

## MEMORANDUM

October 25, 2016

Re: Historic Rehabilitation Tax Credit Program (CGS Sec. 10-416c)

The below proposal represents a short-term program policy for the continued administration of the tax credit program through the rest of Fiscal Year 2017 and into Fiscal Year 2018. Aspects of this policy may be included when the program regulations are adopted, and therefore, may be applied to the program beyond FY 2018.

### **Background**

The HRTC Program allows for a 25% tax credit voucher (30% if the project has an affordable housing component) for the rehabilitation of Certified Historic Structures. There is a per-project cap of \$4.5 million and an annual fiscal year cap with which reservations can be made of \$31.7 million. The cap on reservations has been reached each year since its inception at the start of FY 2015.

Due to the increased demand for funding and the relative ease with which the tax credits can be obtained, the program is significantly over subscribed. As a result, the SHPO reserved its total allocation for FY 2017 within the first quarter. In an effort to ensure that the limited amount of money with which the SHPO can reserve tax credits is going towards projects with the greatest chance of completion, the SHPO is adding criteria to its already existing project ranking system in the Part 3 Application: Request for Preliminary Certification and Reservation of Tax Credits. The intent of the ranking system has always been for the applicant to demonstrate project readiness. The proposed added criteria outlined below will serve to further insure, to the extent possible, that the allocated tax credits will go towards “shovel-ready” projects.

### **Goals for Re-Structuring Reservation Rating Criteria and Allocations**

- Re-structure the way in which reservations are allocated without losing momentum for the program
- Align the program, to the extent possible, with other state and federal funding sources
- Provide reservations to projects with the greatest potential for timely completion

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- Provide reservations to projects with the greatest potential to advance the mission of DECD
- Eliminate, to the extent possible, uncertainty for the applicant

## **PROPOSAL**

**The SHPO will continue to accept applications to the program on a rolling basis**, but the SHPO will only reserve tax credits for fiscal year 2018. The SHPO will not advance allocations beyond the upcoming fiscal year.

**The Part 3 Application:** Request for Preliminary Certification and Reservation of Tax Credits **will be revised to include requests for additional information that demonstrate project readiness and overall economic impact.** Note: no reservation of tax credits will be issued to a project with unresolved Part 2 approval conditions.

Currently, the following materials documenting project readiness and credibility are required for the preliminary certification:

- (1) Statement indicating sources of existing, pending, and proposed financing, including private lenders, municipal, state or federal funds, state or federal tax credits and the approximate dollar values for each source of funding.
- (2) Evidence of applicable federal, state and municipal approvals necessary to execute the project.
- (3) Evidence of project consistency with municipal or regional plans of conservation and development, including municipal historic preservation plans, historic preservation component of a municipal plan of conservation and development or other land-use management plans.
- (4) Evidence of project conformance to applicable building and fire codes. A building permit is not required.

**The revised Part 3 will include all the above as well as the following:**

- (1) Letters of commitment from all funding sources and/or the deadlines for submission of the application for funds and/or date of expected award of funds
- (2) Construction schedule
- (3) Detailed pro forma
- (4) List of project team members including the level of experience the team has with similar projects. Include project size, scope and whether completed on time.
- (5) Letters of support

**Additionally, the revised Part 3 application will include the following new questions:**

- (1) How many permanent jobs will the rehabilitation create?
- (2) Has the project received any other funding from programs managed by DECD?
- (3) How will this project address an unmet need within its surrounding neighborhood, municipality and/or region?
- (4) Is the project related to Transit Oriented Development, Public Transit and Pedestrian Environment:
  - a. Is the project within walking distance (half mile) of an existing or planned commuter rail station or bus stop?
  - b. Does the property have any features nearby that would enhance walk-ability or bike-ability? (example: complete streets design features, sidewalks, street trees, bicycle lanes, etc.)
- (5) Does the project support initiatives with the Office of the Arts or Office of Tourism?
- (6) Does the project conform to the goals of the SHPO's statewide Preservation Plan?
- (7) Does the rehabilitation incorporate any innovative preservation technologies?

Based on the answers to the above questions and the information provided, the SHPO will evaluate the project for readiness and determine whether the project is eligible for a tax credit reservation.

For a project seeking a tax credit reservation that has all the required funding in place and meets the goals and mission of the SHPO and DECD, a tax credit reservation will be issued. The reservation will expire 5 years from the date of issuance.

For a project seeking a tax credit reservation that does not have all the required funding in place but meets the goals and mission of the SHPO and DECD, a conditional tax credit reservation will be issued. The reservation will be conditioned on the receipt of the required funding based on the schedule provided by the applicant. If the funding is secured within the stated deadline, the reservation will be extended for 5 years. Should the applicant fall short of receipt/award of any project financing within the specified deadline(s), the reservation will be rescinded and the applicant will need to reapply.

For a project seeking a tax credit reservation that does not have all required funding in place and does not meet the goals and mission of the SHPO and DECD, a tax credit reservation will not be issued; however, the applicant is free to reapply.

Finally, the SHPO recognizes that the rehabilitation tax credits are often an important part of a project's overall funding stream and ensuring that viable projects move forward is our



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priority. As a result, the SHPO proposes to set aside a portion of the overall allocation for projects seeking funding from other state and local lending and granting agencies. The set asides for FY 2018 only would be as follows:

Department of Housing Funded Projects: \$12 Million

Any unused portion of this money will be reallocated to the general pool at the end of the third quarter of the fiscal year (March 31, 2017). Additionally, any projects seeking Department of Housing will require a pre-application meeting with SHPO.

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