



March 4, 2015

The Honorable Mark Hass, Chair
Senate Finance and Revenue Committee
State Capitol
900 Court St. NE,
Salem Oregon 97301

RE: in support of SB 565, The Revitalize Main Street Act

Dear Chairman Hass, Vice-Chair Boquist, and members of the Committee:

On behalf of the 1,800 Oregon members of the National Trust for Historic Preservation, thank you for the opportunity to provide you with a national perspective on the proposed economic development program for Oregon's historic buildings.

Over the past 20 years, the National Trust has helped 35 other states create tax incentives for historic rehabilitation. These programs have attracted private investment to restore historic properties that likely would have otherwise been demolished. Time and again these rehabilitated properties demonstrate their ability to revitalize Main Streets, downtown areas, and our older communities.

Historic tax credits are a strategic public-private investment and job creation strategy that has shown great potential for significant private investment in communities throughout Oregon. A study of Ohio's historic tax credit program found that every \$1 million invested by the state, resulted in \$8 million in construction spending (83 construction jobs) and \$32 million in total operating impact (298 jobs) for a total of \$40 million in economic activity and 381 jobs. I

Historic tax credits fill a critical financing gap. Because banks lend fewer dollars for historic rehabilitation projects, incentives are needed to fill the financing gap that makes these historic tax credit projects possible. Recognizing an incentive is needed to drive private investment into our older communities, the federal government and 35 states have offered historic tax credits.

State historic tax credits leverages federal investment in our older neighborhoods and spur more rehabilitation. Researchers have determined that states with high-performing tax credit programs bring between \$3 and \$7 million in federal tax credits annually back to those states.¹ An economic impact study of SB565 estimates that the amount of redevelopment would double with a net increase of more than \$13 million to Oregon.

A Rutgers University study of the Kansas historic tax credit, for example, found that in the 21 year period before the their state credit was in place, there was an average of 2.4 federal historic tax credit projects per year – with an aggregate \$114 million investment. In the 8 years following enactment of their historic tax credit, Kansas saw a total of 542 tax credit-aided projects (or an average of 68 per year) completed— representing an aggregate investment of \$271 million

Historic rehabilitation creates more jobs than manufacturing or new construction. According to researcher Donovan Rypkema, historic rehabilitation creates 5.7 more jobs than manufacturing and 2 more jobs than new construction for every \$1 million spent because it is labor intensive. Costs of rehabilitation are typically 60-75% labor and 25-40% materials, while new construction is about half labor and half materials. Labor and materials for historic rehabilitations tend to be hired and purchased locally.

In Missouri, that translated to a total of 6,871 jobs—and \$60 million in state and local tax revenue—the first four years of their tax credit program.

Historic tax credit projects begin to pay back the state's investment immediately. Independent studies have concluded that one-third of the state's investment is paid back during the construction phase. For example, the Maryland Governor's Task Force on their historic tax credit program found that for every \$1 paid out by the state, \$0.34 was returned prior to any credit being paid out and the building placed into service.¹ Cleveland State University found that for every \$1 invested by Ohio, \$.33 was returned during the construction phase because of state taxes on labor and materials.²

Because the tax credit is not awarded until the project is complete, the state gains revenue from the taxes paid on materials and labor prior to the building's occupancy.

The same Maryland study also reported that an average of \$1.02 was returned in the first year and an average of \$3.31 had been paid back to the state the fifth year after the project's completion.

Historic tax credits are a critical reinvestment tool that revitalizes local communities. Historic tax credits put vacant and underperforming buildings back on property tax rolls. According to the Wisconsin Historical Society, 60% of that state's historic tax credit projects in 2014 were used by owners whose buildings were vacant prior to renovation. The renovation of a former Pabst brewery building at 1201-1217 North 10th Street in Milwaukee into the Brewhouse Inn and Suites led to an increased tax assessment of 907% (the building's assessed value rose from \$1,419,700 to \$14,300,000).

Historic tax credit projects also increase neighborhood property values according to a National Trust for Historic Preservation report. Since the completion of two key rehabilitation projects in Salt Lake City's Depot District, the market value of properties in the area has increased 22.5% - at a time when the citywide property values declined more than 17%.³

Historic tax credit projects act as a catalyst for redevelopment in a community. For example, Mayor Sandy Decker believes the renovation of the 1907, two-story commercial building known as the Eager Economy Building had a catalytic effect on her town of Evansville, Wisconsin (Pop. 5,100), spurring the renovation of an 1870 Greek Revival retail building two doors down, at 15 E. Main Street. She said that these projects in turn became "the tipping point downtown," driving three more historic improvement projects on the same block, at 1 East Main St., 18 East Main St. and 19 East Main St.

I urge you to support **The Revitalize Main Street Act (SB 565)** because this type of incentive quickly attracts private reinvestment dollars to abandoned or under-utilized historic buildings in our older

¹ *Final Report of the Governor's Taskforce on Maryland's Heritage Structures Rehabilitation Tax Credit, 2004*
http://mht.maryland.gov/documents/PDF/TaxCredit_Studies_Gov_TaskForce_2004.pdf

² <http://www.development.ohio.gov/files/redev/OHPTC%20Economic%20Impact%20Study%20-%20May%202011.pdf>

³ Place Economics, "Catalyst for Change, The Federal Historic Tax Credit: Transforming Communities." Prepared for the National Trust for Historic Preservation, 4, June 2014.

commercial areas. After the adoption of a state historic tax credit program, Missouri saw the number of rehabilitation projects double in the first year of the program.

Thank you very much for the opportunity to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. Cassidy". The signature is written in a cursive style with a large initial "T" and a long, sweeping underline.

Thomas J. Cassidy, Vice President
Government Relations & Policy
National Trust for Historic Preservation

cc: Barbara Pahl, National Trust for Historic Preservation