

# Financing Mill Properties



# The Mill at Saco Falls, Biddeford



















# The Lofts at Bates Mill, Lewiston



















# Our Funding Structure

## The Mill at Saco Falls:

Total Project Cost \$14.67M

### Sources of Funds:

- Equity Raise from Federal HTC \$2,116,000
- Equity Raise from State HTC \$2,988,000
- Equity Raise from LIHTC \$ 887,000
- MaineHousing Subsidy \$ 600,000
- 2009 Stimulus Funds \$6,244,000
- HUD HOPE VI Funds \$ 980,000  
(funneled through City)
- Deferred Developer Fee \$ 183,000
- Must-pay “hard” debt \$ 670,000



# Our Funding Structure

## The Lofts at Bates Mill:

Total Project Cost \$9.57M

### Sources of Funds:

- Equity Raise from Federal HTC \$1,436,000
- Equity Raise from State HTC \$2,124,000
- Equity Raise from LIHTC \$4,160,000
- MaineHousing Subsidy \$1,060,000
- City Funds \$ 538,000
- City Lead Paint Remediation \$ 80,000
- Must-pay “hard” debt \$ 172,000

# Federal Historic Tax Credit

## **Qualifications:**

1. The historic building must be listed in the National Register of Historic Places or be certified as contributing to the significance of a "registered historic district."
2. The project must meet the "substantial rehabilitation test."
3. The rehabilitation work must be done according to the Secretary of the Interior's Standards for Rehabilitation.
4. After rehabilitation, the historic building must be used for an income-producing purpose for at least five years.  
Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.

# Using Tax Credits

- Receive
  - 15% of project expenses from sale of Federal HTC
  - 22% of project expenses from sale of State HTC
  - Roughly 43% of project expenses in LIHTC (assuming 65% income-restricted units—more if larger %)



# State Historic Tax Credit

## Qualifications:

- If you qualify for the 20% Federal HTC credit, you automatically qualify for a 25% State HTC credit.
- If at least 50% of the project is housing, and at least 50% of the housing is new affordable; OR 33% of whole project is new affordable housing, a 30% State credit is available.

# Tax Credits (cont)

- Sell the tax credits (\$0.80 to \$0.95 per dollar of credit) to investors.
- The project receives cash to make improvements.
- Total cash from tax credits equals about 80% of the total development costs.

# Low Income Housing Tax Credit

- Awarded by a competition to Maine State Housing Authority (MaineHousing)
- At least 60% of units must be set aside for families making 50% of median income or less (in Lewiston, that's \$28,800 for a family of 4)
- Remains affordable for 90 years.



# Development of Mills vs. Traditional Development

## **Mill Development**

- Environmental Issues
- Negative perception in community
- Daunting size, requiring subdivision
- Often hidden structural/construction issues
- Complex access issues

## **Traditional Development**

- Positive perception in community – ‘newness’
- Usually clean site
- Custom design to your program
- No hidden structural/construction issues

# Re-developing Mills Cost More

- Environmental Clean up
  - Lead Based Paint
  - Asbestos
  - Contaminated Soil (products of combustion)
- Complying with Historic Requirements
  - Windows
  - Infill design constraints
  - Historic consultants/application fees
- Site Work/Building Parking
  - Mills were built before people drove to work, so there is a lack of parking.

# Compensating Factors

- Revitalizing downtowns
- Connecting with our history
- Sturdiness of construction
- Removing blight
- Re-using existing buildings (saving resources)
- Capturing character of the buildings
- Dramatic “turnaround”



# How Cities Can Help Developers

- Perform environmental assessment and remediation with Brownsfields Funds
- Enter into Credit Enhancement Agreements for Tax Incremental Financing (TIFs)
- Invest in infrastructure
  - Parking
  - Updated utilities
  - Walkways, pathways, parks, lighting
  - Provide below-market financing

# *Other Financing Programs: A Federal “Laundry List”*

## What’s Been Linked Together for Redevelopment Projects?

Slide from Charlie Bartsch, USEPA Senior Program Advisor

### Loans

- EDA capital for local revolving loan funds
- HUD funds for locally determined CDBG loans and “floats”
- EPA capitalized revolving loan funds
- SBA’s microloans
- SBA’s Section 504 development company debentures
- EPA capitalized clean water revolving loan funds (priorities set/ programs run by each state)
- HUD’s Section 108 loans/guarantees
- SBA’s Section 7(a) and Low-Doc programs
- USDA business, intermediary, development loans

### Grants

- HUD’s Brownfield Economic Development Initiative (BEDI)
- HUD’s Community Development Block Grants (for projects locally determined)
- EPA assessment, cleanup grants
- EDA public works and economic adjustment

### Grants (*continued*)

- DOT (various system construction, preservation, rehabilitation programs)
- Army Corps of Engineers (cost-shared services)
- USDA community facility, business and industry grants

### Equity capital & loan guarantees

- SBA Small Business Investment Cos.
- SBA Section 7(a) guarantees
- DOE energy facility guarantees

### Tax incentives and tax-exempt financing

- Targeted expensing of cleanup costs
- Historic rehabilitation tax credits
- Low-income housing tax credits
- New Markets Tax Credits
- Industrial development bonds
- Energy efficiency construction credits