

# Tax credit helps the future by saving the past

Minnesota's Historic Tax Credit, which provides a 20 percent tax rebate for approved rehabilitation of old buildings, is in danger of ending this year. Advocates, who point out success stories like The Castle and the Conley-Maass-Downs buildings in Rochester, say it is an economic tool that should be saved.

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Dana Knaak, left, and Carl Augustin, right, both of Rochester, grab seats early before a program Thursday, Feb. 18, 2016, at a Conley-Maass building open house in downtown Rochester.

When it comes to a community's history, buildings are an important piece of the overall Picture.

The character of old structures is always a draw for visitors in any community, said State Sen. David Senjem.

“When any of us go to another city, we go to the old part ... The fun places are the old places, in Rochester or any other cities,” said the Rochester Republican. “Why do people go to New Orleans? It’s not to see new buildings.”

Valuing historic buildings is at the heart of Senjem’s support of Minnesota’s Historic Tax Credit. In conjunction with the federal government, the state credit provides a 20 percent tax rebate for approved rehabilitation of old buildings.

In Rochester, the credit added to a total \$1 million boost for combined renovations of the Conley-Maass-Downs building at 14 Fourth St. SW in 2015 and The Castle at 121 N. Broadway in 2018.

The 10-year-old tax credit is slated to “sunset” or end in June, if the Legislature does not act. Letting this credit fade away would be a loss of a valuable tool that advocates say has generated \$3.3 billion in economic impact and created 18,000 jobs in the past 10 years.

Erin Hanafin Berg, policy director for the nonprofit RETHOS Places Reimagined, said the credit has paid off for Minnesota and should continue to help the state grow.

“It has consistently returned about \$9 in impact for every \$1 allowed by this credit,” she said. Scott Hoss, one of the owners of The Castle, said that while their project would probably have gone forward without receiving \$400,000 from the state credit, it did make a big difference in the final result of the more than \$3 million renovation.

“It severely impacted the quality of the remodel, the look and feel and the overall preservation of the building. It would have happened without the credit, but it would not have been nearly as nice,” he said. “It’s a wonderful tool.”



The event hall at the Castle Community construction site Friday, Oct. 26, 2018, in downtown Rochester.

RETHOS honored the renovation of the 103-year-old former Rochester Armory, now known as The Castle, with a community impact award in 2019. While costly, the renovation transformed a former senior center that was not on the tax rolls into a complex that evolved to house the new Cameo restaurant, art studios, a used book and record store and a coffee shop. “Prior to the pandemic, the building was activated seven days a week with people doing all kinds of things from making art, drinking coffee, buying books and records,” said Hoss. “The result was a diverse group of people meeting daily in a building that otherwise they would have never stepped into.”

Senjem said he is certainly a supporter of keeping the credit alive, either by extending it five more years or completely eliminating the sunset deadline completely.

“I’ve come to understand the virtues of this thing. It’s phenomenal ... We would be very foolhardy to not move this forward,” he said.

In the case of Rochester’s more than 120-year-old Conley-Maass building, the credit provided a \$561,000 boost to the \$3.2 million renovation spearheaded by owners Traci and Hunter Downs. When completed, the Downs’ restored complex was used to house the new Bleu Duck Kitchen, a variety of business offices and a co-working space called

Collider. RETHOS hopes that 2021 won't be the end of such success stories. Old historic buildings are often seen as obstacles to a city's growth. Senjem said while every case is different, saving history is something that can pay off in the long run for communities. "We did frankly destroy a lot of downtown (Rochester) ... maybe that was a mistake in hindsight. Thank goodness we still have what we have left. We ought to keep it," Senjem said. "It's an appropriate use, in my mind, of the state treasury to preserve these buildings and preserve that heritage in the process."

