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HISTORIC TAX CREDIT TOOL BOX

Retooling your Toolbox for 2021

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It has been a pretty crazy year to say the least. This craziness prompts me to look back over the arc of historic preservation and forward to the opportunities ahead.

My career began almost 40 years ago. I was a student at Lewis and Clark College in Portland, Ore., and was introduced to historic preservation as an intern at the Dr. John McLoughlin House in nearby Oregon City. McLoughlin was a physician who served as the chief factor of the Hudson's Bay Company's Fort Vancouver from 1825 to 1845. Among his duties, he was responsible for overseeing a fur trading operation that stretched from California to Alaska while also providing assistance to immigrants arriving at Vancouver, Wash., after crossing the Oregon Trail. After his retirement in 1846, McLaughlin settled into this home by the Willamette Falls in Oregon City.

That the house existed was the result of one of the country's earliest efforts in historic preservation. Threatened with demolition in 1909, a group of citizens formed the McLoughlin Memorial Association. They raised money to move the house to its present location, restore it and turn the house into a museum. In 1941, Congress designated the McLoughlin House as a National Historic Site

(the first in the West) and in 2003, added it to the National Park System.

For most of the 20th century, this is what historic preservation was. Identifying and celebrating the heritage of past leaders through historic house museums.

The preservation movement morphed in the last quarter of the 20th century. On the heels of urban renewal, it focused on the built environment—iconic buildings, main streets, rural communities, even maritime assets. At the time, my hometown, Portland, like most other communities, saw swaths of neighborhoods demolished for highways and “new towns.” It was then that preservation became about creating a sense of place. For my part, I began working at the city of Portland's emerging Landmarks Commission, the place in city government where planning and preservation intersected. My specific task was working to preserve Portland's commercial historic districts.

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While I was working there, I came to realize that fundamentally, historic preservation is a real estate activity. It advances when it makes economic sense and recedes when it doesn't. I moved to the Oregon State Historic Preservation Office as the staff historian, grants manager and state and tax incentive coordinator. As financial incentives for historic preservation grew, I realized that facilitating preservation as a real estate activity was best done in the private sector, so in 1982, I started Heritage Investment Corporation.

In the ensuing 40 years, it has been apparent that the basic premise of preserving the built environment was true: It moves forward when it makes good economic sense and recedes when it doesn't. And in these four decades, the preservation community has become much better at articulating that premise with an ever-stronger collection of federal, state and local financial incentives.

That brings me to the second part of this article: looking forward. COVID has redefined how we do business and the effect will continue for years to come. Ironically, not all of it is bad. Regardless, we need to take a never-ending approach to constantly adjust and retool our toolboxes to be successful in saving our heritage. A friend and mentor of mine, Leo Williams, instilled in me the thought we cannot not know the future without preserving our past.

Let's review some of the changes that have occurred in how we do business, what has changed and what other changes we might be looking toward.

A Voice in the Legislative System

One major step forward has been the advocacy efforts of historic preservation. For most of its history, the visceral image of historic preservation is of people with placards standing in front of bulldozers. There are, of course, local and statewide examples of political action, but it wasn't until the late 1970s and early 1980s that Preservation Week began to routinely include meeting

with legislative staffs. Many in the preservation field felt it was better to stay off the political radar.

But in the past five years, particularly through organizations such as the Historic Tax Credit Coalition, the preservation community has become a force at the local, state and federal levels. On the state level, this has helped maintain and expand state historic tax credits (HTCs). And on the federal level, members of both parties through Congress's Historic Preservation Caucus have increasingly recognized the place of preservation in our communities, while equally appreciating that this work is fundamentally one of real estate economics. People are finally understanding that preservation is good for business and economic growth.

More Information and Communication

Across the board, the Internet and digital communication unleashed a torrent of information. I am old enough to remember that the history of a building unfolded by methodically cranking microfilmed newspaper pages for hours, if you were even lucky enough to have access to the microfilm. Now, digital online searches compress what took weeks and months into a matter of days. Verbal reports were produced on electric typewriters, correction fluid was a godsend and visuals were found in the appendix. Now, it is possible to produce sophisticated computer-crafted and visually-integrated presentations in a matter of days, if not hours. I am also old enough to remember the pink "while you were out" message pads and life before voicemail. Now, no one is more than a Facetime, voicemail or text away.

This shift forced us to become more thoughtful in our communication style and COVID forced us to become more sophisticated. We have been forced to learn a variety of online meeting platforms that has shifted the impersonal conference call into a personal face-to-face distant gathering, letting us not only see the other person but the environment that surrounds them. We have learned techniques, such as screen sharing, while we have also learned to be more patient

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in our conversations. We have learned that email can be an effective tool when conveying one-directional information, while texting can be useful in urgent circumstances.

The shared challenge of COVID seems to have made everyone more available. Again, as I think back to the late 1980s and early 1990s, working with HTCs, applicants and reviewers tended to be collaborative, willing to meet, willing to figure out a path forward on projects. The 1990s seems to be more an adversarial era, where not only was there not an interest in figuring out a path forward, no one wanted to even meet or take a call. I think the pendulum had started to swing back to a more collaborative era, but COVID accelerated that. In my current experience, I have found nearly everyone to be readier to make themselves available and to focus on problem-solving.

All of this has accelerated the work of historic preservation, but it also emphasized the importance of including communication skills in our toolbox. Inclusion means not only the variety of forms, but in the sophistication of how to manage and exploit those forms. In the words of Marshall McLuhan, the medium is the message.

The Changing Marketplace

Simply put, COVID has redefined the marketplace, though we don't yet know how.

Through the 1990s to the 2010s, hotels were a major historic preservation driver. This market included grand dame properties like Chicago's Palmer House and boutique hotels borne of adapted office buildings. But COVID essentially froze the hotel market. Major properties closed and for some cities, occupancy rate is in single digits.

This is an opportunity. When business is dead, it is a good time to renovate. There will be properties caught in an unfortunately leveraged (read: unviable) financial

situation that will go up for sale. But not every property will be an opportunity. Tourism will likely explode when the vaccine is prevalent, but who knows when. COVID-forced teleconferencing will significantly slow business travel. And it is unknown the degree to which conventions and meetings will come back.

Office buildings also will be a mixed bag. The National Trust, through the Historic Hotels of America program, segmented the hotel market to demonstrate the added value to historic properties. That has not happened yet in the office market, but the potential is there, whereby older, properly rehabilitated office buildings could secure rents elevated based on the historic bone fides. This also is the era when major postwar office buildings are now becoming old enough to be considered historic and architectural treasures. At the same time, COVID has demonstrated and forced a mechanism for working at home. It is unknown how this impacts the office market.

Yet, as remote working becomes more popular, a parallel may be the stronger embrace of the "work-live-play" proximate neighborhood. Some urban planners talk of a 15-minute neighborhood where everything is within walking distance. Certainly, it may be anticipated that traditional streetcar commercial district, main street centers or even new town districts will rise in popularity.

Also rising in demand will be investments in affordable housing. Low-income housing tax credits have often been combined with HTCs to create new affordable housing. The U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) program offers a path parallel for public housing complexes, while opportunity zones may also prompt investment. As with office buildings, the post-World War II years were ones of expansive public investment in public housing, all of which are now becoming of National Register age and all which will face the rigors of the federal Section 106 review.

Conclusion

Even before COVID, the world of historic preservation was changing with new markets, new opportunities and new technologies. In many ways, COVID has compressed and accelerated these trends. The future will be different, but from my 40-year perch, very bright. Capitalizing on the circumstances requires pragmatism, sophistication and a facile understanding of the underlying dynamics.

During my career, a downward cycle usually happened every eight years or so. Historic preservation and the

rehabilitation of older buildings has always weathered the storm and played a pivotal role in the revitalization of the industry and the economy. Be it local, state or federal, the industry has always adapted its toolbox to rise to the occasion. In many a downturn, it was older buildings that continued to be rehabilitated, whether it be for housing, hotels, office, retail or in some cases industrial and the reason is because the industry had the incentives and was able to adapt. I would argue that we are clearly at one of those turning points and historic preservation and rehabilitation will once again be at the forefront of putting our country back on its feet. ❖

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