



**National Trust for
Historic Preservation**

May 14, 2018

The Honorable Jim Tedder, Chair
House of Representatives
Anderson House Office Building
P.O. Box 30014
Lansing, MI 48933

RE: in support of HB 5178 and SB 469 to create a state historic tax credit

Dear Chairman Tedder and members of the Committee,

On behalf of the Michigan members of the National Trust for Historic Preservation, thank you for the opportunity to testify about the multitude of benefits historic tax credits offer to state governments.

Over the past three decades, the National Trust has tracked the enactment of 35 state tax credits for historic rehabilitation. We have found that these credits attract private investment to restore historic properties that likely would have otherwise been demolished. Time and again these rehabilitated properties demonstrate their ability to revitalize Main Streets, downtown areas, and our older communities.

Specifically, we have learned that:

Historic Tax Credits Fill a Critical Financing Gap. Because banks lend fewer dollars for historic rehabilitation projects, incentives are needed to fill the financing gap and make these renovations possible. So recognizing an incentive is needed to drive private investment into our older communities, the federal government and 35 states provide historic tax credits.

Historic Tax Credit Projects Begin to Pay Back the State's Investment Immediately. Independent studies have concluded that one-third of the state's investment is paid back during the construction phase. For example, the Maryland Governor's Task Force on their historic tax credit program found that for every \$1 paid out by the state, \$0.34 was returned prior to any credit being paid out and the building placed into service.¹ Cleveland State University found that for every \$1 invested by Ohio, \$.33 was returned during the construction phase because of state taxes on labor and materials.²

Because the tax credit is not awarded until the project is complete, the state gains revenue from the taxes paid on materials and labor prior to the building's occupancy.

The same Maryland study also reported that an average of \$1.02 was returned in the first year and an average of \$3.31 had been paid back to the state the fifth year after the project's completion.

Historic Tax Credits Create Jobs. The same study of Ohio's historic tax credit program found that every \$1 million invested by the state resulted in \$8 million in construction spending (83 construction jobs) and \$32 million in total operating impact (298 jobs).

\$1 million invested by Ohio = \$8 million in construction spending = 83 construction jobs
\$1 million invested by Ohio = \$32 million in total operations spending = 298 jobs

¹ Final Report of the Governor's Taskforce on Maryland's Heritage Structures Rehabilitation Tax Credit, 2004

http://mht.maryland.gov/documents/PDF/TaxCredit_Studies_Gov_TaskForce_2004.pdf

² <http://www.development.ohio.gov/files/redev/OHPTC%20Economic%20Impact%20Study%20-%20May%202011.pdf>



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Historic Rehabilitation Creates More Jobs Than Manufacturing or New Construction.

According to researcher Donovan Rypkema, historic rehabilitation creates 5.7 more jobs than manufacturing and 2 more jobs than new construction for every \$1 million spent because it is labor intensive. Costs of rehabilitation are typically 60-75% labor and 25-40% materials, while new construction is about half labor and half materials. Labor and materials for historic rehabilitations tend to be hired and purchased locally.

In Missouri, these historic rehabilitation projects created a total of 6,871 jobs—and \$60 million in state and local tax revenue—the first four years of their tax credit program according to a study by Rutgers University.

State Historic Tax Credits Leverages Federal Investment in Our Older Neighborhoods and Spur More Rehabilitation. Researchers have determined that states with high-performing tax credit programs bring between \$3 and \$7 million in federal tax credits annually back to those states.¹

A Rutgers University study of the Kansas historic tax credit, for example, found that in the 21 year period before the their state credit was in place, there was an average of 2.4 federal historic tax credit projects per year—with a total of \$114 million invested in their vacant and under-utilized historic buildings.

In the 8 years following enactment of their historic tax credit, Kansas saw an average of 68 historic rehabilitations completed—representing an investment of \$271 million in repurposing the state's historic buildings.

According to the Texas Historic Commission, their state historic tax credit has dramatically increased the number of projects applying for federal historic tax credits.

For example, between 1987 and 2007 (a twenty-year period), Houston had 40 certified historic tax credits with a total “qualified rehabilitation expenditures” in the amount of \$217 million.

Since their state historic tax credit went into effect in 2013 and 2017 (a four-year period), they have 12 active projects being certified for the federal credit with estimated rehabilitation expenditures of \$214 million.

As an Economic Development Tool, Historic Tax Credits Revitalize Local Communities.

Historic tax credits put vacant and underperforming buildings back on property tax rolls. According to the Wisconsin Historical Society, 60% of that state's historic tax credit projects in 2014 were used by owners whose buildings were vacant prior to renovation.

The renovation of the 1882 former Pabst brewery building into downtown Milwaukee's Brewhouse Inn and Suites led to an increased tax assessment of 907% (the building's assessed value rose from \$1.4M to \$14.3M). Moreover, during the renovation, 111 jobs were created. Today, the ninety-room extended-stay hotel employs 28 people (18 FT/10PT), while the restaurant/bar has 51 employees (26 FT/ 25 PT).

Historic tax credit projects also increase neighborhood property values according to a National Trust for Historic Preservation report. Since the completion of two key rehabilitation projects in Salt Lake City's Depot District, the market value of properties in the area has increased 22.5% — at a time when the citywide property values declined more than 17%.³

Historic tax credit projects act catalyze redevelopment. For example, Mayor Sandy Decker believes the renovation of the 1907, two-story commercial building known as the Eager Economy Building had a

³ Place Economics, “Catalyst for Change, The Federal Historic Tax Credit: Transforming Communities.” Prepared for the National Trust for Historic Preservation, 4, June 2014.