



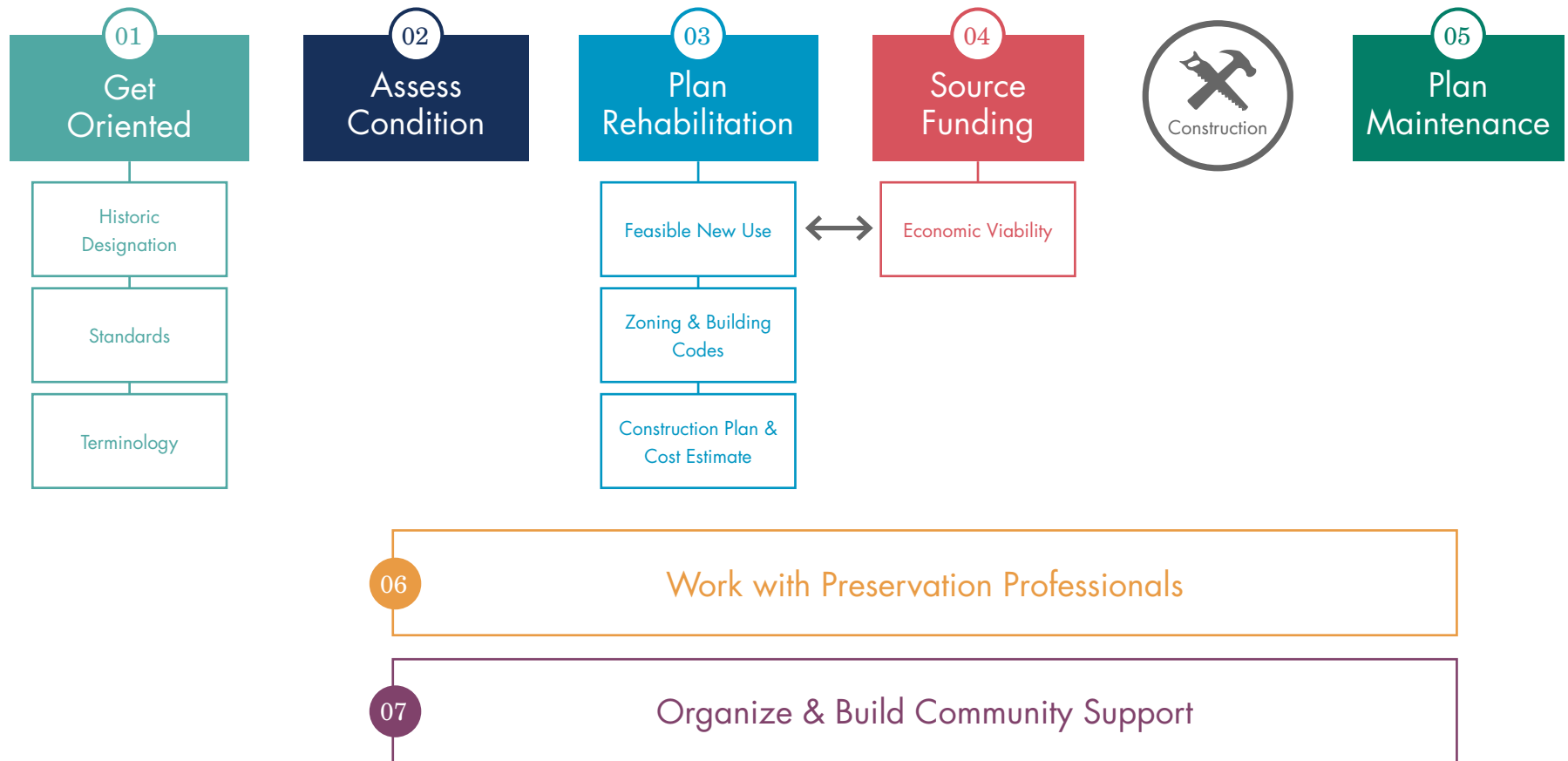
Preservation Toolkit

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Preservation Toolkit Process Overview



The Restore Oregon Preservation Toolkit is intended to provide a high level guide through the process and decisions one needs to make when seeking to restore and reuse a historic building. Each box along the top line of this flow chart corresponds to a document or tool providing information on that aspect of the process.

The Preservation Toolkit is oriented toward small-to-medium sized commercial properties, but portions will benefit those working on historic homes as well. It should be noted that, in reality, the process is not as linear as it is illustrated here and sometimes steps must be taken in tandem. We have not attempted to go into full detail or cover all aspects of what can be complex interdependent considerations. Every historic project is unique. But we hope these modules provide a helpful framework from which to organize and move forward.

MODULE
01

Preservation Toolkit

An Orientation to Preservation & Adaptive Reuse

Preservation and reuse can mean different things to different people. From “freezing places in time” as a museum, to repairing and adapting places for a new active use. This orientation will introduce you to common preservation terms and resources, explain what listing in the National Register of Historic Places does and does not do, and outline standards for rehabilitation.

Background

The first noted preservation effort in the United States was Ann Pamela Cunningham and the Mt. Vernon Ladies Association’s crusade in the 1850s to save Mount Vernon. 1906 marked the beginning of the U.S. government’s involvement in historic preservation with the passage of the Antiquities Act and the creation of the National Monuments program.

Today, preservation in the United States is guided by the National Historic Preservation Act of 1966, which introduced Historic Preservation Offices in each state, and created the National Register of Historic Places. Later federal additions to the field include the Secretary of the Interior’s Standards, which guide and promote preservation throughout the country; and Historic Tax Credits, a major incentive for rehabilitation of historic properties.

What is Preservation?

Preservation “is a movement in planning designed to conserve old buildings and areas in an effort to tie a place’s history to its population and culture. It is also an essential component to green building in that it reuses structures that are already present as opposed to new construction.”¹ Preservation compliments the fields of community planning, architecture, and history.

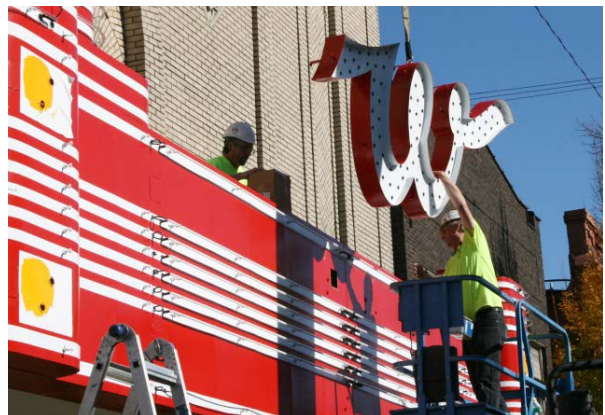
Historic buildings and sites embody the story of a place – the values, culture, craftsmanship, and resources of its people. Preservation saves, restores, repurposes, and enhances those places to revitalize our communities. Decades ago the term “preservation” may have conjured images of house museums filled with antiques. But today it focuses on retaining historic buildings for active use as an integral element of authentic, livable communities. Preservation and reuse fosters sustainability and economic development and is oriented toward the future, not the past.

“Preservation is simply having the good sense to hold on to things that are well designed, that link us with our past in a meaningful way, and that have plenty of good use left in them.”

— Richard Moe, former president of the National Trust for Historic Preservation

“Why spend all this effort recycling cans and bottles, and throw away entire buildings?”

— Donovan Rypkema, president, Place Economics



Whiteside Theater, Corvallis

¹ Amanda Briney, *Historic Preservation: An Overview of Historic Preservation and Its Importance to Urban Planning*, <http://geography.about.com/od/urbanecomicgeography/a/historicpreserv.htm>.

National Register of Historic Places

The National Register of Historic Places is the nation's official list of historic resources significant in American history, architecture, archaeology, and culture. Oregon is rich in historic places, with roughly 2,000 individual resources and 124 districts listed.²



One of the first decisions to make when working to restore and reuse a historic building is whether to nominate it for the National Register. There are many misconceptions about the restrictions and benefits that go along with being listed which we briefly address here.

Qualifications for listing

- A building, structure, district, site, or object, generally at least 50 years old
- Historically significant (important events, significant people, architecture, engineering, or archeology) at the local, state, or national level.
- Retains historic integrity in a majority of seven aspects (Location, Design, Setting, Materials, Workmanship, Feeling, and Association)

Benefits of the National Register in Oregon

- Permanently documented in the national record for posterity
- Opportunity to seek federal Historic Tax Credits of 20% of rehabilitation costs (for privately held commercial buildings and multi-family housing)
- Eligibility to apply for grant funding (usually for non-profits only)
- Special Assessment (for residential and commercial properties)
- Flexibility in code compliance or use (varies by local jurisdiction)

The National Register of Historic Places does NOT:

- Give the federal government control over your property
- Protect your property against demolition
- Regulate its sale or alteration

² Oregon Parks & Recreation Department, *Oregon Heritage Bulletin 4*, http://www.oregon.gov/oprd/HCD/docs/Heritage_Bulletins/HB04_Nat_Reg.pdf.



Mercantile and Milling Company Building, Enterprise

Any restrictions placed on historic properties are the result of LOCAL ordinances, many of which use National Register listing as a criteria for imposing review of alterations or restrictions on demolition. In most communities in Oregon outside of Portland there are no restrictions applied to National Register properties. Contact your local Planning Bureau for more information. If a property owner is utilizing Historic Tax Credits, Special Assessment, or other publically-funding assistance, rehabilitation must meet the Secretary of Interior Standards for Rehabilitation.

How to place your property in the National Register

- Gather historic information on the property (See How to Organize and Build Community Support).
- Contact the Oregon State Historic Preservation Office (SHPO) and complete a Historic Resource Record (HRR) form to confirm eligibility.
- Complete the National Register Registration form (work with SHPO or a preservation professional)
- Present the nomination to the State Advisory Committee on Historic Preservation

The process of approving a National Register nomination can take up to a year, though some benefits are available to a property while the application is in process. In Oregon, only the owner of a private property may nominate it for the National Register. Public properties may be nominated by any citizen.

Preservation Standards³

Historic properties taking advantage of government incentives such as Historic Tax Credits or Special Assessment are required to adhere to the Secretary of the Interior's Standards for the Treatment of Historic Properties. These standards are the guiding principles for preservation in the United States, "intended to promote responsible preservation practices that help protect our Nation's irreplaceable cultural resources."⁴ These responsible preservation practices are categorized in four different treatments: Preservation, Rehabilitation, Restoration, and Reconstruction (see <https://www.nps.gov/tps/standards.htm>). Most projects follow the Standards for Rehabilitation.

Secretary of the Interior's Standards for Rehabilitation⁵

- A historic resource will be used as it was originally built or repurposed with minimal change to its historic fabric.
 - The historic fabric of a resource will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
 - Historic resources will be recognized as a physical record of its time, place, and use. Creating a false sense of history, by making it look old or like other buildings is not advised.
 - Changes to a property that have acquired historic significance in their own right will be retained and preserved.
 - Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
- 
- Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.

³ Definitions for the Secretary of the Interior's Standards are borrowed from the National Park Service, *Preservation Terminology*, https://www.nps.gov/history/local-law/arch_stnds_10.htm.

⁴ NPS Online, "The Secretary of the Interior's Standards for the Treatment of Historic Properties," <http://www.nps.gov/hps/tps/standguide/>.

⁵ National Park Service, Standards for Rehabilitation, <https://www.nps.gov/tps/standards/four-treatments/treatment-rehabilitation.htm>.

- Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
- Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
- New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the historic resource. The new work will be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
- New additions and adjacent or related new construction will 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.

Glossary of Preservation Terminology^{6,7}

<i>Term</i>	<i>Definition</i>
Adaptive Reuse	Using a historic resource for a purpose other than was originally intended (ie. a historic warehouse repurposed as offices or condominiums). Also see Rehabilitation .
Alteration	The act of changing a historic structure including its use, exterior and interior elements, making additions, conducting partial demolition, replacing features or elements, sand or water blasting, chemical cleaning, and/or the removal of existing elements.
Assessment	The act of evaluating and interpreting an existing historic resource.
Certified Local Government (CLG)	A federal program designed to promote historic preservation at the local level that is administered by the State Historic Preservation Office (SHPO). Local governments meet certain qualifications to become "certified" and thereby qualify to receive matching grants.

⁶ National Park Service, *Preservation Terminology*, https://www.nps.gov/history/local-law/arch_stnds_10.htm.

⁷ Preservation Virginia, *Glossary of Historic Preservation Terms*, https://preservationvirginia.org/docs/Glossary_of_Historic_Preservation_Terms.pdf.

Character Defining Features	Elements of a historic resource that contribute to its overall value, historic integrity, and/or historic significance. See Historic Integrity and Historic Significance. See also https://www.nps.gov/tps/how-to-preserve/briefs/17-architectural-character.htm .
Compatible Design	Closely aligning architectural, context, setting, style, and historic character.
Conditional Use	Zoning exception, which allows a property owner to use their land in a way that is not regulated by existing zoning ordinances or within an existing zoning district.
Designation	Status of a historic resource on the National Register of Historic Places or local and state heritage lists
Façade	The exterior face of a building. Typically the front or most decorative wall, and those walls facing a public way or space.
Historic Context	A narrative that groups information about historic properties based on a shared theme, specific time period and geographical area.
Historic Conservation Easement	A customizable deed restriction that runs with title of the property to all future owners protecting the property in perpetuity against demolition or inappropriate alterations. (Available through Restore Oregon)
Historic Integrity	The retention of physical characteristics that existed during the property's historic or prehistoric period. These include location, design, setting or context, materials, workmanship, feeling and association. See https://www.nps.gov/nr/publications/bulletins/nrb15/nrb15_8.htm .
Historic Fabric	Original or old building materials or construction.
Historic Resource	A district, site, building, structure or object that holds significance in American history, architecture, engineering, archeology or culture at the National, State, or local level.
Historic Significance	Determining why, where, and when a historic resource is important.

Historic Tax Credits	A federal income tax credit of 20% for income-producing buildings (commercial and residential rental). See www.nps.gov/tps/tax-incentives.htm (also called “Certified Rehabilitation”)
National Register of Historic Places	The official list of the Nation’s historic places worthy of preservation based on significance in American history, architecture, archeology, engineering, or culture.
Period of Significance	The span of time in which a historic resource is designated significant based on events or activities that have occurred.
Rehabilitation	The process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values.
Replace In-kind	Replacing historic fabric with new elements that match in appearance, size, shape, design, scale, color, material, and craftsmanship.
Special Assessment of Historic Properties	An Oregon state program that freezes the assessed value of a property for a 10-years; restricted to buildings listed on the National Register that will be appropriately rehabilitated in accordance with the Secretary of Interior Standards. www.oregon.gov/oprd/HCD/SHPO/pages/tax_assessment.aspx .
State Historic Preservation Office (SHPO)	The agency that manages and administers programs for the protection of the state’s historic and cultural resources, including the National Register, Special Assessment, and Historic Tax Credits.

Preservation Matrix

This matrix identifies the hierarchy of preservation organizations throughout the State and Nation that are dedicated to preserving America's historic resources, and from which you can find information or resources for preservation of your historic place.

	<i>Public Sector</i>	<i>Private Sector</i>
<i>National</i>	National Park Service (Dept of the Interior)	National Trust for Historic Preservation
<i>State</i>	State Historic Preservation Office (SHPO) Oregon Main Street Program Heritage Commission Tribal Historic Preservation Office (THPO)	 SAVING HISTORIC PLACES
<i>Local</i>	Certified Local Governments (CLGs) City Landmarks Commissions & Historic Review Boards	Local Preservation Organizations Bosco-Milligan Foundation Lower Columbia Preservation Society PreservationWorks Historical Societies

This module is part of the Preservation Toolkit developed by Restore Oregon to provide a general orientation to the decisions and processes of historic preservation and reuse. Every project is unique and the information presented does not attempt to address all the aspects or variables that may be encountered. The engagement of a qualified preservation professional is encouraged.

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== If Historic Places Matter to You, Join Restore Oregon! ==



Since 1977 Restore Oregon has worked to preserve, reuse, and pass forward the historic homes and buildings, bridges and barns, churches and Main Streets that make Oregon, Oregon.

As a nonprofit, our ability to advocate, deliver programs, and produce materials like the Preservation Toolkit depends on the support of people like you. We invite you to stand up for the historic places that matter to you and become a member by visiting us at restoreoregon.org/join.

Thank you!



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MODULE 02

Preservation Toolkit

Condition Assessment Checklist

This checklist was created to help you take a first step in assessing the physical condition of your historic building and better understand where restoration work is needed.¹ This knowledge will help expedite your communication with a preservation professional or seek out the right expert for the job. This checklist is not meant to replace a professional inspection from an architect, engineer, or contractor. Please see toolkit Module 6: Working with the Right Preservation Professionals, or visit the Oregon Heritage list of Preservation Contractors and Consultants at www.oregon.gov/oprd/hcd/pages/publications.aspx or Restore Oregon's Resource Directory at www.RestoreOregon.org/resource-directory.

¹ This checklist was created with information taken from the Historical Building Assessment Checklist created by the Preservation Alliance of West Virginia, the Checklist for Routine Inspection of Buildings created by the Kansas State Historical Society – Historic Preservation Department, the Maintenance Checklist used in the Historic Preservation Plan created by the Wichita/Sedgwick County Area Planning Department, and the Vermont Division For Historic Preservation Inspection Checklist for Historic Buildings. Information was also gathered from websites references within the document.

Before Starting Your Assessment

Here is a list of tools you might need:

A flashlight, small magnet, plumb line, penknife, marble, pair of binoculars, pad and pencil, ladder, and the checklist.

Roof

Estimated age, material, and general condition: _____

- ☐ Slate — Are there any missing, broken, or fallen pieces of slate? Are the metal roof valleys rusty?
- ☐ Standing Seam Metal — Is the roof material rusting?
- ☐ Corrugated Metal — Are there holes, loose, or missing fasteners? Are nails “popped-up,” loose, or sticking above the sheet metal?
- ☐ Wood or Asphalt shingles — Are shingles missing, curling, cupping, or losing mineral coating?
- ☐ Flat Asphalt or Membrane — Are there bubbles, blisters or cracks?



- ☐ Flat Asphalt or Membrane — Does water collect along the parapet (a low wall that hides the roofline), and is there debris in the roof drains?

- | | |
|---|---|
| ☐ Flat — Asphalt or Membrane – Is the connection between the roof and parapet walls secure? | ☐ Are there biological growth, mold, or nests? |
| ☐ Clay Tile – Are there broken or missing tiles? Are nails “popped-up,” loose, or sticking above the tile? | ☐ Is there a chimney? What material? Brick/Stucco/Concrete/Metal |
| ☐ Asphalt Shingles – Are mineral granules worn off or collecting in the gutters? | ☐ Do the chimneys or parapets have missing, cracked, or loose masonry or mortar? |
| ☐ Asphalt Shingles – Do the edges look worn? Are nails “popped-up,” loose, or sticking above shingles? | ☐ Are there holes from cables, antennas, or other equipment? |
| | ☐ Does the ridge of a pitched roof or any portion of a flat roof sag? |

Notes

Don't forget to check for:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Proper flashing around projections • Chimney leans • Loose and wobbly antennae, lighting rods, and weather vanes | <ul style="list-style-type: none"> • Broken or missing cornice • Damaged rafters or boards attached to the roof • Clogged, sagging, or failing gutters |
|--|---|

Foundation

Materials and general condition: _____

- ☐ Is there water collected near or at the building's foundation? This may indicate a drainage problem.
- ☐ Are there vertical or diagonal cracks in the concrete or masonry foundation? If so, you may have a settlement problem and need to consult a mason or structural engineer. Hairline and horizontal cracks usually do not represent a problem.
- ☐ Is the concrete or masonry flaking, crumbling, or deteriorating?
- ☐ Is there a visible lean or bulge?
- ☐ Is there any evidence of insect/termite activity or rot/decay to wood members?
- ☐ Does the ground drain towards the foundation, trapping water?
- ☐ Does the ground rise and cover a portion of the foundation?
- ☐ Are wood sills resting within 6" of the ground and are they rotting?



Notes

Don't forget to check for:

- Missing splash blocks at downspouts
- Soft and crumbling mortar

Exterior Walls (including horizontal wood boards, wood shingle, and masonry)

Material(s) and general condition: _____

- ☐ Is paint peeling, blistering, or cracking?
- ☐ Are there bulges in the wall, or significant changes in siding patterns, materials, and sizes?
- ☐ Are there water stains or white powdery deposits (efflorescence)?
- ☐ Is there any mold or mildew on the wall surface?
- ☐ Are there vertical or diagonal cracks?
- ☐ Are there soft spots, rotting, or signs of insect infestation?
- ☐ Is the masonry cracked, spalling, or crumbling?
- ☐ Is the mortar soft or crumbling?



Notes

Don't forget to check for:

- Door alignment within door frame
- Loose and missing siding
- Decorative elements: materials and conditions

Gutters & Downspouts

- ☐ Are gutters clogged? Does water overflow in areas of the gutters?
- ☐ Are there loose, rotted, or missing gutters or downspouts?
- ☐ Is there white deposits or stains on areas of walls or foundation?
- ☐ Are the downspouts working? or are they disconnected or have open seams, etc.



Decks, Porches, and Balconies

- ☐ Are there loose or deteriorated structural or decorative components?
- ☐ Are there crumbling or loose pieces of masonry or concrete piers?
- ☐ Are exterior stairs and railings rotting or rusting leading to deterioration?
- ☐ Does water collect near the base of the exterior wall?



Notes

Don't forget to check for:

- Mold
- Wood rot and insect infestation
- Metal corrosion
- Uneven roof pitch

Windows (check each window individually)

- ☐ Are they original?

What material are they? Wood/Metal/
Vinyl/Other:

- ☐ Double-paned?

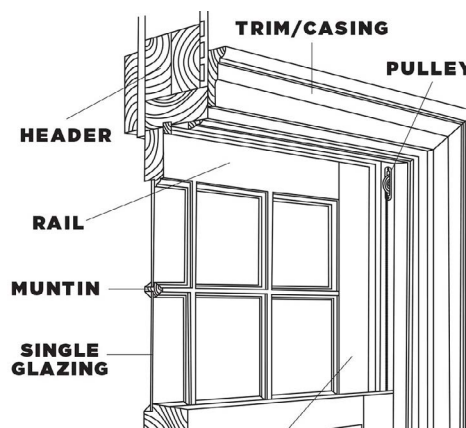
- ☐ Storm windows?

- ☐ Do the sashes stick when operating?

- ☐ Is paint blistering, cracking, flaking, or peeling on window components (exterior and interior)?

- ☐ Is there evidence of excessive moisture penetration around the sash or at the sills on the interior?

- ☐ Is any wood at the exterior sill, frames, or sash saturated, decaying, and/or rotting?



- ☐ Is glazing putty around the panes of glass flaking or missing?

- ☐ Are sash cords broken or missing?

- ☐ Does condensation build on interior or exterior storm sashes during the winter months? Some condensation is normal but high amounts can deteriorate wood quickly.

Notes

Don't forget to check for:

- Operable hardware
- Soundness, caulking, and weather stripping

Attic

- ☐ Is there evidence of water leaks? Check during or soon after a heavy rain.
- ☐ Are there signs of vermin infiltration?
- ☐ Is there any missing or damaged pieces of wood? You might have to probe the wood with an ice pick. If you penetrate the wood with an ice pick, and wood pieces break against the wood grain, rot is most likely present.

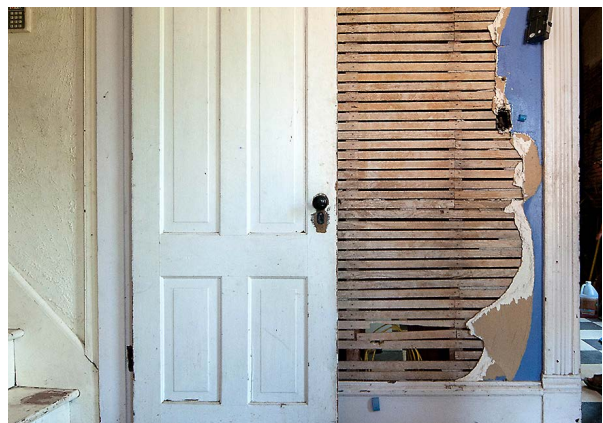
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Don't forget to check for:

- Proper insulation and ventilation
- Signs of mildew on underside of roof boards
- Straightness and sound condition of rafters
- Operable vents or attic fans

Interior

- ☐ Are there stains on the walls, ceilings, or around the windows? This is evidence of water infiltration.
- ☐ Are walls bulging?
- ☐ Is paint peeling, blistering, or cracking?
- ☐ Is plaster on the walls or ceilings damp, loose, or cracked?



- ☐ Do floors deflect (sag or bounce) excessively? This may indicate structural failure and should be checked by a contractor or structural engineer.
- ☐ Do doors stick when closed or not operate freely? Binding may indicate uneven settling in walls or floors.

- ☐ Does the staircase bounce when you jump on it? Are there missing balusters?

Moisture

- ☐ Is there presence of standing water, mold, fungus, or mildew?
- ☐ Are there dank, musty smells in areas of high humidity or poorly ventilated spaces?
- ☐ Are there wet stains, eroding surfaces, or efflorescence (salt deposits) on interior or exterior surfaces?
- ☐ Is there rust or corrosion on metal elements?

Electrical

A visual inspection or wire insulation on accessible circuits will usually determine whether an electrician should perform additional tests. Check to make sure breakers or fuses are the correct size. Generally 20 amps for new wiring. For older wiring, no more than 15 amps is recommended. Large homes and home with central air conditioning or electric heat typically need main service of 150 to 200 amps.

- ☐ Is the main electrical service to the building inadequate? 100 amps is minimum by modern standards.
- ☐ Is there any sub-standard aluminum wire, surface mounted lamp cord or extension cord, or "knob and tube" wiring in active use?
- ☐ Fuses or Circuit Breakers?
- ☐ Check all light switches and lights attached to the walls to ensure they work properly.
- ☐ Is the insulation frayed on existing wires? Are bare wires exposed?

Notes

Mechanical Systems/Heating & Cooling

Type of Heating and general operating condition: _____

- | | |
|---|---|
| ☐ Rooftop mechanical? Evidence of drips, etc.? Proper drainage and mounting? | ☐ What size is the air filter? When was it last replaced? _____ |
| ☐ Steam & Forced Hot Water – Is the boiler tank leaking? | ☐ Type of Water Heater: Gas or Electric? Properly vented? Seismic Restraint? Overflow pan? |
| ☐ Steam & Forced Hot Water – Is there evidence of leaking pipes? Look for stains and rot on floor around pipes. Rusted pipes, broken traps or valves and pipes clogged with mineral scale build-up generally causes leaking. | ☐ Water supply: City? Well? |
| ☐ Steam & Forced Hot Water – Are there obstructions blocking airflow? | ☐ Water Meter?
☐ Shut-off valve clearly marked?
☐ Backflow device? |
| ☐ Forced Hot Air – Are belts tight and in good condition? | ☐ Internal supply lines: Copper/
Galvanized/PVC/Other: _____ |
| ☐ Forced Hot Air – Does the motor and fan need to be oiled? | ☐ Any noticeable leak/drips? |
| ☐ Forced Hot Air – Has the furnace been inspected within the year? | ☐ Faucets and drains working properly? Evidence of leaks at base? |
| ☐ Is heat distributed evenly? | ☐ Natural Gas Supply? |
| ☐ Do thermostats work correctly? | ☐ Heating Oil tanks? |

Notes



Hazardous Materials

Based on the age of your historic property there is a good chance that it retains hazardous materials. Though these materials are typically harmless without ingestion, it is important to know what they are and how to safely remove them during your preservation project.

Lead Paint

If a “historic” house is broadly defined as being at least 50 years old, this means that almost every historic house contains some lead-based paint. In its deteriorated form, it produces paint chips and lead-laden dust particles that are a known health hazard to both children and adults. Children are particularly at risk when they ingest lead paint dust through direct hand-to-mouth contact and from toys or pacifiers. They are also at risk when they chew lead-painted surfaces in accessible locations.

In addition to its presence in houses, lead paint chips and dust can contaminate soil in outdoor play areas. For more information about reducing lead-paint hazards in historic buildings, read Preservation Brief 37 located at <https://www.nps.gov/tps/how-to-preserve/briefs/37-lead-paint-hazards.htm>.

Asbestos

Asbestos was a widely used building material from the 1900s through the 1970s. Since then it has decreased in use; however asbestos can still be found in many historic resources. Unfortunately, asbestos cannot be identified by appearance alone. Before preservation work begins you should hire a professional to conduct an assessment of what materials contain asbestos. If asbestos is found it should be properly removed and disposed of. For more information on asbestos please view: <https://www.nps.gov/museum/publications/conservation/02-11.pdf> and <http://www.deq.state.or.us/aq/asbestos/house.htm>.

Notes

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Thank you!



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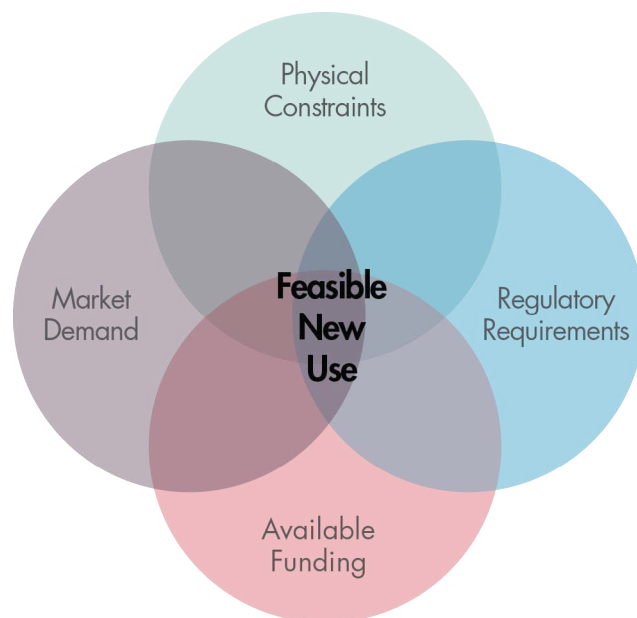
SAVING HISTORIC PLACES

MODULE 03

Preservation Toolkit

Creating a Viable Rehabilitation Plan

Finding a feasible new use is the most critical piece of a successful historic rehabilitation plan. A new use typically has to address four criteria for the project to be viable. These include the property's physical constraints and needs, its regulatory and legal restrictions, the local real estate market conditions, and the availability of funding sources and their associated requirements



The Physical Building & Site Constraints

Often the use that physically works the best for a historic property is its original use. A church reused as a church or a school reused as a school often necessitates much less in terms of construction interventions and therefore cost. However, most of our historic buildings are languishing precisely because there is no demand for the original use or the building has become functionally obsolete.

Whether or not the new use is similar or quite different from the building's original purpose, most historic buildings require some alterations in order to support modern uses. For both cost-savings reasons and preservation goals, the aim here is to find a use that works well with the building and does not require changes that harm its historic character. Likewise, the site may be conducive to some uses more than others due to its location, access, and parking.

Regulatory & Legal Requirements

The second component of the feasibility equation pertains to regulatory and legal requirements. These will strongly influence the types of uses that can go into a historic building. The property's zoning will stipulate the uses that are allowed outright or through the conditional use process. Most jurisdictions also have a process whereby a variance or zoning change can be requested; however, this can be a difficult, expensive, and a time-consuming endeavor. The building code will also dictate the amount of work and upgrades required to permit a historic building for a new use.



A former church in Dayton was successfully repurposed as the Block House Café

Existing buildings that are undergoing a change of use may find they have code deficiencies that have to be corrected as part of the project. The sidebar provides a list of common deficiencies, though every project is different and not all may apply to your project. That said, too often there is an overly simplistic view of rehabilitation and adaptive reuse. There is a commonly-held misconception that, for instance, an old warehouse can be converted to a loft apartment building by just adding walls, kitchens, and bathrooms. To be legal for occupancy, the conversion of a historic building to a new use – particularly if it is a very different use – will typically include many other building upgrades to enhance the building’s safety and accessibility.

For some properties, the uses that physically make sense for the building and are workable based on the regulatory and legal requirements may be fairly obvious. For a typical Main Street commercial building, this often includes ground-floor retail/restaurant with offices or housing on the upper floors. When a building’s potential uses are very straightforward, it is the following two components of the feasibility equation that further illuminate whether a potential project is economically viable.

Real Estate Market Conditions

The local real estate market influences the demand for leasable space, rental rates, and vacancy rates. All of these factors contribute to the value of a property. A feasible rehabilitation will be one that creates enough value to justify the costs associated with the project. For instance, a historic theater that costs \$750,000 to rehabilitate, but only generates \$40,000 of net operating income, will have some hurdles to overcome because that income amount may only translate to a

Common Code Deficiencies in Historic Buildings

- Lack of elevator
- Insufficient number of fire exits, enclosed stairs, and/or code-compliant egress
- Insufficient ADA accessibility at building entrances, restrooms, stairwells, and elsewhere
- Unreinforced masonry construction that requires seismic strengthening
- Insufficient number of plumbing fixtures
- Outdated mechanical and electrical systems
- Inadequate fire separation and/or fire suppression systems
- Lack of venting and grease interception for restaurant use
- Energy code upgrades (particularly when spaces were previously not conditioned, such as historic warehouses)
- Some jurisdictions may have requirements for landscaping, bicycle facilities, trash rooms, parking lots, and other nonconforming upgrades.



This former Ranger's Station cabin near Bend was converted into a vacation rental property

property value of \$575,000—substantially less than the project costs.

In considering an appropriate new use, understanding current supply and demand in the market is important. What is the need or demand for retail, office, housing, restaurant, theater, hospitality, artist studios, or other light manufacturing/workspaces in your community? What is the going lease rate for these types of uses? Sometimes a building may scream “cool restaurant space” or “one-of-a-kind loft apartments,” but market conditions may not be conducive for that use. For instance, during the most recent recession, the need for office space in many smaller towns was very low and while there were plenty of Main Street buildings with vacant upper floors suitable for office use, the market conditions were such that most projects were not feasible unless they were being built for a specific tenant that had preleased the space.

In some cases, there may be a very apparent unmet need identified by the City, neighboring businesses, and/or community members. However, untapped market needs are typically not free of barriers. There's usually a reason why a particular use or business does not exist even when people wish it did! But this is no reason to abandon a good idea. It usually takes perseverance and ingenuity to pioneer change in your community.

Funding

At the end of the day, a rehabilitation project may suit the building, align with legal and regulatory requirements, and also have uses that are in demand. However, if funding cannot be secured, the project is not feasible. While the health of the real estate market and the availability of funds are linked, the demand for project funding is not always in sync with the supply. For instance, after the recent recession, it took quite a while for lenders to actively resume lending even when there was an appetite for more commercial space. The lending/investing climate, the type of project, the type of new use, the quality of the tenants, and the experience and creditworthiness of those who are financially responsible for the property can all have an effect on the availability and affordability of funds. Sometimes it is just a matter of finding the right creditworthy partner or putting together an experienced development team in order to open the doors to the funding sources needed.

Beginning the Feasibility Assessment Process

Where does one begin to assess the feasibility of a historic rehabilitation project? We've outlined some key questions that need to be addressed for each of the four feasibility components. Some of this information may be initially determined without the assistance of other professionals, but quickly the need for a team of consultants will be apparent (see Module 6). In particular, an architect and their sub-consultants (such as a structural engineer, historic preservation specialist, etc.) will be important team members to advise you on rehabilitation work scope, regulatory requirements, and preservation matters. A contractor will advise on costs, timing, and the feasibility of the work proposed. Working with a real estate developer, commercial broker, appraiser, and/or lender will help with procuring information related to economically viable uses that are supported by the market and funding sources.



This former Portland saloon was transformed into apartments with first floor community spaces

Important Feasibility Analysis Questions

The Property

- What condition issues and deferred maintenance are apparent?
- Is the building constructed of unreinforced masonry and therefore may require seismic strengthening?
- What types of uses are conducive to the building's existing layout and circulation patterns? What uses are conducive with some remodeling that does not gut the interior?
- Does the building's location and access preclude certain uses?
- What is the parking and transportation situation? Does the potential new use need additional parking in order to be economically viable?
- What environmental contaminants are present such as heating oil tanks, asbestos, and lead-based paint? What is the likely cost to remove these (if necessary)?
- What important historic features and materials are present that must be retained and protected, and does this preclude or make certain uses less feasible?
- What is the magnitude of cost associated with the building's rehabilitation and new use?

Legal & Regulatory Requirements

- Are there any legal limitations on the property such as deed restrictions, covenants, easements, etc.?
- How is the property zoned and what are the permitted uses? If a use that appears to be a good fit with the property is not allowed under current zoning, what is the likelihood that the zoning can be changed or a variance secured?
- Does the zoning code require parking for the use(s) you are considering?

- What types of building code upgrades are likely to be required for a particular new use? What is the building's current occupancy rating on file with the local jurisdiction? Often when a building has a low occupancy rating—such as warehouse—and gets repurposed for a much more intensive use—like housing, many code upgrades are required.
- How will the building's historic designation affect the redevelopment of this property? Will a local review be required? It should be noted that some cities afford greater flexibility to buildings that are designated historic.

Real Estate Market

- What is the condition of the real estate market currently? What uses or types of spaces are in demand?
- What are the associated lease rates and expenses with those uses? How does this affect the value of your building?
- What uses are nearby that could help support or potentially hurt the new use of your building?
- What uses does the community need and/or want?
- What is the level of risk or difficulty in realizing any of the above uses in your historic rehabilitation project?

Funding

- How much outside funding for the project is likely to be needed?
- Are lenders/investors actively funding projects in your market?
- Do certain uses or users make it easier or more difficult to obtain funding?
- Are there pre-leasing requirements?

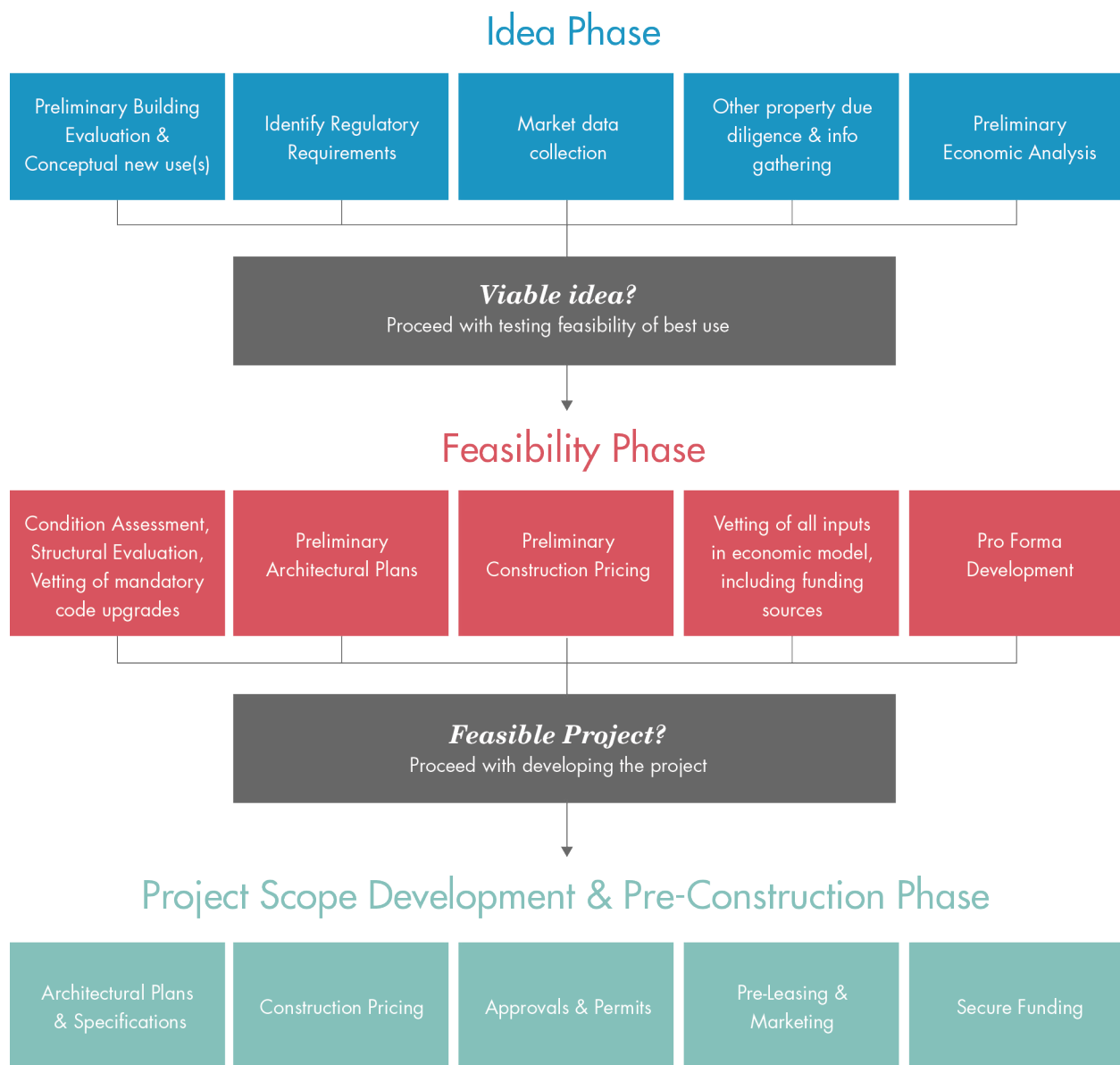
- Do the responsible parties for this project have sufficient creditworthiness/net worth to secure funding?
- Does the experience of your project team meet the requirements of your funders?
- Are any incentives monies or grants available? How do the requirements of those programs potentially affect your project?

The process of figuring out the best use for a building and whether it is a feasible one is often fluid and iterative, but for purposes of illustrating the nature and flow of the process we have broken it down into distinct phases, depicted in the graphic below.

The first phase, or “Idea Phase,” is where you collect information and begin testing your idea(s). At the end of this phase you should have a conceptual idea of what you can and cannot do with the building, a rough sense of what it might cost, some information about the income and expenses to operate the building, and an understanding of the magnitude of funding you will need. Particularly for a property you do not already own and would be buying, this is the time where you would perform your buyers “due diligence” and assess the risks and limitations that come with the property, including any environmental contamination. This phase ideally includes starting an economic model that pulls this information together in the form of project costs, project funding sources, income, and expenses to begin to understand if you are pursuing an idea that makes financial sense. (More detail on economic modeling to follow.)

What happens when a particular use does not test well in the Idea Phase? First, go back and reexamine your assumptions. You might find an area of weakness where you need to obtain more information. In another scenario, your reuse idea might look as if it could be feasible—that is, it’s not a complete non-starter—but the outcome isn’t entirely clear. Often the only way to get clarity is to move forward with more study and analysis. In a third situation, it may become very apparent that your idea is not feasible. In this case, you can start the process over, test a new use/idea, or you may have to wait for certain factors to change.

It is important to realize that exploring the feasibility of a project is an endeavor that costs money. The deeper you dig to get more accurate information, the more it typically costs. This is one of the reasons why it is important to begin the economic analysis early, so that you are continually in touch with the probable feasibility of the project and have a keen sense of where to focus your efforts in refining your information and assumptions.



The second phase of feasibility assessment involves similar information as the first phase, but with greater detail and accuracy. This may entail a professional condition assessment, structural evaluation, and a deeper vetting of mandatory upgrades for the building. Preliminary architectural plans would be drawn up for a contractor to provide pricing. Information would be collected on all project costs. The viability of different funding sources would be explored. If the information from this exercise comes together in a favorable way, the project can move forward.

The last phase depicted in the graphic shows the remaining tasks and project scope development in order to get to the point where construction can commence. This stage requires even more investment in the creation of architectural plans, obtaining permits, marketing the property, securing funding, and so forth.

Economic Modeling

As the information begins to come together, the most valuable way to begin to truly test the project's feasibility is through an economic model. This can begin in a back-of-the-napkin fashion, but for most projects—particularly those with outside lenders and/or investors—a full financial model or “pro forma” will be needed that incorporates solid economic inputs obtained from qualified professionals.



The Hillcrest Barn outside Medford was converted to the Roxy Ann Winery tasting room

If you are considering several different use options, a rough economic model can help you gauge whether one use might make more financial sense than another. Additionally, working through the numbers illuminates all the information that must be gathered to create an accurate economic model. If you are working within particular financial constraints—such as having a cap on the amount of funds that you yourself or your organization can put into the property—this can help you work backwards to determine a maximum budget for your project.

Restore Oregon has developed economic feasibility worksheets you may find helpful: a Preliminary Economic Analysis for use in the Idea Phase; and a more detailed Commercial Real Estate Economic Model, or pro forma, for use in the Feasibility Phase. Both can be downloaded from our website.

In order to start an economic analysis for a particular use such as retail, office, or housing, you have to be able to quantify the following at a minimum:

- 1. How much will the rehabilitation project cost, including construction costs, soft costs, financing costs, and acquisition costs?** Even if these are rough estimates, you will begin to have a working number for your total development costs.
- 2. What are the funding sources that will pay for the costs of the project?** If some of these are unknown at the outset, the model will at least tell you the magnitude of funding you may have to seek.
- 3. What will the estimated value of the property be when the project is completed?** An estimated value is critical as it will help inform the amount of debt that might be secured and it helps frame whether the project costs are in line or in excess of the value. A building owner/investor typically does not want to have more money in a property than it is worth.

4. How much income will the property generate after expenses are paid and vacancy and uncollected rent are factored in? The value of an income-producing property is directly tied to the money it generates. Quantifying the income and expenses are critical to not only understanding the property's value, but also understanding how it will continue to support its ongoing operations and maintenance in the years and decades to come.

It is important to approach the findings of early economic modeling with the expectation that the numbers will change as more information is known and to move diligently toward establishing numbers that can be relied upon.

You might be wondering if there is a magic number that will result in an economic model that is "financially feasible." While there is no set threshold or return on investment, there are several factors that typically converge in a project that makes financial sense:

- **The project must be able to operate "in the black"**—that is, it must turn a profit that is sufficient to pay operating expenses, debt service (i.e. loan payment), and build up a reserve account for future capital-intensive projects like replacing the roof or the mechanical systems when they reach the end of their lifecycle.
- **The project pays rewards to its investors that are commensurate with the risks.** Real estate projects are capital-intensive and have a high level of risk. An owner, developer, or investor who puts capital on the line to fund the rehabilitation of a historic building is going to want to ensure the project has a high likelihood of success. When all the expenses are paid, the people or entities that put up money and have a stake in the building's ongoing operations will want a return on their investment, typically in the 6%-12% range. In the case of a nonprofit organization, the profit motive may be different from the private equity investor; however, even nonprofits should be cautious of undertaking a project that skates on financial thin ice.
- **The project can meet the terms of the lender.** When a lender is involved, the parameters for what constitutes feasible or acceptable become much more standardized. Lenders only lend on projects that generate sufficient, reliable income, typically at least 1.25x the loan payment.
- **The value of the project at completion is greater or equal to its cost, or there are tax credits and other financial incentives to fill the gap.** Historic projects are notorious for costing more than they are worth. Not only are they typically more labor-intensive and require greater craftsmanship in their rehabilitation, but structural and accessibility upgrades can be costly. Projects that cost more than their value are rarely financially feasible unless other incentive monies are part of the funding sources, including tax credit equity, urban renewal dollars, and grants.

Definitions for Financial Modeling

For use with the downloadable Preservation Toolkit feasibility worksheets from the Restore Oregon website.

<i>Term</i>	<i>Definition</i>
Acquisition Costs	Acquisition costs consist of the price and all fees and closing costs required to obtain a property. Examples of closing costs include attorney's fees, loan fees, appraisal costs, and title insurance.
Amortization	The paying off of debt with a fixed repayment schedule in regular principal plus interest installments over a defined period of time.
Appraised Value	The property's value as determined in an appraisal report prepared by a professional appraiser who looks at features such as size, type of construction, location, condition, income, expenses, and recent sales of comparable properties in the vicinity.
Asset Management Fee (Historic Tax Credit)	A fee to the Historic Tax Credit equity investor that is paid annually until the investor exits the ownership structure. A common fee is \$5000.
Cash flow	The number of dollars a property generates in a given year after all cash outflows (operating expenses, debt service, etc.) are subtracted from cash inflows (rent payments, expense reimbursements, etc.).
Cash-on-cash return	A simple measure of investment performance calculated as cash flow before taxes divided by the initial equity investment.
Certificate of Occupancy	A document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy by tenants.

Construction Loan	A short-term loan for the purpose of funding the costs associated with construction of a building, as well as the interest on the loan during the construction and lease-up period. Upon completion of the construction and the lease-up of the property, long-term or “permanent financing” is used to pay off the short-term construction loan. A duration of 18-24 months would be typical for a construction loan.
Contingency	A predetermined amount or percentage of project costs held for unforeseen conditions and changes in the project scope. The contractor often builds a contingency in the project to cover estimating discrepancies. It is good practice for an owner/developer to carry a separate contingency(s) for unforeseen conditions and soft cost overruns.
Debt Service	The cash required for a particular time period to cover repayment of interest and principal on debt. In other words, it is the loan payment. This is typically expressed in a pro forma as an annual amount.
Debt Service Coverage Ratio	The ratio of the property’s net operating income (NOI) to annual debt service. This ratio is important to lenders because it ensures that the property has the necessary cash flow to cover the loan payments.
Draw Factor	A construction loan is typically taken in draws, slowly accumulating to the total loan amount. Because interest is paid monthly on the total amount that has been drawn on the loan, the interest is less than if the loan was provided as an upfront lump sum. A typical draw factor for a construction loan is 60%.
Due Diligence Period	A specified amount of time where a buyer thoroughly investigates a property to determine if they are satisfied with its condition and other constraints before finalizing the purchase.
Financing Costs	Those costs associated with securing a loan on the property. These include loan fees, bank inspection fees, construction-period interest, and interest during the lease-up period.
Gross Scheduled Income	The maximum income that would be collected from a rental property with all units 100% occupied and rented.

Gross Square Footage	Total area of a building, including rentable and non-rentable areas.
Hard Costs	Costs exclusively related to the physical construction of a project. In addition to labor, materials, and mark-up charged by the general contractor, hard costs can include environmental remediation, tenant improvement costs, and the owner/developer's contingency.
Lease Rate	Typically expressed as an annual dollar amount per square foot of space per year.
Lease Type	Three common lease types are "full service," "modified gross," and "triple net." Full service leases typically include all expenses including janitorial in their monthly payment. With a modified gross lease, the tenant typically pays their utilities and janitorial, and may be responsible for their share of other expenses. In a "triple net lease," the tenant is responsible for their pro rata share of property taxes, insurance, and building expenses, as well as their own utilities.
Lease-Up Period	The time period for a newly-available property to attract tenants and reach stabilized occupancy.
Load Factor	A portion of the building's shared spaces applied to a tenant's usable square footage, generally in the 10-15% range.
Loan-to-Value Ratio	The ratio of the total loan amount borrowed in relation to the appraised value of the property. This is an important metric that lenders use to determine the amount they will loan on a property.
Net Operating Income (NOI)	The annual income generated by an income-producing property minus all expenses incurred from operating the property.
Operating Expenses	All cash expenditures required to operate the property and command market rents, such as property taxes, insurance, management fees, repairs and maintenance, utilities, etc.
Placed in Service	The date of a building's readiness and availability for a specific function. Often this coincides with the end of construction and receipt of a certificate of occupancy from the local jurisdiction.

Preferred Return	A mechanism for measuring a negotiated level of cash flow payment due to an equity partner in a real estate transaction. For historic tax credits projects that bring in an equity partner who provides cash in exchange for historic tax credits, the equity partner typically requires a preferred return of at least 2-3% of its equity contribution.
Permanent Loan	Long-term debt that is usually not available until the property has reached stabilization. Sometimes both construction and permanent financing are committed in combination by one lender. This is called a “mini-perm” or “construction-permanent” mortgage which will often amortize on a 20- or 25-year schedule with a balloon payment 10 to 15 years after the construction loan converts to a permanent loan.
Pre-leasing	The process of securing leases on the spaces in a development project prior to the commencement of construction. Many lenders require a certain percentage of pre-leasing before providing a loan.
Prorations	Prorations appear on a property purchase contract and typically include real estate taxes, insurance, utilities, rent, etc. With these prorations, the buyer is reimbursing the seller for prepaid items during the time period the seller will not own the property.
Pro Forma	An economic model designed to predict the profitability of a project by analyzing project costs, financing sources, stabilized cash flow, and return on investment.
Rentable Square Footage (RSF)	The total of all usable square footage PLUS a portion of the shared space (lobbies, restrooms, hallways, etc.). A commercial tenant will pay for a portion of the shared space and thus their rent is calculated on RSF. The increase in RSF above the usable square footage is referred to as the “load factor.”
Replacement Reserves	Funds set aside for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building’s economic life such as the roof, heating, ventilation, air conditioning systems, parking lot resurfacing, etc.

Soft Costs	Those costs not directly related to construction. Soft costs can include: architectural and engineering; historic preservation consultant; environmental consultant; fees related to permitting, systems development charges and design review; legal and accounting; construction-period taxes and utilities; insurance; lease commissions and marketing; project management; appraisal and title insurance/closing fees for construction loan; operating expenses during the lease-up period, and a soft cost contingency.
Stabilization/ Stabilized Occupancy	Stabilization refers to occupancy levels after the initial lease-up period that are reasonably expected to continue into the future. A construction loan typically cannot be converted to a permanent loan until a property reaches stabilization. Lenders will define stabilization in the loan documents. 90%–95% occupancy is a common threshold.
Tenant Expense Reimbursement	A tenant expense reimbursement is a payment to the landlord for a tenant’s pro-rata share of all or certain operating expenses, as stipulated in their lease.
Tenant Improvement Allowance	The amount a landlord is willing to spend so that the tenant can customize their leased space. It is often expressed in a per-square-foot dollar amount.
Usable Square Footage	Usable square footage is the actual tenant space occupied from wall-to-wall, not including the load factor.
Vacancy/ Collection Loss	Income-producing properties always have a loss or reduction in income due to vacancy, turnover, and nonpayment of rent. Even in high-demand markets when vacancy rates are low, there will always be some vacancy and collection losses. Appraisers factor in an allowance (appropriate to market conditions) in their income and expense estimates which affects a property’s appraised value.

Notes

[illegible]

This module is part of the Preservation Toolkit developed by Restore Oregon to provide a general orientation to the decisions and processes of historic preservation and reuse. Every project is unique and the information presented does not attempt to address all the aspects or variables that may be encountered. The engagement of a qualified preservation professional is encouraged.

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Since 1977 Restore Oregon has worked to preserve, reuse, and pass forward the historic homes and buildings, bridges and barns, churches and Main Streets that make Oregon, Oregon.

As a nonprofit, our ability to advocate, deliver programs, and produce materials like the Preservation Toolkit depends on the support of people like you. We invite you to stand up for the historic places that matter to you and become a member by visiting us at restoreoregon.org/join.

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MODULE 04

Preservation Toolkit

Funding Sources & Incentives



Historic rehabilitation projects are typically funded from multiple sources. In financial speak, we call this the “capital stack”—the combination of all the funding pieces that go into the purchase and improvement of a particular property. The most common sources in the historic rehab capital stack are outlined on the following pages.

Funding sources for Historic Rehabilitation in Oregon

Available to

<i>Funding Source / Incentive</i>	<i>Income-Producing Commercial / Mixed Use</i>	<i>Nonprofit / Public Projects</i>	<i>Owner-Occupied Residential</i>
Owner/Investor Equity	Yes	Yes	Yes
Bank Loans	Yes, if borrower and project meet lender's requirements.	Yes, if borrower and project meet lender's requirements.	Yes, if borrower and project meet lender's requirements.
Urban Renewal Funds	Yes, if located in an Urban Renewal Area	Yes, if located in an Urban Renewal Area	Unlikely
20% Federal Historic Tax Credit	Yes, if meets eligibility requirements	Nonprofits can use if working with a tax credit investor. Publically-owned projects cannot utilize	No
10% Tax Credit for non-designated buildings built before 1936	Yes for non-residential uses	Nonprofits can use if working with a tax credit investor.	No
Other Tax Credits - LIHTC or NMTC	Yes	Nonprofit - yes; publically-owned - no	No
Special Assessment	Yes	No	Yes
Grants	Unlikely	Yes	Unlikely

See more detailed information regarding these funding sources and incentives in the following pages.

Owner/Investor Equity

The majority of historic rehabilitation projects involve some cash funding that comes from an owner and/or an investor. In a project that has a simple capital stack, such as owner's equity and a bank loan, the equity might comprise 35% of the funding and the loan would comprise 65%. Most lenders want the owner to have "skin in the game"—that is, a financial motive to make the building profitable and successful for the long-term.

Bank Loans

The world of lending is highly complex with all types of lenders specializing in different debt sources. For purposes of this Toolkit, we are going to focus on the construction/permanent loan combination that is typically used to fund the rehabilitation of Main Street-scaled properties.

A construction loan is a short-term loan that is used to finance the construction of the project. Payments are typically interest-only.

The duration of the loan is based on the length of construction plus the amount of time anticipated to lease up the building until it is financially stabilized. When the property is leased and tenants are paying rent, the construction loan is paid off by a permanent loan. The permanent loan has an amortized payment just like a typical home mortgage. It is typical for permanent loans to have payments amortized over 25 years, but require a balloon payment in the 10th year, necessitating a refinance of the property at that time.

It is important to note that commercial lenders do not finance 100% of the cost of a project. They leave themselves a healthy cushion in the event that the project fails and they are forced to foreclose. A loan is typically sized based on a percentage of the appraised value at project completion and the amount of income the project is anticipated to generate after the operating expenses are paid.

Lenders typically perform extensive due diligence to ensure they are lending to an individual or partnership that is credit-worthy and financially solvent, as well as to ensure that the project itself is financially viable. Lenders often have a number of prerequisites to funding a loan including pre-leasing for commercial/retail spaces, market studies demonstrating sufficient demand for uses such as hotel and housing, an experienced development team, the remediation of environmental contaminants, and others.



Urban Renewal Funds

Urban renewal is a state-authorized tool to invest property tax revenues in projects that ultimately result in higher property values in a designated urban renewal area. Typically, cities or counties designate an urban renewal agency with the authority to raise and leverage money to help revitalize neighborhoods. Urban renewal funds available to a historic rehabilitation project can come in the form of storefront improvement grants, low-interest loans, and financial assistance to determine the feasibility of a development project. To take advantage of these funds, the building must be located within an urban renewal area and meet other criteria set forth by the local urban renewal agency.

20% Federal Historic Tax Credits (HTCs)

The federal HTC program provides a 20% tax credit on the substantial rehabilitation of income-producing historic buildings which have been listed in the National Register of Historic Places. A tax credit is a dollar-for-dollar credit on your federal income tax liability. This is different from a deduction, which reduces your taxable income. If you spent \$500,000 to rehabilitate a historic building, you could get \$100,000 of that back as a credit.

Large rehabilitation projects can work with an investor who becomes a partner in the project and provides equity in exchange for the credits. This means that the tax credits are turned into cash that can help fund the project. Most investors are looking for projects with approximately \$10 million in eligible costs, though there are some investment entities that will participate in smaller projects. Typically, 25% of the equity is paid when the investment transaction closes, 55% when



Federal Tax Credits were utilized for this conversion of an old Portland fire station into office space

the completed project has obtained certificate of occupancy, and the final 20% when the final project certification is obtained from the National Park Service. Note that this means that not all of the tax credit equity would be available as a funding source, as the majority would be disbursed after the project is complete.

Investors typically require an annual preferred return of at least 2% on their equity investment and 5-7% when they exit the ownership structure after the five-year tax credit recapture period has expired. Additionally, investors have closing prerequisites similar to lending institutions.

For smaller projects where it is not feasible to partner with an equity investor, HTC's can be claimed by the property owner the year in which the project is completed and placed in service. Credits can be carried back one year and forward 20 years. There is a five-year tax credit recapture period during which the ownership of the property cannot change without resulting in repayment of the credits.

The tax credit requires that a project adhere to the **Secretary of Interior Standards for Rehabilitation** and go through design review of exterior and interior alterations by both the State Historic Preservation Office and the National Park Service, in addition to any local building department or planning review. The design review process is intended to ensure that alterations do not negatively affect the building's historic character-defining features. The application review takes 60-90 days and requires architectural plans, photographs, and a written description of the scope of work. The application cost varies based on the cost of the project.

More information can be found at: www.nps.gov/tps/tax-incentives.htm

10% Federal Tax Credits for Non-Designated/Non-Contributing Buildings Built before 1936

A 10% tax credit is available for the rehabilitation of older buildings placed in service before 1936 that are not individually listed in or eligible for the National Register, and are not contributing to a National Register historic district. The building must be rehabilitated for non-residential use. In order to qualify for the tax credit, the rehabilitation must meet three criteria: at least 50% of the existing external walls must remain in place as external walls; at least 75% of the existing external walls must remain in place as either external or internal walls; and at least 75% of the internal structural framework must remain in place. There is no formal review process for rehabilitations of these non-designated historic buildings.

Other Tax Credit Funding Sources

In addition to the Historic Tax Credit, there are two other tax credit programs that can and have been used on historic rehabilitation projects. Typically, these have been substantial multi-million

dollar projects. Both programs require a tax credit investor who provides equity in exchange for the credits.

Low-Income Housing Tax Credits are a substantial financing source for income-restricted multi-family housing projects. Investors buy these tax credits in qualified properties that have received a state allocation. In exchange, the owner agrees to rent a specific number of units to qualified tenants at specified below-market rents. Because of their complexity, the use of these credits requires a development team highly experienced in low-income housing development projects.



Baker City Apartment

Like the Low-Income Housing Tax Credits, the **New Markets Tax Credit (NMTC)** is a federal tax credit designed to encourage investment in low-income communities and it is also allocated annually on a competitive basis. A project must be located in a qualified low-income census tract and demonstrate a direct benefit to the low-income community. This usually entails a project providing higher-wage jobs and/or needed services such as a grocery store, clinic, daycare center, or other community-focused use. At least 20% of a project's gross income must come from commercial uses. The benefit of NMTC to real estate development projects come in the form of tax credit equity or an interest rate reduction on a loan.

Grants

Grants are typically a small portion of the funding needed to rehabilitate a historic building. In Oregon, the State Historic Preservation Office currently offers **Preserving Oregon** matching grants up to \$20,000 for National Register-listed properties. Resources in public and nonprofit ownership are given preference over those in private ownership. There are other charitable foundations that fund historic preservation including The Kinsman Foundation, Oregon Community Foundation, Oregon Cultural Trust, and the National Trust for Historic Preservation. It should be noted that grants to fund a private residence or privately owned commercial property are very unlikely. Depending on the proposed use, be it health care, entertainment, economic development or programs that support children or low-income residents, other grants may be available to support non-profit rehabilitation projects as well.



Rivoli Theater, Pendleton

Oregon's Special Assessment of Historic Property Program

While not a direct source of funding, Special Assessment provides a property tax break, whereby a historic property's assessed value is reduced and frozen for an initial 10-year term. By applying prior to the commencement of a significant capital investment, the benefit is maximized by locking in the property's pre-rehabilitation value. There is a modest application fee equal to 1/10 of 1% of the assessed value. A State Historic Preservation Office (SHPO)-approved preservation plan is required and 10% of the real market value of the property must be invested within the first five years.

At the end of the 10-year period, the property is reassessed using the county-wide changed property ratio for that property type. Depending on the amount invested during the 10 years and market conditions at the time of reassessment, owners should be aware that there can be a dramatic increase in their assessed value that is difficult to predict at the time of application.

More information can be found at:

www.oregon.gov/OPRD/HCD/SHPO/Pages/tax_assessment.aspx

Loans for Residential Properties

For single-family residential properties in good condition with modern systems and structural integrity, a traditional home mortgage or equity loan is the most likely funding source. Of course, to secure any loan, the borrower's credit history and ability to repay the loan is paramount. While requirements vary from lender to lender, generally speaking, banks will not provide permanent financing (such as a typical 30-year mortgage) for aged properties with significant code deficiencies, safety and structural issues, missing or greatly out-of-date building systems, excessive deferred maintenance, or other issues they deem a barrier to resale upon foreclosure. Additionally, building insurers can be reticent to provide affordable coverage (or any coverage at all) for aged buildings that have not been modernized and insurance is typically required by any lender, creating yet another obstacle in the financing game.



Beeks House, Washington County

For dilapidated historic houses with little inherent monetary value, it may be a significant uphill battle to secure any upfront financing through traditional loans. These properties may require a cash buyer who can use their own funds to stabilize the property and increase its value before seeking traditional financing. There is a program through HUD's Section 203(k) program that insures mortgages covering the purchase (or refinance) and rehabilitation of a home in need of repair and/or modernization. Section 203(k) potentially saves borrowers time and money, while also protecting the lender by allowing them to have the loan insured by the government even before the condition of the property is improved. Funds allocated toward the rehabilitation are placed in an escrow account and released as work is completed. The 203(k) program holds the most promise for financing the rehab of dilapidated historic single-family properties, yet is still a complex funding source that is not perfect for every building and every borrower.

Notes

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MODULE 05

Preservation Toolkit

Maintenance Plan

“Developing a maintenance plan – and committing to stick with it – is an effective way to manage the routine tasks that are essential to extending the life of your building. Not only does this preserve the integrity of your property’s original historic and character-defining features, but it also prevents major systems failures and provides a safe environment for the occupants.”¹

A maintenance plan is a document about your historic property that includes background information, a maintenance schedule, and a record of work completed. It is an essential part of your overall preservation plan. With a maintenance plan you can monitor your resource’s condition, needs, and anticipate and budget for the work necessary to ensure its sustained preservation while creating a record of your efforts to assist future owners.

¹ Trust for Architectural Easements: Preserving Historic Neighborhoods, “Preservation by Prevention: Creating a Maintenance Plan,” Trust for Architectural Easements: Preserving Historic Neighborhoods, last modified February 24, 2014, <http://architecturaltrust.org/preservation-by-prevention-creating-a-maintenance-plan/>.

What Belongs in Your Maintenance Plan?

Your maintenance plan should reflect the specific needs of your historic resource and include tools for you to track material changes over time and in various weather conditions.² These tools include:

Description of character-defining features

This information documents the physical elements of your property that best reflect its significance. It may be helpful to review the National Parks Service Preservation Brief 17 <https://www.nps.gov/tps/how-to-preserve/briefs/17-architectural-character.htm>.

Building Chronology

This information will help you identify where additions, alterations, and changes over time have occurred to your historic building. Documenting this information will allow you to prioritize your maintenance and plan for long-term needs. Historic and current photos, Sanborn Fire Insurance Maps, and original drawings and plans are great resources to document these previous changes.



Maintenance Budget

Traditional maintenance budgets should be 1% to 3% of your property's purchase price. For example, \$3,000 - \$9,000 should be saved annually for a \$300,000 building. It is not likely that you will spend \$3,000 every year on maintenance, but it is important to set aside a healthy savings for when maintenance such as roof replacement is needed.

² The existing framework for this resources was provided by "Preservation by Prevention: Creating a Maintenance Plan," and the National Park Service Preservation Brief 47 <https://www.nps.gov/tps/how-to-preserve/briefs/47-maintaining-exteriors.htm>.

Schedule

Your maintenance schedule should include periodic inspections of each element of your historic property. The Condition Assessment Checklist (see Module 2) can be refined as a guide for tracking each element. Creating blank floor plan and elevation drawings is helpful for making notations of conditions you are monitoring or needed repairs.

Inspections should be conducted annually and after major storms or electrical outages depending on the physical feature. (i.e., inspect your roof and gutters after a major storm or hail event). Please view the National Park Service Preservation Brief 47 for suggested times of inspection. <https://www.nps.gov/tps/how-to-preserve/briefs/47-maintaining-exterior.htm>.

Records

Your maintenance plan records should include:

- Written (digital and hard copy) historic information and research
- Annual Condition Assessment Checklists with annotated base plans and elevations. Be sure to include any photographs taken during annual inspection or preservation work
- Work contracts and receipts
- A list of contractors to call during an emergency (See Working with the Right Preservation Professionals [Module 6]).



Other records that should be included are warranty cards, paint colors, materials sources, and any other information that can be helpful for the next owner or preservation professional.

If you sell your property, be sure to leave a copy of these records to assist the new owners.

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MODULE
06

Preservation Toolkit

Working with the Right Preservation Professionals



There are few decisions that will be as critical to the success of your project as finding the right team to help you complete it. Oregon has thousands of architects, contractors, and engineers, but only a few have the skills and experience to creatively solve the unique issues of a historic rehabilitation. Getting the wrong advice, or choosing the wrong architect or contractor, can easily cripple a project before it even starts. A team with the right historic preservation experience, working for you, will help wade through design questions, code challenges, and craft a cost-effective, buildable project that supports your ultimate success.

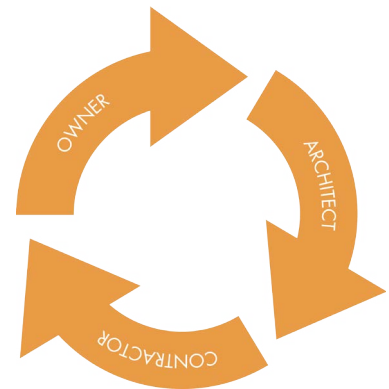
No matter how skilled the podiatrist, you wouldn't go to them to cure a heart problem. Don't go to an architect or contractor who specializes in new construction when planning a historic rehab.

What Makes Up a Preservation Project Team?

Be it for a historic theater, warehouse, or barn, every rehab project team includes three core members: the owner, the architect/designer, and the contractor. Depending on the complexity of the work and the project's goals, additional professionals such as a preservation consultant, structural engineer, subcontractors, and craftspeople may also be needed. Putting your team together early and maintaining coordination and communication during project planning is critical.

The Role of the Architect

Typically, your architect will lead the discussion on potential re-use options, design considerations, provide rehabilitation illustrations, have an understanding of rehabilitation costs, zoning and building code issues, and the knowledge to assess the building's current condition and make baseline recommendations as to the types of upgrade and repair that will be needed to put it into the proposed use. An architect typically serves as the owner's point of contact and primary advocate. He or she will work with you to ensure your goals are being addressed both before and during construction.



Once you find your architect, or other design professional, they can help you find the right contractor, engineer, and other preservation professionals you'll need. Typically, their recommendations are based on past experience. If you know of specific contractors you'd like to recommend who are outside of the architect's network, suggest them early on in the process. Putting your team together early, and having them involved from the outset, saves you both time and money.

The Role of the Contractor

The general contractor will play an equally important role in your project and the complexity of the restoration should guide their selection. Whereas not all capable contractors will have directly relevant experience, such as theater rehabilitation, they should, at a minimum, be familiar with the challenges of working on historic properties. The contractor is responsible for determining the construction budget, schedule, and performing the work. Having the contractor involved early also provides feedback on the impact of design choices and helps to assess construction costs associated with them. A contractor can also provide guidance on whether or not your project could be phased over time to spread out costs.



Oswego IronWorks arch reconstruction, Lake Oswego

A general contractor, like the architect, should have a good network of sub-contractors experienced in historic rehabilitation. These specialties may include electrical, fire protection, and HVAC. Restoration of historic elements such as masonry, interior finishes, woodwork, windows, or light fixtures may require the skills of various specialized tradespeople.

Other Preservation Professionals

Every project is different. In some cases, even before hiring an architect, it may make sense to engage a historic preservation consultant to provide advice on how to approach your rehabilitation project and help you navigate preservation laws and ordinances, assist with listing your resource in the National Register of Historic Places, or evaluating whether you can take advantage of historic tax credits. Preservation consultants can also help you select other professionals, including the architect and contractor, based on their own experience with similar projects. The right preservation specialist could bolster the knowledge of the architect and contractor team members, and help assure that your resource's historic integrity is retained through its rehabilitation.

Additional professionals needed will be identified by your core team. If your building is constructed of unreinforced masonry (URM) an important specialist is a structural engineer. Most jurisdictions prioritize life safety as a base line requirement for rehabilitation or reuse of existing structures. Upgrades to the structural system, whether for seismic retrofitting or to create additional capacity for the new use, can have major impacts on the design and project costs. Like the core

team members, the structural engineer should also have experience working with older structures. Structural engineers will first conduct a structural condition assessment, explore rehabilitation options and concepts based on the resource's condition and the proposed use, and evaluate methods of upgrade to meet building codes and ordinances related to life safety needs.

In certain cases such as theaters or large specialized commercial uses, conducting a market analysis to determine the demand and revenue potential can be central to creating a sound business plan that attracts funding. Consulting firms that specialize in this type of study can be a worthwhile investment.

The right team is key to success



Preservation is a team sport! Assembling the right professionals, including the architect and contractor, and perhaps a preservation consultant, engineer and others, is truly the key to successfully completing your project. Ask around to find the right people – people who have experience with similar projects, people that you want to work with, and people who can work well with each other throughout the entire process. Find people you can rely upon, and do!

These two resources will provide you with list of preservation professionals with historic experience throughout the State of Oregon.

- Restore Oregon's Resource Directory www.restoreoregon.org/resource-directory
- Oregon State Historic Preservation Office list of consultants and contractors www.oregon.gov/oprd/HCD/pages/publications.aspx

Notes

[illegible]

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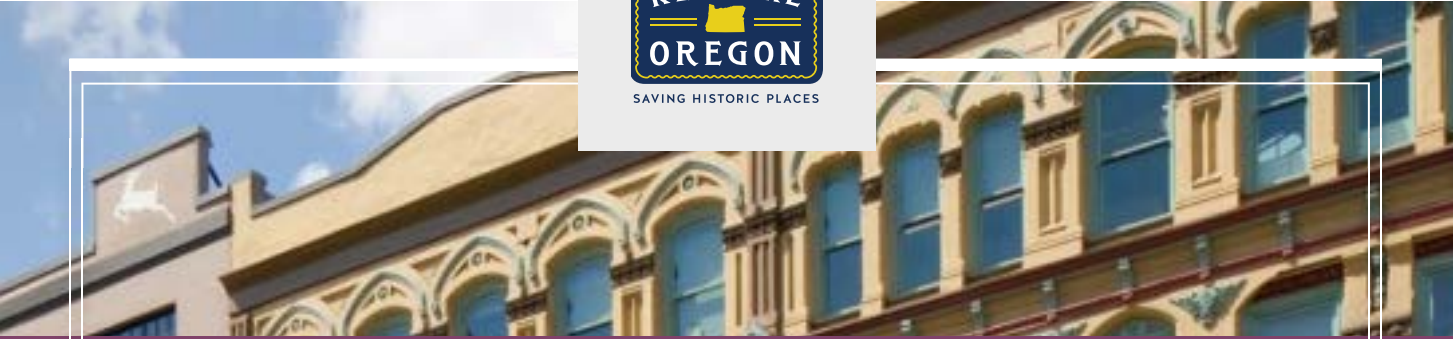
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A photograph of a historic building facade with multiple stories, arched windows, and decorative architectural elements. The building is light-colored with dark trim around the windows.

MODULE 07

Preservation Toolkit

Organize and Build Community Support

A photograph of a historic building facade, similar to the one above, but with a different architectural style, featuring prominent red columns and arched windows. The building is surrounded by a sidewalk and some street furniture.

Organizing and building community support can be essential for the success of certain historic rehabilitation projects. When the community and its leaders know about your project, goals, and why it matters to them, your path may be made easier in terms of securing funding, tax incentives, regulatory accommodations, and other types of support. “When communities see activity happening with heritage resources they are curious and that leads to questions and support. Any time work is happening at or with a heritage resource, it is news.”¹ Just planning a restoration can be news too, and can help generate “buzz.” This document will guide you through different strategies that can help you organize and build community support for your historic resource.²

¹ Oregon Heritage, *Heritage Bulletin 2: How To Spread The News*, https://www.oregon.gov/oprd/HCD/docs/heritage_bulletins/HB02_How_to_Spread_the_News.pdf.

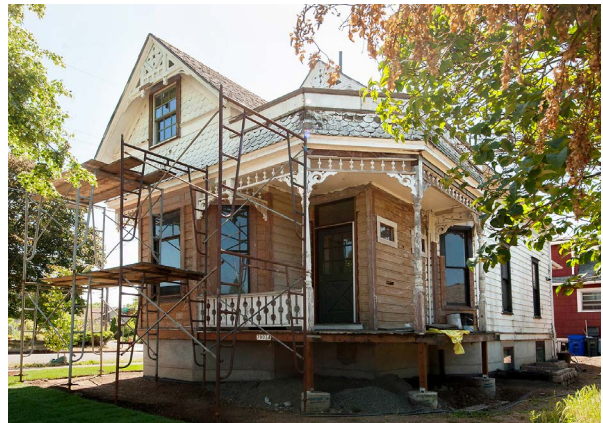
² Supporting information was provided by the *Encouraging Public Participation in Historic Preservation* at <http://www.wisconsinhistory.org/Content.aspx?dsNav=N:4294963828-4294963805&dsRecordDetails=R:CS141>.

Collect the “Genealogy” of Your Property

If you have not already done so, gather information on the history of your property and any historic photos, drawings, or blueprints available. Write a summary about the ownership, architect, who built it, and the people and events associated with it. This information will also be useful for your Maintenance Plan (see Module 5).

Helpful Research Tools:

- Sanborn Fire Insurance Maps
- Oregon Historic Sites Database <http://heritagedata.prd.state.or.us/historic/>.
- Local historical societies or museums
- Oregon State University Libraries Building Oregon database <http://osulibrary.oregonstate.edu/building-oregon>
- Oregon Historical Society Library
- Historic Deeds / Title Search
- Newspaper Archives
- Previous owners or their descendants



Rayworth House, Portland

Tell (Sell) the Story

Articulate why people should care about and support the restoration and reuse of your property:

- The local history that your building embodies: cultural/societal, business/economic, design/materials, etc.
- The community benefit of its restoration and reuse, for example: adding upper story apartments will bring customers downtown; or reopening the old theater will support local restaurants and attract tourism.
- To help people see past any shabbiness or disrepair and envision the potential, illustrate it! Provide an architectural drawing of what the project will look like when complete. You might also share examples of similar projects in other communities and how they have succeeded.

What's Good About Preservation³

Should you run up against resistance to preservation in general, here are a few important and well-documented data points to share:

Environmental Benefits

- Preservation, restoration, and renovations consume less energy than new construction
- Reuse and rehabilitation can reduce climate change impacts by reducing CO₂ emissions
- Restoration minimizes demolition and landfill waste
- Historic buildings can be made very energy-efficient, especially when their original features have been repaired and restored. The “greenest” building is the one that is already standing!



Oak Hills house, Beaverton

³ National Trust for Historic Preservation, “The Environmental Value of Building Reuse,” <http://www.preservationnation.org/information-center/sustainable-communities/green-lab/valuing-building-reuse.html>.

Cultural Benefits

- Retains a diverse and authentic built environment
- Embodies a community's history
- Offers educational opportunities

Economic Benefits

- Rehabbing old buildings creates more jobs than new construction (a larger percent of costs is labor than materials)
- Generates private investment
- Increases property value and local tax revenues
- Attracts heritage tourism
- Revitalizes and maximizes value in already established parts of the community, avoiding new infrastructure costs.

Organization & Outreach

Depending on the project, and especially in the case of non-profit owned historic properties, you will need some sort of organization to gather public support and to execute your plans. Some things to consider:

- Develop a volunteer base. Announce your preservation goals publicly with your contact information to invite a base of like-minded people.
- Create a "friends of" group of local professionals, community members, and volunteers. This could evolve into a registered non-profit organization which creates opportunities such as the ability to apply for grants, but will also require more oversight and structure to ensure success.



- Meet with local government such as city council members or the city or county planner. Be open to suggestions; they may be helpful in identifying and overcoming obstacles.
- Include the community. Solicit input, hold an open house, ask for photos, and hold regular public meetings about your project. Organize design discussions or lead tours of your property.
- Listen to public opinions at commission meetings to learn what projects are successful and what the community needs.
- Visit schools and involve students to become active in your project, where applicable.
- Enlist supporting organizations like Restore Oregon.

Publicity

- Develop a marketing communications plan with a logo and tag line or organizational statement. Use it consistently in all print and digital media.
- Create a website and use social media such as Facebook and Twitter. These mediums can help share regular updates, photos, and meeting times and notes. They will also help you reach larger and diverse audiences – some supporters live outside the immediate community.
- Send out a press release to local newspapers, public radio, and local TV stations about your preservation project, its impact, fund raising events, and value to the community. Don't forget to include Chamber of Commerce newsletters and similar targeted publications.
- Publicize every step of progress, celebrate success, and recognize those who made it happen.



A Success Story

Egyptian Theatre, Coos Bay

An example of a historic rehabilitation that navigated the many decisions and process steps beautifully can be found in Coos Bay.



Built: 1922, converted to a theater in 1925

Architect: Lee Arden Thomas, with interiors designed by Carl F. Berg

Designation: National Register of Historic Places

Significance: Main Street, architecture and interior design, social history – reputed to be one of only 4 remaining Egyptian Theaters in the U.S.

Status: In 2005 the Egyptian Theatre Preservation Association (ETPA) was formed to renovate, preserve, and operate the historic theatre as a performing arts and entertainment center. In 2006, the Egyptian Theatre was purchased by the City of Coos Bay Urban Renewal Agency and signed a management agreement with the ETPA. Efforts to preserve this theatre included keeping the general public engaged, becoming a non-profit organization, having it listed in the National Register of Historic Places, and raising money. In 2010, a structural evaluation caused the Egyptian to be closed and sparked a community-wide debate over its future. It was placed on Restore Oregon's list of Most Endangered Places in 2011. The ETPA led the charge to explore alternatives, with the help of a team of qualified and experienced preservation professionals. A seed grant from Restore Oregon helped fund a market study and business plan that, together with a never-say-die attitude, resulted in the ETPA raising more than \$1,000,000 to restore the theatre.⁴ In 2015, the theatre re-opened and immediately became a focal point, supporting local businesses and sparking renewed interest in downtown. The theatre will transfer ownership to from the City of Coos Bay to the ETPA for \$1 in 2017.⁵

⁴ Greg Rueger, "History of the ETPA," Egyptian Theatre Oregon, <http://egyptiantheatreoregon.com/history-of-the-etpa/>.

⁵ Devan Patel, "Theatre Ownership Transfer," The World, December 17, 2014. http://theworldlink.com/news/local/govt-and-politics/urban-renewal-agency-ap-proves-egyptian-theatre-ownership-transfer/article_cab9a27a-b924-5a36-abbb-d0ab6164441f.html.

Notes

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