

Tax credit

Continued from Page 1A

ing to reach a vote under Gov. Rick Snyder late last year for fear of a veto.

Both the Senate and House bills would reinstate the program and offer a credit of up to 25% of rehabilitation expenses against the owner's state income tax liability.

Frederick said there's an effort in both the Senate and the House so that either legislative body can take on the issue. He said that he and Sen. Wayne Schmidt, R-Traverse City, who introduced Senate bill, are urging for initial hearings.

"My goal individually is to have it be a part of the conversation as the budget is negotiated so that that would bring us to late spring, early summer," Frederick said. "I don't determine that alone."

Since the introduction of the bills, more than a dozen communities in Michigan have signed resolutions this year in support, including: the Detroit Historic District Commission, Huntington Woods, Southfield and the Highland Park Historic District Commission.

Revival effort dates to 2011

There has been a desire since 2011 to restore the credit, including an effort in 2017 to revive it that passed the Senate in late 2018 but did not reach a vote in the House.

"I didn't want to push and get a veto on something like that," Schmidt said.

Schmidt said he voted in favor of eliminating the tax credit in 2011, but he said it's time to restore it.

"We cleared the slate," he said. "We realize that we're losing some of the investment and the capabilities that we had with that tool. ... We realize that this was a good tax credit that was utilized that brought in investment dollars from outside the state that improved neighborhoods, small town, villages up north and, of course, big cities. Now is the time to bring it back."

Not having state historic preservation tax credits puts Michigan at a serious competitive disadvantage, Schmidt said. According to the Michigan Historic Preservation Network, Michigan is one of 15 states that does not offer state historic tax credits.

Nancy Finegood, retired executive director of the Michigan Historic Preservation Network, has been advocating for the restoration of the credits for years. She said she is hopeful legislation will pass under Whitmer.

Whitmer's office said it is reviewing the legislation.

If reinstated, the Michigan Historic Preservation Tax Credit would benefit both developers and homeowners renovating historic structures.

The owner of a historic structure or a building in an historic neighborhood can receive a 25 percent credit for every dollar spent on qualifying expenses, such as repairing a home's exterior within the guidelines of the historic district. For example, a home with \$100,000 in rehab costs would result in \$25,000 in credits on the homeowner's taxes.

Between 1999 and 2012 in Oakland County 42 historic properties were rehabilitated using state historic preservation tax credits, leveraging more than \$5.6 million in investment, according to the Village of Oxford's resolution. Ten historic properties in Oakland County were rehabbed with a combined state and federal historic tax credits, leveraging \$6.6 million in investment.

'More than enough'

Not everyone is in favor of restoring the state historic preservation tax credit. Michael LaFaive, senior director of fiscal policy at the Mackinac Center, said the preservation of historic buildings should be done privately, whether it's for personal use as one's home, business or for philanthropic purposes.

"You're basically robbing Peter to pay Paul for what Paul thinks is a good investment," LaFaive said of the credit. "It diminishes what Peter would like to do with their own money."

LaFaive said the Michigan Community Revitalization Program that Snyder signed into law in late 2011 provides an incentive for developers.

According to the Michigan Economic Development Corp., the program promotes community revitalization through grants, loans and other assistance for "eligible projects located on properties that are either contaminated (facility), blighted functionally obsolete or historic resources."

"I think it's more than enough," LaFaive said.

Leon Drolet, chairman of the Michigan Taxpayers Alliance, said the credit adds another unnecessarily complex element to the tax code. He said those who want to restore historic properties should raise the funds to do so.

"If they can't raise enough money to restore a building, not enough people actually care," he said. "If it's something that people do care about, something that people feel is important, they'll help."



Clarence Tabb Jr. / The Detroit News

Developer Scott Lowell, owner of the Billinghamurst Apartments in Detroit, is planning to renovate its 27 units.

If they don't, they won't. That's really the way to determine the true community value of an idea or a project."

Provide incentive to developers

When the tax credit ended in 2011, Huntington Woods officials say they saw a drop in the requests for rehab work in their historic districts.

Prior to the program's end, there was almost \$400,000 in tax credits in the Hill Historic District and the Rackham Golf Course Historic District, said Hank Berry, zoning administrator for Huntington Woods.

"The tax credit allows people to either do their project more comfortably or increase the scope of their project," he said.

Barb Barber, an Oakland Township historical preservation planner, said the tax credit helps homeowners restore historic homes so the community can enjoy them for hundreds of years. Some of the houses in rural Oakland Township were built in the 1840s.

"They're wood, and they have little wood windows, and they're beautiful, but they take maintenance like any house takes maintenance," Barber said.

The township has about 200 historic buildings, with 40 of them protected from demolition, she said.

Barber says the state historic tax cred-



Max Ortiz / The Detroit News

The plan is to convert the former McKinley School in Southfield to senior housing as part of a project expected to cost more than \$21 million.

its would give developers an incentive to rehab a historic home opposed to attempting to tear it down. A developer may opt to save and resell an old house on a large parcel of land while building a subdivision on the remaining land.

"It makes the playing field more level," she said. "Then they're saying this is economically sound. It's a good economic decision."

John Tess, founder of Heritage Consulting Group, a national firm that helps developers seek local, state and federal historic tax incentives, said the tax credits work if the process is simple.

"Any program or any kind of incentive program is only as good as its ease of use," he said. "If it becomes too complicated or you're having to do too much, the cost-effectiveness of those projects goes away. The incentives are good as long as they're simple, as long as things don't get too caught up in the bureaucracy."

Maintain historic structures

Developer Scott Lowell has completed numerous projects in Detroit, both with and without state historic preservation tax credits. The first project for which he used the tax credits was the restoration of the Beethoven Apartments on Third Avenue in 2005.

Lowell also used the tax credits to rehabilitate the Forest Arms Apartments on Second Avenue, which had suffered a fire before he purchased it in 2006. After several years to get started on the project, Lowell was able to take advantage of some state historic tax credits before the program ended. He estimates he saved about \$2 million.

"It would not have been possible," he said of the project. "I don't have that kind of money. My kids aren't going to Har-

vard on what we're making on these things. I've always felt if you do the right thing, the money will follow. We've lived our lives that way."

Lowell said he hopes to begin restoration to the Billinghamurst Apartments on W. Willis Street in June. He said he expects to take advantage of the federal historic tax credit. It's unclear if a state historic tax credit would be available to him for the project by then.

In Southfield, Mayor Ken Siver said there are plans to restore two defunct school buildings and convert them into residential units. One is the former McKinley school built in 1929 on George Washington Drive.

Siver is board president of the nonprofit Southfield Nonprofit Housing Corporation, which purchased the vacant building from a former charter school operator last fall. The plan is to convert it to senior housing as part of a project expected to cost more than \$21 million.

"You can't tear everything down," Siver said. "A lot of developers will say it's not worth saving. It's cheaper to clear it all and start new. For a lot of reasons, I'm opposed to that mentality. ... The historic tax credit is a way to get the financing to help finance that adaptive reuse as well as maintain historic structures."

Siver said he's done preliminary work to have the McKinley school designated as a historic building. The project could benefit from state historic preservation tax credits depending on if and when the program is restored, he said.

"We're all looking for tools to make things happen," he said.

owilliams@detroitnews.com
Twitter: @CWWilliams_DN