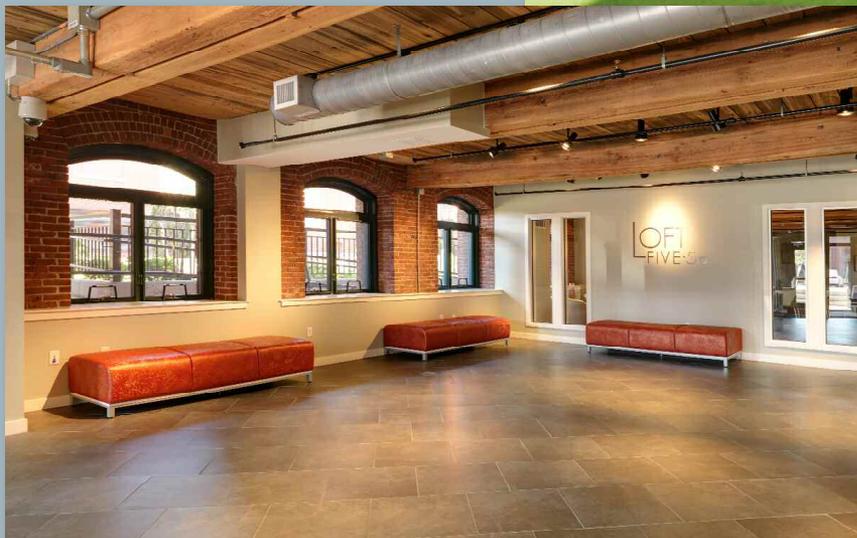


# HISTORIC

# Perfecting the Past

*Federal historic tax credits helps companies such as WinnDevelopment build high-quality housing.*





Thirty states currently offer their own historic credits that can be combined with federal money to further subsidize costs.



Historic tax credits help turn communities into low-income or workforce housing.

**T**here are some who don't support the federal historic tax credit (HTC). It's not that they are against the HTC itself, but rather tax credits all together—that's just the nature of living in a deficit-reduction society. This opinion is incredibly ill-informed and ignorant of the abundant economic benefits to the community.

Since the HTC was established in 1978, some \$20.5 billion of public money has been spent on tax credits—a large sum, make no mistake. Compare that to the \$25.9 billion in federal tax receipts netted from these projects and it becomes evident that the HTC essentially pays for itself—and then some.

Nevertheless, this misconception of wasteful spending prevails and, as a result, the affordable housing industry that depends on the HTC is constantly required to prove itself.

Despite its major success, the HTC is under constant scrutiny as a result of sequestration and massive budget cuts. Tax credits are a hot topic in state capitals and on Capitol Hill right now, especially with those who believe we don't have the money for them. Still, many others understand the economic benefits of certain tax credits beyond offsetting the up-front costs.

### **HTC Reduces Material Costs**

The HTC works on multiple levels. It would be impossible not to start with the obvious: The HTC makes projects feasible that would otherwise not work financially.

Rising construction and operating costs have made affordable housing projects increasingly difficult to finance. The HTC is a major aid in materializing projects by subsidizing costs to the point of viability. It also drives the rehabilitation of historic buildings, which preserves the character and legacy of neighborhoods and society, providing a link



*"The industry has made tremendous strides in preserving and repurposing forgotten buildings."*

—Larry Curtis, WinnDevelopment



WinnDevelopment's Curtain Lofts was once a granite mill.

to the past. These are buildings that, by definition, are without economic solutions—hence why they are empty in the first place.

They would otherwise sit vacant, bringing down property values and the quality of life in their communities. With the HTC, they can be rejuvenated to provide low-income and workforce housing for those priced out of more expensive real estate markets.

### **HTCs Deserve Attention**

WinnDevelopment, the real estate development arm of WinnCompanies, specializes in the rehabilitation and turnaround of historic properties. In Boston, Winn utilized \$3 million in HTCs to complete the historic rehabilitation of the old Pickle-Ditson factory, a vacant, underutilized mill in the Mission Hill neighborhood, into the new Oliver Lofts, creating 43 units of affordable housing and 19 units of market-rate housing while also achieving a first-in-Boston LEED Platinum Certification.

It should be noted that while housing does get a great deal of attention when it comes to the HTC—47 percent of projects involved housing during the past five years—there are other uses for these historic structures such as for office and retail spaces.

Communities don't just want housing, though,

they want jobs. Whether it's through construction or in the retail space of a mixed-use project, the HTC is a job creator. Since the inception of the credit over 30 years ago, more than 2.3 million jobs have been created by HTC-assisted rehabilitations, according to the "Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2012."

Winn's recent Loft Five50 project created approximately 100 construction jobs and three permanent jobs for the community of Lawrence, Mass. Similarly, Curtain Lofts created about 100 construction jobs and four permanent jobs in Fall River, Mass.

### **Increasing Reach**

Currently, 30 states offer their own historic credits that can be combined with federal money to further subsidize costs and create feasible projects and jobs. And those that don't offer them run the risk of developers moving their projects to neighboring states.

Rhode Island, for instance, cut its tax-credit program and has since seen few high-impact historic redevelopments come to fruition. These states should note that \$106.1 billion (in 2012 dollars) has been invested in HTC-aided rehab projects.

Developers are inclined to invest in redevelopment opportunities in states such as Massachusetts or Connecticut, which offer matching state programs, simply because it would cost less to do so.

States that do not offer credits are also in jeopardy of missing out on other economic benefits that the HTC helps bring, whether it's the \$121.2 billion of added GDP, \$9.7 billion from state and local taxes or \$89.1 billion in wages stemming from the 2,351,300 jobs these projects have created since 1978.

Winn alone has created approximately 2,000 jobs and more than \$10 million of local real estate tax revenue as a result of its historic developments.

While the credit probably isn't going away completely, it cannot continue to remain status quo. Virtually all well-located, smaller and architectural-straightforward structures, such as Winn's Oliver Lofts, have already been restored.

To continue historic rehabilitation projects, the remaining tougher projects must be tackled. Larger buildings that would need to be redeveloped in multiple phases present a more daunting obstacle because credits are awarded on completion of the project and partial rehabs don't qualify. Changes need to be made to the technical rules to avoid these unintended hurdles.

On the opposite end of the spectrum, though, are smaller historic buildings. Many of these are owned by non-developers who aren't familiar with the administrative requirements of the credit and therefore do not use them, which can threaten the historical significance of the property.

One potential amendment already in the pipeline is the Creating American Prosperity Through Preservation (CAPP) Act. The CAPP Act would essentially encourage further rehabilitation by opening up the HTC to more people through five alterations to the credit itself.

Smaller projects (classified as having rehabilitation expenditures of \$5 million or less) would receive credits at 30 percent versus the current 20 percent rate.

Certain non-historic buildings qualify for a 10 percent credit, but only if they were built before 1936. The CAPP Act would extend this to buildings of 50 years, enabling the rehabilitation of post-World War II communities.

CAPP also would eliminate the barriers that nonprofits face in the credit application, allowing them to service communities with the greatest needs. The Act would also encourage tremendous green activity by offering an increase of the credit by two percentage points for every project that increases the building's energy efficiency by 30 percent.

Lastly, CAPP would eliminate federal taxation of the state credits, putting more dollars toward the cost of the project.

The HTC makes projects financially feasible that would otherwise not be attempted by developers. The industry has made tremendous strides in preserving and repurposing forgotten buildings to serve the diverse needs of society through this program, but it's only part of the puzzle.

There are still plenty of communities in need of the economic development that stems from historic rehabilitations. As things move forward, the HTC must move with us to maximize the opportunities at hand.



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