

SOUTH CAROLINA HISTORIC TAX CREDIT PROGRAMS ANNUAL REPORT FISCAL YEAR 2021-2022



Presented by

S.C. Department of Archives & History

State Historic Preservation Office

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EXECUTIVE SUMMARY

Historic preservation projects assisted by state and federal tax incentives provide a significant economic benefit to South Carolina and to the historic character of communities. During Fiscal Year (FY) 2021-2022, nearly \$230 million dollars was either invested in or proposed for historic rehabilitations; a variety of historically significant structures from Colonial buildings to Mid-Century Modern store buildings were rehabilitated; and the character of city landmarks and historic districts from Beaufort to Spartanburg were preserved.

The financial assistance offered by the tax credit programs is a key tool to assisting historic building rehabilitations in South Carolina. **The South Carolina Department of Archives and History State Historic Preservation Office** is responsible for reviewing tax credit 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. (Note: 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 2021-2022, **56 tax credit projects from 23 counties, covering all 7 congressional districts, initiated the tax credit application process.** Historic tax credit projects continue to make a significant contribution to the South Carolina economy **with more than \$142 million dollars** in total project costs invested in tax credit projects completed in FY 2021-2022 and an **estimated \$86 million dollars** in total project costs planned by proposed tax credit projects. Together, the income-producing and homeowner historic tax credit projects that were completed in FY 2021-2022 **earned almost \$37.5 million dollars in state and federal tax credits.**

In FY 2021-2022, the SHPO reviewed **155 total** P1, P2, P2A, and P3 tax credit applications for income-producing projects and **42 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 3.74 days and the average review time for an income-producing tax credit application was 18.87 days.**

In FY 2021-2022 the SHPO continued to publish Project Spotlights in the monthly email newsletter and across social media platforms that featured recently completed income-producing and homeowner tax credit project from across the state. During Preservation Month, we published summaries of *Preservation Briefs* to guide owners of historic properties in meeting the Standards for Rehabilitation.

This report provides greater detail on the income-producing and homeowner tax credit applications from FY 2021-2022. Thank you to the property owners that have participated in the historic tax credit programs. If you have any questions about the tax credit programs please visit our website at scdah.sc.gov or contact the appropriate SHPO staff listed on the back page.

OVERVIEW OF FY 2021-2022

HOMEOWNER TAX CREDIT

- Applications to the homeowner tax credit decreased
- The geographic distribution of received applications slightly increased
- Average review times were slightly increased
- Investment in rehabilitation expenses declined

INCOME-PRODUCING TAX CREDIT

- Applications to the income-producing tax credit remained steady
- The geographic distribution of the applications increased by 25%!
- Average review times remained steady
- Investment in rehabilitation expenses increased more than 15%!

Homeowner Applications Reviewed

FY 2020-2021: 91
FY 2021-2022: 42



Income-producing Applications Reviewed

FY 2020-2021: 152
FY 2021-2022: 155

Homeowner Applications Counties

FY 2020-2021: 11
FY 2021-2022: 13



Income-producing Applications Counties

FY 2020-2021: 20
FY 2021-2022: 25

Homeowner Applications Average Review Time

FY 2020-2021: 3.33 days
FY 2021-2022: 3.74



Income-producing Applications Average Review Time

FY 2020-2021: 19.25
FY 2021-2022: 18.87

Homeowner Applications Rehab Expenses/Credits
FY 2020-2021: \$5 million/~\$1.25 million
FY 2021-2022: \$1.67 million/\$417k



Income-producing Applications Rehab Expenses/Total Credits
FY 2020-2021: \$97.3 million/\$33.4 million
FY 2021-2022: \$113.266 million/\$36.4 million

ABOUT THE INCOME-PRODUCING HISTORIC TAX CREDIT PROGRAM

Taxpayers who rehabilitate income-producing historic structures may be eligible for both federal and 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, 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.

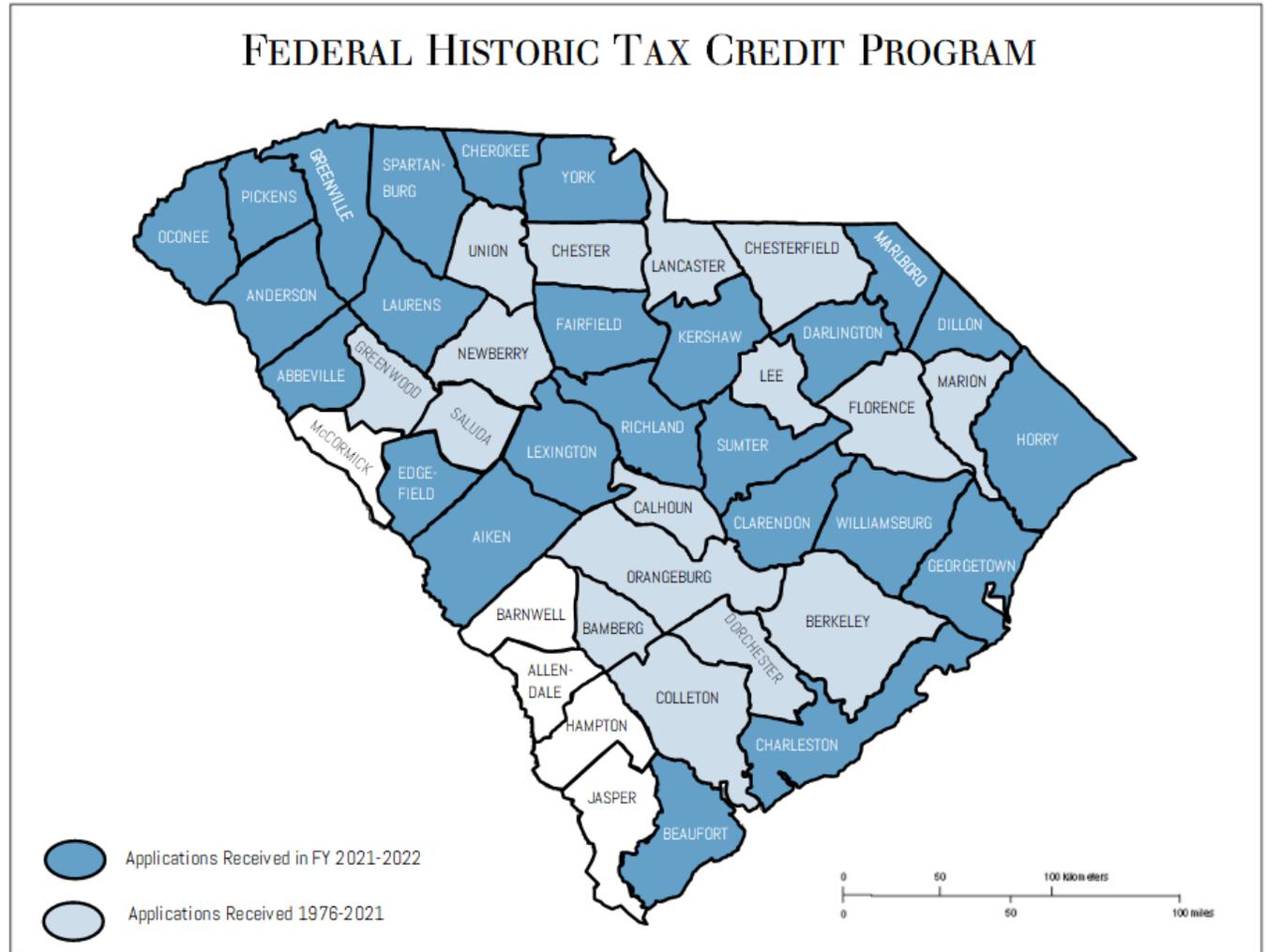
The SHPO reviews applications and makes recommendations to the NPS concerning whether projects meet the Secretary of the Interior’s Standards. After the SHPO review is completed, applications are forwarded to the NPS, which makes the final decision.

What about fees for reviewing applications? With the passing of H.5150 and proviso 117.170, Historic Preservation Certification Application fees have been temporarily suspended for fiscal year 2022-2023. Please visit <https://scdah.sc.gov/historic-preservation/programs/tax-incentives> for more information.

INCOME-PRODUCING TAX CREDIT PROGRAM: GEOGRAPHY OF ALL APPLICATIONS, 1976-2022

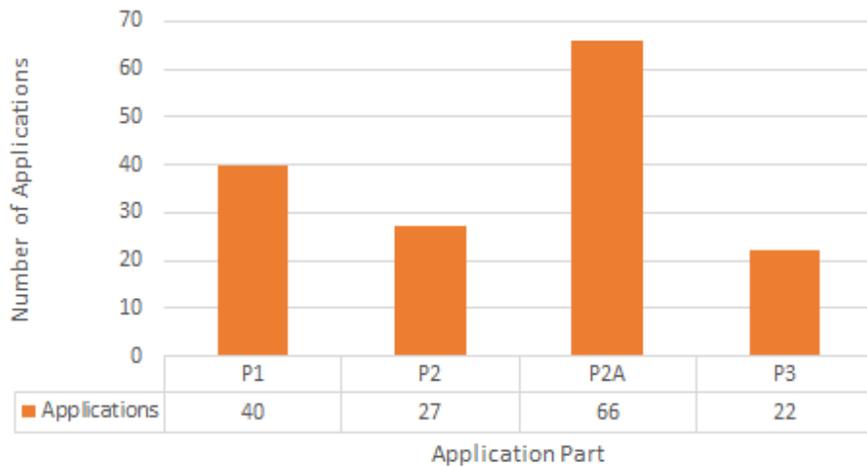
Since the Federal Historic Rehabilitation Tax Incentive program's inaugural year in 1976, over \$ 1 billion dollars has been invested in income-producing historic rehabilitation projects in South Carolina!

The shaded counties represent data for all income-producing tax credit applications reviewed since the program began in 1976. Counties shaded dark blue represent those with applications reviewed during FY 2021-2022; counties shaded light blue represent those with applications reviewed since 1976; and counties devoid of color represent those of which no applications have been reviewed.

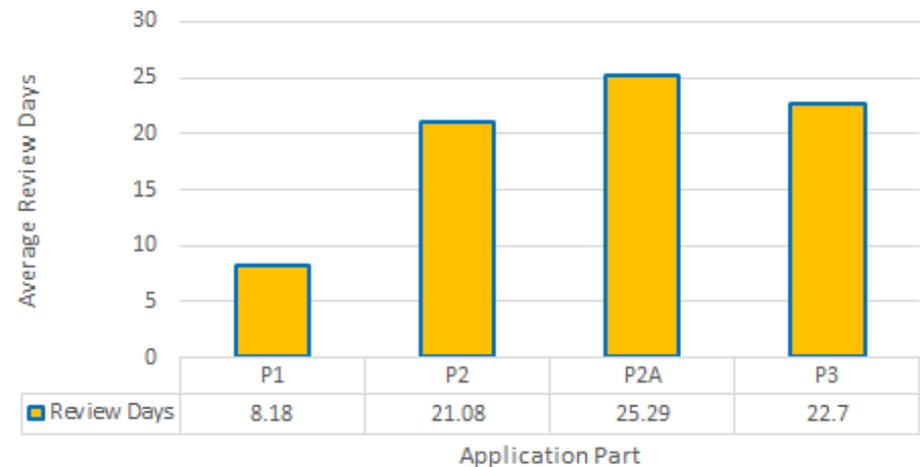


INCOME-PRODUCING TAX CREDIT PROGRAM STATISTICS*

Applications Received



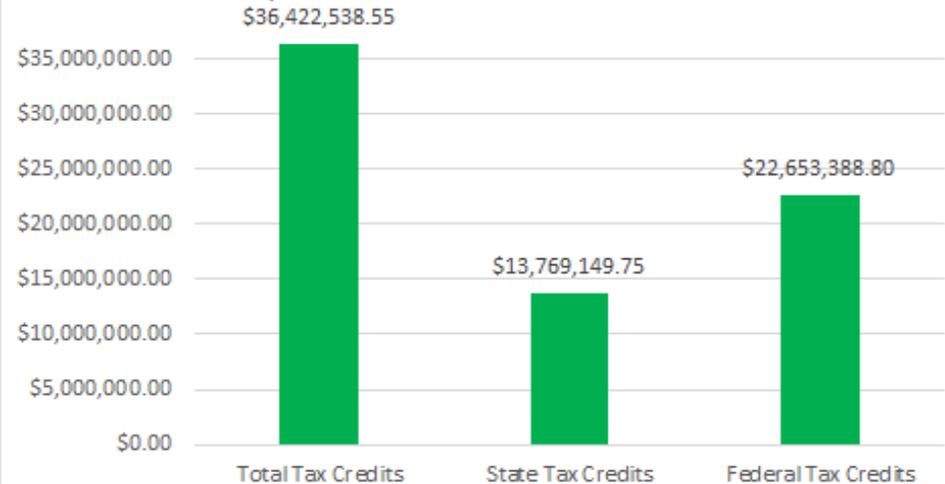
Average Review Time in Days



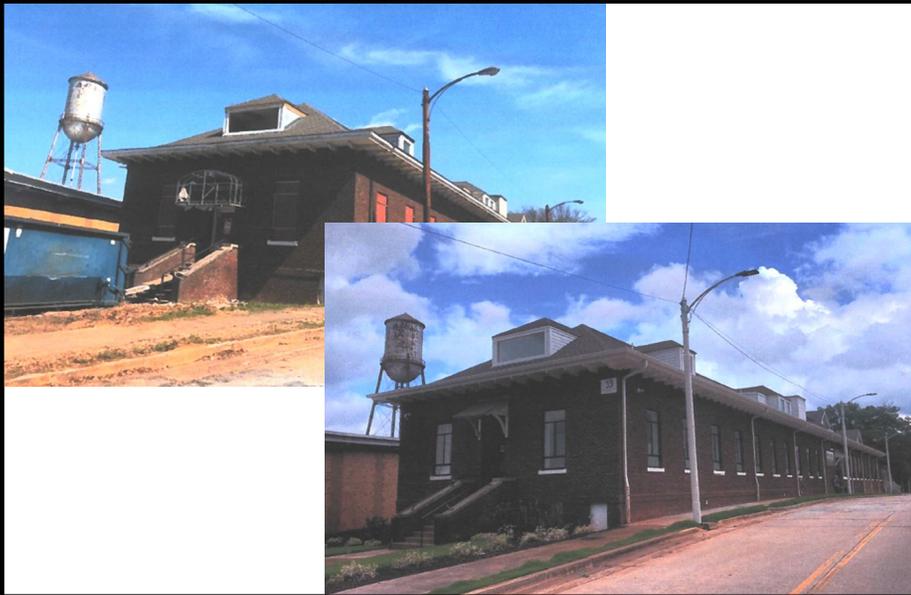
Comparison of P3 Total Project Costs and Rehabilitation Expenses*



Comparison of P3 Earned Tax Credits*



INCOME-PRODUCING TAX CREDIT PROGRAM: CASE STUDIES, 2021-2022



Featured at the top-left is a textile mill office in Dunegan with a period of significance dating from 1911 to 1955. With a private investment of nearly \$3 million and federal and state tax credits, the mill office was rehabilitated into multi-family apartments. The scope of work included masonry cleaning, restoration of the cornice, restoration of a missing porch; rehabilitation of historic windows; restoration of interior finishes and features; rehabilitation of an outbuilding and site-work; and upgrades to the MEP systems. Matt Prielozny, a project partner, said of the rehabilitation: “The credits allowed us to offset a large portion of the expenses necessary to reimagine the building... Mr. Pace Burt relied heavily on the unwavering support of Dan Elswick and others on his team to guide him through the process. The South Carolina State Historic Preservation Office was a tremendous help and they worked hard to streamline the process to better support those who relied on these tax credits to make the project financials work.”

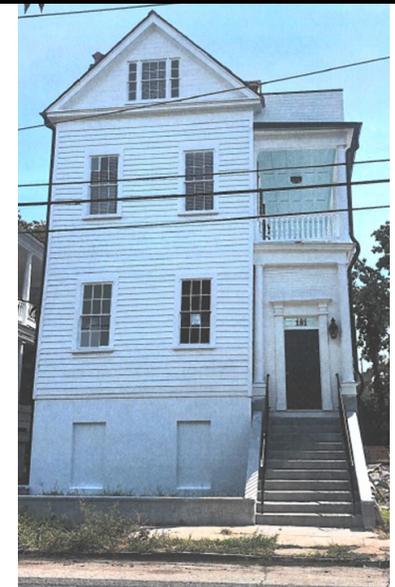
*Left: Photograph of the Dunegan Mill Office before rehabilitation.
Image courtesy of Kyle Campbell.*

*Right: Photograph of the Dunegan Mill Office after rehabilitation.
Image courtesy of Kyle Campbell.*

Featured at the bottom-right is a 2-and-1/2 story, wood-frame Charleston Single House built around 1840 with a two-story rear addition dating to between 1872 and 1932. This residence is a contributing resource to the Charleston Old and Historic National Register district (period of significance: 1700-1941). With a private investment of approximately \$822,000 and federal and state income-producing tax credits, this classical style Single House was rehabilitated and sensitively elevated to the base flood elevation. The scope of work included the aforesaid sympathetic elevation, foundation stabilization; rehabilitation of the slate roof, wood windows, wainscoting, balusters and railings, and exterior siding; restoration of the piazza, plaster, crown molding; flooring repairs; painting; and upgrades to the MEP; this work preserved the historic character of the property and rehabilitated the structure for use as apartments.

*Left: Photograph of the Charleston Single House before rehabilitation.
Image courtesy of Luke Morrison.*

*Right: Photograph of the Montgomery building after rehabilitation.
Image courtesy of Luke Morrison.*



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? 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.

What expenses do not qualify? 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.

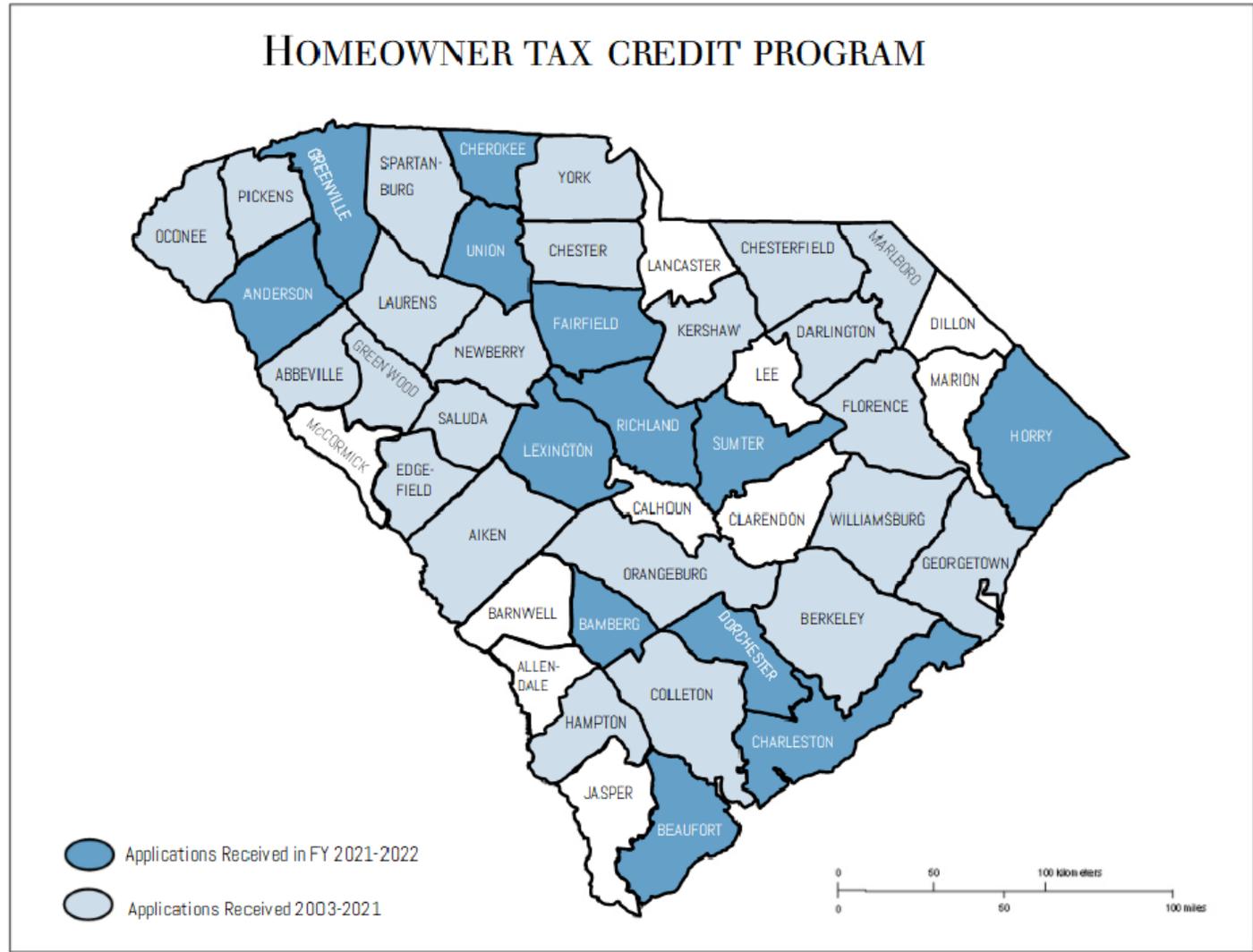
How much money must I spend? You must spend \$15,000 minimum within 36 months on 'Rehabilitation Expenses'. You do not have to complete your entire project within 36 months.

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).

What about fees for reviewing applications? With the passing of H.5150 and proviso 117.170, Historic Preservation Certification Application fees have been temporarily suspended for fiscal year 2022-2023. Please visit <https://scdah.sc.gov/historic-preservation/programs/tax-incentives> for more information.

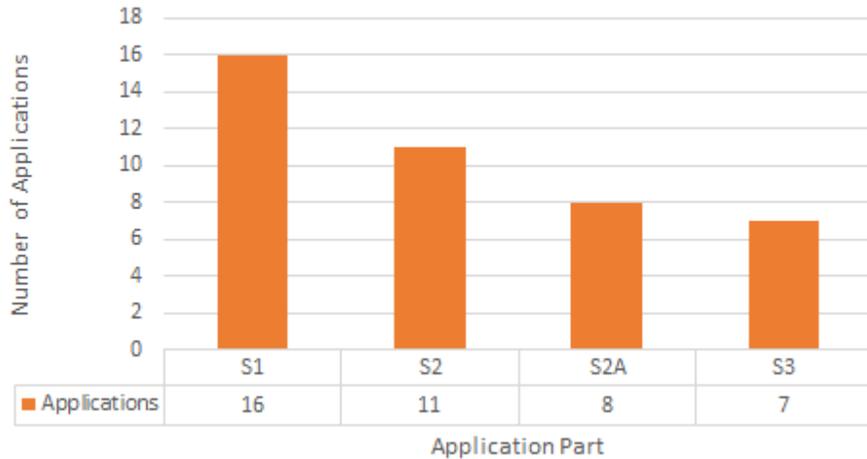
HOMEOWNER TAX CREDIT PROGRAM: GEOGRAPHY OF APPLICATIONS, 2003-2022

The **shaded counties** represent data for all homeowner tax credit applications reviewed since the program began in 2003. Counties shaded dark blue represent those with applications received during FY 2021-2022; counties shaded light blue represent those with applications reviewed since 2003; and counties in white represent those of which no applications have been reviewed.

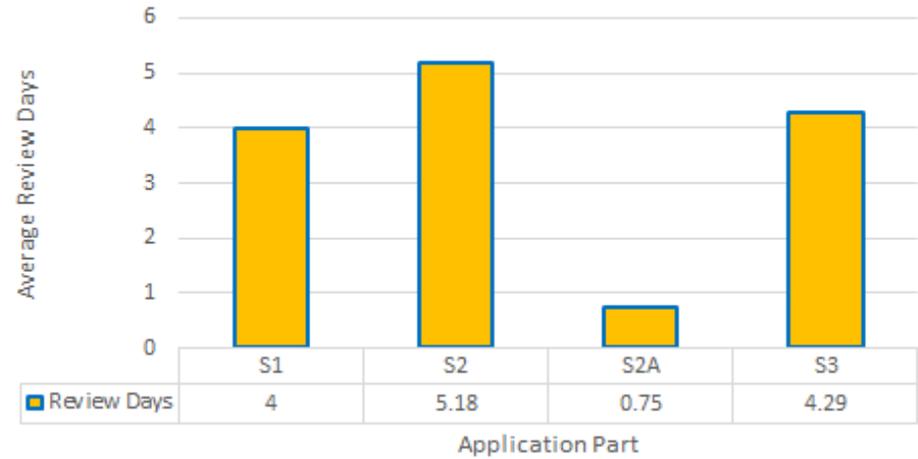


HOMEOWNER TAX CREDIT PROGRAM STATISTICS*

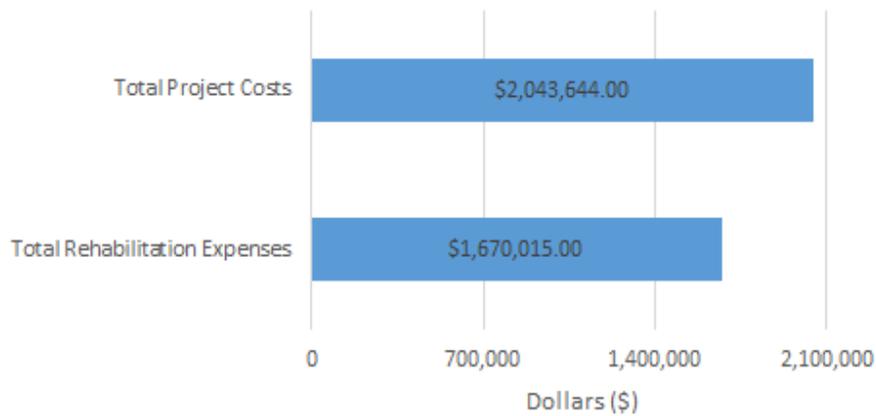
Applications Received



Average Review Time in Days



Comparison of S3 Total Project Costs and Rehabilitation Expenses*

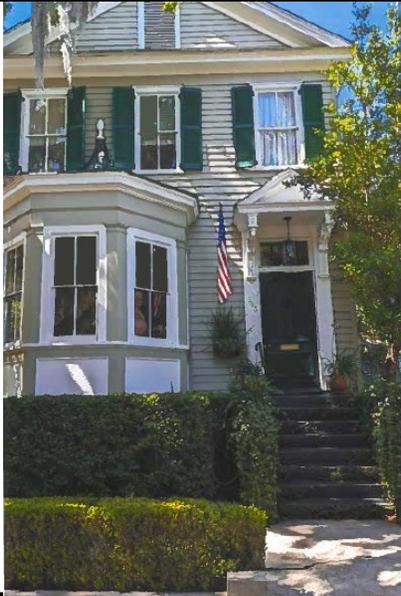


Comparison of P3 Totals for tax Credits, Rehabilitation Expenses, and Project Costs*



*Tax credits are only earned on rehabilitation costs.

HOMEOWNER TAX CREDIT PROGRAM: CASE STUDIES, 2021-2022



Featured at the left is a c. 1895, 2-story, wood-frame side-hall house in Beaufort. The residence is a contributing resource to the Beaufort Historic District. The scope of work included in-kind roof replacement, justified by deterioration; foundation wall repointing, using compatible mortar; HVAC unit replacement; and plumbing leak remediation, including replacing piping and restoring the character of plaster. This work met the Secretary of the Interior's Standards for Rehabilitation and earned the homeowner tax credit, a state income tax credit equal to 25% of the eligible rehabilitation expenses.

*Left: Photograph of the side-hall house after rehabilitation.
Image courtesy of Dale Friedman.*

Featured at the right is a c. 1815, 3-story, masonry single house in Charleston. The residence is a contributing resource to the Charleston Old and Historic National Register district. The scope of work included roof rehabilitation; exterior wall restoration such as wood siding, brick and stucco repairs; foundation repairs; repair and replacement in-kind of windows, doors and shutters; repairs to the piazza; attic insulation replacement; and interior wood-work trim repair and replacement in-kind; and landscaping work. This work met the Secretary of the Interior's Standards for Rehabilitation and earned the homeowner tax credit, a state income tax credit equal to 25% of the eligible rehabilitation expenses. Property owner, Virginia Marshall, described how the state income tax credit helped the rehabilitation: "I appreciate the tax credit very much - It's tough to keep up a historic property and it's nice to earn a tax credit to assist with the costs. I am glad I am fortunate enough to be able to do the rehabilitation... thus insuring my home will be around many more years."

*Right: Photograph of the single house after rehabilitation.
Image courtesy of Meadors, Inc*





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For more information on the income-producing historic rehabilitation tax credit, please visit:
<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/income-producing>

For more information on the homeowner historic rehabilitation tax credit, please visit:
<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/homeowner>