

Compelling Incentives

STATE TAX INCENTIVES

The Minnesota Historic Structure Rehabilitation Tax Credit offers a 20% state tax credit for qualified historic rehabilitations, and parallels the existing federal rehabilitation tax credit. It also offers project investors an option of a grant in lieu of a credit, whichever option best suits a developer's tax situation, in order to maximize the efficiency of the public dollars assisting the project. The program is effective for projects which sign construction contracts after May 1, 2010, and requires an application with the State Historic Preservation Office before project work begins.

FEDERAL TAX CREDITS

One of the ways the federal government encourages the preservation of historic buildings is through federal tax laws that benefit qualifying historic preservation projects. A project may qualify for a 20% investment tax credit if:

- It involves rehabilitation of a certified historic building used for income-producing purposes.
- The rehabilitation work follows the Secretary of the Interior's Standards for Rehabilitation.
- The project receives preliminary and final approval from the National Park Service.

Property owners, developers and architects must apply for the tax credit through the Minnesota SHPO and are encouraged to work with SHPO staff to ensure that appropriate rehabilitation measures are followed. The SHPO then passes its recommendations on to the NPS for approval.

ZONE TAX EXEMPTION

The Fergus Falls RTC lands and associated structures (existing and new construction) were given a 15 year tax exemption furlough by the MN legislature. The exemption applies to state, county, city and school taxes. The designation was given as an incentive to repurpose the RTC structures/lands and to redevelop the designated historic zone. The tax exemption applies to commercial/industrial, residential and multi-residential uses. The tax exemption applies only to the RTC Historical Zone and is subject to approval by the Fergus Falls City Council.

NATIONAL TRUST FOR HISTORIC PRESERVATION

This preservation advocacy organization gives incentive grants and loans to local preservation organizations for non-construction activities.

LEGACY AMENDMENT FUNDS

Minnesota voters approved the Clean Water, Land and Legacy Amendment in November, 2008. The Legacy Amendment supports outdoor heritage, clean water, parks and trails, as well as arts, history and cultural heritage. It has created an unprecedented opportunity for the Minnesota Historical Society to preserve and share our state's rich heritage.

FACADE EASEMENTS

The Preservation Alliance of Minnesota accepts easement donations from property owners who wish to preserve in perpetuity the facades of qualifying historic buildings. Such donations are eligible for federal and state income tax deductions and may qualify for ongoing tax advantages.

NEW MARKET TAX CREDITS

A program to encourage investments in low-income areas and communities that have had poor access to capital is now available throughout the U.S. The program seeks to make investments or loans to qualified businesses in those target areas. Eligibility is determined by census tract; minimum qualifications are poverty levels of 20% or more, or benchmarked median family income at or below 80%. As a qualified investment, you may borrow funds through the program for expenses that a bank will approve for financing. Your loan terms will be favorable in many respects. First of all, the interest rate may be 25% or more below market or you may receive debt forgiveness at the end of the seven-year compliance period. Additionally, these loans are commonly interest-only for seven years, although a debt sinking fund may be required for part of that time. The loan-to-value ratio may be higher than usual, and other underwriting terms may be favorable. Depending on the structure used by the Certified Development Entity (CDE), you will receive some combination of these benefits. Structuring can vary widely, and can often be customized to you.

EB-5

The RTC property or designated future projects could be part of a new EB-5 Regional Investment Center recently approved in May 2011 by the United States Immigration Service. Otter Tail County is included in the new ND/NW Minnesota Regional Center area. The status allows foreign investment into various industry sectors including; agribusiness, manufacturing, biosciences, aero space, IT communications, research and development, utilities, and real estate. Approved deals are able to access up to \$500,000 per foreign investor once the due diligence is complete and approved by the EB-5 Center. The investor does not have to live in the designated area and will receive a green card after all obligations of the deal are met. The center is located at the Center for Innovation on the University of North Dakota campus.

JOB OPPORTUNITY BUILDING ZONE

JOBZ is available through 2015. The program is a State of Minnesota tax incentive program that allows for various property tax exemptions coupled with sales tax and corporate income tax exemptions. The JOBZ program also allows for various job creation tax credits.

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