Connecticut Preservation Action

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Written Testimony of Anita Mielert, President
Commerce Committee
Tuesday, March 19, 2013

Senator LeBeau, Representative Perone, Senator Frantz, Representative Levielle and the distinguished members of the Commerce Committee, my name is Anita Mielert, and I am a former First Selectman in Simsbury and President of Connecticut Preservation Action (CPA).

CPA is non-profit organization, which advocates for historic preservation at the state and federal levels of government. We represent individuals and organizations, such as the Connecticut Trust for Historic Preservation, Connecticut Main Street Center, Hartford Preservation Alliance and New Haven Preservation Trust.

CPA initiated and supports the **Raised Bill 1131** An Act Concerning Changes to the Connecticut Historic Homes Tax Credit (HHTC).

From *Investment in Connecticut: The Economic Benefits of Historic Preservation* by Place Economics in 2011: "The purpose of tax credits is to encourage the investment of private capital in areas deemed in the public good . . . they have proven to be an effective and valuable means of facilitating private investment in historic structures, leading to such economic benefits as the creation of jobs, increases in property value and neighborhood revitalization."

From 2001 to 2011, the HHTC resulted in the rehabilitation of more than 400 housing units. This alone would be unremarkable, but those housing units

- Are located 100% in Smart Growth areas with complete infrastructure;
- Reuse building materials which represent embodied energy;
- Return buildings to municipal tax rolls or raise their assessment;
- Raise the home values in the entire neighborhood; and
- Maintain the architectural integrity of the structure as well as the character of the community and heritage of the region.

And the results could be so much more. After more than a decade of experience with this law, CPA has worked with the State Historic Preservation Office to refine a list of improvements, which will improve a homeowner's access to this measure. Referring to the Statement of Purpose at the end of the Bill, we are promoting four basic changes:

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Requested changes to **CT Historic Homes Tax Credit, C.G.S. 10-416**
Adopted by CPA Board on 12-12-12

CT's HHTC has been in effect since 2000 and has served as an economic stimulus, triggering private investment and jobs, preserving historic resources, and returning buildings to local tax rolls. CPA feels the requested changes to the law will result in a greater utilization and public benefit, without raising the budgetary limit.

1. **Allow the homeowner the option to take the tax credit on a) his own CT Income Tax return, or b) sale of the credit to corporations, LLCs or S Corps.**

    - These added options are being considered by DECD for many other tax credits as well, and this measure fits into their overall approach.
    - Current method using only corporations is not efficient for individuals using the credit, but it is working for the non-profits who use the credit. The current allocation is going largely to two non-profits, not to individuals, who lose money because of the need for a broker.

2. **Lower the qualifying minimum spent on an application to $15,000 per unit.**

    - Currently at $25,000 for minimum project size, this is often too much money for the lower income owner to put together. If we lower to $15,000, this would still not overwhelm the administration of the credit but would make the credit more interesting to the lower income range.

3. **Raise the maximum on the credit allowed to $50,000 per unit, per application for non-profit corporations who specialize in affordable housing.**

    - Non-profits who now use the credit typically tackle the most difficult revitalization projects in the inner cities. If we raise the tax credit maximum to $50,000, we would attract more revitalization; the "gap funding" would fill more gaps. The rate of 30% would still apply, but the size of the project would be raised.
    - A $30,000 maximum would still apply to individual homeowners: that is, a 30% credit on up to $100,000 per project.

4. **Eligibility will now be based on "as of right" for certified historic homes, not on geography. The reimbursement rate will be based on the owner's income level.**

    - 30% for owners making up to twice the median income of the area (current estimate is about $65,000 x 2 = $130,000)
    - 20% for owners making over three times the median income
    - 10% for owners making over four times the median income
    - Graduated structure requires greater degree of private investment per tax credit dollar for wealthier homeowners.
    - All projects must conform to the Secretary of the Interior's Standards for Rehabilitation, and be fully completed, in order to qualify for tax credits.

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1. While previously a voucher could be redeemed only through sale to a C corporation, we recommend that an individual homeowner be allowed to apply it to her own personal income tax. Currently only one broker is in the business of transferring the credits, and it is located out of state, and this costs the taxpayer between 15% to 20% of the value. Because other incentives, such as energy credits can be taken on a personal return, we believe this will not be an undue burden for DRS. There will only be 30-50 transactions annually.

2. Currently the minimum size project must cost $25,000 to qualify for credits. Because this represents a sizeable amount of money for the lower income owner to put together, we believe that lowering the minimum to $15,000 will allow more projects in the areas that need them most.

3. Non-profit housing organizations who now use the credit typically tackle the most difficult revitalization projects in the inner cities. They renovate several adjacent properties at the time, targeting the most needy areas, and do top-to-bottom projects. Raising their maximum reimbursement to $50,000 per dwelling unit, while maintaining the 30% rate, will mean more hardcore revitalization.

4. Last, we advocate basing the eligibility on the income of the homeowner, not the income of the community. Currently determining the eligibility of the home for the credit was one of the most difficult steps in administration, since one often needs to determine census tract information, and a home which qualified in the first decade of the program may no longer qualify after a new census. And a home of a certain age owned by a taxpayer in a certain bracket could qualify in one town but not in a neighboring town. Too much confusion and inequality. Instead, we recommend a graduated reimbursement rate, which will more effectively provide "gap funding" where the gap truly exists, with the middle-to-lower income homeowner.

I sincerely appreciate this opportunity to testify on this proposal, and I would be glad to answer any questions at this time.