



Memorandum

To: Honorable Mayor and Members of the City Council
From: Lara Biggs, City Engineer
Subject: Update on Civic Center and Police/Fire Headquarters Relocation Feasibility Study
Date: February 10, 2025

Recommended Action:

Staff will provide updates on the Civic Center and Police/Fire Headquarters Relocation Feasibility Study.

Council Action:

For Discussion

Summary:

On December 9, 2024, staff updated the City Council on the Civic Center and Police/Fire Headquarters Relocation Feasibility Study. At that time, staff committed to doing additional research on:

- Investigation into the potential use of historic preservation tax credits to offset the cost of renovating the existing Civic Center at 2100 Ridge Avenue into a new city hall
- Potential costs of relocating the city hall services into shared space at the Evanston Main Library
- Potential costs of acquiring 1801 Maple Avenue and 906 University Place for renovation as a new police and fire headquarters

Preservation Tax Credits:

As part of the presentation of information at the December 9, 2024, City Council meeting, staff committed to providing additional information on the potential use of federal and state preservation tax credits to provide a more cost-effective renovation of the Civic Center. Cade Sterling provided a memo dated November 21, 2024, analyzing how the City of Evanston can take advantage of Preservation Tax Credits. Separately, AECOM also provided an analysis of the same topic. A summary of the findings is as follows:

1. In order to be eligible for the use of preservation tax credits, the following must be true:
 - a. The building must be listed on the National Register of Historic Places or be a Certified Historic Structure. The Civic Center meets this requirement.

- b. The project is determined to be a Substantial Rehabilitation, meaning that the cost of rehabilitation exceeds the pre-rehabilitation cost of the building. Any significant renovation of building systems at the Civic Center likely meets this requirement.
 - c. The rehabilitation work meets the Secretary of the Interior Standards for Rehabilitation, ensuring the historic character and integrity of the building are preserved. This is likely to be true in the Civic Center renovation, but aligning with **such requirements can significantly increase costs**, and the required review and approval from State Historic Preservation Office and National Park Service can lengthen the duration of the project implementation.
 - d. After the rehabilitation is completed, the building must be depreciable (income-producing) for a period of at least five years. The credit cannot be used to rehabilitate a building used exclusively for municipal use. In some unique instances, if a portion of the building is income-producing, it could qualify, but the qualified rehabilitation expenses and value of the credit would be limited to the portions of the building that are income-producing. The renovation of the building will continue to be used as the municipal city hall does not meet this requirement.
2. There are both federal and state preservation tax credit programs. The State of Illinois is a competitive application that will cover 20% of Qualified Rehabilitation Expenditures (QREs) with a maximum of \$3 million in tax credits. The federal program will automatically cover up to 25% of QRE's with no cap. The state program has additional project criteria to meet that the federal program does not have. QREs are typically defined as an improvement of building systems only, not including land acquisition, furniture and finishes, and site development costs. Even if eligible for Preservation Tax Credits, only the tax credit percentage of the Qualified Rehabilitation Expenditures (QREs) would be eligible for funding.
 3. Renovating the civic center building for city hall use would be classified as a disqualified lease unless at least 50% of the property is income-producing following renovation. Only the income-producing portion of the building following renovation would be considered for QREs.
 4. Sometimes, projects use "syndication" to partner with a developer to more readily convert the tax credits into capital funding for the project. In 2024, the average preservation tax credit syndication generated \$0.79 in equity for every \$1 of tax credit, a figure that has been declining over time.

Cade Sterling's and AECOM's analyses are attached to this memo. The AECOM memo provides examples of real-life projects that utilized preservation tax credits and information that can provide insight into how the City might qualify for preservation tax credits if it implements income-generating adaptive reuse.

Updated Police/Fire Headquarters (PFHQ) and Civic Center Cost Comparison:

AECOM provided updated cost information based on current potential options. In some cases, such as Options C and D, a previous option is included for reference, and the pricing is updated to account for inflation. Although the building costs include providing HVAC that meets City of Evanston Climate Action Resilience Plan (CARP) goals, a premium is shown if it is desirable to specifically use geothermal for the HVAC instead of the least-expensive CARP-compliant option. A summary of the options is as follows:

Option	Description	Estimated Cost	Additional Cost for Geothermal
A	Acquire 1801 Maple and 906 University Place to relocate PFHQ only (CC not included)	\$68.4M (PFHQ only)	\$2.7M
B	Acquire 1801 Maple and 906 University Place to develop integrated CC and PFHQ	\$116.7M	\$2.7M
C	Rebuild PFHQ on current site Renovate CC	\$166.6M	\$2.5M
D	Rebuild PFHQ at CC (2100 Ridge) Renovate CC	\$143.3M	\$2.5M

A more detailed breakdown is included as an attachment to this memo.

Updated City Hall Cost Options:

Currently, there are four options under consideration, as shown in the table below:

City Hall Options - 20 Year Total Cost				
	Description	Estimated Capital Cost / Rent	O&M Costs	Total
1	Renovate 2100 Ridge Avenue as City Hall	\$71.0M	\$18.1M ¹	\$89.1M
2	Lease 909 Davis as City Hall	\$22.1M	\$25.7M ²	\$47.8M
3	Renovate Main Library as a joint Library/City Hall	Under Investigation		TBD
4	Include Multi-Floor City Hall as part of 900 Clark Street Planned Unit Development	\$43.0M	\$27.0M ³	\$70.0M

- Notes:
1. Based on actual costs with a 3% annual cost escalation.
 2. Based on actual costs with a 3% cost escalation, including 16-month tenant cost forgiveness.
 3. Assumed to be similar to O&M costs at 909 Davis without 16-month cost forgiveness.

Information is not yet available on Option 3 - Main Library Consolidation. Staff continues to work with the Library's consultant, Moody-Nolan, to develop costs. Additional information on the library option is expected in March.

Status of Police/Fire Headquarters Option Investigation:

Negotiations with NU for 1801 Maple Avenue and 906 University Place are ongoing. The staff is continuing to investigate other options as well.

Next Steps:

Staff will work with Moody-Nolan to finalize costs for Main Library Consolidation. Negotiations with Northwestern University on acquiring 1801 Maple Avenue and 906 University Place for future police and fire headquarters operations will continue.

Attachments:

[AECOM Evanston Tax Credit Memo, dated 01/06/25](#)

[Sterling - Historic Preservation Tax Credit Memo, dated 11/21/24](#)

[AECOM Options \(Updated\) for Civic Center and Police/Fire Headquarters](#)

Historic Preservation Tax Credits Memo

This document is intended to inform the City of Evanston (“City”) consideration of state and federal Historic Preservation Tax Credits (“HTCs”) as a funding mechanism to redevelop the existing Civic Center building at 2100 Ridge Avenue (“Building”), which is currently owned by the City. This redevelopment would reposition the Building as a new Civic Center and/or Police & Fire Headquarters facility (“Renovation Project”) or as some other income-producing use such as housing or commercial space (“Adaptive Reuse Project”).

Prepared by AECOM at the request of the City, this document is organized as a fact sheet with answers to several key questions pertaining to the potential use of HTCs for the projects mentioned above. The City has retained AECOM as the prime consultant to assist in these efforts, within the context of a broader AECOM-led consulting effort that began in 2021 which is generally known as the “Relocation Feasibility Study.” While this document reflects AECOM’s best interpretation of relevant federal and state requirements based on publicly available information, we recommend that the City seek further review from legal counsel and the State Historic Preservation Office (“SHPO”) prior to making any decisions.

Based upon AECOM’s research and outreach efforts, HTCs would only be a potential funding source for the Adaptive Reuse Project but not the Renovation Project, due to requirements related to income-producing uses. These findings are further detailed throughout the remainder of this document.

What are Historic Tax Credits (HTCs)?

The Federal HTC program was created by the Tax Reform Act of 1986 and is jointly administered by the National Park Service (“NPS”) and the SHPO in each state. It provides a federal income tax credit in the amount of 20% of the project’s qualified rehabilitation expenditures (“QREs”) which can be claimed by a taxpayer that has a stake in ownership of the project.

The State HTC program in Illinois was enacted in 2019 and is also administered by the SHPO. It provides a state income tax credit equal to 25% of the project’s QREs, up to \$3 million per project. The State of Illinois has allocated \$25 million per year to the State HTC program between 2024 and 2028. Many of the other rules and regulations of the State HTC program closely mirror those of the Federal HTC program.

According to guidance from the Illinois SHPO, to be eligible for the State and Federal HTC programs, a building must meet at least the following four minimum requirements:¹

- **Historic Status:** The building must be listed individually on the National Register of Historic Places or as a contributing building to a historic district;
- **Income-Producing Use:** The building must be used for income-producing purposes, such as renter-occupied residential apartments, commercial uses, agricultural uses, or industrial uses, for at least five years;
- **Certified Rehabilitation:** The project’s interior and exterior physical rehabilitation must meet the Secretary of the Interior’s “Standards for Rehabilitation” and be certified by the NPS as being consistent with the historic character of such property or the historic district; and
- **Substantial Rehabilitation:** The project budget must exceed the greater of the building’s adjusted basis (roughly the current depreciated value of the building) or \$5,000 either within a 24-month period or within a 60-month period if the phased plans are approved in advance.

The State and Federal HTC programs provide many benefits to projects and surrounding communities, including but not limited to:²

¹<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/summary-taxcredit.pdf>

²<https://dnrhistoric.illinois.gov/preserve/taxcredits.html>

- Helping close the funding gaps facing many historic rehabilitation projects;
- Encouraging the preservation of historic buildings and sustainable reuse of building materials;
- Increasing the value of rehabilitated properties and returning underutilized structures to the tax rolls; and
- Revitalizing downtowns and neighborhoods and increasing the supply of rental housing.

How could the City use HTCs to help fund these Projects?

Based on our research and outreach efforts, HTCs are unlikely to be a viable funding source for the Renovation Project, wherein the current Civic Center Building would be redeveloped as new Civic Center and/or Police & Fire Headquarters facility. However, HTCs are likely a viable funding source for the Adaptive Reuse Project, wherein the Building would be redeveloped into income-producing use(s) such as housing or commercial space. Additional factors are discussed further below.

How likely is it that HTCs could be obtained for the Renovation Project?

HTCs are unlikely to be a viable funding source for the Renovation Project due to the “income-producing use” requirement mentioned above. AECOM’s research concludes that the project would likely require the City to establish of a partnership with a private taxpaying entity that is eligible to claim the HTCs. The private partner would then lease the Building back to the City for use as a Civic Center.

While such an arrangement could bring in a partner eligible to claim the HTCs, such an arrangement would likely be considered a “disqualified lease” under Internal Revenue Code § 168(h)(1)(B), which would prevent the use of HTCs for the project.³ A disqualified lease occurs when any of the following conditions are met:

- Part or all of the property was financed directly or indirectly by an obligation in which the interest is tax exempt and such entity (or related entity) participated in the financing
- There is a fixed or determinable purchase price or option to buy under the lease
- The lease term is in excess of 20 years
- The lease occurs after a sale or lease of the property and the lessee used the property before the sale or lease

The program does include an exception that allows the use of HTCs when 50% or less of the square footage of the property is leased to tax-exempt entities in disqualified leases⁴, which could unlock HTCs in a “hybrid” project where a portion of the Building remains as the Civic Center and the remainder of the Building is adaptively reused in some other income-producing manner (housing, commercial space, etc.). In this scenario, the HTC amount would be limited to 20% of the Qualified Rehabilitation Expenditures (“QREs”) associated with the income-producing portion of the building only.

³<https://www.irs.gov/businesses/small-businesses-self-employed/rehabilitation-credit-historic-preservation-faqs#tax>

⁴<https://codes.findlaw.com/us/title-26-internal-revenue-code/26-usc-sect-47/>

Applicability of HTC to Building Redevelopment Options		
	HTC Applicability	HTC Funding Magnitude
Renovation Project <i>Building is renovated as Civic Center and/or Police & Fire HQ</i>	Not Applicable	Not Applicable
Hybrid Project <i>Building is partially renovated as Civic Center and/or Police & Fire HQ and partially converted income-producing use</i>	Partially Applicable	Moderate <i>HTCs generated for the portion of QREs associated with income-producing portion of Building</i>
Adaptive Reuse Project <i>Building is fully converted to income-producing use</i>	Applicable	High <i>HTCs generated for QREs associated with entire project</i>

Source: AECOM

The “hybrid” project may be unlikely and disadvantageous for two reasons:

- The City’s Civic Center and/or Police & Fire Headquarters facilities may not fit within 50% or less of the Building’s square footage (roughly 52,000 square feet) – AECOM’s space programming analysis suggests that the Civic Center needs 62,000 square feet and the Police & Fire Headquarters needs 92,000 square feet, meaning neither element would be able to meet the HTC’s “50% or less” threshold.
- Subdividing the Building into two or more functional sections would make the already inefficient building even more inefficient space-wise and would add additional costs and unnecessary complexity to the project in comparison to other redevelopment options.

As a result of the non-applicability of HTCs to the Renovation Project and the disadvantages and uncertainties of the Hybrid Project, the remainder of this document focuses on the potential use of HTCs for the Adaptive Reuse Project.

How likely is it that HTCs could be obtained for the Adaptive Reuse Project?

It is very likely that Federal HTCs could be obtained for the Adaptive Reuse Project. This would require the formation of a partnership between the City and an investor, such as a bank, real estate developer, community development financial institution (“CDFI”), or other type of investor. There are various types of partnership structures that can be used for HTC projects⁵; the details of which could be specified by legal counsel and other HTC program specialists if the Adaptive Reuse Project moves forward.

Federal HTCs are “non-competitive,” meaning that there is no limit on how many can be awarded in any given fiscal year. Given that the Building is already listed on the National Register of Historic Places, there are no other major risks associated with the ability of the Adaptive Reuse Project to obtain Federal HTCs.

State HTCs, however, are “competitive” in that the State of Illinois has limited the tax credit allocation to \$25 million per year.⁶ Projects seeking State HTCs can apply through the SHPO, which administers two application rounds each year. In virtually all past application rounds, applicant demand for State HTCs has exceeded supply of available State HTC funding.

⁵<https://www.novoco.com/periodicals/articles/historic-tax-credit-direct-and-lease-pass-through-transaction-structures>
⁶[https://dnrhistorical.illinois.gov/preserve/statecredit.html#:~:text=The%20Illinois%20Historic%20Preservation%20Tax%20Credit%20Program%20\(IL%20DHTC\),structures%20who%20undertake%20certified%20rehabilitations](https://dnrhistorical.illinois.gov/preserve/statecredit.html#:~:text=The%20Illinois%20Historic%20Preservation%20Tax%20Credit%20Program%20(IL%20DHTC),structures%20who%20undertake%20certified%20rehabilitations)

To determine which projects receive State HTCs, the SHPO has established five priorities – the more priorities a project meets, the more likely it is to receive State HTCs. The table below summarizes these five priorities and whether they are met by the Adaptive Reuse Project.

State HTC Priorities	
Priorities⁷	Met by City Adaptive Reuse Project?
1. The structure must be located in a county that borders a state with a historic income-producing property rehabilitation credit.	Yes⁸
2. The structure must have been previously owned by a federal, state, or local-governmental entity for no less than six months.	Yes⁹
3. The structure must be located in a census tract that has a median family income at or below the Illinois median family income.	No¹⁰
4. The qualified rehabilitation plan must include in the development partnership a Community Development Entity, a low-profit organization, or a not-for-profit organization.	Maybe¹¹
5. The structure must be located in an area declared under the federal Robert T. Stafford Disaster Relief and Emergency Assistance Act as an Emergency Declaration or Major Disaster Declaration within the past 3 years.	Yes¹²

Source: AECOM analysis of State HTC application materials

Per this criteria, the Adaptive Reuse Project meets three to four of the five priorities for the State HTC program. Based on AECOM's analysis of data from the State of Illinois summarized below, projects have historically needed to meet at least three of the five priorities to have any chance of receiving State HTCs, but only 17% of projects in that category received an allocation. Projects meeting four priorities have had a much better chance (83%) of receiving an allocation, and projects meeting all five priorities have historically always received allocation (100%).

Given that the Adaptive Reuse Project does not meet Priority #3 above, finding a way to meet Priority #4 would greatly improve its competitiveness for a State HTC award. However, given that the State of Illinois increased the funding limit for its HTC program from \$15 million per year to \$25 million per year in 2024¹³, future application rounds may be less competitive, and the Adaptive Reuse Project may be able to obtain an allocation while only meeting three priorities.

⁷<https://dnrhistoric.illinois.gov/preserve/statecreditcurrent.html>

⁸<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/il-htc-priority-1.pdf>

⁹<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/il-htc-priority-2.pdf>

¹⁰<https://data.census.gov/table?q=S1903&q=1400000US17031809300&y=2022&d=ACS%205-Year%20Estimates%20Subject%20Tables>

¹¹<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/il-htc-priority-4.pdf>

¹²<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/il-htc-priority-5.pdf>

¹³<https://www.ilga.gov/legislation/publicacts/103/103-0009.htm>

Historical Likelihood of Obtaining State HTCs ¹⁴			
# of Priorities Met	# of Projects that Applied	# of Projects that Received State HTCs	Chance of Receiving State HTCs
0	6	0	0%
1	17	0	0%
2	26	0	0%
3	47	8	17%
4	23	19	83%
5	13	13	100%
Total	132	40	30%

Source: AECOM analysis of State of Illinois data from the nine most recent State HTC funding rounds (2020-2024)

How much funding could HTCs generate for the Adaptive Reuse Project?

Although it is difficult to accurately answer this question at such an early stage in the project, we estimate that Federal HTCs could generate funding in the amount of approximately 11-15% of the total costs associated with the Adaptive Reuse Project, with no cap on the maximum tax credit amount. State HTCs can be used in tandem with Federal HTCs and could generate funding in the amount of approximately 13-19% of the total costs associated with the Adaptive Reuse Project, up to the State HTC maximum tax credit of \$3 million.¹⁵

Due to the \$3 million per-project cap on State HTCs and uncertainty about the cost of the Adaptive Reuse Project, it is difficult to estimate the share of total project funding that could be generated by combining State and Federal HTCs. However, considering a hypothetical example where the 104,000-square-foot Building undergoes adaptive reuse that costs \$67.6 million (\$650 per square foot), the Federal HTC could be estimated to generate \$7.1-10.3 million (roughly 11-15% of total project costs, as estimated above) and the State HTC could be estimated to generate \$2.3-2.6 million, for a combined \$9.3-12.9 million in funding for the Adaptive Reuse Project (equating to roughly 14-19% of total project costs).

The calculations underlying these numbers are detailed in the table below. These preliminary numbers are for high-level informational purposes only and should be interpreted as rough-order-of-magnitude (ROM) estimates for illustration of funding mechanics, rather than final or definitive numbers.

¹⁴<https://dnrhistoric.illinois.gov/preserve/statecreditchive.html>

¹⁵<https://dnrhistoric.illinois.gov/preserve/statecredit.html>

Estimated Financial Impact of HTCs on Hypothetical Adaptive Reuse Projects			
	Scenario A: Low Range Inputs	Scenario B: Moderate Range Inputs	Scenario C: High Range Inputs
Sensitivity Test	Low QRE to TPC % and Low Equity Value	Moderate QRE to TPC % and Moderate Equity Value	High QRE to TPC % and High Equity Value
Project Data			
Project Square Footage	104,000	104,000	104,000
Cost per Square Foot	\$650	\$650	\$650
Total Project Cost (TPC)	\$67,600,000	\$67,600,000	\$67,600,000
QREs as % of TPC	70%	80%	90%
QREs	\$47,300,000	\$54,100,000	\$60,800,000
HTCs Generated			
Federal (20% of QREs)	\$9,464,000	\$10,816,000	\$12,168,000
State (25% of QREs, up to \$3 million)	\$3,000,000	\$3,000,000	\$3,000,000
Equity Generated			
Equity Value per \$1 of HTC	\$0.75	\$0.80	\$0.85
Equity from Federal HTCs	\$7,098,000	\$8,652,800	\$10,342,800
as % of TPC	11%	13%	15%
Equity from State HTCs	\$2,250,000	\$2,400,000	\$2,550,000
as % of TPC	3%	4%	4%
Total Equity from HTCs	\$9,348,000	\$11,052,800	\$12,892,800
as % of TPC	14%	16%	19%

Hypothetical projects for illustrative purposes only

Lines in green text are assumptions, lines in black text are calculations resulting from assumptions

Source: AECOM

As illustrated in the three different scenarios above, there are a variety of factors that influence the amount of funding and overall financial benefit to the project that could be generated by HTCs, including:

- **Qualified Rehabilitation Expenditures (QREs)¹⁶:** The State and Federal HTC programs generate tax credits in the amount of 20% and 25%, respectively, of the QREs associated with the project. However, the project will incur costs that do not fit the definition of QREs, meaning that those costs will not be factored into the 20% or 25% calculations. Examples of project costs that are not QREs include building or land acquisition costs, any costs associated with the enlargement of the volume of the building, personal property (furniture, appliances, cabinets, carpeting, movable partitions, etc.), and any costs associated with the project that are not applicable to the building itself (sidewalks, parking lots, fencing, landscaping, etc.).¹⁷ As the share of total project costs that are ineligible to be included as QREs increases, the overall financial impact of HTCs to the project will decrease.
- **Syndication Equity Value:** Oftentimes, projects utilizing HTCs use “syndication” to convert the tax credits into capital funds for the project. As mentioned in the preceding sections of this memo, projects using HTCs usually require the establishment of a legal partnership between the owner of the Project and an investor.¹⁸ The tax credits are awarded to the partnership entity and claimed

¹⁶<https://www.irs.gov/businesses/small-businesses-self-employed/rehabilitation-credit-historic-preservation-faqs#qre>

¹⁷<https://dnrhistoric.illinois.gov/content/dam/soi/en/web/dnrhistoric/preserve/documents/qualified-rehabilitation-expenditures-issued-4-27-22.pdf>

¹⁸https://www.novoco.com/public-media/documents/thurs410p_twinninghtcsnmtcs_ver.2.pdf

by the investor, who provides equity to the project in exchange for the ability to claim the tax credits. The amount of equity generated for the project is not necessarily a “dollar for dollar” amount in relation to the tax credit amount. In 2024, the average HTC syndication generated \$0.79 in equity for every \$1 of tax credit – a figure which has declined by approximately 25% over the past decade due to a variety of factors.¹⁹ The final equity pricing for each project is negotiated by the owner and the investor, but in general, lower equity pricing per dollar of tax credit translates to lower financial impact to the project.

- **Increased Costs:** Utilization of the State and/or Federal HTC programs would add complexity and cost to the project, including the additional regulatory burdens associated with HTCs and similar federal funding mechanisms listed below. It is difficult to quantify the cost differential between projects that use HTCs and projects that do not, but these additional costs and complexities reduce the potential net financial benefit of the HTCs and other federal programs to the project.
 - **Design Oversight:** HTC programs require the National Park Service to certify that the rehabilitation work is consistent with the historic character of the property.²⁰ Other federal programs that may be incorporated into the capital stack for the Adaptive Reuse Project, such as Low-Income Housing Tax Credits (“LIHTC”) if the project includes affordable housing, also have additional design requirements that contribute to increased costs.²¹
 - **Deal Structuring & Professional Services:** There are often additional costs incurred by the project when pursuing HTCs and other federal programs due the necessity of public-private partnership-related deal structuring and hiring of professional services that are familiar with program requirements such as architects, engineers, construction managers, attorneys, accountants, and other similar professionals.²²
 - **Federal Program Layering & Compliance:** There are a variety of regulations associated with HTCs and other similar federal programs that contribute to increased project costs, including prevailing wages governed by the Davis-Bacon Act, multiple layers of application and approvals processes by various government agencies, ongoing compliance monitoring after project completion, syndication costs, and other similar standards. If the Adaptive Reuse Project were to include affordable housing, which is likely to be paired with LIHTC to achieve feasibility, many of these federal standards would already apply, meaning the incremental cost increase for combining HTCs and LIHTC would be marginal. Combining HTCs with LIHTC reduces the amount of LIHTC that can be obtained compared to LIHTC projects that don’t use HTCs, but the HTC funding more than offsets the reduced LIHTC amount, meaning that the net financial impact of combining the programs is still positive for the project.²³

What are some examples of other similar projects that have used HTCs?

AECOM identified and compiled research on the following projects that have successfully used HTCs and that are similar to the project envisioned in Evanston. Notably, all case study projects are primarily income-generating property, which underscores the finding that HTCs are only applicable to the Adaptive Reuse Project, not the Renovation Project. These case studies further highlight potential adaptive reuse concepts and HTC-related best practices for the Building in Evanston.

¹⁹<https://www.novoco.com/periodicals/articles/reckoning-with-a-10-plus-year-decline-in-the-value-of-federal-htcs>

²⁰<https://www.irs.gov/businesses/small-businesses-self-employed/rehabilitation-credit-historic-preservation-faqs#qre>

²¹https://www.heritage-consulting.com/wp-content/uploads/2018/07/novogradac_etc_2018-07_htc_pg65.pdf

²²<https://iedc.secure-platform.com/awards/gallery/rounds/82003/details/11102>

²³<https://www.hudexchange.info/programs/environmental-review/historic-preservation/tax-credit/>

Project Case Studies			
			
Project Name	Old Courthouse Center	Open Air School	Cook County Hospital
Location	Woodstock, IL	Columbus, OH	Chicago, IL
Year Built	1857	1928	1912-1914
Year Rehabilitated	2023	2022	2021
Total Project Cost	\$22.7 million	\$6.6 million	\$140 million
QRE	\$17.9 million	\$5.0 million	\$129 million
QRE as % of TPC	79%	76%	92%
Square Footage	28,500	30,600	345,000
Former Uses	County Courthouse	School	County Hospital
New Uses	Restaurant Brewpub 4 Retail Spaces Visitor's Center Wedding & Event Venue Incubator Kitchen	Fitness Center Café Restaurant Pottery Studio Design Firm Office	210-room Hotel 75,000 SF Medical Office 25,000 SF Retail 4,400 SF Museum
Partners	City of Woodstock, PNC Bank	Kelley Companies	Cook County, Murphy Development Group, Civic Health Development Group
Known Funding Sources	Federal + State HTC's (\$5.5M) Municipal Bonds (\$9M) TIF (\$750,000) CDBGs (\$186,000) Other (\$7.3M)	Federal HTC's (\$800k) State HTC's (\$250k)	Construction Loan (\$66.5M) Mezzanine Loan (\$25M) Private Equity (\$22.8M) Federal HTC's (\$6.7M) State HTC's (\$2.2M) Other (\$16.8M)
HTCs as % of TPC	24%	16%	6%
More Information	Landmarks Illinois International Economic Development Council	National Park Service	National Park Service Landmarks Illinois

Project Case Studies			
			
Project Name	Old East Haven High School	Worcester County Courthouse	St. Rose de Lima Church Complex
Location	East Haven, CT	Worcester, MA	New Orleans, LA
Year Built	1936	1845	1915
Year Rehabilitated	2021	2021	2018
Total Project Cost	\$31.7 million	\$57 million	\$12.1 million
QRE	Not Listed	Not Listed	\$9.1 million
QRE as % of TPC	Not Listed	Not Listed	75%
Square Footage	104,900	214,000	13,400
Former Uses	School	County Courthouse	Church
New Uses	70 units of mixed-income housing for seniors Fitness Center Craft Room Outdoor Courtyard Lounge	118 units of mixed-income housing 1,700 SF Exhibition Space	Southern Rep Theatre Nonprofit Offices Co-Working Space Business Incubator
Partners	Town of East Haven, WinnDevelopment	City of Worcester, Trinity Financial	Alembic Community Development, Rose Community Development Corporation
Known Funding Sources	Federal HTC (\$4.9M) State HTC (\$4.1M) LIHTC (\$14.8M) State Soft Debt (\$6M) Private Loans (\$1.2M) Energy Rebates (\$150k) FHLB AHP (\$500k)	Federal HTC (\$10.7M) State HTC (\$2.9M) Fed + State LIHTC (\$20.9M) State Soft Debt	Federal HTC (\$3.3M) State HTC (\$1.8M) NMTCs (\$2.6M) Private Equity (\$1.2M) Community Development Loans (\$5.0M)
HTCs as % of TPC	28%	24%	42%
Sources	National Park Service HUD	National Park Service Mass Housing	National Park Service

General Limiting Conditions

Deliverables and portions thereof shall be subject to the following General Limiting Conditions:

AECOM devoted the level of effort consistent with (i) the level of diligence ordinarily exercised by competent professionals practicing in the area under the same or similar circumstances, and (ii) consistent with the time and budget available for the Services to develop the Deliverables. The Deliverables are based on estimates, assumptions, information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with Client and Client's representatives. No responsibility is assumed for inaccuracies in data provided by the Client, the Client's representatives, or any third-party data source used in preparing or presenting the Deliverables. AECOM assumes no duty to update the information contained in the Deliverables unless such additional services are separately retained pursuant to a written agreement signed by AECOM and Client.

AECOM's findings represent its professional judgment. Neither AECOM nor its parent corporations, nor their respective affiliates or subsidiaries ("AECOM Entities") make any warranty or guarantee, expressed or implied, with respect to any information or methods contained in or used to produce the Deliverables.

The Deliverables shall not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the Client. The Deliverables shall not be used for purposes other than those for which they were prepared or for which prior written consent has been obtained from AECOM.

Possession of the Deliverables does not carry with it any right of publication or the right to use the name of "AECOM" in any manner without the prior express written consent of AECOM. No party may reference AECOM with regard to any abstract, excerpt or summarization of the Deliverables without the prior written consent of AECOM. AECOM has served solely in the capacity of consultant and has not rendered any expert opinions in connection with the subject matter hereof. Any changes made to the Deliverables, or any use of the Deliverables not specifically identified in the Agreement between the Client and AECOM or otherwise expressly approved in writing by AECOM, shall be at the sole risk of the party making such changes or use.

The Deliverables were prepared solely for the use by the Client. No third party may rely on the Deliverables unless expressly authorized by AECOM in writing (including, without limitation, in the form of a formal reliance letter. Any third party expressly authorized by AECOM in writing to rely on the Deliverables may do so only on the Deliverable in its entirety and not on any abstract, excerpt or summary. Entitlement to rely upon the Deliverables is conditioned upon the entitled party accepting full responsibility for such use, strict compliance with this Agreement and not holding AECOM liable in any way for any impacts on the forecasts or the earnings resulting from changes in "external" factors such as changes in government policy, in the pricing of commodities and materials, changes in market conditions, price levels generally, competitive alternatives to the project, the behavior of consumers or competitors and changes in the Client's policies affecting the operation of their projects.

The Deliverables may include "forward-looking statements". These statements relate to AECOM's expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "will," "should," "seek," and similar expressions. The forward-looking statements reflect AECOM's views and assumptions with respect to future events as of the date of the Deliverables and are subject to future economic conditions, and other risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including, without limitation, those discussed in the Deliverables. These factors are beyond AECOM's ability to control or predict. Accordingly, AECOM makes no warranty or representation that any of the projected values or results contained in the Deliverables will actually occur or be achieved. The Deliverables are qualified in their entirety by, and should be considered in light of, these limitations, conditions and considerations.



MEMORANDUM

To: Steve Ruger, Deputy City Manager, City Managers Office
From: Cade W. Sterling, Planner, Planning and Zoning Division
Subject: Historic Preservation Tax Credits
Date: November 21, 2024

Deputy City Manager Ruger,

As it relates to the Civic Center, 2100 Ridge Avenue, the use and value of the 20% Federal Historic Tax Credit as well as the 25% State Historic Tax Credit, is dependent on the property's future use and ownership structure.

Non-Competitive Federal Historic Tax Credit

The 20% Federal Historic Tax Credit has four criteria for eligibility. These include:

1. The building must either be individually listed in the National Register of Historic Places or be determined to be a Certified Historic Structure. The Civic Center is listed individually in the National Register (February 9, 2006), as the Marywood Academy. As such, the Civic Center meets this requirement and an Evaluation of Significance, commonly known as the Part I application, would be unnecessary.
2. The project is determined to be a Substantial Rehabilitation, meaning that the cost of rehabilitation exceeds the pre-rehabilitation cost of the building. Although this would require some additional information both on the assessed value of the building and land, and a better understanding of the proposed scope of rehabilitation, I am confident any meaningful rehabilitation of the building would meet this requirement.
3. The rehabilitation work meets the Secretary of the Interior Standards for Rehabilitation. There are ten principles which act to ensure the historic character and integrity of the building are preserved. To ensure this is met, the applicant submits a Description of Rehabilitation (including detailed drawings), commonly known as the Part II application, for review and approval by the State Historic Preservation Office and National Park Service.
4. After the rehabilitation is completed, the building must be depreciable (income producing), for a period of at least five years. The credit cannot be used to rehabilitate a building used exclusively for municipal use. In some unique instances, if a portion of the building is income producing, it could qualify, but the qualified rehabilitation expenses and value of the credit would be limited to the portions of the building which are income-producing.

The value of the tax credit depends on the value of the qualified rehabilitation expenses (QRE). As a rule of thumb, qualified rehabilitation expenses include the portions of the building that would be retained if the roof were removed and the building was turned upside down and shaken. These include wall surfaces, roofs, windows, doors, ceilings, HVAC systems, electrical, plumbing, lighting, floors, stairs, fire suppression systems, etc. Some soft costs may also qualify including architectural and engineering services, and construction management costs.

As an example, a \$15 million project, meeting the substantial rehabilitation criteria, may have \$10 million of QRE. Of those, a 20% credit is provided, for a total of \$2 million. Tax credits are often syndicated to a tax credit investor to acquire ready capital, at a rate between 80 to 90 cents on the dollar. This means the actual capital gained through the Federal Historic Tax Credit program for a theoretical \$15 million project would likely be between \$1.6 million and \$1.8 million. This would be further reduced if only a portion of the building were depreciable, (income producing), where the QRE would be limited to the scope of work for only those income producing spaces, and the total capital being 20% of that minus the rate of syndication.

Competitive Illinois Historic Tax Credit

The 25% Illinois Historic Tax Credit works in the same way as the Federal Historic Tax Credit in terms of qualifying criteria and valuation of the credit. Projects seeking the State Historic Tax Credit must also be coupled with and approved for the 20% Federal Historic Tax Credit. Additionally, the Illinois Historic Tax Credit is competitive, with a five criteria prioritization system. Also unlike the Federal Historic Tax Credit, allocations under the State program are limited to \$3 million. Priority criteria include:

1. The project is located in a county that borders a state with an income-producing historic tax credit program.
2. The certified historic structure was previously owned by an entity of federal, state, or local government.
3. The certified historic structure is located in a census tract that has a median family income at or below the State median.
4. The qualified rehabilitation plan includes, as a development partner, a non-profit or low-profit entity or organization.
5. The certified historic structure is located in an area declared under the Robert T. Stafford Disaster and Emergency Assistance Act and said declaration occurred no more than three years prior to the application.

Typically recipients of the State program have met at least four of the five priority criteria.

The Federal and State Historic Tax Credits are a significant financial tool for potential income producing uses for the Civic Center, and acts as an incentive to retain the building and its ability to communicate its significance effectively. Its value to and use by the City is far more complicated and uncertain compared to use by a developer – being dependent on the proposed use or collection of uses and the associated QRE of those income-producing spaces. I would recommend an advisory opinion on this approach by the State Historic Preservation Office be solicited before moving forward in earnest and assuming a value of the tax credit in any capital stack for proposed rehabilitation and use for municipal operations and services.

PFHQ + CIVIC CENTER Cost Comparison

Scenario	A	B	C	D
Framework	Acquire 1801 Maple Ave and 906 University Place to relocate PFHQ (CC not in scope for this Option)	Acquire 1801 Maple Ave and 906 University Place to develop integrated CC and PFHQ	Rebuild PFHQ on current site Renovate CC	Rebuild PFHQ at CC Renovate CC
Core Program	Renovate existing 130,000 sf 1801 Maple Ave @ \$597/sf for relocated PFHQ. Demo + site prep @ \$60/sf for secured PFHQ surface parking on adjacent 906 University Place Site.	Renovate existing 130,000 sf 1801 Maple Ave @ \$601/sf to relocate CC + portions of PFHQ. New building addition @ \$914/sf for remaining portions of PFHQ. New secured 3-level parking garage @ \$163/sf.	Rebuild 91,559 sf PFHQ @ cost of \$720/sf + building demolition & site preparation @ \$3.7 million CC renovation of 96,834 GSF @ \$634/sf	Renovate CC; 96,834 GSF @ \$634/sf Build 52,357 sf addition for PFHQ @ \$713/sf
Parking	Build secured surface parking for PFHQ on 906 University Place Site Public Parking for PFHQ uses existing adjacent downtown parking assets	Build secured 3-level 57,600 sf parking garage for PFHQ CC uses existing adjacent downtown parking assets	Build secured 76,563 sf parking for PFHQ No new CC parking	159,688 sf of new structured parking for CC and PFHQ
Assumptions	CC not included scope for this option. Located at separate property. Relocated PFHQ in this option leaves approx. 19,790sf of additional shell space.		Modest PFHQ land acquisition Assumes full renovation of CC Partner to occupy additional CC space and share costs space has not been identified	PFHQ site available for disposition Further study of aggregate parking need inclusive of Public Works may be necessary
Police + Fire HQ	\$57,067,103	\$97,370,513	\$73,185,000	\$39,165,000
Civic Center	See Options on next page.		\$65,835,000	\$65,835,000
Parking	\$4,561,684	\$9,419,822	\$14,280,000	\$27,510,000
Sub-Total: Estimated Hard Construction	\$61,628,788	\$106,790,335	\$153,300,000	\$132,510,000
Land	\$1,000,000	\$1,000,000	\$1,000,000	.
A/E Design	\$4,314,015	\$7,475,323	\$10,731,000	\$9,275,700
Furniture, Fixtures and Equipment	\$1,556,100	\$1,556,100	\$1,556,100	\$1,556,100
Estimated Total Cost (Rounded)	\$68,424,803 (PFHQ Scope Only)	\$116,747,658	\$166,587,100	\$143,341,800
Optional Line Item:				
Geothermal	\$2,700,000	\$2,700,000	\$2,500,000	\$2,500,000

- All cost estimates have been rounded to thousands; while resulting total costs will vary slightly from cost estimates in appendix, unit cost assumptions are consistent
- The cost estimates include contingencies
- Land costs are estimated based on prevailing land values in downtown Evanston
- Potential costs for phase 1 environmental due diligence studies and remediation have not been included in all scenarios
- Potential costs to resolve sub-surface conditions are not included
- Construction costs for scenarios involving leased space are highly dependent on negotiations over rents and associated TI allowances offered by buildings; and are subject to change
- Furniture, Fixtures, & Equipment / Audio Visual Allowance @ \$9.65/sf, on a portion of total square footage
- Land acquisition costs of \$125/sf assumed
- Acquired building demolition costs of \$15/sf assumed
- A/E Design Fee @ 7% of hard construction cost assumed
- Cost estimates assume limited restoration of historic elements (subject to change)
- Cost estimates include allowances for LEED Silver/ Gold (subject to change)