SUMMARY OF RECENT DEVELOPMENTS OF THE TAX CREDIT PROGRAM IN SURROUNDING STATES

Oklahoma: Effective 1/1/09, Oklahoma improved its 20% uncapped historic program to become fully transferable like Missouri.

Iowa: In 2009, Iowa increased the cap on its program by 150%, from $20 million to $50 million per year.

Kansas: In June of 2009, Kansas capped its historic credit program for two years due to budget issues. This past week, The Kansas Senate and House voted 40-0 and 119-5, respectively, to end the cap on July 1, 2010, a year early. There were some key projects lined up that were not able to start, and the legislators decided overwhelmingly to end the cap. the program is returning to having no project cap and no program cap.

Illinois: In March of 2010 The Illinois Senate approved a 25% state historic tax credit by a vote of 48-6. The bill has now moved to the Illinois House, and is viewed as a stimulus to position the State for coming out of the recession more quickly than it's neighbors.

Minnesota: After a 13 year effort, this past week Minnesota passed a 20% new uncapped historic tax credit program. Here are a few excerpts from the press release:

Saint Paul – (April 1, 2010) Governor Tim Pawlenty signed into law the Minnesota Jobs Stimulus Bill, a diverse array of tax incentives to stimulate job growth in Minnesota. The bill is estimated to create between 12,000 and 20,000 jobs across the state.

A significant feature of the bill is the State Historic Rehabilitation Tax Credit, an incentive to stimulate green job growth, increase local tax base, and revitalize urban and main street communities through reinvestment in historic properties. This provision is estimated to create between 1,500 and 3,000 construction jobs annually if Minnesota is consistent with other state programs.The state historic tax credit program encourages private investment in underutilized historic properties in both urban and rural Minnesota, generating jobs and stimulating local and state economic development. Thirty other states—including Wisconsin, Iowa, North

Dakota, Missouri, and Kansas—have similar programs that were incentivizing Minnesota investors to develop in those states. By signing the uncapped state historic rehabilitation tax credit into law today, Governor Pawlenty ensured a competitive advantage for Minnesota in our region.

Historic rehabilitation creates more jobs because it is inherently labor-intensive instead of material intensive. At a time when unemployment among members of the construction trades is at a high level, this measure provides good-paying jobs in areas where employment is desperately needed. Approximately 60-70% of rehabilitation construction costs are labor resulting in thousands of good-paying construction jobs created around the nation through historic rehab projects. In Rhode Island, direct construction employment generated by rehab credit projects was 5,334 over two years. A total of 6,871 jobs and $60 million in tax revenue were created in the first four years of Missouri's tax credit. In Missouri, the cost of the tax credit was recouped in payroll taxes alone. A March, 2010, study by Rutgers University report found that the federal tax credit program stimulated $85 billion in rehabilitation activity nationally and 1.8 million new jobs over the program's 36-year lifetime.

State historic tax credits create more jobs per dollar output than either manufacturing or new construction. Realtor and economist Donovan Rypkema recently estimated the potential for job creation in Minnesota based on his study of the highly-successful Missouri state historic preservation tax credit. Rypkema, presenting to the Minnesota Chapter of the Construction Specifications Institute, reported that historic rehab projects in our state would create 5.7 more jobs per $1 million in output than manufacturing, 4 more jobs than road construction, and 2 more jobs than new construction.

Research demonstrating the economic impact of state historic preservation tax credit programs shows compelling evidence that such programs more than pay their own way. A 2009 report by the Abell Foundation found that Maryland's state historic tax credit has returned $8.53 in revenue for each dollar of the state's tax credit investment and has generated $1.74 billion in total economic activity. Between one-third and one-half of that revenue was returned to the state in payroll and sales taxes prior to the state's issuance of tax credits. Missouri's data shows $1.373 billion in total economic activity in the 11 years of their state rehab tax credit, or a four-to-one return on investment to the citizens of Missouri. Research suggesting that similar results could be expected in Minnesota has been compiled by the University of Minnesota's Humphrey Institute of Public Affairs.

"Today is a banner day for the construction, design, and preservation industries in Minnesota," said Bonnie McDonald, executive director of the Preservation Alliance of Minnesota. "With the tax credit in place, we will put skilled people back to work, promote green jobs through the sustainable practice of historic preservation, and reinvest in assets that are truly unique to our communities."