I am here today representing Grow Smart Rhode Island. We are a non-profit public interest group representing a broad coalition of groups and concerned citizens committed to strengthening Rhode Island’s economy in a sustainable way through revitalization of our urban and town centers, strengthening of our public transportation system and aggressive stewardship of our agriculture and food systems.

There are a lot of features of the Governor’s economic agenda, as encapsulated in Budget Article 29, that we applaud:

1. A state tax increment financing program that prioritizes new development and redevelopment in such places as our ports and airports, and in transit oriented development areas

2. A tax stabilization incentive to encourage municipalities to offer tax incentives for promising development and redevelopment projects.

3. Creation of an I-195 Redevelopment Project Fund

4. Creation of a Main Street Rhode Island Streetscape Improvement Fund

We're also pleased that the Governor’s proposed Rebuild RI Tax Credit recognizes the importance of continuing to offer incentives for the rehabilitation of historic buildings, but we’re concerned about the absence of a continued commitment to the existing HTC program and about the large size thresholds for the new Rehab incentive.

With some changes to address leakage and broker issues, we think Rhode Island's existing State Historic Tax Credit program (“HTC”) warrants continued support and replenished, long term funding.

Thanks to the efforts of many of you, the Historic Tax Credit program that you reinstated in 2013 included important reforms worth continuing, reforms such as making private social clubs and most single family homes ineligible for the credit, and placing stringent limits on the amount of time an enrolled project could remain inactive and still qualify for the HTC. As we advocate a strengthening of the HTC program we congratulate you on these sound reforms and urge that they be retained.

We also hope that you recognize the continuing intense popularity of this program, popularity that has caused it to be heavily oversubscribed, with a waiting list of 27 projects representing $33 million in HTC requests for which funding is not currently available.
There are several significant changes we advocate in the existing State Historic Tax Credit program, and these changes are highlighted in the "White Paper" on the program that we and our close partner, Preserve Rhode Island, recently prepared. The highlights of this White Paper, which we are submitting today to each Finance Committee member, include the following:

1. Expand the HTC’s existing “refund option” to eliminate the need for brokers and reduce “leakage”

   We are recommending an expansion of the refund option to give all holders of state Historic Tax Credits the choice of claiming a refund rather than a credit. The refund option eliminates the need for a broker since any entity can claim the refund. This removes the need for a broker’s most important role of making a match with a corporation or individual that has RI tax liability.

2. Reduce the size of the non-refundable fee

   The current RI HTC fee of 3% of Qualified Rehab Expenditures (“QRE’s”) is an outlier in the nation and presents too great a barrier to entry for many worthwhile projects. The majority of the more than 30 states with HTC programs have fees of $10,000 or less. In contrast, RI at 3% of QRE’s, can require a fee payment as high as $600,000. In New England, neither Maine nor Massachusetts charges a fee and Connecticut’s maximum fee is $10,000.

   We recommend reducing the size of the fee along with a parallel reduction in the size of the credit, to maintain the current HTC program’s net fiscal impact. We also advocate creating a limited time period in which a part of the fee is refundable so projects can complete their local permitting and determine if their project can go forward before being locked into the full fee payment.

3. Commit to significant funding for a significant length of time—at a level of $25 million per year for at least 5 years.

   The periodic interruptions in RI’s HTC program have reduced the flow of benefits to the state in terms of both jobs and economic investment. HTC projects are complicated, requiring a long lead time that includes architectural, engineering and financial planning before construction starts. Studies of the RI HTC program as well as HTC programs in other states have demonstrated conclusively that the pre-development and development activities of historic rehab projects stimulate construction jobs and generate a positive impact on state tax revenues long before the state spends its HTC dollars—an outlay that only occurs if and when a project is completed.
4. Consider a Tiered Program

Instead of requiring all projects applying for the HTC to meet a fairly large size threshold as recommended in Budget Article 29, we recommended serious consideration of a two-tiered program in which size thresholds would only apply to the selection and funding of one larger project per year. This approach is similar to that taken in Ohio where one “catalytic project” is selected each year for a larger single project award than is allowed for the bulk of eligible HTC projects. My coalition partner Val Talmage, Executive Director of Preserve Rhode Island, will provide you with more detail about this idea.

My closing message is for Rhode Island to keep building on our strengths by ensuring that we can fully capitalize on our world renowned concentration of historic buildings and neighborhoods. This is one asset that really gives us a competitive advantage over most other states. Let’s take full advantage of this advantage!

We encourage you to consider Grow Smart RI an ongoing resource as you delve further into the issues and opportunities proposed in Budget Article 29 and thank you very much for the opportunity to share our views with you today.

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Scott Wolf, Executive Director, Grow Smart RI