

Thursday April 4, 2024

Dear Chair Rest, Vice Chair Klein and members of the Senate Tax Committee:

*I'm writing to encourage you to vote in favor of SF5194, the credit for conversion of underutilized buildings.*

I own and operate a real estate development company focused on boutique multifamily development projects and I cover both new construction and adaptive reuse/conversion projects.

SF5194 would provide an essential resource to close the construction financing gap that is common in most projects but uniquely challenging in conversion projects, where construction costs are often 2-3x greater than new construction.

I am working on a specific building in Minneapolis that would become viable with this credit but currently is not viable, even with the 20% state and 20% federal historic tax credit programs. While typical new construction costs for this type and size vary from \$250-\$350k per unit, the costs to convert this existing commercial building to upper level residential and ground floor retail have come in from 3 different contractors at nearly \$600k/unit. Historic tax credits can cover roughly \$200k of this difference, but an additional 10% through substituting the 30% CUB credit for the 20% state historic tax credit in SF5194 turns this project from a hope and a dream into a reality.

I know from speaking with many other developers with similar projects that this math has broad applicability, especially in the Twin Cities metro area where we have an abundance of underutilized commercial buildings holding back our neighborhoods and downtowns. There is broad consensus that we need to invest in our downtowns and neighborhood cores, and the public private partnership embedded in SF5194 is a model way to do so. And we need to act urgently.

Thank you in advance for your consideration.

Regards,

Ari Parritz  
Founder and President, Afton Park Development