



1999

The Existing Condition of Rehabilitation Investment Tax Credit Buildings in Selected Municipalities of New Jersey

Michael Scott Doyle
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THE EXISTING CONDITION OF
REHABILITATION INVESTMENT TAX CREDIT BUILDINGS
IN SELECTED MUNICIPALITIES OF NEW JERSEY

Michael Scott Doyle

A THESIS

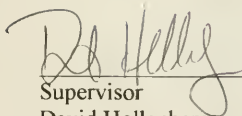
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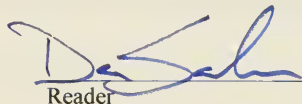
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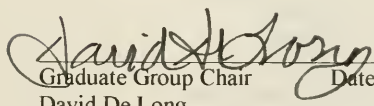
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Partial Fulfillment of the Requirements for the Degree of

MASTER OF SCIENCE

1999


Supervisor 4/27/99 Date
David Hollenberg,
Lecturer,
Historic Preservation


Reader 4/23/99 Date
Dan Saunders, Preservation Principal,
New Jersey State Historic Preservation
Office


Graduate Group Chair 4/27/99 Date
David De Long
Professor of Architecture

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CHAPTER 1

INTRODUCTION

The objective of this thesis is to determine what happens to buildings that are rehabilitated under the Federal Rehabilitation Investment Tax Credit (RITC) program after they exit the five-year recapture period and enter the open market. After a RITC property exits the recapture period, there are no federal measures to protect the retention of the historic character of the property that was sustained through rehabilitation. The only regulatory protection that exists is in the form of local landmark or preservation ordinances, and not all RITC properties are subject to such protection.

For this thesis, selected RITC projects that were completed before 1993 were revisited to assess the current physical condition, ownership and use of the building, and determine whether those rehabilitated buildings have retained the historic character that qualified them for the benefit of the tax credit in the first place or have undergone drastic alterations. The investigation also has revealed the impact of local ordinances as a tool in protecting the historic fabric of certified rehabilitated buildings during, and after, the five-year recapture period. Finally, it determined if rehabilitated buildings are still in active use or in a state of deterioration and neglect. In the trade off of foregone tax revenues from the use of tax credits, the public has received the long-term benefit of rehabilitated buildings that reflect the historic character of the community and are viable income-producing properties within that community. The success of the RITC program is its

ability to balance the financial interests of the developer and provide the public the benefits it deserves from the loss of tax revenue.

During the five-year recapture period, the IRS has the power to revoke the tax credit in the event of inconsistent alterations or sale of the building. After the expiration of the recapture period, the IRS power of protection disappears. Continued protection of historic character falls under the jurisdiction of the local preservation ordinance, if one happens to exist, and if the property happens to be locally designated. This obvious lack of protection opens up numerous possibilities that could be seen as being in direct conflict with the intention of the RITC.

At the outset of the investigation, the expectation of the thesis was to prove that RITC projects did in fact undergo alterations that irreversibly compromised the historic character of the buildings as they exited the recapture period and entered the open market. As the investigation progressed, it became apparent that the local preservation regulations are extremely effective tools in maintaining the standards of rehabilitation and the general condition of the buildings five years or more after rehabilitation is comparable to their rehabilitated state.

This thesis is organized as follows: The first chapter describes the methodology utilized in this thesis. The second chapter in this analysis defines the original intent and purpose of the RITC program. Is the content of the RITC designed to focus on the financial structure of rehabilitation projects, placing them on equal ground with new construction projects, or on the design quality and historic appropriateness of these projects? The third chapter explores the evolution and legislative changes of the tax credit program since 1976. A facet of this exploration reviews the number of

rehabilitation projects undertaken with each legislative change and the amount of private investment generated by these projects. The fourth chapter surveys RITC projects that were completed before 1993 in the cities of Camden, Lambertville and Trenton, New Jersey. It evaluates the current state of properties in these cities with respect to the physical appearance, ownership and use of these buildings in the open market. The final chapter draws conclusions from this investigation, assesses the long-term success of the RITC and makes suggestions for future research on the RITC program.

CHAPTER 2

METHODOLOGY

The initial step in evaluating the current condition of RITC projects is defining the intent and purpose of the rehabilitation credit. The present legislation, in its written text, lacks a true purpose statement, which has enabled misconceptions of the program as either a pure economic incentive program or as a pure preservation program. The dual purpose of the program to protect and preserve a building's historic character and stimulate economic recovery has been overlooked. The dual purpose can be reaffirmed by examining the statements made at the introduction of the legislation to Congress, and by outlining the standards and procedures necessary for the implementation of the tax credit program. Indeed, the dual purpose is reflected by the very presence of its two administering agencies, the Internal Revenue Service and National Park Service, and the respective function each fulfills.

The current form of the tax credit program is far removed from the program created under the Tax Reform Act of 1976. It is the product of many debates and numerous legislative changes that have been refined in attempts to make private investment in the rehabilitation of historic buildings more attractive and more feasible and regulation of such investments more consistent. The evolution of the program is traced by examining the changes that were made in the legislation. The legislative changes directly affected the number of projects that were undertaken and the amount of

private investment generated by these projects, as shown in the Fiscal Year Analysis compiled by the National Park Service.¹

In order to confirm the initial findings of this thesis, which has been confined to three municipalities in New Jersey, the investigation into the existing condition of RITC projects should be performed on a wide range, such as the defined area of the Northeast Region (14 states) of the Park Service or, at the very least an entire state, to gather a truer measure of the how buildings have endured since exiting the recapture period. This would provide a basis of thousands of buildings, which would provide a more accurate assessment for the condition of the tax credit projects, which is a scope of analysis beyond this thesis. The nature of this paper precludes such time-consuming research that would require the efforts of a team, not an individual. The rationale for reviewing projects that were completed before 1993 is that the buildings have exited the recapture period and are presently exposed to the forces of the marketplace. They are eligible to be sold, altered, changed in use or ignored, just as any other building. Any restrictions that were associated with the RITC are completely removed, allowing the building to function as a full participant in the marketplace. The only form of restriction on the property exists at the local level, either in the form of zoning or preservation ordinances.

In an attempt to be as comprehensive as possible and meet the needs of the investigation, three cities were selected through an examination of the tax credit database at the Philadelphia Support Office (PSO) of the National Park Service, formerly the Mid-

¹ National Park Service, U.S. Department of the Interior, *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year Analysis* (Washington D.C.: GPO). Fiscal Year Analysis Reports are compiled each year to track the progress of RITC activity throughout the defined regional districts of the Park Service and often provide cumulative year-to-year comparisons. The are valuable tools to analyze the RITC program.

Atlantic Regional Office (MARO). The criteria used to select the cities were: 1) each city had to be located in one state, New Jersey, so as to maintain a central geographical area and contain research to one State Historic Preservation Office, 2) each city had to have a modest amount of tax credit activity, and 3) the cities had to represent a range of approaches to local preservation regulations.

Each of the three selected cities, Camden, Trenton and Lambertville, have distinct approaches to preservation on the local level. Camden and Trenton have preservation ordinances in place that require a commission to review all work that alters the exterior of a designated landmark or contributing structure within a designated district. Camden differs from Trenton in that the National Park Service (NPS) recognizes its preservation program as a “Certified Local Government” (CLG). The CLG program, administered by the NPS, requires that a local government must effectively carry out the purposes of the National Historic Preservation Act. A CLG’s responsibilities include enforcing legislation for the designation and protection, establishing a qualified historic preservation review commission, surveying and maintaining an inventory of historic properties, and providing a public participation and assistance in the local preservation program.² Trenton has a strong local ordinance and active preservation community, but has decided not to participate in the Certified Local Government program. Lambertville has no local preservation ordinance in place, allowing the individual to monitor the safeguarding of the city’s historic architectural heritage. The rationale in selecting cities with differing approaches to preservation was to consider the impact a strong, weak, or non-existent ordinance will have on tax credit buildings. For instance, it is important to

² National Historic Preservation Act of 1966, as amended 1992, U.S.C., Title I, Section 101 (c)(1).

distinguish if non-conforming alterations to the subject properties occur more frequently in Lambertville than the other cities.

From the list assembled at the PSO, each property that underwent a certified rehabilitation was individually surveyed by two, and where possible three, methods to detect if any non-conforming alterations to the historic character of the property have occurred after the end of the five-year recapture period. First, the applications submitted to the NPS were reviewed to identify the appearance and extent of rehabilitation to each building upon certification. (All RITC applications are on file at the New Jersey State Historic Preservation Office in Trenton and are open to public inspection.) The second method, which pertains only to Camden and Trenton, was to review the file of each building that is maintained by the local preservation commission. These files contain building permits, comments and decisions issued by the historic architectural review board and a record of any alterations/additions on the subject buildings. The final aspect of the investigation was to visually inspect each building and compare its current appearance to its certified rehabilitated state. All buildings were assessed from the exterior, and where access was possible, the interior. Obviously, this is the most valuable tool in determining if the historic character of the building has been retained. The combination of these investigative techniques has revealed any non-conforming alterations to the buildings and the ability of the historic review board to mitigate inappropriate changes to historic buildings.

The final aspect of the thesis is to examine how the rehabilitated buildings have performed on the open market after they exit the five-year recapture period. A true economic analysis of the market conditions for the properties and their effect upon

community redevelopment is not possible in the limited scope of this investigation.³ A few basic factors are considered that demonstrate the effectiveness of the tax credits in stabilizing deteriorated historic properties and allowing them to function on the real estate market. It is generally assumed that the cost of rehabilitation is much greater than new construction, but the cost of rehabilitation is project specific and fluctuates accordingly.⁴ The tax credit has made rehabilitation a viable alternative to demolition and new construction. The RITC enables vacant and functionally obsolescent⁵ buildings in historic districts to be rehabilitated and re-enter the real estate market. The RITC program can also be applied to functioning buildings that could benefit from a rehabilitation to update mechanical systems and repair architectural features.

To assess how buildings have performed in the open market after the five-year recapture period, the chain of title, beginning from the time of rehabilitation, was traced to establish real estate market activity for each property. Assessment records were consulted to compare the changes in value of RITC properties and comparable properties

³ The New Jersey Historic Trust has published the most comprehensive report on the economic impacts of historic rehabilitation. RITC projects are not considered independently but included with rehabilitation projects on the whole. There are numerous studies on this subject but the National Park Service Fiscal Year Report is the only report that focuses on the direct economic impact of RITC projects. The study reveals historic rehabilitation as an important element in the construction industry and an economic pump primer, greater in its effects to that of the construction of new roads and buildings. *The Economic Impacts of Historic Preservation* was directed by New Jersey Historic Trust and carried out by the Center for Urban Policy Research at Rutgers University.

⁴ Donovan Rypkema, "Comparing Rehabilitation and New Construction," *Landmark Yellow Pages* (New York: John Wiley and Sons, 1992), 28. This is generally true but the cost of any particular project is site specific. Rypkema states that if no demolition is required, major commercial rehabilitation will probably cost from 12 percent less to 9 percent more than the cost of comparable new construction. If new construction incurs the cost of razing an existing building, cost savings from rehabilitation should range from 3 to 16 percent.

⁵ Rypkema, 28. "Functional obsolescence" is defined as the diminution of value resulting from building inefficiency as related to inappropriate floor size, layout, and ceiling height and inadequate mechanical systems. This applies directly to the industrial buildings that were surveyed. Another factor of inefficiency is severe deterioration of buildings that compromises the structural stability present in the majority of the residential buildings that were surveyed.

not affected by the incentive program. The review of the data has shown that rehabilitated buildings have become useful and viable properties within the marketplace.

CHAPTER 3

PURPOSE OF RITC PROGRAM

Unlike other legislation relating to the preservation of historic buildings, the RITC lacks a statement defining the intent and purpose of the legislation. The National Historic Preservation Act (NHPA) cites numerous multi-dimensional purposes that the implementation of the act hopes to achieve. Similarly, the purpose statement of the local preservation ordinances in Camden and Trenton reflect the aims and goals expressed in the NHPA. Among these, the NHPA and local ordinances addresses the need to safeguard buildings, districts and sites that reflect the cultural, social, economic and architectural history of the city and country. The NHPA and local preservation ordinances declare that it is in the public interest to preserve this heritage as an educational, economic and inspirational tool. These articles of legislation recognize that this heritage is irreplaceable and ever-increasing extensions of urban centers, highways and development are leading to the demolition of historic properties. Furthermore, and directly applicable to this thesis, the legislation states that Federal and municipal government should develop programs and activities to give maximum encouragement for private investment in historic structures. Over the years, the major burdens of historic preservation have been borne and major efforts initiated by private agencies and individuals. It is the responsibility of the government to facilitate and promote increased involvement by the private sector through its programs and legislation.

As will be shown in the next chapter, federal policy before 1976 did little to promote the preservation of historic architectural resources. In actuality, federal tax policy promoted demolition of older structures in favor of new construction. This will be described in greater detail in the next chapter. In response, a system of tax incentives was established to place the rehabilitation of historic buildings on equal footing with new construction. The Tax Reform Act of 1976, the first such legislation, was a watershed in government cooperation to facilitate historic preservation but the legislation was vague in what it actually hoped to achieve. Unlike the NHPA or local ordinances, the text of the legislation did not specifically define the purpose of the program. It only outlined the incentives available to those who rehabilitated historic buildings, as defined by the Internal Revenue Service (IRS) and the process to certify the rehabilitation, as administered by the National Park Service (NPS). The purpose is partially revealed in the statement of Senator J. Glenn Beall (R-MD), the principal Senate sponsor of the bill of the program, at the introduction of the legislation:

I feel that our current system of tax incentives works in a very direct and definite way against enlisting private funds in historic restoration projects. We can no longer continue to systematically destroy our Nation's history, weaken the fabric of our communities, and deplete our resources as we have in the past. As our national values readjust to the concept of a finite world it is important for us to update our tax system so as to help redirect and achieve socially desirable goals.⁶

But these sentiments are not expressed in the legislation, creating confusion as to whether the tax incentive program was designed to monitor the design quality and historic appropriateness of rehabilitation projects or to focus on the financial structure and incentives that can be amassed through rehabilitation, or both.

⁶ Christopher Duerksen, *A Handbook on Historic Preservation Law* (Washington DC: The Conservation Foundation and the National Center for Preservation Law, 1983), 460. The quote is taken from the Congressional record, 121 Cong. Rec. 3004 (1975), at the introduction of the legislation to the Senate.

The rehabilitation of historic buildings involves two processes which should be complementary, but which in practice may be in conflict. The purpose of rehabilitation seeks to extend the useful life of an existing building by introducing changes, which on occasion is modern and intrusive in nature, while the role of the National Park Service (NPS) is to protect and preserve a building's historic character by limiting change. Conflicts frequently occur as the retention of historic character increases the cost and difficulty of rehabilitation. The process of rehabilitation may create an atmosphere of competing values between the private investor who desires a cost effective and quick project and those evaluating the historical accuracy of the rehabilitation, in this case the SHPO and NPS.

The RITC program places great emphasis on the historic appropriateness of the rehabilitation by requiring the project to conform to a strict application of criterion, known as the Secretary of Interior's Standards for Rehabilitation ("the Standards"). The Standards monitor rehabilitation activity on both the exterior and interior, creating numerous difficulties for the developer to introduce modern amenities in an older building without disrupting the historic character.

The fact that the NPS requires the retention of interior fabric represents a far-reaching and innovative approach to rehabilitation. The historic value of interior spaces and features is regarded as important to the character of the building as the exterior features. This is not necessarily a novel concept but requiring the interior features to be retained during rehabilitation is a unique statutory approach and one of the strongest elements of the RITC program. British statutory requirements affecting the rehabilitation and re-use of historic buildings exclude the review of alterations made to the interior

which do not materially affect the exterior of the building. Other European legislation is similar to the British approach.⁷ The application of the Standards is effective in ensuring the retention of the exterior and interior historic fabric of the building.

Each project is reviewed to determine whether the rehabilitation complies with the Standards. If the rehabilitation meets the expectations of the Standards, it is not certified and the project does not qualify for the tax incentives. But if it does qualify, there are few measures within the law to ensure that the rehabilitated condition and appearance of the building will remain intact after the expiration of the recapture period. The IRS has the right to recapture a percentage of the tax credit if the owner “undertook unapproved further alterations” that is inconsistent with the Standards during the five-year period following certification. Unfortunately, neither the IRS nor NPS has the time or personnel necessary to inspect each building and determine “inconsistent alterations” on a yearly basis. The responsibility to monitor the appearance of the building is assumed by the local historic preservation commission, if one happens to exist.

After the end of the five-year period, there are no measures at the federal level to ensure the historic character will be retained, allowing the property owner to utilize the building and make any alterations he/she feels fit. Protective measures may exist at the local level; their effect upon RITC projects will be discussed at a later time within this paper.

While the design aspect of the rehabilitation as administered by the NPS is a vital component of the RITC program, an equally important purpose of the program is the

⁷ David Highfield, *The Rehabilitation and Re-use of Old Buildings* (London: E. & F.N. Spon Ltd., 1987), 99. Refer to the *Town and Country Planning Act 1971*, Section 22 (2).

investment requirement administered by the IRS. Beyond the aesthetic considerations of the rehabilitation, the building must be used for income-producing purposes, such as a residential rental unit or office building. If the main purpose were the historic appropriateness of the project alone, the legislation might be more comprehensive in its protection of this aspect of the rehabilitation. Hypothetically, the NPS would administer an easement program protecting exterior and interior appearances and require yearly inspection of the building. But the involvement of the IRS and the requirement that the property be income-producing shifts the focus of the program towards its financial structure and the economic reality of rehabilitation. The main goal of the investor is to receive the credit that, in most cases, make the project possible, and can be applied directly against their yearly taxes.

The rehabilitated building is placed into service as an office, a commercial space or a residential rental property. It is expected that the property will be resold, undergo future alterations as they become necessary and be exposed to the forces of the marketplace, just as any other piece of real estate. The benefit of the program is that it places historic buildings that were previously prime candidates for demolition or slow decay, either due to abandonment or functional obsolescence, on equal footing with new construction and provides financial incentives for their rehabilitation. The intention of the program is not to create more house museums or public monuments but to reinvest in the existing, historic infrastructure of a city or neighborhood as useful, income producing properties. To put it simply, the use of tax credits is an incentive to encourage property owners to rehabilitate historic buildings to acceptable standards through private investment.

The decision to utilize the RITC is decided solely by the individual property owner, not a federal, state or municipal entity. From a preservation planning standpoint, therefore, the RITC program is almost entirely reactive. Though rehabilitation projects often resemble projects initiated by a local planning commission and have similar benefits they are generally driven by the current state of the real estate market and the anticipated return on investment. Market forces are the greatest factor in determining how many RITC projects are started. The dramatic decline in the amount of RITC projects during the extended recession between 1987 and 1993 is evidence of market forces directly affecting the amount of projects.⁸

The program was not designed as a proactive planning tool that attempts to rejuvenate an entire neighborhood. It is an incentive-based program that allows a developer or property owner to target individual properties for rehabilitation. The developers who utilize the RITC are reacting to market conditions in an attempt to locate buildings that can be successfully rehabilitated to return a profit. The final decision to go ahead with a project is at the discretion of the private investor. The implementation of the tax credits is a reactive decision by private investors who analyze the real estate market and target specific buildings and neighborhoods in historic districts.

This is not to say that the RITC program is never used as a planning tool by developers and municipalities. The Cooper Plaza Historic District was the first historic district established by the Camden Historical Review Commission. It was established as

⁸ David Listokin and Michael Lahr, "Analyzing the Economic Impacts of Historic Preservation," *Cultural Resource Management* Volume 20 Number 6 (1997): 34. In 1987, there were 1092 completed tax credit projects. By 1990, the number had plummeted to 456. Though the increase is not substantial, the number of projects has stabilized between 500 and 600 certifications each year. The impact of the 1986 Tax Reform Act was a major factor in the dramatic reduction in rehabilitation projects.

a Certified Local District, which means that it is recognized by the National Park Service as a legitimate district but is not listed on the National Register. According to Bob Thompson, the Preservation Planner of Camden, the main reason the district was created was to qualify the buildings as certified historic structures to allow them to be rehabilitated under the RITC program.⁹ The establishment of the district was followed by a flurry of rehabilitation projects that utilized the RITC program. The coordination of HUD forgivable loans and other federal subsidy programs by a not-for-profit organization has also resulted in numerous RITC projects. These projects usually include low income tax credits and are geared towards redevelopment of distressed neighborhoods and affordable housing. The RITC was not created as a proactive planning tool, rather it was designed to subsidize and encourage private investment in historic buildings, but it has been successfully utilized as a planning tool.

Due to the lack of a purpose statement, it was essential for the purpose of this thesis to review the legislation, implementation, and administrative authorities of the RITC to understand its dual nature. Some commentators have argued that the developer, in the pursuit of the tax credit, has ignored the historic character of a building. They argue that the costs of projects have been unnecessarily inflated to increase the amount of the tax credit. In particular, Paul Gleye believes the financial concerns of the program have superceded the historical accuracy of projects and has undermined the first purpose of the program.¹⁰

⁹ Bob Thompson, interview by author, Camden, NJ, 11 March 1999.

¹⁰ Paul H. Gleye, "With Heritage So Fragile: A Critique of the Tax Credit Program for Historic Building Rehabilitation," *American Planning Association Journal* 198 (November 1993): 482-83.

In practice, the application and review process to certify rehabilitation projects by the SHPO and NPS is extremely effective in retaining the irreplaceable historic fabric and character defining features of the buildings. The three-step review process ensures that the historic character of a building is seriously considered. Part 1 and 2 of the application process allow the SHPO and NPS to review projects and identify aspects of the projects that do not comply with the Standards. Part 3 is submitted after the completion of the project to determine if the projects meets the Standards and is approved as a “certified rehabilitation” for the purposes of the 20% rehabilitation tax credit. Concessions are made but developers are also held to a high standard. The burden is upon them to prove that exemption from any standard is warranted. In return, the developer places the building into service and looks forward to the tax credit. The dual purpose of the RITC is served.

CHAPTER 4

HISTORY OF FEDERAL TAX INCENTIVE PROGRAMS FOR REHABILITATION

To understand the need for investment tax credits to promote the rehabilitation of historic buildings, it is essential to review the tax laws that affected existing structures and new construction before 1976. For many years, the federal tax structure actually encouraged the demolition of older buildings in favor of new construction. The tax code was structured so that rehabilitation of an old building required the forfeiture of substantial tax benefits in relation to new construction. Furthermore, preservation was less economically attractive than demolition and new construction because a new building could often be depreciated faster than one already placed into service, and the costs of rehabilitating an existing building are inherently less predictable. The ability to deduct demolition costs as an expense in the year in which the demolition occurred provided a further incentive to demolish rather than rehabilitate.¹¹ These and other tax provisions compounded other economic incentives to replace rather than preserve old buildings.

Moreover, the pressure of increasing land value in urban centers placed the rehabilitation of a historic building at a serious disadvantage. Rehabilitation often meant forgoing an opportunity to construct a larger and more lucrative building on the same

¹¹ Stephen L. Kass, Judith M. LaBelle, and David A. Hansell. *Rehabilitating Older and Historic Buildings, 1990 Cumulative Supplement* (New York: John Wiley Press, 1990), 2.

site. As a result of these considerations, historic structures were vulnerable to demolition, and could not compete in the development marketplace with new construction. When combined with federal programs that stimulated large-scale urban renewal and highway projects, the country, and in particular cities, lost innumerable structures that had contributed to the architectural and historic heritage of America.

Federal policy, under the National Historic Preservation Act of 1966, declared that “it is necessary and appropriate for the Federal Government to accelerate its historic preservation programs and activities and to give maximum encouragement to agencies and individuals undertaking preservation by private means.”¹² Obviously, the Federal tax policy was failing to encourage and promote the rehabilitation and continued use of historic buildings. Instead, the demolition of historic buildings through private development was being encouraged. Under pressure from the preservation community and increasing public awareness of the importance of preserving the architectural heritage of America, the need to change the Internal Revenue Code as part of the preservation effort became increasingly clear.

The first major reform to bring Federal tax policy into harmony with Federal policy on historic preservation was the Tax Reform Act of 1976.¹³ The Tax Reform Act of 1976 contained two significant incentives designed to put the rehabilitation of qualified historic buildings on an equal footing with new construction. To be considered a qualified historic building, the building had to be individually listed on the National Register or a contributing element within a National Register district or be designated in a

¹² National Historic Preservation Act of 1966 U.S.C., Title I, Section 1 (b)(7).

¹³ P.L. 94-455 (1976).

state or local district that is certified by the Secretary of the Interior. Buildings individually designated under state or local authority did not qualify for the incentives.

The first incentive allowed an owner of a qualified historic building to amortize rehabilitation expenditures over a period of 60 months.¹⁴ This was a significantly shorter period than those previously allowed under previous tax laws, which were tied to the life of the improvements, typically 25 to 30 years. The second incentive was an alternative to the five-year amortization. The owner of a qualified historic building could use the form of depreciation deduction available to owners of a new construction project of a similar type. Rather than being limited to the straight-line or 125% declining balances rates previously available to owners of “used” buildings, owners of substantially rehabilitated buildings could use either the 150 (for commercial projects) or 200 (for residential projects) percent declining balance rate for depreciation.¹⁵

The 1976 Act also included two disincentives to demolition of qualified historic structures, either individually listed or within a district. The first disincentive eliminated the ability to deduct demolition costs of a historic building as an expense; instead these costs had to be capitalized as part of the nondepreciable land cost.¹⁶ The second disincentive required that depreciation of any structure that replaced a demolished structure must be taken using the straight-line method.¹⁷

For a historic building to qualify for either of the incentives, it had to pass two crucial tests. First, the project had to involve “substantial rehabilitation”. Substantial

¹⁴ I.R.C. § 191 (1976), repealed ERTA, Pub. L. No. 97-34, 95 Stat. 239 (1981).

¹⁵ I.R.C. § 167(o) (1976), repealed by ERTA, Pub. L. No. 97-34, 95 Stat. 239 (1981).

¹⁶ I.R.C. § 280B (1976), as amended by of Pub. L. No. 98-369 Stat. 1063 (1984).

¹⁷ I.R.C. § 167(n) (1976).

rehabilitation requires that the cost of rehabilitation must exceed the greater of \$5000 or the pre-rehabilitation adjusted basis of the building and its structural components (minus land costs). The adjusted basis is generally the purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken. Once the substantial rehabilitation test is met, all qualified expenditures qualify for the tax credit.¹⁸

The second test requires the rehabilitation program to be reviewed and approved by the National Park Service, to assure its conformance to the Secretary of the Interior's Standards for Rehabilitation. The purpose of this test was to ensure the identification, protection and retention of key historic features during renovation, and to prevent damage to the structural and architectural integrity of the building. The review process considered both exterior and interior features.¹⁹ The Standards created a high threshold that challenged developers to preserve the historical characteristics that made the building significant, especially in projects that altered the use of a rehabilitated building.

This initial attempt in 1976 to utilize tax incentives to promote the rehabilitation of historic buildings proved to be rather ineffective. As a result, the tax incentives failed to spur developers to consider the feasibility of renovation.²⁰ The income tax effects are usually the last consideration in the evaluation of a development project. Another problem that limited the use of the tax incentives was that the substantial rehabilitation test made rehabilitation projects more difficult in areas where building values are high.²¹ It also limited rehabilitation in districts where substantial rehabilitation had already

¹⁸ I.R.C. § 167 (o)(2) (1976) repealed by ERTA, Pub. L. No. 97-34, 95 Stat. 239 (1981).

¹⁹ I.R.C. § 191 (a)(4) (1976) repealed by ERTA, Pub. L. No. 97-34, 95 Stat. 239 (1981).

²⁰ Frank Schindman and W. David East, "Federal Taxation and Urban Land Development: Does the Tail Wag the Dog?" *Urban Land* (Washington, D.C.: The Urban Land Institute, 1978), 14.

²¹ Kass, 10.

occurred and acquisition prices were increasing. But buildings in booming districts are more likely to be rehabilitated without an incentive, creating a situation in which developers looked for run down areas with a concentration of historic buildings to meet the substantial rehabilitation test. Another problem was that the building industry did not have the necessary experience in working with historic structures to meet the standards. The major reasons for the denial of project applications were inappropriate masonry cleaning and window replacement. The building supply industry and architects quickly responded with products and fixtures that were sensitive to the existing condition and character of historic buildings.²² A final thought is that it is unreasonable to expect an “overnight” response to the legislation, especially given decades of development practices geared towards new construction. The conservative attitude of investors also contributed to the slow response to the program. It is only natural for large-scale investment to occur after the completion of the first projects and the benefits of the program could be analyzed.

Though the tax incentives created by the Tax Reform Act of 1976 were not as effective as hoped, they did generate debate, discussion and analysis among preservationists, developers and legislators. The result of this dialogue was a refinement of the program to create new and better incentives for preservation.

The first improvement was the Revenue Act of 1978, which provided a 10 percent investment tax credit for owners to rehabilitate commercial and industrial buildings that were more than 20 years old and that had not been rehabilitated within the preceding 20

²² National Park Service, U.S. Department of the Interior, *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 1986 Analysis* (Washington D.C.: GPO, February 1987), ii.

years.²³ The investment tax credit could be coupled with the accelerated depreciation incentive, but could not take advantage of the 60-month amortization period. The introduction of tax credits, as opposed to simply tax deductions, signaled a serious shift in the role of tax incentives in the promotion of rehabilitation activity, which resulted in wider use and increased investment. Tax credits amount to a dollar for dollar reduction in tax liability rather than a deduction, which only reduces taxable income by a variable percentage, based on the taxpayer's bracket. Simply stated, a deduction reduces income on which taxes are calculated while credits reduce the amount of taxes owed.

The original incentives created by the Tax Reform Act of 1976 only had a five-year life and were up for reauthorization in 1981. Though the initial effectiveness of the tax incentives was minimal, the more lucrative incentives of 1978 and the increasing awareness of appropriate rehabilitation techniques stimulated more projects.²⁴ This demonstrated success clearly showed Congress that preservation incentives should be extended. The Economic Recovery Tax Act (ERTA) of 1981 not only reauthorized the investment tax credit but also strengthened the program.

The ERTA increased the investment tax credit for certified rehabilitation expenditures from 10 to 25 percent. It also eliminated the five-year amortization and accelerated depreciation in favor of accelerated cost recovery (15-year useful life for increased annual depreciation deductions) and a simpler straight-line depreciation. The scope of building types that qualified for the credit was extended as well. Residential

²³ I.R.C. § 48(g) (1978).

²⁴ National Park Service, U.S. Department of the Interior. *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 1986 Analysis* (Washington D.C.: GPO, February 1987), iii. In the combined fiscal years of 1977-78, there were 512 approved projects totaling \$140 million in project costs. In fiscal year 1979, immediately following the implementation of the 10% investment tax credit, there were 635 approved projects totaling \$300 million in project costs.

buildings, which were previously excluded, joined factories, office buildings, hotels and any other income-producing building as projects that would qualify for the rehabilitation tax credit.

Buildings qualified for the new credit under the same procedures applied to the 1976 tax incentives. The rehabilitation, again following the procedures applied to the 1976 tax incentives, had to be “substantial.” The certification process continued to utilize the Secretary of the Interior’s Standards for Rehabilitation, and to be administered by State Historic Preservation Offices and the National Park Service. There was no change in qualified rehabilitation expenditures, which included “soft costs” associated with the work undertaken on the building, architectural and engineering fees, site survey fees, legal expenses, development fees, as well as other related “hard costs” of construction.

The ERTA’s investment tax credit proved to be an extremely effective incentive for private sector investment in the preservation of historic buildings and neighborhoods. There was an immediate surge in certified rehabilitation projects in fiscal year 1981, totaling 1375 projects that generated \$738.3 million of private investment, up from 614 projects at \$346 million of private investment in the year prior to the ERTA. At the peak use of rehabilitation tax credits in fiscal year 1984, the National Park Service received 3214 project applications accounting for \$2.4 billion of private investment. By the end of fiscal year 1986, the cumulative total of approved rehabilitation tax credit projects was 16,805, which generated over \$11 billion in private investment.²⁵

²⁵ David Listokin and Michael Lahr, “Analyzing the Economic Impacts of Historic Preservation,” *Cultural Resource Management* Volume 20 Number 6 (1997): 34.

The program created by the 1981 ERTA remained intact until the passage of the Tax Reform Act of 1986.²⁶ Leading up to the 1986 legislation, there was grave concern that the rehabilitation credit might be eliminated, as many dramatic changes were made in the tax treatment of real estate and investment income, but the rehabilitation credit survived. The 1986 Act reduced the amount of the credit, from 25% to 20%,²⁷ and altered the rules governing its availability in the form of passive activity limitations and “at risk” rules.²⁸ These new rules prevented many limited partner investors in rehabilitation projects from offsetting tax liability from active sources, such as salaries, as allowed under the previous system. Though the scheme of the investment tax credit for historic rehabilitation was retained in the Tax Reform Act of 1986, the amount of activity was drastically reduced and has only recently stabilized.

Since the implementation of the tax credit program in 1978, over 25,000 projects have generated over \$18 billion in private investment. After the Tax Reform Act of 1986, the number of projects declined from an all time high of 2964 (resulting in \$1.6 billion of private investment in fiscal year 1985) to 1092 projects (resulting in \$1.08 billion) in 1986. The decline continued as the economy entered a recession until it reached a low point in 1990 when only 456 (resulting in \$608 million). There has been a slow increase in certified rehabilitations as the economy improved since the early 1990's. In 1997, 902 projects were approved, which was 25% greater than the number approved in 1996. These projects represented over \$1.73 billion in private investment, and cost the

²⁶ Pub. L. 99-514 (1986).

²⁷ I.R.C. § 46(b)(4).

²⁸ I.R.C. § 42(h)(1)(E).

Federal Treasury about \$346 million in lost tax revenue.²⁹ One of the main factors in increased RITC activity is the syndication of RITC projects in the form of partnerships or limited partnerships and the participation of corporations (which are exempt from passive activity rules). Investors provide an equity base for the construction costs of a project by purchasing the tax credits generated from project. Though the passive activity rules limit certain investors in partnerships, the development of syndications have contributed to the recent increase in RITC activity.

It is doubtful that RITC activity will ever reach the peak period between 1981 and 1986. Regardless of the amount of projects presently undertaken compared to the peak years, the program continues to function, and the magnitude of the program should not be underestimated. The program represents the most effective federal program that promotes private investment in the rehabilitation of historic buildings and neighborhoods. Over the history of the program, it is clear that the federal tax incentives for rehabilitation have successfully increased private investment in historic preservation and in the efforts to rehabilitate the nation's stock of older buildings.³⁰

²⁹ National Park Service, U.S. Department of the Interior, *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 1997 Analysis* (Washington D.C.: GPO, February 1998).

³⁰ Kass, 40.

CHAPTER 5

FINDINGS OF THE INVESTIGATION

As stated earlier, the main purpose of this investigation is to determine what happens to buildings that are rehabilitated under the Rehabilitation Investment Tax Credit (RITC) program after they exit the five-year recapture period and enter the open market. Before entering into the findings of the investigation, here is a brief review of the two approaches used to analyze the buildings: First, rehabilitated properties are revisited to identify whether the historic character of the buildings have been retained or if alterations have been made that jeopardizes the integrity of the building. If the alterations do not comply with the Standards, the property owner is ignoring the first purpose of the RITC program, that of retaining the historical appropriateness of the rehabilitation. The second approach is to analyze the ability of RITC projects to compete on the open market by tracking the frequency of property transfer and calculating the market value of the RITC buildings through a market comparison approach. It is unrealistic for every building to successfully reenter the marketplace, but a majority had better be competitive. If not, the tax incentive program is not fulfilling its second purpose of reinvesting in the existing, historic infrastructure of a city or neighborhood to create useful, income producing properties.

A Review of the Existing Conditions

After a RITC property exits the recapture period, there are no federal measures to protect the retention of the historic character of the property, the only regulatory protection that exists is in the form of local landmark or preservation ordinances, if one happens to be in place. The preservation ordinances of Camden³¹ and Trenton³² are very similar in their approach to designating and creating historic districts and reviewing additions and alterations to any structure within a historic district or listed individually. Lambertville has no local preservation ordinance in place. The historic character of rehabilitation projects is monitored by a non-regulatory peer aesthetic interest. Though the individual is free to do as he/she desires with their property, there is an unwritten expectation within the community to retain the historical character of a building.

However, the local preservation ordinances in Camden and Trenton differ in two areas. First, whereas Camden participates in the Certified Local Government (CLG) program administered by the NPS, Trenton has decided to not make the program a necessary component of their local preservation procedures. In the past, when more funding was made available by the federal government, the CLG program provided grants to participating cities to implement preservation programs, such as the inventory and survey potential historic districts and technical assistance to owners of listed buildings. In discussions with the landmark officials of each city, the present benefits of the CLG program are quite limited. Since the landmark office consists of one individual,

³¹ Article XXXIII *Historic District Review* [Added 1-27-83 by Ord. No. MC-1924], amendments to the City Zoning Code of Camden, January 26, 1995.

³² 19-28.2, *Historic Landmarks and Sites Regulations*, City of Trenton Ordinances.

the administrative responsibilities of preparing grants and fulfilling other CLG requirements are too burdensome. Bob Thompson, Camden landmark official, stated that they are a CLG in name only at this point.³³

Secondly, the Camden ordinance is restricted to the review of additions³⁴ and alterations³⁵ of the exterior of a designated structure³⁶. The Trenton ordinance utilizes the same definitions and review procedures for the exterior of a designated structure but also allows for the designation and protection of historic interiors.³⁷ Presently, the designation of historic interiors is limited to four buildings, none of which were rehabilitated under the tax credit program.³⁸

The Historic Review Committee of each city applies similar standards and guidelines for the review of additions and alterations. Camden specifically applies the Secretary of the Interior's Standards for Rehabilitation in the review process.^{39,40} Trenton's review guidelines are closely based upon the Standards without directly

³³ Bob Thompson, interview by author, Camden, NJ, 11 March 1999.

³⁴ 577-265 Definitions, Article XXXIII *Historic District Review* [Added 1-27-83 by Ord. No. MC-1924], amendments to the City Zoning Code of Camden, January 26, 1995. Addition is defined as "The construction of a new improvement as part of an existing improvement when such new improvement changes the exterior appearance of any structure."

³⁵ 577-265 Definitions, Article XXXIII *Historic District Review* [Added 1-27-83 by Ord. No. MC-1924], amendments to the City Zoning Code of Camden, January 26, 1995. Alteration is defined as "Any work done or any improvement which is not an addition to the improvement and which changes the appearance of the exterior surface of any improvement and is not considered ordinary maintenance."

³⁶ 577-265 Definitions, Article XXXIII *Historic District Review* [Added 1-27-83 by Ord. No. MC-1924], amendments to the City Zoning Code of Camden, January 26, 1995. Exterior of a Structure is defined as "Those exterior surfaces of a structure or improvement which face upon a public street or right-of-way, excluding alleys, alleyways or public easements."

³⁷ 19-28.2d, *Historic Landmarks and Sites Regulations*, City of Trenton Ordinances.

³⁸ According to Jerry Harcar, the Trenton Preservation Specialist, the use of interior designation is used sparingly to avoid confrontation with property owners. Though the designation process does not require the approval of the property owner, the Landmarks Commission prefers to gain the consent of the property owner before designating a building to avoid controversy.

³⁹ 577-274.D6, Article XXXIII *Historic District Review* [Added 1-27-83 by Ord. No. MC-1924], amendments to the City Zoning Code of Camden, January 26, 1995.

⁴⁰ Due to the large amount of RITC activity in Camden during the mid 1980's, the review application included a disclaimer stating that committee approval is not a guarantee of approval by the NPS for the purpose of receiving tax credits.

referring to them.⁴¹ The consistency between the review standards applied by the National Park Service and the cities of Camden and Trenton provides a valuable gauge to measure the retention of historic character for RITC buildings after they exit the recapture period. If any further additions or alterations are undertaken, the process of review at the local level ensures that proposed changes receive the same scrutiny as at the federal level. Before any improvement is undertaken, plans must be submitted and the review committee must issue a Certificate of Appropriateness.

A final aspect to consider is that all of the RITC buildings in Trenton do not fall under the jurisdiction of the local preservation ordinance. In Camden, each of the buildings that were rehabilitated under the program is also included in a locally certified historic district. This is not always the case in Trenton, where a number of RITC buildings are listed on the State or National Register but are not designated on the local level. These include the Clay and Book Company Cigar Factory at 507 Grand Street, the In and Out Social Club at 714-716 S. Clinton Street, the Mott School at 643-645 Centre Street and the Stokely-Van Camp Industrial Complex at Lalor Street and Stokely Avenue. In each case, the owner sought designation of the building at the state and local level but refrained from proceeding with local designation. It is understood that all of the buildings in Lambertville fall into this category, since there is no local preservation ordinance and the entire city is included in the National Register district.

The example of the Cigar Factory is particularly germane to in the reasons for selecting the level of designation of the building. The factory is a rare example of Spanish Mission style architecture for a large industrial complex in Trenton or any city

⁴¹ 19-28.2b.3, *Historic Landmarks and Sites Regulations*, City of Trenton Ordinances.

on the Northeast. The owner of the building at the time of designation in 1979, the Hibbert Company, utilized City resources to designate the building on the State and National Registers but declined consent for local designation. The Hibbert Company understood that designation at the local level resulted in stronger control. As their lawyer stated, there is “concern that historic designation on the municipal level might possibly restrict the ability of the Hibbert Company to fully utilize or dispose of the structure.”⁴² At the time, the Landmarks Chairman, Robert Allen, expressed concern over “the soundness and motives of not seeking local designation...The attempt to eliminate local government from this process seems highly questionable.”⁴³ The landmark commission attempted to convince the owners to grant their consent but they remained unwilling to do so. Though the building could have been designated without owner consent, the landmark commission refrained from entering into a prolonged disagreement with the owner. Presently, there is no threat to the building and the landmarks commission is satisfied with its conversion to rental apartment units.⁴⁴

For this thesis, there are three categories measuring the extent of alterations of the historic character of RITC buildings were developed. The first category is to identify alterations that were made during the five-year recapture period that did not comply with the Secretary of the Interior’s Standards for Rehabilitation. The second category is to identify non-compliant alterations that were made after RITC buildings exit the recapture period, which are under the jurisdiction of a local preservation ordinance. The final

⁴² Landmark Review File, Clay and Book Company Cigar Factory 507 Grand Street, Landmarks Commission, City Hall, City of Trenton. Letter from Roland R. Formidoni, legal counsel for the Hibbert Company, to Rebecca Mitchell, staff assistant for Trenton Landmarks, dated February 21, 1979.

⁴³ Ibid, letter from Robert Allen, chairman of Trenton Landmarks, to Roland R. Formidoni, dated March 13, 1980.

⁴⁴ Jerry Harcar, interview by author, Trenton, NJ, 25 January 1999.



Figure 1. Cooper Plaza Historic District, 638-620 Benson Street Camden, NJ. This photograph shows the condition of the buildings in the district in 1983 prior to rehabilitation. The interiors of these buildings were stripped of all decorative features or were the victims of arson. Many porches had collapsed and windows were smashed. These buildings were in better condition than the majority of buildings in the district. This photograph is typical of those included with the RITC applications. Photograph by Scott Doyle from the Historic Review Committee File, 638 Benson Street, City Hall, Camden, NJ.



Figure 2. Cooper Plaza Historic District, 638-620 Benson Street Camden, NJ. These are the same buildings almost fifteen years after rehabilitation. The photograph was taken in March of 1999. Photograph by Scott Doyle.

category is to identify non-compliant alterations after RITC buildings exit the recapture period, which are not under the jurisdiction of a local preservation ordinance. The first two approaches require the a review of the Tax Act Review Files at the SHPO in Trenton and the local review files for each property at the preservation offices in Camden and Lambertville in conjunction with an on-site inspection of the building. The local review files are the best resource for documenting the chronology and extent of additions, alterations, and improvements because they include the minutes of the review committee meetings, the Certificate of Appropriateness outlining the work to be undertaken, and the building permit. The buildings that fit into the final category of evaluation do not, for the most part, have local files on record, so the evaluation here in is limited to the Tax Act Review Files and an on-site inspection of the building.

Before entering into the specific findings of this investigation, it must be noted that there appeared to be few alterations of any kind to the subject buildings. There was difficulty in making clear assessments for projects that were certified before 1986. The application and review procedures at the SHPO and NPS were still being refined during the early stages of the RITC program. While there is ample photographic documentation of later projects, the early projects lacked comprehensive photographic evidence of before rehab and after rehab conditions. This made it difficult to accurately gauge the extent of alterations since the time of certification by the NPS. In many of the subject buildings, interior finishes and features were previously gutted due to theft, fire, or severe deterioration, allowing the owner great latitude in the rehabilitation of the interior spaces. But it must be reaffirmed that the majority of buildings at least still retain the exterior

appearance that certified them for the tax credit in the first place. There were isolated instances of questionable alterations that are addressed below.

Through a thorough examination of the local review files, only one building can be accurately documented as undergoing alterations and additions that did not comply with the Standards during the five-year recapture period. The rehabilitation for 638

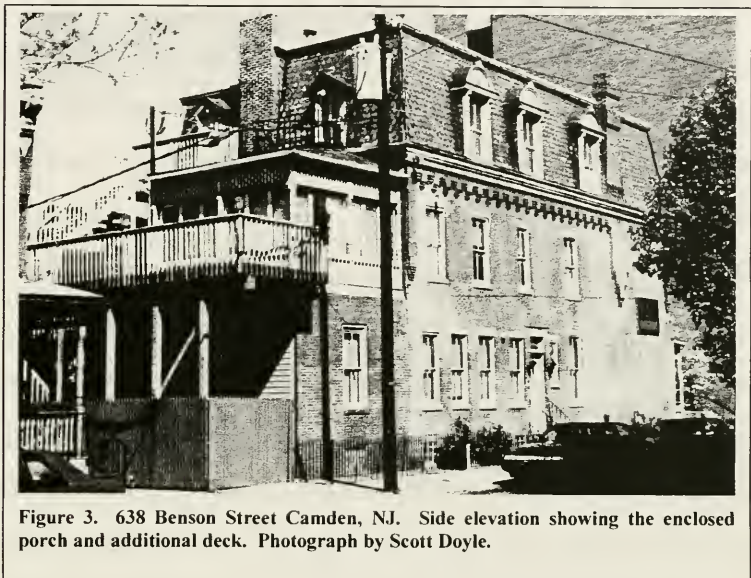


Figure 3. 638 Benson Street Camden, NJ. Side elevation showing the enclosed porch and additional deck. Photograph by Scott Doyle.

Benson Street in Camden, located in the local historic district of Cooper Plaza, was certified in September 1986. In the summer of 1988, the owner, Kenneth Jackson, extended the rear porch, enclosed the second story of the porch and introduced vents and exhaust fans for a new restaurant. On July 5, 1988 the Historic Review Commission notified the NPS and the owner that he failed to apply for a Certificate of Appropriateness and the additions did not comply with the Standards. The NPS issued a

warning to Jackson that if the additions did not comply, the IRS would be notified and the tax credit would be recaptured. Jackson went before the review committee and was forced to reduce the size of the addition to match the scale of the building and screen the kitchen vents and exhaust from the public right of way.⁴⁵ The threat of losing the tax credit was enough to convince the owner to comply with the Standards.

The most obvious example that fits into the second category, non-compliant post-recapture period alterations, is massive alteration of 186 and 190 West State Street in Trenton. The buildings are located in the State House Historic District, which is included in the local, state and National Registers. The rehabilitation of 190 W. State Street was certified in April 1981 and 186 W. State Street was certified in April 1986. In January 1995, well after the expiration of the recapture period, the New Jersey Educational Advancement Association (NJEEA) applied to the Landmarks Commission to review the plans for the alteration of the two buildings. The initial proposal was to connect the two buildings together with a glass-enclosed stairwell. The link was to be flush with the front facades and include paired brackets along the cornice to match the detail in the adjacent buildings. The stairwell was to replace an exterior doorway into 186 W. State Street that contained decorative tile work above the entry. The rear facades of the buildings were to be joined by an elevator tower, a handicapped entrance ramp, and uniformed stucco. Interior alterations were quite extensive to make way for new office space and HVAC systems.

After the review, the proposed alterations to the front façade were slightly altered

⁴⁵ Historic Review Committee File, 638 Benson Street, Preservation Planning Office, City Hall, City of Camden.

to reduce the impact of the glass-enclosed link on the streetscape of the row of Victorian and Italianate houses of the district. The glass wall was set back six feet from the front façade so it is visible only when one is directly in front of the building (see Figures 4-5). The cornice detail was reduced to a simple unadorned reverse ogee molding to differentiate it from the existing cornice. The review committee did not stand in the way of the interior and rear additions since they were generally out of the public right of way but required the decorative tile work to be installed above the rear entrance of the building (see Figure 6).⁴⁶ If the recent additions to the rear and interior of the building were undertaken under the RITC program, the project would certainly fail the certification process.



Figure 4. 186-190 West State Street Trenton, NJ. Glass enclosed stairwell connecting the two buildings. Photograph Scott Doyle.

⁴⁶ Landmark Review File, 186-190 West State Street, Landmarks Commission, City Hall, City of Trenton.



Figure 5. Looking east along West State Street. The setback of the glass-enclosed stairwell is barely visible and does not disrupt the streetscape. Photograph by Scott Doyle.



Figure 6. The rear elevation of 186-90 West State Street with the NJEAA building to the left. The back stairwell and elevator are housed in the white tower. The tile work is above the entrance to the left. Photograph by Scott Doyle.

The case of Old City Hall, 2-8 North Broad Street, Trenton, is slightly different. The certification process for the building was quite difficult for the National Park Service. There had been numerous alterations to the buildings over the years as the building expanded when it served as City Hall and then when it became an office and commercial space. The most drastic pre-RITC change was the infill of the second and third story windows with glass block and air-conditioning units and the commercial storefronts added to the first floor. There were discussions if the building had lost its integrity and could qualify as a certified structure, but eventually the building was certified. During rehabilitation, the glass block infill was removed and replaced with one over one double hung sash with limestone sills and slightly arched hoods (see Figure 7). Photographic documentation was lacking in the RITC application but it appears the store signage, awnings and entry ways have been altered since the rehabilitation in October 1987.⁴⁷ To add to the difficulty, the Landmark Review File is misplaced at City Hall in Trenton. Despite these factors, it is obvious that non-compliant alterations have occurred but it is difficult to ascertain when they occurred since the local review file is missing.

There are few examples of alterations that do not comply with the Standards in Camden. One possible alteration is the poor repointing of the front façade at 628 Benson Street, located in the Cooper Plaza Historic District (see Figure 8). There was a question concerning the repointing of the building in the certification review of the rehabilitation in August 1986 but the photographs were inconclusive as to the specific area. In a review

⁴⁷ Tax Act Review File, Mercer County, Trenton, 2-8 North Broad Street Old City Hall, New Jersey State Historic Preservation Office, Department of Environmental Protection, Trenton New Jersey. There is a



Figure 7. Old City Hall, 2-8 North Broad Street Trenton, NJ. North elevation. The outline of the previous glass block is apparent around the windows on the second and third floors. Photograph by Scott Doyle.

suspicion that this project might not have received final Part 3 Certification but the Review File is inconclusive.

of the 628 Benson Street file in Camden, there was no application for repointing at any time since the rehabilitation. What is evident is that the color of the mortar does not match the original mortar and the joints are overfilled and too wide.



Figure 8. 628 Benson Street Camden, NJ. Inappropriate repointing on the front elevation of the building.

Another questionable alteration in the Cooper Plaza Historic District is the replacement of the front door at 422 Chambers Avenue. The photographs at the time of rehabilitation certification in March 1987 show a set of original double front glass

paneled doors found on the majority of homes on the block.⁴⁸ Today, there is a metal “six panel” door in its place (See Figure 9). The best guess is that it was installed in 1997 when the building was sold by the partnership that rehabilitated it and the house reverted back to single family use.⁴⁹ This is the type of alteration that can be done by a homeowner without a permit and might not catch the attention of the preservation official.



Figure 9. 422 Chambers Avenue Camden, NJ. Original double front glass paneled doors have been replaced with a metal six-panel door. Photograph by Scott Doyle.

⁴⁸ Tax Act Review File, Camden County, Camden, 422 Chambers, New Jersey State Historic Preservation Office, Department of Environmental Protection, Trenton New Jersey.

⁴⁹ Deed Book 4871, Page 0010, County Clerks Office, City Hall, Camden, New Jersey.

The last two examples in Camden relate to problems occurring with neighboring properties that affect the subject properties. In the case of 440 Chambers Avenue, the neighboring property, 442 Chambers Avenue, is missing its half of the shared front porch (see Figure 10). This poses two problems. First, the porch roof has become unstable and is supported by a temporary post. Secondly, it disrupts the continuous rhythm of the streetscape.



The other property in question is 112 Linden Street in the Cooper Grant Historic District (see Figure 11). A fire at 114 Linden Street spread into 112 Linden, resulting in the need to board up both properties. Though the fire did not destroy a significant interior, the building was in poor shape before rehabilitation, and it does threaten the future use of the building. Though these examples are on the periphery of the investigation, they do reveal the effect neighboring properties have on the each other, especially when they are attached rows of houses.



Figure 11. 112 Linden Street Camden, NJ. The house is boarded up due to a fire in the neighboring property. Photograph by Scott Doyle.

Only two examples emerged in the final category, buildings that are not under the jurisdiction of a local preservation, amounts to only two examples. If there were any category of building type that was to be vulnerable to inappropriate alterations, it would be these buildings. But, once again, the majority of these buildings have not been altered to jeopardize their historical character.

The first building is the Stokely-Van Camp Industrial Complex, individually listed on the National Register, now known as South Village, a senior citizen apartment complex of 138 units in Trenton. The project was started in March of 1981 and received final certification in February 1983. In the initial review process, the reviewer expressed concern about the window installation of the project. (Windows were one of the major stumbling blocks in many of the early RITC projects. Though windows are still a problem in some projects, the growth of the window industry to accommodate the needs of the preservation community has helped to ease the difficulty of window replacement.) At Stokely-Van Camp, hundreds of double hung sash window units had to be replaced. The replacement windows were divided lights with muntin bars. In some places, especially along the Stokely Avenue side of Building #7, several of the sash have been replaced with large single light sash with applied muntins (see Figure 12). Occasionally, these “muntin bars” are electrical tape that mimics the appearance of the other windows. This approach to replacement of historic features stands in direct violation of Standard #6 but is used sparingly throughout the vast expanse of the building.



Figure 12. 100 Stokely Avenue, Building #7, Trenton, NJ. Electrical tape on storm windows to mimic the appearance of the other windows. Photograph by Scott Doyle.

The final building is 137-139 North Union Street in Lambertville, located in the Lambertville National Register district. At first, I thought the rear façade of 137 N. Union, a 3 story stucco addition, might be a cause for concern but it was found to have existed before the rehabilitation. Instead, the inconsistent alteration is a case of inappropriate repointing and replacement of missing brick in the front courtyard where the two building are linked together. There was extensive repointing with a Portland cement mortar on 139 N. Union around the windows. There was little attention paid to



Figure 13. 139 North Union Street Lambertville, NJ. Inappropriate repointing and brick replacement in the courtyard between the two buildings.

the width of the joint. To make matters worse, the replacement brick is of a completely different appearance. The original brick is a uniform red color while the replacement brick is a variety of blacks, reds, salmons, and oranges (see Figure 13). It is possible the work was done during the rehabilitation when the courtyard stair direction was reversed and the windows were reinstalled, but there was no mention of such careless work in the final certification of the building.

There were a number of properties that on initial inspection were perceived to have inappropriate additions or alterations. Upon further investigation, the alterations in question either preceded the certified rehabilitation or were contemporaneous with the certified rehabilitation. The first example is 409 South Seventh Street in Camden located



Figure 14. 409 South 7th Street. Front elevation showing the side addition.

in the Cooper Plaza Historic District (see Figure 14). There is a 1-½ story addition abutting the west side of the building that appeared to be a later addition. But it was actually included during the rehabilitation when the pre-existing building, 411 South

Seventh Street, was deemed hazardous and demolished. The addition, though of reduced scale and set back from the historic structure, contributed to the initial denial of certification. Upon appeal, the rehabilitation was certified due in part to the Certificate of Appropriateness issued by the Camden Historical Review Committee before rehabilitation was begun.⁵⁰

The building at 908 West State Street located in the Berkley Square Historic District of Trenton, a local, state and National Register district, is an interesting case



Figure 15. 908 West State Street Trenton, NJ. The building was decertified as a contributing element to the Berkley Square Historic District because of the aluminum siding. Photograph by Scott Doyle.

study. The second story is clad in aluminum siding instead of the original clapboards,

⁵⁰ Tax Act Review File, Camden County, Camden, 409 South Seventh Street, New Jersey State Historic Preservation Office, Department of Environmental Protection, Trenton New Jersey.

signaling an obvious alteration that fails to comply with Standards #5 and #6. A review of the property file revealed that a previous owner installed the aluminum siding prior to the rehabilitation in May 1984. As a result, the building was decertified as a contributing element to the district and qualified for the 20% tax credit for non-historic under the Economy Recovery Tax Act of 1981.⁵¹

The final example is 434 Greenwood Avenue; an Italianate Villa located in the Hamilton-Greenwood Historic District of Trenton. Upon inspection of the interior, it appeared plumbing and radiator pipes were haphazardly run and in a manner that would be inconsistent with certification. The before rehab photographs show that the piping was already exposed, running across the hallways from room to room and down the center of the hallways. The interior common areas of the building lacked the level of architectural detail present in the individual apartments but this did not result in a denial of certification for the rehabilitation.

The main issue that arose in the on-site inspection of the buildings was that many are in need of general upkeep and maintenance to prevent the future deterioration of exterior features such as cornice details, porch roofs and wall surfaces. The most pressing need in most cases is providing a fresh coat of paint. It appears as if numerous buildings have not been repainted since the initial rehabilitation, sometimes more than a dozen years ago. Among the buildings that are in need of painting are 32-34 George Street in Lambertville; 843 West State Street and 434 Greenwood Avenue in Trenton; and 604, 610, and 614 Benson Street, and 438 Chambers Avenue in Camden. 908 West

⁵¹ Tax Act Review File, Mercer County, Trenton, 908 West State Street, New Jersey State Historic Preservation Office, Department of Environmental Protection, Trenton New Jersey.

State Street has been vacant for over a year and the gutters are overflowing resulting in water infiltration along the cornice and biological growth on the first story brickwork. Several buildings, including 614, 636 and 636 Benson Street, 438 Chambers Avenue, 843 West State Street and 137-139 North Union Street, are missing slates throughout the roof. The responsibility of maintenance is not reflective of the success of the program but it must be addressed to avoid the spiral effects of deterioration on the buildings. The responsibility rests solely on the owner to maintain their building but this is difficult, if not impossible to enforce, especially when there is no local ordinance or when the local ordinance lacks a maintenance provision.

Market Analysis

An integral facet of this study is to determine the ability of the rehabilitated buildings to compete on the open real estate market after they exit the recapture period. Unlike “normal” pieces of real estate, there are certain conditions imposed on RITC buildings. The RITC requires that the owner must hold the building for five full years after completing the rehabilitation, or pay back the credit. If the owner disposes of the building within a year after it is placed in service, 100% of the credit is recaptured. For properties held between one and five years, the tax credit recapture amount is reduced by 20% per year. Though the ownership requirement discourages the rapid turnover of the buildings for profit, it encourages stable ownership and deters haphazard speculation. After the recapture period, all restrictions are removed and the building is treated as any other piece of real estate.

Two approaches have been used in this thesis to assess how RITC buildings compete on the open market. The first approach is a general survey of market activity for the rehabilitated buildings, though tracing the chain of title for each property from the time of rehabilitation to the present. From these records, two important conclusions are drawn. First, the frequency of property transfers is tracked. This gives an indication of the marketability-- whether a property is fit to be offered for sale-- of the rehabilitated properties. Secondly, it determines the percentage of properties that are held for the full five years or prematurely sold, thus triggering a recapture of the tax credits. The second method of market analysis is a market comparison approach, the standard appraisal method to quantify property value by objective components. A market comparison approach is accomplished by analyzing the sale prices of similar properties sold in the same time period. Tax assessment rolls from each city were accessed to determine the difference in value of RITC properties and comparable properties not affected by the incentive program. The review of the data has shown that rehabilitated buildings have become useful and viable properties within the marketplace.

The ability to compete on the open market does not necessarily mean that the rehabilitated buildings must outperform comparable buildings for the RITC program to be deemed successful. The RITC program is not considered ineffective if a few properties fail to compete. Realistically, some projects are liable to fail due to mismanagement, financial irresponsibility or inadequate return on initial investment from changing market conditions. If a review of the data showed that a large percentage of the buildings could not compete with comparable buildings, then the assumed effectiveness of the RITC program would have to be re-evaluated. Investment in the real estate market

requires the developer to assume a factor of uncertainty and variability of market conditions that cannot be precisely measured. Assuming these risks presents the possibility that returns from an investment will be greater or less than the initial forecast. Some factors, such as potential rental value and vacancy rates, can be accurately measured to a certain degree while others, such as future trends of building activity and popularity of the area, tend to be more speculative.

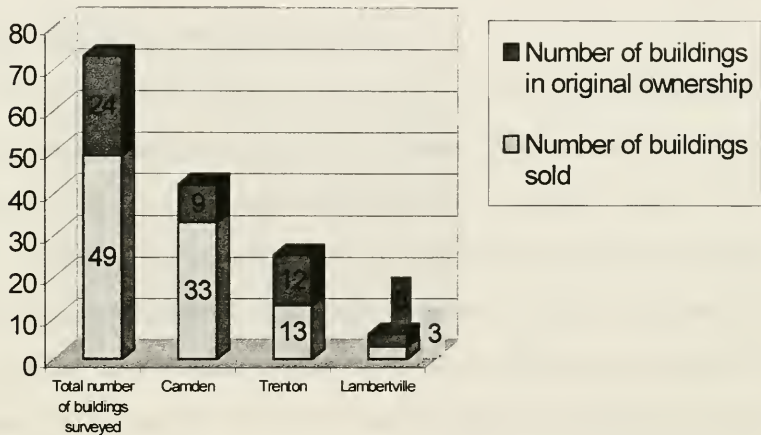
In consideration of the extreme state of physical deterioration of the buildings and the depressed economic conditions in Camden and Trenton,⁵² there existed a high degree of speculation in terms of business and financial risk. Business risk is the chance that the investment will not perform as expected and financial risk is the chance that the investor will be unable to make the debt service payments on the property and thus become insolvent. But the low purchase prices of buildings in these historic districts made it easier to meet the substantial rehabilitation test. This makes buildings in run-down historic areas particularly attractive for rehabilitation under the tax credit program. This is one of the main reasons why the majority of RITC activity occurred in the Cooper Plaza and Cooper Grant districts in Camden and the Greenwood-Hamilton district in Trenton.

The first part of the analysis, tracking the frequency of property transfer to determine marketability, is a simple compilation of property transfers. As stated earlier, the information was compiled by tracing the chain of title for each property at the

⁵² Tax Act Review File, Camden County, 620-642 and 651-659 Berkley Street, New Jersey State Historic Preservation Office, Department of Environmental Protection, Trenton New Jersey. An amendment to the RITC application states Camden had a 50% unemployment rate and 40% welfare rate when the project started in March of 1984. More specifically, 60% of the buildings in the Cooper Plaza Historic District were vacant and alcohol, drugs and high crime was a major problem.

respective county courthouse for each city.⁵³ The total number of properties surveyed was 73: 42 in Camden, 25 in Trenton, and 6 in Lambertville. The total number of properties still held in original ownership, referring to the owner at the time of the certified rehabilitation, is 24. This represents 32.8% of the survey total. The totals for individual cities are as follows: 9 of 42 (21.4%) in Camden, 12 of 25 (48%) in Trenton, and 3 of 6 (50%) in Lambertville. Of more importance is the reverse of these numbers-- the frequency at which these properties were sold.

Figure 16. Property Transfers in Selected Cities



All together, 49 (67.1%) of the survey properties were sold after the date of the certified rehabilitation. This does not indicate the number of properties sold during the five-year recapture period. These numbers are presented in a separate discussion of property transfers. Of these, 7 (14.3%) were sold more than once. The totals for the

⁵³ See the Appendix B for the transfer sheets for the buildings discussed in this section and each property in the survey. Included is the Deed Book reference, date of purchase, name of owner, consideration, rehab cost, certified approval date of rehab, rehab use, and present use.

individual cities are as follows: 33 of 42 (78.6%), 13 of 25 (52%) in Trenton, and 3 of 6 (50%) in Lambertville. These figures demonstrate the marketability of the properties as they enter the open market. The incentive of the rehabilitation tax credit served as a major factor in making the rehabilitation of these buildings a possibility. Many of the buildings were owned by the city or stood vacant for many years. Without the tax credit program, it is probable that the buildings would have remained empty or been demolished to make way for new construction. The tax credits provided the necessary incentive to rehabilitate the buildings to a condition in which they were suitable for sale on the open market. The fact that over two-thirds of the buildings were resold represents the ability of RITC buildings to compete on the open market.

The other evidence provided by an examination of the property transfers is the number of buildings that were sold before the expiration of the recapture period. Of the 73 buildings, only five (6.8%) were sold within the five-year period, one in Camden, three in Trenton, and one in Lambertville. In Camden, 620 Benson Street Associates purchased 620 Benson Street for \$31,000 on September 13, 1983. The National Park Service certified the rehabilitation, completed at a cost of \$99,000, in July 1985. The partnership sold the building to Viner and Associates Realty for \$175,000 in September 1989, only four years after the certification. In Lambertville, James Scurti purchased 32 George Street for \$21,500 on October 3, 1978. The National Park Service certified the rehabilitation, the cost of which is not available,⁵⁴ in December 1982. Scurti sold the

⁵⁴ The cost of the rehabilitation was not always included on the application or entered into the Tax Act Database at the Philadelphia Support Office of the National Park Service for projects that were begun before 1981. Changes in the tax incentive program and the application procedure in 1981 account for the missing information.

property to Susan Burns for \$74,000 on September 26, 1985, only three years after the certification. In Trenton the scenario is similar for the three properties that were sold before the expiration of the recapture period. One property, 255 Jackson Street, stands out as particularly insightful. Corwin Roth purchased the building for \$15,000 on January 21, 1983. The National Park Service certified the rehabilitation, completed at a cost of \$40,000, in August 1988. Roth sold the property to Jeremy Rubenstein for \$126,000, only one month after certification. At this point, there is no indication that the tax credits were recaptured for these projects.

In each of the examples described above, it appears the owner of the building made a profit on the resale of the building. The threat of recapture did not deter the property owner from realizing the opportunity to make a profit. But the relatively small number of properties sold during the recapture period show that this is the exception. In general, owners of rehabilitated buildings held onto the property for the required period.

To further reinforce the ability of the RITC buildings to compete on the open market, the buildings were evaluated for the purposes of this thesis through a market comparison approach to indicate the market value.⁵⁵ The market comparison approach analyzes the sale price of similar (comparable) properties sold during the same time period. Unfortunately, this method works better for residential properties, than commercial properties, since residential property types are very similar locally and nationally while commercial properties are often built for specific uses and industry types depending on a number of market conditions. Commercial properties are also more expensive and sales are much more infrequent, making it difficult to find likely

comparisons with a similar configuration, location and use. The difficulty is further complicated in a comparison of RITC buildings where the original use of the building has been dramatically altered. For example, it is difficult to find a comparable property to South Village, formerly the Stokely-Van Camp food processing plant and now a senior citizen housing complex of 138 apartment units, or the Clay and Book Cigar factory that is an apartment complex of 65 apartment units. Both of these buildings are located in Trenton but there are no buildings of their size or unique character that are comparable or sold frequently enough to objectively quantify their value.

As a whole, the RITC buildings in residential areas are performing above the market standard established by the sales comparison approach. The Cooper Plaza Historic District in Camden has displayed a tremendous amount of RITC and market activity since the creation of the tax incentive program. Including projects that were started after 1993 cutoff date for this study, over 30% of the buildings in the entire district (78 of 258) were involved in the RITC program. Though not all of the buildings out performed non-RITC buildings, the accumulated data shows that the RITC buildings are able to compete on the open market. A major factor in the success of the buildings is the presence of the Cooper Health System, which serves as the anchor of the neighborhood. They have purchased many of the buildings along the 600 block of Benson Street for use as office space, which is directly adjacent to the hospital. But as one moves away from the hospital, the district has retained its residential atmosphere. There are still pockets of run down buildings but the ability of the RITC buildings to

⁵⁵ See Appendix C for a comprehensive list of market comparison data for buildings discussed in this section.

retain their market value is attracting more rehabilitation within the district. The two RITC properties that were sold in the Cooper Grant Historic District, 108 and 110 Linden, have displayed the same ability to compete on the open market. With resale values of \$70,000 and \$89,000 respectively, only two other properties in the district, 102 Linden and 119 Penn. have similar resale values.

The market success of subject buildings in Trenton also rated favorably with similar buildings in the city. A prime example is 186-190 West State Street (the deeds for the two properties were consolidated upon their sale) which sold for \$1,025,000 in May 1992. Three other properties in the State House Historic District, 132 West State (\$320,000) Street, 200 West State Street (\$180,000) and 210 West State Street (\$53,500), were sold within a two month period for considerably less money. In the Greenwood-Hamilton Historic District, 602 Greenwood Avenue sold for \$145,000 in April 1996 and 434 Greenwood Avenue sold for \$270,000 in March 1997. The only other comparable property that sold within this time frame was 401 Greenwood Avenue in December 1996 for \$100,000. The building stock of the Berkley Square Historic District, another residential district with buildings of similar size and architectural quality to that of the Greenwood Avenue buildings, exhibit comparable resale values. In the Mill Hill Historic District, the disparity of resale values is not as striking as RITC and non-RITC buildings fluctuate in similar price ranges. For example, RITC projects at 246 Mercer Street (\$91,000 in August 1998) and 360 South Broad Street (\$50,000 in October 1998) sold at the same or lower levels than similar buildings in the district, 144 Mercer Street (\$148,000 in November 1997) and 205 Mercer Street (\$85,405 in September 1997).

The data for Lambertville is restricted due to the small amount of RITC projects and the difficulty in finding similar properties sold at in the same time period. 119 North Union Street is one of the largest houses in the city and buildings of this type have not entered the market at a high frequency. The property sold for \$515,000 in June 1996. Three similar properties were sold over a three-year period at the same or lower levels: 136 North Union (\$280,000 in September 1994), 42 York Street (\$550,000 in June 1995), and 142 North Union (\$220,000 in July 1997). The final examples are the buildings at 32 and 34 George Street. 32 George Street sold for \$123,500 in February 1988 and 34 George Street sold for \$112,000 in July 1992 and again in June 1998 for \$122,000. Over a wide period of time, similar properties have sold for as little as \$78,000, 54 George Street in July 1994, and as much as \$138,400, 43 Coryell in April 1998.

The data accumulated in the market analysis section of this report reveals that RITC buildings are performing at a favorable rate when they re-enter the marketplace. The first part of the analysis, tracking frequency of property transfer, shows that buildings are marketable and likely to be purchased if the owner wishes to sell the building. The second part, the market comparison data, reveals that the properties, in most cases, are performing at or above standard market conditions for buildings in similar districts.

CHAPTER 6

CONCLUSIONS

General Conclusions

The first conclusion that can be drawn from the investigation is that the threat of recapturing the tax credits is a strong deterrent from inappropriate alterations to the historic character of the rehabilitated building and the early resale of the building. Only 1 of the 73 (1.3%) buildings surveyed was altered in any noticeable manner on the exterior and only five (6.8%) were sold before the expiration of the five-year recapture period. These are small percentages. In the one example where alterations were made, 638 Benson Street in Camden, the threat of tax credit recapture was enough to make the owner reduce the scale of the addition. Though other factors, such as the lack of disposable income to make further alterations or the lack of a market in which to sell the property, might have contributed to these low percentages, the threat of recapture, more than any other reason, has served to limit alterations and early resale.

The dual purpose of the RITC program, first, to preserve a building's historic character, and second, to extend the useful life of existing historic structures through private investment, is being served by the tax incentive program. Though the public is foregoing the tax revenue lost from tax credits, the benefits to the public outweigh the loss of tax revenue. Without the incentive of tax credits, it is unlikely the rehabilitation projects in the Cooper Plaza Historic Districts of Camden or the industrial complexes of

Stokely-Van Camp and the Clay and Book Cigar Factory in Trenton would have been undertaken. Instead of falling victim to the wrecking ball, the changes in the federal tax structure provides an incentive to owners of historic properties to rehabilitate them and make them functional in today's real estate market. As a result, the buildings represent needed reinvestment in the economically and socially distressed cities of Camden and Trenton. They serve as an impetus to further development and rehabilitation of residential neighborhoods and commercial centers in these cities.

After the five-year recapture period, only four additional buildings (5.5% of the total) were identified as having experienced any significant alterations. The extent of the alterations, with the exception of 186 and 190 West State Street in Trenton, appears minimal and reversible if necessary. In the case of 186 and 190 West State Street, the Landmarks Review Commission fulfilled their responsibility by minimizing the impact of a massive addition and interior alterations on the historic character of the buildings. Though significant portions of the interior and rear façade were compromised in the course of construction, the review of the Commission was limited by the local preservation ordinance to consider alterations to exterior features of a building which face upon a public right-of-way. But the ability of the Commission to work with the architect and property owner helped to mitigate the effect of the alterations on the character of the buildings as the separate identity of each building and the overall streetscape was preserved by the setback of the connecting stairwell.

Though there are no federal measures to protect the historic character of RITC buildings after the five-year recapture period, the presence of local preservation ordinances in Camden and Trenton serve as a vital component in the future protection of

RITC buildings. As the above example displays, the buildings that fall under the jurisdiction of a preservation ordinance receive a high level of scrutiny during the review process. The design quality and historic appropriateness of on-going rehabilitation projects are not ignored. This thesis concentrated on the ability of a local preservation ordinance to retain the historic character of buildings rehabilitated under the RITC program. It is evident from the data that a local preservation ordinance carries out this obligation. Obviously, the authority of the preservation ordinance is not limited to RITC buildings but extends to every designated building within the community.

In discussions with Dan Saunders of the New Jersey State Historic Preservation Office and the principal reviewer of RITC projects, he stressed the informal interaction between the SHPO and the local landmark coordinator as a powerful tool in identifying alterations to RITC projects.⁵⁶ If a permanent staff is in place at the local level, the landmark coordinator is usually aware of which buildings were rehabilitated under the RITC program. If the building happens to come in front of the review board for later alterations, the local landmark coordinator often contacts the SHPO to verify if the building is still in the recapture period. There is no requirement for this interaction but the informal arrangement serves as an effective way to monitor later alterations to RITC projects.

The benefits of a local landmark commission continue beyond the scope of review for the preservation of historic character of a building, whether an RITC project or a single family home. To increase awareness of rehabilitation standards (which are closely based on the Secretary of the Interior's Standards) and promote future rehabilitation

⁵⁶ Dan Saunders, interview by author, Trenton, NJ, 21 April 1999.

activity, the Trenton Landmark Commission has published an invaluable manual, *Preservation Guidelines*, for the owners of historic buildings. The illustrated manual fulfills many needs: it clearly identifies the criteria used in the review process; it graphically presents the wide range of architectural styles and distinctive elements in Trenton; it offers technical advice on exterior paint and masonry rehabilitation; and includes an extensive reference section highlighting the best sources on every facet of rehabilitation. This manual is helpful to the homeowner and professional contractor and should be copied by other communities. The landmark commissions in both cities also maintain a database of contractors that are qualified in the area of historic rehabilitation.

A local preservation ordinance is a valuable tool in preserving the historic character of a community but the example of Lambertville shows that it is not always necessary. Of the RITC projects surveyed in Lambertville, only one displayed inappropriate alterations, the poor pointing and brick replacement at 139 North Union Street. It is possible that the alteration was done during the initial rehabilitation meaning that no properties in Lambertville have been significantly altered. Unlike Camden and Trenton, Lambertville is an economically stable community. Commercial spaces are full and residential rental rates are high. Lambertville survives on a tourist-based economy and the historic character of the city contributes to its appeal. The residents and business owners are cognizant of this fact. As a result, the lack of a local preservation ordinance has not led to the loss of its historic character. Instead, an unspoken peer pressure safeguards the community standards for rehabilitation.

Finally, the information gathered from the market analysis research confirms the ability of the subject building to re-enter the marketplace. Though some of the residential

properties reverted back to owner-occupied single family homes, most remain rental properties or are used as small offices, especially in the Cooper Plaza Historic District. The larger buildings, such as the Stokely-Van Camp Complex, the Cigar Factory and the Mott School in Trenton, are successful apartment complexes. The market comparison of similar properties reveals that RITC buildings are performing at an equal, if not greater, level than those properties.

The end result of this thesis is that the RITC program is functioning as it was intended. Upon the start of this project, there was a certain amount of pessimism towards the publicized success of the RITC program. But as the research progressed, the buildings exhibited the long-term benefits promised by the program. Many of the buildings are the centerpieces of the community and represent a stable income-producing presence. They have contributed to the revitalization of historic districts in each city, such as Cooper Plaza in Camden and Mill Hill Trenton. The buildings continue to exhibit the historic character that qualified them for the benefit of the tax credit in the first place. The value of the program is that it makes the rehabilitation of historic structures a reality by providing the property owner an incentive to do so without sacrificing the long-term benefits to the public.

Future Research

The limited nature of this investigation is a good indicator of the successes and failures of the RITC program, though not a final assessment. Due to many factors--among these are time constraints of the investigation, the restricted ability of a single researcher, the inappropriate selection of focus cities and the limited of projects revisited

in the survey--future investigation would have to be expanded to accurately evaluate the RITC program. The findings of the investigation apply only to the specific study areas of Camden, Trenton and Lambertville. What it has offered is a starting point to evaluate the effectiveness of the RITC program as a tool for preserving the character of historic buildings and helping historic buildings re-enter the marketplace. In a review of the methodology that was implemented from the outset of the investigation and the subsequent conclusions, several weaknesses of the initial investigation and additional strategies have come to light that will produce a more accurate assessment of the value and impact of the RITC program.

The most obvious strategy is to expand the survey to include a wider geographical area, which will provide a greater number of projects to examine. There are many ways to expand upon the geographical range of the investigation. The first is to target an entire state that was active in the RITC program from the outset, such as Illinois, North Carolina, or Pennsylvania, and initiate a survey of the projects. From my experience, working out of a single SHPO office reduced initial legwork and centralized research needs. More importantly, the researcher is able to establish a relationship with the SHPO to help identify positive and negative aspects of past projects. A statewide search would yield hundreds, more likely thousands in the above states, but it might confine the study. It might be of greater interest to include projects from several states in various geographical areas to understand the differing approaches to preservation policy at the state level, the distinct market conditions that exist in the shrinking Northeast and growing Sunbelt, and the variety of building typology that was constructed in historically based industrial or agricultural regions.

A second approach for future research might be to consider an entire regional office of the NPS, which would produce a database involving a very large number of projects. If this approach was chosen, research should be confined to the MARO (Mid-Atlantic) or SERO (Southeast). It is within these two regions that the vast majority of projects, almost 74%⁵⁷, have been undertaken since the inception of incentive-based programs in 1976. Though a survey of this scale would be indispensable, the logistical and staffing requirements make this approach unrealistic.

A third, and perhaps the best approach to providing a comprehensive investigation is to identify a handful of cities in various geographical regions that were extremely active in the RITC program from the outset. The investigation would begin with large cities but should include medium-sized and small cities as well. Baltimore, Philadelphia, and St. Louis are the best candidates among larger cities; medium-sized cities include Albany, Jersey City, Nashville, and Mobile; and small cities include Lexington, KY, Guthrie, OK, and New Bern NC. Within the larger cities, it might be wise to concentrate on a number of neighborhoods rather than the entire city in an attempt to speed up the investigation. There surely are other candidates that can be considered but these examples that are highlighted as cities actively utilizing the tax incentives in the NPS 1986 Fiscal Year Analysis.⁵⁸ The wide geographical area, distinct market conditions and diverse historical development, both architecturally and economically, of these locales provide a broad range of rehabilitation projects that benefit the investigation.

⁵⁷ National Park Service, *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 1994 Analysis* (Washington DC: U.S. Department of the Interior, 1995), 7.

⁵⁸ National Park Service, *Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 1986 Analysis* (Washington DC: US Department of the Interior, 1986), introduction.

Site selection is vital to a successful survey of RITC projects. The sites that were selected limited the present study. Though there were numerous projects begun under the RITC program in Lambertville, only a few were actually completed and certified by the NPS. The small number prevented Lambertville from being as strong of a gauge as initially expected to measure the effectiveness of the rehabilitation program. The overwhelming majority of properties in Lambertville are owner-occupied single family homes, reducing the amount of income-producing properties and the possibility of utilizing rehabilitation tax credits. The central business district has been a well-developed commercial strip of restaurants, antique stores and galleries, and offices since the mid-1980's, further reducing the tax credit opportunities.

What does make Lambertville an interesting test case is that there is no local preservation ordinance in place restricting property owners from making alterations that affect the historic character of the buildings. Instead, a non-regulatory interest based on peer aesthetic has developed that has minimized the unsympathetic alterations. Rather than meeting the standards of a historic architectural review board, property owners are obliged to meet the unwritten but visible standards of their neighbors.

The main drawback with Camden and Trenton as site selections is the noteworthy similarities that exist between the two cities. On the downside is the depressed nature of each city. Historically, both cities had a strong industrial base that resulted in development of residential neighborhoods for the employees. In the 1950's and 60's the industrial base of the cities quickly eroded and businesses either closed their doors or relocated to outlying areas, which had a devastating effect upon the tax base. Many of the citizens, particularly the white population, abandoned the residential communities of

the cities. What remained after the white flight were high unemployment and welfare rates, the rise of alcohol and drug abuse and increased crime throughout the cities. The working class also abandoned the housing stock. Property taxes went unpaid and houses were left vacant with many reaching a state of deterioration that necessitated their condemnation and demolition by the city. The city governments are the largest landowner, owning hundreds of boarded up and vacant properties throughout the city, many in designated historic districts.

When the majority of the projects began, Camden displayed all of the characteristics of a distressed city. Unemployment rates were as high as 50%, welfare rates were at 40%, and vacancy rates were over 60% throughout the Cooper Plaza Historic District. Furthermore, only 8 of the 38 houses on the 600 block of Berkley Street were occupied at the time of the rehabilitation.⁵⁹ Unfortunately, Camden still suffers from the loss of its industrial base, high unemployment and a small tax base. Conditions are similar in Trenton, especially in the Ewing-Carroll District in which numerous properties have been demolished and an entire block along Southard Street is vacant and owned by the city.

On the positive side, Camden and Trenton have implemented a strong and dedicated policy for the designation and protection of historic properties. The local preservation legislation is integrated into the zoning ordinance and placed the responsibilities of the landmarks commissioner within the land use planning department. Both cities have gone to great lengths to inventory and designate historic properties and

⁵⁹ 620-642 and 651-59 Berkley Street File, Tax Act Files, State Historic Preservation Office of New Jersey, Trenton, NJ.

establish certified districts in historic neighborhoods. The most important aspect of the preservation ordinance is the establishment of a qualified review commission that utilizes clearly stated standards of evaluation closely based upon the Secretary of the Interior's Standards for Rehabilitation.

Yet another approach to future research would be to expand upon the Fiscal Year Analysis reports compiled by the NPS. These reports offer extensive analysis of numerous factors associated with the RITC program. They include the total amount of approved projects, the use of rehabilitated buildings, the type of ownership, an estimated amount of investment generated by the program, the various methods of project financing and the use of other credits in addition to the RITC. The statistics are broken down by regional service districts and on a state-by-state comparison for a few selected categories. The data applies to both the specific year and cumulative totals for the history of the RITC program.

The main purpose of the NPS analysis is to highlight the amount of projects and investment in absolute numbers and further promote the federal government's largest program to stimulate retention and reuse of historic buildings. What it fails to do is closely evaluate the success of past projects, both in its ability to preserve the historic character of the buildings and re-enter the real estate market as viable income producing properties. But the Fiscal Year analysis provides a valuable launching pad to expand upon the basic approach employed in this paper. The state-by-state analysis is helpful in identifying possible focus areas in which there was extensive use of the RITC.

The information on ownership is useful in ascertaining if different types of ownership, whether individual, corporation, general partnership, or limited partnership,

produce more successful rehabilitation projects in terms of market performance. The impact of the 1986 ERTA, especially on the passive activity limitations, has had a dramatic effect upon the type of partnerships that can be formed and who can claim the tax credit. As shown earlier, the 1986 reforms dramatically reduced the total number of projects that were undertaken. The use of the RITC was in steady decline until favorable market conditions and interest rates reappeared during the early 1990's and syndicates were formed to finance projects. A comparison of pre-1986 and post-1986 projects is invaluable in determining if the RITC program is still a viable incentive for those interested in rehabilitation of historic properties and if it is being used differently today than it was in the past.

The information on the use of the building can be extended into the field survey of projects. It can be used to classify which use, whether housing, office, commercial or mixed use, is best suited for rehabilitation and measure the rate of for each use. It is assumed that attached rowhouses in residential neighborhoods are best suited for continued use as residential units, but that does not address the question of larger industrial buildings and their use. Are they best used as new loft apartments or can they be converted into successful office space? The success rate of buildings being rehabilitated and reused as office complexes and commercial spaces can be measured as well as the impact of these projects on the local economy.

The RITC program has been praised as “the best hope for re-using” modest-sized commercial structures in communities to bring “economic activity back to traditional

main streets.⁶⁰ The rehabilitation projects have served as a catalyst to the revitalization of commercial districts in towns throughout America. What is needed is a comprehensive survey to determine the impact of the projects and if they did indeed stimulate the revitalization of adjacent and nearby buildings in these districts. Extensive market analysis, interviews with community officials, business leaders and preservationists, and a survey of surrounding buildings are stepping stones to measuring the economic impact of the RITC in downtown commercial districts.

Another arena for future research would be to survey RITC projects according to building typology. In this study, the majority of projects involved rowhouses, semi-detached or detached houses. The projects were small in scale as a result. There were a few factories or similar industrial sites but no hotels or office buildings. Projects of this nature must be included in an examination of the RITC to measure its true worth. Such a study could reveal how often certain types of buildings are rehabbed, or what is the best use for a certain type of building. The study might reveal innovative approaches to rehabilitating challenging building typologies, large industrial complexes. The study could assist developers in choosing properties and creating new uses that apply to that site. These findings can be published as *Preservation Case Studies*.

A final area for future research, though by no means completing the list, is a reexamination of the Secretary of the Interior's Guidelines for Rehabilitation. The Standards have often been a bone of contention between developers, preservationists, and the National Park Service. Many have called the Standards vague and misleading,

⁶⁰ Antoinette J. Lee, "Revitalizing the Nation's Main Streets," *Cultural Resource Management (CRM)* Volume 20 Number 6 (1997), 17-18.

sometimes contradictory. Some want the Standards to be more specific and rigorous. All groups involved want a more consistent application of the Standards.⁶¹

Over the course of the program, the National Park Service has made great strides in providing practical information on innovative preservation techniques for architects, craftsmen, and homeowners. Mainly through the publication of *Preservation Briefs*, *Preservation Tech Notes*, and *Preservation Case Studies* and consultation with NPS and SHPO preservation specialists, the public is more aware of the expectations of complying with the Standards. Yet many projects fail to gain Part 3 approval as a certified rehabilitation and some cases go to appeal. Is this a factor of arbitrary and vague Standards, does the quality of a project not warrant the financial benefit of the tax credit, or does compliance with the Standards make projects too costly to consider? Further discussion and introspection will help settle these issues.

This thesis should not be, and is not, a comprehensive survey of the RITC program. It is only a stepping stone to further research. As shown above, there are numerous strategies to expand upon the research begun here and other approaches to analyze the successes and failures of the program. The fact that over 25,000 properties have been rehabilitated through the program is a testament to its success. But it is time to reevaluate the program so it can be utilized to its fullest promise. By reviewing past projects and their current performance, an assessment can be made of the limitations and possibilities of preservation tax incentives. Reforms, if necessary, can be implemented. If, as I believe, the program is effective, greater awareness of its benefits should be made

⁶¹ Gleye, 486. In fact, Gleye states, "In practice, the Standards are open to wide differences of interpretation, resulting in lengthy and often acrimonious negotiations between developers and reviewers."

public to encourage more projects. Though it is unlikely rehabilitation activity will ever match the peak years of the early 1980's; many opportunities still remain in historic districts and landmark buildings throughout America.

APPENDIX A

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

The Standards (Department of Interior regulations, 36 CFR 67) pertain to historic buildings of all materials, construction types, sizes, and occupancy and encompass the exterior and the interior, related landscape features and the building's site and environment as well as attached, adjacent, or related new construction. The Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alterations of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that causes damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

APPENDIX B

MUNICIPAL DEED TRANSFERS

The title of ownership for each property in the survey was tracked from acquisition prior to rehabilitation to present day. There is a great deal of information included in the following tables: addresses, tax assessor block and lot numbers, deed book references, date of acquisition, name of owner, consideration for property, the cost of rehabilitation according to the NPS Application, the date of certified rehabilitation, the use of the building following rehabilitation, and the present use of the building. The entry in bold represents the information at the time of rehabilitation under the RITC program. There was an attempt to be as complete as possible in gathering the information but certain pieces of information were quite elusive. For instance, early RITC Applications did not always list the cost of rehabilitation and some title searches proved time-consuming and difficult, sometimes leading to a dead end. There is still ample information in the appendices to draw conclusions and pose more questions.

There are a few notable properties that deserve attention. First, the Benson Street Properties in Camden display an interesting pattern of property transfer from Cooper Medical to DS Associates and then back to Cooper Medical, presently known as Cooper Health System. In most cases, the sale of the property represents a loss for DS Associates. It is not known if there was any further consideration made to DS Associates

to compensate them for their loss. Another interesting example is the Berkley Street project in the same Cooper Plaza Historic District of Camden. Historical Developers, based in Philadelphia, purchased 18 rowhouses in 1984. A smaller group of investors was formed, Cooper Plaza Association, to finance and coordinate the project. Each of the 18 buildings was converted into two two-bedroom units at a cost of \$2,888,000. Since August 1995, all of the units have sold at a price between \$43,900 and \$45,900, accounting for \$1.6 million dollars. HUD financing in the form of forgivable loans and the tax credits was instrumental in seeing this project to completion. There appear to be many examples of resale values not supporting the total cost of acquisition and rehabilitation for the property owner. Rental rates in these districts are not high so it is unlikely that the income generated by the properties have supported the debt service.

The properties in Lambertville that have sold since rehabilitation displays a strong increase in value. 119 North Union Street is a great example. The owner used the building as a business space for eleven years and then sold for a profit of \$140,000. An additional bonus is that the project is probably the finest one in terms of application process, construction practices and the retention of historical character. The two properties at 32 and 34 George Street also display a positive income statement.

CAMDEN DEED TRANSFERS

580 Benson St. Deed Book	Date	Owner	Block 1403 Consideration	Lot 15 Rehab Cost	Rehab Date	Rehab Use	Present Use
4684 0237	4/94	Family Counseling Services	125,000				
4268 0907	1/88	Thomas and Laura Hughes	120,000				
4070 0535 Office	8/27/85	Thomas and Laura Hughes/ Conrad	5,000	100,000	Sept 86	2 Apt Units	Church
3884 0701	3/23/83	and Genieve Pedito Woods to Remember, Inc.					
602 Benson St. Deed Book	Date	Owner	Block 1405 Consideration	Lot 2 Rehab Cost	Rehab Date	Rehab Use	Present Use
4876 0897	3/97	Cooper Health System	60,000				
3986 0691	7/84	DS Assoc(Chris Davis/Frank Slattery) c/o Historic Houses of Camden	32,000	115,000	May 85	3 Apt Units	Office
3985 0196	8/84	Thomas Hughes Cooper Medical	32,000				
604 Benson St. Deed Book	Date	Owner	Block 1405 Consideration	Lot 3 Rehab Cost	Rehab Date	Rehab Use	Present Use
4876 0900	3/97	Cooper Health System	60,000				
3986 0696	7/84	DS Associates	26,000	95,000	May 85	2 Apt Units	Office
3985 0190	8/84	Thomas Hughes Cooper Medical	26,000				
608 Benson St. Deed Book	Date	Owner	Block 1405 Consideration	Lot 5 Rehab Cost	Rehab Date	Rehab Use	Present Use
4876 0903	3/97	Cooper Health System	60,000				
3986 0701	7/84	DS Associates	32,000	115,000	April 85	3 Apt Units	Office
3985 202	8/84	Thomas Hughes Cooper Medical	32,000				
610 Benson St. Deed Book	Date	Owner	Block 1405 Consideration	Lot 6 Rehab Cost	Rehab Date	Rehab Use	Present Use
4876 0906	3/97	Cooper Health System	60,000				
3986 0706	7/84	DS Associates	26,000	95,000	April 85	2 Apt Units	Office
3985 0208	8/84	Thomas Hughes Cooper Medical	26,000				

638 Benson St. Deed Book Sec 636 Benson	Date Kenneth Jackson	Owner Kenneth Jackson	Block 1406 Consideration 200,000	Lot 31 Rehab Cost Sept 88	Rehab Date Comm/Res	Rehab Use Office	Present Use
620-644 Berkley (13 Buildings) Deed Book Each of the units (- 2- 2 bedroom units in each building) have been sold since August of 1995, prices ranging from \$43,900 to 45,900.	Date 6/84 3/84	Owner Cooper Plaza Association Historical Developers City of Camden	Block 1411 Consideration 60,000 32,000	Lot 11-23 Rehab Cost 2,888,000	Rehab Date July 86 (Appeal)	Rehab Use Apt Units	Present Use Condos
651-659 Berkley (5 Buildings) Deed Book Each of the units (- 2- 2 bedroom units in each building) have been sold since August of 1995, prices ranging from \$43,900 to 45,900.	Date 6/84 3/84	Owner Cooper Plaza Association Historical Developers City of Camden	Block 1409 Consideration 60,000 32,000	Lot 101-105 Rehab Cost 2,888,000	Rehab Date July 86 (Appeal)	Rehab Use Apt Units	Present Use Condos
422 Chambers Ave. Deed Book 4871 0010 4665 0818 4379 0035 4297 0811 4249 0290 4249 0293 4069 0036 4052 0915	Date 2/97 12/2/93 9/30/88 6/2/88 9/25/87 8/14/85 1/00	Owner Aldine Davis Joseph Collins and Jean Kramer John Morris, Joseph Collins, Jean Kramer Ruth MacDonald (Camden 4 Assoc.) 422 Chambers Ave. Corp. Camden 4 Harriet Quinn (Original Camden 4) Barbara Clint, Harriet Quinn, Julianna Hines, Patricia Esmond Keith Sauers	Block 1409 Consideration 45,000 1,000 (1/4 Share of Camden 4) 0.00 (Name change) 64,000 1.00 25,000 17,000	Lot 53 Rehab Cost	Rehab Date	Rehab Use	Present Use
438 Chambers Ave. Deed Book 3950 0130	Date 1/27/84	Owner Jonas Brachfeld	Block 1409 Consideration 12,000	Lot 61 Rehab Cost 88,000	Rehab Date June 85	Rehab Use 2 Apt Units	Present Use 2 Apt Units

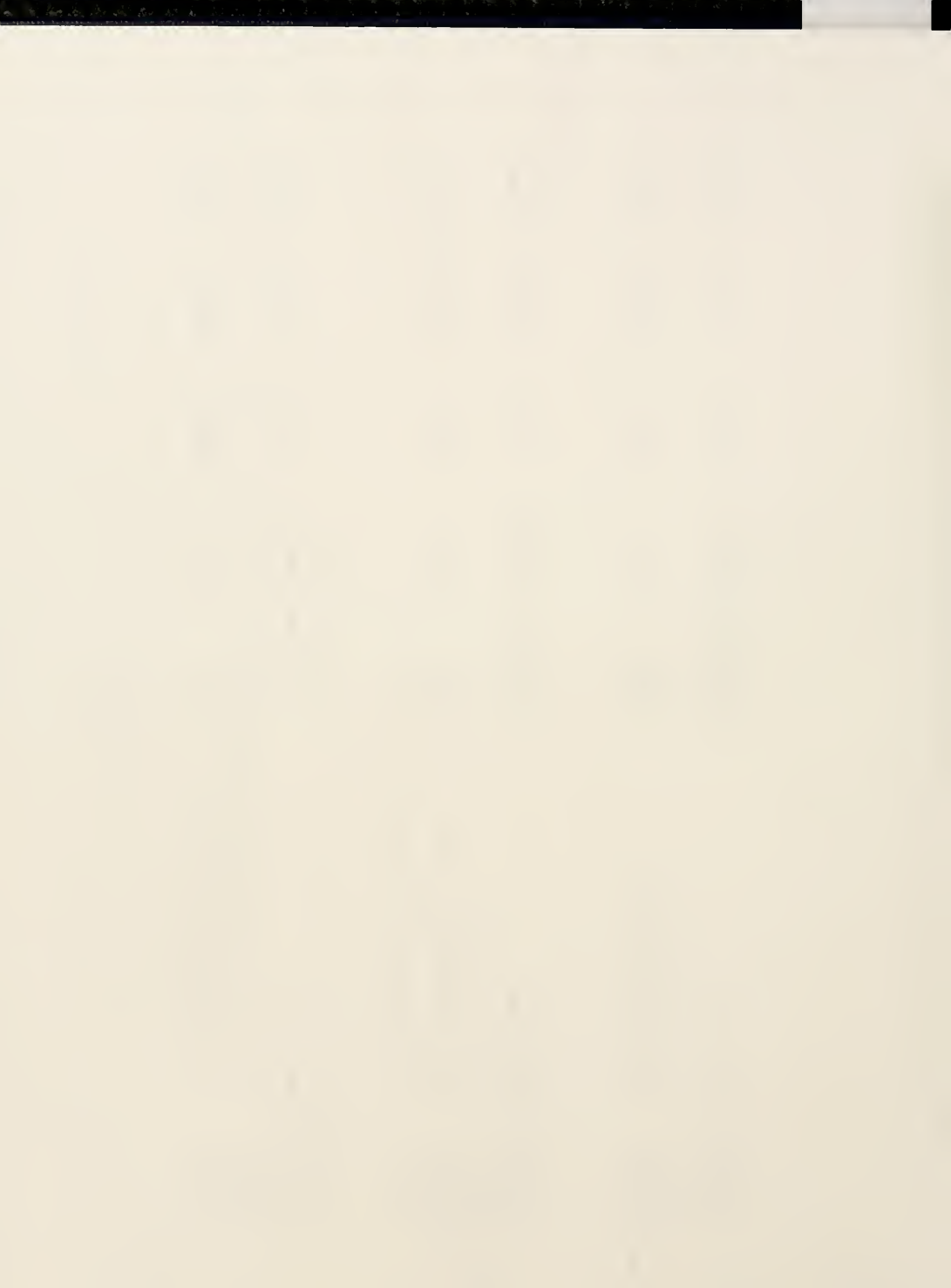
440 Chambers Ave.													
Deed Book	Date	Owner	Block	Lot	Rehab Cost	Rehab Date	Rehab Use	Present Use					
3990 0818	8/23/84	Howard and Judith Kitt	1409	62	98,000	Aug 86	2 Fam. Res.	2 Fam. Res.					
3884 0050	3/18/83	David Scannapieco	Consideration 15,500 5,500										
401 S. 7th St.													
Deed Book	Date	Owner	Block	Lot	Rehab Cost	Rehab Date	Rehab Use	Present Use					
4138 0139	6/86	Kenneth Miller and Anne Lester	1406	106	25,000	2/89	SF Res.	SF Res.					
		3298 Bristol Road	Consideration 18,000										
		Chalfont, PA 18914-3443											
		215.343.2099											
3240 0108	6/7/72	Dave Johnson (Edward Norwood Est.)											
403 S. 7th St.													
Deed Book	Date	Owner	Block	Lot	Rehab Cost	Rehab Date	Rehab Use	Present Use					
4209 0072	5/1/87	Ken Miller/ John Doyle	1406	107	50,000	Feb 89	2 Fam. Res.	2 Fam. Res.					
3979 0748	7/5/84	City of Camden (Tax Foreclosure)	Consideration 20,000										
407 S. 7th St.													
Deed Book	Date	Owner	Block	Lot	Rehab Cost	Rehab Date	Rehab Use	Present Use					
4335 0830	11/18/88	Ken Miller/ Elisa Doyle/ John Doyle	1406	109	75,000	6/91	2 Fam. Res.	2 Fam. Res.					
Will		Pandora Brown	40,000										
3879 0868		David Gardner	1.00										
1763 0271		Robert and Rebecca Adams (Adamczyk)	1.00										
409 S. 7th St.													
Deed Book	Date	Owner	Block	Lot	Rehab Cost	Rehab Date	Rehab Use	Present Use					
4886 0337	2/28/97	Jose O. Sindo	1406	110	115,000	6/88	SF Res.	SF Res.					
4083 0559	10/11/85	R. Gary Ruff	Consideration 129,900										
3647 0526	6/27/79	David Rosenblum	18,000										
		Jose Perez	11,000										

334 Point St.									
Deed Book	Date	Owner	Block	61	Lot 4	Rehab Date	Rehab Use	Present Use	
4393 0570	8/89	John Mattesich, et al	1.00	Consideration	65,809	5/90	2 Fam. Res.	2 Fam. Res.	
4339 0648	12/88	ADM Properties	10,500						
4263 0225	1/21/88	John Mattesich	10,500						
4185 0525	12/15/87	Herman Lee Bingham, Jr.	1,000						
414-416 N. 2nd St. <i>Demolished</i>									
Deed Book	Date	Owner	Block	57	Lot 50-51	Rehab Date	Rehab Use	Present Use	
4681 0289	1/94	City of Camden		Consideration					
4234 0255	7/24/87	Lawrence Goldstein/ RUA Ltd. City of Camden	30,000	Agreement to rehab in two years.			SF Res.	Demolished	
220 Cooper St.									
Deed Book	Date	Owner	Block	74	Lot 6 and 8	Rehab Date	Rehab Use	Present Use	
4493 0105	4/91	220 Cooper Street Limited Partnership Henry Furst and Donald Cabello (Principals of 220 Cooper St. Partnership)	410,000	Consideration	3,200,000	May 93	10 Apt. Units	10 Apt. Units	
4320 0821	9/1/88	220 Cooper Street Partnership	215,000						
4191 0740	1/29/87	Floyd and Anna-Stina Fields City of Camden	110,000						

LAMBERTVILLE DEED TRANSFERS

32 George Street		Date	Owner	Block 1037 Consideration	Lot 10 Rehab Cost	Rehab Date	Rehab Use	Present
Deed Book	Use							
1002 1081		2-17-88	Dimitri Politikos	123,500				
937 0136		9-26-78	Susan Burns	74,000				
835 0966		10-3-78	James Scurti	21,500	N/A	Dec 82	Not Spec	SF Res.
784 0284		10-17-74	Susan Kerwick Melville Refuge	16,500				
34 George Street		Date	Owner	Block 1037 Consideration	Lot 11 Rehab Cost	Rehab Date	Rehab Use	Present
Deed Book	Use							
1189 0623		6-23-98	Kenneth Lightfoot	122,000				
1075 0623		7-23-92	Evelyn Leves	112,000				
1000 0752		12-30-87	Geoffrey Cromarty	115,000				
867 0909		4-15-81	James Scurti	8,500	N/A	Dec 82	Not Spec	SF Res.
856 0251		4-15-80	William Paquin	8,500				
835 0963		10-3-78	James Scurti Margit Granowska	5,400				
195-197 George Street		Date	Owner	Block 1008 Consideration	Lot 3 and 4 Rehab Cost	Rehab Date	Rehab Use	Present
Deed Book	Use							
1049 0084		10-9-90	Donald Colombo, divorcee 195 was sold immediately					
892 0708		5-25-83	Donald and Gloria Colombo 9,000 for 197 George St., lot 4 35,000 for 195 George St., lot 3 Christine Williams	44,000	N/A	5-3-84	Not Spec	SF Res.

119 North Union Street		Block 1020 Lot 1		Rehab Use		Present	
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present
Use							
1148 0545	6-14-96	Reinboth Family, LLC	515,000				
920 0311	5-3-85	Bernard H. Genest	185,000	188,276	Nov 87	Mixed Use	Office
504 0085	10-20-51	Wesleyan Methodist Church	18,000				
137-139 North Union Street		Block 1015 Lot 5 and 6		Rehab Use		Present	
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present
Use							
1056 0313	4-24-91	Helen Dennison	1.00				
891 0401	5-6-83	James and Helen Dennison	97,500	628,138	June 86	10 Apt. Units	10 Apt.
Units							
868 0057	10-16-82	Williamson Construction Group Leonard and Bernice Blank	60,000				
18 Lambert Lane		Block 1034 Lot 6		Rehab Use		Present	
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present
Use							
1049 0077	1-31-90	Donald Colombo- Quitclaim in divorce settlement Colombo purchases easement for ingress and egress from Abraham Finkle for \$4000					
888 0638	1-31-82	Donald and Gloria Colombo	17,000	N/A	May 83	Not Spec	SF Res.
877 0302		JR and S Construction					



TRENTON DEED TRANSFERS

434 Greenwood Avenue		Block 109	Lot 3			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use
3159 0600	3-5-97	Wimmore Associates, LLC	270,000	400,000	April 1989	Present Use
2382 0261	4-30-87	Mar-Day Realty Co.	190,000			9 Apt Units
2291 04355	5-22-85	John T. Leahy	65,000			
2249 0831	5-8-84	Phillip Edward Smith	65,000			
		Friends Boarding Home of Burlington				
602 Greenwood Avenue		Block 107	Lot 5			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use
3158 0282	12-31-96	Morrow Holding Company	605,577	construction loan		Present Use
3048 0130	4-22-96	Morrow Holding Company	145,000			
2322 0049	1-22-86	Greenwood Avenue Association	1.00	418,000	Sept. 1987	7 Apt Units
2303 0571	8-8-85	Brundcon Group	\$5000			Vacant
		City of Trenton				
290 Tyler Street		Block 115	Lot 8			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use
2382 0079	3-20-87	Richard T. Butsch/ Ava Baron	31,000	24,000	Dec. 1988	Rehab Use
1202 0348	8-1-52	Lena Casarico	1.00			SF Res
869 0056	1-24-44	Ross and Lora Deardorf	1.00			
205 Hamilton Street		Block 132	Lot 161			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use
2292 0452	5-24-85	Edward Cortesini	52,000	32,222	Aug. 1992	Present Use
1818 0962	11-12-68	Frank and Emma Corvo	1.00			2 DU L&M
1604 0364		Carmen D'Agostino	Will			
205 1/2 Hamilton Street		Block 132	Lot 162			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use
2292 0452	5-24-85	Edward Cortesini	52,000	32,222	Aug. 1992	Present Use
1818 0962	11-12-68	Frank and Emma Corvo	1.00			2 DU L&M
1604 0364		Carmen D'Agostino	Will			

714 S. Clinton Avenue									
Deed Book	Date	Owner	Block 138	Lot 15/16	Rehab Date	Rehab Use	Present Use		
2366 0630	12-2-86	Clifford Zink	Consideration 63,000	Rehab Cost 140,000	Dec. 1989	Mixed Use	Mixed Use		
1777 0465	3-7-67	Edna MacQueen and Robert Huse	1.00						
1362 0656	4-11-62	Robert and Marjorie Pierce	Will						
0966 0350	2-18-47	Joseph and Nora Pierce	1.00						
246 Mercer Street									
Deed Book	Date	Owner	Block 49	Lot 61	Rehab Date	Rehab Use	Present Use		
3383 0288	8-18-98	Dolores Nichols	Consideration 91,000	Rehab Cost					
	8-18-98	Holding Hands Financial Services							
2241 0022	12-30-83	James Oser and Casmir Ruda	12,000	85,000	Sept. 1986	Not Spec	SF Res.		
2236 0565	1-31-80	James Oser and Joanna Cohen	4,600						
2122 0211	11-28-79	Norris and Helen Dorn City of Trenton							
360 S. Broad Street									
Deed Book	Date	Owner	Block 50	Lot 134	Rehab Date	Rehab Use	Present Use		
3470 0230	10-16-98	Anne La Bate	Consideration 50,000	Rehab Cost					
2401 0103	6-30-87	Elizabeth Holland	45,000	144,000	Dec. 1988	2 Fam Res	Mixed Use		
2002 0132	10-24-75	William and Maryann Beitel	15,000						
1732 0735	5-17-65	Charles and Madeline Costello	1.00						
1270 0546	2-19-54	Samuel Fiorello	1.00						
237 Jackson Street									
Deed Book	Date	Owner	Block 50	Lot 41	Rehab Date	Rehab Use	Present Use		
2210 0354	3-14-83	Brenda and Shirley Bennett	Consideration 1.00	Rehab Cost 113,000	June 1990	Rehab Use	SF Res		
2146 0393	11-21-80	Shirley Bennett	26,000						
2038 0953	4-18-77	Arthur and Roberta Frank	7,500						
967 0533	3-13-47	Phillip Kushensky et ux	1.00						
471 0577	5-13-46	Minnie Epatein	Will						

255 Jackson Street	Block 50	Lot 124	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Consideration	Rehab Cost				
2454 0544	126,000	40,000		Aug. 1988	SF Res	SF Res
2287 0605	1.00					
2234 0771	15,000					
Date	Owner					
9-6-88	Jeremy Rubenstein					
4-23-85	Corwin Roth and Gary Silvi					
1-21-83	Corwin Roth					
7-17-59	Peter Maguire					
507 Grand Street Clay and Book Cigar Factory	Block 165	Lot 1	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Consideration	Rehab Cost				
2880 0324	\$6,650,586 failure on mortgage	3,805,000		July 1987	60 Apt Units	60 Apt Units
2278 0879	450,000					
1852 0757	111,000					
1656 0254						
Date	Owner					
3-23-94	507 Grand Street Realty Company					
	\$100 at Sheriff's Auction after foreclosure on					
2-5-85	Grand Court Urban Renewal Assoc.					
1-24-85	Hibbert Company					
4-9-70	Thornewood Corporation					
5-8-63	Amerlean Cigar Company					
660 Centre Street	Block 73	Lot 115	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Consideration	Rehab Cost				
2925-0055	1.00					
2864 0169	906,400					
2649 0342	250,000					
2588-708	1.00					
2580 0704	1.00	1,600,000		April 1991	22 Apt Units	22 Apt Units
2498 0895	214,000					
2298 0627	78,000	2,000,000		July 1986	23 Apt Units	
Date	Owner					
4-3-95	Mott Centre Street Urban Renewal					
10-12-94	Mott Centre Street Apartments, Lp					
12-29-92	Lutheran Social Ministries of NJ					
12-31-92	Deerfield Corporation					
12-30-91	Mott Centr St. Group Joint Venture					
8-23-89	Mott Centre St. Group Joint Venture					
7-1-85	Brundcon Corporation					
3-26-85	City of Trenton/ Inhabitants of the City					
28 North Stockton Street Siegle Bros.	Block 6	Lot 108	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Consideration	Rehab Cost				
3059 0159	1,300,000					
2885 0310	1.00					
2602 0346						
2456 0690	448,026	1,900,000		May 1991	33 Apt Units	33 Apt Units
2376 0690	146,000					
Date	Owner					
4-30-96	Rockaway Pacific, LLC					
12-22-94	Trenton Holding Company					
5-18-92	Deed Consolidation					
9-8-88	Integrated Holdings Company					
12-23-86	Brundcon Group					
2-6-69	James Siegle, ux					

186 West State Street	Owner	Block 22	Lot 6 or 119	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Date	Consideration	Rehab Cost				
2947 0036	6-8-95	1,025,000					
2600 0485	5-11-92	225,000	N/A		April 1986	Not Spec	Office
2126 0867	8-1-80 State Street Partnership	178,000					
2099 0504	4-6-79						
	New Trenton Corporation						
190 West State Street	Owner	Block 22	Lot 5 or 119	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Date	Consideration	Rehab Cost				
See 186 W. State Street			N/A		April 1981	Not Spec	Office
198 West State Street	Owner	Block 23	Lot 163	Rehab Cost	Rehab Date	Rehab use	Present Use
Deed Book	Date	Consideration	Rehab Cost				
2237- 0979	5-12-98	65,000	250,000		May 1988	Office	Office
	Legal Aid Society of Mercer County						
	12-27-83						
	198 West State Street Ltd						
	3-15-55						
	Hanover-Taylor Parking Co						
216 West State Street	Owner	Block 23	Lot 70	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Date	Consideration	Rehab Cost				
3180 0205	5-9-97	265,000					
2999 0218	1-10-94	298,818					
	Starbuc Assoc, LP						
	8-23-93						
	National Westminster Bank						
	7-16-86						
	Markings Assoc, LP						
	10-28-64						
	216 West State Street Inc.						
	5-17-46						
	Henry Drezner						
342 West State Street	Owner	Block 19.B	Lot 38	Rehab Cost	Rehab Date	Rehab Use	Present Use
Deed Book	Date	Consideration	Rehab Cost				
2574-0494	8-23-91	105,000	121,400		Rehab Date	Rehab Use	Present Use
2012 0430	3-31-76	20,000			Feb 1994	Office	Office
	John and Sharon McKnight						
	3-12-59						
	William Fulper, ux						

843 West State Street		Block 382	Lot 94			
Deed Book	Date	Owner	Rehab Cost	Rehab Date	Rehab Use	Present Use
2329 0891	3-18-86	LeRoI Banks	55,000	Feb 1994	Office	Office
2258 0126	7-31-84	Ellis and Shirley Youngblood	57,000			
2024 0391	9-22-76	Dorothy Richardson	31,000			
	1-10-62	Samuel Watov, ux				
908 West State Street		Block 385	Lot 110			
Deed Book	Date	Owner	Rehab Cost	Rehab Date	Rehab Use	Present Use
3114-0283	10-2-96	Nassif Dawlabani	65,000			
2319-0555	1-2-86	Stanley and Cynthia Needell	82,250			
2182 0506	3-25-82	Charles Rose Sr. and Jr.	47,750	May 1984	Not Spec	Vacant
	8/11/76	European Hotel Services Inc.	N/A			
1 West End Avenue		Block 19.A	Lot 293			
Deed Book	Date	Owner	Rehab Cost	Rehab Date	Rehab Use	Present Use
2130 0694	7-20-81	Adams and Sickie Building	N/A	Nov. 1983	Rehab Use	Mixed Use
2130 089	4-15-80	One West End Assoc. (c/o Dave Davies)	1,000		Not Spec.	
2009 0962	4-15-80	One West End Assoc.	6,000			
1633 0548	2-25-76	City of Trenton				
	8-11-66	Adams and Sickie				
7-13 Ewing Street		Block 9	Lot 52			
Deed Book	Date	Owner	Rehab Cost	Rehab Date	Rehab Use	Present Use
2593 0511	2-28-92	Edge & Co.	1,000			
2454 0836	8-30-88	Albert and Shirley Haveson	1,000			
2417 0518	12-18-87	Sandra Properties	614,000	July 1989	Office	Office
2120 0446	12-18-79	Albert and Sandra Haveson/ T-C				
	12-18-79	Police Athletic League	1,000			
	12-8-79	Henry Lobel				

2-8 N. Broad Street	Old City Hall	Block 5 Lot 1					
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present Use
3203 0094	6-24-97	Capitol Commons Office Plaza	1.00 New name				
3181 0321	4-30-97	Sidney M. Wenof	1.00 Consolidated Rongold	1,600,000	Oct 1987	Mixed Use	Mixed Use
2349 0949	8-15-86	Rongold Assoc.	900,000				
2274 0576	1-9-85	DM Brokers Inc.	100,000				
	3-2-83	Seung Ho Lee					
100 Stokely Avenue			Block 75	Lot 62 (76 and 77)			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present Use
2147 0959	3-6-81	South Village Assoc I and II	120,000	N/A	Feb. 1983	Apt Units	Apt Units
	8-20-80	Applied Housing Management Company					
		Construction contract with South Village Assoc for rehab project					
		7-29-52 Stokely-Van Camp, Inc					
49 Southard Street			Block 11	Lot 60			
Deed Book	Date	Owner	Consideration	Rehab Cost	Rehab Date	Rehab Use	Present Use
2473 0852	9-4-96	Khubchand and Vilma Pamnani	128,000	125,000	Jan. 1994	3 Apt Units	3 Apt Units
2421 0317		Matin Development	400				

APPENDIX C

MUNICIPAL MARKET COMPARISONS

The information in the Appendix C was accumulated from tax assessment rolls at the County Courthouse for each city. In each set of comparisons, the building stock is similar, if not identical, to the subject buildings. If possible, comparative sales represent properties sold at a similar time period, usually about three months before or after the sale of the subject building. It was not always possible to meet that criterion. Market comparisons were compiled for residential properties. These are easier to track due to the larger available pool and the increased frequency of sale.

COOPER PLAZA HISTORIC DISTRICT, CAMDEN, NJ

RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
620 Benson	9/89	175,000

580 Benson	4/94	125,000
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636-638 Benson* 2/95		200,000
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NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
622 Benson	9/89	165,000
421 S. 6 th	10/89	30,000
404 Chambers	3/90	48,000
431 Chambers	8/89	80,000

582 Benson	3/94	125,000
584 Benson	4/94	70,000
586 Benson	4/94	49,000
594 Benson	4/94	49,000
562 Benson	9/94	30,000
582 Auburn	5/94	26,000
503 S. 6 th	1/94	69,700
513 S. 6 th	1/94	55,000
515 S. 6 th	4/94	59,000
517 S. 6 th	4/94	55,000
519 S. 6 th	1/94	55,000

630 Benson	5/95	47,900
562 Benson	9/94	30,000
586 Auburn	3/95	21,000
509 S. 6 th	7/95	70,000

*The properties were consolidated under one deed and sold for \$200,000.

620-644 Berkley** 1995-1996	43,900-45,900
651-659 Berkley** 1995-1996	43,900-49,000

**The Berkley buildings were rehabbed as one large project in 1984-86. Each building was divided into two units. In 1995, the Cooper Plaza Association, the management group operating the buildings for Historical Developers, Inc., began to sell the units under a condominium arrangement in which CPA still manages the exterior and common areas and sell the living areas to individuals.

602 Benson	3/97	60,000
604 Benson	3/97	60,000
608 Benson	3/97	60,000
610 Benson	3/97	60,000
614 Benson	3/97	60,000
628 Benson	1/97	50,000
422 Chambers	2/97	45,000
409 S. 7 th	2/97	129,900

566 Benson	11/97	5,000
426 S. Broadway	1/97	45,000
444 S. Broadway	1/97	20,500
600 Benson	9/97	66,000
606 Benson	6/97	34,809

COOPER GRANT HISTORIC DISTRICT, CAMDEN, NJ

RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
108 Linden	9/97	70,000
110 Linden	4/98	89,000

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
102 Linden	6/97	72,000
119 Penn	9/97	70,000
516 N. 2 nd	10/97	35,000
319 Penn	12/97	40,000
307 Point	4/97	9,000
320 Point	8/97	37,500

322 Point	8/97	16,800
333 Point	1/98	35,000

Lambertville Historic District, National Register of Historic Places, Lambertville, NJ
RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
32 George	2/88	123,500
34 George	7/92	112,000
34 George	6/98	122,000

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
52 George	12/85	68,000
54 George	7/94	78,000
118 George	11/84	57,000
121 George	8/94	155,000
43 Coryell		138,400
45 Coryell		128,400
14 Clive Court	4/94	135,000

119 N. Union 6/96 515,000

42 York	6/95	550,000
136 N. Union	9/94	280,000
142 N. Union	7/97	220,000

119 N. Union is the largest house/mansion in Lambertville. There are a few properties of comparable size and architectural quality but only one, 42 York has been sold recently.

GREENWOOD-HAMILTON HISTORIC DISTRICT, TRENTON, NJ

RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
434 Greenwood	3/97	270,000
602 Greenwood	4/96	145,000

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
401 Greenwood	12/96	100,000

There are few properties in the district that are comparable to these buildings. The only other district with residential buildings of comparable size and architectural quality are in the Berkley Square District. There were few transactions since the mid-1990's in Berkley Square.

MILL HILL HISTORIC DISTRICT, TRENTON, NJ

RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
255 Jackson	9/88	126,000

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
249 Mercer	1/88	59,000
239 Jackson	3/86	70,000
140 Mercer	6/91	142,500
246 Mercer	8/98	91,000
144 Mercer	11/97	148,000
360 S. Broad	10/98	50,000
146 Mercer	3/96	100,000
150 Mercer	1/97	148,000
205 Jackson	9/97	85,405

STATE HOUSE HISTORIC DISTRICT, TRENTON, NJ

RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
186 W. State*	5/92	1,025,000
190 W. State*		
216 W. State	8/93	
198 W. State	5/98	

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
132 W. State	3/92	320,000
200 W. State	5/92	180,000
210 W. State	6/92	53,500
116 W. State	3/96	219,000
128 W. State	3/97	155,000
208 W. State	6/96	47,000
212 W. State	12/95	130,000
224 W. State	6/97	210,000

* 186 and 190 West State Street were consolidated under the same deed and sold as a single parcel for \$1,025,000.

BERKLEY SQUARE HISTORIC DISTRICT, TRENTON, NJ

RITC PROPERTY SALES-

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
908 W. State	10/96	65,000

NON-RITC PROPERTY SALES

<u>Address</u>	<u>Date</u>	<u>Consideration</u>
919 W. State	12/95	125,000
912 W. State	10/94	95,500
846 Berkley	10/94	123,000
800 W. State	12/94	166,500

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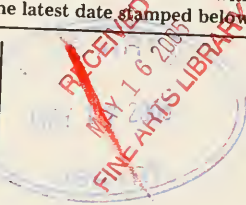
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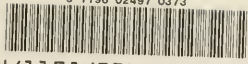
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