

COMMUNITY PARTNERS



NATIONAL TRUST
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Van Dyke & Bacon Shoes - Before



Van Dyke & Bacon Shoes - After

Property: 5,000 gross square foot, 3-story mixed-use Italianate building constructed in the late 1870's-early 1880's

Location: Westside neighborhood of Baltimore, MD

Developer/Owner: Francis Bacon

Redevelopment: Continued use as ground floor commercial and upper floor office

Historic Status: Certified historic structure - eligible for 20% federal and state rehabilitation tax credit

Total Project Cost: \$13,800

Financing Sources:

State tax credit equity:	\$2,760
Federal tax credit equity:	\$2,760
Façade grant:	\$6,300
Owner equity:	\$1,980

Project Completion: August 2003

Credits Earned:

Federal: \$2,760
State: \$2,760

Credits Redeemed Through 2003 (est.):

Federal: \$2,760
State: \$2,760

Prepared with assistance from:

FORD FOUNDATION

BALTIMORE
DEVELOPMENT CORPORATION

20% Federal Rehabilitation Tax Credit Case Study

VanDyke & Bacon Shoes Baltimore, MD

VanDyke & Bacon Shoes is a \$13,800 façade improvement of a 5,000 gross square foot, late 1870s-early 1880s mixed-use Italianate building in the Westside community of Baltimore, MD. The improvements, financed in part by the 20% federal and state rehabilitation tax credits, has helped a longtime small business owner actively participate in the revitalization of downtown Baltimore's historic Westside.

Francis Bacon took over the family-owned shoe business from his father in 1974. Between 1974 and 1995, when he sold the business to his sons, he grew the business from two stores to four, moving the downtown store to its present location at 206 N. Liberty St. in 1983. His two sons continue to operate the business today. Mr. Bacon has retained ownership of the building at 206 N. Liberty St. over the years and was considering façade improvements for a number of years as he saw the surrounding area start to show signs of improvement. The availability of grant monies to finance half the cost of the improvements and rehabilitation tax credits to cover another 40% of the costs made the decision to carry out the work a simple one.

The property is located within the Market Center National Register Historic District and contributes to the historic significance of the district (as verified by submittal and approval of the Part 1 application). As such, it was eligible for both the 20% federal and state rehabilitation tax credit. Mr. Bacon planned approximately \$14,000 in improvements, an amount that oftentimes would not be significant enough to satisfy IRS substantial rehabilitation test requirements. In this case, however, Mr. Bacon had owned the building long enough that his adjusted basis was less than the \$5,000 minimum improvement threshold set by the IRS, meaning that he only needed to spend \$5,000 to satisfy the test.

The Community Partners group of the National Trust for Historic Preservation provided Mr. Bacon with an architect to assist him in preparing and obtaining approval of the state and federal Part 1, 2 and 3 applications. Part 1 and 2 applications were filed in June of 2003 and approved in August 2003. Because improvements were minimal and clearly in keeping with the historic features of the building, the façade improvements began concurrent to the submittal of the Part 1 and 2 applications. They were completed in August 2003. Eligible expenditures for the project totaled \$13,800, generating a federal and state rehabilitation tax credit of \$2,760 each. The Part 3 application was submitted in September 2003 and approval was received in December 2003.

Mr. Bacon expects to be able to redeem the full amount of credits earned in a single year. State tax credits will likely offset state taxes owed. Because the amount of tax credits earned is just a few thousand dollars, Mr. Bacon should be able to redeem the entire amount of federal credits earned under the deduction equivalent exception to the passive loss rules allowed for the rehabilitation tax credit. This exception permits Mr. Bacon to use the small amount of tax credits he has earned to offset taxes owed on non-passive income such as wages and investment income.

While the total dollar value of the credits earned may be relatively small, the credits cover a significant portion of the projects costs. Of \$13,800 in total project costs, the tax credits and façade grant combined to limit the required equity to \$1,980, or just 14% of total project costs. The tax credits reduced the owners' required investment to approximately 25% of what it would have been had no tax credits been available.

To learn more about the Federal Rehabilitation Tax Credit program, visit the National Trust's Federal Rehabilitation Tax Credit Guide at www.nationaltrust.org/community_partners.

The National Trust for Historic Preservation is a private, nonprofit membership organization dedicated to protecting the irreplaceable. Recipient of the National Humanities Medal, the Trust provides leadership, education and advocacy to save America's diverse historic places and revitalize communities. Its Washington, DC headquarters staff, six regional offices and 21 historic sites work with the Trust's quarter-million members and thousands of local community groups in all 50 states. For more information, visit the National Trust's website at www.nationaltrust.org.