

Investment Tax Credits for Historic Rehabilitation;
A Guide for Owners Applying for Project Certification in Idaho.
(Revised September 2008)
By Donald W. Watts

Introduction.

This guide is intended to assist the owner of a historic building in Idaho who is interested in undertaking a rehabilitation project in order to claim the investment tax credits available under the Tax Reform Act of 1986, as amended. It is NOT an explanation of the investment tax credit program, nor of the requirements necessary to meet Internal Revenue Service (IRS) regulations. The primary purpose is to outline the operating principles and policies of the Idaho State Historic Preservation Office (SHPO), to explain the State's role in the application process, to offer advice, and to outline the application requirements. All prospective project applicants are encouraged to read this document carefully and to follow the recommendations whenever possible.

The most important single element in any Tax Act rehabilitation project is complete conformance to the Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings. **ALL PROJECTS MUST MEET THE STANDARDS IN ORDER TO BECOME CERTIFIED.** The application process described below is the mechanism by which projects are evaluated by the SHPO and the National Park Service (NPS) to ensure that those Standards are met.

Overview of the Investment Tax Credit program.

The investment tax credit program is intended to provide to private owners a financial incentive to substantially rehabilitate historic buildings in a manner which retains those physical qualities which identify the building as historic. The tax implications are a matter between the owner and the IRS. The SHPO and NPS have two primary responsibilities in this program: (1) to determine whether or not the building qualifies as "historic"; and (2) to certify that the rehabilitation project meets the Secretary's Standards.

The participation of the SHPO and NPS comes into play through the applications that the owner is required to submit. Basically, the owner first requests confirmation that the building qualifies as "historic" under the requirements. Second, the owner describes the proposed project which is then reviewed by the SHPO and NPS. After the project is completed, the owner again needs SHPO and NPS review to confirm that the project was completed as approved by the NPS. When the completed project is approved ("certified"), the owner is sent written confirmation to that effect, and that is the documentation for the IRS that all *historic preservation related* requirements for a "certified rehabilitation" have been met.

Importance of National Park Service publications and guidance.

It is imperative that all applicants read, understand, and follow the instructions outlined in the NPS certification application forms. The application instructions, in conjunction with the

Secretary's Standards, form the basis on which all NPS decisions are reached. Applications which lack a clear description of the entire rehabilitation project are likely to be returned to the owner as incomplete. Projects may be denied outright for lack of adequate information.

Keep in mind that the NPS has the sole authority for determining whether proposed projects will be certified for the tax credits – the SHPO role, while equally important in reviewing a project, is advisory only – *final decisions are always, and only, made by the NPS*. Therefore, it is incumbent on the applicant to provide all the information necessary for them to evaluate a project. Remember, the only information that the NPS has to evaluate and certify your project is what you provide them. Clear descriptions, clear wording, clear photographs and drawings – all are essential to a good application.

The Application Forms.

There are usually three applications which you must submit.

1. The Certification of Significance (also known as "Part 1") is used to make a determination as to whether or not a particular building is historic and, therefore, eligible to participate in the tax credit program. The Part 1 is used for the following situations: (A) when a building is located within the boundaries of a National Register historic district; or (B) when a building is not yet listed in, but may be eligible for, the National Register. The Part 1 is a brief architectural description of the structure as well as an evaluation of its historic significance. Buildings which are individually listed in the National Register are automatically considered "certified historic buildings" for this program and do not require a Part 1 application. The SHPO can advise you of the National Register status of a building and whether or not the Part 1 is required for your particular project.
2. The Certification of Rehabilitation ("Part 2") is a detailed description of the entire project being undertaken on the building. The Part 2 is required for ALL projects even if no Part 1 is required. Regardless of the stage a project is in, a Part 2 describing the project is still required. Although most Part 2 applications are used for proposed projects, they may also be submitted for work in progress or in some rare cases for projects that have already been completed. In other words, there is no requirement that the Part 2 must be submitted and approved before construction begins, but owners must recognize that considerable risk is involved when they begin work without advance NPS approval. If any part of the project does not meet the Secretary's Standards, the entire project will be denied the tax credits. **THE IDAHO SHPO STRONGLY RECOMMENDS THAT THE PART 2 APPLICATION BE SUBMITTED AND APPROVED BY NPS *BEFORE* REHABILITATION CONSTRUCTION IS STARTED.**
3. The Request for Final Certification (informally called the "Part 3") is used for all projects **AFTER** the rehabilitation is completed. It is a statement by the owner that all work described in the Part 2 has been completed *as described in that Part 2 (and any applicable amendments)* and that it conforms to any special conditions that NPS may have required in its approval of the Part 2. Full photographic documentation of the completed project must accompany the Part 3. This is the form that is signed by NPS and returned to the owner as documentation for the IRS that the completed project is a "certified rehabilitation."

Review Time.

Federal regulations require that the SHPO completes its review and forwards the application to NPS within 30 days of receipt of a complete application package. Similarly, NPS policy is to complete their review within 30 days, but that time limit is not binding. It has been SHPO experience that NPS only rarely exceeds 30 days – they have been very timely with Idaho’s applications. It is important to remember that these review periods are for complete and well-described applications, fully documented with photographs and plans when appropriate. An application that lacks information critical to an approval decision may be delayed well beyond these time frames. Again, it is *incumbent on the applicant* to provide a clear and complete description of the project.

Supporting Materials.

A. Photographs.

One of the most important components of any application is the photography. Pictures must be clear, easily understood, and there must be enough of them to convey the accurate conditions of the building. They must be current, not old photos even though the building may not have changed much.

Historic photographs are not required but in some cases may be invaluable when evaluating Part 1 or Part 2 applications. Places to look for historic views of the building include your local historical society, newspapers, libraries, previous owners, and the Idaho State Historical Society.

Either color or black-and-white photos may be submitted. Prints made from digital images are acceptable as long as image quality is comparable to photographs. All prints must be at least 5” x 7” and properly labeled (see below). Digital images submitted on disk may be used as supplemental information only, but not as the primary photos required in the application. Emailed digital photos WILL NOT be accepted.

It is critical that enough photos be provided to give a clear view of ALL aspects of the building and the project elements. Keep in mind that NPS decisions are based on the information that you provide them, and that NPS staff will not have your personal knowledge of the conditions of a particular building. For example, if you cite the need to replace certain windows because of severe deterioration, photographs must clearly show the extent of that deterioration – not simply a view from ten feet away and a statement that the sill is rotted. Similarly, if interior changes are proposed which cite the need to remove non-historic materials, photos must be provided as evidence of their non-historic character. As a general guideline, you must provide as many photos as necessary to give an objective view of the building to someone who will not be able to see it first-hand.

Photos should be packaged loosely in an envelope and NOT be mounted or bound in any way. All photos must be numbered and labeled on the back with the following information:

(1) number of photo (example, #1 of 45), (2) building name, (3) street address, (4) date of photo, (5) description of the item or view. An excellent technique is to use a simple floor plan of the building and, with numbered arrows keyed to the photos, indicate on the floor plan what direction the camera was pointing for that particular shot.

B. Architectural plans.

Architectural plans that are submitted as supporting materials should include all aspects of the proposed rehabilitation that will have a bearing on visible physical alterations. Wiring or plumbing diagrams or reflected ceiling plans are not normally necessary. They do not have to be detailed construction drawings, but they should give a clear representation of individual work elements. Contact the SHPO for guidance on the types of plans or drawings likely to be required for your specific project.

For major alterations, architectural plans should include BOTH existing and proposed treatments. For example, in storefront design, the existing storefront and what you are proposing for the new storefront should be clearly shown on elevation drawings. Any new construction or addition to a building should include “before” and “after” views. When interior alterations are proposed, existing and proposed floor plans should be submitted. A simple approach to this is to mark your proposed new interior partitions or other changes on a floor plan of the existing layout.

In general, alterations which should be represented by elevation drawings will include storefront changes, major window/door changes (such as adding new windows or doors or blocking in existing openings), exterior stair/elevator towers or other new additions, uncovering of historic facades or portions of facades, reconstruction of missing architectural features such as cornice details, and rooftop HVAC units that may be visible from ground level. In short, any design changes from the existing building should be represented by some form of “before and after” view.

When a proposal in an application mentions an attempt to reproduce a missing original or historic feature (a storefront, for example), copies of the original architectural plans, clear historic photos, or other graphic or physical documentation must be included as evidence that the proposed reproduction is historically accurate.

C. Other supporting materials.

Depending on the work elements of your project, other supporting materials may significantly expedite the review of your application and, in some cases, may be required. Paint color samples, mortar specifications for repointing, specifications for masonry chemical cleaning, proposals for major new exterior signage, and so forth, should be included with your Part 2 application.

Application packaging requirements.

The National Park Service has developed packaging requirements for all Tax Act applications, and has devised a specific format which all states are required to follow. The Idaho

SHPO will repackage your application materials in the correct manner prior to forwarding to the NPS. In order to do this, however, the SHPO requires the cooperation of the applicant in submitting the application and its supporting materials and documents.

A. Application forms. Submit ONE copy, typed or neatly printed in ink. The forms may also be downloaded as a .pdf file and completed electronically. NOTE: they *cannot* be submitted to either SHPO or NPS electronically. We still need the hard copy with original signature.

B. Photos. Submit TWO prints of all photos. One set is forwarded to the NPS with the application, the other is kept in the state files. Ensure that all photos are numbered and labeled as described above. Do NOT mount or bind the photos.

C. Drawings/plans. Submit TWO sets; one for NPS, one for SHPO. Type or neatly print the project name on each page and the cover sheet, if applicable.

D. Other materials. Submit TWO sets. Label all materials with the project name.

IMPORTANT! All application materials are to be mailed to the Idaho State Historic Preservation Office. Applications which are sent directly to the National Park Service by the owner are returned to the SHPO with no review or comment. This generally results in lengthy (and obviously unnecessary) delays in processing.

Project monitoring and SHPO assistance to the applicant.

The State Historic Preservation Office is in a unique position with regard to Tax Act projects. It is SHPO policy to assist applicants as much as possible in developing and following through with a project which will meet the federal standards for certification. At the same time, state program obligations with the National Park Service require an objective evaluation of all projects, and we are obligated to assist them in making a decision.

It must be remembered that the SHPO does NOT approve or disapprove projects. That is solely a federal responsibility. Our role in reviewing applications is to make comments on whether or not the project **IN OUR OPINION** appears to meet the Secretary's Standards and to make recommendations to the NPS as to whether or not a proposed project should be approved.

It is not the policy or responsibility of the Idaho SHPO to serve strictly as monitoring agents for the National Park Service, or to act as "preservation police," roaming the back alleys in search of midnight sandblasters. However, applicants must understand that if any aspect of a project is not in conformance with the Standards, or differs from the application as certified by NPS, then the SHPO is obligated to bring this to the attention of the National Park Service.

The Idaho SHPO office will assist applicants as much as possible in any phase of the project, from the early planning stages to the final certification request. On-site visits to examine specific problems or to review proposed work will be made to the extent possible depending on staff availability and travel budgets. It must be kept in mind, however, that applicants cannot

expect the SHPO office to undertake research efforts more appropriately done by the applicant's development team.

The Idaho SHPO staff has extensive experience in Tax Act projects and an excellent understanding of federal requirements. Every effort will be made to provide the applicant with as much assistance as possible, and we look forward to working with the owner, architect, and other project partners to develop an approvable rehabilitation project.

FOR FURTHER INFORMATION:

Tax Act Coordinator
State Historic Preservation Office
Idaho State Historical Society
210 Main St.
Boise, ID 83702
208-334-3861

Idaho State Historical Society:
<http://www.idahohistory.net/about.html>

State Historic Preservation Office:
<http://www.idahohistory.net/shpo.html>

National Park Service, tax incentives information:
<http://www.nps.gov/history/hps/tps/tax/index.htm>

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