



National Trust *for* Historic Preservation

Preservation Leadership Forum

WEBINAR

State Historic Tax Credit Incentives

Tools and Perspectives for Building Stronger and More
Vibrant Communities

JANUARY 24, 2023



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Bill Frist

Former U. S. Senate Majority Leader, and host of the podcast “A Second Opinion, Rethinking American Health”

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Renee Kuhlman

Senior Director of Outreach and Support, National Trust for
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Kate Lenzer

Senior GIS Project Manager, National Trust for Historic
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Irvin Henderson

Principal, Henderson and Company; Board of Directors, Main Street America; past Board Chair National Trust Community Investment Corporation; Trustee Emeritus National Trust for Historic Preservation

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Whitney LaNasa

Senior Managing Director, Stonehenge Capital

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Michael Sothan

Executive Director, Main Street Beatrice, Nebraska;
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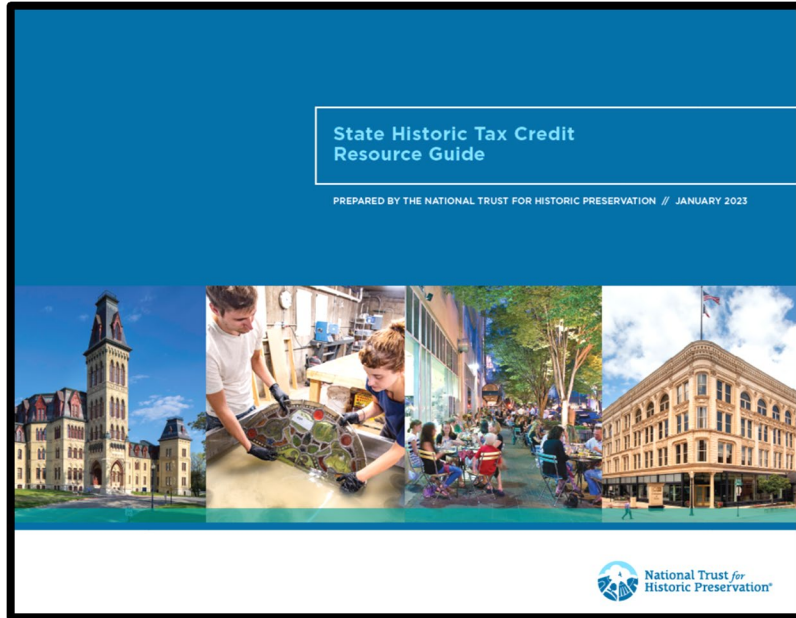
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New Resource Guide

forum.savingplaces.org/state-htc



New State HTC resource guide:

- ❖ describes a variety of policy benefits;
- ❖ lists components of effective programs; and
- ❖ outlines key features of 37 state HTC programs.

State HTCs Pay Back Public Investment During Construction



The most effective State HTCs:

- Generate \$0.33 - \$0.40 cents for every \$1 of public funding invested; and
- This return on investment is compounded through state taxation of labor and materials.



**Effective State
HTCs return a
state's investment
within 4-7 years of a
completed
rehabilitation.**

Elements: Books Coffee Beer
Heart of Biddeford Main Street, ME (Great American
Main Street award winner)

Receive HTC's only when the rehab is completed



The Colvin Law Firm Building, 522 and 524 East Main Street in Main Street Homer.



The Gladney Executive Building, 515 South Main Street, rehabilitated with Louisiana state HTC's in Homer, Louisiana (pop. 2,500).



Fills a Critical Funding Gap



Gladney
Executive
Building

Tax credit
project at
515 S.
Main
Street,
Homer, LA

Q: What makes a great HTC program?

A: When credits are predictable,
transferable, and ...

One of the first Dubuque rehabilitation projects made possible by the Iowa State Historic Tax Credit, had a transformative impact on the community, according to John Gronen, Gronen Construction. BY MATTHEW GILSON



State-by-state chart reveals states' priorities

STATE	STATUTE	EFFECTIVE YEAR	CREDIT PERCENTAGE FOR INCOME-PRODUCING PROPERTIES	CREDIT PERCENTAGE FOR HOMEOWNERS	ADDITIONAL CREDITS/ STATE PRIORITIES	SUBSTANTIAL REHAB REQUIREMENT	ANNUAL AGGREGATE CAP	ANNUAL PER-PROJECT CAP	DIRECT TRANSFER	DISPROPORTIONATE ALLOCATION BY PARTNERSHIP AGREEMENT	REFUND	CARRY FORWARD
Alabama	Act #2017-380	2018	25%			Greater of 50% of purchase price or \$25,000	\$20M	\$5M; 40% reserved for counties with <175K population	●		●	
Arkansas	Act 840	2009	25%	25%	Major Historic Rehab Tax Credit	\$25K commercial; \$5K homeowners; \$1.5M major rehab	\$8M	\$400K commercial; \$25K non-income producing properties	●	●		5 years
California (Rules out for comment)	SB451	2021	20%	20% if adjusted gross income <\$200K	25% for federal surplus property, affordable housing, designated census tract, military base reuse, or transit oriented development	same as federal HTC	\$50M, with set asides of \$2M for homeowners and \$8M for small projects (< \$1M GRE)	none for commercial; \$25K for homeowners		●		7 years
Colorado	HB1190	2015; reauthorized 2018	25% for \$2M QRE; 20% for \$2M+ QRE	20%	25% disasters; 35% rural communities	\$20,000	\$10M commercial, no residential aggregate cap	\$1M commercial; \$50K per residential property through 2032	●	●	after 10 years refundable	10 years
Connecticut	Connecticut Code Title10, Chapter-184b, Section 10-416c C.G.S. section 10-416	2014 commercial; 2000 homeowners	25%	30%	30% affordable housing or in opportunity zones	25% of assessed building value (commercial); \$15K (homeowners)	\$31.7M (commercial); \$3M (homeowners)	\$4.5M commercial; \$30K homeowners	●	●		5 years
Delaware	30 Del.C. Ch18, Subch. II, §1815(b)	2002	20%	30%	30% for non-profits; 40% for affordable housing and low income owners	same as federal HTC; \$5K for owner-occupied	\$8M; set asides \$15M small projects; \$1.5M downtown development districts; and \$100K resident curators	\$30K for homeowners	●	●		10 years

Ideas for Using the New Tools

- ✓ Learn about your state's tax credit and ones in neighboring states
- ✓ Share with allies and those in adjacent fields
- ✓ Create your own benefits list using local examples
- ✓ Dig into existing research or start a research project
- ✓ Join – or start – a coalition to praise and/or call for improvements
- ✓ Advocate for more SHPO funding
- ✓ Share via social media
- ✓ Talk to reporters



Developers Collaborative and Sea Coast Management leveraged state and federal tax credits to complete a complex adaptive reuse project that converted the former St. Joseph's Convent into 66 affordable and 22 market rate housing units for seniors. The Motherhouse, Portland, Maine

Your Ideas: Housing? Sustainability?





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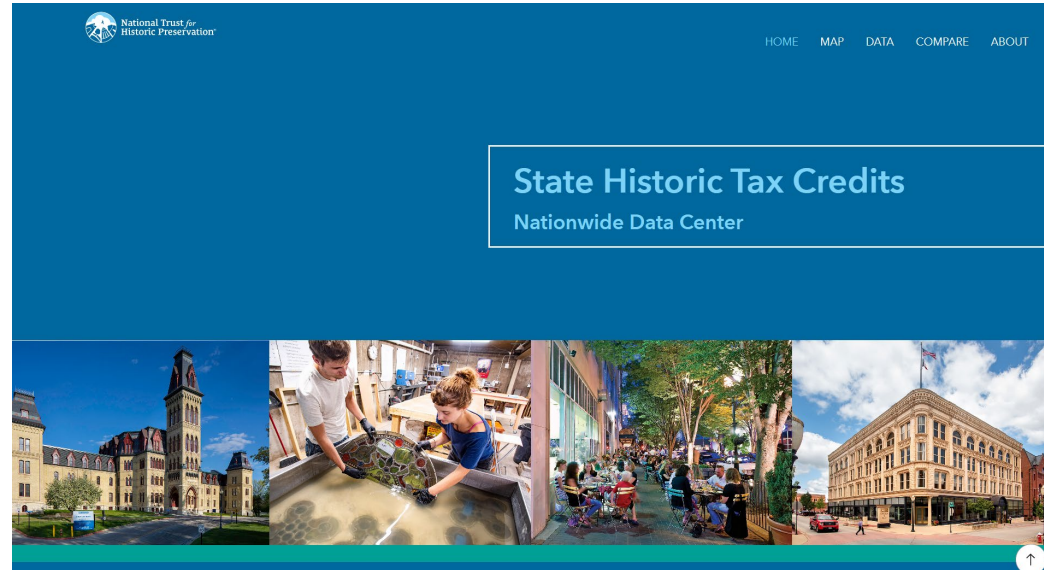
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State Historic Tax Credits Nationwide Data Center

- Mobile-friendly tools coming soon
- Feedback form





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STATE HISTORIC TAX CREDITS



- Used in conjunction with federal and often New Markets
- SHPO is regulator and source
- Increase equity, less debt
- Enables projects that are resource needy, Main Street, rural, ethnic, difficult

The New Granada Square- Pittsburgh



- Job creation
- Small business development
- Essential services
- Community engagement
- Heart and soul of CD
- From limited to 25% of QRE's

The Prince Hall Grand Lodge



- 25% Alabama state HTC
- Oversubscribed
- Wait can be three years
- SHPO-great collaborator
- Will submit Federal app too
- Legislative advocacy
- Mayoral involvement

Historic Fountain Hall--Atlanta



- \$26.98 Million
- \$24.63 —Qual. Rehab Exp.
- \$4,236,360—Federal HTC
- \$4,926,000—State HTC
- \$8,000,000-capital campaign
- \$9,817,640--Debt



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STONEHENGE
— CAPITAL —





Stonehenge participates in a variety of federal and state incentive programs designed to stimulate private capital investment in targeted industries and generate economic growth. For 20+ years, Stonehenge has employed a placed-based investment strategy that has delivered economic and social returns and is excited for the opportunities on the horizon to continue to be a market leader.



WHITNEY LANASA

Senior Managing Director

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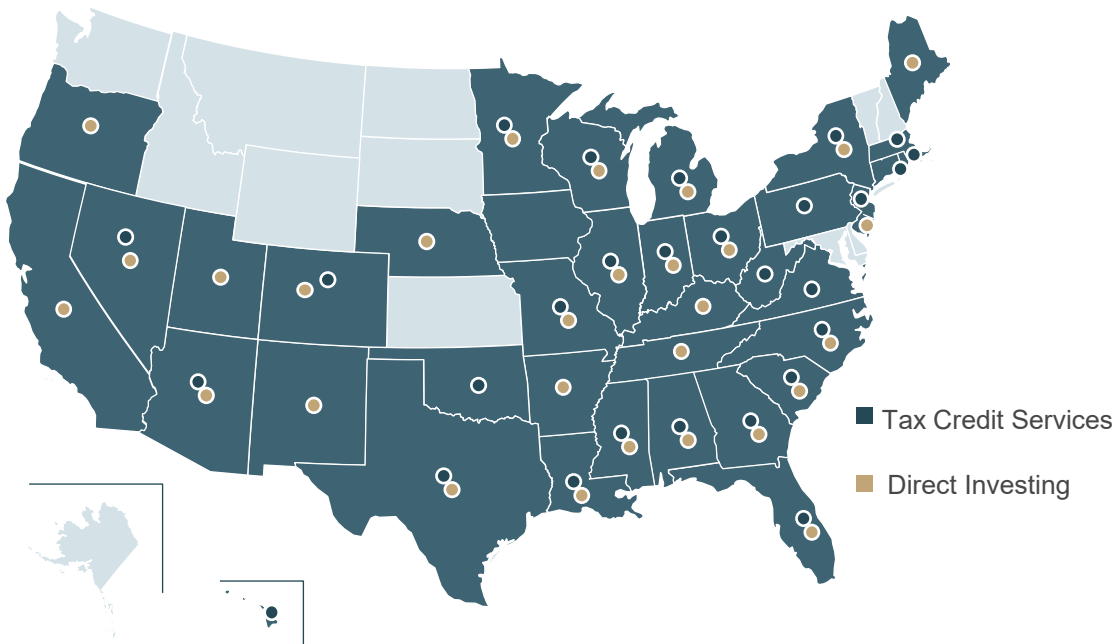
Joined Stonehenge in 2009

- BS, JD Louisiana State University
- Tax LLM, University of Alabama
- Responsible for all managing the Tax Credit Services team, a leader in Federal and State Tax Credits and Incentives

National Platform

Stonehenge has participated in 76 state tax credit incentive programs across 35 states and between its two business lines have made investments in 38 states.

Stonehenge and its principals have built a track record that spans over 25 years of investing and the placement of approximately **\$5 billion of various tax credits**



Historic Tax Credits

Introduction – Process

Building Utilized



Pre-Development	Construction	Construction Completion	Credit Claimed
<ul style="list-style-type: none"> Historic rehabilitation opportunity identified Preservation consultant engaged to confirm eligibility and feasibility and to review drawings Part 1 application (historic nature of building) is submitted; projects are eligible if located within a historic district or are individually listed on the National Register of Historic Places Due diligence, including design drawings and construction estimates, progress and are refined Construction, historic financing, and all other project sources identified and negotiated Part 2 application (completed plans and specs) submitted to and approved by SHPO Fixed or guaranteed maximum price contract for full scope of work negotiated with contractor Legal documents are negotiated; development is fully underwritten, financed and closed 	<ul style="list-style-type: none"> Construction in accordance with the Part 2 approval commences Third party inspector and historic consultant visit the property on a monthly basis Part 2 amendments may be submitted to SHPO to approve minor scope changes caused by concealed conditions and / or progression of design drawings 	<ul style="list-style-type: none"> Certificate of Occupancy or equivalent is issued by local jurisdiction evidencing the building has been "Placed in Service" QRE's Certified by Independent CPA "Cost Certification" Part 3 application (documenting the work has been completed with photographs) reviewed by SHPO and NPS 	<ul style="list-style-type: none"> Federal historic tax credits are claimed by investor ratably over a five-year period. State historic tax credits are claimed pursuant to State law. The historic character of the building must be maintained for the five-year period beginning on the date the building is placed-in-service

Historic Tax Credit Introduction

The historic tax credit complements traditional financing options and fills a critical gap in the budget to rehabilitate historic buildings, as the cost generally exceeds the cost of new construction.

Project Uses	
Acquisition	\$1,950,000
Exterior Demolition	\$50,000
Rehab of existing building	\$8,000,000
TOTAL	\$10,000,000

Project Sources		
Construction Loan	\$4,928,000	49%
Developer Equity	\$2,000,000	20%
Total HTC Proceeds HTC Equity	\$3,072,000	31%
Total	\$10,000,000	

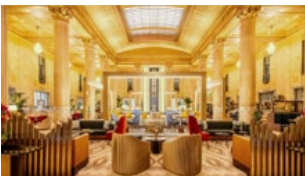
QREs	\$8,000,000
FHTC %	X 20%
FHTCs	\$ 1,600,000
Price per FHTC	X \$0.82
FTHC Proceeds	\$ 1,312,000
SHTC % (varies by state)	X 25%
SHTCs	\$2,000,000
Price per SHTC	\$0.88
SHTC Proceeds	\$1,760,000
Total HTC Proceeds	\$3,072,000

Historic Tax Credit Portfolio Examples



The World Trade Center – New Orleans LA

- Stonehenge invested in the rehabilitation of the 1960s era structure in the heart of New Orleans. The project was placed in service in June 2021 and generated federal state HTCs. The property contains a 341-room Four Seasons hotel, a public cultural attraction, two restaurants, a spa, and 24,000 square feet of meeting space.
- The project is projected to create 450 permanent jobs and approximately 1,100 direct, 200 direct off-site and more than 200 indirect predevelopment or construction jobs.



First National Center – Oklahoma City, OK

- Stonehenge invested in the rehabilitation of the former First National Bank in downtown Oklahoma City generating federal and state HTCs. The project, which placed in service in December 2021, includes a 146-room Marriott Autograph Collection hotel with 13,500 square feet of meeting space, and 193 residential apartments.
- The project is one of the largest asbestos abatement projects in the country that implemented sustainable construction practices by reusing and recycling more than 15 million pounds of materials.



Champion Mill – Hamilton, OH

- Stonehenge invested in the rehabilitation of the former paper mill located in Hamilton, OH, a suburb of Cincinnati. The project generated federal HTCs, state HTCs, and state TMUD credits. The site on the west shore of the Great Miami River includes a 700,000 square foot sports, entertainment and event complex and a 233-room hotel. The Project placed in service in May 2022.
- The project is projected to create 380 permanent and 150 construction jobs and stimulate additional growth and tax revenue for the surrounding area.

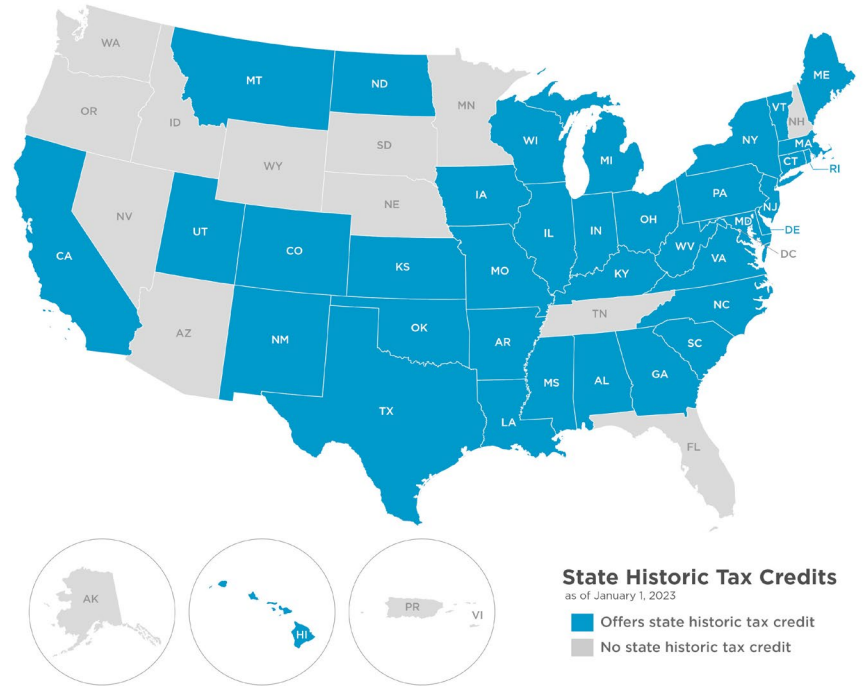


Crozier Tech High School – Dallas, TX

- Stonehenge invested in the redevelopment of the former Crozier Tech High School in Dallas, Texas which generated both federal HTCs and state HTCs. The 4-story, 92,818 square foot building was converted into Class-A office space.
- The property was originally built in 1907 and operated as a public high school until it was vacated in the early 1990's. The Project included modernization of mechanical, electrical and water systems and created over 100 construction jobs.

State Programs

- State Programs generally follow Federal Program
- Each State program is different
- Best Practices | Model States
 - Louisiana, Texas, South Carolina
 - Return on Investment from the Louisiana HTC: for every \$1 in tax credits provided by the state, the state economy generated \$8.76.
 - Texas: placed in 2013; uncapped; able to transfer many ways; 25% of eligible rehabilitation expenses.
- States can tailor new programs to address specific needs (i.e. expand rural development or increase redevelopment of specific types of buildings; types of taxes offset)
- States that allow flexibility in who can use the state tax credits can potentially lead to increases in overall business being conducted in that state. A state that allows non-real estate businesses to freely buy and utilize tax credits is more appealing than a state that places restrictions on who can buy and utilize the tax credits.



Historic Tax Credit Coalitions

- The LA HTC Coalition members are stakeholders in urban and rural communities throughout Louisiana who advocate to maintain and protect the LA Historic Tax Credit. The members strive to educate leaders on the impact of the LA HTC, including its success in Main Street communities, revitalizing blighted properties and providing a positive return on investment to state and local governments.
- Work with lobbyists to engage state legislative champion(s) to preserve and protect the historic tax credit.
- Members include preservationists, real estate developers, architects, law firms, lenders and investors, etc.



Final Takeaways

- State tax credit programs are critical in filling gaps in capital stacks necessary to complete historic projects.
- In the current high rate and high-cost environment, a majority of historic tax credit projects nationwide are being pursued in states with strong state programs.
- Not all state tax credit programs are created and managed the same.
- It takes a village – implementation, modifications and defense of state programs requires financial and time commitments from a variety of stakeholders.



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State Historic Tax Credit

Local Impacts

- Beatrice, NE pop ~12,300
- Downtown Beatrice Historic District was designated in 2016, the same year that State HTC Program launches.
- 3 Beatrice projects using HTC are currently underway, resulting in \$2 million in investments.
- The HTC has proved helpful in starting the conversation for those looking to take on a historic building rehab and gain confidence with the idea, whether they end up using the credit or not.
- The Nebraska Historic Tax Credit has been used or is being used to rehab or save nearly 100 Historic Buildings in the last 7 years.
- Nebraska failed to renew the program in 2022.
- Its loss began to be felt quickly in Beatrice. Our largest downtown building, a 50,000+ sq. ft. former hotel and senior living facility closed in April. The loss of the credit created a \$1 million+ gap in the rehabilitation plan, resulting in potential developers taking a step back from the project. This project is estimated to be a \$7+ million rehabilitation.





Your Voice Makes a Difference

- Do not underestimate the impact YOU can have.
 - Elected officials want to hear from you, the people on the 'ground.'
 - Advocacy is easier than you think.
 - Band together, invite others in your network to join you.
 - Follow up afterward.
 - How can I actually help?
 - A place to start is find your state's HTC leaders, ask them.
 - Talk openly about the tools you like (and when needed, how they can be better).
 - Send a letter/email, or pick up the phone to support legislative efforts.
 - Take advantage of opportunities to bring up HTC's year-round.
 - Consider inviting elected officials to do a tour of your community, and be real about your success and challenges.
- * Non-profits yes you can advocate



QUESTION AND ANSWER

Use the Q&A box located on the bottom of your screen ask questions of the speakers.

Stay Involved

- Stay up to date on local and national advocacy actions with text alerts from the National Trust
- Text **SAVINGPLACES** to **52886**



Keep Learning

- Forum Webinar: Historic Preservation Advocacy in the 118th Congress
- February 23, 2023, 3:00 pm eastern
- Register at forum.savingplaces.org/forum-webinar





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