

# Economic Impact of Historic Preservation in Columbia, Missouri

DRAFT

Prepared for

City of Columbia, Department of Community Development

June 2012



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## EXECUTIVE SUMMARY

This study, commissioned by the Department of Community Development in the city of Columbia, seeks to identify the economic impact of historic preservation in three separate forms—historic preservation construction, heritage tourism, and downtown development.

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

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

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

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

In meeting the goals for this study a series of steps were taken to research, document, analyze, and conclude findings on historic preservation efforts in Columbia:

- ◆ An extensive literature review of the preservation and economics link was undertaken to understand what has been measured, by whom, how, and what have been the general findings.
- ◆ Interviews and research were conducted with parties involved in historic preservation both on a local scale and amongst industry professionals practicing throughout the country. Their knowledge, expertise, and/or experience in the subject aided in understanding the scope, scale, and impact of historic preservation in the city of Columbia.
- ◆ A public meeting and presentation was held to discuss research to date. Feedback and findings from the public meeting were factored into later research.
- ◆ Interim briefings and updates were provided to the city of Columbia for comments and suggestions throughout the research process.
- ◆ The final report, a presentation discussing research findings, and a PowerPoint presentation were prepared and delivered to the city of Columbia.

## What is the impact of the historic preservation—from construction, heritage tourism, and downtown development—for the city of Columbia?

Historic preservation has become integral to Columbia's economy in terms of job creation, economic stimulus, and positive impact on local businesses. In the last decade alone, private developers utilizing historic tax credits have invested over \$88 million in preserving and restoring historic buildings. Including investments from the universities, municipalities, and institutions in Columbia, historic preservation expenditures expand to well over a quarter billion dollars over this same period.

As explained throughout this report, ripple effects occur in the economy when spending takes place. The construction industry, like many industries, creates opportunities in the economy and for other businesses and sectors by both direct and indirect spending. The economic impacts of physical construction for preserving historic buildings are strong; partly because of businesses and industries in Columbia that benefit from such investments.

Looking specifically at the impacts of expenses attributed to historic tax credit projects, nearly 950 jobs (indirect and direct), \$73 million in earnings, and \$201 million in total output can be attributed to historic preservation efforts since 2002. Because of the size and influence of local universities, municipalities, and institutions, a separate analysis was done after understanding the impacts of the private sector through historic tax credit projects. For the whole Columbia economy, including investments made through universities, municipalities, and institutions, economic impacts are far greater. Since 2002, total output is estimated at over \$1 billion, nearly

4,500 jobs are estimated to have been created, and estimated earnings total almost \$400 million. These estimates, assumptions, and methodology are explained throughout the report.

On a different scale, heritage tourism has a strong impact on the Columbia economy because it can attract new and additional spending from visitors outside the city. Several events and institutions were selected and analyzed for their impact on the economy. Through their operations, it is estimated on an annual basis that 120 jobs are maintained, \$3.3 million in earnings are generated, and almost \$9 million in total output are created. These impacts come from \$2.7 million in direct spending on heritage tourism.

Finally, impacts on Columbia's downtown are analyzed. Because of the need to analyze historic preservation spending in isolation from other forms of spending on real estate (beautification, infrastructure improvements, non-historic buildings, etc.) a different analysis on the changes in assessed property values was performed to understand the effects of historic preservation on downtown Columbia.

Property values were analyzed in groups to estimate the effects of historic preservation over time. According to data provided by the Boone County Assessors Office, historic properties in downtown Columbia appreciated by the most of all property groups analyzed. These appreciated values, a benefit to property owners and the community, also benefit the city through incremental tax revenue. Tax revenue generated from increased assessment values was also greatest in historically preserved buildings in downtown Columbia.

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## INTRODUCTION AND SCOPE

Research Scope and Methodology

Demographic Trends in Columbia

Economic Impact Analysis Overview and Structure

## Project Methodology

**Does historic preservation create value in a community? Extensive literature demonstrates that historic preservation—when adopted and promoted by a municipality, region, or state—is generally considered to be a sound investment.**

Preservation of buildings, both historic and contemporary, is more profitable and efficient than new construction. If nothing else, many of the costs to secure materials and to actually construct a building are largely eliminated when renovation or rehab is undertaken. Moreover, historic preservation upgrades the quality and value of the building in question which, in turn, encourages investors in nearby structures to upgrade their properties, historic or otherwise. In the process, property values rise, jobs are created, businesses and residents move into the newly improved spaces, economic activity is revived, and tax bases increase.

While businesses and residents can vote with their feet by abandoning a declining neighborhood or run-down building, the governments that manage the community cannot. Thus, government has a vested interest in preserving valuable contributions to the community. In tangible forms, these valuable contributions are often structures or places that have important cultural and historic ties to the community. These structures and places, therefore, tend to command greater respect within the community. Using government resources to trigger their preservation, upgrade, and adaptability to changing economic opportunities very often stimulates similar behavior in the private market. Historic preservation accelerates economic activity.

Despite the plethora of research and studies conducted on the economic benefits of historic preservation, however, dilemmas still exist in truly understanding and quantifying the economic benefits of historic preservation. The subject study aims to establish a concrete and systematic input/output model for understanding the effects of historic preservation in the city of Columbia.

The methodology for this study was derived from researching noted historic preservation economic impact studies—including Rutgers University's study for the state of Missouri in 2002, Place Economics' report to the Advisory Council on Historic Preservation in 2011, and Michigan Historic Preservation Network's report in 2002. Details on sources of information and research will be referenced throughout the this report, but the general methodological approach was as follows:

- ◆ Review literature, studies, and resources on the economic impacts of historic preservation.
- ◆ Discuss implications of past research on said topic.
- ◆ Discuss connection to Missouri and Columbia economies.
- ◆ Present and illustrate key facts, findings from past research, and topics of note.
- ◆ Request information from the City of Columbia:
  - ◆ Complete inventory of relevant historic rehabs, renovations, investments.
  - ◆ Database on amounts of money spent in the upgrading of historic properties by year. Development Strategies worked with

city officials to mathematically adapt the available information to all properties.

- ◆ Projections of future trends in such investments based on historic patterns, as-yet-unrenovated properties in the inventory, and the probable pace of additions to the historic inventory.
- ◆ Database segmented by types of properties, including residential vs. non-residential, heritage and cultural, those attracting visitors, and the like.
- ◆ Inventory of what Columbia considers “heritage and cultural” buildings, facilities, and spaces (per above) that attract visitors and functions which, in turn, encourage spending in the Columbia economy.
- ◆ Estimates of money spent by visitors to these heritage and cultural facilities.
- ◆ Estimates of the ratio of in-town vs. out-of-town visitors. Out of towners bring “new money” into Columbia, so it is their spending that triggers new economic activity in Columbia.
- ◆ Estimates of money spent by out-of-town visitors when in Columbia. Average-per-visit was information obtained from the local Convention and Visitors Bureau.
- ◆ Determination of the “Main Street” corridor to be evaluated in this study.
  - ◆ Inventory of businesses and other economic activities in that corridor.
  - ◆ Estimates of sales and related gross revenues of business enterprises in the corridor.
  - ◆ Estimates of the number of visitors/patrons in the corridor, ideally broken down by in-town residents vs. out-of-towners.

- ◆ Discuss information provided by City of Columbia and cleanup for use in model:
  - ◆ Collaborate on base data creation and adjustment.
  - ◆ Establish baseline assumptions.
  - ◆ Test assumptions with city and officials.
  - ◆ Implement data for use in models.
- ◆ Create Input/Output multiplier models for:
  - ◆ Capital expenditures on historic preservation.
  - ◆ Visitor spending.
  - ◆ Heritage tourism operations.
  - ◆ Main Street Program impacts.
- ◆ Report write up.
- ◆ Conclusions.





## Columbia Trend Analysis

Columbia's economy and population have seen considerable changes in the past few decades that suggest a continued emphasis on preserving historic and significant buildings and districts is needed.

Analysis of historic preservation in Columbia is important today because of the city's growth patterns in recent decades and continued population and income growth projected in the next five to ten years. Historically, growth has taken place on the fringes of the city in the form of suburban development over the past 20 years. While these development patterns can have considerable economic benefits to neighborhoods and municipalities, they often neglect smart growth principals and guidelines and can neglect the revitalization of aging buildings.

Demographic trends, viewed in the tables to the right, demonstrate that growth is likely to be stronger in the region, city, and downtown than in the state of Missouri in the near future. Population growth in particular is expected to create a need for new development opportunities. At a projected five to seven percent growth by 2016, compared to one percent from 2000 to 2010, Columbia should see demand rising for added infrastructure, buildings and planning efforts.

Income levels are similarly projected to increase over census levels from 2000 and 2010. Unlike consistent population growth projected over the entire region, however, income growth is expected to be less impactful in the Greater Downtown area of Columbia—where a majority of historic properties are located. When combined, the population and income growth projects suggest that historic preservation can be a resource for harnessing population growth and development in the city.

### Demographic Trends

Description	Greater Downtown	Columbia	Columbia MSA	Missouri
<b>Population</b>				
2016 Projection	17,909	117,926	187,922	6,158,099
2011 Estimate	16,987	109,829	175,127	6,013,066
2010 Census	16,888	108,500	172,786	5,988,927
2000 Census	16,151	84,531	145,666	5,595,211
Growth 2011-2016	5%	7%	7%	2%
Growth 2000-2011	1%	1%	1%	0%
Growth 1990-2000	5%	28%	19%	7%
<b>Household Size</b>				
2016 Projection	2.01	2.32	2.40	2.44
2011 Estimate	1.98	2.32	2.40	2.45
2010 Census	1.98	2.32	2.40	2.45
Growth 2011-2016	1.5%	0.0%	0.0%	-0.4%
Growth 2000-2011	0.0%	0.0%	0.0%	0.0%

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### Median Income Trends

Description	Greater Downtown	Columbia	Columbia MSA	Missouri
<b>Population</b>				
2016 Projection	\$19,525	\$53,520	\$55,050	\$55,430
2011 Estimate	\$18,957	\$44,901	\$48,235	\$49,074
2010 Census	\$19,657	\$33,813	\$37,211	\$38,005
2000 Census	\$15,327	\$22,467	\$25,279	\$26,362
Growth 2011-2016	3%	19%	14%	13%
Growth 2000-2011	-4%	33%	30%	29%
Growth 1990-2000	28%	51%	47%	44%

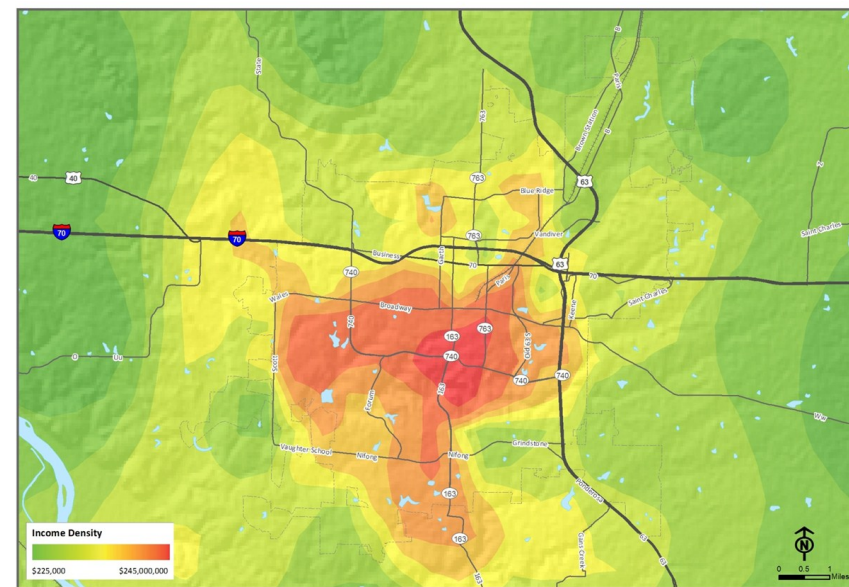
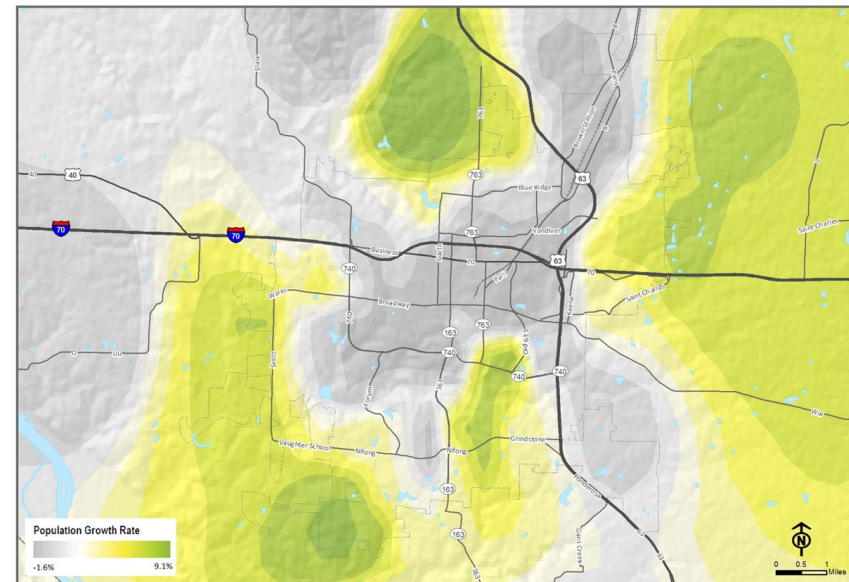
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The maps to the right, paired with the demographic tables on the previous page, show where development has been strongest in Columbia and where opportunities for future development could be better directed. In particular, these maps show how historic preservation can be a key development element as Columbia's projected growth takes shape.

The top map, a spatial view of population growth rate concentrations since 1990, shows how typical suburban growth has occurred on the fringes of town (commonly referred to as ringed suburban growth). Growth in the downtown areas, mainly where historic properties are located, has been negligible over the same time period (grey patches in the center). The bottom map, however, shows that income density (total household income per square mile) over the same period is more concentrated in the urban center of Columbia.

These two maps present interesting opportunities and challenges for the city because, while population growth has been strongest along the fringes of the city in the suburbs, income density remains strongest in the core of the city. This disparity has caused (and may continue to cause) tensions between developing properties on the fringes of the city versus core city development. As population and income growth occur in Columbia, historic preservation could become more important to overall planning efforts because of the economic and social benefits it provides—creating a better and more integrated city. These benefits are discussed throughout this report.



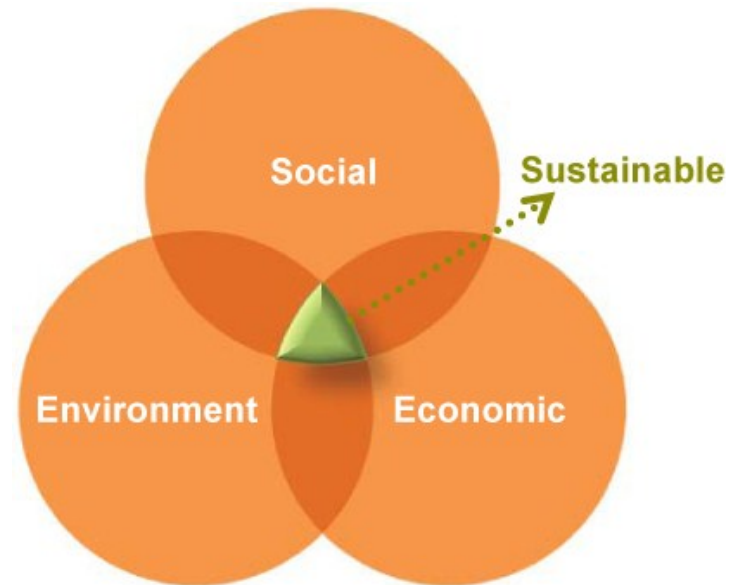
## Sustainability and Historic Preservation

While many new construction projects are being built with sustainability in mind, historic preservation is considered by many experts to be the most sustainable way to create usable space, properties, and neighborhoods. Historic preservation is also connected with added economic benefits to surrounding properties and neighborhoods.

There are economic benefits to the local community that decides on historic preservation rather than new construction. Historic preservation can also lead to increased cultural preservation and tourism. The following research findings demonstrate the benefits of historic preservation on the environment and property development.

- ◆ 15 to 30 times as much energy is used in construction of a building than in its operation. Embodied energy use—energy needed for the production and continued use of a building—can be far greater in new construction.
- ◆ “A frequently under-appreciated component of historic buildings is their role as natural incubators of small businesses. 85 percent of all net new jobs are created by firms employing less than 20 people.” (Sustainability and Historic Preservation, Donovan Rypkema)
- ◆ “As a rule of thumb, new construction will be half materials and half labor. Rehabilitation, on the other hand, will be 60 percent labor with the balance being materials.” (Sustainability and Historic Preservation, Donovan Rypkema) This allows for more jobs in the community and the money earned being recirculated into the community, rather than to far-off contractors.
- ◆ “A million dollars spent in new construction generates 30.6 jobs. But that same million dollars in the rehabilitation of an historic building, 35.4 jobs.” (Sustainability and Historic Preservation, Donovan Rypkema)

- ◆ “I cannot identify a single example of a sustained success story in downtown revitalization where historic preservation wasn’t a key component of that strategy.” (Sustainability and Historic Preservation, Donovan Rypkema)



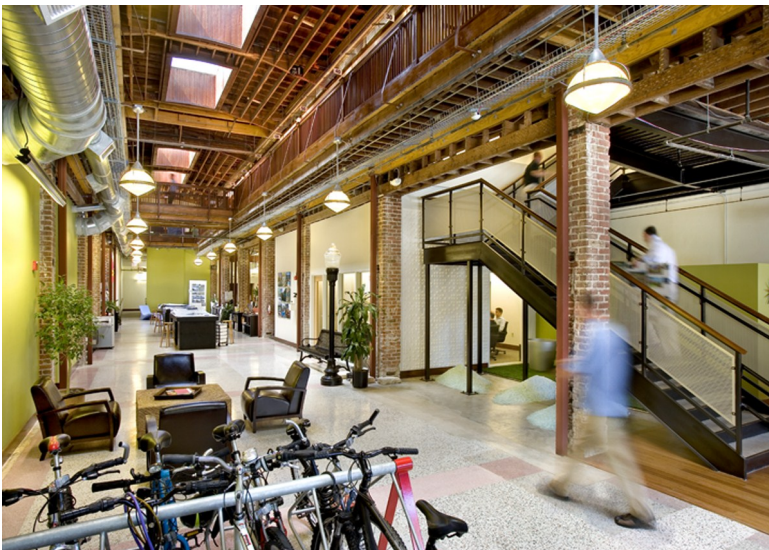
“Although the iterations of sustainability vary widely around the globe, and there are numerous approaches, the reuse of historic buildings was mentioned in session after session as an integral part of the sustainability movement – historic preservation as smart growth around the world.”

*-Donovan Rypkema, 2007*

*Historic Preservation Economics Expert, Place Economics*

According to the National Park Service, which oversees historic tax credit administration, historic preservation is inherently a sustainable practice:

*A commonly quoted phrase, “the greenest building is the one that’s already built,” succinctly expresses the relationship between preservation and sustainability. The repair and retrofitting of existing and historic buildings is considered by many to be the ultimate recycling project, and focusing on historic buildings has added benefits for the larger community.*



Materials extraction for purposes of construction can be harmful to the environment. The following points describe the benefits of historic preservation for construction waste reduction purposes:

- ◆ The extraction of natural resources for construction purposes and the production of building goods are also energy-intensive processes that release significant CO<sub>2</sub> emissions. (*The Greenest Building: Quantifying the Environmental Value of Building Reuse p.13*)

- ◆ Historic buildings have embodied energy—energy needed for the production and continued use of a building—that can balance the goal in the green building community for energy efficiency improvements that may be difficult to achieve otherwise. (*Historic Preservation and Sustainability Go Hand in Hand*)

New construction and the waste disposal that accompanies such projects can also be expensive economically and environmentally.

- ◆ It takes ten to 80 years for a new building that is 30 percent more efficient than an average-performing existing building to overcome, through efficient operations, the negative climate change impacts related to the construction process. (*The Greenest Building: Quantifying the Environmental Value of Building Reuse p.8*)
- ◆ Every year, approximately one billion square feet of buildings are demolished and replaced with new construction in the United States. The Brookings Institution projects that some 82 billion square feet of existing space will be demolished and replaced between 2005 and 2030—roughly one-quarter of today’s existing building stock. (*The Greenest Building: Quantifying the Environmental Value of Building Reuse p.9*)
- ◆ Solid waste disposal is increasingly expensive both in dollars and in environmental impacts. Here is a typical building in a North American downtown—25 feet wide and 100 or 120 or 140 feet deep. Let’s say we tear down one small building like this in your neighborhood. We have now wiped out the entire environmental benefit from the last 1,344,000 aluminum cans that were recycled. (*Sustainability and Historic Preservation, Donovan Rypkema*)
- ◆ The EPA has noted that building construction debris constitutes around a third of all waste generated in this country, and has projected that over 27 percent of existing buildings will be replaced between 2000 and 2030. (*Sustainability and Historic Preservation, Donovan Rypkema*)

The points above help quantify the scale to which historic preservation can benefit the environment and a community.



## Landfill/Demolition Impacts

As noted by many sources, including the National Trust for Historic Preservation, the “greenest” building is the one already standing. In this sense, historic preservation aids in sustainability by aiming to rehabilitate and maintain existing properties with historic salvage. Two ways in which historic preservation helps in this movement is by reducing demolition waste and conserving landfill space; each historic property that is salvaged saves several tons of debris that would have otherwise polluted the air and loaded the landfill.

The National Trust for Historic Preservation notes that 40 percent of carbon dioxide emissions in the U.S. results from the construction, operation, and demolition of buildings. Moreover, the City of Columbia has accumulated statistics which estimate that about 2,357 tons of waste goes to the landfill each year as a result of historic property demolition. While not all historic properties are salvageable, each property that can be saved from demolition will have a positive impact on the local environment and landfill.

More specifically, the City of Columbia estimates the following statistics:

- ◆ On average, there have been 35 demolitions per year over the past ten years in Columbia. Of the 35 demolitions per year, about 26 of them average 1,500 square feet and over 50 years old (the average historic property in Columbia).
- ◆ For each 1,500 square foot property that is demolished, roughly 95.25 tons of debris is generated.
- ◆ Accordingly, 2,357.44 tons of waste will end up in the local landfill every year as a result of historic property demolition.
- ◆ In another measure, each historic 1,500 square foot demolished prop-

erty generates 7,500 cubic feet of debris, which translates to 196,875 cubic feet of debris going into the landfill each year.

- ◆ Because it costs the City \$38 to dispose of each ton of landfill debris, the City of Columbia is spending almost \$90,000 per year to dispose of waste stemming from the demolition of historic properties. This cost in turn is borne by the taxpayers.

As can be seen from the above statistics, demolition alone adds a large amount of waste to the environment and the landfill. Even salvaging a few more properties each year will conserve landfill space and improve air quality, thereby proving to be a very green alternative to demolition and new construction.

### Historic Preservation Spotlight



- ◆ 75% of demolished properties nationally are residential and over 50 years old.
- ◆ The typical 2,000 square foot home can be expected to produce 127 tons of debris.

## Case Study: Boulder Colorado

Case studies are important for understanding how historic preservation can be used effectively in Columbia. Boulder Colorado, a city 25 miles northwest of Denver, is a good case study to focus on because of the presence of a similar large state university (University of Colorado), a similar collection of historic building stock, and a similar population size.

Boulder is generally regarded as one of the nation's greenest, most livable cities. While many factors contribute to its growth and development, several city initiatives with impacts on historic preservation are important in Boulder's prominence as a livable and healthy city.

### The Green Points Building Program

Green Points was designed to help homeowners find products and designs for building "green," while encouraging Boulder homeowners to include cost-effective and sustainable remodeling and building methods that conserve fossil fuels, water and other natural resources. Green Points pro-



motes the recycling of construction materials, which reduces solid waste and promotes better indoor air quality. This program offers remodelers, do-it-yourselfers, and homebuyers great ideas, while allowing them flexibility to tailor their selections to specific designs or preferences. The program promotes the rehabilitation of buildings and spaces as a means of sustainable development.

### Boulder's Growth Management System

In 1976, Boulder instituted its first growth ordinance, called the Danish Plan, limiting population growth to two percent. Two major changes were made in 1995. The population growth limit decreased from two percent to less than one percent, and annual building permits were allocated equally between various affordability ranges.

The regulations created a method to promote smart growth in and around historic neighborhoods of Boulder by limiting suburban sprawl. The changes in 1995 also fostered diversity in income and demographics. Today, Boulder's historic districts are vibrant and sources for high economic activity because of the limit of sprawl in outlying areas of the city.



## Economic Impact Structure

Investment in historic preservation, through construction efforts and continued operations, begets further economic activity as money is spent to rehabilitate and operate historic facilities, and as employees spend their wages to support their households. Spending by the facilities to support operations and to pay employees is a “direct impact” on the economy. Subsequent spending causes “multiplier effects” in the larger economy.

These multiplier effects can be estimated for given geographic areas using *multiplier coefficients*. Coefficients used in this report were obtained from the U.S. Department of Commerce, Bureau of Economic Analysis, from its Regional Input-Output Multiplier System, or RIMS II.

RIMS II multipliers are available for sixty aggregate industries as classified by the North American Industry Classification System (NAICS). Several industries would apply to the economic activity that takes place because of historic preservation and heritage tourism, including:

- ◆ *Construction*, because of the construction activity required to rehabilitate the facilities.
- ◆ *Museums and historical sites*,
- ◆ *Other amusement and recreation industries*,
- ◆ *Households*, because of the wages paid to employees, which are presumed to be spent locally and statewide.

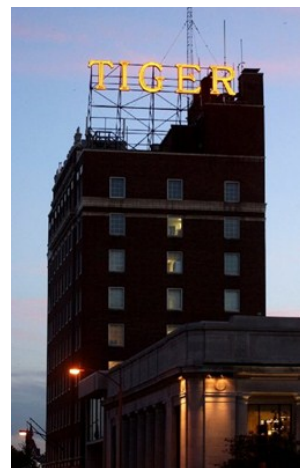
Economic impacts are therefore based on four major data inputs:

- ◆ *Capital expenditures*, such as the construction of facilities and spaces;
- ◆ *Payroll spending* for those who work in and for the facilities;
- ◆ *Other operational spending of activities in the facilities*;

- ◆ *Visitor spending—such as tourists.*

Multiplier effects are demonstrated in three primary ways:

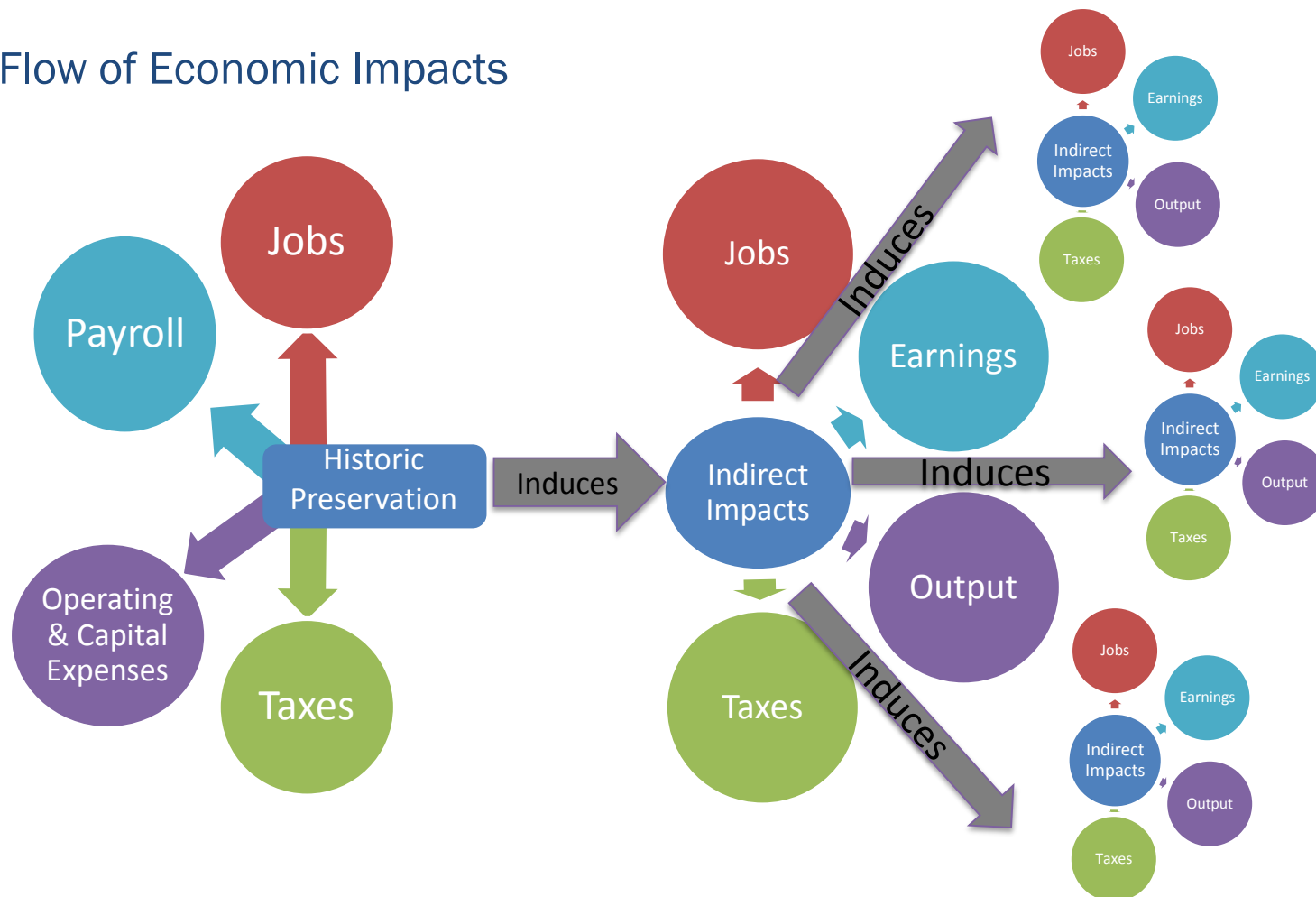
- ◆ **Output** is a measure of the impact on a specific geographic area’s (in this case, the city of Columbia) overall economic activity generated from the spending and re-spending triggered by business and household spending. The output dollars summarize *total new or added economic activity at all points of the production process* rather than just the effects on GDP (which is a measure of value to the ultimate purchaser). Output is a more robust and larger indicator of economic activity than GDP.
- ◆ **Earnings** is a measure of how much of the total output is attributable to new income generated for households living in the targeted geographic area, which is, in this case, the city of Columbia.
- ◆ **Jobs** are supported in the target geography by direct expenditures in the city (through construction and operations), as well as those supported more broadly by visitor spending.



The following diagram illustrates how economic impacts work. Projects have direct impacts—in this case from construction, facilities operation, and overnight visitor spending—which translate into jobs, wages, businesses and overhead, and taxes. This spending has “multiplier effects”; as more jobs are created, more people spend money at restaurants, retail centers, etc., which begets more jobs. These in turn beget more jobs, leading to substantial indirect economic impacts.

Each round of spending, however, diminishes in size because some spending takes place outside of the subject jurisdiction. This “leakage” means fewer dollars for the next round of multiplier effects. Eventually, there are no dollars left from the original spending, thus defining a finite and measureable multiplier coefficient.

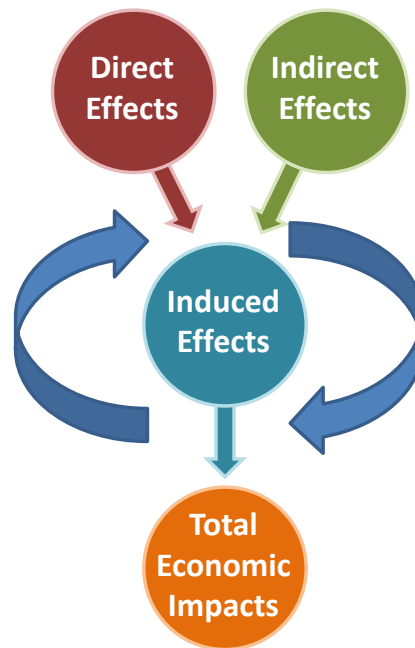
## Flow of Economic Impacts





RIMS II multipliers are available at the national, state and, county level. While Columbia represents a large portion of the economy of Boone County, multipliers are not available for the city. Because of this, multipliers for the city are derived from analyzing the relative size of the economy of Columbia compared to Boone County and adjusting the county multipliers by this size ratio.

In order to quantify the relative size of the Columbia economy to the Boone County economy, comparisons were made to the general population along with the size and number of businesses within Boone County and within Columbia. The rationale behind these comparisons is that these factors should indicate the relative size and strength of a given economy. In

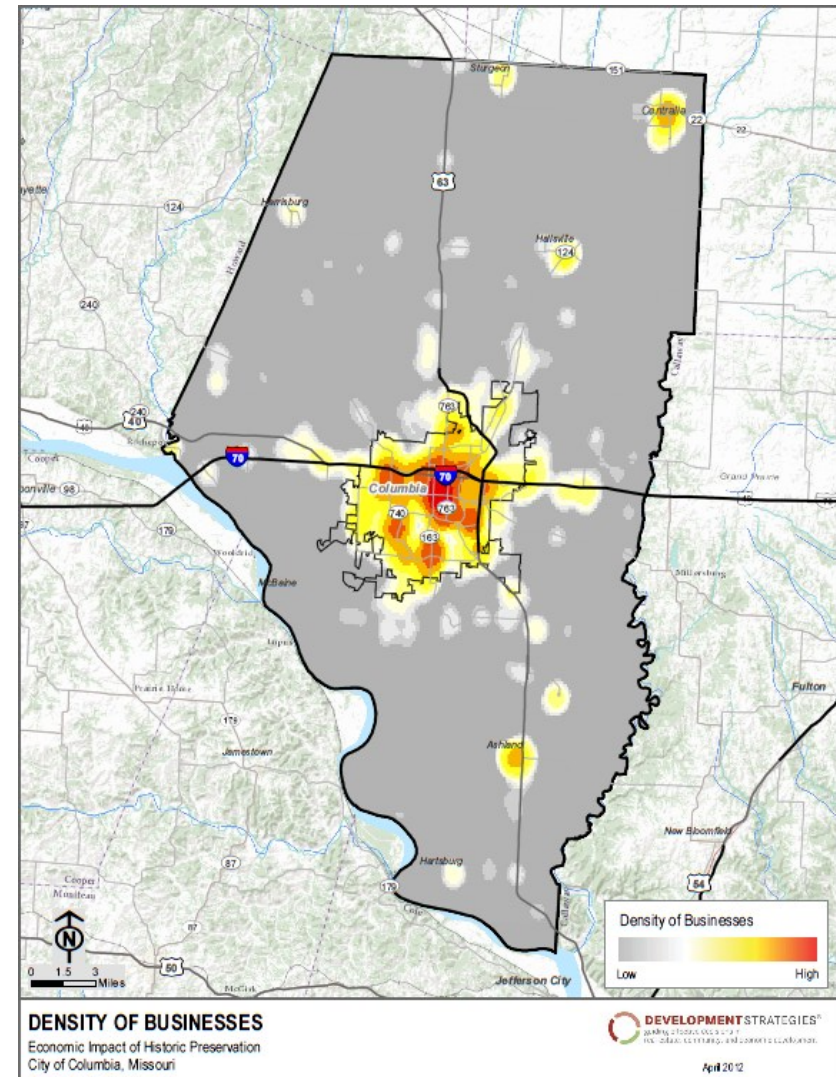


#### Type II Multipliers

Industry	BOONE COUNTY			CITY OF COLUMBIA		
	Output	Earnings	Employment	Output	Earnings	Employment
Construction	1.64	0.44	11.90	1.27	0.34	9.24
Architectural and engineering	1.68	0.54	11.62	1.30	0.42	9.02

total, Boone County has almost 6,000 businesses; roughly 4,650 these businesses are in Columbia. Population totals further support these estimates. Using this ratio, the Columbia economy makes up roughly 78 percent of

the Boone County economy. This percentage is then applied to the Boone County multipliers to derive a city-level set of multipliers.



## Case Study—Missouri Economic Impact Study

The Center for Urban Policy Research at Rutgers University released a report in December 2001 which described the economic impacts of historic preservation on the state of Missouri. This study closely reflects the categories and methodologies of research in this study with the intention of applying them to Columbia.

Missouri has been an influential state in the preservation of historic buildings and districts. Through the implementation of historic tax credits, grants, and other legislation, Missouri often serves as a model for economic growth through historic preservation. The study conducted by Rutgers University sought to conclude the total economic effects of the major components of historic preservation in Missouri through an input/output model.

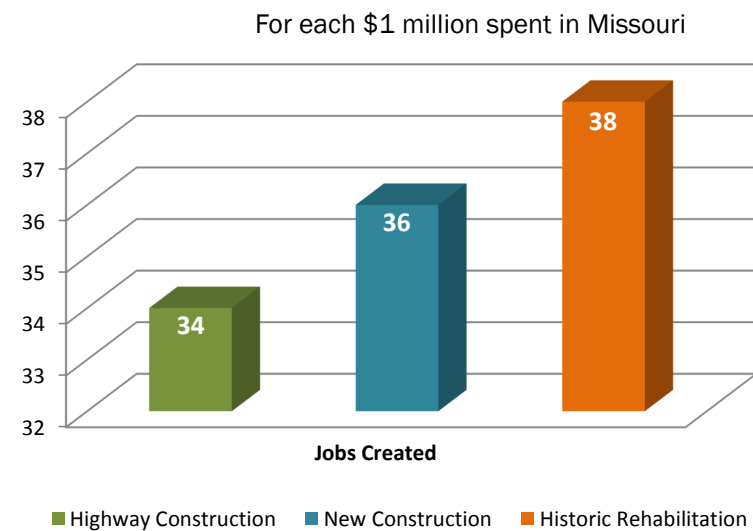
The study focused on analyzing the various components of historic preservation that impact the economy—namely physical preservation work, heritage tourism, Main Street programs, and historic preservation tax credits. This report is structured off of these main components, which are analyzed separately because of their varying inputs, outputs, and influences.

Through an estimated \$1.1 billion in direct spending effects, the state was estimated to see an increase in 28,500 jobs, \$917 million in gross domestic product, \$582 million in income, \$109 million in state tax revenue, and \$808 million in in-state wealth. These conclusions from the study show that historic preservation can have a great impact on economic conditions and can be used as a generator of jobs, income, and tax revenue.

"There are a range of estimates of what the Missouri tax credit has meant to this state, but let me give you mine. Under economic modeling systems, a 'job' means a full time equivalent job for one year...my number for jobs? 17,900 direct jobs and another 22,500 indirect for a total of over 40,000 jobs. As for household income, these projects have added \$673 million to the pockets of Missouri citizens directly and another \$700 million indirectly."

*-Donovan Rypkema, 2009*

*Historic Preservation Economics Expert, Place Economics*



A million dollars spent for historic rehabilitation will create more jobs and more state and local taxes than a million dollars spent on highway construction. (Chart by Missouri Preservation, statistics from Rutgers University and Donovan Rypkema.)

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## Historic Preservation Capital Expenditures

## Overview

Capital expenditures on historic preservation generate economic activity through spending on labor, materials, and services. As discussed earlier, this spending has ripple effects through the economy that support jobs and increased incomes and tax revenues.

The preservation of historic buildings typically requires very skilled labor, trained service professionals, and specific building materials to effectively restore a historic property or district. Because of this, economic activity generated from the physical rehabilitation of a historic property generally garners high economic impacts for a city or region. Over the past decade, Columbia has benefited from an increase in construction targeted at historic preservation and renovation.

The impact of construction on historic properties in Columbia is not directly quantifiable because of differing reporting standards across institutions, municipalities, and the private sector. For the purpose of this study, capital expenditures were divided into several categories before utilizing an I/O multiplier model and analyzed further. These categories include:

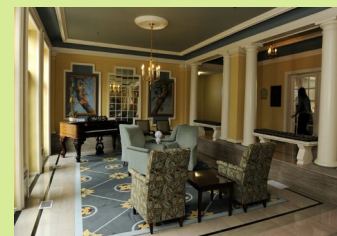
- ◆ Local universities—University of Missouri, Columbia College, Stephens College
- ◆ Municipalities—Boone County and the city of Columbia
- ◆ State historic tax credit projects
- ◆ Private investment

Data was derived from multiple sources, adjusted, and normalized to apply to the multipliers. This data is further explained on the following pages.

## Historic Preservation Spotlight

Missouri Hall was built on Columbia College's campus in 1920 and, despite its historic designation, is the first LEED silver-certified building in Columbia.

Columbia College was awarded Leadership in Energy and Environmental Design (LEED) silver certification by the U.S. Green Building Council for the renovation of Missouri Hall in 2009. The original 38,000 square foot building was completed in 1920. The \$3.9 million project, was the first in Columbia to receive this level of recognition.



The renovation incorporates modern operational efficiencies and aesthetics without compromising its irreplaceable historic detailing. The hall captures natural daylight, has improved indoor air quality and a controllable thermal level that has created a healthier work environment.



## Historic Tax Credits

Columbia has benefited greatly from the state and federal historic tax credit program over the past decade. Since 2002, nearly \$90 million has been spent because of the historic tax credit program to preserve and rehabilitate historic buildings in Columbia. These expenditures, while creating additional impacts on the local and regional economy, also provide direct jobs, income, and output for the city.

The data required to produce an input/output economic impact model centered on historic preservation capital expenditures involves understanding how tax credits are used throughout the preservation process. While only one piece of the total amount spent on preservation, historic tax credits are an important element because of the following:

- ◆ Data on expenses and tax credit amounts is standardized and accurate.
- ◆ Expense information can be categorized based on how money was spent on each project and segmented into various categories—for example, hard costs and soft costs.
- ◆ Projects are well documented by year, amount of credits awarded, and by total project expenses.
- ◆ The size and number of projects awarded tax credits generally follows market conditions over time. Better economic conditions result in more historic tax credit investment. One is able to understand the relative strength of a development cycle from analyzing changes in tax credit development in a market.
- ◆ Developers in Columbia have developed a sophistication with the historic preservation tax credit development process, providing rich data for further analysis.

### Historic Preservation Spotlight

The Virginia Building was built in 1911 and quickly became a central fixture of Columbia's downtown district. In 1965, the building underwent drastic modernization efforts. The updating was common in the late 1960's when many property owners attempted to solve the "downtown problem" by renovating their older buildings to look streamlined and modern. That project included greatly reducing the size of the storefront windows, replacing the large second floor windows with narrow concrete encased window units, and wrapping three exterior walls with ribbed metal siding. Inside, ceilings were dropped to almost half of their original height, and the storefront shop layout was changed to create small spaces with little natural light.

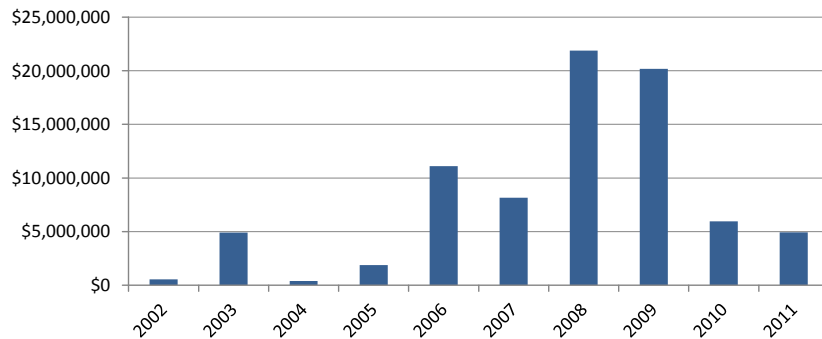


Virginia Building

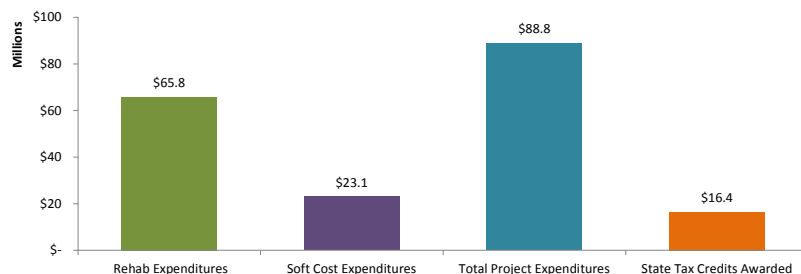
In 2002, new owners undertook a substantial renovation of this building, removing the fading metal siding, adding new windows and restoring architectural details. The building now represents one of the earliest successful rehabilitation projects in Columbia that utilized historic tax credits. *National Register*

Historic tax credit projects in Columbia have been very successful in the past decade and have become better understood as an economic improvement tool (first project awarded tax credits in 2002). The graphs below show the breakdown of investments in projects that were awarded historic tax credits at the state level. Over the past decade, 26 projects have been awarded credits—with almost \$90 million spent on historic preservation. At the state level, \$16.4 million was spent on tax credits, which triggered an additional \$72.4 million (\$88.8 million in inflation adjusted dollars) in private investment. As seen later in this section, these expenses have strong impacts on the local and regional economy. Thus, every \$1.00 in tax credits leverage an additional \$4.40 in private investment

State Historic Tax Credit Investment in Columbia by Year  
Source: Dept. of Natural Resources, 2012



State Historic Tax Credit Investment in Columbia by Expenditure Type  
2002-2012

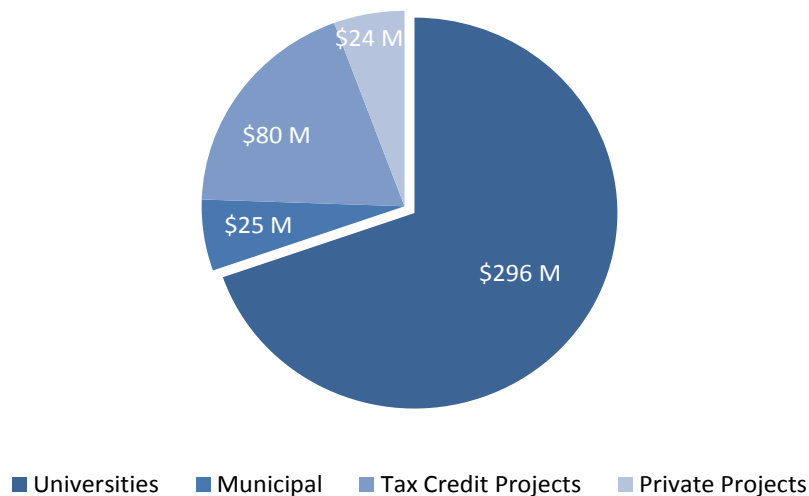


The map above shows the locations scaled by investment totals for projects receiving historic tax credits in Columbia over the past decade. A majority of the projects and expenses are located in the downtown area.

While historic tax credit projects provide a rich data source for the input/output model, they are not the only sources of spending for historic preservation in Columbia. Below is a look at the breakdown of spending between historic tax credit projects, local universities, city projects, and private projects. Universities in Columbia, primarily the University of Missouri, make up a majority of the spending on historic preservation in the city. These institutions attribute to a large portion of spending because of their size, large historic building stock, and demand for space—with almost \$300 million spent in the last decade. Once inflation is considered, these universities have spent an estimated \$340 million renovating and rehabilitating historic buildings and districts since 2002 (in 2012 dollars). By comparison, municipalities and private developers are estimated to have spent ten percent of that amount.

### Expenditures on Historic Preservation

2002-2012



Historic tax credit projects, with detailed records and data sets, comprise the next largest category for historic preservation expenditures at close to \$90 million. Private development and municipal expenses are estimated at close to \$25 million each. After adjusting for inflation across all categories, total development expenditures totaled \$475 million in 2012 dollars.

### List of Projects Receiving State Historic Tax Credits

2002-2012

Project Name	Property Address	Tax Credit Issue Date
716 West Broadway	716 W Broadway	8/7/2002
Virginia Building/Strollway Center	111 S 9th St	3/4/2003
Guitar House/Confederate Hill	2815 Oakland Gravel Road	3/31/2004
Miller Building, C.P. #1	800-802 E. Broadway, C.P. #1	1/12/2005
Matthews Building	804 E. Broadway	8/3/2005
Kress Wholesale Co. Bldg.	1025 E. Broadway	3/10/2006
Ballenger Building	27 S.Ninth Street	5/30/2006
Tiger Hotel	23 S. Eighth Street	9/11/2006
Central Dairy Warehouse & Commercial Block	1104 E. Broadway	12/29/2006
Miller Building, C.P. #2	800-802 E. Broadway, C.P. #2	6/26/2007
Hamilton-Brown Shoe Factory	1123 Wilkes Blvd. CP #1	9/6/2007
Envira Building	1011-1019 E. Broadway	10/30/2007
Wood Hall-Stephens College	5 S. College Avenue	6/10/2008
Columbia Hall-Stephens College	14 Waugh Street	9/23/2008
Hamilton-Brown Shoe Factory C.P. #2	1123 Wilkes Blvd. CP#2	11/7/2008
Dorsey Block	906-914 E. Broadway	12/30/2008
Renie Hardware	16 N. Eighth Street	3/17/2009
Central Dairy Building	1106 E. Broadway	4/24/2009
Coca Cola Bottling Company Building	10 Hitt Street	7/7/2009
Lindsey Jewelry Building	918 E. Broadway	8/6/2009
Diggs Building/Wright Brothers Mule Barn	1107 Hinkson Avenue	9/25/2009
Missouri Theatre	203 S. Ninth Street	10/19/2009
Poole and Creber Market Company Warehouse	1023 E. Walnut Street	3/29/2010
Berry Wholesale Grocery Company	1025-33 E. Walnut Street	12/1/2010
Haden Building	901 E. Broadway	7/7/2011
McGlasson Distributing Building	1020 E. Walnut Street	7/15/2011



Multipliers are selected from industry categories that relate specifically to construction and historic preservation. For instance, the historic preservation of a building would likely have a direct economic impact on construction, architecture and planning, financial services, and legal disciplines. These multipliers are then weighted based on assumed total construction budget percentages.

The tables below show local multipliers specifically related to the construction industry used for Boone County and the city of Columbia:

Once multipliers are established at the city level, expenditures are divided into specific industries and disciplines that are involved in historic preservation. After researching historic preservation capital expenditure budgets and pro formas, the table below was created to allocate costs across the selected industries and disciplines.

The selected multipliers are now aligned with capital expenditures for historic preservation in Columbia. The next step is to apply documented expense data to the multiplier model.

Multipliers from Regional Input-Output Multiplier System (Table 1.5)  
U.S. Dept. of Commerce, Bureau of Economic Analysis

Percentage of Total Cost	Industry and NAICS Code	BOONE COUNTY			CITY OF COLUMBIA		
		Output (dollars)	Earnings (dollars)	Employment (number of jobs)	Output (dollars)	Earnings (dollars)	Employment (number of jobs)
74%	Construction	1.64	0.44	11.90	1.27	0.34	9.24
3%	Architectural, engineering, and related services	1.68	0.54	11.62	1.30	0.42	9.02
1%	Legal services	1.78	0.75	13.10	1.38	0.58	10.17
8%	Real estate	1.35	0.22	18.05	1.05	0.17	14.01
5%	Office administrative	1.76	0.64	15.57	1.36	0.50	12.09
3%	Management of companies and enterprises	1.67	0.57	9.48	1.30	0.44	7.36
1%	Insurance, brokerages, and related activities	1.67	0.48	12.02	1.29	0.37	9.32
5%	Securities, investments, and related activities	1.77	0.67	19.85	1.37	0.52	15.41

## Historic Preservation Spotlight

The Hamilton-Brown Shoe Company building, at 1115 Wilkes Boulevard, was built in 1907. It served as a Hamilton-Brown shoe factory from then until 1939. The factory was the first facility that Hamilton-Brown, which was at the time the largest shoe manufacturing company in the world, operated outside of St. Louis. The factory building today provides an intact, highly significant link with Columbia's early industrial history. The building, utilizing historic tax credits, was converted into offices and lofts in 2007.



The tables to the right summarize investments made for historic preservation construction in Columbia over the last decade. The top table focuses only on those projects using historic tax credits. The bottom table includes all city-wide investments in historic structures; which include those made by historic tax credit projects as well as universities, private developers, and municipalities.

The multipliers for these models are created by blending percentages spent on hard costs and soft costs. Through analyzing construction pro formas of similar historic preservation projects in Missouri, it is concluded that roughly 75 percent of expenses are allocated to hard costs. Because of this, the construction multiplier receives the most weight. The soft costs are then a blend of services that are necessary for historic preservation construction; such as architectural, financial, legal, and administrative services.

After adjusting all construction expenditures to 2012 dollars, the \$88.8 million that has been reinvested in historic tax credit properties in Columbia since 2002 helped support an estimated 947 jobs. These are jobs that include construction and related jobs initially supported by the direct spending (112) plus multiplier effects (835). Those jobs are estimated to have totaled in the range of 500-600. Additionally, \$73 million in total earnings and \$201 million in total output are supported by construction spending on historic tax credit projects over the past decade.

Total city-wide spending on historic preservation was done as a separate analysis because of the magnitude of spending done at the university level—particularly the University of Missouri. Historic preservation is in line

CUMULATIVE ECONOMIC IMPACT OF HISTORIC TAX CREDIT INVESTMENT			
CITY OF COLUMBIA	(1) Hard Costs	(2) Soft Costs	(3) Total
Direct Spending	\$65,730,000	\$23,111,000	\$88,841,000
MULTIPLIERS			
Output	1.27	1.25	1.27
Earnings	0.34	0.38	0.35
Employment	9.24	12.22	10.01
ADDED ECONOMIC IMPACT ON COLUMBIA			
Output	\$83,803,000	\$28,913,000	\$112,716,000
Earnings	\$22,331,000	\$8,875,000	\$31,206,000
Indirect Jobs Held by Columbia Residents	570	265	835
TOTAL ECONOMIC IMPACT ON COLUMBIA			
Output	\$201,557,000		
Hard Cost Earnings	\$32,865,000		
Soft Cost Earnings	\$9,244,400		
Total Earnings	\$73,315,400		
Direct Jobs in Columbia	112		
Total Direct and Indirect Jobs in Columbia	947		

CUMULATIVE ECONOMIC IMPACT OF CITY-WIDE INVESTMENT			
CITY OF COLUMBIA	(1) Hard Costs	(2) Soft Costs	(3) Total
Direct Spending	\$350,808,000	\$123,348,000	\$474,156,000
MULTIPLIERS			
Output	1.27	1.25	1.27
Earnings	0.34	0.38	0.35
Employment	9.24	12.23	10.01
ADDED ECONOMIC IMPACT ON COLUMBIA			
Output	\$447,269,000	\$154,315,000	\$601,584,000
Earnings	\$119,181,000	\$47,366,000	\$166,547,000
Indirect Jobs Held by Columbia Residents	3,042	1,416	4,458
TOTAL ECONOMIC IMPACT ON COLUMBIA			
Output	\$1,075,740,000		
Hard Cost Earnings	\$175,404,000		
Soft Cost Earnings	\$49,339,200		
Total Earnings	\$391,290,200		
Direct Jobs in Columbia	598		
Total Direct and Indirect Jobs in Columbia	5,056		

\*Figures adjusted to 2012 dollars

with university operations because of available building stock, an emphasis on campus branding through historic buildings, and campus planning initiatives—so historic preservation generally receives greater reinvestment on campus than in the private sector and amongst municipalities. For example, the University of Missouri estimates its annual historic preservation spending to total \$28 million. This is three times the amount private developers spent in an average year for historic tax credit projects in Columbia over the last decade.

Because of the large investments made at the university level and from private developers utilizing historic tax credit incentives in the last ten years, Columbia has seen a considerable impact in its economy from historic preservation. Including university expenditures, historic preservation has supported over 5,000 direct and indirect jobs, \$391 million in total earnings, and over \$1 billion in total output.

On a yearly basis, assuming the average expenditures are constant, 500 jobs are supported by historic preservation construction in Columbia, almost \$40 million in total earning is generated, and \$100 million in output is created. While much of these totals are kept within the Columbia economy, ripple effects of this spending impact other parts of the county, region, and state. In fact, as some construction materials and labor are brought in from outside Missouri, economic impacts occur on a national level as well.

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## Heritage Tourism

## Heritage Tourism in Columbia

As an industry, tourism is one of Missouri's top three revenue producers and is one of the fastest growing elements of the state's economy. Counting only the spending attributable to the heritage portion of their travels, expenditures of Missouri heritage travelers amount to \$660 million annually. This \$660 million translates into annual economic benefits to the state equaling 20,077 jobs, \$325 million in income, \$574 million in gross state product, \$79 million in state and local taxes and annual in-state wealth creation of \$506 million.

Columbia, having been founded in 1821, has a rich history and culture similar to the state that is celebrated through various heritage festivals, museums, and cultural events. These events and institutions impact the local, regional, and state economy through added expenditures on payroll, operations, and visitor spending. As with historic preservation capital expenditures (noted in the section above), spending on heritage tourism has ripple effects that spread throughout the City's economy.

For the basis of this analysis, a collection of institutions and events specifically connected to heritage tourism were chosen and studied.

These events and cultural institutions include:

- ◆ The Columbia Heritage Festival
- ◆ The State Historical Society of Missouri
- ◆ The Walters-Boone County Historical Society
- ◆ The Maplewood Home Museum

The events and institutions noted above are selected because of their focus on local heritage and culture and their attraction for visitors from outside

Columbia. Outsiders bring “new money” to Columbia, an important component in stimulating multiplier effects and economic growth. Historic preservation is central to each event and institution.

Data was collected from each event and institution to understand annual expenditures on operations, payroll, and revenues. Additional data was collected from surveys, research, and interviews with the Columbia Convention and Visitors Bureau and the city of Columbia.



*Events like the Heritage Festival help preserve Columbia's culture and history while bringing in visitors to the city—which stimulates economic growth.*



According to research done by the Columbia Convention and Visitors Bureau, Columbia visitors spend an average of \$390 per party which includes \$139 for lodging, \$62 for entertainment, \$106 for meals and \$83 on other types of expenditures. Travel spending per person is estimated at \$149, suggesting that the average party has 2.6 members. Most visitors indicated that dining (20 percent), shopping (17 percent), and sporting events (16 percent) were among the most significant functional drivers that motivated them to visit the city. More than three quarters of Columbia visitors are adults/adult couples (76 percent) with the other quarter indicating they visit as a family with children.

The data above helps to track how money is spent by visitors to Columbia on events and, in this case, is applied to the heritage and cultural tourism analysis. The multipliers selected for analyzing the economic impact of heritage tourism on Columbia include:

- ◆ Museums, historical sites, zoos, and parks
- ◆ Civic, social, professional, and similar organizations
- ◆ Construction
- ◆ Households
- ◆ Hotels and motels
- ◆ Retail trade
- ◆ Food service and drinking places

## Historic Preservation Spotlight

The Heritage Festival and Craft Show occurs every September in Columbia. The festival, an important heritage and cultural event in Columbia, focuses on the region's history, traditions, and crafts.

The festival is described in detail by the Columbia Convention and Visitors Bureau:

*"Visitors will be taken back to the traditions of the past. Listen, learn, and see history as it comes alive. See artisans and tradesmen dressed in 19th century attire demonstrating their trades and selling their wares. A large contemporary handmade craft area will also be featured.*

*Enjoy entertainment on two stages including music, dancing and storytelling. Saturday Evening Ghost Stories are sponsored by the Mid-Missouri Organization Storytellers. Tour the Historic Maplewood Home and the Walter's Boone County Historical Museum. Great food and a beautiful park setting will make the Heritage Festival a family tradition!"*

Through data provided by the Columbia Convention and Visitors Bureau, an estimated 15,000 people visit the festival each year. Total expenses incurred to plan and operate the event equal \$40,700. With an estimated \$2.3 million generated in visitor spending (\$671,000 from out of town visitors), the event has a considerable economic impact on the city of Columbia and is a selling point for the region. With many volunteers on hand, the event also has low payroll expenditures than many other events. This further enhances the impact of outside money spent in Columbia.



Annual operating expenditures total \$763,000—excluding employee compensation—for the four events and institutions. Among them, the State Historical Society of Missouri makes up roughly three-fourths of the total expenditures. With relatively low operating expenditures, it is estimated that these events and institutions attract 18,500 visitors to Columbia each year. Based on survey research, roughly 2,600 of these visitors are from out of town. These visitors are particularly important because the money they spend in Columbia is directly captured through hotel stays, food, entertainment, and shopping.

Across the four events and institutions, roughly \$2.8 million in direct spending is attributed to heritage tourism in Columbia each year. Total output, with the largest impact coming from indirect operating expenditures, is estimated at \$8.9 million. Similarly, multipliers for total indirect earnings attribute the largest portion to the estimated \$3.3 million in total earnings generated. Finally, 120 total jobs are created both directly and indirectly because of these events and institutions.

AVERAGE ANNUAL ECONOMIC IMPACT OF CULTURAL HERITAGE ON COLUMBIA				
	(1) Operating Expenditures	(2) Employee Compensation	(3) Visitor Spending	(4) Total
Direct Spending	\$763,000	\$1,271,000	\$743,000	\$2,777,000
Multipliers				
Output	4.90	0.93	1.62	2.21
Earnings	1.82	0.24	0.46	0.73
Employment	69.82	8.38	14.34	26.86
ADDED ECONOMIC IMPACT ON COLUMBIA				
Output	\$3,736,000	\$1,187,000	\$1,206,000	\$6,129,000
Earnings	\$1,388,000	\$304,000	\$341,000	\$2,033,000
Indirect Jobs Held by Columbia Residents	50	10	10	70
TOTAL ECONOMIC IMPACT ON COLUMBIA				
Output				\$8,906,000
Earnings				\$3,304,000
Direct Jobs				50
Total Direct and Indirect Jobs in Columbia				120
Multiplier Definitions:				
Output:	Total dollar change in the Columbia economy due to expenditures by cultural heritage establishments.			
Earnings:	Total dollar change in earnings of households in Columbia due to expenditures by cultural heritage establishments.			
Employment:	Total change in the number of jobs held by Columbia residents per \$1,000,000 of added output.			



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## Downtown District

## Downtown Columbia

The downtown district has a large portion of the historic buildings in Columbia. Because of the efforts to preserve and maintain historic qualities in the downtown district, the city has benefitted economically. This section focuses on understanding the economic impacts of preserving the historic qualities of Columbia's downtown.

Downtown Columbia is a vital part of the city and of the region because it serves as a hub for many businesses, institutions, and the three universities. As noted in the previous sections, historic preservation efforts over the past decade have transformed the city and have created more opportunities for economic growth and prosperity.



Downtown Columbia's vibrancy is tied to the efforts put forward by the city of Columbia and private developers to preserve existing structures

while promoting responsible new construction and streetscape improvements. The efforts seen in historic preservation have worked in concert with other initiatives to improve the downtown area and create economic growth for the city and region. With these initiatives working in conjunction with historic preservation efforts, the city has promoted smart, vibrant development in downtown.

Examples of planning initiatives and incentives that work together with historic preservation efforts include:

- ◆ The sidewalk repair matching funds program

*The City of Columbia covers 50 percent of the costs of sidewalk repair.*

- ◆ Community Improvement District ("The District")

*A Community Improvement District is similar to a Special Business District but has the ability to pull in additional assessments, such as sales tax. This added revenue (along with added powers) allows the District to better meet the needs of their members. Downtown CIDs throughout the state typically use their additional revenues for increased maintenance, safety patrols, marketing and other pressing needs. This increase in services directly benefits developers and the new businesses they attract.*

- ◆ Tax Increment Financing

*Tax Increment Financing can occur on both the local and the state level. TIF leverages future taxes (either income, sales or property taxes) that a development project will create in order to help fund the project. Essentially, the locality or state agree to forgo some of their "new" or incremental tax payments caused by a new economic activity for a pre-determined amount of time in order to support the creation of that new economic activity. The City has established a TIF ordinance and the TIF Commission is currently accepting TIF applications.*

Other planning efforts initiated by the city include:

◆ Canopy Removal & Facade Repairs

*With an initial investment by the city, the removal of the canopy along Broadway has motivated many downtown property owners to invest in facade improvements, repairs, and beautification efforts. Property owners are currently in the process of planning a complete or partial removal of the Broadway canopies. A number of owners are planning significant renovations.*

◆ 8th Street Historic Avenue of the Columns

*Currently, major efforts are underway to revitalize and energize this historic area of Columbia. Members of the Eighth Street Beautification Committee completed the first step of the Eighth Street master plan in 1997 with the dedication of Courthouse Square. Reformed several years later as the Historic Avenue of the Columns Committee, this group of property owners, government representatives and other interested parties reviewed different proposals for the Avenue. The chosen master plan for Eighth Street includes both short and long term projects such as new multi-use developments, attracting new residents and new retailers, adding more trees and benches, and creating an atmosphere emphasizing arts and culture. Commemorating the historic aspect of Eighth Street, the Historic Avenue of the Columns will still emphasize this relationship between the university and the city, and will become a classic*

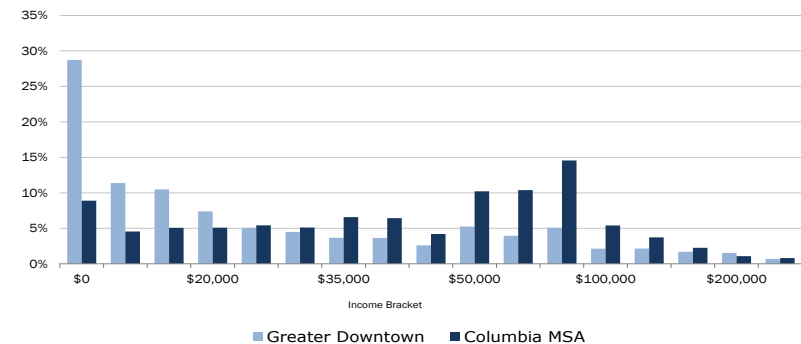


## Downtown Demographic Analysis

As the charts below demonstrate, Columbia's greater downtown population has limited income. This is mainly due to the presence of three universities in the downtown area with large student populations. Despite this, purchasing power among this age cohort is generally considered to be strong. As income data shows considerable growth in Columbia in the last decade and projected over the new few years, the downtown area could see an influx of income growth if development keeps pace.

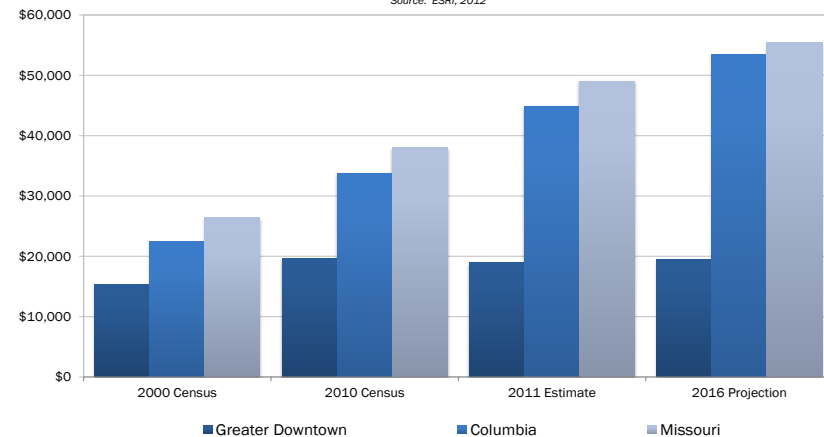
Income Distribution Comparison

Source: ESRI, 2011



Median Household Income Comparison

Source: ESRI, 2012



## Historic Preservation Spotlight

The Downtown Community Improvement District (CID) is an independent organization dedicated to keeping Columbia's downtown—*The District*—vital. Carrie Gartner, director of The District, has seen Columbia's decade-long transformation first hand. In an article written in August 2011, Ms. Gartner describes her perspective on historic preservation in Columbia.

### The Changing Face of Historic Renovation

When I first started as director of a downtown organization over a decade ago, my predecessor gave me one piece of advice: stay away from historic preservation. Apparently, she had once tried to establish a historic district but had been shot down by the board fairly handily.

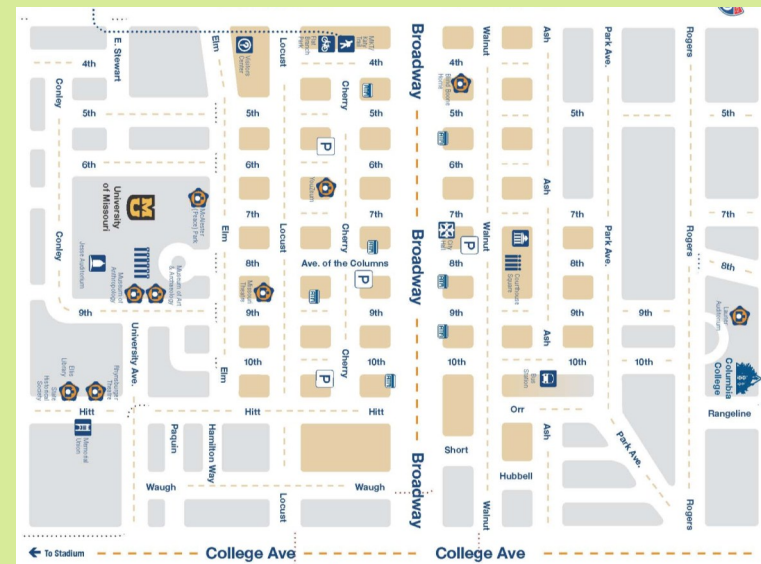
It only took 2 years for everything to change. Since 2002, our city has seen 24 historic tax credit projects that created 392 jobs, 180 housing units and generated over \$75 million for the local economy. On top of that, we've seen some adaptive reuse projects that have given new uses to aging properties—a roofing company into art studios, a laundry facility into a coffee shop and ballet, and a grocery warehouse into loft apartments.

Why the turnaround?

I think part of the problem was a lack of understanding about historic preservation--what it entailed, what it required, and what it could do for the community. I quickly realized that most people thought that a National Historic Register Listing meant that the federal government automatically placed restrictions on a building, limiting the types of changes you could make to it and even prohibiting you from tearing it down. The reality is very different. Listing on the National Historic Register does not mean that you have to do anything to your building. You can even, heaven forbid, tear the thing down. Once we explained that federal and state renovation guidelines only applied if you were using a government incentive in the form of state and federal tax credits, property owners became much more comfortable listing their building on the Historic Register. In fact, once they realized they could use government tax credits to help fund their projects, many saw no problem meeting federal guidelines for their buildings.

Education is certainly important but the real reason for the turnaround, I think, was the work of one father/son team who took on the first Historic Preservation Tax Credit project in our downtown. The building spanned half a block and had been covered with metal siding back in the era where people were trying to solve their "downtown problem" by embracing a poor version of modernity. In fact, the upper cornices had been offhandedly chipped away in order to install the siding. To make matters worse, they covered all the windows as well. When the first section of siding was removed and the historic brick underneath was finally exposed, I think half of downtown stood out on the sidewalk marveling. The final result was the restoration of a beautiful historic building and the reclaiming of a section of Ninth Street that had been lost when the siding went up.

Now, nearly a decade later, historic preservation is a given in our community. It's added some traditional beauty to our cityscape, helped our local economy, opened up some underused sections of our downtown, added more retail and restaurant options, and even lead the way for other types of development incentives, such as TIF. When it comes to successful government initiatives, I don't think you can ask for much more.



## Downtown Economic Impact

Measuring the economic impact of historic preservation on a downtown district quickly becomes complex because of the influence of various outside factors, such as city planning efforts, beautification improvements, infrastructure work, new construction, retail mixes, and population trends—all of which have influences outside of historic preservation efforts.

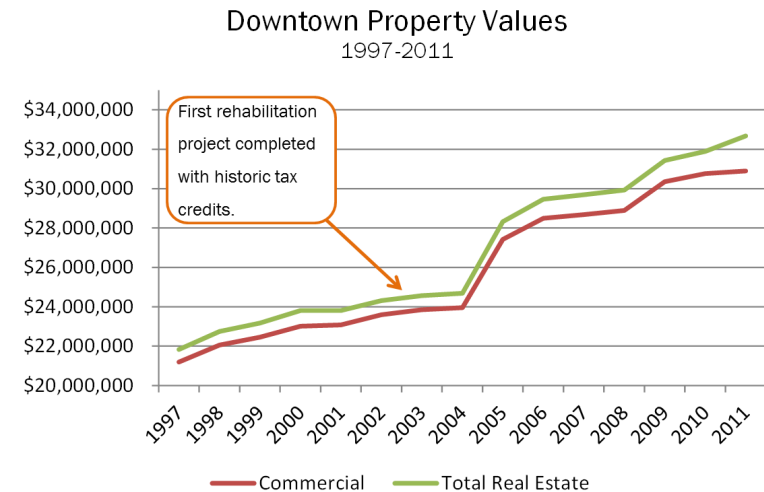
Research suggests that historic properties can achieve premium building values, rents, and lease rates. One study showed property premiums of between five and eighteen percent for historically-designated properties in major cities in Texas. While the study suggests that historic properties are given a premium in the market, the range of value appreciation is difficult to quantify because of many external influences.

The methodology behind analyzing historic preservation's impact on downtown Columbia was adjusted from the previous sections of this study because of the lack of data available to truly isolate the effects of historic preservation on an entire district. Given past research findings on the subject, it was believed early on that historic preservation creates a noticeable impact on the downtown economy.

Initial research, with data provided by The District, shows an improvement in aggregated downtown property values roughly around the same time major historic preservation efforts were taking off (2002 through 2004). Values for downtown properties was tracked by The District from 1997 through 2011. Based on this initial data, a hypothesis was formed that historic preservation can be linked to improved property values,

which in-turn should provide increased tax revenues to the city and added economic benefit to Columbia.

The chart below shows the increase in property values since 1997.



## Data Analysis

The previous sections utilize input/output multipliers models to analyze the economic impacts of various forms of historic preservation. Because costs associated preserving the whole downtown district are not accurately separated into historic preservation and other improvement methods, a different analysis was conducted on property values and tax revenue to understand how they change over time relative to other building types.

With data made available from the Boone County Assessor's Office, property value and tax revenue data was analyzed for properties that



have been known to go through a historic preservation process in the last decade. Data was also collected on the property values and tax revenues of randomly selected properties of other types. The categories used for comparison include:

- ◆ Historic preservation properties in downtown Columbia
- ◆ Non-historic downtown Columbia properties
- ◆ Suburban Columbia properties
- ◆ Boone County properties

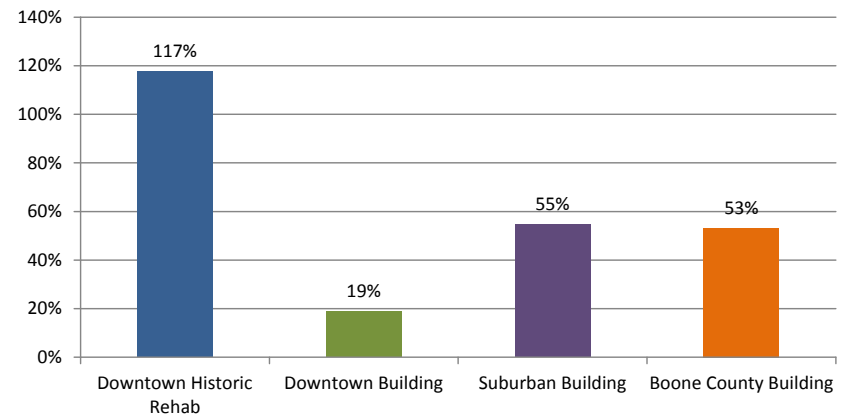
This property value data, with four independent and segregated categories, is then analyzed as property values change over time. Since historic preservation efforts first took off in 2002 with the first historic tax credit project, property value and tax revenue data was collected from 2000 though 2011 to account for potential initial changes because of historic preservation efforts.

After analyzing the data, it was found that downtown historic preservation properties had an increase in property values of 117 percent from 2001 through 2011. This is contrasted with a modest increase in non-historic downtown properties at 19 percent, suburban Columbia properties at 55 percent, and Boone County properties at 53 percent. Since considerable investments were made in the historic preservation properties, the substantial increase over the other categories is expected. Non-historic downtown buildings, however, showed less property value appreciation than suburban or county buildings. This suggests that historic preservation buildings, after renovation and restoration work, are attributed to much of the property value increases for downtown Columbia over the past decade.

### Percent Increase in Property Values

2001-2011

Source: Boone County Assessors Office



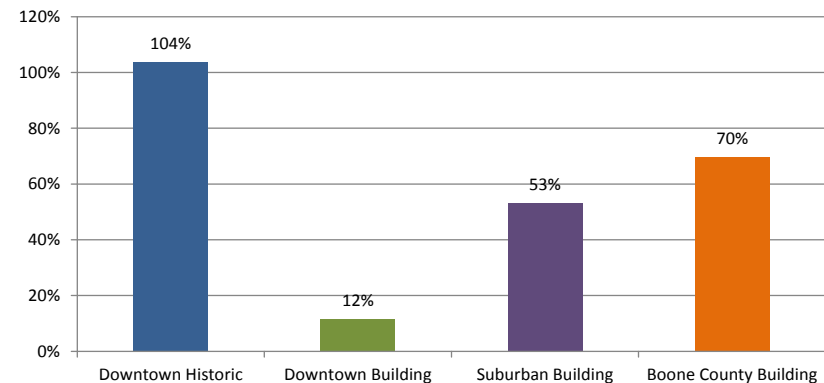
The chart above shows the range in property value increases on a percentage basis from 2001 through 2011.

Tax revenue data produced a similar chart, as historic preservation properties saw the largest increase in tax revenue. The chart below shows the percentage increase in tax revenue from 2001 through 2011 for the four categories.

### Percent Increase in Tax Revenue

2001-2011

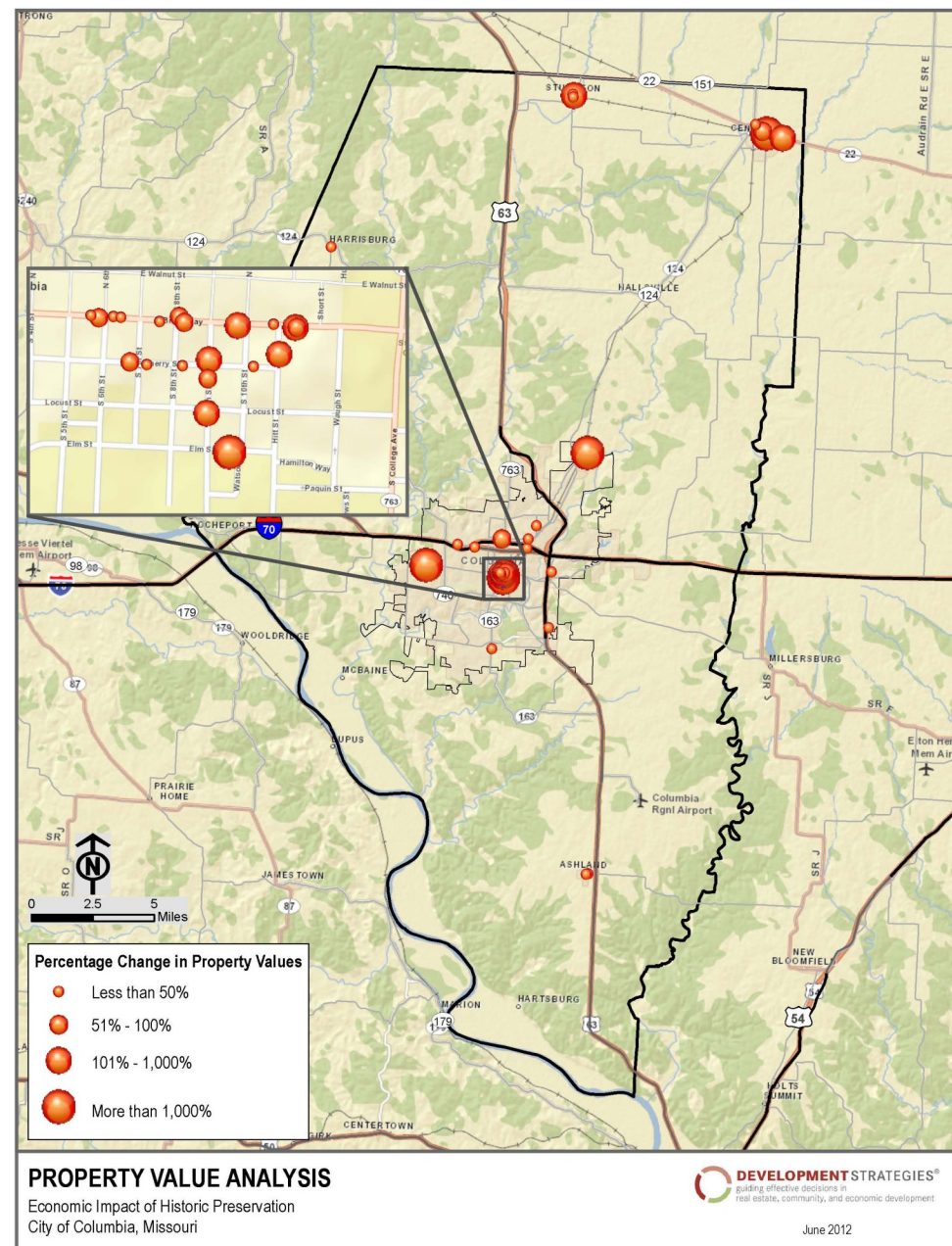
Source: Boone County Assessors Office



The map to the right shows the distribution of properties selected for analysis and the changes in property values over time. From the percentage increase tables on the previous page, historic preservation properties in downtown Columbia have the greatest total incremental increase since 2002. Similarly, tax revenues increased by the greatest amount for historic preservation properties in downtown Columbia.

The research suggests that investments in downtown Columbia, which has the greatest income concentration in the region, is best suited for historic properties because the incremental benefits are greater than other property types and regions.

While conclusions drawn from the data suggest that historic preservation in downtown lends itself to higher appreciated property values and a greater generation of tax revenue, it should be noted that a larger sample size of randomly selected properties (greater than 30 of each) would lend itself to more concrete conclusions. It is estimated, however, that the sample size used in this analysis is characteristic of overall market conditions and generally supports historic preservation as a good investment option for downtown Columbia. As more properties in downtown Columbia get preserved, a better understanding of their impact on the downtown area, property values, and tax revenues will be formed.





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## Conclusion



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