Historic Tax Credits and ECD Historic Redevelopment Grant Program Part 1 Process
Tax Credit Language can be different from National Register language

“certified historic structure”

A certified historic structure is defined as a building that is

- listed in the National Register of Historic Places, either
  - individually or
  - as a contributing building in a National Register historic district,
- Only a certified historic structures qualify for the credits. The “structure” must be a building—not a bridge, ship, or a railroad car, for example.

From NPS
"Rehabilitation" is defined in the regulations (36 CFR Part 67) as:

The process of returning a building or buildings to a state of utility, through repair or alteration, which makes possible an efficient use while preserving those portions and features of the building and its site and environment which are significant to its historic, architectural, and cultural values.

Rehabilitation not only encourages the repair of historic buildings, it allows appropriate alterations to ensure their efficient contemporary use. Examples include the continued use of hotels, stores, and private residences, as well as the adaptation of vacant schools into apartments, warehouses into offices, and industrial buildings into commercial space.

From NPS
Historic buildings are physical records of past inhabitants. People make changes to buildings over time to fit new uses and needs. The **historic character** results from the **combination of the** character-defining features that have established the appearance of the building as it has evolved over time.

Character-defining aspects of the building that need to be identified and evaluated may include **form and detailing of exterior materials**, **exterior features** such as roofs, porches, and windows; **materials**, such as plaster and wood; **finished and unfinished interior spaces**; and **interior features**, such as moldings and stairways, **room configuration**, and **spatial relationships**, as well as **structural systems**.

From NPS
The National Park Service must approve, or “certify” all rehabilitation projects seeking the 20% tax credit. A certified rehabilitation is a rehabilitation of a certified historic structure that is approved by the NPS as being consistent with the historic character of the property and, where applicable, the district in which it is located.

From NPS
The project must meet the "substantial rehabilitation test." In brief, this means that the cost of rehabilitation must exceed the pre-rehabilitation cost of the building. Generally, this test must be met within two years or within five years for a project completed in multiple phases.

The cost of a project must exceed the greater of $5,000 or the building’s adjusted basis. The following formula will help you determine if your project will be substantial:

- \[ A - B - C + D = \text{adjusted basis} \]
- \( A = \) purchase price of the property (building and land)
- \( B = \) the cost of the land at the time of purchase
- \( C = \) depreciation taken for an income-producing property
- \( D = \) cost of any capital improvements made since purchase

If the owner has a question about this, they should consult a tax accountant!

https://www.nps.gov/tps/tax-incentives/before-apply/eligibility-requirements.htm
“QRE” Qualified rehabilitation expenses

Not every expense associated with a rehabilitation project contributes toward the calculations for the 20% rehabilitation tax credit. In general, only those costs that are directly related to the repair or improvement of structural and architectural features of the historic building will qualify.

Costs associated with these items are generally eligible

- Walls
- Partitions
- Floors
- Ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors
- Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Electrical wiring and lighting fixtures
- Chimneys
- Stairs
- Escalators, elevators, sprinkler systems, fire escapes
- Other components related to the operation or maintenance of the building

Expenses that do not qualify for the rehabilitation tax credit

- Acquisition costs
- Appliances
- Cabinets
- Carpeting (if tacked in place and not glued)
- Decks (not part of original building)
- Demolition costs (removal of a building on property site)
- Fencing
- Feasibility studies

https://www.nps.gov/tps/tax-incentives/before-apply/qualified-expenses.htm
Process Overview

**Part 1**

**Before**

If not NR listed or listed within a NR HD, needs an overview of what makes the building significant, architectural description of the building or buildings if a complex

**Documents historic character**

**Part 2**

Describe the *During*

Basically a project description of the rehab

- Form breaks down by type of work
- Amendment forms can document project changes

**Documents HC will be retained**

**Part 3**

**After**

Nothing written. Signed form requesting certification of rehab completed as done in the Part 2 and any Amendments, if needed

Lots of clear photos of the building post-rehab

**Documents HC still there!**
Be sure you are using the New NPS Forms!

Part 1

Part 2

Part 3
Submit two “wet-signed” copies of forms to THC.
Take good photos!

Do not need a photo of every single inch of the building for the Part 1.

Do need overviews of main spaces, character defining features, and representative views of offices/apartments if similar.
For Parts 1-3

Just because you took the photo doesn’t mean you have to use it. Don’t include it if it is:

- blurry,
- repeats the same area,
- or isn’t a character defining feature.

Paring down photos means less you have to label and key.
Photos cannot be submitted digitally...to NPS.

NPS Requirement! I will have to send it back if you do not include printed photos.

Photos must be submitted on photo paper.

- Regular (Crisp and Clear) 4X6 type prints are fine.
- Regular copy paper is not allowed.
- Must be labeled on the back of the photo.
Make sure you have a clear **photo key**, **site plan**, and **floor plans**

**NPS Requirement!** It doesn’t have to be architectural renderings, but I will have to send it back if you do not include these things.
If your property is individually NR Listed you get to go directly to **Part 2**!

If eligibility has not been evaluated by our office before, call/email me/NR staff first.
If property is **Contributing** within a HD, provide

- The info from the NR
- An updated architectural description, both interior and exterior
- Explain any changes from when it was listed.
If property is **Non-Contributing within a HD** but sufficient changes have occurred that it would now be contributing, provide

- the info from the NR
- an updated architectural description, both interior and exterior
- Explain any changes from when it was listed and why it should now be contributing
- Note the POS and how it would fit with it
If property is **individually eligible**, provide:

- The info from the NR summary paragraph and short history
- An architectural description, both interior and exterior
- Keep it simple.
- Focus on why it is significant, lay out period of significance and how building reflects that significance
- Save footnotes, research, lots of details for nomination
Submit two copies of everything to SHPO for review. SHPO will submit to NPS. If they have any comments they will let us know but eventually, in most cases, 

*NPS certifies your building!*

Part 2

Description of Rehabilitation
Describe the Rehab

P2 also requires Plans and Overall Site Plan

Form must include a clear and concise project description of the rehab

- Form breaks down by type of work
- Work must meet all of the Secretary of the Interior’s Standards for Rehabilitation
- Be clear about where work will not be happening (if a single large building or complex)
- Document what will happen to the entire property (landscaping features, parking lots, etc)
- Explain major changes in more detail
- Include renderings to document project will meet the standards
P2 Can Need More Photos Than P1

Make sure the labels are clear and descriptive

<table>
<thead>
<tr>
<th>Photo #1</th>
<th>Photo #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterick North, 22 N. BB King Blvd, Memphis, TN 38103</td>
<td>Sterick North, 22 N. BB King Blvd, Memphis, TN 38103</td>
</tr>
<tr>
<td>View: Exterior from NW</td>
<td>View: Exterior from SW</td>
</tr>
<tr>
<td>Description: Exterior showing North and West façades</td>
<td>Description: Exterior showing West façade</td>
</tr>
<tr>
<td>11/14/19</td>
<td>11/14/19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Photo #3</th>
<th>Photo #4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterick North, 22 N. BB King Blvd, Memphis, TN 38103</td>
<td>Sterick North, 22 N. BB King Blvd, Memphis, TN 38103</td>
</tr>
<tr>
<td>View: Exterior from NE</td>
<td>View: Exterior from NE</td>
</tr>
<tr>
<td>Description: Exterior showing North façade</td>
<td>Description: Exterior showing lower Levels of North and East façades</td>
</tr>
<tr>
<td>11/14/19</td>
<td>11/14/19</td>
</tr>
</tbody>
</table>
Needs Clear Plans

Make sure you have documented the building with photos, site plans, and floor plans every where work is proposed….and again photos are keyed to site plan/floor plans.
Submit two copies of everything to SHPO for review. SHPO will submit to NPS. NPS will contact the owner to pay the fee before they begin their review. More info about the fee is here.

If they have any comments they will let us know but eventually, in most cases, **NPS approves your rehabilitation!**

Begin the Rehabilitation
Things come up.

- Amendment form can document project changes
- Easy form
- Also needs plans, renderings, etc. to document proposed changes from Part 2

But when construction is complete, the building it has been “placed into service,” and is listed in the National Register...you are ready for the Part 3!

Part 3 is the Request for Certification of Completed Work
Part 3 is relatively simple. The After.

Part 3 is the Request for Certification of Completed Work

Our office and NPS will evaluate the completed project and compares it with the work proposed in the Part 2 application form.

If it meets the Standards, the National Park Service approves the project as a certified rehabilitation eligible for the 20% rehabilitation tax credit.
P3 is essentially photos.

Helpful to take same photos as P2.

- Can reuse the photo keys and labels!
- Easy to see rehab as before and after.
Part 3
Photos

P3 is essentially photos.

Part 1

Part 2

Part 3

Photos

Helpful to take same photos as P2.

● Can reuse the photo keys!

● Easy to see rehab as before and after.
Submit two copies to SHPO for review and SHPO submission to NPS.

If they have any comments they will let us know but eventually, in most cases,

*NPS certifies your rehabilitation!*
Once the Part 3 is Certified...

The owner can claim the credit...The End*

*Unless, the owner does anything rehab or ownership related in the next five years, plans will need to be submitted to our office to send to NPS for review on an Amendment form.
More Information

THC-Federal Historic Tax Credit Program

NPS-Tax Incentives—Technical Preservation Services

Novogradac About the Historic Tax Credit

Justin Heskew
justin.heskew@tn.gov
615.770.1098

Historic Tax Credit Program
State Historic Preservation Office
Clover Bottom Mansion
2941 Lebanon Pike
Nashville, TN 37214