

SOUTH CAROLINA HISTORIC TAX CREDIT PROGRAMS ANNUAL REPORT FISCAL YEAR 2020-2021



Presented by

S.C. Department of Archives & History

State Historic Preservation Office

8301 Parklane Road, Columbia SC 29223

www.scdah.sc.gov

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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) 2020-2021, over \$300 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 2020-2021, **57 tax credit projects from 13 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 \$124 million dollars** in total project costs invested in tax credit projects completed in FY 2020-2021, and an **estimated \$180 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 2020-2021 **earned almost \$35 million dollars in state and federal tax credits.**

FY 2020-2021 began more than 4 months after the start of the Covid-19 pandemic in South Carolina. After almost 4 months of working from home, beginning in July 2020, SHPO staff returned to the office on staggered work schedules. By November, most staff were back working full-time in the office. Despite changes to work schedules, SHPO staff adapted and continued reviewing tax credit applications with excellence, processing nearly the same number of applications at roughly the same rate as FY 2019-2020, a fiscal year that was only partially affected by the pandemic.

In FY 2020-2021, the SHPO reviewed **152 total** P1, P2, P2A, and P3 tax credit applications for income-producing projects and **91 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 3.3 days and the average review time for an income-producing tax credit application was 19.3 days.**

In FY 2020-2021, 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. We also participated in a virtual presentation that the city of Bennettsville organized on the subject of the tax credit programs.

This report provides greater detail on the income-producing and homeowner tax credit applications from FY 2020-2021. 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 2020-2021

HOMEOWNER TAX CREDIT

- Interest in the homeowner tax credit remained steady.
- The geographic distribution of the applications slightly decreased.
- Average review times were trimmed by 10%.
- Investment in rehabilitation expenses nearly doubled!

Homeowner Applications Reviewed

FY 2019-2020: 89

FY 2020-2021: 91

Homeowner Applications Counties

FY 2019-2020: 13

FY 2020-2021: 11

Homeowner Applications Average Review Time

FY 2019-2020: 3.72 days

FY 2020-2021: 3.33 days

Homeowner Applications Rehab Expenses/Credits

FY 2019-2020: \$2.6 million/~\$657,000

FY 2020-2021: \$5 million/~\$1.25 million



INCOME-PRODUCING TAX CREDIT

- Interest in the income-producing tax credit remained steady.
- The geographic distribution of the applications remained steady.
- Average review times increased but remained shorter than 3 weeks.
- Investment in rehabilitation expenses increased four-fold!

Income-producing Applications Reviewed

FY 2019-2020: 168

FY 2020-2021: 152

Income-producing Applications Counties

FY 2019-2020: 19

FY 2020-2021: 20

Income-producing Applications Average Review Time

FY 2019-2020: 14.65 days

FY 2020-2021: 19.25 days

Income-producing Applications Rehab Expenses/Total Credits

FY 2019-2020: \$24 million/\$8.6 million

FY 2020-2021: \$97.3 million/\$33.4 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.

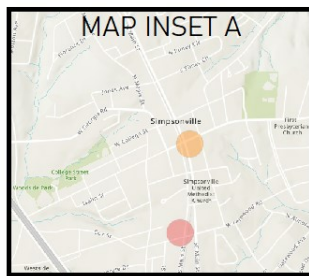
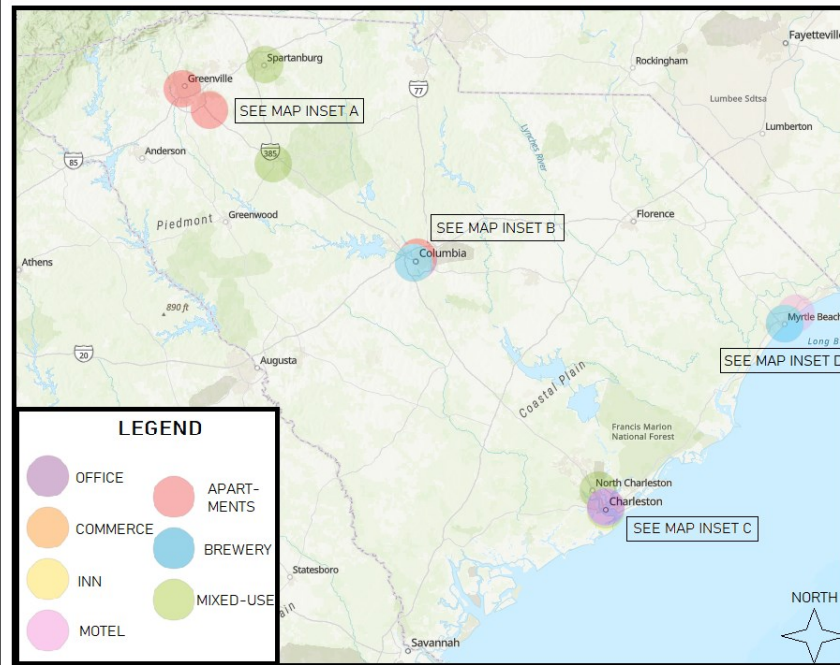
What is the application process? The application review process begins with the State Historic Preservation Office (SHPO) at the South Carolina Department of Archives and History. The SHPO assists owners by providing advice and literature on appropriate rehabilitation treatments to help them plan successful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

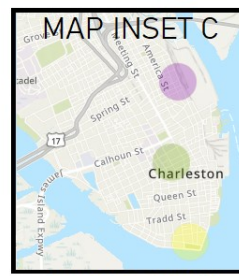
What about fees for reviewing applications? Starting in October 2020, applicants whose rehabilitation expenses are greater than or equal to \$500,000 must pay a fee at the time the SHPO reviews both the P2 applications (preliminary fee) and P3 applications (final fee). Fees are paid to the SC Department of Archives and History for the new State Historic Preservation Grant fund. Please visit <https://scdah.sc.gov/historic-preservation/programs/tax-incentives> for more information.

INCOME-PRODUCING TAX CREDIT PROGRAM: GEOGRAPHY AND USES OF COMPLETED P3 APPLICATIONS, 2020-2021*

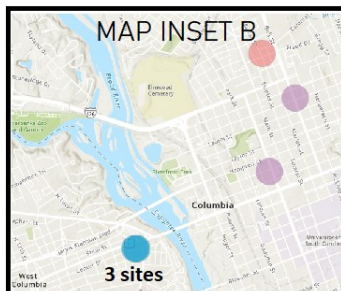
In addition to an even distribution across the Lowcountry, Midlands, and Upstate, income-producing tax credit projects completed during FY 2020-2021 rehabilitated historic structures for a variety of uses, from breweries to motels. Below the map and bar graph are color-coded to illustrate the relationship between geography and post-rehabilitation functions.



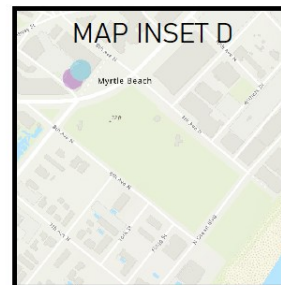
SIMPSONVILLE



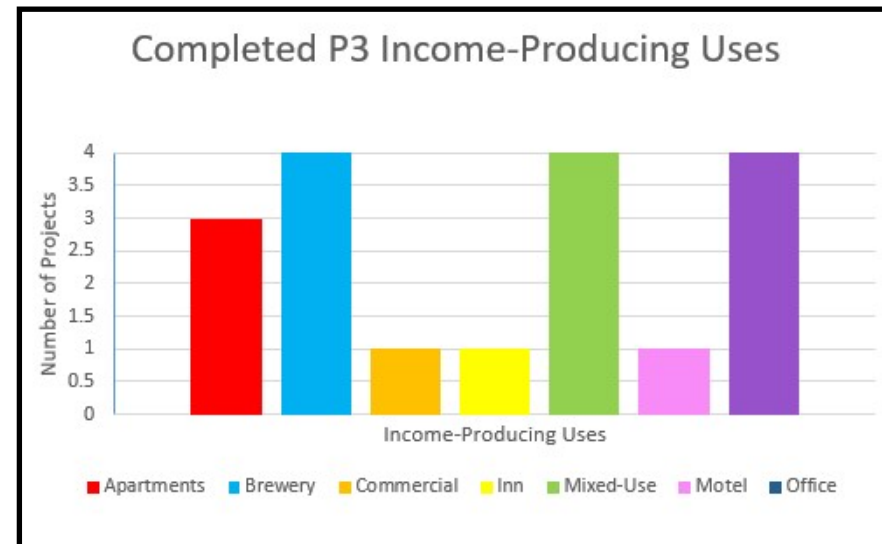
CHARLESTON



COLUMBIA



MYRTLE BEACH

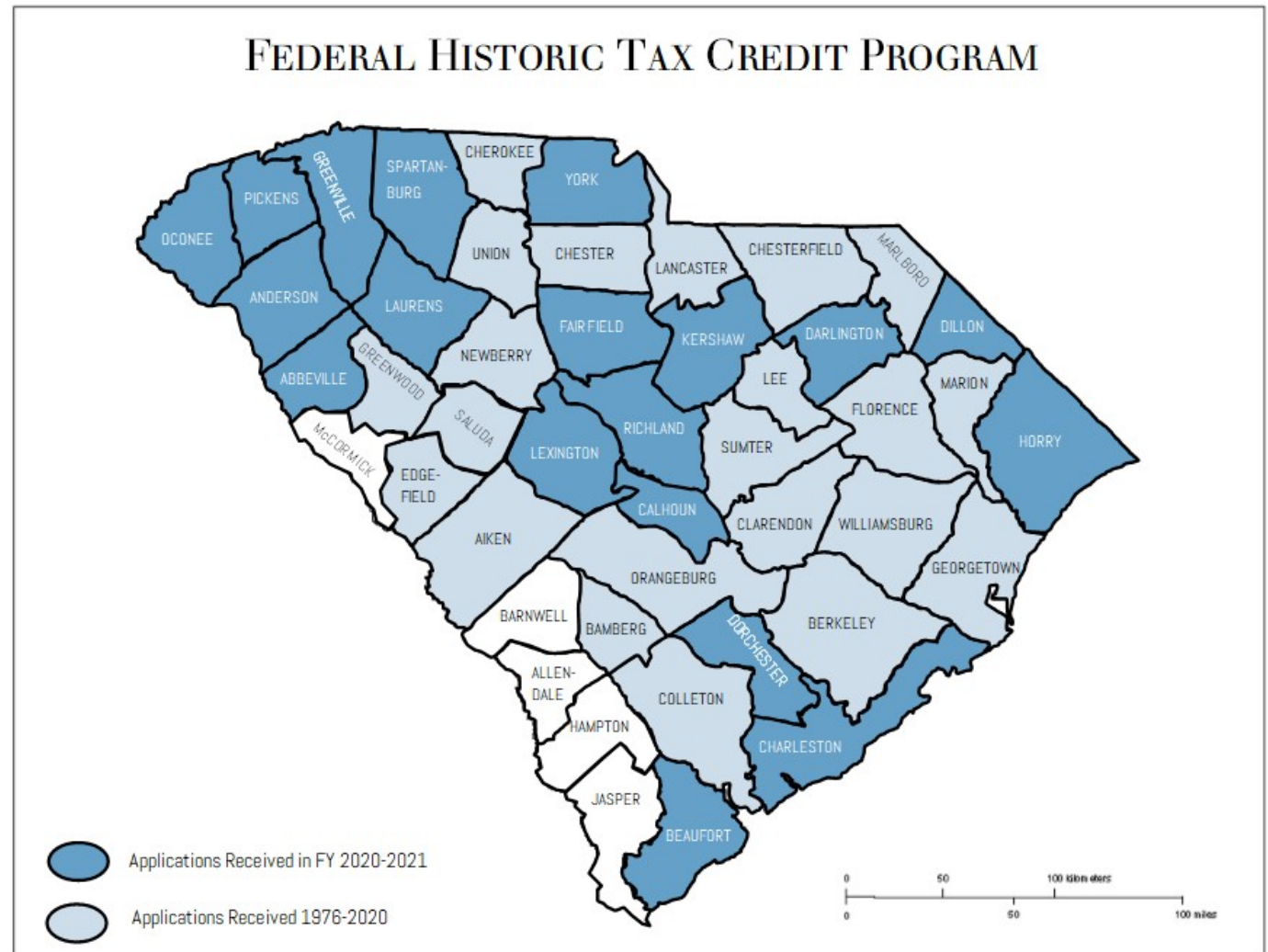


*Please note that within this data set of completed P3 applications, the “mixed-use” category (green) represents projects with a combination of income-producing uses; this is unrelated to the “mixed-use” tax credit application in which projects have mutually exclusive residential owner-occupied and income-producing spaces.

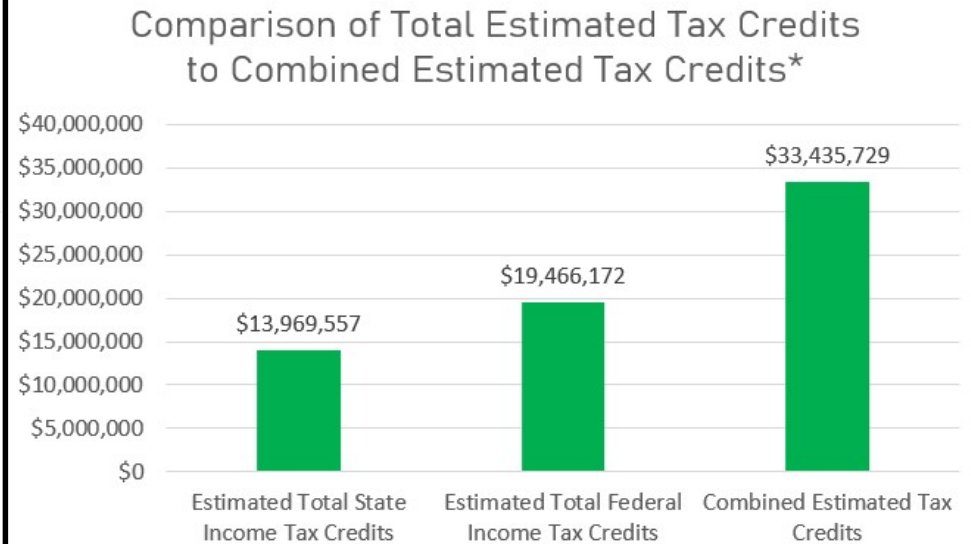
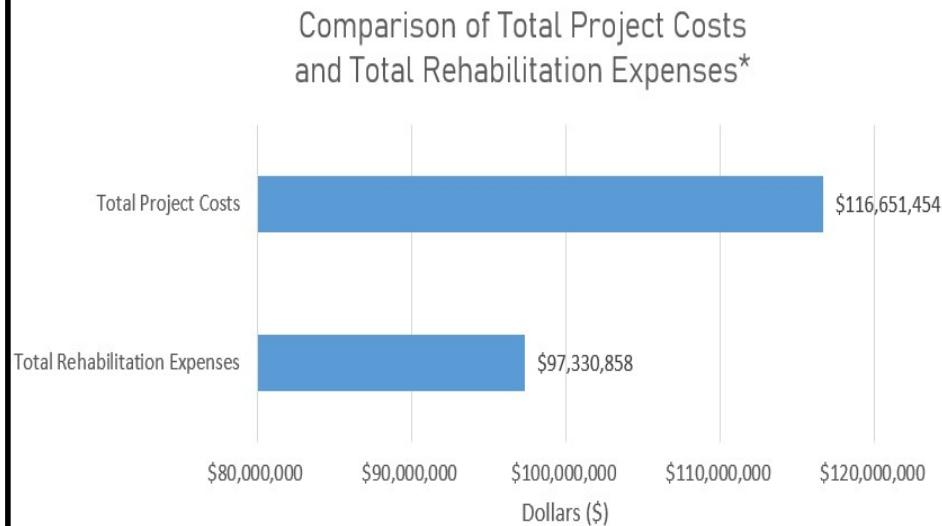
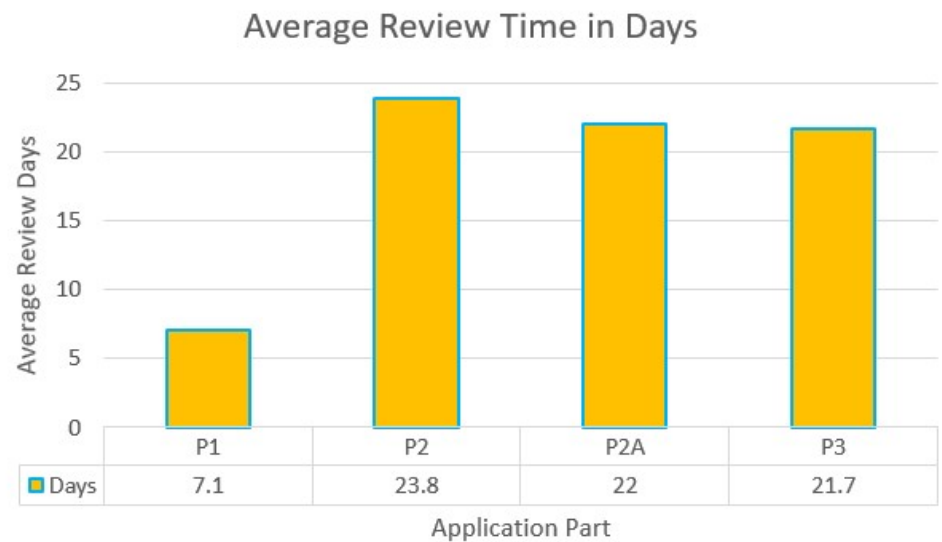
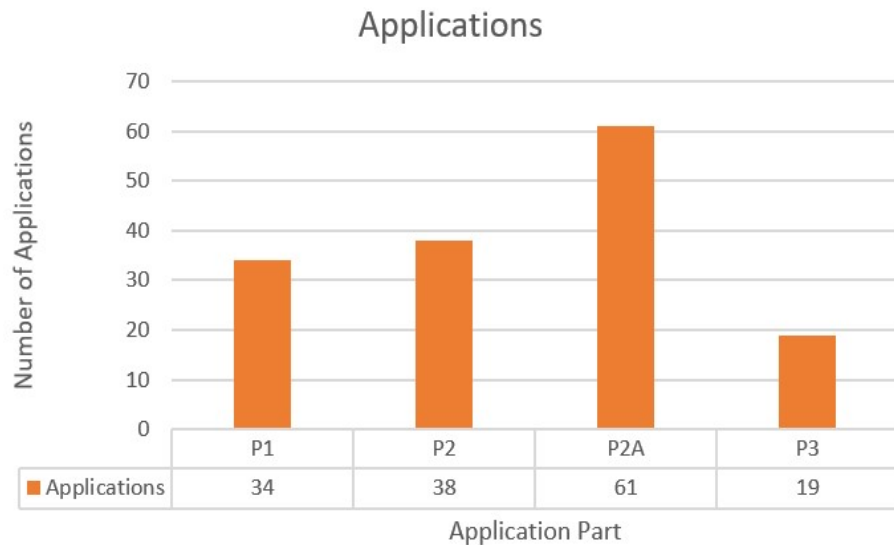
INCOME-PRODUCING TAX CREDIT PROGRAM: GEOGRAPHY OF ALL APPLICATIONS, 1976-202

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 2020-2021; 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.



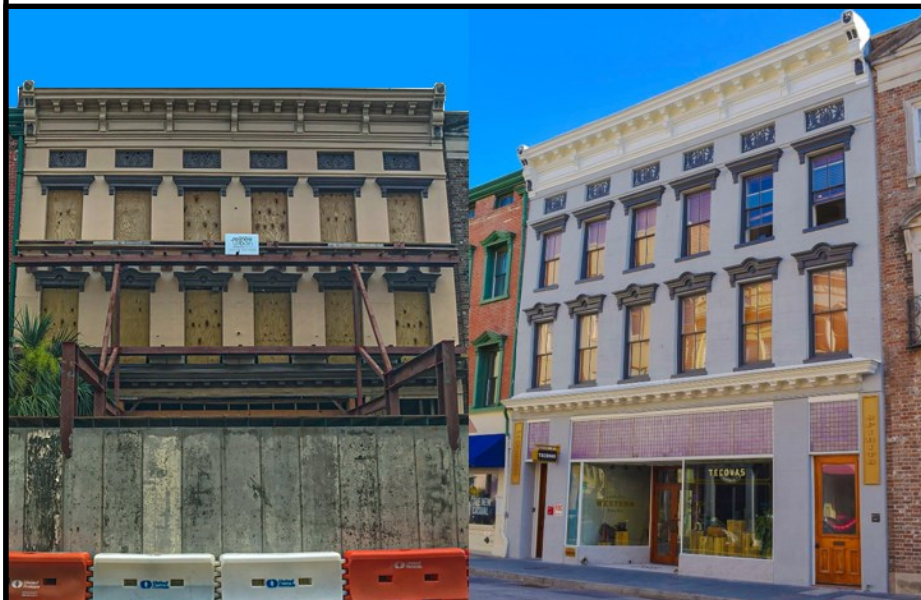
INCOME-PRODUCING TAX CREDIT PROGRAM STATISTICS*



*Tax credits are only earned on rehabilitation costs.

INCOME-PRODUCING TAX CREDIT PROGRAM:

CASE STUDIES, 2020-2021



Featured at the top-left is the George Miller Building at 286-288 King Street in Charleston. It was built around 1838 and remodeled in the Italianate style in the late 19th century. During the 20th century, a previous owner inadvertently weakened the connections between the façade, sidewalls, and flooring systems. In April 2017, the City of Charleston declared the building unsafe after discovering that its façade was pulling away from the structure, creating a hazard for King Street and a risk of losing the historic building. With a private investment of \$4,600,000 coupled with federal and state income-producing tax credits, the façade and the interior were rehabilitated with four apartments upstairs and a restaurant tenant downstairs.

Left: Photograph of the George Miller building in 2017 after the City of Charleston had closed it to the public for structural repairs. Image courtesy of Bill Milani.

Right: Photograph of the George Miller building after rehabilitation. Image courtesy of Bill Milani.

Featured at the bottom-right is the Montgomery Building at 187 N. Church Street in Spartanburg. It was designed by Lockwood Greene and built in 1924 using a steel frame skeleton and precast concrete. After decades of being prime office space for a variety of tenants, from insurance agents to government agencies, by the early 1990s, the building was mostly vacant. From 2016 to 2020, the building underwent an extensive rehabilitation that involved replacing in-kind the character defining feature of every original precast concrete panel; all of which had severely deteriorated because of an inferior early-20th century masonry mix. With a private investment of \$34,000,000 coupled with federal and state income-producing tax credits, the façade and the interior were rehabilitated as apartments, office space, and restaurant space.

Left: Photograph of the Montgomery Building during the early 20th century. Image courtesy of Harper General Contractors.

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



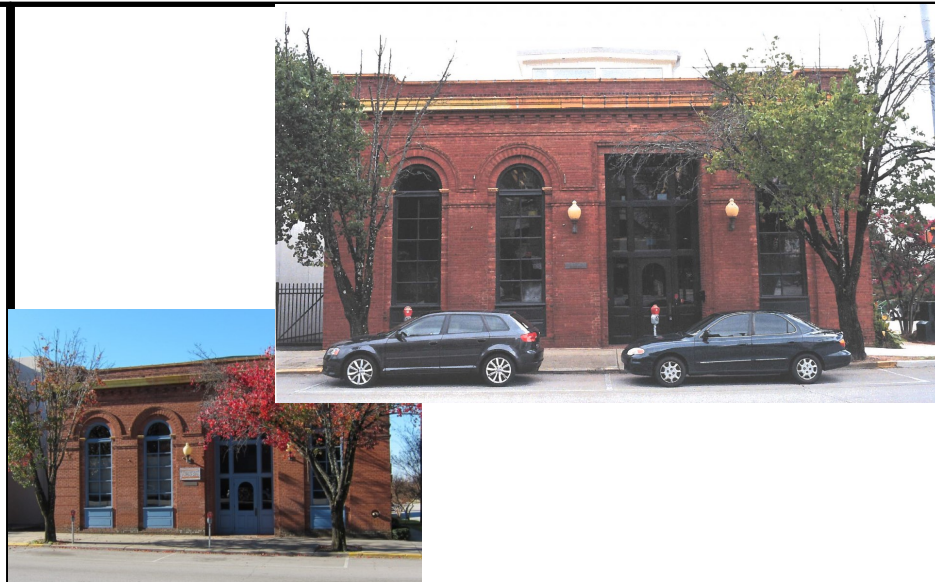
INCOME-PRODUCING TAX CREDIT PROGRAM:

CASE STUDIES, 2020-2021

Featured at the right is the Columbia Electric Street Railway, Light & Power Substation at 1337 Assembly Street in Columbia. Designed by W.B. Whaley Smith and built in 1900, the building served as a power substation for the local electric streetcar and power company for 36 years. With a private investment of \$2,300,000 coupled with federal and state income-producing tax credits, the historic building was rehabilitated for use as office space. The scope of work involved expanding the existing roof monitor to its original footprint, rehabilitating historic plaster, ceilings and flooring, and improving energy efficiency.

Right: Photograph of the Columbia Electric Street Railway, Light & Power Substation after rehabilitation. Image courtesy of Swampfox Inc.

Left: Photograph of the Columbia Electric Street Railway, Light & Power Substation before rehabilitation. Image courtesy of Swampfox Inc.



Featured at the left is the Darden Jewelers building at 807 N. Kings Highway in Myrtle Beach. It was built around 1948 in the mid-century modern style. With a private investment of roughly \$880,000, Mashburn Construction company earned state and federal income tax credits for the rehabilitation. The company's Executive Committee attests to the benefits of the tax credits, noting that the credits were, "absolutely critical and allowed the project to be successful. The credits allowed us to restore a historic building and the work has spurred even more interest in historic preservation in Myrtle Beach... Our team is excited about continuing to utilize historic tax credits across the state and we believe historic preservation fits into our motto of building better communities."

Left: Photograph of the Darden Jewelers building before rehabilitation. Image courtesy of Mashburn Construction Company.

Right: Photograph of the Darden Jewelers building after rehabilitation. Image courtesy of Keen Eye Photography.

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.

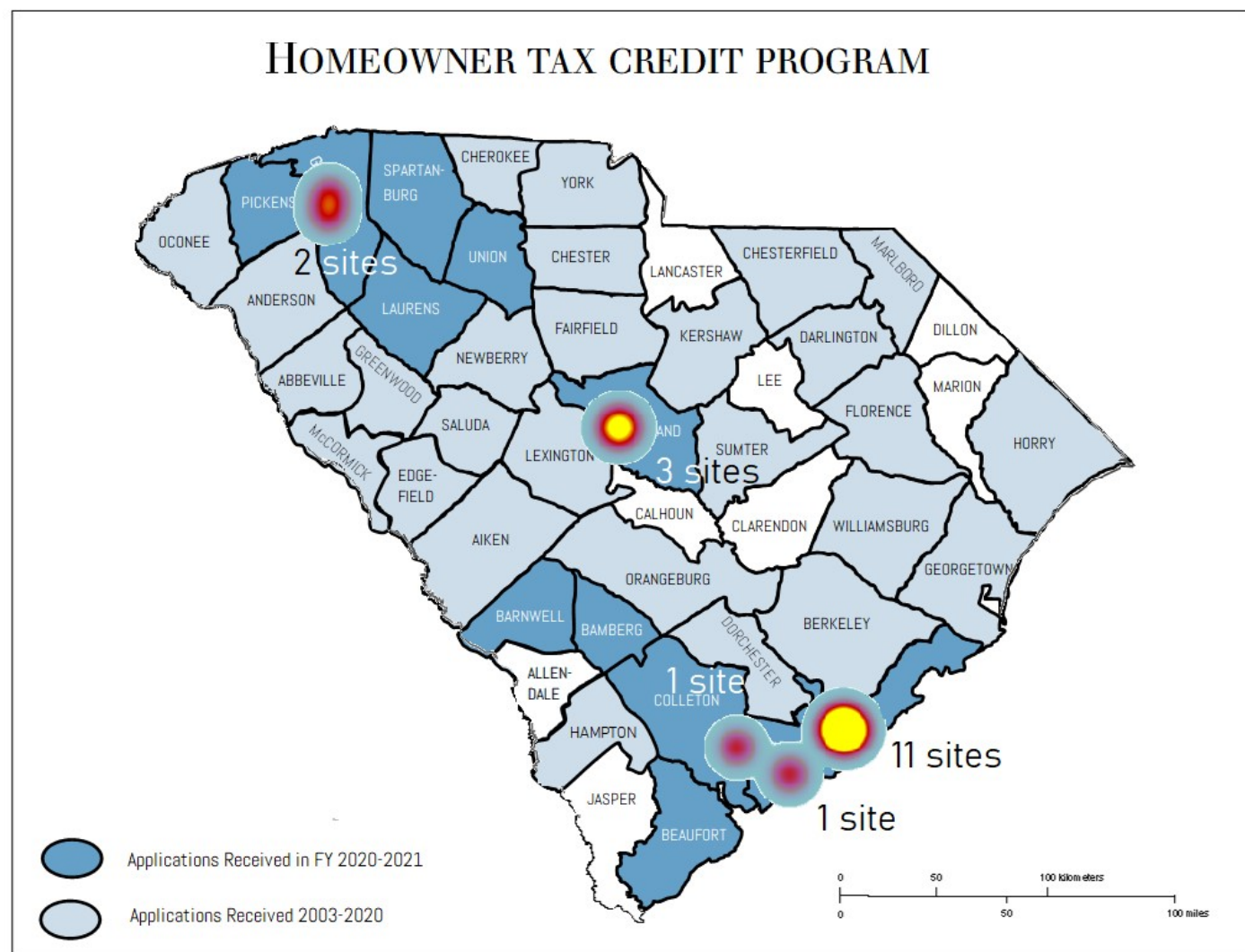
How much money must I spend? You must spend \$15,000 minimum within 36 months on 'Rehabilitation Expenses'. You do not have to complete your entire project within 36 months.

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? Starting in October 2020, applicants whose rehabilitation expenses are greater than or equal to \$500,000 must pay a fee at the time the SHPO reviews both the S2 applications (preliminary fee) and S3 applications (final fee). Fees are paid to the SC Department of Archives and History for the new State Historic Preservation Grant fund. Please visit <https://scdah.sc.gov/historic-preservation/programs/tax-incentives> for more information.

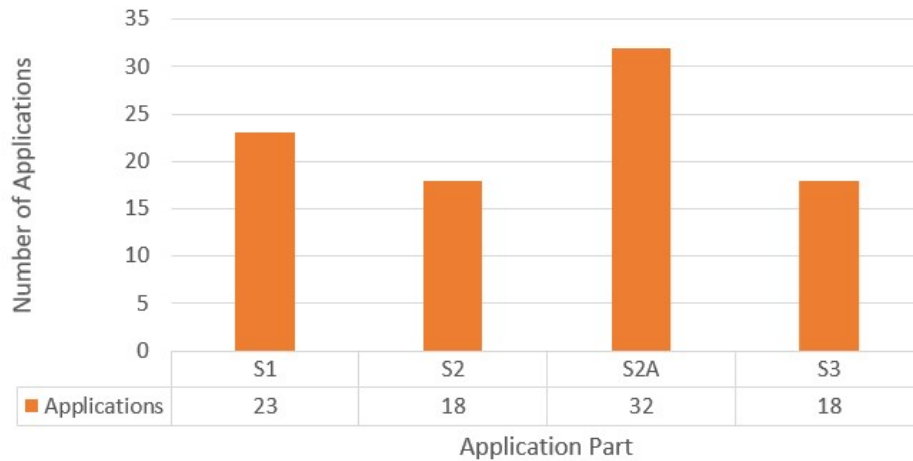
HOMEOWNER TAX CREDIT PROGRAM

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 2020-2021; counties shaded light blue represent those with applications reviewed since 2003; and counties devoid of color represent those of which no applications have been reviewed.

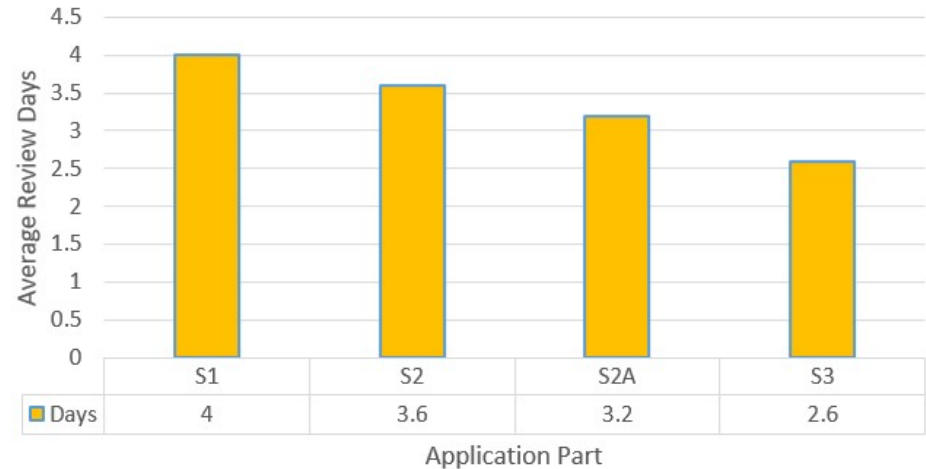


HOMEOWNER TAX CREDIT PROGRAM STATISTICS*

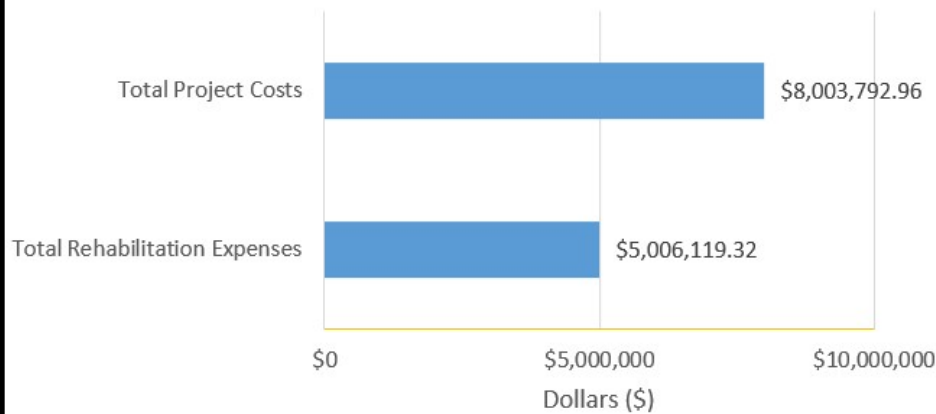
Applications



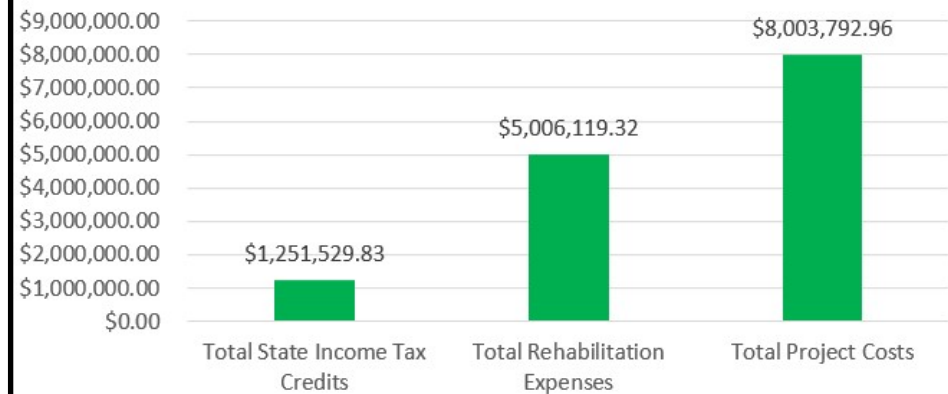
Average Review Time in Days



Comparison of Total Project Costs and Total Rehabilitation Expenses*



Comparison of Total State Income Tax Credits, Total Rehabilitation Expenses, and Total Project Costs*



*Tax credits are only earned on rehabilitation costs.

HOMEOWNER TAX CREDIT PROGRAM:

CASE STUDIES, 2020-2021



Featured on this row is an 1896 Queen Anne-styled residence in Charleston. With a private investment of \$120,000 coupled with the 25% state income tax credit, the exterior and the interior were rehabilitated. The work involved repairs to the historic wood siding, slate and terne metal roofs, windows and doors, piazza, and foundation, and mechanical and plumbing.

*Left: Photograph of the residence before rehabilitation.
Image courtesy of Meadors, Inc.*

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



Featured on this row is a circa 1915 vernacular, two-story, wood-frame residence in the Old Shandon historic district of Columbia. With a private investment of \$110,000 coupled with the 25% state income tax credit, the residence underwent an extensive rehabilitation. Work to the building involved structural repairs, leveling the floors, remediating mold, repairing plaster, rehabilitating the exterior wood and paint, upgrading the HVAC system, and rehabilitating a historic ca. 1915 barn.

*Left: Photograph of the residence before rehabilitation.
Image courtesy of Randall Finn.*

*Right: Photograph of the residence after rehabilitation.
Image courtesy of Randall Finn.*



HOMEOWNER TAX CREDIT PROGRAM:

CASE STUDIES, 2020-2021



Featured is a late 19th century farmhouse in Greenville. With a private investment of \$82,000 coupled with the 25% state income tax credit, batt insulation was added where appropriate, deteriorated plaster was repaired, and exterior siding was repaired or, where too deteriorated for repairs, boards were replaced with matching in-kind siding.

Left: Photograph of the residence before rehabilitation. Image courtesy of Dr. Robert Benedict.

Right: Photograph of the residence after rehabilitation. Image courtesy of Dr. Robert Benedict.



Featured is a ca. 1920 local fieldstone-constructed residence in Greenville. With a private investment of more than \$500,000 coupled with the 25% state income tax credit, the exterior, interior, and mechanical, electrical, and plumbing were rehabilitated.

Left: Photograph of the residence before rehabilitation. Image courtesy of Preservation South.

Right: Photograph of the residence after rehabilitation. Image courtesy of Preservation South.





Federal Tax Credit

Dan Elswick

delswick@scdah.sc.gov

803-896-6174

For more information on the income-producing historic rehabilitation tax credit, please visit:

<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/income-producing>

Homeowner Tax Credit

Christopher Tenny

ctenny@scdah.sc.gov

803-896-5638

For more information on the homeowner historic rehabilitation tax credit, please visit:

<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/homeowner>