PLANNING SUCCESSFUL TAX CREDIT REHABILITATIONS

Application Process

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Federal Historic Tax Credit Program
Complete a 3-part application

20% Tax Credit
• Available to National Register-listed buildings (50 years of age)
• Income-producing use
• Substantially rehabbed
• Must be a Certified project
• Used toward the owner’s federal income tax liability.
• 5 year recapture period.
• 20 year carry forward. (Old Program)
• Credits must be used equally over a 5 year period, once the building is placed into service. (New Program)

10% Tax Credit
• Deactivated by the 2018 Tax Reform Legislation
Alabama Historic tax Credit Program
Complete a 3-part application

25% Tax Credit
• Available to National Register-listed buildings (60 years of age)
• Income-producing use or residential
• Substantially rehabbed
• Must be a Certified project
• Used toward the owner’s Alabama income tax liability.
• 5 year recapture period.
• 5 Million cap per project, 20 Million annual allocation
• 40% Rural, 60% Urban for first 2 quarters
• 1 transfer allowable, refund clause
• Historic Tax Credit Evaluating Committee
Qualified Rehabilitation Expenditures (QRE)

Eligible QRE’s:
• Architectural & engineering fees
• Roofing
• Structural improvements
• Painting
• Repairs
• New mechanical systems
• Insurance premiums
• Development fees
• Site survey fees
• Construction period interest and taxes
• Interior demolition
• Legal and consulting fees

Non-Eligible QRE’s
• Acquisition
• Enlargement
• Landscaping/Parking
• Cabinets/Appliances
• Furniture/Carpet (tacked)
• Window Treatments
• Signage
• Marketing/Promotions
BECOMING A CERTIFIED PROJECT

Complete a 3-part application

Part 1/A – Evaluation of Significance

Part 2/B – Description of Rehabilitation

Part 3/C – Request for Certification of Completed Work
PART 1/A: Statement of Significance

Owner requests determination by NPS that a property contains a “CERTIFIED HISTORIC STRUCTURE”

• **Contributes** to the significance of a National Register or certified local historic district

• Listed **individually** in the National Register (If only one building exists on property, then Part 1 is omitted.)

• **Preliminary** determination of eligibility
PART 1/A: Submission

Applicant must submit:

• Description of physical appearance
• Statement of significance
• Photographs of property (exterior & interior)
• Historic district map and site plan
• Existing condition drawings

Example of a Part 1/A application
PART 2/B: Description of Rehabilitation

• Pre-rehabilitation **CONDITION** of property is described on a feature-by-feature basis; corresponding proposed work on these features is described.

• **EXTERIOR AND INTERIOR PHOTOGRAPHS** documenting ALL areas of property – even where no work is planned – are included (for interiors, overall views of spaces are essential).

• Floor plans and elevation **DRAWINGS** that reflect the existing condition and proposed work are important components.

• Proposed work is evaluated against the Secretary of the Interior’s **STANDARDS** for Rehabilitation.
PART 2/B:
Minimum Recommended Descriptions

• Site work
• Exterior façades (single item for simple projects, each façade for complex projects)
• Exterior openings
• Each floor interior (typical floors can be single item)
• Building systems
  – Plumbing
  – HVAC
  – Electrical

• Special rehabilitation concerns:
  – Storefront alterations
  – New HVAC systems
  – New windows
  – Interior partitions, trim and finishes
  – Exterior masonry cleaning
  – Exterior masonry repair
  – New additions and new construction
PART 3/C:
Request for Certification of Completed Work

- Owner submits completed Part 3/C form along with photographs of completed work (project must be completed at this point)
- Approval issued by NPS and SHPO for a “certified historic structure” where completed work meets the Standards for Rehabilitation; project is then a “certified rehabilitation”
HOW DOES THE PROCESS WORK

Who Initiates Consultation?

Federal HTC Application

Alabama HTC Application

[Diagram showing the process flow with icons and logos for AHC, National Park Service, IRS, and State of Alabama Department of Revenue]
Contact the SHPO EARLY in the planning process for advice on rehabilitation treatments

Submit COMPLETE application to SHPO well BEFORE beginning work

Take GOOD, CLEAR photos of entire building and site BEFORE work begins

Submit Part 2 describing FULL scope of work

DO NOT begin work until NPS and SHPO approves Part 2/B application
KEYS TO A SUCCESSFUL PROJECT

Risk Management

- Identify the **CHARACTER-DEFINING FEATURES** of the building
- Complete work as previously **APPROVED** or submit project amendments for any changes
- Keep the **STANDARDS** in mind whenever changes are made after Part 2 approval, and refer to NPS online and printed guidance materials
- For large or complicated projects assemble an **EXPERIENCED TEAM** – architect, preservation consultant, contractors, accountant/tax attorney – and ensure good team communication
- Pay the NPS **REVIEW FEE** before NPS receives Part 2 application; the 30 day (non-statutory) clock begins upon payment
POTENTIAL PITFALLS

Common Fails

• Proceeding with work before Part 2 approved

• Refusing to negotiate project changes in response to SHPO and NPS guidance and conditions

• Assuming local review / approval = certification of rehabilitation for tax credits
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