



Frequently asked questions about the push for restoring Michigan's Historic Tax Credit

Q. How much money will this tax credit cost?

A. It will vary by year and by the number of applicants, but in 2011, the last year of the credit, \$6 million in credits were awarded.

Q. Why is the tax credit so necessary if it's such a small amount?

A. This is a small investment that will pay huge dividends. A mere \$6 million or so out of the state's \$56.8 billion budget is a drop in the bucket, but it can be the difference-maker between whether projects happen or not, and whether a community thrives or not.

Q. I thought Michigan already had a historic tax credit?

A. The state historic tax credit that was implemented in 1999 was eliminated in 2011.

Q. Is this just a handout for wealthy developers?

A. No, it's a major economic engine! When Michigan had the historic tax credit, every \$1 spent on historic preservation yielded \$11 in direct economic impact. The rehabilitation of a gorgeous historic structure often spurs nearby development and generates other secondary benefits, such as increased tourism and putting previously unused buildings back on the tax rolls. Over the previous Michigan historic tax credit's 12-year lifespan, the credits leveraged \$251 million in federal tax credits and helped create 36,000 jobs while incentivizing \$1.46 billion in direct rehab expenses.

Additionally, according to a study by Clarion Associates, jobs created by the preservation of historic structures in Michigan create far more jobs than incentives for other industries. Every \$1 million spent on rehabbing a building created 11 more jobs in Michigan than the same amount spent on manufacturing chemicals and eight more jobs than that figure spent on manufacturing auto parts or accessories.



Q. Do other states have historic tax credits?

A. Michigan is one of only 15 states in the country that do not have historic tax credits. That puts Michigan at a severe disadvantage when it comes to recruiting development, investment, jobs and residents. Michigan developers are going to nearby states that have state historic tax credits to develop historic projects.

Q. How does a project qualify for the tax credit?

A. To qualify, generally a property must be deemed a contributing building to a local historic district. In communities with fewer than 5,000 people, which may not have such a designation, the property may be listed on the State or National Register of Historic Places to qualify instead. Not just any building can qualify.

Q. What can these tax credits be used for?

A. For everything from repairs on historic homes to the large-scale rehabilitation of commercial properties, from office towers to old stores.

Q. Will this benefit big cities and leave smaller communities out?

A. No, quite the opposite. Smaller communities stand to gain the most from this credit. Because smaller communities often don't see the attention of larger cities, it is often more difficult to secure investors, developers or financing, making the tax credit even more important in factoring whether a building will be saved or not. Michigan's smaller communities need more tools at their disposal than larger cities in order to unlock key redevelopment projects and the economic development they'll bring. Consider the state historic tax credit the key that these smaller communities need to make these projects feasible and breathe new life into empty buildings and put them back on local tax rolls.

Q. Who uses the tax credits? Is it for only the heavily populated counties?

A. No! Over the 12 years Michigan had a historic tax credit, properties in 38 counties across the state utilized it. Nearly 80 communities from every corner of Michigan have enacted historic district ordinances under the state historic district act, making them eligible for future state credits.



Q. Isn't listing a building on the national or state register of historic places enough to save them?

A. No. Listing a property on the national or state registers is an honorary designation that does nothing to preserve its historic integrity, help with maintenance, or spare it from demolition. The state historic tax credit helped property owners invest in these places and save them for future generations.

Q. Why does preservation matter?

A. Preservation of Michigan's historic resources enhances the quality of life and beauty of our state while saving our culture and architectural treasures for future generations. Once these places are gone, they're lost forever. By preserving our historic buildings, we are not only preserving our culture and our history, but also a sense of place that these buildings create, enlivening communities and making areas where people want to live and spend time. Historic buildings enhance our quality of life.

Adaptive reuse of Michigan's historic resources stimulates both the state and local economies through investment, job creation and community revitalization. It also increases property values, which is good for both property owners and local governments.

Historic buildings are built with higher-quality materials, such as hardwoods from old-growth forests that no longer exist and are decorated with ornate plaster and stonework that we can't replicate today. They simply don't build them like they used to.

Placemaking is key to a prosperous Michigan. Both younger and older people today want to live in places with culture and history, not cookie cutter developments. We need to continue revitalizing the kind of communities that make Michigan attractive to employees and employers alike.

There's also strong evidence that historic properties help to develop a strong, authentic character that attracts residents and tourists, increases neighborhood pride and cultural identity, and helps a community stand out as unique.

Q. What are some examples of buildings that may not have been saved without the tax credit?

A. Among the projects the tax credit helped make possible: the Nisbett Building in Big Rapids, the Mutual Building in Lansing, the Book-Cadillac Hotel in Detroit, the Temple Theatre in Saginaw, the Amazon Building in Muskegon, the Perry Hotel in Petoskey, the Durant Apartments in Flint and many, many more.



Q. What guarantee do we have that a developer will do the project if he or she gets the credit?

A. The credits are claimed only *after* eligible expenses are incurred, which means that labor, materials and “soft costs” – such as research, architecture, engineering and design fees – have already generated significant economic impacts, as well as state and local tax revenue, before the developer received a penny of the credit. And the projects must stay in compliance with the Secretary of the Interior’s Standards for Rehabilitation for five years following completion of the project or face recapture.

Q. If historic buildings are being saved in Michigan without the tax credit, why do we need it?

A. The vast majority of historic renovations in Michigan are in big cities like Detroit and Grand Rapids. Our smaller communities are not seeing that same level of investment. Further, the state tax credit can be used on both commercial and residential structures. The federal tax credit can be used on only commercial (i.e. income-generating properties), so owners of historic homes in Michigan currently don’t have help at their disposal in maintaining or repairing their property.

OPINION

CRAIN'S DETROIT BUSINESS

Restore tax credit



OTHER VOICES
Bob Kraemer

Job creation, revitalized neighborhoods and higher property values are all essential aspects of a thriving community. Here in Michigan, we can make progress in these areas and more through restoration of the Historic Preservation Tax Credit, which is currently under review in the Legislature.

It's no surprise that restoring and revitalizing historic properties requires significant investment, but we all stand to benefit from this work.

Detroit is a prime example, with no shortage of beautiful historic buildings, many of which are more than 100 years old. Today, development in Detroit is transformational in part through the reuse of historic spaces — for instance, when former office spaces become multifamily housing or retail destinations.

What's old is new again, and the ability to breathe life back into these buildings has been a big part of the city's comeback.

The federal Historic Tax Credit program makes restoration work in Detroit — and across the state — possible. According to the National Park Service report on the federal program's fiscal year 2017, the qualified rehabilitation costs for projects completed in Michigan totaled an estimated \$158.7 million. Our own work within the state accounted for 43 percent of that total, so we are seeing firsthand the benefit this type of tax credit can have on projects here at home.

However, without a tax credit at the state level, Michigan falls behind the rest of the nation. After the state tax credit was eliminated in 2011, Michigan became one of only 15 states without this type of incentive. As a result, historic buildings and homes are at increased risk of falling into disrepair, which can be irreversible.

Unlike the federal credit, the Michigan Historic Preservation Tax Credit isn't limited to developers and commercial projects. At the state level, this credit offers a direct benefit to homeowners and serves as an easy tool to apply toward stabilizing neighborhoods and increasing residential property values.

If this tax credit is restored, homeowners can immediately put it to work, receiving a 25 percent credit for every qualified dollar spent. For example, a historic home — or home in a historic neighborhood recognized on the National Register of Historic Places — with a \$200,000 rehabilitation project would return \$50,000 in

credits back to the homeowner.

There's also an immediate impact on the job market. There would be a need to fill high-quality, professional jobs to complete this work. When the tax credit was available in our state, a study from Clarion Associates indicated that spending \$1 million on the rehabilitation of buildings would create 11 more jobs than manufacturing chemicals and eight more jobs than manufacturing vehicle parts and accessories.

The economic return is proven. When Michigan offered this type of tax credit from 1999 to 2011, incentivized direct rehab expenses totaled \$1.46 billion. In that period, 36,000 jobs were created to do the work. From 2001 to 2005, the economic impact across the state was valued at more than \$1.93 billion. The overall economic impact was \$11 for every dollar spent on historic rehabilitation. Think of what that could do for our neighborhoods.

To continue the tremendous growth that's happened in downtown Detroit and expand the reach of that movement to the surrounding neighborhoods, restoring the Michigan Historic Tax Credit is a simple solution. Michigan has phenomenal communities with historic elements that should be preserved, and this credit can be utilized by all, from small towns and villages to our biggest cities.

Senate Bill 469 and House Bill 5178 have been introduced into our Legislature, and now, as members of the MI Impact Coalition, we are asking our friends and neighbors across Michigan to contact their representatives and senators to show support for this legislation.

Reestablishing the Michigan Historic Preservation Tax Credit and preserving our great history is a worthy endeavor for generations to come.

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