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Historical Preservation

HB 1190 makes historical preservation more lucrative

For most Coloradans and visitors alike, summertime means road-trip season with plenty of visits to our authentic and eclectic small towns. We all marvel at the natural world, as well as the red-brick downtown districts, complete with their proud historic buildings. For many, these special places define Colorado.

For those of us engaged in real estate industries, we tend to view property with a less nostalgic, more pragmatic view. Often, I find myself wondering how a historic rehabilitation project in some far-off small town can pencil out. We all know that historic rehab can bring extraordinary costs and challenges, such as Americans with Disabilities Act compliance, life/safety, deteriorating mortar, water damage, and even construction crews stumbling upon long-lost and unknown environmental “relics” including abandoned auto-repair facilities or contaminated soils. These challenges occur everywhere, really, and just about every town in Colorado fondly remembers a building that exists no more because the economics of those challenges simply did not work.

Owners of Colorado properties that are officially designated as “historic” have access to a handful of effective financial resources, primarily grants and tax credits. The folks who use these meaning-



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ful programs are owners who are clearly interested in preserving their specific part of Colorado history as well as earning a decent return on their investment.

An assortment of tools, including facade grants, rehab grants (funded by gambling), fee waivers and income-tax credits can be very effective, though they tend to be underutilized by owners of income-producing commercial real estate.

One specific financial assistance program, the Colorado State Historic Preservation Tax Credit, is especially effective at spurring investment in historic projects – so much so that a reauthorization bill was recently passed by the Colorado legislature with significant bipartisan support. That bill, House Bill 1190, “Colorado Job Creation & Main Street Revitalization Act,” is expected to be signed by Gov. John Hickenlooper by the time this article is published. HB 1190 continues the credit at \$10 million annually (with half committed to small projects), clarifies and simplifies a few regulations, and enhances the benefits targeted to projects in rural communities, primarily a potential 35 percent

credit (normally, the tax credit ranges from 20 to 25 percent on qualified expenditures). The Colorado Office of Economic Development and International Trade co-administers the program with History Colorado, and information can be found on both of their websites.

In Fort Collins, the tax credit has been quite meaningful, according to Karen McWilliams, the city’s historic preservation manager, and successful projects can be found throughout the city. Key benefits to property owners include the ability to sell the credit, take the credit over multiple years and include opportunistic investors who may utilize the credit because the five-year recapture upon sale provision is gone, according to McWilliams. Basically, the tax credit is a dollar-for-dollar credit against actual state income tax liabilities, not just a deduction.

One of the best case studies of the tax credit at work in Fort Collins is the remarkable Armstrong Hotel, and the methodical renovation it underwent at the hands of former owners Steve and Missy Levinger. The renovation began in earnest in 2004, and the tax credit contributed more than \$200,000 to the phased project. The ability to sell the credit may now provide investment capital to some investors, but they were able to use the credit to offset gains from the much-publicized sale of the



Fort Collins’ Armstrong Hotel is a case study of the tax credit at work. The renovation began in earnest in 2004, and the tax credit contributed more than \$200,000 to the phased project.

hotel last year, according to Steve Levinger. In a market crowded with actual and potential 1031 buyers, tax credits may be more feasible than ever.

Finally, while the financial benefits of the tax credit are stronger than ever because of HB 1190, the program remains focused on community revitalization through the

careful rehabilitation of key assets from yesteryear. When asked if the program’s paperwork is worth the effort, Steve Levinger replied, “Absolutely ... if you are committed to historic preservation.”

Because of HB 1190, now may be the best and most-lucrative time to be a historic preservationist in Colorado.▲