



HISTORIC TAX CREDIT TOOL BOX

Back to Basics: The Ingredients of a HTC Application

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Heading into the New Year is timely opportunity to take a step back and revisit the fundamentals of a good tax credit application. The quality of that application is important for three reasons: First, it demonstrates to the reviewing agencies that you know the program and what is important to them as they evaluate your project. Second, a good application makes the review easier, which is never a bad thing. And finally, it shows that you know your property and you've done your homework.

Getting Started

There are some preliminary steps involved with beginning the application. Foremost and above all, fully and exhaustively photo-document the existing conditions. With digital photography, there is literally no limit to the number of photographs possible. Photo documentation shows the existing conditions. It also provides reference material as you prepare the application and as you delve into the research, allows you to better understand how the building may have evolved over time. Finally, not infrequently, reviewers may ask for supplemental

photographs illustrating a specific condition. Being comprehensive earlier saves time later.

Parallel to photography is researching the history and evolution of the building. This is true even for buildings that are already listed in the National Register and for contributing buildings in a National Register listed historic district. Particularly, National Register nominations prepared early in the program's history were not prepared with the academic rigor that is required today; additionally, changes may have occurred to the building since the nomination was prepared, so it is important to conduct thorough research and a survey of existing conditions and not rely solely on existing documentation.

Part 1—Evaluation of Significance

Unless a property has already been individually listed in the National Register, a Part 1 application is required. For properties that are not individually listed and not located in a National Register listed historic district, the Part 1 serves as a preliminary determination of individual eligibility for the National Register. If a property is located in a National Register

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listed historic district, or a certified local historic district, the Part 1 application serves as certification that the building contributes to the significance of the district and is thus a “certified historic structure” for rehabilitation purposes.

Preliminary Determination for Individual National Register Listing

As a starting point, it is important to check with the State Historic Preservation Office. While the historic tax credit (HTC) program is uniform, the process at the state level varies from state-to-state. Some states require a short inventory or brief submitted to make an initial assessment. Fundamentally, an application’s approach should conform to the individual process required by the state.

While the Part 1 Application results in preliminary determination only, it should not be considered a preliminary submission. The Part 1 Application lays the foundation for evaluating the Part 2 Application. To that end, it is important at this stage to understand how the property may have changed over time. Good advance work here facilitates the later preparation of the Part 2 Application.

A good Part 1 Application has a detailed description of the existing conditions and changes over time: site, landscape, structure, exterior and interior. This description is then supported by photo documentation. Similarly, a good Part 1 Application has a history of the resource, from construction through to the present. It also articulates specifically why the building is significant. While the format may vary, a good Part 1 Application should be able to translate to the National Register submission with only limited additional work.

Finally, a good Part 1 Application logically lays out the period of significance and building’s character-defining features. On this last point, it is important to have a working knowledge of the National Park Service’s

Preservation Brief 17 which specifically addresses identifying character defining features.

The Part 1 Application narrative is then supplemented by ample photographs, keyed to either a site plan or floor plan, which illustrate the property at the time of submission, as well as its noteworthy features. As appropriate, historic documentation (e.g., photographs, plans, newspaper articles) can further supplement the story.

Certification of Contributing Status

Often, a Part 1 for a district resource is considered a formality, a simple step in the process—and it can be. But again, the HTC process is not three distinct work items but points of review in an overall rehabilitation process. The Part 1 Application still lays the foundation for the Part 2 review. Hence, the parameters of a good Part 1 Application are not that different for a contributing building than an individual resource. District nominations rarely go into detail on individual contributing resources, whether discussing the physical characteristics, history or significance. Failure to address the substance of the larger issue in the Part 1 Application here only makes the Part 2 document and review that much more challenging.

Part 2—Description of Rehabilitation

The National Park Service (NPS) reviews HTC projects utilizing the Secretary of Interior’s Standards for Rehabilitation. These standards, while broad, have been interpreted and applied for decades. For this reason, it is important in preparing a Part 2 Application that the applicant have a demonstrated working knowledge of NPS literature and guidance, such as Preservation Briefs and Interpreting the Standards bulletins. It should also be pointed out that the Secretary of the Interior’s Standards can vary from local historic design standards. Also worthy of note is that other standards, such as LEED, are not utilized or necessarily considered, in the NPS review.

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At the outset, it is important to remind everyone that the NPS has 100 percent design review over a project. This review right is absolute and comprehensive and includes review over site development, new construction, exterior work, interior work, tenant improvements, finishes, etc. If the question is asked, “does NPS have review rights over...?” the answer is probably yes. Thus, a Part 2 Application needs to address all work on the project. The process recognizes that at the outset there are many development details that may not be known. For example, if a tenant space has not been built and has not been leased, the tenant build-out is probably not known and amendments to the Part 2 Application can be submitted as the project advances.

It is also critical to remind everyone that while the Part 2 Application includes architectural plans, the NPS review relies on the written narrative. Thus, work that may be included in the plans but not addressed in the narrative should not be considered reviewed.

As with the Part 1 Application, preparation of the Part 2 submission should be detailed and comprehensive. Work should be described in a logical pattern that allows the reviewers to understand both the big and detailed picture of what is proposed.

The narrative consists of two components for each work item: existing conditions and proposed work. Time spent clearly describing the existing condition, including the materials and the conditions of features, lays the basis that allows the reviewer to assess whether the proposed treatment is appropriate. Photographic documentation keyed to site or building plans should clearly illustrate the existing conditions and in so doing supplement the narrative. Existing condition architectural plans should similarly supplement the narrative. Depending on the circumstances, historic documentation may be appropriate. For example, a classic decorative ceiling installed in recent decades may look old; documentation of the recent installation can allay a reviewers’ concern as to whether the ceiling is, in fact, historic.

Proposed work should logically proceed from the existing condition section and again, where appropriate, provide justification. Where historic materials are affected, it is important to have the documentation of condition and thoughtful explanation of why the proposed treatment meets the Standards. Typical supplemental documentation for proposed work includes elevations, floor plans and reflected ceiling plans. Where appropriate, detail drawings may be added. All drawings should be legible and scaled in a manner that allows easy interpretation.

As has been discussed in this space before, there is a number of “hot button” issues commonly faced in HTC applications. Some of the more common “hot button” issues are window replacement, corridor reconfiguration and new construction, including both adjacent and rooftop additions. It is important to appreciate that as a project becomes more aggressive, it faces more scrutiny by the reviewer. The more that scrutiny can be anticipated and addressed in advance, the speedier the review. For example, a common standard for a rooftop addition is that it be set back one structural bay from primary elevations. This is demonstrated by a physical mock-up that is then photographed from the public rights-of-way and documented in a sightline study. A quality study as part of the initial submission can resolve the rooftop issue during the initial review.

AMENDMENTS

As mentioned, the Part 2 Application process allows for the submission of amendments to allow review of subsequent design changes. There are many reasons for amendments. Fundamentally, a development project follows a sequence that moves from broad issues to details. Some project elements are design-build. Often in rehabilitation projects, anticipated conditions are not actual conditions. And budget overruns can prompt value engineering. Amendments can also be used to respond to conditions placed on the project by the NPS.

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The approach to amendments is the same as the basic Part 2 and the format is essentially the same. For each item, there is a description of existing conditions followed by proposed work, supplemented by photographs and plans. For simplicity, each amendment could be limited to one work item. It is advisable to have an amendment be a stand-alone submittal that provides all the pertinent information needed by the reviewer.

Part 3—Request for Certification of Completed Work

The Part 3 Application is the logical counterpoint to the Part 2 Application. Where the Part 2 Application describes work proposed, the Part 3 Application documents work completed. Here, the application is pretty straightforward. The cover page is supplemented by extensive documentation keyed to site plans and floor plans. The goal for the Part 3 Application is to have no surprises; when the reviewer examines the submission, it should convey exactly what the reviewer thought would happen to the property.

It is important to remember that the SHPO and NPS have design review rights for five years following project completion. Any significant alterations to the property should be submitted in a post-certification amendment.

Conclusion

At the end of the day, the historic tax credit process is fairly logical. The program involves a certified rehabilitation of a certified historic structure. The applicant must first provide documentation that the building is historic, then documentation that the proposed changes to the property meet the Secretary of Interior's Standards, and finally that the work was done as agreed upon. Reviewers are not intimately familiar with the buildings they are reviewing or the details of the work being proposed. It is incumbent upon the applicant to anticipate the kind and amount of information necessary for the reviewer to make a reasoned judgment.❖

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