



2010

# The Economics of Rehabilitation for Affordable Housing Projects: Are the Secretary of Interior's Standards for Rehabilitation a Significant Barrier to Project Completion

Helen Johnson

University of Pennsylvania, johnsonh@design.upenn.edu

Follow this and additional works at: [http://repository.upenn.edu/hp\\_theses](http://repository.upenn.edu/hp_theses)

 Part of the [Historic Preservation and Conservation Commons](#)

Johnson, Helen, "The Economics of Rehabilitation for Affordable Housing Projects: Are the Secretary of Interior's Standards for Rehabilitation a Significant Barrier to Project Completion" (2010). *Theses (Historic Preservation)*. 142.  
[http://repository.upenn.edu/hp\\_theses/142](http://repository.upenn.edu/hp_theses/142)

Suggested Citation:

Johnson, Helen. (2010) "The Economics of Rehabilitation for Affordable Housing Projects: Are the Secretary of Interior's Standards for Rehabilitation a Significant Barrier to Project Completion." (Masters Thesis). University of Pennsylvania, Philadelphia, PA.

This paper is posted at ScholarlyCommons. [http://repository.upenn.edu/hp\\_theses/142](http://repository.upenn.edu/hp_theses/142)  
For more information, please contact [libraryrepository@pobox.upenn.edu](mailto:libraryrepository@pobox.upenn.edu).

---

# The Economics of Rehabilitation for Affordable Housing Projects: Are the Secretary of Interior's Standards for Rehabilitation a Significant Barrier to Project Completion

## **Keywords**

Historic Preservation; Affordable Housing

## **Disciplines**

Architecture | Historic Preservation and Conservation

## **Comments**

Suggested Citation:

Johnson, Helen. (2010) "The Economics of Rehabilitation for Affordable Housing Projects: Are the Secretary of Interior's Standards for Rehabilitation a Significant Barrier to Project Completion." (Masters Thesis).

University of Pennsylvania, Philadelphia, PA.

THE ECONOMICS OF REHABILITATION FOR AFFORDABLE HOUSING PROJECTS:  
ARE THE SECRETARY OF INTERIOR'S STANDARDS FOR REHABILITATION  
A SIGNIFICANT BARRIER TO PROJECT COMPLETION?

Helen Johnson

A THESIS

in

Historic Preservation

Presented to the Faculties of the University of Pennsylvania in  
Partial Fulfillment of the Requirements of the Degree of

MASTER OF SCIENCE IN HISTORIC PRESERVATION

2010

---

Advisor  
Donovan Rypkema  
Lecturer in Historic Preservation

---

Program Chair  
Randall F. Mason  
Associate Professor

## DEDICATION

This thesis is dedicated to those who see the re-use of historic structures as a significant aspect of neighborhood revitalization. My hope is that this thesis will shed some light on the topic and encourage those who have not begun to participate in this revitalization initiative, to do so.

## **ACKNOWLEDGEMENTS**

Thank you to all those who spoke to me at length about the many topics I researched for this thesis. I am especially indebted to those who I interviewed for the Expert Interview portion of my thesis: Bridget Hartman, Manuel Ochoa, David Blick, Caroline Hall, Jennifer Westerbeck, David Listokin and Brian Phillips. A great deal of appreciation goes to Audrey Tepper for her edits and in depth conversations and to Thibault Manekin, Laura Semmelroth, and Michael Interbartolo for their assistance with the case studies. Had it not been for those gracious enough to share their time, knowledge, and experience with me, this thesis would certainly not have been possible.

I would especially like to thank my thesis advisor, Donovan Rypkema, for both his critiques and encouragement and my friends and family for their supportive words, creative suggestions, care packages, and wake up phone calls.

## TABLE OF CONTENTS

INTRODUCTION	1
CHAPTER 1: LITERATURE REVIEW	8
CHAPTER 2: FOUNDATION OF TERMINOLOGY	20
CHAPTER 3: ANALYSIS OF REPORT: <i>BARRIERS TO THE REHABILITATION OF AFFORDABLE HOUSING</i>	32
CHAPTER 4: EXPERT INTERVIEWS	43
CHAPTER 5: CURRENT CASE STUDIES	50
CHAPTER 6: ANALYSIS	74
CHAPTER 7: CONCLUSION	83
BIBLIOGRAPHY	85
APPENDICES	89
APPENDIX A	89
APPENDIX B	90
APPENDIX C	91
INDEX	98

## **Introduction**

The Secretary of Interior's Standards for Rehabilitation are viewed by historic preservationists as guiding principles for the preservation, restoration, rehabilitation, and reconstruction of historic buildings and structures. The influence the Standards have on development projects is viewed both positively and negatively by the private and public sectors. Preservationists view the Standards as critical to protecting a historic structure and its character defining features from invasive construction. Conversely, the Standards are often viewed as a frivolous barrier to development by real estate investors and similar stakeholders. These conflicting views have become more common as the rehabilitation of historic structures for housing becomes a popular form of development. Studies addressing the combination of rehabilitation and affordable housing include historic preservation as an obstacle to the process. The Federal Historic Rehabilitation Tax Credit is considered an impediment to development associated with the more general historic preservation barrier. This thesis will address rehabilitation for affordable housing projects which use the Federal Historic Rehabilitation Tax Credit and will focus specifically on the role the Secretary of Interior's Standards for Rehabilitation play in these projects. The thesis will answer the question: "Are the Secretary of Interior's Standards a significant barrier to the completion of rehabilitation of historic buildings for affordable housing?" and conclude with what can be done in the historic preservation field to encourage synchronicity between historic preservation and rehabilitation of historic structures for affordable housing.

There is currently a severe and immediate need for the conservation of resources as well as for affordable housing in the United States and these needs will continue to increase in the future. Affordable housing is a necessity in every area of the United States. Unfortunately, the need for this housing type is not being met. "Affordability problems remain the nation's

fastest growing and most pervasive housing challenge.”<sup>1</sup> The need for affordable housing is not being met for many reasons. The Smart Growth Network lists these reasons as symptoms of the failure of the current development market to meet the needs of low income households. The symptoms include but are not limited to: a shortage in housing available for affordable housing, low cost housing in areas that do not contribute to the quality of life in a positive manner, and the location of affordable housing on cheap land in distant suburbs with little to no access to basic amenities. Though it is often mistakenly associated with impoverished areas of cities and suburbs the fact is every American can benefit from affordable housing.

At the same time the need for affordable housing is rising, the housing stock in the United States is aging. The median age of housing in the U.S. as of the year 2000 was approximately 40 years old and these buildings will soon, if not already, need upgrades of some kind<sup>2</sup>. The initial reaction of developers and the general public might be to demolish the aging structures in favor of new construction. However, as far back as the 1980s and continuing through to the present, reports have explained the advantages of rehabilitating existing buildings for suburban, urban, public, and private needs. The rehabilitation of existing building stock provides economic, environmental, and social benefits to communities. Developers and investors are recognizing that the aging housing stock is not a gateway to new construction but rather a means of promoting sustainable and environmentally beneficial development while meeting the nation’s affordable housing needs.

There are numerous advantages to re-using existing building stock. Whether the buildings are historic or not, the reuse of existing building stock aids the environment. These

---

<sup>1</sup> Harvard University, *The State of the Nation's Housing*, publication no. 6 (MA: Cambridge, 2007), 25.

<sup>2</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), pg. 1.



existing buildings can be rehabilitated and retain their original use, or be adaptively re-used for functions ranging from commercial to industrial to agricultural as well as for rental or private residential units. Avoiding new construction saves resources and prevents unnecessary filling of landfills with demolished building materials. The reuse of the existing built environment also benefits the economy. The National Trust for Historic Preservation encourages the re-use of vacant buildings saying, “With vacant and underused building stock available in most communities today, rehabilitation and adaptive use of historic buildings for affordable housing often makes more economic sense than new construction.”<sup>3</sup> The Trust adds that “Rehabilitation tends to be labor-intensive and therefore produces 20% more jobs than created by the same expenditure for new construction.”<sup>4</sup> The evidence that rehabilitation and re-use makes economic and environmental sense is continuing to grow as more of these projects occur.

Despite the environmental and economic benefits provided by rehabilitation, many communities often resist affordable housing development because of misconceptions about the quality of construction and livelihoods associated with the housing. However, when a dilapidated neighborhood building, especially one with historic significance, is rehabilitated for affordable housing there is often less of a community resistance to the idea of affordable housing development in their neighborhood. Bill Haung, of the National Trust for Historic Preservation’s Community Partner’s Program, explains that “There’s not as much community opposition to affordable housing that involves historic rehabilitation...because in such cases groups are often helping to improve what has been an eyesore and blight in the

---

<sup>3</sup> *Affordable Housing Through Historic Preservation*, publication (Washington, DC: National Trust for Historic Preservation, 1998), pg. 1.

<sup>4</sup> *Ibid*, pg. 2.

neighborhood.”<sup>5</sup> Haung likens the rehabilitation of a historic building in a neighborhood to “bringing back an old friend”.<sup>6</sup> The re-use and rehabilitation of historic structures improves a sense of community in the neighborhood surrounding the rehabilitated structure. The National Trust states that, “As important as these [environmental and economic] facts and figures [are], is the fact that the rehabilitation of beloved community landmarks can improve community self image, stimulate increased civic activism, and bolster neighborhood stability.”<sup>7</sup> When the adaptive re-use of a historic structure for affordable housing benefits the surrounding community, there is a strong possibility that support for using historic structures will be strengthened and misconceptions about affordable housing will be corrected.

Not only does the rehabilitation of vacant historic structures encourage community pride and economic stability, it also increases property values. David Listokin states in the report *Barriers to Rehabilitation for Affordable Housing* that, “...we know from the housing literature that some of the most prominent residential rehabilitation in the United States...are all in areas designated as historic.”<sup>8</sup> Neighborhoods such as Society Hill in Philadelphia, PA and Beacon Hill in Boston, MA serve as examples of rehabilitated, and now well cared for, historic structures and neighborhoods.<sup>9</sup> The positive effect of rehabilitation goes beyond the rehabilitation of historic properties; often encouraging the maintenance of non-historic properties in close proximity. David Listokin explains the catalytic effect saying, “...owners of properties in neighborhoods near the historic districts under renovation are more likely to be

---

<sup>5</sup> Karen Ceraso, "Eyesore to Community Asset: Historic Preservation Creates Affordable Housing and Livable Neighborhoods," National Housing Institute: Shelter Force Online, (accessed January 10, 2010).

<sup>6</sup> Ibid.

<sup>7</sup> *Affordable Housing Through Historic Preservation*, publication (Washington, DC: National Trust for Historic Preservation, 1998), pg. 2.

<sup>8</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), pg. 111.

<sup>9</sup> Ibid, 111.

receptive to rehabilitating their buildings,”.<sup>10</sup> Though there are many benefits to rehabilitating historic structures for affordable housing, there are quite a few challenges that are encountered during projects such as those. At times these challenges are great enough to act as strong deterrents for developers and investors considering incorporating historic preservation in to their affordable housing development plans.

The amount of time and money needed for a project is often the biggest concern for developers and investors. Rehabilitation of historic buildings for affordable housing, especially adaptive reuse projects, are time intensive and costly ventures. The rehabilitation and reuse of historic structures often requires additional time and money spent on the repair and replacement of character defining features. Though the Secretary of Interior’s Standards for Rehabilitation are necessary to maintain the aesthetic and architectural integrity of the structure, they are associated with project delays and disagreements between the developer/architect team and the State Historic Preservation Office/ National Park Service team. Many existing structures eligible for re-use are 50 years old and older.<sup>11</sup> Pest infestations, lead paint, asbestos, severe structural deterioration, and older mechanical systems are found in all aging structures, particularly those that have been abandoned. These potential problems often cause delays in the project’s progression. The buildings eligible for rehabilitation can provide useful and distinct living spaces, however the rehabilitation of these aging structures can be difficult and developers interested in reusing these properties often require the aid of tax

---

<sup>10</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), pg. 112.

<sup>11</sup> Those buildings that are 50 years and older are eligible for consideration for the National Register of Historic Places; listing on the National Register is a requirement to receive the 20% Federal Historic Rehabilitation Tax Credit.

credits, loans, and other forms of subsidies. These projects often use multiple subsidies which can create barriers to project completion.

The federal government recognizes the reuse of historic structures creates challenges specific to only those rehabilitation projects. The Federal Historic Rehabilitation Tax Credit is an incentive for owners of aging structures to responsibly rehabilitate. Owners of certified historic structures can receive a federal income tax credit equal to 20% of the amount spent on qualified rehabilitation costs or a 10% credit for older, non-historic buildings. Affordable housing projects can combine the Low Income Housing Tax Credit and the Federal Historic Rehabilitation Tax Credit “to provide an attractive source of funding support for historic rehabilitation and affordable housing projects.”<sup>12</sup> Combining these Federal subsidies encourages the re-use of historic structures and creates housing that is often for low to moderate income residents. However, each subsidy has requirements that must be met in order to receive and retain the financial aid. Though separately these policies promote the re-use of existing building stock, when used together the policies are often incongruous. The combination of these subsidies and their subsequent requirements can often create conflict.

Both affordable housing and historic preservation policies seek to revitalize communities socially and economically, however the policies established to achieve this common goal differ. Historic preservation policy is concerned not only with rehabilitation playing a functional role in neighborhood revitalization but also with preventing the loss of a building or neighborhood’s integrity during the integration of past use and present needs. Affordable housing policy is primarily concerned with revitalizing communities through providing safe, affordable, sanitary, energy efficient housing. Creating affordable housing and

---

<sup>12</sup> Susan M. Escherich, *Affordable Housing Through Historic Preservation: Tax Credits and the Secretary of Interior's Standards for Historic Rehabilitation*, publication (Washington, DC: National Parks Service, 1995),v.

finding productive uses for historic structures do not have to be separate ventures. The National Trust for Historic Preservation analyzes the combination of the two ventures by saying “Each may be a strategy to accomplish the other, and when used together, the combination is powerful-economically, socially, and politically.”<sup>13</sup> The following literature review lists the policies, reports, and additional literature that addresses the advantages and disadvantages of combining affordable housing projects and the rehabilitation of historic buildings.

---

<sup>13</sup> William Delvac, Esq., Susan Escherich, and Bridget Hartman, *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits*, publication (Washington, DC: U.S. Department of the Interior, National Park Service, 1994), 2.

## Chapter 1. Literature Review

A large amount of literature can be found on the interaction of historic preservation, rehabilitation, and affordable housing. Reading and analysis of literature ranging from policy statements to research publications provided a strong foundation of knowledge of these subjects. Organizations ranging from the National Trust for Historic Preservation to the U.S. Department of Housing and Urban Development have published and contributed to research and development of the three topics.

Perhaps the most basic text necessary for the literary foundation of this thesis is the National Historic Preservation Act of 1966. This groundbreaking piece of policy emphasizes the importance of historic and prehistoric resources playing a useful role in society. The Act is composed of 402 Sections all of which “mandate the preservation of the historical and cultural foundations of the Nation as a living part of community life and development in order to provide the American people with a sense of orientation.”<sup>14</sup> It establishes numerous protections and programs including State Historic Preservation Officers, the Advisory Council on Historic Preservation, the requirement that the Advisory Council on Historic Preservation be able to comment on Federal undertakings, the establishment of the National Register of Historic Places and the criteria for listings. The National Historic Preservation Act also directs the Federal Government to “foster conditions under which modern society and prehistoric and historic resources can exist in productive harmony and fulfill the social, economic, and other requirements of present and future generations.”<sup>15</sup> Federal agencies recognize the role that historic buildings play in fulfilling the need for affordable housing in the country and have encouraged the use of this distinct built environment by addressing how to synchronize the two

---

<sup>14</sup> Advisory Council on Historic Preservation. 2002. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

<sup>15</sup> Ibid.

initiatives of affordable housing and historic preservation. Federal agencies that most often encounter historic properties, such as the U.S. Department of Housing and Urban Development are “tasked with meeting American’s basic needs for safe, decent, and affordable housing. Historic properties have played a vital role in fulfilling this objective; this must continue.”<sup>17</sup>

The U.S. Department of Housing and Urban Development has worked closely with the Advisory Council on Historic Preservation, the National Council for State Historic Preservation Officers, the National Park Service, and the National Trust for Historic Preservation to produce several study committees and subsequent reports. The agency also promotes historic preservation and affordable housing initiatives by providing affordable housing programs such as HOME Investment Partnerships, the Low Income Housing Tax Credit and the New Markets Tax Credit. The U.S. Department of Housing and Urban Development’s Cranston-Gonzales Act of 1990, which established the HOME program, “aims to ‘expand the supply of decent, safe, sanitary, and affordable housing’ [and] anticipates historic preservation as a tool for meeting its goals.”<sup>18</sup> The U.S. Department of Housing and Urban Development’s support of the 2005 Advisory Council on Historic Preservation’s Affordable Housing Task Force and the joint commissioning of David Listokin’s Barriers to Affordable Housing with the National Trust for Historic Preservation are strong indicators of the federal agency’s commitment to increasing the role preservation plays in affordable housing development.

The Advisory Council on Historic Preservation acknowledges the need for public housing and the role the historic preservation field can have in fulfilling that need. Three policies concerning historic preservation and affordable housing were issued by the Advisory Council; 1995, 2002, and 2006. The policies were issued to “promote a new, flexible approach toward

---

<sup>17</sup> Advisory Council on Historic Preservation. 2002. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

<sup>18</sup> Ibid.

affordable housing and historic preservation.”<sup>19</sup>; that quotation is used in the background explanation of each of the three policy statements. The importance of reusing the existing built environment, the need for affordable housing in this country, and the role historic structures can play in encouraging the synchronicity between the two prompted the Advisory Council on Historic Preservation to form the Committee on Historic Preservation and Affordable Housing in 1995. After a year of study the committee issued the Policy Statement on Affordable Housing and Historic Preservation. The statement was meant to “reconcile national historic preservation goals with the special economic and social needs associated with affordable housing”.<sup>20</sup> The Statement proposed ten Implementation Principles

1. Emphasize consensus building.
2. Elicit local views.
3. Focus on the broader community.
4. Adhere to the Standards when feasible.
5. Include background documentation.
6. Emphasize exterior treatments.
7. Coordinate with other reviews.
8. Avoid archaeological investigation.
9. Develop programmatic approaches.
10. Empower local officials.

The 1995 policy statement on historic preservation and affordable housing states its goal to “Actively [seek] ways to reconcile historic preservation goals with the special economic and social needs associated with affordable housing is critical in addressing one of the nation’s most pressing challenges.”<sup>21</sup> The 1995 statement was meant to serve as a guide for Federal agencies and State Historic Preservation Officers “at a time when conflicts between the dual goals of providing affordable housing and preserving historic properties was making

---

<sup>19</sup> Advisory Council on Historic Preservation. 1995. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

<sup>20</sup> United States, *The ACHP Task Force on Affordable Housing and Historic Preservation: Final Report*, by The Advisory Council on Historic Preservation (Washington, DC, 2005), 4.

<sup>21</sup> Advisory Council on Historic Preservation. 1995. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.



achievement of even more difficult.”<sup>22</sup> Unfortunately these principles were never as helpful as was hoped and as a result the Advisory Council’s statement was revised slightly in 2002 and then again in 2006.

The revision of the 1995 policy in 2002 was prompted by Section 106 regulation revisions in 2001. The 2002 revisions emphasized the need for the participation of U.S Department of Housing and Urban Development in the synchronizing of historic preservation policy and affordable housing initiatives. The 1995 and 2002 policy statements focus on the improvement of coordination of Section 106 Reviews, evaluating the National Register eligibility of historic properties, applying the Secretary’s Standards, providing technical assistance for routine maintenance and repairs to historic buildings, developing financial packages for affordable housing projects, and integrating historic preservation into Consolidated Plan Documents and local comprehensive plans.<sup>23</sup> These goals are explored in detail in the Implementation Principles:

1. Section 106 Consultation should emphasize broad based consensus reflecting interests of affected communities and residents.
2. Identification and evaluation of historic properties should be based on consultation with local communities and neighborhood residents
3. When assessing effects of affordable housing projects on historic properties, consultation should focus on impacts to the broader “target area”.
4. Plans and specifications for rehab, new construction, and abatement should adhere to the Secretary of the Interior’s Standards for Rehabilitation, when feasible.
5. Proposals for non-emergency demolitions should be justified with adequate documentation.
6. Section 106 reviews for affordable housing projects should emphasize treatment of exteriors and be limited to significant interior features.

---

<sup>22</sup> Advisory Council on Historic Preservation. 1995. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

<sup>23</sup> Advisory Council on Historic Preservation. 2002. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

7. Historic affordable housing projects should be conducted in conjunction with the Historic Rehabilitation Tax Credit program and other State/local administrative reviews.
8. Archaeological excavations should not be required on affordable housing projects that are limited to rehabilitation and require minimal ground disturbance.
9. State and local officials are encouraged to develop Programmatic Agreements to streamline Section 106 reviews.
10. Certified Local Governments (those with qualified historic preservationists on staff) should be allowed to administer the Section 106 process in their communities when Programmatic agreements are in place.

The principles in the 2002 revised policy statement are more explicit than those from the 1995 policy. In addition to the expansion of principles, the Advisory Council engaged "... HUD in consultation with the national preservation community, including the National Council of State Historic Preservation Officers, the National Park Service, and the National Trust for Historic Preservation, to develop comprehensive training programs for HUD staff, state, county, and local officials, and housing providers who implement affordable housing projects."<sup>24</sup> with the issuing of this revised policy statement and Implementation Principles.

Implementing Principle number four of the 2002 policy statement, adhere to the Secretary's Standard's when feasible, prompted some states to create design guidelines specific to a recognized historic district or neighborhood. The reasoning behind these guidelines is based on the situation "When economic or design constraints preclude application of the Standards, consulting parties may develop alternative design guidelines tailored to the district or neighborhood to preserve historic materials and spaces to the maximum extent feasible."<sup>25</sup> The Advisory Council on Historic Preservation provides two examples of guidelines such as these on their website: New Haven, CT Design Guidelines and Greensboro, NC Design Guidelines. These

---

<sup>24</sup> Advisory Council on Historic Preservation. 2002. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.

<sup>25</sup> The Advisory Council on Historic Preservation, "Samples: Affordable Housing Alternative Design Guidelines," The National Historic Preservation Program, New Haven, CT Design Guidelines , [www.achp.gov](http://www.achp.gov) (accessed February 2010).

design guidelines are evidence of the need voiced by stakeholders to embrace and encourage creativity in local solutions.<sup>26</sup>

In response to Section 106 revisions in 2004 as well as per the request by the Office of Community Planning and Development of the U.S. Department of Housing and Urban Development, a Task Force was created in 2005 to review the 1995/2002 policies. Participants in the Task Force meetings included the U.S. Department of Agriculture, the U.S. Department of the Interior, the National Council of State Historic Preservation Officers, and the National Trust for Historic Preservation with the U.S. Department of Housing and Urban Development participating as an observer. The 1995 and 2002 policy statements were influenced by Section 106 review standards; this new policy statement shifted its focus and Implementation Principles to focus on the affordable housing crisis in the United States.

The Task Force used an online survey of stakeholders to analyze the effectiveness of the 1995 policy over the subsequent 10 years. Following the survey of stakeholders, the Task Force members concluded that the 1995/2002 policy statements were not effective and the time had come for a change in policy priorities. The Task Force had several objectives to achieve during this policy change: balance the goals of historic preservation and provision of affordable housing, foster and provide a framework for consultation in affordable housing undertakings, assisted Federal agencies, Certified Local Government developers, and other housing providers in planning and designing affordable housing projects to preserve and reuse historic properties and revitalize distressed neighborhoods.<sup>27</sup>

---

<sup>26</sup> Advisory Council on Historic Preservation. 2006. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation. I. Background.

<sup>27</sup> United States, *The ACHP Task Force on Affordable Housing and Historic Preservation: Final Report*, by The Advisory Council on Historic Preservation (Washington, DC, 2005), 1.

Because of numerous requests from stakeholders asking for detailed guidance on applying the Secretary of Interior’s Standards for Rehabilitation to affordable housing projects, the Standards were addressed in detail in the 2006 policy statement. Stakeholders stressed the importance of responsiveness to local conditions; “just as affordable housing programs serve unique local needs, so should historical preservation reviews, since “one-size-fits-all” approaches are unlikely to produce a successful balance for these projects”.<sup>28</sup> Though there was a call for the support of local solutions by stakeholders, the federal agency members of the task force “emphasized the value of consistency and predictability.”<sup>29</sup> This differing of opinion between stakeholders is evidence that the question of how best to interpret the Secretary of Interior’s Standards will not be easily answered. The Implementing Principles of the 2005 policy statement shrunk from the previous 10 of the 1995/2002 statement to eight. These principles are:

1. Rehabilitating historic properties to provide affordable housing is a sound historic preservation strategy.
2. Federal agencies and State and local government entities assuming HUD’s environmental review requirements are responsible for ensuring compliance with Section 106.
3. Review of effects in historic districts should focus on exterior features.
4. Consultation should consider the overall preservation goals of the community.
5. Plans and specifications should adhere to the Secretary’s Standards when possible and practical.
6. Section 106 consultation should emphasize consensus building.
7. The ACHP encourages streamlining the Section106 process to respond to local conditions.
8. The need for archaeological investigations should be avoided.

---

<sup>28</sup> Advisory Council on Historic Preservation. 2006. Council Policy Statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation. I. Background.

<sup>29</sup> Ibid.

The Task Force included a set of recommendations describing how the policy statement can be put into practice to encourage the use of the policy by State Historic Preservation Officers and the National Parks Service.

David Listokin, along with several others, created a detailed analysis of barriers to the reuse and rehabilitation of existing structures for affordable housing in the report *Barriers to Rehabilitation of Affordable Housing*. The report lists the numerous barriers under the categories of Development Stage Rehabilitation Barriers, Construction Stage Rehabilitation Barriers, and Occupancy Stage Rehabilitation Barriers. Historic Preservation is listed as a barrier under the Construction Stage category. Historic preservation is identified as a barrier by the study because of the possibility of inflexible Section 106 review, inflexible tax credit review, and stringent local regulations.<sup>32</sup> The findings of this report are detailed in the Context and Synthesis of Findings section of the report under the Construction Stage Rehab Barrier Analysis. Listokin also authored an article in support of historic preservation and affordable housing for the Fannie Mae foundation. The article describes the contributions made by the field of historic preservation to rehabilitation of structures for affordable housing since the passing of the National Historic Preservation Act of 1966. Listokin also describes the challenges that arise when historic preservation tax incentives are used to finance a project and closes the article with recommendations for change to make historic preservation incentives more desirable for rehabilitation for affordable housing projects. The suggestions for change include flexibility in the Section 106 Review process and when applying the Secretary of Interior’s Standards, “tiering” the designations of buildings on the National Register for Historic Places, revision of the tax credit system, and code and regulation revisions.

---

<sup>32</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 11.

The National Trust for Historic Preservation has recognized the connection between historic preservation and affordable housing and has published numerous articles and publications on the subject. The publications *Affordable Housing Through Historic Preservation: Tax Credits and the Secretary of Interior's Standards for Rehabilitation* and *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits* were published to further an understanding of historic preservation policies that affect affordable housing development, foster an appreciation of the benefits reaped when combining the two initiatives, and provide case studies illustrating endeavors where the two initiatives are combined successfully. The first half of *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits* is composed of a detailed explanation of the financing necessary of historic buildings to create affordable housing. The second half of the publication reviews six case studies of completed projects that used this financing. The appendices list resources, publications, a list of sources of funding and helpful contacts. The publication *Affordable Housing Through Historic Preservation: Tax Credits and the Secretary of Interior's Standards for Rehabilitation* is divided into two sections. The first explains in great detail the benefits of rehabilitation historic buildings for affordable housing that affect the owner, developer, tenant, and community. This section also includes a chapter dedicated to solving common design issues when rehabilitating a historic building. Like its sister publication, the second half reviews case studies of successful projects. The appendices include an explanation of the Section 106 Review Process, Historic Building Codes, and Codes and Regulations Affecting Accessibility in Low Income Housing Projects. These publications are excellent guides for investors interested in pursuing the route of using historic structures for affordable housing.

The theory of Smart Growth does not have a great impact on the result of this thesis, however, its initiatives support both historic preservation and affordable housing initiatives,

thus supporting the undeniable effect affordable housing and historic preservation have on one another. The National Neighborhood Coalition in conjunction with Smart Growth Network issued a report in 2001 entitled “Affordable Housing and Smart Growth: Making the Connection”. The publication explains Smart Growth theory as “...development that serves the economy, the community, and environment...[it] seeks the adoption of new policies and practices that...provide better housing, transportation, economic expansion, and environmental outcomes,”<sup>33</sup> Like historic preservation and affordable housing, one of Smart Growth’s many goals is improving quality of life in communities. Encouraging affordable housing is part of the Smart Growth theory’s means to achieve this goal. Smart Growth proposes to improve the affordability of housing in communities by increasing the supply of affordable housing and promoting mixed income neighborhoods. While increasing the supply of affordable housing in communities is a common proposal, smart growth’s uncommon response emphasizes the reuse of existing buildings instead of new construction for neighborhood revitalization and development. Supporters of the Smart Growth theory recognize that growth will occur. Smart Growth theory encourages this new growth to occur in “...locations already serviced by infrastructure, roads, transit, and other services, rather than consuming open space on the urban fringe,”<sup>34</sup> This promotion of growth in areas with existing buildings and infrastructure encourages the use of vacated areas of cities.

These areas ripe for rehabilitation are often located in the historic cores of cities. As a result, an attempt to adhere to Smart Growth initiatives often supports historic preservation neighborhood revitalization initiatives. Because of this correlation between Smart Growth’s

---

<sup>33</sup> Danielle Arigoni, *Affordable Housing and Smart Growth: Making the Connection*, publication (Washington, DC: National Neighborhood Coalition, 2001), 9.

<sup>34</sup> Danielle Arigoni, *Affordable Housing and Smart Growth: Making the Connection*, publication (Washington, DC: National Neighborhood Coalition, 2001), 14.

affordable housing initiatives and historic preservation, it is no surprise that the National Trust for Historic Preservation is a member of the Smart Growth Network. The link that Smart Growth theory provides between affordable housing and historic preservation is a reminder that although their policies often clash, they are inescapably interrelated with one another.

### *Methodology*

Answering the questions, “Are the Secretary of Interior’s Standards a significant barrier to the completion of adaptive re-use projects for affordable housing?” and “What can be done in the historic preservation field to encourage synchronicity between rehabilitation for affordable housing and historic preservation?” was completed in three steps: analysis of David Listokin’s report *Barriers to the Rehabilitation of Affordable Housing*, the creation and completion of a survey of experts, and finally, the thorough examination of recent adaptive reuse of historic buildings for affordable housing project case studies. The examination of Listokin’s report begins with a review of all the barriers to rehabilitation of affordable housing. All barriers identified by Listokin are briefly addressed and the terminology and methodology of the report is explained. Attention is then turned to historic preservation identified as both a contributor to and barrier to rehabilitation for affordable housing. A survey of seven experts followed the analysis of historic preservation as a catalyst for and hindrance to rehabilitation for affordable housing. The questions asked in the survey were open ended; it was crucial that those interviewed had the freedom to voice their opinion on the subject without being swayed that the interviewer’s bias. The questions addressed: the Federal Historic Rehabilitation Tax Credit, the Secretary of Interior’s Standards for Rehabilitation, and affordable housing policies. The professionals chosen for the interview are from both the public and private sectors who are or have been deeply involved in rehabilitation for affordable housing project or, are



professionals who are familiar with the interactions between historic preservation and affordable housing policies.

The last step in the methodology addressed recent case studies. Many of the case studies read during the research phase of this thesis projects completed over 10 years ago. It was deemed necessary to address recent case studies because policies change, as evidenced by the evolution of the Historic Rehabilitation Tax Credit discussed earlier, as do the design solutions proposed by architects and the determinations by the State Historic Preservation Officers and the National Park Service. The case studies must be a historic, previously non residential structure, repurposed as a residential multi-unit building for low income housing. The case studies must also have been completed since the year 2000. Based on these requirements the three case studies chosen were: The Barnes School in Boston, Massachusetts; Miller's Court in Baltimore, Maryland; and the Coral Street Arts House in Philadelphia, PA. The determination that the case studies be adaptive reuse projects was made for several reasons. Adaptive reuse rehabilitations are the most complex types of rehabilitation of historic structures because they involve not just the retrofitting or updating of historic structures but often the complete reconfiguration of a structure's interior. Most reports on rehabilitation and affordable housing briefly address adaptive reuse projects but do not make them a focus of the report. Studying this form of rehabilitation addresses a missing piece of research that if left unaddressed would have left a void in the conclusion of this thesis. The three steps of this methodology provided an enormous amount of information about the effect affordable housing and historic preservation policies have on one another and on the projects that employ them.

## Chapter 2. Foundation of Terminology

Definitions of terminology are necessary for the reader to have a complete understanding of the circumstances surrounding the adaptive reuse of historic buildings for affordable housing. The terminology “affordable housing” is defined in many ways throughout the literature read for this thesis. In general, affordable housing refers to housing that is below market rate. The U.S. Department of Housing and Urban Development defines affordable housing as housing that costs 30% or less of a household’s annual income.<sup>35</sup> The Advisory Council on Historic Preservation defines affordable housing as Federally-subsidized single- and multi-family housing for individuals and families that make less than 80% of the area median income.<sup>36</sup> The predominant definition of affordable housing is housing that can be purchased by families earning 30% to 80% of the community’s median income.<sup>37</sup> Affordable housing is not just defined by percentage earned of area median income of residents. It also refers to the affordability of the project for the developer, lender, resident, and community. Affordability includes the cost of materials used in the project and the maintenance needed to maintain the property after the project is completed. A high cost of utilities and a high rate of necessary repair of the building can drive up rental rates, making once affordable units no longer viable.

The rehabilitation of buildings is a recycling process in which an unused or underused building is made viable again through maintenance and at times change of use.<sup>38</sup> Rehabilitation

---

<sup>35</sup> The U.S. Department of Housing and Urban Development, "Glossary of Terms: Affordable Housing," Glossary of Terms, [www.huduser.org](http://www.huduser.org) (accessed February 2010).

<sup>36</sup> United States, *Comments from NCSHPO on the Advisory Council on Historic Preservation 2005 Policy Statement on Affordable Housing and Historic Preservation*, by National Conference of State Historic Preservation Officers (2005).

<sup>37</sup> Donald L. Chatfield, Melissa J. Shaw, and Alan D. Warnock, *The Challenges of Affordable Housing*, report, APA National Planning Conference (Washington, DC: APA, 2000), 1.

<sup>38</sup> Rensselaer County Bureau of Planning, *Adaptive Reuse: A Handbook for Professionals*, report (Troy, NY: Rensselaer County Bureau of Planning, 1975), 3.

maintenance can range from mild to moderate to substantial.<sup>39</sup> Mild rehabilitation is usually not a large financial undertaking and includes plumbing and electrical work. Moderate rehabilitation work will often require a permit and includes projects such as flooring, ceiling, and roof replacement. Substantial rehabilitation efforts are usually costly and time consuming. Examples of this kind of rehabilitation include asbestos and lead paint abatement or the rehabilitation of an entire interior or exterior of a structure. This extreme rehabilitation level is most often associated with adaptive reuse projects.

Adaptive reuse is a specific form of building rehabilitation in which the new use of the structure differs from the original use of the structure. Examples of adaptive reuse include but are not limited to commercial to residential, industrial to residential and religious institution to residential. Adaptive reuse projects are often, but not always, associated with historic buildings. Investors and architects involved with adaptive reuse projects must be prepared for structural and economic obstacles not found in other rehabilitation projects to arise. This is because it is easier to find a building for a purpose than a purpose for a building. The overwhelming share of rehabilitation in the United States is done without government intervention or support. The public sector, however, does play a role through regulations, and in some cases, with subsidies.

<sup>40</sup> The subsidies provided by the federal government for adaptive reuse include the Federal Historic Rehabilitation Tax Credit, the Low Income Housing Tax Credit, the Community Development Block Grant, and the New Markets Tax Credit. These forms of subsidy are federal programs. Many states have tax incentives for rehabilitation and low income housing. The states also receive funding for planning and preservation from the Historic Preservation Fund.

---

<sup>39</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 7.

<sup>40</sup> *Ibid*, 9.

Applications for this funding are reviewed by the State Historic Preservation Office.<sup>41</sup> These programs are not explored as the scope of this thesis is limited to only the federal historic preservation tax incentives.

The Historic Rehabilitation Tax Credit is issued through the Federal Historic Preservation Tax Incentive Program which is offered by the U.S. Department of the Interior's Secretary of the Interior. The Historic Rehabilitation Tax Credit program is administered through the National Parks Service, the Internal Revenue Service, and the State Historic Preservation Offices. Before the Federal Historic Rehabilitation Tax Credit was created, the government used the Tax Reform Act of 1976 to first "[remove] incentive for demolition of older buildings and [provide a] five year rapid write off for the certified rehabilitation of historic buildings,"<sup>42</sup> The purpose of this movement was to encourage private investors to view older structures as financial opportunities instead of obstructions to development.<sup>43</sup> The Tax Reform Act of 1976 had an enormous effect on the field of preservation because "for the first time, investors who were not philosophical supporters of preservation became integral players because of new economic developments,"<sup>44</sup> The Revenue Act of 1978 established investment tax credits for the rehabilitation. In 1981 Congress passed the Economic Recovery Tax Act which provided a 25% tax incentive for the rehabilitation of historic buildings. The Tax Reform Act in 1986 reduced the 25% tax credit to 20% and two non historic preservation programs were consolidated to create the 10% tax credit. These are the tax credits that are still offered by the federal government. The 10% tax credit program addresses the rehabilitation of non historic and non residential

---

<sup>41</sup> William Delvac, Esq., Susan Escherich, and Bridget Hartman, *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits*, publication (Washington, DC: U.S. Department of the Interior, National Park Service, 1994), 72.

<sup>42</sup> Norman Tyler, *Historic Preservation an Introduction to its History, Principles, and Practice* (New York: W.W. Norton, 2000), 51.

<sup>43</sup> *Ibid*, 51.

<sup>44</sup> *Ibid*, 51.

structures built before 1936<sup>45</sup> by reducing the amount of taxes owed on the project by 10%. The 20% tax credit addresses the certified rehabilitation of certified historic structures by reducing the amount of taxes owed on the project by 20%. Only the 20% tax credit applies to adaptive reuse of historic structures for low income housing. The developer is responsible for applying for the tax credit. The developer uses the tax credit as an incentive to attract investors in the project. These investors often receive pieces of the tax credit applied to the project.

The requirements of the 20% tax credit are specific and straightforward. The historic structure must be certified, meaning it must either be already listed on the National Register of Historic Places or eligible for listing on the register.<sup>46</sup> The structure will also qualify for the 20% tax credit either if it is a contributing building in a National Register Historic District,<sup>47</sup> is eligible to be a contributing structure, is listed on the National Register of Historic Places or eligible to be listed on the National Register. The tax credit regulations require that the rehabilitation be substantial. A substantial rehabilitation is defined as one whose total cost equals \$5,000 or more or the adjusted basis of the renovated property, whichever is greater.<sup>49</sup> Lastly, the rehabilitation of the structure must be certified. A certified rehabilitation means “the completed rehabilitation of a historic structure is consistent with the historic character of the property, and, where applicable, the district is located,”.<sup>50</sup>

---

<sup>45</sup> The date 1936 is in reference to the National Register of Historic Places’s requirement that a building or structure cannot be considered eligible for the Register unless it is at least 50 years old. 1936 was the 50 year benchmark at the time the Historic Rehabilitation Tax Credit was put into effect.

<sup>46</sup> The National Register for Historic Places states that a building or structure is only eligible for nomination to be on the Register if is 50 years or older.

<sup>47</sup> A registered historic district includes districts listed on the National Register or any state or local historic districts which are certified by the Secretary of the Interior.

<sup>49</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 109.

<sup>50</sup> National Parks Service, "Historic Preservation Tax Incentives," What is a "certified historic structure?" (accessed November 20, 2009).

The application process for the tax credit, known as the Historic Preservation Certification Application, is comprised of three steps. The completion of each step before moving to the next step is essential for developers to obtain the desired tax credit. Each part of the application must be submitted to the State Historic Preservation Office associated with where the property is located. The State Historic Preservation Officer reviews the application and sends the application, with recommendations, to the National Park Service. The National Park Service has the authority to make the final decision. The first step of the application process is to establish the building's certified historic structure status through the Evaluation of Significance. The Evaluation of Significance explains the architectural, historic, and social value that the building represents. This part of the application process is only necessary for projects in which the individual building is not already listed in the National Register of Historic Places.<sup>51</sup> Applications for buildings on a property with multiple resources must list and identify all resources as a contributing or non contributing structure. Should the building being considered for the project be in a historic district, the National Park Service uses application Part 1 to determine if the building contributes to the district. If the building is contributing, it is a certified historic structure. Once Part 1 has been submitted the building is usually deemed a certified historic structure and the project moves forward. Should time constraints due to a State Historic Preservation Office backlog of applicants or the project needs to move forward before the building is listed on the National Register, a preliminary determination is assigned to the building.

Part 2 of the Historic Preservation Certification Application is the Description of Rehabilitation is the Description of Rehabilitation. The applicant must describe the entire

---

<sup>51</sup> A building listed on the National Register of Historic Places is automatically a certified historic structure and owners do not need to complete part 1 of the application process, provided the listed property does not have more than one building.

proposed project including any demolition and new construction. Descriptions of structural conditions and of character defining features as well as the plan to work with these aspects of the project are also necessary for this part of the application. It is the duty of the State Historic Preservation Officer to provide the applicant with technical support, and advise applicants of appropriate rehabilitation methods. After the State Historic Preservation Officer reviews the Description of Rehabilitation the National Parks Service receives the paperwork. The National Parks Service uses the Secretary of Interior's Standards for Rehabilitation to determine if the proposed rehabilitation plan acknowledges and incorporates the character defining elements of the structure. Approval of the project is based on compliance with the Standards to a reasonable degree.

The final step towards gaining the Historic Rehabilitation Tax Credit is the Request for Certification of Completed Work. As with the preceding steps, the application is first sent to the State Historic Preservation Office who then forwards it to the National Park Service along with recommendations. The decision to approve a project and deem it certified is based on the completed project's adherence with the proposed plans from Part 2 in the application process. If the project did not follow these plans it is likely that the project will not be approved as certified. Once the project is approved it is a certified rehabilitation thus fulfilling the final of the three requirements of eligibility for the Historic Rehabilitation Tax Credit.<sup>52</sup> Even after the project is deemed a certified rehabilitation the certification and the tax credit can be recaptured post construction. The owner of the property must retain ownership of the building for the first five years it is in service after the rehabilitation. Should the ownership change, the tax credit will be recaptured. The certification of rehabilitation can be revoked should it be discovered

---

<sup>52</sup> U.S. Department of the Interior, National Parks Service, *Preservation Tax Incentives for Historic Buildings* (Washington, DC: National Park Service, 2007), 4.

that unapproved alterations were made for up to five years after the certification of rehabilitation.

The Secretary of Interior's Standards for Rehabilitation play an important role in determining a project's eligibility for the Historic Rehabilitation Tax Credit and are the primary subject of this thesis. An understanding of the Standards and the theory behind them is crucial to understanding if they are truly a barrier to the completion of affordable housing projects in adaptively reused historic structures. The Secretary of the Interior's Standards for the Treatment of Historic Properties were established in the National Historic Preservation Act of 1966. There are four treatment standards of Secretary of Interior Standards: Preservation, Rehabilitation, Restoration, and Reconstruction. The National Park Service explains the purpose of the Standards stating that, "The standards are neither technical nor prescriptive, but are intended to promote responsible practices that help protect our Nation's irreplaceable cultural resources."<sup>53</sup> Because the Standards are not mandatory, but strongly recommended guidelines, those leading a rehabilitation project will sometimes disregard their importance. This attitude is one of an uninformed developer. The Standards are pervasive throughout the field of historic preservation; they are consulted by historic preservation organizations on the federal, state, and local level. They are used to determine a property's eligibility for the National and local registers, which in turn affects eligibility for tax credits. They provide guidance during the Section 106 review process and provide a point of reference whether a project is restoring,

---

<sup>53</sup> National Park Service, "Introduction: Choosing an Appropriate Treatment for the Historic Building," The Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing, section goes here, <http://www.nps.gov> (accessed March 25, 2010).



rehabilitating, preserving, or reconstructing a historic structure. The Standards ensure a project's plans, whether privately or publicly funded, is appropriate for the historic structure.<sup>54</sup>

The Standards for Rehabilitation were first seen in print in 1977 as part of a U.S. Department of Housing and Urban Design document "designed to provide practical guidance on preserving historic properties,"<sup>55</sup> The objective of the Standards is to encourage an understanding of the significance of a historic property and recognition of the character defining features of that particular property. To accomplish this, the Standards recommend minimizing alterations, retaining and repairing historic features instead of replacing them, avoiding changes that create a false sense of historical development; creating a distinction between original and new construction campaigns, and avoiding the addition or subtraction of features that will result in irreparable damage to the contributing historic fabric of the structure. The Standards apply to both the interior and exterior of a building and "... place a high premium on retaining and reusing significant historic fabric, on reusing existing materials rather than inserting new features and finishes,"<sup>56</sup> The Standards for Rehabilitation and their effect on adaptive reuse of historic properties and the Historic Rehabilitation Tax Credit are the focus of this thesis.

There are several other means of federal assistance that can be combined with the Historic Rehabilitation Tax Credit to provide the greatest amount of benefit to the investor. The Low Income Housing Tax Credit, New Markets Tax Credit, HOME Investment Partnerships Program, and the Community Development Block Grant are policies promoted by the U.S. Department of Housing and Urban Development and are often used in conjunction with the Federal Historic Rehabilitation Tax Credit. A greater amount of equity can be generated from

---

<sup>54</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 109.

<sup>55</sup> *Ibid*, 109.

<sup>56</sup> *Ibid*, 117.

the combination of the two credits. However, each form of subsidy has its own requirements for the rehabilitation project and combining even one of these forms of subsidy with the Historic Rehabilitation Tax Credit can result in conflicting rehabilitation plan priorities.

The Low Income Housing Tax Credit Program was enacted by Congress in 1986 "...to create a tax credit incentive to encourage the development and construction or rehabilitation of rental housing for low-income households."<sup>57</sup> The Low Income Housing Tax Credit has two options; a 70% credit and a 30% credit. The 70% tax credit applies to projects that are not federally subsidized and the 30% credit goes to projects that are federally subsidized. The Low Income Housing Tax Credit provides a certain amount back to the developer for every dollar spent. In the case of the 70% credit, for every dollar spent the investor receives 70 cents back and in the case of the 30% tax credit the investor receives 30 cents back for every dollar spent. To be eligible for this tax credit the developer must set aside a minimum percentage of rent restricted units for individuals with incomes that do not exceed specific levels. The units of each project must also remain rent restricted for at least 15 years. Should a property fail to maintain the restricted rent levels for 15 years, the money received from the tax credit will be recaptured.

The Low Income Housing Tax Credit program provides each state with a set number of these tax credits annually; the number allocated to each state is generally based on population.<sup>58</sup> The credits are allocated by each state's housing agency. The allocation of these credits is determined by each state's Qualified Allocation Plan. The U.S. Department of Housing and Urban Development defines the Qualified Allocation Plan as "...a federally mandated planning requirement that states annually use to explain the basis upon which they distribute

---

<sup>57</sup> The National Trust for Historic Preservation, "Qualified Allocation Plans," The National Trust for Historic Preservation, [www.preservationnation.org](http://www.preservationnation.org) (accessed April 9, 2010).

<sup>58</sup> Ibid.

their LIHTC allocations.”<sup>59</sup> The Qualified Allocation Plan is drafted annually and varies greatly state by state. The plan instructs states to focus on certain areas or groups for the allocation of the tax credits.<sup>60</sup> Applicants for the Low Income Housing Tax Credit must apply to the housing agency of the state in which the project is located. The Qualified Allocation Plans have a point based system applied to each application. Should the project application receive a certain score, it will be allocated a portion of that state’s tax credits.<sup>61</sup> Although Qualified Allocation Plans vary state by state, the federal code requires that every plan use eight “selection criteria”.

1. Project Location
2. Housing needs characteristics
3. Project characteristics
4. Sponsor characteristics
5. Tenant population with special housing needs
6. Public housing waiting lists
7. Tenant populations of individuals with children
8. Projects intended for eventual tenant ownership

Two additional selection criteria were added to this list after the passing of the Housing and Economic Recovery Act of 2008: The energy efficiency of the project and The historic character of the project. The historic character of a project is defined by the Joint Tax Committee as “encouraging the rehabilitation of certified historic structures”.<sup>62</sup> A definition of the selection criterion “the historic character of a project” can be found in Appendix A. This

---

<sup>59</sup> Jeremy Gustafson and Christopher J. Walker, "Analysis of State Qualified Allocation Plans for the Low-Income Housing Tax Credit Program," HUD USER, [www.huduser.org](http://www.huduser.org) (accessed April 12, 2010).

<sup>60</sup> Areas commonly targeted by the QAP are rural or blighted city cores. Groups often target by the QAP are low income tenants or elderly households.

<sup>61</sup> The National Trust for Historic Preservation, "Qualified Allocation Plans," The National Trust for Historic Preservation, [www.preservationnation.org](http://www.preservationnation.org) (accessed April 9, 2010).

<sup>62</sup> The National Trust for Historic Preservation, "Qualified Allocation Plans," The National Trust for Historic Preservation, [www.preservationnation.org](http://www.preservationnation.org) (accessed April 9, 2010).

criterion encourages the use of the Historic Rehabilitation Tax Credit because of its endorsement of certified historic structures. The combination of the Low Income Housing Tax Credit and the Federal Historic Rehabilitation Tax Credit is often viewed as beneficial for the project, however the tax code mandates that Low Income Housing Tax Credit eligible basis must be reduced by the amount of Federal Historic Rehabilitation Tax Credits claimed.<sup>63</sup> The incentive lost by this mandate can be replaced by designating the projects that involve the rehabilitation of structures with historic character as projects in difficult to develop areas (DDA) and “thus eligible to utilize 130% of eligible basis as a factor in determining the adjusted eligible basis.”<sup>64</sup> While the Low Income Housing Tax Credit is the most common federally provided subsidy combined with the Federal Historic Rehabilitation Tax Credit there are several other federal subsidies that can be used to fund rehabilitation of historic structures for affordable housing.

The New Markets Tax Credit Program is administered by the U.S. Department of the Treasury’s Community Development Financial Institutions Fund. The program offers tax credits to those who make “qualified equity investments in designated Community Development Entities.”<sup>65</sup> The program requires that the investments made in the Community Development Entity must be towards low income housing communities.<sup>66</sup> Unlike the Historic Rehabilitation Tax Credit and Low Income Housing Tax Credit that have two percentages of credit given back to the investor, this program provides the investor with “39% of the cost of the investment and is claimed over a seven year credit allowance period.”<sup>67</sup> The credit is dispersed back to the

---

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> U.S. Department of the Treasury, "New Market Tax Credit Program," Community Development Financial Institutions Fund: U.S. Department of the Treasury, Overview, <http://www.cdfifund.gov> (accessed February 9, 2010).CDFI website.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

investor in segments; 5% of the investment returned every for each of the first three years and 6% each year for the last four years.

The Community Development Block Grant Program was developed under the Housing and Community Development Act of 1974.<sup>68</sup> The program provides funding through grants to local and state governments. The funding aides in the development of “viable urban communities by providing decent housing with a suitable living environment and spreading economic opportunities to assist low- and moderate- income residents,”.<sup>69</sup> The use of the Community Development Block Grant Program creates an additional level of government involvement that is not seen when using only the Historic Rehabilitation Tax Credit, Low Income Housing Tax Credit, or the New Market Tax Credit. Because federal funding is used to provide the grant monies for the Community Development Block Grant, the Section 106 Review Process must be initiated. Section 106 is part of the National Historic Preservation Act of 1966 and requires that any federal agency involved in an undertaking<sup>70</sup> that may affect a property on or eligible for the National Register of Historic Places must take into account the effect the undertaking will have on the historic resource(s). The review process involves the federal agency, the state Historic Preservation Office, and the Advisory Council on Historic Preservation. Section 106 of the National Historic Preservation Act requires the Advisory Council be given an opportunity to comment on the findings of the federal agency and State Historic Preservation Office. Should the Section 106 process be initiated, there is a chance the project could be delayed should any disagreements concerning the area of potential affect arise between the federal agency and the State Historic Preservation Office.

---

<sup>68</sup> U.S. Department of Housing and Urban Development, "Glossary: Community Development Block Grant," HUD USER, section goes here, <http://www.huduser.org> (accessed February 9, 2010).

<sup>69</sup> Ibid.

<sup>70</sup> A federal undertaking is defined as a project that involves any federal money, licensure, or action.

### **Chapter 3. Analysis of Listokin's *Barriers to the Rehabilitation of Affordable Housing***

David Listokin is a professor at Rutgers University in New Jersey who has contributed to the dialogue and research concerning affordable housing and historic preservation. Listokin and a team of other organizations and professionals collaborated with the U.S. Department of housing and Urban Development and the National Trust for Historic Preservation to identify the most common barriers to the success of rehabilitation of buildings for affordable housing. The barriers are listed in the two volume report *Barriers to the Rehabilitation of Affordable Housing*; published in 2001. Volume 1 consists of the introduction to the study and the synthesis of findings. Volume 2 consists of case studies used to support findings. These case studies are explored in detail in Volume 2 of the report but are referenced throughout Volume 1 when appropriate. The foreword of the publication *Barriers to the Rehabilitation of Affordable Housing* explains that “There has been a lack of in-depth research on the factors that act as barriers to the rehabilitation for affordable housing. Gaining a sound understanding of the issue is difficult because barriers vary from project to project and community to community.”<sup>71</sup> The report successfully captures the most common barriers encountered during rehabilitation for affordable housing projects. By doing so, the authors of the report hope to “fill this information gap and in doing so, empower decision-makers and housing professionals to begin work to eliminate these barriers.”<sup>72</sup>

The study focuses on three elements: rehabilitation, affordable housing, and barriers associated with the combination of the two. Rehabilitation is defined as “repairs,

---

<sup>71</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), Foreward.

<sup>72</sup> Ibid, Foreward.

improvements, replacements, alterations, and additions to existing properties.”<sup>73</sup> Affordable housing is defined as “housing that is targeted to the middle- and lower-income markets (approximately 80 percent to 120 percent of area median income).”<sup>74</sup> Barriers are defined as “obstacles that are either unique to rehab or generally more problematic in rehab than with new construction.”<sup>75</sup> The report creates an analytical framework to organize and understand the varying constraints associated with rehabilitation for affordable housing projects (See Appendix B for analytic framework chart). The report first explores the characteristics inherent to rehabilitation and the constraints resulting from these inherent traits. Listokin explains saying,

“The characteristics inherent to rehab make it different from new construction and underlie many of rehab’s difficulties. For instance renovation typically does not ‘start from scratch’ and it generally must take into consideration unique features. These characteristics make rehab less predictable than new construction and mean that it requires more intensive management in order to be properly executed.”<sup>76</sup>

These characteristics lead to subsequent restraints on a project. “For example,” states Listokin, “rehab’s customization requirements and greater administrative demands drive up costs.”<sup>77</sup> The analytic framework of the report analyzes the effect these constraints have on the economics of the project and then the effect the constraints have on the three stages of the rehabilitation process: the development stage, construction stage, and occupancy stage.

The effect the constraints of rehabilitation have on the economic, development, construction, and occupancy stages are identified as barriers to the process of rehabilitation for affordable housing. Economic barriers affect all of the other three stages; anything from

---

<sup>73</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 2.

<sup>74</sup> Ibid, 2.

<sup>75</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 2.

<sup>76</sup> Ibid, 3.

<sup>77</sup> Ibid, 3.

acquiring properties to hiring qualified trades people, to property taxes. Development stage barriers are identified as: acquiring property, estimating costs, insurance, financing, and land use. Construction stage barriers are identified as: building codes, minimum housing standards, lead regulations, asbestos regulations, radon regulations, energy regulations, historic preservation controls and programs, accessibility, and the Davis-Beacon wage requirements. Occupancy stage barriers are identified as rent control, and property tax. Listokin lists characteristics of barriers in the report:

- Barriers are often interrelated and reinforcing.
- Most barriers are found in the development and construction stages.
- Barriers are diverse and encompassing. They include economic constraints, professional inadequacies, regulatory and programmatic problems, and miscellaneous constraints such as difficulty managing rehabilitation projects because of their complex designs, smaller sizes, and the fact that “the contractor needs to know old (‘archaic’) construction techniques and building codes as well as current techniques and codes.
- Barriers to rehab are often most problematic in those cases with the greatest potential social, economic, and planning benefits. Rehabilitation is particularly challenging in mixed-use, adaptive reuse, and historic situations.” David Listokin explains this aversion to mixed use, adaptive re-use and historic problems, saying, “the building code alone can stop these types of efforts in their tracks.”<sup>78</sup> The type of rehabilitation as well as the subsidy attached to the project will have an effect on the building codes and retrofitting required in the building.
- The frequency and severity of the barriers vary by jurisdiction, project type, local codes and their administration, subsidy utilization, environmental conditions, contractor

---

<sup>78</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 6.



experience, issues of ownership acquisition, the scale and complication level of the rehabilitation, and factors such as lead paint or asbestos abatement or radon risk.

- Barriers are difficult to categorize due to the previously listed reason. However, for the purpose of Listokin’s report the barriers are rates as minor, moderate, or significant.
- Though rehabilitation is sometimes viewed as “easier” than new construction, this is not true. “Realism should prevail and proper support [should] be accorded to renovators.”<sup>79</sup>
- Although barriers to rehabilitation are challenging, they are far from insurmountable.
- The U.S. Department of Housing and Urban Development is already and can take more steps to foster affordable housing rehabilitation projects.
- Barriers must be considered in the broader context of their main purpose. Listokin uses historic preservation as an example of this barrier characteristic saying,

“While renovation may sometimes be impeded by certain preservation provisions (e.g. protracted local historic commission review), historic preservation contributes to housing rehab by encouraging investment in older housing and neighborhoods and through various preservation-targeted subsidies, such as property tax abatement. Also, although affordable-housing advocates would prefer more accommodating standards for the historic rehab tax credits (HRTC), the HRTC’s goal is fundamentally preservation, not housing.”<sup>80</sup>

Before listing how historic preservation is a barrier to rehabilitation for affordable housing, it addresses how historic preservation can promote housing rehabilitation. The report lists the various means by which historic preservation policy interacts with affordable housing rehabilitation: the National Historic Preservation Act of 1966, Federal Historic Preservation Tax Credits, Section 106 Review, the Secretary of Interior’s Standards for Rehabilitation, the ACHP’s Federal Policy Statement on Affordable Housing and Historic Preservation, and Local Historic Preservation Controls and Programs.

---

<sup>79</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 8.

<sup>80</sup> *Ibid*, 7.

The report elucidates how historic preservation contributes to housing rehabilitation through rehabilitation investment, fostering a rehabilitation industry, and providing incentives for rehabilitation.<sup>81</sup> When a site is designated as historic, one often sees a catalytic effect happen throughout the surrounding neighborhood. “Designation as a historic site bestows a distinctive cachet on a neighborhood and, as a result often accords prestige. Designation also affords a measure of protection...The prestige and protective benefits of historic preservation often catalyze rehab and reinvestment.”<sup>82</sup> Reinvestment is often seen in neighborhoods when a large once vacant structure is rehabilitated for a new use. Adherence by developers and architects to the Standards means that character defining features often have to be accurately recreated. Many of the techniques originally used to create these features have been lost to new technologies. The field of historic preservation contributes to the conservation of these fading skill sets by establishing forums for rehabilitation tradesmen and suppliers. Organizations such as the National Trust for Historic Preservation and the National Center for Preservation Technology and Training fund research and produce reports on subjects such as lead paint abatement, older mechanical systems, and fire and life safety codes as applied to historic structures.<sup>83</sup> The same Standards that are viewed as a barrier to project completion can be viewed as job support for tradesmen.

Lastly, the report lists historic preservation rehabilitation incentives as a contributor to the housing rehabilitation market. “Historic preservationists have developed incentives and programs for landmark renovation that can be successfully expanded to encourage rehab in general.” The Federal Historic Rehabilitation Tax Credit is responsible for a large increase in

---

<sup>81</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 11.

<sup>82</sup> *Ibid*, 111.

<sup>83</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 112.

rehabilitation since its creation in 1976. As of 2001, when this report was completed, 239,862 units had been completed. Of that total, 153,886 or 64% were existing housing units that were rehabilitated and 85,976 or 36% were “newly” created housing units; also known as housing created by the adaptive re-use of a non residential structure. Almost 1/5 of these completed rehabilitation projects were for low to moderate income use.<sup>84</sup> Listokin explains the value of “piggybacking” the Federal Historic Rehabilitation Tax Credit with other subsidies. As mentioned before in this thesis, it is extremely beneficial for developers to use the Low Income Housing Tax Credit in conjunction with the Historic Rehabilitation Tax Credit. Not only does this combination allow the Historic Rehabilitation Tax Credit to benefit low to moderate income residents but also provides the developer with a considerable amount of equity which creates a greater incentive for the developer to rehabilitate a historically significant building.

The report uses case studies in Seattle and Chicago to demonstrate how the Historic Rehabilitation Tax Credit and Low Income Housing Tax Credit can be combined to “provide a powerful subsidy for affordable rehabilitation.”<sup>85</sup> A Chicago developer listed four significant benefits to combining the Historic Rehabilitation Tax Credit with the Low Income Housing Tax Credit: more equity made available to the project when the tax credits are combined and a lower likelihood of foreclosure, the Historic Rehabilitation Tax Credit helps to cover the risks of change orders and other increased costs over fixed price contracts during construction, the incremental costs of a certified rehabilitation, if any, are more than offset by the Historic

---

<sup>84</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 113.

<sup>85</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 113.

Rehabilitation Tax Credit, blending the tax credits offers a larger investment to a single investor.<sup>86</sup>

The Seattle case study also provides examples of what Local Governments can do to encourage the rehabilitation of historic properties: zoning code relief, building code relief, and special tax valuation for historic properties and special property tax breaks for landmarks undergoing rehabilitation. The contributions historic preservation makes to the housing rehabilitation market has increased the production of rehabilitation for affordable housing while increasing awareness of and appreciation for the viable resource unoccupied aging structures create. However, historic preservation policies concerning rehabilitation for affordable housing are not consistently compatible with affordable housing policies. After describing how historic preservation contributes to housing rehabilitation Listokin's report addresses how historic preservation can be a barrier to housing rehabilitation.

Historic Preservation is ranked as a construction stage barrier. It is typically a barrier when:

- It is a project with marginal feasibility.
- Extensive replacement of windows is necessary.
- The rehabilitation projects are small.
- Removal of lead paint is required.
- Rehabilitation is done by less experienced property owners, developers, and/or contractors.
- In jurisdictions where preservation officials are less supportive of goals other than historic preservation.

---

<sup>86</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 115.

The report lists Section 106 Review, the Historic Rehabilitation Tax Credit, and local preservation commission regulations as the most significant barriers posed by historic preservation. The significance of Section 106 as a barrier varies according to project type and location. Only when a Federal permit, funding, or other type of funding is used to fund a rehabilitation project is Section 106 a factor in rehabilitation for affordable housing. This review for rehabilitation for affordable housing is most often triggered when U.S. Department of Housing and Urban Development funding from Section 202 loans or Community Development Block Grants are used to fund the project. Only one of the three methodology case studies examined in this thesis used such funding. However, Listokin predicts that

“As more inner-city neighborhoods are designated National Register Historic Districts and the need grows for federal subsidies to make affordable-housing developments economically feasible, the requirements of Section 106 of the National Historic Preservation Act will remain or even increase in importance as a consideration in rehab projects.”<sup>87</sup>

The Section 106 review is most often perceived as a barrier during the project’s attempt to comply with the Secretary of Interior’s Standards for Rehabilitation. The Standards are used as guidelines by the Advisory Council on Historic Preservation during the Section 106 process as well as by the National Park Service during the Historic Rehabilitation Tax Credit review to determine if the project is sensitive to historic character of the structure or building in question. Like the Section 106 Review process, the Historic Rehabilitation Tax Credit itself is not necessarily a barrier; rather, the barrier lies in the use of the Secretary of Interior’s Standards for Rehabilitation for evaluation of the project. Developers interviewed by Listokin explained that

“...using the historic rehab tax credit, particularly for housing, can present challenges and require considerable creativity, patience, and flexibility in order to reconcile

---

<sup>87</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 117-118.

interpretation of the Secretary's Standards with market requirements, development costs, building efficiency, code, and other mandates."<sup>88</sup>

The many variables a developer and architect must take into consideration are enough to deter many from using the Historic Rehabilitation Tax Credit which in turn slows the use of existing built environment for affordable housing projects. The report uses Isles, Inc., a nonprofit developer in Trenton, NJ as an example of the difficulties that can arise when using the Federal Historic Rehabilitation Tax Credit. As with so many rehabilitation projects, the issue of replacing windows became a point of contention during the application process. Isles, Inc. proposed replacing the windows of the mill building in question with standard, insulated windows that were half the price of custom units. The State Historic Preservation Office required that replacement windows be exact replicas of the original windows. Isles, Inc. argued "against the need for, and practicality of, this request which would entail custom crafting of oversized and un-insulated steel windows."<sup>89</sup> The State Historic Preservation Office eventually accepted Isles, Inc.'s proposal. In response to this experience, Isles, Inc. states that they support the attention to historic detail on the exterior of buildings and acknowledge that the mill building is "a more desirable place to live because of the historic amenities."<sup>90</sup>, however "Isles calls for more flexibility in interpreting the Secretary of Interior's Standards on the interior of a building, especially where affordable housing is involved, because of the added expense of satisfying the historic preservation mandate and the loss of flexibility in doing interior alterations."<sup>91</sup>

While the accommodation of the Standards can be expensive and time consuming, the use of the Federal Historic Rehabilitation Tax Credit is meant to be an incentive, is not

---

<sup>88</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 118.

<sup>89</sup> *Ibid*, 119.

<sup>90</sup> *Ibid*, 119.

<sup>91</sup> *Ibid*, 119.

mandated, and therefore is technically not a finite barrier. Developers can opt to not use the Historic Rehabilitation Tax Credit should it prove to be too much a challenge to fulfill the requirements “...the credit is used in project where it makes the deal work. When the requirements it triggers are deemed impractical or economically infeasible, it is simply not used.”<sup>92</sup> An example of such a reaction is detailed in the report: A Seattle developer sought the Historic Rehabilitation Tax Credit and the plans were rejected by the National Parks Service. The developer altered the plans and re-submitted the proposal, which was rejected again. Negotiations ensued but the developer “...opted to cease negotiating and dropped the application for the Historic Rehabilitation Tax Credit. He made the interior changes he sought and kept the exterior largely intact.”<sup>93</sup>

Local preservation commission regulations can be as stringent, or more stringent than, the Secretary of Interior’s Standard’s for Rehabilitation and are listed by the report as a significant historic preservation barrier.<sup>94</sup> When a project encounters not only Federal and state preservation requirements but also local preservation review, it is often too great of a stringent review process for a developer to handle. Listokin explains the frustration saying,

“...the layering of federal, state, and local preservation requirements, coupled with the broad and varied discretion allowed in their application, creates an enormous range of opportunity and barriers for the historic rehabilitation of affordable housing. Frustration with this variance exists on many levels within and outside the government.”<sup>95</sup>

---

<sup>92</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 120.

<sup>93</sup> *Ibid*, 118.

<sup>94</sup> *Ibid*, 121.

<sup>95</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 121.

This freedom of interpretation of the Standards by Federal, state, and local review boards makes certification of a project an uncertainty for both developers and investors and therefore a significant deterrent to the use of the tax credit. No investor wants to support a project when there is a chance it will not succeed. Solutions to this problem include investors withholding investing in the project until after the project is placed in service or after the Historic Rehabilitation Tax Credit is obtained, ensuring that the developer and general contractor have significant rehabilitation and historic rehabilitation experience, and ensuring that the developer has a thorough understanding of and experience with the federal, state, and local funding programs for affordable housing rehabilitation.<sup>96</sup> Other minor barriers listed in the report include the marketability of the Historic Rehabilitation Tax Credit to investors and the basis requirement of the Historic Rehabilitation Tax Credit. These barriers are most often encountered in small rehabilitation projects and therefore are not barriers that are encountered in the three case studies analyzed in this thesis. David Listokin's report for the U.S. Department of Housing and Urban Development was provided a thorough and important analysis of the barriers to rehabilitation for affordable housing. His analysis of historic preservation is particularly important as it addresses both the contributions and barriers by the historic preservation field to rehabilitation for affordable housing. The analysis of this report, particularly the information concerning historic preservation as a barrier, assists in the determination if the Secretary of Interior's Standards for Rehabilitation are a significant barrier to the completion of rehabilitation for affordable housing in historic structures.

---

<sup>96</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 120.



## Chapter 4. Expert Interviews

The Expert Survey is the next step in determining the significance of the Standards as a barrier. A total of seven professionals familiar with either the Federal Historic Rehabilitation Tax Credit, the Secretary of Interior's Standards for Rehabilitation, affordable housing policies, rehabilitation projects involving affordable housing and historic structures, or a combination of these topics were interviewed for the Delphi survey. The details of each interviewees' answers can be found in Appendix C. The interviewees are as follows:

**Manuel Ochoa:** Ochoa currently works for the Latino Economic Development Corporation in Washington, DC. He was chosen for the Delphi survey because of his participation in the Advisory Council on Historic Preservation's 2005 review of the 1995/2002 affordable housing and historic preservation policy statement.

**Bridget Hartman:** Hartman was chosen as an interviewee because of her participation in the National Trust for Historic Preservation's publication *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits*.

**David Listokin:** Listokin is a professor at Rutgers University in the Center for Urban Policy Research. He was chosen as an interviewee because of his participation in the dialogue concerning the barriers to affordable housing projects and historic preservation.

**Brian Phillips:** Phillips is an architect at the firm Interface Studio Architects LLC based in Philadelphia, PA. He was recommended as a good candidate for this survey because of his experience with affordable housing projects in historic structures.

**David Blick:** Blick is the Deputy Federal Preservation Officer, Office of Environment and Energy, Community Planning and Development in the Department of Housing and Urban Development.

He participated in the Advisory Council on Historic Preservation's 2005 review of the 1995/2002 affordable housing and historic preservation policy.

Jennifer Westerbeck: Westerbeck is the Assistant Vice President US Bancorp Community Development Corporation. U.S. Bancorp is the parent company of U.S. Bank. U.S. Bancorp provides banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. U.S. Bancorp was involved in the Miller's Court project in Baltimore, MD; a case study for this thesis.

Caroline Hall: Hall is the Assistant Director for the Advisory Council on Historic Preservation's Federal Property Management Section. She participated in the Advisory Council on Historic Preservation's 2005 review of the 1995/2002 affordable housing and historic preservation policy.

Overall, the interviewees felt that it was not the Secretary of the Interior's Standards for Rehabilitation that were the barrier, but a combination of many factors. When asked if the Standards were too strict or too lax, every professional who answered said that the Standards themselves were fine; it is the interpretation of the Standards that can be problematic. Interviewees listed misconceptions and the threat of extra expenses and time delays as two of the greatest deterrents for developers to use the Federal Historic Rehabilitation Tax Credit. Caroline Hall explains that it is "the fear of the unknown" that often dissuades developers. Other interviewees had similar sentiments, and explained that horror stories about stalled projects and astronomical expenses are often passed from one developer to the next. As mentioned before, the National Park Service recognizes that historic building rehabilitation often requires additional time and money, the federal Historic Rehabilitation Tax Credit is meant

to act as an incentive to overcome these potential barriers. Jennifer Westerbeck explains the developer's apprehensions saying,

“Developers often look at the possible issues that could arise and decide that the cost of changes required by the SHPO, NPS, and the Secretary of Interior's Standards are not covered by the benefits of the tax credit. Alternatively, many developers think that the tax credit is in fact beneficial; the requirements of the SHPO, NPS, and the Secretary of Interior's Standards coincide with what the developer wanted to do anyway.”

Westerbeck's explanation raises the point that other interviewees also state: the ease in completing the project depends greatly on the experience and willingness of the developer and architect to create a design compromise that satisfies both affordable housing and preservation initiatives.

The interviewees list various reasons that the Secretary of Interior's Standards could be viewed as a barrier to the rehabilitation of historic structures for affordable housing. The Standard's emphasis on reuse and repair of existing materials, competing government wide goals, interpretation of the Standards, the time and cost associated with adhering to the Standards, and the perception that adhering to the Standards makes it nearly impossible to meet building code and sustainability requirements are listed by the interviewees as the most common reasons for the Standards to be perceived as a barrier to development. David Listokin immediately listed the Standard's emphasis on the use and repair of existing materials as a possible barrier. “The Standards say don't replace and that's often not easy to do. Developers and architects often don't have the skills and it adds cost. It's harder to work with the existing framework than to knock out the old window and put in the new and energy efficient ones.” explains Listokin. Architect Brian Phillips articulated the effect the Standard's emphasis on the exterior of the building has on the completed project. “There's a certain level of value placed on the exterior of the building that may or may not make sense,” says Phillips, “By extension there

is a lack of concern for the way the building performs internally. This is one of the reasons sustainability policy and requirements has begun to play a larger role in the interaction of affordable housing and historic preservation policies.” Manuel Ochoa and David Blick posed the idea that the Standards might be too open to interpretation and that a standardization of interpretation is necessary. Blick explains the dilemma saying, “Some feel that decisions become a matter of personal taste instead of what’s best for the project. Developers perceive the Standards as too open ended and with too much room for interpretation.” Ochoa also discusses the competing government wide goals citing a lack of common ground between historic preservation and affordable housing advocates and the incompatibility of each subsidy’s specific requirements.

When asked to state what they thought the most common reasons are for the Secretary of the Interior’s Standards and the low incoming housing requirements to clash, interviewees listed variations in the interpretations of the Standards, the differing requirements between sustainability requirements and those of the Standards, and the need to keep development, construction and post construction costs low. Caroline Hall stated that a purist view of the Standards was not appropriate when reviewing rehabilitation plans for affordable housing in historic structures. “Preservationists must remember the overall goal: get families into houses and a bonus is saving a historic building. Flexibility is paramount and the standards might not always be compatible.” says Hall. Manuel Ochoa believes that there are too many variations of interpretation from state to state. He explains that the best way to fix this problem is an effort by the State Historic Preservation Officers to come to an agreement on how to handle affordable housing. The differing requirements of sustainability and preservation initiatives can be experienced in many ways but none so prominent as the controversy of keeping or replacing historic windows. Both Ochoa and David Blick address this issue. Blick explains the clash

between priorities saying, that it is important to keep not only the cost of rehabilitation low but also utilities low. Retaining the windows or replacing them with historically accurate replications not only incurs a greater cost during development and construction but also runs the risk of being less energy efficient and high maintenance. “One must consider the question, is the continued need for maintenance going to drive up the rent levels? It is important that the units maintain their affordability.” says Blick.

The sentiment heard throughout the interviews is that of a need for standardization concerning interpretation of the Standards. Standardization would relieve a great deal of the animosity felt by developers that preservationists decide the fate of their project on a whim. Standardization would also provide guidance for State Historic Preservation Offices and the National Park Service thus lessening the time it takes to decide a project’s fate as well as alleviate conflicting preservationist determinations from project to project. No matter if the interviewee was in the public or private sector, preservationist, or non preservationist, they made it clear that standardization is a necessary means for unity between affordable housing projects and historic preservation. It was also suggested that the Standards be reviewed and brought into the 21<sup>st</sup> century. Those who voiced these sentiments did not believe it was necessary to completely revamp the Standards, rather add to them with an addendum that acknowledges the changes to rehabilitation that have come with advances in construction and technology. Those who were interviewed spoke of the need for the two sides, historic preservation and affordable housing, to work together and keep in mind the common goal; reusing the existing built environment to revitalize communities.

Some interviewees brought up philosophical points that, though not necessarily helpful to the conclusion of this thesis, are significant points for preservationists to consider. Brian

Phillips discussed an interesting concept of reinterpreting the historic value of a building. This concept is one that American preservation theory does not embrace as willingly as European preservation theory. Phillips uses Paris as an example, where one can find historic buildings with completely contemporary skin, it is viewed as a chance to reinterpret historic value and not preserve a building as a museum piece. The American preservation theory does not allow for the re-thinking of the building envelope. The emphasis American preservationists place on the importance of preserving the façade of a building is illustrated during the common disagreements between preservationist, developer, and architect during review of rehabilitation plans concerning exterior brick work and window replacements. Phillips also discusses the view of design and affordable housing from an architect's perspective. He explains that subsidized housing has never been the focus of designers. The focus of these projects is to create the safest most affordable quality housing possible on an often limited budget. He explains that this focus does not foster a hospitable environment for creative design; a necessary phase for projects that involve the rehabilitation of historic structures for affordable housing.

Bridget Hartman raised a point that is not always considered, but of the utmost importance for a project to be successful. Hartman explains that sometimes, even with a creative and sympathetic design scheme and the cooperation of the developer, architect, and the State Historic Preservation Officers, the building is just not the right building for the proposed project. Should this be the case, no amount of financing or cooperation between parties will assist in the completion of the project. Audrey Tepper of the National Park Service iterates this point as well stating that "Standard 1 of the Secretary of Interior's Standards for Rehabilitation emphasizes placing an appropriate new use in a building that requires the fewest

number of changes.”<sup>97</sup> The recognition that not every structure can be rehabilitated for housing, especially not adaptively reuse from non residential to residential, is an important realization to make before any excessive time and money is spent on a project that is simply not feasible because of the proposed use for the space.

The following chapter reviews the three recent case studies chosen based on the requirements listed in the methodology: completed within the past 10 years, historic building adaptively reused for affordable housing, used the Federal Rehabilitation Tax Credit as subsidy for the project. Though the building for each case study was conducive to its proposed new use, each had challenges that have been addressed by the interviewees. The analysis of the case studies will provide tangible examples of the challenges discussed in both David Listokin’s report and by those who participated in the Delphi Survey.

---

<sup>97</sup> "Interview with Audrey Tepper of the National Park Service Discussing the Federal Historic Rehabilitation Tax Credit," telephone interview by author, March 20, 2010.

## Chapter 5. Current Case Studies

The following three case studies were chosen based on the requirements listed in the methodology. The projects range from encountering very few barriers during the planning and construction phases to encountering barriers that had an enormous effect on the length of the project and the amount of money required to complete the project. Each case study used a combination of subsidies to complete the project. The explanations and analysis that follow address the historic significance of each structure, the finalized proposal for rehabilitation work and how each dealt with the challenges posed by adaptively re-using a structure for affordable housing. Information was gathered from Parts 1 and 2 of each project's application for the Historic Rehabilitation Tax Credit as well as through conversations with the project's developers and other stakeholders.

### *Miller's Court*

The Miller's Court is located in Baltimore, MD in a building formerly known as H.F. Miller & Sons Tin Box and Can Manufacturing Plant. It was constructed in stages between 1890 and 1910. The building occupies half a city block, bounded by West 26<sup>th</sup> Street, West 27<sup>th</sup> Street, North Howard Street, and Mace Street. The 1890 section of the structure is four stories in height. It is seven bays long on the north and the south and two bays in width on the east and west. The building was expanded by five bays on the south side and with a seven bay by two bay extension on the northeast end in 1895.<sup>98</sup> In 1910 the building was expanded once again with a three story extension on the northwest end of build, thus giving it its current U-shaped floor plan. The exterior of the building is brick with a decorative brick roof cornice and "a similar brick coursing that demarcates the top of the base story of the building, as well as the lower

---

<sup>98</sup> Edna Johnston, *NRHP Nomination: American Can Company-Miller Factory*, report, Part 1 of HRTC Application (National Park Service, 2002), Section 7. pg 8.



edge of the attic level.”<sup>99</sup> The façade of the building also features “shallow, engaged, brick pilasters (one course deep) distinguishing each of the building’s bay divisions on its south and north-facing elevations.”<sup>100</sup> The 1895 and 1910 additions to the original structure have brick work features similar to those of the original structure.

The interior of the structure has many distinct structural features including an open floor plan, painted brick walls, heavy iron vault fire doors, and exposed wooden trusses on the fourth floor.<sup>101</sup> Other notable interior features include wood tongue and groove floors and post and beam construction. The posts in this construction method “featured chamfered corners and the cross beams that support the floor joists above are steadied by T-shaped brackets of varying design.”<sup>102</sup> The 1910 addition has similar interior features however the post and beam system used to support the building uses metal brackets and joist hangers instead of T-shaped brackets and chamfered corners.<sup>103</sup>

The Miller Factory is a significant historic structure because of its architectural and structural features and the local and national social trends it represents. The H.F. Miller and Son Company of Baltimore was one of the largest manufacturers of tin boxes and cans in the United States in the late 19<sup>th</sup> century.<sup>104</sup> The factory erected in 1890 was a state of the art facility in both floor plan design, structural features, and mechanization for production. The existence of the factory contributed to Baltimore’s once booming mill industry, particularly in the canning industry as evidenced by the fact that “By 1900 the four largest can manufacturers in the nation were operating in Baltimore, MD.” These factories had a national impact on the nation’s

---

<sup>99</sup> Edna Johnston, *NRHP Nomination: American Can Company-Miller Factory*, report, Part 1 of HRTC Application (National Park Service, 2002), Sec 7. pg 8.

<sup>100</sup> *Ibid*, 8.

<sup>101</sup> *Ibid*, 9.

<sup>102</sup> Edna Johnston, *NRHP Nomination: American Can Company-Miller Factory*, report, Part 1 of HRTC Application (National Park Service, 2002), 9.

<sup>103</sup> *Ibid*, 9.

<sup>104</sup> *Ibid*, 10.

consumption of tin boxes and cans which in turn had a major effect on the food processing and packaging industry. The factory also produced “military implements, including artillery shells and torpedo housings” during both World Wars.<sup>105</sup> The Miller Factory, along with 14 other Baltimore canning companies and over a hundred across the country, joined the American Can Company in 1900.<sup>106</sup> The American Can Company focused its efforts on Baltimore production facilities and was responsible for the Miller factory’s 1910 three story addition. By 1950 the American Can Company had constructed a new factory in southwest Baltimore. This new factory quickly made the Miller and Sons factory obsolete. In 1953 the American Can Company ceased production in the Miller factory. The interior of the Miller Factory was subsequently divided and a slew of businesses circulated in and out of the space until a local developer took an interest in the building. Several unsuccessful developers and reuse plans later, Seawall Developers acquired the property. Unlike the previous reuse plans that focused solely on a reuse for housing, the developers planned to use the building for low income housing as well as offices for nonprofit organizations that support Baltimore’s public schools. Approximately 35,000 square feet of space was redeveloped as office space and approximately 40,000 square feet is used for below-market rent apartments targeted at Teach for America participants.

The project used the New Markets Tax Credit, the Historic Rehabilitation Tax Credit, and some small city and state subsidies to finance the project. Though it is often recommended that the Historic Rehabilitation Tax Credit be combined with the Low Income Housing Tax Credit for rehabilitation and adaptive reuse projects of historic structures for affordable housing, Seawall Developers opted to not follow this course of action and instead use the New Markets Tax Credit. The reasoning behind this decision, Thibault Manekin explained, was the fact that the

---

<sup>105</sup> Edna Johnston, *NRHP Nomination: American Can Company-Miller Factory*, report, Part 1 of HRTC Application (National Park Service, 2002), Sec 7. pg 10.

<sup>106</sup> *Ibid*, Sec 8. pg 13.

project involved both commercial and low income residential units. The benefits of the New Markets Tax Credit applied to the entire structure, whereas the benefits of the Low Income Housing Credit would have only affected the housing section of the project. By combining the New Markets Tax Credit with the Historic Rehabilitation Tax Credit, Seawall Developers gained the most amount of tax credits back.

The proposed rehabilitation work for the exterior of the mill is extensive, but remains sensitive to the mill's historic structural integrity. The work included the demolition of unstable, non contributing additions, the cleaning of brick and mortar, creation of new door openings from existing windows, the returning of unoriginal doors back to windows, and the unbricking of original windows. Any new openings created in the original brick "will be toothed in to make it look natural and the mortar joints will be made seamless as part of the overall repointing..."<sup>107</sup> the roof of the building will be re-clad with asphalt shingles. The existing three main entrances to the building will remain; however due to fire code requirements the doors in these entrances will change. According to a conditions survey of the existing windows, "approximately 80% of the windows throughout the building are in very poor condition and beyond repair."<sup>108</sup> Because of the high percentage of deterioration, the windows throughout the mill were replaced with "double or single hung thermally broken aluminum windows that will provide energy efficiency."<sup>109</sup> A detailed analysis of the replacement of windows in rehabilitated buildings follows the description of all three case studies.

The proposed plans for the interior of the building stated that the 1910 section of the mill would be used for office space while the rest of the building would be used for residences.

---

<sup>107</sup> Seawall Development. American Can Company: Miller's Court. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2008. Pg 3 number 3 "Exterior Brick Masonry Walls"

<sup>108</sup> Seawall Development. American Can Company: Miller's Court. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2008. pg 5 num 6 "Windows"

<sup>109</sup> Ibid, pg 5 num 6 "Windows".

Like the plans for the exterior of the mill, the interior plans paid a great amount of attention to the historic integrity of the building's structural elements. Emphasis was placed on the retention of the "industrial feel" within the mill building as a result the office space retains the high ceilings and open floor plan of the original structure and "The roof trusses on the 1890-1895 sections of the building will be entirely exposed on the interior of the apartments in order to retain the factory character of the space."<sup>110</sup> Rehabilitation plans included the removal of 1970s partition walls and dropped acoustical ceilings as well as the removal of severely deteriorated original material such as bead board and pressed metal ceiling and severely rotted wood flooring.<sup>111</sup> Concrete flooring replaced the wood floor on the first level while the second through fourth levels retained any undamaged flooring. Any damaged flooring or subflooring was repaired, removed, or replaced with plywood.<sup>112</sup> Damaged structural elements were also repaired. Exposed and painted brick original to the structure was gently cleaned and where necessary repainted or sealed with a clear sealant. Of the four staircases existing in the building before the rehabilitation, only one was retained.

The choices made by Seawall Development concerning the removal of certain original features while retaining others was carefully considered. For example, the decision to remove three of the four existing staircases at first seems dramatic and a dismissal of the Secretary of Interior's Standards. Two of the removed staircases were features of the original mill building, however retaining these staircases would "...necessitate all exposed wood framing to be clad in multiple layers of gypsum board, obscuring the existing exposed structural elements." The developers determined that the preservation of architectural features that contributed to the significance of the structure on the National Register was a higher priority than preserving

---

<sup>110</sup> Ibid, pg 4 num 4 "Roof".

<sup>111</sup> Ibid, pg 6 num 8 "Floor Plan".

<sup>112</sup> Ibid, pg 7 num 9 "Floors, Walls, and Ceilings".

staircases in tertiary spaces<sup>113</sup>. The removal and replacement of all windows in the structure is often a difficult and controversial decision for a developer to make when rehabilitating a historic property.

The Seawall Development Corporation found the Miller's Court rehabilitation project to have very few barriers of the barriers commonly encountered during adaptive reuse projects for affordable housing. By the time Seawall Developers acquired the property, Part 1 of the application for the Federal Rehabilitation Tax Credit had already been completed by a previous developer and the structure had been listed on the National Register of Historic Places. The interior of the structure had been altered many times because of its rotating uses after 1950 and as a result most interior character defining features had been removed. "We find that there's not much to salvage in these buildings after 150 years" explained Thibault Manekin of Seawall Developers. By studying the mistakes of former developers of the projects and because the interior of the structure was already stripped of any significant character defining finishes, the Miller's Court project was completed without encountering any substantial barriers to rehabilitation.

#### *Joseph H. Barnes School*

The Joseph H. Barnes School is located in East Boston, Massachusetts on the east end of a block bounded by Princeton, Marion, and Saratoga Streets.<sup>115</sup> It was formerly known as the East Boston High School, was constructed in 1901 by architect John L. Faxon. A rear addition was constructed in 1933 by architect Charles R. Greco. In 2001 the East Boston Community Development Corporation acquired the property. Developers used the Historic Rehabilitation

---

<sup>113</sup> Spaces in a building are rated as primary, secondary, and tertiary, depending upon their contribution to the architectural and decorative significance to the building.

<sup>115</sup> Cara H. Metz, *NRHP Nomination: Old East Boston High School*, report, Part 1 of HRTC Application (National Park Service, 2002), Sec 7 pg 1.

Tax Credit, the Low Income Housing Tax Credit, and the U.S. Department of Housing and Urban Development's Section 202 money to fund the project. The result was the creation of 74 senior affordable housing units complete with support services for the residents.

At the time of the school's early twentieth century construction, the neighborhood surrounding the block was composed of primarily Russian, Jewish, and Italian immigrants. These immigrants lived in tenements constructed in the neighborhood to accommodate the immigrants attracted to the areas due to the opportunities found in the nearby factories and shipping industries.<sup>116</sup> The Joseph H. Barnes School is tangible evidence of the growth of the neighborhood around it as well as the evolution of teaching styles and architectural design preferences.

The East Boston High School was originally constructed to educate the children of immigrants in the neighborhood. The design of the original building represented architectural stylistic preferences at the time as well as the emergence of fire codes in public spaces. The school incorporated the 1897 Massachusetts state mandate that all schools be fireproof.<sup>117</sup> As the neighborhood grew, so did the demand for schools. The 1933 addition included additional classrooms with many dedicated to home economics courses, "reflecting contemporary educational ideals for young women".<sup>118</sup> The addition included shop space for woodshops, sheet metal, and a drafting room indicating a shift in teaching from "the building's original academic course of study to vocational training."<sup>119</sup> The need for schools in the East Boston area began to slow in the mid 1900s. The school remained occupied until the 1980s when the city of Boston determined that the condition and need for the school had diminished and

---

<sup>116</sup> Cara H. Metz, *NRHP Nomination: Old East Boston High School*, report, Part 1 of HRTC Application (National Park Service, 2002), sec 8 pg 1.

<sup>117</sup> *Ibid*, sec 8 pg 2.

<sup>118</sup> *Ibid*, sec 8 pg 4.

<sup>119</sup> *Ibid*, sec 8 pg 4.

subsequently closed it. The school remained vacant until 2001 when the East Boston Community Development Corporation took responsibility for the rehabilitation of the school.

The 1901 floor plan is in an I-shape which sits on a rectangular basement. The 1933 addition is in a U-shape that connects with the top and bottom wings of the “I” of the main building; both sections are 3 stories in height with a flat roof.<sup>120</sup> The north wing of the school runs along Princeton Street and the south wing runs along Saratoga Street; these wings are seven bays in length and almost identical.<sup>121</sup> The east wing of the school runs parallel to Marion Street and is 15 bays long. The west wing of the school is associated with the 1933 addition which is eight bays long and 14 bays deep. The windows of the school were replaced in 1936, 35 years after the school was completed.

The exterior of the building is Neoclassical in design and composed of buff brick with limestone trim and a granite base.<sup>122</sup> Four pavilions embellish the façades of the school; one on the Princeton Street façade, one on the Saratoga Street façade and two on the Marion Street façade. The Princeton and Saratoga Street (north and south wings respectively) pavilions are located at the west end of each wing and are two bays in width.<sup>123</sup> The pavilions attached to the Marion Street façade are four bays wide and two bays deep. An entrance porch seven bays wide and one story in height sits between the two projecting pavilions. This entrance porch, with its granite double stairs, Ionic columns and pilasters, frieze, and denticulated cornice, creates a striking entranceway into the building. The north and south wings are also adorned

---

<sup>120</sup> East Boston Community Development Corporation. Barnes School. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 2.

<sup>121</sup> *Ibid*, 3.

<sup>122</sup> *Ibid*, 2.

<sup>123</sup> *Ibid*, 3.

with a carved stone balcony at the center of each second story, each with a decorative panel.<sup>124</sup>  
The west wing façade is blank save for windows, doors, and a bluestone beltcourse.

The interior of the school is characterized by a striking main entrance lobby, gymnasium, auditorium, library, and numerous classrooms and teacher's offices. The Neoclassical features found on the exterior of the building characterize the interior as well. The main entrance lobby is as striking as the exterior porch and staircase leading to it. The National Register nomination form describes the lobby's ornate interior saying,

"The space is finished with high marble wainscoting, marble baseboard, a geometric patterned terrazzo floor, and vaulted plaster ceiling. A gold painted ornamental leaf molding frames a panel in the ceiling. Compound pilasters between the bays are faced with a dark green, heavily veined marble. The corridors continue the vocabulary with a lower marble wainscot, marble base, terrazzo floor, and high vaulted plaster ceilings."<sup>125</sup>

The corridors of the second and third floors are not as ornate as those on the first, however the wainscoting does continue up the stairwell to the second floor.<sup>126</sup> Like the main entrance lobby the auditorium is elaborately decorated in the Neoclassical style. Features of this space include a domed ceiling, Ionic columns, scrolls, anthemions, and swag. The library is located above the main entrance lobby. The library is characterized by an elaborate fireplace and access to the balcony located above the entrance porch on the east façade. Though much more understated than the design of the lobby, auditorium, and library, classrooms were defined by features such as wooden floors, plaster ceilings and walls and recessed windows.<sup>127</sup>

As articulated in the descriptions above, the Barnes School has a large amount of existing features that contribute to the historic importance of the structure. As a result, the

---

<sup>124</sup> East Boston Community Development Corporation. Barnes School. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 3.

<sup>125</sup> Cara H. Metz, *NRHP Nomination: Old East Boston High School*, report, Part 1 of HRTC Application (National Park Service, 2002), sec 7 pg 5.

<sup>126</sup> *Ibid*, sec 7 pg 5.

<sup>127</sup> *Ibid*, sec 7 pg 5.



developer and architect had to carefully design a reuse plan that would successfully incorporate the new use while protecting the distinct features of the school. The changes proposed for the exterior of the building included windows, masonry, doors, and the entrance porch on the east façade and did not have a particularly detrimental effect on the character defining features of the façades. All the façades were cleaned and repointed. Brick masonry was patched using existing brick where possible and “new brick will match the existing in size and color as closely as possible,”<sup>128</sup> Window openings were filled or altered through the lowering of sills, addition of panes, or conversion into doorways. Two elevator towers were constructed in the center of the building. The towers were constructed of buff brick matching that of the main building. A garage entrance was created in the south façade basement. This façade was chosen for the entrance as it is not a “primary elevation of the building”.<sup>129</sup> The floor of the entrance porch on the east façade of the school will be raised to be level with the lobby floor. This change was necessary for compliance with life safety and accessibility codes. Only the flooring section in front of the three entrance bays will be raised, the remaining areas of the flooring will be repaired and remain exposed.<sup>130</sup>

Changes to the interior included all floors of both the 1901 and 1933 sections as well as the auditorium. The changes made most frequently to the interior of the school involved the infill of original windows, the covering of flooring with carpet, the raising of floors to level grades, the furring out and insulating of interior walls, and the conversion of teacher’s rooms, offices, and classrooms into residential units. More dramatic changes to the interior include the conversion of the auditorium into a community room, the gymnasium into an adult daycare

---

<sup>128</sup> East Boston Community Development Corporation. Barnes School. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 4.

<sup>129</sup> Ibid, 5.

<sup>130</sup> Ibid, 8.

space and kitchen area, the addition of two central elevators, and the installation of an entirely new Heating, Ventilation, and Cooling system throughout the building. Despite the numerous changes made to the interior of the school, much of the original fabric was retained.

Description of the work for each part of the school included the proposed changes as well as what of the character defining features will remain intact. The applicant made a consistent effort to explain why the changes effecting significant features are necessary. Life and fire safety and handicap accessibility was the reasoning behind the majority of any alterations to character defining features.

The adaptive reuse of the Barnes School for senior affordable housing was a distinct challenge. Designers had to take into consideration not only the requirements for affordable housing subsidies and the Secretary of Interior's Standards for Rehabilitation but also the needs of an elderly residential population. Architect of the Barnes School project, Michael Interbartolo, described the project as a challenge but one that was not impossible. "Before we got started, we met with the Massachusetts Historical Commission and walked through the building with them. We told them what we were thinking as far as rehabilitation plans and they gave us feedback." Interbartolo's 30 years of experience with adaptive reuse projects for housing taught him that working with the State Historic Preservation Office from the very beginning of the project saves time because it puts both parties on the same level of thinking for appropriate rehabilitation. Not surprisingly, the high level of detail on the interior meant that the retrofitting of the structure with necessary wiring and piping was a challenge. Piping and wiring had to be sensitively installed; respecting the character defining features of vaulted ceilings and plaster moldings. Interbartolo listed the floor plan of units above the main lobby, installation of the elevators, and the creation of an underground parking garage as additional

aspects of the rehabilitation that required an immense amount of consideration of the historic features of the site before moving forward.

There were two aspects of the project that were a substantial concern for the State Historic Preservation Office. The first was the installation of the aforementioned elevator towers and the second was the year to which the windows should be restored. Great lengths were taken to ensure that the elevator towers would not detract from the distinct roofline of the school. Part 2 of the Federal Historic Rehabilitation Tax Credit application describes this part of the project. Though the elevator penthouses rose “approximately four feet above the height of the flat roof...they will most likely not be visible from the street,” thus preserving the buildings character from the street.<sup>131</sup> Interbartolo explained that the windows in the school when it was acquired by the New Kensington Community Development Corporation were those that were installed in 1936. According to Interbartolo the 1936 windows fit the requirements he desired and so he and the State Historic Preservation Office worked together to determine that retaining the 1936 replacement windows instead of returning to what would have been the original 1901 design was best for the structure.

Though projects such as the Barnes School can be a challenge, Interbartolo said that it’s a rewarding experience. “The units are bigger, the corridors are wider; you gain more square footage than you would with new construction because there are things allowed for rehabilitation that are not accepted with new construction. For example, the Barnes School has 74 units, of those there are 35 or 36 different floorplans.” Interbartolo acknowledges that rehabilitation projects are not necessarily less expensive than new construction; the design work for rehabilitation projects does require extra time and funding. However, he believes that the

---

<sup>131</sup> East Boston Community Development Corporation. Barnes School. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 4.

ends justifies the means. Rehabilitation of historic structures means more to the surrounding community than new construction. The quality of life of the residents is improved when they live in a rehabilitated historic structure. “Re-using a historic structure makes residential units more livable; the building has character. The fact of the matter is, you have a better product.” explains Interbartollo.

### *Coral Street Arts House*

The Coral Street Arts House, formerly known as Beatty’s Mill, is located in the Northeast section of Philadelphia, Pennsylvania and is bounded by 25<sup>th</sup> and Franklin Streets. The residence provides affordable housing and work space for artists. The structure in which the apartments and work spaces are housed is one of the many former textile mills in Philadelphia; most of which still stand vacant. Developers used the Federal Historic Rehabilitation Incentive Tax Credit, the Low Income Housing Tax Credit, and some low interest loans from the City of Philadelphia to fund the project.

The Beatty’s Mill structure is significant because of its architectural style and contribution to Philadelphia’s once prominent textile industry. The structure in which the Coral Street Arts house is located was once called Beatty’s Mill. William Beatty founded Beatty’s Mills in the Kensington area of Philadelphia in 1842. Beatty purchased a larger mill complex in 1852 located at the cross streets of E. Hagart and Coral Streets. This mill complex housed Beatty’s Mills productions for cotton twine as well as other tenants that produced textile goods. This structure reportedly burned down and was subsequently replaced by Beatty’s son, Robert, in 1886 after William’s death in 1880. Robert Beatty replaced the 1852 mill complex in 1886 with a building consisting of an identical footprint of the previous mill building; “two long rectangular 5-story brick main mill buildings linked by a one and two story engine house and

boiler house. An office and store room were centered along Coral Street,”<sup>132</sup> The mill complex became known as Powell Mills and the use of the buildings was divided after Robert Beatty’s death in the 1920s. The northern structure functioned as a paper box factory while the southern structure continued to produce cotton yarn; eventually producing other textiles. The one story storage and office buildings were demolished in the 1990s. The northern main mill building along with the engine and boiler houses were subsequently demolished in 2002. The only structure remaining from the 1886 mill complex is the southern 5 story rectangular brick main mill building. This building continued to be occupied by tenants until 2000.<sup>133</sup>

The mill was constructed in the Italianate style of architecture, a style popular in the late 19<sup>th</sup> century for industrial architecture. The Italianate style is evident in the structure’s red brick exterior, segmental arched window openings, corbelled cornice, and flat roof.<sup>134</sup> The construction of the interior of the mill building is significant because it represents the evolution of mill construction due to fire codes. Significant interior features include heavy timber framing, cast iron columns, open floor plans, and a fire wall five bays in length on each floor. The mill structure is also a significant representation of mill construction in the 19<sup>th</sup> century which was based heavily on reformed fire codes. The fire wall on each floor sectioned off the area of the mill where the most fire prone work occurred; the opening and spreading of the cotton. These 5 bay sections, known as spreader rooms, had tin ceilings, iron fire doors, and light was restricted to the use of enclosed gas lanterns. To prevent fire from spreading through stairwells access to each floor was limited to an exterior stairwell enclosed in a tower attached to the north end of the structure. The description of the structure for part one of the application process for the

---

<sup>132</sup> Cynthia Hamilton, *NRHP Nomination: Beatty's Mill*, report, Part 1 of HRTC Application (National Park Service, 2003), 4.

<sup>133</sup> *Ibid*, 1-7.

<sup>134</sup> *Ibid*, 2.

federal Historic Rehabilitation Tax Credit describes the structure as being in good condition, saying, “The building has been little altered over the years and remains intact and in excellent condition.”<sup>135</sup> The significance of the mill’s architectural and industrial heritage as well as its exceptional condition allowed it to contribute to the neighborhood’s and Philadelphia’s interpretation of its layered history.

Descriptions of proposed work in Part 2 of the application process explain not only the changes proposed for the reuse of the structure but also the efforts made to retain the industrial features that define the mill as historically significant. The character defining features were protected during the rehabilitation process. Part 2 of the application process for the Historic Rehabilitation Tax Credit describes the conditions of the character defining features and what will be done to preserve them during the rehabilitation process.

The proposed rehabilitation for the exterior of the Coral Street Arts House project involved the creation of a new main entrance, the replacing, re-pointing, and cleaning of exterior brick, the repairing of windows, replacement of roofing, and the addition and removal of stairwells. Mortar repair was carefully matched to the original mortar in composition, joint profile, and width.<sup>136</sup> The cleaning of the brick did not negatively affect any exterior historic materials and replacement brick will match historic brick. Windows and window frames and sashes in need of repair would be done so using epoxy and Dutchman repairs and finished with a historically appropriate color. The proposed work for the interior of the building involved additions to and subtractions of interior finishes and the addition of stairwells to increase circulation. Apartments in the building were to be “organized around a central double-loaded

---

<sup>135</sup> Cynthia Hamilton, *NRHP Nomination: Beatty's Mill*, report, Part 1 of HRTC Application (National Park Service, 2003), 2.

<sup>136</sup> New Kensington Community Development Corporation. *Beatty's Mills*. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 1.

corridor...the first floor will contain the building's public spaces including: reception area...large community room, restrooms, and a laundry room."<sup>137</sup> The load bearing timber columns characteristic of this mill remained exposed along with the wood floors, painted brick walls and exposed truss work in ceilings. Painted brickwork was to be repainted. Any brickwork that was to be covered by required insulation and drywall would be limited to space below window sills. Any drywall and insulation required in the ceiling space was to be placed in between ceiling trusses. Though great care was taken to protect the historic features of the mill, both the plan for the windows and for the interior walls and ceiling were altered after part two of the application for the Historic Rehabilitation Tax Credit was submitted for approval.

Laura Semmelroth of the New Kensington Community Development Corporation explained the difficulties encountered due the adherence to the Standards required by the Historic Rehabilitation Tax Credit and the requirements for affordable housing construction. This lack of cohesion between the two policies affected the rehabilitation work of the windows, walls, and ceilings. The original proposals for both categories were sensitive to the historic features impacted by the work, however complications due to noise deafening requirements, sustainability requirements, and extensive wood rot caused the plans to change. The changed plans had to once again be compared with the guidelines set by the Secretary of Interior's Standards for Rehabilitation and it is at this point this is where complications stalled the project and eventually increased the cost of the project to a bracket that had not been anticipated.

Extensive wood rot due to building neglect and subsequent deterioration is the reason for changes in the proposal of work for windows and flooring in the mill. The original plan of repairing windows with epoxy and Dutchman repairs and replacement of sashes when

---

<sup>137</sup> New Kensington Community Development Corporation. Beatty's Mills. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. 5.

necessary was expanded once a condition survey of the windows determined that 40% of the sashes were in poor condition, 45% were in fair condition, and 15% were in good condition.<sup>138</sup> The survey indicated that 192 windows needed to be replaced, a number much higher than originally anticipated. The undeniable role of the windows as character defining features meant there was no option but to replace the original windows with ones that were carefully crafted to be identical to the originals. Replacing the windows in accordance with the Secretary of Interior's Standards while also making them energy efficient was a choice that was more expensive and time consuming than the original proposal. Flooring on the 3<sup>rd</sup> and 5<sup>th</sup> floors suffered from extensive wood rot. The floors on these levels were not salvageable and therefore the original material had to be discarded and new oak flooring installed.

Part 2 of the application proposed that character defining feature of the truss system on the 5<sup>th</sup> floor remain exposed. This plan changed after "various funding agencies...indicated that the retention of the full ceiling height on the 5<sup>th</sup> floor would not meet their energy efficiency requirements."<sup>139</sup> As a result the ceiling height was lowered and drywall was installed in between the trusses, leaving only 6" areas of the truss beams exposed. This plan is similar to the plans for the ceilings on the lower floors.<sup>140</sup>

Adhering to sustainability requirements while maintaining the historic character of this mill building proved to be a challenge for the New Kensington Community Development Corporation. "It would be difficult for us to persuade ourselves to use the Federal Historic Rehabilitation Tax Credit again," Laura Semmelroth says when reflecting on the project. Her

---

<sup>138</sup> Charles E. Fisher, *Windows: Replacement Wood Sash Utilizing True Divided Lights and An Interior Piggyback Energy Panel, Beatty's Mill (Coral Street Arts House)*, technical paper no. 21, Preservation Technical Notes (Washington, DC: National Park Service, 2008), 2.

<sup>139</sup> New Kensington Community Development Corporation. Beatty's Mills. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. Amendment, 2.

<sup>140</sup> *Ibid*, Amendment, 2.



reasoning behind the hesitance of the CDC to use the tax credit again stems from the concern that the need to adhere to the Standards and the requirements of other federal subsidies such as low income housing requirements for sustainability and handicap accessibility, is simply too time consuming and costly. The conflict between the requirements does not encourage people to preserve explains Semmelroth, “The windows alone cost more than what we got back from the tax credit.” Semmelroth does admit that her CDC’s experience with the tax credit is not always the case, Other people in other states have had a much easier time reconciling the two” she acknowledges.

*Analysis of all three case studies*

The three case studies range in their encountering of barriers during development and construction. A list of barriers gathered from David Listokin’s report was sent to the developers of the Miller’s Court and Coral Street Arts House projects and to the architect of the Barnes School project. Each contact was asked to review the list and to note which barriers, if any, were encountered during the project. The list of barriers is as follows:

Development Stage Rehab Barriers:

Acquiring property

Estimating costs

Insurance

Financing

Land Use

Construction Stage Rehab Barriers:

Building codes

Minimum Housing Standards

Lead Regulations

Asbestos Regulations

Radon Regulations

Energy Regulation

Historic Preservation Controls and Programs

Handicap Accessibility

Davis-Beacon Wage Requirements

Occupancy Stage Rehab Barriers:

Rent control

Property Tax

Architect Michael Interbartolo listed the estimation of cost, financing, historic preservation controls and programs, and handicap accessibility as the barriers encountered during the project. Estimating cost proved to be a brief barrier because there were no copies of plans from the original building. It was therefore “difficult to determine the exact construction of the structure and took a great deal of time to measure and draw up the existing conditions as best we could determine from field observations.” Financing the project was slightly more complicated than the other two case studies because of the project’s use of HUD 202 funding. As mentioned in the case study description, the school was deteriorated due to 20 years of abandonment. As a result many of the character defining features such as the plaster vaulted corridor ceiling and wood floors had to be restored in accordance with the requirements of the Standards. Window configuration and the installation of elevator shafts necessary for handicap accessibility proved to be a challenge as well because of the need to meet the National Park

Service's requirements. An interesting fact to note concerning the building code is the fact that it was not a barrier. Interbartolo explains that "Fortunately the Massachusetts State Building code has a specific section that deals with existing buildings and is sensitive to historic building reuse." Although specific codes like those for the sprinkler system were more costly to install in the rehabilitated structure, the codes in general were not a major barrier to the completion of the project. Developer of Miller's Court Thibault Manekin stated that none of the barriers listed were a problem for that project saying "None of those barriers applied to our project. We were lucky in that our project wasn't challenging to restore while following the historic guidelines." On the other hand, Laura Semmelroth of the New Kensington Community Development Corporation listed several of the barriers as applicable to the Coral Street Arts House project. Semmelroth explained that the financing of the project was a challenge, "We had to cobble together many sources of income to develop this building - all with their own processes." This is a common challenge for smaller developers. Semmelroth discusses the most challenging barrier to the project: Energy Regulation and Historic Preservation Controls and Programs. She explains that the energy regulation barrier was made even more challenging by historic tax credits and low - income housing regulations. The Historic Preservation Controls and Programs barrier was perhaps the most significant of the barriers listed by Semmelroth. Semmelroth addresses this barrier saying,

"The process to make the building have a historic designation is quite cumbersome and costly. We went after the historic tax credits because we had a gap in funding which in the end made the gap even wider. Because of the constraints on developing a building that is historic we were not able to make the building as energy efficient as we would have wanted. The windows were incredibly costly at over \$2,700 each because they had to be custom made. Even the brick pointing was more money because of the special mortar matching that had to happen."

Though one might assume that Miller's Court and the Coral Street Arts House would have similar experiences because of their shared mill construction, this is not the case. Audrey

Tepper of the National Park Service explains that “One must keep in mind that though a building type may seem the same from one state to the next, it is not. The construction techniques differ from region to region.” says Tepper. This is especially important to keep in mind when considering the idea of standardization among decision making in the State Historic Preservation Office and National Park Service office; a point addressed further in the analysis section of this thesis.

The Energy Regulation and Historic Preservation Controls and Programs barriers that the Coral Street Arts House developers encountered are not uncommon. The incompatibility of energy efficiency requirements regulated by the Low Income Housing Tax Credit with the requirements of the Historic Preservation Tax Credit is often encountered during the insulation of the interior of the building and the replacement of original exterior windows with energy efficient windows. The problem stems from the Historic Preservation Tax Credit requiring the protection of character defining features on the interior and exterior of the building and Low Income Housing Tax Credit requiring rental rates and maintenance costs to remain at a certain level. The proper insulation of walls and ceilings and the sustainably appropriate windows are needed to keep these costs in check. However, the character defining features of certified historic structures can be affected by this insulation and window work.

Windows are some of the most controversial features in a historic building slated for rehabilitation. “Usually windows are the biggest challenge when it comes to adhering to the Standards” say Thibault Manekin of Miller’s Court. He explains that historic wood framed windows are difficult to reproduce and therefore expensive; as evidenced by the Coral Street Arts House it is a costly and time consuming venture. The cost of window replacement is not just because of the complex window systems often found in historic structures but also because

of sustainability requirements imposed on both new construction and restoration projects. Creating windows that are both accurate replicas of the historic originals and also energy efficient is both challenging and costly. The wooden replacements often require painting and continued maintenance; factors that drive up future costs in low income housing developments.”<sup>141</sup>

The treatment of windows in historic structures is a complicated issue, and one that is too lengthy to properly address in this thesis. However, a conclusion can be made based on the experiences in the Coral Street Arts House and Miller’s Court project. Often, windows represent the last remnants of character defining features left on a historic building. In cases such as these, it is imperative that the windows be restored or replaced accurately in order for the building to retain any semblance of its original historic character. The retention of the original window style was particularly important in the cases of the Coral Street Art’s House and Miller’s Court projects because their interiors were devoid of ornate details like those found in the Barnes School. For example, the application for Part 2 for the Coral Street Arts House project explains that “Interior trim work is almost non-existent with the exception of wood windowsills. There is no baseboard.”<sup>142</sup> Though there is a lack of ornamental decoration, the character defining features of the mills lay in the techniques used to construct them on the interior and the masonry and windows on the exterior. This reasoning is often what the State Historic Preservation Office uses when requiring developers to retain original windows or, when necessary, replace in kind.

---

<sup>141</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 117.

<sup>142</sup> New Kensington Community Development Corporation. Beatty's Mills. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003. Sec 7 pg 5.

The developers for the Miller's Court project were allowed by the Maryland State Historic Preservation Office to use aluminum windows. The developers of the Coral Street Arts House project were required by the Pennsylvania State Historic Preservation Office to use wood frame windows that were an accurate replication of the original windows. The Miller's Court building had very few, if any remaining original windows. "We've been lucky none of our buildings had existing windows so the SHPO allowed us to create a replica aluminum frame," explains Thibault. The Coral Street Arts House on the other hand was required to replicate the windows that still existed in the building. It is crucial that these character defining features be preserved and it is also critical that the windows be energy efficient. Creativity and flexibility is necessary when rehabilitating for affordable housing.

One argument by the Neighborhood Housing Services of New England, as seen in the report *Barriers to the Rehabilitation of Affordable Housing*, is that "...using vinyl replacement windows is appropriate from an affordable housing objective as well as from a historic preservation perspective, because only the most trained eye will notice the difference when the windows are viewed from the street."<sup>143</sup> While in most cases window replacements in historic structures should consist of the correct materials and be of the same style, the National Park Service and the State Historic Preservation Office might consider leniency towards the materials of the replacement window provided the design of the window meets the requirements of the National Park Service, State Historic Preservation Office, and the Secretary of Interior's Standards for Rehabilitation. By finding a compromise such as this, the goals of both historic preservation and rehabilitation for affordable housing can be achieved. Finding a compromise also encourages the continued usage of the Federal Historic Rehabilitation Tax Credit; contacts

---

<sup>143</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 117.

at the New Kensington Community Development Corporation have stated that they are hesitant to use the tax credit again because of the difficulties that arose during the project because of the requirements. The Federal Historic Rehabilitation Tax Credit is meant to be an incentive for rehabilitation. Should a compromise not be reached between affordable housing and historic preservation principles it is possible that the use of the tax credit may no longer be a powerful incentive.

## Chapter 6. Analysis

Based on the information provided by the methodology it is clear that there are many factors contributing to the discord between affordable housing and historic preservation. The findings imply that it is not the Secretary of Interior's Standards that are a barrier but a combination of misconceptions, lack of standardization, and a need for policy change on several levels. David Listokin's report *Barriers to Rehabilitation of Affordable Housing* lists the means by which historic preservation is a catalyst for as well as barrier to rehabilitation for affordable housing. The Standards themselves are not listed as a barrier, and are instead listed within the Section 106 Review and the Historic Rehabilitation Tax Credit barriers. The Standards are associated with extra costs, incompatibility with building efficiency, code, and other mandates.<sup>144</sup> As mentioned in the earlier chapter dedicated to Listokin's report, it is stated that the Standards themselves are quite broad, however "...the decisions made by local and state historic preservation officials above the application of the standards can have the effect of being the straw that broke the camel's back." This sentiment is shared by those interviewed in the Delphi Survey. When asked if the Secretary of Interior's Standards were too strict or too lax, those who answered the question said, neither.<sup>145</sup> The interviewees stated that it is not that the Secretary of the Interior's Standards that are too strict, but their interpretation that is a significant barrier to the completion of rehabilitation projects in historic structures for affordable housing.

The three case studies analyzed for this thesis reveal a mix of experiences with the Federal Historic Rehabilitation Tax Credit and the Secretary of the Interior's Standards. The

---

<sup>144</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 118.

<sup>145</sup> Only one interviewee did not answer the question because she felt she was not familiar enough with the Standards to give an accurate answer.



three projects differ immensely: The Miller's Court project's lack of barriers with developers fairly new to the rehabilitation for affordable housing realm, the Barnes School's project with several minor barriers and an architect and developer who have years of experience with rehabilitation and the Historic Rehabilitation Tax Credit, and the Coral Street Art's House's barrier laden project with developers using the Historic Rehabilitation Tax Credit for the first and possibly last time. Though the circumstances of each project are diverse, all three of the projects used the Historic Rehabilitation Tax Credit and therefore were affected by the Secretary of the Interior's Standards for Rehabilitation. After studying and analyzing the interactions each project had with the Standards, especially in the case of the Coral Street Arts House, it is proven once again that it is not the Standards themselves but the interpretation of the Standards that is a barrier to the timely completion of rehabilitation for affordable housing projects.

Rotted wood, lead paint, the use of multiple subsidies, and sustainability requirements have all been identified as circumstances of rehabilitation for affordable housing projects that conflict with the Secretary of Interior's Standards for Rehabilitation. While it is true that these issues are problematic, it is important for developers with a negative perception to remember that many of these problems cannot be specifically linked to the Secretary of Interior's Standards. If the Standards and the Historic Rehabilitation Tax Credit were taken out of the equation, the projects would still face structural deterioration, unsafe conditions, conflicting requirements from the use of multiple subsidies, and barriers to making a rehabilitated aging structure energy efficient. Although the Standards are viewed as the harbinger of design blockades, excess cost, stalled projects, and as a barrier to a project's designs for sustainability. One must remember that the policies of historic preservation, affordable housing, and sustainability are inherently different. The historic rehabilitation standards are meant to protect the exterior and interior of historic structures with little thought given to the specific needs due

to change in building use. Life safety and building codes are meant to protect the occupants not the building. Sustainability regulations are meant to eradicate unnecessary energy consumption. The U.S. Department of Housing and Urban Development requirements are meant to provide safe, comfortable, affordable housing. It is no surprise that the various requirements associated with affordable housing projects within rehabilitated historic structures are not cohesive.

Interpretation of the Standards is highly subjective; dependent on the education and experience forming the opinion of State Historic Preservation Officers and the National Park Service review committee. Interpretations can vary from state to state and even from project to project within the same state. The Standards are described by many of the Expert Survey interviewees as flexible; the flexibility of the language allows for interpretation that can make the Standards either more compatible or less compatible with affordable housing goals. This lack of standardization means it is difficult for developers to feel comfortable using the tax credit since there are no guarantees that a solution agreed upon for a previous project will be acceptable for their own project. It also leads to varying degrees of interpretation between State Historic Preservation Offices and the National Park Service review committee.

David Listokin's report addresses inconsistencies between the State Historic Preservation Office and the Advisory Council on Historic Preservation. The Neighborhood Housing Services of New Haven proposed the replacement of original windows with vinyl windows and was denied by the State Historic Preservation Office. The organization appealed the decision to the Advisory Council on Historic Preservation who approved the use of vinyl windows. The appeals process cost the developer time, funding for extra staffing, and fines for

property holding.<sup>146</sup> This is an example of the frustrating inconsistency between preservationists within the field. Caroline Hall of the Advisory Council on historic Preservation states correctly that a, “lack of consistency undermines our goals.” The lack of consistency defeats the goal of preservationists to have historic structures be an important contributor to community revitalization, particularly through affordable housing. The lack of consistency also leads to an inaccurate perception of the Standards, the Historic Rehabilitation Tax Credit, and of the preservation field in general. Interviewees made it very clear that the perception of the Standards plays an important role in whether or not rehabilitation of historic buildings for affordable housing is successfully completed. Many developers view the barriers associated with the Standards as a representation of a frivolous field only concerned with saving minute architectural details and ignorant of the greater need for affordable housing. This perception of the Standards and the field of preservation acts as a disincentive for developers to use the Historic Rehabilitation Tax Credit; thus exposing potential certified historic structures to interior and exterior damage that might otherwise be mitigated by the required use of the Standards.

Though it is an option to not use the Historic Rehabilitation Tax Credit and therefore avoid potential conflicts with the Standards, this is not a preferable solution. While the goal of the Historic Rehabilitation Tax Credit is preservation, not affordable housing, the tax credit is being used more frequently for this purpose. One cannot ignore the numbers: from FY 1994 to FY 1997 approximately 30% of all Historic Rehabilitation Tax Credits were used for Low to Moderate Income level housing projects. In FY 1997 that number rose to 42%.<sup>147</sup> With the need for affordable housing and the need to reuse the built environment rising, the need for a change

---

<sup>146</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 117.

<sup>147</sup> David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*, report, vol. 1 (Washington, DC: U.S. Department of Housing and Urban Development, 2001), 113.

or increase in flexibility of the interpretation of the Standards is necessary. While this might be a challenging and lengthy process, it is entirely possible to accommodate the needs of affordable housing with the function of the Standards.

Of those interviewed for the Expert Survey the majority stated that the best way to solve the problem is to create a standardization for the interpretation of the Standards. There are currently no guidelines for interpretation of the Standards for affordable housing. Caroline Hall explains that, "The Standards need to be a living document that changes as technology and building practice change." The steady increase of usage of the Historic Rehabilitation Tax Credit for affordable housing is an example of changing building practice. Hall believes that the rigid interpretation of the Standards is self defeating. The current interpretation must change for the use of the Historic Rehabilitation Tax Credit as a means for the rehabilitation of historic buildings for affordable housing to continue.

The standardization of interpretation for the Standards is difficult to create because of the hundreds of building types and thousands of construction and design variables encountered during the rehabilitation for affordable housing. It is these variants in building type, construction, and design that lead preservationists to argue that standardization of project review decisions is not possible because decisions must be made on a "case-by-case" basis. For example, a mill building that has an interior that is already stripped of most finishes such as the Miller's Court project in Baltimore is an entirely different case from an interior that retains the majority of its interior finishes and character defining architectural elements like the Barnes School in Boston. Audrey Tepper of the National Park Service explains that the National Park Service does in fact have standard conditions, but every project is unique. "We review each project on a case by case basis," says Tepper, "Just because an action was taken on one

application doesn't mean it works on another project because the site conditions or circumstances might be different." It is true that no two buildings are alike and therefore no two projects can be treated the same. The proposed standardization of interpretation must reconcile the need for each project to be looked at individually keep standardization of interpretation.

The research and analysis of this thesis has established that rehabilitation for affordable housing is a distinct form of building reuse that requires special considerations. It is particularly difficult for the Secretary of Interior's Standards for Rehabilitation to coincide with affordable housing policy requirements. Architect Brian Phillips explains, "Subsidized projects were never a design focus. All these regulations are about managing lowest common denominator issues i.e. low maintenance cost, low rent." In contrast to this priority, the Secretary of Interior's Standards for Rehabilitation are primarily about design for the new use of a historic building. The standardization of interpretation will not mandate design guidelines specific to building types, rather it will mandate a frame of mind that is necessary when assessing the project proposals for the rehabilitation of historic buildings for affordable housing. The proposed standardization policy is essentially exceptions to the rules that apply to rehabilitation of any type other than that of affordable housing. In the case of rehabilitation for affordable housing projects the decisions made by the State Historic Preservation Officers and the National Park Service cannot be made with just the goal of historic preservation in mind. When affordable housing is involved so are multiple subsidies, with multiple requirements, all with the purpose of creating an affordable project from development to occupancy stage.

The creation of standardization of interpretation will mitigate common issues such as window replacement. For example, had the standardization of interpretation of the Standards

been in place when the New Kensington Community Development Corporation proposed replacing all the windows in the Coral Street Art House project, the standardization policy would have mandated that in the case of an affordable housing project, the windows must be replaced with an accurate representation of the original windows; the new windows must look the same as the originals, however the materials do not have to be the same as the original. The allowance of modern material to be used in the replacement is meant to give options to developers should it be determined that the original window material may not meet sustainability requirements. This exception to the rules should be made as a compromise between a need for sustainable design for affordable housing projects and a need for preserving the integrity of a building by replicating its character defining features.

The proposed standardization policy is meant to find a common ground between affordable housing and historic preservation standards so that both initiatives may be satisfied. While some may object to this compromise, it must be reiterated that 1. this proposed policy of standardization for interpretation of the Standards is meant for rehabilitation for affordable housing only and 2. This policy by no means allows developers to wantonly replace character defining features of a structure by citing the need to meet sustainability requirements. The guidance of the State Historic Preservation Office and the National Park Service is still needed to determine to what extent a compromise between affordable housing and historic preservation initiatives should be made. The policy emphasizes the need for compromise and for preservationists to be mindful the greater goal of providing affordable housing when considering the effects the requirements for this type of housing have on character defining features. When reviewing a rehabilitation project for affordable housing, reviewers must balance the need for retention of a building's character defining features with the need for safe, energy efficient affordable housing.

Several solutions to the lack of cohesion between the historic preservation and affordable policies have been attempted as exemplified through the review of the Advisory Council for Historic Preservation's 1995 policy and the revised policies in 2002 and 2006. Prototypes for Programmatic Agreements between the U.S. Department of Housing and Urban Development and the State Historic Preservation Offices have been created, but not instated. Design guidelines specific to the districts/cities that create them have been established but not adopted as a standard nationwide. The proposed standardization policy should not be an addendum or additional principle to the Advisory Council on Historic Preservation's 2006 policy statement on affordable housing and historic preservation. It is a possibility that the statement could be an addendum to the Secretary of Interior's Standards for Rehabilitation. What would be best is the policy as a standalone statement providing guidelines for State Historic Preservation Offices and the National Park Service regarding interpretation of the Standards as applied to rehabilitation for affordable housing projects. The Advisory Council on Historic Preservation along with the National Conference of State Historic Preservation Officers and the National Park Service must work together to make this policy statement feasible.

Compromise is essential to the success of the standardization policy, not just during its creation but also once the policy is enacted. The State Historic Preservation Officers and the National Park Service must be accepting of the standardization of interpretation in order for the policy to have the desired effect. One of the greatest barriers to the completion of adaptive reuse projects in historic buildings is the lack of compromise on both the development and construction side as well as on the historic preservation side. As it has been stated before in this thesis, affordable housing policy and historic preservation policy have similar goals, but very different means of achieving those goals. Both sides need to be flexible. According to Colin Ingraham of the Maryland State Historic Preservation Office, success of rehabilitation projects in

historic buildings rests on having the right architect, developer, preservation officer, attitude, and building. The flexibility of the architect, developer, and preservation officer, a clear line of communication, and enthusiasm for the project, are all required for the success of the rehabilitation for affordable housing.



## Chapter 7. Conclusion

The compatibility of historic preservation and affordable housing goals does not rest solely on the preservation field to standardize interpretation of the Standards. Both historic preservation and affordable housing advocates need to be more flexible. Each must understand and accommodate the goals of the other party to the best of their abilities. The creation of affordable housing in historic structures will simply not work if each side is not willing to understand and appreciate the other's goals. To solve the barriers posed by the interpretation of the Standards and incompatibilities of policies one must examine all sides of the argument; What does affordable housing require? What does historic preservation require? What do developers require? David Listokin says in his Delphi Survey interview:

“Affordable housing communities view historic preservation as yet another problem that they have to deal with. People make good intentioned statements, they say the two can be synthesized...of course they can, but there needs to be a hard look at the two. Look hard at the Secretary of the Interior's Standards. What can change for affordable housing standards? The same could be said for affordable housing. What can change for historic preservation standards?”

Cooperation from the developer is also necessary for a successful project. The attitude of the developer can often negate the threat of a lengthy application and review process. As seen in the case of the Barnes School redevelopment, if a developer begins the application process with the intent of doing their best to adhere to the Standards and works with the SHPO along the way, there is a greater chance of meeting their goal of creating affordable housing with few to no conflicts with the SHPO/NPS's interpretation of the Standards. The developer must also recognize the inherent differences between the goals of historic preservation and the goals of affordable housing policies. Developers need to remember that the use of the Federal Historic Rehabilitation Tax Credit is specifically to assist in recovering the cost incurred on the project because of the unique nature of rehabilitating historic structures. Should a developer choose to

go through the application and subsequent review process for this monetary assistance it should not be considered an inconvenience when the State Historic Preservation Office or National Park Service requests a change in design proposal.

Similarly, those in the State Historic Preservation Office and the National Park Service who review the tax credit applications need to focus on the priorities of affordable housing projects. The goal of subsidized housing is to provide safe affordable and comfortable housing for families and individuals with a low income, not to preserve the character defining features of a historic structure. Historic Preservation policy makers must remember that sustainability is especially important in low to moderate income housing because it lowers maintenance costs and utility bills-both necessary to keep the low income housing rental rates acceptable.<sup>152</sup> While the purpose of the Standards is to protect character defining features, it is a unique circumstance when it is applied to low to moderate income housing projects. “Combining affordable housing [with historic structures] is a financial and philosophical decision” states Cathy Kleinmann of Charleston Affordable Housing.<sup>153</sup> When addressing these types of projects, there is a higher purpose, a social good that must be kept in mind. The standardization of interpretation of the Standards will assist both historic preservation and affordable housing advocates in achieving their goal of revitalizing communities, preserving a neighborhood landmark, creating a sustainable environment, and providing affordable housing.

---

<sup>152</sup> It is important to remember that should the rental rates go too high, the LIHTC is lost.

<sup>153</sup> Karen Ceraso, "Eyesore to Community Asset: Historic Preservation Creates Affordable Housing and Livable Neighborhoods," National Housing Institute: Shelter Force Online, section goes here (accessed January 10, 2010).

## BIBLIOGRAPHY

- Advisory Council on Historic Preservation. 1995. Council policy statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.
- Advisory Council on Historic Preservation. 2002. Council policy statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.
- Advisory Council on Historic Preservation. 2006. Council policy statement: Affordable Housing and Historic Preservation. Washington, DC: Advisory Council on Historic Preservation.
- The Advisory Council on Historic Preservation. "Samples: Affordable Housing Alternative Design Guidelines." The National Historic Preservation Program. [www.achp.gov](http://www.achp.gov) (accessed February 2010).
- American Society of Civil Engineers. *Rehabilitation, Renovation, and Reconstruction of Buildings*. New York: American Society of Engineers, 1985.
- Arigoni, Danielle. *Affordable Housing and Smart Growth: Making the Connection*. Publication. Washington, DC: National Neighborhood Coalition, 2001.
- Blick, David. "Expert Interview with David Blick." Telephone interview by author. March 2010.
- Burns, Grant. *Affordable Housing: A Resource Guide to Alternative and Factory Built Homes, New Technologies, and the Owner-Builder Option*. London: McFarland and Company,, Publishers, 1989.
- Ceraso, Karen. "Eyesore to Community Asset: Historic Preservation Creates Affordable Housing and Livable Neighborhoods." National Housing Institute: Shelter Force Online. (accessed January 10, 2010).
- Chatfield, Donald L., Melissa J. Shaw, and Alan D. Warnock. *The Challenges of Affordable Housing*. Report. APA National Planning Conference. Washington, DC: APA, 2000.
- Delvac, Esq., William, Susan Escherich, and Bridget Hartman. *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits*. Publication. Washington, DC: U.S. Department of the Interior, National Park Service, 1994.
- Douglas, James. *Building Adaptation*. 2nd ed. Edinburgh, UK: Elsevier, 2006.
- East Boston Community Development Corporation. *Barnes School. Application for Federal Historic Rehabilitation Tax Credit*. Part 2. 2003.
- Escherich, Susan M. *Affordable Housing Through Historic Preservation: Tax Credits and the Secretary of Interior's Standards for Historic Rehabilitation*. Publication. Washington, DC: National Parks Service, 1995.

- Fisher, Charles E. *Windows: Replacement Wood Sash Utilizing True Divided Lights and An Interior Piggyback Energy Panel, Beatty's Mill (Coral Street Arts House)*. Technical paper no. 21. Preservation Technical Notes. Washington, DC: National Park Service, 2008.
- Francetti, Anita. *Shades of Green: Improving the Energy Efficiency and Environmental Impact of Historic Buildings*. Thesis, University of Pennsylvania, 2008. Philadelphia: University of Pennsylvania, 2009. In ScholarlyCommons (accessed October 1, 2009).
- Gustafson, Jeremy, and Christopher J. Walker. "Analysis of State Qualified Allocation Plans for the Low-Income Housing Tax Credit Program." HUD USER. www.huduser.org (accessed April 12, 2010).
- Hall, Caroline. "Expert Interview with Caroline Hall." Telephone interview by author. March 2010.
- Hamilton, Cynthia. *NRHP Nomination: Beatty's Mill*. Report. Part 1 of HRTC Application. National Park Service, 2003.
- Hartman, Bridget. "Expert Interview with Bridget Hartman." Telephone interview by author. February 2010.
- Harvard University. *The State of the Nation's Housing*. Publication no. 6. MA: Cambridge, 2007.
- Highfield, David. *Rehabilitation and Re-use of Old Buildings*. London: E. & F.N. Spon, 1987.
- Johnston, Edna. *NRHP Nomination: American Can Company-Miller Factory*. Report. Part 1 of HRTC Application. National Park Service, 2002.
- Lion, Edgar. *Building Renovation and Recycling*. New York: John Wiley and Sons, 1982.
- Listokin, David, and Barbara Listokin. *Barriers to the Rehabilitation of Affordable Housing: Case Studies*. Report. Vol. 2. Washington, DC: U.S. Department of Housing and Urban Development, 2001.
- Listokin, David, and Barbara Listokin. *Barriers to the Rehabilitation of Affordable Housing: Finding and Analysis*. Report. Vol. 1. Washington, DC: U.S. Department of Housing and Urban Development, 2001.
- Listokin, David. "Expert Interview with David Listokin." Telephone interview by author. March 2010.
- Martin, Judith A. *Recycling the Central City: The Development of a New Town-In Town*. Minneapolis: University of Minnesota, 1978.
- Metz, Cara H. *NRHP Nomination: Old East Boston High School*. Report. Part 1 of HRTC Application. National Park Service, 2002.
- National Park Service. "Introduction: Choosing an Appropriate Treatment for the Historic

Building." The Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing. <http://www.nps.gov> (accessed March 25, 2010).

National Parks Service. "Historic Preservation Tax Incentives." (accessed November 20, 2009).

The National Trust for Historic Preservation. "Qualified Allocation Plans." The National Trust for Historic Preservation. [www.preservationnation.org](http://www.preservationnation.org) (accessed April 9, 2010).

New Kensington Community Development Corporation. "About Us." New Kensington Community Development Corporation. [www.nkcdc.org](http://www.nkcdc.org) (accessed February 12, 2010).

New Kensington Community Development Corporation. Beatty's Mills. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2003.

Ochoa, Manuel. "Expert Interview with Manuel Ochoa." Telephone interview by author. March 2010.

Phillips, Brian. "Expert Interview with Brian Phillips." Telephone interview by author. March 2010.

Rensselaer County Bureau of Planning. *Adaptive Reuse: A Handbook for Professionals*. Report. Troy, NY: Rensselaer County Bureau of Planning, 1975.

Rypkema, Donovan D. *Historic Preservation and Affordable Housing: The Missed Connection*. Publication. Washington, DC, 2002.

Seawall Development. American Can Company: Miller's Court. Application for Federal Historic Rehabilitation Tax Credit. Part 2. 2008.

Stipe, Robert E. *A Richer Heritage: Historic Preservation in the Twenty-First Century*. Chapel Hill: University of North Carolina Press, 2003.

Tepper, Audrey. "Interview with Audrey Tepper of the National Park Service Discussing the Federal Historic Rehabilitation Tax Credit." Telephone interview by author. March 20, 2010.

Tyler, Norman. *Historic Preservation: An Introduction to Its History, Principles, and Practice*. New York: W.W. Norton, 2000.

United States. 1993. National Historic Preservation Act of 1966, as amended. Washington, DC: Produced by the Advisory Council on Historic Preservation, in conjunction with the National Conference of State Historic Preservation Officers, and the National Park Service.

United States. *Comments from NCSHPO on the Advisory Council on Historic Preservation 2005 Policy Statement on Affordable Housing and Historic Preservation*. By National Conference of State Historic Preservation Officers. 2005.

- United States. *The ACHP Task Force on Affordable Housing and Historic Preservation: Final Report*. By The Advisory Council on Historic Preservation. Washington, DC, 2005.
- Urban Land Institute. *Adaptive Use*. Washington, DC: Urban Land Institute, 1978.
- U.S. Department of Housing and Urban Development. "Community Development Block Grant Program." *Homes and Communities: the U.S. Department of Housing and Urban Development, Community Planning and Development*. <http://www.hud.gov/> (accessed February 9, 2010).
- The U.S. Department of Housing and Urban Development. "Glossary of Terms: Affordable Housing." *Glossary of Terms*. [www.huduser.org](http://www.huduser.org) (accessed February 2010).
- U.S. Department of Housing and Urban Development. "Glossary of Terms: Community Development Block Grant." *HUD USER*. <http://www.huduser.org> (accessed February 9, 2010).
- U.S. Department of the Interior, National Parks Service. "Historic Preservation Tax Incentives." (accessed January/February, 2010).
- U.S. Department of the Interior, National Parks Service. *Preservation Tax Incentives for Historic Buildings*. Washington, DC: National Park Service, 2007.
- U.S. Department of the Treasury. "New Market Tax Credit Program." *Community Development Financial Institutions Fund: U.S. Department of the Treasury*. <http://www.cdfifund.gov> (accessed February 9, 2010).
- Westerbeck, Jennifer. "Expert Interview with Jennifer Westerbeck." Telephone interview by author. March 2010.

## APPENDIX A

The following is an excerpt from the National Trust for Historic Preservation's explanation of the Qualified Allocation Plan. This section describes in detail what is meant by the selection criteria "The historic character of a project".

### **Historic Character Pare Available for Projects of Historic Character**

"Historic Character" means any project consisting of one or more structures (1) (a) individually listed in the National Register of Historic Places; (b) located in a registered historic district and certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district; (c) that have received local landmark designation through a local historic preservation commission through an ordinance; or (d) located within an area that has been zoned as a historic area; and (2) the rehabilitation of which will be completed in such a manner as to be eligible for (federal and/or state) historic rehabilitation tax credits.

Required Documentation:

(1)

(a) A letter from the Department of the Interior's National Park Service ("NPS") verifying that the structures(s) are listed in the National Register of Historic Places or verification of the listing through the NPS website at [www.cr.nps.gov/nr](http://www.cr.nps.gov/nr);

(b) an Evaluation of Significance in the form of a Historic Preservation Certification Application Part 1—Evaluation of Significance (Form 10-168) from the NPS;

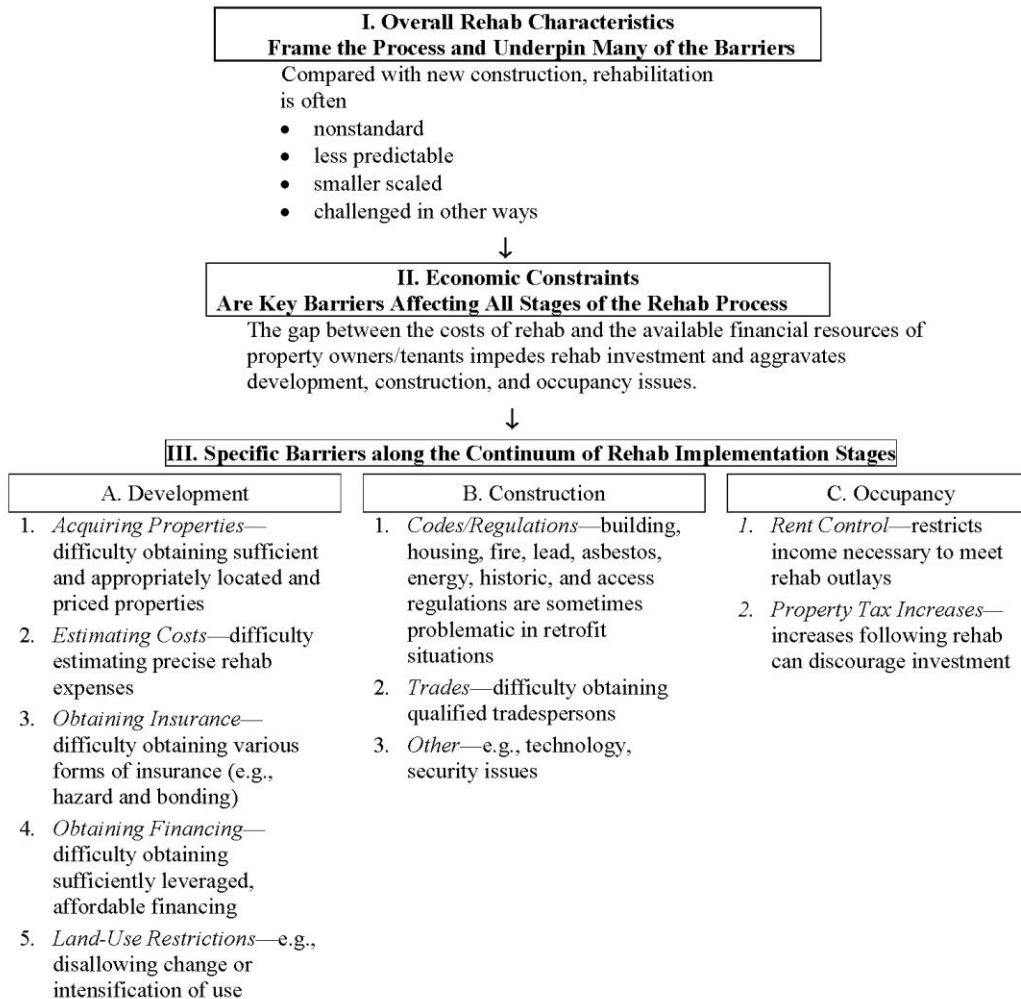
(c) a letter from the local historic preservation commission evidencing the local landmark designation; or

(d) a copy of the municipal zoning ordinance and a letter from the local municipality verifying that the project is located in an area zoned as historic and that the project will meet the requirements outlined in the applicable zoning ordinance(s); and

(2) a letter from the State Historic Preservation Office evidencing that the rehabilitation is a certified rehabilitation which will be completed in a manner consistent with the historic character of the structure or the district in which the structure is located and eligible for (federal and/or state) historic rehabilitation tax credits.

## APPENDIX B

### SUMMARY EXHIBIT 1 Barriers to the Rehabilitation of Affordable Housing: Analytic Framework





## APPENDIX C

The professionals were asked six questions. The following are the responses of each interviewee for each question. If an interviewee did not feel qualified to answer a question or the question did not apply to them, "No answer" is stated.

### 1. How are you involved with the Federal Historic Rehabilitation Tax Credit?

**Ochoa:** No answer

**Hartman:** I was not directly involved with tax credit. I was at the National Trust for Historic Preservation in the office of grants and loans so I intersected with the tax credits from the policy, grants, and loans standpoint.

**Listokin:** I've never been involved in a development project but I have looked at it as a policy tool for historic rehabilitation and set it in context with the tax code before the tax credit was created. I look at how the policy has changed over time.

**Phillips:** We are studying a warehouse in Philadelphia under a William Penn grant. We have not actually completed a project with the historic rehabilitation tax credits but have done feasibility studies.

**Blick:** HUD is not directly involved with the tax credit however there are projects that use HUD funding such as the HOME fund or Community Development Block Grant in conjunction with the Federal Historic Rehabilitation Tax Credit.

**Westerbeck:** My division of the U.S. Bank buys tax credits. We purchase them and give the developer equity in exchange for the credit. I am in business development. I used to work for the National Trust for Historic Preservation in the Community Investment Corporation and they do tax credit work.

**Hall:** Currently I am not involved with the implementation of the tax credit. When I worked for the National Park Service I worked in the same division that the tax credit program was housed in. While my work centered on Section 106 compliance, I provided advice as needed when federal money or permits were involved.

### 2. Do you encourage the use of the Federal Historic Rehabilitation Tax Credit?

**Ochoa:** No Answer

**Hartman:** I am not currently involved with the Federal Historic Rehabilitation Tax Credit in any way.

**Listokin:** A lot of people are not aware of it. There is a definite lack of knowledge. There are also a lot of misconceptions of what you can and can't do when rehabbing a building and working on affordable housing and using the tax credits. We need a lot more discussion. There's a divide between the two communities. Affordable housing communities view historic preservation as yet another problem that they have to deal with. People make good intentioned statements, they say the two can be synthesized...of course they can, but there needs to be a hard look at the two. Look hard at the Secretary of the Interior's Standards. What can change for affordable housing standards? The same could be said for affordable housing. What can change for historic preservation standards? There's no doubt there are limitations on the building code? Are there issues with bldg code standards? Yes. Every aspect involved makes it more complicated. It's a two way street. The tensions would be there even if historic preservation wasn't involved.

**Phillips:** No answer

**Blick:** HUD does encourage the use of the tax credit if it helps the grantees accomplish the proposed project. Typically HUD deals with for profit developers or city municipalities. A lot of the time the resulting Memorandum of Agreement signed for HUD projects involves the use of historic rehabilitation tax credits.

**Westerbeck:** We haven't needed to drum up business right now. If we see a project that looks to be a historic project we tell the developer that they should consider the tax credit. Many developers we work with have used the rehabilitation tax credit at least one other time. People know about the tax credit and the developer is either willing to go through the hassle of it or they just don't want to do it.

**Hall:** Although the credits are not in the primary purview of the Advisory Council, we do encourage the use of them. We try to share information with developers and encourage them to consider the tax credits.

### **3. THE Historic Rehabilitation Tax Credit is touted as an asset in the rehabilitation of historic structures. If this is the case, why are some investors apprehensive about using the Historic Rehabilitation Tax Credit?**

**Ochoa:** I think partly because of the guidelines and working with Section 106 or the State Historic Preservation Office. A lot of developers think it's onerous and they've heard a lot of horror stories. I would like to have a summit and invite SHPOs and agency heads of state community development.

**Hartman:** The unknown, the reality of expenses, the will to make it work, if you're predisposed then you will find the solution. Those applying for the tax credit need to recognize that rehabilitating a historic structure will cost more money.

**Listokin:** I think it's a resource and an asset but in many respects it's a wash. You're getting a 20% credit but you have additional expense and time delays. In part that goes to the criticism of tax credits in general. Developers have to remember that the government isn't just giving the money away. When you're doing affordable housing and using the tax credits, it is going to cost more and going to take longer. To say there's this credit and it's not being used is not accurate. It's not so low hanging and not easy to use.

**Phillips:** We have looked at projects where window replacement comes up which is a major concern. So much of the guidelines are focused on the exterior of the building. Windows are going to play aggressively into that. That is an expensive component of the building.

**Blick:** I think that the perception is that there are too many strings attached. Developers often feel they lose a sense of control when they use the tax credit. They feel they will lose control over the project schedule and they don't want to deal with the requirements of the SHPO and the NPS. Many feel it is too much of a hassle and are mainly concerned with helping the bottom line of their finances. The successful use of the tax credit relies heavily on the savviness and experience of the developer. Those who have worked with historic structures before are more likely to use the credit than those who are unfamiliar with it.

**Westerbeck:** Developers have to go through a series of applications to receive the tax credit and often getting part 2 approved can be difficult. It often results in the design not being their ideal choice after part 2 of the application has been reviewed. They have to keep a lot of windows in historic structures instead of replacing them with energy efficient windows. There are a lot of design issues that arise. Developers often look at the possible issues that could arise and decide that the cost of changes required by the SHPO, NPS, and the Secretary of Interior's Standards are not covered by the benefits of the tax credit. Alternatively, many developers think that the tax credit is in fact beneficial; the requirements of the SHPO, NPS, and the Secretary of Interior's Standards coincide with what the developer wanted to do anyway. There is also a risk to the developer that they could go through the application process through part 2, be approved, mess it up, and then not be approved for part 3 as a certified rehabilitation and as a result, not receive the tax credit.

**Hall:** I think there are a couple factors, some based on fact, some based on misconception. For one thing it can be complicated for some developers, others are pretty savvy. These developers know how to put together a financially sound and lucrative project. There's an intimidation factor of the perceived complexity. A lot of developers automatically assume that it will be more expensive to rehabilitate to that level. While there may be some upfront costs there have been a number of studies that the lifecycle cost after using replacement materials more than outweighs the upfront costs. They look at slate roofs and wood windows and think, my tenants won't want wood windows. I also think there is a lot more flexibility than people realize. The Standards are not black and white. There's a lot of room for interpretation. I also don't believe that they are inconsistent with the goal of energy efficiency. There are usually compromises to be found. Certainly it is all about the interpretation. Developers will get different

interpretations from different State Historic Preservation Officers. The National Park Service is the final word however. Lack of consistency undermines our goals.

#### **4. What are the top two reasons the Secretary of Interior's Standards for Rehabilitation could be viewed as a barrier to the rehabilitation of historic structures for affordable housing?**

**Ochoa:** The first reason has to do with competing government wide goals and the second has to do with interpretation of the Standards.

**Hartman:** No answer

**Listokin:** There's the underlying thing of use. The Standards say don't replace and that's often not easy to do. Developers and architects often don't have the skills and it adds cost. It's harder to work with the existing framework than to knock out the old window and put in the new and energy efficient ones. This is a big reason for a barrier. These challenges are not often owned up to. To go back to the standards, use the resource/repair it, it adds to expenses and time. It's also difficult to get someone to do it and then get it signed off as a certified rehabilitation.

**Phillips:** The number one reason is the focus on exterior appearance. It's a one dimensional problem. The exterior needs to be brought to a certain level (the original appearance). There's a certain level of value placed on the exterior of the building that may or may not make sense. By extension there is a lack of concern for the way the building performs internally. This is one of the reasons sustainability policy and requirements has begun to play a larger role in the interaction of affordable housing and historic preservation policies. I also think that subsidized projects were never a design focus. All these regulations are about managing lowest common denominator issues. Generally there are overlapping requirements on both the affordable housing side and the historic preservation side. There's going to be federal money involved in affordable housing. Each source of subsidy has its own specs.

**Blick:** Perhaps the Standards are too open to interpretation. The Standards are written to be flexible but there is a perception that the people who make the reviews (SHPO and NPS) make subjective versus objective decisions. Some feel that decisions become a matter of personal taste instead of what's best for the project. Developers perceive the Standards as too open ended and with too much room for interpretation. The second reason has to do more with the Federal tax credit than the Standards, but perhaps it is the timing issue I mentioned before. There are three parts to the application process and as such there are three levels of review that developers must go through before their project can be a certified rehabilitation. The review process for the Federal Historic Rehabilitation Tax Credit is often considered more stringent than the Section 106 Review Process.

**Westerbeck:** I am not too familiar with the Standards but from what I understand the Standards can be limiting on the reuse of the building and they can often be perceived as making it difficult

to rehabilitate the building to code and energy efficient standards. There is often contention between LEED standards and historic preservation standards. A developer often thinks that they would rather have a LEED gold standard than follow historic preservation standards.

**Hall:** I think cost, whether real or perceived. People assume that cost of materials and the skill sets required to work on historic buildings raises the cost of the project. There's some truth to that but as I said before the lifecycle cost of the building is either the same or better. There's also the fact that so many older buildings and can be expensive to abate. In many cases, tenants have young children and lead paint is a concern for these families.

##### **5. Do you feel the SOI Standards for Rehabilitation are too stringent? too lax?**

**Ochoa:** I would say neither. All of it has to do with the interpretation of the Standards. If you read the Standards, they are quite reasonable but when you are dealing with development, time is money. People want to know what they are getting in to and they don't want to hear it's case by case; we need a playbook. When someone doesn't know the rules, it's a nightmare for those not in the historic preservation field.

**Hartman:** I found when I was in the thick of things that they are general. I don't think they are too strict, I think it is how they are applied. They bring a certain quality to the building. It's also about if the building works with the reuse plan. One must consider the question, does the use make sense with the building?

**Listokin:** You can't argue with the philosophy of the Standards. The recommended versus not recommended format makes sense. Perhaps what need to happen is: here's the recommended and the not recommended and then maybe we need additional columns. If it's an issue related to energy efficiency or affordable housing, maybe there should be separate Standards or addendums to the existing Standards. This is needed to reduce some of the uncertainties for developers and architects. The Standards are an important document...they are used as a tool for many things such as Section 106 and local reviews and tax credits. Because it is such an omnipresent document we need to make it more applicable to current projects.

**Phillips:** I think they're too stringent in a certain dimension. They privilege the exterior and allow the interior to be basically anything. It's interesting, in other parts of the world, like Paris, the whole building could be placed in a contemporary skin. There's an opportunity to reinterpret historic value and not preserve it as a museum piece. The Secretary of Interior's Standards for Rehabilitation do not really allow for rethinking the envelope.

**Blick:** I feel like they are adequately written. There is a lot of flexibility to help guide projects and to judge what is an adverse affect or not. The beauty is that they are written to be flexible; however this flexibility leaves them open to interpretation and lead to the subjective versus objective decision making I mentioned earlier.

**Westerbeck:** I have heard all kinds of problems with windows. It seems a lot of historic windows cannot be replaced with high efficiency windows. I don't necessarily think that's good or bad I just know it is a problem. I think that there's a 10% credit that is underutilized and under promoted. I think developers should know more about that.

**Hall:** I don't feel they are either. I feel that the guidelines need to be revised to be more relevant to advancements in technology. I think the Standards could use some updating to the 21<sup>st</sup> century. There are sustainability and environmental concerns. Every day the building industry is coming up with new advancements. The guidelines need to be a living document that stays current with developments, innovation, political and social concerns.

## **6. What are the most common reasons for the SOI standards and the low incoming housing requirements to clash?**

**Ochoa:** There seems to be two opposing teams regarding standards. For example, the HOME program has a goal of energy efficiency through HUD and the city or state is going to push new windows and energy efficiency rather than replacing the window in kind with historic materials or repairing the historic windows. Replacing or repairing the historic windows is going to increase up front construction costs and utility costs for the resident. There seems to be a lack of common ground where the two standards can mesh together. The other issue is variations of the interpretation of the Standards from state to state. There is very little guidance on this issue from the Advisory Council. The SHPOs have not made a unified effort to come an agreement on how to handle affordable housing

**Hartman:** It's the same old same old to some extent. Some of these barriers have been around twenty years. It's the will to make it work to a certain extent. How do you make it work? Revisions to building codes? We need alternative solutions. We also need to make sure that proposed use for the building is feasible.

**Listokin:** Windows. It is such a significant feature. When dealing with affordable housing, windows often come up. The exterior is where you get most of the issues but you have to look at the whole package-interior as well as exterior. Energy efficiency wasn't on the radar 30 years ago. What's happening as that has come to the foreground the mandate falls on affordable housing which then creates tensions when dealing with historic buildings and rehabilitating the interiors.

**Phillips:** Cost. Affordable housing projects are low budget and it's hard to spread the money, especially when you are being required to spend money a certain way. It makes more sense to make the building energy efficient if it is an affordable housing project.

**Blick:** I think the biggest thing is when, for example, HOME money is used to create housing units. It is a requirement of HOME that the units created have to meet affordable housing rent

levels for 10 years. One of the biggest factors contributing to the rent level are maintenance and operations issues. The issues of replacement of older possibly historic elements, such as windows, with new materials that might reduce energy costs and keep the unit affordable. That is definitely an area where there is conflict. One must consider the question, is the continued need for maintenance going to drive up the rent levels? It is important that the units maintain their affordability.

**Westerbeck:** No answer.

**Hall:** I think there is a segment of the preservation community that is too purist. The rigid interpretation of the standards is self defeating. We all have the historic resource in mind, but we can do ourselves more harm than good by taking too much of a stand. Preservationists must remember the overall goal: get families into houses and a bonus is saving a historic bldg. Flexibility is paramount. Standards might not always be compatible. There does need to be a component of realism and compromise. There are those who are more rigid interpreters of the standards. But one must remember these are standards for rehabilitation, not for restoration. The greater goal is preserving the structure for the long term and getting a family into a home. It's about weighing everything. Preservation is not always the only worthy goal. You lay them out on the table and find where the balance is. Its easy when we have our focus on the historic resource but the overall goal of saving history/neighborhoods is better served by a flexible approach

## INDEX

- Adaptive Reuse
  - Definition of, 22
- Advisory Council on Historic Preservation,
  - 10
  - 1995 Policy Statement, 10, 11
  - 2002 Policy Statement, 11, 12
  - 2006 Policy Statement, 13, 14
- Affordable Housing
  - Definition of, 21
  - Need For, 2
- Barriers to the Rehabilitation of Affordable Housing, 15
  - Characteristics of Barriers, 35
  - Historic Preservation as a Barrier, 37, 40, 41
  - Historic Preservation as a Catalyst, 37-38
- Coral Streets Arts House, 64
- Federal Historic Rehabilitation Tax Credit
  - Benefits of, 6
  - Combination with Low Income Housing Tax Credit, 6
  - Problems with, 6
- Historic Rehabilitation Tax Credit, 23
  - Application Process, 23
  - Combined with CDBG, 32
  - Combined with LIHTC, 31
  - Combined with New Markets Tax Credit, 32
- Joseph H. Barnes School, 57--64
- Low Income Housing Tax Credit, 29
  - Qualified Allocation Plan, 29
- Miller's Court, 52-57
- National Historic Preservation Act, 8
- National Trust for Historic Preservation
  - Contributions to rehabilitation and affordable housing research, 16
- Rehabilitation
  - Advantages of, 2-4
  - Challenges of, 6
  - Definition of, 22
  - Resistance to, 3
  - Windows, 48,81-82
- Secretary of Interior's Standards for Rehabilitation, 28
- Smart Growth, 2, 17-18, 87
- Standardization
  - Need For, 49
- Standards for Rehabilitation, 28
- U.S. Department of Housing and Urban Development
  - Subsidy programs, 9