Testimony to the Finance, Revenue & Bonding Committee

OPPOSITION to Section 26 of H.B. 7410: AN ACT CONCERNING CERTAIN TAX RECOMMENDATIONS OF THE COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH AND ESTABLISHING A STEM SCHOLARSHIP PROGRAM

To: The Hon. John W. Fonfara, Co-Chair, the Hon. Jason Rojas, Co-Chair, the Hon. Kevin D. Witkos, Ranking Member, the Hon. Christopher David, Ranking Member and the members of the Finance Revenue and Bonding Committee

Thank you for the opportunity to testify today. I am Jane Montanaro, Executive Director of the Connecticut Trust for Historic Preservation. The Connecticut Trust is the statewide nonprofit historic preservation organization that works cooperatively with state agencies, municipalities, local groups, developers, and individuals to preserve, protect, and promote the unique character and economic vitality of our communities. We are a leading private preservation group, with more than 1,100 statewide members and we are statutory partners with the State Historic Preservation Office.

I am testifying to OPPOSE Section 26 of this bill which would adversely affect successful historic tax credit programs by reducing the amount of usable tax credits by 50% each year.

Historic rehabilitation tax credits are a critical economic development driver in Connecticut. Connecticut’s Historic Rehabilitation Tax Credit offers a tax credit of 25 percent the total qualified rehabilitation expenditures on for buildings listed on the State or National Register of Historic Places (30 percent if the project includes an affordable housing component) and may be combined with the 20 percent federal historic preservation tax credit.

This relatively small public investment can provide the final leverage to bring a big project to fruition, returning vacant or underused properties to full use, enriching local tax rolls, and transforming the reputation and livability of entire neighborhoods through a well-documented ripple effect. The Connecticut Historic Rehabilitation Tax Credit has proven its value many times over.

The state tax credit program is already capped at $31.7 million per year. In recent years, reservations have been oversubscribed, with the annual allotment filled sometimes as early as the second quarter of the fiscal year. The result is that developers miss out on other financing opportunities, work is delayed, buildings continue to crumble, and, sometimes, projects fall through.
An additional cap on this investment incentive will result in long-term revenue losses to the State of Connecticut. Here’s one example.

**777 Main, Hartford:** Once the home of the Hartford National Bank and Trust, the building became largely vacant in the 1990s and remained that way until it was rehabilitated by Becker + Becker into apartments for Hartford’s growing pool of young professionals. With its 285 apartments almost all filled, the building is giving back to the community in a number of ways. For each apartment, about $26,400 is spent each year on rent, food, travel, services, etc. If every apartment is filled and its occupants average this annual spending, 777 Main generates over $7M in spending each year. Its 35,000 square feet of retail space could generate 140 jobs with $11 million in sales and about $4.5 million in employee earnings each year. In a downtown location like Main Street Hartford, much of that money would continue to circulate within the community and generate additional tax revenue for the State. The 777 Main project received $5 million in tax credit vouchers. Looking at its one-time construction impact, the project generated about $32 million in construction wages which would equal about $2 million in income taxes before the voucher was even issued. Added to the annual taxes the State makes on the building and tenants—both residents and retail—the State will easily make back its initial investment within a matter of years if not sooner.

Examples like this can be found around the State - because tax credit programs like the Connecticut Historic Rehabilitation Tax Credit are doing what they are intended to do – spur economic development and vitality in our cities and towns. Please continue to support smart reinvestment in our communities and protect the integrity of these tax credit programs.

Respectfully submitted,

Jane Montanaro
Executive Director