Dollar for Dollar, Historic Preservation Creates More Jobs and More Household Income than Manufacturing

In the fall of 2008, nationally known economist Donovan Rypkema spoke at the Statewide Preservation Conference on the remarkable results brought about by the historic preservation tax credit program in Missouri. The following passages have been excerpted from that speech.

While most of my clients are local or state governments, downtown organizations, non-profit organizations or preservation groups, what I really am is an economic development consultant. And at the top of the list for economic development measurements are jobs created and increased local household income. The rehabilitation of older and historic buildings is particularly potent in this regard.

As some of you may know, as a rule of thumb, new construction will be half materials and half labor. Rehabilitation, on the other hand, will be sixty to seventy percent labor with the balance being materials. This labor intensity affects a local economy on two levels. First, we buy an HVAC from Ohio and lumber from Georgia, but we buy the services of the plumber, the electrician, and the carpenter from across the street. Further, once we buy and hang the sheet rock, the sheet rock doesn’t spend any more money. But the plumber gets a hair cut on the way home, buys groceries, and joins the YMCA - each recirculating that paycheck within the community.

Many people think about economic development in terms of manufacturing, so let’s take a look at that. The average manufacturing concern in Missouri for every million dollars of production 13.9 jobs are created. But that same million dollars in the rehabilitation of an historic building here in Missouri? 20.2 jobs.

A million dollars of manufacturing output in Missouri will add, on average about $470,000 to local household incomes. But a million dollars of rehabilitation? Nearly $704,000. Now of course the argument can be made, “Yeah, but once you’ve built the building the job creation is done.” Yes, but there are two responses to that. First, real estate is a capital asset – like a drill press or a box car. It has an economic impact during construction, but a subsequent economic impact when it is in placed in service. Additionally, however, since most building components have a life of between 25 and 40 years, a community could rehabilitate 2 to 3 percent of its building stock per year and have perpetual employment in the building trades. And these jobs can’t be shipped overseas.

Historic Preservation Tax Credits Mean Jobs for Missourians

There are a range of estimates of what the Missouri tax credit has meant to this state, but let me give you mine. Under economic modeling systems, a “job” means a full time equivalent job for one year.... my number for jobs? 17,900 direct jobs and another 22,500 indirect for a total of over 40,000 jobs. As for household income, these projects have added $673 million to the pockets of Missouri citizens directly and another $700 million indirectly.

Donovan Rypkema

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