

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
**VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM**  
**COMPARISON OF STATE AND FEDERAL PROGRAMS**

	FEDERAL	STATE
<b>Amount of credit</b>	<b>20%</b> of eligible expenses	<b>25%</b> of eligible expenses
<b>Eligible Property Types</b>	<b>Income Producing Only</b>  Commercial or Rental Residential <i>Not owner-occupied residential</i>	<b>Income Producing</b> <i>-or-</i> <b>Owner Occupied Residential</b>
<b>Certified Historic Structure</b>	<b>Individually Listed on National Register of Historic Places (NRHP)</b> <i>-or-</i> <b>Contributes to a NRHP Historic District</b>	<b>Individually listed on Virginia Landmarks Register (VLR)</b> <i>-or-</i> <b>Contributes to a listed VLR Historic District</b> <i>-or-</i> <b>Has been evaluated as <i>eligible</i> for individual listing on the VLR</b>
<b>The Secretary of the Interior's Standards For Rehabilitation</b>	<b>All rehabilitation work must be consistent with the Secretary of the Interior's <i>Standards for Rehabilitation</i>.</b>	
<b>Minimum Cost Threshold</b>	<p><b>Improvements must be <u>more than 100% of the owner's adjusted basis in the building</u></b></p> <p>The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.</p> <p style="text-align: center;"><i>-or-</i></p> <p><b><u>\$5,000</u> – whichever is greater.</b></p>	<p><i>For Owner-Occupied Residential Properties:</i> <b>Expenses must be <u>at least 25%</u> of the assessed value of the building for the year before the rehabilitation was begun.</b></p> <p><i>For Commercial &amp; All Other Buildings:</i> <b>Expenses must be <u>at least 50%</u> of the assessed value of the building for the year before the rehabilitation was begun.</b></p>
<b>Eligible Rehabilitation Costs</b>	<p><b>Includes construction costs and some soft costs.</b></p> <p>Does not include the cost of new construction, expansion of the volume of the building, site work, or personal property.</p>	<p><b>Includes construction costs and some soft costs.</b></p> <p>Does not include new construction beyond the shell of the building, site work, or personal property.</p> <p><b>Some historic man-made landscape elements may be eligible.</b></p>
<b>Recapture of Credits</b>	<p><b>If a property is sold or it loses its status as income-producing within 5 years of completion of the rehabilitation, a portion of credits claimed will be subject to prorated recapture by the IRS.</b></p>	<p><b>There is no holding period for the state credit.</b></p> <p>The building may be sold any time after the rehabilitation without recapture of the credit.</p>
<b>Claiming Credits</b>	<p>Credit may be carried <b>forward for up to 20 years</b>, and <b>back 1 year</b>.</p>	<p>Credit may be carried <b>forward for up to 10 years</b>. There is no carry-back.</p>
<b>Deadlines</b>	<p>The Part 1 must be submitted <b><u>before</u></b> the work is completed.</p>	<p><b>Part 1, as well as Parts 2 and 3, <u>must be submitted within 1 year of the completion date.</u></b></p>

## FREQUENTLY ASKED QUESTIONS

### **What are the Rehabilitation Tax Credits?**

The State and Federal Historic Rehabilitation Tax Credits (HRTCs) are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings according to the Secretary of the Interior's *Standards for Rehabilitation (Standards)*, a nationally recognized set of guidelines that aim to revitalize historic sites and structures while preserving the essential historic character they possess.

The amount of the credit is based on a project's eligible rehabilitation expenses, and credits are available from both the Federal government and the State of Virginia. The Federal credit is 20% of the eligible rehabilitation expenses, and the State credit is 25% of the eligible rehabilitation expenses. In some cases, taxpayers can qualify for both the State and Federal Programs, allowing them to claim credits of 45% of their eligible rehabilitation expenses.

### **What buildings qualify for the State and Federal Tax Credit Programs?**

The credits described above are available only for "Certified Historic Structures," which are defined as follows:

- Under the Federal Program, a certified historic structure is one that is either:
  - Individually listed on the National Register of Historic Places, or
  - Certified as Contributing to a Historic District that is so listed.
- Under the State Program, a certified historic structure is one that is:
  - Individually listed on the Virginia Landmarks Register or National Register, or
  - Certified as a contributing structure in a Historic District that is so listed, or
  - Certified as *eligible* for listing.
    - Please note that for the State Program, a final listing on the State or National Registers is not required. A formal finding of eligibility for listing will enable a structure to participate in the Virginia Historic Rehabilitation Tax Credit Program. See the "*Preliminary Information Form*" document for more information on requesting a formal finding of eligibility for a structure that is not currently listed.

With a few exceptions, most Virginia properties that are listed on one of these registers are listed on both. Note, however, that National and Virginia Register historic districts may differ from locally designated historic districts. Certification that a building contributes to a listed district, or, for purposes of the State credit, is eligible for individual listing, is obtained only by submitting the Part 1 application for review.

The proposed use of a building also has an impact on potential eligibility for the State and Federal Programs:

- For the Federal Program, only income-producing properties are eligible for HRTCs.
- For the State Program, both income-producing properties and owner-occupied homes are eligible for HRTCs.

### **If my building is in a National Register Historic District that is not yet listed, can I start my rehabilitation anyway?**

Generally, buildings must be contributing to a historic district that is listed in either the Virginia or National Registers in order to receive the credit. In general, work can begin on a structure before final listing in the National Register; however, there is risk involved. If, for some reason, the historic district is not listed after the project is completed, any awarded credits would be subject to recapture. If possible, it is a good idea to wait until the listing process is nearly complete and appears to be on-track before doing any substantial work.

There are some differences between the State and Federal Programs in this matter:

- State Program: The property must either be determined individually eligible for listing, listed individually, or be in a listed National Register historic district, prior to credits being awarded.
- Federal Program: If you complete your project before the Historic District is listed, the Historic District **must** be listed on the National Register within thirty (30) months of the project's completion date in order to claim/retain Federal credits.

### **What work qualifies for the credits?**

Technically speaking, eligible expenses include any work that is properly chargeable to a building's capital account in connection with a certified rehabilitation. Essentially, this means that all work done to structural components of the building will be eligible, as well as certain soft costs such as architectural and engineering fees, construction period interest and taxes, construction management costs, and reasonable developer fees. Expenses related to new heating, plumbing and electrical systems are eligible, as well as expenses related to updating kitchens and bathrooms, compliance with ADA, and fire suppression systems and fire escapes.

Costs that are not eligible include acquisition costs, any expenses attributable to additions or enlargements of the building (including excavation), personal property such as appliances, and certain soft costs such as legal fees for syndication. Under the Federal program, site work, landscaping elements, solar, and geothermal systems are not eligible expenses. Under the State Program, certain historic, man-made landscape features may be eligible. See the “*Eligible and Ineligible Costs*” document for more information.

Please keep in mind that the overall work completed for the entire project must *Standards*; credits cannot be claimed only on the portions of the work that meet the *Standards*. Therefore, if the overall project does not meet the *Standards*, no part of the credit may be claimed. If the work is certified as meeting the *Standards*, the credit is based on all eligible expenses.

### **How much money do I have to spend?**

The threshold requirements for the State Program are different from the Federal requirements.

For the State Program, the eligible rehabilitation expenses must be:

- For owner-occupied residential buildings, at least 25% of the assessed value of the building for local real estate tax purposes for the year before the rehabilitation work began.
- For commercial and all other buildings, at least 50% of the assessed value of the building for local real estate tax purposes in the year before the rehabilitation work began.

Under the Federal Program, the project must be a “substantial rehabilitation” to qualify for the credit. The Internal Revenue Service defines “substantial” as exceeding the owner’s adjusted basis in the building, or \$5000, whichever is greater. The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.

### **How long do I have to complete the rehabilitation?**

The rehabilitation does not have to be completed within any particular period of time. However, the “substantial rehabilitation” test (for the Federal Program) and the “material rehabilitation” test (for the State Program) must be met within a consecutive 24-month period that ends sometime during the year in which the credits are claimed. Essentially, this means that for most projects the greatest expenditures must be made within a 2-year period, ending in the year in which the project ends. For phased projects, the time limit is extended to 60 months. See the “*Measuring Test*” document for more information.

NOTE: Per Virginia Program regulations, only costs incurred on or after January 1, 2003 may be considered eligible for the Virginia Historic Rehabilitation Tax Credit Program.

### **My project has taken longer than I expected, and although I have spent more than my adjusted basis in the building, I have not spent it within a 24-month period. Can I decide to Phase my project now in order to take advantage of the 60-month measuring period?**

For the State Program, yes. As long as the project is still ongoing it may be Phased at any time before the project has been completed. A Phasing Plan must be submitted for review and approval as soon as possible.

For the Federal Program, no. In order to use the 60-month measuring period for a Phased project, the taxpayer must choose to Phase the project from the beginning. This means that a Phasing Plan, showing what work will be completed during each phase of the project, must be submitted before work begins. For some projects, it may be a good idea to submit a Phasing Plan at the start of the project, even if there is a possibility the project can be completed within two years. This will “hold open” the 60-month time period but does not obligate the taxpayer to take that long to complete the project.

See the “*Project Phasing*” document for more information.

### **When can I claim the credit?**

The credit is claimed for the year the rehabilitation is completed, as identified by the “completion date.”

Per State Program regulations, the “completion date” is EITHER the date of the Certificate of Occupancy OR the date that the final, eligible, physical rehabilitation expenditure was incurred; soft costs incurred after the rehabilitation work is completed, such as the CPA or review fees, are not used to determine the completion date.

The State credit may be carried forward for up to ten years. There is no carryback for the State credit. As of January 1, 2017, there is a \$5 million dollar cap on the amount of credits a single taxpayer can claim in a single taxable year.

The Federal credit may be carried forward for up to twenty years, and back for one year. Additionally, under the Federal Program the credit cannot all be claimed during the year of project completion; it must be claimed over at least the first five years in increments of 20% of the total credit.

### **Can I sell the building after I complete the rehabilitation?**

Under the State Program there is no continuing ownership requirement following completion of the rehabilitation. That said, it is strongly recommended that owners participating in the Virginia HRTC Program do not sell the building before a final certification letter is issued. In some instances, remediation of inappropriate or unapproved completed work is required to certify the project for tax credits. If the previous owner/tax credit applicant no longer owns the building, it may not be possible to complete the required work and so the overall project may be denied. Maintaining ownership of the building until the final certification is issued protects against this.

Please note that per Program regulations, the Virginia Department of Historic Resources reserves the right to inspect a rehabilitated property at any time during the first three years after completion, and to revoke certification if work was not undertaken as presented in the Part 3 application. Please see 17VAC10-30-50 (F) for more information.

Under the Federal Program, if the building is disposed of, or if it loses its income-producing status, within five years after the rehabilitation is completed, the taxpayer will face recapture of the credit. The amount of recapture is reduced by 20% in each succeeding year after the year the rehabilitation is completed. In other words, if the building is sold after one year, there will be recapture of 80% of the credit; if it is sold after two years, there will be recapture of 60% of the credit; and so forth.

The National Park Service reserves the right to inspect a rehabilitated property any time during first five years after completion, and to revoke certification if work was not undertaken as presented in the application, or if further unapproved alterations have been made since the tax credit project's completion. The recapture rates discussed previously would then apply.

### **Can I sell the tax credits?**

Technically speaking, no. Credits may be syndicated through the use of limited partnerships, but they may not be directly sold. Syndication is a common tool for bringing investors into a rehabilitation project, but it must be carefully thought out at the beginning of the project. Federal credits may be allocated according to percentage of ownership. The State credit, however, may be allocated by agreement among partners. The Virginia Department of Historic Resources does not provide advice on these types of ownership structures. Please consult with an experienced tax credit attorney to determine if this is an option for you.

### **How can a nonprofit organization, church, or local government take advantage of rehabilitation tax credits?**

By taking on taxpayers under a limited partnership arrangement and maintaining a minority ownership interest as a general partner, nonprofit organizations and other entities that do not have a Virginia income tax liability have been able to benefit from the State Historic Rehabilitation Tax Credit Program. The Virginia Department of Historic Resources does not provide advice on these types of ownership structures. Please consult with an experienced tax credit attorney to determine if this is an option for you.

### **How do I apply for the credit?**

Applying for the State or Federal HRTC Program is a three-part process. See the *"Detailed Application Process"* document for more details.

- The Part 1 application requests certification that the building is historic and that it is eligible for the Program. For properties that are individually listed, with no outbuildings or other structures, it is not necessary to submit a Part 1. For all other properties – i.e., those seeking certification that they are contributing structures in a listed historic district, are individually listed but have multiple buildings, or have been found to be individually eligible for listing (State-only) – a Part 1 is required. Photographs showing the property in its pre-rehabilitation state must be submitted with the Part 1.
- The Part 2 application requests certification that the proposed rehabilitation work appears to be consistent with the *Standards*. The Part 2 is the most complex part of the application. It requires a description of each significant architectural feature of the property and detailed information on the specific work that will be done in the rehabilitation on each architectural feature. Many property owners choose to complete the Part 2 themselves using the available *"Sample Narrative Description of Work"* document as a guide. Others hire a professional consultant to assist them with completing the required forms. A list of consultants is available from the Virginia Department of Historic Resources upon request.

Please note that additional pre-rehabilitation photographs are often necessary to include with the Part 2 application if the photographs submitted with the Part 1 application are not sufficient for a comprehensive review of the existing conditions and proposed work.

- The Part 3 application requests certification that the completed work is consistent with the Secretary's *Standards*. Photographs showing the completed work must accompany Part 3. All Part 3 applications must have an independent Certified Public Accountant review the expenses incurred for the specific project and submit the required financial report. Projects with below \$500,000 in total project expenses should follow the "Agreed-Upon Procedures Report" example; projects with total project expenses of \$500,000 or greater should follow the "Illustrative Audit Report" example. The appropriate financial report must be submitted concurrently with the Part 3 application - see the "*Financial Certification Requirements*" document.

#### **What are the standards for photographic documentation for the application?**

The size and clarity of the photographic images must adequately document the before and after conditions of the building. 24 to 36 photographs are generally sufficient for the average, single-family/small building project. However, it is better to have more photographs than too few. Either conventional film or printed digital photographs are permissible. All photos must be a minimum of 4"x6" in size and may be printed as singles or two to a page. If printing photos for the Federal Program, photographic paper is required. Photographs should be labeled with the following information: building name and/or address, view (e.g., north side), and description (e.g., plaster damage in dining room, north wall). Photographs must be numbered and keyed to the Part 2 narrative descriptions of the scope of work as well as a photo key.

If photographs are judged to be insufficient due to poor lighting, poor resolution, or insufficient coverage of the exterior and interior spaces, the reviewer may place your application on hold and request additional photographs, which could delay your project's progress.

See the "*Photographic Standards*" document for more information.

#### **I began rehabilitating a historic building last year, but I have just learned about this program. Can I still qualify for the credits?**

It is much more difficult to qualify for the credits if you don't submit the Part 1 and 2 applications before beginning work, but it may be possible. You must have good photographs showing the building before the rehabilitation work began, as described in the preceding section. If you do not have this documentation, it will not be possible to evaluate the proposed and completed project. Additionally, all work which you have already completed must meet the *Standards* – any work that does not meet the *Standards* would need to be remediated in order for the overall project to be approved.

Failure to submit the Part 1 application before completing work is not necessarily fatal to the State Program, provided that all other requirements of the program are met. However, the deadline for application for participation the State Program is one year after your completion date, which is either the date of the Certificate of Occupancy **-or-** the date of the final eligible physical rehabilitation expenditure. You *must* submit a complete, fully documented Part 1, Part 2, and Part 3 application by this date in order to qualify for the State credit.

If you have already completed your rehabilitation work, and your building is not individually listed on the National Register, **you cannot qualify for the Federal credit.** The IRS has taken a strong position that if the Part 1 application has not been submitted before the building is placed in service, it is not a "Certified Historic Building", and the Federal credit is not available. Please note that a Part 1 application is required for all properties that are individually listed on the National Register except in cases where there is only one building on the property and there are no other resources.

#### **How do I claim the credit?**

To claim the State credit, the taxpayer must complete the State Schedule CR and attach a copy of the certification of completed work letter provided by the Department of Historic Resources.

The Federal credit is claimed on IRS Form 3468. The IRS requires information related to the substantial rehabilitation test and a copy of the certification of the completed work by the Secretary of the Interior.

#### **Where can I find the regulations governing these programs?**

The Virginia legislation authorizing the State Historic Rehabilitation Tax Credit is found at *Va. Code. §10.1-2202* and *§58.1-339.2* of the Code of Virginia. The section of the Administrative Code is *17VAC10-30*. The regulations for the State Program are final as of February 10<sup>th</sup>, 2016.

The Federal regulations governing the National Park Service's review of tax credit applications are found at *36 CFR 67*. The regulations governing the use of the tax credit itself (the IRS regulations) are found at *26 CFR 1.48-12*.

**How can I get additional information?**

For additional information about the State rehabilitation tax credit program, check out the Virginia Department of Historic Resources website at <https://www.dhr.virginia.gov/tax-credits/>.

For additional information on the Federal program, check out the National Park Service's website at <https://www.nps.gov/subjects/taxincentives/index.htm>, or its IRS Connection at <https://www.nps.gov/subjects/taxincentives/irs-information.htm>.

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## APPLICATION CHECKLIST

Use the following checklists to ensure that your State or Federal application is complete. Please check your application carefully, as incomplete applications will not be reviewed until the appropriate information is received.  
**FAILURE TO SUBMIT A COMPLETE APPLICATION MAY RESULT IN REVIEW DELAYS.**

**STATE REVIEW FEE:** Refer to the Fee Schedule to calculate the review fees for State Part 2 and Part 3 applications. A **check** for the State review fee must be submitted in accordance with the instructions on the Fee Schedule at the same time the application is submitted. DHR is unable to accept cash or credit cards for review fees.

**FEDERAL REVIEW FEE:** Once the State review is complete, and the application has been forwarded to the National Park Service (NPS), NPS will issue an electronic invoice for the Federal review fee to the owner/applicant using the email provided in the application. Please note that this is the only way to pay the Federal program review fees.

**NOTE:** For properties protected by a DHR easement, please submit an additional copy of all materials.

### STATE TAX CREDIT ONLY

#### Part 1: Evaluation of Significance

**One (1) State Part 1 Application** with owner's original signature on current form (revised 2023).

**One (1) Aerial Photo Map** locating property within the boundaries of the historic district. For individually-listed properties, submit an aerial photo map locating the property. Contact DHR for assistance with maps if needed.

**One (1) Copy of the following National Register Nomination Form Pages:** (*available from DHR's website*)

The first page of the Nomination Form.

The page from the Section 7 inventory that lists the property (if available).

The page showing the period of significance for the historic district or property.

The page with the statement of significance for the historic district or property.

**One (1) set of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and should show streetscapes/context, all sides of the building, major interior spaces, and any specific character-defining features prior to rehabilitation. See the "*Photographic Standards*" document for additional guidance. **Please do not insert the photos into plastic photo sleeves** – they should be rubber-banded, clipped, or placed together in an envelope.

**One (1) Photo Key:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan.

*Note: A Part 1 application is required for all projects unless the property has only one building and that building is individually listed on the Virginia Landmarks Register.*

#### Part 2: Description of Rehabilitation

**One (1) State Part 2 Application** with owner's original signature on the current form (revised 2023). A complete State Part 2 application must include both the "Cover Sheet" and the "Narrative Description of Work" Documents.

**One (1) set of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and show the condition of the building prior to the rehabilitation. All areas where significant work is proposed should be documented. See the "*Photographic Standards*" document for additional guidance. **NOTE:** If submitting both the Part 1 and Part 2 at the same time, you may submit only one set of photographs and key for both the Part 1 & Part 2.

**One (1) Photo Key:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan.

**One (1) set of drawings** showing the **existing floorplan** (not-to-scale drawings are acceptable).

(If applicable) **One (1) set of drawings** showing the **proposed floorplan** (not-to-scale drawings are acceptable).

For Phased projects, a **Phasing Plan** outlining work proposed for each Phase, the approximate cost for each Phase, and the start and end dates for each Phase. See the "*Project Phasing*" document for additional guidance.

**State review fee check**, and a copy of the "*Fee Schedule*" document.

#### Part 3: Request for Certification of Completed Work

**One (1) State Part 3 Application** with owner's original signature on current form (revised 2023) with all sections completed.

**One (1) set of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and show the condition of the building after the rehabilitation. All areas where significant work was completed should be documented, and it is recommended to try and match up the photo locations to that which was shown in the Part 2 photographs. See the "*Photographic Standards*" document for additional guidance.

**One (1) Photo Key:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan.

**State review fee check**, and a copy of the "*Fee Schedule*" document.

**One (1) Copy of State Part 1 certification letter.**

**Cost certification** by a Certified Public Accountant. See the "*State Financial Certification Requirements*" document for additional guidance.

## BOTH STATE & FEDERAL TAX CREDITS

**IMPORTANT** – See page 3 for information on the NPS's planned transition to electronic submissions in 2023.

### TIPS:

- When applying for both State and Federal Programs, the Virginia Department of Historic Resources uses the Federal Application forms for the Part 1, Part 2, and Amendments. The State Program requires use of DHR's Part 3 application.
- When applying for both State and Federal Programs **TWO (2) copies** of all materials must be submitted – one for DHR and one for the NPS. This includes two copies of the Federal forms for the Part 1, Part 2, Part 3, Amendments, all photographs, drawings, maps, etc. Only one copy of the State Part 3 and financial reporting must be submitted.
- Photographs for the National Park Service must be printed on photographic paper.

### Part 1: Evaluation of Significance

**Two (2) Federal Part 1 Application forms** with owner's **original** signature on both copies.

**Two (2) Aerial Photo Maps** locating property within the boundaries of the historic district. For individually-listed properties, submit an aerial photo map locating the property. Contact DHR for assistance with maps if needed.

**Two (2) Copies of the following National Register Nomination Form Pages:** (available from DHR's website)

The first page of the Nomination Form.

The page from the Section 7 inventory that lists the property (if available).

The page showing the period of significance for the historic district or property.

The page with the statement of significance for the historic district or property.

**Two (2) Sets of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and should show streetscapes/context, all sides of the building, major interior spaces, and any specific character-defining features prior to rehabilitation. See the "*Photographic Standards*" document for additional guidance. **Please do not insert the photos into plastic photo sleeves** – they should be rubber-banded, clipped or placed together in an envelope.

**Two (2) Sets of Photo Keys:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan.

**Note:** A Part 1 application is required for all projects unless the property has only one building and that building is individually listed on the National Register of Historic Places.

### Part 2: Description of Rehabilitation

**Two (2) Federal Part 2 Application forms** with owner's **original** signature on both copies. The application must include a complete narrative description of all proposed rehabilitation work, describing the building's existing features and the impact of proposed work on these features. Work to all buildings/structures, the site, and any new construction must be included in the proposed work narrative.

**Two (2) Sets of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and show the condition of the building prior to the rehabilitation. All areas where significant work is proposed should be documented. See the "*Photographic Standards*" document for additional guidance.

**NOTE:** If submitting both the Part 1 and Part 2 at the same time, you may submit only one set of photographs and key for both the Part 1 and the Part 2.

**Two (2) Sets of Photo Keys:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan.

**Two (2) Sets of Drawings** showing the existing floorplan. (Not-to-scale drawings are acceptable.)

(If applicable) **Two (2) sets of drawings** showing the proposed floorplan. (Not-to-scale drawings are acceptable.)

For Phased projects, a **Phasing Plan** outlining work proposed for each Phase plus approximate cost and start and end dates for each Phase. Please see the "*Project Phasing*" document for more information.

**State review fee check** and a copy of the "*Fee Schedule*" document.

### Part 3: Request for Certification of Completed Work

**One (1) completed State Part 3 application form** with owner's **original** signature.

**Two (2) completed Federal Part 3 Application forms** with the owner's **original** signature on all copies.

**Two (2) sets of Photographs:** Photos must be color, well-lit and clear, a minimum size of 4"x6", and show the condition of the building after the rehabilitation. All areas where significant work was completed should be documented, and it is recommended to try and match up the photo locations to that which was shown in the Part 2 photographs. See the "*Photographic Standards*" document for additional guidance.

**Two (2) Sets Photo Keys:** Key numbered photo locations to current floor plan drawings, and if applicable, to a site plan. See the "*Photographic Standards*" document for additional guidance.

**State review fee check** and a copy of the "*Fee Schedule*" document.

**One (1) Copy of State Part 1 certification letter** (for State Part 3 application only).

**One (1) Cost Certification** by a Certified Public Accountant. See the "*State Financial Certification Requirements*" document for additional guidance.



## **APPLYING FOR STATE AND FEDERAL TAX CREDITS AFTER THE NATIONAL PARK SERVICE TRANSITIONS TO ELECTRONIC SUBMISSIONS IN 2023**

As of the creation of this document, the National Park Service is in the process of developing a fully electronic submission and review process for projects seeking Federal Historic Rehabilitation Tax Credits. This will include the electronic submission of all application forms, drawings, photographs, and other review materials sent in for participation in the Federal Program.

While we have no firm date for this transition beyond an anticipated 2023 implementation, DHR has been told that once the electronic submission process is established by NPS there will be a several-month transition period where either electronic or paper copies will continue to be accepted by NPS, culminating in a firm date when no new paper applications or materials will be accepted by NPS.

### **IMPORTANT:**

Once the final transition to electronic submission has been made, NPS will no longer accept any paper copies of application materials. Electronic submissions for Federal Program review will be mandatory at that time. Hard copy submissions will continue to be required for State Historic Rehabilitation Tax Credit Program applications.

At this time, the final process and procedure for electronic submission of Federal Program materials is not finalized. However, we are able to share the following information and guidance:

- 1) **DHR will continue to receive and review State Historic Rehabilitation Tax Credit Program projects as paper submissions**, even after NPS transitions to an electronic submission process.
- 2) Projects seeking both State and Federal historic tax credits will be responsible for concurrently submitting both a hard copy **-AND-** an identical electronic copy of all application materials to DHR.

The only difference between the State's hard copy and the Federal electronic copy will be the signature line – DHR will continue to require an original, wet-ink signature on all application materials submitted for the State Program.

- 3) NPS will provide all guidance related to file type, file size, formatting, file naming conventions, and organization for the electronic files. It will be the applicant's responsibility to ensure that their electronic submission meets the requirements established by NPS. Requirements for the electronic submissions will be available on the NPS website.
- 4) DHR's only involvement in the management of the electronic files will be to have a method to receive the electronic file when the application is initially submitted, to store that electronic file while DHR Review Staff completes the State Program review, and to then transfer the electronic file and our review recommendations to the NPS's secure file share site once the State review is completed.

At this time the process for applicant/consultant submission of the electronic files to DHR is not yet finalized. The DHR tax credit website will be updated with additional information and guidance as soon as this information is available, following the establishment of guidance by NPS.

- 5) DHR will continue to utilize the Federal forms for the Part 1, Part 2, and Amendment applications that are submitted for projects seeking both State and Federal historic tax credits.

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STATE AND FEDERAL HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**DETAILED APPLICATION PROCESS**

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. To facilitate the review process, the use of an experienced consultant can be beneficial, 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.

### **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, long-term lessees may also 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).

### **STATE OR FEDERAL APPLICATION FORMS – WHICH FORMS TO USE?**

See the "*Application Checklist*" for guidance on which forms to use.

### **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:** For Federal credits, if the building is not currently located within a NRHP Historic District nor individually listed in the NRHP, the owner must submit a Part 1 application and begin the separate process of requesting that DHR nominate the building or the district to the National Register. More information can be found on the 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 be the official first page, must bear the applicant's original signature, and must be dated. All relevant blanks and check boxes should be filled out.

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 do the following:

- Describe the major features of the building on both the exterior and the interior.
- 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.
- Describe other buildings on the property such as carriage houses, barns, and sheds, 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

- Summarize how/why the building is significant or contributes to the significance of the Historic District (for buildings that are contributing to a NRHP Historic District, not those that are individually listed), noting the period of significance if it is available from the National Register Nomination Form. Please note that this summary and the period of significance can often be pulled from Section 8, the Statement of Significance, in the National Register Nomination Form for the property or Historic District.
- 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 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 4" x 6" 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 also 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 first page of the statement of significance summary (Section 8).

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

**NOTE:** If the property is not listed in the National Register of Historic Places, or (for the State Program) the Preliminary Information Form process is not complete, please review the "Preliminary Information Form" document 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.

**NOTE:** 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 signature, and must be dated. All relevant blanks and check boxes should be filled out.

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, drawings should be printed on paper that is no larger than 11" x 17" for ease of DHR/NPS 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/NPS 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 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 signature, and must be dated. All relevant blanks and check boxes should be filled out.

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 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. 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 single 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 report must be prepared by an independent Certified Public Accountant qualified to practice in the State of Virginia. See the "*Financial Certification Requirements*" document for additional guidance.

## **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 "*Fee Schedule*" document on the DHR website at <https://www.dhr.virginia.gov/tax-credits/>.

## **ACTIONS AND 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.
- Failing to submit two sets of all information when applying for both State and Federal credits.
- 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.
  - An original signature **must** be included on the first page (or second of the State Part 3) of each application. Photocopied signatures cannot be accepted by DHR or NPS.
  - State application forms will say "REV. 2023" at the bottom of the page, and Federal application forms will say "Rev. 2019" 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.

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**PHOTOGRAPHIC STANDARDS**

**Submitted Photographs Should:**

- Be well-lit, clear, and should not be digitally manipulated (minimal adjustments to the brightness may be acceptable if the overall quality is not negatively affected). If power is not available within the structure, supplementary lighting should be brought in to ensure adequate lighting.
- Be color and printed at a minimum size of 4" x 6". Home-printed photos are permitted, so long as the printer provides adequate picture quality. If applying for the Federal program, photographs must be printed on photo paper. 8½ x 11-size photo paper is acceptable.
- Fully document the before- and after- rehabilitation conditions of the building. 24 to 36 photographs are generally sufficient for the average, single-family home or small commercial structure; however, it is better to have more photographs than too few.
- Follow a logical organization: exterior to interior; bottom to top.
- Be labeled with the following information: building name and/or address, view (e.g., "north side"), and description (e.g., "plaster damage in dining room, north wall").
- Be numbered and keyed to a floorplan of the building, using arrows to show the direction of each view (i.e. a photo key).

If photographs are judged to be insufficient in either quality or completeness, the reviewer may place your application on-hold and request additional photographs. **Please do not insert the photos into plastic photo sleeves** – they should be rubber-banded, clipped or placed together in an envelope.

**PART 1:**

The Part 1 application photographs are used for making a determination of eligibility. The focus is on documenting the overall building, the site, any outbuildings/other resources, and the conditions before rehabilitation.

- Site and surrounding environment. Streetscape photographs showing the buildings on either side of the subject building are recommended for urban buildings.
- All exterior elevations. Where elevations are partially blocked by adjacent buildings or trees, it may be necessary to take several photographs from different angles to show the whole elevation.
- Typical exterior features: siding, window sash, foundations, roofing, shutters.
- Major interior spaces: hallways, stairways, and principal rooms, including areas where no work is proposed. Wide-angle photographs are recommended.
- Major interior features: staircases, mantelpieces, woodwork, etc.
- All outbuildings and secondary resources (such as walls or ruins) must be photographed – even if they are not historic and not part of the project.

**PART 2:**

The Part 2 application photographs should comprehensively document the structure. Special attention should be paid to any areas where rehabilitation work is proposed, and illustrate the points being made in the Part 2 text. However, even areas where no work is proposed must be documented in either the Part 1 or Part 2 photographs.

**NOTE:** *If the Part 1 and Part 2 applications are being submitted concurrently, a single set of photographs and a photo key map may be submitted for review for each Program (State and Federal).*

- Exterior and interior areas where rehabilitation work is proposed throughout the property. Photos should try and show entire rooms and spaces as much as possible.
- Some details of deteriorated interior and exterior features: peeling paint, rotten wood, cracked plaster, previously altered features.
  - **NOTE:** *It is not necessary to take multiple close-up photographs of every deteriorated detail. Representative images are sufficient to demonstrate conditions.*
- Typically taking two photographs from across a room or hallway – including the floor and ceiling – is sufficient to show most spaces.
- Photographs must also be numbered and keyed to the Part 2 description of proposed work.

**PART 3:**

The Part 3 application photographs should show all areas of the structure, both where work was completed and where work was not completed.

- Part 3 photographs should – as much as possible – follow the locations where the Part 2 photographs were taken.
- It is recommended that for specific, technical repair work – such as masonry repointing, window restoration, or in-kind replacement of distinctive historic fabric and features – detail images be provided with the Part 3.



COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**ELIGIBLE AND INELIGIBLE EXPENSES**

**NOTE:** This is not intended an exhaustive list. The items below provide a broad guide to the types of costs that are, and are not, typically eligible for receiving historic rehabilitation tax credits. Please reach out to Tax Credit Staff with additional questions.

**Examples of Expenses that are Eligible:**

Eligible rehabilitation expenses are expenses incurred by a taxpayer in the material rehabilitation of a certified historic structure and are added to the property's capital account. All eligible expenses must be attributable to the basis of the property.

**Hard costs**, comprised of permanently affixed parts of the building, such as:

- Structural components (e.g., walls, permanent wall partitions, floors, ceilings; roof, chimneys, stairs).
- Finish treatments (e.g., paint, siding, trim, permanently affixed flooring, tile).
- Windows and doors.
- Custom cabinetry and countertops (designed specifically for the space and not modular).
- Specific, permanent, built-in appliances.
- HVAC, plumbing, electrical, septic, and life-safety systems.
- Elevators.
- Generators integrated into the electrical system.
- Gutters and downspouts, including French drain systems that are integrated with the overall drainage systems.
- Lead and asbestos abatement.
- **State-Only:** Under the State Program, some historic man-made landscape features may qualify if they are listed as contributing resources within the National Register nomination.
- **State-Only:** Solar power assemblies, if they are fully and permanently integrated into the electrical system and are not subject to other Virginia tax benefits. Geothermal systems.

**Soft costs**, such as:

- Construction period interest and taxes (only during the period of rehabilitation, while the building is out of use).
- Architect and engineering fees.
- Insurance fees related to construction.
- Reasonable construction management costs and Developer fees.
- Preservation consultant fees.
- DHR and NPS project review fees.
- CPA fees for the cost certification.
- Miscellaneous costs such as hauling, landfill, and other construction site fees.

**Examples of Expenses That Are NOT Eligible:**

**Hard costs**, such as:

- Personal property including appliances, furniture, window treatments, signage.
- Carpeting (if tacked in place and not glued).
- Most new construction outside of the building footprint.
- New additions or other enlargement to the interior volume of the structure (including excavation).
- Modular and mass-produced cabinetry that is built off-site.
- Specialty wiring not used for the usual electrical purposes (theater sound systems, hospital/medical equipment).
- Modular, mass-produced office partitions.
- Landscaping costs (e.g., planting, paving, planters, benches, retaining walls [excepting work to historic site features that are formally listed as contributing to the historic property], sidewalks, vegetation removal).
- Moving a building – even to save it from demolition.

**Soft costs**, such as:

- Acquisition costs.
- Feasibility or Marketing studies.
- Financing fees.
- Leasing costs.
- Legal costs for syndication or personal legal matters (lawsuits or other disputes related to the rehabilitation project).
- LEED certification.
- Rental fees for storing furniture.

## PROJECT MEASURING PERIOD DOCUMENT

*The Real Meaning of the 24-Month Measuring Period, and  
Why It Is Okay If Your Project Takes More Than Two Years to Complete*

### **THE BASIC PRINCIPLE:**

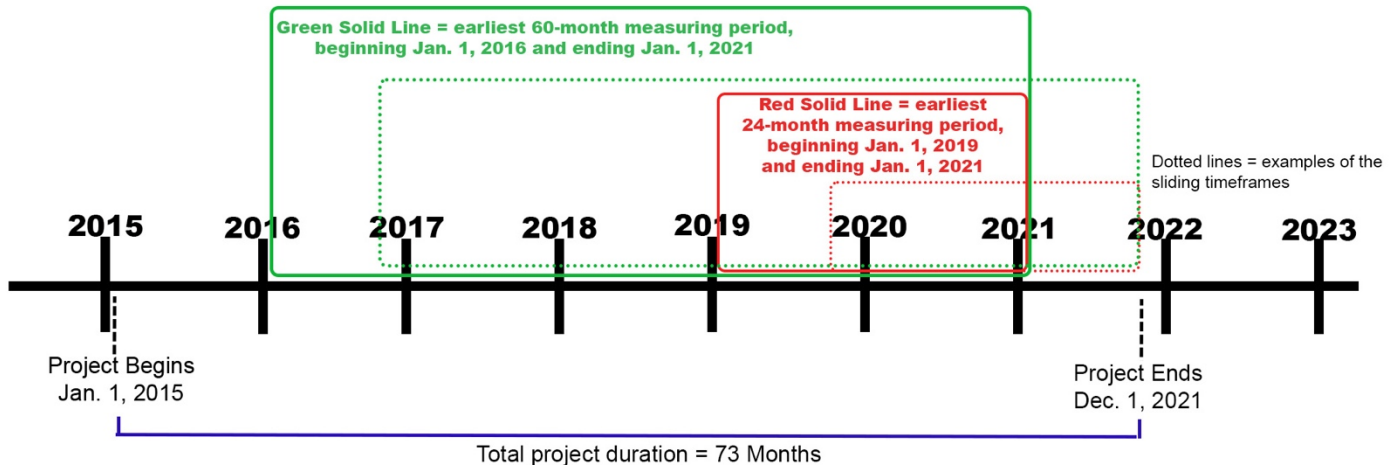
The measuring period (24 months or 60 months) is used to determine whether the substantial rehabilitation test (or, for purposes of the State credit, the material rehabilitation test) has been met. It does not limit the time in which the project must be completed or the time during which eligible expenditures can be incurred. The measuring period must end in the same calendar year the project is completed, but it doesn't have to end in the same month the project is completed. This means you can choose whatever measuring period makes your numbers work, so long as it ends the same year the building is placed in service. It also means that beginning your project does not "start the clock" in most cases where the total expenditures will significantly exceed the purchase price of the building.

### **THE PRINCIPLE IS PRETTY EASY TO APPLY FOR THE STATE CREDIT:**

The State material rehabilitation test requires you to spend a given percentage of the building's assessed value on the rehabilitation during a specific window of time. For owner-occupied homes, you must spend at least 25%. For all other projects, you must spend at least 50%. The assessment is determined as of the year before the project begins. So in every case, you know at the start of the project how much you will have to spend on the rehabilitation in order to meet the material rehabilitation test. All you must do is make sure you spend that amount within the 24- or 60-month measuring period.

A hypothetical will make it clear:

Let's say that on January 1<sup>st</sup>, 2015 you purchase a commercial building that was assessed in 2014 for \$100,000 and begin your rehabilitation right away. You complete the rehabilitation on December 1<sup>st</sup>, 2021. You need to have a consecutive 24-month period, ending some time in 2021, during which you spent at least \$50,000 (50% of the 2014 assessed value). If the project was Phased, you need to have a consecutive 60-month period, ending sometime in 2021, during which you spend at least \$50,000 (50% of the 2014 assessed value). The graphic below shows this scenario.



## **IT IS MORE COMPLICATED FOR THE FEDERAL PROGRAM**

The principle works the same way for the Federal Program, but here the substantial rehabilitation test is determined using the owner's basis in the building, not the assessed value. Because capital improvements must be added to basis, the amount you must spend to satisfy the test is a moving target.

Let's discuss a similar hypothetical to what was presented above, using the standard 24-month measuring period. In this case you bought a building in January of 2016 for \$100,000 and immediately began work on your project. By August 2016 you have spent \$20,000 so your basis is now \$120,000. By December 2016 you have spent an additional \$60,000, bringing your basis to \$180,000. You continue to work on the project, and by September of 2018 you have spent a total of \$150,000. You complete the last little bit over the next three months, and place the building in service on December 31, 2018 with total expenditures of \$160,000. See the chart below.

<b>Month</b>	<b>Year</b>	<b>Eligible expenditures to date</b>	<b>Basis</b>
January	2016	(Purchase)	\$100,000
August	2016	\$20,000	\$120,000
December	2016	\$80,000	\$180,000
September	2018	\$150,000	\$250,000
December	2018	\$160,000	\$260,000

Now, you cannot use a 24-month measuring period of December 2016 through December 2018, because your eligible expenditures during that period (\$80,000) are not greater than your basis at the beginning of the period (\$180,000). You can, however, use September 2016 through September 2018. Your eligible expenditures during that period are \$130,000, which exceeds your basis of \$120,000 at the beginning of the period.

### **BUT REMEMBER, ONCE YOU HAVE MET THE TEST, YOU DON'T HAVE TO WORRY ABOUT IT ANY MORE**

The part most people worry about is whether the expenditures incurred OUTSIDE the measuring period are still eligible for the credit. The answer is **YES**. As long as the substantial/material rehabilitation tests are met as outlined above for each Program, you will claim the credit on the entire project's eligible expenditures, both before and after the test period.

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**PROJECT PHASING & PHASED PROJECTS**

**What is a Phase?**

*A phase is basically a group of tasks completed within a certain period of time.*

*Phases can be organized and scheduled however an owner wishes.*

*Many owners, for example, elect to do a phase a year so that credit can be claimed for each tax year.*

For complex or long-term projects, a five-year (60-month) measuring period may be needed. In this case, the project is referred to as being “Phased.” Phasing a project allows the owner to claim credits at the end of each Phase. This is true for both the State and Federal Programs. When an owner elects to conduct a project in Phases, that allows 60 months to reach the substantial/material rehabilitation test (i.e., cost threshold), rather than the usual 24-month substantial/material rehabilitation test window for un-Phased projects.

For some projects, it may be a good idea to submit a Phasing Plan at the start of the project, even if there is a possibility the project can be completed in a shorter timeframe. This will “hold open” the 60-month time period to meet the substantial/material rehabilitation tests. Please note that Phasing does not obligate the taxpayer to take 60 months to complete the project, nor does it require an applicant to claim their tax credits in Phases. Even if an owner Phases their project, they can still elect to claim their credits with a single, Part 3 application submitted at the end of the project.

Please note that applicants pursuing the Federal Program must elect to Phase their project and submit a Phasing Plan **before beginning work** on their rehabilitation. The State Program is more flexible, and in many cases, it is possible for a property owner to Phase their project after work has begun.

**HOW TO START A PHASED PROJECT/REQUEST PHASING:**

An applicant who wishes to Phase their project must submit a Phasing Plan that organizes their work into distinct and understandable time periods (Phases) during which specific work will be done.

**The Phasing Plan**

The Phasing Plan is a brief, bulleted list of the work to be done for each Phase on one or two pages. The detailed description of the work should be saved for the Part 2 application and subsequent Amendments. Describe the work for each Phase in as much detail as possible in the Part 2 application. Work for Phases in the far future can be described in broad brush strokes and then clarified in future Continuation/Amendment Forms submitted for approval before that work is undertaken. *A Sample Phasing Plan can be found on Page 3 of this document.*

**A Phasing Plan must, at a minimum, contain the following information:**

- 1) Estimated beginning/estimated end dates for each Phase.  
**NOTE:** *The individual Phase timelines should not overlap.*
- 2) The specific work or activities to be included in each Phase.
- 3) The estimated total cost of each Phase.

**NOTE: A Phasing Plan is not a list of every individual task being done in the project. It is groups of proposed tasks that are intended to be done during a particular time period.**

The work outlined in each Phase should be clear and understandable, and as much as possible represent entire sections of work. For example, if “HVAC Installation” is in Phase 1, all of the HVAC work to be done in the building is expected to be completed and submitted with Phase 1. If Phase 1 work is “HVAC Installation on floors 2-4” and Phase 2 work is “HVAC Installation on floor 1,” the identified work would be expected to be completed and claimed in the appropriate Phase. Please be aware that portions or percentages of specific work items – such as “22% of windows completed in Phase 1,” or “80% of millwork completed in Phase 2” – cannot be accepted as it is not possible for DHR staff to review or approve an arbitrary portion of a work scope item.

According to National Park Service (NPS) guidance, Phased projects the Federal credit should seek to present “finished” spaces and work tasks. For example, Phase 1 could be all exterior work, Phase 2 could be the first-floor rehabilitation, and Phase 3 could be the rehabilitation floors 2-4. Unfinished or partially finished spaces will not be able to receive an Advisory Determination of the Phase’s completion from the NPS.



The State Program allows more flexibility in Phasing Plans than the Federal Program, in that the spaces do not need to be brought to a full state of completion during initial Phases. For example, proposed work in Phase 1 could be “Demolition,” “HVAC,” Plumbing and Electrical,” and “Partition Rough-In.” Phase 2 could be “drywall,” “millwork,” “finishes,” and “punch-list items.” All work indicated in the Phasing Plan for a given Phase would need to be completed for that Phase to be certified as complete; however, the space itself can be in a state of partial construction up until the final Phase is submitted for certification that the entire rehabilitation project is completed.

### **FINISHING AND CLAIMING CREDIT FOR PHASED PROJECTS:**

All work to be done in a Phase that is submitted for approval must be completed before DHR and NPS can approve and release the tax credits for that Phase. At the end of each Phase, the State and Federal rehabilitation tax credit Reviewers are certifying that the work as accomplished so far appears to meet the *Standards* and what was approved in the Part 2 application, and that the work outlined in the identified Phase is complete.

There are some differences between how paperwork is submitted for phased projects under the State and Federal Programs:

- **State Program:** Under the State Program, the applicant must submit a separate, complete State Part 3 application at the end of each Phase. This includes the required financial documentation and “after” photographs showing the completed work (as well as photographs of the areas where work is yet to be done). The form must list the Phase start date and Phase completion date, which is the date that all work related to that Phase was completed. The applicant must pay for the required CPA reports (AUP or Audit) at the completion of each Phase, as well as the Part 3 review fees for each Phase submitted for certification.
- **Federal Program:** For preliminary Phases under the Federal Program, applicants must submit an Amendment/Advisory Determination form that lists the total cost of the Phase and the Phase completion date. Photographs and a photo key of the completed work and overall project must also be submitted.

NOTE: NPS requires a Federal Part 3 application only upon **completion of the entire** project, at the end of the **final** Phase.

For both Federal and State Programs all work must be fully complete by the time the final Phase is submitted to close the project. This includes bringing all spaces – even those that will house a future tenant who will complete their own interior design work – up to a “Warm Vanilla Shell” state. As a reminder, both the State and Federal Programs require that the building must be brought to an occupiable state in order to be considered complete and eligible for tax credits. “Mothballing” or leaving areas only partially finished is not allowed.

### **UNAPPROVED PHASES/DENIED PROJECTS:**

Please be aware that State and Federal rehabilitation tax credits previously awarded for the successful completion of earlier Phases may be recaptured if the overall project is not approved due to unapproved or incomplete work in the final Phase.

# SAMPLE PHASING PLAN

Warehouse #3  
1234 North Market Street  
Petersburg, Virginia

January 1, 2023

DHR #: 2022-402  
NPS #: 56789

## PHASING PLAN

Phase Number	Phase Description	Est. Start Date	Est. Completion Date	Estimated Budget
Phase 1	<ul style="list-style-type: none"><li>• Repair masonry on all facades.</li><li>• Repair rotten roof trusses.</li><li>• Repair existing roof, install salvaged slate where slate was removed.</li><li>• Replace rotten wood window lintels.</li><li>• Restore original windows.</li></ul>	July 2023	December 2023	\$150,000
Phase 2	<ul style="list-style-type: none"><li>• Construct exit stair from second floor to first floor.</li><li>• Repair rotten floors and joists.</li><li>• Repair interior masonry walls.</li><li>• Complete residential units on floors 2 &amp; 3.</li><li>• Install new mechanical and plumbing on floors 2 &amp; 3.</li></ul>	January 2024	May 2025	\$250,000
Phase 3	<ul style="list-style-type: none"><li>• Install mechanical and plumbing on floor 1.</li><li>• Complete commercial tenant work on floor 1.</li></ul>	June 2025	December 2025	\$100,000
Phase 4	<ul style="list-style-type: none"><li>• Complete site improvements.</li><li>• Construct approved garage.</li></ul>	January 2026	February 2026	\$100,000
				<b>TOTAL = \$600,000</b>

VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM

## SAMPLE PART 2 NARRATIVE DESCRIPTION OF REHABILITATION

The Virginia Historic Rehabilitation Tax Credit (HRTC) Program's Review Staff evaluates all submitted rehabilitation proposals for their compliance with the Secretary of the Interior's *Standards*, which guides the protection, stabilization, preservation, restoration, and rehabilitation of historic buildings.

In order to evaluate the proposed project, we require a narrative description of the property's existing conditions, and a clear narrative description of the proposed work to be completed on the historic building, any associated outbuildings, and the surrounding site.

For most projects, the most effective presentation of this information will include all of the following:

1. Narrative description of the existing conditions and all proposed work to be done during the rehabilitation project; and
2. Photographic documentation of the property's existing/pre-rehabilitation condition; and
3. Architectural drawings or sketches showing the existing/pre-rehabilitation condition of the building (plans and elevations) and any proposed alterations (if any).

The following sample narrative description of a proposed rehabilitation is formatted for the State and Federal HRTC Program Part 2: Description of Rehabilitation application.

This sample write-up describes the rehabilitation of a small urban residence. While the specifics of this hypothetical rehabilitation may not be directly applicable for all development projects, the format, language, and depth can guide such descriptions. The top block in each section identifies each element of the building and describes the existing condition of the elements. The lower block describes how the specific elements will be treated in the rehabilitation, and how this work meets Program requirements for the protection and preservation of the historic character of the structure. Please note that there are also spaces to reference specific photographs and drawings within this narrative description section, which are necessary supplements to all such descriptions.

**Section 4: Detailed Description of Rehabilitation Work** (See "Sample Description of Rehabilitation" for additional guidance)

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1	Roof	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Low-pitched hipped roof with standing seam metal roofing in poor condition. Roof is pitted and rusting with many metal and tar patches. Roof substructure requires repair due to water infiltration. Roof cannot be seen from street because of its low pitch and because of the tall cornice and parapet.

Photo Numbers: 1, 17 Drawing Numbers: 1

**Describe Work to Feature:**

Existing roofing will be removed. Roof structure and sheathing will be repaired as necessary, maintaining existing configuration. New standing-seam terne-plate metal roofing to be installed to match original configuration. New roof will not be visible from the street. Impact will be the preservation of the original roof configuration and protection of the building's structural integrity.

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2	Gutters and Downspouts	1890; circa 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Built-in metal-lined gutters along all four sides of hipped roof. Gutters are seriously deteriorated, with many metal and tar patches. Water is not effectively conveyed to downspouts because of tears in the gutter linings. Two metal scuppers on each side of the building are in fair condition. Two PVC downspouts, installed circa 1975, are on either side of the building; the rear downspout on the west side has separated from the scupper. No ground-level drainage is provided for any of the downspouts, and rainwater is dropped directly against the foundation.

Photo Numbers: 2-5 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

Gutters will be rebuilt in their historic configuration. Drainage will be improved by augmenting upper ends of each gutter, behind the cornice and parapets. Flashing on all sides will be renewed. Leaf guard will be added over scuppers. PVC downspouts will be replaced with new PVC downspouts in same location. Leaders will be installed at the foot of each downspout to carry rainwater away from the foundation. There will be no impact on significant historic materials or designs, and the historic building will be protected by proper drainage of rainwater.

3	Foundation	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Brick foundation in fair condition. Rising damp, fungus growth, and deteriorated mortar joints in large areas around the downspouts. Foundation otherwise is in good condition, with no evidence of structural movement, settling, insect infiltration, or brick deterioration.

Photo Numbers: 3, 9-12 Drawing Numbers: 2-5

**Describe Work to Feature:**

Foundation will be maintained in its existing configuration. Brick will be cleaned with bleach, warm water and bristle brushes to remove fungus growth. Proper drainage will be provided by downspout repairs (see above), by selected regrading of earth around foundation, and by removal of excessive plant growth adjacent to foundation. Deteriorated mortar joints to be raked out by hand and repointed to match original. Repointing will be based on the guidelines of National Park Service Preservation Brief no. 2, "Repointing Mortar Joints in Historic Brick Buildings" (see enclosed specifications.) New mortar joints will match the historic joints in color, texture, strength, and joint tooling. Impact will be the preservation and protection of the historic foundation.

4	Front Porch	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

One-story wooden porch in poor condition. Hipped roof with standing-seam metal roofing, extremely rusted and pitted, not shedding water. Turned wooden corner posts in fair condition, with limited splitting of wood. Sawn corner brackets in generally poor condition, either broken or missing; only two brackets appear salvageable. Original balustrade was removed circa 1965 and replaced with simple 2 X 4 balustrade. Porch floor is rotten and requires replacement. Structural joists beneath floor are also rotten and sagging. Porch stairs, rebuilt circa 1965, are in poor condition. Porch is supported by four masonry pillars which are in fair condition.

Photo Numbers: 4-5 Drawing Numbers: 1890

**Describe Work to Feature:**

Front porch to be rebuilt in its historic configuration, using all existing salvageable members, and replicating those features that are beyond salvage. Pressure-treated timber to be used for joists, rafters, and other framing members. All exposed wooden elements to be painted. New porch stairs and balustrade to be built, as per drawings. New standing-seam metal roof to be installed, replicating original configuration. Impact will be the restoration of the original porch configuration, preservation of the surviving well-crafted wooden elements, and strengthening of the deteriorated structural elements.

5	Rear Porch	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

One-story frame porch in seriously deteriorated condition. Shed roof with standing-seam metal roofing, extremely rusted and pitted, not shedding water. Turned wooden corner posts in poor condition, with limited splitting of wood. Original balustrade was removed circa 1965 and replaced with simple 2 X 4 balustrade. Porch floor is rotten and requires replacement. Structural joists beneath floor are also rotten and sagging. Porch stairs, rebuilt circa 1965, are in poor condition. Porch is supported by four masonry pillars which are in fair condition.

Photo Numbers: 6 Drawing Numbers: 1, 2, 5

**Describe Work to Feature:**

Rear porch will be dismantled and rebuilt in its original configuration. The porch posts will be preserved and reused. All other elements are too far deteriorated, and will be replicated in new materials. Pressure-treated timbers to be used for joist and rafters; all other wooden elements will be painted. Impact will be the restoration of this original feature.

6	Cornice	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Sheet-metal bracketed cornice in fair condition. Paint peeling. Some rusting at anchors. Two brackets are missing. Anchoring system is heavily rusted.

Photo Numbers: 1, 3-5 Drawing Numbers: 1

**Describe Work to Feature:**

Cornice to be rebuilt in its historic configuration. New brackets will be fabricated to match the historic elements. Anchoring system will be rebuilt to insure stability of cornice. Rust will be sanded to bright metal. All metal surfaces will be scraped, sanded, primed, and painted. Impact will be to preserve this important aspect of the building, maintaining all historic materials.

7	Brick Walls	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Exterior brickwork, pressed brick with buttered joints on the facade and common brick with wider joints on other elevations, is in generally good condition. In several areas, especially around foundations and over the windows on the east and west side elevations, mortar joints are eroded and in need of repointing. One area of the west elevation is crumbling, due to a failed downspout at that point. Brickwork is unpainted.

Photo Numbers: 1-2, 7, 17 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

No substantial alterations to the brick walls are proposed. Deteriorated mortar joints will be raked out with hand tools to a depth of 2" and repointed with new mortar. New mortar will match the historic mortar in strength, color, and composition, and the joints will replicate the size and tooling of the original joints, in accord with the guidance of the Department of the Interior Preservation Brief No. 2. Failed area of wall on the east elevation will be dismantled, bricks will be cleaned, and the section will be rebuilt with the original bricks. Repairs to the roof and downspouts will prevent the problem from recurring. Impact will be the preservation of this critical feature, retention of all historic materials and workmanship.

8	Windows	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Two-over-two double-hung wood sash windows in fair condition. Many have broken glass, broken or missing sash cords. No storm windows are in place. Several of the sash are badly fitting, and paint is peeling from the wood, but the wooden elements themselves are sound.

Photo Numbers: 1-2, 11-15 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

No new windows are to be created. All existing windows to be retained and repaired in their historic configurations. Warped and poorly-fitting sash to be removed, reworked, and re-installed. Broken glass to be replaced. Sash cords to be replaced. Sash weights and pulleys to be adjusted. Wooden elements to be scraped, sanded, and repainted. Exterior storm windows to be applied. Storm windows will fit the window reveals without blocking, and will have a one-over-one configuration. Storm windows will have baked white enamel finish and clear glass.

9	Front Door	1890
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Original front door in good condition, except for peeling paint. Original hinges and lockset in place and in good condition, except for several coats of paint. New deadbolt added circa 1975.

Photo Numbers:   22   Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

Door to be repaired and retained in place. Hinges and lock to be cleaned, oiled, and retained in place. Later deadbolt to be removed and new deadbolt installed in its place. Wooden surfaces to be scraped and sanded of loose and peeling paint, then primed and re-painted. New weather-stripping to be added all around door.

10	Rear Door	Circa 1950
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Solid-core paneled door added in original door opening circa 1950. Door's configuration and materials are not harmonious with the other woodwork in the building.

Photo Numbers:   23   Drawing Numbers:   12  

**Describe Work to Feature:**

Door to be removed. New two-panel painted wooden door, similar to other doors that survive in the house, will be installed.



11	Plan	1890, c. 1950 & 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Original side-hall plan with twin parlors is generally intact. Alterations to the original plan include redefinition of the rear (kitchen) wing, circa 1950; construction of a new bathroom and closets between the two front bedrooms on the second floor, circa 1975; and redefinition of the second floor of the rear wing with new partitions, circa 1950 and circa 1975.

Photo Numbers: 18-35 Drawing Numbers: 3-8

**Describe Work to Feature:**

The proposed reuse of the building for continued single-family residential use will not require significant alterations to the plan. The original stair hall and parlors will remain in their historic configuration. The front bedrooms on the second floor will remain in their existing configuration. Minor alterations to the rear wing, as shown on the drawings, will not affect any historic aspects of the plan.

12	Interior Woodwork	1890, c. 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Most original woodwork, including the stair, the floors, mantelpieces, doors, baseboards, and door and window casings, is intact. Original woodwork in the rear wing was removed during the earlier renovations to the property. Mantelpieces and some of the baseboards in the front bedrooms on the second floor were removed during the 1975 alterations, but other woodwork in these spaces is intact. Most woodwork has several coats of paint, which is peeling and flaking. The floors are heavily stained. The newel posts and the baluster rails are varnished, and the varnish has blackened. While many elements have minor damage, including nail holes, gouges, and other cosmetic damage, the wood is in good condition and requires no major repair.

Photo Numbers: 18-35 Drawing Numbers: 3-8

**Describe Work to Feature:**

All existing historic woodwork will be retained in its original location. All painted surfaces will be sanded down to viable surfaces, primed, and repainted. Proper measures will be taken to control all lead paint residue during this procedure. New baseboards and door and window casings will be installed in the rear wing. New molding will have profiles similar to, but simpler than, the historic woodwork. Floors will be scrubbed clean (not sanded), and waxed. Newel posts and balusters will be stripped and finished with tung oil. Impact will be the preservation of all surviving historic materials.

13	Wall and Ceiling Finishes	1890, c. 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

The interior walls and ceilings were originally plastered. Original plaster wall and ceiling finishes survive in the stair hall in fair condition. Some old settlement cracks have never been properly repaired. One area of plasterwork beneath the first-floor stair is crumbling and will require replacement. The plasterwork in the parlors, bedrooms, and rear wing was removed in earlier renovations. Sheetrock was installed in these areas circa 1975. Sheetrock is in fair condition. In many areas it is not properly installed. Workmanship in the sheetrock is poor; surfaces are not plumb, joints are not well masked, and corners are poorly finished.

Photo Numbers: 18-35 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

Original plasterwork will be stabilized, patched, and painted. Most sheetrock will be removed to facilitate installation of new electrical and mechanical systems. Sheetrock surfaces will be replaced with new sheetrock to maintain the original wall and ceiling planes. Impact will be the preservation of historic materials and preservation of historic room proportions.

14	Electrical System	c. 1930, 1950, 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Electrical system includes elements from three different periods. No original fixtures or elements survive. Existing system is clumsy and unsafe. It does not satisfy the requirements of current building codes.

Photo Numbers: \_\_\_\_\_ Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

All aspects of existing system will be removed. New electrical system will be installed to comply with code requirements. All wiring will be suitably located within walls, to avoid visual impact. No removal or alteration of significant historic features will be required. Impact will be upgrading of the electrical system, allowing satisfactory contemporary use of the building, without imposing on its historic character.

15	Plumbing	c. 1890, 1930s, 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Existing plumbing system includes elements from three different periods. Original clawfoot tub and pedestal sink survive in second-floor rear bathroom. Toilet and kitchen sink from circa 1930 renovations are also in rear wing. 1975 alterations installed all new bathroom fixtures and lines in the front bathroom. Some fixtures are in fair condition; most plumbing lines are poorly installed, with substantial cuts in the floor joists and other supporting timbers.

Photo Numbers: 24-28 Drawing Numbers: 3-7

**Describe Work to Feature:**

Front bathroom, second floor, will have all new fixtures and lines, as per drawings. Rear bathroom will be reconfigured as per drawing. The original pedestal sink and clawfoot tub will be retained and reused. All new kitchen fixtures and configuration will be used, as per drawings. All plumbing lines will be inspected and repaired or replaced as necessary. Structural reinforcements will be made to floor joists as necessary. Impact will be upgrading of the plumbing system, allowing satisfactory contemporary use of the building, without imposing on its historic character; and the preservation and reuse of two surviving historic fixtures.

16	HVAC System	c. 1930s, 1975
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Fireplaces in front parlors have been blocked up. Gas-fired furnace installed circa 1930s in basement, with most ductwork beneath floor. Three cast-iron floor grates used with this furnace may be original to the house. Gas furnace is in poor condition. Two boxed-in ducts run to second floor, adjacent to chimney breasts. Space heaters supplement the furnace. Window air-conditioning units installed circa 1975.

Photo Numbers: 1, 14, 28-30 Drawing Numbers: 4, 7-8

**Describe Work to Feature:**

Fireplaces will not be re-opened. Furnace and ductwork will be removed. New forced-air central heating and cooling system to be installed in basement, with ductwork running beneath floor and in new chases built adjacent to chimney breasts, as per plans. No lowered ceilings will be required. Exterior condenser unit to be located between rear porch and garage. Old floor grates to be retained and reused. Impact will be upgrading of HVAC system with minimal visual or physical impact on significant historic features.

17	Hardware	1890, c. 1950
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Surviving original hardware includes door hinges and locksets; window sash pulls; etc. Hardware is steel and plated brass that has been painted several times.

Photo Numbers: 14, 22, 28 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

All hinges to be cleaned, oiled, and re-installed. Doors to be reworked as necessary to allow proper fit and function. All locksets to be disassembled, cleaned, oiled, and re-installed. All hardware to be repainted. Impact will be the preservation of these important features with no significant changes.

18	Insulation	c. 1950s
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Aluminum foil insulation installed in attic space circa 1950. No other insulation in building.

Photo Numbers: \_\_\_\_\_ Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

All foil-type insulation to be removed and attic spaces cleaned. After installation of mechanical and electrical systems, and after roof repairs, fiberglass-batt insulation with vapor barrier, R-25, to be installed in attic spaces.

19	Site	1890, c. 1930s
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Typical urban residential lot, distinguished by cast-iron fence with granite curbs on street elevation. Fence has areas of rust, but is otherwise in good condition. Driveway installed on side of lot circa 1930, when garage was built.

Photo Numbers: 1-4 Drawing Numbers: \_\_\_\_\_

**Describe Work to Feature:**

Fence to be cleaned of flaking paint and rust with wire brush, primed, and repainted. No other sitework will be undertaken.

20	Garage	c. 1930
<b>Number</b>	<b>Feature</b>	<b>Date of Feature</b>

**Describe Existing Feature and Its Condition:**

Two-story detached brick garage in seriously deteriorated condition. Original composition shingle roofing has failed, allowing major water damage to roof structure and interior finishes. The brick is in need of major repointing on all elevations. Original garage doors are in place, but the wooden elements are decayed beyond the prospect of re-use. All doors and windows broken, missing, or deteriorated beyond salvage.

Photo Numbers: 6-10 Drawing Numbers: 8

**Describe Work to Feature:**

Garage to be rebuilt for apartment use. Old roofing to be removed and replaced with new composition shingle roofing. Brick walls to be repointed as per enclosed specifications. New garage doors to be fabricated in wood, replicating the pattern of the original doors; these doors will not be operable, but will be fixed in place. New window sash and doors to be installed to match the deteriorated originals. Structural members to be repaired and new partitions to be built, as per enclosed drawings. Impact will be to preserve the service building, maintain its relationship to the major residence, while providing it with a new use that allows its continued life.

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
STATE AND FEDERAL HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**CLARIFYING DEFINITIONS**

**Completion Date (State Program):**

Per the Virginia Historic Rehabilitation Tax Credit Program (State Program) Regulations, the “completion date” is either the date of the Certificate of Occupancy OR the date that the final, physical, eligible rehabilitation expense was incurred/invoiced. This date should reflect when the actual rehabilitation project was completed, and not an arbitrary date to suit particular financing or business needs. Delayed and or later-invoiced payments, late soft cost payments such as for the CPA report or review fees, AIA Certificates of Final Completion, routine maintenance tasks or purchases, etc. do not extend the project’s completion date for the project after the overall physical rehabilitation project has been completed.

**Submission Deadlines (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 (see above). 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. It is the responsibility of the owner/applicant to ensure that this deadline is met.

**Project Contact:**

The “Project Contact” is an individual or business entity – other than the applicant/owner – with whom DHR is authorized to speak. DHR Tax Credit staff will only discuss the specifics of the project with this designated contact. *NOTE: The Project Contact may not sign the application materials. All application materials must be signed by the Owner.*

**Timing of State Credits:**

Credits are awarded for the year in which the project was completed, as evidenced by the final Certificate of Occupancy OR the final physical eligible rehabilitation expense reported. For example, if the evidence of completion date is on or before December 31, 2022, State credits are available for 2022. If the evidence of the completion date is on or after January 1, 2023, State credits are available for 2023.

**When an Audit vs. an Agreed-Upon Procedures Report (AUP) is Required (State Program):**

Projects with total project costs \$500,000 or **more** must have an Audit created by a Certified Public Accountant (CPA).

Projects with total project costs \$499,999 or **less** must have an Agreed-Upon Procedures Report created by a CPA.

Total project costs includes **both** eligible and ineligible costs.

**Reporting Construction Costs on the Schedule of Construction Costs Template (State Program)**

The Schedule of Construction Costs template provided by DHR should be utilized to appropriately break down construction costs into specific line items. It is the applicant/owner’s responsibility to ensure that the contractors and other professionals hired to complete work and any other purchase activities are appropriately broken down and tracked according to the line items found within the Schedules. Additionally:

- Grouping disparate costs into an unspecific line item is discouraged and will likely result in a request for additional information and delays in processing.
- Using the unspecified “Specialties” or “General Requirements” line items for large portions of combined costs will likely result in a request for additional information and delays in processing.

**Developer Fees:**

*Reasonable* Developer Fees may be considered as eligible expenses.

- A typical Developer Fee for a project is generally between 8% and 15% of the total eligible expenses being claimed for the project.
- Only in cases where significant and complex organizational and management activity is necessary should a more substantial Developer Fee (of up-to 20% of the total eligible expenses) be claimed.
- Developer Fees may be deferred for no more than ten (10) years post-project completion.

- If Developer Fees are being claimed, a signed Developer Agreement outlining the responsibilities of the Developer and the repayment terms and timeline (if any portion is deferred) should be submitted with the Part 3 application.

**Other Deferred Fees (State Program):**

Typically, no other costs excepting an appropriately structured Deferred Developer fee and some types of retainages should be outstanding at the time of the Part 3 submission. The only exception to this is end-of-project-process costs such as the CPA fees, review fees, and consultant fees, which are expected to be paid within a normal billing cycle of 60 days. *NOTE: This guidance is for most projects - individual circumstances can always be addressed on a case-by-case basis.*

**Related Parties:**

For the purposes of the State Program, a “Related Party” is any entity with any commonality of ownership/investment. This can be common owners/investors between legal business entities, common owners/investors between a Developer and Contractor, or common owners/investors between property owners. Related Parties with financial stakes in the project – owner, Developer, Contractor, etc. – must be disclosed within the Part 3 financial reporting completed by the CPA.

**Eligible Costs:**

Eligible rehabilitation expenses are expenses incurred by a taxpayer in the material rehabilitation of a certified historic structure and are added to the property’s capital account. All eligible expenses must be attributable to the basis of the property. Eligible costs can include both hard and soft costs.

**Ineligible Costs:**

While not eligible for credits, all costs related to the rehabilitation project should be fully reported to the CPA and included within the financial reporting documents. This includes new construction such as additions or accessory buildings, landscaping, hardscaping, personal property such as appliances, and any other ineligible project development costs such as syndication legal fees, market studies, etc.

**Expedited Reviews (State Program):**

An Expedited Review – guaranteeing a review response within five business days, not including the date of receipt – may be available at the Program Supervisor’s discretion for an additional fee. Expedited Reviews are only available for Part 2 Applications (and no more than two subsequent Amendments) and Part 3 Applications (and any Part 3 Amendments submitted prior to final certification).

A request for an Expedited Review should be made to the Program Supervisor with the following information identified:

- 1) Project address and DHR #.
- 2) Reviewer assigned to the project.
- 3) The anticipated drop-off date of the submission.

The Program Supervisor will then work with the project Reviewer to determine if current workloads can accommodate an Expedited Review and assign a firm date for the submission of the Expedited Review. It is then the responsibility of the owner/applicant to ensure that the materials are received to DHR offices by the indicated date.

If an Expedited Review has been accepted, and an expedited Amendment is submitted (per the above limitations), the applicant must still work with DHR staff in advance of that submission to establish an arrival timeframe such that staff can accommodate the shortened review timeline. Please note that acceptance of Expedited Review requests are not guaranteed, and are solely at the discretion of the Program Supervisor and Review Staff.

**Submission, Review, and Response to Application Materials:**

All applications and updates to a previously approved scope of work must come as a formal, hard copy application for Staff to review. Electronic submissions are not accepted by DHR. Emails and in-person meetings, while helpful, are always only for informal guidance; any substantial changes to the approved scope of work must be submitted as an Amendment for formal review and approval. In the occasion that there is a discrepancy between emailed/in-person discussions of project details and the physical review file, the physical file of submitted applications and DHR’s formal responses on letterhead take precedent.

All application materials should be addressed to the Tax Credit Specialist, unless specifically directed otherwise by the assigned Project Reviewer.

**Typical Review Response Timelines:**

- Part 1, Part 2, and Amendments: approximately 30 days from the date of receipt of a complete application.
- Part 3: approximately 60 days from the date of receipt of a complete application.

If the project is also seeking Federal credits, application materials and DHR staff recommendations are not forwarded to the National Park Service until DHR's review is complete. Typical review timeframes for the Federal Program are an additional 30-45 days after DHR's review response is issued.

**Projects Placed On-Hold:**

Insufficient applications, or those with significant, non-*Standards*-conforming work proposed, will be placed on-hold, which will reset the review timelines once the requested information is received. Incomplete or missing information, blurry or otherwise difficult to read drawings or photographs, conflicts between the written narrative and supplementary information, significant work scope items that do not meet the requirements of the *Standards*, and a failure to respond to prior questions or conditions are the most frequent reasons a project is placed on-hold.

**Warm Vanilla Shell:**

It is understood that sometimes tenant spaces – commercial, office, etc. – will not have an end user identified by the time that the overall rehabilitation project is complete. While future tenant work may be required to suit individual tenants, for a final project certification/completion to be approved, all spaces must be brought to a "Warm Vanilla Shell" state. This means that all new drywall must be finished and painted, ceilings and appropriate flooring (if applicable) should be installed, any systems that were installed should be installed in an orderly and finished manner within approved walls, soffits, or as was proposed and approved, and the space should be conditioned. A space is considered to be "Warm Vanilla Shell" when a theoretical end user can move in and operate out of the space without needing to complete additional work. Common reasons for a Part 3 to be placed on-hold include commercial spaces not meeting this requirement due to the lack of the approved floor finish, mudded but incomplete and unpainted drywall walls, historic plaster or painted masonry left in a ruinous state, or partially installed systems.



COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**PRELIMINARY INFORMATION FORM (PIF)**

## **IMPORTANT!!!**

As you begin the Virginia Historic Rehabilitation Tax Credit Program process, please determine whether your property falls within an existing historic district, has been determined eligible for listing, or is listed on the Virginia Landmarks Register (VLR) and National Register of Historic Places (NRHP). If none of these is the case, please refer to the information below regarding the basic required submission for evaluation. A review by the DHR Evaluation Team will be necessary for your tax credit project to proceed, so please make sure to provide ALL necessary documentation needed for this review.

Importantly, this does **not** mean that a property is being nominated to the VLR or NRHP at this time. Rather, the property is being evaluated to determine if it qualifies for such listings, and thus is eligible to pursue rehabilitation tax credits. If your property is not in a listed district or individually listed, you cannot qualify for tax credits unless the property is found individually eligible for listing. Location within a historic district that is eligible but not actually listed is not sufficient by itself. Determinations of individual eligibility will be made by DHR's Evaluation Team and State Review Board based on the information presented, and applicants will be notified of these entities' recommendations.

To contact the Virginia Department of Historic Resources Archivist (Quatro Hubbard) to determine if previous survey material for a property is on file, and if the resource has been previously evaluated by DHR you may call (804) 367-2323, ext. 26440, or email [Quatro.Hubbard@dhr.virginia.gov](mailto:Quatro.Hubbard@dhr.virginia.gov). The archivist will also give you the address of the regional office to which you should send your completed materials.

Should you need a Preliminary Information Form (PIF), you may download a copy from our web site at <https://www.dhr.virginia.gov/historic-register/register-forms-for-downloading/>.

Before submitting a PIF form, please make sure that you have included the following:

- Labeled USGS Quadrangle map
- Sketch site plan map of property
- 4 labeled B&W exterior photos
- 4 labeled B&W interior photos
- General surrounding photos (labeled)
- Completed Resource Information Sheet, including
  - Owner's signature
  - Applicant's contact information
  - City or County Official's contact information
- A note somewhere on the form that you are applying for tax credits.

Thank you for taking the time to submit this Preliminary Information Form in fulfillment of your tax credit proposal. Your interest in Virginia's historic resources helps provide better stewardship of our cultural past.

If you have further questions regarding the process of full registration you may contact:

Lena McDonald  
Register Program Historian  
804-482-6439  
[Lena.Mcdonald@dhr.virginia.gov](mailto:Lena.Mcdonald@dhr.virginia.gov)

**SECRETARY OF THE INTERIOR'S  
*STANDARDS FOR REHABILITATION***

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated architectural features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature should match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing architectural features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.