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## Proposal Calls for an Increase In Tax Credit Program Funding

By Ashley Wilkins

MEMBERS OF THE REAL ESTATE COMMUNITY and state government met on Beacon Hill last Tuesday to discuss a historical initiative that has the possibility to transform Massachusetts' future.

Originally implemented as a component of the 2003 Economic Stimulus Package, the Historical Rehabilitation Tax Credit, proposed by the Massachusetts Preservation Coalition, has attracted a great deal of interest in the Bay State. Conceived as a five-year pilot program to provide a credit of 20 percent of the cost of substantial renovation and revitalization of historic buildings used for an income-producing purpose, the program has an annual cap of \$10 million to disperse among approved projects. The first round brought 27 applications with a total request of \$67.4 million, a figure well above the initiative's total five-year budget.

If all the first-round proposals had been approved and the projects had gone forth, they would have collectively resulted in 1,298 new units of housing, 535 of which would have been affordable, and would have generated more than \$29 million in state and local taxes.

The high volume of applications prompted Secretary of State William F. Galvin, who serves as chairman of the Massachusetts Historical Commission, to put forth an amendment to the original legislation to secure an additional \$5 million per year in tax credits, for a total of \$75 million over five years.

Tuesday's hearing brought a slew of written and spoken opinions regarding a proposed further increase in Historical Rehabilitation Tax Credit funding.

### 'Historic Character'

Greater Boston Real Estate Board acting Chief Executive Officer Greg Vasil wrote to Sen. Jack Hart and Rep. Eric Turkington of the Joint Committee on Tourism, Arts and Cultural Development in support of the new push for

further funding, also known as Senate Bill 1848.

"GBREB would like to go on record in support of Senate Bill 1848 ... The Historic Tax Credit is the most effective economic development tool the commonwealth [of Massachusetts] has for our historically rich urban centers. Massachusetts' historic character is one of its most important assets, drawing people from across the country and the world to visit and live here. Historic buildings are not only important to Massachusetts, but are also part of the heritage of America," wrote Vasil.

Massachusetts' Historic Tax Credit initiative was modeled after a national initiative that has seen great success in communities across the country.

"There is a National Historic Tax Credit Program that has been in place for 30 years and has been very successful," said Albert Rex, a consultant with Preservation Massachusetts, a nonprofit organization that is a part of the Massachusetts Preservation Coalition. "We were watching places like Rhode Island have success and saw it as a real way to help urban core cities in Massachusetts ... Because of construction costs, many municipalities find it does not make sense to do these sorts of projects and are seeing historic resources sit vacant. Now people are able to make an investment in the community by returning these buildings to service."

The initiative provides the opportunity for a variety of historic buildings to be renovated and put to productive use.



**ALBERT REX**  
'Effective' program



**HOWARD COHEN**  
'Phenomenal' stimulus

"The historic tax credit is a great way of filling in the gap in financing," said Howard Cohen, partner with Boston-based The Beacon Cos., who has submitted an application for review to develop an old, vacant shoe factory in downtown Haverhill, although he has not yet been granted approval.

The needed funds to renovate existing structures also can provide an opportunity to create housing or industry in urban centers that desperately need it but may not be willing to allow new construction.

"We could never build a new 9-story building in downtown Haverhill, but we have the opportunity to do this. Older buildings have a positive emotional attachment and people want to see them revitalized," said Cohen, who noted that there is an inherent aesthetic appeal to existing structures. "Nothing we could design today would be as attractive as these old buildings. Now it has 1,100 boarded-up windows, but with the historic credit we can bring them back to life."

One of the projects chosen to receive tax credits was Baker Square, a conversion of three industrial buildings in the

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Dorchester/Milton Lower Mills industrial historic district to residential spaces. The project, which sits on the former site of the Baker Chocolate Factory and is being overseen by Boston-based Winn Development, was one of the first projects in the state to be granted approval for use of the tax credits.

The approval process is no doubt a difficult one.

“There are a set of regulations and criteria in place that they use to go through and evaluate each project and determine its feasibility,” said Rex.

Ultimately, the approval committee’s true task may not come from having to determine whether each project will be beneficial to the state, but instead from having to focus on com-

parison, rather than criteria.

“The secretary’s office has really done a great job making decisions, but their only issue seems to be that they just have too many great projects and just not enough money,” said Cohen. “Projects include housing, old theaters, medical centers, office buildings – a great variety of different types of projects, and each is important. What people are now saying is, why don’t we put more money behind this and get it going? It’s a phenomenal economic stimulus.”

A variety of increases were proposed at Tuesday’s hearing, ranging from \$20 million to \$50 million, although another option could bring even further economic growth to the commonwealth.

“We think the most effective method is an uncapped program, like on the federal level. It would take the competitive aspect out of the system. The reason we’re so strong about this is because developers are looking for predictability and you can’t have that in a competitive program. It also helps with underwriting so banks can feel comfortable,” said Rex. “We have some sense that there’s a concern about what the tax hit would be, but to us it just makes a lot of sense from an economic and public policy standpoint. We know how effective this program can be. We really believe it wouldn’t be a loss for the commonwealth. It’s a great investment and will ultimately return much more than the amount the tax credit gives out.” ■

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