UNIVERSITY OF MINNESOTA EXTENSION

DEPARTMENT OF COMMUNITY DEVELOPMENT

Economic impact of projects leveraged by the Minnesota Historic Structure Rehabilitation Tax Credit: Fiscal year 2024 and historic warehouse building project case studies

A report of the Economic Impact Analysis Program

Presented by Brigid Tuck

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January 2025

Presented by Brigid Tuck, Senior Economic Impact Analyst

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Executive summary of projects leveraged by the Minnesota Historic Structure Rehabilitation Tax Credit: Fiscal year 2024 and historic warehouse building project case studies

In 1976, the United States Congress enacted language leading to the creation of the federal Historic Tax Credit. Subsequently, many states adopted state historic tax credit programs. Minnesota first authorized its Historic Structure Rehabilitation Tax Credit in 2010. It sunset in 2022 but was reauthorized in 2023.

University of Minnesota Extension has analyzed the economic impact of projects leveraged with the tax credit since its inception. This year's report includes three analyses: the economic impact of representative historic warehouse rehabilitation projects, projects approved in fiscal year 2024, and all projects approved between fiscal years 2011 and 2024.

The economic impact of representative historic warehouse rehabilitation projects

Many Minnesota communities have received benefits from projects completed with the Minnesota Historic Rehabilitation Tax Credit. A common use of the state credit is for the rehabilitation of historic warehouses. In the late 1800s and early 1900s, due to a booming agricultural industry, a Midwest location, and rail and water transportation options, Minnesota became a warehousing hub. While Minneapolis's district might be the most recognizable, many river, port, and rail hub cities throughout the state featured warehouse districts.

During the past 14 years, multiple developers have used the state historic tax credit to rehabilitate warehouses. To understand the community benefits, the State Historic Preservation Office (SHPO) and Extension selected six warehouse projects that reflect the use of the tax credit. The projects represent three different approaches.

Approach 1: Addressing the housing shortage

Minnesota's housing shortage is well documented. In June 2024, Minneapolis was rated in the top 10 cities in the United States for its housing shortage. The issue is not limited to the Twin Cities, as many small and large cities across Greater Minnesota also struggle to provide housing for workers. Using the state historic tax credit, two developers have rehabilitated historic warehouses for housing, helping communities move toward their housing goals.

Approach 2: Redeveloping a neighborhood

Historic warehouses are often strategically located within communities. Warehouses in river towns, for example, often occupy valuable portions of land overlooking the water. At the time of industrialization, being located directly on the river facilitated loading and unloading of freight. Now, many communities value the views and location along the river for housing and tourism. Developers in three communities have taken advantage of the state historic tax credit to redevelop critical neighborhoods and revitalize the tourism industry.

Approach 3: Tackling a community issue

Finally, many communities face problems that require a multi-solution approach. In Minneapolis, a partnership between community organizations and a tribal nation took advantage of the tax credit to address the issue of homelessness and addiction in Native American communities.

The economic impact of projects approved in fiscal year 2024

In fiscal year 2024, nine properties received initial approval for the state historic tax credit. Proposed uses include housing, office space, and mixed use. Of the in-progress projects, four are in Greater Minnesota, including International Falls, Duluth, Mankato, and Sandstone.

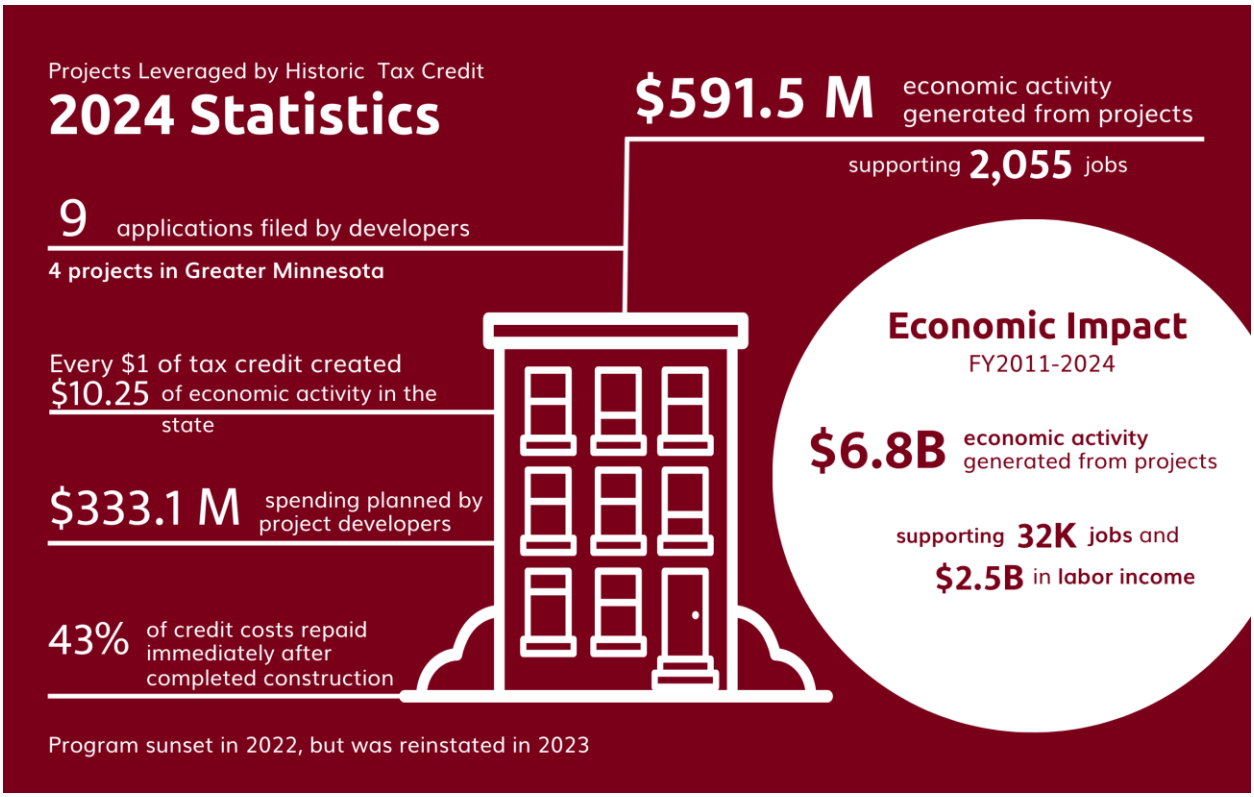
Based on the initial applications, developers intend to spend $333.1 million on their rehabilitation projects. It is anticipated that the state historic tax credits awarded will total $57.7 million.

Projects leveraged with the Minnesota Historic Rehabilitation Tax Credit in FY24 will generate an estimated $591.5 million in economic activity. This includes $160.8 million in labor income. The tax credit will support 2,055 FTE jobs. Tax credit projects will also generate an estimated $25 million in state and local tax collections. Thus, approximately 40 percent of the tax credit extended will be repaid through the taxes generated from construction-related activities alone.

The economic impact of all projects approved between fiscal years 2011 and 2024

Since its creation, the Minnesota Historic Rehabilitation Tax Credit has generated an estimated $6.8 billion in economic activity in the state. The credit has supported 31,625 jobs and $2.5 billion in labor income.

Projects leveraged with the state historic tax credit have occurred across Minnesota. There have been projects in 22 of Minnesota's 87 counties. As the benefits of the tax credit are becoming more well known, the number of both smaller projects and projects located in Greater Minnesota has increased.



Introduction

Historic preservation efforts, at their core, focus on preserving the historic, cultural, and architectural character of communities. Since the passage of the National Historic Preservation Act of 1966, communities across the United States have witnessed additional benefits of historic preservation. Many of these benefits also support the community's vision and goals. Documented benefits include a more efficient use of resources, the preservation of classic methods of workmanship, the attraction of additional investment, the creative use of underutilized or abandoned buildings, and economic development.[i]

The National Historic Preservation Act recognized historic preservation as a priority in the United States. It also established a formal framework and partnerships, such as the State Historic Preservation Offices (SHPO) and the National Register of Historic Places, to implement preservation activities.[ii]

In 1976, the United States Congress enacted language leading to the creation of the federal Historic Tax Credit.[iii] Subsequently, many states adopted state historic tax credit programs. Minnesota first authorized its Historic Structure Rehabilitation Tax Credit in 2010. It sunset in 2022 but was reauthorized in 2023.

The Minnesota Historic Structure Rehabilitation Tax Credit provides a 20 percent state tax credit, a grant in lieu of the credit, or a combination of both, depending on the needs of the developer.[iv] To be eligible for the tax credit, a property must meet a set of requirements.

- It must be certified as a historic structure. A listing on the National Register of Historic Places or certification of contribution to a Registered Historic District will qualify a property.
- The project needs to meet the "substantial rehabilitation test."
- The property must meet the Secretary of the Interior's Standards for Rehabilitation.
- Once complete, the property will need to be used for an income-producing purpose.

There are also a series of approvals that must be completed. Prior to any construction work, the project developer must apply to the Minnesota SHPO. Project plans also need approval from the National Park Service. Once completed, the project will again be reviewed by the National Park Service to ensure all requirements are met. Once that approval is received and the project is allowed the federal tax credit, the state tax credit is granted.

Historic Structure Rehabilitation Tax Credit and historic warehouse buildings

Many Minnesota communities have received benefits from projects completed with the state historic tax credit. A common use of the state credit is for the rehabilitation of historic warehouses. In the late 1800s and early 1900s, due to a booming agricultural industry, a Midwest location, and rail and water transportation options, Minnesota became a warehousing hub. While Minneapolis's district might be the most recognizable, many river, port, and rail hub cities throughout the state featured warehouse districts.

During the last 14 years, multiple developers have used the state historic tax credit to rehabilitate warehouses. To understand the community benefits, SHPO and Extension selected six warehouse projects that reflect the use of the tax credit. The projects represent three different approaches.

Approach 1: Addressing the housing shortage

Minnesota's housing shortage is well documented. In June 2024, Minneapolis was rated in the top 10 cities in the United States for its housing shortage.[v] The issue is not limited to the Twin Cities, as many small and large cities across Greater Minnesota also struggle to provide housing for workers.[vi] Using the state historic tax credit, two developers have rehabilitated historic warehouses for housing, helping communities move toward their housing goals.

Approach 2: Redeveloping a neighborhood

Historic warehouses are often strategically located within communities. Warehouses in river towns, for example, often occupy valuable portions of land overlooking the water. At the time of industrialization, being located directly on the river facilitated loading and unloading of freight. Now many communities value the views and location along the river for housing and tourism. Developers in three communities have taken advantage of the state historic tax credit to redevelop critical neighborhoods and revitalize the tourism industry.

Approach 3: Tackling a community issue

Finally, communities face complex problems that require a multi-solution approach. In Minneapolis, a partnership between community organizations and a tribal nation took advantage of the tax credit to address the issue of homelessness and addiction in Native American communities.

Photo credit: Matt Shortridge

Warehouse rehabilitation case studies

The first section of this report highlights six warehouse rehabilitation projects that exemplify these approaches.

Addressing the housing shortage: The Cove Apartments

Duluth, Minnesota

Original use: furniture manufacturing
Year constructed: 1924
Total project costs: $11.1 million
Historic name: Hockin Furniture

Current use: commercial and apartments
Year rehabilitated: 2022
Status: apartments available
Current name: The Cove Apartments

Pre-Rehabilitation

Post-Rehabilitation

Historic significance

During the late 1800s and early 1900s, Duluth's location on Lake Superior, along with its rail access to grain, lumber, and iron ore, created a city booming with population. As it grew, business owners, employees, residents, and visitors needed buildings in which to do business. Thus, the now historic Duluth Commercial District was born. The Hockin Furniture structure was built in 1924, as Duluth's population peaked. It is now known as the USAN building.

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	$11,096,542
State Historic Tax Credit Awarded	$1,552,122
Economic Impact	$19,248,870
Economic Activity Per Dollar of State Credit	$12.40
Jobs Supported	65
State and Local Taxes Collected	$762,650
Estimated Market Value 2024	$4,931,400
Funding Sources	Primarily private

Architecturally, the building fits within the downtown district's period of significance. Many buildings constructed in the early 1900s reflect the influence of the Neoclassical style with columns, cast iron storefronts, and symmetrical facades.[vii]

The Duluth Area Chamber of Commerce, one of the building's current tenants, is advocating for additional housing development in the city. Duluth has demand for a variety of housing types, from single-family homes to apartments, affordable housing to market rate housing, and student housing to worker housing.[viii] As part of an initiative to create more housing, Roers Companies rehabilitated several historic buildings (1910 Builders Exchange, Interstate Auto, and Hockin Furniture) into 86 new units with commercial space on the main level.

Addressing the housing shortage: Simon Warehouse Lofts

Moorhead, Minnesota

Original use: potato warehouse
Year constructed: 1922
Total project costs: $8.3 million
Historic name: Moorhead Storage and Transfer

Current use: apartments
Years rehabilitated: 2018-2020
Status: fully rented
Current name: Simon Warehouse Lofts

Historic View


Post-Rehabilitation

Historic significance

In the early 1900s, the Red River Valley grew to be one of the nation's largest potato growing regions. Moorhead, with rail access and a growing warehouse district, became a central location for potato storage and warehousing.

The Moorhead Storage and Transfer Warehouse was the largest facility of its time, with the capacity to store up to 400 boxcars of potatoes. Its design helped workers easily move potatoes from trucks to storage units and then on to trains.[ix] In the 1950s, the building was repurposed and became known as the Simon Warehouse.[x]

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	$8,308,877
State Historic Tax Credit Awarded	$1,482,338
Economic Impact	$15,679,630
Economic Activity Per Dollar of State Credit	$10.60
Jobs Supported	77
State and Local Taxes Collected	$716,990
Estimated Market Value 2024	$735,000
Funding Sources	Primarily private

The building was designed in the Commercial style by a Moorhead-based architect. The building is clad in brick and features industrial steel-sash windows. A prominent feature is the loading platform that extends across the entire north elevation, along the railroad tracks.

In 2018, city leaders in Moorhead set a goal of gaining 500 new downtown housing units. The 65 units at the Simon Warehouse Lofts moved the city toward that goal. Each apartment features bare brick or concrete walls, along with wooden support timbers and beams, lending character to the space.

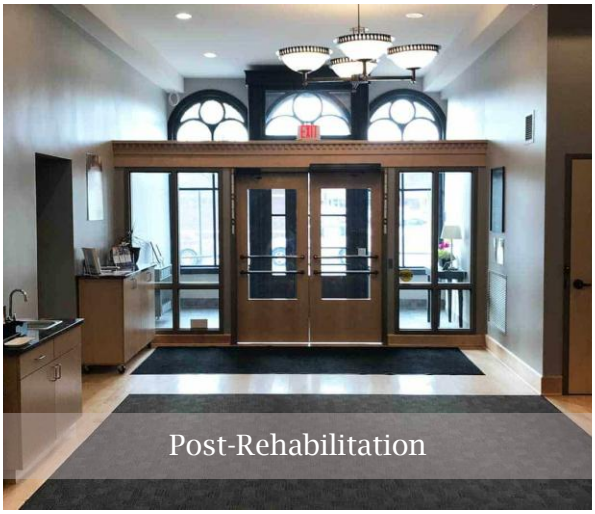
Redeveloping a neighborhood: Latsch & Son Building

Winona, Minnesota

Original use: implement warehouse
Year constructed: 1868
Total project costs: $4.4 million
Historic name: Kirch/Latch Building

Current use: commercial & retail space
Years rehabilitated: 2014-2015
Status: commercial and retail space available
Current name: Latsch & Son Building

Pre-Rehabilitation



Post-Rehabilitation

Historic significance

As a farm implement dealer, J.B. Kirch and Company was one of the first occupants of this historic structure in downtown Winona. In the mid-1880s, Latsch and Son, a growing grocery retailer and wholesaler, purchased the building. The grocery company located in Winona to capitalize on river and rail connections, which helped the business thrive.[xi]

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	$4,422,824
State Historic Tax Credit Awarded	$711,084
Economic Impact	$8,019,400
Economic Activity Per Dollar of State Credit	$11.30
Jobs Supported	30
State and Local Taxes Collected	$322,040
Estimated Market Value 2024	$2,071,800
Funding Sources	Primarily private

The overtones of Gothic Revival design, complimented by early features of Italianate architecture, adds to the building's historic importance, representing the transition between styles during this period.[xii] The building is also noted for its retention of the original, first-floor colonnade.

In the mid-2010s, leaders and residents in Winona identified the need to revitalize their commercial downtown district, following the lead of many neighboring river towns. Developers of the Latsch & Son building saw the opportunity to create housing and mixed-use spaces downtown, helping to reconnect the community with its riverfront.[xiii] Since the project was completed in 2015, other major projects downtown include Fastenal's new riverfront office building, construction of a hotel-apartment building, development of a music hall, and plans for a brewery near the levee.

Redeveloping a neighborhood: Copham Building

Minneapolis, Minnesota

Original use: plow manufacturing
Year constructed: 1910/1925-1926
Total project costs: $25.7 million
Historic name: Parlin and Orendorff

Current use: apartments
Years rehabilitated: 2011-2012
Status: apartments available
Current name: Copham Building


Pre-Rehabilitation


Post-Rehabilitation

Historic significance

The Copham Building was originally constructed by Parlin and Orendorff, a manufacturer of plows, tractors, and tillers that capitalized on Minneapolis's fast growing warehouse district and rail access to service the burgeoning Midwest agricultural sector. In 1940, Holden Business Forms became the primary tenant.[xiv]

PROJECT FINANCING AND IMPACT	
Total Final Project Costs (2012$)	$25,699,995
State Historic Tax Credit Awarded	$4,110,706
Economic Impact (2024$)	$61,257,280
Economic Activity Per Dollar of State Credit (2024$)	$10.90
Jobs Supported	230
State and Local Taxes Collected (2024$)	$2,848,830
Estimated Market Value 2024	$25,238,400
Funding Sources	Primarily private

Architects Bertrand and Chamberlain designed the building; it represents the most monumental of their numerous building designs in Minneapolis. Features of the building include cream-colored brick on the first story, an ornamental band between the fifth and six stories, and Craftsman details on the ornamentation and cornice.[xv]

The North Loop, home to The Copham, grew to prominence in Minneapolis for its numerous warehouses. Following the Great Depression, companies began to move out and the neighborhood fell into disrepair. By the 1980s, Minneapolis's art scene started to flourish in the loop, leading to revitalization.[xvi] It is now widely viewed as one of Minneapolis's trendiest areas.

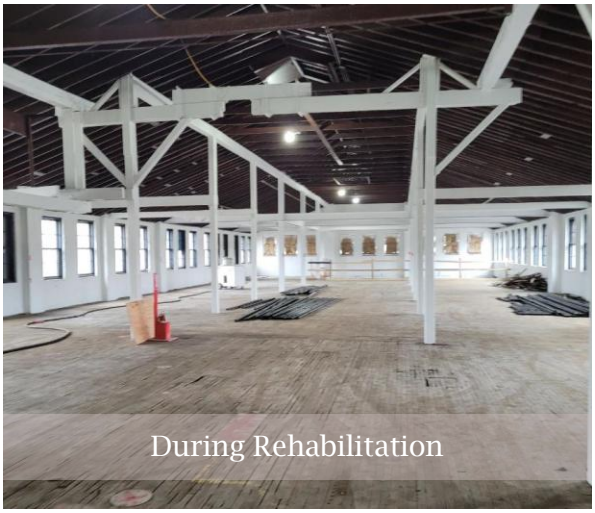
In 2011, developers purchased the building. With the tax credits, the building was rehabilitated into the 120-unit Copham Apartments. The building features a rooftop patio, fitness center, indoor dog run, and work from home lounge.[xvii]

Redeveloping a neighborhood: The Confluence Hotel and Missi's Sip & Savor

Hastings, Minnesota

Original use: manufacturing
Years constructed: 1914-1946
Total project costs: $40.0 million
Historic name: HD Hudson Manufacturing

Current use: hotel, restaurant, event space
Years rehabilitated: 2019-2023
Status: open
Current name: The Confluence Hotel and Missi's Sip & Savor



During Rehabilitation

Post-Rehabilitation

Historic significance

Hastings, located at the confluence of the Mississippi and St. Croix Rivers, and complimented by the falls of the Vermillion River, became a shipping and milling center in its early years.[xviii]

Manufacturing companies also sprang up along the city's riverfront. H.D. Hudson Manufacturing purchased a building in the early 1900s to accommodate the growing company's needs. By the 1920s, the factory was producing 90 percent of agricultural sprayers and dusters sold in the U.S..[xix]

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	$39,994,272
State Historic Tax Credit Awarded	$6,492,202
Economic Impact	$75,180,280
Economic Activity Per Dollar of State Credit	$11.60
Jobs Supported	290
State and Local Taxes Collected	$3,254,840
Estimated Market Value 2023	$5,518,200
Funding Sources	Public/Private

Architecturally, the H.D. Hudson building is a two-story brick industrial building. It occupies nearly two blocks along the river. The building underwent multiple expansions but retained the majority of its wood sash windows. The building interior is described as "open and utilitarian with exposed structural elements." [xix]

With the 2003 Heart of Hastings plan, Hastings established a vision for its downtown riverfront.[xx] Through a series of projects, Hastings connected the Mississippi River, the Mississippi River Regional Trail, and the downtown business district with Levee Park.[xxi] The Confluence represents the final project, turning the H.D. Hudson Manufacturing plant into a property featuring a boutique hotel, event center, and restaurant.

Tackling a community need: Bimosedaa

Minneapolis, Minnesota

Original use: film storage
Year constructed: 1915
Total project costs: $28.9 million
Historic name: Printers Exchange
Current use: Native American affordable housing
Years rehabilitated: 2022-2023
Status: fully leased
Current name: Bimosedaa


Pre-Rehabilitation


Post-Rehabilitation

Historic significance

The Printers Exchange building is in Minneapolis's historic warehouse district. In the late 1880's, Minneapolis became a hub of wholesale distribution, and by 1920, around 300 warehouse businesses operated in the city.[xxii] Since the Printers Exchange building was located near the entertainment district, the building's purpose was to house movie films in large vaults. More recently, the building was known as the home of the L.A. Rocker Fur Company.[xxiii]

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	$28,926,842
State Historic Tax Credit Awarded	$4,936,302
Economic Impact	$52,260,050
Economic Activity Per Dollar of State Credit	$10.60
Jobs Supported	190
State and Local Taxes Collected	$2,140330
Estimated Market Value 2024	$6,270,000
Funding Sources	Public/private

Buildings in Minneapolis's historic warehouse district represent a range of architectural trends that were common as the district grew, including Italianate, Queen Anne, Richardsonian Romanesque, and Classic Revival. The Printers Exchange building is a seven-story brick and concrete building designed in the commercial adaptation of the Gothic Revival Style.[xxiv]

In 2019, Beacon Interfaith Housing Collaborative purchased the building with the goal of developing deeply affordable housing for people struggling with homelessness. To reflect the partnership with the Red Lake Nation and Avivo, Bimosedaa translates to "let's walk together" in Ojibwe. Residents have access to social, medical, mental health, and substance abuse services through Avivo. Integral to the model is a commitment to culturally responsive care for members of the Native American community.[xxv] In addition to historic tax credits, the project received the Low-Income Housing Tax Credit and housing infrastructure bonds.

Impacts of warehouse rehabilitation on property tax collections

One additional benefit of historic rehabilitation is often an increase in property valuations and property tax collections. The estimated market value of the six representative warehouse properties featured in this report increased by $36 million, or 554 percent, from pre-to post-rehabilitation (Table 1). In comparison, from 2018 to 2024 (roughly the same period as the projects), the total estimated market value of properties in Minnesota increased by 57 percent.

Further, the properties are bringing in additional property tax revenues for their local jurisdiction. Property tax collections increased by nearly 350 percent from prior to the tax credit work to after the project was completed.

Table 1: Property Value Changes, Historic Warehouse Building Properties Receiving the Minnesota Historic Rehabilitation Tax Credit

Category	Pre-rehabilitation	Post-rehabilitation	Percent Change
Estimated market value, case study projects receiving tax credit	$6,503,100	$42,527,500	554%
Estimated market value, statewide	$693.9 billion (2018)	1,088.0 billion (2024)	57%
Estimated annual increase in property tax collections, case study projects receiving tax credit	$174,231	$780,326	348%

Sources: Minnesota Department of Revenue, individual county property tax records, and University of Minnesota Extension estimates

Economic impact in fiscal year 2024

Thus far, this report has highlighted how six historic warehouse rehabilitation projects have benefited communities across Minnesota. Extension has also annually measured the economic impact of the tax credit since its inception. To do this, Minnesota SHPO provides Extension with the initial applications (known as the Minnesota Part As) that are submitted by developers at the start of a project. On this form, developers provide an estimate of project rehabilitation costs.

Economic impact is comprised of direct, indirect, and induced effects. The direct effect is the initial observed change in the economy. For the historic tax credit, the direct effect is the investment project developers make in their properties. When developers make purchases for their projects, this creates ripple effects in the economy as suppliers adjust to the increased demand.

Indirect effects are created when developers purchase goods and services from other businesses, such as concrete from a construction company or architectural services from a firm. These businesses, in turn, purchase more from their suppliers, which triggers additional activity on those supply chains.

Induced effects are created when developers pay workers (including tradespeople, architects, and engineers) on their projects. Workers have income, which they then use to buy groceries, pay rent, and dine out. This causes the businesses who supply the workers to increase their output.

Input-output models are used to quantify economic impact. The first step is to measure the direct effect. The next section explains how Extension measured this using data supplied by project developers. Second, the direct impact is entered into a model, which calculates the indirect and induced effects. Extension used the input-output model IMPLAN to conduct this analysis.

For more on input-output theory and terms, and the IMPLAN model, please see the appendix.

Scope of the analysis

In fiscal year 2024, nine properties received initial approval for the state historic tax credit (Table 2). Proposed future uses include housing, office space, and mixed use. Of the projects, four (44 percent) are located in Greater Minnesota, including International Falls, Duluth, Mankato, and Sandstone.

Table 2: Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between July 1, 2023 and June 30, 2024 (FY24)

Historic Property Name	Proposed Use	Location
Alexander Baker School	Housing	International Falls
Duluth Armory	Mixed Use	Duluth
Grace Flandrau House	Housing	Saint Paul
Landmark Tower (Amhoist Building)	Housing	Saint Paul
Mankato Union Depot	Office	Mankato
Northern Federal	Housing	Saint Paul
Northrup, King, & Company, East Buildings	Housing	Minneapolis
Salisbury and Satterlee Company	Mixed Use	Minneapolis
Sandstone Public School	Housing	Sandstone

Based on the initial applications, developers intend to spend $333.1 million on their rehabilitation projects (Table 3). This money will be spent on a wide range of items, from site acquisition to site work, and from building materials to architectural design services and utilities.

Based on the developer's proposed spending, SHPO anticipates the state historic tax credits awarded will total $57.7 million. This is less than 20 percent of total estimated costs, as the historic tax credit only applies to qualified rehabilitation expenditures. Developers often invest in items that are not considered allowable costs (for example, landscaping). Therefore, the estimated credit does not always equal 20 percent of total project development costs.

For each dollar of the state tax credit allowed, developers are projected to invest an additional $5.80 into the projects.

Table 3: Direct Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between July 1, 2023 and June 30, 2024 (FY24)

Total Estimated Costs	Estimated Costs, Acquisition Removed	Estimated Minnesota Historic Rehabilitation Tax Credit	Additional Dollars Leveraged per $1 of Tax Credit
$333,075,017	$291,264,236	$57,692,388	$5.80

Source: State Historic Preservation Office, Part A applications

Total impact

Projects leveraged with the Minnesota Historic Rehabilitation Tax Credit will generate $591.5 million in economic activity. This includes $160.8 million in labor income. The tax credit will support 2,055 FTE jobs (Table 4).

Table 4: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between July 1, 2023 and June 30, 2024 (FY24)

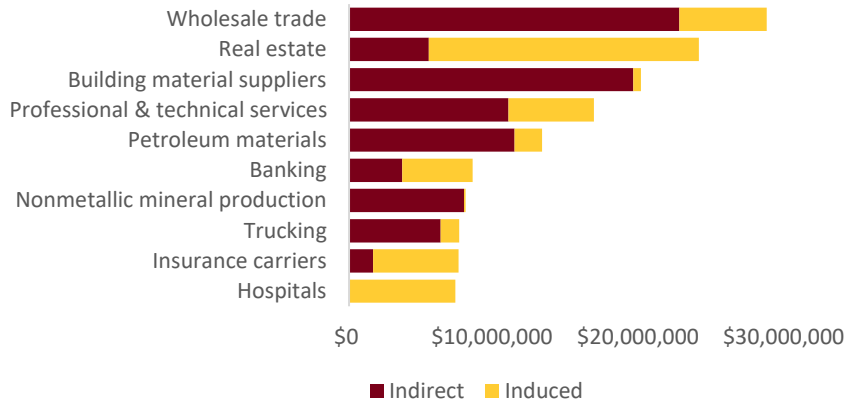
Impact Type	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	$333,075,017	1,005	$80,882,230
Indirect	$142,863,000	510	$41,759,880
Induced	$115,528,750	540	$38,177,950
Total	$591,466,767	2,055	$160,820,060

Source: University of Minnesota Extension estimates, IMPLAN

Top industries impacted

Developers plan to invest $333.1 million in their projects. These investments will generate an estimated $258.4 million at businesses not directly involved in the rehabilitation projects. These ripple effects are categorized as indirect and induced effects. The industries with the highest indirect and induced effects from the historic tax credit include wholesale trade, real estate, and building material suppliers (Chart 1).

Chart 1: Top Industries Impacted by the Minnesota Historic Rehabilitation Tax Credit, Indirect and Induced Effects, FY24, Sorted by Output



Indirect (or business-to-business) impacts are highest in wholesale trade, building material supplies, and petroleum materials. These are sectors that manufacture or market materials sold to construction firms. Wholesale trade businesses, for example, sell items in bulk. Many construction firms purchase their supplies through wholesalers as opposed to retailers. Petroleum materials manufacturers make goods, such as roofing materials, that are used in construction.

Induced (or consumer-to-business) impacts are highest in real estate and health care-related fields. Induced effects reflect household spending from the income earned by workers involved in the rehabilitation projects. Workers earn income, which they then spend to pay their rent and on health care, for example.

State and local tax collections

Minnesota Historic Rehabilitation Tax Credit projects receiving approval in FY24 will generate an estimated $25 million in state and local tax collections (Table 5). Thus, approximately 40 percent of the tax credit extended will be repaid through the taxes generated from construction-related activities.

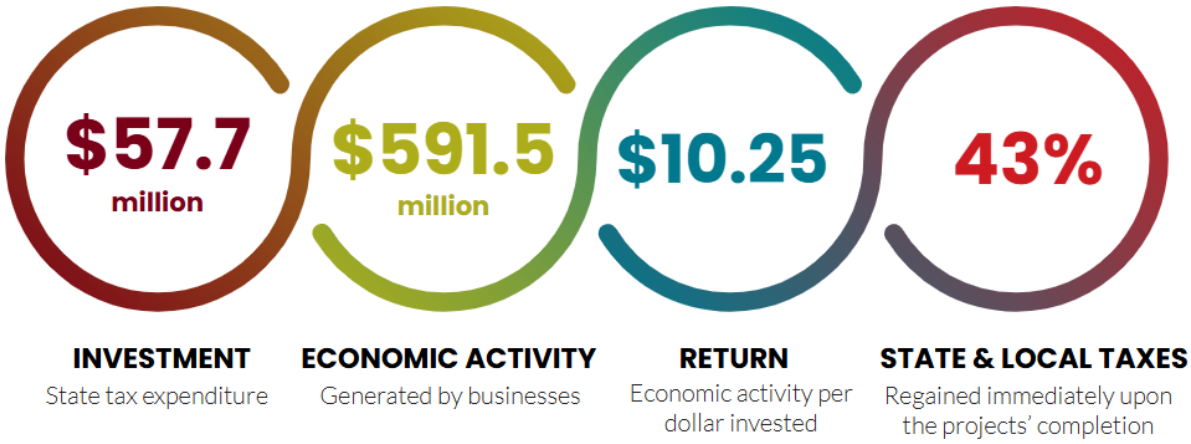
Table 5: State and Local Tax Collections from Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between July 1, 2023 and June 30, 2024 (FY24)

Tax	Estimated Collections (millions)
Income	$6.0
Sales	$7.5
Property	$6.4
Other	$5.1
Total	$25.0

Source: University of Minnesota Extension estimates, IMPLAN

In summary, for projects gaining approval in fiscal year 2024, the State of Minnesota will award an estimated $57.7 million in tax credits. As a result, project developers will generate $591.5 million of output in the state. Therefore, for every dollar invested in the credit, there will be $10.25 in economic activity. Project developers, their suppliers, and workers will also pay sales, property, and income taxes because of the projects. These tax collections will amount to 43 percent of the tax credit being recuperated upon project completion (Chart 2). With the increase in property values following project completion, some projects can pay back in taxes more than awarded via the credit within five to 10 years of completion.

Chart 2: Summary, Minnesota Historic Rehabilitation Tax Credit, Fiscal Year 2024



Economic impact of projects leveraged with the historic tax credit, fiscal years 2011 to 2024

Since its creation, the Minnesota Historic Rehabilitation Tax Credit has generated an estimated $6.8 billion in economic activity in the state (Table 6). The credit has supported 31,625 jobs and $2.5 billion in labor income.

Table 6: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between FY 2011 to 2024 (Adjusted to 2024 Dollars)

Impact Type	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	$3,722.7	16,878	$1,419.7
Indirect	$1,310.0	5,834	$454.3
Induced	$1,790.6	8,913	$602.4
Total	$6,823.3	31,625	$2,476.4

Source: University of Minnesota Extension estimates, IMPLAN

Total impacts by fiscal year

The economic impact of the tax credit varies by fiscal year (Chart 3 and Table 7).[xxvi] The primary driver of the magnitude of the impact is the direct effect, which in turn depends on the number of projects approved and the size of the projects. The highest economic contribution in any single year was FY21, which was also the year that had the highest number of projects approved (34). Most years, the number of projects ranged between 12 and 14.

Chart 3: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between FY 2011 and FY 2024

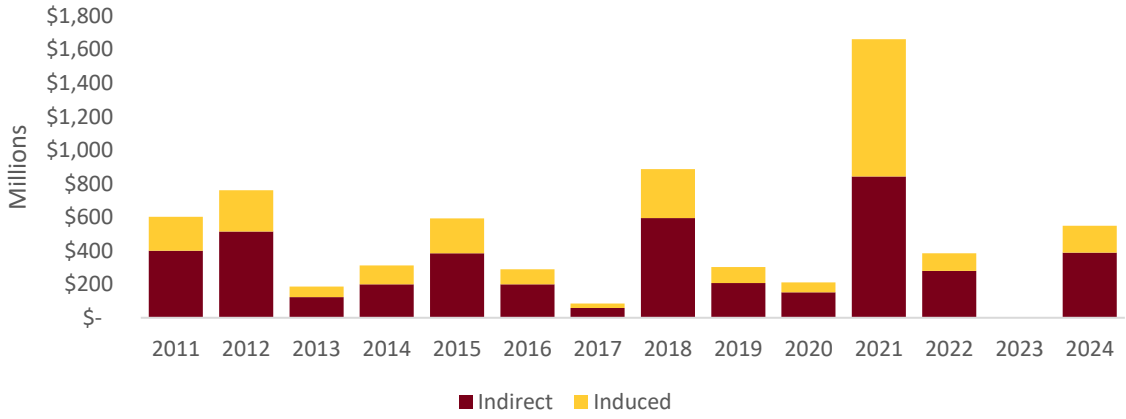


Table 7: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between FY 2011 and FY 2024

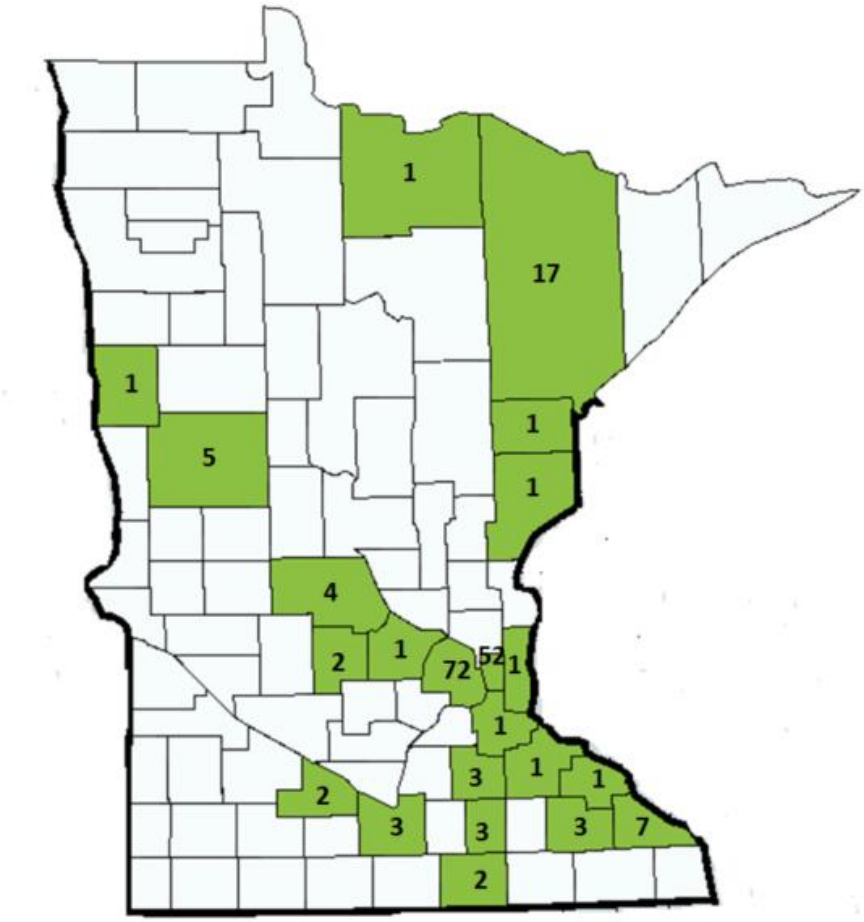
	Output (millions, 2024 $)	Employment (FTEs)	Labor Income (millions, 2024 $)
FY 2011	$601.9	2,880	$201.3
FY 2012	$759.8	3,500	$245.5
FY 2013	$186.0	1,200	$62.3
FY 2014	$313.1	1,340	$113.5
FY 2015	$593.3	2,610	$208.3
FY 2016	$288.7	1,110	$90.1
FY 2017	$84.3	290	$25.4
FY 2018	$886.9	3,910	$291.7
FY 2019	$302.0	1,100	$94.0
FY 2020	$211.8	720	$59.8
FY 2021	$1,661.1	9,660	$818.2
FY 2022	$384.8	1,250	$105.5
FY 2023	$0	0	$0
FY 2024	$549.7	2,055	$160.8
Total	$6,823.4	31,625	$2,476.4

Estimates by the University of Minnesota Extension Center for Community Vitality

Location of projects in-progress between FY11 and FY24

Projects leveraged with the state historic tax credit occur across the state of Minnesota (Map 1). Most projects have been in Hennepin and Ramsey counties. However, there have been 17 projects in Saint Louis County, seven in Winona County, and five in Otter Tail County. In total, there have been projects in 22 of Minnesota's 87 counties. As the benefits of the tax credit become more well known, the number of projects in Greater Minnesota has increased.

Map 1: Location of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Approval Between FY11 and FY24



Appendix 1: Definitions and terms

Input-output terms

Special models, called input-output models, exist to conduct economic impact analysis. There are several input-output models available, and IMPLAN is one such model. Many economists use IMPLAN for economic contribution analysis because it can measure output and employment impacts, is available on a county-by-county basis, and is flexible for the user. While IMPLAN has some limitations and qualifications, it is one of the best tools available to economists for input-output modeling. Understanding the IMPLAN tool's capabilities and limitations helps ensure the best results from the model.

One of the most critical aspects of understanding economic impact analysis is the distinction between the "local" and "non-local" economy. The model-building process identifies the local economy. Either the group requesting the study or the analyst defines the local area. Typically, the study area (the local economy) is a county or a group of counties that share economic linkages. In this report, the study area is the entire state of Minnesota.

A few definitions are essential to properly interpret the results of an IMPLAN analysis. These terms and their definitions are provided below.

Output

Output is measured in dollars and is equivalent to total sales. The output measure can include significant "double counting." Think of limestone, for example. The value of limestone is counted when it is sold as a component in the manufacturing of cement, again when the cement is sold to the contractor, and yet again when the contractor charges the building owner. The value of the limestone is built into the price of each of these items, and then the sale of each item is added to determine total sales (or output).

Employment

IMPLAN includes total wage and salaried employees, as well as the self-employed, in employment estimates. Because employment is measured in jobs and not in dollar values, it tends to be a very stable metric.

Labor income

Labor income measures the value added to the product by the labor component. So, in the limestone example, when the limestone is sold to the cement manufacturing company, a certain percentage of the sale is for the labor to quarry the limestone. Then when the cement is sold to the contractor, it includes some markup for its labor costs in the price. When the contractor charges the building owner, he/she includes a value for the labor. These individual value increments for labor can be measured, which amounts to labor income. Labor income does *not* include double counting.

Labor income includes both employee compensation and proprietor income. It is measured as wages, salaries, and benefits.

Direct impact

Direct impact is equivalent to the initial activity in the economy. In this study, it is construction spending generated by projects leveraged by the Minnesota Historic Rehabilitation Tax Credit.

Indirect impact

Indirect impact is the summation of changes in the local economy that occur due to spending for inputs (goods and services) by the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, this implies a corresponding increase in output by the plant. As the plant increases output, it must also purchase more inputs, such as

electricity, steel, and equipment. As the plant increases purchases of these items, its suppliers must also increase production, and so forth. As these ripples move through the economy, they can be captured and measured. Ripples related to the purchase of goods and services are indirect impacts. In this study, indirect impacts are those associated with spending by the developers to purchase construction materials (e.g., lumber, cement, equipment) and construction-related services (e.g., architectural and engineering).

Induced impact

The induced impact is the summation of changes in the local economy that occur due to spending by labor—that is, spending by employees in the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, the new employees will have more money to spend on housing, groceries, and going out to dinner. As they spend their new income, more activity occurs in the local economy. This can be quantified and is called the induced impact. Primarily, in this study, the induced impacts are economic changes related to spending by construction workers hired to perform the rehabilitation work.

Total impact

The total impact is the summation of the direct, indirect, and induced impacts.

Historic preservation terms

Part A application

Part A of the Minnesota application must be submitted with Part 2 of the federal application prior to starting construction.

Part 2 application

"Part 2 is the Description of Rehabilitation Work. All owners of a certified historic structure who are seeking the 20% tax credit for the rehabilitation work must complete a Part 2 application form, which is a description of the proposed rehabilitation work. The National Park Service reviews the description of the proposed rehabilitation for conformance with the Secretary of the Interior's Standards for Rehabilitation. If the proposed work meets the Standards, the National Park Service issues a preliminary decision approving the work. Or the proposed work may be given a conditional approval that outlines specific modifications required to bring the project into conformance with the Standards."[xxvii]

Part B application

Part B of the Minnesota application must be submitted with Part 3 of the federal application.

Part 3 application

The Part 3 federal application is submitted after the construction project is complete (placed in service). Part 3 documentation illustrates that the work was completed as proposed and conditionally approved in the Part 2 phase. National Park Service approval of Part 3 certifies that the project meets the Standards and is a "certified rehabilitation."

Qualified rehabilitation expense

"Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building. In addition to the above named "hard costs," there are "soft costs" that also qualify. These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account."[xxviii]

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