Memorandum of Support
A.7935-A (In Committee)/ S.5425-A (PASSED)
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 the state that support Assembly passage of this proposal to amend the tax law, in relation to providing a tax credit for the rehabilitation of historic properties. The legislation will improve the New York State Rehabilitation Tax Credit programs to better serve municipal redevelopment and economic stimulus goals by providing a greater level of incentive and flexibility to those considering the rehabilitation of historic buildings.

This legislation brings the NYS program in line with "best practices" and program features of highly successful programs in other states, and will provide municipalities throughout New York with a new incentive to realize enhanced tax base growth, increased homeownership rates, preservation of important cultural and historic heritage, and reinvestment in existing municipal infrastructure.

Action Sought
The Preservation League urges that the Assembly join the Senate and pass A.7935-A in special session. This legislation would enhance the recently established State Income Tax credit for rehabilitation of historic commercial and residential structures.

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, do not provide enough incentive or encouragement to assure significant program use and results in New York State communities.

The proposed changes to this program include:

Commercial Program – Statewide
These changes will stimulate the rehabilitation of a larger number of commercial structures above and beyond those revitalized at the current level of federal and state incentives:
- Increases percent of credit from 30% of federal credit value to 30% of qualified rehabilitation costs
- No cap - removes the $100,000 cap on qualified rehabilitation costs.
- Makes the credit assignable, transferable, or saleable, this matching investor flexibility of federal rehabilitation tax credit

Residential Program – Distressed Areas
These changes will allow the residential program to work in a wider range of municipalities and neighborhoods:
- Increases cap on qualified rehabilitation costs to $50,000 dollars
- Adds provision to provide credit as rebate option for lower income levels ($100,000)
- Expands the definition of distressed census tracts qualified for program to census tracts "at or below" 90% State Median Income.

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.

Fiscal Impacts

Similar tax credits in other states are proven to generate state and local tax revenues in advance of state fiscal impacts, and report economic gains from program supported activity that offset a significant portion of the revenue cost to the state. In Rhode Island, the state rehabilitation tax credit program has been hailed as the most effective economic rehabilitation program in the state.

The proposed changes to the residential program will could cost $2.5 - $5 million dollars annually, based on past budget estimates by the Senate and Assembly. Changes to the commercial program could cost $40 - $50 million annually, based on an assessment of current use of the federal tax credit in New York State.

Status

The League is in discussion with Assembly members and staff in support of securing this legislation in a fall 2007 special session of the New York State Assembly.