



Minnesota Historic Structure & Community Re-Investment Tax Credit

Strengthening and Preserving Minnesota's Main Streets & Historic Places

A coalition of cities, historical groups, and property developers is actively promoting proposed legislation that would allow a credit on state income taxes equal to 25 percent of the qualified cost of a historic rehabilitation of residential or income-producing properties. The proposed legislation, similar to provisions in over 29 other states, would encourage private investment in historic properties in both urban and rural Minnesota, generating jobs and stimulating economic development within existing communities.

How Does It Work?

- Allows credit on state income taxes equal to 25% of the qualified cost of a historic rehabilitation.
- Parallels federal historic preservation 20% tax credit, creating more development opportunities in Minnesota.
- Useful for both commercial and residential property, developers and homeowners. Federal credit is for income producing properties only.

Economic and Social Benefits

- Creates jobs and economic activity far beyond level of tax credit.
- Leverages more federal resources for the state.
- Replenishes the tax base through new sales and payroll taxes and an increased tax base.
- Preserving historic structures is among the most environmentally friendly of building methods. Resources and energy previously invested in historic buildings are not wasted by going to the landfill.
- Creates affordable housing by
 - ⇒ helping first-time and moderate income buyers through mortgage credit provision. Lender uses tax credit and lets owner buy down rate or reduce mortgage.
 - ⇒ encouraging low-income rental housing when partnered with the federal low-income housing tax credit.
- Encourages private investment in derelict or underused buildings in historic core neighborhoods and puts neglected properties on the tax rolls at a higher value, stimulating more economic investment in surrounding areas, especially on main streets and in historic commercial corridors.
- Speeds redevelopment of long vacant buildings, returning them to income-producing and taxable status.
- Limits sprawl, supports open space preservation & promotes environmental conservation efforts by concentrating on already developed areas.
- Supports community identity efforts to capitalize on history and heritage as a tourism draw.

More labor intensive than new construction, rehab construction strengthens the local employment base.

*In the state of Missouri, the cost of the credit was recouped in **additional payroll taxes alone.***



*Hotel Kaddutz Artists Lofts, Fergus Falls
Vacant for years
Rehabbed in 2003 for \$2.3 million*



Wayne Hotel, Crookston Vacant since 1996
Tax forfeited property now owned by the
County, awaiting rehab at estimated \$4 million
cost; estimated demolition costs, \$500,000

What is Eligible?

The tax credit would be available for a property that is any of the following:

- Listed on the National Register of Historic Places.
- Certified as a contributing element of a National Register Historic District.
- Certified as historic by local heritage preservation commission or Certified Local Government.

Proposed Legislation

The proposed legislation, based on a highly successful Missouri law passed in 1997, provides an income tax credit for expenditures for historic structure rehabilitation. A taxpayer who incurs costs for the rehabilitation of an eligible property may take a credit against the tax imposed

in an amount equal to 25 percent of the total costs of rehabilitation. The costs of rehabilitation must exceed 50 percent of the total basis in the property at the time the rehabilitation activity begins, and the rehabilitation must meet standards consistent with the standards of the Secretary of the Interior for rehabilitation as determined by the State Historic Preservation Office of the Minnesota Historical Society. Bills have been introduced in the 2007-08 Legislature by Senator Larry Pogemiller in the Minnesota Senate (S.F. 385) and Representative Paul Marquart in the Minnesota House (H.F. 1240).

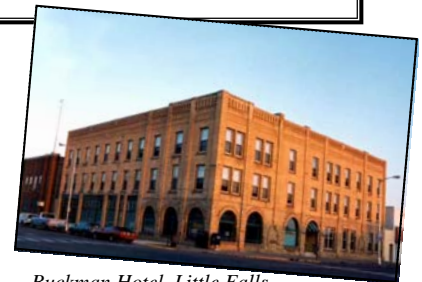
Why Should We Act Now?

In the past 30 years, we have lost scores of historic buildings to deterioration and neglect because rehabilitation costs did not make them attractive to development. Many of them are in older residential neighborhoods, small-town main streets, and urban commercial cores. Reinvesting in these areas and spurring development will have a significant impact on their future health and vitality.

Although the federal preservation tax credit provides incentives for rehabilitation, most projects cannot be accomplished using federal credits alone. As a result, without a state credit, Minnesota receives lower federal tax credit per-capita than other states. Now is the time to augment the federal historic tax credit with a state credit that will encourage this redevelopment to occur before it is too late.

QUICK FACTS ON TAX CREDIT USE

- ⇒ In Missouri, annual economic impact of rehab tax credit - **\$1.016 billion** – due to economic activity related to historic preservation.
- ⇒ In Florida, **\$2 returned** for every \$1 invested and a **10-fold return** for the Main Street program.
- ⇒ In Virginia, over **\$316 million** in rehabilitation spurred.
- ⇒ 29 other states, including Wisconsin, Iowa and North Dakota, have similar state



Buckman Hotel, Little Falls
Vacant many years
Rehabbed at \$2 Million in 1994

Supporting Organizations

American Institute of Architects -Minnesota
Artspace Projects, Inc.
Central Community Housing Trust
City of Duluth
City of Minneapolis
City of Pipestone
City of Saint Paul
City of Wabasha
City of Winona
Duluth Affordable Housing Coalition

Duluth LISC
Duluth Preservation Alliance
Hastings Heritage Preservation Commission
Historic Saint Paul
Faribault Heritage Preservation Commission
League of Minnesota Cities
Maplewood Area Historical Society
Minnesota Historical Society
MN State Historic Preservation Office
Minnesota Landmarks

Minnesota Solutions
National Trust for Historic Preservation
National Association of Housing
Redevelopment Officials
1000 Friends of Minnesota
Preservation Alliance of Minnesota
Regional Council of Mayors
Twin Cities LISC
White Bear Lake Area Historical Society



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Fact Sources: State Historic Preservation Office of the Minnesota Historical Society
Donovan Rypkema, *The Economics of Historic Preservation*, 1994

Taylor & Weber, Historic Preservation Tax Credit Study, Humphrey Institute of Public Affairs, University of Minnesota, 2004