



Roers Cos. is considering using the state's historic tax credit in its development of the Hockins Furniture Co. building in downtown Duluth. Lawmakers recently decided to extend the tax credit by one year. (CoStar photo)

## Historic tax credit lands 1-year extension

By: [Kelly Busche](#) June 16, 2021 4:25 pm

Lawmakers have proposed a one-year extension to the state's historic tax credit, which advocates say could limit the number of developers seeking use of the credit.

The extension gives Minnesota developers an additional year to secure the 20% tax credit that can be used for expenses related to the development of historic buildings. However, some believe the one-year timeframe isn't enough time for developers to secure funding through the program.

"Our understanding is that after we have a better hold of how the economy is recovering and what the prognosis is for the bounce back in revenue [for] the state, that there might be an opportunity to look at further extending the tax credit again next session," said Erin Hanafin Berg, policy director at Rethos, a St. Paul-based nonprofit advocating for the use of old buildings and the tax credit.

The extension is housed in the final tax omnibus bill, which may be one of the last items finalized before the lawmaker's special session ends likely late next week, Hanafin Berg said.

The extension aligns closest with the Senate Tax Committee's version of a tax credit proposal, which included a one-year extension and \$14 million program cap. The House's version included an eight-year extension and no cap, Finance & Commerce [reported](#).

The one-year extension is expected to limit the number of projects that utilize the credit. With some application deadlines likely in January or February, developers now have half a year to submit major pieces of their applications, Hanafin Berg said.

This year, they saw a rush of applicants for the grant, along with number of developers who ceased work on their projects because they ran out of time, she said. "It'll have some limiting effect on the projects that would otherwise be able to go forward in this coming year," Hanafin Berg said.

One developer already has plans to use the funding source in its project this year. Roers Cos. is looking to develop the former Hockins Furniture Co. building in downtown Duluth, said Rethos' Executive Director Heidi Swank.

The Minnesota Historic Structure Rehabilitation Tax Credit provides a 20% tax credit for qualifying expenses related to the development of a certified historic building. To qualify, developers must secure funding from the national historic tax credit program, retain specific features of the building and ensure the project produces income.

Thirty-eight states have a historic tax credit program. Hanafin Berg [told Finance & Commerce](#) last month that Minnesota "would really be bucking the trend — and a positive trend at that — if Minnesota went the other way and allowed this to expire."

Without the extension, several projects would have been left in funding limbo. Six projects have applied for funding through the national program but haven't yet received approval — approval that's required to secure state funding, Finance & Commerce [reported](#).

Eleven projects were approved to use the tax credit last fiscal year from July 1, 2019, to June 30, 2020, according to [a report](#) released this year by the University of Minnesota Extension.

In total, the projects will receive \$18.5 million in tax credits, resulting in \$119.1 million developer investment in the projects. In all, the projects are expected to create \$176.5 million in economic activity, the report said.

At the start of the session, advocates were pushing for a 15-year extension. Pandemic-related programs and services took priority this session, Swank said.

"If we hadn't been coming out of the COVID pandemic, ... I think this would have come up very differently because clearly there's support," Swank said.

Advocates are now looking at another year of work to pass another extension.

"We'll continue to press the issue — that this is a really valuable credit that does a lot of work for greater Minnesota and all Minnesota communities and puts people to work and saves buildings," Hanafin Berg said. "It's worth extending for a longer period."

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