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## Community and Economic Development in North Carolina and Beyond Blog: Measuring Economic Impact of Historic Rehabilitation

By CED Program Interns & Students

Article: <https://ced.sog.unc.edu/measuring-economic-impact-of-historic-rehabilitation/>

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Across North Carolina, developers are rehabilitating historic buildings and touting the

community benefits of the renovations, such as a much-needed hotel for downtown visitors. While these projects frequently do offer many welcome benefits to communities, local governments may be weary because they are unable to access data measuring the specific benefits.

Tools exist to quantify the economic impact of just about any change in a local economy, such as a historic rehabilitation, but many of these tools are complicated to use and expensive to access.

However, there is one tool that is easy to use, free to download, and designed specifically to estimate the total economic effects of historic rehabilitations. The Center for Urban Policy and Research at Rutgers University created a tool called the Preservation Economic Impact Model (PEIM). The National Park Service and the National Trust for Historic Preservation both recommend this tool to model economic impact of a historic rehabilitation.

PEIM uses a multiplier methodology to forecast job creation, employee wages, as well as state and local tax revenues generated from a proposed project up to completion of construction. To calculate the economic impact, PEIM uses key project characteristics such as location, total development cost, and type of project. PEIM measures three types of effects:

- Direct effect: the labor and material purchased for the specific project;
- Indirect effect: spending on goods and services by the industries that produce the items purchased for the project; and
- Induced effect: expenditures made by households of workers that are employed directly or indirectly by the project.

PEIM can measure the economic impact of four different types of historic rehabilitation projects: single-family house, multi-family house, commercial building, and civic building. Additionally, the tool is designed to measure economic impacts of Heritage Tourism, Historic Sites and Museums, as well as Main Street Programs.

### Example: River Mill

River Mill, as pictured above, is a 30,000 square foot mill located in a small town in North Carolina's Northwest. The developer recently completed this renovation that included extensive work to the building's exterior, interior, as well as its site. Total cost for this historic rehabilitation was \$3.5 million.

PEIM is a simple tool to use – only taking minutes to enter the data for a project such as River Mill. There is even an option to "Get Default Values" instead of distributing detailed percentages of the total development cost among 17



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categories (architecture and engineering, general requirements, site work, concrete, etc.). "Get Default Values" uses averages for similar historic projects. Similarly, another task asks users for percentages for 15 construction categories such as masonry, metals, doors and windows, etc.; users can either input these percentages or click to "Get Default Values."

According to PEIM, this project is forecasted to create/preserve 62 jobs (42 direct and 20 indirect/induced), generate \$1.7 million in wages (net of taxes), and create \$36,000 in new tax revenues for the local government. These economic benefits are calculated only during the time of construction and do not include impacts when building is placed in service.

While an important advantage of this tool is that it asks for minimal inputs, this also decreases the potential power and accuracy of its reports. For example, PEIM does not let users input the local tax rate. Instead, PEIM uses the average local tax rate from the selected State. Without inserting more detailed and comprehensive information, the reports produced by PEIM can only be viewed as estimates. More complex and accurate estimates of economic impacts can be accessed, but at a higher cost.

Estimating the economic impacts of a project is important, especially for local governments that are asked to financially support a project. Preservation Economic Impact Model (PEIM) is a simple, free, and easy to use tool to help local governments, developers, and other entities understand the impacts of a potential historic rehabilitation project.

Important Links:

Instructions for Historic Rehabilitation Module: <http://ntcicfunds.com/services/preservation-economic-impact-model-2-0/>

Website to download Preservation Economic Impact Model (direct link that will immediately begin downloading this 345MB software as a zip file): <http://ncptt.nps.gov/download/28328>

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