

MISSOURI HISTORIC PRESERVATION TAX CREDIT PROGRAM

PRELIMINARY APPLICATION AND GUIDELINES

March 30, 2019

The Missouri Historic Tax Credit Program was passed in September 1997 by the Missouri General Assembly, and became effective January 1, 1998. The law's intent is to aid in the redevelopment of historic structures in the state of Missouri. The Missouri Department of Economic Development is responsible for the issuance of the credits based upon certification of the rehabilitation by the Missouri Department of Natural Resources, State Historic Preservation Office (SHPO). If there is any conflict between these Guidelines and the applicable statutory provisions, the statutes shall control.



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TABLE OF CONTENTS

Notice (Tax Credit Accountability Act of 2004)	3
Eligibility Requirements	6
Preliminary Approval Process	7
Frequently Asked Questions	10
Definitions and Key Points	12
Getting Preliminary Approval	18
Preliminary Approval Checklist	19
Preliminary Application Instructions	22
Appendix 1: Standards for Rehabilitation	
Appendix 2: Photographic Requirements	

NOTICE

The Tax Credit Accountability Act of 2004 (Senate Bill 1099, Sections 135.800 through 135.830, RSMo) makes several changes to the tax credit programs, specifically:

- **Processing tax credit applications;**
- **Annual reporting requirements; and,**
- **Penalty provisions.**

Changes in Processing of Tax Credits (Section 135.815, RSMo)

Prior to the Missouri Department of Economic Development (DED) authorization of a tax credit, the DED will contact the Departments of Revenue (DOR) and Insurance and verify that the applicant does not owe any delinquent income, sales, use, or insurance taxes, or interest or penalties on such taxes. If a delinquency exists, the amount of tax credits issued will be reduced by the amount of the delinquency. After satisfying all delinquencies, the remaining credits shall be issued.

Reporting Requirements (Section 135.805, RSMo)

Certain tax credit recipients are required to annually report information pertaining to the project that received the tax credits to the DOR. The statute requires that a full year pass after the issuance of the tax credits before the reporting requirements must be met. The earliest date that reporting may be required is June 30, 2006.

The Redevelopment category of tax credits, which includes the Historic Preservation Tax Credit (HTC) program, requires recipients to annually report for three (3) years following the date of issuance of the tax credits to the DOR the following information:

- Whether the property is used for residential, commercial or governmental purposes;
- Projected or actual project cost and labor cost; and,
- Date of completion.

Penalty Provisions (Section 135.810, RSMo)

Failure to meet the annual reporting requirements or fraud in the application process if determined by a court, such person or entity shall be subject to penalties.

If the annual report is ninety (90) days past due, the DOR shall send notice by registered mail to the last known address of the person or entity who is required to complete the annual report. The notice shall inform the person or entity of the past-due report and the pending penalties and their respective deadlines.

If the annual report is six (6) months past due, the taxpayer is subject to penalties because of failure to report.

Such penalties include the following:

- Failure to report for six (6) months but less than one year shall equal a penalty of two percent (2%) of the value of the tax credits issued for each month of the delinquency.
 - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2007. The recipient is nine (9) months delinquent and the penalty would equal 2% multiplied by \$10,000 for nine (9) months or \$1,800.
- Failure to report for more than one (1) year shall equal a penalty of ten percent (10%) of the value of the credits issued for each month of the delinquency, not to exceed one hundred percent (100%) of the tax credit value.
 - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2008. The recipient is twenty-one (21) months delinquent and the penalty would equal 10% multiplied by \$10,000 for twenty-one (21) months or \$21,000, however, the statute limits the penalty to the amount of the tax credits, therefore, the penalty would be \$10,000.

The taxpayer shall be liable for any penalties as of December 31 of any tax year and the liability shall be due as of the filing date of the taxpayer's next income tax return.

If the taxpayer is not required to file an income tax return, the taxpayer's liability for penalties shall be due as of April 15th of each year.

The Director of the Department of Revenue shall offset any tax credits claimed on a filed tax return against an outstanding penalty before applying such credits to the tax year against which they were originally claimed.

Any nonpayment of liability for penalties shall be subject to the same provisions of law as a liability for unpaid income taxes, including but not limited to, interest and penalty provisions.

Penalties shall remain the obligation of the person or entity obligated to complete the annual report without regard to any transfer of the credits.

Closed Records (Sections 610.255 and 620.014, RSMo)
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Pursuant to Section 610.225, RSMo, records and documents relating to tax credits submitted as part of the application for tax credits shall be deemed closed records until such time as the information submitted does not concern a pending application. "Pending application" means an application for credits that has not yet been authorized. Further, DED is authorized by Section 620.014, RSMo, to close any and all records and documents submitted to DED relating to financial investments in a business, or sales projections or other business plan information which may endanger the competitiveness of a business. DED is further authorized to close records/information subject to the general provisions of the state open records law pursuant to Section 610.021, RSMo.

Fee Imposed on Tax Credit Recipients (Section 620.1900, RSMo)

The DED has the authority to charge a fee in an amount up to 2.5% of the amount of tax credits issued under Section 253.545 to 253.559 for applications received prior to August 28, 2018, and a fee in an amount equal to 4% of the amount of tax credits issued for applications received on or after August 28, 2018. All applications received by the Department before September 7, 2005 are not subject to this fee. Applications for entitlement tax credit programs currently held by the department where hard construction commences by October 15, 2005 shall not be subject to the fee. The fee shall be payable for deposit in the Economic Development Advancement Fund prior to the issuance of tax credits.

Federal Employment Authorization (Sections 285.525 to 285.555, RSMo)

Business entities and employers are prohibited from knowingly employing, hiring, or continuing to employ illegal aliens to perform work in Missouri. Participation in a federal work authorization program which enables employers to electronically verify employment eligibility is required for all public employers and business entities receiving a state contract or grant in excess of \$5,000 or a state-administered tax credit, tax abatement, or loan from the state. Participation in a federal work authorization program is an affirmative defense to an allegation that a business entity knowingly hired an illegal alien.

A violation of the prohibition against employing illegal aliens by a business entity awarded a state-administered tax credit from the state will result in the suspension or debarment of the business entity from doing business in this state for a period of three years. A second or subsequent violation will result in the permanent suspension or debarment of the business entity from doing business in this state.

HISTORIC PRESERVATION TAX CREDIT PROGRAM

The purpose of the Historic Preservation Tax Credit Program is to provide an incentive for the rehabilitation of commercial and residential historic structures in the state of Missouri. The incentive is in the form of the state tax credits equal to twenty-five percent (25%) of the total qualified rehabilitation expenditures of rehabilitation. The Missouri Department of Economic Development (DED) is responsible for the administration of the program and the issuance of tax credits in accordance with the certification of rehabilitation issued by the Missouri Department of Natural Resources, State Historic Preservation Office (SHPO).

WHAT ARE THE ELIGIBILITY REQUIREMENTS?

1. The property must be a certified historic structure, defined as a building (a) listed individually in the National Register of Historic Places or (b) determined to be a contributing element in a federally certified historic district.
2. The eligible rehabilitation costs and expenses must exceed 50% of the total basis in the property. A copy of the portion of the settlement statement that shows purchase price must be submitted as proof, preferably with the preliminary application materials.
3. The rehabilitation must meet standards consistent with the standards of the Secretary of the United States Department of the Interior for rehabilitation as determined by the State Historic Preservation Officer of the Missouri Department of Natural Resources.

Please read and understand both the Preliminary Application and Guidelines (this document) and Final Application and Guidelines, especially the application review process and the expenditures submission, as the provisions of these guidelines are effective for all incoming preliminary applications received by DED on or after the date the accompanying administrative rules, 4 CSR 85-5.010-.110, become effective – March 30, 2019.

WHAT'S THE PROCESS?

The approval process is broken into two parts – the preliminary application and the final application. A preliminary application should be submitted prior to any project work. This allows the Missouri Department of Economic Development (DED) and the Missouri Department of Natural Resources' State Historic Preservation Office (SHPO) to review the project for eligibility, and allows the SHPO to guide the applicant with regard to rehabilitation. Any work done prior to certification of preliminary approval is done at the applicant's risk.

After receiving preliminary approval, the applicant may go forward with the project. When the project is completed and expenses have been paid, the final application should be submitted along with expense documentation and required application materials. After the final materials are received by DED, the SHPO performs a final review of the technical project work and DED (or an approved independent accountant, pursuant to 4 CSR 85-5.020(10) and subsequent guidance provided by DED) performs an audit of the expenses. After approval of the project work and expenses and issuance fee payment, a tax credit certificate for 25% of qualified rehabilitation expenditures will be issued and mailed to the applicant.

PRELIMINARY APPROVAL PROCESS

The size of project determines the criteria for preliminary application review and approval process in addition to the availability of funds and application submission timeline. Applicants are encouraged to work with their consultant and architect for a thorough design review in the planning process for a realistic cost estimation prior to submitting application.

	Tax Credit Requested = Less than \$275,000	Tax Credit Requested = \$275,000 or more
Qualified Rehabilitation Expenditures (QREs)	Less than \$1,100,000	\$1,100,000 or more
Program Cap	No cap	\$90 Million + \$30 Million for projects located in qualified census tract per State Fiscal Year (FY)
Preliminary Application Cycle	Open cycle	2 cycles per State FY
Review Process Includes:	<ul style="list-style-type: none"> ▪ SHPO scope of work review 	<ul style="list-style-type: none"> ▪ DED competitive scoring criteria ▪ SHPO scope of work review

PROJECTS REQUESTING LESS THAN \$275,000 IN TAX CREDITS:

Pursuant to Section 253.550.2(1), RSMo), projects requesting less than \$275,000 in tax credits are not subject to the program cap. Thus, applications for such projects may be submitted to DED at any time prior to starting the rehabilitation.

1. Eligibility Determination: Prospective applicants must complete and submit two (2) sets of state preliminary applications and accompanying materials to DED for review of eligibility. Only complete applications will receive further review. Incomplete applications will be placed on hold until all insufficiencies are resolved.
2. SHPO Scope of Work Review: DED will forward complete applications to SHPO for scope of work review consistent with the standards of the Secretary of the United States Department of the Interior for Rehabilitation. In addition, SHPO will verify the property's eligibility.
3. Preliminary Approval: After receiving SHPO's unconditional approval for the proposed scope of work, DED may authorize tax credits and issue a preliminary approval letter for the project. Applicant must commence the rehabilitation within nine (9) months of the date of DED's preliminary approval letter (see Section 253.559.8, RSMo) and follow the scope of work approved by SHPO. In any circumstances where revision is required, two (2) sets of continuation/amendment sheets must be submitted to DED for SHPO review and approval.

PROJECTS REQUESTING \$275,000 OR MORE IN TAX CREDITS:

Projects requesting \$275,000 or more in tax credits are subject to an annual program cap of \$90 million, plus an additional \$30 million for projects located in a qualified census tracts, per state fiscal year. Projects will first be approved from the \$90 million cap, followed by the \$30 million cap after the \$90 million cap is exhausted.

1. Eligibility Determination: There are two (2) preliminary application cycles for each state fiscal year. Application submission schedules will be published on the program website in advance at least three (3) months prior to the start of the cycle. Prospective applicants are strongly encouraged to review the appropriate preliminary application checklist before submission. Two (2) sets of preliminary applications, along with accompanying materials including HTC self-scored sheet, must be completed and submitted to DED within the application cycle period for a determination of eligibility. Any incomplete preliminary application will automatically be rejected for further review. Complete applications submitted to DED within each cycle will be prioritized for review in the order of the date on which each application was postmarked, with the oldest postmarked date receiving priority. Applications postmarked on the same day will go through a lottery process to determine the order of their review.
2. DED Scoring Review: Applications are evaluated using a 100-point objective scoring process with four (4) main criteria for consideration:
 - Overall Size and Quality of the Project;
 - Level of Economic Distress;
 - Net Fiscal Benefit to the State and Local Municipality; and
 - Input from Local Elected Officials.DED staff will review and verify information and score applications based on each criteria. Applications are grouped into three (3) tiers based on their scores as follows:
 - Tier 1: 70 points and above
 - Tier 2: 31-69 points
 - Tier 3: 30 points or belowIf more than one application receives the same score, such applications will go through the lottery process to determine their order for approval.
3. SHPO Scope of Work Review: DED will forward selected applications to SHPO for scope of work review pursuant to each application's score under the DED Scoring Review, starting with those receiving the highest score, consistent with the standards of the Secretary of the United States Department of the Interior for Rehabilitation. Additionally, SHPO will verify the property's eligibility.

4. Preliminary Approval: Upon receiving SHPO unconditional approval for the proposed scope of work, DED may approve tax credits and issue a preliminary approval letter for the project. Applicant shall commence a rehabilitation in accordance with the work approved by SHPO. Any amendments to scope of work must be submitted to DED in a form of continuation/amendment (2 sets) for review and approval by SHPO.

Tier 1 applications that have not been approved by DED due to an exhaustion of program cap will be placed in line for review until there is sufficient program cap space due to (1) a rescission of authorized tax credits for such state fiscal year or (2) until the next state fiscal year when sufficient program cap space becomes available. Tier 2 and Tier 3 applications that have not been approved because of program cap exhaustion will not be further considered for review or submitted to SHPO for Scope of Work Review.

FREQUENTLY ASKED QUESTIONS (FAQs)

Q: What is a state tax credit?

A: A state tax credit is a dollar-for-dollar reduction or elimination of an individual's (or entity's) state tax liability. It is not a tax deduction.

Q: How do I claim the tax credits?

A: Complete form MO-TC, available from the Department of Revenue at (573) 751-3505 or at DOR's website: www.dor.mo.gov/tax/personal/forms

Q: Which expenses are eligible for tax credits?

A: Put simply, improvements made within the "footprint" of the building are eligible if they are permanent. Soft costs directly related to the rehabilitation, such as architect's fees, are also allowed. See the Appendix in the Final Application packet for a list of eligible project expense categories. Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended.

Q: How can I find out if my property is eligible?

A: Contact the Missouri Department of Natural Resources State Historic Preservation Office at (573) 751-7858 or at P.O. Box 176, Jefferson City, MO 65102. If the property is in St. Louis, you may call (314) 340-5618.

Q: What if my property isn't listed on the National Register?

A: You may submit a preliminary application for the state program prior to designation, however, it will not go through further review. Any work undertaken prior to (1) the property's official listing on the National Register and (2) preliminary approval from DED is undertaken at the applicant's risk.

Q: Can credits be claimed for residential property?

A: Yes, under the state program, residential property is eligible.

Q: Can tax credits be sold or transferred?

A: Yes, state credits earned on work completed after August 28, 1998 may be sold or transferred. Fill out form MO-TF (included in the Appendix) and return to the Missouri Department of Economic Development at P.O. Box 118, Jefferson City MO 65102.

Q: What are the guidelines for rehabilitation?

A: The program is based on the U.S. Department of Interior's rehabilitation standards. See the Appendix for a summary of those standards. If you have questions about the rehabilitation standards, contact the State Historic Preservation Office at (573) 751-7858 or by mail at P.O. Box 176, Jefferson City, MO 65102. If the property is in St. Louis, you may call (314) 340-5618.

Q: Can I submit one application to enter both the Historic Preservation program and the Neighborhood Preservation program?

A: No. Separate applications will be required. The combining of the application caused numerous problems with efficiency and DED's ability to administer both programs in a customer-friendly way.

Q: I am applying for state and federal credits. How many sets of the application materials should I submit?

A: Two sets of state applications and one copy of federal application part 2, including photographs and accompanying materials, must be submitted to DED. Two sets of federal applications must be submitted directly to SHPO.

Q: My spouse and I are applying for the program. Which one of us should be the "applicant"?

A: If you file your taxes jointly, both your names and Social Security numbers should be entered on the application. This allows DED to place both your names on the tax credit certificate.

Q: My local government designated an area of town as "historic". Does this mean my property within that area would qualify for this program?

A: No, unless the historic district has been certified by the U.S. Department of Interior. To be eligible for state historic tax credits, the building must:

- Be individually listed on the National Register of Historic Places, OR
- Have been certified by the Department of Natural Resources, State Historic Preservation Office as contributing to the historic significance of a historic district listed in the National Register of Historic Places, OR
- Have been certified by the Department of Natural Resources, State Historic Preservation Office as contributing to the historic significance of a local district that has been certified by the United States Department of Interior.

Q: The application instructions indicate I need to submit two sets of photos. Can I make photocopies of the original photos and submit those as the second copy?

A: No, original photographs are required for both sets.

Q: I took digital photos of the property. Can I submit a diskette or compact disc that contains the photos in electronic form?

A: No, digital photos will be accepted as hard copy only.

Q: I sent in my application last week and haven't received any response. Who should I call to ensure it was received?

A. You will normally receive a letter from DED within ten (10) days of the receipt of your application. If, after that time, you have not received a response, please call DED at (573) 522-8004. Please note that the letter from DED will be sent to the Project Contact listed on the preliminary or final application. If the Project Contact is not the Owner, the Owner will not receive any direct correspondence from DED.

Q: Is my project subject to a program cap?

A: If your project is less than \$275 in total QREs, you are not subject to a cap. Project with \$275K or more in total QREs would count toward an annual cap of \$90 million plus \$30 million for projects located in qualified census tract per fiscal year.

Q: How can I find out about the status of my project if it has been approved?

A: Once DED approves your project, a preliminary approval letter will be sent to your project contact. Please call DED at (573) 522-8004 with any questions regarding notification.

Q: I have received preliminary approval from DED and have started my project. Do the revised Guidelines dated March 30, 2019 apply to my project?

A: The provisions of these guidelines apply only to preliminary applications received by DED to the date, the accompanying administrative rules, 4 CSR 85-5.010-.110, become effective – **March 30, 2019**. If you received preliminary approval from DED prior to that date, the revised guidelines dated February 28, 2009 and the guidelines dated May 15, 2014, apply to your project.

DEFINITIONS AND KEY POINTS

Definitions:

- a. Applicant: The entity or individual(s) that owns or has site control of the eligible property (as defined in Section 253.545(3), RSMo) on which qualified rehabilitation expenditures have been incurred which are expected to generate tax credits. Proof of ownership shall include evidence that applicant is the fee simple owner of the eligible property, such as a warranty deed or closing statement. Proof of site control may be evidenced by a leasehold interest for a term of not less than thirty (30) years, provided that such leasehold interest is not determined to be a disqualified lease as defined in section 168(h) of the Internal Revenue Code of 1986, as amended, or an option to acquire such an interest. If the applicant is in the process of acquiring fee simple ownership, proof of site control shall include an executed sales contract or an executed option to purchase the eligible property.
- b. Basis: The cost, or fair market value, of the property at the time of acquisition, or as otherwise defined in the United States Internal Revenue Code. Cost includes the cash paid, the fair market value of services rendered, and the fair market value of property traded in exchange for the property. Also, certain closing costs can be added to the basis of property. Such closing costs include commissions paid by the purchaser, legal fees, recording fees, and state transfer taxes on real estate.
- c. Certified Historic Structure: A building located in Missouri and listed individually on the National Register of Historic Places.
- d. DED: The Missouri Department of Economic Development
- e. Developer Fee Agreement: A written agreement for services between the developer and the applicant in the form provided by DED.
- f. DOR: The Missouri Department of Revenue
- g. Eligible Property: A property located in Missouri and offered or used for residential or business purposes.
- h. Final Application: A request for tax credits by an applicant whose project is complete and whose preliminary application has been approved by DED, on the form provided by DED.
- i. Final Completion: For the purposes of issuing tax credits, the project is considered complete when all work has been done on the project. The final year construction costs are incurred is the year credits will be issued. (i.e., if costs are still being incurred in 2007 then regardless of "placed in service" date or date of "substantial completion", the credits will be issued as 2007 credits if those expenses are being claimed for tax credits.) Please note: completion dates have been established for the state historic program only. Federal guidelines vary.

Except as set forth in 4 CSR 85-5.080(6), Final Completion is separately determined for each construction period of a "phased project". Costs associated with one construction period may not be carried to another construction period of a project. Each construction period is considered a separate project for audit purposes and must stand alone to meet all requirements of the HTC Program. Any exceptions must be submitted to DED before the final cost certification is submitted and must be approved in writing by DED.
- j. Guidelines: The program guidelines, which shall be published on DED's website.
- k. Hard Costs: QREs related to the structural components of a building, including, but not limited to, walls, partitions, floors, ceilings, windows, doors, components of central air conditioning or heating systems, plumbing,

electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes and other components related to the operation or maintenance of the building.

- i. Identity of Interest or Related Party (IOI): An identity of interest may exist when: (1) the applicant has any financial interest in the other party (i.e. general contractor, subcontractor, vendor); (2) one (1) or more of the officers, directors, stockholders, or partners of the applicant is also an officer, director, stockholder or partner of the other party; (3) any officer, director, stockholder or partner of the applicant has any financial interest whatsoever in the other party or has controlling interest in the management or operation of the other party; (4) the other party advances any funds to the applicant; (5) the other party provides and pays on behalf of the applicant the cost of any legal services, architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by a general contractor in connection with obligations under the construction contract; (6) the other party takes stock or any interest in the applicant as part of consideration to be paid; (7) there exists or comes into being any side deal, agreement, contract or undertaking entered into thereby altering, amending, or canceling any of the original documents submitted to DED at the preliminary application, except as approved by DED; (8) any party involved in the project would be deemed to constructively own the stock of another party involved in the project as set forth in section 304(c) of the Internal Revenue Code of 1986, as amended; or (9) any party involved in the project has a stockholder, member, partner, officer, or director that is related by blood, adoption or marriage to a stockholder, member, partner, officer, or director of another party involved in the project.
In the event an identity of interest exists between the applicant, developer, and/or contractor, care should be taken that no duplication of work exists.
- m. Inactive Project: Any project deemed pending as described in written communication from DED to the applicant or that has received a tax credit authorization that, in either case, has remained idle without communication from the applicant to DED providing a justified reason for such idleness, such justification to be reasonably determined by DED, for a period of at least nine (9) months from the date the last written correspondence was sent by DED to the applicant regarding the project.
- n. Incomplete Application: A preliminary application received by DED that is not submitted in accordance with the preliminary application or its instructions, regulations, or DED's guidelines published on its website.
- o. Incurred: Has the same meaning as set forth in U.S. Treasury Regulation 26 CFR 1.461-1(a)(2)(i).
- p. NAICS: North American Industry Classification System.
- q. Non-Qualified Expenditures: All costs included in total project costs which are not qualified rehabilitation expenditures are considered non-qualified expenditures, including, but not limited, to a list of non-qualified expenditures under the program published by DED in the program guidelines, which shall be effective for the state fiscal year beginning on July 1 following such publication and may be updated for subsequent state fiscal years in the reasonable determination of DED. Each project shall be held to the list of non-qualified expenditures effective on the date the project's preliminary application was submitted. Costs of acquisition shall constitute a non-qualified expenditure.
- r. Not-for-profit: A not-for-profit entity, including but not limited to a not-for-profit corporation formed under chapter 355, RSMo.
- s. Phased Project: A project for which the applications for tax credits submitted to DED provide for the project to be completed and reviewed in more than one construction period, as described in 4 CSR 85-5.080.
- t. Preliminary Application: A request by an applicant for an authorization of tax credits, on the form approved and made available by DED.
- u. Preliminary Approval: DED's authorization of tax credits for a particular project under the program.
- v. Program: The Missouri Historic Preservation Tax Credit Program as set forth in sections 253.545 to 253.559, RSMo.

- w. Project: The structure or property on which qualified rehabilitation expenditures are to be incurred which is expected to generate tax credits.
- x. Qualified Rehabilitation Expenditure (QRE) – HTC: An expenditure that is used as eligible basis on which to calculate the tax credits issued under the program. Such expenditures include, but shall not be limited to, (i) qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986, as amended, as determined by DED, and (ii) a list of qualified rehabilitation expenditures under the program that DED shall publish in its guidelines, which shall be effective for the state fiscal year beginning on July 1 following such publication and may be updated for subsequent state fiscal years in the reasonable determination of DED. Each project shall be held to the list of qualified rehabilitation expenditures effective on the date the project's preliminary application was submitted.
- y. SHPO: The State Historic Preservation Office of the Missouri Department of Natural Resources.
- z. Soft Costs: QREs other than hard costs, including, but not limited to, architectural fees, engineering fees, construction management costs, utilities incurred during rehabilitation, property taxes, reasonable developer fees, construction period interest, and financing costs related to construction financing.
- aa. Structure in a certified historic district: A structure located in Missouri which is certified by the Department of Natural Resources as contributing to the historic significance of a certified historic district listed on the National Register of Historic Places, or a local district that has been certified by the United States Department of Interior.
- bb. Tax Credits: State historic preservation tax credits authorized under the program.
- cc. Total Project Costs: All costs, whether accrued or paid, pertaining to the redevelopment of the property for which an application for tax credits has been submitted. Total project costs include all QREs and all non-qualified expenditures, including the shell acquisition cost. It does not include any cash reserves established or to be established for the project, such as replacement reserves, lease-up reserves, lease commission reserves or other cash held by, or for, the applicant.

Key Points:

- a. Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended. (See Final Application's Appendix for partial lists.)
- b. Tax credits must be used first in the year they are issued. If there is any excess, they may be carried back to any of the three preceding years AND carried forward for the succeeding ten years. The credit is to be claimed against the taxes imposed pursuant to chapter 143, RSMo and Chapter 148, RSMo, except for sections 143.191 to 143.265, RSMo.
- c. Eligible taxpayers may transfer, sell or assign the credits.
- d. Tax credits granted to a partnership, a limited liability company taxed as a partnership, or multiple owners of property shall be passed through to the partners, members or owners respectively pro rata or according to an executed agreement among the partners, members or owners documenting an alternate distribution method. Any alternate distribution agreement must accompany the Part 2 (Final Application) for final certification.

Not-for-profits, including but not limited to corporations organized as not for-profit corporations pursuant to Chapter 355 RSMo, shall be ineligible for the tax credits authorized under sections 253.545 through 253.559. Under no circumstance shall tax credits be issued to a not-for-profit. A for-profit entity will be restricted from full participation in the program if that entity has a not-for-profit as part of its ownership group or has received a contribution from a related not-for-profit. Such a for-profit applicant shall have its tax credits reduced by the greater of:

- The *percentage interest in its ownership* held by or attributed to a not-for-profit. When a not-for-profit is considered part of the applicant's ownership group, ownership interest shall be attributed to the related party not-for-profit in accordance with the attribution rules of Section 304(c)(3) of the Internal Revenue Code of 1986, as amended; and
 - The percentage of *capital contributed* by or on behalf of a not-for-profit owner or related party.
- e. The assignee of the tax credits may use acquired credits to offset up to one hundred percent of the tax liabilities otherwise imposed pursuant to Chapter 143, RSMo, and Chapter 148, RSMo, except for sections 143.191 to 143.265, RSMo. The assignor shall perfect such transfer by notifying DOR in writing within thirty days following the effective date of the transfer and shall provide any information as may be required by DOR to administer the transfer.
 - f. In certain cases, a project may be completed in more than one construction period. To qualify as a phased project, an applicant must:
 1. Apply for the federal historic preservation tax credit program as a phased project;
 2. Submit a separate preliminary application for each construction period of the phased project concurrently prior to beginning the work;
 3. Mimic state construction periods to federal phases listed in federal historic preservation application;
 4. Report actual costs incurred in the construction period in which the work was performed; and
 5. Meet all of the program requirements for each construction period.
 - g. For expenses to be considered eligible under the state guidelines, they must either be paid in full or incurred by the completion date of the project. If an expense is incurred, the applicant must supply documentation during the audit process evidencing that the expenses were actually incurred, including a detailed listing of work actually performed and the time worked for each work activity.

- h. Eligibility: Any person, firm, partnership, trust, estate, or corporation is eligible to participate in this program except not-for-profit entities and government entities. There are special circumstances:
 - For rehabilitation work done on a leased property, an otherwise eligible lessee may receive tax credits for rehabilitation expenditures incurred by the lessee for a building if the term of the lease is more than thirty (30) years. For buildings leased to a tax-exempt entity, that portion of the building is generally ineligible for rehabilitation credits. See Internal Revenue Code section 47(c)(2)(B)(v).
- i. Applicant's hard costs will be considered for QRE if they are incurred on the later of: (1) six (6) months prior to approval of the applicant's preliminary application; or (2) one (1) month prior to the receipt of the applicant's preliminary application.
- j. Applicant's soft costs will be considered for QRE if they are incurred on the later of: (1) one (1) year prior to approval of the applicant's preliminary application; or (2) six (6) months prior to the receipt of the applicant's preliminary application.
- k. After receiving a preliminary approval of the application by DED, the identity of applicant shall not be altered except: (1) applicant may add partners, members, or shareholders as part of the ownership structure, so long as the principal remains the same, provided however, that subsequent to the commencement of renovation and the expenditure of at least ten percent (10%) of the proposed rehabilitation budget, removing the principal for failure to perform duties and the appointment of a new principal thereafter shall not constitute a change of the principal; or (2) where the ownership of the project is changed due to a foreclosure, deed in lieu of a foreclosure or voluntary conveyance, or a transfer in bankruptcy.
- l. Applicant receiving preliminary approval of the application by DED on or after July 1, 2019 shall submit evidence demonstrating the capacity to finance the expenses for rehabilitation within sixty (60) days following the date of preliminary approval letter. Proof can be in the form of a letter of commitment or a line of credit.
- m. An applicant receiving preliminary approval of its application from DED on or after August 28, 2009 and prior to August 28, 2018 shall begin physical work on its project and incur no less than ten percent (10%) of the estimated costs of rehabilitation within two (2) years of the date of the issuance of preliminary approval letter by DED. The ten percent (10%) incurrence must be for all QREs.
- n. An applicant receiving preliminary approval of its application from DED on or after August 28, 2018 shall begin physical work on its project and incur no less than ten percent (10%) of the estimated costs of rehabilitation within nine (9) months of the date of DED's issuance of the preliminary approval letter. The ten percent (10%) incurrence must be for all QREs.
- o. Inactive projects may be administratively closed upon written notice to applicant.
- p. All sources of funds for payment of the project costs, invoices for project costs, and other documentation relating to the project must be in applicant's name and authorized by applicant. All loans related to the project must be made to applicant, provided that loans may be made to applicant's owner if applicant is a single member limited liability company where the single member is an individual. However, applicant is expected to own the project throughout the rehabilitation period. Applicant may not receive tax credits for QREs paid by a third party payor on behalf of the applicant, regardless of whether applicant reimburses the third party payor. A title company paying on behalf of applicant will not be considered third party payor.
- q. Applicant shall submit a final application after completing the project's rehabilitation. The final application shall be evaluated using the rules and guidelines published by DED for the state fiscal year in which the applicant's preliminary application was submitted.
- r. For phased projects that receive preliminary approval from DED, an applicant must submit an Audit (see Expense section in Final Application guidelines for "Audit" information) for each project phase, regardless of that project phase's cost.
- s. All documentation proving an applicant's expenses and payments must be submitted to DED for review during the final application process.

- t. Certification & E-Verify: The applicant must certify that it does not employ illegal aliens (undocumented workers) and that the information contained in the application is true, correct, and complete.
- In addition to certifying that applicant does not employ illegal aliens, all applicants who are business entities must: 1) enroll in E-Verify, 2) check the box on the Certification confirming enrollment and participation in E-Verify, and 3) provide supporting documentation.
 - The E-Verify Program, conducted jointly by the U.S. Citizenship and Immigration Services (USCIS) Verification Division and the Social Security Administration (SSA), is designed to provide employment status information to determine the eligibility of applicants for employment.
 - E-Verify requires that participating commercial employers use the automated Verification Information System (VIS) to check the SSA and the USCIS databases to verify the employment authorization of ALL newly hired employees.

To access the E-Verify website, go to: www.dhs.gov/E-Verify

- u. Accrual of expenses: Hard costs (e.g. electrical, painting, plumbing, and associated labor) will only be considered for eligibility for tax credits if those costs have actually been paid. Soft costs (e.g. developer fees, legal fees, contractor profit.) will be considered for eligibility for tax credits if those costs have either been paid or accrued. However, accrued soft costs will only be considered if an agreement or other contractual document has been submitted and approved by DED. Moreover, such agreements or contracts will only be approved by DED if they provide for payment of all accrued amounts within
- five (5) years of Final Completion for developer fees;
 - six (6) months of Final Completion for all other soft costs.
- v. Upon completion of audit review by DED, if the amount of eligible QREs is greater than the amount approved under the preliminary application, the applicant may apply to DED for issuance of tax credits in an amount equal to such excess. Applicant must apply for the issuance of additional tax credits on the form provided by DED after receiving the original tax credit certificate. Applications for issuance of additional tax credits will be placed in line for review in the order of the postmarked date.
- w. Tax credit certificates issued shall not be greater than those costs that are deemed eligible under the program, and shall only be issued after compliance with all other provisions of law, including but not limited to: (1) payment of any issuance fees under section 620.1900, RSMo, or similar provisions and (2) payment of any back taxes and penalties under section 135.815, RSMo, or similar provisions.
- x. Except as otherwise provided, no property shall receive preliminary approval within five (5) years following the issuance of tax credits in connection with such property.

GETTING PRELIMINARY APPROVAL

Applicants must submit the preliminary application, **Form 1 (Part 1A and Part 1B)**, to DED prior to starting a restoration, preservation or rehabilitation project for which a taxpayer requests tax credits. Form 1 (Part 1A and Part 1B) is included in the Appendix of these guidelines, along with a Preliminary Approval Checklist for applicants' convenience.

Please follow the instructions in the following section to apply for preliminary approval for the Historic Preservation Tax Credit program. Submit two copies of the state application materials directly to DED. If you are also applying for the federal Historic Preservation program, you must submit two sets of all federal application materials to State Historic Preservation Office.

DED will be responsible for forwarding the project to SHPO for technical review of the project and certification of rehabilitation work. Please do not send your application materials separately to each office, as it will slow the review process.

The preliminary approval process is projected to take approximately 30 business days.

Send state application materials to:

Missouri Department of Economic Development
Historic Preservation Tax Credit Program
301 West High Street, Room 770
P.O. Box 118
Jefferson City, MO 65102

Send federal application materials to:

Missouri Department of Natural Resources
State Historic Preservation Office
1101 Riverside Drive
P.O. Box 176
Jefferson City, MO 65102

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT (DED)
HISTORIC PRESERVATION TAX CREDIT PROGRAM

PRELIMINARY APPROVAL CHECKLIST UNDER \$275K IN CREDITS

- Historic Tax Credit Form 1, Part 1A – Preliminary Approval (2 copies)
- HTC Form 1, Part 1B (2 copies) or copy of Federal Historic Preservation Tax Credit Forms 10-168; 10-168a, and 10-168b (2 copies)
- Proof of ownership or site control showing that the applicant is the fee simple owner of the eligible property such as a copy of recorded warranty deed or a closing statement – Proof of site control can be a leasehold interest or an option to acquire such an interest.
- Document showing the actual cost of acquisition (This may be a copy of a closing statement that shows the dollar amount paid for the property.) This provides the “basis” for the property.
- Job classification sheet, if applicable
- Copy of all land use and building approvals/permits necessary for the project to commence
- Copy of the executed Memorandum of Understanding between the applicant and the United States Citizenship and Immigration Services (USCIS), if applicable
- Document showing the respective ownership interests of each stockholder/member of the applicant and whether any stockholder/member is a not-for-profit entity, if applicable (This may be a copy of operating agreement or partnership agreement.)
- Developer fee agreement, if applicable to the project. Such agreement must be in the form prescribed by DED and submitted no later than the last to occur of: (1) initial closing on construction financing or (2) initial closing on federal historic credit equity, if applicable. Any developer contracts/agreements and amendments must be signed and notarized by all parties involved.
- If the property is a contributing structure located in a historic district, provide a map of the historic district from the National Register listing clearly identifying the lot on which the building is located. If the property is individually listed in the National Register, provide a copy of the cover page from the National Register listing.
- Submit clear photographs with high resolution documenting both interior and exterior conditions of the building including the site and environment prior to any rehabilitation of work. Photos must show the areas of proposed work. The photos must be keyed into a plan, numbered and labeled with the building name, address, and description of view and date taken. (2 sets) (Please see Appendix 2 in Preliminary Guidelines)
- Provide drawings of existing structure to show existing conditions, planned demolition, and planned alterations or new construction. (2 sets) Where necessary provide elevations and sections.

* All state application materials must be submitted to DED if the application is for state Historic Preservation tax credit program. Applicant seeking federal tax incentives must submit federal application materials directly to State Historic Preservation Office.

Send state application materials to:
Missouri Department of Economic Development
Historic Preservation Tax Credit Program
301 West High Street, Room 770
P.O. Box 118
Jefferson City, MO 65102

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT (DED)
HISTORIC PRESERVATION TAX CREDIT PROGRAM

PRELIMINARY APPROVAL CHECKLIST FOR \$275K OR MORE IN CREDITS

- Historic Tax Credit Form 1, Part 1A – Preliminary Approval (2 copies)
- HTC Form 1, Part 1B (2 copies) or copy of Federal Historic Preservation Tax Credit Forms 10-168; 10-168a, and 10-168b (2 copies)
- Proof of ownership or site control showing that the applicant is the fee simple owner of the eligible property such as a copy of recorded warranty deed or a closing statement – Proof of site control can be a leasehold interest or an option to acquire such an interest.
- Document showing the actual cost of acquisition (This may be a copy of a closing statement that shows the dollar amount paid for the property.) This provides the “basis” for the property.
- Job classification sheet, if applicable
- HTC self-score sheet
 - Proof of financial commitment for each source of fund such as commitment letter signed by a lender, executed loan agreement, if available
 - Signed letter of support from the chief elected official of the jurisdiction where the project is located or a resolution of support from township trustees or commissioners, if available
 - Firm commitment of financial incentives from local jurisdiction, if available
 - Table demonstrating the average vacancy rate of the building in a one-year period prior to application submission or a statement of vacancy if the property was 100% vacant for a full year
 - Copy of projected budget
 - Copy of census tract’s overall poverty rate
 - Federal Opportunity Zone Map
 - Qualified Census Tract Map
- Copy of all land use and building approvals/permits necessary for the project to commence
- Copy of current assessed value of property or prior year’s tax bill
- Copy of tax abatement application, an executed agreement with the Land Clearance for Redevelopment Authority or the administering agency, or a preliminary approval letter from the administering agency, if applicable
- Copy of the executed Memorandum of Understanding between the applicant and the United States Citizenship and Immigration Services (USCIS), if applicable
- Document showing the respective ownership interests of each stockholder/member of the applicant and whether any stockholder/member is a not-for-profit entity, if applicable (this may be a copy of operating agreement or partnership agreement)
- Developer fee agreement, if applicable to the project. Such agreement must be in the form prescribed by DED and submitted no later than the last to occur of: (1) initial closing on construction financing or (2) initial closing on federal historic credit equity, if applicable. Any developer contracts/agreements and amendments must be signed and notarized by all parties involved.
- If the property is a contributing structure located in a historic district, provide a map of the historic district from the National Register listing clearly identifying the lot on which the building is located. If the property is individually listed in the National Register, provide a copy of the cover page from the National Register listing.

- Submit clear photographs with high resolution documenting both interior and exterior conditions of the building including the site and environment prior to any rehabilitation of work. Photos must show the areas of proposed work. The photos must be keyed into a plan, numbered and labeled with the building name, address, and description of view and date taken. (2 sets) (Please see Appendix 2 in Preliminary Guidelines)
- Provide drawings of existing structure to show existing conditions, planned demolition, and planned alterations or new construction. (2 sets) Where necessary provide elevations and sections.

*All state application materials must be submitted to DED if the application is for state Historic Preservation tax credit program. Applicant seeking federal tax incentives must submit federal application materials directly to State Historic Preservation Office.

Send state application materials to:
Missouri Department of Economic Development
Historic Preservation Tax Credit Program
301 West High Street, Room 770
P.O. Box 118
Jefferson City, MO 65102

APPLICATION INSTRUCTIONS: PART 1A

1. APPLICANT INFORMATION:

Name: Provide the name of the individual or entity that is filing the application and will receive all tax credits issued.

Type of Entity:

- If the applicant is a business entity, complete the appropriate information on the left. Check the appropriate box indicating the type of entity. Supply the name of an authorized company official and the address. Enter the entity's Taxpayer Identification Number. Supply the appropriate NAICS code (see Definitions in Guidelines). Enter the authorized company official's email address, if available. List the property owner. Indicate if the business entity or owner(s) has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge, and case #.
- If the applicant is an individual, complete the appropriate information on the right. Check the appropriate box indicating if the individual is the property owner. Enter the individual's contact information. Supply the individual's Social Security Number and spouse's Social Security Number, if applicable. Enter the applicant's email address, if available. If the individual requesting tax credits is not the property owner, please list the property owner. Indicate if an individual has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge and case #.
- **Special Note:** For entities with flow-through tax treatment (e.g., partnerships, S-corporations), on a separate sheet include the name, address, and social security number or taxpayer ID number for all persons or entities with an ownership interest. Provide the percentage ownership interest for each taxpayer as of the time of the application. If the tax credits are to be certified other than pro rata according to the proportion of ownership interest, attach an executed agreement among the partners, members, or owners documenting the alternate distribution method.

2. PROJECT CONTACT:

Applicant/Owner/Other: Check the appropriate box and specify the name and contact information of the contact person. The Project Contact may be the applicant or a third-party contact. Indicate if a contact has ever been convicted for a violation of any state (not just Missouri) or federal laws. If yes, provide the date, court, charge, and case #. All correspondence from DED will be sent to the Project Contact.

3. PROPERTY INFORMATION:

Name of Property: If the building or residence is known by a specific historic name, enter the name.

Address: Enter the address of the project site, including city/town, state, zip code, and county.

Property Type (Current): Check the appropriate box to indicate if the property is currently (or was most recently) residential, commercial, residential/commercial, or governmental.

Property Type (After Rehabilitation): Check the appropriate box to indicate if, after rehabilitation is complete, the property will be used for residential, commercial, residential/commercial, or governmental.

Property Use (Residential) After Rehabilitation: Check the appropriate box if the property will be used for applicant's main residence after rehabilitation.

Square Footage (Before Rehabilitation): Provide the total square footage of the property before rehabilitation.

Square Footage (After Rehabilitation): Provide the total square footage of the property after rehabilitation.

Property Legal Description: Enter the property's legal description or attach a separate sheet that includes the legal description.

4. OWNER INFORMATION:

Name: Enter the name of the property owner. It may be an individual or entity.

Address: Print the address, city/town, state, and zip code of the property owner.

5. HISTORIC ELIGIBILITY

Is the Property Currently on the National Register? Yes or No: Check the appropriate box. If the property's nomination is pending, please write "Pending" in the space provided.

Name of Registered Historic District or Certified Local District (if applicable) Yes or No: Check the appropriate box. If the property is in a Historic District or a Certified Local District, please print the name of the District on the line available. If the property is not located in a District and is individually listed on the National Register of Historic Places, please print "N/A".

Age of Structure: Enter the age of the structure to be rehabilitated.

6. APPLYING FOR FEDERAL PROGRAM?

Yes or No: If the project will be submitted for the state and federal Historic Preservation programs, check "Yes". If not, check "No".

7. PRELIMINARY TAX CREDIT REQUEST:

Anticipated cost of rehabilitation: Please provide the estimated costs of rehabilitation, anticipated total cost of the project, and the actual basis of the property (acquisition cost). Proof of basis (acquisition cost) must be submitted to DED, preferably in the preliminary application stage. Do not include acquisition cost in the anticipated total cost of the project. "Basis" is the cost, or fair market value, of the property at time of acquisition.

Anticipated Total Cost of Project: Provide the anticipated total project cost. Do not include the acquisition cost.

Anticipated Total Labor Cost: Enter an estimate of the total cost of project labor.

Anticipated Total Qualified Rehabilitation Expenses (QREs): Provide the estimated total qualified rehabilitation expenses for the project.

Total State Tax Credit Requested: Calculate total tax credit requested (25% of QREs) and provide the amount.

Basis of Property: Provide the actual purchase price of the property. Proof of basis will be required.

Project Start Date: Enter the month, day, and year of the beginning of the project.

Project Completion Date: Enter the month, day, and year of the anticipated completion date. (*NOTE: If at any time during the rehabilitation process it becomes evident that the project will not be completed as anticipated, please notify DED in writing as soon as possible. The project's date of completion may be extended, but DED must be notified.)

Are there other local, federal, State of Missouri tax credits, incentives, or grants being applied toward or granted to this project? Select the appropriate box. If "Yes," please indicate which programs are applicable and the amount to be received. If no other programs are being applied to the project, check "No."

8. USE OF PROPERTY:

Complete the appropriate section(s) based on the prospective use of the property. If the property will be used for residential and commercial purposes, fill out both sections.

8a. If property will be for commercial/retail/wholesale/business use:

Anticipated Number of Net New Jobs Created (Not Construction Jobs or Relocated Jobs within MO): Enter the number of new jobs expected to be created after rehabilitation. Do not include construction jobs created during rehabilitation or relocated jobs within the state. If the box for "Commercial" or "Residential/Commercial" was selected on page 2, Section 3 of Part 1A, please estimate the number of jobs expected to be located at the site.

Will any part of property be leased? Yes or No: Check the appropriate box whether the property will be leased.

If yes, does the project have anticipated or secured tenants? Yes or No: If the answer for above question is yes, check the appropriate box if the project has prospective tenant.

Will the property receive tax abatement? Select the appropriate box to show whether the property will receive tax abatement.

If yes, provide the length of term and the percentage of abatement? Indicate the number of years for tax abatement and the percentage of abatement expected to apply to the property, if applicable.

8b. If property will be for residential/multifamily use:

Anticipated Number of Housing Units: Enter the number of housing units to be created. For example, rehabilitation of a single-family residence would create one unit. Rehab of a duplex would create two units whether or not the residence has recently or is currently occupied.

Type of Housing: Select the type of housing to be created at the site. If the residence will be sold, please indicate the appropriate type of housing. If the residence will be rented, please indicate such.

Anticipated Number of Net New Jobs Created (Not Construction Jobs or Relocated Jobs within MO): Enter the number of new jobs expected to be created after rehabilitation. Do not include construction jobs created during rehabilitation or relocated jobs within the state. If the box for "Commercial" or "Residential/Commercial" was selected on page 2, Section 3 of Part 1A, please estimate the number of jobs expected to be located at the site.

Will any part of property be leased? Yes or No: Check the appropriate box whether the property will be leased. **If yes, does the project have anticipated or secured tenants? Yes or No:** If the answer to above question is yes, check the appropriate box if the project has prospective tenants.

Will the property receive tax abatement? Select the appropriate box to show whether the property will receive tax abatement.

If yes, provide the length of term and the percentage of abatement? Indicate the number of years for tax abatement and the percentage of abatement expected to apply to the property, if applicable.

9. BUILDING PERMITS AND APPROVALS:

Has the project received the necessary building approvals/permits to commence the rehabilitation? Yes or No: State whether the building approvals/permits are readily available to begin the work.

10. PARTICIPATING IN THE E-VERIFY PROGRAM: Check the appropriate box whether the applicant enrolled in the E-Verify Program. If yes, attach the executed E-Verify Memorandum of Understanding between applicant and US DHS.

11. NOT-FOR-PROFIT ENTITY INVOLVEMENT:

Does the applicant have any not-for-profit as part of ownership, whether direct or indirect? Yes or No: Review the ownership of all members and check the appropriate box. If applicant has any not-for-profit ownership, list the name and percentage of ownership interest for each not-for-profit owner.

Will any not-for-profit provide any sources of funds for the project? Yes or No: Review all sources of funds and check appropriate box. If any sources of funds are from a not-for-profit, identify the source, the amount, and the relationship between the applicant and each not-for-profit.

Will any not-for-profit incur or pay any rehabilitation expenses? Yes or No: State if any not-for-profit will incur or pay any rehabilitation expenses. If yes, list the name of all such not-for-profits, the amount to be incurred or paid, and the relationship between applicant and each not-for-profit. Generally, expenses incurred or paid by not-for-profits will not be considered for qualified rehabilitation expenses.

Will the historic tax credits issued for this project be distributed to any not-for-profit? Yes or No: Check the appropriate box if any distribution of tax credit to not-for-profit entity. If yes, list the name of not-for-profit and the percentage of tax credit to be distributed to not-for-profit entity.

12. STRUCTURE LEASED TO TAX-EXEMPT ENTITY:

Will any part of the property be leased or subleased to any tax exempt entity? Yes or No: State if any part of the property will be leased to a tax-exempt entity. If yes, list the name of each tax-exempt entity and the percentage of space leased or to be leased to each tax-exempt entity. For reference, applicant should review the disqualified lease rules published by the IRS.

13. PROJECT INFORMATION: Note: This section is applicable to projects requesting \$275,000 or more in tax credits.

Current Assessed Value of Property: Provide the current assessed value of property.

Future Appraised Value of Property After Rehabilitation: Provide anticipated appraised value of property after project completion.

Project Narrative: Provide a brief written summary of the project, including its importance to the State and community and the impact it will bring to each after its completion.

14. CERTIFICATION:

Check the applicable box whether E-Verify MOU is applicable. Must be signed and notarized.

JOB CLASSIFICATION SHEET:

Applicants reporting new job creation in Section 8 must fill out this sheet. Match the new job(s) to the respective industry and fill out the number of new job(s) to that particular industry. There may be multiple entries. The total number of new jobs must match the number reported in Section 8.

APPLICATION INSTRUCTIONS: PART 1B

Note: If you are applying for federal historic tax credits, you do not have to complete Part 1B – instead, submit a copy of either: 1) the federal historic preservation tax credit forms 10-168, 10-168a, and 10-168b, also known as federal Part 2; or 2) the federal historic preservation tax credit form 10-168 Parts 1-3.

Brief Project Summary: Provide a description of the building and proposed work, including the historic use, the current use, and the proposed use, as well as the building’s physical appearance, number of stories, interior and exterior character, special features (if any), and proposed change(s) to the building. If applying for federal part 1, please submit federal part 1 instead of filling this section.

Detailed description of rehabilitation work: In the numbered blocks, provide a description of project work. *Describe the entire project and not simply those portions for which the tax credit will be sought.* Begin by describing site work, followed by work on the exterior – including new construction – and finally work on the interior. A separate block should be used to describe each work item and its effect on architectural features or spaces (see examples in the Appendix).

Number each item, identifying the architectural feature requiring work. Give the approximate cost of the proposed expenses for the rehabilitation of the feature. In the appropriate space, describe the physical condition. Indicate photograph or drawing numbers that show the feature described.

For each numbered item, explain in detail the rehabilitation work to be undertaken. Describe the effect (visual, structural, or other) on existing features. List drawings, marked photographs, or specification page numbers that show the rehabilitation work and impact on the existing building.

Floor plans and drawings: Documentation must include floor plans of the existing structure and, where necessary, separate plans of the proposed alterations to the structure, as well as proposed additions. They must be sufficiently detailed to show existing wall configurations and anticipated changes. All drawings and sketches submitted with the application should be numbered and should be keyed to the application narrative.

***PHOTOGRAPHIC REQUIREMENTS FOR THE STATE HISTORIC PRESERVATION PROGRAM ARE THE SAME AS THOSE OF THE FEDERAL HISTORIC PRESERVATION PROGRAM. THE FEDERAL PHOTOGRAPHIC DOCUMENTATION REQUIREMENTS MUST BE FOLLOWED FOR APPLICATION TO THE STATE PROGRAM, AND ARE INCLUDED IN THE APPENDIX.**

Photographs: The applicant must submit a sufficient number of *good, clear photographs* with the application to document *all* interior and exterior conditions, including site and environment, *prior* to any rehabilitation work and to show the areas of proposed or completed work. Photographs of “before” conditions must be submitted even in areas in which no changes are contemplated and even if the rehabilitation is completed; such documentation is necessary for the SHPO to evaluate the effect of the rehabilitation on the historic structure. *Where such documentation is not provided, review and evaluation cannot be completed, resulting in denial of the requested certification.*

- **Number of photographs:** Applicants must use their judgment as to how many photographs adequately “tell the story” of their building. Larger projects require more photographs to illustrate the various elements and areas of a large building or complex.
- **Labeling photographs:** Photographs must be labeled with the following information:
 - Building name and/or address
 - View shown (e.g., north side)
 - Description of the view (e.g., plaster damage in the dining room, north wall)
 - Date taken.

Photographs must be numbered and keyed to both the description of proposed work in the application and photo key plans of the building and site.

- **Clarity of photographs:** Photographs must be clear and must have sufficient resolution to show the details required for review of rehabilitation work. Photographs must be:
 - In color.
 - Taken at a high resolution.
 - Printed on photographic, not photocopy paper. Professional printing is recommended for best results.
 - Printed at least 4” by 6” in size.

- **Format of photographs: Photographs must be printed.** Photocopied photographs (black and white or color), instant photographs, and photographs smaller than 4" x 6" are not accepted. Applications with photographs that are not adequate for review will be placed on hold, and applicants will need to submit better quality photographs before the Department of Natural Resources, State Historic Preservation Office can complete review of the application.

Please Note: Photographs and other materials submitted with a Historic Tax Credit form 1, Part 1A-Preliminary Approval or Historic Tax Credit form 2, part 2- Final Approval become the property of the Department of Economic Development and the Department of Natural Resources, State Historic Preservation Office and may be used in publications and informational materials about the tax incentive program.

Evaluation of the Application: All projects are reviewed and evaluated in accordance with the Secretary of the Interior's "Standards for Rehabilitation." These ten Standards are broadly worded to guide the rehabilitation of all historic structures, such as industrial complexes, warehouses, schools, commercial structures, and residences. The underlying concern expressed in the Standards is the preservation of significant historic materials and features of the building in the process of rehabilitation. The Standards apply with equal force to both interior and exterior work, and SHPO reviews the entire rehabilitation (including any attached, adjacent, or related new construction), rather than just a single segment of work. Certification is based on whether the overall project meets the Standards for Rehabilitation.

Special Notes Regarding Preliminary Approval:

- Please read both the Preliminary Application and Guidelines and Final Application and Guidelines to understand the eligibility criteria, program requirements, and review process. Submit a complete preliminary application and its materials according to the checklist for your project size. Incomplete applications will not proceed to further review.
- Form 1, Part 1B is four pages. Please reproduce the second sheet if necessary and continue to number the description blocks as appropriate.
- Part 1B must be completed by all owners seeking to have the rehabilitation certified by the State Historic Preservation Office (SHPO) as being consistent with the historic character of the structure and, where applicable, the district in which the structure is located; thus qualifying as a “certified rehabilitation.” Taxpayers will be notified in writing whether or not the proposed project is consistent with the Secretary of the Interior’s “Standards for Rehabilitation” (included in the Appendix of this publication). Proposed work that does not appear to be consistent with the Standards will be identified, and advice will be given to assist property owners, architects, or builders in bringing the project into conformance with the Standards.
- If submitting an application for both the state and federal Historic Preservation programs, you may submit a copy of federal Part 2 (either: federal forms 10-168, 10-168a, and 10-168b; or federal form 10-168 Parts 1-3) instead of completing state Part 1B.
- The preliminary review process is expected to take approximately 30 business days. After the Department of Economic Development (DED) and the SHPO have reviewed your application, DED will send applicant SHPO’s review sheet which will indicate whether the property is eligible for the program. SHPO’s review sheet will also indicate whether the proposed work falls within the standards for historic rehabilitation or if preliminary approval is denied or is contingent on certain conditions being addressed. DED shall not provide preliminary approval for projects that have not received written, unconditional approval from SHPO.
- Remember to keep a copy of your application and a set of your photographs.
If you have questions regarding the technical work of the project, call SHPO at (573) 751-7858 for help. DED is unable to provide recommendations on technical work reviewed by SHPO.
- Follow the plan you laid out in your preliminary approval application. If your project must change due to circumstances beyond your control, you may amend your application by using the Continuation/ Amendment Sheet located in the Appendix of this booklet. SHPO must approve the amendment.
- Read and understand the program compliance requirements that must be met after receiving preliminary approval, including, but not limited to, proof of financial commitment, the commencement of rehabilitation, and the incurrence of QREs within the specified timeframe.
- Keep your receipts and invoices. When your project is finished, you will need to compile your expenses (on form HTC-E or a similar spreadsheet). It may be helpful to sort the receipts and invoices by category as you work on your project. For example, all masonry receipts could be kept together, all flooring receipts kept together.
- As time goes by, some receipts will fade and become difficult or impossible to photocopy. It may be advisable to copy receipts as you work through the project.

APPENDIX 1 – Supplemental Information on Historic Rehabilitation

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

The Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility. The Standards apply to historic buildings of all materials, types, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent or related new construction.

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 property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing 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 archeological 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.

SPECIAL REHABILITATION CONCERNS

Several areas of special concern have been identified in review and evaluation of preservation tax incentive projects. Owners should take care to address these concerns when undertaking work in any of the areas described below.

Storefront alterations: Justify changes to storefronts and provide photographs of the areas to be altered. Information should be provided on when the existing storefront was constructed; on what the existing physical conditions are, and if a historical treatment is planned, what evidence the proposed new storefront designs are based. Owners are strongly discouraged from introducing a storefront or new design on the ground floor that alters the character of the structure and its relationship with the street or that causes destruction of significant historic material.

New heating, ventilating, and air-conditioning (HVAC) systems: Indicate what effect new equipment and ductwork will have on the historic building material. If the HVAC system requires removal of windows or portions of walls, describe alternative systems considered in the design process and why the proposed system was chosen. Installation of systems that cause damage to the historic building material or cause visual loss of character may result in denial of certification.

New windows: Indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for replacement. Photographs and window surveys must be provided as evidence of severe deterioration. Data must be provided on the cost of repairing existing windows versus installing replacements. Owners are strongly encouraged to retain and repair historic windows. The use of tinted glass often causes a change in character and may result in denial of certification. Where replacement of existing windows appears justified by supporting documentation and where the windows are an integral part of the building's design and character, replacement sash should match the original in material, size, pane configuration and size, color, trim details, and planar and reflective qualities. Scaled drawings comparing the existing windows with the replacement windows should be provided.

Interior partitions and removing interior plaster: Indicate existing condition of the interior and document with photographs. Show which walls are to be removed or altered. Note whether trim elements will be affected. Owners are strongly discouraged from changing floor plans unnecessarily and from exposing masonry surfaces unless this condition is supported by historical evidence.

Exterior masonry cleaning: Owners are strongly encouraged to clean masonry only when necessary to halt deterioration or to remove graffiti and stains. Indicate the condition of each material to be cleaned. Specify what the cleaning is intended to accomplish (soot removal, paint removal, etc.) and what process is to be used on each masonry element. When chemical systems are to be employed, specify the product to be used and send supporting technical data (product data sheets and material safety sheets) that indicate the hazardous ingredients and their pH levels. For all exterior masonry cleaning, send specifications. For instance, masonry cleaning involving chemical processes should give cleaning products to be used on each type of masonry, the strength (percentage), water pressure to be used measured in pounds per square inch (psi), amount of water to be used, measured in gallons per minute (gpm), and the nozzle tip (measured in degrees) to be used. Provide supporting material to show that the method selected is the gentlest means possible for this project. Summarize results of test patches, and include close-up, color photographs of masonry surface before and after cleaning as evidence.

Exterior masonry repair: Indicate deteriorated areas that require repair and provide evidence that repointing mortar will match the original in composition (i.e., ratio of lime, cement, sand and any additives), color, texture, and tooling. Owners are encouraged to repoint only those portions of the masonry that require repair.

New additions and new construction: New exterior additions may alter the appearance and form of historic structures and may cause denial of certification. Similarly, new construction, including site work, may affect the relationship of a structure to its site, change the historic landscape, or otherwise damage the historic character of the property. Owners are strongly encouraged to obtain approval from the SHPO before undertaking projects involving new construction.

EXAMPLES:

ITEM NUMBER: 1 **Architectural Feature:** Facade brick

Describe existing feature and its condition: Hard-pressed red brick with butter joints in good condition. Mortar is mostly sound, but deteriorating and missing around the downspout at each end of facade. Some graffiti at first floor.

Describe work and proposed impact on existing feature. Will selectively hand-clean deteriorated joints and repoint with mortar and joint width to match existing (see spec. pp. 33-35); chemically clean graffiti from first floor piers (see spec. Pp. 30-31).

Photo no. 3, 6 Drawing no. A-17

ITEM NUMBER: 2 **Architectural Feature:** Main staircase

Describe existing feature and its condition: Original stair exists between 1st and 3rd floors. Some balusters missing and treads worn. Later stair from 3rd to 8th floors.

Describe work and proposed impact on existing feature. Replace missing balusters with matching pieces. Sand painted banisters and balusters and varnish. Replace treads as needed. Sand and paint stairs. Retain later stair as is.

Photo no: 9-10 Drawing no: B-5

For additional information on appropriate rehabilitation procedures, contact:
MISSOURI DEPARTMENT OF NATURAL RESOURCES
HISTORIC PRESERVATION PROGRAM
P.O. BOX 176
JEFFERSON CITY, MO 65102

Telephone: (573) 751-7859 Lance Carlson, Historic Architect

APPENDIX 2 – Supplemental Information on Historic Rehabilitation

PHOTOGRAPHIC DOCUMENTATION REQUIREMENTS FOR PROPERTY OWNERS SEEKING FEDERAL HISTORIC PRESERVATION INCOME TAX BENEFITS

National Park Service, Rocky Mountain Regional Office
Prepared by: Thomas G. Keohan, Historical Architect

In order for the National Park Service (NPS) to adequately evaluate whether rehabilitation work performed by property owners/developers seeking Federal historic preservation income tax benefits is consistent with the Secretary of the Interior's "Standards for Rehabilitation", good, clear and comprehensive photographic documentation must accompany both the Part 2, "Historic Preservation Certification Application," and the "Request for Certification of Completed Work." Those applications submitted to NPS and the State Historic Preservation Office with inadequate photographic documentation will be significantly delayed or, in some cases, denied certification.

Department of the Interior regulations governing historic preservation certification clearly specify the documentation required by applicants for such certifications:

In all cases, documentation including photographs adequate to document the appearance of the building(s) prior to rehabilitation, both on the exterior and on the interior, must accompany the application.... Where such documentation is not provided, review and evaluation may not be completed. [36 CFR 67.6 (a) (1)].

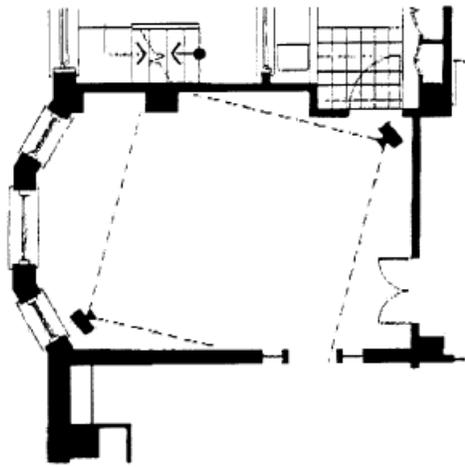
A few "typical" photographs of either interior or exterior features are not sufficient to enable an adequate assessment of a project. The application must be accompanied with enough good, clear photographs to completely document both interior and exterior conditions, including the site and surrounding environment, prior to any rehabilitation work. Photographs taken before the rehabilitation on the historic structure begins must be submitted even if the rehabilitation is completed. "After" photographs submitted with the "Request for Certification of Completed Work" must be taken of the completed rehabilitation, and, if possible, should illustrate the same views as the "before" photographs submitted with the Part 2. A side-by-side comparison of the "before" and "after" photographs is made in the final certification.

At a minimum, the following photographic documentation should be submitted with both the Part 2 and the "Request for Certification of Completed Work" applications:

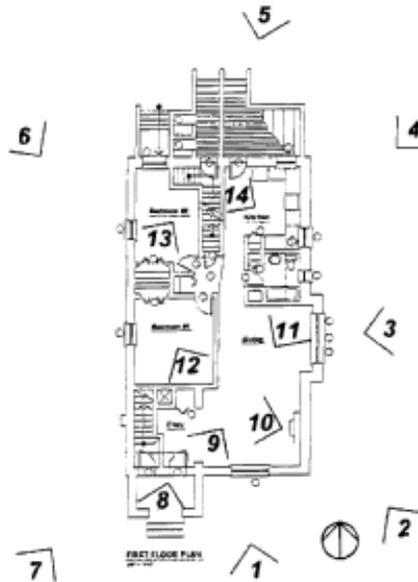
1. **Several photographs of the site and setting of the historic structure(s).** This should include photographs taken both up close, showing the individual property site, and from a distance, showing the street setting of the structure(s).
2. **At least one photograph of all existing elevations showing the entire elevation.** This includes all structures affected by the proposed rehabilitation, such as carriage houses and outbuildings. Elevations that are partially blocked by adjacent structures or trees may require photographs to be taken from several different angles or locations to completely document these elevations.
3. Detailed close-up photographs are needed of specific architectural features affected by the rehabilitation, such as windows, doors, balustrades, trim, etc. Submitting several representative photographs of multiple features, such as windows, is acceptable providing the photographs submitted adequately represent the condition throughout the structure.
4. **Photographs of all interior spaces** should be taken with a wide-angle lens from diagonally opposite corners of the room. This includes all interior spaces affected by the rehabilitation. If like spaces or rooms exist, such as floor after floor of warehouse space, then submitting several representative photographs documenting the condition throughout the structure is acceptable.

All photographs should be numbered, dated, and labeled with the property name, the view (e.g. east elevation) or a brief description of what is show. Photographs should be keyed to the application narrative where appropriate. In many cases, it is helpful to key photographs to site plans or floor plans showing the location where they were taken.

Mounting the photographs is discouraged: it is easier for reviewers to use and file loose photographs. Labels can be placed on the backs of photographs. Photographs may be black and white or color PRINTS, but must show architectural features *clearly*. Slides, "instant" photographs, and photocopies are, in most cases, not acceptable. Additionally, photographs taken with digital cameras are, in most cases, NOT acceptable. *Color prints are preferable*, and in many cases necessary, to adequately show the feature. Two copies of all photographs must be submitted with the application, one set for the State Historic Preservation Office and one for the NPS. Photographs are not returnable.



Interior photographs using a wide-angle lens should be taken of interior spaces from opposite corners



Key photographs to a site plan or floor plan to show location and angle of camera.