

Governor's proposed cap on historic tax credits could threaten Garver Feed Mill proposals



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Gov. Scott Walker's proposed changes to the state's popular program offering tax credit for redevelopment of historic buildings threatens a key funding source for developers vying to rehabilitate the crumbling, landmark Garver Feed Mill on the East Side.

The governor's proposal, which puts a \$10 million annual cap on annual tax credit allocations and prioritizes job creation, could

impact rehabilitation efforts in communities across the state.

[Four development teams](#) -- the Alexander Co., Ogden & Co., Baum Development and Alternative Continuum of Care -- have responded to a city request for proposals to reuse the Garver Feed Mill near Olbrich Botanical Gardens, each offering unique uses and costs ranging from \$19.8 million to \$39.8 million. All the projects would use state historic tax credits as part of their financing, in amounts from \$1.8 million to \$3.2 million.

The governor's proposal poses a threat to all of the applicants, said Randy Alexander, chief executive officer for the Alexander Co., which does historic restoration projects nationally. "Concern is there," he said. "It ought to be there."

All the projects have financial advantages and drawbacks, but the status of historic tax credits affects them all, said Dan Rolfs, city community development project manager.

"Do we have a concern? Yes," said Natalie Erdman, acting director of Planning, Community and Economic Development, cautioning that prospects for the governor's proposal are uncertain and that developers can pursue alternative financing.

An evolving program

Supporters of the tax credit program say it helps restore historic buildings and boosts tax revenues, creates construction and permanent jobs, and boosts civic pride.

But change is needed, the governor says. "The proposed changes in the budget will allow the state to maintain this program by putting in place reasonable criteria in order to prudently manage taxpayer resources while at the same time maximizing job creation," Walker spokeswoman Laurel Patrick said.

Until 2013, developers could seek a 20 percent federal credit and a 5 percent state credit

for eligible costs on income-producing projects involving certified historic buildings, and a similar credit for non-historic buildings built before 1936.

In 2013, to the delight of developers and preservationists, the Legislature bumped the state credit to 10 percent and then to 20 percent, without a limit on the sum of annual credits issued, putting Wisconsin among national leaders. The change brought a rush of developer requests that far exceeded projections, and in June 2014, the state put a three-week moratorium on new applications before reinstating the program.

The developer proposals for the Garver Feed Mill were made under those rules in mid-December 2014.

The two-story, Industrial Romanesque feed mill, 109 S. Fair Oaks Ave., was built in 1905, named a city landmark in 1994 and declared surplus property in 2005. The city pledged \$1.82 million to the chosen developer and requires a plan to provide 14,000 square feet of storage space to Olbrich. Four projects have been proposed:

- The Alexander Co.'s \$20.5 million proposal adapts the property into an event center and uses \$3.2 million in state historic tax credits.
- Ogden & Co.'s \$39.3 million project delivers 152 housing units and uses an undetermined amount of credits.
- Baum Development's \$19.8 million plan provides an artisan food production facility, "microlodging" units for short-term rentals, and uses \$1.8 million in credits.
- Alternative Continuum of Care's \$39.8 million proposal offers 148 units of senior housing, event space, day care, a commercial kitchen and uses \$3.15 million in credits.

Now, Walker wants to limit total annual credits to \$10 million and award them on a competitive basis with new criteria including job creation. He also wants to require that credits be repaid if pledged job creation totals aren't met and remove the credit for non-historic buildings built before 1936. The moves, which would begin in the 2016 tax year, would save an estimated \$7.8 million in 2017.

"Demand for this credit significantly exceeded initial estimates, and the proposed cap is in line with the average among states with caps on these types of credits," Patrick said.

'A poke in the eye'

Others say the cap is far too low and that the repayment provision will scare investors away. And making the credits competitive with a jobs emphasis will freeze out some projects and make small communities uncompetitive, they say.

Wisconsin's changes in 2013 placed the state among national leaders in the use of such tax credits, said Renee Kuhlman, director of special projects, government relations and policy for the National Trust for Historic Preservation. Walker's proposal would be a major setback, she said.

Nationally, 18 of 34 states with such programs have no cap, Kuhlman said. Of those that do, the average cap is \$28.5 million, with five Midwest states averaging \$52 million, she said.

Alexander blasted the repayment proposal. "What good is a \$10 million cap, or a \$50

million cap, if you can't sell the credits? This isn't just about Madison. It's a poke in the eye for every community in the state with an older stock of buildings."

Historic tax credits bring in more investment than they cost, and there are are better options to control costs, Kuhlman said.

The city has asked developers seeking to reuse Garver how they might replace the historic tax credits if not available. A city staff analysis raises questions about alternatives, including other state grants, city grants and loans, fees, and other federal tax credits and programs. The city's Garver Feed Mill committee will discuss developer finance packages on Thursday.

"We feel like we could probably find other sources, but it's going to be a challenge," Alexander said.