Economic Impact

Historic Preservation as Economic Development

The argument for historic preservation as economic development is a compelling one. Although the magnitude of the economic impact of historic preservation is largely specific to the locality, there are consistent, reoccurring patterns.

1) Dollar For Dollar, Historic Preservation is One of the Highest Job-Generating Economic Development Options Available

a) In Michigan, $1 million in building rehab creates 12 more jobs than manufacturing $1 million in cars.

b) In West Virginia, $1 million or rehab creates 20 more jobs than mining $1 million of coal.

c) In Oklahoma, $1million in rehab creates 29 more jobs than pumping $1 million of oil.

d) In Oregon, $1 million in rehab creates 22 more jobs than cutting $1 million in timber.

e) In Pennsylvania, $1 million in rehab creates 12 more jobs than processing $1 million in steel

f) In California, 5 more jobs are created by rehab than by producing $1 million in electronic equipment.

g) In South Dakota, $1 million in rehab creates 17 more jobs than growing $1 million in agricultural products.

h) In South Carolina, $1 million in rehab creates 8 more jobs than manufacturing $1 million in textiles.

(*The Economics of Historic Preservation*, Rypkema 1998:13).

2) Job Creation Spurred by Historic Preservation Begins in Construction

a) In Philadelphia, there were 356 historic rehabilitation tax credit projects from 1978 to 1985, employing 8,640 construction workers.

b) In Chicago, 302 projects prior to 1985 generated $524 million in investment and created 20,695 jobs.

c) In St. Louis, 849 projects generated $653 million in investment and created 27,735 jobs.

(Philadelphia Mayor Edward G. Rendel, *The New Urban Agenda* quoted in Rypkema, 1998:13)

3) Job Creation Extends Beyond Construction

a) Each $10 million in expenditures creates 285 jobs in Rhode Island and an additional 65 jobs outside of the state.

b) Of in-state jobs, 129 are construction workers, 51 are for services provided by engineers, architects, attorneys, accountants, preservationists, etc.

c) 37 of the in-state jobs involve retail, 23 involve manufacturing; and 19 are in the fields of finance and real estate.

(Edward F. Sanderson, *Preservation Forum* quoted in Rypkema, 1998:13)

4) Historic Preservation Creates More Jobs than the Same Amount of New Construction

a) The process of historic preservation is extremely labor intensive. Generally speaking, between 60 and 70% of the total costs goes toward labor compared to 50-50 for new construction.

b) This has practical implications for the local economy. Labor (carpenters, electricians, plumbers, sheet metal workers, painters) is nearly always hired locally. Thus they spend their wages locally. Materials for new construction, in contrast, often have to be purchased elsewhere, making a more limited impact on the local economy.

c) In state after state, building rehab outperforms new construction in the number of jobs created, the increase in local household incomes, and the impact on all other industries.

d) If a community is deciding between spending $ 1 million in new construction and spending $1 million in rehab, rehabilitation offers several advantages:

i) $120,000 more dollars will initially stay in the community;

ii) Five to nine more construction jobs will be created;

iii) 4.7 more new jobs will be created;

iv) Household incomes in the community will increase by $107 more;

v) Retail sales in the community will increase $142,000 as a result of that $1 mill of rehab expenditure–$34,000 more than with $1 mill of new construction;

vi) Real estate companies, lending institutions, personal service vendors, and eating and drinking establishments will all receive more monetary benefit from $1 mill in rehab than from $1 mill of new construction.

(Rypkema, 1998:14)

5) **Historic Preservation Has a Multiplier Effect**

a) The Advisory Council on Historic Preservation identified community benefits in terms of the following:

i) new businesses formed;

ii) private investment stimulated;

iii) tourism stimulated;

iv) increased property values;

v) enhanced quality of life;

vi) new jobs created;

vii) smarter land-use patterns;

viii) increased property and sales taxes;

ix) pockets of deterioration diluted.

(Rypkema, 1998:15)

6) **Historic Preservation Provides a Greater Benefit To Local Suppliers**

a) Direct local purchases from both retailers and wholesalers are greater, dollar for dollar, for a rehabilitation project than for a new construction project.

b) The local direct purchases combined with the locally recirculated wages of construction workers have a surprisingly large economic impact.

c) In California for example, money invested in rehabilitation will increase local earnings in wholesaling 10% more and retailing 43% more than the same amount spent on new construction.

(Rypkema, 1998:15)

7) **Historic Preservation is an Effective Urban Economic Development Strategy**

a) In a survey of economic development professionals, fifteen of the twenty cities most often named as having the most successful economic development efforts were the ones with the greatest amount of historic rehab activity nationally. In contrast, of those large cities with the least success in job growth and investment, most also have poor records in historic preservation.

b) An evaluation of New Orleans stated that "to lose [historic buildings] through design or neglect would constitute a fiscally irresponsible waste of New Orleans' most valuable economic resource." (*An Evaluation of Revitalization Opportunities and Economic Development Strategies for the Lower Garden District* quoted in Rypkema, 1998:16)

8) Historic Preservation Works in Commercial Districts

a) The economic development through historic preservation approach of the Main Street model has had widespread success. For every dollar invested in Main Street by the public sector, $39 was invested by the private sector nationally[1]. This is a very cost-effective approach. This is unlike other models where state governments spend anywhere from $50,000 and $200,000 of tax payers' money for each job created.

b) In the year 2000, the National Main Street Center estimates the net number of new businesses created in their 1,633 participating communities to be 52,000, the net number of new jobs created to be 206,000, and the net number of building rehabilitation projects to be 79,000.

("Reinvestment Statistics", National Main Street Center, National Trust for Historic Preservation, 2000)

c) In the case of Fredericksburg, Virginia, city officials decided to emphasize Fredericksburg's historic character when developing revitalization strategies. "…Rehabilitation projects led to the creation of 293 temporary construction jobs and approximately 284 jobs in sales and manufacturing…The fiscal benefits to Fredricksburg area governments included building permit fee revenues of $33,442 realized by the city and $243,729 in locally redistributed state sales tax revenues." (*The Economic Benefits of Preserving Community Character* quoted in Rypkema, 1998:19)

9) Historic Rehab is Often a Counter-Cyclical Activity That Helps Stabilizes the Local Economy During an Economic Downturn

a) The vast majority of preservation projects are modest in scale, thus they are affordable when large new projects are not.

b) They are more feasible for a property owner in difficult financial times.

c) Since local labor and suppliers get a much larger share of the total expenditure than they do for new construction projects, dollar for dollar, preservation will have a more positive local economic impact.

d) Owning a project that fits within a historic district offers a sense of security in that an out-of-scale new project will not negatively impact the owner's investment when the real estate market rebounds. (Rypkema, 1998:20)

e) "Even in hard times, while building activity in the rest of the city has slumped, the [historic] districts have remained stable, attractive places where development has continued unabated." *(Landmarks Preservation and Economic Development in New York City*, quoted in Rypkema 1998:21)

10) Case Studies State by State

a) Between 1996 and 2002, six statewide analyses of the economic benefits of historic preservation have been completed. Each one identified and quantified substantial benefit.

b) Job creating impact of rehabilitation was found consistently.

c) There is a decidedly greater economic impact of heritage tourism when compared to tourism in general across the board.

(Economic Benefits of Historic Preservation, *Preservation Forum*, May/June 1998)

11) Virginia

a) The investment of more than $350 million in the rehab of some 900 income-producing buildings using the federal historic rehabilitation tax credit has provided Virginia with 12,697 jobs and an increase in household income of nearly $275 million.

b) Historic preservation visitors stay longer, visit twice as many places, and spend, on average, more than two and one-half times more money in Virginia than do other visitors.

c) In the past 10 years, 20 small Virginia Main Street communities with populations under 50,000 have seen more than $54 million of private funds invested in the rehab of more than 1,600 buildings.

d) Property values of historic buildings and sites in communities as diverse as Fredericksburg, Richmond, and Staunton significally out-perform the appreciation rates of nonhistoric properties.

(Taken from *Virginia's Economy and Historic Preservation: The Impact of Preservation on Jobs, Business and Community*, The Preservation Alliance of Virginia, 1995)

12) *New Jersey*

a) New Jersey preservation activities stimulate $298 million in federal, state, and local taxes within New Jersey and $415 million in taxes.

b) Preservation contributes $543 million in gross state product and $929 million in gross domestic product.

c) Every $1 million spent on nonresidential historic rehabilitation creates two jobs more than the same money spent on new construction.

d) It also generates $79,000 more in income, $13,000 more in taxes, and $111,000 more in wealth.

e) Preservation in New Jersey creates 21,575 jobs each year, 10,140 of them in state.

(Taken from Economic Impacts of Historic Preservation, New Jersey Historic Trust, 1997)

13) North Carolina

a) Tourism is the second largest industry in North Carolina, employing 161,000 people and producing $2.5 billion in annual pay. The number one reason visitors come to North Carolina is its historic resources.

b) The North Carolina movie industry is now the third largest in the county and has seen direct expenditures of $4.6 billion since 1980. The fabric of the state's commercial areas and residential neighborhoods is a significant draw for the movie industry.

c) Over the last 20 years, the Revolving Fund of North Carolina has acquired and resold more than 300 properties representing an ultimate investment of more than $60 million. The properties now generate between $1 and $2 million each year in property taxes, which support schools, towns and counties.

(*Profiting from the Past: The Impact of Historic Preservation on the North Carolina Economy*, Preservation North Carolina, 1998)

14) Texas

a) Preservation activities generate more than $1.4 billion of economic activity in Texas each year and support almost 41,000 Texas jobs.

b) Cities with active historic preservation programs indicate that historical designations can increase property values by as much as 20%.

c) Property owners reinvest in historic properties in many cases because of incentive programs offered by state and local governments. More than 30 Texas cities offer property tax incentive programs resulting in millions of reinvested dollars. This reinvestment, in turn, generates thousands of in-state jobs and millions of dollars of income and state wealth (Gross State Product)

d) Private property owners invest more than $172 million in historic building rehabilitation annually which averages more than 4% of all building rehabilitation activity. Public entities add another $20 million for a total annual historic rehabilitation investment in Texas of more than $192 million.

e) Rehabilitation of historic properties alone created more than 4,200 jobs in Texas in 1997 in diverse areas such as construction, manufacturing, transportation, utilities, retail and services. Overall, historic preservation activities created more than 40,000 jobs that year.

f) More than 11% of all travelers to Texas are heritage travelers, a number that increases annually. Heritage travelers spend about $1.43 billion annually with approximately $1.2 billion resulting from overnight stays and about $230 million from day trips in Texas.

g) More than 75 cities currently participate in the Texas Main Street Programs. Since 1981, Main Street cities averaged $97 million annually in reinvestments, $56 million in income and added $87 million in GSP to the state's economy.

15) Maryland

A study by Lipman Frizzell and Mitchell (2002) found the following:

a) During a two-year period (2000 and 2001), the Maryland state tax credit generated $155.5 million in total rehabilitation investment by private developers and homeowners. That can be broken down in the following manner:

b) An estimated 2,454 jobs were created throughout the State and in many sectors of its economy: only half were construction sector jobs on-site. Total output in the Maryland economy was increased by $260.5 million and wages increased by $81.6 million.

c) Public revenues increased by an estimated $20.0 million due to the increased rehabilitation spending. The State realized an estimated $13.0 million in new collections, while local jurisdictions benefited by $7.0 million.

d) The rehabilitation qualified for $38.9 million in State historic preservation tax credits. Each $1.00 in State investment has leveraged $4.00 in construction spending and $.80 in federal tax credits.

e) The State has already covered at least $35.2% of its investment, having collected $13 million in new revenues prior to the distribution of the tax credit refunds. Increases in total public revenues over the past two years amount to 52.6% of the State's investment.

f) In evaluating the economic and fiscal impact of the State's tax credit investment in three specific commercial rehabilitation it was determined that:

i) Without the tax credits, redevelopment of the three historic properties would not have been possible.

ii) The redevelopment of the three properties contributed to the revitalization of their neighborhoods, accelerating renewal and supporting other public and private initiatives.

iii) Construction payrolls were increased locally, with consequent ripple effect through other employment sectors throughout the Maryland economy during the past two years. In each case, permanent employment on site was increased dramatically with jobs which are new to Maryland.

iv) In each case, the present value of public revenues to be derived from the properties' increased employment and real property assessments measurably outweighs the up-front tax credit investment by the State.

v) For each $1.00 of net tax credit expenditure in the three projects, the State is directly receiving future property and income taxes with a present value ranging from $.41 to $4.60. The State's investment has also leveraged federal tax credits amounting to $.80 to $1.12 in federal money for each $1.00 of tax credit expenditure. Total public revenues (including counties and municipalities) have been increased as a result of the State's investment, yielding a present value of $1.30 to $5.02 in revenues for every $1.00 of State tax credit investment.

vi) It should also be noted that, in addition to the benefits analyzed above, the attraction of new households to rehabilitated apartment units in Baltimore City generates significant new local revenues. LF&M estimates the present value of the City's incremental piggyback revenues is $6.37 million for the 579 apartments rehabilitated in 2000-2001. Those new local revenues add another $.58 leverage for each $1.00 of State tax credit investment–over and above revenues already discussed.

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[1] The Reinvestment Ratio measures the amount of new investment that occurs, on average, for every dollar a participating community spends to support the operation of its Main Street program, based on average annual program costs reported to the National Trust's Main Street Center by statewide and citywide Main Street programs.