

**JOINT LEGISLATIVE BUDGET HEARING ON
2019-20 EXECUTIVE BUDGET PROPOSAL:
TOPIC TAXES**

**Testimony of the Preservation League of New York State on the
New York State Historic Tax Credit**

Tuesday, February 12, 2019

Legislative Office Building, Hearing Room B, Albany, New York

**Testimony given by Erin Tobin, Vice President for Policy and Preservation,
Preservation League of New York State**

Chairwoman Krueger, Chairwoman Weinstein, and distinguished members of the Senate and Assembly, thank you for the opportunity to speak with you today about the New York State Historic Tax Credit.

As New York State's only statewide historic preservation nonprofit organization, the Preservation League of New York State invests in people and projects that champion the essential role of preservation in community revitalization, sustainable economic growth, and the protection of our historic buildings and landscapes. We lead advocacy, economic development, and education programs across the state and partner with local preservation organizations throughout New York.

NYS Historic Tax Credit

Thank you for reauthorizing the NYS Historic Tax Credit last year. Thanks to the Legislature's five-year extension of this successful economic development program and protection from changes made to the Federal Historic Tax Credit, developers are continuing to invest in vacant and underutilized historic buildings throughout New York State, bringing new life to Main Streets, historic neighborhoods, and industrial corridors in economically challenged communities.

This year, we seek enhancements to our State Historic Tax Credit, further encouraging investment in projects that bring about community revitalization, sustainable economic growth, and the protection of historic buildings and landscapes.

To further these goals, the Preservation League is focusing on the following for our legislative advocacy:

- Ability to directly transfer NYS Historic Tax Credits.
 - Transferring NYS Historic Tax Credits provides a greater return on New York State's tax credit dollar, driving more investment into economic development rehabilitation projects.
 - The additional equity provided to a project through transferability will enable more historic rehabilitation, reduce the need for local subsidy, and allow greater efficiency for already expended state resources at no cost to the state treasury.
 - Of 34 states with State Historic Tax Credits, 18 allow transferability/ certification, including our neighbors in Pennsylvania, Massachusetts and Connecticut.
 - We ask for the transferability mechanism obtained for the NYS Low-Income Housing Tax Credit in the FY 2018-19 budget to be mirrored for the NYS Historic Tax Credit. We believe that as the state recognized the value of this mechanism for the NYS Low-Income Housing Tax Credit, it will bring similar value for the NYS Historic Tax Credit.

- Increasing the NYS Historic Tax Credit from 20% to 30% for small projects under \$5 million.
 - Owners of smaller historic buildings, the type typically found in a Main Street neighborhood commercial corridor, are challenged to make a historic rehabilitation project feasible in projects under \$5 million.

- Many investors will not engage with projects at or below this level because they do not earn enough return to justify their project entry costs.
 - Historic Tax Credit developers must hire consultants, such as architects, engineers, attorneys, and accountants, to get them through a rehabilitation project. The floor on these consultant expenses often means a small rehabilitation project will barely break even. This boost for smaller historic projects will fill that gap.
 - Our preliminary cost estimate, based on data from the National Park Service, is about \$8.4 million above current program cost. We based this on NPS data from the most recent 12-month period, where NYS had 52 projects at or below \$5 million from 4th quarter 2017 through 3rd quarter 2018. The difference between the existing 20% NYS Historic Tax Credit and a potential 30% NYS Historic Tax Credit for those projects would have been about \$8.4 million.
- Qualifying every city under one million with a 15% poverty threshold for the NYS Historic Tax Credit.
 - Allowing entire cities in upstate New York to qualify for this economic development incentive will benefit cities and the state overall, removing qualification ambiguity.
 - Our initial preliminary estimate is that this will have a minimal fiscal impact, as most cities already fully qualify for the NYS Historic Tax Credit. Some cities, however, have 1 to 3 census tracts that do not qualify and/or are right on the edge of current qualification. This creates uncertainty for developers and historic homeowners who wish to invest in their buildings.

We believe that these improvements will help small business and Main Street building owners rehabilitate their historic buildings, while ensuring that the NYS Historic Tax Credit serves as an incentive throughout our upstate urban centers.

We also support the Governor's proposal under Part U of the Governor's 2020 Budget Revenue Bill, making all NYS Parks qualify for the NYS Historic Tax Credit, regardless of census tract median family income.

Summary

The Preservation League's primary budget priority is improving our NYS Historic Tax Credits, the Preservation League strongly supports continued, and hopefully increased, funding for the NYS Office of Parks, Recreation and Historic Preservation, with attention to preservation and rehabilitation of the agency's historic buildings, as well as maintaining the Environmental Protection Fund at the level proposed in the Executive Budget.

Thank you for your time and attention today and for inviting the Preservation League to testify. We are happy to provide additional information about the NYS Historic Tax Credit at the Committee's request.