

# Tax credits help investors rehab buildings

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GARNER - Longtime Garner businessman Magdy Saad is bringing a bit of the town's history back to life with the restoration of an old dry-goods store. Now the site of a trendy oyster bar and upscale condominiums, the brick building is seen as the first step in the downtown's revitalization.

Saad joins a growing list of Triangle developers and entrepreneurs who are refurbishing historic buildings in downtown districts from Garner to Raleigh to Durham. Many are getting federal and state tax credits for their often expensive and tedious restoration work.

"We have been seeing an increase in the restoration of historic properties throughout the Triangle," says Kevin Allen, program manager for Capital Area Preservation, a Raleigh-based nonprofit. "In most cases, an individual investor must have the vision to take the first step in an area."

Over the past six years, Raleigh developers have been working and competing for projects to redevelop the downtown market. Many old warehouse and office buildings have been transformed into mixed-use facilities containing office, retail and upscale residential condominiums.

In nearby Cameron Village, Raleigh real estate investor Billie Redmond has been applying a \$4 million facelift to the Occidental building, a corporate landmark located along Wade Avenue.

The Occidental building was built in 1955 as one of the first headquarters buildings in Raleigh. During its heyday, large ground lights highlighted the limestone exterior of the 63,000-square-foot building.

Redmond, who is president and chief executive officer of Coldwell Banker Commercial TradeMark Properties, says tenants are moving into the new facility.

Her company, with its 50 employees, will be housed on the building's second floor. Howard Perry and Walston, one of the Triangle's largest residential real estate firms, also is moving into the building.

"It's a unique space and a unique location," says Redmond. "It is such a stately building that really needed to be preserved for the entire city." Redmond purchased the building in July 2004 for \$3.8 million. Clancy & Theys has been the general contractor.

Developer Greg Hatem of Empire Properties is well-known for the numerous projects he has spearheaded in downtown Raleigh. Since the company started in 1995, it has overseen 16 rehabilitation projects with more than 200,000 square feet of office and retail space.

Recent projects include the restoration of the Times Building on Hargett Street, the Heilig-Levine Building at the corner of S. Wilmington and Hargett streets and 328 W. Davie Street into Nana's Chophouse, an upscale restaurant. Previously, Hatem converted a South Blount Street building at Moore Square into the modern Asian bistro The Duck & Dumpling.

Several commercial restoration projects also are under way in Durham. These include the Baldwin Building at 107 West Main St. with loft apartments and the massive restoration of the American Tobacco and Liggett & Myers tobacco factories.

Properties that have been named to the National Register of Historic Places are eligible for both federal and state income tax credits, according to Tim Simmons, coordinator of the federal preservation tax credit program for income-producing structures with the State Historic Preservation office.

A federal income tax credit for the rehabilitation of historic structures is a 20 percent credit for the qualifying rehabilitation of income-producing historic properties.

Since 1998, North Carolina also has authorized a 20 percent credit for those taxpayers who receive the federal credit, providing investors with a combined 40 percent credit against eligible project costs.

The state also provides a 30 percent credit for the rehabilitation of non-income-producing historic properties, including private residences.

"Since 1976, more than 1,300 completed certified rehabilitation projects have been reviewed by our office," says Simmons. "This work represents an investment of more than \$500 million in historic projects."

Saad says he has applied for tax credits, but has not yet received final authorization.

The co-owner of Garner TV and Appliance, Saad and his older brother, Mones, purchased the 1914 brick building in March 2004 for \$135,000. After months of renovation and restoration, Sunny Side Oyster Bar Too opened in late May.

One of Saad's sons is moving into one of the four third-floor condominiums. An appraiser is locating in some of the commercial space on the second floor.

"This has always been the largest and nicest building in downtown Garner," says Saad. "I hope this is the start of the new era of downtown for Garner."

