

# COLORADO JOB CREATION & MAIN STREET REVITALIZATION ACT

HB-1311

Rep. Leroy Garcia, Rep. Tim Dore  
Sen. Pat Steadman, Sen. Larry Crowder  
(& 34 bipartisan co-sponsors)

## MAIN STREETS ACROSS COLORADO ARE IN CRITICAL NEED:

Many of Colorado's traditional main streets are at a tipping point. Many buildings are vacant, their historic facades in decay and their local economies in desperate need of investment and revitalization. Colorado was one of the first states to create a Historic Preservation Tax Credit in 1990, but there is significant need to improve this tax credit so that Colorado remains competitive with neighboring states and that the credit can be better used to attract critical commercial reinvestment, rehabilitation and revitalization of main streets across our state.

The improved tax credit is modeled after successful, bipartisan legislation passed in other states that provide critical incentives to get languishing buildings back into viable use, while simultaneously spurring tremendous economic growth, job creation and historic preservation in rural and metro areas.

## THE CHALLENGE:

- Create jobs and boost new economic development in communities across Colorado
- Attract private capital investment that is currently flowing into other states to revitalize historic main streets and commercial buildings, creating new business, housing, and shopping while generating local governments revenue
- Protect Colorado's unique historic structures while increasing cultural heritage tourism

## THE ANSWER:

- Modernize Colorado's state income tax credit for the rehabilitation of historic commercial buildings & districts
- The tax credit (a percentage of rehabilitation costs) can be taken directly by the property owner or transferred to a financial partner who provides funds for the rehabilitation work
- State tax credits can be combined with additional federal incentives, driving new revenue into local communities and closing the "development gap" that arises from the high cost of rehabilitating historic structures
- All rehabilitation must meet strict standards and retain the historic character of the building

## WHY A TAX CREDIT FOR HISTORIC COMMERCIAL PROPERTIES?

- Studies in other states have proven that transferable tax credits for historic commercial projects work.
  - In Ohio, every dollar of state tax credit leverages \$6.25 in investment. In Minnesota, every tax credit dollar creates \$8.32 in economic activity and in North Carolina it generates \$12.51 in economic benefit.
  - In a 2008 study of Virginia's tax credit over the last decade, \$355M in tax credits (avg. \$35M a yr) spurred the rehab of more than 1200 historic buildings, generated an economic impact of over \$1.6B and created more than 10,700 jobs and \$444 million in wages and salaries
- An effective tax credit will increase the use of the federal rehabilitation tax credit, bringing more federal dollars into the state to help revitalize local communities and preserve Colorado's unique rural and cultural heritage
- Keeps Colorado competitive and attracts private capital to the state that is being invested in neighboring states
- Allows non-profits to take advantage of the tax credit if they invest in rehabilitation of historic buildings
- The tax credit reinforces the goals of both political parties to build a business-friendly environment, retain, grow and recruit companies to communities across the state and increase access to capital

## WHO WOULD BENEFIT?

- Cities and towns across Colorado – especially those damaged in recent disasters - seeking to create new jobs, reactivate historic buildings with new businesses, add housing, preserve their cultural heritage and attract tourism
- Local leaders who need their property values and tax revenues to rise to pay for local services
- Property owners who can't afford to rehabilitate store fronts or bring their property up to code
- Small businesses & non-profits seeking an attractive and convenient space to start or expand their operations
- The State of Colorado by spurring economic growth and tax revenue from new jobs and tourism

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## HOW THE BILL WORKS:

The bill is modeled after successful bipartisan legislation in other states and establishes **two eligibility pools** for the commercial tax credit, one pool for smaller projects and one for larger projects. The tax credit would not go into effect until FY16-17 and the total amount of tax credits would be capped at \$5 million in FY16-17 and capped at \$10M each year for years FY17-20 and then sunset. Although many states do not have any caps, this program would allow Colorado to begin competing with other states.

- **Smaller Historic Rehabilitation Projects:** One pool is set aside for smaller historic preservation projects with Qualified Rehabilitation Expenses (QREs) of less than \$2 million.
  - Minimum expenditure to equal 25% of original purchase price, less land value
  - All projects must be certified by the State Historic Preservation Office
  - Projects below \$2M of QREs will receive a 25% state tax credit. All credits are transferable and can be taken directly by the property owner or transferred to a financial partner who provides funds for rehabilitation work
  - Projects located in state and/or federal disaster designations will qualify for an additional state tax credit of 5% of QREs if placed in service up to 8 years following such designation.
- **Large Historic Rehabilitation Projects:** The second pool is set aside for larger historic commercial projects with significant capital investment with projected QREs in excess of \$2 million.
  - All projects must be certified by the State Historic Preservation Office
  - Minimum expenditure to equal 25% of original purchase price, less land value
  - These projects will receive a 20% state tax credit for all QREs and credits are transferable with a maximum tax credit per of \$1 million.
  - Large projects located in state and/or federal disaster designations will qualify for a state tax credit of 25% of QREs if placed in service up to 8 years following such designation.
- **Strict Safeguards with Predictable Funding Structure:**
  - The program is strictly structured so that the State approves applications up front but no tax credit is realized until projects are completed and all construction investments have been made.
  - Only rehabilitation projects that begin on or after 1/1/15 are eligible for the tax credit and no credit will be issued until FY16.
  - Only properties designated historic at the local, state or national level are eligible and a minimum expenditure is required equal to 25% of the original purchase price of the property.
  - Third party audits are required on projects with anticipated tax credits over \$250k
  - A report will be made to the General Assembly in FY17 regarding the program's impact on job creation and economic development.

## LEAVE A LEGACY BY SUPPORTING HB-1311:

Coloradans from all walks of life and every corner of the state would benefit from the Colorado Job Creation and Main Street Revitalization Act and its impact will be felt for generations. The following Colorado's economic development organizations and historic preservation groups are just some of the organizations asking you to support HB-1311:

- |                                   |                               |   |
|-----------------------------------|-------------------------------|---|
| - Colorado Municipal League       | - Colorado Counties Inc.      | - Colorado Competitive Council (C3)     |
| - Pueblo Chamber of Commerce      | - Action 22                   | - Progressive 15                        |
| - History Colorado                | - Colorado Realtors Assoc.    | - Colorado Preservation Inc.            |
| - Urban Renewal Authority         | - Historic Pueblo Inc.        | - Nat'l Trust for Historic Preservation |
| - Downtown Denver Partnership     | - Historic Denver             | - American Institute of Architects-CO   |
| - Independent Bankers of Colorado | - Alliance for Sustainable CO | - Downtown Colorado Inc.                |

## COLORADO JOB CREATION & MAIN STREET REVITALIZATION ACT

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### PROOF THAT HISTORIC PRESERVATION TAX CREDITS CREATE JOBS & ECONOMIC DEVELOPMENT:

#### **The 2010/11/12 Rutgers University Report:**

<http://www.nps.gov/tps/tax-incentives/reports.htm>

"Numerous studies conducted by Rutgers University have shown that in many parts of the country, a \$1 million investment in historic rehabilitation yields markedly better effects on employment, income, GSP, and state and local taxes than an equal investment in new construction or many other economic activities (e.g., manufacturing or services). These findings demonstrate that historic rehabilitation, combined holistically with the many activities of the broader economy, delivers a commendably strong "bang for the buck."

#### **State Historic Tax Credit - Cost / Benefit Analysis completed by the Urban Land Institute (MA program)**

<http://www.massinc.org/~media/Files/Mass%20Inc/INCspot%20files/120523%20SHTC%20Cost%20Benefit%20Analysis%20of%20052312.ashx>

"The Massachusetts State Historic Tax Credit is one of the most effective Jobs Development Programs in the Commonwealth."

#### **Rutgers completed a study for Kansas on their program 2002-2009:**

[http://www.kshs.org/preserve/pdfs/kansas\\_executive\\_summary.pdf](http://www.kshs.org/preserve/pdfs/kansas_executive_summary.pdf)

[http://www.kshs.org/preserve/pdfs/kansas\\_40\\_page\\_report.pdf](http://www.kshs.org/preserve/pdfs/kansas_40_page_report.pdf)

The KHTC has markedly enhanced HTC investment in Kansas. In the 21 years (1981-2001) prior to the adoption of the KHTC, Kansas completed about 50 HTC projects (average 2.4 per year) with an aggregate \$114 million investment in inflation-adjusted (2009) dollars (average \$5.4 million per year). In the eight years since the adoption of the KHTC (2002-2009), a total of 542 tax credit-aided projects (average 68 per year) have been completed, representing an aggregate investment of \$271 million (2009) dollars (average \$34 million per year)."

"The benefits that accrue to Kansas from the cumulative investment in tax credit-aided historic rehabilitation projects are extensive. Almost all sectors of the state's economy see their payrolls and production increased."

"How does tax credit-aided historic rehabilitation fare as an economic pump-primer vis-à-vis other non-preservation investments? The short answer is quite well. A \$1 million investment in historic rehabilitation in Kansas realizes a markedly better economic effect to Kansas with respect to employment, income, GSP, and state-local taxes compared to a similar increment of investment (i.e. \$1 million) in an array of residential and nonresidential new construction (including building highways) in Kansas or a \$1 million investment in an array of business activities important in Kansas, such as manufacturing (e.g., electrical machinery and automobile), agriculture (wheat farming), and telecommunication services."

#### **Report on Georgia by Georgia Tech University:**

[http://www.novoco.com/historic/resource\\_files/research/georgia\\_tech\\_htc\\_impact\\_study\\_111913.pdf](http://www.novoco.com/historic/resource_files/research/georgia_tech_htc_impact_study_111913.pdf)

"For every dollar that the state will invest in the program, it will collect \$3.49 in new tax collections, measured in 2013 dollars."

"In analyzing the present value of the entire life of all projects, the return to the state of Georgia is remarkable. The \$89.65 million invested by the state will produce a total state tax revenue increase of \$449.80 million over the entire life of the program. After adjusting for present value to make the projection conservative, the state's investment will produce \$313.08 million in new tax collections, measured in 2013 dollars. For every dollar the state invests in the historic rehabilitation investment incentive, it will collect \$3.49 in new tax collections, measured in 2013 dollars."

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## Report in 2010 by St. Louis University on the Missouri State Historic Tax Credit:

[http://www.novoco.com/historic/resource\\_files/research/slu\\_mo\\_hptc\\_0310.pdf](http://www.novoco.com/historic/resource_files/research/slu_mo_hptc_0310.pdf)

"We can conclude that the private investment, which by the program's design is always many times the amount of the project, never would have occurred without the credits. Therefore, while the state does forgo a certain amount of revenue, it is offset many times by the economic activity that otherwise would not have been generated."

### State of Wisconsin:

"The passage of this legislation will revitalize downtown districts across the state. Restoring these buildings will create a temporary and permanent economic increase for local and state economies."

*Governor Scott Walker (R-WI)*

### **Scott Walker signs bill hiking tax credits for renovating historic buildings**

*Milwaukee Wisconsin Journal-Sentinel:*

The law passed the Legislature this fall with **opposition from only a few of its most conservative GOP members** — two in the Senate and four in the Assembly — **and all Democrats in support**. Republicans, developers and local officials successfully pushed the measure forward by making an unusual alliance with Democrats, trade unions and historic preservationists

Read more from Journal Sentinel: <http://www.jsonline.com/news/wisconsin/headlines/scott-walker-signs-bill-hiking-tax-credits-for-renovating-historic-buildings-b99161697z1-235421581.html#ixzz2rpYHH6aF>

### State of Missouri:

"Gov. Nixon details state economic incentives to redevelop, revitalize downtown St. Louis"

Gov. Jay Nixon (D-MO) today visited downtown St. Louis to tour and detail the state's investment in **several redevelopment projects that will create about 1,600 construction jobs and create or save nearly 2,000 permanent jobs in the heart of the city**. "Redeveloping and revitalizing downtown St. Louis always has been – and always will be – a top priority for the state. Today, we're celebrating the historic, and monumental, growth we can accomplish when public and private partners work together."

### **"Historic tax credit sparked 'wildfire' of development downtown -- and in Missouri"**

St. Louis Beacon (7/8/13 [https://www.stlbeacon.org/#!/content/31667/downtown\\_historic\\_tax\\_credit\\_part\\_one](https://www.stlbeacon.org/#!/content/31667/downtown_historic_tax_credit_part_one))

### State of Minnesota:

"Governor Tim Pawlenty signed into law the "Minnesota Jobs Stimulus Bill"...a significant feature of the jobs bill is the State Historic Rehabilitation Tax Credit."

### **Historic rehab tax credits help to boost construction jobs**

*Minnesota Finance & Commerce, Nov. 21, 2011*

"As of June 30, 14 projects had preliminary approval to take advantage of the tax credit, according to a report released Monday by the Minnesota Historical Society and the University of Minnesota. Developers expect the projects to **create 1,808 construction jobs — and a total of 2,948 jobs when indirect and induced jobs are counted**. The tax credit is creating construction jobs at the same time that the industry appears to be improving after years of decline. Last month, Minnesota posted its first 12-month gain in construction jobs since April 2006, according to the state Department of Employment and Economic Development. Minnesota's construction industry remains in a state of "depression," with more than 50,000 jobs lost between 2006 and 2011, so every bit helps, said David Semerad, chief executive officer of the Associated General Contractors of Minnesota.

The report says developers plan to spend an estimated \$343 million on the 14 projects, with \$250 million going toward rehabilitation expenses that qualify for the tax credit. **Total economic impact is expected to be \$451 million — about \$9.20 for every dollar of the \$49.1 million of tax credits going toward the 14 projects.**

Read more: <http://finance-commerce.com/2011/11/minnesota-historic-rehabilitation-tax-credit-lags-in-job-creation/#ixzz2rpULTvZi>