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FEDERAL UPDATE

House Ways & Means Committee Includes Rehab Tax Credit Amendments in Affordable Housing Bill Mark Up

The House Ways & Means Committee held its mark up of the "Taxpayer Assistance Act of 2008" (HR 5720) on April 9th and included three rehab credit tax amendment provisions in the bill concerning leaseback provisions for not-for-profits, Alternative Minimum Tax (AMT) relief for rehab projects twinned with the low-income housing credit, and a hybrid provision that requires states to include historic rehab under the twelve criteria considered under state Qualified Allocation Plans (QAPs). The National Trust and its preservation partners are meeting with key congressional and tax-writing committee staff next week to clarify the rehab credit language.

In addition, the Senate passed a mortgage relief housing bill as a rider to the House Energy Bill (HR 3221) which means the rehab tax credit provisions could be part of a projected conference over the competing housing bills within the coming weeks.

Conservation System Permanence Bill Passes House

The House passed a bill (HR 2016) to make permanent the National Landscape Conservation System by a vote of 278-140 on April 9th bringing the Conservation System one step closer to securing a permanent place under the Bureau of Land Management's (BLM) public lands stewardship programs and budget. The National Trust and the Conservation Alliance have been made the permanence campaign for the 26-million acre Conservation System a top priority for over one year in the effort to the area's unique natural and cultural resources.

Although the bill passed with overwhelming support, there were amendments to the bill worth noting. For instance, the House narrowly adopted an amendment by Rep. Steven Pearce (R-NM) stating the bill would not affect grazing rights or operations on BLM lands as well as an amendment by Chris Cannon, (R-UT) stating that the bill does not create an independent federal legal cause of action. Additional amendments said the act would not restrict energy development within the system nor limit access to hunting, fishing or trapping, or infringe on a state's right to manage these activities. These amendments, while significant, are not expected to derail the progress of the permanence bill, but the Conservation Alliance is nonetheless committed to seeing the grazing rights, legal cause and energy development amendments removed from the final bill.

The Senate Energy and Natural Resources Committee approved a companion bill last year (S 1139) by voice vote.

National Trust
Testimony
Highlights SAT
and Preserve
America
Opportunities for
Cooperation

Moe Testifies in Support of SAT and Preserve America Authorization Bill

National Trust president Richard Moe testified before the Senate Subcommittee on National Parks, Historic Preservation and Recreation on April 9th in support of a bill (S. 2262) that would provide an authorization for two key historic preservation programs — Save America’s Treasures (SAT) and Preserve America.

Moe’s testimony addressed the need for Congress to authorize SAT and Preserve America with “long-term programmatic and funding vision to enable the two programs to work in harmony with each other and the other components of the national historic preservation program.” Mr. Moe also highlighted the partnership opportunities between SAT and Preserve America by stating the “a very large inventory of SAT bricks-and-mortar recipients would benefit greatly from Preserve America awards that provide funds for the planning process needed to qualify for SAT support and essential education and outreach activities to increase the value of a SAT-funded restoration.” Moe’s testimony also noted that more than 20 percent of SAT’s private funding — nearly \$12 million — has been designated for National Park Service sites that are in dire need of support beyond what Congress can provide in the annual appropriations cycle.

Finally, Moe concluded his statement before the subcommittee by noting that “authorizing SAT will help ensure that this program will continue to have a prominent role in preserving America’s historic and cultural treasures ... and that both SAT and Preserve America reflect the bipartisan commitment that has characterized historic preservation policy in Congress and the White House over the last ten years.”

Farm Bill Stalemate Now Centers on Funding Mechanism For Extra Spending

Historic
Preservation and
Rural Heritage
Provisions Caught
in Fracas Over
Farm Bill
Spending Plan
Proposals

After months of stalemate, lawmakers will began a formal farm bill conference Thursday, with House leaders backing a new bipartisan deal that sets a price tag for the bill and the offsets to pay for it. Under the agreement, new spending on agriculture programs would be limited to \$6 billion above the \$280 billion budgetary baseline for the bill (HR 2419) and the House on Wednesday voted, 400-11, to instruct conferees to oppose higher taxes to fund new farm bill spending. Conservation, historic preservation and rural heritage titles in the bill are still caught up in the funding negotiations which may require using customs and users to cover the additional \$6 billion under the deal, which would not be offset by taxes.

Yet another funding proposal would require credit card issuers to report to the IRS payments they make to merchants, a way to help determine whether

businesses are reporting all their income. Senate Finance Chairman Max Baucus (D-MT) and ranking Republican Charles E. Grassley (R-IA) recently released a discussion draft of the proposal. The American Bankers Association, which represents credit card issuers, has opposed the plan but President Bush has listed the plan as an acceptable offset in his budget.

The National Trust for Historic Preservation and its partners plan to work with conferees and staff next week to ensure that the strongest historic preservation provisions possible are included in the final report.

STATE & LOCAL UPDATE

Ohio and Rhode Island State Rehab Credits Threatened by Budget Caps

The Ohio Department of Development capped the state's Historic Preservation Tax Credit on March 13 at \$120 million instead of the 100 projects mandated for FY 2008 by legislators. Lt. Governor Lee Fisher, who also serves as Director of the Ohio Department of Development (ODOD), and the Director of the Office of Management and Budget, held stakeholder meetings on March 27 and April 3, and formed a taskforce to gain consensus on provisions for a new program. In addition, Governor Ted Strickland proposed stimulus package includes \$60 million for 2 years starting in July '09 for the program but has not called for priority funding for those 55 projects that had been approved before the cap was imposed.

The cap surprised many because the ODOD requires a cost-benefit analysis on each proposed project and only projects resulting in a net gain in state and local taxes are approved. In response, the Greater Cleveland Partnership commissioned Team Neo, a Cleveland based non-profit economic research firm, to conduct an economic analysis of projects in Northeast Ohio; and, Heritage Ohio, with Greater Ohio and the National Trust, is gathering case studies and data to present to the Department about the program's effectiveness.

Rhode Island's successful rehabilitation tax credit program faced a retroactive and prospective cap from the Carcieri Administration this session. The Coalition for Neighborhood & Economic Renewal (CNER), led by Grow Smart Rhode Island, worked with Speaker William Murphy (D-West Warwick), Majority Leader Gordon Fox (D-Providence) and Representatives McCauley, E. Coderre and Slater, on an alternative (House Bill 8016) to the caps proposed in the Governor's supplemental budget. On April 3, legislators completely revised House Bill 8016 and introduced HB 8016-Substitute A.

On April 9, both the House and Senate passed identical bills (HB8016-Sub A) that allow current historic preservation tax credit projects to continue under

Preservation
Advocates Make
the Case for
Minimizing
Impact of Budget
Caps on State
Rehab Tax Credit
Programs in Ohio
and Rhode Island

new rules and impose a moratorium on new projects that apply for the program after January 1, 2008. The legislation creates a trust fund of up to \$280 million to help cover future obligations to developments already in the pipeline. It limits historic tax credits to projects submitted before January 1 and reduces the reimbursement rate for projects that are under way from a net of 27.75 percent to 22 percent. Developers with on-going projects have until May 15 to submit a 2.25% processing fee to retain the tax credit.

Although understandably disappointed about the program's curtailment, advocates for the historic preservation tax credit were gratified that current projects (representing a potential investment of almost \$900 million) will have the opportunity to be completed under the new rules. The approved plan now heads to the governor's desk for his approval.

Hawaii and New Jersey Propose New Rehab Credits

Hawaii's Senate Bill 2561, calling for a 25% credit for qualified rehabilitation expenditures and 30% credit if rehabilitation meets affordable housing criteria, died in the Senate Ways and Means Committee. However, Historic Hawaii Foundation and the Hawaii Heritage Caucus laid the groundwork for future advocacy efforts by issuing a report about the effectiveness of rehabilitation tax credits elsewhere and calling for a similar program in Hawaii.

In **New Jersey**, the Historic Property Reinvestment Act (Assembly Bill A791, Senate Bill S468) was re-introduced in January. Preservation New Jersey launched new website www.NJheritagedevelopment.org and is working to with its partners to broaden coalition support.

Maine, Georgia and Colorado Seek Expansion of Existing Rehab Tax Credit Programs

Maine's LD 262 would increase the cap to \$5 million per project, allow the state credit to be bifurcated from the federal credit, make the credit refundable, places a sunset date of 2013, and require the credit be taken in four installments. This amendment also provides for a tax credit of 30% for qualified rehabilitation projects that create new affordable housing. On March 20, the measure was voted into the supplemental budget by the Appropriations Committee and later that month, the Maine legislature enacted the supplemental budget containing funding for the expanded tax credit program. After amending LD262 in the House, the bill was sent back to the Senate for concurrence on April 2. Advocates under the leadership of Maine Preservation have worked hard over the past two years to see this important amendment adopted. For more information, visit <http://www.maine Preservation.com/>.

Georgia legislators introduced House Bill 851 to raise the per-project cap

Preservation
Advocates Laud
Benefits of New
State Rehab Tax
Credit Proposals
in Hawaii and
New Jersey

Preservation
Advocates Seek
to Expand Caps
on State Rehab
Tax Credit
Projects in Maine
and Georgia and
Extension of
Colorado State
Rehab Credit to
2020

(from \$5,000 to \$100,000 for residential and to \$300,000 for commercial projects) and to increase the credit to 25% (up from 10% for residential and 20% for commercial projects). On February 29, the bill passed the House and on March 31, the bill passed the Senate as amended. The House approved the amended bill on April 2 and advocates are hopeful the Governor will sign the bill this week. The advocacy effort, led by the Georgia Trust for Historic Preservation and Georgians for Preservation Action, involved local residents telling elected officials how these modifications would help them rehabilitate older buildings in their districts. For more details, visit <http://www.georgiatrust.org/>.

Colorado advocates are seeking extension of the Historic Preservation Tax Credit Program to 2020 (due to sunset in 2009) through House Bill 1033. During a Finance Committee hearing, bill sponsor Representative Claire Levy (D-13th) described how the 20% credit for income-producing and homeowner properties is used for modest projects (per project cap of \$50,000). This legislation would also eliminate the current requirement that Certified Local Governments (CLGs) take action annually to indicate their desire to serve as the reviewing entity; instead allowing a CLG to opt-in as the reviewing entity and keep such standing until rescinded by the CLG. On April 10, the Colorado House passed HB 1033 and the bill now progresses to the Senate. For more details about the advocacy effort, visit Preservation Colorado, Inc.'s website at <http://www.coloradopreservation.org/policy/index.html>.

Preservationists Battle for IHPA Funding

Thanks to an outpouring of support from Illinois advocates, approximately \$200,000 has been allocated for Design Services of the Illinois Historic Preservation Agency (IHPA) in the 2009 budget. Earlier this year, the Design Services program faced a budget cut through an amendatory veto by Governor Rod Blagojevich. The Design Services staff provides important technical assistance, education, training, and design services to the 69 Main Street communities across Illinois. They also administer federal and state review and tax incentive programs that provide millions of dollars of public and private reinvestment in our state's historic resources and downtowns.

Although funding has been allocated in the budget, it still needs to be approved in this legislative session and extend beyond a one-year fix. Preservationists in Illinois are requesting that the entire \$238,000 budget be retained for the positions within Design Services and that a line item will be reinstated in the budget to ensure annual funding of this program.

Other areas of the IHPA are facing budget cuts as well. The Illinois Association of Museums (IAM) is also at risk of losing its only staff member. The IAM is the statewide professional support organization for museums in Illinois.

Illinois Advocates
Take First Step to
Win Back \$200K
for IHPA in FY
2009 State
Budget