

# PROFITS THROUGH PRESERVATION

## The Economic Impact of Historic Preservation in Utah

### SUMMARY REPORT

Jobs and Income

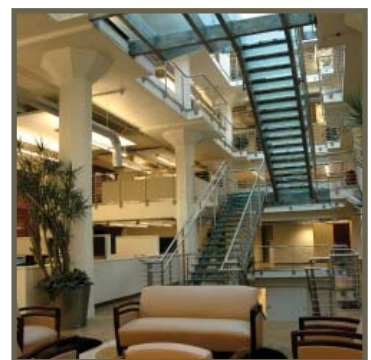
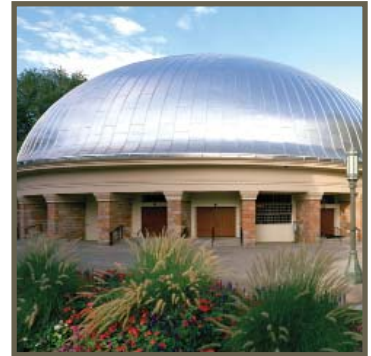
Heritage Tourism

Property Values

Sustainability

Downtown Revitalization

Fiscal Responsibility



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# INTRODUCTION



*Salt Lake City & County Building*

Utah is well known for having one of the strongest, most stable economies in the country. There are multiple reasons for this: a well-educated workforce, economic diversity, fiscally responsible state and local governments, and substantial year-in, year-out production from the agriculture, natural resources, high-tech, and tourism sectors.

Utahns are rightfully proud of their state's economy.

They are also proud of the depth and breadth of the heritage resources found throughout the state's 29 counties. Temple Square in Salt Lake City, the vibrant business district on 25th Street in Ogden, the Stagecoach Inn at Camp Floyd, and the Jens Nielson House in Bluff may not seem to have much in common. Some are owned by an institution, some by the private sector, and some by government. Some are grand in scale; some are modest. But they have one thing in common – each is a physical representation of the history of Utah.

But “economy” and “historic preservation” do not often appear in the same sentence. The citizens of Utah have been good stewards of historic buildings for their cultural, aesthetic, social, symbolic, religious, and educational values. And that is as it should be. Those “values” of the built heritage may well be beyond measure.

However some of the values of historic preservation can be measured and those are the economic ones. This report looks at the quantitative impact of historic preservation in six areas: jobs and income, sustainability, downtown revitalization, heritage tourism, property values, and fiscal responsibility. As the data on the following pages demonstrates, Utahns can also be proud of the contributions of historic preservation makes to the state's economy.



## JOBS AND INCOME

Ask anyone who is in the business of economic development what ultimately is the most important measure, and the answer will be the same – jobs. It is no accident that Utah gauges its economic success in part by having one of the lowest unemployment rates in the nation.

Every day Utah citizens, governments, and institutions are assuring a future for their historic buildings by investing in, maintaining, and rehabilitating them today. While not all of this economic activity can be reliably tracked, a sizable amount can be measured. Specifically, a substantial amount of data exists on the investment in historic buildings by property owners who use the Federal Investment Tax Credit and the Utah Historic Preservation Tax Credit. Over the 23- year period between 1990 and 2012, nearly \$300 million in private capital has been invested in historic buildings using one of these two programs.

PRIVATE INVESTMENT IN HISTORIC BUILDINGS USING TAX CREDITS 1990 – 2012			
	Federal	State	Total
Projects	109	1,128	1,237*
Investment	\$177,276,310	\$119,273,302	\$296,549,642

\* A few projects used both credits

The Federal Investment Tax Credit for the rehabilitation of historic homes is equal to 20 percent of the amount invested and applies to rehabilitation expenditures, but not acquisition. It is available for commercial and income-producing properties, but not one’s personal residence.

### PRESERVATION PAYS FOR THE PRIVATE SECTOR: THE LAPORTE GROUP

When developer Ben Logue moved to Utah from New York in the 1990s, he thought that he could build houses. But he soon found that houses weren’t a good fit: “I built one.” Historic buildings felt more rewarding. In 1999, Logue started The LaPorte Group to develop affordable housing by rehabilitating historic apartment buildings in downtown Salt Lake City. The LaPorte Group has since completed more than 20 historic rehabilitation projects in Utah.



During that time, Logue has learned the art of creative financing by assembling a variety of tax credits, including state and federal rehabilitation tax credits. This approach is uncommon in the development industry. “Most developers don’t want the challenge [of packaging multiple sources of financing],” Logue says. “It’s just too difficult. I like the challenge.” The economic success of The LaPorte Group supports Logue’s approach. LaPorte’s properties are all at 96 percent occupancy, and the company employs 60 people. Its projects also support good urbanism by retaining downtown density. But the social impacts of historic rehabilitation are perhaps most important to Logue. To him, historic buildings are “the backbone of the city”—and a place that residents can truly call home.

The Utah Historic Preservation Tax Credit is also equal to 20 percent but can be used for an individual home and for residential rental property. Appropriate rehabilitation standards are required for both tax credit programs.

**Because the Federal Investment Tax Credit is an offset against income tax that is owed, every time \$100 is spent using the credit, \$20 stays in Utah that otherwise would have been sent to the general fund in Washington.**



*Avenues Historic District, Salt Lake City*

While a large number, the \$300 million represents only a fraction of the historic preservation work that is taking place in Utah. Since the tax credits are only useful to tax-paying entities, investment made by state and local governments, and institutions such as the LDS Church and the University of Utah, are not reflected in these expenditures. Nor are the millions spent annually by individual property owners who either cannot or do not choose to use the tax credits.

Even so, the economic impact of tax credit investment is impressive.

JOBS FROM HISTORIC REHABILITATION PROJECTS USING TAX CREDITS 1990 - 2012			
	Federal	State	Combined
Direct	2,114	737	2,851
Indirect/Induced	1,539	580	2,118
Total	3,653	1,317	4,969

Historic preservation creates jobs. And those jobs also generate paychecks.

INCOME FROM HISTORIC REHABILITATION PROJECTS USING TAX CREDITS 1990 - 2012			
	Federal	State	Combined
Direct	\$93,039,882	\$32,303,365	\$125,343,247
Indirect/Induced	\$52,835,258	\$19,200,767	\$73,036,025
Total	\$146,875,140	\$51,504,132	\$198,379,272

Nearly 5,000 jobs and \$200 million in income sounds like a lot, but a skeptic might say, “Sure, but those are numbers over 23 years, on an annual basis it’s just not that much.” And it is true that since 1990 these projects generated an average of just over 200 jobs and \$8,500,000 in paychecks each year. **But if that were a single business it would be larger than 98.9 percent of all Utah firms.**

Of course no economy could exist where the only economic activity was fixing up old buildings. The strength of the Utah economy is the diversity of economic activities in

the state. But it is useful to see the kind of impact historic rehabilitation has on the state’s economy as compared with other sectors.

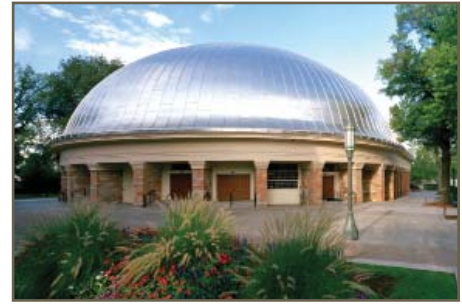
INDUSTRY COMPARISONS IN UTAH JOBS AND INCOME PER \$1,000,000 IN PRODUCTION			
Industry	Jobs	Income	Income/Job
Gas & Oil Extraction	7.5	\$358,859	\$47,956
Computer Manufacturing	3.4	\$181,593	\$54,157
Gasoline Station	16.7	\$612,350	\$36,752
Data Processing, Web Hosting	8.9	\$435,748	\$49,108
Legal Services	13.6	\$731,663	\$53,831
Home Health Care Services	26.3	\$985,310	\$37,451
Restaurants & Bars	25.6	\$621,447	\$24,300
New Construction	16.8	\$809,808	\$48,203
<b>Historic Building Rehabilitation</b>	<b>17.6</b>	<b>\$847,555</b>	<b>\$48,026</b>
Average of 434 Industries	11.28	\$456,804	\$40,497

The table above demonstrates that historic rehabilitation is a relatively labor intensive activity that provides good wages, particularly for those without advanced formal education. **Historic preservation creates more jobs per \$1 million of output than 84 percent of Utah industries and more income per \$1 million of output than 90 percent of Utah Industries.**

Both the U.S. Congress and the Utah Legislature enacted historic tax credits as a means of encouraging the private sector to invest in historic buildings. But legislation that was intended to encourage good stewardship has turned out to be an effective economic development tool.

## HERITAGE TOURISM

Utah is known internationally for its incredible natural environment, its ski slopes, and as the worldwide center of the LDS Church. Each year some 22 million people come to Utah -- including between 750,000 and 1 million international visitors. But Utah also possesses an abundance of heritage resources that are treasured by local residents and visitors alike.



*Salt Lake Tabernacle*

It is a challenge, however, to quantify the impact of “heritage tourism” as a portion of all tourism expenditures.

While this is an issue in every state, it is particularly difficult in Utah. The 4 million visitors to Temple Square each year may go there for religious reasons, for genealogical research, or simply to sightsee while they were in Salt Lake City for a convention. But Temple Square is also a National Historic Landmark. The 50,000 movie-goers who annually attend the Sundance Film Festival are visiting one of the great historic towns in the West — Park City. Nearly 5.5 million visitors travel to Bryce Canyon and Zion national parks for their incredible scenery and unique geology, but they get there by traveling through the Mormon Pioneer Heritage Area, one of 49 National Heritage Areas in the country. And Utah’s tremendous wealth of evidence of previous cultures — rock art, structures, settlement patterns — help build the cultural landscape into a layered, world-class attraction of scenery, geology, and history.

For the purposes of this study only visitation to the 62 sites listed below was measured. These sites attracted 7.3 million visits and generated approximately \$ 384.6 million in direct visitor spending and an additional \$333 million in indirect and induced expenditures.

2012 HERITAGE VISITATION	
Parks	953,181
Historic Sites	5,753,372
Museums	346,268
Festivals & Events	209,917

WHERE HERITAGE TOURISM DOLLARS GO	
Lodging	\$186,624,780
Transportation Related	\$242,677,848
Entertainment	\$54,161,927
Restaurants	\$115,477,252
Groceries	\$53,104,318
Retail & Other	\$65,764,820
<b>TOTAL</b>	<b>\$717,810,944</b>



Even though heritage visitors are estimated at only 15 percent of Utah tourism, the impact is considerable.

IMPACT OF HERITAGE TOURISM IN UTAH		
Industry	# of Jobs	Salary & Wages
Lodging	1,702	\$80,299,286
Transportation Related	1,780	\$117,856,904
Entertainment	655	\$18,162,999
Restaurants	1,566	\$38,045,107
Groceries	691	\$22,662,249
Retail & Other	919	\$25,459,698
<b>TOTAL</b>	<b>7,313</b>	<b>\$302,406,243</b>

## HERITAGE SITES AND ACTIVITIES INCLUDED IN THIS ANALYSIS

### National Parks

Golden Spike National Historic Site

### State Parks

Edge of the Cedars State Park Museum, San Juan Co.

Anasazi State Park Museum, Garfield Co.

Frontier Homestead State Park Museum, Cedar City  
Camp Floyd-Stagecoach Inn State Park and Museum,  
Utah Co.

Territorial Statehouse State Park Museum, Fillmore  
Wasatch Mountain State Park, John Huber House and  
Creamery, Wasatch Co.

Fremont Indian State Park and Museum, Sevier Co.

Antelope Island State Park, Fielding Garr Ranch, Davis Co.

Utah Field House of Natural History State Park Museum,  
Vernal

### Sites of Historical Interest

Bluff Fort Historic Site

John Jarvie Ranch, Daggett Co.

Cove Fort Historic Site, Millard Co.

Mormon Pioneer National Heritage Area

Wolverton Mill, Wayne Co.

Logan Utah Temple

Logan Tabernacle, Family History Center

Historic Downtown Logan

Swett Ranch, Daggett Co.

Maynard Dixon Living History Museum, Mt. Carmel

Parowan Historic Cemetery

Dr. Meeks Pioneer Farmstead and Urban Fishery, Iron Co.

Historic Temple Square, the Beehive House, Church History  
Museum, Family History Museum, and other historic  
buildings established by the LDS Church

Brigham Young Winter Home, St. George LDS Tabernacle,  
and Jacob Hamblin Home  
Historic Benson Grist Mill, Tooele Co.

### Museums

Cedar City Daughters of the Utah Pioneers Museum

Great Basin Museum, Delta

Hyrum City Museum

Museum of Anthropology, Cache Co.

Museum of Moab

Goulding's Museum and Trading Post, San Juan Co.

Union Station, Ogden

Paradise Daughters of Utah Pioneers Museum

Park City Museum

Parowan Historic Cemetery

Rock Church Museum, Parowan

Richmond Daughters of Utah Pioneers Museum

Roy Historical Museum

Zion Human History Museum

American West Heritage Center and Festivals, Cache Co.

### Heritage Events

Old Ephraim's Mountain Man Rendezvous

Boulder Heritage Festival

Brigham City Heritage Arts Festival

Clarkston Pony Express Days

Golden Spike National Historic Site Railroaders' Festival

Echoing Traditional Ways Pow Wow, Cache Co.

Logan Pioneer Day Celebration

Mormon Miracle Pageant at the Manti Utah Temple

Pioneer Day, Salt Lake City

Living Traditions Festival, Salt Lake City

Spring City Heritage Days

Heritage sites and events across Utah offer visitors the opportunity to learn about diverse parts of the state’s history. From historical to contemporary Native American cultures, early explorers to Mormon pioneers to newer immigrants, traditional occupations like ranching to the modern ski industry, the Pony Express to the Transcontinental Railroad, Utah’s heritage has something for most travelers.

This is reflected in higher visitation levels to state and national parks, historic sites, and museums compared to national averages. In Utah and surrounding western states, 16 percent of travelers visit state and national parks, compared to only 8 percent in the larger U.S. historic sites and museums are visited by 12 percent of travelers to the region, compared to 8 percent nationwide. When it comes to convention travel, 8 percent of visitors also go to historic sites, churches, and museums.

Among the larger pool of tourists, heritage visitors have certain things in common. They are typically:

- High-spending. These visitor parties tend to spend more than average travelers on accommodations, food, outdoor recreation, art, and handicrafts. A 2008 study in Colorado found that heritage tourists spent \$114 more per trip than other tourists, \$62 of which was on recreational activities.
- Older. Between the ages of 45 and 65, people have more time, are typically at the height of their careers, and have more discretionary income to engage in heritage activities.
- Well-traveled. Heritage tourists not only travel to more places, but they travel more often.
- Longer-staying than other visitors. On average, heritage tourists stay 5.8 nights, whereas other tourists stay 5.2 nights.

### WHAT WE DID NOT COUNT

Although the following fall within the definition of “heritage visitors,” their economic impact is not included in the analysis:

- Sundance Film Festival attendees
- Festivals and events
- 5.4 million visitors to Bryce and Zion
- Crossroads of the West Historic District, Ogden



Spring City Historic District

Too often a heritage site is dismissed because it “doesn’t pay its own way” — that is the entrance fees collected do not cover all the operating

*“Many tourists are more interested in recreation and sightseeing, but the tourist that is interested in heritage tourism typically spends more money in the local community. They tend to stay longer to explore every aspect of the culture and history. They invest in art from the area and spend more generously because they want to keep the history alive. These individuals also tend to feel more invested in a community when connecting through heritage tourism.”*

Travis Schenck, Director, Museum of Moab

costs. But that greatly misses the point. Less than 7 percent of a visitor's expenditures are at the historic site, even though that site was the magnet that attracted her to the area. The remaining 93 percent of her expenditures are in the restaurants, hotels, gas stations, and shops surrounding the historic site. So historic sites more than "pay their own way"... they just aren't the beneficiaries of the money they generate.

Whether or not they are counted as "heritage visitors" the historic character, sites, and events in Utah are central to nearly every visitor's experience. Visitors may come to Utah for a convention, to ski, to hike in the majestic canyons or to see a cutting-edge film, but they leave with an appreciation for Utah's heritage.

### **RURAL ATTRACTIONS; MAJOR IMPACTS**

The city of Boulder might not appear to be a prime example of the impact of heritage. After all, the year-round population in this Garfield County community is only 225. But located in Boulder is the Anasazi State Park Museum. Each year from April through October this museum welcomes more than 4,000 visitors per month. Even in the winter off-season some 500 visitors each month explore the remnants of over 100 structures of this once thriving village of Ancestral Puebloan culture. This legacy of a thousand years ago is paying dividends yet today.

The museum is the magnet that attracts the visitors, but the museum is not the primary beneficiary of their expenditures. In fact less than 10 percent of those 35,000 visitors' daily expenditures go for admission to the museum. Each day during the season, visitors to the Anasazi State Park Museum will spend \$1,750 on motel rooms, \$1,650 in restaurants and grocery stores, \$1,450 in gas stations, nearly all in Boulder and other rural Utah communities. Additionally, the park's employees constitute a stable employment base for this small rural community.

While Utah certainly benefits from its heritage attractions that draw millions of visitors each year, it is also blessed with historic resources of a smaller scale, benefiting those who choose to work, live, and visit the state's beautiful rural areas.



## PROPERTY VALUES

The 19th century American humorist wrote, “It ain’t ignorance causes so much trouble – it’s folks knowing so much that ain’t so.” Too often that is the case with historic districts. Here are some of the adamantly held beliefs that “just ain’t so”:

“Historic districts hurt property values.”

“Those preservation commissions just exist so they can tell their neighbors ‘no.’”

“Historic districts might be ok, but they’re all just rich peoples’ neighborhoods.”

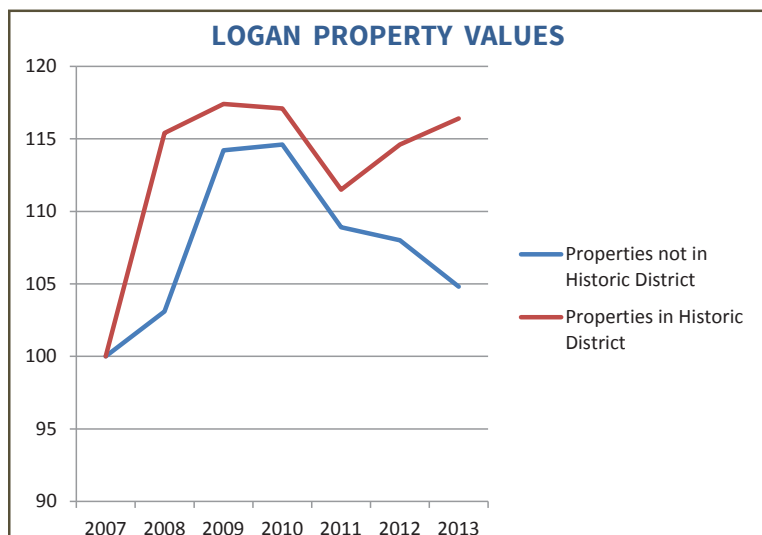


*Avenues Historic District, Salt Lake City*

Each of these issues was examined in depth, using over one million data points on assessed values of residential properties in five Utah cities: Logan, Ogden, Park City, Provo, and Salt Lake City.

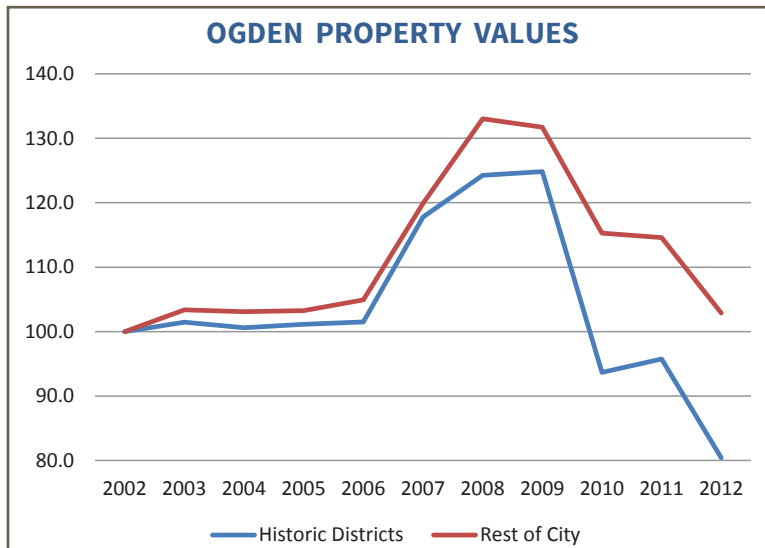
To understand historic districts’ impact on property values multiple years of assessment data were evaluated. Average values were calculated for single-family houses within historic districts and those were compared with average values of single-family homes not in historic districts. The average value in each category was assigned an index number of 100. Then annual changes in value were measured against the base year of available data. The results were clear.

Using 2007 as base, properties in **Logan**’s historic district appreciated at a faster rate than the rest of the city. Like properties all over Utah, the second half of the decade saw a decline in values, a pattern that has continued for most houses in Logan. Beginning in 2011, however, property values in the historic district began to recover. By 2013 the average values had nearly reached their pre-crash peak.

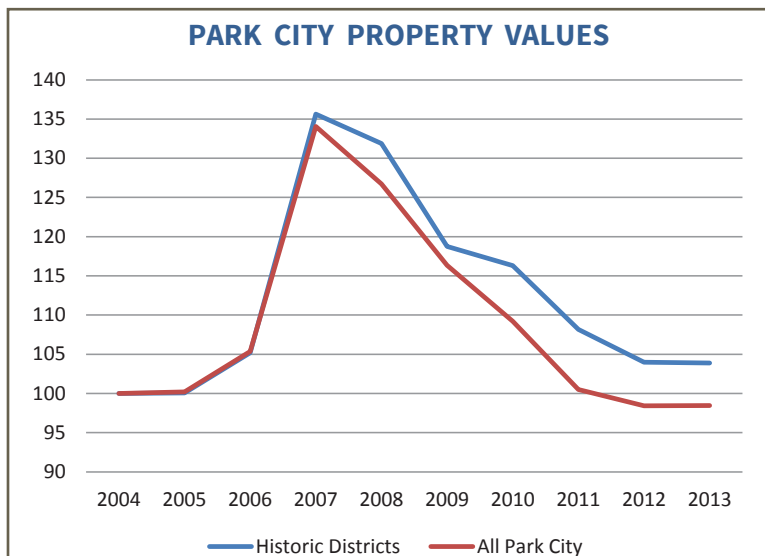


— Property Values —

**Ogden** was the one city that did not follow the pattern of the other four. For the first six years of available data (2002-2007) the value change of properties within historic districts paralleled the rest of the city. However, when the real estate crisis hit, the decline in the assessed value of homes in historic districts was steeper than other houses. Local experts named several possible reasons for this: 1) the very large size of the historic district; 2) a much lower rate of home ownership than in other parts of the city; and 3) under-valuation of historic houses for taxation purposes.

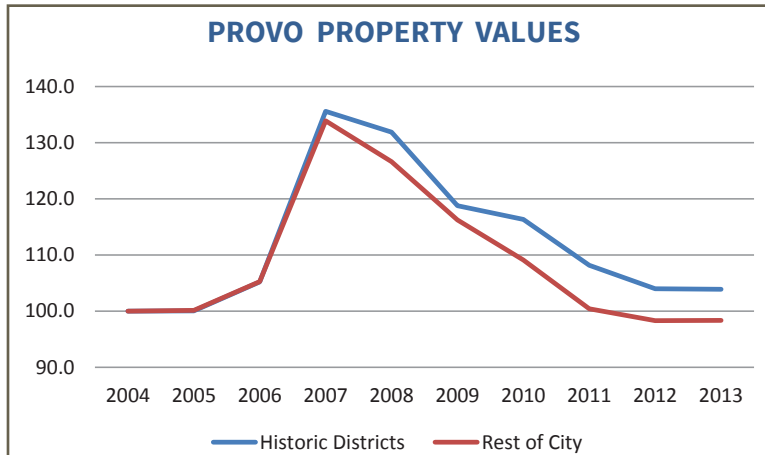


**Park City** includes some of the state’s most expensive real estate. During the boom years between 2004 and 2007, property values rose rapidly, with the rate of appreciation of houses in historic districts slightly greater than other housing stock. Both historic and non-historic houses have declined significantly from the peak, but houses in historic districts measurably less so.

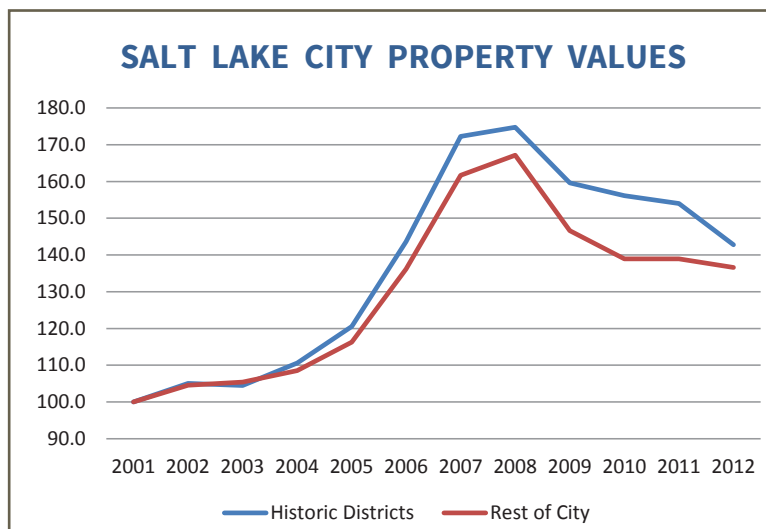


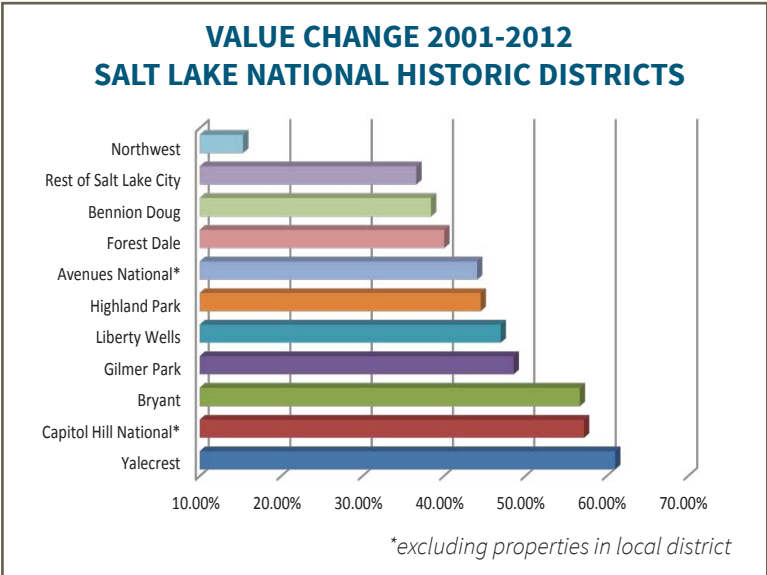
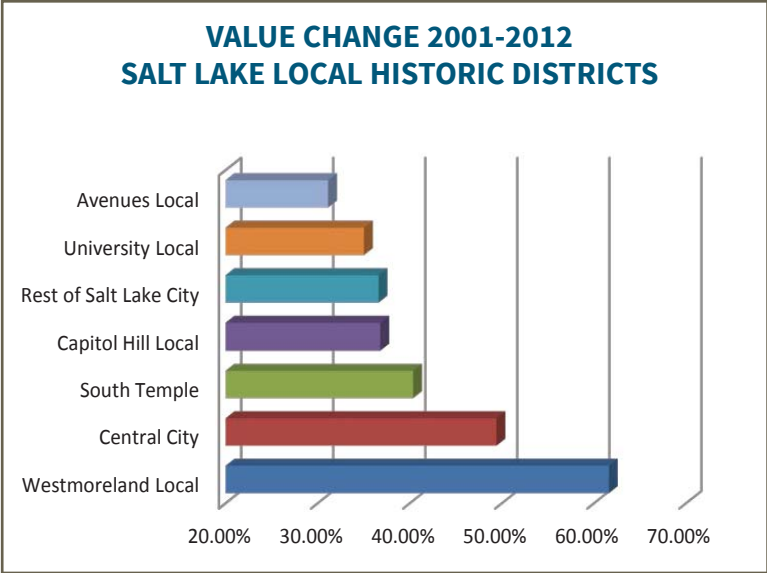


In a pattern strikingly similar to Park City, houses in **Provo**'s historic districts slightly outpaced the rest of the city in appreciation between 2004 and 2007. In the decline of values from their peak, houses in historic districts have fared better. The average value today of a house in a historic district is about 4 percent greater than it was a decade ago, while the other houses are still below their 2004 values.



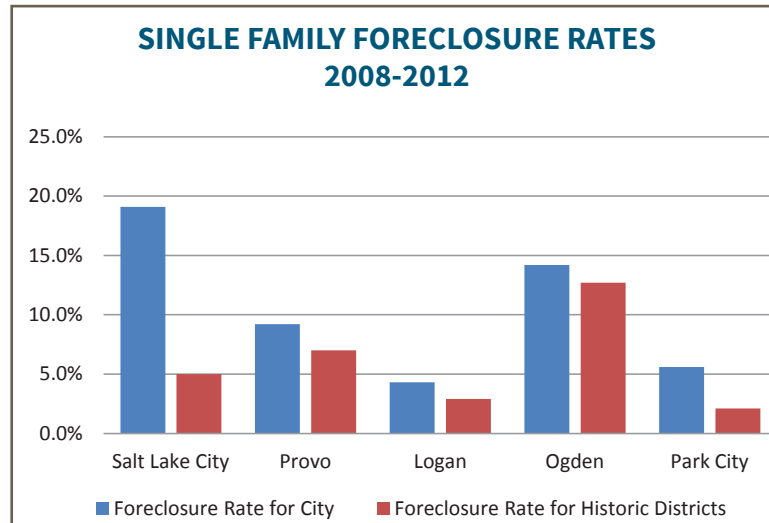
**Salt Lake City** has several National Register historic districts and locally designated historic districts. The change in value from 2001 to 2012 was calculated for each of these districts and compared to the average change in value for all single-family houses in Salt Lake City that were not located in either a local or National Register historic district. In that decade the average value of a single family house in Salt Lake City increased 36.6%. Four of the six local historic districts and nine of the ten National Register districts had rates of appreciation higher than that of the city as a whole. There was no evidence whatsoever that being in either a local or a National Register historic district had a negative impact on the value.





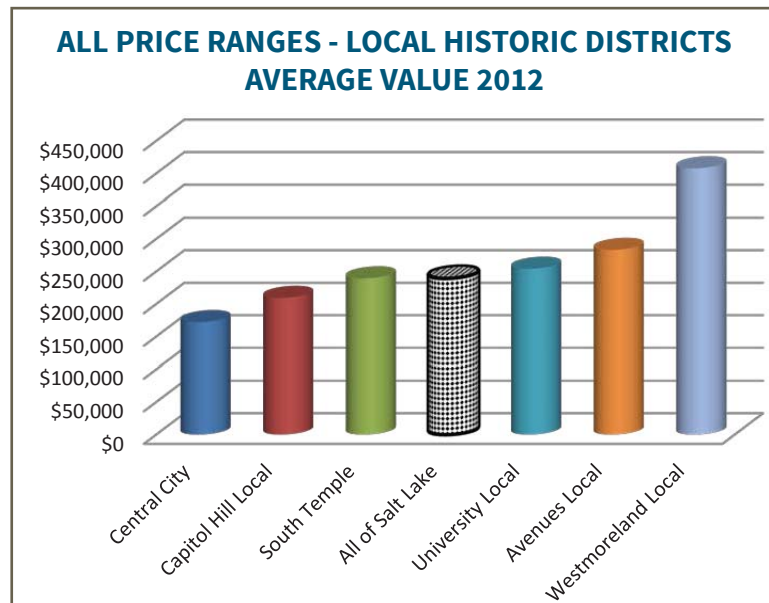
For a decade or more bankers, real estate brokers and home owners were focused on — sometimes obsessed with — the annual appreciation rates of houses. The data above demonstrates that houses in historic districts were a good bet for higher than average rates appreciation. But then came the nationwide real estate crash and subsequent foreclosure crisis in 2007, from which the country is still recovering. How have houses in Utah historic districts weathered that storm?

Over the last five years, in every one of the five cities studied, the rate of foreclosure of single family homes within historic districts was less than the rate in the rest of the community – often substantially so. The fundamental value of historic houses and the greater stability of historic district properties meant that fewer homeowners lost their houses and fewer banks were saddled with foreclosed properties than elsewhere in the same city.



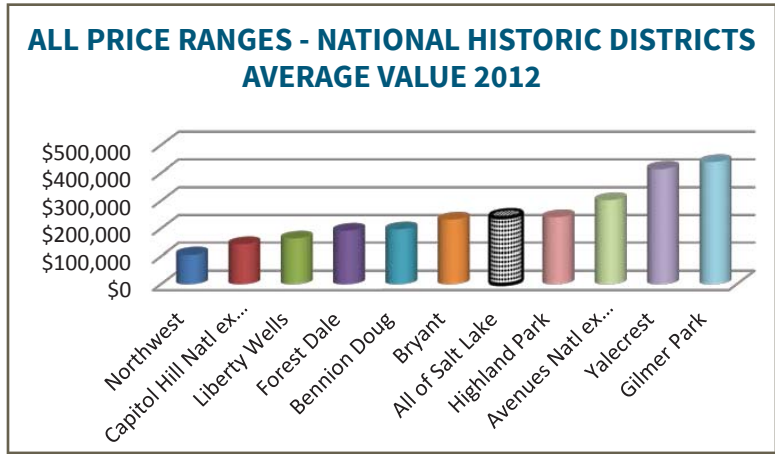
A skeptic might say, “OK, but that’s just because those historic districts are where wealthy people live and the houses all have high property values; of course there were fewer foreclosures.” This would be one more instance of “knowing so much that just ain’t so.” While some historic districts certainly have very expensive homes, In fact the values of houses in historic districts provide a wide range of price options.

In 2012, the average value for a single-family house in Salt Lake City that was not in a historic district was \$239,257. Of Salt Lake City’s six local historic districts, the average home value was higher than the citywide average in three, and lower in three.

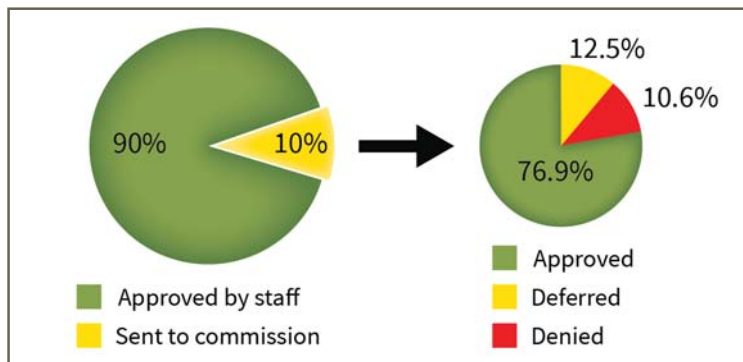


For properties located within National Register historic districts, but not in a local district the same pattern holds true. Of the ten National Register districts in Salt Lake City, four have average values greater than the citywide average, and six have

averages below that of the city. This is solid evidence that historic districts are providing quality housing for Utah households at nearly every income level.



Then what of the claim that local preservation commissions make it exceedingly difficult to make changes to one’s home? Again, the reality and the claim are far apart. For this study, the records of the Salt Lake City Historic Preservation Commission from 2004 through 2012 were examined. Of the applications that were presented, over 90 percent were approved at the staff level with no need for the applicant to appear before the commission at all. Of the ten percent forwarded to the commission, nearly 77 percent were approved and another 12 percent deferred, most of which were ultimately approved when requested modifications in the plans were made. Only 10 percent of all cases heard by the commission — roughly 1 percent of all applications — were denied. This is hardly a pattern that supports a “they’re just in business to say no” claim.



What do we know about historic districts now? 1) In good times properties in most historic districts outperform the rest of the market. 2) In tough times the decline in value is usually less. 3) The quality and relative value stability of homes in historic districts reduces the likelihood of foreclosure. 4) There are homes in historic districts that are affordable for household in a wide range of income brackets. 5) The overwhelming percentage of proposed changes to houses in historic districts are quickly approved.

Josh Billings would likely be pleased.

## SUSTAINABILITY

A building's sustainability is often measured by how much energy it uses, but the definition should not stop there. Embodied energy and avoided impacts, material flow, land conservation, and public health are other important measures of how buildings impact the environment. While many older buildings are energy efficient, historic buildings' high performance under other indicators makes them outstanding contributors to sustainability. Indeed, stewardship of the built environment can ensure the long-term availability of the natural environment for cultural, recreational, and economic uses.

Historic buildings are naturally energy-efficient. In particular, older commercial buildings were constructed with heavier masonry materials for thermal mass, natural ventilation strategies for cooling, and strategically placed openings for daylighting. These passive approaches provided basic thermal and lighting comfort.

However, 20th-century technologies transformed the design of commercial buildings. Fluorescent lamps and double-paned windows were introduced in the 1930s, and air conditioning became widely used after World War II. Aluminum curtain walls became a common element beginning in the 1950s. These products resulted in thermal deficiencies, which were "solved" by increasingly larger and more complex heating, ventilating, and air conditioning systems powered by cheap electricity.

Though energy-sensitive designs have gained in popularity in recent decades, older commercial buildings still have inherent advantages that allow them to perform comparably. Buildings constructed before 1920 consume the same amount of energy per square foot as buildings constructed after 2000.

Some older houses may be less energy-efficient compared to contemporary homes, but increasing efficiency through retrofits is not difficult. Weatherization improves the energy performance of the building envelope, and mechanical, electrical, and plumbing systems can be upgraded. Adding a storm window to an original wood window has a comparable performance and much shorter payback time than what are known as "low-emissivity" double-pane windows—just 4 years compared to 34 years. And many options for upgrading systems exist, from replacing individual components with more efficient components to enhancing air circulation and daylighting to adding low-flow plumbing fixtures or solar panels.



*Avenues home before rehabilitation, Salt Lake City*



*Avenues home after rehabilitation, Salt Lake City*

### AVERAGE ENERGY CONSUMPTION (KBTU/SF) COMMERCIAL BUILDINGS

Before 1920	-----	80.2
1920 – 1945	-----	90.3
1946 – 1959	-----	80.3
1960 – 1969	-----	90.9
1970 – 1979	-----	95.0
1980 – 1989	-----	100.1
1990 – 1999	-----	88.8
2000 – 2003	-----	79.7

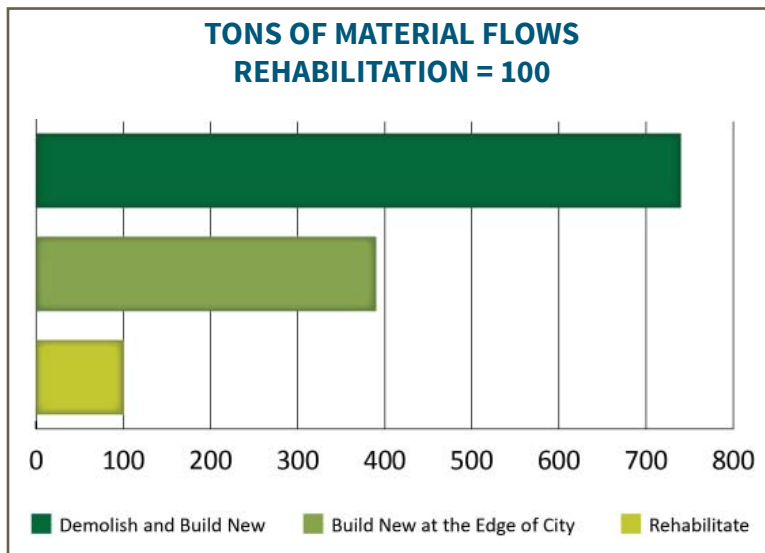


All historic buildings have the advantage of embodied energy—the energy used to construct the building, including sourcing and transporting materials—and avoided impacts. The concept of avoided impacts recognizes that the energy used to construct a new building must be “recovered” before the new building saves net energy. Even a new energy-efficient house can take 12 to 15 years to recover that energy. Demolishing an older house to replace it with a similar but more energy-efficient house will nearly double the recovery period. For a new office building, the recovery period for construction is 40 years, while it is closer to 65 years if demolition of an existing building is involved. In fact, **for most buildings being built today, the full recovery period exceeds the expected useful life of the buildings.**

Embodied energy is the energy consumed by all of the processes associated with the production of a building, from the mining and processing of natural resources to manufacturing, transport, and product delivery.

Demolishing one modest sized historic home in Utah is the equivalent of throwing away 12,338 gallons of gasoline. The impact on the land fill of that one demolition is equal to the waste it would take one person 139 years to generate.

Rehabilitation of historic buildings also reduces the “material flow,” or the path of materials from extraction to utilization to landfill. When rehabilitation is compared to the construction of a similar house at the edge of the city or the demolition of an older house and construction of a similar house, it generates the lowest material flows by far. New construction at the edge of the city generated a material stream 4 times greater than rehabilitation, while the material stream of demolition and reconstruction was 7.4 times greater.



On a larger scale, communities that preserve and reuse buildings can offset growth pressures on open lands. A study funded by the EPA estimated that redeveloping one acre of brownfields—vacant or underutilized urban land, including older buildings—is equivalent to preserving 4.5 acres of open space. Brownfields redevelopment is particularly relevant to urban areas, but it can also be applied in smaller communities and rural towns. In fact, it helps ease growth pressures so that open

lands in rural areas can be preserved for agricultural and recreational uses.

In helping to conserve open lands, preservation of buildings helps to improve public health. As an alternative to suburban sprawl, preservation helps reduce driving, along with its associated environmental and health costs. The Utah Department of Environmental Quality estimates that 57 percent of greenhouse gas emissions in the state come from mobile sources such as automobiles and trucks, and is measured in part by vehicle miles traveled (VMT). So reducing VMT can have a direct positive impact on public health conditions. For example, in early 2013, prolonged thermal inversions in Utah’s northern valley posed a significant threat to public health due to reduced air quality. Reducing VMT—and the pollutants that make up the smog associated with these inversions—can reduce the occurrences of asthma and other respiratory problems.



*Spring City home before rehabilitation*



*Spring City home after rehabilitation*

Conversely, creating an urban environment in which walking is a pleasant and efficient experience has significant public health benefits. More intensive use of existing built areas leads to a greater concentration of activities. This encourages both residents and visitors to get out of their vehicles and walk to multiple destinations. A relatively recent tool has been developed by WalkScore.com. Using multiple variables, the WalkScore system calculates a score for any address in over 10,000 communities across the country. Addresses (and neighborhoods) are then given a “walkability” rating that ranges from “car dependent” to “walker’s paradise”.

To understand the walkability of historic neighborhoods the WalkScore was determined for more than 900 houses in Salt Lake City that used the Utah Historic Preservation Tax Credit. These scores were then compared to the neighborhood scores for the entire city. The results are in the table below.

WALKABILITY IN SALT LAKE CITY’S HISTORIC DISTRICTS			
Score	Category	Tax Credit Projects	City of Salt Lake
90-100	Walker’s Paradise	3.1%	
70-89	Very Walkable	41.6%	21.4%
50-69	Somewhat Walkable	51.4%	48.6%
25-49	Car Dependent	3.9%	30.0%
0-24	Car Dependent	0.0%	

Walkability is important on the regional environmental level by reducing VMT and the corresponding effect on air quality. On the individual level here is what the *American Journal of Preventive Medicine* has reported: “Neighborhoods built a half-century or

more ago were designed with “walkability” in mind. And living in them reduces an individual’s risk of becoming overweight or obese.”

The Doctrine and Covenants directs LDS Church members to “be diligent in preserving what thou hast, that thou mayest be a wise steward” (D&C 136:27) “And the benefits shall be consecrated unto the inhabitants of Zion and unto their generations.” (D&C 70:8) When written that stewardship probably referred to the land and water and the production of the early pioneers. But today Utahns are being wise stewards of their historic built environment in addition to the land and water, preserving those benefits for future generations, and practicing sustainable development at the same time.

## DOWNTOWN REVITALIZATION

Downtown revitalization—and particularly preservation-based revitalization—is increasingly recognized as a viable, cost-effective approach to local economic development. Communities that have restored their downtown’s historic character as part of revitalization efforts have not only achieved substantial economic growth: they have established a strong identity that has led to further economic opportunities.



*Main Street, Cedar City*

Why reinvest in downtown?

- Downtown is an incubator for local entrepreneurs. Local businesses create a stable foundation for economic growth because they do not rely on economic interests based elsewhere. In addition, the multiplier of local businesses—that is, the percent of business income returned to the local economy—is much higher than that of national corporations. A 2012 study in Salt Lake City concluded that local businesses returned over 50 percent of their income to the local economy, while national chains returned less than 15 percent.
- Historic buildings and public places tell the story of the community and give a sense of its current direction. A clear sense of community identity has very real economic impacts. In marketing terms, it creates differentiation by establishing a clear brand for downtown and the broader community. This brand increases a community’s ability to compete economically.
- Focusing on downtown helps to manage growth in the entire community. Communities throughout Utah—even those that would have recently been considered remote—are experiencing the pressures of population growth. Concentrating development a central business district allows for more cost-effective allocation of public resources like infrastructure and preserves open land for productive long-term alternatives. In other

words, communities are economically healthier when they grow from the inside out.

- Local economies work better when they are based on a density of activity. When economic activity is concentrated in a smaller area like downtown, consumer activity intensifies and businesses can “feed” one another more effectively.

Several Utah communities have used a preservation-based downtown revitalization approach and their results reconfirm the wisdom of those efforts. Many smaller communities were involved in the Utah Main Street program. *Main Street* is downtown economic development in the context of historic buildings.

From 1996 through 2005 — the first ten years of the Main Street Program’s existence — sales at Panguitch’s motels and bed-and-breakfast inns increased by nearly 60 percent. By contrast, transient room tax revenues for Garfield County increased by only 18 percent during this period, while, for the state as a whole, those revenues increased by only 35 percent.

At the same time that **Panguitch**’s economy was capturing more visitor dollars, it was also diversifying. For the same ten-year period (1996-2005), sales in Miscellaneous Retail increased by over 300 percent, even as large-scale retail development intensified in nearby Cedar City and Richfield.



*Gem Theatre, Panguitch*

## CROSSROADS OF THE WEST, OGDEN

When Congress authorized the creation of the Crossroads of the West Historic District in 2000, two purposes were spelled out: 1) to use the historic district to educate and inspire the public, and 2) to enhance cultural and compatible economic redevelopment. Combining historic preservation and economic development may have been a new concept to some, but it was well understood by property owners, preservation advocates, and Ogden City when the district was established.

A little over a decade later the 10-square-block mixed-use neighborhood anchored by the Union Station has become a national model of excellent historic rehabilitation, high quality infill construction, and an eclectic array of shops and eateries. Dozens of annual events draw visitors from throughout Utah and beyond.

Since 2006 34 buildings in the district have undergone rehabilitation, matching \$466,000 in grant money with \$762,000 in private capital.

Today the Utah Transit Authority provides 21st century transportation from the same Union Station that truly made Ogden the Crossroads of the West.



Over the past 35 years, the collective assessed value of downtown property in **Brigham City** has increased by over 300 percent and downtown businesses – in only a nine square-block area – have generated \$13 million in sales taxes.

In order to assess the impacts of historically appropriate rehabilitations in Utah, the Utah Department of Community and Economic Development conducted an analysis in 2003 of 67 rehabilitation projects from around the state. That analysis concluded that every dollar invested generated \$11.84 in economic impacts, including payroll, property values, and spending that, in turn, generated \$1.53 in public revenues. These impacts may seem modest, until it is understood that the average cost of a project was slightly less than \$12,000 and the average population of the communities in which the rehabilitations took place was just over \$14,000.

According to the responses to a survey of property owners who had rehabilitated their buildings according to historic standards, those projects reduced the overall vacancy rate from 27 percent before rehabilitation to 10 percent after.

These modest rehabilitation projects have had a major impact on property owners' income.

- Crystal Drug in **Tooele** saw rents increase by 40 percent following rehabilitation.
- At the Warenski Home in **Murray** rent went from \$0 in prior to rehabilitation in 1997 to \$2,000 today. The current tenant has been in property for over 10 years.
- 47 South Main in **Payson** had been vacant for several years. Following rehabilitation, the building generated \$1,700 in rents from ground and upper floor leases.
- Gary's Shoes in **Richfield** doubled sales in eight-year period following rehabilitation.
- The former Continental Bank in **Salt Lake City** was vacant and threatened with demolition. There might have been a vacant lot. Instead there is an impressive structure on the tax rolls for \$22 million. Following redevelopment into the Hotel Monaco, the facility pays an estimated \$1 million per year in lodging, restaurant, and sales taxes, while property taxes exceed \$350,000.
- The Casino Star Theatre in **Gunnison** was acquired in 2004 by a foundation which rehabilitated the historic structure. The project has not only reclaimed its role as cultural center of the community, but it has served as a catalyst for downtown businesses. Between 2003 and 2010, gross sales in restaurants, apparel

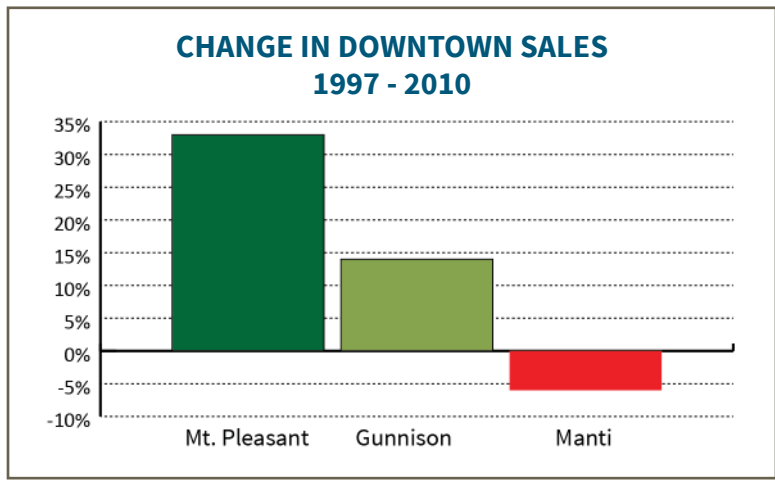


*Casino Star Theatre, Gunnison*



and accessories, and general retail stores increased by nearly 25 percent – even as per capita income in Gunnison was declining. For the two sectors for which detailed data are available – restaurants and miscellaneous retail – the contrast is striking: In the six years before the theater’s rehabilitation, sales in these categories increased by approximately \$60,000. In the two years immediately following completion of the rehabilitation, sales in these two categories increased by over \$350,000.

Another way to measure the relative effects of heritage based revitalization efforts is by comparing the experience of Mt. Pleasant which has used that approach with that of Manti and Gunnison, two other Sanpete County communities of the same size as Mt. Pleasant that had not undertaken downtown revitalization. In the five years after Wal Mart’s opening in Ephraim, Manti and Gunnison saw their downtown sales decrease by 24 percent and 23 percent, respectively. Downtown sales in Mt. Pleasant outperformed those in Manti and Gunnison, even though Manti – as the county seat – and Gunnison – as the site of the Utah State Prison – had significant market advantages. Taking a longer comparative view, between 1997 (the first year for which detailed data are available) and 2010, downtown sales in Mt. Pleasant increased by 33 percent, while those in Gunnison increased by 14 percent and those in Manti actually decreased by six percent.



**CASE STUDY OF PRESERVATION-BASED ECONOMIC DEVELOPMENT: ST. GEORGE**

In the 1970s, St. George began to transform from a quiet desert community into a haven for retirees. From 1970 to 2010, its population grew by nearly 900 percent. This dramatic increase naturally generated increased commercial demand which, in turn, generated significant large-scale commercial growth expanding commercial activity away from the community’s historic center.

As a result, the center of St. George faced increased economic pressure. However, rather than ignoring downtown, the community focused on it as an important economic and cultural resource. The first step was the designation in 1980 of a downtown historic district and the establishment of a façade grants program to encourage property owners to restore the historic character of their buildings. Over the past 20 years, more than two dozen *continued >>*

*continued >>*

façade rehabilitations have been completed in downtown and more than \$10 million of private investment has gone into both historic rehabilitation and compatible new construction.

The City of St. George has been an active partner. To date, its investment in downtown totals well over \$10 million and includes both historic renovations as well as architecturally compatible new buildings. The city's investments have been complemented by other government entities, with the Washington County School District and the State of Utah constructing new architecturally compatible buildings in downtown at a total cost of over \$15 million.



These various projects reflect the diversity and intensity of use in downtown St. George. Perhaps more than any other community in Utah, St. George has successfully integrated commercial, civic, and cultural – all

of which complement downtown's historic character. This diversity and intensity is both a reflection of and a catalyst in downtown's economic vitality.

That vitality continues to intensify, as downtown businesses expand. Even more telling, however, is the fact that local businesses are relocating to downtown. A recent headline in the Spectrum proclaimed that "Downtown continues to attract new businesses." Those move-ins include a technology company, medical offices, and an ophthalmology practice. As ophthalmologist Dr. Sharon Richens explains regarding her move to downtown, "St. George has such a sense of character and I wanted our new building to have a sense of place, to be within walking distance of the downtown."

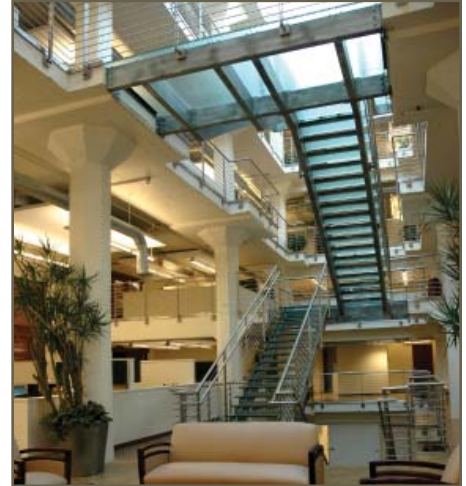
But perhaps the strongest evidence of the impacts of historic preservation on downtown is found in Ancestor Square, a shopping center at the intersection of Main Street and St. George Boulevard that its developers characterize as "an example of architecture, entrepreneurship and history nicely interwoven." Ancestor Square comprises 12 buildings, half of which are listed on the National Register of Historic Places and half of which are new. Ancestor Square is now over 30 years old and now houses over 15 businesses – retail, personal and professional services, and restaurants – as well as serving as the site for the Downtown Farmers Market.

This economic growth is the direct outcome of the "sense of place" which, in turn, is the direct result of the priority that the business community and local government have placed on sustaining the historic character of downtown.

## FISCAL RESPONSIBILITY

There are many good causes in the world. But the reality is, particularly in times of shrinking public budgets, economic challenges, and a cloudy financial future fiscal responsibility should be a priority for both taxpayers and elected officials across the political spectrum. Not every cause that might deserve public-sector support will receive it.

How does historic preservation rate on the fiscal responsibility scale? The most direct public financial support for private-sector investment in historic properties comes through the Utah Historic Preservation Tax Credit, so it merits a special look.



*Fuller Paint Warehouse / Big-D Construction  
Headquarters, Salt Lake City*

### **The Utah Historic Preservation Tax Credit**

In 1992, the Utah Legislature enacted a 20 percent Historic Preservation Tax Credit to encourage private investment in historic residential properties, both rental and owner-occupied. The goal of the Legislature was to leverage \$4 of private investment for every \$1 of state tax credit. But as with any tax incentive, it is appropriate to ask three questions: 1) Does it work? 2) Does it advance the public purpose for which it was enacted? and 3) Is it cost-effective for Utah taxpayers?

The answer to all three questions is a resounding Yes.

In the last 20 years, over 1,100 historic residential properties have been rehabilitated under this program, representing private-sector investment of nearly \$120 million.

The Utah Historic Preservation Tax Credit program was designed by the Legislature to encourage substantial investment—there is a \$10,000 project minimum—and requires that only projects that are consistent with good preservation practice receive the credit. These two provisions mean that the program has long-term benefits for Utah citizens.

When the State of Utah provides \$200,000 in tax credits for rehabilitation:

- A minimum of \$1,000,000 is invested by the private sector;
- That investment spurs an additional \$674,481 of economic activity in the state's economy;
- This results in the creation of 5.9 jobs directly and another 5.2 jobs indirectly;
- Those workers receive paychecks totaling \$550,095;
- Business owners receive \$177,495 in proprietors' income and \$107,958 in profits;

- Local governments receive \$16,762 in sales tax and \$15,000 each year in additional property taxes; and
- The State receives \$40,940 in income taxes, \$39,390 in sales taxes, and \$10,127 in indirect business taxes.

So when the additional economic activity is included, and the money returned to the State Treasury is considered, over \$15 of economic activity is generated in the private sector for every \$1 provided by the state tax credit. The Utah Historic Preservation Tax Credit was enacted to save historic buildings, not as an economic development tool. But its effectiveness in leveraging private-sector investment is a model for economic development professionals around the country.

But it is not just the Utah Historic Preservation Tax Credit that meets the fiscal responsibility test.

- 100 percent of the Federal Investment Tax Credit stays in Utah rather than being sent to Washington, D.C. Since 1990, that means that more than \$35 million remained in Utah instead of in the coffers of the U.S. government.
- Local governments receive more than \$4 million each year in additional property tax revenue from projects that used the Federal or State Historic Tax Credits. That amount is enough to pay for 121 new teachers or 150 new police officers.
- In Salt Lake City, if properties in historic districts had declined as much as houses outside historic districts, there would be \$175 million less in property value in the city.
- Occasionally, historic preservation is accused of being excessively expensive. But data shows that simply isn't the case. The average investment under the Utah Historic Preservation Tax Credit is \$23.03 per square foot.
- Projects done using the Federal Investment Tax Credit tend to be larger, are generally commercial rather than residential, and are more frequently complete renovations. Even so, the rehabilitation costs for these projects ranged from \$44.89 to \$273.31 per square foot, with an average of \$133.12 per square foot.
- On average, each homeowner in a local historic district in Salt Lake City saved \$11,646 in property value decline between the recession years of 2008 and 2012.

Fiscal responsibility certainly means that governments spend taxpayers' money judiciously. It also means recognizing that we are beneficiaries today of investments that others made in the past. That understanding brings with it the responsibility of making decisions today that benefit citizens not just through the next election, but the next generation.

For the citizens of Utah, historic preservation meets both definitions.

## CONCLUSIONS

An historic building is more than just one more piece of real estate. Brent Roberts, Director of Headquarter Facilities for the LDS Church put it this way: “Our historic buildings are the physical symbols of the Church. Our membership views these buildings as the direct connection to the pioneer era of the Church.” For all Utahns the stewardship of the built heritage is a way of respecting the past but also the way to be a good steward for the future.

In the long run, these symbolic, social, cultural, and educational values of historic preservation are more important than its economic value. But as the great British economist John Maynard Keynes said, “In the long run we’re all dead.”

In the short run many of those who make decisions about historic buildings – property owners, developers, state and local government officials, institutions, bankers, real estate brokers – are legitimately concerned with the short term and that includes the economic value of preservation. The results of this analysis demonstrate that good stewardship of long term assets provides significant short term dividends.

- Historic preservation creates jobs, more jobs per \$1 million of output than the vast majority of industries in Utah.
- Historic preservation generates income, more income per \$1 million of output than the vast majority of industries in Utah.
- Historic preservation is an effective tool for downtown revitalization as measured by new businesses, increased sales, reduced vacancies, increased tax revenues, and increased property values.
- Historic preservation not only draws visitors to the state but is part of almost every visitor’s experience in Utah. Even though heritage visitors are a relatively small share of total tourism in Utah their economic impact is immense.
- Historic districts enhance property values in times of appreciation and stabilize property values in weak real estate markets.
- The stability of historic neighborhoods mitigates the risk for foreclosure.
- The good stewardship of historic buildings is automatically good stewardship of the environment. Sustaining historic buildings is sustainable development.



*A preservation workshop in Cache County on building traditional barn doors.*

- For anyone who is a strong advocate for fiscal responsibility, historic preservation should be a top priority. The demolition of historic buildings is more often an act of fiscal irresponsibility.

Future generations of Utahns will be thankful for the good stewardship of historic buildings. But the profits through preservation accrue to property owners, state and local governments, downtown business owners, neighborhood residents, and taxpayers today.



## HISTORIC PRESERVATION BY THE NUMBERS

- \$717,811,000** Direct and indirect spending by visitors to Utah heritage sites & special events. \*
- \$198,379,272** Salaries and wages paid as a result of historic preservation projects using Federal or State historic rehabilitation tax credits. ☒
- \$177,276,340** Amount of private investment in historic buildings using the Federal Investment Tax Credit. ☒
- \$119,273,302** Amount of private investment in historic buildings using the Utah State Historic Preservation Tax Credit. #
- \$35,455,268** Investment that stayed in Utah rather than sent to Washington because of the Federal Investment Tax Credit. ☒
- 7,300,000** Number of visitors to Utah heritage sites and special events each year. \*
- \$4,374,000** Additional statewide annual property tax revenues from investment in historic preservation projects. \*
- 7,313** Direct and indirect jobs generated by the heritage portion of Utah's tourism industry. \*
- 4,969** Jobs from historic preservation projects using Federal or State historic rehabilitation tax credits. ☒
- 2,470** Housing units rehabilitated using the Utah Historic Preservation Tax Credit. #
- 1,128** Number of projects using the Utah Historic Preservation Tax Credit. #
- 350** Tons of raw and waste materials generated when an older house is demolished and replaced with a new one. Rehabilitating the same older house generates *only 50 tons* of materials.
- 100%** Cities where foreclosure rate was lower in historic districts than the rest of the city.
- 68** Average "Walk Score" for historic preservation projects in Salt Lake City, as compared to an overall city score of 58.
- 33%** Increase in downtown sales volume in Mt. Pleasant in the decade after it became a Main Street community. ^
- 15%** Tourists in Utah who visited a historic site during their stay. \*

\* Annual    ☒ Aggregate 1990-2012    # Aggregate 1993-2012    ^ Aggregate 1997-2012

The activity that is the subject of this report has been financed in part with federal funds from the National Park Service, U.S. Department of Interior, and administered by the State Historic Preservation Office of Utah. The contents and opinions do not necessarily reflect the views or policies of the Department of the Interior or the Utah State Historic Preservation Office, nor does the mention of trade names or commercial products constitute endorsement or recommendation by the Department of Interior or the Utah State Historic Preservation Office.

This program receives federal financial assistance for identification and protection of historic properties. Under Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, as amended, the U.S. Department of the Interior prohibits discrimination on the basis of race, color, national origin, disability or age in its federally assisted programs. If you believe you have been discriminated against in any program, activity, or facility as described above, or if you desire further information, please write to: Office for Equal Opportunity, National Park Service, 1849 C Street NW, Washington, D.C. 20240.

## ABOUT UTAH HERITAGE FOUNDATION



Utah Heritage Foundation commissioned this study. Established in 1966, Utah Heritage Foundation was the first statewide historic preservation organization in the western United States. Utah Heritage Foundation's mission is to preserve, protect, and promote Utah's historic built environment through public awareness, advocacy, active preservation, and stewardship.  
[www.utahheritagefoundation.org](http://www.utahheritagefoundation.org)

## ABOUT THE AUTHORS

The report was prepared and written by Donovan D. Rypkema, principal of *PlaceEconomics*, a Washington D.C.-based real estate and economic development consulting firm. Primary researcher was Courtney Williams of PlaceEconomics and editing by Cara Bertron, director of the Rightsizing Cities Initiative at PlaceEconomics. Chelsea Gauthier also assisted with research. Research and case studies on historic preservation and sustainability was done by Professor Robert Young, University of Utah. Bim Oliver of Bim Oliver Consulting, Salt Lake City was responsible for research and case studies on downtown revitalization. Lynn Knight of Management Analysis, Incorporated, Vienna, Virginia conducted tourism research.  
[www.placeeconomics.com](http://www.placeeconomics.com)

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The report was designed by Stefanie Borys, Utah State Parks.

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