

An Economic Analysis of Virginia's Historic Rehabilitation Tax Credit Program: 2010 Update

Prepared for
Virginia Department of Historic Resources

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This summary provides an update of the economic analysis of Virginia's Historic Rehabilitation Tax Credit Program. The analysis was originally conducted in 2006 and focused on the impact to Virginia's economy from rehabilitation expenditures made over the period 1997 through the first half of 2006. This update examines expenditures that took place through the end of 2009.

Data on the Tax Credit Program

Staff members at the Virginia Department of Historic Resources provided data from each year of the 13-year life of the Program (1997 through 2009). These data included the number of projects completed, the total amount of qualified rehabilitation expenditures (i.e., the amount of money spent by developers and individuals on the rehabilitation work), and the state tax credits awarded for the project. Table 1 presents a summary of this information.

Table 1. Rehabilitation Tax Credit Program Data, <i>continued</i> (Dollar Values in Current Dollars for Each Year)			
Year	Number of Projects Completed	Rehabilitation Expenditures (Millions of \$)	State Tax Credits Awarded (Millions of \$)
1997	26	\$11.1	\$1.1
1998	29	\$14.4	\$2.2
1999	64	\$66.7	\$13.3
2000	87	\$126.7	\$31.7
2001	121	\$174.1	\$43.5
2002	147	\$116.6	\$29.1
2003	161	\$180.9	\$45.2

continued

Table 1 continues here

Table 1. Rehabilitation Tax Credit Program Data, <i>continued</i>			
<i>(Dollar Values in Current Dollars for Each Year)</i>			
Year	Number of Projects Completed	Rehabilitation Expenditures <i>(Millions of \$)</i>	State Tax Credits Awarded <i>(Millions of \$)</i>
2004	177	\$184.2	\$46.1
2005	233	\$230.3	\$57.6
2006	213	\$286.4	\$70.6
2007	199	\$294.1	\$74.6
2008	188	\$483.6	\$120.6
2009	102	\$255.0	\$63.7
Total	1,747	\$2,424.1	\$599.4

Source: Virginia Department of Historic Resources

Over the lifetime of the project, to date, state tax credits have been awarded for 1,747 qualified projects. These projects were responsible for total expenditures of \$2.4 billion and awards of almost \$600 million in state tax credits.

To provide a clearer comparison of the data from year to year, the VCU Center for Public Policy adjusted the dollar values in Table 1 to take into account inflation over the 13-year period. Table 2 shows all dollar amounts in terms of constant 2009 dollars. Examining the rehabilitation projects in terms of 2009 dollars, total qualified project expenditures during the life of the program have been about \$2.65 billion and the state has awarded \$653 million in tax credits for these projects.

Table 2. Rehabilitation Tax Credit Program Data			
<i>(Dollar Values in Millions of 2009 Dollars)</i>			
Year	Number of Projects Completed	Rehabilitation Expenditures <i>(Millions of \$)</i>	State Tax Credits Awarded <i>(Millions of \$)</i>
1997	26	\$14.8	\$1.5
1998	29	\$19.0	\$2.8
1999	64	\$85.9	\$17.2
2000	87	\$157.9	\$39.5

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Table 2 continues here

Table 2. Rehabilitation Tax Credit Program Data			
(Dollar Values in Millions of 2009 Dollars)			
2001	121	\$210.9	\$52.7
2002	147	\$139.0	\$34.8
2003	161	\$211.0	\$52.7
2004	177	\$209.2	\$52.3
2005	233	\$253.0	\$63.2
2006	213	\$304.7	\$75.2
2007	199	\$304.3	\$77.2
2008	188	\$481.9	\$120.2
2009	102	\$255.0	\$63.7
Total	1,747	\$2,646.6	\$653.0

Sources: Virginia Department of Historic Resources, U.S. Bureau of Labor Statistics, and VCU Center for Public Policy. Inflation adjustments made using the "Consumer Price Index for All Urban Consumers" (CPI-U) from the U.S. Bureau of Labor Statistics.

Economic Impact of the Tax Credit Program

For the 2006 study, a mail survey was conducted with the individuals and companies that had completed their rehabilitation projects during the two most recent program years – 2005 and 2006. Fifty-eight percent of survey respondents said that they would not have rehabilitated their property without state tax credit assistance. These are the projects for which the tax credits were essential; that is, these expenditures would not have occurred without the tax credit program. In addition, 15 percent of respondents said that they were unsure whether they would have gone ahead with the rehabilitation project without the tax credits. Assuming that half of these respondents would not have undertaken the project without tax assistance, a total of 65.5 percent (58 percent plus 7.5 percent, half of 15 percent) of respondents relied upon the tax credit program to undertake the rehabilitation work. Rather than using the entire amount of qualified project expenditures (\$2.65 billion, in 2009 dollars) for the economic impact analysis, only 65.5 percent of this amount was applied to the economic impact model – that is, \$1.74 billion (65.5 percent of \$2.65 billion).¹

Multipliers from the 2006 study were used as the basis for estimating the economic impact values for this update. Rehabilitation expenditures of \$1.74 billion supported an

¹ This amount was applied to IMPLAN sector 35 "New residential additions and alterations, nonfarm."

estimated 5,804 jobs (“direct employment”) within Virginia during this 13-year period (Table 3). This included both full-time and part-time jobs. The economic activity associated with this level of employment supported 7,083 additional jobs in other sectors of the economy and generated a total economic impact to Virginia of \$1.91 billion. This economic impact included \$771 million of value added for the region, and was responsible for \$531 million of labor income (wages and benefits).

Along with these economic effects, spending for rehabilitation projects generated a tax revenue impact for Virginia. Economic activity from initial expenditures and the subsequent effects in related sectors is subject to taxation in the form of sales and use taxes, income or corporate taxes, or other taxes (including corporate tax and motor fuel tax). In the original study, applicable tax rates were applied to the expenditures at the direct, indirect, and induced levels to estimate the total tax impact. It is estimated that the expenditures between 1997 and 2009 – including the original rehabilitation projects, spending in related sectors, and purchases made by employees – have generated an estimated \$55 million of tax revenues for Virginia.

Table 3. Total Economic Impact of the Historic Rehabilitation Tax Credit Program 1997 - 2009			
(Dollar Values in Millions of 2009 Dollars)			
Type of Impact	Direct Impact (Millions of \$)	Additional Impact (Millions of \$)	Total Impact (Millions of \$)
Employment	5,804	7,083	12,887
Labor Income (wages plus an estimate of benefits received)	\$272	\$260	\$532
Value Added	\$326	\$445	\$771
Economic Impact	\$1,118	\$791	\$1,909
State Tax Revenues			\$55

Sources: VCU Center for Public Policy estimates originally developed using IMPLANPro™. Inflation adjustments made using the “Consumer Price Index for All Urban Consumers” (CPI-U) from the U.S. Bureau of Labor Statistics.