

Economic Benefits

of Historic Preservation Activities in Pennsylvania

Executive Summary • December 2011

The Economic Benefits of Historic Preservation Activities in Pennsylvania: Executive Summary

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¹ The activity that is the subject of this report has been financed in part with federal funds from the National Park Service of the US Department of the Interior. However, the contents and opinions do not necessarily reflect the views or policies of the US Department of the Interior, nor does mention of trade names or commercial products constitute endorsement or recommendation by the US Department of the Interior.

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EXECUTIVE SUMMARY

Historic preservation plays a vital role in communities across the Commonwealth of Pennsylvania, providing a multitude of benefits for Pennsylvania and its residents. One often overlooked category of benefits associated with historic preservation activities is economic benefits. Historic preservation efforts can have significant positive impacts throughout the Commonwealth on property values, downtown revitalization, tourism activity, job creation, and tax revenue generation.

This project is supported by a Preserve America grant from the National Park Service and administered by the Pennsylvania Historical and Museum Commission (PHMC).² PHMC sub-granted the Preserve America grant to Preservation Pennsylvania, which engaged Econsult Corporation as a Research Partner to produce this report. The Econsult team also consists of Urban Partners, Studio for Spatial Practice, and J. Randall Cotton, former associate director of the Preservation Alliance for Greater Philadelphia.

ES.1 Economic and Fiscal Impact from Federal Tax Credit Projects

Historic preservation projects within Pennsylvania have leveraged federal resources through the Historic Rehabilitation Tax Credit program to stimulate considerable private investment throughout the Commonwealth, resulting in \$7.0 billion in project expenditures from 1978 to 2010. Those expenditures have led to \$17.1 billion in total economic impact within the Commonwealth, supporting 148,000 jobs and generating \$380 million in state tax revenues (see Table ES.1). While construction was by far the most impacted industry, many other industries are also estimated to have benefitted from the historic preservation work:

Table ES.1 Estimated Total Economic and Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects, from 1978 to 2010 (in 2010 \$)

	Total from Tax Credits	Annual Average
Total Expenditures	\$17.1 billion	\$534 million
Total Employment	148,000 Jobs	4,600 Jobs
Total State Tax Revenues	\$380 million	\$12 million

Source: US Dept. of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), PHMC (2010), Econsult Corp. (2011)

68% of the expenditure impact and 65% of the employment impact were in industries besides construction. Support of historic preservation efforts within the Commonwealth makes possible the leveraging of the federal tax credit to stimulate significant private investment, resulting in considerable construction activity, with sizeable economic and fiscal implications for the Commonwealth as a whole. A robust historic preservation industry is therefore one that puts people to work, generates tax revenues, and converts federal dollars into local impacts.

ES.2 Potential Economic and Fiscal Impact of a State Tax Credit Program

It is projected that adding a state-level tax credit, which is currently being discussed within the Commonwealth, would induce an additional \$55 million to \$110 million in historic preservation projects, which would conservatively create an additional \$130 million to \$270 million in total economic impact each year, supporting 1,200 to 2,300 jobs and generating \$3 million to \$6 million in state tax revenues, and would be the equivalent of a 5% to 8% annual return on the public investment represented by the initial tax credit (see Table ES.2).

These preliminary figures indicate that a state-level tax credit is an investment in the Commonwealth that is worth considering. Such a program will induce significant new historic preservation activity, which yields a more robust tax base from which municipalities and school districts can generate property taxes. The upfront investment in tax revenues foregone is matched by upfront economic impacts from construction and rehabilitation, as well as ongoing fiscal impacts from higher local property tax bases, as each year's investment returns 5% to 8% per year back to state and local governments, thus paying back each year's investment within 12 to 21 years.

ES.3 Property Value Impact

An analysis of three historic districts within the Commonwealth suggests that historic designation increases property values (see Table ES.3), which shifts the potential role of historic preservation as a statewide strategy. Historic preservation need not only be thought of in aesthetic, cultural, or historical terms, but can be included in the



Landis Valley Farm Museum, Lancaster County. Photo by PHMC.

Table ES.2 Estimated Total Annual Increase in Economic and Fiscal Impact within the Commonwealth of Pennsylvania from Historic Preservation Projects as an Outcome of a Proposed State-Level 25% Tax Credit Program, Assuming it Induces 25% to 50% More Investment (in 2010 \$)

Total Expenditures	\$130 million to \$270 million
Total Employment	1,200 to 2,300
Total State Tax Revenues	\$3 million to \$6 million
Return on Investment on Year 1 Outlay	5% to 8%

Source: Urban Partners (2011), Econsult Corp. (2011)

Table ES.3 Estimated Effects on Property Values from Designations or Expansions of Selected Historic Districts within the Commonwealth of Pennsylvania

Powelton Village (Philadelphia)	Annual price appreciation of 3% more than citywide average in the years after designation
Mexican War Streets (Pittsburgh)	15% increase in house prices the year after district expansion
West Chester Downtown (West Chester)	Houses within newly expanded district command a premium of 36% over West Chester houses

Source: City of Philadelphia Dept. of Records and Office of Property Assessment (2011), Econsult Corp. (2011), Terradatum (2011)

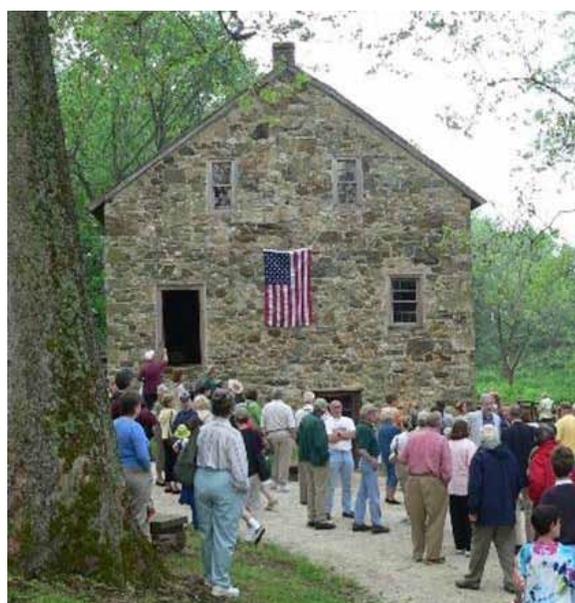
discussion by economic development practitioners and neighborhood stabilization and revitalization advocates, as a potential addition to those professional toolkits.

In addition, at a time when many homeowners have negative equity and communities are negatively impacted by the spillover effect of foreclosures and disinvestment, the stabilizing and enhancing effect of historic designations can generate household wealth and prevent further distress in local housing markets. Furthermore, since many municipalities are facing severe fiscal distress, actions that can increase property values can, if assessments are properly adjusted to account for those market realities, result in much needed property tax revenue increases.

ES.4 Economic and Fiscal Impact from Heritage Tourism

Historic preservation safeguards assets unique to the Commonwealth that are significant tourism draws. It is estimated that heritage tourism (as defined as activity to over 50 heritage sites located throughout the Commonwealth, Pennsylvania’s 12 Heritage Areas, and the historic district in Philadelphia centered on Independence Mall) accounts for 32 million visitors and \$1.0 billion in visitor spending each year, which, when combined with direct expenditures associated with the ongoing operations of such destinations, results in an industry that has a total annual economic impact of \$2.9 billion, supporting 37,000 jobs and generating \$90 million in state tax revenues (see Table ES.4).

Thus, an important economic benefit of historic preservation activities within the Commonwealth is that they safeguard structures and locations that draw visitors from outside the Commonwealth, whose spending within the Commonwealth – on recreation, accommodations, and travel – supports local economies. To the extent that the Commonwealth can maintain its historic assets, and more effectively promote them to visitors, it can benefit from the economic stimulus provided by heritage tourism, through the importation of purchasing power from outside the Commonwealth for the benefit of merchants and communities within Pennsylvania.



The Mill at Anselma, Chester Springs, Chester County. PHMC Photo Collection

Table ES.4 Estimated Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Heritage Tourism Operating Expenditures and Visitor Spending (in 2010 \$)

Total Visitor Spending	\$1.0 billion
Total Expenditures	\$2.9 billion
Total Employment	37,000 Jobs
Total State Tax Revenues	\$90 million

Source: US Department of Commerce – Bureau of Economic Analysis (2007), PHMC (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corp. (2011)

ES.5 Qualitative Impacts

Historic preservation activities confer additional benefits that are more qualitative in nature, but are no less important in making the case for more historic preservation activity:

- Aesthetics and education – Historic buildings have been described as “primary documents” for the study and appreciation of history, architecture, art, and culture, and help preserve an area’s unique identity and sense of place.
- Environmental sustainability – Rehabilitation of historic buildings capitalizes on the “embodied energy” of existing structures, and avoids the more environmentally costly route of constructing new buildings and using up open space.
- Revitalization and stabilization – Historic preservation contributes to the mending and safeguarding of older communities and structures, can improve housing stock and stabilize working class neighborhoods, and has been used to great effect to target economic activity to areas of need.

These qualitative impacts are very much in line with the kinds of objectives being pursued by governments at all levels. As a result, historic preservation is increasingly understood in these terms, and there are many opportunities for collaboration across state and local agencies towards mutually desired ends, with historic preservation playing its role in stimulating economic development. Case studies on three communities within the Commonwealth (Phoenixville, Gettysburg, and Lewisburg) confirm that there are many ways to achieve these ends, using a combination of federal, state, and local initiatives and connecting to active local bodies and unique local assets.

ES.6 Conclusion

Historic preservation efforts come in all shapes and sizes, befitting the diversity of assets contained within the Commonwealth. To the aesthetic, cultural, and historical benefits historic preservation confers on the Commonwealth, this report adds its many economic benefits: economic stimulus through construction projects, wealth gains and tax revenue generation through property value appreciation, and jobs supported from tourism activity.



Susquehanna Depot, Susquehanna County. Photo by PHMC.



Phoenixville Historic District, Chester County. Photo by PHMC.

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Powelton Village Historic District, Philadelphia. Photo by PHMC.