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NH&RA Tennessee Developers Symposium

January 17, 2018
Vanderbilt University
Nashville, TN

Historic Tax Credit Introduction

Federal Historic Tax Credit

Federal Historic

- Primary objective - encourage redevelopment of historic buildings
- Secondary – economic development, urban and rural community revitalization and job creation
- Federal since 1976 and 35 state programs
- FHTC is administered by the National Park Service
- Credit is earned by the developer for qualified rehabilitation expenses
- 20% credit taken ratably over 5 year compliance and recapture period
- Can provide equity to the capital stack

Federal Low Income Housing

- Primary objective - provide affordable rental housing for low-income individuals
- Federal since 1986 and 16 state programs
- Administered by HUD
- Credits awarded to developers
- 10% or 4 % credit over 10 year compliance and recapture period

Historic Tax Credit Introduction

Federal Historic Tax Credit

The historic tax credit complements traditional financing options and fills a critical gap in the budget to rehabilitate historic buildings, as the cost generally exceeds the cost of new construction.

Project Uses		✓ QRES	\$8,00,000
⊘ Acquisition	\$1,950,000	Tax Credit %	X 20%
⊘ Exterior Demolition	\$50,000	Tax Credits	\$ 1,600,000
✓ Rehab of existing building	\$8,000,000	Price per credit	X 0.85
TOTAL	\$10,000,000	HTC Equity	\$ 1,360,000

Project Sources		
Construction Loan	\$6,240,000	62%
Developer Equity	\$2,400,000	24%
Federal HTC Equity	\$1,360,000	13%
Total	\$10,000,000	



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Historic Tax Credit Introduction

State Historic Tax Credits

- 35 State have adopted state historic tax credit programs.
- State HTC Programs vary from state to state; however, most include consistent terms which include but are not limited to, criteria to establish qualifying buildings, rehabilitation standards, method to calculate the credit, threshold investment amount, and a mechanism to administer the program.
- State Historic Programs can be used in tandem with the Federal historic Program; twinned with LIHTCs or twinned with NMTCs.

Tennessee Historic Credit

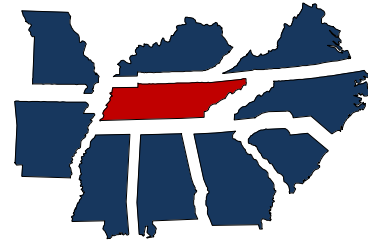
SB 1040 | HB 1061 - Tennessee Historic Rehabilitation Investment Incentive Act

The Coalition for Tennessee Redevelopment was organized in 2016 and is comprised of local community leaders, developers, architects, preservationists and stakeholders interested in implementing a proven strategy to create jobs and revitalize Tennessee's Main Streets. The Coalition has worked closely with the Sponsors and Co-Sponsors to develop SB 1040 and HB 1061.



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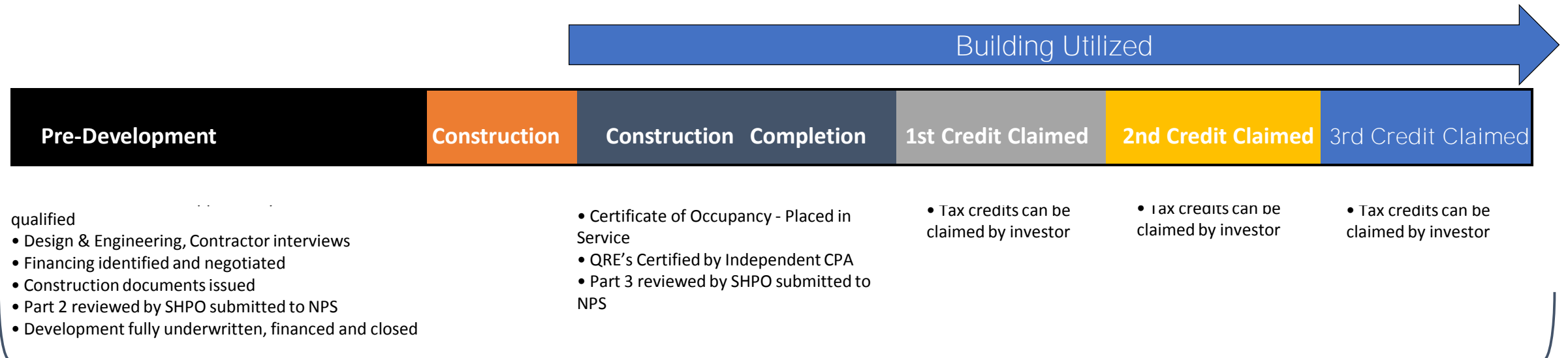
Tennessee Historic Credit

SB 1040 | HB 1061 Introduction

- Like most state incentive programs, Tennessee's program will mirror the successful and established federal program that has existed since 1976.
- The Historic Rehabilitation Investment Incentive will provide a tax credit of 25% of the amount of QREs spent to rehabilitate qualified historic buildings. The incentive can be applied against the insurance premium tax.
- Eligible QREs would be based on the stringent standards imposed through the federal program.
- The incentives will be claimed over a three-year period, providing for a phased impact to the state's budget.
- The TN Historical Commission would administer the applications for the incentives, and the application process would be based on the process used for the federal historic rehabilitation incentive.
- President Ronald Reagan, who signed into law the current federal program, once stated in support for the program that preservation of historic buildings was "not only a matter of respect for beauty and history" but also of "economic good sense."

Tennessee Historic Credit Process

The availability of historic tax credits is crucial and considered throughout the course of the development process, through construction and life of the asset. From day one of the development process through the buildings useful life, new tax revenues are generated that support federal, state and local governments.



Generating new sales tax, income tax, franchise tax, property tax, premium tax, occupancy tax, tourism tax, etc.



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Tennessee Historic Credit

SB 1040 | HB 1061

- 2017 – Passed and approved by 5 subcommittees and committees; No need to start over in 2018
 - Senate bill sitting in Senate Finance Committee, awaiting approval of program in budget.
 - House bill sitting in Ways & Means, awaiting approval of program in budget.
- 2018 Advocacy Goals – Enact Program!
 - Include in Governor’s proposed budget.
 - Include in Legislature’s proposed budget.
 - Add Cosponsors – Members of Ways & Means Committee and Senate Finance Committee.
 - Add Grass Roots Support.
- What can you do?
 - Reach out to your local legislator and talk about the legislation – a local touch makes the difference.
 - Draft and publish press releases and op-eds promoting the need and impact of the program – spread the word.
 - Reach out to your local mayors and community leaders to generate support – grass roots and local community support will get this over the finish line.
 - Join our Coalition for TN Redevelopment to stay engaged.

A photograph of a city skyline at sunset, with several tall buildings silhouetted against a warm, orange and yellow sky. The buildings are dark, and the sky is a mix of orange, yellow, and blue.

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