

The Massachusetts Historic Rehabilitation Tax Credit



Jobs, Revenue and Revitalization: An Economic Update

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Contributions & Acknowledgments
The Legislative Committee of Preservation Massachusetts

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The Massachusetts Historic Rehabilitation Tax Credit: Leveraging Funds to Stimulate Development and Economy

From 2004 to 2008, \$74 million in state historic tax credits leveraged close to \$1 billion in private investment for the state of Massachusetts. Since then, challenging economic times have affected the entire Commonwealth of Massachusetts, from construction projects to local development initiatives. Never before has economic development been so important to our communities and our state. Programs like the Massachusetts Historic Rehabilitation Tax Credit have been invaluable to economic development and community revitalization efforts. In 2009 Preservation Massachusetts published an economic study quantifying the benefits of this credit back to the state.

The results were extremely positive, showing how \$74 million in completed tax credit projects had leveraged close to \$1 billion in private investment and created over 12,000 jobs since 2004. These figures clearly show how the MHRTC is not only aiding in the rehabilitation, reuse and revitalization of historic properties across the Commonwealth, it creates jobs, tax revenue and sparks investment in over 70 cities and towns.

The popularity of the program has not wavered in the past two years. Since 2009, over 100 new projects have applied to the MHRTC program, seeking \$161,960,000 in tax credits that would leverage \$1.09 billion in private investment. Especially in a difficult economy, the MHRTC program has demonstrated its value, its importance and its benefit to the Commonwealth of Massachusetts.

As the lead organization in the conception, lobbying and expansion of the credit, Preservation Massachusetts felt it imperative to update our original economic study. Pictures of restored buildings and construction sites show visual impact, but it is the numbers, tax revenues, jobs created and sustained, that paint the true picture of the credit's ongoing success.

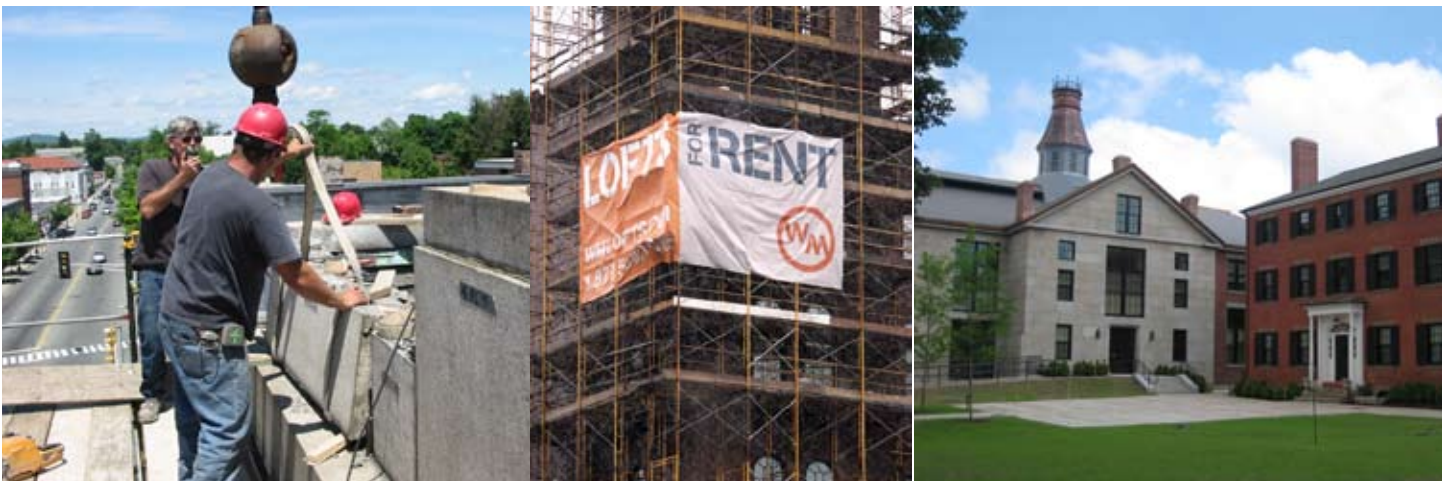
This update aims to re-enforce the message that preservation is economical and plays an important part in the revitalization of communities and ensures the MHRTC program remains in place to aid in those efforts. The dedication and support of many individuals and organizations made this credit program a reality, and Preservation Massachusetts continues to lead the efforts to sustain and grow the program so that it will continue as a vital tool for preservation and our economy.

Thanks and Acknowledgment

Through the support of our Legislative Sub-Committee, legislative consultant and numerous individuals across Massachusetts, our first economic study became a reality. Their continued support of our efforts on behalf of the MHRTC and this economic update are extremely important and very much appreciated.

The Massachusetts Historic Rehabilitation Tax Credit Program History & Highlights

- The Massachusetts Historic Rehabilitation Tax Credit (MHRTC) conceived by Preservation Massachusetts and the Preservation Coalition in 2002
- Created as pilot program in Economic Stimulus Legislation in 2003
- Supplements the successful federal tax credit program by providing a state tax credit of up to 20% on certified rehabilitations
- Administered by the Massachusetts Historical Commission (www.sec.state.ma.us/mhc)
- 5 year pilot program capped at \$10 million per year = \$50 million total
- Annual cap increased by \$5 million in 2004, making \$15 million annual = \$75 million total
- Certificate program: Credits can be sold to a 3rd party without risk of recapture or need to enter into partnership
- 25% of allocated credits must go to affordable housing projects
- MHRTC part of a 2006 Economic Stimulus package – Preservation Massachusetts worked hard with development community to increase the annual cap based on demand
- Conference Committee proposed \$50 million available per year, retroactive to December, 2005, making \$100 million available for December 2006 and extend program sunset to 2011
- Legislation was vetoed by Governor Romney but overridden by legislature: unanimous in House, lost only 1 vote in Senate.
- In June, 2010, the MHRTC sunset date was extended until December, 2017 as part of the Governor's fiscal year budget.



Numbers & Economics

In 2009, Preservation Massachusetts published an economic study of the MHRTC program which quantified the program's benefits back to Massachusetts communities.

The MHRTC Impact Across Massachusetts: 2004 - 2008

- Completed projects: \$74,000,000 in tax credits leveraged close to \$1 billion in total investment, created 12,349 jobs and rehabilitated 2,655,688 square feet of historic buildings across the Commonwealth.
- Pent Up Demand: \$293,800,000 in tax credits will leverage between \$1.5 and 2 billion in investment create over 25,000 jobs and rehab nearly 8 million square feet..
- Return to MA in tax revenue: approximately \$296.9 million

(source: "Massachusetts Historic Rehabilitation Tax Credit: Leveraging Funds to Stimulate Development and Economy", Preservation Massachusetts, 2009)

Leveraging Federal Dollars

The MHRTC program revitalized the use of the Federal Historic Tax Credit in Massachusetts. The combination of these two programs provides tremendous incentive to developers with challenging projects. In 2008, Massachusetts ranked number 2 in the country with \$324,940,381 in certified federal historic tax credit qualified expenditures from 58 projects. Missouri ranked number 1 with \$376,705,762 from 134 projects.

(source: Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis for Fiscal Year 2008, The National Park Service, February 2009)

A Look Ahead: Ames Shovel Works Apartments, North Easton Beacon Communities LLC

The Ames Shovel Works complex is an incredible industrial site that manufactured shovels, the centerpiece of the Ames' family empire. In the 1870's, the Ames family controlled 60% of the shovel market and employed 400-500 workers in Easton.

Ames shovels worked on the transcontinental railroad, dug the Panama Canal and helped amass a fortune that led the Ames family to prominence during the 19th century. The area around the complex is an incredible historic district, filled with the works of H. H. Richardson, Frederick Law Olmsted and John LaFarge, all commissioned by the Ames family.



In 2008, a proposed redevelopment plan was put before the town that would seriously alter the historic integrity of the complex and impact the character of Easton's downtown. Preservation Massachusetts listed the complex on our 2008 Most Endangered List and worked with the town to find an alternative scenario that allowed the site to be developed but that also preserved the historic character of the complex. The proposed plans from Beacon Communities will create over 100 units of mixed income housing and make this historic site accessible to the public for the first time ever. The MHRTC also leveraged \$7.5 million in Community Preservation Act funds from the town and a public sewer enterprise zone.

Continuing to Leverage Investment Across the Commonwealth

The past two years have seen the MHRTC program continue to grow in popularity and utilization in a difficult economic climate.

The MHRTC Impact Across Massachusetts: 2009 – 2010

- 109 new projects applied for MHRTC
- Requesting \$161,960,000 in tax credits
- Total project costs of \$1,092,573,000
- \$97,781,000 total MHRTC allocations made
- Updated Demand: \$355,760,000 in tax credits
- Updated Investment Potential: \$2.826 billion
- Jobs Created: 15,848
- Gross Domestic Profit for MA: \$784,277, 401
(amount of money put into the Massachusetts economy)
- A National Economic Force: In 2010, Massachusetts still ranked number 2 in the country with certified expenses for the Federal Historic Tax Credit totaling \$371,655,909 for 63 projects. Missouri still leads the nation with \$482,307,274 for 118 projects.



**In 2003, Preservation Massachusetts created a model for calculating financial impact of the Massachusetts Historic Rehabilitation Tax Credit. These multipliers have been updated to reflect changes in cost of living, etc. The multipliers were calculated using a customized input-output model, the Preservation Economic Impact Model. Source: Lahr, Mike L. & Listokin, David; Economic Impact of Historic Preservation in Massachusetts; Center for Urban Policy Research, Rutgers University.*

A Look Ahead: Cliftex Lofts, New Bedford Cliftex Lofts, LLC

Cliftex Lofts, formerly known as the Manomet Mills, was built in 1903 and manufactured cotton yarn, quickly becoming an extremely successful operation.

In recent years it had housed Cliftex Clothing, a manufacturer of men's and boys suits. Utilizing the MHRTC, Cliftex Lofts will create 75 units of quality rental housing for the city.

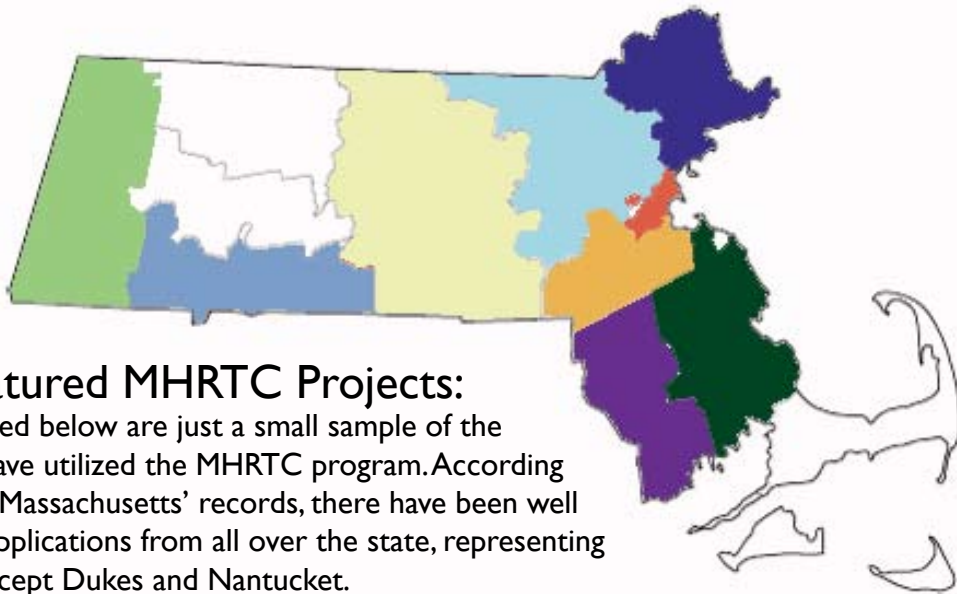


“The full MHRTC allocation is an important piece to this project which, combined with low income housing credits, will allow this mill to become the gleaming project the city has envisioned for three years. This is a key component to the revitalization of the Upper Harbor Mill District and the city is hopeful to tie this success to future projects in the area.”

~Matthew Morrissey, Executive Director, New Bedford Economic Development Council


The Massachusetts Historic Rehabilitation Tax Credit: At Work Across the Commonwealth

With a current unemployment rate of 8.3%, programs like the Massachusetts Historic Rehabilitation Tax Credit mean jobs, revenue and revitalization. These projects are enhancing their neighborhoods, creating offices, community centers, health clinics, workforce and market rate housing, performing arts venues, and educational facilities. Whether the projects are expansive mills, commercial blocks or smaller main street storefronts, they embody the impact and benefit of historic preservation and the MHRTC program. The projects listed below are detailed in the following pages to give you a better sense of the various project type, use and overall community impact of the MHRTC program.



Featured MHRTC Projects:

The projects listed below are just a small sample of the hundreds that have utilized the MHRTC program. According to Preservation Massachusetts' records, there have been well over 200 total applications from all over the state, representing every county except Dukes and Nantucket.

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|  Berkshire County
Clark Biscuit Factory,
North Adams |  Suffolk County
The Ames Hotel, Boston |
|  Bristol County
Coggeshall Counting House,
New Bedford |  Worcester County
Lancaster Mills, Clinton
Canal Lofts, Worcester |
|  Essex County
Salem Jail, Salem
Hamel Mill Lofts, Haverhill |  Middlesex County
Philip Munroe House,
Cambridge |
|  Hampden County
CityView Commons, Springfield |  Norfolk County
Wilber School, Sharon |

Clark Biscuit Apartments

North Adams

Developed By:
Arch Street Development

Project Cost: \$12.5 million
MHRTC Received: \$1.9 million



The factory made crackers and biscuits beginning in the early 20th century. The rehabilitated units feature energy-efficient windows that look out onto the mountains.

Original Use: A former bakery facility associated with local entrepreneur, H.W. Clark. It had stood vacant since the early 1990's.

New Use: The Clark Biscuit Factory created 43 units of one and two bedroom affordable rental housing. The building is within easy walking distance of downtown and coincides with other improvements at the city level and with Mass MoCA.

The Coggeshall Counting House

New Bedford

Developed By:
The Coalition to Save
Buzzards Bay

Project Cost: \$4.3 million
MHRTC Received: \$750,000



“This project took a bar, warehouse and office building and turned it into an opportunity for members of the community to experience the environment and learn of the challenges of saving Buzzards Bay. The Coalition is a vibrant organization with thousands of members who are coming through the building, into the downtown and bringing more awareness to historic preservation and the environment. The overall impact of another downtown historic building being revitalized will be felt for years to come.”

~Mayor Scott W. Lang, New Bedford



Original Use: Ship chandlery, counting house, sail loft and storage for the whaling industry

New Use: The Buzzards Bay Center and headquarters for The Coalition to Save Buzzard’s Bay. The building utilized green building technology and is energy efficient, featuring rooftop solar panels and a “green” vegetated roof.

The Salem Jail

Salem

Developed By:
New Boston Ventures

Project Cost: \$11.5 million
MHRTC Received: \$2.2 million



The Salem Jail sat deteriorating for nearly 20 years, with a fire in 1999 destroying much of the interior of the jail keeper's house.

Original Use: Jail, designed by Gridley J. F. Bryant and Jail Keeper's House, designed by Salem architect Samuel MacIntire.

New Use: The Salem Jail is now a mixed-use development, with residential units in the jail and keeper's house. A restaurant provides public access to this historic site while keeping an important piece of Salem's history alive.

Hamel Mill Lofts Haverhill

Developed By:
Forest City Residential Group

Project Cost: \$80 million
MHRTC Received: \$9.2 million



Original Use: The L. H. Hamel Leather Mill was a shoe lining factory that made in-soles for women's shoes from 1912 through 1960.

New Use: The Hamel Mill Lofts is now residential apartments, 20% of which are affordable. It is located across the street from the Haverhill MBTA station.



City View Commons Springfield

Developed By:
First Resource Companies

Project Cost: \$24.06 million
MHRTC Received: \$2.6 million



City View Commons is located next to First Resource Company's other successful historic rehab project, Worthington Commons.

Original Use: 4 residential apartment blocks built in the early 20th century and targeted to Springfield's middle working class.

New Use: Fully rehabilitated and professionally managed, City View Commons provides 100% affordable residential units in the Upper Worthington Historic District.

The Ames Hotel

Boston

Developed By:
Normandy Real Estate Partners
with Morgans Hotel Group

Project Cost: \$81.69 million
MHRTC Received: \$4.3 million



A detailed tile mosaic was preserved on the barrel vaulted ceiling in the main lobby. The Romanesque building is still one of the tallest masonry bearing structures in the United States.



Original Use: Office building commissioned by the Ames Family, one of the most significant and important Massachusetts families during the 19th century. The Ames Family derived their fortune from the Ames Shovel Works in Easton, also slated for rehabilitation.

New Use: A 114 room luxury boutique hotel located on a prominent corner of downtown Boston, located by City Hall, the Old State House and the highly traveled Freedom Trail.

Canal Lofts Worcester

Developed By:
Winn Development

Project Cost: \$23.14 million
MHRTC Received: \$2.2 million



“The Canal Lofts project is a positive example of a public/private partnership to reclaim our historic mill buildings and to offer unique housing opportunities with convenient access to transportation and retail. This redevelopment effort will assist in the transformation of the burgeoning Canal District and the heart of our Downtown.” - Worcester City Manager Michael V. O’Brien



Original Use: Originally built as a mill for the Hill Envelope Company in the late 19th century, it housed the showroom of Chevalier Furniture from the 1970’s.

New Use: Canal Lofts will provide affordable and market rate housing to growing neighborhood known as the Canal District.

Philip Munroe House Cambridge

Developed By:
Capstone Communities LLC

Project Cost: \$2.56 million
MHRTC Received: \$250,000



Unit Before



Unit After



The Munroe House was the only non-restored building in the Maple Avenue Historic District.

Original Use: The Munroe House was built as a three family house in 1888.

New Use: The restored house now features three rental market rate apartments and is an excellent example of how the MHRTC can benefit small scale projects.

Wilber School Apartments Sharon

Developed By:
Beacon Communities, LLC

Project Cost: \$28.2 million
MHRTC Received: \$2.1 million



“After being in such disrepair for almost 30 years, restoring the Wilber School building and returning it to useful service has finally been achieved. It took a collaborative and inclusive effort, input and cooperation of many local residents, boards and committees. This project is already positively impacting the revitalization of Post Office Square. It has also helped us take a step forward in achieving our affordable housing goals and it will continue to provide critical revenue to the Town. It is a prime example of how public and private partnerships work successfully. Beacon Communities is a great partner and now a great neighbor in the Town of Sharon.”

~William A. Heitin, Chairman, Sharon Board of Selectmen



Original Use: A grammar school, built in 1921, then added on to in 1928 when it became a high school.

New Use: The Wilber School now provides 75 units of high quality rental housing to the community. 22 of the 75 units are affordable.

About Preservation Massachusetts

Founded in 1985, Preservation Massachusetts is the statewide non-profit organization that actively promotes the preservation of historic buildings and landscapes as a positive force for economic development and the retention of community character. Preservation Massachusetts leads the way for the Commonwealth through legislative initiatives, reaching out across the State, educating our partners, building partnerships, networking, and events.

Preservation Massachusetts is a private 501(c)3 organization, totally sustained by memberships, grants and fund raising events. The organization is headquartered in Boston but serves all of Massachusetts through a variety of educational and advocacy programming concerning historic preservation, community revitalization and our shared heritage. For more information and to keep updated on our latest projects and programs, please visit www.preservaitonmass.org.



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