

# RECCON

THE GLOBAL RETAIL REAL ESTATE CONVENTION

**SPRING 2009**

**MAY 17- 20**

**Las Vegas, NV**

*“Site Incentives, Tax Credits &  
Tax Strategies.....Are They the Difference  
Between  
Success and Failure”*

- **Moderator:**

***G. Lamont Blackstone, G.L. Blackstone & Associates***

- ***Site Incentives & Tax Credits:***

***Bruce Ryals, Tax Credit Management***

- ***Cost Segregation:***

***Greg Bryant, Bedford Cost Segregation***

- ***Energy Credits / Green Building Incentives:***

***Ellen Sinreich, Green Edge***

- ***Bond Options:***

***Dan McRae, Seyfarth Shaw***

# We will cover:

Site Incentives

Tax Credits

Energy Credits

Bond Options

Green Building Incentives

Cost Segregation

Tax Strategies

# # 1 Case Study

## Retail Re-Development

\$ 4 million dollar investment:

- \$ 2 million exterior
- \$ 2 million interior



# Case # 1

## Site Incentives & Tax Credits

### Situation

- A developer bought an existing shopping center.
- He wanted to upgrade the facilities.
- Painting and working on elevated infrastructure were required.
- Significant expenditures were: interior lighting, HVAC, and re-configuring the square footage.

### Approach / Things to Consider

- Budgeted for improvements: \$ 4 million dollars
  - \$ 2 million exterior
  - \$ 2 million interior

### Results

- \$500,000 in State Income Tax Credits

# Case # 1

## Cost Segregation

### Approach / Things to Consider

- Immediate write down of over \$300,000 adjusted basis (un-depreciated balance) of HVAC, lighting and façade
- If completed in 2009, most of the \$2 million interior renovation would be subject to a 15-year Qualified Retail Improvement treatment (subject to regs)
- A portion of the above amount could be subject to 5-year recovery as well

### Results

- **Immediate Benefits:**
  - \* \$120,000 of taxes saved @ 40% blended rate – asset write down
  - \* 1<sup>st</sup> year benefit of over \$235,000 (taxes saved) as compared to straight-line depreciation
- **Future Benefits:**
  - \* Ability to write down other assets in the future

# Case # 1

## Energy Efficiency Incentives

### Approach/Things to Consider

- Lighting
- HVAC
- Energy efficient equipment

### Results

- Federal Tax Deduction - \$48,000
- NY State
  - Cost sharing for tech assistance
  - Maximum Cash Incentives:  
\$30,000 or \$2M  
Prescriptive or Performance Based  
Lighting, HVAC, chillers,  
motors



# Case # 1

## Bond Options

### Approach / Things to Consider

- Is spending for public infrastructure?
- CID might be available?
- Possible TIF or TAD?
- NMTC?
- EZ Bonds?
- Build America Bonds or Recovery Zone Bonds?

### Results

- Up front funds to be paid back by incremental increases in property tax (TIF or TAD)
- Low interest loans
- Tax exempt financing (EZ Bonds, public infrastructure)
- Tax advantaged bonds to finance public infrastructure

# Case # 1

## Summary

### Approach / Things to Consider

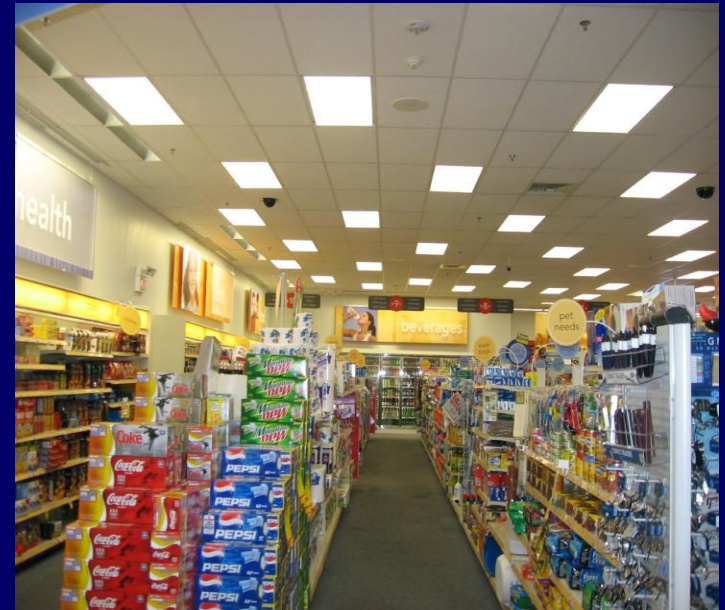
Budgeted for improvements:

\$ 4 million dollars

- \$500,000 in State Income Tax Credits
- \$1,000,000 Cost Segregation impact
- \$48,000 in Federal Energy Tax Ded
- \$20,000 in NYSERDA funds
- \$1,000,000 in TIF

### Results

- Total Impact: \$ 3,068,000



# # 2 Case Study

## Retail Development

\$ 15 million dollars

Supermarket-anchored  
neighborhood center



# Case # 2

## Site Incentives & Tax Credits

### Situation

- A retailer wanted to develop a supermarket-anchored outside center

### Approach / Things to Consider

- State Income Tax Credit
- Property Tax Abatement
- Possible TIF
- Brownfield issues
- Community Development Block Grant

### Results

- \$980,000 State Income Tax Credit
- City agrees to absorb cost for clean-up of a Brownfield issue
- \$500,000 in a CDBG to assist with public infrastructure

# Case # 2

## Cost Segregation

### Approach / Things to Co

- Close evaluation and coordination with tax professionals to cost out off-site improvements
- Assist client with analysis of build to suit vs. allowance

### Results

- **Immediate Benefits:**
  - \* Depending on contract dates, lease language and in-service dates, a large part of the contract Bonus Depreciation resulting in \$1 million in first year tax savings
- **Future Benefits:**
  - \* CSS will establish a benchmark for asset tracing and retirement of tenant improvements.

# Case # 2

## Energy Efficiency Incentives

### Approach / Things to Consider

- State programs
- Utility programs

### Results

- Austin Energy Power Saver  
\$55,000 cash rebate
- Seattle Density Bonus  
LEED certified buildings qualify  
for increased FAR more than  
three times standard FAR



# Case # 2

## Bond Options

### Approach / Things to Consider

- Public Infrastructure?
- TIF or TAD?
- NMTC?
- IDA / IRB?
- Build America Bonds or Recovery Zone Economic Development Bonds?

### Results

- \$500,000 in IDA Bonds purchased to fund public infrastructure
- Up-front funds to be paid back by incremental increases in property tax (TIF or TAD)
- Low interest loan financing
- Tax advantaged bonds to finance public infrastructure



# Case # 2

## Summary

### Approach / Things to Consider

- State Income Tax Credit
- State Energy Programs
- Consideration of lease language for tenants
- Assist with analysis of build-to-suit for anchor tenant
- Brownfield
- Energy efficiency credits
- Public Infrastructure
- IDA Bonds
- CDBG



### Results

\$ 2.197 million in total incentives, plus  
\$ 1 million in 1<sup>st</sup> year tax

# # 3 Case Study

## Retail Re-Development

\$ 30 million dollars

Strip Mall / Supermarket

50,000 sq ft empty

150,000 sq ft total

48,000 sq ft grocery store  
new façade



# Case # 3

## Site Incentives & Tax Credits

### Situation

- A retailer wanted to re-develop an under-utilized strip mall

### Approach / Things to Consider

- Property Tax Abatement (10 yrs.)
- Personal Property Tax Abatement (10 yrs.)
- Business License Fees Abatement (10 yrs.)
- Supermarket Tax Credit
- Sales Tax reimbursement for Builder's Materials
- Historical Credit

### Results

- Estimated Total Benefits: \$ 4 million dollars

# # 3 Case Study

## Retail Re-Development



# Case # 3

## Cost Segregation

### Approach / Things to Consider

- Cost Seg of retail and consideration of lease language for tenants
- Asset retirement studies to write down un-depreciated amounts of 39-yr assets such as roofing, facades, and other improvements.
- Evaluation of eligibility for 179D energy tax deductions for lighting and HVAC retrofits
- Assistance with lease language to maximize current tax legislation as it pertains to Bonus Depreciation and Qualified Retail Improvements

### Results

- Write down of over \$200,000 in assets to be retired as part of re-development
- Up to \$296,000 in Energy Tax Deductions for lighting and HVAC retrofits (for 2009)
- Potential for up to \$4.5 million in bonus depreciation plus accelerated depreciation for QLI/QR

# # 3 Case Study

## Retail Re-Development



# Case # 3

## Energy Efficiency Incentives

### Approach / Things To Consider

- Lighting, HVAC, Envelop
- Federal Tax Deductions
- State, City and County Programs
- Utility Programs

### Results

- \$270,000 from Washington State Puget Sound Energy Program
- \$30,000 from Kings County for LEED certification
- \$180,000 Federal Tax Deduction for Energy Efficiency



# Case # 3

## Bond Options

### Approach / Things To Consider

Public Infrastructure ?

TIF or TAD?

NMTC?

IDA / IRB ?

Special Assessment Bonds?

Build America Bonds and Recovery Zone Facility Bonds?



### Results

Tax exempt bonds – low interest financing

Up-front cash repaid from incremental increase in property taxes

Low interest loans

Up front cash repaid from special assessments

Tax advantaged bonds to pay public infrastructure

# Case # 3

## Summary

### Approach / Things To Consider

- Incentives and Tax Credits
- Cost Segregation
- Energy Credits
- Bond Options

### Results

- Estimated Total Impact: \$ 9,476,000



# # 4 Case Study

## Mixed-Use Development

\$ 500 million dollars

4,000 acres

(Golf Course, Condos,  
Big Box Retail, Hotel,  
Office Complex)



# Case # 4

## Site Incentives & Tax Credits

### Situation

- An owner/developer wanted to develop a resort-oriented mixed-use project.
- Project included 4,000 acres set aside for municipal buildings, a golf course, big box retail, and condos.

### Approach / Things to Consider

- TIF
- IRB Bonds

### Results

- \$ 27 million dollars – TIF
- \$100 million dollars – IRB Bonds

# # 4 Case Study

## Mixed-Use Development



# Case # 4

## Cost Segregation

### Approach / Things to Consider

- Basis allocation of land to the different phases or types of development
- Establishment of ownership structure of roadways, determination of off-site costs and tax treatment
- Cost Segregation of retail and consideration of lease language for tenants

### Results

- Tax Benefit: Accelerated approximately \$80 million dollars into shorter recovery periods
- ADS may apply since Bond Finance is involved

# # 4 Case Study

## Mixed-Use Development



# Case # 4

## Energy Efficiency Incentives

Solar Energy: 1200 kWh system -  
\$8.1M cost

Federal Tax Credit: \$2.4M

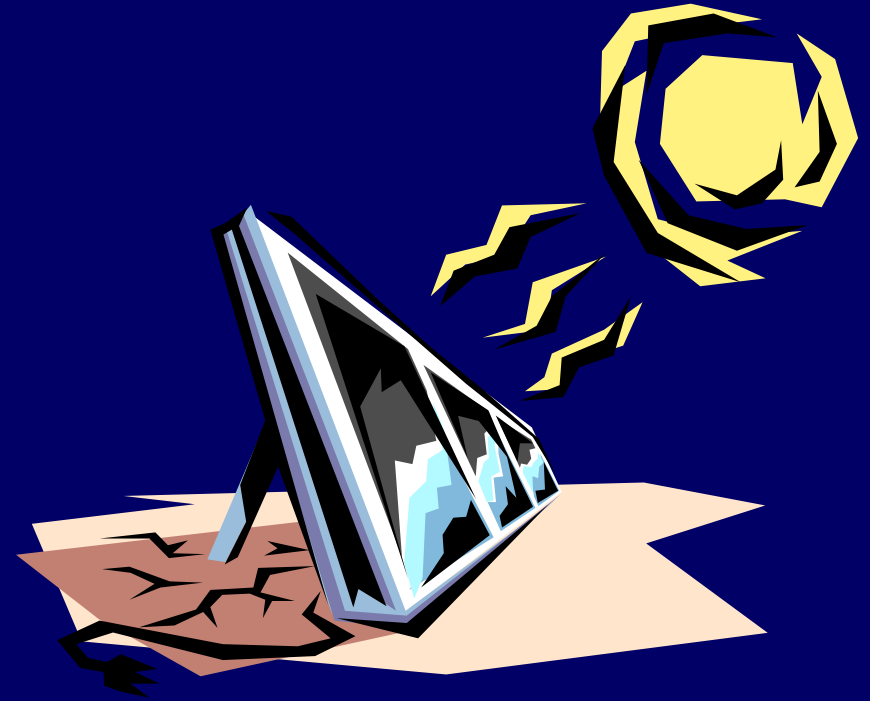
California State Rebate:  
\$250,000 for 5 years

Federal Accelerated  
Depreciation

LEED Certification

Nevada Property Tax  
Abatement - 25 – 35%  
abatement for 10 years

Arlington Increased FAR - 15%  
- 35% bonus square footage



# # 4 Case Study

## Mixed-Use Development



# Case # 4

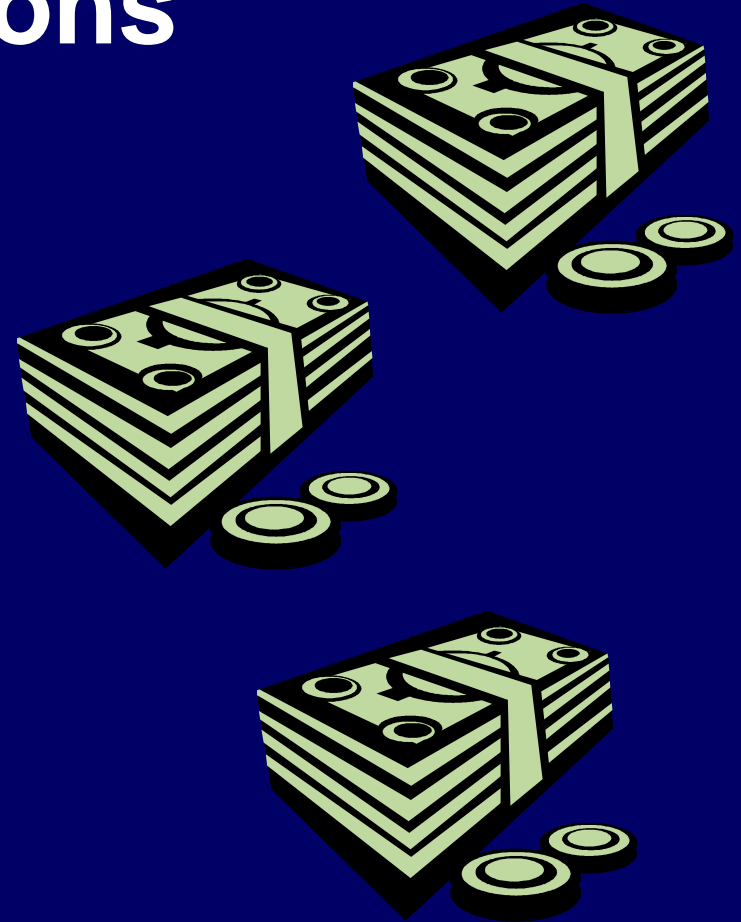
## Bond Options

### Approach / Things to Consider

- Public Infrastructure
- TIF
- IRB Bonds
- Build America Bonds Recovery Zone Bonds

### Results

- \$ 27 million dollars – TIF
- \$100 million dollars – IRB Bonds (up-front funds to be paid back by property tax)
- Low interest financing
- Tax advantaged bonds to finance public infrastructure



# # 4 Case Study

## Mixed-Use Development



# Case # 4

## Summary

### Approach / Things to Consider

- Tax benefit of an accelerated estimated
- Possible ADS
- Energy incentives: \$ 2,650,000
- Bond financing: up-front funds to be paid back by property tax in the amount of \$127,000,000 in IRB Bonds

### Results

Estimated Total Impact: \$ 129,650,000 +



# QUESTIONS



# “Meet & Greet”

- If you have any further questions, you are welcome to join all of us at our “meet & greet” immediately following the panel discussion. Look for us at Booth C-191 – H Street, (corner of H Street and Nineteenth Avenue).