Established in 1931
One of the 15 largest accounting and advisory firms in the country
More than 2,700 staff across 14 states
Clients served: Start-ups to Fortune 100
FY16 total firm revenue: $522 million
- As one of the firm’s largest practices, construction and real estate generates more than $80 million in revenue
- As a stand-alone practice, the construction and real estate team would place in the top fifty largest accounting firms in the US
Offices in Austin, Chicago, Dallas, Detroit, Madison, Milwaukee, Minneapolis, New York, Philadelphia, Pittsburgh and Washington, D.C.
Member of the world’s 9th largest network of accounting and business advisory firms
Why do companies need Incentive Services?

- Incentives can have a significant impact on project feasibility and return on investment.
- Baker Tilly has extensive experience working with state, local, and federal incentives and can identify, negotiate, and close incentives on behalf of clients.
- Baker Tilly can help you maximize the benefit of incentives, which requires an understanding of complex program mechanics and public policy goals.
- Baker Tilly can help manage the relationship and message with public entities.
Highlighting specific incentives

- PACE: Property Assessed Clean Energy
- TIF: Tax Increment Financing
- Historic Tax Credit
- New Markets Tax Credits
- WEDC
Overview

- PACE legislation for commercial property has been adopted in 29 states and the District of Columbia.
- PACE provides loans for energy improvements that are repaid through a special property tax assessment.

Advantages of PACE financing

- 20 year fixed rate financing
- High LTV – Functions like mezzanine debt
- Funds up to 20% of project costs
- Debt belongs to the property, not to the borrower
- Senior lender retains foreclosure rights, there are no intercreditor agreements, and the loans do not accelerate upon foreclosure
Program established
Established at the state and local level after passed legislation. Counties and Municipalities establish a PACE program that fits their direct needs.

Apply for financing
Property owners voluntarily apply for PACE financing based on their project goals in order to pay for the upfront cost of desired improvements.

Install improvements
Once PACE financing is granted, property owners install energy improvements using funds from the lender.

Realize savings
Property owners have the ability to realize immediate positive cash flow with the energy savings. Repayment is made over a set time frame – usually 20 years – and is paid back as an assessment on property tax bills.
Program overview

- Federal community revitalization program to preserve historic buildings, stimulate private investment, create jobs, and revitalize communities
- Administered by the National Park Service and the Internal Revenue Service in partnership with State Historic Preservation offices
- Abandoned or underused buildings have been restored to life in a manner that maintains their historic character

Eligibility

- Rehabilitation must be substantial and involve a depreciable building

Funding

- 20% tax credit for certified rehabilitation of certified historic structures – national register or historic district
- 10% tax credit for the rehabilitation of non-historic, non-residential buildings built before 1936
- State programs also available up to 25%
Case Study: Ford Center

[Image of Ford Center and surrounding area]

Candor. Insight. Results.
New Markets Tax Credits ("NMTC")

Program overview

> Federal NMTC program created in 2000 to encourage investment in low-income communities

> Investors (receiving the benefit of the federal tax credit) provide low-interest loans to businesses; many of the loans are often forgivable after seven-year compliance period

> Some states have NMTC programs

Eligibility

> Businesses must be located in qualified census tracts

> Businesses must benefit the community through job creation or retention, community services, environmental sustainability, amongst other program objectives

Funding

> Transaction size generally needs to exceed $7 million to be appealing to investors
Important: An allocation does not equal cash.

Here’s how it works:

<table>
<thead>
<tr>
<th>The Math</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NMTC allocation</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>NMTC rate</td>
<td>39%</td>
</tr>
<tr>
<td>Tax credits</td>
<td>$3,900,000</td>
</tr>
<tr>
<td>Investor discounts and costs</td>
<td>55%</td>
</tr>
<tr>
<td>Net NMTC cash to the project:</td>
<td>$2,145,000</td>
</tr>
</tbody>
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Case Study: WEDC

PROJECT OVERVIEW

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>255</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Refundable Jobs Tax Credits</td>
<td>$2,500,000</td>
</tr>
</tbody>
</table>
Program overview

> Economic development tool that allows local governments to capture an increase in property taxes (and in some states, other types of incremental taxes) and invest the funds in infrastructure and other public improvements (including developer incentives)

> TIF districts are typically created around geographic areas that are proven to have extraordinary development costs such as economic or physical blight, environmental contamination, high vacancy, etc.

Eligibility

> Often depends on the “but for” test

> Local government typically establishes a plan and policy to guide the expenditure of TIF funds

Funding Structure

> Dependent on municipal policies/financing and specific project needs

> Funds can be in the form of a grant or a loan

> Funds can be given up-front or in terms of a developer note
Example: City of Madison TIF Goals

- Grow property tax base
- Foster creation/retention of family-supporting jobs
- Encourage adaptive re-use of obsolete or deteriorating property
- Encourage urban infill
- Revitalize historic, architecturally significant buildings, historic districts
- Create a range of housing types
- Fund public improvements
- Promote superior design, building materials, sustainability
- Reserve TIF for public infrastructure and TIF loans

Example: City of Madison Ineligible Development

- Luxury Housing
- Student Housing
- Speculative Housing
- Speculative Office Development
- Tenant-Shifting Office Development
Contact:

Brad Elmer
Brad.Elmer@bakertilly.com
608-240-6760

Wade Goodsell
Wade.goodsell@bakertilly.com
608-240-6783