Department of Economic and
Community Development

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Deputy Commissioner

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SB 1131: AN ACT CONCERNING CHANGES TO THE CONNECTICUT HISTORIC HOME TAX CREDIT

Senator LeBeau, Representative Perone, Senator Frantz, Representative Lavielle and members of the Commerce Committee. Good morning. My name is Kip Bergstrom and I am the Deputy Commissioner of DECD and also the State Historic Preservation Officer. Thank you for the opportunity to submit comments today on Senate Bill 1131: AN ACT CONCERNING CHANGES TO THE CONNECTICUT HISTORIC HOME TAX CREDIT.

The Department of Economic and Community Development supports some of the proposed changes to the Historic Home Rehabilitation Tax Credit legislation (CGS 10-416) to expand eligibility for and usage of the historic homes tax credit. After over a decade of working with the program, our office has a unique perspective and therefore can see the benefit of the proposed changes to the legislation.

The historic homes rehabilitation tax credit program was enacted in 2000. Over the last 12 years it has been a proven catalyst for neighborhood revitalization and job growth by offering an economic incentive to owners of historic homes to invest in our state's valuable historic and unique neighborhoods.

However, the credit has been dramatically underutilized relative to its potential, due to several unnecessary limitations that the proposed bill would reform. For example, during the six-year period, 2007 to 2012, a total of $7.8 million credits were used, leveraging $18 million in private investment. While this is significant, had the credit been fully utilized each of those years at the $3 million annual cap, it would have leveraged $42 million of private investment. The average utilization in those six years was only 43% and the peak was 66%.

The work done under this program puts vacant and abandoned houses back on the local tax rolls and encourages homeowners to move into previously neglected areas. Proposed changes in the minimum and maximum expenditures for individual project will strengthen this purpose:

- Reducing the minimum amount on qualifying expenditures will make the program more accessible to lower-income homeowners.

- Increasing the tax credit maximum expenditure for non-profit housing development corporations will make the credits more useful for these players, who are the primary redevelopers of the small, multi-unit residential structures (less than five units) covered by this credit.

- In combination these changes in the minimum and maximum expeditures allow for real and positive change to occur in Connecticut's blighted urban areas.

Currently the program is available only in the state's urban and economically distressed areas. However, our mission is to ensure preservation of historic resources statewide. Therefore, we also support removing the geographical restriction on eligibility. The income targeting of the program is maintained in the proposed bill via a graduated tax credit based on the homeowner's income. These changes allow our office to be good stewards of Connecticut's precious historic resources, while ensuring that the spirit of the program, encouraging reinvestment in Connecticut's economically underserved neighborhoods, will remain intact.

I would be happy to answer any specific questions you have regarding the program and proposed changes.

Thank you.