

MASSACHUSETTS HISTORIC REHABILITATION TAX CREDIT PROGRAM



WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH
CHAIRMAN, MASSACHUSETTS HISTORICAL COMMISSION

**Federal Historic Tax Credit and Massachusetts Historic
Rehabilitation Tax Credit Programs Advanced Training**

Massachusetts Historical Commission

Large Conference Room

220 Morrissey Boulevard, Boston

April 8, 2016

INTRODUCTION



Since the inception of the Massachusetts Historic Rehabilitation Tax Credit program in **2004**, the MHC has awarded **\$577m** statewide (Part 2 Certification).

Through 2015, the MHC issued **379** Project Certificates, resulting in **\$353m** in tax credits (Part 3 Certification).



Cushman Market, Amherst



Clark Biscuit Company, North Adams

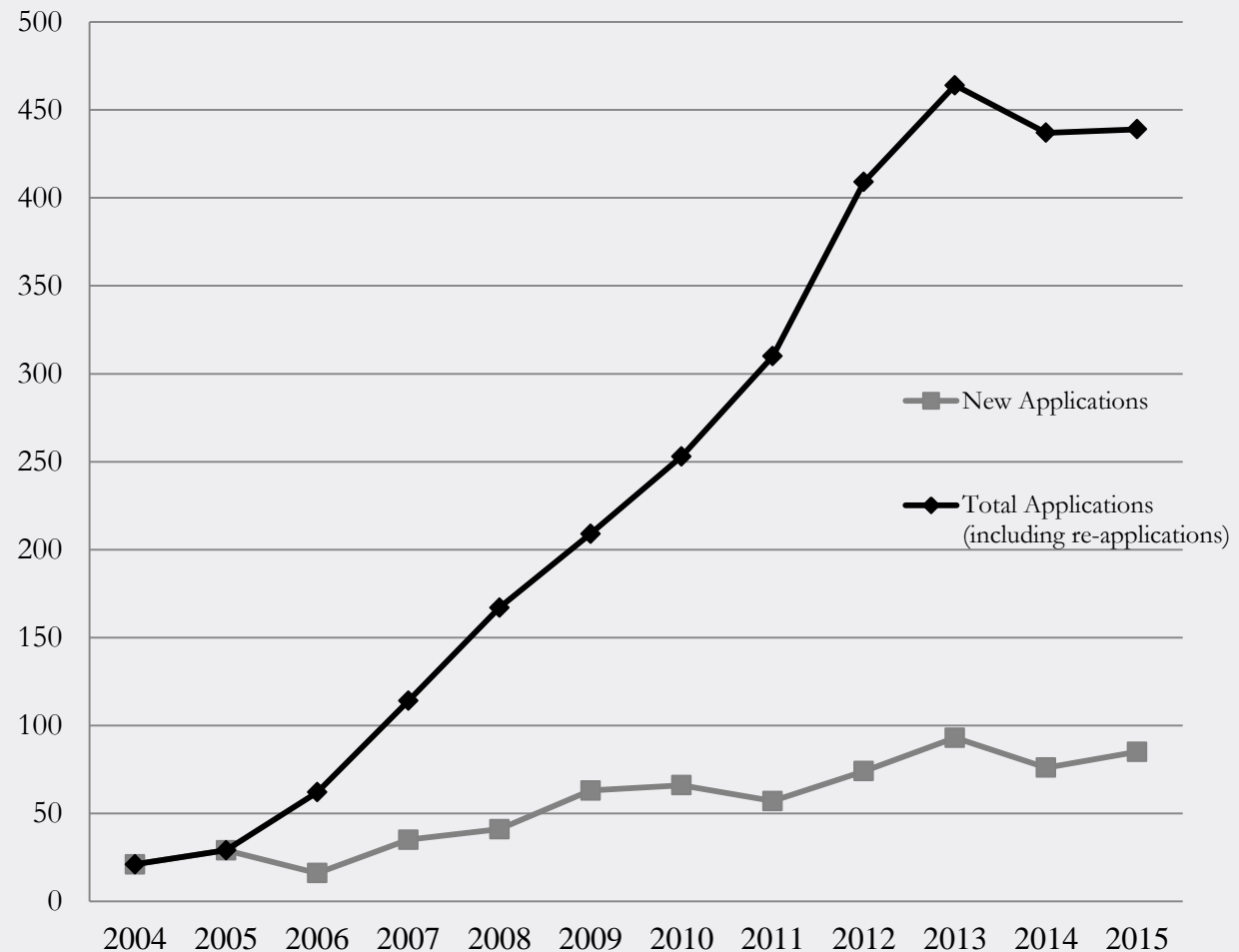
INTRODUCTION



In 2004, the MHC received **21** applications for the state historic tax credit.

In 2015, the MHC received **439** applications for the state historic tax credit, with **85** new Part 2 applications received.

HRC Applications 2004-2015



INTRODUCTION



In 2004, the MHC received **2** Part 3 applications for the state historic tax credit.

In 2015, the MHC received **86** Part 3 applications for the state historic tax credit.*

*Includes requests for certification of completed phases of phased projects

HRC Part 3 Final Certifications



INTRODUCTION



Over **14,500** housing units are currently projected to be constructed or rehabilitated with the assistance of the state historic rehabilitation tax credit, **8,474** of which are affordable (per Certified Part 2 applications).



Concord Heights (Outing Park), Springfield

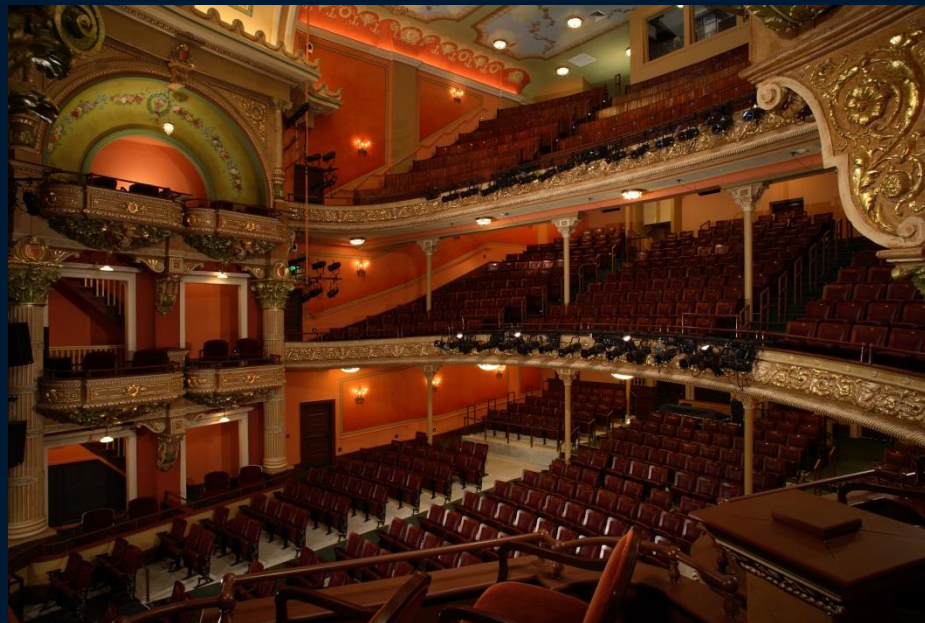


Wood Worsted Mill, Lawrence

INTRODUCTION



Current projections indicate that rehabilitation projects undertaken with the assistance of the state historic tax credit will generate approximately **35,100** temporary jobs and **12,080** permanent jobs in the Commonwealth (per Certified Part 2 applications).



Colonial Theater, Pittsfield

INTRODUCTION



- Annual cap = \$50 million
- State Tax Credit Program is still considered by the Legislature and Governor to be a Pilot Program, which will expire in 2022
- The project must meet the Secretary of the Interior's Standards for Rehabilitation
- Demolition of contributing buildings does **not** meet the Secretary of the Interior's Standards
- Nine criteria in the Regulations that are used to evaluate applications: Affordable Housing, Preservation, Potential for Loss, Statement of Need, Geographic Distribution, Feasibility, Public Support, State of Utility, and Economic Impact
- "Up to 20% of the QRE"

PART 1, 2, & 3:

Preferred Submission Format



- Please do not modify formatting of our application forms
- Binders are preferred for large submissions
- Smaller submissions may be submitted as loose sheets with binder clips (preferred over industrial staples for ease of reviews)
- Photos printed on 8.5” by 11” photo paper need not be placed in plastic sheets
- Photo prints should be in sleeves (not rubber banded)
- State and Federal submissions should be made under separate cover
 - Please note: 2 **full** copies of Federal materials are required
- Full supporting documentation (drawings, DUA Certificate, Executive Agent Questionnaire, etc.) must be submitted for each project/building (unless a complex)

PART 1:

Evaluation of Significance



- Part 1 applications are accepted on **rolling basis**. The MHC advises submitting well in advance of a Part 2 application if NR eligibility has not previously been determined or the property is not NR listed.
- No “informal” NR evaluation due to requirements of Chapter 149 section 60 of the Acts of 2014 regarding the Department of Unemployment Assistance Certificate. A completed Part 1 application must be submitted for evaluation.



Boston Police Station No. 1 and Boston Printing Department Buildings, Boston (North End)

PART 1:

Evaluation of Significance



- Part 1 Submission must include:
 - Completed Part 1: Evaluation of Significance application form with correct client, owner, addresses, entity, and TIN or SS numbers listed
 - USGS map with the project's location (and, if applicable, its location with the historic district)
 - Inventory form if no determination of eligibility has recently been made or if survey form is outdated
 - Current photographs of the property
 - **Valid Department of Unemployment Assistance (DUA) Certificate**
 - CLG Opinion (if project within a CLG community) required procedurally if project is also seeking Federal ITC



PART 2:

Description of Rehabilitation

COMPLETE APPLICATION WILL INCLUDE:

- Completed Part 2 application form and required supporting documentation.
Attachments generally include:
 - Pro Forma/Budget Summary (#4, #6)
 - Letters of support (#5)
 - Window conditions assessment (#10)
 - Project timeline (#11)
 - Detailed description of Rehabilitation (#13)
 - Photographs (#13)
 - Drawings of pre-rehabilitation conditions and the proposed project (#13)
 - Window shop drawings (if replacement of windows is proposed) (#13)
 - Specifications (masonry cleaning, repair, repointing, etc.) (#13)
- **Executive Agent Questionnaire**
- **Department of Unemployment Assistance (DUA) Certificate**



PART 2:

Description of Rehabilitation

WRITTEN DESCRIPTION OF REHABILITATION:

Itemized by architectural feature, the description must address existing conditions (historic and non-historic) and all proposed work.

- **Do** ensure that drawings, written description, and photographs reconcile
- **Do** ensure description outlines **one** project (not an array of alternative treatments or proposals)
- **Do** address all significant features that appear in photographs
- **Do** indicate the approximate age and condition of features

PART 2:

Description of Rehabilitation

DRAWINGS: Must fully illustrate existing conditions and proposed project. Additions, alterations, new treatments (trim, impacts from HVAC systems), doors, and windows must be illustrated. Detail drawings of new elements are expected.

- Preferably 11" by 17" sheets (no rolls, please!)
- One elevation or floor/sheet at most
- Include key plan if a complex of buildings
- Check for legibility and clear reproduction
- Include true north arrow
- Include date
- **Ensure that drawings reconcile with the written description**



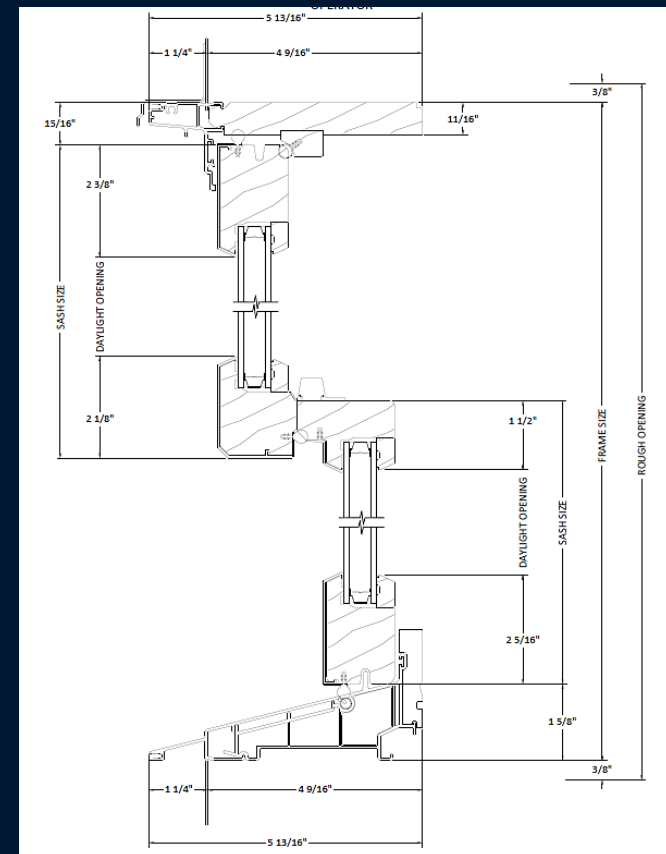
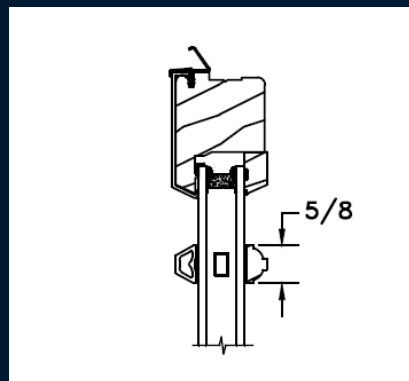
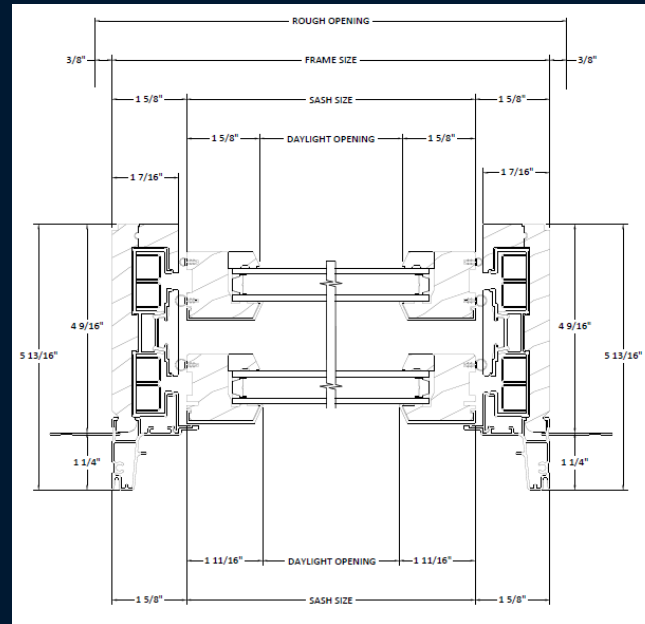
PART 2:

Description of Rehabilitation

DRAWINGS:

If replacement of existing windows is proposed, the Part 2 **cannot** be approved without drawings of replacement windows. Drawings must illustrate windows in section and elevation, and must be annotated with dimensions (sill, rail, stile, head, jamb, muntin, mullion, etc.).

Drawings must illustrate **all** window types.





PART 2:

Description of Rehabilitation

WINDOW CONDITIONS SURVEY:

If windows are recent **replacements**:

- Photographs confirming the age/condition of all window types
- Written conditions assessment documenting the percentage of loss or deterioration of windows

i.e. "The building has 25 windows, all of which are vinyl replacements dating to the 1980s."

If windows are **historic**:

- Written conditions assessment documenting the percentage of loss or deterioration of windows
- Photographs documenting the age/condition of all window types
- If full replacement is proposed, detailed photo-documentation confirming deterioration *beyond repair* is required

PART 2:

Description of Rehabilitation



PHOTOGRAPHS: Must adequately document the subject building (all elevations, primary spaces, representative secondary and tertiary spaces in large buildings, distinctive features and finishes).

- **Do** include clear photos of any elements that will be removed or altered (doors, trim, moldings, ceilings)
- **Do** include photos of significant features noted in the written description
- **Do** ensure photos are reproduced clearly (digital on photo paper acceptable)
- **Do** appropriately cross-reference photos with written description

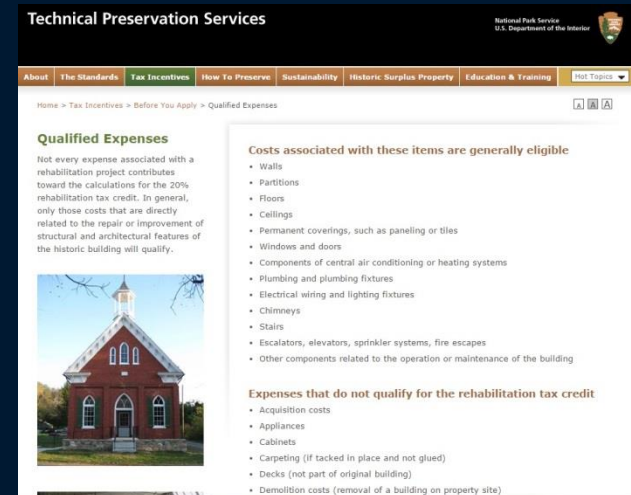
PART 2:

Description of Rehabilitation



PRO FORMA:

- Detailed breakdown of Qualified Rehabilitation Expenses (QRE) and Total Project Costs (TPC)
- Expenses should be itemized to delineate specific materials, labor, fees, etc.
- Total Project Costs and Qualified Rehabilitation Expenses should both be listed for each itemized expense.
- Funding sources should be listed, including any anticipated State or Federal tax credit amounts.
- Clarification on Qualified Rehabilitation Expenses:
 - NPS > Tax Incentives > Before You Apply > Qualified Expenses



PART 2:

Description of Rehabilitation

PRO FORMA:



	QRE	TPC
Acquisition		\$250,000.00
Soft Costs		
Market Analysis		\$40,000.00
Accounting	\$2,000.00	\$2,000.00
Legal	\$5,000.00	\$5,000.00
Appraisal		\$1,000.00
Architectural	\$10,000.00	\$10,000.00
Engineering	\$3,000.00	\$3,000.00
Financing Fees		\$1,500.00
Construction Costs		
Sitework		\$2,000.00
Concrete	\$10,000.00	\$10,000.00
Masonry	\$15,000.00	\$15,000.00
Metals	\$2,000.00	\$2,000.00
Wood & Plastics		
Cabinets		\$5,500.00
Rough Carpentry	\$20,000.00	\$20,000.00
Finish Carpentry	\$20,000.00	\$20,000.00
Thermal & Moisture		
Waterproofing	\$60,000.00	\$60,000.00
Insulation	\$4,000.00	\$4,000.00
Roofing	\$50,000.00	\$50,000.00
Doors (Interior/Exterior)	\$12,000.00	\$12,000.00
Windows	\$200,000.00	\$200,000.00
Finishes		
Drywall	\$40,000.00	\$40,000.00
Tile	\$10,000.00	\$10,000.00
Wood Flooring	\$45,000.00	\$45,000.00
Carpeting (tacked)		\$7,500.00
Paint		\$1,000.00
Specialties		
Toilet Partitions	\$2,500.00	\$2,500.00
Appliances		\$14,500.00
Furnishings		
Cabinets		\$13,000.00
Blinds		\$4,500.00
Mechanical	\$25,000.00	\$25,000.00
Electrical	\$25,000.00	\$25,000.00
Plumbing	\$30,000.00	\$30,000.00
New Addition		\$120,000.00
Parking Lot Paving		\$12,000.00
Fence		\$6,000.00
Totals	\$590,500.00	\$1,069,000.00
Sources		
DHCD	\$100,000.00	
Low Income Tax Credit	\$50,000.00	
Fed Hist Tax Credit	\$118,100.00	
State Hist Tax Credit	\$100,000.00	
Construction Loan	\$700,900.00	
	<u>\$1,069,000.00</u>	



PART 2:

Description of Rehabilitation

PHASED PROJECTS: Any rehabilitation that the Massachusetts Historical Commission reasonably expects to be completed in phases set forth in architectural plans and specifications completed before the rehabilitation begins, may qualify as a phased-in project. See M.G.L. c. 62, § 6J(a); c. 63, § 38R(a) and DOR Directive 08-9.

- Requests for phasing must be submitted to MHC for review. Requests should include:
 - A summary description of all phases.
 - Summary descriptions should include all buildings and floors of buildings.
 - Phased pro forma
 - Anticipated timeline for each phase
 - For mill complexes:
 - All buildings within the complex should be addressed, even if no proposed work is occurring (i.e.. occupied by long term tenant)
- MHC will approve phasing requests in writing.

PART 2:

Description of Rehabilitation

PHASED PROJECTS:



	Phase I		Phase II	
	QRE	TPC	QRE	TPC
Acquisition		\$250,000.00		\$0.00
Soft Costs				
Market Analysis		\$40,000.00		\$0.00
Accounting	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Legal	\$5,000.00	\$5,000.00	\$3,000.00	\$3,000.00
Appraisal		\$1,000.00		\$0.00
Architectural	\$10,000.00	\$10,000.00	\$20,000.00	\$20,000.00
Engineering	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Financing Fees		\$1,500.00		\$1,500.00
Construction Costs				
Sitework		\$2,000.00		\$4,000.00
Concrete	\$10,000.00	\$10,000.00	\$2,500.00	\$2,500.00
Masonry	\$15,000.00	\$15,000.00	\$20,000.00	\$20,000.00
Metals	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Wood & Plastics				
Cabinets		\$5,500.00		\$3,000.00
Rough Carpentry	\$20,000.00	\$20,000.00	\$26,000.00	\$26,000.00
Finish Carpentry	\$20,000.00	\$20,000.00	\$10,000.00	\$10,000.00
Thermal & Moisture				
Waterproofing	\$60,000.00	\$60,000.00		\$0.00
Insulation	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Roofing	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
Doors (Interior/Exterior)	\$12,000.00	\$12,000.00	\$15,000.00	\$15,000.00
Windows	\$200,000.00	\$200,000.00	\$125,000.00	\$125,000.00
Finishes				
Drywall	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00
Tile	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Wood Flooring	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00
Carpeting (tacked)		\$7,500.00		\$0.00
Paint		\$1,000.00		\$3,500.00
Specialties				
Toilet Partitions	\$2,500.00	\$2,500.00		\$0.00
Appliances		\$14,500.00		\$20,000.00
Furnishings				
Cabinets		\$13,000.00		\$4,000.00
Blinds		\$4,500.00		\$1,500.00
Mechanical	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Electrical	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Plumbing	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00
New Addition		\$120,000.00		\$120,000.00
Parking Lot Paving		\$12,000.00		\$12,000.00
Fence		\$6,000.00		\$0.00
Totals	\$590,500.00	\$1,069,000.00	\$457,500.00	\$627,000.00
Phasing Summary				
Phase I	\$590,500.00	\$1,069,000.00		
Phase II	\$457,500.00	\$627,000.00		
	\$1,048,000.00	\$1,696,000.00		



PART 2:

Description of Rehabilitation

AMENDMENTS:

- Amendments are accepted on a **rolling basis**.
 - DUA Certificate is required with submission.
 - Submit drawings and photographs when applicable.
- Amendments should be submitted **as soon as possible!**
 - Work should **not** occur until the amendment has been approved.
 - Ensure that all parties involved with the project are aware that project changes need to be approved by SHPO.
- **Do** number your amendments. (ex. Amendment #1: Storefronts)
- Amendments should only be submitted once the project has been approved.
- **Do** use appropriate State and/or Federal Amendment forms.
 - If submitting an Amendment for a Federal project, and the project is also a State project, a separate State amendment form is needed.

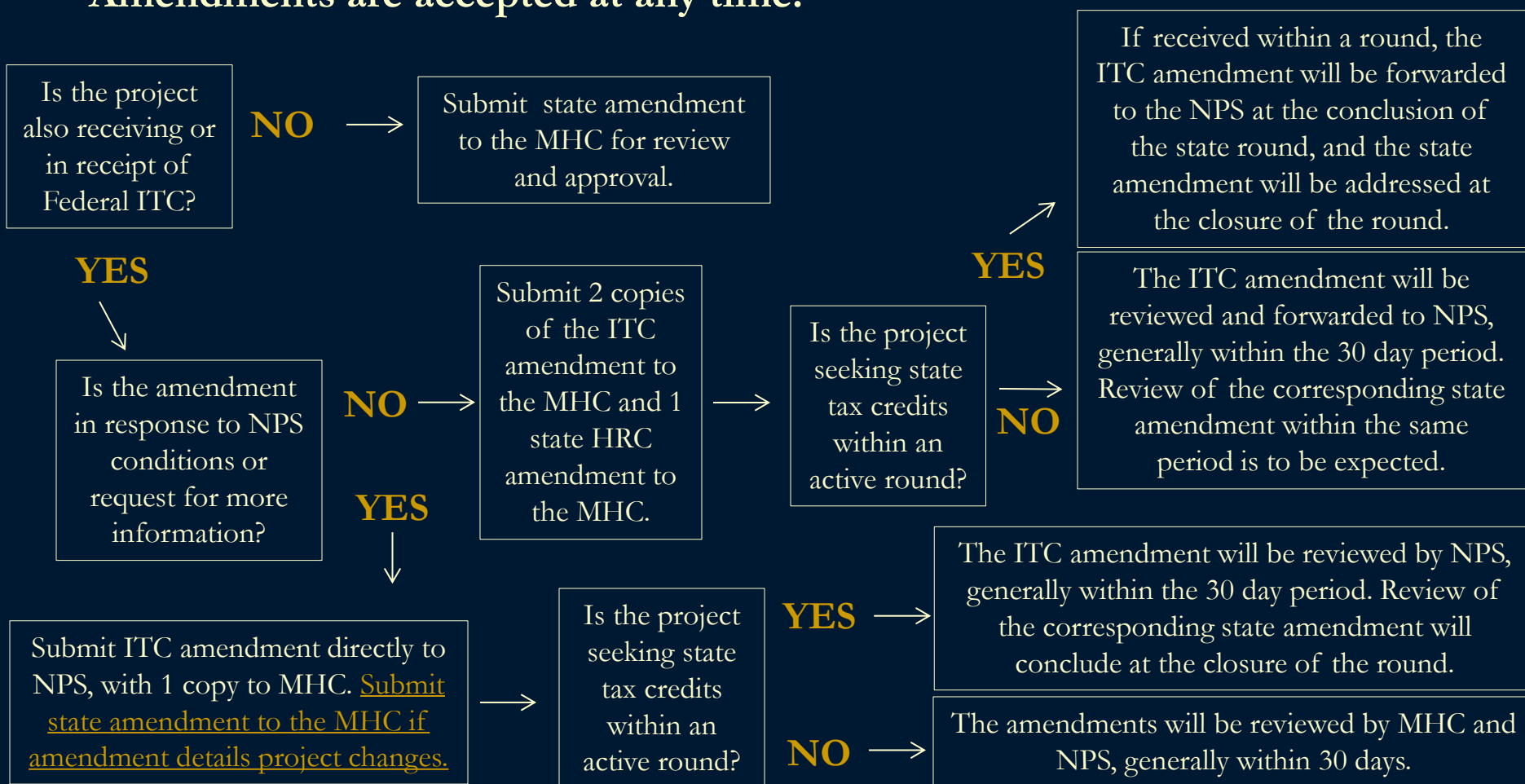


PART 2:

Description of Rehabilitation

AMENDMENTS: Must be filed in response to project changes either in advance of construction or during construction.

Amendments are accepted at any time.



PART 2:

Description of Rehabilitation



ADDITIONAL PART 2 BEST PRACTICES:

- **Do** submit an application and receive certification before any work is undertaken (especially irreversible work)
- **Do** clearly identify changes from previous Part 2 applications when responding to MHC requests for documentation and recommendations for project changes (strike out, italics, or respond in line) to facilitate accelerated reviews at Part 2 and Part 3
- **Do** ensure that client owner, entity, and TIN or SS numbers are correctly listed



PART 3:

Certification of Completed Work

COMMON REASONS FOR DELAY:

- Submission of Part 3 application too late in the calendar year. Must be submitted before **THANKSGIVING** to guarantee a project certificate in current calendar year.
- Missing current Department of Unemployment Assistance (DUA) Certificate. If multiple owners or proponents, DUA must be submitted for each
- Incorrect entity, owner, owner's address or TIN
- Incorrect QRE and TPC amounts, QRE amounts that exceed TPC
- Missing adequate number of photographs or photo key plan
- Changes to scope of work not accounted for in Part 2 application or amendments which do not meet the Standards



PART 3:

Certification of Completed Work



BEST PRACTICES:

- Plan ahead and submit requests **as early as possible** in the calendar year to help ensure timely reviews
- Ensure forms are completed with correct information, are accompanied by DUA Certificate(s) – for each proponent if multiple receiving credits – and signed
- If entity name has changed with ownership remaining the same, an amendment form must be submitted
- Ensure any necessary Part 2 amendments have been filed and approved before submitting for Part 3 Certification.
- For phased projects, ensure that the application form indicates the phase for which you are seeking certification
- For single phase projects, additional tax credits cannot be awarded following Part 3 Certification
- For multi phase projects, additional tax credits cannot be awarded to the phases that have already been certified



PART 3:

Certification of Completed Work

BEST PRACTICES (continued):

- Submit photographs taken from the same vantage points as the Part 2, to allow for easy comparison of before and after conditions
- Ensure that photo coverage is complete and keyed to a sketch map
- Do indicate how the certificate should be delivered to the proponent
- If requesting receipt by USPS, please inform MHC of any delays
- Inform MHC **as soon as possible** if there are errors in the certificate
- If there were errors in the Part 3 application, the original project certificate must be returned to MHC in order for MHC to declare it Null and Void in writing
- Please be aware that is QRE amounts have dropped between Part 2 and Part 3, MHC is only able to award twenty percent maximum of Part 3 QREs
- **Be aware that any transfer of credit following issuance of certificates is handled by DOR, not by MHC**

TRANSFER OF HRTC AWARDS

DOR's TIR 15-6



The Official Website of the Department of Revenue (DOR)

Department of Revenue

About DOR

[Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#) > [Technical Information Releases](#) > [TIR 15-6: Historic Rehabilitation Tax Credit](#)

TIR 15-6: Historic Rehabilitation Tax Credit –Transferring Awards, Multi-Phased Projects, and Recapture

I. Introduction

On August 13, 2014, the Commonwealth adopted St. 2014, c. 287, *An Act Promoting Economic Growth Across the Commonwealth* ("the Act"). Section 53 of the Act amended the personal income tax statute relating to the historic rehabilitation tax credit ("HRTC"), M.G.L. c. 62, § 6J(b)(1)(i), to allow the Massachusetts Historical Commission ("MHC"), subject to certain criteria, to transfer HRTC awards to taxpayers subject to the personal income tax imposed by c. 62 that acquire a qualified historic structure. Section 53 further provided that in the case of a multi-phased project the MHC is allowed to transfer HRTC awards for any phase that meets the criteria.^[1]

The purpose of this TIR is to describe the statutory amendment to the c. 62 HRTC statute, pursuant to the Act, and to explain how the amendment affects the recapture provisions in that statute in the context of multi-phased projects. Additionally, this TIR explains the effect of the amendment on taxpayer confidentiality.

II. Discussion

A. Statutory Amendment Authorizing the Transfer of HRTC Awards

The Act amended the c. 62 HRTC statute to authorize the MHC to transfer HRTC awards to taxpayers taxable under c. 62 that acquire a qualified historic structure subject to certain criteria as outlined in the following language:

...the Massachusetts historical commission shall ensure the award of tax credits pursuant to this section [and] shall allow a taxpayer that acquires a qualified historic structure to receive any tax credits for qualified rehabilitation expenditures previously awarded to the transferor of the qualified historic structure if: (A) the rehabilitation was not placed in service by the transferor; (B) no credit has been claimed by anyone other than the acquiring taxpayer as verified by the department



QUESTIONS AND ANSWERS