

# Economic Development Opportunities from an Illinois Historic Tax Credit





Report Presented For:

Landmarks Illinois

Landmarks Illinois is the only not-for-profit organization inspiring local action statewide to catalyze incremental and transformational community change through historic preservation. What began in 1971 as a grassroots organization dedicated to protecting Chicago School architecture has grown into a membership-supported, nationally-recognized nonprofit preserving the diverse places of an entire state. Landmarks Illinois now serves as the state's leading voice for historic preservation by promoting the reuse of buildings as a strategy for economic development and sustaining healthy communities, while expanding the public's understanding and stewardship of the built environment.

[www.landmarks.org](http://www.landmarks.org)

Landmarks Illinois would like to thank the Richard H. Driehaus Charitable Lead Trust for its generous donation in support of making this study possible.

Report Prepared By:

Michael Allen, Director  
Lydia Slocum, Project Associate  
Preservation Research Office  
[www.preservationresearch.com](http://www.preservationresearch.com)

Economic Data Prepared By:

Dr. Patricia Byrnes  
University of Illinois Springfield, Center for State Policy and Leadership  
[www.uis.edu](http://www.uis.edu)

Completed October 2013  
Updated July 2014

## TABLE of CONTENTS

Tax Credit Economic Impact Summary	4
Impact of the Federal Historic Rehabilitation Tax Credit	7
Steps Toward an Illinois Historic Tax Credit	9
PROJECT CASE STUDIES	13
Chicago: Schulze Bakery	16
Chicago: Spiegel Building	18
Danville: Bresee Tower	20
Decatur: Barnes Citizens Building	22
LaSalle: Kaskaskia Hotel	24
Maywood: Maywood Home for Soldiers' Widows	26
Murphysboro: Laclede Hotel	28
Quincy: Newcomb Hotel	30
Rockford: Peacock Brewery	32
Rockford: Ziock Building	34
Rock Island: Old Lincoln School	36
Springfield: YWCA Building	38
Measuring Economic Impact	40
APPENDICES	44



Quincy: Newcomb Hotel

# Tax Credit Economic Impact Summary

## Key Findings

This report, which examines the potential rehabilitation of historic buildings using a proposed 20% statewide historic tax credit, found that:

### **1. A statewide historic tax credit would pay for itself and create jobs across the state.**

Models compiled by the University of Illinois – Springfield show that projects likely to use the credit would generate as much as \$10.24 in economic impact per \$1.00 in historic tax credit award during the construction phase alone, and up to \$11.47 per \$1.00 in the first five years after completion.

### **2. The existing River’s Edge Historic Tax Credit<sup>1</sup> is not sufficient for attracting investment and creating jobs statewide.**

The River’s Edge program has two limitations: first, it can only be used in five cities; second, unlike most successful programs in other states, its credits are not transferable and thus difficult to use for small projects.

### **3. The state would receive revenues before it would allocate tax credits to historic rehabilitation projects.**

Economic models show that case study projects would generate between 46 and 701 construction jobs and total construction outlays from \$350,000 to \$55 million before tax credits would be issued. Illinois would collect related income and sales taxes up front.

### **4. The historic tax credit would be immediately accessible to communities across the entire state.**

Every Illinois county has buildings listed in the National Register of Historic Places, a requirement for historic tax credit eligibility.

## Purpose of the Study

This study examines the economic impact of a set of potential rehabilitation projects across the state of Illinois. The preparers selected these projects (see Appendix A - Table 1) based on financial information that indicates these projects are stalled but could potentially move forward with a state-level tax credit incentive. The buildings and their proposed uses are representative of the many buildings across the state that are currently deteriorating and not contributing to the property tax rolls.

This study estimates both the direct and indirect effects of each potential rehabilitation project. Project data separates these effects into the construction phase and then the first five years of operation. While direct impacts are measured in actual project costs, the indirect economic effects are measured by changes in output, employment and state and local revenue. These “multiplier” impacts occur as the directly impacted industries make purchases from area businesses or pays wages to area employees, who in turn, make purchases from area businesses. These successive cycles of spending and income multiply the impacts of the potential projects studied.

Although Illinois has had access to the federal historic tax credit since its creation in 1976, that tool alone has not been sufficient to spur wide usage and job creation. Other states have been able to generate widespread economic development by creating state historic tax credits that can be combined with the federal historic tax credit for maximum impact. Economic studies confirm that these programs create jobs, increase tax revenues and return revenues as soon as construction begins.

To date, 33 states have created state historic tax credit programs -- including neighbors Iowa, Missouri and Indiana. The impact of these tax credits has been measured in construction jobs created, increased local and state tax revenues and renewal of entire neighborhoods and towns. Illinois lacks a statewide historic tax credit like the one in neighboring Missouri that has produced \$6.70 in economic output from every \$1 spent.

**“Our firm would not have taken on this project without the state historic tax credit - period. Rockford does not have the same property appreciation as a place like downtown Chicago. Without the state historic tax credit, we would not have been able to make the numbers work, even with the federal historic tax credit.”**

**Justin Fern, President  
Urban Equity Properties  
Developer of Metropolitan Hall  
Lofts, Rockford**



Metropolitan Hall Lofts – Block 3 – at 324-330 East State St. ,  
Rockford

This \$3 million mixed use project, scheduled for completion in summer, 2014, will contain 8 market rate residential loft apartments and ground-level retail. The project’s financing includes the federal historic tax credit and the current state historic tax credit. The property is located in the River’s Edge district of Rockford.

# Summary of Economic Impact

This study examines the economic impact of both the construction and ongoing operations phases for historic rehabilitation projects. One key finding is that the smallest historic rehabilitation project returns \$7.36 for every \$1 of state tax credit in the construction phase, while the largest returns \$10.21. These numbers assume a 20 percent tax credit – similar to those in other states -- on a 90 percent construction investment.

The ongoing impact phase is measured over a five year period and the benefits are average employment in each year and the present value of operations. Impact certainly depends on end use. For example, a residential end-use (like the Governor’s View in Springfield) will not produce any direct jobs but will produce indirect jobs through the income and spending of new residents’ income. Significantly, the highest ongoing impact shows that nearly \$14 in additional economic activity would be generated over the next five years for every \$1 of initial tax credit expenditure.

## CUMULATIVE IMPACT (construction and ongoing operations)

PROJECT	PROPOSED USE	SQUARE FOOTAGE	INVESTMENT (millions \$)	OUTPUT (millions \$)	JOBS (# people)	IMPACT PER \$ of STATE TAX CREDIT
Chicago: Schulze Bakery	Data Center	230,000	55.000	\$155.844	819	\$15.74
Chicago: Spiegel Building	Commercial/Residential	250,000	29.844	\$76.696	452	\$14.67
Danville: Bresee Tower	Commercial	21,900	5.000	\$8.398	75	\$9.34
Decatur: Barnes Citizens Building	Commercial/Residential	40,000	1.375	\$16.951	119	\$18.83
LaSalle: Kaskaskia Hotel	Hotel/Conference Center	67,125	11.610	\$26.210	190	\$16.92
Maywood: Maywood Home for Soldiers' Widows	Low-Income Residential	14,450	4.805	\$12.993	75	\$15.03
Murphysboro: Laclede Hotel	Hotel/Hostel	35,000	0.350	\$0.924	7	\$9.81
Quincy: Newcomb Hotel	Residential -- Senior	96,400	18.000	\$36.973	324	\$11.42
Rockford: Peacock Brewery	Residential	76,000	8.624	\$37.126	206	\$17.92
Rockford: Ziock Building	Residential	225,868	27.217	\$74.990	547	\$13.39
Rock Island: Old Lincoln School	Residential	40,000	7.045	\$11.643	86	\$14.07
Springfield: YWCA Building	Residential	36,000	3.653	\$6.827	53	\$10.37
		<b>TOTAL</b>	172.523	465.575	2953	N/A
		<b>AVERAGE</b>	14.3769	38.798	246	\$13.96

**STATE COST PER JOB CREATED: \$10,516**

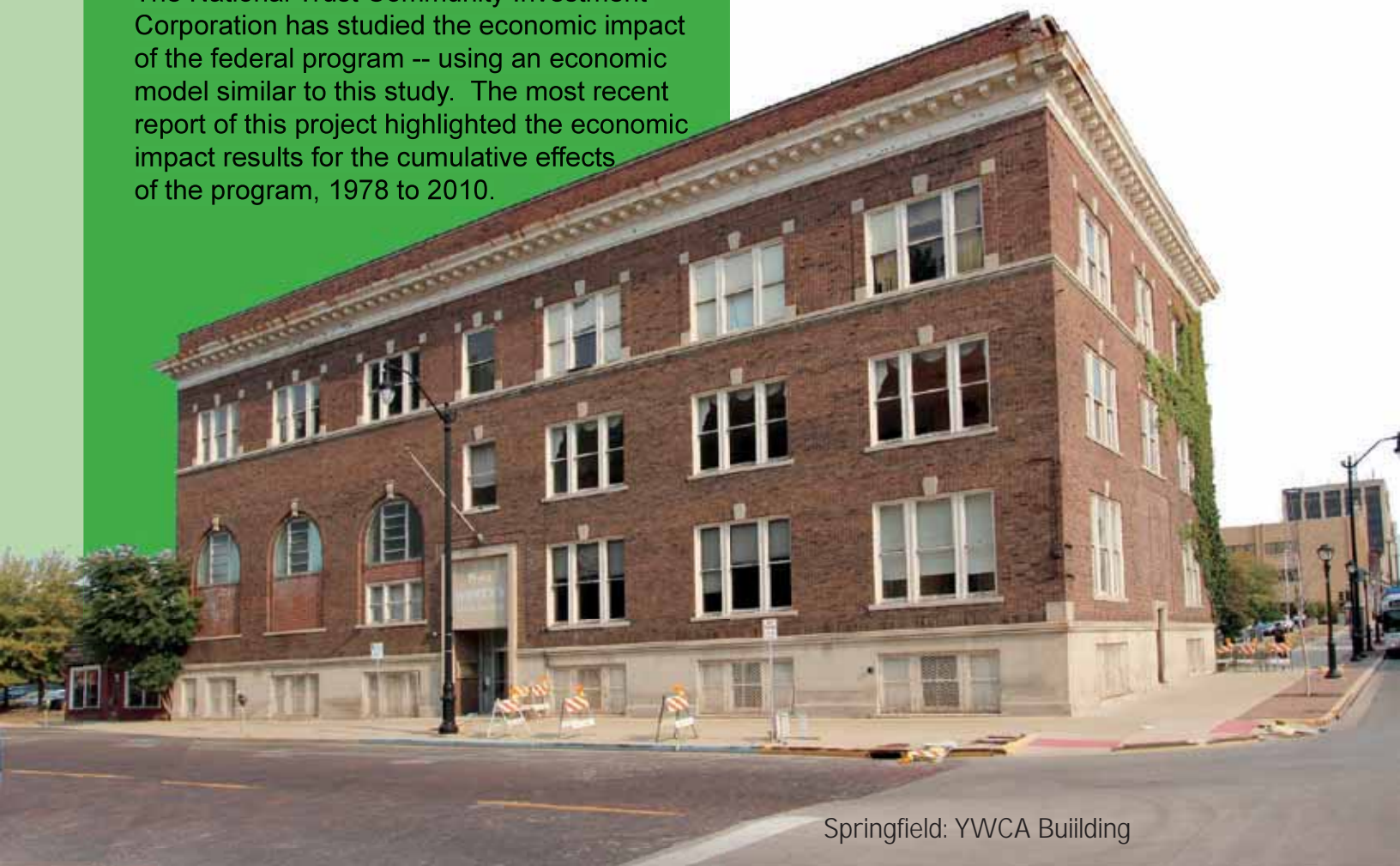
# Impact of the Federal Historic Rehabilitation Tax Credit

Since 2008, the federal government has evaluated the impact on the national economy of the Federal Historic Preservation tax credit. For the most recent year of data,

**“completed projects certified in FY2010 by the National Park Service (NPS) created a total of 41,641 new jobs nationwide. There were 47 jobs created on the average per project in FY 2010.**

In the most recent annual report the NPS concluded, “The Historic Preservation Tax Incentives Program (HTC), is the nation’s most effective Federal program to promote urban and rural revitalization and to encourage private investment in rehabilitating historic buildings.”

Rutgers University in collaboration with The National Trust Community Investment Corporation has studied the economic impact of the federal program -- using an economic model similar to this study. The most recent report of this project highlighted the economic impact results for the cumulative effects of the program, 1978 to 2010.



Springfield: YWCA Building

“Much to our disappointment, and after a tremendous capital investment in the planning of the project, we pulled out of the redevelopment of the O’Rourke building and the Multi-Modal Station project in Moline. Had there been state historic tax credits available to assist in the preservation of this important project, we would have completed the redevelopment.”

- Sam Estep, Vice President, Restoration St. Louis



Rockford: Peacock Brewery rehabilitation

The Rutgers report also summarized their study for select states, including Illinois. Based on their model the state-level impact of the national historic tax credit in Illinois was almost \$290 million.

**Assuming the federal tax credit gives a 20% credit on all project costs, for every \$1 of tax credit expense to the federal government, the state received \$6.70 in additional state output.**

Since the federal historic tax credit was created in 1976, Illinois has joined the rest of the nation in realizing the economic impact of the program. The federal tax credit program approved \$3.42 billion in the rehabilitation of historic buildings, created 41,641 new jobs, and created or renovated 13,273 housing units over its 34-year history. In Illinois, this activity has reached more than half of the state’s counties, but is far from achieving statewide impact.



# Steps Toward An Illinois Historic Tax Credit

## Only Five Illinois Cities Can Use a Pilot Historic Tax Credit

In recent years, the Illinois General Assembly took action to expand the economic development potential of historic rehabilitation, while stopping short of creating a statewide program. In March 2010, the Illinois Senate passed a state-level historic preservation credit on personal or corporate-income tax. The House also passed the bill. Most significant to the findings of this study is that the General Assembly passed a pilot historic rehabilitation tax credit in 2011 for the owners of certified historic structures located within River Edge Redevelopment Zones (located in Aurora, East St. Louis, Elgin, and Rockford as well as Peoria) who undertake certified rehabilitations during the taxable year.

## The “River’s Edge” Historic Tax Credit At Work

The new Illinois Historic Preservation Tax Credit Program provides a state income-tax credit equal to 20 percent of a project’s qualified expenditures. The program promotes the revitalization of historic structures, the creation of jobs, and the stimulation of the economy in the River’s Edge Communities. The program sunsets at the end of 2016, and it is too early to evaluate the impact of the projects undertaken so far. However, the pilot tax credit program is difficult to access since credits cannot be syndicated or transferred.

## Limitations of the River’s Edge Program

However, eligible cities have responded by taking steps to encourage redevelopment of eligible buildings or to expand eligibility. For instance, East St. Louis has funded two single-site National Register of Historic Places nominations as well as a historic district nomination for its downtown. The city hopes that the new pilot historic tax credit program will entice developers to eligible buildings. Currently the limited duration of the existing Illinois Historic Preservation Tax Credit Program makes it unlikely that East St. Louis or other cities will be able to continue momentum created under the program.



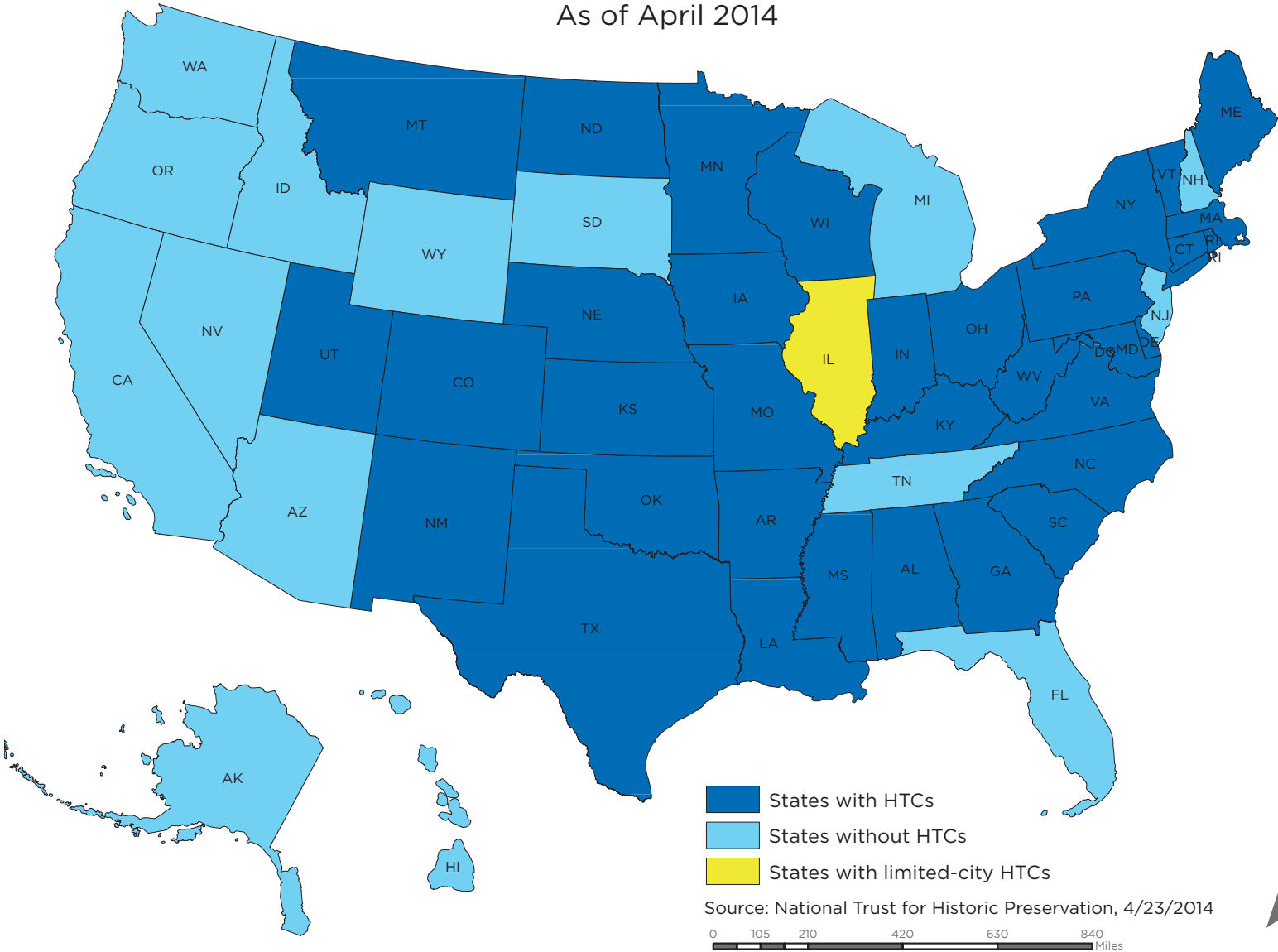
East St. Louis: Spivey Building - eligible for historic tax credit

# State Historic Tax Credits: National Context

Economic output rises as owners access tax credits, and the effects begin before tax credits are even issued. For example, a 10% increase in tax credit use can mean \$34M to \$78M more in annual certified expenditures in a given state.<sup>2</sup> These benefits start immediately upon construction. While data isn't available on Illinois' pilot program, an examination of Maryland's credit revealed that that the state collects 34% net new revenues during the construction phase -- which is prior to any distribution of tax credits.<sup>3</sup>

## State Historic Tax Credits (HTCs)

As of April 2014



STATE	IN	IA	MN	MO	WI
% RATES	20%	25%	20%	25%	20%
CAP	\$450,000 (commercial) \$250,000 (residential)	\$45 M	UNCAPPED	Large projects capped at \$140M; small projects under \$1.1M in qualified expenses uncapped	UNCAPPED
2012-2013 LEGISLATION	Bill introduced to do expand per-project cap to \$5M	Cap raised to \$55 million; up from annual cap of \$45 million	Sunset of uncapped program extended to 2021	No changes approved	Rate increased from 5% to 20%

## What Our Neighbors Are Doing With Combined Federal and State Historic Tax Credits



BEFORE

### Guth Lighting Company Buildings St. Louis, Missouri

This historic lighting factory built between 1894 and 1907 was rehabilitated by Blue Urban Development using federal and Missouri historic tax credits. The \$13 million project was completed in 2008 and created 60 for sale loft condominiums as well as over 36,000 square feet of commercial/retail space.

AFTER



**\$216.3 million**

Federal tax credit money Illinois received in a two year period (without a statewide historic rehabilitation tax credit)

**\$974 million**

FTC money received by Missouri (which has a state historic rehabilitation tax credit that can be combined).

# What Our Neighbors Are Doing With Combined Federal and State Historic Tax Credits

## Hotel Blackhawk Davenport, Iowa

The Blackhawk Hotel stood vacant for four years before Restoration St. Louis purchased the hotel for renovation. Using Iowa and federal historic tax credits, the company completed a \$46 million renovation in 2011 that created 130 guest rooms and 20 luxury apartment suites.

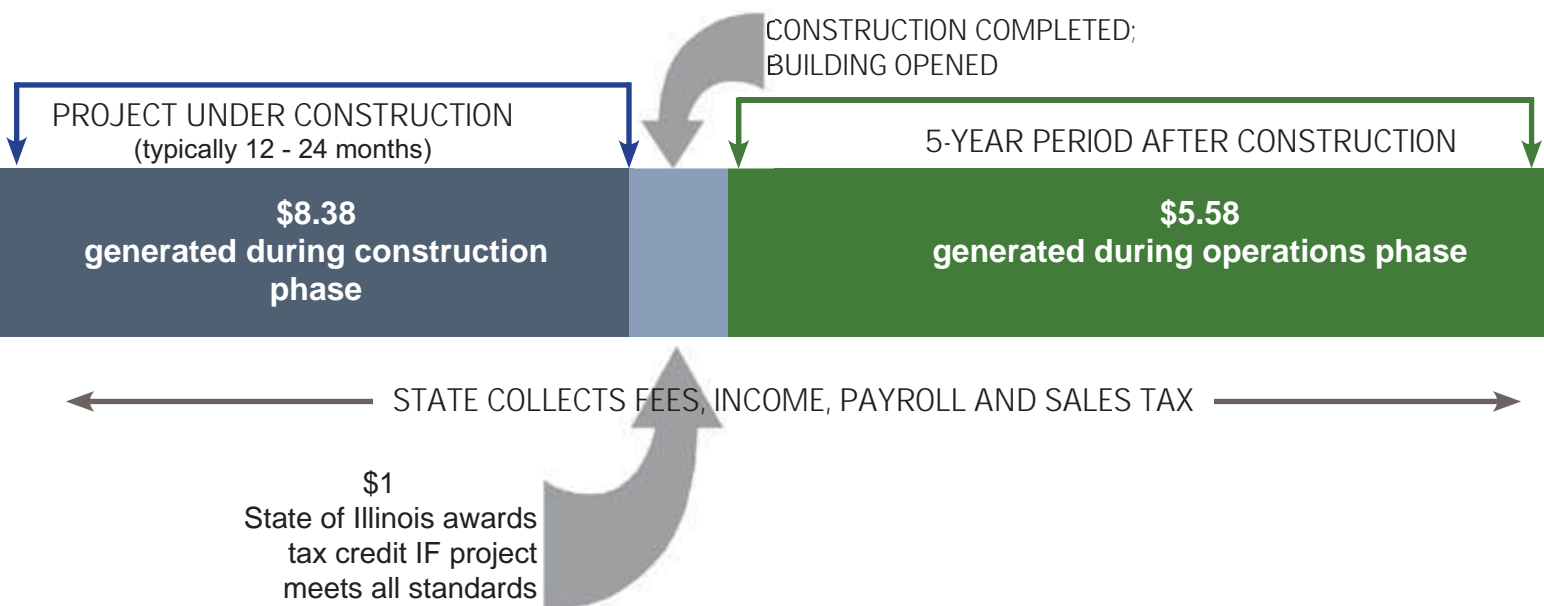


BEFORE

AFTER



A Positive Return on Investment to the State:  
Economic Impact per \$1 of Illinois Historic Tax Credit  
(based on case study averages)



# Building Case Studies



## Why These Case Studies?

The twelve project case studies in this report are included because it is assumed that they require the benefit of a state historic rehabilitation tax credit to happen. This is called the “but for” test- these are development projects that cannot happen but for financing utilizing a state historic rehabilitation tax credit.

In fact, in the case of the Old Lincoln School in Rock Island, the project has no chance to occur because the building was demolished while developers awaited the creation of a state tax credit to make the project feasible.

The remaining projects exhibit a diverse range of locations across Illinois, several building types including former hotels, office buildings and factories, a wide swath of varying construction costs, and different end uses. Some projects, like the Maywood Home west of Chicago, reclaim long vacant buildings.

Others, like the Bresee Tower in Danville, represent opportunities for downstate communities to develop mixed-use buildings in their downtowns. The Laclede Hotel in Murphysboro would retain the existing use of the building while creating an amenity for visitors to a popular Illinois attraction, the Shawnee National Forest.

The study is limited to potential projects where data on construction and operation costs was available, and interviews with developers indicated that a state tax credit was needed for the projects to move forward. There are undoubtedly numerous other projects that would benefit from a state tax credit. Illinois' neighbor Missouri found out upon enacting its tax credit program in Missouri in 1998 that interest was much wider than first anticipated. St. Louis developers led the charge, but today significant use of the Missouri credit is outside of the state's big cities.





**ROCKFORD**  
**Peacock Brewery**  
 A proposed \$8.6 million renovation could generate as many as 110 jobs in the area.

**MAYWOOD**

**Maywood Home for Soldiers' Widows**  
 Approved redevelopment would turn the 1924 Georgian Revival building into housing.



**ROCKFORD**  
**Ziock Building**  
 Built in three phases between 1912 and 1950, the Ziock Building was placed on the National Register of Historic Places in 2011.

**CHICAGO**

**Schulze Bakery**  
 Built in 1914 to house one of the Midwest's largest wholesale bakeries; a new data center will also have an ongoing economic impact through spending in and around Chicago's South Side.



**LOST IN 2013**



**ROCK ISLAND**  
**Old Lincoln School**  
 Last year Rock Island lost this Romanesque Revival school house, built in 1894, after developers failed to find financing for rehabilitation.

**CHICAGO**

**Spiegel Building**  
 A Chicago landmark since 2010. A proposed reuse would bring office, retail and housing space to the Bridgeport neighborhood.



**LASALLE**  
**Kaskaskia Hotel**  
 Before reopening as a hotel and conference center, LaSalle is expected to realize \$17.8 million in direct and indirect benefits in the construction phase alone.

**DANVILLE**

**Bresee Tower**  
 1918 Classical Revival tower. Great potential impact as restaurant, commercial, and apartment mixed-use complex.



**SPRINGFIELD**  
**YWCA Building**  
 The City of Springfield has made redevelopment of this three-story building, which anchors an existing historic district, a priority.

**DECATUR**

**Barnes Citizens Building**  
 The tallest building in Decatur could become a visible catalyst for additional downtown development.



**LOST IN 2013**



**QUINCY**  
**Newcomb Hotel**  
 Though destroyed by fire in September 2013, economic modeling showed that a renovated Newcomb Hotel would have created 249 direct and indirect jobs.

**MURPHYSBORO**

**Laclede Hotel**  
 Rehabilitation of this historic hotel would give visitors a reason and place to linger in Murphysboro and therefore be part of larger downtown revitalization.



# Chicago: Schulze Bakery

Current Use: vacant

Redevelopment Use: data center



The Washington Park neighborhood on Chicago's South Side is a largely residential area with one of the city's highest poverty rates. However, Washington Park's proximity to the University of Chicago is leading to greater development attention. The massive, ornate Schulze Bakery dates to 1914 and towers over the neighborhood. Noted architectural firm John Ahlschlager & Sons designed the building to house one of the Midwest's largest wholesale bakeries. Although listed in the National Register of Historic Places, the Schulze Bakery has been vacant in recent years.

The information technology services sector is growing in Chicago, and the National Associations of REALTORS Commercial Division blog The Source recently profiled data center projects including the Schulze Building. The \$55 million planned renovation would transform the old bakery into a massive data center called the Midway Technology Center. The reuse plan fits with the size of the building, its proximity to the Chicago market, and the growing need for data centers. The total employment effect is on average 118 jobs per year over the five-year period.





# Economic and Fiscal Impacts

CONSTRUCTION IMPACT		ONGOING 5-YEAR OPERATIONS IMPACT <sup>4</sup>	CHICAGO DEMOGRAPHIC DATA
<b>701</b>	employment	<b>118</b>	unemployment
<b>\$101,056</b>	output (thousands \$)	<b>\$54,788</b>	<b>12.0%</b>
<b>\$3,859</b>	state and local revenue (thousands \$)	<b>\$9,721</b>	population
<b>\$10.21</b>	output impact per \$1 state tax credit	<b>\$5.53</b>	<b>2,700,741</b>



# Chicago: Spiegel Building

**Current Use: vacant**

**Proposed Use: mixed commercial and residential**

Industrial buildings present great opportunities for adaptive reuse, and in Chicago's working-class Bridgeport neighborhood sits a large example of such opportunity. The Spiegel Administration Building is a six-story reinforced concrete and masonry industrial loft building that served as the main administration building for the mail-order retailer Spiegel, Inc. Sleek, streamlined vertical ribbons of glass block link the building, built in 1936 and 1942, to the Art Moderne style.

The Spiegel Building became a Chicago Landmark in 2010, but redevelopment struggles to find financing. The planned reuse of the building is mixed use commercial (both office and retail) and residential.

The residential usage will not directly create new jobs; but the new residents will also have an ongoing economic impact through spending in and around Bridgeport.



## CONSTRUCTION IMPACT

**368**

employment

**\$52,997**

output (thousands \$)

**\$2.024**

state and local revenue (thousands \$)

**\$10.11**

output impact per \$1 state tax credit

## ONGOING 5-YEAR OPERATIONS IMPACT

**84**

**\$23,699**

**\$6,058**

**\$4.56**

CHICAGO  
DEMOGRAPHIC DATA

unemployment

**12.0%**

population

**2,700,741**



# Danville: Bresee Tower

Current Use: vacant

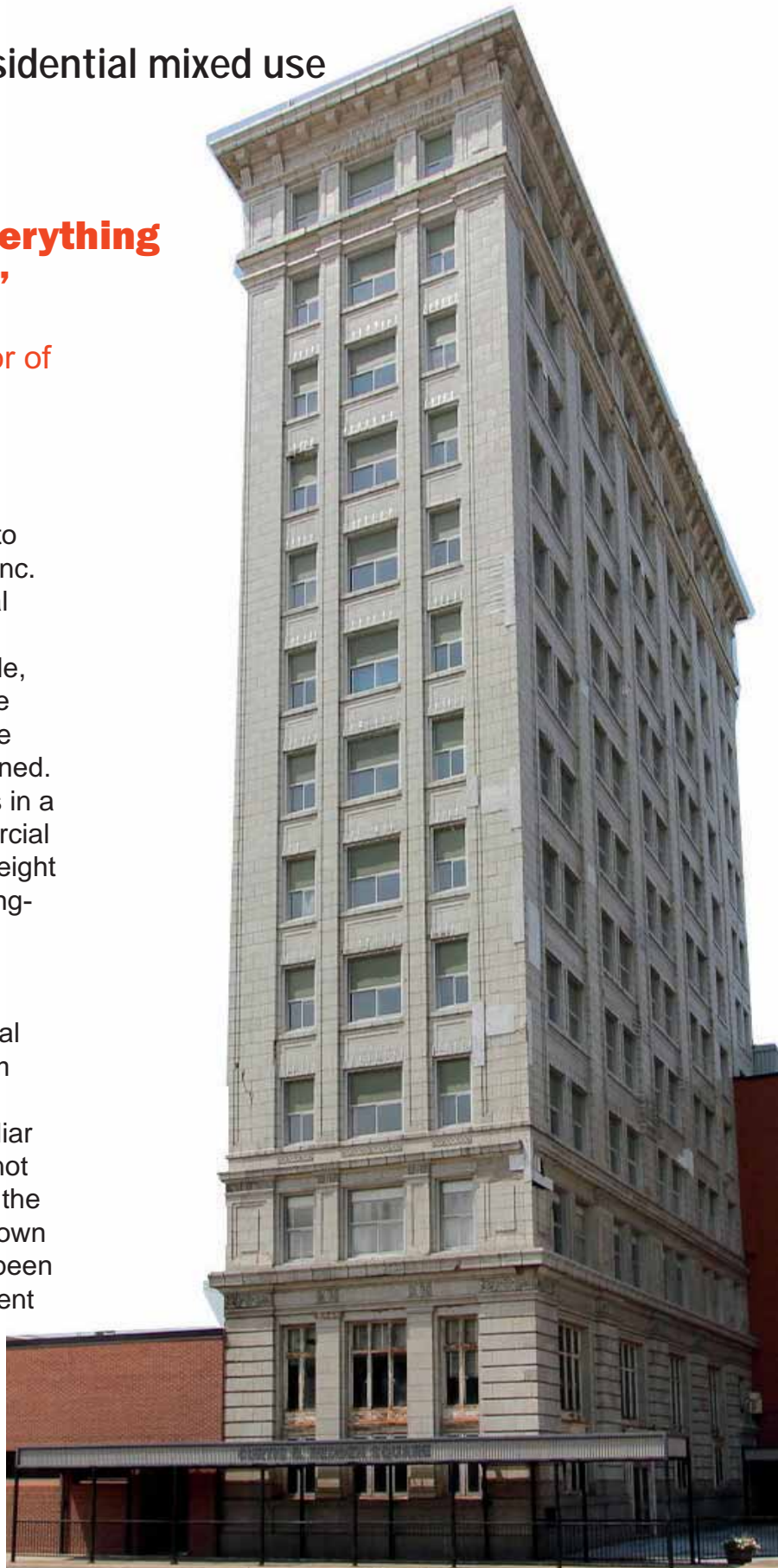
Proposed Use: commercial-residential mixed use

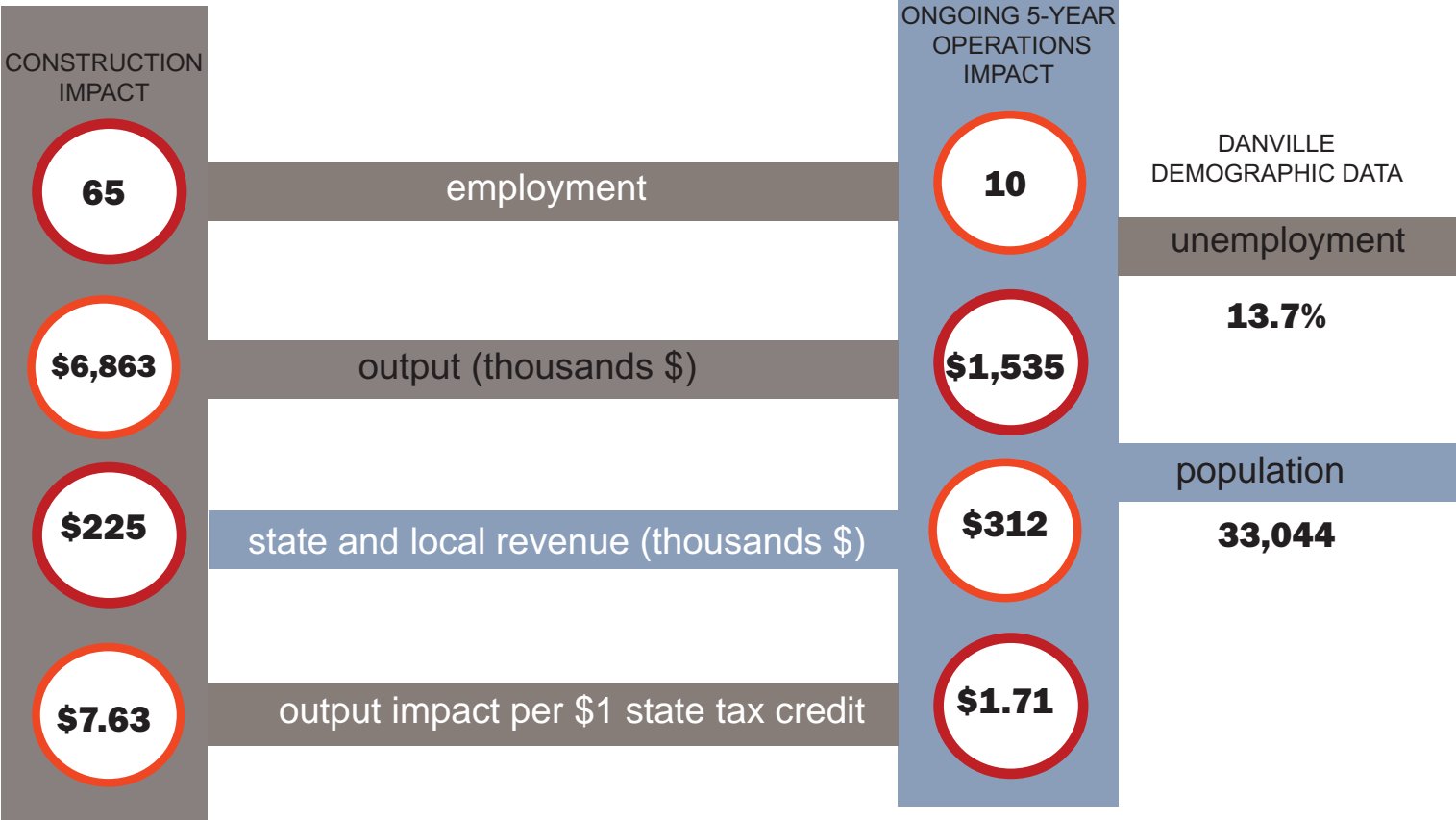
**“We definitely need to do everything we can to save the building.”**

- Dana Schaumberg, Director of  
Downtown Danville, Inc.

“We definitely need to do everything we can to save the building,” said Downtown Danville, Inc. Director Dana Schaumberg recently to a local television news reporter covering Danville’s Bresee Tower. Seeing why Downtown Danville, Inc. is working hard to find a developer for the building becomes apparent when the possible impact of mixed-use redevelopment is examined. The potential combination of restaurant sales in a dramatic renovated lobby restaurant, commercial sales from office users and new residents in eight apartment units offers Danville impressive long-term benefits.

Originally built as the First National Bank in 1918, Bresee Tower is a twelve-story Classical Revival building designed by the Chicago firm of Mundie & Jenson. The building’s first floor lobby retains historic character, and is a familiar space to Danville natives. Still, Danville has not always been able to preserve landmarks like the Bresee Tower. In fact, two other major downtown buildings by Mundie & Jenson have already been lost, despite being located in both tax increment financing and enterprise zones. Bresee Tower presents the opportunity to turn the tide for downtown redevelopment toward adaptive reuse and long-range return.





# Decatur: Barnes Citizens Building

Current Use: vacant

Proposed Use: office

Decatur's tallest building might be a beacon of economic growth once more, if developers succeed in renewing the Barnes Citizens Building for modern office space. Developers plan to retain and enhance the building's original commercial use, which is vital as Decatur works to grow its economy amid a higher-than-average unemployment rate. The Barnes rehabilitation is estimated to generate 67 new jobs per year in the first five years of operation, in addition to providing top-tier space for Decatur businesses in the heart of downtown.



Completed in 1930, the Barnes Citizens Building exudes a confident Art Deco design by the firm of Holabird & Root. The building is divided into a five-story office building and a twelve-story tower, with retail on the ground floor and offices above in both buildings. Currently, the Barnes Citizens Building needs upgrades to return to its original beauty. Additionally, the building is likely to be a visible catalyst for additional downtown development.

# Economic and Fiscal Impacts

## CONSTRUCTION IMPACT

**52**

employment

**\$6,626**

output (thousands \$)

**\$200**

state and local revenue (thousands \$)

**\$7.36**

output impact per \$1 state tax credit

## ONGOING 5-YEAR OPERATIONS IMPACT

**67**

**\$10,325**

**\$1,255**

**\$11.47**

## DECATUR DEMOGRAPHIC DATA

unemployment

**10.0%**

population

**76,286**



# LaSalle: Kaskaskia Hotel

Current Use: vacant

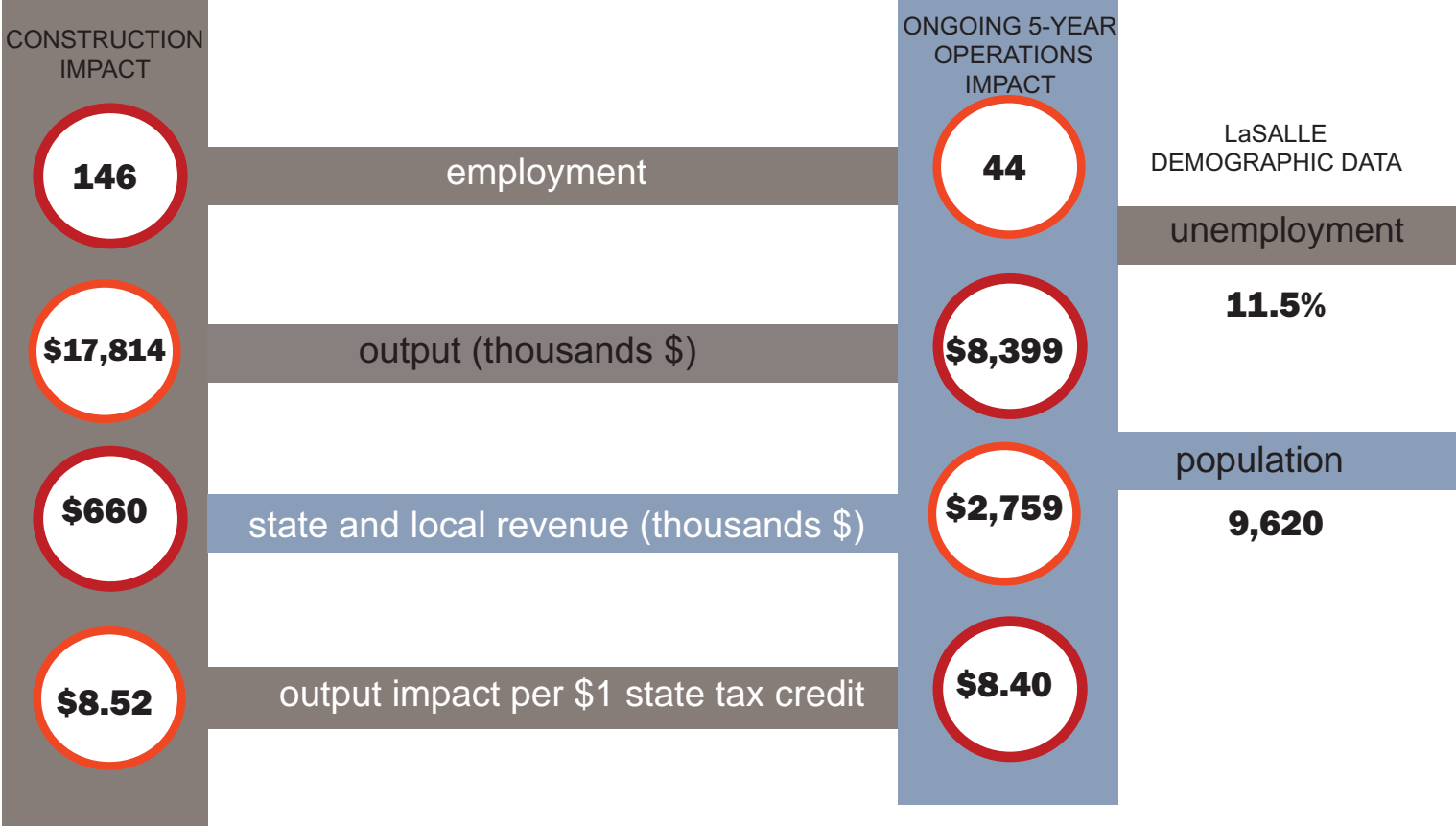
Proposed Use: hotel and conference center



Once it was common for cities across Illinois to boast large regional hotels that drew tourists, provided space for meetings and banquets and offered entertainment to travelers and locals alike. In LaSalle, those days are coming back at the Kaskaskia Hotel, a six-story downtown hostelry that remains the largest hotel in a 50-mile radius. The 107-room hotel used to serve a wide range of people who brought dollars into the local economy. Business executives visiting regional industries stayed at the Kaskaskia because its rooms were the most luxurious in the area. Tourists visiting nearby scenic sites, including Starved Rock and Mathieson state parks, preferred rooming at the Kaskaskia Hotel.

After deterioration forced closure in 2001, the Kaskaskia caught the attention of a local businessman who has worked to restore LaSalle's historic crown jewel. The current plans call for retaining the hotel use, while adding a major regional conference center. Before reopening, LaSalle is expected to realize \$17.8 million in direct and indirect benefits in the construction phase alone.





# Maywood: Maywood Home for Soldiers' Widows

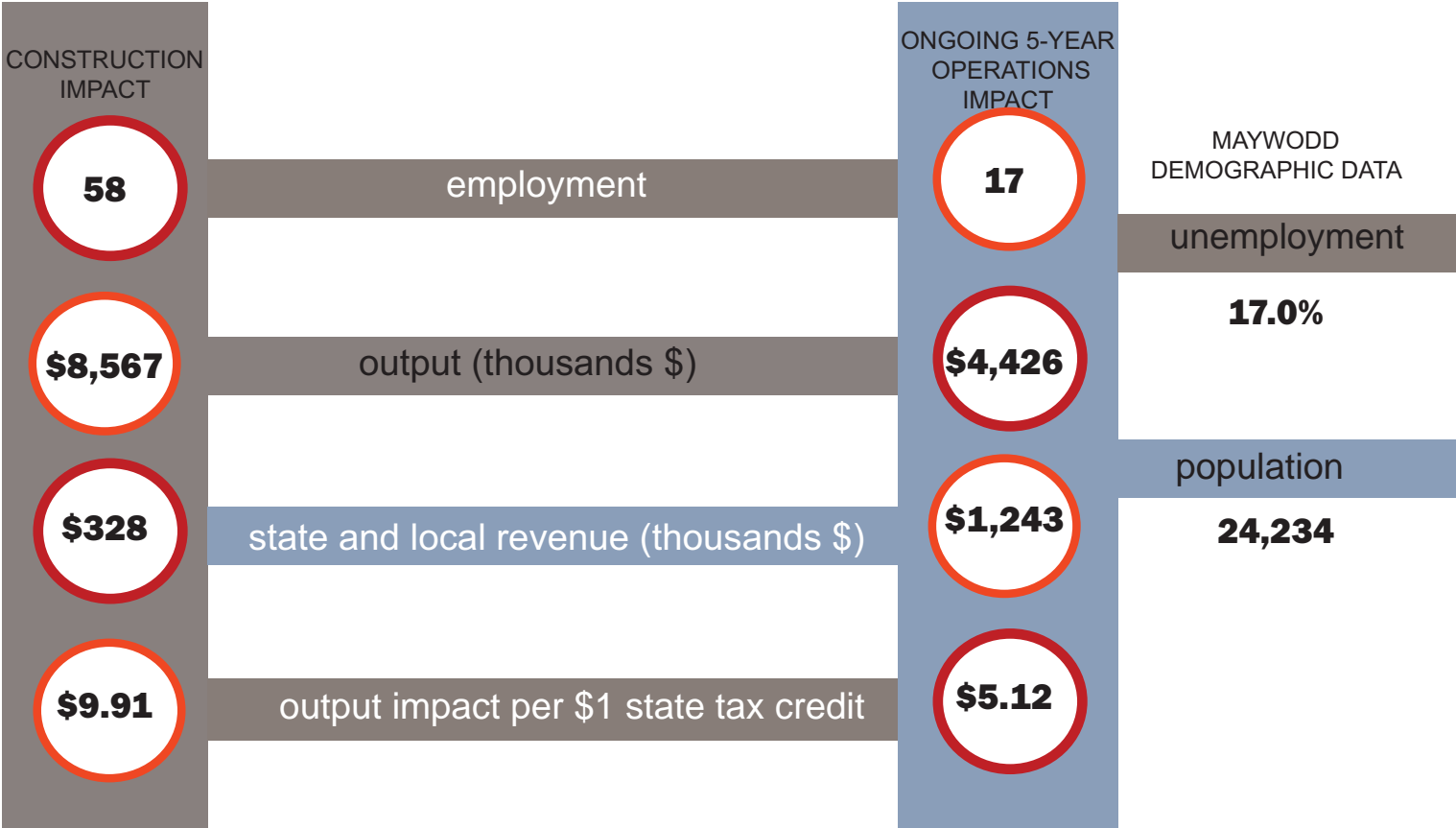
**Current Use: vacant**

**Proposed Use: residential**

In the western suburbs of Chicago, the Village of Maywood already understands the value of historic preservation: 16 buildings are listed in the National Register of Historic Places, and the streets boast century homes in nearly unaltered condition. There was little surprise that the Village made preservation of the former Maywood Home for Soldiers' Widows a priority after the historic facility closed in 2003. In 2008, the Village acquired the building, and in 2010 accepted a redevelopment proposal that has yet to lead to redevelopment.

The Maywood Home is Georgian Revival building constructed by the Ladies of the Grand Army of the Republic in 1924. The building once housed women whose husbands died in the Civil War and later U.S. wars. Designed by Francis E. Dunlap, the red brick, 2-story building offers a screened portico that faces the Des Plaines River. The proposed redevelopment would turn the building into housing offering river views and a convenient suburban location.





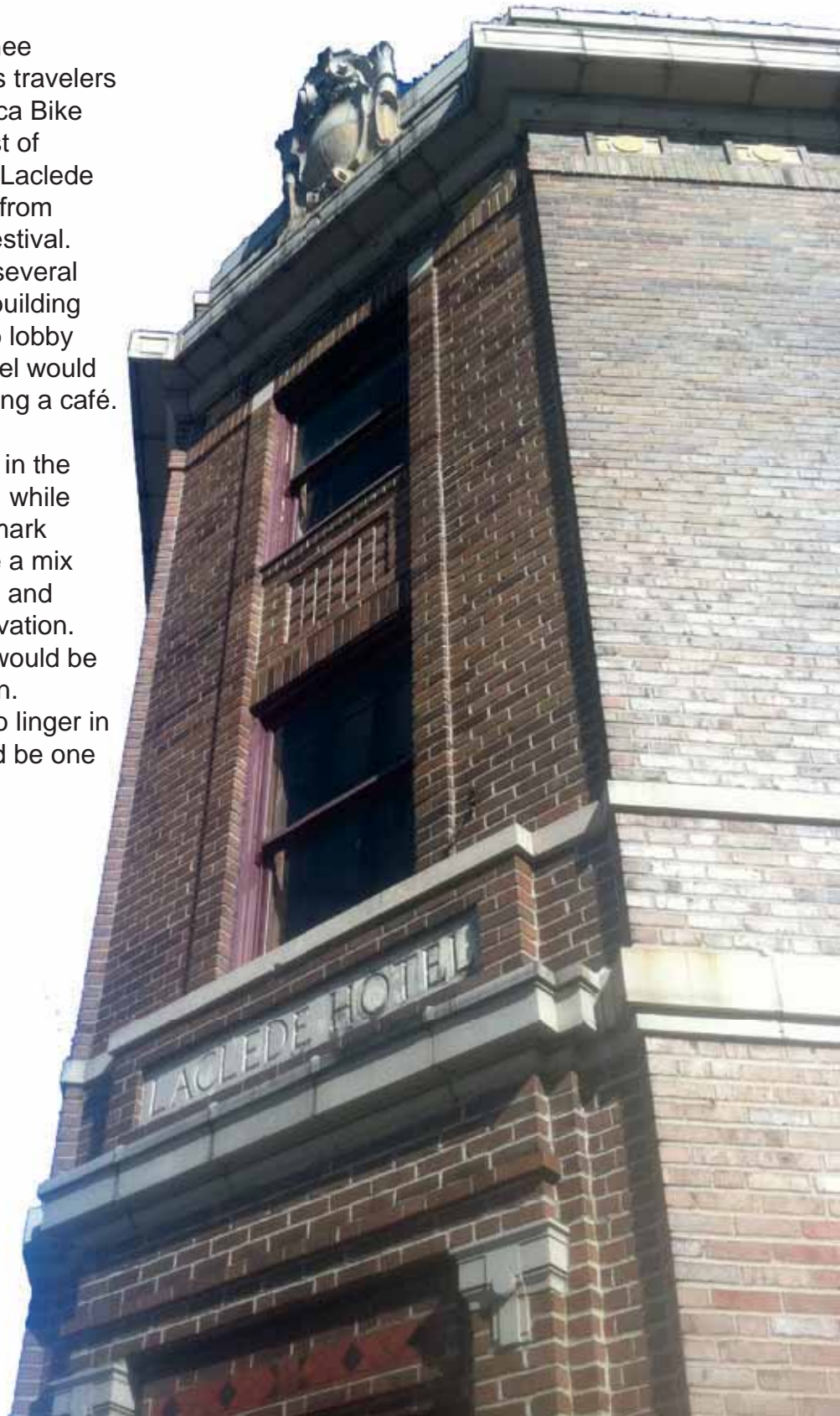
# Murphysboro: Laclede Hotel

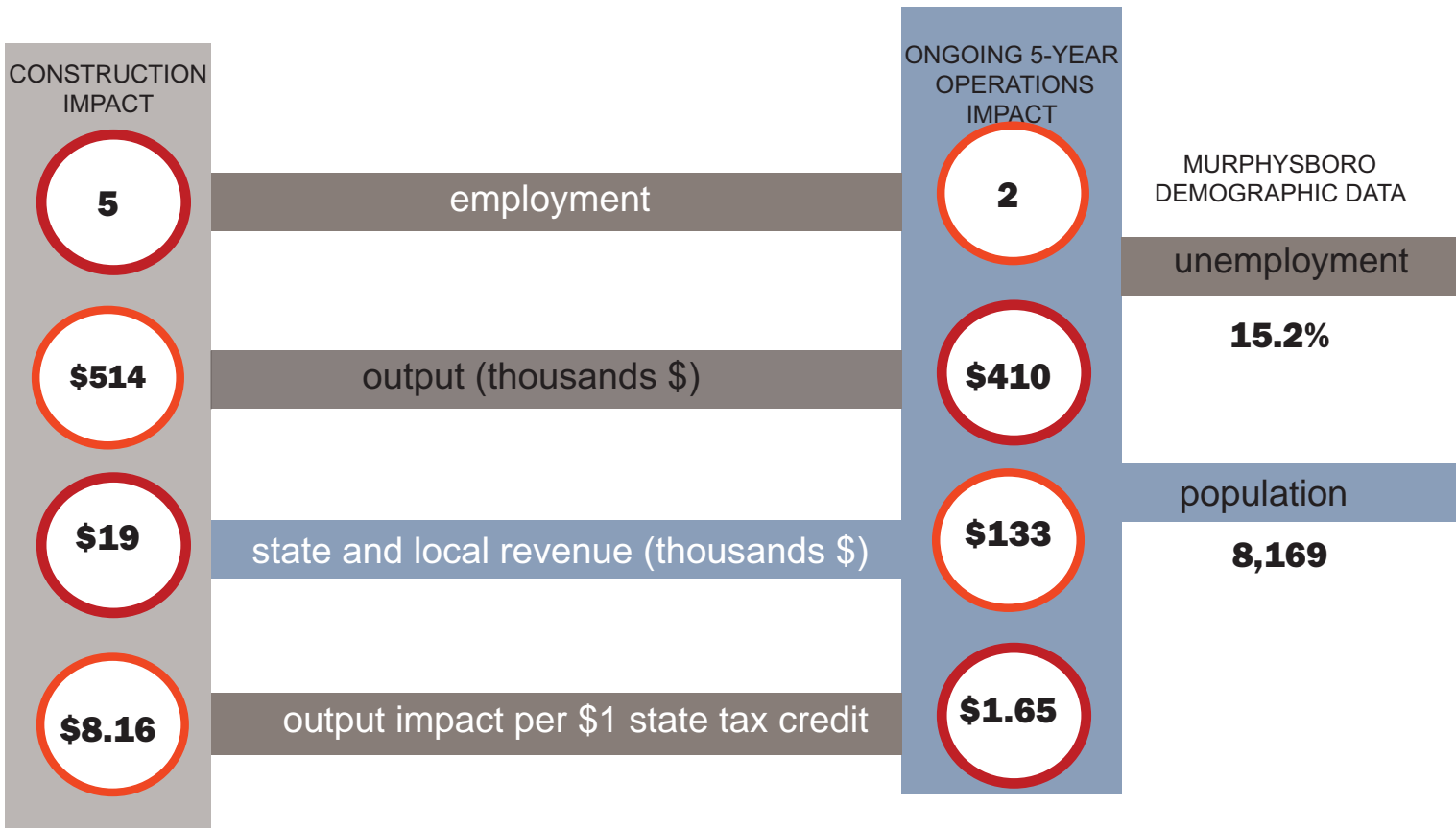
**Current Use: vacant**

**Proposed Use: hotel**

Set on wooded hills near the Shawnee National Forest, Murphysboro draws travelers from the forest and the Trans America Bike Trail that runs through town. The last of Murphysboro's historic hotels is the Laclede Hotel, sitting downtown just a block from the site of the city's annual Apple Festival. The corner entrance beckons from several vantage points downtown, and the building retains its historic character down to lobby floor. The proposed reuse of the hotel would return it to its original use while adding a café.

The Laclede Hotel is pending listing in the National Register of Historic Places, while Murphysboro made it a Local Landmark in 2008. The surrounding blocks are a mix of active historic storefront buildings and historic buildings also awaiting renovation. Rehabilitation of the Laclede Hotel would be part of larger downtown revitalization. Travelers could use more reasons to linger in Murphysboro, and the Laclede would be one that would support others.





# Quincy: Newcomb Hotel

## LOST IN 2013

**“They’re disheartened,  
they’re frustrated.”**

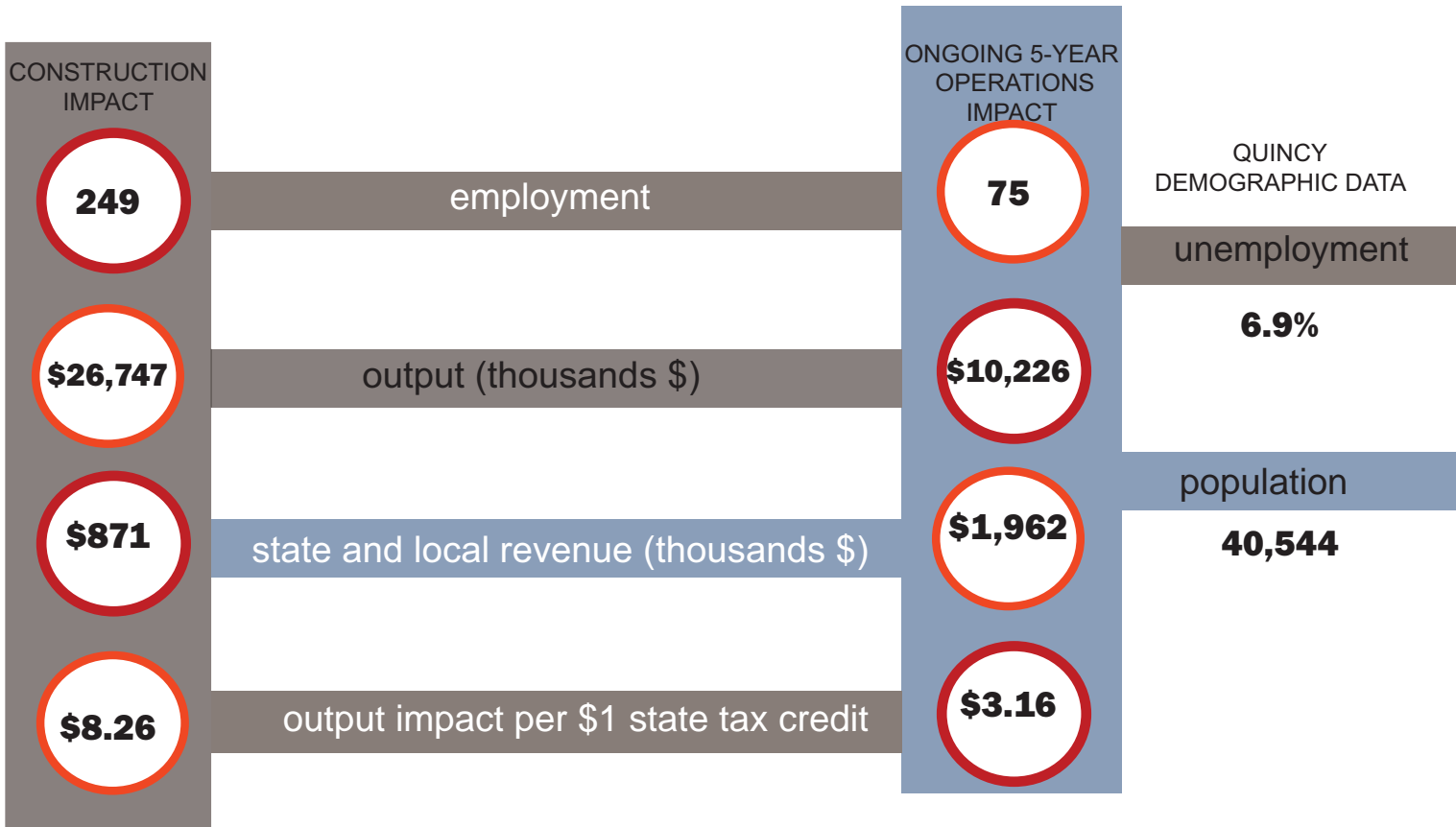
- Travis Brown, Historic  
Quincy District Director,  
on the loss of possible  
development of Newcomb  
Hotel

Quincy will never get the chance to realize the benefits from a renovated Newcomb Hotel, because the downtown anchor was destroyed by a devastating fire on September 6, 2013. The fire struck after the emergence of a redevelopment proposal that would have transformed the 1888 hotel, designed by St. Louis architect Isaac Taylor. An Iowa-based developer had begun negotiating with city officials to convert the hotel into market-rate housing. After the fire, Historic Quincy Business District Director Travis Brown captured the sentiment of Quincy’s hopeful residents: “They’re disheartened, they’re frustrated.”

The Newcomb Hotel had been vacant 20 years. While Quincy is a river city, it had not been included in the state’s River’s Edge program, therefore not making any building there eligible for the state’s small pilot historic tax credit. Economic modeling showed that a renovated Newcomb Hotel would have created 249 direct and indirect jobs, and could have produced as much as \$26.7 million in economic impact during the construction phase alone.



# Economic and Fiscal Impacts



# Rockford: Peacock Brewery

Current Use: under construction

Proposed Use: restaurant/event space, office and condominiums



Hit hard by the recession, Rockford looks for economic growth that can help it curb a high unemployment rate. A proposed \$8.6 million renovation of the historic Peacock Brewery would be a large help, and could generate as many as 110 jobs in the area. The planned reuse of the building is a first-floor restaurant/retail, an event (wedding) space, office space and 11 luxury condominiums.

Located on the banks of the Rock River in downtown, the Peacock Brewery was built in 1897 and for over 70 years was Rockford's largest brewery. The brew house embodies the Romanesque style, with strong use of limestone and brick, pronounced arches and a castle-like crown. In 2011, the Brewery was listed on the National List of Historic Places. Recently, the property has been under utilized as the riverfront has been improved with a boardwalk and boat docks.

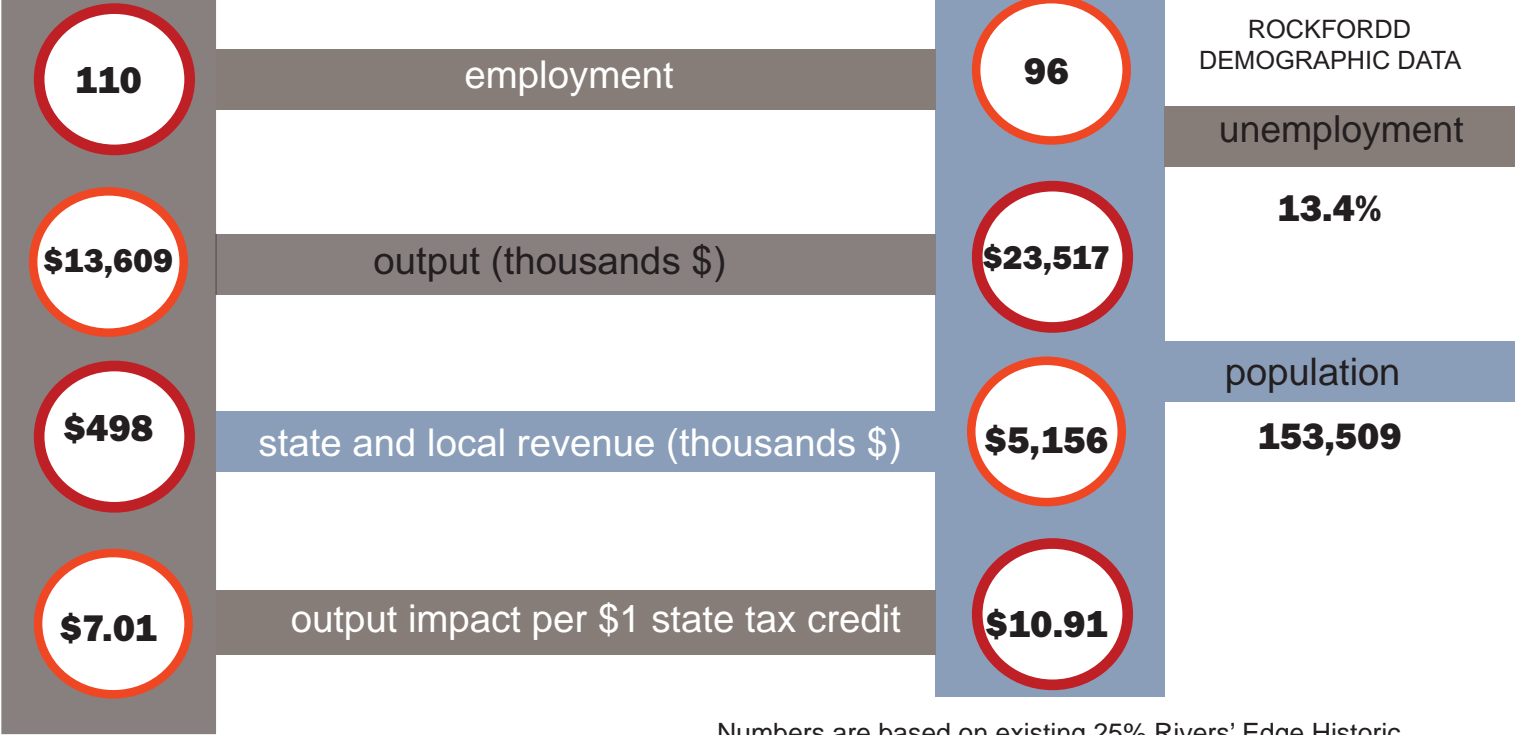




CONSTRUCTION  
IMPACT

ONGOING 5-YEAR  
OPERATIONS  
IMPACT

ROCKFORD  
DEMOGRAPHIC DATA



Numbers are based on existing 25% Rivers' Edge Historic Tax Credit, not on projected 20% state historic tax credit.

# Rockford: Ziock Building

Current Use: vacant

Proposed Use: hotel, and mixed commercial-residential

**“Redevelopment creates jobs and produces tax revenue – these are our ultimate goals.”**

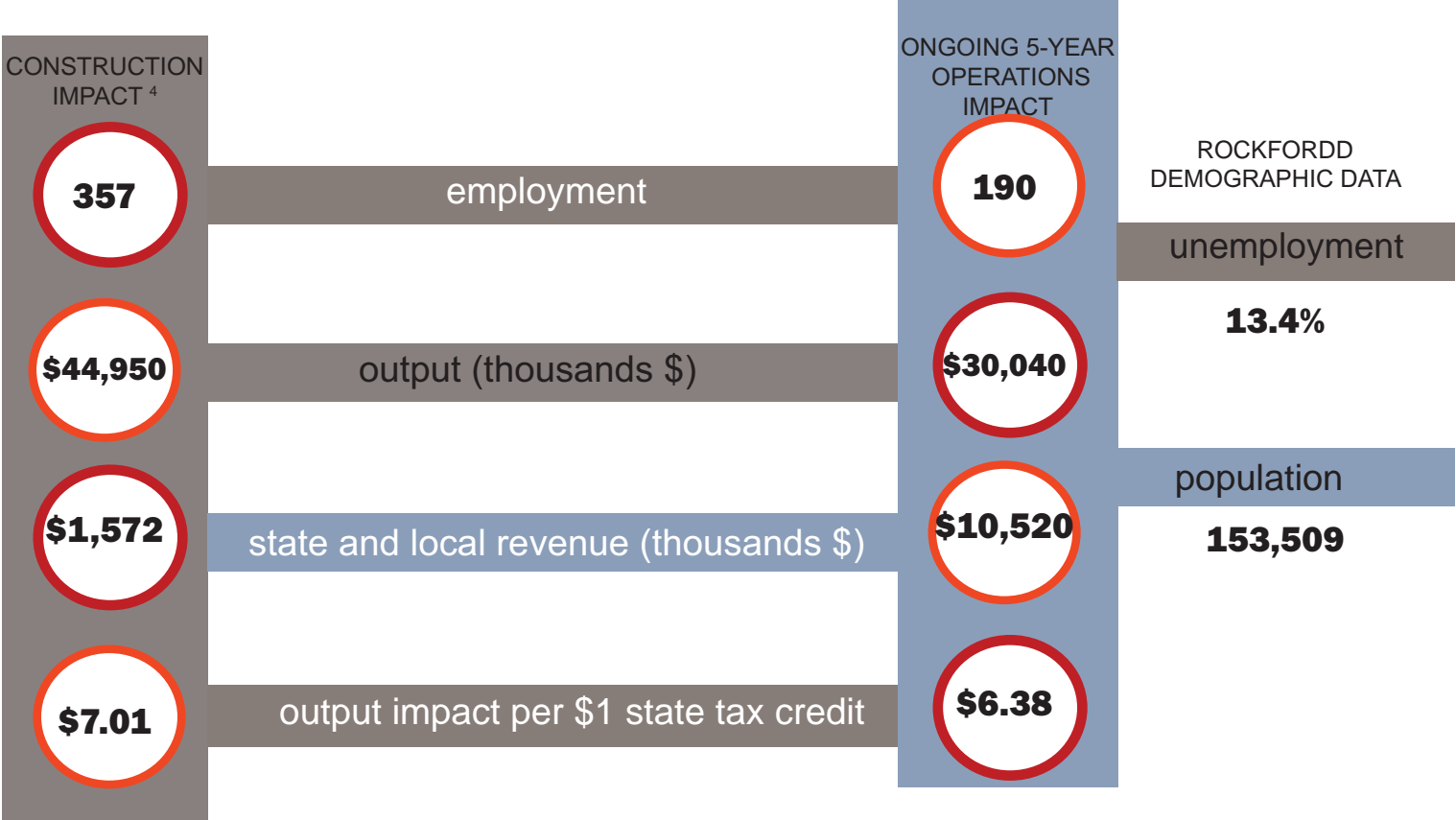
- Jeff Orduno, Friends of the Ziock Building spokesman



Ziock Building 1923

When the National Park Service placed the William H. Ziock Building in Rockford in the National Register of Historic Places in 2011, local preservationists celebrated cautiously. Two years ago, Friends of the Ziock Building spokesman Jeff Orduno made it clear that preservationists wanted to see renovation more than anything: “Redevelopment creates jobs and produces tax revenue – these are our ultimate goals.”

The Ziock building is a 13-story building on 416 Main Street in downtown Rockford, clearly identified as a former manufacturing facility by its stark grid of steel windows. Named in honor of textile pioneer, William H. Ziock, the building was built in three phases between 1912 and 1950 by the Ziock family and the Amerock Corporation, which helped fuel the industrial growth of Rockford. The Ziock building is part of the historic district, which includes the newly restored performing arts theater. Friends of Ziock home to transform the building into a boutique hotel, upscale residential lofts and retail and commercial space. The estimated construction cost is \$27.2 million, which is slightly less than half of the projected economic impact of renovation.



Numbers are based on existing 25% Rivers' Edge Historic Tax Credit, not on projected 20% state historic tax credit.

# Rock Island: Old Lincoln School

## LOST in 2013

Rock Island never had the chance to see the historic Lincoln School brought back to use. After community leaders had pushed for a development plan that would have created 21 new apartments, the historic school ended up meeting the wrecking ball. Demolition ended the life of the Romanesque Revival school house, built in 1894 in an area that became the Broadway Historic District in 1998. Old Lincoln School stood in one of the city's most intact historic residential settings, where preservation efforts have led to community revitalization.



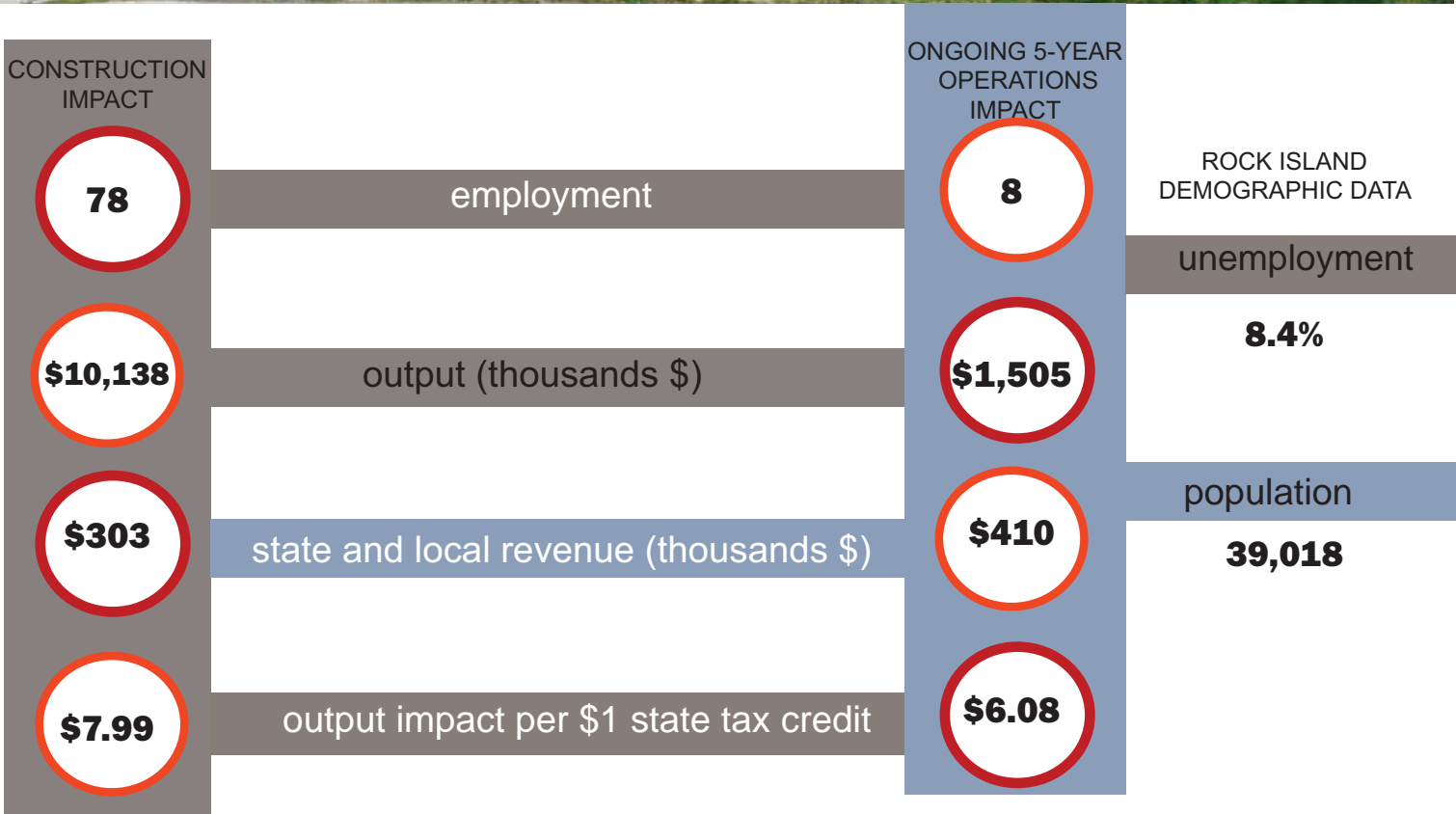
**“There is a barrier. The river isn’t the barrier, it is the state.”**

- Barbara Sandberg, Moline Historic Preservation Commission Chairperson

Rock Island is one of the Quad Cities, where a preservation disparity exists. Davenport and Bettendorf, Iowa have seen many historic rehabilitations that have utilized Iowa’s 25% state historic rehabilitation tax credit. Across the river, Rock Island and Moline lack access to a similar state incentive. As Moline Historic Preservation Commission Chairperson Barbara Sandberg puts it: “There is a barrier. The river isn’t the barrier, it is the state. One is very pro-preservation and went forward with this tax credit a number of years ago. Illinois has not.”



# Economic and Fiscal Impacts



# Springfield: YWCA Building

**Current Use: vacant**

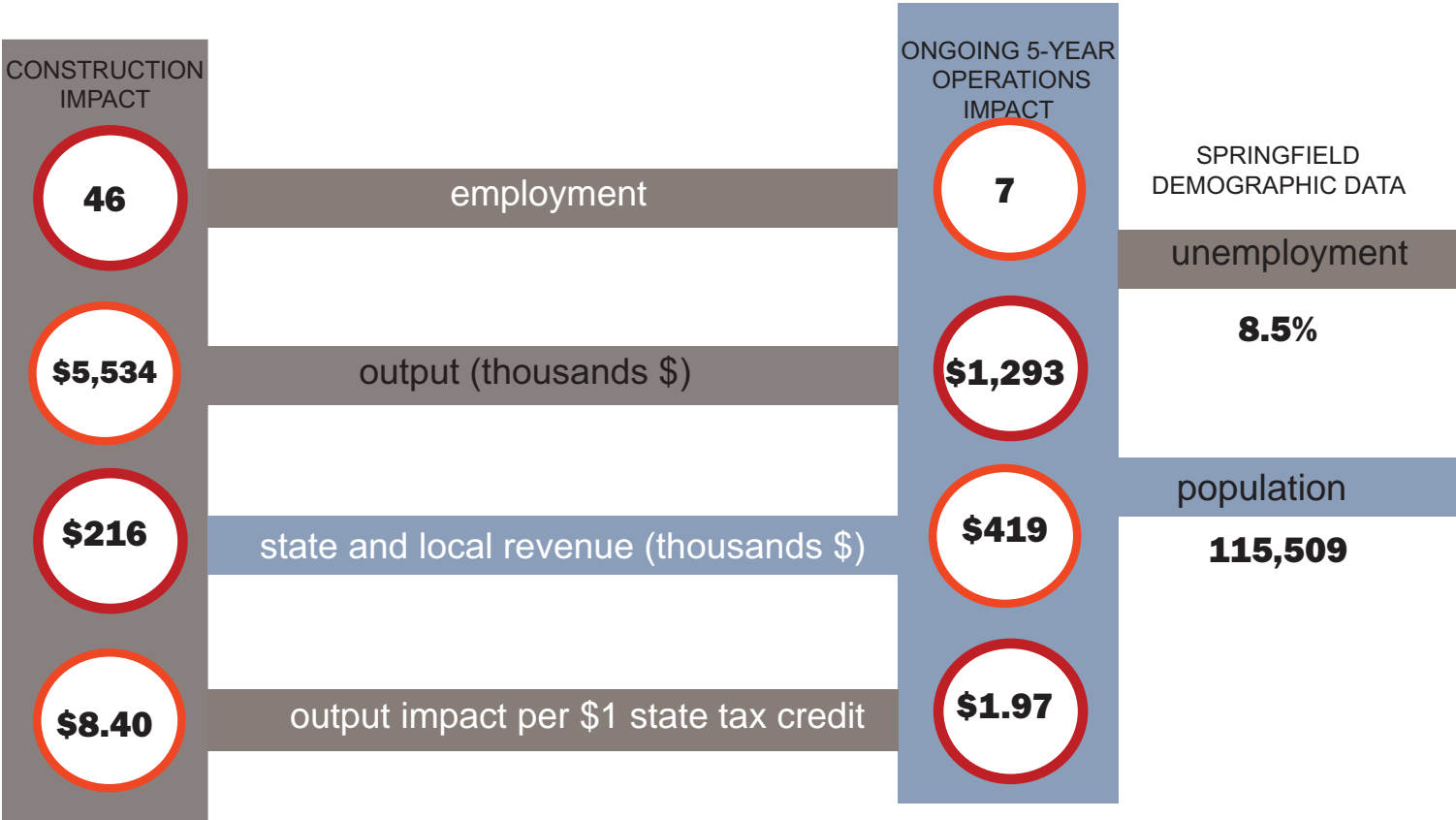
**Proposed Use: residential**

The Governor of Illinois can look out from the tall windows of the stately Governor's Mansion and see the need for historic rehabilitation in the form of Springfield's old YWCA Building. Now known appropriately as the Governors View Building, the former YWCA dates to 1913 and has sat empty for the last few years. Yet the City of Springfield has made redevelopment of the three-story building – which anchors a historic district -- a priority. The city's Office of Planning and Economic Development is promoting a redevelopment of the building that would create 21 new residential units.

Future residents of the YWCA Building will enjoy a location close to the state Capitol, the Abraham Lincoln Presidential Museum and Library and many amenities. If visitors to the seat of government would not notice the building's renewed appearance, they might enjoy projected revenue benefits. Renovation of the YWCA Building is estimated to provide \$216,000 in additional state and local revenues, over one-quarter of the \$822,000 in state historic tax credits that the building would utilize if a program were created.



# Economic and Fiscal Impacts



SOUTH ELEVATION - PROPOSED

# Measuring Economic Impact

Measuring the impact of projects that have not yet happened is not impossible, but involves careful prediction based on real data. Economic impact measures in this study come from estimates created by economists at the University of Illinois-Springfield using the IMPLAN input-output model. Input-output models examine the relationships between businesses and households by using multipliers to estimate the economic change occurring in a State (or county) due to the creation (or removal) of a new economic activity.

With historic rehabilitation, multiplier effects occur from the start of projects. When a property owner hires an architect to produce plans for a project, the fees create an effect. Later on, the second contractor starts buying supplies, the spending for the project is a new economic activity that continues until the project is completed. Since architects incur expenses and suppliers procure building materials from factories, and both pay wages, the single dollars spent early on are not the only ones that count. These successive cycles of income and spending are “multiplier” estimates of the total economic impact.

In the case of this analysis, the economic effects of historic preservation expenditures are analyzed. Total effects include direct and multiplier effects:

## DIRECT IMPACTS

The direct impact component is the initial change in economic activity occurring because of the Tax Credit investment. In the case of construction impacts, this is the total increase in construction activity for funded projects.

## MULTIPLIER IMPACTS

The multiplier impact component is the change in State economic activity -- wages, purchases -- caused by the introduction of construction expenditures.

The combination of direct and multiplier impacts represents the total effect of the tax credit investment. The three main estimates of total effect overstate the State's tax credit expense (a conservative assumption) since significant project costs may not qualify under the tax credit program. The three estimates are:

**OUTPUT:** Net new output in the economy due to the original construction expenditures (measured in 2012 dollars)

**EMPLOYMENT:** Net new jobs created by the output impact

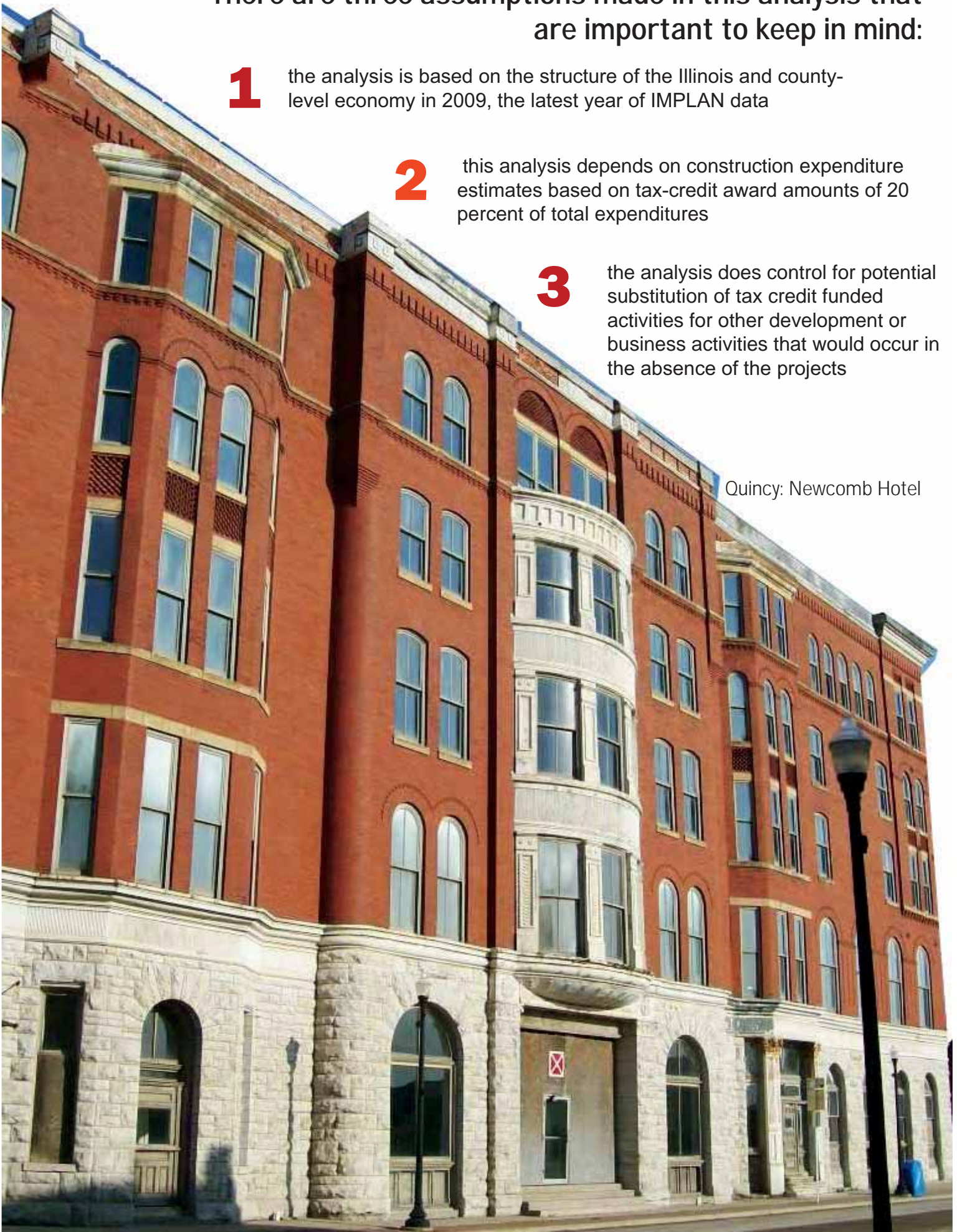
**EMPLOYEE COMPENSATION:** That portion of new output that resulted in income and wages (measured in 2012 dollars)



## There are three assumptions made in this analysis that are important to keep in mind:

- 1** the analysis is based on the structure of the Illinois and county-level economy in 2009, the latest year of IMPLAN data
- 2** this analysis depends on construction expenditure estimates based on tax-credit award amounts of 20 percent of total expenditures
- 3** the analysis does control for potential substitution of tax credit funded activities for other development or business activities that would occur in the absence of the projects

Quincy: Newcomb Hotel



# Fiscal Impact

The fiscal impacts (or change in state and local revenue) were estimated using the tax impact reporting function in the IMPLAN input-output model. The fiscal impact estimates are based on two assumptions:

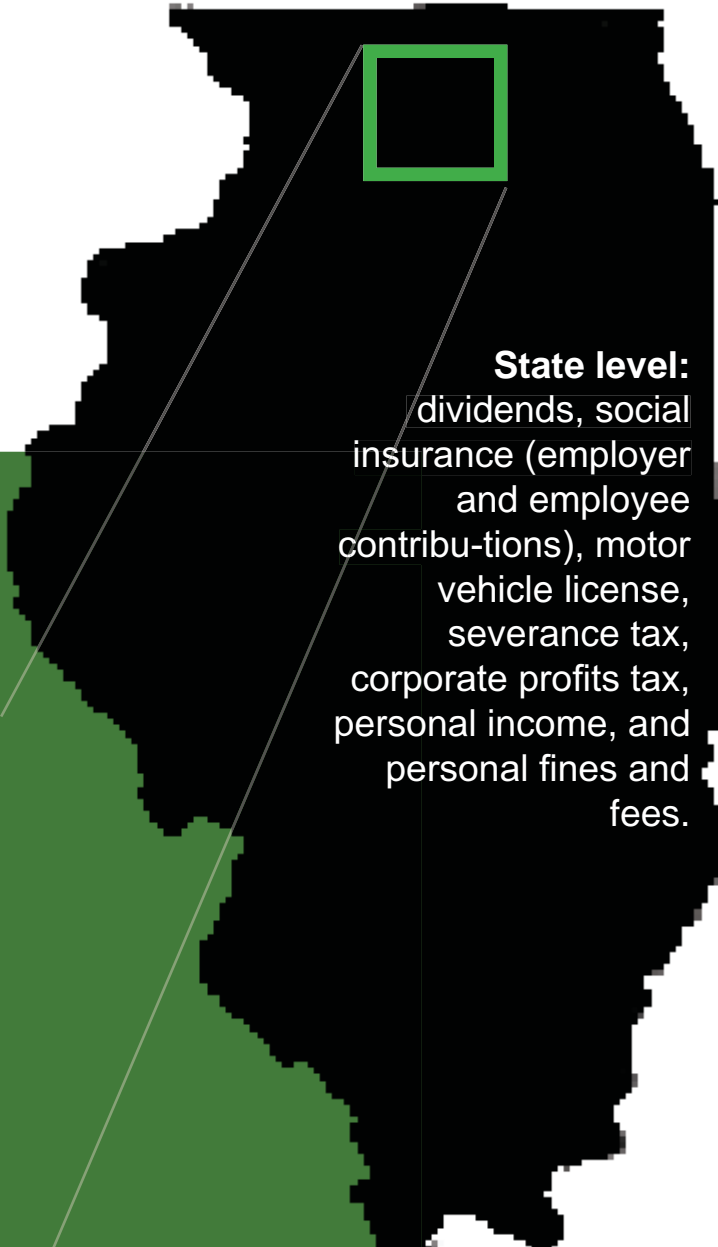
First, marginal changes (impacts) will use the same distribution as in the base year (in this case 2009) social accounts. (Social accounts track the monetary flows between industries and institutions in an economy.)

Secondly, the estimation of revenues is based on average relationships in the economy, for example the average amount of taxes paid by households, not on industry specific relationships. The taxes and fees include:

**Local Level:** Business and personal property taxes, sales tax, and county-level fines and fees (business and personal).



Rockford: Ziock Building



**State level:** dividends, social insurance (employer and employee contributions), motor vehicle license, severance tax, corporate profits tax, personal income, and personal fines and fees.

# Construction Versus Ongoing Project Phase

The economic impact of each historic preservation project is considered in two phases: the construction and ongoing (operations) phase.

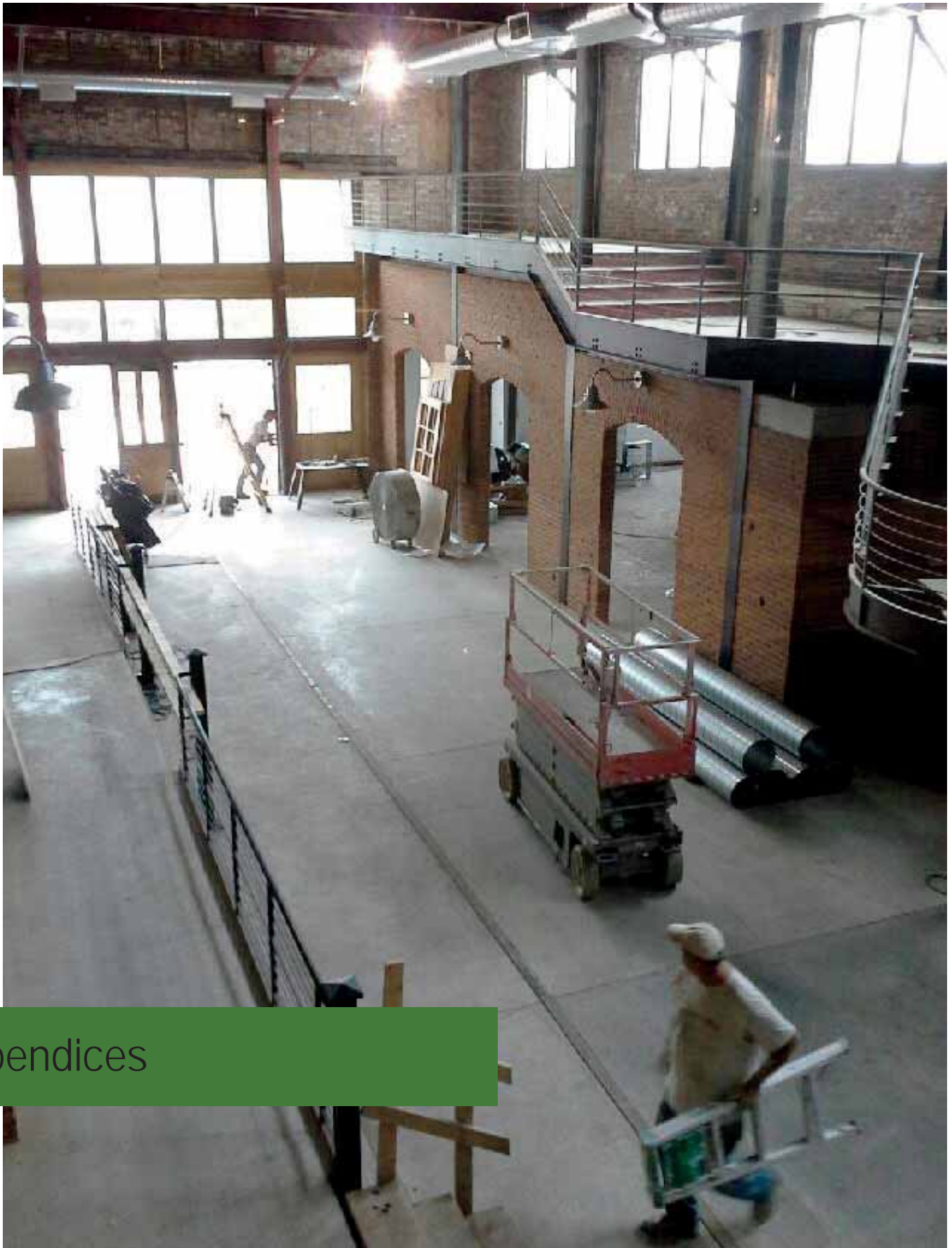
The following assumptions are made:

## CONSTRUCTION PHASE

- The construction phase begins in 2012 and is completed in one year.
- For some of the projects it was difficult to determine the level of “qualified rehabilitation expenditures” as only total cost of construction were provided in the pro forma. For most projects, qualified rehabilitation expenditures are about 90 percent of total construction costs. Thus, only 90 percent of project costs were used in the model.
- The direct impact measured is the total construction expenditures of the project (not including acquisition). The industry used is “maintenance and repair of nonresidential structures (not new construction) as this is closer to the type of work and spending taking place. It actually yields slightly higher impact estimates as would be expected for a historic preservation project relative to new construction.

## OPERATIONS PHASE:

- The ongoing phase is for a 5-year period, starting in 2013. For most projects, phasing of the operations was not reported; thus, full operations occur in that first year. If phasing is provided it is incorporated in the model. The economic impact of the ongoing phase is presented as the net present value of these 5-year benefits, using a 5% discount rate.
- For residential projects conservative estimates (understate the impact) were used. The occupancy rate is 90% with substitution rates (residents moving from one building to another) of 50%. The income of the new residents was the median income of the county (IMPLAN assumption).
- For commercial projects, spending in the industry was based on end use and square footage. For commercial use, the occupancy rate was 80% with 20% substitution. For retail, the occupancy rate was 75 percent and 85 percent substitution rate.



## Appendices

Rockford: Peacock Brewery under construction

Table 1: Description of Project Case Studies

PROJECT	CITY, COUNTY	SQ. FOOTAGE	INVESTMENT (MILLION \$)	ONGOING USE
Barnes' Citizen building	Decatur, Macon	21,900	1.375	commercial
Breese Tower	Danville, Vermillion	40,000	5.000	commercial + residential
Governor's View (YMCA)	Springfield, Springfield	36,000	3,653	residential
Kaskaskia Hotel	LaSalle, LaSalle	67,125	11.610	hotel + conference center
Laclede Hotel	Murphysboro, Jackson	35,000	0.350	hostel + hotel
Lincoln School	Rock Island, Rock Island	40,000	7.045	residential
Maywood Manor	Maywood, Cook	14,450	4.805	low income residential
Newcomb Building	Quincy, Adams	96,400	18.000	senior living center
Peacock Brew House	Rockford, Winnebago	76,000	8.624	residential
Schulze Bakery	Chicago, Cook	230,000	55.000	data center
Spiegel Building	Chicago, Cook	250,000	29.844	commercial + residential
Ziock Building	Rockford, Winnebago	225,868	27.217	residential

APENDIX B  
Comparison of Project Case Study Cities

CHARACTERISTIC	CHICAGO	DECATUR	DANVILLE	LASALLE	MAYWOOD	ROCKFORD	ILLINOIS
population	2,700,741	76,286	33,044	9,620	24,234	153,509	12,790,182
median age	33	39.0	35.2	41.2	35.4	35.7	36.4
% white	44.9%	72.4%	63.8%	90.8%	10.7%	69.9%	72.0%
median household income	\$47,371	\$39,697	\$34,148	\$39,287	\$47,371	\$38,864	\$56,576
% families in poverty	17.6%	13.0%	26.5%	10.3%	14%	19.2%	9.6%
unemployment rate	12.0%	10.0%	13.7%	11.5%	17%	13.4%	9.3%
median home value	\$260,800	\$79,700	\$66,000	\$98,200	\$174,000	\$109,500	\$198,500
% owner-occupied units	47%	63.4%	57.2%	70.4%	64.8%	59.2%	68.7%
% vacant units	14%	13.7%	14.6%	7.6%	15.4%	12.5%	9.7%

\*Note: All values are 5-year estimates.

Source U.S. Census Bureau, 2007-2011 American Community Survey

CHARACTERISTIC	ROCK ISLAND	SPRINGFIELD	MURHYSBORO	QUINCY	ILLINOIS
population	39,018	115,658	8,189	40,544	12,790,182
median age	37.5	38.3	38.2	37.9	36.4
% white	74.5%	76.6%	81.5%	90.3%	72.0%
median household income	\$41,915	\$48,022	\$27,991	\$41,647	\$56,576
% families in poverty	13.1%	12.8%	23.1%	11.5%	9.6%
unemployment rate	8.4%	8.5%	15.2%	6.9%	9.3%
median home value	\$113,100	\$114,100	\$70,100	\$93,900	\$198,500
% owner-occupied units	69%	64.3%	57.9%	66.8%	68.7%
% vacant units	10.1%	9.5%	18.2%	10.1%	9.7%

- 1** Courtesy of Gary Anderson Architects
- 3** Michael Allen, Preservation Research Office
- 5** Lisa DiChiera, Landmarks Illinois
- 7** Frank Butterfield, Landmarks Illinois
- 8** Lisa DiChiera, Landmarks Illinois
- 9** Michael Allen, Preservation Research Office
- 11** Before: Michael R. Allen, Preservation Research Office, 2005.  
 After: Landmarks Association of St. Louis, 2009.
- 12** restorationSTL (<http://www.restorationstl.com/2012/hotel-blackhawk/>)
- 13** Flickr (<http://www.flickrriver.com/photos/tags/national-citybank/interesting/>)
- 14** Image made by Lydia Slocum, Preservation Research Office
- 16/17** Papageorgehaymes Partners
- 18** top: Frank Butterfield, Landmarks Illinois  
 bottom: Courtesy of Anthony Urbano, Illinois Historic Preservation Agency
- 19** courtesy of Chicago History Museum
- 20/21** Frank Butterfield, Landmarks Illinois
- 22/23** Darius Bruyjka
- 24/25** Frank Butterfield, Landmarks Illinois
- 26** top: David Shalliol  
 bottom: courtesy of Maywood Historic Preservation Commission
- 27** David Shalliol
- 28** Lydia Slocum, Preservation Research Office
- 29** Michael Allen, Preservation Research Office
- 30** Michael Allen, Preservation Research Office
- 31** Courtesy of Gardner Museum of Architecture and Design
- 32** Lisa DiChiera, Landmarks Illinois
- 33** Courtesy of Gary Anderson Architects
- 34** <http://ziock.org/archives/>
- 35** Frank Butterfield, Landmarks Illinois
- 36** top: Preservation Nation Blog (<http://blog.preservationnation.org/2012/01/06/historicproperties-for-sale-1-school-edition/>)  
  
 bottom: Flickr (<http://www.flickr.com/photos/nebbes61/4270234248/sizes/m/in/set-72157623470819624/>)
- 37** [http://en.wikipedia.org/wiki/Lincoln\\_School\\_\(Rock\\_Island,\\_Illinois\)](http://en.wikipedia.org/wiki/Lincoln_School_(Rock_Island,_Illinois))
- 38** Frank Butterfield, Landmarks Illinois
- 39** YWCA rendering, courtesy of Bruce Ferry
- 41** Michael Allen, Preservation Research Office
- 42** Friends of the Ziock Building
- 44** Lisa DiChiera, Landmarks Illinois

## APPENDIX D

### Endnotes

---

- 1** The purpose of the River Edge Redevelopment Program is to revive and redevelop environmentally challenged properties adjacent to rivers in Illinois. The four River's Edge communities are Aurora, East St. Louis, Elgin and Rockford. Peoria was included in the later historic tax credit program.
- 2** District of Columbia Office of Planning
- 3** Lipman, Frizzell & Mitchell LLC. State of Maryland Heritage Structure Rehabilitation Tax Credits: Economic and Fiscal Impacts (2002).
- 4** All case study "ongoing 5-year operations impact" values are 5-year estimates.  
Source: U.S. Census Bureau, 2007-2011 American Community Survey



Landmarks Illinois acknowledges our fellow partners for their contributions in producing this study, “Economic Development Opportunities from an Illinois Historic Tax Credit.”

AIA Illinois  
Commerce Bank  
e+u architecture  
Garrison Development Company  
Gary W. Anderson Architects  
Husch Blackwell  
Jim Peters  
LandWhite Developers, LLC  
National Trust for Historic Preservation  
Peoples EDC  
Renew Moline





