

REPORT ON HISTORIC PRESERVATION TAX CREDITS IN TEXAS



TEXAS
HISTORICAL
COMMISSION 
REAL PLACES TELLING REAL STORIES

thc.texas.gov



THC CHAIRMAN JOHN L. NAU, III ON HISTORIC PRESERVATION TAX CREDITS

Like millions of Texans, I love our state's epic, dynamic history. One of the best ways to keep that history alive is to preserve the real places where our state's stories unfolded.

But if there aren't incentives for property owners and developers to preserve historic buildings, these sites may disappear in favor of simpler economic realities. That would be more than just an irreplaceable loss to our culture. Historic properties make a significant impact on our state's economic success, attracting travelers from around the world.

Right now, one of the most powerful tools Texans have to preserve their heritage is the Texas Historic Preservation Tax Credit. Since 2015, 243 projects have been completed through the state tax credit program, resulting in investments of over \$2.6 billion in historic buildings across our state.

These investments consist of the extensive make-ready expenses owners and developers incur when preparing a property for commercial or residential tenants, as well as the "qualified rehabilitation expenses" that count toward the value of the credits—including cabling for high-speed internet, HVAC and plumbing systems, accessibility features, and other expected modern amenities.

By partnering with the Federal Historic Tax Incentives Program, property owners who use the state tax credit are empowered to preserve and restore historic buildings—promoting economic development by creating specialized jobs and increasing local and state tax revenues across sectors including travel, education, and real estate.

Before the state tax credit was enacted, Texas' urban areas hosted most federal historic preservation tax credit projects.

With the combination of the state and federal credits, restoration efforts benefit more small towns as well. These investments in rural and exurban areas increase property values, create high-paying local jobs, and bring these communities closer together.

In fact, the THC estimates that certified projects have helped support more than 54,000 jobs in Texas, with over \$3.2 billion in wages and income. About \$54.9 million has been generated in state taxes and \$181.6 million in local taxes, not accounting for subsequent property tax increases. Over \$4 billion has been added to the state's gross domestic product. Projects currently under construction represent additional ongoing growth to our economy.

Throughout this booklet you'll find examples of the significant achievements made possible by the Texas Historical Commission's (THC) Texas Historic Preservation Tax Credit Program.

It has ensured that hundreds of Texas' precious historic structures will stand—not just as empty monuments to the past, but as vibrant and productive contributors to our state's future.

Sincerely,

John L. Nau, III
Chair, Texas Historical Commission

COVER: Hotel Fredonia, Nacogdoches



One Main Place, Dallas

TEXAS HISTORIC PRESERVATION TAX CREDITS

The relative ease of use of the Texas Historic Preservation Tax Credit (THPTC), enacted in 2013, has driven significant increases in historic preservation projects across the state. Between January 1, 2015, when the program began accepting applications, and August 31, 2020, the THC received initial applications (which determines a building's eligibility for the program) for nearly 600 projects. Of these, 243 have been successfully completed and certified, representing total investments of over \$2.6 billion.

The THPTC was designed to generally follow the Federal Rehabilitation Tax Credit, which historically had low usage in Texas. The federal program provides a credit for corporate federal income taxes equal to 20 percent of qualified expenses. The state program provides a credit for state franchise or insurance premium taxes equal to 25 percent of qualified expenses. Projects eligible for both programs receive the full 45 percent. As a result of the state credit, use of the federal credit has increased since many projects are able to pair the programs to maximize benefits. About half of all state projects also apply for the federal program.

Since it was enacted, two major legislative changes have opened the state program to nonprofit property owners and public universities (for a limited period). The THPTC can be applied to non-income-producing properties because Texas law allows sales or transfers of credits from an owner with no tax liability to an entity with a franchise or insurance premium tax liability. This allows a variety of project applicants to take advantage of the state tax credit, while encouraging investment of private funds.

The federal program was subject to legislative changes in 2017 that affect how the credit is applied to an applicant's income taxes in a way that can limit the credit's usefulness. As a result, the state historic tax credit program has become more valuable as a key part of financing for many projects across Texas.

The federal tax credit program is administered by the National Park Service in conjunction with the THC. These agencies review proposed plans for conformance with the Secretary of the Interior's Standards for Rehabilitation. Credits are processed by the Texas Comptroller and the U.S. Internal Revenue Service, respectively, following project completion and certification of eligibility.

TEXAS HISTORIC PRESERVATION TAX CREDIT PROGRAM

THE WORKS*



243

TEXAS PROJECTS CERTIFIED
(Completed)



\$1.8 B

CUMULATIVE QUALIFIED
REHABILITATION EXPENSES**



\$2.6 B

CUMULATIVE TOTAL SPENDING

* Since implementation of the State Tax Credit on January 1, 2015, through August 31, 2020.

** Qualified rehabilitation expenses are the limited project costs that count toward credit value, as defined by the Internal Revenue Service.

THE IMPACTS

ESTIMATED FIGURES, BASED ON
CERTIFIED PROJECTS

54 K+ TEXAS JOBS SUPPORTED
BY REHABILITATION WORK

\$3.2 B TOTAL WAGES
AND INCOME EARNED IN TEXAS
THROUGH REHABILITATION PROJECTS

\$54.9 M GENERATED IN STATE TAXES

\$181.6 M GENERATED IN LOCAL TAXES
(NOT INCLUDING PROPERTY TAX IMPACTS)

\$4 B ADDED TO TEXAS GROSS
DOMESTIC PRODUCT

IN THE WORKS



175+

PENDING PROJECTS*
AT PART 2 OF 3-PART REVIEW



\$1.6 B

ESTIMATED QUALIFIED
REHABILITATION EXPENSES



\$2 B

ESTIMATED TOTAL COSTS
FOR THESE PROJECTS

* Having plans approved by the THC does not ensure that projects will be completed or receive certification.

THE FEES

THE THC CHARGES FEES FOR PROCESSING
TAX CREDIT APPLICATIONS

FEES ASSESSED ON SLIDING SCALE
BY PROJECT SIZE

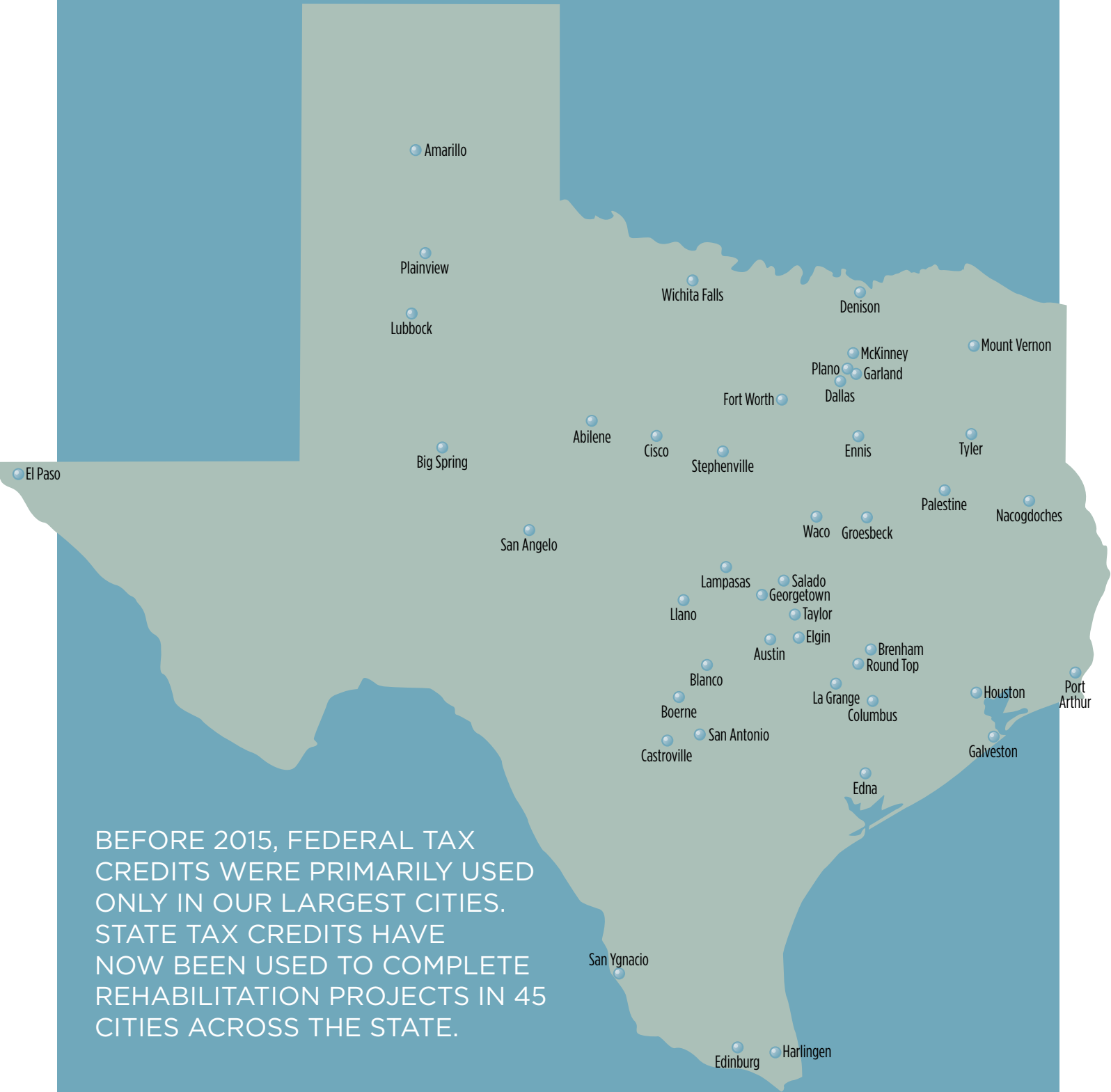
\$9 K MAXIMUM FEE,
LARGE PROJECTS

\$618 K TOTAL FEES COLLECTED
TO DATE IN 2020-21 BIENNIUM

\$2.71 M TOTAL FEES COLLECTED
SINCE JANUARY 1, 2015

\$485 K TOTAL FEES APPROPRIATED
TO THE THC TO DATE TO OFFSET
PROGRAM COSTS

TEXAS HISTORIC PRESERVATION TAX CREDIT PROGRAM



BEFORE 2015, FEDERAL TAX CREDITS WERE PRIMARILY USED ONLY IN OUR LARGEST CITIES. STATE TAX CREDITS HAVE NOW BEEN USED TO COMPLETE REHABILITATION PROJECTS IN 45 CITIES ACROSS THE STATE.

PLACES OF WORSHIP

As nonprofits, churches are eligible to apply for the tax credits for work on historic buildings. Churches of varying sizes across the state have used the program to revive aging buildings that have suffered from deferred maintenance and lack of funding. The credits have been used to perform structural repairs; restore stained glass and decorative finishes; upgrade mechanical, electrical, and other systems; improve accessibility and safety; and undertake other work to ensure the longevity of these significant community resources.



St. John's United Methodist Church, Georgetown



First Presbyterian Church, Dallas



St. Paul's United Methodist Church, Houston



Trinity Episcopal Church, Galveston



Bethlehem Lutheran Church, Round Top



St. David's Episcopal Church, Austin



Beth Yeshurun Synagogue, Houston

Mission San José, San Antonio
Photo credit: Wikimedia Commons



HOTELS

The THC receives many applications for the preservation of historic hotels and the conversion of other historic buildings into new hotels. Existing historic hotels have used tax credits to repair distinctive details and refresh interior finishes. Dilapidated hotels in small towns have been rehabilitated and reopened to great fanfare, and tourists have traveled expressly for overnight stays. Numerous historic office buildings have been converted into hotels, providing a new use for buildings that have been empty for decades.



St. Anthony Hotel, San Antonio

Menger Hotel, San Antonio



The Statler, Dallas



Hotel Settles, Big Spring



Petroleum/Great Southwest Building (Cambria Hotel), Houston



Melrose Building (Le Méridien), Houston



INDUSTRIAL BUILDINGS

In other parts of the country, historic tax credits are synonymous with the adaptive re-use of large-scale industrial properties like mills and manufacturing plants. Texas' industrial history did not produce as many of those buildings, but the credit still plays a vital role in the rehabilitation and repurposing of industrial buildings in large and small towns, some of which might not have been considered important buildings without the tax credit incentive.



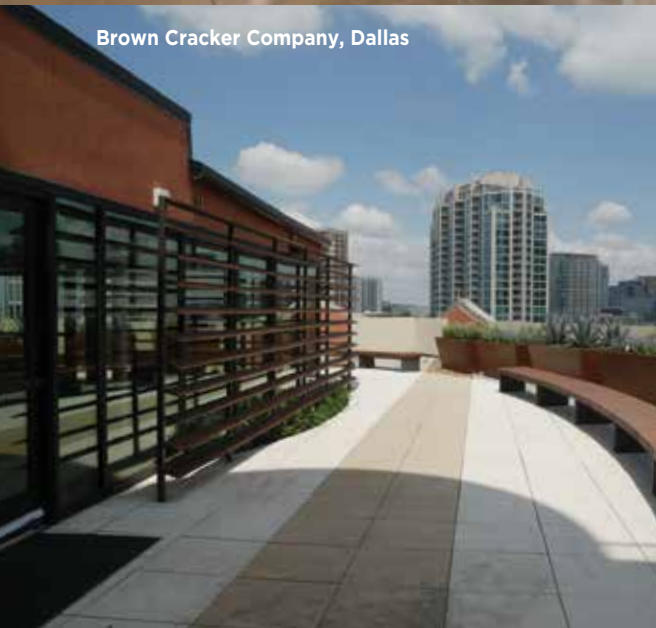
Harbert's Garage, Columbus



Dickson-Jenkins Warehouse, Fort Worth



Firestone Lofts, Amarillo



Brown Cracker Company, Dallas



Oriental Textile Mill, Houston

CULTURAL NONPROFITS

Texas' program is unique among state credits by allowing certain types of nonprofits to apply, which works because the credits can be sold. This helps nonprofits stretch their dollars to support their missions. Cultural nonprofits have leveraged the program by using the credits to undertake significant deferred maintenance to their properties, which is vital for the long-term preservation of these resources that tell the story of the Lone Star State.



Trevino-Uribe Rancho, San Ygnacio

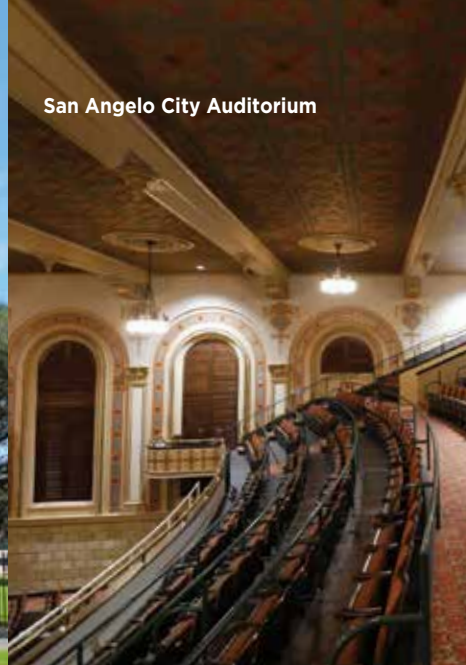
Grand 1894 Opera House, Galveston



Bryan Museum, Galveston



San Angelo City Auditorium

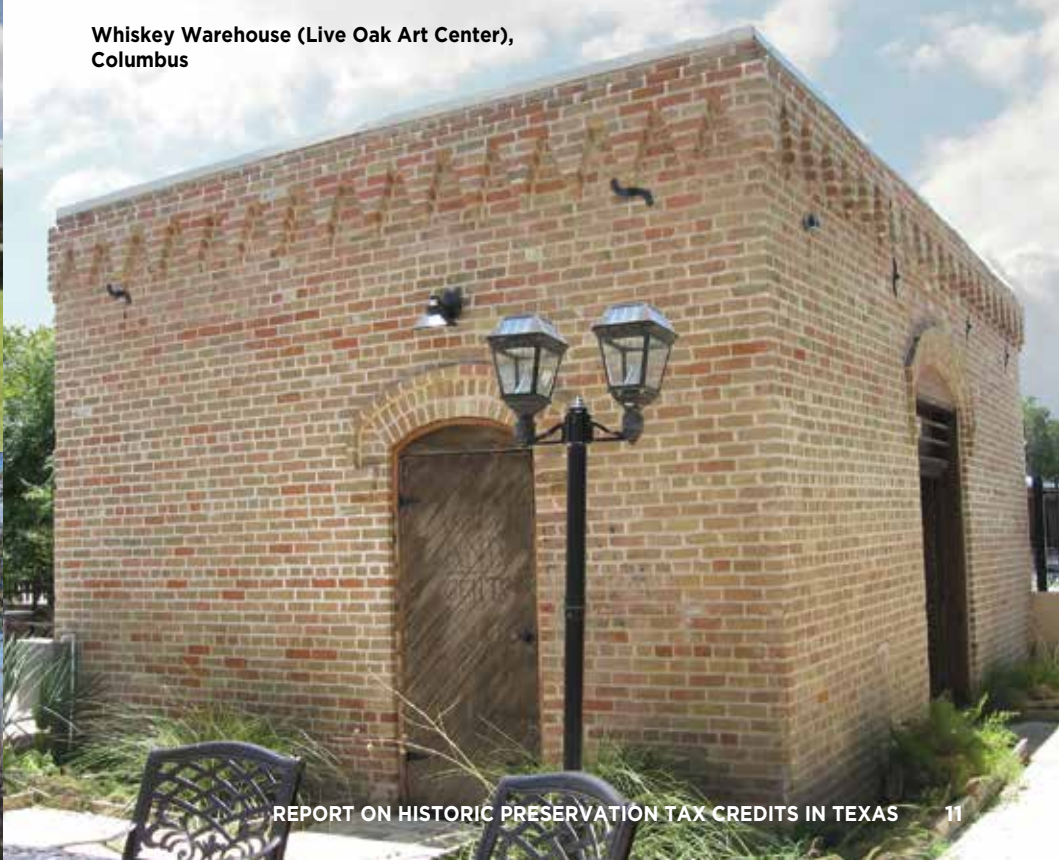


Neill-Cochran House Museum, Austin

Whiskey Warehouse (Live Oak Art Center), Columbus



Thistle Hill (Historic Fort Worth)



Heff-Rozelle Farm (Cibolo Nature Center), Boerne

RURAL DOWNTOWNS

State tax credits typically prove easier and simpler than the Federal Rehabilitation Credit for small-scale projects. Texas's historic tax credit is no different—applications from small towns across the state have increased since the program began. These projects align with other THC programs to improve Main Street districts and courthouse squares across the state. Elgin and Ennis boast the highest numbers of individual projects among small towns, with certified and ongoing projects in each downtown.



207 W. Ennis St., Ennis



First National Bank, Port Arthur



Simon's Department Store, Elgin



First National Bank, Stephenville



M.L. Edwards Store, Mount Vernon

RESIDENTIAL

From 2015-19, over 1,400 new housing units were created and 350 existing housing units were rehabilitated across Texas with the assistance of the state tax credit. Projects range from single-family rentals to large multi-unit developments and include affordable, market-rate, and luxury housing. Many projects have successfully combined federal low-income and historic tax credits to convert large white-elephant buildings in smaller towns into affordable housing. Approved plans for projects that are proposed or underway may result in 2,000 more new and upgraded residences.



908 Sabine St., Houston



Laguna Hotel, Cisco



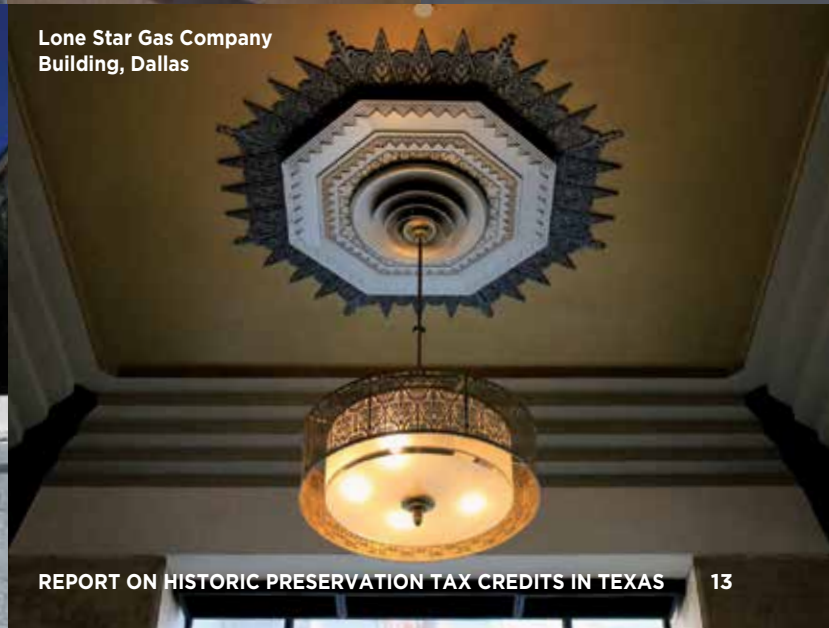
Plainview Hilton



Baxter Building, Harlingen



Sunset Heights Historic District, El Paso



Lone Star Gas Company Building, Dallas

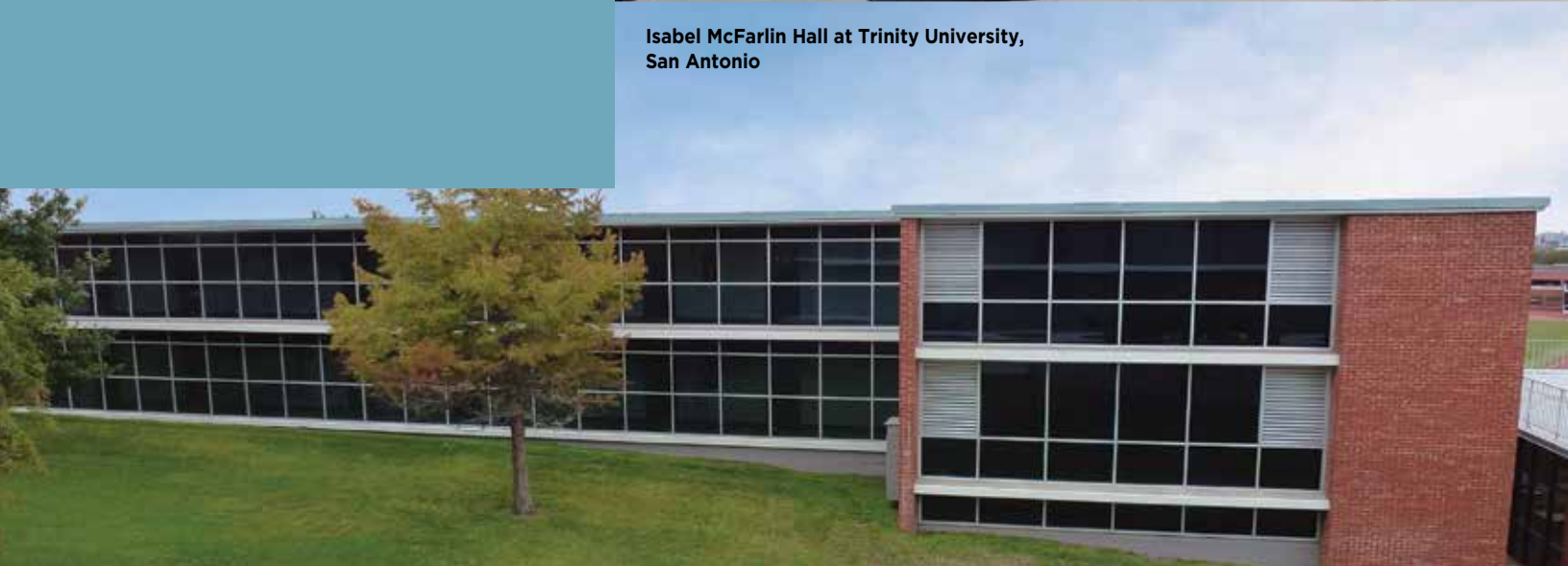
UNIVERSITIES

The state credit has been available to private, nonprofit universities since late 2015. In 2017, the Legislature opened the program to state institutions of higher education. Credits have been used by various universities on full rehabilitation projects and more limited maintenance and code-related work. Projects have been undertaken by several public universities, religious-based universities and, notably, one of Texas's private Historically Black Colleges.

Old Dallas Municipal Building at UNT Dallas College of Law, Dallas



Isabel McFarlin Hall at Trinity University, San Antonio



Admin Building at Texas Tech University, Lubbock



Martin Hall at Texas College, Tyler

O. Henry Hall, Texas State University System, Austin
Photo credit: O'Connell Architecture





