Money & Jobs

A New Look at Historic Building Projects

Urban Land Institute Minnesota
Bonnie McDonald, Preservation Alliance of Minnesota
Norman Jones III, Wintrop & Weinstine
December 2, 2010

Folwell Hall, Minneapolis
Preservation Alliance of Minnesota
Making Preservation Work

Tax Incentives

• State Rehabilitation Tax Credit
• Federal Rehabilitation Tax Credit
• Facade easement donations
• Federal Low-income Housing Tax Credit
• Federal New Markets Tax Credit
• This Old House (proposed)

Grants and Programs

• State Historic Preservation Office (SHPO)
• DEED
• National Trust for Historic Preservation

Duluth Central School, Duluth

Preservation Alliance of Minnesota
7,000 Minnesota properties
listed in the National Register of Historic Places

Red Wing High School, Red Wing
Preservation Alliance of Minnesota
Fort Snelling Upper Post, National Historic Landmark

Preservation Alliance of Minnesota
Pillsbury A Mill Complex, National Historic Landmark

Preservation Alliance of Minnesota
Minnesota State Rehabilitation Tax Credit


2009 and 2010
• Joined Building Jobs Coalition
• State unemployment 7.4% at start of Session

Preservation Alliance of Minnesota
State Historic Tax Credit: It’s All About Jobs

• In Minnesota, historic rehab projects would create 5.7 more jobs per $1 million in output than manufacturing and 2 more jobs per $1 million than new construction.

• A total of 6,871 jobs and $60 million in tax revenue was created in the first four years of Missouri’s tax credit.

• In Rhode Island, direct construction employment generated by rehab credit projects was 5,334 over two years.

• Historic rehab employed 9,248 construction workers in Maryland over the past 12 years due to a strong state credit.
Value Added

• **ROI to the State is more than competitive**
  • 2009 - $8.53 to $1 in MD

• **Economic Development**
  • Leverages additional private/public investment
  • Replenishes local tax base
  • Revitalizes local commercial districts

• **Sustainability—**
  • “The greenest building is the one already built.”

---

Preservation Alliance of Minnesota
APRIL 1, 2010
JOBS STIMULUS BILL, SESSION LAWS 2010, CHAPTER 216

• 31ST STATE IN THE NATION TO PASS HISTORIC TAX CREDITS
• NOW RECOGNIZED AS BEST HTC IN NATION

Preservation Alliance of Minnesota
Historic Rehabilitation Tax Credits

Rehabilitation is “... the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values.”

Program partners

National Park Service  MN State Historic Preservation Office (@Minnesota Historical Society)  MN Department of Revenue

Slide provided by the Minnesota State Historic Preservation Office

Preservation Alliance of Minnesota
Federal Tax Credit Projects in Minnesota 1979-2009

Over $750 Million invested in historic structures in 49 counties

Information provided by the Minnesota State Historic Preservation Office
Sears and Roebuck Building, Hennepin County
$101,500,000

Preservation Alliance of Minnesota
Minnesota HTC Program Features

• State income tax credit or grant to assist with qualifying rehabilitation expenditures

• Mirrors federal HTC (20%) / Grant is equal to 90% of allowable credit

• Projects chose to claim either the credit or grant

• Program is uncapped

• Credit is refundable, unlike the FHTC

• Credit certificate is awarded and is saleable

• Available for projects in taxable years after Dec. 31, 2009 with construction costs incurred after May 1, 2010

• SHTC program sunsets in FY2015
Qualifying for the MN Program

- Property must be a certified historic structure or located in a certified historic district
- Building must be rehabilitated to become income producing
- Rehabilitation must be substantial
- Developer must apply for the MN tax credit before construction begins
- Project must be allowed the federal tax credit
- Property must be placed back in service
Secretary of the Interior’s Standards
10 Standards – 3 Basic Principles

1. Retain and repair historic materials, features, spaces.

2. Retain historic character even if use changes.

3. Design compatible, reversible additions, alterations

Information provided by the Minnesota State Historic Preservation Office

Preservation Alliance of Minnesota
What are QREs and non-QREs?

Qualified and Non-Qualified Rehabilitation Expenses

Information provided by the Minnesota State Historic Preservation Office
Qualified Rehabilitation Expenses

Expenditures connected with the rehabilitation or restoration work on the qualifying structure

- construction costs
- construction interest and taxes
- architectural and engineering fees
- legal costs
- developer's fees
- general and administrative fees
- other construction-related expenditures if such costs are added to the basis of the property and are determined to be reasonable and related to the services performed.

Information provided by the Minnesota State Historic Preservation Office

Preservation Alliance of Minnesota
Non-Qualified Rehabilitation Expenses

Other costs of rehabilitation that do not count as qualified rehabilitation expenditures include:

- acquisition costs
- enlargement (addition) costs
- furnishings and light fixtures
- acquisition interest and taxes
- realtor fees
- paving and landscaping
- sales and marketing costs.

Information provided by the Minnesota State Historic Preservation Office

Preservation Alliance of Minnesota
How do the State and Federal Programs work together?
How does the process work?

APPLICANT

SUBMITS APPLICATION TO
STATE HISTORIC PRESERVATION OFFICE (SHPO)

SHPO SUBMITS APPLICATION TO
NATIONAL PARK SERVICE (NPS)

Information provided by the Minnesota State Historic Preservation Office.
Rehabilitation Tax Credit Process

Rehab Project Feasibility
• Reuse Studies
• Financial Analysis

Is the building eligible for tax credits?

NPS Part 1
Certification that Property is on or is eligible for the National Register of Historic Places

YES

Information provided by the Minnesota State Historic Preservation Office
State and Federal Process

- Preliminary Architectural Designs
- Scope of Work

Is the proposed rehabilitation work eligible?

NPS Part 2
- Review of proposed rehab work
- Certification that work meets Secretary of Interior’s Standards
- Approval of project plans

Minnesota Part A
- Must be filed before work begins
- Estimated amount of Tax Credit or Grant
- $250 Processing fee

Yes

Information provided by the Minnesota State Historic Preservation Office
State and Federal Process

NPS Approves Part 2

MN SHPO
Issues Allocation Certificate

Construction Completed

NPS Part 3
Final Project costs and Qualified Rehab Expenses

MN Part B
• Names and % credit amounts of project partners
• Collect data on project
• Fee based on rehab costs
• Project costs certified by CPA

Information provided by the Minnesota State Historic Preservation Office
State and Federal Process

Building placed into service
Developer notifies SHPO

NPS
Issues Part 3 certification

MN SHPO
Issues State Tax Credit Certificate

Information provided by the Minnesota State Historic Preservation Office

Preservation Alliance of Minnesota
PAM Investment Partnership Program

- Allows PAM to become an investor, limited partner, or member in an historic preservation project utilizing the state historic preservation tax credit.

- Public benefits by demonstration of a “but for” test and additional programming
Pairing with Additional Incentives

- Federal Low-Income Housing Tax Credits
- Federal New Markets Tax Credits
- Façade easements
- Brownfields remediation
- USDA Rural Development funds
- Minnesota Legacy Grants

Preservation Alliance of Minnesota
Your Partner in Preservation

Preservation Alliance of Minnesota

- Is the statewide, non-profit historic preservation advocacy and education organization
- Advocates at the Legislature for needed incentives and policy enhancements
- Empowers communities in their efforts to preserve local historic resources
- Is a Partner of the National Trust for Historic Preservation
Let’s Keep the MHRTC!

• Thank your legislators!

• Return to the Legislature on Tuesday, January 4, 2011:
  • MHRTC
  • This Old House

• Get involved!
  • Join the PAM Action Alert Network
  • Be in contact with your legislators
  • Use the credit!

Preservation Alliance of Minnesota
Coming in January!

Historic Preservation and Urban Planning
A workshop series sponsored by Target
For more information

Bonnie McDonald, Executive Director
Preservation Alliance of Minnesota
651.293.9047 x5
bmcdonald@mnpreservation.org
www.mnpreservation.org

Linda Pate, Preservation Specialist
Minnesota State Historic Preservation Office
651.259.3468
linda.pate@mnhs.org
www.mnhs.org/shpo