Town of Telluride Properties

Permitted Capital Improvement Application

Aligned with SMRHA MSP Depreciation Policy Manual

QUESTIONS: SMRHA | 970-728-3034 | ADMIN@SMRHA.ORG

GOVERNING STANDARD: This application will be reviewed under the applicable Deed Restriction, governing Affordable Housing Guidelines, and the SMRHA Maximum Sales Price (MSP) Depreciation Policy Manual, as amended. If a conflict exists, the Deed Restriction and governing Guidelines control.

1. Purpose and Eligibility

A Permitted Capital Improvement (PCI) is a permanent fixture or improvement approved by THA Staff before construction or installation, unless emergency circumstances apply, that provides a long-term physical upgrade to the deed-restricted Affordable Housing Unit and is not a Luxury Item. Approval to proceed does not guarantee that the full project cost will be added to MSP.

THA Staff will consider whether the proposed work:

- extends the life of the Housing Unit or preserves occupant health and safety;
- replaces an item based on its age, condition, cause of deterioration, and remaining useful life;
- provides meaningful water or energy efficiency benefits;
- is standard and neutral rather than highly customized or personal-choice driven;
- is reasonably priced when compared with a standard-quality product providing similar function; and
- would preserve the long-term affordability and established Tier of the Housing Unit.

2. Important Approval Distinctions

Decision	Meaning	When Determined
Project Approval	Permission to perform the proposed work, subject to stated conditions.	Before work begins.
Approved Eligible Cost	Reasonable cost recognized after excluding unsupported costs, grant-funded amounts, luxury premiums, and ineligible work.	Preliminarily before work; finalized after completion.
Final MSP Credit	Amount eligible to be added to MSP after depreciation and all Deed Restriction, Tier, and policy limits.	After completion and documentation; applied at MSP calculation.

3. Key Definitions

Approved Eligible Cost: The reasonable documented cost recognized by SMRHA after exclusions and applicable cost caps.

Standard-Quality Comparable: A durable, functional, neutral residential product providing substantially the same utility.

Luxury or Preference-Based Cost: Cost attributable primarily to customization, prestige, specialty materials, or personal preference rather than ordinary residential function.

Partial Replacement: Replacement of less than the complete system or improvement, such as grout rather than all tile or a faucet rather than an entire vanity.

Final MSP Credit: The eligible depreciated amount remaining after all governing limitations are applied.

4. Cost Recovery and Depreciation Standards

- Only documented, actual out-of-pocket expenses may be considered, except qualifying self-performed labor as permitted below.
- Final MSP credit is based on the approved eligible cost, installation date, applicable useful life, straight-line depreciation, and governing caps.
- The SMRHA Master Depreciation Schedule will be used to identify the applicable improvement category, standard useful life, and annual depreciation rate.
- Ordinary maintenance, cleaning, servicing, patching, and correction of owner-caused damage may receive reduced or no MSP credit.
- Grant funds credited toward an improvement are not eligible to be added to MSP. Insurance proceeds or other reimbursements must be disclosed and may reduce eligible cost.

5. Luxury, Custom, and Partial Improvements

A project may be approved while its eligible cost is limited to a standard-quality comparable. For example, if a custom Dutch entry door costs $4,500 installed and a standard insulated exterior entry door providing comparable utility costs $2,500 installed, THA Staff may approve the replacement but limit the Approved Eligible Cost to $2,500 before depreciation.

Only the portion actually replaced or improved may be considered. Replacement of a faucet does not constitute replacement of an entire vanity; replacement of grout does not constitute replacement of the complete tile installation; and replacement of an HVAC component does not automatically qualify as replacement of the entire system.

6. Illustrative Examples

Project	Likely Treatment	Review Notes
Furnace or water heater at end of useful life	Generally eligible	Eligible cost remains subject to documentation, reasonableness, and depreciation from installation.
Early replacement with materially more efficient system	May be eligible	Efficiency benefit should be documented; eligible cost may be capped at an appropriate standard or high-efficiency system.
Laminate counters replaced with neutral builder-grade quartz	Partial or full eligibility possible	Depends on existing condition, remaining life, reasonable standard cost, and Tier affordability.
Carpet prematurely damaged by owner, child, or pet	Reduced or no credit possible	Premature damage, negligence, and extraordinary wear may reduce eligible cost.
Matching built-in microwave where none existed	Potentially eligible	Must be permanent, standard, documented, and consistent with unit affordability.
Steam shower	Generally ineligible	Typically treated as a luxury or personal-preference feature.

7. Preapproval and Exceptions

Unless emergency circumstances warrant immediate action, work intended for PCI treatment must be approved by THA Staff before construction or installation. THA Staff may require pre- and post-work inspections. Permitted Capital Improvements from 0% through 10% of Original Purchase Price (OPP) may be approved by THA Staff. Improvements exceeding 10% of OPP require THA Subcommittee approval through an Exception.

8. Self-Performed Labor

Fair-market labor costs for self-performed work may be considered only where the owner demonstrates the skills, experience, permits, inspections, and professional quality necessary for the work. Consistent with applicable Telluride requirements, approved owner labor may constitute up to fifty percent (50%) of the Permitted Capital Improvement, subject to the controlling documents and THA Staff approval.

OWNER APPLICATION

Property Address:

Owner Name(s):

Mailing Address:

Telephone:

Email:

Date Built:

Date Remodeled:

Original Purchase Price: $

Reason for Proposed Work (check all that apply):

☐ End of useful life ☐ Failure or damage ☐ Health or safety ☐ Energy/water efficiency

☐ Accessibility ☐ Remodel/preference ☐ New permanent feature ☐ Other: __________

Proposed Project Detail

Improvement / Component	New / Repair / Replace	Existing Age	Existing Condition	Proposed Material / Model	Material Cost	Labor Cost	Permit / Delivery	Total Cost

Project Explanation

Describe the reason for the work and the condition of the existing item:

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____

Explain any energy, water, health, safety, or accessibility benefit:

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Identify any custom, specialty, premium, or preference-based features:

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____

Maximum PCI Information

% Capital Improvements Allowed per Deed Restriction:

Maximum Capital Improvement (% × OPP):

Total Quoted Project Cost:

Requested Preliminary Eligible Cost:

DOCUMENTATION AND DETERMINATION

9. Required Documentation

☐ Detailed contractor bid or estimate
☐ Itemized material and labor costs
☐ Manufacturer, model, and specifications
☐ Photographs of existing condition
☐ Permit information, if applicable
☐ Reason for replacement or new installation
☐ Comparable standard-cost option for premium/custom items
☐ Final paid invoice and proof of payment
☐ Completion photographs
☐ Final permit/inspection documentation, if applicable

10. Owner Certification

I certify that the information submitted is complete and accurate. I understand that project approval does not guarantee full cost recovery or a specific MSP increase; final credit is subject to completion, documentation, depreciation, standard-cost limitations, the applicable Deed Restriction, governing Guidelines, Tier affordability, and the SMRHA MSP Depreciation Policy Manual.

Owner Signature: ____________________________________ **Date:**_______________________

Co-Owner Signature: ____________________________________ **Date:**_______________________

11. Preliminary Project Determination - Staff Use

Project approved to proceed	☐ Yes ☐ No ☐ Conditional
Preliminary eligible scope	
Preliminary eligible cost cap	
Standard-quality comparable used	
Luxury/preference cost excluded	
Additional documentation/conditions	
THA Subcommittee Exception required	☐ Yes ☐ No
Approval expiration date	

12. FINAL MSP CREDIT CALCULATION - STAFF USE

Documented actual cost	$
Less grants, insurance, or reimbursements	$
Less ineligible repair/maintenance costs	$
Less luxury or preference premium	$
Less unsupported or excessive cost	$
Approved Eligible Cost	$
Installation/completion date	
Master Schedule item / condition rating	
Useful life / annual depreciation rate	
Age at MSP calculation	
Accumulated depreciation	$
Remaining depreciated value	$
Final MSP Credit (after all caps/limits)	$

Final MSP Credit is the lesser of the remaining depreciated value, the applicable Deed Restriction allowance, and any Tier-affordability limitation.

Submit Application To: SMRHA, 820 Black Bear Road, Unit G-17 (Physical), P.O. Box 840 (Mailing), Telluride, CO 81435 | admin@smrha.org