

The State Historic Tax Credit:

A Proven Catalyst for Community Revitalization & Housing Development

Presentation to the Special RI House Commission to Study Land Use

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April 3, 2025

Highlights of the State Historic Tax Credit Program

Most Successful Economic and Community Development Engine for RI in the last generation!

- Plays to a major RI strength and competitive advantage-- our large collection of iconic historic buildings and neighborhoods
- Since 2002 has made possible the rehab of more than 300 historic buildings in 24 of RI's 39 Munis, representing an investment in the state's economy of more than \$ 2 billion.
- Provides an especially big fiscal revenue boost for RI's Munis, especially our most economically challenged cities and towns, where a disproportionate amount of historic rehab activity takes place.
 - In communities such as Pawtucket, Woonsocket and West Warwick, common for rehabbed buildings' valuations to go up between 600% and 1000%

Multiple Benefits Beyond the Obvious

- Provides **Housing**: Major catalyst for location efficient, multifamily housing development— made this happen despite antiquated zoning in many places
 - Responsible for 20% of all housing units produced in RI in the last 12 years, and 20% of these have been subsidized affordable.
- **Main Street and Downtown Revitalization**
 - Changed for the better the appearance and economic vitality of such disparate commercial districts as Downtown Providence, Downtown Woonsocket, the Bristol Waterfront, the Newport Waterfront, Downtown Westerly, the Pawtucket's Arts District, Peacedale, Wakefield, Harrisville, and others.
- **Reducing development pressures on our remaining farm and forestland and fragile coastal environments.**
- **Recruitment of more talent and tourists**

- **Brownfield Cleanup**
 - Since many vacant historic buildings, especially mill buildings, sit on contaminated land, successfully rehabbing and repurposing them requires Brownfields clean up.
- **Crime reduction**—both for arson and street crime

Despite or Perhaps because of its major successes, the Program has had a bumpy ride

- Since the HTC's fiscal benefits accrue disproportionately to municipalities and the private economy versus state government, State budget analysts have often viewed the program as a fiscal drain for the State (small picture vs. big picture perspective.)
- Suspended for new projects in 2008, but with many existing projects grandfathered in.
- Revived, in a limited fashion, with reforms, in 2013
- Criticized, ironically in the past for facilitating residential over commercial development- why residential projects receive a lower credit than commercial ones even though we are a state which is ground zero for the national housing crisis.
- Today the HTC is operating on financial fumes and a set of requirements and fees that make it far less attractive than HTC programs in nearby states.

HTC Program Features which Require Reform

- Highest processing fee in the country—and non-refundable
- Prevailing Wage requirement for projects with costs exceeding \$10 million. This was added several years ago without increasing the allowed per Project Tax Credit for larger projects.
- Lower credit for residential than commercial projects. Makes financing for sorely needed housing projects even more complicated than it should be.
 - With the office market cratering, and a consensus that Rhode Island needs to increase annual housing production dramatically, what could be more beneficial to the state than projects that are primarily residential.
- Short term program sunsets
- A confusing nontransparent waiting list which creates a high level of uncertainty that may discourage some developers from pursuing historic rehab projects in RI

Proposed HTC Reforms by Grow Smart RI and Preserve RI

- **Create predictable funding for state historic tax credits**

- Allocate funding to replenish the program and make predictable annual appropriations. The November 2024 State Revenue Estimating report documents 54 projects are in “queue”, waiting for funding, requesting \$90 Million in tax credits that would catalyze over \$467 Million in rehabilitation investments.
- **Create incentives for housing projects**
 - Increase the percentage of the credit for housing projects from 20% to 30%.
- **Make the new wage requirements useable**
 - Make more money available to pay for the new wage requirements so major jobs and housing generating historic rehabilitation projects can advance.
 - Increase the per project cap of credits from \$5 Million to \$ 8 Million.
 - Raise the threshold that triggers the new wage requirements to \$20Million of hard project costs.
- **Fix administrative obstacles that hamper the program**
 - Convert RI’s highest-in-the-nation 3% processing fee to a 1% deposit on the project
 - Extend the sunset to no less than every five years
 - Authorize making the status of the queue public information and manage the queue more efficiently.

Special Note: Several of the reforms we are proposing for the HTC we are also proposing for the Rebuild Rhode Island program.

What’s happening with our nearby States’ HTC programs?

Generally nearby states are aggressively strengthening their programs while RI's program flounders.

- Many other states appropriate funds annually to their programs.
- Connecticut makes \$31.7 Million available each fiscal year
- Massachusetts recently doubled its allocation to \$110 Million per year for the next ten years.
- Maine’s program does not have a spending cap.

Conclusion:

- As a very small state with few large plots of land to attract big companies, Rhode Island needs to be playing with laser-like precision to its place-based strengths and economic advantages.

- While we can't compete with Virginia, Ohio, Pennsylvania or most other large states for cheap, abundant greenfield land, we can compete effectively with anyone in the country for companies, talent, and tourists seeking charming historic neighborhoods and historic buildings.
- And at a time when we need much more attainable, location efficient , multi-family housing development, it is imperative that we support major reform and recapitalization of the HTC.
- It's the proven edge we need now more than ever!