

FAUST

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studio **gwa**
PLAN DESIGN DEVELOP

● working with **historic tax credits**



Designing **versatile,**
livable, and **sustainable**
places for people.

Studio GWA is a creative, visionary team that believes in engaging the community through design. We are well-versed in urban and architectural design, economic development, real estate development, planning, placemaking, and other services that have benefited communities throughout the Midwest.

Common Finance Questions



Will it appraise?

Are there incentives?

What if I don't have money?

Market conditions?

Can I phase it?

●▼● The Types of Historic Tax Credits



There are two types of historic tax credits, state and federal, and both are a credit on income tax. Many states have a tax credit ranging anywhere from 15-25%, and the federal tax credit is 20%. Put them together, and you're looking at a large percentage of project costs being eligible for HTCs.

View your state's HTC program status [here](#).

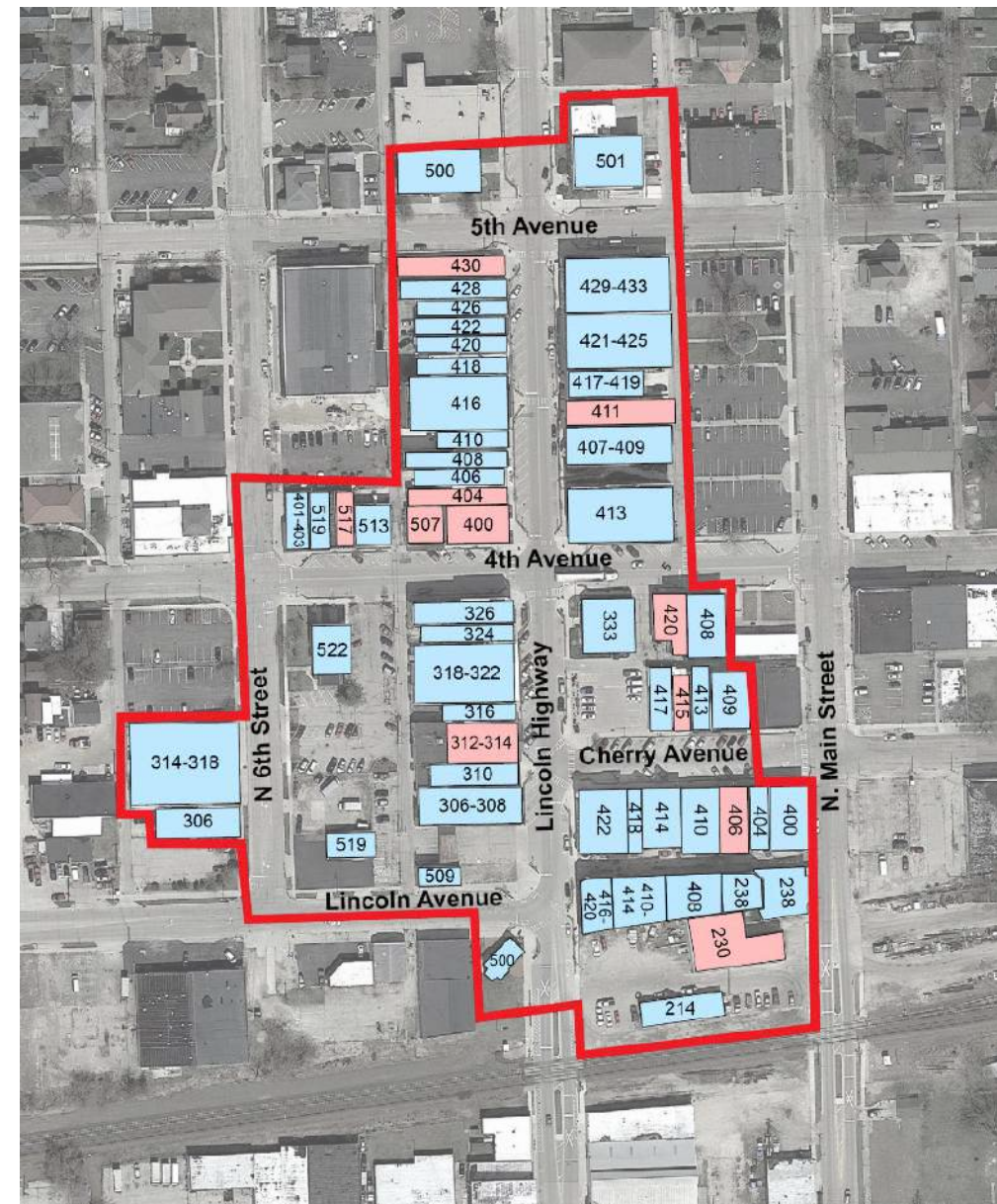
● ▾ ● Is My Building Eligible?

In most states, the building must be:

- Individually listed on National Register of Historic Places;
- A contributing building within a National Register District;
- Or be a district certified by the NPS for the purposes of the federal tax credit program.

Criteria for listing on National Register:

- History
- Architecture (type, period, method of construction)
- Events
- Persons



National Register of Historic Places
Rochelle Downtown Historic District

Historic District
Contributing
Non-Contributing

What are the Program Requirements?



A 1927 automotive garage...

Undergoes a substantial rehabilitation...

For an income-producing use.

The project must follow standards developed by the Secretary of the Interior.

This applies to both exterior and interior work. The property must have an income-producing use once it's been redeveloped, such as a restaurant, apartment, or an event space. And, you'll need to spend enough on the rehabilitation. This program is for major renovations rather than for small repair projects.

Which Expenses Qualify for HTC's?



Hard Costs

This includes demolition and construction within the building envelope, roof repair, windows, and more.

Soft Costs

This can include architectural and engineering fees, legal fees, permits, historic tax credit consulting fees, the developer fee, and more.

Ineligible Expenses

Historic tax credits cannot be applied to every expense. Costs related to buying the building, financing fees, additions such as rooftop decks, site work and non-fixed items like furniture and equipment are among the expenses that do not qualify.

● ▾ ● Proforma Components



Construction Costs
(hard)

Income

Sources and Uses

Development costs (soft)

Operating Expenses

Cash Flow

● Filling the Gap

Sources/Uses			
Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	175,000	-	
Fees/Permits/Studies	125,000	125,000	125,000
Direct Construction Costs	1,500,000	1,500,000	1,500,000
Indirect Construction Costs	40,000	40,000	40,000
Financing Costs	135,000	135,000	135,000
Developer Fee	175,000	175,000	175,000
Total Uses	2,150,000	1,975,000	1,975,000

Historic Tax Credits	Federal HTCs	State HTCs
Tax Credit Allowable	1,975,000	1,975,000
Tax Credit %	20%	25%
x tax credit factor	\$ 0.80	\$ 0.80
net proceeds raised	316,000	395,000

Sources	Total Estimate	
Private Equity	430,000	20%
Loan	1,009,000	47%
Federal HTCs	316,000	15%
State HTCs	395,000	18%
Total Sources	2,150,000	100%

Annual Mortgage Payment = \$68,000

Filling the Gap

Sources/Uses			
Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	175,000	-	
Fees/Permits/Studies	125,000	125,000	125,000
Direct Construction Costs	1,500,000	1,500,000	1,500,000
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Developer Fee	175,000	175,000	175,000
Total Uses	2,150,000	1,975,000	1,975,000
Historic Tax Credits		Federal HTCs	State HTCs
Tax Credit Allowable		1,975,000	1,975,000
Tax Credit %		0%	0%
x tax credit factor		\$ 0.80	\$ 0.80
net proceeds raised		-	-
	Total Estimate		
Sources			
Private Equity	430,000	20%	
Loan	1,720,000	80%	
Federal HTCs	-	0%	
State HTCs	-	0%	
Total Sources	2,150,000	100%	

Annual Mortgage Payment = \$116,000

The Application Process



Part 1: Evaluation of Significance

The National Park Service (NPS) determines whether the building contributes to the historic district. Buildings individually listed on the National Register of Historic Places are already certified historic structures and are not subject to the Part 1 application.

Part 2: Description of Rehabilitation

The State Historic Preservation Office (SHPO) reviews the project to ensure compliance with the Standards for Rehabilitation. Owners are encouraged to work with a Historic Tax Credit Consultant to complete this application.

Part 3: Historic Preservation Certification

The NPS evaluates the project against the work proposed in the Part 2. Buildings that meet the Standards are considered "certified rehabilitations" and can therefore receive HTCs.

Challenges

Standards may restrict project elements.

The Standards for Rehabilitation may not align with your project needs. An addition, for example, or the modification of a corridor may not meet the Standards.

Adequate tax liability.

The HTCs may not be relevant to your tax situation. If so, you may be able to partner with someone with an eligible tax liability.

Partnership for five years.

The IRS can recapture the credits if the property is sold and/or is no longer used for an income-producing purpose during this timeframe.

Small projects limit potential investors.

HTC investors are typically individuals who have a high tax liability and look for large projects, as they can purchase a large amount of credits.

Pairing with SBA 504 loan

While HTCs pair well with TIF, LIHTC, and other incentives, they do not pair with the SBA 504 Loan Program.

● ▾ ● The Value of Historic Tax Credits



They close the gap.

When the budget is tight, HTC's can make the project financially feasible.

They reduce the risk.

Adding HTC's to the capital stack lessens the need for personal equity, city incentives, and the overall loan amount.

They pair well.

HTC's are compatible with most other incentives (e.g. TIF, façade improvement programs).

They are versatile.

You can claim the credit for yourself to reduce tax liability, or bring on a partner who can use them instead.

Funding Sources		Notes
Private Equity	\$ 645,120	20%
Bank Loan	\$ 928,960	29%
Federal HTC's	\$ 645,120	20% of TDC
State HTC's	\$ 806,400	25% of TDC
Residential Program	\$ 200,000	6%
Total Funding	\$ 3,225,600	100% of Project

TOTAL FUNDING

\$3,225,600

**100% OF
TOTAL PROJECT
COST**



PRIVATE EQUITY



\$645,120

PRIVATE EQUITY



\$645,120

BANK LOAN



\$928,960

PRIVATE EQUITY



\$645,120

BANK LOAN



\$928,960

FEDERAL HTCS



\$645,120

PRIVATE EQUITY



\$645,120

BANK LOAN



\$928,960

FEDERAL HTCS



\$645,120

STATE HTCS



\$806,400

PRIVATE EQUITY



\$645,120

BANK LOAN



\$928,960

FEDERAL HTC'S



\$645,120

STATE HTC'S



\$806,400

RESIDENTIAL PROGRAM



\$200,000

Funding Sources	Notes	
Private Equity	\$ 645,120	20%
Bank Loan	\$ 928,960	29%
Federal HTC's	\$ 645,120	20% of TDC
State HTC's	\$ 806,400	25% of TDC
Residential Program	\$ 200,000	6%
Total Funding	\$ 3,225,600	100% of Project

TOTAL FUNDING

\$3,225,600

100% OF



TOTAL PROJECT

COST










Before **Midtown Faust**

After



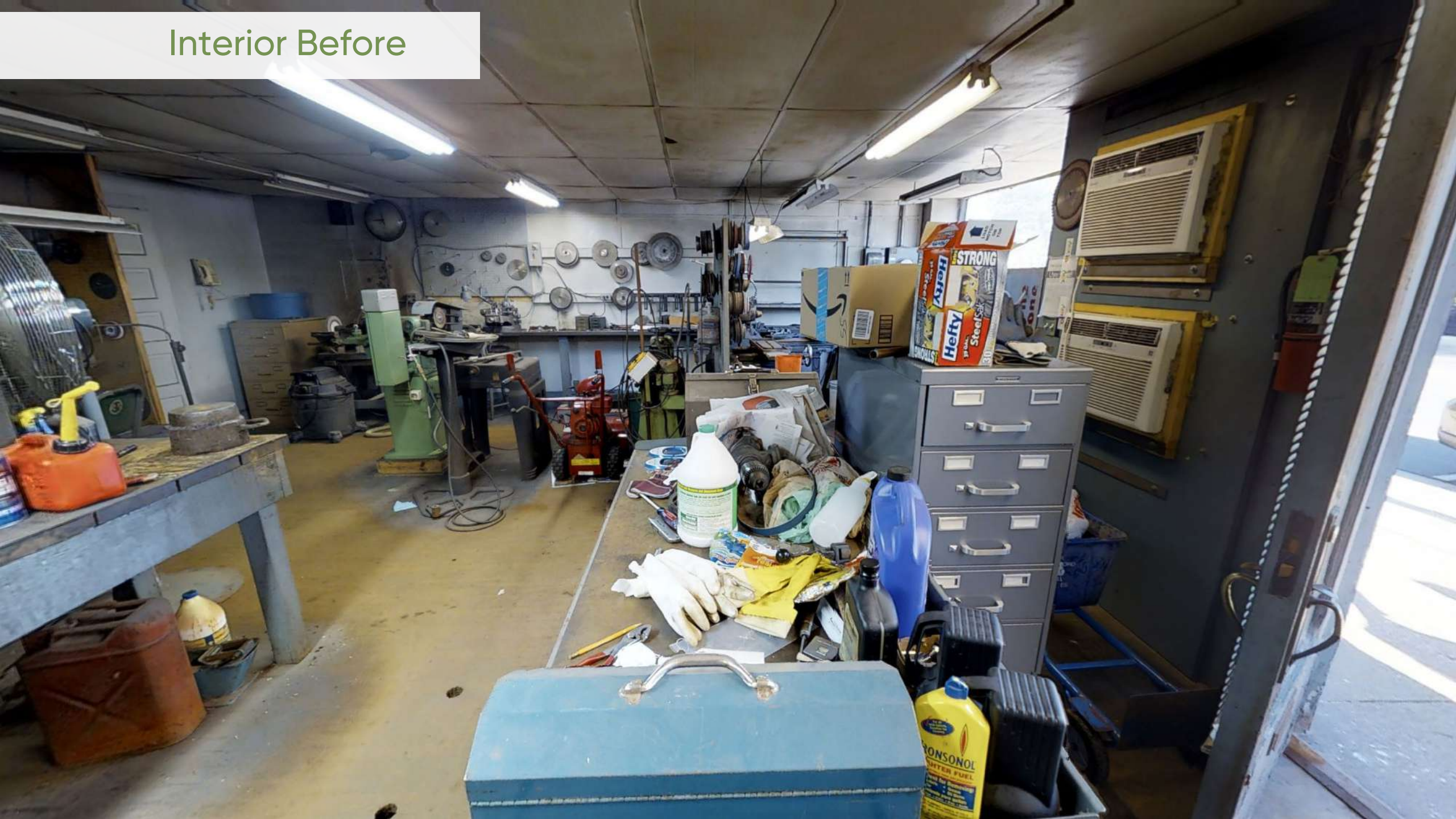
After



Interior Before



Interior Before



After



Unique Considerations



Innovative HTC Structure

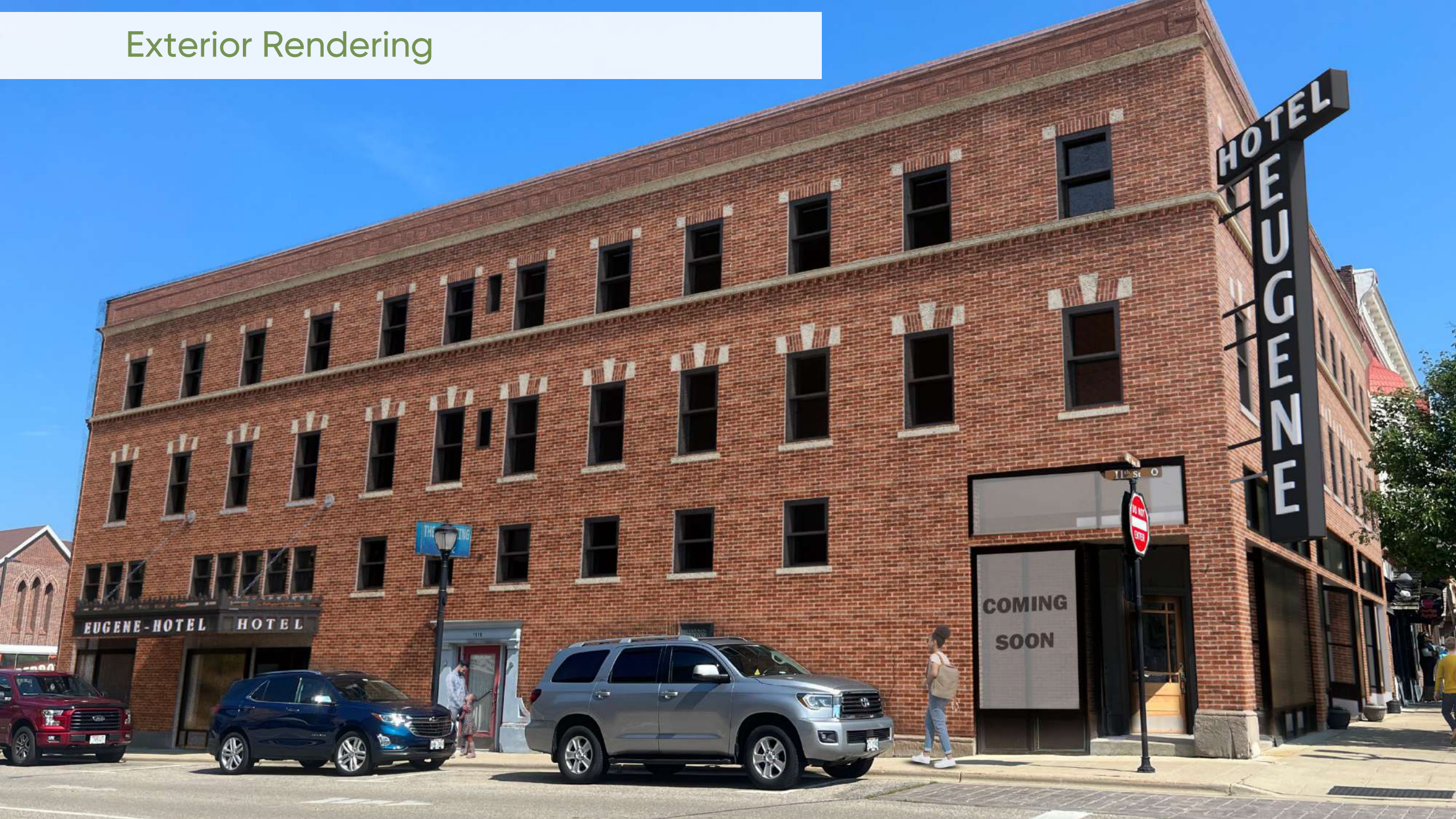
Sustainability

Neighborhood Impact



Exterior **Eugene Hotel**

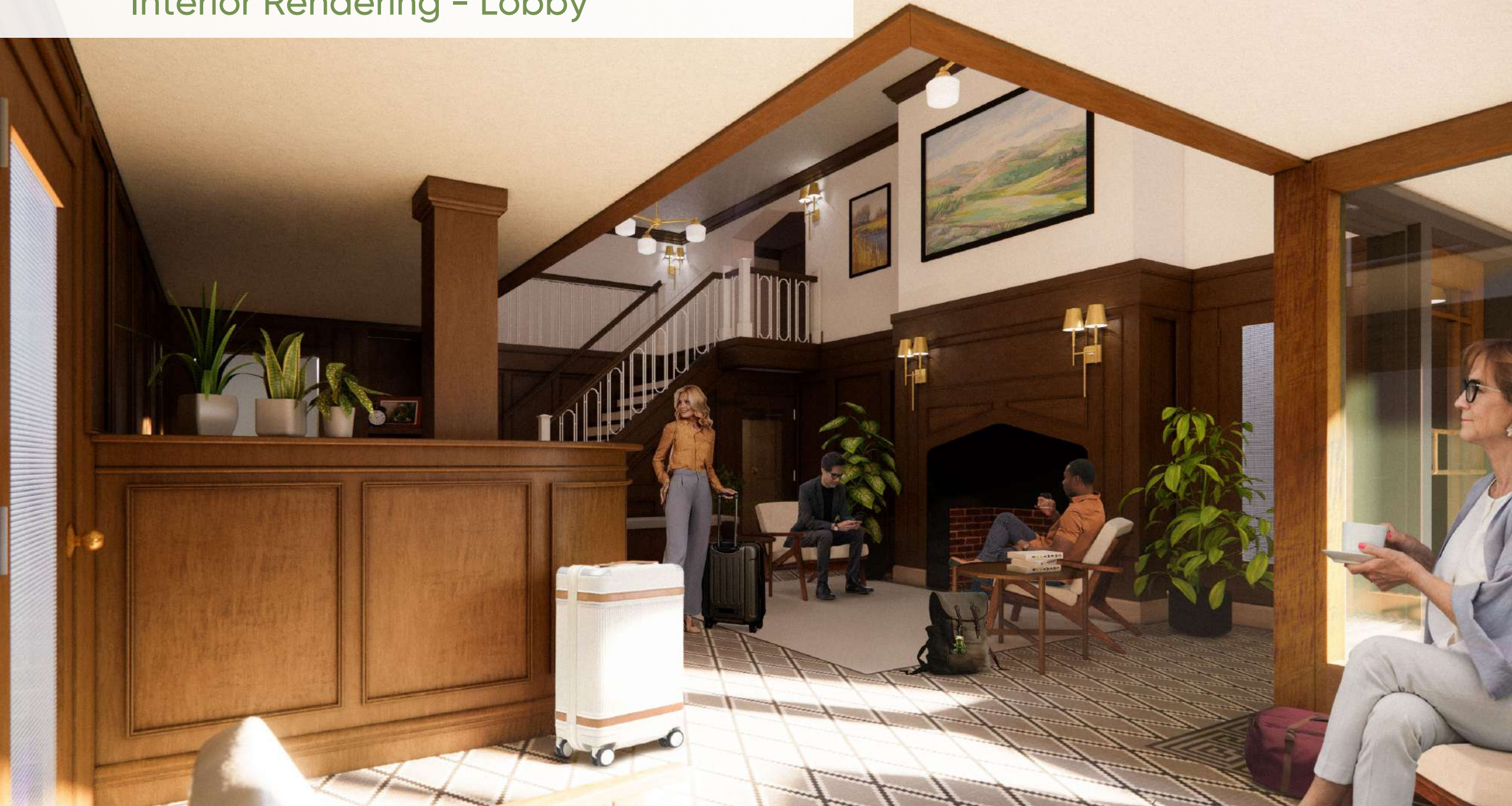
Exterior Rendering



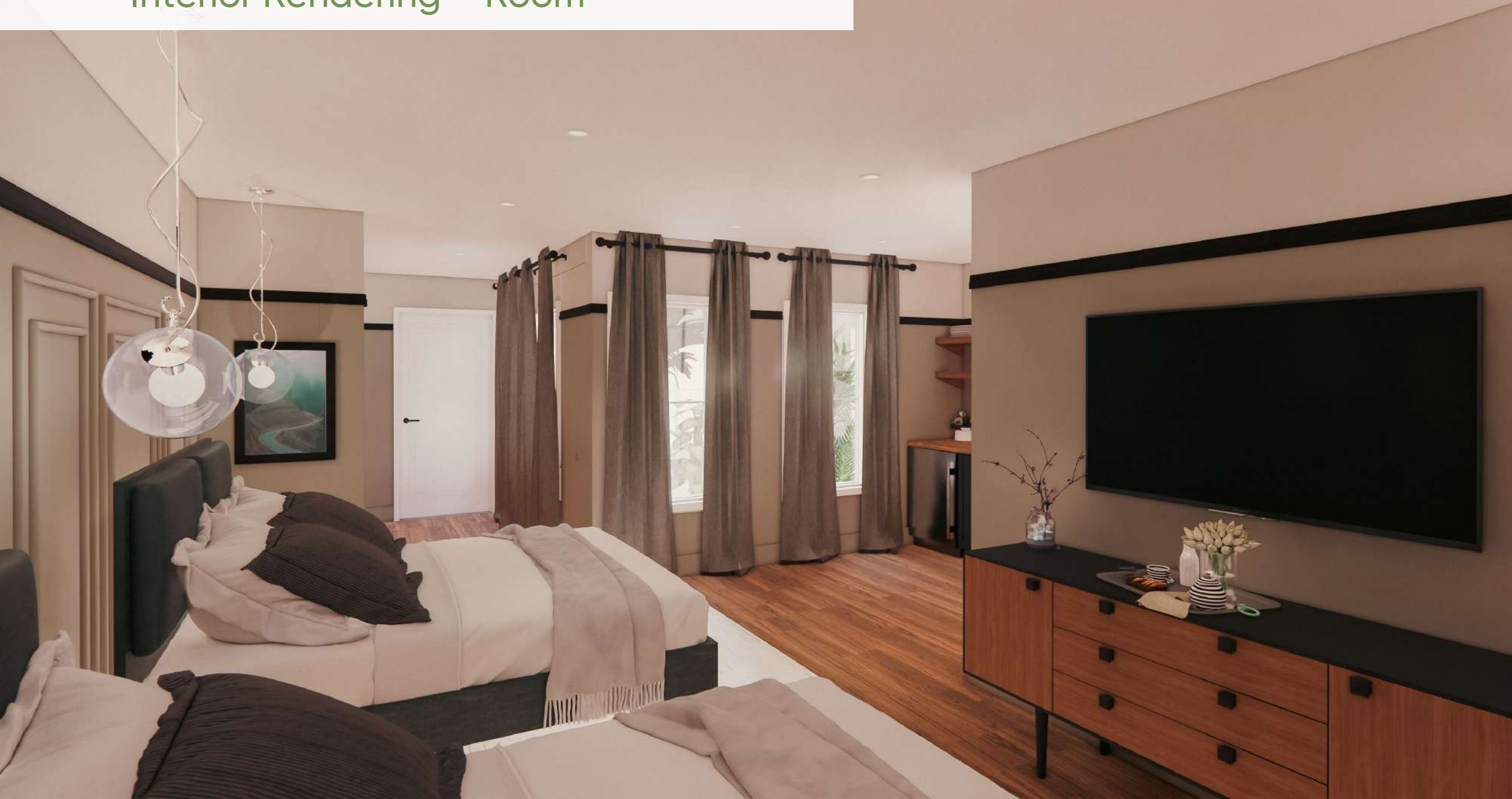
Before—lobby



Interior Rendering - Lobby



Interior Rendering – Room



Unique Considerations



Project History


Declared Need


Financial Exploration



Check out our HTC
Calculator!

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