

Strengthening the Pennsylvania Historic Tax Credit



Helping people protect and preserve the historic places that matter to them

How Pennsylvania Ranks



Use of Federal Historic Tax Credit

1989 – 2017

- \$5,162,986,293
- 3rd
- Behind New York and Missouri

2018 – 2022

- \$2,319,221,406
- 3rd
- Behind New York, and Ohio

How Pennsylvania Ranks

2018-2022

Federal Tax Incentives for Rehabilitating Historic Buildings

Annual Report for Fiscal Year 2022

State	Applications Received			Applications Approved			Estimated QRE at Part 2	Estimated QRE at Project Completion (Part 3)	Cumulative Totals FY 2018–FY 2022	
	Part 1	Part 2	Part 3	Part 1	Part 2	Part 3			Part 3	QRE
New York	118	99	96	124	116	116	1,333,668,343	1,195,028,584	509	3,966,900,370
North Carolina	86	58	43	101	70	48	266,282,227	100,848,830	220	945,255,400
North Dakota	0	0	0	0	0	1	0	13,042,175	4	31,552,345
Ohio	129	103	60	117	100	64	737,890,222	370,734,055	339	2,540,558,236
Oklahoma	12	10	5	16	13	5	108,640,287	69,597,967	54	325,417,487
Oregon	2	6	2	2	4	3	155,517,128	13,909,453	34	272,317,024
Pennsylvania	41	37	67	38	34	66	350,007,026	551,902,474	335	2,319,221,406



In 1996, Pennsylvania began work to establish a state historic tax credit.



In 1996, Pennsylvania began work to establish a state historic tax credit.

SIXTEEN YEARS LATER.....IN 2012

philly.com
anything & everything philly

PRINT THIS

STATE   

Posted Wed, Jul 11, 2012, 9:01 AM

Pennsylvania to offer tax credit for restoring historic buildings

By Amy Worden
Inquirer Harrisburg Bureau

HARRISBURG - Pennsylvania will soon offer a new sweetener to attract developers to blighted communities: a tax credit for restoring historic buildings.

After 16 years of on-and-off debate, legislation establishing a 25 percent tax credit for historic-preservation projects rolled through the General Assembly straight to Gov. Corbett's desk in the final hours before lawmakers' summer recess.

With Corbett's signature last week, Pennsylvania - which boasts one of the largest numbers of designated historic structures in the nation - became the 30th state to provide such a tax credit.

New Jersey's Legislature approved a similar bill in 2011, but it was vetoed by Gov. Christie, along with a package of other tax breaks for businesses, in a fiscal belt-tightening move.

Supporters in Pennsylvania say that when paired with the existing federal tax credit, the state incentive will help spur large-scale redevelopment projects that may lead to preservation of dilapidated behemoths such as the 118-year-old Divine Lorraine Hotel in Philadelphia.

"This is a tremendous incentive," said State Rep. Robert Freeman (D., Northampton), who has introduced versions of the tax-credit bill in the House since 1998. "It will create jobs, improve property values, and turn around communities."



MICHAEL S. WITZ / Staff Photographer
Philadelphia's Divine Lorraine Hotel could benefit from the historic-preservation tax credit.

preservation PENNSYLVANIA 1982-2012
30 Years of Preserving the Past



AIA Pennsylvania
A Society of The American Institute of Architects



FOR IMMEDIATE RELEASE
July 2, 2012

Contact: Mindy Crawford
Executive Director, Preservation PA
717-234-2310, ext. 14 (office)
717-880-6275 (cell)
mcrawford@preservationpa.org

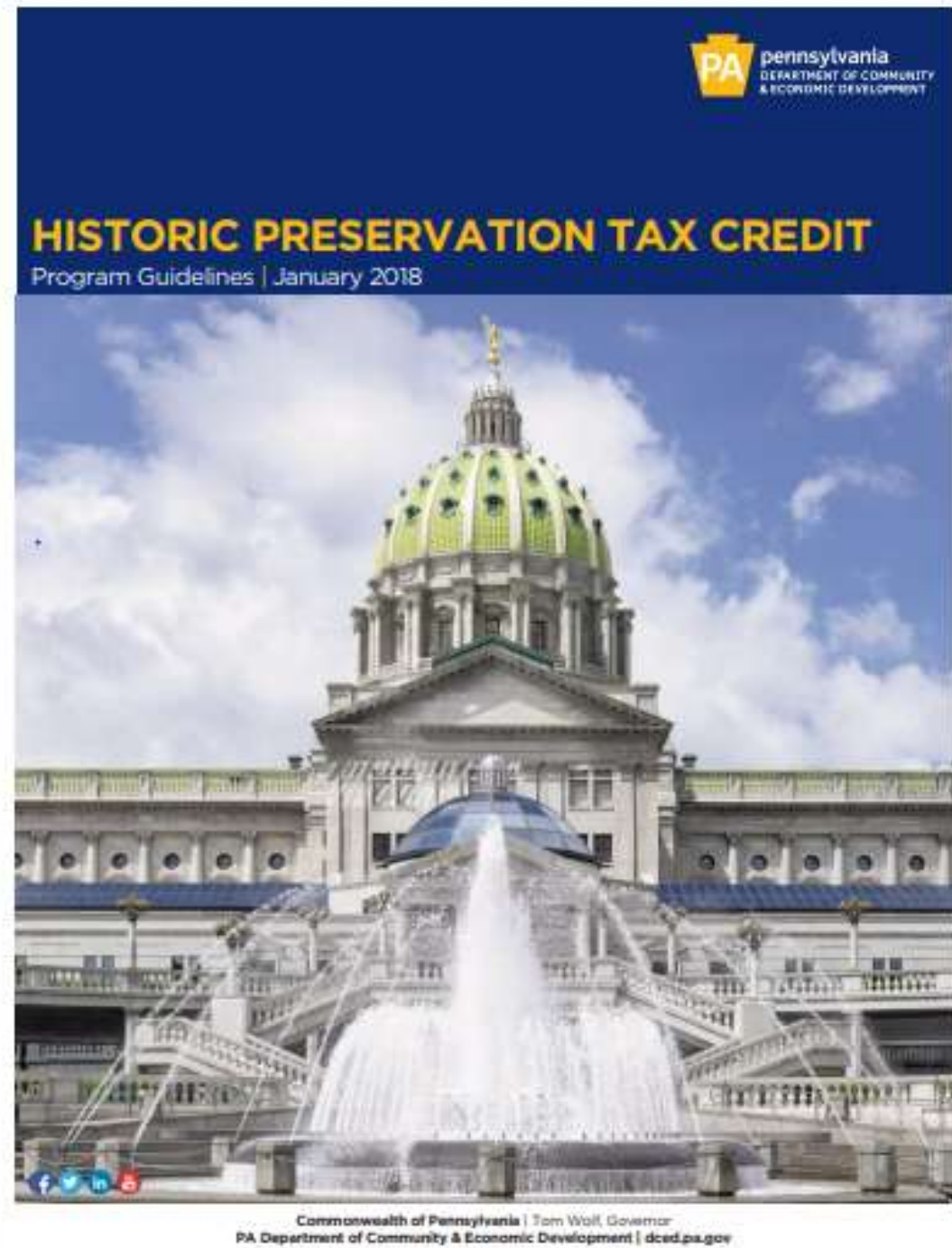
Caroline E. Boyce, CAE
Executive Vice President
AIA Pennsylvania
717-421-2657 (cell)
cboyce@aiaapa.org

Pennsylvania Becomes the 30th State to Pass Historic Tax Credit
Governor Signs Bill Today to Create New Economic Development Program

Harrisburg, PA — On Tuesday, July 2, Pennsylvania became the **30th state** in the country to have a state historic tax credit when **Governor Corbett** signed the Tax Reform Code into law earlier today, creating the Historic Preservation Incentive Act. This tax credit will be a companion to the very successful federal tax credit program.

PA-HPTC Passed in 2012 Authorized through 2020

- \$3.0 Million Annual Appropriation
- \$500,000 per taxpayer cap
- One funding round per year
(dependent on budget)
- Distributed geographically
- DCED Single Application
- Allocated via random number generator
- Jointly administered by DCED and PA SHPO



Required Review of Program

Pennsylvania's **Independent Fiscal Office (IFO)** provides revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues to assist Commonwealth residents and the General Assembly in their evaluation of policy decisions.

With the program set to sunset in June 2020, this review was completed in January 2019

<http://www.ifo.state.pa.us/releases.cfm?id=245>

January 2019



INDEPENDENT FISCAL OFFICE



Required Review of Program

Table 1
Historic Preservation State and Federal Tax Credits

	Fiscal or Calendar Year (\$ millions)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Received PA State Tax Credit					
Number Approved	15	15	16	15	21
Requested Credits	\$6.1	\$3.3	\$5.4	\$6.6	\$7.4
Approved Credits	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Estimated Project Cost ¹	\$263.8	\$321.5	\$269.1	\$242.7	\$257.7
Average Cost	\$17.6	\$21.4	\$16.8	\$16.2	\$12.3
Approved Credit/Cost	1.1%	0.9%	1.1%	1.2%	1.2%
Approved but Funds Exhausted					
Number Approved	19	14	7	6	45
Requested Credits	\$14.7	\$16.6	\$4.4	\$3.0	\$6.9
Received Federal Tax Credit²					
Number Approved	30	35	31	25	39
QRE at Completion ³	\$249.5	\$430.6	\$249.5	\$172.7	\$330.9
Average QRE	\$8.3	\$12.3	\$8.0	\$6.9	\$8.5

¹ Project costs represent estimated costs and are not final.

² Calendar year basis. The FY 2013-14 column corresponds to calendar year 2013.

³ QRE is qualified rehabilitation expenses. The federal credit is equal to 20 percent of the QRE.

Source: PA Historical and Museum Commission and National Park Service, Annual Report (various years).

Findings by the Independent Fiscal Office

- The current tax credit is too small to motivate large projects. Historically, the credit offset roughly one percent of total qualified rehabilitation expenses (QREs). Stakeholders noted that at least a five percent offset is needed to incentivize projects that are not otherwise viable.
- The credit allocations are subject to too many constraints: an aggregate dollar cap (\$3 million), a per project dollar cap (\$500,000) and regional considerations. DCED does not award more than \$250,000 to any single project.
- The program would benefit from a quicker turnaround, more transparency, and predictability.
- The long-term impact on communities, revitalization, cultural retention and historic preservation should be the primary goals.



Recommendations by the Independent Fiscal Office

- Higher aggregate cap and higher per project cap
- Move away from lottery system; possibly target areas
- Follow same cycle each year (dates)
- Relax regional requirements
- Separate small projects from large projects
- Make credit refundable in addition to being transferrable
- Set an application fee to assist with staffing
- 25% credit is only meaningful if cap is increased
- Track metrics for future review. projects.



Evaluation by the Independent Fiscal Office

Final Conclusion

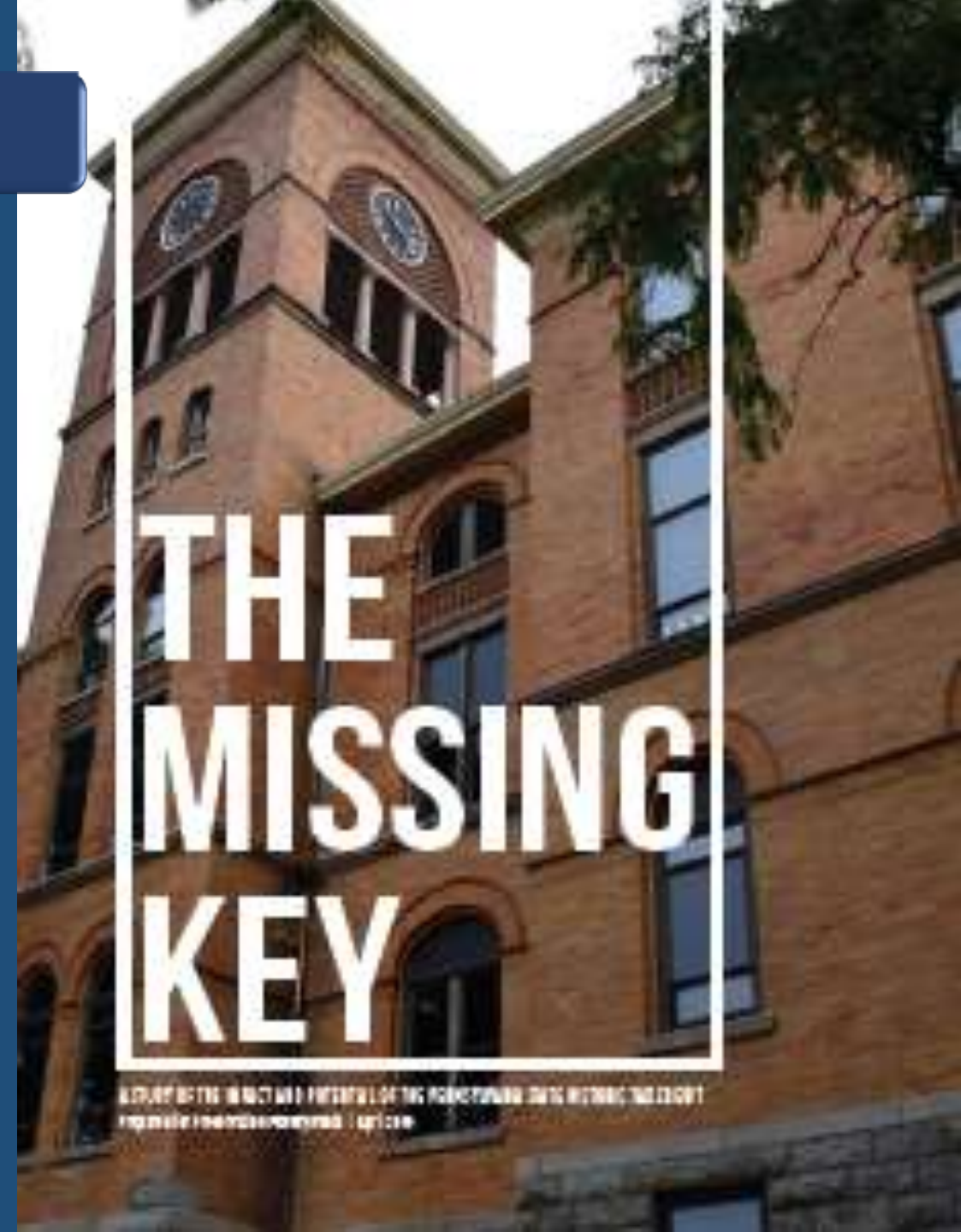
The extent to which these goals have been realized under the current credit is unclear **because the credit is not large enough to incentivize projects**, except those of modest size. However, research shows that there is potential for significant returns, both economic and non-economic, if the tax credit can be targeted more efficiently to rehabilitation projects that truly require additional state funds to be viable.



PlaceEconomics Study 2019

- Preservation Pennsylvania commissioned the study, funded in part by a grant from the PA SHPO and private donations.
- Donovan Rypkema and his team were tasked with not just reviewing the Pennsylvania program but to look at other states with more robust credits and compare them to Pennsylvania.
- The anticipated outcome would demonstrate that Pennsylvania is losing out on investments when it has to compete with surrounding states with better state credits.

http://preservationpa.org/uploads/PA-HPTC-Economic-Study_PresPA_web.pdf



Impact of Preservation Project on Pennsylvania



What Happens when \$1,000,000 is Invested in the Rehabilitation of a Pennsylvania Historic Building?

Jobs*

- 6.4 Direct Jobs
- 5.6 Indirect/Induced Jobs

Labor Income

- \$391,766 Direct Labor Income
 - \$61,213/Job
- \$290,283 Indirect/Induced Labor Income
 - \$51,836/Job

Output

- An additional \$853,514 of activity elsewhere in the Pennsylvania economy

*Numbers from PlaceEconomics Report 2019

Impact of Preservation Project on Pennsylvania

How does \$1,000,000 spent on historic rehabilitation compare with \$1,000,000 in output from other Industries?

	Historic Rehab	Food Processing	Natural Gas Industries	Fabricated Metals	Medical Devices	Chemical Manufacture	Drugs/ Pharmaceuticals
Direct Jobs	6.4	1.9	3.1	2.1	2.2	.8	1.6
Ind/Ind Jobs	5.6	4.0	3.9	3.6	4.1	2.6	4.2
Total Jobs	12.0	5.9	7.0	5.7	6.3	3.4	5.8
Direct Income	\$391,766	\$109,462	\$332,833	\$153,144	\$216,104	\$104,363	\$215,874
Ind/Ind Income	\$290,283	\$226,587	\$243,521	\$220,161	\$246,901	\$164,194	\$275,289
Total Income	\$682,049	\$336,049	\$566,354	\$373,305	\$463,005	\$268,557	\$491,163

*Numbers from PlaceEconomics Report 2019

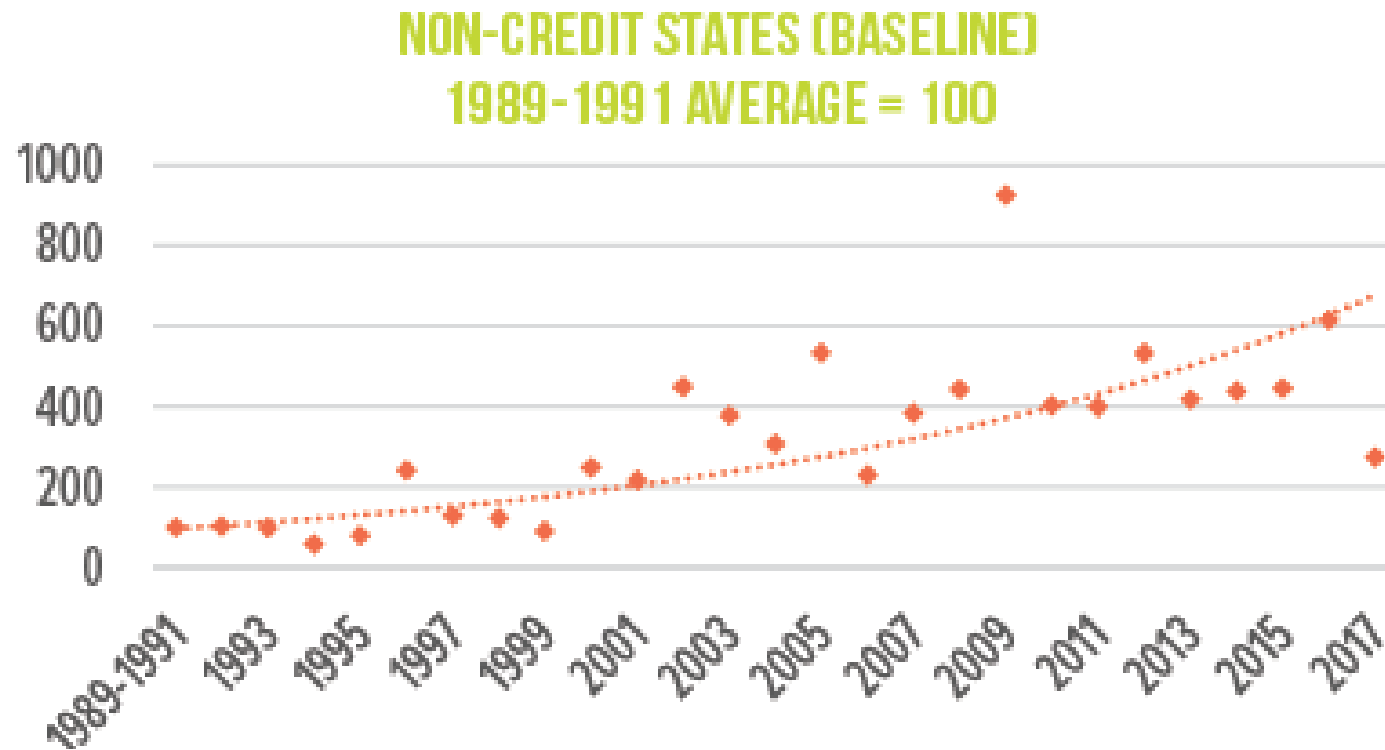
Pennsylvania Findings

- \$704 million in public and private investment since the program was established.
- The PA Treasury receives back 37% of the value of the credit before the certificate is issued.
- The demand exceeds the funds available with requests for \$8 of credits for every \$1 that can be awarded.
- Since 2008, 6,100 housing units have been created in PA (19% affordable housing versus 30% nationally)
- The uncertainty on the awarding of the credits has stopped some developers from applying.

*Numbers from PlaceEconomics Report 2019



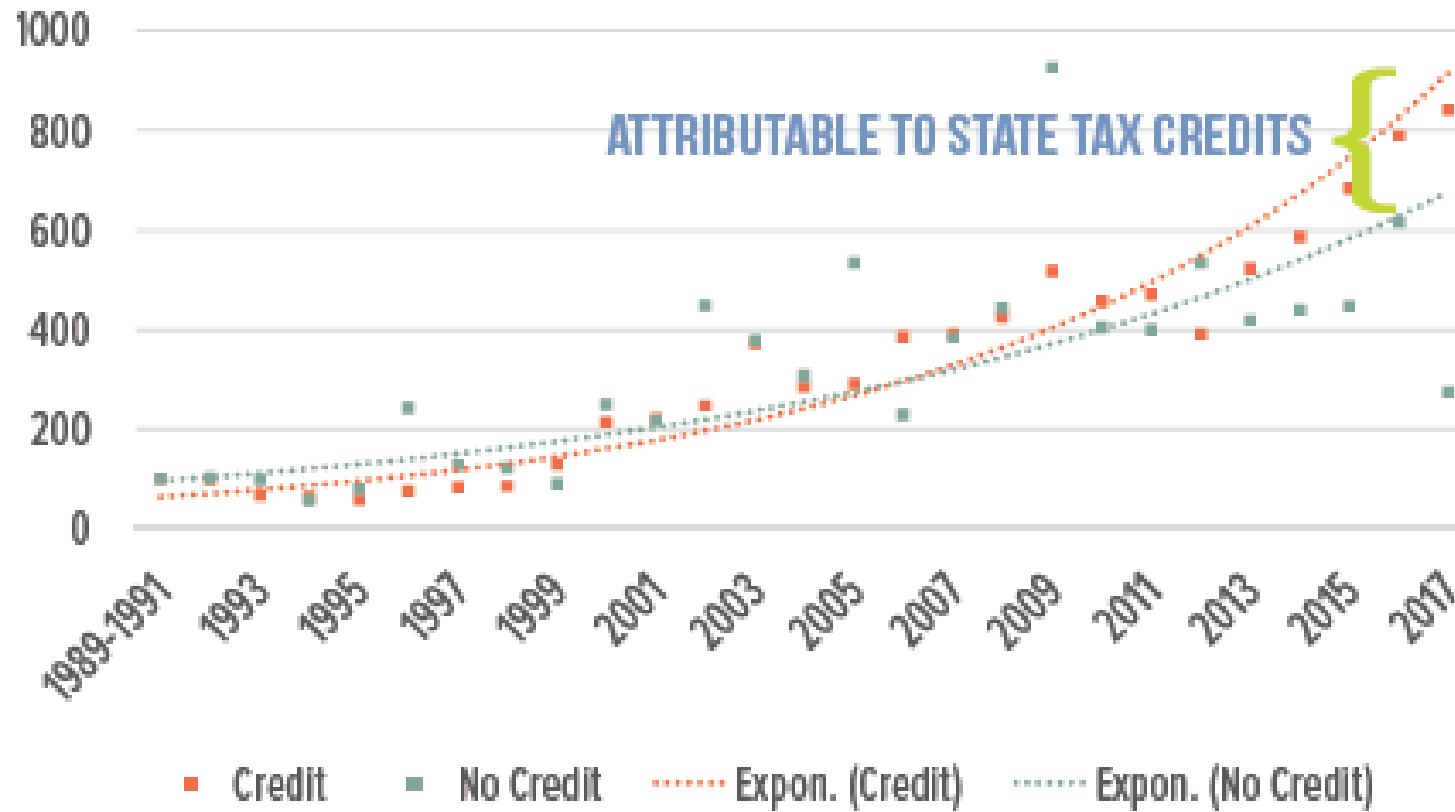
Basic Model Explained



This indexed change in activity can then be compared with the rest of the states.

Basic Model Explained

CREDIT VS NO CREDIT STATES 1989-1991 AVERAGE = 100



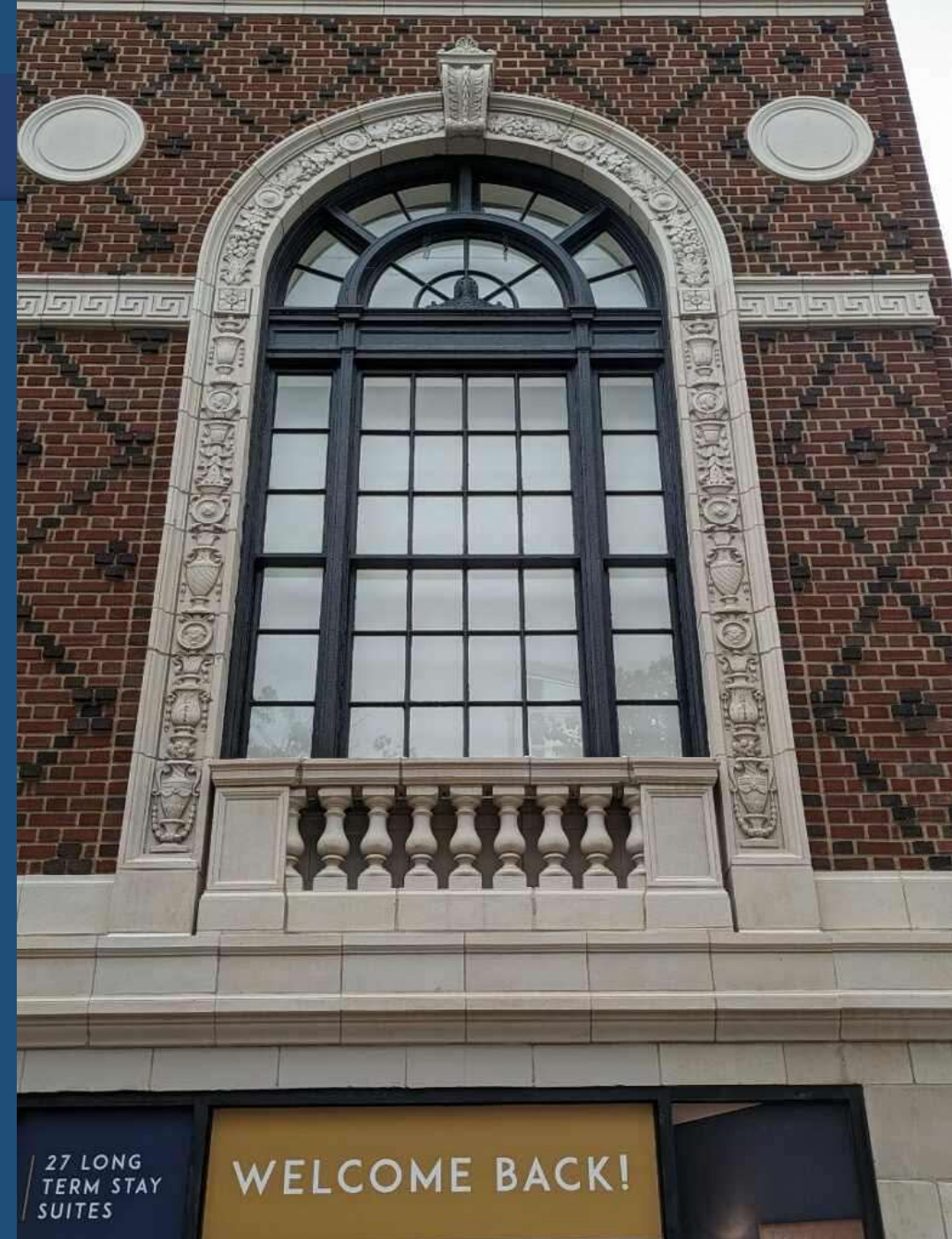
Goals of Reauthorization in 2019

- Annual Allocation of \$30 million
- Increased per project cap to \$2.5 million
- Additional 5% credit for workforce housing
- Clarification that the credit can be used in one year (compared to 5 years for federal)
- Standardization of timing for application, review and allocation
- Clarification on transferability
- Required Reporting
- Extend next sunset to 2030



Results of Reauthorization in 2019

- Annual Allocation increased to \$5million
- Project cap remained at \$500,0000
- Additional 5% credit for workforce housing
- Clarification that the credit can be used in one year (compared to 5 years for federal)
- Standardization of timing for application, review and allocation
- Clarification on transferability
- Required Reporting
- Extend next sunset to 2030



Goals for FY 24-25

- Annual Allocation increased to \$50 million
- Project cap increased to \$1.5 million
- Increased administrative support at DCED and SHPO
- Language to correct nonprofit organizations as “disregarded entities”
- Full implementation of guidelines passed in 2019





The Pennsylvania
Historic Preservation Tax Credit
is good for **Pennsylvania**,
good for its valuable **historic resources**,
and good for the **economy**,
generating **jobs, housing, and taxes.**

preservation
PENNSYLVANIA



Mindy Gulden Crawford, Executive Director
Preservation Pennsylvania
mcrawford@preservationpa.org
717-234-2310 x1



Ideas + Advocacy = Policy Success

Improving Pennsylvania's State Historic Tax Credit

So What the Heck is a State Historic Tax Credit?

Certify
Historic
Building



Certify
Rehabilitation
Plan



Certify
Rehabilitation
Work



When paired with the federal Historic Tax Credit, commercial projects can see 40 percent (or more!) of their rehabilitation expenses covered.

Impact of Grassroots Advocacy



National Trust Has New Advocacy Tools



State Historic Tax Credit
Resource Guide

PREPARED BY THE NATIONAL TRUST FOR HISTORIC PRESERVATION // JANUARY 2023

DATA



Filter the data table using one or more criteria below. Programs will be shown if they meet ALL selected criteria. Click and drag columns to reorder fields. Click column headers to sort data. Download the table to CSV by clicking in the top right corner of the table. Visit the [About](#) page for important definitions.

<https://savingplaces.org/state-historic-tax-credits>

State Name (select 1 or more)	0 Selected	Program Status	- All -		
Offers Credit for Income Producing Properties	<input type="checkbox"/>	Has Uncapped Program	<input type="checkbox"/>	Allows Direct Transfer	<input type="checkbox"/>
Offers Credit for Homeowners	<input type="checkbox"/>	Has Annual Aggregate Cap	<input type="checkbox"/>	Allows Disproportionate Allocation by Partnership Agreement	<input type="checkbox"/>
Offers Additional Credits/State Priorities	<input type="checkbox"/>	Has Per Project Cap	<input type="checkbox"/>		

HTCs Also Help Address a Changing Climate

State Historic Tax Credits:
Opportunities for Affordable Housing
and Sustainability

PREPARED BY THE NATIONAL TRUST FOR HISTORIC PRESERVATION // JUNE 2023



<https://savingplaces.org/state-historic-tax-credits>

Installation of rooftop solar panels is an eligible expense when using the New York State Historic Homeownership Rehabilitation Credit. Courtesy Brooklyn SolarWorks



**Effective State
HTCs return a
state's investment
within 4-7 years of a
completed
rehabilitation.**

Elements: Books Coffee Beer
Heart of Biddeford Main Street, ME (Great
American Main Street award winner)

Receive HTCs only when the rehab is completed



The Gladney Executive Building, 515 South Main Street, rehabilitated with Louisiana state HTCs in Homer, Louisiana (pop. 2,500).



The Colvin Law Firm Building, 522 and 524 East Main Street in Main Street Homer.

Fills a Critical Funding Gap



Gladney
Executive
Building

Tax credit
project at
515 S. Main
Street,
Homer, LA



Q: What makes a great HTC program?

A: When credits are predictable

One of the first Dubuque rehabilitation projects made possible by the Iowa State Historic Tax Credit, had a transformative impact on the community, according to John Gronen, Gronen Construction. BY MATTHEW GILSON



New Jersey Historic Property Reinvestment Program



HistoricTaxCredit@njeda.gov

- ▶ Established under the **Economic Recovery Act of 2020 (ERA)**
- ▶ Provides tax credits to incentivize **rehabilitation of historic buildings** in New Jersey
- ▶ Can work in conjunction with **Federal Historic Tax Credit Program**
- ▶ **\$50 Million annual cap** (\$300 Million over the life of the program)
- ▶ Awards **40 - 45 Percent of Rehabilitation Costs**
- ▶ Applications are due by a preestablished **deadline** and awards are based on **competitive scoring**
- ▶ Rules for the program were posted as adopted rules in **November 2022**

Main Program Requirements



Property must be identified as historic (National or NJ Register, Pinelands Commission, or Certified Local Governments)



Property must be income producing at project completion



Without tax credit, rehabilitation project is not economically feasible



Project financing gap exists

Award Size

TAX CREDITS



40 percent of the cost of rehabilitation up to a maximum of **\$4 million**, for rehabilitation projects NOT located within a qualified incentive tract or a government-restricted municipality



45 percent of the cost of rehabilitation up to a maximum of **\$8 million**, for rehabilitation projects located within a **qualified incentive tract** or a **government-restricted municipality**



45 percent of the cost of rehabilitation up to a maximum of **\$50 million** for rehabilitation projects that include a **transformative property**

* Award size is based on the cost of rehabilitation (eligible costs)

Review of Applications

APPLICATION EVALUATION

At the conclusion of each application window, the Authority conducts a review of all applications based on requirements established in the program rules.

Reviews focus on the following areas:

- ▶ Sister Agency Review (Department of Labor and Workforce Development, the Department of Environmental Protection, and the Department of the Treasury)
- ▶ Legal Review in accordance with the Authority debarment and disqualification rules.
- ▶ Underwriting Review (Project Feasibility Requirements, Funding Gap, Proof of Equity, Sources of Funding)
- ▶ Scoring Criteria

Review of Applications

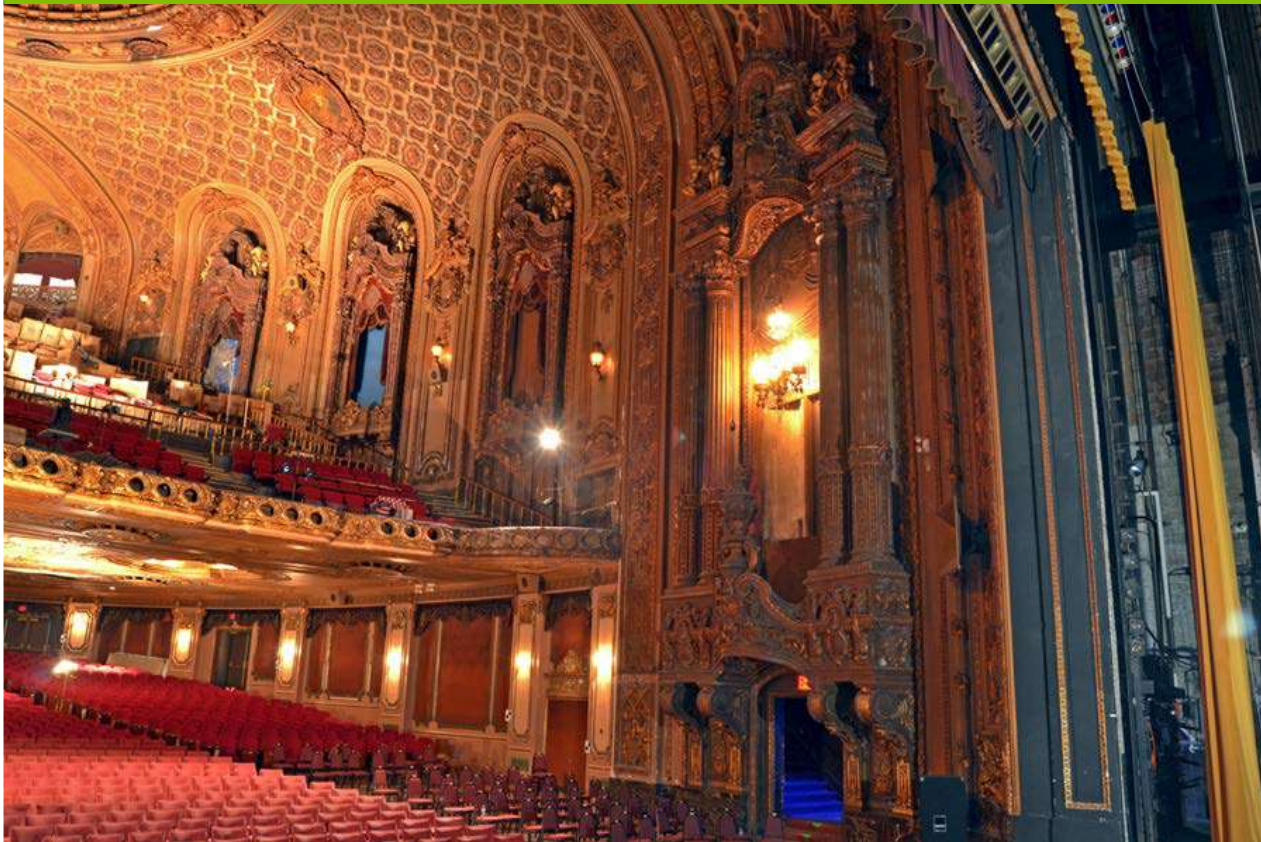
APPLICATION SCORING

The Authority shall allocate tax credits based on the evaluation of the proposed project first to transformative projects and then other rehabilitation projects according to the following factors:

- ▶ Historic significance of the qualified property or transformative property
- ▶ Existing or potential threat to the structure due to physical condition, encroachments, or other factors
- ▶ Project Concept & Team, including stewardship of the building during the business entity's control, if any, of the qualifying property or transformative property
- ▶ Site control or agreement that will provide site control
- ▶ Positive Impact on the Surrounding Neighborhood

To receive tax credits a business entity's application shall meet a minimum score and shall be prioritized based on the factors above.

Loew's Jersey Theater, Jersey City NJ



Total Project Costs:	\$110.8 Million
Eligible Costs:	\$93.9 Million
Tax Credit Award:	\$42.2 Million

Ohio Historic Preservation Tax Credit Program Fast Facts

- First awards in 2008
- Competitive, with two funding rounds per year
- Objective and transparent scoring rubric, including cost benefit analysis
- \$120 million available per fiscal year
- \$10 million per project cap
- Applicants can request up to 35% of project QREs (except in Cincinnati, Columbus, and Cleveland where it is 25%)
- Cooperatively administered with State Historic Preservation Office, Ohio Department of Development, and Ohio Department of Taxation

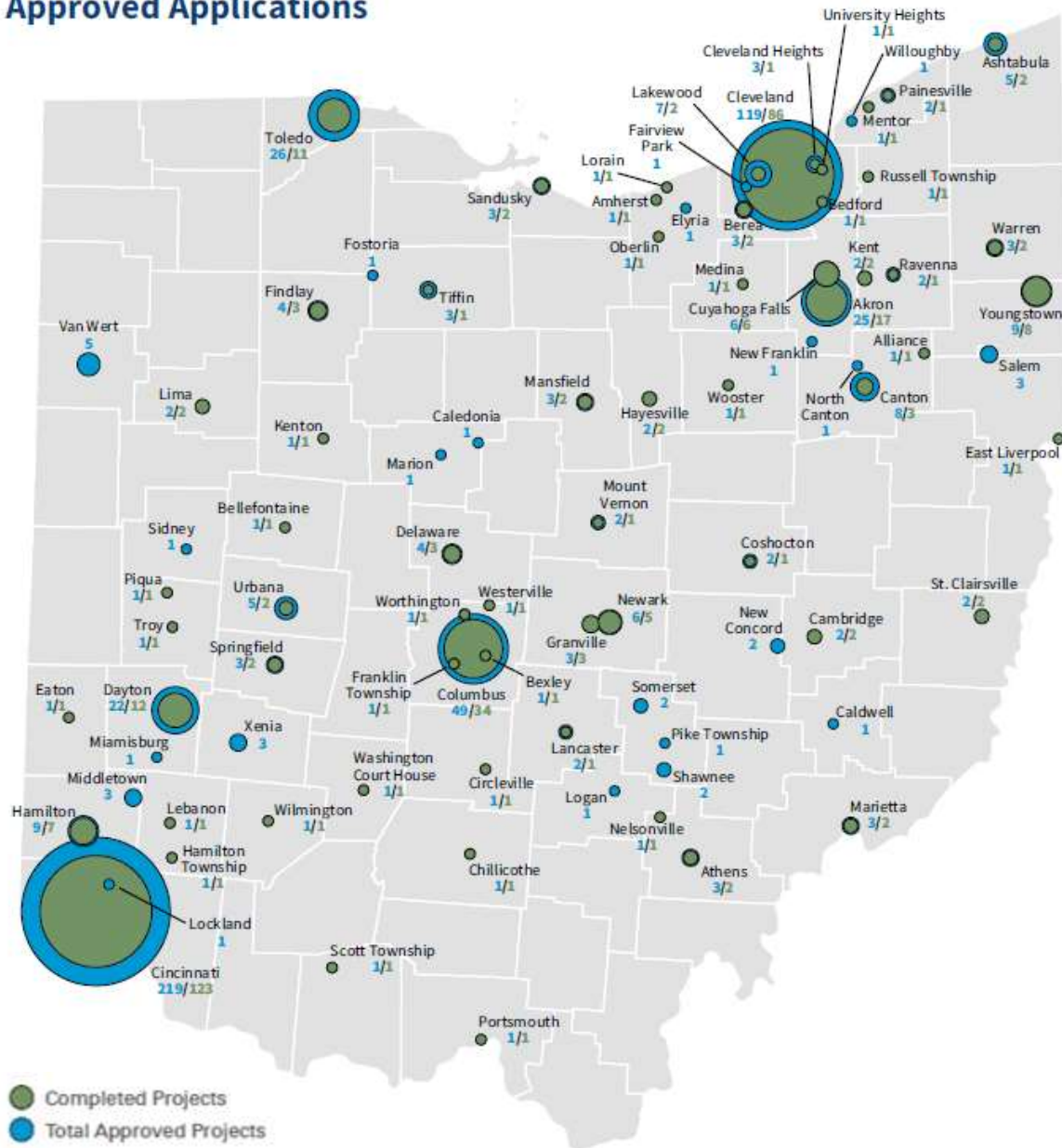


Open Air School, Columbus, restaurant, bar, commercial spaces

Ohio Historic Preservation Tax Credit

Rounds 1 to 30

Approved Applications



Drexel Theatre, Bexley, still operating theater

Program Awards

	Approved	Completed
Projects	627	401
Historic Buildings	863	569
Total Investment	\$9.09 billion	\$5.49 billion
Total Tax Credit	\$1.03 billion	\$686 million



Hoster Brewing Co., Columbus, mixed use

Application Selection

Objective scoring process

100 point scoring criteria, 94 out of 100 self-scored in advance

Scoring focused on two areas:

- A. Regional Distributive Balance**
- B. Potential Economic Impact**

Applicants must score 50 points to be eligible



Cincinnati Color Building, office and restaurant

Allocation Set-Asides

Small Projects

- Less than \$1.25 million in QREs
- Maximum tax credit of \$250,000
- 8% reserved (at least \$2.4 million)

Intermediate Projects

- \$1-10 million in QREs
- Maximum tax credit \$2,000,000
- 25% reserved (at least \$7.5 million)



Newark High School, apartments

Lisa Brownell, Ph.D.

OHPTC Program Manager
Ohio Department of Development

lisa.brownell@development.ohio.gov*

(614) 752-2345

*best way to reach me



Cincinnati Union Terminal,
museum center

FROM BULLETS TO BROADWAY

Converting the West Chester National Guard Armory
Into
The Uptown!Knauer Performing Arts Center



WEST CHESTER GUARD UNIT HISTORY

Bravo Company, 1st Battalion, 111th Infantry, 56th Stryker Brigade Combat Team

Traces origin to 1747 and Ben
Franklin's Associated Regiment
of the Foot ("Associators")

Served in every U.S. armed conflict since then

Reorganized 16 times



ARMORY HISTORY

– Constructed in 1916 under guidance of
Major John C Groff



– Designed by Philip H. Johnson of
Philadelphia



– Cost about \$40,000

THE ARMORY IS ABANDONED

- In 2012-13, the PA National Guard built new facilities, left town and put the building up for sale

PURCHASE AND REHABILITATION

- PA Government Services Division had building appraised for \$950thousand
- Offered a 20% discount for any purchaser who would rehabilitate according to the U.S. Department of the Interior Standards for the Rehabilitation of Historic Structures
- Preservation covenant, held by Pennsylvania Historical and Museum Commission (PHMC), placed on building for 25 years.

FORMATION OF UPTOWN!ENTERTAINMENT ALLIANCE

- 501(c)3 non-profit chartered in 2011
- 25 member Board of Directors
- 8 member Advisory Board
- Two full time and several part time employees
- Over \$1,750,000 revenue in 2023

FORMATION OF UPTOWN BRAVO THEATRE, LLC

- For profit investment vehicle
- Purchaser of the Armory
- 38 investors
- Will benefit from historic preservation tax credits - HRTC

U!EA and UBT RELATIONSHIP

- UBT, LLC owns the building
- U!EA loaned UBT on a non-recourse basis, the initial \$2.59million of capital contributions
- U!EA rents the building from UBT at a rate that allows UBT to cover its debt service plus a small profit.
- U!EA is responsible for all operations, programming, maintenance, taxes, etc.

THE COST OF THE CONVERSION

- Total project cost \$5.2million
 - \$0.8 million for the purchase
 - \$4.2 million for construction costs
 - \$0.2 million of other costs

FINANCING THE PROJECT

- Created UBT, LLC for investor dollars - \$1.555million
- Secured a \$0.500million mortgage from Fulton Bank
- U!EA conducted capital campaign with the funds being loaned to UBT, LLC – ultimately \$2.950million
- \$0.500million Line of Credit established with Univest Bank to compensate for pledge timing
- Through the Borough, received a Department of Community and Economic Development (DCED) Anchor Block Grant to Loan - \$0.200million
- Received secondary funding as needed from Fulton Bank - \$0.500million

THE PA HRTC PROCESS

DCED Single Application for Assistance Historic Preservation Tax Credit Program submitted 2016 for \$2,000,000

PA Part 1 – EVALUATION OF SIGNIFICANCE COVER SHEET and PA Part 2 – DESCRIPTION OF REHABILITATION submitted 10/14/2016.

Approved 3/29/2017

PA SHPO requested additional information on four items on 3/30/2017

THE PA HRTC PROCESS

Responded to PA SHPO on 4/6/2017 with
AMENDMENT/ADVISOR DETERMINATION

DCED issued letter allocating \$250,000 in tax credit to UBT on
6/1/2017

PA Part 3 – REQUEST FOR CERTIFICATION OF COMPLETED WORK
submitted 1/22/2018. Approved 1/25/2018

THE PA HRTC PROCESS

PA Tax Credit issued by DCED on 5/1/2018

Univest Corporation agrees to purchase credits for \$225,000 on 5/16/2018

PA Tax Credit Assignment Forms transmitted to DCED on 6/28/2018. Approved 9/12/2018

UBT accepts check from Univest on 9/25/2018

UPTOWN KNAUER PERFORMING ARTS CENTER

- Building purchased in December, 2015
- Rehab begun in May 2016
- Opened for New Year's EVE 12/31/16
- First Performance in March, 2017
- Federal Part 3 Final submitted on 11/30/2017

