



National Trust *for*
Historic Preservation

Mitchell Park Domes and Federal Historic Rehabilitation Tax Credits

Investigating the Feasibility of Utilizing Federal Historic Tax Credits as a
Potential Funding Source for Rehabilitation of the Domes

NATIONAL TRUST FOR HISTORIC PRESERVATION | FEBRUARY 2019

Save the past. Enrich the future.

Background

- National Trust for Historic Preservation advocacy on behalf of a preservation solution for the Domes
 - 2016 – Domes included on list of “America’s 11 Most Endangered Historic Places
 - 2017 – Domes selected as “National Treasure”
- Partnership with Nixon Peabody LLP to research Federal Historic Tax Credits (HTCs)
 - Global law firm with a Community Development Finance practice
 - One of the largest and foremost legal authorities in transactions involving tax credit financing

Background

- Information in this presentation is excerpted from a Memo to Milwaukee County from the National Trust for Historic Preservation, dated December 5, 2018, prepared by the National Trust and Nixon Peabody LLC
- This presentation should not be construed as legal advice
- Full report is available on Legistar, Milwaukee County File # 19-55
 - <https://milwaukeecounty.legistar.com/View.ashx?M=F&ID=6967290&GUID=ED613CFE-41D6-4F57-BAF3-E887F7CEAB25>

1. It may be possible to utilize federal HTCs to help fund rehab of the Domes

- If project is structured correctly and with the help of experienced tax credit attorneys
- Federal HTCs provide a tax credit of 20% of qualified rehabilitation expenditures (QREs)
- Federal HTCs can be combined with other financing or incentives, including debt financing, federal New Markets Tax Credits, and/or state HTCs. Applicability of these and other funding sources needs further analysis.

2. Federal HTC's have helped fund major rehabs of government-owned properties



Photo credit: Cincinnati Museum Center

- Cincinnati's Union Terminal
 - \$228 million rehab just completed
 - Federal and State Historic Tax Credits
 - Five-year quarter cent sales tax increase approved by 64% of voters in 2014
 - Private philanthropy
- Owned by Hamilton County/City of Cincinnati, operated by Cincinnati Museum Center

3. Federal HTC's could provide several million dollars of project equity

- Federal HTC's can provide a tax credit of 20% of QREs for certified historic structures. Amount of federal HTC's available depends upon total rehabilitation cost.
- Usage of federal HTC's could provide up to \$4-\$6 million in project equity at the Domes
 - Estimate based upon Domes Task Force Phase 1 Feasibility Study cost estimates for addressing deferred maintenance = \$20-\$30 million total cost
 - Eligible costs include almost all work to the inside and outside of the historic buildings except movable equipment, landscaping, new additions, etc

4. Federal HTC's would likely not be available if one or more Domes are demolished, partially demolished, or rebuilt

- To utilize HTC's, the Domes would need to be listed in the National Register of Historic Places
 - WI State Historic Preservation Office has determined Domes are eligible
 - Listing on the National Register is primarily honorific and would not prevent demolition of the Domes now or in the future
- Demolition of one or more Domes would likely render the Domes ineligible for listing on the National Register and thus ineligible for HTC's

4. Federal HTC's would likely not be available if one or more Domes are demolished, partially demolished, or rebuilt

- To utilize HTC's, rehab work must be “certified” by the National Park Service (NPS)
 - Project would need to respect the Domes’ “character-defining features”
 - Secretary of the Interior’s Standards for the Rehabilitation of Historic Properties would need to be followed
 - Project architects would work with WI State Historic Preservation Office and NPS to meet these standards

4. Federal HTC's would likely not be available if one or more Domes are demolished, partially demolished, or rebuilt

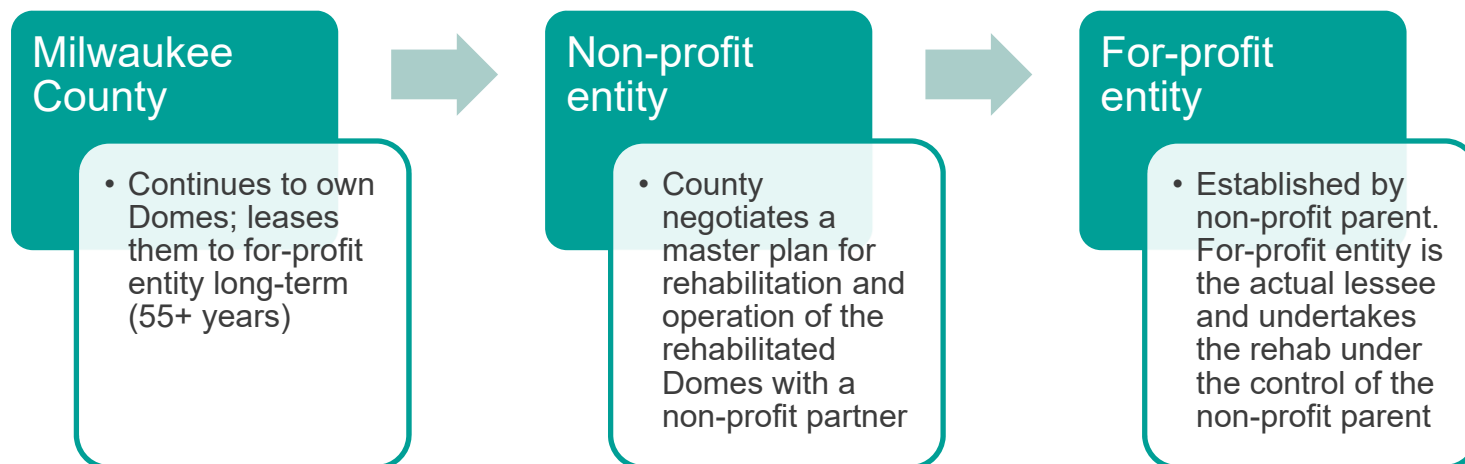
- Any work on the Domes Annex (Greenhouse) would not be eligible for HTC's since that structure is not historic
- If HTC's are used, there is a 60-month recapture period during which changes to the Domes that violate historic preservation standards could trigger a recapture of any HTC's claimed

5. Public-private partnerships would be necessary in order to utilize federal HTC's

- The Domes would likely not be eligible for HTCs if Milwaukee County undertakes the rehab by itself
- If the County leases the Domes to another entity, HTCs could be available if the lease is structured correctly
 - Long-term lease (generally at least 55 years)
 - Lessee would need to be a for-profit entity in order to utilize HTCs, but the for-profit could be a subsidiary of a non-profit entity if certain conditions are met
 - Whether the County itself could form a for-profit subsidiary to utilize HTCs requires additional research

5. Public-private partnerships would be necessary in order to utilize federal HTC's

- One possible structure:



5. Public-private partnerships would be necessary in order to utilize federal HTC's

- This type of arrangement is regularly done on rehab projects. Legal counsel experienced with HTCs would advise on how to ensure the project is structured properly in accordance with all applicable rules.
- In order to successfully structure an HTC transaction, project funding must ultimately be received by the for-profit lessee referenced above, generally as cash equity, other contributions, or loans. Grants or forgivable loans generally cannot be made directly to the for-profit entity for QREs.

5. Public-private partnerships would be necessary in order to utilize federal HTC's

- In order to “monetize” federal HTC's as a source of construction finance, the credits can be syndicated to an HTC investor. Typically, the investor would provide a cash equity contribution, which can be used to pay for construction, in exchange for HTC's.
- These HTC leasing and syndication structures typically can be unwound after the end of the 60-month recapture period, with the agreement of the HTC investor.

Conclusion

- Federal HTCs may be a source of rehabilitation funding for the Domes, if the project is structured correctly
- Additional research is needed to identify the optimal structure of the public-private partnership and how other funding sources could contribute to the overall project financing
- These types of projects are regularly done, and there are many successful examples to use as models
- Experienced tax credit attorneys could provide guidance to explore these possibilities in more detail

Thank You

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