



Missouri is Utilizing Historic Tax Credits to Revitalize Downtown Kansas City

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Over the last fifteen years, you may have observed significant construction and rehabilitation of commercial and residential real estate in downtown Kansas City. To finance many of these projects, developers utilize both Federal and Missouri Historic Tax Credits (HTCs).

Pursuant to Internal Revenue Code Section 47, a 20% federal income tax credit is available for the rehabilitation of buildings that are determined by the Secretary of the Interior, through the National Park Service, to be “certified historic structures.” There is also a 10% tax credit available for the rehabilitation of non-historic buildings placed in service before 1936. The Missouri state tax credit is governed by Mo. Rev. Stat. 253.545-253.559, which provides a state income tax credit equal to 25% of the eligible costs and expenses of the rehabilitation of certified historic structures.

There are numerous benefits to revitalizing downtown through the use of HTCs. First, historic buildings maintain the historic character of downtown Kansas City. Both residential and commercial tenants often find historic buildings more desirable than new construction. Since the costs associated with historic rehabilitation often exceed that of new construction, the projects would not be economically feasible without the use of HTCs.

In addition to the aesthetic benefits of a revitalized downtown, there are also benefits to the local tax base. While the state does forgo a certain amount of revenue in the short term when it issues the credits, it is offset many times over by the economic activity that otherwise would not have been generated. In addition, historic rehab projects use existing public infrastructure lines because the buildings are already in existence – this is not always the case with new construction. Historic rehabs also require fewer raw materials than new construction, which benefits the environment.

There are multiple on-going projects in downtown Kansas City that are being financed with HTCs. One of which is the rehabilitation of the historic Folgers Coffee buildings located on 7th and Broadway. The Springfield developer, O’Reilly Development, Co., is currently converting the buildings into 146 market rate loft-style apartments. The two-building complex is called Roaster’s Block and is set to complete construction near the end of 2015. There will be a courtyard between the two buildings with a swimming pool, barbeque grills and landscaping.

Overland Park developer, Gold Crown Properties, has recently begun the process of converting the historic Pickwick Hotel, Office Building, Parking Garage and Bus Terminal into a mixed-use property with 250 market rate apartments and 32,000 square feet of commercial space. The Pickwick Complex is located in between 9th and 10th Streets and McGee and Oak Streets in downtown Kansas City, just north of the Power and Light District and south of the Rivermarket.

With the use of HTCs, some of Kansas City’s historic buildings are finally getting a much needed makeover.

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