

City of Portage – Historic District Commission
Wednesday, January 05, 2022 @ 8:15 a.m.
City Hall Conference Room 2

Call to Order:

Approval of Minutes:

December 1, 2021 Regular Meeting Minutes.

Discussion:

- Events planning to highlight Historic Preservation month (May 2022)
- Historic Preservation Tax Credit in the reinstatement process by the State

Old Business:

New Business:

Citizen Comments:

Member Comments:

Adjournment:

Materials Transmitted:

- Barns and Historic Preservation Tax Incentives in Michigan
- State Historic Tax Credit Program PA 343 of 2020 (Frequently Asked Questions)

Please notify Biqi Zhao at 329-4475 or zhaob@portagemi.gov if you are unable to attend.

City of Portage
Historic District Commission
Wednesday, December 1, 2021
City Hall Conference Room 2

Meeting Called to Order: 8:30 a.m. Chair Katie VanLonkhuyzen called the meeting to order.

Members Present: Jessie Duniphin, Becky Lopez, Katie VanLonkhuyzen, Martha Deming Maytnier, and Laura Glass

Members Absent (unexcused): Anthony Amarasinghe and Suzanne M. Nemeth

Members Absent (excused): Nick Meyle and Jeremy P. Custer

Staff: Biqi Zhao, Senior City Planner

Approval of Minutes: Jessie Duniphin made the motion, seconded by Laura Glass, to approve the November 3, 2021 meeting minutes as submitted; motion approved 5-0.

Discussion:

- a. Implementation strategies for Historic District Commission 2021-2022 Goals and Objectives
The implementation strategies were extensively discussed by the commission as the following:
 - To attend Portage Parks and Recreation events to promote Historic Preservation
Staff Biqi Zhao provided a year-around event summary of Portage Parks & Recreations and asked HDC to select events wish to attend. Jessie Duniphin stated that HDC used to attend Green-A-Thon when it was held at Celery Flats historical site, but stopped attending since it moved to the City Hall parking lot where the site does not have historical background. Jessie Duniphin suggested that HDC would consider attending Fridays at Flats. HDC inquired whom the contact person of Portage Parks & Recreation for the City Hall exhibits, where HDC used to put historical exhibit once a year. HDC requested a timely notice to prepare the exhibits. Staff Biqi Zhao responded to check it.
 - To plan Historic Preservation Month May 2022 events
HDC had extensive discussions of previous events from successful turn-outs to some failures. Martha Deming Maytnier indicated several historical homes along Angling Street might be a good tour and Katie VanLonkhuyzen briefed the history and relationship among them. Jessie Duniphin recalled historical home tours held by HDC & sponsors and expressed her concerns that it would be too late to prepare historical home tours for May, and due to no budget for events, it would be difficult for HDC to hold large scale event. Staff Biqi Zhao responded the budget question that HDC had in the last meeting: the City can provide a small membership/training budget in the coming FY22-23 budget which would comprise individual memberships to National Trust for Historic Preservation. HDC has to depend on the revenue from book sale and donations for event supplies. Staff Biqi Zhao proposed if any educational event could be held for Preservation Month May. Jessie Duniphin responded to contact Steve Rossio for a possible historical lecture event in the new library and the tentative date was set on May 14th, 2022.
- b. Digital tour guide with GIS interactive story map based on “Where the Trails Crossed”
HDC indicated that the Storymap is a good start to promote historical homes in Historic District. Staff Biqi Zhao informed that HDC can use the City’s new social media tools (Instagram/Twitter)

to highlight each historical site in the StoryMap weekly to have a year around historical homes feature. HDC responded to wait until after bigger event of promoting Historic Preservation.

c. Draft Sample Letter to engage HD property owners

Martha Deming Maytnier commented that the draft letter was not friendly enough and would like to edit it. Staff Biqi Zhao responded to email Martha Deming Maytnier the word version of the letter for editing. Jessie Duniphin suggested emailing her the letter in order to share with HDC via google drive.

d. HD properties assignment to each commissioner

Becky Lopez showed HDC the previous assignment map. Staff Biqi Zhao responded to email the scanned previous assignment map, the current HD map, and the current HD property owner list to Jessie Duniphin to put into google drive for HDC to write down the assignment. Laura Glass inquired if there is a list for watching HD properties. Jessie Duniphin responded basically physical conditions such as any renovation, house condition, or any sale sign on the property.

Other Items:

- a. Staff Biqi Zhao located the previous realtor's letter and handed it out to HDC.

Old Business:

New Business:

Public Comments:

Member Comments:

- a. Martha Deming Maytnier shared the book "Galena's Historic Preservation Guidebook" with HDC. HDC commented that it would be a good approach for Portage to have a similar historic preservation guide to include more architectural features and technical guidance.
- b. Becky Lopez preferred her first name as "Becky" instead of "Rebecca" for all the documents.
- c. Laura Glass showed HDC on her phone for registering google search of property sale notice and indicated this might be a good way to monitor any on-sale historical properties in Historic District.
- d. Jessie Duniphin inquired the unsold amount of "Where the Trails Crossed" book. She indicated that these books were kept at the Financial Department which was not easily accessible for HDC and suggested if the books can be kept in the Community Development Department. Staff Biqi Zhao responded to check on the books.
- e. Jessie Duniphin inquired if HDC can have a share drive from the City to share documents related to Portage Historic Preservation. Staff Biqi Zhao responded to relay the request to the City.
- f. HDC would like to keep January 5th, 2022 HDC meeting on the Calendar whether or not any applications will be received.

Adjournment: There being no further comments or business, Becky Lopez moved, seconded by Jessie Duniphin, to adjourn the Historic District at 9:35 a.m.

Respectfully submitted,

Biqi Zhao AICP, Ph.D
Senior City Planner

Barns and Historic Preservation Tax Incentives in Michigan

Federal and State income tax credits are available to encourage investment in Michigan's historic resources. Historic resource owners and long-term lessees who undertake qualified rehabilitation of certain historic resources can apply for a credit against their federal and state general income tax or Michigan Single Business tax of up to 25% of qualified rehabilitation expenditures. The purpose of these programs is to provide financial incentives to homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential property.

The federal income tax credits fall into two categories. The 20% credit applies to rehabilitation of "Certified Historic Structures". A 10% credit applies to rehabilitation of a "Pre-1936 Non-historic Structure". Each credit has differing eligibility requirements and application processes. Because the 20% credit involves a certification process which establishes the historic importance of the structure, it is a much more involved process.

For example, for a barn rehabilitation project to qualify for participation in the 20% tax credit program, the farmstead or the barn must be listed on the National or State Register of historical properties. Conversely, the 10% tax credit is available for a barn built before 1936. There is no requirement of a historic connection. *Please note:* designation as a Centennial Farm does not *automatically* qualify the structure for these programs.

Furthermore, these credits provide financial assistance by reducing the owner's personal or business income tax liability once the rehabilitation project has begun. These credits do not provide up front financing to purchase materials, supplies, contractor services, etc. The owner in most cases must seek the funds for these items through conventional sources, such as bank loans.

Who is eligible to receive a credit?

Federal *historic preservation* tax credits (the 20% credit) are available to the owners or long-term lessees of income producing qualified historic resources who undertake rehabilitation projects that are certified by the U.S. Secretary of the Interior, through the National Park Service.

The Federal 10% credits are available for rehabilitation on *non-historic buildings* built before 1936 and which are not used for residential use. Rental housing structures, which are considered *residential* rental, would not qualify, but hotels, considered *commercial* use, would qualify. *The 10% credit is the only credit which does not require a formal review process or the submission of fees.*

Michigan historic preservation tax credits are available to owners or long-term lessees of qualified historic resources who undertake rehabilitation projects that are certified by the State Historic Preservation Office (SHPO), Michigan Historical Center, Michigan Department of History, Arts and Libraries. A project under Michigan law must have historical significance, and includes historic sites, objects, features or open space.

What historic resources are eligible for the program?

Federal credits are available only to the owners of *income-producing* buildings. This means these credits apply only to structures which are used for a commercial purpose and are subject to depreciation. For example, a barn used for agricultural purposes or as a retail center would qualify. A barn converted for use as a residence by the owner would not qualify.

Both the federal and state credits require the retention of specified portions of the original structure's external walls and internal structural framework. These requirements differ and depend on which credit is being sought. In addition, structures built before 1936 and which have been moved from the original site will *not* qualify for the 10% credit.

For State credits, an eligible resource is any historic building, structure, site, object, feature or open space that:

- Is located in a local unit of government with a population of 5,000 people or more, and is in a local historic district established under Michigan's Local Historic District Act; **or**
- Is located in a unit of government with a population under 5,000 or the adjusted basis of the building whichever is larger. The adjusted basis for a building is equal to:

Acquisition cost or purchase price
- land value at date of acquisition
+ capital investment over time
- depreciation

Qualified rehabilitation expenditures for the State program must be equal to or greater than 10 percent of the State Equalized Value (SEV) of the property rehabilitated. In situations where the SEV is not determined, the total qualified expenditures must be greater than 5 percent of the resource's appraised value.

Taxpayers undertaking rehabilitation projects that qualify for the Federal historic preservation tax credits must first apply for the 20 percent Federal credit. If approved, the project will be eligible for only an additional 5 percent credit against the taxpayer's Michigan taxes. Projects using only the State historic preservation tax incentives are eligible for a 25 percent credit against their personal income taxes *or* single business taxes.

If the credit exceeds the taxpayer's tax liability for the tax year in which it is initially claimed, the excess may be carried forward to subsequent years.

If the property is sold or ceases to be used for the intended purposes within five years after the credit is claimed, a percentage of the credit will be subject to recapture or repayment to the federal or state government from which the credit originated.

How to apply for the tax credit?

Applicants for the Federal 20% tax credit must complete an application form available from the State Historic Preservation Office (SHPO) office and pay a fee. The fee ranges from \$500 to \$2,500 depending on the cost of the rehabilitation in addition to a preliminary processing fee of

\$250. The completed application and the preliminary processing fee are submitted to the National Park Service (NPS). The NPS will not accept state forms in lieu of their own. These forms are available from the SHPO. Both Federal and State certification involves a three-part application process.

Part 1 of the process involves certifying the eligibility of the historic resource. For combined or State only projects, this part includes a declaration of location form which is required if the resource is located in a local historic district.

Part 2 of the process involves certifying that the project's rehabilitation plans conform to the U.S. Secretary of the Interior's Standards for Rehabilitation.

Part 3 of the process involves certifying that the completed work conforms to the Secretary of the Interior's Standards for Rehabilitation.

For further information visit the SHPO Web page at:

www.sos.state.mi.us/history/preserv/preserve.html or contact the State Historic Preservation Office, Michigan Historical Center, Michigan Department of History, Arts and Libraries at 517-373-1630. Information is also available on Preservation Tax Incentives for Historic Buildings through U.S. Department of the Interior, National Park Service, Heritage Preservation Services.



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
MICHIGAN STRATEGIC FUND
STATE HISTORIC PRESERVATION OFFICE

QUENTIN L MESSER Jr
PRESIDENT, MSF

State Historic Tax Credit Program PA 343 of 2020

Frequently Asked Questions August 26, 2021

The most recent changes are noted below in red.

What is the State Historic Tax Credit program?

The new State Historic Tax Credit program will help support place-based projects while promoting the preservation of Michigan's historic resources. Eligible properties must be listed in the National Register of Historic Places, the State Register of Historic Sites, or be in a local historic district, and either be individually listed or contribute to a listed district. The credit has a \$5 million cap per calendar year.

How does this State Historic Tax Credit program compare to the previous historic tax credit program that Michigan offered until 2012?

This is entirely new legislation which created an entirely new program. Previous instructions, application forms, fee structures, rules, guidance, etc. do not apply to this program.

When will I be able to apply for the credits?

In accordance with the legislation, the State Historic Preservation Office (SHPO) needs to promulgate rules governing the operation of the program, develop application materials, and seek public input. The State rulemaking process as outlined in Administrative Procedures Act (PA 306 of 1969) will take between 12 and 18 months to complete. Please visit the SHPO website for the most current program information and process updates.

What credits are available?

The credits are available as either Michigan Personal Income Tax Credits (Sec. 266a), Michigan Business Income Tax Credits (Sec. 676) or a combination thereof. In no case shall the total combined credits exceed 25% of the total qualified rehabilitation expenditures.

Read PA343 of 2020 Legislation: www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf

Are State tax credits credit limited to only exterior work? New Question and Response.

No. State credits are available for all capital improvements made to and within the historic resource.



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Will there be a review fee associated with the State credit application process?

There will be a review fee associated with each part of the State application. The fee structure will be established as a part of the rulemaking process. As soon as the fee schedule is available it will be posted to the SHPO website.

Will there be a State Tax Historic Tax Credit application form? Revised Response

There will not be a State Historic Tax Credit application form per se. All State certification applications must be submitted using the program's online portal. A template will be posted online to aid the applicant in gathering the proper information prior to using the portal.

Are projects with an existing approved Federal Part 2 eligible for State credits?

Projects with Federal Part 2 approvals issued before January 1, 2021 are not eligible to participate in the program.

Can I apply for the State credits retroactively? Revised Response

Yes and No:

Applications for projects with Federal Part 2 approval, work carried out or, that were complete and returned to service before the effective date of the legislation (1/1/2021), will not be accepted.

An applicant may file a State Part 2 application that includes work already completed. The appropriateness of completed work will be assessed and if determined to be acceptable, the additional proposed work will be reviewed. In no case may a State Part 2 application include work that was complete more than one year before the State Part 2 application was submitted.

Does including previous completed work affect the project timeline? New Question and Response.

Yes. If a State Part 2 application including previously completed work is awarded a preapproval letter, the eight-year period for completion of the project will be reduced to seven years and the period to submit the State Part 3 reduced to eight years or one year after the property is returned to service, whichever occurs first.

How long will the review process take? Revised Response

The SHPO has 120 days from receipt of a complete application to issue a determination relating to that portion of the application. SHPO will make every effort to review applications more quickly.

Are the State credits available to owner occupied residential properties?

Yes, owner occupied residential properties that meet the definition of historic resources in the Act may apply for the credits.

Who is eligible for the credits?

A *Qualified Taxpayer* with a *Certificate of Completed Work* issued after December 31, 2020 and before January 1, 2031.

Who is a *Qualified Taxpayer*?

A person who owns the property, has a long-term lease on the property or is assigned all or any portion of the credits.

What qualifies as a *Long-term Lease*? A long-term lease is defined in the legislation as being at least 27.5 years for a residential resource and 31.5 years for a nonresidential resource.

What properties qualify for the credits?

Historic Resources individually listed in or, that are located in and contribute to an historic district listed in the National Register of Historic Places, the State Register of Historic Sites, or are within a local historic district designated in accordance with PA 169 of 1970.

Do properties that are individually listed on the National Register have to submit a State Part 1 application?

All projects seeking State credits must submit a State Part 1 application. Because the legislation does not specifically exempt individually listed properties from submitting a State Part 1 application, and to create equity within the program, all properties seeking State tax credits will be required to submit all three State Parts: 1, 2, and 3, of the state application.

Will requests for preliminary determinations of eligibility be accepted? New Question and Response.

Only State Part 1 applications for properties seeking a determination that the resource is *individually eligible* for listing in the National Register of Historic Places will be accepted. State Part 1 applications seeking a preliminary determination based on contribution of the resource to a potentially eligible district will not be accepted.

How long does a project with a preliminary determination of individual eligibility have to complete the listing process? New Question and Response.

A project with a preliminary Part 1 must complete the formal listing process before their State Part 3 applicant will be accepted. Because the State Part 3 must be submitted within nine years of the date of the pre-approval letter or within one year of when the building is returned to service, the specific timeline will vary depending on the project.

Will there be review fees associate with the State credits?

Yes, there will be review fees associated with each part of the state tax credit applications. The fees for a State Part 1 will be a fixed fee based on project type. The fees for State Part 2 and 3 will include a fixed base fee plus a percentage of the anticipated credits at State Part 2 and actual credits received at State Part 3 by the project. The exact fee structure will be finalized as part of the rule making process.

At what point in the review process will fees be collected?

Review fees will be collected at the time the associated application part is submitted. Applications that do not include the required fee will be incomplete until the required fee is submitted.

What happens if fee payment is returned to the MSF/SHPO for insufficient funds?

If fee payment is returned to the MSF/SHPO for insufficient funds, the associated application will be deemed incomplete until such time as a new payment is submitted and cleared by the relevant financial institution. Priority numbering for these projects will be based on the date and time the new fee is cleared by the relevant financial institution.

What Standards will be used to determine if proposed work is acceptable?

All proposed work will be reviewed against the guidance contained in *The Secretary of the Interior's Standards for Rehabilitation* (36CFR61); the associated interpretation and explanation found in the *Preservation Briefs Series*; the *Interpreting the Secretary of the Interior's Standards* as published by the National Park Service; and other State tax credit program guidance that may be published by the SHPO.

Are there limits on the amount of State credit a project may receive? Revised Response

There is a \$2,000,000 credit limit on any given project impacting a specific historic resource.

Is every project guaranteed a full 25% credit? New Question and Response.

No. In fact, not every application is guaranteed it will receive any credit at all. Because both minimum credit caps based on project type and an overall annual cap on the total program are included in the legislation, the possibility exists that a project may receive a preapproval letter for less than a full 25% credit.

How much must I spend to qualify for a credit?

For owner occupied residential historic resources the minimum expenditure is \$1,000 or more. For all other project types, the minimum expenditure threshold is 10% of the State Equalized Value as determined by the local assessor having jurisdiction.

When must the State Part 3 application be filed? New Question and Response.

State Part 3 for a project that receives a pre-approval letter shall be filed within nine years of the date of the pre-approval letter or within one year of when the project is returned to service, whichever occurs first.

May a State Part 3 application request additional credits beyond those awarded in the preapproval letter? New Question and Response.

Yes. A qualified taxpayer may request credits on their State Part 3 application equal to up to 25% of the projects actual qualified expenditures. State Part 3 applications requesting credits in excess of those specified in their preapproval letter will be added to the end of the list of priority applications awaiting credit reservations and *may* be awarded additional credit if any are available.

Are the State credits transferable?

Yes, State credits may be transferred as a certificated credit in whole or in part. The SHPO is responsible for certifying the assignment and/or reassignment of credits as a part of the project request for certification of completed work (State Part 3).

When must credit assignments be made?

All credit assignments and/or reassignments must be made in the year in which the Request for Certification of Completed Rehabilitation approval is issued on the form provided by the SHPO. Once assigned, the assignment and/or reassignment is irrevocable.

Can the State and Federal Historic credits be combined?

For income-producing properties, the State and Federal credits may be combined.

What is the relationship between the Federal and State historic tax credit program?

Revised Response

The Federal tax credit application and review process is independent from the State tax credit program. All existing IRS/National Park Service rules and processes remain in place and unchanged by the State program.

The State credits are semi-dependent on the Federal credits. For those projects seeking both Federal and State credits, the project's State application will be considered to have been complete on the day it was received provided that the corresponding Federal approval is issued before the end of the 120-day Stated review period. If the Federal approval is not issued within 120-days of the receipt date of the corresponding State application, the State application will then be considered to be complete on the date that the Federal determination is issued.

Is the amount of the State credits impacted by the Federal credit when combined?

No. When combined, the project may receive both the full 25% State and 20% Federal credits. (Please Note: There may be federal tax consequences associated with combining the credits. You should always discuss your specific tax circumstances with a well-qualified tax professional. The SHPO cannot give tax or legal advice.)

When are the credits claimed?

Credits are claimed after the project receives final certification of the completed work, issued by the SHPO. The taxpayer must begin claiming the credits within 5 years of the date the State Part 3 certification is issued.

What happens if the taxpayer does not begin to claim the credit within five years?

The certificate of completed work becomes invalid and the taxpayer is no longer eligible for any credit associated with that rehabilitation plan.

This document reflects the most accurate and complete answers to the various question as of the date above. As the rulemaking process unfolds some answers may be modified and new questions and answers added. Please regularly check the State Tax Credit Program pages on the State Historic Preservation Office (SHPO) website for the most up to date program information. The site can be accessed at:

<https://www.miplace.org/historic-preservation/programs-and-services/historic-preservation-tax-credits/>

State Historic Tax Credit Program
PA 343 of 2020
Frequently Asked Questions
August 26, 2021

We strongly recommend that you take the time to review the Public Act as it contains additional information relating to an applicant's responsibilities. The legislation is available at:

<http://www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf>

Questions regarding the program should be emailed to preservation@michigan.gov