



605 S. College Avenue, Unit 10 · Fort Collins, CO 80524 · [www.nccraftsmanship.org](http://www.nccraftsmanship.org)

NCC DeConstruct Program  
Draft White Paper  
12-28-10

The National Center for Craftsmanship is a Colorado based 501c3 educational non-profit organization. Our mission is to preserve, enhance and sustain quality craftsmanship in our communities. One of the Center's primary goals is to build and develop the next generation of community craftspeople. We provide young people and adults an opportunity to learn basic and advanced trade skills through participation in applied, hands-on projects. Over the past two years we have developed our DeConstruct training program model that maximizes benefits in the three primary areas of sustainability: environmental, educational, and economic gains.

The Center's non-profit status in conjunction with a Colorado State Enterprise Zone project designation provides the Center with significant financial tools to achieve our goals. Owners of unwanted buildings donate these structures to the Center as "learning laboratory" assets. The value of the donated asset is determined by an independent, third-party deconstruct appraiser. Additional cash donations are provided to fund the training program. The combination of in-kind and cash donations activate a set of tax incentives that offer significant financial returns. The value of these tax deductions and credits more than off-set the cost of deconstructing the buildings. The tax incentives for deconstruction may be transferable to third party investors should the building owner be unable to fund the project and/or show tax liability.

A typical NCC DeConstruct project is developed first by identifying an unwanted building and meeting with the owner. Once the parties agree to move forward with the project, a donation agreement is signed whereby the terms of the in-kind material and cash donation to the Center is elaborated. NCC, at its discretion, engages professional educators, trainers, private contractors, and volunteers to deconstruct the building per the agreed upon scope of activities. Critical to the successful completion of the project is a documented educational outcome consistent with the Center's mission.

During the past three years, NCC has completed 12 deconstruct projects including 14 separate buildings. A combination of full-time participants, augmented with part-time volunteers, make up the bulk of the accrued training hours that result in the deconstruction of the building. Health, safety, and risk management are our most important project concerns. Instruction in proper and safe work procedures is an integral part of the training program. One of the key logistical conditions of the project is that all participants are required to sign a detailed and specific liability waiver acknowledging the risks and the voluntary nature of the training program. Additionally, the Center carries general liability insurance designating it as a mobile vocational school.

For owners who anticipate constructing new improvements on their properties at some point in the future, a systematic deconstruction of the existing buildings may be applied to United States Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) certification process. Specific LEED points may be available in the areas of Construction Waste Management (Materials and Resources Credit) and Innovation in Design. Deconstruct projects that are registered with USGBC typically has a 5 year window in which to apply the available credits to the future new building construction.

The information below is provided as a guide to our DeConstruct program. The sample project was completed during the spring of 2010 as part of an anticipated redevelopment project on the existing site. The cash donation was facilitated by the owners of the property in Fort Collins, CO. Please note that each deconstruction project is unique and presents its own set of challenges and opportunities. NCC makes no representations of financial outcomes or other anticipated benefits.

For more information on NCC's Deconstruct program please visit our website at [www.nccraftsmanship.org](http://www.nccraftsmanship.org) or contact Neil Kaufman, Director at 970-215-4587 / [Neil@nccraftsmanship.org](mailto:Neil@nccraftsmanship.org).

The National Center for Craftsmanship - A 501(c)(3) non-profit organization

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Please refer to the attached worksheet for a detailed example of the available tax incentives:

- A. The bid price to perform a traditional scrape and dump demolition of the building.
- B. The cash donation to facilitate the DeConstruct training program at the site.
- C. The finish square footage of the building prior to deconstruction (from property records).
- D. The appraised improvement / materials value per square foot of the materials from the building.
- E. The total appraised value of the improvements / materials from the building (C x D).
- F. The total standard deduction value from the cash donation to the program. Typically, the real dollar value is approximately 40% of the total donation for corporations and 30-35% for individuals and LLC's.
- G. The total standard deduction value from the in-kind materials donation to the program. Typically, the real dollar value is approximately 40% of the total donation for corporations and 30-35% for individuals and LLC's.
- H. The total Colorado State Enterprise Zone tax credit from both the cash and in-kind donation to the program. The real dollar value of these tax credits is approximately 25% of the cash value plus 12.5% of the in-kind improvements / material value (determined by third party appraiser).
- I. The total value of all available tax incentives from the cash and in-kind donation to the program. This includes standard deductions and tax credits. Typically, standard deductions from charitable donations must be taken in the fiscal year they are provided. State Enterprise Zone tax credits may be taken in the year they are provided or in any of the following five years until they have been exhausted.
- J. The net (cost) / benefit of the tax incentives minus the up-front cash donation to the program.
- K. The actual benefit of the tax incentives after considering the alternative cost of traditional demolition. In the case of a third-party investor supplying both cash and in-kind donations, the actual benefit of tax incentives equals the net benefit from "J" as there is no competing demolition cost option included.
- L. The Enterprise Tax Credit Calculator is taken directly from the IRS FYI form "Income 23 (11/07)", attached.

Additional information on available tax incentives, the Colorado Enterprise Zone, and deconstruction appraisals can be accessed through:

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The ReUse People  
<http://thereusepeople.org/Deconstruction>

## NCC DECONSTRUCT WORKSHEET

*Enter data in yellow cells - rest is calculated*

*Bohemian Mountain, LLC - 333 W. Mountain Street*

A	Competing Demolition Bid	\$ 20,000
B	Cost of DeConstruct Training (enter as negative)	\$ (35,000)
C	Square Footage	2,600
D	Appraised Salvage Value Estimate per s.f.	\$ 21
E	Appraised Value of Materials	\$ 54,600

### ***Tax Incentives***

F	Cash contribution deduction value (35% tax rate)	\$ 12,250
G	In-kind materials deduction value (35% tax rate)	\$ 19,110
H	Enterprise Zone tax credit (from below)	\$ 22,400
I	<b>Subtotal: Deductions &amp; Credit Benefits</b>	<b>\$ 53,760</b>
J	<b>Cost / Benefit to Deconstruct</b>	<b>\$ 18,760</b>
K	<b>Net Benefit (factoring competing demolition bid)</b>	<b>\$ 38,760</b>

<b>Enterprise Zone Tax Credit Calculator</b>		
1)	Amount of cash contribution	\$ 35,000
2)	Value of in-kind contributions	\$ 54,600
3)	Total of lines 1 & 2	\$ 89,600
4)	Smaller of \$100,000 or 25% of line 3	\$ 22,400
5)	Limitation of in-kind credit, 50% of line 4	\$ 11,200
6)	Allowable in-kind credit, smaller of lines 2 or 5	\$ 11,200
7)	Limitation on cash credit, line 4 minus line 6	\$ 11,200
8)	Allowable cash credit, smaller of line 1 or line 7	\$ 11,200
<b>9)</b>	<b>Total credit, line 6 plus line 8</b>	<b>\$ 22,400</b>