



State Historic Preservation
Division of the Department of
Land and Natural Resources

Hawai'i and National Registers of Historic Places

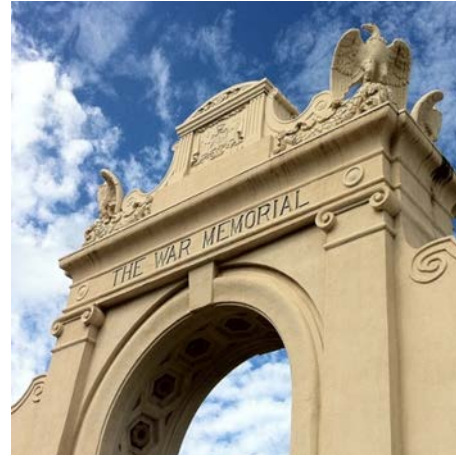
October 30, 2019

Hawai'i Register Program Overview

The SHPD maintains the list of nominated properties, properties listed in the Hawai'i Register of Historic Places, and Hawai'i properties listed in the National Register of Historic Places. <https://dlnr.hawaii.gov/shpd/home/state-register/>

The Hawai'i Register of Historic Places is:

- an official list of properties that have been recognized for their significance to the history, architecture, archaeology, or culture of Hawai'i communities.
- Buildings, structures, sites, district, and objects over 50 years old are eligible for nomination to the Hawai'i Register.
- Listing on the Register comes with many benefits, including eligibility of private residential and private commercial properties for county property tax benefits and access to grant funding.



Criteria for Listing

State of Hawai'i Criteria:

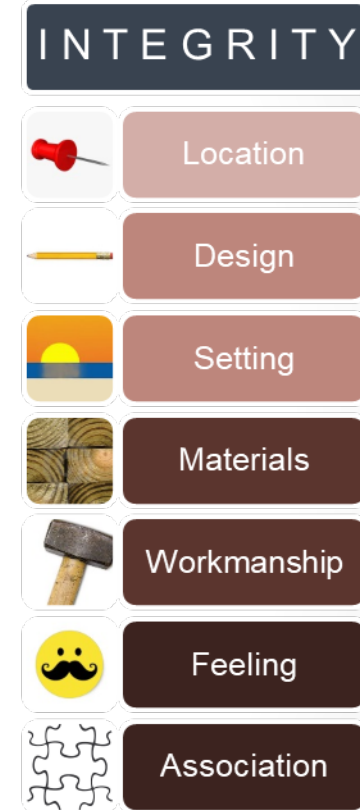
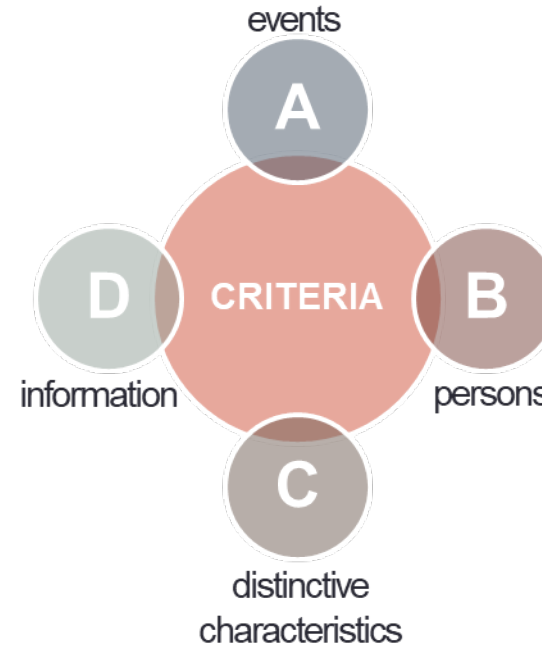
HRS 6E: Historic Property

HAR Title 13: Significant Historic
Property

- **“Historic property”** means any building, structure, object, district, area, or site, including heiau and underwater site, which is over fifty years old.
- **“Significant historic property”** means any historic property that meets the criteria of the Hawai'i register of historic places.

Criteria for Listing

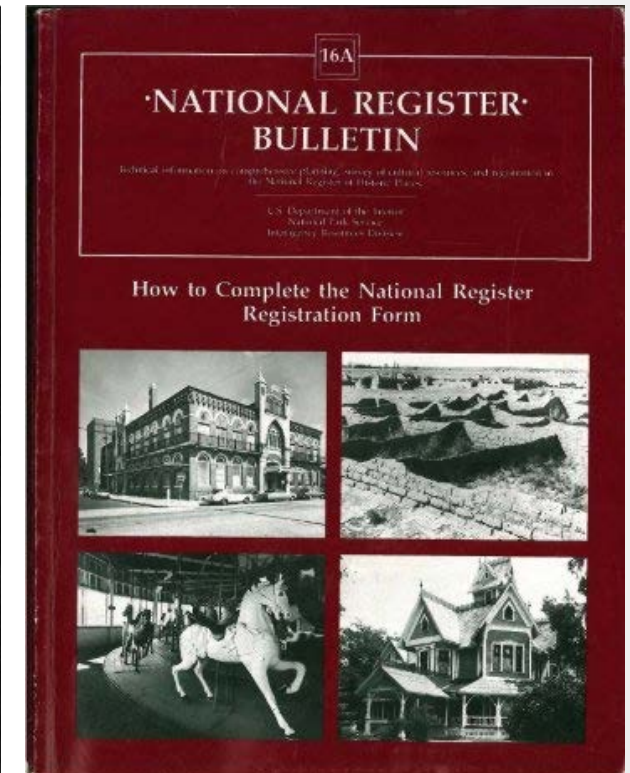
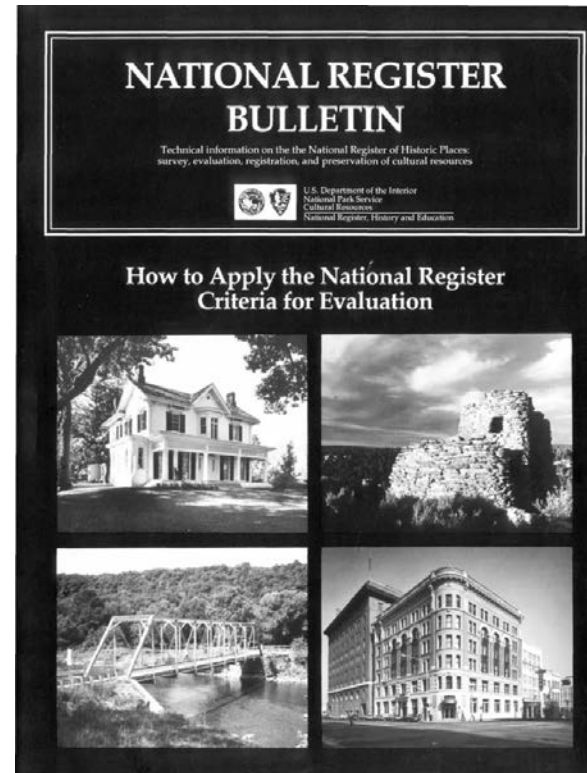
- Does the property meet one or more criteria of significance?
 - *Criteria of Evaluations – A, B, C, D*
- Does it retain Integrity?
 - *Seven Aspects of Integrity: workmanship, design, materials, location, setting, association and feeling*
- Is the property old enough?
 - *Hawai'i = 50 years and older*
 - *National = not limited but usually 50 years*



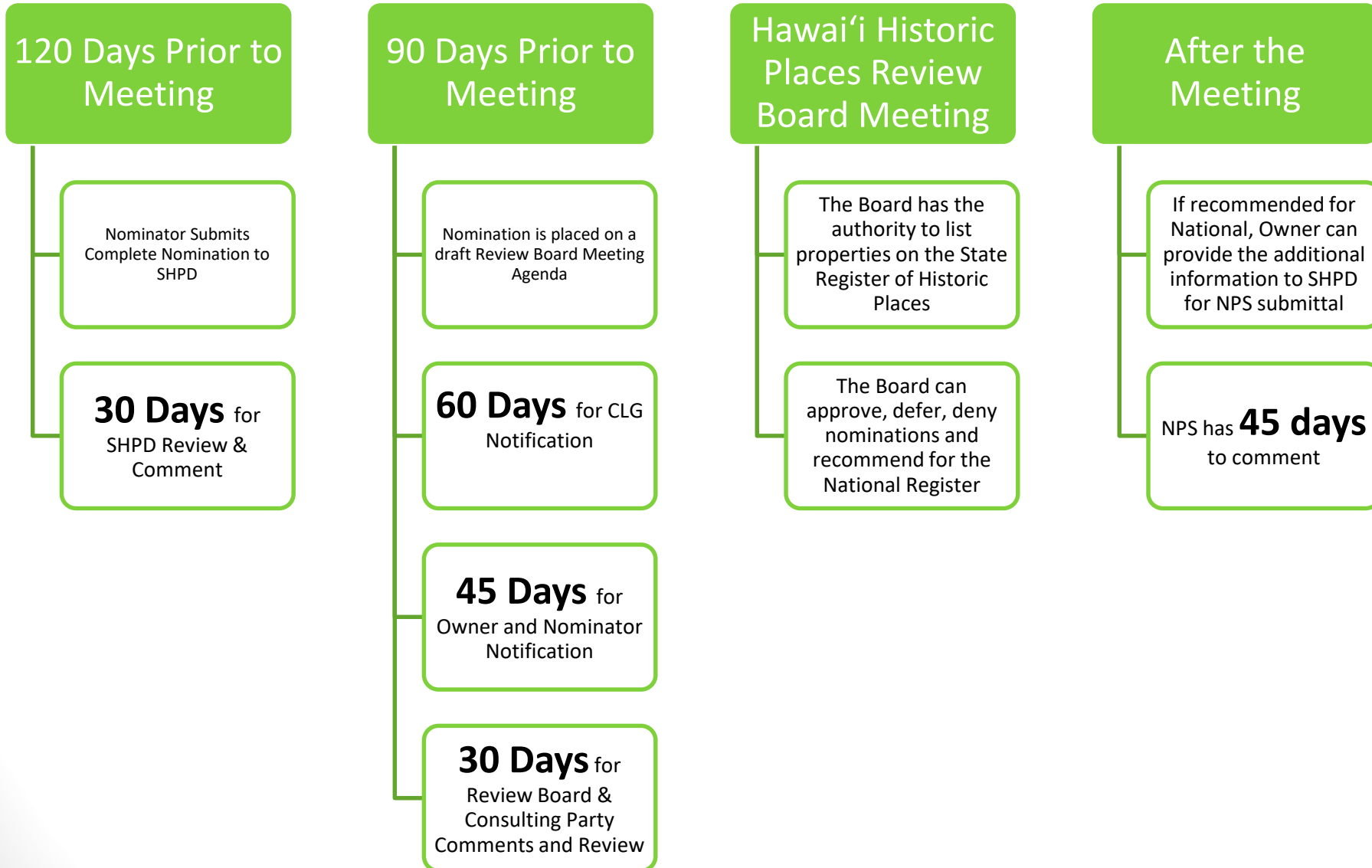
50
years old?
1969

Procedures for Designation

- Through the nomination process, the Hawai'i Historic Places Review Board votes on which nominated properties are worthy of listing.
<https://dlnr.hawaii.gov/shpd/home/state-register/state-review-board/>
- The nomination process starts with the completion of a nomination form, which is a technical document that provides justification for a property's inclusion in the Register
- Nomination forms follow National Register of Historic Places guidelines and meet State requirements outlined in : Hawai'i Administrative Rules 13-198-3 and NPS nomination guidelines.



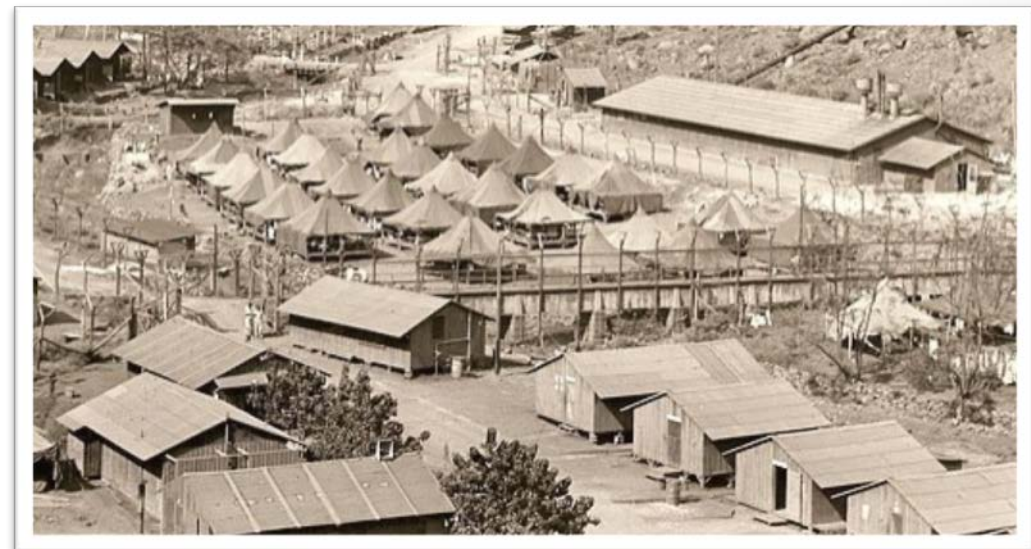
Procedures for Designation



National Register Program Overview

If a State Register nomination meets National Register Standards:

- Nominators can resubmit a nomination to SHPD for forwarding on to the National Park Service.
- The National Park Service will certify that the nomination meets National Register standards and the Keeper of the National Register can then officially list the property on the National Register for Historic Places.
- *Federally owned properties nominated to the National Register follow a different nomination process.*





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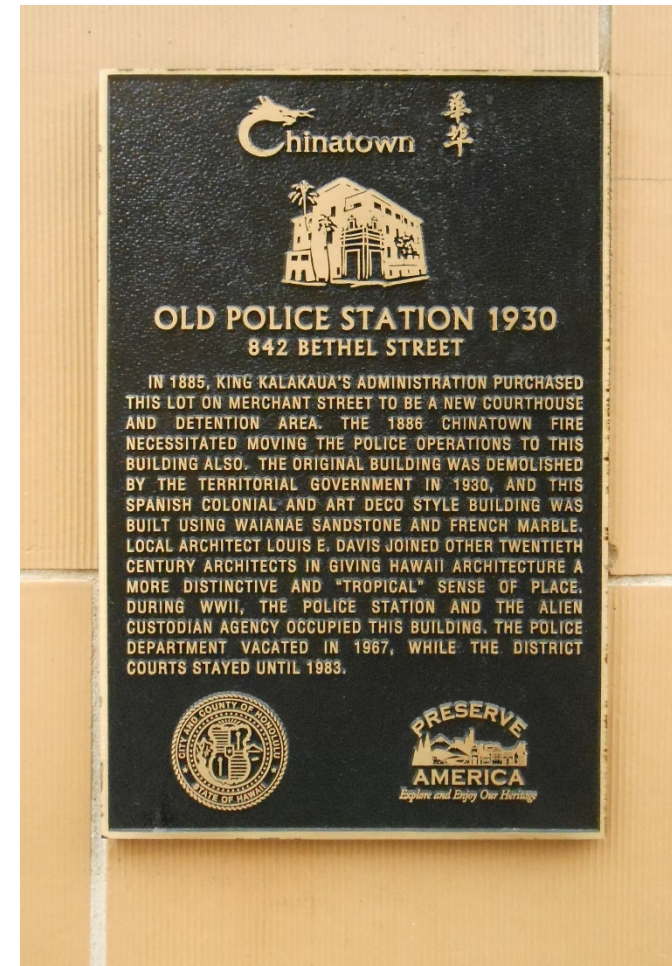
Federal & Hawai'i State Historic Preservation Tax Credits

October 30, 2019

Overview of the Federal Tax Credit

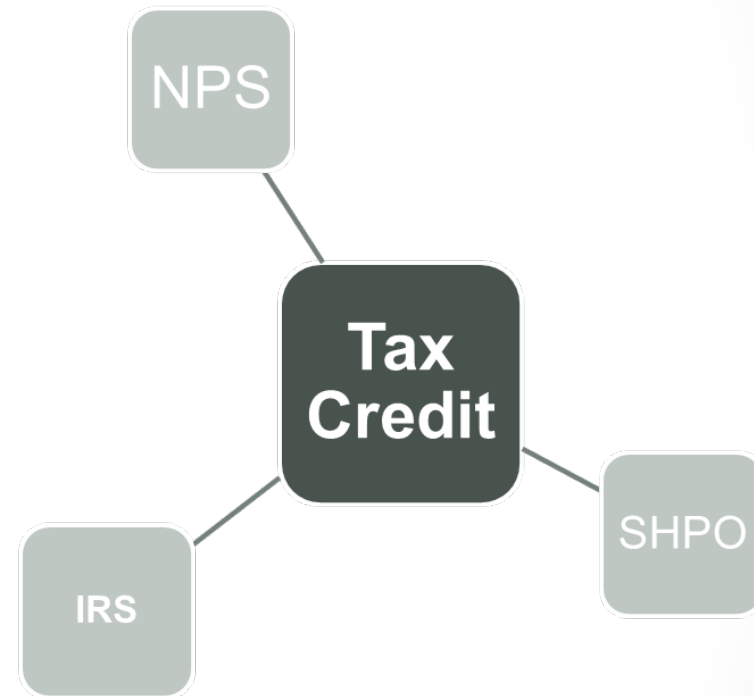
The Federal Historic Preservation Tax Incentives program

- encourages private sector investment in the rehabilitation and re-use of historic buildings.
- creates jobs and is one of the nation's most successful and cost-effective community revitalization programs.
- intended to promote the rehabilitation of income-producing historic structures of every period, size, style and type.



Overview of the Federal Tax Credit

- The National Park Service (NPS) administers the Federal Historic Preservation Tax Incentives program with the Internal Revenue Service (IRS) and in partnership with State Historic Preservation Offices (SHPO).
- The Historic Preservation Certification Application is a three-part application used to apply for certifications required for Federal historic preservation tax incentives.
- <https://www.nps.gov/tps/tax-incentives.htm>
- <https://www.nps.gov/tps/tax-incentives/application.htm>



Overview of the Tax Credit Programs

- Applicants are *strongly* encouraged to contact their State Historic Preservation Office (SHPO) early in the project planning process.
- Submit applications describing proposed work, and to receive approval from the NPS before beginning rehabilitation work.
- Owners who undertake rehabilitation projects without prior approval from the NPS do so at their own risk.



Overview of the Tax Credit Programs

- **SHPD Role**

- Serve as first point of contact for property owners.
- Provide application forms, regulations, information on appropriate treatments, and technical assistance.
- Maintain records of buildings and districts listed in the National Register of Historic Places, as well as state and local certified historic districts.
- Assist anyone wishing to list a building or a district in the National Register of Historic Places.
- Advise applicants on rehabilitation projects and make site visits (as needed).
- Make certification recommendations to the NPS.



Overview of the Tax Credit Programs

- **NPS Role**

- Reviews applications for conformance with the Secretary of the Interior's Standards for Rehabilitation.
- Issues certification decisions in writing.
- Transmits copies of all decisions to the IRS.
- Publishes program regulations, the Secretary of the Interior's Standards for Rehabilitation, the Historic Preservation Certification Application, and information on rehabilitation treatments.



Overview of the Tax Credit Programs

- **IRS Role**

- Publishes regulations on qualified rehabilitation expenses, time periods for incurring expenses, and all other financial matters concerning the 20% tax credit.
- Answers inquiries on financial aspects of the program, and publishes an audit guide to assist owners.
- Audits taxpayers to ensure that only parties eligible for the 20% tax credits use them.

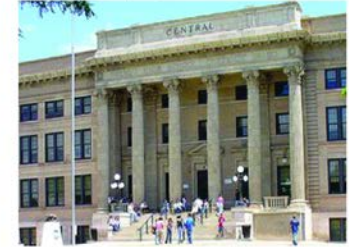
Denver Union Station, Denver
\$40.5 million – 2015



Egyptian Theater, Delta
\$384,797 – 1998



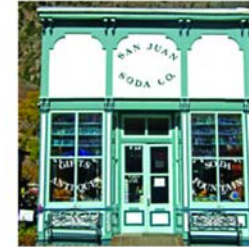
Pueblo Central High School, Pueblo
\$1,590,000 – 1997



Armstrong Hotel, Fort Collins
\$2,800,000 – 2005



San Juan Soda Company, Lake City
\$53,000 – 2012



Tabor Grand Hotel, Leadville
\$8,265,380 – 2015



Overview of the Federal Tax Credit

- **Retain historic integrity-** The 20% tax credit is meant to preserve *historic* buildings, and not to create buildings that look old, but that are in effect *new* buildings.
- The credit is not available if the building does not have sufficient historic material to preserve. Once the integrity of a building has been lost due to deterioration, damage, or previous alterations, it can never be regained.
- It is important to select a building for rehabilitation that retains its basic physical integrity *before* rehabilitation.



Overview of the Hawai'i State Tax Credit

- Chapter 235, HRS, Historic Preservation Income Tax Credit
 - Signed by Governor Ige on 7/08/19 as Act 267
 - Equivalent to 30% of the qualified rehabilitation expenditures
 - State DOTAX and DLNR Rules to be developed for forms, submittal requirements, criteria, etc.



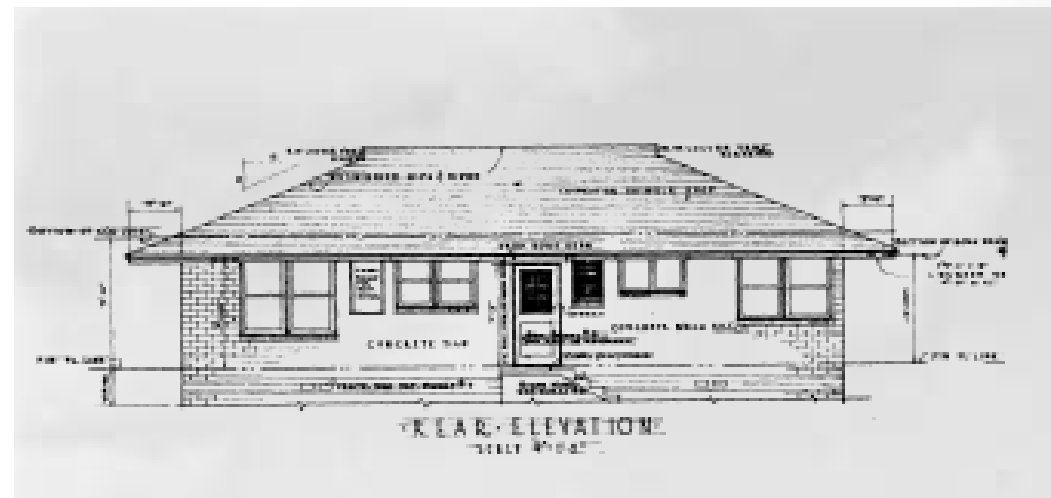
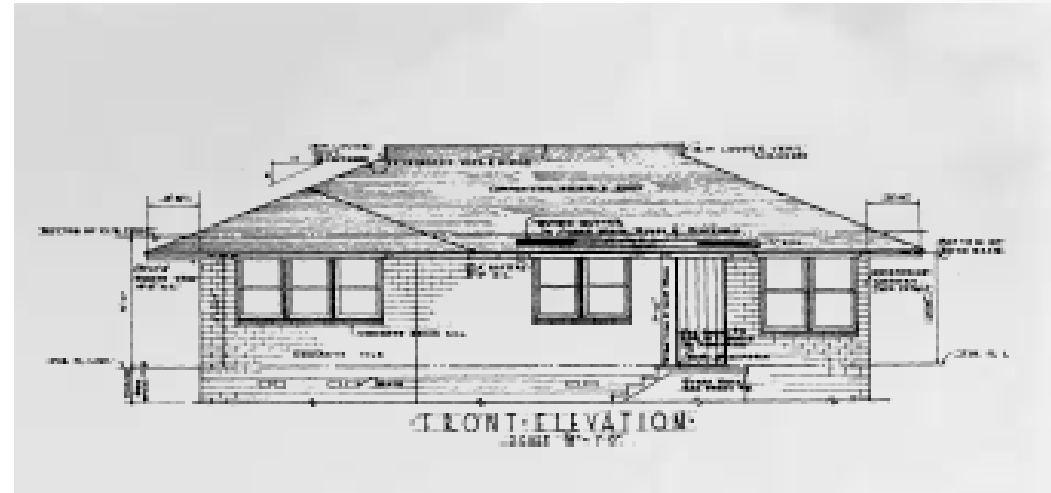
Overview of the Hawai'i State Tax Credit

- 30% credit on state taxes for historic preservation
- Must be individually listed in the State or National Register of Historic Places, located and contributing resource in a historic district, or eligible for inclusion.
- \$1 million cap for each year 2020-2024
- Program started 7/1/19, and sunsets on 12/31/24



Which Structures Are Eligible?

- The historic building must be listed in the National Register of Historic Places or be certified as contributing to the significance of a "registered historic district."
- The project must meet the "substantial rehabilitation test."
- The rehabilitation work must be done according to the *Secretary of the Interior's Standards for Rehabilitation*.
- After rehabilitation, the historic building must be used for an income-producing purpose for at least five years.
- Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.



Which Structures Are Eligible?

- The tax credit is only available to properties that will be used for a business or other **income-producing** purpose:
 - commercial, agricultural, industrial, or rental residential.
- Qualifying expenses of rehabilitation costs need to directly relate to the repair or improvement of structural and architectural features of the historic building which qualify it for the National Register



Which Structures Are Eligible?

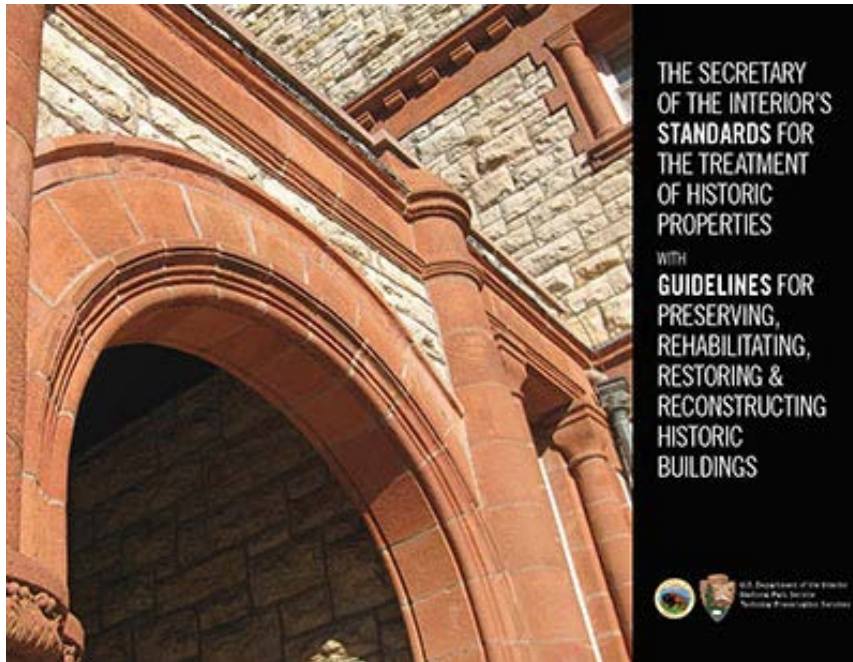
"Certified historic structure" means any structure that is:

- *(1) Individually listed in the Hawaii Register of Historic Places or the National Register of Historic Places;*
- *(2) Located in a historic district that is listed in the Hawaii register of Historic Places or the National Register of Historic Places, and certified by the State Historic Preservation Division as contributing to the significance of the historic district; or*
- *(3) A structure that the State Historic Preservation Division has determined to be eligible for inclusion in the Hawaii Register of Historic Places, and that is subsequently listed in the Hawaii Register of Historic Places by the date of certification by the Administrator of the State Historic Preservation Division in accordance with subsection (g).*

- Tips
- Must meet National Register criteria (age, integrity, significance)
- Forms must be prepared by an architectural historian who meets *Secretary of Interior Standards*
- Maps and photographs must meet National Register guidelines
- <https://www.nps.gov/tps/standards.htm>

Secretary of the Interior's Standards for Rehabilitation

- Rehabilitation: The act or process of returning a property to a state of utility through repair or alteration which makes possible an efficient contemporary use while preserving those portions or features of the property which are significant to its historical and cultural values.



1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.

Secretary of the Interior's Standards for Rehabilitation

- Rehabilitation: The act or process of returning a property to a state of utility through repair or alteration which makes possible an efficient contemporary use while preserving those portions or features of the property which are significant to its historical and cultural values.



6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Substantial Rehabilitation Test

- In brief, this means that the cost of rehabilitation must exceed the pre-rehabilitation cost of the building.
- Generally, this test must be met within two years or within five years for a project completed in multiple phases.
- The cost of a project must exceed the greater of \$5,000 or the building's **adjusted basis**.

- $A - B - C + D =$
adjusted basis

- A = purchase price of the property (building and land)
- B = the cost of the land at the time of purchase
- C = depreciation taken for an income-producing property
- D = cost of any capital improvements made since purchase

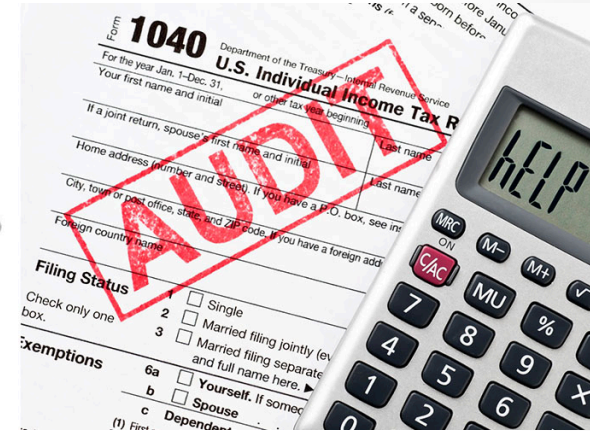
Rehabilitation Amount Required to be Invested

- A "substantial" amount must be spent rehabilitating the historic building.
- Rehab must be over 25% of the assessed value
- Any costs incurred for physical rehabilitation, renovation, or construction of a certified historic structure not including labor.
- SOI qualified staff

Item		Source		TITLE	
Concept		Size (sqft)			
Net rentable space(sqft)		Concept Plan			
Common area		10% of Total SqFt (Standard)			
Office space		Concept Plan			
Residential space		Concept Plan			
Street level retail		Concept Plan			
Total Constructed Space		Sum of Above			
Land		Parcel size (sqft)	Assessor		
		Cost (per sqft)	Given Land Cost/Parcel Size		
Total Land Cost		Purchase Price			
Hard Costs		Site Clearance & Remediation	NA		
		Grading	NA		
		Construction Cost (per sqft)	Research		
		Construction Cost (total)	Constr. Space*Constr. Cost		
Parking Cost		Research			
		Landscaping	Concept Plan		
Total Hard Costs		Sum of Above			
Soft Costs		Architecture & Engineering Fees	8% of Hard Costs (Standard)		
		Legal Fees	2% of Hard Costs (Research)		
		Permits	NOLA One Stop Shop		
		Contingencies	10% of Hard Costs (Standard)		
Total Soft Costs		Sum of Above			
Total Development Costs		Land+Hard+Soft			
Permanent Financing		Interest Rate	Lender		
		Term	Lender		
		Debt-coverage ratio	Lender		
		Mortgage Constant	#NUM! = PMT(rate,term,-1)		
		Stabilized NOI (year 2)	\$0 from page 3		
		Supportable Mortgage	#NUM! = NOI/(DCR*MC)		
		Yearly Debt Service	#NUM! = Mortgage * MC		
Rents & income		Unit	yr sqft/mo	Yearly	
		Total Rents			Sum of All Rents
		Residential Rents			Market Comparables
		Office Rents			Market Comparables
		Street Level Retail			add Event income?
		Rent Inflation Factor		2%	Market Study
Vacancy Rates		Year 1	10.00%	5%	Standard
Expenses		Utilities	\$0		Exchange Reports
		Property Taxes			Assessor's Website
		Maintenance	\$0		Exchange Reports
		Maintenance Reserve	\$0		J16
		Insurance			Owner
		Management	\$0		Exchange Reports
		Other/Contingency	\$0		Exchange Reports
Total Expenses		\$0			Sum of Above
		as share of rent	#DIV/0!		Calculated
		Expense Inflation factor	2.00%		Market Study
Gap Calculation		Stabilized NOI			D36
		DCR			D33
		Supportable Mortgage			D37
		Equity Dollars Available			20% of Purchase Price
		Maximum Rehab Budget			Equity + Mortgage
		Rehab Cost			TDC
		GAP			Rehab Budget-Rehab Cost
Tax Credits		% Eligible	70%		Standard
		Eligible Basis	.7*TDC		
		Federal Credits @ 20%	0.2*Eligible Basis		
		State Credits @ 25%	.25*Eligible Basis		
		Total Tax Credit Equity	Equity + Mortgage		
		GAP 2	Gap 1 - Tax Credit Equity		

Recapture Provisions if Conditions Are Not Met

- A historic building that has been subject to a “qualified rehabilitation” may be required to recapture all or a portion of the rehabilitation credits claimed if a recapture event occurs.
- The amount of the recapture is 20 percent of the rehabilitation credit claimed for each year remaining in the five-year recapture period.
- If the recapture occurs before the end of the first tax year, the recapture is 100 percent of the credit claimed.
- If the recapture occurs before the end of the second tax year, the recapture percent is 80 percent of the credit claimed, and so forth until the end of the fifth tax year.



Administrative information

- **National Park Service**

www.nps.gov/tps/tax-incentives.htm/

e-mail: NPS_TPS@nps.gov

- **State Historic Preservation Division - Hawaii**

<https://dlnr.hawaii.gov/shpd/>

808-692-8015

- **Tips Before Applying:**

- *Consult an accountant, tax attorney, other tax advisor, or the IRS to determine whether these incentives apply to your own tax and financial situation.*
- *Make sure the project meets the “substantial rehabilitation” test and other IRS requirements.*
- *Contact your State Historic Preservation Office (SHPO) for information and technical assistance.*
- *Visit the program website, which includes program regulations, frequently asked questions, Standards and Guidelines, technical guidance, and much more.*

Mahalo

Hawai'i has unique historic resources that showcase our island values, lifestyle, and culture. Many of these resources are now considered historic and preserving this part of Hawaii's history requires the commitment and collaboration with many partners. Central to this effort is **ALL OF US**.

