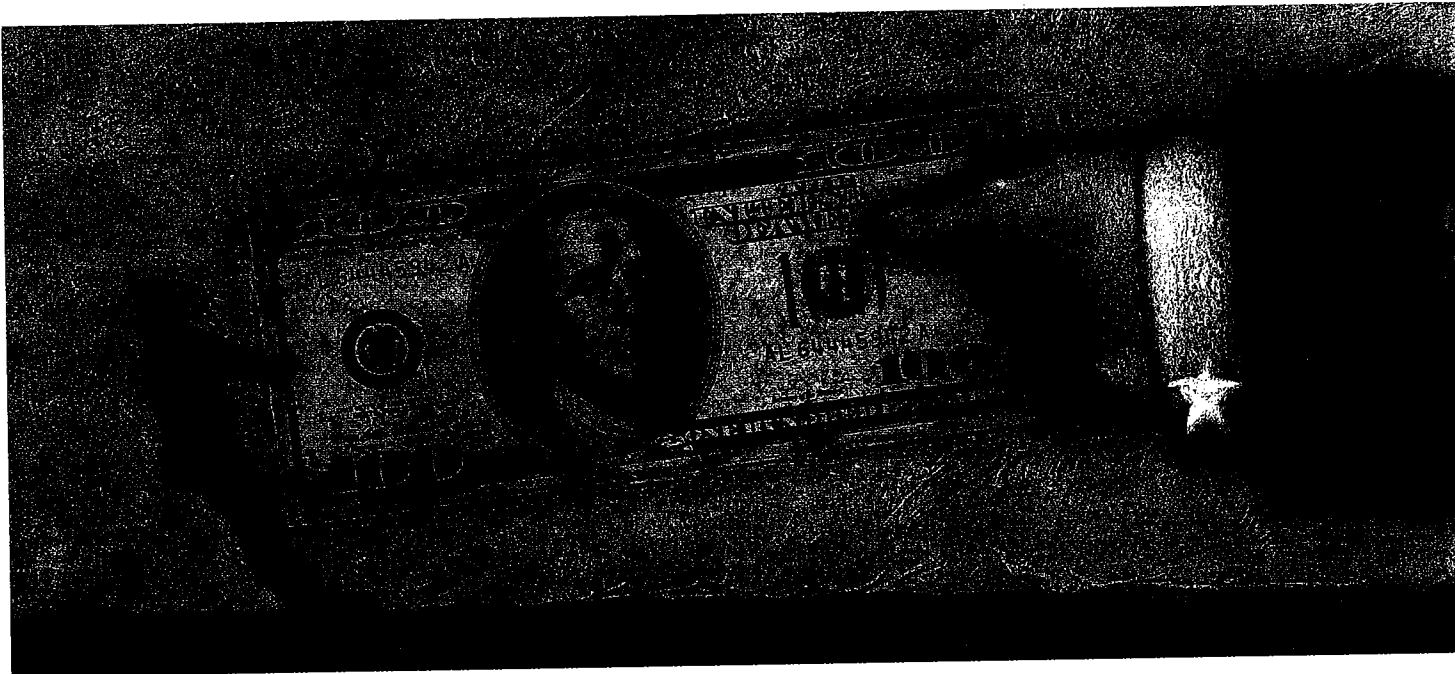


# Low-Cost Local Incentives for Historic Preservation



By Leslie Tucker **In today's economic climate, state and locally funded programs for historic preservation are in serious jeopardy.**

During this legislative season alone, we have seen the slashing of many state Main Street programs, reductions in staff positions and funding for state and city preservation offices, and the proposed eliminations of state historic tax credit programs. One logical response is to look for low-cost or no-cost incentives to encourage preservation during these tough economic times. And given the enormous deficits facing most states, it becomes even more important to encourage these incentives at the local level.

Local governments have the authority and, in many cases, the resources to provide substantial incentives for historic preservation efforts – and many do. The impetus behind these incentive programs varies from city to city. In some cases, cities adopt these programs to energize downtown or dilapidated neighborhoods; in others, especially where strict preservation controls are in place, city governments view these incentives as a balancing tool for strong regulations. Whatever the reason, local incentives can stimulate rehab activity and can often be the deciding factor in the feasibility of a project.

Transfer of development rights and easement programs are good examples of low-cost incentives for preservation. It is important to note that local governments should review state enabling legislation to determine if these programs are permitted under their state laws.

## *Local incentives can stimulate rehab activity*

### **Transfer of Development Rights**

Transfer of development rights (TDR) programs allow the owners of historic properties to sell or transfer development rights (air rights) to other property owners for use on another site. The property owners who purchase development rights may use them to build a larger building on their property than zoning would otherwise allow.

**Seattle:** Under Seattle's TDR program, developers can purchase and transfer unused development rights from most sites occupied by designated landmarks. The city operates a TDR bank, where those development rights can be "banked" and sold to developers as needed. The city promotes the use of this program by requiring that a specific percentage of the floor area added to a project, through TDR and bonus incentives, be attained from the city's TDR bank, if available. To further encourage the use of TDR, the city only offers a limited number of other options for increasing the floor area of a building. The owners of the sending and receiving lots determine the value of these rights, and the transfer lasts for the life of the property on the receiving lot.

Other cities with TDR programs include Philadelphia, San Francisco, and New York City.

## Easements

Easement programs offer incentives to both property owners and cities. When donating a historic preservation easement to a governmental entity or nonprofit organization, property owners are allowed a tax deduction for a charitable contribution on their federal income tax return. The city, meanwhile, is provided a low-cost mechanism for protecting historic properties from demolition and neglect, and for keeping the property on local tax rolls.

With the donation or sale of a historic preservation easement, a property owner gives away certain property rights, usually the ability to alter the exterior façade of the property without permission from the easement holder. Some easement programs, however, are focused on protecting the historic interior of a property and/or the land surrounding the structure. The easement holder can be a city government, nonprofit organization, or quasi-governmental

organization. In order to take advantage of the federal income tax deduction, property owners must donate the easement in perpetuity to a qualified organization for conservation purposes. In addition, the property must be listed in the National Register of Historic Places or be a contributing structure in a National Register Historic District.

**Mobile, Alabama:** The Mobile Historic Development Commission (HDC) holds approximately 150 easements on historic properties. Established as an independent nonprofit initially, the HDC was folded into city government in 1988, but maintained its 501 (c)(3) status and the authority to accept easements. The program is considered a valuable preservation incentive in the city and is used to protect both residential and commercial properties.

Other examples of low-cost incentives include zoning variances, regulatory relief through building and seismic codes, and tax incentives.

Grants, loans, and other more costly incentives may be harder to justify during a budget crisis, but should be carefully considered as well. Although these programs will cost local governments initially, most are significant economic generators that will more than pay for themselves in the end.

For more information about all these options, and for help in crafting and promoting local incentive programs in your city, contact Preservation Texas at 512-472-0102, [info@preservationtexas.org](mailto:info@preservationtexas.org). ★

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