

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES
STATE AND FEDERAL HISTORIC REHABILITATION TAX CREDIT PROGRAM
DETAILED APPLICATION PROCESS

INTRODUCTION:

To ensure that your historic rehabilitation project is eligible for the State and/or Federal Historic Rehabilitation Tax Credit (HRTC) Program, you need to complete the three-step application and certification process. Both State and Federal HRTC Program applications must be submitted to the Virginia Department of Historic Resources (DHR). DHR provides technical assistance and literature on appropriate rehabilitation treatments, advises owners on their applications, makes site visits when possible, and, when Federal credits are sought, forwards the application to the National Park Service (NPS) with recommendations for a review determination. The NPS independently reviews rehabilitation projects for conformance with the Secretary of the Interior's *Standards for Rehabilitation (Standards)* and issues a certification decision for the Federal Program. Both DHR and NPS review the comprehensive proposed project scope, including any related demolition, site work, and new construction. The project will be approved only if the overall rehabilitation scope of work meets the *Standards*. We strongly encourage owners to submit their HRTC applications for review and approval before starting rehabilitation work.

Reviews can only occur for complete applications and are conducted as expeditiously as possible. DHR reviews most projects within 30 days. For Federal projects, the NPS review may take an additional 30-45 days after DHR has completed their review. If DHR or NPS request additional information, a new review period will start upon the receipt of the requested materials. Many owners choose to prepare and submit their own applications, although some applicants may elect to hire a consultant to advise them or to complete their application. An experienced consultant can facilitate the review process, especially for projects concerning large or more complex properties.

Maintaining the integrity of the Virginia HRTC Program is essential to the Program's continued success in supporting the revitalization of individual properties and historic neighborhoods throughout Virginia. It is imperative that all information submitted to DHR throughout the application process is accurate, comprehensive, and reliable. The property owner bears and accepts responsibility, as evidenced by their signature, for the accuracy and sufficiency of the information submitted to DHR. So too, it is incumbent on a property owner to draft and execute all legal agreements necessary for completion of the rehabilitation project in a way that is consistent with applicable laws.

The DHR HRTC main webpage can be found at <https://www.dhr.virginia.gov/programs/tax-credits/>. All application and guidance forms may be found at <https://www.dhr.virginia.gov/tax-credit/rehabilitation-tax-credits-forms/>.

All NPS HRTC application forms and guidance may be found at <https://www.nps.gov/subjects/taxincentives/index.htm>.

IMPORTANT SUBMISSION DEADLINES:

It is the responsibility of the owner/applicant to ensure that the following deadlines are met.

State Program: The only firm submission deadline that the State Program has is that a complete Part 3 application (application, photos showing the completed rehabilitation, financial report, and review fee check) must be submitted within one (1) year of the project completion date as identified by either the Certificate of Occupancy OR the date that the final, physical eligible rehabilitation was incurred. This firm deadline is set within the Regulations that govern the Virginia Historic Rehabilitation Tax Credit Program, and there is no ability for flexibility or appeal if this deadline is missed. If the one-year deadline has passed and a complete Part 3 application has not been submitted, the completed project cannot participate in the State Program.

Federal Program: A complete Part 1 application (when required) must be submitted before project completion.

WHO MAY APPLY:

An applicant must be the owner of the property within the meaning of Owner set forth in 36 CFR 67.2: "Owner means a person, partnership, corporation, or public agency holding a fee-simple interest in a property or any other person or entity recognized by the Internal Revenue Code for purposes of the applicable tax benefits." For example, under the State Rehabilitation Tax Credit Program, a taxpayer who has incurred eligible rehabilitation expenses may elect to treat a tenant or tenants as having incurred these rehabilitation expenses, provided that the lease is for a term of at least five years. Under the Federal program, long-term lessees may apply for such Federal tax benefits as allowed by the applicable IRS provisions, if their remaining lease period is at least 27.5 years for residential property or 39 years for nonresidential property.

If the applicant is not the fee-simple owner of the property or is not the owner at the time of application within the meaning of Owner described above, “the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification” (36 CFR 67.3(a)1).

Only the property owner (as outlined above) or legal member of the business entity that owns the property may sign the application forms. Project contacts such as business entity staff or consultants may not sign these forms.

STATE OR FEDERAL APPLICATION FORMS – WHICH FORMS TO USE?

See the “*Application Checklist*” for guidance on which forms to use, which can be found at our website.

FEDERAL ELECTRONIC SUBMISSION

As of August 15, 2023, NPS requires the electronic submission of all Federal HRTC Program materials. To facilitate this, updated application forms, guidance on electronic signatures, and information on the required NPS file- and photo-naming conventions and file organization are available at: <https://www.nps.gov/subjects/taxincentives/hpca-electronic-submission.htm>.

All applications submitted to DHR on or after August 15, 2023 MUST be submitted on the newly revised 2023 Federal application forms and must follow NPS’s requirements for electronic submission. Previous versions of Federal application forms will NOT be accepted after this date.

Please note: DHR still requires one (1) hard copy of all application materials, with original, wet-ink signature, for DHR’s review and files.

Once DHR receives the hard copy application (Parts 1, 2, Amendments, and/or Part 3), associated materials (plans, photographs, etc.), and confirms the application is complete, DHR staff will email the project contact with a unique upload link. The project contact will use that unique link to upload an identical, electronic copy of the hard copy application submitted to DHR, plus a Federal Transmittal Log. DHR will store this electronic file until the State review is complete and will then forward the electronic file and DHR recommendation to NPS for their independent review and response.

It is the applicant’s responsibility to ensure that the electronic documents follow the NPS required file- and photo-naming conventions and organization of electronic files guidance, and that the physical set of materials reviewed by DHR are identical to the electronic version. DHR staff will not be responsible for verifying the electronic materials match the physical copy and cannot modify the electronic materials in any way.

This guidance does not impact projects seeking only State credits – this applies only to those projects also seeking Federal credits.

ARE YOU PLANNING TO TRANSFER/SYNDICATE STATE HISTORIC TAX CREDITS?

The legal structure for the syndication of credits – the only way to “sell” these credits – should be set up early in the project, and should be in place before project completion. Please consult with a knowledgeable tax attorney to discuss your options.

REVIEW FEES:

DHR and NPS each charge a fee for reviewing Part 2 and Part 3 applications. Review fees are based on the estimated/actual rehabilitation costs reported on the application forms. If the rehabilitation project is Phased and/or involves multiple buildings that were functionally related historically, the costs reported on the forms are the total costs for the entire project. *Please note that review of the application will begin only when valid and complete payment is received. **Review fees may be claimed as an eligible expense.***

Federal Review Fees

Review fees for Federal projects are now paid electronically through pay.gov; NPS no longer accepts payments by

check or credit card. NPS will invoice the applicant by email for the review fee after they receive the application, which happens only after DHR completes their review and forwards the application and their recommendations to NPS. For more information visit the NPS website: <https://www.nps.gov/subjects/taxincentives/application-fees.htm>.

State Review Fees

To cover costs associated with the administration and operation of the State HRTC Program, fees are charged in accordance with an established fee schedule. These fees cover the cost of processing the State application only. Send your fee payment with the “*Fee Schedule*” document when you submit your application. Please indicate whether you are sending Part 2 or Part 3 review fee. Checks should be made out to the Virginia Department of Historic Resources.

You can find the state “*Fee Schedule*” document on the DHR website.

PART 1 – EVALUATION OF SIGNIFICANCE

The Part 1 application is used to determine whether a building is a “Certified Historic Structure” eligible for historic rehabilitation tax incentives. This application is typically used to affirm whether a building is a contributing resource within a historic district that is listed on the National Register of Historic Places (NRHP) and the Virginia Landmarks Register (VLR) or to confirm that a property, not yet listed, is individually eligible for listing. A Part 1 application is required for properties that are individually listed in the National Register EXCEPT in cases where there is only one building on the property, and no other structures. When an individually listed property possesses more than one building or structure on the property, then a Part 1 application must be submitted to DHR so that we may confirm which structures are “contributing” to the historic property and thus eligible for the rehabilitation tax credits. Examples of individually listed properties that would require a Part 1 application include a building on a university campus, a house with a detached garage, or farm with associated ancillary buildings or structures.

The Part 1 application requests certification that a building meets one of the following criteria:

- Is contributing to a Historic District that is listed on the NRHP and Virginia Landmarks Register (VLR).
- Is found to be eligible for listing (State only).
- Is individually listed on the VLR and/or the NRHP, when there is more than one building or structure present on the property.

NOTE: If the building has no historic status (i.e., is not located within a NRHP Historic District, is not individually listed in the NRHP, or is not eligible for listing), the owner may request that DHR evaluate the building for eligibility for individual listing. Once the property has been evaluated and determined eligible for individual listing, the applicant may then proceed with the tax credit application process. For the State tax credit program, a building only needs to be determined *eligible* for individual listing on the National Register. For the Federal program, it must be listed on the National Register. More information can be found on the evaluation and nomination process on DHR’s website at <https://www.dhr.virginia.gov/historic-register/>.

Completing the Part 1 Form – *please type all materials*

First Page of Form

This page must bear the applicant’s original, wet-ink signature, and be dated. All relevant blanks and check boxes should be filled out.

NOTE: The State Program application requires the owner signature to be an original, wet-ink signature.

If the applicant is not the fee-simple owner of the property or is not the owner at the time of application within the meaning of Owner set forth in 36 CFR 67.2, the application must be accompanied by a written and signed statement from the fee simple owner indicating that the owner is aware of the application and has no objection to the HRTC Program application.

Description of Physical Appearance

In this section of the Part 1 application, please proceed with the following:

- Describe the major exterior and interior features of the building.
- Describe the building in its current, pre-rehabilitation condition, not as it was when first built nor as it will be following the rehabilitation.
- Note the architectural style, exterior construction materials (wood, brick, etc.), type of roof (flat, gable, hipped, etc.), number of stories, basic plan (rectangular, irregular, L-shaped, etc.), and distinguishing architectural features (placement and type of windows, chimneys, porches, decorative interior features or spaces).
- Note any known changes made to the building since its construction (additions, porch enclosures, new storefronts, relocation of doors and windows, etc.) and interior alterations.
- List other buildings and structures on the property such as carriage houses, barns, sheds, in-ground pools, and silos, and provide approximate construction dates.

- Describe other historic resources such as cemeteries, hardscape landscape features, ruins, etc.
- Provide the approximate construction date of the main building and date(s) of alterations. If possible, give the source of the date.
- Check the appropriate box if the building has been moved.

Example:

This three-story, flat-roofed, unpainted brick building, rectangular in shape, was constructed in 1850. It features evenly-spaced arched windows on the second and third floors (6 openings on the east elevation have been filled in over the years, exact date unknown), 2-over-2 double-hung wood sash, and a prominent bracketed cornice.

The first floor of the facade has been altered: the existing storefront dates from ca. 1990. On the interior, the first floor is divided into two principal spaces—a large commercial space in front and a smaller office behind. The front room was greatly altered in the 1990's and contains no surviving historic fabric except for a simple wooden staircase running along the party wall. A pressed metal ceiling is the most prominent feature in the rear office; baseboards, paneled doors, and window and door surrounds also survive in this room. The upper floors have two rooms each, identical in configuration to the first floor; these rooms retain their original appearance, although they contain no architectural detailing of any kind (see photographs).

Statement of Significance

- For buildings in National Register historic districts, state that the building "...is a contributing resource within the [insert name of district] National Register historic district," noting the period of significance if it is available from the National Register Nomination Form. The summary Statement of Significance paragraph for the historic district can be copied from Section 8 of the district nomination.
- Note if the building is similar to other buildings in the Historic District in scale, building materials, style, and period of construction.
- Note important figures from the past associated with the building, any former uses, and the name of the architect or builder, if known.

Example:

The commercial building at 123 Main Street is a contributing resource within the Metropolis National Register historic district. The district is an intact grouping of architecturally significant commercial and industrial buildings constructed between 1850 and 1915 that display a variety of styles and types of architectural ornamentation popular during this era. The district is also significant as an early manufacturing and distribution center, which led to the city's-growth as one of the largest cities in the state. Industrial growth in the late 19th and early 20th centuries required the construction of larger buildings, and several still exist within the boundaries of the district (see photographs). This modest three-story building is typical in appearance to the majority of the buildings in the district. It was originally built for manufacturing buttons, but was converted into a store with offices above during the 1880's when wholesaling grew as an important new activity in the district. The building is similar to its neighbors in size, scale, materials, and style.

Additional Required Materials

Photographs and photo key. Submit photographs of the property as it appears before the rehabilitation. Include pictures of the building's site and environment, all of the building's sides, all major interior spaces and features, and representative secondary spaces and features. For properties with multiple resources/buildings, provide photographs documenting the exterior and interior of each resource. Key the photos to a floor plan, and if applicable, to a site plan. See the "Photographic Standards" document for additional guidance.

Map. Submit a map of the Historic District, with the building location highlighted with either a circle or arrow. If the property is individually listed, please submit a site plan or plat of the property, identifying the locations of any outbuildings and, if applicable, significant site features (i.e. fences, a historic cemetery, etc.). Relevant maps can often be found at the end of the NRHP Nomination Form, or a Google aerial map of the larger area where the property is located may be used. If the applicant does not own or control the entire historic property/parcel, the map must clearly identify the entire historic boundary and the portion that is under the applicant's ownership or control. This information may be provided on a second map, if necessary. Please note that if there is **any** commonality of ownership – such as a common business entity or shared individual stakeholders – between the subdivided parcels of a historically cohesive site, the different parcels are considered to be under common ownership. In this case, these commonly held parcels on a historically cohesive site should be submitted for review as if the site was not divided, and work done to even the section that is not seeking credits must be reviewed and approved.

Select portions of the National Register of Historic Places Nomination Forms. These are available from the DHR website at <https://www.dhr.virginia.gov/historic-registers>.

When submitting a Part 1 application for a contributing property within a NRHP historic district, please include the following pages from the NRHP Nomination Form:

- The first page of the Nomination Form.
- The page of the inventory list that includes your property (Section 7) (if present).
- The page that notes the period of significance for the Historic District.
- The page with the Statement of Significance summary paragraph (Section 8).

For individually listed properties with multiple resources, please include a full, printed copy of the NRHP Nomination Form with the Part 1 application.

REMINDER: If the property is not listed in the National Register of Historic Places, or (for the State Program) the Preliminary Information Form finding of eligibility process has not been undertaken, please review the "Preliminary Information Form" document found at <https://www.dhr.virginia.gov/wp-content/uploads/2023/04/Preliminary-Information-Form-2023.pdf> and contact the Tax Credit Specialist for additional guidance.

PART 2 – DESCRIPTION OF REHABILITATION

The Part 2 application requests certification that the proposed rehabilitation work scope is consistent with the *Standards*. DHR reviews all work associated with the project – involving both the interior and exterior of the building – and including any attached, adjacent, or new construction within the boundary of 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 historic district in which the building is located. Approval of the Part 2 application is based on whether the overall project scope will meet the *Standards*. The Part 2 application is the most complex of this three-part application process. It requires a detailed description of the proposed scope of work and information on how each feature or part of the building requiring work will be treated in the rehabilitation. The work scope items outlined in the Part 2 application should follow a logical progression, such as moving from the exterior to the interior, and from the ground floor (or basement) to the roof. Many property owners choose to complete the Part 2 application themselves using the Department's "Sample Narrative Description of Work" document as a guide; others hire a professional consultant to assist them. A list of preservation consultants is available from DHR upon request.

Emails and in-person meetings, while they can be helpful, are only for informal guidance; any substantial changes to the approved scope of work must be submitted as an Amendment for formal review and approval, and will receive an official, signed response on DHR letterhead.

IMPORTANT REMINDER: If the project has already been completed at the time that the Part 2 application is submitted, the Part 3 application must also be submitted concurrently. As a reminder, for the State HRTC Program a complete Part 3 application must be submitted within **one year** of the project's completion date – failure to meet this deadline will result in a project that is no longer eligible for State credits.

Completing the Part 2 Form – *please type all materials*

First Page of the Form

This page must be the official first page, must bear the applicant's original, wet-ink signature, and must be dated. All relevant blanks and check boxes should be filled out.

NOTE: The State Program application requires the owner signature to be an original, wet-ink signature.

The estimated total rehabilitation costs must be reported on the form. For a project involving multiple buildings that were functionally related historically, the costs reported on the form must be the total estimated rehabilitation costs of the entire project. If the rehabilitation project is Phased, the costs reported on the form must be the total estimated rehabilitation costs for all Phases.

Detailed Description of Rehabilitation Work

In accordance with the Regulations governing the HRTC Program, the written application takes precedence over all other submitted documentation (drawings, photographs, etc.). The written description must be comprehensive and include *all* treatments proposed for the historic buildings, non-historic structures, and site. All work will be evaluated for compliance with the *Standards*. Undescribed work that does not meet the *Standards* may result in completed work that must be remediated, or a project that ultimately cannot be certified as a completed rehabilitation.

Your description of work should include the following:

- A description of **all** work that will occur on the property, not simply work for which the tax credit will be sought. Please describe the existing condition of each category of architectural feature, followed by the proposed

treatment of this feature. Commonly used categories include features such as the “Site,” “Roof,” “Windows,” “Exterior Doors,” “Floorplan,” etc. If no work is planned for a particular architectural feature, we recommend including this feature as a category and noting in the text that no work will occur to this feature.

- The more specific the project descriptions are, the easier it will be for reviewers to understand the proposed work and its impact. Stating “all walls will be repaired to the extent possible” is too ambiguous, since it can be taken as anything from “retain and restore the historic wall finishes” to “completely remove the historic wall finishes and replace them with new material.” A better description includes identifying the existing wall construction and finish, typical wall conditions and deterioration in different locations, and a description of the repair method(s) to be used.
- At the bottom of each box of the application, where indicated, note the relevant photographs or drawing numbers that document the existing feature.
- For Phased projects, to the extent that the proposed scope of work is known, please describe it in the text. If future Phases of work are not fully developed at the time of the Part 2 submission, you must submit Amendments providing full details for work to be done in later Phases as this information becomes available. It is important to provide as much information – even on future Phases – as is possible during the initial submission of the Part 2 application. Where information is not yet known, it is a good idea to be clear about that within the Part 2 narrative.

Additional Required Materials

Photographs and photo key. Submit photographs showing the interior and the exterior of the building(s) before rehabilitation. Include photographs of the building’s site and environment, all of the building’s sides, all major interior spaces and features, and representative secondary spaces and features, including areas where no work is proposed. Key photos to a floor plan, and if applicable, to a site plan. Please note: if the photographs submitted with the Part 1 application comprehensively documented the property, then it may not be necessary to submit additional photographs of the property with the Part 2.

Architectural drawings or sketches. Submit architectural drawings or sketches showing the existing conditions of the property and the proposed rehabilitation work. Include floor plans and, where necessary, sections and elevation drawings. Separate drawings must show the “before rehabilitation/existing” and “after rehabilitation/proposed” conditions - do not combine before/after conditions onto a single drawing unless no changes are proposed for the plan or elevation. For smaller/less-complicated projects, hand drawn sketches may suffice. Plans should be sufficiently detailed to show existing wall configurations and any anticipated changes. Floorplan and elevation drawings must be submitted for any new additions or new construction. Dimensions and construction notes, if applicable, must be clearly legible. Drawings must be numbered and keyed to the application narrative. All work on the drawings must be described in the application text. Work shown on the drawings that is not also described in the narrative of the Part 2 application should not be assumed to be approved.

Not all drawings may be necessary to include. For example, mechanical, plumbing, and electrical plans for work contained within the existing walls and ceilings typically do not contain information that is pertinent to the review of the Part 2 application. However, the introduction of new chases, soffits, or exposed mechanical/plumbing/electrical systems can impact the character of historic buildings, and these features must be reviewed and approved by DHR and NPS. If new systems cannot be fully concealed within the existing and new walls and ceilings, then drawings depicting their proposed locations and sizes—including reflected ceiling plans—will likely be necessary. If you are unsure whether to include a particular drawing, DHR Review Staff can assist with this determination.

As much as possible, for the State submission drawings should be printed on paper that is no larger than 11” x 17” for ease of DHR review. This guidance does not apply to very large or complex buildings or projects – if full-sized drawings are necessary for the full building to be shown or details to be legible, it is acceptable to provide larger drawings for DHR review. Regardless of project size, “before rehabilitation/existing” and “after rehabilitation/proposed” drawings should be printed at the same architectural scale and orientation to facilitate review, and a directional arrow should indicate North.

Other Items

Depending on the particular circumstances of your project, additional materials may be necessary for DHR/NPS to complete the review. For example, when wholesale removal and replacement of a feature is proposed — i.e., significant plaster removal, or the replacement of historic windows – a photo survey of the existing conditions of that feature(s) may be required to document the necessity of that work. Specification sheets for new or replacement materials — such as new windows or doors — may also be necessary. If you are unsure if additional materials will be necessary for your project submittal, DHR Review Staff can assist with this determination.

AMENDMENT/ADVISORY DETERMINATION (Amendment Form):

This is also known as the “Continuation/Amendment” application for projects only seeking participation in the State Program.

We understand that projects change, or that new information can come to light during a rehabilitation. If your project changes after the submission and review of your Part 2 application, all new information or changes must be submitted to DHR/NPS for review and approval. This new information and changes to the work scope must be submitted with an Amendment Form with an original applicant signature.

As a reminder, emails and in-person meetings – while they can be helpful – are only for informal guidance. Any substantial changes to the previously approved scope of work must be submitted as an Amendment for formal review and approval, and will receive an official, signed response on DHR letterhead.

Use an Amendment Form to:

- Submit additional information requested by DHR or NPS.
- Inform DHR and NPS of a change in ownership.
- Amend a previously submitted Part 1, 2, or 3 application because of a change in the proposed work scope.
- *(Federal only)* Request an advisory determination as to whether a completed phase of a phased rehabilitation project meets the *Standards*.

Completing the Continuation/Amendment Form – please type all materials

This page must be the official first page, must bear the applicant’s original, wet-ink signature, and must be dated. All relevant blanks and check boxes should be filled out.

NOTE: The State Program application requires the owner signature to be an original, wet-ink signature.

To amend a previously submitted application, briefly describe the changes to the originally proposed scope of work in the provided narrative text box on the first page of the Amendment Form. This can include a note of any additional information requested by the DHR/NPS reviewer in the previous response letter or a general summary of the Amendment’s contents. Additional sheets should be used to fully describe the new information/changes that are being presented for review.

Include any attachments (photographs, drawings, specification sheets, etc.) necessary to understand the proposed work. If changes to previously reviewed plans or elevation drawings have been made in the Continuation/Amendment Form, please be sure to either highlight or otherwise call out the changed area graphically on the new plans so that the Reviewer can easily tell where changes were made.

NOTE: Failure to submit Amendments addressing the requested additional information and/or changes to the proposed work scope may result in a delay of the review and approval of the Part 3 application, or even in project denial. It is the applicant’s responsibility to ensure that DHR and NPS have had an opportunity to review and approve the work scope.

STATE PART 3 – REQUEST FOR CERTIFICATION OF COMPLETED WORK:

The Part 3 application requests certification that the completed project meets the *Standards*. If it is determined that any of the completed work does not meet the *Standards*, remediation may be required before the project can be certified, or the project may be denied.

In order to certify a project, DHR/NPS requires the property owner’s attestation that:

- The project has been conducted according to the approved Part 2: Description of Rehabilitation application, and that the work is consistent with the *Standards*;
- Ownership of the property has been properly structured and is accurately represented; and
- All expenses have been properly incurred and are eligible for the rehabilitation tax credits according to State and Federal regulations.

Photographs submitted with the Part 3 application, “Request for Certification of Completed Work,” should fully illustrate the completed project. DHR/NPS Staff review the photos and the prior submissions to determine compliance with the approved scope of work and *Standards*. Additionally, DHR or NPS may conduct a physical inspection of the project to confirm that the completed work meets the *Standards*.

For the State Program, a cost certification from a qualified Certified Public Accountant (CPA) is required in order to

document and certify eligible project expenses. All costs presented as eligible rehabilitation expenses must have been incurred by the property owner in connection with the specific project. Whether the required reporting is an Agreed-Upon Procedures (AUP) Report or an Audit depends on the total project cost:

- An AUP will be conducted for projects with total rehabilitation expenses of less than \$500,000 to provide assurance that the expenses meet the requirements of the program and are eligible for the rehabilitation tax credit. The CPA's resulting AUP report, which includes a supporting schedule of rehabilitation expenses, a schedule of construction costs, and relevant disclosure notes, must be submitted with the Part 3 application. All costs presented as eligible rehabilitation expenses must have been incurred by the property owner in connection with the specific project.
- An Audit will be conducted for projects with expenditures of \$500,000 or more to provide assurance that the expenses meet the requirements of the program and are eligible for the rehabilitation tax credit. The CPA's resulting audit report, which includes a supporting schedule of rehabilitation expenses, a schedule of construction costs, and relevant disclosure notes, must be submitted with the Part 3 application.

Completing the Part 3 Form – *please type all materials*

This page must be the official first page, must bear the applicant's original, wet-ink signature, and must be dated. All relevant blanks and check boxes should be filled out.

For the State Program, per Virginia Regulations the "Project/Phase Completion Date" is the date that the final physical rehabilitation cost was **incurred/invoiced** (not necessarily paid) at the property (this is often the date of the final invoice) - *OR*- the date of the Certificate of Occupancy (CO). Both the "Project Start Date" and the "Project Completion Date" should match what is found in the CPA report. All costs related to the overall project (or individual Phase) – both eligible and ineligible – should be reported on this page in the designated locations on the form.

On page 2, list all additional owners with their current addresses and Social Security or Taxpayer ID Numbers; use additional sheets as necessary. As a reminder, the original, wet-ink signature must be provided on the State Part 3 form. If applicable for your project, please also submit a "Disclosure of Ownership" form. The Disclosure of Ownership form should be submitted **ONLY** when there is more than one legal owner of the building. If a married couple filing jointly, LLC, LP, or other entity owns the building, even if there are multiple shareholders or partners in that entity, please do not submit a Disclosure of Ownership form. Where credits are to be syndicated, the ownership structure must be in place by the end of the year in which the property is placed in service.

For the Federal Program, if the project completion date and the date the property is "placed in service" pursuant to IRS regulations are different, the date of the final physical rehabilitation cost is the date that must be reported on the form. Both the eligible rehabilitation costs and ineligible rehabilitation costs must be reported in the designated locations on the form. If the rehabilitation project was phased or involved multiple buildings that were functionally related historically, then the costs reported on the form must be the total costs for the entire project.

Additional Required Materials

Photographs and Photo Key: Provide photographs taken after the completion of the rehabilitation work showing the same views, in the same order, as in the Part 2 photos. If the approved floorplan changes prevent capturing the exact same views in the Part 3 pictures, please try to follow the Part 2 pictures as closely as possible, while supplementing with additional photographs documenting the new work. Key photos to a floor plan, and if applicable, to a site plan.

State Program-Only, Financial Documentation: As noted above, either an Agreed-Upon Procedures Report or an Audit must be provided with the State Part 3 application, attesting to the expenses incurred during the rehabilitation.

The AUP or Audit report must be prepared by an independent Certified Public Accountant who meets the following requirements:

- 1) Only Certified Public Accountants working for firms that successfully undergo the peer review process every three years may issue an AUP or Audit to be used with the Virginia Historic Rehabilitation Tax Credit Program.
- 2) The CPA completing this report must be independent from the ownership of the project. From the AICPA publication, "Plain English Guide to Independence:"

"Independence of mind is the state of mind that permits a member to perform an attest service without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity an exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, who has knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of a firm or member of the attest engagement team is compromised."

NOTE: The "owner attestation" on the "Schedule of Eligible Rehabilitation Expenses" template must include the owner's original, wet-ink signature.

ACTIONS & OVERSIGHTS THAT MAY DELAY THE REVIEW OF YOUR PROJECT:

The following are common issues when submitting HRTC applications and may result in a delay in the review of your project.

Application

- Failing to review the overall application and submittal materials to ensure that they are complete, well organized, and coordinated.
- (Federal only) Submitting an electronic file for NPS review that does not follow their established file naming and format conventions.
- Submitting an incomplete first page or an outdated version of an application.
 - Note that the appropriate "Ownership Status" box must be checked, as applicable, within the paragraph under the "Applicant/Owner" section of the application.
 - A signature **must** be included on the first page (or second of the State Part 3) of each application.
 - NPS will accept electronic signatures that follow the guidance found on their electronic submission webpage.
 - For State Program review the applications **must contain original, wet-ink signatures**. A wet-ink signature is also required on the "owner attestation" found on the "*Schedule of Eligible Rehabilitation Expenses*" template.
 - State application forms will say "REV. 2023" at the bottom of the page, and Federal application forms will say "Rev. 6/2023" at the top of the page.
- Submitting an incomplete application.
 - All existing features and/or proposed work must be sufficiently described to allow the DHR/NPS Reviewer an understanding of the property's character-defining features and how they will be impacted by the new work.

For projects seeking Federal credits, all additional application pages (or Continuation Pages) must have a NPS application header. Be sure to include page numbers where applicable.

Photographs

- *Documentation*: Submitting an insufficient number of "before" photographs or failing to include photographs of all areas.
- *Quality*: Submitting photos that are poorly and/or incorrectly printed, not printed on photo quality paper, unclear, or are taken without sufficient lighting.
- *Labeling*: Failing to provide labels for the photos, not submitting a photo key, or not correctly referencing the photos within the application text or on the photo key(s).

Drawings

- Submitting unclear or incomplete drawing sets.
- Submitting drawings with content that is too small to read.
- Submitting revised drawings without highlighting the areas of change.

Process

- Leaving substantial completion work to future tenants and/or failing 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 pay the DHR and NPS Part 2 or Part 3 review fees.

TOP REASONS YOUR PROJECT MAY BE DENIED:

The top issues that can jeopardize the success of a tax credit project typically involve the failure to meet DHR, NPS, and/or IRS Regulations and requirements, and may most notably involve the lack of overall project compliance with the *Standards*.

Programmatic Problems

1. Submitting a finalized project design that cannot be easily modified.
 - DHR and/or NPS may require revisions to any submitted application so that the overall project scope meets the *Standards*. The obtainment of all local approvals and entitlements prior to submitting a project for HRTC Program review is done at the owner's own risk, as work that does not meet the *Standards* will need to be revised.
 - Work required solely to meet an owner's program, pro-forma requirements, and/or a new use may require revisions if the work is not compatible with the *Standards* and the character of the historic building.
2. Inappropriate work to the structure or surrounding site.
 - All work associated with the project, including aspects of the work scope whose costs will not qualify for HRTCs, must meet the *Standards* and be reviewed and approved by DHR/NPS staff.
 - The work required to enable a new use must not adversely impact the character of the historic building or its surrounding environment. This can include, but is not limited to, new additions that are not

- compatible with the historic structure or new entrances required on primary elevations.
3. New construction that overwhelms or competes with the historic building.
 - New additions and new construction can be approved for some projects. The size, scale, and massing of the addition or new construction must be compatible with the original building and its setting. Not every historic building can support a modern addition.
 - Rooftop additions must be carefully designed to be compatible with the overall appearance of the building and its roofline. Generally, rooftop additions are only appropriate for buildings where the new work will not be readily visible when viewing the building from the surrounding site or public rights-of-way. Due to the likelihood of visibility, rooftop additions are generally not appropriate on most low-scale structures (four stories or lower).
 4. Replacement of character-defining features without sufficient justification and/or documentation, or the use of inappropriate substitutes.
 - Adequate information must be provided to document the existing conditions and justify the need for the replacement of a historic feature.
 - Where replacement of a character-defining feature is approved by DHR and NPS, the replacement element must match the historic feature in design, dimensions, materials, and other visual qualities.
 - Synthetic replacements – vinyl, fiberglass, etc. – are not generally approved for use in projects seeking historic rehabilitation tax credits.
 5. Failure to finish spaces to a state compatible with the historic character of the structure.
 - Character-defining spaces must retain their original level of finish. In general, all spaces within a building seeking participation in the HRTC Program should be brought back to their historic level of finish. For historic industrial warehouses, this level of historic finish may include exposed brick walls, concrete flooring, and exposed structure; in historic offices or residences, the historic level of finish likely includes wall and ceiling flat finish, flooring, and trim.
 - “Mothballing” structures or spaces cannot be accomplished using the State or Federal HRTC Programs, as there is a Regulatory requirement for the buildings to be brought to a state of utility.

Procedural Problems

1. Project has been completed prior to submittal of the required application materials.
 - All work done prior to DHR and NPS review and approval is done at the owner’s risk. Work that does not meet the *Standards* may result in the requirement for remediation, or even in project denial. The early submittal of a HRTC application can be critical to the success of a project to ensure all work meet the *Standards*.
 - The inability to provide sufficient “before” photographs of the building, taken prior to any work commencing, may be cause for denial of the project due to a lack of information.
2. Failure to meet DHR, NPS, and IRS Regulations and requirements.
 - For the State Program, if the State Part 3 application is submitted more than one year after the project was completed, the building/project is ineligible for the Virginia HRTC Program.
 - For the Federal Program, an owner **must** submit a Part 1 application before a rehabilitated building is placed into service, unless the building is already individually listed in the NRHP and has no secondary resources (such as outbuildings).
 - The “material/substantial rehabilitation test” was not met.
3. Insufficient written, drawing, and/or photographic documentation.
 - Lack of information may be cause for denial of a project.
 - Failure to provide requested information may result in a project that cannot be reviewed or approved.
4. Failure to submit sufficient information regarding all work on the project.
 - All work must be reviewed, regardless of whether the costs associated with that work are eligible for the tax credit.
- If work that does not meet the *Standards* is completed without DHR/NPS review and approval, remediation may be required, or the overall project may be denied.