Final Report on the Implementation of Program Review
Recommendations and Action Plan

The Tax Reform Act of 1976 first established Federal tax incentives for rehabilitating historic buildings. In its report on this law, the Joint Committee on Taxation of the United States Congress declared, “Congress believes that the rehabilitation and preservation of historic structures and neighborhoods is an important national goal.”

The Federal Historic Preservation Tax Incentives Program has been instrumental in promoting historic preservation and community revitalization through historic rehabilitation, and it is the largest and most effective Federal program specifically supporting historic preservation. Since its inception in 1976, the program has generated over $78 billion in private investment in historic rehabilitation, counting over 41,250 completed projects.

The program provides for a 20% tax credit (commonly referred to as the Federal Historic Tax Credit) for the substantial rehabilitation of income-producing historic buildings. The program is administered by the National Park Service (NPS) and the Internal Revenue Service, in partnership with the State Historic Preservation Offices. The NPS certifies that a building is a historic structure, and therefore eligible for the program, and that its rehabilitation is consistent with the building’s historic character. The Secretary of the Interior’s Standards for Rehabilitation are the basis for this determination. Developed by the NPS, these Standards are widely used throughout the country at the local, state and national levels. Only rehabilitations consistent with the property’s historic character can qualify for the Federal tax incentive. The Technical Preservation Services (TPS) office administers the program on behalf of the NPS.

Through the program, abandoned or underutilized schools, warehouses, factories, commercial buildings, churches, retail stores, apartments, hotels, houses, agricultural buildings, and offices throughout the country, and particularly in economically depressed areas, have been given new life in ways that maintain their historic character. Properties in the program have often been vacant for years, or even decades, and are in highly deteriorated condition. Past analyses of the program have found that about two-thirds of all projects nationally were in neighborhoods at or below 80% of area median family income.

The program stimulates economic growth and supports community revitalization, job creation, affordable housing, small businesses, farms and Main Street development, among other economic benefits. Over 2.36 million jobs have been created by the program since its inception, and these jobs tend to be local, and more high skilled and higher paying than new construction. Over 146,000 low and moderate income units have been created under the program.

Introduction

On January 25, 2013, then-Secretary of the Interior Ken Salazar and Senator Carl Levin hosted a meeting in Detroit, Michigan, with economic development, real estate and design professionals
and other stakeholders to discuss ways in which the Federal Historic Preservation Tax Incentives Program can help spark development in communities that have faced significant long-term economic challenges. The Secretary was also joined by Federal Housing Administration Commissioner Carol Galante, NPS Deputy Director Peggy O’Dell and Associate Director Stephanie Toothman, Michigan State Housing Development Authority Director Scott Woosley, and Brian Conway, the Michigan State Historic Preservation Officer.

At the meeting, Secretary Salazar announced that he had requested that the NPS conduct an internal review of the tax incentives program with the intent of ensuring that the program is maximizing opportunities to use historic preservation to promote economic development and revitalization of communities, especially in urban areas.

The Secretary asked that the review consider how the highly successful program might be improved, and specifically that it focus on ways to better promote the program to broaden the public’s understanding of its benefits and eligibility requirements; to strengthen program partnerships with the State Historic Preservation Offices and local communities; and to consider additional opportunities to increase the program’s utilization and effectiveness.

At the meeting the Secretary also announced to the attendees that additional comments could be provided in writing and submitted to the NPS for further consideration as part of this internal review. Written comments were received from developers, economic development, real estate and design professionals, preservation partners, and other stakeholders. Comments made at the meeting as well as those subsequently received by the NPS were considered as part of the internal review of the program.

On March 21, 2013, Secretary Salazar formally announced the results of the internal review conducted by the NPS internal review—one eight recommendations to maximize opportunities to use historic preservation to promote economic development and community revitalization, especially in urban and economically depressed areas. The eight recommendations and action plan have all been implemented, and this final report documents the actions taken and new guidance issued in their implementation.

**Recommendations and Action Plan**

The Secretary called for the greater promotion and utilization of the Federal Historic Preservation Tax Incentives Program in economically depressed areas, and asked that the NPS conduct an internal review focused on additional opportunities to improve the program and help revitalize these areas.

The NPS and the State Historic Preservation Offices, with whom the program is administered in partnership at the state level, already undertake a number of activities each year to promote the program and provide education and training on the program benefits and eligibility requirements for program users and the general public. More than half of the states also have a companion state historic tax credit program, and the State Historic Preservation Offices distribute
promotional materials, hold workshops and training activities, provide technical assistance, and coordinate with local communities in support of both programs.

The NPS publishes program materials, first-time user guides, widely-circulated reports with statistics on the program and its benefits, including an annual report by Rutgers University Center for Urban Policy on job creation and the economic benefits of the program, and other information in support of the program, and makes presentations and offers training at several national and state conferences each year. Since the release of the program review recommendations, a new fillable PDF version of the certification application has been made available, review fees are now billed electronically using the U.S. Treasury Department’s Pay.gov website, and a subscription email service for frequent program users has been launched.

The NPS is also issuing an updated version of The Secretary of the Interior’s Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring & Reconstructing Historic Buildings, last issued in 1995. The Treatment Guidelines have been revised and fully illustrated to ensure that they continue to reflect best practices in historic preservation, apply to 20th-century building types, materials, and systems now considered historic, and incorporate modern methods and technologies.

An expanded and redesigned website was launched in 2011 by TPS at www.nps.gov/tps with additional and detailed information on the historic tax incentives for program users and the general public, and new and updated guidance and information continues to be added to it. New content added in the last several years includes an online training version of the Sustainability Guidelines, additional tax credit project case studies, and a “Preservation-by-Topic” linked index to program guidance and publications. In the coming year, TPS will be launching a new web-based version of its Interpreting the Standards (ITS) publication series and moving new, revised and expanded content into the new format (“Digital ITS”).

In response to the Secretary’s call for the greater promotion and utilization of the Federal Historic Preservation Program in economically depressed areas—especially urban areas with high concentrations of historic properties whose rehabilitation could have a positive and catalytic impact—the NPS made eight recommendations and an action plan.

The recommendations included some additional targeted program promotion, outreach, education, and training; strengthened partnerships with other Federal agencies, State Historic Preservation Offices, local communities and stakeholders; and possible changes to program guidance and other service delivery improvements for program users. In developing the recommendations, consideration was given to the intent of the review, the actions likely to have the most positive impact, and the need to prioritize and take into account existing resource levels.

What follows summarizes the actions taken in the implementation of each action item. A number of the recommendations were implemented soon after their release. Others have involved further consultation with the respective Federal agencies, the State Historic Preservation Officers, and other preservation partners and stakeholder representatives before final implementation.
Action 1  

Additional Webinars and Training

The NPS (NPS) launched a regular webinar series in 2013 for tax incentives program users, State and local partners, and the general public. The series includes quarterly webinars on the tax incentives program intended for first-time users as well as regular webinars on related topics, guidance, and other technical preservation information. Some 2,500 people have participated in the webinars to date. In the coming year, recorded versions of webinars will be also available from the website to download anytime.

The NPS also increased the number of trainings and workshops it conducts in support of the tax incentives program, typically now presenting at about two dozen different conferences and other events each year at the local, state, and national levels. In the past year alone the NPS participated in the National Preservation Conference, the National Main Street Conference, the National Alliance of Preservation Commissions’ 2016 Forum, two tax incentive industry events, and numerous state and local preservation conferences and workshops.

Action 2  

Strong Cities, Strong Communities Initiative

The NPS partnered with the White House Council on Strong Cities, Strong Communities (SC2) to promote greater use of the NPS tax incentives program. Specifically, the NPS worked with the SC2 Community Solutions Team in Detroit, which partnered with the Michigan State Historic Preservation Office and held well-attended workshops for interested local partners and program users. The NPS offered technical assistance to the SC2 program and cities as requested and will continue to do so as the work of SC2 and other relevant place-based programs continues under the auspices of the newly-formed Community Solutions Council.

In 2015, the NPS launched an “Urban Agenda” for developing more intentional, collaborative, and sustainable working relationships between national parks, NPS partnership programs, and cities that can be shared across the country. The Urban Agenda highlights youth connections, outdoor recreation, historic preservation, economic vitality, health, and urban design and sustainability. The NPS selected ten cities to be model cities as part of the program, each with an Urban Fellow to work in the cities and serve as a catalyst and connector for the cities, parks, and programs. TPS has been providing training, technical support, and assistance on the tax incentives program to the Urban Fellows.

Action 3  

Tax Code Issues

Immediately after the issuance of program review recommendations, the NPS reached out to the U.S. Department of the Treasury and the Internal Revenue Service (IRS) to discuss the issues raised at the January 25th meeting, as well as in other forums, related to tax policies that may restrict appropriate usage of the tax
incentives. The NPS has continued to meet and communicate regularly with Treasury and the IRS, including participating in joint-meetings with stakeholder groups. Since the release of the program review recommendations, the IRS issued new guidance in support of the tax incentives program—a much-requested revenue procedure establishing “safe harbor” for partnership allocations of Internal Revenue Code Section 47 rehabilitation credits by a partnership to its partners; and, most recently, temporary regulations relating to the income inclusion rules under Internal Revenue Code Section 50(d)(5) that apply to a lessee of investment credit property when the lessor elects to treat the lessee as having acquired the property.

**Action 4**  
*HTC Federal Inter-Agency Group*

After further consideration, the NPS determined that a historic tax credit inter-agency group was not needed. Instead, the NPS has established stronger partnerships and more regular communication with the U.S. Department of Treasury, the IRS, the Department of Housing and Urban Development, the White House Council on Strong Cities, Strong Communities, the Department of Energy, and the Environmental Protection Agency to better coordinate, as necessary, on issues related to the tax incentives program. The NPS has also been working with these departments and agencies on specific projects and initiatives when the opportunities arise.

**Action 5**  
*Certified Local Governments and Local Partners*

The NPS has strengthened its partnerships with State Historic Preservation Offices, local communities and the Certified Local Government Program (CLG), and the Main Street program to promote the tax incentives program in economically depressed areas. The NPS holds regular trainings and webinars in support of the program for the State Historic Preservation Offices (SHPO), and this year is launching a new training and several small-group, topic-specific workshops in addition to the regular, in-person program training held for NPS and SHPO staffs every other year. SHPO staffs also participate in the development and review of program and other guidance as well as in training, workshop, and webinar presentation on the program.

The NPS has offered training on the tax incentives program and technical preservation topics at the national conferences for the National Trust for Historic Preservation, the Main Street Program, the National Alliance of Preservation Commissions, and the American Institute of Architects. The NPS has also conducted webinars on the tax incentives program for Certified Local Governments (CLG) and National Heritage Areas, and, in a pilot effort, several CLGs attended the biennial training that the NPS holds for the SHPOs.

**Action 6**  
*Clarification of Guidance in Interpreting and Applying the Secretary of the Interior’s Standards for Rehabilitation*
The NPS, in consultation with the SHPOs, historic preservation partners, and other stakeholders, reexamined its interpretation of the Standards with the goal of identifying additional opportunities to provide greater clarification and/or flexibility in addressing especially challenging projects in the following areas:

- Differentiating between levels of significance in interior spaces and making changes to secondary spaces
- Making changes to certain types of assembly spaces as part of adaptive reuse projects
- Applying Standard 1 in cases of continuing historic use, where modern needs may necessitate specific interior changes
- Identifying changes to a historic building that have occurred over time and have acquired historic significance in their own right
- Applying Standard 2 to interior spaces, features and materials in highly deteriorated condition

After further consideration, the NPS decided to issue new guidance for four of these five topic areas. This guidance is available on the program website and is included as an appendix to this report. The NPS will conduct trainings on this new guidance for the SHPOs and other stakeholders in the coming months.

The NPS determined that for the fifth topic area, pertaining to adapting assembly spaces to new uses, no new guidance was needed. Based on comments from the SHPOs, partners, and other stakeholders, what was instead needed is more information on applying the existing guidance and examples of what has been approved pursuant to it. As part of the new “Digital ITS” to be launched in the coming year, additional information and examples for this topic area will be developed and included.

**Action 7**  
*Policy on Buildings Functionally Related Historically*

The NPS, in consultation with the IRS, SHPOs, historic preservation partners, and other stakeholders, reexamined its guidance on how rehabilitation work within large, functionally-related multiple-building complexes in single ownership is reviewed and certified by the NPS. After further consideration, and working closely with these different partners and stakeholders, the NPS issued new guidance on when buildings functionally related historically may be treated as separate projects. This guidance is available on the program website and is included as an appendix to this report.

**Action 8**  
*Administrative Guidance*

The NPS, in consultation with the SHPOs, historic preservation partners, and stakeholder representatives, reexamined its guidance as it pertains to the following:
- Improving the preliminary consultation process
- Reducing review times for routine project amendments

The NPS revised its guidance on the preliminary consultation process, clarifying when preliminary consultations are appropriate and how the process works. Regarding review times for routine project amendments, due to the continuous increase in program activity over the past several years and the limited staffing resources at both the NPS and SHPO levels, no change is possible in this area, but NPS and SHPO staff are strongly encouraged to expedite the review of routine individual project amendments whenever possible.

In concluding this report, the NPS reiterates the importance of applicants submitting tax incentive applications for proposed work early and waiting to receive approval from the NPS prior to starting work. The majority of denials under the program are due to construction work well underway or completed prior to review. Applicants who undertake rehabilitation projects without prior approval from the NPS do so at their own risk. Some states with state tax credit programs, as well as other local, state and federal programs, require prior review of applications before work is begun.

Also, the NPS notes that in areas with a new or expanded state or local historic tax credit, Federal tax credit application activity has typically increased; in areas where a state or local tax credit has been eliminated or its use restricted, Federal application activity has typically decreased. State and local tax credits, when available, generally improve the utilization and effective of the Federal historic credit in economically depressed areas.

National Park Service
U.S. Department of the Interior
Technical Preservation Services
www.nps.gov/tps
Continued Historic Use and Standard 1

Standard 1 of the Standards for Rehabilitation states that "A property shall be used for its historic use or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment." The use of a historic property can greatly impact its historic character, depending on the changes necessary to continue its historic use or adapt it to a new use.

Many rehabilitation projects certified as part of the historic tax credit program do not involve a change in use. A rehabilitation that continues the historic use of a building often requires minimal changes to the property and, therefore, to its historic character. In some instances, the changes required to continue the historic use and meet modern needs can be more substantial—in which case, adapting the building to a new use that necessitates fewer changes may comparatively have less impact on its historic character. Standard 1 requires that however a property is to be used, the use require minimal change to its historic character.

The historic use of a property is usually closely associated with the property’s historic character and significance and reflected in such aspects as the design, features, spaces, and materials of the property—and not just in such instances as a theater or stadium, where the historic use is particularly integral to the property’s character, but in many, if not all, types of properties. This can be particularly true in cases where the historic use and character of the property are closely connected, such as a resort property, a factory complex, or even a barn, and the use remains uninterrupted up to the present day and will continue through the proposed rehabilitation. A continued or reestablished historic use, when possible, can often enhance how the property is experienced and its significance understood in preserving its historic character.

The individual changes that a continued historic use may require—even in instances where such changes may not be otherwise acceptable in another rehabilitation context—can often be accommodated, when sensitively planned and executed, as long as the overall effect of all work is consistent with the property’s historic character. (See also “Cumulative Effect and Historic Character.”) Such changes should be the minimum necessary in number and extent of the change for the continued historic use and have the least impact on the property’s historic character.

Examples of such changes in the context of a continued historic use include: changes to industrial and manufacturing buildings related to accommodating special safety, environmental and other regulatory requirements, or changes in the current manufacturing processes; floorplan changes to residential buildings with especially small room sizes, or that lack private bathrooms or other support spaces, such as single-room occupancy buildings, convents, some YMCAs, and other buildings with small dormitory-type rooms; and enlargement of opening sizes necessitated by changed equipment or equipment sizes, such as for a barn door or a freight entrance to a warehouse. Other examples include: floorplan changes to post-WWII ‘spec’ office buildings designed with flexible floor layouts that have not been repetitively subdivided, and which do not otherwise have distinctive walls, partition systems or other interior features; and changes to movie palaces and theaters to address deficient receptions areas, bathrooms and concessions or for required ingress/egress and backstage spaces.

Again, changes should be the minimum necessary for the continued historic use and have the least impact on the property’s historic character. It may be difficult to make less essential, but what may be otherwise desirable, changes as part of continued use without negatively impacting the property’s character.

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Acquired Significance and Standard 4

Standard 4 of the Standards for Rehabilitation states that “Most properties change over time; those changes that have acquired significance in their own right shall be retained and preserved.” Materials, features, and spaces do not need to be original to be considered “historic” and “character-defining.” A property can be significant not only for the way it was originally constructed or crafted, but also for the way it was adapted at a later period or illustrates changing tastes, attitudes, and uses over a period of time. Buildings change over time, and these changes often contribute to a property’s historic significance. If a change is important in defining the property’s historic character, the change should be retained and preserved.

Changes should be carefully evaluated for their relative importance to a property’s overall historic character. A change is not automatically considered to have acquired significance just because it occurred within the property’s period of significance or by virtue of the change’s age (for example, just because a change is more than fifty years old). Also, a change important to the historic character of one building may not be similarly important to the character of another building, and some changes may have little or no historical and architectural merit or may otherwise not be sufficiently important that they have to be retained in order to preserve the overall historic character of the property.

An addition to a school to accommodate growing enrollment may be important when the property is significant for its associations with the history of education in the community. A front porch added to a single-family residence important for its architecture may be significant depending upon when it was added, its architectural character, and condition. An exterior or interior remodeling of a commercial building may be important to the historic character of a building associated with a particular person or with the later commercial development of a neighborhood or area. Some changes may also be important for reasons apart from why the property is otherwise significant. For example, a later structural glass storefront may be important as an example of an architectural style, or a tenant space may be significant for its associations with an important later historic event or use.

Conversely, a later change to a building may not be significant if the property is important as an example of a specific architectural style or the work of a particular architect. An individual storefront change to a multi-storefront commercial building or changes made for a particular use or tenant may not be as important, depending upon the extent to which they contribute to the property’s historic character. A minor addition on the rear or side of a property may not be sufficiently important that it must be retained, and interior changes of a limited impact to the historic character of a property’s important interior spaces, features, and materials may not be significant.

A change needs to be evaluated within the context of the specific historic property, the property’s materials, spaces, and features, and why it is significant to determine the change’s relative importance to the property’s overall historic character and whether the change should be retained and preserved. For contributing buildings in historic districts, a change needs to be evaluated within the context of the historic building itself, as well as the district. Evaluations should be made on the basis of the property’s National Register of Historic Places nomination, if the property is already listed, as well as other documentation, research, and information as needed.

For listed properties, the National Register nomination will describe why the property is significant and will typically identify a period of significance. This stated period of significance should generally be used in evaluating the relative importance of a change to the property and its historic character. Some older
nominations, however, may not have a defined period of significance, and other nominations may have an open-ended one. The available National Register documentation may not have addressed the importance of a later change—whether having occurred inside or outside the period of significance—that has acquired significance in its own right. Also, the documentation may not be conclusive, particularly for districts, and supplemental information on the significance of the specific property and change being evaluated may be required. (In some instances a determination that a later change is significant should be reflected in the formal submission of an Additional Documentation form from the State Historic Preservation Office to the National Register or through a Supplementary Listing Record by the National Register staff.)

The relative importance of a change to the historic character of a property remains specific to that individual property, as well as to how it contributes to the district if in a district. Again, a change is not automatically considered to have acquired significance just because it occurred within the property’s period of significance or due to its age.

Wanting to return a property to its original appearance is not adequate justification by itself to remove later changes and may not meet the Standards for Rehabilitation if it requires the removal of later materials, features, or spaces that have acquired significance in their own right. Other times these later changes may not be as important and can be removed without impacting the historic character of the property.

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Standard 2 of the Standards for Rehabilitation states that “The historic character of a property shall be retained and preserved. The removal of historic materials or alterations of features and spaces that characterize a property shall be avoided.” Character refers to all those visual aspects and physical features that comprise the appearance of every historic building and allow it to convey why it is important. Just as with the building exterior, site, and setting, deteriorated character-defining interior spaces, features, and materials should be retained and preserved, and when beyond repair replaced to match, consistent with Standards 5 and 6.

Deteriorated interior spaces, features, and materials need to be evaluated within the context of the specific historic property and why they are significant to determine their relative importance to the property’s overall historic character and, therefore, whether they should be retained and preserved. Some spaces, features, and materials may be too deteriorated to be repaired. Historic character is, however, generally not readily lost through deterioration, and deteriorated historic spaces, features, and materials should generally be replaced to match when they are beyond repair.

In some instances, interior spaces may be so highly deteriorated or altered to convey little to no historic character, and the integrity of a space and its ability to convey its historic associations may be compromised or irretrievably lost. Such spaces may often be more readily altered than other spaces of a property that retain a high degree of integrity. A ballroom heavily damaged in a fire may be so deteriorated that it conveys no or little historic character to a hotel building or may be less important than other similar primary interior spaces in the building that remain more intact. In such cases, it may not be necessary to repair, replace, or even retain the space’s component historic features, depending upon the integrity of the space and the importance of the space and its features to the overall historic character of the property. Replacement features and materials would need to be compatible with the property’s overall historic character.

Conversely, if a property’s other spaces do not retain higher integrity or are of lesser importance to its historic character, a deteriorated space or one that otherwise lacks architectural character may still be sufficiently important that it should be retained and preserved regardless of its condition. For example, the main meeting space in a small fraternal hall or an assembly space expressed in the exterior design of a YWCA building (e.g., with tall windows), even if highly deteriorated, may still be significant to the historic character of the property due to its important associations. A ballroom that was the main or only remaining such space of a hotel may still be important to conveying the historic character of the property, even if the entirety of its features and materials are highly deteriorated and unrepairable, or even irretrievably lost, or the space altered and less intact.

Depending upon the importance and relative integrity of a severely deteriorated space and its features, the space itself may be more important to the building’s historic character to retain and preserve due the space’s historic associations even though its component features and materials may be themselves so highly deteriorated that their integrity is irretrievably lost. In such cases it may be necessary to retain and preserve the overall space, but not its, or all of its, surviving features and materials. Replacement features and materials within the space would still need to be compatible with the property’s historic character.

As with interior spaces, deteriorated interior features and materials need to be evaluated within the context of the specific historic property, whether they are in primary or secondary spaces, and why they are significant to determine their relative importance to the property’s overall historic character and, therefore, whether they should be retained and preserved. Some features and materials, even if in highly deteriorated condition, may be
important to the historic character of the property and still convey important historic associations, and therefore must be retained and preserved. In other instances the features and materials may be too deteriorated to be repaired accurately, no longer retain sufficient integrity to convey their historic associations, or be of less importance to the historic character of the property, and therefore may not need to be retained. For example, a surviving section of a deteriorated plaster frieze may be important to the historic character of a parlor in a residence, regardless of the space’s condition, but of lesser importance in a secondary space, and therefore not as important to retain.

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Historically-Finished Secondary Spaces—Avoiding Problematic Treatments at Project Completion

Secondary interior spaces that have been previously modified and lack important architectural features or finishes are usually less critical in defining a building’s importance. While these spaces still help define a building’s historic significance and character, they also provide more opportunities for changes necessary to convert a building to a new use. Such changes must not, however, alter the historic and architectural character of the spaces to the extent that they negatively impact the overall historic character and appearance of the property. (See related guidance on Changing Secondary Interior Spaces in Historic Buildings.)

Historically-finished secondary spaces that have been previously modified and lack important architectural features or finishes, but that remain finished spaces at the start of a project, still contribute to the overall historic character and appearance of a building. Once work is begun on these spaces—such as anticipatory demolition, removal of non-historic finishes, or installation of new plumbing or mechanical systems (whether to serve these or other spaces of the building)—the spaces must be returned to a finished character at the completion of the project. Removing interior finishes and leaving structural systems or components exposed in a building that had finished spaces historically, such as in a school, office building, or apartment building, will change the building’s character and give it an appearance it never had historically, and, therefore, will not meet the Secretary of the Interior’s Standards for Rehabilitation (the Standards).

The examples below address some common problematic issues concerning unfinished conditions in secondary spaces of otherwise completed rehabilitation projects submitted for final certification (Part 3). Such work—whether the result of planned work not yet undertaken (e.g., a tenant space without a tenant), work not undertaken as approved in the Part 2 application, or work with unplanned effects (e.g., new plumbing or mechanical equipment serving the floors above that is not concealed within interstitial spaces, as originally proposed, and left exposed)—can cause a project to not meet the Standards. This work should be anticipated, planned for in advance, and coordinated during construction to avoid any issues at project completion. Otherwise, certification of a project may be jeopardized or remedial work may be required for a project to be certified.

Unless otherwise noted, the examples assume that the space being described is a historically-finished secondary space that was previously modified, lacks important architectural features or finishes, and remains a finished space at the start of the project. Further guidance and examples can be found using the Preservation by Topic index.

Example 1. Exposed brick or stone walls, structural elements, or ceilings in upper-story secondary spaces that were historically finished.

Removing plaster or other finishes to expose portions of brick or stone walls, structural elements, or ceilings in historically-finished, upper-story secondary spaces will, in general, negatively impact the overall historic character of a property. Exposing portions of walls, ceilings, or other features, whether on
a single floor or scattered throughout the building, or creating a distressed or deteriorated appearance is unlikely to meet the Standards and may therefore require remedial work for a project to be certified.

Depending on the character of the building, the relative importance of the secondary space(s), and the extent to which all the other completed work meets the Standards, there may be instances that such work, if discrete and limited, may not preclude the overall project from meeting the Standards. In such instances, for example, the treatment should be limited and incidental in the context of the secondary spaces and the overall project, not affect the appearance of any nearby important historic features or materials, and generally not be highly visible from the exterior of the building or from primary interior spaces or non-historic public areas.

**Example 2. New mechanical, electrical, and plumbing (MEP) systems in secondary spaces that were historically finished.**

New MEP systems in historically-finished secondary spaces, whether to serve the spaces themselves or adjacent spaces, should generally be concealed in order to preserve the historic character and appearance of the spaces and the building. Using existing soffits, chases, shafts, and interstitial spaces, where possible, is recommended. Constructing similar new features may also be possible without negatively impacting the historic character of the space or creating new features readily visible at windows from the exterior of the building. Examples include creating a new soffit in a secondary space behind a corridor wall to accommodate new HVAC ductwork or lowering a flat ceiling several inches, but still above the top of window openings, in order to accommodate new plumbing or ductwork.

In other instances, some exposed new plumbing such as a sprinkler system or mechanical ductwork may have less impact on the historic character of a secondary space and the overall building than concealed plumbing and ductwork—if painted, simply configured, and sensitively designed, sized, and located to be as visually unobtrusive as possible. [This may be true as well for secondary spaces that do retain historic features and finishes, such as those with expressed structural systems or highly ornamented plaster ceilings.]

For example, installing a large soffit in a secondary space may more negatively impact the historic character and appearance of a space than exposed plumbing or ductwork if it is sensitively designed and located. Similarly, lowering a ceiling to accommodate new plumbing or ductwork, depending on the depth required, could change character-defining ceiling heights of the building or proportions of the space. Also, lowering a ceiling below the top of the windows could create soffits visible from the exterior of the building and impacts its appearance.

Exposing ceiling penetrations in a secondary space in order to accommodate plumbing for the floors above can negatively impact the historic character of the space and the overall building. New ceiling penetrations must almost always be concealed. Even in secondary spaces that lack important architectural features and finishes, exposed ceiling penetrations, unless very few and very visually unobtrusive, will rarely meet the Standards because of their impact on the character and appearance of the space and the overall building.

**Example 3. “White box” condition in secondary (tenant) spaces that were historically finished and for which a tenant has yet to be identified.**

The rehabilitation of historically-finished secondary spaces as part of an overall rehabilitation project, even when the spaces lack important architectural features or finishes, must still be carefully planned and considered. Once features, finishes, and materials have been removed from such spaces as part of a project, the spaces must generally be returned to a finished condition at completion of the project for the
historic character of the spaces and the overall property to be preserved. In most such instances, a “white box” condition with a finished ceiling, walls prepped for painting, and concealed electrical and mechanical systems (even if how the systems are concealed is temporary until the actual tenant build-out) will be necessary to return a space to a finished condition necessary for Part 3 certification.

In some limited instances, leaving a secondary (tenant) space unfinished, such as one in a large, multi-story downtown office building, may not negatively impact the overall historic character of a building and the ability for a Part 3 certification to be issued. Conversely, an unfinished tenant space in a smaller building, such as a secondary (tenant) space on the second floor of a small two-story Main Street commercial building, would generally have a greater impact on the historic character of the building and likely preclude certification.

In the context of an overall project that otherwise meets the Standards, the extent of any unfinished conditions in such secondary spaces must be minor, not highly visible, and relatively incidental in the context of the specific floor(s) of the building, and the overall building generally. In all instances, other work that has been undertaken in the space(s) (e.g., completed mechanical ductwork and ceiling penetrations as described in the above examples) must be consistent with the description of work approved as part of the Part 2 application for the project. Once a use or tenant has been identified for the space, the proposed tenant build-out must be submitted for NPS review if it is to be undertaken within five years of completion of the project.

[Ground-floor tenant spaces are generally not considered to be secondary spaces, but this “white box” example may be true as well for such spaces that were similarly historically finished spaces but previously modified, lack important architectural features or finishes, and remain finished spaces at the start of the project.]

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Functionally Related Buildings – Additional Guidance for Multiple-Building Projects

Introduction

Under the National Park Service (NPS) regulations (36 CFR 67.4(e) and 36 CFR 67.6(b)(4)-(5)), historic buildings that are determined to be “functionally related historically” are treated as a “single certified historic structure” for the purposes of certification when rehabilitated as part of an overall project. Certification of a completed rehabilitation for such a group of buildings is “issued on the merits of the overall project rather than for each structure or individual component.”

A determination of whether a project includes buildings functionally related historically is made by the NPS on a case-by-case basis, dependent on the specific facts and circumstances of the rehabilitation project. NPS guidance on functionally related structures identifies the criteria to be used to make such determinations as well as a lengthy list of property types and examples—such as a mill complex, a campus of institutional buildings, a military base, a public housing complex, a farm, or a residence with a carriage house.

Buildings that are functionally related historically are treated as one project for the purposes of certification, consistent with these regulations. Buildings owned by different legal entities may still be considered part of one overall rehabilitation project dependent on their beneficial ownership and control, as well as other facts and circumstances. Buildings owned by an unrelated party would generally be treated as a separate project.

In the many years since the establishment of the tax incentives program, the NPS has reviewed thousands of rehabilitation projects involving buildings functionally related historically throughout the country. Treating these multiple-building complexes as one project for the purposes of certification not only ensures that the historic character of the property is retained and preserved as part of the project, but also allows for additional flexibility in the review of such projects—as certification is based on the “cumulative effect” of the overall project, rather than on each building individually.

“Cumulative effect” when applied to multiple-building projects provides added flexibility, including some demolition, in limited circumstances, as identified in 36 CFR 67.6(b)(5). In these cases, work to an individual building that does not meet the Secretary of the Interior’s Standards for Rehabilitation, and would otherwise cause that individual building rehabilitation to not be certified, may still be certified for historic tax credit purposes as part of an overall project that meets the Standards.

Adapting and rehabilitating complexes of historic buildings can be challenging. Treating such complexes as one project for the purposes of certification allows flexibility in preserving the historic character of the overall property while still allowing the changes necessary to convert the buildings to a new use and the entire project to qualify for the tax credits. Without this flexibility for multiple-building complexes, historic buildings would likely be demolished or insensitively altered, and the rehabilitations of individual buildings otherwise part of a larger overall project to rehabilitate the property could be denied certification. Such demolition and insensitive alterations could also trigger revocation of certification and/or jeopardize the continued National Register-eligibility of multiple-building properties in some cases.
When Buildings Functionally Related Historically May be Treated as Separate Projects

The rehabilitation of buildings that are functionally related historically and in common or related beneficial ownership is generally treated as one project for the purposes of certification, and these buildings are certified by the NPS as one project after the rehabilitation of the final building in the project is completed. However, there are some limited instances as described below when the rehabilitation of such buildings may be treated as separate projects for the purposes of certification.

A determination by the NPS that the rehabilitation of functionally related buildings may be treated as separate projects is generally made at the beginning of the overall project and is based on the facts and circumstances of the overall project relative to this guidance and the provided examples. This guidance also assumes that the entire property in common or related beneficial ownership will be rehabilitated as a certified rehabilitation project or projects and that the effect on the property’s overall historic character would be no different whether rehabilitated as one or more separate projects.

When treated as separate projects, the certification of each project will be issued independently of one another, with each project required to meet the Standards on its own merits to be certified (i.e., not based on the cumulative effect of all the work proposed to the entire property). Any other work undertaken on the property during or within five years of completion of any individual rehabilitation project, even if such work is part of a separate rehabilitation project, would still need to be submitted for review by the NPS and could affect the certification of other prior, current, or planned projects. As with any rehabilitation project, a certification may be revoked within five years of completion of the project for work not undertaken as represented by the owner in the Part 3 application or for work undertaken after certification that is inconsistent with the Standards (36 CFR 67.6(e)). Additionally, a property that is determined to have lost the qualities for National Register listing may be de-listed, and a building that is determined to have lost the qualities to be designated a certified historic structure may be certified as non-contributing (36 CFR 67.6(f)).

Owners of buildings functionally related historically must include with their Part 1 applications a site plan showing all the buildings and ownership information for the entire historic property, whether or not in common or related beneficial ownership. For those buildings in common or related beneficial ownership, the applications must also include exterior and interior photographs of the buildings (whether or not work is proposed to the individual building), the timing of the work for each building (i.e., the estimated start and completion dates), and other such material identifying the facts and circumstances (e.g., the construction dates and historic uses of the individual buildings) as they may relate to this guidance and the specific examples below.

The NPS strongly encourages that projects for which this guidance may be applicable be discussed with the State Historic Preservation Office (SHPO) on a preliminary consultation basis prior to submitting a Part 1 application so that the SHPO can advise the owner and discuss the project with the NPS if necessary. The information identified in the preceding paragraph should be provided to the SHPO for a preliminary consultation.

If this guidance is applicable to the project, the owner must elect whether to submit the proposed rehabilitation as one or multiple projects at the start of the rehabilitation. This guidance cannot be applied retroactively. An owner cannot assume that the proposed rehabilitation of a multiple-building complex will be treated as separate projects for the purpose of certification based on this guidance. Such decisions will be based on the specific facts and circumstances of the individual project and are solely at the determination of the NPS in its review of the project’s Part 1 and 2 applications.
The examples accompanying this guidance are meant to be read and applied in toto, as the applicability of one or more examples to the facts and circumstances of any individual project will vary. Some of the examples are dependent on meeting a planned minimum “gap” period between separate projects during which no rehabilitation work is occurring on the property. It is the owner’s responsibility to ensure that each project’s scope and timing are undertaken consistent with this guidance and the Part 1 and 2 applications as approved; otherwise, this guidance may not apply to the project, including whether a project continues to qualify as a separate project for the purposes of certification. Separate rehabilitation projects must meet the Standards on their own merits and cannot take into account the cumulative effect of prior or other work undertaken as separate certified projects. When unforeseen circumstances arise involving a project (such as unanticipated market or financing conditions illustrated in the examples below that has already received a Part 2 decision by the NPS), any request to change the scope of the project should be made in an amendment to the Part 2 application.

A “Gap” Between Projects

Functionally related buildings in common or related beneficial ownership rehabilitated as part of a larger overall project may be treated as separate projects for the purposes of certification when there is a substantial break in rehabilitation activity—i.e., a minimum period of one year during which no rehabilitation work is occurring on the property.

**Example 1.** Six buildings of a ten-building historic factory complex are proposed to be rehabilitated and two new buildings constructed on the property over a three-year period (Years 1 to 3). The rehabilitation of the remaining four buildings is planned to commence one year later (Year 5). No work will be occurring on the property in Year 4. The first group of six historic buildings, the new construction, and any other work proposed for the property in Years 1 to 3 may be submitted as one rehabilitation project, and a Part 3 certification issued after completion of the project. The rehabilitation of the other four buildings and any other work to then occur to the property in Years 5 and later would be submitted as a separate rehabilitation project, with new Part 1 and 2 applications and a new project number. The second project would receive a separate Part 3 certification, provided that there was a minimum period of one year between the completion of the first project and the start of the second during which no rehabilitation work occurred on the property. If the work that is part of the later project does not meet the Standards, it could impact the certification of the first project since the work is occurring within five years of completion of the first project.

**Example 2.** A mill complex of eight buildings being rehabilitated for housing received a Part 2 approval. Five buildings were completed before the project stalled because of a weak housing market, and work on the other three buildings had not begun. Eight months after the completion of the first five buildings, the owner requested a Part 3 certification for the project, indicating that work on the remaining three buildings was not scheduled to begin for another 6 months (thus, a 14-month break in any rehabilitation activity occurring on the property). The NPS could issue a Part 3 certification for the five buildings, and the remaining three buildings could be treated as a new, separate project (new Part 1 and 2 applications would need to be submitted and a new project number assigned). When the rehabilitation of the remaining three buildings is completed, a separate Part 3 certification could be issued. As separate projects, both projects would have to meet the Standards independent of the other to be certified (i.e., not based on the cumulative effect of the work to all eight buildings).

**Example 3.** Abatement work was completed on a project of five functionally-related historic buildings and included the removal of ceilings that were located only on the ground floor of each building and were character-defining features of what historically were finished spaces. The
rehabilitation of three of the buildings was completed in accordance with the Standards when the owner encountered financial problems and decided not to undertake the rehabilitation of the remaining two buildings. The owner submitted a Part 2 amendment to change the scope of the project along with a Part 3 certification request—but was informed by the NPS that historically compatible new ceilings would need to be re-installed in the two buildings where work was begun, but had not proceeded, before the NPS could certify the project. The owner would have to complete this remedial work in order for the project to be certified. If the ceilings had not been character-defining and the spaces unfinished historically, no additional work would have been required for Part 3 certification.

**Large and Diverse Historic Properties**

The separate guidance developed for [Very Large and Diverse Properties Listed in the National Register as Historic Districts](#) may also be applied to other large functionally-related complexes where certain structures, sites, and environments functioned in effect as separate properties; and for which structures, sites, and environments are considered to have been “functionally related historically” in a geographically distinct usage-related grouping.

While the number of buildings alone is not a sole determinant for this guidance to be applicable, such complexes would typically have a large number of buildings, and ones serving different and diverse uses (i.e., a large and diverse property), for this specific guidance to be applicable. To be treated as a separate project for the purposes of certification, the group of buildings must have functioned together historically as a geographically discrete, related grouping. For example, a mill would not typically be considered a large and diverse property by itself, while a mill complex with separate workers housing might be. Military bases and medical, university, corporate, and other institutional campuses are typically examples of these properties.

Individual projects that are part of a large and diverse historic property would generally be certified separately and independently from one another. Work that does not meet the Standards undertaken as part of one project would generally not impact the certification of another project. However, if the work does not meet the Standards to the extent that it impacts the qualities that caused the property to be nominated to the National Register or, for example, the setting and environment of the individual buildings of another project, it could impact the certification of other projects and/or the certification of their individual buildings as certified historic structures if the work occurs within five years of any approved project’s completion (pursuant to 36 CFR 67.6(f)).

**Example 4.** A large, 20-building, former auto-manufacturing complex listed on the National Register of Historic Places was historically owned by one company, yet operated as two separate car divisions, each with their own separate, geographically discrete production facilities. While the buildings on the site were functionally related (owned by one car manufacturer during the property’s period of significance), an owner may elect to submit a single application with one rehabilitation project covering all the buildings or two separate applications for each of the two separate production facilities. If separated into two projects, both projects would be treated as separate, independent projects for the purposes of certification, and work could overlap or occur on different construction schedules without impacting the timing of when either project could apply for certification.
Other Project Scenarios

The following are other examples of projects involving functionally related buildings that may be treated as separate projects for the purposes of certification based on the facts and circumstances described below, dependent upon the above guidance as well as the other factors identified herein.

- Functionally-related complex where the owner owns only part of the complex at the time substantial rehabilitation work begins, the rehabilitation project commences, and the owner later acquires one or more additional buildings in the complex.

  **Example 5.** An owner purchases five buildings in a historic institutional complex and begins a multi-year rehabilitation of the buildings as one rehabilitation project. Shortly after completing the rehabilitation of three of the buildings, and while work was finishing on the final two buildings, the owner acquires an additional building in the complex. Work on the newly-acquired sixth building will not begin until after the completion of the work on the last of the first five buildings. In this case, the NPS could decide to consider the newly-acquired sixth building to be a new project and not require a one-year break between projects. If work on this building was undertaken and did not meet the Standards, the new, separate project would be denied certification, and it could impact the certification of the original project since the work is occurring within five years of completion of the first project.

- Large functionally related complexes under common ownership and in continuous historic use (such as large factories, institutional campuses, and resort properties for which continued operation often depends on an ongoing, continual rehabilitation of the property). In such cases where the ongoing work involves the substantial rehabilitation of individual buildings or groups of buildings that are part of a large and diverse property, the NPS will take into account the specific facts and circumstances that relate to the needs of such a continuously operating property in whether to treat such work as separate projects for the purposes of certification. These factors include, but are not limited to, the scheduling of the rehabilitation work on individual buildings; the proximity, design, and function of the individual buildings; and the historic evolution of the property.

  **Example 6.** A 300-acre historic resort includes a large hotel building, a nearby conference center, 45 guest cottages built at different times and in scattered groups throughout the property, two recreation buildings, a stable, and a building used as employee housing—all of which are considered historic. The conference center is planned for rehabilitation, to be followed within a year by the rehabilitation of the first two groups of guest cottages. Maintenance and repair work is ongoing across the property. As part of what essentially is an ongoing rehabilitation effort at the resort, each geographically discrete grouping of cottages could be considered a separate and independent project for the purposes of certification, unrelated to the conference center rehabilitation. Depending upon the specific circumstances, work to other individual buildings or groups of buildings could also be treated as separate projects.

- Functionally related complexes under common ownership where the rehabilitation involves multiple buildings and will extend well beyond a 60-month phased-project time period.

  **Example 7.** The planned rehabilitation of a large factory complex is anticipated at the outset to take 9-10 years from start to finish of construction. Because plans call for the rehabilitation work to extend well beyond a 60-month phased-project time period, the rehabilitation of the buildings could be broken into two projects—with the buildings to be completed in Years 1-5.
comprising one project for the purposes of certification, and the work to the remaining buildings scheduled to begin and be completed in Years 6-10 comprising a separate project. In this instance (i.e., work extending well beyond 60 months), the two projects would not need to be separated by a one-year gap between projects when no rehabilitation work would be occurring on the property. A Part 3 certification could be issued for the work involving the first group of buildings at the completion of that work. If the work that is part of the later project does not meet the Standards, it could impact the certification of the first project since the work is occurring within five years of completion of the first project. Even if the owner decided not to undertake the rehabilitation of the second group of buildings as a tax credit project, any work to those buildings would still have to be submitted to NPS for review if it occurs within five years of completion of the first project and could, therefore, jeopardize the first project’s certification).

- Large housing complexes consisting of many separate or semi-attached houses or buildings, multiple streets, and shared land area under common ownership.

**Example 8.** A historic garden apartment housing complex consists of 100 buildings built in two separate, contiguous groupings. Initial work involves the rehabilitation of one of the two groupings. Work on the second group of houses will not start until shortly after the first group of houses is completed. Each group of houses could be treated as a separate project, with separate Part 1 and 2 applications, for the purposes of certification. The NPS would issue separate Part 3 certifications at the completion of each project if both rehabilitations are undertaken consistent with the Standards.

- Functionally related complexes where all the buildings were originally planned to be rehabilitated, but later, because of financing or other reasons, work was never initiated for some of the buildings and future plans for the buildings are uncertain.

**Example 9.** A former brewery complex consists of eight 3-story production buildings, an office building, a small power plant, a four-truck garage building, and a one-story bottle warehouse for shipping. Seven of the eight production buildings have been rehabilitated, one was demolished for parking (pursuant to 36 CFR 67.6(b)(5)), and work on the office building and power plant has also been completed. Work was never begun on the garage and bottle warehouse building, and no work is now planned for them due to changed market conditions.

(A) The owner submits an amendment to the Part 2 application to change the scope of the project to reflect that work is no longer proposed for these two unrehabilitated buildings. Completed work to date on the other buildings has been undertaken as originally approved by the NPS. The NPS could issue a Part 3 certification for the project since the amended overall project as completed meets the Standards.

(B) The NPS issued a Part 3 certification for the project. Two years after completing the project, the owner proposes to rehabilitate the bottle warehouse and demolish the garage building. The four-truck garage building is a small, secondary building located at the back of the property with little historic or architectural significance. Since the new work is occurring more than a year after completion of the original project, it may be submitted as a separate, new project for the purposes of certification. In this instance, demolition of the garage could be undertaken consistent with 36 CFR 67.6(b)(5)and not jeopardize certification of the new project or the prior project (since the work would be undertaken within five years of completion of the original project).
Functionally related complexes where the proposed rehabilitation cannot be treated as separate projects and still meet the Standards.

**Example 10.** An institutional campus consists of eight buildings proposed to be rehabilitated as two projects separated by a one-year period during which no rehabilitation work is to occur on the property. The second of the two rehabilitation projects involves demolition and other work to four of the buildings and the site. After discussing the project with the NPS, the SHPO advised the applicant that the demolition and other proposed work would prevent the second project from meeting the Standards. If all eight buildings were rehabilitated as one overall project, however, the rehabilitation could meet the Standards on a cumulative effect basis and be certified. The SHPO advised the owner to submit the rehabilitation as one project for the purposes of certification.

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Preliminary Consultations and Meetings

The National Park Service is available to provide advice in the early stages of project planning to the extent possible within its workload. This guidance applies to all requests for preliminary consultations and meetings about projects for which the Historic Preservation Certification Application has not yet been submitted.

Preliminary Consultations

Applicants should discuss questions they may have about the application, program requirements, or rehabilitation treatments with the SHPO early in the planning stages of a project. In cases involving a specific problematic rehabilitation treatment or treatments that may not meet the Standards—and could cause the overall project to not meet the Standards—the SHPO may decide that a preliminary consultation with the NPS may be useful prior to submitting a Part 2 application. Also, a preliminary consultation is strongly recommended prior to the submission of a Part 1 application for all projects involving multiple buildings functionally related historically that an applicant proposes to be treated as separate projects for the purposes of certification under NPS guidance.

A preliminary consultation generally focuses on one or a few specific issues (e.g., a change to a street façade or a change to a significant floor plan or primary interior space); it is not a review of an entire project. Preliminary consultations are advisory only, limited to the specific issue or issues for which the consultation is requested, and are never a substitute for the review of an entire rehabilitation as described in a Part 2 application. Facts and circumstances of a project may change between the time of a preliminary consultation and submission of a Part 2 application.

Whether to request a preliminary consultation with the NPS for a specific project is at the discretion of the SHPO, not the applicant. The SHPO must feel that NPS input is warranted prior to submission of the application. SHPOs regularly consult with the NPS on an informal basis when questions arise pertaining to the administration of the program or specific treatments, and a preliminary consultation is generally therefore not necessary in most instances. A preliminary consultation is typically more formal, requiring supporting information prepared by the applicant, and the nature of the issue requires that the NPS weigh in on the project more formally.

The NPS generally conveys an oral response to a preliminary consultation directly to the SHPO, and the SHPO conveys the response to the applicant. In limited cases at the discretion of the NPS, the NPS response to the SHPO may be in writing to the SHPO or jointly conveyed to the applicant. The NPS response to a preliminary consultation is advice and guidance only; it is not a certification decision that may be appealed. Even when a preliminary consultation has occurred, the NPS advises applicants to submit a complete Part 1 and/or Part 2 application, as applicable, early in the project planning process so that any questionable issues or treatments can be resolved prior to beginning work.

Preliminary Meetings

It is at the discretion of the SHPO, not the applicant, to request a preliminary meeting. The SHPO must feel that NPS input is warranted prior to submission of the Part 2 application.

If not previously provided, photographs of the historic property, a description of the significance of the property (such as a draft or completed National Register nomination), and applicable plans of existing conditions and proposed work must be provided through the SHPO to NPS for review prior to the meeting.
The location, whether on site or in Washington, and time of the meeting will be determined by NPS. The SHPO will have the opportunity to attend the meeting in person or to participate via telephone. When the SHPO is unable to attend the meeting, the applicant must first consult with the SHPO about the issues of concern.

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