

**From:** Gail Sumi <gsumi@lwm-info.org>  
**Sent:** Tuesday, May 30, 2017 2:18 PM  
**To:** Debbie Baenen  
**Subject:** Save the valuable Historic Preservation Tax Credit



The Historic Preservation Tax Credit is an economic development success story, but the changes to the credit proposed in the Governor's budget threaten to cripple the credit's usefulness as a great tool to revitalize Wisconsin's communities.

**Take action and contact your Legislators.** Ask that they reject the changes to the credit proposed in the Governor's budget. They include *limiting annual awards under the historic rehabilitation tax credit to \$10 million* and requiring that the credits be awarded on a *competitive basis* with several qualifying criteria, including job creation potential, determining the winner. The Governor's budget further requires that credits be repaid in proportion to any shortfall in job creation relative to the amounts claimed in the credit application if actual job creation is deficient within the first five years after receiving the credit. These criteria remove certainty both for the municipality and the developer and also make rehabilitation of a historic property for residential use difficult.

Thanks to an [analysis by Baker Tilly](#) of activity under the Historic Preservation Tax Credit since it was first enacted we know that:

From 2014 to 2016, 118 historic projects received approval for state historic tax credits totaling \$171,095,000.

1. \$683 million dollars in direct economic output during the construction period alone. This illustrates how public investment successfully leverages private investment.
2. \$92.4 million dollars in additional state taxes in the same period including the ripple effect caused by the investment throughout the local economy. Owners pay sales tax on materials, income tax, payroll tax and others that immediately begin to pay back the state investment.
3. 10,950 new jobs were created in the three year period, including 9,882 construction jobs.
4. 637% increase in cumulative property tax. Projects buildings are generally underutilized and contribute little property tax under after their rehabilitation work.
5. 69% of projects in 2016 were in communities of less than 100,000 population, attracting \$167,400,629 dollars of total investment to those communities.
6. 60% of all projects in 2014 were vacant more than 20 years. These projects will not occur without the historic tax credits and the buildings will continue to

blight their communities.

7. The credit is fully repaid by increased state taxes at the end of the 5<sup>th</sup> year after completion and over a ten year period the state gets an \$8 to \$1 return on investment.
8. Because the tax credit is fully repaid in 5 years, it generates new state tax revenue that makes other economic development programs possible.
9. The historic tax credit is low risk-high return. The credit may not be claimed until the project is complete. If the project fails, the state does not pay out its credit. No project, no credit. The credit is used as collateral for bridge financing that pays for construction, so the credit is invested in bricks and mortar and does not go to the owner as profit.

Here's how it works: Click through, enter your name and address and your legislators will be identified for you. We've drafted a message for you to send to your legislators in support of the bills. You can choose to send it as is, or you can add your own comments at the beginning and end of the email on the impact the Historic Preservation Tax Credit has had, or is anticipated to have on your municipality.

Thank you!

Click the link below to log in and send your message:

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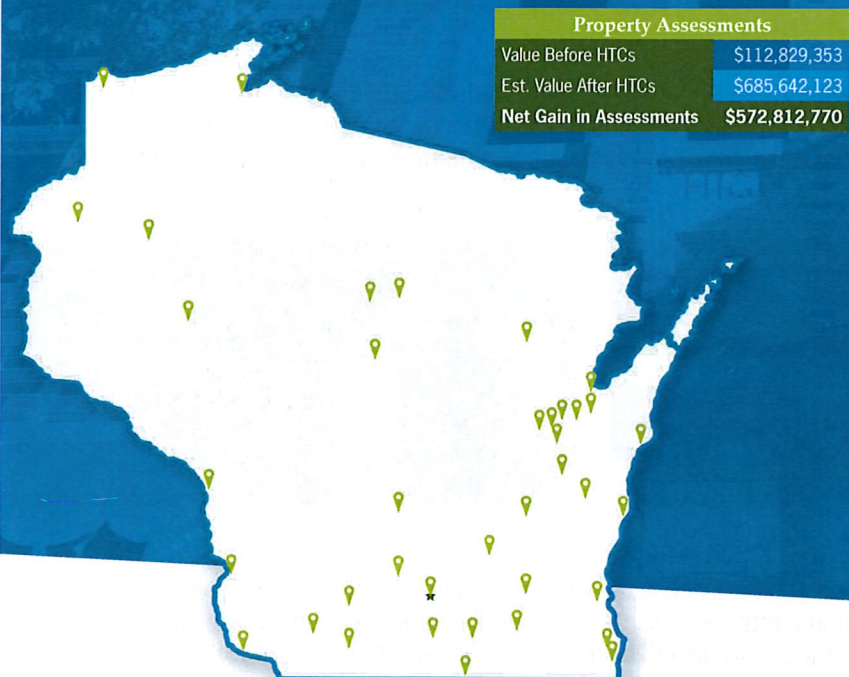
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# Wisconsin Historic Tax Credit Program 2014–2016

Using historic tax credit application material submitted to WI state agencies, property renovation and tenancy information and tax assessment histories that were provided, Baker Tilly has analyzed 118 projects that filed historic tax credit applications (Part II) between 2014 and 2016 and are expected to proceed through project completion and final HTC approval (Part III). These projects received contracts for more than \$171,095,000 of Wisconsin historic tax credits. Based upon the information provided, Baker Tilly was able to create an analysis and account for likely impacts on employment, economic output, and taxes for the projects. From 2014-2016, the relative increase in activity appears to suggest that the change from a 5% credit to a 20% credit significantly changed owner/developer interest (a 67% increase in development over a similar 3-year period).



2014	Historic Tax Credits	Number of Projects	% of Projects
Cities & Towns <100k	\$6,568,741	13	39.4%
Cities & Towns >100k	\$3,075,233	6	18.2%
City of Milwaukee	\$33,795,185	14	42.4%
<b>Total</b>	<b>\$43,439,159</b>	<b>33</b>	

2015	Historic Tax Credits	Number of Projects	% of Projects
Cities & Towns <100k	\$12,029,289	22	45.8%
Cities & Towns >100k	\$13,924,415	6	12.5%
City of Milwaukee	\$48,581,973	20	41.7%
<b>Total</b>	<b>\$74,535,677</b>	<b>48</b>	

2016	Historic Tax Credits	Number of Projects	% of Projects
Cities & Towns <100k	\$32,024,051	25	67.6%
Cities & Towns >100k	\$5,118,912	4	10.8%
City of Milwaukee	\$15,977,362	8	21.6%
<b>Total</b>	<b>\$53,120,325</b>	<b>37</b>	

## Key Findings

### Direct Economic Output

Construction materials and labor costs: \$683 million (construction) and \$149 million in anticipated annual operations output. These projects are projected to generate more than \$719 million in overall construction and \$162 million in overall annual operation output.

### Job Creation

A combination of 15,680 new FTE construction and permanent jobs in local communities: 10,955 construction jobs created (9,882 direct, 1,073 supply chain) and 4,725 permanent FTE jobs (4,376 direct, 349 supply chain) are anticipated to be derived from the projects.

### Small Community Benefits

Communities with less than 100,000 in population: 69% of projects. In 2016 a significant percent of the projects – (based on both the number of projects and the overall construction investment) - were located in small communities.

### Credit Repayment

Year 4 operations pay-back: Using direct figures for construction period + 4 years operations. The increased value and resulting taxes of the reused buildings pay the initial tax credit back in 4 years, and over a ten-year period, the state gains an estimated net \$187.75 million in tax revenue.

### Property Tax Change

Sixteen million dollars in projected new property taxes reflects a significant increase in tax revenue (a 637% increase): Increases in school tax revenues of \$5.39 million to local districts annually (592% increase) and \$730,700 in new tax revenue annually (a 532% increase) to WI Technical Colleges. Additionally, 16 formerly tax-exempt properties are estimated to create more than \$1.07 million annually in new property taxes.



# Community Impact

## Community Spending

Construction project output for the 118 evaluated projects is estimated to bring more than \$719 million to Wisconsin's economy, with direct spending accounting for \$683 million. Annual output from operations is estimated to bring almost \$162 million, with \$149 million attributed to direct spending.

Total Construction Economic Output	
Direct	\$683,028,918
Total	\$719,123,977

Total Operations Economic Output	
Direct	\$149,072,834
Total	\$161,905,253

## Job Creation

For the \$171 million awarded in historic tax credits since January 1, 2014, the 118 evaluated projects supported by the program are anticipated to create over 10,955 jobs as a result of construction activities and 4,725 permanent jobs in the state. Associated labor income from wages is expected to create over \$1.04 billion in construction wages and more than \$303.6 million annually in wages from permanent employment operations.

Total Construction FTE Jobs	
Direct	9,882
Total	10,955

Total Construction Labor Income	
Direct	\$630,557,579
Total	\$1,049,020,565

Total Operations FTE Jobs	
Direct	4,376
Total	4,725

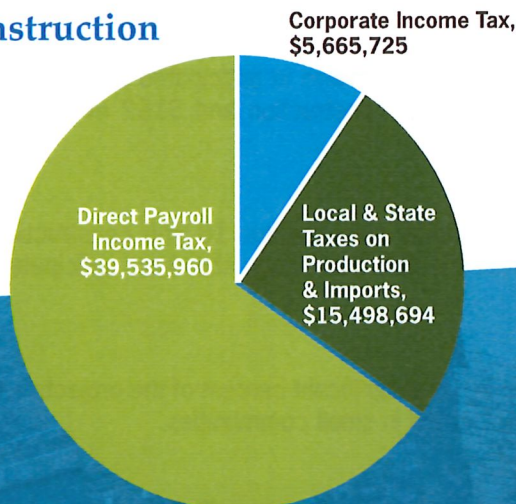
Total Operations Labor Income	
Direct	\$190,034,961
Total	\$303,629,957



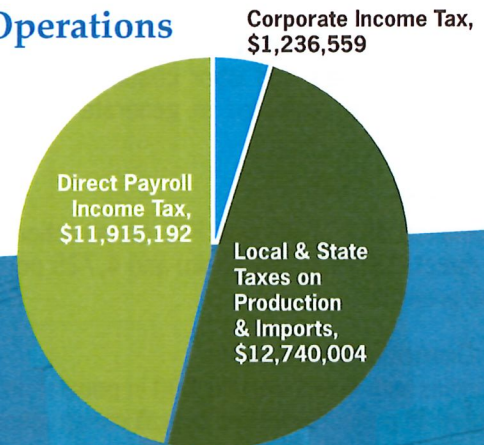
## Tax Impact

The program is projected to generate a 633% increase in real estate tax cumulatively. This change in the tax base is projected to increase school tax revenues by 592% annually. Additional tax impacts are projected to be derived from construction and operations activities. Construction is anticipated to provide for \$65.7 million in WI based income tax revenue; \$39.5 million from labor. Once placed in service the projects are anticipated to provide for \$18.7 million in operations employment based tax revenues annually.

### Construction



### Annual Operations



## Repayment

Roughly \$61 million of state tax revenue is estimated from direct construction activity. The historic tax credits are not an expense to taxpayers until construction is complete and the projects are placed into service. This initial layer of tax benefit is received prior to any expense and accelerates value to the State. Years 1-4 of project operations are estimated to generate roughly \$110 million in direct State of Wisconsin tax revenue based on Year 1 operations and annual trending at 3% (rounded). Hence the projects are anticipated to repay the projected expense by the end of year four once credits have been taken by the projects.