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

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**PRESERVING LEGACY CITY  
NEIGHBORHOODS:  
THE ROLE OF FEDERAL  
HISTORIC REHABILITATION  
TAX CREDITS**

2<sup>nd</sup> Annual  
Levin College  
Research  
Conference

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# 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 21<sup>st</sup> 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



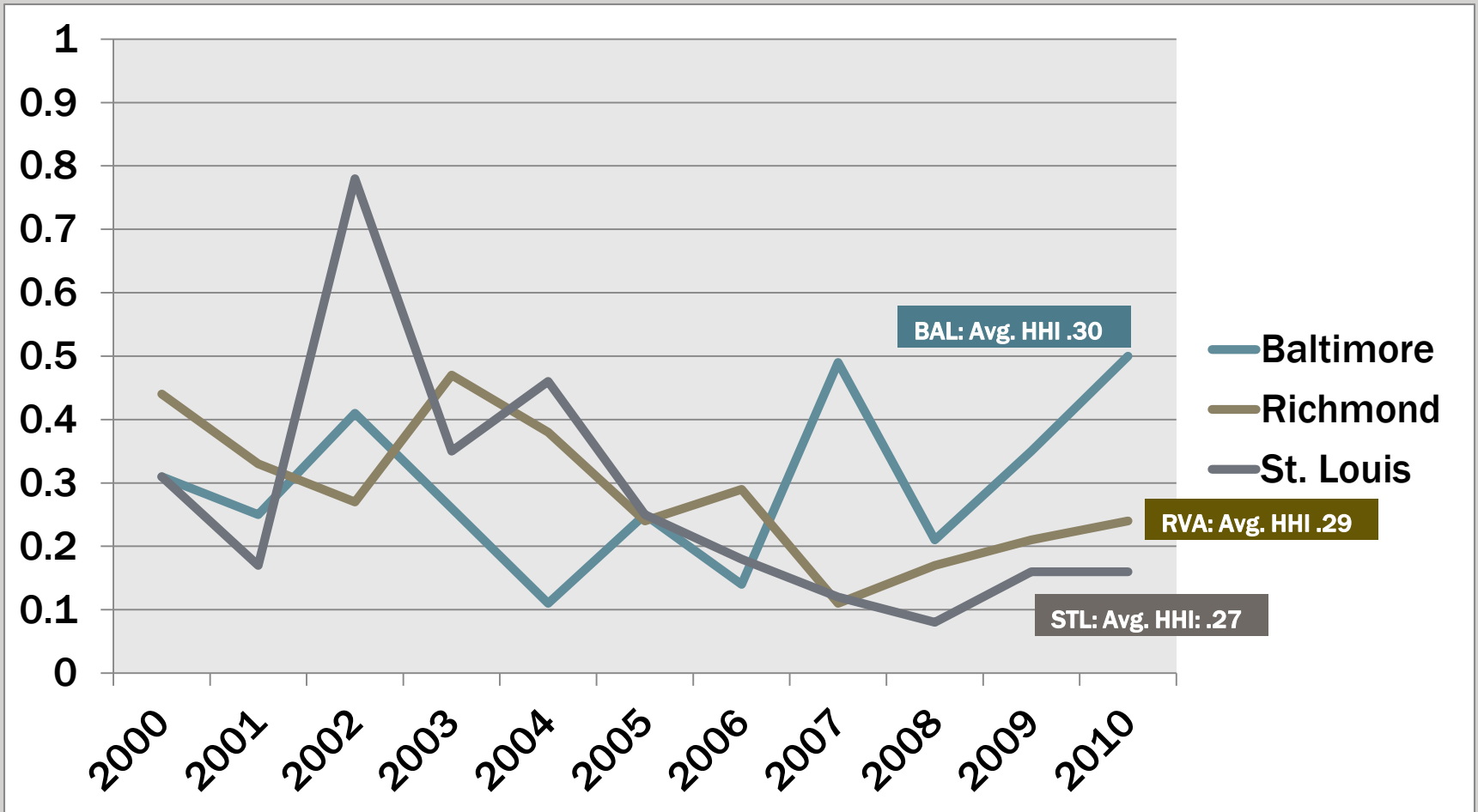
# RTC INVESTMENT CONCENTRATION, HHI

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

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<b>Philadelphia</b>	.38	1.00	1.00	.25	.18	.28	.96	.48	1.00	.82	.54	.63	.09
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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%
<b>Total</b>	<b>19.8%</b>	<b>79</b>	<b>19.0%</b>	<b>76</b>	<b>17.3%</b>	<b>69</b>	<b>14.3%</b>	<b>57</b>	<b>12.0%</b>	<b>48</b>	<b>17.8%</b>	<b>71</b>	<b>400</b>	

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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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