

# ADAPTIVE REUSE OF UNDERUTILIZED & VACANT BUILDINGS

SF5194 | HF5191

The Minnesota Adaptive Reuse/Conversion of Underutilized and Vacant Buildings (“CUB”) Tax Credit will provide a necessary incentive for revitalizing existing buildings in small and large communities across the state. The MN CUB credit is a six-year program designed to provide assistance to convert vacant and underutilized buildings into spaces that meet today’s needs.

## Why is this needed?

Multiple economic and social factors have led to an unprecedented number of vacant and underutilized buildings in core cities, suburbs, and small downtowns alike. Converting these buildings to new uses requires major changes: to plumbing, electrical, and HVAC systems; to water and sanitary sewer infrastructure; and to critical building components such as elevators, stairways, sprinkler systems, and operable windows. With current interest rates, building owners and developers find it challenging to finance these extensive alterations. Buildings remain vacant despite heightened demand for affordable housing and suitable commercial spaces that provide resilient mixed uses and essential services including childcare.

Long-term vacancy turns into blight, which begets more blight and a cycle of disinvestment that is extremely difficult for communities to recover from – and which usually results in extensive demolition and plummeting property values. Commercial vacancies also tend to shift property taxes from corporate landlords to residential property owners. The result of that shift is higher housing costs for homeowners and renters alike and/or cuts in municipal services and school funding.

## Program Overview

- Temporary, targeted program to meet current needs and ward off future decline.
- Tax Credit is equivalent to 30% of Qualified Conversion Costs. A grant equal to 90% of the credit amount is available for conversion projects under \$5 million.
- Buildings must be at least 15 years old and converted to a new, habitable, income-producing use. A building that has had at least 50% of its occupiable floor area vacant for at least 5 years also qualifies for converting the vacant area to habitable condition, regardless of previous use.
- At least 75% of the external walls of the structure must remain standing and 75% of the existing internal structural framework must be retained in place.
- The conversion work must be completed within three years of application for the CUB Credit
- CUB credit may be used with other incentive programs *except* the MN Historic Tax Credit.

## Examples of Qualifying Projects

- Low-rise office buildings converted to mixed use housing and commercial spaces
- Churches converted to daycare centers
- Schools converted to senior housing
- Armories converted to housing
- Shopping centers converted to recreational facilities
- Theaters converted to restaurants or event venues
- Vacant upper stories converted to housing



