



April 12, 2013

The Honorable Kenny Marchant
1110 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

The Honorable Jim McDermott
1035 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

Dear Representatives Marchant and McDermott:

On behalf of Preservation Dallas, a 501(C)3 nonprofit organization dedicated to the preservation and reuse of Dallas' historic resources, we would like to thank you for the opportunity to comment in support of the federal Historic Tax Credit (HTC) during the tax reform working group process.

The HTC is a proven tool for communities throughout the nation to preserve historic structures and reuse them in new and productive ways. These revitalizing projects occur in urban centers, industrialized areas, and on rural main streets. In Dallas, the credit has been used to rehabilitate both small commercial rehabilitation projects to substantial multi-million dollar hotel rehabilitations. The HTC breathes new life into idle buildings and creates important community assets and economic revitalization.

We are concerned that broad, sweeping reform of the nation's tax code could weaken the historic tax credit. A reduction or elimination of the HTC would make rehabilitation projects more difficult to finance and leave little incentive for developers to undertake historic rehabilitation projects. Weakening the HTC would effectively halt the largest federal contribution to preserving American heritage and instead allow these remarkable buildings to sit idle and underutilized. Even with the 20 percent HTC in place, it is often difficult to find investors willing to finance historic rehabilitation projects because they are inherently more complicated and cost more than new construction.

The HTC is the largest driver of Historic Preservation of repurposed buildings and dilapidated properties. These projects transform blight to affordable housing, office space for start-up companies, historic hotels, restaurants with character, restored theaters, and innovative retail space. Since its inception in 1981, the HTC has been the catalyst for \$106 billion in private investment in the historic rehabilitation of over 38,000 buildings. According to Rutgers University Study, these local projects have created 2.3 million jobs and contributed over \$25 billion to the federal treasury in tax revenues. This is a net positive when you consider that the historic tax credit has cost the treasury just over \$20 billion in credits. In Texas, since 2001, the Historic Tax Credit has generated 111 projects, many of them very large in size, resulting in over \$858 million in development expenditures. Just in the Dallas area over the last decade the HTC has helped finance 39 projects, resulting in over \$332 million in development expenditures for qualified expenses under the credit.

Preservation Dallas respectfully requests that Congress not only protect the Historic Tax Credit during the tax reform debate, but also implement important and long overdue improvements to the HTC. Increasing the 20 percent tax credit to 30 percent for historic rehabilitation projects under \$5 million, for example, would properly incentivize the rehabilitation of smaller “main street” and rural properties helping to revitalize smaller communities across the country and would even help with smaller projects in Dallas and the surrounding suburbs.

The Gulf State Building conversion is one example of a very successful HTC project in Dallas. The office building in the downtown was completed in 1927 at ten stories and in 1935 an extensive addition added an additional six stories. The building was vacant for over twenty years before it was converted into 68 apartments in 2008 through a \$16 million rehabilitation. If not for the HTC the building would probably still be vacant. Another well-known HTC project is the five-star Joule Hotel, also located in downtown Dallas. The 16 story former Dallas National Bank office building was converted into a new hotel in 2009. An additional investment was made in an attached new 10 story building to house additional guest rooms for a total project cost of \$78 million, with \$29 million of that attributed to the historic rehabilitation. The Joule Hotel is now one of the premier luxury hotels in the heart of downtown Dallas. These are only two of many HTC projects in Dallas since 2001 which have provided an incredible economic stimulus to the city in the form of additional jobs, tax revenue, and improved property values.

Members of Congress, in both the House and Senate, are working to pass legislation that would improve the HTC. Presently members of Congress have introduced ways to enhance the HTC through legislation like the Creating American Prosperity through Preservation (CAPP) Act (H.R. 2479 in the 112th Congress). This legislation increases the value of the credit for “Main Street-scale” projects, as mentioned earlier, and also improves the ability to use the historic tax credit in low-income and difficult-to-develop-areas. Additionally, the bill promotes energy efficiency in historic properties, and eliminates federal taxation of state historic tax credit proceeds. Changes like these would improve this federal credit and create more opportunities for American communities to create jobs, renew of idle sections of town, stimulate investment, all while protecting important historic resources.

Preservation Dallas strongly encourages the House Ways and Means Committee to support ways to make the historic credit more useable, increase the number of historic rehabilitation transactions, and keep preservation of our shared American heritage a priority for the federal government and the American people.

Sincerely,



David Preziosi
Executive Director