

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 22, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: RECEIPT OF REPORT ON PARKER GRAY DISTRICT NATIONAL REGISTER OF HISTORIC PLACES NOMINATION

**ISSUE:** Analysis of Issues related to a program to obtain National Register nomination for the Parker Gray Historic District.

**RECOMMENDATION:** That City Council receive this report and indicate its support for proceeding with the staff work indicated in the report.

**BACKGROUND:** The Old and Historic District is on the National Register of Historic Places, while the Parker Gray District is not. The reason for this lies in the City's historical evolution and is discussed below. One of the benefits of being on the National Register is that properties in such districts are eligible for federal tax credits for renovation. Residents of Parker Gray have mentioned this as an incentive for nomination. However, criteria for tax credit eligibility are both clear and a challenge to meet.

To address these and other issues in the city's historic districts, Council committed \$100,000 in the 2007 budget for historic preservation programs. With the funding provided by Council, Planning and Zoning preservation staff is initiating this summer a series of major undertakings to enhance historic preservation, including preparing the nomination of Parker Gray to be listed on the National Register of Historic Places.

**DISCUSSION:** This memo answers a series of questions regarding historic preservation in the Parker Gray District and outlines the historic preservation program that Planning and Zoning is undertaking. It also discusses the background of the Parker Gray and Old and Historic Districts. It provides background and discussion of the issues involved in National Register nomination and the availability of tax credits, as well as the details about the P&Z effort to have the Parker Gray District placed on the National Register of Historic Places.

**What are the initial elements of the Planning and Zoning Historic Preservation Program for Parker Gray?**

The following specific tasks will be undertaken this summer as part of the P&Z historic preservation program for Parker Gray:

- Meeting with the Virginia National Register Coordinator to discuss the National Register project for Parker Gray, the required process and necessary documentation for evaluation, and time frame for the project.
- Advertising of a community meeting in the Parker Gray area to be held in September 2006 to discuss nominating the Parker Gray District to be on the National Register of Historic Places, what a listing or designation means, the difference between the local historic district designation and a National Register District designation, and the time frame and process. Representatives from the State Historic Preservation Office will be invited to participate in the meeting.
- Distributing throughout the Parker Gray neighborhood the first issue of the Planning and Zoning's *Historic Preservation News* which will contain articles about the National Register process and the difference between the local historic district designation and a National Register designation.
- Selecting a historic preservation expert to serve as project manager, to work with P&Z Preservation staff, to complete all the necessary supporting information required by the Virginia State Historic Preservation Office, including state survey forms, historic research for developmental history, architectural analysis, working maps, and all photography of buildings located within the potential National Register District.

**When did Protection of Historic Resources in the Parker Gray District Begin?**

In 1984, City Council established the Parker Gray District to ensure that its small scale residential character would not be threatened by development projects associated with the Braddock Road Metrorail Station. The locally regulated historic designation helps to preserve a significant number of buildings from the late 19<sup>th</sup> and early 20<sup>th</sup> centuries and some built in the early 19<sup>th</sup> Century. Local regulation within the historic district permits property owners to make external changes to the buildings, but only with approval of the Parker Gray Board of Architectural Review.

In 1999, a workshop was held in the Parker Gray neighborhood to inform the community about the availability of state tax credits, approved in 1997 by the State. The workshop was initiated by P&Z and was held with the cooperation of the Virginia State Historic Preservation Office. Staff from the State Historic Preservation Office said that the Parker Gray area was eligible for historic district status.

**When did Local Regulation and National Recognition of the Old and Historic Area begin and how are the two related?**

The locally regulated Old and Historic Alexandria District was established by the City Council in 1946 as a direct result of the perceived degradation of Washington Street as part of the George Washington Memorial Parkway. Threats from the Federal government concerning properties along Washington Street resulted in action by the Alexandria City Council in the establishment of an historic district as a means to control development activities along Washington Street. The establishment of an historic district was innovative for its time. Historic preservation barely existed on any level of American consciousness let alone as a governmental program. Only one significant piece of Federal legislation, the Historic Sites Act of 1935, had been passed and its primary purpose was to provide a level of recognition by the National Park Service for historic sites of transcendent national importance such as Philadelphia's Independence Hall as National Historic Landmarks. The outline of a national historic preservation program was not established until the passage of the National Historic Preservation Act of 1966, nearly a full generation after the establishment of the historic district in Alexandria. Thus Alexandria was in the forefront of efforts to protect historic places.

In the same year that the National Historic Preservation Act passed, the National Park Service recognized the Old and Historic Alexandria District as having overriding national significance and designated the district a National Historic Landmark. The plaque on the front of City Hall awarded to the City commemorates this designation. Following the passage of the National Historic Preservation Act in 1966, the National Register of Historic Places was established. The decision was made by the National Park Service to automatically include all previously designated National Historic Landmarks on the National Register. Thus, the local district initially came to be included on the National Register. Nearly ten years later in 1975, the National Park Service decided to update the listing of the 1966 designation of the historic district in Alexandria and expanded the boundaries and updated the period of significance of the historic district to 1932, the bicentennial of George Washington's birth and the date of construction of the George Washington Memorial Parkway. During this nearly thirty year period, the boundaries of the locally regulated historic district were amended and changed a number of times by City Council as local needs dictated. These actions were wholly independent of any designations by the Federal government. Thus, even in the Old and Historic Alexandria District the boundaries of the locally regulated historic district are not the same as the boundaries recognized by the National Park Service.

The City's interest in the locally regulated Old and Historic Alexandria District as with the Parker Gray District has been to protect existing historic buildings and to ensure compatible new development.

**What does National Register Historic Designation mean?**

If a property is individually recognized as a National Register property or is recognized as a contributing building to the district in which it is located:

- It confers national recognition for the historic resource, and
- Makes private property owners potentially eligible for tax credits.

National Register recognition does not protect a building from private actions to alter or demolish an historic building. Only local laws can protect an historic resource.

Alexandria's establishment of the locally regulated Parker Gray Historic District in 1984 protected the small scale residential area from being overwhelmed by redevelopment proposals. The Parker Gray Board of Architectural Review (BAR) has met monthly since then to consider applications for demolition or certificates of appropriateness. Property owners cannot make external changes to their buildings without approval from the BAR.

### **How do the Federal and State Tax Credit Programs work?**

Currently in Virginia, historic property owners may be eligible for two tax incentive programs linked to the substantial rehabilitation of historic properties. The two programs are the Federal Rehabilitation Investment Tax Credit (RITC) and the Virginia State Tax Credit. Neither of these programs are administered at the local level.

The Federal Credit program is administered by the National Park Service in conjunction with the Virginia State Historic Preservation Office (Virginia Department of Historic Resources). The program provides for a 20% federal income tax credit for qualified projects and is for income-producing properties only - residential properties for rent or commercial properties. Owner-occupied residences do not qualify for a tax credit under this federal program. In addition to having to be an income producing property, the property must be a certified historic structure, which is defined under the federal program as:

- Individually listed on the National Register of Historic Places, or
- Certified as contributing to a district that is so listed.

The proposed rehabilitation work must meet the Secretary of the Interior's Standards for Rehabilitation. The National Park Service ultimately determines if the proposed work, interior and exterior, meets the Standards for Rehabilitation and issues certification of approvals.

The Virginia Department of Historic Resources (VDHR) administers the Virginia State Tax Credit program, which does allow for owner-occupied properties to participate, as well as income-producing properties, if they meet the substantial rehabilitation requirements. In order to qualify under the Virginia State Tax Credit program as a certified historic structure, the property must be:

- Individually listed on the Virginia Landmarks Register, or
- Certified as eligible for listing, or
- Certified as a contributing structure in a district that is so listed.

In an area such as Alexandria with high property values, the tax credit applicability may be more limited compared with other localities where property values are not so high. For owner-

occupied residential properties, the best opportunity for potential tax credits for historic rehabilitation is under the Virginia's state tax credit program.

- **Federal Program - Income-producing properties (commercial or residential rentals):** To be eligible for tax credits under the federal program, the project must be a "substantial rehabilitation," exceeding the owner's adjusted basis in the building. (Adjusted basis is the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.) Any costs related to additions or enlargements of buildings are not eligible.
- **State Program - Owner-occupied residential and income-producing properties:** The threshold for the state tax credit program is lower than the federal program, but still a challenge to meet in Alexandria. To be eligible for tax credits under the state program, rehabilitation costs for owner-occupied structures must be at least 25% of the assessed value of the building. For income producing properties, rehabilitation costs must be at least 50% of the assessed value of the buildings. Similarly, additions and enlargements are not eligible.

Under the federal tax credit program, long term owners of income producing property may be able to benefit if their adjusted basis is low. New owners of income producing property with a high adjusted basis may not be able to benefit from the federal program. An example may be helpful:

Example 1: If a property owner's adjusted basis in his income producing building is \$200,000, he must spend at least that amount on approved renovation work to be eligible for a federal income tax credit. Additions or enlargements of the historic structure cannot be counted toward meeting the cost threshold.

Under the state tax credit program, property owners of owner-occupied structures may be eligible for tax credits. In fact there is a lower threshold for owner-occupied structure than for income producing properties:

Example 2: If a property owner has an assessed value of \$200,000 for an owner occupied building, he must spend at least \$50,000 on approved renovation work to be eligible for a state income tax credit, not counting any cost of enlargements or additions.

To be eligible for tax credits in the Old and Historic National Register District, property owners must have properties which are within the period of significance of the National Register listing for this area, 1749 - 1932. Once the National Register nomination process is completed for the Parker Gray area, the Department will look at extending the period of significance for the Old and Historic National Register District beyond 1932.

Again, in Alexandria, the Virginia state tax credit program provides the best opportunity for potential tax credits for owner-occupied residential properties.

### **What is the Process for Parker Gray National Register Listing?**

The process for placing property on the National Register is a complex process controlled by the state and federal government. Locally, P&Z preservation staff will coordinate with the Virginia State Historic Preservation Office. It is estimated to take about 1 ½ to 2 years from beginning the documentation and nomination process to a listing by the National Park Service.

The historic preservation expert hired by the Department will accomplish the following tasks:

- Preservation expert begins necessary and required documentation, including state archives survey, completion of Virginia Preliminary Information Form and photographs of all properties. (Documentation and survey process- 4 to 6 months)
- Once documentation is completed, Preservation Expert meets with P&Z preservation staff to discuss submitting Preliminary Information Form to Virginia State Historic Preservation Office (SHPO).
- Preservation expert and P&Z preservation staff conduct a second neighborhood public meeting to discuss findings of work, including numbers and addresses of contributing and non-contributing buildings, historic residents of merit and other learned history, as well as next steps in the nomination process.
- Parker-Gray Preliminary Information Form is submitted for evaluation to VA SHPO. The evaluation process by the VA SHPO may take 3 to 4 months.
- Preservation expert responds to any questions or requests for additional information from VA SHPO and prepares responses. (Response - 1 month)
- Once VA SHPO finalizes evaluation, a determination letter is sent to the City informing whether or not the neighborhood meets the National Register Criteria for Evaluation.
- Nomination of Parker-Gray Historic District is scheduled for a Virginia National Register of Historic Places Review Board meeting (held only 4 times a year with set deadlines for completion of nominations).
- Once approved by State National Register Review Board, a National Register form is completed for Parker-Gray and submitted to the National Park Service for evaluation.
- The National Park Service decides if nomination meets necessary criteria for official listing as a National Register Historic District. If so, a listing is awarded.

### ***Conclusion***

P&Z is moving forward with the process to nominate the Parker Gray historic area to the National Register of Historic Places, beginning with an education and outreach effort starting

immediately and a community meeting in September 2006. P&Z will work closely with the State Historic Preservation Office to be sure that there is a timely review at both the state and federal levels of the nomination of this important part of Alexandria's history. While the state and federal process for the National Register is time consuming, we anticipate a favorable decision on our nomination, resulting in the listing of the Parker Gray neighborhood on the National Register of Historic Places.

**STAFF:**

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