Completing a Successful Tax Credit Project Application

Federal Historic Preservation Tax Incentives Program
Historic Preservation 20% Certification Application

Advice from the California Office of Historic Preservation

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Table of Contents

General Advice
Completing a Successful Tax Credit Project Application ............................................................. 1
Program Basics.................................................................................................................................. 2
The Secretary of the Interior’s Standards for Rehabilitation.............................................................. 4

Advice on Historic Preservation Certification Applications
Part 1 – Evaluation of Significance................................................................................................. 5
Part 2 – Description of the Rehabilitation ..................................................................................... 7
Part 3 – Request for Certification of Completed Work ................................................................. 9
Amendments/Advisory Determinations ....................................................................................... 10

Additional Advice
Tax Certification Application Checklist ......................................................................................... 11
Photograph and Drawing Documentation Advice ......................................................................... 13
Actions and Oversights That May Delay the Review of Your Project ......................................... 14
Top Project Killers .......................................................................................................................... 15

Background

The California Office of Historic Preservation (OHP) has assembled this information as helpful advice on how applicants can improve the quality and completeness of their 20% federal tax credit applications. It is hoped that by following this advice applicants can avoid common errors and omissions that may delay the review of their submitted project.

For additional advice and a more thorough discussion of the 20% federal tax credit application process please log on to our webinar presentation Preparing a Successful Tax Credit Project Application.
General Advice

Completing a Successful Tax Credit Project Application

Program Basics

The Secretary of the Interior's Standards for Rehabilitation
Completing a Successful Tax Credit Project Application

The Office of Historic Preservation (OHP) recognizes that the Federal Tax Credit Application process can be intimidating and it is our sincere hope to make your tax certification experience as stress-free and rewarding as possible. Given the increase in our office’s Requests for Information (RFIs) on application submittals, we’ve compiled this primer in an effort to reinforce the basic program regulations and guidelines to improve the quality of submissions and help to streamline the project review and consultation process with our office.

Federal 20% Historic Preservation Tax credits (tax credits) are given for the certified rehabilitation of a certified historic building (as defined in 36 CFR 67.2). To that end, all project work must conform to the Secretary of the Interior’s Standards for Rehabilitation (Standards). OHP tax reviewers strive to balance the needs of any rehabilitation with the character-defining features of the historic building. In addition, OHP registration reviewers are ready to assist in determining whether your building is already a certified historic structure or what you need to do to make it a certified historic building.

Applying for the tax credits is a voluntary process in which owners agree to pursue a project that meets the Standards. Projects that require too many changes may not meet the Standards and therefore not qualify for the credits. It should be noted that this determination doesn’t by itself stop a project or cause an owner to lose a tenant. Owners are still free to pursue their proposed projects; they just don’t qualify for the 20% tax credit.

OHP supports the continued and adaptive reuse of historic buildings and is committed to getting your project through the certification application process as smoothly as possible.

**Tips**

- To apply for the Federal Tax Incentives Program, a certification request must be made on the most current National Park Service (NPS) forms.
- Certification requests are made through the Office of Historic Preservation; certifications are issued by the National Park Service.
- Property owners are encouraged to retain the services of an architect with historic rehabilitation experience and to consult a professional tax advisor or the Internal Revenue Service on all tax provisions.

Planning Successful Rehabilitation Projects

Completing a Successful Tax Credit Project Application Webcast

Application Forms and Instructions
Program Basics

The Historic Preservation Certification Application is a three part process used to apply for Federal Historic Preservation Tax Incentives. The basic process includes: Part 1 (Evaluation of Significance); Part 2 (Description of the Rehabilitation); and Part 3 (Request for Certification of Completed Work). When necessary, an additional process includes an Amendment /Advisory Determination Form used to provide new or revised information or request approval of a completed phase of a phased rehabilitation project.

Applicants are strongly encouraged to apply for the Tax Certification before starting the rehabilitation and receiving all local approvals and entitlements.

The OHP can provide initial guidance, and help to ensure that the project meets the Secretary of the Interior’s Standards for Rehabilitation. In addition, the OHP can consult on issues related to the Americans with Disabilities Act (ADA) or the California Historical Building Code that may provide alternative solutions and potential cost saving in the design of your project.

Two sets of the application and all support materials must be submitted (one set of materials is retained by the OHP and one set is sent to our NPS reviewer in Washington, D.C). The NPS will charge a fee through Pay.gov prior to their review of the Part 2 and Part 3 applications. Owners will receive notification of the payment due through their email account listed on the forms.

Reviews are based on complete applications and done as expeditiously as possible, but may take up to 30 days at the OHP and 30 days at the NPS. Requests for additional or missing information (RFIs) will stop the review period and restart it again at 30 days upon receipt of the requested information.

Although owners may prepare and submit their own applications, the use of an experienced consultant may greatly facilitate the process. This is especially true for larger or more complex properties or in the case of Part 1 when the property significance is related to important events or multiple periods of significance.

While OHP staff can provide information regarding National Register of Historic Places (National Register) eligibility and the Secretary of the Interior’s Standards for Rehabilitation, specific tax questions should be addressed to a qualified tax professional or the Internal Revenue Service. You may also find information about the IRS regulations on the NPS Tax Incentives web site.
Tips

• State recommendations are generally followed, but all final certification decisions are made by the NPS. The NPS decision may occasionally differ from that of the OHP. Project work should not be considered approved until the NPS has replied in writing to the owner.

• Owners who undertake a project or any rehabilitation work without prior approval from the NPS do so at their own risk. It is possible that the project may be denied or work will need to be redone.
Rehabilitation projects must meet the Standards as interpreted by the Office of Historic Preservation (OHP) and the National Park Service (NPS) based on the stated criteria to qualify as “certified rehabilitations” eligible for the 20% tax credit. The underlying intent of the federal tax credits and use of the Standards is to provide an incentive to preserve and maintain significant historic materials and features of a building during the course of a rehabilitation. Work must be consistent with the historic character of the building and, where applicable, with the district in which it is located.

For tax credit projects, the Standards apply to both exterior and interior work as well as the entire rehabilitation project, including any related landscape features, the building’s site and environment, and any attached, adjacent, or related new construction, regardless of whether the work is eligible for the tax credits.

Certification is based on whether the overall project meets the Standards.

While the use and interpretation of the Rehabilitation Standards allow for flexibility in the adaptive reuse of buildings, the overall project must retain the historic character-defining features of the building that contribute to its significance. The need to update systems and services, incorporate accessibility requirements, and make structural improvements can almost always be readily accomplished in accordance with the Standards. Owners of qualified historic buildings can also use the California Historical Building Code which provides latitude in meeting current code requirements without compromising safety or accessibility.

Wholesale replacement or removal of character-defining features such as windows, doors, interior features or finishes, or the subdivision of characteristic interior spaces are generally not allowed without sufficient justification and documentation. In addition, the same level of interior finish at the start of the project must be maintained by the end of the project, no matter how utilitarian (e.g., smooth painted walls and/or plaster cannot be removed to expose a brick wall underneath that was not visible during the building’s period of significance).

All work must meet all ten Standards.
Repair is always recommended over replacement.

The Secretary of the Interior’s Standards for Rehabilitation
California Historical Building Code
Application Advice

Part 1 – Evaluation of Significance

Part 2 – Description of the Rehabilitation

Part 3 – Request for Certification of Completed Work

Amendments/Advisory Determinations
The Part 1 application is used to determine whether a building, not already individually listed on the National Register of Historic Places (National Register), is a “certified historic structure” eligible for federal historic preservation tax incentives. The application is typically used to affirm whether a building is a contributor to a listed National Register district or determine that a property not yet on the National Register is individually eligible for listing. Generally, Part 1 is not required for a property that is already individually listed, unless the listing contains more than one building, such as a campus or property that may also contain multiple buildings that are functionally related historically.

A contributor to a National Register district is relatively easy to document, and in many cases no additional research is necessary. The applicant should consult the district nomination, available at a CHRIS IC (California Historical Resources Information System Information Center) to verify the listing information and determine whether the information needs to be updated or expanded upon. Part 1 should fully describe the building, both exterior and interior, document alterations over time, and demonstrate that the building basically retains its historic appearance from the district’s period of significance.

The applicant should also point out how the building relates to the significance of the district as a whole. For example, if the district was listed because of its historic importance as the commercial center of a community, a building’s longtime use as a commercial building during the period of significance would establish that connection. Similarly, if the district was listed because of its architectural qualities, the applicant should call out the important architectural aspects of the building that are consistent with the district’s character.

When a building is not within a listed district, the application preparation is more complex. For a preliminary determination for individual listing, Part 1 must contain essentially the same documentation of the property’s integrity and significance as that required in a National Register nomination form.

**Part 1 Tips**

- Be consistent with the name of property within the application. Include any reference to historic or past names of the property.
- Be consistent with the period of significance.
- Include a site plan or map showing clear property boundaries.
- Include a full description of the property and all buildings on the property.
- Part 1 forms must include all pertinent information and documentation. A National Register nomination or listing documentation may be included as a reference, and should not be provided in lieu of a complete Part 1 application.
- Spell check and proof your submittal for accuracy and consistency.
Part 1 – Evaluation of Significance

Part 1 Common Mistakes

- Renaming the property or not being consistent with the name of the property.
- Not being consistent with the period of significance.
- Lack of a site plan or map showing clear property boundaries.
- Lack of a full description of the property and all buildings on the property.
- Attaching a National Register nomination or listing documentation to a Part 1 application in lieu of providing the information on Part 1 application pages.
- Failure to spell check or proof for consistency in the submitted information.
- Submitting application continuation pages or additional information on pages without the NPS application header. This does not apply to drawings, specifications, photos, and technical or reference reports.

The Secretary of the Interior’s Standards for Evaluating Significance within Registered Historic Districts (36 CFR 67.5)
Part 2 – Description of the Rehabilitation

Part 2 is used to determine whether the proposed work is consistent with the Secretary of the Interior’s Standards for Rehabilitation. Conformance with the Standards is determined on the basis of the submitted application and the property as it existed prior to the start of the rehabilitation work. Certification is based on whether the overall project meets the Standards.

The Standards apply to both exterior and interior work, and the entire project is reviewed, including any attached, adjacent, or related new construction on the property.

The Standards take precedence over other regulations and codes in determining whether the rehabilitation project is consistent with the historic character of the property and, where applicable, the character of the district in which the structure is located.

The application is used to describe the structure’s character-defining features affected, the type of work proposed, and how the work will impact those features. A consistent progression should be followed, such as from the exterior to the interior, and from the ground floor (or basement) to the roof.

Part 2 Tips

• All project work must be described; even work that will not directly affect historic features or qualify for the tax credits.
• The more specific the project description blocks are, the easier it will be for reviewers to understand the work and its impact. Stating “all walls will be repaired to the extent possible” is too general. A better description would include the existing wall construction and finish, typical wall conditions, the extent of work proposed, and a description of the repair method(s) to be used.
• Systems and services work such as: seismic; mechanical, electrical, and plumbing (MEP); and, heating, ventilation, and air-conditioning (HVAC) must be developed and described to the extent that their impact on historic features can be determined.
• The submittal of high quality photographs and complete drawings is critical in ensuring a smooth and timely review.
• Drawings or sketches should be of readable size, and include both floor plans and elevations, and sections where necessary. Existing conditions and proposed changes should be represented.
• A survey of existing conditions may be required when wholesale removal or replacement of a feature is proposed.
Part 2 – Description of the Rehabilitation

Part 2 Common Mistakes

- Not submitting a complete application cover page.
  - Most common omission:
    - Not checking off one of the “Owner” boxes in the Applicant section (fee simple or not).
- Not including descriptions for all phases of a phased project.
- Submitting application continuation pages or additional information on pages without the NPS application header. This does not apply to drawings, specifications, photos, and technical or reference reports.
- Insufficient or inadequate photography.
- Incomplete or missing scopes of work.
- Not providing sufficient justification and/or documentation for work, especially when work adversely impacts character-defining features.
- Work documented in drawings is not described in the application text.
- Drawings not developed to the extent that the impact of the work on character-defining features can be determined.
- Postponing the submittal and/or the submission of sufficient information on substantial scopes of work to a later date and a future submittal.

Preliminary Consultations

The Secretary of the Interior’s Standards for Rehabilitation & Illustrated Guidelines for Rehabilitating Historic Buildings
Part 3 is used to request the approval of a completed project. The submitted photographs should document that all the work described in Part 2 has been completed in keeping with the Standards.

Although the completed project may be visited by an OHP reviewer, most times the submitted photographs have to be relied upon to approve the completed work. Therefore, every effort should be taken to submit quality photographs to not only document the completed work but also to showcase the project. It should be noted that the OHP also uses select photographs from the Part 3 submittal in an annual report which is published on-line.

Certified Rehabilitation of a Certified Historic Structure

- If the NPS agrees with the OHP that the completed project meets the Standards and the building is listed in the National Register (meaning it is a “certified historic structure” and is listed either individually or as a contributor to a district), the NPS will designate that the rehabilitation is a “certified rehabilitation.”
- If the NPS agrees with the OHP that the completed project meets the Standards, but the building is not yet listed on the National Register, the NPS will only determine that the completed rehabilitation meets the Standards.
  - It remains the Owner’s responsibility to list their property.
  - Upon listing in the National Register, the building becomes a “certified historic structure” and the completed work becomes a “certified rehabilitation.”

It should be noted that the OHP and the NPS may inspect a property at any time up to five years after completion of the rehabilitation to ensure the project remains in compliance with the Standards.

Part 3 Tips

- Ideally Part 3 photos are taken in the same location as Part 2 photos.

Part 3 Common Mistakes

- Not providing an original owner signature.
- Not providing quality photographs.
- Submitting photos with views obscured or cluttered by barricades, uninstalled equipment, or construction debris that hasn’t yet been removed from the site.
- Not providing enough photographs to fully document the overall project.
- Submitting an application before the project is completely finished.
  - Most common issue:
    - Ground floor retail spaces are left unfinished.
Amendments/Advisory Determinations

The Amendment/Advisory Determination Form is typically used to submit changes to scopes of work already approved, provide additional information or further description of work already submitted, or new work that has not yet been submitted for review and approval. This generally requires the submittal of additional sketches and/or drawings pertaining to the specific scopes of work contained in the amendment. Additional photos may be required to further document existing conditions of spaces or features to be impacted.

The Form may also be used to:
- Respond to information requested by the NPS.
- Submit a change in ownership.
- Request a phased rehabilitation project advisory determination.

**Amendment Tips**
- Thoroughly review the cover page to ensure all the information requested is provided. Note that the current 2014 Amendment/Advisory Determination form asks for more information than the previous 2011 amendment form.
- Information submitted with amendments should follow NPS Documentation Requirements.
- Additional pages beyond the first page must contain the NPS Amendment/Advisory Determination header at the top of every accompanying page.
- To facilitate and streamline reviews, amendments should be self-contained to the extent possible to avoid having to cross reference information contained in previous submittals.

**Phased Advisory Tips**
- Be sure to provide all the appropriate information requested for an advisory determination.
- Send photographs equivalent to the documentation required for a Part 3 application.

**Amendment Common Mistakes**
- Not submitting a complete application cover page.
  - Most common omissions:
    ▪ Not checking off one of the “Owner” boxes in the Applicant section (fee simple or not).
    ▪ Not providing summary of work on the amendment cover page.
- Not filing an amendment when the previously approved description of work is altered or site discoveries require a revision of a previously approved scope of the project. Failure to do this may delay the review and approval of the Part 3 application.
- Submitting application continuation pages or additional information on pages without the NPS application header. This does not apply to drawings, specifications, photos, and technical or reference reports.
Additional Advice

Tax Certification Application Checklist
Photograph and Drawing Documentation Advice
Actions and Oversights That May Delay the Review of Your Project
Top Project Killers
Tax Certification Application Checklist

This checklist is intended to help you assemble a complete application package for any application submittal.

Property Name and Address

General

☐ **Number of Copies:** Include two original sets of all application documentation. Submit all material loose and not bound or in sleeves.

☐ **Application Forms:** Ensure all fields are filled out and appropriate boxes checked on the form. Be sure to use most current forms on NPS website.

☐ **Continuation Pages:** All continuation pages and additional information (except for drawings, specifications, photos, and technical or supplemental information) must be on pages with the NPS application header.

☐ **Owner Information:** Forms must contain original owner signatures, dates, the owner’s Social Security Number or Tax Identification Number, and email address.

☐ **Owner Status:** Ensure the appropriate box is checked to acknowledge the ownership status for the property.

☐ **Photographs:** Submit only high quality photos, and enough of them to sufficiently document the building. Ensure that all photos are:
  - Taken and printed at a high resolution.
  - Printed on photographic paper. Professional printing is recommended for best results.
  - A minimum of 4” x 6” in size.
  - Labeled per NPS requirements.

☐ **Photo Key Plan(s):** Include plan(s) indicating the view shown on each numbered photograph.

Historic Preservation Certification Application

NPS Historic Preservation Certification Application Instructions
Specific

Part 1: Evaluation of Significance

☐ **Map:** Show a clearly defined property boundary and all buildings on the property. For contributors to historic districts, include a boundary map of the historic district and indicate the property’s location within the district.

☐ **Photographs:** Showing the existing condition of all buildings on the property.

Part 2: Description of Rehabilitation

☐ **Application:** Be sure the appropriate ownership box is checked and the owner email is included. Note that the NPS review fee payment requests are sent to the owner’s email. For Phased Projects, provide a summary of all phases in the first summary block and at least a brief description of any future phase or phase to be addressed in a future amendment.

☐ **Photographs:** See OHP and NPS guidelines.

☐ **Drawings:** Provide drawings sufficiently complete and detailed to describe the rehabilitation. Drawings must be large enough to be legible.

Part 3: Request for Certification of Completed Work

☐ **Application:** Be sure the owner email is included. This is how the NPS will bill the owner upon receipt of the application.

☐ **Photographs:** These should ideally be taken from the same locations as the views provided in the Part 2 photo documentation.

Amendments/Advisory Determinations

☐ **Application:** Be sure the appropriate ownership box is checked and the owner email is included.

☐ **Work Scope:** For amendments, summarize a description of the work in the first page summary block.

☐ **Photographs:** See OHP and NPS guidelines.

☐ **Drawings:** For amendments, provide drawings sufficiently complete and detailed to describe the rehabilitation. Drawings must be large enough to be legible.

[NPS Documentation Requirements](#)
Photograph and Drawing Documentation Advice

High quality photography and sufficiently developed and readable drawings are key elements in ensuring a smooth and timely review.

Photographs
It is to your advantage to submit photos of the highest quality possible as this is the primary source used by reviewers to understand and evaluate your building. Unclear or unreadable photos are likely to raise concern and result in questions or a request for additional photographs which may delay the review of your project.

Enough photos of your building should be submitted to allow a person who has not visited the site a full visual understanding of the building and its setting. Photographs should include views of the overall site and building context, all exterior elevations, enough interior photographs to fully document all floors and spaces, and select detail shots to more fully document the character-defining features of the building.

Photo Tips
• Photographs of the building must be submitted before the start of any work. Without such documentation, the project may be denied certification for lack of information.
• Print high resolution images on high quality photo paper, with a minimum size of at least 4x6 inches. Resolution and clarity should be the equivalent or higher of typical 35 mm color photographs. Ideally photos are individually printed with labels on the back, per NPS requirements.
• Professional printing or use of a professional-quality printer is recommended for best results.
• Use sufficient lighting to ensure all features in the photo are clearly visible.
• Multiple views of the same features may be warranted depending on the significance of the feature and/or the proposed work and its impact.

Take the time to review the photographs being submitted and ask yourself if they are the best quality you can produce.

Drawings
Drawings should be developed to the extent that the impacts of the work on character-defining features can be determined.

Drawing Tips
• Drawings or sketches should minimally include both before and after floor plans and elevations, and sections where necessary. All details, call-outs, and notes must be easily readable.
• All work on the drawings must be described in the application, which is the regulatory legal document. Work shown on the drawings that is not described in the application should not be considered approved.
Actions and Oversights that May Delay the Review of Your Project

Application
Not proofing the overall application and submittal materials to ensure they are complete, well organized, and coordinated.

- Not thoroughly following the National Park Service (NPS) and Internal Revenue Service (IRS) instructions and requirements that govern the application process.
  - Two sets of all information must be submitted.
  - All application paperwork and related materials must be submitted loose and not in binders or sleeves. Drawings sets should always be stapled.
- Submitting an incomplete application cover page.
  - Note that the appropriate “Ownership Status” box must be checked, as applicable, within the paragraph under the “Applicant” section of the application.
- Submitting an incomplete application.
  - All existing features and/or proposed work must be sufficiently described to allow the OHP reviewer an understanding of the existing character-defining features and how they will be impacted.
  - All additional application pages (or Continuation Pages) must have a NPS application header. Be sure to include page numbers.
  - Include a description for all phases of a phased project (Part 2 application).
  - Provide a summary of work on an Amendment cover page.

Photographs
Not following NPS instructions.

- Pre-work Conditions: Not submitting “before” photos of the building taken prior to any work being done.
- Documentation: Submitting an insufficient number of photographs to fully document the building or not including photos of all areas where work will be done.
- Quality: Submitting photos that are poorly and/or incorrectly printed, not printed on photo quality paper, unclear, and/or taken without sufficient lighting.
- Labeling: Not providing labeling per the NPS requirement, or not correctly referencing the photos within the application text or on the photo key(s).

Drawings
Not following NPS instructions.

- Submitting drawings that are not developed to the extent that the impact of the work can be determined and/or submitting incomplete drawing sets.
- Omitting necessary elevations, sections, or details, when submitting the drawing sets.
- Submitting drawings with content that is too small to read.

Process

- Leaving substantial completion work to future tenants and/or the failure to inform tenants of tax credit project status.
  - Note that all work, including tenant work that impacts character-defining features of the building, must meet the Standards and be submitted for review and approval.
- Failure to promptly pay the NPS Part 2 or Part 3 review fee upon email notification.
Top Project Killers

The top issues that can jeopardize the success of a tax credit project typically involve the failure to meet National Park Service (NPS) and/or Internal Revenue Service (IRS) regulations and requirements, and may most notably involve the lack of overall project compliance with the Secretary of the Interior’s Standards for Rehabilitation (Standards).

Programmatic Problems

1. Submitting a finalized project design that cannot be easily modified.
   - The OHP and/or the NPS may require revisions to any submitted application. Obtaining all local approvals and entitlements prior to submitting a project for tax incentives is done so at the Owner’s own risk.
   - Work required solely to meet an owner’s program, pro-forma requirements, and/or a new use may also require revisions if the work is not compatible with the Standards and the character of the historic building.

2. Inappropriate use or work.
   - All project work, regardless of whether the work scope is a qualified rehabilitation cost, must meet the Standards.
   - New uses, or work required to enable a new use, must not adversely impact the character of the historic building.
   - New systems and services must typically be concealed as part of any project if they were not originally or historically exposed.
   - Changes that create a false sense of historical development must be avoided.

3. An overly ambitious program or new construction that overpowers the historic building.
   - New additions and new construction are permitted but the size, scale, and massing must be compatible with the original building and its setting.
   - Rooftop additions must be carefully designed to be compatible with the overall appearance of the building and its roofline. Generally rooftop additions should not be readily visible when viewing the building and its setting.

4. Wholesale replacement of a character-defining feature without justification and/or documentation.
   - Sufficient information must be provided to document the existing conditions and extent of removal, as well as justify the need for replacement.

5. Failure to finish spaces to the extent they were finished before starting work.
   - Character-defining spaces must retain their original level of finish. If spaces were finished at the start of the project, they must be finished to that extent upon completion of the project.

Consult and Submit Early!
Top Project Killers

Procedural Problems

1. Project is completed prior to submittal.
   • All work done prior to NPS review and approval is done so at the owner’s own risk.
   • The early submittal of a tax certification application can be critical. An owner must typically submit a Part 1 application before a rehabilitated building is placed into service, unless the building is already individually listed in the National Register of Historic Places.
   • The inability to provide “before” photographs of the building prior to any work commencing may be cause for denial of a project.

2. Failure to meet NPS regulations and requirements.
   • Be sure to follow the necessary NPS rules when planning and implementing projects.

3. Failure to meet IRS regulations and requirements.
   • Be sure to follow the necessary IRS rules when planning and implementing projects.

4. Insufficient written, drawing, and/or photographic documentation.
   • Lack of information may be cause for denial of a project.

5. Failure to submit all work on the project.
   • All work is reviewed whether or not it qualifies for the tax credit.

Program Basics

NPS Regulations: 36 CFR 67

IRS Regulations: 26 CFR 1.48-12

IRS Code Section 47

Eligibility Requirements