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From the Kansas City Business Journal:

<https://www.bizjournals.com/kansascity/news/2019/04/12/missouri-historic-preservation-tax-credit-rules.html>

Rosin: New historic tax credit rules will impede development

Apr 12, 2019, 8:20am CDT

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When the Missouri Department of Economic Development released its rules and guidance on the new Historic Preservation Tax Credit legislation, it created concern for [Elizabeth Rosin](#).

Rosin owns [Rosin Preservation LLC](#), a Kansas City-based historic preservation consulting firm. The changes triggered by Senate Bill 590, approved last year, include reducing the cap on Historic Preservation Tax Credits from \$140 million to \$90 million and adding steps for developers wanting to use the credit, such as implementing a scoring rubric and tier system for grading the applicant projects.



ADAM VOGLER | KCBJ

Elizabeth Rosin is CEO of Rosin Preservation LLC.

The state Historic Preservation Tax Credit exists to incentivize the redevelopment of historic properties. The program provides a dollar-for-dollar reduction in state tax liability, according to the DED. Through the historic preservation program, a developer can get tax credits up to 25 percent of the total redevelopment costs. Investors then buy the credits from the developer.

In Kansas City, state historic tax credits have helped transform several dilapidated Kansas City buildings into new apartment towers during the past few years. One of the program's most recent success stories is the \$39 million conversion of Kemper Arena into Hy-Vee Arena, which received just shy of \$9 million in state historic tax credits.

After listening to a DED webinar last week offering clarification on the guidelines, released at the end of March, Rosin said the department appears to be interpreting the law in a way that shows an incomplete understanding of how development works.

For example, she said, the new application calls for developers to submit planning and zoning approvals they have obtained for a project, which doesn't make sense if the tax credits are meant to be an integral part of the funding.

A developer still at the stage of assembling a financing package wouldn't have city approvals yet, she said. In addition, the program previously aimed to ensure that historic tax credits weren't just an added bonus for developers, and this move is inconsistent with that.

But crucially, because the department is operating under what are considered emergency rules, the public can weigh in during a comment period in May. Once that comment period ends and the DED has an

opportunity to respond, a joint legislative committee in Jefferson City will convene to set official guidelines.

Rosin said it will be vital for developers to voice their concerns during the comment period and to call their legislators. The confusion with the new rules has created an environment in which developers are less willing to do projects.

"We've seen the reaction from our clients that's like: 'Yeah, we're done doing historic projects in Missouri. We're going to take our investment and look in other states that don't have these requirements and understand how the process works,'" she said.

Rosin said the process appears to be transitioning from being merit-based. Before, if a project met the requirements, the developer did the work and credits were available, the developer probably would receive them. Now, the process will have a 100-point scoring process that will review the project's economic impact as well as size, quality and support from local government. Those scores then will place projects into tiers, which will sort their order for approval.

The new funding includes \$90 million initially with an additional \$30 million for distressed areas. Although the \$120 million total isn't ideal because it's a dip from prior years, Rosin said the biggest issue is with the process.

"We can work with \$120 million," she said. "It's disappointing perhaps, but we can work with that."

She said it's important for developers to immerse themselves in this process and talk to their representatives about what projects may not happen if the rules stay in place.

"We're hoping some of these items in the emergency rules provisions can be addressed, tweaked or removed so the program works with the development process," she said.

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