

New Tax Breaks Spurring Preservation

Write-Offs Being Used to Recycle Older Buildings

By LEE A. DANIELS

FIVE months after they took effect, Federal tax incentives encouraging the rehabilitation of both historic and nonhistoric older buildings are generating a groundswell of interest among large and small developers, preservationists and government officials.

The incentives, contained in the Economic Tax Recovery Act of 1981, reverse a 30-year Federal tax bias in favor of new construction and against the rehabilitation of older buildings. They include a 25 percent investment tax credit for the rehabilitation of residential, commercial, and industrial buildings that are certified as historic, and 15 and 20 percent tax credits for nonhistoric commercial and industrial buildings that are at least 30 and 40 years old, respectively. The tax credits make the Government a generous subsidizer of both large- and small-scale rehabilitations.

Two projects in New York City that have already qualified for the historic-preservation credit are the Barbizon Hotel and the Federal Archives Building in Manhattan, which are being rehabilitated as mixed-use properties.

Among those that are potentially eligible for benefits are Pier A, a city-owned historic landmark building on the lower Manhattan waterfront that may become a restaurant, and a town house at 19 Pierrepont Street in the Brooklyn Heights Historic District that is being renovated by a psychiatrist to provide office space for himself and three floors of rental apartments.

The Barbizon and Federal Archives projects will receive tax write-offs of nearly \$4 million and \$9 million, respectively, according to David M. Teitelbaum, the developer. If it is certified for the tax benefit, Pier A will be eligible for a credit of about \$500,000, said Tanya Morrison, a project manager for the city Department of Ports and Terminals. And Dr. Albert Crum, owner of the Pierrepont Street town house, said that if his building gained Federal approval, the \$200,000 rehabilitation project will receive a \$50,000 tax credit.

Interest in the new tax credit is also evident elsewhere in the metropolitan area. Projects for which the benefit has been sought include the White Plains armory, for which renovation into a 59-unit housing com-

plex for the elderly has been proposed, and a small commercial building at 14 Lawton Street in downtown New Rochelle.

Austin O'Brien, a field representative with the New York State Historic Preservation Office, said developers in urban areas had been quicker to seek to take advantage of the new benefits, but he added that interest in the new regulation had been building throughout the state.

In New Jersey, tax credits are being sought for the conversion of the former Ford Motor Company assembly plant in Edgewater into a mixed-use building of nearly 700 residential units; the renovation of the former Stokeley Van Camp canning factory in Trenton into a rental complex, and the renovation of 19th-century rowhouses in three historic districts in Jersey City.

To gain the 25 percent tax credit, properties must be placed on the National Register of Historic Places. Those who seek that status for their properties must have them recommended to the National Park Service by state historic preservation offices. Once accepted on the national list, a building's rehabilitation is closely monitored by state and Federal officials.

Only properties that are to be rented or leased are eligible for the tax benefits. Homeowners, for example, may not claim the tax benefits for a house they rehabilitate for their own use. Similarly, companies would not get the credits for rehabilitating the buildings where they carry on on their own business. But if all or part of the rehabilitated structures were rented to others, tax credits would apply to those parts of the building.

GOVERNMENT officials and preservationists have criticized the "substantial rehabilitation" provision of the act, which limits tax incentives to projects in which the cost of rehabilitation equals or exceeds the cost of buying the building, not including the cost of the land. It is feared that this provision will restrict the use of the act in cities like New York, where the cost of buildings is high.

For example, Silverstein Associates is spending \$30 million to rehabilitate the former Equitable Life Assurance Building at 120 Broadway. But they are not eligible for an investment tax

credit because they purchased the building for \$60 million.

"This is a major rehabilitation, and they have approached it in a sensitive way," said Kent L. Barwick, chairman of the New York City Landmarks Preservation Commission, "but they're locked out of the act's benefits because they can't spend enough money on the rehabilitation. That is incredible."

Preservationists and developers' groups, among them the Real Estate Board of New York and the National Association of Home Builders, have been lobbying to get Congress to modify the provision. But staff aides of the Joint Finance Committee said that Congress's preoccupation with budget deficits probably rules out a liberalization of the act this year.

The new incentives received little public notice when President Reagan signed the act last August. But over the winter, capacity audiences swamped a series of 13 meetings held around the country to explain the act's provisions. The meetings were conducted by the National Park Service, which administers the act in conjunction with the Internal Revenue Service and the National Trust for Historic Preservation.

IN addition, officials of state historic preservation offices, through which individuals apply for the tax benefits, report significant increases in both requests for information and tax-incentive applications. There has been an eightfold rise, for example, in the number of calls about historic-preservation tax incentives to the New York State Department of Parks, Recreation, and Historic Preservation over the last year.

Beverly Reece, acting public-relations director of the National Trust, said the high level of interest stemmed in part from a growing desire to live in central cities and particularly in neighborhoods of character where there are many historic and older buildings. She also cited the lower cost of rehabilitation in comparison with new construction and the fact that, beginning in 1976, Federal tax policy has made the rehabilitation of old properties increasingly competitive in economic terms with new construction. The 1981 act repealed earlier, limited tax incentives for rehabilitation and replaced them with the present, more generous ones.

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About Real Estate

A Workable Alliance: Development and Preservation

By LEE A. DANIELS

In Greenwich Village the Federal Archives Building, a huge and splendid example of the 19th-century Romanesque revival style, is being developed into a mixed-use structure combining space for retail shops, offices of community groups and 354 cooperative apartments.

In lower Manhattan, five small 19th-century buildings on the Fraunces Tavern block — surviving examples of the area's once-dominant Greek Revival, Federal and Victorian commercial buildings — have been developed to provide residential space on the upper floors and commercial space on the ground floor.

On midtown Madison Avenue, the landmark Villard Houses, built in 1884 in the Italian Renaissance style, are a dramatic entrance to the new 51-story Helmsley Palace Hotel.

The restoration and re-use of these buildings are examples of a significant development in urban real estate during the last decade: the spread of preservation consciousness.

The belief that progress in real estate does not automatically mean demolishing older buildings and replacing them with new ones has be-

come an article of faith in the development process among community groups and individuals, government agencies and even some developers.

There are several reasons for this, some having to do with economic and demographic trends such as rising energy costs, the growth of smaller households and the increased attractiveness of living in the city.

Brendan Gill, chairman of the New York Landmarks Conservancy, believes that the broader interest in preservation also stems from a recognition of the role older buildings play "in maintaining the character of neighborhoods and of a new-found value in the physical and psychological links with our past." He says this desire "undeniably" has been part of the impetus for the redevelopment of such areas in New York as Brooklyn's Park Slope, the Upper West Side and Greenwich Village.

Mr. Gill's group is a private, non-profit organization chartered by the state to further the redevelopment of historically significant properties.

Unlike the New York City Landmarks Commission, a government body whose purpose is to designate of-

ficially determined landmarks, the conservancy is an advocacy body.

The conservancy's activities include such efforts as the restoration of the Custom House in lower Manhattan; the Tweed Courthouse, across the street from City Hall; the RKO Keith Theater in Flushing, Queens, one of the few surviving examples of theaters built in the 1930's with interiors designed to simulate the evening sky, and the Grace Church Houses, next to Grace Church on Fourth Avenue.

Other activities have included publishing an inventory of historically significant government-owned buildings in the city and sponsoring seminars on Federal tax advantages available to developers who engage in preservation.

The mandate of the conservancy, which is supported primarily by foundation grants and individual contributions, is an eclectic one. But, according to Laurie Beckelman, its executive director, the unifying theme is the preservation of significant structures while allowing for their readaptation, if necessary, to new uses.

The Archives Building and the Helmsley Palace Hotel are two exam-

ples where an initial antagonism between developer and community groups turned into accommodation. Harry B. Helmsley, in his own words, had to be carried "kicking and screaming" into preservation, but later he readily acknowledged that the esthetic result and the acclaim it brought justified the extra expense.

David M. Teitelbaum, developer of the Archives Building, proclaimed himself a "preservationist first and developer second" but added that the complex, seven-year-long negotiations involved the building were "tough." However, he enthusiastically praised the compromise agreement, which included the creation of a multimillion-dollar revolving loan fund to aid the preservation and restoration of other qualified loan projects.

The conservancy has not met with success in every intervention on behalf of preservation, Mr. Gill and Miss Beckelman acknowledge. They contend that the task is still difficult, particularly in Manhattan, given the enormous pressures for development. But their successes show that, in at least some instances, preservation and development are not contradictory but complementary processes. ♦