



HISTORY AND THE HILL

Use of the Historic Tax Credit Continues to Climb

JOHN LEITH-TETRAULT, NATIONAL TRUST COMMUNITY INVESTMENT CORPORATION

The numbers are in, and the good news is that the federal Historic Tax Credit (HTC) program, now celebrating its 40th anniversary, is healthy and growing. For the past five years, the Historic Tax Credit Coalition (HTCC) has worked very closely with the National Park Service (NPS) and Rutgers University’s Center for Urban Policy Research to track the use of the HTC and measure its economic impact. The NPS issued its FY15 annual report in early March in time for HTC lobby day. The underlying data from that report is being used to issue Rutgers’ FY15 report on the economic outcomes of the program this summer. Let’s look at highlights and trends shown in the NPS annual report and preliminary economic impacts from Rutgers.

recovered from the Great Recession by 2014, with credits claimed climbing to \$864 million, just under the program’s post-millennium peak in 2009 of \$914 million. That trend continued based on a review of the NPS’s fiscal 2015 report. Total Part 3 project approvals rose from 762 in FY14 to 869 in FY15. QREs grew from \$4.32 billion in 2014 to \$4.47 billion—or \$894 million in credits—in 2015. This compares to \$1.3 billion in new markets tax credits (NMTCs) awarded annually (\$3.5 billion in allocation, multiplied by 39 percent) and approximately \$9.5 billion in LIHTC credits awarded in 2015. Using these statistics, the Coalition has emphasized in its Hill visits this year that the HTC is a relatively “cheap date” with outsized economic punch.

As reported by History and the Hill last year, the number of Part 3 approvals and the volume of qualified rehabilitation expenses (QREs) had largely

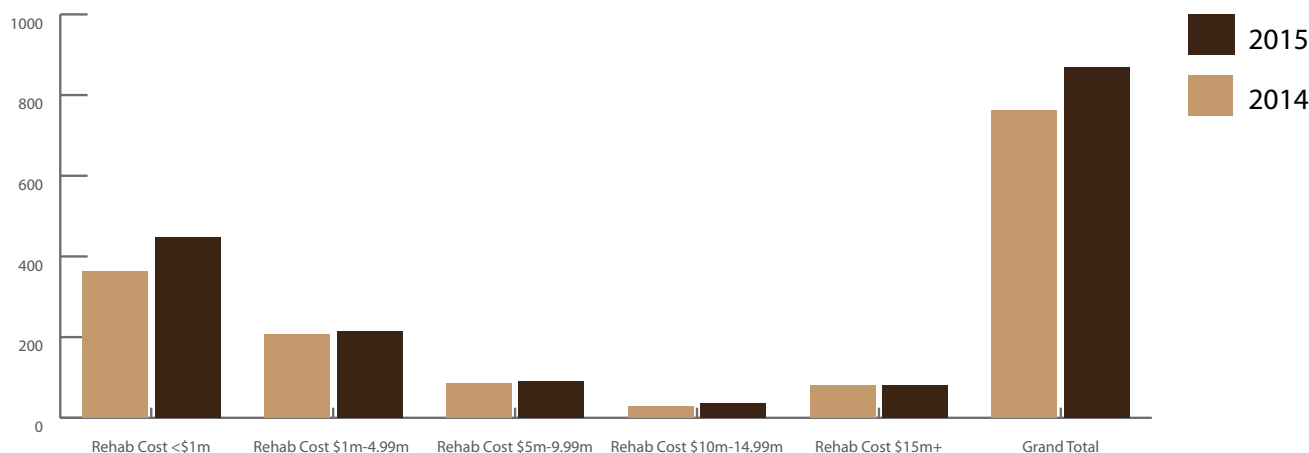
The size of HTC transactions did not change substantially between FY14 and FY15. As indicated by Table 1 and 2, the number of transactions in each

Table 1-Number of Part 3 Approved HTC Projects by Size FY14-FY15

Year	REHAB COST <\$1m	REHAB COST \$1m-4.99m	REHAB COST \$5m-9.99m	REHAB COST \$10m-14.99m	REHAB COST \$15m+	Grand Total
2014	362	206	85	29	80	762
2015	447	215	90	37	80	869
Grand Total	809	421	175	66	160	1631

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Table 2 – HTC Project Size FY14-FY15



category has been relatively stable. The only significant variation is in projects with QREs under \$1 million. These small transactions increased by 23 percent in 2015. It should be noted that NPS statistics reflect individual buildings rehabilitated, even if they are part of a multi-building development by one sponsor. It should not be assumed therefore that all of the projects with QREs up to \$5 million (\$1 million in credits) are too small to interest syndicator and investors. The HTCC will work with the NPS to begin reporting these data on a project-by-project basis.

Table 3 is a comparison of project sizes and total Part 3 approvals by year since 2002. The data show a fair amount of variation year over year in all size categories, but a steady increase in Part 3 approvals since 2011. Recent trends in deal sizes show the most significant increases in smaller buildings with less than \$1 million in QREs as well as buildings with rehabilitation costs of more than \$15 million. The relatively flat number of Part 3 approvals over the 14-year period points to a need for the HTC industry, State Historic Preservation

Table 3-Comparison of Part 3 Approvals and Project Sizes by Year

Year	REHAB COST <\$1m	REHAB COST \$1m-4.99m	REHAB COSTS \$5m-9.99m	REHAB COST \$10m-\$14.99m	REHAB COST \$15m+	Grand Total
2002	461	132	43	17	31	684
2003	531	190	51	21	33	826
2004	606	162	33	12	39	852
2005	500	192	51	27	33	803
2006	683	225	80	23	28	1039
2007	576	194	60	23	52	905
2008	467	222	66	21	55	831
2009	419	201	83	23	63	789
2010	541	195	56	28	60	880
2011	397	186	49	23	52	707
2012	367	194	76	27	48	712
2013	449	189	56	19	55	768
2014	362	206	85	29	80	762
2015	447	215	90	37	80	869

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Offices and the NPS to work more collaboratively to market this incentive program.

Preliminary summary data from Rutgers measures the economic impact of FY15 HTC activity. Using the industry’s proprietary Preservation Economic Impact Model, estimates are that 869 Part 3 certified projects with nearly \$5 billion in total development cost (QREs and non-QREs) generated more than 86,000 direct, indirect and induced jobs. More than 2.3 million jobs have been created over the life of the program. After-tax wages were nearly \$3 billion and federal state and local taxes totaled \$703 million.

Patrick Robertson, director of the Historic Tax Credit Coalition said, “I am pleased to see that the historic

tax credit program continues to grow and have positive impacts on communities across the country, despite headwinds related to impending changes in IRS regulations. We should explore the creation of a national marketing plan to increase the number of applications coming in.”❖

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John Leith-Tetrault has 40 years of experience in community development financing, banking, community organizing, historic preservation, training and organizational development. He has held senior management positions with Neighborworks, Enterprise Community Partners, Bank of America and the National Trust for Historic Preservation. He is the founding president of the National Trust Community Investment Corporation and chairman of the Historic Tax Credit Coalition. He can be reached at (202) 588-6064 or jleith@ntcic.com.

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