

## **SPECIAL INSTRUCTIONS FOR PHASED PROJECTS**

### **HISTORIC PRESERVATION TAX CREDIT PROGRAM (CGS section 10-416b)**

#### **Definitions**

For purposes of the above-named state historic tax credit program, a phased project is one in which the proposed rehabilitation work to a certified historic structure is completed in two or more stages of development. Work to a single building or multiple-building projects can be part of an overall phased project. Both types of phased projects need to be described on the state Part 2 application, Request for Approval of Proposed Rehabilitation Plan, Form ITC 200-a. The cost breakdown for each phase need not be indicated on Attachment 3A (Schedule of Values) of the state Part 3 application, Request for Preliminary Certification and Reservation of Tax Credits, Form ITC 200-c. Only one reservation is issued for the certified historic structure (a single building or multi-building project) in its entirety.

In phased projects, a tax credit voucher can be issued on a prorated basis for the identifiable portion of the certified historic structure placed in service, provided the expenditures incurred constitute a substantial rehabilitation. There are some key words here.

A. The regulations define “identifiable portion of the building” as “an entire floor, a section of a building separated from another section by an historic firewall, or, in buildings with several periods of construction, a section that represents a distinct period of construction.”

B. “Substantial rehabilitation” means the “qualified rehabilitation expenditures of a certified historic structure that exceed 25% of the assessed value of such structure.” That value is stated in the state Part 3 application, Request for Preliminary Certification and reservation of Tax Credits, Form ITC 200-c. When a project is phased, the value against which the test is made is determined on the basis of the costs associated with “qualified rehabilitation expenditures” for the square footage of the identifiable portion of the building placed in service.

C. “Placed in service” means that substantial rehabilitation work has been completed which would allow for issuance of a certificate of occupancy for the entire building or, in projects completed in phases, for an identifiable portion of the building.

#### **Overview**

A state Part 4 application, Request for Approval of Completed Rehabilitation Work, Form ITC 200-d must be filed for each phase. As is the rule for all projects regardless of whether the project is phased or not, costs paid for after the date of receipt of the part 4 application by the State Historic Preservation Office (SHPO) are not considered eligible. In order to request issuance of a tax credit voucher for each phase of a phased project, the owner must file a state part 5 application, Request for Issuance of Tax Credit Voucher, Form ITC 200-e and special Attachment 5A-c, which is for phased projects only. The amount of the tax credit is based on the costs associated with the square footage that is placed in service, regardless of whether the

certified historic structure is mixed residential/nonresidential or solely nonresidential. Depending on the eligible costs in each phase, the square footage costs will vary. For each phase, the owner is required to submit with the state Part 5 application a Certification of Costs which has been prepared by an independent certified public accountant. An application fee based on a percentage of the total qualified rehabilitation expenditures may be charged by the SHPO for each application.

In the first phase, the total eligible costs of this phase are divided by the square footage of the entire certified historic structure (as previously indicated on the state part 3 application) to obtain a square footage cost. Square footage cost is then multiplied by the square footage of the identifiable portion of the building placed in service. This figure constitutes the qualified rehabilitation expenditures (QREs). The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs. This method is to be used for subsequent phases except the last phase.

There is then a carryover (a “credit”) of eligible expenditures which are factored into the final determination of the remaining tax credits in the last phase of the project. For projects under the Historic Preservation Tax Credit program (CGS section 10-416b), the carryover is the determined by subtracting the QREs from the total eligible costs for the phase.

In the last phase of projects under the Historic Preservation Tax Credit program (CGS section 10-416b), the sum of all carryover costs is added to the total eligible costs of the last phase to constitute QREs. The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs.

The QREs are then the sum of all carryover costs plus the remaining eligible costs. The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs.

**In no case can the total amount of tax credits issued for all phases for any project exceed the amount of tax credits reserved.**

### **Instructions and Sample Calculations**

Complete Lines 1- 57 of Attachment 5A-c for all phases. For the first or subsequent phases except the last, fill out the information required under Part A: Lines 58-63. For the last phase, complete Lines 64-66.

#### **Sample calculation**

Project: 5-story building; 100,000 square feet; 20,000 square feet per floor; 80,000 square feet residential; 20,000 square feet nonresidential; 2-phase project. Reservation amount = \$5,000,000.00

Phase 1

Eligible costs: \$10,000,000

Bldg square footage: 100,000

Square footage costs: \$100

Square footage placed in service: 60,000

QREs: \$ 6,000,000

Amount of tax credit @25% of QREs: \$1,500,000

Carryover \$10,000,000 - \$1,500,000 = \$8,500,000

Tax Credit issued to date: \$1,500,000

Phase 2

Eligible costs: \$7,000,000

Bldg square footage: 100,000

Square footage costs: \$70

Square footage placed in service: 40,000

Carryover from phase 1 \$8,500,000

QRE's eligible costs plus carryover:  $\$7,000,000 + \$8,500,000 = \$15,500,000$

Amount of tax credit @25% of QREs: \$3,875,000

**Maximum tax credit allowable under the program is \$5,000,000. Hence the last tax credit voucher is not \$3,875,000, but \$3,500,000.**

**CONNECTICUT SHPO ON CULTURE AND TOURISM**

**ATTACHMENT 5A-c: SCHEDULE OF VALUES (COSTS INCURRED)- PHASED PROJECTS**

**HISTORIC PRESERVATION TAX CREDIT (CGS Section 10-416b)**

Phase \_\_\_\_\_ of \_\_\_\_\_ phases

	2	3	4	5	6
LINE	DIV	DIV/TRADE ITEM	INELIGIBLE	ELIGIBLE <sup>1</sup>	TOTAL EXPENSE
1	2	SITE TESTING/HAZARDOUS			
2	2	ENVIRONMENTAL REMEDIATION: SITE			
3	2	ENVIRONMENTAL REMEDIATION:			
4	2	SITE GRADING & EXCAVATION <sup>3</sup>			
5	2	OTHER SITE WORK <sup>4</sup> specify  _____	_____		_____
6	2	LANDSCAPING <sup>5</sup>			
7	2	SURFACE PARKING, ROADS AND WALKWAYS			
8	2	GARAGES/ STRUCTURED PARKING FACILITY			
9	2	DEMOLITION: SEPARATE BUILDINGS AND/OR STRUCTURES			
10	2	DEMOLITION: GENERAL <sup>6</sup>			

<sup>1</sup> Unless the project qualifies under the transition rule (projects under construction prior to July 1, 2006, but not placed in service as of that date), any costs for which payment has been made prior to the date of approval of the state Part 2 application, Request for Approval of Proposed Rehabilitation Plan, Form ITC 100-a, are not considered eligible.

<sup>2</sup> Includes abatement of hazardous materials, termite control, or mold

<sup>3</sup> Eligible work only if in conjunction with approved addition for building or life-safety code

<sup>4</sup> Includes hydrology systems and retaining walls

<sup>5</sup> Includes lawns, plantings, and fencing

<sup>6</sup> Includes all work to a certified historic structure required to remove deteriorated materials

LINE	DIV	DIV/TRADE ITEM	INELIGIBLE	ELIGIBLE	TOTAL EXPENSE
11	2	DEMOLITION: SELECTIVE <sup>7</sup>			
12	2	SITE UTILITIES			
13	3	NEW CONCRETE <sup>8</sup>			
14	3	CONCRETE REPAIRS			
15	4	MASONRY NEW, REPAIR and REPOINTING			
16	4	CONCRETE/MASONRY CLEANING:			
17	5	METALS			
18	6	ROUGH CARPENTRY			
19	6	FINISH CARPENTRY			
20	7	MOISTURE PROTECTION			
21	7	INSULATION			
22	7	ROOFING			
23	7	SHEET METAL			
24	7	SIDING (INCLUDES REMOVAL OF NON-HISTORIC, REPAIR, REPLACEMENT)			
25	8	DOORS AND HARDWARE			
26	8	WINDOWS AND GLAZING			
27	9	ACOUSTICAL TILE			
28	9	DRYWALL			
29	9	CERAMIC TILE			
30	9	WOOD FLOORING			
31	9	RESILIENT FLOORING			
32	9	CARPETING			
33	9	PAINTING (INTERIOR AND EXTERIOR)			
34	10	SPECIALTIES			
35	11	CABINETS & VANITIES			
36	11	APPLIANCES			

<sup>7</sup> Includes only costs associated with approved removal of sections of the building owing to documented structural failure or for the purpose of new construction to recreate documented historic appearance

<sup>8</sup> Line items Nos. 13 through 17 refer only to work to the certified historic structure

37	12	BLINDS, SHADES, AND ARTWORK			
38	13	SPECIAL CONSTRUCTION: SEPARATE NEW			
39	13	ADDITION: NON-CODE REQUIRED			
40	13	ADDITION: CODE REQUIRED			
41	13	ADDITION: HANDICAPPED ACCESS			
42	13	NEW CONSTRUCTION: RECONSTRUCTION			
43	15	ELEVATORS			
44	15	PLUMBING			
45	15	HVAC			
46	15	FIRE SUPPRESSION			
47	16	ELECTRICAL (BUILDING ONLY)			
48		RENTAL EQUIPMENT, specify: <sup>9</sup>		_____	_____
49		GREEN ROOFS			
50	TOTAL STRUCTURE AND LAND IMPROVEMENTS				
51	PERMITS AND FEES				
52	CONTRACTOR BOND PREMIUM				
53	TOTAL CONSTRUCTION COSTS Sum of LINES 50-52				
54	TOTAL INELIGIBLE COSTS: Column 4				
55	TOTAL ELIGIBLE COSTS: Column 5				
56	GENERAL REQUIREMENTS AND BUILDER'S OVERHEAD AND PROFIT: Not to exceed 15% of LINE 55 <sup>10</sup>				
57	TOTAL ELIGIBLE COSTS Sum of LINES 55 and 56				

<sup>9</sup> Includes dumpsters, scaffolding etc.

<sup>10</sup> Line 56 must represent actual payments not an automatic add on to eligible expenditures.

**HISTORIC PRESERVATION CGS section 10-416b**

58	BUILDING SQUARE FOOTAGE <sup>11</sup>		
59	PER SQUARE FOOT REHABILITATION COSTS: LINE 57 divided by LINE 58		
60	SQUARE FOOTAGE PLACED IN SERVICE		
61	<b>TOTAL QUALIFIED REHABILITATION EXPENDITURES:</b> LINE 59 multiplied by LINE 60		
62	<b>PRO-RATED VOUCHER AMOUNT:</b> 25% OF LINE 61		
63	CARRYFORWARD: LINE 57 minus the sum of LINE 62		

**LAST PHASE ONLY**

64	CARRYFORWARD FROM EACH PHASE – LINE 63		
65	TOTAL ELIGIBLE COSTS - LINE 57		
66	<b>TOTAL QUALIFIED REHABILITATION EXPENDITURES:</b> sum of LINE 64 and LINE 65		

<sup>11</sup> The square footage is the square footage at the time of acquisition irrespective of any subsequently approved demolition plus the square footage of any allowable enlargement of the building envelope to meet code requirements or to recreate a documented historic appearance.