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Competitive preservation process has Worcester projects in a bind

By [Tom Quinn](#) -
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The commonwealth's historic tax credit program has been a boon for preservationists and developers, providing money to rehabilitate properties across the state. But in Worcester, locals are growing increasingly disillusioned with the way the money is handed out, calling for changes in a process they say creates uncertainty and inequity.

"It is an area of concern, that the process is very slow, and that something needs to be done to speed it up and make it more equitable, so places like Worcester get their fair share of tax credits," Preservation Worcester Executive Director Deb Packard said.

The Massachusetts Historic Rehabilitation Tax Credit Program has been the subject of scrutiny before, and has improved its transparency over the course of 13 years in business. But a defining feature of the program – the need to reapply every year, rather than getting a guarantee of a certain amount of money – is still creating disillusionment for preservationists and developers alike.

“The state process slows you down, because you don’t know if you have [the full amount],” Worcester Business Development Corporation President and CEO Craig Blais said.

The Massachusetts Historical Commission, which operates under the Secretary of State, has \$50 million available every year to allocate to projects across the state. Each project is eligible for up to 20 percent of the cost of rehabilitation spending, which can be the difference between a project making financial sense and a developer giving up. But unlike the federal historic tax credits program, getting the full 20 percent is not guaranteed, and applicants could do everything right but still get nothing, or only a fraction of what they are eligible for.

“It’s a competitive operation,” Secretary of State spokesperson Brian McNiff said.

In Worcester, the most prominent building to receive state historic tax credits may be the Hanover Theatre, which received more than \$5 million for its rehabilitation. Currently, the Lincoln Square Boy’s Club, the Osgood Bradley building and the Central Building downtown are among those with multiple applications, some of which have resulted in no funding. The Osgood Bradley project, in particular, exemplifies the conundrum, receiving \$2 million so far out of \$5.4 million in eligible funding, but missing out on awards on the first, seventh, eighth and ninth attempts. The project recently received a grant on its 12th application.

In the latest round of awards – there are three rounds spaced out throughout the year – the MHC awarded \$18.3 million to projects with a total qualified rehabilitation cost of \$864 million, meaning they were collectively eligible for \$172.8 million in tax credits. Those figures do not include previous round awards from those projects, neither do they include round applications that were denied any funding. Applicants are free to apply in as many rounds as they are eligible.

“Initially, when the credit came into being, there wasn’t a lot of competition,” Preservation Massachusetts President Jim Igoe said. “Not a lot of developers knew about it ... now people are waiting rounds to get an allocation, and the allocations are getting smaller. There are so many projects ... it’s very frustrating for developers and preservation consultants who are trying to get to that 20 percent mark.”

Igoe, a former executive director of Preservation Worcester, led the charge to implement the state program in 2003, and has seen it grow from a \$10-million yearly cap to its current \$50 million. That’s clearly not enough to fund all the projects that have applied, but even though preservationists like Igoe continually seek to lift the cap, he is wary of lifting the cap entirely, citing cautionary tales such as the Rhode Island tax credit program, which was suspended in 2008 for being “overly successful.”

There are other ideas for the program. Blais said he favors a “binding commitment letter” that would guarantee an applicant the full 20 percent, even if they did not receive it all up front. He said knowing the finances for a project is important when drafting a pro forma

and starting a development, pointing to the completed Voke School Lofts and the pending Central Building project downtown as examples of Worcester applicants that have been subject to uncertainty.

“There’s no rhyme or reason as to how they allocate the money,” Blais said. “That slows down a lot of projects.”

Blais was among a small group that lobbied Gov. Charlie Baker when he was in Worcester for an economic development summit at the DCU Center, making the case that the tax credit program should be transferred from the MHC to the state office of Economic Development. While that, and any lifting of the cap, would take an act of the state Legislature, Blais said he was encouraged by Baker’s response.

“The big issue is how many bands could I get to the event when we sign [the bill],” Baker said at the time. Igoe said, tentatively, if moving the program to another department would make it run more efficiently, he would support that idea.

“At the end of the day, I want to see the credit managed as efficiently as possible, and if that’s with another state agency, I’d be fine with that,” Igoe said.

In the meantime, Igoe said Preservation Massachusetts will continue to lobby for an increase in the \$50 million cap, finding some lawmakers, “who will really take ownership of this and work it a little harder.” Igoe and Packard both count U.S. Congressman Jim McGovern as a supporter of preservation efforts.

“These historic preservation projects protect our past and also act as bridges to the future for many communities,” McGovern’s office said in an email. “The economic development that often flows from these projects can be transformative. For that reason, it is imperative that we give the National Park Service [which administers the federal program] and the State Historic Preservation Office all the resources they need to continue to move these projects forward and through the review process in the most expeditious and effective way possible.”

Legislative support at all levels will be important for maintaining and improving historic preservation efforts, especially in light of the new presidential administration, Igoe said. When talking with colleagues nationally, Igoe said he has picked up on a fear that Republicans, led by president-elect Donald Trump, will scale back or repeal the federal tax credit program. If that happens, the effect could trickle down to the state level.

“If we lose the federal credit for some reason, state credits will probably go the same way,” Igoe said. “It’d be difficult for a developer without the 20 percent federal credit.”

That fear – and the drive to improve a program that proponents say yields economic benefits in addition to preserving history – is what keeps Worcester officials and others working at finding a solution.

“I think this needs to be a priority, because it’s such a useful tool, making restoration of buildings possible,” Packard said. “... whatever it takes to make it more efficient. Right now it’s not efficient.”