Third Annual Report on the Economic Impact of the Federal Historic Tax Credit

THE HISTORIC TAX CREDIT COALITION

JULY 2012

National Trust Community Investment Corporation
a subsidiary of the National Trust *for* Historic Preservation

RUTGERS
Edward J. Bloustein School of Planning and Public Policy

RESEARCH AUTHORED BY

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*

IN COOPERATION WITH

National Trust Community Investment Corporation
Washington, DC 20036

John Leith-Tetrault, *President*
Anna Klosterman, *Marketing and Communications*

EDITED BY

Bruce Snider

RESEARCH CONDUCTED FOR

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

The Historic Tax Credit Coalition, The National Trust Community Investment Corporation, and Rutgers University wish to acknowledge the research assistance of the Technical Preservation Services group of the National Park Service and the National Conference of State Historic Preservation Officers, without which this report would not have been possible.

Third 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 HTC (e.g., providing affordable housing and spurring downtown revitalization); and explores ways in which the current HTC—a strong program in its own right—can be applied more flexibly in the future, so as to yield greater production and ensuing benefits.

The research for this report was conducted by the Rutgers University Center for Urban Policy Research, under the guidance of Dr. David Listokin, Dr. Michael L. Lahr, and Charles Heydt, and with the assistance of John Leith-Tetrault and Anna Klosterman of the National Trust Community Investment Corporation (NTCIC), the HTC 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 HTC 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 and a tax deduction for preservation easements. However, the most significant step forward came with the Economic

Boilermaker Building, Washington D.C.: The Boilermaker Shop in Southeast DC's Navy Yard was constructed by the Department of Public Works in 1919 to house the manufacturing of boilers for Navy ships. The 2011-2012 rehabilitation used $3.8 MM (million) of HTCs to turn the former industrial building into 46,000 square feet of mixed-use retail and office space as part of a larger master planned downtown community.

The Hibernia Building, New Orleans, Louisiana: **Built in 1921 to serve as headquarters of the Hibernia National Bank which was founded in 1870 by Irish immigrants, the Hibernia Building was the city's first modern skyscraper. The rehabilitation used $11.3 MM in HTCs to turn the largely vacant building into 175 mixed-income apartments and 41,500 square feet of retail and office space. Ninety of the apartments feature affordable rents.**

Recovery Tax Act (ERTA) of 1981, which included a 25 percent credit for income-producing certified historic rehab, a 15 percent credit for the rehabilitation of non-historic commercial buildings at least 30 years old, and a 20 percent credit for renovation of non-historic 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[1] reached a peak of 3,214 projects approved in 1984. HTC activity from the 1970s to date is shown in Summary Exhibits 6 through 9.

The last major structural changes to the Internal Revenue Code, Section 47 rehab credits were made in 1986, as part of the 1986 Tax Reform Act (TRA), which reduced the 25 percent certified historic rehab credit to 20 percent and collapsed the non-historic building rehab credit into a single 10 percent credit. Just as significant were the TRA's new passive loss rules, which placed limitations on individual investors' 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

1 The HTC has a multistep application process, encompassing Part 1 (evaluation of the historic significance of the property), Part 2 (description of the rehabilitation work), and Part 3 (request for certification of completed work). Both Part 2 and Part 3 rehabilitation statistics include only items termed "eligible" or "qualified" for the tax credit (Qualified Rehabilitation Expenditures, or QREs), as opposed to "ineligible" or "non-qualified" costs. While the ineligible/non-qualified expenses do not count for tax credit purposes, they are a component of the total rehabilitation investment or cost borne by the HTC-oriented developer. In practical terms, the total rehabilitation investment, including ineligible/non-qualified costs, helps pump-prime the economy.

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 they could not redeem.

The HTC market began to recover during the second half of the 1990s, when yields on the Low-Income Housing Tax Credit (LIHTC) began to fall and corporations that had become regular LIHTC investors began seeking alternative investments. 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 2011, there was an uptick in the number of HTC-related projects, as measured by Part 2 approvals, compared with the previous decade (though the 2000-2011 project approval volume was far below that achieved in the 1980s). From 2000 to 2011, there was also a dramatic increase in the dollar HTC investment, as measured by Part 2 investment, compared with 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 effect on HTC activity of a challenging real estate climate, as there has been a drop-off in the number of Part 2 projects and Part 2-related dollars invested over the past two years, though the decline has leveled off.

We observe similar trends in the total rehabilitation project cost borne by HTC developers, and not just the dollar amount certified for tax credit purposes.[2] The peaks and valleys in these figures are readily evident in Summary Exhibit 8. Total HTC-related project costs rose dramatically after the 1981 ERTA (to a high of $5.0 billion in 1985), fell precipitously after the 1986 Tax Reform Act (to a low of $1.2 billion in 1994), and regained vigor over the past decade (rising to about $3.5 to $5 billion annually), with some recent unevenness as the nation's real estate market has faced difficult times. (All figures just cited are in inflation-adjusted 2011 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 (SHTCs) in 30 states (Exhibit 2.7). This number of tandem SHTCs compares favorably with the 14 states with state LIHTCs and the 13 states with New Markets Tax Credit (NMTC) programs. NPS statistical reports document that states with the 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, it remains much smaller than the LIHTC and NMTC programs. Even though the HTC is an uncapped credit, the NPS certified only $695 million in HTCs in fiscal year (FY) 2011.[3] Annual expenditures for the LIHTC, in contrast, are typically in the $7 billion to $9 billion range. The 2012 credit allocation for NMTCs is $1.36 billion.

2 See footnote 1 for explanation.

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

There are a variety of reasons for the lower utilization rate of the federal HTC. Suggestions for removing some of these impediments are contained in the Creating American Prosperity through Preservation (CAPP) Act, a bill introduced in 2011 by the 112th Congress. The broad themes of HR 2479 and S 2074 include provisions that would increase the 20 percent credit to 30 percent on "Main Street-scale" rehabilitations (those with $5 million or less in qualified rehab expenditures). The bill increases the existing credit to 22 percent for rehabilitation projects that achieve an energy efficiency improvement of at least 30 percent over a regionally adjusted baseline for similar buildings.

The bill also provides for the indexing of eligibility dates for properties that utilize the 10 percent rehabilitation credit, so that buildings 50 years old or older would qualify. HR 2479 and S 2074 promote nonprofit organization sponsorship of HTC transactions by eliminating tax-exempt leasing rules that make it difficult for nonprofits to access the HTC. Finally, the bill contains several provisions that would increase the value of SHTCs when they are used in tandem with the federal HTC.

ECONOMIC IMPACTS OF THE FEDERAL HISTORIC TAX CREDIT

Research Assumptions and Methodology

NPS Part 2 pre-rehabilitation approvals indicate that from FY 1978 through FY 2011, about $116.5 billion of rehabilitation (in inflation-adjusted 2011 dollars) was invested in about 42,000 federal HTC-related projects. In FY 2011, the Part 2 volume in such projects was about $4 billion. However, Qualified Rehab Expenditures (QREs) for the HTC reflected in Part 3 certifications, those made after completion, were significantly smaller: about $89.2 billion for the period of FY 1978 through FY 2011 and $3.5 billion in FY 2011. (The figures above, all in inflation-adjusted 2011 dollars, are best estimates). This report, therefore, uses the lower Part 3 QREs, inflated by 10 percent to account for non-QRE expenditures, to estimate the economic impacts of the federal HTC.[4] Aggregate investment using this more conservative approach is $99.2 billion over the 34-year life of the federal HTC and $3.9 billion in FY 2011. 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 HTC cost the U.S. Treasury $19.2 billion (in inflation-adjusted 2011 dollars) over the period from FY 1978 through FY 2011, while the cost in FY 2011 was about $700 million. Estimated total federal tax receipts generated by the HTC during these two periods were $24.4 billion and $650 million, respectively, indicating that the federal HTC has paid for itself over the life of the program. (See Summary Exhibit 1 for details.)

This study quantifies the total construction-stage economic effects (i.e., direct as well as multiplier, or secondary, economic consequences) of the investments cited

4 See discussion at footnote 1.

above. These effects are studied via the Preservation Economic Impact Model (PEIM), an input-output model developed by Rutgers University for the NPS.

In the current analysis, the PEIM is applied to both cumulative (FY 1978 through FY 2011) HTC-related historic rehabilitation investment (about $99.2 billion in inflation-adjusted 2011 dollars) and single-year FY 2011 HTC-related rehabilitation investment (about $3.9 billion). In applying the cumulative analysis, we consider the effects of the $99.2 billion rehabilitation investment as if it applied to one year (2011),[5] rather than backdating the PEIM for each of the 34 years in the study period.

The results of the PEIM include many fields of data. The fields most relevant to this study are 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, as reported in the Economic Census.

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

The HTC's National Economic Impacts

The *national* total economic impacts (including direct and multiplier impacts) of HTC-related rehabilitation investment to date (FY 1978 through FY 2011) and of the most current one-year investment (FY 2011) 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	
	$99.2 billion cumulative (FY 1978-2011) historic rehabilitation expenditures results in:	$3.9 billion for FY 2011 historic expenditures results in:
National Total (Direct and Multiplier Impacts)		
Jobs (person-years; thousands)	2,215.8	63.9
Income ($ billion)	83.7	2.7
Output ($ billion)	230.5	7.3
GDP ($ billion)	113.8	3.7
Taxes ($ billion)	33.5	1.0
Federal ($ billion)	24.4	0.7
State ($ billion)	4.6	0.2
Local ($ billion)	4.5	0.2

5 The one-year 2011 investment is similarly treated.

The benefits of investment in HTC-related historic rehabilitation projects are extensive, increasing payrolls and production in nearly all sectors of the nation's economy. The cumulative effects for the period of FY 1978 through FY 2011 are illustrative. During that period, $99.2 billion in HTC-related rehabilitation investment created 2,216,000 jobs and $113.8 billion in GDP, nearly 30 percent of which (649,000 jobs and $32.1 billion in GDP) was in the construction sector. This is as one would expect, given the share of such projects that require the employment of building contractors. Other major beneficiaries were the service sector (394,000 jobs, $15 billion in GDP), the manufacturing sector (451,000 jobs, $29.2 billion in GDP), and the retail trade sector (327,000 jobs, $8.6 billion in GDP). As a result of both direct and multiplier effects, and due to the interconnectedness of the national economy, sectors not immediately associated with historic rehabilitation, such as agriculture, mining, transportation, and public utilities, benefit as well. (See Exhibits 2.2 and 2.3.)

The recent (FY 2011) economic prowess of the federal HTC is also most impressive. For example, it generated approximately 64,000 jobs, including 23,000 in construction and 15,000 in manufacturing, and was responsible for $3.7 billion in GDP, including $1.2 billion in construction and $1 billion in manufacturing. HTC-related activity in FY 2011 generated $2.7 billion in income, with construction ($1 billion) and manufacturing ($639 million) reaping major shares. These benefits were especially welcome in 2011, as the nation continued to suffer from a severe economic downturn and the federal government applied various stimulative measures. As a generator of jobs and GDP, HTC-related investment is stimulus on steroids.

HTC Impacts at the State Level

HTC-related historic rehabilitation benefits state economies as well as the national economy. In FY 2011, federal HTC-related rehabilitation activity in Missouri totaled about $368 million. The national impacts of that investment included 6,298 jobs, an additional $699 million in output, $262 million in income, $347 million in GDP, and $83 million in taxes. In Missouri alone, the same $368 million in HTC-related spending resulted in 3,500 jobs, $367.6 million in output, $163.2 million in labor income, $196.3 million in GSP, and $42.5 million in taxes. Rehabilitation expenditures generated in-state wealth (GSP minus federal taxes) of $167 million,[6] indicating a high 85 percent retention rate.[7] Other states realized similarly high retention rates for economic benefits of the HTC. (See Summary Exhibits 4 and 5 below for greater detail.)

HTC Impacts Compared with Those of Non-Preservation Investments

How does HTC-related historic rehabilitation perform as an economic pump-primer compared with other, non-preservation investments? The short answer is quite well.

6 Equals $196.3 million in Missouri GSP from the HTC, less $29.6 million in federal taxes paid by Missouri households and businesses as a result of the HTC activity, leaving $166.7 million of Missouri in-state wealth.

7 Equals $166.7 million of Missouri in-state wealth from the HTC, divided by $196.3 million in GSP from HTC-related activity in Missouri.

Lord Jeffrey Inn, Amherst, Massachusetts: **Originally constructed in 1928, this independently-operated inn serves as the on-campus hospitality facility for Amherst College. Using $2.9 MM in HTCs, it was rehabilitated in 2011 to include 49 hotel rooms, a 125-seat restaurant and bar, meeting and conference space and a new 5,000 square foot addition.**

Numerous studies conducted by Rutgers University have shown that, in many parts of the country, a $1 million investment in historic rehabilitation yields markedly better effects on employment, income, GSP, and state and local taxes than an equal investment in new construction (including highway construction, a stimulus favorite), manufacturing (including machinery and automobiles), or services (such as telecommunication). In Kansas, for example, a $1 million dollar investment in historic rehabilitation generates 16.4 in-state jobs, compared with 9.9 for highway construction. These findings demonstrate that historic rehabilitation, combined holistically with the many activities of the broader economy, delivers a commendably strong "bang for the buck."

HTC Impacts on Housing and Downtown Revitalization

Spatial analysis by Rutgers University of the locations within states that use federal HTCs shows widespread utilization benefitting many areas. Yet there is an understandable clustering of 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. Case study analysis of federal HTC implementation points to many additional quantitative and qualitative benefits, 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 HTC with other tax credits. In an exemplary case of creative federalism, 30 states have SHTCs, which they apply in tandem with the federal HTC. Federal and state HTCs may also be combined with the federal LIHTC and NMTC.

An NTCIC study of the first four rounds of the NMTC program has shown that about one in ten transactions and approximately 20 percent of all Qualified Equity Investments involve the twinning of HTCs and NMTCs. NPS statistics show that more than 75 percent of all approved HTC-related projects between FY 2001 through FY 2011 have been located in NMTC-eligible Low-Income Census Tracts. No similar studies or statistics exist for the twinning of LIHTCs and federal HTCs, but anecdotal evidence suggests that as much as 10 percent of all LIHTC-related affordable housing projects are adaptive reuses of historic properties that also generate HTCs.

These tax credit combinations have produced powerful housing results (Summary Exhibit 9). From its inception until today (FY 1978 through FY 2011), the HTC has been involved in the creation of 448,056 housing units. Of that total, 236,835, or 53 percent, were existing housing units that were rehabilitated; 211,221, or 47 percent, were newly created housing units (e.g., housing resulting from the adaptive reuse of once-commercial space). In addition, 121,554, or 27 percent, were affordable to low- and/or moderate-income (LMI) families, an average of about 3,575 LMI units per year (this was often accomplished by combining the federal HTC with the LIHTC). In FY 2011, 7,470 LMI units were produced under the federal HTC. The federal HTC's influence on housing, largely invisible, deserves much greater attention, given its production of housing in general and LMI housing units in particular. Further, the LMI share of HTC housing units is growing. From FY 2005 through FY 2011, on average, 39 percent of all HTC-related housing has been at LMI levels. In FY 2009, the LMI share of all HTC-related 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 local communities, individual states, and the nation. We support this view by considering the cumulative impacts of the program to date (FY 1978 through FY 2011).

- An inflation-adjusted (2011 dollars) $19.2 billion in HTC cost encouraged a five times greater amount of historic rehabilitation ($99.2 billion).
- This rehabilitation investment generated about 2.2 million new jobs and billions of dollars of total (direct and secondary) economic gains.
- The cumulative positive impacts on the national economy included $230.5 billion in output, $113.8 billion in GDP, $83.7 billion in income, and $33.5 billion in taxes, including $24.4 billion in federal tax receipts.
- The leverage and multiplier effects noted above support the argument that the federal HTC is a strategic investment. **Our results also show that the federal cost of**

the HTC—a cumulative $19.2 billion in inflation-adjusted 2011 dollars for the period from FY 1978 through FY 2011—is more than offset by the $24.4 billion in federal taxes generated over the same period.

In considering this cost-benefit ratio, one should note that our estimates of HTC-related economic and tax consequences are *conservative*. For various technical reasons, our estimate of the total rehabilitation cost associated with the federal HTC (i.e., $99.2 billion in constant 2011 dollars over period of FY 1978 through FY 2011 and $3.9 billion in FY 2011) is likely understated. As a result, the economic and tax benefits flowing from the rehabilitation investment are understated as well.

The federal HTC also produces significant economic and tax benefits that are beyond the scope of the current investigation, which focused solely on the economic effects of HTC-related *construction*, a one-time investment. In fact, there are recurring year-by-year economic returns from the federal HTC. These include enhanced tourism (specifically, heritage and cultural travel, a multibillion-dollar industry); commercial space for businesses that generate payroll and tax payments; and a positive impact on property values, with consequent tax, wealth, and other benefits. Neither have we factored in 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 related fashion, this study does not capture how the enhanced quality of life fostered by the federal HTC improves the national economy, state economies, and public tax generation (e.g., by attracting the "creative class," enhancing worker efficiency, and reducing medical expenses). In short, the full economic and tax benefits of the federal HTC are greater than the already considerable benefits documented in the current study.

SUMMARY EXHIBIT 1
Summary of Federal HTC Statistics

I. Investment/Tax Credit Component	FY 1978–2011				FY 2011
	Nominal$[d]		Real$[e]		Real$[e]
	TOTAL	ANNUAL AVERAGE	TOTAL	ANNUAL AVERAGE	TOTAL
Approved proposed (for tax credit) rehabilitation ("Part 2")	$69.5	$2.0	$116.5	$3.4	$4.0
Certified (for tax credit) rehabilitation[a] ("Part 3")	$52.4	$1.5	$89.2	$2.6	$3.5
Total rehabilitation cost[b]	$58.2	$1.7	$99.2	$2.9	$3.9
Federal tax credit[c]	$10.9	$0.3	$19.2	$0.6	$0.7

Dollar amounts above are expressed in billions

II. Economics Impacts	FY 1978–2011		FY 2011
	TOTAL	ANNUAL AVERAGE	TOTAL
Jobs (in thousands)	2,215.8	65.2	63.9
Income	$83.7	$2.5	$2.7
Gross Domestic Product	$113.8	$3.3	$3.7
Output	$230.5	$6.8	$7.3
Taxes-All Government	$33.5	$1.0	$1.0
Taxes-Federal Government	$24.4	$0.7	$0.7
Taxes-State Government	$4.6	$0.1	$0.2
Taxes-Local Government	$4.5	$0.1	$0.2

Dollar amounts above are expressed in billions

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 approved proposed (for tax credit) rehabilitation investment (Part 2). Data on the year-by-year certified (for tax credit) rehabilitation (Part 3) volume over the full period of FY 1978 through FY 2011 is less complete (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 (Qualified Rehabilitation Expenditures, or QREs) for the tax credit, as opposed to "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 a practical component of the total rehabilitation investment borne by the HTC-oriented developer, and, in fact, the total rehabilitation investment (including ineligible/non-qualified costs) helps pump-prime the economy. Based on the best published data and through additional case studies conducted specifically for the purposes of this investigation, Rutgers University estimates some of the missing information noted above regarding the cumulative HTC investment over the period of FY 1978 through FY 2011.

[a] Data estimated from best available information.

[b] 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 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 (i.e., to derive a lower estimate of the total rehabilitation expense).

[c] Assumes a 25 percent HTC in the period of FY 1978 through FY 1986 and a 20 percent HTC from FY 1987 through FY 2011. These percentages are applied to the certified rehabilitation (Part 3).

[d] In indicated year dollars, not adjusted for inflation.

[e] In inflation-adjusted 2011 dollars.

[f] Nominal and real dollars are the same for 2011.

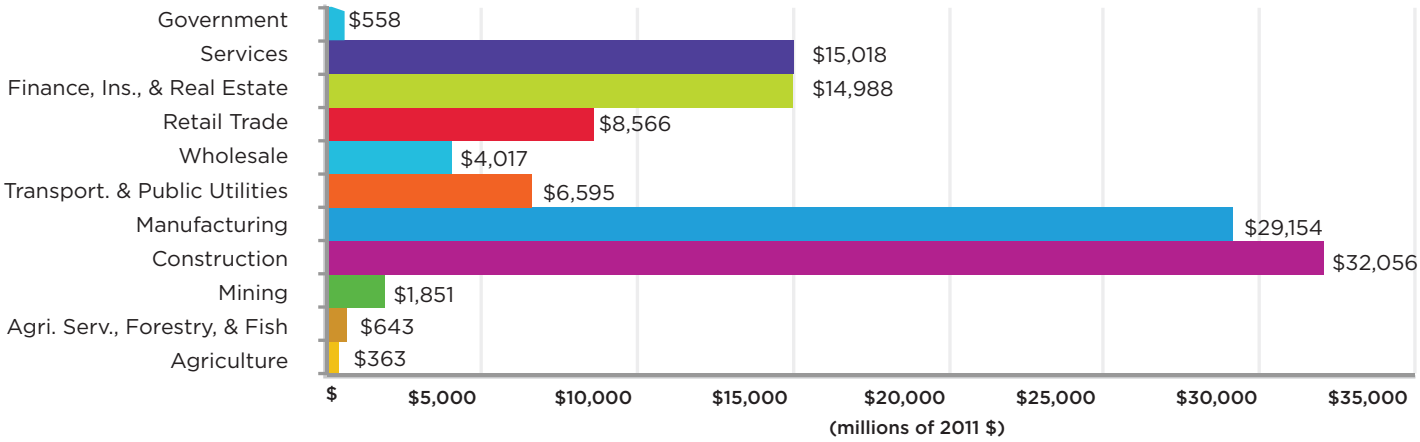
SOURCES: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; calculations by Rutgers University.

SUMMARY EXHIBIT 2

National Economic and Tax Impacts of Federal HTC-related Activity FY 1978 through FY 2011 (HTC Investment: $99.2 Billion)

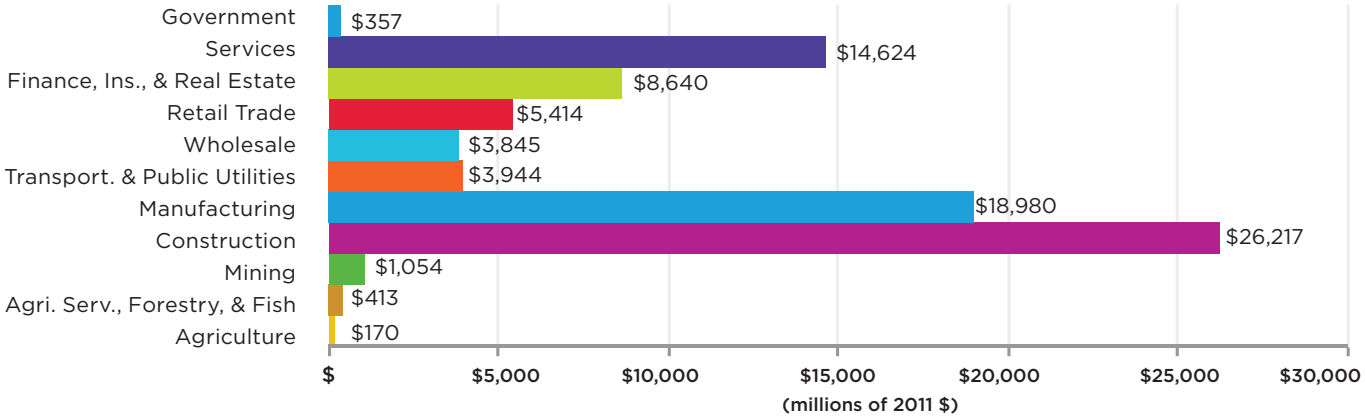
Gross Domestic Product by Sector from Federal Historic Preservation Investment

($113,808 million cumulative, FY 1978 through FY 2011)



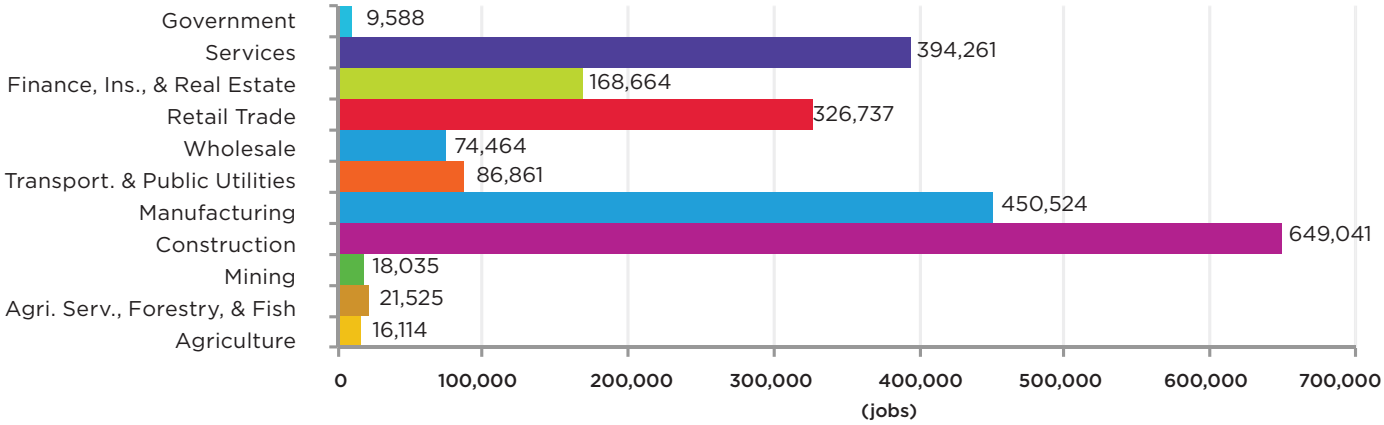
Income Created by Sector from Federal Historic Preservation Investment

($83,656 million cumulative, FY 1978 through FY 2011)



Jobs Created by Sector from Federal Historic Preservation Investment

(2,215,813 jobs cumulative, FY 1978 through FY 2011)

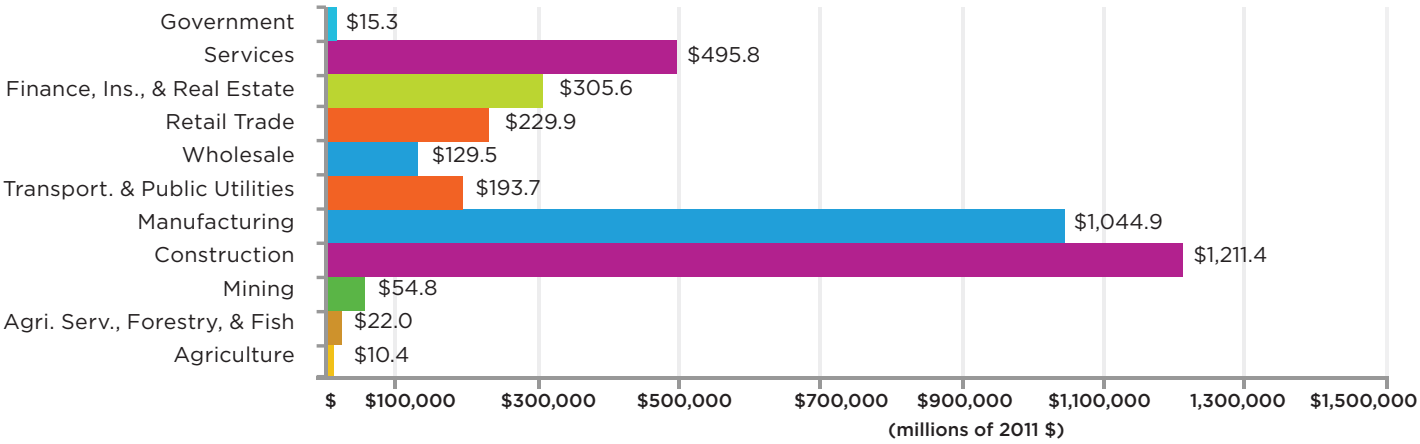


SUMMARY EXHIBIT 3

National Economic and Tax Impacts of Federal HTC-related Activity FY 2011 (HTC Investment: $3.9 Billion)

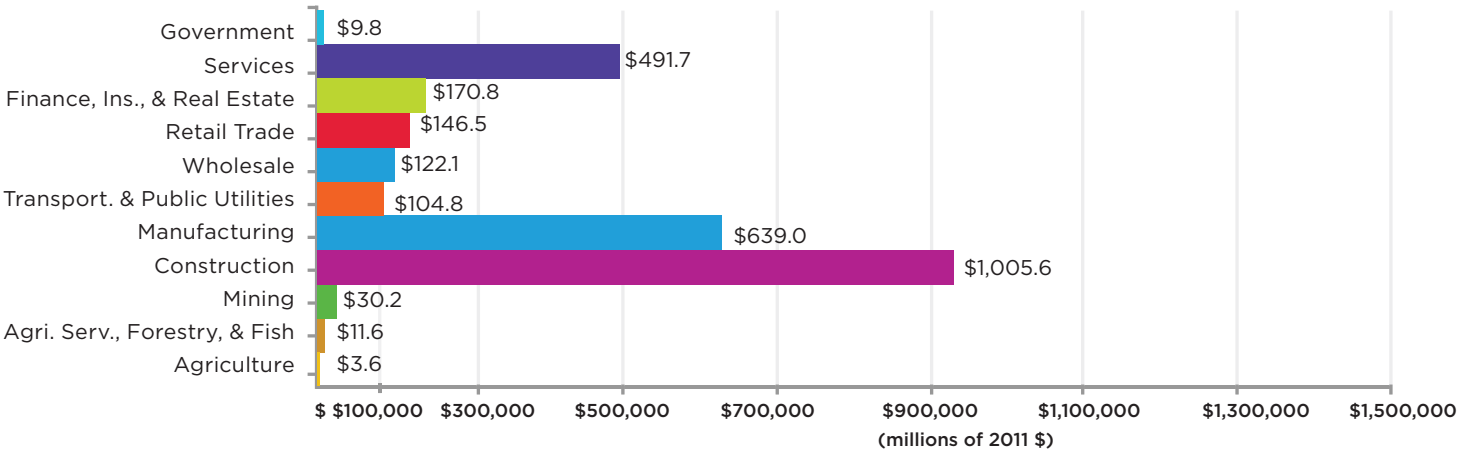
Gross Domestic Product by Sector from Federal Historic Preservation Investment

($3,714 million FY 2011)



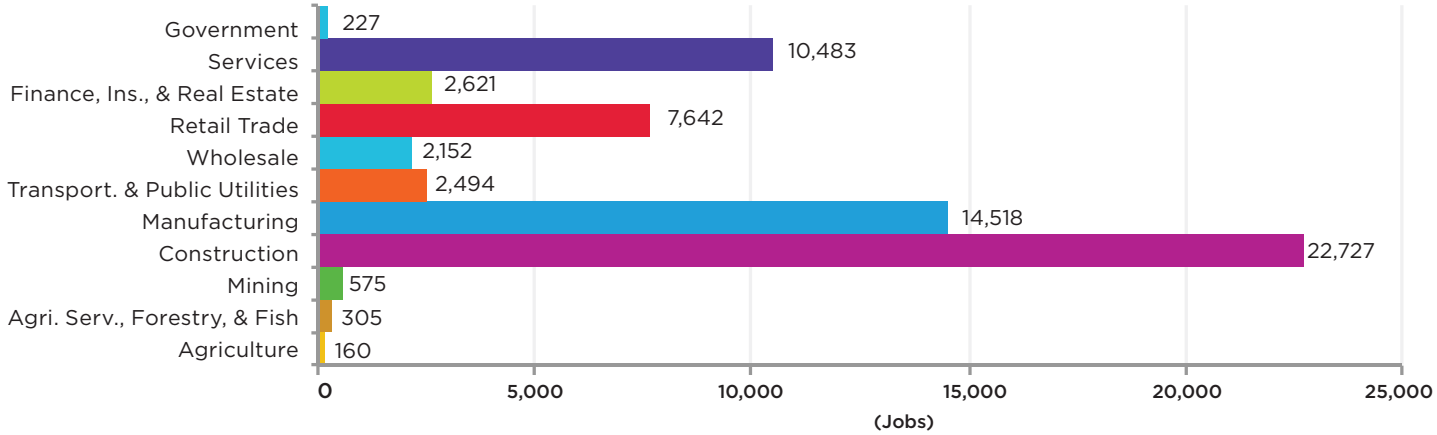
Income Created by Sector from Federal Historic Preservation Investment

($2,736 million FY 2011)



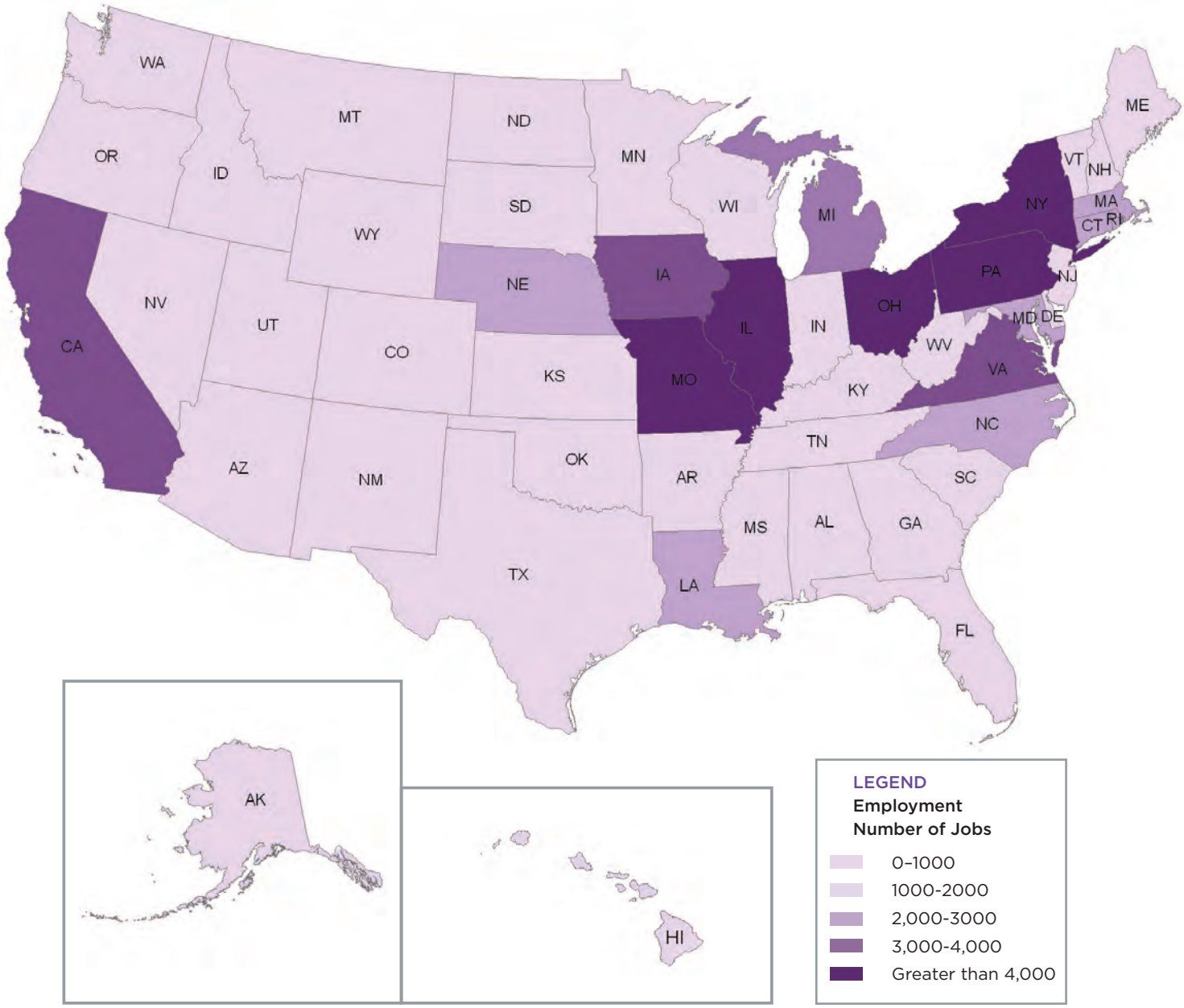
Jobs Created by Sector from Federal Historic Preservation Investment

(63,904 jobs FY 2011)



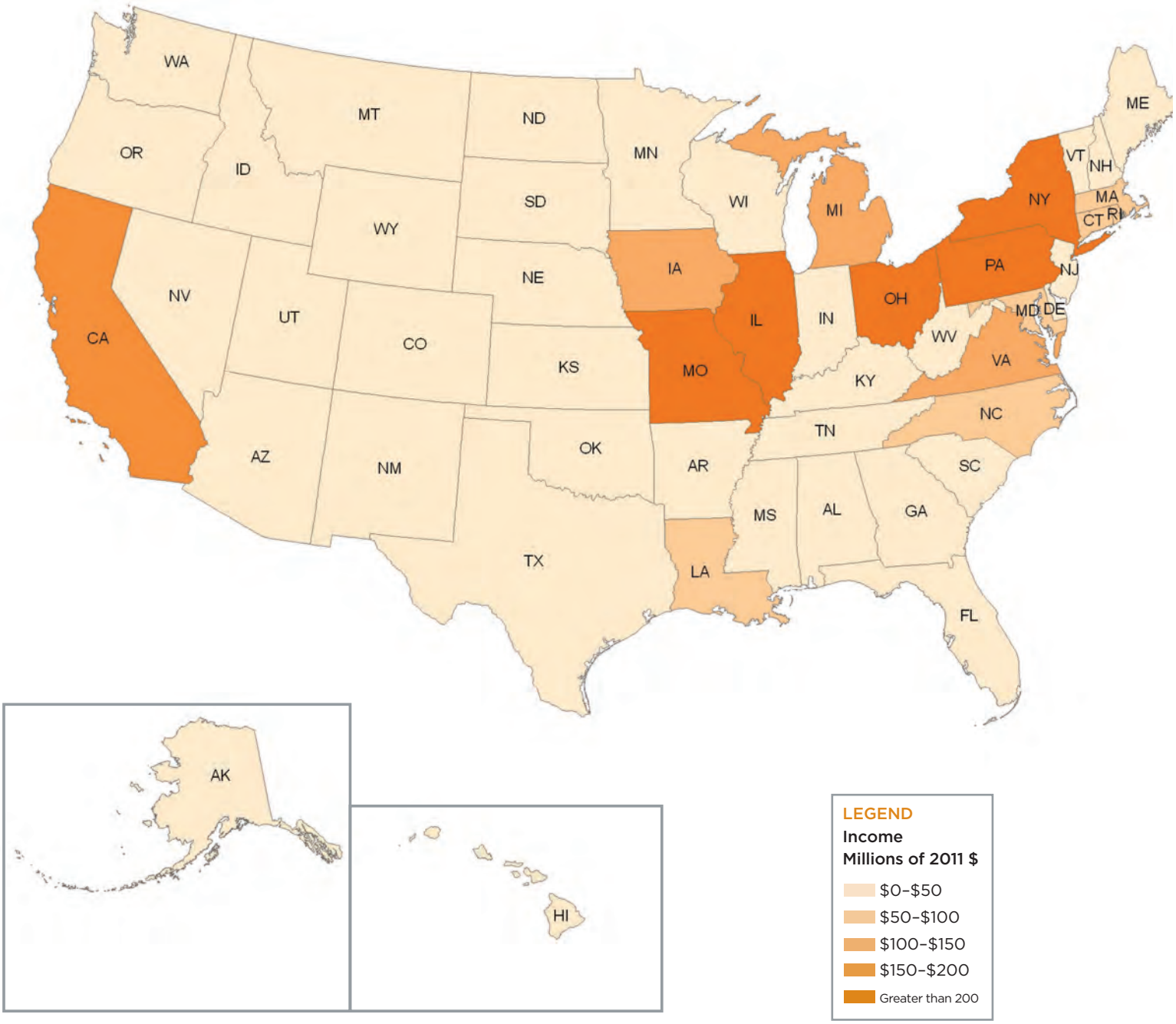
SUMMARY EXHIBIT 4

National Employment Impacts of HTC-related Investment FY 2011



SUMMARY EXHIBIT 5

National Income Impacts of Federal HTC-related Investment FY 2011



SUMMARY EXHIBIT 6
Federal HTCs, FY 1978 through FY 2011

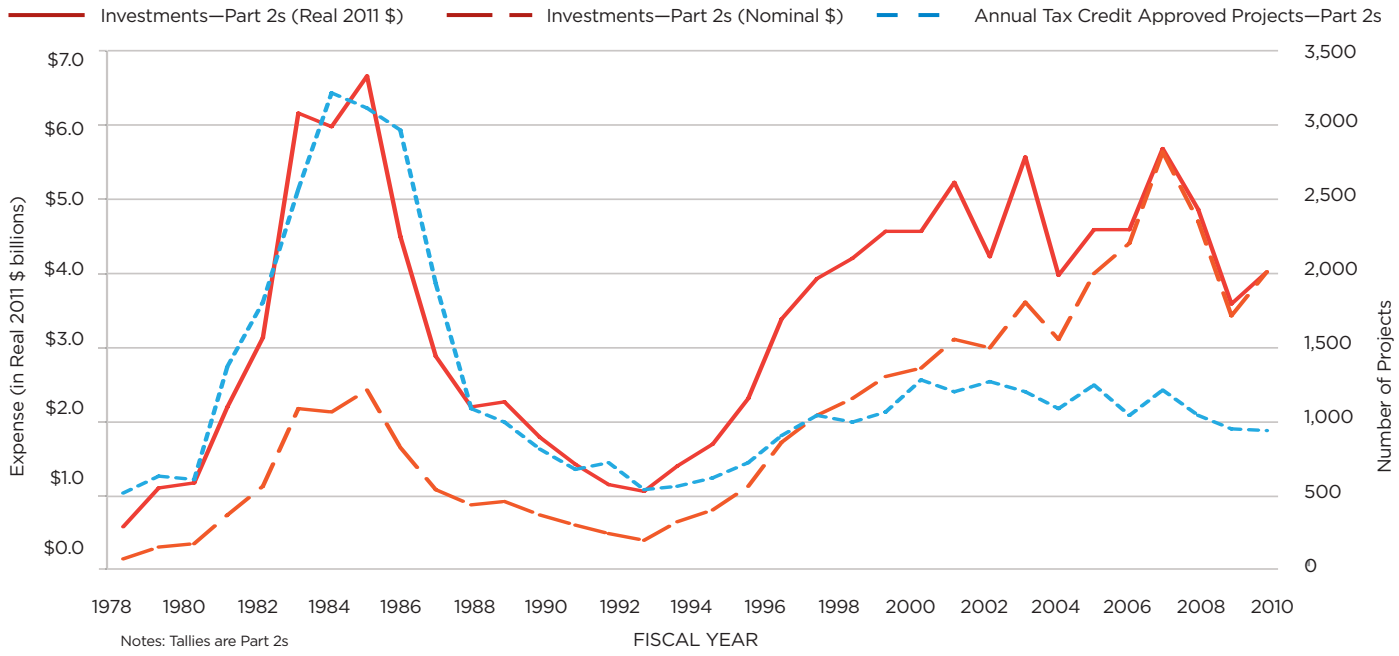
FISCAL YEAR	ESTIMATED INVESTMENT (PART 2s) (IN $ MILLIONS)	CUMULATIVE ESTIMATED INVESTMENT (PART 2s) (IN $ MILLIONS)	NUMBER OF PART 2s APPROVED	CUMULATIVE ANNUAL TAX CREDIT APPROVED (PART 2s)
1978	140	140	512	512
1979	300	440	635	1,147
1980	346	786	614	1,761
1981	738	1,524	1,375	3,136
1982	1,128	2,652	1,802	4,938
1983	2,165	4,817	2,572	7,510
1984	2,123	6,940	3,214	10,724
1985	2,416	9,356	3,117	13,841
1986	1,661	11,017	2,964	16,805
1987	1,083	12,100	1,931	18,736
1988	865	12,965	1,092	19,828
1989	927	13,892	994	20,822
1990	750	14,642	814	21,636
1991	608	15,250	678	22,314
1992	491	15,741	719	23,033
1993	468	16,209	538	23,571
1994	641	16,850	560	24,131
1995	812	17,662	621	24,752
1996	1,130	18,792	687	25,439
1997	1,720	20,512	902	26,341
1998	2,085	22,597	1,036	27,377
1999	2,303	24,900	973	28,350
2000	2,602	27,502	1,065	29,415
2001	2,737	30,239	1,276	30,691
2002	3,272	33,511	1,202	31,893
2003	2,733	36,244	1,270	33,163
2004	3,877	40,121	1,200	34,363
2005	3,127	43,248	1,101	35,464
2006	4,082	47,330	1,253	36,717
2007	4,346	51,676	1,045	37,762
2008	5,641	57,317	1,231	38,993
2009	4,697	62,014	1,044	40,037
2010	3,421	65,435	951	40,988
2011	4,023	69,458	937	41,925

*These dollar figures are in nominal indicated-year terms that are not adjusted for inflation.

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

SUMMARY EXHIBIT 7

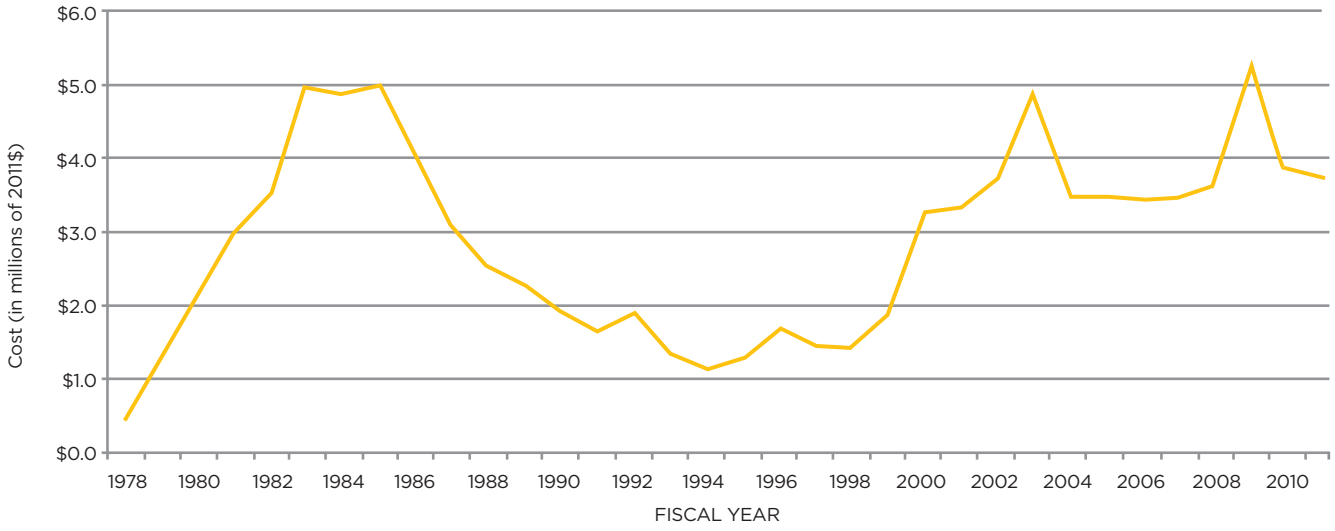
Federal Tax Incentives for Rehabilitating Historic Buildings Fiscal Year 1978-2011



Notes: Tallies are Part 2s

SUMMARY EXHIBIT 8

Total Rehabilitation Costs[a] Associated with the Federal Historic Tax Credit, Fiscal Years 1978-2011



Notes: Figures are estimated and are in inflation-adjusted 2011 dollars. [a] Includes all rehabilitation outlays, both eligible/qualified and ineligible/non-qualified expenses.

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

SUMMARY EXHIBIT 9
Federal Historic Tax Credit Involving Housing, Fiscal Years 1978–2011

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	17,270	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%
2011	15,651	7,435	8,216	7,470	48%
Total	**448,056**	**236,835**	**211,221**	**121,554**	**27%**

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

SECTION 1

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

Rutgers University estimates total HTC-related rehabilitation investment throughout the United States at about $99.2 billion (in inflation-adjusted 2011 dollars) for the cumulative period of FY 1978 through FY 2011 and approximately $3.9 billion for FY 2011. These two outlays can be translated into ensuing total economic benefits. Before quantifying these effects, however, we must explain what is meant by total economic impacts from an investment and how these are determined.

The total HTC-related rehabilitation investment is about $99.2 billion for the cumulative period of FY 1978 through FY 2011 and approximately $3.9 billion for FY 2011.

This study examines the *total* economic impacts of HTC-related historic rehabilitation, encompassing both *direct* and *multiplier* effects. The *direct impact* component consists of labor and material purchases made specifically for the rehabilitation activity. *Multiplier* effects incorporate *indirect* and *induced* economic consequences. The indirect component consists of spending on goods and services by industries that produce the items purchased for the historic rehabilitation activity. The induced component focuses on 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; and the household expenditures of the mill and hardware store workers 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 HTC-related 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).

The current analysis applies the PEIM to both *cumulative* (FY 1978 through FY 2011) HTC-related historic rehabilitation investment in the United States (about $99.2 billion in inflation-adjusted 2011 dollars) and the *one-year* FY 2011 HTC-related rehabilitation investment (about $3.9 billion in 2011 dollars) throughout the nation. In

applying the cumulative analysis, we consider the effects of the $99.2 billion rehabilitation investment as if it were effected in one year (2011), rather than backdating and applying the economic model to each of the 34 years in the study period. The results of the PEIM 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 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. Several individuals may 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, gross state product 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.

TAXES: Tax revenues generated by the activity. The tax revenues are specified for 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 HTC-related historic rehabilitation from FY 1978 through FY 2011, a span of 34 years. Exhibit 2.3 quantifies the one-year economic impacts of HTC-related historic rehabilitation in FY 2011 alone.

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

I. Total Effects
II. Distribution of Effect/Multiplier
III. Composition of Gross State Product
IV. Tax Accounts

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 HTC-RELATED REHABILITATION INVESTMENT IN THE UNITED STATES, FY 1978 THROUGH FY 2011

In the period of FY 1978 through 2011, the federal HTC aided an estimated cumulative total of about $99.2 billion of historic rehabilitation. The total national economic impacts of that spending included about 2.2 million jobs, which generated an additional $230.5 billion in output, $83.7 billion in income, $113.8 billion in GDP, and $33.5 billion in taxes ($24.4 billion in federal taxes, $4.6 billion in state taxes, and $4.5 billion in local taxes). (See Exhibit 2.2.)

HTC-related historic rehabilitation projects increased production and payrolls in nearly all sectors of the nation's economy (Exhibit 2.2). The cumulative $99.2 billion in HTC-related rehabilitation investment created approximately 2,216,000 jobs nationwide and $113.8 billion in GDP. Just under 30 percent of those totals—649,000 jobs and $32.1 billion in GDP—was in the nation's construction sector. This is as one would expect, given the extensive involvement of building contractors in such projects. Other major economic sector beneficiaries were services (394,000 jobs, $15 billion in GDP), manufacturing (451,000 jobs, $29.2 billion in GDP), and retail trade (327,000 jobs, $8.6 billion in GDP). The finance, insurance, and real estate (FIRE) sector garnered 169,000 jobs and $15.0 billion in GDP. As a result of multiplier effects and the interconnectedness of the national economy, sectors not immediately associated with historic rehabilitation are affected as well, including agriculture, mining, and transportation and public utilities (TPU). For example, the TPU sector realized a gain of 87,000 jobs and about $6.6 billion of GDP.

Exhibit 2.4 summarizes the key economic effects (employment, income, GDP, output, and taxes), by year, of HTC-related rehabilitation investment during the 34 years of the study period.[8] In inflation-adjusted dollars, 1985 was the near-peak year[9] of investment, with $5.0 billion of total HTC-related rehabilitation investment. This timing was no accident, as the 1985 data reflect investor response to the expansion of tax credits brought about by the ERTA of 1981. As the near-peak year of investment, 1985 also saw significant economic benefits from HTC-related activity, including about 111,000 jobs and $4.2 billion (in 2011 dollars) of income.

8 In applying the cumulative analysis to the period of FY 1978 through FY 2011, we consider the effects of the $99 billion investment as if it were effected in one year, namely 2011. Thus, when Exhibit 2.4 shows the economic effects for each year in the period of FY 1978 through FY 2011, we have not backdated the model to each of these years, but rather indicated what each year's investment realized in 2011 values.

9 The absolute peak was in 2009, when total HTC-related investment reached about $5.3 billion in inflation-adjusted 2011 dollars.

ECONOMIC IMPACTS OF HTC-RELATED REHABILITATION INVESTMENT IN THE UNITED STATES, FY 2011

As noted earlier, HTC-related rehabilitation investment in FY 2011 was about $3.9 billion. The total national economic impact of this investment included about 64,000 jobs, which generated $7.3 billion in output, $3.7 billion in GDP, $2.7 billion in income, and about $973 million in total taxes ($650 million in federal taxes, $155 million in state taxes, and $168 million in local taxes). (See Exhibit 2.3.)

Like the cumulative HTC-related investment during the study period, the one-year FY 2011 historic rehabilitation investment produced benefits across the national economy (Exhibit 2.3). Of the $3.7 billion in HTC-related GDP, $1.2 billion was in the construction sector, $1.0 billion was in manufacturing, and $496 million was in services. The retail trade sector gained about $230 million in GDP, the FIRE sector about $306 million, and the wholesale trade sector about $130 million.

Exhibit 2.5 summarizes the *national* impacts of the one-year FY 2011 HTC-related rehabilitation investment in *each state*, as of that year. The 11 states shown below had considerably varying levels of tax credit investment in FY 2011 and, consequently, very different national-level job and income effects. While the national-level benefits were substantial, as we shall see below, the HTC has had a high retention rate, compared with many other economic activities, for the benefits it generates in local and state economies.

State	FY 2011 HTC-Aided Rehabilitation Investment (in 2011 $ millions)	Selected National Economic Impacts	
		JOBS	INCOME (IN 2011 $ MILLIONS)
Alabama	$6.3	116	$4.0
Florida	$6.2	108	$4.4
Illinois	$406.0	5,986	$295.6
Indiana	$8.1	142	$5.8
Michigan	$167.8	2,666	$118.9
New York	$331.2	5,479	$236.0
Ohio	$295.7	5,313	$210.6
Oregon	$53.6	948	$38.9
Pennsylvania	$339.4	5,517	$246.4
Virginia	$179.4	3,019	$128.3
Washington	$16.7	268	$12.0

Our investigation of HTC-related investment in Illinois, Missouri, and Pennsylvania found considerable state-level capture of national-level economic benefits. In FY 2011, HTC-related rehabilitation investment totaled $406 million in Illinois, $367.6 million in Missouri, and $339.4 million in Pennsylvania. Exhibit 2.6 summarizes the

national- and state-level impacts for these three states.

Hotel Ignacio, St. Louis, Missouri: **Originally built in 1905 to house operations of a shoe-dying manufacturer, the 5-story building was rehabilitated into a 51-room hotel with 3,000 square feet of ground floor restaurant and art gallery space using $2 MM of HTCs.**

The national-level economic impacts of the $367.6 million in HTC-related investment in Missouri in FY 2011 included 6,298 jobs, an additional $698.9 million in output, $262.2 million in income, $347.3 million in GDP, and $82.7 million in taxes (Exhibit 2.6, upper portion). The Missouri-retained portion of HTC-related investment (Exhibit 2.6, lower portion) created 3,516 jobs, generated $367.6 million in output, $163.2 million in labor income, $196.3 million in GSP and $42.5 million in taxes. The in-state wealth (GSP minus federal taxes) resulting from rehabilitation expenditures amounted to $166.7 million, indicating a high 85 percent retention rate.[10]

HTC-related investment yielded similarly high state-level retention rates in Illinois and Pennsylvania (compare state- and national-level economic impacts in Exhibit 2.6). It stands to reason that the lion's share of the economic benefits of HTC-related construction activity stays within a given state's boundaries, rather than "leaking" elsewhere.[11] The data from the three states investigated bears that out, and a similar pattern likely characterizes most other states as well.

10 See footnote 7 for explanation.

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

EXHIBIT 2.1
Explanation of Division-Level Economic Impacts Specified in the Current Study

The economic division-level results specified in the current study (Exhibits 2.2 and 2.3) include the 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 GSP

III.1 Wages, net of taxes paid at the employer's location.

III.2 Taxes, local state and federal.

III.3 Profits, dividends, rents, and other (depending on the year of the GDP data used in the analysis and the geography and sector involved, these may be either positive or negative.)

III.4 Total GSP (the sum of III.1, III.2, and III.3).

SECTION IV: TAX ACCOUNTS

The sum of taxes remitted by businesses (see Section III) and households (where the latter are not included in the section III GSP). Section IV encompasses, for both businesses and households:

IV.1 Wages, net of taxes at place of employment (for businesses) or place of residence (for non-commuting households).

IV.2 Taxes by level of government (local, state, or federal) and type (e.g., for the federal level, general taxes or Social Security). Note: the taxes in Section III are for business only, while the taxes in Section IV include both the business taxes from Section III and household-generated-taxes.

[a] Wages net of taxes are not the same as income (shown in Section I). Income includes wages, salaries, proprietor's income, and employer-paid taxes.

EXHIBIT 2.2

National Economic and Tax Impacts of HTC-related Investment FY 1978 through FY 2011 (HTC Investment: $99.2 Billion)

	Economic Component			
	OUTPUT (0$)	EMPLOYMENT (JOBS)	INCOME (0$)	GROSS DOMESTIC PRODUCT (0$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	2,445,267.9	16,114	169,846.6	362,841.9
2. Agri. Serv., Forestry, & Fish	1,186,509.0	21,525	412,911.3	642,850.4
3. Mining	4,326,280.8	18,035	1,054,495.9	1,850,777.7
4. Construction	45,018,869.2	649,041	26,216,790.3	32,056,173.0
5. Manufacturing	81,717,670.1	450,524	18,979,501.5	29,154,020.4
6. Transport. & Public Utilities	15,795,916.6	86,861	3,943,561.5	6,595,147.7
7. Wholesale	9,454,071.5	74,464	3,844,520.6	4,016,846.6
8. Retail Trade	14,712,687.2	326,737	5,413,534.3	8,565,540.9
9. Finance, Ins., & Real Estate	22,059,430.3	168,664	8,639,651.8	14,987,825.9
10. Services	32,601,801.5	394,261	14,624,426.9	15,018,121.3
11. Government	1,176,705.5	9,588	356,656.6	558,161.3
Total Effects (Private and Public)	**230,495,209.7**	**2,215,813**	**83,655,897.4**	**113,808,307.1**
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	99,150,188.3	1,044,136	44,031,368.4	53,685,931.3
2. Indirect and Induced Effects	131,345,021.4	1,171,677	39,624,529.0	60,122,375.8
3. Total Effects	230,495,209.7	2,215,813	83,655,897.4	113,808,307.1
4. Multipliers (3/1)	2.325	2.122	1.900	2.120
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages—Net of Taxes				71,020,119.3
2. Taxes				16,597,167.0
a. Local				2,547,184.8
b. State				2,504,013.1
c. Federal				11,545,969.0
General				2,576,745.8
Social Security				8,969,223.3
3. Profits, dividends, rents, and other				26,191,020.8
4. Total Gross State Product (1+2+3)				113,808,307.1
		BUSINESS (000$)	HOUSEHOLD (000$)	TOTAL (000$)
IV. TAX ACCOUNTS				
1. Income—Net of Taxes		71,020,119.3	83,655,897.4	————-
2. Taxes		16,597,167.0	16,854,398.8	33,451,565.8
a. Local		2,547,184.8	1,909,712.2	4,456,897.1
b. State		2,504,013.1	2,050,878.4	4,554,891.5
c. Federal		11,545,969.0	12,893,808.3	24,439,777.3
General		2,576,745.8	12,893,808.3	15,470,554.0
Social Security		8,969,223.3	-	8,969,223.3
INITIAL EXPENDITURE IN DOLLARS				**99,150,188,266.0**

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

National Economic and Tax Impacts of HTC-related Investment Fiscal Year 2011 (HTC Investment: $3.9 Billion)

	Economic Component			
	OUTPUT (0$)	EMPLOYMENT (JOBS)	INCOME (0$)	GROSS DOMESTIC PRODUCT (0$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	49,944.6	160	3,613.8	10,429.5
2. Agri. Serv., Forestry, and Fishing	34,191.0	305	11,692.1	22,059.5
3. Mining	112,615.4	575	30,208.9	54,882.1
4. Construction	1,706,888.4	22,727	1,005,611.8	1,211,493.8
5. Manufacturing	2,693,622.0	14,518	639,027.0	1,044,995.5
6. Transport. and Public Utilities	399,907.2	2,494	104,875.9	193,743.1
7. Wholesale Trade	300,454.3	2,152	122,180.5	129,561.9
8. Retail Trade	398,145.1	7,642	146,576.4	229,950.6
9. Finance, Ins., and Real Estate	480,378.5	2,621	170,880.6	305,662.6
10. Services	1,085,134.5	10,483	491,747.0	495,824.3
11. Government	32,458.1	227	9,827.4	15,341.4
Total Effects (Private and Public)	**7,293,739.1**	**63,904**	**2,736,241.3**	**3,713,944.3**
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	3,857,591.0	36,627	1,713,289.9	2,130,058.2
2. Indirect and Induced Effects	3,426,148.0	27,277	1,022,951.4	1,583,886.1
3. Total Effects	7,293,739.1	63,904	2,736,241.3	3,713,944.3
4. Multipliers (3/1)	1.891	1.745	1.597	1.744
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages—Net of Taxes				2,302,863.6
2. Taxes				526,961.6
a. Local				115,487.4
b. State				96,332.4
c. Federal				315,141.8
General				82,031.7
Social Security				233,110.1
3. Profits, dividends, rents, and other				884,119.1
4. Total Gross State Product (1+2+3)				3,713,944.3
		BUSINESS (000$)	HOUSEHOLD (000$)	TOTAL (000$)
IV. TAX ACCOUNTS				
1. Income—Net of Taxes		2,302,863.6	2,174,216.4	————-
2. Taxes		526,961.6	446,244.6	973,206.2
a. Local		115,487.4	52,083.4	167,570.8
b. State		96,332.4	59,051.2	155,383.6
c. Federal		315,141.8	335,110.0	650,251.8
General		82,031.7	335,110.0	417,141.7
Social Security		233,110.1	-	233,110.1
INITIAL EXPENDITURE IN DOLLARS				**3,858,711,861.0**

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

National Economic and Tax Impacts of HTC-related Investment by Year FY 1978 through FY 2011

Year	Total Rehab. Costs (2011 $ millions)	National Economic Impacts				Tax Impacts (2011 $ thousands)			
		EMPLOYMENT (JOBS)	2011 $ MILLIONS INCOME	GDP	OUTPUT	LOCAL	STATE	FEDERAL	TOTAL
1978	$478	10,683	$403	$549	$1,111	$21,487	$21,960	$117,828	$161,275
1979	$1,339	29,916	$1,129	$1,537	$3,112	$60,173	$61,496	$329,965	$451,635
1980	$2,223	49,669	$1,875	$2,551	$5,167	$99,904	$102,100	$547,831	$749,835
1981	$2,994	66,909	$2,526	$3,437	$6,960	$134,581	$137,540	$737,984	$1,010,104
1982	$3,525	78,769	$2,974	$4,046	$8,194	$158,437	$161,921	$868,803	$1,189,161
1983	$4,956	110,756	$4,181	$5,689	$11,521	$222,775	$227,673	$1,221,603	$1,672,050
1984	$4,863	108,681	$4,103	$5,582	$11,305	$218,602	$223,408	$1,198,721	$1,640,730
1985	$4,975	111,180	$4,198	$5,710	$11,565	$223,629	$228,546	$1,226,287	$1,678,462
1986	$3,913	87,446	$3,301	$4,491	$9,096	$175,889	$179,756	$964,501	$1,320,146
1987	$3,060	68,382	$2,582	$3,512	$7,113	$137,544	$140,568	$754,232	$1,032,343
1988	$2,530	56,541	$2,135	$2,904	$5,882	$113,726	$116,226	$623,626	$853,579
1989	$2,319	51,834	$1,957	$2,662	$5,392	$104,258	$106,551	$571,710	$782,519
1990	$1,940	43,352	$1,637	$2,227	$4,510	$87,198	$89,116	$478,160	$654,475
1991	$1,673	37,388	$1,412	$1,920	$3,889	$75,202	$76,855	$412,377	$564,434
1992	$1,906	42,589	$1,608	$2,187	$4,430	$85,664	$87,548	$469,748	$642,961
1993	$1,373	30,676	$1,158	$1,576	$3,191	$61,702	$63,059	$338,348	$463,108
1994	$1,171	26,161	$988	$1,344	$2,721	$52,620	$53,777	$288,546	$394,943
1995	$1,322	29,542	$1,115	$1,517	$3,073	$59,421	$60,727	$325,838	$445,985
1996	$1,715	38,328	$1,447	$1,969	$3,987	$77,093	$78,788	$422,746	$578,627
1997	$1,501	33,541	$1,266	$1,723	$3,489	$67,464	$68,948	$369,947	$506,359
1998	$1,449	32,388	$1,223	$1,664	$3,369	$65,146	$66,578	$357,233	$488,957
1999	$1,913	42,756	$1,614	$2,196	$4,448	$86,000	$87,891	$471,587	$645,477
2000	$3,263	72,924	$2,753	$3,746	$7,586	$146,680	$149,905	$804,334	$1,100,920
2001	$3,349	74,841	$2,826	$3,844	$7,785	$150,536	$153,846	$825,478	$1,129,861
2002	$3,744	83,663	$3,159	$4,297	$8,703	$168,281	$171,981	$922,782	$1,263,044
2003	$4,899	109,475	$4,133	$5,623	$11,388	$220,199	$225,041	$1,207,481	$1,652,721
2004	$3,508	78,402	$2,960	$4,027	$8,156	$157,698	$161,166	$864,751	$1,183,615
2005	$3,508	78,395	$2,960	$4,027	$8,155	$157,685	$161,152	$864,679	$1,183,516
2006	$3,460	77,332	$2,920	$3,972	$8,044	$155,546	$158,966	$852,952	$1,167,465
2007	$3,512	78,493	$2,963	$4,032	$8,165	$157,881	$161,352	$865,753	$1,184,985
2008	$3,665	81,912	$3,092	$4,207	$8,521	$164,757	$168,380	$903,461	$1,236,599
2009	$5,251	117,343	$4,430	$6,027	$12,206	$236,025	$241,214	$1,294,263	$1,771,502
2010	$3,996	89,311	$3,372	$4,587	$9,290	$179,641	$183,591	$985,078	$1,348,310
2011	$3,859	63,904	$2,736	$3,714	$7,294	$167,571	$155,384	$650,252	$973,206
Totals	**$99,151**	**2,215,813**	**$83,656**	**$113,808**	**$230,495**	**$4,456,897**	**$4,554,892**	**$24,439,777**	**$33,451,566**

NOTE: The sums of the annual figures do not equal the indicated totals, because the totals are from the national I-O model.
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
National Economic and Tax Impacts of HTC-related Investment by State Fiscal Year 2011

State	Total Rehab. Costs (2011 $ millions)	National Economic Impacts				Tax Impacts (2011 $ thousands)			
		EMPLOYMENT (JOBS)	2011 $ MILLIONS INCOME	GDP	OUTPUT	LOCAL	STATE	FEDERAL	TOTAL
AL	$6.3	116	$4.0	$7.5	$10.3	$111	$165	$955	$1,231
AK	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
AZ	$6.2	107	$3.7	$4.7	$12.0	$5,891	$3,804	$1,039	$10,734
AR	$14.6	302	$10.1	$15.1	$26.9	$289	$528	$2,440	$3,256
CA	$236.8	3,532	$171.7	$224.2	$463.3	$5,976	$9,556	$43,501	$59,033
CO	$1.2	79	$0.9	$1.2	$2.3	$31	$40	$204	$275
CT	$102.8	1,472	$71.6	$99.5	$188.1	$5,417	$4,593	$16,486	$26,495
DE	$41.9	662	$29.6	$40.3	$78.1	$1,934	$2,030	$6,595	$10,559
DC	$37.6	547	$25.4	$34.3	$66.2	$2,530	$1,015	$5,143	$8,687
FL	$6.2	108	$4.4	$5.9	$11.6	$321	$194	$1,048	$1,563
GA	$37.2	736	$25.9	$38.0	$68.2	$1,757	$1,706	$6,301	$9,763
HI	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
ID	$7.1	135	$4.8	$6.9	$12.7	$166	$172	$1,051	$1,389
IL	$406.0	5,986	$295.6	$381.5	$792.9	$12,866	$11,679	$71,107	$95,652
IN	$8.1	142	$5.8	$7.8	$15.5	$2,674	$1,782	$1,379	$5,836
IA	$179.9	3,251	$121.8	$181.9	$316.5	$6,023	$5,360	$28,216	$39,599
KS	$38.3	697	$26.8	$37.2	$71.1	$9,050	$6,296	$6,171	$21,518
KY	$21.8	418	$15.1	$21.3	$40.0	$2,182	$1,738	$3,478	$7,398
LA	$95.3	1,684	$67.9	$89.0	$180.5	$3,325	$3,464	$15,635	$22,424
ME	$31.6	479	$18.6	$27.9	$60.6	$1,435	$1,333	$5,008	$7,776
MD	$79.0	1,220	$55.5	$74.6	$146.5	$2,563	$2,319	$12,645	$17,527
MA	$115.8	1,505	$81.3	$109.0	$215.6	$3,090	$3,728	$18,690	$25,508
MI	$167.8	2,666	$118.9	$159.3	$316.5	$4,974	$6,048	$27,717	$38,739
MN	$35.6	561	$25.0	$33.7	$66.6	$1,252	$1,416	$5,747	$8,415
MS	$46.5	968	$32.4	$45.9	$85.6	$3,516	$2,801	$7,518	$13,835
MO	$367.6	6,298	$262.2	$347.3	$698.9	$10,154	$11,614	$60,882	$82,650
MT	$8.9	174	$6.2	$8.8	$16.4	$332	$307	$1,394	$2,033
NE	$61.6	1,179	$42.1	$60.9	$110.1	$12,709	$8,684	$9,522	$30,915
NV	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0

continued on the next page

EXHIBIT 2.5 (continued)
National Economic and Tax Impacts of HTC-related Investment by State Fiscal Year 2011

State	Total Rehab. Costs (2011 $ millions)	National Economic Impacts				Tax Impacts (2011 $ thousands)			
		EMPLOYMENT (JOBS)	2011 $ MILLIONS INCOME	GDP	OUTPUT	LOCAL	STATE	FEDERAL	TOTAL
NJ	$35.3	506	$25.0	$32.9	$67.0	$691.8	$1,042.5	$5,770.5	$7,504.8
NM	$23.5	452	$16.6	$22.8	$44.3	$1,010.3	$997.6	$3,857.4	$5,865.4
NY	$331.2	5,479	$236.0	$315.2	$623.2	$21,462.7	$18,184.5	$56,931.1	$96,578.4
NC	$99.7	1,867	$70.2	$99.8	$186.7	$2,409.7	$3,485.3	$17,051.1	$22,946.2
ND	$0.0	0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OH	$295.7	5,313	$210.6	$291.4	$561.6	$12,840.5	$10,818.7	$51,293.5	$74,952.8
OK	$50.2	991	$35.8	$50.2	$96.0	$1,209.8	$1,747.1	$8,621.8	$11,578.7
OR	$53.6	948	$38.9	$51.0	$104.3	$1,393.3	$1,877.6	$9,340.0	$12,610.9
PA	$339.4	5,517	$246.4	$326.6	$661.8	$11,313.1	$9,593.8	$59,759.9	$80,666.9
RI	$122.8	1,873	$83.8	$125.8	$220.9	$4,442.9	$3,885.1	$19,191.3	$27,519.3
SC	$13.9	260	$9.7	$14.1	$25.5	$398.9	$447.1	$2,315.4	$3,161.4
SD	$9.7	195	$6.8	$8.9	$18.1	$314.2	$183.3	$1,460.6	$1,958.1
TN	$17.7	313	$12.4	$17.2	$33.0	$499.5	$379.1	$2,885.5	$3,764.1
TX	$23.5	379	$17.0	$22.2	$46.0	$810.7	$465.8	$4,189.5	$5,465.9
UT	$22.0	408	$15.4	$21.7	$40.9	$581.1	$734.8	$3,627.7	$4,943.6
VT	$4.8	86	$3.5	$4.6	$9.3	$189.0	$238.2	$786.3	$1,213.4
VA	$179.4	3,019	$128.3	$173.5	$341.7	$4,647.5	$6,024.2	$30,716.5	$41,388.2
WA	$16.7	268	$12.0	$16.2	$32.1	$771.2	$603.8	$2,883.1	$4,258.1
WV	$2.8	54	$2.0	$2.9	$5.2	$86.2	$99.5	$456.9	$642.5
WI	$54.7	952	$38.8	$53.3	$102.8	$1,930.6	$2,203.8	$9,230.0	$13,364.4
WY	$0.04	1	$0.0	$0.0	$0.1	$2.6	$1.7	$9.6	$13.9
Totals	**$3,858.7**	**63,903**	**$2,736.2**	**$3,713.9**	**$7,293.7**	**$167,570.8**	**$155,383.6**	**$650,251.8**	**$973,206.2**

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

EXHIBIT 2.6

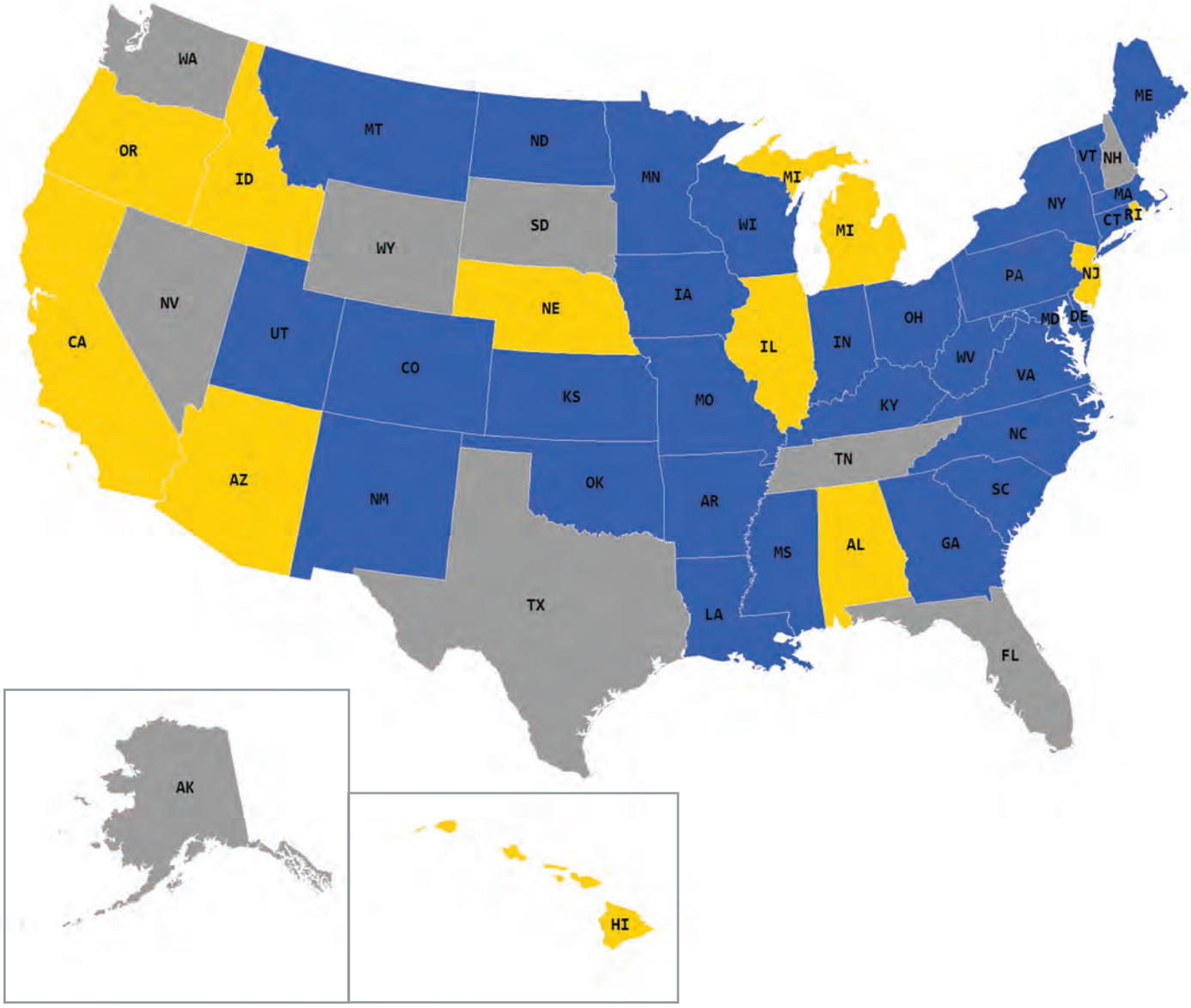
Summary of Economic Impacts of HTC-related Investment in Illinois, Missouri, and Pennsylvania FY 2011

Direct Effects		I: Illinois Rehabilitation Using HTC—$406.0 million FY 2011 total rehabilitation costs results in:	II: Missouri Rehabilitation Using HTC—$367.6 million FY 2011 total rehabilitation costs results in:	III: Pennsylvania Rehabilitation Using Federal HTC—$339.4 million FY 2011 total rehabilitation costs results in:
		NATIONAL TOTAL (DIRECT AND MULTIPLIER) IMPACTS		
National Total Impacts (Direct and Multiplier)	Jobs (person-years)	5,986	6,298	5,517
	Income ($ million)	295.6	262.2	246.4
	Output ($ million)	792.9	698.9	661.8
	GDP* ($ million)	381.5	347.3	326.6
	Taxes ($ million)	95.7	82.7	80.7
	Federal ($ million)	71.1	60.9	59.8
	State ($ million)	11.7	11.6	9.6
	Local ($ million)	12.9	10.2	11.3
		IN-STATE TOTAL (DIRECT AND MULTIPLIER) IMPACTS		
State Portion of National Total Impacts	Jobs (person-years)	3,203	3,516	3,044
	Income ($ million)	180.3	163.2	150.7
	Output ($ million)	406.0	367.6	339.4
	GSP* ($ million)	213.0	196.3	182.2
	Taxes ($ million)	48.0	42.5	40.5
	Federal ($ million)	34.4	29.6	28.9
	State ($ million)	6.8	6.3	5.6
	Local ($ million)	6.8	6.6	6.0
	In-state wealth* ($ million)	178.6	166.7	153.3

*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

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

EXHIBIT 2.7
Historic Tax Credits: State Programs



SOURCE: "State Tax Credits for Historic Preservation," Harry K. Schwartz, 2012

LEGEND

- States with rehab tax credits
- States without rehab tax credits
- States that do not tax income

SECTION 2

Qualitative Impacts of the Federal HTC: Selected National Case Studies

Thus far, this analysis has quantified the economic impacts of the federal HTC as estimated by the Rutgers PEIM. We gain an additional perspective on the federal HTC's impacts through qualitative case study analysis. The case studies that follow describe what transpired on a project-by-project basis, specifying not only the local economic impacts, but also what HTC-related historic rehabilitation has meant, more broadly, to local communities.

The current investigation conducted case studies of the following historic rehabilitation projects:

- CASA de Maryland Multicultural Center, Langley Park, Md.
- The Cleveland Institute of Art Joseph McCullough Center for the Visual Arts, Cleveland
- Sears Building, Butte, Mont.
- Wake Forest BioTech Place, Winston-Salem, N.C.
- Neighborhood Service Organization Bell Building, Detroit

We encourage the reader to browse all five case studies, which present important "facts on the ground" regarding the benefits produced by the federal HTC. As a preview of the five cases, however, we offer the following synopsis.

The case studies illustrate how the federal HTC and allied programs have fostered the stabilization and revitalization of important older neighborhoods and encouraged adaptive reuse, sometimes with the added bonus of providing affordable housing. Two of the projects—the Joseph McCullough Center for the Visual Arts, in Cleveland, and Wake Forest BioTech Place, in Winston-Salem, N.C.—are large academic facilities. The historic Sears Building in Butte, Mont., is an early 20th century department store annex that was converted to market-rate housing, a neighborhood grocery store, and a nonprofit science museum. CASA de Maryland Multicultural Center, in Langley Park, Md., originally a private mansion, now serves the largest Latino and immigrant service organization in the state. The Bell Building, in Detroit, once housed a Yellow Pages printing plant. The nonprofit Neighborhood Service Organization (NSO) converted the building to 155 units of per-

manent housing for homeless adults, the NSO's corporate offices, and space for support services for formerly homeless tenants.

The five projects had a combined total cost of approximately $210.3 million. Individual project costs ranged from about $9.1 million to about $103 million, with an average cost of $42 million.

Of the total project costs, rehabilitation and construction claimed the largest share ($146.5 million, 69.7 percent of the total), followed by soft and other costs ($44.9 million, 21.3 percent), and acquisition costs ($18.8 million, 9 percent). Project funds originated from a variety of sources, including $121.9 million from equity, (from both HTC and developer) $80 million from debt (both bank and other debt), and $8.2 million from other sources.

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

A total of $89.1 million in equity came from various tax credits, including the federal HTC, SHTCs, federal NMTCs and LIHTCs. The projects' developers contributed $32.9 million in equity. All of the five case studies twinned the federal HTC with SHTCs, the LIHTC, or the NMTC. Tax credit assistance of various types is absolutely crucial for the financing of historic rehabilitation projects.

Debt was the second largest source of funding for these five projects. Of the $80 million in debt, $70 million was acquired through banks and $10 million through government loans or other sources.

In summary, successful rehabilitation projects are enabled by a layering of funding sources and subsidies, anchored by the federal HTC and complementary programs.

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

	CASA de Maryland	CIA McCullough	Sears Building	Wake Forest BioTech Place	NSO Bell	Total
USES						
Acquisition & Site Work	$ 1	$ 13,500,000	$ 10,000	$ 4,800,000	$ 532,500	$ 18,842,501
Rehabilitation	$ 7,841,258	$ 16,748,500	$ 6,203,485	$ 89,783,369	$ 25,942,964	$ 146,519,576
Soft Costs	$ 4,996,384	$ 9,112,900	$ 1,670,354	$ 8,593,832	$ 3,559,342	$ 27,932,812
Other	$ 815,514	$ 8,101,700	$ 1,257,737	$ -	$ 6,869,176	$ 17,044,127
Total Uses:	**$ 13,653,157**	**$ 47,463,100**	**$ 9,141,576**	**$ 103,177,201**	**$ 36,903,982**	**$ 210,339,016**
SOURCES						
Bank Debt	$ 2,466,262	$ 16,573,000	$ 2,990,000	$ 48,000,000	$ -	$ 70,029,262
Non Conv. Debt	$ -	$ -	$ 1,350,000	$ 5,275,223	$ 3,500,000	$ 10,125,223
Equity - Credits	$ 4,204,708	$ 10,097,000	$ 3,403,568	$ 41,010,118	$ 30,367,202	$ 89,082,596
Equity - Developer	$ 6,982,187	$ 13,500,000	$ 1,398,008	$ 8,891,860	$ 2,100,000	$ 32,872,055
Other	$ -	$ 7,293,100	$ -	$ -	$ 936,780	$ 8,229,880
Total Sources	**$ 13,653,157**	**$ 47,463,100**	**$ 9,141,576**	**$ 103,177,201**	**$ 36,903,982**	**$ 210,339,016**

Case Studies

38 CASA de Maryland
Multicultural Center
Langley Park, Maryland

40 The Cleveland Institute of
Art Joseph McCullough Center
for the Visual Arts
Cleveland, Ohio

42 Sears Building
Butte, Montana

44 Wake Forest BioTech Place
Winston-Salem, North Carolina

46 Neighborhood Service Organization
Bell Building, Detroit, Michigan

CASE STUDY: CASA de Maryland Multicultural Center

8151 15th Avenue, Langley Park, Md.

Before

After

PROJECT PROFILE

Historic Name:	Langley Park/McCormick-Goodhart Mansion
Original construction date:	1924
Date of rehab:	2008-2009
Original Use:	Private residence
Current use:	Multicultural center
Project cost:	$13.7 million
Federal HTC equity	$963,384
Other financial incentives:	Federal NMTCs, Maryland SHTCs, and federal energy tax credits

Property and Project Details

Originally named Langley Park, the 18,000-square-foot Georgian Revival McCormick-Goodhart Mansion was constructed in 1924 as a private residence, the grand centerpiece of a 565-acre estate. Sold by the McCormick-Goodhart family in 1947, the property later served as a seminary, a Montessori school and a child care center, before sitting vacant for years. The surrounding community, one of Maryland's most ethnically and culturally diverse, has a per capita income of $11,300. The building was listed on the National Register of Historic Places in 2008.

CASA, Maryland's largest Latino and immigrant service organization, acquired the building for $1 in 2001, with the intention of broadening its outreach to an increasingly diverse immigrant community. In 2008, CASA began a certified historic rehab to convert the mansion into a multicultural center. Opened in June 2010, the Casa de Maryland Multicultural Center provides services that include financial and computer literacy education, immigrant legal and civil rights assistance, job placement, and food service industry training.

The scope of renovation included restoration of the exterior and most of the existing historic interior, adaptive reuse of service and storage areas, and a basement-level addition. Green design elements, including geothermal heating and cooling, drought-tolerant landscaping, and a green roof, earned the project LEED (Leadership in Energy and Environmental Design) Gold certification from the U.S. Green Building Council.

Project Budget

Sources of Funds	**Amount**
State HTC equity	$1,176,624
Federal Energy Tax Credit equity	$64,700
Federal NMTC loan	$2,466,262
Federal HTC/NMTC loan	$2,000,000
Federal HTC equity	$963,384
CASA de Maryland, INC. donations and grants	$6,982,187
Total	**$13,653,157**

Uses of Funds	**Amount**
Acquisition	$1
Hard/Construction Costs	$7,841,258
Soft Costs	$4,996,384
Other Financing Costs	$815,514
Total	**$13,653,157**

Community Benefits

- **90 Construction Jobs**
- **121 Permanent Jobs**
- **$705,800 state and local taxes**

The Cleveland Institute of Art Joseph McCullough Center for the Visual Arts

11610 Euclid Avenue, Cleveland

Before

After

PROJECT PROFILE

Historic name:	Ford Motor Company Cleveland Plant
Original construction date:	1913
Date of rehab:	2009-2011
Original use:	Automotive assembly plant
New use:	Academic facility with technology-enabled classrooms, wireless internet access, and a high-tech screening room for digital arts classes
Project cost:	$47.5 million
Federal HTC equity:	$6 million
Other financial incentives:	Federal NMTCs, Ohio SHTCs

Property and Project Details

Located just east of downtown Cleveland, in the city's University Circle district, this 168,000-square-foot building was designed by the great industrial architect Albert Kahn and built by Ford Motor Company in 1913 as a Model T assembly plant. It was listed on the National Register of Historic Places in 1976. The Cleveland Institute of Art acquired the property in 1981, with the aim of transforming the sprawling industrial plant into a state-of-the-art educational facility.

Completed in 2011, the McCullough Center rehab included a much-needed upgrade to the building's infrastructure and systems--heating, cooling, electrical, and roofing--and an interior redesign that added 7,000 square feet of floor area. It also restored many of the building's historic features, while making the McCullough Center a showcase for green building innovations. The Cleveland-based firm Sandvick Architects designed the project to earn the U.S. Green Building Council's LEED Silver certification, which is awarded to structures that achieve superior environmental performance. Sustainable features include energy-efficient heating, lighting, roofing and windows, and interior workstations built with wood reclaimed from demolished Cleveland-area homes. An adjoining facility, scheduled to begin construction in 2012, will allow the Institute to consolidate all of its operations at the McCullough Center.

Project Budget

Sources of Funds	Amount
NTCIC NMTC loans	$12,610,000
National New Markets Fund NMTC loans	$3,963,000
CIA Capital Contribution (grants, donations)	$13,500,000
Federal HTC Equity	$6,038,000
State Historic Tax Credit Equity	$4,059,000
Other Sources	$7,293,100
Total	**$47,463,100**

Uses of Funds	Amount
Acquisition	$13,500,000
Construction Costs and Contingency	$16,748,500
Soft Costs and Contingency	$9,112,900
Other Financing Costs	$8,101,700
Total	**$47,463,100**

Community Benefits

- **369 Construction Jobs**
- **200 Permanent Jobs**
- **$27 million state and local taxes**

CASE STUDY: Sears Building

32-40 East Granite Street, Butte, Mont

PROJECT PROFILE

Historic name:	Hennessy Annex
Original construction date:	1910
Date of rehab:	2010
Original use:	Retail and residential
New use:	Mixed commercial and 34 market-rate rental loft apartments
Total project cost:	$9.1 million
Federal HTC equity:	$1.49 million
Other financial incentives:	Federal NMTCs, Montana SHTCs

Property and Project Details

The historic Sears Building dates from 1910 and first served as an annex to the Hennessy Department Store, with a grocery store at street level and cold storage and a bakery in the basement and sub-basement. Small apartments on the second and third floors accommodated local miners. A five-story, steel-frame structure with a masonry exterior, the building is located in the Butte-Anaconda National Historic Landmark District.

In 1941, Sears, Roebuck and Co. took over occupancy of the first floor space and, after adding a new glass storefront, opened a retail store at the site. Sears closed the store in the late 1970s, amid a decline in the local mining industry, and the building then suffered a period of neglect and deterioration. After taking the property for back taxes, the City and County of Butte-Silver Bow conducted a structural evaluation and, in

1994, sealed and stabilized the structure and installed a new roof. The building remained vacant until 2006, when the municipality sought proposals to redevelop the property.

Kujawa Development, a local firm headed by Butte native Nick Kujawa, submitted the winning proposal and undertook a complete renovation of the building, which now houses a neighborhood market, a nonprofit science museum, and 34 market-rate rental loft apartments. As Kujawa's proposal envisioned, the project not only revitalized the building, but also sparked much-needed investment in the surrounding neighborhood. Even before the Sears Building rehabilitation was complete, a new restaurant opened nearby; another developer announced plans to rehabilitate the Capri Hotel, directly across the street; and private investors purchased several long-vacant historic apartment buildings in the immediate vicinity, with plans to restore them to their former glory. The Sears Building opened in late 2010, and its mix of retail and housing harkens back to the boom times of this historic mining city, but with a sleek, modern feel.

Project Budget

Sources of Funds	**Amount**
Glacier Bank commercial loan	$2,990,000
Butte-Silver Bow Urban Revitalization Agency low-interest loan	$1,350,000
NMTC equity	$1,915,640
Federal HTC equity	$1,487,928
Owner equity	$1,398,008
Total	**$9,141,576**

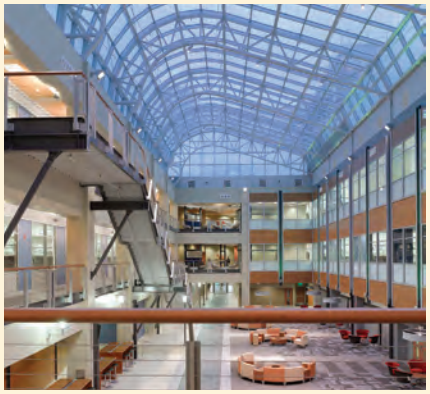
Uses of Funds	**Amount**
Acquisition	$10,000
Construction Costs	$6,203,485
Soft Costs (Architectural, Engineering and Developer Fee)	$1,670,354
Operating Reserve	$200,000
Other Financing Costs	$1,057,737
Total	**$9,141,576**

Community Benefits

- **83 Construction Jobs**
- **93 Permanent Jobs**
- **$467,000 state and local taxes**

CASE STUDY: Wake Forest BioTech Place

401 East Fifth Street, Winston-Salem, N.C



PROJECT PROFILE

Historic name:	R.J. Reynolds Tobacco Co. Building 91
Original construction date:	1937
Date of rehab:	2010-2011
Original use:	Cigarette manufacturing plant and warehouse
New use:	Biotechnology research laboratory, office, and retail
Total project cost:	$103 million
Federal HTC equity:	$18.6 million
Other financial incentives:	Federal NMTCs, North Carolina Mill Rehabilitation Tax Credits

Property and Project Details

Building 91 is part of R.J. Reynolds Tobacco Co.'s historic downtown Winston-Salem manufacturing complex, which was listed on the National Register of Historic Places in 1989 as the Winston-Salem Tobacco District. The original section, Building 91-1, was constructed in 1937 as a tobacco warehouse and later housed the complex's engineering shop. Designed by the Libbey-Owens Glass Co., the five-story, 93,125-square-foot, reinforced concrete structure features distinctive glass block curtain walls. A second component—Building 91-2, completed in 1962—more than doubled the original building's capacity.

By 1990, R.J. Reynolds had ceased operations at its downtown Winston-Salem factories, and in 2005 it donated the entire complex to the non-profit Piedmont Triad Research Park (PTRP) for redevelopment. In August 2010, PTRP sold the buildings to Baltimore-based developer Wexford Science & Technology.

Wexford redeveloped Building 91's two components as a single mixed-use facility consisting of office, retail, and state-of-the-art research laboratory space. The project demolished the existing interiors, added new windows and an interior atrium, and raised one floor to accommodate laboratory functions, while retaining the glass block facades and other historically significant features. Preleased by Wake Forest Baptist Medical Center, the renovated facility includes approximately 184,200 square feet of research laboratory space, 24,300 square feet of offices, 8,000 square feet of retail space, and a 25,500-square-foot atrium.

Project Budget

Sources of Funds	Amount
NTCIC NMTC loan	$5,250,000
University Research Park (URP) NMTC loan and equity	$5,487,698
Urban Action Community Development (UACD) NMTC loan	$8,199,000
Federal HTC equity	$18,584,292
NC State Mill Credit equity	$17,656,211
Construction Loan	$48,000,000
Total	**$103,177,201**

Uses of Funds	Amount
Acquisition	$3,000,000
Site Work	$1,800,000
Construction Costs and Contingency	$29,958,403
Soft Costs and Contingency	$59,073,856
Other Financing Costs	$9,344,942
Total	**$103,177,201**

Community Benefits

- **623 Construction Jobs**
- **733 Permanent Jobs**
- **$51 million state and local taxes**

CASE STUDY: Neighborhood Service Organization Bell Building

882 Oakman Boulevard, Detroit

PROJECT PROFILE

Historic name:	Michigan Bell and Western Electric Warehouse Building
Original construction date:	1930
Date of rehab:	2011-2012
Original use:	Warehouse, garage, and office space for Western Electric
New use:	Housing and support services for 155 formerly homeless adults in transition, community support facilities, and corporate offices for a private, nonprofit human services agency
Total project cost (for residential phase):	$37 million (projected)
Federal Historic Tax Credit equity:	$6.32 million
Other financial Incentives:	Michigan SHTCs, federal LIHTCs, Michigan Business Tax Brownfield Redevelopment Credits, HOME Funds loan, Kresge Foundation and McGregor Fund grants

Property and Project Details

Constructed between 1929 and 1930, the Michigan Bell and Western Electric Warehouse Building was designed by the noted architectural firm Smith, Hinchman & Grylls, which also designed the Michigan Bell headquarters on Detroit's Cass Ave. and such downtown skyscrapers as the Guardian, Buhl, and Penobscot buildings. A story in the October 1930 issue of The Michigan Bell described the 12-story (including basement) brick, steel, and concrete structure as "one of the largest and most complete plants of its kind in the Bell System."

Western Electric leased most of the building from its opening until 1958. In 1959, the Yellow Pages operation and Michigan Bell moved in and used the building until it was sold in 1996 to Focus: HOPE, a Detroit-based nonprofit civil and human rights organization. The property remained largely vacant until Focus: HOPE partnered with the private, non-profit Neighborhood Service Organization to redevelop the building to create a new location for their administrative headquarters and supportive human service operations.

The building is being rehabilitated in two phases. The residential phase will consist of exterior improvements and an interior renovation that includes parts of floors 1 and 2 and all of floors 3 through 6. The renovated space will include 155 furnished one-bedroom units of permanent housing and facilities for intensive case management, mental health services, addiction treatment, financial literacy and nutrition classes, and other services aimed at helping residents restore their lives. The project will also include amenities such as a gym, a library, a computer room, and ample outdoor green space for gardens. A health care clinic in the building will serve both residents and the community. The residential phase is scheduled for occupancy in 2012.

Project Budget

Sources of Funds	Amount
LIHTC Equity	$17,605,200
Federal HTC Equity	$6,320,769
Michigan State HTC Equity	$1,348,886
Michigan Brownfield Tax Credit Equity	$5,092,347
City of Detroit HOME Funds Loan	$2,500,000
Kresge Foundation Grant	$1,250,000
Wayne County Home Funds Loan	$1,000,000
McGregor Fund Grant	$600,000
City of Detroit CDBG Grant	$150,000
Dev. Corp of Wayne County	$100,000

Other Sources	$936,780
Total	**$36,903,982**

Uses of Funds	**Amount**
Acquisition	$532,500
Rehabilitation Hard Costs and Contingency	$25,942,964
Environmental Mitigation	$2,090,510
Soft Costs and Contingency	$3,559,342
Other Financing Costs	$4,778,666
Total	**$36,903,982**

Community Benefits

- **232 Construction Jobs**
- **299 Permanent Jobs**
- **$2.04 million state and local taxes**

The HIstoric Tax Credit Coalition

Patrick Robertson
email: robertson@thec2group.com
P 202.567.2909
F 202.393.7887
Liberty Place
325 7th Street NW
Suite 400
Washington, DC 20004
www.historiccredit.com

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
848-932-5475
Web: policy.rutgers.edu
Email: ejb@policy.rutgers.edu

National Trust Community Investment Corporation
a subsidiary of the National Trust *for* Historic Preservation

1785 Massachusetts Avenue, NW
Washington, DC 20036
www.ntcicfunds.com