RI HISTORIC TAX CREDITS (HTC) – The Case for Renewed Funding

What the development community is saying

“Our firm has been retained for multiple projects that sit alongside many others on the HTC waiting list. This pent-up demand is preventing our developer-clients from making significant investments – tens of millions of private dollars – in Rhode Island. The HTC program must be funded to spur this investment.” – J. Michael Abbott, AIA, CNU-A; Principal, Northeast Collaborative Architects

“The Arcade Providence project would never have gone forward without the $2 million it received in RI State Historic Tax Credits. It was an essential aspect of this project.” – Evan Granoff, Owner/Developer, Arcade Providence

“We’re deeply invested in MA, CT, and NY and have not pursued RI in recent years due to the difficulty and lack of realtime financial support.” – Developer requesting anonymity

Why action on HTC funding this year is critical

The State HTC waiting list includes 32 historic-rehab projects, stalled projects that are holding back more than a quarter-billion dollars of economic activity and jobs in RI.

While RI’s HTC program treads water, our Northeastern neighbors’ HTC programs continue to aggressively move forward:
- In Massachusetts, $50 million in HTCs is available each year
- In Connecticut, $31.7 million in HTCs is available each year
- In New York, $46.925 million in HTCs is available each year

Key benefits of HTC

- Once a project is accepted in the HTC program, it must be planned, constructed, and occupied – usually a 2-3 year process – before the State makes any HTC outlays. Thus, FY19 HTC recapitalization will not impact the FY19 budget.
- According to a new study by Place Economics, roughly half of the state’s “cost” of any HTC project is recouped by the state well before the credit is awarded – which only happens upon project completion.
- The HTC provides a big boost to economically distressed communities. The assessed value of historic buildings rehabbed through the HTC typically increases by 600% and sometimes by more than 1,000%.
- Other broad community benefits of the HTC incentive include
  - Brownfields clean-up
  - Enhanced public safety
  - Protecting farmland and forestland from new development by providing viable redevelopment alternatives

Leveraging with Federal HTC

- Despite numerous cuts to programs in the Federal budget, the 2017 Tax Act continued the Federal Historic Tax Credit, preserving the opportunity to combine state and federal HTC programs, a pairing that has been critical for the successful financing and completion of most Rhode Island historic rehab projects.

Proposed changes in 2018 RI HTC program

- Overall funding: Authorize a maximum of $30 million in commitments annually, with a program cap of $90 million. Under these rules, we estimate that actual HTC outlays would be spread out over at least an 8-year period.
- Fees: Reduce to 1% of Qualified Rehab Expenditures (QREs), not the current 3% – MA and NY fees are 1% of QREs

Retain key 2013 provisions

- Per-project cap of $5 million
- No eligibility for private social clubs or single-family homes, except when those homes are part of a scattered-site affordable housing project
- Projects must demonstrate progress within year one of enrollment to remain in the program
- Apprenticeship requirement for projects with hard costs exceeding $10 million
- Stiffer reporting requirements on projects’ economic impact
- Provide those currently on the HTC waiting list with the first option to participate in the recapitalized HTC program.

The big picture

Since its inception 15 years ago, the nearly 300 projects made possible by RI HTC have pumped more than $1.5 billion of private investment into the RI economy and created 22,000 construction jobs and 6,000 permanent jobs – more than $800 million in wages (source: IMPLAN).

The time is NOW to re-boot the HTC, to keep the RI economy growing.