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New York Senate Votes to Enhance Historic Preservation Tax Credit

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

On June 14, the New York State Senate passed legislation that would improve New York's state rehabilitation tax credit programs to better serve municipal redevelopment and economic stimulus goals throughout the state. The measure, S.5425-A/A.7935-A, provides enhanced incentives and flexibility to further stimulate the rehabilitation of historic properties, and will increase the number of municipalities and neighborhoods that are eligible for the program.

Enacted in 2006, the current income tax credit has allowed owners of historic properties to receive some financial benefit from the state to undertake renovations and rehabilitation projects to preserve the historic nature of the structure.

"Last year, the establishment of New York's first-ever rehabilitation tax credit — Chapter 547 of the Laws of 2006 — was welcomed and seen as a step in the right direction," said Jay DiLorenzo, president of the Preservation League of New York State. "However, municipal leaders, labor, preservation, and environmental groups have grown concerned that the limitations of the current commercial program — and the residential program's restriction to ultra-distressed neighborhoods — fail to provide realistic measures that will bring economic and community revitalization to municipalities in need of meaningful economic development."

The Preservation League has been working with business, planning, philanthropic and environmental leaders from across the state to develop policy recommendations that could be implemented as part of a new urban and smart growth agenda emerging from a recently released Brookings Institution report, "Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities." An expansion of the rehabilitation tax credit is identified as a priority by this alliance of organizations focused on economic development and smart growth.

Sen. Frank Padavan (Queens) introduced the legislation in the Senate, where the legislation is co-sponsored by Sens. John A. DeFrancisco (Syracuse), Joseph A.Griffo (Utica), James L. Seward (Madison and Herkimer counties), George H. Winner Jr. (Elmira) and Catharine M. Young (Jamestown). Assemblyman Sam Hoyt (D-Buffalo) is sponsoring the companion bill in the Assembly. The Assembly bill had 24 sponsors and was awaiting consideration by the Assembly Ways & Means Committee as the *LIHTC Monthly Report* went to press.

The legislation passed in the Senate increases the commercial credit rate from 20 percent to 30 percent of federal credit value for qualified rehabilitation costs. The legislation also removes the cap on the value of the commercial credit. For those claiming the resident credit, the legislation expands the definition of "distressed areas" to increase the number of neighborhoods qualified for the program.

"Preserving our heritage by rehabilitating historic homes and properties will not only help renew an appre-

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ciation for our past but it will also spur municipal redevelopment and economic development throughout the state," Padavan said. "Swift enactment of this legislation will give owners of historic properties the fiscal tools vital to achieving these goals."

According to the Preservation League, rehabilitation tax credits have a demonstrated record of success in other states. "They encourage the preservation of our important cultural and historic heritage, create incentives for the reuse of existing physical infrastructure, address affordable housing needs, and have proven to be highly effective at stimulating private investment in the redevelopment of urban cores," DiLorenzo said. "New York is well-positioned to seize upon new trends and attitudes which value cities' special characteristics — and a stronger rehabilitation tax credit could be a powerful tool to fuel the revitalization of downtowns and surrounding neighborhoods."

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