SENATE BILL 472: Local Incentives for Historic Rehabilitation

2015-2016 General Assembly

Committee:	Rules, Calendar, and Operations of the House	**Date:**	September 22, 2015
Introduced by:	Sens. Rucho, Brock	**Prepared by:**	Greg Roney
Analysis of:	First Edition		Committee Counsel

***SUMMARY:** Senate Bill 472 would authorize cities and counties to make grants or loans for the rehabilitation of commercial or noncommercial historic structures, whether the structure is publicly or privately owned.*

The bill also clarifies the language of G.S. 158-7.1 which authorizes cities and counties to make appropriations for economic development purposes, including requiring all appropriations have public hearings, comply with the Local Government Budget and Fiscal Control Act, and be reported in the annual financial report.

CURRENT LAW: G.S. 158-7.1 authorizes cities and counties to make expenditures for economic development. G.S. 158-7.1(a) contains a general grant of authority. G.S. 158-7.1(b) grants express authority for 7 types of economic development projects and gives special rules for these 7 types of projects. G.S. 158-7.1(c) requires a public hearing for projects covered by G.S. 158-7.1(b). G.S. 158-7.1(d) and G.S. 158-7.1(d2) place additional requirements on projects authorized under G.S. 158-7.1(b) including a requirement that the proposed sale price of land plus future tax revenue to be generated by the project equal or exceed the fair market value of the land. The remainder of the statute imposes reporting rules, funding limits, and other requirements.

Specifically, G.S. 158-7.1(a) authorizes cities and counties to make appropriations for economic development that "increase the population, taxable property, agricultural industries and business prospects of any city or county." Without limiting the general grant of authority in subsection (a), G.S. 158-7.1(b) contains special rules for 7 types of economic development projects:

1. Industrial parks to be used for manufacturing, assembly, fabrication, processing, warehousing, research and development, office use, or similar industrial or commercial purposes.
2. Holding land for resale that is suitable for industrial or commercial use.
3. Options for the acquisition of land that is suitable for industrial or commercial use.
4. Acquisition or construction of a building suitable for industrial or commercial use.
5. Construction or assistance in the extension of utility services to industrial facilities, whether the utility is publicly or privately owned.
6. Construction or assistance in the extension of water and sewer lines to industrial facilities, whether the industrial facility is publicly or privately owned.
7. Site preparation for industrial facilities, whether the industrial facility is publicly or privately owned.

BILL ANALYSIS: Senate Bill 472 would add an eighth authorization to G.S. 158-7.1(b) allowing cities and counties to make grants or loans for:

8. Rehabilitation of commercial or noncommercial historic structures, whether the structure is publicly or privately owned.

The bill would modify subsection (a) of G.S. 158-7.1 that grants general authority to cities and counties to make appropriations for economic development by:

- Replacing a list of economic development purposes that included "other purposes" with the words "economic development purposes."
- Adding "employment" and "industrial output" to the list of permissible economic development goals.

The bill standardizes the treatment of appropriations for economic development by:

- Making all appropriations subject to the public hearing requirement of G.S. 158-7.1(c).
- Making all appropriations subject to the Local Government Budget and Fiscal Control Act and public disclosure in the local government's annual financial report under the requirements of G.S. 158-7.1(e).

The bill adds headings to all of the subsections of G.S. 158-7.1 and makes other technical changes.

EFFECTIVE DATE: Senate Bill 472 would be effective when it becomes law.

BACKGROUND: Article 3D of Chapter 105, titled Historic Rehabilitation Tax Credits, provided a State tax credit for rehabilitating income-producing historic structures (G.S. 105-129.35) and a State tax credit for rehabilitating non-income-producing historic structures (G.S. 105-129.36). Article 3D expired for rehabilitation expenditures incurred on or after January 1, 2015.

Article 3H of Chapter 105, titled Mill Rehabilitation Tax Credit, provided a State tax credit for income-producing rehabilitated mill property (G.S. 105-129.71) and a State tax credit for non-income-producing rehabilitated mill property (G.S. 105-129.72). Article 3H expired for rehabilitation projects for which an application for an eligibility certification is submitted on or after January 1, 2015.

The 2015 Appropriations Act (S.L. 2015-241, House Bill 97) enacted new Article 3L, titled "Historic Rehabilitation Tax Credits Investment Program." The new historic tax credit is effective January 1, 2016, and expires on January 1, 2020.

The 2015 Appropriations Act would allow a tax credit for historic rehabilitation as follows:

- <u>Income Producing Property</u>: Tax credit capped at $4,500,000 and equal to 15% of the first $10 million, plus 10% of the next $10 million, plus 5% for the first $20 million if in Tier 1 or 2, plus 5% for certain sites (at least 65%-vacant manufacturing facility or agricultural warehouse) for expenses to rehabilitate a structural component of a building listed in the National Register or located in a registered historic district and certified by the Secretary of the Interior.
- <u>Non-Income Producing Property</u>: Tax credit capped at $22,500 and equal to 15% of expense to rehabilitate a building listed in the National Register of Historic Places or certified by the State Historic Preservation Officer as contributing to the historic significance of a National Register Historic District or a locally designated historic district certified by the United States Department of the Interior. Expenses must exceed $10,000.