

Two Tax Credit Programs (sponsored by the federal government)

1. Historic Tax Credit (HTC) Program
 2. New Market Tax Credit (NMTC) Program
-

Historic Tax Credits (HTC)

Applicable Buildings: Castle, OSH, and Power Plant are included in the “Montezuma Hotel Complex” in the National Register of Historic Places

- The school appears to have benefitted from HTC’s on the 2001-02 Castle renovation project

Tax Credit value: 20% of the qualifying expenses for the rehabilitation project; this benefit for investors typically translates into a **5-10%** savings on project costs for the school (?)

Project Eligibility:

- 1) Buildings receive NPS “certification”
- 2) Substantial rehabilitation test: the cost of a project must exceed the greater of \$5,000 or the building’s **adjusted basis**. The following formula will help you determine if your project will be substantial:
 - $A - B - C + D = \text{adjusted basis}$
 - A = purchase price of the property (building and land)
 - B = the cost of the land at the time of purchase
 - C = depreciation taken for an income-producing property
 - D = cost of any capital improvements made since purchase
- 3) Meet the Secretary of the Interior’s Standards of Rehabilitation
- 4) Be used for **income producing** purposes for 5 years (this is why a non-profit organization must form an LLC)

Syndication (formation of LLC) required: Yes

Application deadline: None/rolling

Application process: 3-part application process involving both SHPO and NPS

- [HTC Application, Part 1 \(Evaluation of Significance\)](#)
 - presents information about the significance and appearance of the building.
- [HTC Application, Part 2 \(Description of Rehabilitation\)](#)
 - describes the condition of the building and the planned rehabilitation work.
- [HTC Application, Part 3 \(Request for Certification of Completed Work\)](#)
 - is submitted after the project is complete and documents that the work was completed as proposed.

Resources:

- [HTC Fact Sheet](#)
- National Park Service - [Technical Preservation Services](#)
- NM State Historic Preservation Officer (SHPO): Jeff Pappas, PhD, jeff.pappas@state.nm.us, (505) 827-6320
- Tax Credits and Architectural Review staff: Harvey Kaplan, harvey.kaplan@state.nm.us, (505) 827-6320
- Allan Affeldt

New Market Tax Credits (NMTC)

Applicable Buildings: Potentially, any renovation or new construction project

Tax Credit value: 39% of the qualifying expenses for the rehabilitation project; this benefit for investors typically translates into a **15-20% savings** on project costs for the school (?)

General Project Eligibility:

- 1) Project must be located in a qualifying census tract (our census tract qualifies!)
- 2) Project must be in the service area and meet the objectives of the partner Community Development Entity (CDE), the holder of a NMTC allocation
 - a) **Finance New Mexico (FNM)**, a subsidiary of the New Mexico Finance Authority, is the only CDE located in our state
 - b) New Mexico is included in the service area of some CDE's located in other states

Syndication (formation of LLC) required: Yes (?)

Application deadline: Depends on the pathway. See below.

Application process (two pathways):

1) Opportunistic Action (Oct-Dec '21)

- a) No hard deadline but late fall is the time to act.
- b) Identify a CDE that has not committed its 2021 allocation and includes New Mexico and construction financing among its priorities (relationships help; what relationships do we have with CDE's that received a 2021 allocation of tax credits?)
 - i) FNM did not apply for a 2021 allocation; they received their last allocation in 2020 (\$35M in tax credits)
 - ii) Relevant out-of-state CDE's that did receive a 2021 allocation: Accion Opportunity Fund Community Development; Enterprise Financial CDE, LLC; Midwest Renewable Capital, LLC; Accion Opportunity Fund Community Development
- c) Present CDE with a project prospectus and cultivate their interest
- d) Dollars become available to school in mid to late 2022 (?)

2) Planned Action (Jan '22 - Oct '23)

- a) April 2022 (?) for FNM
- b) Identify a CDE that includes New Mexico and construction financing among its priorities (relationships help; what relationships do we have with CDE's that plan to apply for a 2022 allocation of tax credits?)
 - i) FNM plans to apply for a 2022 allocation
 - ii) I don't know which relevant out-of-state CDE's plan to apply for a 2022 allocation.
- c) Present CDE with a project prospectus and cultivate their interest
- d) CDE includes our project in the portfolio they include in their application for a 2022 tax credit allocation
- e) Dollars become available to school in mid to late 2023 (?)

Resources:

- [NMTC – How it Works?](#)
- [Finance New Mexico](#)
 - John Brooks, Managing Director, Lending, (505) 984-1454
 - Ryan Olguin, Regional Finance Manager, rolguin@nmfa.net, (505) 984-1454
- CDE's that have recently received NMTC allocations – see [Table](#)
- Allan Affeldt