DHR

VIRGINIA DEPARTMENT OF HISTORIC RESOURCES

HISTORIC REHABILITATION TAX CREDIT (HRTC)

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

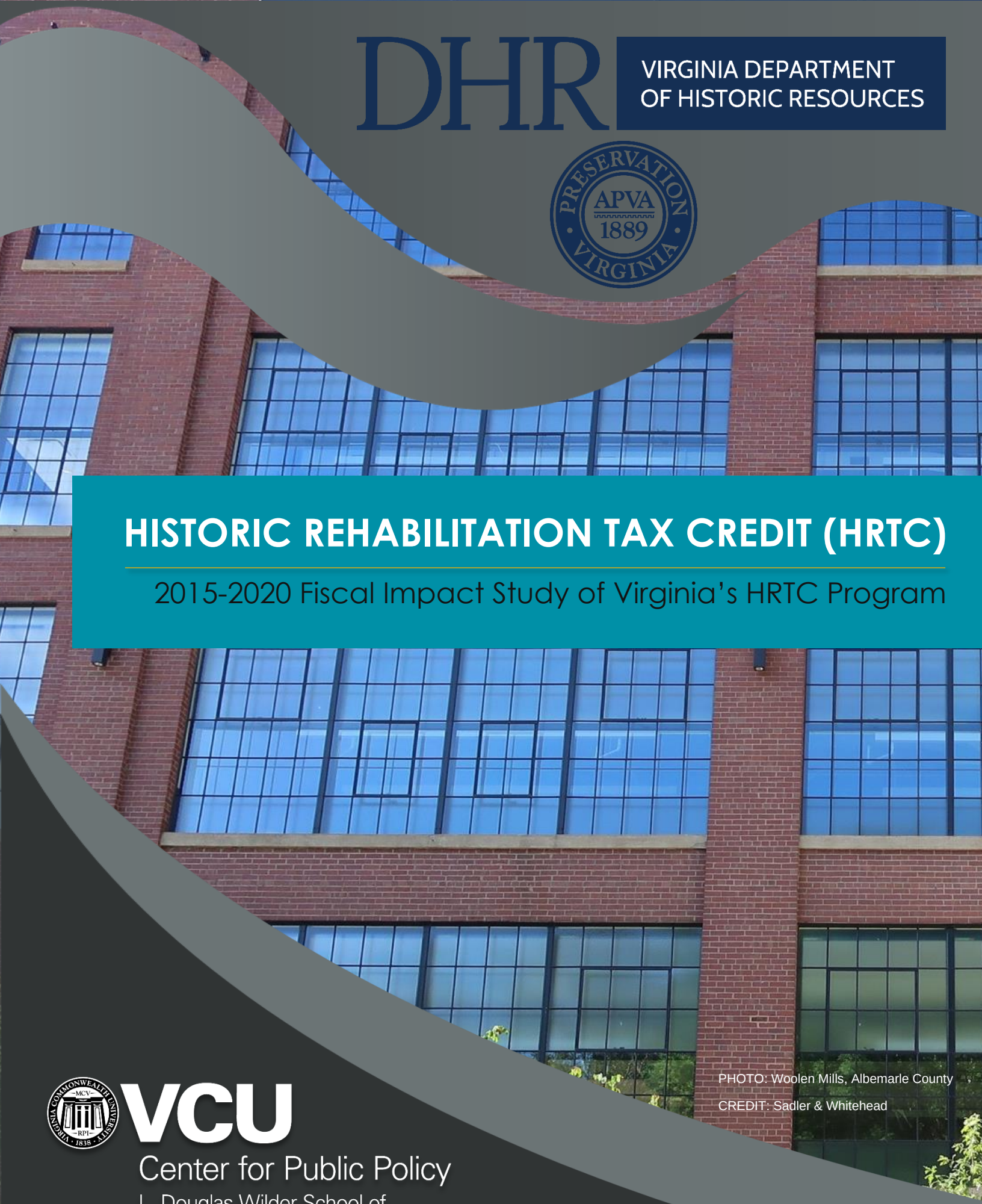

PHOTO: Woolen Mills, Albemarle County

CREDIT: Sadler & Whitehead

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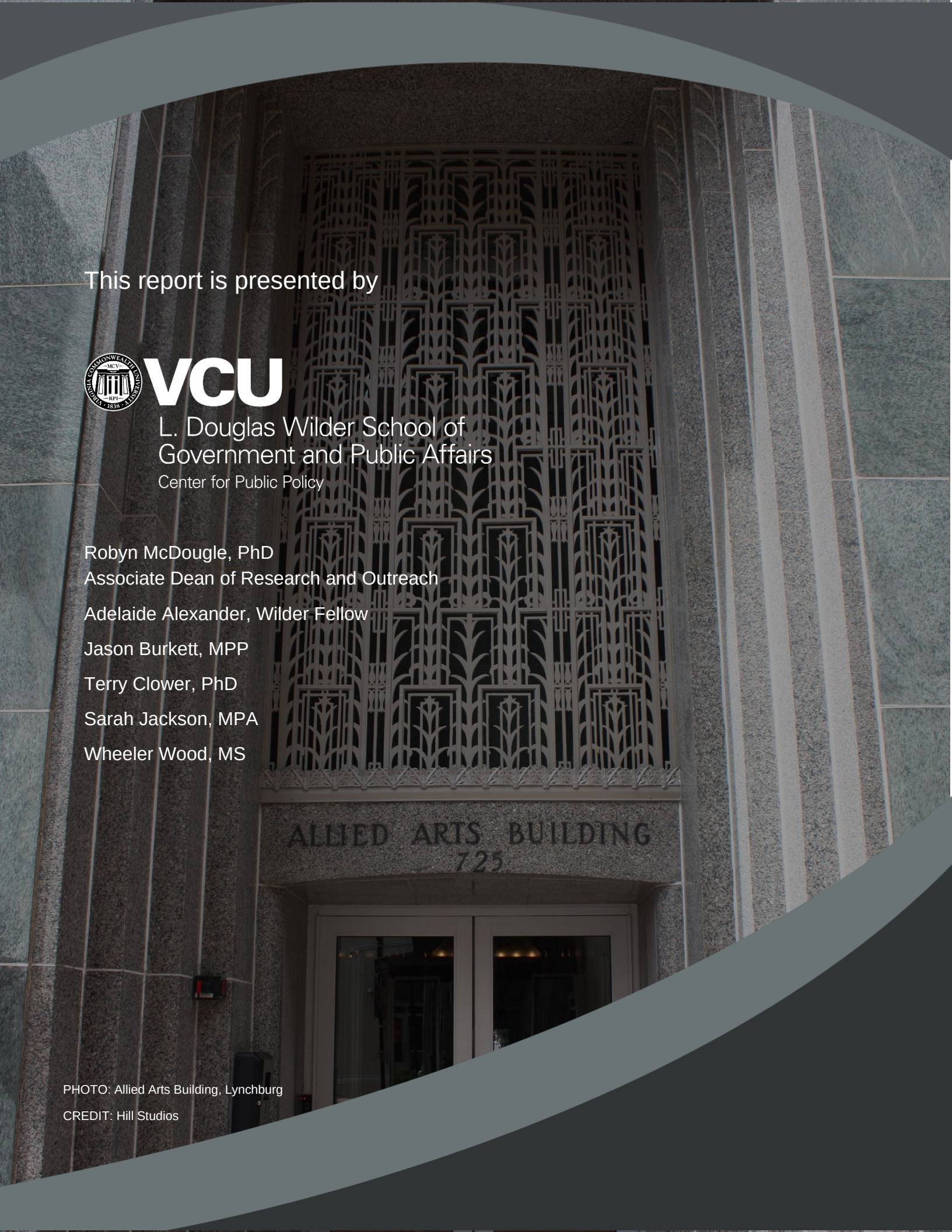

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PHOTO: Allied Arts Building, Lynchburg

CREDIT: Hill Studios

ACKNOWLEDGMENTS

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ABOUT THE WILDER CENTER FOR PUBLIC POLICY

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

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GLOSSARY

Historic Rehabilitation Tax Credits (HRTC) are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings according to the Secretary of the Interior's Standards for Rehabilitation (Standards), a nationally recognized set of guidelines that aim to revitalize historic sites and structures while preserving the essential historic character they possess. The amount of credit is based on a project's eligible rehabilitation expenses. While credits are available from both the Federal government and the State of Virginia, all references to HRTCs in this report refer to the State's program unless otherwise noted. The State credit is 25% of the eligible rehabilitation expenses[1].

Gross State Product (GSP) is an inflation-adjusted measure of the state's gross product that is based on national prices for the goods and services produced within that state. GSP is the state counterpart of the Nation's gross domestic product (GDP)[2].

Metropolitan Statistical Area (MSA) refers to a large population center, together with adjacent communities, that have a high degree of economic and social integration[3].

Person Year(s) one person year of employment is equivalent to the number of hours that an individual would work a full-time basis for one year.

[1] Definition provided by the Virginia Department of Historic Resources (2023)
[2] Definition provided by the U.S. Bureau of Economic Analysis (2023)
[3] Definition provided by the U.S. Bureau of Labor Statistics Glossary of Terms (2023)

EXECUTIVE SUMMARY

At the request of the Director of the **Virginia Department of Historic Resources (DHR),** the **Center for Public Policy (CPP)** within the Wilder School of Government and Public Affairs at Virginia Commonwealth University conducted an economic impact study of Virginia's Historic Rehabilitation Tax Credit (HRTC) program. This study measured the total economic impact, in terms of output, job creation, and fiscal impacts attributed to the HRTC program and generated during both the rehabilitation and post-rehabilitation phases. Focus groups were also conducted to capture themes regarding the community impact and benefits of the HRTC program.

This report outlines the continued success of the HRTC program by providing an economic impact analysis of the most recent available data (2015-2020) as well as community feedback from program users, public officials, and community members (2023).

Historic Trends

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

- Established 26 years ago.
- Issued $1.7 billion in tax credits since 1997 by reimbursing 25 percent of eligible rehabilitation expenses as tax credits[4].
- Stimulated $6.8 billion in private investment since 1997.

Economic Impact, 2015-2020:

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

[4] The HRTC tax credit started at 10% and increased up to 25% in 2000.

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

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

Thematic Findings

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

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

Research participants also shared feedback regarding the limitations of the HRTC program.

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

INTRODUCTION

Virginia's historic buildings and districts reflect the Commonwealth's prominent role in the nation's history. According to the National Register of Historic Places, Virginia has established more than 3,300 historic buildings and districts, the 7th highest number among all 50 states.

While many of Virginia's historic structures have been preserved, other properties have fallen into disrepair over time. Rehabilitation of these spaces provides economic, cultural, and environmental benefits to the people living in and visiting Virginia. Specifically, the preservation and reuse of historic properties allows businesses, property owners, developers, and local governments to:

- Generate tax revenue from vacant or undervalued properties.
- Reduce government spending by maximizing established infrastructure.
- Preserve cultural heritage unique to Virginia.
- Enhance Virginia's allure as a tourist destination.
- Optimize existing sites, reducing sprawl and preserving Virginia's natural areas.

To support these state objectives, the Virginia legislature established the Historic Rehabilitation Tax Credit (HRTC) in 1997. The HRTC program was designed to incentivize preservation and reuse of the Commonwealth's historic building inventory by reimbursing a percentage—currently 25 percent—of eligible expenses in a historic rehabilitation project as tax credits. Those tax credits can be used by a project's investor(s) to reduce tax liability for up to 10 years. The program can be used in tandem with the federal historic tax credit program, which offers an additional 20 percent reimbursement used as a tax credit against federal tax liability. The Virginia Department of Historic Resources (DHR)—the state tax credit program's administrator—has partnered with the Wilder School's Center for Public Policy (CPP) to understand and quantify the program's costs and benefits. This report builds upon previous work completed by the Wilder School for DHR and Preservation Virginia in 2007, 2010, 2012, 2014, and 2018. Prior reports concluded that Virginia realizes significant economic returns through preservation and reuse of historic properties. Those reports detailed the economic impact of tax credit-driven rehabilitation through private and public spending during the rehabilitation process. The 2018 report noted that incentivizing historic preservation presents broad economic benefits including:

2018 Key Findings:

1. Approximately $4.5 billion worth of economic impact occurred in Virginia as a result of the HRTC program.

2. Economic impacts are realized by initial rehabilitation spending as well as continued economic activity from revitalized properties.

3. The return on investment for every $1.00 of tax credit through the HRTC program generated $5.35 in tax revenue over a 20-year period.

4. Rehabilitated structures enjoy a 166 percent increase in value per square foot and a 170 percent increase in the average property value.

This report updates and builds upon prior research. In addition to providing a robust economic analysis at the state level and all Metropolitan Statistical Areas in Virginia, this report seeks to communicate the support the HRTC enjoys among a wide range of real estate developers, financial professionals, syndicators, public officials, and community members in Virginia who used tax credits to complete rehabilitation projects, city officials who have witnessed the impact of these projects, and investors—including bankers and syndicators—who finance HRTC projects.

Section One: Program Trends

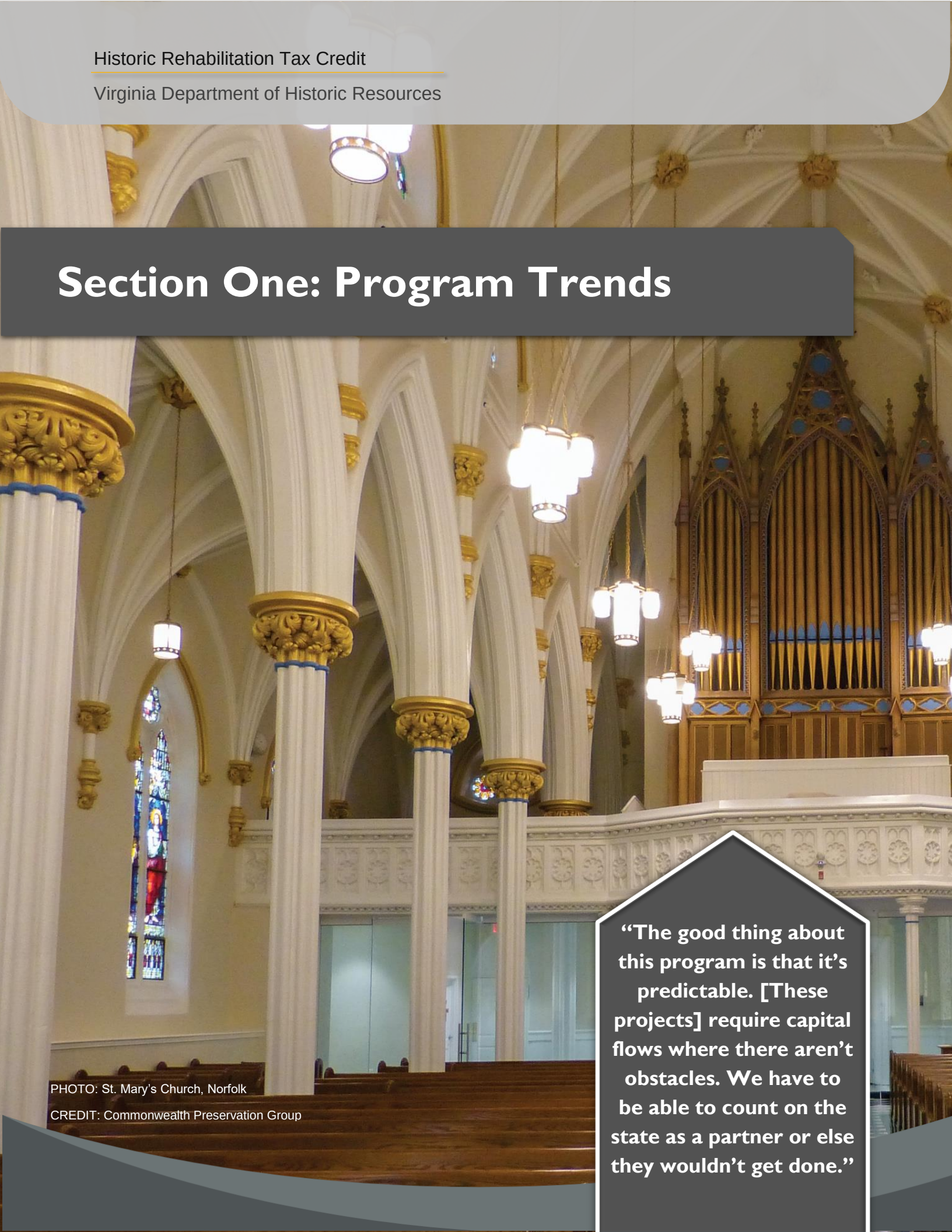


PHOTO: St. Mary's Church, Norfolk
CREDIT: Commonwealth Preservation Group

"The good thing about this program is that it's predictable. [These projects] require capital flows where there aren't obstacles. We have to be able to count on the state as a partner or else they wouldn't get done."

BACKGROUND

Virginia's General Assembly codified the Historic Rehabilitation Tax Credit Program in the 1996 session, placing the program under the administration of the Department of Historic Resources (DHR). The program provides an incentive for private investment in the rehabilitation of historic structures by reimbursing a percentage of eligible project costs as tax credits. In many projects, private investors provide equity at the start of a project—allowing developers, businesses, and individuals to access financing—and receive credits at the project's completion that may be used to lower tax liability. The investor must be a Virginia taxpayer.

In the program's first year (1997), the Commonwealth reimbursed 10 percent of eligible rehabilitation costs as tax credits. The reimbursement rate increased by five points each year until it reached 25 percent in 2000, where it remains.

According to the Virginia Administrative Code, eligible costs include, "those expenses incurred by a taxpayer in connection with a plan of rehabilitation in the material rehabilitation of a certified historic structure and added to the property's capital account." The Virginia Administrative Code specifies expenditures that are not eligible for reimbursement, including:

- The cost of purchasing any structure or land.
- Landscape improvements.
- Site work not integral to the building's systems.
- Expansion of the building.
- Rehabilitations not certified by DHR.
- Any cost not paid for by a taxpayer.
- Anything financed directly or indirectly by an obligation of the Commonwealth of Virginia
- Any expense paid with insurance or indemnity payments stemming from a property loss of the property being rehabilitated.
- Any expense related to personal property or nonessential equipment (e.g., appliances or furniture).
- Any cost associated with the syndication of tax credits including legal and business fees
- Deferred fees or unpaid costs for which there is no charge to a capital account.

Non-eligible expenses typically constitute less than one-quarter of total expenses on a given project.

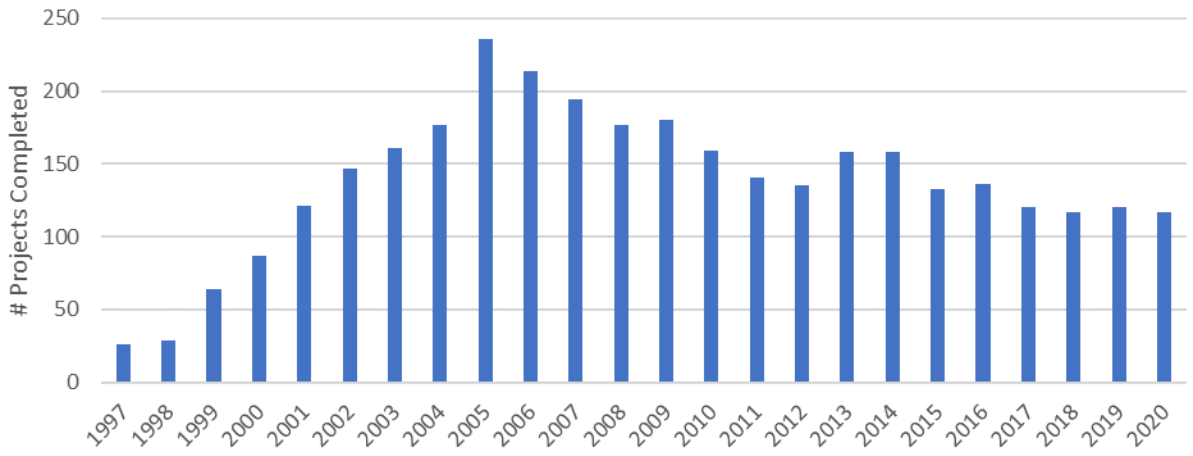
HISTORIC TRENDS

1.1 Program Life, 1997-2020

Since the HRTC program's inception in 1997, the number of qualifying projects completed each year increased from 26 in 1997 to a peak of 236 in 2005 (see Figure 1 below). This initial increase illustrates the need for and success of the program at the time of its creation. Previous reports attribute the success of the HRTC program during this time period to the abundance of eligible buildings, primarily in urban centers, that were considered "easier" to accomplish in terms of financing and developer interest.

The latest data in this report reveals the establishment of a new equilibrium in the number of HRTC projects completed each year. This equilibrium makes sense if the "easiest" projects were completed in the early years of the program and more difficult projects transpired thereafter. From the 2005 peak of 236 HRTC projects completed in one year, the new equilibrium over the past six years ranges between 100 and 150 projects completed each year. More than 100 HRTC projects have been completed each year since 2001.

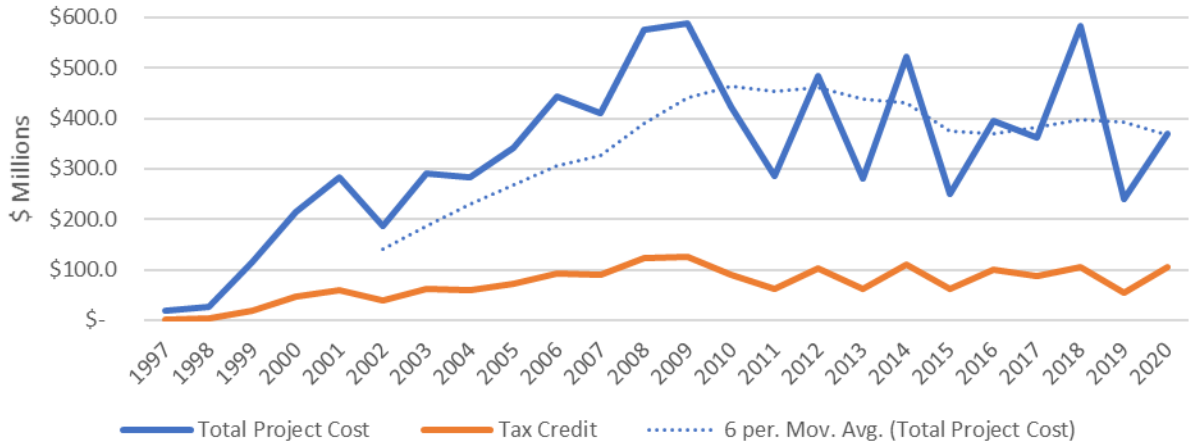
Figure 1: Number of HTC Projects by Completion Year



Similar trends can be seen over the life of the program in terms of both the total costs of approved projects and the total funds allocated for the corresponding tax credit (See Figure 2 below). After the HRTC program began, both of these figures increased until 2009. The total project cost of the program increased from $19.9 million in its first year (1997) and peaked at $587.9 million in 2009. After 2009, the total project cost began a pattern of variation through 2014.

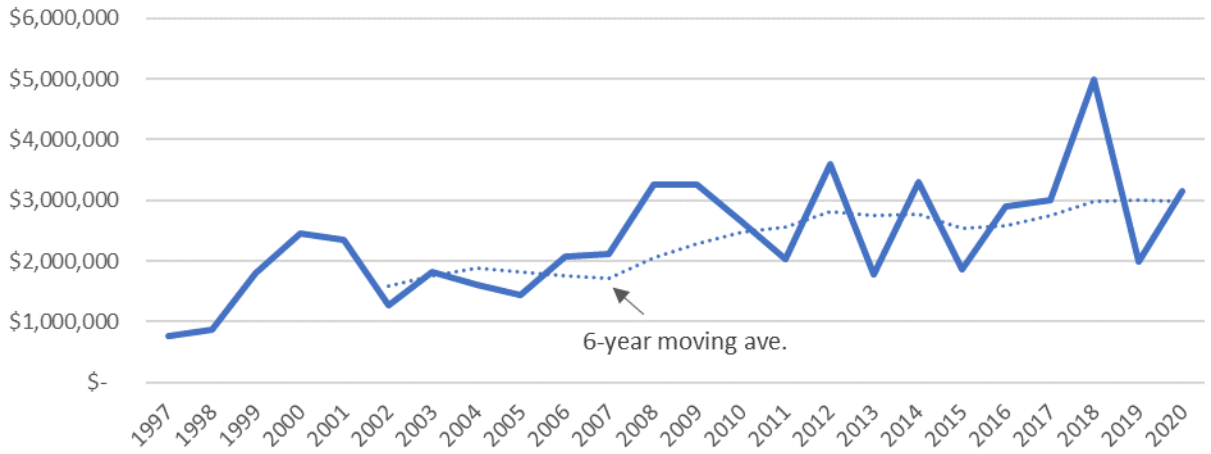
New data in this report (2015-2020) reveals that this pattern of variation continues with annual project total costs as high as $583.5 million in 2018, nearly a historic high, to an almost 20-year low of $239.2 million in 2019, as shown in Figure 2. Similarly, the total amount of the tax credits allocated through the HRTC program increased reliably in the initial years from $1.7 million in 1997 to $125.4 million in 2009 before entering into a period of increased fluctuation from 2010 through 2020. The amount of the tax credit ranged from as high as $111 million in 2014 to as low as $55.4 million in 2019. Despite these variations, the most recent available data (2015-2020) shows the HRTC program enjoying a steady 6-year moving average.

Figure 2: Amount of HRTCs Claimed in Virginia



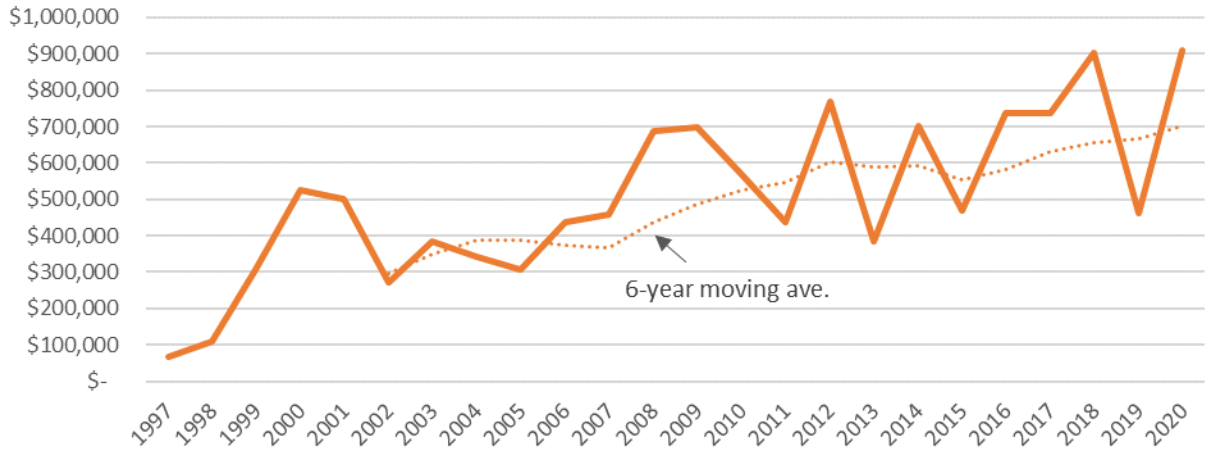
While the HRTC program has seen annual fluctuations in total project cost and the amount of tax credit allocations, individual projects have become more expensive, on average, over the life of the program (see Figure 3 below). The average project cost increased from $765,385 in 1997 to a peak of $4.99 million in 2018. The average project cost remained relatively stable from 2012 through 2020, with the 6-year moving average hovering around $3 million in the most recent years for which data were available. This positive trend includes the peak in 2018. This outlier was primarily driven by three particularly large rehabilitation projects.

Figure 3: Average HRTC Project Cost



In accordance with increases in the cost of the average project, the average tax credit for projects also increased from 1997 through 2020 (see Figure 4 below). The average project tax credit increased rapidly in the program's first four years from $65,385 in 1997 to $524,138 in 2000. After the initial rapid increase, the average project tax credit contracted in 2001 and 2002 before beginning an overall trend of increasing since. From 2009 to 2020, the average project tax credit varied between $385,443 (2013) and $909,402 (2020). While the annual project tax credit costs varied from 2009 to 2020, the 6-year moving average reveals that despite this variation, the average project tax credit continued to increase over the period. Overall, the average project tax credit increased since the program began.

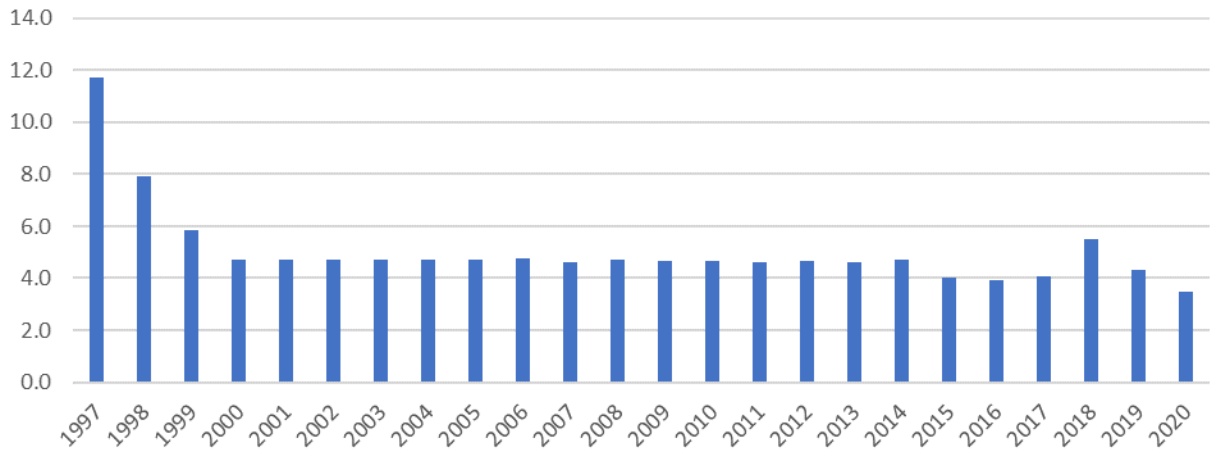
Figure 4. Average Tax Credit Per HRTC Project



To examine the amount of spending on projects affiliated with the tax credit, the ratio between project cost and corresponding tax credit is examined (see Figure 5 below). The inaugural year of the HRTC program $1 tax credit dollar corresponded with $11.7 in total project costs. While

the tax credit itself increased by 5 percent each year during those early years to reach 25 percent in 2000, the tax credit ratio adjusted as well. In 2000, $1 tax credit dollar corresponded to $4.7 in project spending. For the next 14 years, the tax credit ratio remained in an incredibly tight band with $1 tax credit dollar corresponding to between $4.6 and $4.8 in total project spending. From 2015-2020, this ratio has begun to fluctuate with $1 tax credit dollar corresponding to roughly $4.0 from 2015 through 2017, to $5.5 in 2018, and most recently to $3.5 in 2020. Despite the recent volatility the project cost to tax credit ratio remained remarkably stable from 2000 through 2020.

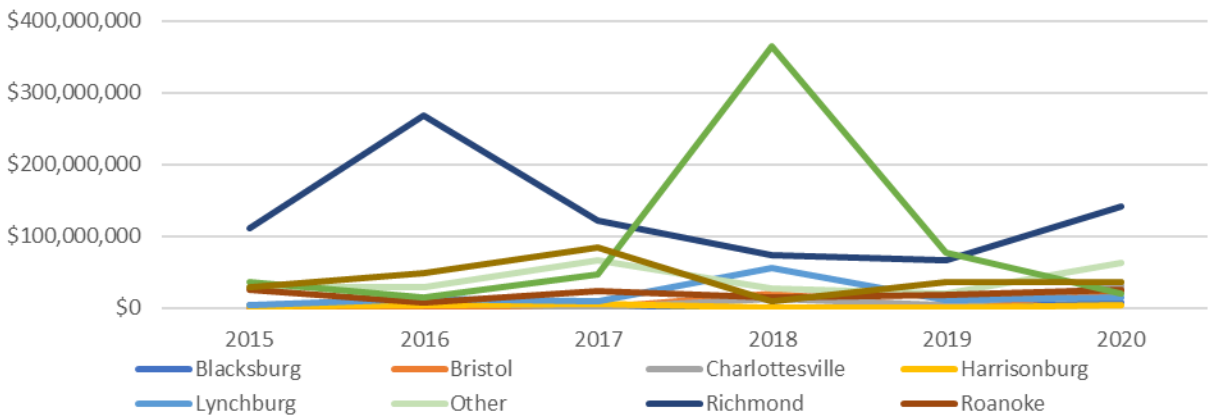
Figure 5: HRTC Program: Project Cost to Tax Credit Ratio



1.2 Recent Trends, 2015-2020

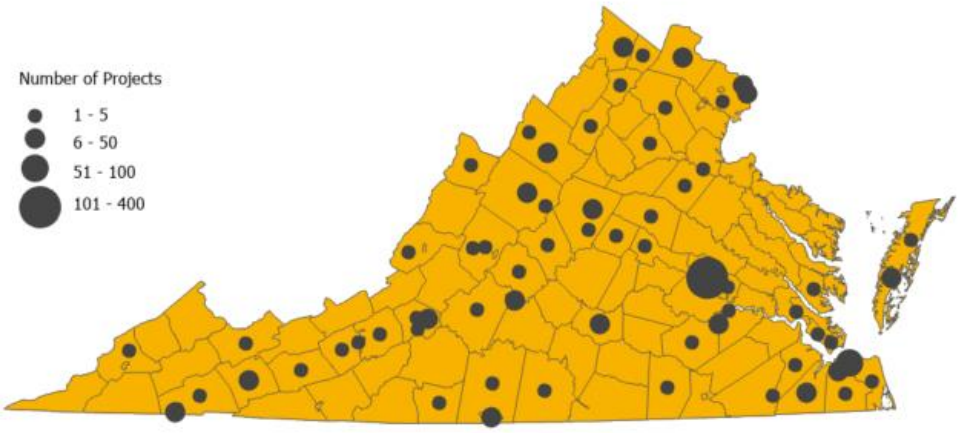
Although spending on HRTC projects varies annually, spending also varies geographically across the Commonwealth of Virginia. As shown in Figure 6, among all metro areas in the Commonwealth of Virginia, the Richmond metro area had the highest total project costs for 4 of the 6 most recent years studied. In 2018 and 2019, the Norfolk/Virginia Beach metro area had the highest project costs. While the Richmond and Norfolk/Virginia Beach metro areas have annual project costs that top $250 million and $350 million respectively, the remaining metro area project costs remain below $100 million. The Harrisonburg and Blacksburg metro areas did not have project costs greater than $10 million per year between 2015 and 2020. For a complete list of Metropolitan Statistical Areas analyzed for this study, see Appendix A.

Figure 6. Annual Project Costs by Metro Area, 2015 – 2020



The map in Figure 7 below shows the distribution of projects throughout the Commonwealth, as well as how many projects were completed in each locality from 2015-2020. While Virginia's major urban centers remained the sites of the largest number of projects, there were projects in a majority of counties during the study period, spread throughout rural areas and small towns.

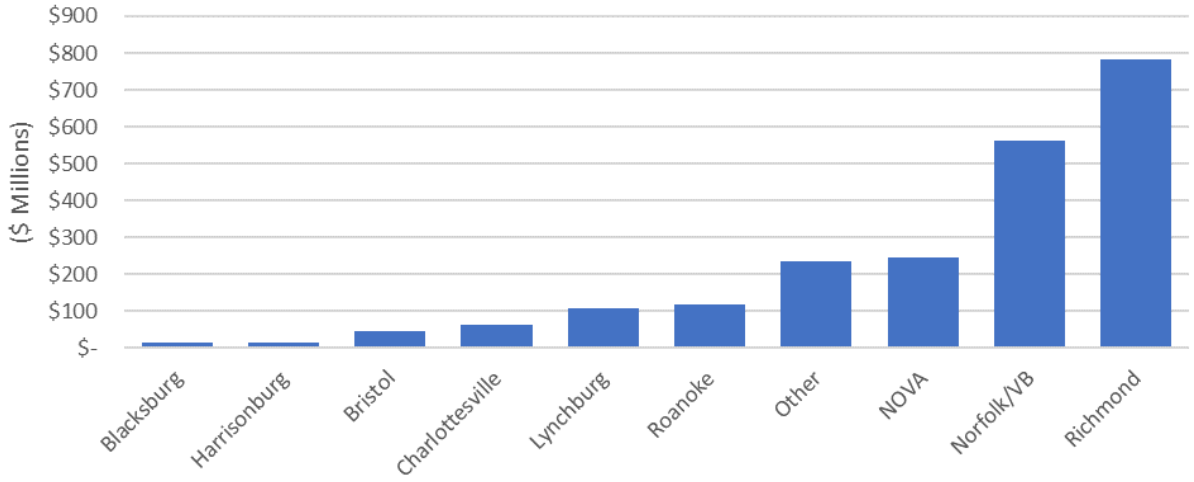
Figure 7. HRTC Program Use Throughout the Commonwealth, 2015 – 2020



When looking at combined total project spending from 2015 through 2020 by metro area, the Richmond and Norfolk/Virginia Beach metro areas had the largest total spending on HRTC projects while Blacksburg and Harrisonburg had the smallest total spending (see Figure 8

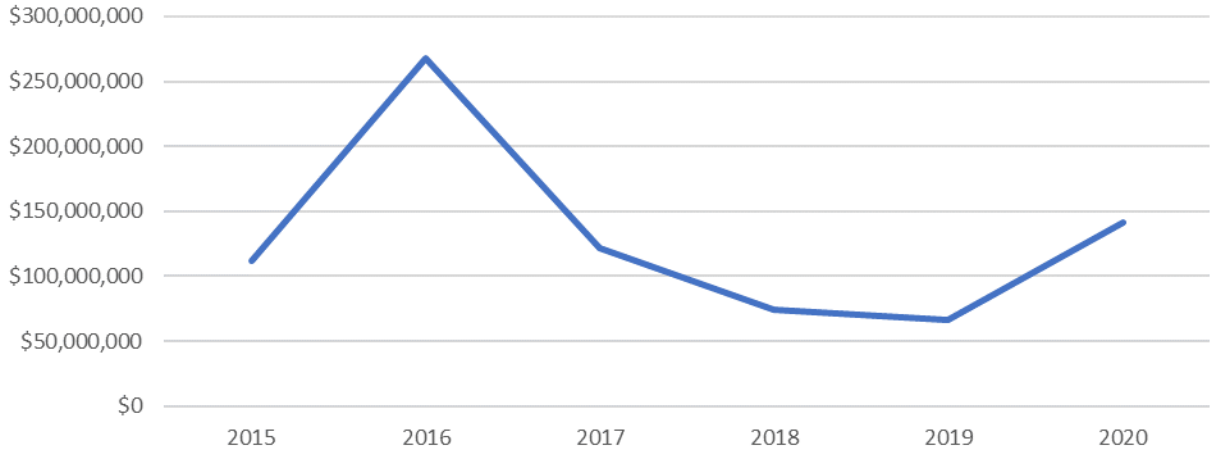
below). From 2015 through 2020, combined total project costs in the Richmond Metropolitan Statistical Area (MSA) totaled $783.7 million and Norfolk/Virginia Beach had combined total project costs of $562.4 million. The metro area with the third largest sum of total project costs over this period was the Northern Virginia portion of the Washington D.C. metro area with $245.6 million.

Figure 8. Sum of All Project Costs ($ Millions) by Metro Area, 2015 – 2020



While the Richmond metro area had the highest total project costs from 2015 through 2020, there was notable variation over the most recent 6-year period studied (see Figure 9 below). Total project costs more than doubled from $111.5 million in 2015 to $267.7 in 2016 before halving again in 2017 and continuing to a low of $66.5 million in 2019. However, between 2019 and 2020 total project costs in the Richmond MSA more than doubled again to $141.5 million.

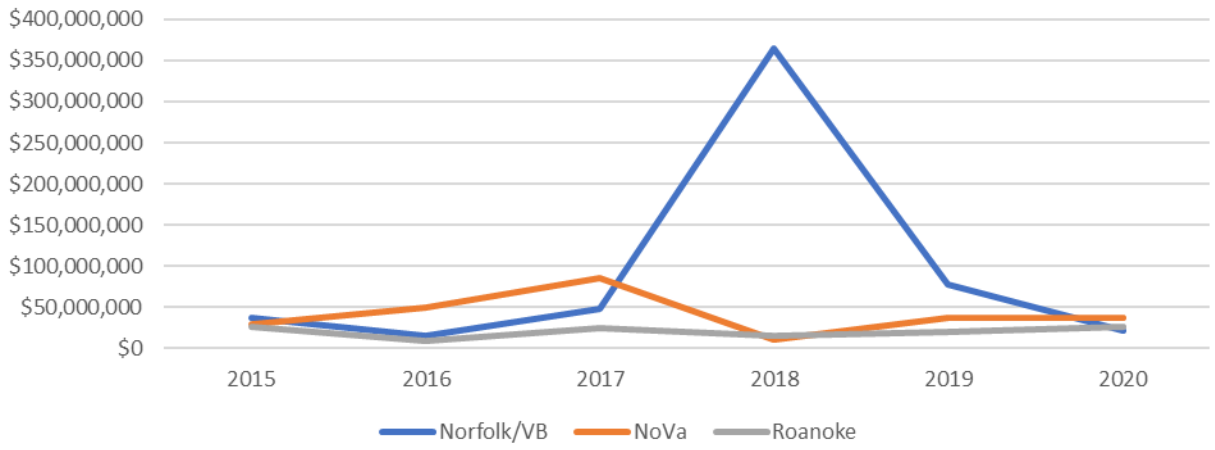
Figure 9. Annual Project Costs Richmond, 2015 – 2020



Behind Richmond, Norfolk/Virginia Beach, Northern Virginia, and Roanoke invested the most in HRTC projects between 2015-2020. In the Norfolk/Virginia Beach metro area, total project costs ranged from $14.6 million to $47.5 million from 2015 through 2017 before increasing sharply to $364.9 million in 2018 due to a single large project (see Figure 10 below).

Over the same period, the Northern Virginia and Roanoke metro areas maintained a more consistent pattern of HRTC total project costs year after year. The projects pursued averaged a total cost of $40.9 million in the Northern Virginia metro area and $19.7 million in the Roanoke metro area.

Figure 10. Annual Total Project Costs in Norfolk, Northern Virginia (NoVa), 2015 – 2020



The metro areas of Lynchburg, Harrisonburg, Charlottesville, Bristol, and Blacksburg account for the remaining metro areas (see Figures 11 and 12 below). Between 2015 and 2020, Lynchburg, Harrisonburg, Charlottesville, and Bristol had an average annual total project cost of $18.3 million, $10.4 million, and $7.6 million, respectively. In contrast, Harrisonburg and Blacksburg had lower average annual total project costs of $2.8 million and $2.5 million. This difference is primarily due to project costs in 2018, when Harrisonburg and Blacksburg had total project costs of zero while nearly every other metro area recorded an increase in the total project costs.

Figure 11. Annual Project Costs in Bristol, Charlottesville, and Lynchburg, 2015 – 2020

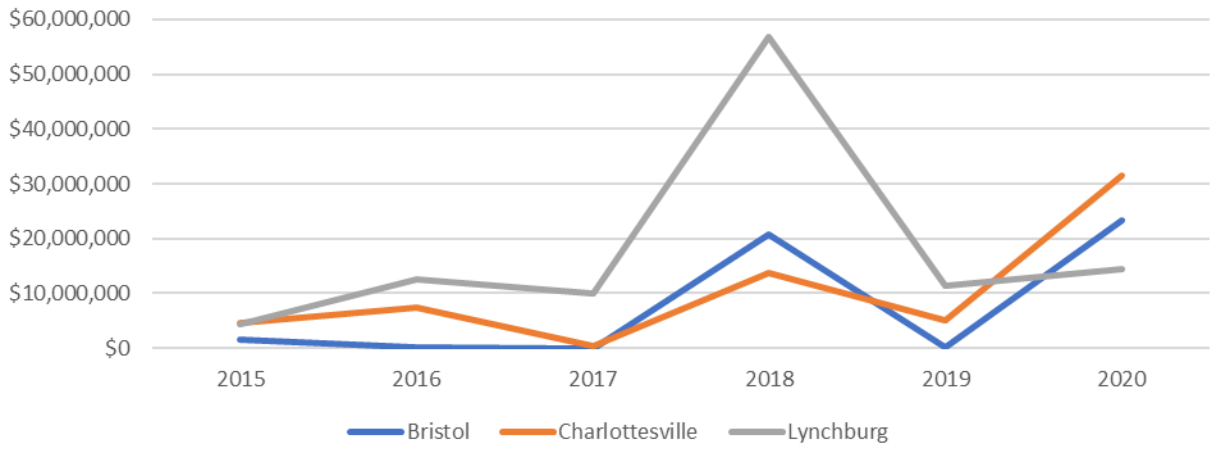
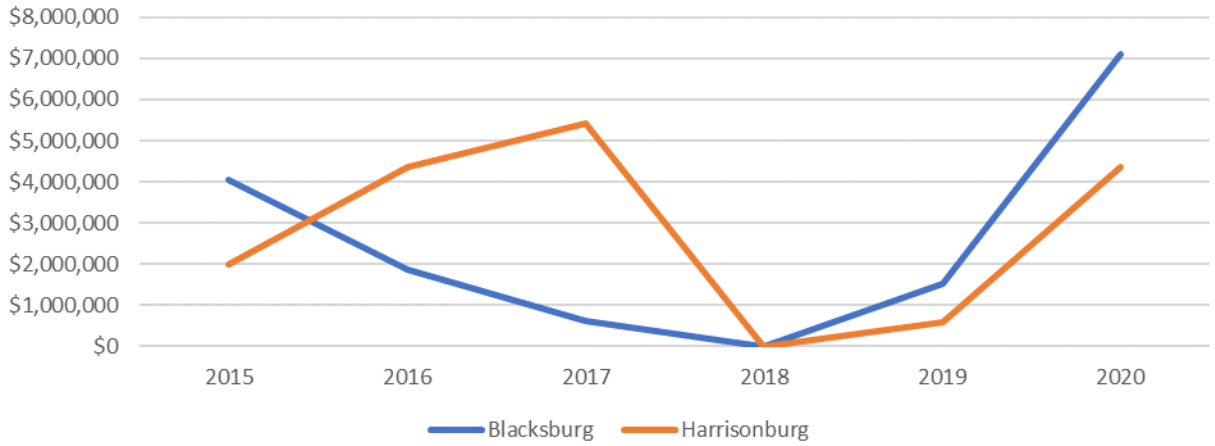


Figure 12. Annual Project Costs in Blacksburg and Harrisonburg, 2015 – 2020



Of course, not all metro areas are as large as those discussed above. For the purposes of this analysis, all smaller and non-metro areas were aggregated for each year from 2015 through 2020 (see Figure 13 below). HRTC projects for smaller and non-metro areas had an average annual project cost of $39.2 million from 2015 through 2020, approximately equivalent to Northern Virginia. The combined total project costs over the entire period among this group was $235.5 million. Additionally, two years of project costs were well above average in this group: 2017 and 2020.

Figure 13. Annual Project Costs in Smaller and Non-Metro Areas, 2015 – 2020

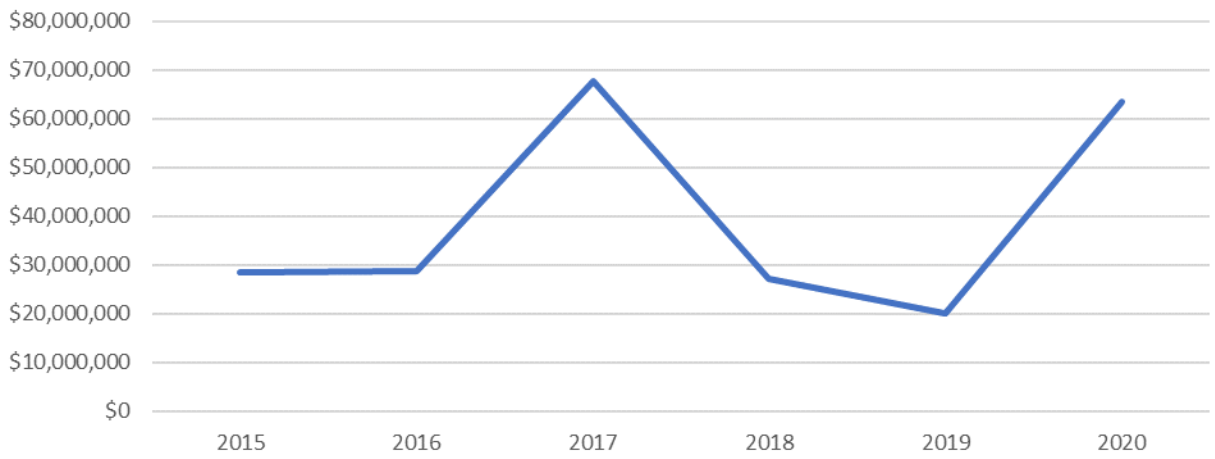


Table 1: Virginia Historic Tax Credit Non-Metro Area Project Summary

Year	Rural Project Cost	Rural Tax Credit	Number of Rural Projects	All Projects Cost	All Tax Credit	Total Projects	% Rural Cost	% Rural Tax Credits	% Rural Projects
2015	$16,630,435	$4,157,081	9	$248,861,314	$62,196,690	133	6.7%	6.7%	6.8%
2016	$12,147,756	$3,035,605	6	$394,168,157	$100,172,306	136	3.1%	3.0%	4.4%
2017	$38,613,734	$9,653,434	9	$361,309,284	$88,510,267	120	10.7%	10.9%	7.5%
2018	$11,723,970	$2,930,992	10	$583,595,184	$105,587,896	117	2.0%	2.8%	8.5%
2019	$5,041,558	$1,259,158	3	$239,225,644	$55,398,903	120	2.1%	2.3%	2.5%
2020	$42,765,515	$10,680,843	10	$368,386,077	$106,412,999	117	11.6%	10.0%	8.5%

Section Two: Economic Impact

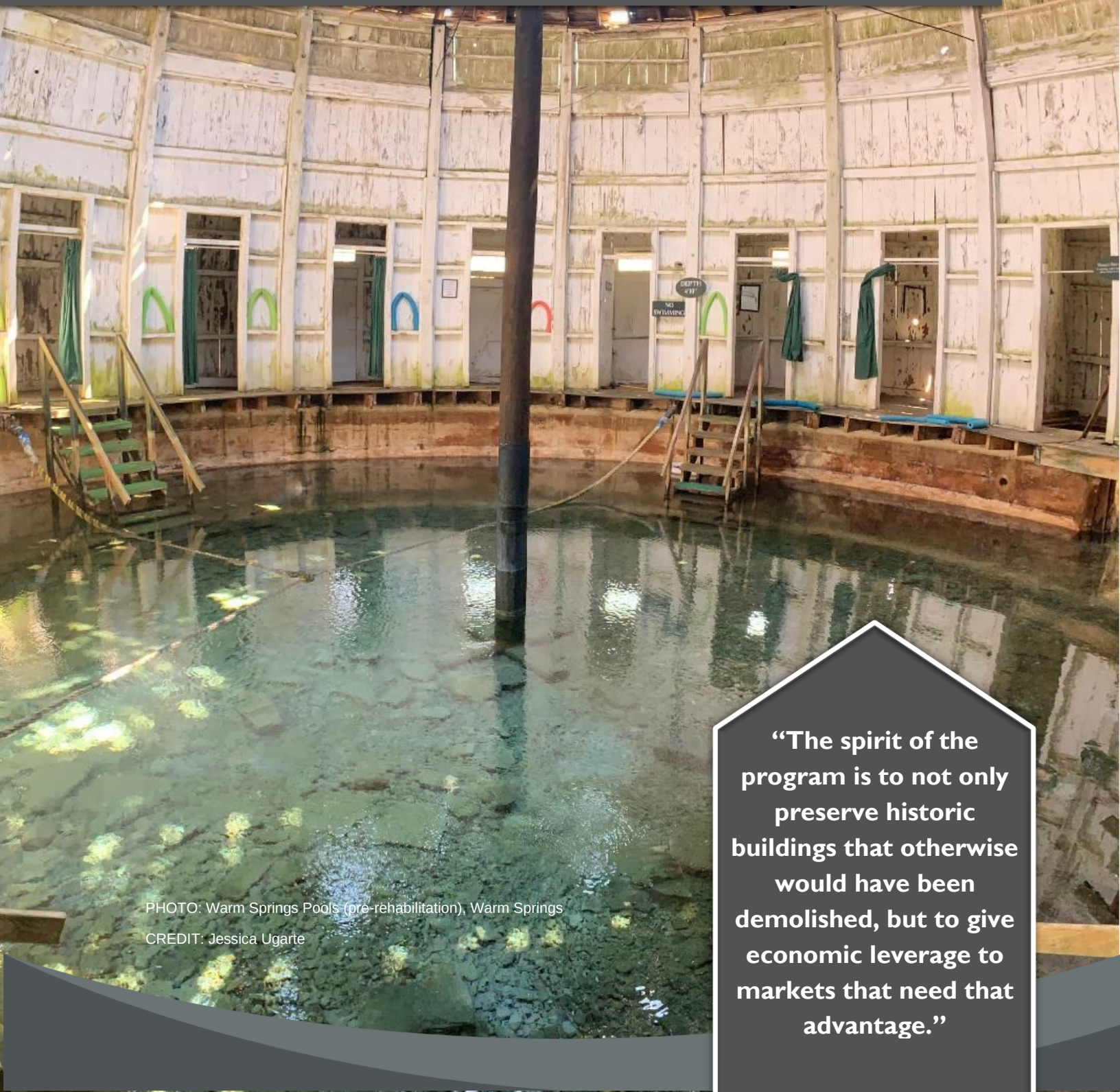


PHOTO: Warm Springs Pools (pre-rehabilitation), Warm Springs
CREDIT: Jessica Ugarte

"The spirit of the program is to not only preserve historic buildings that otherwise would have been demolished, but to give economic leverage to markets that need that advantage."

METHODOLOGY

In keeping with previous studies on the economic contributions of project spending supported by the Virginia Historic Rehabilitation Tax Credit program, we used the data provided by the Virginia Department of Historic Resources (DHR) as described in the previous section and the IMPLAN economic input-output model to estimate how this spending flowed through the stated and regional economies. The IMPLAN model provides estimates of direct, indirect and induced spending (see Appendix B).

1. Direct Effects: This is spending related to the rehabilitation of historic properties. It is the total cost of the rehabilitation projects reflected in DHR documentation, regardless of the costs being qualified for inclusion in the tax credit calculation.

2. Indirect Effects: This estimates the value of economic activities of the vendors of the firms performing rehabilitation construction and related services. For example, the construction contractor hires workers, purchases materials, rents equipment, hires an accountant to maintain financial records, and other spending. The vendor for drywall hires workers, rents space, purchases materials, hires a trucking company for deliveries, and contributes other spending. The trucking company employs drivers and office workers, rents space, pays a janitorial service to clean the office, and so on. At each stage of spending, some of the purchases do not happen in the state or regional economy; therefore, the model adjusts for that economic leakage.

3. Induced Effects: This effect reflects the value of employees of all the directly and indirectly impacted firms spending a portion of their earnings in the state or regional economy.

The IMPLAN model provides estimates of:

- Output: The value of business transactions.
- Value Added: The equivalent of Gross State Product or Gross Regional Product, which is similar to Gross Domestic Product at the national level.
- Labor Income: Salaries, wages, and benefits paid to employees and the value of proprietor income for smaller businesses.
- Employment: The number of head count jobs expressed as person years of employment. Since the spending is not the same each year and occurs in different regions of the state, our estimates show a cumulative job figure. If there are 500 person-

years of employment over a five-year period, the average job impact would be 100 jobs per year.

- State and Local Tax Revenue: Revenue to taxing jurisdictions that includes property taxes, sales and use taxes, fees for licenses and permits, and other sources of government revenue. The model does not explicitly account for after-the-fact tax credit or other incentive programs other than to reflect the broad-based relationship between economic activity and government income.

The data reflected below shows the economic contributions of rehabilitation spending that has been adjusted to reflect constant 2020 dollars. The effects of inflation on our estimates are not pronounced given that the surge in prices experienced during and after the COVID-19 pandemic did not materialize until after 2020.

Since the last assessment, IMPLAN has changed its model. The estimates of tax revenues now explicitly recognize public costs associated with construction-related activities, which results in lower net tax revenues from construction sector economic activity. Technically, the results of this analysis are not directly comparable to previous analyses that rely on a different model.

Given the last year of data was 2020, for that year the IMPLAN model recognizes three distinct periods, during the height of the COVID shutdown, the surge in activity as shutdowns eased, and an "annual average." We used the annual average for 2020 as the most accurate model.

ECONOMIC IMPACT

2.1 Rehabilitation Impact

Total project spending supported by the Virginia Historic Rehabilitation Tax Credit program approached $2.2 billion from 2015 through 2020. After adjusting for inflation to 2020 dollars, that spending is collectively valued at $2.3 billion (see Table 2 below). This spending generated over $4.1 billion in economic activity across the Commonwealth of Virginia boosting Gross State Product by $2 billion and supporting 18,750 person-years of employment that paid about $1.16 billion in salaries, wages, and benefits. Estimated state tax revenue over this time period was $55.9 million and local governments shared over $28.6 million in revenue.

Table 2: State Summary, Economic Contributions of Project Spending for the HRTC Program 2015-2020 ($2020)

Description	Impact
Total Project Spending (nominal)	$2,195,545,659
Total Project Spending in 2020	$2,319,828,046
Output	$4,143,455,360
Value Added (contribution to GSP)	$2,033,208,489
Labor Income	$1,155,218,093
Employment (person years)	18,750
State Tax Revenue	$55,912,846
Local Tax Revenue	$28,663,405

Notes: Inflation adjustment based on GDP deflators for construction (slightly higher inflation rate than GDP. Tax revenue is based on construction economic activities and does not include increase in property value gained by local jurisdictions.

In addition to the state summary, contributions of project spending for the HRTC program were also calculated by Metropolitan Statistical Area (MSA). For regional economic contributions of Virginia's HRTC program spending in selected state metropolitan areas, see Appendix C. Due to modeling differences, the sum of the metro area contributions does not equal the state total. For example, some of the spending that "leaks" out of the area for projects in the Lynchburg area will be captured elsewhere in Virginia.

2.2 Post-Rehabilitation Impact, 2015-2020

Once a rehabilitation project reaches completion, new or restored economic activity is created by the property's occupants. Considering this on-going contribution to state and local economic activity was introduced in the 2018 report and continues here. The recurring impacts are broadly categorized into business activities and household spending by residents of rehabilitated properties. These impacts can be assumed to be recurring annual impacts, as long as the properties are occupied and reflect the same type of residence or business.

In a departure from previous analyses, this report takes the approach of identifying a random sample of tax credit projects completed in the 2015-2020 period and getting specific data on the size of the property involved, the type of property and businesses, and the number of units and value of residential properties. The sampling procedure results in an estimated margin of error of +/- 10 percent.

1. Residential Household Spending: Based on the sample of projects, rehabilitated properties include both owner-occupied and rental units. The conversion of historic houses into multifamily properties with 3 to 5 units appears frequently. However, the largest gain in housing units comes from the rehabilitation and conversion of former industrial properties, which can add well over 100 new housing units in a single project. Households have spending patterns that can be estimated using economic input-output models. These models adjust for differences in spending behavior across cohorts of income. The spending estimates used in this analysis consider the relative incomes of the property residents based on income assumptions tied to the value of owner-occupied homes and the market rent levels for rental properties.

2. Commercial Properties: Commercial properties represent a broad set of uses including general offices, professional service provider offices, retail shops, restaurants, community centers, non-profit offices, residential medical care, museums, breweries/wineries/distilleries, and other categories. In performing the assessment of state and regional economic impacts, we estimated either sales (retail) based on store size, or employees based on the nature of the business and the space occupied. If data were not available about the type of occupants, we considered the commercial property to be general office space and modeled the impacts as a "management of companies" activity.

Based on the sample of projects randomly selected for this analysis, we found that the combined projects that received Historic Rehabilitation Tax Credits from 2015 to 2020 are contributing more than $1.8 billion each year to Virginia economic activity, boosting Gross State Product by $1.2 billion, and supporting over 10,100 jobs that pay more than $711 million in year in salaries, wages, and benefits (see Table 3 below). State tax revenues from these economic activities approach $42.7 million and local governments across the state share about $35.1 million each year.

Table 3: Annual Economic Contributions of Recurring Spending by Project Tenants for Virginia's HRTC Program 2015-2020, State Summary

Description	Impact
Output	$1,865,867,000
Value Added (contribution to GSP)	$1,248,980,000
Labor Income	$ 711,779,000
Employment	10,105
State Tax Revenue	$42,683,000
Local Tax Revenue	$35,147,000

Notes: Estimates for 2021, Reflect on $2020

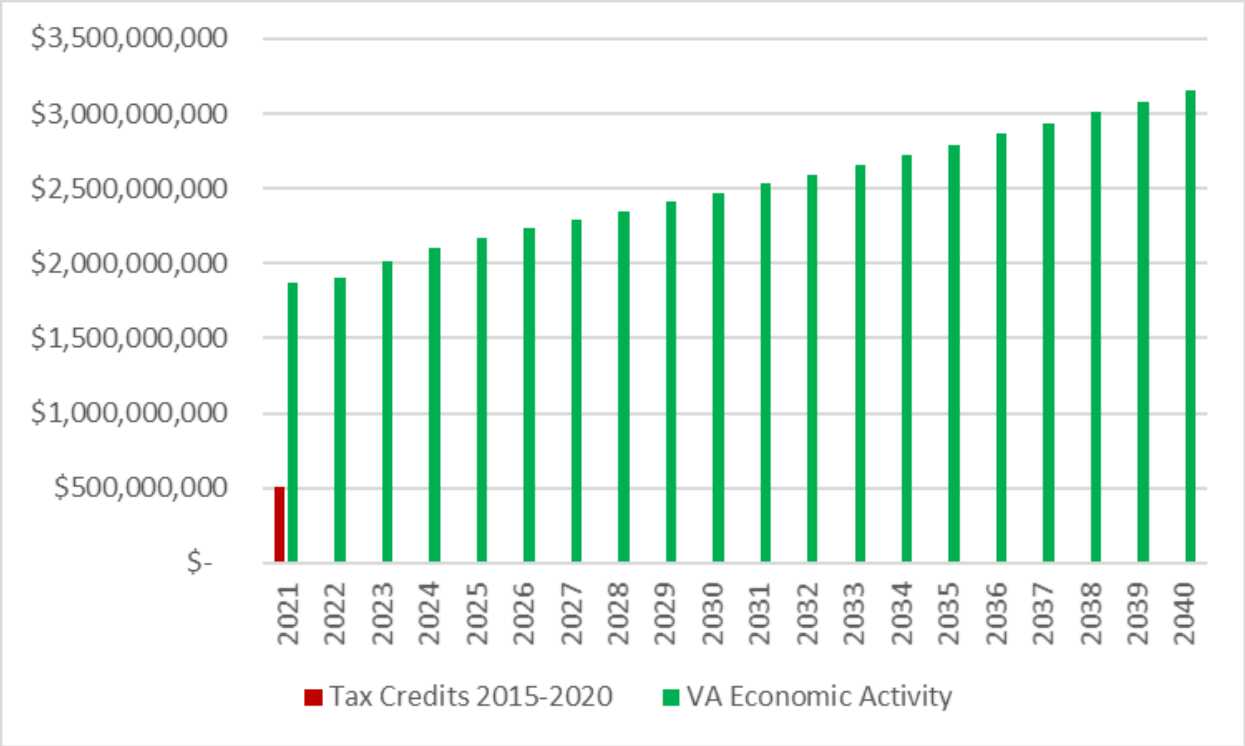
Source: Project Records, IMPLAN, Authors' estimates

For the recurring annual economic contributions of residential and business spending by occupants of rehabilitated buildings in selected Metropolitan Statistical Areas, see Appendix C. While the scope of work did not allow for a full audit of all projects, the sample does reflect the most recent uses we could identify for the subject properties. This approach does increase sampling error but allows us to more clearly show the long-term value of the Historic Rehabilitation Tax Credit program.

2.3 Return on Investment (ROI)

As demonstrated by findings described in previous sections, the projects supporting building rehabilitation help attract and retain spending and business activity across the Commonwealth of Virginia. It is reasonable to assume that this business and household spending will grow reflecting overall economic growth in the state. We have used recent economic performance to estimate long term economic contributions of recurring economic activity for the properties rehabilitated through Virginia's tax credit program. As demonstrated in Figure 14 below, state investment appears to support a stream of economic benefits.

Figure 14: Estimated Long-Term Contributions of Recurring Economic Activity for HRTC Properties



The investments in historic properties sparked by Virginia's HRTC program creates immediate, one-time state tax revenues associated with construction activities followed by a recurring stream of revenue associated with the economic activity occurring within the rehabilitated structures. The calculation of future revenues depends on critical assumptions about economic growth and change in household incomes. In previous components of this analysis, we summarized the economic impacts and contributions related to the HRTC program over the entire study period of 2015 through 2020. However, the market and economic volatility that emerged in 2020 complicates the assessment of futures earnings, especially when trying to account for value streams in the years immediately prior to 2020. Therefore, in keeping with the approach used in previous analyses of program impacts we focused on the long-term return on investment to the state based on a single year program outcome, 2020.

The cost of the state program is recorded as the total value of the tax credits earned across all projects completed during 2020. Given that some projects take more than a year to complete, this introduces a small error in our calculations, but not one of substantial proportions.

The Commonwealth of Virginia enjoyed new tax revenues in 2020 related to rehabilitation construction spending. For any given project, we realized the revenue fully in the year the

project finished. In subsequent years, the state will receive tax revenues associated with economic activities occurring in the rehabilitated properties. Some of this will be based on business and professional activities, and some will be from the household earnings of residential property occupants.

The future stream of revenues includes assumptions regarding inflation. For 2021 and 2022 we used actual inflation measures. Future years assume an inflation rate that remains well above the long-term target rate set by the Federal Reserve, but one that shows the rate of inflation will slow over the next few years and then stabilize at about 2.5 percent. It is possible and perhaps likely that the business tenants occupying historical properties will see their revenues grow faster than inflation. In such cases, the estimates presented here will be conservative in nature. To compare how the stream of future tax revenues compares to the tax credits earned, we employ a net present value calculation that adjusts for the cost of capital. This adjustment is called a discount rate. Given the volatility in bond markets over the past two years, forecasting an appropriate discount rate can be problematic. The higher the discount rate, the lower the net present value of the stream of tax revenues. The estimates presented in the following table are based on a discount rate of 4.5 percent, which reasonably reflects current and near terms interest rate trends.

As shown in Table 4 below, the investments made by the Commonwealth of Virginia in the form of Historic Rehabilitation Tax Credits will generate a positive return on investment (ROI) at year 14 after the program year. This estimate is conservative in that interest rates will likely drop over the next several years, which will shorten the time for seeing a positive ROI. Even so, the current ROI is within the bounds of normal practice for public investments in Virginia.

Table 4: Estimated ROI Analysis for Projects Completed in 2020

Year	Tax Credit	State Tax Revenue	NPV of State Revenue	Cumulative NPV State Revenue	ROI
2020	$ 106,412,999	$8,878,897	$ 8,878,897	$ 8,878,897	-92%
2021		$9,056,475	$ 8,293,285	$17,172,182	-84%
2022		$9,599,863	$ 8,412,328	$25,584,510	-76%
2023		$9,983,858	$ 8,372,077	$33,956,587	-68%
2024		$10,333,293	$ 8,291,962	$42,248,549	-60%
2025		$10,643,292	$ 8,172,938	$50,421,488	-53%
2026		$10,909,374	$ 8,016,519	$58,438,006	-45%
2027		$11,182,108	$ 7,863,092	$66,301,099	-38%
2028		$11,461,661	$ 7,712,603	$74,013,701	-30%
2029		$11,748,203	$ 7,564,993	$81,578,694	-23%
2030		$12,041,908	$ 7,420,208	$88,998,902	-16%
2031		$12,342,955	$ 7,278,195	$96,277,097	-10%
2032		$12,651,529	$ 7,138,899	$103,415,996	-3%
2033		$12,967,818	$ 7,002,270	$110,418,266	4%
2034		$13,292,013	$ 6,868,255	$117,286,521	10%
2035		$13,624,313	$ 6,736,805	$124,023,326	17%
2036		$13,964,921	$ 6,607,871	$130,631,197	23%
2037		$14,314,044	$ 6,481,404	$137,112,601	29%
2038		$14,671,895	$ 6,357,358	$143,469,960	35%
2039		$15,038,693	$ 6,235,687	$149,705,646	41%

Section Three: Community Impact

PHOTO: Pure Oil Station, Cape Charles

CREDIT: Commonwealth Preservation Group

"[HRTC] means a lot to the community–and you're getting savings because you're not [paying for] demolishing so there's additional savings you're not even calculating."

METHODOLOGY

The Center for Public Policy (CPP) conducted focus groups with developers and consultants who used tax credits to complete rehabilitation projects, city officials who have witnessed the impact of these projects, and investors, including bankers and syndicators who finance HRTC projects. CPP also conducted individual interviews with HRTC developers to understand the ripple effects of HRTC projects for people living and working in the immediate vicinity, as well as benefits for the broader community. This information is organized into three parts.

The first part of this section outlines the following major thematic findings of the qualitative research:

1. Equity for rural areas and small towns
2. HRTCs as an economic development tool
3. The contribution of the HRTC program to addressing the housing crisis
4. The implications for placemaking of HRTC projects
5. Environmental sustainability and HRTCs
6. Unique program design compared to other states

The second part includes geographically diverse case studies to highlight how HRTC projects impact their immediate neighbors as well as their communities. Finally, the qualitative section concludes with future considerations for improving the HRTC program based on feedback shared through focus groups and interviews.

THEMATIC FINDINGS

3.1 Community Perceptions

This section showcases CPP's qualitative findings and demonstrates how benefits of the Historic Rehabilitation Tax Credit program are felt in communities across the state.

Equity for Rural Areas and Small Towns

A major trend identified by several focus groups was that the use of the tax credits is increasing outside of the urban crescent of Northern Virginia, Richmond, and Hampton Roads. As the inventory of historic buildings in these urban areas has been rehabilitated–largely thanks to the success of the HRTC program–developers are increasingly looking elsewhere, taking on projects in rural and more disadvantaged areas like the Eastern Shore and

Southwest Virginia. This geographic shift has coincided with an increase in the number of smaller developers undertaking historic rehabilitation projects.

Participants expressed that many small communities in Virginia have rental markets that will not generate the income needed to pay back the debt accrued from rehabilitating outdated or derelict buildings with traditional financing alone. Tax credits bridge the gaps for these projects which otherwise would not be financially viable.

Such projects are good for local residents as well, whose tax dollars otherwise go to maintaining these underutilized properties. It is also beneficial for the economies of small towns whose local governments do not have the capital or credit to invest without the support of the tax credit. Several focus group participants also spoke to the idea that without tax credits, more prosperous urban markets would attract a majority of available development dollars, excluding rural areas from the opportunity.

An Economic Development Tool

Focus group participants spoke to the energizing effect of HRTC-supported mixed-use projects on small downtowns, especially in more rural areas. Not only do they bring life to previously abandoned buildings, they also often serve as a catalyst for further revitalization of the surrounding buildings and blocks. In addition, these projects have successfully provided high-quality housing, which in turn attracts big employers to areas of the state that are in need of economic development, and which would not otherwise be able to adequately house these employees.

Many developers shared that, in their experience, historic preservation investments would not be possible without tax credits. They make projects financially feasible, often representing up to 30% of the capital stack of any given project. Developers also shared how tax credits from the HRTC program allow them to leverage other tax credits, including federal historic preservation tax incentives, Low-Income Housing Tax Credits (LIHTC), and local tax abatement programs. Especially during times of economic uncertainty, , tax credit projects are a major engine for development.

Developers and participants working in rehabilitation financing roles noted that the HRTC program has provided security and stability for projects that require long-term, multi-year planning and risk mitigation efforts. These participants expressed that the tax credit serves as an important "known" variable in an industry with many unknown factors.

Addressing the Housing Crisis

In addition to commercial and public use historic rehabilitation projects, multifamily projects across the state are utilizing HRTCs to increase the inventory of affordable and market rate housing. Research participants shared that these projects contribute significant numbers of units to urban and rural communities alike, including the following examples of completed projects:

- 43 units in a former ice house in Harrisonburg
- 50 low-income units at the former Woodlawn School in Carroll County
- 37 affordable units in the Knightsbridge apartments in Arlington

In addition, focus group participants shared that the following projects are either planned or already underway:

- 90 units in a former peanut factory in Suffolk
- 150+ units in a vacant apple storage facility in Winchester
- 104 units in a former school in Pulaski
- 300 units at Fort Monroe
- 150+ units in a former textile mill in Danville (32 of which will be allocated for moderate income residents)

More and more, multifamily projects are utilizing HRTCs to increase affordable housing stock. Hundreds of units have been created in rural areas in what were abandoned mills, factories, schools, military barracks, and warehouses. Many projects are also being developed in historic, but often distressed downtowns, bringing more people into areas that need economic support. By reclaiming unused square footage, even projects that are not explicitly affordable create more inventory, reducing competition for existing affordable housing.

Promoting Cultural Heritage

The HRTC program helps preserve and celebrate cultural heritage by rehabilitating spaces that tell the history of a community, but which are in danger of being lost. This has significant implications for belonging and placemaking. Placemaking is the practice of breathing new life into public space in order to create shared value–both use value and exchange value–that benefits the community. Through the HRTC program, once-underutilized, blighted neighborhoods are now socially, culturally, and economically vibrant. This is especially true for

rural areas and cities outside of the urban crescent, where developers consistently report that these projects would not be possible without the tax credits. By bringing historically and culturally significant buildings back to life, these projects preserve historic detail that would otherwise be lost, attract visitors to old downtowns, and create a sense of place and pride for local residents.

Environmental Sustainability

HRTC-supported projects must inherently contend with environmental hazards, due to the nature of working with historic buildings. Developers have used the tax credits to complete projects that include abatement of hazardous materials and resolution of flooding issues. Participants noted that an additional benefit of rehabilitation projects that address environmental hazards is that those issues are then taken out of the hands of local governments.

Unique Program Design

Another major theme that came out of the focus groups was that Virginia's model for running the HRTC program is exceptionally strong compared to other states. The fact that every eligible project receives the same size tax credit, 25% of eligible rehabilitation costs, lends itself to predictability and reliability that is necessary for developers to realize a project.

Virginia's 25% rate translates into stronger financial feasibility for projects, compared with nearby states like North Carolina, where the limit is set at 15% of eligible costs. Program users and investors commented that anything less than 25% would not be workable for development budgets.

In addition, some states have annual pool caps on the amount of distributed tax credits, which change annually based on the state budget. Pennsylvania, for example, has a dollar amount cap on how much each individual project can be awarded in tax credits, as well as on how much money the state will award in total tax credits per year. Participants identified such caps as potentially devastating for historic rehabilitation in Virginia, as they would lead to developers choosing not to pursue projects due to budgeting uncertainty. Lower percentages or pool cap policies would especially reduce development opportunities in lower income, rural, and mid-sized areas where developers rely on tax credits to bridge the rental gap in these markets, and could not otherwise justify pursuing traditional loans.

An additional strength that participants identified in Virginia's HRTC policy design is program flexibility. Many historic rehabilitation projects take years to complete. Virginia's program allows developers to apply for credits to support multi-year projects by submitting a phased application. If eligible, a phased project is awarded credits to be dispersed along the way, at

the completion of each phase. Phasing also allows projects to take up to 5 years to reach the cost threshold for eligibility in Virginia's HRTC program, which further expands access to this program for developers who are unable to reach that limit in a shorter timeframe. Compared with other states where credits are awarded annually and are subject to variable annual limits, the security of Virginia's program for phased projects means that a developer can rely on the credits throughout a multi-year project.

3.2 Case Studies

"A Gift to the Town"

420 Randolph Avenue, Cape Charles

East of the Sun was a small-scale redevelopment project undertaken by a husband-wife team to rehabilitate a previously uninhabitable Victorian home built in 1890. They had to temporarily lift the structure to address structural issues, and ultimately raised the structure permanently to meet floodplain requirements and address sea level rise.

The home is located on the main road entering Cape Charles, on an entirely historic block with no new construction. This block was previously an eyesore for the town, defined by three derelict buildings, when the developers decided to undertake this project. Since the completion of the *East of the Sun* project, the other two neglected properties have undergone or begun rehabilitation. The project inspired several new historic adaptive reuse projects, revitalizing other buildings in the downtown area. Now this gateway to the town is restored to its historic character, helping to attract more visitors to the Eastern Shore and in turn, further investment. The town council has celebrated this project, calling it "a gift to the town."

"It helped create momentum and a movement."

"Worth Keeping"

85 W. Gray Street, Harrisonburg

Big L Tires was founded in 1943 at 85 W. Gay Street, a flatiron building at the corner of Gay and Liberty Streets. When Big L moved out, they left the building vacant. The building is located on a heavily trafficked intersection on the edge of the Northeast neighborhood, a historically Black neighborhood that was devastated by urban renewal in the 1950s and has yet to fully recover.

The developer wanted to bring investment back to that community. Drawing on the history of foodways in the neighborhood, she created a diner that has been integrated into the fabric of the community by building on the already-existing assets of the neighborhood, while simultaneously attracting much needed investment. The diner pays homage to the community in a variety of ways—during Black history month, the diner's menu included the stories and favorite food memories of local Black women leaders, along with a special highlighting their favorite dish. The adaptive reuse project also preserved the garage doors and other historic features from when the space was Big L Tires. Lastly, the owners have been intentional about keeping prices affordable to the working people of the neighborhood, ensuring that the new development does not lead to cultural displacement.

The rehabilitation has brought much needed economic development to the area. Property values and tax revenues have increased, leading to more development in the immediate vicinity. The same development team is using HRTCs on a similar adaptive reuse project across the street. The second project will transform a 21,000 square foot space into event and retail space that will house eleven small businesses, many of which are new, and none of whom could have leased such a large space themselves.

"People like to see that continuity and have that nostalgia—it makes a town feel more like a town. They see that things are worth keeping here, it's better to save them than to knock them down."

Community Impact

"A Life Changer"

707 Fourth Street, Blackstone

Constructed in 1884, this building originally functioned as a women's college. In the 1920s, the structure burned down and was subsequently rebuilt, eventually functioning as a retreat center. The center closed in 2016, and the massive building was left vacant.

The town of Blackstone was in need of a high number of hotel rooms after the local army base, was chosen as a major hub for embassy security training. The developer was able to leverage historic rehabilitation tax credits to rehabilitate the structure and turn it into an inn to meet this need. In doing so, the building has become a major asset to the community, bringing hundreds of embassy employees from around the world into Blackstone, boosting patronage of local restaurants and retail shops.

"I don't even know how many people have emailed and texted and called to thank me for the fact that we rehabbed the building because it has so much history and meaning for the town."

"For Blackstone [HRTC] was a life changer. Without that program, the building would have rotted away. I don't think anyone would have been able to do anything with it."

Community Impact

"Offsetting Costs"

745 Woodlawn Road, Woodlawn

The Woodlawn School was of great historical significance to the area. Built in 1907, it was the first public school in Carroll County and in1917, it became the first public high school with an agricultural education program in the United States. It continued to serve the students of the county until 2013.

After the building sat vacant for nearly a decade, the County donated the school to the developer, who was able to use the HRTC program along with Low Income Housing Tax Credits (LIHTC) to finance the rehabilitation of the building. Not only is the building affordable for low-income families and seniors, it is also consistent with universal design, facilitating the use of any unit by individuals with disabilities because of the unit layout and details like accessibly designed kitchens and bathrooms. In addition, the rehabilitated building is very energy efficient, rated EarthCraft gold, meaning that residents save on their utility bills as well as rent.

Before the rehabilitation, the cost to maintain the building and lack of any feasible use made the building a burden to the community. Since project completion, in addition to the direct benefit to low-income residents, the Woodlawn School is giving back to Carroll County. It is an economic driver because the building, which was costing taxpayers money, is now back on the tax rolls, with fifty households paying rent. This project also provides many intangible cultural and community benefits, including public use of the gymnasium and athletic fields through an agreement with the County Parks and Rec Department. Local residents care about this building --several of the current residents moved into apartments that used to house their elementary school classrooms, enhancing the sense of place as a community asset.

"We really need the historic credits to do these renovations. We use them to offset the cost of the historic refurbishment."

"It's hard work but it's rewarding; the community really does care about these buildings."

"Historic Fabric"

210-2012 North Glebe Road, Arlington

The building was built in 1947 under a Federal Housing Administration program for those of modest means. It was renovated in the 1980s and had not been updated since. Residents were temporarily relocated while the rehabilitation was underway, and then 97% of residents returned to the updated building.

In addition to preserving this source of affordable housing, the rehabilitation converted 15% of the units into apartments that are accessible for people with disabilities, and re-landscaped the property to address stormwater drainage issues, a benefit for the whole neighborhood.

One of the biggest challenges of this project was how to meet the needs of people living with disabilities and still meet historic design requirements. The building is a garden style complex where the apartments face inward to a courtyard that is an outdoor amenity space for the residents. The elevations that face the courtyard are the most historic part of the building and were required to remain intact. The developers had access to original drawings of the building, so they were able to replace the existing modern vinyl windows with historically-accurate multi-light aluminum casement windows, restoring the original appearance of the courtyard. Accessibility was a challenge, because each unit had steps at the entry door. Ultimately wheelchair-accessible entryways were added to the rear of the building, facilitating access to the accessible apartments.

"[HRTC] ultimately allows communities to enjoy historic properties that they're surrounded by every day that may otherwise become neglected. They can take pride in the historic fabric of their community."

FUTURE CONSIDERATIONS

Some suggestions for modifications to the HRTC program arose during the focus groups and would benefit from future study including:

Rehabilitation of historic single-family homes:

There was a perception among focus group participants that vacant or deteriorating single family homes could be a valuable source of creating or preserving affordable housing, but are often too small-scale or require interior changes that disqualify the project from HRTCs. Participants also expressed a desire to see more flexibility rehabilitation of overly-large single family homes that could be subdivided into a few units in order to contribute to the affordable housing stock. If the program were tweaked to allow for these rehabilitations, or if a targeted program were to be established, it could bring gentle density and more affordability to single family neighborhoods.

Inventory:

Developers observed that the remaining unrehabilitated urban historic buildings that are eligible for the HRTC program are often the most complicated and difficult to rehabilitate. Developers expressed needing additional support to find workable solutions. Some focus group participants felt that DHR's guidelines have become more stringent in recent years. Combined with the large number of projects that have been successfully rehabilitated through HRTCs, this has led to a situation where much of the remaining inventory is not eligible for the program, or is seen as too difficult to take on by developers. For example, many buildings built in the 1960s and 1970s are being demolished rather than renovated, representing a missed opportunity. This issue is most prevalent in the urban crescent, but as the program continues to spread in rural areas and smaller towns, this will be true of more communities across the state.

Schools:

Renovating historic schools is an unrealized opportunity in Virginia, given the prevalence of outdated schools in need of repairs that many school districts are unable to afford. Public Officials in the focus groups shared challenges with school-based projects, reporting that program requirements around income generation and ownership by a non-paying entity are difficult to navigate. Focus group discussion suggested there may be some confusion among participants about the HRTC program guidelines and process for school buildings.

Further, many school boards see building new schools as the priority, rather than renovating existing ones. Additional communication and partnership between School Officials and DHR may be useful to address Virginia's aging inventory of schools.

Communication with DHR:

There is a desire for continued dialogue and partnership with DHR during the review process, including the opportunity for developers to make the case for construction needs and design decisions. Developers commented that the coronavirus pandemic opened up more lines of communication across diverse regions of the state, such as virtual meetings for applicants, and expressed a desire to continue and expand these practices.

CONCLUSION

Virginia's HRTC program has risen to the challenge of rehabilitation and adaptive reuse of the Commonwealth's rich historical building stock. Economic impact analysis reveals that rehabilitation projects over this report's study period directly generated over $1.4 billion in economic activity, boosted GSP by $2 billion, created 18,750 jobs, and contributed millions of dollars to local and state governments through tax revenue. In addition, indirect benefits continued after project completion in the form of economic activity generated by residential and commercial tenants of newly rehabilitated buildings. These tenants contributed nearly $2 billion per year to Virginia's economy, added additional billions of dollars to GSP, stimulated the creation of more than 10,000 jobs, and drove millions more tax dollars to state and local governments.

Qualitative analysis findings highlight the many benefits of the HRTC program that cannot be expressed with numbers alone. Virginia's strong and flexible program design provides a significant and reliable incentive for developers interested in rehabilitating historic structures. Program Users and Public Officials report that these projects bring ongoing economic, cultural, and environmental benefits to their localities, and often inspire future rehabilitation of nearby vacant buildings. In conclusion, this report findings that Virginia's HRTC program continues to be an asset for preservation and community development across the Commonwealth.

APPENDICES

Appendix A: Metropolitan Statistical Areas (MSA) by Region

Blacksburg-Christiansburg MSA includes:

- Giles County
- Montgomery County
- Pulaski County
- City of Radford

Kingsport-Bristol MSA includes:

- Scott County
- Washington County
- City of Bristol, VA

Charlottesville MSA includes:

- Albemarle County
- Fluvanna County
- Greene County
- Nelson County
- City of Charlottesville

Harrisonburg MSA includes:

- Rockingham County
- City of Harrisonburg

Lynchburg MSA includes:

- Amherst County
- Appomattox County
- Bedford County
- Campbell County
- City of Lynchburg

Richmond MSA includes:

- Amelia County
- Charles City County
- Chesterfield County
- Dinwiddie County
- Goochland County
- Hanover County
- Henrico County
- King and Queen County
- King William County
- New Kent County
- Powhatan County
- Prince George County
- Sussex County
- City of Colonial Heights
- City of Hopewell

- City of Petersburg
- City of Richmond

Roanoke MSA includes:

- Botetourt County
- Craig County
- Franklin County
- Roanoke County
- City of Roanoke
- City of Salem

Virginia portion of the Norfolk-Virginia Beach MSA includes:

- Gloucester County
- Isle of Wight County
- James City County
- Mathews County
- Southampton County
- York County
- City of Chesapeake
- City of Franklin
- City of Hampton
- City of Poquoson
- City of Portsmouth
- City of Suffolk
- City of Virginia Beach
- City of Williamsburg

Northern Virginia portion of the Washington, DC MSA includes:

- Arlington County
- Clarke County
- Culpeper County
- Fairfax County
- Fauquier County
- Loudoun County
- Madison County
- Prince William County
- Rappahannock County
- Spotsylvania County
- Stafford County
- Warren County
- City of Alexandria
- City of Fairfax
- City of Falls Church
- City of Fredericksburg
- City of Manassas
- City of Manassas Park

Appendix B: IMPLAN Sector Codes

IMPLAN Sector Code	Description	Notes
Construction Related Spending		
60	Maintenance and Repair Construction of Non-Residential Structures	Used for non-residential, mixed-use projects, and conversions.
61	Maintenance and Repair Construction of Residential Structures	Existing single and multi-family housing structures.
Residential Spending		
10005	Household Spending Pattern $50k-$75k household income	Only applied to projects creating new units. Household income estimated based on rent levels in relevant areas.
10006	Household Spending Pattern $75k-$100k household income	Only applied to projects creating new units. Household income estimated based on rent levels in relevant areas.
10007	Household Spending Pattern $100k-$150k household income	Only applied to projects creating new units. Household income estimated based on rent levels in relevant areas.
Non-Residential Occupant Industries		
106	Breweries	
411	General Merchandise Retailers	Proxy for smaller retail businesses
456	Accounting, Tax Preparation, Bookkeeping, and Payroll Services	Proxy for general business services
485	Offices of “Other” Health Practitioners	Proxy for health services, including clinics
491	Nursing and Community Care Facilities	Nursing homes and other residential care facilities
501	Museums, Historical Parks, Zoos, Parks	Proxy for recreational services

510	Limited Service Restaurants	Used for all restaurants due to size of facilities and the increase in take away meal services
521	Religious Organizations	
524	Labor & Civic Organizations	Proxy for non-profit organizations and activities

Appendix C: Regional Economic Contributions of HRTC Program Spending in Selected State Metropolitan Areas (MSA)

Blacksburg MSA

Description	Impact
Total Project Spending (nominal)	$15,149,466
Total Project Spending in $2020	$15,801,686
Output	$22,024,815
Value Added (contribution to GRP)	$ 9,235,786
Labor Income	$ 5,159,619
Employment (person years)	104
Local Tax Revenue	$249,983

Bristol-Kingsport MSA (VA Only)

Description	Impact
Total Project Spending (nominal)	$45,971,378
Total Project Spending in $2020	$47,294,645
Output	$68,190,806
Value Added (contribution to GRP)	$23,277,967
Labor Income	$13,382,384
Employment (person years)	350
Local Tax Revenue	$910,683

Charlottesville MSA

Description	Impact
Total Project Spending (nominal)	$62,270,231
Total Project Spending in $2020	$64,272,865
Output	$88,952,806
Value Added (contribution to GSP)	$39,362,027
Labor Income	$22,581,063
Employment (person years)	392
Local Tax Revenue	$1,028,065

Harrisonburg MSA

Description	Impact
Total Project Spending (nominal)	$16,680,901
Total Project Spending in $2020	$17,697,600
Output	$27,642,154
Value Added (contribution to GSP)	$12,756,942
Labor Income	$ 7,412,239
Employment (person years)	140
Local Tax Revenue	$50,714

Lynchburg MSA

Description	Impact
Total Project Spending (nominal)	$109,620,110
Total Project Spending in $2020	$115,266,246
Output	$180,338,647
Value Added (contribution to GSP)	$ 75,436,223
Labor Income	$ 41,922,767
Employment (person years)	990
Local Tax Revenue	$910,875

Richmond MSA

Description	Impact
Total Project Spending (nominal)	$ 783,700,966
Total Project Spending in $2020	$ 834,650,368
Output	$1,472,590,702
Value Added (contribution to GSP)	$ 735,588,677
Labor Income	$ 408,054,581
Employment (person years)	6,918
Local Tax Revenue	$ 8,985,104

Roanoke MSA

Description	Impact
Total Project Spending (nominal)	$118,412,244
Total Project Spending in $2020	$124,628,477
Output	$207,780,482
Value Added (contribution to GSP)	$ 94,622,221
Labor Income	$ 53,425,124
Employment (person years)	1,072
Local Tax Revenue	$1,499,852

Norfolk/Virginia Beach MSA

Description	Impact
Total Project Spending (nominal)	$562,438,489
Total Project Spending in $2020	$591,982,893
Output	$952,395,183
Value Added (contribution to GSP)	$454,321,808
Labor Income	$254,461,643
Employment (person years)	4,719
Local Tax Revenue	$4,669,096

Northern Virginia MSA

Description	Impact
Total Project Spending (nominal)	$245,590,560
Total Project Spending in $2020	$260,302,728
Output	$399,268,380
Value Added (contribution to GSP)	$205,500,942
Labor Income	$119,343,987
Employment (person years)	1,731
Local Tax Revenue	$1,119,676

All Other Areas

Description	Impact
Total Project Spending (nominal)	$235,486,240
Total Project Spending in $2020	$247,692,032
Output	$426,195,371
Value Added (contribution to GSP)	$209,236,559
Labor Income	$118,841,515
Employment (person years)	2,018
Local Tax Revenue	$2,945,455

NOTE: Modeled as state level contributions

Appendix D: Recurring Annual Economic Contributions of Residential and Business Spending by Occupants of HRTC Buildings in Selected Metropolitan Statistical Areas.

The following tables present estimates for 2021

Blacksburg-Christiansburg MSA

Description	Impact
Total Value of Rehabilitation Projects	$15,149,446
Total Number of Projects	6
Output	$12,873,000
Value Added (contribution to GSP)	$8,617,000
Labor Income	$4,911,000
Employment (person years)	70
Local Tax Revenue	$242,000

Kingsport-Bristol MSA (VA only)

Description	Impact
Total Value of Rehabilitation Projects	$45,971,378
Total Number of Projects	8
Output	$39,064,000
Value Added (contribution to GSP)	$26,149,000
Labor Income	$14,902,000
Employment (person years)	212
Local Tax Revenue	$735,000

Charlottesville MSA

Description	Impact
Total Value of Rehabilitation Projects	$62,270,231
Total Number of Projects	20
Output	$52,914,000
Value Added (contribution to GRP)	$35,419,000
Labor Income	$20,185,000
Employment (person years)	287
Local Tax Revenue	$997,000

Harrisonburg MSA

Description	Impact
Total Value of Rehabilitation Projects	$16,680,901
Total Number of Projects	8
Output	$14,174,000
Value Added (contribution to GSP)	$9,488,000
Labor Income	$5,407,000
Employment (person years)	77
Local Tax Revenue	$267,000

Lynchburg MSA

Description	Impact
Total Value of Rehabilitation Projects	$109,620,110
Total Number of Projects	27
Output	$93,149,000
Value Added (contribution to GSP)	$62,352,000
Labor Income	$35,533,000
Employment (person years)	504
Local Tax Revenue	$1,755,000

Richmond MSA

Description	Impact
Total Value of Rehabilitation Projects	$783,700,966
Total Number of Projects	408
Output	$665,944,000
Value Added (contribution to GSP)	$445,771,000
Labor Income	$254,040,000
Employment (person years)	3,606
Local Tax Revenue	$12,544,000

Roanoke MSA

Description	Impact
Total Value of Rehabilitation Projects	$118,412,244
Total Number of Projects	47
Output	$100,620,000
Value Added (contribution to GSP)	$67,353,000
Labor Income	$38,384,000
Employment (person years)	545
Local Tax Revenue	$1,895,000

Norfolk/Virginia Beach (VA Only) MSA

Description	Impact
Total Value of Rehabilitation Projects	$562,437,489
Total Number of Projects	78
Output	$477,926,000
Value Added (contribution to GSP)	$319,916,000
Labor Income	$182,317,000
Employment (person years)	2,588
Local Tax Revenue	$9,003,000

Northern Virginia MSA

Description	Impact
Total Value of Rehabilitation Projects	$245,590,560
Total Number of Projects	57
Output	$208,881,000
Value Added (contribution to GSP)	$139,821,000
Labor Income	$79,683,000
Employment (person years)	1,131
Local Tax Revenue	$3,935,000