Leveraging Federal Historic Buildings Working Group Meeting
May 18, 2020 – Capital and Credit – Financing Federal Outleasing Projects

Highlights

- When the historic tax credit (HTC) is combined with other incentives, such as the low income housing tax credit (LIHTC) and new markets tax credit (NMTC), it is the most impactful.
- Municipalities have reduced funds for affordable housing due to increased costs associated with public health and the COVID-19 pandemic, and the HTC was recently weakened due to legislative changes. Commercial ventures are suffering with COVID-19 and underwriting will be challenging.
- Projects which combine the LIHTC, HTC, and NMTC incentives, in this economic climate, can meet public housing needs, improve local economies, and achieve preservation goals. Partnering with essential services and affordable housing will increase likelihood of project success.
- The federal Department of Housing and Urban Development (HUD) can play a critical role in HTC/LIHTC projects; their operating subsidies are important for financing purposes, but the Veterans Affairs Supportive Housing (VASH) vouchers and the other HUD subsidies processes should be better coordinated.
- Under the HTC, multiple scattered site buildings and mixed-use projects can be packaged together, if they plan on operating together, allowing for flexibility and creativity in project design.
- Opportunity Zone financing deals are focused on faster returns than HTC and LIHTC financing deals, so they’re not often combined because the motivations of investors are different.
- Historic preservation needs to become part of the typical public-private partnership financing package, and marketed as an asset/tool for securing additional capital.
- For outleasing projects, federal agency use restrictions, approval processes, and deadlines need to be clear to prospective developers and their prospective financial partners as early as possible in the financing process. Consequences of not meeting these provisions also need to be clear.
- When the federal government is able to select a site that is near public transportation, upgrade utilities for increased use, and provide “as-built” or other historic or CAD drawings, it reduces uncertainties and improves the likelihood that the prospective developer will secure adequate financing.
- It is helpful when federal agencies have dedicated staff to assist prospective developer partners with counsel and contracts. Federal agencies need to allow for usage of standard documents for their prospective developer partners to successfully secure construction loans.
- Federal agencies have a difficult time securing funds for basic stabilization of non-income producing properties, to ready them for outleasing. As such, they’re pushed into considering property disposal, where problems are disclosed and the property transfers as-is.
- An HTC project’s term is usually at least 50-65 years, or even 99 years, including extensions because the lease term has to go beyond the depreciable life of the building to make it a worthwhile investment.

ADVISORY COUNCIL ON HISTORIC PRESERVATION

401 F Street NW, Suite 308 • Washington, DC 20001-2637
Phone: 202-517-0200 • Fax: 202-517-6381 • achp@achp.gov • www.achp.gov