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## **Federal, state and local incentives, "A tool to promote development and finance construction"**

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In today's uncertain economy and tightening with lenders, developers are in search of methods to finance construction and manage their operating costs to attract tenants. Understanding the proper use, structure and mix of statutory and discretionary incentives is critical when assessing a project's financial viability as often times many of these incentives are over looked. When it comes time to finance a new project or redevelopment initiative, tax credit incentives can offer a developer substantial equity towards their capital stack rather than having to invest their own capital or highly leverage the financing. Without having the knowledge or guidance of how to secure available federal and state tax credits specific to projects, developers forgo opportunities to capitalize their projects with tax credit equity.

There are both federal and state tax credits that can be used to reduce tax liabilities and the event the developer cannot use the tax credits they can sometimes be monetized or syndicated. Monetization, transferring or syndication of tax credits require in depth knowledge of the statutory guidelines that allow for the tax credits to be earned/generated and monetized. There are complex limitations, restrictions, tax credit recapture and compliance requirements that need to be considered when utilizing a tax credit financing as part of a projects capital stack.

In Massachusetts, there are several highly efficient statutory tax credit financing tools to promote development and redevelopment. Each tax credit program has its own set of statutory requirements to secure the tax credits and individual compliance requirements that should be well vetted before moving forward with applications to secure the tax credits.

The Massachusetts Brownfields Tax Credit Program was established to encourage the reclamation of polluted property and enhance economic development by incentivizing property owners to remediate underutilized or abandoned properties. Many remediation efforts often overlook the Brownfield Tax Credit and as a result the owners forego significant financial incentive to help reduce the construction and remediation costs. If the property qualifies for the Brownfield tax credit, costs related directly to the environmental clean-up of a can apply toward the issuance of credit. By monetizing the credit property owners can recover between 25% and 50% of the eligible costs of cleaning up the site.

Federal and State Historic Rehabilitation Tax Credits promote the rehabilitation of historic buildings by the private sector. The Federal Historic Rehabilitation Tax Credit provides Federal Tax Credits between 10 and 20% of the qualified rehabilitation costs and the Massachusetts Historic Tax Credit is a tax credit of up to 20% of the qualified rehabilitation costs. The combined tax credits can provide a project with as much as 40% subsidy or tax credit equity to offset a project's construction costs and can be the deciding factor for a project to move forward.

When looking at discretionary incentives, the one incentive that is often overlooked is the use of

Economic Development Incentive Program (EDIP) With commercial property tax rates on the rise in the Commonwealth it is often difficult to complete with out of state development options and occupancy costs. Under the EDIP, a Tax Increment Financing (TIF) is a very useful tool to provide property exemptions of between five to twenty years and extremely valuable when trying to reduce occupancy costs over the life of a long term lease for a build to suit project.

The tax incentives and tax credits outlined above illustrate just a few programs that can be utilized to significantly enhance a project's bottom line, attract a new tenant or allow for a project with marginal viability turn into a complete success story during a challenging and competitive economic climate.

For information on applying for selling or syndicating any of the tax credits mentioned above, contact Tax Credit Finance, LLC or Tax Incentives Consultants, LLC.

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