Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2015

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

National Park Service
U.S. Department of the Interior
Technical Preservation Services

This executive summary is based on the findings of a National Park Service-funded annual study undertaken through a cooperative agreement with Rutgers University. The University is responsible for the content of the study.

Center for Urban Policy Research
Edward J. Bloustein School of Planning and Public Policy
Rutgers, The State University of New Jersey
New Brunswick, NJ 08901

Technical Preservation Services
National Park Service
U.S. Department of the Interior
Washington, DC 20240

The National Trust for Historic Preservation provided assistance in the preparation of the two case studies.

August 2016

Cover photo: The Hill Building, Durham, North Carolina, photo by GLINTstudios courtesy of 21c Museum Hotels

A Message from the National Park Service

Beyond the National Park System, the National Park Service through its Cultural Resources, Partnerships, and Science Programs is part of a national preservation partnership working to promote the preservation of historic resources in communities small and large throughout the country. For the past 38 years, the National Park Service, in partnership with the State Historic Preservation Offices, has administered the Federal Historic Preservation Tax Incentives Program.

Commonly referred to as the Federal Historic Tax Credit (HTC), the HTC is designed to not only preserve and rehabilitate historic buildings, but to also promote the economic revitalization of older communities in the nation's cities and towns, along Main Streets, and in rural areas. Targeted to income-producing buildings, the HTC program is the largest and most effective Federal program specifically supporting historic preservation. Since the program's inception in 1976, the National Park Service has certified the rehabilitation of more than 41,254 historic properties throughout the United States.

In Fiscal Year (FY) 2015, 870 completed historic rehabilitation projects were certified by the National Park Service, representing $4.47 billion in estimated rehabilitation costs that qualify for a 20% Federal tax credit. (Another 1,283 proposed projects were also approved in FY 2015.) Many of these projects involved buildings that were abandoned or underutilized, and in need of substantial rehabilitation to return them to, or for their continued, economic viability. The HTC program also is an important tool in helping to revitalize older, economically depressed communities. Based on project data provided by the National Park Service, PolicyMap has determined that over 55% of the certified rehabilitation projects in FY 2015 were located in low and moderate income census tracks.

The National Park Service issues annual reports on the HTC program quantifying the number of historic rehabilitations certified each year, their reported costs, and other statistical information on the program. The annual and statistical reports are available on the National Park Service's Technical Preservation Services (TPS) website at http://www.nps.gov/tps/tax-incentives.htm, along with information on the HTC program in general.

For FY 2015, the National Park Service also turned to the Rutgers University Center for Urban Policy Research, through a cooperative agreement, to undertake and report on the economic impacts of the HTC for the fiscal year ending September 30, 2015. This report highlights its main findings. An economic model originally developed by the Center under a series of grants from the National Park Service was utilized in the preparation of this report. The economic model was utilized by the Center for their six prior reports on the Federal HTC, as well as for a number of other economic reports for state governments and others.

As the Center's report identifies, the level and breadth of economic impacts resulting from the Federal HTCs in FY 2015 are quite impressive. In addition, the report includes information on the cumulative economic impact of the Federal Historic Preservation Tax Incentives Program for the past 38 years, starting in 1977-78 with the first completed rehabilitation project to be certified by the National Park Service under the program. The program remains one of the Federal government's most successful and cost-effective community revitalization programs.

Technical Preservation Services

Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2015: Executive Summary

Overview of the Rutgers Economic Analysis

The federal historic tax credit (HTC) is a federal income tax credit that promotes the rehabilitation of income-producing historic properties. This study examines the economic impacts of the HTC (currently at 20 percent) by analyzing the economic consequences of the project it supports. This analyses focuses on the economic effects of these projects during construction, quantifying the total economic impacts (i.e., direct as well as multiplier, or secondary, economic consequences) for the fiscal year ending September 30, 2015, and for the period since the program's inception. The study utilizes the Preservation Economic Impact Model (PEIM), a comprehensive economic model development by Rutgers University for the National Park Service.

The current analysis applies the PEIM to both cumulative (FY 1978 through FY 2015) HTC-related historic rehabilitation investment (about $120.8 billion in inflation-adjusted 2015 dollars) and single-year (FY 2015) HTC-related rehabilitation investment (about $5.0 billion). It considers the effects of the cumulative $120.8 billion rehabilitation investment as if it applied to one year (2015), rather than backdating the PEIM for each of the 38 years in the study period. It also considers the full rehabilitation investment associated with the HTC (e.g., $5.0 billion in FY 2015), and not the somewhat lower amount reported by the National Park Service based on estimated qualified rehabilitation costs indicated by property owners requesting certification of rehabilitation for purposes of the tax credit (e.g., $4.5 billion in FY 2015). [1]

The results of the PEIM include many fields of data. The fields most relevant to this study are the following:

- JOBS: Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.
- INCOME: "Earned" or labor income; specifically, wages, salaries, and proprietor income.
- WEALTH: Value-added—the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP).
- OUTPUT: The value of shipments, as reported in the Economic Census.
- TAXES: Tax revenues generated by the activity, which include taxes to the federal government and to state and local governments.

[1] The HTC has a multistep application process, encompassing Part 1 (evaluation of the historic significance of the property), Part 2 (description of the proposed rehabilitation work), and Part 3 (request for certification of completed work). Both Part 2 and Part 3 rehabilitation statistics include only estimated costs considered "eligible" or "qualified" for the tax credit under the Internal Revenue Code (Qualified Rehabilitation Expenditures, or QREs), as opposed to "ineligible" or "nonqualified" costs. While the ineligible/nonqualified expenses do not count for tax credit purposes, they are a component of the total rehabilitation investment or cost borne by the HTC developer. In practical terms, the total rehabilitation investment, including ineligible/nonqualified costs, helps pump-prime the economy. For example, in FY 2015, the estimated investment for Part 3 certified projects amounted to about $4.5 billion, while the total rehabilitation outlay associated with the HTC was an estimated $5 billion.

The following table summarizes the impacts of the HTC in inflation-adjusted 2015 dollars for each of these economic measures for the cumulative period FY 1978-2015 and for FY 2015.

National Economic Impacts

Federal HTC-assisted Rehabilitation

	$120.8 billion CUMULATIVE (FY 1978-2015)[2] historic rehabilitation expenditures (adjusted for inflation) result in:	$5 billion ANNUAL FY 2015 historic expenditures results in:
Jobs (person-years, in thousands)	2,361.0	86.0
Income ($ billion)	99.1	3.5
Output ($ billion)	271.7	9.4
GDP ($ billion)	134.7	4.8
Taxes ($ billion)	39.0	1.3
Federal ($ billion)	28.1	0.8
State ($ billion)	5.4	0.2
Local ($ billion)	5.4	0.2

The benefits of investment in HTC-related historic rehabilitation projects are extensive, increasing payrolls and production in nearly all sectors of the nation's economy. The cumulative effects for the period of FY 1978 through FY 2015 are illustrative. During that period, $120.8 billion in HTC-related rehabilitation investment created 2,361,000 jobs and $134.7 billion in GDP, about 29 percent of which (691,000 jobs and $38.9 billion in GDP) was in the construction sector. This is as one would expect, given the share of such projects that require the employment of building contractors and trades. Other major beneficiaries were the service sector (435,000 jobs, $17.8 billion in GDP), the manufacturing sector (487,000 jobs, $35.0 billion in GDP), and the retail trade sector (350,000 jobs, $9.9 billion in GDP). As a result of both direct and multiplier effects, and due to the inter-connectedness of the national economy, sectors not immediately associated with historic rehabilitation, such as agriculture, mining, transportation, and public utilities, benefit as well. (Summary Exhibit 1).

[2] Changes in the official annual reported rates of inflation caused the Rutgers research team to make various changes in the calculations concerning the economic impacts of the historic tax credit (HTC) over time. The changes are particularly notable over the past few years when job counts ensuing from the HTC had to be adjusted.

The most recent economic benefits of the federal HTC are also most impressive. In FY 2015, HTC-related investments generated approximately 86,000 jobs, including 29,000 in construction and 19,000 in manufacturing, and were responsible for $4.8 billion in GDP, including $1.6 billion in construction and $1.3 billion in manufacturing. HTC-related activity in FY 2015 generated $3.5 billion in income, with construction ($1.3 billion) and manufacturing ($823 million) reaping major shares. (See Summary Exhibit 2 for more details.) These benefits were especially welcome in 2015, as the nation continued its economic recovery.

The HTC National Economic Impacts

HTC-related historic rehabilitation benefits state economies as well as the national economy. For example, in New York State in FY 2015, federal HTC-related rehabilitation activity totaled about $604 million. The national impacts of that investment included 9,996 jobs, an additional $1,137 million in output, $431 million in income, $575 million in GDP, $104 million in federal taxes, and $176 million in total taxes. In New York alone, the same $604 million in HTC-related spending resulted in 5,710 jobs, $604 million in output, $268 million in income, $331 million in gross state product (GSP), and $97 million in total taxes. Most of the HTC projects were in upstate New York.

HTC Impacts Compared with Those of Nonpreservation Investments and Housing Contributions

How does HTC-related historic rehabilitation perform as an economic pump-primer compared with other, nonpreservation investments? In short, quite well.

Numerous studies conducted by Rutgers University have shown that in many parts of the country, a $1 million investment in historic rehabilitation yields markedly better effects on employment, income, GSP, and state and local taxes than an equal investment in new construction or many other economic activities (e.g., manufacturing or services). These findings demonstrate that historic rehabilitation, combined holistically with the many activities of the broader economy, delivers a commendably strong “bang for the buck.”

About half of all HTC transactions include housing. Often used in combination with programs such as the Low Income Housing Tax Credit (LIHTC), the HTC has produced powerful and very beneficial results in this area. From FY 1978 through FY 2015, the HTC has been involved in the creation of a reported 527,866 housing units. Of that 527,866 total, 264,602, or 50.1 percent, were existing housing units that were rehabilitated; 263,264 or 49.9 percent, were newly creating housing units (e.g., housing resulting from the adaptive reuse of commercial space). In addition, 146,074, or 27.6 percent of the total housing units, produced (527,866), were affordable to low- and/or moderate income (LMI) families. In FY 2015, of the 23,569 units created (rehab and other) produced under the federal HTC, 8,096 (34 percent) were LMI units. The federal HTC’s influence on housing, largely invisible to the general public, deserves much greater attention, given its production of housing in general and LMI housing units in particular.

The Cost of the HTC

The HTC is a tax expenditure and has a public cost. In the simplest terms, the federal cost of the HTC is equal to the credit percent (20 percent since 1986) applied to the Part 3 ("qualified for tax credit") estimated investment.[3] Applying that calculation, the federal HTC costs the U.S. Treasury approximately $23.0 billion (in inflation-adjusted 2015 dollars) over the period of FY 1978 through FY 2015, while the cost for projects certified by the National Park Service in FY 2015 alone was about $895 million.[4] Weighing against these costs are the significant economic impacts (i.e., jobs, income, GDP, and output) and tax revenue (federal, state, and local) generated by HTC-aided rehabilitations and documented in this study. An important finding is that the HTC yields a net benefit to the U.S. Treasury, generating $28.1 billion in federal tax receipts over the life of the program, compared with $23.1 billion in credits allocated.

Summary of HTC Impacts

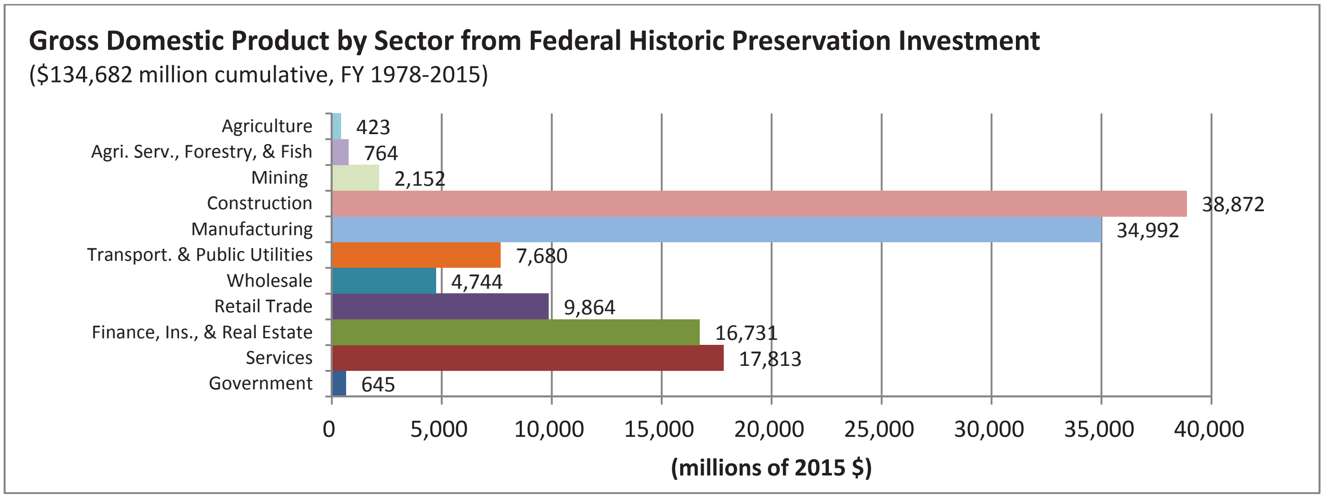
In short, the federal HTC is a good investment for local communities, individual states, and the nation. The cumulative impacts of the program to date (FY 1978 through FY 2015) support this conclusion.[5]

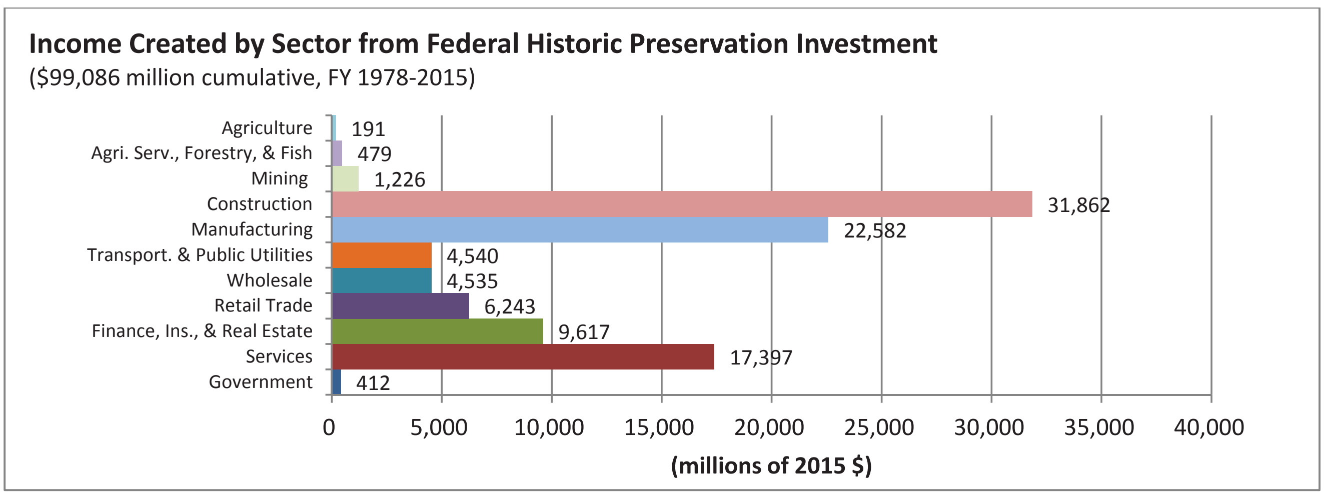
- An inflation-adjusted (2015 dollars) $23.1 billion in HTC cost encouraged a five times greater amount of historic rehabilitation ($120.8 billion).
- This rehabilitation investment generated about 2.4 million new jobs and billions of dollars in total (direct and secondary) economic gains.
- The cumulative positive impacts on the national economy included $271.7 billion in output, $134.7 billion in GDP, $99.1 billion in income, and $39.0 billion in taxes, including $28.1 billion in federal tax receipts.
- The leverage and multiplier effects noted above support the argument that the federal HTC is a strategic investment that works.

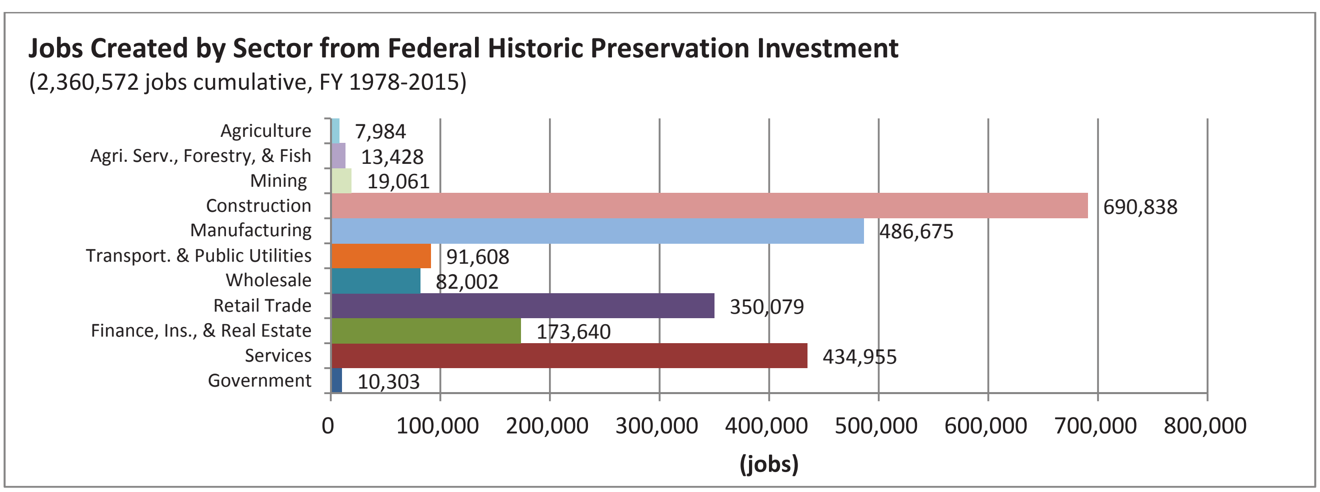
The tables on the following two pages summarize the impacts of the HTC in inflation-adjusted 2015 dollars for each of the economic measures for the cummulative period of FY1978-2015 and for FY 2015.

[3] See footnote 1.
[4] These estimates are based on full utilization of the credits in cases of certified rehabilitations. For various reasons, not all completed projects certified by the National Park Service may ultimately utilize the credit. Their economic impact, nevertheless, remains.
[5] See footnote 2.

SUMMARY EXHIBIT 1
National Economic and Tax Impacts of Federal HTC-related Activity
FY 1978 through FY 2015 (HTC Investment: $120.8 billion)

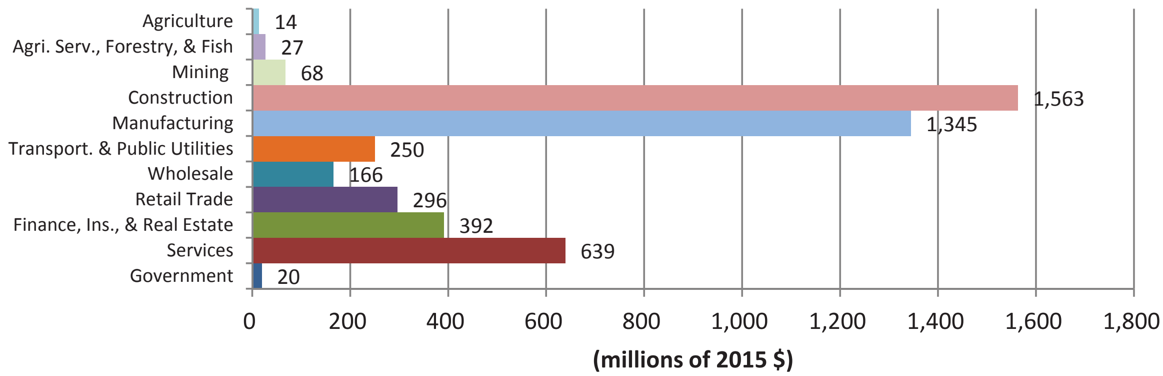




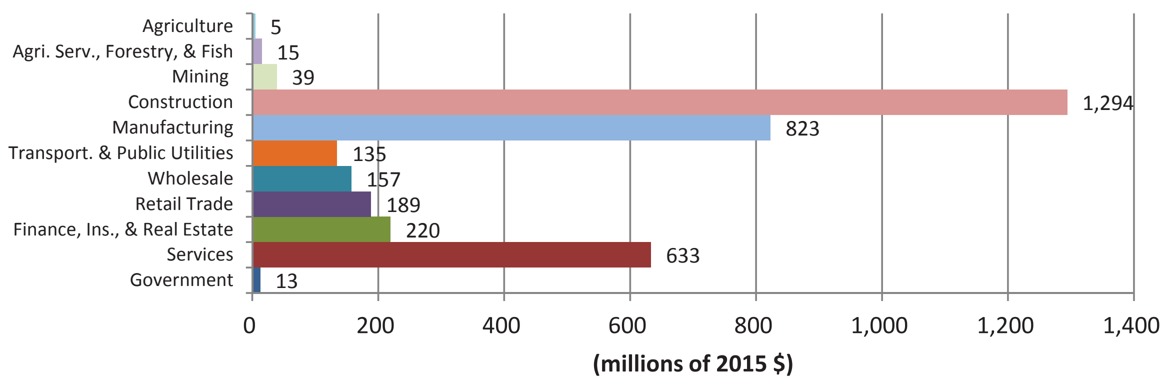


SUMMARY EXHIBIT 2
National Economic and Tax Impacts of Federal HTC-related Activity
FY 2015 (HTC Investment: $5.0 billion)

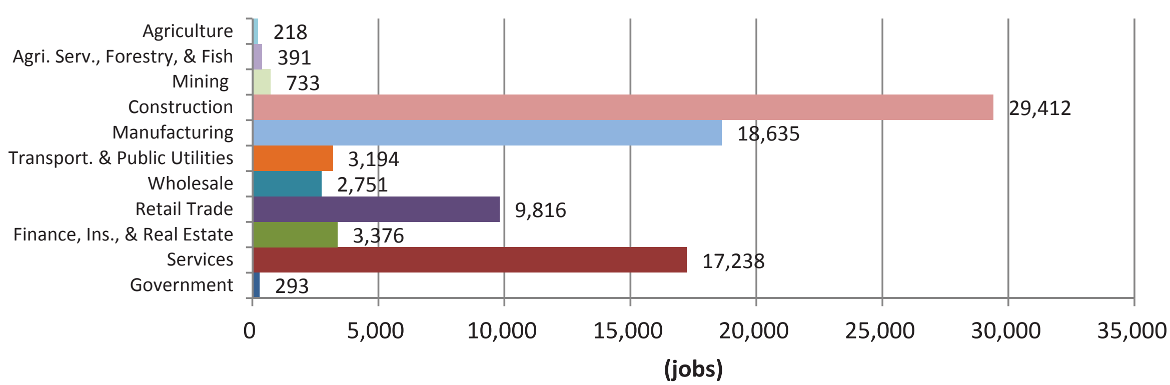
Gross Domestic Product by Sector from Federal Historic Preservation Investment
($4,781 million, FY 2015)



Income Created by Sector from Federal Historic Preservation Investment
($3,522 million, FY 2015)



Jobs Created by Sector from Federal Historic Preservation Investment
(86,058 jobs, FY 2015)



National Economic and Tax Impacts of Federal HTC-related Investment by State, Fiscal Year 2015

State	Total Rehabilitation Costs (in 2015 $ millions)	National Economic Impacts				Tax Impacts (in 2015 $ thousands)			
		Employment (jobs)	(in 2015 $ millions) Income	GDP	Output	Local	State	Federal	Total
Alabama	$22.0	407	$14.0	$26.3	$36.1	$391	$582	$3,359	$4,331
Alaska	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
Arizona	$2.2	38	$1.3	$1.7	$4.3	$2,104	$1,359	$371	$3,834
Arkansas	$12.5	260	$8.7	$13.0	$23.2	$249	$454	$2,100	$2,803
California	$231.9	3,459	$168.1	$219.5	$453.7	$5,851	$9,356	$42,595	$57,802
Colorado	$79.2	5,078	$55.8	$77.4	$149.0	$2,015	$2,567	$13,190	$17,772
Connecticut	$106.3	1,522	$74.0	$102.9	$194.5	$5,599	$4,747	$17,040	$27,386
Delaware	$0.4	7	$0.3	$0.4	$0.8	$20	$21	$69	$111
Dist of Columbia	$28.7	417	$19.3	$26.2	$50.5	$1,929	$774	$3,920	$6,622
Florida	$52.2	911	$36.9	$50.0	$97.8	$2,701	$1,633	$8,813	$13,147
Georgia	$46.3	915	$32.2	$47.3	$84.8	$2,186	$2,122	$7,839	$12,147
Hawaii	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
Idaho	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
Illinois	$210.1	3,097	$152.9	$197.4	$410.3	$6,657	$6,043	$36,793	$49,494
Indiana	$95.6	1,676	$68.3	$92.0	$182.5	$31,506	$20,993	$16,252	$68,751
Iowa	$114.2	2,064	$77.3	$115.4	$200.9	$3,824	$3,402	$17,912	$25,138
Kansas	$36.5	662	$25.5	$35.3	$67.5	$8,594	$5,979	$5,860	$20,433
Kentucky	$38.4	736	$26.6	$37.6	$70.4	$3,844	$3,061	$6,126	$13,031
Louisiana	$265.1	4,684	$189.0	$247.6	$502.2	$9,249	$9,635	$43,494	$62,379
Maine	$55.3	838	$32.5	$48.8	$105.9	$2,508	$2,331	$8,754	$13,593
Maryland	$54.5	842	$38.3	$51.4	$101.1	$1,768	$1,600	$8,724	$12,092
Massachusetts	$306.1	3,978	$214.8	$288.2	$570.1	$8,168	$9,855	$49,412	$67,434
Michigan	$295.7	4,698	$209.5	$280.6	$557.8	$8,764	$10,658	$48,843	$68,265
Minnesota	$233.1	3,670	$163.6	$220.4	$435.2	$8,184	$9,259	$37,584	$55,027
Mississippi	$21.3	443	$14.8	$21.0	$39.2	$1,609	$1,282	$3,441	$6,331
Missouri	$211.4	3,622	$150.8	$199.7	$401.9	$5,839	$6,679	$35,013	$47,531
Montana	$0.3	7	$0.2	$0.3	$0.6	$13	$12	$53	$77
Nebraska	$44.8	858	$30.6	$44.3	$80.1	$9,249	$6,320	$6,930	$22,499
Nevada	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
New Hampshire	$17.9	275	$12.5	$17.4	$33.2	$700	$249	$2,858	$3,807
New Jersey	$33.0	474	$23.4	$30.8	$62.7	$648	$976	$5,403	$7,027
New Mexico	$6.2	119	$4.4	$6.0	$11.7	$266	$263	$1,016	$1,544
New York	$604.3	9,996	$430.6	$575.1	$1,137.1	$39,159	$33,178	$103,871	$176,207
North Carolina	$144.5	2,707	$101.8	$144.8	$270.7	$3,494	$5,053	$24,722	$33,269
North Dakota	$11.9	210	$8.3	$11.0	$21.9	$403	$313	$1,756	$2,473
Ohio	$439.5	7,895	$313.0	$433.0	$834.6	$19,082	$16,078	$76,227	$111,387
Oklahoma	$80.0	1,577	$57.0	$79.9	$152.7	$1,925	$2,780	$13,721	$18,427
Oregon	$59.7	1,056	$43.3	$56.8	$116.2	$1,553	$2,093	$10,409	$14,054
Pennsylvania	$277.2	4,506	$201.2	$266.8	$540.5	$9,240	$7,836	$48,807	$65,883
Rhode Island	$79.0	1,205	$53.9	$80.9	$142.1	$2,857	$2,498	$12,340	$17,694
South Carolina	$29.6	552	$20.5	$30.0	$54.0	$847	$949	$4,914	$6,709
South Dakota	$3.9	78	$2.7	$3.5	$7.2	$125	$73	$583	$781
Tennesse	$34.4	608	$24.1	$33.3	$64.1	$970	$736	$5,605	$7,312
Texas	$35.0	566	$25.4	$33.2	$68.6	$1,210	$695	$6,251	$8,156
Utah	$0.9	17	$0.6	$0.9	$1.7	$24	$30	$149	$203
Vermont	$42.1	746	$30.4	$39.9	$80.7	$1,645	$2,073	$6,844	$10,563
Virginia	$434.9	7,319	$311.2	$420.6	$828.6	$11,268	$14,606	$74,475	$100,350
Washington	$22.6	362	$16.2	$21.9	$43.4	$1,043	$816	$3,898	$5,757
West Virginia	$7.5	144	$5.2	$7.5	$13.7	$228	$263	$1,206	$1,696
Wisconsin	$43.6	760	$30.9	$42.5	$82.0	$1,540	$1,758	$7,363	$10,661
Wyoming	$0.0	0	$0.0	$0.0	$0.0	$0	$0	$0	$0
Totals	$4,971.8	86,058	$3,522.1	$4,780.6	$9,387.9	$231,047	$214,039	$836,906	$1,281,992

Sources: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University

CASE STUDY #1

The Hill Building

Durham, North Carolina

Photos for this case study were provided by GLINTstudios courtesy of 21c Museum Hotels.

Project Profile

Historic Name:	Hill Building
Current Name:	21c Durham Museum Hotel
Original Construction Year:	1937
Rehabilitation Years:	2014-2015
Original Use:	Locally-owned bank and insurance offices
New Use:	125-room hotel, meeting space and art museum
Estimated Total Project Cost:	$48 million
Federal Historic Tax Credit (HTC) Equity:	$7,900,000
State HTC Equity:	$3,500,000

21c Durham Museum Hotel and Its Downtown Revitalization Context

21c Durham Museum Hotel challenges the conventions of both the traditional museum and hospitality worlds. It is located in the heart of downtown Durham in the iconic Hill Building. Laura Lee Brown and Steve Wilson founded 21c Museum Hotels on the belief that art enhances life, and should be accessible to all. By combining hospitality and art museum experiences at their hotels, the 21c Hotels group hopes to achieve this goal to integrate art into more peoples' daily lives.

Designed by noted architects Shreve, Lamb & Harmon (designers of the Empire State Building), the 17-story Art Deco Hill Building was completed in 1937. Largely vacant since 2006, the hotel opened in March 2015. The hotel features a contemporary art museum showcasing the work of living artists through rotating curated exhibitions. One hundred and twenty-five guest rooms and suites provide accommodations with a distinctly residential feel. There are over 10,000 square feet of meeting and conference space.

Open free to the public, 21c's galleries double as revenue-generating event space, with contemporary art providing a dynamic backdrop for gatherings from board meetings to wedding receptions. The museum also produces its own cultural programming, artist lectures, film screenings, and drawing classes.

Project Budget

Sources of Funds	Amount
Bank Loan	$22,000,000
Federal HTC Equity	$7,900,000
State HTC Equity	$3,500,000
New Markets Tax Credits	$3,800,000
Developer Equity	$10,800,000
Total	$48,000,000

Uses of Funds	Amount
Acquisition Costs	$8,550,000
Hard Costs	$34,120,000
Soft Costs	$5,150,000
Reserves	$2,030,000
Total	$49,850,000

Scope of Rehabilitation

The Hill Building's exterior remained largely unchanged, with historic windows repaired and limestone gently cleaned. Modest canopies and signage were introduced on the ground-floor level to serve the hotel and restaurant. Upper-story terraces were opened for use by hotel guests.

Significant interior spaces such as the historic banking lobby, bank vault area, and first-floor elevator lobby were retained in the rehabilitation. The lobby is being reused as the hotel ballroom. Historic walls, column paneling and marble bases were retained and repaired, and existing terrazzo floors was reground and polished. The bank vault now serves as a small meeting and lounge space.

Areas that had previously undergone change and certain secondary spaces were adapted to serve the hotel, museum, and restaurant uses, with contemporary and compatible finishes introduced. The building's HVAC, electrical, and plumbing systems were updated, and sprinklers were added throughout.

The Role of the Historic Tax Credit

A bank loan of $22 million covered only 46% of the $48-million development cost. This is not unusual for a high-risk transaction located in an economically depressed area. The 21c Hotel group was able to partially close the $26-million financing gap by making a substantial out of pocket equity contribution of $10.8 million. It closed the balance of the gap through the application of $7.9 million in federal and $3.5 million in North Carolina historic tax credits proceeds respectively. The project also qualified for $3.8 million in New Markets Tax Credits.

21c Economic Impact on the City of Durham

The developer's $48 million investment has revitalized an important historic building and a real estate asset in the heart of the central business district. The City is using historic rehabilitation as a key strategy to spark a renaissance of its central business district (CBD). The city's focus on downtown revitalization has generated nearly

$1 billion in public and private investment, creating over 5,000 jobs and increasing the CBD tax base by 238%.

To assure that low-income persons benefited from the construction and permanent jobs generated by the project, 21c partnered with the NC Works Career Center, Housing for New Hope, which provides services for the homeless, and El Centro Hispano, which offers employment services to local Hispanic families. The hotel project created over 140 permanent new jobs, most of which are accessible to individuals without higher education degrees.

Community Benefits

Permanent Jobs:	140
Construction Jobs:	354
State & Local Taxes:	$2,360,500
Business and Household Income Generated:	$49,244,200

CASE STUDY #2

First and Green Building

Grenada, Mississippi

Project Profile

Historic Name:	Doaks Hardware
Current Name:	First and Green Building
Original Construction Year:	1867
Rehabilitation Year:	2014-2015
Original Use:	Hardware Store
New Use:	Event Space
Total Project Cost:	$2,000,000
Federal Historic Tax Credit (HTC) Equity:	$400,000
State HTC Equity:	$500,000

Property and Project Details

The historic rehabilitation of the First and Green Building in Grenada, Mississippi, is part of a remarkable effort to re-imagine its downtown and build Grenada County's economic future. Grenada was founded as an early

19th-century market town for trading and shipping cotton. Located on the Yalobusha River, a tributary of the Mississippi, and on the Illinois Central & Gulf Railroad, the town was ideally suited for the transshipment of cotton to textile mills in the US and abroad. Today, Grenada is a manufacturing center with 32% of its workers engaged in the making of automobile parts, aerospace equipment, plastics, and the processing of food.

The First and Green property was originally built in 1867 and operated as Doak's Hardware. Its retail services were oriented to local cotton planters rebuilding after the end of the Civil War. Ownership changed hands during another war-related construction boom in the early 1940s, but the building's original use was retained and it was renamed Grenada Hardware. Current owner Deborah Midanek Bailey, a transplanted New Yorker, has become a leader in the movement to use the city's rich heritage to repurpose and revitalize downtown Grenada.

The Scope of Rehabilitation

First and Green is a contributing property in the Grenada Downtown Historic District, listed in the National Register of Historic Places. Using her retirement savings, Deborah Bailey bought the former hardware store in 2013, along with 10 other nearby buildings, and converted the two-story brick building, located at First and Green Streets, into an event space on the first floor and three new apartments above.

At the time of purchase, the property was in serious need of rehabilitation. Heating, cooling, plumbing, and electrical systems were in a shambles and leaks were rampant. The floor was rotten and termite-ridden. Piers supporting center structural posts were deteriorated, and the building was in serious danger of caving in. Rehabilitation work included replacing deteriorated piers and creating a concrete layer to control moisture below a new wood floor. Walls were repaired and re-plastered, windows rebuilt, and beaded-board ceilings on the first floor were repaired. The owner restored a hand-cranked elevator, uncovered and repaired original ceiling fans, and uncovered original ladders on rails used to access hardware stored on upper shelves. Exterior brickwork was cleaned and repaired, and modern HVAC systems and lighting were installed. A new commercial kitchen to service social and corporate events was installed at the rear of the property. The rehabilitation resulted in a beautiful and functional event space that today houses a new, successful, locally owned business that is drawing hundreds of people every week into the once all-but-abandoned historic town square area.

The Role of the Historic Tax Credit

The sources of financing show that First and Green could never have been rehabilitated without the benefit of the federal and state Historic Tax Credits (HTC). This $2-million project was able to obtain a bank loan of only $500,000, reflecting the relative high risk of a high-cost rehabilitation in a deteriorated downtown location. The federal 20% HTC value totaled $400,000, and the 25% Mississippi State HTC provided an additional $500,000. The owner made an out-of-pocket equity contribution of $600,000 to complete the sources of financing.

The Downtown Grenada Redevelopment Plan

The First and Green Building is not an isolated historic property rehabilitation. It is part of a remarkable set of economic and social strategies aimed at a comprehensive revitalization of the city and county. The vision for downtown to attract arts and entertainment uses for the district's small-scale buildings has led to new tenants, including the Grenada Afterglow Film Festival, a small business incubator, a new law firm, a de novo banking operation, visual artist workspaces and galleries, and a video game tournament center.

The Grenada Community Foundation, founded by Deborah in 2009, has created the Grenada Downtown Historic District Association and the Grenada Farmers Market. It also established the Early Learning Advantage Center that provides resources, training, and technical assistance to professionals and parents working with early childhood development.

All photos used in this case study were provided by First and Green LLC.

Deborah was recently recognized by the Mississippi Heritage Trust for her significant achievements and contributions to the preservation of Mississippi's heritage and preparation for her community's future. She said, "First & Green has risen from the ashes of years of neglect and is serving now as a powerful catalyst for growth in Grenada's Downtown Historic District. Other buildings are now being renovated, and residential and commercial tenants are on the way. This downtown renaissance could never have happened without the power of the historic tax credit."

Project Budget

Sources of Funds	**Amount**
Bank Loan	$500,000
Federal HTC Equity	$400,000
State HTC Equity	$500,000
Developer Equity	$600,000
Total	$2,000,000

Uses of Funds	**Amount**
Acquisition Costs	$80,000
Construction Costs	$1,920,000
Total	$2,000,000

Economic Benefits

Permanent Jobs:	6
Construction Jobs:	20
State & Local Taxes:	$116,200
Business Income and Salaries Generated:	$1,933,500

RUTGERS
Edward J. Bloustein School of Planning and Public Policy
Rutgers, The State University of New Jersey
Civic Square Building
33 Livingston Avenue
New Brunswick, NJ 08901
848-932-5475
Web: policy.rutgers.edu
Email: ejb@policy.rutgers.edu

Technical Preservation Services
National Park Service
U.S. Department of the Interior
Washington, DC 20240
Web: https://www.nps.gov/tps/