Small Tax Credit Projects

Heritage Ohio Conference
September 2014
Agenda

- Historic Preservation Tax Credits
  - Program Overviews
  - Small Project Observations and Advantages
- Historic Rehabilitation Case Study
  - Insight from Project Developer
- Questions and Discussion
  - FAQ’s with Developer
What is ‘small’?

- Generally less than $1 million in rehab costs
- Main Street / Elm Street type properties
- Majority of buildings in many communities
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
Federal Historic Preservation Tax Credit

- 20 percent tax credit
- Non-competitive
- Property must be income-producing
  - Excludes condos and single-family homes
- No annual program or project cap
- Administered by Ohio Historic Preservation Office, in coordination with the National Park Service
Ohio Historic Preservation Tax Credit

- 25 percent tax credit
- Competitive
- Bi-annual application process
- No income-producing requirement, but projects are scored based on economic impact, project readiness, local support, and location
- $60 M annual allocation and $5 M project cap
- Administered by Ohio Development Services Agency, in partnership with the State Historic Preservation Office
Ohio Program Awards

Akron
Ashtabula
Berea
Cambridge
Canton
Chagrin Falls
Chillicothe
Cincinnati
Cleveland
Columbus
Cuyahoga Falls
Dayton
Delaware
East Liverpool
Findlay
Granville
Hamilton
Hayesville
Ironton
Kent
Kenton
Lancaster
Lebanon
Lima
Marietta
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
Small Project Participation

- Small Projects utilize the Ohio Program
  - 21 percent of projects under $1 million (11% in May 2012)
  - 8 percent of projects under $500,000 (5% in May 2012)
Small Project Observations

- Owners/Developers are often more hands-on
  - Project and construction management
  - Preparing historic applications (Part 1, Part 2, etc.)
  - Preparing development applications

- Less complicated deal structure
  - Owner takes credit themselves (no investor)
  - Traditional financing, personal equity or investment partners

- A simpler, smaller project can reduce overhead costs
Ohio Program Advantages

- **Small Projects Allocation**
  - 5 percent of allocation (at least $1.5 million) each round is reserved for small projects
  - ≤$1 million in QREs and a substantial rehabilitation
  - Compete for allocation before competing in larger pool

- **Claiming the Tax Credit**
  - Third-party cost certification is waived for projects under $200,000 in QREs
  - Ability to stage projects and receive credits in phases
  - Tax credit is **refundable** when tax credit exceeds tax liability of individual or entity taking the credit
Encouraging Small Projects

- Designate historic properties and districts
  - Historic designation is first step to accessing tax credits
  - Pipeline Initiative for National Register nominations
  - Certified Local Government (CLG) status

- Technical assistance
  - Help accessing local government or organization resources
  - Help completing historic research and applications

- Education
Pipeline Initiative

- Technical assistance and small grants to plan and prepare historic properties for rehabilitation
- Primary goal of the initiative is to 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 a good 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 nominate a building
   - Must have support of property owner

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
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)
We’re Here to Help

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