

HISTORIC HAWAII FOUNDATION

TO: Rep. Tom Brower, Chair
Rep. Scot Z. Matayoshi, Vice Chair
Committee on Housing

FROM: Kiersten Faulkner, Executive Director
Historic Hawaii Foundation

Committee: Tuesday, March 12, 2019
9:30 a.m.
Conference Room 423

RE: **SB 1394 SD2, Relating to Historic Preservation**

On behalf of Historic Hawaii Foundation, I am writing in **support for SB 1394 SD2**. The bill would establish a historic preservation tax credit for qualified construction expenses incurred in rehabilitation of historic structures, with a higher level of credit for historic rehabilitation projects that produce affordable housing units.

Preserving and appropriately using historic buildings are ways to enhance community character, provide affordable housing, provide an alternative to sprawl, create jobs, encourage heritage tourism, and generally spur economic development in older neighborhoods and commercial districts. Historic preservation tax credit programs have proved to be successful incentives for rehabilitating older structures and returning them to useful life.

The bill would provide this important incentive to developers, property owners and financial institutions involved in preserving historic buildings and providing affordable housing.

Tax credit programs for rehabilitation of historic properties have been used at the federal level and by 38 other States that have adopted laws creating credits against state taxes to provide incentives for the appropriate rehabilitation of historic buildings. While the details of the programs vary state by state, preservation tax credits have universally been shown to be effective, especially when coupled with the federal historic tax credit available to income-producing historic properties.

National studies have found that historic rehabilitation tax credits spurred economic development and increased direct tax revenues that offset the tax credit expense. Through increased economic output, the state recovers its investment in rehabilitation tax credits through four sources: construction period taxes, real property taxes, post-construction sales and income taxes. SB 1394 SD2 would have the additional community benefit of incentivizing affordable housing.

Most programs include the following basic elements: Criteria establishing which buildings qualify for the credit; Standards to ensure that the rehabilitation preserves the historic and architectural character of the

building; A method for calculating the value of the credit awarded, reflected as a percentage of the amount expended on that portion of the rehabilitation work that is approved as certified rehabilitation; A minimum amount, or threshold, required to be invested in the rehabilitation; and a mechanism for administering the program, generally involving the state historic preservation office and the state department of taxation.

Many of the states that provide a historic preservation tax credit have conducted economic impact studies to determine the fiscal effect. All of them determined that the fiscal return was greater than the state's forgone taxes, often returning three to five times more revenue to the state in new taxes and significant new investment. The rehabilitation tax credit also was successful in creating new jobs, increasing loan demand and deposits in local financial institutions, enhancing property values and generating sales. In addition to these direct fiscal impacts, the tax credit also has proven benefits related to environmental sustainability, affordable housing, tourism and visitation, and neighborhood revitalization.

Since 1974, Historic Hawai'i Foundation has been a statewide leader for historic preservation. Its members and supporters work to preserve Hawaii's unique architectural and cultural heritage and believe that historic preservation is an important element in the present and future quality of life, economic viability and environmental sustainability of the state.

Therefore, Historic Hawai'i Foundation supports SB 1394 SD2