THE ECONOMIC BENEFITS OF HISTORIC PRESERVATION IN COLORADO

2005 UPDATE

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Prepared by
Clarion Associates
Denver, Colorado

In association with
BBC Research and Consulting
Denver, Colorado

Design by
Nakota Designs Inc.
Denver, Colorado

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Mesa Verde National Park, Colorado

OVERVIEW OF THE 2005 UPDATE

In 2001, the Colorado Historical Foundation undertook a project to document the economic benefits of historic preservation in Colorado. The resulting report, released in 2002, examined statewide economic impacts associated with the rehabilitation of historic buildings and heritage tourism. The report also focused on economic issues especially important to the owners and users of historic properties, such as the availability of affordable housing in older neighborhoods, and property value trends in locally designated residential historic districts.

Over 12,000 copies of the 2002 report were printed and distributed free-of-charge to citizens and organizations throughout the state. Copies were distributed to all attendees at each of the last several statewide preservation conferences hosted by Colorado Preservation, Inc. The project received the 2003 Stephen H. Hart Award from the Colorado Historical Society for "outstanding achievement in preserving Colorado's cultural heritage."

In 2004-05, the Foundation undertook a limited update of the earlier project. This report summarizes the findings of the new research. Key new features include:

- A report on the economic achievements of the Colorado Main Street program;
- An examination of property values in a Colorado commercial historic district, to complement the earlier property values work done in residential areas;
- Updates of data regarding three economic incentives for preservation: the federal rehabilitation tax credit, the state rehabilitation tax credit, and State Historical Fund acquisition and development grants; and
- New research on heritage tourism, and a complete rewriting of the section on heritage tourism.

This document contains the results of the 2004-05 research, and also carries forward much of the key material from the 2001 project.

In addition, a separate new technical report is available from the Colorado Historical Foundation at www.cohf.org. Organized as an appendix to the earlier technical report, it describes the 2004-05 project's findings in detail and discusses the analytical techniques used in this new analysis, where they are different from techniques used in the earlier project.

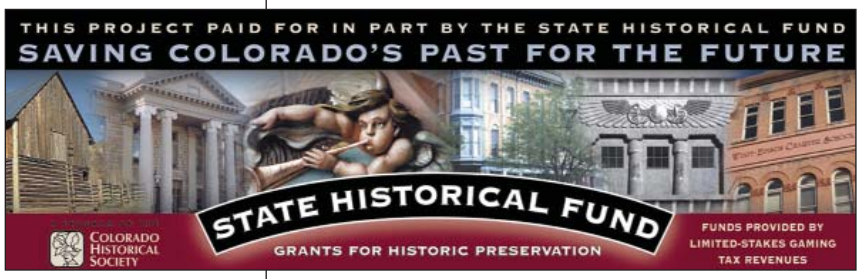
Historic farm building
Snowmass, Colorado

Highlands rehabilitation
Denver, Colorado

INTRODUCTION

Historic preservation adds value to the lives of all Colorado residents. Colorado's historic resources are extraordinarily diverse and contribute significantly to the cultural, aesthetic, social, and educational value of our state. Historic places provide opportunities every day for both Colorado residents and visitors to appreciate the legacy of the Centennial State's rich past.

Historic preservation also yields significant economic benefits. Studies across the country have shown that historic preservation acts as a powerful economic engine, creating tens of thousands of jobs and generating significant household income. Our research shows that this is especially true in Colorado, given the state's large number of designated historic resources, active preservation community, and significant preservation programs, including the State Historical Fund.



State Historical Fund banner

One reason that preservation exerts such a great influence is that it encompasses a wide variety of activities, ranging from the rehabilitation of historic buildings to sightseeing at historic places. A second reason is that preservation is not confined to any one type of area, but rather plays a role in communities of all types throughout the state, from farming towns on the plains, to ski resorts in the mountains, to the neighborhoods of Denver.

A third reason for preservation's great influence is that the economic impacts of preservation extend far beyond the initial dollars spent. Any economic activity generates both a direct and an indirect impact, which add up to an overall impact. For example, when rehabilitating a historic building, the direct impact consists of the actual purchases of labor and materials used in the project. Indirect impacts occur as the effects of the direct expenditures ripple throughout the local and state economies. The overall impact often is far greater than the initial dollars spent.

This report shows how historic preservation leverages private capital, creates local jobs, revitalizes residential and commercial areas, and stimulates a wide range of related economic activities. *(See snapshot of the results on the right)*

The following pages describe in detail the many ways in which Colorado's past continues to support the future. The report focuses first on historic preservation as an engine for statewide economic development by examining the rehabilitation of historic structures. Next, an expanded section explores statewide heritage tourism activities. A new section discusses the significant economic achievements of the still-young Colorado Main Street program.

Later sections focus on preservation issues especially important to owners and users of historic properties, including property value trends in local historic districts (including a new commercial case study), and the relationship of preservation to affordable housing.

This project is conservative, in that it focuses on only a few selected preservation activities – generally those that are most easily tracked through established programs. In other words, this report only scratches the surface of the economic benefits of preservation in Colorado, not taking into account economic impacts that are significant yet very difficult to track, such as income generated by businesses located in historic buildings, volunteer hours spent on preservation commissions and leading historic tours, and rehabilitation projects that don't utilize the economic incentives analyzed in this report. Clearly, there are many more topics to study in future updates of this research.

In sum, historic preservation is not only about protecting and appreciating the past. Historic preservation is a key strategy for successful community planning and economic development.

This report confirms what many of the state's preservationists have long understood: historic preservation has had a profound economic benefit on Colorado and its citizens over the past several decades, generating billions of dollars and creating tens of thousands of jobs throughout the state.

Boom Days Festival, Leadville, Colorado

A snapshot of the results includes the following:

- **Preservation protects and revitalizes historic resources.** Colorado property owners can take advantage of federal and state tax credit programs, as well as the State Historical Fund, to help rehabilitate historic buildings. Since 1981, the federal rehabilitation tax credit has been used by 334 Colorado projects, for a total of $493.8 million in qualified rehabilitation costs. Since 1991, the state rehabilitation tax credit has been utilized by 574 projects, for a total of $48.9 million in qualified rehabilitation costs. Over the last 11 years (1993-2004), the State Historical Fund has distributed over $142.9 million throughout the state to more than 2600 projects for use in rehabilitation/restoration, educational, and planning projects.
- **Preservation creates jobs and income.** Since 1981, rehabilitation activities in Colorado have created almost 29,000 jobs and generated a total of over $2 billion in direct and indirect economic impacts. Even more impressive, in a single recent year heritage tourism in Colorado created $3.4 billion in direct and indirect economic impacts and another 60,964 jobs throughout the state.
- **Preservation benefits downtowns and commercial areas.** Examples throughout the country show that historic preservation is a useful economic development strategy and often a key factor in enhancing property values. The 2001 Colorado study showed this to be true in predominantly residential historic districts. This 2004-05 study focuses on Colorado's business and commercial areas, where historic preservation can help communities reuse public infrastructure, maintain a sense of community and place, and support locally owned businesses, thus keeping downtown investment dollars within the community. As an example, eight Colorado Main Street communities have attracted considerable private investment since 2001, totaling over $21.5 million in their downtown districts.
- **Preservation attracts visitors.** The link between preservation and tourism is well-established. Preserving historic character helps support tourism by providing interesting and unique opportunities for visitors, and tourism supports preservation by providing financial resources for ongoing preservation efforts. Heritage tourism is a key industry in Colorado, providing significant income and thousands of jobs.

REHABILITATION OF HISTORIC RESOURCES

Historic rehabilitation happens each day in Colorado in communities of all types, from quiet rural hamlets to bustling Front Range cities. Projects range from minor repairs of historic homes to large-scale renovations of landmark commercial buildings.

Many rehabilitation projects are eligible for economic incentive programs that assist owners in returning underutilized resources back to active service within the community. Two often-used incentives are the federal and state historic preservation tax credits. Another economic incentive, unique to Colorado, is the State Historical Fund (SHF), which is the largest historic preservation grant program of its kind in the nation. All types of historic properties throughout Colorado, such as Silverton's Town Hall, Denver's Quigg Newton Municipal Auditorium, and Leadville's Dexter Cabin, as well as hundreds of private homes, have benefited from such preservation incentives.

"People often think that preservation is just for major buildings - grand hotels, churches, mansions of famous people - but the work of thousands of homeowners and small businesses across the state who are rehabilitating their historic homes and Main Street buildings add value to both our economy and our communities."

Mark A. Rodman
Executive Director
Colorado Preservation, Inc.

Historic Old Town Fort Collins, Colorado

Any rehabilitation that uses tax credits or a grant from the State Historical Fund must conform to the Secretary of the Interior's Standards for Rehabilitation, thus ensuring that a consistent standard for rehabilitation is applied.

The following pages summarize the economic benefits to Colorado that have resulted from projects taking advantage of either the federal and state preservation tax credits and/or SHF grants. Many projects have taken advantage of more than one of these incentive programs. With minimal public cost, these programs have generated vast amounts of private investment devoted to the preservation of Colorado's historic resources. In summary:

- Between 1981 and 2003, 334 Colorado projects with a combined total project cost of $493.8 million utilized the federal rehabilitation tax credit.
- Between 1991 and 2003, 574 Colorado projects with a combined total project cost of $48.9 million utilized the state rehabilitation tax credit.
- Between 1993 and 2004, the State Historical Fund distributed over $142.9 million in grants to over 2,600 Colorado rehabilitation projects, with an additional $505.8 million contributed through public and private matching funds.

The following pages first document the economic impacts associated with each of the three incentive programs. The cumulative benefits from all three programs are discussed on pages 9-11. All data has been updated to reflect activity through state fiscal year 2004.

Federal Rehabilitation Tax Credit

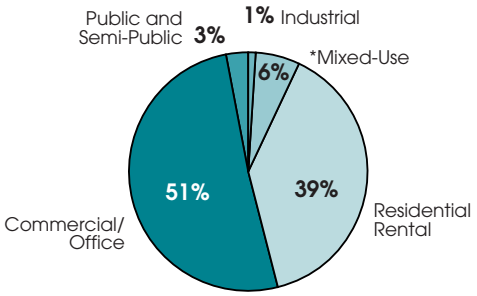
The Federal Historic Preservation Tax Incentives Program has been in place since 1976 and is, in the words of the National Park Service, "one of the federal government's most successful and cost-effective community revitalization programs." Administered by the National Park Service in cooperation with the Internal Revenue Service and the nation's State Historic Preservation Offices, this program encourages private investment in historic buildings by offering significant tax credits for rehabilitation. The principal incentive is a 20 percent income tax credit for the certified rehabilitation of a certified historic structure. The 20 percent credit is available for properties rehabilitated for income-producing purposes, such as commercial, industrial, or rental residential uses.

The federal 20 percent tax credit has been used extensively in Colorado. From 1981 to 2003:

- A total of 334 Colorado projects have used the credit, with cumulative qualified rehabilitation costs of $493.8 million.
- The median cost of a Colorado federal tax credit project is $218,939 and the average cost is $1.6 million.
- Twenty-four projects filed to use the federal tax credit since the previous version of this report was published in 2002.

Because the federal tax credit is used throughout the country, it is possible to draw comparisons between usage of the program in Colorado versus other states. Colorado is often one of the top 20 states utilizing the program, and consistently either first or second in the West.

Larimer Square
Denver, Colorado



Federal Tax Credit Projects in Colorado by Project Type
*Mixed-use includes commercial and residential uses

Historic rehabilitation does not necessarily mean the complete overhaul of a structure. Many of the rehabilitations taking advantage of the federal and especially the state tax credits involved minimal or partial renovations, such as façade improvements. Nevertheless, the rehabilitation work still triggers economic benefits, even for these smaller-scale projects.

SUMMARY: Federal Tax Credit

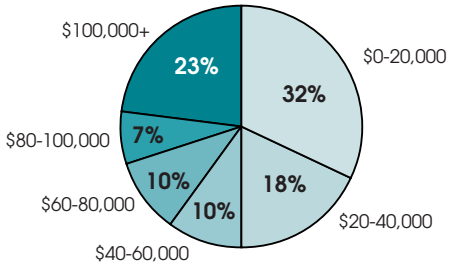
From 1981 to 2003:
- 334 projects
- $493.8 million in rehabilitation costs

"Preservation tax credits have been a key tool in my projects. They are especially useful for pioneers who are redeveloping a disinvested area. Under those circumstances, it can be difficult to obtain funding, but tax credits can make your project much more attractive to investors."

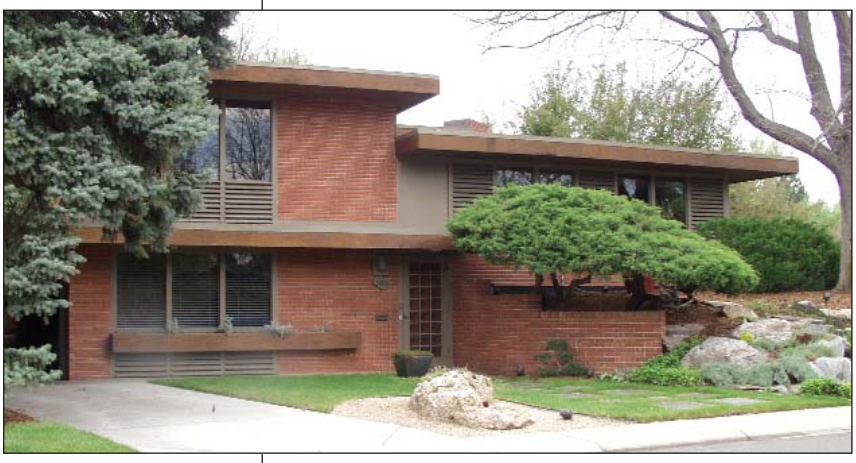
John Hickenlooper
Founder, Wynkoop Brewing Company
Mayor, City of Denver

Colorado State Tax Credit

In addition to the federal credit, 20 states have established their own rehabilitation tax credit programs. These state programs vary considerably, from the percentage of the credit to the types of targeted properties. Established in 1991, Colorado's preservation tax credit was reauthorized by the state legislature in 1999. The available credit is 20 percent of $5,000 or more of approved rehabilitation work on qualified properties, up to a maximum of $50,000 credit per qualified property.



Rehabilitation Costs of State Tax Credit Projects 1991-2000



Arapahoe Acres, Englewood, Colorado

"The State Tax Credit is helpful in two ways: it provides standards for preservation projects to ensure that changes are consistent with the character of the home, and it provides a real financial incentive to help offset some of the expenses that come with doing the job right."

David Steers, Historic Preservation Consulting

Unlike the federal tax credit, the state tax credit is available for owner-occupied residences, and the vast majority of state tax credit projects have been used for that purpose. Because they involve primarily private residences, state tax credit projects are typically of a smaller scale, in both project size and cost, than federal tax credit projects. Some key facts:

- A total of 574 Colorado projects have used the credit with estimated, cumulative qualified rehabilitation costs of $48.9 million.
- The direct expenditures of these rehabilitation projects have ranged from the minimum of $5,000 to a maximum of over $2 million.
- The median cost of a Colorado state tax credit project is $42,500 and the average cost is $85,154.
- Over 140 projects filed to use the state tax credit since the previous version of this report was published in 2002.
- Fifty-four state tax credit projects have claimed rehabilitation expenditures in excess of $250,000. These projects contributed a substantial sum to local and state economies over the course of the rehabilitation work. Yet, the cost to the state (i.e., the tax credit claimed) was relatively small – just $50,000 per property, the maximum credit available.

In Colorado, the public costs of administering both the federal and state tax credit programs are minimal. The Colorado Historical Society's Office of Archaeology and Historic Preservation (OAHP) provides technical assistance to the public in identifying, protecting, and preserving Colorado's cultural resources. While all of the OAHP's activities contribute to the promotion of historic resources, the equivalent of only one full-time employee administers both the state and federal tax credits. The majority of those services are funded by a federal grant.

SUMMARY: Colorado State Tax Credit

From 1991 to 2003:
- 574 projects
- $48.9 million in rehabilitation costs

State Historical Fund

Established in 1990, the State Historical Fund (SHF) has grown to be the largest fund of its type in the nation, and has played a significant role in the preservation of historic resources throughout Colorado. The Fund was created as part of an amendment to the state constitution authorizing limited-stakes gaming in three communities: Black Hawk, Central City, and Cripple Creek. A total of 28 percent of the annual state tax revenue generated by gaming is paid into the State Historical Fund, with 20 percent of that amount returned to the three towns for their use in preservation projects. The remaining 80 percent is allocated by the State Historical Fund to historic preservation projects throughout the state. In fiscal year 2004, the Fund received over $25 million from state gaming revenues.

The State Historical Fund is intended for projects with a demonstrable public benefit, and only public entities and nonprofit organizations may apply for Fund grants. However, private entities and businesses are able to benefit from funding by arranging for a public entity or nonprofit organization to apply for and administer a grant on their behalf. To further maximize the effect of this funding, a minimum cash match of 25 percent of the total project cost is required from all applicants, with a minimum of 50 percent match recommended from private and for-profit owners.

For the purposes of the Fund, "preservation" is broadly interpreted to include physical restoration, identification, evaluation, documentation, study, and interpretation of historic resources. To this end, the Fund supports three types of projects:

- Acquisition and Development (e.g., rehabilitation, restoration, and archaeological excavation)
- Education (e.g., publications, videos, signage, and exhibits);
- Survey and Planning (e.g., historic resource surveys).

State Historical Fund sign, on the Daniels & Fisher Tower, Denver, Colorado

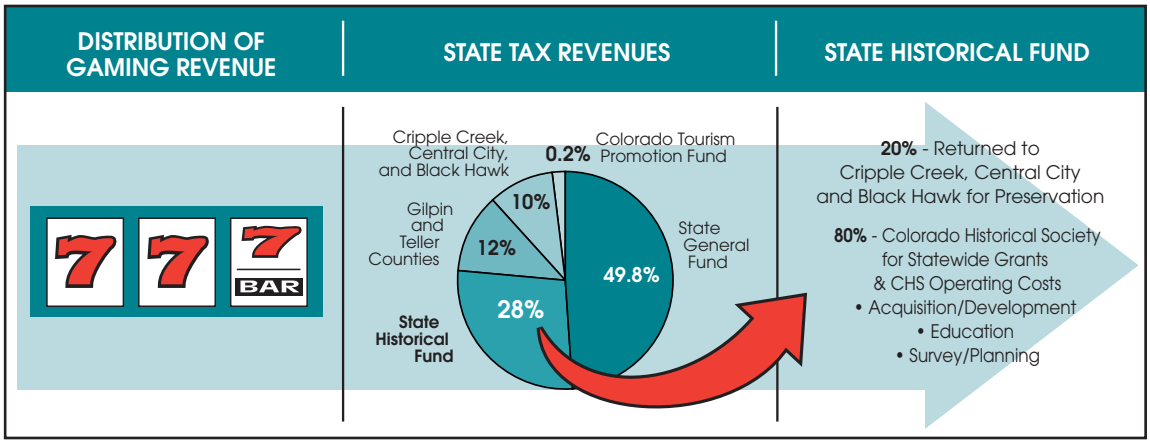
This study focuses on Acquisition and Development (A&D) projects because the economic benefit of those projects can be readily tracked.

The statewide economic benefits associated with the Fund since its creation are substantial:

- Between 1993 and 2004, the State Historical Fund distributed over $142.9 million in grants to over 2,600 Colorado preservation projects. Of that total, over $105.7 million in grants was awarded to over 1200 A&D projects (the category that consists primarily of building rehabilitation).
- The total amount spent on A&D projects from 1993 to 2004 was $611.5 million, which included $105.7 million in grants, plus $505.7 million in required matching and other funds.
- Over 280 A&D grants, totaling over $38 million, were awarded between 2002 (the date of the first edition of this report) and 2004.
- Each of Colorado's 64 counties has received at least one State Historical Fund grant. While the largest number of these rehabilitation projects have occurred in the state's urban centers (for example, Denver and Colorado Springs), the rehabilitation expenditures of the top twenty counties include several

"A key to the Fund's success has been its ability to reach all four corners of the state, including our smaller rural communities. Projects in these areas have led to recognition of historic buildings and sites as an asset for economic development, not a liability."

Mark A. Rodman,
Executive Director,
Colorado Preservation, Inc.



"The State Historical Fund's most direct benefit is that it encourages preservation. Some projects are challenging to find someone who will step up to the plate and move it forward. Knowing that there was a grant available was an important factor in my decision to go ahead with the project. Another important benefit is the public outreach and increased awareness of historic preservation. When there is rehabilitation work going on, especially on a high-profile project, lots of people watch its progress. It's exciting to see this building that was a big sore thumb be transformed into this lively, exciting and beautiful place."

Steve Levinger
Owner, Armstrong Hotel
Fort Collins

suburban (e.g., Jefferson) and rural (e.g., San Juan) counties.

- For each $1 million in grants distributed by the Fund between 1993 and 2003, approximately $5.7 million in additional funds was leveraged for historic rehabilitation.

- In addition to the $105.7 million awarded in A&D grants, there have been additional grants awarded for Survey/Planning projects (totaling $22.2 million for 992 projects) and Education projects (totaling $13.5 million for 406 projects). Dollars expended in these categories primarily represent funding to museum, governmental, and cultural organizations. The diverse projects have included, for example, assisting the City of Rocky Ford to plan and determine the costs of the Grand Theater rehabilitation; preserving a collection of photographs of Pueblo; and supporting a series of workshops and lectures on historic preservation, architecture, and traditional design in Routt County.

The operating costs of the Fund are minimal, since officials have strived to keep administrative costs relatively low. In fiscal year 2005, only 5.3 percent of the statewide portion of the fund was used to support direct administration costs. The Fund currently employs 19 people, with an operating budget of $1.15 million.

A State Historical Fund grant is often only a fraction of the total rehabilitation project cost. Many projects include additional costs, which are greater than the grant and the required matching funds. To find out the total dollars involved in preservation projects that received SHF funds, individual project administrators were contacted to obtain estimates of other funding sources.

The collaborative partnership between the State Historical Fund and the grant recipients have significantly benefited Colorado's communities. The program's matching requirements have meant that public funds have been matched many times over by private investment. The Fund has increased private-sector involvement in preservation and led to an enhanced appreciation for, and understanding of, Colorado's past. The bottom-line economic benefits of the Fund's activities in less than 15 years have been substantial.

SUMMARY: State Historical Fund

From 1993 to 2004:
- $105.7 million in rehabilitation grants to
- Over 1,200 rehabilitation projects, with
- $505.8 million leveraged, matching, and other funds

The Combined Economic Benefits of Rehabilitation Projects

Any economic activity, such as the rehabilitation of a historic building, generates an original, or "direct," impact, which consists of the actual purchases of labor and materials for the project. For this study, the direct impact of a rehabilitation project is the total amount of funds used on that project. For example, the direct impact for a project receiving a State Historical Fund grant would include the grant itself and any additional funds provided by the developer.

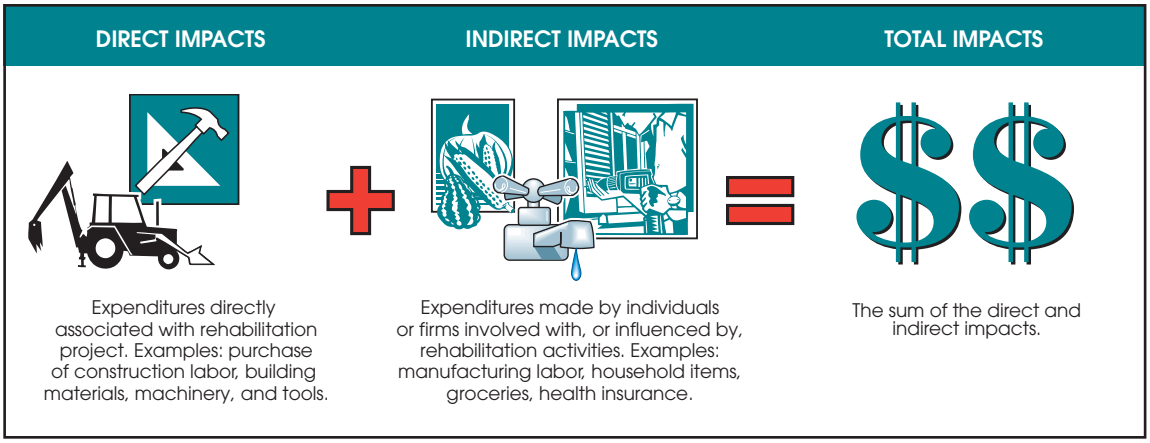
The indirect impact is the purchase of goods and services by the various industries that produce the items for the original, direct activity. Each dollar spent within an industry is spent again in related industries and other activities – thus, multipliers essentially estimate the "ripple" effect of each dollar as it travels through an economy.

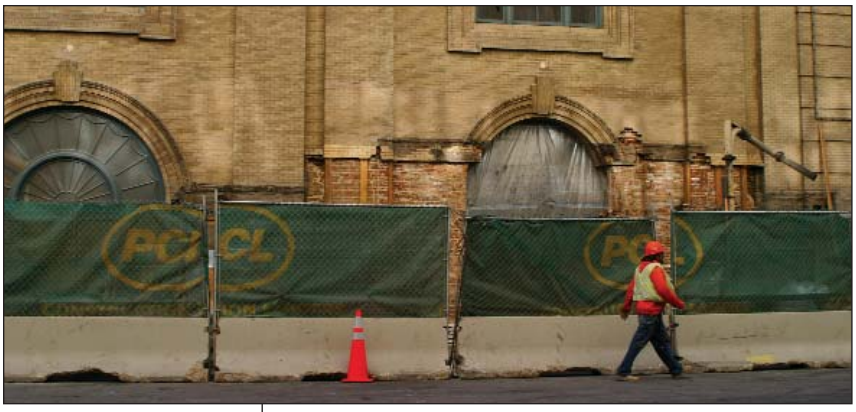
For example, a contractor may purchase paint for a rehabilitation activity. The contractor may also use some of her earnings to buy groceries at a local store. The purchase of the paint is a direct impact, but the purchases made by the paint factory, as well as the contractor's purchase of groceries, are indirect impacts.

By looking at the cumulative expenditures of the three types of rehabilitation programs discussed above, it is possible to determine the direct and indirect impacts of those programs on Colorado's economy.

Kress Building
Greeley, Colorado

Simply added together, projects utilizing the Federal Rehabilitation Tax Credit, Colorado State Rehabilitation Tax Credit, and State Historical Fund total $1,154.2 million. Reducing this amount to account for projects that use multiple incentives (e.g., received a Fund grant as well as the federal rehabilitation tax credit), we find that **$918.4 million** is the total amount spent on the three types of preservation projects discussed above.





Quigg Newton Auditorium
Denver, Colorado

The $918.4 million in direct rehabilitation impact has generated an additional $1,175.5 million in indirect impacts for a total of $2,093.9 million attributable to rehabilitation activities throughout Colorado.

That's an increase of $500 million in total economic impact over the results of the 2002 study, from just three additional years of activity!

What do these numbers mean? In addition to looking at total dollar values, we can examine the overall economic impacts of rehabilitation projects in several other ways. For instance, we can estimate the jobs created by these projects. "Jobs created" refers to the number of job years, or full-time employment for one person for one year. Many individuals may fill a job-year. Rehabilitation activities in Colorado have directly created 12,842 jobs and indirectly created an additional 16,124 jobs, for a total of 28,966 jobs.

We can also look at total household earnings of employees either directly or indirectly involved with the rehabilitation projects. Household earnings reflect employee income that is spent in the state economy, generally for consumer goods and services like clothing, utilities, and medical services. Historic rehabilitation activities have directly generated $352.7 million in household earnings and indirectly generated an additional $357.2 million, for a combined total of $709.9 million.

Rehabilitation activities create jobs and enhance the local economic climate; they also result in greater tax revenues for state and local governments by increasing the revenues

The table below compares job creation of rehabilitation in Colorado to job creation of a few other Colorado industries. For example, $1 million spent on rehabilitating buildings creates 12 more jobs in Colorado than $1 million spent on manufacturing semiconductors, and 20 more jobs than $1 million spent on mining for petroleum and natural gas, as is illustrated in the following table.

Colorado Employment Attributable to Rehabilitation Versus Other Colorado Industries
(per $1 million of direct impact)

Industry	New Jobs Created
Rehabilitating Historic Buildings	**32**
Computer and Data Processing	31
Trucking	30
Banking Services	23
Manufacturing Semiconductors	20
Mining for Petroleum and Natural Gas	12

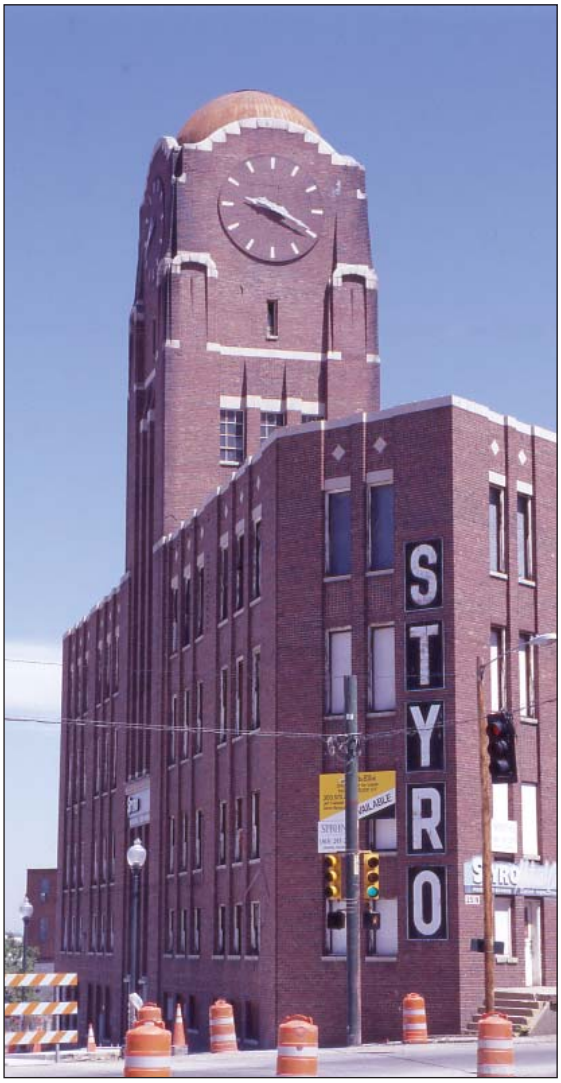
Note: Used rounded RIMS II multipliers for the industries indicated for the State of Colorado

collected from income and sales taxes. Rehabilitation projects from 1981 to 2004 have accounted for $5.5 million in total business income taxes, $14.8 million in total personal income taxes, and $40.6 million in total sales taxes. Property taxes in Colorado have increased between $11.8 and $14.7 million (based on the range of possible tax rates).

Across the country, the number of jobs created through rehabilitation compares very favorably with the number of jobs created through new construction, in part because rehabilitation is so labor-intensive. A new construction project can expect to spend about 50 percent in labor and 50 percent in materials. In contrast, a rehabilitation project may spend up to 70 percent in labor costs – labor that is usually more specialized and most often hired locally, which helps to keep these dollars within the community.

In addition to creating jobs and increasing household earnings, historic rehabilitation pays off in many other ways, for example, by providing space for new and existing businesses. Additionally, historic rehabilitation reuses and improves existing public infrastructure, and tax-paying rehabilitated properties pay dividends back to the community year after year. And, as demonstrated by the impacts of the tax credit programs and the State Historical Fund, even relatively modest public incentives can be extremely effective at leveraging private-sector dollars for historic preservation.

Reinvestment in historic business areas generally reduces vacancy, enhances the local economy, attracts new and expanding businesses, and can help to revitalize depressed areas. These same types of benefits occur in historic residential areas, as homes are updated and property values are enhanced. Preservation incentives also ensure that historic rehabilitation adheres to consistent quality standards, specifically the Secretary of the Interior's Standards for Rehabilitation.



McPhee & McGinnity Building, Denver, Colorado

SUMMARY: Economic Benefits of Rehabilitation

Since 1981:
- $918.4 million spent on rehabilitation projects
- $1,175.5 million indirectly spent
- $2.0 billion in total expenditures

These expenditures generated:
- $709.9 million in total household earnings
- 28,966 jobs
- $5.5 million in business income taxes
- $14.8 million in personal income taxes
- $40.6 million in Colorado sales taxes

HERITAGE TOURISM

From Colorado's largest cities to its smallest towns, thriving historic areas attract visitors who provide a significant source of revenue for both local and state economies. Tourist travel is a major industry in Colorado, generating jobs throughout the state in hotels, bed and breakfasts, motels, retail stores, restaurants, and other service businesses. Direct expenditures by all Colorado visitors in 2003 contributed $7.1 billion to the Colorado economy. Another $9.0 billion in indirect impacts were generated as those traveler dollars were re-spent as payments to suppliers and wages to employees.

Visits to historic places, or "heritage tourism," have grown substantially in the past decade as more and more travelers seek to combine recreation with meaningful educational experiences and a desire to connect to one's heritage. As defined by The National Trust for Historic Preservation, "cultural heritage tourism is traveling to experience the places, artifacts, and activities that authentically represent the stories and people of the past and present. It includes cultural, historic, and natural resources." Heritage tourists include travelers who incorporate at least one visit to a historic site or landmark among other activities, and also the smaller subset of visitors whose primary reason for traveling is to visit historic places.

According to the National Trust for Historic Preservation, cultural heritage tourism provides many benefits including:

- Creating jobs and businesses
- Increasing tax revenues
- Diversifying the local economy
- Creating opportunities for partnerships
- Attracting visitors interested in history and preservation
- Increasing historic attraction revenues
- Preserving local traditions and culture
- Generating local investment in historic resources
- Building community pride in heritage
- Increasing awareness of the site or area's significance

Historic places are an important draw for visitors who are seeking authentic, unique sightseeing opportunities and often extend beyond historic attractions to a wide range of other preservation-related activities. Walking tours, visiting historic districts or museums, and visiting businesses housed in historic buildings, such as bed and breakfasts, are only a few

4th of July Parade
Aspen, Colorado

Boom Days Festival
Leadville, Colorado

examples of those activities that fall under the auspices of heritage tourism.

According to Longwoods International's 2003 Colorado Visitor Study, there were 21.3 million overnight pleasure trips to Colorado that year. Approximately 5.1 million trips (24 percent) included a visit to at least one historic area – for example, visitors who visited the Healy House Museum and Dexter Cabin in Leadville, explored the Ancestral Pueblo culture's cliff dwelling at Mesa Verde National Park, rode the Georgetown Loop historic railroad, or took a tour of the Molly Brown House in Denver.

Protecting, preserving and promoting historic resources creates many opportunities for visitors to learn about and appreciate Colorado's past. Heritage tourism is also a way for communities – from small towns to large cities – to introduce outside dollars into an area, which will then circulate throughout the local economy.

Economic Impacts

The economic impacts of heritage tourism go far beyond the direct expenditures of the tourists. As discussed earlier, any economic activity generates both a direct and indirect impact, which add up to an overall impact. Each dollar directly spent by a Colorado heritage tourist at a hotel, restaurant, or retail shop also circulates in the economy as an indirect expenditure, as the establishment buys supplies, contracts for services, and pays wages to its employees. The estimated $1.5 billion in direct expenditures by heritage tourists in 2003 generated an additional $1.9 billion in indirect economic impacts, for a total impact of $3.4 billion. The spending by heritage travelers also generated an estimated $1.1 billion in total earnings by Colorado workers and 60,964 jobs.

SUMMARY: Heritage Tourism in Colorado

In 2003:
- 5.1 million trips to a historic area
- $1.5 billion in direct heritage tourist expenditures
- $1.9 billion in indirect heritage tourist expenditures
- $3.4 billion total expenditures

Spending by heritage tourists also generated:
- $1.1 billion in total household earnings
- 60,964 jobs

Union Avenue
Pueblo, Colorado

16th Street Mall
Denver, Colorado

ORGANIZATIONS SUPPORTING HERITAGE TOURISM IN COLORADO

Successful heritage tourism destinations are the result of extensive planning and creative partnerships among many stakeholders, such as tourism, natural resources, and preservation organizations. Regional cooperation among communities who cross-promote their resources is also vital to successful heritage tourism. There are several organizations working towards promoting and assisting heritage tourism in Colorado.

- **State Historical Fund/Colorado Tourism Office.** The Colorado Historical Society's State Historical Fund recently awarded a $550,000 grant to the Colorado Tourism Office to conduct research and implement a statewide strategic plan to promote Colorado's distinct heritage destinations. The grant will support the following project components: a Heritage Tourism Strategic Plan to develop a program to identify and promote heritage tourism throughout Colorado; two pilot projects to determine the most effective ways to educate travelers on heritage tourism opportunities and to develop a marketing campaign; research conducted by Longwoods International to include questions directed at heritage tourists; and an update of the state's tourism web site and the official State Vacation Guide.

- **Colorado Historical Society.** The Colorado Historical Society operates twelve historic sites and museums at 10 locations around the state, including the Colorado History Museum in Denver. Each has its own regional character and thematic focus – from the days of the fur trade along the South Platte and Arkansas Rivers to early Hispanic life and settlement in southern Colorado, the Ute Indians of the Western Slope, the Clear Creek gold rush, the Leadville silver boom, and the growth of Denver.

- **Colorado Preservation, Inc.** Colorado Preservation, Inc. is a nonprofit, statewide historic preservation organization that provides assistance in historic preservation to Colorado communities through a statewide network of information, education, training, expertise, and advocacy. They provide links on their website to heritage tourism and travel sites within the State of Colorado.

- **Scenic and Historic Byways.** The Colorado Scenic and Historic Byways program is a statewide partnership intended to provide recreational, educational, and economic benefits to Coloradans and visitors. This system of outstanding touring routes in Colorado affords the traveler interpretation and identification of key points of interest and services while providing for the protection of significant resources.

- **Cache La Poudre River Corridor.** The Cache La Poudre River Corridor is located in north central Colorado and is the only National Heritage Area located in Colorado. Dedicated in 1996, it commemorates the role water development and management played in shaping the American West. The legislation provides for the interpretation of the unique and significant contributions to our national heritage of cultural and historic lands, waterways and structures within the Corridor.

- **Colorado Council on the Arts.** The Colorado Council on the Arts, a state agency, was created by an act of the Colorado State Legislature to stimulate arts development in the state, to assist and encourage artists and arts organizations, and to help make the arts more accessible to the people of Colorado. A project the CCA funds is the preservation and promotion of art forms of Colorado's many cultures. CCA's Cultural Heritage program seeks to ensure that Colorado's residents and visitors understand and appreciate the important role of these diverse cultural traditions.

- **National Trust for Historic Preservation.** The National Trust for Historic Preservation's Heritage Tourism Program provides assistance ranging from general assistance in drafting cultural heritage tourism publications, to consulting services tailored to meet the needs of individual clients. The Trust also has a Rural Heritage Program that is dedicated to the recognition and protection of rural historic and cultural resources.

- **Local Preservation Organizations.** A wide variety of local non-profit organizations are involved in identifying, protecting and promoting Colorado's historic resources. These local organizations provide grassroots support for preservation activities and heritage tourism statewide. Examples include Historic Denver, Inc., Historic Routt County!, and the Pueblo County Historical Society.

- **Preserve America.** The Preserve America initiative is a federal effort to encourage and support community efforts for the preservation of our cultural and natural heritage. Communities designated through the program receive national recognition for their efforts, including listing in a government Web-based directory to showcase preservation and heritage tourism efforts along with eligibility for Preserve America grants. To date, the following Colorado cities have been designated as Preserve America communities: Fort Collins, Greeley, Pueblo, Silverton, and Steamboat Springs.

- **Colorado Community Revitalization Association / Main Street Program.** See information on page 18.

Historic Montrose Downtown Kids' Costume Contest, Halloween 2001, Courtesy Historic Montrose Downtown

Castle Marne, Denver, Colorado

A Sample of Colorado Heritage Tourism Destinations

Mad Creek Barn located outside of Steamboat Springs, Courtesy State Historical Fund

Independence Ghost Town, Pitkin County, Courtesy Aspen Historical Society

Mesa Verde National Park

Molly Brown House Museum, Denver, Colorado

Boulder Theatre

Kit Carson County Carousel, Burlington

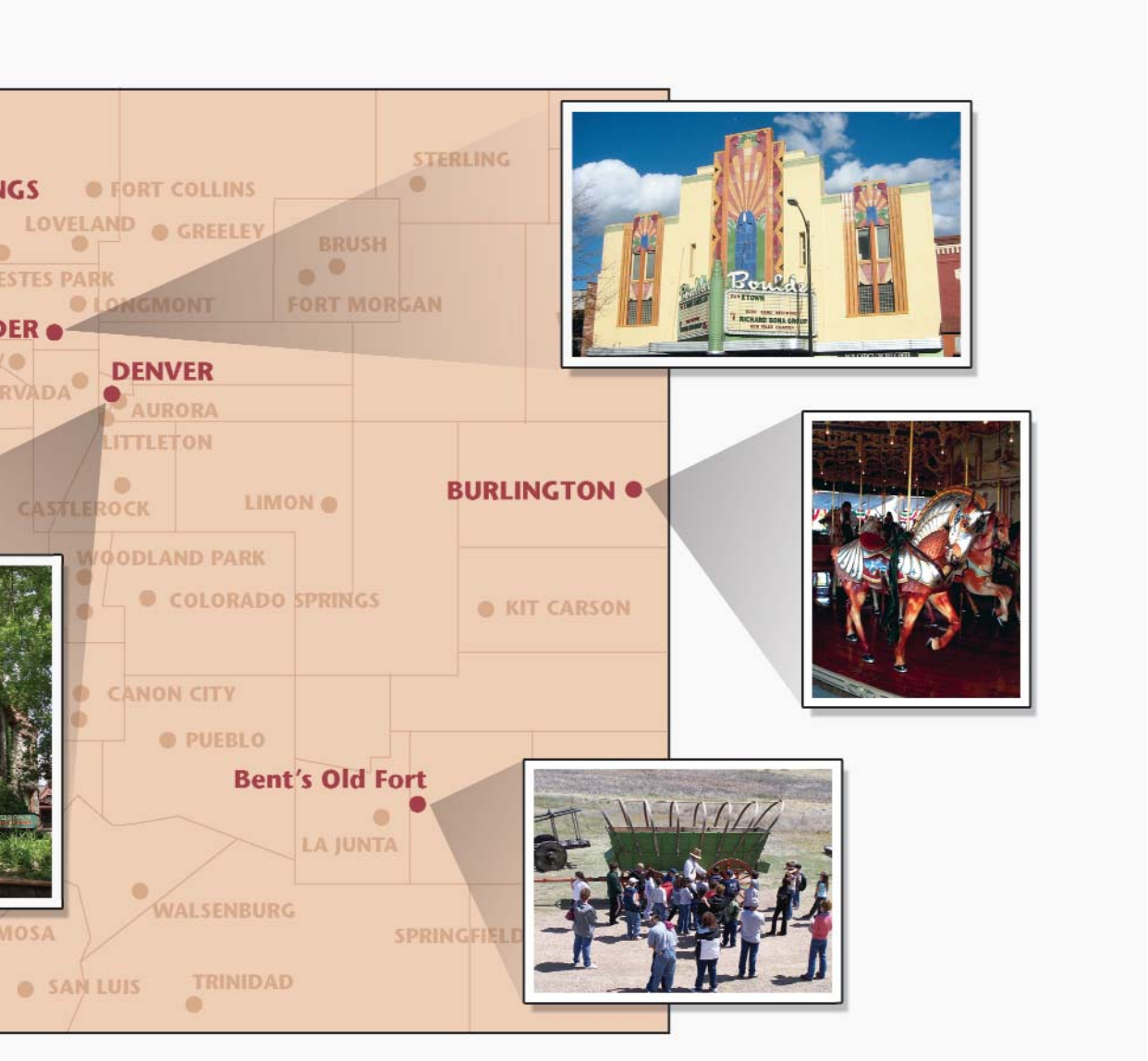
Bent's Old Fort Historic Site Courtesy the National Park Service

Characteristics of Heritage Tourists

According to the nationwide research by the Travel Industry of America (TIA) in 2002, heritage and cultural travelers consistently stay longer and spend more money than other types of U.S. travelers. Heritage travelers spend on average $623 during a trip, versus $475 per trip for other U.S. travelers. The average trip spending for U.S. historical/cultural travel has increased 17 percent from 1996 to 2002. Heritage travelers also tend to travel longer, with an average of 5.2 nights versus 3.4 nights.

The TIA also reported that most historical/cultural trips (77 percent) are taken by households that own a home. Credit cards are common in historical/cultural households, and 58 percent have a college degree or higher. Most cultural travelers responded that they want to enrich their lives with new travel experiences and approximately one fourth of historical/cultural travelers take three or more of these trips a year.

The trends documented around the country regarding the behavior of heritage tourists are also applicable in Colorado. Heritage tourists spend their time and money in Colorado differently than vacationers over all. Colorado heritage tourists were much more likely to stay



"We're working with a diverse group of partners – local business owners, economic development groups, preservationists, farmers and ranchers, and community representatives – to establish a regional cultural heritage tourism program in Northwest Colorado. We're learning from each other about the historic resources in our own backyard. Now we're trying to spread the word – within our communities and beyond – to help everyone understand that protecting our history is good business. It's a win-win for everyone."

Arianthe Stettner,
Executive Director,
Historic Routt County!

in commercial lodging than other vacationers. They were much more likely to visit a national or state park, to watch birds and other wildlife, and to visit a museum than other vacationers. They were also more interested in unique local food and hiking than other tourists. The historic downtown areas of Aspen, Breckenridge, Steamboat Springs and Telluride offer a major advantage in attracting travelers who want to pursue active recreation and see historic places on the same vacation.

Many communities in Colorado are looking to increase their percentage of heritage tourism. For example, heritage travelers are a key new market for communities outside the I-70 ski resort belt that are trying to increase their tourism business. Ski resort towns that wish to attract aging baby boomers, whose participation in skiing is diminishing, should look to historical sites as an important element in the package of ski alternatives.

In summary, promotion of heritage tourism presents a lucrative opportunity for Colorado's historic preservation community to link the State's vast natural resources with the historical context of the built environment.

COLORADO'S MAIN STREET PROGRAM

The Main Street Program was developed by the Main Street Center of the National Trust for Historic Preservation in 1980 to assist traditional downtowns and central business districts. Main Street encourages downtown revitalization by promoting economic development efforts within the context of historic preservation. Colorado's Main Street communities are making great strides in revitalizing traditional downtowns.

A major strength of the Main Street program is its focus on incremental strategies, which can, over time, contribute to long-term revitalization of the area. Main Street communities focus their economic revitalization efforts on attracting new visitors and businesses, strengthening public participation, rehabilitating historic resources, and improving existing infrastructure.

"Colorado Main Street highlights the importance of downtown revitalization and its significance to downtowns of any size in urban areas, first-ring suburbs, and small towns. The program generates a great deal of interest from communities seeking the best practices and information about what has worked and what hasn't in communities across the nation.

Main Street provides opportunities for Colorado's communities to learn from each other. Over 100 communities throughout the state have attended the Main Street 101 training. Our networking efforts continue to grow – and as a result downtown revitalization topics have been brought to the forefront by other organizations in other forums, such as workshops and conferences.

Barbara Silverman
Colorado Community Revitalization Association (CCRA), Denver, Colorado

Downtown Main Street Greeley, Colorado

Main Street promotes revitalization by focusing on four key principles, also known as the Main Street Approach™:

Design: enhancing the district's physical appearance through rehabilitation, appropriate new construction, and local improvements;

Organization: building consensus within the community and identifying funding sources for rehabilitation activities;

Promotion: marketing the commercial district to attract customers, potential investors, new businesses, residents, and visitors; and

Economic Restructuring: growing the district's economic base and creating new opportunities through economic analysis and mixed-use development.

This program is working to restore the economic viability of downtown commercial districts across the country; currently over 1,700 communities are Main Street participants. Since 1980, the national program has generated $18.3 billion in public and private reinvestment for Main Street communities, with an average reinvestment ratio of $35.17 for every $1 spent on the program.

While the National Main Street Center provides technical assistance, the success of Main Street is driven entirely at the local level – all projects begin in the community and are focused on local issues.

A healthy downtown often serves as a community's social and cultural center as well as a source of local pride. It can also attract good jobs, provide spaces for new or expanded businesses, and increase the local tax base. While the focus of Main Street is economic development and not tourism per se, many Main Street downtowns are also very successful in developing local tourism, due in part to

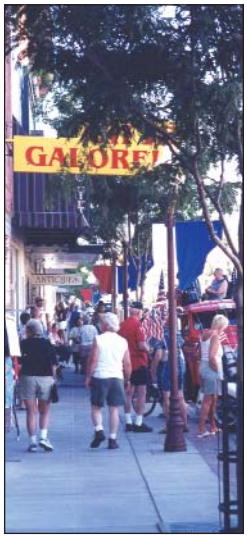
their unique historic character. Main Street is based on the premise that prosperous downtowns are a vital component of the entire state's economic health.

In Colorado, the Main Street program is coordinated through the Colorado Community Revitalization Association (CCRA) and receives major financial support from the State Historical Fund. Communities are selected to join Main Street through a competitive annual application process that demonstrates community need and availability of local resources. Colorado Main Street offers a range of services and assistance to meet the spectrum of needs of the Main Street communities.

In the few short years since Colorado Main Street was established in 2001, the program has experienced tremendous growth. Ten Colorado Main Street communities have been designated and 9 are active: Arvada, Berthoud, Brush, Canon City, Central City, Cortez, Greeley, Lake City (the newest, designated in 2005), and Montrose.

From 2001 to 2004 (the latest year for which data are available), these communities have attracted considerable private reinvestment, totaling over $21.5 million in their downtown districts. A summary of results is on the next page.

Each Main Street community is required to submit a monthly status report to CCRA. These reports summarize design work (e.g., building rehabilitations completed), economic activities (e.g., businesses opened and closed, new downtown housing units completed), promotional activities (e.g., special events or festivals), and organizational accomplishments (e.g., fundraising, advertising). For example, some of the activities noted on the Greeley September 2004 monthly report included: 11 building or sign rehabilitations completed, two demolitions, one business opening, one



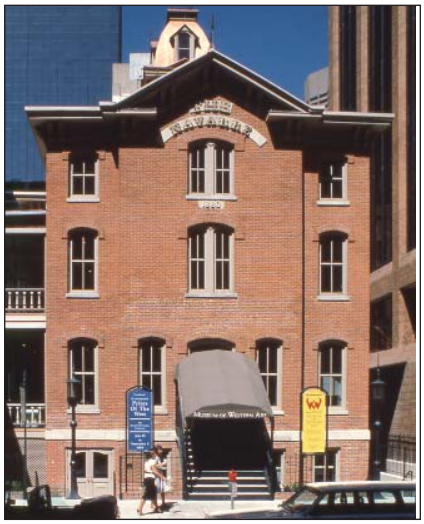
Main Street
Cortez, Colorado

"The Main Street program generates ripples. One enormous effect is the focus on the value of historic preservation in downtown revitalization efforts. Main Street cultivates an appreciation for the intrinsic value of each building and recognizes that downtown is a living scrapbook that documents a community's entire history. There is a growing appreciation of the fact that a downtown's character is the real thing - it can't be invented or recreated by developing a "downtown look."

Barbara Silverman
Colorado Community Revitalization Association (CCRA), Denver, Colorado

WHY DOWNTOWN?

- Many downtown businesses are independently owned. Independent businesses support local families and keep business profits in town.
- An active downtown attracts tourists who are seeking unique, authentic places to visit.
- Downtown is an active public forum for community events.
- Downtown provides a sense of community and place and reflects local heritage - important factors in attracting new residents and businesses.
- A strong downtown creates jobs and is often an ideal location for new small businesses, which leads to additional tax revenues for the community.
- By concentrating density and uses, downtowns are a wise use of community resources.
- A healthy downtown is a stabilizing influence that can protect property values in surrounding neighborhoods.



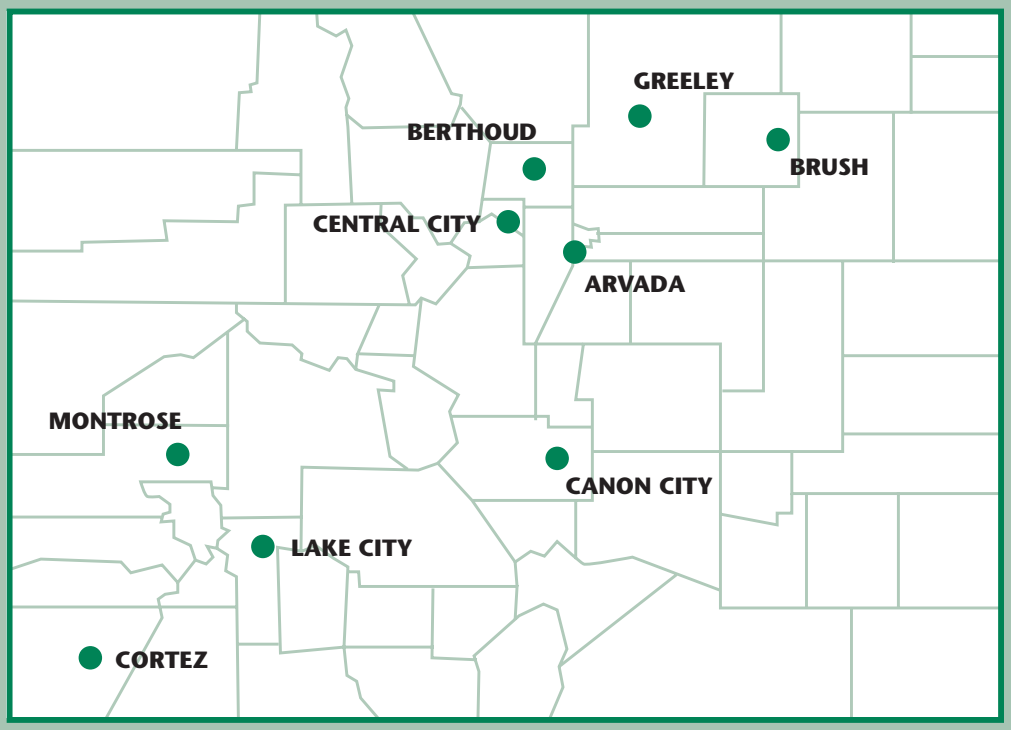
The Navarre/Brinker Collegiate, Denver, Colorado

The Main Street Program in Cortez is working to protect unique local historic signs.

business closing, two new units of market-rate housing completed, preparation for the next month's Oktoberfest celebration, and a whole host of newspaper articles and editorials regarding downtown activities.

The communities are exploring a wide variety of activities, which are both directly and indirectly related to economic revitalization. Activities include historic district designations, drafting preservation ordinances and design guidelines, applications for Certified Local Government (CLG) status, creation of historic walking tours, and development of façade rehabilitation loan and grant programs. CCRA also provides communities access to a historic preservation specialist for assistance with façade rehabilitations, streetscapes, and other design issues.

Colorado Main Street Communities



SUMMARY: Colorado Main Street

From 2001 to 2004:

- $623,365 for 64 façade renovations
- $14.86 million for 292 rehabilitation and new construction projects in Main Street downtowns
- $10.56 million for the purchase of 54 buildings
- 292 businesses have opened, relocated and/or expanded for a net gain of 173 businesses
- 518 net full time jobs
- 159 net part-time jobs

COLORADO MAIN STREET SUCCESSES

The following list provides examples of the progress made in each of the Main Street communities.

SINCE 2001:

Arvada – Main Street participation since 2002

- Approved design guidelines in 2004.
- Completed six façade rehabilitations since 2002, totaling $244,000.
- Net gain of 25 new downtown businesses since designation as a Main Street community.
- Created a self-guided historic walking tour brochure.
- Four building owners are implementing recommendations made by CCRA's architect in 2003.

Berthoud – Main Street participation since 2003

- Completed eight building rehabilitation projects with a total value of $421,800 since designation as a Main Street community.
- Hosted a Colorado Main Street Managers/ Volunteers workshop, "Preservation by Design on Colorado's Main Streets."
- Educated the community about how historic preservation fits into downtown revitalization.

Brush – Main Street participation since 2001

- Completed five façade rehabilitations, totalling $11,100.
- Completed a historical survey of 51 buildings in December 2003.
- Total of 16 business openings, relocations, and expansions downtown since designation as a Main Street community. Creation of 16 full-time and seven part-time jobs.
- Adopted a local historic designation ordinance.
- Created a downtown streetscape plan.
- Received a State Historical Fund grant to purchase and historically rehabilitate 218 Clayton Street, which will serve as a demonstration project for the community.
- Established a façade improvement grants program to provide matching grants of up to $500.

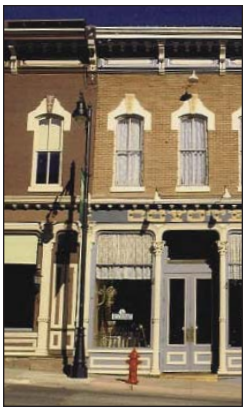
Canon City – Main Street participation from 2001 - 2004

- Thirty-five business openings, relocations, and expansions between 2001-2004. Creation of 46 full-time jobs and 29 part-time jobs.
- Held a "strip show" to remove a non-historic façade from a historic downtown building, which generated extensive media coverage.
- Hosted a historic preservation/design workshop for the public.
- Coordinated a local design charette that was part of a Colorado Main Street Managers/Volunteers workshop in June 2003.
- Assisted a local building owner in applying for a rehabilitation grant from the State Historical Fund grant program, which led to the rehabilitation of the Reynolds Block Building.

Main Street downtown, Lake City, Colorado photo courtesy Greg Ochocki

"Lake City has struggled, like a lot of small communities, in recent years. In a small town everyone has an opinion and it's sometimes hard to find consensus, but the Main Street approach fit with our goal to find local solutions to our problems. We've supported preservation for a long time – we've been a National Register Historic District since 1978. Now we can use the Main Street program to put our historic resources to work to help improve our economy."

Marian Hollinsworth, President, Lake City Downtown Improvement & Revitalization Team, Inc



Eureka Street, Central City, Colorado

Central City – Main Street participation since 2004

- Nine new businesses have been established since designation as a Main Street community.
- Coordinating three annual festivals: Lou Bunch Days, Summerfest and Freedom Fest.
- Completed a vacant building survey.
- Participated with local and statewide partners to complete the report "Central City: The Road From Yesterday to Tomorrow".

Cortez – Main Street participation since 2002

- Invested over $1.3 million in public improvements in the downtown area since designation as a Main Street community.
- Developed a signage program to identify historically significant buildings and create a self-guided historic walking tour brochure.
- Implemented a fund-raising campaign to install lights downtown as a complement to a streetscape project.

Montrose – Main Street participation from 2001 - 2004

- Forty-nine businesses opened, relocated, or expanded in the downtown between 2001-2004. Created 53 full-time jobs and 48 part-time jobs.
- Developed a loan program for downtown façade improvements.
- Coordinated the Main Street effort with the Montrose County Historical Museum in order to recognize downtown property and business owners who have completed façade improvements.
- Secured approximately $80,000 in donated cash and in-kind services to improve the interior and exterior of a downtown building.
- Purchased new downtown gateway and lamppost banners.

Greeley – Main Street participation since 2001

(See following page).

Downtown, Arvada, Colorado.

FOCUS ON GREELEY

The Main Street program in Greeley is rooted in the Four Point Approach: organization, promotion, design, and economic restructuring. To be successful, a program must actively use the Four Point Approach and keep all four approaches going at once. You can't rehab a building and expect it to fill itself. You won't be successful with a promotion-only approach. One project alone won't save downtown; successful revitalization is a process – not a singular project. Greeley has four very active teams – one for each of the points – that work closely together.

Our organization is fairly unique in that Greeley's program is both a Downtown Development Authority and a Main Street program. This combination works very well. We have a volunteer board of directors and 2 staff members. We receive a portion of our funding from the city and fundraise the rest.

The promotion team works toward a specific demographic or purpose when planning what types of events to organize. We don't have an event "just because"; we have an event in order to attract a particular market group. The city of Greeley is chief organizer of one of downtown's most popular events, FridayFest, which is a noon hour summer concert series. Part of its intent is to keep downtown employee groups in the downtown area during the noon hour, generating an audience for our restaurant cluster. Another great event is Oktoberfest, which attracts approximately 8,000 people to the downtown area each year.

Our design team has been very instrumental in developing our downtown design guidelines. Members of the team were also involved with the design of our new downtown ice arena. The city of Greeley is just now completing improvements to Eighth Avenue, the state highway that crosses through our downtown north to south. The city's project included new planted medians, new outdoor lighting, crosswalks and other features, CDOT recently completed a rotomill and overlay project on Eighth Avenue that covered approximately 17 blocks; this was done in conjunction with the city improvements project. The renovation of two formerly pedestrian plazas in the heart of downtown added storefront parking, and removed the pedestrian plazas that weren't functioning well. The city replaced those plazas with very pedestrian-friendly one-way streets that look great and function very well. The design team also provides individual technical assistance, especially regarding signage. Our design chair even recruited master gardeners to plant the planters in downtown. They took care to study whether planters were in sun or shade, and planned accordingly.

Our economic restructuring component includes a venture capital fund, in which private investors provide funding to new start-ups whose businesses fill a desired niche downtown. We also have very productive partnerships with local banks who do everything they can to support start-up businesses in the downtown area. We are working with the urban renewal authority on a low-interest loan fund to benefit businesses in the downtown area. We are preparing for an entrepreneur's day workshop to encourage those who are thinking about opening a business. For those more targeted prospects, we are planning "showcase" receptions where we introduce the prospects to downtown supporters on an informal basis. We plan our first showcase reception during Greeley Lights the Nights, a new holiday lights festival to be held in Lincoln Park downtown. We are also creating a "how to open a business in Greeley downtown" booklet.

There is a lot of activity in our downtown, including new and expanded businesses like Union Colony Dinner Theatre, Summerfield Fine Art, The Bow Depot, and Magnus Bar and Deli. We have also enjoyed the addition of two new caterers in the past couple of months. Several landmark buildings are also being rehabbed. One of our landmarks, The Shaw building, is being developed with very nice upper-story residential lofts.

We have a fifth team, a marketing team, which is not a traditional Main Street group. This team consists of great public relations experts, designers, and others who provide PR, design and creative services for the other teams.

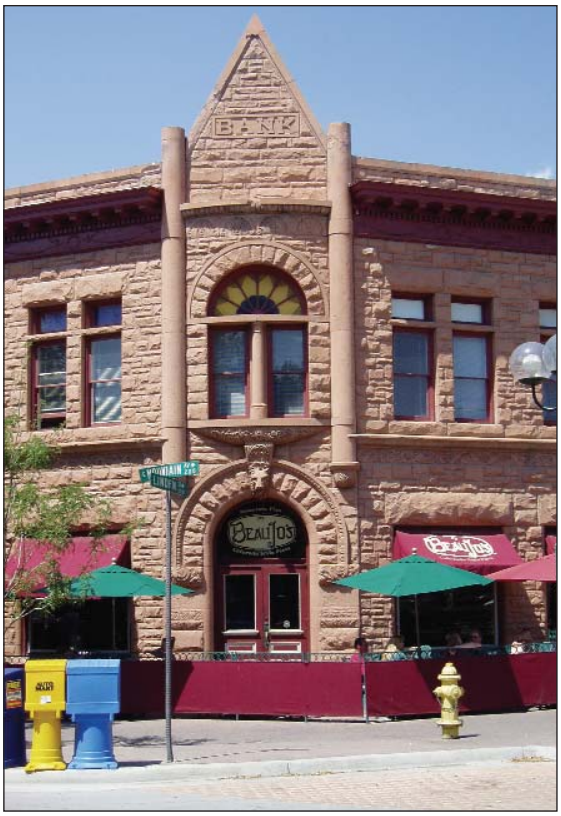
Beverly Abell, Executive Director
Greeley Downtown Development Authority

Through a Quality of Life initiative passed by Greeley voters, the historic Greeley Tribune Building in downtown has become a museum.

HISTORIC PRESERVATION AND PROPERTY VALUES

"There are three main reasons why historic preservation in Fort Collins has thrived. First, the city has a large historic inventory that has retained much of its original character. Second, the Downtown Development Authority partners with many of the city's preservation efforts to provide vital financial assistance, which often helps to make rehabilitation projects more attractive to developers. Third, many of the citizens value and appreciate the city's historic fabric."

Chip Steiner
Executive Director
Fort Collins Downtown
Development Authority



Historic Old Town Fort Collins, Colorado

Many people believe that federal and state historic designation programs, such as a listing in the National Register of Historic Places, protect historic resources from being significantly altered or demolished. In reality, these programs are mostly honorary distinctions that provide minimal legal protection. Local historic designation programs, on the other hand, typically have "teeth." A review by a local preservation commission might delay or prevent the demolition of a historically or architecturally significant resource. Or, a new infill project might be required to conform to specific building height and design standards, to ensure compatibility with the surrounding historic area.

A number of recent studies of historic districts throughout the country have demonstrated that local historic district designation and review provisions not only protect an area's historic character – they often add value to individual properties and to the community as a whole. The stabilizing influence and protection that a historic district provides also may encourage private investment and, in turn, increase property tax revenues for local governments.

In the 2002 edition of this report, several residential areas in Denver and Durango were studied to assess the impact of local historic designation and design review on property values. The 2002 results were widely discussed and led many observers to question whether the trends observed in residential areas would hold true in commercial districts. Thus, this 2005 update includes an analysis of the effect of local historic designation on property values in a commercial historic district, as well as carrying forward the earlier results from several residential districts.

Property Values in Downtown Commercial Areas: Fort Collins's Old Town Historic District

Despite the many Colorado communities that have adopted preservation ordinances (see sidebar on page 30), there are few historic commercial areas with design review controls in place. In addition, historic design review itself is relatively new throughout the state. Thus, the list of candidates for a case study of property value trends over time in a commercial historic district was quite brief.

Fortunately, Fort Collins turned out to be a strong case study community for many reasons. The city's Old Town district, while small, has had design review in place since 1979. This long record of regulatory enforcement of historic preservation, particularly in a commercial district, is extremely rare in Colorado. Further, the community's commitment to preservation generally is strong, and the downtown in particular has demonstrated a significant commitment to preservation over many years.

Fort Collins has a well-developed and extensive preservation program. The

Landmark Preservation Commission, founded in 1968, reviews exterior alterations on landmark sites and in local historic districts. The city has two National Register districts, two locally designated districts, 24 National Register properties, 14 State Register properties, and 151 locally designated landmarks, including the 38 contributing properties located in the city's Old Town Historic District.

In addition to historic design review, the city administers a zero-interest loan program that provides up to $5,000 in matching funds for exterior rehabilitation projects on designated Fort Collins landmarks. The city also maintains a design assistance program, which provides up to $900 in technical assistance (e.g., from architects, structural engineers, etc.) for local landmarks and contributing properties. Fort Collins has an aggressive Downtown Development Authority that has maintained a continual presence in the downtown and has provided support with many historic rehabilitation projects. Public and private resources in Fort Collins have also actively pursued State Historical Fund grants in order to rehabilitate historic commercial properties both inside and outside the Old Town district.

The Old Town historic district is both a local and National Register district. The district is small and includes only 38 contributing properties. A key street runs through the center of the district as a pedestrian-only mall. For purposes of this study, we selected a nearby comparison area that is similar in many respects to the district, yet is undesignated and not subject to design review. The undesignated area is located along a nearby boulevard. The district and undesignated area contrast in that the district is anchored by the pedestrian mall, yet they also share many key features, including predominant building age and style, a mix of older and more contemporary buildings, a thriving mix of businesses, and strong pedestrian usage. Both areas have a long history of commercial use.

In both areas, this study analyzed two key indicators that express different aspects of value over time: total appreciation since designation, and average value per square foot.

- **Total Appreciation Since Designation.** How did properties in the locally designated district increase in value compared to the surrounding area? From designation in 1979 until 2003, the total value of properties studied within the Old Town historic district increased dramatically more than the total value of properties in the similar, nearby area outside the district. The total rate of appreciation from 1979 to 2003 for properties within Old Town area was 721.0 percent, versus 422.7 percent for properties in the undesignated comparison area. The undesignated area has retained a consistent advantage over the district on a price-per-square-foot basis. However, Old Town has experienced a jump in total value – much higher than the nearby undesignated area – in part because Old Town started out with much lower values compared to the undesignated area, and dramatic improvements since designation have brought the district on par with the surrounding area.

- **Average Value per Square Foot.** How much "building" do you get for your money in the local historic district versus the surrounding area? The undesignated area had and continues to have slightly higher property values on a per-square-foot basis than the designated area, most likely because more businesses within the undesignated area have direct street access. The district did, however, increase in value at a roughly equivalent rate with the undesignated area, confirming that designation did not lead to decreased property values in the district. The comparison of average price per square

Historic Old Town
Fort Collins, Colorado

An interesting phenomenon about Old Town is that while the boundaries of the historic district haven't changed, it still keeps on growing. The district is relatively small – only about four blocks. But the surrounding commercial area, which is not included in the historic district, has started calling itself "Old Town." Even the residences are becoming known as Old Town. The neighbors are proud to be considered a part of the Old Town historic district.

Carol Tunner
Historic Preservation
Planner City of Fort Collins

Historic Old Town
Fort Collins, Colorado

I've lived in Fort Collins since 1968, so I have seen the great changes that have occurred, which began around the early 1980's. Downtown Fort Collins especially has had a big turnaround. Historic preservation has played a major role. One of the things that connects people to downtown is its character, and historic buildings provide that link to the past.

The concentration of businesses in Old Town gives people things to do. A benefit to being located in Old Town is that everything is within walking distance. The Armstrong Hotel is close to all of the shops and restaurants, and best recreation; there are bike trails and nature walks all within 1/2 mile. Our location is ideal from the standpoint of being easily accessible to the best recreational options that Fort Collins has to offer.

Steve Levinger
Owner, Armstrong Hotel
Fort Collins

foot provides a good general sense of the parity of the two areas in terms of value from the mid-1980s through today.

The comparisons demonstrate how Old Town has thrived over the past 24 years since its designation as a historic district. Both the designated district and the undesignated comparison area have remained comparable to one another in the marketplace, and both have continued to enjoy strong gains in the market from the 1990s to today. Indeed, the term "Old Town" originally applied only to the historic district itself, but in recent years the term has spread to include the nearby surrounding area, as local businesses seek to capitalize on the unique character of the historic district.

What remains unknown is how the area might have changed if no historic district or design review was ever instituted. Several longtime downtown Fort Collins property owners are passionate believers in the positive effects of the historic designation, citing examples of inappropriate proposed developments that were not built because of the presence of design review, and noting that the entire area has experienced considerable reinvestment and overall economic improvement since designation.

As noted, there are few Colorado communities in which this particular research topic could have been undertaken, given the relative newness of historic design controls in commercial areas throughout the state. Old Town Fort Collins is the exception, and shows how historic preservation and economic development can work well together. It is difficult to point directly at one "reason" for Old Town's success. The combination of community commitment, citizen involvement, and a forward-thinking desire to cultivate the city's historic resources for the enjoyment of future generations makes Fort Collins a model Colorado preservation community.

PROPERTY VALUES IN RESIDENTIAL AREAS: DENVER AND DURANGO

Colorado's residential neighborhoods also have benefited as a result of local historic designation and design review programs. Though such programs do impose an additional layer of regulation on homeowners, our research shows that they do not lead to lower property values. We selected four case study areas, (see the box on page 24 for details of each case study) to determine the effects of historic designation on property values over a period of approximately ten years, from the early 1990s to 2000. In each case study, the designated historic district was paired with a non-designated comparison area that is adjacent to the historic district and similar in terms of age, scale, predominant building types, and demographics.

Three types of data (our "benchmark criteria") were collected for properties within each designated study area and its nearby, non-designated comparison area.

- Total appreciation since designation (from property tax assessments)
- Average cost per square foot (from sales data)
- Median sales price (from sales data)

Total Appreciation Since Historic Designation. How have properties in locally designated districts increased in value compared to the surrounding areas? In the three Denver case studies, we found that property values within the designated historic areas increased more than in the non-designated comparison areas. In the Durango case study, the historic district increased in value by about the same amount as the non-designated comparison area. These results suggest that local historic designation in the three Denver areas has had a positive effect and, in the case of Durango, an effect that is consistent with the total appreciation of the surrounding area.

LOCAL PRESERVATION INCENTIVES

In some communities, there remains a perception that local historic designation may negatively affect property values, despite numerous economic impact studies to the contrary. To counter this perception, local governments across Colorado have adopted financial and other incentives to encourage the establishment of local historic districts.

Regulatory Relief

Many communities allow designated historic buildings to qualify for exemptions or variances from building code and zoning standards such as parking requirements and setbacks. Examples include Denver, Boulder, and Grand Junction.

Tax Incentives

In Denver, property taxes for buildings included in the Downtown Denver Historic District were capped at the 1999 level for 20 years as a way to directly lower the costs of owning a historic building and removing some of the development pressure on these resources. The property tax incentive was a key tool in establishing this district. In Boulder and Steamboat Springs, the city waives sales tax on construction materials used for historic rehabilitation projects.

Financial Assistance

Low-interest loans and grant programs have been developed in several Colorado communities to help offset the costs of rehabilitating to designated historic structures. In Ft. Collins, for example, zero-interest loans of up to $5,000 are offered to owners of designated buildings to fund exterior rehabilitation. Loveland also offers zero-interest loans for the same purpose. In Boulder County, $50,000 in matching grants is available to owners of historic properties. Building permit fees are waived or reduced in Frisco and other communities for preservation projects.

Design Assistance

Preservation commissions and staff offer design assistance to designated properties through design review programs in many communities. In addition, some communities, like Ft. Collins, offer grants to hire preservation-trained architects, engineers, or other design professionals to assist with preservation projects.

Recognition

Local communities, including Routt County, Boulder, and Denver, provide plaques or other markers to identify designated structures and historic districts. Annual award ceremonies are used to recognize new landmarks and outstanding preservation projects in Grand Junction, Fort Collins, Boulder County and other communities.

Monteau/Geer/Welch Farmhouse, Boulder County Rehabilitation funded in part by Boulder County Historic Landmark Rehabilitation Grant Program

Average Cost per Square Foot. How much "house" do you get for your money in a local historic district versus the surrounding area? In our Denver case studies, historic districts and their corresponding, non-designated comparison areas have been generally equivalent in value in terms of average cost per square foot, or else the historic district has been slightly lower. This suggests that the designated and non-designated areas are quite comparable in value, though in some areas you actually can purchase more house for the money in the historic district than in the non-designated area. In the Durango case study, average costs per square foot in the Boulevard Historic District, beginning in 1996 and continuing through 2000, have been considerably greater than in the nearby, non-designated area—perhaps reflecting the desirability of this district's fine homes.

Median Sales Price. How have home sales in the historic districts compared to sales in surrounding areas? In three of the four case studies, we found that the median sales price in the designated historic area was greater than the median sales price in the community at large (in the fourth, they were about the same). Furthermore, in three of the districts (Witter-Cofield, Quality Hill, and Boulevard), the median sales prices in the designated areas have increased at faster rates (or parallel to, in the case of Witter-Cofield) than in the nearby, non-designated areas.

We found that a pattern emerged among our three Denver case studies: the Witter-Co field, Wyman, and Quality Hill historic districts.

Our research showed that the middle-income districts of Witter-Cofield and Wyman did experience property value increases, but only by a small margin over the nearby comparison areas. In contrast, the considerably more affluent Quality Hill area experienced dramatic increases in both appreciation and median sales price over the nearby comparison area. The Boulevard District in Durango, another affluent area, also experienced positive changes in property value during the years that data was analyzed. These results suggest that historic district designation does not automatically transform communities into high-income enclaves, but simply enhances the economic climate already present in those areas.

The property values debate—"What effect does local historic district designation have on property values?"— is a complex issue that involves multiple variables that change widely depending on each area studied. Yet our Colorado research supports the general conclusion that historic district designation does not decrease property values.

This effect was not observed in any of the areas researched for this study or in any similar national studies. On the contrary, property values in the designated areas experienced value increases that were either higher than, or the same as, nearby undesignated areas.

"In many cases, after district designation, a real sense of pride develops in the neighborhood, because it has a distinction as a special area. Even with building changes that don't require approval, often residents will choose to stay within the spirit of the district if they want a new fence or when they are repainting their building. Sometimes it seems that a district becomes even more sharply defined after designation when residents become involved in preserving the historic character."

Nancy Widmann
Denver Historic
Preservation Consultant

The William G. Fisher Mansion. Denver, Colorado. Courtesy Historic Denver Inc. © Klug Studio 2000.

A SUMMARY OF THE COLORADO PROPERTY VALUES RESEARCH

Denver's Wyman Historic District: The benchmark criteria suggest that the designated district and non-designated comparison area have paralleled each other since designation; in other words, historic designation has not had a demonstrable, negative economic impact. Since designation, the total appreciation in Wyman is approximately four percent greater than in the nearby area.

Denver's Witter-Cofield District: The designated and non-designated areas are not significantly different. Not only have the historic district and nearby area paralleled each other in all benchmark criteria, but the entire case study area has remained consistent with the median sales price for the city of Denver as a whole. This suggests that the Witter-Cofield district, years after district designation, continues to provide housing representative of other neighborhoods throughout the city.

Denver's Quality Hill District: Since designation, the district has appreciated faster than the nearby area. Also, the median sales price within the district has risen at a dramatically faster rate than the median sales price just outside the district. Despite a substantial amount of modern, multi-family residential infill, which in some neighborhoods might tend to depress the values of adjacent single-family residential houses, prices in the Quality Hill District have remained much higher than in the city as a whole.

Durango's Boulevard District: Sales prices in the Boulevard Historic District tend to be significantly higher than those both in the non-designated comparison area and also in the city as a whole. Our interviews with local realtors confirmed this trend, noting that the Boulevard District is one of the more desirable and expensive markets in the city. Both the historic district and the nearby area experienced considerable increases in value during the 1990s.

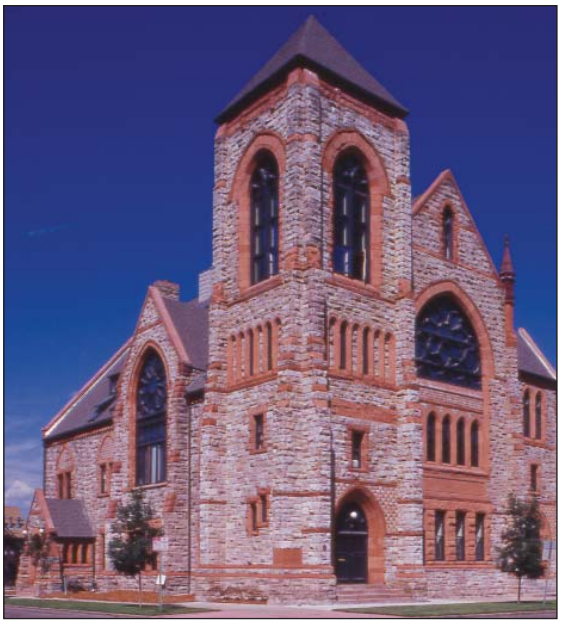
Fort Collins's Old Town Historic District: Old Town has thrived over the past 24 years since its designation as a historic district. Both the designated district and the undesignated comparison area have remained comparable to one another in the marketplace, and both have continued to enjoy strong gains in the market from the 1990s to today. While the undesignated area has maintained an advantage in value per square foot, cumulative property values in the district have enjoyed more overall growth than in the nearby undesignated area.

"I think a lot of opposition goes away when people realize that, in the district, no one is required to do anything in particular to their house. You can continue to paint your building the same color and maintain your property the same way—it's fine. It helps that people have realized that the historic district doesn't require you to alter the appearance of your house. I'm very glad we established the district when we did. Durango has seen a lot of growth in the past few years and, without the designation, the area might look very different from the way it looks today."

Shelley Hatfield, Boulevard District resident, helped establish National Register designation for the Boulevard District

SUMMARY: Property Values

Historic designation does not decrease property values. In the locally designated historic districts examined, property values in the designated areas experienced value increases that were either higher than, or the same as, nearby undesignated areas. This is true for both commercial and residential areas.



Scott United Methodist Church/Sanctuary Lofts, Denver, Colorado. Courtesy Historic Denver Inc. © Roger Whitacre 1996.

The John E. Witte House, Denver, Colorado. Courtesy Historic Denver Inc.

"Sometimes potential buyers in an historic district are concerned about limitations that might be placed upon them if they want to renovate or add on to the property. But the other side of design review is that it is meant to protect both the architecture and the value of the area. There are regulations that apply to you, but they also ensure that your neighbor is not going to build an inappropriate addition that is out of character with the neighborhood."

Brad Lewis
Bradford Real Estate
Denver

COLORADO COMMUNITIES WITH LOCAL PRESERVATION ORDINANCES

Alamosa
Aspen
Aurora
Basalt
Bennett
Berthoud
Black Hawk
Boulder
Breckenridge
Brighton
Brush
Castle Rock
Cedaredge
Central City
Colorado Springs
Cortez
Craig
Crested Butte
Cripple Creek
Deer Trail
Delta
Denver
Dolores
Durango
Edgewater
Elizabeth
Englewood
Erie
Fort Collins
Fort Lupton
Frederick
Frisco
Fruita
Georgetown
Glenwood Springs
Golden
Grand Junction
Grand Lake
Greeley
Gunnison
Hugo
Idaho Springs
Lafayette
La Junta
Lake City
Lakewood
Lamar
Larkspur
La Veta
Leadville
Littleton
Longmont
Louisville
Loveland
Manitou Springs
Meeker
Nederland
New Castle
Northglenn
Pagosa Springs
Parker
Pueblo
Rangely
Red Cliff
Rico
Rifle
Salida
Silt
Silver Plume
Steamboat Springs
Superior
Telluride
Timnath
Walden
Westminster
Wheatridge
Windsor
Woodland Park
Yuma

Baca County
Boulder County
Crowley County
Douglas County
Elbert County
Grand County
Gunnison County
Jefferson County
Kiowa County
Moffatt County
Montezuma County
Otero County
Ouray County
Park County
Pitkin County
Routt County
San Juan County
San Miguel County
Summit County
Teller County

Historic Preservation and Affordable Housing

Research in Colorado and elsewhere in the nation shows that local historic designation helps individual property owners by stabilizing, and sometimes increasing, property values. But can property values increase too much? Some observers suggest that designation leads to such sharp increases in property values that low- and moderate-income residents are displaced in favor of wealthy newcomers. This replacement of low-income households by upper-income ones is referred to as "gentrification."

The phrase gentrification conjures up images of wholesale displacement of lower income-residents, a dramatic shift from a low-income community to an upper-income one. That was not the case in the neighborhoods we studied. These areas maintained a mix of income levels. In fact, historic districts comprise some of Colorado's most economically diverse neighborhoods and, even many years after designation, continue to house Coloradans of all income levels.

Homeowners in designated historic districts are rarely forced to sell because of rising property values. Home values have to increase substantially before property taxes increase so much that they become a burden to low-income homeowners. Even then, mechanisms such as reverse mortgages or property tax deferrals can be used by people who wish to remain in their homes. Some homeowners are pleased to sell and realize substantial equity on their previously low-valued homes.

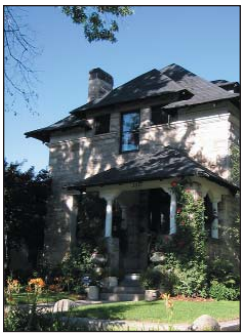
Historic neighborhoods do attract some newcomers and these newcomers often have incomes that are higher than those of existing residents. But these newcomers only account for a portion of the residents in designated neighborhoods. In the historic districts we studied, more than half of the residents had household incomes of $30,000 per year or less. These neighborhoods changed from lower-income areas to mixed-income areas after they were declared historic districts.

Wyman Historic District
Denver, Colorado

They were not transformed into enclaves for the upper class.

The neighborhoods we studied provide a significant amount of affordable housing. With the use of existing programs, preservation tax credits, as well as new mechanisms, these neighborhoods have the potential to provide even more affordable homes. (One affordable rental development in an historic building is profiled at the end of this section.)

Two of the neighborhoods we studied, Denver's Potter Highlands Historic District and Fort Collins' Midtown District, are discussed in more detail on the following pages. In order to understand how income levels in these neighborhoods compared to those in the rest of the community, we grouped all households in each city into four categories: highest income (the 25 percent of households with the highest incomes), higher income (the next 25 percent of households), lower income (the next 25 percent of households) and lowest income (the lowest 25 percent of households). We determined the number of households in the case-study districts that belonged to each of these income groups in 1980, 1990 and 1999.



Potter Highlands Historic District Denver, Colorado

Denver's Potter Highlands District

Before Potter Highlands became a local historic district in 1987, it had a larger proportion of low-income households than the city as a whole. Twelve years after designation, the neighborhood's share of low-income households had actually increased.

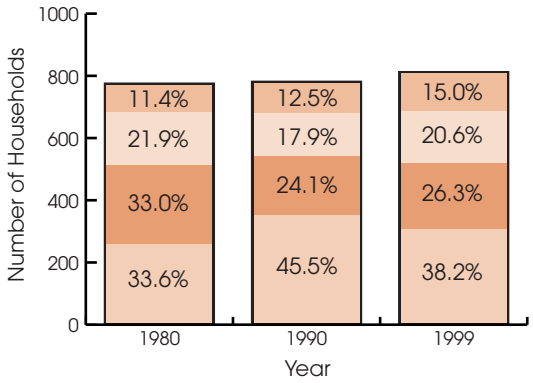
The table below shows the income distribution for households in the Potter Highlands census traces. While the proportion of households in the highest income group increased over the period (from 11.4 percent to 15.0 percent), so did the proportion of households in the lowest income group (33.7 percent in 1980, 38.2 percent in 1999). Growth in higher-income households increased after the area was declared a local historic district in 1987 and the economic recovery of the 1990s took place. However, the neighborhood continues to provide homes for more than 300 low-income households.

Fort Collins Midtown District

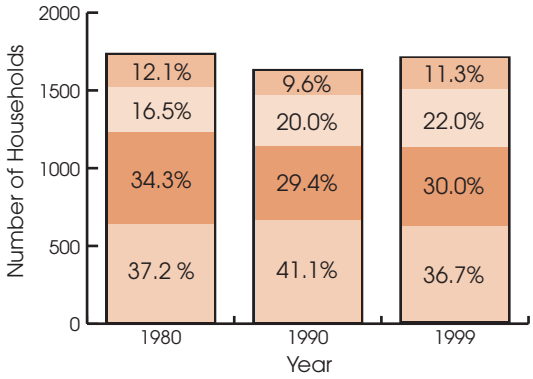
A similar analysis of income trends was conducted for the Midtown (or Laurel School) Historic District in Fort Collins, which was placed on the National Register in 1980. The table below shows the income distribution for households in the Midtown census tracts.

From 1980 to 1990, the first decade after designation, the number of neighborhood households in the lowest income category increased and the number in the highest bracket decreased. The proportion of high-income households rose from 1990 to 1999, but Midtown continues to have a higher share of low-income households than other parts of the city.

Household Income Distribution in Potter Highlands Historic District



Household Income Distribution in Midtown Historic District



Lowest Income Households (In Lowest 25% Citywide)
Higher Income Households (In Second 25% Citywide)
Lower Income Households (In Third 25% Citywide)
Highest Income Households (In Top 25% Citywide)

Note: Percentages may not add to 100% because of rounding.
Source: BBC Research & Consulting from Census Bureau and Applied Geographic Solutions Data.

Who Lives in Colorado's Older Housing?

Any discussion of the impacts of historic preservation on the availability of affordable housing in Colorado takes place in the context of the state's relatively young housing stock. Because only a small portion, approximately 13 percent (192,200 units), of Colorado's homes is older or historic, a relatively small proportion of the state's population lives in them. Most Coloradans of all income levels live in housing built after 1960.

According to 1990 Census data, about 53 percent of those living in pre-1940 homes (as owners or renters) were lower-income households. This is a significantly higher share than the 40 percent proportion of lower-income households statewide.

Minority residents also occupied a disproportionate share of pre-1940 homes. In 1990, Hispanic residents accounted for 20.8 percent of the residents of older homes, a proportion that was significantly higher than their 12.8 percent share of the total population. All other minorities (African Americans, Asians, Native Americans and other persons of color) made up 11.7 percent of Colorado's population, yet they accounted for 13.5 percent of residents in older housing units.

Older homes did not have a disproportionate share of renters. In 1990, 36.8 percent of households statewide rented their homes; 37.4 percent of households living in older homes were renters. These facts about who occupies Colorado's older homes are clear: a resident of an older home is more likely than a resident of a newer home to be lower-income and a member of a minority group. Residents of older homes are only slightly more likely to be renters than owners.

AN HISTORIC REHABILITATION THAT PROVIDES AFFORDABLE HOUSING

Low-income renters are the group most vulnerable to displacement as the income mix in a neighborhood changes. Fortunately, there are a number of tax credit and grant programs that can be used to provide affordable housing in historic buildings and can be very useful in addressing the needs of low-income households.

The **Austin Building** is located at the edge of Denver's Congress Park neighborhood and was redeveloped by the Northeast Denver Housing Center as a mixed-use, low-income residential and retail development. Prior to redevelopment, the building had been vacant for over five years and had been marred by vandals. The project was initiated in July 1994, funding commitments were received in April 1995, construction commenced in July 1996, and units were rented in October 1996. Management has had no difficulty maintaining occupancy of the 18 one-bedroom units.

A variety of financial incentives were used, including a SHF grant, low-income housing tax credits, and a Colorado Division of Housing grant.

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For more information, additional copies of this report, or a copy of the technical report, please contact the Colorado Historical Society, Office of Archaeological and Historic Preservation 303.866.3895

Online links to this document and the technical report can be found at www.cohf.org.

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Place Economics Washington, D.C

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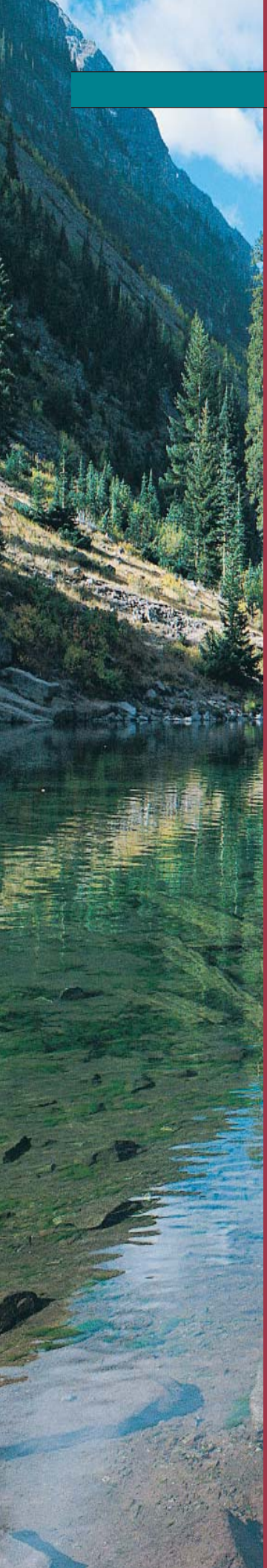
Authors:
Matthew Goebel
Marlise Fratinardo
Bohdy Hedgcock
Tom Pippen
Kathy Kugel

About the Colorado Historical Foundation
The Colorado Historical Foundation is a private non-profit organization that was established in 1965 to support history and preservation projects. While much of its effort goes toward pursuing projects of special interest to the Colorado Historical Society, the Foundation regularly assumes supporting roles for other entities charged with the preservation of history. In addition to these collaborative efforts, the Foundation carries out numerous preservation-related projects on its own initiative, including the Revolving Loan Fund for Colorado and an active statewide preservation easements program.



THE ECONOMIC BENEFITS OF HISTORIC PRESERVATION IN COLORADO - 2005 UPDATE

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