



Agenda Item: **5B**

**TO:** Heritage Preservation Commission

**FROM:** Kim Clausen, Community Development Coordinator

**MEETING DATE:** November 18, 2019

**SUBJECT:** Minnesota Historic Rehabilitation Tax Credit Support Letter

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**PURPOSE:** Approve a letter to state legislators encouraging the reauthorization of the Minnesota Historic Rehabilitation Tax Credit program.

At the September HPC meeting, commissioners authorized submission of a letter to state legislators encouraging the reauthorization of the Minnesota Historic Rehabilitation Tax Credit program, which is set to expire in 2021. This program was important in the rehabilitation and reopening of the Faribault Woolen Mill. In addition, several potential projects staff is working on will rely on the use of the HRTC program. The draft letter is attached for HPC review and approval. Upon approval, Chairperson will sign the letter and it will be sent to local legislators for consideration.

November 15, 2019

Senator John Jasinski  
Capitol Office  
95 University Ave W  
Minnesota Senate Bldg, Room 2101  
St. Paul, MN 55155

RE: Reauthorization of the Minnesota Historic Rehabilitation Tax Credit

Dear Senator Jasinski:

The purpose of this letter is to request that you work with your colleagues in the Minnesota Legislature to reauthorize the Minnesota Historic Rehabilitation Tax Credit (HRTC). In April 2010, the HRTC was signed into law, with a goal of stimulating job growth, increasing local tax bases, and revitalizing communities across the state. Unfortunately, the program is scheduled to expire after fiscal year 2021. Several local redevelopment projects that would utilize the HRTC are in various stages of development, and the loss of this financing tool would have a devastating effect on these plans.

As you are aware, the HRTC has had a tremendous impact on Faribault. In 2011-2012 the program was used to assist in the rehabilitation and reopening of the Faribault Woolen Mill, which had closed in 2009. This historic facility and business was preserved and is still in operation today, employing 58 people and generating \$16,000 per year in property taxes.

According to an Economic Impact Analysis by the University of Minnesota Extension Office, in 2012 when the Faribault Woolen Mill received approval for its HRTC application, the statewide economic impact of the 16 approved HRTC projects was an estimated \$558.7 million. This impact includes \$180.5 million of labor income paid to the estimated 3,502 workers whose jobs were created as a result of the tax credit. The tax credits granted to these projects totaled \$69.7 million. Therefore, for every state dollar of tax credit or grant allowed, \$8.00 in economic activity was generated in the State of Minnesota.

The HRTC program continues to be an important tool for economic development and historic preservation. According to the Extension's 2018 analysis, the total estimated economic impact of the tax credit was \$715.2 million, of which \$393.4 million came directly from construction activity. That construction activity then generated \$321.8 million from other Minnesota industries. The tax credit supported an estimated 3,630 full-time equivalent (FTE) jobs in the state and generated an estimated \$235.2 million in labor income. Given a total impact of \$715.2 million of

activity, each dollar of the Minnesota Historic Rehabilitation Tax Credit generates \$9.50 of economic activity in the state.

Minnesota is fortunate to have a program that provides much-needed assistance for the rehabilitation and preservation of its historic resources, in addition to being a significant economic driver. Developers need this tax credit to make their projects financially feasible and we strongly encourage the legislature to reauthorize this program.

Thank you for your consideration. If you have questions or would like to discuss this matter further, please contact me at 507.491.1012 or Kim Clausen, Community Development Coordinator, at 507.333.0375.

Sincerely,

Lyn Rein  
Chairperson, Heritage Preservation Commission

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