

Measuring Economic Impacts of Historic Preservation

A Report to the Advisory Council on Historic Preservation

November 2011

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Executive Summary

This study, commissioned by the Advisory Council on Historic Preservation, seeks to identify a finite number of indicators that can be used to regularly, consistently, meaningfully, and credibly measure the economic impact of historic preservation over time.

This interest in the economic aspects of historic preservation is a reflection of how the preservation movement has evolved over time. The historic preservation movement began in the United States a century and a half ago. Many of the philosophical and legal approaches to preservation in America were taken from countries in Western Europe. But over the last 150 years American historic preservation has responded to the particular American political and economic context.

Today historic preservation is a complex matrix of laws, incentives, policies and advocacy groups at the national, state, and local level. There is active participation from the public, private and non-profit sectors. This network of interests spans geographical, political, social and economic perspectives.

More importantly, however, historic preservation has become a fundamental tool for strengthening American communities. It has proven to be an effective tool for a wide range of public goals including small business incubation, affordable housing, sustainable development, neighborhood stabilization, center city revitalization, job creation, promotion of the arts and culture, small town renewal, heritage tourism, economic development, and others.

It was to better understand the economic roles and impact of historic preservation that this study was commissioned.

In meeting the goals for this study five specific steps were taken:

1. An extensive literature review of the preservation/economics link was undertaken to understand what has been measured, by whom, how, and what have been the general findings.
2. Interviews were conducted among knowledgeable parties in the public, private, and non-profit sectors. Interviewees were selected based on two criteria:
 - a. their knowledge, expertise, and/or experience in historic preservation
 - b. the likelihood that they would be potential users of historic preservation economic data if it were available.
3. An international symposium was held to better understand the current best practices in preservation economics analysis and to receive recommendations from scholars and practitioners in the field.
4. Interim briefings and updates were provided to the Advisory Council for Historic Preservation for comments and suggestions.
5. The final report and two related documents – a brief “popular report” and a PowerPoint presentation were prepared and delivered to the ACHP.

Based on the lessons learned from existing studies and publications, interviews, and a symposium convened at the University of Pennsylvania School of Design in February 2011, seven conclusions were reached:

1. Various aspects of historic preservation have substantial economic benefits as well as economic costs. While many may argue that the benefits to society, both financial and otherwise, outweigh the costs, the relationship between preservation and the economy as well as overall societal benefit remains imperfectly understood and only partially documented.
2. Research into the relationship between economics and historic preservation is critically needed.
3. There are multiple constituencies for this information, many of whom need the data and information presented in different forms.
4. Information must be consistent and credible, and its collection and dissemination ongoing.
5. While the research and methodologies require scholarly robustness, the information needs to be presented in non-academic terms.
6. While government needs to play an important role in data collection, analysis, and dissemination, it will probably be necessary for a number of private as well as public institutions to gather and evaluate the data.
7. However, there will need to be one entity that is responsible for annually releasing relevant metrics on a predictable basis.

The table below summarizes the recommendations for what should be measured, why it should be measured, suggested methodology, and, in brief, the reason that current approaches are inadequate. These findings are discussed in greater detail in the report.

Recommended Economic Measures for Historic Preservation

Measurement	Purpose	Methodology	Why new approach is needed
Jobs/Household Income	Quantify job creation and income generated by historic rehabilitation activity or other preservation-related employment	Input-Output Multipliers (RIMS, ImPlan, etc.)	<ul style="list-style-type: none"> • Only done sporadically on statewide levels • Generally only includes projects that are receiving tax credits; • Does not take fullest advantage of data that could be retrieved from NPS, Commerce, Labor, and GSA reports • Need to distinguish permanent full-time vs. seasonal or part-time short duration employment
Property Values	Demonstrate impact on property values of being within local historic district	Measurement of year-to-year value change relative to local market in general; Will require selection of representative communities and annual testing by national real estate data firm.	<ul style="list-style-type: none"> • Research is done irregularly and only on local or sample communities within a state. • No national data. • Measurement approaches vary widely. • Recent regional and local market fluctuations skew picture and may create difficulties for baseline
Heritage Tourism	Quantify absolute economic impact of heritage tourism and incremental impact relative to other forms of tourism	<ol style="list-style-type: none"> 1. Establish definition of "heritage tourism" 2. Incorporate 2-3 questions that will more clearly identify heritage tourists into existing regular tourism surveys 3. Based on surveys quantify absolute and relative contribution of heritage tourism over time. 	<ul style="list-style-type: none"> • No clear definition of "heritage tourist" or focus of "heritage tourism" visits • Specific research on heritage tourism impact irregular and rarely on national level. • No way to track on an annual basis if heritage tourism is growing, shrinking, changing, etc., especially since visitation lumped with other travel and recreation

Measurement	Purpose	Methodology	Why new approach is needed
Environmental Measurements	Demonstrate the contribution of historic preservation to broader “sustainable development,” “Smart Growth,” “energy conservation,” and environmentally-sensitive or “green” community planning	Develop 2-3 standard measurables that might include: 1) infrastructure costs savings from historic rehabilitation; 2) embodied energy of rehabilitated buildings; 3) greenfields <i>not</i> developed because of historic preservation activity	<ul style="list-style-type: none"> • No standard definitions or approaches for measuring historic preservation/environment relationship • No national data • Weak understanding among environmentalists, preservationists, and general public of link
Downtown Revitalization	Understand the role of historic preservation and downtown, commercial district revitalization.	Expand and supplement existing aggregated data collected by the National Main Street Center. Commission regular academic analysis of comparative and non-Main Street approaches to revitalization and how historic resources are incorporated or used in the process.	<ul style="list-style-type: none"> • Main Street data as currently gathered while useful, does not meet the standards of robust, defensible research. • There is no ongoing measurement of preservation-based commercial revitalization not affiliated with Main Street, except in limited ways through CDBG • There is no comparison of what is happening in Main Street communities and similar non-Main Street communities.

Next Steps

This study was commissioned in order to: 1) understand what has been learned to date about the nexus of historic preservation and economics; 2) learn what specific information would be most valuable to preservation advocates and how that information would be used; and 3) receive recommendations on specifically what should be measured and by whom.

It was also expected, however, that the report would identify the next steps that should be taken in order to reach the goal of regularly, consistently, meaningfully, and credibly measuring the economic impact of historic preservation over time.

1. Identify and reach agreement with responsible parties to undertake the ongoing research and data collection for each of the recommended indicators.

Because of the diverse nature of the proposed research as well as costs and other issues it is recommended that there be a collaboration of several entities each committed to conducting a portion of this research. Among these research partners might be: ACHP, National Park Service, Department of Commerce, General Services Administration, Department of Defense, National Trust for Historic Preservation, the nascent Ellis Island Preservation Resource Center, and universities including Rutgers, the University of Pennsylvania, the University of Maryland, and others.

2. In conjunction with the responsible parties, create a long-term research, evaluation and reporting plan.

At the outset the research partners will need to reach agreement as to: (1) who will conduct which research; (2) how and when will that research be provided; (3) who will aggregate the individual research projects into a single report; and (4) how and when will the results of the research be published and distributed.

3. Establish baseline(s) for each of the recommended indicators.

As it is the hope that the recommended research will be conducted and released annually, there will need to be a base established against which change is measured. As the first step in each research component, the responsible research partner should identify what that base will be and how the data that constitutes that base will be acquired.

4. Work with the identified parties to systematize data collection.

While it will be important that the reports of the research are written in such a fashion as to be understandable by a non-technical audience, the methodologies and research approaches utilized will need to be both transparent and defensible under scholarly scrutiny. Each participating research entity should, therefore, identify a data collection and analysis procedure that is academically robust and replicable from year to year.

Historic preservation will not reach its optimum potential to contribute to the American economy or American society without such research being done.

Introduction

The historic preservation movement in the United States began with a focus on protecting and restoring individual monuments of national importance. By the time the National Historic Preservation Act (NHPA) was passed in 1966, however, the range of what constituted “heritage” and the purposes that protecting that heritage advanced had widened considerably. The NHPA specifically noted that:

...the historical and cultural foundations of the Nation should be preserved as a living part of our community life and development in order to give a sense of orientation to the American people;

and further that:

...the preservation of this irreplaceable heritage is in the public interest so that its vital legacy of cultural, educational, aesthetic, inspirational, economic, and energy benefits will be maintained and enriched for future generations of Americans.¹

As in most countries, the beginning of the historic preservation movement in America focused on the preservation of individual monuments. In the case of the United States the beginning of historic preservation is usually identified as the efforts in 1853 of Ann Pamela Cunningham to acquire and preserve Mt. Vernon, the home of the first president, George Washington.

Just over fifty years later the federal government first became involved with the passage of the Federal Antiquities Act in 1906. The act was passed in part because of concern about plundering of Native American sites in the southwest United States. This law was largely confined to Federal lands. It authorized the President to declare areas within Federal ownership as National Monuments and prohibited the excavation, destruction or appropriation of antiquities on Federal lands without a permit.

In the 1920s and 1930s two American cities – Charleston, South Carolina and New Orleans, Louisiana – each adopted what are now known as historic district commissions to protect neighborhoods of historic houses.

These events represent the ongoing evolution of historic preservation in the United States – from monument to archeology to neighborhood. That evolution continues. Today “historic preservation” means attention to cultural landscapes, the role of historic buildings in comprehensive sustainable development, downtown revitalization, heritage tourism, the contribution of historic sites, trails, and corridors to outdoor recreation, and – the focus of this report – economic development.

But the structure and focus of today’s historic preservation was codified with the passage of the National Historic Preservation Act in 1966. To celebrate 40 years of progress in historic preservation throughout the country under the National Historic Preservation Act and to look forward to its milestone 50th anniversary in 2016, the Advisory Council on Historic Preservation (ACHP) convened the Preserve America Summit in New Orleans in October 2006. Keynoted by the First Lady Laura Bush, serving as the Honorary Chair of Preserve America, the Summit brought together a wide range of individuals, organizations, and agencies that are committed to promoting historic preservation and its

¹ National Historic Preservation Act of 1966 as amended through 2006, Section 1(b)

benefits. The Summit resulted in a number of ideas for improving the national historic preservation program and its integration with other important public priorities, including economic and community development.

One of the recommendations emerging from that Summit was to:

Measure and share preservation's benefits by developing consistent ways to measure direct and indirect impacts (particularly economic) and by pursuing and promoting necessary research.

It was as an outgrowth of that recommendation that the ACHP commissioned the analysis of which this document is the final report. Specifically the purpose of this effort was identified as follows:

The Advisory Council on Historic Preservation (ACHP) is seeking proposals for conducting research on the most effective methods for quantifying and measuring the economic impacts of historic preservation, including both local impacts (e.g., property rehabilitation, job creation, property values, tax incentives, and investment) and regional impacts (e.g., spending from heritage tourism). The ACHP is particularly interested in the best means for measuring and expressing local and regional economic sustainability through the preservation and use of historic assets; the creation of economic base jobs and infrastructure investment; the ripple effect of historic preservation and heritage tourism through local, statewide, and regional economies; and any indicators of potential success (including leveraging) in future historic preservation investment.

The economic development consulting firm *PlaceEconomics* in conjunction with the graduate program in Historic Preservation at the University of Pennsylvania was selected to undertake this analysis. Between November 2010 and May 2011 the following steps were undertaken to respond to the requirements of the assignment:

1. A literature review was conducted of the analyses, academic papers, impact studies, and other documents that have been completed on the topic and in related fields since the release of the comprehensive literature review completed by Dr. Randall Mason and the Brookings Institute in 2005 entitled *The Economics of Historic Preservation*.
http://www.brookings.edu/reports/2005/09metropolitanpolicy_mason.aspx (See Appendix G)
2. All of those economic impact studies of historic preservation were collected and the areas included in the research and the methodologies used were identified. All studies completed and released subsequent to 2005 were included if the primary focus of the report was on the economic impact of historic preservation. Studies that were primarily tourism studies, for example, but only addressed historic preservation in passing and/or not in a quantifiable manner were not included
3. An international symposium on the economics of historic preservation was held at the University of Pennsylvania to help inform the analysis and offer insights into fruitful approaches.
4. A series of interviews were conducted with persons in federal agencies, state agencies, the national education/advocacy preservation community and the private sector. The purpose of the interviews was to gain an understanding of the importance of research on the economics of

historic preservation and the types of data the interviewee thought might be valuable based on his or her particular experience or insight. Interviewees offered comments and critiques of existing analysis with which the interviewee was familiar and suggestions as to types of methodologies that might be useful in future preservation economic research. Discussions also elicited the ways such research might be used in the future and the desired target audience(s) for this information from each interviewee's perspective.

5. Interim presentations were made to ACHP members and staff to allow comments, suggestions, and interactions prior to the preparation of the final report.
6. Based on all of the above, the consultant team tried to answer the following questions:
 - a. What indicators of economic activity are currently being measured as resulting from historic preservation?
 - b. What are the methodologies that are being used in each area?
 - c. Are the methodologies being used robust, credible, and understandable by ultimate users of the information?
 - d. What are the economic measures that should be evaluated?
 - e. What are the recommended methodologies for those areas?
 - f. Who might be responsible for the collection and analysis of the data in each area?

Based on that construct for this report, the consultant team simplified the assignment as follows:

Identify a finite number of indicators that can be used to regularly, consistently, meaningfully, and credibly measure the economic impact of historic preservation over time.

The report that follows is meant to fulfill that assignment.

Interviews

In December, 2010 and January, 2011, we conducted interviews with the persons listed at the end of this report in order to ascertain the existing perceptions of economic impact analysis within the broader governmental and historic preservation community. Interviewees were selected from the public, non-profit and private sectors and each had experience, expertise, or direct responsibilities in historic preservation and had either knowledge about or had utilized historic preservation economic analyses. Participants were asked for their opinions of extant data and methodologies and what, if any, data and methodology they thought would be useful in the future. A complete list of interviewees is found in Appendix A.

Findings and Issues

During our discussions, several themes emerged. These include but are not limited to:

1. **The importance.** There has been substantial if not universal agreement on the need for quantifiable metrics on the economic impact of historic preservation. One interviewee said the need was for information that was usable, sustainable, and annualizable. Whether or not it was possible to obtain information on an annual basis, it certainly should be available on a regular and systematic basis.
2. **The audience.** It has become very clear that there is not just one “audience” for this information. Among the target audiences identified have been: Congress, the Office of Management and Budget, colleagues within a Cabinet department, other Cabinet departments, senior political appointees, state legislators, local public officials, preservation advocates, and the general public. Certainly what each of these groups would do with the information and how it should be articulated and presented for that group would vary considerably.
3. **The methodology, clarity, and transparency.** A number of observations were received regarding methodology, some of them mutually contradictory:
 - a. The need for further, detailed explanation of a study’s methodology and approach, highlighting a need for transparency and clarity in assessments (this comment came primarily from economists or academics who felt that a study’s validity lay in understanding the methodology).
 - b. In contrast, several interviewees stated a strong preference for simply presented facts absent of detailed explanations of methodology and details, emphasizing approachability and easy comprehension.
 - c. Methodologies are not universal – while there is an acknowledged need to identify key measurables or values, local context and factors must be taken into account.
 - d. Measurements on a state, regional, town or Congressional district level would be useful.

- e. However, there is an acknowledged need for standardized measurables across reports so that data can be more easily compared and analyzed, particularly over longer periods of time. Currently it is difficult to aggregate or even compare data from one report to another, as they are commissioned by different clients at different times using different researchers. Having a standardized model or set of measurables also contributes to the overall validity of such economic impact assessments.
 - f. Methodologies (software or other reporting/data collection and analysis mechanism) need to be accessible and usable ("simple") for those collecting and analyzing data.
 - g. Data collection, in terms of type and objectivity of data, frequency of collection, and who collects it and where it is collected, needs to be improved. This also raises a funding issue.
 - h. The economic impact of historic preservation regulations and/or local zoning with preservation implications on property values is a necessary measurable.
 - i. Data in general needs to be more readily available and shared among states.
4. **Broader definition of *economic*.** There has been agreement that clearly economic data such as property values and job creation is important. However, there is wide-spread and growing consensus that also important are the "economics once removed" data, particularly on the environmental side. Reliable and defensible data on factors such as landfill impact, embodied energy, reuse of infrastructure, life cycle costing, et al, are seen as critical. It was noted that in spite of a federal mandate to agencies to reduce their carbon footprint and the emphasis on sustainable buildings, the data that would include the attributes of a building already in existence are not currently included in the calculus.

Detailed Summary of Interviews

The following are comments received from the interviewees. In writing this it was decided that a range of opinions would be represented in summarizing the key points, recognizing that there are occasionally contradictory comments. In several instances the authors of the report do not necessarily concur with the interviewee's response, but this section is intended to reflect the varied opinions of other experts in historic preservation and/or economic analysis.

Key Points

- Some respondents had heard from colleagues that, while the data collected and presented by historic preservation organizations was appreciated, it was biased because it came from the preservation field. Therefore, there is a need for data that is collected and analyzed by an independent institution, perhaps an academic one. However, others felt that this issue of impartiality is not as important because the developers and local officials with whom some officials work do not focus on the study's author.

- Data, methodology and subsequent studies need to be accessible and understandable in cost, collection and analysis for local and state officials and preferably not require a third-party analyst. They also need to have longer relevance and applicability beyond just the initial data collection or study years. Methodologies in particular should be stand-alone and accessible for annual updates. Ideally, the historic preservation field would have an official model, endorsed by the National Trust for Historic Preservation, the National Park Service, the ACHP, and academic institutions, with funding behind it so that it can be updated annually. This model should be available and usable by anyone – metrics should be simple and applicable to states, regions, tribes, and communities of different sizes.
- One respondent said that the majority of preservation-related studies the person had seen have been environmental impact assessments that fail to convey the net economic benefits that may accrue from preservation. This raises questions regarding the investment costs of tax credits, and the return on investment (ROI). Many studies discuss the impacts, but not the benefits.
- States are increasingly looking at the impact of federal, state and local tax credits on their overall budgets.
- Data is lacking – there is a need for primary research.
- Most of the studies currently produced are tenuous. Models are too hypothetical and all different. However, there cannot be one model for the whole industry as historic places need to be considered within their context. Models need to reflect that.
- Many felt that the federal government is not currently using existing tools to their fullest capabilities. For example, applications for receiving the federal tax credit require both the building's square footage and the amount spent. But the National Park Service does not make the relatively simple calculation – rehabilitation cost per square foot. Since historic preservation is often accused of being excessively expensive, a report showing the range of projects costs could be a simple but exceedingly useful annual calculation.
- In spite of labor intensity, historic preservation seems to have weak support among labor unions.
- Data, methodologies, and studies need to show not only what is happening at the national and state level, but also, and perhaps most importantly, at the local level.

Data

- Data should focus on jobs created, how private investment is leveraged, how incentives like the federal tax credit generate more benefits and revenue than they cost in lost tax revenues. (A

good example comes from Michigan where a study was conducted that compared the economic impact of the Community Rehabilitation and Reinvestment Act with that of the Homeowner's Tax Credit.) A community needs baseline data to use through the ups and downs of social and economic cycles. This data should be as geographically specific as possible, as legislators want to know what is happening in their district. However, the localized data also should be amenable to aggregation so that broader trends can be seen across states or nationally.

- Data could perhaps connect census data and property values. In measuring property values, the quality of school districts could be used as a control to isolate the impact of historic district designation. Transactional data is more reliable than census data, so including market transactions would help but probably not be sufficient on its own.
- Data needs to indicate who is getting the jobs that are created and filter them through demographic categories such as income and industry. It also needs to track, for example, what happens in a historic commercial building after a rehabilitation project is completed. For example, jobs data needs to help people articulate the direct, indirect, and induced impacts of these jobs, particularly to legislators, with geographic specificity. This data should also emphasize the fact that historic preservation jobs often require advanced skills and pay higher wages. Union involvement should be explored.
- Data collection needs to be improved. This process could be built into the model. Collection needs to begin at census tract and congressional district levels.
 - Some thought that data collection should start with tax credits, and then look at buildings that are more than 50 years old. This could pull from data collected by the American Institute of Architects and Urban Land Institute in addition to the National Park Service and the State Historic Preservation Offices.
- Data can also highlight the relationship between the National Register of Historic Places, tax credits, and poverty.
- Data on the economic impact of heritage tourism is not readily available, in part because it is not separable from other tourism industry, public lands, or outdoor recreation data. Data that is available is collected with different baselines and methodologies.
- Tourism professionals want data that identifies the big numbers (i.e. "heads in beds," lodging and entertainment tax revenues) and for marketing purposes. Key questions are: How much do heritage travelers spend compared to other tourists? Do they stay longer? How many heritage travelers are there and what are their characteristics?
 - The definition of a "heritage site" is changing to include "attractions" beyond museums or commercial properties that charge admission. Currently, these sites are not well-accounted for in heritage tourism data in a regular way.
- Perhaps data could be approached by looking at it in terms of the future – "what are our unmet needs? What kinds of economic activity would we have generated if we were fully funded over X

years? How does this relate to broader trends such as Baby Boomer retirement and leisure travel, or climate change?"

Methodology

- A methodology needs to be stand-alone and accessible for annual updates. It should also have longevity so that what is tracked now can be used for comparative purposes in 25 years, just as weather records are tracked. However, state and local partners are not currently equipped to measure economic impacts in such a format. Nonetheless, the methodology needs to:
 - account for degrees of historic preservation, from complete preservation and restoration to demolition and interpretation of vacant sites
 - allow for dollar-for-dollar comparisons across industries
 - be accessible and approachable so that advocates can find data easily
 - be quick to produce so that data can be readily available and not require the contracting of a third-party to either collect or process data
 - be simple to gather and not just an academic tool, standardized and official (which would require a steady funding source and perhaps the credibility of a university)
- Collection and methodology needs to be standardized so that information is regular and comparable.
- End audience is: local officials, legislators, politicians, private foundations and funders. Local governments are most important.
- Case studies need to be developed and shared so that their lessons can be applied locally and successful strategies replicated.

Study

- A compelling study of any particular measure needs to lay out the benefits, costs, who receives the benefits, who pays the costs and how. There needs to be a systematic technique or model that is transparent in its methodology.
- Studies need to present data and analysis in the context of broader issues such as community vitality, quality of life and environmental sustainability. The economic data is important, but studies should be careful not to be too detailed and confusing – they need to be approachable by and understandable to the average reader.
- For historic rehabilitation, a study needs to measure the impact of a project after it is serviced, not just at the beginning and end of the construction period. Individuals look at the benefits demonstrated in studies in the short-term, while a community takes a longer-term perspective.

However, there is difficulty in generalizing from anecdotal evidence, or from general assertions about the tourism potential of a historic resource.

- There are currently too many caveats in existing analyses and methodologies.
- Any study must demonstrate a positive cost-benefit: that the cost to protect and use the historic site or resource is equal to or less than the value of the protected object to society. If it is not, then protection may not be in the public interest.
- Some respondents would like to see a study that analyzes the connection between the costs and benefits of preservation based on ultimate property values and return on investment from tax credits.

Federal Rehabilitation Tax Incentive

- Currently, two-thirds of approved projects for the federal tax credit are in low-income areas. This could be a new target area for a credit
 - The current format for analyzing the impact of federal tax credits differentiates between money spent on new construction and rehabilitation of existing structures. More data is needed on the pluses and minuses of the credit – what costs are included in the listed costs? Where are the real savings from using extant buildings and how are they quantified?
- In order to analyze the relationship between the Federal Rehabilitation Tax Incentive and low-income areas, applications should ask for census tract and congressional district. Additionally, every time a Part 3² is approved a letter could be sent to the congressional representative. This would increase the credit's visibility and benefits.
- Some respondents would use the data to lobby for federal tax credit support, including expanding the use of tax credits to non-commercial properties.
- Data should consider the tax base's impact on the provision of the credit, as the cost of administering the credit is scaled. It also needs to consider the size of the credit market – there is a threshold issue with the tax credits in looking at the size of the market below \$1.
- Modeling of tax credit and investment trends at a local and regional level would be very useful.
- Data regarding Federal Rehabilitation Tax Credits needs to dig deeper into the impacts of money spent on extant structures.

² "Part 3" refers to the form submitted to the National Park Service after completion of a historic rehabilitation project. It is on the approval of a Part 3 that a property owner is entitled to take the federal tax credit.

Symposium

As part of the research project, a one-day symposium was convened at the University of Pennsylvania's School of Design on February 8, 2011. The goal of the symposium was to lend additional depth to the team's exploration of best practice in conceptualization and measurement of the economic values of historic preservation.

The symposium framed possibilities for applying economic methods to practical, policy, and political problems encountered in historic preservation—as opposed to regarding economic studies as ends in themselves. The goal was to bridge academic research and practical application; to match the needs of advocacy and policy workers with the capabilities of academic (particularly economic) researchers.

Keynote presentations were made by Drs. Guido Licciardi of the World Bank and Christian Ost of the ICHEC Brussels Management School, followed by commentary and responses from Erica Avrami of the World Monuments Fund, Dr. Jeff Adams of Beloit College, and Dr. David Listokin of Rutgers University. The symposium highlighted the following points, among many others:

- Economic studies set up decisions but they do not make the decisions. The results of studies are used—or ignored—in the context of “political will,” perceptions of political gain or risk, and the political economy of government action and/or investor profit motive.
- It is a danger to focus too narrowly on economic values. Studies of economic value should contextualize this among the other values of historic preservation (cultural, aesthetic, etc.)
- There is a lack of serious evaluation work, using accepted econometric methodologies, in the historic preservation field.
- Preservation consists of both private goods and public goods; this “mixed” nature yields both confusion and opportunity when it comes to choice of methods to evaluate and measure economic impacts.
- We tend to understand “economic benefits” in a single-time snapshot, static way that is too narrow. Historic preservation yields “process” benefits as well, such as community cohesion, social capital, etc., that are not captured by looking just at property values. Our tools need to be matched to the whole spectrum of benefits we wish to measure.

A more complete report on the symposium is found in Appendix B.

Current Data, Methodologies, and Programs

Over the last 15 years a number of studies have been undertaken to measure the economic impact of historic preservation. Most of these have been done on a statewide basis. While there are variations among the studies, included in nearly all of them is an effort to measure that impact in four areas: the creation of jobs and household income from the rehabilitation process itself; the impact of heritage tourism; the impact on property values stemming from the protections of a local historic district; and economic development indicators from preservation-based downtown revitalization programs such as *Main Street*.

Less common, but included in some statewide studies are: 1) environmental impacts of historic preservation; 2) analysis of the effectiveness of state tax credit and grant programs; 3) the role of historic preservation in providing affordable housing; and 4) such environmental/social measurements such as walkability.

Despite these commonalities, there is no standard template of indicators or methodology to guide those conducting historic preservation economic impact assessments. However, the resultant diversity in approaches and methodology should not be considered detrimental to measurement efforts, as preservation economics is still an emerging discipline and this variety currently serves to further develop and enhance the field.

Missing the Qualitative Side

While existing studies have provided valuable information on the quantitative side, many of the positive impacts still go unmeasured. Historic preservation yields both private and public goods. In economic terms this means that the benefits flowing from these goods include those traded in markets (by definition the private) and those provided outside of markets (by definition the public; provided by government agencies or philanthropic organizations). While some of the approaches discussed below capture private/market values well; qualitative methods are warranted as a complement to quantitative econometrics because the public goods are poorly understood in terms of price. It follows that some combination of qualitative and quantitative methods are appropriate to the two-fold task of, first, capturing the full range of economic and noneconomic values in measurements; and secondly, mitigating against the isolation of just a few values and privileging private values by overemphasizing quantitative, econometric measures.

Without casting doubt on the insights to be gained from econometric studies of historic preservation, qualitative methods have particular contributions to make to heritage economics as a complement to quantitative studies. While specific qualitative measurements are not among the five specific indicators recommended in this report, suggestions of this type of research that might be carried out independently or in the future are discussed at length in Appendix D.

Below is discussed each of the areas of research that has been included in existing studies, including a brief description of what is measured and the methodology used and the strengths and weaknesses of each approach.

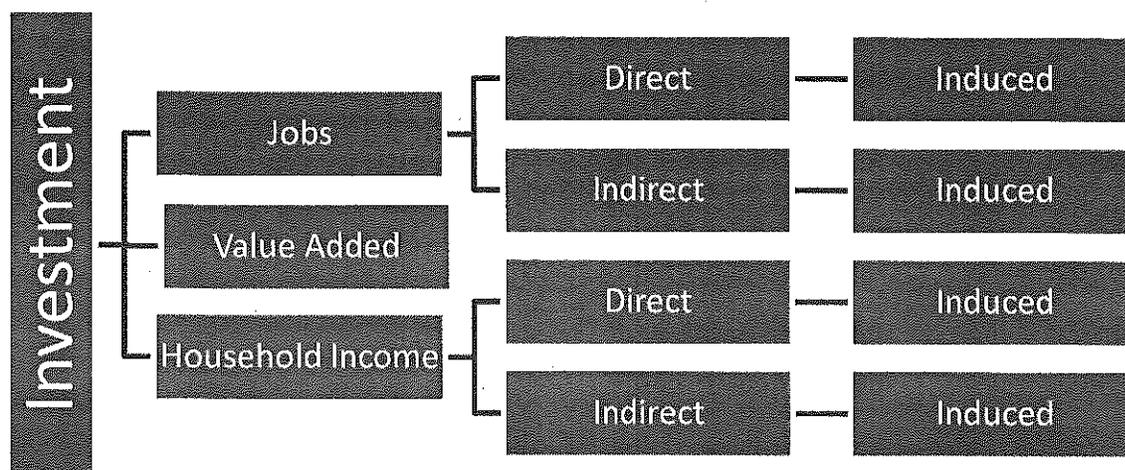
Jobs and Household Income

The most frequently cited indicator of the economic impact of historic preservation is the number of jobs and amount of household income created through the process of rehabilitating a historic building. This measurement is included in nearly every analysis for a number of reasons. First, data on private investment is generally readily available as owners and investors must report their expenditures to be eligible for federal and state tax credits. Second, widely recognized and accepted methodologies are available to translate investment into numbers of jobs and amount of household income. Finally, local

elected officials, economic development proponents, and taxing jurisdictions are all eager to discover local economic activity that generates jobs.

What is measured?

Based on dollars of expenditure, calculations are made that reveal: number of jobs (direct, indirect, and induced), amount of household income (direct, indirect, and induced), and sometimes *value added* through the rehabilitation process. The expenditure amounts generally come from the amount reported for projects utilizing the Federal Rehabilitation Tax Credit. Where applicable the investment in projects utilizing state historic tax credits and, when they exist, state grant programs is also converted into jobs and household income. Graphically the analysis is as follows:



How is it measured?

The calculation of the above, including jobs and household income, are calculated using sophisticated econometric modeling systems such as the RIMS II – the Regional Input-Output Modeling System created by the Bureau of Economic Analysis of the US Department of Commerce – or the IMPLAN system - (Impact analysis for PLANNing) economic impact modeling system. Some studies have also used Rutgers University Center for Urban Policy Research's and the National Park Service's *Preservation Economic Impact Model* (PEIM).³ All of these databases are commonly used by planners, economists and other professionals in creating economic impact models and analysis within a variety of industries. The widespread acceptance and use of such econometric modeling systems standardizes their application within the historic preservation field.

Strengths and weaknesses of the methodology

The strengths of the methodology are:

- It is well known and commonly accepted.

³ See **Appendix C** for a full description of RIMS II, IMPLAN and PEIM.

- It is relatively easy to apply.
- Historic rehabilitation (mostly construction) can be directly compared with other industries as to job creation and household income per million dollars of output.

Because of the labor intensity of the rehabilitation process and because construction jobs are generally well paid, particularly for those without advanced formal education, the local economic impact is not only significant but significantly greater per amount of output than most other sectors of economic activity, particularly manufacturing. Further, since the models themselves are created by those disinterested in any particular industry, there is less risk that the findings are seen as “tainted” by an advocacy position.

There are weaknesses, however. First it is only the expenditure data from tax credit projects and grants that is readily available. But those amounts are far from the total amount invested annually in historic rehabilitation. A homeowner who restores her historic house is not eligible for the federal tax credits, nor is the religious institution, fraternal organization, non-profit entity, or most colleges or hospitals. Further many property owners, who would otherwise be eligible for federal or state tax credits, simply choose not to use them or don't even know they exist. Government at all three levels invests in historic buildings but rarely are those systematically disaggregated from overall capital budgets and separately reported as historic rehabilitation investments. Conservatively the total amount of “historic rehabilitation” in any given year is likely to be three to five times the amount reported for tax credit and grant projects.

The second weakness is that “historic rehabilitation” is not a specific category of industry for which data is directly available. Therefore proxy indicators must be derived from existing categories. Most often used in ImPlan, for example, is the category *Maintenance and repair construction* for either residential or non-residential activity. Because historic rehabilitation is in most cases even more specialized and labor intensive than just typical “maintenance and repair construction” the impacts on jobs and household income is probably understated. RIMS II formerly had a maintenance and repair construction category but no longer provides separate multipliers in that area, so an indirect method must be used to calculate the greater numbers of jobs and household income than is generated by new construction.

Finally, the third weakness is a definitional one – what, exactly, constitutes “historic preservation”? Here the use of tax credit projects is useful since: a) those buildings are, by definition, “historic,” and b) there is a quality control imposed by the use of the Secretary of Interior's Standards for Rehabilitation which is a prerequisite for receiving the federal and most state tax credit awards. Additionally the work by federal government entities on historic buildings under their purview would in most cases qualify under most definitions of “historic preservation” since it is generally held that they are obligated to appropriately treat the buildings as part of their obligations under the National Historic Preservation Act. In most cases historic buildings subject to review by a local historic district commission (or its equivalent) *where there are good design standards* would count as “historic preservation.”

But there are thousands of other projects (and hundreds of millions of dollars of investment) each year for which determining “Is this historic preservation?” is much more problematic. Examples of these situations are:

- Institutional (e.g. universities, hospitals, religious institutions) investment in historic structures where there are no specific guidelines to which the work must conform.
- Investment in historic residential structures where there is no applicable tax credit and no preservation program oversight.
- Rehabilitation of historic buildings by state and local governments where there is not a local equivalent of the standards the federal government sets..
- Historic building rehabilitation of commercial structures, absent a tax credit application to the state, where there is no local preservation commission.
- Most new construction in local historic districts that is not subject to preservation review.
- Remodeling of historic buildings where the work is entirely on the interior and not subject to any preservation review.

In the United States there are more than 18,000 units of local government (cities, towns, villages, counties, etc.) but the National Park Service reports that only 2,700 of them have local preservation commissions that have been certified under the program. So what about the “historic preservation” in the other 15,000 or so?

The point is that if there were a consistent definition of what constitutes “historic preservation” *and* there were a means of estimating the amount of investment for those areas where data is not currently available, the jobs/household income calculations would more accurately reflect the totality of that sum of historic preservation’s economic impact. We believe that the number would be much larger than those reported in existing studies.

Heritage Tourism

Often when “historic preservation” and “economics” are mentioned in one sentence, the default response is “Oh, you must mean heritage tourism.” What is known is that tourism is a growth industry worldwide, there seems to be consistent evidence that heritage tourism is one of the fastest growing segments of that industry, and many states report that tourism is one of their largest industries, particularly when measured by number of employees.

What is measured?

Because of the size and sophistication of the tourism industry (at least on a state and national level) a number of variables are regularly measured. An extended list of these variables is found in Appendix C. Because *heritage tourism* is a sub-set of total tourism, most analyses of this sector do not include the full range of variables. Among those that are commonly included in heritage-specific tourism studies are the following:

<i>Demand side</i>	<i>Supply side</i>	Economic Measurements	Satisfaction Indicators
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<i>Demand side</i>	<i>Supply side</i>	Economic Measurements	Satisfaction Indicators
Number of visitors	Activity venues*	Expenditure per day	Difference between expectation and experience
Duration of stay	Museums	Expenditure per trip	Value of visitation relative to cost
Origin of visitors	Civil War sites	Allocation of expenditures	Quality of exhibits
Means of transportation	Historic sites	Employment generation	Opportunity to learn
Place of lodging	Other	Tax generation (sales, income)	Facilities*
Destination(s)		Relative per-day and per-trip expenditures of heritage visitors as compared to all tourists	Staff**
Visitor characteristics			Inclination to return
Depth of visitor emphasis*			
Heritage visitors as percentage of all visitors			
Other sites visited			
* How strongly were heritage-related activity a driver for the choice of where to go and what to do	* Often merged with "Activities undertaken during trip"		* Cleanliness, condition, sense of safety, gift shop or purchase opportunities ** Helpfulness, friendliness, knowledge of site/history

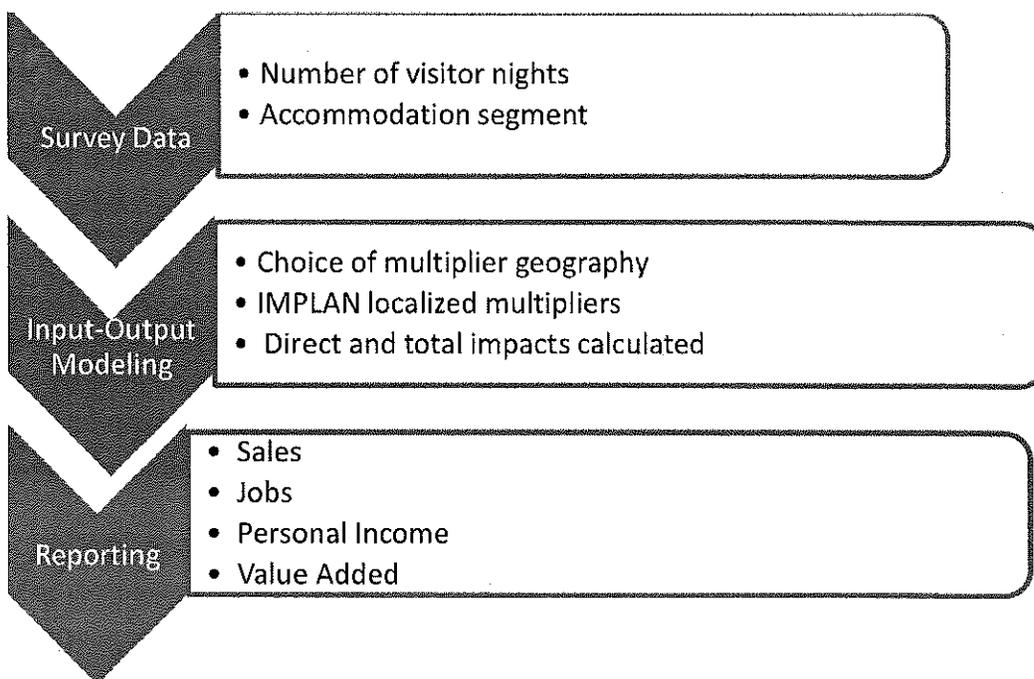
How is it measured?

Tourism impact studies are survey based. The Tourism Industry Association (TIA) commissions massive surveys, the results of which are available for a fee to members. This data is also sortable and is frequently purchased by state tourism offices and used as the base for their own analyses and subsequent strategies. The Department of Commerce conducts in-flight surveys among international visitors arriving in the US by plane. Several states regularly conduct visitor surveys at welcome centers and at state-owned visitation sites.

For the past several years the National Park Service has evaluated the economic impact of park visitors using MGM2 – Money Generation Model. This relatively user-friendly approach requires the park to enter three basic pieces of information: number of visitor nights; visitor segments (based on nature of accommodations); and a choice of multipliers (rural, small metro area, large metro area, or region).

Based on this input the MGM2 system will calculate: sales, jobs, personal income and value added, broken down in the twelve industries most affected by tourism expenditures.

Graphically the process could be represented as follows



While every study will have some customization, this process most often used is first, estimating the number of visitors and daily expenditures through surveys; and then aggregating those expenditures and applying I-O (input-output) multipliers.

Finally surveys are often included as an original research component of commissioned tourism studies. Depending on the scale of the analysis, these surveys may be conducted as one-on-one surveys at a historic site, or as telephone or mail surveys among a target group likely to be travelers. More recently online surveying has been utilized in the tourism industry but some analysis suggests that the accuracy of internet-based surveys is significantly less than telephone or mail surveys.

Again, since heritage tourists are a sub-set of all tourists, typically heritage tourism analysts will simply start with larger scale tourism data and disaggregate that portion of the whole defined as heritage tourists. In cases where attempting to define "total impact" seems problematic given the base data, some analyses have simply calculated the incrementally greater impact of heritage tourists versus tourists in general. In nearly all the comparative analyses, heritage tourists (however defined) tend to stay longer, visit more places, and spend more per day than tourists in general, thereby having a significantly greater per trip economic impact.

Strengths and weaknesses of the methodology

Surveys are a perfectly adequate means of gathering base data upon which overall impacts can be calculated using I-O models or other methods, *if*: 1) the survey base is large enough (one national survey

interviews between 22,000 and 25,000 households quarterly); and 2) if the questions are properly drawn. The problem is quantity – regular surveys of large numbers of households are an expensive undertaking.

Furthermore, some recent heritage tourism surveys have had, arguably, sufficient numbers of respondents to be reasonably accurate on first-level questions (male/female; origin of trip, etc.) but the numbers become so small as to provide questionable reliability on “drill down” percentages (i.e., responses of women who arrived by airplane).

And certainly with tourism survey data there is a definitional problem on two levels: 1) what counts as a “heritage tourist”; and 2) how much of the visitor’s expenditures should be included in the impact analysis? Further, especially when trying to calculate impacts locally, what about transportation costs? This is particularly true of visitors arriving by plane or other form of public transportation. Since a major budget item for any tourist is transportation, where are those impacts measured? At the corporate headquarters of the airline? At the point of origin of the trip? At the arrival point? Allocated between both?

In candor, there are probably few industries where greater amounts of data are presented with as much confidence as with the tourism industry. But much of that data should be viewed with significant skepticism, not because the data is consciously skewed by the analysts, but because the “what should count” question is rarely adequately addressed.

Property Values

Because of concerns of “property rights” and a widespread suspicion of regulation among property owners, the creation of local historic districts is not infrequently an issue of heated debate. Among the arguments used by opponents is “a local historic district will constitute another layer of regulation and more regulation, *prima facie*, will have an adverse effect on property values.” Historic property owners may also resent being regulated more than their neighbors, when they may have already agreed through their stewardship to devote extra care for a historic resource. Because of this, the relationship between local historic districts and property values has been the most studied area of preservation economics in the United States.

What is measured?

Most studies of the relationship between historic designation and property value look at the value of the affected properties, the rate of value change of the properties, or the contributory value of being within a local historic district.

In the first category two approaches are common:

- Simple value comparison. What is the difference in value between a property in a historic district with a similar property not in the district?
- Before and after designation. What was the average value of houses in the neighborhood before historic designation and after historic designation?

In the second category common types of analysis are:

- Appreciation compared to the local market. At what rate did properties in the historic district appreciate (or decline) in value over time and how does that value change compare with properties in the local market that are not in a historic district?
- Appreciation compared to similar neighborhood. At what rate did properties in the historic district appreciate (or decline) in value over time and how does that value change compare with properties in a similar neighborhood that is not a historic district?

The third category of analyses is the most sophisticated and attempts mathematically to identify the monetary contribution of each of the significant variables that affect the price of a property (size, number of bedrooms, garage, pool, etc.). Once all the other variables are accounted for the difference, if any, of being within a local historic district can be isolated.

How is it measured?

Property values (and value changes) are measured in two alternative ways: actual transactions in the marketplace, or a proxy for those transactions. Since in most places in the United States, property taxes are levied on an *ad valorem* basis, the assessed value for taxation purposes can usually be effectively used as a proxy for sales prices. The advantages of using assessed valuation are:

- The numbers of properties are large, obviating the small sample problem that is encountered when using actual transactions.
- The assessed data is generally in the public record so can be easily accessed (which is not always the case with Multiple Listing Services of local Boards of Realtors®).
- Many jurisdictions have all of their property records computerized so sorting and evaluating becomes easier.
- Most of the variables between properties (size of lot, zoning, size of house, number of bathrooms, etc.) are usually included in the property records.
- Assessed value databases facilitate the use of GIS representation of findings.

Since there is a great variety among residential properties, however, it is always necessary to convert the data and make the representations using a *unit of comparison*, typically dollars per square foot of livable area.

When there are enough transactions over an extended time period, some studies have used resales of the same property. If a property sold more than once during the study period, what was the value change and how does that value change compare to the appreciation rates for non-designated property?

The most sophisticated analysis that has been used in heritage property value studies is known as *hedonic pricing*. This method tries to identify the individual components of a property and each

component's contribution to the overall property value. One study of historic neighborhoods in the US used a limited number of rather straightforward variables:

- Number of bedrooms
- Number of bathrooms
- Square feet of living area
- Square feet of lot
- Number of garage spaces
- Availability of swimming pool
- Age of property

Then having calculated the relative contribution of each of those elements a final distinction was made – historic designation. The assumption was that when the contributory value of all of the other variables was accounted for, any remaining difference in price was attributable to that designation.

Other studies have had a more comprehensive list of variables which have included such things as distance to the center city, proximity to water, architectural style, condition of the building, character of the neighborhood, population density, existence of a garden, and others. The selection of which variables to use is dependent on a knowledge of which variables are significant to buyers and sellers in the marketplace.

Strengths and weaknesses of the methodology

The strength of this methodology is that the base source of data is indifferent to historic preservation so it is relatively free from charges of advocacy bias. When assessment data is complete, computerized, and sortable, the issue of the relationship between property values and location within a historic district can be evaluated in depth and in a variety of ways. Because virtually every property in a local jurisdiction will have parallel value and other information, the quantity of data far outweighs any minor error that a individual property value estimate might include. Further, it is not necessary that each value estimate is “right” as to the probable sales price tomorrow, as long as there is a consistent ratio between the market value and the assessed value for tax purposes.

This approach is not without challenges, however, including:

- There is a wide variation in experience and competence among local assessors around the country. While most are highly professional and reliable with their value estimates, some simply are not.
- Assessed values tend to trail movements in the marketplace (in both directions) so “current estimates” may, in fact, be a number of years behind.

- Some jurisdictions have a rolling reassessment, so that even properties within the jurisdiction are not adjusted at the same time. Comparisons between properties may, therefore, lead to erroneous conclusions.
- There are reasons why a property's assessed valuation increases may not be attributable to a general upward movement in the market. Adding a garage, for example, would likely add to the assessed value. If the only thing that is considered is the assessed value between two points in time, this capital improvement could be misinterpreted as appreciation. (Even so, because the numbers of properties involved will generally be large, it is a reasonable assumption that properties both within and outside of a local historic district will have had capital improvements, so on a comparative basis the errors probably offset each other).

When actual transactions are used, rather than assessed values, a greater understanding of the peculiarities of any given property is possible. However, because the number of sales will be limited, even in an active market, the chance that an "outlier" transaction statistically affects the conclusions is greater.

Main Street/Downtown Revitalization

National Main Street is a program of the National Trust for Historic Preservation. In simplest terms it is downtown revitalization within the context of local business activity in historic buildings. In the past thirty years more than 2,500 communities (and a hundred or so urban neighborhoods) have had Main Street programs. It has been called the most cost-effective economic development program in America. Local Main Street programs generally receive technical assistance, but rarely money, from the state agency that coordinates the program (most but not all states have a state coordinator) and from the National Main Street Center of the National Trust. From a measurements perspective, almost from the beginning the National Main Street Center has required that local programs keep track of a handful of indicators to measure their success.

What is measured?

All state coordinating programs are asked to provide five pieces of information annually for aggregation at the national level. The states gather and transmit information from each of their active local Main Street communities. The basic numbers are:

All State Programs Collect	Some State Programs Collect
Net new jobs (new jobs less loss of jobs)	Volunteer hours
Net new businesses (businesses opening less businesses closings)	Attendance at downtown festivals
Amount of public and private investment in physical improvements	Buildings sold
Number of building rehabilitations	Business expansions
	Façade improvements
	Number of housing units created

Finally the total investment is divided by the average local community financial support for the Main Street program to calculate a "leverage" figure of investment to program costs.

How is it measured?

All of the data is gathered by the local Main Street manager and forwarded to the state coordinating program. The data from each participating town is then aggregated and sent to the National Main Street Center. The local manager is responsible for identifying how to acquire and verify each piece of information.

Strengths and weaknesses of the methodology

The consistent gathering, aggregating, and reporting of these finite number of indicators for nearly thirty years is certainly a strength. And for the most part the information that is being gathered is appropriate to the program.

Unfortunately the weaknesses of this approach are numerous:

- There is no comparative analysis. There is no data to demonstrate that these communities are doing better, worse, or the same as other similar towns without Main Street programs.
- The process of gathering the basic data is done by a local manager who has every motivation to report numbers as positively as possible. While there is no evidence of conscious inflation of the "good news" by local managers, the "advocate as data source" would not qualify as a robust research methodology.

This is not to say the numbers are not useful, or that they should not continue to be gathered. But a comparative approach and a more neutral source of the data would strengthen the credibility of the Main Street numbers.

Historic Preservation, the Environment, and Sustainability

The most recent area of significant research is the relationship between preservation and the environment, particularly the contribution of historic preservation to sustainable development and *Smart Growth*. Although these measures emerge from environmental metrics, they often have a considerable economic consequence, particularly in the area of public infrastructure expenditures. While other measurements of the economic impact of historic preservation are usually expressed as dollars gained (property values, household income, etc.) the environmental measurements are often dollars saved.

Historic buildings are often regarded as energy inefficient in measurement systems that focus solely on annual energy usage. This approach ignores two important factors: 1) the annual energy use in an appropriately rehabilitated historic building is not measurable greater than for a new building; and 2) Fifteen to thirty times as much energy is used in the construction of a building than its annual operation. For an existing building the energy expended in construction has already been "embodied" in the structure (see footnote 4 below). When the energy consumption analysis is approached from a life cycle

perspective wherein both the energy needed to construct the building as well as annual energy usage is included, the energy inefficiency claim against historic buildings largely disappears. This is an area, however, where more research and more widely dispersed research is necessary.

What is measured?

In studies conducted to date that included some environmental component, the measurements have been:

- Reduced land fill from buildings being reused rather than razed.
- Savings in infrastructure from buildings being reused rather than razed.
- The embodied⁴ energy in an existing building that would be lost if the structure were demolished.
- Reduced vehicle miles traveled (VMT) and CO² emissions because existing buildings are reused rather than replaced with new ones.
- Amount of "greenfield" acreage left undeveloped if existing buildings are reused as the alternative.

How is it measured?

Most of the measurements are of the "what if" variety in a cost-benefit sense. That is to say, what would be the environmental consequences of building a new structure of the same utility and razing an existing historic structure? First either an actual rehabilitated building or a hypothesized building (assuming a given size, materials, type of construction, and use) is chosen as an example. Then calculations are made on a variety of environmental metrics.

In some cases (specifically the Maryland/Abell Foundation report; See Appendix G) calculations were made on a composite basis using all of the projects that received state tax credits as the alternative to demolition and new construction.

The data sources for making these calculations include factors generated by the Environmental Protection Agency, the Urban Land Institute, the Construction Materials Recycling Association, and others.

Strengths and weaknesses of the methodology

The methodology is valuable for several reasons:

1. It makes the historic preservation case in terms environmental advocates understand.
2. It shows a demonstrable connection between where development is encouraged (or accepted) and the public costs of accommodating that development, and is therefore a measure of community support.

⁴ *Embodied energy* is the sum of the energy consumed by extracting raw materials, processing those materials into a finished product, transporting them to the building site, and installing the building components into a structure.

3. As in other approaches, the bases upon which the calculations are made come from non-preservation sources so the "research by advocacy" criticism is lessened.
4. The field of environmental economics is growing in sophistication so there will likely be more cross-over measurements in the future.

To the extent that there is a weakness, it is in the hypothesized nature of the approach. "If this building had been torn down rather than reused, then..." On measurements such as vehicle miles travelled and cost of infrastructure, the same score would be achieved by tearing down the existing historic structure and building on the same site.

Effectiveness of State Historic Preservation Programs

Under fiscal and political pressures many state government are requiring all departments to defend their various programs on some type of cost/benefit or effectiveness measurements. Historic preservation programs are subject to these same requirements. Some states, therefore, have commissioned analyses of how well their programs are working and this is often measured in economic terms.

What is measured?

The particular analysis is dictated by the programs available through the State Historic Preservation Office. Because every state reviews projects applying for the Federal Rehabilitation Tax Credit, that program is always included. Where there is a state tax credit, the activities utilizing that program are usually also included. Beyond those two types of programs, however, there is a great variety from state to state on what else is studied. Grant programs, when they exist, are sometimes reviewed. Other programs, such as the share of Transportation Enhancement funds that are directed toward preservation related projects, are also the focus of some studies

How is it measured?

Regarding tax credit projects – either federal or state – the approach is as described in the *Jobs and Household Income* section above. Additionally, however, in the context of *Effectiveness of State Programs* commonly there is a discussion of the amount of leveraged funds that the existence of the tax credit program generates. For the federal tax credit the minimum leverage ratio is four to one (since the federal tax credit is 20%) but the actual leverage is generally higher as a result of two factors: 1) acquisition costs are not eligible for federal tax credits, so the dollars represented in the purchase price constitute additional investment (and therefore leverage) by the private sector; and 2) not all of the expenditures are eligible for tax credits (site improvements, landscaping, etc.). As a result, when comprehensive numbers are available, the actual leverage is often found to be five to one or greater.

For grant programs as well, leverage is often discussed, but because many grants require only a 50% match, and sometimes less, the public-to-private investment ratios will be less dramatic than for tax credit programs.

Additionally, grants and other state programs are frequently described through their geographic distribution throughout a state. This is assumed to convey the message to the public that there are historic resources everywhere and to legislators that their district, too, is benefiting from state historic preservation resources.

Strengths and weaknesses of the methodology

To the extent that adequate data is available for the state tax credit projects, the job/household income calculations are generally reliable. What is not considered in most analyses is what percentage of those projects would have been completed were the tax credit(s) not available. While some surveys of tax credit users (See particularly *Prosperity through Preservation: Virginia's Historic Rehabilitation Tax Credit Program*) (See Appendix G) indicate that there is a very high percentage of projects that would not have gone forward without the credits, there is not typically an adjustment for projects in this regard.

Public budget analysts make a distinction between direct expenditures (i.e. funds spent by a unit of government) and "tax expenditures", the latter being a reduction of taxes payable generally through an incentive in the tax code. From a budgeting perspective it is argued that a reduction of tax receipts has the same net effect as the expenditure of collected funds. State tax credits are a "tax expenditure" and grants a direct expenditure of taxpayers' dollars. But in either case something else, theoretically, could have been spent on something else, e.g. instead of paying for ten more teachers the state could have hired ten more highway patrolmen. In the studies to date there has not been any comparative analysis of the impacts on a state's economy had those resources been spent in a manner other than for historic preservation.

As to grant programs, while there is typically a reporting requirement from an audit standpoint (i.e., evidence that the monies were actually spent on the project for which they were rewarded) there often is not a requirement to report on the results of the project. In evaluation terms, what is being measured is "outputs" rather than "outcomes."

Social Impacts of Historic Preservation

What is measured?

As was noted earlier, very little research has been done in the United States on the social impacts of historic preservation. The exception is that many reports identify the number of low- and moderate-income housing units that were created using (usually in conjunction with other incentives) the Federal Rehabilitation Tax Credit.

Elsewhere in the world, however, particularly in Great Britain and a few countries in Western Europe, there has been some primary research on the relationship between heritage conservation (and/or heritage conservation-based programs) and social impacts. Probably the most comprehensive has been

the analysis of both the economic and social impacts of the use of lottery funds for heritage conservation in England.⁵

How is it measured?

In the study of the impacts of English lottery funds, citizen surveys and focus groups were conducted to supplement the "hard data" on money invested, leverage of public funds, numbers of buildings rehabilitated, and new businesses started.

The European Union funded a network of five European cities that used heritage conservation as the bases of center-city revitalization programs. Their measurements were on both the "hard" and "soft" side and included the categories of Immediate Economic, Strategic Economics, Social and Environmental. These indicators and what was measured and how are listed in the table below:

European <i>Livable Cities</i> Project ⁶		
Indicator	Measure	Technique
Immediate Economic		
Pedestrian activity	People flows	Manual counts, cameras, surveys of special events
More Expenditure	Expenditures (retail, leisure, hotel, on street event)	Interviews, surveys (on street, self-completion, operators)
More uses on street	Number of: cafes, street traders, stalls, events	Before & after survey
More repair/regeneration of sites	Level of activity	Exterior condition surveys, planning applications, repair frequencies, occupier surveys
Increased local distinctiveness	Number of independent shops Number of distinctive events User attitude Image change	Audit of shops Audit of events User surveys Survey of distinctive elements
Strategic Economic		
Improvement in town's performance	Performance of shops Tourism performance Quality of life	National retail rankings National tourism rankings Various surveys
New strategic roles for public space	Role changes	Before & after surveys
Integration of latent economic assets	More effective use	Audit of new economic activity Before & after surveys of vacant sites
Creation of new economic quarters	Diversity	Audit of changes in cultural/social/econ offerings
Improvement in quality of life	Overall quality	User surveys

⁵ See especially Kate Clark and Gareth Maeer, "The Cultural Value of Heritage: Evidence from the Heritage Lottery Fund," *Cultural Trends* 17.1 (2008).

⁶ Liveable City Project, *Measuring the Benefits of Public Domain Regeneration*. Time and Space Innovateurs, (2008)

		Indicator surveys
Creation of new image Image changes	Image changes	Surveys (user, business, opinion maker, media)
Social		
Reduction in road deaths, injuries	Accidents	Before & after surveys
Wider health and well-being benefits	Health	User surveys General health records
Reduction in actual threat	Crime, anti-social behavior	Before & after surveys
Reduction in perceived threat	Fear	User surveys
Reduction in social exclusion Engagements	Before & after surveys	Observation (cameras) User surveys
More efficient walking trips	Routing	User surveys, camera surveys, GPS monitoring
Greater community ownership	Sense of civic pride	User perception surveys, plotting of new community initiatives
Environmental		
Reduction in noise pollution	Audible quality	Noise surveys Ambient sound surveys
Reduction in air pollution	Air quality	Air quality surveys
Reduction in vehicle use	Vehicle presence	Flow surveys Parking surveys
Reduction in visual intrusion	Visual quality	Environmental audit User surveys
Reduction in vehicle infrastructure	Infrastructure presence	Infrastructure audit
More sustainable use of urban space	Space use	Before & after surveys Camera surveys

Individual preferences as expressed by market prices and transactions are important but there are also public-good aspects of historic preservation that are, by definition, beyond individual preferences. These are not well captured in markets and have to be measured via other methodologies. These other methodologies range from the purely qualitative (narrative accounts of decisions or conflicts over preservation issues) to the very quantitative (statistical analysis of demographic data from the Census).

Strengths and weaknesses of the methodology

Since there is nearly no US-based research on the social impacts of historic preservation, the biggest weakness of the methodology is that it does not exist (or at least does not exist in application form. There is obviously social impact analysis with focuses other than historic preservation that could readily be adapted.)

The strength of the *European Livable Cities* evaluative approach is that it is comprehensive and captures change over time. The weakness is not in the methodologies but in the fact that they are both

extraordinarily time consuming and expensive. It might be possible, however, for preservation to partner with other entities with an urban focus to jointly conduct this type of research.

Recommendations on Metrics for Future Data and Methodologies

Broad categories for which we should have annual data

The intent of this project was to identify a finite number of metrics demonstrating the link between historic preservation and economics. The data for these measurements would be gathered annually and, it is assumed, publicized and promoted. It was *not* within the scope of the project to provide detailed descriptions of particular methodologies to be used. Rather it was to provide recommendations on what data should be collected, and to provide a general idea of how that data would be gathered and what would be measured.

Based on the activities described earlier in this report, it is recommended that there be the collection, evaluation, and dissemination of five categories of data: jobs, property values, heritage tourism, environmental measurements, and downtown revitalization/*Main Street*. Most of the categories have been part of one or more statewide preservation impact studies and are discussed in detail in the *Current Data, Methodologies and Programs* section of this report. The descriptions of the categories below, therefore, are brief.

Metric 1 - Jobs

This is the measurement of number of jobs that are created annually through the rehabilitation of historic buildings and the household income that those jobs generate. This data should be compiled reflecting direct, indirect, and induced jobs and household income accompanied by adequate and understandable definitions of what those categories mean.

What should be measured

Historic rehabilitation should include the following:

- Projects receiving the Federal Rehabilitation Tax Credit
- Projects receiving state tax credits for historic preservation
- Federal, state, and local government projects that are considered historic preservation
- An estimate of activity that would be defined as "historic preservation" but is not reflected in any of the categories above

How it should be measured

The dollar amounts aggregated from the four categories above would be converted into jobs and household income using ImPlan, RIMSII, or other reliable Input-Output methodology.

Where the information could be found

For projects receiving the Federal Rehabilitation Tax Credit

- From National Park Service data (perhaps supplemented with SHPO data)

For projects receiving state tax credits for historic preservation

- Aggregated annual reports from State Historic Preservation Offices of state tax credit investment (making sure projects are not included that also received the federal credit, so as not to double count)

For federal, state, and local government projects that are considered historic preservation

- General Services Administration
- State Historic Preservation Offices (from data gathered from their respective state's equivalent of the GSA)
- Modeling of estimates of local government expenditures on capital improvements to buildings and percentage of those expenditures going to the rehabilitation of historic buildings

An estimate of activity that would be defined as "historic preservation" but is not reflected in any of the categories above

- Estimates based on a model that would include the following:
 - Total rehabilitation expenditure
 - Percentage of that expenditure within local historic districts overseen by Certified Local Governments (CLGs)
 - Percentage of total spending in local historic districts not overseen by CLGs
 - Percentage of total spending on the appropriate rehabilitation of historic buildings not covered by any local historic district
 - Percentage of institutional expenditures (hospitals, colleges, etc., not included in any of the above) that is considered the appropriate rehabilitation of historic buildings

Metric 2 - Property Values

This is a measurement of the impact on property values attributable to being located within a local historic district and/or a National Register Historic District.

What should be measured

While a number of variables might be measured, for simplicity of explanation and data collection, two measurements are recommended:

1. What is the year-to-year change in property value for residential structures within historic districts as compared to property value change for houses in the rest of the local market not within historic districts.
2. What, if any, is the "heritage premium"⁷ paid for properties within historic districts.

How it should be measured

1. Based on a representative sample of cities, and using either assessed valuation or actual transactions, calculate on a dollar-per-square-foot basis the change in property values year to year within historic districts as compared to properties in the local market not within historic districts. The data should be represented as follows:
 - a. Percentage change in per-square-foot value of properties within local historic districts
 - b. Percentage change in per-square-foot value of properties within National Register Historic Districts but not within local historic districts
 - c. Percentage change in per-square-foot value of properties within both National Register and local historic districts
 - d. Percentage change in per-square-foot value of properties in neither local nor National Register historic districts
2. Based on a localized hedonic pricing model, determine what is the difference in value (if any, and if positive or negative) for properties within historic districts as compared to similar properties not within historic districts after all other variables in value contribution have been accounted for.

Where the information could be found

Because there needs to be consistent analysis and data over time, it is recommended that research be conducted in conjunction with (or by) one of the national data and research firms that regularly report on change in real estate values. Two firms/systems to be considered are the S&P/Case-Shiller Home Price Indices⁸ and Zillow Real Estate Research. With relatively minor additional data input factors (i.e., in or out of historic districts), one of these ought to be able to provide useful data vis-a-vis value and historic designation. The S&P/Cash-Shiller Composite 20 Metro Areas might be a useful base.

⁷ A *heritage premium* is the amount, if any, that the marketplace pays for a property in a historic district after all other variables are accounted for. This would typically be done using a hedonic pricing methodology.

⁸ Methodology explained at http://www.standardandpoors.com/servlet/BlobServer?blobheadername3=MDT-Type&blobcol=urldata&blobtable=MungoBlobs&blobheadervalue2=inline%3B+filename%3DMethodology_SP_CS_Home_Price_Indices_Web.pdf&blobheadername2=Content-Disposition&blobheadervalue1=application%2Fpdf&blobkey=id&blobheadername1=content-type&blobwhere=1243624745188&blobheadervalue3=UTF-8

Metric 3 – Heritage Tourism

What should be measured

Again, for consistency and simplicity a finite number of measurements should be sought to determine:

1. What is the total number of tourists that would be considered “heritage tourists” and what percentage do they represent of all tourists
2. What are the trip characteristics of the heritage tourist including:
 - a. Number of annual trips
 - b. Number of places visited
 - c. Daily expenditures
 - d. Total expenditures
3. How do the numbers from 2 above contrast with tourists not considered heritage tourists
4. What are the demographic characteristics of heritage tourists and how do they contrast with all other tourists

How it should be measured

This information should be measured through regular, comprehensive, and consistent surveys.

Where the information could be found

There already exist major, comprehensive, regular, and consistent surveys regarding tourism using large national samples. For *heritage tourism* data three things must be done:

1. Establish a reasonable definition of what attributes/activities a tourist needs to have (and in what magnitude) to fall in the category of “heritage visitor” (including distinguishing these visitors from other tourists who engage in cultural activities such as attending concerts).
2. Write two to four questions that would reveal those attributes/activities as part of a survey.
3. Incorporate those questions into an existing national survey.

Once that is done, the “drilling down” to reveal the information desired is a relatively straight forward process. **There does not need to be a heritage-specific tourism survey – only questions within an existing survey that identifies “heritage tourists.”**

Metric 4 – Environmental Measurements

Quantifying the contribution of historic preservation to the environment is, as was noted earlier, the most recent area of research. That research continues to evolve. The “Green Lab” of the National Trust for Historic Preservation is both compiling existing research and conducting original research of the preservation/environment nexus. Additionally the Department of the Army has commissioned an in-

depth look at issues such as life cycle costs and environmental impacts. The statewide analysis of the tax credit program in Maryland⁹ in 2009 tested a variety of approaches to measure the environmental savings spawned by opting for rehabilitation rather than new construction on undeveloped land.

What should be measured

A variety of measurements could be undertaken annually. Examples of calculations might be:

- Embodied energy in buildings rehabilitated
- Infrastructure cost savings of rehabilitation rather than new construction at an outlying location
- Reduction of emissions and vehicle miles travelled
- Reduced impact on land fill and corresponding dollar savings
- Comparative analysis of annual operating costs of rehabilitated historic buildings with new buildings
- Life cycle energy use calculations that include both operating expenditures and energy used in construction

Because the research in this area is new and evolving, and because alternative approaches are being tested, it is the recommendation of this report that there certainly should be an environment/preservation annual measurement but the specifics of what is measured and how be deferred for a few years until more is learned through existing research programs

Metric 5 – Downtown Revitalization/Main Street

The role of historic preservation in downtown revitalization efforts is apparent in nearly every town and city in the country where the center has begun to return from a four-decade period of decline. The Main Street program of the National Trust for Historic Preservation has been the one national program that has been specifically defined as *economic development within the context of historic preservation*. By almost any measure Main Street has been an extraordinary success and the Main Street Approach has been adopted as the set of organizing principles for downtown revitalization even by communities that are not formally participants in the Main Street process.

What should be measured

The data currently gathered by state Main Street programs and then forwarded to and aggregated by the National Main Street Center is certainly valuable measurements: net new jobs, net new businesses, amount of investment, number of buildings rehabilitated. The research deficiencies of the current approach notwithstanding, this data should continue to be collected. The consistency of the information gathered, the size of the database, and the length of time the information has been assembled to a significant degree offset research weaknesses from an academic perspective.

⁹ <http://www.abell.org/pubsitems/arn309.pdf>

What is missing from these numbers are: 1) comparable numbers from cities that have had successful downtown revitalization programs, but have not used historic preservation as part of their strategy; and 2) a detailed analysis of the catalytic impact of an individual historic preservation project on the economy of the immediately surrounding area.

How it should be measured

The credibility of data on the historic preservation/downtown revitalization connection would be enhanced if:

- The information were gathered by a third party and/or all of the data came from public record sources
- There were a comparison of the activity in the program area with commercial districts elsewhere in the community or with comparable downtowns which did not have a preservation-based revitalization strategy

The catalytic measurement should be done on a before-and-after basis (five to ten years before and after the project completion) and consider such variables as: property values, retail sales, investment, net new jobs, net new businesses, and commercial occupancy rates.

Where the information could be found

To obtain data that is parallel to what the National Main Street Center accumulates, city building permit records, city directories, Chamber of Commerce listings, business improvement district data, and business owner surveys would provide most of the requisite information.

For the catalytic impact of preservation projects, the above data sources on a before-and-after basis, as well as *ad valorem* property tax records and building owner surveys, would be useful

Conclusions

There was a consistent message from the existing research, from the interviews, and from the symposium: research on the relationship between historic preservation and economics is critical and needs to be provided on a regular basis. To be useful, however, while the research must be conducted on an academically robust level, research findings and resultant recommendations need to be written so that they are comprehensible to preservation advocates, public servants, elected officials, and the general public.

Five areas of research demonstrating (directly or indirectly) the link between historic preservation and economics are recommended in this report:

- Jobs
- Property values
- Heritage tourism
- Environmental measurements
- Downtown revitalization

It is unlikely that a single institution would have the resources to cost-effectively conduct annual research into each of these areas. **Rather it is recommended that the research be “farmed out” and then assembled, distributed, and publicized by a single agency.**

Of the five areas of suggested research, one of them, heritage tourism, is primarily survey based. It is recommended that a limited number of questions (2-3) be incorporated into larger, existing surveys currently conducted.

For property values it is recommended that a historic property subcomponent analysis be commissioned within one of the existing national real estate value analyses.

Because of the evolving nature of the research on the connection between historic preservation and the environment, it is recommended that any decisions on exactly what is measured and the investigation of the connection between historic preservation and environment be deferred until more has been learned from ongoing studies and their methodologies.

There is an acceptable methodology for measuring the job creation impact of historic rehabilitation activity. There has been an analysis on a national level of the economic impact of the Federal Historic Tax Credit that is reportedly going to be updated annually. An expanded methodology needs to be developed, however, that includes historic preservation activity nationwide that is not reflected in federal tax credit projects.

Finally the National Trust and its National Main Street Center are encouraged to continue aggregating and publicizing the data that have been collected over the last twenty-five years. If, however, the contribution of historic preservation to downtown revitalization is to be credibly demonstrated, additional research needs to be undertaken using more rigorous methodologies and needs to consider the preservation/revitalization link in downtowns that have not been part of the Main Street program.

Because these stories may well be better understood on a case study rather than a comprehensive quantitative basis, graduate students might be encouraged to make this the focus of their masters theses and PhD dissertations. An annual report could be produced summarizing that year's research findings.

This report was not commissioned to develop specific methodologies, to identify specific research institutions, or to suggest funding sources and amounts that this research would require. Rather this report was intended to identify whether such research is necessary, to document what has been learned in existing research, and to recommend areas of research in the future.

To that end:

- Research on the connection between historic preservation and the economy is critical
- A growing body of research has been conducted and while much of that research is useful, it is not being done on a regular, consistent, national level
- An ongoing program of preservation/economics research should be initiated that would include: jobs, property values, heritage tourism, environmental impacts, social impacts, longitudinal public opinion, and downtown revitalization

The next steps in this process are recommended as follows:

1. Identify and reach agreement with responsible parties to undertake the ongoing research and data collection for each of the recommended indicators.

Because of the diverse nature of the proposed research as well as costs and other issues it is recommended that there be a collaboration of several entities each committed to conducting a portion of this research. Among these research partners might be: ACHP, National Park Service, Department of Commerce, General Services Administration, Department of Defense, National Trust, the nascent Ellis Island Preservation Resource Center and Universities including Rutgers, University of Pennsylvania, University of Maryland and others.

2. In conjunction with the responsible parties, create a long-term research, evaluation and reporting plan.

At the outset the research partners will need to reach agreement as to: 1) who will conduct which research; 2) how and when will that research be provided; 3) who will aggregate the individual research projects into a single report; 4) how and when will the results of the research be published and distributed.

3. Establish baseline (s) for each of the recommended indicators.

As it is the hope that the recommended research will be conducted and released annually there will need to be a base established against which change is measured. As the first step in each