

# Tax Credits I: State Program & Pipeline Initiative

Heritage Ohio Annual Preservation  
& Revitalization Conference

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Development  
Services Agency

# Historic Preservation Tax Credits

- Federal and Ohio program
- Tax credits on value of Qualified Rehabilitation Expenditures (QREs)
- Building must be designated as a 'historic building'
- Rehabilitation work must meet U.S. Secretary of Interior's Standards for Rehabilitation
- Tax credits received upon certification of completion



# Ohio Historic Preservation Tax Credit

- Up to 25 percent tax credit
- \$60 M annual allocation
- \$5 M project cap
- Competitive
- Bi-annual application process
- Administered by the Ohio Development Services Agency in partnership with the State Historic Preservation Office



**Ohio**

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**Historic Preservation**  
Tax Credit





The map displays the following data points across Ohio's counties:

Location	First 100 Completed Projects (Yellow Dot)	Total Approved Projects (Blue Circle)
Ashtabula	2/1	0
Painesville	1/1	0
University Heights	1/1	67/36
Mentor	0	1
Russell Township	1/1	0
Chagrin Falls	0	1
Berea	2/2	0
Lorain	0	1
Sandusky	1/1	0
Warren	2/2	0
Youngstown	9/4	0
Ravenna	0	1
Kent	1/1	0
Akron	13/4	0
Cuyahoga Falls	0	1
North Canton	0	1
Canton	0	1
East Liverpool	0	1
St. Clairsville	0	1
Cambridge	1/1	0
Granville	0	3
Newark	2/1	0
Mount Vernon	0	1
Hayesville	0	1
Delaware	1/1	0
Westerville	1/1	0
Columbus	25/6	0
Springfield	1/1	0
Xenia	0	1
Dayton	0	5
Middletown	0	2
Hamilton	5/3	0
Lebanon	1/1	0
Wilmington	1/1	0
Washington Court House	1/1	0
Chillicothe	0	1
Portsmouth	1/1	0
Scott Township	1/1	0
Cincinnati	75/22	0
Lima	0	1
Kenton	0	1
Findlay	0	3
Toledo	7/2	0

**Marietta**  
**Mentor**  
**Middletown**  
**Mt. Vernon**  
**Newark**  
**North Canton**  
**Oberlin**  
**Painesville**  
**Piqua**  
**Portsmouth**  
**Ravenna**  
**Russell Township**  
**Sandusky**  
**Scott Township**  
**Springfield**  
**St. Clairsville**  
**Toledo**  
**Warren**  
**Washington Court**  
**House**  
**University Heights**  
**Westerville**  
**Wilmington**  
**Xenia**  
**Youngstown**



# The First 100



# Program Awards

	<b>APPROVED</b>	<b>COMPLETED</b>
Projects	254	111
Historic Buildings	348	131
Total Investment	\$3.8 billion	\$1.6 billion
Total Tax Credit	\$505 million	\$234.9 million
Residential Units	8,718	3,582



# Applicant Eligibility

## Ownership or Leaseholder Interest

- Fee Simple Owner
  - Purchase agreement insufficient
- Qualified Lessee
  - Long-term (usually 27.5-39 years)
- Political subdivisions ineligible

## Major Factor

- “But-for” requirement
- Tax credit must be a major factor in decision to undertake *OR* increase investment in the project





# Application Process

## Intent to Apply Form

- Request Pre-Application Meeting(s)

## Pre-Application Meetings

- SHPO (required)
- Development (encouraged)

## Historic Documentation

- Part 1 & Part 2

## Application

- Eligibility & Financial Component
- Competitive Scoring



# 2016 Application Rounds

Round	2016 (Spring)	2017 (Fall)
Intent to Apply	Feb. 15	Aug. 15
Part 1/Part 2 Due	Feb. 29	Aug. 31
Applications Due	March 30	Sept. 30
Awards Before	June 31	Dec. 31

# Application Selection

- Fully objective scoring process
- 100 point scoring criteria
- Scoring focused on two areas:
  - A. Regional Distributive Balance
  - B. Potential Economic Impact
- Applicants must score 50 points to be eligible





# Allocation Set-Asides

## Small Projects

- Less than \$1.25 million in QREs
- Maximum tax credit of \$250,000
- 8 % reserved (at least \$2.4 million)

## Intermediate Projects

- \$1-10 million in QREs
- Maximum tax credit \$2,000,000
- 25% reserved (at least \$7.5 million)



# Catalytic Projects

- Created in 2014 for large-scale developments
- Allows Development to approve one project for up to \$25 million tax credit each state fiscal biennium
- Catalytic projects are meant to foster economic development within 2,500 feet of the historic building
- In addition to standard application review processes, Development evaluates the following:
  - Characteristics of surrounding area
  - Development opportunities in proximity
  - Strength of project as a catalyst

# First Catalytic Project





# Section C – Criteria A

## Regional Distributive Balance

### **C1 – Jurisdictional Balance (8 pts.)**

- Priority to jurisdictions with fewest previous OHPTC awards

### **C2 – County Per Capita Balance (7 pts.)**

- Priority to counties with lowest per capita OHPTC awards



## **Section C – Criteria A**

### **Regional Distributive Balance**

#### **C3 – Benefit to Low-Income in Jurisdiction (5 pts.)**

- Priority to jurisdictions with highest poverty

#### **C4 – Benefit to Low-Income in Census Tract (5pts.)**

- Same as C3 for census tracts

#### **C5 – Benefit to Unemployed in County (5 pts.)**

- Priority to counties with highest unemployment relative to Ohio

# Section C – Criteria B

## Potential Economic Impact

### **C6 – Leverage Investment (10 pts.)**

- Priority to projects that leverage additional private investment

AND/OR

- Priority to projects that require less tax credit subsidy

### **C7 – Financing Committed (15 pts. – Significant Indicator)**

- Priority to projects with greatest amount of financing in place





# **Section C – Criteria B**

## **Potential Economic Impact**

### **C8 – Timeliness to Completion (5 pts.)**

- Priority to 24-month (non-staged) over 60-month (staged) projects

### **C9 – Physical Scope and Construction Jobs (10 pts.)**

- Priority to larger projects (measured in total square feet) to maximize construction employment

### **C10 – Vacant Property (15 pts. - Significant Indicator)**

- Priority for vacant and underutilized properties

# Section C – Criteria B

## Potential Economic Impact

### C11 – Local Participation/Support (5 pts.)

- Priority to projects with support from local jurisdiction (city, village, or township) or county
- Three levels can be demonstrated:
  - Financial Commitment (5 pts.)
    - Tax abatements, grants, loans, infrastructure, streetscaping, fee waivers, property donation, etc.
  - Resolution of Support (3 pts.)
  - Letter of Support (1 pts.)



# Section C – Criteria B

## Potential Economic Impact

### **C12 – Cost-Benefit Analysis and Job Commitments (10 pts.)**

- Job Commitments (4 pts.)
  - Priority for projects with tenants already in place
- Cost-Benefit Analysis (6 pts.)
  - Priority for projects with greatest return on investment (ROI) of state and local taxes



# Qualified Rehabilitation Expenditures

- Same for Federal and Ohio programs
- Includes all hard and soft (e.g. design) costs of permanent improvements within the building envelope
- Examples of QREs:
  - structure, walls, roofs, systems, elevators inside building, design, permitting, insurance, labor
- Examples of non-QREs:
  - additions, enlargements, landscaping, site work, appliances, furniture, marketing

# Using a Tax Credit

- Tax credits offset tax liability (not a deduction)
- Multiple approaches
  - Individual(s) with tax liability use credit
  - Partner with an investor(s) with tax liability (e.g. bank, insurance company, individual, etc.)
  - Ohio program provides for refunds if sufficient liability does not exist
- Non-profits may be able to participate



# Definition of ‘Historic Building’

**‘Historic building’ means the property meets any of these:**

- Individually listed on National Register
- Contributes to National Register Historic District
- Contributes to NPS Certified Historic District

OR

- Local landmark in Certified Local Government (CLG)
- Contributes to CLG Local Historic District

**Properties with only CLG designation are not eligible for federal program**

# Pipeline Initiative – What is it?

- Technical assistance and small grants to plan and prepare historic properties for rehabilitation
- Develop a pipeline of properties eligible for the Ohio program
- Ohio program requires properties to qualify as a ‘historic building’ at the time of application
- Nominating buildings and districts targeted for redevelopment is the first step toward advancing rehabilitation projects



# Pipeline Project Types

## A. National Register Nomination for Individual Building

- Grant up to \$4,000 for third-party research and consulting to prepare a nomination
- Must have support of property owner



# Pipeline Project Types

## B. National Register Nomination for a Historic District

- Grant up to \$12,000 for third-party research and consulting to nominate OR amend a district
- Must have support of property owners and local jurisdiction



# Pipeline Project Types

## C. NR Integrity Investigation of an Individual Building

- Grant of \$12,000 or more for brick and mortar activities to the exterior of a building to reveal intact historic materials (e.g. remove a non-historic façade)



# Applying for the Pipeline Initiative

## Who can apply?

- Individual property owners, businesses, local governments or non-profits

## When can I apply?

- Anytime
- Funding is awarded on a first come, first served basis

## Who cannot apply?

- Consultants who are preparing the nomination



# Parts of the Pipeline Application

- Budget: How much will it cost to prepare the nomination? Sources and uses of funds.
- Description of project: What will the Pipeline grant pay for? Goals, partners, timeline.
- Redevelopment potential: Describe how the properties could be redeveloped with Historic Preservation Tax Credits.



# How do I apply?

1. Talk to Development and the SHPO about your project.
2. Complete a National Register Questionnaire for your project (can be done concurrently or prior to your Pipeline application, depending on type).
3. Complete the application form, found on Development's website. Print, sign and mail.

# National Register Questionnaire

- First step to explore if your property or district has potential to qualify for nomination to the National Register of Historic Places
- Download Questionnaire at: [www.ohiohistory.org](http://www.ohiohistory.org)
- Photos, story, sketch of site plan or floor plan
- Mail to the SHPO for response
- Questionnaire review committee meets weekly

# We're Here to Help

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