

MEMO



To: Senator Alberta Darling & Representative John Nygren
Co-Chairs of the Joint Committee on Finance

CC: Majority Leader Fitzgerald, Speaker Vos, WEDC Board of Directors

From: Reed E. Hall, Secretary and CEO *Reed E Hall*

Date: June 23, 2014

Re: Wisconsin's Historic Preservation Tax Credit Update

On December 11, 2013, Governor Scott Walker signed into law October Special Session Assembly Bill 4 (2013 Wisconsin Act 62) relating to the Historic Preservation Tax Credit. The law allowed for an increase in the amount of state tax credits that could be claimed for qualified rehabilitation efforts to better align with similar credits offered on the federal level.

Pursuant to Wis. Stat. 238.17, WEDC is authorized to certify persons to claim Historic Preservation Tax Credits. However, the legislation did not include a statutory limit on the amount of tax credits that could be certified on an annual basis. As a result, the WEDC Board of Directors approved program guidelines that provided the CEO with the discretion to review the program's funding availability in determining the approval of otherwise eligible projects. Based on the significantly higher than anticipated number and value of projects already approved, and after consulting with the Department of Administration's State Budget Office, it is our intent to undergo a review of the program and to institute a program moratorium beginning as of June 23, 2014, until the review can be completed. WEDC will work with the Governor's Office to integrate an updated fiscal estimate and recommendations into the 2015-17 biennial budget.

Background

With the signing of 2013 Wisconsin Act 62, Wisconsin reaffirmed its commitment to preserving our legacy of vibrant and historic communities and the important role they play in Wisconsin's business climate. This legislation increased the amount of the State historic preservation tax credit from 10% to 20% of eligible expenditures, as well as created a new credit for 20% of Qualified Rehabilitation Expenditures, but did not establish a cap for the amount of credits that could be certified each year. With this percentage increase, and the addition of the pre-1936 building provision, the utilization of this credit has far exceeded the original estimates

provided by Wisconsin Department of Revenue and the Wisconsin Historical Society in their fiscal estimates guiding the legislative development of the program.

The impact of this program is further evidenced by the variety in the applications that have been submitted, with projects encompassing everything from rural communities to urban city-centers. WEDC has seen a large influx of projects come through that will provide a considerable boost to their respective communities. A complete list of approved projects to date is attached to this memo.

Issue

Through this legislation, WEDC was given authority to certify projects eligible to earn a tax credit equal to 20% of their qualified rehabilitation expenditures, but without a tax credit allocation cap included in the statutory language. The popularity of the Historic Preservation Tax Credit program is supported by the higher than anticipated volume of applications that have been received within the first six months of the program. In fact, the program has already had a tax credit impact nearly ten times higher than what was originally projected. The fiscal note provided by the Department of Revenue at the time of the proposed legislation estimated that the revised program would likely see approximately \$4,000,000 in tax credit allocations in its first year. However, as of June 23, 2014, WEDC has seen projects of more than \$35,000,000 in tax credit eligibility come through for certification. If fully realized, this amount of credits could potentially result in nearly \$180,000,000 in additional economic development in communities across the state. While this is certainly a testament to the program's success and need in Wisconsin, it also underscores the necessity to review the fiscal impact to the state budget.

Temporary Moratorium

Wisconsin's Historic Preservation Tax Credit program is clearly making a positive impact in communities throughout the state. However, in order for the state program to be sustainable and continue to drive economic development, it is necessary to review the impact of the program on state revenues. Based upon consultation with the Department of Administration State Budget Office, WEDC will exercise its authority to place the program on a temporary moratorium, effective for new applications received after June 23, 2014, until such review can be adequately conducted.

Applicant	City	County	Project Description	Historic Preservation Tax Credit	Pre-1936 Non-Historic Tax credit	Qualified Project Investment
DDL Holdings, LLC	Green Bay	Brown	Rehabilitation of the Larson Cannery Building for expansion of Tiletown Brewery		\$ 880,000.00	\$ 4,400,000.00
Julie A. Halsne	Mayville	Dodge	Rehabilitation of the Henry Hawn Building	\$ 13,600.00		\$ 68,000.00
Longfellow Historic, LLC	Madison	Dane	Rehabilitation of the Longfellow School	\$ 1,543,000.00		\$ 7,715,000.00
Pance, LLC	Madison	Dane	Rehabilitation of the Zeno Koltes Rental Duplex	\$ 32,000.00		\$ 160,000.00
Paper Box Lofts Limited Partnership	Milwaukee	Milwaukee	Rehabilitation of the Milwaukee Paper Box Building	\$ 2,700,000.00		\$ 13,500,000.00
Lehmkuhl Enterprises, LLC	Racine	Racine	Rehabilitation of a building in the Southside Historic District	\$ 12,493.00		\$ 62,469.00
1818 MLK Drive, LLC	Milwaukee	Milwaukee	Rehabilitation of a building in the North Third Street Historic District	\$ 262,119.00		\$ 1,310,595.00
Pritzlaff Development, LLC	Milwaukee	Milwaukee	Rehabilitation of the John Pritzlaff Hardware Company Building	\$ 4,131,600.00		\$ 20,658,000.00
Stephen Green	Waukesha	Waukesha	Rehabilitation of the Dr. Volney L. Morre House	\$ 26,000.00		\$ 130,000.00
West II Building Corp.	Ashland	Ashland	Rehabilitation of the Appleyard Block Property	\$ 14,100.00		\$ 70,500.00
700 West Michigan, LLC	Milwaukee	Milwaukee	Rehabilitation of the 700 Lofts		\$ 1,300,000.00	\$ 6,500,000.00
Rock River Heritage	Fort Atkinson	Jefferson	Rehabilitation of the Fort Atkinson Club		\$ 400,000.00	\$ 2,000,000.00
Nancy Gerrard & Rick Staff	La Crosse	La Crosse	Rehabilitation of the Moen Photo Services Building		\$ 30,000.00	\$ 350,000.00
Theatre Building, LLC	Madison	Dane	Rehabilitation of the Orpheum Theatre Building	\$ 160,000.00		\$ 800,000.00
Meyer Theatre Corp	Green Bay	Brown	Rehabilitation of the Meyer Theatre Building		\$ 200,000.00	\$ 1,000,000.00
Brew City Redevelopment	Milwaukee	Milwaukee	Rehabilitation of the Best Place Building within the Pabst Brewing Company Complex	\$ 100,000.00		\$ 500,000.00
Housing Authority of the City of Oshkosh	Oshkosh	Winnebago	Rehabilitation of the Raulf Hotel	\$ 1,180,000.00		\$ 5,900,000.00
Nathaniel Properties	Rice Lake	Barron	Rehabilitation of the Old Rice Lake City Hall Building		\$ 160,000.00	\$ 800,000.00
Mitchel Street Group, LLC	Milwaukee	Milwaukee	Rehabilitation of the Mitchell Building f/k/a the Juneau Theatre	\$ 335,600.00		\$ 1,678,000.00
207 East Michigan St., LLC	Milwaukee	Milwaukee	Rehabilitation of a building in the East Side Commercial Historic District	\$ 240,000.00		\$ 1,200,000.00
Ross Acquisitions, LLC	La Crosse	La Crosse	Rehabilitation of the Ros Furniture Building f/k/a Joseph B. Funke Candy Company	\$ 3,000,000.00		\$ 15,000,000.00
Tannery Remnants LLC	Milwaukee	Milwaukee	Rehabilitation of the Pfister Vogel Tannery Building	\$ 2,200,000.00		\$ 11,000,000.00
FDP Acquisition LLC	Racine	Racine	Rehabilitation of the Machinery Row building as part of the Rootworks Project		\$ 9,000,000.00	\$ 45,000,000.00
Michael Schamens	Waukesha	Waukesha	Rehabilitation of the Kelleher-Weber House a/k/a the John Howitt House	\$ 18,000.00		\$ 90,000.00
Four Way Bar & Restaurant	Suamico	Brown	Rehabilitation of the Bar and Resturant originally constructed in 1922		\$ 16,000.00	\$ 80,000.00
Johnson Controls, Inc	Milwaukee	Milwaukee	Rehabilitation of an office building originally constructed in 1902		\$ 275,871.00	\$ 1,379,354.00
Jackson Street Acquisitions, LLC	Milwaukee	Milwaukee	Rehabilitation of an office building originally constructed in 1928		\$ 3,400,000.00	\$ 17,000,000.00
MoStreet, LLC	Milwaukee	Milwaukee	Rehabilitation of the Posner Building	\$ 4,200,000.00		\$ 21,000,000.00
Patrick and Patricia Jelen	Suamico	Brown	Rehabilitation of a building originally constructed in 1919		\$ 42,000.00	\$ 210,000.00
				\$ 20,168,512.00	\$ 15,703,871.00	\$ 179,561,918.00