River Edge Historic Tax Credit Extension Bill

Strengthening Illinois' Economy by Reinvesting in Historic Places

SB1783 - Sen. Steve Stadelman - Linda Holmes - Karen McConnaughay
HB2972- Rep. Linda Chapa LaVia - Litesa E. Wallace - Joe Sosnowski - Anna Moeller - Mike Fortner - Ryan Spain - LaToya Greenwood - Steven A, Andersson

A coalition of developers, investors, building industry representatives, and nonprofit organizations is actively promoting the extension of the River Edge Historic Tax Credit (REHTC) to encourage private investment in historic properties. The five River Edge cities of Aurora, East St. Louis, Elgin, Peoria and Rockford will benefit from the jobs and economic development generated through the Tax Credit.

How Does It Work?

- Allows credit on State Income Taxes equal to 25% of the qualified cost of a historic rehabilitation.
- Applies to income-producing properties, including commercial, rental residential, and industrial developments, which must be designated as historic. It does not apply to owner-occupied residential properties.
- Parallels 20% Federal Historic Tax Credit, which creates more development opportunities in Illinois and leverages millions of dollars in federal money not currently flowing into our state.

Economic, Environmental, and Community Benefits

- **Impressive Return on Investment (ROI)**
  - ⇒ A study by the University of Illinois-Springfield found that the state historic tax credits return up to $10 for every $1 invested.
- **Targeted Program**
  - ⇒ Only National Register listed or certified properties within River Edge Redevelopment Zones.
- **Creates jobs and economic activity far beyond level of tax credit.**
  - ⇒ Historic rehab is more labor intensive than new construction, with 60%-70% of the investment in labor rather than in materials.
  - ⇒ Increased labor costs create more jobs than new construction, resulting in greater income tax and sales tax revenue.
  - ⇒ State tax credits have spurred more than $1 billion in economic activity in Maryland, Missouri, and Virginia.
- **Replenishes tax base by increasing payroll, sales, and property taxes.**
  - ⇒ The program begins to return income tax and sales tax dollars to the State several years before the credit is redeemed. In Maryland, the State captured $0.34 for each $1 before the Historic Tax Credit was awarded and $1.02 within the first year of the award.
  - ⇒ Encourages private investment in vacant and underutilized buildings, putting neglected properties back on the property tax rolls at a higher value and catalyzing investment in surrounding areas.
- **Government efficiency**
  - ⇒ By pairing with the Federal Historic Tax Credit process already administered by IHPA, the state program runs efficiently.

Contacts

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RETURN ON INVESTMENT

$10 for every $1 invested

STATE REHAB TAX CREDITS AND JOB CREATION

- ⇒ A total of 6,871 jobs and $60 million in tax revenue were created in the first four years of Missouri's tax credit.
- ⇒ In Minnesota, historic rehab projects create 5.7 more jobs per $1 million in output than manufacturing and 2 more jobs per $ 1 million than new construction.
- ⇒ 34 states in the U.S. have some form of a statewide rehab tax credit program, including the neighboring states of Indiana, Kentucky, Missouri, Iowa and Wisconsin.

Aurora St. Charles Senior Living, Aurora
On 1/31/17 Evergreen Real Estate Group opened its $23.1 million renovation of the historic St. Charles Hospital. The building, vacant for five years, created 100 construction jobs, 60 senior housing units, and $65,000 in annual property tax revenue. Without the REHTC this private investment project would have been impossible.

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A Coalition of River Edge Communities, developers, investors, building industry representatives, and nonprofit organizations is already achieving results under existing legislation, and extension of the tax credit opportunity will spur additional economic development in communities with urban core historic structures in desperate need of a catalyst for redevelopment.

Specific Bill Provisions

⇒ Extends the sunset provision in current legislation 5 years to January 1, 2022;

⇒ Clarifies eligible taxpayers and the limits and process for allocation of credits including:
- requiring developers to invest the equivalent of the building's value (adjusted basis) and not simply its purchase price;
- simplifies use for phased projects by requiring spending the adjusted basis throughout the aggregate phased period and not each taxable year, as currently interpreted. Applicants won't reapply each year, leading to greater predictability;
- allows credit to be used within a partnership reflecting the majority of ownership agreements;

⇒ Provides for carry-forward of the credits;

⇒ Reflects requirement for IHPA and National Park Service approval consistent with Federal Rehabilitation Tax Credit;

⇒ Enables DCEO and IHPA to certify to taxpayers that approved projects will earn the credit when completed.

⇒ Expands the market for credits by providing for the application of the credits against privilege and regulatory taxes imposed on the Insurance industry. (Sections 409, 413, 444 and 444.1 of the Illinois Income Tax Act.)

Building Projects at risk without the extension of the River Edge Historic Tax Credit

Chic Manufacturing, Peoria— residential / retail

Ziock Building, Rockford—convention center / hotel

Elgin Tower, Elgin—residential / retail

Hobbs Building, Aurora—residential / retail

Spivey Building, East St. Louis—housing

LANDMARKS ILLINOIS

Information prepared by Landmarks Illinois, the statewide nonprofit historic preservation advocacy organization. For more information, visit **www.landmarks.org** or contact Bonnie McDonald, President, at 312-922-1742 or at bmcdonald@landmarks.org.