Catalyst for Change

THE FEDERAL HISTORIC TAX CREDIT: Transforming Communities

PREPARED FOR THE NATIONAL TRUST
FOR HISTORIC PRESERVATION
BY PLACE ECONOMICS

JUNE 2014

Prosperity through Preservation
Save the Historic Tax Credit

Prosperity *through* Preservation
Save the Historic Tax Credit

PROSPERITY THROUGH PRESERVATION is a campaign, led by the National Trust for Historic Preservation and the Historic Tax Credit Coalition, to protect and enhance the most significant federal investment in historic preservation, the federal historic tax credit. More information about the campaign and ways to get involved can be found at www.SaveHistoricCredit.org.

National Trust *for* Historic Preservation™

THE NATIONAL TRUST FOR HISTORIC PRESERVATION works to save America's historic places for the next generation. We take direct, on-the-ground action when historic buildings and sites are threatened. Our work helps build vibrant, sustainable communities. We advocate with governments to save America's heritage. We strive to create a cultural legacy that is as diverse as the nation itself so that all of us can take pride in our part of the American story. For more information, contact:

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Research conducted by PlaceEconomics

COVER: RENOVATED WITH THE HISTORIC TAX CREDIT, ATLANTA'S PONCE CITY MARKET IS NOW HOME TO THE DANCING GOATS COFFEE BAR WHICH SERVES AS A GATHERING PLACE FOR LOCAL RESIDENTS. PHOTO COURTESY: SARA DORIO

Contents

The Historic Tax Credit: Transforming Communities One Block at a Time
277 Fairfield Avenue, Bridgeport, Connecticut

Undertaken because of the historic tax credit (HTC), renovations such as the $29.6 million, two-phase Bijou Square project in Bridgeport, Connecticut act as catalysts to transform the surrounding neighborhood. The renovation of the 1910 Bijou Theatre and the 1911 Jennings Building led to a renaissance in downtown including a new five-story building with 84 apartments and first-floor retail space. This report quantifies the catalytic impact of the historic tax credit program for the first time.

A CATALYST FOR CHANGE

Transforming America's Past into Our Future

It has been called the largest community reinvestment program in the country. The federal historic tax credit has created good jobs, fueled local economies and revived forgotten treasures of our past. Its impact has been felt in Main Street districts and downtowns across the country.

The historic tax credit is by far the federal government's most significant financial investment in historic preservation. Since it was permanently written into the tax code more than 30 years ago, it has leveraged nearly $109 billion in private investment, created 2.41 million jobs and adapted more than 39,600 buildings for productive uses.

This tax incentive more than pays for itself. Over the life of the program, $21 billion in tax credits have generated more than $26.6 billion in federal tax revenue associated with historic rehabilitation projects.

Even better, 75 percent of the economic benefits of these projects stay on the ground, in state and local economies. Developers generally buy materials close to the project site and hire local workers. Moreover, because historic building rehabilitations are more labor intensive than new construction, they often require additional workers at higher wages.

By breathing life into vacant warehouses, factories, hotels and more, the federal historic tax credit brings new hope and stability to neighborhoods, setting the stage for additional investment.

Simply put, this is an investment in our communities that returns over and over.

As Congress considers reforming the tax code, the federal historic tax credit is exactly the kind of market-based incentive we need to leverage private investment in historic properties. Without this incentive, which fills a critical financing gap in historic redevelopment projects, there will be a halt to nearly all rehabilitations of historic commercial properties in the United States.

For the tax credit to continue to play its catalytic role in our older and historic communities, it needs staunch champions across the nation.

We urge you to become one of those champions. With your help, we can keep promoting sensible, cost-effective federal programs that benefit our economy and improve our quality of life.

Stephanie K Meeks

Stephanie K. Meeks

President, National Trust for Historic Preservation

Key Findings

The Catalytic Impact of the Historic Tax Credit

This study looked at the catalytic role of historic preservation projects in six cities in three states. *The cities and the projects vary widely, but the results are the same—when the private sector rehabilitates a building utilizing the historic tax credit there are positive benefits that ripple throughout the community.* This report found that the federal historic tax credit isn't just about transforming historic buildings within their four walls—it is about transforming communities.

- Since the completion of two key rehabilitation projects in Salt Lake City's Depot District, the market value of properties in the area has increased 22.5%—at a time when the citywide property values declined more than 17%.
- In the two years prior to Warehouse Lofts opening its doors, there were a total of two new business licenses issued in the Macon, Ga. neighborhood. In the three years since it opened, 57 businesses have received their licenses.
- In the two years before the former 1890s manufacturing building was rehabilitated into the Miller's Court apartment complex, just two residential building permits were issued in the Baltimore, Md. neighborhood. In the three years since it opened, 17 permits have been issued.
- The conversion of the former Sears building in Atlanta, Ga. is spurring additional renovations. Eight times as many building permits have been issued for alteration, conversion, and repair as for demolition.
- In the six years since the first phase of the American Can redevelopment in Ogden, Utah, over $33 million in building permits have been issued in the area impacted by the project.
- The rehabilitation of 23 historic buildings that were in government hands now provides nearly $60 million in property tax base for Montgomery County, Md.

The catalytic impact of historic preservation can only be understood at the project level. Because each community collects different types of information at different times, it was not possible to use identical metrics for each project. In each instance, however, the best available data was used to examine what impact each project had on its surrounding areas. Sometimes that was change in property assessments, sometimes building permit activity, sometimes business licenses or other measures.

In 1984, President Ronald Reagan said: "Our historic tax credits have made the preservation of our older buildings not only a matter of respect for beauty and history, but of course for economic good sense."[1]

The impacts and the nature of the measurements vary from project to project, but the results are consistent: the tax credit works, the benefits accrue far beyond the property owner, and historic buildings not only play a central role in reflecting America's past but also in enriching America's future.

This report also demonstrated that historic tax credit projects can withstand a recession. In 2006, when construction in the U.S. began to decline, historic preservation continued climbing. And while preservation activity was certainly affected by the Great Recession, it was affected much less than the overall construction industry. Historic tax credit investment continued to increase for two years after private construction expenditures began to drop. While both tax credit historic preservation and overall construction remain below their peaks, by 2012, historic preservation activity was substantially above its 2003 level, while overall construction had yet to reach the level of the prior decade.

Program Overview

Background

In 1976, the United States commemorated its bicentennial. Americans throughout the country celebrated the 200-year history of a handful of English colonies that had grown to be the most powerful and influential nation on the globe.

More than just a celebration of the past, there was also the recognition that historic buildings were not only the physical manifestation of that history but also should be central in meeting the needs of America's future. Congress passed and President Ford signed the first tax benefits for the rehabilitation of historic buildings. There was no certainty that it would work. The Tax Reform Act of 1976 stated:

Congress believes that the rehabilitation and preservation of historic structures and neighborhoods is an important national goal. Congress believes that the achievement of this goal is largely dependent upon whether private funds can be enlisted in the preservation movement.

To effectively enlist private funds, the first tax credit for historic preservation was enacted in 1978. Over the past 35 years, the question of whether private funds could be enlisted in the preservation movement has been decisively answered.

The completed projects have brought renewed life to deteriorated business and residential districts, created new jobs and new housing units, increased local and state revenues, and helped ensure the long-term preservation of irreplaceable cultural resources.[2] – Internal Revenue Service, 2002

This study found how right the IRS was.

How the Historic Tax Credit Works

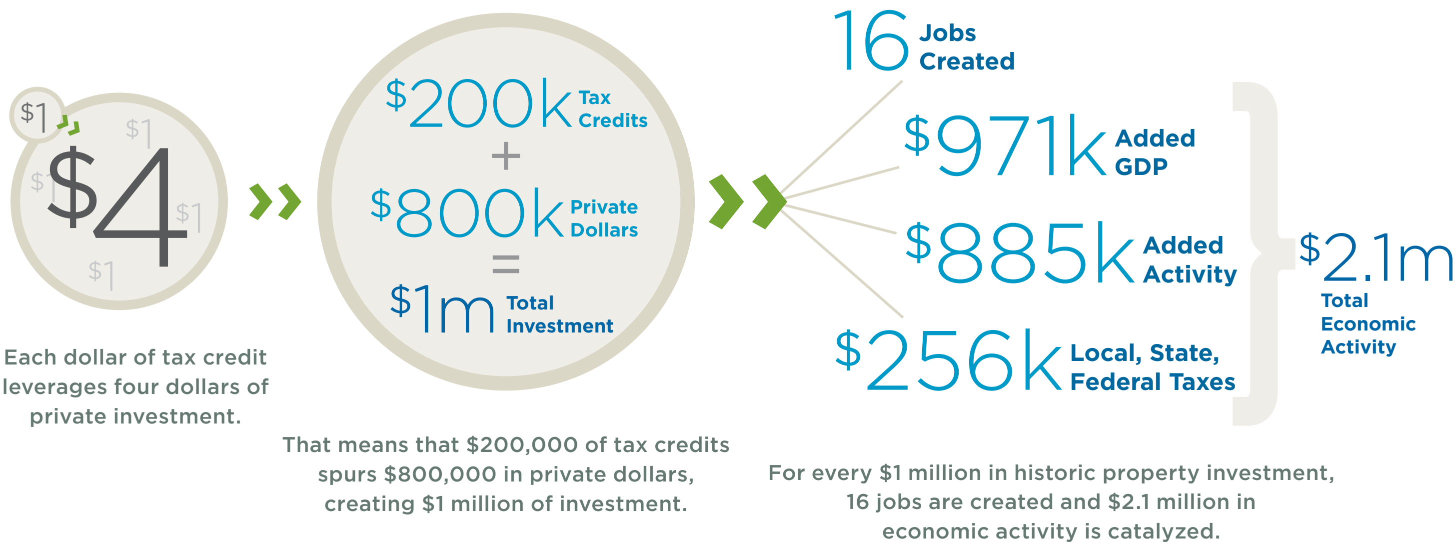
Today, a 20% income tax credit is available for the rehabilitation of historic, income-producing buildings that are determined by the Secretary of the Interior, through the National Park Service, to be "certified historic structures." The State Historic Preservation Offices and the National Park Service review the rehabilitation work to ensure that it complies with the Secretary's Standards for Rehabilitation. The Internal Revenue Service defines qualified rehabilitation expenses on which the credit may be taken.

From the beginning, the historic tax credit (HTC) was designed to be a catalytic tool. Equal to 20 percent of qualifying rehabilitation costs, the historic tax credit alone is not enough to finance a project. Instead, it was intended to leverage private investment in projects that were costlier and riskier than new construction—and thus harder to finance—but important to the economic revitalization of our communities.

The tax credit works like this: developers may transfer the historic tax credits to investors in exchange for equity. The investor equity serves to lower the amount of debt the developer needs to finance the project, making lenders more comfortable with the size of the loan and simultaneously reducing the developer's debt burden. In this way, the tax credit effectively draws the private capital—both debt and equity—needed to make the project feasible and enabling it to move forward.

Program Overview

How the Historic Tax Credit (HTC) Leverages Private Investment



Every $1 of historic tax credits generates a minimum of $4 of private sector investment. The historic tax credit is the epitome of a cost-effective use of taxpayer dollars.

The Cumulative Impact of the HTC

The cumulative economic impact of historic tax credit activity nationwide in the more than 30 years since the credit was enacted is significant.

- Historic rehabilitation tax credits have spurred private sector investment of $109 billion in the rehabilitation of nearly 39,600 historic buildings.[3,4]
- This rehabilitation activity has generated 2.4 million jobs and $91.5 billion in income.[3,4]
- 450,000 housing units have been renovated or created. [3,4]
- Over the lifetime of the program, the cost of the historic tax credit to the U.S. Treasury has been $21 billion, but it has generated $26.6 billion in federal tax receipts.[3,4]

The historic tax credit more than pays for itself: ***every $1 of tax credits ultimately generates $1.26 in tax revenues for the federal government.***[3,4]

> "The Historic Preservation Tax Incentives program…is the nation's most effective Federal program to promote urban and rural revitalization and to encourage private investment in rehabilitating historic buildings."[5]
>
> — Internal Revenue Service, 2002

Program Overview

A Closer Look at Georgia, Maryland and Utah

This study was commissioned to look at projects in three states—Georgia, Maryland, and Utah—so it made sense to look at how the use of the historic tax credit affected those states. Fortunately all three had been the subject of relatively recent analysis of the impacts of historic preservation. While this study looked at the catalytic effect of historic tax credit projects, it builds on the important findings of earlier studies.

FEDERAL HISTORIC TAX CREDIT PROJECTS (2001-2013)[6]

Georgia

Every $1 million in historic preservation:[7]

- Creates 16.3 jobs during construction with a payroll of $811,000
- Provides 7.5 permanent jobs
- Ultimately adds $558,000 to Georgia state tax revenues

Total Number of Projects:	**349**	Permanent Jobs:	**3,927**
Total Development Expenditures:	**$458,944,563**	Household Income Generated:	**$253,672,900**
Total Number of Jobs:	**7,047**	Federal HTC Amount:	**$76,184,797**
Construction Jobs:	**3,120**		

Maryland

Every $1 million in historic preservation:[8]

- Saves 5.2 acres of greenfield development
- Saves infrastructure investment of $500,000 to $800,000 into new areas
- Reduces demolition debris in landfills by 2,500 tons

Total Number of Projects:	**397**	Permanent Jobs:	**10,706**
Total Development Expenditures:	**$1,449,951,773**	Household Income Generated:	**$753,773,100**
Total Number of Jobs:	**19,803**	Federal HTC Amount:	**$240,691,994**
Construction Jobs:	**9,079**		

Utah

Every $1 million in historic preservation:[9]

- 109 historic buildings in 67 projects have been redeveloped using the Historic Rehabilitation Tax Credit
- Those buildings received $177 million of private sector investment
- If the rehabilitation of historic buildings were a single business, it would be larger than 99.8% of all firms in Utah

Total Number of Projects:	**67**	Permanent Jobs:	**1,855**
Total Development Expenditures:	**$195,623,856**	Household Income Generated:	**$104,842,100**
Total Number of Jobs:	**3,258**	Federal HTC Amount:	**$32,473,560**
Construction Jobs:	**1,403**		

[1] 1985 Presidential Design Award Ceremony, cited in *35th Anniversary Federal Tax Incentives for Rehabilitating Historic Buildings - 35th Anniversary*, National Park Service, March 2013.

[2] Internal Revenue Service, "Market Segment Specialization Program, Rehabilitation Tax Credit." Training 3149-109, Rev 02/2002, Catalog Number 83711M.

[3] Rutgers University, Bloustein School of Planning and Public Policy, *Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2013*, Technical Preservation Services, National Park Service, forthcoming in late 2014. (The $109 billion figure is adjusted for inflation and reflects the amount in today's dollars; in non-adjusted dollars the figure is $65.4 billion).

[4] *35th Anniversary Federal Tax Incentives for Rehabilitating Historic Buildings*, National Park Service, 2013.

[5] *Market Segment Specialization Program, Rehabilitation Tax Credit,* page 1-1.

[6] Data provided by Technical Preservation Services, National Park Service; Analysis provided by National Trust Community Investment Corporation using PEIM economic model, May 2014.

[7] Georgia Tech Research Institute, "The Projected Economic and Fiscal Impacts of Improvements to Georgia's Historic Rehabilitation Investment Incentive," 2013.

[8] Joseph Cronyn and Evans Paull, "Heritage Tax Credits: Maryland's Own Stimulus to Renovate Buildings for Productive Use and Create Jobs, an $8.53 Return on Every State Dollar Invested," Abell Foundation, 2009.

[9] PlaceEconomics, "Profits Through Preservation: The Economic Impact of Historic Preservation in Utah," Utah Heritage Foundation, 2013.

Warehouse Lofts

MACON, GEORGIA

PROJECT PROFILE

ORIGINAL CONSTRUCTION DATE: 1900

ORIGINAL USE: Manufacturing, radio station, meeting space

DATE OF REHABILITATION: 2009-2010

NEW USE: 3 loft-style apartments

PROJECT TEAM

DEVELOPER: Nichols Investment Group, LLC

ARCHITECT: Residential Design

GENERAL CONTRACTOR: Nichols Investment Group, LLC

Property and Project Highlights

The Warehouse Lofts project is a classic example of the ripple effect of the historic tax credit. In Macon, a $385,000 rehabilitation project has sparked over $16 million in other downtown projects. The three-story brick structure is relatively unassuming.

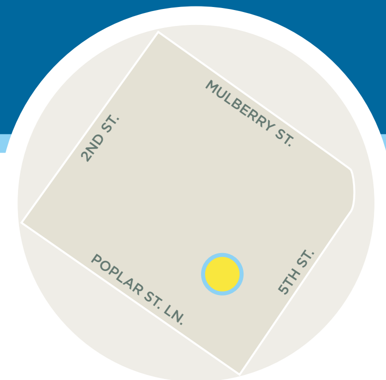
Its history is characteristic of downtown Macon. The Scofield Iron Works Showroom was constructed in 1900 as part of Macon's industrial and commercial center. In 1974, the 15,000-square-foot building was listed in the National Register as part of the Macon Railroad Industrial District, a move that recognized the significance of the area to the city's development. But in recent years, the upper floors of the building were only being used for storage.

> "Downtown Macon has just come back to life with these credits. If you were to come to Macon and see all the development happening, you wouldn't believe it in this economy. People are just now getting to understand that these historic credits exist and they are a no-brainer for private investors who can invest in buildings that wouldn't otherwise make sense to invest in. I believe that this is really only the beginning."
>
> **BRYAN NICHOLS, NICHOLS DEVELOPMENT GROUP**

In 2009, local developer Bryan Nichols saw an opportunity to create more housing units downtown using the historic tax credit. He proposed a project to add three residential units to the building's empty upper floors. The project rehabilitated historic wood-sash windows, preserved interior brickwork, and added new plumbing and ductwork to the upper floors. It also restored the upper-floor corridors to their original length and width, reflecting the building's historic warehouse use. The loft-style apartments each featured two bedrooms, modern amenities, and exposed brick walls.

Since its completion in 2010, the Warehouse Lofts project has catalyzed at least six residential and mixed-use developments nearby. Three historic tax credit projects and three other projects are either completed or underway which will add over 130 residential units, as well as commercial storefronts, for a total investment of $16.5 million.

P8 PHOTO COURTESY NEWTOWN MACON
P9 TOP LEFT PHOTO COURTESY NICHOLS INVESTMENT GROUP, LLC; **TOP RIGHT PHOTO COURTESY** HISTORIC MACON FOUNDATION; **BOTTOM PHOTO COURTESY** NEWTOWN MACON

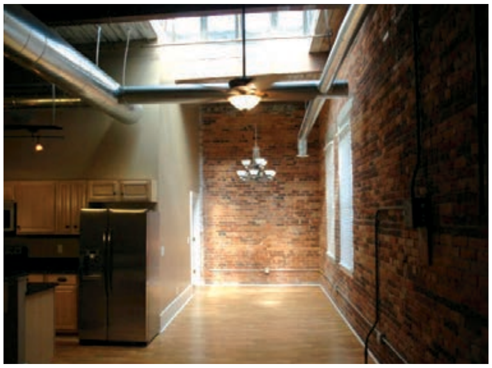


Warehouse Lofts

‹‹ 503 5TH STREET MACON, GEORGIA

"Things are changing in downtown Macon, and it's all older buildings that are being bought up. My buildings, other buildings ... We can see a movement to making it a residential area."

JEAN BRAGG, DEVELOPER

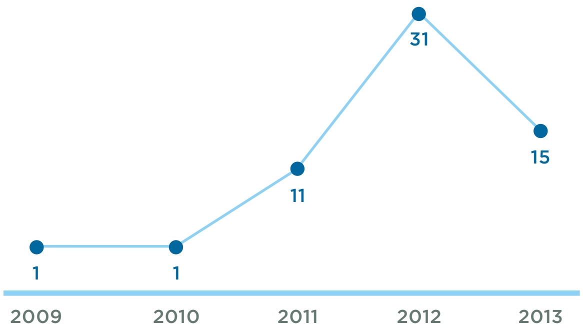


The Catalytic Impact

If there were an illustration in the dictionary for the word catalyst, it could be the Warehouse Lofts in Macon. The city has struggled for years to revitalize its downtown, with mixed success. Then came a very modestly sized project—the Warehouse Lofts. Of all of the projects studied for this report, the Warehouse Lofts is by far the smallest: barely 1% the size of the Ponce City Market. But dollar for dollar, it may be the most effective catalyst.

In the two years prior to the Warehouse Lofts opening its doors, there were a total of two new business licenses issued in the neighborhood. In the three years since it opened, 57 businesses have received their licenses. In a period of property value decline, properties in the area studied have increased an average of 17% in value. Before the rehabilitation, the property was valued at $73,000. The property is now worth $500,000 after being rehabilitated with historic tax credits.

NEW BUSINESS LICENSES



Three upper-floor apartments in a renovated historic building may not sound like much, but that's the definition of a catalyst—a little change that makes bigger changes possible. The Warehouse Lofts project was a catalyst for downtown Macon, and the Historic Tax Credit was the catalyst that made the Warehouse Lofts possible.

Key Project Financing

Estimated Total Development Costs	**$385,000**
Federal Historic Tax Credit	77,000
State Historic Tax Credit (eligible)	96,250
Bank Loan	200,000
Private Investment	11,750

Ponce City Market

ATLANTA, GEORGIA

> "The project is projected to have a $1 billion impact on Atlanta's eastside, generating an anticipated 1,850 permanent jobs. It has been the catalyst for significant development in the surrounding area. This includes reinvestment in neighboring properties as well as development of several thousand multifamily units in the immediate submarket."
>
> **KATHARINE KELLEY, JAMESTOWN PROPERTIES**

PROJECT PROFILE

ORIGINAL CONSTRUCTION DATE: 1926-1960s

ORIGINAL USE: Sears store, offices, and distribution center

DATE OF REHABILITATION: 2011-2015 (expected)

NEW USE: Retail, restaurants, office space, 260 residential units and a public outdoor area

PROJECT TEAM

DEVELOPER: Jamestown Properties

ARCHITECT: Surber Barber Choate & Hertlein Architects, PC

GENERAL CONTRACTOR: Gay Construction

Property and Project Highlights

It is impossible to miss the historic Sears Building, now the Ponce City Market. The 9-story building sits at the intersection of four up-and-coming neighborhoods and is an anchor on Atlanta's BeltLine project, a historic rail line redeveloped as a 22-mile multi-use trail. With 2.1 million square feet, the building is the largest brick structure in the South. It is also one of the largest urban redevelopment projects now underway, with $280 million of reinvestment adding to the area's revitalization.

The building was a landmark from the beginning. Constructed in 1926, it was one of ten regional distribution centers Sears built across the country. After four additions between the late 1920s and the 1960s, Sears closed the buildings retail operation in 1979. The company retained its regional headquarters there for the next ten years before vacating it. The City of Atlanta saw an opportunity to redevelop and bought the building to serve as a second city hall, but the project proved more expensive than expected. By 2003, top officials were ready to sell.

The building intrigued Jamestown Properties, an Atlanta-based developer. It had tackled ambitious projects before, such as Chelsea Market in Manhattan, which combines a food hall with retail and office space in a former biscuit factory. In the Sears Building, Jamestown saw the potential for a mixed-use development with another nationally recognized food hall. The building boasted a variety of spaces, including office suites, cavernous storage spaces, loading docks, and infrastructure that kept the massive building operational.

Jamestown purchased the property from the City for $27 million in 2011 and embarked on the first phase of the project that balances rehabilitation, repurposing, and demolition. The initial project undertaken with the historic tax credit creates 300,000 square feet of retail and restaurants, 450,000 square feet of office space, and 260 residential units, plus a public outdoor area.

The project is pursuing LEED Core & Shell Silver certification with water-efficient fixtures and landscaping, rainwater reclamation, efficient lighting and HVAC systems, and restored windows. The LEED Rating system, administered by the U.S. Green Building Council, recognizes the best-in-class building strategies—including historic preservation. The developers expect that the first phase of the project will be fully leased by the time it is completed in 2014.

P10 PHOTO COURTESY MIKE HIPP, FLICKR
P11 PHOTOS COURTESY SARAH DORIO

Ponce City Market

‹‹ 675 PONCE DE LEON AVENUE NE ATLANTA, GEORGIA

"A revitalized Ponce City Market creates the kind of inviting and interesting space that our customers are drawn to."

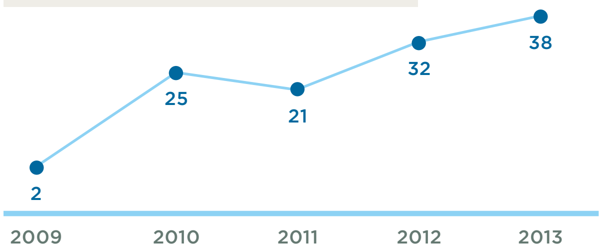
MIKE FERGUSON, BUSINESS DEVELOPMENT DIRECTOR, DANCING GOATS COFFEE BAR

The Catalytic Impact

It isn't often that a project begins having a catalytic effect before the doors are even open, but that has certainly been the case with the Ponce City Market. The redevelopment of the former Sears Building is one of the largest preservation projects in America. The City of Atlanta couldn't make the numbers work for redeveloping the building. Why do they work for Jamestown Properties? Because it can use the historic tax credit and the City of Atlanta could not.

Based on the anticipated activity the Ponce City Market will generate, other property owners are making substantial investments. In the two years before Jamestown Properties acquired the Sears Building, two building permits were issued nearby. Two years after the acquisition, 38 building permits were issued in the same area.

BUILDING PERMITS ISSUED



"For developments that I'm considering, [Ponce City Market] increases the options of those places within walking distance, making locations attractive for people to call home."

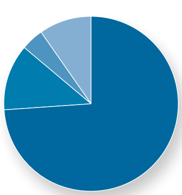
JERRY MILLER, FABRIC DEVELOPERS, LLC

And building owners in the neighborhood are learning another lesson from the Ponce City Market: that old buildings are worth saving. **Eight times as many building permits have been issued for alteration, conversion, and repair as for demolition.** Most of those projects will not use the historic tax credit. But they are happening because the Ponce City Market is happening. And the Ponce City Market is happening because of the tax credit.

BUILDING PERMITS BY TYPE

(2009-2013)

ALTERATION, CONVERSION, REPAIR / 86
NEW / 14 ADDITION / 5 DEMOLITION / 11



Key Project Financing

Estimated Total Development Cost:	**$300,000,000**
Federal Historic Tax Credit (est.)	50,000,000
State Historic Tax Credit	300,000
Loan	180,000,000

Miller's Court

BALTIMORE, MARYLAND

The c. 1870s building was transformed by federal historic tax credits into Miller's Court, a mixed-use development of 40 affordable apartments for teachers and office space for education-related nonprofits.

PROJECT PROFILE

ORIGINAL CONSTRUCTION DATE: 1874-1910

ORIGINAL USE: Manufacturing

DATE OF REHABILITATION: 2009

NEW USE: 40 loft-style apartments, office and event space

PROJECT TEAM

DEVELOPER: Seawall Development Company

ARCHITECT: Marks, Thomas Architects

GENERAL CONTRACTOR: Hamel Builders

Property and Project Highlights

The H.F. Miller & Sons Tin Box and Can Manufacturing Plant once churned out products in Baltimore's Remington neighborhood. Built in stages between 1874 and 1910, the factory was the center of employment for the surrounding community. After it shut down in the 1950s, the building was leased as industrial space. By the time developers Donald and Thibault Manekin bought the building, it had sat vacant for close to 20 years.

The Manekins' Seawall Development Company was looking for a way to help teachers new to Baltimore. Donald Manekin had served as Chief Operating Officer of the Baltimore City school system and seen firsthand new teachers' struggles and isolation. This led to a bold vision: create a supportive community for teachers, especially Teach For America (TFA) participants, and raise teacher retention rates.

The Miller plant offered the opportunity and location the Manekins sought. With input from community members and focus groups of TFA participants, Seawall Development transformed the building into Miller's Court, a mixed-use development with affordable apartments for teachers and office space for education-related nonprofits. The residents of the 40 loft-style apartments also have access to a teacher resource room with a copier and other shared amenities. Full-time teachers benefit from a monthly rent discount. For office tenants—including TFA's regional headquarters—meeting rooms and event space supplement 35,000 square feet of office space.

The $21.9 million, LEED Gold-certified project was fully pre-leased six months before completion, with a waitlist of 400 teachers for future projects. LEED, the U.S. Green Building Council's rating system, encourages the preservation of historic features.

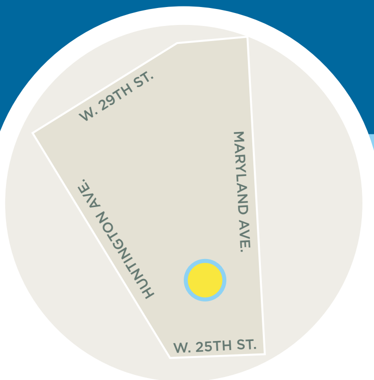
Since its completion in 2009, Miller's Court has won recognition from diverse sources, from real estate investors to environmental advocates. In 2011 President Obama recognized Thibault Manekin as one of the Champions of Change in a White House ceremony.

Seawall Development has continued to invest in Baltimore with development that revitalizes the surrounding neighborhoods at the same time as it serves inhabitants. The company repeated the Miller's Court model at nearby Union Mill, and manages both properties. Recently, it also purchased 30 houses in the Remington neighborhood from absentee landlords and is rehabilitating and selling them to teachers and police officers, with a slew of homebuyer incentives.

ALL PHOTOS COURTESY MARKS, THOMAS ARCHITECTS

Miller's Court

« 2601 NORTH HOWARD STREET BALTIMORE, MARYLAND



"Miller's Court helped make Baltimore home for us. Recently we decided to leave and purchase a home, also rehabbed by Seawall Development, three blocks away from Miller's Court."

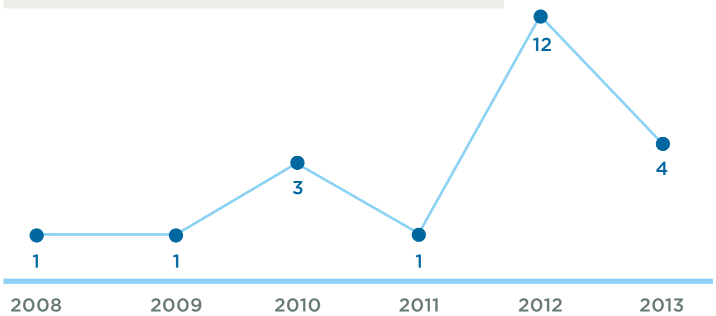
ANDREW GORBY, TEACHER AND NEW HOMEOWNER

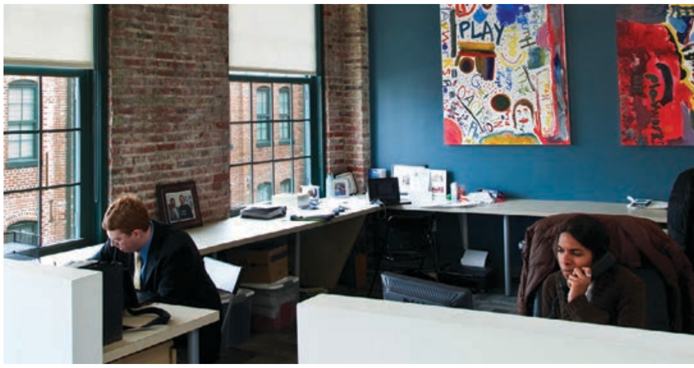
The Catalytic Impact

An empty building in a struggling neighborhood in a city that has been losing population for fifty years doesn't sound like the best investment opportunity. But the Seawall Development Company saw the historic Miller Manufacturing Plant as an opportunity for transformation of the building, the neighborhood, and tenants. Signs of the catalytic impact are everywhere around Miller's Court: buildings under renovation, sold signs on townhouses, new business licenses in storefronts, and, most importantly, people on the street.

In the two years before Miller's Court opened, just two residential building permits were issued in the neighborhood. In the three years since it opened, 17 permits have been issued. The coffeehouse in the building has become a gathering place for the entire neighborhood.

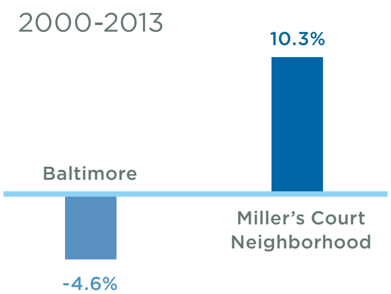
RESIDENTIAL BUILDING PERMITS





In a city that lost 4.5% of its population between 2000 and 2013, the population of the Miller's Court neighborhood grew more than 10%. The rehabilitation of an empty industrial building with the historic tax credit has transformed a neighborhood, and it happened because the historic tax credit made it work.

POPULATION CHANGE



Key Project Financing

Estimated Total Development Costs	**$21,108,453**
New Markets Tax Credit Equity	5,734,170
Federal Historic Tax Credit Equity	3,203,168
State Historic Tax Credit	2,662,662
State Tax Credit Investor Equity	57,338
Interest Income	162,938
State Loan	700,000
City Loan	750,000
Manager Loan	5,800,000
Deferred Developer Fee	1,538,177
Book Up	500,000

National Park Seminary

SILVER SPRING, MARYLAND

"Before the renovation, this was a very economically underutilized area. Now, a museum has been built adjacent to the development, and stores in the nearby industrial area have updated their signs. In my neighborhood, people are investing in their homes in a major way—all of a sudden, it's everywhere you look."

FRED GERVASI, FOREST GLEN PARK CITIZENS ASSOCIATION

PROJECT PROFILE

ORIGINAL CONSTRUCTION DATE: 1887-1927

ORIGINAL USE: Hotel, school, hospital

DATE OF REHABILITATION: 2006–present

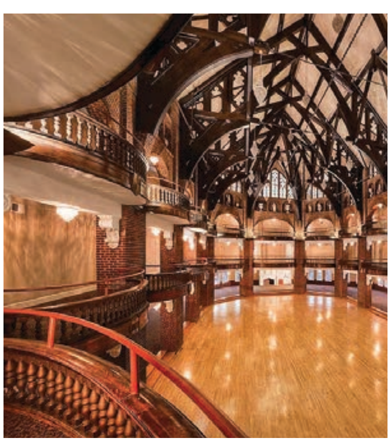
NEW USE: Condos, affordable housing and single family units

PROJECT TEAM

DEVELOPER: The Alexander Company and EYA, LLC

ARCHITECT: The Alexander Company

GENERAL CONTRACTOR: Struever Brothers



Property and Project Highlights

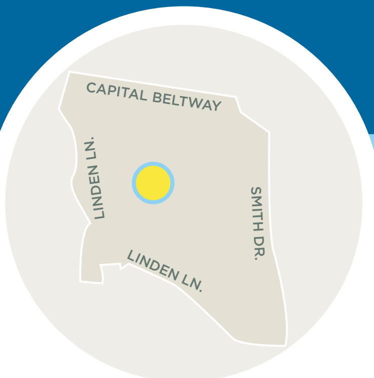
With a Swiss chalet, Dutch windmill, Japanese pagoda and English castle, National Park Seminary is hardly a typical residential development. Of course, most neighborhoods don't start off as a resort hotel or a finishing school for the daughters of high society, and few include a grand ballroom or a 13-acre conservation area.

But then, no part of the National Park Seminary—or its history—can be called typical. The 32.2-acre site was first developed as a resort in 1887, but was converted to a school just seven years later. The school was expanded in the late 1890s, late 1910s, and 1920s, with 400 students at its peak. During World War II, the federal Department of Defense took ownership of the property under the War Powers Act and used it as a rehabilitation hospital for injured soldiers. The Army took a dim view of the existing buildings, twice proposing to tear them down. After the last veterans were moved from the Seminary in 1978, maintenance was drastically reduced. Vandals, arsonists, and water damage took a heavy toll.

In 1988, neighbors, seminary alumnae, historic preservationists, and civic leaders stepped up to form Save Our Seminary at Forest Glen (SOS). Their advocacy led to the Seminary's transfer to the Alexander Company, a private developer, in 2004. The 23 historic buildings on the site had deteriorated significantly, but the Alexander Company had extensive experience with rehabilitation projects and was committed to preserving the buildings.

In keeping with the site's history, the $120 million, 218-unit project included some unusual items. Ninety new townhouses were constructed in styles compatible with the historic buildings and sold. The original resort hotel was converted to condos and apartments, with the renovated historic ballroom available for special events. The eccentric 1890s buildings built as sorority clubhouses were rehabilitated into single-family homes. A conservation easement protects a 300-foot-wide wooded ravine, while a preservation easement ensures that the historic district will be stewarded in perpetuity. Phase 2 of the project will rehabilitate the gymnasium, power plant, carriage house, and carpentry shop into 41 residential units.

ALL PHOTOS COURTESY THE ALEXANDER COMPANY



National Park Seminary

« 9615 DEWITT DRIVE SILVER SPRING, MARYLAND

"Having this large, abandoned property brought back to life has greatly improved quality of life for the residential communities around it."

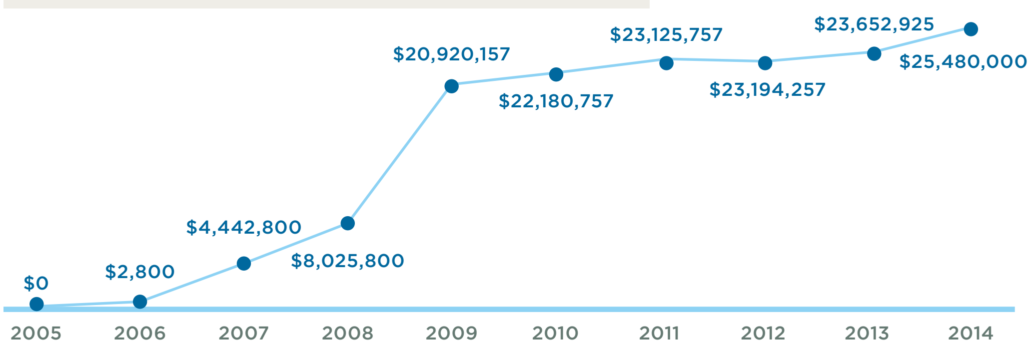
BONNIE ROSENTHAL, SAVE OUR SEMINARY

The Catalytic Impact

Montgomery County is a suburban area just north of Washington, DC—one of the most affluent counties in America. Because of the strength of the market, rehabilitating a single building might not be much of a risk. But that equation changes when the project is 23 eccentric historic buildings suffering from years of deferred maintenance and neglect. It took an experienced developer familiar with the federal historic tax credit to make it possible.

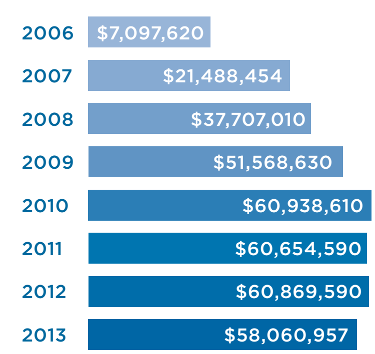
The project has been neither fast nor easy, and there are still phases to be completed. But the impact of historic preservation is clear. **A property that was in government hands and had no property tax liability now provides nearly $60 million in property tax base for Montgomery County.** The property taxes from the National Park Seminary development alone would allow Montgomery County to hire 12 new teachers and 10 new police officers. Building permits in excess of $25 million have been issued. Would the project have happened without the historic tax credit? Ask the developer—absolutely not!

CUMULATIVE VALUE OF BUILDING PERMITS



ASSESSED PROPERTY VALUES

OF NATIONAL PARK SEMINARY



The historic tax credit helped to convert this abandoned pagoda from a former girl's finishing school into single family housing.

Key Project Financing

Estimated Total Development Costs	**$120,000,000**
Federal Historic Tax Credit	4,501,239
State Historic Tax Credit	2,580,000
State Historic Home Owner Credit	1,250,000
Low Income Housing Tax Credit	8,875,350
Save America's Treasures	600,000
Maryland Department of the Environment	600,000
Montgomery County Funds	2,000,000

American Can Company

OGDEN, UTAH

"I have been here for four years and have seen banks, subdivisions, a climbing gym, and other buildings restored or built around us, as well as park improvements with beautiful paths and bike trails."

FRED DONALDSON, PRINCIPAL, DAVINCI ACADEMY LOCATED IN THE C. 1925 AMERICAN CAN COMPANY COMPLEX

PROJECT PROFILE

ORIGINAL CONSTRUCTION DATE: 1914-1930

ORIGINAL USE: Manufacturing

DATE OF REHABILITATION: 2007-2014

NEW USE: School, office space, and rock climbing gym

PROJECT TEAM

DEVELOPER: Amcan Properties, LLC

ARCHITECT: VanZeben Architecture

GENERAL CONTRACTOR: Wadman Corporation

Property and Project Highlights

The completion of the Transcontinental Railroad in 1869 transformed sleepy Ogden into a nationally significant transportation hub and a regional manufacturing powerhouse. When the American Can Company built its first local facility off a downtown rail spur in 1914, it positioned itself squarely at the intersection of farming, manufacturing, and rail. The facility made cans for Utah's farm processing industry and shipped them to markets as far away as Illinois.

The complex grew as the industry expanded, with seven additions from 1919 to 1930. During World War II, the facility manufactured metal containers for the war effort. But postwar changes signaled a decline for the once-mighty industry. Farm production fell as farmers took more reliable government jobs, and anti-monopoly regulation enabled food-processing companies to manufacture cans themselves. By 1979, the American Can Company of Utah had closed.

Yet even as demolition claimed nearby industrial buildings in the following decades, the American Can Company buildings remained in relatively good condition. In 2005, a group of developers saw the potential for the 90-year-old complex to be the symbol of economic prosperity once again. Amcan Properties purchased the property for just over $3 million. National Register listing made the 250,000-square-foot property eligible for historic rehabilitation tax credits.

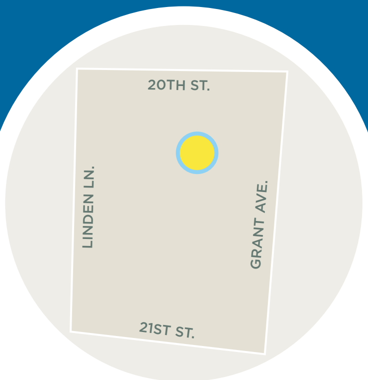
Today, after a four-phase $12 million rehabilitation using the historic tax credit, the complex holds new industries and new ideas. Amer Sports Corp. moved its North American headquarters to Ogden and settled into the original 1914 building. An architecture firm occupies the 1926 boiler plant, and a climbing gym is housed in a light-filled former enameling plant. New entrepreneurs find support at the City of Ogden's Business Information Center and the Ogden Reinvestment Corp. in the one-story addition to the east. The remaining 57,000 square feet in the second 1925 addition are home to a technology firm and other tenants like International Translating, Mountain City Commercial Properties and J.B. Hunt Transportation, to name a few.

New construction spurred by the rehabilitation of the American Can Company includes 17 townhomes and 217 residential rental units either completed or under construction.

P16 PHOTO COURTESY AMCAN PROPERTIES, LLC
P17 TOP PHOTO COURTESY THE FRONT CLIMBING CLUB; **BOTTOM PHOTO COURTESY** AMCAN PROPERTIES, LLC

American Can Company

‹‹ 225 20TH STREET OGDEN, UTAH



"There's something about the 'old' in the building that seems to make a connection with our members and visitors. It's hip and architecturally interesting. The huge expanse of windows is almost opulent, and the inside/outside feel it lends is absolutely appropriate for a rock-climbing gym!"

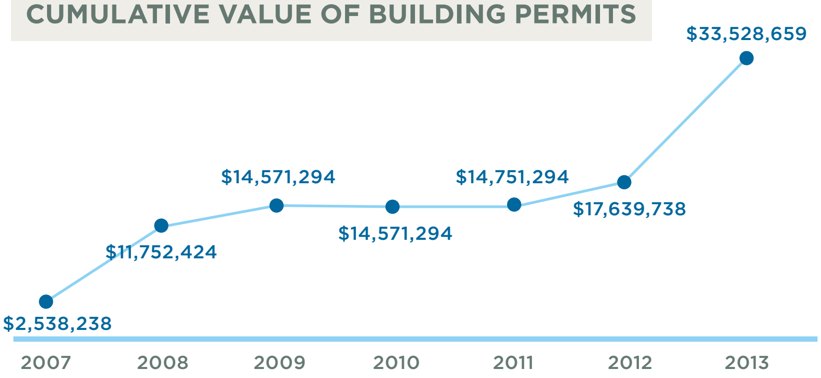
MAGGIE SMITH, THE FRONT CLIMBING CLUB

The Catalytic Impact

The American Can Company redevelopment is a success story on every level. AmerSports' decision to locate in the building attracted three other sports-related businesses. Tenants moved in and then expanded. **In the six years since the first phase of the American Can redevelopment, over $33 million in building permits have been issued in the catalyst impact area.** Office and commercial space has been developed within and adjacent to the complex. New construction nearby includes 17 townhomes and 217 residential rental units either completed or under construction.

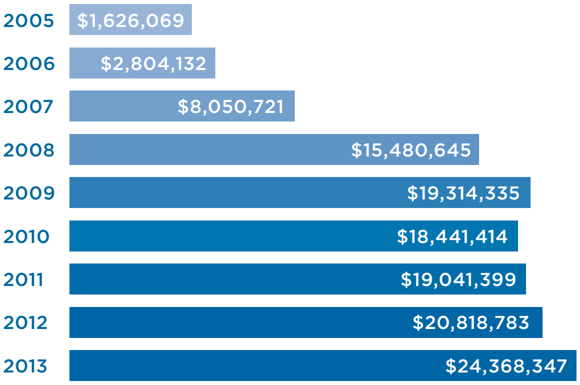
In 2005, two years before the first phase of American Can was completed with the historic tax credit, the market value of the property immediately surrounding the complex was $1.6 million. Eight years later, the properties are valued at more than $24 million—not including a new Wal-Mart store nearby, which is valued at $8.5 million.

CUMULATIVE VALUE OF BUILDING PERMITS



PROPERTY VALUES

NEAR AMERICAN CAN COMPANY



"It's a great feeling to walk the property with current and prospective tenants and hear their comments about just how "cool" historic buildings are. It makes you proud to be a part of the project!"

JON PEDDIE, DEVELOPER, AMCAN PROPERTIES, LLC

Key Project Financing

Estimated Total Development Costs	**$12,000,000**
Federal Historic Tax Credit	585,118

Depot District

SALT LAKE CITY, UTAH

"The historic Fuller Paint building was the first major preservation project in a neighborhood that is now filling in with residential, office, hospitality, retail, and restaurants. Our company alone was able to bring 150 high-paying jobs to the area, along with new tax base that wouldn't be here without the historic preservation tax credit. Since we preserved the Fuller Paint Building, I know of four other buildings that have followed our lead, completely changing the face of the neighborhood and community."

JACK LIVINGOOD, CEO AND DEVELOPER, BIG-D CONSTRUCTION CORPORATION

W.P. FULLER PAINT BUILDING PROFILE

ORIGINAL CONSTRUCTION DATE: 1914-1930

ORIGINAL USE: Warehouse

DATE OF REHABILITATION: 2004

NEW USE: Offices and storage

PROJECT TEAM

DEVELOPER: Big-D Construction Corporation

ARCHITECT: GSBS Architects

GENERAL CONTRACTOR: Big-D Construction Corporation

Property and Project Highlights

When the first trains arrived in Salt Lake City in 1870, the west edge of downtown became a center for light industry. The area remained a hub for transportation and industry for over 100 years. After decades of gradual decline, the local government, regional stakeholders and citizens decided it was time for a transformation. They developed a bold vision for a live-work-play neighborhood that included housing and daily services, as well as arts and entertainment amenities that could be achieved through a mix of rehabilitation and new construction. Two projects within the Depot District used historic tax credits and sparked the transformation.

In 2005, the Big-D Construction Company relocated its corporate headquarters to Salt Lake City and into the W.P. Fuller Paint Building at the southeast corner of the Depot District. Built in 1922, the 68,000-square-foot building featured early cast-in-place concrete construction and an innovative design that accommodated both rail and trucking traffic. Big D's $5.1 million renovation converted the building to office and storage uses while preserving character-defining fire doors and shutters. The project also earned LEED Gold Certification through reuse and recycling of construction materials, energy-efficient glass in the original steel-sash windows, a high-performance HVAC system, and a new atrium for natural light.

In 2006, three blocks from the Big-D, a nonprofit dedicated to providing affordable housing for artists, Artspace, opened a new project in the historic ZCMI warehouse. The 1905 warehouse originally formed part of the support network for the Zions Cooperative Mercantile Institution established to supply goods to Mormon pioneers. But by the late 1990s, the building was used for storage. Artspace's $4.2 million rehabilitation created 18 live/work townhouses for artists, plus 20,000 square feet of galleries, art studios, and office space.

Key Project Financing: Fuller Paint

Estimated Total Development Costs	9,417,000
Federal Historic Tax Credit	464,380
Salt Lake Redevelopment Low Interest Financing	2,500,000
New Markets Tax Credit	4,000,000
Equity Cash Investment	2,452,620

P18 PHOTOS COURTESY GSBS ARCHITECTS;
P19 PHOTOS COURTESY ARTSPACE

Depot District

‹‹ 1 404 W. 400 SOUTH, 2 230 S. 500 WEST SALT LAKE CITY, UTAH

"Without the historic tax credit, the Artspace project wouldn't have been feasible. A lot of people benefited—local architects, contractors and sub-contractors, as well as the businesses that now have a place in the building."

KEVIN ZANDBERG, PROJECT MANAGER, MJSA ARCHITECTS

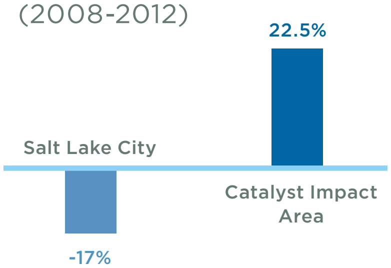
The Catalytic Impact

It is one thing to invest in a building in a safe, prospering area. It's an entirely different matter to be the early investors in a neighborhood with a questionable reputation, too many vacant lots, and challenging real estate environment, and to make that investment in buildings that most would write off as "white elephants." In the Depot District, both Big-D Construction and Artspace understood that their projects would have to spur additional activity in order for their investments to have long-term success. And they both state that their projects would not have been possible without the federal historic tax credit.

Since the completion of these two projects, the market value of properties in the area has increased 22.5%—at a time when the citywide property values declined more than 17%. The Salt Lake City Redevelopment Authority has established a Tax Increment Financing (TIF) district. A TIF is a development tool that reinvests within a neighborhood the additional tax revenues that additional investments generate. New investment near the completed Artspace and Big-D Construction projects has increased the funds available from the TIF district from just over $4 million in 2009 to $7.5 million in 2013.

CHANGE IN PROPERTY VALUES

(2008-2012)



ZIONS COOPERATIVE MERCANTILE INSTITUTION'S WAREHOUSE PROFILE

ORIGINAL CONSTRUCTION DATE: 1905

ORIGINAL USE: Warehouse

DATE OF REHABILITATION: 2005-2006

NEW USE: 18 live/work townhouses, office space, art studios, galleries

PROJECT TEAM

DEVELOPER: Artspace

ARCHITECT: MJSA Architects

GENERAL CONTRACTOR: Hogan & Associates

Key Project Financing: Artspace

Total Development Costs	**$8,277,741**
Loan	2,757,462
Federal Historic Tax Credit	1,571,268
State Historic Tax Credit	830,720
New Markets Tax Credit	1,391,359
Artspace Contribution	1,407,652

Catalytic Impact of the Historic Tax Credits

Every $1 of historic tax credits leverages a minimum of $4 of private investment. This is the epitome of cost-effective use of taxpayer dollars because $200,000 in historic tax credits spurs $800,000 in private dollars, creating $1 million in investment. For every $1 million in historic property investment, 16 jobs are created and $2.1 million in economic activity is catalyzed.[10]

Federal Historic Tax Credit Projects (2001-2013)*

State	Total Number of Projects	Total Development Expenditures	Total Federal Historic Tax Credits
Alabama	105	$187,993,440	$31,206,911
Alaska	5	27,293,296	4,543,786
Arkansas	90	128,693,537	21,363,127
Arizona	34	72,798,921	12,113,620
California	145	2,410,859,677	400,202,706
Colorado	67	190,257,559	31,582,754
Connecticut	95	638,741,772	106,031,134
District of Columbia	43	569,523,133	94,540,840
Delaware	54	181,937,906	30,201,692
Florida	145	866,469,136	143,833,877
Georgia	349	458,944,563	76,184,797
Hawaii	4	9,617,463	1,596,499
Iowa	190	821,799,251	136,418,676
Idaho	9	13,064,361	2,200,242
Illinois	214	1,967,748,679	326,646,280
Indiana	145	717,776,703	119,150,932
Kansas	168	400,446,903	66,474,186
Kentucky	244	390,349,973	64,798,096
Louisiana	501	1,774,994,483	294,649,084
Massachusetts	312	3,158,308,757	524,279,253
Maryland	397	1,449,951,773	240,691,994
Maine	51	221,736,639	36,808,282
Michigan	255	1,653,281,925	274,444,800
Minnesota	68	793,416,939	131,707,212
Missouri	1,216	5,003,546,907	830,588,787
Mississippi	172	$274,706,595	$45,601,295
Montana	32	45,030,434	7,475,052
North Carolina	519	1,146,368,940	190,297,244
North Dakota	16	34,257,420	6,514,332
Nebraska	70	333,041,925	55,284,959
New Hampshire	12	34,288,138	10,742,512
New Jersey	131	708,910,706	117,679,177
New Mexico	21	78,138,590	12,971,006
Nevada	1	50,602,409	8,400,000
New York	330	2,757,987,790	457,825,973
Ohio	775	1,979,715,880	328,632,836
Oklahoma	59	351,186,960	58,297,035
Oregon	86	619,235,308	102,793,061
Pennsylvania	522	2,854,513,453	473,849,233
Rhode Island	163	1,146,605,942	190,336,586
South Carolina	80	276,255,380	45,858,393
South Dakota	44	51,988,049	8,630,016
Tennessee	143	526,151,201	87,341,099
Texas	114	898,877,583	149,213,679
Utah	67	195,623,856	32,473,560
Virginia	1,023	2,804,238,050	465,503,516
Vermont	194	189,208,179	31,408,557
Washington	75	585,810,255	97,244,502
Wisconsin	150	621,056,012	103,095,298
West Virginia	81	162,753,093	27,017,014
Wyoming	13	18,763,143	3,114,682
Total	**9799**	**$24,109,553,696**	**$4,002,259,567**

* Data provided by National Park Service

[10] Derived by PlaceEconomics using IMPLAN economic model.

Acknowledgements

The authors would like to acknowledge the following people who provided an on-the-ground look at how historic tax credit projects have impacted their communities for the better, and expanded the understanding of how a single project can spark significant change.

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Developer

Bryan Nichols
Nichols Investment Group

Miller's Court, Baltimore, Maryland

Rebecca Chan
Station North Arts & Entertainment, Inc.

Andrew Gorby
Former Miller's Court resident and owner of Seawall-rehabilitated rowhouse

Tom Liebel
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Donald Manekin
Seawall Development

Thibault Manekin
Seawall Development

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Resident

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Resident and sculptor

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Big-D Construction

BreAnne McConkie
Redevelopment Agency of Salt Lake City

Kevin Zandberg
MJSA Architects

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