The purpose of this report is to estimate the economic and fiscal impact of the State of Kentucky’s recent Enhanced Historic Tax Credit (EHTC), enabling projects to claim the 20% award. The approach in this report looks at the benefits of the program in terms of overall economic output, jobs created, tax revenue, and includes a cost-benefit analysis and pay-back schedule of the seven commercial, mixed-use projects that were approved and meet the minimum requirements under the EHTC program since July 15, 2014.

Cumulatively, the seven projects analyzed within this report have estimated total project costs of $305.2 million, QREs of $205.09 million and are estimated to qualify for $33.8 million in EHTC. The estimated $33.8 million in EHTC will be paid out across 4 years (following construction completion), roughly $8.45 million annually.

- The program is estimated to see a complete return on investment (ROI) of the anticipated $33.8 million in EHTC expended by the end of the second year of the credit period. At this time more than $42.4 million of direct State tax revenue is projected to be collected and offset against $16.9 million of EHTC claimed for the period for a leverage value of $2.5 : $1.

- The Net Present Value (NPV) of EHTC funds spent is $47.4 million, $13.6 million more than the tax credit expenditure over this same time period.

- For the estimated $33.8 million spent in EHTC, the program is anticipated to create more than 2,374 direct jobs, with 1,058 jobs as a result of construction activities and 1,317 permanent jobs in the state.

- The 7 projects supported by the EHTC program are projected to generate $180.45 million in direct economic output, and $75.1 million in secondary spending, for a total impact on Kentucky’s economy of $255.5 million by the end of the first year of stabilized operations.*

*stabilized means the property has achieved economic sustainability.
Analyzing the construction information provided for each project by the Louisville Downtown Partnership, the seven likely EHTC projects are anticipated in total to create a total of 1,723 jobs. The construction spending from the HTC award properties is anticipated to support a total of $97.0 million in labor income, with $63.2 million in direct wages.

Once construction ends and tenant operations begin, the projects’ stabilized tenant bases provide additional employment sources. The seven approved projects are projected to create 1,748 FTE positions. The annual labor income from operations is projected to contribute a base of $64.9 million to Kentucky’s economy, with $44.5 million originating directly from employment located within the seven projects.

Direct economic impact through construction and operations can be measured in catalytic community output and wages.

Prior to operations, the construction direct spending output alone is projected to generate an estimated $187 million within Kentucky’s economy and in total $273.6 million in spending – more than 8 times the amount of the original tax credit awarded.

**CONCLUSION**

Kentucky’s approval and limited use of a 20% Enhanced Historic Tax Credit has seen a healthy use of the program with significant economic activity and tax revenue produced as a result. The EHTC should see a complete ROI to State of Kentucky tax revenue within the pay-out period of the EHTC, generation of more than 3,400 FTE jobs, and total economic output and wages in excess of $626.2 at stabilization with construction period output and first year stabilization combined.