CCM-101

City of Cambridge

27.

IN CITY COUNCIL

September 18, 1995

COUNCILLOR BORN
COUNCILLOR DUEHAY
COUNCILLOR GALLUCCIO
MAYOR REEVES
VICE MAYOR RUSSELL
COUNCILLOR SULLIVAN
COUNCILLOR TOOMEY
COUNCILLOR TRIANTAFILLOU

WHEREAS: The Commercial Revitalization Tax Credit Act was introduced by U.S. Senator Kay Bailey Hutchinson on May 2, 1995 to encourage business investment in distressed neighborhoods and communities; and

WHEREAS: This bill builds upon the empowerment zone/enterprise community program that is now unfolding in 109 communities across the nation and it would also benefit additional communities which have revitalization areas designated according to state or local law; and

WHEREAS: The law would hold significant benefits for the City of Cambridge; now therefore be it

ORDERED: That the City Council go on record in support of this legislation and convey that message of support to our Congressional and Senate delegation.

In City Council September 18, 1995
Adopted by the affirmative vote of nine members.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

Order 2

27

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Ordered: That the City Council go on record in support of this legislation and convey that message of support to our Congressional and Senate delegation.

See two page attachment and attach to order

Dear Colleague: 27

On May 2, I introduced S. 743, the *"Commercial Revitalization Tax Credit (CRTC) Act of 1995"*. This legislation is designed to encourage private investment in economically distressed areas by providing a targeted, limited tax credit to businesses
It is my hope that this bill will appeal to my colleagues on both sides of the aisle as a way to aid our cities without adding more government bureaucracy. Expanding tax incentives to enable the private sector to create real jobs in economically depressed areas is an excellent way to combat poverty, crime, despair and the physical deterioration of our cities.

S. 743 builds on the empowerment zone/enterprise community program that is now unfolding in 109 communities across the nation. This legislation would also benefit additional communities which have revitalization areas designated according to State or local law. I have always supported the pro-growth ideas that are at the foundation of the enterprise zone concept. But what was in enacted in 1993 did not include broad-based tax incentives for capital formation. These specially designated zones primarily encourage wage based tax credits to employers who hire an individual to work for a business within the zone. But there is no existing incentive for a business within a designated revitalization zone to expand so that larger numbers of people could be hired.

S. 743 is not intended to be a panacea. The CRTC will not be a primary reason for going forward with such an expansion. However, I do think it can be an important factor that will give the business man or woman the push to go forward with construction, renovation or expansion. The credits will mitigate the inherent risk in business decisions to locate in areas experiencing a variety of social and economic troubles.

Clearly, Congress has found that targeted tax credits can serve a valuable public purposes. According to the National Park Service, the Historic Rehabilitation Tax Credit in FY 94 produced almost 21,000 jobs, among 524 projects and leveraged $483 million in private investment at a Federal cost of $97 million dollars. The Low Income Housing Tax Credit has financed 700,000 new and rehabilitated housing units since 1986. The annual credit of $320 million attracts over $975 million in private investment per year. According to HUD figures, for every 100,000 new housing starts, 170,000 jobs are created. The National Association of Homebuilders reported that for

FY 92, 92,000 units built or rehabilitated spun off more than $1.6 billion in wages and taxes. I believe my proposal will do for economically depressed communities struggling to attract new businesses what the *Historic Rehabilitation Tax Credit* has done for historic properties and what the *Low Income Housing Tax Credit* has done for affordable housing.

The CRTC will require a minimum of Federal bureaucracy. Most of the work will be done by the States which will allocate the tax credits and monitor projects to make sure that the proposed benefits are realized. It will engage the private sector in addressing the economic development needs of low income communities. The Government cannot and should not do the job alone. Private sector involvement helps ensure success. Because their own funds will be at risk, private investors will rigorously assess the feasibility of ventures before undertaking them. The CRTC is based on the principle of paying for performance. Tax credits can be claimed only income is generated. That ensures that taxpayers will get what they are paying for.

The CRTC may be applied to construction amounting to at least 25% of the basis of the property. Qualified taxpayers could choose a one-time 20% tax credit against the cost of new construction or rehabilitation. Alternatively, the business owner could take a 5% credit each year over a 10 year period. The credit will be allocated to each of the states according to a formula that takes into account the number of localities where over half the people earn less than 60% of the area's median income. Localities will determine their priority projects and forward them to the state for allocation of credits according to an evaluation system which the states establish. The CRTC would provide $1.5 billion in tax credits over five years, and is designed to attract over $7 billion of private sector investment. With a minimum of bureaucracy and through a proven tax mechanism, this initiative will make a difference to the people and economies of hundreds of communities and thousands of neighborhoods across this country.

Problems of our cities must be addressed by Republicans and Democrats in a cost-effective, compassionate manner. S. 743 tries to achieve those goals. I hope that you will join me in this effort by cosponsoring S. 743. If you wish to cosponsor or have any further questions, please call Ken Johnson of my staff at 4-2060. A copy of my statement in the Congressional Record, which includes the text of the bill is attached.

Sincerely,

Kay Bailey Hutchison

Kay Bailey Hutchison

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IN CITY COUNCIL

September 18, 1995

COUNCILLOR BORN

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Duehay, Galluccio, Reeves, Russell
Consent Order #27
Sullivan, Toomey, Triantafillou
Councillor Born re: Support for the Commercial Revitalization Tax Credit Act, which encourages business investment in distressed neighborhood and communities.

B-283

In City Council September 18, 1995

Order Adopted