

Historic renovation tax credit extended another year

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Staff photo by Clay Schuldt The new Emerson Union project in the former middle school, completed in early 2020, was made possible the Historic Tax Credit.

MINNESOTA — The Minnesota historic tax credit’s sunset date has been extended another year.

That good news for developers of projects like the Emerson Union Apartments in New Ulm.

The state legislature approved an extension of the tax credit to June 2022 in the omnibus bill approved during the closing hours of the special session, June 30.

The Historic Tax Credit provides 20% reimbursement of qualified cost to redevelop properties listed on the National Register of Historic Places.

To qualify for the tax credit, a project must be on the National Historic Register, it must be income-producing, and it must be a substantial rehabilitation project.

The tax credit was originally created in 2010 during the height of an economic recession. The tax credit was one method to stimulate building projects.

The nonprofit group Rethos has worked nationwide to repurpose historic buildings using historic tax credits.

The tax credit has proved popular in Minnesota. However, when it was first approved, an expiration date was built into the law. Initially, it was set to sunset in 2015. Legislators extended the expiration date to June 2021. This latest extension will give Minnesota at least one more year to receive approval for the credit.

The July 1 sunset date on the tax credit had put some projects in limbo. Developers were not certain if projects could move forward, but this approval will allow them to continue.

Rethos Executive Director Heidi Swank said there was concerns about a furniture store rehabilitation project in Duluth, but the project will likely move forward now.

Rethos Policy Director Erin Hanafin Berg believed with a vision and a strong interest, a year was enough time for a project to receive tax credit approval. She said it would be easiest for properties already on the historic register.

A building must be on the National Register of Historic Places to qualify for the tax credit. Any Minnesota building that qualifies for the tax credit

would also qualify for the federal historic tax credit as long as it is income producing. This is also a 20% tax credit. These projects are one method of bringing federal money back to Minnesota.

Berg said one of the first success stories for the tax credit was the Faribault Woolen Mill. The tax credit was used to overhaul the interior and repair flood damage. This showed the credit could even benefit historical industrial properties.

In New Ulm, the Emerson Union apartment project in the former middle school was made possible through this tax credit. The Grand Center for the Arts and Culture also benefited from the tax credit.

Berg said with another year, eligible projects should be able to receive project approval from the state and federal to qualify for all credits. She anticipated many of the projects would be rehab project for housing. There is a need for work force housing and with the impact of COVID still being felt, other types of projects are in flux.

Berg said they had hoped for a longer extension, but the tax credit had to compete with COVID related bills. She said it was a great challenge to gain the extension, despite bipartisan support for the credit. The original House Bill extended the credit for eight years and the Senate bill extended it only a single year. The legislatures ultimately reconciled with a year extension.

“We will be back out there advocating for the credit next session,” Berg said.