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February 12, 2020

The Honorable Roger Chamberlain
Chair, Senate Tax Committee
95 University Avenue W, MSB 3225
Saint Paul, MN 55155

The Honorable Paul Marquart
Chair, House Tax Committee
597 State Office Building
Saint Paul, MN 55155

The Honorable Ann Rest
Ranking Member, Senate Tax Committee
95 University Avenue W, MSB 2217
Saint Paul, MN 55155

The Honorable Greg Davids
Ranking Member, House Tax Committee
283 State Office Building
Saint Paul, MN 55155

RE: Minnesota Historic Rehabilitation Tax Credit Economic Impact Report, Fiscal Year 2019

Dear Chairs and Ranking Members,

Pursuant to Minnesota Statutes Chapter 290.081, Subdivision 9, the Department of Administration's State Historic Preservation Office is pleased to submit the report "Economic Impact of Projects Leveraged by the Minnesota Historic Rehabilitation Tax Credit: Fiscal Year 2019." The report determines the economic impact to the state of the historic tax credits and grants program, which will sunset in 2021.

Sincerely,

A handwritten signature in black ink that reads 'ARobertsDavis'.

Alice Roberts-Davis, Commissioner
State Historic Preservation Officer

cc: Curt Yoakum, Department of Administration
Amy Spong, Deputy State Historic Preservation Officer
April Bergordis, Revenue Tax Specialist, Department of Revenue
David Kelliher, Legislative Director, Minnesota Historical Society
Legislative Reference Library



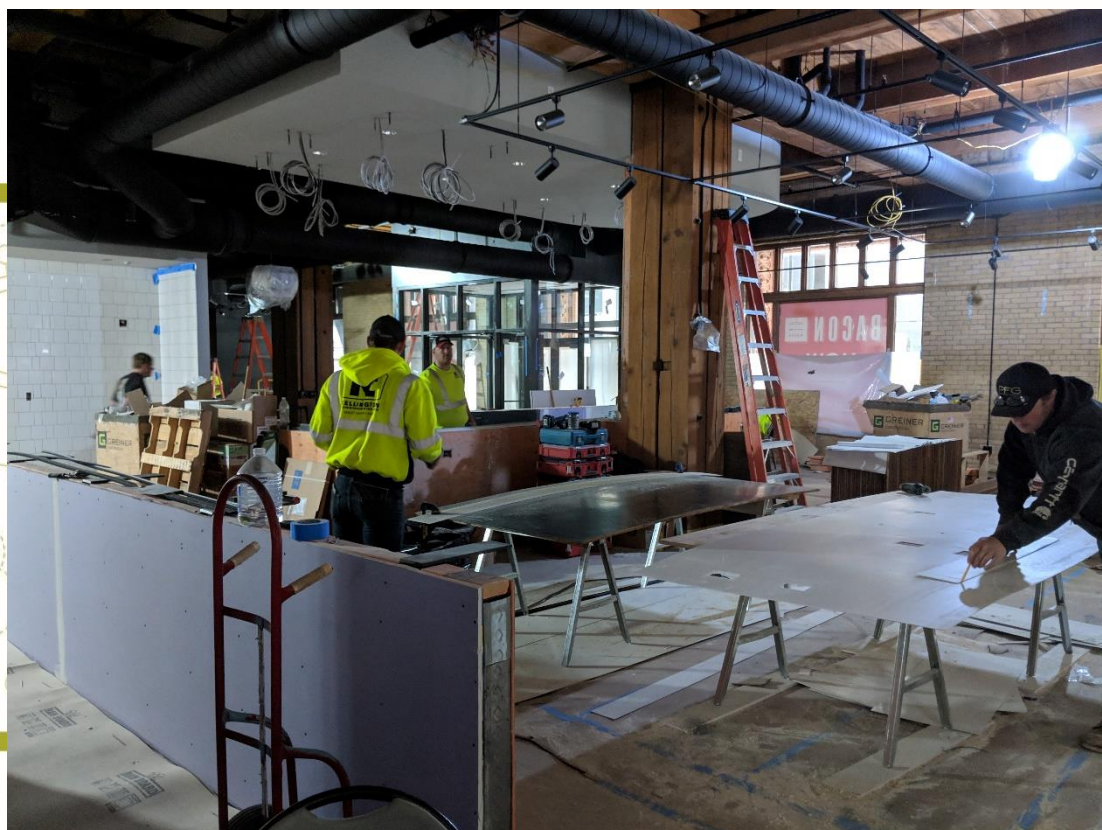
UNIVERSITY OF MINNESOTA EXTENSION

COMMUNITY VITALITY

Economic Impact of Projects Leveraged by the Minnesota Historic Rehabilitation Tax Credit: Fiscal Year 2019

A REPORT OF THE ECONOMIC IMPACT ANALYSIS PROGRAM

Authored by Brigid Tuck



mn DEPARTMENT OF
ADMINISTRATION
STATE HISTORIC PRESERVATION OFFICE

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STATE HISTORIC PRESERVATION OFFICE; PHOTO: ADVANCED THRESHER COMPANY

Economic Impact of Projects Leveraged by the Minnesota Historic Rehabilitation Tax Credit: Fiscal Year 2019

A REPORT OF THE ECONOMIC IMPACT ANALYSIS PROGRAM

January 2020

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Cover Photos:

Front page: Advanced Thresher Company; Interior photo: Baker Importing Company in the North Loop of Minneapolis
Photos courtesy of State Historic Preservation Office

Prepared for:

Minnesota Department of Administration, State Historic Preservation Office

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Notes on the Analysis:

As part of Minnesota's historic tax credit legislation, the State Historic Preservation Office "must annually determine the economic impact to the state from the rehabilitation of property for which credits or grants are provided" ([Minnesota Statutes, Chapter 290.0681, Subdivision 9](#)). To complete this charge, the State Historic Preservation Office has contracted annually with University of Minnesota Extension's economic impact analysis (EIA) program. Pursuant to Minnesota Statutes, Chapter 3.197 regarding the cost of reports, the total for this study was \$2,500.

The Minnesota State Historic Preservation Office is financed, in part, with federal funds from the National Park Service, U.S. Department of the Interior. However, the contents and opinions presented do not necessarily reflect the views or policies of the Department of the Interior, nor does the mention of trade names nor commercial products constitute endorsement or recommendation by the Department of the Interior. Regulations of the U.S. Department of Interior strictly prohibit unlawful discrimination in federally assisted programs on the basis of race, color, national origin, disability, or age. Any person who believes he or she has been discriminated against in any program, activity, or facility operated by a recipient of federal assistance should write to: Office of Equal Opportunity, National Park Service, 1849 C Street, N.W. Washington, DC, 20240.

The data, analysis, and findings described in this report are specific to the geography, time period, and project requirements of the Minnesota Historic Rehabilitation Tax Credit. Findings are not transferable to other jurisdictions. Extension neither approves nor endorses the use or application of findings and other contents in this report by other jurisdictions.



EXECUTIVE SUMMARY: ECONOMIC IMPACT OF PROJECTS LEVERAGED BY THE MINNESOTA HISTORIC REHABILITATION TAX CREDIT IN FISCAL YEAR 2019

In 2010, Minnesota passed the Minnesota Historic Rehabilitation Tax Credit. It allows either a state income tax credit or a grant in lieu of the credit. A state income tax credit up to 20 percent of qualifying expenses is available if a property meets eligibility requirements. Alternatively, a grant in lieu of the credit (equal to 90 percent of allowable credit) is available to property owners. In Minnesota, the State Historic Preservation Office (SHPO), along with the Minnesota Department of Revenue, administers the state historic tax credit.

The State Historic Preservation Office is required by law to “annually determine the economic impact to the state from the rehabilitation of property for which credits or grants are provided.” Since 2011, University of Minnesota Extension has completed an annual economic impact study of the credit. This report presents the results for fiscal year 2019 (July 2018-June 2019), along with a summary of past years and case studies of completed projects.

Direct Effect FY 2019: Fourteen properties were approved for the historic tax credit between July 1, 2018 and June 30, 2019. Eight projects were located in Greater Minnesota (Cloquet, Duluth, Moorhead, New Ulm, and Saint Cloud). Six were located in Saint Paul. Projects included residential, mixed use, industrial, and commercial.

In FY 2019, project developers planned to invest \$139.2 million in rehabilitation projects supported by the credit. SHPO estimates \$25.1 million of state historic tax credits will be awarded when the work is certified as complete. Thus, for every \$1 of tax credit, \$5.93 in additional funds will be invested.

Total Economic Impact FY 2019: In FY 2019, the Minnesota Historic Rehabilitation Tax Credit generated an estimated \$245.5 million of economic activity. This includes \$76.4 million of labor income. The tax credit supported 1,100 jobs.

The industries experiencing the largest impacts from the rehabilitation work included wholesale trade, owner-occupied dwellings (includes mortgage-owned houses), and real estate (rental properties and realtor revenues).

Tax Credits: For every dollar of Minnesota Historic Rehabilitation Tax Credit awarded in FY 19, an estimated \$9.78 in economic activity will be generated in the state.

Total Economic Impacts FY 2011-2019: During the nine years of the Minnesota Historic Rehabilitation Tax Credit, a total of 133 projects moved to completion. These projects generated an estimated \$3.3 billion of economic activity. This included \$1.1 billion in labor income. The credit also supported 17,936 jobs.

During this period, \$357.7 million (adjusted to 2019 dollars) of historic tax credits were planned to be awarded. Thus, for every dollar of historic tax credit, \$9.17 in economic activity has been generated in Minnesota.

Case Studies: Six completed projects are featured in this report: the Duluth YWCA, the Chittenden and Eastman building of Saint Paul, the Grand Hotel of New Ulm, Gurley Candy Factory of Minneapolis, Euclid View Flats of Saint Paul, and First National Bank of Saint Cloud. Collectively, the projects generated an estimated \$100.4 million in economic activity and supported 610 jobs. The projects were awarded \$7.5 million in Minnesota Historic Rehabilitation Tax Credits. Thus, for every \$1 invested in the credit for these projects, \$13.40 in economic activity was generated in the state.

INTRODUCTION

In 1966, the United States Congress declared “The historical and cultural foundations of the Nation should be preserved as a living part of our community life...” With this statement, the National Historical Preservation Act (Act) was passed into law. The Act emphasized the role of historic preservation in America’s culture, education, aesthetics, and economy.¹

“The spirit and direction of the Nation are founded upon and reflected in its historic heritage.”

United States Congress, 1966¹

The Act provided mechanisms for preserving history. First implemented in 1977, one outcome of the Act was the Federal Historic Preservation Tax Incentives program. In short, the historic tax credit provides a 20 percent income tax credit to developers of income-producing properties that are listed on the National Register of Historic Places. The National Park Service and the Internal Revenue Service administer the federal credit. Federal tax code laws, passed in late 2017, changed the rules regarding the national credit. In 2018, Minnesota passed legislation bringing the state into conformity with the federal law.²

Thirty-seven states have enacted a state historic tax credit that mirrors the federal program. Minnesota became one of those states in 2010, with the passage of the Minnesota Historic Rehabilitation Tax Credit. Unless reauthorized, the credit will expire after fiscal year 2021. In Minnesota, the State Historic Preservation Office (SHPO), along with the Minnesota Department of Revenue, administers the state historic tax credit.

The State Historic Preservation Office is required by law to “annually determine the economic impact to the state from the rehabilitation of property for which credits or grants are provided.”³ Since 2011, University of Minnesota Extension has completed an annual economic impact study of the state historic tax credit.⁴

Historic Tax Credit Eligibility Requirements:

- Listed on National Register of Historic Places or contribute to a registered historic district
- Rehabilitation is for an income-producing purpose
- Substantial rehabilitation test is satisfied
- Secretary of Interior’s standards for rehabilitation are met

Measuring the economic contribution of historic preservation is complex, primarily because historic preservation touches so many cornerstones of American life. Rehabilitating an abandoned or underutilized historic space brings economic vitality—through construction, new income-producing activities, increased property values, and lower vacancy rates. In addition, historic rehabilitation offers an opportunity to increase quality of life, build a sense of community and character, and drive tourism. Historic rehabilitation also often increases environmental sustainability by capitalizing on a building’s historic resilient design and adding modern energy efficiencies. Finally, preservation retains structures that tell the history of—and reflects the culture of—communities.

Annual reviews completed by Extension focus on the construction impacts of projects planned for the fiscal year. This meets state law requirements. Case studies of completed projects help illustrate how rehabilitation has touched on these other important

¹ United States Congress. National Historic Preservation Act of 1966. Retrieved from <https://www.nps.gov/history/local-law/nhpa1966.htm>

² In December 2017, Public Law Number 115-97 made changes to the rules regarding the national credit. Learn more at <https://www.nps.gov/tps/tax-incentives.htm>

³ 2018 Minnesota Statutes, Credit for Historic Structure Rehabilitation. Retrieved from <https://www.revisor.mn.gov/statutes/cite/290.0681>

⁴ The federal and state tax credit can be paired. For purposes of this report, the focus is on the state historic tax credit.

cornerstones. Studies that focus primarily on economics fall short, however, as economics is not the sum total value of historic preservation.

This report presents the economic impact of the Minnesota Historic Rehabilitation Tax Credit for fiscal year 2019. It also highlights case studies of completed projects. Finally, the report contains a summary of the tax credit's economic impact throughout its history in the state.

Implementing the Credit in Minnesota

Under Minnesota law, the tax credit allows for either a state income tax credit or a grant in lieu of the credit. A state income tax credit of up to 20 percent of qualifying expenses is available if a property meets eligibility requirements. Alternatively, a grant in lieu of a credit (equal to 90 percent of allowable credit) is available to property owners.

The process of qualifying for and receiving the historic tax credit requires property developers to receive several federal and state approvals. The National Park Service (NPS) provides federal approvals. These approval steps include Part I, II, and III. The steps evaluate historical significance (NPS I), describe the rehabilitation plans (NPS II), and certify the completion of work (NPS III). Minnesota's State Historic Preservation Office approvals correspond with NPS Parts II and III. When describing rehabilitation plans (NPS II), developers are required by the SHPO to provide budgeted costs (SHPO Part A). When certifying the completion of work (NPS III), developers must provide final project costs (SHPO Part B).

ECONOMIC IMPACT IN FISCAL YEAR 2019

Economic impact includes direct, indirect, and induced effects. Direct effects are created by project developers as they complete the rehabilitation. Direct effects include spending for items such as concrete work, masonry, electrical work, roofing, engineering, and design. This spending information is available on SHPO Part A applications (planned spending).

Indirect and induced effects are created by the businesses supplying project developers and their employees. They are quantified using input-output models. Input-output models trace the flow of goods and services between industries in an economy. Once this flow is known, the model can measure how a change in one sector of the economy will affect another. Extension used the input-output model IMPLAN with Type SAM multipliers for this analysis.

Direct Effect

Fourteen properties were approved for the historic tax credit between July 1, 2018 and June 30, 2019 (Table 1). Eight projects were located in Greater Minnesota (Cloquet, Duluth, Moorhead, New Ulm, and Saint Cloud). Six were located in Saint Paul. Projects include residential, mixed use, industrial, and commercial. These projects filed the appropriate paperwork (Part A) for their planned rehabilitation expenses. SHPO then provided the data to Extension.

Table 1: Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval between July 1, 2018 and June 30, 2019 (FY 2019)

Historic Property Name	Proposed Use	Location
BPOE Building	Theater	Saint Cloud
Builders Exchange	Residential	Duluth
Cloquet High School	Residential	Cloquet
Duluth Armory	Mixed Use	Duluth
Interstate Auto	Residential	Duluth
Krank Manufacturing	Office	Saint Paul
Moorhead Storage and Transfer Company Warehouse	Residential	Moorhead
New Ulm High School	Residential	New Ulm
Noyes Brothers and Cutler Building	Hotel	Saint Paul
Office and Well House	Mixed Use	Saint Paul
Rochester Amory	Mixed Use	Saint Paul
Superior Meat Packing Plant	Industrial	Saint Paul
Wann Building	Mixed Use	Saint Paul
Whitney Land Building	Office	Saint Cloud

In total, project developers planned to spend \$149.1 million on historic rehabilitation projects in FY 19 (Table 2). These costs include a broad umbrella of rehabilitation-related activities, including site work, plumbing, electrical work, roofing, windows and doors, elevators, engineering and design, financing, and marketing. While total estimated costs include the total amount project developers plan to spend on the project, not all expenditures qualify for the tax credit. SHPO and the National Park Service administer the tax credit so it is applied only to qualifying costs.

Total project costs, on the other hand, do create economic activity, so they are included in the economic impact analysis. One expenditure is not included in economic impact—acquisition of the building. In input-output theory, the selling of property does not create economic activity, as one asset (a building) is traded for another asset (money). During this transaction, nothing new is being created. Fees associated with the sale (such as title costs and realtor fees) do generate economic activity (a person works to earn those fees), so they are included in the analysis.

The total direct effect of the Minnesota Historic Rehabilitation Tax Credit FY 2019 is \$139.2 million. Based on Part A applications, SHPO estimates \$25.1 million of state historic tax credits will be awarded when the work is certified as complete. Thus, for every \$1 of tax credit, an additional \$5.93 of funds will be invested.

Table 2: Direct Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval, July 1, 2018 and June 30, 2019 (FY 2019)

Total Estimated Costs	Estimated Costs, Acquisition Removed	Estimated Minnesota Historic Rehabilitation Tax Credit	Additional Dollars Leveraged per \$1 of Tax Credit
\$149,072,115	\$139,241,073	\$25,099,935	\$5.93

Source: State Historic Preservation Office, Part A applications

Indirect and Induced Effects

Indirect effects measure the changes created by spending for inputs. For example, the project developer hires a contractor to install electrical systems. The contractor, in turn, purchases wiring and installation equipment. This increases purchases from their suppliers, and so forth, along the supply chain. Induced effects measure the changes created by spending of employees. For example, the electrical contractor's employees purchase housing, groceries, and health care, thus generating activity along those supply chains.

The indirect and induced effects of the Minnesota Historic Rehabilitation Tax Credit are detailed in the following total impact section of the report. Further explanation of the indirect and induced effects are included in the appendix.

Total Impact

In FY 2019, the Minnesota Historic Rehabilitation Tax Credit generated an estimated \$245.5 million of economic activity (Table 3). This includes \$76.4 million of labor income. The tax credit supported 1,100 jobs.⁵

Table 3: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II, July 1, 2018 and June 30, 2019 (FY 2019)

Effect	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	\$139.2	490	\$38.7
Indirect	\$51.1	280	\$18.7
Induced	\$55.2	330	\$19.0
Total	\$245.5	1,100	\$76.4

Source: University of Minnesota Extension estimates, IMPLAN

⁵ Jobs in this report are measured in full-time equivalents.

Directly, project developers reported plans to invest \$139.2 million in rehabilitation. Based on planned expenditures, the IMPLAN model estimates 490 workers will be employed at project sites. IMPLAN also estimates the workers will be paid \$38.7 million. This is the direct effect as shown in the above table.

The indirect and induced effects of the Minnesota Historic Rehabilitation Tax Credit are fairly evenly balanced. Slightly less than half of the output impacts (48 percent) stem from business-to-business or indirect transactions. Slightly more than half (52 percent) stem from induced interactions.

Once the planned projects are completed, project developers will be awarded \$25.1 million in historic tax credits. Thus, for every dollar of Minnesota Historic Rehabilitation Tax Credit awarded, \$9.78 in economic activity will be generated in the state.

\$9.78

Of economic activity generated for every dollar of Minnesota Historic Rehabilitation Tax Credit awarded in FY 2019

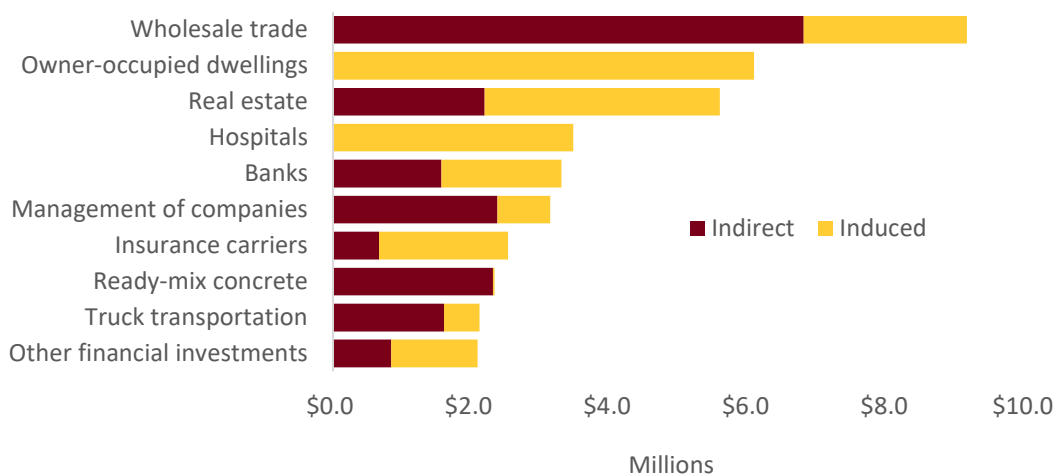
Top Sectors Impacted

During FY 2019, the Minnesota Historic Rehabilitation Tax Credit generated an estimated \$245.5 million in output. Of this, \$139.2 million was at rehabilitation sites. The other \$106.3 million was at industries across the economy (Chart 1). The industries experiencing the largest impacts from rehabilitation work included wholesale trade, owner-occupied dwellings (includes mortgage-owned houses), and real estate (rental properties, as well as items such as realtor revenues).

The largest indirect effects were in the wholesale trade, ready-mix concrete, and management of companies industries. Indirect effects are business-to-business effects, so these impacts reflect the construction industry supply chain. Wholesale trade businesses sell bulk items to both industrial and commercial users (as opposed to retail trade that sells to consumers). Many construction supplies, such as heating units and roofing materials, are sold to the contractor through a wholesaler. Ready-mix concrete is another critical component of any construction project. Since it is prepared on site, it is often supplied by a local company (thus retaining the impacts in the economy). Finally, managing a construction project is also a critical component and therefore has an indirect effect on the management of companies.

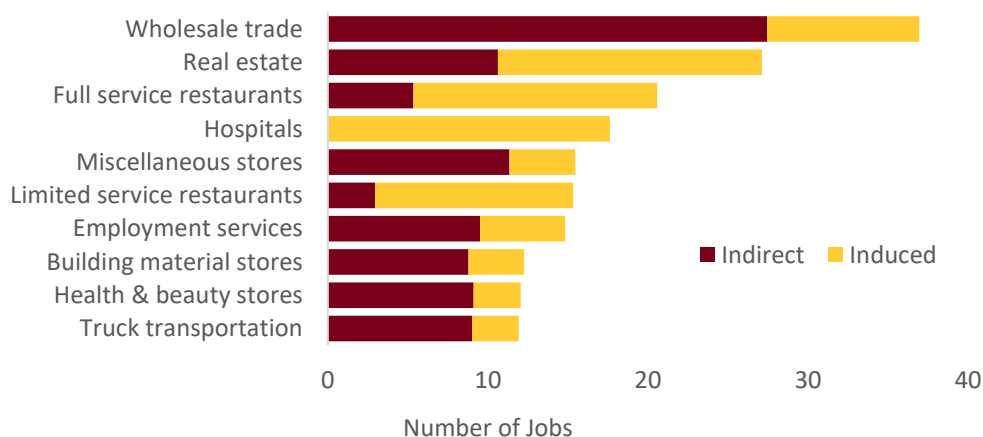
Indirect effects were higher in the owner-occupied dwellings, hospitals, and real estate industries. Since a major component of any household's budget is housing and health care, these results are not surprising.

Chart 1: Top Industries Impacted by the Minnesota Historic Rehabilitation Tax Credit, FY 2019, Sorted by Output



Top industries impacted in terms of output included wholesale trade, real estate, and full service restaurants (Chart 2). Employment impacts were higher in areas including restaurants and retail stores. In these industries, it typically takes more employees to produce output.

Chart 2: Top Industries Impacted by the Minnesota Historic Rehabilitation Tax Credit, FY 2019, Sorted by Employment



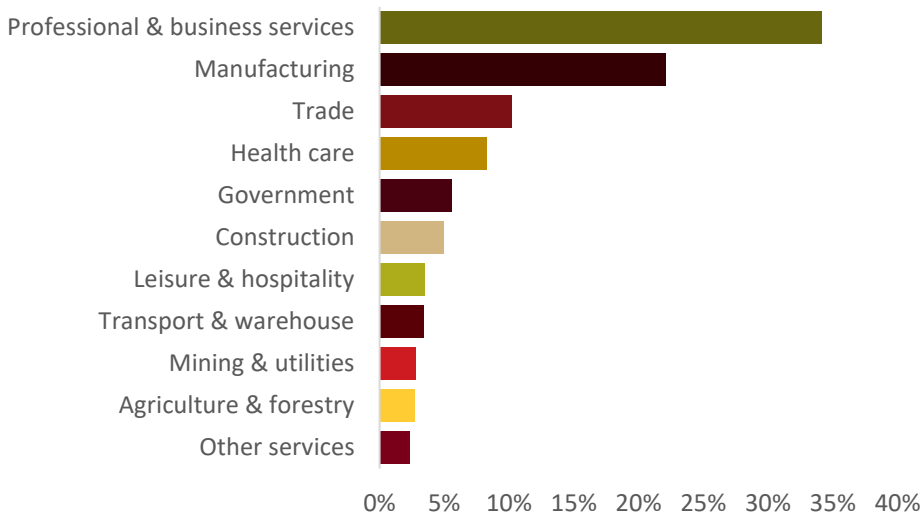
Economic Impact in the Context of Minnesota's Economy

Minnesota businesses and enterprises produced \$658.0 billion of output in 2017.⁶ The professional and business services industry generated more than one-third of this output (Chart 3). Other major industry producers included manufacturing and trade.

The construction industry produced 5 percent of Minnesota's output, or \$32.4 billion. The Minnesota Historic Rehabilitation Tax Credit helps stimulate the construction industry in the state.

⁶ The most recent IMPLAN data available is for 2017.

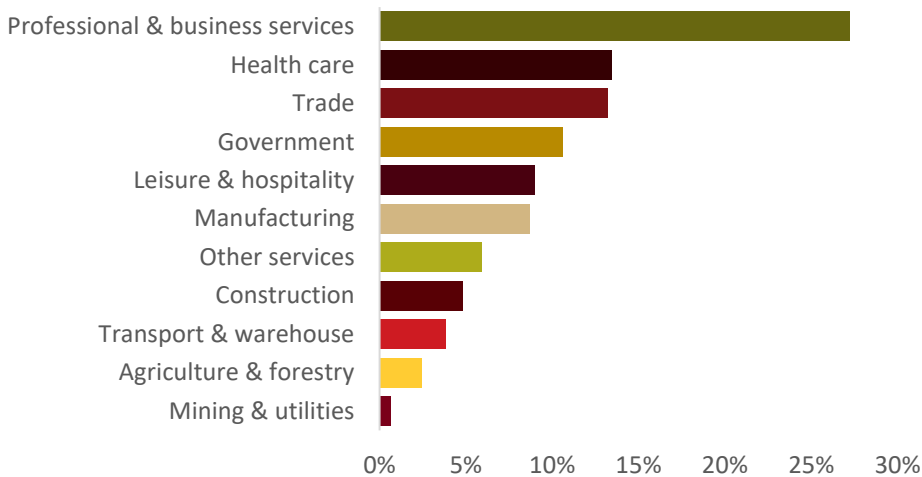
Chart 3: Percent of Output by Industry, Minnesota, 2017



Source: IMPLAN

Businesses and enterprises in Minnesota employed 3,777,700 people in 2017. Slightly more than one-quarter worked in the professional and business services industry (Chart 4). Other major sources of employment included health care and trade.

Chart 4: Percent of Employment by Industry, Minnesota, 2017



Source: IMPLAN

CASE STUDIES OF COMPLETED PROJECTS

Since the inception of the Minnesota Historic Rehabilitation Tax Credit, 133 projects have received Part A approval from the State Historic Preservation Office. The majority of these projects have completed rehabilitation and are being used for income-producing use. This section of the report highlights six completed projects.

The following case studies present a history of the building, a description of its current use, and a summary of its economic impact. In this report, economic impact only examines the effects of the construction. It does not measure economic value generated by the new use of the building. All properties qualifying for the historic tax credit must be used for income-producing purposes. Thus, each of the following buildings generates some economic activity through its operations. That activity is not measured in this report.



Photo: Minnesota Historical Society

YWCA Duluth

202 West Second Street, Duluth

Built: 1908-1909

Rehabilitated: 2010-2011

Developer: American Indian Community Housing Organization

Original Use: Duluth YWCA

Current Use: Native American community center and supportive housing

Photo: Minnesota Historical Society

The YWCA building on West Second Street in Duluth reflects two pieces of northern Minnesota's history. YWCA originally constructed the building to serve the young, and primarily immigrant, women flocking to Duluth during the city's industrial period in the late 1880s and early 1900s. Now, it houses the Gimaajii-Mino-Bimaadizimin, a community gathering space and supportive housing facility for Native Americans who have a long tradition of living on the shores of Lake Superior.

The late 1880s in Duluth marked a rapid period of growth in both population and the economy. The city's industry grew with the opening of iron ore mines, the connection of major railroads, and the opening of the Park Point Canal. This activity brought an influx of new residents into northern Minnesota, particularly new immigrants. Many hired to mine ore and harvest timber came from Finland, Sweden, and the Slavic states. These workers brought families, including wives and adult female children. These female children sought employment. Many were unmarried and safe housing

was a concern. Thus, the YWCA of Duluth was founded. In 1902, its membership doubled from 600 to 1,200, quickly outgrowing its space.⁷

In 1909, the Duluth YWCA opened a new building on West Second Street in Duluth. It offered programs for young women ranging from religious instruction to hot lunches and from English lessons to traveler's aid. The upstairs rooms were rented to young women who needed housing in the city. The building also housed a gymnasium and swimming pool.

Throughout the years, the YWCA served hundreds of thousands of Duluth women, but it ultimately closed in 2008, leaving the building vacant.



Photo credit: Minnesota Historical Society

As the YWCA was winding down its operations, the American Indian Community Housing Organization (AICHO) was growing. Formed in the 1990s, the organization saw the need for a community gathering space for Native Americans in Duluth. In addition, the AICHO faced a staggering statistic that, although Native Americans comprised 3 percent of Duluth's population, they made up 30 percent of the homeless in the city.⁸

To address this critical issue, the idea emerged to create a joint space in which Native

Americans could gather to celebrate Indigenous culture and art, as well as provide supportive housing and services for individuals and families struggling with homelessness. The cultural center became Gimaajii-Mino-Bimaadizimin.

Funding for the building's rehabilitation was a community effort. The AICHO ultimately received financing from 17 funders and multiple small donors to reach the \$8.2 million needed for the project. Dr. Robert Powless, a member of Oneida Nation of Wisconsin and retired faculty member from University of Minnesota Duluth's American Indian Studies program, finally kick-started the project by donating \$50,000 of his own money. Major funders included the Minnesota Housing Finance Agency, the Minnesota Historic Tax Credit, the Duluth Housing Investment Fund, and the Federal Historic Preservation Tax Incentive.

Today, Gimaajii-Mino-Bimaadizimin has become the gathering center originally envisioned by the community. The upper floors house 29 units of supportive housing. The lower levels include offices and community gathering spaces, art galleries, and a



Photo credit: Minnesota Historical Society

⁷ Lucas, A., & Zellie, C. (2010). *Young Women's Christian Association of Duluth: National Register of Historic Places form* (NPS form 10-900). Washington D.C.: United States Department of Interior. Retrieved from <https://catalog.archives.gov/id/93201020>

⁸ Engh, R., & Gadwa Nicodemus, A. (2017). We are, all of us together, beginning a good life: Gimaajii-Mino-Bimaadizimin. Metrics Arts Consulting. Retrieved from http://www.lisc.org/media/filer_public/fa/a4/faa44dac-b47d-4c5c-9d6b-c87185c68cb3/120617_resource_creative_placemaking_case_study_beginning_good_life.pdf

cultural center. The roof features a garden. The building's supportive housing is reaching families in need—in 2015, 100 percent of the households were long-term homeless, 78 percent of the adult women reported being victims of violence, and 43 percent of residents had one or more disabilities.⁶ The cultural space provides a place for Native Americans to connect, interact with community role models, and advance their artistic endeavors.

Architecturally, the Duluth YWCA is a four-story, Second Renaissance Revival style building. Duluth architecture company German and Lignell designed the building in the early 1900s. The exterior of the building is primarily red terra cotta and red brick. On the northern front of the building, noted features include the terra cotta and granite faced round arch entry, the multi-panel fanlight, and the tile and marble entry floor (see above photo).

AICHO invested a total of \$8.2 million in the rehabilitation of the Duluth YWCA building (Table 4). Of this, \$6.9 million qualified for the historic tax credit. AICHO was awarded \$1.2 million in tax credits. In total, the project generated an estimated \$16.8 million in economic activity. Thus, for every dollar of tax credit awarded for the project, \$14.00 in economic activity was generated in the state.

In 2011, prior to the rehabilitation, the Duluth YWCA property had an estimated market value of \$700,000. Following rehabilitation in 2019, the property value had increased 85 percent—up to \$1.3 million. One hundred jobs were supported during the rehabilitation.

Table 4: Project Financing and Economic Impact of the Duluth YWCA

Project Details	
Total Final Project Costs (millions)	\$8.2
Total Qualifying Rehabilitation Costs (millions)	\$6.9
State Historic Tax Credit (millions)	\$1.2
Federal Historic Tax Credit (millions)	\$1.2
Economic Impact	
Economic Impact of Construction (millions)	\$16.8
Total Economic Activity Per Dollar of State Tax Credit	\$14.00
Jobs Supported During Construction	100
Impact on Property Values	
Property Value 2011 (millions)	\$0.7
Property Value 2019 (millions) ⁹	\$1.3

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

⁹ Property value is estimated market value. Property tax value accessed via St. Louis County property tax lookup.

Chittenden & Eastman Building

2402-2410 University Ave West, Saint Paul



Built: 1917
Rehabilitated: 2011-2012
Developer: Ironton Asset Fund
Original Use: Furniture Showroom and Warehouse
Current Use: Apartments/Lofts
Photo: C & E Living

M. Burg and Sons, a furniture manufacturer, originally erected the building at 2410 University Avenue. The company was expanding, and in 1917, the structure was built to serve as a showroom and warehouse. In 1927, Chittenden and Eastman Company, another furniture company, took over ownership of the building. Thus, it became widely known as the Chittenden & Eastman (C&E) building. Through the 1900s and early 2000s, the building served a variety of roles, including showrooms and warehouses.¹⁰

Historically, the building is significant as it is considered one of the best examples of Sullivan-esque detailing in the Twin Cities.¹¹ Louis Sullivan was a Chicago-based architect,



M. Burg and Sons Furniture Showroom
Photo credit: Minnesota Historical Society

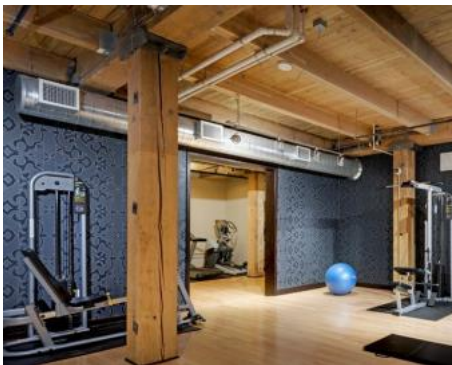


Photo: C&E Living

whose followers were known as Prairie School architects. The building features broad bands of windows, piers with ornate foliate capitals, and a larger brick frame. Capitals, with V-shaped details, also evoke the spirit of the Prairie School aesthetic.¹²

In 2011, Ironton Asset Fund, in collaboration with Exeter Realty, purchased the building for rehabilitation to create apartments. Marketed as “historic apartments for modern life,” the C&E Lofts building has 104 units for rent.¹³ Building amenities included rooftop pool and decks, clubrooms, lounges, a fitness center, indoor parking, a ground level restaurant, and retail space. A goal of the project was to maintain

¹⁰ Staff Writer. (2013, July 4). Exeter Realty Company, Ironton Asset Fund holds grand opening of C&E Lofts multi-family community in St. Paul. *RE Journals*. Retrieved from <https://www.rejournals.com/articles/2013/07/exeter-realty-company-ironton-as>

¹¹ Emporis. (n.d.). Retrieved from <https://www.emporis.com/buildings/217345/chittenden-eastman-company-building-st-paul-mn-usa>

¹² Millet, L. (2007). *AIA guide to the Twin Cities: The essential source on the architecture of Minneapolis and St. Paul*. St. Paul: Minnesota Historical Society Press.

¹³ CE Lofts. (n.d.). Retrieved from <https://www.ce-lofts.com/>

the building's historic features of the building, including retaining old growth timber as featured in the fitness room (see photo).

Ironton Asset Fund purchased the Chittenden and Eastman Building for \$1.7 million in 2010 (Table 5). After renovations, the value of the property increased to \$19.8 million, a 1,065 percent increase. In 2019, the property owners paid more than \$411,000 in property taxes.

In total, Ironton Asset Fund invested \$20.8 million to rehabilitate the building. This generated a total estimated \$40.0 million of economic activity in Minnesota. Rehabilitation also supported 240 jobs. Ironton Asset Fund was awarded \$3.5 million in Minnesota Historic Rehabilitation Tax Credits for the project. For every dollar of tax credit awarded, \$11.40 in economic activity was generated in the state.

Table 5: Project Financing and Economic Impact of the Chittenden & Eastman Building

Project Details	
Total Final Project Costs (millions)	\$20.8
Total Qualifying Rehabilitation Costs (millions)	\$17.3
State Historic Tax Credit (millions)	\$3.5
Federal Historic Tax Credit (millions)	\$3.5
Economic Impact	
Economic Impact of Construction (millions)	\$40.0
Total Economic Activity Per Dollar of State Tax Credit	\$11.40
Jobs Supported During Construction	240
Impact on Property Values	
Property Value 2011 (millions), sale price	\$1.7
Property Value 2019 (millions) ¹⁴	\$19.8

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

¹⁴ Property value is estimated market value. Property tax value for parcel 292923340083 accessed via Ramsey County Beacon.



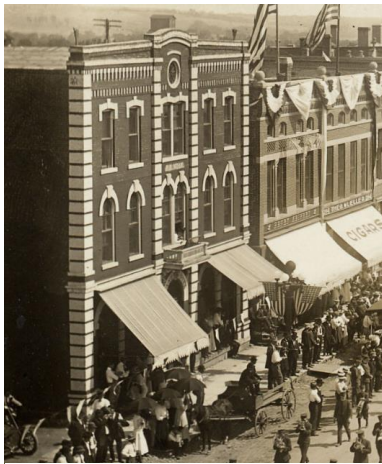
The Grand Hotel

210 North Minnesota Street, New Ulm

Built:	1876
Rehabilitated:	2012-2013
Developer:	The Grand New Limited Partnership
Original Use:	Hotel
Current Use:	Arts and Culture Center
Photo:	Ryan Nosbush

The Grand Hotel traces its history back to the founding and settlement of New Ulm. In the mid-1800s, the United States government signed treaties with local Dakota tribes. Subsequently, German immigrants came to the area near New Ulm. The town was unique in that it was selected for its agricultural land and location on the Minnesota River rather than its location on a railway. The lack of a railway and the poor road conditions made travel in south central Minnesota difficult and weary travelers needed a break once arriving in New Ulm. Thus, the growing settlement proved a prosperous place for a hotel.¹⁵

In 1856, a German immigrant named Phillip Gross opened the Minnesota Haus, a new hotel in New Ulm. While the hotel proved financially successful, a fire destroyed it in 1860. Gross immediately rebuilt on the same site, changing the building's name to the Union Hotel. The Union Hotel served as a hospital during the Dakota Conflict of 1862. Dr. William Morral Mayo, one of the founders of the Mayo Clinic, was one of the physicians working there during this period.



The Union Hotel
Photo: Grand Hotel website

A fire once again destroyed the structure in 1875. Gross rebuilt in 1876, this time using a brick structure. The architect for the rebuild was Julius Berndt who is known for designing the "Herman the German" statue in New Ulm.¹⁶ Gross operated the hotel until the late 1800s when he sold it to a new owner. The new owner added a third floor, modernized lighting and heating, and renamed it the Grand Hotel.

Architecturally, the Grand Hotel represents the mid-Victorian period of commercial design in the Minnesota River Valley. Its Italianate style is reflected in the façade, windows, moldings, and quoins. It is also fairly remarkable in that the style has retained much of its

¹⁵ Hoisington, D. (2008, September 16). *Grand Hotel, New Ulm, Minnesota*. [Video file]. Retrieved from <https://www.youtube.com/watch?v=taG99qduPkM>

¹⁶ The Grand New Ulm. (n.d.). Retrieved from <https://www.thegrandnewulm.com/history>

historical integrity. It pre-dates most of the historical buildings in downtown New Ulm and is most representative of its original design.¹⁷

In 2000, the great-granddaughter of Phillip Gross purchased the Grand Hotel and began restoring the property. In 2009, the hotel transferred ownership to a non-profit that now operates it as the Grand Center for Arts and Culture. The first floor is home to the Grand Kabaret, a live-music venue, along with a kitchen, bar, and gift shop. The second floor is home to 4 Pillars Gallery and non-profit office space. The third floor is artist space.

The family of Phillip Gross paid \$240,000 to purchase the Grand Hotel in 2000. In 2019, following its historical rehabilitation, the property was valued at \$589,900, an increase of 146 percent in 19 years (Table 6).

In total, the developer invested \$2.4 million into the rehabilitation of the Grand Hotel. Of this, \$1.4 million were expenses that qualified for the historic tax credit. Project developers were awarded \$277,500 in credits. Rehabilitation of the Grand Hotel in New Ulm generated an estimated \$4.6 million of economic activity. The project also supported 30 jobs. For each dollar of historic tax credit awarded, \$16.60 in economic activity was generated in Minnesota.



Photo credit: The Grand Hotel

Table 6: Project Financing and Economic Impact of the Grand Hotel

Project Details	
Total Final Project Costs (millions)	\$2.4
Total Qualifying Rehabilitation Costs (millions)	\$1.4
State Historic Tax Credit	\$277,500
Federal Historic Tax Credit	\$277,500
Economic Impact	
Economic Impact of Construction (millions)	\$4.6
Total Economic Activity Per Dollar of State Tax Credit	\$16.60
Jobs Supported During Construction	30
Impact on Property Values	
Property Value 2000, sale price	\$240,000
Property Value 2019 ¹⁸	\$589,900

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

¹⁷ Koop, M. (1989). *Grand Hotel: National Register of Historic Places form* (NPS form 10-900). Washington D.C.: United States Department of Interior. Retrieved from <http://www.mnhs.org/preserve/nrhp/nomination/90000986.pdf>

¹⁸ Property value is estimated market value. Property tax value for parcel 292923340083 accessed via Ramsey County Beacon.



Gurley Candy Factory

254 9th Avenue North, Minneapolis

Built:	1915
Rehabilitated:	2013-2014
Developer:	SR Holdings
Original Use:	Candy Factory
Current Use:	Apartments
Photo:	Steven Scott Company

In April 1915, the Gurley Candy Company began construction of a new factory in Minneapolis.¹⁹ The company touted the factory's modern design and amount of sunlight let in, calling it a "daylight" factory. The Gurley Candy Company marketed itself as the "remarkable candy line of the Northwest." The company's product lines included Hidden Treasures, Cherry Juleps, and the Sweet Sahara bar.²⁰

The Gurley Candy Factory building is located in Minneapolis' Historic Warehouse District. Architecturally, Gurley Candy is a symmetrical, commercial-style building with four stories built on a stone base. Its most distinctive features include

brick bands at the parapet and recessed brick panels. Its windows, part of the sunlight factory, have primarily been retained through time.²¹

Gurley Lofts, LLC—the building's developer— began work on the historic rehabilitation in August 2013. The factory building was rehabbed into 30 lofts, which are being advertised as "spacious and sunlit."²² Options include studios, one-bedroom, and two-bedroom apartments.



Gurley Candy Company Advertisement
Northwestern Druggist, January 1923



Gurley Candy Factory
Photo: Minnesota Historical Society

¹⁹ Harvey, G., & Brett, W. (Eds.). (1919, January). Candy factory enlargements. *The International Confectioner*, p 58.

²⁰ Northwestern Druggist. (1923, January 4). *Gurley Candy advertisement*. Northwestern druggist: A progressive journal for retail druggists. Saint Paul, MN: The Bruce Publishing Company.

²¹ Anderson, R. (1987). *Minneapolis Warehouse Historic District: National Register of Historic Places form* (NPS form 10-900). Washington D.C.: United States Department of Interior. Retrieved from <http://www.mnhs.org/preserve/nrhp/nomination/89001937.pdf>

²² Urban Works. (n.d.). Retrieved from <http://urban-works.com/portfolio/the-gurley-lofts/>

Amenities include a community room, fitness center, central air and heat, and a soundproof music room.²³

The developer spent a total of \$11.3 million to rehab the Gurley Candy Factory (Table 7). Of this, \$5.9 million qualified for the Minnesota Historic Rehabilitation Tax Credit. The developer was awarded a tax credit of \$1.2 million.

In 2013, prior to rehab, the Gurley Candy Factory building sold to the developer for \$2.4 million. In 2019, the property was valued at \$7.1 million. This represents a property value increase of 196 percent.

Table 7: Project Financing and Economic Impact of the Gurley Candy Factory

Project Details	
Total Final Project Costs (millions)	\$11.3
Total Qualifying Rehabilitation Costs (millions)	\$5.9
State Historic Tax Credit (millions)	\$1.2
Federal Historic Tax Credit (millions)	\$1.2
Economic Impact	
Economic Impact of Construction (millions)	\$23.2
Total Economic Activity Per Dollar of State Tax Credit	\$19.30
Jobs Supported During Construction	140
Impact on Property Values	
Property Value 2013 (millions), sale price	\$2.4
Property Value 2019 (millions) ²⁴	\$7.1

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

²³ Gurley Lofts. (n.d.). Retrieved from <https://www.gurleylofts.com/amenities.aspx>

²⁴ Property value is estimated market value. Property tax value for parcel 2202924210054 accessed via Hennepin County property tax records.



Euclid View Flats

234-238 Bates Avenue, Saint Paul

Built:	1894-1895
Rehabilitated:	2014-2018
Developer:	Saint Paul Euclid, LLC
Original Use:	Apartments
Current Use:	Apartments
Photo:	Trulia.com

Euclid View Flats is located in the Dayton's Bluff neighborhood of Saint Paul. The building was constructed in 1894-1895 during a period of rapid growth in Saint Paul. A new cable line railway had opened access to the city's downtown from Dayton's Bluff. As a result, new housing developments sprung up in the area.²⁵

At the time, the majority of Saint Paul's housing stock was single family homes. The apartment buildings that did exist catered to lower-income families. Euclid View Flats was one of the first apartment complexes built specifically for the middle class. The building featured 12 spacious units. During the down economy of the Great Depression, Euclid View Flats was divided into 24 apartments. While it remained an apartment building, it began to fall into disrepair during the 1970s. By 2010, the building was vacant. The City of Saint Paul purchased the building in 2011 with plans for redevelopment.



Euclid View Flats
Photo: Atwood, S.
From NPS form

Herman Kretz, a recognized regional architect, designed the Euclid View Flats building. It is a blend of the opulent Queen Anne and refined Romanesque Revival styles. Euclid View Flats has retained many of its historical elements. On the exterior, the pressed metal oriel windows and decorative brickwork remains. In the interior, the structure and floor plan of the 12 original flats also still exists. The historic woodwork has also been retained within the building.²⁶

In 2011, property tax records show Euclid View Flats sold for \$346,000 (Table 8). In 2019, the property was valued at \$607,200, a 75 percent increase in property value. The building went from a vacant, unused property to an income-producing one. During its period of ownership by the city, the

²⁵ Miller, L. (n.d.). *Euclid View Flats*. St. Paul Historical. Retrieved from <https://saintpaulhistorical.com/items/show/399>

²⁶ Roise, C., & Atwood, S. (2013). *Euclid View Flats: National Register of Historic Places form* (NPS form 10-900). Washington D.C.: United States Department of Interior. Retrieved from <https://www.nps.gov/nr/feature/places/pdfs/13001170.pdf>



Euclid View Flats

property did not generate property taxes. In 2019, the property was assessed at more than \$600,000, thus increasing the city's tax base.

Euclid View Flats, LLC reported spending \$4.6 million to complete the rehabilitation project. Of this, \$4.0 qualified for the tax credit, and the developer was awarded a credit of \$808,900.

The rehabilitation of Euclid View Flats generated an estimated \$9.4 million in economic activity during its construction. It also supported 60 jobs in the state. Thus, for every dollar of tax credit invested, \$11.60 of economic activity was generated in Minnesota.

Table 8: Project Financing and Economic Impact of the Euclid View Flats

Project Details

Total Final Project Costs (millions)	\$4.6
Total Qualifying Rehabilitation Costs (millions)	\$4.0
State Historic Tax Credit	\$808,900
Federal Historic Tax Credit	\$808,900

Economic Impact

Economic Impact of Construction (millions)	\$9.4
Total Economic Activity Per Dollar of State Tax Credit	\$11.60
Jobs Supported During Construction	60

Impact on Property Values

Property Value 2011, sale price	\$346,000
Property Value 2019 ²⁷	\$607,200

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

²⁷ Property value is estimated market value. Property tax value for parcel 322922410143 accessed via Ramsey County Beacon.



First National Bank

501 West Saint Germain Street, Saint Cloud

Built:	1889
Rehabilitated:	2015-2016
Developer:	The Bank of St. Cloud, LLC
Original Use:	Bank
Current Use:	Commercial Offices
Photo:	McGhievers (Wikipedia Creative Commons)

The First National Bank building is a cornerstone of downtown Saint Cloud. The historic building anchors the corner of Fifth Avenue and Saint Germain Street. It was originally constructed in 1889 for the growing First National Bank of Saint Cloud. At its opening, the bank had approximately \$100,000 in assets. Its growth continued, and in 1918, bank owners expanded the building and doubled its size.

The *Saint Cloud Journal Press* wrote a glowing review of the building upon its opening, declaring it “perfect in every detail.” The exterior was stunning with a Roman arch, pillars, and granite steps. The interior matched its exterior’s glamor, featuring “cherry woodwork, stained glass panels, marble tile and moldings, fireplaces, and brass finishes.”²⁸

Historically, the building is significant in several ways. First, it speaks to Saint Cloud’s history as a commercial and banking center of central Minnesota. Second, the building reflects Saint Cloud’s history as the “Granite City.” Its granite arches, pillars, and steps were all mined from local quarries. Finally, it is a key building contributing to the historical integrity of downtown Saint Cloud.

Architecturally, the First National Bank of Saint Cloud is a “commercial Queen Anne style three-story” building.²⁹ The exterior is constructed from red brick with extensive use of locally mined granite. Notable features include a rounded corner on the southeast, the hint of a tower, and a projecting pediment over the front bay window.



Photo credit: Minnesota Historical Society

²⁸ Hiemenz, G. (n.d.). St. Cloud area now and then: First National Bank. *St. Cloud Times*. Retrieved from <http://sctimesapps.com/news/thennow/pages/fnb.php>

²⁹ Harvey, T. (1980). *First National Bank: Minnesota Historic Properties Inventory form*. Washington D.C.: United States Department of Interior. Retrieved from https://npgallery.nps.gov/NRHP/GetAsset/NRHP/82003054_text

The rehabilitation of the First National Bank allowed the building to once again house a bank, and Kensington Bank opened a branch in the space in 2015.³⁰ Other tenants include the Greater St. Cloud Economic Development Corporation.

The project's developer, The Bank of St. Cloud, LLC, invested \$3.2 million to rehabilitate the building. Of this, \$2.3 million qualified for the tax credit. Thus, the developer was awarded \$456,200 in historic tax credits (Table 9).

The construction generated an estimated \$6.4 million in economic activity. For every dollar of tax credit invested, \$14 of economic activity was generated in the state. The rehabilitation work also supported 40 jobs.

Table 9: Project Financing and Economic Impact of the First National Bank, Saint Cloud

Project Details	
Total Final Project Costs (millions)	\$3.2
Total Qualifying Rehabilitation Costs (millions)	\$2.3
State Historic Tax Credit	\$456,200
Federal Historic Tax Credit	\$456,200
Economic Impact	
Economic Impact of Construction (millions)	\$6.4
Total Economic Activity Per Dollar of State Tax Credit	\$14.00
Jobs Supported During Construction	40
Impact on Property Values	
Property Value 2014	\$608,000
Property Value 2019 ³¹	\$1,350,000

Source: State Historic Preservation Office, Part B applications; University of Minnesota Extension estimates

³⁰ Ikeogu, V. (2015, October 21). Historic 501 building prepares for new tenant. *St. Cloud Times*. Retrieved from <https://www.sctimes.com/story/money/business/2015/10/21/historic-501-building-prepares-new-tenant/74057452/>

³¹ Property value is estimated market value. Property tax value for parcel 82.51635.0000 accessed via Stearns County property tax look up.

SUMMARY OF PAST RESEARCH

Extension annually calculates the economic impact of the Minnesota Historic Rehabilitation Tax Credit. This section of the report explores its cumulative impact.

Total Impacts: Fiscal Years 2011-2019

During the nine years of the Minnesota Historic Rehabilitation Tax Credit, a total of 133 projects received Part II approval. These projects generated an estimated \$3.3 billion (in 2019 dollars) of economic activity in the state (Table 10).³² This includes \$1.1 billion in labor income. The credit also supported 17,936 jobs.

Also during the tax credit's nine-year existence, \$357.7 million (adjusted to 2019 dollars) was awarded. Thus, for every dollar of historic tax credit, \$9.17 in economic activity has been generated in Minnesota.

Table 10: Total Economic Impact of Minnesota Historic Rehabilitation Tax Credit Projects Receiving National Park Service Part II Approval, FY 2011 to 2019 (Adjusted to 2019 dollars)

Effect	Output (millions)	Employment (FTEs)	Labor Income (millions)
Direct	\$1,806.9	8,914	\$576.2
Indirect	\$699.9	4,041	\$251.3
Induced	\$775.9	4,981	\$261.3
Total	\$3,282.7	17,936	\$1,088.8

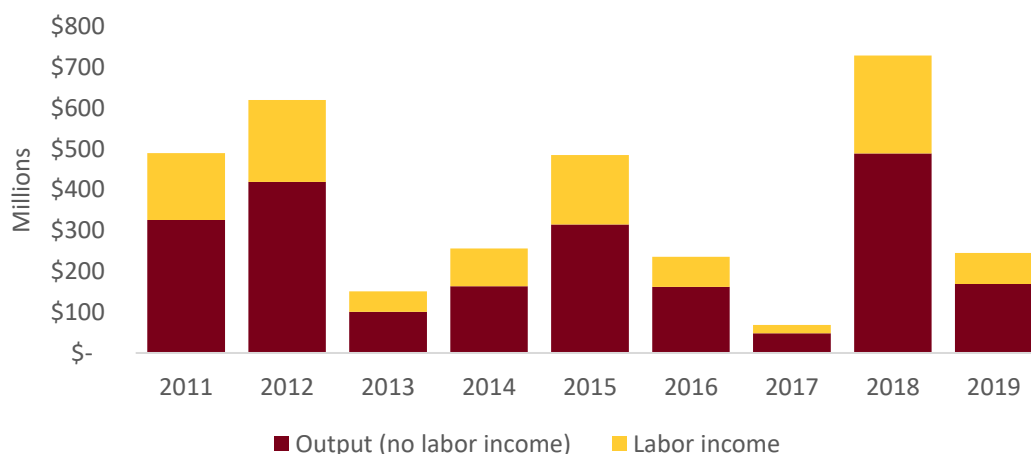
Source: University of Minnesota Extension estimates, IMPLAN

Total Impacts by Fiscal Year

The economic impact of the Minnesota Historic Rehabilitation Tax Credit varies by year (Chart 5). To date, the largest impacts have been in FY 2018 and 2012. Economic impact is largely influenced by the number of projects and planned investments. During both 2012 and 2018, 12 projects received Part II approval. Both also had large individual projects within the group.

³² All dollars in this section are adjusted to 2019 dollars to account for inflation.

Chart 5: Total Economic Impact of Projects Leveraged Between FY 2011 and FY 2019 by the Minnesota Historic Rehabilitation Tax Credit



Employment and labor income also fluctuate annually (Table 11). The highest number of jobs were created in FY 2018. The lowest employment impact was in FY 2017 when 285 jobs were supported by the credit.

Table 11: Total Economic Impact of Projects Leveraged In Fiscal Years 2011 to FY 2019 by the Minnesota Historic Rehabilitation Tax Credit

	Output (millions, 2019 \$)	Employment (FTEs)	Labor Income (millions, 2019 \$)
FY 2011	\$490.1	2,880	\$163.8
FY 2012	\$620.2	3,502	\$200.4
FY 2013	\$151.3	1,200	\$50.7
FY 2014	\$256.2	1,338	\$92.9
FY 2015	\$485.4	2,607	\$170.4
FY 2016	\$235.4	1,115	\$73.5
FY 2017	\$69.1	285	\$20.8
FY 2018	\$729.5	3,910	\$239.9
FY 2019	\$245.4	1,100	\$76.4
Total	\$3,282.6	17,937	\$1,088.8

Estimates by the University of Minnesota Extension Center for Community Vitality

During nine years of analysis, two occasions have occurred in which Extension has modified its total figures following the report's publication. In the first case, a project shifted years—slated for FY 2011 and moved to FY 2012. The figures presented here reflect that shift. In the second case, a FY 2016 project was inadvertently left out of the analysis. The figures presented in this report include those particular project totals. Thus, for those two years—2011 and 2016—the published reports do not match the tables presented in this analysis.

APPENDIX: DEFINITIONS OF TERMS

Special models, called input-output models, exist to conduct economic impact analysis. There are several input-output models available, and IMPLAN (Impact Analysis for PLANning, MIG, Inc.) 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.