

# **Economic Benefits**

# of Historic Preservation Activities in Pennsylvania

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# The Economic Benefits of Historic Preservation Activities in Pennsylvania

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## 0.0 EXECUTIVE SUMMARY

**H**istoric 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).<sup>2</sup> 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)

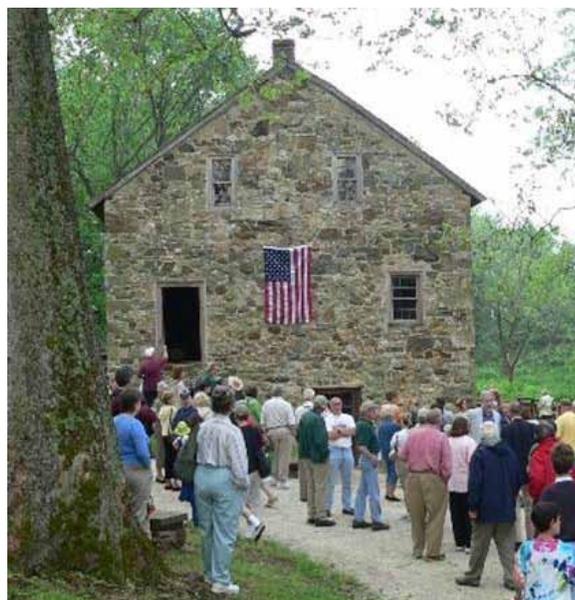
discussion by economic development practitioners and neighborhood stabilization and revitalization advocates, as a potential addition to those professional toolkits.

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

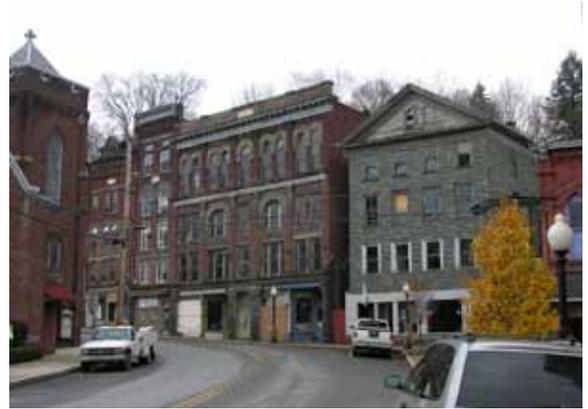
Historic preservation activities confer additional benefits that are more qualitative in nature, but are no less important in making the case for more historic preservation activity:

- 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.

## 1.0 INTRODUCTION

**H**istoric preservation plays an integral role in communities across the Commonwealth of Pennsylvania, providing a multitude of benefits for Pennsylvania and its residents. Historic preservation values are deeply embedded at the core of the Commonwealth's sense of identity and its guiding principles: Article 1, Section 27 of the state constitution proclaims the right of the people to the preservation of the Commonwealth's historic elements for the sake of future generations, while the more recently adopted Keystone Principles for Growth, Investment & Resource Conservation of the Commonwealth's Economic Development Cabinet prioritizes the preservation and adaptive reuse of significant historic structures.

### 1.1 Economic and Fiscal Impact from Federal Tax Credit Projects

One often overlooked category 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. Historic preservation advocates have long spoken of these advantages, but have often lacked quantitative and independent validation of their magnitude.

To help remedy this, and to further state the case for historic preservation within the Commonwealth, this report was commissioned to consider a number of categories of economic benefit. This report includes the following components:<sup>3</sup>

- The total economic impact resulting from historic preservation projects that were made possible by the use of federal Historic Rehabilitation Tax Credits (Section 2).
- The projected usage level and resulting economic impact associated with a proposed state-level historic preservation tax credit (Section 3).
- The estimated impact of historic designation on property values, through a detailed econometric analysis of three locally designated historic districts across the Commonwealth (Section 4).

- The impact of historic preservation on the Commonwealth’s burgeoning heritage tourism industry (Section 5).
- Case studies of communities within the Commonwealth that had implemented successful historic preservation initiatives associated with the Commonwealth’s Main Street, Traditional Downtowns, and/or Heritage Areas programs (Section 6).
- Additional qualitative benefits associated with historic preservation efforts (Section 7).

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<sup>3</sup> This broad coverage of the topic of historic preservation reflects the more expansive definition and approach taken by Preservation Pennsylvania, which defines historic preservation in the following manner:

*Historic preservation is the practice of recognizing, protecting, using and appreciating our nation's diverse cultural resources so that generations to come may benefit from them. Encompassing a wide range of resources—including houses, neighborhoods, commercial buildings, downtowns, bridges, religious buildings, schools and battlefields—historic preservation is also an economic development tool that has proven to be an effective way to revitalize neighborhoods and downtowns.*

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<sup>5</sup> See Appendix A for a full bibliography of sources used in this report.



Gettysburg Historic District, Adams County. Photo by PHMC.



Danville Historic District, Danville, Montour County. Photo by PHMC.

## 2.0 IMPACT OF STATE PARTICIPANTS IN THE FEDERAL HISTORIC REHABILITATION TAX CREDIT PROGRAM

An important way in which historic preservation is an economic development engine is through the construction activity generated by the rehabilitation and restoration of historic structures. The availability of a federal income tax credit for qualifying historic preservation projects has made possible numerous preservation initiatives within the Commonwealth, which then have an impact at a local level, in the form of construction and other jobs as well as increased state and local tax revenues.

The Commonwealth has been a substantial beneficiary of this federal tax incentive and of the considerable private investment that results from it. Over the past 30+ years, the Commonwealth has seen historic preservation activities accrue \$7 billion in project costs, which has generated \$17 billion in total economic impact, supporting 148,000 jobs and generating \$380 million in state tax revenues.

### 2.1 Federal Tax Credit Activity

Since its inception in 1976, the National Park Service’s Historic Rehabilitation Tax Credit program has helped make historic preservation restoration and rehabilitation capital projects possible by providing a subsidy on qualifying expenditures in the form of a federal tax credit (equal to one dollar in tax credit for every five dollars in qualified expenditures), thus stimulating private investment. In 2007, the Commonwealth was one of the nation’s heaviest users of this program, ranking second in both the number of projects and the dollar value of those projects, but it slipped to 7<sup>th</sup> and 16<sup>th</sup> respectively in 2009 before rebounding to 4<sup>th</sup> and 4<sup>th</sup> in 2010 (see Table 2.1A).

**Table 2.1A Federal Historic Rehabilitation Tax Credit Project Activity, Pennsylvania and Neighboring States<sup>6</sup>**

State	State Tax Credit	2007 Rank		2009 Rank		2010 Rank	
		#	\$	#	\$	#	\$
PA	N	2	2	7	16	4	4
DE	Y	26	45	23	38	27	37
NJ	N	8	8	25	34	27	39
NY	Y	8	9	5	51	9	3
OH	Y	14	17	14	41	7	10

*Source: National Park Service (2008, 2010, 2011), Econsult Corporation (2011)*

From 1978 to 2010, there were 2,238 projects within the Commonwealth, totaling at least 57 million square feet of space<sup>7</sup> and \$7.0 billion in project costs<sup>8</sup> that qualified for the Historic Rehabilitation Tax Credit (see Table 2.1B and Table 2.1C). The largest such project during this time period was the renovation of the John Wanamaker Store in downtown Philadelphia in 1992, which represented \$235 million in project costs.<sup>9</sup>

## 2.2 Economic and Fiscal Impact from Federal Tax Credit Projects

There is significant economic stimulus that results from these projects. Rehabilitation efforts lead to construction employment, and create initial expenditures whose economic impact ripples through entire local and regional economies, which creates jobs within the Commonwealth and generates tax revenues for the Commonwealth. The labor-intensive nature of historic preservation activities makes a particular impact for job creation.

Based on economic and fiscal impact modeling performed by Econsult for this report,<sup>11</sup> it is estimated that qualifying projects from 1978 to 2010 generated a total of \$17.1 billion in total expenditures, supporting 148,000 jobs and \$5.5 billion in earnings within the Commonwealth, and generating \$380 million in additional state taxes for the Commonwealth. This is an annual average of \$530 million in total expenditures, supporting 4,600 jobs and \$170 million in earnings within the Commonwealth, and generating \$12 million in additional state tax revenues for the Commonwealth (see Table 2.2A).

While construction was by far the most impacted industry, many other industries are also estimated to have benefited from the historic preservation work. 68 percent of the expenditure impact and 65 percent of the employment impact were in industries besides construction, such as manufacturing, professional services, real estate, and retail (see Table 2.2B).<sup>12</sup>

## 2.3 Implications

In summary, support of historic preservation efforts within the Commonwealth does more than simply safeguard treasured landmarks and maintain strategically im-



Bedford Springs Hotel, Bedford County. Photo by PHMC.

**Table 2.1B Federal Historic Rehabilitation Tax Credit Projects within the Commonwealth from 1978 to 2010 (in 2010 \$)**

	Floor Area (SF)	Total Project Cost (\$)
Largest	1.8M	\$235M
Median	3.75K	\$423K
Average	36.3K	\$3M
Total	57.3M	\$6.985B

Source: National Park Service (2011), Pennsylvania Historical and Museum Commission (2010), Econsult Corporation (2010)

**Table 2.1C Federal Historic Rehabilitation Tax Credit Projects within the Commonwealth from 1978 to 2010, by Commonwealth Region (in 2010 \$)<sup>10</sup>**

Region	# Projects	Square Footage	Total Project Cost (\$)
NC	64	448K	\$41M
NE	128	1.985M	\$179M
NW	48	1.381M	\$102M
SC	540	9.476M	\$757M
SE	981	37.675M	\$5.005B
SW	477	7.341M	\$901M
Total	2238	57.307M	\$6.985B

Source: National Park Service (2011), Pennsylvania Historical and Museum Commission (2010), Econsult Corporation (2010)

**Table 2.2A Estimated Total Economic and Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects from 1978 to 2010, by Commonwealth Region (in 2010 \$M)**

	NC	NE	NW	SC	SE	SW	1978-2010 Total	Annual Average
Direct Expenditures	\$41	\$179	\$102	\$757	\$5,005	\$901	\$6,985	\$218
Indirect and Induced Expenditures	\$59	\$259	\$148	\$1,094	\$7,234	\$1,303	\$10,096	\$316
Total Expenditures	\$99	\$438	\$250	\$1,851	\$12,239	\$2,204	\$17,081	\$534
Total Employment	863	3,802	2,171	16,075	106,267	19,138	148,316	4,635
Total Earnings	\$32	\$140	\$80	\$593	\$3,921	\$706	\$5,473	\$171
Total State Tax Revenues	\$2	\$10	\$6	\$41	\$270	\$49	\$377	\$12

Source: US Department of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), Pennsylvania Historical and Museum Commission (2010), Econsult Corporation (2011)

**Table 2.2B Estimated Total Economic and Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects from 1978 to 2010, by Commonwealth Region (in 2010 \$M)**

Industry	Estimated Total Expenditure Impact	% of Estimated Total Expenditure Impact	Industry	Estimated Total Employment Impact	% of Estimated Total Employment Impact
Construction	\$7,041	32%	Construction	65,970	35%
Manufacturing	\$2,450	11%	Retail	15,407	8%
Real Estate	\$1,015	5%	Manufacturing	11,474	6%
Retail	\$932	4%	Health Care	10,575	6%
Professional Services	\$898	4%	Professional Services	6,774	4%
All Others	\$4,745	22%	All Others	38,116	20%
All Industries	\$17,081	100%	All Industries	148,316	100%

Source: US Department of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), Pennsylvania Historical and Museum Commission (2010), Econsult Corporation (2011)

portant structures. It also 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.

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- <sup>6</sup> See Appendix B for a more detailed version of this figure.
- <sup>7</sup> Over 10 percent of the projects did not have data on square footage and thus are not included in this aggregate square footage total.
- <sup>8</sup> On an inflation adjusted basis, using the Consumer Price Index to express all dollars in 2010 terms. Total project cost includes portions of project budgets that did not qualify for the tax credit, since those costs would likely not have been borne but for the federal tax credit. On average, these additional portions represent about 7 percent of project budgets. Those portions are known for projects from 2005 to 2010, and were assumed for projects from before then.
- <sup>9</sup> See Appendix C for additional detail on Historic Rehabilitation Tax Credit project activity during this time period.
- <sup>10</sup> See Appendix D for a map and list of counties by Commonwealth region.
- <sup>11</sup> To estimate the total economic impact associated with these projects, the Econsult team developed an input-output model, based on multiplier data provided by the US Department of Commerce, which calculates the composition and scale of total expenditures, employment, and earnings resulting from the aggregate direct expenditures from all qualifying projects. It also developed a fiscal impact model to estimate the tax revenues that result from such a composition and scale of economic activity.

Any expenditure generates additional economic activity in a particular geographic area via the mechanism of the Keynesian consumption multiplier, an established behavioral characterization of the nature of economic activity in a market economy. In other words, in measuring the total economic impact of an initiative, one must account for the countless inter-industry relationships within a region, and specifically the manner in which an increase in output in a particular industry results in increases in outputs by other industries.

The economic impact model takes multiplier data from the US Department of Commerce's Regional Input-Output Modeling Systems (RIMS II) to produce estimates of the distribution of economic impact at the county and state level. The fiscal impact model estimates the tax revenue implications to the Commonwealth of that scale and composition of economic impact. See Appendix E for a summary of the Econsult team's economic and fiscal impact methodology.

- <sup>12</sup> See Appendix F for additional detail on the economic and fiscal impact of Historic Rehabilitation Tax Credit project activity during this time period.



D. S. Peterman Company, York, York County Before. Photo by PHMC.



D. S. Peterman Company, York, York County After. Photo by PHMC.

### 3.0 PROJECTED IMPACT OF A STATE-LEVEL HISTORIC REHABILITATION TAX CREDIT PROGRAM

The Commonwealth can multiply the positive economic impacts shown in the previous section, and retain or even improve its high ranking among states in federal tax credit projects, by instituting a state-level tax credit that can be combined with the federal tax credit to make even more historic preservation projects feasible. Over 30 states currently offer state tax credit programs, and the Commonwealth is currently discussing a 25 percent tax credit for qualified rehabilitation of historic commercial buildings. Although this involves the loss of some state tax revenues that would have otherwise been received (from projects that could have proceeded even without a state-level tax credit), the gain in return (from projects that would not have otherwise proceeded but for the presence of state-level tax credit) appears to justify that investment.

Conservatively extrapolating from the experience of other states that have enjoyed success from their state-level tax credit programs, it is estimated that a state-level tax credit program within the Commonwealth would induce an additional \$100 million to \$260 million in total economic impact per year, supporting an additional 900 to 2,300 jobs and generating an additional \$2 million to \$6 million per year in state tax revenues. This represents something on the order of a 5 to 10 percent return on that initial investment, or a payback period of 10 to 21 years.

#### 3.1 States with State-Level Tax Credit Programs

To estimate the effect within the Commonwealth of a state-level historic preservation tax credit on increasing the amount of historic rehabilitation activity and resulting in additional economic impact, one can consider the example of three other states – Missouri, Virginia, and Maryland – whose recent state-level tax credit programs had a positive effect, and which are widely considered as illustrative examples.

1. The State of Missouri created its program in 1997, which provides a state-tax credit of 25 percent of the cost of the rehabilitation of commercial and residential properties that meet certain historic requirements. Between 1998 and 2008, over \$2 billion was invested in historic buildings through a wide range of project sizes (11 percent of projects were over \$5 million, 44 percent were under \$250,000). The state-level tax credit program is hailed by many as the sole reason for doubling the number of rehabilitation projects within the state that use federal tax credits. One project in Howell County was found to have generated enough in new sales and income taxes to have repaid the State investment within the first five years.<sup>13</sup> A 2010 analysis suggests that many projects, spanning a wide range of communities, would not have otherwise proceeded but for the existence of the state tax credit program.<sup>14</sup>
2. The Commonwealth of Virginia's state-level tax credit program has been in effect since 1997, and has spurred private investment of \$316 million in the rehabilitation of 264 landmark buildings. The state tax credit is worth 25 percent of eligible rehabilitation expenses. Illustrative projects include the \$23 million conversion of a school built in 1938 for African-American students during the segregation period into the Governor's School for Government and International Studies, and the \$20 million conversion of the Norfolk & Southern General Office Building into a higher education center that provides remote classrooms for 16 colleges and universities and 20,000 students.<sup>15</sup>
3. The State of Maryland's Heritage Structure Rehabilitation Tax Credit Program was instituted in 1996 and replaced in 2010 by the Sustainable Communities Tax Credit Program. State income tax credits are based on a percentage of the qualified capital costs expended in the rehabilitation of certified historic structures (25 percent for high-performance commercial buildings, 20 percent for owner-occupied single-family residences and for commercial buildings, and 10 percent for non-historic qualified structures that are usually parts of Main Street programs). To ensure geographic distribution, no more than 50 percent of the available tax credits can be allocated to a single county or to the City of Baltimore. Since 1996, the Heritage Structure Rehabilitation Tax Credit Program has resulted in the investment of over \$375 million, producing over \$1.5 billion in direct expenditures that created \$8.50 in economic output for every dollar invested by the State, and commercial projects have employed over 15,000 people. Notably, the program was deemed in a 2010 report by the Governor's Office to be self-financing, with fiscal impacts far exceeding costs.<sup>16</sup>

### **3.2 Estimated Impact of the Introduction of State-Level Tax Credit Programs**

Adding a state-level tax credit on top of the federal historic preservation tax credit has been proven in these three states to increase the number of rehabilitation projects that become economically feasible and that therefore are completed. All three states saw significant increases in the rate at which projects eligible for the federal historic rehabilitation tax credit were added in the three years after the implementation of their state tax credit programs, as compared to the three years preceding implementation. On average, these three states saw 94 percent more projects per year and 545 percent more aggregate project costs per year in the years after implementation as compared to the years before implementation (versus

a nationwide increase of 25 percent more projects per year and 145 percent more aggregate project costs per year) (see Table 3.2A and Table 3.2B).<sup>17</sup>

Said another way, had these three states kept pace with nationwide trends, there would have been 52 projects and \$79 million in aggregate project costs per year in these three states. Instead, there were 81 projects (55 percent more) and \$209 million in aggregate project costs (163 percent more) per year.<sup>18</sup>

### 3.3 Potential Impact within the Commonwealth of a State-Level Tax Credit Program

Rehabilitation projects can be generally categorized into one of four categories – 1) feasible without any subsidy, 2) feasible with a federal tax credit, 3) feasible with a federal and state tax credit, and 4) infeasible even with a federal and state tax credit. Projects in the third category are made possible as a result of a state tax credit being available in addition to the federal tax credit.<sup>19</sup>

The significant amounts in increased historic preservation activity these three profiled states saw in the years after enactment of their state tax credit programs suggests that there are a number of rehabilitation projects that fall into that third category, that would not have otherwise proceeded but for the availability of the state tax credit.

It is not known with certainty how many additional historic preservation projects will be induced as a result of the implementation of a state-level tax credit within the Commonwealth, although it must be noted that the Commonwealth does not lack for potential project opportunities: the Commonwealth has over 100,000 buildings listed on the National Register of Historic Places. Nevertheless, activity levels are influenced heavily by broader macro-economic forces, such as the state of the overall economy and of the construction industry and financial markets.

However, the significant before-and-after effects observed in Missouri, Virginia, and Maryland resulting from the implementation of a state tax credit in conjunction with the use of the federal tax credit suggest that the

**Table 3.2A Difference in Federal Historic Rehabilitation Tax Credit Program Activity Before and After the Implementation of a State Tax Credit Program, Selected States (Average Number of Projects per Year)**

State (1st Year of Tax Credit)	1993-1995	1999-2001	% Difference
MD ('97)	5	10	107%
MO ('96)	15	23	56%
VA ('97)	22	47	117%
MD/MO/VA	42	81	94%
US	544	678	25%

*Source: National Park Service (2011), Econsult Corporation (2011)*

**Table 3.2B Difference in Federal Historic Rehabilitation Tax Credit Program Activity Before and After the Implementation of a State Tax Credit Program, Selected States (Average Aggregate Project Costs per Year, in 2010 \$M)**

State (1st Yr of Tax Credit)	1993-1995	1999-2001	% Difference
MD ('97)	\$7	\$35	375%
MO ('96)	\$15	\$96	536%
VA ('97)	\$10	\$78	683%
MD/MO/VA	\$32	\$209	545%
US	\$746	\$1,824	145%

*Source: National Park Service (2011), Econsult Corporation (2011)*

implementation of a similarly structured program within the Commonwealth would lead to new projects that would not have otherwise been undertaken, thus helping the Commonwealth retain or even improve its high ranking among states in federal tax credit projects. If that universe of now-feasible projects stimulating by a 25 percent state-level tax credit (the level currently being contemplated by the Commonwealth) is deemed to be equal to 25 to 50 percent of a typical year's worth of historic preservation projects, that would mean the equivalent of \$130 to \$270 million more in economic impact (i.e. total expenditures) each year, supporting over 1,200 to 2,300 additional jobs and \$40 to \$80 million in additional earnings, and generating over \$3 to \$6 million in state tax revenues (see Table 3.3A).

Of course, Missouri, Maryland, and Virginia experienced drastic changes in the growth rate of federally eligible historic rehabilitation projects after the implementation of their state tax credit programs, which far exceed the 25 to 50 percent increase estimated for the Commonwealth of Pennsylvania. However, to be conservative, and to concede that Missouri, Maryland, and Virginia are among the more celebrated states in terms of state-level tax credit programs, the much lower increase of 25 to 50 percent was used. Should the increase in historic preservation projects resulting from the enactment of a state tax credit program within the Commonwealth be even larger than that, then the economic and fiscal impacts would be even greater.

Importantly, the result of a state-level tax credit is not just more historic preservation projects, with their attendant upfront and one-time economic impacts associated with construction and rehabilitation. These projects yield a more robust base from which to generate property tax revenues for municipalities and school districts. Hence, there is both an upfront and an ongoing return on the investment that offsets the upfront tax revenues foregone via a tax credit program.

When factoring in local tax revenues as well, this trade-off (providing state-level tax credits to all qualifying historic preservation projects in exchange for inducing additional projects that would not have otherwise moved forward) appears to generate reasonably attrac-

**Table 3.3A Estimated Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania from Historic Preservation Projects Resulting from a State-Level 25 Percent Tax Credit Program, Assuming It Induces 25 to 50 Percent More Investment (in 2010 \$M)**

	Current Annual Average	Induced by the State Tax Credit
Total Expenditures	\$534	\$134 to \$267
Total Employment	4,635	1,200 to 2,300
Total Earnings	\$171	\$43 to \$85
Total State Tax Revenues	\$12	\$3 to \$6

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), Pennsylvania Historical and Museum Commission (2010), Urban Partners (2011), Econsult Corporation (2011)*

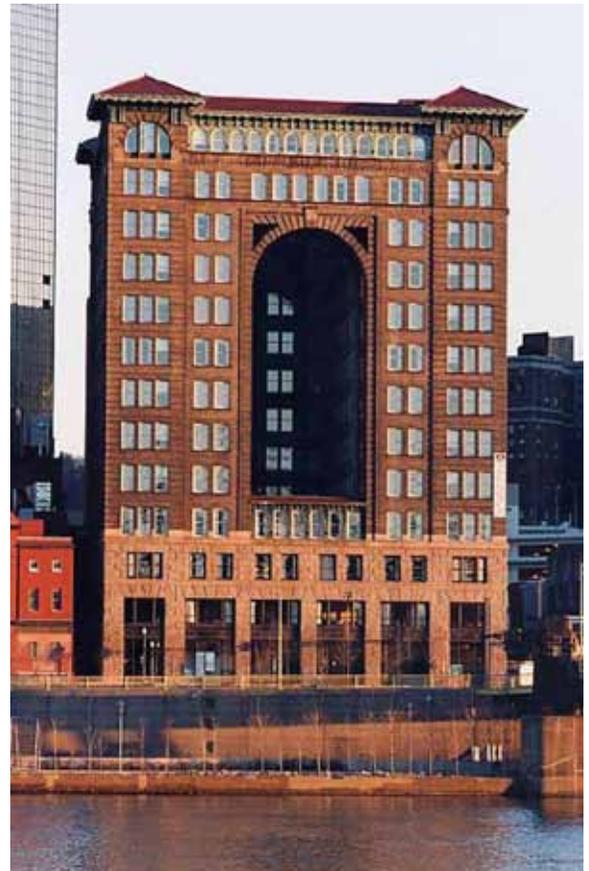


Lancaster Brewing Company, Lancaster, Lancaster County. Photo by PHMC.

tive returns on investment. Continuing to assume that a state-level tax credit would induce 25 to 50 percent more projects by dollar amount, and accounting for attendant increases in local tax revenues, it is estimated that implementing a state-level tax credit would result in \$55 to \$110 million more in historic preservation investments made each year, and \$70 to \$80 million in tax credits distributed each year.<sup>20</sup>

This is estimated to yield 1,200 to 2,300 more jobs created, and \$130 million to \$270 million more in statewide economic impact. It would also generate upfront and ongoing additional tax revenues at the state and local levels, yielding a payback period of 12 to 21 years on the initial tax credit amounts, or a 5 to 8 percent return on that initial investment (see Table 3.3B).<sup>21</sup>

The estimates below are very sensitive to the amount of induced investment. Should the state-level tax credit induce a smaller proportion of new historic preservation projects, the payback period would be longer and the return on investment lower; however, should it induce a larger proportion, the payback period would be shorter and the return on investment higher.



Fulton Building, Pittsburgh, Allegheny County. Photo by PHMC.

**Table 3.3B Estimated Difference in Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Between Having and Not Having a State-Level 25% Tax Credit Program, Assuming It Induces 25% to 50% More Investment (in 2010 \$M)**

<b>% increase in HP investment as a result of tax credit</b>	<b>25%</b>	<b>50%</b>
Annual tax credit amount	\$68	\$82
Difference in historic preservation investment	\$55	\$109
Difference in jobs created in PA	1,159	2,318
Difference in economic impact in PA	\$134	\$267
Difference in state fiscal impact (upfront construction)	\$3.0	\$6.0
Difference in local fiscal impact (upfront construction)	\$0.8	\$1.6
Difference in state fiscal impact (ongoing operations)	\$1.4	\$2.7
Difference in local fiscal impact (ongoing operations)	\$1.6	\$3.3
Payback period (counting local and state tax revenues)	21 years	12 years
Return on investment on net Year 1 outlay (counting local and state tax revenues)	4.7%	8.1%

*Source: Urban Partners (2011), Econsult Corporation (2011)*

### 3.4 Implications

There is more that can and should be studied on this subject, in terms of figuring out the mechanisms of a state-level tax credit so that it has maximum impact on historic preservation efforts and on state and local economic and fiscal conditions. Nevertheless, these preliminary figures indicate that a state-level tax credit is an investment in the Commonwealth that is worth considering, purely in terms of what it results in economic impact, jobs created, and tax revenues generated. In other words, as has been experienced in other states such as Missouri, Virginia, and Maryland, there is a compelling return on the investment of upfront tax revenues foregone in the form of upfront and ongoing tax revenues at the state and local level.

Importantly, this preliminary analysis suggests that 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. Hence, 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 percent per year back to state and local governments, thus paying back that year's investment within 12 to 21 years.



Wilbur Hotel, Sayre, Bradford County. Photo by PHMC.

13 “Missouri Leads the Nation in Private Investment in Historic Preservation,” *The Daily Record* (2005); “Prompting Preservation,” *Midwest Construction* (2007); “Historic Celebration,” *Missouri Resources* (2008); “Historic Preservation Tax Credits in West Plains,” Missouri State Historic Preservation Office (2010); “Rehabilitation Tax Credits for Historic Buildings,” Missouri State Historic Preservation Office (2010); “Federal Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 2009,” National Park Service (February 2010); “Federal Tax Incentives for Rehabilitating Historic Buildings: Fiscal Year 2007,” National Park Service (February 2008); “The Economics of Historic Preservation,” Donovan D. Rypkema (2008).

14 “An Evaluation of the Missouri Historic Preservation Tax Credit Program’s Impact on Job Creation and Economic Activity Across the State,” St. Louis University (March 2010).

15 “Preservation Success Stories,” Virginia Department of Historic Resources (2010); “Rehabilitation Tax Credit – Frequently Asked Questions,” Virginia Department of Historic Resources (2010).

16 “Maryland General Assembly Balks at Extending Historic Rehabilitation Tax Credits,” *The Daily Record* (2010); “Maryland’s Historic Tax Credit Past and Present,” *The Daily Record* (2004); “Maryland Heritage Structure Rehabilitation Tax Credit Program,” Maryland Historical Trust (2010); “Governor Martin O’Malley Announces Plans for Sustainable Communities Tax Credit Program,” State of Maryland Office of Governor (2010); “Final Report of the Governor’s Task Force on Maryland’s Heritage Structure Rehabilitation Tax Credit Program” (2004).

17 The years before and after the tax credit implementation year were not included to minimize distortions associated with projects being delayed in anticipation of tax credit implementation.

18 See Appendix G for additional detail on historic preservation activity before and after implementation of state tax credit programs in these selected states.

19 See Appendix H for more discussion and a stylized depiction of how an additional state-level tax credit, on top of the federal historic preservation tax credit, can increase the number of rehabilitation projects that are feasible.

20 The Commonwealth has averaged \$218 million per year in historic preservation direct project costs. A state-level tax credit would induce additional historic preservation activity over and above that amount, leading to net new increases in economic impact. However, it would also mean that the Commonwealth would be giving up tax revenues on the entire annual amount of historic preservation direct project costs, and not just the net new annual amount.

At an annual average of \$218 million in historic preservation direct project costs, 25 percent more historic preservation activity would mean \$273 million in annual direct project costs (or \$55 million more), so a 25 percent tax credit would mean \$68 million in foregone tax revenues (25 percent of \$273 million). Fifty percent more historic preservation activity would mean \$327 million in annual direct project costs (or \$109 million more), so a 25 percent tax credit would mean \$82 million in foregone tax revenues (25 percent of \$327 million).

21 See Appendix I for additional detail on these estimates and how they were calculated.



Fairmount Historic District, York, York County. Photo by PHMC.



430-432 North Beaver Street, Fairmount Historic District, York, York County. Photo by PHMC.

## 4.0 PROPERTY VALUE IMPACT

**A**n important but often overlooked benefit of historic preservation projects are their contribution to quality of life gains for local residents. The restoration of a beloved but aging structure is often the replacement of a blighting influence with an aesthetically pleasing one, and the designation of a historic district provides a strong signal that the designated area has developed a distinct identity and will be maintained in perpetuity to a certain standard.

While quality of life gains resulting from historic preservation can seem hard to quantify, economists have one very good numeric proxy for it: the prices people are willing to pay for houses in or near historic districts. If something improves a location, people will be willing to pay more to be in or near it, which bids up house prices. Whether or not historic preservation actually generates positive quality of life effects is something that can therefore be tested, using econometric techniques to isolate the impact of historic preservation on house prices.



West Chester Historic District, Chester County. Photo by PHMC.

Recent literature suggests that there is in fact a positive property value impact associated with historic preservation efforts. A specific analysis of three historic districts within the Commonwealth reaches the same conclusion, and is described in this section.

### 4.1 Overall Approach to Isolating Property Value Impact

Studies differ as to the impact of local historic designation on property values.<sup>22</sup> On the one hand, designation can confer upon a property or neighborhood a certain status, as well as the security of knowing that basic form will be preserved. On the other hand, associated regulations may increase maintenance costs or restrict higher-valued uses.

Recent past work by Econsult seems to suggest that historic designations have a positive effect on property values, even when controlling for other potential influences. A detailed analysis was conducted using Philadelphia historic designation and residential real estate transaction data, and yielded the following general findings:<sup>23</sup>

1. Homes within an actual district traded at a significant premium to homes not in historic districts – 14 percent for national districts and 22 percent for local districts.
2. Historic designation’s positive effect is both immediate and ongoing – homes enjoy an immediate 2 percent increase in values relative to the City average, once local designation has taken place, and thereafter they appreciate at an annual rate that is 1 percent higher than the City average.
3. Even proximity to a historic district has a positive effect – house prices increase by an average of 1.6 percent with each mile closer to a national historic district, and by an average of 0.5 percent with each mile closer to a local historic district.

For this report, Econsult estimated the impact of historic designation on property values by selecting three designated districts across the Commonwealth – the Powelton Village Historic District in Philadelphia, the West Chester Downtown Historic District in Chester County, and the Mexican War Streets Historic District in Pittsburgh (see Figure 4.1) – and employing statistical techniques to isolate the effect of designation on property values over time.<sup>24</sup> Specifically, the analysis explored whether designation had an immediate effect on property values, and whether designated properties appreciated at a different rate over time than non-designated properties. By using statistical methods to control for other variables that also have an influence on property values, Econsult was able to identify the specific contribution of historic designation on the prices people are willing to pay for houses.

## 4.2 Results by District

The results of this hedonic regression analysis support the findings of Econsult’s recent work in Philadelphia, that historic designations have a positive impact on property values:

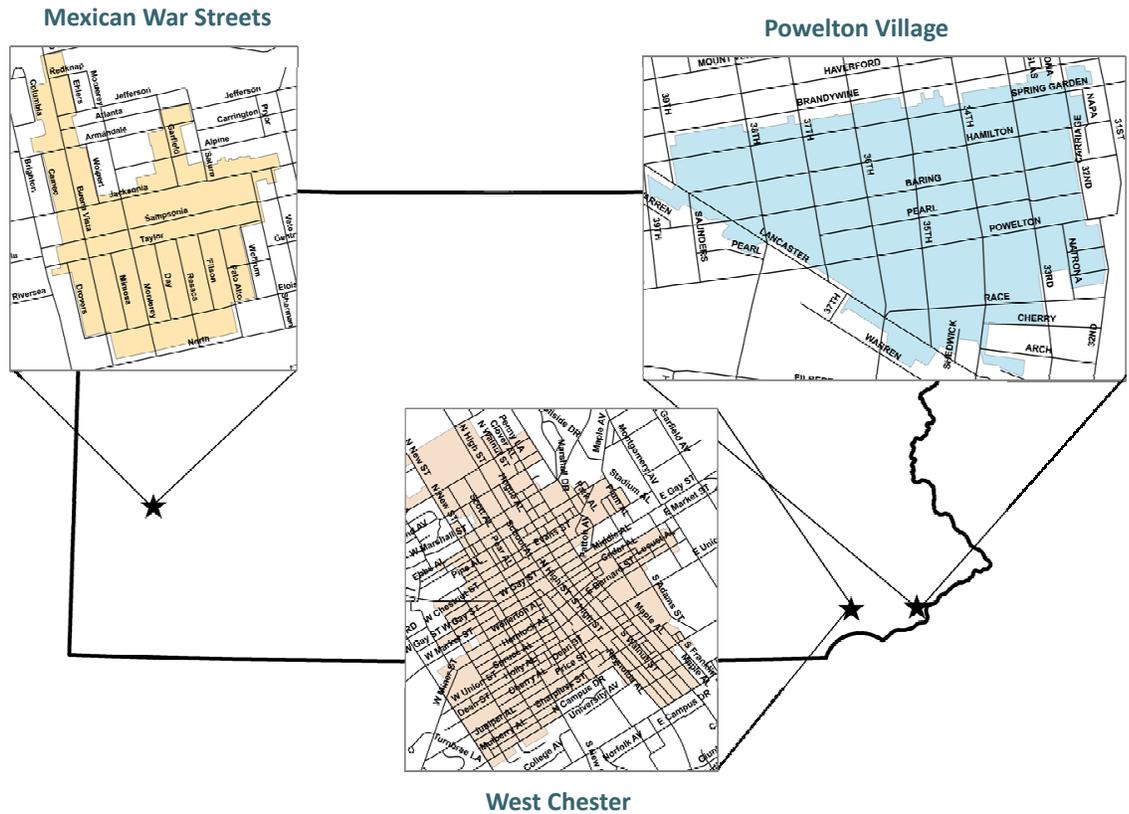


Powelton Village Historic District, Philadelphia. Photo by PHMC.



Powelton Village Historic District, Philadelphia. Photo by PHMC.

Figure 4.1 Historic Districts Examined in This Report



Source: Econsult Corporation (2011)

- House prices in the Powelton Village Historic District increased by 63 percent in the year immediately following historic designation, and continued to increase by 3 percentage points more per year than the citywide average in the years following historic designation.
- House prices in the Mexican War Streets Historic District appreciated an annual rate 4 percentage points higher than the average in surrounding Pittsburgh neighborhoods, and in the year immediately following the District's expansion in 2008, house prices increased by 15 percent.
- The 2006 expansion of the West Chester Downtown Historic District has resulted in a newly expanded part of the District that commands an average \$81,000 premium over houses in Chester County and an average \$36,000 premium over houses in West Chester.

### 4.3 Implications

The positive public reception of historic designations, as measured by a willingness to pay a premium for a house located within a historic district, has a number of significant implications when considering the economic value of historic preservation at the statewide level. To begin with, it must be acknowledged that these results are preliminary, and only represent three districts out of the multitude of districts and neighborhoods located within the Commonwealth, so these examples of positive past results may translate to future situations to varying degrees of similarity.

However, to the extent that many similar analyses have arrived at similar conclusions – that historic preservation has a positive effect on property values – it shifts the potential role of historic preservation in statewide strategy. Historic preservation need not only be thought of in aesthetic, cultural, or historical terms, but can be included in the 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.

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<sup>22</sup> See “Economics and Historic Preservation: A Guide and Review of the Literature,” Brookings Institution Metropolitan Policy Program (September 2005) and “Preservation and Residential Property Values: The Case of Philadelphia,” Prema Katari (2005) for good bibliographies of studies on this matter.

<sup>23</sup> “The Economic Impact of Historic Preservation in Philadelphia,” Econsult Corporation (2008, 2010).

<sup>24</sup> See Appendix J for more information on these three historic districts, and on regression methodology and results.



Mexican War Streets Historic District, Pittsburgh, Allegheny County. Photo by PHMC.



Mexican War Streets Historic District, Pittsburgh, Allegheny County. Photo by PHMC.



West Chester Historic District, Chester County. Photo by PHMC.

## 5.0 IMPACT ON HERITAGE TOURISM

**H**istoric preservation makes heritage tourism possible, by safeguarding important historic and cultural assets within the Commonwealth that can then be visited, studied, and enjoyed by generation after generation of tourists. Heritage tourism is a particularly powerful element of the economic impact of historic preservation for at least two reasons:

- First, as with other forms of tourism, heritage tourism generates visits and spending by people from outside a jurisdiction, thus representing a pure import of purchasing power into the jurisdiction (as opposed to a trading off of purchasing power from within the jurisdiction).
- Second, studies have consistently demonstrated that heritage tourism tends to generate higher spending per visitor than other forms of tourism.<sup>25</sup>



Pennsbury Manor. Photo by PHMC.

### 5.1 Heritage Tourism Sites within the Commonwealth

For the purposes of this report, three sets of locations were deemed sites where heritage tourism takes place, and therefore where activity and spending is included in impact estimates of heritage tourism within the Commonwealth. Together, these heritage tourism sites account for about 32 million visitors per year.<sup>26</sup>

- Over 50 heritage sites are assisted by the Pennsylvania Historical and Museum Commission, of which 29 are



Union League, Philadelphia. Preservation Pennsylvania.

owned by the Commonwealth – 0.95 million visitors per year

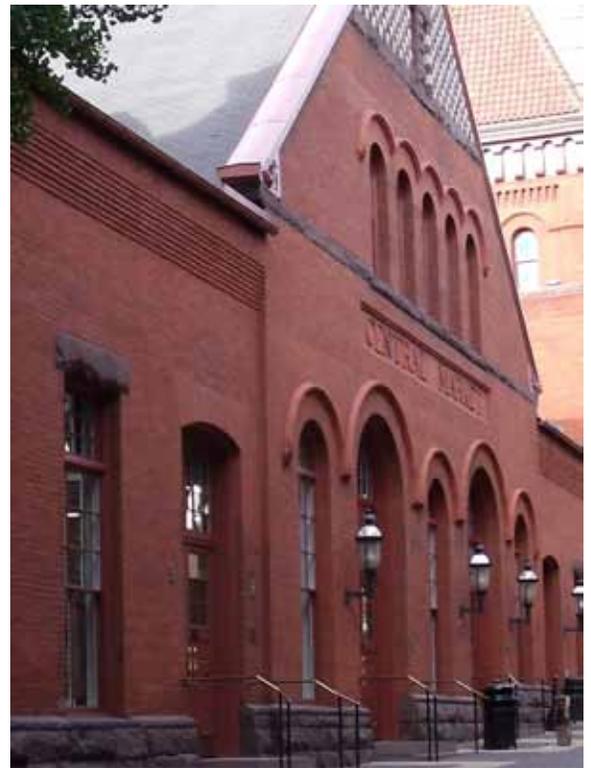
- The Commonwealth’s 12 “Heritage Areas,” as coordinated by HeritagePA (formerly known as the Pennsylvania Heritage Areas Association) – 25.45 million visitors per year
- The historic district in Philadelphia – 5.45 million visitors per year<sup>27</sup>

This definition of heritage tourism likely undercounts (or, in some cases, misses altogether) expenditures associated with recreational activity to entire commercial or scenic corridors, public squares, and downtown areas that have differentiated themselves as tourism draws by utilizing historic preservation principles to safeguard a certain authentic community character or aesthetic. Illustrative examples of these draws include the Delaware Valley Regional Planning Commission’s “Classic Towns” (including Ambler, Media, and New Hope), the City of Lancaster’s “A City Authentic” promotion, and the “Trail Town” program in the southwestern portion of the Commonwealth. This is a growing segment of heritage tourism, for which data are not yet as well developed, and so to partially or fully neglect this category of expenditures means that the resulting impact estimates are understated.

Heritage tourism generates positive economic impacts within the Commonwealth as a result of two sets of direct expenditures: expenditures by the operators of the heritage sites to maintain and operate the sites, and expenditures by visitors to the sites in such categories as accommodations, transportation, and retail.<sup>28</sup> These two sets of direct expenditures, in turn, support additional expenditures, leading to an overall economic impact that is larger than the sum of the direct expenditures.

## 5.2 Direct Expenditures – Visitor Spending

Direct expenditures from visitor spending were estimated by applying the Money Generation Model (MGM2), designed by Michigan State University, which was employed in a 2008 study commissioned by HeritagePA called “The Economic Impact of Pennsylvania’s Heritage Areas.” This study estimated visitor spending by expenditure category



Lancaster Central Market, Lancaster County. Photo by PHMC.



Eagles Mere General Store, Sullivan County. Photo by McKissick Architects.



York County Heritage Rail Trail - Howard Tunnel, York County. PHMC Photo Collection.

for eight of the 12 Heritage Areas. This study's results were extrapolated to all heritage sites and Heritage Areas, based on visitation figures. Visitor spending estimates for the historic district in Philadelphia were obtained by updating estimates made as part of Urban Partners' 2007 study, "The Economic Impact of Visitor Expenditures in the Philadelphia Historic District." Together, it is estimated that heritage tourism sites are responsible for about \$1 billion in visitor spending per year (see Table 5.2).<sup>29</sup>

**Table 5.2 Estimated Annual Heritage Tourism Visitor Spending, by Heritage Site Type and Expenditure Category (in 2010 \$)**

Expenditure Category	Heritage Sites	Heritage Areas	Philadelphia Historic District	Total
Lodging	\$7M	\$115M	\$115M	\$237M
Dining	\$9M	\$105M	\$184M	\$298M
Shopping	\$7M	\$104M	\$135M	\$246M
Transportation		\$57M		\$57M
Admission/Fees		\$44M		\$44M
Other Expenditures <sup>30</sup>	\$7M		\$127M	\$134M
<b>Total</b>	<b>\$31M</b>	<b>\$425M</b>	<b>\$560M</b>	<b>\$1.026B</b>
Visitors	0.95M	25.45M	5.45M	31.85M

Source: Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)

**Table 5.4 Estimated Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Heritage Tourism Operating Expenditures and Visitor Spending (in 2010 \$M)**

	Operating Expenditures	Visitor Spending	Total from Heritage Tourism
Direct Expenditures	\$303	\$1,026	\$1,330
Indirect and Induced Expenditures	\$381	\$1,176	\$1,558
<b>Total Expenditures</b>	<b>\$685</b>	<b>\$2,203</b>	<b>\$2,887</b>
Total Employment	7,360	29,453	36,812
Total Earnings	\$203	\$646	\$849
Total State Tax Revenues	\$16	\$73	\$89

Source: US Department of Commerce – Bureau of Economic Analysis (2007), Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)

### 5.3 Direct Expenditures – Ongoing Operations

Direct expenditures from ongoing operations were estimated by aggregating the annual operating budgets for all of the Commonwealth’s heritage sites. This yielded an annual expenditure amount of at least \$300 million.<sup>31</sup> Together with visitor spending, this means that heritage tourism is responsible for about \$1.3 billion in direct expenditures each year within the Commonwealth. Importantly, as noted above, a significant portion of that spending comes from outside the Commonwealth.

### 5.4 Economic Impact from Heritage Tourism Ongoing Operations and Visitor Spending

This composition and scale of direct expenditures supports a significant and diverse amount of spillover activity within the Commonwealth. Econsult estimates that on an annual basis, heritage tourism generates a total of about \$2.9 billion in total expenditures, supporting about 37,000 jobs and about \$850 million in earnings within the Commonwealth, and generating about \$90 million in state taxes for the Commonwealth (see Table 5.4).<sup>32</sup>

### 5.5 Implications

In short, 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 the Commonwealth.

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<sup>25</sup> See, for example, “Pennsylvania Heritage Tourism Study,” D.K. Shifflet & Associates (May 1999), “Heeding the Call for Heritage Tourism,” Parks & Recreation (September 2004), and “Cultural Heritage Tourism 2010 Fact Sheet,” National Trust for Historic Preservation (March 2010).

<sup>26</sup> See Appendix K for more detail on these sites, and Appendix L for more detail on attendance estimates.

<sup>27</sup> Philadelphia has numerous historic districts; for the purposes of this study, what is meant here is the district centered on Independence Mall.

<sup>28</sup> There is very little overlap in these two expenditure categories, since the vast majority of expenditures by visitors does not go directly to the operators of the heritage sites.

<sup>29</sup> See Appendix M for more detail on heritage tourism visitor spending methodology and results.

<sup>30</sup> Transportation and admission/fees expenditures were available for Heritage Areas, whereas for the other heritage site types, they are accounted for together in “Other Expenditures.”

<sup>31</sup> Based on information from the National Park Service, the Pennsylvania Museum and Historical Commission, and IRS Form 990 submissions by individual heritage sites. Of the 192 total heritage sites within the Commonwealth, including those located within a Heritage Area, budget information for a recent year (usually FY 2008, but sometimes FY 2007 or FY 2009) was obtained for 175 of them. Therefore, the expenditure total is understated, since it does not include expenditures for 17 sites.

<sup>32</sup> See Appendix N for additional detail on the economic and fiscal impact of heritage tourism operating expenditures and visitor spending.

## 6.0 IMPACT OF MAIN STREET, ELM STREET, TRADITIONAL DOWNTOWNS, AND HERITAGE AREAS PROGRAM

**T**hroughout the Commonwealth, communities of all types and sizes value historic preservation, and participate in a wide range of statewide and nationwide programs that are designed to support such efforts. Three historic localities within the Commonwealth are profiled here, to provide different illustrations of historic preservation in action: Phoenixville, Gettysburg, and Lewisburg. All three localities are part of the Main Street program, a 30-year-old national movement created and sponsored by the National Trust for Historic Preservation’s Main Street Center, funded by the Commonwealth’s Department of Community and Economic Development (DCED) and administered by the Pennsylvania Downtown Center, that seeks to revitalize downtown districts through sustained investment and preservation-based economic development. They are also all Pennsylvania Historical and Museum Commission grantees (PHMC). In addition, they each participate in multiple other historic preservation programs, as befits their unique characteristics and aims (see Table 6.0).

As a result, these three communities were selected as case studies to explore their key historic preservation initiatives, projects, and associated investments. Their successes illustrate the impacts described in previous sections: economic stimulus through historic rehabilitation activity, property value enhancement from historic district designation, and commercial activity via heritage tourism. Examined through the lens of one program in particular – Main Street – each community has revealed a unique approach toward historic preservation and toward the variety of public and private sector programs available to support it.<sup>33</sup>



Phoenixville Historic District, Chester County. Photo by PHMC.



Gettysburg Historic District, Adams County. Photo by PHMC.

**Table 6.0 Historic Preservation Programs, Designations, or Resources Available to and Incorporated by the Three Case Study Communities (in 2010 \$)**

Locality / County	Phoenixville/Chester	Gettysburg/Adams	Lewisburg/Union
Main Street	Yes	Yes	Yes
Elm Street	No	Yes	Yes
Heritage Region	Schuylkill	Lincoln Highway	N/A
PA	Yes	Yes	No
PHMC	Yes	Yes	Yes
Act 167 / HARB	Yes	Yes	Yes
CLG	Yes	Yes	No
NRHP	Yes	Yes	Yes
HRTC	10 / \$10.9M	19 / \$6.1M	12 / \$0.9M

Source: Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)

**Table Legend**

- PA *Preserve America designation*
- PHMC *Pennsylvania Historical and Museum Commission grantee*
- Act 167/HARB *Local Historic District, as designated through the Commonwealth's 1961 Historic District Act (Act 167), and which authorizes localities to appoint Historic Architectural Review Boards (HARBs).*
- CLG *Certified Local Government, as designated by the National Park Service and the Pennsylvania Historical and Museum Commission*
- NRHP *National Historic District, as designated by the National Register of Historic Places*
- HRTC *Number and aggregate project costs (in millions of dollars, not inflation-adjusted) of qualified federal Historic Rehabilitation Tax Credit projects*

*See Appendix O for additional glossary of each of these programs, designations, and resources.*

## 6.1 Phoenixville

The Borough of Phoenixville is located west of Valley Forge National Historical Park at the junction of the Schuylkill River and French Creek in northern Chester County. These waterways had much to do with its industrial past, aiding in the production of iron and steel, for which the Borough became world-renowned. However, by the 1980s, Phoenixville was in decline as a result of the waning iron and steel industry, and by 1984, all steel production in Phoenixville had ceased. The Borough entered a period of decline into the 1990s as a result of factory closings.

Main Street Phoenixville began in 2001 with an emphasis on façade improvements to reverse the negative stigma of the downtown business district. By 2005, the downtown area had rebounded and had become a location of prestige and pride for local merchants. At that point, Main Street Phoenixville shifted its efforts to promoting the arts and entertainment, but with ever a careful eye towards preservation and design: the Borough has a historic architectural review board that advises local officials and that reinforces the connection for the public and private sectors between historic preservation and downtown revitalization.

Main Street Phoenixville has been an aggressive administrator of a number of preservation-related projects using a variety of programs and funding sources, including all of the sources described above except for the Elm Street program. Since 2001, in addition to pursuing five historic preservation projects that qualified for the Federal Historic Rehabilitation Tax Credit program, totaling about \$9 million in project costs, Main Street Phoenixville has administered nine other large-scale projects totaling about \$15 million in project costs, which did not utilize federal tax credits, such as the Colonial Theater, which received funds for rehabilitation from PHMC. Phoenixville is home to five additional qualifying projects, totaling \$1.7 million in project costs, which took place prior to the formation of Main Street Phoenixville, and so is home to 10 total qualifying projects, totaling \$10.9 million in project costs.

The Borough is a good example of the many and complementary benefits of historic preservation work. Commit-



Phoenixville Foundry, Phoenixville, Chester County. PHMC Photo Collection.



Phoenixville Historic District, Chester County. Photo by PHMC.

ment to the historic preservation ethic has helped create a location that is aesthetically appealing and commercially viable, and has generated upfront construction and rehabilitation activity as well as ongoing heritage tourism activity.

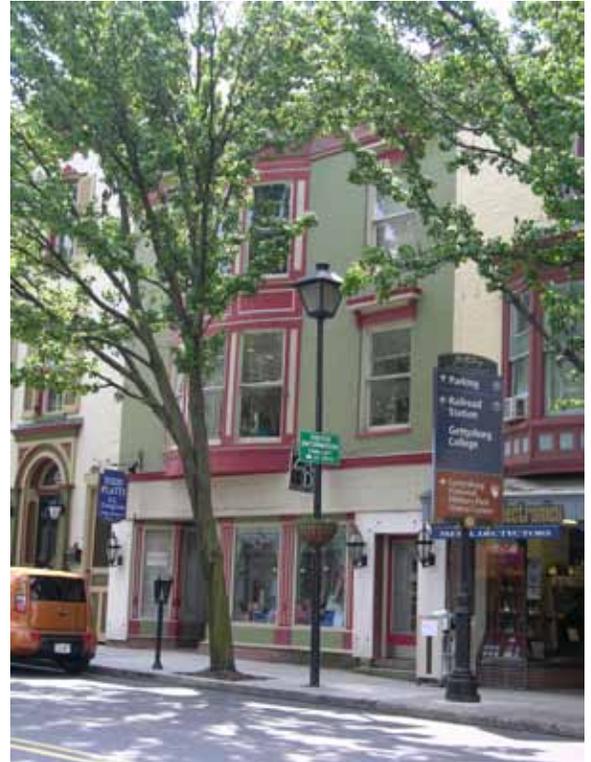
## 6.2 Gettysburg

The Borough of Gettysburg is a historic community located among the vast fertile farmlands of Adams County in south-central Pennsylvania, just north of the Mason-Dixon Line. Because of the importance of the Battle of Gettysburg in the Civil War, tourism is a significant industry for the Borough, and its citizens have worked to preserve the famous battlefield along with other key structures that contribute to the Borough's unique history.

Main Street Gettysburg began in 1984, and is one of the first and oldest Main Street programs in the Commonwealth. It has a different role, capacity, and jurisdiction than most programs: instead of focusing on a single commercial corridor, it has been involved in projects and initiatives throughout the Borough. This approach was first articulated in its 1990 vision plan, the Gettysburg Historic Pathways Plan, and represents the organization's mission of celebrating Gettysburg's history, promoting it to visitors, and liaising with other entities, including the Borough itself, to accomplish this. Main Street Gettysburg's purposes were further expressed in its Interpretive Plan, completed in 2000.

Since the plan's adoption, the organization has been working to preserve historic resources, provide economic benefits, maintain quality of life, and provide quality interpretation and education. These enhancements help preserve the unique character of the Borough, with positive implications for property values and tourism potential.

Main Street Gettysburg has administered a variety of preservation-related projects using multiple funding sources, including all of the sources described above. The Borough is home to 19 historic preservation projects that have qualified for the Federal Historic Rehabilitation Tax Credit program, totaling about \$6 million in project costs, as well as to a number of additional and prominent projects that did not utilize federal tax credits, such as the Majestic Theater, the David Wills House, and the Gettysburg Railroad Station.



Gettysburg Historic District, Adams County. Photo by PHMC.



Gettysburg Historic District, Adams County. Photo by PHMC.

### 6.3 Lewisburg

The Borough of Lewisburg is the county seat of Union County, located on the banks of the Western Branch of the Susquehanna River. Bucknell University is a major educational institution and an important part of the community fabric in Lewisburg, and has contributed significantly to the economic vitality of the Borough. The commercial district that evolved on Market Street remains intact today, and was recently placed on the National Register of Historic Places. The street is lined with historic storefronts containing a variety of retailers, including restaurants, bars, and other community-serving amenities.

The Lewisburg Downtown Partnership began in 2000, but historic preservation has long been an important philosophy in Lewisburg: the downtown comprehensive plan from the 1950s stated the preservation of downtown as a key goal. A present priority is historic preservation as a tool for economic development (in particular, the support of retail businesses on Market Street to ensure steady foot traffic) and strategic planning (the Partnership completed a five-year strategic plan in 2007, which focused on branding the downtown a destination location and on reestablishing Lewisburg as a “river town”).

The Partnership has administered a variety of preservation-related projects, including Main Street and Elm Street. It has been involved in a number of preservation projects in the downtown area, including the Campus Theater, 535 Market Street, Shoemaker Building, Packwood House Museum, 339 Market Street, and the Pineapple Inn.<sup>34</sup> These efforts are in the vanguard of a growing movement to stimulate strong residential experiences and tourism opportunities through preservation that is focused on entire districts and neighborhoods, and not just on individual sites and amenities.



Campus Theatre, Lewisburg, Union County. PHMC Photo Collection.



Packwood House, Lewisburg, Union County. Photo by Susquehanna River Valley Visitors Bureau.

## 6.4 Supporting Historic Preservation at a Local Level

In supporting historic preservation at a local level, it is clear that no one approach suits all communities. Rather, a combination of federal, state, and local initiatives, when connected to active local bodies and unique local assets, has been shown time and again within the Commonwealth to yield successes and enhance communities.

These three featured communities have taken their own approaches, based on their perceived needs, strengths, and objectives. Importantly, each has utilized different combinations of Commonwealth resources, based on the unique assets and objectives of each municipality. For the benefit of local jurisdictions, the Commonwealth offers or plays a liaising role in a myriad of historic preservation programs, with the diversity of resources matching the varied historic preservation opportunities and approaches of localities throughout the Commonwealth.

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<sup>33</sup> See Appendix P for a summary of the Main Street program, and Appendix Q for more detailed write-ups on these three case study communities.

<sup>34</sup> The Partnership reports total investment of \$1.4 million in downtown historic commercial property improvements since its inception in 2000. The Borough is also home to two projects that qualified for the Federal Historic Rehabilitation Tax Credit program, totaling about \$1 million in project costs, both of which took place prior to the Partnership's inception.



Pineapple Inn, Lewisburg, Union County. Photo by Susquehanna River Valley Visitors Bureau.



C. Dreisbach's Sons Hardware Store Building, Lewisburg, Union County. Photo by Schneider Historic Preservation, LLC.

## 7.0 QUALITATIVE IMPACTS

In summary, historic preservation activities activate a number of economic benefits for a geographic area: they boost property values, shore up residential and commercial districts, attract tourism, secure federal funds, and generate economic activity and tax revenues. The previous sections have described and quantified these kinds of benefits. Extensive existing literature highlights 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 – At the core of a historic preservation effort is the desire to retain a certain structure in order to safeguard the visual characteristics of the time period of its historic significance. Preserving and restoring structures, then, is part of the management of an area’s unique look, and therefore of its unique identity and sense of place and pride. Historic buildings have been described as “primary documents” for the study and appreciation of history, architecture, art, and culture.<sup>35</sup>
- 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, and/or of taking up more landfill space through demolition. Historic buildings also tend to be in denser, more multimodal locations, so reusing them minimizes the negative ecological, financial, and social impacts of automobile dependence and suburban sprawl.<sup>36</sup>
- Revitalization and stabilization – Historic preservation contributes to the mending and safeguarding of older communities and structures. It can improve housing stock and stabilize working class neighborhoods (affordable units account for about a third of the housing units that have been produced by projects within the Commonwealth that qualified for the Federal Historic Rehabilitation Tax Credit program). Furthermore, rehabilitation projects have been used to great effect to target economic activity to areas of need, and to respond to economic downturns by offering countercyclical opportunities for construction and rehabilitation work.<sup>37</sup>

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 efforts to encourage historic preservation are increasingly being discussed and implemented. There are therefore many possible opportunities for collaboration across state and local agencies towards mutually desired ends, with historic preservation playing its role in stimulating economic development.

<sup>35</sup> “Preservation Makes Dollars and Sense,” Center for Urban Policy Research (2003); “The Economic Benefits of Historic Preservation in Colorado,” Clarion Associates of Colorado (2002); “A Position Paper on Cultural and Heritage Tourism in the United States,” US Department of Commerce (2005); “First Annual Report on the Economic Impact of the Federal Historic Tax Credit,” The Historic Tax Credit Coalition (2010); “A Civic Gift: Historic Preservation, Community Reinvestment, and Smart Growth in Michigan,” Michigan Land Use Institute (2003); “Minnesota Staycations for Preservationists,” The Minnesota Preservationist (2009); “Study: Governor Wolf Building Could Create Jobs, Cultural Meeting Place,” Morning Call (2010); “Federal Tax Incentives for Rehabilitating Historic Buildings,” National Park Service (2010); “Cultural Heritage Tourism 2010 Fact Sheet,” National Trust for Historic Preservation (2010); “The Economic Impact of Pennsylvania’s Heritage Areas,” Pennsylvania Department of Conservation and Natural Resources (2008); “Honoring Local History,” Piedmont Environmental Council (2010); “The Economic Power of Restoration,” Donovan D. Rypkema (2001); “Facts about Virginia’s Historic Rehabilitation Tax Credit,” Virginia Department of Historic Resources.

<sup>36</sup> “Preservation Makes Dollars and Sense,” Center for Urban Policy Research (2003); “A Civic Gift: Historic Preservation, Community Reinvestment, and Smart Growth in Michigan,” Michigan Land Use Institute (2003); “Government Incentives for Historic Preservation,” National Tax Journal (1984); “The Economic Power of Restoration,” Donovan D. Rypkema (2001); “Facts about Virginia’s Historic Rehabilitation Tax Credit,” Virginia Department of Historic Resources.

<sup>37</sup> “First Annual Report on the Economic Impact of the Federal Historic Tax Credit,” The Historic Tax Credit Coalition (2010); “Federal Tax Incentives for Rehabilitating Historic Buildings,” National Park Service (2010); “Government Incentives for Historic Preservation,” National Tax Journal (1984); “The Economic Impact of Pennsylvania’s Heritage Areas,” Pennsylvania Department of Conservation and Natural Resources (2008) “Courthouse Cornerstones: An Update of the Texas Historic Courthouse Preservation Program,” Texas Historical Commission (2009); “Historic Tax Credits: Bringing New Life to Older Communities,” US Department of Treasury (2008); “Facts about Virginia’s Historic Rehabilitation Tax Credit,” Virginia Department of Historic Resources.



Phoenixville Historic District, Chester County. Photo by PHMC.



Weightman Building, Williamsport, Lycoming County. PHMC Photo Collection.

## 8.0 CONCLUSION

In light of statewide real estate, economic, and fiscal distress, it may be time to think about historic preservation in a different light. There is no doubt that there are many legitimate reasons to advocate for more historic preservation, and that the Commonwealth is rich in potential locations for historic preservation. But these desires must be balanced against the realities of a fiscally constrained public sector and a landscape of economically challenged communities. Stating the case for historic preservation in simply aesthetic, cultural, and historical terms leaves out the significant economic benefits it generates.

The purpose of this report is to account for what has often been overlooked about historic preservation, which is its usefulness as a generator of commercial activity, employment, household wealth, and local tax revenues:

- Historic preservation projects within the Commonwealth have leveraged federal dollars through the Historic Rehabilitation Tax Credit program, resulting in \$7 billion in project expenditures from 1978 to 2010, resulting in \$17 billion in total economic impact supporting 148,000 jobs and generating \$380 million in state tax revenues.
- Adding a state-level tax credit would conservatively generate 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 percent annual return on the initial public investment represented by the tax credit.
- An analysis of three historic districts within the Commonwealth affirms other work by Econsult that historic designation increases property values, which suggests that additional efforts would help stem the continued distress faced by homeowners with negative equity, communities negatively impacted by foreclosures, and municipalities facing shrinking property tax revenue collections.
- Historic preservation safeguards assets unique to the Commonwealth that are significant tourism draws, such that it is estimated that heritage tourism accounts for 32 million visitors and \$1 billion in visitor spending

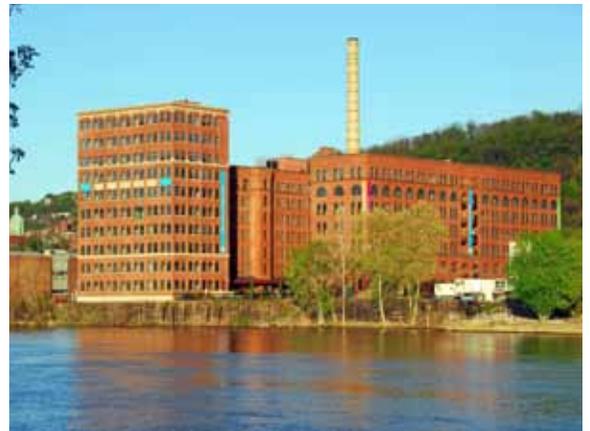
each year, which when combined with direct expenditures associated with the ongoing operations of such destinations, results in an industry that has a total annual economic impact of \$3 billion, supporting 37,000 jobs and generating \$90 million in state tax revenues.

Historic preservation efforts come in all shapes and sizes, befitting the diversity of assets contained within the Commonwealth. To continue achieving the significant economic and fiscal impacts described above, the Commonwealth should consider strategies to support historic preservation, whether directly through state-level efforts or through its influence on local policy decisions.

Specifically, the Commonwealth has levers to encourage reinvestment in traditional central business districts and neighborhoods, to coordinate heritage tourism efforts, and to make available a state-level tax credit to further leverage federal dollars and private investment. If properly implemented, such measures will pay dividends to the Commonwealth not only in aesthetic, cultural, and historic terms, but also as it relates to job creation, economic activity, municipal revenues, and real estate conditions.



Mexican War Streets Historic District, Pittsburgh, Allegheny County. Photo by PHMC.



Armstrong Cork Factory, Pittsburgh, Allegheny County. Photo by Preservation Pennsylvania.



Hotel Fauchere, Milford, Pike County. Photo by Preservation Pennsylvania.

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## APPENDIX B – FEDERAL HISTORIC REHABILITATION TAX CREDIT PROJECT ACTIVITY BY STATE

State	State Tax Credit? <sup>38</sup>	2007 # Certified Projects	2007 # Rank	2007 \$M Certified Expenses	2007 \$ Rank	2009 # Certified Projects	2009 # Rank	2009 \$M Certified Expenses	2009 \$ Rank	2010 # Certified Projects	2010 # Rank	2010 \$M Certified Expenses	2010 \$ Rank
AK	N	0	27	\$0	47	2	25	\$22	28	0	28	\$0	47
AL	N	9	21	\$12	33	6	21	\$15	33	7	21	\$5	38
AR	Y	8	23	\$10	37	5	22	\$29	27	4	24	\$2	42
AZ	N	3	22	\$10	36	4	23	\$11	37	0	28	\$0	47
CA	N	10	3	\$175	3	31	6	\$260	6	14	15	\$160	7
CO	Y	6	25	\$3	43	3	24	\$1	46	2	26	\$3	40
CT	Y	23	5	\$168	5	2	25	\$1	45	4	24	\$89	14
DC	N	1	18	\$22	25	7	20	\$147	12	2	26	\$41	23
DE	Y	2	26	\$2	45	4	23	\$8	38	1	27	\$7	37
FL	N	7	20	\$18	28	12	17	\$333	4	7	21	\$16	32
GA	Y	19	18	\$40	23	18	11	\$17	31	18	12	\$13	33
HI	N	0	27	\$0	47	0	27	\$0	48	0	28	\$0	47
IA	Y	16	12	\$76	15	11	18	\$44	26	11	18	\$43	22
ID	N	0	27	\$0	47	1	26	\$1	47	1	27	\$1	46
IL	N	7	11	\$97	12	14	15	\$125	15	96	2	\$72	17
IN	Y	16	6	\$129	6	6	21	\$134	13	15	14	\$19	29
KS	Y	16	21	\$10	35	16	13	\$58	21	12	17	\$22	27
KY	Y	15	18	\$27	24	24	9	\$45	24	27	8	\$18	31
LA	Y	27	9	\$102	10	43	4	\$383	3	43	6	\$194	5
MA	Y	14	10	\$100	11	17	12	\$159	10	63	3	\$372	2
MD	Y	28	16	\$59	19	31	6	\$49	23	14	15	\$149	9
ME	Y	5	21	\$11	34	6	21	\$327	5	4	24	\$10	36
MI	Y	27	13	\$69	16	25	8	\$242	7	17	13	\$154	8
MN	Y	3	18	\$46	22	4	23	\$19	30	2	26	\$11	35
MO	Y	189	1	\$535	1	149	1	\$401	2	118	1	\$482	1
MS	Y	9	20	\$18	27	11	18	\$6	40	23	10	\$92	13

State	State Tax Credit? <sup>38</sup>	2007 # Certified Projects	2007 # Rank	2007 \$M Certified Expenses	2007 \$ Rank	2009 # Certified Projects	2009 # Rank	2009 \$M Certified Expenses	2009 \$ Rank	2010 # Certified Projects	2010 # Rank	2010 \$M Certified Expenses	2010 \$ Rank
MT	Y	3	25	\$4	42	1	26	\$2	44	2	26	\$2	43
NC	Y	51	12	\$93	13	59	3	\$125	14	44	5	\$52	21
ND	Y	2	24	\$6	39	0	27	\$0	49	0	28	\$0	47
NE	N	6	24	\$4	41	1	26	\$2	43	3	25	\$2	44
NH	N	0	27	\$0	47	1	26	\$16	32	1	27	\$3	41
NJ	N	7	8	\$116	8	2	25	\$12	34	1	27	\$4	39
NM	Y	1	24	\$4	40	0	27	\$0	50	1	27	\$23	26
NV	N	0	27	\$0	47	0	27	\$160	9	0	28	\$0	47
NY	Y	26	8	\$109	9	36	5	\$0	51	24	9	\$285	3
OH	Y	115	14	\$63	17	15	14	\$4	41	32	7	\$113	10
OK	Y	6	12	\$76	14	1	26	\$114	17	6	22	\$61	19
OR	N	9	17	\$48	20	7	20	\$103	18	13	16	\$64	18
PA	N	30	2	\$238	2	29	7	\$124	16	52	4	\$220	4
PR	N	0	27	\$0	47	0	27	\$0	52	0	28	\$0	47
RI	Y	12	7	\$118	7	21	10	\$179	8	8	20	\$103	12
SC	Y	6	17	\$47	21	8	19	\$66	19	6	22	\$12	34
SD	N	3	26	\$1	46	5	22	\$6	39	1	27	\$2	45
TN	N	4	20	\$16	29	4	23	\$54	22	10	19	\$88	15
TX	N	11	15	\$60	18	13	16	\$155	11	7	21	\$73	16
UT	Y	9	21	\$12	32	5	22	\$20	29	4	24	\$40	24
VA	Y	89	4	\$173	4	103	2	\$471	1	118	1	\$192	6
VI	N	0	27	\$0	47	0	27	\$0	53	0	28	\$0	47
VT	Y	32	20	\$15	30	11	18	\$12	35	21	11	\$19	30
WA	N	7	24	\$9	38	6	21	\$44	25	6	22	\$61	20
WI	Y	7	20	\$13	31	16	13	\$60	20	12	17	\$24	25
WV	Y	10	19	\$19	26	7	20	\$2	42	5	23	\$21	28
WY	N	2	25	\$3	44	1	26	\$12	36	1	27	\$106	11

Source: National Park Service (2008, 2010, 2011), National Trust for Historic Preservation (2011), Econsult Corporation (2011)

<sup>38</sup> As of October 2010.

## APPENDIX C – ADDITIONAL DETAIL ON FEDERAL HISTORIC REHABILITATION TAX CREDIT PROJECT ACTIVITY IN PENNSYLVANIA

**Table C.1A Federal Historic Rehabilitation Tax Credit Projects by County from 1978 to 2010 (in 2010 \$)**

County	#	Project Cost <sup>39</sup>	Square Footage	County	#	Project Cost <sup>39</sup>	Square Footage
Adams	20	\$9,576,146	76,610	Huntingdon	8	\$5,772,632	20,608
Allegheny	449	\$873,699,821	7,001,168	Indiana	5	\$3,666,210	29,600
Beaver	5	\$1,711,787	26,579	Jefferson	11	\$1,031,304	53,104
Bedford	6	\$70,053,357	380,322	Lackawanna	15	\$68,353,163	662,888
Berks	50	\$127,171,653	1,467,551	Lancaster	84	\$155,621,539	1,633,700
Blair	17	\$27,476,495	261,852	Lawrence	2	\$720,325	5,630
Bradford	1	\$3,000,151	35,300	Lebanon	4	\$8,959,651	76,753
Bucks	49	\$52,901,139	445,546	Lehigh	40	\$25,636,176	257,377
Butler	3	\$5,497,522	67,400	Luzerne	9	\$17,989,072	202,686
Carbon	8	\$5,194,201	100,563	Lycoming	33	\$23,622,035	216,368
Centre	17	\$4,366,914	75,210	McKean	3	\$5,024,289	64,220
Chester	60	\$59,954,199	614,240	Monroe	1	\$3,142,446	46,000
Clearfield	6	\$6,794,964	74,792	Montgomery	37	\$143,851,959	1,212,475
Clinton	3	\$921,715	15,182	Northampton	43	\$46,305,722	605,611
Columbia	1	\$119,956	-	Perry	3	\$4,893,051	19,745
Crawford	4	\$932,200	37,200	Philadelphia	828	\$4,670,053,270	34,596,919
Cumberland	14	\$20,948,527	191,811	Pike	1	\$5,930,109	13,000
Dauphin	131	\$151,143,036	1,248,518	Schuylkill	11	\$6,536,711	97,239
Delaware	7	\$78,158,253	806,307	Somerset	5	\$5,549,583	55,738
Elk	2	\$818,770	7,200	Union	3	\$1,808,895	31,036
Erie	16	\$83,763,567	1,118,310	Venango	6	\$4,156,909	20,710
Fayette	3	\$4,141,177	40,308	Warren	1	\$285,406	7,168
Franklin	14	\$3,783,647	111,676	Washington	3	\$1,215,260	28,950
Fulton	2	\$2,198,974	35,500	Westmoreland	6	\$11,236,767	158,986
Greene	1	\$114,918	-	York	187	\$169,492,689	2,951,835
				<b>Grand Total</b>	<b>2,238</b>	<b>\$6,985,298,265</b>	<b>57,307,491</b>

Source: National Park Service (2011), Econsult Corporation (2011)

<sup>39</sup> Total project cost includes portions of project budgets that did not qualify for the tax credit. On average, these additional portions represent about 7 percent of project budgets.

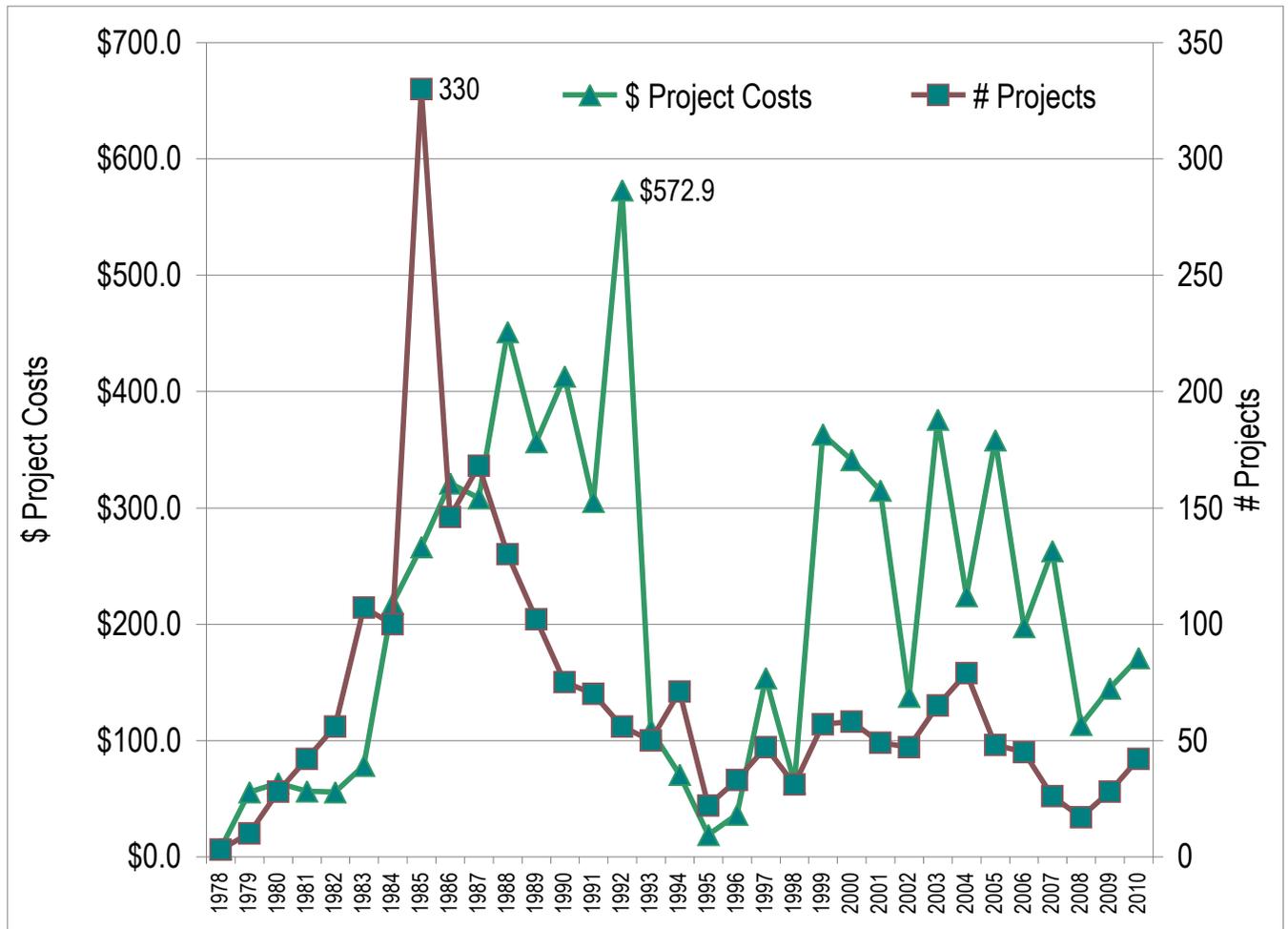
**Table C.1B Federal Historic Rehabilitation Tax Credit Projects by Year (in 2010 \$)**

Year	#	Project Cost <sup>40</sup>	Square Footage	County	#	Project Cost <sup>40</sup>	Square Footage
1978	3	\$6,855,151	46,500	1995	22	\$19,088,626	190,180
1979	10	\$55,612,667	585,814	1996	33	\$36,314,407	298,728
1980	28	\$63,201,157	880,826	1997	47	\$153,686,535	2,206,514
1981	42	\$56,428,123	496,584	1998	31	\$63,621,944	849,355
1982	56	\$55,670,858	902,848	1999	57	\$363,212,631	2,441,435
1983	107	\$78,188,797	2,347,586	2000	58	\$341,189,563	1,485,060
1984	100	\$217,510,096	1,234,644	2001	49	\$315,043,361	1,854,675
1985	330	\$266,089,761	2,189,407	2002	47	\$137,930,183	2,331,943
1986	146	\$321,121,529	2,450,897	2003	65	\$375,852,412	2,523,187
1987	168	\$308,300,308	3,247,915	2004	79	\$224,290,371	1,728,537
1988	130	\$451,235,955	2,874,217	2005	48	\$357,914,160	3,148,444
1989	102	\$356,597,327	2,809,048	2006	45	\$197,558,650	1,017,213
1990	75	\$412,744,299	3,652,862	2007	26	\$262,617,334	1,568,076
1991	70	\$305,172,130	2,019,464	2008	17	\$113,573,583	712,130
1992	56	\$572,941,176	4,748,677	2009	28	\$144,801,406	616,220
1993	50	\$109,388,310	1,309,492	2010	42	\$171,003,464	1,792,856
1994	71	\$70,541,991	746,157	<b>Grand Total</b>	<b>2,238</b>	<b>\$6,985,298,265</b>	<b>57,307,491</b>

Source: National Park Service (2011), Econsult Corporation (2011)

<sup>40</sup> Total project cost includes portions of project budgets that did not qualify for the tax credit. On average, these additional portions represent about 7 percent of project budgets.

Figure C.1 Federal Historic Rehabilitation Tax Credit Projects by Year (in 2010 \$)



Source: National Park Service (2011), Econsult Corporation (2011)

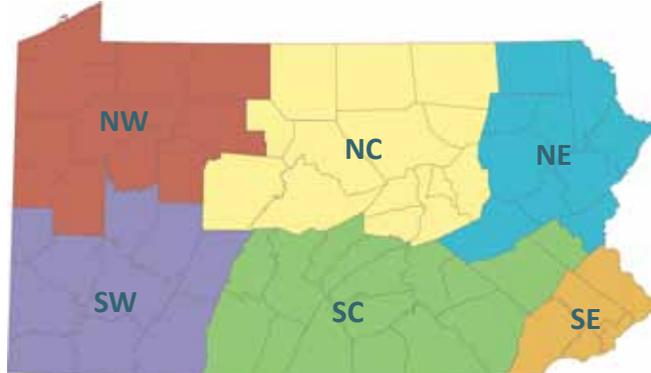
**Table C.1C Federal Historic Rehabilitation Tax Credit Projects over \$50 Million in Total Project Costs from 1978 to 2010 (in 2010 \$)**

County	Project	City	SF	Year	Project Cost <sup>41</sup>
Philadelphia	John Wanamaker Store	Philadelphia	1,700,000	1992	\$235,396,923
Philadelphia	Bellevue-Stratford Hotel	Philadelphia	736,232	1990	\$203,602,016
Philadelphia	Lit Brothers Department Store	Philadelphia	964,000	1988	\$164,304,628
Philadelphia	Penn Mutual Building	Philadelphia	426,600	1992	\$130,570,780
Philadelphia	Girard Trust Company	Philadelphia	370,000	2000	\$114,062,986
Philadelphia	Reading Terminal Headhouse	Philadelphia	185,000	1999	\$101,821,825
Philadelphia	Insurance Company of North America Building	Philadelphia	576,383	2003	\$95,046,512
Philadelphia	City Hall Annex	Philadelphia	-	2000	\$84,661,231
Philadelphia	PSFS	Philadelphia	-	2001	\$81,303,223
Allegheny	H. J. Heinz Company	Pittsburgh	506,534	2005	\$75,532,116
Philadelphia	Benjamin Franklin Hotel	Philadelphia	800,000	1989	\$74,456,717
Allegheny	Union Trust Building	Pittsburgh	666,500	1989	\$69,824,683
Philadelphia	Piers 3 & 5 North (Girard Group)	Philadelphia	190,000	1991	\$68,234,644
Philadelphia	Curtis Building	Philadelphia	1,031,865	1992	\$67,770,960
Philadelphia	Pennsylvania RR Freight Building	Philadelphia	560,000	2001	\$66,641,986
Delaware	Chester Waterside Station	Chester	514,757	2005	\$66,259,243
Allegheny	Armstrong Cork Company Building	Pittsburgh	385,000	2008	\$65,925,031
Philadelphia	Suburban Station Building	Philadelphia	650,000	1990	\$65,646,445
Philadelphia	Widener Building	Philadelphia	591,880	1997	\$64,363,671
Bedford	Bedford Springs Hotel	Bedford	333,200	2007	\$62,937,203
Philadelphia	Sun Oil Building	Philadelphia	250,000	1984	\$62,448,358
Allegheny	Pennsylvania Railroad Station & Rotunda	Pittsburgh	354,000	1991	\$59,960,135
Allegheny	Gimbels Department Store	Pittsburgh	695,470	2005	\$58,277,268
Philadelphia	Frankford Arsenal	Philadelphia	4,257	1991	\$55,403,200
Philadelphia	Gimbels Department Store	Philadelphia	727,000	2004	\$54,824,663
Philadelphia	Architects' Building	Philadelphia	140,666	2010	\$53,330,862
Philadelphia	Central and Elkins Branch YMCA	Philadelphia	1,310,001	2010	\$51,360,000
Philadelphia	Strawbridge & Clothier Department Store	Philadelphia	399,100	2003	\$51,031,684

Source: National Park Service (2011), Econsult Corporation (2011)

<sup>41</sup> Total project cost includes portions of project budgets that did not qualify for the tax credit. On average, these additional portions represent about 7 percent of project budgets.

## APPENDIX D – PENNSYLVANIA COUNTIES BY REGION



*Pennsylvania Regions*

Adams	SC	Elk	NW	Montour	NC
Allegheny	SW	Erie	NW	Northampton	NE
Armstrong	SW	Fayette	SW	Northumberland	NC
Beaver	SW	Forest	NW	Perry	SC
Bedford	SC	Franklin	SC	Philadelphia	SE
Berks	SC	Fulton	SC	Pike	NE
Blair	SC	Greene	SW	Potter	NE
Bradford	NC	Huntingdon	SC	Schuylkill	NE
Bucks	SE	Indiana	SW	Snyder	NC
Butler	NW	Jefferson	NW	Somerset	SW
Cambria	SW	Juniata	SC	Sullivan	NC
Cameron	NC	Lackawanna	NE	Susquehanna	NE
Carbon	NE	Lancaster	SC	Tioga	NC
Centre	NC	Lawrence	NW	Union	NC
Chester	SE	Lebanon	SC	Venango	NW
Clarion	NW	Lehigh	NE	Warren	NW
Clearfield	NC	Luzerne	NE	Washington	SW
Clinton	NC	Lycoming	NC	Wayne	NE
Columbia	NC	McKean	NW	Westmoreland	SW
Crawford	NW	Mercer	NW	Wyoming	NE
Cumberland	SC	Mifflin	SC	York	SC
Dauphin	SC	Monroe	NE		
Delaware	SE	Montgomery	SE		

## APPENDIX E – ECONOMIC AND FISCAL IMPACT MODEL METHODOLOGY

### E.1 Economic Impact Model

The methodology and input-output model used in this economic impact analysis are considered standard for estimating such expenditure impacts, and the results are typically recognized as reasonable and plausible effects, based on the assumptions (including data) used to generate the impacts. In general, one can say that any economic activity can be described in terms of the total output generated from every dollar of direct expenditures. If an industry in a given region sells \$1 million of its goods, there is a direct infusion of \$1 million into the region. These are referred to as direct expenditures.

However, the economic impact on the region does not stop with that initial direct expenditure. Regional suppliers to that industry have also been called upon to increase their production to meet the needs of the industry to produce the \$1 million in goods sold. Further, suppliers of these same suppliers must also increase production to meet their increased needs as well. These are referred to as indirect expenditures. In addition, these direct and indirect expenditures require workers, and these workers must be paid for their labor. These wages and salaries will, in turn, be spent in part on goods and services produced locally, engendering another round of impacts. These are referred to as induced expenditures.

Direct expenditures are fed into a model constructed by Econsult Corporation and based on data provided by the US Department of Commerce’s Bureau of Economic Analysis through its Regional Input-Output Modeling System (RIMS II). The model then produces a calculation of the total expenditure effect on the regional economy. This total effect includes the initial direct expenditure effect, as well as the ripple effects described, the indirect and induced expenditure effects.

Part of the total expenditure effect is actually the increase in total wages and salaries (usually referred to as earnings), which the model can separate from the expenditure estimates. Direct payroll estimates are fed into the “household” industry of the input-output model. Impacts of this industry are estimated using the personal consumption expenditure breakdown of the national input-output table and are adjusted to account for regional consumption spending and leakages from personal taxes and savings. The direct, indirect, and induced earnings represent a component of the total economic impact attributable to wages and salaries. Finally, the model calculates the total expenditures affecting the various industries and translates this estimate into an estimate of the total labor (or jobs) required to produce this output.<sup>42</sup>

In short, the input-output model estimates the total economic activity in a region that can be attributed to the direct demand for the goods or services of various industries. This type of approach is used to estimate the total economic activity attributable to the expenditures associated with various types of spending in the region.

Figure E.1 Glossary of Terms for Input-Output Models

<b>Direct Earnings</b>	the salaries and wages earned by employees and contractors as part of the direct expenditures.
<b>Direct Employment</b>	the full time equivalent jobs associated with the direct expenditures.
<b>Direct Expenditures</b>	initial outlays usually associated with the project or activity being modeled; examples: one-time upfront construction and related expenditures associated with a new or renovated facility, annual expenditures associated with ongoing facility maintenance and/or operating activity.
<b>Economic Impacts</b>	total expenditures, employment, and earnings generated.
<b>Fiscal Impacts</b>	local and/or state tax revenues generated.
<b>Indirect Earnings</b>	the salaries and wages earned by employees and contractors as part of the indirect expenditures.
<b>Indirect Employment</b>	the full time equivalent jobs associated with the indirect expenditures.
<b>Indirect Expenditures</b>	indirect and induced outlays resulting from the direct expenditures; examples: vendors increasing production to meet new demand associated with the direct expenditures, workers spending direct earnings on various purchases within the local economy.
<b>Multiplier Effect</b>	the notion that initial outlays have a ripple effect on a local economy, to the extent that direct expenditures lead to indirect and induced expenditures.
<b>Total Earnings</b>	the sum total of direct earnings and indirect earnings.
<b>Total Employment</b>	the sum total of direct employment and indirect employment.
<b>Total Expenditures</b>	the sum total of direct expenditures and indirect expenditures.

Source: Econsult Corporation (2009)

## E.2 Fiscal Impact Model

The RIMS II model provides estimates of the economic impact of a new project or program on the regional economy. It does not, however, estimate the fiscal impact of the increased economic activity on state and local governments. Econsult has constructed a model that takes the output from the RIMS II model and generates detailed estimates of the increases in state and local tax collections that arise from the new project. Those revenues are in fact a part of the total economic impact of a new project that is often ignored in conventional economic impact analyses.

The RIMS II model provides estimates of direct, indirect, and induced expenditures, earnings, and employment within the defined region. The Econsult fiscal impact model combines the RIMS II output with U. S. Census Bureau County Business Patterns data to produce estimates of the distribution of additional employment and earnings by county. In addition, the 2000 Census “Journey to Work” data on commuting flows are utilized to estimate income earned by residents of each county within the region, regardless of where they work. The fiscal model can then estimate the increase in earned income taxes by county and for the state as a whole resulting from the new project. For complex cases, like Philadelphia, the model can differentiate between residents and nonresidents and apply the proper wage tax rate. Pennsylvania state business and sales taxes, as well as business taxes in Philadelphia, are estimated based on the most recent data on average sales tax base per employee by major industry, as contained in publications from the Pennsylvania Department of Revenue.

<sup>42</sup> In the input-output model, the estimate of increased employment will always be in terms of the employment required for a given level of production, usually referred to as person-years of employment. As such, these estimates cannot be interpreted as specifying permanent jobs.

## APPENDIX F – ADDITIONAL DETAIL ON THE ECONOMIC AND FISCAL IMPACT OF FEDERAL HISTORIC REHABILITATION TAX CREDIT PROJECT ACTIVITY IN PENNSYLVANIA

**Table F.1A Industry Distribution of Estimated Total Expenditure Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects from 1978 to 2010 (in 2010 \$M)**

Rank	Industry	Expenditures	% of Total
1	Construction	\$7,041	32%
2	Manufacturing	\$2,450	11%
3	Real estate and rental and leasing	\$1,015	5%
4	Retail trade	\$932	4%
5	Professional, scientific, and technical services	\$898	4%
Other Industries		\$4,745	22%
All Industries		\$17,081	100%

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), Pennsylvania Historical and Museum Commission (2011), Econsult Corporation (2011)*

**Table F.1B Industry Distribution of Estimated Total Employment Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects from 1978 to 2010 (in 2010 \$M)**

Rank	Industry	Expenditures	% of Total
1	Construction	65,970	35%
2	Retail trade	15,407	8%
3	Manufacturing	11,474	6%
4	Health care and social assistance	10,575	6%
5	Professional, scientific, and technical services	6,774	4%
Other Industries		38,116	20%
All Industries		148,316	100%

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), Pennsylvania Historical and Museum Commission (2011), Econsult Corporation (2011)*

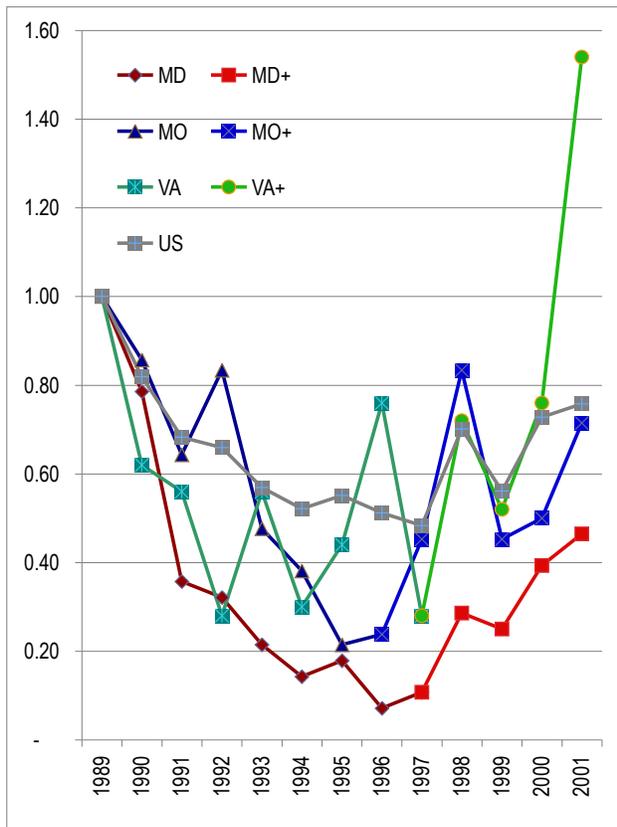
**Table F.1C Estimated Total Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Federal Historic Rehabilitation Tax Credit Projects from 1978 to 2010, by Region (in 2010 \$M)**

	NC	NE	NW	SC	SE	SW	Total
Personal Income	\$1.0	\$4.3	\$2.5	\$18.2	\$120.4	\$21.7	\$168.0
Sales and Use	\$1.0	\$4.2	\$2.4	\$17.9	\$118.4	\$21.3	\$165.2
Corporate Net Income	\$0.3	\$1.1	\$0.6	\$4.7	\$31.3	\$5.6	\$43.6
Total	\$2.2	\$9.7	\$5.5	\$40.9	\$270.1	\$48.6	\$376.9

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), National Park Service (2011), Pennsylvania Historical and Museum Commission (2011), Econsult Corporation (2011)*

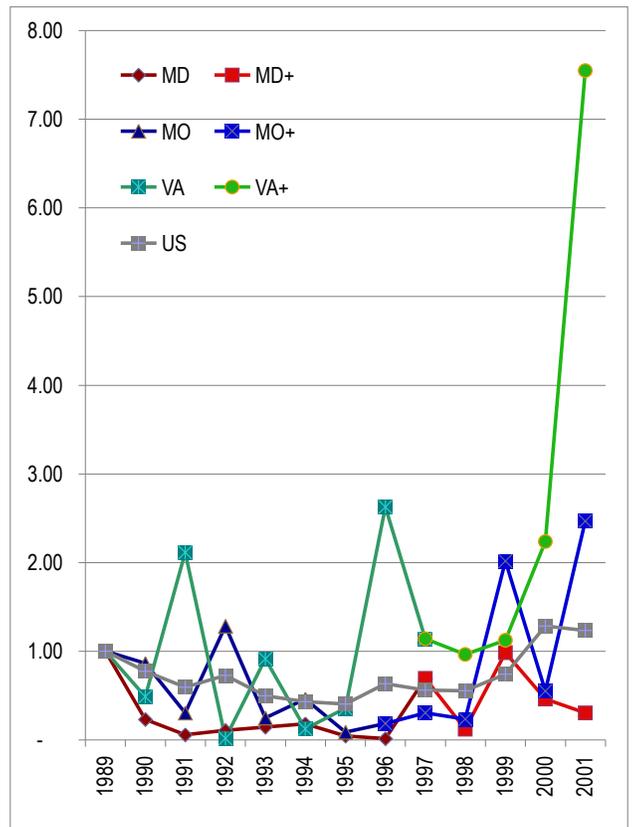
# APPENDIX G – ADDITIONAL DETAIL ON THE ECONOMIC AND FISCAL IMPACT OF FEDERAL HISTORIC REHABILITATION TAX CREDIT PROJECT ACTIVITY IN PENNSYLVANIA

**Table G.1A** Compounded Annual Growth Rates of Certified Rehabilitations Before and After Implementation of State Tax Credit Programs in Selected States (Indexed – 1989 = 1.00)



Source: National Park Service (2002), Econsult Corporation (2011)

**Table G.1B** Compounded Annual Growth Rates of Inflation-Adjusted Certified Expenses Before and After Implementation of State Tax Credit Programs in Selected States (Indexed – 1989 = 1.00)



Source: National Park Service (2002), Econsult Corporation (2011)

## APPENDIX H – ADDITIONAL DETAIL ON HOW A STATE-LEVEL TAX CREDIT LEADS TO MORE HISTORIC PRESERVATION PROJECTS BEING COMPLETED

Projects can be generally categorized into one of four categories – 1) feasible without any subsidy, 2) feasible with a federal tax credit, 3) feasible with a federal and state tax credit, and 4) infeasible even with a federal and state tax credit – and is it that third category of projects that are made possible as a result of a state tax credit on top of a federal tax credit (see Figure H.1).

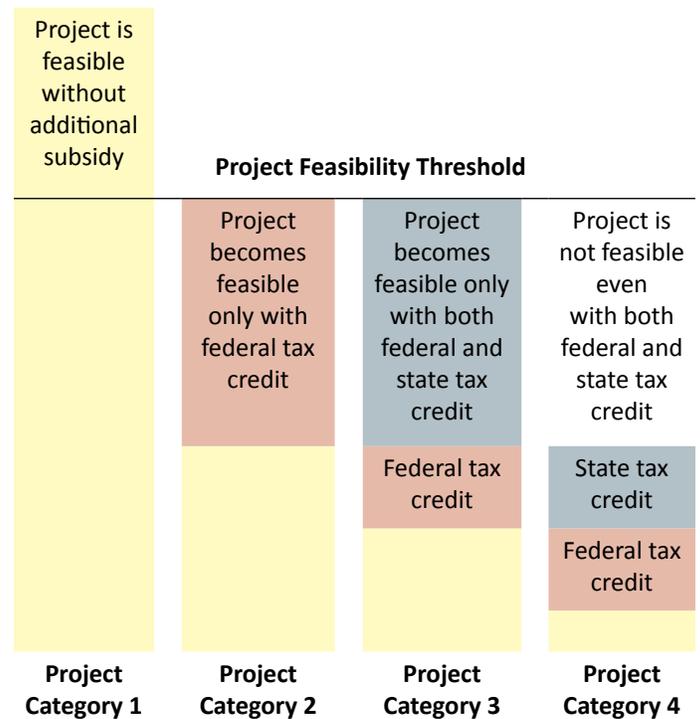
In deciding whether or not to pursue a particular development opportunity, a developer must weigh the costs of development with the revenues that can be generated from the development. If revenues exceed costs by enough to satisfy the developer, the development is considered feasible and will proceed, and if they do not, the development is considered infeasible and will not proceed. In the interest of advancing certain public policy objectives, governments will sometimes provide incentives for development, in the hopes that those incentives are sufficient to change a proposed development from being infeasible to being feasible, such that the incentive makes possible the development and therefore the accrual of whatever public policy objective is being sought.

The federal Historic Rehabilitation Tax Credit is therefore intended to motivate development that has a historic preservation component to it, by providing a federal tax credit to make possible historic preservation projects that might not have otherwise proceeded. If, absent the federal tax credit, the project does not proceed, then no historic preservation takes place; but, if, as a result of the existence of the federal tax credit, the project does proceed, then historic preservation takes place, with the cost to the federal government being the amount of the federal tax credit.

The intention of state-level tax credit programs is to provide an additional incentive, over and above the federal tax credit, to motivate even more historic preservation projects. Thus, qualifying historic preservation projects can be classified into one of four categories:

1. Revenues exceed costs by enough to motivate development
2. Revenues do not exceed costs by enough to motivate development, but with the addition of a federal tax credit, they do

Figure H.1 Stylized Visualization of the Role of Tax Credits in Making Historic Rehabilitation Projects Feasible



Source: Econsult Corporation (2011)

3. Revenues do not exceed costs by enough to motivate development, but with the addition of a federal tax credit and a state tax credit, they do
4. Revenues do not exceed costs by enough to motivate development, and even with the addition of a federal tax credit and a state tax credit, they still do not

Thus, the addition of a state tax credit program makes possible projects in the third category, when absent the state tax credit, those projects would not have proceeded. The trade-off, though, is that the state tax credit usually must also be made available to projects in the first and second category as well, which would have otherwise proceeded even in the absence of the state tax credit.

## APPENDIX I – ADDITIONAL DETAIL ON THE DIFFERENCE IN ESTIMATED ECONOMIC AND FISCAL IMPACT BETWEEN HAVING AND NOT HAVING A STATE-LEVEL TAX CREDIT PROGRAM IN PENNSYLVANIA

In determining whether a state-level historic preservation tax credit makes sense for the Commonwealth, it is useful to estimate the difference in estimated economic and fiscal impact between having such a tax credit and not having it. It is assumed that if there is no state tax credit, then the amount of historic preservation projects continues at historical levels, and that if there is a state tax credit, then the amount of historic preservation projects increases by 25 to 50 percent. The comparison, then, is between not giving away any state-level tax credits and maintaining historical levels of project investment, and having higher levels of project investment but having to give state-level tax credits to all historic preservation projects (i.e. not just the ones that would not have otherwise moved forward but for the existence of the state-level tax credit).

To complete the modeling of these two scenarios, estimates from this report were used to determine economic and fiscal impacts for historic preservation projects at the Commonwealth level, and assumptions were made based on other, similar reports, as to upfront and ongoing fiscal impacts for historic preservation projects at the local level (see Tables I.1A and I.1B).<sup>43</sup> These estimates assume a program that provides a state tax credit equal to 25 percent of qualified project costs; if the state program provides a higher percentage tax credit, that would represent a higher upfront cost, but it would also likely induce more new project activity.

**Table I.1A Assumptions Used to Estimate the Difference in Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Between Having and Not Having a State-Level Tax Credit Program (in 2010 \$M)<sup>44</sup>**

Assumptions	#	Comments
Current annual level of HP investment	\$218	Estimated in this report
% increase in HP investment as a result of tax credit	25% or 50%	Assumption informed by MD/MO/VA experience
State tax credit amount as % of HP investment	25%	Currently proposed level within the Commonwealth
Jobs created per \$1M HP investment (PA)	21	Estimated in this report
Economic impact per \$1M HP investment (PA)	\$2.45	Estimated in this report
Fiscal impact per \$1M HP investment (PA)	\$0.055	Estimated in this report
Fiscal impact per \$1M HP investment (local - upfront)	\$0.015	Assumption informed by other historic preservation modeling by Econsult
Fiscal impact per \$1M HP investment (PA - ongoing)	\$0.025	Assumption informed by other historic preservation modeling by Econsult
Fiscal impact per \$1M HP investment (local - ongoing)	\$0.030	Assumption informed by other historic preservation modeling by Econsult

*Source: Econsult Corporation (2011)*

**Table I.1B Estimated Difference in Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Between Having and Not Having a State-Level Tax Credit Program, Assuming It Induces 25 to 50 Percent More Projects by Dollar Amount (in 2010 \$M)**

Year	1	2	3	4	5	6	7	8	9	10
<b>Without State-Level Tax Credit</b>										
HP investment	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218	\$218
State tax credit amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jobs created (PA)	4,635	4,635	4,635	4,635	4,635	4,635	4,635	4,635	4,635	4,635
Economic impact (PA)	\$534	\$534	\$534	\$534	\$534	\$534	\$534	\$534	\$534	\$534
Fiscal impact (PA)	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0	\$12.0
<b>State-Level Tax Credit (Assuming 25% More Project With Investment)</b>										
HP investment	\$273	\$273	\$273	\$273	\$273	\$273	\$273	\$273	\$273	\$273
State tax credit amount	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68
Jobs created (PA)	5,794	5,794	5,794	5,794	5,794	5,794	5,794	5,794	5,794	5,794
Economic impact (PA)	\$668	\$668	\$668	\$668	\$668	\$668	\$668	\$668	\$668	\$668
Fiscal impact (PA)	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0
<b>Difference Between With and Without State-Level Tax Credit (Assuming 25% More Project Investment)</b>										
HP investment	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55
State tax credit amount	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68
Jobs created (PA)	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159
Economic impact (PA)	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134	\$134
Fiscal impact (PA - upfront)	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Fiscal impact (local - upfront)	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
Fiscal impact (PA - ongoing)	\$1.4	\$2.7	\$4.1	\$5.5	\$6.8	\$8.2	\$9.5	\$10.9	\$12.3	\$13.6
Fiscal impact (local - ongoing)	\$1.6	\$3.3	\$4.9	\$6.5	\$8.2	\$9.8	\$11.4	\$13.1	\$14.7	\$16.4
Fiscal impact (PA + local)	\$6.8	\$9.8	\$12.8	\$15.8	\$18.8	\$21.8	\$24.8	\$27.8	\$30.8	\$33.8
<b>With State-Level Tax Credit (Assuming 50% More Project Investment)</b>										
HP investment	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
State tax credit amount	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82
Jobs created (PA)	6,953	6,953	6,953	6,953	6,953	6,953	6,953	6,953	6,953	6,953
Economic impact (PA)	\$801	\$801	\$801	\$801	\$801	\$801	\$801	\$801	\$801	\$801
Fiscal impact (PA)	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0
<b>Difference Between With and Without State-Level Tax Credit (Assuming 50% More Project Investment)</b>										
HP investment	\$109	\$109	\$109	\$109	\$109	\$109	\$109	\$109	\$109	\$109
State tax credit amount	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82
Jobs created (PA)	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318	2,318
Economic impact (PA)	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267
Fiscal impact (PA - upfront)	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0
Fiscal impact (local - upfront)	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Fiscal impact (PA - ongoing)	\$2.7	\$5.5	\$8.2	\$10.9	\$13.6	\$16.4	\$19.1	\$21.8	\$24.5	\$27.3
Fiscal impact (local - ongoing)	\$3.3	\$6.5	\$9.8	\$13.1	\$16.4	\$19.6	\$22.9	\$26.2	\$29.4	\$32.7
Fiscal impact (PA + local)	\$13.6	\$19.6	\$25.6	\$31.6	\$37.6	\$43.6	\$49.6	\$55.6	\$61.6	\$67.6

Source: Econsult Corporation (2011)

Thus, each year’s worth of qualifying historic preservation projects costs the Commonwealth \$68 to \$82 million in tax credits, but brings in \$3.0 million to \$6.0 million in state tax revenues and \$0.8 million to \$1.6 million in local tax revenues that year (through upfront construction), and \$1.4 million to \$2.7 million in state tax revenues and \$1.6 million to \$3.3 million in local tax revenues every year after that (through ongoing operations). There are two complementary ways in which this comparison between upfront public investment (in the form of state-level tax credits) and upfront and ongoing public benefit (in the form of state and local tax revenue generation) can be expressed. First, it can be said that it takes 12 to 21 years for that initial public investment to be recouped in the form of state and local tax revenues generated (or 28 to 48 years, if only state tax revenues are considered). Second, it can be said that the initial public investment, minus tax revenues generated that year, yields a 5 to 8 percent return each thereafter in the form of state and local tax revenues generated (or 2 to 4 percent, if only state tax revenues are considered) (see Table I.1C).

**Table I.1C Estimated Difference in Total Annual Economic and Fiscal Impact within the Commonwealth of Pennsylvania Between Having and Not Having a 25 Percent State-Level Tax Credit Program, Assuming It Induces 25 to 50 Percent More Projects by Dollar Amount (in 2010 \$M)**

<b>% increase in HP investment as a result of tax credit</b>	<b>25%</b>	<b>50%</b>
Annual tax credit amount	\$68	\$82
Difference in historic preservation investment	\$55	\$109
Difference in jobs created in PA	1,159	2,318
Difference in economic impact in PA	\$134	\$267
Difference in state fiscal impact (upfront construction)	\$3.0	\$6.0
Difference in local fiscal impact (upfront construction)	\$0.8	\$1.6
Difference in state fiscal impact (ongoing operations)	\$1.4	\$2.7
Difference in local fiscal impact (ongoing operations)	\$1.6	\$3.3
Payback period (counting state tax revenues only)	48	28
Payback period (counting local and state tax revenues)	21	12
ROI on net Year 1 outlay (state tax revenues only)	2.1%	3.6%
ROI on net Year 1 outlay (counting local and state tax revenues)	4.7%	8.1%

*Source: Econsult Corporation (2011)*

<sup>43</sup> Because ongoing fiscal impacts are additive in nature (i.e. in Year 1, one year’s worth of that fiscal impact is enjoyed, in Year 2, two year’s worth of that fiscal impact is enjoyed, and so on), annual fiscal impact amounts increase over time, even as the amount of state-level tax credits given stays constant (see Table I.1A and Table I.1B). In other words, in any given year, what is being invested is that year’s state tax credit recipients, and what is being received back in return is the upfront fiscal impact of that year’s construction activity, and the ongoing fiscal impact of all previous years’ increase in property tax base.

<sup>44</sup> These figures are expressed in constant 2010 dollars. This essentially assumes that amounts will increase over time at the same rate that they would be discounted back in order to express in present dollars.

## APPENDIX J – HISTORIC DESIGNATION PROPERTY VALUE ANALYSIS METHODOLOGY AND RESULTS

### J.1 Historic Districts Analyzed

All three of the locally designated historic districts that were chosen for this property value analysis – the Powelton Village Historic District in Philadelphia, the West Chester Downtown Historic District in Chester County, and the Mexican War Streets Historic District in Pittsburgh – are located in municipalities that regulate historic districts under both the Pennsylvania Historic District Act and the Municipalities Planning Code. They were chosen to represent a diversity of locality sizes, of overall approaches to historic preservation, and of locations within the Commonwealth.

The Powelton Village Historic District is located west of the Schuylkill River in the University City section of Philadelphia. The area, situated just north of Drexel University and the University of Pennsylvania, was developed on land originally owned by two well known Philadelphia families: the Bingham-Baring family and the Powel family. Initially developed in the mid-19th century in the Italianate style, the district continued growth from the 1850s through 1910 with buildings in every important Victorian style.<sup>45</sup> By the early 20th century, the neighborhood “was one of the most impressive in the city for both its architecture and its economic diversity”.<sup>46</sup> The district was added to the National Register in 1985.

The West Chester Downtown Historic District is located in Chester County, in Southeastern Pennsylvania. The Downtown Historic District encompasses approximately 15 blocks including Gay and Market streets, the two main thoroughfares. The town of West Chester was developed to serve as the county seat for Chester County in the early 19th century. The densely developed area, consisting of mostly three-story buildings, many both residential and commercial, is anchored by the Chester County Courthouse (1846) and the bank across the street.<sup>47</sup> The neighborhood was Act 167 certified in 1988 and expanded in 2006.<sup>48</sup>

The Mexican War Streets Historic District is located in the north side of the city of Pittsburgh in Allegheny County. The neighborhood was formed when General William Robinson, Jr., returned from the Mexican-American War in 1848 and created the neighborhood from land owned by his father. He named the newly plotted streets after the battles and heroes of the war. The houses reflect a wide range of Victorian architectural styles popular from 1850-1890. The neighborhood was hit hard in the 1920s, when its residents began moving to the suburbs, and began deteriorating. By the 1960s, the area was scheduled for demolition; however, the neighborhood was saved by a group of residents and preservationists and has thrived ever since.<sup>49</sup> The district was Act 167 certified in 1975 and expanded in 2008.<sup>50</sup>

### J.2 Overall Analytical Approach

Hedonic regression analyses presume that house prices represent a buyer’s willingness to pay for a bundle of attributes – some positive and some negative – associated with the house. Some are related to the structure itself – number of bedrooms and bathrooms, age and condition of systems, existence of various desirable features like a pool or a patio. Some are related to the mix of costs and services associated with the governing jurisdictions

within which the house is located – tax levels, the caliber of public schools, the quality of police and fire. And some are related to proximity to various amenities and disamenities – distance to the nearest park, playground, landfill.

An econometric model can be developed by preparing house sales data near each location: geo-coded for location, cleaned for representative characteristics, and formatted for empirical work. If it is known if a particular property is part of a locally designated historic district, and when that designation came into effect, the effect of that designation can be isolated and measured.<sup>51</sup> Specifically, this effort explored whether designation had an immediate effect on property values, and whether those properties appreciated at a different rate over time than non-designated properties.<sup>52</sup>

However, if there is an insufficient number of house sales transactions before and after designation,<sup>53</sup> it may be difficult to estimate these effects. In such cases, instead of looking at “before” and “after” effects, one can compare sales prices within a designated area with sales prices outside of the designated area; and, controlling for other potentially explanatory variables, such an analysis can help answer the question of whether the designated area commanded a premium over other, otherwise similar but non-designated areas.

### **J.3 Regression Results – Powelton Village**

The results of this hedonic regression analysis support the findings of Econsult’s recent work in Philadelphia, that historic designations have a positive impact on property values. First we consider the Powelton Village Historic District, which, because of its urban location and the plentiful number of house sales transactions in the years prior to and subsequent to designation, could be studied from the standpoint of a “before” and “after” effect (see Table J.3A).<sup>54</sup>

The variables of particular interest are the ones that represent the extent to which house prices vary as a result of historic designation, both before and after the year of designation:<sup>55</sup>

1. pre\_NHS (fixed) – the difference from citywide average of house prices in areas that would eventually become historic districts, prior to historic designation
2. pre\_NHS (slope) – the difference from citywide average of annual appreciation of house prices in areas that would eventually become historic districts
3. post\_NHS (fixed) – the percentage change in house prices in the year immediately following historic designation
4. post\_NHSt (slope) – the difference from citywide average of annual appreciation of house prices within historic districts, subsequent to historic designation

The importance of exploring these four variables simultaneously is that it helps answer the question of direction of causation. In other words, by considering price levels and trends before and after designation, one can have a sense of the extent to which designation changed price levels and trends.

Because these regressions use the natural log of price, results can be expressed in percentage terms by raising  $e$  to the power of each coefficient’s value and then subtracting 1. This yields the following results (see Table J.3B):

Table J.3A Regression Results for Powelton Village Historic District

Variable N=60,208, R-sq=0.61	Est. Coeff.	t Value	Variable N=60,208, R-sq=0.61	Est. Coeff.	t Value
Intercept	3.6472	25.29	autumn	0.0575	7.29
pre_NHS (fixed)	0.7478	3.45	repsale1	0.2975	30.79
pre_NHS (slope)	-0.0109	-0.18	repsale2	0.2914	27.21
post_NHS (fixed)	0.4893	7.24	repsale3	0.1995	19.71
post_NHS (slope)	0.0294	6.88	repsale4	0.0818	8.47
ln_lotsqft	0.1239	4.63	year_2	0.0878	3.03
ln_bsqft	0.6327	19.93	year_3	0.0605	2.04
FAR	-0.2072	-6.49	year_4	0.1903	6.69
ratio_frt_sqft	-8.8233	-6.50	year_5	0.3316	11.76
one_fire	0.0028	0.07	year_6	0.4255	15.55
two_fire	0.1494	1.25	year_7	0.5451	20.17
ln_dist_cbd	0.7942	59.71	year_8	0.6710	24.72
corner_dum	-0.0432	-1.67	year_9	0.7382	27.09
cond_superior	0.2615	10.26	year_10	0.8411	30.58
cond_above_avg	0.1621	7.25	year_11	0.8065	29.23
cond_below_avg	-0.4006	-27.82	year_12	0.8056	28.62
cond_inferior	-0.5206	-34.02	year_13	0.8762	30.76
central_air	0.0376	1.95	year_14	0.9494	34.20
rental	-0.3185	-52.70	year_15	0.9981	37.31
garage	0.2345	33.34	year_16	0.8116	29.60
frame	-0.1015	-3.97	year_17	0.8623	31.75
masother	0.1130	8.09	year_18	0.8377	31.17
stone	0.2070	14.97	year_19	0.9350	35.01
oneh_story	-0.0093	-0.22	year_20	1.0384	39.00
two_story	-0.0207	-0.76	year_21	1.0617	39.48
twoh_story	0.3257	9.74	year_22	1.2964	46.10
three_story	0.4392	14.86	year_23	1.3085	48.12
threeplus_story	0.7521	17.30	year_24	1.1883	45.30
apt_house	0.0819	6.65	year_25	1.3304	51.30
detached	-0.0719	-3.76	year_26	1.6624	64.02
row_house	-0.0547	-5.66	year_27	1.9929	76.09
age	-0.0091	-26.38	year_28	2.0410	76.98
age_dev	-0.0060	-15.66	year_29	1.9993	72.79
abate_imprvd	0.4140	4.84	year_30	1.9275	67.86
spring	0.0064	0.79	year_31	1.9040	64.08
summer	0.0721	9.46			

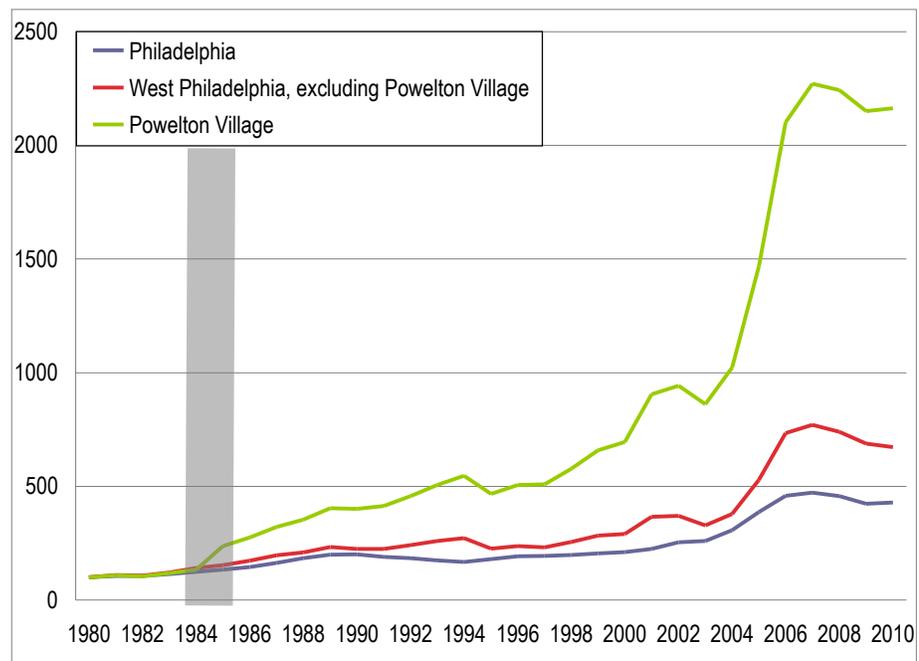
Source: City of Philadelphia Department of Records and Office of Property Assessment (2011), Econsult Corporation (2011)

**Table J.3B Property Value Impact of Designation of Powelton Village Historic District (\* denotes statistically significant result)**

Historic District (Year Studied)	Pre-Designation Difference in Price	Pre-Designation Difference in Annual Appreciation	Post-Designation Difference in Price Appreciation (Year 1)	Post-Designation Difference in Annual Appreciation (After Year 1)
Powelton Village – national (2011)	+111%*	-1.1%	+63%*	+3.0%*
Philadelphia – local (2008)	+33%*	-1.2%*	+2%	+1.0%*
Philadelphia – national (2008)	+0%	+0.0%	-15%*	+1.6%*

Source: City of Philadelphia Department of Records and Office of Property Assessment (2011), Econsult Corporation (2008, 2011)

**Figure J.3 House Price Index for Powelton Village Historic District (1980 = 100) (shaded = year of designation)**



Source: City of Philadelphia Department of Records and Office of Property Assessment (2011), Econsult Corporation (2011)

**Table J.3C Regression Results for Powelton Village Historic District**

<b>Variable</b> <b>N=13,067, R-sq=0.43</b>	<b>Est. Coeff.</b>	<b>t Value</b>	<b>Variable</b> <b>N=13,067, R-sq=0.43</b>	<b>Est. Coeff.</b>	<b>t Value</b>
Intercept	9.0590	204.93	year_13	0.6600	4.66
pre_exp (fixed)	-0.1196	-1.37	year_14	0.7129	5.43
pre_expt (slope)	0.0379	8.78	year_15	0.7612	5.95
post_exp (fixed)	0.1428	6.56	year_16	0.8021	5.93
post_expt (slope)	-0.0716	-0.50	year_17	0.8455	5.55
lot_sqft	0.0001	31.42	year_18	0.8901	4.25
resmodel	0.8144	49.39	year_19	0.9435	3.63
BEDROOMS	0.0070	1.21	year_20	0.9445	3.59
FULL_BATHS	0.1197	11.51	year_21	0.9553	1.46
HALF_BATHS	0.1962	16.92	year_22	0.9781	-1.24
spring	0.0666	4.05	year_23	0.9867	2.92
summer	0.0829	5.15	year_24	1.0424	7.18
autumn	0.0710	4.32	year_25	1.0817	7.96
year_2	0.2006	1.79	year_26	1.1361	9.59
year_3	0.3666	2.86	year_27	1.2047	10.52
year_4	0.4323	1.72	year_28	1.2396	8.32
year_5	0.5000	3.77	year_29	1.2783	5.34
year_6	0.5190	4.47	year_30	1.3275	1.58
year_7	0.5275	5.29	year_31	1.3365	6.08
year_8	0.5225	6.24	year_32	1.3671	6.36
year_9	0.5427	5.02	year_33	1.3704	5.71
year_10	0.5465	4.96	year_34	1.3664	5.71
year_11	0.5623	5.77	year_35	1.3662	6.50
year_12	0.6068	4.76			

*Source: Terradatum (2011), Econsult Corporation (2011)*

House prices in what would become the Powelton Village Historic District were priced 111 percent higher than the citywide average prior to historic designation in 1985. House prices in the Powelton Village Historic District increased by 63 percent in the year immediately following historic designation, and continued to increase by 3.0 percentage points more per year than the citywide average in the years following historic designation.<sup>56</sup>

To see more clearly how these initial and ongoing effects play out over time, these regression coefficients can be used to generate a house price index for Powelton Village Historic District, relative to the rest of the real sub-market to which it belongs (see Figure J.3). This house price index suggests that while the typical house in Philadelphia was worth four times what it was worth in 1980, and the typical house in West Philadelphia was worth seven times what it was worth in 1980, the typical house in the Powelton Village Historic District was worth 21 times what it was worth in 1980.<sup>57</sup>

## J.4 Regression Results – Mexican War Streets

Next we consider the Mexican War Streets Historic District, for which we also considered the extent to which district expansion in 2008 had a “before” and “after” effect (see Table J.4).<sup>58</sup> Here we find that house prices in both the original and the expanded Mexican War Streets Historic District appreciated at an annual rate of 3.9 percentage points higher than the average in the three surrounding zip codes prior to the expansion in 2008, and that home prices in the expanded District increased by 15 percent in the year immediately following expansion.<sup>59</sup>

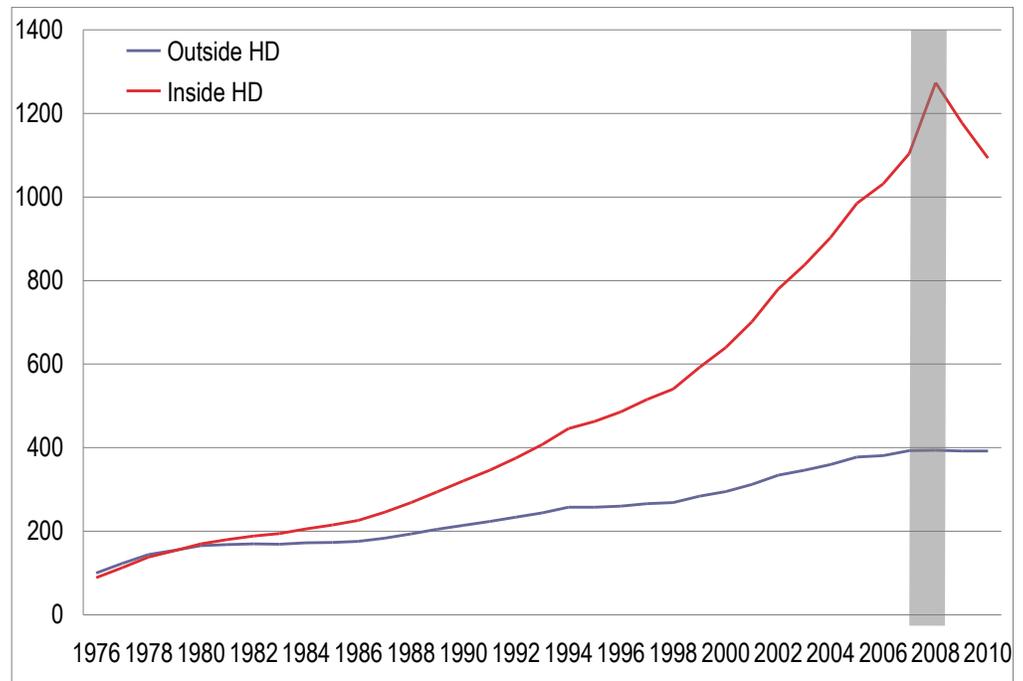
To see more clearly how these initial and ongoing effects play out over time, these regression coefficients can be used to generate a house price index for Mexican War Streets Historic District, relative to the rest of the real sub-market to which it belongs (see Figure J.4). This house price index suggests that, by 2010, while the typical house near the Mexican War Streets Historic District was worth four times more than what it was worth in 1976, the typical house in the Mexican War Streets Historic District was worth 11 times more than what it was worth in 1976.<sup>60</sup>

**Table J.4 Property Value Impact of Designation of Mexican War Streets Historic District (\* denotes statistically significant result)**

Pre-Designation Difference in Price	Pre-Designation Difference in Annual Appreciation	Post-Designation Difference in Price Appreciation (Year 1)	Post-Designation Difference in Annual Appreciation (After Year 1)
-11%	+3.9%*	+15%*	-6.9%

Source: Econsult Corporation (2008, 2011)

**Figure J.4 House Price Index for Mexican War Streets Historic District (1976 = 100)(shaded = year of designation)**



Source: Terradatum (2011), Econsult Corporation (2011)

## J.5 Regression Results – West Chester

Next we consider the West Chester Downtown Historic District, which, because of the relative lack of house sales transactions in the years prior to and subsequent to designation, could not be studied from the standpoint of a “before” and “after” effect (see Table J.5):<sup>61</sup>

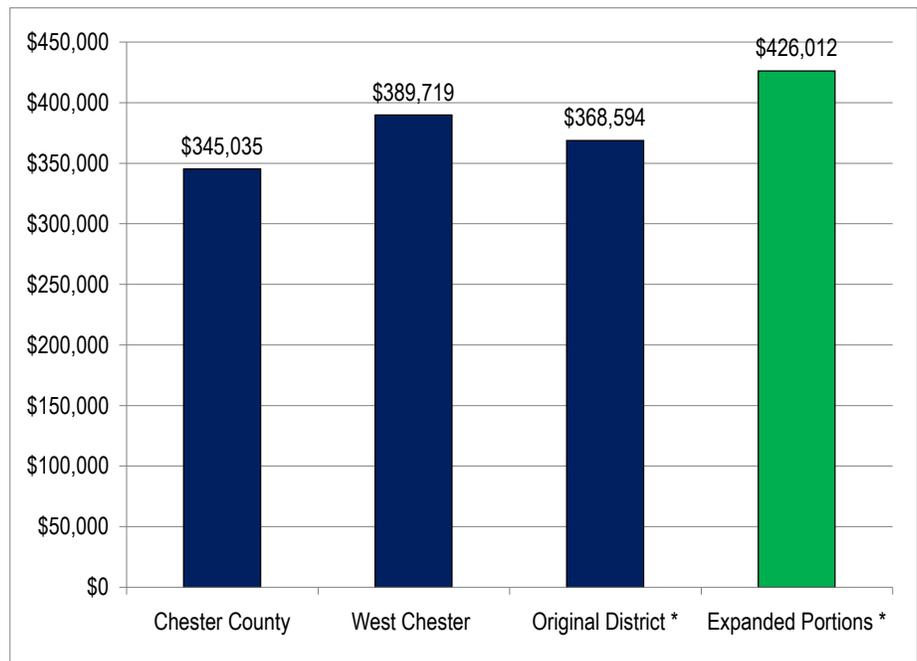
Instead, house prices for the original district, the newly expanded parts of the district, and West Chester Borough as a whole were compared against houses in Chester County, using house sales transactions that took place between January 1, 2005, and December 31, 2010. During this six-year period, there were 30,977 house sales transactions in Chester County, including 6,384 in West Chester. Of those house sales transactions, five took place within the original boundaries of the West Chester Downtown Historic District and 37 took place within the newly expanded parts of the District.

Table J.5 Regression Results for West Chester Downtown Historic District

Variable N=30,977, R-sq=0.77	Est. Coeff.	t Value	Variable N=30,977, R-sq=0.77	Est. Coeff.	t Value
Intercept	12.0367	755.30	year_qtr_3	0.0554	4.98
Orig	0.0661	7.44	year_qtr_4	0.0433	3.51
Exp_Only	0.2108	9.97	year_qtr_5	0.0685	5.47
WestChester	0.1218	26.00	year_qtr_6	0.0834	7.63
bldg_sqft	0.0002	67.43	year_qtr_7	0.0677	6.05
lot_sqft	0.0000	1.99	year_qtr_8	0.0807	6.45
FAR	-0.0121	-2.62	year_qtr_9	0.0766	6.09
Beds	0.0272	9.87	year_qtr_10	0.0962	8.64
baths_full	0.2006	64.71	year_qtr_11	0.0740	6.53
baths_half	0.1684	47.93	year_qtr_12	0.0558	4.27
new_Const	0.1529	26.89	year_qtr_13	0.0543	4.08
Mobile_Home	-1.6514	-96.45	year_qtr_14	0.0483	4.49
Attached	-0.2563	-44.98	year_qtr_15	0.0510	4.37
Semi_Detached	-0.3440	-48.93	year_qtr_16	0.0248	1.79
Unit_Flat	-0.3331	-32.79	year_qtr_17	-0.0039	-0.28
Dist_CBD	-0.0175	-72.57	year_qtr_18	-0.0029	-0.24
Dist_Sec_CBD	0.0164	29.22	year_qtr_19	0.0078	0.66
DOM2	-0.0001	-6.13	year_qtr_20	-0.0125	-0.97
Bid_Ask	0.0000	19.97	year_qtr_21	-0.0276	-1.99
Spring	0.0051	0.78	year_qtr_22	-0.0024	-0.21
summer	0.0304	4.41	year_qtr_23	-0.0172	-1.39
autumn	0.0104	1.70	year_qtr_24	-0.0538	-3.97

Source: Terradatum (2011), Econsult Corporation (2011)

**Figure J.5 Property Value Impact of Designation of West Chester Downtown Historic District (\* denotes statistically significant result)**



Source: Terradatum (2011), Econsult Corporation (2011)

Despite these relatively small volumes of house sales transactions, the regression results indicate that the differences between Chester County prices and District prices are statistically significant (denoted below with a \*):

1. Orig \* – Houses within the original District boundaries commanded a 6.6 percent premium over Chester County houses.
2. Exp\_Only \* – Houses within the newly expanded parts of the District commanded a 21.1 percent premium over Chester County houses.
3. WestChester – Houses in West Chester commanded a 12.2 percent premium over Chester County houses.

Hence, the 2006 expansion of the West Chester Downtown Historic District has resulted in a newly expanded part of the District that commands an average \$81,000 premium over houses in Chester County and an average \$36,000 premium over houses in West Chester (see Figure J.5). Note that in the absence of the ability to isolate a “before” and “after” effect as with the analysis of the Powelton Village Historic District, it is unknown whether it is the expansion of the West Chester Downtown Historic District that imparted this value premium. It is possible that causality ran in the other direction: expansion boundaries could have been chosen to include houses and neighborhoods that had been nicely maintained, relative to nearby homes and neighborhoods.

<sup>45</sup> Powelton Village Civic Association.

<sup>46</sup> “The Powelton Historic District Nomination,” Thomas, G. & Benenson, C. (1984).

<sup>47</sup> “Design Guidelines for the West Chester Historic District,” West Chester Historical and Architectural Review Board (July 2002).

- 48 Pennsylvania Historical and Museum Commission.
- 49 Mexican War Streets Society.
- 50 Pennsylvania Historical and Museum Commission.
- 51 Regression analyses control for all relevant variables, and thus isolate the specific effect of historic designation on property values. Thus, if it is determined that homes within an actual district trade at a premium to homes that are not in historic districts, this does not mean that homes within districts command higher prices than homes not within districts; clearly, that is not always true. What it does mean is that the price of homes, whether within districts or not within districts, are made up of a number of factors, both positive and negative; and being in a historic district has been determined to have a positive effect.
- To use another example, if it is determined that historic designation has either an immediate and/or an ongoing positive effect on house prices, this does not mean that historic designation automatically results in an upfront and/or annual increase in house prices; clearly, that is not always true. What it does mean is that changes in prices of homes over time, whether within districts or not within districts, are made up of a number of factors, both positive and negative; and being in a historic district has been determined to have a positive effect over time.
- For this analysis, a number of variables were included to account for as much of the underlying causes behind price movements as possible, including all available structural characteristics, the age and condition of the house, and the season and year in which it was transacted. Nevertheless, the price a buyer is willing to pay for a given house is often a function of countless other influences, some of which may not have been properly accounted for in this analysis, particularly because the unit of geography (a historic district's boundaries) is relatively small and thus includes a relatively small number of real estate transactions. Therefore, this analytical approach should be considered the best available in light of the inherent limitations of such an inquiry.
- 52 In the case of the Mexican War Streets Historic District and the West Chester Downtown Historic District, what was used as the event being analyzed was not the original historic designation, but the expansion of that designated status to additional properties.
- 53 This can be the case if designation occurred too close to the present for there to be sufficient number of house sales transactions taking place during the "after" time period. It can particularly be the case if the designated area is relatively small, and/or it is not relatively dense, such that in any given time period there are not a lot of transactions to include.
- 54 For the 31-year period from January 1, 1980 to December 31, 2010, over 60,000 transactions were analyzed.
- 55 The importance of exploring these four variables simultaneously is that it helps answer the question of direction of causation: by decomposing movements in house prices into pre-designation and post-designation periods, one can test if the movements in both periods are similar (which would suggest that differences from citywide trends is due to something inherent to the area apart from historic designation) or different (which would suggest that historic designation had a meaningful impact on the area because of the change in levels and trends between before the designation and after the designation).
- 56 Only statistically significant findings are narrated here.
- 57 Note that these indexes are not quality adjusted, so it is likely that a significant proportion of that property value increase is due to improvements and rehabilitations made on these houses. Hence, the designation increased house values in two ways: 1) buyers were willing to pay a premium to be located within the District, and 2) owners were willing to invest in their properties because of the overall improvements within the District, thus making those houses fundamentally higher in quality.
- 58 The variables of particular interest are the ones that represent the extent to which house prices vary as a result of historic designation, both before and after the year of designation:
1. pre\_exp (fixed) – the difference from the three-zip average of house prices in areas that either are or would eventually become part of the of the historic district, prior to the expansion
  2. pre\_exp (slope) – the difference from the three-zip average of annual appreciation of house prices in areas that either are or would eventually become part of the of the historic district
  3. post\_exp (fixed) – the percentage change in house prices in the year immediately following the expansion
  4. post\_exp (slope) – the difference from the three-zip average of annual appreciation of house prices within historic districts, subsequent to the expansion
- 59 Only statistically significant findings are narrated here.
- 60 As with the Powelton Village Historic District, the designation and subsequent expansion may have increased house values in two ways: 1) buyers were willing to pay a premium to be located within the District, and 2) owners were willing to invest in their properties because of the overall improvements within the District, thus making those houses fundamentally higher in quality.
- 61 An analysis identical to the one performed on the Powelton Village Historic District was performed on the West Chester Downtown Historic District, and none of the results for the four key variables (pre\_NHS (fixed), pre\_NHS (slope), post\_NHS (fixed), post\_NHSt (slope) were found to be statistically significant.

## APPENDIX K – ADDITIONAL DETAIL ON HERITAGE SITES AND HERITAGE AREAS

Table K.1A Heritage Sites within the Commonwealth

AACA Museum	Adams County Historical Society
American Women's Heritage Society	American Helicopter Museum and Education Center
American Philosophical Society	American Swedish Historical Museum
Brandywine Battlefield Park	Butler County Historical Society
Chadds Ford Historical Society	Chester County Historical Society
Colonial Pennsylvania Plantation	Conrad Weiser Homestead
Cornwall Iron Furnace	Crawford County Historical Society
Ebenezer Maxwell Mansion	Edgar Allan Poe National Historic Site
Erie County Historical Society	Erie Maritime Museum
Fetherston Foundation	Fort Mifflin on the Delaware
Glen Foerd Conservation Corporation	Goodell Gardens & Homestead
Greene County Historical Society	Hawk Mountain Sanctuary
Hershey Derry Township Historical Society	Hershey Gardens
Historic Schaefferstown, Inc.	Historical and Genealogical Society of Somerset County
Hope Lodge and Mathers Park	John J. Tyler Arboretum
Joseph Priestly House	Lawrence County Historical Society
Lebanon County Historical Society	Mennonite Historians of Eastern Pennsylvania
Mercer County Historical Society	Monroe County Historical Society
Nicholas Newlin Foundation/Newlin Grist Mill	Northumberland County Historical Society
Old Economy Village	Pearl S. Buck International House and Historic Site
Philadelphia Sketch Club	Philadelphia Society for the Preservation of Landmarks
Pike County Historical Society	Quiet Valley Living Historical Farm
Somerset Historical Center	Swarthmore College Scott Arboretum
The Hershey Story	The Historical Society of Pennsylvania
Union County Historical Society	Wagner Free Institute of Science
Wood Turning Center	Woodlands Trust for Historic Preservation
Allegheny Ridge Heritage Area	Delaware & Lehigh National Heritage Corridor
Endless Mountains Heritage Region	Lackawanna Heritage Valley
Lincoln Highway Heritage Corridor	Lumber Heritage Region
National Road Heritage Corridor	Oil Region National Heritage Area
PA Route 6 Heritage Corridor	Rivers of Steel National Heritage Area
Schuylkill River National & State Heritage Area	Susquehanna Gateway Heritage Area

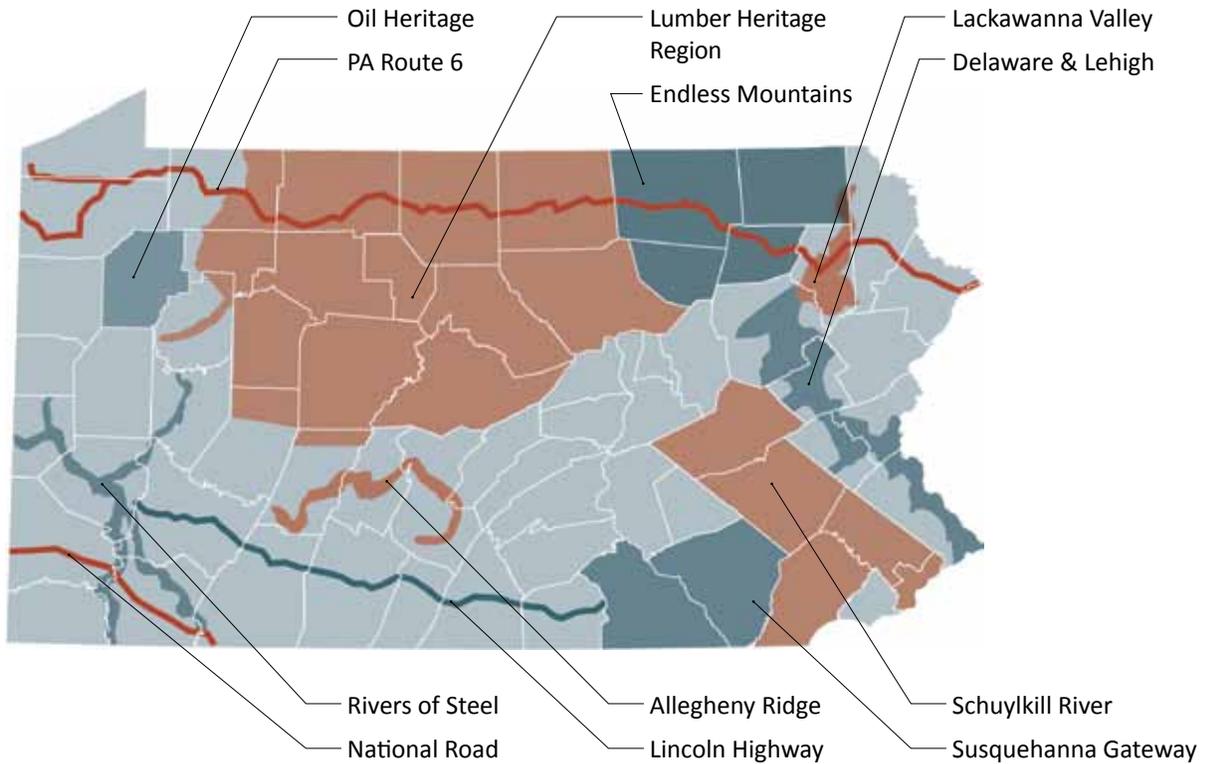
Source: Pennsylvania Historical and Museum Commission (2010)

**Table K.1B Heritage Areas within the Commonwealth**

Allegheny Ridge Heritage Area	Delaware & Lehigh National Heritage Corridor
Endless Mountains Heritage Region	Lackawanna Heritage Valley
Lincoln Highway Heritage Corridor	Lumber Heritage Region
National Road Heritage Corridor	Oil Region National Heritage Area
PA Route 6 Heritage Corridor	Rivers of Steel National Heritage Area
Schuylkill River National & State Heritage Area	Susquehanna Gateway Heritage Area
Cornwall Iron Furnace	Crawford County Historical Society

Source: Commonwealth of Pennsylvania Department of Conservation and Natural Resources (2010)

**Figure K.1 Heritage Areas within the Commonwealth**



Source: Commonwealth of Pennsylvania Department of Conservation and Natural Resources (2010)

**Table K.1C Heritage Sites within Philadelphia’s Historic District<sup>62</sup>**

American Jewish History Museum	Athenaeum	Atwater Kent Museum
Betsy Ross House	Elfreth's Alley	Independence National Historic Park
Independence Seaport Museum	National Constitution Center	National Liberty Museum

Source: Pennsylvania Historical and Museum Commission (2010)

<sup>62</sup> Philadelphia has numerous historic districts; for the purposes of this study, what is meant here is the district centered on Independence Mall.

## APPENDIX L – ADDITIONAL DETAIL ON HERITAGE TOURISM VISITATION

Table L.1A 2009 Estimated Visitation to Heritage Sites Not Located Within a Heritage Area or the Philadelphia Historic District

AACA Museum	69,500	Hope Lodge and Mathers Park	1,225
Adams County Historical Society	1,500	John J. Tyler Arboretum	70,000
American Women's Heritage Society	22,000	Joseph Priestly House	1,015
American Helicopter Museum and Education Center	38,000	Lawrence County Historical Society	2,200
American Philosophical Society	68,212	Lebanon County Historical Society	1,700
American Swedish Historical Museum	15,402	Mennonite Historians of Eastern Pennsylvania	6,000
Brandywine Battlefield Park	5,180	Mercer County Historical Society	4,500
Butler County Historical Society	2,000	Monroe County Historical Society	807
Chadds Ford Historical Society	15,000	Nicholas Newlin Foundation/Newlin Grist Mill	33,000
Chester County Historical Society	11,459	Northumberland County Historical Society	3,500
Colonial Pennsylvania Plantation	12,000	Old Economy Village	4,689
Conrad Weiser Homestead	579	Pearl S. Buck International House and Historic Site	20,959
Cornwall Iron Furnace	3,439	Philadelphia Sketch Club	12,550
Crawford County Historical Society	2,900	Philadelphia Society for the Preservation of Landmarks	23,000
Ebenezer Maxwell Mansion	1,095	Pike County Historical Society	3,000
Edgar Allan Poe National Historic Site	16,000	Quiet Valley Living Historical Farm	27,646
Erie County Historical Society	14,270	Somerset Historical Center	10,309
Erie Maritime Museum	17,126	Swarthmore College Scott Arboretum	35,000
Fetherston Foundation	6,103	The Hershey Story	81,433
Fort Mifflin on the Delaware	39,500	The Historical Society of Pennsylvania	9,848
Glen Foerd Conservation Corporation	19,364	Union County Historical Society	1,700
Goodell Gardens & Homestead	4,200	Wagner Free Institute of Science	11,926
Greene County Historical Society	2,000	Wood Turning Center	2,700
Hawk Mountain Sanctuary	65,000	Woodlands Trust for Historic Preservation	2,000
Hershey Derry Township Historical Society	6,395		
Hershey Gardens	95,672		
Historic Schaefferstown, Inc.	4,962		
Historical and Genealogical Society of Somerset County	23,000	<b>Total</b>	<b>952,565</b>

Source: Pennsylvania Historical and Museum Commission (2010), Urban Partners (2010)

**Table L.1B 2008 Estimated Visitation to Heritage Areas<sup>63</sup>**

Allegheny Ridge	564,074
Delaware & Lehigh	1,356,032
Endless Mountains	25,000
Lackawanna Valley	248,000
Lincoln Highway	3,018,287
Lumber Region	857,483
National Road	3,715,400
Oil Region	359,872
Rivers of Steel	2,118,000
Route 6	3,533,634
Schuylkill River	5,050,000
Susquehanna Gateway	4,602,776
<b>Total</b>	<b>25,448,558</b>

*Source: HeritagePA (2010), Pennsylvania Historical and Museum Commission (2010), individual heritage organizations (2010), Urban Partners (2010)*

**Table L.1C 2009 Estimated Visitation to Philadelphia Historic District Sites<sup>64</sup>**

American Jewish History Museum	15,637
Athenaeum	10,278
Atwater Kent Museum	12,537
Betsy Ross House	263,249
Elfreth's Alley	48,534
Independence National Historic Park	3,967,693
Independence Seaport Museum	88,570
National Constitution Center	1,000,000
National Liberty Museum	46,730
<b>Total</b>	<b>5,453,228</b>

*Source: Pennsylvania Historical and Museum Commission (2010), Urban Partners (2010)*

<sup>63</sup> In 2008, HeritagePA conducted an analysis entitled “The Economic Impact of Pennsylvania’s Heritage Areas: A Study in Success.” Eight of the 12 heritage areas were examined for the study, providing visitation figures for each. Visitation for the four remaining heritage areas was gathered from the Pennsylvania Historical and Museum Commission or directly from the individual heritage organizations. Each of the Heritage Areas contains a variety of heritage sites, visitation for which is all included in the above visitation figures. For example, the Gettysburg National Military Park is part of the Lincoln Highway Heritage Corridor, so its visitation is reflected in that of the overall Heritage Area.

<sup>64</sup> Philadelphia has numerous historic districts; for the purposes of this study, what is meant here is the district centered on Independence Mall.

## APPENDIX M – ADDITIONAL DETAIL ON HERITAGE TOURISM VISITOR SPENDING METHODOLOGY AND RESULTS

### Heritage Sites Not Located within a Heritage Area or the Philadelphia Historic District

The direct visitor expenditure impact for heritage sites not located within a Heritage Area or the Philadelphia Historic District is assessed by aggregating the results for the 12 Heritage Areas and the Philadelphia Historic District and extrapolating those results to the other 52 heritage sites.

Combining expenditures at all 12 heritage areas with the Historic Philadelphia cultural district visitor expenditures yields the following expenditure pattern:

- \$229.7 million spent on lodging
- \$289.3 million spent on dining
- \$238.7 million spent on shopping
- \$237.9 million spent on attractions, transportation, and other costs

The 52 other heritage sites have a total visitation of 952,565. This represents an additional visitation of 3.1 percent beyond those visitors accounted for in the 12 heritage areas and the Philadelphia Historic District. Applying the expenditure patterns above to these additional visitors yields the following, totaling \$30.7 million:

- \$7.1 million spent on lodging
- \$8.9 million spent on dining
- \$7.4 million spent on shopping
- \$7.3 million spent on attractions, transportation, and other costs

### Heritage Areas

HeritagePA commissioned a study in 2008 called “The Economic Impact of Pennsylvania’s Heritage Areas” for eight of the 12 Heritage Areas within the Commonwealth using the Money Generation Model (MGM2), an analytical model designed by Michigan State University that assesses the local economic impact of Heritage Areas and national parks. The study was used to extrapolate its economic impact findings to the total 12 Heritage Areas to estimate visitor expenditures at these sites.

“The Economic Impact of Pennsylvania’s Heritage Areas” reports a total of \$300.9 million in direct spending for the studied eight sites, which had an estimated 2008 total attendance of 18.0 million. Of this amount, \$168.3 million is expenditures by visitors staying overnight in hotels and other lodging; \$88.0 million is expenditures by visitors camping or staying with families and friends; and \$44.6 million is expenditures by out-of-town day-trippers.

The MGM2 model involves either a short or long form on which the participating entity, in this case the eight PA Heritage Areas, enters a series of input data. The model then calculates the economic impact outputs. The MGM long form provides a detailed calculation of spending patterns which, in summary, yield the following allocations of expenditures in the Heritage Areas:

- 48.3% of expenditures by visitors staying overnight in hotels is spent on lodging
- 33.9% of all non-lodging expenditures are on dining
- 33.5% of all non-lodging expenditures are on shopping
- 18.4% of all non-lodging expenditures are on gasoline and other transportation costs
- 14.2% of all non-lodging expenditures are on admissions and fees

Applying these expenditure patterns to the total of direct spending (\$300.9 million) yields the following:

- \$81.3 million spent on lodging
- \$74.4 million spent on dining
- \$73.6 million spent on shopping
- \$40.4 million spent on gasoline and other transportation costs
- \$31.2 million spent on admissions and fees

Extrapolating these expenditures to all twelve Heritage Areas, with total visitation of 25.5 million, yields the following expenditure pattern for the 12 Heritage Areas, totaling \$425.3 million:

- \$114.9 million spent on lodging
- \$105.2 million spent on dining
- \$104.0 million spent on shopping
- \$57.1 million spent on gasoline and other transportation costs
- \$44.1 million spent on admissions and fees

### **Philadelphia Historic District**

The general approach for assessing the direct economic impact of heritage tourism in the Historic Philadelphia cultural district is using the results of Urban Partners' 2007 study of visitor expenditures, and extrapolating the data to 2009 while also considering the increase in cost of living during that same period. Urban Partners completed an independent assessment called "The Economic Impact of Visitor Expenditures in the Philadelphia Historic District," in 2007. The district generally includes the portion of Center City Philadelphia east of 7th Street, south of Vine Street, and north of Spruce Street. This area includes many of the marquee heritage attractions in Philadelphia: the Independence National Historic Park (INHP), National Constitution Center (NCC), Betsy Ross House, Elfreth's Alley, Franklin Court, and Independence Seaport Museum, among others. The analysis was based on 1,041 visitor surveys completed during Summer 2007.

The study found a total reported aggregate visitation at these facilities of 5.26 million from 4.24 million different visitors. For 3.54 million of these visitors, the cultural district attractions were their primary reason for visiting Philadelphia. Ninety-two percent of these Historic District-motivated visitors traveled to Philadelphia from beyond one hour away. These visitors generated \$521.7 million in direct spending, including \$106.9 million at hotels, \$171.5 million on dining, \$125.5 million on shopping, and \$118.0 million on attractions, parking, and other expenditures.

Aggregate 2009 visitation at these facilities is reported at 5.5 million, a 3.76 percent increase over the 2007 visitation figure of 5.3 million. During that period the cost of living index rose 3.5 percent. Adjusting for additional visitation and cost increases, we estimate the following 2009 economic impacts for the Philadelphia Historic District facilities, totaling \$560.1 million in direct spending:

- \$114.8 million spent at hotels
- \$184.1 million spent on dining
- \$134.7 million spent on shopping
- \$126.7 million spent on attractions, parking, and other expenditures

### **Total Visitor Expenditures**

The total estimated annual direct visitor expenditures for 2008/2009 by the 31.9 million visitors to the 12 heritage areas, Philadelphia Historic District, and 52 other heritage sites, is \$1.026 billion. These expenditures include:

- \$236.8 million spent on lodging
- \$298.1 million spent on dining
- \$246.1 million spent on shopping
- \$245.2 million spent on attractions, transportation, and other costs

## APPENDIX N – ADDITIONAL DETAIL ON ECONOMIC AND FISCAL IMPACT FROM HERITAGE TOURISM OPERATING EXPENDITURES AND VISITOR SPENDING

**Table N.1A Industry Distribution of Estimated Total Expenditure Impact within the Commonwealth of Pennsylvania Resulting from Heritage Tourism Operating Expenditures and Visitor Spending (in 2010 \$M)**

Rank	Industry	Expenditures	% of Total
1	Accommodation and food services	\$581	20%
2	Other services	\$370	13%
3	Retail trade	\$351	12%
4	Manufacturing	\$271	9%
5	Real estate and rental and leasing	\$204	7%
Other Industries		\$1,111	38%
All Industries		\$2,887	100%

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)*

**Table N.1B Industry Distribution of Estimated Total Employment Impact within the Commonwealth of Pennsylvania Resulting from Heritage Tourism Operating Expenditures and Visitor Spending (in 2010 \$M)**

Rank	Industry	Employment	% of Total
1	Accommodation and food services	11,530	14.1%
2	Retail trade	5,801	7.1%
3	Other services	5,216	6.4%
4	Arts, entertainment, and recreation	4,271	5.2%
5	Transportation and warehousing	2,128	2.6%
Other Industries		7,867	13%
All Industries		36,812	100%

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)*

**Table N.1C Estimated Total Fiscal Impact within the Commonwealth of Pennsylvania Resulting from Heritage Tourism Operating Expenditures and Visitor Spending (in 2010 \$M)**

Personal Income	\$26.1
Sales and Use	\$50.8
Corporate Net Income	\$12.4
Total	\$89.3

*Source: US Department of Commerce – Bureau of Economic Analysis (2007), Pennsylvania Historical and Museum Commission (2010), HeritagePA (2008), Urban Partners (2007, 2010), Econsult Corporation (2011)*

## APPENDIX O – ADDITIONAL GLOSSARY OF HISTORIC PRESERVATION PROGRAMS, DESIGNATIONS, AND RESOURCES AVAILABLE TO AND INCORPORATED BY COMMUNITIES WITHIN THE COMMONWEALTH

**Elm Street:** The Elm Street program is a newer revitalization grant program administered by the Pennsylvania Department of Community and Economic Development. Its goal is to revitalize residential corridors connected to or adjacent to downtown commercial districts. Elm Street follows a five-point approach, similar to the Main Street four-point approach.

**Heritage Regions:** Heritage areas are large geographic regions or corridors containing significant resources of state and national interest that represent Pennsylvania’s heritage. Pennsylvania has 12 heritage areas across the state coordinated by the umbrella organization HeritagePA.

**Preserve America:** The Preserve America program is a federal initiative that encourages and supports community efforts to preserve the nation’s cultural and natural heritage. The program includes community and volunteer recognition, grants, and awards.

**Pennsylvania Historical and Museum Commission (PHMC):** The PHMC is the official history agency of the Commonwealth of Pennsylvania. It is responsible for the collection, conservation, and interpretation of Pennsylvania’s historic heritage, operating many of the state’s historic sites. The PHMC offers a variety of grants to communities and organizations for preservation purposes.

**Act 167 / HARB:** Also known as the Historic District Act, Act 167 authorizes counties, cities, boroughs, and incorporated townships to create historic districts within their geographic boundaries and appoint Historic Architectural Review Boards (HARBs). The Act empowers such political bodies to protect the historic character of the districts by regulating the construction, alteration, or demolition of buildings.

**Certified Local Government (CLG):** The CLG program was created by the National Historic Preservation Act of 1966 to ensure that local governments are eligible to receive federal technical and financial assistance to strengthen their local historic preservation efforts. Local governments agree to expand their preservation activities in exchange for technical assistance and matching grants.

**National Historic District (designated by the National Register of Historic Places):** A national historic district, defined by the National Register of Historic Places, is a geographically definable area possessing a significant concentration, linkage, or continuity of sites, buildings, structures, or objects united by past events or aesthetically by plan or physical development. Buildings within such districts are eligible for federal assistance.

## APPENDIX P – ADDITIONAL DETAIL ON THE MAIN STREET PROGRAM

The Main Street program is a 30-year-old national movement created and sponsored by the National Trust for Historic Preservation’s Main Street Center with the intent of revitalizing downtown districts through sustained investment and preservation-based economic development. The Main Street Center’s mission is “to empower people, organizations, and communities to achieve ongoing downtown and neighborhood district revitalization based upon the principles of self-determination, resource conservation, and incremental transformation represented through the comprehensive Main Street Four-Point Approach.” The Four Point approach is the basis on which every Main Street program must operate; the National Trust Main Street Center requires that the Four Point approach be followed and implemented for the community to be acknowledged as a Main Street Program. The four points include:

- **Organization:** Building partnerships, establishing consensus, and working toward the same goal
- **Promotion:** Creating a positive image through advertising, special events, and marketing
- **Design:** Creating an attractive and inviting atmosphere through physical appearance
- **Economic Restructuring:** Building a viable commercial district through a successful business mix

To most effectively administer the more than 2,000 Main Street programs nationwide, the Main Street Center created a national network of coordinating programs at the state, regional, and local levels. Within the Commonwealth, the Main Street coordinating program is the Pennsylvania Downtown Center (PDC). PDC has helped each Main Street community within the Commonwealth jump-start its program, and continues to provide ongoing technical preservation assistance. PDC also works with the Main Street Center to offer local Main Street communities the latest preservation trends and tools to assist with revitalization.

Since PDC began in 1987, more than 100 communities across the Commonwealth have applied to become Main Street communities. Acceptance as a Main Street community allows member communities to apply for a Main Street Designation grant that funds the operational startup over a five-year period, specifically a staff person’s salary and a façade improvement revolving loan fund. Operational grants of up to \$200,000 are available from the Commonwealth’s Department of Community and Economic Development (DCED), with a \$125,000 match requirement.

Once the designation period has ended, Main Street communities are eligible to apply for subsequent revitalization grants through DCED. DCED offers various grants to communities of all types across the Commonwealth pursuing preservation-related revitalization projects. Grants include:

- **Façade Improvement Grants:** Available to Main Street (as part of the 2nd through 5th years of Designation) as well as non-Main Street core communities – up to \$30,000 per year with a required match
- **Main Street Achiever Grants:** Available only to core communities implementing the Four Point Approach for a period of three years
- **Planning Grants:** Available to all eligible communities – up to \$25,000
- **Downtown Reinvestment Grants:** Available to all PA municipalities for downtown projects – up to \$500,000
- **Anchor Building Grants:** A grant-to-loan available to a public or private non-profit entity in any municipality to develop a revolving loan fund – up to \$500,000

Main Street communities also often pursue federal Historic Rehabilitation Tax Credits to rehabilitate buildings in their commercial districts. The program offers federal income tax credits to the owner for a percentage of the qualified capital costs to rehabilitate certified historic buildings that house income-producing operations.

Because of the wide range of communities, revitalization goals, and funding sources, as well as limitations of available public funding, there are varying levels of involvement in the Commonwealth’s Main Street program today. Some communities remain active members, continuing to use the resources of PDC and applying for grants through DCED only available to designated Main Street communities. Others have become less active, continuing the Main Street approach to revitalizing their downtowns but operating independently from PDC. These communities are still eligible for select grants, such as the Main Street Achiever grant. Yet another group of communities, with their organization firmly established, has ceased their Main Street membership. Planning grants from DCED are still available to these communities, but they have found other means for raising sustainable operating income. In any event, it is clear that joining the Commonwealth’s Main Street program through PDC has assisted countless communities across the state initiate and implement their preservation-based downtown revitalization agendas. Many have become models for aspiring downtown success stories to emulate.

## APPENDIX Q – ADDITIONAL DETAIL ON CASE STUDY COMMUNITIES IN PENNSYLVANIA

### Q.1 Phoenixville

#### Q.1.1 Community History

The Borough of Phoenixville is a growing municipality located just west of the Valley Forge National Historical Park at the junction of the Schuylkill River and French Creek in northern Chester County. These waterways had much to do with its industrial past, aiding in the production of iron and steel, for which the Borough became world-renowned. During the early twentieth century, Phoenixville was a significant manufacturing center and home to the Phoenix Iron and Steel Company. The Phoenix Works produced a patented gun used in the Civil War, as well as rails and structural supports used for buildings, bridges, and viaducts around the world. Producing over 500 tons of steel each day, the company employed over 2,000 people. As a result of these employment opportunities, Phoenixville was settled by a populace of diverse cultural, racial, and ethnic backgrounds.

By the 1980s, Phoenixville Works was in decline as a result of the waning iron and steel industry in Pennsylvania. All steel production in Phoenixville ceased by 1984. The Borough entered a period of decline into the 1990s as a result of the factory's closing. This was also a period of time when dense urban communities were losing population to the increasingly sprawling suburbs, epitomized in Chester County. Stores in downtown Phoenixville became shuttered and commercial activity slowed significantly. Even the historic Colonial Theater, a centerpiece of the community that opened its doors in 1903 during Phoenixville's heyday and was made famous by the filming of *The Blob*, closed its doors in 1996.



Phoenixville Foundry - Superintendent's Building, Chester County. PHMC Photo Collection.

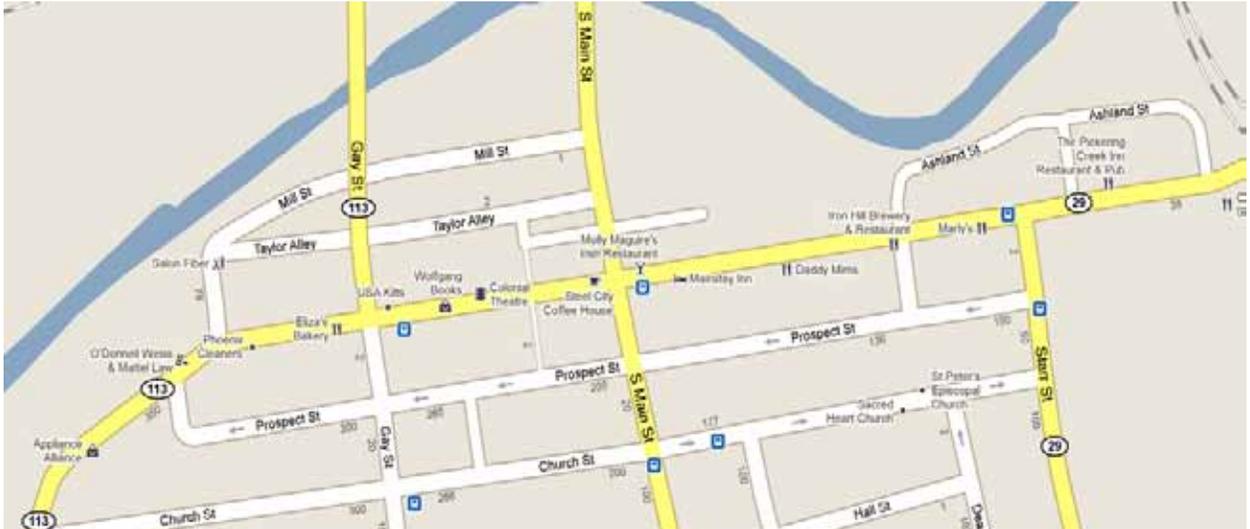
Phoenixville's hard times were fairly short lived, however. The same year the theater closed it was purchased by the Phoenixville Area Economic Development Corporation (PAEDCO) and soon after by the Association for the Colonial Theater (ACT). PAEDCO also purchased the remaining historic Phoenix Works foundry building in 1998 to convert it to a visitor's center and event space. ACT reopened the Colonial Theater in 1999 and continued improvements into the 2000s. By the beginning of the 21st century, Phoenixville's economic renaissance was solidly underway.

According to the 2000 Census, Phoenixville's population was 14,788, down from 15,066 in 1990. Population estimates for 2009, however, indicate an increase to 16,643. It can be assumed that the downtown renaissance is reflected in this estimate as people are increasingly choosing the Borough as a place to live.

## Q.1.2 Phoenixville’s Main Street Program

“Main Street” in Phoenixville is actually Bridge Street – a 6-block long corridor stretching from Prospect Street on the west to Ashland Street on the east (see Figure Q.1).

Figure Q.1 Bridge Street, Phoenixville’s ‘Main Street’



Source: Google Maps (2010)

Bridge Street is lined with historic storefronts containing retailers of all types, including restaurants, bars, home furnishings stores, and other community-serving amenities. The street is also home to small professional businesses. Three of the Borough’s most iconic historic buildings round out the business district as well – the Colonial Theater and the Superintendent’s Building on Bridge Street, and the Phoenixville Foundry building just off Bridge Street on S. Main Street. Each of these buildings, along with several building façades, has contributed to Main Street Phoenixville’s resume of historic preservation advocacy.



Phoenixville Historic District, Chester County. Photo by PHMC.

Main Street Phoenixville began in 2001, when it applied to PDC for a Designation grant to get the program underway. Like most Main Street communities, Phoenixville began façade improvements, paid for by DCED funds provided to the program during the designation period. Its current manager is Barry Cassidy, although he actually works as a developer now but serves as de facto Main Street manager.

Initially, Main Street Phoenixville experienced challenges getting the program started. The first manager focused entirely on planning events and did not effectively reach out to the downtown businesses. Mr. Cassidy was the first to meet with businesses and community stakeholders to begin forming a vision for Bridge Street and the downtown. Prior to the Main Street program, Phoenixville merchants felt they were not in demand in the local region, and that Phoenixville had a negative stigma. Merchants were enthusiastic about the Main Street

program for their business district and hoped that it would bring prestige and recognition to the downtown. Since the program's inception, it has done just that; businesses in the region aspire to having a Phoenixville address because of the tremendous success of the downtown, and the downtown merchants are extremely proud of that success.

Once its designation period ended in 2005, Main Street Phoenixville ceased membership with PDC while continuing to pursue its arts and entertainment strategy for downtown revitalization, but still follows the Four Point approach. The Borough's current highest priority is two of the four points - blending design and economics. For Main Street Phoenixville, historic preservation is a key theme among all of the points. Mr. Cassidy reports that the downtown merchants and business owners truly understand the importance of preservation in revitalizing Phoenixville. They look to Main Street Phoenixville as having a lead role in downtown preservation, and look to the organization as a resource.

The Borough has a historical architectural review board (HARB) that advises Borough officials on matters affecting architecture, design, and preservation. With a planning grant from the County and Borough, Mr. Cassidy wrote the HARB guidelines to Secretary of the Interior standards, and maintains a position on the HARB. This arrangement forms a direct connection between the Borough's stance on preservation and the design encouraged by Main Street Phoenixville. As a result, the HARB is a key preservation partner with the Main Street program, along with the Borough of Phoenixville.

### Q.1.3 Key Preservation Projects and Investments

Main Street Phoenixville has administered a variety of preservation-related projects using a variety of funding sources, including historic tax credits, façade improvement grants, and private investment. Even before Main Street Phoenixville existed in 2001, the Borough took advantage of the federal historic tax credit program, rehabbing several buildings at a 2010 cost of \$1.7 million. Since Main Street Phoenixville's inception, tax credits have been used to rehabilitate five more buildings in downtown Phoenixville totaling about 40,000 square feet, with total project costs of about \$9 million (see Table Q.1A). Several other recent preservation projects have been administered by Main Street Phoenixville that did not use historic tax credits, such as the Colonial Theater, which received funds for rehabilitation from the Pennsylvania Historical and Museum Commission (see Table Q.1B). All told, Main Street Phoenixville administered or participated in the completion or rehabilitation of buildings whose public and private investment amounts to a total of approximately \$24 million since the organization began in 2001.



Phoenixville Colonial Theatre, Chester County. PHMC Photo Collection.

**Table Q.1A Federal Rehabilitation Tax Credit Projects Administered by Main Street Phoenixville**

Project	Type	Year	Investment
Phoenixville Foundry	Commercial	2009	\$4.7M
Superintendents Building	Commercial	2009	\$2.4M
249 Bridge Street	Mixed-Use	2003	\$0.1M
235 Bridge Street	Mixed-Use	2008	\$1.4M
307 Vanderslice Street	Residential	2007	\$0.6M
TOTAL			\$9.1M

Source: Pennsylvania Historical and Museum Commission (2010)

**Table Q.1B Other Historic Preservation Projects Administered by Main Street Phoenixville**

Project	Type	Investment
Colonial Theater	Commercial	\$2,000,000
Iron Hill Building	Mixed-Use	\$2,800,000
Mimms Building	Mixed-Use	\$800,000
Justice Center	Office	\$3,000,000
Gateway Building	Office	\$3,400,000
Legacy Properties	Mixed-Use	\$2,000,000
Gooddavage Properties	Mixed-Use	\$300,000
Molly McGuires	Commercial	\$800,000
Façade Program	Commercial	\$150,000
TOTAL		\$15,250,000

Source: National Trust for Historic Preservation (2010), Pennsylvania Historical and Museum Commission (2010)

## Q.2 Gettysburg

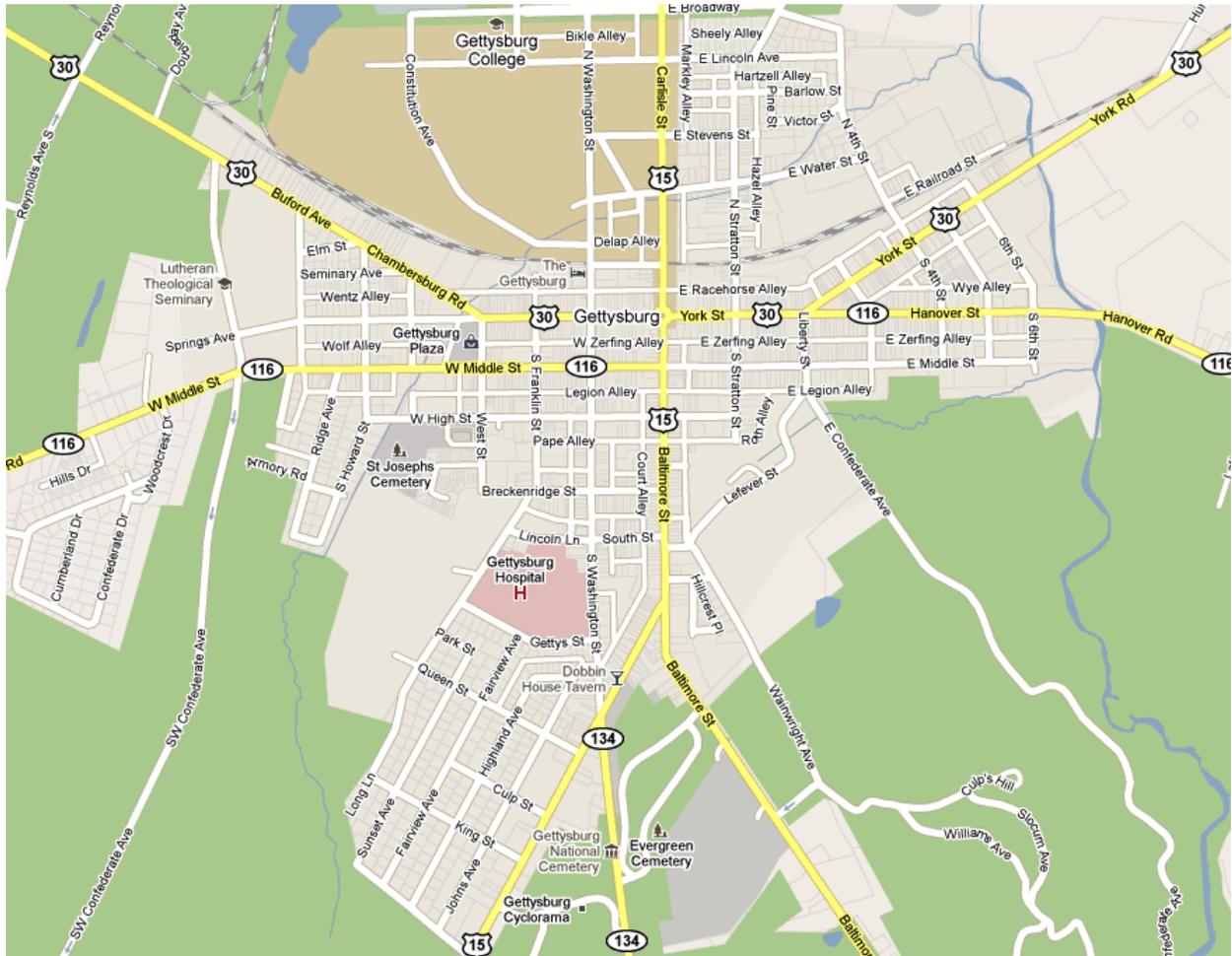
### Q.2.1 Community History

Gettysburg is a historic community located among the vast fertile farmlands of Adams County in South-central Pennsylvania, just north of the Mason-Dixon Line. Gettysburg’s history can be traced to the late 18th century when a local resident named Samuel Gettys built a tavern in 1775 to serve travelers between Pittsburgh, Baltimore, and Philadelphia. Eleven years later the Borough of Gettysburg was incorporated. In 1826, the Lutheran Theological Seminary was established, followed soon after by the founding of its sister institution, Gettysburg College, in 1832. By the mid nineteenth century, the Gettysburg Railroad was under construction and completed in 1859, expanding the town’s population even further.



Gettysburg Train Station and Majestic Theatre, Adams County. Photo by PHMC.

Figure Q.2 Downtown Gettysburg and Surrounding Districts



Source: Google Maps (2010)

At that time, tensions were brewing between the Union and Confederacy over slavery, leading to the outbreak of the Civil War in 1861. After an advance of the Confederate army northward, the famous three-day battle broke out with the Union army in Gettysburg in July of 1863. Having suffered significant losses, the Confederate army retreated to Virginia after the third day of fighting. The Battle of Gettysburg resulted in 50,000 American casualties. Later that year, President Abraham Lincoln delivered the famous Gettysburg Address at Gettysburg National Cemetery on Cemetery Hill. The community spent years recovering from the devastating battle.

Because of its location, agriculture played an important role in Gettysburg's history following the Civil War. And because of its importance in the war, tourism became a new and more significant industry for the town. Over



Gettysburg Battlefield, Adams County. Photo by PHMC.

the course of the next century, the citizens of Gettysburg worked to preserve the famous battlefield along with other key buildings and resources that contribute to the town's unique history. As a result, tourism continues to be the Borough's largest economic generator.

According to the 2000 Census, Gettysburg's population was 7,490, up from 7,025 in 1990. Population estimates for 2009 indicate a continued modest increase to 8,072.

## Q.2.2 Gettysburg's Main Street Program

The Main Street Gettysburg organization oversees an area in the Borough centered on Lincoln Square, including the immediate downtown, as well as various districts encompassing the Lutheran Seminary and Seminary Hill to the west, Gettysburg College to the north, and the Steinwehr Avenue area near Gettysburg National Cemetery to the south (see Figure Q.2). However, the bulk of the organization's investment and attention is in the downtown district surrounding Lincoln Square for several blocks, particularly to the south, east, and west.



Gettysburg Historic District, Adams County. Photo by PHMC.

Located throughout the districts of Gettysburg, but particularly in the immediate downtown area, are a variety of restaurants, bars, inns, home furnishings/antique stores, galleries, and gift/souvenir stores. The districts are also home to various small professional businesses. Aside from a few buildings at Gettysburg College and the Lutheran Seminary, the downtown district contains the bulk of the Borough's most iconic historic buildings, including the Majestic Theater, David Wells House, and the Gettysburg train station. Each of these buildings, along with several building façades, has contributed to Main Street Gettysburg's efforts of historic preservation.

Main Street Gettysburg began in 1984, and is one of the first and oldest Main Street programs in the Commonwealth. Its current manager is Deborah Adamik, who took over the role of President and CEO of Main Street Gettysburg in 2007.

Main Street Gettysburg has a different role, capacity, and jurisdiction than most typical programs. Instead of focusing on a single commercial corridor or street, the organization has been involved in projects and initiatives throughout the Borough. Part of this is due to the Borough's geography; instead of a main street, Gettysburg has a main square from which several arteries radiate. Each has an important role in the downtown's commercial environment. Part of this culture also evolves from the organization's vision, which started in 1990 with the Gettysburg Historic Pathways Plan. This document provided Main Street Gettysburg with its first blueprint for celebrating Gettysburg's history and promoting it to visitors. As a result, Main Street Gettysburg has become a key partner in projects all over town. The agency sees itself as an umbrella organization, uniting and working with such community players as the Chamber of Commerce, merchants association, economic development corporation, and the Borough itself.

A key to this continued unification and the most influential guide to preservation and Main Street investment activities in Gettysburg is the Interpretive Plan, completed in 2000. The

**Table Q.2 Federal Rehabilitation Tax Credit Projects Administered by Main Street Gettysburg**

<b>Project</b>	<b>Type</b>	<b>Investment</b>
Jenny Wade Birth Place	Commercial	\$99,000
Fahnestock Building	Commercial	\$2,400,000
Huber Building	Commercial	\$350,000
Danner House	Commercial	\$400,000
Scharf Bigham Building	Commercial	\$2,700,000
253 S. Washington St.	Commercial	\$84,000
245-249 S. Washington St.	Commercial	\$147,000
30-32 N. Stratton St.	Commercial	\$148,000
127-129 Breckenridge St.	Commercial	\$203,000
123 Breckenridge St.	Commercial	\$92,000
Elizabeth Keyes House	Commercial	\$596,000
George Swope House	Commercial	\$185,000
215 N. Washington St.	Commercial	\$133,000
Sewing Factory	Commercial	\$238,000
Gettysburg Compiler Bldg	Commercial	\$162,000
James Getty Hotel	Commercial	\$1,200,000
34 York Street	Commercial	\$388,000
<b>TOTAL</b>		<b>\$9,525,000</b>

*Source: Pennsylvania Historical and Museum Commission (2010)*

plan is truly the doctrine under which Main Street Gettysburg operates today. Eleven partner organizations designated Main Street Gettysburg the lead agency for implementing the plan and signed a memorandum of understanding to make it official. Since the plan’s adoption, Main Street Gettysburg has been working to preserve historic resources, provide economic benefits, maintain quality of life, and provide quality interpretation and education. The organization reports that to date, activities implemented by Main Street Gettysburg and its partners under the guidance of the plan have resulted in a \$34 million return on investment.

With its clear charge and mission outlined in the Interpretive Plan, Main Street Gettysburg has not maintained a close relationship with PDC, although the organization has applied for DCED façade improvement grants. It does, however, have good connections with the National Trust for Historic Preservation, and often attracts national-level events and press because of the Battlefield. Main Street Gettysburg does still follow the Four Point approach and has organized all of its priority partnership initiatives from the Interpretive Plan under each of the four points. These initiatives include branding, various preservation projects, completing the Steinwehr Revitalization Plan, implementing the Gettysburg 20/20 Ten Year Strategic Plan, fundraising, directional signage, and preparing for the 150th commemoration of the Civil War set to begin in 2011.

### Q.2.3 Key Preservation Projects and Investments

Main Street Gettysburg has administered a variety of preservation-related projects using multiple funding sources, including historic tax credits, façade improvement grants, and private investment. Particularly impressive is the success of the federal historic tax credit program in Gettysburg, which was used since 1981 before Main Street Gettysburg formed three years later. Prior to the program, about \$72,000 (2010 dollars) in investments were made to two buildings. Since the program's inception, tax credits have been used to rehabilitate 17 buildings totaling more than 70,000 square feet, at a 2010 inflated cost of \$9.5 million (see Table Q.2).

As the table shows, historic rehab projects have included the Gettysburg Compiler Building, 215 N. Washington Avenue, the Sewing Factory, the Gettysburg Hotel, 34 York Street, the George Swope House, and numerous individual storefront façades. A variety of other preservation projects not using tax credits have occurred in Gettysburg with which Main Street Gettysburg has assisted. These include the Majestic Theater, the David Wills House, and the Gettysburg train station. Information is not available on the amount of public and private investments made in these buildings as part of the rehabilitation.



Gettysburg Historic District, Adams County. Photo by PHMC.

## Q.3 Lewisburg

### Q.3.1 Community History

Lewisburg is the county seat of Union County, located on the banks of the Western Branch of the Susquehanna River. Lewisburg was first settled by Ludwig Derr, who arrived in the area in 1770. He purchased over 300 acres of land in 1773 to create a town for commerce amidst the farmland of the picturesque Susquehanna Valley. Derr built a grist mill on the banks of the river and platted lots for building. By 1788 there were 40 residents in town, which was named Derrstown.

The town continued to grow into the 19th Century and was incorporated in 1813 as a Borough. Soon a school was built as was a canal to improve access to trade on the river. Following Ludwig Derr's death, the town's name was changed to Lewisburg and it became the county seat of Union County. It is believed that Lewis came from the translation of Ludwig to English.

Bucknell University is a major educational institution and an important part of the community fabric in Lewisburg, and has contributed significantly to the economic vitality of the Borough. A local farmer conceived of the idea for a university in Lewisburg and helped purchase 73 acres for the campus. Once sufficient funds were raised to validate the school's charter, the university was officially founded in 1846 as Lewisburg University. The school's name was changed to Bucknell University in 1887 after benefactor William Bucknell helped save the institution from financial ruin.

Over the subsequent years, Lewisburg continued to be a center for commerce. The West Branch was used for logging and shipping, and factories were built to take advantage of the water power.

With the success of the town came the construction of homes and businesses. The commercial district that evolved on Market Street remains intact today, and was recently placed on the National Register of Historic Places.

According to the 2000 Census, Lewisburg’s population was 5,620, slightly down from 5,785 in 1990. Population estimates for 2009 indicate a continued modest decrease to 5,500.

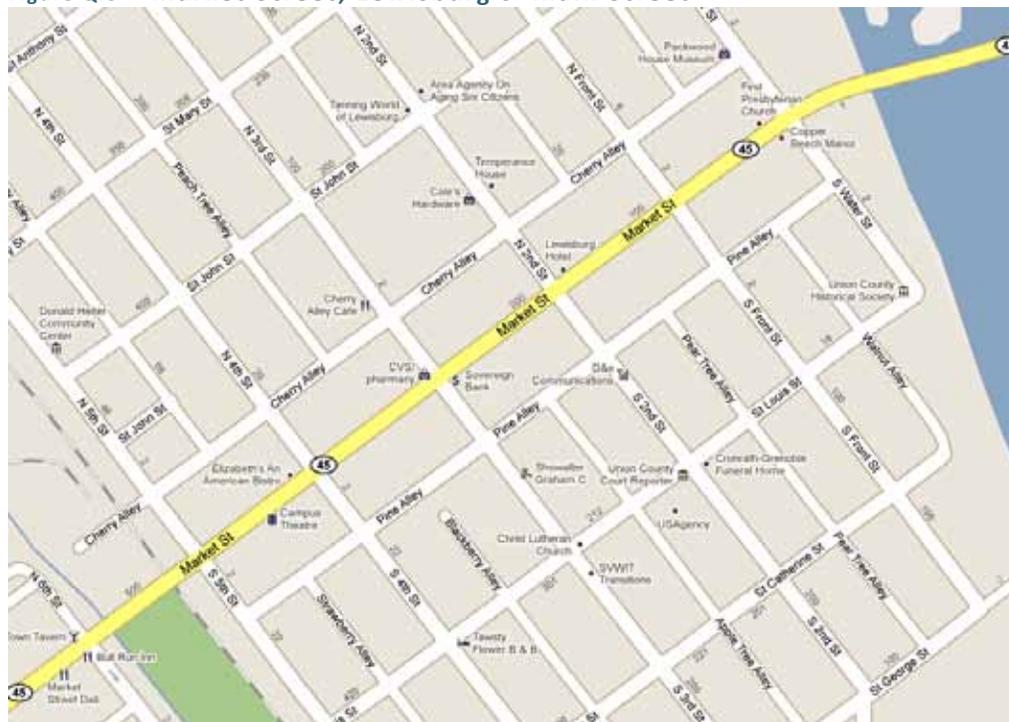
### Q.3.2 Lewisburg’s Main Street Program

‘Main Street’ in Lewisburg is actually Market Street – a 6-block long corridor stretching from S. 6th Street on the west to S. Water Street on the east (see Figure Q.3). Lewisburg’s Main Street organization is called the Lewisburg Downtown Partnership (LDP).

Market Street is lined with historic storefronts containing a variety of retailers, including restaurants, bars, and other community-serving amenities. The street is also home to small professional businesses, such as law and insurance offices, as well as banks. The Borough’s most revered historic commercial buildings can be found in the business district as well, including the Campus Theater, the Dave Mensch building, the Packwood House museum, and the Chamberlain Building. These buildings among others, along with several building façades, have contributed to LDP’s efforts of historic preservation advocacy.

The Lewisburg Downtown Partnership began in 2000 as a 501c(3) organization, and received the Designation grant from PDC in 2003. Its current manager is Linda Sterling, who has held the position since the organization’s inception. LDP experienced little challenge getting the program started. Preservation was traditionally an important philosophy in Lewisburg, and the Borough had already had a HARB in place prior to the formation of the Main Street organization. Furthermore,

Figure Q.3 Market Street, Lewisburg’s ‘Main Street’

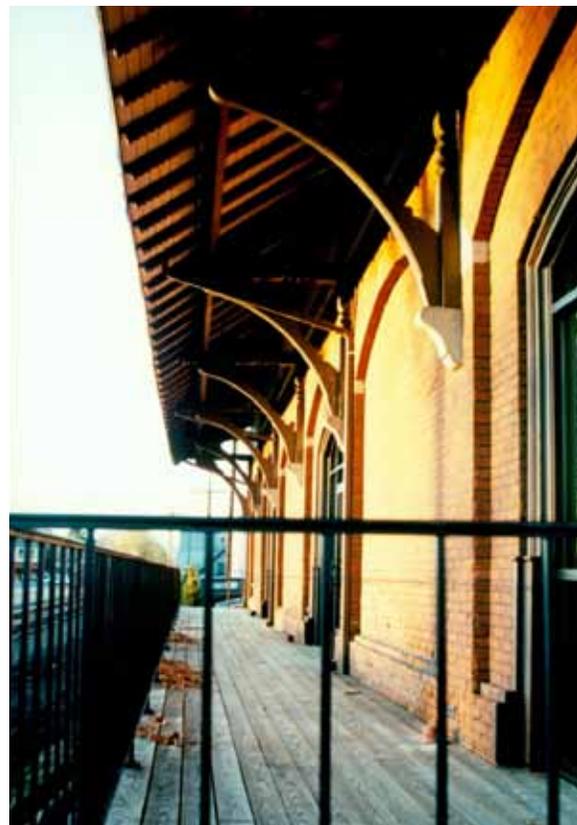


Source: Google Maps (2010)

the downtown comprehensive plan from the 1950s stated the preservation of downtown as a key goal and policy. As a result, Ms. Sterling reports that the Borough, university, and businesses were all extremely supportive of the creation of LDP, and preservation remains an important aspect of its mission. Recently there has been some tension between preservation and development advocates regarding specific projects as the downtown's success continues. But the downtown constituents understand the connection between preservation and economic development, so compromises are usually reached.

LDP initially focused on façade improvements, using DEP grants offered during the designation period. Today, LDP continues an active membership with PDC, and actively follows the Four Point approach. For LDP, historic preservation is a key theme among all of the points, and it recognizes the importance of design, but the organization's current priority is economic development. The goal is to support the businesses as necessary to keep the foot traffic on Market Street steady if not increasing.

The LDP is also thinking about its future; in 2007 it completed a five-year strategic plan for the organization through 2012 after having received its last Main Street DEP grant in 2005. With the plan it hopes to employ the following strategies: share key projects among LDP committees and measure success through project outcomes; brand the downtown as a destination and establish the LDP as the downtown steward; anticipate challenges and proactively shape the future of downtown; reinforce LDP's status as an economic development engine for Lewisburg; understand the downtown's niche in the region; establish a sustainable funding mechanism; coordinate planning processes of Borough, University, and County to create a downtown master plan; and reestablish Lewisburg as a "river town" and enhance downtown connections with the river and its revitalization.



Reading Company Freight Station, Lewisburg, Union County. Photo by PHMC.

### Q.3.3 Key Preservation Projects and Investments

LDP has administered a variety of preservation-related projects using a variety of funding sources, including historic tax credits, façade improvement grants, and private investment. The historic tax credit program was used for two historic rehab projects in Lewisburg prior to the creation of LDP – the Chamberlain Building and the Reading Freight Station – totaling 23,000 square feet. The combined investment in 2010 dollars was \$1.5 million. Since the creation of the LDC, no tax credits have been used. However, the LDC has been involved in a variety of preservation projects in the downtown, including the Campus Theater, 535 Market Street, Shoemaker Building, Packwood House Museum, 339 Market Street, and the Pineapple Inn. While a comprehensive list of projects and associated investments is not available, the LDP reports a total investment of over \$1.4 million in downtown historic commercial property improvement since its operation began in 2000.