

Heritage Conservation and the Local Economy

Donovan D. Rypkema

Heritage conservation does not have a value.

Heritage conservation has *multiple* values: cultural, aesthetic, educational, environmental, social, historical, and others. A more recent addition to this litany of values is the economic value of heritage conservation.

For years, this contributing component of value was considered too crass and too demeaning to the underlying importance of the historic resources to merit serious discussion. Even today there are heritage conservation purists who dismiss the measurement and advocacy for historic preservation on economic grounds as degrading and insulting to the metaphysical, immeasurable qualities and importance of humankind's built patrimony.

And in the long run, they are probably right. In the long run, the economic impact of heritage conservation is far less important than its educational, environmental, cultural, aesthetic, and social impacts. In the long run, none of us particularly cares about the number of jobs created in the building of Angkor Wat or the tax revenues generated from the piazzas of Florence. In the long run those other values of heritage conservation are more important than the economic value. But as the great British economist John Maynard Keynes said, "In the long run we're all dead."

In the short run, however, many of those who have the most influence on what happens to our heritage resources – property owners, members of parliament, bankers, investors – *do* care about the economic aspects of heritage buildings. It is often through the door of economic impact that those decision-makers become advocates for heritage conservation on other, more important grounds.

Thus many heritage conservation organizations are increasingly making the economic case. Europa Nostra, the pan-European federation of heritage conservation groups, in a paper entitled *Cultural Heritage Counts for Europe* notes, "Cultural heritage has multiple benefits of Europe today"^[1]. Many of those benefits are economic.

Studies over the last decade have identified the five major measurables of the economic impacts of heritage conservation: 1) jobs and household income; 2) center city revitalization; 3) heritage tourism; 4) property values; and 5) small business incubation.

Jobs and Household Income

First, jobs and household income. For most professionals in the economic development field, the top priorities are creating jobs and increasing local household income. The rehabilitation of historic buildings is particularly potent in this regard. The costs of new construction in the US will be half materials and half labor. The costs of rehabilitation will be 60 to 70% labor with the balance being materials. This labor intensity affects a local economy on two levels. First, the plumbing fixtures are bought from a plant a thousand miles away, and the lumber may be imported from across the ocean, but the services of the plumber and the carpenter are purchased from across the street. Furthermore, once the plumbing is installed, the plumber doesn't spend any more money. The plumber, however, gets a hair cut on the way home, buys groceries, and contributes to his favorite local charity, and each expenditure recirculates that paycheck within the community.

The Swedish International Development Agency has funded projects in the West Bank in Palestine where they've found that every \$100,000 project typically provides 3,000 to 3,500 workdays, with labor constituting around 70% of the total expenditures. In Australia, they've concluded that heritage conservation is more labor intensive and also stimulates the development of traditional trades and skills.^[2]

Some think economic development is only manufacturing. The US state of Tennessee can serve as the typical contradiction, though. For every million dollars of production, the average manufacturing plant in Tennessee creates 28.8 jobs. A million dollars spent on new construction generates 36.1 jobs. But a million dollars rehabilitating an historic building? 40 jobs.

A million dollars of manufacturing output adds \$604,000 to local household incomes. A million dollars in new construction adds \$764,000. A million dollars of rehabilitation? Over \$826,000.^[3]

Now of course the argument can be made, "Yes, but once you've built the building the job creation is done." True, but there are two responses to that. First, real estate is a capital asset – like a drill press or a box car. It has an economic impact during construction and a subsequent economic impact when it is in productive use. Additionally, since most building components have a life of between 25 and 40 years, a community could rehabilitate 2-3% of its building stock per year and have perpetual employment in the building trades. And these jobs can't be shipped overseas.

In Europe, historic rehabilitation creates 16.5% more jobs than new construction, and every direct job in the cultural heritage sector creates 26.7 indirect jobs. Compare this to the auto industry, where the factor is only 6.3 to 1.^[4]

But there is an even subtler issue regarding jobs in heritage conservation – they are generally well paying jobs, and globally there is a scarcity of the required skills. A 2005 study in Great Britain identified the need for an additional 6,500 workers in the next twelve months to meet immediate demand.^[5] The Norway Directorate of Heritage identified a huge backlog of necessary maintenance work and too few trained people to do it.^[6] The restoration and revitalization of the old city neighborhood of Darb al-Ahmar in Cairo provided significant employment and job training; at its peak, it employed 400 workers daily.^[7]

The significance and the opportunities for restoration artisans cannot be overstated. In England an estimated 86,000 people are employed to preserve nearly 4.5 million historic houses and another 550,000 historic commercial buildings.^[8] In France, 40,000 craftsman work on repairs and maintenance of cultural heritage.^[9] The Aga Khan Trust is funding projects in the Islamic world that are reviving traditional skills, generating new jobs, and providing on-the-job training.^[10] In Halmstad, Sweden, restoration work has put long-term unemployed back to work and provided training for immigrants, apprentices, and women.^[11]

In fully developed economies, in the developing world, in market-based economies, and in socialist economies there are always some economists and politicians who would argue that in economic downturns, public expenditures should be made to create employment. And around the world, among politicians' favorite forms of public works is building highways.

David Listokin at the Center for Urban Policy Research at Rutgers has calculated the relative impact of public works. Suppose a level of government spends \$1 million building a highway. This means 34 jobs; \$1.2 million in ultimate household income; \$100,000 in state taxes; and \$85,000 in local taxes.

Or the government could construct a new building for \$1 million. The result: 36 jobs; \$1,223,000 in household income; \$103,000 in state taxes; and \$86,000 in local taxes.

Or that million dollars could be spent rehabilitating an historic building. It would create 38 jobs; \$1,300,000 in household income; \$110,000 in state taxes; and \$92,000 in local taxes. It is clear which one of these options is the most economically impacting in public works projects.^[12]

Ultimately, economic development is about jobs, and heritage conservation not only provides jobs, it provides good jobs and more of them.

Center City Revitalization

The second area of the impact of heritage conservation is center city revitalization. There is a resurgence of downtowns all over America. One would be hard pressed to identify a single example of sustained success in center city revitalization where heritage conservation wasn't a key component. Conversely, the examples of very expensive failures in downtown revitalization have all had the destruction of historic buildings as a major element.

By far, the most cost-effective U.S. program for economic development—not just for historic preservation or downtown revitalization, but the most cost-effective economic development program *of any kind*—is a program of the U.S. National Trust for Historic Preservation called Main Street. Main Street is commercial district revitalization in the context of historic preservation. It started as a program for the downtown districts of small towns. In the last 25 years, some 1,700 communities in all 50 states have had Main Street programs. Over that time, the total amount of public and private reinvestment in those Main Street communities has been \$23 billion. There have been over 67,000 net new businesses created, generating nearly 310,000 net new jobs. There have been 107,000 building renovations. Every dollar invested in a local Main Street program leveraged nearly \$27 of other investment. The average cost per job generated—\$2,500—is less than a *tenth* of what many state economic development programs brag about.^[13]

Main Street began as a program of economic development in the context of historic preservation for small town downtowns but in recent years the fastest rate of growth in Main Street programs has been in neighborhood commercial districts in larger cities. The first, and hugely successful, urban Main Street program was in Boston, where it was the top economic development priority for Mayor Menino. Subsequently urban Main Street programs began in Baltimore, San Diego, Philadelphia, Milwaukee, Dallas, Detroit, Washington (D.C.), and elsewhere.

The Inter-American Development Bank has had a major initiative in the city center of Quito, Ecuador. There are multiple indicators of its success: new businesses, restaurants, and cultural activities; reinvestment by existing and new residents; increased property values; and net economic benefits well above expenditures.

Similar ongoing efforts in the old medina in Tunis have resulted in the middle class returning, both as residents and as business and property owners. The rates of return on private investment have been high, and the leverage of public funds to private funds has been 3 to 1.^[14]

In British Columbia in Canada, they've concluded that downtown heritage revitalization has increased economic prosperity without requiring large-scale new development.

In much of the developing world, the major issue is the overwhelming immigration to cities from the rural areas. In much of Europe and North America, however, the problem is the opposite. For forty years there has been a steady departure of much of the middle class from central cities, leaving them populated solely by the very rich and the poor.

But every five years or so news magazines such as *Time* and *Newsweek* will have a cover story on the “back to the city” movement, and indeed that really is happening all over the United States. But wherever you look, the “back to the city” movement has not been back to the city in general, but back to the historic neighborhoods within the city. There may be new construction and new neighborhoods built eventually, but the first attraction back to the city is invariably historic areas.

The former mayor of Washington, DC, Anthony Williams, established an ambitious but commendable goal of attracting 100,000 new residents to Washington over a decade. So, one study looked at what had happened to Washington during the 1990's. The overall population of Washington fell in that 10-year period from 607,000 to about 572,000. Yet, that pattern certainly was not consistent throughout the city. Had Washington's historic districts declined at the same rate as did the rest of the city, the 2000 population would have been less than 562,000. Conversely had the entire city grown at the rate the historic districts grew, the Washington population in 2000 would have been over 621,000.^[15] When “back to the city” happens, historic districts are the first magnet.

Heritage Tourism

The next category is heritage tourism. This is a challenging area. While tourism is one of the fastest growing segments of the world's economy, not every city can or should look to tourism as a major portion of its economic base. There are cultural, economic, logistical, and sometimes even religious reasons for why tourism is not appropriate for every community. Furthermore, it would be a mistake to only connect historic buildings with tourism—there are many more ways that historic buildings can be used as a local resource. In the U.S. 95% of all of the historic resources in productive use have nothing whatsoever to do with tourism. However, when tourism is identified as part of an overall development strategy, the identification, protection, and enhancement of historic resources is vital for any sustainable effort.

In the state of Virginia, a study contrasted the spending patterns of heritage visitors with tourists who did no heritage activities. They found that heritage visitors stay longer, visit twice as many places, and so, on a per trip basis, spend 2.5 times more than other visitors. Worldwide, wherever heritage tourism has been evaluated, this same basic tendency is observed: heritage visitors stay longer, spend more per day, and, therefore, have a significantly greater per trip economic impact.^[16]

Biltmore, a great estate in North Carolina, commissioned a study of its local impact. Here are the numbers: 760 employees, \$215 million to the local economy, \$5 million in taxes, \$9.5 million in direct payroll, and \$8.4 million in indirect payroll. But the most impressive number is this one: for every \$1 a visitor spent at Biltmore, \$12 was spent elsewhere—hotels, restaurants, gas stations, retail shops, etc. Biltmore was the magnet that drew visitors, but for every dollar that Biltmore reaped, others garnered \$12.^[17]

In Norway they found similar results—only 6-10% of the spending involved in visiting a cultural heritage site was spent at the site itself; the balance was spent in the community around the site.^[18]

The University of Florida in conjunction with Rutgers University did an economic analysis of historic preservation in Florida. Florida is not a state that immediately comes to mind as being heritage tourism based. One tends to think of Disney World, beaches, and golf courses. Tourism is clearly the largest industry in Florida, but just the heritage tourism portion of that industry has impressive impacts, with over \$3 billion in expenditures, \$500 million in taxes, and over 100,000 jobs. And while most of the jobs—predictably—are in the retail and service industries, nearly every segment of the economy is positively affected.^[19]

Evora, Portugal is a 2000-year-old city founded by the Romans. As a world heritage site, Evora has been building a sustainable heritage tourism strategy for nearly three decades. It has been successful based on the criteria set by the long term mayor, "...tourism will provide for the harmonious coexistence of tourism and heritage, such that economic development is not allowed to proceed at the expense of fundamental values and does not impede access to culture by the communities which have inherited it."^[20]

But with all these numbers, an even more important conclusion emerges: when heritage tourism is done right, the biggest beneficiaries are not the visitors but the local residents who experience a renewed appreciation for and pride in their local city and its history.

Property Values

The United States is a country obsessed with property rights. As a result, the area that has been studied most frequently is the effect of historic districts on property values. The most common result? Properties within historic districts appreciate at greater rates than the local market overall, and they appreciate faster than similar non-designated neighborhoods. The worst case is that historic district houses appreciate at rates equivalent to the overall local market.

In England, they've found that a pre-1919 house is worth on average 20% more than an equivalent house from a more recent era, and the premium becomes even greater for an earlier historic home^[21]. On the commercial side, the Royal Institute of Chartered Surveyors has tracked the rates of return for heritage office buildings for the past 21 years and

found listed buildings have consistently outperformed the comparable unlisted buildings.^[22] Similar analyses in Canada demonstrated that 1) heritage buildings had performed much better than average in the market place over the last 30 years, 2) there is no evidence that designation reduces property values, and 3) the price of heritage houses was not affected by cyclical downturns in property values.

And this isn't just true in the most advanced economies. In Quito a six-year study showed that land value appreciated in the targeted heritage area 44%, as compared to nearby areas with less than 10%.^[23]

Small Business Incubation

An underappreciated contribution of historic buildings is their role as natural incubators of small businesses. In America, 85% of all net new jobs are created by firms employing less than 20 people. That ratio is similar in Europe and even greater in the developing world. One of the few costs firms of that size can control is rent. A major contribution to the local economy is the relative affordability of older buildings. It is no accident that the creative, imaginative, start up firm is not located in the office park or the shopping center—they cannot afford the rents there. Historic buildings become natural incubators, usually with no subsidy of any kind.

Pioneer Square in Seattle is one of the great historic commercial neighborhoods in America. The business association asked firms why they chose that neighborhood. The most common answer: it was an historic district. The second most common answer: the lower cost of occupancy.^[24] Neither of those responses is accidental.

In Ningbo, China over the last decade, a series of dilapidated, overcrowded, and unsanitary buildings have been converted to the Fan Center, filled with small businesses selling antiques, books, and art. The restoration of the Souq al Saghir in Damascus has stimulated new businesses and more activity from existing businesses, selling to both tourists and local residents. In Macao 60% of the retail revenue comes from the heritage conservation zones.^[25]

Many countries and regions will have similar data. Here is what the Chair of the Australian Heritage Commission had to say:

Heritage is an asset for any country—for many in the Asia/Pacific region it is a key area for future economic development. Significant heritage places are valued as tangible links with the past, as major tourist ...and business generators. ^[26]

So there are the big five – jobs, center city revitalization, heritage tourism, property values, and small business incubation. Other areas of impact are discovered in some analyses—revenues from the movie industry, enhancement of crafts businesses, the connection between historic facilities and the performing arts, neighborhood stabilization, the economic integration of neighborhoods, tax generation, and others.

Indirect Economic Contributions

There are three other areas that might be called, *economics once removed*. These are areas where, in America and led by the National Trust for Historic Preservation, preservation is becoming a central element of larger strategies. These larger strategies are affordable housing, Smart Growth (our name for our anti-sprawl movement), and the broader issue of sustainable development. The efforts in the United States have been first, to learn what the impacts of historic preservation are in these areas; second, to educate other preservationists in these findings; third, to communicate preservation's role to larger audiences; and finally, to integrate historic preservation as a critical component of a comprehensive strategy.

There is no movement in America today that enjoys more broadly based support across political, ideological, and geographical boundaries than does Smart Growth. Democrats support it for environmental reasons, Republicans for fiscal reasons. Big city mayors, rural county commissioners—there are Smart Growth supporters everywhere. The increasing public volume and political expenditures of Smart Growth's opponents is in direct relationship to Smart Growth's broad and growing support.

The Smart Growth movement has a clear statement of principles:

- Create a range of housing opportunities and choices;
- Create walkable neighborhoods;
- Encourage community and stakeholder collaboration;
- Foster distinctive, attractive places with a 'sense of place';
- Make development decisions predictable, fair, and cost effective
- Mix land usage;
- Preserve open space, farmland, natural beauty, and critical environmental areas;
- Provide a variety of transportation choices;
- Strengthen and direct development toward existing communities;
- Take advantage of compact built design.

If a community did nothing but protect its historic neighborhoods, it will have advanced every Smart Growth principle. In fact, any Smart Growth strategy that doesn't have historic preservation at its core is stupid growth, period.

One area affected by preservation is a bit less obvious. Today in most countries, many people diligently recycle their aluminum soft drink cans. It's a pain in the neck, but we do it because it's good for the environment. Landfill throughout the United States is increasingly expensive in both dollars and environmental quality.

Yet, a quarter of everything dumped at the landfill is construction debris. The link between the environment and the demolition of heritage buildings is often missed, but that link is a crucial one. A typical small commercial building in the United States is 25 feet wide, 120 feet deep, 2 stories, and made of brick. If that small building is demolished today, the entire environmental benefit from the last 1,344,000 aluminum cans that were recycled is lost. Not only has an historic building been thrown away, months of diligent recycling by the residents of the community have been wasted. Why doesn't every environmentalist have a bumper sticker saying, "Recycle your aluminum cans AND your historic buildings"?

Finally, if cities are to succeed in the challenge of economic globalization, they will have to be competitive with other cities in their region *and worldwide*. However, their success will be measured not just by their ability to foster economic globalization, but equally in their ability to mitigate cultural globalization. In both cases, a city's historic built environment will play a critical role.

The most important lessons about the significance of heritage conservation for economic development come from the rapidly developing parts of the world, places like Dubai, Bahrain, and Singapore.

Belinda Yuen of Singapore National University says, "...the influences of globalization have fostered the rise of heritage conservation as a growing need to preserve the past, both for continued economic growth and for strengthening national cultural identity."^[27]

In the twenty-first century, only the foolish city will make the choice between historic preservation and economic development. The wise city will utilize its historic built environment to meet the economic, social, and cultural needs of its citizens far into the future.

This article began with a quotation from a British economist and so will end by quoting an American one. The great Harvard economist John Kenneth Galbraith once wrote, "The preservation movement has one great curiosity. There is never retrospective controversy or regret. Preservationists are the only people in the world who are invariably confirmed in their wisdom after the fact."^[28]

Donovan D. Rypkema is President of Heritage Strategies International in Washington, DC, and a member of the Board of Directors of Global Urban Development, serving as Co-Chair of the GUD Program Committee on Celebrating Our Urban Heritage. HSI was established in 2004 as a companion firm to PlaceEconomics, a consulting firm of which Rypkema is the principal. Rypkema has worked with communities in 49 States, seven Canadian Provinces and over 20 countries. He is the author of *The Economics of Historic Preservation, Community Initiated Development, The Economics of Rehabilitation, Economic Development on Main Street*, and other works published by the National Trust for Historic Preservation.

^[1] http://www.europanostra.org/downloads/documents/position_paper_to_eu_institutions.pdf, Adopted June 2, 2005. Position paper of Europa Nostra

^[2] Saud Amiry, "Job Creation Through Conservation," paper presented at *Swedish Urban Heritage Network at World Urban Forum II*, Barcelona, Spain 2004.

^[3] Calculations by the author based on data from *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, U. S. Department of Commerce, Bureau of Economic Analysis, May 1992 et seq.

^[4] Terje Nypan, "Cultural Heritage Monuments and Historic Buildings as Generators in a Post-Industrial Economy", in *Culture: New Jobs and Working Conditions through New Information Technology*, proceedings of the vertikult workshop at the annual MEDICI conference. 13-14 November, 2003, Milan, Italy

^[5] *Traditional Building Crafts Skills: Assessing the Need, Meeting the Challenge*, National Heritage Training Group, 2005, http://www.english-heritage.org.uk/upload/pdf/craft_skills_report.pdf

^[6] Op. cit. Terje Nypan.

^[7] Aga Khan Trust for Culture, "Al-Azhar Park, Cairo and the Revitalization of Darb Al-Ahmar," (N.p.: Aga Khan Foundation, 2005), <http://www.akdn.org/hcsp/cairo/PressBrief.pdf> (3 August 2005).

^[8] Op. cit. *Traditional Building Crafts Skills: Assessing the Need, Meeting the Challenge*, ibid

^[9] Op. cit. Terje Nypan.

^[10] Op. cit. Aga Khan Trust

^[11] UN-Habitat, "Conservation of the Cultural Heritage, Halmstad," *UN Best Practices Database*, 1 January 1996, http://database.bestpractices.org/bp_display_best_practice.php?best_practice_id=202 (1 August 2005).

^[12] Personal correspondence between author and Dr. David Listokin, Center for Urban Policy Research, Rutgers University. <http://www.policy.rutgers.edu/cupr/>

^[13] <http://www.mainstreet.org/content.aspx?page=7966>

^[14] Ismail Serageldin, "Our Past is our Future: Investing in our Cultural Heritage," *Proceedings of the 4th International Symposium of World Heritage Cities: Évora, September 17-20, 1997*, (N.P.: Organization of World Heritage Cities, N.d.).

^[15] Donovan D. Rypkema, *Planning for the Future, Using the Past. The Role of Historic Preservation in Building Tomorrow's Washington, DC*. Office of Planning, September 2003, <http://www.inclusivecity.org/docManager/100000073/HistPres.pdf>

^[16] Donovan D. Rypkema, *Virginia's Economy and Historic Preservation: The Impact of Preservation on Jobs, Business, and Community*, Preservation Alliance of Virginia, 1995

^[17] Donovan D. Rypkema, *Profiting from the Past: The Impact of Historic Preservation on the North Carolina Economy*, Preservation North Carolina, 1998

^[18] Op cit. Terje Nypan

^[19] *Economic Impacts of Historic Preservation in Florida*, Center for Governmental Responsibility, University of Florida and Center for Urban Policy Research, Rutgers University, 2002, http://www.law.ufl.edu/cgr/pdf/historic_report.pdf

^[20] Abílio Dias Fernandes, "Official Opening," *Proceedings of the 4th International Symposium of World Heritage Cities: Évora, September 17-20, 1997*, (N.P.: Organization of World Heritage Cities, N.d.)

^[21] *English Heritage*, *Heritage Counts 2003* (London: English Heritage, 2003), <http://www.english-heritage.org.uk/heritagecounts/newpdfs/DATA2.pdf> (1 August, 2005)

^[22] *The investment performance of listed office buildings: 2002 update*, 06 December 2002, IPD, English Heritage and the RICS Foundation

http://www.rics.org/Property/Commercialproperty/Officeproperty/Officepropertymarket/investment_performance_20021206.htm

^[23] Eduardo Rojas, Inter American Development Bank, correspondence with author

^[24] *Pioneer Square Business Climate Survey*, 2002, Pioneer Square Business Improvement Area

^[25] David Lung, "Introduction: The Future of Macao's Past," *The Conservation of Urban Heritage: Macao Vision, International Conference*, <http://www.macaoheritage.net/vision/inConfE.asp> (1 August 2005).

^[26] Tom Harley, "The Value-add of Cultural Heritage," *AUSHeritage/AUSTRade Export Seminar*, 2003 Chairman Australia Heritage Commission, Sidney, 27 June 2003, [http://www.ausheritage.org.au/HARLEY .pdf](http://www.ausheritage.org.au/HARLEY.pdf) (1 August 2005).

^[27] Belinda Yuen, "Strengthening Urban Heritage in Sinagapore: Building Economic Competitiveness and Civic Identity," *Global Urban Development* (May 2005), <http://www.globalurban.org/Issue1PIMag05/MagHome.htm> (1 August 2005).

^[28] Quoted in *The Economics of Historic Preservation: A Community Leader's Guide*, National Trust for Historic Preservation, 2005