



EXHIBIT 8
DATE 4/4/11
SB 253

**Information on Montana's Historic Rehabilitation Tax Credits
Puts Buildings Back into Use ~ Creates Jobs and Stimulates Local Economies
SB 253 would eliminate these useful State Credits**

How the program works

The Montana Historic Rehab Tax Credit piggybacks the Federal Rehab Tax Credit. The Federal program awards an income tax credit equal to 20% of the rehab investment. The Montana program offers successful applicants a credit equal to 5% of the rehab investment. The rehab investment is tied to physical improvements to a building, not furnishings, landscaping, or site amenities. Applicants who are not certified for the Federal program do not qualify for the State program.

Applicants *earn* tax credits by meeting these requirements of the Federal program:

- Property must be eligible and ultimately listed in the National Register of Historic Places;
- Property must be put into an income-producing use;
- Rehabilitation work must meet the Secretary of the Interior's Standard for Rehabilitation;
- Scope of work must pass the *substantial rehab test*. A substantial rehab is one in which the rehab investment exceeds the cost of the building minus the cost of the land.

The intent of the program

The Federal government established the tax credit program in 1977 as a response to the widespread loss of historic building stock through the taxpayer supported Urban Renewal program. The intent of rehabilitation tax credits is to incentivize private redevelopment of economically disenfranchised properties. Typically only those properties with a low property value and significant rehab needs qualify for the program. Because these rehab projects are costly, property owners often cannot get full financing by conventional means. Tax credits level the playing field by filling a gap between financing and what a property owner could recoup through income from the investment.

Many of the buildings that benefit from tax credit projects are non-contributors to the local tax base. In some cases ownership of these white elephants has reverted to the local government. Without incentive programs to make these buildings attractive to developers, local governments face using local tax dollars or HUD funding to demolish or redevelop the buildings. Re-use of historic properties takes advantage of existing services and infrastructure such as streets, sidewalks, sewers and utilities. Private investment made possible through tax credits represents an all-around savings to tax payers throughout the community.

Property Owner, Dan Kaul of Livingston says that "My project could not have happened without the credits. Reinvesting in downtown buildings is the only way Montana towns can survive." Mr. Kaul's neighbors have taken his lead by reinvesting in their own property and establishing a downtown BID.

Case studies

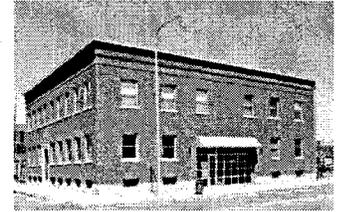
Cheryl Gagnon (888-838-1882), Grand Union Hotel, Fort Benton, Certified 1999

- \$1,900,000 Rehab Investment; \$95,000 Montana Tax Credit;
- building was empty for ten years prior to rehab;
- contributes tens of thousands of dollars to local tax base;
- draws 60 to 70 diners per evening during summer season;
- hosts several thousands of visitors to Fort Benton each year;
- employs 25 to 30 people with salaries ranging from minimum wage to \$20,000;
- purchases local agricultural products for restaurant



Randy Hafer, High Plains Architects (896-0253), Armour Cold Storage Building, Billings, Certified 2002

- \$512,500 Rehab Investment; \$25,625 Montana Tax Credit;
- Building was empty prior to rehab;
- Increased contribution to local tax base of \$25,317;
- Employs seven people with average salary of \$40,000;
- High Plains Architects expanded from single employee to seven in this building;
- Established five market rate apartments and two office spaces;
- Hafer completed 5 other tax credit projects for unoccupied buildings on Montana and Minnesota Avenues in Billings



Nick Kujawa (917-439-5542), Hennessey Annex, Butte, Certified 2011

- \$4,000,000 Rehab Investment; \$200,000 Montana Tax Credit;
- Building was heavily water damaged and empty for over five years before rehab;
- Newly established grocery store with 30 employees with average wage of \$12.50 hr; 70% of whom were on unemployment prior to taking positions;
- Established 34 market rate apartments;
- Increased contribution to local tax base is expected to be in the tens of thousands



Dan Kaul (220-1272), Wilmont-Truex Building, Livingston

- \$890,000 Rehab Investment; \$44,500 Montana Tax Credit;
- Upper floors were empty and unfit for occupation prior to rehab;
- Increase to local tax base in the thousands;
- Ground floor furniture store employs three people with an average salary of \$30,000;
- Five upper floor office suites are occupied by clinical psychology firm;
- Established 12 market rate apartments

Lisa Wright (538-3530), Judith Theater, Lewistown

- \$729,062 Rehab Investment; \$36,453 Montana Tax Credit;
- Building was partially occupied; theater could not operate without code improvements;
- Increase to local tax base \$7,200;
- Theater and 3 commercial spaces employ 28 people; salaries range up from minimum to about \$50,000;
- Ms. Wright has also completed one other tax credit rehab in Lewistown