

A Profitable Past

**The Economic
Impact of
Historic
Preservation
in Arkansas**



**ARKANSAS
HISTORIC
PRESERVATION
PROGRAM**

*An agency of the
Department of Arkansas Heritage*

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A Profitable Past

An executive summary
of the study

*Economic Impacts of
Historic Preservation
Activity in Arkansas*

by the Arkansas Historic
Preservation Program and
the Center for Urban Policy
Research at Rutgers
University



RUTGERS

Edward J. Bloustein School
of Planning and Public Policy

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Program (AHPP) unless
otherwise indicated.

FOREWORD



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Director Cathie Matthews

Arkansans value our historic places and recognize them as sources of state pride and identity. From the Victorian charm of Eureka Springs to the stately mansions of Little Rock's Quapaw Quarter, Arkansas is rich in historic sites and architecture. From the haunting sounds of the Blues on the streets of Helena to the echoes of Fort Smith's frontier past, the educational and aesthetic value of our heritage resources is recognized throughout our state. Now, with the publication of the study *Economic Impacts of Historic Preservation in Arkansas*, we know that special places like these possess important economic value as well.

Demonstrating historic preservation's ability to generate good jobs for hardworking families is one of the preservation field's highest priorities. This study illustrates how, in keeping with our state's economic development strategies, historic preservation presents an excellent return on investment in terms of jobs created and income generated. In addition, this study shows how preservation can enhance real estate values, which in turn serve to increase local government revenues and the financial well-being of individual property owners.

Arkansans also take great pride in our state's stunning natural beauty, and historic preservation plays an important role in conserving Arkansas's resources. Through preservation of historic structures, we decrease the pressure to overdevelop our natural environment when we reuse existing buildings. Moreover, by reusing infrastructure like schools, roads, and water lines, taxpayers save money. To put it succinctly, historic preservation is sustainability. Reusing buildings is the ultimate recycling.

As State Historic Preservation Officer, I am very pleased that the Arkansas Historic Preservation Program has taken the initiative to quantify historic preservation's significant economic value. Arkansans have long known that their heritage is important. We now have firm and compelling evidence that it's also profitable!

As you make important decisions regarding future development in your communities, I hope you will utilize this information in making the case that preserving our heritage not only makes sense from an aesthetic standpoint, but from a financial one as well.

Sincerely,

Cathie Matthews

INTRODUCTION

This executive summary was published by the Arkansas Historic Preservation Program, the agency of the Department of Arkansas Heritage responsible for the identification, evaluation, registration and preservation of the state's cultural resources. Other agencies in the department are the Arkansas Arts Council, the Delta Cultural Center in Helena, the Mosaic Templars Cultural Center, the Old State House Museum, the Arkansas Natural Heritage Commission and the Historic Arkansas Museum. This report is based on a study titled *Economic Impacts of Historic Preservation Activity in Arkansas*, written by the Center for Urban Policy Research at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University.

The purpose of the study was to quantify and better understand the economic benefits of historic preservation in Arkansas. This executive summary, and the study on which it is based, present several of the many ways that historic preservation influences the state's economy. It was the first-ever study on this topic in Arkansas. Unless otherwise noted, the study was the source for all the information contained in this report. Unless stated otherwise, all monetary figures represent 2004 dollars.

The results reported here are conservative. The positive effects of historic preservation activities on Arkansas's economy are certainly more extensive. Every effort has been made to ensure that the data are not counted more than once. For example, historic building rehabilitation figures in downtown districts

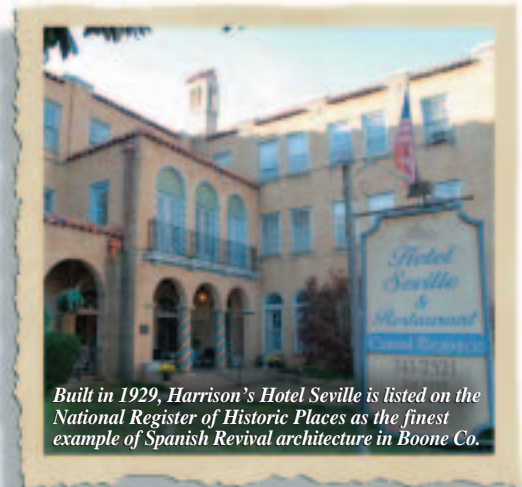
participating in the Main Street Arkansas program are not reported in the rehabilitation results because they are counted in the Main Street section.

All eight of the major conclusions of this study are interrelated. The first deals with the sizable impact of heritage tourism. The next three deal with the rehabilitation of historic structures

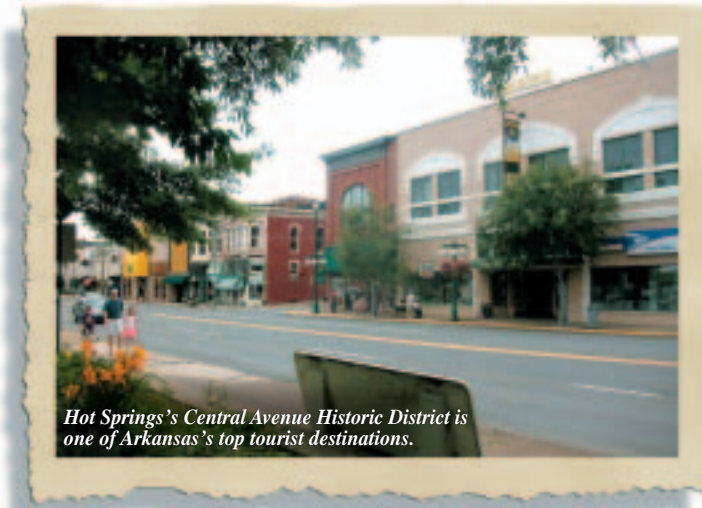
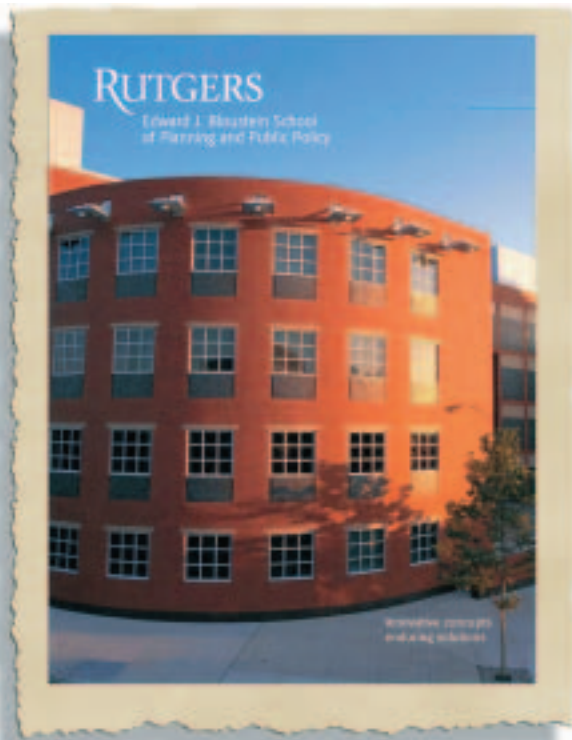
through private investment, state grant programs and federal tax incentives. The fifth conclusion relates to an analysis of a proposed state tax credit for rehabilitating historic structures.

The sixth conclusion addresses the effect of local historic designation on property values, and the seventh examines the impacts of the Main Street Arkansas program. The final conclusion deals with historic preservation compared to other economic activities. By bringing all these preservation components into one report, their interconnectedness can be better appreciated.

As Arkansas moves into the new millennium continuing to position itself for continued economic growth, a thorough understanding of the state's heritage and the important role that preservation plays in the state's economy is more important now than ever.



Built in 1929, Harrison's Hotel Seville is listed on the National Register of Historic Places as the finest example of Spanish Revival architecture in Boone Co.



Hot Springs's Central Avenue Historic District is one of Arkansas's top tourist destinations.



Summary of Conclusions

The *Economic Impacts of Historic Preservation in Arkansas* study included eight major conclusions:

1. Arkansas's heritage attracts tourists.
Roughly 16% of all tourists in Arkansas will visit a cultural or historic site. These tourists spend up to 30% more than the average tourist and contribute \$890 million to Arkansas's economy each year. Heritage tourism supports more than 21,500 Arkansas jobs annually.
2. Preserving historic properties creates jobs.
Rehabilitation of historic buildings adds \$75 million of private investment to Arkansas's economy each year and provides 1,500 jobs to working Arkansans.
3. State grant programs for preservation are a good public investment.
The State of Arkansas invests about \$4 million each year on grants to rehabilitate historic structures. Many of these grants are funded by the Real Estate Transfer Tax, and support 75 Arkansas jobs each year.
4. Incentives for historic preservation attract investment.
The federal rehabilitation tax credit has leveraged more than \$54 million of private investment in Arkansas and has added more than \$22 million to the income of Arkansas families.
5. A state historic rehabilitation tax credit would create more jobs and income.
The proposal for a 25% Arkansas historic tax credit would generate one job for every \$12,500 of state investment. Each dollar of state investment would leverage approximately \$2.20 in income for working Arkansans.

6. Locally designated historic districts enhance property values.
A case study of North Little Rock's Argenta Historic District revealed property values more than twice those found in adjacent unprotected neighborhoods.
7. Revitalization of Arkansas's Main Street communities is good business.
The Main Street Arkansas program assists local downtown programs in their preservation-based revitalization efforts. The state program's efforts result in nearly 250 Arkansas jobs each year and return nearly \$1 million in state and local taxes.
8. Historic preservation is a good investment compared to other economic activities.
For every dollar invested, historic preservation yields more jobs and income than new construction and several other economic activities.



HERITAGE TOURISM IN ARKANSAS

*G*iant and growing, the U.S. travel and tourism industry has captured the attention of state and local governments eager to bolster local economies and enhance community amenities.

The \$500 billion travel industry – one of America's fastest-growing business segments – accounts for approximately 4.2 percent of the nation's gross domestic product. Heritage tourism, one of the top reasons for pleasure travel, has become increasingly important to travelers and the communities they visit and offers significant benefits to the community. Heritage tourism can offset the costs of maintaining historic sites, help stimulate preservation efforts, and perpetuate the sense of place that lends

communities their unique character and identity. At the same time, heritage tourism can realize important economic gains with respect to jobs, income, and tax revenues.

There are numerous trends in the travel market fostering heritage tourism, including an increase in travel for pleasure, as opposed to business, and a growing tendency toward shorter duration and shorter distance trips. Baby boomers – large in number and with growing discretionary income – also have a proclivity toward heritage tourism.

While the precise scale of national heritage tourism is unavailable, it is by all accounts a significant component of pleasure travel.

Forty percent of families traveling on vacation stop at historic sites. And museums and cultural events continue to rank among Americans' favorite tourist attractions.

Travel and tourism are also significant to Arkansas's economic well-being. As an industry, Arkansas tourism is one of the state's top revenue producers. Enhanced heritage tourism in Arkansas would expand the overall travel market in the state. Moreover, Arkansas is rich in historic and other interesting sites, which are core motivations for heritage travel.

The profile of the heritage traveler leans heavily toward middle-aged, married adults who are relatively well-educated and have middle or higher incomes. Compared to all trips, the heritage trip tends to be a group trip (often part of

Annual Average Person-Trip Distribution for Arkansas

Traveler Trip	All Arkansas Person-Trips (in millions)	Heritage Person-Trips* (in millions)	Heritage as Percent of All Arkansas Travel
Day trip	8.28	1.32	16.0%
Overnight	12.42	1.98	16.0%
All trips (day and overnight)	20.70	3.40	16.5%

*Defined as a business or leisure traveler indicating "visit historic site" or other related trip purpose.

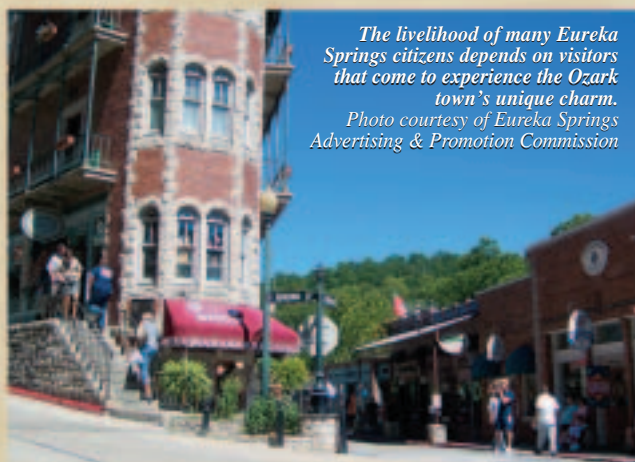
Annual Average Spending per Person-Trip for Arkansas

Trip Type	All Arkansas Travelers	Heritage Traveler	Heritage as % of All Arkansas Travelers
Daytrips	\$205.60	\$267.28	130%
Overnight Trips	\$205.60	\$271.39	132%

Visitors to Old Washington State Park in Hempstead County are treated to scenes of daily life from Arkansas's territorial period.
Photo courtesy of Arkansas Department of Parks & Tourism



The livelihood of many Eureka Springs citizens depends on visitors that come to experience the Ozark town's unique charm.
Photo courtesy of Eureka Springs Advertising & Promotion Commission





Photos courtesy of Arkansas State University

Heritage Tourism Case Study: Hemingway-Pfeiffer House

It has been many years since Ernest Hemingway closeted himself in the barn at the family home of his wife, Pauline Pfeiffer, to write *A Farewell to Arms* and other works. That connection to the celebrated American author has resulted in heritage tourism gold for the small Clay County town of Piggott.

The Hemingway-Pfeiffer Museum and Education Center serves as the northern visitor center for the Crowley's Ridge National Scenic Byway, a 200-mile route across eight East Arkansas counties anchored at its southern end by the Delta Cultural Center in Helena. Arkansas State University, the catalyst behind the byway, acquired the Pfeiffer property and invested some \$2 million in grants and contributions to restore the property, set it up for operations and acquire additional property surrounding the complex. The museum opened on July 3, 1999.

In its first year of operation, more than 5,800 visitors toured the Hemingway-Pfeiffer Museum and Education Center, including tourists from all 75 Arkansas counties, 46 states and twelve foreign countries. Those visitors made more than \$6,600 in donations to the museum and purchased mementos at the site valued at more than \$9,000. In addition, the museum has been featured in such programs as Bob Vila's "Restore America" and has been included in *Southern Living*, *Mid-South Living*, AAA and other national and regional publications.

The larger impact for the 3,700 residents of Piggott can be seen in a boom in new tourism-related businesses – 15 since the museum opened in 1999. In addition, three other tourist businesses have expanded since then. The Hemingway-Pfeiffer Museum and Education Center also contributes to the local economy through its \$375,000 annual operating budget and its four full-time employees and one part-time worker.

a family trip) with multiple activities. Compared with all travelers, heritage travelers, on average, spend considerably more money. Furthermore, a much higher share of heritage travelers come from out of state.

Travel expenditures create secondary impacts that magnify travel's contribution to the economy. When we account for these multiplied effects, we find that:

Heritage tourists spend \$890.6 million in Arkansas each year.

Heritage tourism supports 21,552 Arkansas jobs yearly.

Heritage tourism adds \$318.8 million to the yearly income of Arkansas families.

Heritage tourism generates \$73.8 million in state and local tax revenue each year.

Before renovation of Union Depot, Brinkley



Brinkley's historic Union-Pacific Depot was rehabilitated in 2001 to house the Central Delta Depot Museum. Located midway between Little Rock and Memphis, this historic site receives thousands of visitors every year.

Heritage Tourism Case Study: Pea Ridge National Military Park

On March 7 and 8, 1862, some 26,000 Union and Confederate soldiers met in a titanic battle near Elkhorn Tavern in rural northwest Arkansas. At the end of two days of fighting, nearly 6,000 of the combatants were dead, wounded or captured and Missouri was saved for the Union.

Today, Pea Ridge National Military Park is one of the most pristine battlefields within the National Park Service and tourists have replaced soldiers in its woods and fields. Between 2000 and 2005, some 434,591 visitors have come to visit the serene 4,300 acres that saw so much bloodshed 140 years earlier. And according to *Blue, Gray and Green: A Battlefields Benefits Guide for Community Leaders*, those visitors have contributed substantially to the northwest Arkansas economy.

That study of 13 Civil War battlefields around the country (Pea Ridge was not included in the study, though nearby Wilson's

Creek National Battlefield was), commissioned by the Civil War Preservation Trust, found that:

- Every Civil War battlefield park creates jobs in the community, on average one for every 702 tourists
- Each tourist paid approximately \$5.84 in state taxes and \$2.94 in local government revenues
- On average, each Civil War battlefield visitor put nearly \$50 per day into the local economy
- Civil War battlefield visitors tend to be in their late forties or early fifties, well educated, and have incomes averaging between \$63,700 and \$79,500.

Those benefits in heritage tourism dollars are not limited to Pea Ridge alone. According to the National Park Service, the state's National Parks – including Arkansas Post National Memorial, Central High School National Historic Site, Fort Smith National Historic Site, Hot Springs National Park and the Buffalo National River – hosted 2,597,624 visitors during FY 2005, brought \$133,802,000 into the Arkansas economy and supported 3,107 local jobs.



A National Historic Landmark, Pea Ridge National Military Park continues to be one of Northwest Arkansas's top attractions. Photos courtesy of Arkansas Department of Parks & Tourism.



HISTORIC REHABILITATION IN ARKANSAS

“Rehabilitation” is construction work that helps preserve the distinctive character of a historic building and its site, while allowing for reasonable change to meet new needs. Not included in this definition of “rehabilitation” are additions to historic buildings and minor repairs or in-kind replacement. “Historic” is defined as any structure that is listed individually on the National or Arkansas Register of Historic Places or is located in a National Register or locally designated historic district. Also included in this definition of “historic” are properties that are eligible for listing (but not yet listed) on the national, state, or local historic registers.

for a rehabilitation project. The indirect impacts consist of spending on goods and services by industries that produce the items purchased by the contractors who are preserving the property. Finally, induced impacts are a measure of household spending. They are a tally of the expenditures made by the households of the construction workers on a preservation project, as well as the households of employees of the supplying industries.

Estimated Total Rehabilitation and Historic Building Rehabilitation in Arkansas

Property Type	Estimated Total Rehabilitation (in \$ million)	Estimated Historic Rehabilitation (in \$ million)	Historic Rehabilitation as % of Total Rehabilitation
Private Residential	404.8	27.00	6.6%
Nonresidential	624.0	35.10	5.6%
Total private	1,028.8	62.10	6.0%
Public	228.4	12.37	5.3%
Total	1,257.2	74.57	5.9%

When we account for these multiplied effects generated by historic rehabilitation activity, we find that:

Arkansans spend \$74.6 million each year rehabilitating historic properties.

Historic rehabilitation supports 1,523 Arkansas jobs yearly.

Historic rehabilitation adds \$40.9 million to the yearly income of Arkansas families.

Historic rehabilitation generates \$3.3 million in state and local taxes each year.

Examples of Direct and Multiplier Effects (Indirect and Induced Impacts) of Historic Rehabilitation

MULTIPLIER EFFECTS

Direct Impacts	Indirect Impacts	Induced Impacts
Purchases for: <ul style="list-style-type: none"> • Architectural design • Site preparation • Construction labor • Building materials • Machinery & tools • Finance & insurance • Inspection fees 	Purchases of: <ul style="list-style-type: none"> • Lumber & wood products • Machine components • Stone, clay, glass, & gravel • Fabricated metals • Paper products • Retail & wholesale services • Trucking & warehousing 	Household spending on: <ul style="list-style-type: none"> • Food, clothing, day care • Retail services, public transit, utilities, car(s), oil & gasoline, property & income taxes, medical services, and insurance



This building in downtown Texarkana was constructed in 1925 as the Miller County Bank and Trust. It was rehabilitated in the 1990s as a restaurant.

In 2004, an estimated total \$1.25 billion was spent on rehabilitation in Arkansas: \$404.8 million on residential properties, \$624.0 million on nonresidential properties, and \$228.4 million on public properties. Of the \$1.25 billion spent on rehabilitation, an estimated \$62.2 million, or about 6 percent of the total, was spent on historic private properties (properties listed on or eligible for historic designation on national, state, and/or local registers of historic sites). An additional \$12.3 million of rehabilitation was spent on historic public buildings, resulting in an estimated \$74.5 million in total historic rehabilitation.

As with heritage tourism, construction costs create secondary impacts that magnify rehabilitation’s contribution to the economy. Direct impacts consist of purchases made specifically



Fayetteville's Tharp House was listed on the National Register in 2004 for its distinctive Queen Anne architecture.

Historic Rehabilitation Case Study: Tharp House

Moses and Alla Jane Tharp chose a working-class neighborhood in Fayetteville as the place where they would build a house and raise their ten children. In 1904, the Tharps constructed a Queen Anne-style residence at 15 North West Avenue, near the railroad station where Moses made a living hauling freight and passengers with his horse-drawn wagon.

In time, the house passed on to their youngest son, George, who married his next-door neighbor Ella Fincher in 1933. The family continued to live in the house, now sheathed in asphalt siding and suffering some of the effects of age, until 1981 when Bob and Patty Besom purchased the Tharp House from Ella's heirs after her death.

The Besoms found that the house had not changed much since its construction, though it showed signs of infestation by powder post beetles and termites, the foundation was failing, and its porches were deteriorating. They decided to restore it as a historic preservation project, returning it to its turn-of-the-century appearance. They fixed the foundation, but retained the original hewed-log supports, and repaired the interior's original plaster walls. The Besoms also removed the exterior siding, exposing once again the Queen Anne styling of Moses and Alla Jane Tharp's original design.

Bob and Patty Besom's hard work and careful restoration paid off for the entire neighborhood, inspiring the restoration of the building next door and the sensitive rehabilitation of three others on the block. "When we purchased the house the whole block was frankly run down and it was unclear how the commercially zoned neighborhood would go," Bob Besom reflected. "All of the buildings on the block are now fully occupied as homes or offices and continue to support one another as they have for more than one hundred years. It is clear that preservation has added significantly to the buildings' value, and the block is now something of a preservation showplace.

"We enjoy our home and are very pleased with our experience!"

Historic Rehabilitation Case Study: O' Kelly House

Gary and Ann Clements faced a challenge when they purchased the 1919 O'Kelly House in North Little Rock. The two-story American Foursquare building originally was home to Owen and Grace O'Kelly with their eight children. It remained in the family until the Clements purchased it from a grandson of the original owners in 1994. At that point, the house had been condemned by the city, but it remained occupied because the grandson had been granted immunity from eviction by the Soldiers and Sailors Relief Act of 1976. As soon as the property changed hands, the city code department took a less compassionate attitude with the new owners.

The O'Kelly House is in an area that had deteriorated so extensively that in the late 1960s and early 1970s the city's Urban Renewal Agency had planned to demolish the entire area, including residences, and build anew. Most of downtown was demolished, but fortunately the federal money ran out before all of downtown came down. The neighborhood continued to decline, and most of the residential buildings became low-end rent houses. The O'Kelly House had been divided into four apartments during its peak, but when the Clements bought it, it was single family because the upstairs had been victim to three fires and had been fully gutted.

The biggest problem with the house was the advanced stage of termite infestation. The entire floor structure was removed and replaced on the lower level, each existing floor joist of the second floor was doubled, and two-thirds of the roof rafters were replaced. The original floor plan was reconstructed, with a few modifications incorporated to make a larger master bedroom, a laundry, and to provide a stairway to the attic. Wood trim and detailing was custom shaped to match the original profiles. While the interior was completely reconstructed, the exterior brick, with the exception of the front porch that had been removed, was in good condition. The front porch was reconstructed from photographs provided by family members, funded in part by a preservation grant from the Arkansas Historic Preservation Program. The original three-over-one windows were salvageable, but all other systems were new. Three years of sweat equity and about \$100,000 reconstructed the 2,700 square foot house to excellent condition.

Gary Clements notes that "the neighborhood has dramatically improved and is now a safe and desirable place to live. Before the creation of the Argenta Historic District in 1993, the downtown was a rundown dangerous place. Today, virtually every residence has been restored and properties for sale are rare. The O'Kelly House began as a burden, but has evolved into the bargain of a lifetime. Where else can you get a rehabilitated 2,700 square foot house for \$100,000?"

Once slated for demolition, North Little Rock's O'Kelly House was saved by committed new homeowners. Photo by Anne Clements.



STATE HISTORIC PRESERVATION GRANT PROGRAMS

A Profitable Past

Most of the historic rehabilitation work in Arkansas is conducted by the private sector. Private homeowners and businesses that preserve their historic buildings and maintain the character of the state's historic treasures form the backbone of Arkansas's preservation efforts. To supplement the private sector's outstanding preservation work, the State of Arkansas offers a number of grant programs to support the rehabilitation and restoration of historic properties, described below:

Arkansas Natural and Cultural Resources Council (ANCRC) grant funds are used only for state-owned property and are funded by the Real Estate Transfer Tax (RETT). While not reserved exclusively for preservation purposes, this program often rehabilitates several state-owned historic properties each year.

County Courthouse Restoration grants are used for rehabilitation work on historic county courthouses only. No match is required. These grants are also funded by RETT.

Historic Preservation Restoration Grants (HPRG) go to the rehabilitation and restoration of a variety of non-profit and publicly-owned structures. A select few HPRGs have also been used for restoration work on private property. All HPRGs require a 1:2 cash match. (Grantees must provide \$1 for every \$2 of grant funds.) The HPRG program is also funded by RETT.

Main Street Model Business grants are passed through local Main Street organizations for rehabilitation and restoration of downtown commercial structures. All Model Business grants require a 1:1 match of which at least 50 percent of the required match must be cash. Model Business grants are funded by RETT. (Model Business grants are also used for technical assistance; only those dealing with brick and mortar projects are considered here.)

Main Street Downtown Revitalization (DTR) grants are also funded by RETT and passed through local Main Street organizations. They did not require a match from the program's inception until 2005. Beginning in 2006, DTR began requiring a 1:2 match, up to 50 percent of which may be in-kind. (DTR is also used for a variety of other downtown activities; only those dealing with brick and mortar projects are considered here.)

Main Street Slipcover grants are used exclusively for the removal of slipcovers on downtown commercial properties. These are also funded by RETT and passed through local Main Street organizations. They require a 1:4 match, up to 50 percent of which may be in-kind.

Certified Local Government (CLG) grants are sometimes used for brick-and-mortar projects. (CLG is used for a variety of other local preservation activities: survey, commission training, signage, publications, etc. Such activities are not considered here.) Though usually funded by the federal Historic Preservation Fund (HPF), the state of Arkansas has supplemented this program with allocation from RETT as well as the state's 1/8 cent conservation tax. All CLG projects pass through participating local governments. CLG grants vary with regard to match.

All the programs listed above and some short-lived other programs such as Territorial Restoration grants were considered in the study. The cumulative investment in these programs, described below using the 1989-2006 period in 2006 dollars, is \$68.8 million. The annual average investment is \$4.1 million in 2006 dollars. When we analyze the multiplied effects of these public grant programs on the state's economy, we find:

State preservation grants support 85 Arkansas jobs yearly.

State preservation grants add \$2.3 million to the yearly income of Arkansas families

State preservation grants return \$100,000 in state and local taxes each year.



The Willford Methodist Church in Sharp County was restored with the help of a Historic Preservation Restoration Grant.



State Preservation Grant Case Study: Lakeport Plantation

One of Arkansas's antebellum landmarks is undergoing a rebirth in southeast Arkansas. Built in 1858-1859, Lakeport Plantation near Lake Village in Chicot County is the last surviving Mississippi River plantation that was built before the Civil War. It was the home of Lycurgus and Lydia Johnson, but stands today as a representative of the westernmost expansion of the slave-based cotton economy and a key to learning about cotton's role in the evolution of the economy of the Delta region.

Since its heyday, the stately Greek Revival building had fallen into disrepair, with leaking roofs threatening its remarkable plaster ceiling medallions. That all changed when the Sam Angel family donated Lakeport to Arkansas State University. The university aggressively sought funding to restore the building, receiving more than

\$5.97 million from such sources as the Arkansas Natural and Cultural Resources Council, Save America's Treasures and the National Endowment for the Humanities.

To date, more than \$3.5 million has been spent to restore Lakeport, a significant addition to the region's economy. Its exterior has been completely restored, its smokehouse has been reconstructed, and the bulk of the interior has been finished, including plaster restoration and painting. The building also has new mechanical systems, which required sophisticated and extraordinary engineering and construction to make them blend into the historic structure.

Now that the building has opened as a museum and educational center, it is expected to draw some 6,000 visitors annually, who will generate an anticipated \$1.2 million in tourist income each

year. Lakeport's annual \$390,756 in annual operating expenses also will contribute to the Chicot County economy.

The restoration of the Lakeport Plantation House in Lake Village, one of the state's most significant historic sites, would not have been possible without a grant from the Arkansas Natural and Cultural Resources Council. Photos courtesy of Witsell-Evans-Rasco Architects.



State Preservation Grant Case Study: Peters Family Living

Since 1991, Main Street Arkansas Model Business Grants have been a major element of efforts to bring new life to the historic commercial hearts of cities across Arkansas. Between the program's inception in 1991 and 2006, \$1,357,957 has been granted to local Main Street programs to fund interior and exterior rehabilitations and technical assistance for local businesses that then serve as examples for others to follow.

A good example of the effects of Model Business Grants can be seen in Peters Family Living, a family-owned furniture and appliance store that had been a downtown Russellville stalwart since its establishment in 1944. Located in turn-of-the-century buildings that covered an entire downtown block, the owners of the business were facing the difficult decision of whether to renovate the aging structures or demolish and replace them with metal buildings.

Main Street Russellville received a \$53,000 Model Business Grant in 2003 to work with Peters Family Living, and owner Bill Peters made the commitment to remain in his historic buildings. In a project that totaled more than \$106,000, the buildings' walls, ceilings and floors were repaired, lighting was improved, the exterior was repaired and painted, colorful new awnings were added to replace a dilapidated wooden canopy, and an entrance was modified to provide access to handicapped customers.

The result was dramatic as an aging landmark received a makeover that made it a vibrant addition to the Main Street Russellville streetscape. Three years after the project was completed, Bill Peters reported a 20 percent rise in sales, which he attributed in part to the restoration project. "We hope the sales increases we have enjoyed from the restoration, as well as the overall added value to the downtown project, will encourage other property owners and business people to improve their buildings as well," he said.

Since the project was completed, eight other buildings in the downtown area have been rehabilitated.



A before and after example of the effects of Model Business Grants can be seen in Peters Family Living, a family owned furniture and appliance store in downtown Russellville. Photo courtesy of Main Street Russellville.

FEDERAL PRESERVATION INCENTIVES IN ARKANSAS

The goal of the federal Historic Tax Credit (HTC) is to encourage the rehabilitation and preservation of older buildings by the private sector. To be eligible for the tax credits, buildings must be listed on the National Register of Historic Places. The historic tax credit programs provide a cost effective way for communities to preserve their history and maintain their unique historic architectural character. To date, the HTC has generated over \$31 billion nationwide in historic preservation investment, proving it one of the most effective tools for rehabilitation.

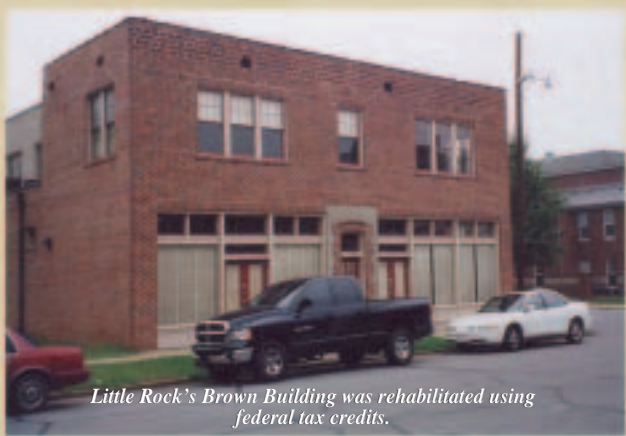
Since its inception, the HTC has been available for both housing and nonresidential projects. In practice, the HTC has often involved housing or mixed-use (housing and nonresidential) investment. Although data are not readily available on the dollar distribution of HTC investment by type, we can track the type of projects. This distribution indicates that about half of the HTC projects were exclusively housing and another 20 to 30 percent were in the mixed-use/other category. The remainder was commercial/office renovations.

The federal HTC has been used fairly extensively in Arkansas to support the renovation of historic housing, office, and retail space in the state. Since 2000, the federal historic tax credit program has supported 57 projects totaling more than \$54 million in renovation (in 2006 dollars). The size of projects supported by the HTC has varied from approximately \$10,000 to \$10 million in 2006 dollars.

Rental housing has comprised the majority of federal HTC projects in Arkansas with the renovations for 43 projects costing more than \$42 million. Commercial projects were the next most common usage with renovation costs for the eight projects totaling more than \$2 million, although this figure was less than a third of the approximately \$7 million cumulatively spent on the four hotel projects.

The number of tax credit projects has ranged from three to eight per year during this period, and projects have covered a variety of uses, including office buildings, retail, farming, and inns. While the majority of projects are located in Pulaski County,

The Brown Building before renovation, Little Rock



Little Rock's Brown Building was rehabilitated using federal tax credits.

the federal HTC in Arkansas has also been used throughout Arkansas.

The use of the federal HTC in Arkansas has positively impacted the state in a way that has benefited both residents and visitors and supported the revitalization of commercial districts, as well as entire neighborhoods. Construction costs associated with HTC projects create secondary impacts that magnify rehabilitation's contribution to the economy. When we account for these multiplied effects generated by historic rehabilitation activity, we find that:

The federal HTC leveraged \$54.3 million of historic rehabilitation in Arkansas from 2000 to 2006.

Federal HTC investment supported 767 Arkansas jobs from 2000 to 2006.

Federal HTC investment added \$22.4 million to the income of Arkansas families from 2000 to 2006.

Federal HTC investment generated \$1.1 million in state and local tax revenue from 2000 to 2006.

Federal Historic Tax Credit Investment in Arkansas By Type of Use (2000-2006)

Use	Cost of Renovation (2006 Dollars)	Number of Projects
Rental Housing	\$42,301,213.60	43
Commercial	\$2,729,525.35	8
Hotel/Inn	\$7,333,676.38	4
Mixed Use	\$2,049,365.00	1
Farming	\$21,134.99	1
Total	\$54,434,915.32	57

Federal Tax Credit Case Study: St. Anthony's Hospital

When it was built in 1937, St. Anthony's Hospital in Morrilton was a stunning example of Art Deco-inspired architecture. The building expanded to meet increased needs for health care with the addition of a third story in 1949. For 21 years after that, it served the needs of its region as one of the most modern and well-equipped medical facilities in the state.

On April 4, 1970, however, the Benedictine Sisters who ran the hospital closed its doors as they moved to a new facility. The building began a long, steady decay as it sat empty for

decades, losing its status as a state-of-the-art medical center in exchange for a local reputation as a haunted house.

Enter the Arc of Arkansas. The non-profit group, which specializes in providing affordable, independent living accommodations for people with disabilities, broke ground on August 24, 2004, to renovate the 18,785-square-foot structure for a new life as a home for low-income senior citizens in the area. Windows and doors were repaired or replaced, long-neglected mortar was repointed, the roof was replaced and modern elevators and heating and air-conditioning systems were installed to serve the building's new purpose.

The restoration ultimately cost \$2,439,000, which was offset in part by using the historic rehabilitation tax credit administered by the Arkansas Historic Preservation Program. The building now contains 23 apartment units for people 55 years old and older, including 18 apartments set aside for low-income residents.

St. Anthony's Hospital, a "haunted house" for more than 30 years, once more serves the needs of its community.

Abandoned for decades, St. Anthony's Hospital in Morrilton found new life providing housing for disabled citizens.



PROPOSAL FOR A STATE HISTORIC REHABILITATION TAX CREDIT IN ARKANSAS

Although it remains the premier preservation incentive for private property owners in Arkansas, using the federal credit is challenging. For example, it requires the renovation costs to be at least as much as the property's value and, therefore, requires a large amount of capital. This and other regulations in the federal tax code make the federal HTC largely inaccessible for many small projects. Moreover, many owners of historic properties in Arkansas cannot benefit significantly from the federal tax credit due to low incomes and a corresponding low tax burden.

Thirty states expand the amount of historic rehabilitation funding available by offering an additional state historic tax credit that can be used on top of or instead of the federal credits. The tailored state programs serve two goals. First, they provide another layer of financing that can be used in conjunction with the federal tax credit to make a larger number of historic rehabilitation projects feasible. In addition, eligibility requirements for the state projects may differ from the federal ones and support projects, such as the rehabilitation of owner-occupied historic housing units that are important to the state, but ineligible under the federal historic tax credit

In 2001, 2005, and 2007, the Arkansas General Assembly considered bills to create a historic tax credit program, to be administered by the Department of Arkansas Heritage. The purpose of the proposed program is to encourage economic development within existing infrastructure and to promote the

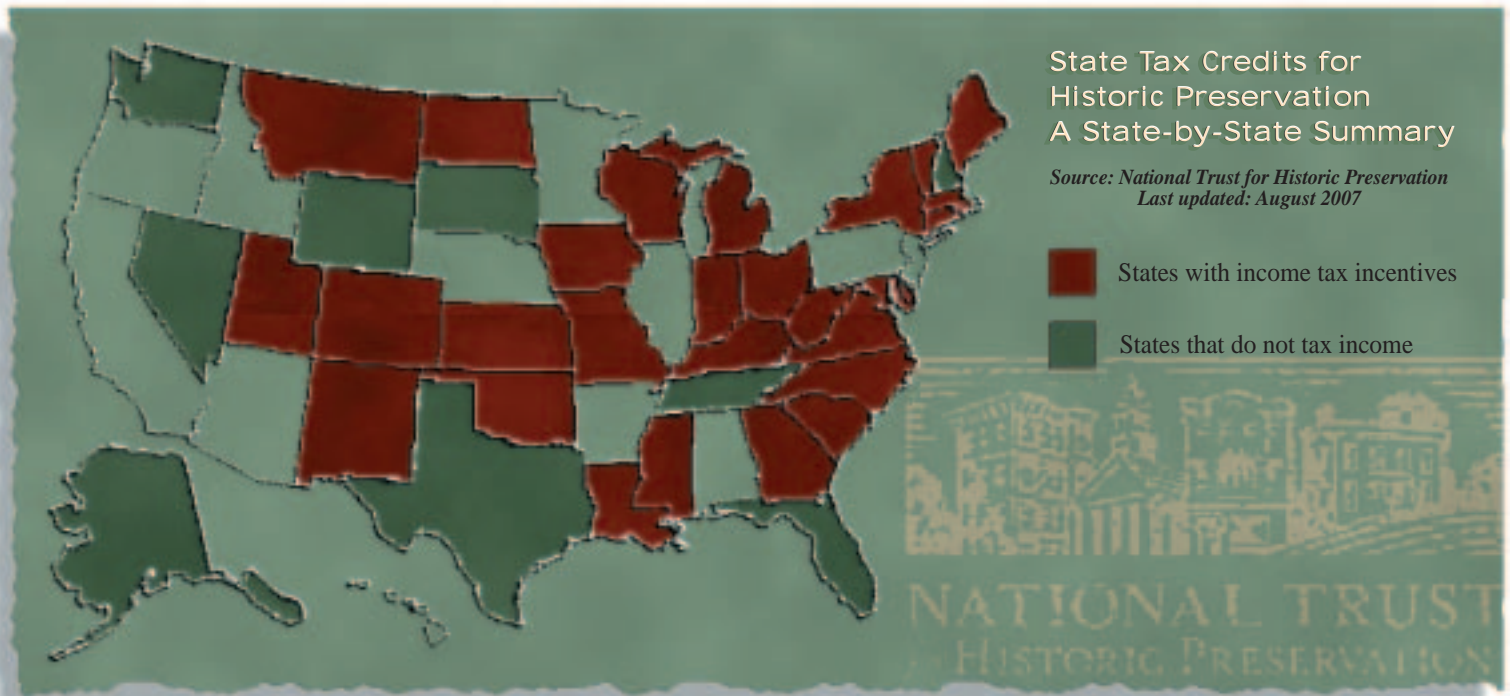
rehabilitation of historic structures. It is designed to work in conjunction with the federal tax credits.

Properties eligible for the proposed 25 percent tax credit include:

- Commercial properties qualified as a certified historic structure;
- Residential properties eligible for or listed in the National Register of Historic Places;
- Residential properties eligible for or designated as contributing to districts listed in the National Register of Historic Places; and
- Barns constructed prior to 1937.

The proposed Arkansas tax credit is quite similar to that of other states. The proposed Arkansas credit is modeled on Missouri's in regards to the coverage and eligibility requirements with both credits and expanding the federal applicability to include owner occupied units. In addition to Missouri, states near Arkansas with tax credit programs include Louisiana, Mississippi, and Oklahoma. The proposed credit is comparable to tax credits supported by the neighboring states.

While, as described earlier, the federal HTC has supported a fair amount of rehabilitation in Arkansas, the addition of a state credit could greatly expand the types of projects that are feasible. Homeowner rehabilitation is one area that would particularly benefit from the implementation of a state HTC. This project type is not eligible under the federal HTC but can yield significant benefits to Arkansas communities. As construction materials



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have become more expensive, it becomes more difficult for low- and moderate-income homeowners to maintain their properties. Overall housing quality, however, has substantial impact on the maintenance of neighborhood property values. A state HTC in Arkansas would provide another avenue for individuals owning homes in historic districts to maintain the quality and historic character of their properties. These improvements positively impact neighborhood property values and create a domino effect in spurring additional private investment. A state tax credit for homeowners could have a similar effect.

Providing another layer of financing via a state HTC would attract new investors to historic rehabilitation projects and make the restoration of older, extensively run-down buildings more feasible in Arkansas. Individual developers have their own calculations as to how much of an investment they are willing to put into a project. As demonstrated in Missouri and other surrounding states, adding another layer of funding piques interest in historic rehabilitation and expands that type of activity. In many of Arkansas's older downtown areas, historic buildings sit empty because property owners recognize their historic value and do not want to tear them down. The owners, however, cannot afford to rehabilitate due to the large amount of capital required. An additional state tax credit in Arkansas would help developers close this gap and make more community-enhancing historic restoration projects feasible in the state.

Although an Arkansas historic tax credit has not yet been enacted, we can anticipate the effects of the proposed 25 percent tax credit. When we consider the multiplied effects that would be generated by the increase in historic rehabilitation activity, we find that:

One Arkansas job would be created for every \$12,000 to \$12,500 of state investment in the proposed tax credit.

Each \$1 of state investment in the proposed tax credit would return \$2.19-\$2.22 of income to Arkansas families.

Each \$1 of state investment in the proposed tax credit would return 17.7-18.5 cents in state and local taxes, partially offsetting the program's short-term cost to state revenue.

Moreover, the proposed Arkansas historic tax credit would serve not only to improve Arkansas's historic building stock, but could also encourage heritage tourism. The table below summarizes the economic impacts to the state if the proposed state tax credit were to eventually generate an additional \$100 million in heritage tourism spending.

Arkansas could garner tremendous benefits from enacting a state historic preservation tax credit of its own. It is likely that these benefits would be enjoyed in many locations throughout Arkansas.

Total Economic Impacts to the State of Arkansas from an Additional:

	\$100 Million in Daytrip Heritage Tourism	\$100 Million in Overnight Heritage Tourism
New Jobs	2,200	2,600
Family Income	\$33.6 million	\$37.0 million
Local & State Taxes	\$7.9 million	\$8.5 million

THE EFFECTS OF HISTORIC DESIGNATION ON PROPERTY VALUES

Yet another economic consideration is the impact of historic designation on property value. There are numerous ways in which designation can enhance property value. This effect is often cited by historic preservationists and is also recognized by planners, economic development professionals, and other experts. But there are also those who claim that designation can detract from property value. Designation's property value impact continues to be discussed and debated.

The National Register of Historic Places has been around since 1935, but it was expanded in 1966 as a way to protect historic structures from being torn down using government money. In the late 1960s, a lot of cities jumped on an "urban renewal" bandwagon and decided that the way to improve economic conditions in their city was to clear out the old to make way for the new. Aging urban communities that had fallen on hard times needed to be replaced with gleaming new civic plazas, new malls, and the like. That was progress – or so many city governments thought at the time. In their unrelenting drive towards modernism, they forgot about the importance of a connection to the past.

The "straw that broke the camel's back" was the demolition of Penn Station in New York City. Americans had had enough of urban renewal, and in response, the federal government

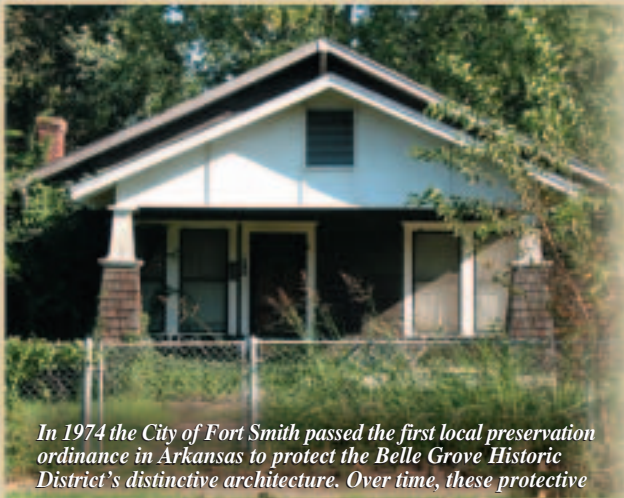
expanded its registry of historically important sites across America. Significant structures, archaeological sites, and even entire neighborhoods would be included. No federal money could be used to tear down or otherwise alter anything on the list without a strict review. At the same time, federal money for renovation and rehabilitation was also opened up in order to preserve these structures. These measures finally slowed down the urban renewal steamroller.

There are several criteria used to evaluate whether a property is eligible to be on the NRHP. First, it has to be at least 50 years old. In rare cases an exception might be made for a younger structure. Second, it has to be fairly close to original in appearance. This is a judgment call made by state representatives who review the applications. Additions and alterations are usually acceptable if they were made more than 50 years ago. Lastly, and most obviously, it has to be historic. The term "historic" is used very loosely here to include many different types of sites. The home of a prominent local businessman or politician, or even the church where he worshipped might be listed. Entire neighborhoods might be eligible, like Batesville's East Main Historic District, because of its 1870-1930 residences built in such architectural styles as Plain Traditional, Craftsman, Colonial Revival, Queen Anne and Italianate.

Anyone can apply to have a house, neighborhood, or any stationary place or object listed on the National Register. Listings



Batesville's East Main Street Historic District was listed on the National Register in 1983 and remains one the city's most distinctive neighborhoods.



In 1974 the City of Fort Smith passed the first local preservation ordinance in Arkansas to protect the Belle Grove Historic District's distinctive architecture. Over time, these protective



measures attracted preservation-minded homeowners who were able to invest confidently in rehabilitation projects. Photos courtesy of City of Fort Smith.

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for individual structures require a relatively high degree of historic significance, but listings for neighborhood districts are a little less stringent. Forms are available from the Arkansas Historic Preservation Program (AHPP) in Little Rock. Completed nominations forms are presented to the Arkansas State Review Board for Historic Preservation. If the Board approves of a nomination, it is forwarded to the National Park Service for final approval and listing on the National Register.

Being listed on the National Register is an honorary designation. The owner of a property listed on the National Register is free to do whatever he or she wishes with the property—only the federal government is restricted.

Historic designation can exert various effects on property value. Value may be enhanced; value may be diminished; or there may be a neutral effect. The degree to which the varying effects noted above are exerted in any given situation, in turn is influenced by numerous factors ranging from the type of designation (e.g., National Register or local ordinance) and the relationship between a property's current versus highest and best use. However, prior studies on the subject of **historic designation's influence on property value overwhelmingly points to a positive effect.** Only a handful of studies that specifically consider the costs of alteration and demolition come to a negative impact conclusion.

For this study, knowledgeable real estate agents and tax assessors in three illustrative case study communities in Arkansas were interviewed. These experts agreed that **property values within historic districts in Arkansas are generally higher than those outside of them.** Moreover, properties within Arkansas's historic districts—at least those with which interviewees were familiar—tend also to experience increases in value more quickly. Indeed, there purportedly is a collective action that motivates this phenomenon.

Property Reinvestment

Because of the prestige associated with historic districts and properties, homeowners generally feel motivated to maintain them. Some communities have expedited review processes for

minor repairs (e.g. repainting in the same color). Little Rock, for example, recently standardized the architectural review process in its historic districts to expedite and better inform the process.

In addition to any prestige effect, historic districts tend to provide a sense of reassurance to property owners that, say, a large shopping mall will not soon locate itself next door. Hence, historic districts reduce some perceptions of risk that ordinarily might be associated with investment in properties within them.

Spillover Effects

Significant spillover effects (investment in historic districts encouraging investment in adjacent non-designated areas) exist in Arkansas urban areas where districts are well integrated with the city. This apparently is especially the case where the city's housing stock is somewhat similar in style and age to that within its historic district(s).

Tax Incentives for Income Producing Properties

Office space in particular is very much drawn to historic districts and historic properties in general. In part this is due to federal tax credits, which are targeted at revenue-generating properties, one respondent pointed out. This respondent noted three examples where commercial space was retrofitted and was able to have a dramatic return on investment, both for the private property owners and the cities involved (through increased property and sales taxes).

In sum, the vast majority of the national literature points to a neutral or value-enhancing effect from historic designation. Interviews with knowledgeable real estate agents and assessors in Arkansas largely support this perspective.

Historic Designation Case Study: Argenta Historic District

One of Central Arkansas's most disinvested neighborhoods as recently as 1990, North Little Rock's Argenta neighborhood retained enough of its historic fabric to be listed on the National Register in 1993. The following year, the City Council designated Argenta as North Little Rock's first (and to date, only) local ordinance historic district. Since that time, all exterior work in the district has been subject to the design regulations of the North Little Rock Historic District Commission.

The study looked in depth at the effect of the City of North Little Rock's historic preservation ordinance on property values in the protected Argenta Historic Districts versus those found in the non-designated neighborhoods of Baring Cross and Mid-City. Though settled a short while after the original Argenta settlement, these adjacent areas are similar in history and architecture to the Argenta neighborhood. Though the Argenta Historic District also includes the city's downtown commercial area, only the residential portion of the district (west of Maple Street) was considered in this study.

Overall, the average property value in historic Argenta is \$10.40 per square foot of land area, while the same figure in the Baring Cross and Mid-City areas averaged just \$4.30. This indicates that the historic properties were worth 142% more per acre than non-historic ones. Such a disparity in property values indicates that there is markedly higher demand for residences in historic Argenta than elsewhere in North Little Rock. Being located in the Argenta district adds more than \$31,000 to the value of a parcel, all else being equal.

If one were to take this \$31,000 gain and multiply it across the 160 historic district parcels included in this study, nearly \$5 million in real estate value has been added to North Little Rock. With a municipal millage rate of \$1 per 1,000, the City of North Little Rock's budget benefits by approximately \$50,000 annually from the effects of its preservation ordinance in the residential portion of the Argenta Historic District. Moreover, the North Little Rock School District reaps an additional \$200,000 and Pulaski County collects an extra \$40,000 each year.

This would appear to indicate there is significant economic utility – for both property owners and government entities reliant on real estate taxes – to historic district designation and reinvestment.

Downtown North Little Rock has become a popular venue for outdoor events. Photos courtesy of Main Street Argenta.





North Little Rock 2008 Property Values Historic Argenta vs. Baring Cross/Mid-City

In order of lightest to darkest, these shades of red represent properties whose property values are under \$2, \$2-5, \$5-10, \$10-20, \$20-30, and greater than \$30 per square foot. (Properties in gray are other parcels in North Little Rock that were not included in this study.)



ECONOMIC IMPACTS OF THE MAIN STREET ARKANSAS PROGRAM

In 1980, the National Trust for Historic Preservation established the National Main Street Center (NMSC), with the goal of revitalizing downtown areas and neighborhood commercial districts across the United States. The program focuses on improving downtown business districts, through historic preservation and economic development efforts. All Main Street programs are locally driven and funded, though advice from the NMSC is available. In the past twenty-five years, almost 2,000 communities and more than forty states have used the Main Street approach to invigorate their downtown areas. The results have produced both economic and social benefits.

Main Street programs are initiated by concerned citizens such as business and property owners or civic and government officials. Public and private community leaders are then called upon to organize the program, raise funds, and hire an executive director. They also create committees and a board of directors to carry out the work. Once these entities are in place, a long-term strategy can be formed based on local issues and concerns. Each community's overall strategy, however, is based on the Main Street Four Point Approach. The approach stresses looking at four areas in order to encourage successful downtown revitalization. These four components are:

- **Design:** Enhancing the visual appearance of the downtown.
- **Organization:** Building consensus and cooperation among the groups and members that have a concern with the downtown. Groups in both the public and private sectors must collaborate.
- **Promotion:** Marketing the improved downtown to the public to attract customers, investors, developers, and new businesses.
- **Economic Restructuring:** Strengthening the downtown's existing economic assets, while expanding its economic base to meet new opportunities.

The State of Arkansas has an active Main Street program with seventeen communities participating at the time of this publication. The Main Street Arkansas program attempts to spur economic revitalization by capitalizing on the unique character of participating downtowns coupled with direct development assistance such as technical support, design services and small business consultations. The Main Street Arkansas program was created in 1984 and is based on the Main Street Four Point Approach of the NMSC. The specific mission of Main Street Arkansas is to assist communities to economically and physically revitalize their downtowns.



Downtown Helena was one of Arkansas's first Main Street communities.



History teachers tour downtown Dumas.



Visitors to downtown Hardy support a thriving retail district. With its population just over 500, Hardy is Arkansas's smallest Main Street town.

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Additionally, the Arkansas Downtown Network is a new program offered through Main Street Arkansas to serve a broader base of Arkansas communities that are focused on revitalizing their historic commercial core. The program was created in 2005 to

offer resources and education to communities that are not able to commit to the level of certified Main Street towns in an effort to both revitalize their built environment and build the capacity to become a certified Main Street community. Services provided

Main Street Arkansas Case Study: Main Street Rogers

Rogers was one of the original Main Street Arkansas cities, joining the program in 1985, and is one of the most successful. The city has seen 95 rehabilitated downtown facades and nearly \$12 million in downtown investment and reinvestment. The success of the program is evidenced by a rise in rental rates from 40 cents per square foot to \$8-\$12 per square foot. As of 2005, 98 percent of the retail space in the Main Street Rogers area was occupied, as was 95 percent of the office space. Several buildings also have seen upper floors renovated to serve as residential housing.

Much of Main Street Rogers's success can be attributed to its efforts at business development. Its Preferred Loan Program offers a total of \$4.5 million in loans from nine participating banks. Main Street Rogers also offers an active mini-grant program, which distributed and has secured several Model Business Grants to help revitalize the downtown area.

The city of Rogers has been a dedicated ally to its Main Street program, providing financial contributions, in-kind office space and utility donations. Main Street Rogers is also consulted when city projects are considered for the downtown area, and the program worked with the city to secure an ISTE A grant for development of a downtown park and trail. The city's dedication to preserving its downtown was cemented in 2004 when it passed an ordinance to protect the downtown Rogers historic district.

Main Street Rogers is a glowing example of how historic preservation can be a strong, consistent economic development partner.



through the Arkansas Downtown Network follow the same Four Point Approach from the NMSC. Twelve communities were participating in the Arkansas Downtown Network at the time of this publication. Every month, communities participating

in the Main Street program compile a series of data items on reinvestment in their downtown. These data represent the direct economic impacts of the Main Street program. When we calculate the indirect and induced impacts of the Main Street

Main Street Arkansas Case Study: Main Street El Dorado

Nestled in the piney hills of South Arkansas, downtown El Dorado has come a long way from the 95 percent downtown vacancy rate in the late 1960s. Today, downtown El Dorado has a 98 percent occupancy rate and is beginning to see residential development in its commercial core. El Dorado is now called “Arkansas’s Most Beautiful Downtown” by many, a distinction that came from the hard work of a group of committed citizen who helped El Dorado join the Main Street program in 1987. This work has led to 141 new business openings, 368 new jobs, and \$7,637,380 invested in downtown El Dorado since 1987.

Partnerships are the hallmark of any Main Street organization, and Main Street El Dorado has cultivated a number of successful

ones over the years. This has resulted in the planting of more than 1,000 trees downtown, the addition of 35 concrete planters, 54 park benches and 24 black metal garbage cans. Working with the Chamber of Commerce and Prescolite Lighting Company, Main Street El Dorado received 20 replica turn-of-the-century streetlights.

The Downtown Business Association is comprised of a group of merchants and business owners in the downtown district. The group is strong and active and participates in special events and promotions with Main Street El Dorado. Additionally the City’s Advertising and Promotion Commission has partnered with Main Street El Dorado in a variety of downtown promotional events, like the “Showdown at Sunset,” the Annual Musicfest, the Annual Mayhaw Festival and the Christmas Lighting Project.

A partnership with the El Dorado Arts Council and the Arkansas Arts Council led to a very successful public art project, where



Continued from page 23

Arkansas program, we find that:

Main Street Arkansas's activities result in \$7 million per year rehabilitating historic downtown buildings.

Continued from page 23 - Case Study

local artists, capitalizing on the town's oil heritage, created public art from 55 gallon oil drums donated by a local oil company, Murphy Oil. This project brought attention to downtown, and improved civic beauty. Main Street El Dorado also works closely with the El Dorado Historic District Commission to protect the downtown's unique architectural character, bursting with art-deco detail.



Main Street Arkansas's efforts result in a total of 246 Arkansas jobs each year, including 187 jobs related to downtown retail and service.

Main Street Arkansas's activities add \$3.8 million to the yearly income of Arkansas families.

Main Street Arkansas's activities return \$1 million in state and local taxes each year.

This last figure is particularly impressive when we consider the annual operating budget for the Main Street Arkansas program is also approximately \$1 million. In summary, the economic impacts of Main Street Arkansas program include modest employment and attendant income and production benefits.

The Gem, a restored art deco theater, is located in historic downtown Heber Springs, a member of the Arkansas Downtown Network.



PUTTING THE ECONOMIC IMPACTS OF HISTORIC PRESERVATION IN PERSPECTIVE

When we consider the direct economic benefits of heritage tourism in Arkansas, the Main Street Arkansas Program, and historic rehabilitation in Arkansas with and without grants and/or tax credits, and we then account for the indirect and induced impacts of these activities, we find the following:

Historic preservation activity contributes \$970 million to Arkansas's economy each year.

Historic preservation supports more than 2,300 Arkansas jobs each year.

Historic preservation adds \$364 million to the income of Arkansas families each year.

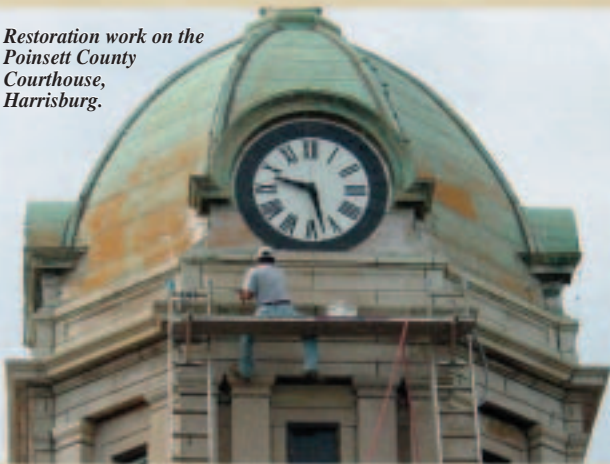
Historic preservation generates \$78 million in state and local tax revenue in Arkansas each year.

But how "large" are the above figures? Here, the yardstick of comparison is particularly important. Compared to the total economic scale at the national or state levels, historic preservation is rather small. But while comparing historic preservation to total economic activity at both the state and national levels is somewhat instructive, it is also misleading. Indeed, nearly any well-defined economic activity will not appear large against the sum of all activities.

Rather than measuring historic preservation's economic benefits by the yardstick of *all* economic activity, it is more meaningful to examine it against a more appropriate scale – of which there are many. One, for instance, is a "linked" economic activity. Thus, while preservation is not a major Arkansas employer in the totality of all employment, preservation is a contributor to the travel industry and travel comprises 4 percent of all employment in Arkansas. For further perspective, all farm employment is roughly equivalent to the all travel-generated employment

The geographical scale of comparison is a further consideration. Thus far, we have been considering the more global scales of

Restoration work on the Poinsett County Courthouse, Harrisburg.



Workers restore a commercial façade in downtown Blytheville.



When Osceola's historic Borum Building was razed by fire in 2008, the Mississippi County town lost one of its most historic structures. As a consolation, this exceptionally preserved "ghost" sign was revealed on the adjacent Patterson Building, giving visitors a glimpse into everyday life in the Delta at the turn of the 20th Century.

Photo courtesy of Osceola Historic District Commission.



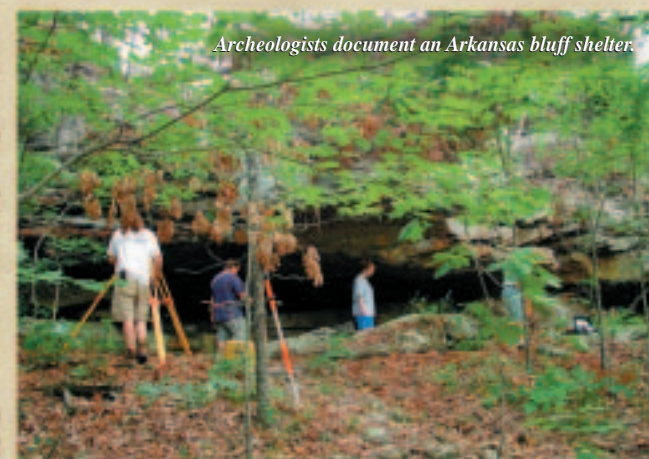
Renovations of Old Main on the University of Arkansas campus in Fayetteville.



Workman repointing mortar on Old Main on the University of Arkansas campus in Fayetteville.

nation and state, but to paraphrase the adage about politics, to a practical extent “all economics are local.” At the local level—and certainly for financially distressed communities, the economic contribution of historic preservation is much more noticeable. Take, for instance, the example of numerous Arkansas Main Street Programs contained in small communities. In these localities, Main Street specifically and historic preservation generally, are important to local economic invigoration.

Another relative issue to be considered is how preservation fares as an economic pump-primer versus other non-preservation investments. The chart below shows, in side-by-side fashion, the relative economic effects of the historic rehabilitation versus various types of new construction. A million dollars invested in preservation produces more jobs, family income and state and local taxes than the same million dollars invested in new



Archeologists document an Arkansas bluff shelter.

**Relative Economic Effects of Historic Rehabilitation versus New Construction in Arkansas
Per Million Dollars of Initial Expenditure**

Economic Effect	Construction Activity—Historic Rehabilitation and New Construction					
	Historic Rehabilitation	New Construction				
	Various Building Types	Single-Family	Multi-family	Non-residential	Civic/Institutional	Highway
Jobs created	20.4	17	16.6	17.1	18.3	14.8
Family income generated (\$000)	551	479	471	487	509	461
State & local taxes generated (\$000)	45	15	15	12	12	11

Economic Impacts of Historic Rehabilitation versus Other Economic Sectors in Arkansas Per Million Dollars of Initial Expenditure

Economic Effect	Commercial Historic Rehabilitation	Poultry Processing	Electrical Equipment / Appliance Mfg.	Transportation Equipment Manufacturing	Truck Transportation
Jobs created	20.6	11.8	13.6	12.4	10.7
Income (\$000)	547	291	469	272	319
State-local taxes (\$000)	44	11	9	8	9

construction of buildings or highways. Moreover, these figures only account for the direct, indirect, and induced economic effects of spending; they do not include the added benefits from investment in historic rehabilitation as opposed to new construction, such as enhanced heritage tourism.

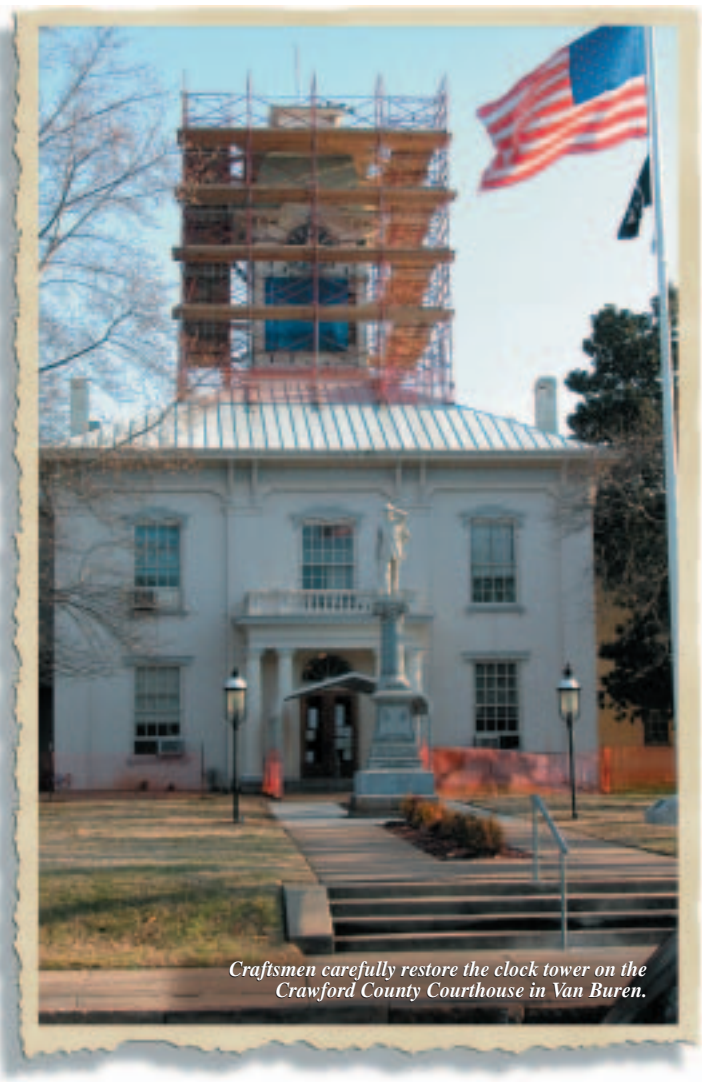
Further, there is the positive support that historic rehabilitation lends to other construction activity in a community. When buildings in a historic neighborhood are rehabilitated in Rogers, doesn't this encourage further rehabilitation in the city? The same is true in Little Rock, Arkadelphia, and other Arkansas communities. What often makes urban areas distinctive is their place in history, so the preservation of these places fosters further rounds of renovation (as well as added tourism and other benefits).

One other consideration of what comprises a "good investment" is the relative comparison of historic preservation investment versus investment in such sectors of the economy as manufacturing, transportation, and so on. The chart above reveals that, again, historic preservation has economic advantages

in terms of jobs, income, and taxes generated when compared to a number of other areas of economic activity. A final note on the scale of the historic preservation benefit also



Downtown Pine Bluff is the center of the city's history and culture.



Craftsmen carefully restore the clock tower on the Crawford County Courthouse in Van Buren.



A conservator demonstrates sensitive techniques for cleaning grave markers.

relates to the inadequacy of our measuring capabilities. The quality of life, educational, and other benefits of preservation are not being tallied here. Take, for example, the recent renovation of the Old State House in Little Rock. We can count jobs created, income produced and taxes generated from both the construction project and the ongoing stream of visitors as benefits to the state's economy. Not counted, however, are the

benefits from the thousands of visitors who now, knowing more about Arkansas's history and feeling more pride in the state, ultimately decide to live and work in the state, develop or expand businesses, refer others to visit, and so on. In May 2007 Arkansas Senator Blanche Lincoln described preservation in terms that transcend economic benefits:

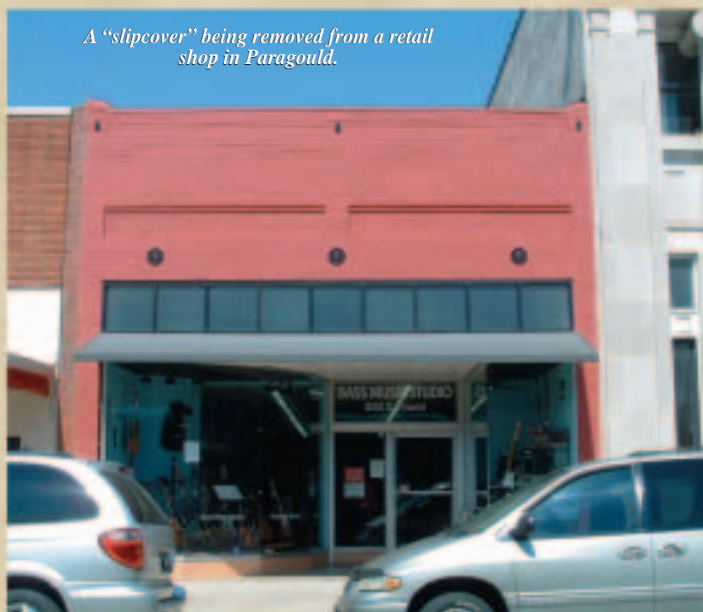


Senator Blanche Lincoln

*With historic preservation, there is obviously an element of economic development ... but it goes much deeper than that. I don't think people really realize it. You scratch the surface and realize [preservation] is more than just tourism. It's about building self esteem; it's building confidence; it's building a real respect for heritage and history. It allows communities to look back in their past and find the good, the bad, and the ugly, which helps them explain some of where they are now and who they are now. And that's important.**

These benefits are elusive to measure but remain at the heart of the historic preservation movement in America.

** Source: Interview with Preservation Action, May 3, 2007.*



A "slipcover" being removed from a retail shop in Paragould.



The Department of
Arkansas Heritage

The Arkansas Historic Preservation Program is the agency of the Department of Arkansas Heritage responsible for identifying, evaluating, registering and preserving the state's cultural resources. Other agencies are the Arkansas Arts Council, the Mosaic Templars Cultural Center, the Delta Cultural Center in Helena, the Old State House Museum, the Arkansas Natural Heritage Commission and the Historic Arkansas Museum.



ARKANSAS HISTORIC PRESERVATION PROGRAM

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