

Assembly Standing Committee on Ways and Means

Legislative Hearing on the 2009 Executive Deficit Reduction Plan

Wednesday, October 21, 2009
Hearing Room B, Legislative Office Building
Albany, New York

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Historic Preservation's Key Role in Economic Stimulus and Recovery

As New York's statewide preservation advocacy not-for-profit, the League has worked diligently to represent the economic stimulus and public policy benefits of historic preservation, ranging from preservation's key role in economic redevelopment policy to its integral place in smart growth planning efforts.

If New York is to be successful in preserving open space, working farmland and curbing sprawl, economic development must be directed back to existing municipal infrastructure, and that will require recognition and reuse of New York State's extraordinary legacy of historic buildings in our commercial downtowns and residential neighborhoods across the Empire State.

Because New York State faces a severe budget challenge, now is the time to prioritize implementation of the tools and programs that target public and private reinvestment where it is most needed, in ways that most effectively leverage private and federal dollars for community renewal and economic reinvestment, and in ways that most aggressively and immediately meet economic stimulus benchmarks. Historic preservation, building rehabilitation, and community revitalization have a key role to play in that effort.

NYS Rehabilitation Tax Credit programs, expanded 2009

The New York State Legislature passed major legislation this year that was designed to accomplish these goals. A.9023 (Hoyt) and S.6056 (Valesky) provides expanded financial incentives for the rehabilitation of historic commercial and residential properties. This program balances these new incentives with fiscal restraint, capping the value of the credit for commercial and residential projects and sunsets the program in 2014.

Governor Paterson signed this legislation into law on July 28, 2009, noting that the enhanced rehabilitation tax credit "will breathe new life into the State's historic downtown areas while creating jobs and revitalizing the economy." A study by HR&A Advisors of New York projects a 13-1 return on

investment to New York State from this program, and over \$510 million of economic activity resulting from program implementation over the next five years.

Much of that activity will take place in Upstate New York. Within a half-hour of the Governor's bill signing, an \$8.5 million dollar building renovation project was announced in Buffalo. Within several weeks, the Preservation League and our colleagues in the economic development community around New York State were hearing that multi-million dollar reconstruction projects in cities such as Rochester, Syracuse, Binghamton, and in the Capital Region were going to move forward because of the critical financing that this program could provide.

Informational workshops throughout Upstate this fall have drawn significant attention to both the commercial and residential property components of this program. Workshops in all of the above cities have drawn nearly 500 developers, local officials, financial partners, and building owners to consider the value of the expanded rehabilitation program. Significant redevelopment projects and their resulting economic stimulus, lay just ahead, awaiting program implementation in January 2010.

However, a recent program guidance letter from the Department of Taxation and Finance (September 10, 2009) places a significant restriction on the program, preventing banks and insurance companies, significant investors nationally in historic preservation tax credit projects, from applying the newly expanded New York Rehabilitation Tax Credits to their Article 32 and Article 33 franchise taxes. At this time, it is the League's perspective that this interpretation restricting tax credit application only to Article 9-A (franchise tax on general business corporations) and Article 22 (personal income tax) represents a severe impediment to program success and its expected economic and community revitalization benefits. (Letter attached.)

This guidance letter from the Department of Taxation and Finance has stopped commercial redevelopment projects and investors cold. Nationally, banks and insurance companies represent the most experienced and significant pool of project investors in tax-credit catalyzed projects. Leading projects that would demonstrate the opportunity and success and catalytic impacts of this project are now on hold.

This restrictive interpretation must be corrected, or there will be few projects in New York State that deliver on the promise of this program. Legislative action may be required to do so, and the sooner the better to signal to investors and developers that reinvestment in our urban cores is a priority for New York State.

The residential rehabilitation tax credit program has been fixed by the 2009 legislation, and is not subject to the issues and guidance described above. More than 31,000 homes across New York State are now qualified for the residential program, and homeowner interest has been strong. The Preservation League would like to work with Assembly and Senate member office staff to design a constituent outreach and response program for the residential program so your offices will be prepared to respond to calls that will be coming in 2010.

Environmental Protection Fund (EPF)

The Deficit Reduction Plan proposes a \$10M reduction in the Environmental Protection Fund appropriation. If adopted by the Legislature, it would reduce the EPF appropriation from \$222M to \$212M. This will be achieved through a reduction of approximately 4.14% to most categories of the EPF across the board. An equal percentage of funding was removed from all affected categories. The \$10M would not be achieved through a “sweep” as has been done in the past, but through a reduction to the EPF appropriation. This action requires legislative approval.

Further cuts to the EPF are problematic and result in missed opportunities to protect New York’s land, air and water, boost our economy, and provide clean drinking water to residents.

Cuts to the EPF set back efforts to restore the state economy and protect critical natural and historic resources. Over the past seven years, close to half a billion dollars that was dedicated to restoring the state’s environment has been taken for non-environmental budget purposes.

Organizations and local governments working in partnership with the State are waiting for environmental funding that will deliver on promises made to complete important projects in our communities that create green jobs, boost the economy, and protect clean drinking water. Any diminishment in EPF funding represents an economic and environmental loss for New York State.

NYS Council of the Arts

One of the Preservation League’s strongest partners in New York State is the Council for the Arts. The League receives both general annual operating support from the Council and administers the Preserve New York re-grant program that provides the sole source of public funding in New York State for historic resource surveys and historic structure reports, the documentation that is at the heart of preservation planning efforts at the local municipal level. Further cuts to NYS Council for the Arts funding would significantly impede our ability to deliver technical and financial support on preservation issues to municipalities and non-profit groups throughout the state.