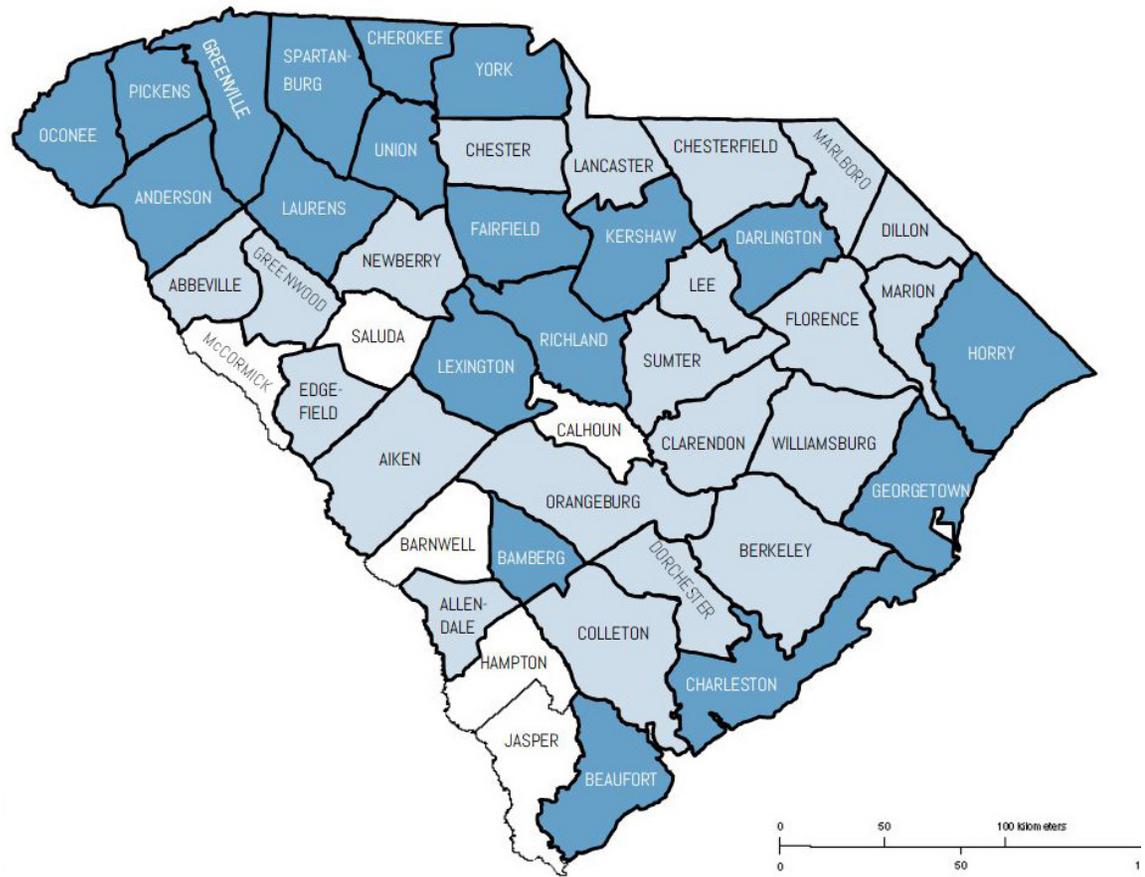
The application review process begins with the State Historic Preservation Office (SHPO) at the South Carolina Department of Archives and History. The SHPO assists owners by providing advice and literature on appropriate rehabilitation treatments to help them plan successful projects and complete their applications.

The SHPO reviews applications and makes recommendations to the NPS concerning whether projects meet the Secretary of the Interior’s Standards. After the SHPO review is completed, applications are forwarded to the NPS, which makes the final decision.

THE STATE HISTORIC PRESERVATION OFFICE (SHPO) received 169 applications for income-producing tax credit projects from 19 different counties (vs. 18 counties during the last fiscal year). These projects represent the entire state of South Carolina, covering the Lowcountry, Midlands, PeeDee and Upstate regions as well as both urban and rural areas of the state.

- 
Total Project Costs (P3)
\$27 Million
- 
Estimated Federal Tax Credits Earned
\$4.8 Million
- 
Estimated State Tax Credits Earned
\$3.8 Million
- 
Estimated Total Tax Credits Earned
\$8.6 Million

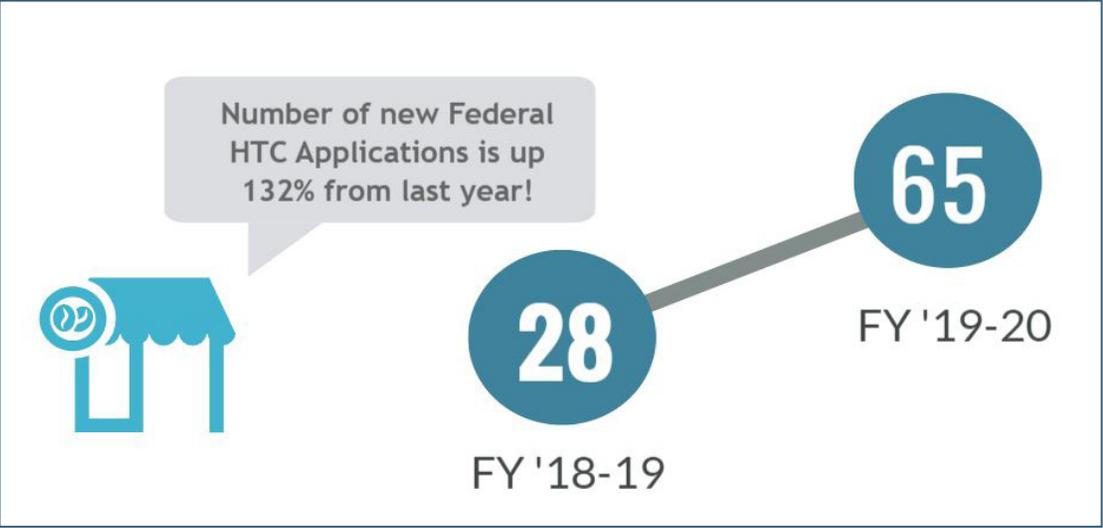
Distribution of Applications Across the State (Income-Producing)



-  Applications in FY 2019-2020
-  Applications 1976-Present

Eight income-producing projects submitted Part 3 applications that were approved by SHPO/ NPS during FY 2019-2020. Those eight projects reported combined total project costs of approx. \$27 million. Of the total project costs, approximately \$24 million were spent on qualified rehabilitation expenses (QREs) and are eligible for the tax credit.

From the QREs, the completed projects earned a combined estimated \$4.8 million in Federal Historic Tax Credits and an estimated \$3.8 million in South Carolina Historic Tax Credits for a combined estimated \$8.6 million in tax credits earned this fiscal year for income-producing projects.



In Fiscal Year 2019-2020 the **AVERAGE REVIEW TIME** for Federal Applications:

- P1 Applications: 7 days
- P2 Applications: 24 days
- Amendments: 16 days
- P3 Applications: 22 days
- Overall Average: 17 days**

Since the Federal Historic Tax Credit began in 1976, the total rehabilitation expenses on completed and approved income-producing projects has contributed more than

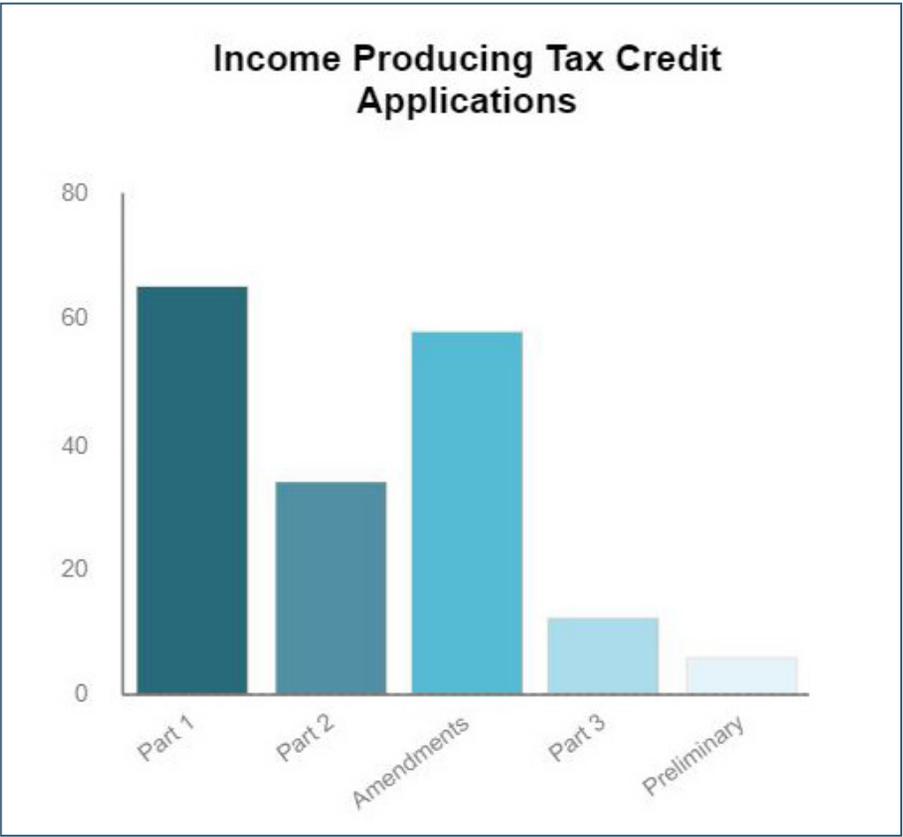
\$819 MILLION

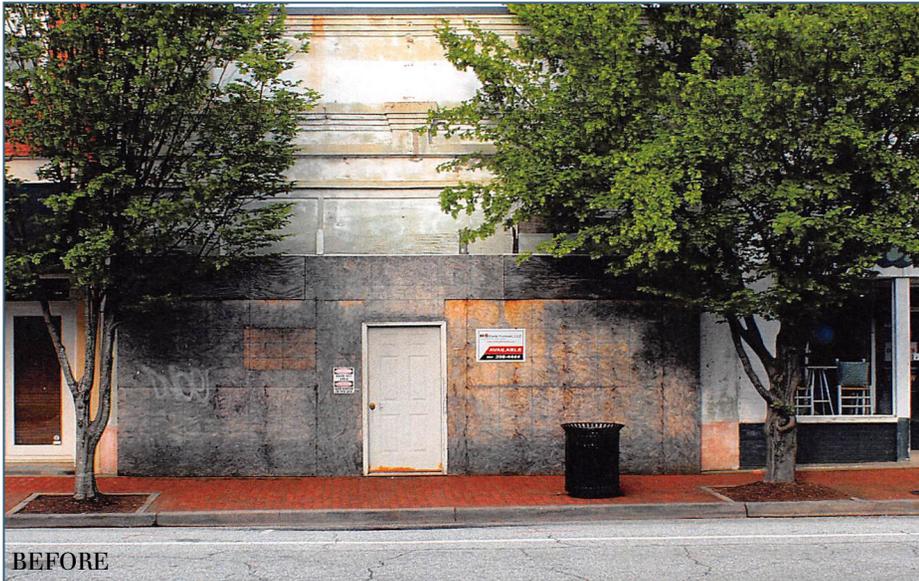
to the South Carolina economy.

In Fiscal Year 2019-2020 the State Historic Preservation Office (SHPO) reviewed

169 Applications

for projects seeking the 20% Federal Historic Tax Credit (HTC) and the 10%/25% South Carolina Income-producing historic tax credit.





Magnolia Avenue (above - left)

Spartanburg
 \$831,995 Approx. Project Cost
 Current Use: Commercial



North Main (above - right)

Sumter
 \$698,253 Approx. Project Cost
 Current Use: Office

Arcadia Mill No. 1

Spartanburg

\$13,939,085 Approx. Project Costs

Current Use: Apartments



BEFORE



AFTER



BEFORE

Claussen's Bakery

Columbia

\$1,685,980 Approx. Project Costs

Current Use: Apartments



AFTER



AFTER



BEFORE



AFTER

NH61 Nurses' Quarters & NH62 Rec Building

North Charleston

\$3,050,000 Approx. Project Costs

Current Use: Dormitory



BEFORE



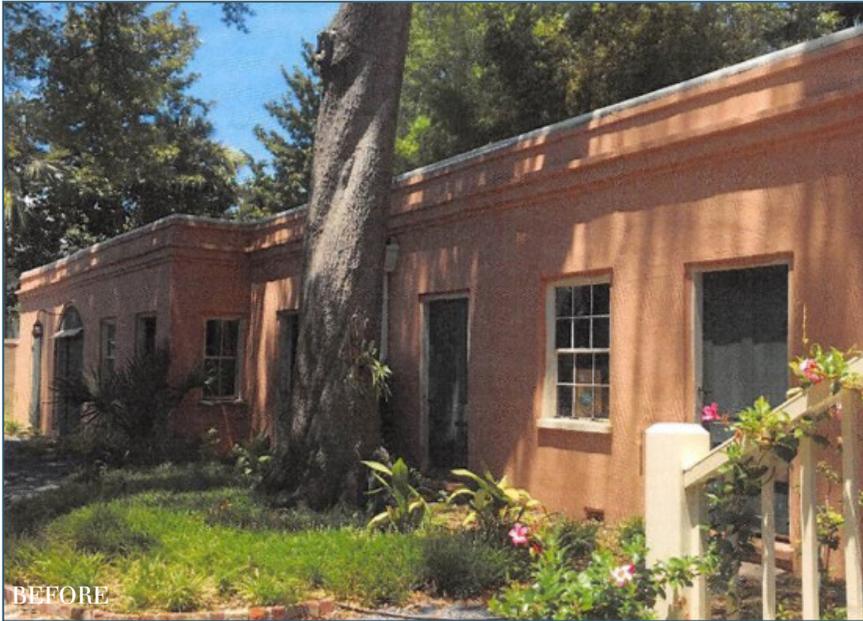
AFTER

Rutledge Avenue (BELOW-LEFT)

Charleston

\$236,491 Approx. Project Costs

Current Use: Mixed Use



BEFORE



AFTER

James Adger & Co. Warehouse (BELOW-RIGHT)

Charleston

\$1,082,412 Approx. Project Costs

Current Use: Office



BEFORE



AFTER



BEFORE



AFTER

W. Main Street

Spartanburg

\$5,464,430 Approx. Total Project Costs

Current Use: Commercial



BEFORE



AFTER

About the Homeowner Historic Tax Credit Program

Taxpayers who rehabilitate their owner-occupied residence may be eligible to subtract **25%** of the costs of many expensive repairs and renovations from their state income taxes with the South Carolina Historic Rehabilitation Incentives Act (Homeowner Tax Credit). The homeowner tax credit benefits homeowners financially, preserves historic buildings, and enhances our local communities and the quality of life in our state.

How is a residence eligible for the credit?

The building must meet both of the following criteria:

- You must own and live in the building or a portion of the building that will be rehabilitated. The credit does not apply to buildings or portions of buildings that are used in a trade or business or produce income.
- Your building must be one of the following:
 - listed individually in the National Register of Historic Places
 - contributing to a listed National Register historic district
 - determined eligible for individual listing in the National Register by the State Historic Preservation Office
 - an outbuilding that contributes to the significance of a property listed in the National Register

How is a residence eligible for the credit?

Review and Approval by the SHPO is required **before work begins!**

Plans for the rehabilitation project must be approved by the SHPO to ensure that all work respects the historic character of the building while allowing for reasonable changes to meet today's needs. The SHPO must certify that all project work - including expenses that are not eligible for the credit - meet the Secretary of the Interior's Standards for Rehabilitation. When the rehabilitation is completed, the SHPO must verify that the completed project is consistent with the previously approved proposal.

What expenses qualify?

Money spent in the following categories may be counted as 'Rehabilitation Expenses' when calculating the amount of credit:

Preservation and rehabilitation work done to the exterior of a historic structure; Repair and rehabilitation of historic structural systems; Restoration of historic plaster; Energy Efficiency measures except insulation in frame walls; Repair or installation of heating, air conditioning, or ventilating systems; Repairs or installation of electrical or plumbing systems exclusive of new electrical appliances and electrical or plumbing fixtures; and Architectural and Engineering fees.

Allowable expenses do not include the cost of new construction beyond the volume of the existing building, the cost of acquiring or marketing the property, the value of an owner's personal labor, or the cost of personal property.

What 'proposed work' does the SHPO need to review?

State law mandates that the SHPO must review and certify that all "repairs, alterations, rehabilitation, and new construction" on the house and "the property on which it is located" meet the Secretary of the Interior's Standards for Rehabilitation. In other words, the SHPO must review and approve ALL project work before it begins, both rehabilitation work that qualifies for the credit and work that does not.

How much money must I spend?

You must spend \$15,000 minimum within 36 months on 'Rehabilitation Expenses'. You do not have to complete your entire project within 36 months.

When can I claim the credits?

The credit must be taken in installments, beginning with the year in which the property is 'placed in service' (meaning the rehabilitation is complete and the building is used as an owner-occupied residence).

THE STATE HISTORIC PRESERVATION OFFICE (SHPO) received 89 applications for the S.C. Homeowner tax credit projects from 13 different counties across the state. These projects represent the entire state of South Carolina, covering the Lowcountry, Midlands, PeeDee and Upstate regions as well as both urban and rural areas of the state.



Total Project Costs (S3)

\$4.1 Million



Total Eligible Rehab Expenses (S3)

\$2.6 Million



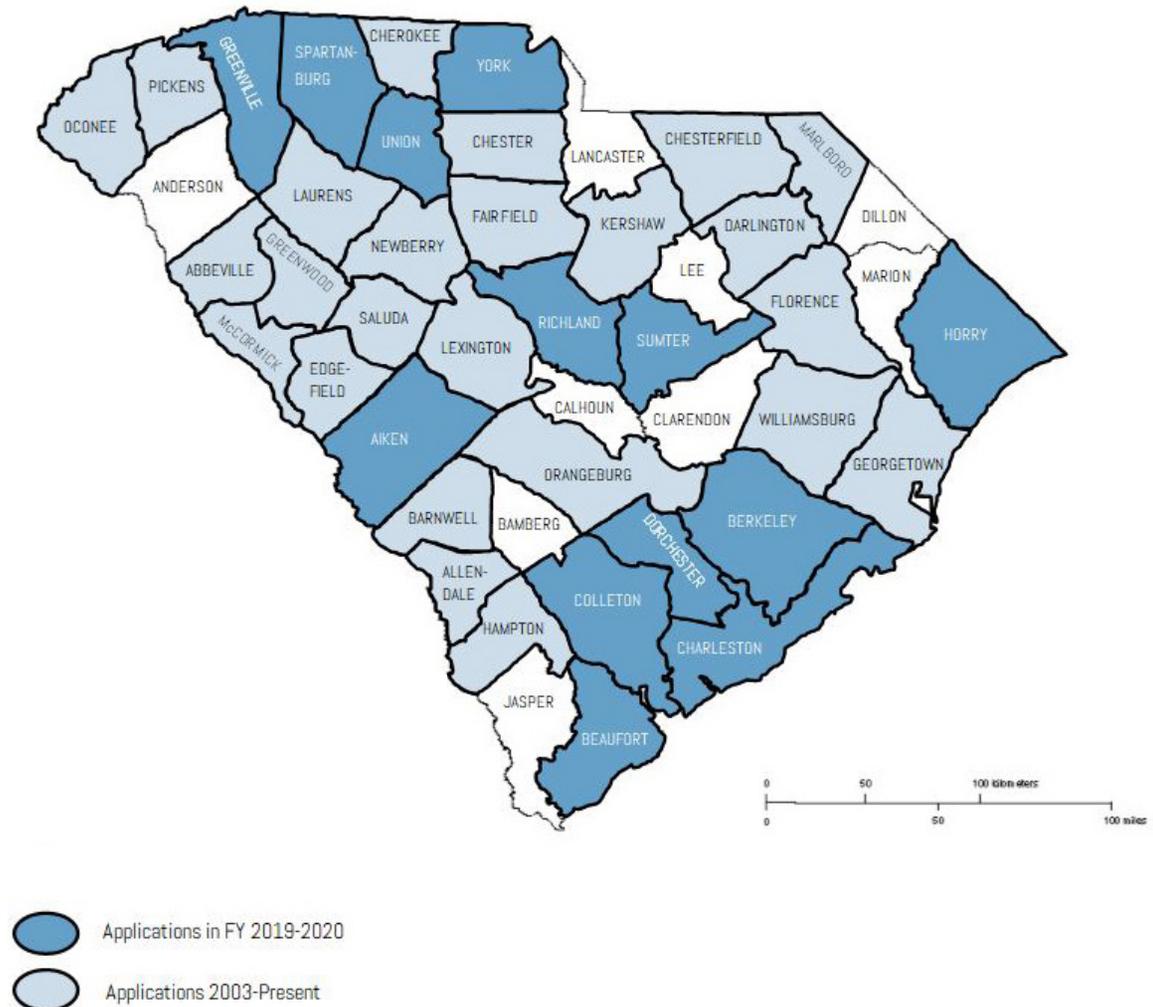
Estimated State Tax Credits Earned

\$657K

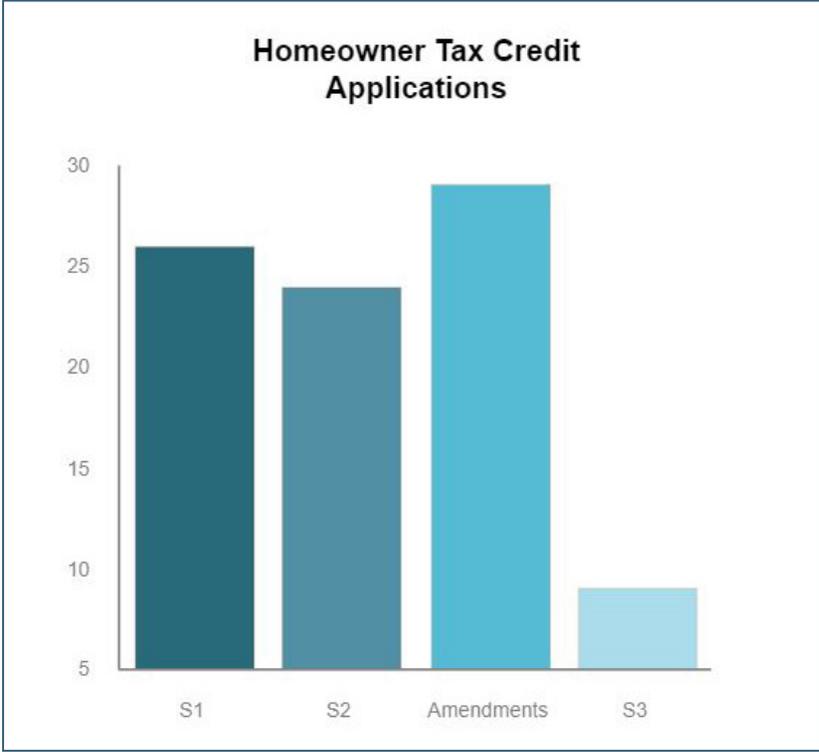
The homeowner projects that submitted S3 applications which were approved by the SHPO during FY '19-'20 reported combined total project costs of approximately \$4,103,497. Project costs include expenses that are eligible for the tax credit as well as expenses that are not eligible for the tax credit.

Of the total project costs spent by completed projects, approximately \$2,628,510 was spent on 'allowable rehabilitation expenses'. The estimated tax credits earned by homeowner projects completed in FY '19-'20 is \$657,127. The tax credits earned are distributed over three years and any unused credit may be carried forward up for up to five years.

Distribution of Applications Across the State (Homeowner)



Homeowner Tax Credit Applications



In Fiscal Year 2019-2020 the State Historic Preservation Office (SHPO) reviewed

89 applications

for homeowner projects seeking the 25% South Carolina Homeowner historic tax credit.

The number of State Homeowner Historic Tax Credit S1 applications for new projects the SHPO received and reviewed during Fiscal Year 2019-2020

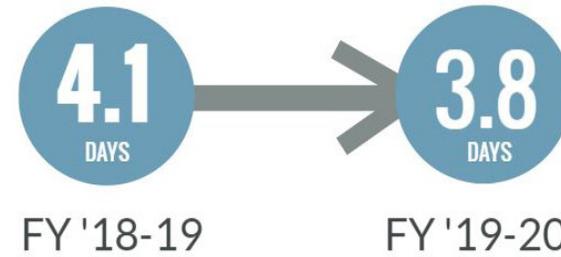
INCREASED 8%

over the previous fiscal year.

In Fiscal Year 2019-2019 the
AVERAGE REVIEW TIME
for Homeowner Applications:

- S1 Applications: 2.5 days
- S2 Applications: 3 days
- S2 Amendments: 5 days
- S3 Applications: 6 days
- Overall Average: 4 days**

Average number of review days for complete Homeowner Applications is faster than last year!





BEFORE



AFTER

THOMAS LAMBOLL HOUSE

Charleston Historic District | Charleston
ca. 1735-1739, altered 1840-1850



BEFORE



AFTER



AFTER

JOSEPH BATES HOUSE

Charleston

ca. 1810-1815



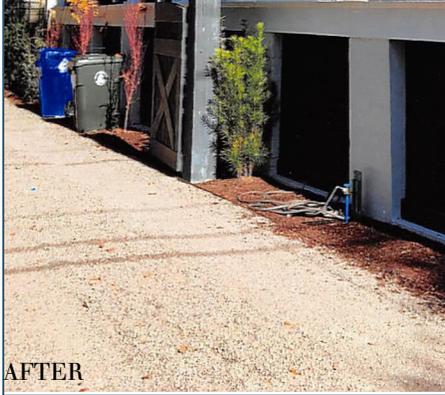
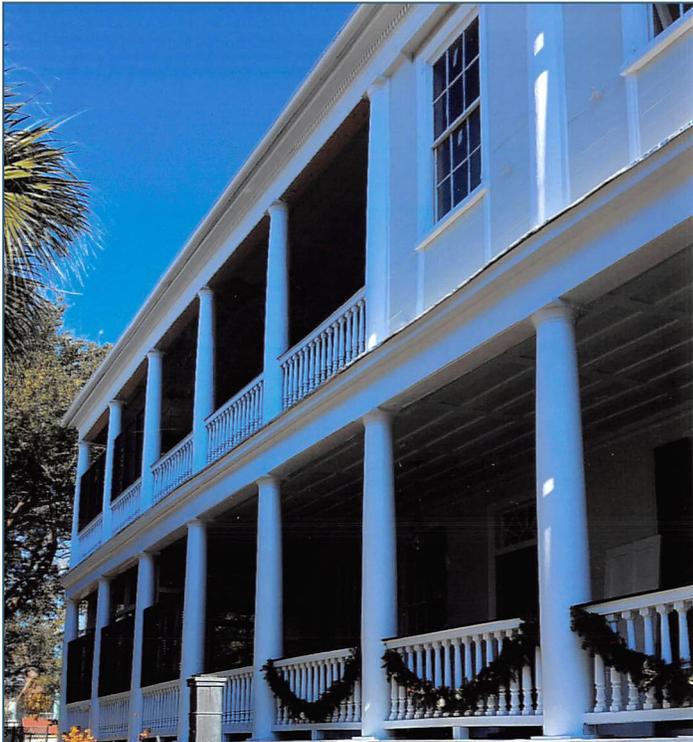
BEFORE



AFTER



AFTER



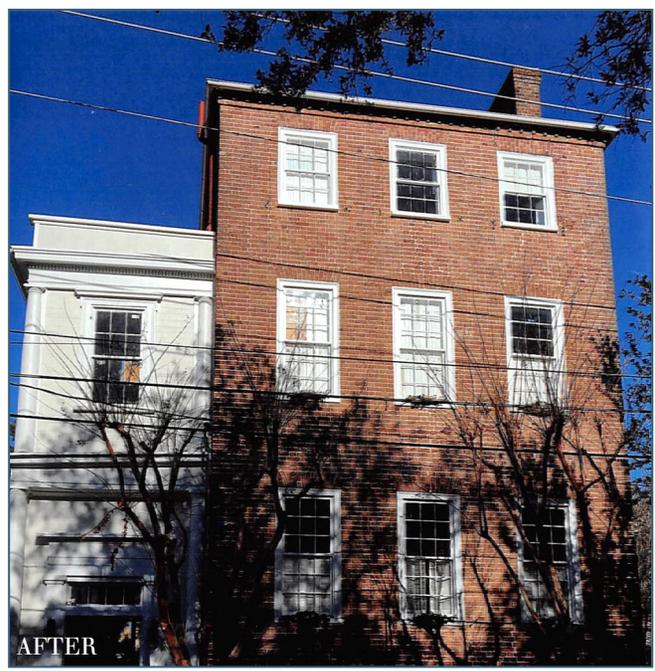
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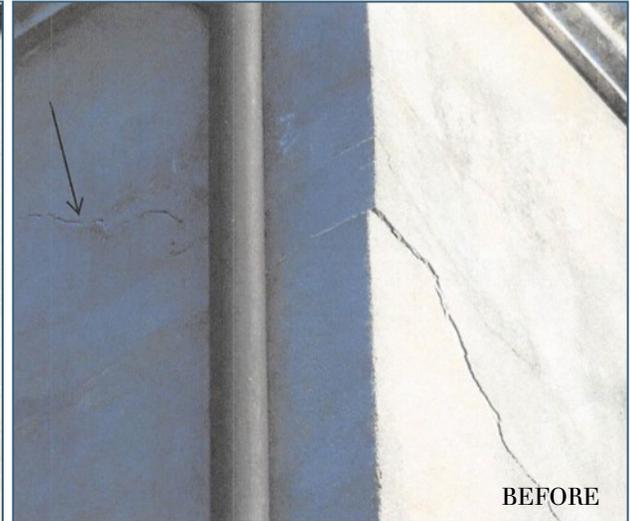
BEFORE



AFTER

JOB PALMER HOUSE

Charleston
ca. 1809



WILLIAM CUNNINGTON HOUSE

Charleston
ca. 1783-1790

RESIDENCE (BELOW, RIGHT)

Columbia
ca. 1924



RESIDENCE (BELOW, RIGHT)

Charleston
ca. 1915





**ARCHIVES
& HISTORY**

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