



Historic Preservation Disaster Assistance Package

Part of the response to the catastrophic damage Hurricane Katrina inflicted on the Gulf Coast region would include the repair and rehabilitation of thousands of historic properties that were in the storm's path. The disaster area comprises hundreds of National Register historic districts, and historic landmarks, neighborhoods, and structures across three states in some of the nation's most historic areas. These are the homes, shops, schools, and institutions that give definition and identity to the very soul of these horribly broken communities. The rebuilding effort is epic, and will involve the imminent need to stabilize and remediate damage in areas where the historic fabric still remains. The National Trust and its partners in preservation have developed a three-pronged disaster assistance package to give those affected by the catastrophe the tools they need to save their heritage in the Gulf Coast region.

1. Disaster Relief Historic Homeowner Assistance Tax Credit

- Would provide a credit of 30 percent of qualified rehabilitation expenditures made by persons who rehabilitate historic homes located in the Hurricane Katrina Disaster Area and used as a principal residence. It would limit the credit to \$40,000 total.
- The credit would be refundable for lower income persons (\$30,000 in income for individuals; \$60,000 for married filing joint return), so that those with incomes too low to benefit from the credit may still use the incentive.
- It would define "qualified rehabilitation expenditure" in a manner similar to the existing historic rehabilitation tax credit (Sec. 47 of IRC) except that it applies to capital improvements to nondepreciable property (certified rehabilitation of a qualified historic home). Not less than five percent of expenses must be for improvements to the exterior.
- It would benefit owners of "qualified historic homes" that need to be substantially rehabilitated and the property must be owned by the taxpayer and serve as his principal residence. "Substantially rehabilitated" would mean that a minimum of \$5,000 must be spent on qualified rehabilitation expenditures.

2. Historic Preservation Disaster Relief Grants

- Would create a two-year, \$60 million grant program from the federal Historic Preservation Fund. For repairing damaged historic properties.
- Funds could be used for preservation projects and planning, including the preservation, stabilization, rehabilitation, and repair of historic structures and sites listed in or eligible for the National Register, and state Main Street for business and technical assistance for Main Street districts.
- Projects that receive insurance payments and other state or federal credits or grants are eligible for Historic Preservation Disaster Relief Grants, but must clearly demonstrate that these funds will be used for projects not fully covered by insurance or other state or federal funding sources.

- Grants would be administered by the State Historic Preservation Officer in each State and would be available to non-federal owners of National Register or National Register-eligible properties including, individuals, non-profit organizations and developers.
- A non-federal match would not be required.

3. Waivers to the Existing Historic Preservation Tax Credit for Commercial Properties

- Provide a reasonable period of time to place properties back into service to avoid recapture penalties. Recapture of the credit should not apply if a property is repaired and placed back into service within a reasonable period of time, and that for properties damaged by Katrina, that period will be at least three years, or longer as circumstances warrant.
- Permit property owners to use the \$5,000 minimum threshold for hurricane-related repair work. All building owners repairing Hurricane-Katrina-related damage should be treated as having satisfied the substantial rehabilitation test if they spend in excess of \$5,000 on qualifying basis eligible expenditures, irrespective of their prior adjusted bases in the buildings.
- Waive recapture for properties destroyed by Hurricane Katrina. Hurricane Katrina caused such widespread devastation that some properties have been completely destroyed. Others have not suffered a total casualty but have irreplaceably lost their historic integrity. In either case, owners of such buildings still in the five year recapture period are subject to recapture. This rule creates a double loss for these owners and will diminish the resources that they can draw upon to help rebuild the region generally.
- Waive recapture for properties subject to default. A foreclosure, deed in lieu of foreclosure or other transfer in connection with the satisfaction of defaulted obligations to a lender triggers recapture, again creating a double loss to property owners. We request that recapture be temporarily waived with respect to buildings that are disposed of for the benefit of a lender in connection with a borrower default that occurs during the next twelve months.
- Permit property owners to treat rehabilitation costs as capital expenditures. Only rehabilitation expenses that are capital costs (i.e., not currently deductible) are eligible for the credit. This will eliminate investor uncertainty and pave the way for syndicated tax credit equity to flow into projects as a source of financing repairs.
- Permit property owners additional time to complete rehabilitation projects. In general, qualifying rehabilitation expenditures must be incurred within a 24-month period. Owners should be permitted to use the 60-month rule for rehabilitation projects that were underway prior to the hurricane or that include repair of hurricane damage.