

Please see the attached for our supporting documents:

1. National Trust for Historic Preservation & Historic Tax Credit Coalition's Response re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

2. National Trust for Historic Preservation's Historic Rehabilitation Tax Credit Recapture Survey

3. National Trust Community Investment Corporation & Rutgers University Second Annual Report on the Economic Impact of the Federal Historic Tax Credit

February 10, 2012

Office of the Comptroller of the Currency  
250 E Street, S.W.  
Mail Stop 2-3  
Washington, D.C. 20219  
**Docket No. OCC-2011-0014**  
**RIN 1557-AD44**

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street & Constitution Avenue, N.W.  
Washington, D.C. 20551  
**Docket No. R-1432**  
**RIN 7100 AD 82**

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429  
**Attention: Comments**  
**RIN 3064-AD85**

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220  
**RIN 3235-AL07**  
**File No. S7-41-11**

David A. Stawick, Secretary of the Commission  
Commodities Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581  
**RIN: 3038-AD05**

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Dear Ladies and Gentlemen:

The National Trust for Historic Preservation (“National Trust”) and the Historic Tax Credit Coalition (“HTCC”) are pleased to have the opportunity to respond to the Notice of Proposed Rule Making request for public input related to the implementation of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the so-called “Volker Rule.” We have chosen to respond to questions 276-280 to demonstrate our unconditional support for Section 619, which clarifies the definition of “public welfare” investments to explicitly include federal and state historic tax credit equity investments.

The National Trust ([www.PreservationNation.org](http://www.PreservationNation.org)) is a privately-funded, federally-chartered, nonprofit organization that works to save America’s historic places for the next generation. It is committed to protecting America’s rich cultural legacy and to helping build vibrant, sustainable communities that reflect our nation’s diversity. The National Trust takes direct action to save the places that matter while bringing the voices of the preservation movement to the forefront nationally.

The HTCC ([www.historiccredit.wordpress.com](http://www.historiccredit.wordpress.com)) is a group of historic tax credit industry representatives who have come together to help develop a consensus on ways to modernize the federal Historic Tax Credit (HTC). Its members are tax credit syndicators, investors, tax attorneys, accountants, preservation consultants and real estate developers who are involved in the business of using the HTC as a financing tool to promote economic development through the rehabilitation of historic properties. The HTCC’s

activities include research on the economic impact of the HTC, the development of legislative and regulatory proposals to promote the simplification and greater use the HTC, and efforts to foster greater communication between the National Park Service, the Internal Revenue Service and the HTC industry.

**Question 276 - Is the proposed rule’s approach to implementing the SBIC, public welfare and qualified rehabilitation investment exemption for acquiring or retaining an ownership interest in a covered fund effective? If not, what alternative approach would be more effective?**

The National Trust and HTCC strongly endorse the definition of a public welfare investment as stated in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Banks have been significant investors over the years in federal and state historic tax credits. These lending institutions have consistently sought Part 24 approval (or equivalent approval depending on their federal regulator) as well as CRA credit for these investments. Historic tax credit syndicators who are members of the HTCC have reported that under previous, stricter definitions of public welfare investments, lenders have been uncertain of whether regulators would approve these investments under Part 24, necessitating a deal-by-deal inquiry.

**Question 277 - Should the approach include other elements? If so, what elements and why? Should any of the proposed elements be revised or eliminated? If so, why and how?**

The National Trust and HTCC support the continued inclusion of the federal Historic Tax Credit and state Historic Tax Credits (HTC) in the definition of public welfare investments. As elaborated in more detail in the answers to Q278-280 below, the data show that these federal and state investments have a proven track record of promoting economic development, creating jobs and revitalizing residential and commercial neighborhoods in urban, rural and small town communities across the nation.

Based on research conducted for the HTCC by Rutgers University’s Center for Urban Policy Research (attached), the federal HTC, over the past 32 years, has leveraged \$90.4 billion in private sector investments to help rehabilitate over 37,000 historic properties. At a total federal cost of \$17.5 billion, the leverage ratio is approximately 5-1. Rutgers research has further shown that federal HTC investments have been responsible for creating 2 million jobs, \$30.6 billion in federal, state and local taxes, \$76.3 billion in household and business income, and generating gross domestic product of \$103.8 billion.<sup>1</sup>

These estimates measure impacts only through construction completion and do not include jobs, income and tax impacts generated after historic properties are placed in service, nor the economic impacts of heritage tourism often associated with these historic sites. These findings are estimated through the use of an input-output model called the Preservation Economic Impact Model (PEIM) developed for the National Park Service by Rutgers University. It is the only economic impact model that is adapted to measure the economic benefits of historic rehabilitation.

Even though federal and state HTCs are not targeted to qualified low-income census tracts, because many historic properties are located in inner-cities, there is a high degree of correlation between the location of these investments and communities in economic distress. Research by the National Trust’s tax credit subsidiary, National Trust Community Investment Corporation (NTCIC), has shown that between 2002 and 2008 two-thirds of all federal HTCs have been invested in census tracts eligible for the new markets

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<sup>1</sup> “Second Annual Report on the Economic Impact of the Federal Historic Tax Credit”, (May 2011), Summary Exhibit 1, page 11.

tax credit.<sup>2</sup> Further research by NTCIC indicates that, in the first 4 rounds of the NMTC program, 10% of all NMTC transactions and 20% of the dollar volume of NMTC transactions twinned historic and new markets tax credits.<sup>3</sup> State historic tax credits have similar impacts on low-income communities because they are almost always twinned with federal HTC.

Rutgers research and the work of economist Donovan Rypkema both conclude that historic rehabilitation is a more efficient producer of jobs than new construction.<sup>4</sup> Rehabilitation is more labor intensive than new construction and, for some trades, requires hiring more skilled, higher wage labor. Because materials for rehabilitation are purchased primarily in the local market, on average, 75% of the economic impact of historic property redevelopment stays in the local economy.

Historic rehabilitation is an inherently green activity. Recycling old buildings reduces landfill waste and saves energy by reusing existing materials rather than manufacturing new building components such as doors, windows, roofing and framing. Reusing existing buildings typically offers environmental savings over demolition and new construction – even if that new construction is energy-efficient.<sup>5</sup> Rehabilitation is also an outstanding smart growth strategy, channeling public and private resources into existing communities supported by roads, utilities, schools and sewage facilities. Historic buildings have the unique ability to foster a sense of place which helps differentiate central business districts and small town centers and give them a market advantage.

Because of the proven community revitalization, job creation, smart growth and green benefits noted above, the National Trust and HTCC believe that all federal and state HTC equity investments should remain exempt from the Volker Rule and included in the definition of public welfare investments.

**Question 278. Should the proposed rule permit a banking entity to sponsor an SBIC and other identified public interest investments? Why or why not? Does the Agencies' determination under section 13(d)(1)(J) of the BHC Act regarding sponsoring of an SBIC, public welfare or qualified rehabilitation investment effectively promote and protect the safety and soundness of banking entities and the financial stability of the United States? If not, why not?**

The National Trust and the HTCC believe the proposed rule does and should promote banking entities to sponsor historic rehabilitation through federal and state HTCs by forming tax credit funds to make multiple investments. The National Trust Community Investment Corporation has long-standing investor relationships with Bank of America, US Bank, PNC, SunTrust, Citibank, Trustmark Bank, Key Bank and Capital One to invest primarily in twinned historic and new markets transactions that span over a decade of investment activity totaling over \$437 million in equity investments and new markets leveraged debt. These investments have had broad, demonstrable, economic impacts in communities of additional distress as defined by the US Treasury's CDFI Fund including the creation of 26,347 direct, indirect and induced jobs and the generation of \$112.8 million in state and local taxes, \$1 billion in household and business

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<sup>2</sup> HTC census tract data analyzed for a presentation by National Trust Community Investment Corporation, "Utilizing Historic Tax Credits to Rehabilitate Historic Buildings", (2008).

<sup>3</sup> HTC and NMTC twinned transaction data based on results from "Survey of CDEs that Regularly Invest in HTC/NMTC Transactions", National Trust Community Investment Corporation, (November 2007).

<sup>4</sup> Donovan Rypkema, "The Economics of Historic Preservation: A Community Leader's Guide", Washington, D.C. National Trust for Historic Preservation (2005), page 14.

<sup>5</sup> National Trust for Historic Preservation, "The Greenest Building: Quantifying the Environmental Value of Building Reuse", (2012).

income and \$1.23 billion in gross state product. All of these investments have been deemed eligible for CRA credit on projects that, but for the historic tax credits, would never have been completed.<sup>6</sup>

Federal and state historic tax credits have proven to be safe and sound investments for a cross section of banking, manufacturing and insurance companies over the years. The attached study commissioned by the National Trust, conducted by Novogradac and Company, and released this month shows the federal HTC has outperformed secured commercial loans between 2001-2010. The cumulative 10-year federal HTC recapture rate has been less than three quarters of one percent (.73%). The electronic survey was conducted over the past 3 months. Respondents included investors representing over 50% of federal HTC investment volume and a total of 653 transactions. Out of the 653 transactions, there were only 7 incidents of recapture. Of the total of \$3 billion in HTC investments made by the survey respondents, the dollar amount of recapture was only \$22 million. By comparison, annualized commercial loan defaults over the same period were 1.02% of invested capital. While there is insufficient data to convert the HTC 10-year cumulative recapture rate to an annualized number, data obtained from the IRS forms for 2008 indicates that the rate of HTC recapture for 2008 was .07%.<sup>7</sup>

The attached report attributes the stellar performance of historic tax credit investments to several factors including (1) careful underwriting and the application of strict underwriting criteria by HTC investors to these equity investments, (2) the size of these third-party nongovernment investments (typically in excess of \$1 million dollars) which leads investors to carefully review these transactions, (3) the development of standardized legal structures and asset management procedures to protect these investments over the five-year compliance period, (4) construction and lease-up risk borne by private developers and investors which generates a high level of monitoring and asset management oversight and (5) regulatory guidance from the IRS.<sup>8</sup>

In the opinion of the National Trust and the Historic Tax Credit Coalition, and based on the study results, the proposed rule supports the safety and soundness of the banking system by encouraging banks to make equity investments in historic rehabilitation projects.

**Question 279. What would the effect of the proposed rule be on a banking entity's ability to sponsor and syndicate funds supported by public welfare investments or low income housing tax credits which are utilized to assist banks and other insured depository institutions with meeting their Community Reinvestment Act ("CRA") obligations?**

The proposed rule helps banks meet their CRA obligations by encouraging historic rehabilitation which, in most instances, can meet lender obligations under the Community Investment Act. Clearly not every HTC investment meets one or more of the tests for qualification under CRA. There are no existing data on this point. But we believe, from the data included above, that the majority of HTC projects do qualify. We know from available data that two-thirds of these investments occur in qualified low income census tracts. In addition to the data discussed above on the twinning of HTCs and NMTCs, NTCIC has determined from a 2011 state-by-state survey of allocations of low-income housing tax credits (LIHTC) that approximately 6% of LIHTC transactions (approximately \$425 million in credits) twinned the HTC

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<sup>6</sup> National Trust Community Investment Corporation, Internal Report, (2012).

<sup>7</sup> National Trust for Historic Preservation and Novogradac & Company, "Historic Rehabilitation Tax Credit Recapture Survey", (February 2012).

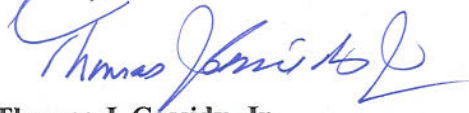
<sup>8</sup> Ibid.

Based on the data cited above, the National Trust and the HTCC believe there is a high degree of correlation between projects that utilize federal and state HTCs and transactions that help banks meet their CRA obligation.

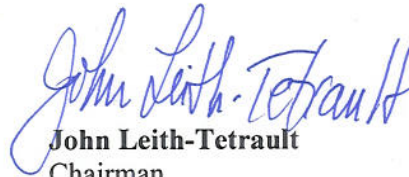
**Question 280. Does the proposed rule unduly constrain a banking entity's ability to meet the convenience and needs of the community through CRA or other public welfare investments or services? If so, why and how could the proposed rule be revised to address this concern?**

The National Trust and HTCC believe that the proposed rule *assists* rather than constrains banking institutions in meeting their CRA obligations by creatively using federal and state historic tax credits in combination with other federal incentives to meet the needs of low-income communities.

Sincerely,



**Thomas J. Cassidy, Jr.**  
Vice President for Government Relations & Policy  
National Trust for Historic Preservation



**John Leith-Tetrault**  
Chairman  
Historic Tax Credit Coalition





# Historic Rehabilitation Tax Credit Recapture Survey

COMMISSIONED BY  
THE NATIONAL TRUST FOR  
HISTORIC PRESERVATION

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**THE NATIONAL TRUST FOR HISTORIC PRESERVATION AND  
NOVOGRADAC & COMPANY LLP WISH TO ACKNOWLEDGE THE  
CONTRIBUTIONS AND ASSISTANCE OF JEROME BREED OF BRYAN  
CAVE INTERNATIONAL CONSULTING LLC; WILLIAM MACHEN  
OF HOLLAND & KNIGHT LLP; AND FORREST MILDER OF NIXON  
PEABODY LLP IN THE PREPARATION OF THIS REPORT.**

*On the Cover: The White Stag Block, Portland, Oregon. The 133,000-square-foot facility, built between 1892 and 1907, merges three buildings retaining the historic features that facilitated the use of historic rehabilitation tax credits and new markets tax credits.*



## EXECUTIVE SUMMARY

The National Trust for Historic Preservation commissioned this study to determine the frequency and amount of recapture that investors have experienced with the federal historic rehabilitation tax credit (HRTC). The study was conducted using an on-line survey of a group of HRTC investors that have made significant investments. Survey respondents consist of large institutional investors, including national banks and Fortune 500 companies that make direct and indirect investments in HRTC transactions.

Collectively, the survey's respondents have invested in more than 50 percent of the HRTCs claimed during the past 10 years and their responses demonstrate that they have experienced very low rates of recapture during the past 10 years. Respondents indicate that of the total HRTCs claimed, they have experienced a recapture rate of less than three-quarters of one percent over the past 10 years. This successful track record can be attributed to several factors: large dollar investments from third parties; careful screening of properties before development by third-party investors; economies of scale and uniform practices; construction and lease-up risk borne by investors and developers; and regulatory guidance and enforcement by the Internal Revenue Service.

### CASA de Maryland

8151 15th Avenue, Langley Park, MD

#### Property and Project Details

Originally named Langley Park, the three-story Georgian Revival McCormick-Goodhart Mansion was constructed in 1924 as a private residence, the grand centerpiece of a 565-acre estate. Following the death of its owners, the mansion became a seminary, a Montessori school and finally a child-care center before sitting vacant for years.

CASA, the largest Latino and immigrant service organization in Maryland, acquired the building for \$1 in 2001 with the vision to expand beyond its primarily Latino-focused outreach to meet the needs of the area's increasingly diverse immigrant community. With the purchase of the building, CASA began a certified historic rehab to convert the mansion into a multicultural center. Since its opening in June 2010, the center has been providing a variety of services including financial and computer literacy education, a justice center for pursuing immigrant legal and civil rights, job placement and a cafeteria for food service industry training.

The scope of renovation included restoration of the exterior and most of the existing historic interior that used \$963,384 in federal historic tax credits as well as new markets tax credits, Maryland state historic tax credits and federal energy tax credits. The project obtained LEED Gold status for green design elements.



# THE HISTORIC REHABILITATION TAX CREDIT

## INTRODUCTION

Federal tax incentives for historic rehabilitation have rehabilitated more than 37,000 historic properties since 1978, restoring old, deteriorating buildings to commercial viability.<sup>1</sup> Over the past 34 years, the HRTC has leveraged more than \$90 billion in private investment toward the restoration of historic buildings, while at the same time creating more than two million jobs.<sup>2</sup> It has revitalized distressed areas through the fostering of private

sector investment by providing an alternative to government ownership and management of historic properties, creating jobs and renewed commerce to the historic cores of cities and towns, increasing property values in these areas, and helping create additional alternatives for affordable housing. Pictures of successful projects have been included throughout this report to help illustrate the versatility of the HRTC.

### Cleveland Institute of Art McCullough Center

11610 Euclid Avenue, Cleveland, OH

#### Property and Project Details

Located in University Circle, just east of downtown Cleveland, the 168,000-square-foot building constructed in 1913 is listed on the National Register of Historic Places. It was built by Ford Motor Company in 1913 as a Model T assembly plant, and was acquired by The Cleveland Institute of Art in 1981. The \$32 million McCullough Center renovation includes a much-needed upgrade to building systems and infrastructure, such as heating, cooling, electrical and roofing. It also includes an interior redesign that will add 7,000 square feet of space. Phase II of the project began in 2011 with construction of an adjoining facility that will allow the Institute to vacate its other building seven blocks away and consolidate operations at McCullough Center. When complete, the project will permit enrollment to expand up to 20 percent above the current 500 students per year.



The renovation will also restore many of the building's historic features while making McCullough Center a showcase for the latest innovations in green building techniques. It is designed to meet Silver LEED (Leadership in Energy and Environmental Design) Certification, which is awarded by the U.S. Green Building Council to structures that achieve superior environmental performance. Interior workstations will also utilize wood from demolished Cleveland-area homes.

Total funding for the \$47.5 million facility included \$5.25 million in federal historic tax credits. Other financial incentives were federal new markets tax credits and Ohio state historic tax credits.

1 National Trust for Historic Preservation, Rehabilitation Tax Credit Guide.  
2 Second Annual Report on the Economic Impact of the Federal Historic Tax Credit, The Historic Tax Credit Coalition, Rutgers-Edward J. Bloustein School of Planning and Public Policy, May 2011, Page 5.

## LEGISLATION

Federal tax incentives for historic rehabilitation originally began as part of the Tax Reform Act of 1976 (TRA '76). Prior to 1976, the Internal Revenue Code (IRC) provided no targeted incentives for rehabilitating historic or aged buildings.

Legislation for historic rehabilitation tax incentives can be segregated into four distinct periods: TRA '76, the Revenue Act of 1978, the Economic Recovery Tax Act of 1981, and the Tax Reform Act of 1986 (TRA '86). Current rehabilitation tax credit legislation was passed as IRC Section 48(g) in TRA '86, and subsequently was re-designated to IRC Section 47 in the Revenue Reconciliation Act (RRA) of 1990. Treasury Regulations are promulgated in sections 1.47, 1.48 and 1.50.

TRA '86 changes to the IRC also ushered in some of

the most sweeping changes in real estate taxation that have occurred since the adoption of the modern tax code in 1954. That Act instituted limitations on the ability of investors (generally individuals and closely held C corporations) to use losses or credits generated by passive investments (including real estate),<sup>3</sup> and lengthened depreciable lives for both regular and alternative minimum tax.

The changes contained in TRA '86 also provide what are essentially the rehabilitation tax credit rules that are in place today. TRA '86 amended IRC Section 48(g) by repealing the 15 percent and 20 percent credits and replacing both with a 10 percent credit for qualified rehabilitation expenditures for buildings first placed in service before 1936, and by replacing the 25 percent credit with a 20 percent credit for qualified rehabilitation expenditures for certified historic structures.

### Historic Sears Building

32-40 East Granite Street, Butte, MT

#### Property and Project Details

The Historic Sears Building is located in the Butte-Anaconda National Historic Landmark District.

The steel-frame masonry building is five stories on the front and four stories on the side and rear. In preparation for the occupancy by Sears, Roebuck and Company in 1941, major alterations were undertaken on the first floor, including the addition of a "modern" storefront. In the late 1970s and early 1980s, Sears left this location as the area's mines closed. The Historic Sears Building was left to deteriorate, and eventually was taken by the city and county of Butte-Silver Bow (the city) for back taxes. In June 1993, the city performed a structural evaluation of the building. As a result of the study, the building was sealed and stabilized, and a new roof installed in 1994. The property remained vacant until 2006 when the city began to seek out proposals for redevelopment.



Kujawa Development LLC, led by Butte native Nick Kujawa, led the \$9.1 million renovation with the goal of revitalizing not just the building but the entire neighborhood. The Sears Building opened in late 2010 and its mix of retail and housing harkens back to the historic boom times of the mining city, but with a sleek, modern feel. The project flourished as a result of \$1,566,240 in federal historic tax credits as well as federal new markets tax credits and Montana state historic tax credits.

3 Internal Revenue Code Section (IRC §) 469. All references are to the Internal Revenue Code of 1986, as amended.

## OVERVIEW OF HRTC<sup>4</sup>

The rehabilitation tax credit is an indirect federal subsidy used to finance the rehabilitation of historic and older buildings. Eligible taxpayers receive the incentive by claiming an investment tax credit on their federal income tax returns. The rehabilitation tax credit generally offsets taxes dollar-for-dollar because it is a tax credit, not a tax deduction. The rehabilitation tax credit was created as an incentive for private developers and investors to restore older and historic buildings to productive use.

The rehabilitation tax credit is generally claimed in the year the rehabilitation of the underlying building is placed in service. The credit is two-tiered: a credit of 10 percent for all qualified rehabilitation expenditures on any qualifying rehabilitation of a building that was first placed in service before 1936 and is not a certified historic structure, or a credit

of 20 percent (HRTC)<sup>5</sup> of all qualified rehabilitation expenditures on any building that is a certified historic structure. A certified historic structure is defined as a building listed in the Department of the Interior's National Register of Historic Places, or located in a National Register historic district and certified by the Secretary of the Interior as contributing to the significance of the district.

After the rehabilitation expenditures are placed in service, the building must remain in productive use and the entity owning the building must not sell the property for a period of five years from the date it was placed in service.

In order to qualify for the HRTC, a building must be a qualified rehabilitated building (QRB). To be considered a QRB, a building must meet four tests. First, the building must be "substantially

### The International Civil Rights Center and Museum

134 South Elm Street, Greensboro, NC

#### Property and Project Details

The International Civil Rights Center and Museum (ICRCM) in Greensboro, N.C. is located in the restored F.W. Woolworth building where the famous Greensboro Four sit-in took place. The 45,000-square-foot museum commemorates the U.S. civil rights movement. Acquisition and construction financing for the \$8 million project included various private equity sources, funding from state and federal historic tax credits and new markets tax credits and a \$150,000 federal challenge grant from Save America's Treasures. The historic 1929 F.W. Woolworth Building was destined to become a parking lot in 1993 but thanks to the vision of a group of local leaders who came together to form the nonprofit Sit-In Movement, Inc. to purchase the historic store, restore it, and reuse it as a state-of-the-art museum and educational center, the ICRCM opened on February 1, 2010, the 50th anniversary of the sit-in. Architectural elements, including the lunch counter, art deco staircase, plaster coffered ceiling and terrazzo floors, have been restored to form the framework and nucleus of the exhibits at the ICRCM. The design team worked with the North Carolina State Historic Preservation Office to identify significant building elements that would be restored.



4 The overview of the HRTC is not intended to be a comprehensive technical discussion of all the rules and regulations. For a more in-depth look at the technical aspects of the HRTC, see Novogradac & Company LLP's Historic Rehabilitation Handbook, 2009.

5 This study only surveyed investors regarding their recapture experience with the 20 percent historic rehabilitation tax credit.



rehabilitated.”<sup>6</sup> Second, the building must have been placed in service before the beginning of the rehabilitation.<sup>7</sup> Third, depreciation (or amortization in lieu of depreciation) must be allowable with respect to such building.<sup>8</sup> Fourth, the building must be located in the United States or in a territory or possession of the United States.<sup>9</sup>

Once the historic project has been identified, the taxpayer submits an application to the State Historic Preservation Office (SHPO) or directly to the National Park Service (NPS) for buildings located in those states that do not have a SHPO. The Part 1 application makes the case for nominating a building to the National Register. If the building is already on the Register or is listed as contributing to a National Register historic district, Part 1 documents this status. The Part 2 application describes the planned rehabilitation and how it meets the Secretary of

Interior’s Standards for Rehabilitation.

On completion of the rehabilitation work, the owner completes and submits a Part 3 application - Request for Certification of Completed Work. The NPS determination on Part 3 is the final word on whether the project does in fact qualify as a certified rehabilitation for purposes of the HRTC. For approved projects, NPS sends a copy of the Part 3 application to the IRS and the taxpayer is eligible to claim credits on the project.

While both the NPS and the SHPO administer the application and approval process of the federal HRTC, the Internal Revenue Service (IRS) also plays an important and integral role in the federal HRTC program. The following is a discussion of the responsibilities of the NPS, the SHPO and the IRS.

## Historic Park Inn

15 West State Street, Mason City, IA

### Property and Project Details

The Historic Park Inn, built in 1906, is the last remaining Frank Lloyd Wright-designed hotel in the world. Care had been taken to respect the significance of The Historic Park Inn Hotel, but substantial reinvestment in the building had not been undertaken and the structure continued to decline and become vacant, hastening its deterioration.

After the Mason City City Council requested volunteers to lead the renovation of the building, originally two structures — one housing a bank and law offices, the other a hotel — a local citizens’ group formed Wright on the Park Inc., a not-for-profit entity whose mission was to own, preserve and maintain the hotel. The inn, located in a distressed census tract, reflected the challenges of the mid-2000s, a declining economy and the need to encourage reinvestment and entrepreneurship. Its owners say that completion on the restoration of The Historic Park Inn Hotel created a framework for the community to establish pride and sense of place, and stimulated by the restoration of the Historic Park Inn Hotel & City National Bank Building project, the city has recommitted to the reinvestment in its Central Business District.

Funding for the \$18.9 million project included more than \$7.3 million in federal and state historic tax credits, \$2.7 million in new markets tax credits, an \$8.2 million Vision Iowa grant, grants from Iowa Great Places and the National Trust for Historic Preservation’s Save America’s Treasures program.



6 IRC §47(c)(1)(A)(i) and see §47(c)(1)(C) for definition of “substantially rehabilitated.”  
7 IRC §47(c)(1)(A)(ii).  
8 IRC §47(c)(1)(A)(iv).  
9 IRC §50(b)(1)(A).

## THE ROLE OF THE ADMINISTERING AGENCIES

The HRTC program is a partnership among the NPS, the SHPO and the IRS. Each has the following important roles:<sup>10</sup>

### SHPO

- Serves as first point of contact for property owners
- Provides application forms, regulations and other program information
- Maintains complete records of its state's buildings and districts listed in the National Register of Historic Places, as well as state and local districts that may qualify as registered historic districts
- Assists anyone wishing to list a building or a district in the National Register of Historic Places
- Provides technical assistance and literature on appropriate rehabilitation treatments
- Advises owners on their applications and makes occasional site visits to assist owners
- Recommends certification to the NPS

### NPS

- Reviews all applications for conformance to the Secretary of the Interior's Standards for Rehabilitation
- Issues all certification decisions (approvals or denials) in writing
- Transmits copies of all decisions to the IRS
- Develops and publishes program regulations, the Secretary of the Interior's Standards for Rehabilitation, the Historic Preservation Certification Application, and information on rehabilitation treatments

### IRS

- Publishes regulations governing which rehabilitation expenses qualify, the time periods for incurring expenses, the tax consequences of certification decisions by NPS, and all other procedural and legal matters concerning both the 20 percent HRTC and the 10 percent rehabilitation tax credits
- Answers public inquiries concerning legal and financial aspects of the rehabilitation tax credit program, and publishes the audit guide, Market Segment Specialization Program: Rehabilitation Tax Credit, to assist owners
- Ensures that only parties eligible for the rehabilitation tax credit utilize them.



### Capitol Theatre

1390 W. 65th Street, Cleveland, OH

### Property and Project Details

The 1,200-seat Capitol Theatre in Cleveland, Ohio showed silent films accompanied by a Wurlitzer organ until it was fitted for sound in the 1930s. In October 2009 nearly 90 years after it opened in 1921 and undergoing a \$7.5 million renovation, the theater once again welcomed moviegoers thanks in part to \$4.3 million in historic and new markets tax credit equity.

<sup>10</sup> Preservation Tax Incentives for Historic Buildings, Heritage Preservation Services and National Park Service, Michael J. Auer, 2004, Page 14.

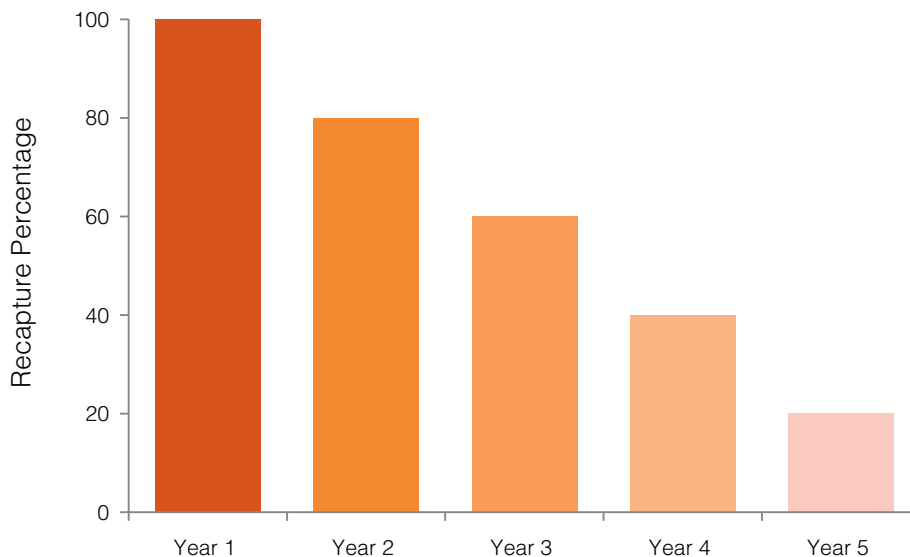
## BASIS REDUCTION REQUIREMENT<sup>11</sup>

The statute requires that the basis of the building and the basis of the owner's interest in the property or entity owning the building be reduced when it is placed in service and before any depreciation deductions by the full amount of the HRTC claimed.<sup>12</sup> This rule follows the general reasoning that a taxpayer cannot claim both a credit and a deduction for the same expenditure when the credit is based on an item that has been deducted. Although qualified rehabilitation expenditures (QRE) are capitalized and not deducted when incurred, these costs are deducted through cost recovery, or depreciation for buildings. Since the depreciable basis is reduced by the amount of the HRTC, depreciation deductions over the tax life of the building are less than they would be otherwise. Also, this reduction in basis has the effect of increasing the potential taxable gain upon sale of the building.

## HRTC RECAPTURE

IRC §50(a) provides for recapture of the HRTC if within five years from the date on which any qualified rehabilitation expenditures are placed in service: (a) ownership of the property changes or (b) the property ceases to be investment credit property. Recapture of the HRTC is an additional tax imposed in the year of the recapture event. If a recapture event occurs before an anniversary of the respective QRE placed-in-service date, then it is reduced by 20 percent for each subsequent year. For each subsequent year until the fifth year, the HRTC recapture amount is reduced by 20 percent per year. There is no recapture after the fifth year. The recapture rates shown in the chart below apply for the five-year compliance period.

## HRTC RECAPTURE PERCENTAGE



<sup>11</sup> The discussion on basis reduction only applies to direct investments (see the section on Typical Transaction Structures). For master lease transactions, the HRTC is amortized into the taxable income of the master tenant in lieu of the basis of the property being reduced by the HRTC.

<sup>12</sup> IRC §50(c).



For partnerships owning an HRTC property, recapture is required if the partnership sells or transfers the building to another taxpayer or if a partner disposes of more than one-third of its interest in the partnership.

Recapture is also required if the building ceases to qualify as investment credit property. Investment credit property is defined as a property that is depreciable or amortizable and otherwise qualifies as a rehabilitation, energy or reforestation credit property. Therefore, if within the five-year recapture period the HRTC property subsequently becomes non-depreciable — i.e., it is converted to personal use; is taken out of service; or becomes a non-qualified rehabilitated building — for example, it is destroyed by a natural disaster — recapture is generally required.

## THOSE WHO CAN USE THE HRTC

The HRTC is a dollar-for-dollar credit against regular U.S. federal income tax and alternative minimum tax. In general, it is available to any taxpayer that is liable for income taxes, including individuals, regular corporations (including personal service corporations), estates and trusts, although the ability of individuals and closely-held corporations to utilize the HRTC is limited by the passive activity rules contained in IRC §469.

The HRTC is not directly available to pass-through entities, such as partnerships, limited liability companies treated as partnerships for tax purposes, or S corporations, since these entities generally are not subject to entity-level income tax.

The credit does, however, pass through these types of entities to be then used by partners, members or shareholders. In fact, the majority of HRTC properties are owned by pass-through entities because of other business considerations. Exempt organizations are not generally subject to federal income tax; therefore, they generally do not claim or use the HRTC.

The table below shows information collected by the NPS from user profiles and customer satisfaction questionnaires sent to the property owners. The NPS data shown in the table below indicates that the flow-through form of ownership is the most common and is used in approximately 70 percent of all projects.<sup>13</sup> This is the preferred investment structure of institutional investors. The largest groups investing in tax incentive projects in fiscal year 2010 were limited liability companies, comprising 58 percent of all projects.

The chart below shows the different types of ownerships:

<b>INDIVIDUAL</b>	<b>26%</b>
<b>CORPORATION</b>	<b>3%</b>
<b>GENERAL PARTNERSHIP</b>	<b>1%</b>
<b>LIMITED PARTNERSHIP</b>	<b>12%</b>
<b>LIMITED LIABILITY COMPANY</b>	<b>58%</b>
<b>TOTAL</b>	<b>100%</b>

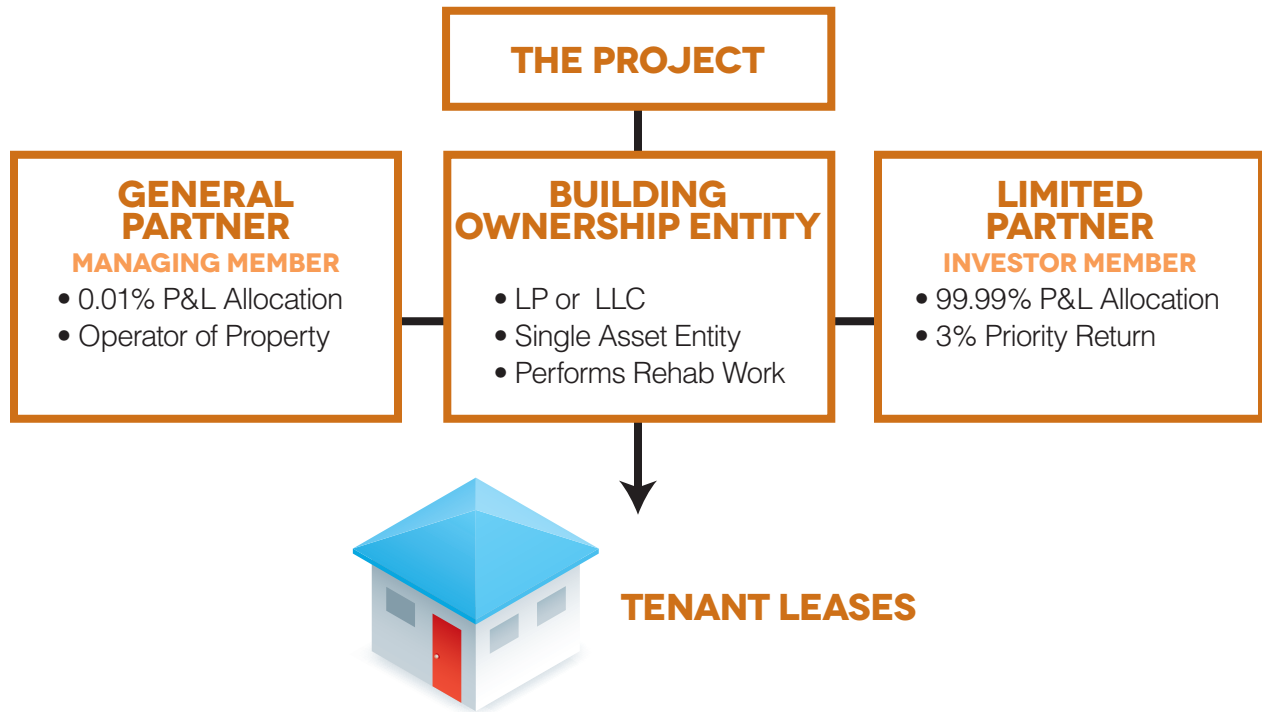
<sup>13</sup> National Park Service, Federal Tax Incentives for Rehabilitation Historic Buildings – Statistical Report and Analysis for Fiscal Year 2010, Page 15, Table 13.

## TYPICAL TRANSACTION STRUCTURES

There are two principal structures that are used for financing HRTC transactions - the direct structure and the master lease structure. The direct structure, which is often referred to as the single-tier structure, is similar to that which is used in low-income housing tax credit investments. A single pass-through entity (e.g. limited partnership or limited liability company) owns the historic property and incurs all of the QREs. Prior to the property being

placed in service, a historic tax credit investor is admitted into the entity for the majority ownership, usually 99.99 percent, and the general partner/managing member retains a .01 percent interest. Generally, allocations of income, loss, HRTCs and cash flow are made to the partners/members in proportion to their partnership interests, subject to certain limitations.

Below is a sample direct structure flow chart for an HRTC transaction.

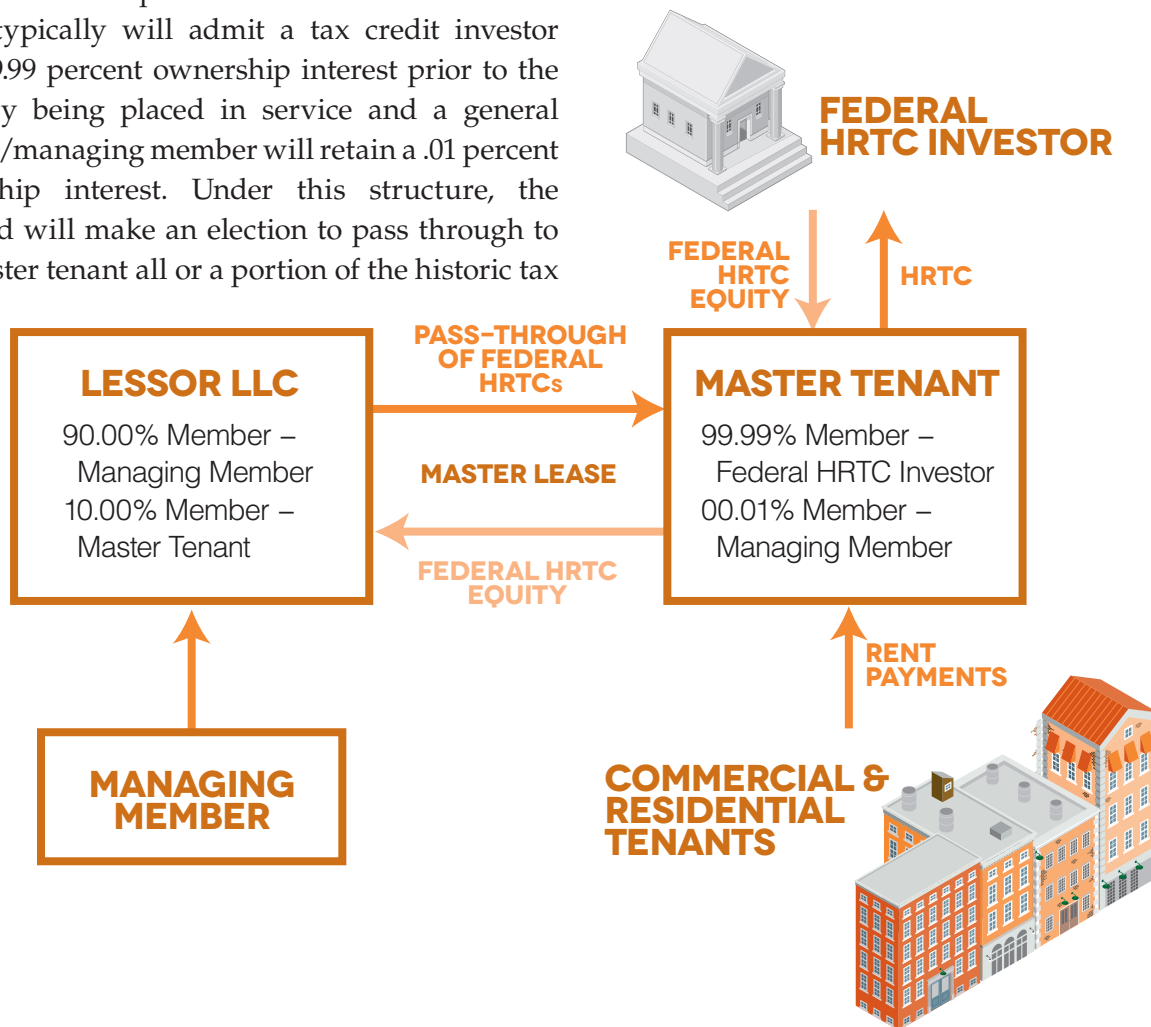


# Historic Rehabilitation Tax Credit Recapture Survey

The master lease structure generally uses two legal entities. The lessor (landlord) entity is the owner of the historic property and incurs the qualified rehabilitation expenditures. The other entity is the lessee (master tenant) entity. This entity will master lease the property from the landlord, and will in turn sub-lease the space to residential and/or commercial tenants. In general, the developer owns the landlord entity, usually holding an 85 to 90 percent ownership interest, and the master tenant entity often holds the remaining 10 to 15 percent ownership interest. The master tenant entity typically will admit a tax credit investor for a 99.99 percent ownership interest prior to the property being placed in service and a general partner/managing member will retain a .01 percent ownership interest. Under this structure, the landlord will make an election to pass through to the master tenant all or a portion of the historic tax

credits. IRC §50(d) and Treasury Regulation §1.48-4 permit the landlord and master tenant to mutually agree by way of an election to treat the master tenant as having incurred the QREs acquired by the landlord. Therefore, the master tenant entity reports the QREs on its federal income tax return and allocates the HRTC to the investor.

Below is a sample master tenant structure flow chart for an HRTC transaction.



## ECONOMIC IMPACT OF HRTC

The HRTC takes dilapidated and forgotten buildings and turns them into retail, office, cultural and educational centers. It increases property values in surrounding communities and helps create additional alternatives for affordable housing. The federal HRTC has proven to be a positive investment for the nation, states and local communities. The chart below shows the national total economic impacts from the HRTC-associated rehabilitation investments for the program to date (FY 1978-2010) and for the two years from 2009 to 2010.<sup>14</sup>

	<b>1978–2010</b> \$90.4 billion cumulative historic rehabilitation expenditures results in	<b>2009–2010</b> \$8.8 billion historic rehabilitation expenditures results in
<b>Jobs (thousands)</b>	<b>2,020.8</b>	<b>145.1</b>
<b>Income</b>	<b>76.3</b>	<b>6.2</b>
<b>Output</b>	<b>210.2</b>	<b>16.6</b>
<b>GDP</b>	<b>103.8</b>	<b>8.4</b>
<b>Taxes</b>	<b>30.5</b>	<b>2.2</b>
<b>Federal</b>	<b>22.3</b>	<b>1.5</b>
<b>State</b>	<b>4.2</b>	<b>0.4</b>
<b>Local</b>	<b>4.1</b>	<b>0.4</b>

During the past 34 years, \$90.4 billion of QREs resulted in approximately \$76 billion of income, \$210 billion of output, \$104 billion of GDP and \$30 billion of taxes.<sup>15</sup> The benefits that accrue from the investment in the federal tax credit-aided historic rehabilitation projects are extensive and almost all sectors of the nation’s economy see their payrolls and production increase.<sup>16</sup>

<sup>14</sup> Second Annual Report on the Economic Impact of the Federal Historic Tax Credit, The Historic Tax Credit Coalition, Rutgers -Edward J. Bloustein School of Planning and Public Policy, May 2011, Page 5.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

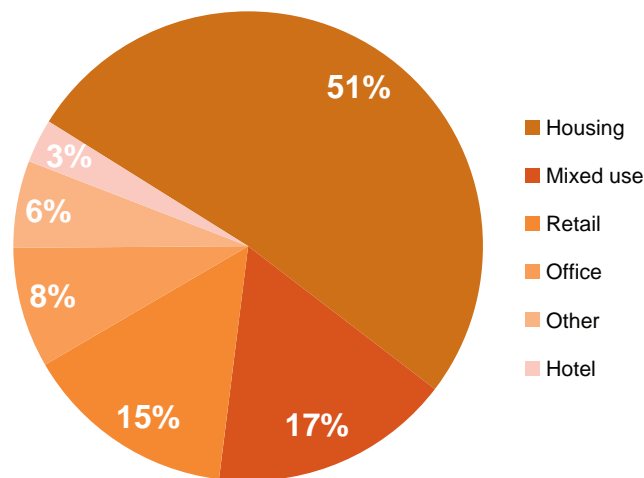
## TRANSACTION CHARACTERISTICS

There are various types of historic projects that qualify for HRTCs. Projects can be classified as the following:

- Housing use
- Mixed use
- Retail use
- Office use
- Hotel use
- Other use

The chart below shows the project types of the total certified projects during the past 10 years.

### PROJECTS TYPES OF TOTAL CERTIFIED PROJECTS IN THE PAST 10 YEARS



The chart above was derived using data based on Part 3 (final) approvals provided by NPS. More than 50 percent of the total QREs claimed in the past 10 years have been used for housing. Mixed use and retail use were the second and third most common project types with more than 16 percent and 14 percent, respectively, of the total QREs claimed. Hotels were the least common project type with 3 percent of the total QREs claimed. The remaining 6 percent was used for other projects such as theatres.

# SURVEY RESPONSES

Novogradac & Company LLP conducted a survey of large institutional investors including national banks and Fortune 500 companies<sup>17</sup> that make direct and indirect investments in HRTC transactions.<sup>18</sup> Survey respondents collectively have earned more than 50 percent of the HRTCs claimed during the past 10 years.

Information on the following was gathered from the respondents:

- Number of years the organization has been investing in HRTCs
- Total amount invested in HRTCs
- Number of HRTC transactions the organization has completed
- Other types of tax credit programs in which the organization participates
- Number of transactions that have experienced recapture
- The year of the compliance period in which recapture occurred

## NUMBER OF YEARS THE ORGANIZATION HAS BEEN INVESTING IN HRTCS

Survey respondents ranged from investors that have been investing in the HRTCs since the late 1980s to investors that started investing in the past 10 years. More than 80 percent of the respondents have been investing in HRTCs for more than 10 years. The graph below shows the number of years the respondents have been investing in the HRTC program:



<sup>17</sup> The investors were assured anonymity and confidentiality with the information they provided.

<sup>18</sup> This study only surveyed investors regarding their recapture experience with the 20 percent historic rehabilitation tax credit.

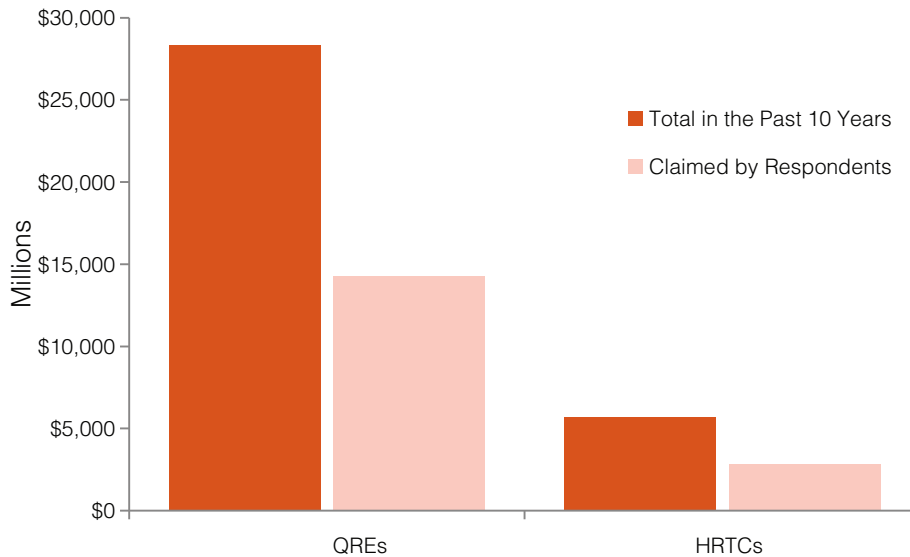
## TOTAL AMOUNT INVESTED IN HRTC

Survey respondents were asked to provide the amount they have invested in HRTCs in the past 10 years. Over the course of those 10 years, there were several years in which the prices of HRTCs exceeded \$1. It is common industry practice to express the investors' investment as price per \$1 of HRTCs. However, the HRTC investor receives benefits in addition to the HRTC, benefits such as cash flow, depreciation, etc. that contribute to the price the HRTC investor pays for its investment. Although the prices per dollar of HRTCs varied depending on how the transactions were structured, it was not uncommon for investors to be paying prices between 95 cents and \$1.10 or more for each \$1

of HRTCs. For the purposes of this study, it was estimated that the average price the investor paid was \$1.05 per \$1 of HRTCs.

The graph below compares the total QREs and HRTCs claimed on Part 3 (final) approvals and the amount of QREs and HRTCs claimed by the respondents during the past 10 years. During those 10 years, \$28 billion of QREs have been claimed on Part 3 (final) approvals and of that amount, respondents claimed nearly \$14.3 billion of the available QREs. Of the approximate \$5.68 billion in HRTCs claimed on Part 3 (final) approvals, survey respondents claimed nearly \$2.9 billion of the available HRTCs.

### QREs AND HRTCs OVER THE PAST 10 YEARS



\* The total of QREs above was derived using data from NPS' Statistical Reports and Analysis for Fiscal Year 2010.<sup>19</sup>

\*\* The total of available credits above was derived using data for the amount of QREs reported on the Part 3 approvals from NPS' Statistical Reports and Analysis for Fiscal Year 2010<sup>20</sup> multiplied by the 20 percent credit.

<sup>19</sup> National Park Service, Federal Tax Incentives for Rehabilitation Historic Buildings – Statistical Report and Analysis for Fiscal Year 2010, Page 10, Table 8.  
<sup>20</sup> Ibid.



## NUMBER OF HRTC TRANSACTIONS THE ORGANIZATION HAS COMPLETED

In total, respondents have invested in 653 transactions over the course of the past 10 years. Fifty percent of the respondents have invested in five to 50 transactions, 33 percent of the respondents

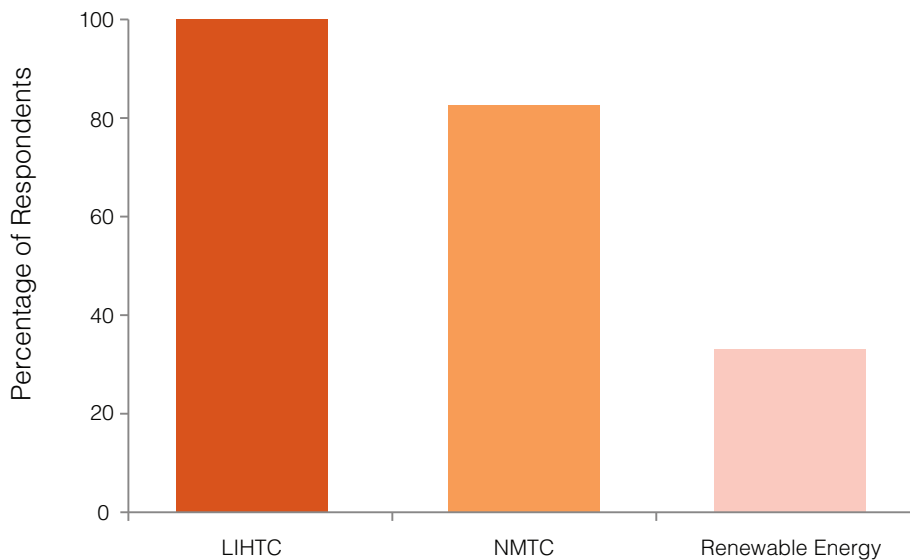
have invested in 150 to 200 transactions and 17 percent of the respondents have invested in more than 200 transactions.

## TYPES OF OTHER TAX CREDIT PROGRAMS

Survey respondents were asked if they participated in other tax credit programs. The survey showed that all of the investors participate in other tax credit programs such as the low-income housing tax credit, the new markets tax credit and the renewable energy tax credit programs. All of the respondents participate in the low-income housing tax credit program and more than 80 percent participate in the new markets tax credit program.

The renewable energy tax credit program had the lowest participation rate — only a third of the respondents had also participated in the renewable energy tax credit program. The graph below shows the number of respondents that also invest in other tax credit programs. These responses demonstrate that HRTC investors are sophisticated and experienced tax credit investors.

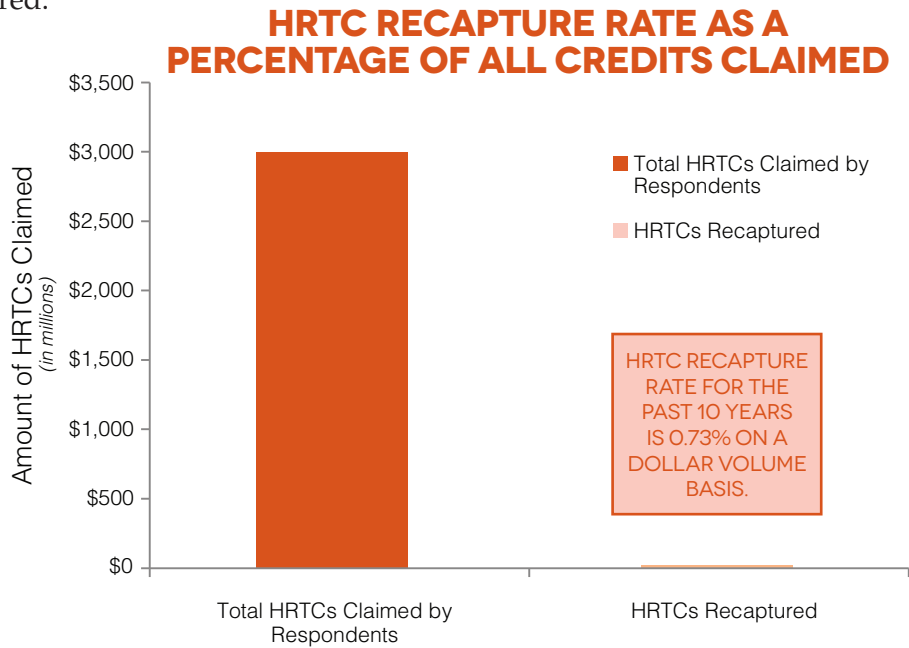
### PERCENTAGE OF RESPONDENTS PARTICIPATING IN OTHER TAX CREDIT PROGRAMS



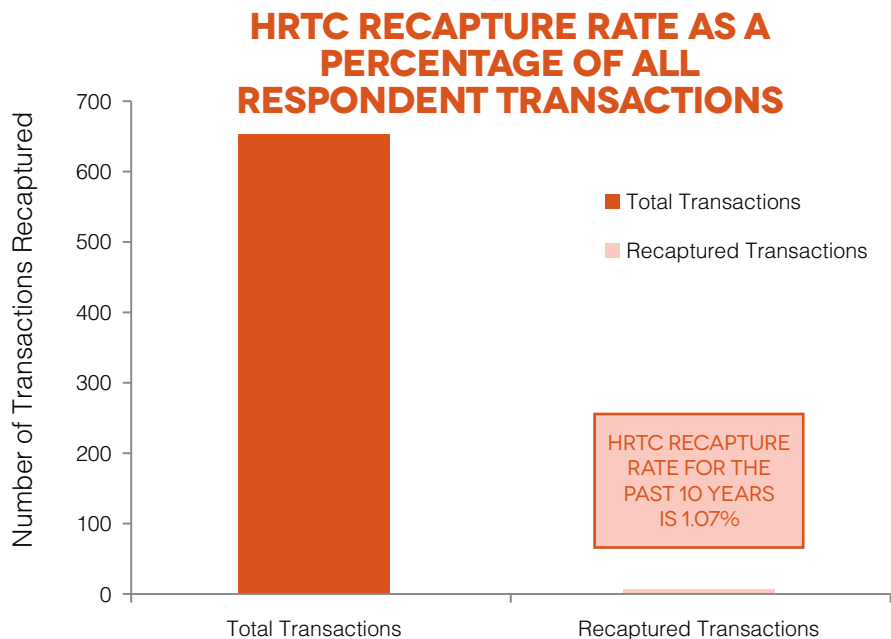
## RESPONDENT RECAPTURE EXPERIENCE

Survey results show that of the approximate \$3 billion in total HRTCs claimed by the respondents, approximately \$22 million was recaptured during the past 10 years. This represents a recapture rate of less than three-quarters of one percent on a dollar volume basis.

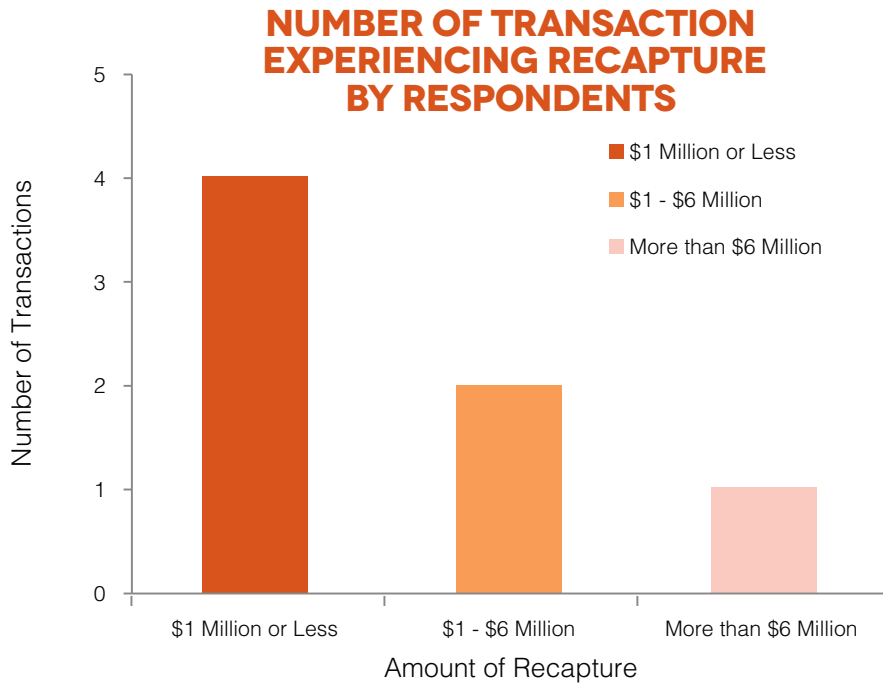
The graph below compares the total amount of HRTCs claimed by the respondents and the amount of HRTCs recaptured:



Survey results show that the respondents have experienced seven events of recapture out of a total of 653 transactions. This represents a recapture rate of approximately 1 percent of the transactions completed by the respondents. The graph below compares the total number of HRTC transactions in which the respondents have invested and the number of those transactions that experienced recapture.



As shown in the chart below, of the seven recapture events reported by the survey's respondents, four of the seven resulted in a recapture amount of \$1 million or less.



### YEAR OF COMPLIANCE PERIOD IN WHICH RECAPTURE OCCURRED

Survey respondents reported more than half of the events of recapture occurred in year three or later of the compliance period. Of the total seven transactions suffering recapture, 43 percent were recaptured during the second year of compliance period, 43 percent were recaptured during the third year and 14 percent experienced recapture during the fourth year. No transactions were recaptured during the first or the last year of compliance period. The chart below shows the year in which the recapture took place for the seven transactions experiencing recapture.



## COMPARISON OF SURVEY RESULTS

The survey results are in line with data obtained from the IRS for this report from 2008 Form 1120s.<sup>21</sup> An analysis of data from the 2008 Form 3468 – Investment Credit shows that of the total \$1,485,957,000 investment credits claimed by all filers of Form 1120, \$679,681,000 of this amount was for the HRTC. The HRTCs therefore represent more than 45.74 percent of the total investment credits claimed that year. Additionally, of the corporations that filed a Form 1120 in 2008, there were five incidents of recapture reported on Form 4255, Recapture of Investment Credit, and the total recapture amount for all investment tax credits was \$773,000. If it is assumed that tax credit recapture occurs proportionally among all of the investment tax credits, it can be presumed that \$353,570<sup>22</sup> in HRTCs were recaptured.

Using the survey results, and assuming a conservative position that the average HRTC

recapture occurs in year three of the compliance period, we can look to the amount of tax credits claimed three years prior to the recapture event. Thus, the amount of tax credits recaptured when compared to the \$498,200,000<sup>23</sup> of tax credits claimed in 2005 results in an annual recapture rate of 0.07 percent. This analysis supports the report's survey results that HRTCs are financially sound and safe investments.

The survey results are also favorable when compared to loan loss rates on commercial real estate loans. The average annual loan loss rate that commercial banks have experienced on their commercial real estate loans during the past 10 years has been 0.66 percent net of recoveries.<sup>24</sup> When adjusted to eliminate recoveries,<sup>25</sup> the annual loss rate is 1.02 percent as compared to the more favorable annual HRTC recapture rate of 0.07 percent as derived from the 2008 corporate data set.

### Smith's Block

111 S.W. Naito Parkway, Portland, OR

### Property and Project Details

The Smith's Block building, completed in 1872, is one of the oldest buildings in Portland's waterfront area and a stunning example of cast-iron architecture. RV Kuhns & Associates purchased the property in 2005 in order to rehabilitate the space and relocate its Portland office there.

The building was part of the waterfront strategic plan put forth by the city's redevelopment agency that called for the addition of more day-time office employees and retail establishments to the area.

The building's historic facade has been retained while the interior has received a significant seismic upgrade in addition to a range of interior improvements that enable it to provide very high quality office space for the Kuhns staff. Funding for the \$9.7 million renovation included \$1,269,876 in federal historic tax credits and \$7.55 million in new markets tax credits.



21 Department of Treasury, Internal Revenue Service: 2008 Estimated Data Line Counts Corporation Tax Returns. The IRS has only made available the 2008 estimated corporate data.

22 45.74 percent ratio of HRTC as compared to total investment tax credits claimed.

23 National Park Service, Federal Tax Incentives for Rehabilitation Historic Buildings – Statistical Report and Analysis for Fiscal Year 2010, Page 10, Table 8.

24 Federal Financial Institutions Examinations Council (FFIEC) Consolidated Report of Condition and Income (1985-2000: FFIEC 031-034; 2001-: FFIEC 031 & 041)

25 Mean recovery rates on defaulted commercial real estate loans estimated based on data from US Capital Trends: Special Report. Recovery Rates, published by Real Capital Analytics Inc. January 2012.

# REASONS FOR SUCCESSFUL TRACK RECORD OF THE HRTC

There are several factors that contribute to the successful track record of the HRTC program:

- Large dollar investments from third-party investors (non-federal sources)
- Thorough underwriting and asset management
- Economies of scale and uniform practices
- Construction and lease-up risk borne by investors and developers
- Regulatory guidance and enforcement by the IRS

## LARGE-DOLLAR INVESTMENTS FROM THIRD-PARTY INVESTORS (NON-FEDERAL SOURCES)

More than \$28 billion in QREs was claimed for Part 3 approvals between 2001 and 2010. Investors often invest a significant amount of capital per HRTC property, frequently more than \$1 million per investment. Because of the complexity and expense of HRTC transactions, investors are generally sophisticated institutional investors. In addition, investors often receive not only HRTCs but a share of the project's annual cash flow and a

payment when they exit the transaction. As a result they monitor their HRTC investments constantly. Moreover, many HRTC investors require additional testing and auditing beyond what is required by the HRTC statute and regulations. Adding a third party to the transaction helps add experience, different perspectives and different motives to help assure an HRTC property's success.

## SCREENING OF PROPERTIES BEFORE DEVELOPMENT BY THIRD-PARTY INVESTORS

The financial health of an HRTC property is very important to the investor. If an HRTC property is lost to foreclosure, the investor could face the recapture of its HRTCs and the loss of other benefits. Thus, investors will generally step in to save a troubled property before it is lost to foreclosure. This also causes investors to spend significant time underwriting and screening properties for quality and sustainability before investing in an HRTC transaction.

HRTC investors spend considerable time reviewing and assessing the financing, market forecasts and forecasted operating cash flows of the properties in which they are investing. This investor review often results in a more durable financial structure, such as funding of additional cash reserves. Bringing in an experienced investor for added screening not only strengthens the HRTC transaction, the additional screening is important in maintaining a low recapture rate for the HRTC program.

### **ECONOMIES OF SCALE AND UNIFORM PRACTICES**

There are countless third-party investors that have invested in HRTC properties since the inception of the HRTC program. Some of these investors make direct investments in HRTC properties while others rely on third-party syndicators to pool properties into investment funds. These third-party syndicators market HRTC properties to tax credit investors and ultimately place them in investment funds. The number of HRTC properties in an investment fund can range from as few as one to as many as several hundred properties, thus accommodating varying investment appetites of tax credit investors. By investing in HRTCs via an investment fund, a tax credit investor has the flexibility to diversify or concentrate the investment in varying property types.

The use of investment funds as ownership vehicles has allowed investors with dedicated HRTC

investment and compliance departments, as well as those that simply invest alongside other more knowledgeable investors through syndicators, to generate economies of scale and investment diversification. Because of the sizable capital invested by tax credit investors in HRTC funds, many uniform practices have developed regarding how to underwrite HRTC investments, value the associated financial benefits, and manage the ongoing compliance.

Through the proliferation of common underwriting and reporting guidelines, HRTC properties are held to much more consistent standards after rehabilitation than they might be otherwise. For those properties that are funded, this results in a higher long-term success rate and more predictable investment yields for HRTC investors.

### **CONSTRUCTION RISK BORNE BY INVESTORS AND DEVELOPERS**

During the life of a property, the riskiest period from a financial standpoint is the construction or rehabilitation phase. One important dynamic of the HRTC program is that the federal government is not subject to construction risk because HRTCs are not earned until the rehabilitation is completed and the building is placed in service. Major construction/rehabilitation risk is borne by the developer, and to a somewhat lesser extent, the HRTC investor, the lender and/or the bridge loan provider when applicable. On a typical HRTC property, a developer is generally required by its tax credit equity investor to guarantee completion of rehabilitation of the property. The developer

generally is liable for completion of the property and any associated cost overruns. This typically heightens the developer's motivation to oversee the contractor during the construction process. With some exceptions, an HRTC property's funding sources are usually fixed. A permanent lender will only lend up to an appropriate amount of debt that is supported by the property's forecasted net operating income based on a requisite debt service coverage ratio. Tax credit equity investors stage their capital contributions based on various benchmarks and are protected from having to increase their total capital contributions by HRTC adjuster provisions in the partnership agreement.



## REGULATORY GUIDANCE AND ENFORCEMENT BY VARIOUS GOVERNMENTAL AGENCIES

To be able to claim the HRTCs, property owners must perform the rehabilitation in accordance with the Secretary of the Department of Interior's Standards. After the rehabilitation is completed, it is certified by the SHPO and NPS. On approval/certification, the property owners are eligible to claim a tax credit. These filing requirements with

various governmental agencies, along with other filings that are required by the IRS, keep them well informed of problems with specific properties. This oversight is valuable in keeping property owners compliant with the rules and assists in reducing the recapture risk for the investors.

### Daylight Building

501 West Union Avenue, Knoxville, TN

#### Property and Project Details

Knoxville developer Benjamin Howard Sprankle completed construction on the Daylight Block, now known as the Daylight Building, in 1927. The two-story brick building got its name from its large windows, transoms, skylights and clerestory windows that flooded the space with natural light. The original building included retail space and offices.

Knoxville has served as TVA's headquarters since it was created in 1933 as part of President Roosevelt's New Deal program. TVA provides seasonal flood management, agricultural outreach and the building of dams, locks, bridges and power plants to the Tennessee Valley. The agency occupied most of the building by 1934 and continued to occupy space in the building until the 1980s. After more than eight decades, many of the Daylight Block's original features had been altered or lay hidden, buried beneath layers of paint. It was through developer Dewhirst Properties LLC's persistence and view that the building held great potential that it continued to seek National Register status. Ultimately, it was the presence of offices for the Tennessee Valley Authority, the nation's first and largest regional planning agency, that helped the building secure a place on the National Register.

Construction on the \$6 million renovation began on August 2009 and was completed on 36 apartments and five retail spaces in August 2010 using \$1.5 million in historic tax credits, \$1 million in tax increment financing from the city and a construction loan.





# CONCLUSION

Survey respondents have collectively claimed more than 50 percent of all the HRTCs claimed during the past 10 years. The survey responses demonstrate that HRTC transactions have experienced very low rates of recapture. The responses show that respondents have experienced a recapture rate of less than three-quarters of one percent over the past 10 years. Additionally, the survey results are further supported by an analysis of the information obtained from the IRS, which reflects an annual HRTC recapture rate of 0.07 percent for 2008. As discussed, this successful track record can be attributed to several factors: large dollar investments from third parties; screening of properties before development by third-party investors; economies of scale and uniform practices; construction risk and lease-up risk borne by investors and developers; and regulatory guidance and enforcement by the IRS. The results of this survey demonstrate that HRTCs are a safe and sound investment for banks and corporations in general - an investment with low risk of tax credit recapture.

### The Mill at Saco Falls

100 Saco Falls Way, Biddeford, ME

#### Property and Project Details

Before being shuttered late last century, The Mill at Saco Falls had provided jobs to residents of Southern Maine for more than 150 years. In November, the 165-year-old textile mill reopened its doors to provide housing to 66 families. The Szanton Company used state and federal historic tax credits (HTCs) along with low-income housing tax credits (LIHTCs), Tax Credit Assistance Program (TCAP) funds and a tax credit exchange program grant to convert the mill into affordable and market rate units. The \$14.6 million redevelopment is the first of nine buildings to be renovated in an effort to transform the abandoned mill complex into a vibrant mixed-income community within the city of Biddeford, Maine.



Adjacent to the Saco River and about 20 miles southwest of Portland, the apartment building is part of the larger Biddeford Mill District. The property's 66 housing units include 40 affordable and 26 market rate units. The income-restricted units will be available to families earning up to 50 percent of the area median income, with preference given to survivors of domestic violence for 20 percent of the affordable units.

Funding for the project included \$2.1 million in federal HTCs, \$3 million in Maine HTCs, a \$3.4 million TCAP grant from the Maine State Housing Authority, a \$2.9 million tax credit exchange program grant, \$670,000 in taxable bonds and an LIHTC allocation. The property also received \$980,000 from the city of Biddeford through a U.S. Department of Housing and Urban Development HOPE VI Main Street grant.



The National Trust for Historic Preservation provides leadership, education, advocacy, and resources to save America's diverse historic places and revitalize our communities.

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The National Trust for Historic Preservation is a private, nonprofit membership organization dedicated to saving historic places and revitalizing America's communities. Recipient of the National Humanities Medal, the Trust was founded in 1949 and provides leadership, education, advocacy and resources to protect the irreplaceable places that tell America's story. Staff at the Washington, DC, headquarters, six regional offices and 29 historic sites work with the Trust's 200,000 members and thousands of preservation groups in all 50 states.

Novogradac & Company LLP is a national certified public accounting and consulting firm with 13 offices nationwide. Our clients represent a broad range of industries, with a major emphasis in the real estate sector. We provide publicly and privately held national enterprises, including not-for-profits, government agencies, development and construction companies, real estate investment companies and securities firms with a full spectrum of audit, tax, valuation, expert witness and litigation support, property compliance and general consulting services. We work extensively in the historic preservation, affordable housing, community development and renewable energy fields. The firm has consulted for 23 years on thousands of real estate projects and maintains client relationships with the leading sponsors in the industry.

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The partners of Novogradac & Company LLP have published numerous articles on a wide variety of business subjects. They also are the authors of the Historic Rehabilitation Handbook, the Low-Income Housing Tax Credit Handbook, the New Markets Tax Credit Handbook and the Renewable Energy Handbook. Additionally, the firm publishes the monthly Novogradac Journal of Tax Credits.

The firm sponsors numerous conferences aimed at the most prominent players in the community development and affordable housing industries to conduct training workshops, deliver educational sessions and forecast legislative and industry change. Novogradac & Company LLP is ranked by *Accounting Today* and *Inside Public Accounting* as one of the top 50 accounting firms in the nation.

## LIMITING CONDITIONS

This analysis surveyed a sample of market participants to determine their experiences with historic rehabilitation tax credit recapture. Novogradac & Company LLP makes no representation regarding the sufficiency of the procedures, either for the purpose of its analysis or for any other purpose. The survey included a sample of market participants and was by no means exhaustive. As a result, other market participants involved in similar transactions may use other methodologies and involve other considerations that may also produce meaningful results. The information received from the market participants has not been tested or verified. Therefore, Novogradac & Company LLP does not warrant the accuracy of the data received from the market participants.

The publication of this report does not constitute a professional services engagement, including without limitation any form of attestation engagement, such as an audit, compilation or review. Novogradac & Company LLP, therefore, did not issue any independent accountants' reports, findings or other work product including a compilation, review or audit report in connection with this engagement. Any federal tax advice that may be contained in this Special Report is not intended to constitute a covered opinion pursuant to regulation section 10.35 of Internal Revenue Service (IRS) Circular 230 nor is it to be used for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any tax-related matters addressed therein.

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# Second Annual Report on the Economic Impact of the Federal Historic Tax Credit

THE HISTORIC TAX CREDIT COALITION

MAY 2011



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**Center for Urban Policy Research  
Edward J. Bloustein School of Planning and Public Policy  
Rutgers, The State University of New Jersey  
New Brunswick, New Jersey 08901**

David Listokin, *Co-Principal Investigator*

Michael L. Lahr, *Co-Principal Investigator*

Charles Heydt, *Research Associate*

David Stanek, *Research Associate*

IN COOPERATION WITH

**National Trust Community Investment Corporation  
Washington, DC 20036**

John Leith-Tetrault, *President*

Anna Klosterman, *Marketing and Communications Manager*

RESEARCH CONDUCTED FOR

**Historic Tax Credit Coalition  
Liberty Place, 325 7th Street NW, Suite 400  
Washington, DC 20004**

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# Second Annual Report on the Economic Impact of the Federal Historic Tax Credit

THE HISTORIC TAX CREDIT COALITION

## EXECUTIVE SYNTHESIS

This study examines the historical and current application of the federal historic tax credit (HTC) in the United States; presents quantitative and qualitative information regarding the economic and other benefits of the federal HTC (e.g. providing affordable housing and spurring downtown revitalization); and explores ways in which the current federal HTC—a strong program in its own right—can be more flexibly applied in the future so as to realize yet greater production and ensuing benefits.

The research for this report was conducted by the Rutgers Center for Urban Policy Research under the guidance of Dr. David Listokin, Michael L. Lahr, David Stanek, Charles Heydt, and with the assistance of John Leith-Tetrault and Anna Klosterman of the National Trust Community Investment Corporation (NTCIC), the historic tax credit subsidiary of the National Trust for Historic Preservation. This study was commissioned by the Historic Tax Credit Coalition (HTCC), a public policy advocacy organization whose members represent historic tax credit industry participants including investors, syndicators, developers, preservation consultants, tax attorneys and accountants.

## INTRODUCTION TO FEDERAL AND STATE HISTORIC TAX CREDITS AND ALLIED SUBSIDIES TO FOSTER HISTORIC REHABILITATION

### History of Federal and State Tax Credit Incentives

The history of federal tax incentives for historic rehabilitation began with the 1976 Tax Act which included a 60-month accelerated depreciation of certain costs of rehabilitating certified historic properties

**Cleveland Institute of Art (CIA)  
McCullough Center, Cleveland, Ohio: The CIA used \$5,251,280 in federal Historic Tax Credit equity, along with financing generated by the Ohio State Historic and New Markets Tax Credits to rehabilitate this former Ford Model-T assembly plant into classrooms, artist studios, faculty and administrative space.**



and a tax deduction for preservation easements. However the most significant step forward came with the Economic Recovery Tax Act (ERTA) of 1981 which included a 25% tax credit for income producing certified historic rehab, a 15% credit for the rehabilitation of non-historic buildings at least 30 years old, and a 20% credit for renovation of existing commercial properties at least 40 years old. ERTA quickly became a powerful driver of historic and non-historic rehabilitation activity as part of a broader economic stimulus package of the new Reagan Administration. Total certified National Park Service (NPS) Part 2 approvals<sup>1</sup> reached a peak of 6,214 projects approved in 1984. Federal HTC activity from the 1970s to date is shown in Summary Exhibits 6 through 9.

The last major structural changes to the IRC Section 47 rehab credits were made 24 years ago in 1986 as part of the 1986 Tax Reform Act (TRA) when the 25% certified historic rehab credit was reduced to 20% and the non-historic building rehab credit was collapsed into one 10% credit. Just as significant was the Act's new "passive loss" rules which placed limitations on individual investor use of the HTC to offset investment income. The HTC market, which had depended on a combination of individual developer/owner investments and large individual-investor syndication structures, plummeted as a result of this change. The decline continued through 1993 when only 538 projects received NPS Part 2 approval (Summary Exhibit 6). In the wake of the 1986 passive loss rule changes, thousands of individual HTC investors were left with credits that they could not redeem.

The HTC market began to recover during the second half of the 1990s when corporations that had become regular investors in the Low-Income Housing Tax Credit (LIHTC) began looking for alternative investments when yields on the LIHTC began to fall. These companies had become familiar with the HTC through the twinning of the HTC with LIHTC credits when historic properties were adaptively reused for affordable housing.

From 2000 to 2010, there was an uptick in the number of HTC projects as measured by Part 2 approvals compared to the previous decade (though the 2000 to 2010 project approval volume was far below that achieved in the 1990s). From 2000 to 2010, there was also a dramatic increase in the dollar HTC investment as measured by Part 2 investment compared to the 1990s, though this increase was less potent (especially relative to the 1980s) when adjusted for inflation (Summary Exhibit 7). Most recently, we observe the dampening impact of a challenging real estate climate on HTC activity as there has been a drop off in the number of Part 2 projects and Part 2-related dollars invested over the last two years.

We observe similar trends when examining the total rehabilitation project cost borne by HTC developers and not just the dollar amount certified for tax credit purposes.<sup>2</sup> These figures are shown in Summary Exhibit 8. The peaks and valleys are readily

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<sup>1</sup> The HTC has a multi-step application process encompassing "Part 1" (evaluation of the historic significance of the property), "Part 2" (description of the rehabilitation work), and "Part 3" (request of certification of completed work). Both "Part 2" and "Part 3" rehabilitation statistics include only what are termed "eligible" or "qualified" items (or Qualified Rehabilitation Expenditures—QRE) for the tax credit as opposed to what are called "ineligible" or "non-qualified" costs. While the "ineligible"/ "non-qualified" expenses do not count for tax credit purposes, they are practically a component of the total rehabilitation investment or cost borne by the HTC-oriented developer and, in fact, the total rehabilitation investment (including "ineligible"/ "non-qualified" costs) help pump-prime the economy.

<sup>2</sup> See footnote 1 for explanation.

**Atlas Life Building, Tulsa, Oklahoma: Rehabilitation of this former downtown insurance company office building into a Marriott Hotel used \$2,825,000 in federal Historic Tax Credit equity.**

evident. The HTC total rehabilitation project cost rose dramatically after the 1981 ERTA (to a high of \$4.7 billion in 1985), fell precipitously after the 1986 Tax Reform Act (to a low of \$1.1 billion in 1994), and regained vigor with some unevenness over the past decade (\$3 to \$5 billion annually), such as a recent drop in HTC rehabilitation project cost as the nation's real estate market faced difficult times. (All figures just cited are in inflation-adjusted 2010 dollars.)

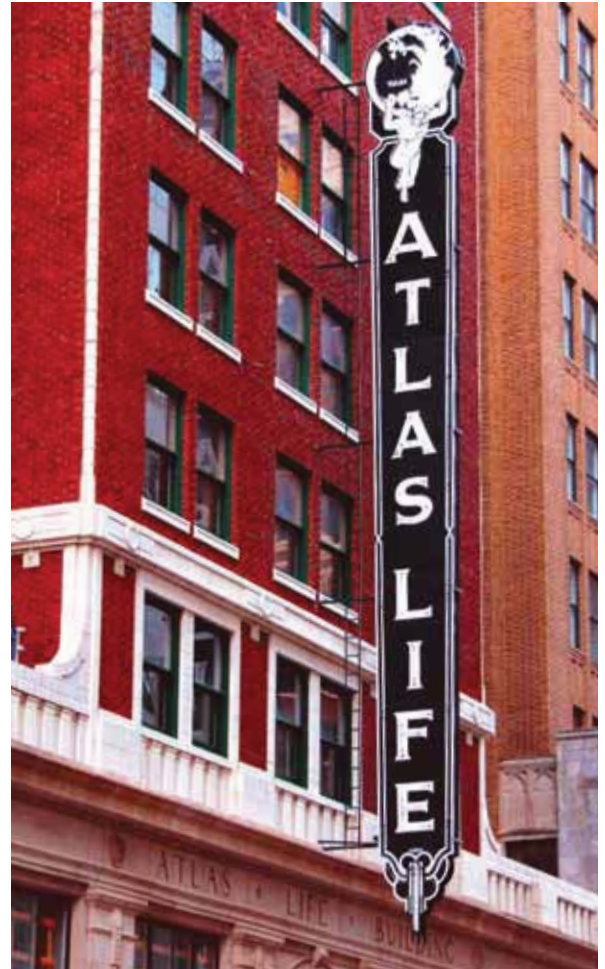
In addition to leveraging other federal subsidies for housing and business development in low-income communities, the HTC has provided a model for the enactment of state historic tax credits (SHTC) in 33 states. This number of tandem SHTCs compares favorably to the 16 states with state LIHTCs and eight states with New Markets Tax Credit (NMTC) programs. NPS statistical reports document that the states with strongest SHTC statutes regularly lead the nation in the use of the federal HTC.

### The Need for Historic Tax Credit Modernization

Despite the documented success of the HTC program, on a dollar volume basis, it remains much smaller than the LIHTC and NMTC credit programs. Even as an uncapped credit, the NPS certified only \$688 million in HTCs in FY 2010.<sup>3</sup> This compares to the pre-recession \$9 billion credit expenditure level for the LIHTC and the recent \$3.5 billion Round 8 allocation of the NMTC program.

There are a variety of reasons for the lower utilization rate of the federal HTC. Suggestions for removing some of these impediments were contained in the Community Restoration and Revitalization Act, a bill introduced in 2009 (111th Congress). The broad themes of HR 3715 and S 1743 included provisions that would increase the 20% credit to 30% on "Main Street-scale" rehabilitations (\$5 million in qualified rehab expenditures and under). Another provision provided a deeper credit (22%) if the rehabilitation project achieved at least a 30% energy efficiency improvement over a regionally adjusted baseline for similar buildings.

The bill provided for the indexing of the eligibility dates for properties that utilize the 10% rehabilitation credit, so that buildings 50 years or older would qualify. HR 3715 and S 1743 promoted nonprofit organization sponsorship of HTC transactions by rolling back three of the four "disqualified lease rules" that limit leasing to nonprofit or



<sup>3</sup> This is the amount of the HTC derived by applying the 20 percent credit to the Part 3 certified investment.

government tenants in HTC properties to 50% of leasable space. Finally the bill contained several provisions that would increase the value of state HTCs when used in tandem with the federal HTC. The Historic Tax Credit Coalition intends to reintroduce this legislation in the 112th Congress sometime in the spring of 2011.

## ECONOMIC IMPACTS OF THE FEDERAL HISTORIC TAX CREDIT

### Research Assumptions and Methodology

From fiscal year (FY) 1978 through FY 2010, NPS “Part 2” pre-rehabilitation approvals indicate about \$106.7 billion (in inflation-adjusted 2010 dollars) of rehabilitation was invested in about 47,000 federal HTC-associated projects. In FY 2009 and 2010 combined, the Part 2 volume in such projects was about \$8.1 billion. However, the amount of Qualified Rehab Expenditures (QREs) for the tax credit reflected in “Part 3” certifications, made after completion, is significantly less: about \$81.4 billion over FY 1978-2010 and \$7.9 billion in FY 2009 and 2010 combined (all inflation-adjusted 2010 dollars). (All the above figures are best estimates.) This report therefore uses the lower Part 3 QREs inflated by 10% to account for non-QRE expenditures to estimate the economic impacts of the federal HTC.<sup>4</sup> Aggregate investment using this more conservative approach is \$90.4 billion over the 33-year life of the federal HTC and \$8.8 billion in FY 2009 and 2010 combined. More detailed program activity data are found in Summary Exhibit 1.

The federal cost of the HTC is equal to the credit percent (25 percent from 1978 through 1986 and 20 percent from 1987 onward) applied to the “Part 3” investment. That calculation yields the following estimates: the federal tax credit over the FY 1978-2010 period cost \$17.5 billion to the US Treasury (in inflation-adjusted 2010 dollars) while the credit cost in FY 2009 and 2010 was about \$1.6 billion. Estimated total federal tax receipts generated by the HTC during these two periods were \$22.3 billion and \$1.5 billion respectively, indicating that the federal historic tax credit is a revenue raiser for the US Treasury or is at least about revenue neutral. (See Summary Exhibit 1 for details.)

This study quantifies the construction-stage total economic effects (i.e., direct as well as multiplier or secondary economic consequences) of the above cited investments. These effects are studied via an input-output model developed by Rutgers University for the National Park Service called the Preservation Economic Impact Model (PEIM).

In the current analysis, the PEIM is applied to both *cumulative* (FY 1978 through 2010) federal tax credit-aided historic rehabilitation investment in the United States (about \$90.4 billion in 2010 inflation-adjusted dollars) and to the *two-year* FY 2009 and 2010 combined tax credit-aided rehabilitation investment (about \$8.8 billion) throughout the nation. In applying the cumulative FY 1978-2010 analysis, we consider the effects of the \$90.4 billion rehabilitation investment as if effected in one year (2010),<sup>5</sup> rather than retroactively backdating and applying the economic model for each of the 33 years encompassing the FY 1978-2010 study period.

<sup>4</sup> See discussion at footnote 1.

<sup>5</sup> The two-year 2009 and 2010 investment is similarly treated.

The results of the PEIM model include many fields of data. The fields most relevant to this study are the total impacts of the following:

**JOBS:** Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.

**INCOME:** “Earned” or labor income, specifically wages, salaries, and proprietors’ income.

**WEALTH:** Value-added—the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP).

**OUTPUT:** The value of shipments, which is reported in the Economic Census.

**TAXES:** Tax revenues generated by the activity which include taxes to the federal, state and local governments.

## HTC National Economic Impacts

The *national* total (direct and multiplier) economic impacts from the HTC-associated rehabilitation investment for the program to date (FY 1978-2010) and for the most current two-year investment (FY 2009 and 2010) are shown below and are also contained in Summary Exhibit 1. Selected critical findings are further plotted in Summary Exhibits 2 through 5.

### ECONOMIC IMPACTS

#### Federal HTC-assisted Rehabilitation

\$90.4 billion cumulative (FY 1978-2010) historic rehabilitation expenditures results in:

\$8.8 billion for FY 2009 and 2010 historic rehabilitation expenditures results in:

#### National Total (Direct and Multiplier Impacts)

Jobs (person-years; thousands)	2,020.8	145.1
Income (\$ billion)	76.3	6.2
Output (\$ billion)	210.2	16.6
GDP (\$ billion)	103.8	8.4
Taxes (\$ billion)	30.5	2.2
Federal (\$ billion)	22.3	1.5
State (\$ billion)	4.2	0.4
Local (\$ billion)	4.1	0.4

The benefits that accrue from the investment in the federal tax credit-aided historic rehabilitation projects are extensive and almost all sectors of the nation’s economy see their payrolls and production increased. Illustrative are the cumulative FY 1978-2010 federal HTC effects. Just under 30 percent of the national-based jobs from the cumulative \$90.4 billion tax credit-aided rehabilitation investment (approximately 592,000 of 2,021,000 jobs) and national gross domestic product (\$29.2 billion of \$103.8 billion GDP) accrue to the nation’s construction industry; this is as one would expect,



given the share of such projects that require the employment of building contractors. Other major economic sector beneficiaries are services (360,000 jobs, \$13.7 billion in GDP) as well as manufacturing (411,000 jobs, \$26.6 billion GDP) and the retail trade (298,000 jobs, \$7.8 billion GDP) sectors. As a result of the interconnectedness of the national economy and because both direct and multiplier effects are considered, other sectors of the national economy not immediately associated with historic rehabilitation are affected as well, such as agriculture, mining and transportation and public utilities. (See Summary Exhibits 2 and 3.)

The recent (FY 2009 and 2010 combined) economic prowess of the federal HTC is also most impressive. For example, it generated about 145,000 jobs, including 52,000 jobs in construction and 33,000 jobs in manufacturing; it was responsible for \$8.4 billion in GDP, including \$2.8 billion and \$2.4 billion GDP increments in the construction and manufacturing sectors respectively; and the 2009 and 2010 HTC activity realized a \$6.2 billion increment in income, with construction (\$2.3 billion) and manufacturing (\$1.5 billion) reaping major portions of that income gain. These benefits were especially welcome in 2009 and 2010 as the nation suffered from a severe economic downturn and various stimulus interventions were effected: HTC-inspired investment is stimulus on steroids.

### **HTC State Level Impacts**

The economic impact from the federal tax credit-aided historic rehabilitation stimulates the state-level as well as the national economy. For example, in FY 2009 and 2010, Missouri had about \$974 million in federal HTC-supported rehabilitation. The national impacts of that investment included about 16,700 jobs generating an additional \$1.9 billion in output, \$695 million in income, \$920 million in GDP, and \$219 million in taxes. At the state of Missouri level, the FY 2009 and 2010 \$974 million in historic rehabilitation spending translates to 12,400 jobs generating \$1.2 billion in output, \$523 million in labor income, \$641 million in gross state product (GSP), and \$199 million in taxes. The in-state wealth (GSP minus business-paid federal taxes) resulting from rehabilitation expenditures amounts to \$569 million, indicating a high 89 percent retention rate. Similar high state-level retention rates of the economic benefits from the HTC characterize other locations as well. (See Summary Exhibits 4 and 5 for greater detail.)

### **Comparison of the HTC to the Economic Impacts of Non-Preservation Investments**

How does tax credit-aided historic rehabilitation fare as an economic pump-primer vis-à-vis other non-preservation investments? The short answer is *quite well*. Numerous studies conducted by Rutgers University in states throughout the country have shown that a \$1 million investment in historic rehabilitation realizes a markedly better economic effect in many places in the United States with respect to employment, income, GSP, and state-local taxes compared to a similar increment of investment (i.e. \$1 million) in an array of residential and nonresidential new construction (including





building highways—a stimulus favorite) or a \$1 million investment in an array of important business activities, such as manufacturing (e.g., machinery and automobile), and services (telecommunication). It is not a question of historic rehabilitation as opposed to other pursuits, but rather historic rehabilitation joining in a holistic fashion the many activities of the broader economy so as to realize the commendable strong economic “bang for the buck” offered by that historic rehabilitation.

**Healing Center, New Orleans, Louisiana:** This community center in the city’s St. Claude corridor will be anchored by a co-op grocery store. The former furniture store was rehabilitated using \$2,358,727 in federal GO Zone Historic Tax Credits as well as Louisiana State Historic and federal and state New Markets Tax Credits.

## HTC Impacts on Housing and Downtown Revitalization

Spatial analysis by Rutgers University<sup>6</sup> of the locations within states that use federal HTCs show widespread utilization, that is, many areas benefit; yet there is an understandable clustering of more intense HTC activity in urban and rural centers. Bolstering these centers through HTC investment is especially important for combating the adverse effects of sprawl and furthering smart growth. In Missouri, for example, the highest concentration of federal HTC activity by dollar investment in 2009 included such communities as St. Louis, Kansas City, Columbia, Springfield and St. Joseph. Other Missouri communities with federal HTC investment included Excelsior Springs, Maplewood, Hannibal and Lebanon as examples. Further spatial

<sup>6</sup> This research was conducted by Luke Drake and David Listokin.

analysis by Rutgers University of the micro-level location of federal HTC activity shows that the hotspots of investment are typically in areas with the lowest household incomes and other measures of distress; thus this federal HTC is aiding locations in need. An example of this is the distribution of FY 2009 HTC investment in the St. Louis Metropolitan Statistical Area (MSA) that is shown in Summary Exhibit 10. Clearly evident is the disproportionate concentration of federal HTC dollar activity in the MSA core and in the portions of the MSA with the lowest median household income.

Case study analysis of federal HTC implementation further points to many additional quantitative and qualitative benefits of the federal tax credit, including providing affordable housing, fostering downtown economic development and encouraging adaptive reuse.

The historic preservation, affordable housing, economic development and other benefits of the federal HTC are augmented by combining the federal HTC with other tax credits. In an exemplary case of creative federalism, about 33 states have state-level HTCs of their own; they typically “piggyback” the federal HTC. The federal (and state) HTCs have further been “twinned” with the federal Low-Income Housing Tax Credit (LIHTC) and the federal New Markets Tax Credits (NMTC).

An NTCIC study of the first 4 Rounds of NMTC program has shown that about one in 10 transactions and approximately 20% of all Qualified Equity Investments involve the twinning of historic and New Markets Tax Credits. NPS statistics show that two-thirds of all approved HTC projects since 2002 have been located in NMTC-eligible low-income census tracts. No similar studies or statistics exist for the twinning of LIHTC and federal HTCs, but anecdotal evidence suggests that as much as 15% of all LIHTC affordable housing projects are adaptive reuses of historic properties that also generate HTCs.



**Audobon Hotel, New Orleans, Louisiana: This strategic Canal Street property utilized \$2,819,135 in federal GO Zone (26%) Historic Tax Credit equity, in addition to financing generated by the Louisiana State Historic and New Markets Tax Credits. The new use will be a 168-room Indigo Hotel.**

These various tax credit combinations have produced powerful housing results (Summary Exhibit 9). For example, from the inception of federal historic preservation tax incentives until today (FY 1978-2010), 432,401 housing units have been completed. Of that total, 229,400 or 53 percent, were existing housing units that were rehabilitated, and 203,005 or 47 percent were “newly” created housing units (e.g., housing resulting from the adaptive reuse of once-commercial space). Of the 432,401 total housing units completed under federal historic preservation tax incentive auspices since the late 1970s, 114,084, or 26 percent, were affordable to low- and/or moderate-income (LMI) families (This was often accomplished by combining the federal HTC with the LIHTC.) That averages to about 3,450 LMI units per year. In FY 2009 and 2010 combined, 12,224 LMI units were produced under the federal HTC. The federal HTC is largely invisible in the housing “radar”, yet it deserves much greater attention, given its total and LMI housing unit production. Further, the LMI share of HTC housing units is growing. From FY 2005 through FY 2010, on average, 38 percent of all federal HTC housing has been at LMI levels. In FY 2009, the LMI share of all HTC units reached a high of 49 percent (Summary Exhibit 9).

## Summary of Cumulative HTC Impacts

In short, the federal HTC is a “good” investment for the nation, states, and local communities. We illustrate some facets of this by considering the cumulative (FY 1978-2010) program to date.

- An inflation-adjusted (2010 dollars) \$17.5 billion federal historic tax credit cost to date has encouraged a five times greater amount of historic rehabilitation (\$90.4 billion).
- This rehabilitation investment has generated about 2.0 million new jobs and billions of dollars of total (direct and secondary) economic gains.
- The cumulative impacts to the national economy include: output (\$210.2 billion), gross domestic product (\$103.8 billion), income (\$76.3 billion), and taxes (\$30.5 billion, including \$22.3 billion in federal tax receipts).
- The leverage and multiplier benefits as noted above give support to the argument that the federal HTC is a strategic investment. **Our results also show that the federal cost of the FY 1978-2010 HTC—a cumulative \$17.5 billion in 2010 inflation-adjusted dollars—is more than offset by the \$22.3 billion in federal taxes realized to date.**

In considering the federal HTC “cost-benefit,” it should further be realized that our quantification of HTC economic and tax consequences are *understated* for various reasons:

For various technical reasons, our estimate of the total rehabilitation cost associated with the federal HTC (i.e., \$90.4 billion in constant 2010 dollars over FY 1978-2010 and \$8.8 billion in FY 2009 and 2010 combined) is likely understated. In tandem then, the economic and tax effects flowing from the rehabilitation investment are understated as well.

Significant economic and tax benefits accrue from the federal HTC that have not been quantified by Rutgers University because they went beyond the scope of the current investigation. The latter focused solely on the economic effects from the federal HTC-associated *construction*—a one-time investment. In fact, there are recurring year-by-year economic returns from the federal HTC. These *recurring* benefits include the federal HTC’s investment enhancing tourism, specifically heritage and cultural travel (a multi-billion dollar industry); the historic tax credit providing adaptively-reused and other commercial space for businesses that annually have a payroll and tax payments; and the positive federal HTC investment impact on property values, which then yearly have tax, wealth, and other benefits. We have also not counted the well known (though difficult to measure) tendency of historic rehabilitation to boost investor and neighborhood confidence and induce a broader trend toward community-wide revitalization.

In a related fashion, we are not capturing how the enhanced “quality of life” (QOL) realized by the federal HTC furthers the national and state economy and public tax generation (e.g., through such means as attracting the “creative class” and more generally from enhanced worker efficiency, reduced medical expenses, and the like). In short, the full economic and tax benefits from the federal HTC are yet greater than the already considerable economic and tax consequences documented in the current study.

## SUMMARY EXHIBIT 1

## Summary of Federal Historic Tax Credit Statistics

I. Investment/Tax Credit Component	FY 1978–2010				FY 2009 and 2010
	Nominal\$ <sup>d</sup>		Real\$ <sup>e</sup>		Real\$ <sup>e</sup>
	TOTAL	ANNUAL AVERAGE	TOTAL	ANNUAL AVERAGE	TOTAL
Approved proposed (for tax credit) rehabilitation (“Part 2”)	\$65.4	\$2.0	\$106.7	\$3.2	\$8.1
Certified (for tax credit) rehabilitation <sup>a</sup> (“Part 3”)	\$48.9	\$1.5	\$81.4	\$2.5	\$7.9
Total rehabilitation cost <sup>b</sup>	\$54.3	\$1.7	\$90.4	\$2.7	\$8.8
Federal tax credit <sup>c</sup>	\$10.2	\$0.3	\$17.5	\$0.5	\$1.6

*Dollar amounts above are expressed in billions*

II. Economics Impacts	FY 1978–2010		FY 2009 and 2010
	TOTAL	ANNUAL AVERAGE	TOTAL
Jobs (in thousands)	2,020.8	61.2	145.1
Income	\$76.3	\$2.3	\$6.2
Gross Domestic Product	\$103.8	\$3.2	\$8.4
Output	\$210.2	\$6.4	\$16.6
Taxes—All Government	\$30.5	\$0.9	\$2.2
Taxes—Federal Government	\$22.3	\$0.7	\$1.5
Taxes—State Government	\$4.2	\$0.1	\$0.4
Taxes—Local Government	\$4.1	\$0.1	\$0.4

*Dollar amounts above are expressed in billions of real 2010<sup>e</sup>*

**Technical Background:** The HTC has a multi-step application process encompassing “Part 1” (evaluation of the historic significance of the property), “Part 2” (description of the rehabilitation work), and “Part 3” (request of certification of completed work). With respect to the HTC’s dollar magnitude, the most complete data is for the approved proposed (for tax credit) rehabilitation investment (“Part 2”). We do not have as good data on the year-by-year certified (for tax credit) rehabilitation (“Part 3”) volume over the full FY 1978–2008 period. (Only a portion of the “Part 2” rehabilitation is ultimately certified as “Part 3.”) Further, we do not have specific data on the total rehabilitation investment associated with the HTC. By way of background, both “Part 2” and “Part 3” rehabilitation statistics include only what are termed “eligible” or “qualified” items (or Qualified Rehabilitation Expenditures—QRE) for the tax credit as opposed to what are called “ineligible” or “non-qualified” costs. Examples of “eligible”/“qualified” items include outlays for renovation (walls, floors, and ceilings, etc.) construction-period interest and taxes, and architect fees; examples of “ineligible”/“non-qualified” costs include landscaping, financing and leasing fees, and various other outlays (e.g., for fencing, paving, sidewalks and parking lots). While the “ineligible”/“non-qualified” expenses do not count for tax credit purposes, they are practically a component of the total rehabilitation investment borne by the HTC-oriented developer and in fact, the total rehabilitation investment (including “ineligible”/“non-qualified” costs) help pump-prime the economy. Based on the best published data and through additional case studies conducted specifically for the purposes of the current investigation, Rutgers *estimates* some of the “missing information” noted above regarding the cumulative HTC investment over FY 1978–2010.

<sup>a</sup> Data estimated from best available information

<sup>b</sup> Equals all rehabilitation outlays—both “eligible”/“qualified” expenses and “ineligible”/“non-qualified” costs. The total rehabilitation cost is estimated by dividing the “Part 3” investment divided by .9. Case study investigation suggests that the “Part 3” amount is closer to 85 percent of the total rehabilitation cost, however we elected to apply the .9 factor to be conservative, that is to derive a lower rather than a higher estimate of the total rehabilitation expense.

<sup>c</sup> Assumes a 25 percent HTC in FY 1978–FY 1986 and a 20 percent HTC in FY 1987–FY 2010. These percentages are applied to the certified rehabilitation (“Part 3”)

<sup>d</sup> In indicated year dollars—not adjusted for inflation

<sup>e</sup> In inflation-adjusted 2010 dollars

SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University.

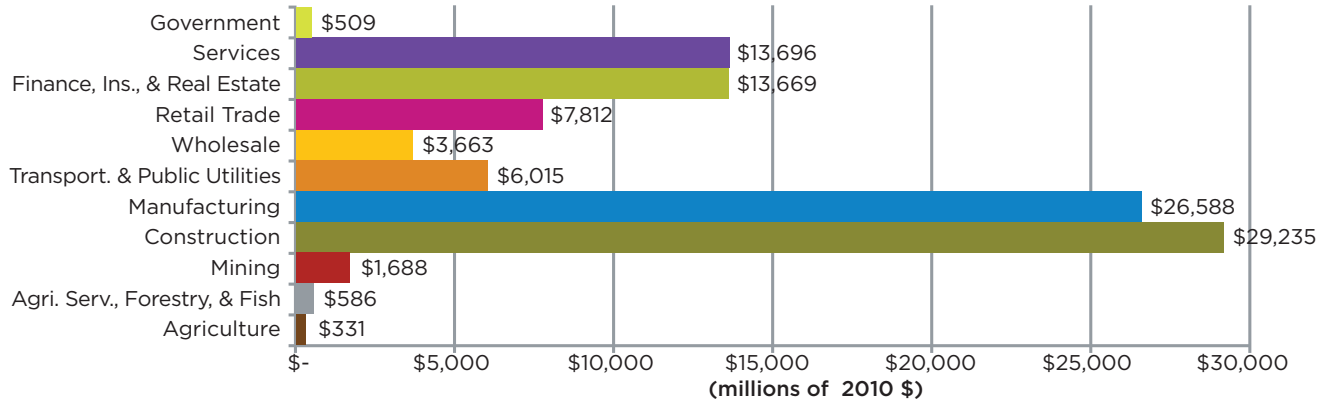


## SUMMARY EXHIBIT 2

### Cumulative National HTC Economic Impacts: 1978-2010

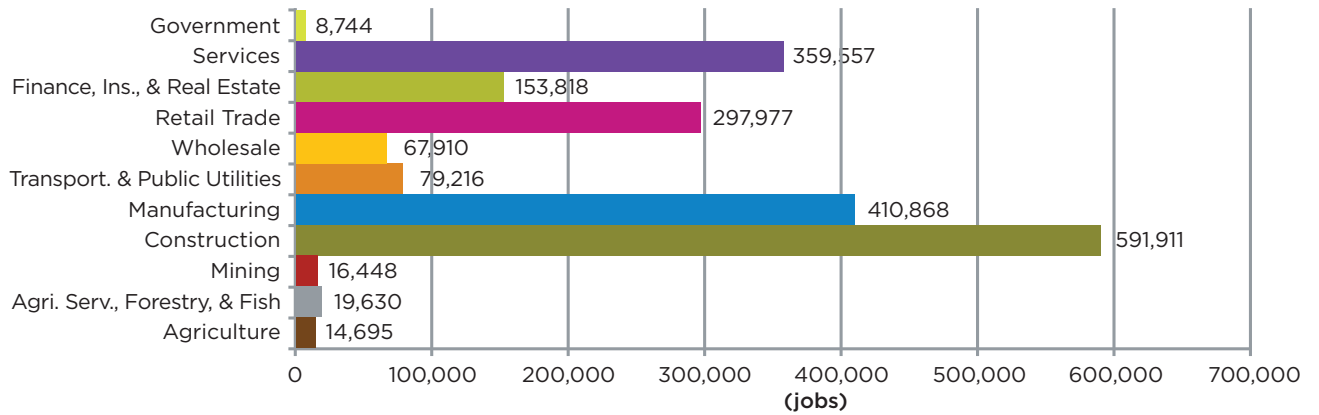
#### Gross Domestic Product by Sector from Federal Historic Preservation Investment

(\$103,790 million cumulative, FY 1978-2010)



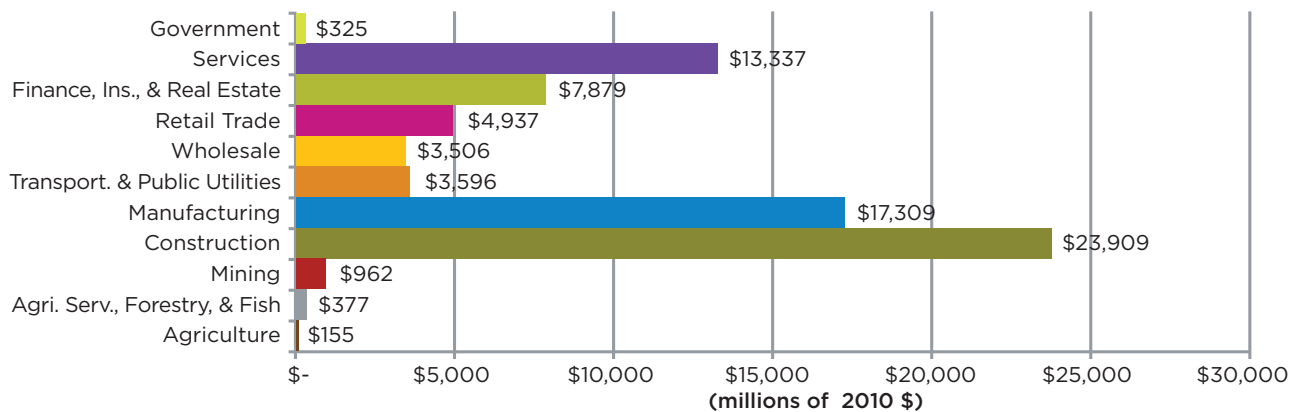
#### Jobs Created by Sector from Federal Historic Preservation Investment

(2,020,774 jobs cumulative, FY 1978-2010)



#### Income Created by Sector from Federal Historic Preservation Investment

(\$76,292 million cumulative, FY 1978-2010)



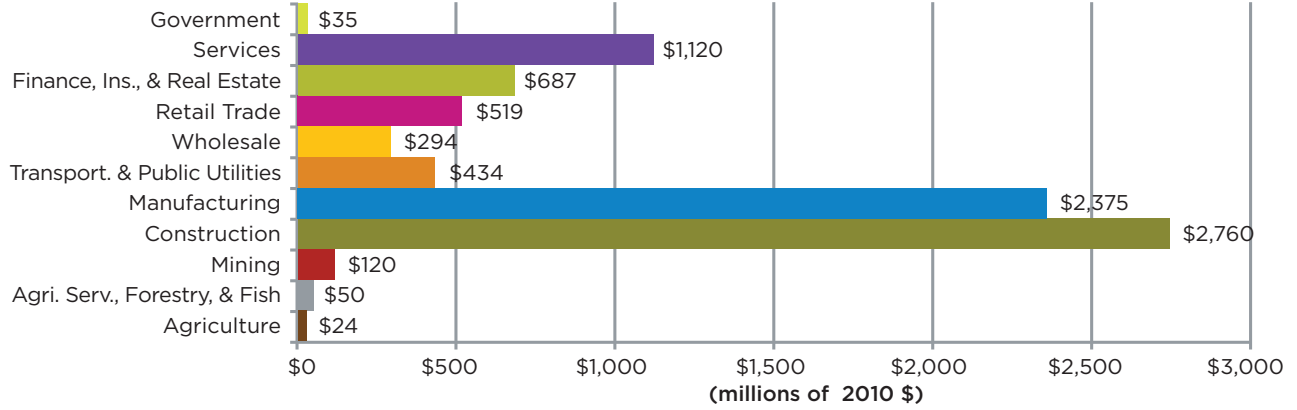


### SUMMARY EXHIBIT 3

## National HTC Economic Impacts: 2009-2010

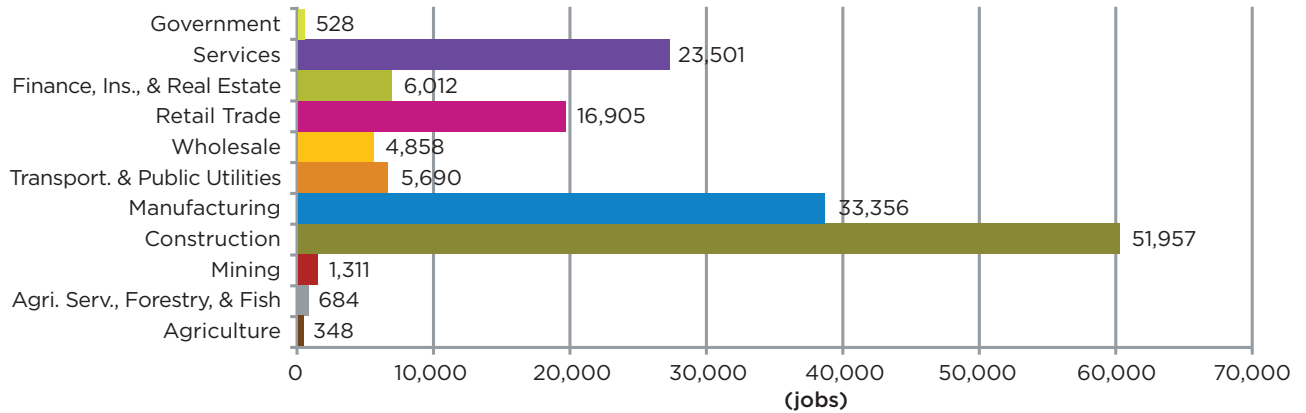
### Gross Domestic Product by Sector from Federal Historic Preservation Investment

(\$8,419 million combined, FY 2009 and 2010)



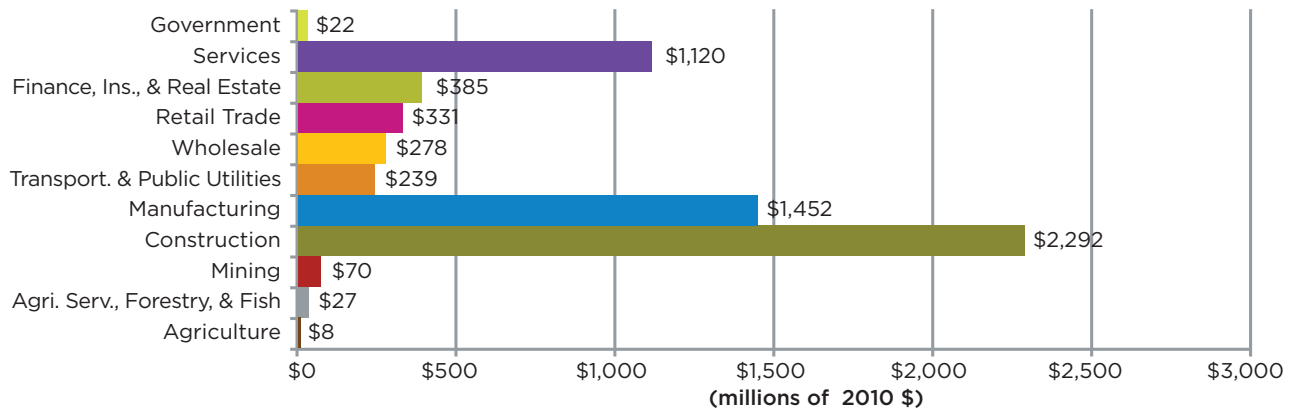
### Jobs Created by Sector from Federal Historic Preservation Investment

(145,149 jobs combined, FY 2009 and 2010)



### Income Created by Sector from Federal Historic Preservation Investment

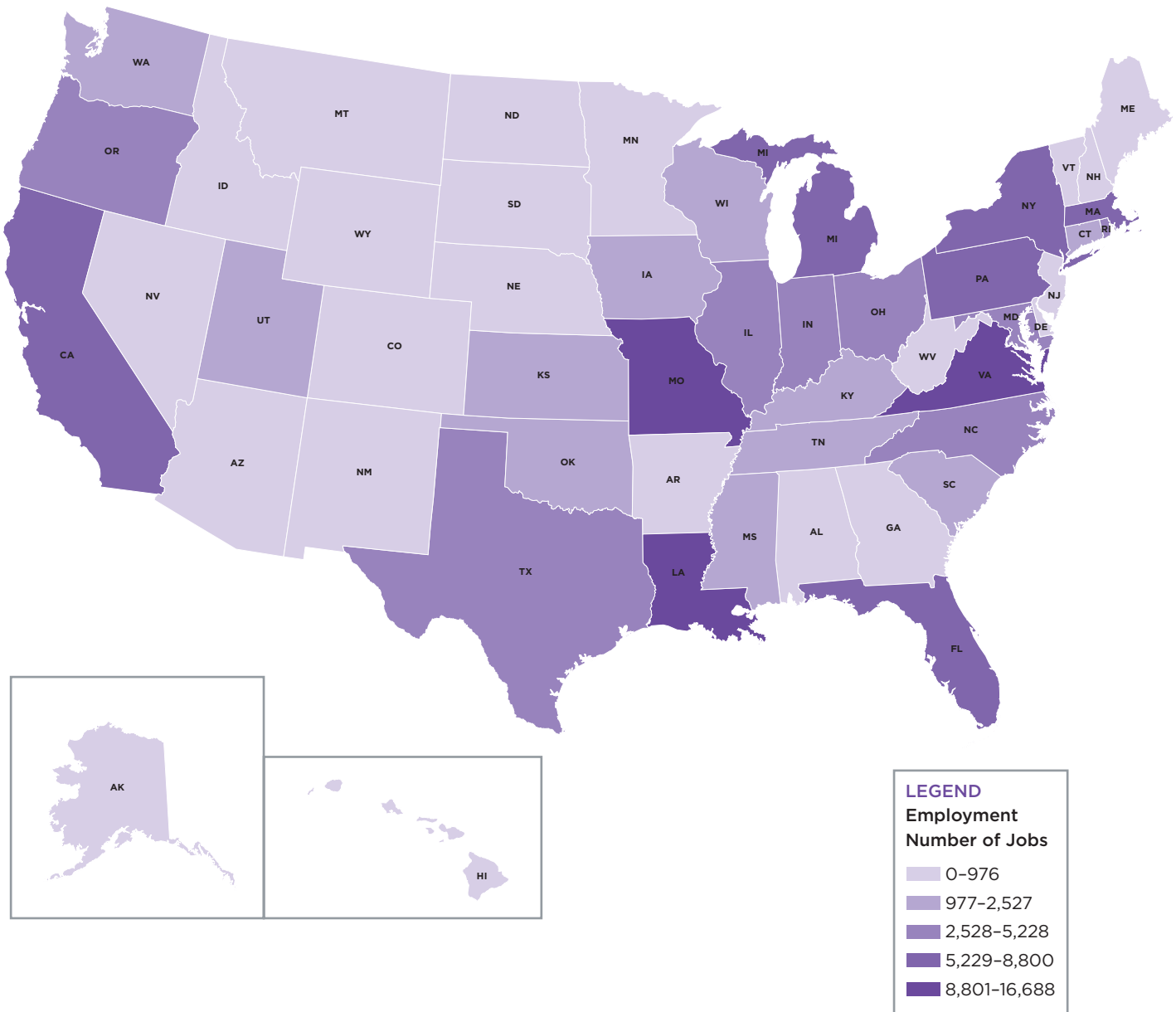
(\$6,224 million combined, FY 2009 and 2010)



## SUMMARY EXHIBIT 4

### Employment Impacts to the National Economy from the Historic Tax Credit Rehabilitation Investment

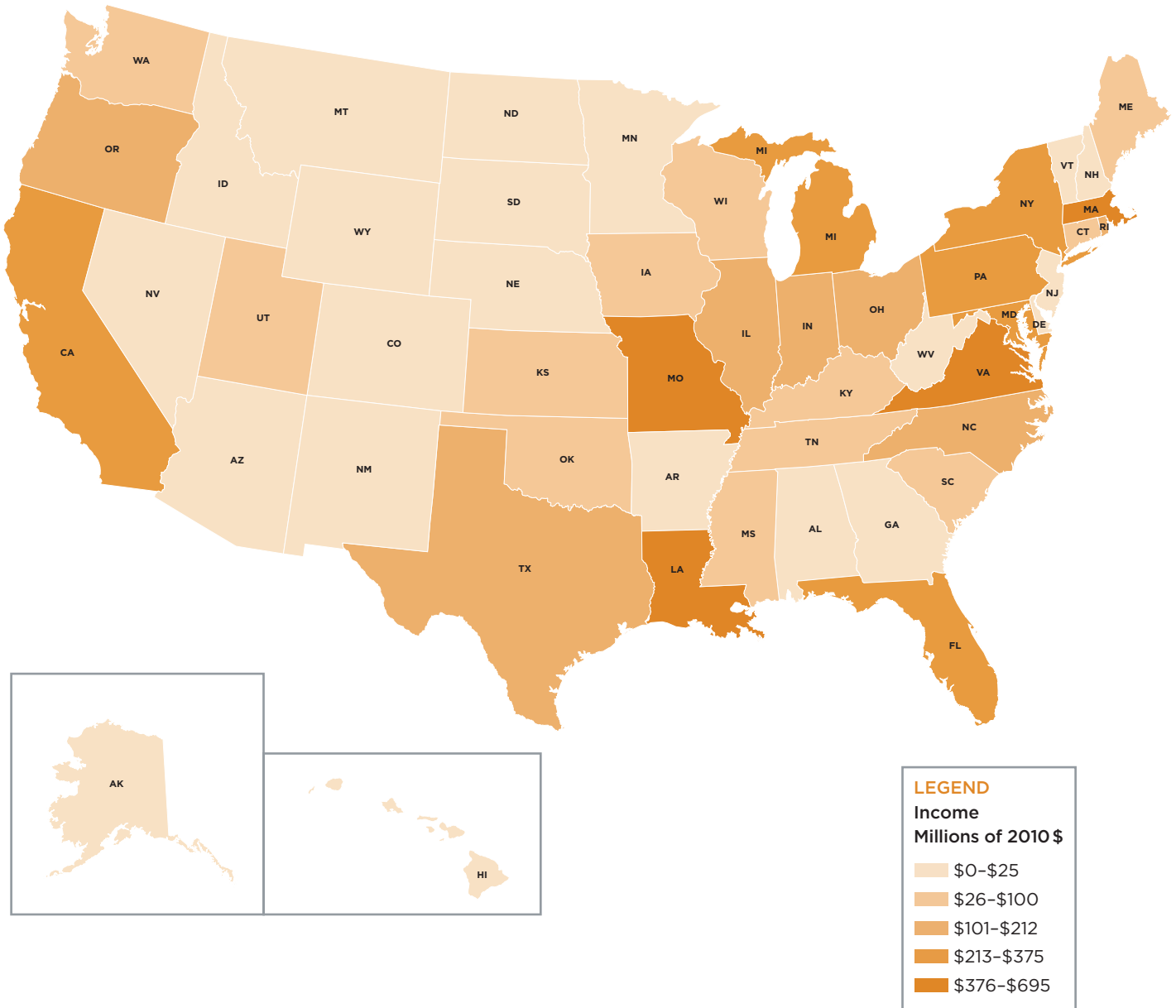
FY 2009 and 2010



## SUMMARY EXHIBIT 5

### Income Impacts to the National Economy from the Historic Tax Credit Rehabilitation Investment

FY 2009 and 2010



## SUMMARY EXHIBIT 6

## Federal Historic Tax Credit, Fiscal Years 1978–2010

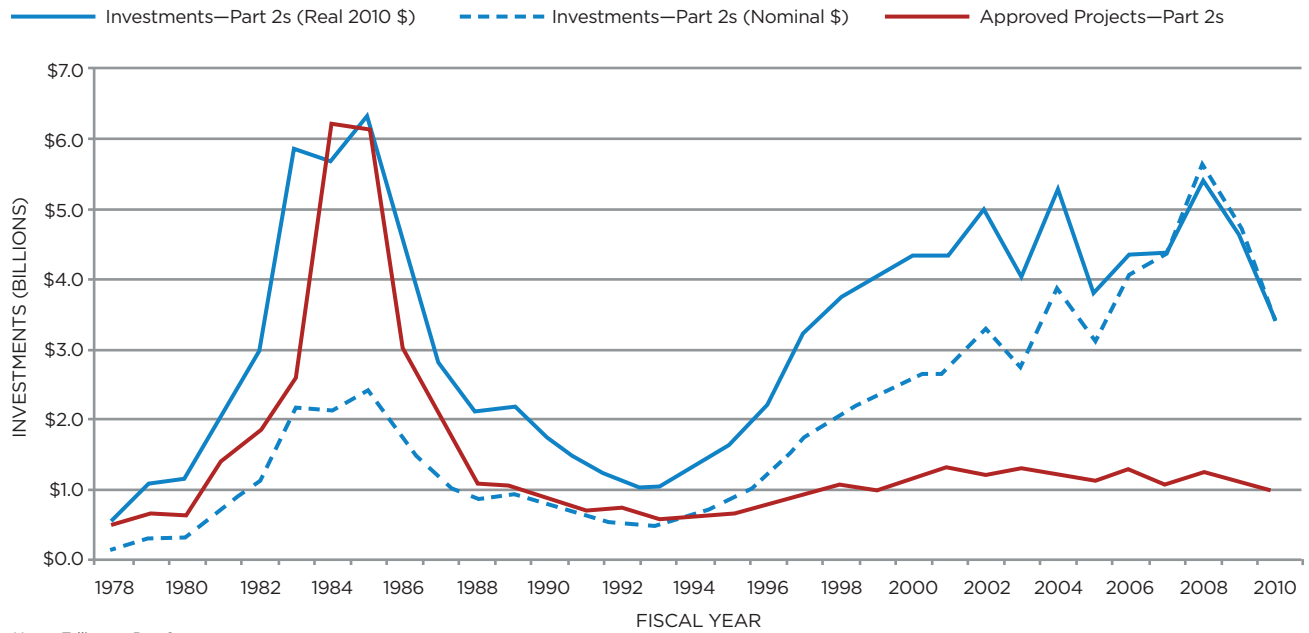
FISCAL YEAR	INVESTMENT (MILLIONS \$ <sup>a</sup> PART 2S)	CUMALATIVE INVESTMENT (MILLIONS \$ <sup>a</sup> )	ANNUAL TAX CREDIT PROJECTS APPROVED (PART 2S)	CUMALITIVE ANNUAL TAX CREDIT PROJECTS APPROVED
1978	140	140	512	512
1979	300	440	635	1,147
1980	346	786	614	1,761
1981	738	1,524	1,375	3,136
1982	1,128	2,652	1,802	4,938
1983	2,165	4,817	2,572	7,510
1984	2,123	6,940	6,214	13,724
1985	2,416	9,356	6,117	19,841
1986	1,661	11,017	2,964	22,805
1987	1,084	12,100	1,931	24,736
1988	865	12,965	1,092	25,828
1989	927	13,894	994	26,822
1990	750	14,642	814	27,636
1991	608	15,250	678	28,314
1992	491	15,741	719	29,033
1993	468	16,209	538	29,571
1994	641	16,850	560	30,131
1995	812	17,662	621	30,752
1996	1,130	18,792	724	31,476
1997	1,720	20,512	902	32,378
1998	2,085	22,597	1,036	33,414
1999	2,303	24,900	973	34,387
2000	2,602	27,502	1,115	35,502
2001	2,737	30,239	1,276	36,778
2002	3,272	33,511	1,198	37,976
2003	2,733	36,244	1,270	39,246
2004	3,878	40,121	1,200	40,446
2005	3,127	43,248	1,101	41,547
2006	4,082	47,330	1,253	42,800
2007	4,346	52,676	1,045	43,845
2008	5,641	57,317	1,213	45,058
2009	4,697	62,014	1,044	46,102
2010	3,418	65,432	951	47,053

<sup>a</sup> These figures are in nominal indicated year terms, that is *not* adjusted for inflation

SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University.

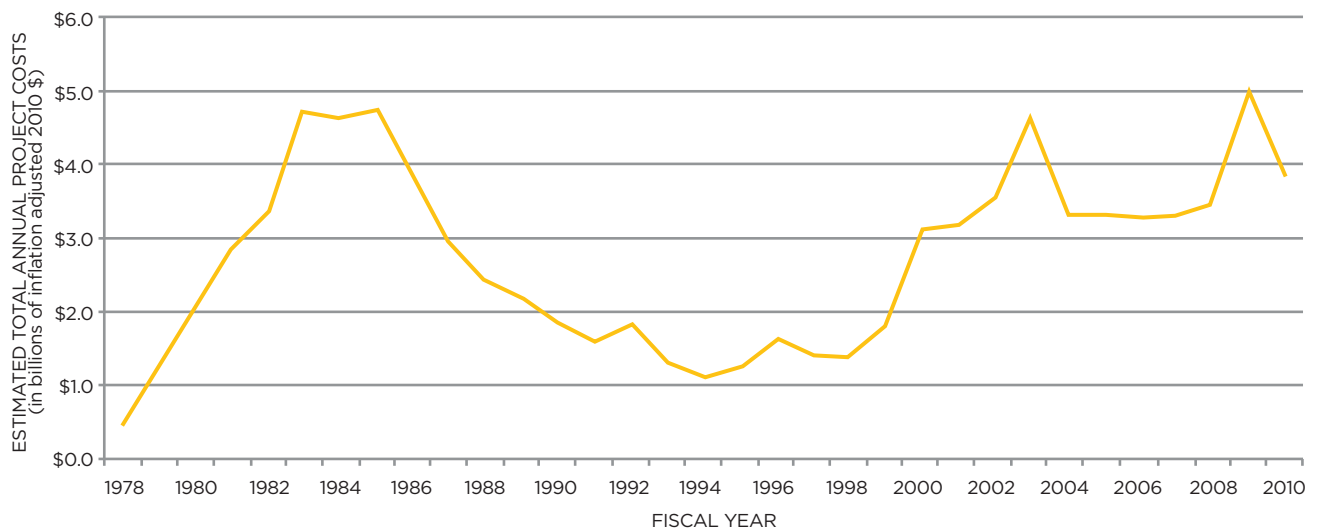
### SUMMARY EXHIBIT 7

## Federal Tax Incentives for Rehabilitating Historic Buildings, Fiscal Years 1978-2010



### SUMMARY EXHIBIT 8

## Total Rehabilitation Costs<sup>a</sup> Associated with the Federal Historic Tax Credit, Fiscal Years 1978-2010



SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University.

**SUMMARY EXHIBIT 9****Federal Historic Tax Credit Involving Housing, Fiscal Years 1978–2010**

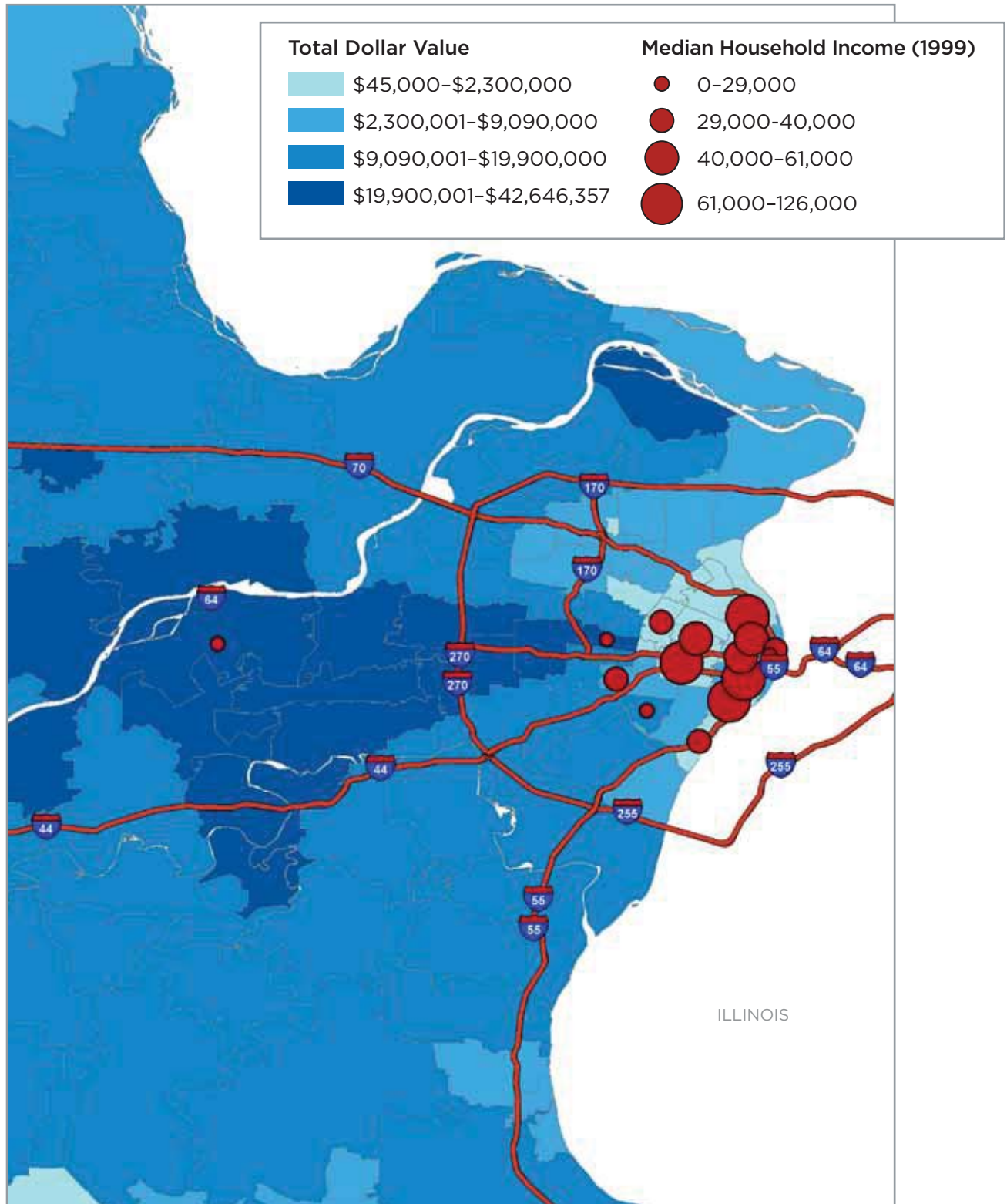
FISCAL YEAR	TOTAL NUMBER OF HOUSING UNITS COMPLETED	NUMBER OF UNITS REHABILITATED	NUMBER OF UNITS CREATED	TOTAL NUMBER OF LOW-/MODERATE-INCOME UNITS	PERCENT OF UNITS COMPLETED THAT ARE LOW-/MODERATE-INCOME
1978	6,962	3,876	3,086	1,197	17%
1979	8,635	4,807	3,828	1,485	17%
1980	8,349	4,648	3,701	1,435	17%
1981	10,425	6,332	4,093	3,073	29%
1982	11,416	6,285	5,131	2,635	23%
1983	19,350	12,689	6,661	3,792	20%
1984	20,935	16,002	4,933	142	1%
1985	22,013	16,618	5,395	868	4%
1986	19,524	12,260	7,264	640	3%
1987	15,522	11,306	4,216	1,241	8%
1988	10,021	7,206	2,815	592	6%
1989	11,316	7,577	3,739	2,034	18%
1990	8,415	6,098	2,317	1,993	24%
1991	5,811	4,081	1,730	1,288	22%
1992	7,536	5,523	2,013	1,762	23%
1993	8,286	5,027	3,259	1,546	19%
1994	10,124	6,820	3,304	2,159	21%
1995	8,652	5,747	2,905	2,416	28%
1996	11,545	5,537	6,008	3,513	30%
1997	15,025	5,447	9,578	6,239	42%
1998	13,644	6,144	7,500	6,616	48%
1999	13,833	4,394	9,439	4,815	35%
2000	17,266	5,740	11,530	6,668	38%
2001	11,546	4,950	6,596	4,938	43%
2002	13,886	5,615	8,271	5,673	41%
2003	15,374	5,715	9,659	5,485	36%
2004	15,784	5,738	10,046	5,357	34%
2005	14,438	5,469	8,969	4,863	34%
2006	14,695	6,411	8,284	5,622	38%
2007	18,006	6,272	11,734	6,553	36%
2008	17,051	6,659	10,392	5,220	31%
2009	13,743	5,764	7,979	6,710	49%
2010	13,273	6,643	6,630	5,514	42%
<b>Total</b>	<b>432,401</b>	<b>229,400</b>	<b>203,005</b>	<b>114,084</b>	<b>26%</b>

SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; and calculations by Rutgers University



**SUMMARY EXHIBIT 10**

**2009 Federal Historic Tax Credit Value by Zip Code in St. Louis, Missouri**



SOURCES: Rutgers University (Luke Drake) and the Department of the Interior, National Park Service, Technical Preservation Services



## SECTION 1

# Economic Impacts of the Federal Historic Tax Credit and the Importance of State Historic Tax Credits

Rutgers University has estimated the real (inflation-adjusted to 2010 dollars) total rehabilitation investment throughout the United States that was enabled by the federal HTC at about \$90.4 billion for the cumulative period FY 1978 through FY 2010 and approximately \$8.8 billion for the combined FY 2009 and FY 2010 period. These two total federal tax credit-aided historic rehabilitation outlays can be translated into ensuing total economic benefits. Before quantifying these effects, we must explain what is meant by total economic impacts from an investment and how these are determined.

This study examines the *total* economic impacts of federal tax credit-aided historic rehabilitation, encompassing both the *direct* and *multiplier* effects. The *direct* impact component consists of labor and material purchases made specifically for the rehabilitation activity. The *multiplier* effects incorporate what are referred to as *indirect* and *induced* economic consequences. The *indirect impact* component

consists of spending on goods and services by industries that produce the items purchased for the historic rehabilitation activity. The *induced impact* component focuses on the expenditures made by the households of workers involved either directly or indirectly with the activity. To illustrate, lumber purchased at a hardware store for historic rehabilitation is a direct impact. The purchases of the mill that produced the lumber are an indirect impact. The household expenditures of the workers at both the mill and the hardware store are induced impacts.

Economists estimate direct, indirect, and induced effects using an input-output (I-O) model. This study specifies the total economic effects of federal tax credit-aided historic rehabilitation through a state-of-the-art I-O model developed by the Rutgers University Center for Urban Policy Research (CUPR) for the National Park Service, Division of Cultural Resources, National Center for Preservation Technology and Training. The model is termed the Preservation Economic Impact Model (PEIM).

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**The real total rehabilitation investment enabled by the federal HTC at about \$90.4 billion for the cumulative period FY 1978 through FY 2010 and approximately \$8.8 billion for the combined FY 2009 and FY 2010 period.**

In the current analysis, the PEIM is applied to both *cumulative* (FY 1978 through 2010) federal tax credit-aided historic rehabilitation investment in the United States (about \$90.4 billion in 2010 inflation-adjusted dollars) and to the *two-year* FY 2009 - 2010 tax credit-aided rehabilitation investment (about \$8.8 billion in 2010 dollars) throughout the nation. In applying the cumulative analysis, we consider the effects of the \$90.4 billion rehabilitation investment as if effected in one year (2010), rather than retroactively back-dating and applying the economic model for each of the 33 years encompassing the FY 1978-2010 study period. The results of the PEIM model include many fields of data. The fields most relevant to this study are the total impacts of the following:

**JOBS:** *Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.* (Manufacturing jobs, for example, tend to be full-time; in retail trade and real estate, part-time jobs predominate.) All jobs generated at businesses in the region are included, even though the associated labor income of in-commuters may be spent outside of the region. In this study, all results are for activities occurring within the time frame of one year. Thus, the job figures should be read as job-years, where several individuals might fill one job-year on any given project.

**INCOME:** *“Earned” or labor income, specifically wages, salaries, and proprietors’ income.* Income does not include non-wage compensation (such as benefits, pensions, or insurance); transfer payments; or dividends, interest, or rents.

**WEALTH:** *Value added—the sub-national equivalent of gross domestic product (GDP).* At the state level, this is called gross state product (GSP) or, in some public data, GDP by state. Value added is widely accepted by economists as the best measure of economic well-being. It is estimated from state-level data by industry. For a firm, value added is the difference between the value of goods and services produced and the value of goods and non-labor services purchased. For an industry, therefore, it is composed of labor income (net of taxes); taxes; non-wage labor compensation; profit (other than proprietors’ income); capital consumption allowances; and net interest, dividends, and rents received.

**OUTPUT:** Of the measures in any input-output report, perhaps the least well-defined one is that labeled “output.” *Output is defined as the value of shipments, which is reported in the Economic Census.* The value of shipments is very closely related to the notion of business revenues. Thus it is NOT the “output” to which most other economists refer and which is better known as “gross domestic product” (GDP).

**TAXES:** *Tax revenues generated by the activity.* The tax revenues are detailed for the federal, state, and local levels of government. Totals are calculated by industry.

*Federal tax revenues include corporate and personal income, Social Security, and excise taxes, estimated from calculations of value added and income generated.*

*State tax* revenues include income, excise, sales, and other state taxes, estimated from calculations of value added and income generated (e.g. visitor purchases).

*Local tax* revenues include payments to sub-state governments, mainly through property taxes on new worker households and businesses. Local tax revenues can also include sales and other taxes.

Exhibit 2.2 shows the *cumulative* economic impacts of the federal tax credit-aided historic rehabilitation over FY 1978 through FY 2010—a span of 33 years. Exhibit 2.3 quantifies the two year economic impacts of the federal tax credit-aided historic rehabilitation in FY 2009–FY 2010 alone.

The major data reported in these two exhibits is organized into the following sections:

- I. Total Effects
- II. Distribution of Effect/Multiplier
- III. Composition of Gross State Product
- IV. Tax Accounts
- V. Effects Per Million Dollars of Initial Expenditure

Each of these sections is described in detail in Exhibit 2.3. With this background presented, we can turn to our findings.

## ECONOMIC IMPACTS OF CUMULATIVE FEDERAL HISTORIC TAX CREDIT-AIDED TOTAL REHABILITATION INVESTMENT IN THE UNITED STATES (FY 1978–2010)

Between FY 1978 and 2010, an estimated cumulative total of about \$90.4 billion of historic rehabilitation was aided by the federal historic tax credit. The total economic impacts to the nation from the \$90.4 billion in cumulative historic rehabilitation spending include about 2.0 million jobs generating an additional \$210.2 billion in output, \$76.3 billion in income, \$103.8 billion in gross domestic product (GDP), and \$30.5 billion in taxes (\$22.3 billion federal government taxes, \$4.2 billion state government taxes, and \$4.1 billion local government taxes). (See Exhibit 2.2).

The benefits that accrue from the cumulative investment in federal tax credit-aided historic rehabilitation projects are extensive. Almost all sectors of the nation's economy see their payrolls and production increased (Exhibit 2.2). Just under 30 percent of the national-based jobs from the cumulative \$90.4 billion tax credit-aided rehabilitation investment (approximately 592,000 of 2,021,000 jobs) and national gross domestic product (\$29.2 billion of \$103.8 billion GDP) created by historic rehabilitation aided by the cumulative federal HTC accrue to the nation's construction industry; this is as one would expect, given the share of such projects that require the employment of building contractors. Other major economic sector beneficiaries are services (360,000 jobs, \$13.7 billion in GDP) as well as manufacturing (411,000 jobs, \$26.6 billion GDP) and the retail trade (298,000 jobs, \$7.8 billion GDP) sectors. The finance insurance and real estate (FIRE) sector garners 154,000 jobs and \$13.7 billion GDP. As a result of the

interconnectedness of the national economy and because both direct and multiplier effects are considered, other segments of the national economy not immediately associated with historic rehabilitation are affected as well, such as agriculture, mining and transportation and public utilities, or TPU. (See Exhibit 2.2 for details.) For instance the TPU sector realizes a gain of 79,000 jobs and about \$6.0 billion of GDP.

Exhibit 2.4 summarizes the key economic effects (employment, income, GDP, output, and taxes) by year of the federal tax credit-aided rehabilitation investment for each of the 33 years spanning the FY 1978–FY 2010 study period.<sup>7</sup> For instance, in inflation-adjusted dollars, 1985 was the near peak year<sup>8</sup> of investment when \$4.7 billion of total federal tax credit-aided rehabilitation investment occurred. (This timing was no accident as the 1985 peak reflected the run-up of investor interest evoked by the expanded scope of the tax credits brought about by the Economic Recovery Tax of 1981.) As the near peak year of investment, 1985 would also have realized more significant economic benefits from the federal tax credit-aided activity, such as about 105,000 jobs and \$4.0 billion income. (These and the other values in Exhibit 2.4 are in 2010 terms.) See Exhibit 2.4 for more detail on the 1985 economic-effects from the HTC as well as for earlier or later years.

## ECONOMIC IMPACTS OF FEDERAL HISTORIC TAX CREDIT-AIDED REHABILITATION INVESTMENT IN THE UNITED STATES, COMBINED FY 2009 AND 2010

As noted earlier, the federal historic tax credit-aided rehabilitation investment in FY 2009 and 2010 combined is about \$8.8 billion. The total national economic impacts of this include 145,000 jobs generating \$16.6 billion in output, \$8.4 billion in GDP, \$6.2 billion in income and \$2.2 billion in total taxes (\$1.5 billion federal government, \$0.4 billion state government, and \$0.4 billion local government). (See Exhibit 2.3.)

As with the cumulative FY 1978–FY 2010 rehabilitation effects, the two-year FY 2009 and 2010 investment in historic rehabilitation accrues benefits across the national economy (Exhibit 2.3). For instance, of the \$8.4 billion in GDP, \$2.7 billion, \$2.4 billion, and \$1.1 billion are found among the following three economic sectors respectively: construction, manufacturing, and services. GDP gains of about \$500 to \$700 million apiece are realized by the retail trade industry and as well as the finance, insurance, and real estate industry. A GDP addition of about \$300 million is realized by the wholesale sector. (See Exhibit 2.3 for further details.)

The *national* impacts of the two-year FY 2009 and 2010 federal tax credit-aided rehabilitation investment from each state as of that year is summarized in Exhibit 2.5. For instance, the eleven states shown below had considerably varying levels of tax credit investment as of FY 2009 and 2010 and with that, very different levels of national-

<sup>7</sup> This should be interpreted as follows in applying the cumulative FY 1978-2010 analysis. We consider the effects of the \$90 billion investment as if effected in one year, namely 2010. Thus, when Exhibit 2.4 shows the economic effects for each year over FY 1978-2010, we are not backdating the model to each of these years, but rather indicating what each year's investment realizes in 2010 values.

<sup>8</sup> The absolute peak was in 2009 when the total rehabilitation investment related to the federal historic tax credit reached about \$5.0 billion in inflation-adjusted 2010 dollars.



level job and income effects. While the effects to the nation are shown, as we shall see below, most of the benefit is retained within each state's boundaries.

State	FY 2009 and 2010 HTC-Aided Rehabilitation Investment (in 2010 \$ millions)	Selected National Economic Impacts	
		JOBS	INCOME (IN 2010 \$ MILLIONS)
Alabama	\$21.6	399	\$13.7
Florida	\$381.4	6,647	\$269.4
Illinois	\$216.2	3,188	\$157.4
Indiana	\$168.3	2,950	\$120.3
Michigan	\$528.8	8,402	\$374.6
New York	\$491.7	8,135	\$350.4
Ohio	\$238.5	4,284	\$169.8
Oregon	\$195.8	3,463	\$142.1
Pennsylvania	\$380.0	6,176	\$275.8
Virginia	\$727.9	12,250	\$520.9
Washington	\$115.6	1,852	\$82.9

The considerable state-level capture of the national-level economic effects from the federal tax credit-aided rehabilitation investment is illustrated through reconnaissance investigation in three states: Illinois, Missouri, and Pennsylvania. In FY 2009 and 2010, the federal tax credit-aided rehabilitation investment in these three locations amounted to \$216.3 million, \$974.1 million, and \$380.0 million, respectfully. For these three states, we quantify national-level *and* state-level impacts, the latter a new geographic analysis not yet conducted in this study. The results are summarized in Exhibit 2.6.

For example, the national economic impacts of the FY 2009 and 2010 \$974.1 million in tax credit-aided historic rehabilitation investment in Missouri include 16,700 jobs generating an additional \$1.9 billion in output, \$695 million in income, \$920 million in GDP, and \$161 million in taxes (Exhibit 2.6, upper portion). The Missouri retained portion (Exhibit 2.6, lower portion), of the FY 2009 and 2010 \$974.1 million in historic rehabilitation spending translates to 12,400 jobs generating \$1.2 billion in output, \$523 million in labor income, \$641 million in gross state product (GSP), and \$199 million in taxes. The in-state wealth (GSP minus business-paid federal taxes) resulting from rehabilitation expenditures amounts to \$569 million, indicating a high 89 percent retention rate.

Similar high state-level retention rates characterize Illinois and Pennsylvania as well. (Compare the state-level economic impact portion of Exhibit 2.6 to the national-level economic impact portion of same exhibit.) It stands to reason that the lion's share of

the economic benefits from the construction activity aided by the federal tax credit stays within a given state's boundaries as opposed to "leaking" elsewhere<sup>9</sup>. That is borne out by the three states (Illinois, Missouri, and Pennsylvania) reconnaissance investigation and likely characterizes most other states as well. Thus, much of the national-level impacts from the FY 2009 and 2010 federal historic tax credit-aided investment that occurs in each state (Exhibit 2.5) is likely retained at the state level.

## STATE HISTORIC TAX CREDIT AND LESSONS FROM THE HEARTLAND—KANSAS

A total of 33 states have already supplemented the federal historic tax credit (HTC) with a state HTC of their own; an additional four states have legislation introduced to create a state level credit that would supplement the federal HTC. These 37 innovating states are shown in Exhibit 2.7 with further detail on these state HTCs available from Novogradac and Company LLP.

An example of the prowess of a state HTC is provided by the Kansas state historic tax credit (KHTC). We summarize the following description of the KHTC from Rutgers University research completed in March 2010.<sup>10</sup> (Note: some of the specifics of the KHTC have changed since the release of this report).

Implemented in state fiscal year 2002, the KHTC provides for a state income tax credit equal to 25 percent (30 percent for non-profits) of qualified expenses on qualified historic structures used for either income-producing or non-income producing purposes. The KHTC builds from and adds to a federal HTC (20 percent) which has been in place for decades. As other state historic tax credits and reflecting the best of creative federalism, the KHTC is more flexible to use than the federal HTC. Examples of more flexible KHTC provisions include: an ability to apply the credit to historic residences (the federal HTC is restricted to income-producing properties only), a more realistic minimum investment requirement (the federal requirements in this regard disqualifies many worthwhile projects), the right to transfer the state tax credits so as to make these more attractive to investors (prohibited in the federal HTCs), and the ability for non-profit organizations to use the state HTC (severely limited with respect to the federal HTC).

The KHTC may be used in combination with the federal HTC (thus offering a combined credit of 45 percent) or only the 25 percent state tax credit may be used (e.g., in instances where the federal HTC is ineligible, such as the rehabilitation of a residence as opposed to an income-producing property).

From FY 2002 through FY 2009, the KHTC has aided about 540 completed projects with an aggregate estimated total project dollar cost<sup>11</sup> of \$245 million, or \$271 million in inflation-adjusted (2009) dollars. A state tax credit of about \$53 million, or \$69 million in inflation adjusted dollars, enabled the rehabilitation investment: an approxi-

9 The amount of "leakage" will vary by state, for instance, whether or not a state can supply the steel and lumber used in renovation.

10 David Listokin, Michael Lahr, McCaela Daffern, David Stanek and Deb Sheals, Economic Benefits and Impact of Historic Rehabilitation Tax Credits in Kansas. Research conducted by the Rutgers University Center for Urban Policy Research for the Kansas Preservation Alliance. March 2010.

mate 1 to 4 tax credit to investment ratio—that reflects the typical 25 percent KHTC.

The KHTC has been used widely in Kansas—in about 50 counties—because many locations in this state have tax credit-eligible buildings. These buildings need rehabilitation which is abetted by the tax credit’s financial incentive. The overall widespread geographic incidence of the Kansas historic tax credit is shown in Exhibit 2.8, which indicates the Kansas county distribution of the credit by project cost (totaling to \$245 million).

While there is general widespread use of the state historic tax credits in Kansas, there are “hotspots” of more intense utilization of the program (see Exhibit 2.8) reflecting understandably such factors as the clustering of the state’s population and business activity (e.g., more in the Kansas River Valley and Central Wichita regions and less in rural western Kansas) and other influences (e.g., the distribution of the state’s older urban and rural centers and varying local knowledge of and interest in the program).

What is the nature of the local areas where the KHTC has been used? We conclude this chapter by describing selected population and housing characteristics of the zip codes where the KHTC has been used (all zip codes and “top 10” KHTC activity zip codes) and how these compare to the average for all zip codes in Kansas. The information is summarized in Exhibit 2.9. It shows that relative to the population and housing characteristics of all zip codes in Kansas, zip codes in this state where the Kansas historic tax credit has been used (both all such zip codes and “top 10” KHTC activity zip codes) have the following relative characteristics:

1. Higher density (population per square mile)
2. Higher share of population classified as “urban”
3. Greater minority population (i.e., higher percentage of non-whites and Hispanics)
4. Lower median household income and higher economic distress (as measured by percentage in poverty and percentage unemployed)



**Cleveland Institute of Art (CIA) McCullough Center, Cleveland, Ohio:** The Cleveland Institute of Art received a 2011 Preservation Award from the Cleveland Restoration Society and AIA Cleveland commending the renovation of the 96-year-old Joseph McCullough Center for the Visual Arts on Euclid Avenue. “We are delighted to receive this recognition from the Cleveland Restoration Society and AIA Cleveland,” said CIA President Grafton J. Nunes.

<sup>11</sup> This cost is for the total rehabilitation outlay which includes both “qualifying expenses”—the portion of total rehabilitation costs that qualify for the state tax credit (e.g., rehabilitation of walls, door and windows; construction-period interest and architect fees) and “non-qualifying expenses”—outlays that are not eligible for the state tax credit (e.g., infrastructure, parking lots, sidewalks and landscaping).

5. Higher share of renter-occupied housing (as opposed to owner-occupied)
6. Similar housing value (for owner-occupied home)
7. Greater housing affordability problem (as measured by households paying more than 30 percent of their income for housing expenses)

These characteristics of the local “hotspots” of KHTC activity strongly suggest that the program is aiding areas of higher stress and need.

The KHTC has markedly enhanced HTC investment in Kansas. In the 21-year pre-Kansas HTC period, there were a total of 50 federal HTC projects or an annual average of 2.4 projects per year. In the 8 year post-Kansas HTC period, there was an approximate tenfold increase to 542 Kansas HTC projects (both state-alone and state-and-federal-combined) and the annual average project volume increased almost 30 times to 68 HTC projects yearly. Rehabilitation project cost also mushroomed. In the 21 year pre-Kansas HTC period, a total of \$114 million (inflation-adjusted 2009 dollars) was expended on federal HTC-assisted projects, or an average of about \$5.4 million per year. In the 8-year span (FY 2002-2009) when the Kansas HTC has been in effect, there was almost a two and a half-fold increase in Kansas HTC projects (again both state-alone and state-and-federal-combined) to \$271 million and the annual average project volume rose six-fold to \$33.9 million (all inflation-adjusted to 2009 dollars).

Others observing this before-and-after picture have remarked on the spurt of tax credit-aided historic rehabilitation investment that took place in Kansas after the state tax credit was put in place. The following quote from the Kansas State Historical Society (2006) is illustrative:

In Kansas, the federal tax credit program has been active since the late 1970s, but the activity has been very limited in comparison to other states. For many years, Kansas’ neighbor to the east, Missouri, ranked at the top of the list for numbers of projects and for investments by property owners in these rehabilitations. Kansas saw fifty federal tax credit projects between 1980 and 2001... During those years, Kansas ranked between thirty-second and forty-eight among the states and territories for numbers of projects and amounts invested.

Beginning in 2001, Kansas added a second tax credit tool: its State Rehabilitation Tax Credit Program...Kansas has seen more federal tax credit projects and more investment in historic rehabilitation in the last five years than in the previous twenty. Since 2001, sixty-five federal tax credit projects were completed, with an additional 173 new state tax credit projects. These 238 projects represent an investment of more than \$98 million in Kansas’ historic properties.

While there are many influences on the magnitude of tax credit-aided investment in historic rehabilitation, such as the varying market demand-supply, bank loan availability, and interest rates linked to the fluctuating national and state economic and real estate cycles, the evidence in Kansas and other states (e.g., Missouri) suggests that the presence of a state tax credit and the terms of that credit do influence investment in the historic building stock.

What is the overall impact of the state historic tax credit program on the state's economy? The short answer is *quite substantial* for major economic benefits have ensued from the KHTC-aided investment (Exhibit 2.10). The in-state (to Kansas) total (direct and multiplier) economic impact from the \$271 million of KHTC-assisted rehabilitation include 4,443 jobs generating \$323 million in output (total value of economic shipments), \$142 million in labor income, \$183 million in gross state product or GSP (wealth or value added at the state level), and \$56 million in taxes (\$41 million federal, \$8 million state, and \$7 million local).

The benefits that accrue to Kansas from the cumulative investment in tax credit-aided historic rehabilitation projects are extensive. Almost all sectors of the state's economy see their payrolls and production increased. Just under half of the Kansas-based jobs from the cumulative (\$271 million) tax credit-aided rehabilitation investment (2,003 of 4,443 jobs) and Kansas gross state product (\$84.8 million of \$182.9 million GSP) created by historic rehabilitation within Kansas accrue to the state's construction industry. This is as one would expect, given the share of such projects that require the employment of building contractors. Other Kansas major beneficiaries are services (832 jobs, \$27.6 million in GSP) as well as the retail trade (605 jobs, \$14.4 million GSP) and manufacturing (500 jobs, \$26.1 million GSP) sectors. As a result of the interconnectedness of a state's economy and because both direct and multiplier effects are considered, other sectors of the economy not immediately associated with historic rehabilitation are affected as well, such as agriculture, mining and transportation and public utilities (Exhibit 2.10).

How does tax credit-aided historic rehabilitation fare as an economic pump-primer vis-à-vis other non-preservation investments? The short answer is *quite well*. A \$1 million investment in historic rehabilitation in Kansas realizes a markedly better economic effect to Kansas with respect to employment, income, GSP, and state-local taxes compared to a similar increment of investment (i.e. \$1 million) in an array of residential and nonresidential new construction (including building highways) in Kansas or a \$1 million investment in an array of business activities important in Kansas, such as manufacturing (e.g., electrical machinery and automobile), agriculture (wheat farming), and services (telecommunication). It is not a question of historic rehabilitation as opposed to other pursuits, but rather historic rehabilitation joining in a holistic fashion the many activities of the broader economy in Kansas so as to realize the commendable strong economic "bang for the buck" offered by that rehabilitation.



**Mayo 420, Tulsa, Oklahoma: Opened in 1910, Mayo 420, at Fifth and Main streets is one of Tulsa's oldest buildings. It is also one of Tulsa's more historic structures and is on the National Register of Historic Places. Its roots are deep in the history of Tulsa's oil boom.**



Case study analysis of KHTC implementation points to many additional qualitative benefits of the state tax credit, ranging from providing affordable housing to encouraging downtown economic development. For instance, an observer of the Philip Hardware Store rehabilitation concluded that the rehabilitation of the store and other projects in Hays “would not have been possible to date without the tax credit programs. The funds associated with redevelopment cost exceed the

amounts that can be satisfied or borrowed, so the tax credits provide the necessary incentive to continue with the projects.”

The cases have also sprouted local economic “shoots.” For example, in the Eagle’s Lodge project, almost all the \$800,000 spent to rehabilitate the building occurred in Wichita or

environs; all of the contractors and suppliers of material were from Wichita or nearby towns. The property owner is now paying more than five times as much property tax as he was before the rehabilitation.

The case studies also point to how the KHTC (as well as other allied programs) have helped foster the stabilization-revitalization of older yet important neighborhoods in Kansas and have encouraged adaptive reuse, sometimes with the added bonus of providing affordable housing. To illustrate, the Roosevelt-Lincoln project converted a recently vacated public school in downtown Salina into 61 low-income senior apartments; a property once described by the local newspaper as having the potential to become a “conspicuous downtown eyesore” is now an architectural gem in the center of the community. Concerning the Eagle’s Lodge rehabilitation and other KHTC efforts in Wichita, the city’s senior planner concluded that “the historic tax credits are an invaluable tool for relocating businesses in the downtown area.” A Leavenworth County commissioner described the renovated county courthouse as a “masterpiece” and noted that the refurbished building has been very popular with the general public.

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**A Leavenworth County commissioner described the renovated county courthouse as a “masterpiece” and noted that the refurbished building has been very popular with the general public.**



## EXHIBIT 2.1

### Explanation of Division-Level Economic Impacts Specified in the Current Study

The economic divisional-level results specified in the current study (Exhibits 2.1 and 2.2) include the following sections explained below.

#### SECTION I—TOTAL EFFECTS

Total effects by division including both direct and multiplier (indirect and induced) effects.

#### SECTION II—DISTRIBUTION OF EFFECTS MULTIPLIER

- II.1 Sum of all division direct effects
- II.2 Sum of all division multiplier (indirect and induced) effects
- II.3 Total effects (the sum of II.1 and II.2)
- II.4 Multiplier ratio of total effects (II.3) divided by direct effects (II.1)

#### SECTION III—COMPOSITION OF GROSS STATE PRODUCT

This comprises:

- III.1 Wages that are Net of taxes paid at the employer’s location<sup>a</sup>;
- III.2 Taxes—local state and federal; and
- III.3 Profits, dividends, rents, and other—which depending on the *year* of the GDP data used in the analysis, *geography*, and *sector* involved can be either positive or negative.
- III.4 Total gross state product (sum of III.1, III.2, and III.3)—the latter is from the firms (or “business”) expenditure accounts

#### SECTION IV—TAX ACCOUNTS

The sum of taxes remitted by both business (see Section III) and households (where the latter are not included in the section III gross state product) accounts. Section IV encompasses for both business and households:

- IV.1 Wages—Net of taxes at place of work (for business) and place of residence for non in-commuting households.
- IV.2 Taxes by *level* of government (local, state, and federal) and *type* (e.g., for federal—general and social security). Note: the taxes in Section III are for business only while taxes in Section IV include the business taxes from Section III and add as well household-generated taxes.

<sup>a</sup> Wages—Net of taxes are not the same as “income” (shown in Section I) for income includes wages, salaries, proprietor’s income, and employer-paid taxes.

**EXHIBIT 2.2****Economic and Tax Impacts of Federal HTC Investment on the Nation,  
Fiscal Years 1978-2010 (\$90.4 Billion)**

<b>Economic Component</b>				
	<b>OUTPUT (0\$)</b>	<b>EMPLOYMENT (JOBS)</b>	<b>INCOME (0\$)</b>	<b>GROSS DOMESTIC PRODUCT (0\$)</b>
<b>I. TOTAL EFFECTS (Direct and Indirect/Induced)*</b>				
1. Agriculture	2,230,031.8	14,695	154,896.4	330,904.0
2. Agri. Serv., Forestry, & Fish	1,082,070.7	19,630	376,566.3	586,265.8
3. Mining	3,945,475.2	16,448	961,677.6	1,687,869.5
4. Construction	41,056,241.6	591,911	23,909,149.6	29,234,541.1
5. Manufacturing	74,524,759.6	410,868	17,308,897.7	26,587,840.3
6. Transport. & Public Utilities	14,405,536.6	79,216	3,596,443.4	6,014,633.0
7. Wholesale	8,621,910.1	67,910	3,506,120.2	3,663,277.8
8. Retail Trade	13,417,654.7	297,977	4,937,027.0	7,811,589.3
9. Finance, Ins., & Real Estate	20,117,726.6	153,818	7,879,176.8	13,668,575.2
10. Services	29,732,142.6	359,557	13,337,163.1	13,696,204.0
11. Government	1,073,130.1	8,744	325,263.2	509,031.1
<b>Total Effects (Private and Public)</b>	<b>210,206,679.6</b>	<b>2,020,774</b>	<b>76,292,381.3</b>	<b>103,790,731.2</b>
<b>II. DISTRIBUTION OF EFFECTS/MULTIPLIER</b>				
1. Direct Effects	90,422,841.7	952,230	40,155,662.1	48,960,416.1
2. Indirect and Induced Effects	119,783,837.9	1,068,544	36,136,719.2	54,830,315.1
3. Total Effects	210,206,679.6	2,020,774	76,292,381.3	103,790,731.2
4. Multipliers (3/1)	2.325	2.122	1.900	2.120
<b>III. COMPOSITION OF GROSS STATE PRODUCT</b>				
1. Wages—Net of Taxes				64,768,823.1
2. Taxes				15,136,259.7
a. Local				2,322,977.9
b. State				2,283,606.2
c. Federal				10,529,675.7
General				2,349,936.8
Social Security				8,179,738.9
3. Profits, dividends, rents, and other				23,885,648.3
4. Total Gross State Product (1+2+3)				103,790,731.2
		<b>BUSINESS (000\$)</b>	<b>HOUSEHOLD (000\$)</b>	<b>TOTAL (000\$)</b>
<b>IV. TAX ACCOUNTS</b>				
1. Income—Net of Taxes	64,768,823.1	76,292,381.3		-----
2. Taxes	15,136,259.7	15,370,849.7		30,507,109.4
a. Local	2,322,977.9	1,741,616.5		4,064,594.4
b. State	2,283,606.2	1,870,357.0		4,153,963.2
c. Federal	10,529,675.7	11,758,876.1		22,288,551.9
General	2,349,936.8	11,758,876.1		14,108,812.9
Social Security	8,179,738.9	0.0		8,179,738.9
<b>INITIAL EXPENDITURE IN DOLLARS</b>				<b>90,422,841,705.3</b>

**NOTE:** Detail may not sum to totals due to rounding.

**TERMS:** *Direct Effects*—the proportion of direct spending on goods and services produced in the specified region. *Indirect Effects*—the value of goods and services needed to support the provision of those direct economic effects. *Induced Effects*—the value of goods and services needed by households that provide the direct and indirect labor.

**EXHIBIT 2.3****Economic and Tax Impacts of Federal HTC Investment on the Nation,  
Fiscal Year 2009 and 2010 (\$8.8 Billion)**

	Economic Component			
	OUTPUT (0\$)	EMPLOYMENT (JOBS)	INCOME (0\$)	GROSS DOMESTIC PRODUCT (0\$)
<b>I. TOTAL EFFECTS (Direct and Indirect/Induced)*</b>				
1. Agriculture	112,007.2	348	8,225.4	23,778.2
2. Agri. Serv., Forestry, & Fish	79,497.5	684	26,953.1	50,455.1
3. Mining	261,042.9	1,311	69,870.5	120,075.4
4. Construction	3,888,303.0	51,957	2,291,759.6	2,760,055.9
5. Manufacturing	6,121,511.8	33,356	1,452,441.3	2,375,450.6
6. Transport. & Public Utilities	911,444.2	5,690	238,548.7	433,987.5
7. Wholesale	682,630.8	4,858	277,593.4	294,274.1
8. Retail Trade	899,286.5	16,905	331,068.7	518,758.6
9. Finance, Ins., & Real Estate	1,084,862.0	6,012	385,127.3	686,974.3
10. Services	2,470,221.3	23,501	1,119,710.9	1,119,887.6
11. Government	73,786.4	528	22,343.1	34,889.2
<b>Total Effects (Private and Public)</b>	<b>16,584,593.7</b>	<b>145,149</b>	<b>6,223,642.2</b>	<b>8,418,586.6</b>
<b>II. DISTRIBUTION OF EFFECTS/MULTIPLIER</b>				
1. Direct Effects	8,786,278.7	83,558	3,902,233.1	4,836,132.7
2. Indirect and Induced Effects	7,798,315.0	61,592	2,321,409.1	3,582,453.9
3. Total Effects	16,584,593.7	145,149	6,223,642.2	8,418,586.6
4. Multipliers (3/1)	1.888	1.737	1.595	1.741
<b>III. COMPOSITION OF GROSS STATE PRODUCT</b>				
1. Wages—Net of Taxes				5,237,825.4
2. Taxes				1,224,492.2
a. Local				280,929.4
b. State				230,822.5
c. Federal				712,740.2
General				186,632.9
Social Security				526,107.3
3. Profits, dividends, rents, and other				1,956,269.0
4. Total Gross State Product (1+2+3)				8,418,586.6
		<b>BUSINESS (000\$)</b>	<b>HOUSEHOLD (000\$)</b>	<b>TOTAL (000\$)</b>
<b>IV. TAX ACCOUNTS</b>				
1. Income—Net of Taxes	5,237,825.4	4,907,000.1		-----
2. Taxes	1,224,492.2	993,596.3		2,218,088.5
a. Local	280,929.4	111,336.7		392,266.2
b. State	230,822.5	125,948.0		356,770.6
c. Federal	712,740.2	756,311.5		1,469,051.7
General	186,632.9	756,311.5		942,944.4
Social Security	526,107.3	0.0		526,107.3
<b>INITIAL EXPENDITURE IN DOLLARS</b>				<b>8,788,430,948.0</b>

**NOTE:** Detail may not sum to totals due to rounding.

**TERMS:** *Direct Effects*—the proportion of direct spending on goods and services produced in the specified region. *Indirect Effects*—the value of goods and services needed to support the provision of those direct economic effects. *Induced Effects*—the value of goods and services needed by households that provide the direct and indirect labor.

**EXHIBIT 2.4**

**Economic and Tax Impacts of Federal HTC Investment on the Nation by Year, Fiscal Years 1978–2010**

Year	Total Rehab. Costs (2010 \$ millions)	National Economic Impacts				Tax Impacts (2010 \$ thousands)			
		EMPLOYMENT (JOBS)	INCOME	2010 \$ MILLIONS GDP	OUTPUT	LOCAL	STATE	FEDERAL	TOTAL
1978	\$453,348,745	10,131	\$382,504	\$520,371	\$1,053,903	\$20,378	\$20,827	\$111,747	\$152,952
1979	\$1,269,558,573	28,372	\$1,071,163	\$1,457,247	\$2,951,353	\$57,068	\$58,323	\$312,937	\$428,327
1980	\$2,107,808,562	47,105	\$1,778,419	\$2,419,422	\$4,900,039	\$94,748	\$96,831	\$519,559	\$711,138
1981	\$2,839,431,235	63,456	\$2,395,711	\$3,259,206	\$6,600,848	\$127,635	\$130,442	\$699,898	\$957,975
1982	\$3,342,765,201	74,704	\$2,820,388	\$3,836,951	\$7,770,952	\$150,261	\$153,564	\$823,967	\$1,127,791
1983	\$4,700,182,249	105,040	\$3,965,680	\$5,395,046	\$10,926,550	\$211,278	\$215,923	\$1,158,560	\$1,585,761
1984	\$4,612,140,074	103,072	\$3,891,397	\$5,293,987	\$10,721,878	\$207,320	\$211,879	\$1,136,858	\$1,556,057
1985	\$4,718,203,915	105,443	\$3,980,886	\$5,415,732	\$10,968,445	\$212,088	\$216,751	\$1,163,002	\$1,591,841
1986	\$3,710,969,506	82,933	\$3,131,053	\$4,259,590	\$8,626,920	\$166,812	\$170,479	\$914,726	\$1,252,017
1987	\$2,901,946,096	64,853	\$2,448,456	\$3,330,963	\$6,746,177	\$130,445	\$133,313	\$715,308	\$979,067
1988	\$2,399,434,359	53,623	\$2,024,473	\$2,754,161	\$5,577,984	\$107,857	\$110,228	\$591,443	\$809,528
1989	\$2,199,682,441	49,159	\$1,855,936	\$2,524,878	\$5,113,619	\$98,878	\$101,052	\$542,205	\$742,135
1990	\$1,839,746,789	41,115	\$1,552,248	\$2,111,730	\$4,276,874	\$82,698	\$84,517	\$453,484	\$620,699
1991	\$1,586,640,954	35,458	\$1,338,695	\$1,821,206	\$3,688,477	\$71,321	\$72,889	\$391,095	\$535,305
1992	\$1,807,381,487	40,391	\$1,524,940	\$2,074,580	\$4,201,634	\$81,244	\$83,030	\$445,506	\$609,779
1993	\$1,301,809,885	29,093	\$1,098,375	\$1,494,266	\$3,026,328	\$58,518	\$59,804	\$320,886	\$439,208
1994	\$1,110,195,734	24,811	\$936,704	\$1,274,324	\$2,580,881	\$49,904	\$51,002	\$273,655	\$374,561
1995	\$1,253,677,888	28,017	\$1,057,764	\$1,439,019	\$2,914,435	\$56,354	\$57,593	\$309,022	\$422,969
1996	\$1,626,537,069	36,350	\$1,372,357	\$1,867,000	\$3,781,223	\$73,114	\$74,722	\$400,929	\$548,766
1997	\$1,423,390,664	31,810	\$1,200,956	\$1,633,821	\$3,308,967	\$63,983	\$65,390	\$350,855	\$480,227
1998	\$1,374,472,751	30,717	\$1,159,683	\$1,577,671	\$3,195,247	\$61,784	\$63,142	\$338,797	\$463,723
1999	\$1,814,454,681	40,550	\$1,530,908	\$2,082,699	\$4,218,077	\$81,561	\$83,355	\$447,249	\$612,166
2000	\$3,094,717,701	69,161	\$2,611,103	\$3,552,233	\$7,194,314	\$139,111	\$142,169	\$762,825	\$1,044,104
2001	\$3,176,070,983	70,979	\$2,679,743	\$3,645,613	\$7,383,437	\$142,767	\$145,907	\$782,878	\$1,071,552
2002	\$3,550,452,381	79,346	\$2,995,620	\$4,075,342	\$8,253,764	\$159,596	\$163,105	\$875,160	\$1,197,861
2003	\$4,645,847,892	103,826	\$3,919,837	\$5,332,679	\$10,800,239	\$208,835	\$213,427	\$1,145,167	\$1,567,429
2004	\$3,327,176,562	74,356	\$2,807,236	\$3,819,058	\$7,734,713	\$149,560	\$152,848	\$820,124	\$1,122,532
2005	\$3,326,897,106	74,350	\$2,807,000	\$3,818,737	\$7,734,063	\$149,547	\$152,835	\$820,055	\$1,122,438
2006	\$3,281,778,903	73,341	\$2,768,932	\$3,766,949	\$7,629,177	\$147,519	\$150,763	\$808,934	\$1,107,216
2007	\$3,331,028,357	74,442	\$2,810,485	\$3,823,479	\$7,743,667	\$149,733	\$153,025	\$821,073	\$1,123,832
2008	\$3,482,931,160	77,837	\$2,938,650	\$3,997,839	\$8,096,797	\$156,561	\$160,003	\$858,516	\$1,175,081
2009	\$4,992,091,494	111,564	\$4,211,973	\$5,730,110	\$11,605,154	\$224,399	\$229,333	\$1,230,513	\$1,684,246
2010	\$3,820,070,310	85,371	\$3,223,104	\$4,384,820	\$8,880,547	\$171,716	\$175,491	\$941,619	\$1,288,826
<b>TOTALS</b>	<b>\$90,422,841,705</b>	<b>2,020,774</b>	<b>\$76,292,381</b>	<b>\$103,790,731</b>	<b>\$210,206,680</b>	<b>\$4,064,594</b>	<b>\$4,153,963</b>	<b>\$22,288,552</b>	<b>\$30,507,109</b>

SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University

**EXHIBIT 2.5****Economic and Tax Impacts of Federal HTC Investment on the Nation by State, Fiscal Years 2009 and 2010**

Year	Total Rehab. Costs (2010 \$ millions)	National Economic Impacts				Tax Impacts (2010 \$ thousands)			
		EMPLOYMENT (JOBS)	2010 \$ MILLIONS INCOME	2010 \$ MILLIONS GDP	2010 \$ MILLIONS OUTPUT	LOCAL	STATE	FEDERAL	TOTAL
AL	\$21.6	399	\$13.7	\$25.8	\$35.5	\$383.6	\$571.1	\$3,298.4	\$4,253.1
AK	\$23.7	0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
AZ	\$11.5	199	\$6.8	\$8.8	\$22.2	\$10,933.6	\$7,060.6	\$1,929.2	\$19,923.4
AR	\$34.5	714	\$24.0	\$35.8	\$63.7	\$684.0	\$1,249.0	\$5,775.7	\$7,708.7
CA	\$462.6	6,900	\$335.4	\$438.0	\$905.1	\$11,673.2	\$18,665.9	\$84,974.8	\$115,313.9
CO	\$5.1	328	\$3.6	\$5.0	\$9.6	\$130.1	\$165.7	\$851.8	\$1,147.7
CT	\$100.9	1,445	\$70.3	\$97.7	\$184.6	\$5,315.6	\$4,507.3	\$16,178.2	\$26,001.1
DE	\$16.6	263	\$11.7	\$16.0	\$31.0	\$767.7	\$806.0	\$2,618.4	\$4,192.1
DC	\$205.7	2,988	\$138.7	\$187.5	\$362.1	\$13,828.8	\$5,546.6	\$28,107.9	\$47,483.3
FL	\$381.4	6,647	\$269.4	\$364.9	\$713.9	\$19,719.8	\$11,918.4	\$64,336.0	\$95,974.2
GA	\$33.2	655	\$23.0	\$33.9	\$60.7	\$1,564.9	\$1,519.3	\$5,612.4	\$8,696.5
HI	\$0.0	0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ID	\$2.2	42	\$1.5	\$2.1	\$3.9	\$51.1	\$53.1	\$324.0	\$428.2
IL	\$216.3	3,188	\$157.4	\$203.2	\$422.3	\$6,853.0	\$6,220.4	\$37,873.8	\$50,947.1
IN	\$168.3	2,950	\$120.3	\$161.9	\$321.2	\$55,457.1	\$36,951.8	\$28,607.4	\$121,016.3
IA	\$96.0	1,735	\$65.0	\$97.0	\$168.9	\$3,213.8	\$2,859.6	\$15,054.8	\$21,128.2
KS	\$87.7	1,593	\$61.3	\$84.9	\$162.6	\$20,694.9	\$14,397.4	\$14,110.6	\$49,202.8
KY	\$69.5	1,331	\$48.1	\$68.0	\$127.3	\$6,954.3	\$5,538.7	\$11,083.1	\$23,576.2
LA	\$634.7	11,213	\$452.4	\$592.7	\$1,202.4	\$22,144.2	\$23,067.7	\$104,131.9	\$149,343.7
ME	\$64.4	976	\$37.9	\$56.9	\$123.5	\$2,923.0	\$2,717.1	\$10,204.2	\$15,844.3
MD	\$338.5	5,228	\$237.6	\$319.5	\$627.9	\$10,983.2	\$9,937.3	\$54,192.2	\$75,112.7
MA	\$677.3	8,801	\$475.3	\$637.6	\$1,261.2	\$18,069.6	\$21,800.7	\$109,311.7	\$149,182.1
MI	\$528.8	8,402	\$374.6	\$501.9	\$997.5	\$15,673.4	\$19,060.1	\$87,346.4	\$122,079.8
MN	\$32.8	516	\$23.0	\$31.0	\$61.2	\$1,151.0	\$1,302.1	\$5,285.4	\$7,738.5
MS	\$108.7	2,265	\$75.7	\$107.4	\$200.2	\$8,225.3	\$6,552.9	\$17,590.1	\$32,368.4
MO	\$974.1	16,688	\$694.7	\$920.3	\$1,852.0	\$26,905.4	\$30,775.5	\$161,327.9	\$219,008.7
MT	\$4.3	84	\$3.0	\$4.3	\$8.0	\$160.9	\$149.1	\$676.4	\$986.4
NB	\$3.9	75	\$2.7	\$3.9	\$7.0	\$811.4	\$554.4	\$607.9	\$1,973.7
NV	\$0.0	0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
NH	\$20.7	318	\$14.4	\$20.1	\$38.3	\$808.9	\$287.6	\$3,301.4	\$4,397.9

continued on the next page

**EXHIBIT 2.5** (continued)**Economic and Tax Impacts of Federal HTC Investment on the Nation by State, Fiscal Years 2009 and 2010**

Year	Total Rehab. Costs (2010 \$ millions)	National Economic Impacts				Tax Impacts (2010 \$ thousands)			
		EMPLOYMENT (JOBS)	INCOME	2010 \$ MILLIONS		LOCAL	STATE	FEDERAL	TOTAL
				GDP	OUTPUT				
NJ	\$18.2	262	\$12.9	\$17.0	\$34.6	\$357.5	\$538.7	\$2,981.9	\$3,878.1
NM	\$25.0	481	\$17.7	\$24.3	\$47.2	\$1,076.3	\$1,062.8	\$4,109.4	\$6,248.5
NY	\$491.7	8,135	\$350.4	\$468.0	\$925.3	\$31,866.2	\$26,999.1	\$84,527.1	\$143,392.3
NC	\$194.6	3,645	\$137.0	\$194.9	\$364.4	\$4,703.2	\$6,802.4	\$33,279.2	\$44,784.8
ND	\$0.0	0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
OH	\$238.5	4,284	\$169.8	\$234.9	\$452.8	\$10,353.5	\$8,723.3	\$41,358.6	\$60,435.4
OK	\$72.0	1,421	\$51.3	\$72.0	\$137.6	\$1,734.9	\$2,505.3	\$12,363.6	\$16,603.8
OR	\$195.8	3,463	\$142.1	\$186.3	\$381.1	\$5,091.5	\$6,861.3	\$34,130.7	\$46,083.4
PA	\$380.0	6,176	\$275.8	\$365.6	\$740.9	\$12,665.2	\$10,740.4	\$66,902.0	\$90,307.7
RI	\$310.2	4,732	\$211.6	\$317.7	\$558.0	\$11,221.1	\$9,812.4	\$48,470.3	\$69,503.7
SC	\$85.8	1,603	\$59.5	\$87.0	\$156.7	\$2,456.3	\$2,752.6	\$14,256.2	\$19,465.1
SD	\$9.3	186	\$6.5	\$8.5	\$17.3	\$299.2	\$174.6	\$1,390.9	\$1,864.6
TN	\$142.9	2,527	\$100.2	\$138.6	\$266.3	\$4,033.2	\$3,061.2	\$23,298.8	\$30,393.2
TX	\$249.8	4,035	\$180.9	\$236.6	\$489.2	\$8,626.3	\$4,955.9	\$44,578.0	\$58,160.1
UT	\$66.6	1,234	\$46.7	\$65.5	\$123.7	\$1,756.1	\$2,220.5	\$10,962.7	\$14,939.3
VT	\$34.4	611	\$24.9	\$32.7	\$66.0	\$1,346.8	\$1,697.5	\$5,603.5	\$8,647.8
VA	\$727.9	12,250	\$520.9	\$704.0	\$1,386.9	\$18,861.0	\$24,448.2	\$124,656.9	\$167,966.1
WA	\$115.6	1,852	\$82.9	\$112.3	\$222.1	\$5,336.7	\$4,178.9	\$19,952.0	\$29,467.6
WV	\$35.8	684	\$24.8	\$35.9	\$65.2	\$1,084.4	\$1,251.3	\$5,746.9	\$8,082.6
WI	\$92.0	1,601	\$65.2	\$89.6	\$172.8	\$3,245.5	\$3,704.7	\$15,516.1	\$22,466.3
WY	\$1.2	25	\$0.9	\$1.3	\$2.4	\$69.5	\$44.3	\$255.3	\$369.1
<b>TOTALS</b>	<b>\$8,812.2</b>	<b>145,149</b>	<b>\$6,223.6</b>	<b>\$8,418.6</b>	<b>\$16,584.6</b>	<b>\$392,266.2</b>	<b>\$356,770.6</b>	<b>\$1,469,051.7</b>	<b>\$2,218,088.5</b>

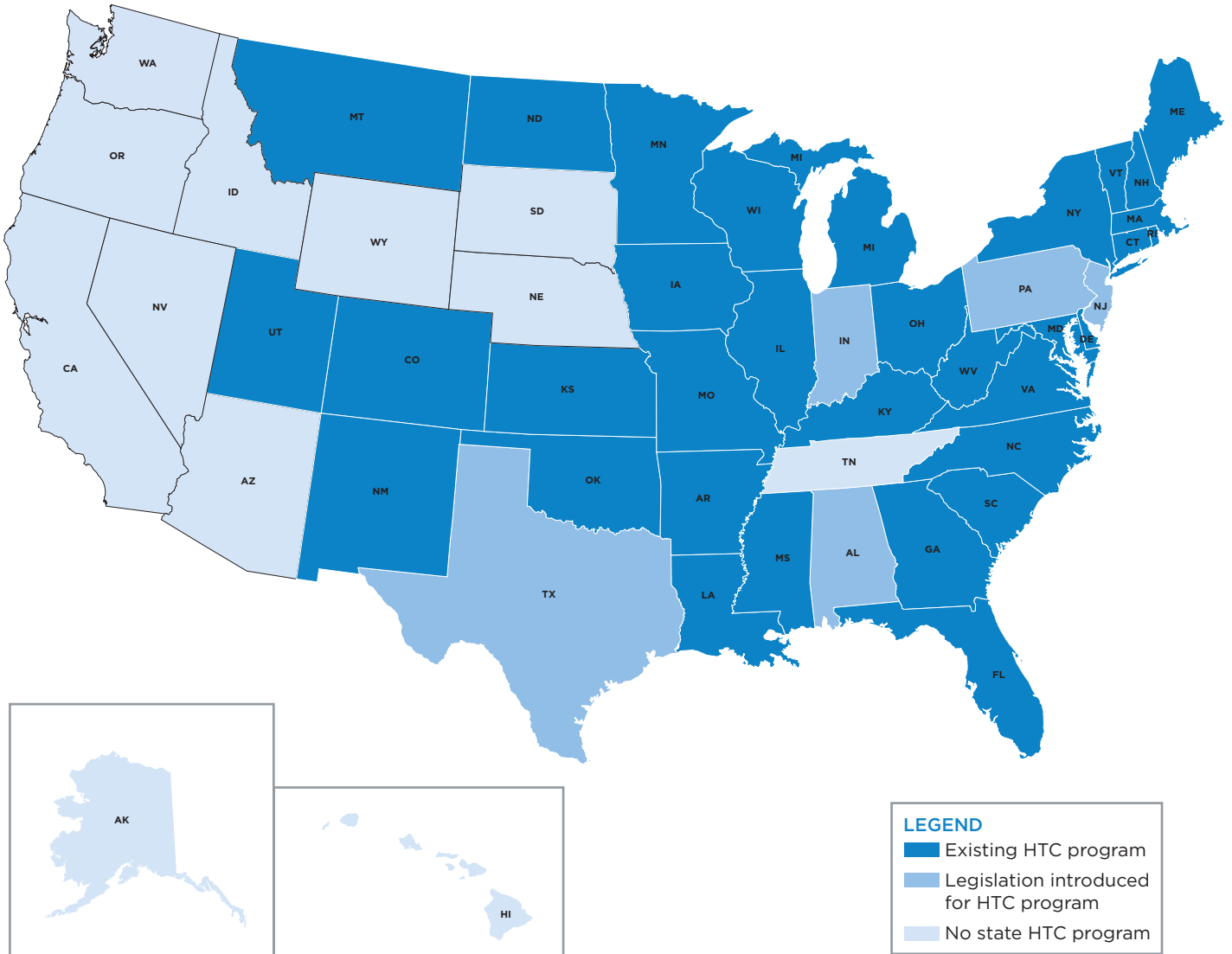
SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University



**EXHIBIT 2.6****Summary of the Two-Year FY 2009 and 2010 Economic Impacts of Federal HTC Investment in Illinois, Missouri, and Pennsylvania**

Direct Effects		I: Illinois Rehabilitation Using HTC—\$216.3 million FY 2009 and 2010 total rehabilitation costs results in:	II: Missouri Rehabilitation Using HTC—\$974.1 million FY 2009 and 2010 total rehabilitation costs results in:	III: Pennsylvania Rehabilitation Using Federal HTC—\$380.0 million FY 2009 and 2010 total rehabilitation costs results in:
<b>NATIONAL TOTAL (DIRECT AND MULTIPLIER) IMPACTS</b>				
<b>National Total Impacts (Direct and Multiplier)</b>	Jobs (person-years)	3,188	16,688	6,176
	Income (\$ million)	157.4	694.7	275.8
	Output (\$ million)	422.3	1,852.0	740.9
	GDP* (\$ million)	203.2	920.3	365.6
	Taxes (\$ million)	50.9	219.0	90.3
	Federal (\$ million)	37.9	161.3	66.9
	State (\$ million)	6.2	30.8	10.7
	Local (\$ million)	6.9	26.9	12.7
<b>IN-STATE TOTAL (DIRECT AND MULTIPLIER) IMPACTS</b>				
<b>State Portion of National Total Impacts</b>	Jobs (person-years)	2,429	12,417	4,803
	Income (\$ million)	122.4	522.6	216.4
	Output (\$ million)	289.7	1,205.7	522.0
	GSP* (\$ million)	152.2	640.6	276.3
	Taxes (\$ million)	46.6	198.6	82.5
	Federal (\$ million)	35.8	152.8	63.1
	State (\$ million)	5.2	25.6	9.0
	Local (\$ million)	5.6	20.2	10.4
In-state wealth* (\$ million)	135.3	568.3	333.3	
*GDP = Gross Domestic Product; GSP = Gross State Product; In-state wealth = GSP less federal taxes				
Note: Totals may differ from indicated subtotals because of rounding				

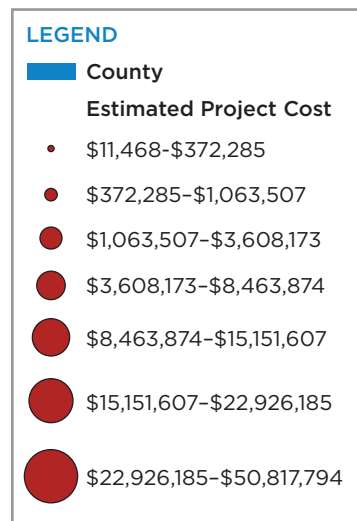
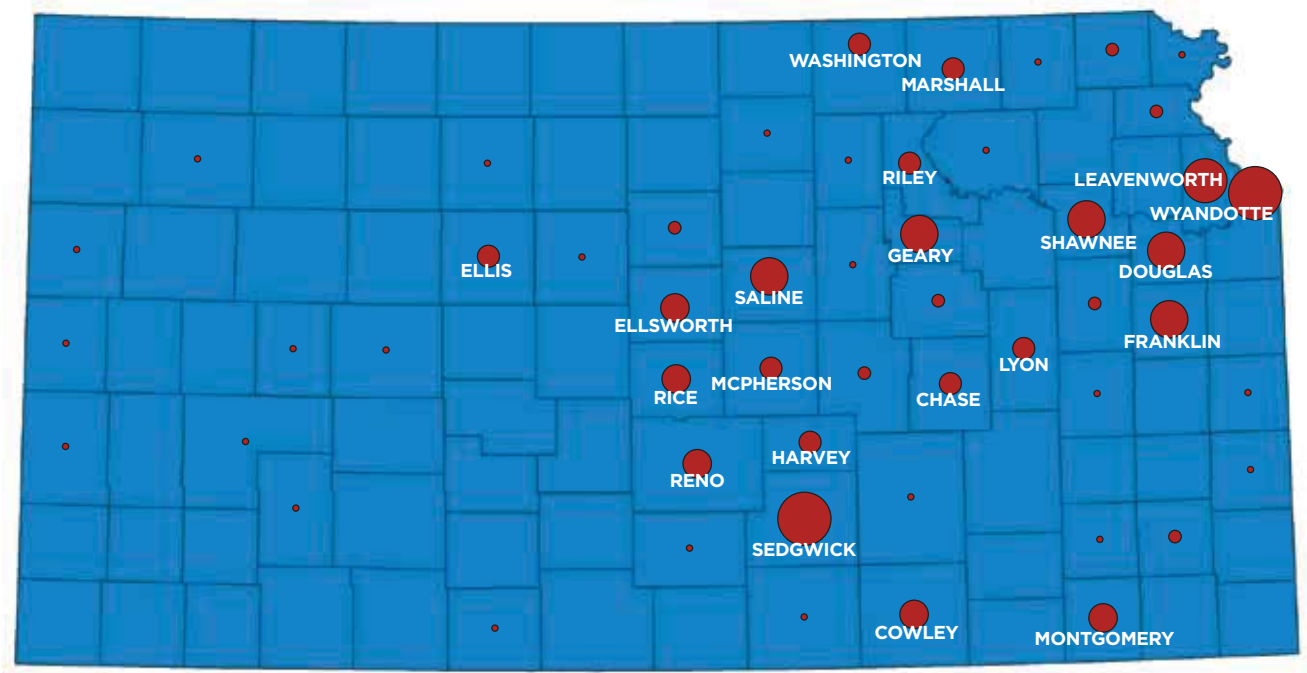
## EXHIBIT 2.7 Historic Tax Credits: State Programs



SOURCE: Novogradac and Company LLP

## EXHIBIT 2.8

### Kansas County Map of Costs of Projects Receiving State Tax Credits



DATA SOURCE: U.S. Census 2009 TIGER/Line; Historic Preservation Office of the Kansas State Historical Society

## EXHIBIT 2.9

### Selected Census Data for Overall State of Kansas and Areas with Kansas State Historic Tax Credits (KHTC)

#### Zip Codes and 2000 Census Data

POPULATION							
	POPULATION DENSITY (PER SQUARE MILES)	% URBAN	% WHITE	% MINORITIES (NON-WHITE & HISPANIC)	MEDIAN HOUSEHOLD INCOME	% POVERTY	% UNEMPLOYED
<b>Total Kansas</b>							
Average of all zip codes in Kansas	254.8	20.3	92.3	7.7	\$37,338	10.3	3.4
<b>KHTC Locations</b>							
Average of all zip codes with KHTC historic rehabilitation projects	532.8	52.4	85.3	14.7	\$34,085	12.8	5.3
Average of top 10 zip codes with KHTC historic rehabilitation projects	800.0	81.2	70.7	29.3	\$31,656	17.3	8.7
HOUSING UNITS							
		% RENTER OCCUPIED HOUSING	MEDIAN HOUSING VALUES (ALL OWNER-OCCUPIED)	PAY MORE THAN 30% OF INCOME FOR OWNER-OCCUPIED HOUSING	PAY MORE THAN 30% OF INCOME FOR RENTAL HOUSING		
<b>Total Kansas</b>							
Average of all zip codes in Kansas		31.8	\$60,534	13.7			25.5
<b>KHTC Locations</b>							
Average of all zip codes with KHTC historic rehabilitation projects		30.4	\$60,128	14.0			29.9
Average of top 10 zip codes with KHTC historic rehabilitation projects		37.4	\$61,020	15.9			36.6

SOURCE: Kansas Historic Tax Credit Database and Rutgers University analysis of Kansas Census (2000) data by zip code

## EXHIBIT 2.10

### Summary of Cumulative Investment and Benefits of the Kansas Historic Tax Credit

FY 2002-2009

#### Total (Direct and Multiplier) Impacts of the KHTC (Cumulative \$271.0 million, FY 2002-2009)

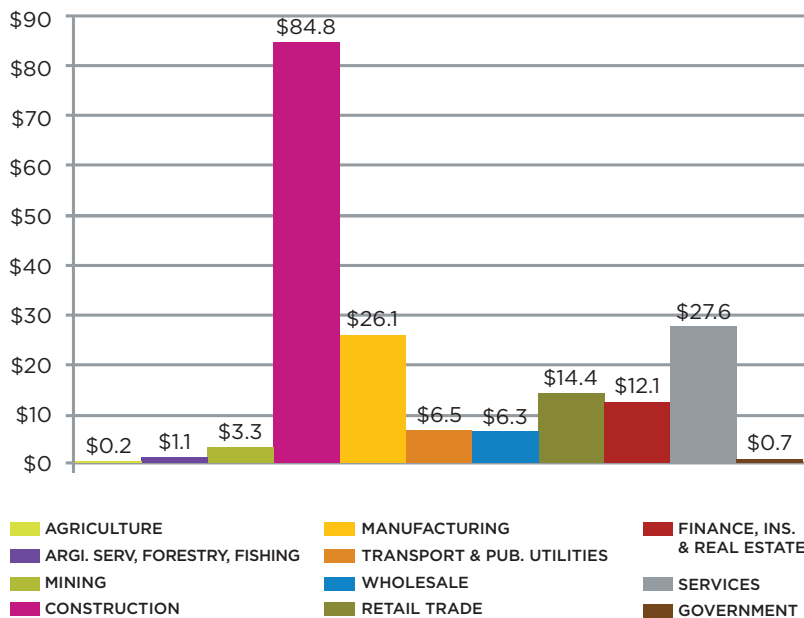
Economic Benefits to Kansas	
Jobs (person-years)	4,443
Income	\$141.6 million
Output	\$323.2 million
Gross state product	\$182.9 million
Total taxes	\$56.2 million
Federal taxes	\$41.4 million
State & local taxes	\$14.8 million
State-alone taxes	\$7.8 million
In-state wealth (GSP less federal taxes)	\$141.5 million

#### Jobs and Income Benefits to Kansas by Economic Sector

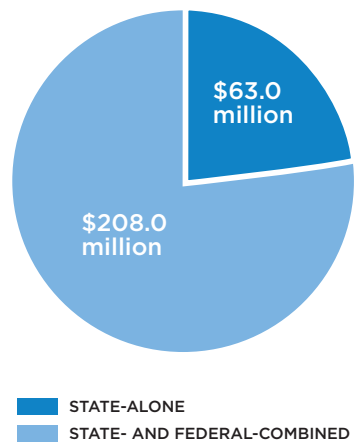
	JOBS	INCOME
Construction	2,003	\$69.9 million
Services	832	\$27.3 million
Retail trade	605	\$8.7 million
Manufacturing	500	\$17.4 million
Other Sectors	503	\$18.3 million
Total	4,443	\$141.6 million

#### Gross State Product (Economic Value Added) Created by KHTC-Aided Rehabilitation

(\$271.0 million cumulative, FY 2002-2009)



#### Direct Rehabilitation Investment in Kansas







## SECTION 2

# Qualitative Impacts of the Federal Historic Tax Credit—Selected National Case Studies

Thus far the analysis has quantified the economic impacts of the federal HTC as estimated by the Rutgers Input-Output model (PEIM). Our review has also briefly examined the important state historic tax credits. We get a further perspective on the federal and state HTC's impacts through qualitative case study analysis. The latter describe what transpired on a project by project basis and provide not only the local economic impacts, but additionally what the rehabilitation aided by the federal HTC has meant to local communities.

As part of the current investigation, five case studies were conducted. The five cases involved the rehabilitation of the:

- Mayo 420—Tulsa, Oklahoma
- Maritime Building—New Orleans, Louisiana
- Old Salem Jail—Salem, Massachusetts
- Professional Arts Building—Baltimore, Maryland
- Roosevelt-Lincoln Junior High School—Salina, Kansas

Each case study is organized in a parallel format that includes the following sections:

- Project summary
- Property description
- Project description
- Project budget and sources of funding
- Project results/impacts

We encourage the reader to browse all five case studies for they show the important preservation “facts on the ground” realized by the federal HTC. As a preview of the five cases, we offer the following synopsis.

The case studies point to how the federal HTC (as well as other allied programs) have helped foster the stabilization and revitalization of older yet important neighborhoods in various communities across the country and have encouraged adaptive reuse,

sometimes with the added bonus of providing affordable housing. This year's featured projects include two large mixed-use (market rate housing, office and retail) projects, Mayo 420 in downtown Tulsa and Maritime Building in New Orleans' Central Business District. Also included is the Old Salem Jail in Salem, MA, the conversion of an early 19th century jail into market rate housing and a restaurant. The Professional Arts Building in Baltimore's Mount Vernon neighborhood provides moderate income housing for graduate students and young professionals and includes a first-floor grocery and café. The Roosevelt-Lincoln Junior High School in Salina, KS was adaptively reused for low-income senior housing.

In the aggregate, the 5 projects had total costs of \$112,718,926, ranging from about \$8.6 million to about \$36.5 million, with an average cost of \$22.5 million.

Of the total project costs, rehabilitation and construction costs were most significant at \$67.6 million, (59% of total), followed by soft and other costs, \$33.0 million (29%), and finally acquisition costs, which were \$12.0 million (11%). The sources of total project funds—\$112.7 million—came from a variety of sources including \$56.3 million in equity, \$46.9 million in debt and \$9.5 million from other sources.

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### **Tax credit assistance of various types is absolutely crucial for the financing of historic rehabilitation projects.**

A total of \$42.5 million in equity came from various tax credits including federal and state HTC's and federal New Markets and Low-Income Housing Tax Credits. The

developers contributed \$13.9 million in equity. All of the five case studies "twinned" the federal Historic Tax Credit with either state HTC's, the LIHTC or the NMTC. Tax credit assistance of various types is absolutely crucial for the financing of historic rehabilitation projects.

Taking on debt was the second largest source of funding for these five case studies. Of the \$46.9 million in debt, \$27.5 million was acquired through banks, and \$19.4 million through government loans or other sources.

In summary, successful rehabilitation projects are enabled by a layering of sources of funds and various subsidies, anchored by the federal historic and complementary credits.

**EXHIBIT 3.1****Summary of Costs and Funding Sources of Five Historic Rehabilitation Case Studies**

	Mayo 420	Maritime Building	Old Salem Jail	Professional Arts	Roosevelt-Lincoln	Total
<b>USES</b>						
Acquisition	\$1,399,000	\$6,800,000	\$160,000	\$3,660,000	\$2,500	\$12,021,500
Rehabilitation	\$22,303,733	\$16,639,999	\$8,034,444	\$14,028,643	\$6,611,904	\$67,618,723
Soft Costs	\$7,083,569	\$13,094,461	\$3,299,583	\$7,575,891	\$2,025,199	\$33,078,703
<b>Total Uses</b>	<b>\$30,786,302</b>	<b>\$36,534,460</b>	<b>\$11,494,027</b>	<b>\$25,264,534</b>	<b>\$8,639,603</b>	<b>\$112,718,926</b>
<b>SOURCES</b>						
Bank Debt	\$8,700,000	—	\$4,915,000	\$12,770,000	\$1,100,000	\$27,485,000
Non Conv. Debt	\$3,000,000	\$16,422,100	—	—	\$0	\$19,422,100
Equity—Credits	\$12,649,162	\$12,111,980	\$3,938,266	\$6,466,224	\$7,281,110	\$42,446,742
Equity—Developer	\$2,181,140	\$6,950,380	\$1,750,000	\$3,022,832	\$0	\$13,904,352
Other	\$4,256,000	\$1,050,000	\$890,760	\$3,005,479	\$258,493	\$9,460,732
<b>Total Sources</b>	<b>\$30,786,302</b>	<b>\$36,534,460</b>	<b>\$11,494,026</b>	<b>\$25,264,535</b>	<b>\$8,639,603</b>	<b>\$112,718,926</b>



## Case Studies

- 48**    **Mayo 420**  
Tulsa, Oklahoma
  
- 51**    **Maritime Building**  
New Orleans, Louisiana
  
- 54**    **Old Salem Jail**  
Salem, Massachusetts
  
- 58**    **Professional Arts Building**  
Baltimore, Maryland
  
- 61**    **Roosevelt-Lincoln  
Junior High School**  
Salina, Kansas

## CASE STUDY: MAYO 420



### PROJECT PROFILE

<b>Current Name:</b>	<b>Mayo 420</b>
<b>Historic Name:</b>	<b>The Mayo Building</b>
<b>Owner:</b>	<b>Wiggin Properties, LLC, Tulsa, OK</b>
<b>Construction date:</b>	<b>1909-1910</b>
<b>Date of Rehab:</b>	<b>2008-2010</b>
<b>Original Use:</b>	<b>Office space and furniture business</b>
<b>New Use:</b>	<b>Mixed use; upper floor apartments and 35,000 square feet of retail and office space, including a YMCA fitness facility</b>
<b>Federal Historic Tax Credits:</b>	<b>\$6,251,400</b>
<b>Total Project Costs:</b>	<b>\$30,786,302</b>
<b>Housing Units:</b>	<b>67</b>
<b>Incentives:</b>	<b>Federal Historic Tax Credits</b>
<b>Other Incentives:</b>	<b>State historic and New Markets Tax Credits</b>

The rehabilitation of the Mayo Building revitalized a storied Tulsa landmark that was nearly 100% vacant for almost 15 years. The project created 67 units of market rate loft housing, in keeping with the economic development objectives of the City of Tulsa to create housing downtown. YMCA of Greater Tulsa occupies approximately 24,000 square feet of the Mayo Building for its offices and a health club facility, ensuring that its programs to promote physical and emotional well-being are available to the diverse residents in the surrounding community.



## Community Demographics

City of Tulsa Population in 2009: 389,625

Estimated Median Household Income in 2009: \$38,426

Estimated Median House or Condo Value in 2009: \$121,100

## About the Property

The Mayo Building was completed in 1910 as a five-story commercial building that housed John and Cass Mayo's growing furniture business and offices in downtown Tulsa, just as the city was becoming the "oil capital of the world." At five stories tall, it was only the fourth building in Tulsa of this height. Subsequent construction in 1914 created a mirror image addition to the north, and five more stories were added in 1917. The Mayo Building is the oldest of Tulsa's remaining original oil business buildings and is the oldest office building in the city. It is one of a group of nine other office buildings in the vicinity that reflect the city's dominant Art Deco architectural style. Wiggin Properties, LLC bought the property in 2006, rescuing it from a prolonged period of near total vacancy. The project, and other similar residential conversion development projects nearby, including the historic Mayo Hotel and the Philtower represent an important evolution of downtown Tulsa, which by the early 2000s, had 40% of its land in use as surface parking lots.

## Project Description

Wiggin Properties, LLC has invested in a wide range of commercial projects in Oklahoma City and Tulsa, valued at \$72 million over the last five years. The architect was Kinslow, Keith & Todd, an architecture firm based in Tulsa that has experience with more than 100 major projects. Wiggin Properties is also serving as general contractor and property manager.

The scope of work involved replacement of all HVAC, mechanical, electrical and plumbing systems, removal of non historic interior partition walls, dropped ceilings and other inappropriate additions and replacement of damaged granite panels and the terra cotta cornice with in-kind materials. The historic trim and details in the lobbies and corridors were restored as were original door openings and tile and terrazzo floors.

### Community Benefits

- > **308 construction jobs**
- > **75 permanent jobs**
- > **\$1.59 million in state and local taxes**
- > **\$25.96 million in gross state product**

## Project Budget

Uses	Amount
Acquisition	\$1,399,000
Rehabilitation Hard Costs	\$22,303,733
Soft Costs	\$1,233,179
Financing Costs	\$994,390
Reserves	\$300,000
Deferred Developer Fee	\$4,566,000
<b>Total Development Cost</b>	<b>\$30,786,302</b>

## Funding Sources

Equity/debt from Historic & New Markets Tax Credits	\$12,649,162
Loan—Bank of Oklahoma	\$8,700,000
Loan—City of Tulsa's Vision 2025	\$3,000,000
Managing Member Equity	\$2,181,140
Deferred Developer Fee:	\$4,256,000
<b>Total Funding Sources</b>	<b>\$30,786,302</b>

## Results

The \$31 million rehabilitation of the historic Mayo Building converts the property into 67 upper-floor apartments and approximately 35,000 square feet of nonprofit, restaurant and office space. The YMCA of Greater Tulsa is currently leasing 95% of the basement and lower two floors at below-market rent for its health club and offices. From this location, the YMCA operates its health and wellness programs, including those targeted at youth and at-risk populations. The creation of downtown housing is viewed as an important component of Tulsa's growth plan, and complements other downtown development projects, including the recently opened BOK Center, a 19,000 seat multi-purpose arena, and ONEOK Field, the new downtown ballpark. City views, polished concrete floors and original crown molding make for distinctive housing that provides residential tenants convenient access to shopping, dining and entertainment.

## CASE STUDY: The Maritime Building

800 Common Street, New Orleans, Louisiana



### PROJECT PROFILE

<b>Current Name:</b>	<b>Maritime Building</b>
<b>Historic Name:</b>	<b>Originally named the Hennen Building, later called the Latter and Blum Building</b>
<b>Construction date:</b>	<b>1893</b>
<b>Date of Rehab:</b>	<b>2010</b>
<b>Original Use:</b>	<b>Commercial structure</b>
<b>New Use:</b>	<b>Mixed-use residential, office, retail</b>
<b>Total Project Costs:</b>	<b>\$36,534,460</b>
<b>Federal Historic Tax Credit (HTC) Equity:</b>	<b>\$6,811,980</b>
<b>Housing Units:</b>	<b>105 market-rate residential units with 9,000 square feet of ground floor commercial space and 11,300 sf of second floor offices.</b>
<b>Other Financial Incentives:</b>	<b>State Historic Tax Credits, New Markets Tax Credits (NMTC), U.S. Department of Housing and Urban Development (HUD) Federal Housing Administration (FHA)-insured loan</b>

New Orleans' first skyscraper is located in the heart of downtown New Orleans, one block off of Canal Street, on the corner of Carondelet and Common Streets. Built in 1893 as the Hennen Building by Architect Thomas Sully and holding the title of the city's tallest building from 1895-1904, this building has always been a first-class address with a rich history.

## About New Orleans

Population in July 2009: 354,850

Estimated median household income in 2009: \$36,468

Estimated median house or condo value in 2009: \$192,600

## About the Property

The Maritime building, damaged by and subsequently vacated after Hurricane Katrina when Latter & Blum Realtors Inc. moved to the Warehouse District, has gone through many major transformations in its 116-year history. In 1920, when Canal Bank & Trust Co. wanted to move into what had become the heart of the city's banking sector, the previously symmetrical building was extended along Carondelet Street to make more room for the vaults. The second floor was modified to create elegant, arched windows befitting a bank lobby, and an observatory on top of the building that overlooked the river was enclosed to create an 11th floor. All the window bays on Carondelet have views of Bourbon Street because of the curve in the road. A Registered Historic Place, the building is located in the New Orleans Central Business District.

## Project Description

The project involves the renovation of the historic property into 105 market-rate apartments, and 11,800 sf of retail and office space. The number of downtown rental residential dwelling units in New Orleans has declined over the past six to eight years, as many historic buildings have been converted from rentals to condominiums. This conversion process, combined with the destruction of tens of thousands of single and multifamily units throughout greater New Orleans by Hurricane Katrina, has created a shortage of rental housing.

Since the hurricanes of 2005, most developers have focused on mixed or low-income developments but few 100 percent market-rate projects have begun construction. Maritime is only the fourth downtown market-rate residential development announced since the storm (two have been completed and construction on the third has just begun); all four projects total only 400 units.

The residential density in downtown New Orleans must increase dramatically because it is one of only a few areas in the city on higher ground. Additionally, the existing CBD condominiums and rentals need more amenities, such as grocery stores, pharmacies, banks and bookstores. The Maritime Building's ground floor will include a regional bank, a coffee and crepe cafe—both of which will support further downtown residential development. "New Orleans has a very tight, heavily walked downtown area, so this building is well-located," Wisznia says. "It's very close to major office buildings and one block to the French Quarter and all of its restaurants, cafes, theaters, museums- everything people seek in urban living."

### Community Benefits

- > **334 construction jobs**
- > **366 permanent jobs**
- > **\$1.99 million in state and local taxes**
- > **\$24.94 million in gross state product**

## Project Budget

Uses	Amount
Acquisition	\$6,800,000
Rehabilitation Hard Costs	\$16,639,999
Soft Costs	\$4,796,249
Other Financing Costs	\$8,298,212
<b>Total</b>	<b>\$36,534,460</b>

## Funding Sources

The Maritime Building project used an acquisition bridge loan from Wells Fargo Bank, which assisted in maintaining site control as the additional financing was arranged. Project financing consisted of equity from the state and federal NMTCs and HTC's described above and construction/permanent financing in the form of an FHA 221(d)(4) loan. Wells Fargo will also be the FHA lender. A local community bank, Omni Bank, is providing tax credit bridge financing.

FHA Mortgage	\$16,422,100
Federal HTC Equity	\$6,811,980
Louisiana HTC Equity	\$3,500,000
Federal NMTC	\$1,800,000
Deferred Architect and Developer Fees	\$1,050,000
Builder's Profit	\$1,919,464
Owners' Equity Contribution	\$5,030,916
<b>Total</b>	<b>\$36,534,460</b>

## Results

The Maritime Building received permission from HUD to occupy the apartments in late November 2010, and the first tenant moved in on December 1st. Wisznia | Architecture + Development moved into its upper-floor office space in April of 2011. Hancock Bank continued to occupy the majority of the ground floor throughout the renovation of the building. The remaining small retail spaces are anticipated to be fully occupied by spring 2011. The Maritime project was the first FHA-insured mortgage transaction to utilize the "master lease pass-through" legal structure which maximizes the value of the federal HTC. "Maritime has blazed a trail that will allow developers in other markets to turn their sights toward renovating beautiful historic buildings while still benefiting from the attractive terms offered by FHA mortgage financing - an especially important factor in a down economy and a tight credit environment where FHA financing is often the only game in town," said Edward Featherstone, Wisznia's vice president of development.

## CASE STUDY: Old Salem Jail

50 St. Peter Street, Salem, Massachusetts



### PROJECT PROFILE

<b>Current Name:</b>	<b>Salem Jail Complex</b>
<b>Historic Name:</b>	<b>Old Salem Jail</b>
<b>Owner:</b>	<b>Salem Redevelopment Authority</b>
<b>Construction date:</b>	<b>1811-1813</b>
<b>Date of Rehab:</b>	<b>2006-2009</b>
<b>Original Use:</b>	<b>Jail</b>
<b>New Uses:</b>	<b>Mixed-use Building</b>
<b>Total Project Costs:</b>	<b>\$11,494,027</b>
<b>Federal Historic Tax Credit (HTC) Equity:</b>	<b>\$2,331,466</b>
<b>Residential Units Types:</b>	<b>23 one- and two-bedroom apartments</b>
<b>Commercial Space:</b>	<b>Restaurant and museum exhibit space</b>
<b>Other Incentives:</b>	<b>State Historic Tax Credits</b>

### About Salem

Population in 2009:	41,361
Houses built before 1960:	12,753
Estimated Median Household Income in 2009:	\$60,642
Estimated Median House or Condo Value in 2009:	\$326,688

## About the Property

The renowned Old Salem Jail, since rehabilitation known as the Salem Jail Complex, is located at 50 St. Peter Street occupying a 1.12-acre site in downtown Salem, Massachusetts. The original property included an 1813 Gothic-style jail, and a three-story jail keeper's house displaying the typical Federal period characteristics common in brick residences at that time. A third building was later constructed as a carriage house that had been previously torn down due to poor condition. The main jail building housed captured British Soldiers from the War of 1812, held a total of 100 cells and during its use as a jail, and witnessed 50 hangings under its roof. Although never confirmed, the assumed builder of the Jail was famous local architect, Samuel Field McIntire, one of the earliest architects in the United States.

The Old Salem Jail had the reputation for being one of the most haunted sites in Salem. Urban explorers would use the location as a favorite spot for paranormal activity and luring peculiar behavior around the town. It was also known for being one of the oldest correctional facilities in the country, maintaining its original function until it was vacated in 1991.

In 1999, Historic Salem worked with the Massachusetts Historical Commission to provide pro bono architectural and engineering services to repair damages from a massive fire. Later that year the site was given to the City of Salem. The Old Salem Jail continued to remain undeveloped, amplifying the dilapidated appearance it had acquired over the years. This resulted in the property's listing on both the Historic Salem and Preservation Massachusetts Most Endangered Resources Lists. These listings furthered the impetus for historic rehabilitation.

## Project Description

In 2004, the Old Salem Jail was established as a top preservation priority in terms of redevelopment, thus, initiating a transfer in ownership from the City of Salem to the Salem Redevelopment Authority (SRA). Site control by SRA allowed residents of greater Salem, in addition representatives of interested boards and commissions, to voice opinions throughout the planning process.

The City of Salem and SRA planned the adaptive reuse utilizing thorough research conducted by highly qualified teams. After extensive studies were performed to support the need for rehabilitation and a competitive selection process was completed, New Boston Ventures, a Boston-based developer that specializes in historic buildings, was welcomed to the team.

### Community Benefits

- > **64 construction jobs**
- > **75 permanent jobs**
- > **\$.58 million in state and local taxes**
- > **\$.8.34 million in gross state product**



New Boston Ventures' vision was to restore the Old Salem Jail and create a mixed-use building consisting of residential units, a restaurant and a museum to provide a glimpse of the jail's infamous history.

### Project Budget

The articulated budget displays the benefits of utilizing the state Historic Tax Credit system. With over 96% of the total costs being eligible for a historic tax credit, and having a state tax credit of 20%, the award earned for the project was just over 2.3 million.

Uses	Amount
Acquisition	\$160,000
Construction Hard Costs	\$8,034,444
Soft Costs	\$1,077,140
Financing Costs	\$234,220
Operating Reserves	\$240,320
Developer Fee	\$1,747,903
<b>Total Development Costs</b>	<b>\$11,494,027</b>

### Project Funding

Of the funds that the Old Salem Jail rehabilitation was provided, the Historic Tax Credits are the most notable. The project was able to generate over 2.3 million in federal equity and 1.6 million in state equity, totaling 3.9 million, which was 34% of the total cost of the budget.

<b>Source of Funds</b>	<b>Permanent Amount</b>
Citizens Bank Construction/ Mini-perm loan	\$4,915,000
Federal Historic Tax Credit Equity	\$2,331,466
Massachusetts State Historic Tax Credit Equity	\$1,606,800
Managing Member Equity	\$1,750,000
Developer Fee	\$890,760
<b>Total Sources</b>	<b>\$11,494,026</b>

## **Project Results**

The ribbon cutting ceremony for the renovated Salem Jail Complex was celebrated in May of 2010 showcasing the 1813 jail, the jail master’s house and a new building that replaced the carriage house. Each unit is unique, especially those within the old jailhouse which have windows that extend from the ceiling to floor and cathedral ceilings up to 18 feet high. On each entry door hangs one of the jail’s original cell doors. The public museum that was added to the property displays historic material that was not reused as part of the rehab and artifacts from original jail cells. The Great Escape Restaurant is designed with a jail theme featuring brick walls, the original two-foot thick granite floor, a bar made out of recycled cell doors, and cell bars all around.

As a result of its creative reuse plan, the Salem Jail Complex was honored with a Timmy Award under the Best Mixed-Income or Market-Rate Residential category. The Timmy Awards, created by the National Housing and Rehabilitation Association as a tribute to Boston architect and preservation advocate J. Timothy Anderson, honor outstanding rehabilitation and preservation projects based on overall design and quality, interpretation and respect of historic elements, impact on the community, and financial and market success.

*“Historic Salem supported the revitalization of the Old Salem Jail with the understanding that the use of federal and state credits was a reasonable and creative solution to difficult economic realities.”*

**Historic Salem Inc**

## CASE STUDY: Professional Arts Building

101 West Read Street, Baltimore, Maryland



### PROJECT PROFILE

Current Name:	Professional Arts Building
Historic Name:	Medical Arts Building
Construction date:	1927
Date of Rehab:	2009
Original Use:	Professional office space
New Use:	Residential, retail
Total Project Costs:	\$25,264,534
Federal Historic Tax Credit (HTC) Equity:	\$4,497,496
Housing Units:	96
Other Incentives:	State Historic Tax Credits

### About the Property

Originally constructed as the “Medical Arts Building” in 1927, the Professional Arts Building at 101 West Read Street served as offices for medical professionals until it saw a decline in occupancy in the 1990s. The large 110,000 square foot (sf) building was left more than seventy-five percent vacant for a decade prior to its rehabilitation in 2009. Featured restoration work included repairing an original terra cotta balustrade, refurbishing the first-floor and elevator lobbies and restoring the storefront on Cathedral Street.

The Project is located in the Mt. Vernon neighborhood of Baltimore, MD. Mt. Vernon is an emerging, historic, mixed-use area just north of the central business district (CBD) that is home to many of the city’s major cultural institutions and attractions including the Walters Art Museum, Maryland Institute College of Art, Meyerhoff Symphony Hall, the Lyric Opera and the Peabody Institute.

Also nearby is State Center, three large State of Maryland office buildings that house numerous state agencies. The area has experienced a substantial amount of residential development in the past five years, including the renovation of a number of historic buildings.

### About Baltimore

Population in July 2009:	637,418
Estimated median household income in 2009:	\$38,772
Estimated median house or condo value in 2009:	\$168,400

### Project Description

The project involves the conversion of the property into 96 apartments, 1,709 sf of ground floor retail space along Cathedral Street, rental storage units, a fitness center and a community room. There are 14 studios, 49 one-bedroom/one-baths, 8 one-bedroom plus dens, and 25 two-bedroom/two-bath units. The project has priced 100% of the units to be affordable to households earning between 80% and 120% of area median income, well above the 10% set aside required under the new inclusionary zoning provisions of the Mount Vernon Urban Renewal Plan.

#### Community Benefits

- > **171 construction jobs**
- > **191 permanent jobs**
- > **\$1.36 million in state and local taxes**
- > **\$17.15 million in gross state product**

### Project Budget

Uses	Amount
Acquisition	\$3,660,000
Rehabilitation Hard Costs	\$14,028,643
Soft Costs	\$1,648,444
Financing Costs	\$1,542,334
Reserves	\$941,229
Developer Fee	\$3,443,884
<b>Total</b>	<b>\$25,264,534</b>

## Funding

Union Bank of California provided a \$12.77 million construction and mini-perm loan, and an equity bridge loan of \$4.67 million. The perm loan is for 5 years at a rate to be fixed upon maturity of the construction loan. Somerset Development purchased an interest rate buy-down with the projected rate of 5.89%. The developer and several cash investors have provided about \$3 million in equity. Citigroup was the investor in the federal Historic Tax Credits. Old Mutual Financial Network, an insurance company headquartered in Baltimore, provided equity in exchange for the use of the Maryland state Historic Tax Credits.

## Funding Sources

Loan—Union Bank of California	\$12,770,000
Old Mutual Financial Network (State Investor)	\$1,968,228
Managing Member Equity	\$3,022,832
Equity from Federal HTC and Deferred Developer Fee	\$4,497,996
	\$3,005,479
<b>Total</b>	<b>\$25,264,534</b>

## Results

Mayor Sheila Dixon and Congressman Elijah Cummings officiated at the ribbon cutting on June 29, 2009, along with many other dignitaries, residents, and neighbors. As of November 2010, 95% of the units were occupied. The ground-floor commercial space is leased to Milk and Honey Market Cafe, a locally-owned food market, coffee shop and cafe. The market features locally and regionally sourced meats, artisanal cheeses, produce, fresh baked breads, fresh pastas and fresh squeezed juices. The successful rehabilitation of the Professional Arts Building earned a “2010 Historic Preservation Award” from Baltimore Heritage.

## CASE STUDY: Roosevelt-Lincoln Junior High School

210 W. Mulberry St., Salina, Kansas



### PROJECT PROFILE

<b>Current Name:</b>	<b>Pioneer President's Place</b>
<b>Historic Name:</b>	<b>Roosevelt-Lincoln Junior High School</b>
<b>Owner:</b>	<b>Pioneer Group, Topeka, KS</b>
<b>Construction date:</b>	<b>1915-1925</b>
<b>Date of Rehab:</b>	<b>2005-2006</b>
<b>Original Use:</b>	<b>Public Schools</b>
<b>New Use:</b>	<b>Low-Income Senior Housing</b>
<b>Total Project Costs:</b>	<b>\$8,639,603</b>
<b>State Historic Tax Credits:</b>	<b>\$2,042,886</b>
<b>Housing Units:</b>	<b>61 (Rents start at \$275/month.)</b>
<b>Incentives:</b>	<b>State and Federal Historic Tax Credits, Low Income Housing Tax Credits, Property Tax Rebate for 10 years.</b>

This rehabilitation project converted recently vacated public schools in downtown Salina into low-income senior apartments. The 61-unit complex routinely boasts a 100% occupancy rate, and a property once described by the local newspaper as having the potential to become “a conspicuous downtown eyesore” is now an architectural gem in the center of the community.

## About Salina

Population in 2008:	46,483
Estimated Median Household Income in 2008:	\$40,848
Estimated Median House or Condo Value in 2008:	\$119,119

## About the Property

The Roosevelt Lincoln Junior High School Campus occupies most of a city block in downtown Salina. The property is listed in the National Register of Historic Places for its significance in the areas of Education and Architecture. The school buildings on the property today date to the first part of the 20th century. Lincoln School occupies the north end of the complex, and Roosevelt School sits to the south. Lincoln School was built 1915-1917, and Roosevelt School was completed in 1925.

### Community Benefits

- > **Potential eyesore close to downtown converted to clean safe senior housing.**
- > **More than \$3.5 million in construction wages during the project.**
- > **More than \$2 million spent with Kansas companies for construction materials.**
- > **Increased property values in the neighborhood.**

As is often the case with public schools, enrollment eventually outstripped the original capacity, and the buildings were expanded several times over the years. By the late 1970s, a pair of large blond brick structures had been built in the courtyard between the buildings, and a low enclosed walkway connected the south door of Lincoln School with the modern buildings in the courtyard. They were practical additions, but unsympathetic to the historic architecture.

Even with the additions, the school district eventually outgrew the property, and the last classes were held there in the 2002-2003 school year. Salina was left with an architectural white elephant in the core of the community.

In the interest of seeing the buildings restored and returned to use, the Salina School board conducted a careful search for parties who might be interested in redeveloping the property. After a competitive bidding process, Pioneer Group of Topeka was given the right to buy the vacant complex and convert the property to low-income senior housing.



## Project Description

Pioneer assembled an expert team of Kansas-based professionals, which included Treanor Architects and General Contractor J. E. Dunn, both of Topeka, and Sunflower Bank of Salina provided construction financing. In addition to following the many requirements associated with Low Income and Historic Tax Credits, the team met nationally recognized LEED green building standards. Just over \$3.5 million was paid in construction wages alone, and another \$2.3 million went to Kansas suppliers of building materials. The developer and all of the professionals involved are based in Kansas.

## Project Budget

Uses	Amounts
Acquisition	\$2,500
Rehabilitation Costs	\$6,611,904
LEED Certification	\$255,000
Architectural and Engineering Fees	\$515,176
Construction Period Interest, Insurance, & Real Estate Taxes	\$127,176
Financing Costs	\$128,139
Soft Costs	\$999,708
<b>TOTAL</b>	<b>\$8,639,603</b>

Among the local dignitaries and interested parties to attend the ribbon-cutting in 2006 was retired City Manager Frank Kissinger, who spent many hours as city manager ensuring that the project would work. Also attending was Lois Smith-Roby, who attended Lincoln School in the 1940s. Her opinion of the rehab was included in the front-page article announcing the completion of the project. One can assume that her sentiments were shared with many: "I think it's wonderful."

## Funding

With total project costs exceeding \$8.5 million and monthly rents starting at \$275, a variety of funding sources were needed to make sure the completed project was financially feasible. Fortunately, the developers were able to qualify for state and federal HTCs, as well as Low Income Housing Tax Credits. As the budget shows, all of those sources were needed to make the project viable. Without any one of them, the buildings could well be empty yet today.

## Funding Sources

Deferred Developer Fee	\$258,493
Equity from Low-Income Housing Tax Credits @ \$0.85	\$4,374,083
Equity from Federal and State HTC Tax Credits @ \$0.86 & \$0.73	\$2,907,027
Permanent Financing (7.5%, 30 YRS)	\$1,100,000
<b>Total Funding Sources</b>	<b>\$8,639,603</b>

## Results

This project is already breathing more life into Salina’s downtown, supporting existing businesses and encouraging new business creation. The restored auditorium at Lincoln School, open to both residents and the general public, is developing into a favorite community gathering space. The complex routinely has an occupancy rate of 100%. It has also given a boost to the owners of surrounding rental properties, who have enjoyed an improved overall rental market due to the presence of this large, well-maintained complex.

Ross Freeman, President of Pioneer Group, the developer for Pioneer Presidents’ Place, noted, *“This was a wonderful economic development project for Kansas. It employed a huge number of Kansans, and generated a lot of economic excitement in and around Salina. It also utilized existing infrastructure and has brought more people to live in the downtown area, helping further revitalize downtown businesses. We would not have even considered the project if the historic tax credits were not available.”*

In addition to saving the historic buildings and creating clean, safe senior housing, the rehabilitation project injected more than \$8 million directly into the Kansas economy. All of that money was spent before any historic tax credits were issued.

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This case study is extracted from a study by Rutgers University that was prepared for the Kansas Preservation Alliance that was released in March 2010—Economic Benefits and Impact of Historic Preservation in Kansas. The Salina case study was prepared by Deb Sheals, historic preservation consultant, Columbia, MO.



## The Historic Tax Credit Coalition

Michael Hanson  
email: [hanson@thec2group.com](mailto:hanson@thec2group.com)  
P 202.567.2905  
F 202.393.7887  
Liberty Place  
325 7th Street NW  
Suite 400  
Washington, DC 20004



# RUTGERS

Edward J. Bloustein School of Planning and Public Policy  
Rutgers, The State University of New Jersey  
Civic Square Building  
33 Livingston Avenue  
New Brunswick, NJ 08901  
732-932-5475  
Web: [policy.rutgers.edu](http://policy.rutgers.edu)  
Email: [ejb@policy.rutgers.edu](mailto:ejb@policy.rutgers.edu)

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1785 Massachusetts Avenue, NW  
Washington, DC 20036  
[www.NTCIC.com](http://www.NTCIC.com)