



The Maryland Historical Trust *Heritage Structure Rehabilitation Tax Credit* **COMPETITIVE COMMERCIAL APPLICATION INSTRUCTIONS**

Revised 6/2016

The Maryland Sustainable Communities Competitive Commercial Tax Credit Application is a three-part application to be used for income-producing properties that 1) are certified historic structures and 2) are undertaking rehabilitation projects with total qualified rehabilitation expenditures that exceed the greater of \$25,000 or 50% of the adjusted basis of the property. The application is to be filled out in accordance with State Finance and Procurement Article, Section 5A-303 of the Annotated Code of Maryland, the regulations set forth in Code of Maryland Regulations Title .05, Subtitle .08, Chapter .08, and the instructions given below.

HISTORIC PRESERVATION CERTIFICATIONS

Competitive state income tax credits are available for a “certified rehabilitation” of a “certified historic structure.”

A **Certified Historic Structure** is designated as one of the following:

- Individually listed in the National Register of Historic Places;
- A contributing resource within a National Register Historic District;
- A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register; or
- Located within and certified as contributing to the significance of a Certified Heritage Area.

A **Certified Rehabilitation** is repair, restoration or rehabilitation work undertaken:

- Within a 24-month period (selected by the property owner) that ends in the taxable year in which the rehabilitation is completed.
- That exceeds the greater of \$25,000 or the adjusted basis of the property, not including expenditures that are funded, financed, or otherwise reimbursed by State or local grants, grants made from tax-exempt Maryland State or local bond proceeds, Maryland tax credits other than tax credits under this program, or other Maryland State or local financial assistance other than a loan at the interest rate then current on State general obligation bonds.
- In compliance with a plan of proposed rehabilitation (Part 2 application) approved by the Director of MHT.
- In conformance with the Secretary of the Interior’s Standards for Rehabilitation.

Filling out the application. This application may be filled out on a computer in Adobe Acrobat Reader as an interactive fillable PDF file. To download the application form, you must right click the link and select “save link as.” You must save the PDF on your computer in order to open it. It cannot be opened in a web browser.

AT A GLANCE

Page 2	<i>Part 1- Evaluation of Significance</i>
Page 3	<i>Part 1- Evaluation of Significance</i>
Page 4	<i>Part 2- Description of Rehabilitation</i>
Page 5	<i>Review Fee</i>
Page 6	<i>Amendments and Marker Requirement</i>
Page 6	<i>Part 3- Request for Certification of Completed Work</i>
Page 7	<i>Claiming the Credit</i>
Page 7	<i>Credit Recapture</i>
Page 8	<i>Photographic Requirements</i>

Please type or print clearly. Illegible applications will be returned to the applicant. In cases where adequate documentation is not provided, review and evaluation cannot be completed, and the application will be put on hold until adequate documentation is submitted. Once filled out, you must print and mail the completed application form. Be sure to print a copy for your records. Applications may not be submitted by e-mail.

The Maryland Historical Trust’s approval of applications and amendments to applications is conveyed only in writing by duly authorized officials of the Maryland Historical Trust (MHT). The decision by MHT with respect to certification is made on the basis of the descriptions in the application forms. In the event of any discrepancy between the application forms and other, supplementary material submitted (architectural plans, photographs, drawings or specifications), the application forms shall take precedence. Originals or copies of photographs, architectural plans, drawings, and other materials submitted with the applications become the property of MHT and may be reproduced without permission.

The applicant, property owner(s), and/or agents are responsible for complying with all federal, state and local laws applicable to the project. This responsibility may include, but is not limited to, compliance with local zoning, building, and life safety codes, review by local historic preservation commissions, and compliance with applicable federal, state, and local licensing, permitting, and environmental requirements. To qualify for the tax credit or refund under the program, property owners must complete the Competitive Commercial Applications.

Part 1 and Part 2 Applications may only be submitted during the open application period as determined by MHT. Applications are competitively rated and ranked and tax credits are awarded in accordance with allocated funds. Notice of certification or denial will be made by MHT to the applicant in writing. A copy of each notification is sent to the Comptroller of Maryland.

PART 1 – EVALUATION OF SIGNIFICANCE

The Part 1 Application is used to determine that a property is a “certified historic structure.” Applicants must request one of the following determinations:

- Certification that a structure contributes to the significance of a National Register listed historic district, or of a locally designated historic district determined by the Director of MHT to be eligible for listing in the National Register; or
- Certification that a structure that has been individually designated under local law is eligible for listing in the National Register; or
- Preliminary certification of an individual structure or historic district pending national or local designation (final designation must occur by the end of the calendar year in which the project is completed); or
- Certification by the Maryland Heritage Areas Authority that a structure located in a Certified Heritage Area contributes to the significance of the Certified Heritage Area.

In order to determine if a structure contributes to the significance of a historic district, the Director will apply the Secretary of the Interior’s Criteria for Evaluating Significance within Registered Historic Districts (36 CFR § 67.5).

Criteria for Evaluating Significance

- A structure contributing to the historic significance of a district is one which, by location, design, setting, materials, workmanship, feeling, and association, adds to the district’s sense of time and place and historical development. A structure not contributing to the historic significance of a district is one which does not add to the district’s sense of time and place and historical development; or one where the location, design, setting, materials, workmanship, feeling, or association have been so altered or have so deteriorated that the overall integrity of the property has been irretrievably lost.
- Ordinarily, a structure that has been built within the past 50 years may not be considered to contribute to the significance of a district, unless a strong justification concerning its historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

Based upon documentation provided in the Part 1 Application, the Director may issue a certification of non-significance. Certification of non-significance is a judgment that a structure does not contribute to the significance of a National Register or local district, or to a complex of structures individually listed in the National Register or under local law, and is not eligible to receive rehabilitation tax credits under the state program.

Any substantial damage or alteration to a property that occurs after issuance of a Part 1 certification and prior to the Part 3 certification of a completed rehabilitation must be reported promptly to MHT. Part 1 certifications expire 5 years from the date of certification, after which time a new Part 1 must be submitted for subsequent rehabilitations of the same structure.

COMPLETING PART 1

First page of form. This page must be completely filled out and bear the original signature of at least one property owner (additional owners do not need to sign the Part 1 form). If the applicant is not the fee-simple owner of the property, is a long term lessee with a lease term of 15 years or more, or is not the owner at the time of application, the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification. For lessees of state owned property or other lease terms, contact the MHT office.

Applications with missing information or submitted without an original signature will be considered incomplete and will be placed on hold for 30 days until a complete application is received up until the published application deadline. After such time the entire application submittal will be returned to the applicant without review.

You must check that the property has at least one of the following designations:

- National Register historic district
- National Register individual listing
- Local historic district
- Local individual listing
- Pending National Register or local designation (individual or district)
- Certified Heritage Area

Properties that are located in historic districts must be determined by MHT to be contributing resources and constructed within the period of significance of the historic district.

For all local individual listings, the certification request must include a copy of the official designation notification letter from the local government. Local individual listings and any pending designations must be accompanied by supporting documentation justifying the designation in order for MHT to determine that the property is eligible for listing in the National Register.

Part 1 applications for properties that contribute to a Certified Heritage Area must be accompanied by a copy of the resolution from the Maryland Heritage Areas Authority determining that the structure is significant to the Certified Heritage Area.

Description of physical appearance. Provide information about the major features of the structure on the exterior and interior. Describe the structure in its present condition, not as it was when first built nor as it will be after rehabilitation. Note the architectural style, exterior construction materials (wood, brick, etc.), type of roof (flat, gabled, hipped, etc.), number of stories, basic plan (rectangular, irregular, L-shaped, etc.), and distinguishing architectural features. Fully describe any changes that have been made to the structure since its original construction—for example, additions, porch enclosures, relocation of doors and windows and alterations to the interior. Other buildings on the property such as carriage houses, barns and sheds should also be fully described. (See Special Considerations: Multiple Buildings on page 4.) It should not be necessary, in most cases, for the applicant to do detailed research to describe the structure.

EXAMPLE: “This two-story, gable-roofed, unpainted brick house, rectangular in shape, was constructed in 1921. It features regularly spaced window openings on the first and second floors, 6-over-6 double-hung sash windows and a columned entry portico. On the interior, the first floor is divided by a hall with a staircase and living and dining rooms on either side. The kitchen and butler’s pantry are located in the rear. The second floor contains four bedrooms and two bathrooms. There is a garage at the rear of the property that was built at the same time as the house.”

Statement of Significance. If located within a historic district, briefly describe the way in which the structure relates to others in the district in terms of setting, scale, material, construction and construction date. Note important figures from the past associated with the building, former uses of the property and the name of the architect or builder, if known. It should not be necessary, in most cases, for the applicant to do detailed research to provide a statement of significance.

EXAMPLE: “The district is an intact grouping of architecturally significant late 19th and early 20th century brick row houses. This building exemplifies traditional row house architecture that featured flat brick facades with refined decoration at the doors, windows and cornice. The structure is similar to its neighbors in size, scale, building materials and style.”

Photographs. Interior and exterior photographs must be submitted showing the entire property before rehabilitation, including areas where no work will be undertaken. See Photographic Requirements on page 8 for instructions on preparing and labeling photographs for certification.

Historic District Map. If located in a historic district, provide an official historic district boundary map which defines the boundaries of the historic district and clearly marks where the structure is located within the district. Maps of National Register Historic Districts are available at <http://mht.maryland.gov> under “National Register.” Maps of locally designated historic districts are available from your local historic district commission or government.

Certified Heritage Area Map. Provide a map of the official Heritage Area boundary with the location of the property clearly marked. A list of Certified Heritage Areas is available at <http://mht.maryland.gov/heritageareas.html>

SPECIAL CONSIDERATIONS

If the property can be described under the following categories, additional information may be necessary. If this information is provided at the outset, the review process should not be delayed.

Moved structures. An applicant must provide additional information to support a Part 1 Application for a structure that has been moved or is intended to be moved. Such documentation must discuss: 1) the effect of the move on the structure's appearance (any proposed demolition, proposed change to the foundation, etc.); 2) the new setting and general environment of the proposed site; 3) the effect of the move on the distinctive historic and visual character of the district or neighborhood to which the structure will be moved; and 4) the method of moving the structure. Such documentation must also include photographs showing the current and previous or proposed environments, including adjacent structures and streetscapes.

Properties less than 50 years old. Properties less than 50 years old are generally considered to not contribute to the significance of a National Register or local district. Properties in this category, however, may be certified as historic structures if: 1) they are shown to be integral parts of an eligible historic district and the historical attributes of the district are considered to be less than 50 years old, or 2) they are exceptionally significant.

Multiple structures. Structures on a single property, where the structures are functionally related historically to serve an overall purpose, such as a residence and carriage house, will be treated as a single structure. This will apply whether the property is individually listed in the National Register, designated individually under local law, or located in a National Register historic district or in an eligible historic district designated under local law. Generally, a single application form may be used to request certification for these structures as historic structures. Documentation, however, must be submitted for every structure included in the overall rehabilitation project.

For instance, if a house and carriage house are both to be certified, a single application may be used, but a description and a statement of significance and full photographic coverage of each structure must be provided. The owner should state explicitly which structures are submitted for certification as historic structures. A sketch map or site plan should be provided showing the current relationship of all structures. A single application may also be made to request certification in cases where a property is composed of structures that were functionally related historically to serve an overall purpose.

In these cases, the complex will be considered for a single certification and any proposed demolition of components will be considered in the review of rehabilitation work. If structures are under separate ownership, however, each owner must submit a separate Part 1 Application.

PART 2 - DESCRIPTION OF REHABILITATION WORK

All proposed rehabilitation projects are reviewed and evaluated for conformance with the Secretary of the Interior's Standards for Rehabilitation (Standards). These ten Standards are broadly worded to guide the rehabilitation of all historic structures. The underlying concern expressed in the Standards is the preservation of significant historic materials and features of structures undergoing rehabilitation.

The Standards apply with equal force to both interior and exterior work. MHT reviews the entire rehabilitation project (including any attached, adjacent or related new construction) rather than just a single segment of work or only work rehabilitating existing features. Certification is based upon whether the overall project is consistent with MHT's conservative application of the Standards.

MHT will notify applicants in writing, whether or not the proposed rehabilitation project is consistent with the Standards and has been awarded the credit.

COMPLETING PART 2

THE PART 2 REHABILITATION PLANS MUST BE APPROVED AND THE APPLICATION CERTIFIED BY MHT PRIOR TO THE INITIATION OF ANY WORK (UNLESS A FEDERAL PART 2 WAS PREVIOUSLY APPROVED).

First page of form. This page must be completely filled out and bear the original signature of at least one property owner (additional owners do not need to sign the Part 2 form). If the applicant is not the fee-simple owner of the property, is a long term lessee with a lease term of 15 years or more, or is not the owner at the time of application, the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification. For lessees of state owned property or other lease terms, contact the MHT office.

Applications with missing information or submitted without an original signature will be considered incomplete and will be placed on hold for 30 days until a complete application is received. After such time the entire application submittal will be returned to the applicant without review or denied.

Indicate if you are applying for the additional 5% credit for LEED Gold or equivalent certification. The additional 5% credit is only available to projects that select this option on the Part 2 application form and can document this certification.

The Estimated Qualified Rehabilitation Expenditures (QRE) must be reported. The QRE for competitive commercial projects must exceed the greater of \$25,000 or 50% of the adjusted basis of the property. Insurance reimbursement funds, State and local grants, loans, or other state income tax credits are not eligible for the tax credit and must be backed out to calculate the estimated and final QRE. Federal funding, such as Federal energy tax credits and local historic property tax credits do not need to be backed out. Note: the final allowable QRE is capped at the amount approved on the Part 2 application, not to exceed \$15 million.

Detailed description of rehabilitation work. Describe all work that will be undertaken on the property, 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 proposed for the interior. In the first paragraph, describe the condition of the feature requiring work and in the second paragraph describe the proposed work and impact. Provide the relevant photograph or drawing numbers where applicable. A separate numbered paragraph should be used to describe each work item and its effect on features or spaces (see example below).

EXAMPLE OF REHABILITATION DESCRIPTION

Number 1	Architectural feature: facade brick	Approximate date of feature: 1920
Describe existing feature and its condition:		
Hard pressed red brick with butter joints in good condition. Mortar mostly sound, but deteriorated and missing around downspouts at east-end of facade.		
Photo no. 3, 6	Drawing no. n/a____	
Describe work and impact on existing feature:		
Will selectively hand clean deteriorated joints and repoint with mortar and joint width to match existing (see mortar specifications).		

SUPPLEMENTARY INFORMATION

Photographs. Interior and exterior photos must be submitted showing the entire property before rehabilitation, including areas where no work will be undertaken. See Photographic Requirements on page 8 for instructions on preparing and labeling photographs for certification.

Drawings or sketches. Submit drawings or sketches to show any proposed alterations (such as moving a wall) and new construction. Drawings/sketches must be sufficiently detailed to show both existing wall configurations and anticipated changes. Documentation should include floor plans and, where necessary, sections and elevations. All drawings and sketches submitted with the application should be numbered and should be keyed to the application narrative.

Specifications. In some cases you may need to provide a product manufacturer’s cut sheet or specifications for items such as windows, doors or roofing material. These should be attached to the Part 2.

Review Fee. All applications must include a non-refundable initial review fee of \$250 made payable to the Maryland Historical Trust. For projects that are awarded a credit, an additional fee equal to 3% of the anticipated credit amount (minus the initial \$250 fee) must be paid within 90 days.

Failure to pay the fee within 90 days will result in a credit revocation and disqualification from applying to the program for a period of 3 years following the certification expiration.

Application Worksheet. Complete the Application Worksheet and include required attachments (located at the end of the Part 2 Application).

AMENDMENTS

If changes must be made to the scope of work described within an approved Part 2, applicants may submit an Amendment form to add, subtract or change work items. The Amendment form is a separate application form available for download on the MHT website. Attach photographs, drawings and specifications as needed. Any proposed amendments must be reviewed and approved by MHT prior to commencing work.

MARKER REQUIREMENT

All competitive commercial projects are required to install signage indicating the project was funded by the Maryland Sustainable Communities Tax Credit. Applicants must submit an amendment for MHT review and approval of the required signage prior to installation. The marker must be on the exterior of the building (or at a minimum, located internally and accessible to the public) and must remain in place for a minimum of 5 years from the date of the project completion. Documentation of the marker is required for certification of the completed rehabilitation.

SPECIAL REHABILITATION CONCERNS

Areas of special concern have been identified in reviewing and evaluating preservation tax credit projects. See the "Interpreting the Standards" on the National Park Service website www.nps.gov/history/hps/tps/tax/. These bulletins provide further guidance on specific rehabilitation issues. Applicants should take care to address these concerns when undertaking work in any of the areas described below.

New heating, ventilating and air conditioning (HVAC)

Indicate what effect the new equipment and ductwork will have on the historic building material. Installation of systems that cause damage to the historic building material or cause visible loss of character may result in denial of certification.

New windows. Owners are strongly encouraged to retain and repair historic windows. Indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for considering replacement. Detailed photographs must be provided to document deterioration. Where replacement of existing windows appears justified by supporting documentation, the replacement sash should match the original in material, size, pane configuration, color, trim details, and planar and reflective qualities. Scaled drawings comparing the existing windows to the replacement windows should be provided. Where historic windows are missing or have been inappropriately replaced, new windows must be of a style

appropriate to the period of significance of the historic building or district. New windows may be based on historic documentation (e.g., historic photographs, or photographs of other buildings of the same period that have retained their historic windows). The use of replacement windows that cause a change in the building's character may result in denial of certification.

Interior partition alteration and interior plaster removal.

Indicate existing condition of the interior and document with photographs. Indicate which walls are being considered for alteration or removal. Owners are strongly discouraged from changing floor plans unnecessarily, from removing repairable historic plaster, and from exposing masonry surfaces unless the change is supported by historical evidence.

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

PART 3 – CERTIFICATION OF COMPLETED WORK

All work must be completed within 30 months of the Part 2 certification or the credit certificate will expire (extensions may be granted at the discretion of the Director of MHT). Upon completion of the rehabilitation project, the owner must submit Part 3 of the application along with the required documentation. The Part 3 must be submitted within 12 months of the project expiration or initial credit will be revoked. The completed project may be inspected by an authorized representative of the Director to determine if the work, as completed, meets the Secretary of the Interior's Standards for Rehabilitation.

First page of form. This page must be completely filled out and bear the original signature and social security number (or tax identification number) of all owners.

There is space to include additional owners on the second page. Applications with missing information or submitted without an original signature will be considered incomplete and will be placed on hold for 30 days until a complete application is received.

If the Part 1 certification request was for a pending National Register listing or local designation, verification of the final listing or designation must accompany the Part 3 form. Please provide a copy of the letter from the National Register of Historic Places or the local government notifying you that the property, or the district within which the property is located, has been listed/designated, together with the supporting documentation justifying the listing/designation.

Give the date (M/D/Y) on which the project started and the date (M/D/Y) on which the project was completed. To qualify for rehabilitation tax credits, rehabilitation expenditures must have been approved in advance and incurred within a 24-month period ending with the taxable year the project was completed. Any expenditures for work that was undertaken prior to certification of the Part 2 Application are ineligible for state tax credits. This also applies to projects with previously approved Federal Historic Tax Credit application which are not disqualified for starting work prior to MHT certification.

Provide the total rehabilitation costs for the project. Provide the total ineligible costs attributed to new construction, site work, landscaping, appliances, etc. Provide the total ineligible funding attributed to other state or local sources including grants, loans, or other state income tax credits. Subtract these totals from the Total rehabilitation costs. The resulting number is the Total Qualified Rehabilitation Expenditures (QRE), which may not exceed the estimated QRE in the Part 2 application.

LEED Gold or Equivalent certification. In order to claim the additional 5% credit for LEED Gold or Equivalent certification, the applicant must have applied for and been awarded the additional credit in the Part 2 Application. Documentation of the LEED Gold or Equivalent certification must either be submitted with the Part 3 Request for Certification, or if LEED certification is pending, it must be submitted to MHT at a later date on an Amendment form.

Independent Accountant’s Report and Schedule of Rehabilitation Costs. Attach a report from an independent Certified Public Accountant summarizing their examination of the Schedule of Rehabilitation Costs and Calculation of Qualified Rehabilitation Expenditures. This examination must be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Attach supporting schedules and calculations to the report.

Photographs. Interior and exterior photos must be submitted showing the entire property after rehabilitation, including areas where no work was undertaken. Refer to Photographic Requirements on page 8 for instructions on preparing and labeling photographs for certification.

Affordable/workforce housing. If the Part 2 application included a commitment to include affordable/workforce housing, you must attach a report explaining how the completed project meets your Affordable and Workforce Housing commitment.

CLAIMING THE CREDIT

Applicants must claim the credit for the taxable year in which the rehabilitation project was completed. Maryland tax form 502S must be completed and submitted with the income tax return along with the approved MHT Certification Application (Part 3). The 502S form is available from the Comptroller of the Treasury’s website- <http://taxes.marylandtaxes.com/>

CREDIT RECAPTURE

If the property is disposed of or if disqualifying work is undertaken on the property within five years (starting with the first year the credit was claimed), a portion of the credit must be recaptured as follows:

Year since credit claimed	Credit recapture
1	100%
2	80%
3	60%
4	40%
> 5	0%

Photographic Requirements

Part 1. Include photographs of the building's site and environment, all of the building's sides, all major interior spaces and features, and representative secondary spaces and features. Sides that are partially blocked by adjacent structures or trees may require photographs to be taken from several different angles or locations for complete documentation. Photographs of interior spaces should be taken with a wide angle from diagonally opposite corners of the room.

This baseline level of photographic documentation is necessary to evaluate the historic and/or architectural significance of a structure and the effect of the proposed rehabilitation on the significance of the structure. It also enables the MHT to verify that no additional work will be completed without prior review and approval. MHT must approve ALL work to the property. Too few photographs of either exterior or interior features may be insufficient to enable an adequate assessment of a project and may delay the review of your application or result in a denial.

Part 2. If submitting Part 1 and Part 2 together, one set of baseline photographs may be used for both. If a Part 1 is not submitted with the Part 2, you must provide a new set of current baseline photographs of the interior and exterior of the structure and its surroundings as described above.

For Part 2 photos, in addition to the Part 1 baseline photos, include details of areas where proposed work will be undertaken. In some cases, it may be helpful to mark directly on the photographs the areas of proposed work. Detailed close-up photographs of specific architectural features affected by the rehabilitation, such as windows, doors, balustrades, trim, etc., may be needed. Submitting several representative photographs of multiple features, such as windows, is acceptable provided the photographs submitted adequately represent the condition throughout the structure.

Part 3. Photos taken of the completed rehabilitation should show the same views as the pre-rehabilitation baseline photographs submitted with the Part 1 and 2, including areas where no work was undertaken. A side-by-side comparison of pre-rehabilitation and post-rehabilitation photographs determines whether the rehabilitation will be certified.

Labeling of Photographs. All photographs must be numbered, dated, and labeled with the property address, the view, (i.e., east elevation), and a brief description of what is shown as follows:

Photo #5	12/5/2014
311 Maple Street Annapolis, 21401	
East facade deteriorated brick and windows before rehabilitation	

Photographs should be keyed to the application narrative where appropriate. Color photographs must be printed on 4" x 6" photo paper with a digital copy submitted on CD or thumb drive. Photocopies of photographs are not acceptable. The back of the photographs should be labeled as depicted below, stacked in order, and secured with a rubber band or clip. Please do not mount, tape, glue, or otherwise secure photographs to the application.