



RETHOS[®]

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Overview

- Who is Rethos
- How Historic Tax Credits are used
- Project Examples
- Key Takeaways

About Rethos

- Rural Programs
- Education
- Policy
- Real Estate



St. Paul Building, St. Paul, MN
Façade easement property



Main Street day at the Capitol, 2019



Hokusai Hardware (Kendrick Daum), Artists on Main Street

REVITALIZE



creating jobs & rebuilding communities

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Historic Masonry class, 2019

Historic Tax Credits

Tax credit market

\$20 million project

\$4 million (Federal)
\$4 million (State)

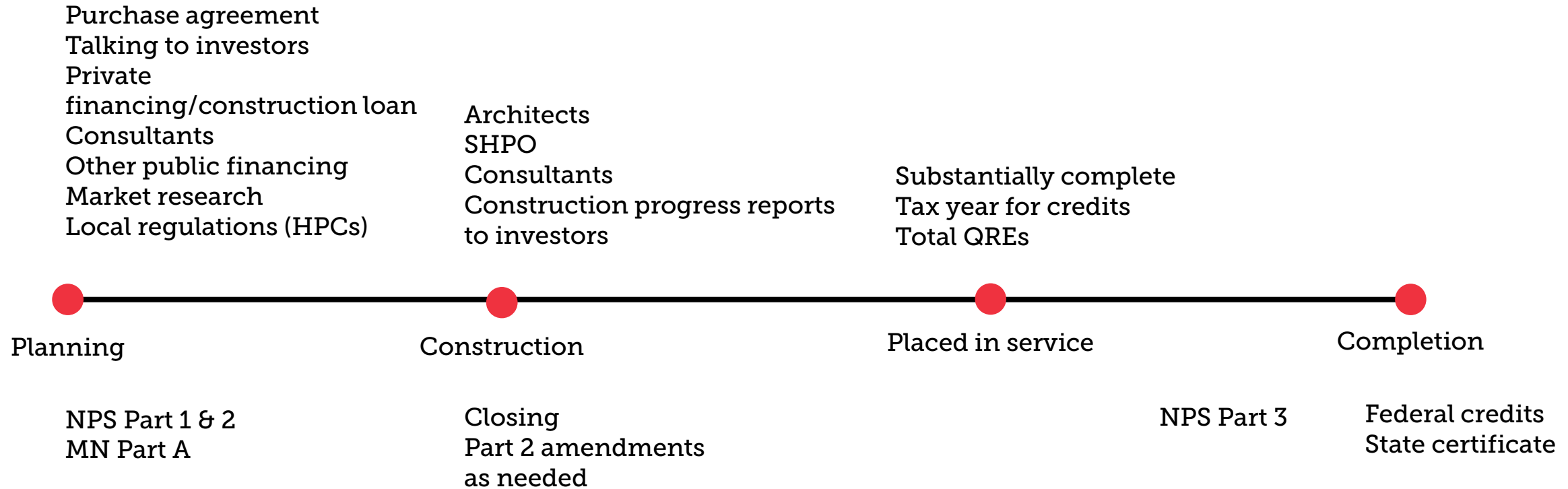
\$8 million

\$1 million project

\$200,000 (Federal)
\$200,000 (State)

\$400,000

Timeline



Federal Historic Tax Credits

- Income tax credit (24 month period to spend QREs, or 60 month if project is phased)
 - 5-year credit
- Up-front investment for the project – investor
 - Banks
 - Syndication
 - Individual with high income tax liability
- Use against income tax liability

State Historic Tax Credits

- Income tax credit – parallels federal tax credit (MN)
- Certificated and Refundable
 - 5-year credit
- Monetization – one assignment (can be transferred once)
 - Refundable
 - Selling certificate (often in tandem with federal investor)

Historic Rehabilitation Loans

Matthews Brothers Building,
Milwaukee, WI, Hempel

45
Projects
\$142 mil in
SHTCs

24 previously vacant
3.8 mil sq ft

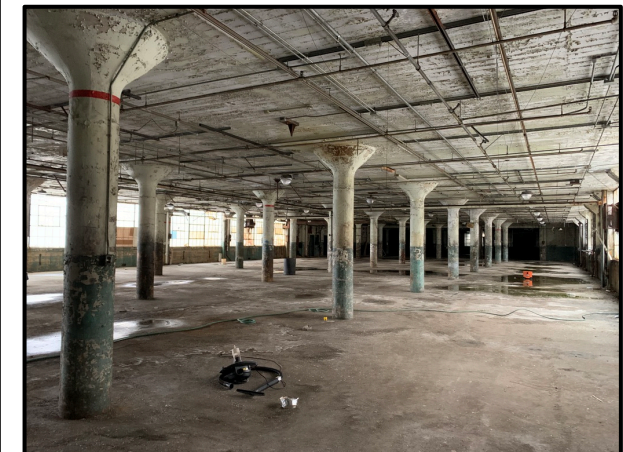
5 states
MN, WI, IA, TX, KS

3287 housing
units created or
preserved

66% having
affordability
component



Hotel Maytag, Newton, IA
Hatch Development Group



Community Within the Corridor,
Milwaukee, WI, Roers Companies

Historic Rehabilitation Loans

How it works

- Project must secure state historic tax credits
- Donate-loan model
- Secured by mortgage
- Loan is funded after project completion
- Must be used to **pay for or reimburse costs of the rehabilitation of historic elements** of the project (as imposed by SHPO and NPS)
- Option to purchase after 5 years at FMV



Continental Hotel,
Minneapolis, MN,
Aeon



Badger State Lofts
Sheboygan, WI
KCG Companies



Historic Rehabilitation Loans

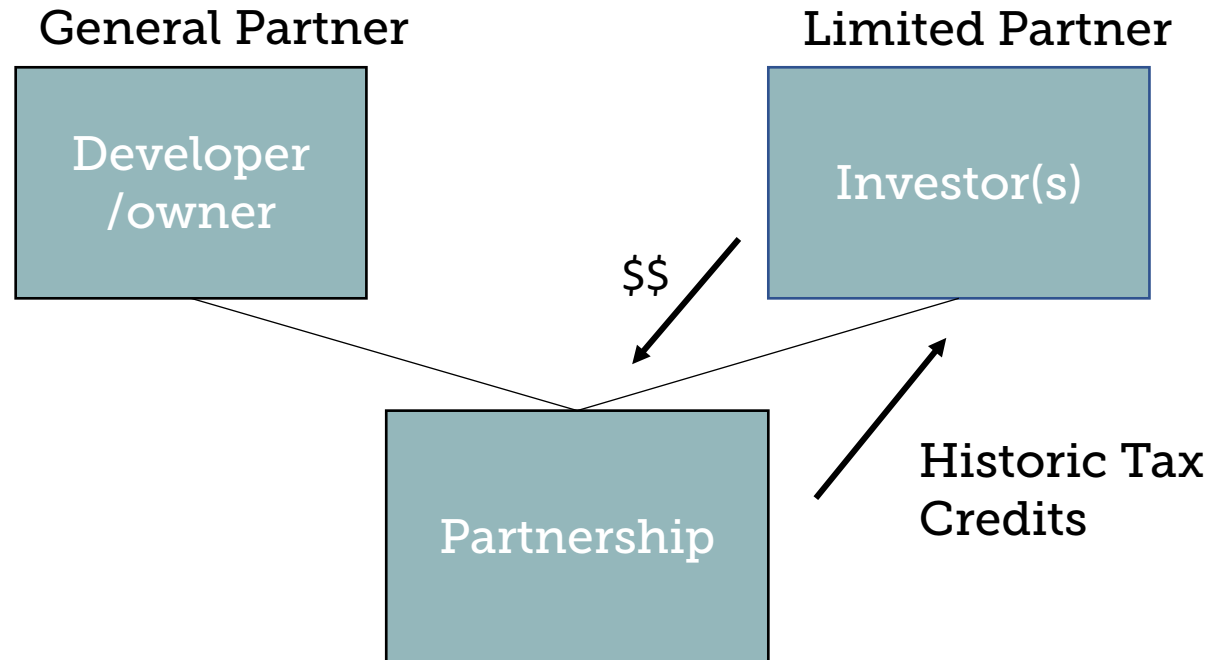
Loan Details

- 40-year amortization
- 0.10% interest
- 2.5% origination fee
- Public Benefit fee
- Legal fees

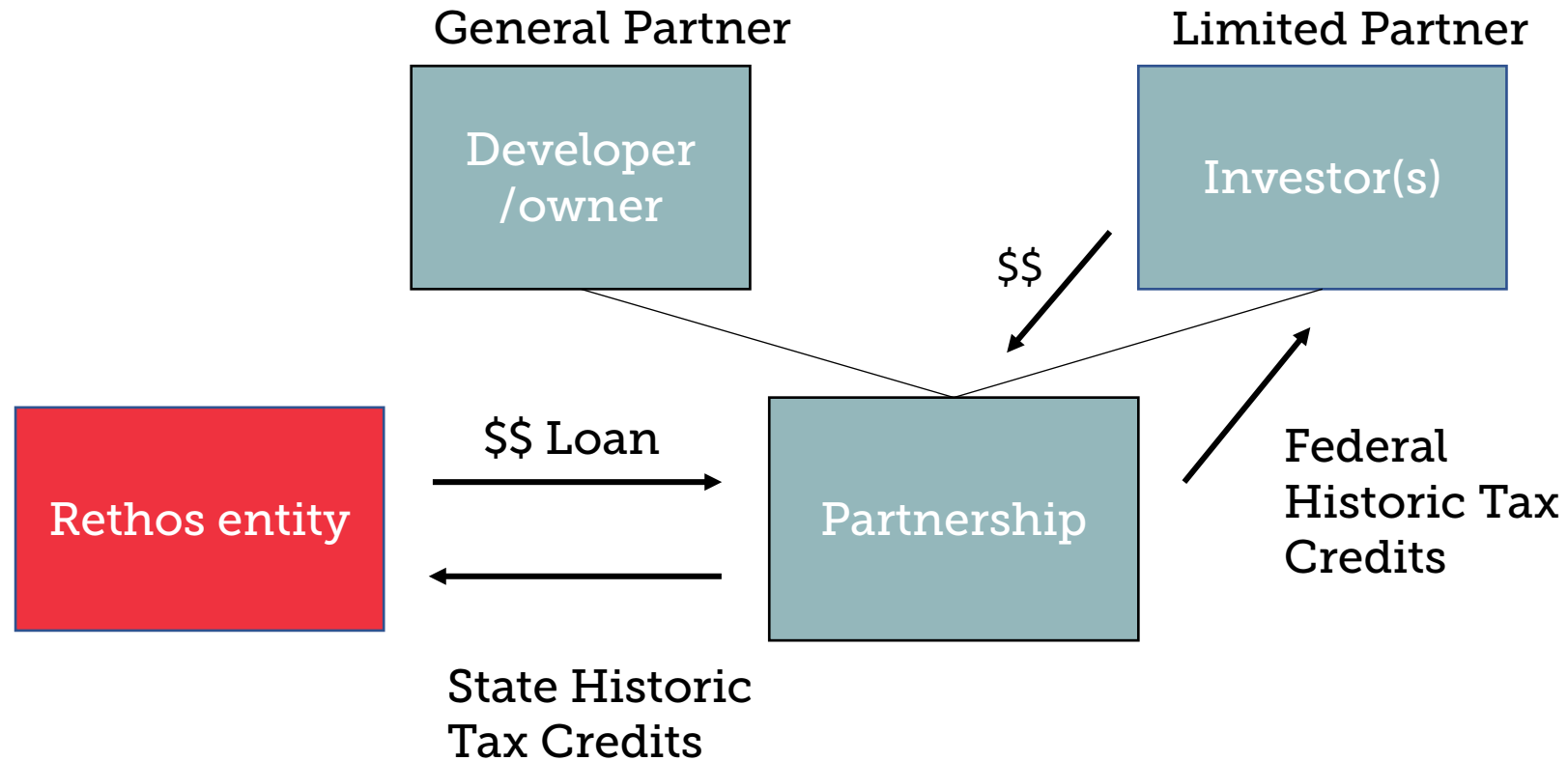
Timeline



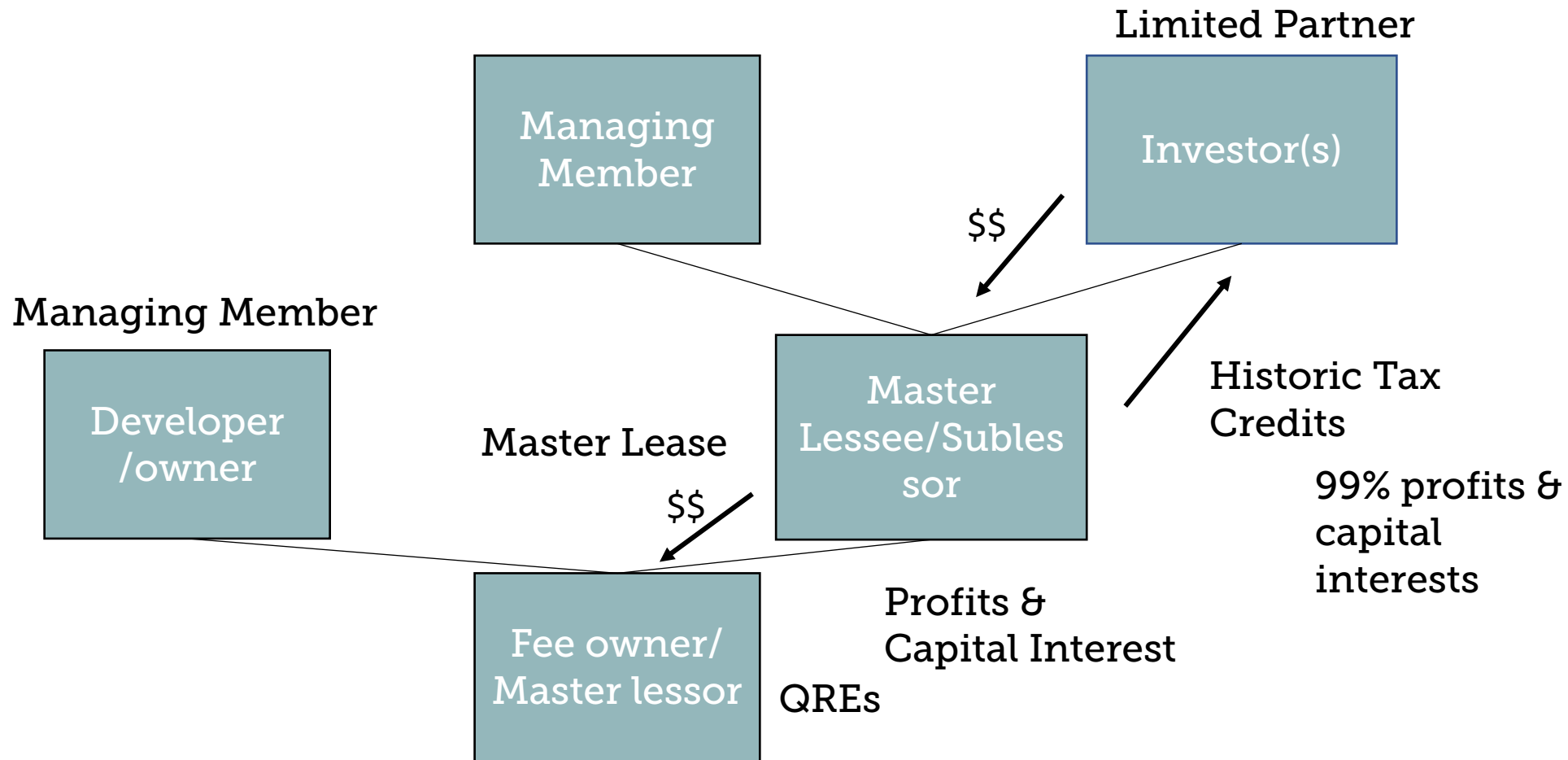
Structure - Direct Investment



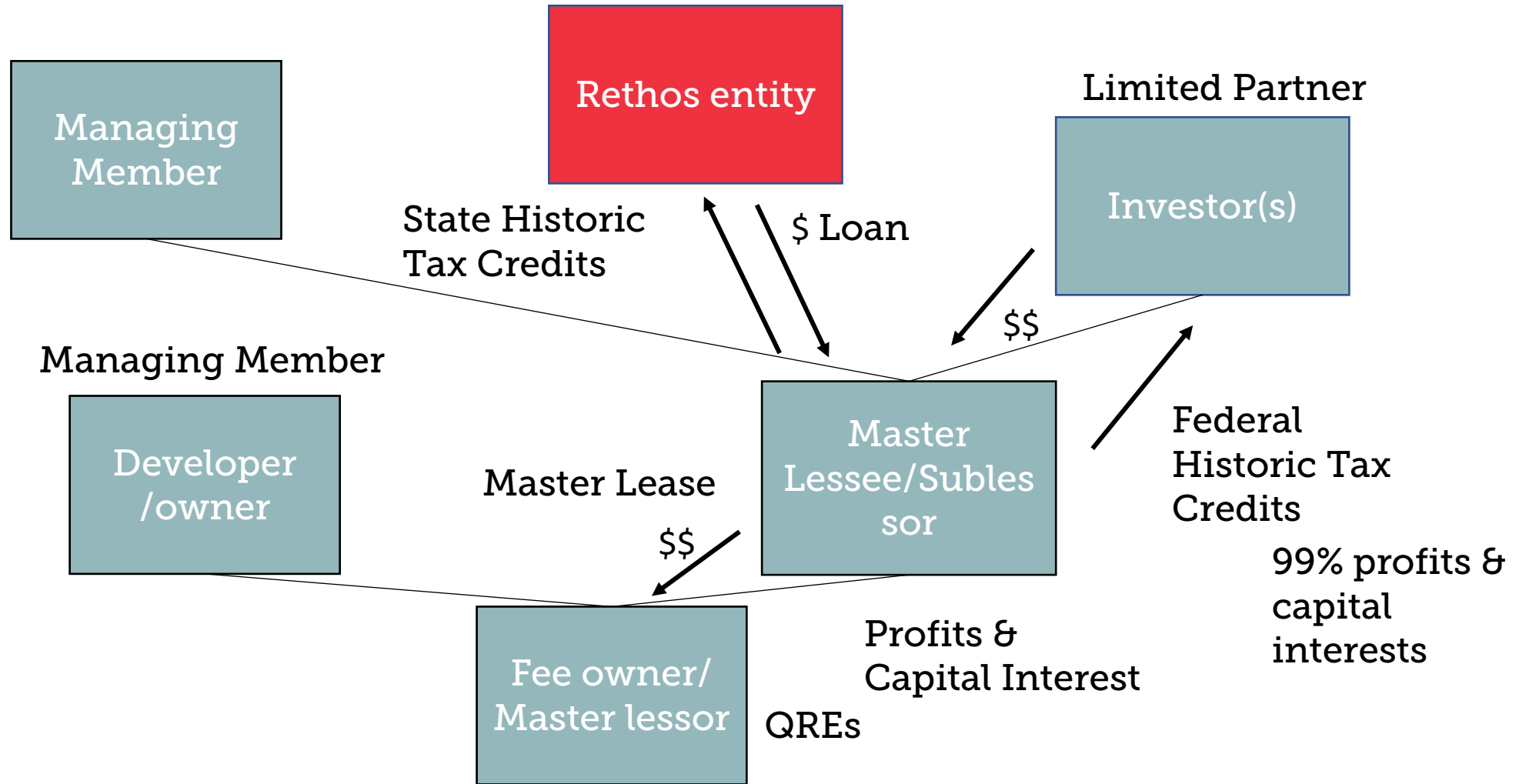
Structure - Direct Investment



Structure - Pass Through (aka Master Lease)



Structure - Pass Through (aka Master Lease)



Project Example: Press House Apartments – St. Paul, MN



\$7.35 million (Federal)
\$7.35 million (State)

\$14.7 million (~\$36 million in QREs)

144 affordable studio, one and two bedroom apartments

Project Example: Keg & Case and Rathskeller – St. Paul, MN

Keg & Case

\$1.6 million (Federal)

\$1.6 million (State)

\$3.2 million (~8 million in QREs)

Rathskeller

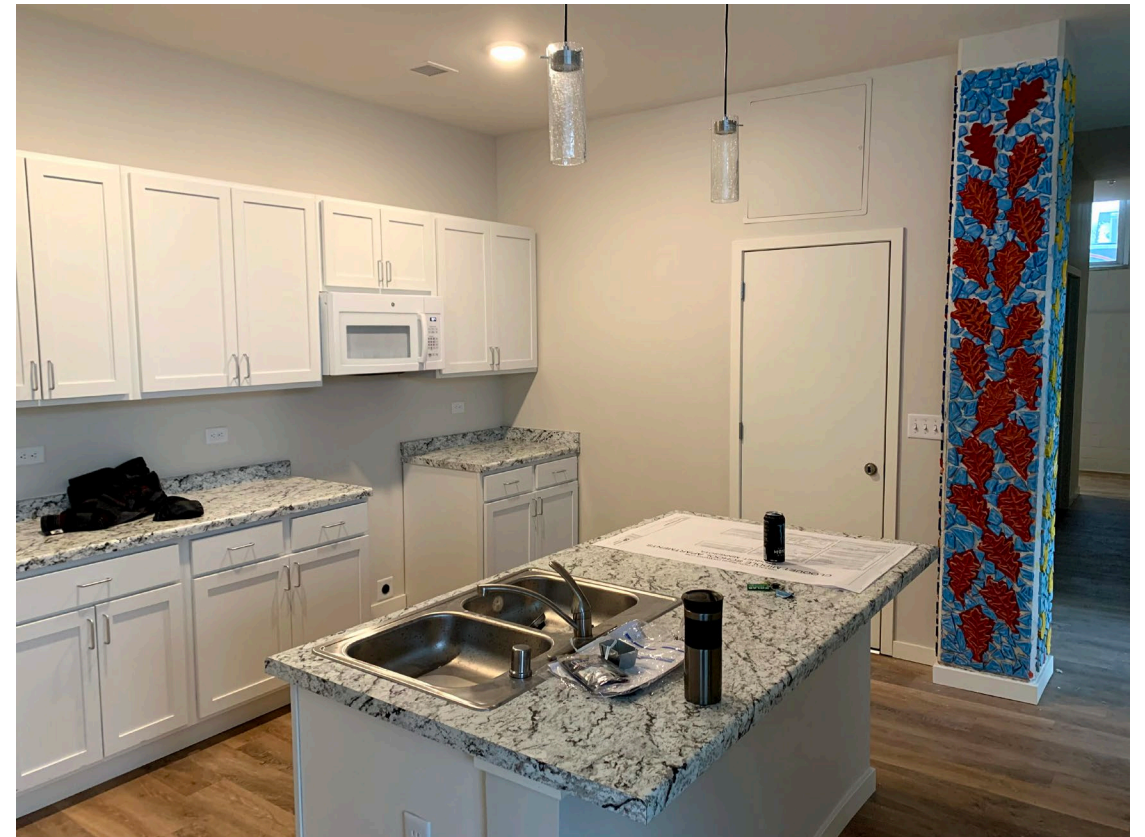
\$1.4 million (Federal)

\$1.4 million (State)

\$2.8 million (~7 million in QREs)



Project Example: Carlton Lofts - Cloquet, MN



\$2.6 million (Federal)
\$2.6 million (State)

\$5.2 million (~\$13 million in QREs)

57 units of housing
80% workforce
20% market-rate

Project Example: Ely State Theater – Ely, MN



\$370k (Federal)

\$370k (State)

\$740k (~\$1.85 million in QREs)

Key Takeaways

- Your team is important
- Opportunities for layering with other forms of financing (New Market, LIHTC, local Economic Development) – also Opportunity Zones
- Incentivizing private investment – while there are added costs, these credits push the project to the point that they are economically feasible for private commercial development



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