



Memorandum of Support
A.9023 HOYT (Passed Assembly)
New York State Rehabilitation Tax Credit for
Historic Commercial and Residential Properties

Preservation League Position

The Preservation League joins with numerous municipalities, economic development, environmental and historic preservation organizations across New York in support of legislative passage of this proposal to amend the tax law, in relation to providing a tax credit for the rehabilitation of historic properties. This program will serve the economic stimulus needs of municipalities throughout New York State while targeting new private and federal investment where it is most needed – our economically distressed downtowns and older commercial districts, main streets, and older residential neighborhoods.

The legislation will improve the existing but underutilized New York State Rehabilitation Tax Credit programs to better serve municipal redevelopment and economic stimulus goals by providing more effective incentives and program features to developers and municipalities considering the rehabilitation of historic buildings. This legislation would bring the NYS program in line with "best practices" and program features of highly successful rehabilitation stimulus programs in other states, and will provide New York with an improved incentive to realize redevelopment, job creation, enhanced tax base growth, increased homeownership rates, and reinvestment in existing municipal infrastructure.

Action Sought

The Preservation League urges that the New York State Legislature pass this bill, which would enhance the State Income Tax credit programs for rehabilitation of historic commercial and residential structures to more effectively serve economic stimulus and community renewal goals throughout New York.

Explanation and Justification

The establishment of New York's first-ever rehabilitation tax credit (Chapter 547 of the Laws of 2006) was welcomed and recognized as a significant legislative accomplishment. However, there are strong and widely-held concerns that the level of incentives provided in the current commercial program, as well as the residential program's restriction to ultra-distressed neighborhoods, are not configured to assure significant program use and thus achieve economic stimulus and community redevelopment goals in New York State communities.

This bill makes the following changes to the existing rehabilitation tax credit program:

Commercial Rehabilitation Stimulus Program

These changes will stimulate the rehabilitation of a larger number of commercial structures well above those revitalized at the current level of federal and state incentives:

- Limits the commercial program to distressed census tracts, defined as "at or below" 100% State Median Family Income
- Matches the federal rehabilitation credit program rate of 20% of qualified rehabilitation costs
- Caps the credit at a maximum of \$5 million per project
- Sunsets the program in 2014.

Residential Rehabilitation Stimulus Program

These changes will allow the residential program to work effectively in a wider range of municipalities and neighborhoods:

- Expands the definition of distressed census tracts qualified for program to census tracts "at or below" 100% State Median Family Income.
- Increases cap on qualified rehabilitation costs to \$50,000
- Provides credit as rebate option for lower income levels (< \$60,000 income)
- Sunsets the program in 2014.

Together, these changes to the rehabilitation tax credit program represent a long-term investment in the economic revitalization and restoration of historic commercial business districts and residential neighborhoods in communities across New York State. These changes will leverage downtown and community revitalization by guiding new investment back to existing municipal infrastructure, spur tax-base growth by increasing property values, attract new business and vitality to existing commercial districts, and encourage the establishment of new National Register historic districts. The residential credit would extend the program benefits to a larger number of municipalities and a wider range of neighborhoods, accelerate efforts to reclaim a significant portion of older New York State housing stock, counter a growing shortfall in owner-occupied affordable housing, provide for the retention of existing community populations and attract new homeowners to established neighborhoods.

Studies of effective rehabilitation tax credit programs in other states detail an exceptional return on investment of public dollars. Rehabilitation of existing buildings has been proven to outperform the economic benefits of new construction, with particular benefits to local and regional suppliers and workforce. This program will stimulate job creation, tax-base increases, return additional federal dollars to New York State, and generate revenue for New York before any state expenditure. The success of this type of program in Rhode Island earned it recognition as the "most successful economic development program in state history."

This program reinforces New York State investments in other program and policy areas, with direct benefits across a range of program areas, from smart growth and sustainable planning to energy efficiency and conservation, affordable housing and brownfields renewal.

Fiscal Impacts

No fiscal impact in 2009-2010 and minimal fiscal impact in 2010-2011. Estimated annual credit expenditures are provided below:

2009: \$0
2010: \$0
2011: \$5.5m
2012: \$18m
2013: \$30m
2014: \$34m

Limiting the program to distressed areas, caps on the amount of funding available per project, and a 2014 sunset provision will provide cost certainty to New York State when budget impacts are paramount. The sunset provision will allow this program's expected impact to be evaluated before it is considered for renewal.

Status

The League is in ongoing discussion with the Legislature and Executive in support of securing adoption of this legislation in 2009.