

WRITTEN TESTIMONY
TO THE HOUSE TAXATION COMMITTEE
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Public testimony: Economic Development / Kansas Historic Rehabilitation Tax Credit

My name is Ross Freeman and I am President of Pioneer Group, Inc., a Topeka based real estate development company that is active in utilizing the State Historic Tax Credit (“HTC”) program to develop housing and commercial projects.

I am here this afternoon in opposition to HB 2560, and to discuss with you how the HTC program enabled us to bring 400 new full-time, high-paying jobs with an annual payroll in excess of \$26,000,000 to Leavenworth, KS, to bring in \$17,672,031 of capital from outside Kansas, and to generate 200 construction related jobs. It is projected that this project generated \$190,000 in State Sales Tax (does not include local Sales Tax) during construction, will annually generate \$1,148,400 in State Income Taxes, and, with an economic multiplier of 7, will annually generate \$8,040,000 in additional State Income Taxes for the State of Kansas.

And all this was made possible by \$3,120,000 in HTCs! Jobs, Economic Activity, Added Revenue for the State. That is a pretty good return on this investment by the State of Kansas!

Let me tell you about this wonderful project. In August 2005, Pioneer Group was awarded a 75-year Enhanced Use Lease covering 38 historic buildings and 58 acres located on the campus of the VA Hospital in Leavenworth, KS. Governor Brownback, then Senator Brownback, participated in that award ceremony. These historic buildings were primarily constructed in the 1880’s to provide care and housing for volunteer soldiers of the Union Army. Five of these Home and Hospital facilities were constructed across the country with Leavenworth being the Western Regional unit.

Building 19, a 66,000 square foot building, was one of the original buildings and served as the Mess Hall feeding 3 meals per day for typically 2,000 veterans (sometimes as many as 4,000 vets) and was vacated in the mid-90’s. We were contacted by the VA in late 2008 about the possibility of undertaking a historic rehabilitation of the building with the ultimate use being the VA’s Consolidated Patient Account Center for the central region of the country. It ended up being a competitive bid situation and the equity provided by the HTC program enabled us to borrow a lesser amount than would otherwise have been the case. This lesser borrowing produced a lower rent for the VA. Building 19 was therefore selected as the site and we signed a 10-Year Facilities Use Agreement with the VA in August 2009, we closed on the financing and began construction in April 2010, and the VA assumed occupancy of the building on April 1, 2011. Governor Brownback actively supported this project that brought 400 jobs to the Leavenworth area and was one of the participants at Building 19’s Grand Opening ceremony.

I am not here today telling you that every project that utilizes the HTC program will generate this type of a return but I thought it was important to present a real, concrete, and positive project that without the HTC program would not have come to Kansas.

While dollars are important, the HTC program has also made possible other types of benefits that are of tremendous importance to Kansas and to Kansans. Only because of the presence of the HTC program were we able to:

- acquire and undertake a historic rehabilitation of 2 vacant school buildings in Salina and create 61 units of affordable, modern, secure and efficient units of senior housing that have remained 100% occupied,
- acquire and undertake a historic rehabilitation of a vacant school building in Topeka that sat deteriorating for almost 25 years and create 35 units of affordable, modern, secure and efficient units of senior housing plus 24 units of affordable, modern, secure and efficient units of family housing,
- acquire and undertake a historic rehabilitation of a vacant school building in Kansas City, KS that sat deteriorating for over 30 years and create 40 units of affordable, modern, secure and efficient units of senior housing,
- acquire and undertake a historic rehabilitation of 16 historic buildings on the campus of the VA Hospital in Leavenworth that sat deteriorating for about 10 years and create 45 units of affordable, modern, secure and efficient units of housing primarily for our veterans.

While these projects produced economic benefits in terms of construction jobs, architectural and engineering fees, and a number of full time jobs to operate the apartment complexes, for those who found a new home in one of these buildings, the presence of the HTC meant they have a home which they can afford, that is just the right size for them, in which they can be safe and secure, and in which they can leave the maintenance and upkeep to a professional.

I understand the continuance of the HTC is not directly at issue at this point in time, however, the proposed elimination of the ability to use these tax credits on personal income tax returns will essentially cut the heart of the market for such credits, reduce the market price for the credits, and vastly reduce the benefits this program has produced, and is producing, in terms of jobs, economic activity, and affordable housing.