



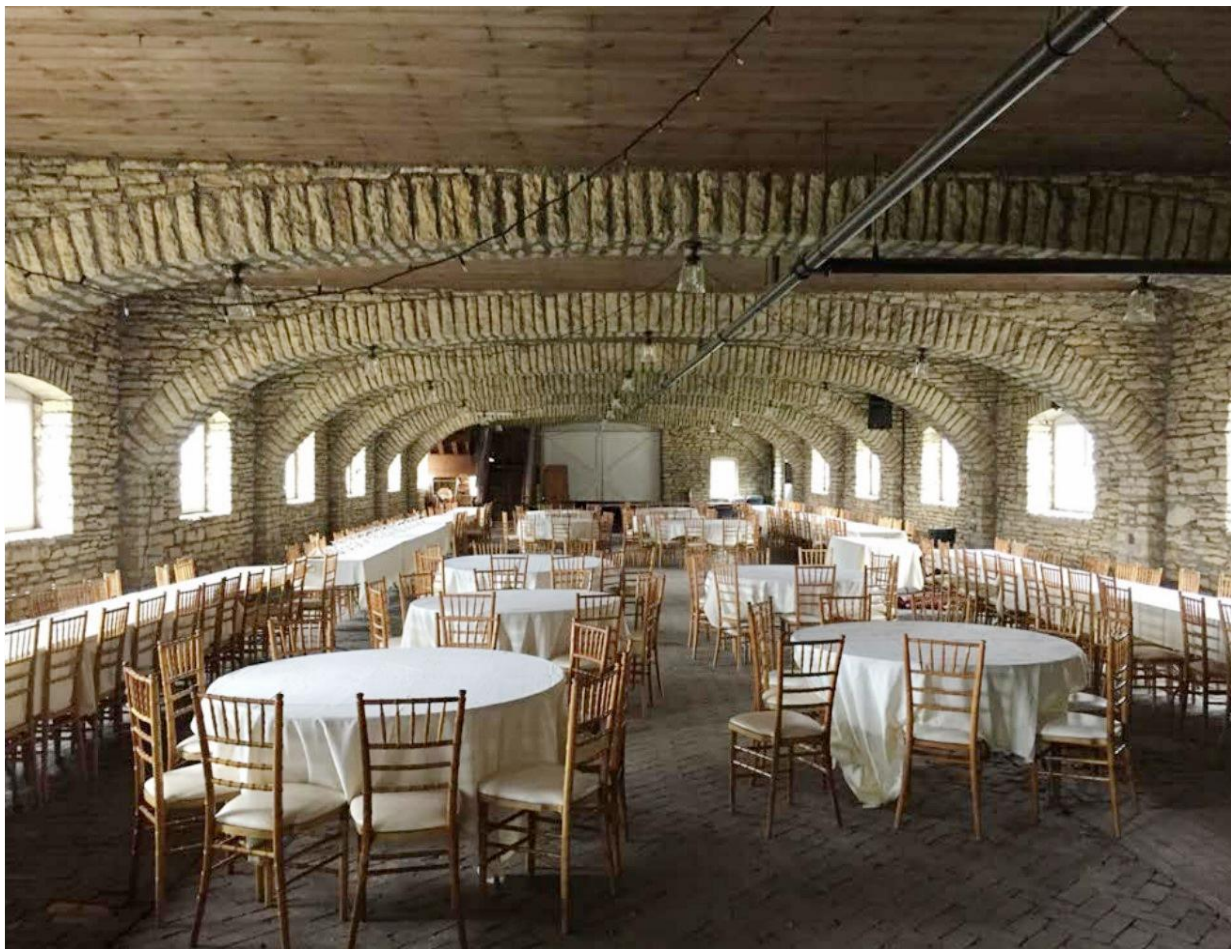
UNIVERSITY OF MINNESOTA EXTENSION

DEPARTMENT OF COMMUNITY DEVELOPMENT

Economic impact of projects leveraged by the Minnesota Historic Structure Rehabilitation Tax Credit: Fiscal year 2025 and historic theater and event spaces case studies

A report of the Economic Impact Analysis program

Authored by Brigid Tuck, Aiden Opatz, and Ava Klennert



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January 2026

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Executive summary: Economic impact of projects leveraged by the Minnesota Historic Structure Rehabilitation Tax Credit: Fiscal year 2025 and historic theater and event spaces case studies

Since the creation of the federal historic tax credit in 1976, many states have implemented similar state historic tax credits. The Minnesota Historic Structure Rehabilitation Tax Credit was enacted in 2010, sunset in 2022, and reauthorized in 2023. The 2023 reauthorization set a new sunset date of 2030. For a property to be awarded a Minnesota tax credit, the project must be eligible for the federal historic tax credit. Like the federal program, Minnesota's tax credit is 20 percent of qualified rehabilitation expenditures. In Minnesota, project developers can receive a grant in lieu of the credit—90 percent of the allowable 20 percent credit on qualified rehabilitation expenditures—or a combination of both the grant and the credit.

Each year, the State Historic Preservation Office (SHPO) partners with University of Minnesota Extension to measure the economic value of projects leveraged by the credit. In 2025, Extension conducted three analyses: first, a case study of five projects that represented theater and event space adaptive reuse; second, the economic impact of projects approved in the fiscal year; and finally, the economic impact of all projects approved between fiscal years 2011 and 2025.

Case studies of adaptive reuse for theater and event spaces

One benefit of historic preservation is that each project reflects both the history and current needs of the community. The Falls Theatre in Little Falls, for example, was built during the early years of tourism expansion in northern Minnesota. Its rehabilitation sprang from the community's and developer's desire to preserve its downtown while also providing a venue for local entertainment.

While each project is unique, a few common themes emerged when the projects were examined together.

- **Theater and event spaces pose specific challenges for reuse and rehabilitation.**

Large, open concept spaces, particularly those with few windows (such as theaters) can be challenging for adaptive reuse. Fewer windows limit potential use as apartments or office spaces, for instance. As a result, theaters are often best repurposed for uses that maintain most of their open spaces and characteristics.

- **Local commitment and investment are critical to project success.**

The case studies highlight the need for local commitment and investment. Theaters and event spaces require consistent programming, so having a local organization or business that is willing to ensure this is critical. In addition, several developers described these projects as a "labor of love," indicating a commitment to the community and/or the building helped move the project forward, despite both logistical and financial challenges.

- **Both public-private partnerships and a mix of funding sources are necessary to ensure a successful project.**

Rehabilitating historic theater and event spaces typically involves a mix of private and public investment, which can be complex. Often, the historic tax credits were critical for leveraging additional investment. In addition to private developers, projects involved local economic development authorities, philanthropic organizations, and non-profit groups.

Economic impact of projects approved in fiscal year 2025

In fiscal year 2025, 11 historic property rehabilitation projects received initial approval for the state historic tax credit. Proposed future uses included housing, office space, hotels, venues, restaurants, and mixed-use development. Six of the 11 projects (55 percent) are located in Greater Minnesota, including Duluth, Hibbing, Rochester, Saint Cloud, Saint Peter, and Winona.

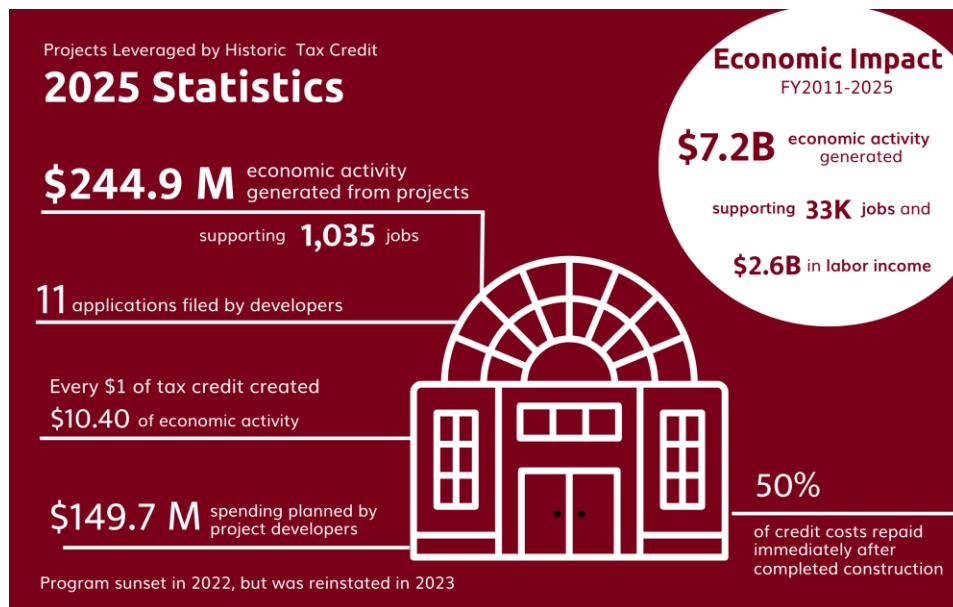
Based on information provided in the initial applications, developers intend to spend nearly \$150 million on their rehabilitation projects. Given the developer’s proposed spending, SHPO anticipates the state historic tax credits awarded to total \$23.5 million.

Projects leveraged with the Minnesota Historic Rehabilitation Tax Credit will generate an estimated \$244.9 million in economic activity. This includes \$94.6 million in labor income. The tax credit will support 1,035 FTE jobs. The projects will also generate an estimated \$11.7 million in state and local tax collections. About 50 percent of the tax credit extended will be repaid through the taxes generated from construction-related activities. For every dollar of tax credit awarded, the projects will generate \$10.40 of economic activity.

Economic impact of all projects approved between fiscal years 2011 and 2025

Since the Minnesota Historic Rehabilitation Tax Credit was introduced, projects completed with the credit have generated an estimated \$7.2 billion in economic activity. These projects supported 32,600 jobs, paying \$2.6 billion in labor income.

In total, tax credit supported projects have occurred in 24 of Minnesota’s 87 counties. Of the 11 approved in fiscal year 2025, six were in Greater Minnesota, demonstrating a growing trend for more projects being located outside of the Twin Cities metropolitan area.



Introduction

National conversation on the value of preserving historic spaces, places, and monuments is nearly as old as the United States itself. The origins of the modern historic preservation movement are often credited to the Mount Vernon Ladies' Association of the Union, putting an early focus on preserving landmarks directly related to the founding of the United States. With time, the focus expanded, including the designation of the Casa Grande ancient ruins in Arizona as a national monument and the establishment of Mesa Verde National Park. The concept of a historic district was introduced in the 1930s, when residents of Charleston, South Carolina banded together to limit automobile traffic and related businesses in the city's historic center.ⁱ

While preservation efforts existed prior to World War II, the decades of economic expansion following the war placed intense pressure on historic structures, monuments, and spaces. Buildings and community districts were demolished in favor of new developments and higher capacity transportation routes.

In response, historic preservation advocates pushed for the passage of the National Historic Preservation Act (the Act) in 1966.ⁱⁱ During its creation, the Act's authors noted, "The preservation of this irreplaceable heritage is in the public interest so that its vital legacy of cultural, educational, aesthetic, inspirational, economic, and energy benefits will be maintained and enriched for future generations of Americans."ⁱⁱⁱ

Among other things, the Act formed the State Historic Preservation Offices, the National Register of Historic Places, and created a set of Standards to guide decisions at the state and national level.^{iv}

The Act, however, provided few financial incentives for private development related to historic properties. Thus, in 1976, Congress created the federal historic tax credit, which is now administered under the Federal Historic Preservation Tax Incentives program.^v The federal historic tax credit provides a 20 percent income tax credit, provided the project meets specified criteria. The credit is administered through a partnership between the National Park Service and the Internal Revenue Service. State Historic Preservation Offices provide support at the state level.

Since the creation of the federal historic tax credit, most states have implemented matching state historic tax credits. The Minnesota Historic Structure Rehabilitation Tax Credit was enacted in 2010, sunset in 2022, and reauthorized in 2023. The 2023 reauthorization set a new sunset date of 2030. For a property to be awarded a Minnesota tax credit, the project must first receive the federal historic tax credit. Like the federal program, Minnesota's tax credit is 20 percent of qualified rehabilitation expenditures. Unlike the federal credit, however, project developers can receive a grant in lieu of the credit—90 percent of the allowable 20 percent credit on qualified rehabilitation expenditures—or a combination of both the grant and the credit.

For a project to receive the Minnesota state historic tax credit, it must:

- Meet the federal substantial rehabilitation test
- Be certified as a historic structure, either through a listing on the National Register of Historic Places or by contributing to a Registered Historic District
- Meet the Secretary of the Interior's Standards for Rehabilitation
- Be used for an income-producing purpose upon completion
- Apply for federal credit and receive federal approval



In order to measure the effectiveness of the state historic tax credit, the Minnesota Legislature included a provision in the original bill requesting an annual economic impact assessment. University of Minnesota Extension has performed this analysis since implementation of the program. This report presents the economic impact for both this fiscal year and the entire credit's history.

Beyond economic impact, historic tax credit researchers have identified additional benefits to historic preservation and adaptive reuse, including “community revitalization, heritage tourism, job creation, improved quality of life, greater shared knowledge about our past, and strengthened regional identity and local pride.”^{vi}

To measure the additional benefits of projects completed with the Minnesota historic tax credit, Extension began to explore patterns in the types of adaptive reuse for historic buildings. As a result, the 2023 report focused on the reuse of historic school buildings, and the 2024 report examined the reuse of historic warehouses. For this year's report, Extension focused on theater and event spaces.

Historic Structure Rehabilitation Tax Credit and theater and event spaces

To understand how theater and event spaces are being developed through historic preservation and rehabilitation, Extension and the Minnesota State Historic Preservation Office (SHPO) selected five properties as case studies. The properties included:

- Mayowood Farm Number 1 in Rochester
- The Kruse Garage (Cannon River Winery) in Cannon Falls
- The Hollywood Theater in Minneapolis
- The Falls Theatre in Little Falls
- NorShor in Duluth

One benefit of historic preservation is that each project reflects both the history and current needs of the community. The Falls Theatre in Little Falls, for example, was built during the early years of tourism expansion in northern Minnesota. Its rehabilitation sprang from the community's and developer's desire to preserve its downtown while also providing a venue for local entertainment.

While each is unique, a few common themes emerged when the projects were examined as a whole.

- **Theater and event spaces pose specific challenges for reuse and rehabilitation.**

Large, open concept spaces, particularly those with few windows (such as theaters) can be challenging for adaptive reuse. Fewer windows limit potential use as apartments or office spaces, for instance. As a result, theaters are often best repurposed for uses that maintain most of their open spaces and characteristics.

- **Local commitment and investment are critical to project success.**

The case studies highlight the need for local commitment and investment. Theaters and event spaces require consistent programming, so having a local organization or business to ensure this is critical. In addition, several developers described these projects as a “labor of love,” indicating a commitment to the community and/or the building helped move the project forward despite both logistical and financial challenges.



- **Both public-private partnerships and a mix of funding sources are necessary to ensure a successful project.**

Rehabilitating historic theater and event spaces typically involves a mix of private and public investment, which can be complex. Often, the historic tax credits were critical for leveraging additional investment. In addition to private developers, projects involved local economic development authorities, philanthropic organizations, and non-profit groups.

Figure 1: Interior of the Falls Theatre during rehabilitation



The next section of this report presents a summary of each project, including a history of the property, its architectural significance, its current use, and the economic impact of the rehabilitation. Each of the case studies features a summary of the project's financing and impact. The data sources for each item in the summary table were as follows:

Total final project costs—upon project completion, the developer files an application (called the Minnesota Part B) with SHPO and discloses the final project costs.

State Historic Tax Credit awarded—in addition to the project costs, the Part B application includes the amount of state historic tax credit awarded.

Economic impact—Extension used the input-output model IMPLAN to calculate the economic impact of each project based upon the final project costs.

Economic activity per dollar of state credit—this ratio was calculated by dividing the total economic impact by the amount of the tax credit awarded.


Jobs supported—the number of jobs supported is a metric calculated by the input-output model.

State and local taxes collected—a metric also calculated by the input-output model.

Estimated market value—the estimated market value was based upon property tax records available from the county in which the historic property was located. Most counties provide access to property tax billing statements online.

Funding sources—this was determined by Extension based upon the case study research.

Maywood Farm Number One

	Rochester, Minnesota	
	Original use: barn, stables, and residence	Current use: event space
	Year constructed: 1910	Years rehabilitated: 2017-2019
	Total project costs: \$1.15 million	Status: operational
	Historic name: Farm Number One	Current name: The Maywood Stone Barn



Historic significance

In the late 1800s, Rochester was a prairie community serving a region of heavily wooded farms. But in the early 1900s, the Mayo brothers returned to the town they grew up in and founded a group medical practice that was unique to the industry at the time. By 1915, this would evolve into the Mayo Clinic Graduate School of Medicine and start a renaissance in medical training that later became the pattern for clinics around the world. At the beginning of his fame, Dr. Charlie Mayo built Maywood and it became the center of social and scientific life in Rochester.

The Farm Number complex originally included gable-roofed horse stables, which were later converted into apartments. Also on the property were a stone barn, a stone house, another house in the style of a Greek revival residence, a poured concrete silo, and pole barns.^{vii}

In 2016, the Farm Number One Complex was purchased by a Rochester-based developer who began rehabilitation work on the building and, in 2019, renovations on this property ended. Currently, it is a wedding venue that features bare stone walls and a gabled roof paying homage to the property's original style.

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	\$1,148,578
State Historic Tax Credit Awarded	\$135,644
Economic Impact (2025\$)	\$3,021,570
Economic Activity Per Dollar of State Credit	\$16.80
Jobs Supported	13
State and Local Taxes Collected (2025\$)	\$132,880
Estimated Market Value 2024	\$1,716,200
Funding Sources	Primarily private



Kruse Garage

	Cannon Falls, Minnesota Original use: car retailer Year constructed: 1918 Total project costs: \$1.0 million Historic name: Kruse Garage	Current use: winery Years rehabilitated: 2013-2014 Status: operational Current name: Cannon River Winery
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Pre-Rehabilitation



Post-Rehabilitation

Historic significance

In the mid-1800s, Cannon Falls was a hub of mills, including a flour, wool, and grist mill.^{viii} Twenty-two of the 29 properties in the Cannon Falls Commercial Historic District were originally built between 1880 and 1900. Thirteen of those were built immediately following the 1887 fire that destroyed most of downtown Cannon Falls. The buildings are primarily built in the Italianate or Commercial Queen Anne styles.

The Kruse Garage was built in 1918 and was a two-story concrete block building with a textured brown brick façade. It sports decorative brickwork above the first floor, as well as above the second-floor windows and crowning the building. The primary façade features brick sills and one-over-one sash windows.

Originally, Kruse Garage sold Oldsmobile, Maxwell, and Chalmers-Velie vehicles, while the second floor housed a large hall used for dances, plays, and other community events.^{ix}

In 2013, the property was purchased by an Inver Grove Heights-based developer who began rehabilitation work on the building, and renovations were completed by the end of 2014. It now serves as a winery and small music venue.

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	\$1,012,135
State Historic Tax Credit Awarded	\$193,593
Economic Impact (2025\$)	\$3,231,800
Economic Activity Per Dollar of State Credit	\$10.90
Jobs Supported	15
State and Local Taxes Collected (2025\$)	\$138,800
Estimated Market Value 2024	\$1,037,400
Funding Sources	Primarily private



Hollywood Theater

	Minneapolis, Minnesota	
	Original use: movie theater	Current use: event space
	Year constructed: 1936	Years rehabilitated: 2015-2023
	Total project costs: \$6.3 million	Status: operational
	Historic name: Hollywood Theater	Current name: Hollywood Theater



Pre-Rehabilitation



Post-Rehabilitation

Historic significance

Built in 1934, Minneapolis' Hollywood Theater was designed by the architectural firm Liebenberg and Kaplan (L&K). L&K rose to prominence between 1923 and 1941 when they designed more than 200 theaters and completed plans to renovate another 600. The pair became known for their ability to design theaters for small sites that retained the glamour and appeal of larger theaters. The Hollywood Theater is an example of the Streamline Moderne Style with Art Deco accents. Historic features include Kasota limestone on the exterior, round "porthole" lights, and terrazzo floors.^x

The Hollywood Theater struggled to be profitable and became vacant in 1987. The City of Minneapolis purchased the building in 1993, hoping to preserve the historic structure. However, just as the Hollywood Theater represents the boom in theater development by L&K, it also represents many of the challenges facing theater rehabilitation. Theaters typically have large, open spaces with few windows, making reuse for many economically viable purposes challenging or impossible.^{xi} Many development proposals were pursued through the years, but rehabilitation did not begin until 2015. When the project was completed, the developer stated, "A more savvy real estate person would have walked away from it...I started to do it and I have never seen an empty building that I didn't love."^{xii} The Hollywood Theater reopened as an event space in 2023.^{xiii}

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	\$6,292,937
State Historic Tax Credit Awarded	\$1,168,048
Economic Impact (2025\$)	\$12,864,030
Economic Activity Per Dollar of State Credit	\$10.30
Jobs Supported	50
State and Local Taxes Collected (2025\$)	\$565,700
Estimated Market Value 2024	\$900,000
Funding Sources	Public/private

The Falls Theatre



Little Falls, Minnesota

Original use: movie theater
 Year constructed: 1933
 Total project costs: \$2.2 million
 Historic name: Falls Theatre

Current use: movie theater
 Years rehabilitated: 2022-2023
 Status: operational
 Current name: The Falls Theatre



Pre-Rehabilitation



Post-Rehabilitation

Historic significance

In the late 1920s and early 1930s, Little Falls became a tourist destination. The development and improvement of roads opened access to the region’s fishing lakes. In addition, Lindbergh State Park and the National Guard’s Camp Ripley were established in 1931, attracting additional visitors to the area. Thus, of the eight buildings added to downtown Little Falls post-1920, most housed businesses that served tourists. The Falls Amusement Company operated two movie theaters, including the Falls Theatre, which opened in 1933.

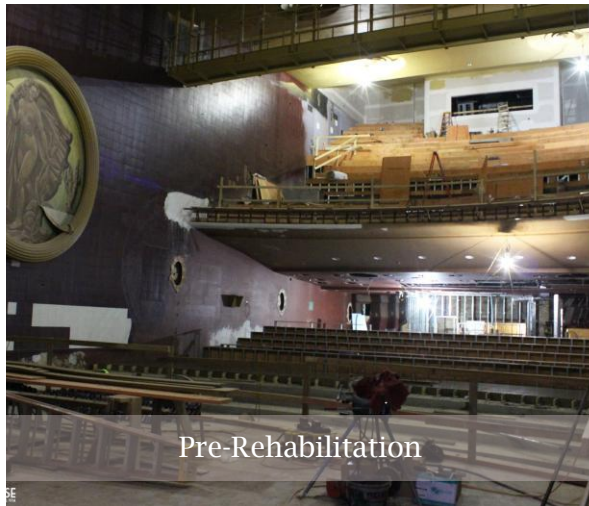
The Falls Theatre is a contributing building to the Little Falls Commercial Historic District. The building is described as subdued but showcases the Moderne style and features small stone motifs and a brightly colored marquee.^{xiv}

The Falls Theatre closed in 2020, amid a period of decline. It was purchased by a local couple who believe, “If we were to wait for somebody to come in from the outside and care enough to open a business in here, it wouldn’t happen. It takes people who live here and care to invest in the communities.”^{xv} The couple relied upon a local newspaper description of the original movie theater opening to guide the rehabilitation design.^{xvi} In addition to private dollars and historic tax credits, the project used funding from the Initiative Foundation, the Department of Employment and Economic Development, and the City of Little Falls Economic Development Authority.

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	\$2,230,687
State Historic Tax Credit Awarded	\$315,295
Economic Impact (2025\$)	\$4,559,970
Economic Activity Per Dollar of State Credit	\$13.50
Jobs Supported	20
State and Local Taxes Collected (2025\$)	\$200,520
Estimated Market Value 2025	\$168,100
Funding Sources	Private/public

NorShor Theatre

	Duluth, Minnesota	
	Original use: vaudeville theater & parking garage	Current use: performing arts space
	Years constructed: 1926 & 1941	Years rehabilitated: 2016-2017
	Total project costs: \$28.9 million	Status: operational
	Historic name: Orpheum Theatre & service garage	Current name: NorShor Theatre



Historic significance

The NorShor Theatre represents Duluth’s position as a performing arts destination. In the early 1900s, the Hartley Orpheum Theatre was built downtown. It was a premier vaudeville theater, attracting acts like WC Fields, The Marx Brothers, and Charlie Chaplin.^{xvii} In 1926, the owners added the adjoining Orpheum Garage. Eventually, the main entry of the theatre was moved to the first bay. In 1941, it underwent renovations and was established as a movie house, complete with marquee and a 65-foot-high tower with “NorShor” in 3,000 lights. The NorShor Theatre operated as a movie house until the late 1960s. The renovations lent a contemporary flair to the theatre, with references to Art Deco, Arte Moderne, and the Works Progress Administration. Notable features included terrazzo flooring, polished marble, and granite panels in the entrance vestibule. Four cast plaster panels depict “the Arts” in the lobby.^{xviii}

The Duluth Economic Development Authority (DEDA) purchased the blighted site in 2010. In partnership with a private developer and Duluth Playhouse, DEDA leveraged \$7.1 million from a Minnesota bonding bill, historic tax credits, New Market Tax Credits, and \$4.5 million from a capital campaign to rehabilitate the property. Duluth Playhouse now operates the theater, putting on performances that regularly draw thousands of visitors a year to downtown Duluth.

PROJECT FINANCING AND IMPACT	
Total Final Project Costs	\$28,923,528
State Historic Tax Credit Awarded	\$4,354,711
Economic Impact (2025\$)	\$80,563,250
Economic Activity Per Dollar of State Credit	\$13.30
Jobs Supported	340
State and Local Taxes Collected (2025\$)	\$3,542,780
Estimated Market Value 2025	\$4,891,500
Funding Sources	Private/public

Economic impact in fiscal year 2025

In addition to measuring the benefits of the five theater and event space projects, Extension also measured the economic impact of projects receiving approval in fiscal year 2025. To conduct this analysis, Minnesota SHPO provided Extension with the initial applications (called the Minnesota Part A) filed by the developers. This form requires developers to estimate their total project 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 effect using data supplied by project developers through the Minnesota Part A form. 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 FY 2025, 11 properties received initial approval for the state historic tax credit (Table 1).

Table 1: Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between July 1, 2024 and June 30, 2025 (FY25)

Historic Property Name	Proposed Use	Location
Androy Hotel	Housing	Hibbing
Avalon Hotel	Venue	Rochester
First National Bank	Hotel	Saint Peter
James J. Hill Reference Library	Venue	Saint Paul
Lumber Exchange Building	Mixed Use	Minneapolis
Moline, Milburn & Stoddard Company	Restaurant	Minneapolis
Northrup, King & Company West Buildings	Housing	Minneapolis
Ordean Building	Housing	Duluth
Red Owl Foods	Restaurant	Excelsior
United States Post Office	Office	Saint Cloud
Winona & Saint Peter Railroad Freight House	Restaurant & Event Space	Winona



Proposed future uses included housing, office space, hotels, venues, restaurants, and mixed-use development. Six of the 11 projects (55 percent) are located in Greater Minnesota, including Duluth, Hibbing, Rochester, Saint Cloud, Saint Peter, and Winona.

Based on the information provided in the initial applications, developers intend to spend nearly \$150 million on their rehabilitation projects (Table 2). 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.

Given the developer’s proposed spending, SHPO anticipates the state historic tax credits awarded to total \$23.5 million. This is less than 20 percent of 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 \$6.40 into the projects.

Table 2: Direct impact of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between July 1, 2024 and June 30, 2025 (FY25)

Total Estimated Costs	Estimated Costs, Acquisition Removed	Estimated Minnesota Historic Rehabilitation Tax Credit	Additional Dollars Leveraged per \$1 of Tax Credit
\$149,693,399	\$129,301,730	\$23,491,972	\$6.40

Source: State Historic Preservation Office, Part A applications

Total impact

Projects leveraged with the Minnesota Historic Rehabilitation Tax Credit will generate an estimated \$244.9 million in economic activity. This includes \$94.6 million in labor income. The tax credit will support 1,035 FTE jobs (Table 3).

Table 3: Total economic impact of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between July 1, 2024 and June 30, 2025 (FY25)

Impact Type	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	\$129.3	575	\$57.0
Indirect	\$49.4	165	\$15.5
Induced	\$66.2	295	\$22.1
Total	\$244.9	1,035	\$94.6

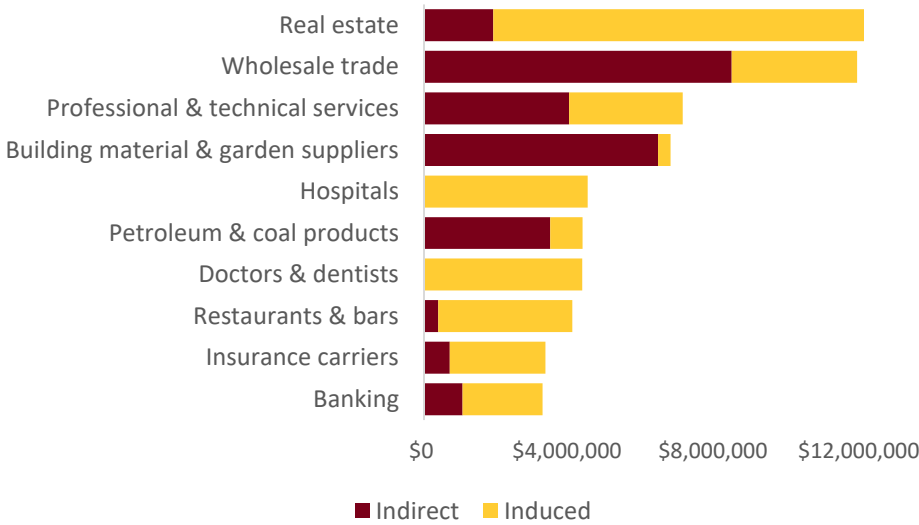
Source: University of Minnesota Extension estimates, IMPLAN

Top industries impacted

Developers plan to invest \$149.7 million in their projects. These investments will generate an estimated \$115.6 million at businesses not directly involved in the rehabilitation. 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 real estate, wholesale trade, and professional and technical services (Figure 2).



Figure 2: Top industries impacted by the Minnesota Historic Tax Credit, FY25, indirect and induced effects, sorted by output



Indirect (or business-to-business) impacts are highest in wholesale trade, building material supplies, and professional and technical services. 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. The professional and technical services industry represents businesses that offer specialized expertise, such as architecture and engineering firms.

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 fiscal year 2025 will generate an estimated \$11.7 million in state and local tax collections (Table 4). Thus, approximately 50 percent of the tax credit extended will be repaid through the taxes generated from construction-related activities.

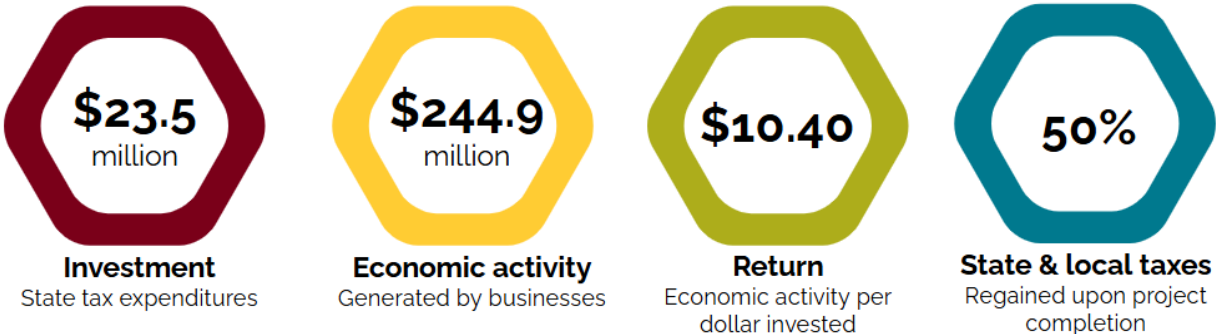
Table 4: State and local tax collections from Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between July 1, 2024 and June 30, 2025 (FY25)

Tax	Estimated Collections (millions)
Income	\$2.7
Sales	\$3.9
Property	\$3.1
Other	\$2.0
Total	\$11.7

Source: University of Minnesota Extension estimates, IMPLAN

To summarize, projects gaining approval in fiscal year 2025 will be awarded an estimated \$23.5 million in state historic tax credits (Figure 3). The projects, when complete, will generate \$244.9 million in economic activity. For every dollar invested by the state, \$10.40 will be created. In addition, the projects themselves will generate tax collections through the construction activities. The tax collections are anticipated to amount to 50 percent of the total credits awarded. In other words, state and local governments will recoup nearly half the investment during project construction.

Figure 3: Summary, Minnesota Historic Rehabilitation Tax Credit, fiscal year 2025



Economic impact for fiscal years 2011 through 2025

Since the Minnesota Historic Rehabilitation Tax Credit was introduced, projects completed with the credit have generated an estimated \$7.2 billion in economic activity (Table 5). These projects supported 32,600 jobs, paying \$2.6 billion in labor income.

Table 5: Total economic impact of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between FY 2011 to 2025 (adjusted to 2025 dollars)

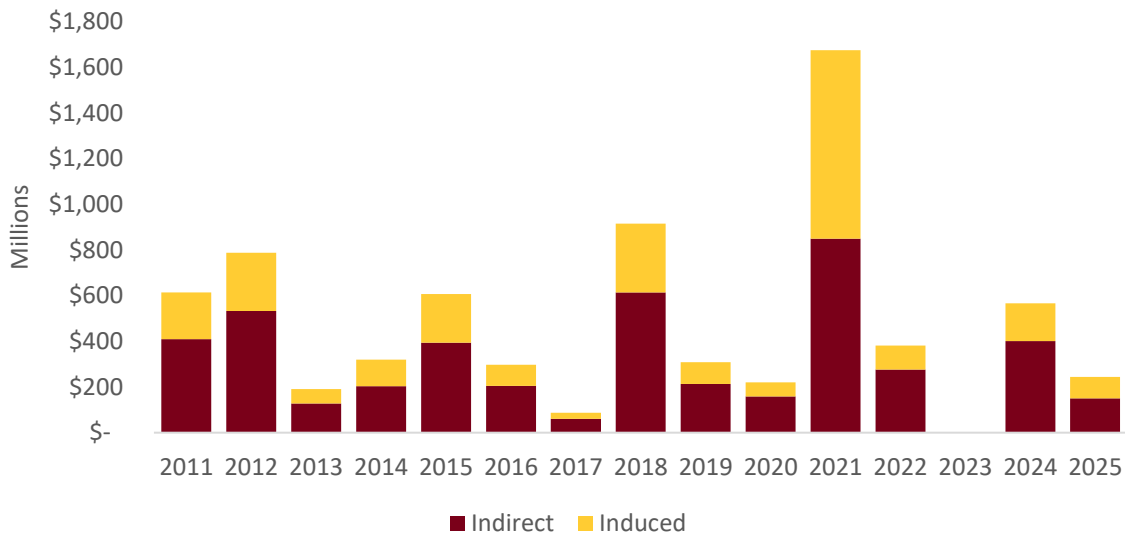
Impact Type	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	\$3,934.6	17,453	\$1,504.4
Indirect	\$1,391.0	5,999	\$480.9
Induced	\$1,893.8	9,208	\$637.0
Total	\$7,219.4	32,660	\$2,622.3

Source: University of Minnesota Extension estimates, IMPLAN

Total impacts by fiscal year

The economic impact of the historic tax credit has varied by year. Two factors influence the annual impact—the number of projects approved for the year and the size of the projects. In a typical year, the number of projects is between 10 and 15 (Figure 4).

Figure 4: Total economic impact of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between FY 2011 and FY 2025



The highest impact in a single year was fiscal year 2021 (Table 6). There were 34 projects that received initial approval in 2021. The tax credit was set to sunset, so many projects were submitted ahead of the deadline. There were no projects approved in FY 2023, as the program was sunset.

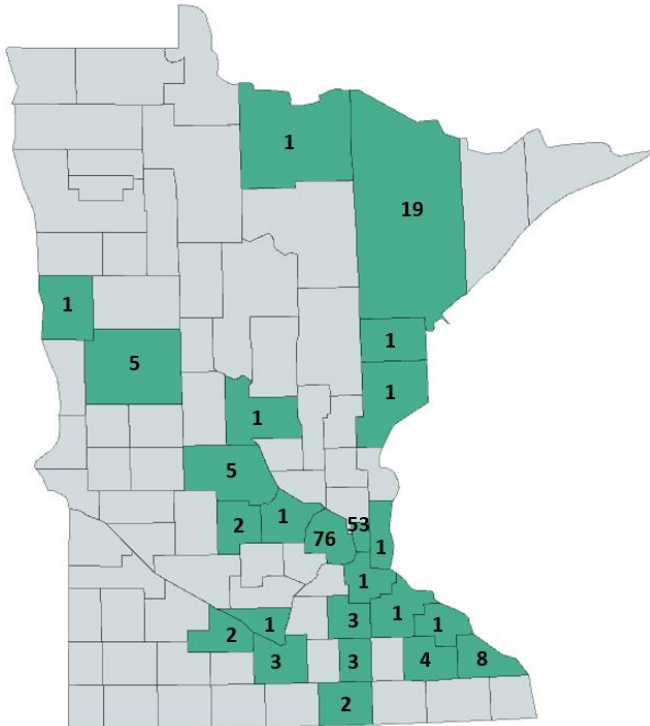
Table 6: Total economic impact of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Part II approval between FY 2011 and FY 2025

Year	Output (millions, 2025 \$)	Employment (FTEs)	Labor Income (millions, 2025 \$)
FY 2011	\$614.8	2,880	\$205.6
FY 2012	\$787.8	3,500	\$254.5
FY 2013	\$191.5	1,200	\$64.2
FY 2014	\$320.2	1,340	\$116.1
FY 2015	\$606.8	2,610	\$213.1
FY 2016	\$297.6	1,110	\$92.9
FY 2017	\$87.7	290	\$26.4
FY 2018	\$915.5	3,910	\$301.1
FY 2019	\$309.3	1,100	\$96.3
FY 2020	\$220.6	720	\$62.3
FY 2021	\$1,675.2	9,660	\$825.1
FY 2022	\$381.3	1,250	\$104.5
FY 2023	\$0	0	\$0
FY 2024	\$566.2	2,055	\$165.6
FY 2025	\$244.9	1,035	\$94.6
Total	\$7,219.4	32,660	\$2,622.3

Location of projects between fiscal years 2011 and 2025

Projects leveraged with the state historic tax credit have occurred across the state of Minnesota (Figure 5). The highest number of projects have been in Hennepin and Ramsey counties. However, there have been 19 projects in Saint Louis County, eight in Winona County, and five in both Stearns and Otter Tail counties. In total, tax credit supported projects have occurred in 24 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.

Figure 5: Location of Minnesota Historic Rehabilitation Tax Credit projects receiving National Park Service Approval between FY 2011 and FY 2025



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 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. It is not subject to inflation effects.

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, 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

Minnesota Part A application

The Minnesota Part A application must be submitted with Part 2 of the federal application prior to starting construction. This application must be received by MN SHPO before the rehabilitation begins.

Part 2 application

“Part 2 is the Description of Rehabilitation Work. All owners of a certified historic structure who are seeking the 20 percent (federal and state) 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.”^{xix}

Minnesota Part B application

The Minnesota Part B 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.”^{xx}



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End notes

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