Crosskey Architects LLC
Architecture
Planning
Interiors

February 23, 2009

RE: Bill #933 –
Historic Structures, Historic Preservation & Historic Homes Tax Credit Programs

Madam Chair/Mr. Chairman and members of the committee:

I oppose Bill #933, which proposes to suspend the Historic Structures, Historic Preservation & Historic Homes Tax Credit Programs for 2009 & 2010. As the State of Connecticut faces this time of economic stress and hardship, it is crucial to maintain and enhance programs that will benefit the state's economy by increasing tax revenue and spurring economic development. These tax credit programs, which have been so successful over the past few years, do just that.

It is no secret that the tax credits generate more money for the State than their face value and that they have significant economic and financial benefits, which far outweigh their costs. One has only to Google 'Impacts of Historic Preservation', to see the number of studies completed in various states across the country that prove the positive economic benefits of Historic Tax Credit programs. Not only do they create more tax revenue in income and sales tax for the State, they also contribute to:

Creating economic development through increased jobs & sales of goods and materials,
Renovation of blighted buildings,
Increasing property tax revenue for towns & cities,
Preserving our cultural resources
Creating affordable housing,
Investment of out-of-state money in Connecticut, when combined with the Federal Historic Tax credit program,
Removal of environmental contamination such as brownfields and building hazardous materials,
Smart growth and sustainable development by promoting urban revitalization,
Significant social benefits such as restoration of community fabric

In a 2007 article entitled 'Supporters make case for historic tax credits' discussing Rhode Island's evaluation of their Historic Tax Credit Program, the Providence Journal reported:

> *"The state's multi-year investment in the tax credit, estimated at $460.16 million through 2012 will wind up generating a total of $2.46 billion in economic activity. Put another way, each dollar of state tax credit investment is leveraging $5.35 in total economic output."*

A 1997 Study of Historic Preservation Tax Credits by North Carolina's State Historic Preservation Office stated:

> *"Preservation is a powerful tool creating jobs, generating income, stimulating tax revenue, nurturing tourism, and enhancing older cities."* It further stated *"...economic benefits*

One Union Place • Hartford, CT 06103 • Phone: (860) 724-3000 • Fax: (860) 724-3013 • E-mail: wc@crosskey.com

outweighed program costs when income taxes paid by construction and other workers, business income taxes, and other taxes were taken into consideration." It found that the $93.4M cost to the treasury in 1995 was more than offset by the $125.24M in tax revenue.

Another study entitled The Economic Benefits of Historic Preservation in Washington State' completed in 2006 showed for $83.5M spent on rehabilitating historic buildings each year, approximately $220M was generated in annual sales, 2,320 jobs were supported and $87M in labor income was created. This generated $8.9M in sales tax revenues and business & occupation taxes.

As an architect whose practice specializes in Historic Preservation, I have witnessed firsthand the positive impact these tax credit programs have had. Since their institution, I have seen a significant increase in the number of new preservation projects undertaken by for-profit & not-for- profit developers.

Bill #933 proposes a moratorium that will kill development of preservation projects for the time it is in effect. Many tax credit projects require multiple sources of financing to make them viable, the State Historic Tax Credit often contributing up to 25% of that financing. With a moratorium in place, developers will fall short of being able to assemble the necessary financing for their projects. Financial institutions will not commit funds to a project that depends on historic tax credits if the future of the State Historic Tax Credit is uncertain and in jeopardy.

If this Bill is passed, tax credit vouchers will not be permitted to be used from January 1, 2009 to January 1, 2011. What will happen to those projects currently under construction which will be completed in 2009 or 2010? When finished they will be left stranded without 25% of their funding. Projects currently in the planning stages with so much already invested which are intended to start in 2009 or 2010 will have to be postponed and possibly abandoned for lack of funding. Historic buildings in jeopardy of collapse or demolition may be lost for good. Developers will be unable to assemble financial plans for lack of funding programs, lenders will not have the confidence to lend based on the projected reinstitution of this program in 2011 and tax credit investors will not invest if they cannot be certain of a return on their investment through the tax credit programs. The result will be a loss of tax revenue and economic development opportunities for the State of Connecticut, and that is the complete opposite of what we need now.

Please, on behalf of the residents of the State of Connecticut, the preservation community, developers, towns and cities with historic buildings, economic development, the construction industry, the professional service community - do not approve this Bill. Do not remove a source of tax revenue and a proven catalyst of economic development that our State of Connecticut so desperately needs in the next few years.

Respectfully submitted,

William W. Crosskey II, AIA LEED-AP