Vital Maine Communities Conference – Day 2

Making Maine Downtowns Work

Skowhegan, ME
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Building Boom in a Recession: Historic Preservation is Hot!

Session 1 B

First Presentation:

Maine Preservation's Role in Downtown Revitalization and Use of the Historic Tax Credits

presented by:

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Field Service Program

A Partnership of

Maine Preservation
Greater Portland Landmarks
and the
National Trust for Historic Preservation

Maine Preservation's *Mission:*

The mission of Maine Preservation is to promote the preservation, protection and vitality of Maine's historic places and to encourage quality design that contributes to the livability of our communities.

MP's Role in Downtowns:

- HP Planning Advice/Guidance for the Main Street Managers
- On-Site Field Visits & Meetings with Property Owners
- Seed Grant Program
- Revolving Fund

Contractual Agreement with Maine Downtown Center

- Annual Contract

- Time-based for Consulting

- Focus: Preservation Planning; Energy Efficiency; Stimulating Tax Credit Projects

Tax Credit Consulting:

- Principal Tool is the Tax Credit Project Viability Assessment
- Project Information Form
- Project Eligibility Checklist

1. Certified Historic Structure Test:

National Register Designation:

_____Listed _____Date Listed ____ Eligible _____ Not Listed _____ Ineligible _____ Part 1 Certification

2. Project Business Structure:

Name of Project:

______For-Profit

___S Corp (specify name):

___LLC:

___Part of another corporation:

___Individual owner:

___Other:

______Nonprofit:

Key Partners/Owners:

Address:

Telephone(s):

Email:

Note: Limited Partners and individual owners should consult an accountant concerning review the IRS's At-Risk Rules, Passive Loss Rules and the Alternative Minimum Tax requirements before proceeding). If the project Developer will be a governmental or other tax-exempt entity, the party must utilize a "qualified lease" approach, [Chris define the length of leases and the very basic reqs.] otherwise the 20% federal historic tax credits are disallowed for use of "disqualified lease"

3. ~~Commercial~~ Income Producing Property Test: The project must be defined as a depreciable (income-producing)
property.

Prior use:
Proposed use:
Square Footage Rehab:
Square
Footage New:
# of units:
# of affordable units:
Property Tax Assessment:

4. Adjusted Basis Test:

(Defined as the purchase price of the building, minus the land value, plus improvements already completed, minus depreciation already taken)

5. Substantial Rehabilitation Test:

~~Allowable~~ Qualified Rehabilitation Expenses (QREs) ~~costs~~ must exceed the Adjusted Basis or $5,000, whichever is greater, unless user is using the Small Projects option and spending between $50,000-$250,000 of QREs – but not a penny more.

Anticipated QREs:

Anticipated new construction $:

6. Architectural Standards:

To qualify for the 20% federal historic tax credit or 25% state historic credit ("Certified Rehabilitation"), construction must conform with the US Department of Interior's "*Secretary of the Interior's Standards for ~~the Treatment of Historic Properties" (~~Rehabilitation~~)~~*

Architect(s) & Town:
Engineer(s) & Town:
Contractor & Town:
Major Subs & Towns:
Preservation Consultant & Town:
Attorney & Town:
Accountant & Town:

7. Phased Project Option:

Project is normally required to be completed within 24 months within which the developer should plan to capture all of the allowable project expenses – or alternatively – a 60-month Phased Option may be elected. However, all phases must be clearly set forth in plans and drawings when the HPCA Part 2 Application is initially filed – not later on. [Not sure how this applies to the state credit.] The State credit is limited to $5,000,000 for each project.

8. Recapture:

The Project's Owner of Record shall understand that it must retain ownership of the property for a minimum of 5 years, following project completion (Defined as the issuance of the Certificate of Occupancy), in order to avoid re-capture of the federal and state tax credit (pro-rated at the rate of 20% per year of the 5-year period for each credit).

9. Other Funding:

Low-Income Housing Tax Credit (LIHTC) The federal historic tax credit (20%) may be married with the LIHTC (~~9% or~~ 4% when paired with the historic tax credit for 15 year amortization period) – but with offsetting tax credit benefits – but which will still yield a minimum net tax credit of 24%:

Tax abatement (Pine Tree Zone, etc.):

Tax Incremental Financing (TIF):

New Markets Tax Credit (NMTC):

LEED Certification:

Bank or other Financing:

Tax Credit Purchaser(s)

Other:

10. Claiming the Credit:

Use IRS Form 3468 for the tax year in which the Certified Rehabilitation building is placed in service. The full 20% credit is taken by the applicant in that single tax year. If the credit cannot be consumed in its entirety in that year, the residual credit value may be carried back 1 year, or forward 20 years. The State 25% credit is taken in equal allocations over four years. If the credit cannot be used to offset State tax liabilities, the credit is "fully refundable, meaning that it is paid by check to the taxpayer.

Project Examples:
Renys' Dept. Store - Farmington

Arbor Street Fire Station-Portland

End of Presentation