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Teamwork in Historic Tax Credit Projects

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There are few things that we do in life that don't or didn't include the involvement of others to some extent. I like to refer to these "outside people" as your team. Some teams work and others don't. In the case of the redevelopment of an historic property the right project team is critical to a successful project.

Most historic rehabilitation projects typically begin with a single individual – the developer – targeting a building for rehabilitation. In the traditional model, this developer then selects and works with an architect to develop design. Down the road, additional team members are identified and involved, typically on an as-needed basis. All too often, these new team members are brought on board suddenly with the sole purpose of putting out a specific fire.

Today's development world is challenging and complicated. A superior approach is to create the expertise at the outset and to approach these projects as a team. While this may seem complicated and more expensive, such an approach has been shown time and again to be efficient and save money. This is especially true of projects seeking to capture historic tax credits (HTCs). Hiring the right project team at the beginning of a project creates a solid foundation for the project to move ahead. Typical team members include the architect and engineer, contractor and subcontractors, accountant, syndicator, lawyer and historic preservation consultant.

The Developer

While it is generally the case that a developer is the catalyst for a development project, it is not always the case. Property owners, whether private, public or not-for-profit, may find

themselves in need of a fee developer to head up their redevelopment project. Whatever the case may be, it is important to realize that selecting the right developer is key to a project's success.



In many instances, seasoned developers of historic properties have development teams in place, teams they have used over the years, and are well aware of the need to put project teams together early. Other developers may be experienced with their own teams, but have not done any historic tax credit projects. And new developers may find themselves in uncharted waters.

Whatever the situation, it is important that the developer

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have a track record of successful historic rehabilitation experiences. This means that projects have secure approvals through the local, state and federal review processes. In many cases some developers think that having rehabilitated an old building qualifies them. Ask any long-time developer of historic properties and you will find that this is not the case.

Architect and Engineers

In the simplest terms, the architect transforms the developer's vision into reality. The design process moves methodically from schematic design to design development to permit and construction. Yet, it is easy for designs to get ahead of the review process and considerable money spent on architectural drawings that are worthless.

Many architects say they have design experience working with historic buildings. It is important to verify that this experience is working within the parameters of the HTC program. Many architects want to treat a historic building as a canvas on which to create a new design statement. This invariably leads to problems and false starts. Yet, as talented architects familiar with HTCs can attest, there is ample room for creative design with the tax credits; it is a matter of understanding the nuances.

Similarly, projects involving seismic upgrades require the talents of an engineer. Strategies for upgrades vary substantially. An engineer unfamiliar with the tax credits can spend an enormous sum with designs that are functional but not approvable for tax credit purposes. Conversely, an engineer familiar with the tax credits would understand both the functional and approvable design parameters for getting a seismic solution approved.

Finally, with the concentration on LEED and green it is important to have on board architects and engineers who are familiar with both programs and how they do, or sometimes don't, work with HTCs.

Accountant

Nearly every developer will have an accountant. Yet, it would be unlikely that this relationship is with a professional familiar with HTCs and the specific nuances of "qualified rehabilitation expenditures." For example, when wall-to-wall carpet is glued to the floor, it is a qualified rehabilitation expenditure (QRE), but when it is only being tacked down, the carpet would not be allowed as a QRE. This is a small but good example of the subtleties of the process. There are a limited number of accounting firms that routinely work in the field of HTCs.

Even when a developer has an existing relationship with an accounting firm for its personal and business accounting, it is wise to engage a tax credit professional in an HTC project. You do not

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want to have to educate someone on the process of using HTC's when there are professionals in the field that know the process already. Having your existing accountant work with someone specializing in HTC's will save time, expense and in some cases, the tax credits.

If the credits are to be syndicated, this is all the more reason to get an appropriately qualified accountant on the project early. I often ask my clients to make sure they can even use the credit before beginning the historic designation and certification process. This they do by getting the right accounting firm on board.

Lawyer

Similar to the accountant, nearly every developer has a pre-existing relationship with a law firm. In many instances, these firms have experience in land use and tax laws. Yet, local, state and federal laws and regulations relating to historic buildings have subtleties not easily understood. No less than hiring an accountant familiar with the HTC's, it is critical to engage a lawyer familiar with historic redevelopment land use laws. Again, the earlier the engagement, the less likelihood there is of problems down the road.

Historic Preservation Consultant

The importance of a good historic preservation consultant is often overlooked. Not infrequently, the developer or architect claims to have a good working relationship with local, state and federal reviewers. The notion is that a few bucks can be saved by having one of the other project team members or they, themselves, file the paperwork. Good historic preservation consultants play a much more integral and critical role.

In the first instance, they should be neutral. Their function is to offer the developer strategic guidance, detailing the various paths forward and the relative merits of each, without bias toward a particular design solution. In the second instance, to effectively advocate for the project, they should be sufficiently familiar with the programs and processes related to the redevelopment of historic buildings. A talented historic preservation consultant can be invaluable in offering guidance and solutions when there is a conflict among the various reviewers.

Contractors and Subcontractors

In selecting a contractor and the subcontractors, it is preferred that the company has familiarity with the HTC program. Not infrequently, the firm will state experience with historic buildings and in pricing a job make assumptions about what may or may not be acceptable treatments and materials.

If contractors do not have specific experience with HTC projects, they likely will not appreciate, for example, that the project requires an exterior as well as an interior design review. In the worst

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of cases, the contractor performs irreversible work that is not approvable, effectively undermining the potential for tax credits.

It is important that contractors know which subcontractors will provide the best but not necessarily the least expensive materials. Close communication with the subcontractor can avoid historic materials walking off the site or ending up in the drop box. I remember one project where solid brass elevator doors were misplaced and suddenly reappeared, or another project where the contractor had to make a trip to the dump to retrieve windows, doors and moldings that were removed from the site.

Federal, State and Local Reviewers

Often overlooked are federal, state and local reviewers who should be viewed as *de facto* members of the team. Reaching out to these reviewers early helps identify critical issues, design challenges and sometimes unexpected

opportunities. Sometimes areas thought to be of concern, are not. Engaging all three levels early on also offers the potential for time to solve problems. Time is expensive and if an issue arises during the construction phase, subsequent delays are frustrating not only to the project, but they place the reviewers in an unenviable position. If these issues can be identified early, the project team has time to negotiate. This is particularly critical where local design review conflicts with HTC requirements.

Assembling the Team

Getting these quality professionals under contact early is critical. Solid communication and clear identification of roles is fundamental. Early project meetings establish project contacts and a dialogue that can identify and resolve design and construction challenges. With the right project team you will save time, energy, eliminate headaches and generally end up with a successful project everyone can be proud of. ❖

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