



FACT SHEET HB 5430 - Proposed Updates to the Michigan Historic Preservation Tax Credit

The first Michigan Historic Preservation Tax Credit proved its worth -

Gov. John Engler signed the first Michigan Historic Preservation Tax Credit (HTC) into law in 1999 after years of advocacy by the Michigan Historic Preservation Network (MHPN). The 25% credit was integral to restoration projects from Detroit to Menominee. Phased out in 2011 by Gov. Rick Snyder, the program had leveraged \$71 M in credits to generate \$1.46 B of investment in Michigan projects. It leveraged an additional \$251 M in federal tax credits, federal dollars that would not otherwise have returned to Michigan. It led to the creation of 36,000 jobs. In all, each \$1.00 of credit leveraged \$10.56 in direct economic impact.

Reinstatement of the HTC in 2020 was a first step -

The MHPN and Michigan's preservation community started advocating for the HTC's return as soon as it was phased out in 2011. The effort slowly gained traction. Finally, in the 2020 lame-duck session, the Legislature passed PA 343, reinstating the popular 25% credit program for both income-producing and residential projects. The drawback was the credits were capped at \$5 M, an amount proven to be woefully inadequate when the application portal opened on June 15, 2022. Commercial credits were claimed within just over 5 hours and residential credits closed in 13 days.

House Bill 5430 proposes game-changing enhancements to the HTC -

Rep. Joey Andrews became aware of the need to expand the impact of PA 343. A large MHPN work group collaborated with his office on a bill enrolled as HB 5430 on February 7, 2024. Here are important changes:

- First and foremost, the current \$5 M credit cap is increased to \$100 M.
- To better 'level the playing field' among the actual sizes of income-producing projects, applications are accepted in three categories rather than the current two: \$70 M of the credits are allotted for large projects applying for up to \$10 M of the credits, \$20 M are for medium projects applying for up to \$2.5 M, and \$5 M are for small projects applying for up to \$300,000. A fourth category with \$5 M in credits is exclusively for residential projects of any size. A process allows unused credits to be reallocated to ensure none go to waste.
- The credit is increased from 25% to 30% for small income-producing projects and residential projects.
- The ways in which a building can establish eligibility for the HTC are expanded. Currently, an eligible building is one listed in the National Register, the State Register, or a local historic district established under PA 169 (1970), and, within one of these, is confirmed to be individually listed or contributing to a district. Four more paths to eligibility are now added which, for example, provide access to the smallest towns and unincorporated, often rural, areas of the state.
- Applicants are "an individual, partnership, corporation, association, governmental entity, *or other legal entity.*" This ensures that such entities as non-profits may also participate.



- Confirmation is provided that the Michigan HTC can be combined with the Federal HTC for income-producing projects.
- Confirmation is provided that someone with credits available from their project may monetize them through an exchange with someone for much-needed project financing.
- An applicant can hold a long-term lease, development agreement, or purchase agreement with the owner of a property.
- The definition for small income-producing projects is expanded to allow owner-occupancy – i.e. a Bed & Breakfast, a storefront with the owner's residence above.
- The definition for residential projects is expanded beyond single-family homes to include condominium units, multi-unit dwellings, and multi-purpose structures.

Why support passage of HB 5430? –

- Preservation projects help meet Gov. Gretchen Whitmer's housing goal of building or rehabilitating 10,000 housing units. Preservation work provides housing at all price-points and for all age-groups, sustainably recycling all types of historic buildings – from schools and mills to factories and office buildings.
- While big economic development programs are needed for large cities, preservation projects frequently are the best fit for small towns and mid-sized communities. With passage of HB 5430, the credits can indeed fill financing gaps for large projects in Michigan's aging urban cores, but also help historic buildings in the smallest communities and rural areas.
- A preservation project's return on investment provides enormous local benefits. Often being smaller, projects tap local lumber yards and hardware stores for construction materials. Those who work on them can be hired locally, which means they spend their earnings locally and pay local taxes.

There are many more points! For example, preservation projects are recognized for advancing sustainability. They keep demolition waste out of landfills. They curb urban sprawl by utilizing existing infrastructure. They eliminate carbon released during both demolition and new construction. They conserve the embodied energy invested during initial construction and, with retro-fitting, make any building a top-notch energy saver.

Or consider the success preservationists have had keeping traditional downtowns and neighborhoods vital. In addition to attracting both young professionals and retirees – and everyone in between – these authentic, walkable places are cultural centers for their regions and heritage tourism destinations. Smart, adaptive reuse is flourishing: A former department store becomes a business incubator and the old high school becomes senior housing. In every case, valuable real estate is back on local and state tax rolls.

Finally, the HTC is the only program singularly focused on the state's oldest real estate that often exhibits the most intractable problems. Yet all the work is underpinned through the simple provision of tax credits. The person doing the work carries the costs and all the risk until such time as the credit is claimed. In those instances where traditional financing falls short because the age and condition of a property are deemed too risky, it is a program that provides needed financing.

In closing -

The Michigan Historic Preservation Tax Credit is a powerful tool to revitalize historic buildings and their communities. Historic preservation projects have been a key part of nearly every successful "revitalization" story in Michigan's older communities. Your support is needed to have HB 5430 succeed.

For information, go to www.mhpn.org/state/ or contact –

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