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# Preserving Legacy City Neighborhoods: The Role of Federal Historic Rehabilitation Tax Credits

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Ryberg-Webster, Stephanie R. and Kinahan, Kelly, "Preserving Legacy City Neighborhoods: The Role of Federal Historic Rehabilitation Tax Credits" (2014). *All Maxine Goodman Levin School of Urban Affairs Publications*. 0 1 2 3 1249.
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# PRESERVING LEGACY CITY NEIGHBORHOODS: THE ROLE OF FEDERAL HISTORIC REHABILITATION TAX CREDITS

2nd Annual Levin College Research Conference

Stephanie Ryberg-Webster

Kelly L. Kinahan

8.21.14

# FEDERAL HISTORIC REHABILITATION TAX CREDIT (RTC)

**RTC Program**:

- Started in 1976
- 20% income tax credit for certified historic buildings
- Income-producing properties
- Three part application process
- No explicit geographic limitations
- No federal cap on expenditures

# RESEARCH CONTEXT

- Research frameworks:
  - the role of historic preservation in shaping 21st century cities
  - place-based revitalization, including geographic targeting of community development activities
  - planning for the future of legacy cities
- Federal historic rehabilitation tax credit: longstanding preservation tool
- Lack of publically available data on historic rehabilitation tax credit (RTC) investments at neighborhood level
- Inherently tied to urban core and inner city neighborhoods
- RTCs' implied connection to place-oriented urban strategies
- Market viability in legacy cities and how incentives that are not necessarily limited to distressed communities might be functioning as a neighborhood stabilization tool

# RESEARCH QUESTIONS

(1) How concentrated or dispersed is neighborhood-based RTC activity and have the patterns of concentration/dispersion changed over time?

(2) Is the RTC program a place-based revitalization tool and a de facto targeting initiative? In other words, is it buffering investments in low-wealth or middle neighborhoods?

# CONCEPTUAL FRAMEWORK

- Boundaries: Baltimore, Cleveland, Philadelphia, Providence, Richmond, St. Louis (legacy cities); 2000-2010

- Research design: Comparative case studies, six cities
  - "the consequences of physical land and infrastructure investments are often multiple and also difficult to cordon off spatially…other causal forces in the environment may be shaping the outcomes at issue" (Markusen & Gadwa, 2010, p. 1).
  - "enlighten [a] situation in which the intervention being evaluated has no clear, single set of outcomes" (Yin, 2009, p. 20).

# CONCEPTUAL FRAMEWORK

- Unit of analysis: Census block groups (non-downtown)
- Key Variable: RTC investment
  - Herfindahl-Hirschman Index

$$\sum_{i=1}^{n} (BS_i)^2$$

# DATA AND METHODS

## Tax Credit Investment, 2000-2010

- Federal RTC projects
- Technical Service Division, National Parks Service
- No publically available
- Variables:
  - Final NPS approval
  - Final estimated cost
- Herfindahl-Hirschman Index
  - Above .25 = high concentration

## 2000 Census data

- Conservative measure of relative economic gain
- Ratio of block group to MSA median household income
- Five neighborhood income groups for each city:
  - Upper
  - Middle
  - Moderate
  - Low
  - Very low

# RTC INVESTMENT CONCENTRATION, HHI

| City | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Average, 2000-10 | Cumulative, 2000-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Baltimore** | .31 | .25 | .41 | .26 | .11 | .25 | .14 | .49 | .21 | .35 | .50 | .30 | .05 |
| **Cleveland** | 1.00 | .41 | .45 | .29 | .68 | .74 | .37 | 1.00 | .52 | .85 | .63 | .63 | .12 |
| **Philadelphia** | .38 | 1.00 | 1.00 | .25 | .18 | .28 | .96 | .48 | 1.00 | .82 | .54 | .63 | .09 |
| **Providence** | 1.00 | .95 | .50 | 1.00 | .28 | .98 | .30 | .56 | .68 | .74 | .77 | .71 | .16 |
| **Richmond** | .44 | .33 | .27 | .47 | .38 | .24 | .29 | .11 | .17 | .21 | .24 | .29 | .11 |
| **St. Louis** | .31 | .17 | .78 | .35 | .46 | .25 | .18 | .12 | .08 | .16 | .16 | .27 | .08 |

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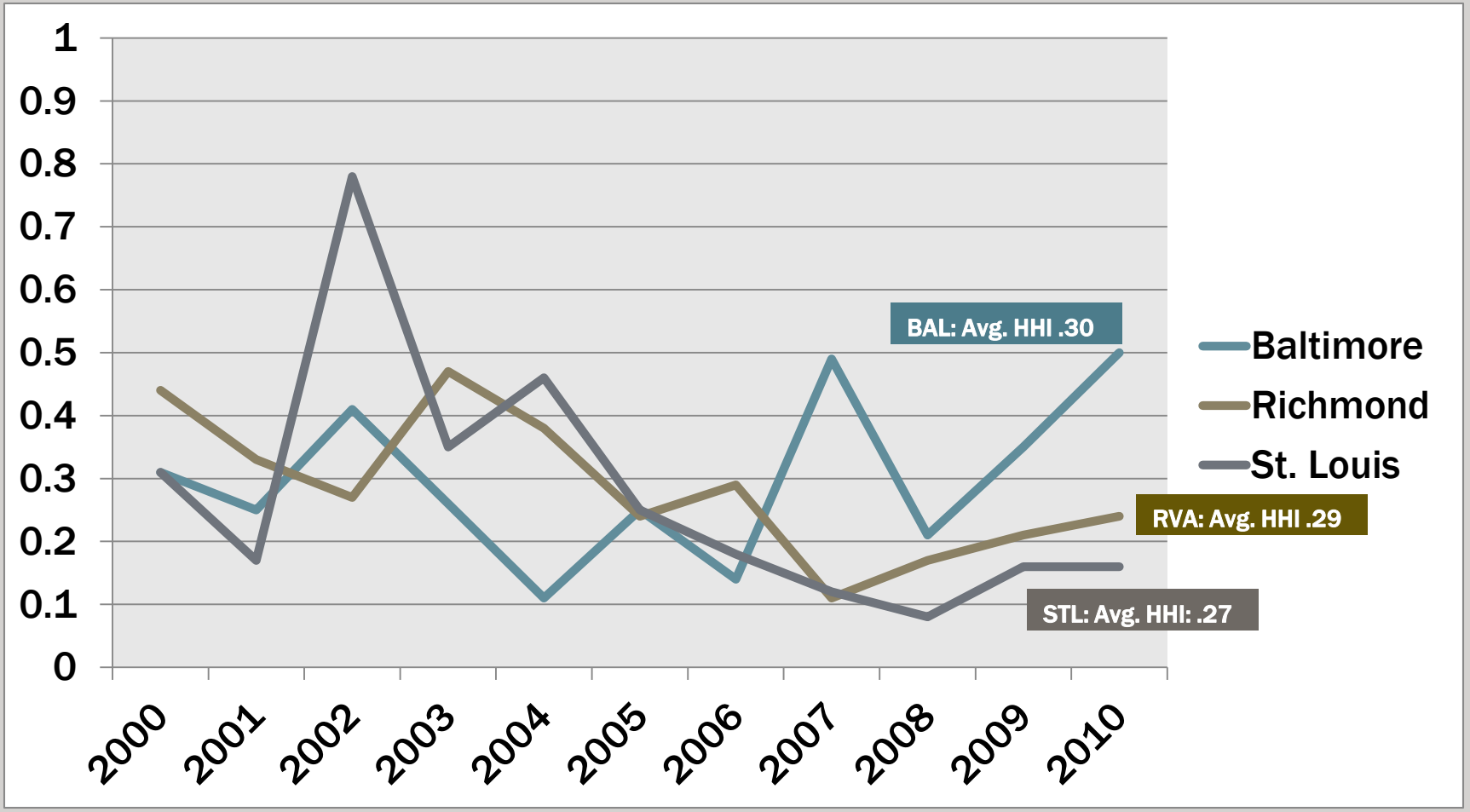
# RTC INVESTMENT CONCENTRATION, HHI



# CLEVELAND: RTC INVESTMENT CONCENTRATION

| YEAR | BLOCK GROUP WITH MOST RTC INVESTMENT | NEIGHBORHOOD INCOME CLASSIFICATION | % OF TOTAL RTC INVESTMENT / SQUARE MILE | NEIGHBORHOOD EQUIVALENT |
|---|---|---|---|---|
| 2000 | 103602-2 | | 100% | Ohio City |
| 2001 | 108701-1 | | 60% | Central |
| 2002 | 118602-1 | Very Low | 64% | Hough |
| 2003 | 115700-1 | Low | 45% | Broadway/Slavic Village |
| 2004 | 103602-2 | | 80% | Ohio City |
| 2005 | 101700-3 | Low | 86% | Cudell |
| 2006 | 103602-2 | | 56% | Ohio City |
| 2007 | 101200-1 | Low | 100% | Detroit-Shoreway |
| 2008 | 119501-1 | Upper | 67% | Buckeye-Shaker Square |
| 2009 | 118602-1 | Very low | 92% | Hough/University Circle |
| 2010 | 104300-1 | Middle | 77% | Tremont |

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# Frequency/Type of BGs with RTCs

| | Very-low Income | | Low-Income | | Moderate Income | | Middle Income | | Upper Income | | Missing | | Total BGs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baltimore | 10.3% | 8 | 24.4% | 19 | 23.1% | 18 | 19.2% | 15 | 16.7% | 13 | 6.4% | 5 | 78 | 100% |
| Cleveland | 14.6% | 6 | 19.5% | 8 | 9.8% | 4 | 12.2% | 5 | 7.3% | 3 | 36.6% | 15 | 41 | 100% |
| Philadelphia | 19.4% | 21 | 13.0% | 14 | 13.9% | 15 | 11.1% | 12 | 14.8% | 16 | 27.8% | 30 | 108 | 100% |
| Providence | 52.3% | 23 | 25.0% | 11 | 6.8% | 3 | 6.8% | 3 | 6.8% | 3 | 2.3% | 1 | 44 | 100% |
| Richmond | 17.8% | 8 | 17.8% | 8 | 33.3% | 15 | 17.8% | 8 | 2.2% | 1 | 11.1% | 5 | 45 | 100% |
| St. Louis | 15.5% | 13 | 19.0% | 16 | 16.7% | 14 | 16.7% | 14 | 14.3% | 12 | 17.9% | 15 | 84 | 100% |
| **Total** | **19.8%** | **79** | **19.0%** | **76** | **17.3%** | **69** | **14.3%** | **57** | **12.0%** | **48** | **17.8%** | **71** | **400** | |

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# NEXT STEPS

(1) Mapping spatial distributions of investment concentration/dispersion over time

(2) How is investment concentrated- one big projects, many smaller projects?

(3) Addressing 2000/2010 block group issues with income groupings

(4) Analyzing total investment amounts by income groupings

# POLICY IMPLICATIONS

- RTCs as a neighborhood stabilization tool
  - Important for decision-making in legacy city context
- Useful insight for local urban policymakers and planners
  - Programs or policies to enhance the use of RTCs and/or build partnerships with other public sector investments and targeting strategies.
- Critique of federal policy: handout to developers
  - Preliminary analysis shows widespread use in neighborhoods of varying income types

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