

Rehabilitation Tax Credits Create Jobs and Spur Private Investment

As Illinois attempts to recover from the devastating housing and economic crisis, we need to provide tools that will create new jobs, draw new investment dollars, provide assistance for local property owners, and infuse new dollars into state and local budgets. Numerous studies have shown that Rehabilitation Tax Credits are one of the most effective ways to do this.

- **Create New Jobs** - The incredibly effective Missouri tax credit results in 8,060 in-state jobs each year--including 3,590 jobs in construction, 1,291 service jobs, and 1,062 retail jobs--for each \$346 million spent annually on the rehabilitation of historic buildings (Economic Impacts of Historic Preservation, 2002). A recent study of Virginia's tax credit program showed that it has created 10,769 full and part-time jobs from direct employment and indirect employment in other sectors of the economy (Virginia Commonwealth University's Center for Public Policy, 2007).
- **Increase Demand for Local Labor** - Because it is labor intensive, rehab of historic buildings creates more jobs than new construction. Only half of the investment in new construction goes toward materials, while 60-70% of the investment in rehab projects goes toward labor (Rypkema, 2009). More importantly, the skilled labor needed for a rehabilitation project is often found locally. When jobs are created for local electricians, carpenters, painters, etc., they help support the local economy.
- **Attract New Investment to Illinois** - Tax credits are a very effective way to attract significant private and federal dollars for local rehab projects. Between 1997 and 2006, nearly \$952 million in private investment was leveraged by the state tax credit program in Virginia, (Virginia, 2007) while a 2009 study showed that \$342 million in state tax credits in Maryland has leveraged over \$1.5 billion in rehabilitation expenditures -- a threefold return on the state's investment! (The Abell Foundation, 2009). After Rhode Island enacted a state rehabilitation tax credit in 2002, they attracted over \$78 million dollars in federal historic tax credits for projects in that state over the next five years, representing an increase of nearly 700 percent in their use of the federal rehab credits.
- **Stimulate Economic Development** - For every \$1 million spent on historic rehabilitation, local income increases by \$704,000 and 20.2 jobs are created. Those results significantly exceed payback from other types of state investment. For instance, \$1 million of manufacturing output adds an average of only \$470,000 to local household incomes and creates only 13.9 jobs (Rypkema, 2008). This is why thirty states currently offer state rehab tax credits to spur more investment in the revitalization of their towns and cities.
- **Produce Good Public Policies** - Rehabilitation of historic buildings starts to pay back the state's investment immediately through taxes on construction jobs and materials. But the tax credits are not released by the state until the rehab work is complete, which means that 1/3 to 1/2 of the state's investment is returned before the building is even put back in service. The Maryland Governor's Task Force on the Tax Credit Program reported that for every tax dollar paid out by the state for commercial rehab projects, \$.34 was returned prior to any credit being paid out, \$1.02 was returned in the first year, and \$3.31 the fifth year after the project's completion.

A state rehabilitation tax credit is critical to create new jobs and spur new investment in Illinois as we emerge from the recession. Without this tax credit, Illinois risks losing hundreds of redevelopment, investment, and job creation opportunities to our neighboring states, thereby slowing our overall economic recovery.

"In the past few years we have assisted in the financial structuring of nearly 60 rehabilitation projects utilizing federal historic tax credits. While we have offices in Illinois, only five (less than 10%) of those projects were located in Illinois. Nearly two-thirds of the projects were completed in states that have a state historic tax credit."
Timothy Frens CPA MBA
Partner at Plante & Moran PLLC

"The historic downtown is the heart and soul of my community, [but] it is impossible for local governments to provide adequate funding on its own to ensure the rehabilitation of these structures. As local governments begin to partner with federal, state, and private sector sources, we can all make it possible to save our beautiful downtown buildings from decay and demolition."
Hon. Jim Burke, Mayor
City of Dixon



This 1859 house in St. Joseph, MO, was threatened by demolition at least three times over 20 years. The state tax credit finally made rehab viable, leveraging \$110,000 in private investment.

Please help support a Rehabilitation Tax Credit that will create new jobs, encourage reinvestment in Illinois towns, and revitalize historic buildings. Join the effort to pass a Rehabilitation Tax Credit in Illinois this year!

Illinois Coalition for Historic Preservation and Economic Development

American Institute of Architects, Illinois Council (AIA Illinois)

Peoples Economic Development Corporation

Kennedy Hutson Associates Architects

Illinois Tax Increment Association

Structural Engineers Association of Illinois

Illinois Mechanical and Specialty Contractors Association

Central, Northern, Southern, Southwestern, and Western Illinois

Tourism Development Offices

Illinois Association of Historic Preservation Commissions

Commerce Bank

Peoples National Bank, N.A.

MacRostie Historic Advisors, LLC

Plante & Moran PLLC

Heartland Partnership

Landmarks Illinois

National Trust for Historic Preservation

Citizens for Glen Ellyn Preservation

Cities of Belvidere, Centralia,

Champaign, Dixon, Fulton, Lake

Forest, Monticello, Oregon, Peoria

Quincy, Rockford, and Sterling

Sterling Main Street

Macoupin County Economic

Development Corporation

Palestine Development Association

If you'd like to join the Coalition or to get more information about the rehabilitation tax credit bills, please contact:

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Encourage Jobs in Illinois by Supporting a Rehabilitation Tax Credit!

The Illinois legislature is currently considering two bills (**HB 4823** and **SB 2559**). Both bills are based on the highly successful Missouri tax credit enacted in 1997, which has generated nearly 40,000 jobs for Missourians. The Illinois tax credit would allow a credit on Illinois state income taxes equal to 25% of the cost of a qualified historic rehabilitation, and it can be used in conjunction with the 20% federal tax credit to provide an important “boost” to many small-scale rehab projects that would not be possible otherwise.

Both tax credit bills are current in committee. Please contact your Senators and Representatives right away with an email, phone call, or even a face-to-face meeting. Tell them to support the rehabilitation tax credit bills, HB 4823 and SB 2559, as a means to create new jobs, draw new federal and private investment to Illinois, and revitalize historic buildings in your town.

REHABILITATION TAX CREDITS CAN TRANSFORM TOWNS



Two underutilized nineteenth-century commercial building (top left) in West Plains, MO, were rehabilitated in 2003 by a private owner using \$110,000 in state tax credits. Analysis of the \$440,000 rehab project (bottom left) shows that—in addition to significantly increasing property values—it created 13,000 square feet of rehabilitated commercial space for the downtown, provided opportunities for 23 new employees, and generated over \$30,000 a year in new local and state taxes that translates into a 30% return on investment to local, county, and state governments.

Photos and project data courtesy of Missouri Preservation.

NEED HELP CONTACTING YOUR STATE LEGISLATOR?

If you know the name of your legislator or your district number, you can find their contact information at:

www.ilga.gov/senate/ (Senate) or
www.ilga.gov/house/default.asp (House of Representatives).

If you don't know your legislator or your district number, find them using your home address at the Illinois State Board of Elections' website:

www.elections.il.gov/DistrictLocator/SelectSearchType.aspx?NavLink=1