

HERITAGE INVESTMENT IN U.S. CITIES AND REHABILITATION TAX CREDIT POLICY: EVALUATING IMPACTS AND LESSONS FOR CITIES IN DEVELOPING COUNTRIES

Randall Mason, Ph.D., University of Pennsylvania
Stephanie Ryberg, Ph.D., Cleveland State University

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Heritage investment and its urbanistic impacts are a significant yet understudied phenomena in American cities. Empirically, one finds heritage projects in every city—adaptive reuse of buildings, building complexes, and whole commercial or industrial districts—often signaling the resurgence of the historic center as the keystone of the metropolitan economy. The revitalization of downtowns and the attraction of new creative firms/clusters are perhaps the most promising developments in American urbanism in recent decades, and these are premised on the adaptive reuse of historic urban structures and places. In the last few generations, American federal and state governments have made only selective investment in urban heritage—by far the most important such program has been the federal rehabilitation tax credits (RTCs) supporting adaptive reuse and building rehabilitation projects. Understanding the projects enabled by the tax credits, and their impact on U.S. urban places, is the focus of this chapter. We conclude by extending the lessons of our analysis to the challenges facing cities in developing countries.

The typical reputation of heritage conservation suggests that heritage consists of monuments and other places of extraordinary value. Heritage conservation is, of course, centered on these structures and places, epitomized by prestigious designations such as the World Heritage List. But society’s legacy of built heritage encompasses more prosaic elements as well: towns, neighborhoods, working landscapes, and modest (even mass-produced) houses. This study relies on a broad definition of built heritage and conservation to recognize the broader uses of the historic built environment and capture the values of these non-charismatic resources in appraising overall impacts of heritage investment. This definition of course increases the spectrum of impacts one can look to in assessing the role of heritage investment in urbanization. The “existing built environment” is thus a useful and relevant frame, as it captures the buildings, towns, cities, landscapes that we inherit.

Advocates for historic preservation make far-reaching claims about the direct economic and indirect social benefits of historic preservation investment as adjuncts (or for some audiences, the principle benefits) to the cultural benefits at the core of all heritage enterprises. National Park Service documents describe the rehabilitation tax credits as, “the most effective Federal program to promote urban and rural revitalization,” and “responsible for revitalizing thousands of underused and derelict historic buildings and developing them into community assets.” [get citation from SR] The Bank of America, an investor in tax credits and community redevelopment, declares: “Historic tax credits improve communities. Historic renovation creates jobs; increases surrounding property values; revamps inner cities and rural places; improves local residents’ quality of life; lessens government spending; encourages tourism and trade.”

Social scientists have yet to perform analyses testing such claims and this study begins a line of research

doing just that. Since the benefits of heritage investment in buildings occur both within markets and outside markets, some methodological creativity is required to study the broad effects of heritage investment. And since data on heritage investment is very difficult to come by, a good deal of work must go in to constructing useful data.

For scholars with feet in both heritage economics and heritage conservation worlds, issues of measurement and data remain a vexing issue. Theoretically, a number of different types of benefits flow from heritage investment – public and private, collective and individual, cultural and economic, among others. From the perspective of economics, David Throsby has articulated this theory most clearly: heritage places, as a form of cultural capital, yield a flow of goods and services that has both economic and cultural values. Accounting for and appraising this range of values—and not simply the economic OR the cultural values—becomes a central problematic in cultural policy and other arenas of decision-making around heritage (Throsby). From the perspective of the heritage field, theories of the multivalent nature of heritage and its conservation have gained wide acceptance (Mason; de la Torre and Avrami). It logically follows that different methods should be employed to confirm the existence of these benefits and measure them. Yet, scholars and practitioners typically default to isolated measurement tools – either quantitative economic methods or qualitative cultural methods, with few (if any) hybrid/combinatory methods employed. Additionally, there is too little interdisciplinary dialogue, an essential step forward that would reflect the multivalent nature of heritage as a social phenomenon. The hegemony (and dichotomy) between neoclassical economic views and connoisseurial “culturalist” views, remain.

In terms of research and decision-making for heritage investments, these conceptual insights lead to three pragmatic challenges. First, direct economic measures are possible, though data is difficult to discern, create, and use. As such, scholars must be more proactive in creating useable datasets, with the RTC dataset presented here as a prime example. Second, some qualitative methods remain called for, as cultural values cannot be reduced to abstract measures and purely quantitative characterizations of heritage investment benefits are destined to be partial. Current behavioral economics sheds doubt on the model that all preferences can be expressed in price, even with innovations in stated-preference methods. Finally, researchers and practitioners must identify the expected, theorized benefit types before selecting and applying metrics. In other words, a key question remains unexplored and largely unasked: What types of benefits flow from different heritage projects?

Our model for understanding these effects suggest that historic preservation investments generate five streams of benefit, encompassing economic benefits (both direct and indirect), social benefits, and of course cultural benefits. First, through the economic lens, a number of scholars and practitioners have documented the direct impact of heritage-related spending in state-scale economies and, by extension, in the national economy (Rypkema; Listokin). The principle methodology for these studies is economic impact analysis employing input-output modeling. Second, these studies also indicate significant secondary/indirect effects, expressed through multipliers derived from their regional economic models. A third stream of economic benefits flow from the amenities produced by heritage investment, which elevate the quality of places and make them more competitive and attractive to individuals and firms making location decisions (for job creation, tourism visits, housing decisions, etc.). In other words, there are consumption benefits that flow from heritage investments (Glaeser). Fourth, all heritage projects, no matter how they are financed, are understood to offer cultural benefits that, by definition, exist outside the capacity of markets to price them. Lastly, this study explores the idea of a fifth stream of benefits, the one claimed by heritage advocates: contemporary social benefits flowing indirectly from, or associated with, investments in historic preservation. The hypothesis about this fifth flow is that

places enjoying higher levels of heritage investment also enjoy greater social benefits, as gauged (theoretically) by indicators of education level, poverty rates, segregation, crime, etc.

It is important to frame this study in terms of urbanistic dynamics and metropolitan scale. There is anecdotal evidence that heritage-centered redevelopment projects play an important catalytic role in the broad revitalization programs of American cities. Thus, the point is not to isolate preservation activity but to understand how it contributes to the overall functioning of urban development in actual cities. Within this framework, the geographic and environmental aspects of preservation benefits can be discerned. It also allows for testing the hypothesis that areas within cities targeted with heritage investments enjoy greater benefits. Abstracted studies of large-scale regional economies or small-scale isolated preservation projects are less useful.

Within the frame of exploring the broader roles of heritage in urban redevelopment, our research project tests the broad claim that heritage investments make a significant contribution to urban development in U.S. cities and spur a range of benefits for places with concentrations of preservation projects. The overall study documents the use of federal RTCs in twelve American cities, assesses their concentration and/or dispersion across the urban landscape, and evaluates their economic, social and environmental impacts and benefits.

One principle underlying our research, using Census data on social variables to spatially correlate with heritage investments, is that these contemporary social benefits, to the extent they can be demonstrated, are important for decision-makers to understand the varied benefit of urban heritage investment when crafting policy, justifying investments, and evaluating outcomes. Our study of RTCs aims to provide an example of documenting broader heritage investment effects for other heritage policies in the U.S. and around the world to follow.

As one of the most widely used incentives for heritage investment, the RTCs serve as a decent proxy for understanding preservation impacts more broadly (if not accounting for all preservation activity in a locale). We believe this research has particular relevance for heritage investment and planning decisions in other cities, including those in the developing world, where generating the broad spectrum of economic, social, cultural and environmental benefits stemming from such investments could become a model for continuing redevelopment of expanding cities, growing new markets based on indigenous assets. Our research aims to be useful for policy makers, planners, developers and vis-à-vis Bank operations by focusing on breaking down the different impacts of heritage investment (whereas most other research aggregates the impact, expressing it only in economic terms). Further, the principles behind our research align with the pragmatic concerns of practitioners and officials:

- offering evidence-based research and robust data to inform heritage investment policy, decision-making, and planning;
- theorizing expected benefits of from heritage investments holistically—as part of the larger, messier urbanization process, not just one economic or cultural or political aspect;
- basing the work and the recommendations on empirical phenomena and the experience of a specific political/economic/cultural context—moving from the specific to the general, not the other way around.

The remainder of this chapter first traces the background of the project by describing the evolving roles of heritage investment in US cities over the past half-century, in which preservation has become one of the routine, if not dominant, modes of urban development. It then briefly describes the US public policy framework for historic preservation, emphasizing the Federal rehabilitation tax credit policy, usually

regarded as the most impactful public policy, stimulating billions of dollars heritage investment. The chapter then outlines our ongoing twelve-city study, the process (and difficulties) in data assembly, and presents findings about the use, concentration, and land-use impacts of RTCs – both comparing all twelve cities and providing a more detailed accounts of select case studies. Finally, the chapter concludes by drawing preliminary conclusions and offering lessons for cities in developing countries.

BACKGROUND: HERITAGE INVESTMENT IN U.S. CITIES

Heritage is defined as the past made useful in the present, and therefore it is incumbent on analysts to consider the contemporary values of heritage activity as well as the historic ones. We make heritage part of our lives and our cities in myriad ways. Is it a forward-looking and presentist concern, not a backward-looking and merely nostalgic enterprise. As such, cultural heritage investment should be expected to generate social, economic and environmental benefits as well as the core cultural benefits.

Historically, urbanization strategy, at the most practical level, faces a dichotomy: build new or adjust what exists, keeping the old. Only rarely is it a matter of either/or; rather, it most often involves some balance. These decisions have utilitarian, economic, social and—in the modern period—explicitly cultural implications. The decision to make a new building or a new street, to extend the town or protect a precinct is a project of many dimensions. What the city looks like, feels like, and represents, matters. This is not just the feeling of preservation advocates, it is a conclusion drawn by some of today’s most prominent urban economists (Glaeser; Florida).

In any state or nation, there are macro-forces, including but not limited to economics, that influence urbanization patterns and shape the possibilities for heritage investment. In the U.S., for example, cities currently face widely varying economic fates. As popularized by the Brookings institution, the U.S. has “strong-market” and “weak-market” cities. While this generalized descriptor captures regional dynamics and offers an interesting inter-metropolitan frame for comparison, it fails to adequately acknowledge intra-metropolitan economic dynamics. In other words, regardless of whether a city is in a weak or strong market, it surely encompasses a mix of strong and weak neighborhoods, districts, and/or nodes. (In Philadelphia, for instance, the city as a whole shrank dramatically in the last several decades, but currently shows minor, stable growth. Center City, a few surrounding neighborhoods, and older suburban communities within city limits are thriving (and all have high levels of heritage investment); other, large parts of the city suffer acutely from disinvestment and concentrated poverty.) This intra-metropolitan geography determines strongly where heritage investments of various kind are likely to find a market. For heritage investments, the micro-landscape of weak- and strong-markets creates a range of development climates – from strong pressure to tear down less dense historic buildings and rebuild (and capitalize on) at higher densities to a complete lack of investment pressure and associated neglect and abandonment of the existing built environment.

Cities also vary in the institutional makeup and capacity of their urban and heritage sectors. In the U.S. context, the market is nearly always presumed to be the wisest means of decision-making and direct state provision of heritage benefits is viewed with suspicion and/or regarded *a priori* as a marginal benefit. In the postindustrial, neoliberal context of contemporary American urban development, the third-sector and public-private partnerships are increasingly regarded as the preferred institutional arrangement for heritage and cultural projects. This current pressure for minimal direct public-sector involvement in city development creates a more favorable climate for public policies, such as tax credits, that incentivize the private- and third-sectors to engage in activities viewed valuable for the public good – including heritage conservation.

But heritage investment is not merely an embellishment; the catalytic role of these projects is important and understudied. Heritage investment changes the face of American cities – it does not freeze them in time. Cities must grow and change, and heritage investment, rather than being a brake on growth and change, provides a way to carefully manage it. When economic concerns, culture and creativity, and design talent are brought together in the right combination, with the right timing, and in alignment with markets and the priorities of other social actors—heritage investment can be the catalyst for growth, excitement, “the city as mankind’s greatest work of art,” as Lewis Mumford wrote (Mumford). The contribution of urbanists, designers, and planners is a set of ideas about balancing flows of cultural value and economic value from the existing built environment and from new creations/constructions. In other words, these urban decision-makers provide a set of planning and design tools, ideas, and discriminations to achieve this balance “on the ground.”

To examine the full range of impacts of heritage investment on cities, one must first look at cities themselves. What empirical evidence exists in the built environment and urban processes of American cities in recent decades to suggest a significant role for heritage? A number of heritage types stand out when walking the streets of American cities these days, reading the newspaper, talking with colleagues and seeing debates unfold around new policies and new projects, dealing with the congeries of new or intractable issues that arise. These types—places, projects, programs and development trends—summarize the kinds of impact heritage conservation activities of various kinds have had in American cities over the last couple of generations. We classify these types as four kinds of heritage activity that are currently impacting the trajectory of American cities and metropolitan regions. In any cities, we submit, one would find examples of these four types of activity, more or less integrated:

1. Regulation and listing of heritage properties, a core function of conservation (recognizing which resources warrant special attention) that protects cultural values and has a proven association with increasing property values and tax receipts (Listokin, Coulson & Leichenko; Rypkema);
2. Adaptive reuse projects, which includes the transformation of individual buildings, entire districts, industrial estates and brownfield sites. Adaptive reuse projects have been essential in the creation of urban amenities, which impacts both tourism development and inter-city competition for investment and firm and individual location decisions (Glaeser; Florida);
3. Collaborative, integrative models of economic development, resource conservation, and place management that enable broad participation in decision-making and sharing of the risks and benefits of redevelopment strategies; these include Main Street programs, heritage areas, and special-purpose NGO or QUANGO organizations responsible to managing downtown districts, historic sites, etc. (Mitchell, et al); and
4. The organic management, or evolution, of urban places to maintain a diversity of buildings types and ages such that an “economic ecology” emerges wherein lower-margin businesses, start-up firms and established businesses all find appropriate spaces, infrastructure, urban situations and networks to support their enterprises (an observation first made by Jane Jacobs).

Having established this range of empirical phenomena demonstrating the presence and investment in urban heritage, it is essential to address the political and economic dynamics behind heritage investment decision-making, specifically for U.S. cities. These forces are rarely discussed in analyses of heritage phenomena, but are of particular relevance to economists and to the goals of our research. Overall, three key issues set the stage for heritage investment possibilities in the U.S. First, heritage investments and activities nearly always draw on participation and collaboration across the three sectors (public, private, non-profit/non-governmental). Rarely does one institution or sector act independently. Second, public-private partnerships are increasingly the model of effective implementation for urban projects, whether centered on heritage, sustainability, economic development, or community development. Finally, public policy frameworks are key ingredients for heritage investment, but markets are decisive. In other words, if a market cannot be created by or around heritage investment, it will not be sustainable. While this is not a problem for the most charismatic types of heritage—monumental buildings—it is an abiding issue for every other type of heritage, including the large swaths of existing built environment (rowhouses, garden apartments, neighborhood commercial districts, schools and libraries) that make up the vast inherited landscape of most U.S. cities.

A lot has changed in the heritage field over the last half century. As often as not, heritage conservation interests seek to work with markets and are increasingly successful in generating both economic and cultural benefits. The remainder of the chapter presents evidence of this phenomenon – that heritage investment and conservation has mattered and made a positive impact on a range of American cities over the past generation. Specifically using data on federal rehabilitation tax credits, the following sections discuss the shape of this key heritage policy, how and where these investments take place, what forms they take, and some of the impacts that flow from them.

REHABILITATION TAX CREDITS: A STUDY OF URBAN HERITAGE INVESTMENT

Most heritage advocates theorize that conservation investment yields economic benefits (as demonstrated by the work of many of the excellent scholars and practitioners in this book) as well as significant social and urbanistic/environmental benefits. In other words, cities with investments in urban heritage conservation will enjoy a number of different kinds of benefits. Within the frame of exploring these broader roles of heritage in urban redevelopment, our research project tests this claim. It documents the use of federal rehabilitation tax credits, and their associated economic, social and environmental impacts, in twelve American cities. This research is the first stage in evaluating a core argument in support of the RTC program: that incentivizing private investment in historic buildings will generate positive spin-off benefits for cities and their neighborhoods, including bringing private capital into the city, catalyzing revitalization, attracting visitors, and enhancing the quality of life for residents.

Over the past forty years, federal, state and local governments have adopted a number of public policies in support of preservation and in hopes of spurring private reinvestment in the historic built environment. One of the most influential of these policies are historic rehabilitation tax credits (RTCs), created by the federal government in 1976. Even amid the current recession and efforts to scale back government programs, federal and state legislatures are actively trying to improve upon and expand this incentive program. The U.S. Congress is considering ways to increase private and non-profit sector use of the tax credits and to encourage more “green” rehabilitations. Additionally, a number of states created parallel programs over the succeeding two decades. As of 2010, 28 states had state-level

historic tax credit programs to further entice private-sector investors. Preservationists and others make powerful advocacy arguments that RTCs are a key driver of urban revitalization. But, the National Park Service (NPS), which oversees the program, publishes only rudimentary and highly aggregated descriptive statistics. For instance, the Park Service reports that RTCs spurred \$4.69 billion in private investment and created over 70,000 local jobs in fiscal year 2009 and leveraged \$55.51 billion in private investment since the program's creation in 1976 (National Park Service).

Despite widespread praise and continuing policy development, the use and impact of RTCs in U.S. cities is almost entirely unstudied. While scholars have begun to develop methodologies for assessing the economic impact of preservation, these studies are largely uncritical and focus on the impact of historic districts or landmark designation. Furthermore, almost all reporting (scholarly or otherwise) about RTCs uses economic impact methodologies to aggregate their use to the federal or state level. Studies of the RTCs use and impact at the urban/metropolitan scale, or interrogating the relationship between the different benefits streams flowing from RTC-stimulated heritage investment (that is, correlation between social, economic, and environmental outcomes), are absent.

This research begins to fill this gap by analyzing the use of RTCs in twelve purposefully selected cities: Atlanta, Baltimore, Cleveland, Denver, Dubuque, Omaha, Philadelphia, Portland (OR), Providence, Richmond, Seattle, and St. Louis.ⁱ As the first disaggregated analysis of RTCs, this research uses address-level RTC project data to document, assess and evaluate the multi-faceted impacts of this leading preservation program.ⁱⁱ We use RTC data because it is the best proxy for overall levels of heritage investment. Given the absence of good datasets on heritage investments broadly, RTCs represent the most widespread, widely used type of public spending in heritage in the United States. Compounding the problem of heritage investment data are the fact that most heritage and renovation spending is in the private-sector and the Standard Industrial Classification (SIC) and North American Industry Classification System (NAICS) codes do not disaggregate spending in ways that enable heritage and renovation to be isolated. A significant part of the early research effort was invested in building the database to enable analysis—data has not been collected consistently since the beginning of the RTC program in 1976. The National Park Service collected data at first, but this function was eventually devolved to state historic preservation offices (SHPOs), not all of which collected the same data. In 1996, data management was re-centralized at NPS offices in Washington, DC. Thus data had to be collected from the central NPS office and each different state. As a result, the data on RTCs in various cities differs in how many program-years covered and none was geolocated.

U.S. Heritage Conservation: The Policy Context for Rehabilitation Tax Credits

The federal historic rehabilitation tax credits are one piece of late twentieth century U.S. preservation policy, which has taken shape as an increasingly urban and district-based phenomenon. In the U.S., historic preservation projects and policies originated in the protection of individual landmarks, the restoration of historic house museums owned by government or philanthropic organizations, and the creation of national parks—all fairly remote from issues of metropolitan development and from integration of heritage concerns with city planning and development. Some efforts were made to include conservation measures as part of federal “urban renewal” (slum clearance and top-down redevelopment) policies in the 1950s and 1960s. But it was the creation of the RTCs as an incentive program to stimulate real-estate development interest in heritage in the 1970s that first paved the way for national-scale, urban policy supporting historic preservation.

The RTCs, along with the National Trust for Historic Preservation's Main Street Program, led the historic preservation field into a new realm of engaging with issues of urban revitalization, economic development, neighborhood stabilization, and downtown renewal. It is fair to say that the leading concerns of the heritage field in the US today include the contribution of historic preservation to neighborhood livability, quality of life, heritage tourism, and sustainability at the top of the list. This urban bent to American historic preservation evolved slowly over the twentieth century. The earliest official historic district regulating demolition and additions to historic buildings was adopted in Charleston, South Carolina in 1931, with cities such as New Orleans, Alexandria (Virginia), and others following suit in subsequent years. Larger cities such as Philadelphia and New York created local historic preservation laws in the 1950s and 60s, in response to urban renewal, interstate highway construction and grassroots organizing against such destructive measures. In this post-1960s era, preservation galvanized around a common concern—the fast-paced loss of the nation's urban historic resources—and transformed from strictly protective measures to include proactive investment and incentive policies. In 1965, the U.S. Conference of Mayors articulated this alarming trend in a landmark publication, *With Heritage So Rich*. The following year, the federal government passed the National Historic Preservation Act (NHPA), a comprehensive framework for coordinating federal and state preservation efforts, establishing a National Register of Historic Places and requiring the federal government to consider the impact of its actions on the destruction of the nation's heritage (among other measures).ⁱⁱⁱ

In 1977, the National Trust for Historic Preservation, the national non-profit advocacy organization for the profession piloted its Main Street Program for the revitalization of small town commercial districts. Main Street was transformative in calling for the preservation of whole, working commercial districts, not just isolated buildings, and using collaborative organizational efforts as well as design to achieve this. The Trust adopted Main Street as a full-fledged program in 1980, expanding to urban neighborhood business districts in 1986. In addition to the role of the public and non-profit sectors, private-sector initiatives helped solidify preservation's potential to serve as a basis for urban revitalization. Key moments, among others, include the 1964 adaptive reuse of San Francisco's Ghirardelli Square and James Rouse's 1976 restoration of Boston's Quincy Market and Faneuil Hall as a "festival marketplace," which became widely heralded models of innovative and successful adaptive reuse projects.

This suite of complementary approaches in the public, private and NGO sectors typifies the U.S. heritage preservation field. No one sector dominates; policies are coordinated somewhat by design, more so in practice; the role of the private sector—landowners in particular—is the salient factor in the success of heritage investment ideas; government is a supportive regulator. Thus, the RTC program, relying on the power of urban real-estate markets for its success, but also requiring the participation of government and the support of nongovernmental organizations, represents a thoroughly American approach to urban heritage investment.

Federal Rehabilitation Tax Credits: History, Description, and Recent Developments

Broadly, the RTC offers direct credits against taxes for the rehabilitation of historic properties for income-producing uses. The rehabilitation must meet standards set out and policed by government preservation agencies. The Tax Reform Act of 1976 included the first income tax incentives to encourage private-sector rehabilitation of historic buildings. The policy goal was to correct the imbalance between tax-favored new construction and rehabilitation, establishing tax deductions for the donation of preservation easements and allowing for a 60-month accelerated depreciation for the cost

of rehabilitating historic properties. From the outset, incentivizing historic rehabilitations was a de facto urban strategy owing to the concentration of older buildings within the nation's cities (as opposed to the new, fast-growing suburbs). Additionally, the economic crisis of the 1970s damaged the market for new construction and increased interest in rehabilitating older urban neighborhoods—the beginning of what some scholars heralded as a back-to-the-city movement.^{iv}

The federal government greatly increased the incentive via the Economic Recovery Tax Act of 1981, which created a 25% income tax credit for certified historic rehabilitations, a 15% credit for projects involving non-historic buildings that were at least thirty years old, and a 20% credit for commercial properties that were at least forty years old. The program was amended once again via the Tax Reform Act of 1986, which reduced it to a 20% credit for the rehabilitation of income producing historic properties and created a 10% credit for rehabbing “non-historic” properties built before 1936.^v Preservation advocates have argued that the 1986 changes directly and drastically reduced the number of tax credit applications, which peaked at 6,200 applications totaling \$2.4 billion in private investment in 1985.^{vi}

Today, the RTC program is more decentralized. It is operated by the National Park Service (part of the Department of the Interior), in partnership with the Internal Revenue Service (IRS), and state historic preservation offices (SHPOs).^{vii} A three-part application process, which often spans multiple years, is required for all federal RTC projects. The Part 1 application evaluates the historic significance of the property, with NPS determining if the building is individually listed on the National Register or a contributing resource in a National Register district. Alternatively, the applicant may request a determination that the property is eligible for designation, in which case work on the RTC project can proceed alongside a formal nomination to the National Register. The Part 2 application outlines the proposed rehabilitation work. The proposal must adhere to the Secretary of the Interior's Standards for Rehabilitation and gain NPS approval before construction work can proceed. Finally, the Part 3 application certifies that the completed work adhered to that proposed in Part 2. Developers can proceed with construction after obtaining a Part 2 approval, although the IRS does not release the tax credit until after the NPS approves Part 3.

Rehabilitation Tax Credits: Purported Impacts

Advocates herald rehabilitation tax credits for generating a wide range of positive impacts for neighborhoods, cities, states, and the nation. Beyond the obvious benefit of spurring the rehabilitation of historic buildings, supporters argue that RTC investments increase tax revenue for all levels of government, create jobs – particularly in construction, service, manufacturing and retail, generates housing – particularly affordable/low-income housing, revitalizes downtowns, spurs economic development, increases heritage tourism, creates commercial space that facilitates an increase in business activity, improves property values, catalyzes additional reinvestment, increases gross state product and gross domestic product, and generally improves the overall quality-of-life in historic communities. Additionally, program advocates tout the federal RTC impacts as an impetus for the adoption of state-level RTC programs and promote their ability to leverage other federal incentives, particularly Low-Income Housing Tax Credits and New Markets Tax Credits.

The National Park Service publishes an annual report on the RTC program, offering descriptive statistics about its use and impact. In 2010, NPS reported that the program involved \$3.42 billion in new rehabilitation work, created 41,641 jobs, created or renovated 13,273 housing units, and produced 5,514 low-/moderate-income housing units. NPS further states that since the program's start in 1976, it

has generated over \$55 billion in private investment (a 5:1 private to public investment ratio) and resulted in over 36,000 completed projects. Summarizing its promotion of the RTCs, NPS states: “The Federal Historic Preservation Tax Incentives program encourages private sector rehabilitation of historic buildings and is one of the nation’s most successful and cost-effective community revitalization programs.”^{viii}

A number of other reports and organizations echo these claims. The National Trust for Historic Preservation argues that RTCs are “an effective tool for transforming vacant and underutilized buildings into safe, decent, and – in many cases – affordable places to live and do business.”^{ix} An economic impact analysis of preservation in Colorado states that it is a “key strategy for successful community planning and economic development,”^x while a similar report for New York argues that “visionary leaders are taking another path that offers a significant competitive advantage...using historic preservation as a central component to long-term economic development, and the strategy is working.”^{xi}

In 2010, the Historic Tax Credit Coalition (an advocacy organization) and the National Trust Community Investment Corporation (a subsidiary of the NTHP) contracted with the Rutgers University’s Center for Urban Policy Research to complete an economic impact study of federal RTCs spanning the program’s history. The resulting report, *Economic Impact of the Federal Historic Tax Credit*, summarizes the national impact of RTCs, gives anecdotal information on state impacts, and concludes that “the federal [historic tax credit] is a strategic investment.”^{xii} Touted as the first and premier study of RTC impacts, the authors focus on national (and to a lesser extent state) data and outcomes, but make unsubstantiated claims about local value. For instance, they state that RTCs are “a ‘good’ investment for the nation, states, and local communities”^{xiii} and that historic rehabilitations “boost investor and neighborhood confidence and induce a broader trend toward community-wide revitalization.”^{xiv}

Research Framework

While advocates widely promote RTCs and federal and state legislators continue to develop and improve RTC policy, there is a severe dearth of rigorous scholarship on their use and impacts. This is particularly true at the neighborhood, downtown, and city scales, despite the fact that the most powerful advocacy claims center on quality-of-life improvements and community revitalization. Existing impact analyses argue that RTCs benefit the nation, states, cities/metropolitan areas, downtowns, neighborhoods, and individual buildings. Analyses of national and state RTC usage demonstrate a positive impact, but rely on highly aggregated data and fail to depict the on-the-ground impact in cities and neighborhoods. At the opposite end of the spectrum, data on individual buildings is highly anecdotal – often presented as sidebar “vignettes” in state or national impact studies. These reports rarely explain why particular examples are highlighted or give information on failed projects as a point of comparison.^{xv} Data and analyses of RTCs’ neighborhood, district, or downtown impacts is rare to non-existent.

As an initial foray into a micro-scale analysis of RTCs, this research has three primary goals. First was to obtain address-level data on RTC investments in twelve purposefully selected cities (Figure X, Table X, Table X). Second was to develop a descriptive portrait of RTC use in each city. Finally, we explore potential methodologies for analyzing local RTC impacts.

Figure X: Cities Included in the Study

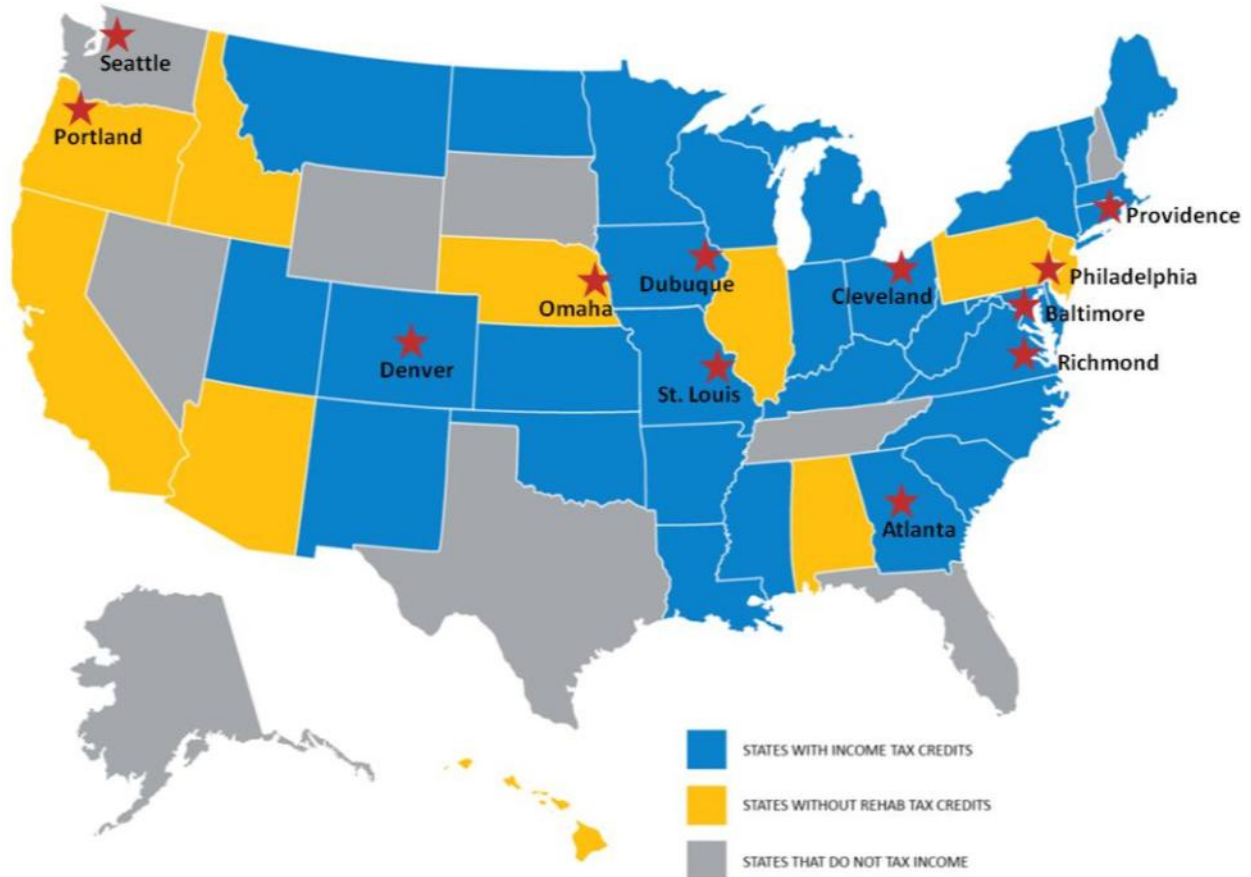


Table X: Cities Included in the Study and Associated Rationale for Selection

City	Market Condition*	Additional Rationale (if applicable)
Longstanding State RTC Programs (adopted prior to 2000)		
Baltimore, MD	Weak City; Weak MSA	
Denver, CO	Strong/Stable	
Richmond, VA	Weak City; Strong MSA	
St. Louis, MO	Weak City; Weak MSA	
New State RTC Programs (adopted after 2000)		
Atlanta, GA	Strong/Stable	
Cleveland, OH	Weak City; Weak MSA	
Dubuque, IA	Strong/Stable	Targeted by NTHP as a leader in preservation and RTC use
Providence, RI	Weak City; Weak MSA	Only state to adopt (2002) and rescind (2008) a state RTC
No State RTC Program		
Omaha, NE	Strong/Stable	Innovative property tax abatement program
Philadelphia, PA	Weak City; Moderate MSA	
Portland, OR	Strong/Stable	
Seattle, WA	Strong/Stable	

*Market condition is based on categories outlined by the Brookings Institution

Table X: Demographic and Socioeconomic Profile of Study Cities

City	% Individuals Below Poverty	Median Household Income	Median Age	% of Individuals over age 25 with a High School Degree	% of Individuals over age 25 with a Bachelors Degree	% Non-White	% Vacant Housing Units
Atlanta	21.4	\$51,425	36.5	85.5	45.7	55.7	18.8
Baltimore	20.1	\$38,738	34.3	73.9	24.9	66.5	19.3
Cleveland	30.2	\$27,761	35.9	75.5	13.7	55.2	19.2
Denver	17.8	\$45,438	33.3	83.3	39.3	23.4	10.0
Dubuque	10.6	\$41,879	37.6	88.4	26.4	3.7	5.2
Omaha	14.1	\$47,184	33.4	88.7	33.0	19.3	8.3
Philadelphia	24.2	\$36,669	34.2	79.1	22.1	54.7	14.3
Portland	16.1	\$48,053	35.5	89.4	40.2	17.2	6.7
Providence	25.6	\$37,273	29.0	73.1	29.0	47.7	13.9
Richmond	22.1	\$37,735	33.8	80.0	32.5	55.1	13.7
Seattle	12.2	\$58,990	36.0	92.1	54.3	24.2	6.8
St. Louis	24.4	\$34,227	34.5	79.5	25.5	51.5	20.7

Data Summary

Address-level geographic data for RTC projects was obtained from both the National Park Service and State Historic Preservation Offices (Table X). The data from NPS includes all RTC projects in the twelve cities with a Part 1 application received between January 1, 1997 and June 30, 2010. This amounts to 3,514 raw data entries.^{xvi} Along with the project number, building name (if applicable) and address (street and number, city, state, zip code), NPS provided the date it received and approved (if applicable) the Part 1, 2 and 3 applications, the amount of total investment, the building's use before and after rehabilitation, the square footage before and after rehabilitation, the date the building was constructed, and the building count.^{xvii}

To create a more robust and longitudinal dataset, various State Historic Preservation Offices (SHPOs) provided additional RTC data. The SHPOs serve as an intermediary review body between RTC applicants and NPS. Every SHPO manages and tracks RTC projects differently, resulting in a less consistent cross-case dataset than the 1997-2010 NPS data. Regardless, nine of the twelve SHPOs provided information on pre-1997 federal RTCs and two provided data on state RTCs.

Table X: Summary of RTC Data

City	Federal RTCs (1997-2010)	Raw Data Entries	Federal RTCs (pre-1997)	Raw Data Entries	State RTCs	Raw Data Entries
Atlanta	✓	51	✓ (1976-1997)	115	not available	-
Baltimore	✓	519	✓ (1992-1997)	22	not available	-
Cleveland	✓	231	✓ (1976-1997)	144	✓ (2006)	46
Denver	✓	80	not available	-	not available	-
Dubuque	✓	26	✓ (1976-1997)	103	✓ (2000)	72
Omaha	✓	75	✓ (1983-1997)	167	not applicable	not applicable
Philadelphia	✓	371	✓ (1976-1997)	1,111	not applicable	not applicable
Portland	✓	91	✓ (1976-1997)	52	not applicable	not applicable
Providence	✓	120	✓ (1976-1997)	138	not available	-
Richmond	✓	796	not available	-	not available	-
Seattle	✓	45	✓ (1993-1997)	31	not applicable	not applicable
St. Louis	✓	1,109	not available	-	not available	-

RTC Use in American Cities

A preliminary analysis of the data provides a descriptive portrait of RTC use across the twelve cities. Key metrics included the number of projects/capita (Table X) and estimated cost/capita (Table X). From these figures, it is clear that some cities have benefitted from higher levels of RTC investment than others, with Richmond and St. Louis (two cities in states with strong state-level RTC programs) consistently leading the pack in terms of both number of projects and estimated cost of investment per capita. Scholars and practitioners often claim that the presence of a state-level RTC program will result in much higher federal RTC use. While this is generally represented in the analysis, it does not hold up in every case, with both Denver and Atlanta consistently ranking near the bottom in both number of projects per capita and estimated cost. Perhaps unsurprisingly, more recently booming cities – and thus with more expected new development and smaller historic cores – including Portland, Seattle, Denver and Atlanta, have less RTC use per capita.

Table X: Federal RTC Projects per Capita (10,000 residents), 1997-2010 (ranked from high to low)

City	Population (2009 est.)	Number of Federal RTCs	RTCs/10,000 residents	State RTC (y/n) and Date Adopted
Richmond	204,451	742	36.29	Y (1997)
St. Louis	356,587	1,032	28.94	Y (1998)
Baltimore	637,418	494	7.75	Y (1997)
Providence	171,909	117	6.81	Y (2002-2008)
Cleveland	431,369	224	5.19	Y (2007)
Dubuque	57,241	25	4.37	Y (2000)
Philadelphia	1,547,297	343	2.22	N
Portland	566,143	84	1.48	N
Omaha	454,731	65	1.43	N
Denver	610,345	76	1.25	Y (1991)
Atlanta	540,922	49	0.91	Y (2002)
Seattle	616,627	41	0.66	N

Table X: Estimated Cost of Federal RTC Projects per Capita, 1997-2010 (ranked from high to low)

City	Population (2009 est.)	Total Est. Cost of RTC Projects	Cost/Capita	State RTC (y/n) and Date Adopted
St. Louis	356,587	\$2.66 B	\$7,455	Y (1998)
Richmond	204,451	\$1.30 B	\$6,378	Y (1997)
Providence	171,909	\$521 M	\$3,035	Y (2002-2008)
Dubuque	57,241	\$172 M	\$3,010	Y (2000)
Cleveland	431,369	\$1.20 B	\$2,774	Y (2007)
Baltimore	637,418	\$1.37 B	\$2,150	Y (1997)
Philadelphia	1,547,297	\$2.10 B	\$1,335	N
Portland	566,143	\$475 M	\$840	N
Omaha	454,731	\$278 M	\$612	N
Denver	610,345	\$325 M	\$532	Y (1991)
Seattle	616,627	\$317 M	\$514	N
Atlanta	540,922	\$153 M	\$283	Y (2002)

Additionally, the data allowed for an analysis of the impact of RTCs on housing provision within the twelve cities – including both the amount of units rehabilitated and number of new housing units created (Table X). Again, we see that Richmond and St. Louis lead the pack, with substantial housing production also occurring in Cleveland, Providence and Baltimore. The impacts of housing production in urban cores is imperative to successful urban development and revitalization in the context of early twenty-first century American cities. Following decades of population loss and decentralization, new housing in urban cores is often a signal of revitalizing neighborhoods and transforming downtowns. The latter represents a shift from traditional Central Business District (office and commercial) functions to a 24/7, livable downtown including a mix of housing, retail, restaurants, and commercial/offices. Further analysis is necessary to tease out the geographic distribution of housing production caused by RTCs and to discern the percent occurring in neighborhoods versus downtowns, and in what types (i.e. socioeconomic status) of neighborhoods.

Table X: Housing Units Per Capita and Produced, 1997-2010 (ranked high to low on per capita units)

City	Units Before	Units After	Units/10,000 Residents	Units Produced	State RTC (y/n) and Date Adopted
Richmond	2,779	8,743	427.63	5,964	Y (1997)
St. Louis	6,182	11,976	335.85	5,794	Y (1998)
Cleveland	1,805	4,854	112.53	3,049	Y (2007)
Providence	435	1,501	87.31	1,066	Y (2002-2008)
Baltimore	1,314	4,243	66.57	2,929	Y (1997)
Philadelphia	2,080	7,680	49.63	5,600	N
Omaha	652	1,990	43.76	1,338	N
Dubuque	40	206	35.99	166	Y (2000)
Denver	294	1,670	27.36	1,376	Y (1991)
Seattle	1,008	1,165	18.89	157	N
Portland	553	827	14.61	274	N
Atlanta	292	763	14.11	471	Y (2002)

RTCs have also made a significant impact on the provision of low-income housing in cities across the U.S. (Table X). Housing affordability is a pressing problem in both weak-market and strong-market locations, although often for varying reasons. For instance, Portland, Oregon faces pressures from a booming market, which escalate housing prices and reduce options for poor residents. On the flip side, cities like Cleveland have large concentrations of impoverished residents. While these cities have ample housing, much of it is vacant and abandoned, has deteriorated to an unlivable quality, and/or is managed by unscrupulous (often absentee) slumlords. Due to patterns of urban development typical to American cities, older neighborhoods – with large concentrations of existing/historic buildings – are often those with high poverty rates. Thus, RTC investments that generate low-income units help to alleviate cities' affordable housing problems, provide high-quality units (the condition of which is policed by federal agencies releasing the tax credits), and contribute to overall neighborhood improvement.

Table X: Low-Income Housing Units Per Capita and Produced, 1997-2010 (ranked from high to low on per capita units)

City	LI Units Before	LI Units After	LI Units/10,000	LI Units	State RTC (y/n)
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			Residents	Produced	and Date Adopted
St. Louis	1,294	4,478	125.58	3,184	Y (1998)
Richmond	896	1,637	80.07	741	Y (1997)
Cleveland	1,158	1,215	28.17	57	Y (2007)
Providence	255	342	19.89	87	Y (2002-2008)
Dubuque	0	106	18.52	106	Y (2000)
Seattle	776	1,020	16.54	244	N
Omaha	247	714	15.70	467	N
Philadelphia	916	1,873	12.10	957	N
Denver	240	738	12.09	498	Y (1991)
Portland	413	635	11.22	222	N
Baltimore	416	623	9.77	207	Y (1997)
Atlanta	0	144	2.66	144	Y (2002)

In order to understand the impact of RTCs in cities and neighborhoods, it is imperative to first gain a better understanding of the geography of RTCs across the urban landscape. In other words, are the over 1,000 RTC investments in St. Louis or the more than 700 projects in Richmond concentrated in just a few neighborhoods or are they evenly distributed throughout the city? In the U.S. there is no consistent definition of neighborhood boundaries, with some cities defining them legally (i.e. in terms of political wards) and others having only informal definitions. For consistency, therefore, we use U.S. Census Block Group boundaries as a proxy for urban neighborhoods (this is a relatively common proxy in U.S. urban analysis).

Looking at the change in RTC geography over time gives a temporal dimension to the processes of dispersion and/or concentration and how heritage investment relates to overall urbanization and redevelopment patterns. Figures X-X offer a graphic representation of RTC concentration in four cities: Richmond, Cleveland, St. Louis, and Philadelphia. These examples highlight a consistent pattern wherein a few block groups contain a high density of RTC projects, with some dispersion in each case (although this varies city-to-city). For instance, the distribution of RTCs in Richmond has a much more tightly concentrated pattern than that of St. Louis. Due to the lower total number of RTC investments, the geography of RTCs in Cleveland and Philadelphia appear much more decentralized in comparison to Richmond and St. Louis. In general, the cities tend to have large concentrations of RTC investments in a few Block Groups, with a lower density of investment impacting the remainder of the city. Additionally, the cities vary in their overall coverage of RTC investment. For instance, only 9.93% of the 544 Block Groups in Cleveland have benefitted from any RTC projects, while 33.11% of St. Louis' 450 Block Groups have witnessed RTC investments (Table X). The following maps are just the first level of spatial analysis in our project; subsequent, detailed studies of each of the 12 cities will look at correlation of heritage investments and socio-economic data (from the U.S. Census) as a basis for drawing more specific conclusions about the role of RTCs in generating multiple kinds of benefit.

Table X: Comparison of RTC Concentration in St. Louis and Cleveland

	St. Louis	Cleveland
Total Number of Block Groups	450	544
Block Groups with RTCs	149 (33.11%)	54 (9.93%)
... with 1-5 RTCs	97 (65.10%)	46 (85.19%)

... with 6-10 RTCs	16 (10.74%)	5 (9.26%)
... with 11-15 RTCs	17 (11.41%)	2 (3.70%)
... with 16-20 RTCs	7 (4.70%)	0 (0.00%)
... with 21+ RTCs	7 (4.70%)	1 (0.18%)

Figure X: Richmond (Federal RTCs, 1997-2010)

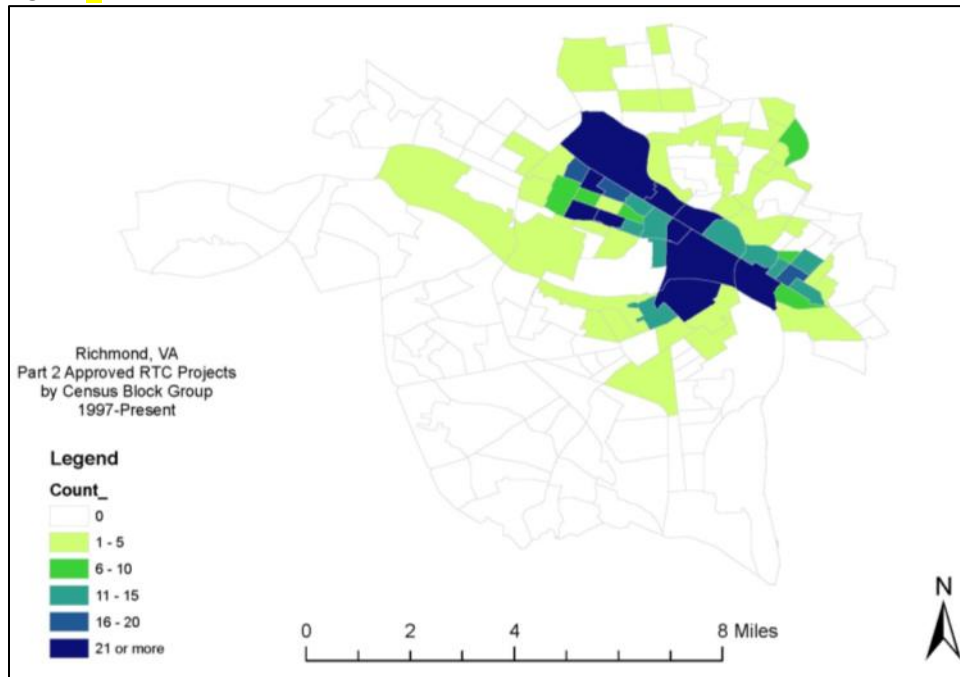


Figure X: Cleveland (Federal RTCs, 1997-2010)

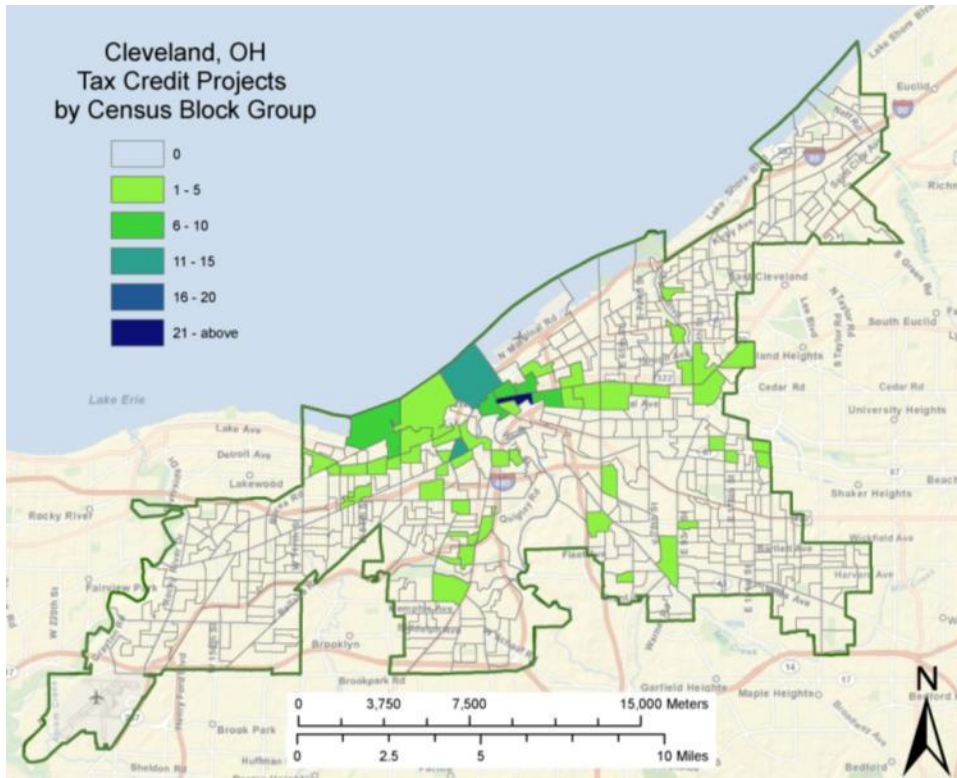


Figure X: St. Louis (Federal RTCs, 1997-2010)

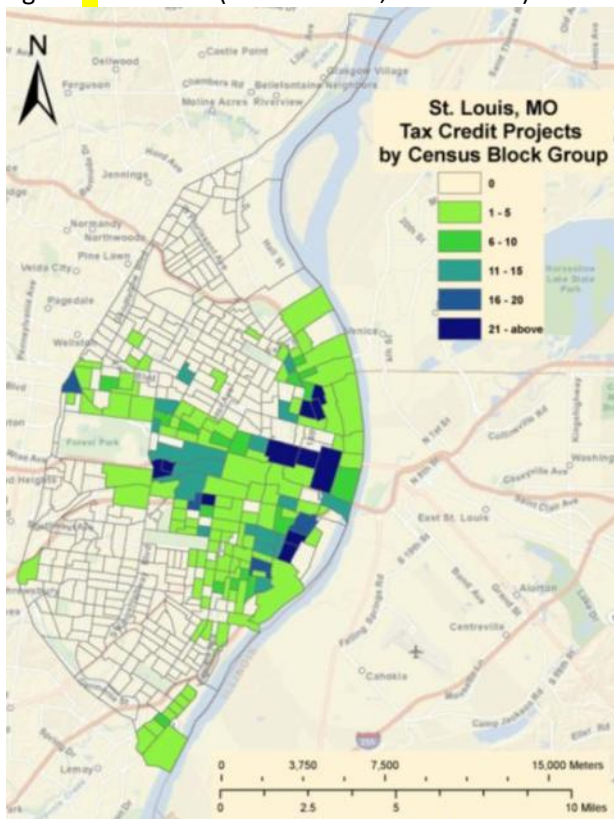


Figure X: Philadelphia (Federal RTCs, 1997-2010)



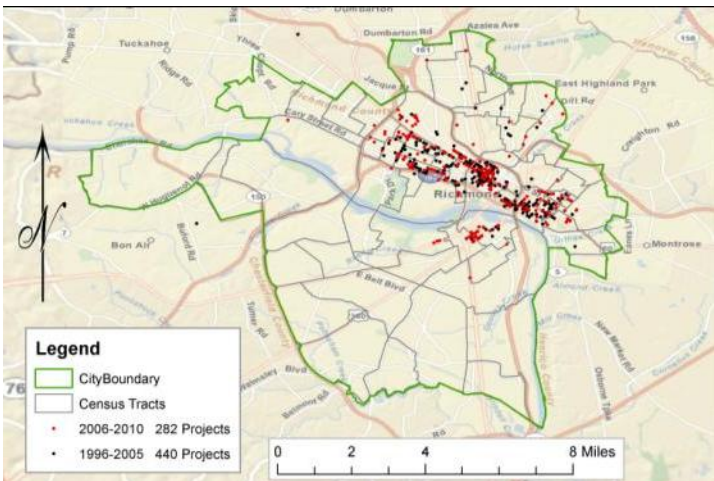
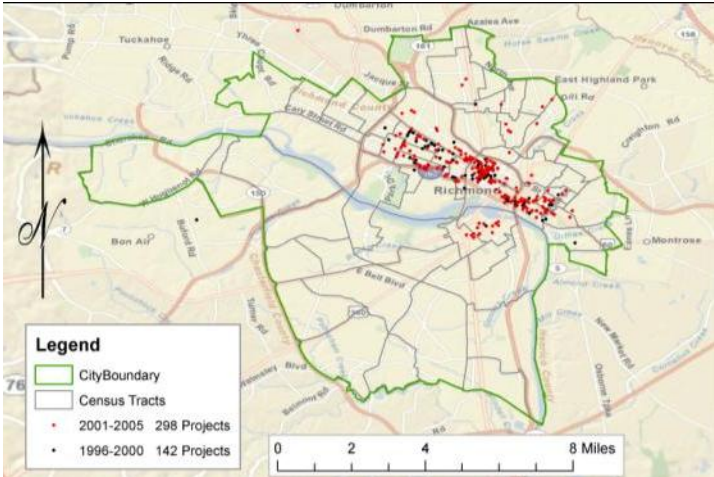
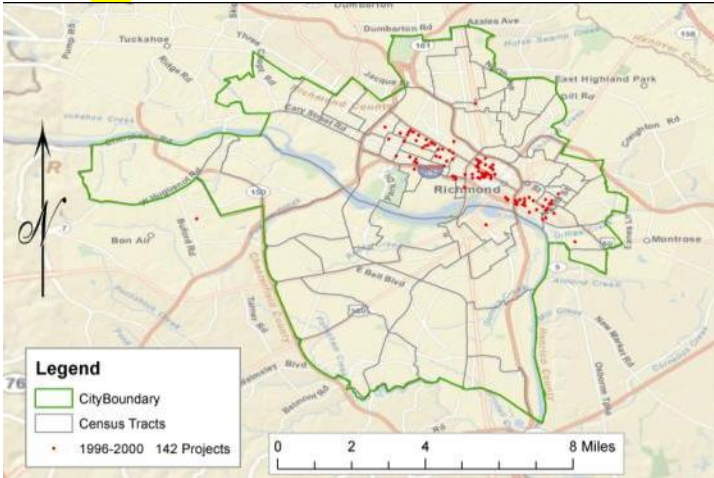
One of the key ways that RTCs impact urban places is through the provision of useable, productive space. By far, the greatest percent of RTC investments in the twelve cities goes towards housing production, followed by commercial and/or office space, as is illustrated in the comparison of Cleveland and St. Louis (Table X). Directly related to these spaces are arguments connecting reuse to increasing tax revenue, livability, and overall urban transformation. In these multiple ways, reuse plays a central part in the post-industrial, service-economy oriented “consumer city” well documented by scholars in recent years (Glaeser, Kolko and Saiz; Florida).

Table X: Land Use Impacts from RTC Investments, Cleveland and St. Louis (1997-2010)

	St. Louis		Cleveland	
	Total #	%	Total #	%
# of Part 2 Approved RTCs in Dataset	1066		173	
# of Data Entries with Land Use Information	739		151	
Housing	378	51.2%	46	30.5%
Commercial	169	22.9%	46	30.5%
Industrial	0	0.0%	1	0.7%
Mixed-Use: Commercial/Industrial	2	0.3%	0	0.0%
Mixed-Use: Commercial/Other	7	0.9%	4	2.6%
Mixed-Use: Commercial/Public	1	0.1%	0	0.0%
Mixed-Use: Housing/Commercial	151	20.4%	38	25.2%
Mixed-Use: Housing/Other	7	0.9%	6	4.0%
Mixed-Use: Housing/Public	1	0.1%	2	1.3%

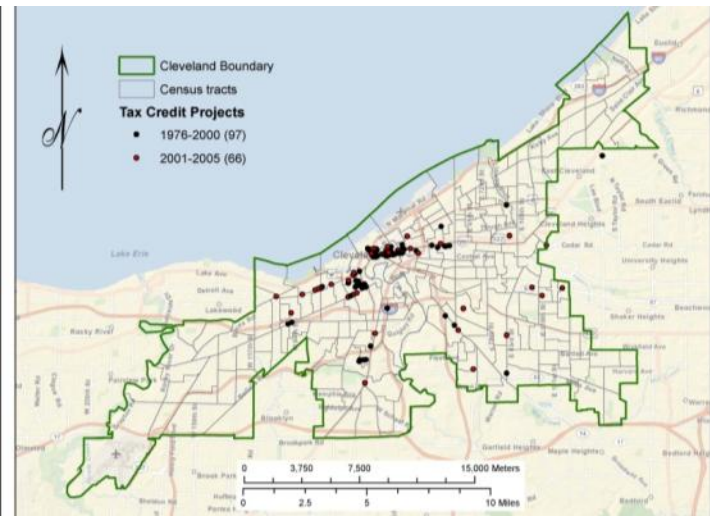
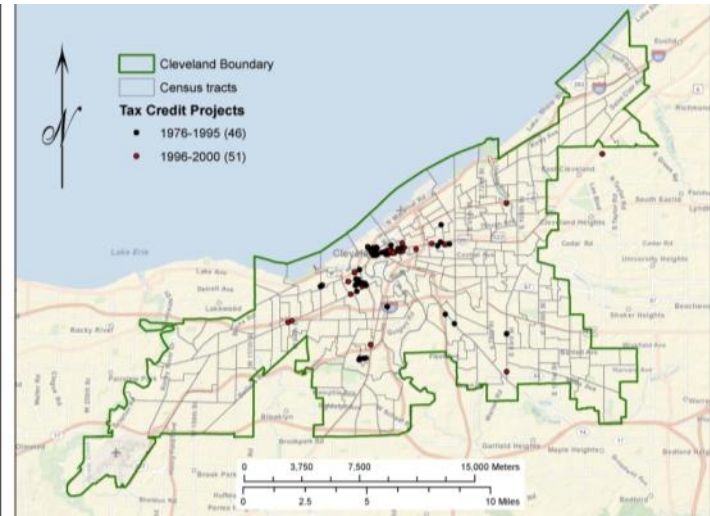
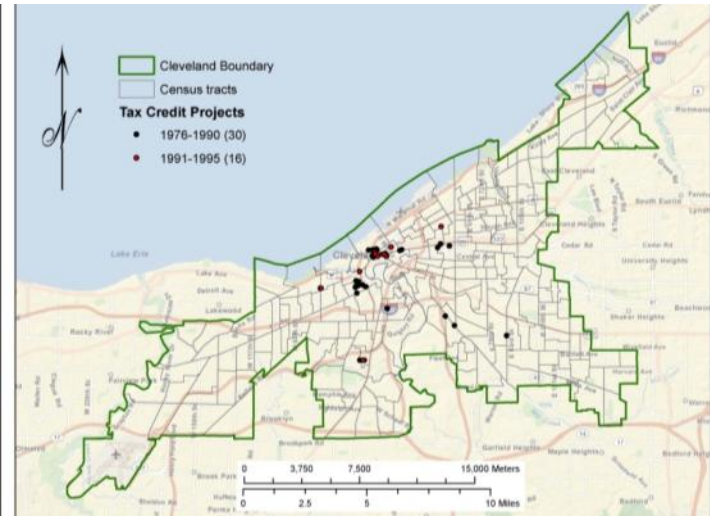
Other	20	2.7%	6	4.0%
Public	3	0.4%	2	1.3%

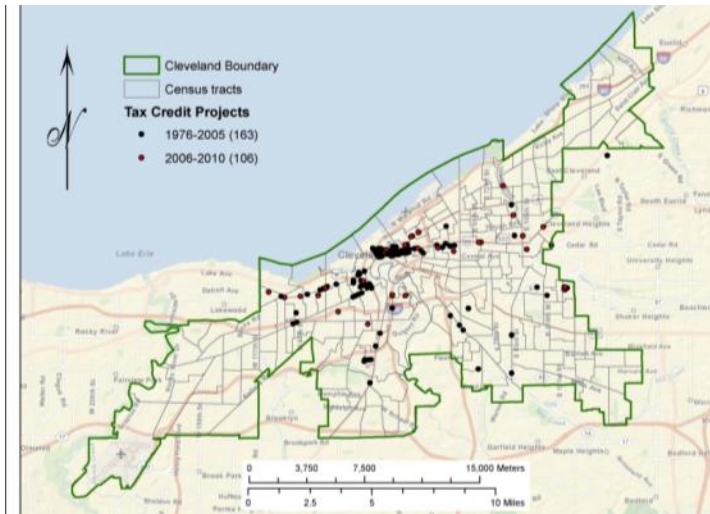
Figures X-X: Richmond (Federal RTCs, 1997-2010)



Figures X-X: Cleveland (Federal RTCs, 1976-2010)







PRELIMINARY FINDINGS AND FUTURE RESEARCH

Findings

Investment in cultural heritage projects has played an increasingly important role in the urbanization of US cities over the last couple generations—particularly vis-à-vis urban revitalization strategy—and the relevance and impact of heritage investment continues to rise in influence. Heritage investment is not necessarily the most important kind of urban development investment in terms of magnitude and market measures, but rather enables the reuse and regeneration of districts, cities, and indeed whole regions. Heritage is, in other words, a type of catalyst or infrastructure that enables broader revitalization schemes to succeed. The adaptive reuse of buildings and districts can be deployed to different ends and meet other, non-heritage urbanistic and socio-economic goals. It can produce housing (both market-rate and low-income), bring investment to disadvantaged parts of cities, repurpose disused industrial/business facilities, or contribute to the transformation of downtowns and neighborhoods. The more that heritage investments is linked to these other social goods—the less heritage is isolated as a purely cultural activity—the better it will be supported. By recognizing this alloying role of heritage investment, urban leaders and lenders will count themselves among the advocates of careful, quality preservation/conservation.

(Brief note should be taken to refute one of the findings reported in Edward Glaeser’s recent book, *Triumph of the City*, wherein he argues that the success of heritage regulation (in New York, specifically) comes at the cost of achieving sufficient density to allow the city to continue thriving. The analysis of this dynamic is quite narrow, and there is evidence (anecdotal and to some extent documented) that preservation regulation and other activity in Manhattan is critically important to its vitality (NYC IBO). Glaeser’s point does, however, raise the important issue of how cities balance different types of heritage activity and investment—regulations, incentives and direct investment do need to combine in ways that allow economic expansion (which always requires some territorial expansion and/or redevelopment) while protecting the character of the place, and the positive feedback between these two indicators of urban vitality.)

Building on these general findings, a few more “headline” points emerged from our analysis of heritage investment, as interpreted in light of global urbanization trends:

- heritage investment has a clear presence in all American cities—large and small, weak- and strong-market, across different regions—and as a standard art of the urbanization toolkit can play a salutary role in cities of developing countries;
- historic centers remain keystones of most metropolitan economies, by virtue of both geographic centrality and the attractiveness (amenity) of their historic character, both of which need protection by urban planning and policy;
- the catalytic effect of heritage investment seems, anecdotally, to be a significant effect; heritage investment projects have been repeatedly used to fuel the redevelopment of larger districts (further study is required to understand fully the preconditions and mechanisms for this);
- heritage investments support both living-city and tourist-city urbanization;
- RTC policy has been particularly effective in stimulating private-sector production of housing for a range of markets; properly designed incentive policies, and combinations of policies, can target poverty reduction or other social-policy goals;
- public-private partnerships are widely used to launch heritage investment policies and projects and will grow in importance as implementation vehicles;
- it is very likely that our ongoing studies of the effects of heritage investment on the social geography of American cities will support the idea that multiple flows of benefit—economic, social, environmental—result from the pursuit of robust policies such as the U.S.’s RTC program;
- finally, as a more prospective point, there is a very strong positive alignment of heritage investment as a mode of development with increasing pressure to pursue environmental sustainability as a development and urbanization goal at both the building and urban scale; managing urbanization in the “post-oil” age will gain in urgency in the next generation, and heritage investment is likely to be an important means of achieving economic growth within the environmental limits; as cities improve their capacity to stimulate adaptive reuse, at different scales and for myriad uses, they will likewise improve their environmental performance.

Further research

There is still a great need for research to be conducted on the impacts of heritage investment, as epitomized by RTC projects in the U.S. The next steps of this particular study will depend on the geolocated data set constructed in this first phase of the project, and using a GIS framework to correlate heritage investment data with Census-derived socio-economic data for the 12 cities in our dataset. For instance, we will look at alternative measures of RTC concentration – the estimated cost per block group and the total building area per block group may reveal different patterns of investment than purely the number of projects. A fine-grained mapping of land use change resulting from RTC projects would shed even more light on shifting urban patterns and their relationship to heritage investments.

In addition to further analysis of our dataset, we plan to use other research methods to explore the

effects of heritage investment on neighborhood change. For instance, we will use matched-pairs analysis comparing areas that have and have not experienced heritage investment but are otherwise similar environmentally/architecturally. And we will follow these quantitative analyses with selected case studies employing qualitative methods (in particular, semi-structured interviews with different stakeholders in the redevelopment process) to understand the political, institutional and cultural dynamics that likely have a strong bearing on successful outcomes. IN particular, we will pursue a case-study approach to document the catalytic effect of heritage investments on urban/metropolitan redevelopment goals.

LESSONS FOR CITIES IN DEVELOPING COUNTRIES

Urbanization proceeds at a rapid pace all around the globe, though it has a clearly differentiated geography. The pace of urbanization in developing cities is remarkable. [insert graph] Cities in developing countries are clearly becoming more important as national and regional loci of economic resources, innovation, environmental crisis, etc. And, of course, as with all societies, the kinds of settlements built are a reflection of culture, of ways of living together. While globalization brings convergence of some kinds, local/cultural/geographical differences are still strongly expressed, resulting in cities still quite varied in character even if urbanization processes are convergent. The divide between the pace of growth and urbanization in developed and developing economies, and the kinds of urbanization characteristics of each, remains an urgent issue.

Aside their faster pace of urbanization, cities in developing countries are not fundamentally different from cities in developed countries. Developing cities are characterized by: sustained high rates of population growth that bring stresses of many kind (not all present in all developing cities); low capacity for governance (including urban planning, land ownership/management; social services; transparency/corruption); social disparities; inadequate infrastructure; chaotic, informal spatial development. These cities exhibit problems of historic centers as much as informal areas/slums; that is, rebuilding, not just new growth. The internal geographies, in particular the persistence of historic centers, suggest an important, ongoing role for heritage investment—playing a catalytic, alloying role in their ongoing redevelopment.

These are not fundamentally different issues and opportunities from those faced in the developed world—the differences are matters of degree. Cities in the developed countries, on the whole, have relatively greater capacity to respond to the issues and opportunities of heritage investment, as reflected in their markets, governments and NGOs.

Two caveats about specificity should be added to this discussion of broad categories: First, cities in developing countries are not monolithic—many variables: stages of development; articulations to global economic development dynamics; governance; physical infrastructure, cultural moment (conflict, etc.), Thus, it is difficult to draw lessons for developing cities as a whole if only because they are diverse and don't submit to the same particular solutions. Given the structural similarities shared by many developed/developing cities, and the convergent nature of global urbanization, it is relevant to discuss types of solution such as the RTC program as a type of multisector heritage investment. Second, the experience of American cities vis-à-vis heritage is idiosyncratic insofar as the dominance of markets and the very robust NGO sector strongly shape the possibilities for heritage investment. Conversely, the relatively weak governmental sector, and the currently hamstrung political system—polarized, devoid of genuine leadership, and subject to the outsized influence of large firms/industry groups—are not to be emulated.

However, a number of lessons can usefully be drawn from the American experience with heritage investment, and rehab tax credits in particular. We present these lessons in two parts: preconditions that should exist in order to embark upon a multisector heritage investment program such as the RTCs; and strategies for pursuing and designing such a program for a particular developing city or country.

Preconditions

Some basic pre-conditions must be met in order for multi-sectoral incentive policies to be viable:

- the physical infrastructure to support historic centers must be viable: without basic infrastructure further investment of any kind will be difficult to attract, so the state has to provide this;
- transparent and accountable policies regarding land ownership and transfer, taxation, and urban planning have to be working: these policies create the certainty needed for private-sector participation in redevelopment and regeneration;
- a heritage listing and protection regime must be in place and have legitimate enforcement provisions and powers associated with it; and.
- a cadre of preservation professionals with sufficient training to implement regulations and participate in the project planning and packaging process.

Strategies

It would be hazardous to say too much about the design or implementation of a heritage investment policy without knowing exactly the context—which country, what macroeconomic conditions, what urban dynamics, cultural issues, and so on. The guidance offered here, therefore, stays at the strategic level: issues to be considered when formulating response to specific contexts.

- Think about heritage conservation and investment expansively, in two dimensions:
 1. not as a narrowly cultural policy, but associated with a broader flow of economic, social, environmental benefits as well;
 2. regarding its cultural not restricted to cultural representations about the elite or nationalistic or colonial narratives, more broadly included the many layers of meaning and usefulness residing in the existing built environment
- Address projects to multiple audiences: Heritage investment projects should appeal to both existing and potential residents, locals as well as tourists (internal and external). An approach biased toward one or the other groups will be less sustainable. A critical mass of residents have to desire being in the center. Not just tourists.
- Collaborate across sectors: Heritage investments are expected to produce both private and public benefits, for the immediate and the long term. It follows that public, private and NGO sectors participate and invest in them. Which organizations in these sectors collaborate, and exactly how, will be specific to the context. One would not expect the American RTC to translate directly unless the

government/cultural framework was identical to the US: decentralized federal system (strong local government powers), very strong private sector, a well-developed NGO sector.

- Public-private partnerships will remain an important vehicle for financing, governance and implementation of heritage-led projects. Various kinds of PPP can be designed to result in environmentally stabilized, high-quality historic districts cum regeneration zones—strengthened historic centers or repurposed industrial zones. [cf other chapter in the book; Sagalyn recent chapters on PPPs]

- Envision heritage investments as catalytic projects to produce stable “islands” of heritage conservation-rooted development in the roiling sea of fast-moving, transformative, even chaotic urban change characteristic of cities in developing countries. Because of the mixed public/private goods produced by heritage investments, it makes sense that both the state and the private sector would participate in bringing them about; with catalytic projects, the state plays a relatively stronger role, contributing financial incentives or priming the pump for market dynamics to build upon.

- Don't isolate heritage investment and conservation; connect them to other policies and goals These should result in both direct economic development and indirect, positive fiscal and market outcomes. And if our preliminary research on RTCs can be taken as an indication, the catalytic projects should create nonmarket but measurable spillover effects—improvements that are economic, social, cultural, environmental. At the level of policy, heritage investment efforts can take several forms and of course should be integrated with larger urban planning goals; for instance, RTC-like policies should be linked with infrastructure spending; alternatively, listing/regulation regimes could be linked with transfer-of-development-rights policy to allow an historic center to grow and preserve character simultaneously. (Mindful of the fact that these are sophisticated kinds of policies to administer.)

In sum, heritage investments can and should be designed to fulfill city- and country-specific development outcomes such as poverty reduction, empowerment of minorities, mitigation of environmental externalities, etc. depending upon the specific built-environment assets. In addition to fulfilling important cultural functions and producing heritage values, heritage investment can meet priority social needs—such as housing, public or recreational space—as well as revenue-generating uses such as hotels or tourist venues. Heritage investments are very flexible and adaptable—depending on the type of structure/district to be reused, the level of rehabilitation needed to reuse the structures, their location in the urban fabric, and of course the revenue expectations. The hope, with heritage projects, is that the time frame can be sufficiently long, and the stream of benefits sufficiently broad, that the state will take a leading role in articulating the expectations and roles for its many hoped-for partners.

What specifically can outsider experts/Bank/multilaterals do?

- Recognize and promote the multiple flows of benefits of heritage investments
- Privilege heritage investment because of the by-design flow of multiple benefits; integrate heritage investments with other economic and social policies and projects, don't isolate it
- Increase capacity of client governments to organize and manage such incentive policies, as well as achieve the preconditions
- Keep investing in infrastructure (physical and institutional) with an eye toward supporting conservation-centered investment
- Participate in PPPs with strong heritage investment components

- Train cadres preservation and project development professionals who can develop and implement these complex, multifaceted projects.

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NOTES

ⁱ These cities were purposefully selected across a number of axes, including: four cities with longstanding state RTC programs (established prior to 2000), four cities with new state RTC programs (established after 2000), and four cities with no state RTC program. We purposefully included cities with different local preservation cultures and those in weak-market and strong-market locations. Additionally, we purposefully included certain cities for some unique reason. For instance, Rhode Island is the only state to adopt and fully rescind a state RTC program, spurring the inclusion of Providence; Nebraska has no RTC program, but does have an innovative property tax abatement program; Dubuque is a small city, but has been targeted by the National Trust for Historic Preservation as a leader in preservation and RTC use.

ⁱⁱ The data was obtained from the National Park Service and State Historic Preservation Offices.

ⁱⁱⁱ To date, the National Register of Historic Places has over lists over 80,000 buildings and districts, encompassing more than 1.4 million individual historic resources.

^{iv} [is there a citation for the quote?] It is important to note that the 1970s also witnessed the rise of gentrification in older and historic neighborhoods, along with associated scholarly studies of neighborhood change, displacement, and the social equity ramifications of neighborhood/urban revitalization.

^v The 1936 date is now considered fairly arbitrary. At the time, it was based on the standard that buildings must be 50 years old to qualify as eligible for the National Register of Historic Places. Therefore, only buildings built before 1936 were eligible when the Act passed in 1986.

^{vi} Source: X; 1985 dollars.

^{vii} The RTC program is officially covered by the Section 47 of the Internal Revenue Code.

^{viii} <http://www.nps.gov/history/hps/tps/tax/index.htm>.

^{ix} Source.

^x *The Economic Benefits of Historic Preservation in Colorado, 2005 Update*

^{xi} *New York: Profiting through Preservation*

^{xii} *Economic Impact of the Federal Historic Tax Credit*. The study estimates the economic impact of the federal RTC program from 1978-2008 using the Preservation Economic Impact Model (PEIM), developed by the Center for Urban Policy Research, to quantify construction-stage direct and multiplier/secondary economic impacts including: jobs, income, wealth (gross domestic and gross state product), output, and taxes.

^{xiii} *Economic Impact of the Federal Historic Tax Credit*, p. 8.

^{xiv} *Economic Impact of the Federal Historic Tax Credit*, p. 9.

^{xv} These anecdotal RTC project examples typically highlight the building's history, deteriorated state prior to reinvestment, the use of RTCs (amount, partnerships with other financing tools, key investors and developers), the scope of rehabilitation work, and the "after" product. For example the *Economic Impact of the Federal Historic Tax Credit* report highlights the Carpenter Theater (Richmond, VA), T.S. Martin & Co. Department Store (Sioux City, IA), Villagra Building (Santa Fe, NM), Harmony Mills National Historic Landmark (Cohoes, NY), American Brewery Building (Baltimore, MD), and Pontchartrain Hotel (New Orleans, LA).

^{xvi} The data required some clean-up, which reduced the total number of entries. For instance, some buildings with multiple units had each unit listed individually, rather than just the single building.

^{xvii} The research team thanks Kaaren Staveteig and Liz Patrella of the Technical Preservation Services division of the National Park Service, U.S. Department of the Interior for providing the dataset. The amount of total investment tracked by NPS is the cost estimate provided by the project applicant. The final cost is only certified and tracked by the IRS and was not available for this study. The "building

count” data field is most applicable to multi-building complexes, such as historic mills, common in the Northeast. While the data provided by NPS is extremely thorough, there are gaps and missing data throughout the database. NPS does not have pre-1997 RTC data. Record-keeping for the program was centralized at NPS headquarters in Washington, DC in 1996. Prior to this, it was maintained at six regional NPS offices. When centralization occurred, the computers from the regional offices were sent to Washington, but the data was never converted to a master file, effectively meaning that a full pre-1997 dataset for RTC projects is nonexistent. Finally, while NPS generously provided selected data related to the RTC projects, the public, including the research team, does not have full access to NPS’ data due to privacy issues related to names and financial information on portions of the RTC applications.