

LIHTC MONTHLY REPORT

A MONTHLY PUBLICATION OFFERING NEWS, OPINION, FEATURES AND COMMENTARY ON THE LOW-INCOME HOUSING TAX CREDIT INDUSTRY

January 2005, Volume XVI, Issue I, Published By Novogradac & Company LLP

Bill Introduced to Improve Historic Tax Credit

By Alex Ruiz, Staff Writer, Novogradac & Company LLP

Reps. Rob Portman, R-Ohio, and William Jefferson, D-La., recently introduced the Community Restoration and Revitalization Act, a bipartisan bill that would improve the existing historic preservation tax credit for the restoration and rehabilitation of the nation's vacant and underutilized historic buildings. The bill was developed by the National Trust for Historic Preservation (NTHP) in close collaboration with preservation organizations, developers, tax credit users, the financing community and endorsed by the American Institute of Architects.

The Community Restoration and Revitalization Act is a package of amendments that would further the mission of the historic tax credit (HTC) by spurring greater investments in smaller commercial projects and Main Street commercial properties in older neighborhoods - particularly where there is a critical need for affordable housing and community revitalization. Eight other members of Congress joined Portman and Jefferson in introducing the measure: Ways and Means Committee members Reps. Nancy Johnson, R-Conn., Richard Neal, D-Mass., Amo Houghton, R-N.Y., Stephanie Tubbs Jones, D-Ohio, Jim McCrery, R-La. and Phil English, R-Pa., and Historic Preservation Caucus co-chairs Reps. Michael Turner, R-Ohio and Brad Miller, D-N.C.

"We are grateful to Reps. Portman and Jefferson, and their colleagues for recognizing the potential the rehab credit has in transforming our historic communities into vital, dynamic places," said NTHP President Richard Moe. "Every abandoned mill, every dilapidated commercial building, every vacant industrial structure that qualifies for the rehab credit can become part of the solution in providing housing, attracting reinvestment and stabilizing neighborhoods. The majority of the nation's historic districts overlap census tracts where the poverty rate exceeds 20 percent. There's no better argument for the need to make the rehab credit work better in these places."

The HTC is the nation's largest federal incentive that promotes urban and rural revitalization through private investment in reusing historic buildings. NTHP says the HTC has generated more than \$31 billion in renovation and revitalization dollars since it was enacted in 1976. As a disincentive to demolition, it allows the owner of a historic building to receive an income tax credit of 20 percent of the amount spent to rehabilitate a certified historic structure. There is also a 10 percent credit for older, non-historic buildings. With a 5-to-1 ratio of private investment to federal tax credits, the program has developed more than 31,000 projects nationwide. Last year the rehab credit produced \$2.7 billion in private investment and created more than 62,230 new jobs - 49 new jobs per project.

"Communities throughout Ohio and across the country have historic neighborhoods in need of reinvestment. These are the very places where the rehab credit can leverage the full potential of underutilized or vacant historic buildings and unlock their ability to bring new life to older commercial corridors," said Portman. "Congress hasn't taken a good look at this valuable incentive since it was enacted nearly 30 years ago. It's time that we really focus on its economic development benefits."

While NTHP worked with Portman and Jefferson on legislation that would enhance several elements of the rehab credit, a primary aspect of the proposal highlights its usefulness in creating affordable rental housing in some of those historic buildings. The law allows the rehab credit to be paired with the low-income housing tax credit (LIHTC) in certain projects. In 2003, the HTC alone produced a total of more than 15,300 units of housing, and in conjunction with the LIHTC, about 40 percent of those units fell into the affordable range.

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Bill Introduced

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"With so many historic buildings, Louisiana ranks in the top third nationally in tax credit activity, which leveraged nearly \$50 million into the state's economy last year. Our bill will make sure that this valuable incentive for private investment in building rehabilitation works better - especially with housing and new market tax credits - in some of the urban and rural communities that need it the most," said Jefferson. "Revitalizing historic buildings along our 'main streets' and in our older neighborhoods benefits everyone because it spurs economic development, creates housing, provides jobs and increases opportunity."

The National Trust for Historic Preservation estimates that about 60 percent of the nation's 12,300 National Register historic districts - comprising more than 1.1 million contributing buildings - overlap census tracts where the poverty rate exceeds 20 percent.

Summary of Amendments

1. Basis Reduction - Eliminating or lessening the rule that requires that LIHTC eligible basis be reduced dollar-for-dollar for the amount of HTC taken.
2. Greater Subsidy in Distressed Areas - Increasing the HTC percentage in the most difficult to develop and disinvested areas.
3. Making the 10 Percent Credit Available for Housing - Opening up the inventory of older buildings for housing -- the 10 percent component of the HTC currently prohibits its use for "dwellings." This proposal also includes changing the definition of older building from "built before 1936" to any property "50 years old or older."
4. More Workability for Small Deals - Enriching the HTC to 40 percent in projects that are \$2.5 million or less to target those "main street" type developments in which HTC costs are currently too prohibitive.
5. More Favorable Tax Exempt Use Rules - Easing the rules governing not-for-profit deals so that more community-oriented projects move forward. ❖

This article first appeared in the January 2005 issue of Novogradac & Company's LIHTC Monthly Report and is reproduced here with the permission of Novogradac & Company LLP.

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ISSN 1094-8684