Thirty-Eight Reasons to Keep the

Federal Historic Tax Credit

You don't have to love gargoyles or Corinthian columns. You don't have to be liberal or conservative, public sector or private sector, Trumpian or Sandersonian.

Forget what you're against. What are you for? Cost effective government? Economic development? Efficient use of scarce taxpayer dollars? Encouragement of private sector investment? Job creation? Protecting the environment? Smart growth? International commitments? Local pride? Helping state and local governments? Bipartisan cooperation? Efficient administration? Fiscal responsibility? Government transparency, predictability, and consistency? Market rate and affordable housing? Efficient government programs? Center city revitalization? The United States as an international model for effective policies? Government programs that are more than just regulations? Government programs with built-in accountability? Long-term capital investment? Keeping jobs and investment dollars in the US?

You don't need to be for all of those things. If you are even for some of them, you should be a supporter of the historic rehabilitation tax credit.

Here are thirty-eight reasons the federal historic tax credits should be saved (in no particular order).

1 Efficient use of public resources.

Last year, the private sector invested $5.85 billion in historic properties using the federal tax credit. That program is overseen by no more than 250 people nationwide, including at State Historic Preservation Offices and the National Park Service. That works out to more than $24,000,000 of private investment for every one public employee working on the program at both the national and state level.

2 Local governments major beneficiaries.

It is not a coincidence that the mayors of cities that have seen historic rehabilitation projects become major supporters of the program. Conservatively, in most cities for every $100,000 the federal government provides in historic tax credits, the local government receives $7,200 each year in additional property taxes.

3 State governments major beneficiaries.

Cash-strapped state governments usually raise revenues through sales tax and personal and corporate income tax. When the federal government provides $100,000 in tax credits for the rehabilitation of a historic building, the state government may see more than $50,000 in state government receipts during the construction phase alone.

4 Spurs additional economic activity.

$100,000 in federal tax credits ultimately spurs $451,000 in additional economic activity beyond what is invested in the building itself.

5 Leverage.

At an absolute minimum, for every $1 the federal government provides, the private sector invests $4 of its own money.

6 More leverage.

Because some types of expenditures don't qualify for the tax credit, the leverage is actually much greater than the $4 private sector investment mentioned above. Typically, private investors put in $5 for every $1 of federal credits, and sometimes considerably more.

7 Meets international commitments: Sustainable Development Goals.

In 2015, the United States joined nearly 200 other countries in endorsing the international Sustainable Development Goals. Goal 11.4 commits those countries to "strengthen efforts to protect and safeguard the world's cultural and natural heritage." The use of the federal historic tax credit helps meet that commitment with a minimal amount of direct public expenditure.

8 Meets international commitments: New Urban Agenda.

In 2016, the United States joined 180 other countries in commitments found in the New Urban Agenda. Six of those commitments recognize the role of the built heritage in economic development, urban regeneration, social participation, and the prevention of urban sprawl. The use of the federal historic tax credit helps meet those commitments with a minimal amount of direct public expenditure.

9 Major beneficiaries beyond property owner.

Often the major beneficiaries of historic tax credit properties are not the building owner, but others nearby. Our studies have found the areas surrounding these projects see increased property values, reduced vacancies, more property sales, additional business licenses, more rehabilitation projects, new construction, and other "externalities" of the rehabilitation investment.

10 Reduced crime.

Vacant buildings attract crime. Historic tax credits are frequently used on vacant buildings. In one New Orleans neighborhood where the tax credit was used extensively, calls to the police department went down 27% in a five-year period.

11 Small business benefits.

Because most historic preservation projects are relatively small and the companies doing historic preservation are specialty firms, the vast majority of historic preservation tax credit work is done by small businesses.

12 Job creation.

Rehabilitation is labor intensive. That means the same amount spent creates more jobs than does new construction. In fact, in the combination of numbers of jobs per million dollars of output and the labor income from those jobs, almost no industry outperforms historic preservation.

13 Mom and Pop developers.

It is often the multimillion dollar projects that get the headlines. But projects in excess of $1 million have constituted less than 45% of all projects over the last five years. Nearly a quarter of all projects were smaller than $250,000 and 40% of those less than $100,000. Projects between $250,000 and $500,000 were 13.6% of the total number and 16% of projects were between ½ million and $1 million.

14 Blue collar jobs.

Working on historic rehabilitation projects provides relatively well-paid jobs even for those without formal advanced education. In our study in Missouri, we found that the average direct job created by a tax credit historic rehabilitation project paid more than $48,000.

15 Recession mitigator.

While there are usually declines in historic preservation activity during economic downturns, the tax credit helps mitigate the decline. Had the amount of tax credit-assisted historic preservation projects fallen at the same rate as overall construction activity during the Great Recession, tens of thousands of additional people would have been out of work and receiving unemployment compensation.

16 Keeps jobs and dollars at home.

The investment in the rehabilitation of historic buildings is not an economic activity that could decide next year to move abroad. The private sector dollars going into heritage buildings are inherently investments in the United States, and the jobs created through those investments are jobs that can't be shipped overseas.

17 Quality control.

To receive the tax credit, a project must be consistent with the Secretary's Standards for Rehabilitation. Because of this, the quality of the project and the appropriate treatment of historic aspects of the property are built into the process.

18 Long-term impact.

Because the historic tax credit encourages investment in a capital asset, the short-term incentive has a positive, and tax generating life far past the year the incentive was granted.

19 Compliance assured.

Some incentives are provided in hopes that the private sector will act in the manner agreed. The historic tax credit is not received until the quality of the project and the appropriate treatment of historic aspects of the property are verified after the rehabilitation is completed.

20 Encourages longer term investment.

The historic tax credit program requires that the owner/developer of the building must continue to own the building for a minimum of five years or else return a pro rata share of the credit. This means that historic rehabilitation is not an area for speculative "flippers" of buildings, but longer-term investors, providing stability to the local markets.

21 Federal government gets its money back.

Analysis by Rutgers University indicates that the federal government ultimately received more than $1.20 in tax revenues for every $1.00 it provides in historic tax credits.

22 Best incentive in the world.

For international clients, we have evaluated incentives for heritage conservation from more than 50 countries. There is no question whatsoever that the most effective tool in the world to encourage private investment in historic buildings is the US historic rehabilitation tax credit. This really is an area where we can chant, "We're number one! We're number one!"

23 Housing America.

Since the beginning of the federal historic tax credit, 270,000 housing units have been rehabilitated and an additional 278,000 have been created within historic buildings.

24 Example of bipartisan support.

Retaining the historic tax credit would be an excellent way for Congress to show it is listening to the public demand for more cooperation across the aisle and less partisan bickering. The more than 40-year history of the credit has consistently shown support for the credit by both Republicans and Democrats. It is not an accident that the last time there was major tax reform, the historic tax credit was maintained. And this was a time when the Democrats controlled the House and Republicans the Senate.

25 Makes state programs more effective.

Over half the states have some version of a state historic tax credit that can usually be combined with the federal credit. Our studies indicate that the enactment of a state tax credits will nearly double the use of the federal credit.

26 Doubles up on efficiency.

Most states that have a state historic tax credit use the same standards and review process as for the federal credit. Thus, one review serves as the oversight for two different programs at two different levels of government. This benefits both the developer and the taxpayers.

27 Works well with other federal programs.

Over the years, Congress has made a decision that the private sector should be encouraged to undertake activities deemed in the public good. Low- and moderate-income housing is such a good, but not the only example of that approach. For many projects, the historic tax credit has been effectively used in conjunction with other federal programs. Both the New Markets Tax Credit and the Low-Income Housing Tax Credit have been used with the historic tax credit. In the most recent fiscal year, more than one in five historic tax credit projects also used the low-income housing tax credit.

28 Red state/Blue state.

The historic tax credit doesn't care about your politics. Last year, almost the same about of money was invested in historic tax credit projects in the states carried by the Republican candidate (49.7%) as by the Democratic candidate (50.3%). In terms of numbers of projects, however, the Red States have the edge, seeing 63.2% of all projects.

29 Nationwide program.

Over the last five years, every one of the 50 states saw historic tax credit projects. In the most recent year, property owners in 46 of the states utilized the tax credit program.

30 Economic development strategy.

An effective economic development strategy meets eight tests: 1) it creates jobs; 2) the benefits are long-term; 3) the benefits are primarily local; 4) most of the investment comes from the private sector; 5) incentivized development spurs additional activity; 6) there is a balance between the "carrots" of incentives and the "sticks" of regulation; 7) the strategy is based on local assets; 8) "economic development" is consistent with and promotes "community development." Historic preservation as an economic development strategy meets all eight tests.

31 Smart Growth strategy.

The national Smart Growth movement has a clear list of principles that define Smart Growth. In and of itself, the rehabilitation of a historic building advances nearly every one of those principles. Further, state programs like Smart Growth Rhode Island put historic preservation at the top of their priorities.

32 Low-income housing provided.

Since the federal tax credits began, more than 150,000 units of low- and moderate-income housing have been created in historic buildings.

33 Preservation driven by incentive rather than regulation.

In Western Europe, heritage conservation is primarily top down, public sector, and regulation driven. In the United States, historic preservation is primarily bottom up, private sector, and incentive driven. The historic tax credit is a major reason for those distinctions.

34 Environmental costs of demolition.

The demolition of one small two-story commercial building, as opposed to rehabilitating it using the tax credits, has the same impact on the landfill as 1,377,000 aluminum cans recycled.

35 Landfill costs.

Solid waste landfills are expensive in both dollars and environmental quality. Between a quarter and a third of everything dumped at the landfill is from construction debris, much of that from the demolition of older and historic buildings. Rehabilitating a 50,000 square foot warehouse rather than demolishing it reduces the material dumped in the local landfill by 2500 tons.

36 Patriotic.

It is no accident that the first federal incentives for historic preservation were enacted in the year of America's bicentennial. There was both public and Congressional recognition that after 200 years, we were a country with our own history and no longer needed to look to Europe for buildings that were the physical manifestation of history. Instead of deciding that heritage conservation should be primarily a function of the government, Congress decided we should encourage the private sector to preserve those buildings that reflect our national character and values. That has happened because of the historic tax credits.

37 Political cover.

Taking independent action on major legislation is sometimes difficult. And, frankly, there are not enough people who define themselves as "historic preservationists" to constitute a major voting bloc. However, if you ask mayors, governors, downtown revitalization professionals, housing advocates, the Municipal League, Convention and Visitor Bureaus, and Chambers of Commerce, there are strong supporters of the historic tax credits from these groups regardless of party affiliation.

38 A history of success.

Since the beginning of a federal historic tax credit in 1977, more than 42,000 historic buildings have been rehabilitated, $85 billion private sector dollars have been invested, and 2.44 million jobs have been created.

PlaceEconomics is a private sector firm with over thirty years experience in the thorough and robust analysis of the economic impacts of historic preservation. We conduct studies, surveys, and workshops in cities and states across the country that are addressing issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings.

We specialize in quality, defensible research, and present findings clearly and effectively in formats that can be understood by academics, economists, mayors, city council members, property owners, and local stakeholders alike.

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