

# NMTC MONTHLY REPORT

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## Study Boasts Rhode Island Historic Tax Credit's Multiple Benefits

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

The Rhode Island Historic Preservation Investment Tax Credit program is generating thousands of jobs, nearly \$2.5 billion in economic activity, and more than \$400 million dollars in additional tax revenues over the next 20 years for state and local government combined, according to a new study released in September by Grow Smart Rhode Island. The study was prepared on behalf of the 57-member Coalition for Neighborhood & Economic Renewal (CNER). "Rhode Island Historic Preservation Investment Tax Credit, Economic & Fiscal Impact Analysis 2007" was completed by Lipman Frizzell and Mitchell (LF&M) and examines the economic activity generated by the state historic tax credit program.

In legislation effective Jan. 1, 2002, the state of Rhode Island created economic incentives for the purpose of stimulating the redevelopment and reuse of its estimated 900 historic commercial properties, structures primarily found in city, town and village centers throughout the state. Owners of these properties can earn state income tax credits equal to 30 percent of qualified rehabilitation expenditures.

The LF&M study concludes that the state's multi-year investment in the tax credit, estimated at \$460.16 million through the year 2012, will generate a total of \$2.46 billion in economic activity. Put another way, each \$1 of state tax credit investment is leveraging \$5.35 in total economic output.

"At a time when Rhode Island's open space and farmland are still under tremendous development pressure and our cities and towns are trying to concentrate growth in existing centers of development, the historic preservation investment tax credit is proving itself to be a leading tool for addressing both of these challenges," said Scott Wolf, executive director of Grow Smart Rhode Island.

Additionally, the program is estimated to add \$766.9 million to the tax base of local communities, and to generate \$297.60 million in additional property tax revenue over the next 20 years. This study represents an update of a similar study conducted by the same firm and released in March of 2005. The current research is based on 277 projects enrolled in the program through June 2007, representing a combined investment of \$1.53 billion in qualified historic rehabilitation expenditures.

"Rehabilitation and reuse of historic buildings is smart economic development that plays to our strengths," Wolf said. "And this is happening quite efficiently with very little bureaucracy. It's becoming clear that the public investment in the tax credit program is paying big dividends financially, socially and environmentally by revitalizing neighborhoods and contaminated sites throughout the state and expanding tax bases and revenues."

The importance of the historic tax credit has been recognized by other important constituencies around the state. Calling it "one of Rhode Island's most effective tax incentives," Laurie White, president of the Greater Providence Chamber of Commerce, said, "There is no question the tax credit program has stimulated mill renovation activity, job creation and tax revenue at levels that no one thought possible in the 1990s."

The report also suggests that the tax credit is helping to ease the state's housing affordability crisis. According to the study, three quarters of the projects involve rental housing — totaling 6,739 units among the 277 projects analyzed, with 761 designated as subsidized affordable units.

"At a time when Rhode Island needs to increase overall housing production and particularly affordable housing production, the historic tax credit has proved

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to be a powerful tool," said Chris Hannifan of the Housing Network of Rhode Island. "It provides another resource that non-profit developers can use in assembling the financing necessary to create affordable housing. And it is making it easier for for-profit developers to consider creating both market-rate and affordable units in urban neighborhoods they wouldn't have considered before, contributing to neighborhood revitalization and stability."

The incentive has caught the interest of the development community, both locally and nationally, according to the Rhode Island Historical Preservation & Heritage Commission, the agency that administers the state and federal historic tax credit programs. "During the first five years of the historic tax credit program, Rhode Island experienced more investment in historic rehabilitation than in the previous 25 years combined," said Edward F. Sanderson, director of the Rhode Island Historical Preservation and Heritage Commission.

That increased private investment is also drawing more federal investment. During the five-year period preceding enactment of the state historic tax credit program (1997-2001), Rhode Island attracted less than \$10 million in federal historic tax credit investment. Grow Smart Rhode Island reports that for the five-year period since enactment (2002-2006), more than \$78 million in federal historic tax credits have been awarded to Rhode Island projects — an increase of 700 percent.

"This is the single best economic development and neighborhood revitalization tool the state has seen in decades," Wolf said. "This is about new jobs, new residents, new vitality and a cleaner environment. Our latest research shows that states throughout the country, but particularly the Northeast, are seeking to follow Rhode Island's lead by strengthening their historic tax credit programs." ❖

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