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## ABOUT THE WILDER SCHOOL

The L. Douglas Wilder School of Government and Public Affairs at Virginia Commonwealth University informs public policy through cutting-edge research and community engagement while preparing students to be tomorrow's leaders. The Wilder School's Center for Public Policy conducts research, translates VCU faculty research into policy briefs for state and local leaders, and provides leadership development, education and training for state and local governments, nonprofit organizations and businesses across Virginia and beyond.

## ABOUT CURA

The Center for Urban and Regional Analysis (CURA) is the economic and policy research center of the L. Douglas Wilder School of Government & Public Affairs at Virginia Commonwealth University. The Center serves stakeholders and organizations at all levels of focus, providing information systems support, program impact analysis, public policy evaluation, targeted investment models, and strategic plans to state agencies, regional and metropolitan organizations, planning districts, cities, counties and towns, as well as businesses and non-profit organizations.

**DHR** | Virginia Department of Historic Resources

 **VCU** L. Douglas Wilder School of  
Government and Public Affairs  
Center for Urban and Regional Analysis

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# PRESERVING THE PAST, BUILDING THE FUTURE HRTC AT WORK IN VIRGINIA EXECUTIVE SUMMARY



**JANUARY 2018**

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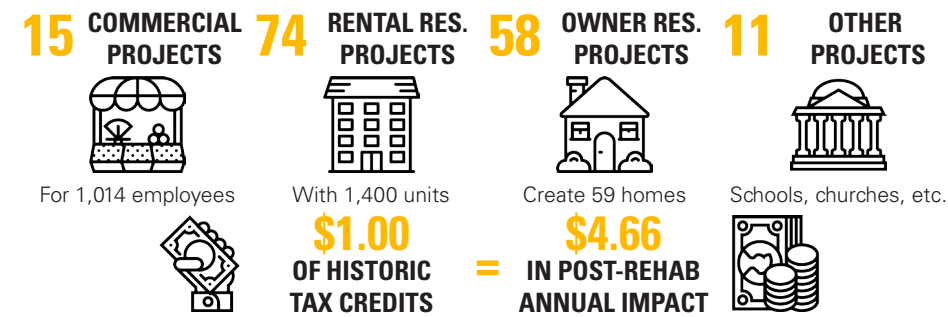
Virginia’s Historic Rehabilitation Tax Credit (HRTC) program has played an essential role in the preservation of thousands of historic properties and economic sustainability of communities throughout the Commonwealth since its inception 20 years ago. The program has issued \$1.2 billion in tax credits, leveraging \$4.5 billion in private investment since 1997. Although the tax credits issued represent revenue not immediately realized by the Commonwealth, much of the \$4.5 billion of private investment would not have otherwise occurred. VCU’s Wilder School analyzed the Historic Rehabilitation Tax Credit program to better understand its costs and benefits to Virginia, its communities, and its historic buildings.

SECTION 1: QUANTITATIVE ANALYSES

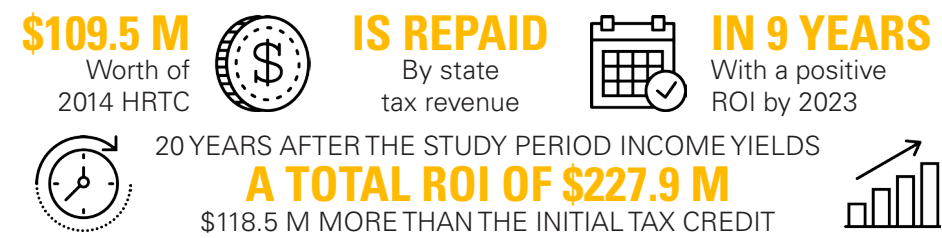
**1. REHABILITATION-PERIOD IMPACT** – The Center for Urban and Rural Analysis (CURA) calculated that the work associated with historic tax credit projects—the spending generated by construction and activities related to construction—generates \$4.20 to \$5.30 of economic impact for every \$1.00 of tax credit. That’s an annual average impact of \$357 million to \$446 million, including 2,300 to 2,900 jobs and \$12.7 million to \$16.0 million in state and local tax revenue.



**2. POST-REHABILITATION IMPACT** – Rehabilitated buildings continue to generate economic impacts after construction is completed by making available commercial and residential square footage in historic districts that was previously unused or underutilized. CURA analyzed commercial activity, visitors attracted to new or upgraded museums, and wages spent by residents that use reclaimed square feet from projects using HRTC. Unlike the rehabilitation-period impacts, post-rehabilitation impacts continue year after year. Projects completed in a single year—about \$109 million in tax credits in 2014—generate annual post-rehabilitation economic impacts of \$510 million, including 3,565 jobs, \$13.3 million in state tax revenues, and \$16.6 million in local tax revenues. Every \$1.00 of historic tax credits generates \$4.66 in annual, ongoing, post-rehabilitation impact.



**3. RETURN ON INVESTMENT** – Understanding the annual post-rehabilitation impact (including state and local tax revenues) in combination with the one-time rehabilitation-period impact offers an opportunity to estimate the net benefit and payback period of the HRTC program. Based on state tax revenues alone, the Commonwealth recoups revenue lost through one year of tax credits within nine years. After payback periods, historic rehabilitation projects continue to generate economic impacts. The Commonwealth nets \$5.35 in combined state and local tax revenues for every \$1.00 in tax credits over a 20-year period.



**4. PROPERTY VALUE IMPACTS** – CURA estimates that rehabilitated structures see a 166 percent increase in value per square foot and a 170 percent increase in the average property value. Buildings rehabilitated for institutional or public use experience the largest value gains followed by multifamily residential, commercial, and single-family residential.



SECTION 2: BEYOND THE NUMBERS

**5. THEMATIC FINDINGS** – A series of focus groups and interviews revealed the use of historic tax credits by developers, architects, bankers, government officials, and other stakeholders follows common trends and motivations:

- a. The HRTC program is utilized as a tool for community revitalization in economically distressed areas largely because it makes development in those areas profitable.
- b. Developers who specialize in historic rehabilitation projects are beginning to move beyond a handful of large cities.
- c. Discussions of the HRTC program in recent General Assembly sessions have left program participants and professionals concerned about the stability of the program’s funding, threatening predictability that’s necessary to secure financing for projects with timeframes longer than 24 months.
- d. Some tax credit developers seek out projects in economically distressed areas where tax credits can make projects economically feasible and revitalize communities. Others continue to utilize them for development in thriving cities where tax credits can make projects profitable.

**6. URBAN/RURAL** – Urban jurisdictions have historically benefited most from the HRTC program. Not only do urban areas contain the greatest demand for different uses, they also contain the largest stock of historic buildings. Further, federal historic rehabilitation tax credits, which may be used in tandem with the state tax credits, are difficult to use in rural areas with less developed finance infrastructure and fewer large-budget projects. However, as focus group participants noted, the stock of historic buildings available for rehabilitation in high-demand urban areas has decreased. Analysis of tax credit use per jurisdiction, per capita, and by rurality indicates that rural jurisdictions may be reaping the benefits of a shift away from primary markets. Although data is insufficient to establish a trend, the per capita use of tax credits in rural Virginia in 2014 surpassed that of urban Virginia.

MAP 1.1: STATE HISTORIC TAX CREDIT TOTAL CREDIT BY LOCALITY [1997-2014]

