

PRESERVATION PRACTICES

CONSULTATION RESEARCH WRITING

April 8, 2015

Transmitted via email on this date to the below addressees at:
CommunityDevelopment@finance.senate.gov

The Honorable Dean Heller
324 Hart Senate Office Building
United States Senate
Washington, DC 20515

The Honorable Michael F. Bennet
458 Russell Senate Office Building
United States Senate
Washington, DC 20515

Dear Senators Heller and Bennet,

Thank you for the opportunity to comment on the importance of the federal rehabilitation tax credit as you work to reform our nation's tax code. I am a preservation consultant who works with the historic tax credit with my clients, and an Advisor to the National Trust for Historic Preservation.

Let me begin by saying everyone has heard of Kalamazoo, Michigan. Almost exactly halfway between Detroit and Chicago, its located squarely in the nation's "rust belt." It is a great community thanks in large part to the hard work of many preservation-minded and other individuals, and is now known as a cultural capital in the southwest corner of the "mitten" as we like to call it.

In Kalamazoo's downtown, income-producing property owners first used the federal historic tax credit decades ago, not long after the program was created, to rehabilitate a central historic block downtown. Today, both non-profit and for-profit entities use the historic tax credit to continue to preserve and revitalize Kalamazoo.

I understand the huge task before you, and I urge you to support the historic tax credit through tax reform. Communities like Kalamazoo need this program to continue. There is more that needs to be done to continue the several decades of investment in our historic building stock, and the need for investment in the historic centers of other economically challenged communities.

In Kalamazoo, our historic rehabilitation projects would not have happened if the credits had not been available. Without this incentive, developers would have undertaken similar-sized projects outside of the city and built anew. Instead, these developers chose to invest in the City and the community; and thus, they created jobs, boosted our tax base, and preserved some of the City's most important historic places and put them back to work.

Here are two Kalamazoo examples of the historic tax credit's impacts here:

The Metropolitan Center – 105 East Michigan Avenue

For years, Kalamazooans and visitors watched the decline of four mid-19th century buildings, all located on the first block west of downtown's geographic center. Other than a single, ubiquitous national franchisee, no new businesses operated on this block for nearly a decade. A local non-profit development corporation owned them for years. But after a failed concept to demolish them for a "superblock" was scuttled, the buildings were treated like "orphans" during an extended period of decline, with almost no maintenance.

Local developer Mavcon first became involved in 2008, when it conducted an evaluation of several buildings on the block. And while the company had no experience with preservation projects, after learning about the federal historic tax credit, stepped up to the challenge. To make the project work, a financing package was assembled from several different sources, which included substantial private and local public investment. Construction began in December 2010 and took 18 months. The three story buildings were rehabilitated for retail at street level, with 25 residential units on the 2nd and 3rd floors. All but two spaces were rented well before the project was completed. As a result, the historic buildings have been put back to work, the city's tax base was increased, and I was just one of many people who benefited from employment on the project for about two years.

The Rickman House – 345 North Burdick St.

About that same time, several blocks to the northeast, the Rickman House was rehabilitated for the ongoing use by a local non-profit, Housing Resources Incorporated. This building, once one of Kalamazoo's finest hotels, had been renovated before using federal tax credits, several decades ago for use as housing for the mentally-disabled community. In 2010, it again needed major renovations, as a result of changes to building codes and non-profit housing standards. Consequently, the Rickman House was converted from an 84 Single Room Occupancy permanent housing facility to 49 efficiency apartments with management and service space. I worked on this project as well, further securing my income during those months of construction.

I had the opportunity to tour these two projects with Michigan's 6th District Congressman Fred Upton on September 9, 2012, with the developer and Nancy Finegood of the Michigan Historic Preservation Network. Below is text from an article that appeared in the *Kalamazoo Gazette* after the tour:

"Upton on Thursday toured the Rickman House and the Metropolitan Center, a group of historic buildings under renovation in the 100 block of East Michigan Avenue. The congressman said the investments, which he said were feasible in large part due to the availability of government tax credits, impact everyone in downtown Kalamazoo."

As mentioned above, additional buildings need to be renovated in Kalamazoo and throughout Michigan. In Detroit, for example, developers are consistently using the federal historic tax credit to bring this great city back from insolvency. Here, too, the historic tax credit is creating jobs where there had been literally none. In the process,

rehabilitation projects have boosted Detroit's tax base and put these incredible historic buildings back to work for everyone.

The historic tax credit helps put urban and greenfield development on a level playing field, and it leverages five dollars in private investment for every tax dollar we invest. Its outcomes stimulate local economies more positively than new construction, and we also know the program generates federal revenue. To date, federal tax revenue earned as a result of these rehabilitation projects exceeds, by *billions* of dollars, our federal investment. Moreover, the program helps save countless additional tax dollars because it is economically and physically sustainable through its reuse of building and municipal infrastructure.

It is difficult to dispute the success of the program over the more than three decades it has been in place. Rather than repeal a highly productive and successful program, tax writers should instead focus on ways to strengthen the historic tax credit. Legislative proposals like the Creating American Prosperity through Preservation Act (CAPP) Act, S.1141, which was introduced in the 113th Congress, would greatly assist struggling rural communities in turning their sagging local economies around. More specifically, provisions in the CAPP Act would expand the number of buildings for which the credit can be used and improve access to the credit for non-profit housing developers who operate mostly in difficult to develop areas.

I applaud your effort to reform the tax code, it needs your attention. As you do this work, please know that I've worked with the historic tax credit for years -- and it is *not* about picking winners and losers. Historic tax credit developers must be committed enough to work far beyond the typical hassles of property development, and are required to meet stringent federal standards in order to earn the credit.

Please take this opportunity to take a high-performing federal program and make it better.

Very sincerely,

A handwritten signature in black ink that reads "Pamela Hall O'Connor". The signature is written in a cursive, flowing style.

Pamela Hall O'Connor, Principal