Advocates of extending Minnesota's historic tax credit, which is set to expire next month, spoke about its importance during a press conference at the Minnesota State Capitol on Friday morning. (Staff photo: Kelly Busche)

Advocates push for historic tax credit extension

By: Kelly Busche May 28, 2021 11:46 pm

Proponents Minnesota's historic tax credit – set to expire in one month – are raising concerns that lawmakers won't extend the credit, which is used as a funding source in the redevelopment of historic buildings.

Leaders of organizations and businesses working to extend the tax credit say they're nervous due to low budget targets in the Legislature. Discussions about extending the tax credit are also largely done in private, leaving proponents with questions about its future. Advocates for the credit held a press conference Friday on the steps of the Capitol.

"Without immediate intervention, this bill will sunset, leaving Minnesotans without the economic tools we so desperately need now as we come out of this pandemic," Heidi Swank, executive director of Rethos, said during the press conference.

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

"Thirty-eight out of the 50 states have historic tax credits, [showing] that this is a very widely accepted and widely embraced … program," said Erin Hanafin Berg, policy director at Rethos, a St. Paul-based nonprofit advocating for the use of old buildings and the tax credit. "We would really be bucking the trend — and a positive trend at that — if Minnesota went the other way and allowed this to expire."

Lawmakers set a deadline of Friday to release budget line items, which would indicate the future of the credit. As of publication time Friday morning, details weren't available.

"We're not yet clear on whether the taxes committee is going to meet that deadline," Hanafin Berg said.

Finance & Commerce reported in April the Senate Tax Committee proposed a one-year extension and a $14 million cap to the program, while the House's version included an eight-year extension. Job creation and community investment that comes with the rehabilitation of historic buildings is needed as economies look to recovery post-pandemic, she said.

"There's a transformation of culture … and that brings new attention and new vigor to those places," Hanafin Berg said. "That's exactly what communities need right now."

A report released this year by the University of Minnesota Extension found that 11 projects were approved to use the tax credit last fiscal year from July 1, 2019, to June 30, 2020. 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.

There are six projects in the works that are running up against the state deadline. They've applied to the national credit program but haven't received approval yet. Projects must qualify for the national program to receive state funding, Hanafin Berg said.

The projects are the Duffy Building in Minneapolis, St. Joseph's Hospital's nursing home in St. Paul, the St. Paul Casket Co. building, the Farmers Union Central Exchange building in South St. Paul, the Litchfield Independent Review building, and the J.I. Case building in Minneapolis, she said.

“All of those are ones that are potentially still in limbo,” Hanafin Berg said.

Sherman Associates’ rehabilitation of Riverside Plaza in Minneapolis wouldn’t have been done without the credit, Chris Sherman, president of Sherman Associates, said during the press conference.

“If we lose this tax credit … [it] will leave us at a competitive disadvantage. And our communities and our economy will suffer for it,” he said.