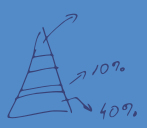


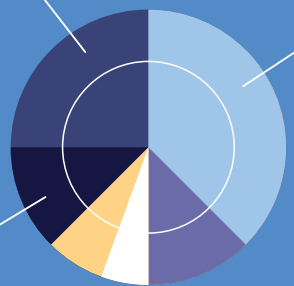


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HISTORIC TAX CREDIT TOOL BOX 🌿

The Expanding Role of the HTC Consultant



CINDY HAMILTON, HERITAGE CONSULTING GROUP

The historic tax credit (HTC) incentive has significantly evolved over the past four decades. During that time, the HTC has grown to become one of the most effective tools for historic preservation and economic revitalization. As is common when a program matures, the HTC incentive and process has become more rigorous with regard to the applications and associated requirements. Now more than ever, the HTC consultant serves an important and expanding role in these rehabilitation projects.

Chris Beard, founding principal of Essex Preservation Consulting and an affiliate of Heritage Consulting

Group, has experienced the changing role of the HTC consultant firsthand. Over the course of her more than 30 years in the industry, Beard has developed an in-depth understanding of the HTC program, including

Image: courtesy of Christine Beard
Waterhead Mill in Lowell, Massachusetts, was rehabilitated using federal and state historic tax credits.

its regulations and review requirements, as well as an unmatched knowledge of the consultant's role as part of the development team.

In looking back at the program from its earliest stages, Beard provides insight into the evolving role of the HTC consultant. In her assessment, there are three primary areas where the HTC consultants' role has expanded over the years: addressing the increased level of required documentation, the HTC consultant's role as an integral member of the development team and the expanded responsibilities of the HTC consultant as the industry investors have looked to mitigate risk.



Image: courtesy of Christine Beard

Waterhead Mill in Lowell, Massachusetts, was once a boxing gym in which Micky Ward trained, an inspiration for the movie "The Fighter."

Increased Level of Documentation

At the outset of the HTC, application requirements were far less involved. The level of documentation required for all parts of the process, including the

Part 1, 2, and 3 applications and the National Register nomination, were significantly less than they are today.

"When we started, for example, we were just taking a few photographs when documenting the pre- and post-rehabilitation conditions," Beard said. "Today, photo documentation is extensive. When leaving a site today, we walk away having taken hundreds of photographs illustrating all aspects of the building."

The National Park Service (NPS), which administers both the HTC and National Register programs, has advanced the level of documentation and scholarship required to both designate buildings as historic and to obtain approvals for rehabilitation projects. This is perhaps most noticeable in the National Register listing process.

For a building to qualify for HTCs, it must be listed in the National Register of Historic Places, either individually or within an historic district. For buildings seeking individual National Register listing, the Part 1 application is effectively a draft National Register nomination and seeks a preliminary determination for listing. Once approved, the official National Register nomination process begins.

"When I began my career, buildings could be listed in the National Register with just a few paragraphs for both the physical description and statement of significance," Beard said.

National Register nominations today have evolved into much more academic documents than early nominations, which were often just a few pages of simple background information about the historic resource. Today, nominations feature a much more thorough description of the building's existing conditions and more comprehensive contextual information to justify the historical and/or architectural significance. State and federal reviewers typically require that the nominations be completed to a professional standard of academic scholarship.

"There was a desired change made at the NPS to require nominations to go beyond merely

documenting the baseline history,” Beard said. “[Nominations evolved] to considering the larger context of the building in proving that the building is worthy of designation.”

The HTC consultant, therefore, must conduct thorough research and write a pointed argument that describes and assesses the significance of each respective building. The cost and impact of providing more detailed documentation in the Part 1 application and National Register nomination can be significant to a project. Additionally, some state HTC programs require a building to be listed in the National Register before filing the HTC application, compounding the need to prepare a thorough nomination at the outset so that the designation process is not hampered due to revision requirements.

Similarly, the Part 2 description of the rehabilitation’s scope of work originally consisted of a very minimal description of the work and impact on the historic resource. Today, the Part 2 application and its associated drawings and attachments cover the entirety of the project. The application details the specific impacts each work item will have on the historic features and finishes of the building. As program regulations confirm that the Part 2 narrative takes precedent over drawings and attachments, it has become even more important that applications are thorough and document the full project. Part 2 reviews at the state historic preservation office and the NPS further highlight the need for comprehensive applications, as those that are light on information may be placed on hold or receive numerous conditions.

Beard explained the evolution of the Part 2 application, commenting on the impact that more rigorous requirements have had on developers who have been involved in the HTC program for decades.

“For developers that have been working in this field over time, the evolution of the program is noticeable,” Beard said. “Their experiences are evolving as fast as ours.”

Integral Member of the Development Team

The changes in the incentive have resulted in the HTC consultant becoming a more integral member of the development team. HTC consultants now work directly alongside project architects, general contractors, engineers, window manufacturers and other project team members to ensure that work complies with the NPS standards.

For many HTC consultants like Beard, the opportunity to take on a larger role in the development process was a welcomed change, as it allows the consultant to use their expertise in moving a project forward with the HTC reviews in mind. As a result of this expanded role on the development team, HTC consultants must be knowledgeable about the overall development and construction process.

“I now know window types, specific glazing products, have direct contact with product manufacturers and can turn clients directly toward a product that I know has been approved by the NPS,” Beard said. “Beyond that, I can work directly with architects and contractors to develop solutions to any preservation related problems that arise throughout the rehabilitation.”

Being a member of the development team, HTC consultants now regularly attend owner, architect and contractors calls. In the past, consultants typically conducted only two site visits for any given project, one at the beginning of the project and another at the end. Today, it is very common for consultants to visit a site numerous times throughout the construction period to ensure that work is completed appropriately. Beard indicated that she has greatly enjoyed learning more about the role other project team members play and the challenges they face in meeting the NPS standards and feels it has made her a better consultant.

The expanded role during the construction process was not only impacted by the federal HTC program’s expanded requirements, but also through the

advent of state HTC programs. With state tax credits now available in more than 30 states across the country, HTC consultants, particularly those that work nationally or regionally, must have a clear understanding of the varying state requirements.

Expanded Responsibilities

With the HTC consultant taking on a more involved role in development, their responsibilities outside project work have also expanded. Beard explained that she is now directly involved with project investors.

“Investors regularly call seeking information or attestations that the project is being completed to the Secretary of the Interior’s Standards,” she said. As such, the administrative components of the job have also increased.

Specific to the work completed, HTC investors routinely request that the consultant sign off on various stages of completion. According to Beard, “this puts a lot of risk on myself and other consultants. We need to prove our expertise and help the investors to gauge and minimize their risk.”

Beard explained that much of this stems from the fact that the HTC is now an integral component of the capital stack.

“When the program began, HTCs were essentially icing on the cake to many developers,” Beard said.

“Today, most project are reliant on the HTC for the project to be feasible.”

Success Story

Projects see a benefit to having an expanded role of the HTC consultant. One such example is the Waterhead Mill in Lowell, Massachusetts, where Beard was an integral member of the project team. Beard’s significant experience consulting on similar mill projects enabled her to smoothly navigate the review processes and provide the team with sage guidance that was invaluable for decision making. This simple mill building was in such a deteriorated state that without the federal and state HTCs it would have been lost to future generations as rehabilitation would not have been economically viable. Beard highlighted its significance not just in Lowell’s proud industrial history but also in the city’s sports history.

“The building once housed a working boxing gym,” Beard said. “The same gym in which Micky Ward, the inspiration for the movie ‘The Fighter,’ trained.” The rehabilitation project preserved the boxing gym sign, which proudly hangs in the entry lobby.

Despite the more rigorous application and review process, the HTC incentive, and with it the HTC consultant, remains an integral part of real estate development in markets across the United States. ❖

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Cindy Hamilton is president of Heritage Consulting Group.

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