

Main Street Historic Tourism and Revitalization Act

(House Bill 1063 /Senate Bill 1053)

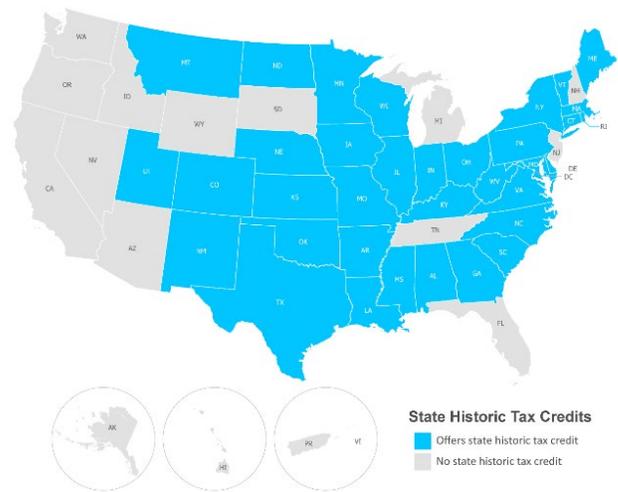
The Main Street Historic Tourism and Revitalization Act will drive private investment back into our smaller, rural towns by offering a tax incentive for the qualified rehabilitation of Tennessee's historic buildings. The incentive is tiered based on areas with the greatest need with a specific focus on reinvestment in our Main Street communities. While limited both at the individual project level and the total annual expenditure, the incentive will enable Tennessee to compete with neighboring states for outside investment. Joining the thirty-five states across the country that have enacted such incentives will help create good local jobs, promote small business development and bring more people back downtown.

Why Enact a Tennessee Historic Tax Incentive?

Create Highly Paid Local Jobs. Rehabilitation projects are on average 60 percent labor and 40 percent materials compared to new construction costs of about 40 percent labor and 60 percent materials. Labor is usually hired locally and often includes higher-paid craftsmen skilled at repairing historic windows, plaster, masonry, and flooring.

A Consistently Strong Return on Investment.

Tennessee's historic rehabilitation incentive will require the private sector to make an initial investment and the state will not award any credits until a building's rehabilitation is certified. According to the 2016 analysis by Baker Tilly Virchow Krause, LLP, Wisconsin Historic Tax Credit Analysis, 40 percent of the credit is paid back in state taxes before the building is finished and the remainder is recouped by the state in 4 years. After the repayment period, rehabilitated buildings continue to generate new local and state tax revenues.



Leverages Significant Private Investment. More than a dozen studies document the significant investment that is attracted to states that offer a state historic tax credit. A 2015 assessment conducted for the Ohio Development Services Agency, for example, estimates that every dollar in state historic tax credits attracts an average of \$6.20 in private investment.

Boosts Tourism and Creates Thriving Communities Attractive to Relocating Businesses.

Cultural heritage travel studies at the local, state and national level in the past 20 years have consistently shown that tourists who travel to experience culture and heritage will stay longer and spend more money at a destination. According to the last national study of heritage tourism, **72% tourists want to visit places where the destination, buildings and surroundings retain their historic character.** Tourism is Tennessee's second largest economic sector, and a historic tax incentive will expand this economy by creating more vibrant historic downtowns for visitors, locals, and businesses.

Program Specifics

Tiered economic incentive focuses investment where it is needed most.

- 10% for Williamson and Davidson counties
- 20% for Knox, Hamilton and Shelby counties
- 30% for other counties in the state
- Main Street Incentive: an **additional 5 percent credit** will be available for historic rehabilitation projects in state-approved Main Street, Tennessee Downtown communities and smaller Certified Local Governments.



AFTER EXPANDING THE FEDERAL HISTORIC TAX CREDIT IN 1984, PRESIDENT RONALD REAGAN SAID, "Our historic tax credits have made the preservation of our older buildings not only a matter of respect for beauty and history, but of course for economic good sense." To hear President Reagan's message, [Click Here](#)

Offsets different types of tax liability to attract investment from a variety of taxpayers

- The Tennessee historic tax credit will reduce Premium taxes, Retaliatory taxes, Income taxes, Property taxes, Business taxes, Sales and Use taxes, and Bank and financial institution taxes

Ability to transfer historic tax credits to entities with actual tax liability.

- Where property owners do not have significant tax liability, the state will be able to issue a tax certificate that is transferrable to an entity with the state tax liability. Texas, another state without an income tax, uses this highly successful model and small Main Street business owners find it to be an effective incentive to encourage substantive rehabilitation of their properties because they do not have to create an expensive limited liability corporation.

To qualify, historic buildings must be income-producing and substantially rehabilitated.

- The incentive is only awarded after the building is rehabilitated, generating income, and certified by the Tennessee Historical Commission. Additionally, rehabilitation expenses must exceed 50% of the purchase price of the property, ensuring rehabilitation projects are significant and transformative.

Limits on the incentive ensure the State will meet its annual budget objectives.

- The Main Street Historic Rehabilitation and Tourism Revitalization Act limits the amount of tax credits to \$4 million per project and \$40 million annually. One half of the credits issued per year are reserved for historic rehabilitation projects in rural counties.

Framework to Administer a Tennessee historic tax credit is already in place.

- Historic rehabilitation incentives are approved by the Tennessee Historical Commission using the existing process for evaluating federal historic tax credits. The agency certifies the significance of the older building the rehabilitation work itself and keeps records impacts such as the number of jobs created both during and after the renovation process.
- Applications will be reviewed on a first-come, first-serve basis. The incentive allows businesses, nonprofits, and long-term lessees to renovate certified historic buildings according to the Secretary of the Interior's Standards for Rehabilitation. Work must start within 18 months of the approval by the Tennessee Historical Commission.



More projects like the 2014 conversion of the 1915 C.C. Card Auto Company building into 14 loft apartments and two commercial spaces would be encouraged by the adoption of a state historic tax credit. One new business in the renovated building, Stack Southern Bistro, hired 25 employees while the other new business, the AR Cleveland DIY Workshop, is hiring 11 employees for its opening on March 2, 2019.

Made possible by federal historic tax credits, the renovation also had a catalytic impact in the Main Street of Cleveland (pop. 44,400). The building next door was converted into the new Mash & Hops microbrewery and The Press winery opened just two doors away. MainStreet Cleveland director Sharon Marr says the renovation "has been a huge catalyst for downtown and is helping turn First Street into a developing entertainment district."

Photo courtesy of MainStreet Cleveland which promotes community economic health, local quality of life, pride and community history because they are all factors in industrial, commercial and professional recruitment.

For more information, contact:

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