

DHR

VIRGINIA DEPARTMENT
OF HISTORIC RESOURCES



Historic Rehabilitation Tax Credit (HRTC)

2015-2020 Fiscal Impact Study of Virginia's HRTC Program



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Center for Public Policy

L. Douglas Wilder School of
Government and Public Affairs

EXECUTIVE SUMMARY

At the request of the Director of the Virginia Department of Historic Resources (DHR), the Center for Public Policy (CPP) within the Wilder School of Government and Public Affairs at Virginia Commonwealth University conducted an economic impact study of Virginia's Historic Rehabilitation Tax Credit (HRTC) program. This study measured the total economic impact, in terms of output, job creation, and fiscal impacts attributed to the HRTC program and generated during both the rehabilitation and post-rehabilitation phases. Focus groups were also conducted to capture themes regarding the community impact and benefits of the HRTC program. This report outlines the continued success of the HRTC program by providing an economic impact analysis of the most recent available data (2015-2020) as well as community feedback from program users, public officials, and community members (2023).

Historic Trends

The HRTC program has played an essential role in the preservation of thousands of historic properties since its inception:

- Established 26 years ago.
- Issued \$1.7 billion in tax credits since 1997 by reimbursing 25 percent of eligible rehabilitation expenses as tax credits.
- Stimulated \$6.8 billion in private investment since 1997.

Economic Impact, 2015-2020:

- 100+ historic rehabilitation projects completed each year.
- \$2.2+ billion in private spending supported by the HRTC program.
- \$4.1+ billion in economic activity generated across the Commonwealth of Virginia.
- \$2 billion boost to the Gross State Product.
- 18,750 person-years of employment supported that paid about \$1.16 billion in salaries, wages, and benefits.
- \$55.9 million estimated state tax revenue.
- \$28.6 million in revenue shared by local governments.

Properties rehabilitated using the HRTC program produce continued economic benefits as well. Based on a sample of projects randomly selected for this analysis, Historic Rehabilitation Tax Credits from 2015 through 2020:

- Contribute more than \$1.8 billion each year to Virginia economic activity,
- Boost gross state product by \$1.2 billion.
- Support over 10,100 jobs that pay more than \$711 million a year in salaries, wages, and benefits.
- Generate state tax revenues approaching \$42.7 million with local governments across the state sharing about \$35.1 million each year.

Thematic Findings

Program users and community leaders continue to embrace the HRTC program. Discussions with key stakeholders revealed that developers, financiers, and other industry professionals:

- Consider Virginia's HRTC program an exemplar among states in which they do business.
- Cite the ease of use and the consistency of the 25 percent tax credit for eligible expenses as extremely valuable.
- Express that the HRTC programs' continuity over the years minimizes risk in long-term, highly-financed rehabilitation projects, making Virginia projects more appealing.
- Believe HRTC projects generate social goods such as community-driven placemaking, affordable housing redevelopment, and sustainable environmental outcomes.
- Confirm that a series of additional HRTC projects are in progress as of 2023 and even more large-scale projects are planned.
- Intend to take on more rural HRTC projects now that many urban projects have been completed.

Research participants also shared feedback regarding the limitations of the HRTC program. Based on the analysis and feedback in this report, the HRTC program remains a highly regarded and economically beneficial program. As Virginia's historic inventory continues to be rehabilitated, future considerations of the program might include modification to resolve complex cases, an evaluation of user satisfaction, and a forecast analysis to ensure continued program success.

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ACKNOWLEDGMENTS

The Center for Public Policy within the Wilder School is grateful to Julie Langan, Stephanie Williams, and Megan Melinat at the Virginia Department of Historic Resources for their leadership and support throughout this project. Thanks also to Dr. Terry Clower for his support in leading the economic analysis portion of this project. Finally, the Wilder Center for Public Policy would also like to thank the individuals who participated in the focus groups and interviews—their comments and insights were essential in developing a better understanding of the role historic rehabilitation tax credits play in Virginia communities.

ABOUT THE WILDER CENTER FOR PUBLIC POLICY

The L. Douglas Wilder School of Government and Public Affairs at Virginia Commonwealth University informs public policy through cutting-edge research and community engagement while preparing students to be tomorrow's leaders. The Wilder School's Center for Public Policy conducts research, translates VCU faculty research into policy briefs for state and local leaders, and provides leadership development, education and training for state and local governments, nonprofit organizations and businesses across Virginia and beyond.