July 17, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Hatch:

The National Trust for Historic Preservation is pleased to submit comments in support of retaining and strengthening the long-standing and successful federal Historic Tax Credit (HTC) as tax reform discussions move forward.

The National Trust for Historic Preservation is a private, nonprofit organization chartered by Congress in 1949 to facilitate public participation in the preservation of our nation’s heritage, and to further the historic preservation policy of the United States.[1] Congress intended the National Trust “to mobilize and coordinate public interest, participation and resources in the preservation and interpretation of sites and buildings.”[2] With headquarters in Washington, D.C., nine field offices, 27 historic sites, more than one million members and supporters, and a national network of partners in states, territories, and the District of Columbia, the National Trust works to save America’s historic places and advocates for historic preservation as a fundamental value in programs and policies at all levels of government.

The federal HTC was made permanent as a strategic element of the bipartisan tax reform effort led by President Ronald Reagan to grow the American economy, which at the time was struggling to put more people to work and emerge from a long period of slow growth. Not long after, President Reagan noted, “Our historic tax credits have made the preservation of our older buildings not only a matter of respect for beauty and history, but of course for economic good sense.” As is demonstrated time and again, when the private sector rehabilitates an historic building using the HTC positive economic and social benefits are created throughout the community.

Federal historic tax credits followed the establishment of the National Historic Preservation Act of 1966, which passed both chambers of Congress by voice vote and codified the widely-accepted belief that protecting our nation's irreplaceable historic resources is a compelling national priority. In the decades that followed, the HTC helped developers large and small prioritize the adaptive reuse of income-producing older buildings over their demolition. To date, more than 42,000 buildings in the National Register of Historic Places (National Register) or contributing structures in a National Register historic district were rehabilitated using the HTC, preserving one-of-a-kind historic properties and putting thousands of shuttered buildings back into economically productive uses.

The policy of incentivizing the rehabilitation and modernization of older structures was reviewed by the Senate Finance Committee in 1981 and in 1986. In its reasoning, the Committee acknowledged the role of the federal government to support historic preservation by recognizing the positive social values associated with rehabilitating and preserving older structures, and through incentives, ensured that investors would as well.1 The Committee noted further that without an incentive, the extra cost of undertaking historic rehabilitation would divert vital reinvestment away from our Main Streets and our older downtown areas.

Historic rehabilitation projects take longer, require more specialized labor, and involve more complicated financing arrangements than new construction. According to the National Trust Community Investment Corporation, conventional bank loans for historic property transactions average only 65 percent of the total project cost. Even with a lower tax rate, these basic economic factors will not change. Absent the Historic Tax Credit, it is unlikely that real estate investors will choose to invest in more challenging and less profitable historic rehabilitation projects over new construction.

Today, the HTC represents the federal government's most significant commitment to historic preservation. The HTC in turn creates jobs, enhances property values and supplements revenue for Federal, state and local governments. According to research based on a National Park Service-funded study by the Rutgers University Center for Urban Policy Research, the HTC has created more than 2.4 million jobs over the life of the program. These are most often locally-sourced jobs that require specialized preservation expertise. Since its inception, just over $25.2 billion in credits have been issued, but more than $29.8 billion has been collected from tax revenue directly attributable to the

rehabilitation of historic buildings. Stated differently, for every dollar credited, Treasury sees a $1.20 to $1.25 return on its investment.

While our country is indeed enriched by the rehabilitation of these historic properties, the HTC is needed more than ever as cities and towns throughout the country look for ways to revitalize and promote their communities. The National Park Service reports that of the more than 1.6 million historic buildings listed in the National Register, approximately 1,000 buildings each year are certified to receive the 20 percent HTC. Many thousands of additional historic properties await reinvestment and thousands more are added to the National Register annually. As Congress looks to bolster economic growth in our urban and Main Street communities, it makes little sense to halt this well-established, successful federal incentive that remains highly relevant and so clearly aligns with the economic objectives of tax reform.

Tax reform aimed at growing the economy should enhance, not diminish the HTC as rural and urban communities need better tools to grapple with an aging building stock, address housing shortages, and generate revenue. Without a robust HTC in place, thousands of high potential, yet abandoned and underutilized historic buildings face certain demolition. Historic preservationists and developers have collaborated to identify several reforms to the HTC that would improve the program’s effectiveness. Legislation to improve and strengthen the HTC (H.R.1158 / S.425) enjoys strong bipartisan support in Congress with 70 co-sponsors in the House and 12 members of the Senate. The bill highlights ways the HTC program could be strengthened to make it easier for projects to succeed in our inner cities, rural communities, and on our Main Streets.

The basis for such an enduring national policy is clear. Historic buildings are tangible links to our past. They are the places that express the distinctive and unique heritage of our cities, towns and rural communities. The HTC promotes the rehabilitation of historic structures of every period, size, style, and type. Scaling back or eliminating the HTC would be a sharp reversal of decades of successfully implemented national policy endorsed by multiple President’s and Congresses.

Accompanying our submission is a letter signed by more than 500 stakeholders from across the nation urging the Senate Finance Committee and the House Ways and Means Committee to retain and enhance the HTC during the tax reform process. The letter only begins to reflect the thousands of businesses and organizations nationwide that support the HTC. From cabinet makers to Main Street coordinators, to union workers and local Chambers of Commerce, to some of the nation’s largest real estate, legal, and accounting firms, support for the HTC
and the economic revitalization it promotes is broadly represented across the economic spectrum.

The National Trust for Historic Preservation applauds the Committee’s effort to analyze current tax law and develop reform options. Despite many decades of accomplishment, the federal historic tax credit could be reformed to create greater program efficiencies and to improve its application in difficult to develop areas without jeopardizing future opportunities to preserve our nation’s most important historic buildings. With several modest improvements, the HTC program could operate with even greater success and better address the needs of urban and rural communities that recognize the tangible, job creating advantages of preserving their unique built environment.

We look forward to working with the Finance Committee to identify reform options for the Federal Historic Tax Credit Program that will continue to preserve our nation’s heritage and provide sound solutions to community redevelopment.

Sincerely,

[Signature]

Shaw Sprague
Senior Director of Government Relations