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HISTORIC TAX CREDIT TOOL BOX

Renewable Energy Tax Credits, Energy Codes and the Federal Historic Tax Credits

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The federal historic tax credit (HTC) is an incentive that frequently can be and is used in concert with other federal, state and local incentives.

The most common opportunities lie with the low-income housing tax credit, new market tax credit, the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration program, and most recently the opportunity zones incentive. The primary reason is that the HTC is "by right," e.g., the incentive can be captured, provided the development meets the program requirements. This is distinct from many incentives that are awarded on a competitive basis.

One incentive that is not commonly linked to the HTC is renewable energy investment tax credit (ITC). As discussed elsewhere in the edition, the ITC is a dollar-for-dollar credit for expenses invested in renewable energy properties, most often, solar developments. These tax credits can be used either to offset the property owner's federal tax liability or transferred to a corporate investor in exchange for additional equity. This framework is similar to the HTC.

The primary challenge in using both the ITC and HTC in a single development is that all work must meet the Secretary of Interior's Standards for Rehabilitation. As laudable as renewable energy may be as a social and even perhaps economic goal, HTC programmatic regulations generally exclude factors outside the Secretary's Standards. While the Standards can be broad, the focal point of evaluation is the direct and immediate impact on the specific historic resource. Broader impacts and policy factors simply do not enter into the evaluation equation.

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The most common application of renewal energy is solar panels, though other applications may include wind, hydro or geothermal facilities. Generally, the construction or installation of these renewable energy elements challenge two primary standards: The first is Standard 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 retained.*

Paralleling that is Standard 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 integrity of the property and its environment.*

Image: Courtesy of Gorman & Company LLC
Gund Brewing Co. Bottling Works in La Crosse, Wis., was adapted into apartments with solar panels.

Within the context of solar panels, National Park Service (NPS) offered some guidance in its Interpreting the Standards (ITS) Bulletin Number 52: Incorporating Solar Panels in a Rehabilitation Project. The particular value of the ITS series is that it provides multiple examples, showing both compatible and incompatible treatments. NPS has also developed a page on its website, "Solar Panels on Historic Properties," which examines the viability of various installation strategies.

As relates to historic buildings, the most typical location of solar panels is on the rooftop. In evaluating such installations, the issue parallels rooftop additions: To what extent (if any) is the proposed installation visible from the public right of way? Buildings with flat

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roofs and larger parapets, such as industrial buildings, may lend themselves to accommodate the installation. Larger roofs where the panel system may be centrally located may be helpful. Obviously, buildings with hipped or gabled roofs generally are not viable. Flat roofs with low parapets are not ideal, nor are buildings with flat or even inverse sightlines.

The specifics of the installation may also prove to be problematic, depending upon the necessary substructure, panel angles and size necessary to be effective. Flat-panel systems with low, flat substructures are ideal but not always viable. Consideration also needs to given to the system's conduits, their size, location and visibility. It is also worth considering installation of panels on the rear or secondary elevations, again depending upon visibility.

Historic Gund Brewery Lofts (La Crosse, Wis.)

An early successful example offered by NPS is the Gund Brewing Co. Bottling Works in La Crosse, Wis., adapted into apartments in 2006-2008 by national developer, Gorman & Co. Founded in 1984, Gorman specializes in downtown revitalization, the preservation of affordable housing, workforce housing and the adaptive reuse of historic buildings.

The historic 58,000-square-foot, three-story red brick building was designed by Louis Lehle, one of the nation's leading brewery architects and built in 1903. With prohibition, the brewery closed in 1920. Eventually acquired by the Sara Lee Corporation, it was donated in 2003 to the Gunderson Lutheran Medical Center. Gorman then worked collaboratively with the medical center and the city of La Crosse to adapt the bottling factory into workforce housing. The development included new construction, providing 122,525 square feet with 86 workforce loft apartments varying from 600-square-foot studios to 1,300-square-foot, three-bedroom units. The project cost $12.4 million.

Among other work, the project incorporated solar panels on the new addition as part of the whole rehabilitation project. Although the panels are visible from the parking area, in the assessment of the NPS, "the panels are appropriately located on top of a compatible new addition at the back of the historic properties."

The Hotel Andaluz (Albuquerque, N.M.)

The Hotel Andaluz is located in downtown Albuquerque, N.M. Built in 1939 and designed by architect Anton F. Korn, it was the fourth Hilton Hotel and was the tallest building in New Mexico when it opened. It was also the first building in the state with air conditioning. In 1969, Hilton sold the 160-room, 10-story hotel. In 1983, the property was renovated and modified to 114 rooms, and listed in the National Register the following year. Twenty years later, the property underwent a $30 million comprehensive modernization using federal HTC. It was the first historic hotel in the Southwest to receive Gold LEED certification and was the second in the United States.

In this development, solar panels were installed on the rooftop. Originally, the panels were set at an angle that created a new saw-tooth feature that detracted from the roofline and distinctive cornice detail. Because the building could be seen from many vantage points and from some distance, the addition of the panels had a significant negative impact on the building. To meet the Secretary's Standards, the angle of the panels was modified to reduce visibility. Though still visible from specific perspectives, the saw-tooth effect has been eliminated and the decorative cornice remains singularly prominent.

Dovetail Construction Headquarters (Richmond, Va.)

Dovetail converted the Richmond & Chesapeake Railway Barn into its company headquarters. The building is a one-story car barn built in 1907, a utilitarian steel-frame and corrugated-panel building

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where workers serviced electric rail passenger cars that ran between Richmond and Ashland from 1907 to 1938. A one-story transformer station was added to the east side of the building in the 1920s. Renovated between 2006 and 2010, the building was the first LEED Platinum National Register, Net-Energy Zero building in the country.

This third example illustrates that thoughtful planning and careful siting can allow for the installation of pole-mounted arrays. The gabled style roof precluded adding solar panels. Rather, the arrays were installed at the rear of the historic railway barn. Because of the site's industrial character and the location of the array away from the primary viewpoints, the NPS determined that the installation met the Secretary's Standards.

Conclusion

As we see increasing concern for climate change, expanding energy conservation levels and renewable sources in construction is a very big deal. Buildings are responsible for 40 percent of carbon dioxide emissions in the United States annually. For the most part, this number relates to new construction. The embodied energy of vintage and historic buildings is generally undervalued, particularly in the application of energy codes, LEED standards and other energy-conscious programs. That is not to suggest that there are not opportunities for better performance.

As relates to HTC, the challenge is similar to the intersection of historic buildings with other goals. At the end of the day, NPS reviews are limited to the framework of the Secretary of Interior's Standards. The HTC program is flexible, but will not endorse violating one of the Secretary Standards for an intentioned greater good.

When it comes to renewable energy and the very real potential to tap into renewable energy credits, the challenge generally relates to impacts on historic materials and the visual impact on the general character of the site. As demonstrated in the developments above, with some forethought and advance conversations, it often is feasible to install renewable energy facilities in a HTC project. As with nearly every complicated HTC project, there is value in hiring the right team and getting started early. ❖

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