

**Spokane Historic Landmarks Commission Policy on Special Valuation**  
**May 09**

**1. Does an item approved on one application always set a precedent for the future?**

No. Items are reviewed on a case-by-case basis. Property owners or their representatives are asked to attend the hearings in order to explain their application and answer questions.

**2. How is “24 months from the month you apply” interpreted?**

When the applicant applies, qualified expenditures which occurred 24 months prior to the application month can be included (i.e. if application is made April 14 of 2003, any expense dated between (and including) April 1, 2001 and April 30, 2003 can be included.) The date is defined as the date when the item is paid.

**3. If some of the work does not meet the Secretary of the Interior’s Standards can the applicant simply not include those expenses? No.**

**If not, then how does the Commission judge whether or not the property has met the Design Review standards if some of the work does not meet the Secretary of the Interior’s Standards?**

The Commission makes a determination as to whether, overall, the property still retains its significance (i.e. if the property has not been altered to the point that it is no longer historic), based on, in part, recommendations from the Nominations and Design Review committees.

**4. Can Special Valuation be claimed for expenses associated with noncontributing additions?**

Any expenditure attributable to an enlargement of an existing structure, i.e. a new addition, is specifically excluded from the definition of a qualified rehabilitation expenditure. A building is enlarged to the extent that the total volume of the building increases. (26 CFR Ch. 1.48-12(10) Enlargement-defined).

**How to deduct costs for additions/enlargements of non-historic additions:**

1. The costs should be broken out in the summary sheet: “exterior”, “interior” “addition”.
2. The use of a formula as follows: total cost of the renovation divided by the finished square footage of the house to arrive at a price per square foot of the project. The price per square foot of the renovation could then be multiplied by the size of the addition to arrive at an approximate cost allocation total; or
3. If the Commission feels that the above calculations do not reasonably represent the costs due to mitigating factors of the renovation, the Commission will then request that the homeowner provide a contractor’s estimate from either the original contractor or a secondary bid; or
4. Have the contractor remove all costs associated with the addition.

**5. Can Special Valuation be taken for work done outside the footprint of the building?**

The “footprint” of the building is determined by the Landmarks Commission on a case-by-case basis. Work outside the walls of the home (i.e. installation of gas line, storm sewer, etc.) is rarely approved and must be fully documented and justified.

Two references can help clarify this determination:

WAC 254-20-030, cost of rehabilitation includes:

- (a) "improvements to an existing building located on or within the perimeters of the original structure; or
- (b) improvements outside of but directly attached to the original structure which are necessary to make the building fully usable but shall not include rentable/habitable floorspace attributable to new construction.

26CFR ch. 1.48-12

(10) Enlargement defined-(1) in general. "A building is enlarged to the extent that the total volume of the building is increased. An increase in floor space resulting from interior remodeling is not considered an enlargement. The total volume of a building is generally equal to the product of the floor area of the base of the building and the height from the underside of the lowest floor (including the basement) to the average height of the finished roof (as it exists or existed)."

#### **6. When does a taxpayer receive Special Valuation?**

Special Valuation reduction in property tax occurs two years after the application year (i.e. if the application is made in 2003, the property tax will be reduced in 2005). *Note: Assessor's Policy, not SHLC policy.*

#### **7. What are some expenses that DO qualify for Special Valuation?**

Any expenditure for a structural component of a building will qualify for Special Valuation. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, 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.

In addition to the above named "hard costs", there are "soft costs" which also qualify. These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.

#### **8. What is NOT included in qualified rehabilitation expenditures?**

1. Costs of acquiring the building or interest therein. See Treasury Regulation 1.48-12(c)(9).
2. Enlargement costs that expand the total volume of the existing building (Interior remodeling which increases floor space is not considered enlargement.) See Treasury Regulation 1.48-12(c)(10)
3. Expenditures attributable to work done to facilities related to a building such as parking lots, sidewalks and landscaping. See Treasury Regulation 1.48-12(c)(5).
4. New building construction costs. See Treasury Regulation 1.48-12(b)(2)(B)(iv).

#### **What are some examples of expenses that do NOT qualify for Special Valuation?**

- Acquisition costs
- Appliances (if not built in) – Built in is further defined as "finished on it's sides regardless of wiring or plumbing installation methods or the size of the appliance"

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- Cabinets (if not built in)
- Carpeting (if tacked in place and not glued)
- Decks (if not part of original building)
- Demolition costs (removal of a building on property site)
- Enlargement costs (increase in total volume)
- Fencing
- Feasibility studies
- Financing fees
- Furniture
- Landscaping
- Leasing Expenses
- Moving (building) costs (if part of acquisition)
- Outdoor lighting remote from building
- Parking lot
- Paving
- Planters
- Porches and Porticos (if not part of original building)
- Retaining walls
- Sidewalks
- Signage
- Storm sewer construction costs
- Window treatments (if not attached to the building)
- Meals for employees
- Homeowner labor (homeowner's family is ok, if proof of payment is submitted)

**9. What is the difference between listing an element in the Spokane Register nomination and list it in the Management Agreement (i.e. rock wall).**

1. Listing an element in the Spokane Register nomination is done for the purposes of justifying the significance of the entire property.
2. Listing an element in the Management Agreement is done after the nomination is approved by the Landmarks Commission, and means that the owner agrees that the element will undergo design review. Listing of interior elements is available only for interiors accessible to the public, because of the difficulty of monitoring interior elements.
3. Neither listing an element in the Spokane Register nomination nor listing it in the Management Agreement guarantees that the element will receive Special Valuation. As always, whether or not Special Valuation is received is determined by the Landmarks Commission during the public hearing.

**10. If a property has undergone a renovation, is not on the Spokane Register, and the owner wants to apply for Special Valuation (which has a 24 month eligibility period) what is the process?**

If filed before June 1, the owner has 90 days to then file a completed Spokane Register nomination with the Spokane Historic Preservation Office.

If filed after June 1, the entire review may be continued until the following year, at the discretion of the Landmarks Commission.

**11. Condominiums:** If a condominium has separate parcel numbers then each are treated as separate applications. Condominiums are charged as residential properties. To determine the formula for “shared” space that is being attributed to each individual condo i.e. the roof, common areas, then the applicants must use the following formula to determine the breakdown of costs applied to each condo unit: Total square footage divided by individual square footage = percentage. Take the percentage times the total \$ claimed = individual condo \$.