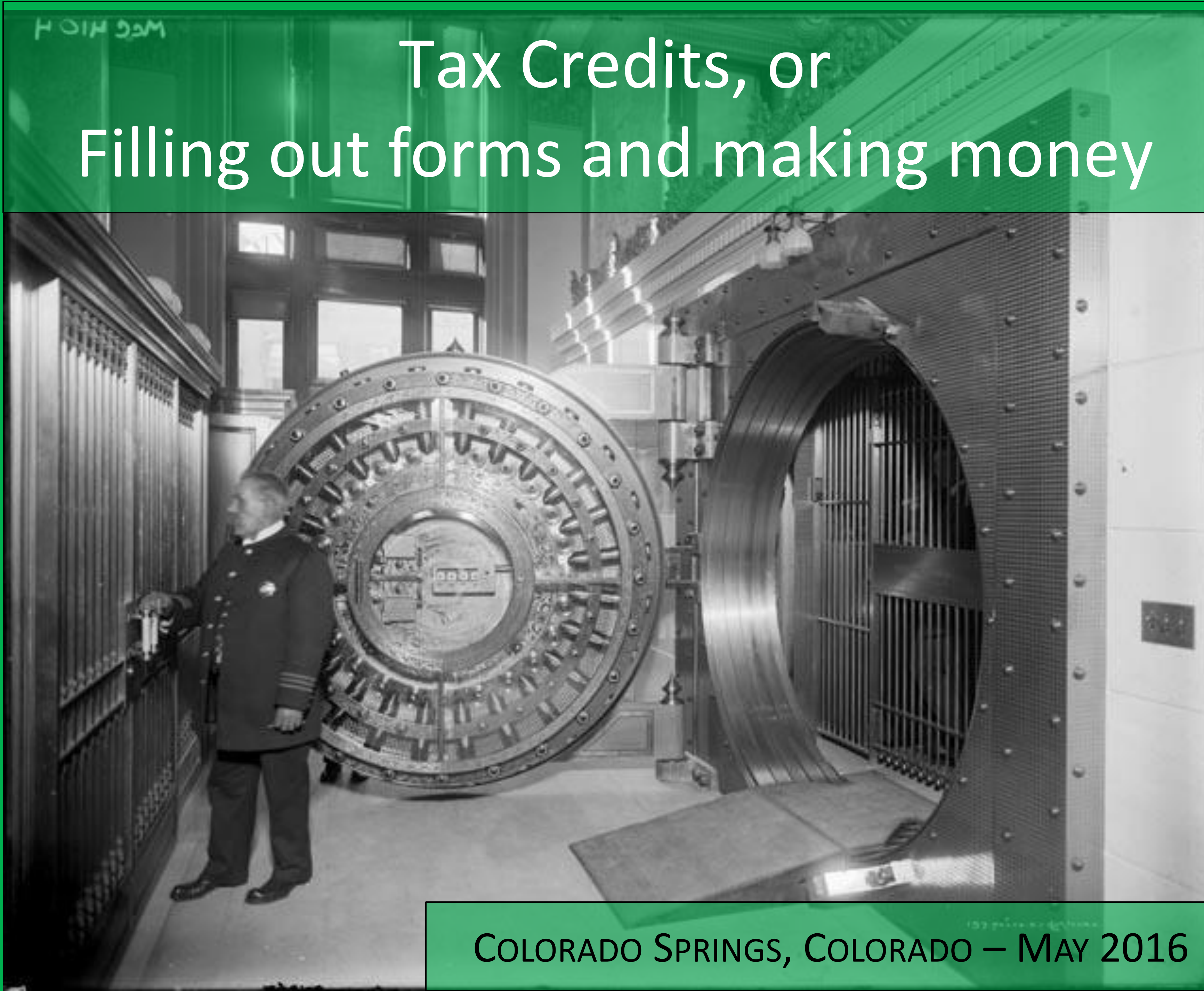
Tax Credits, or
Filling out forms and making money



COLORADO SPRINGS, COLORADO – MAY 2016

Rehabilitation Tax Credits

Federal Investment
Tax Credit

Established **1978**

State Tax Credit for Historic
Preservation

Established **1990**

Rehabilitation: What is it?

The process of making a property useful again, through repair, alterations, and/or additions while preserving those features which are significant to its historic, architectural, and cultural values.

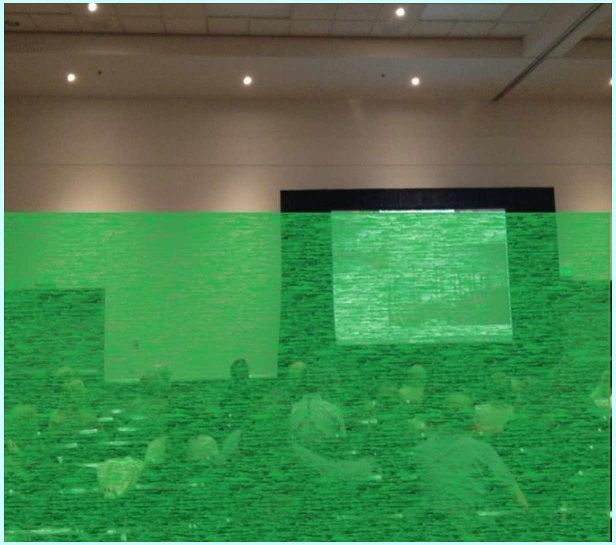
Tax Credits

- A credit directly reduces the amount of tax owed to the government.
- $1.00 of credit = $1.00 in tax reduction.
- Credits equal 20% or 10% of the project cost.
- $100,000 project would generate <u>$20,000</u> in tax credits.

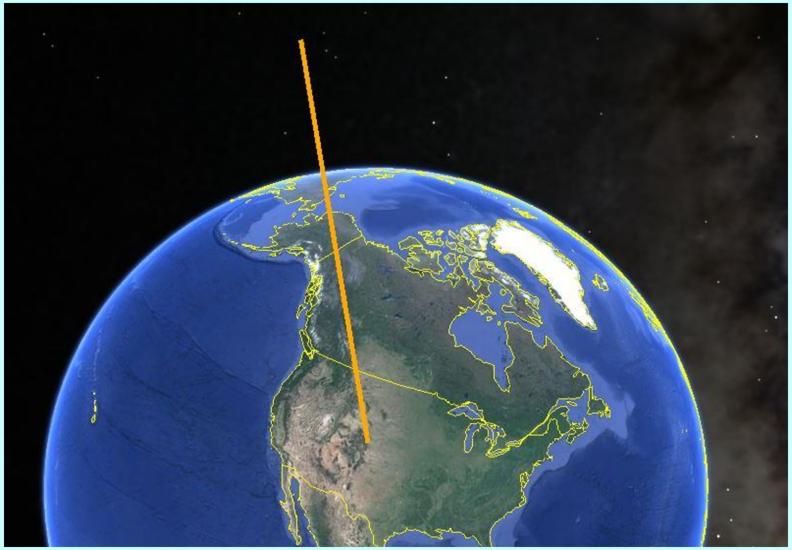
Tax Credits

- Since 1990, Colorado has had nearly 200 completed federal tax credit projects and over 1000 completed state tax credit projects.
- More than $800 million has been spent on tax credit projects since 1990, and applicants have saved more than $150 million.

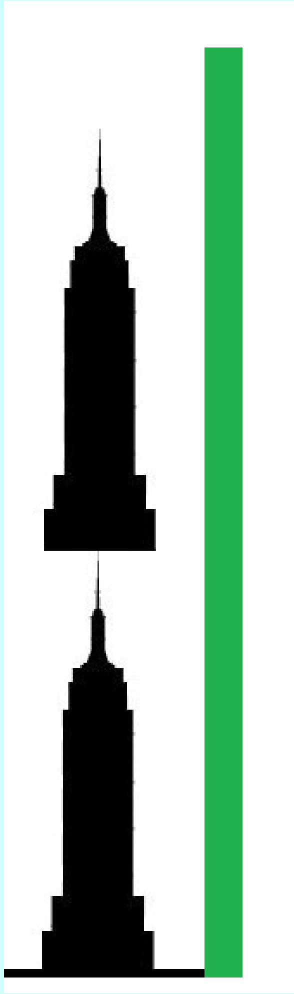
Tax Credits



A pile of $1 bills
filling this room
12 feet deep



A stack of pennies
75,000 miles high



How much is
$800 million?

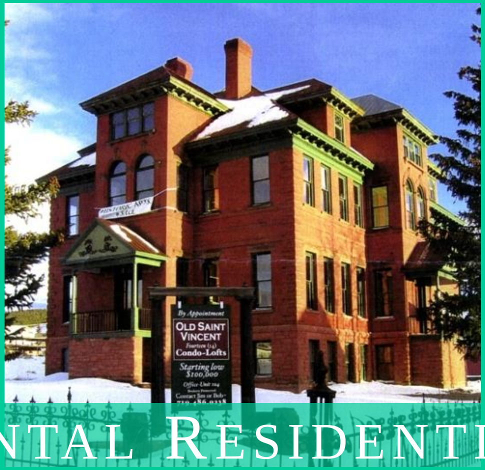
A stack of $100 bills twice the height
of the **Empire State Building**

Tax Credits - Federal

Applies to income-producing properties

COMMERCIAL

INDUSTRIAL



RENTAL RESIDENTIAL

Tax Credits - Federal

<u>20% of costs</u> associated with materials & labor

Tax Credits - Federal

<u>Not just restoring</u>

also covers new materials

Tax Credits - Federal

Projects must be completed within 24 months of starting work.

Tax Credits

Northern Hotel
Fort Collins

$4.5 million in costs

$908K in tax credits

Tax Credits – Current State

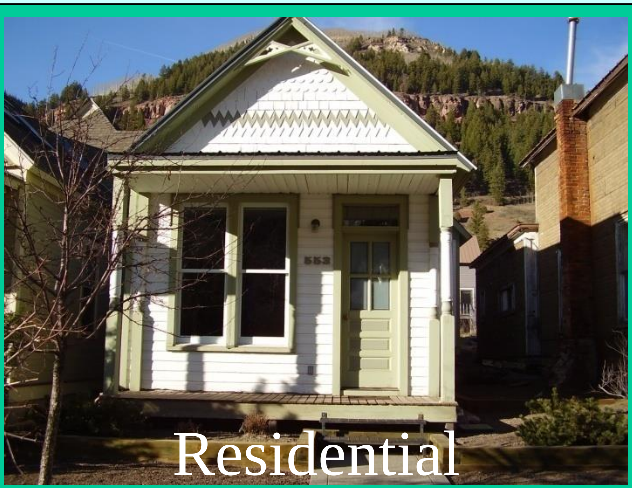
- More than 50 years old
- Designated:
  - National Register
  - State Register
  - Local Landmark
  - Contributes to a historic district

Tax Credits – Current State

Applies to

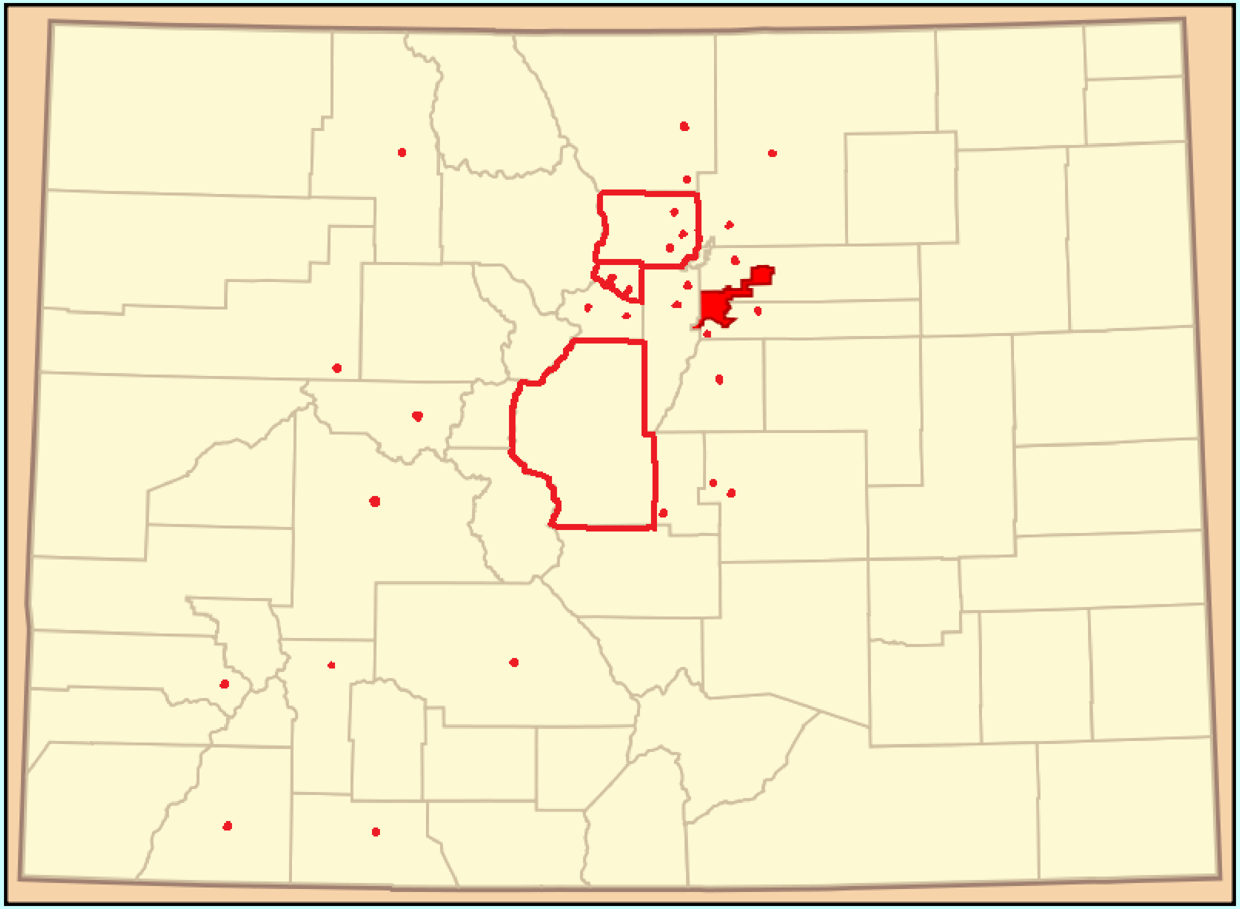
ALL properties

(even residential)



Tax Credits – Current State

30 towns and 3 counties review state tax credit applications



CLGs that review State Tax Credits
(as of February 2015)

The Standards

- Work must follow the Secretary of the Interior's [Standards for Rehabilitation]


NATIONAL PARK SERVICE

STANDARDS FOR REHABILITATION AND GUIDELINES FOR REHABILITATING HISTORIC BUILDINGS

standards for rehabilitation

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.

2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.

3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.

4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.

5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.

6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.

7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.

8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.

9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.

10. New additions and adjacent or related new construction will be undertaken in a such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

-GUIDELINES-

The Approach

Exterior Materials
Masonry
Wood
Architectural Metals

Exterior Features
Roofs
Windows
Entrances + Porches
Storefronts

Interior Features
Structural System
Spaces/Features/Finishes
Mechanical Systems

Site

Setting

Special Requirements
Energy Efficiency
New Additions
Accessibility
Health + Safety

THE STANDARDS

Guidelines for Rehabilitation-->

HISTORICAL OVERVIEW - PRESERVING - rehabilitating - RESTORING - RECONSTRUCTING | main - credits - email

The Standards

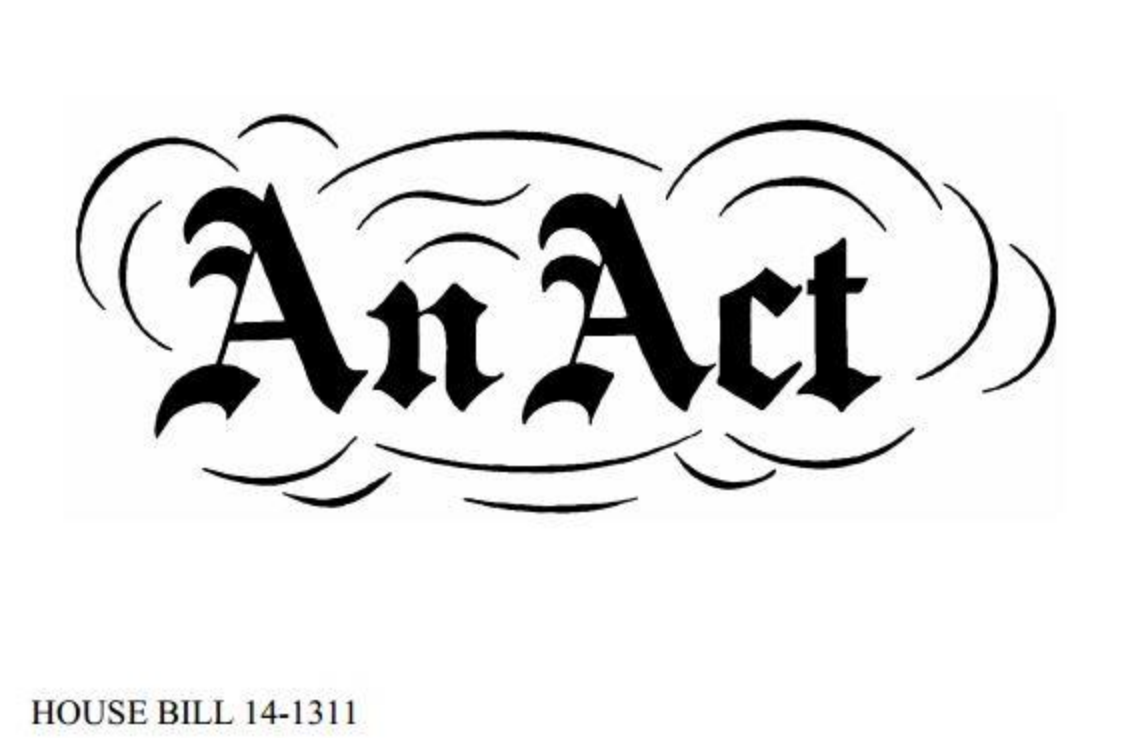
- Work should protect and retain the things that make the building historic
- Repair if possible
- Replace in-kind
- Replace with similar
- Additions and changes should not alter building's character or integrity

The Standards

YES

NYET

The NEW State Tax Credit



- House Bill 14-1311 is the Colorado Job Creation and Main Street Revitalization Act of 2014.
- Signed into law on May 14th, 2014.

The NEW State Tax Credit

- Continues the existing 20% tax credit for residential properties.
- Sets aside two pools of state money that owners of commercial properties can draw from.
- Raises the per-project cap on commercial from $50,000 to $1,000,000.

The NEW State Tax Credit

OLD commercial credit: maximum of $50,000 per project, regardless of actual costs.

NEW commercial credit: sets aside two pools of money for projects:
--$2.5 million for big projects;
--$2.5 million for small projects.

Rises to $5 million each in 2017.

The NEW State Tax Credit

- Commercial credit increased to 25% for projects under $2 million.
- Commercial credit can be sold or transferred to other taxpayers.
- Non-profit owners can apply for credits and sell them to help finance a project.
- Tax credits are available every year, regardless of general fund growth.

The NEW State Tax Credit

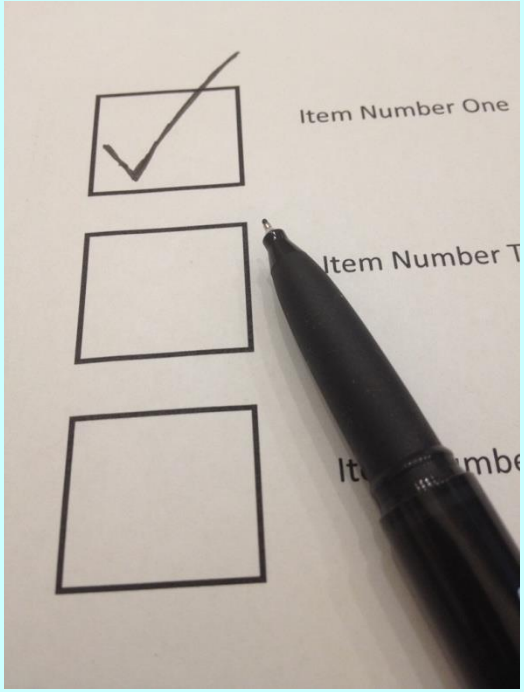
- Owners who live in areas that have been designated as a federal or state disaster area can claim an additional 5% of credit for up to 6 years after the declaration of disaster.

The New State Tax Credit

HOW IT WORKS:

- Visit the OEDIT tax credit website (to be developed) and register for the program.
- Submit the application and rehab plan.

- SHPO and OEDIT will review the project materials to see if they are complete.
- If complete, a tax credit is reserved.
- Reserved on a first-come, first-serve basis.



The New State Tax Credit

- SHPO conducts detailed review to determine if project meets the Secretary of the Interior’s Standards for Rehabilitation.
- 90-day review period + two 30-day review holds (for when more info is needed).
- Upon SHPO approval, tax credits are officially reserved.
- Work must begin within 12 months.
- Credits are claimed at end of project.

The New State Tax Credit

- The residential side of the New State Tax Credit is nearly identical to the old credit.
- Eliminates 5-year holding rule
- Can take every year regardless of state's finances
- Cap of $50,000 per property, but resets back to zero after ten years or sale to new owner.

The New State Tax Credit

- Residential properties also benefit from the extra 5% credit for being in a disaster area.

- Reviews are still conducted by the SHPO or by local governments, same as now.