

The Economic Benefits of Historic Preservation in Colorado



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Introduction

A community's historic resources tell its story—the unique past that makes that one place different from anywhere else. From churches to bridges, hotels to archaeological sites, and neon signs to private homes, historic resources are an invaluable record of the lives of previous generations. Often made by local people from local materials, these resources can teach us much about Colorado's rich past. In addition to their historical importance, historic resources often are aesthetically significant, representing a quality of craftsmanship that is rarely achieved today.

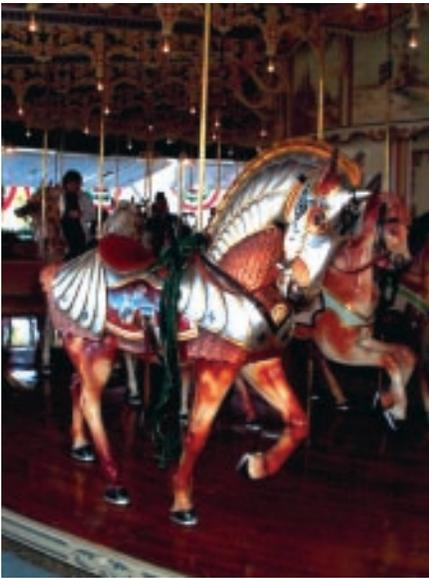
While the cultural, social, and aesthetic benefits of historic preservation are well known, the economic benefits have been less well documented and publicized. Only recently, in a handful of states such as Maryland, New Jersey, North Carolina, Texas, and Virginia, comprehensive data on the economic impacts of preservation has been collected and analyzed. Through this work, researchers have documented widespread economic activity generated by historic preservation—activity that is often triggered by modest public investments and incentives.

This growing body of scholarship is making the case for preservation as a vital and cost-effective economic development tool. In the past, some policymakers have considered preservation activities to be luxuries, undertaken only in a thriving economy—and cut when leaner times force difficult budget choices. Yet these new studies demonstrate that preservation can be a powerful economic engine. Public preservation incentives, such as Colorado's rehabilitation tax credit, can be used to leverage significant amounts of private capital, create local jobs, and stimulate economic activity.

One of the most significant aspects of historic preservation is the number of people it involves; preservation requires the work of many individuals and impacts diverse sectors of the economy. Historic preservation includes not only physical improvements to the State Capitol Building, but also the dollars spent by the many tourists who climb its steps every day. Preservation is downtown improvements in Denver's LoDo, the revitalization of a local business district in Montrose, the activities of the Yampa Land Trust in rural Routt County, sightseeing at Fort Uncompahgre, a resident repainting her Victorian home in Durango's Boulevard district, and even the local merchant who sells her the paint.



Top: Huerfano County Courthouse
Middle: Greeley Chamber of Commerce
Bottom: Northwest Denver



Top: Wyman Historic District, Denver
 Bottom: Kit Carson County Carousel, Burlington
 Courtesy Sarah Babb

Over the past twenty years, historic preservation has had a very positive impact on the Colorado economy. This report documents the economic benefits of several types of historic preservation activities in the state. We focus first on preservation as an engine for economic development, examining the rehabilitation of historic structures and heritage tourism. Second, we focus on the impacts of local historic designation, studying how preservation impacts property values, and the relationship between preservation and affordable housing. We conclude with a discussion of historic preservation in rural Colorado.

This report consolidates the results of a larger project, *The Economic Benefits of Historic Preservation in Colorado*. Sponsored by the Colorado Historical Foundation, and supported by the Colorado Historical Society and a grant from the State Historical Fund, the overall project was designed to document the many ways that historic preservation activities affect the statewide economy. This brief report summarizes the major conclusions of the overall study, while a separate, technical report contains all data collected and discusses all project methodology. A link to the online version of this document can be found at www.cohf.org.

In both documents, we are pleased to conclude what many preservationists have long understood: historic preservation has had a profound economic impact on our state and its citizens over the past decades, generating billions of dollars and creating tens of thousands of jobs throughout all of Colorado.

This project is conservative, as it focuses on only a few selected economic activities, generally those that are most easily tracked through established programs. We did not venture into less accessible, yet still economically significant, data collection areas (such as lodging taxes in historic hotels, or historic rehabilitations that have not utilized tax credits or State Historical Fund grants). Also, by focusing solely on dollars generated, we have not addressed preservation activity that cannot be easily quantified, such as the work of the thousands of dedicated volunteers across the state. The individuals who serve on local preservation boards and are involved with preservation organizations are, without a doubt, a significant factor in the success story of historic preservation in Colorado.



Huerfano County



Preservation Supports Economic Development Across Colorado

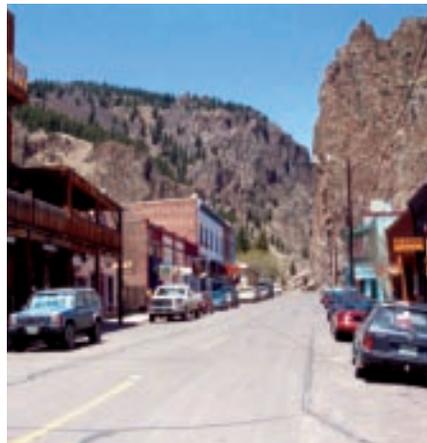
Historic Rehabilitation and Heritage Tourism

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

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

A third, and perhaps the most significant, reason is that the economic impacts of preservation extend far beyond the initial dollars spent. Any economic activity generates both a direct and an indirect impact, which add up to its overall impact. For example, when rehabilitating a historic building, the direct impact consists of the actual purchases of labor and materials used in the project. Indirect impacts occur as the effects of the direct expenditures "ripple" throughout the state and local economies (e.g., purchases by manufacturers of raw building materials or the production of construction equipment components). The direct and indirect impacts add up to an overall number that is far greater than the initial dollars spent.

There are many types of preservation activities occurring on a daily basis in Colorado that contribute to economic development across the state. Two of the more significant are the rehabilitation of historic buildings and heritage tourism.



Top: Downtown Creede, Courtesy Colorado Historical Society
Middle: 16th Street Mall, Denver
Bottom: Aly's Fireside Café, Walsenburg



Temple Events Center, Denver

A State Historical Fund Success Story

“Temple Events Center Uptown is an ongoing restoration project. It began in the mid-1980s and continues today. We have tackled bits and pieces of restoration and preservation over that time. Our rehabilitation has been a real balance between aesthetics, such as making the facility more functional and palatable to the eye, and taking care of critical work such as structural and safety issues. We have to set our priorities. For example, repairing and restoring exterior brick, mortar, and wood comes before fixing the 1911 Estey pipe organ.

The State Historical Fund has been a good supporter of ours. Grants and donations have been essential in accomplishing our two-fold mission of restoring and preserving the building and utilizing the facility to promote arts and culture.”

Roger D. Armstrong, Executive Director,
Temple Events Center

Historic Rehabilitation

Property owners in Colorado turn to three primary programs to help them rehabilitate historic buildings: grants distributed through the State Historical Fund, a federal tax credit, and a state tax credit. With minimal public cost, these programs have generated vast amounts of private capital devoted to historic preservation. In summary:

- Between 1993 and 2001, the State Historical Fund distributed over \$62.8 million in grants to 849 Colorado rehabilitation projects, with an additional \$355.2 million contributed through public and private matching funds.
- Between 1981 and 2000, 301 Colorado projects with a combined total project cost of \$461.6 million utilized the federal rehabilitation tax credit.
- Between 1991 and 2000, 385 Colorado projects with a combined total project cost of \$32.4 million utilized the state rehabilitation tax credit.

Each of these three incentive programs is discussed in detail below, followed by a summary of their cumulative direct, indirect, and overall economic impacts.

State Historical Fund

Established only a decade ago, the State Historical Fund has grown to be the largest fund of its type in the nation. It has played a significant role in the preservation of historic resources throughout Colorado, from prehistoric campsites to carousels to Carnegie libraries.

The State Historical Fund was created in 1990 as part of an amendment to the state constitution authorizing limited-stakes gambling in three communities: Black Hawk, Central City, and Cripple Creek. Twenty-eight percent of the annual state tax revenue generated by gambling is paid into the State Historical Fund, with 20 percent of that amount returned to the three towns for their use in preservation projects and the remaining 80 percent allocated to preservation projects statewide by the Fund. In 2000, the Fund received just under \$20 million from state gaming revenues.

Administered by the Colorado Historical Society, the State Historical Fund is intended for projects with a demonstrable public benefit, and only public entities and nonprofit organizations may apply. However, many private entities and businesses have received funding by

arranging for a public entity or nonprofit organization to apply for and administer a grant on their behalf. Many Fund projects are also eligible for state and federal rehabilitation tax credits that provide additional preservation incentives.

For the purposes of the State Historical Fund, “preservation” has been broadly interpreted to include physical restoration, identification, evaluation, documentation, study, and interpretation of historic resources. To this end, the Fund supports three types of projects: 1) Acquisition and Development (e.g., building purchase and rehabilitation); 2) Education (e.g., publications, videos, signage, and exhibits); and 3) Survey and Planning (e.g., master plans for historic properties and historic resource surveys). To further maximize the effect of this funding, a minimum cash match of 25 percent of the total project cost is required from all applicants.

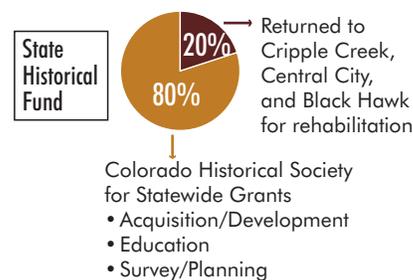
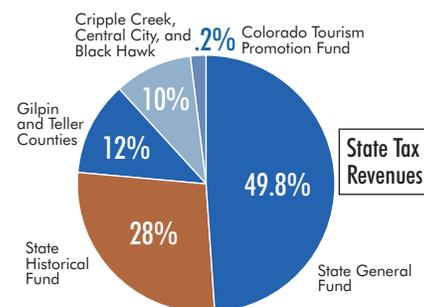
We focused our analysis on the Acquisition and Development projects because the economic impact of this type of project can be readily measured. Also, unlike the other categories, a State Historical Fund grant is often only a fraction of the total project cost for rehabilitation projects. Many rehabilitation projects include additional costs, which are greater than the grant and matching funds. To determine these additional costs, we contacted individual project administrators to obtain estimates of other funding sources. The result is an extra \$230.6 million, in addition to the \$62.8 million in grants and \$124.7 million in matching funds used for historic rehabilitation.

Each year approximately one-fourth of the total state tax revenues generated by gambling is paid into the State Historical Fund. These dollars are then redistributed for historic preservation throughout Colorado.

Distribution of Gaming Revenue



Gambling in Cripple Creek, Central City, and Black Hawk



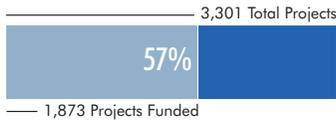
Source: Colorado Division of Gaming

Total Estimated Costs of Rehabilitation Projects Receiving State Historical Fund Grants by Year

Year	Amount Funded	Matching Funds	Other Funds	Total Estimated Project Costs
1993	\$2,593,465	\$7,241,347	\$51,057,633	\$60,892,445
1994	\$4,622,826	\$22,234,117	\$1,639,133	\$28,496,076
1995	\$7,216,220	\$19,226,337	\$32,055,504	\$58,498,061
1996	\$9,119,788	\$28,679,553	\$17,232,578	\$55,031,919
1997	\$4,258,033	\$3,297,623	\$459,793	\$8,015,449
1998	\$7,713,192	\$8,466,166	\$31,865,545	\$48,044,903
1999	\$9,405,175	\$13,768,189	\$81,345,203	\$104,518,567
2000	\$13,599,248	\$18,267,414	\$14,906,016	\$46,772,688
2001(partial)	\$4,254,133	\$3,507,320	Not Available	\$7,761,453
TOTAL	\$62,782,080	\$124,688,066	\$230,561,415	\$418,031,562

Sources: State Historical Fund, representatives of individual projects (e.g. owners, etc.)
Notes: 2001 numbers are partial. Purchase prices not included.

From 1993-2001, 57% of grant requests were funded by the State Historical Fund.



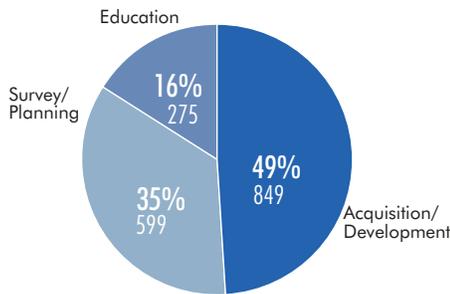
West Block, Trinidad
 Courtesy Colorado Historical Society

In other words, for each \$1 million in grants distributed by the State Historical Fund between 1993 and 2001, approximately \$6.0 million in additional funds was leveraged for historic rehabilitation.¹

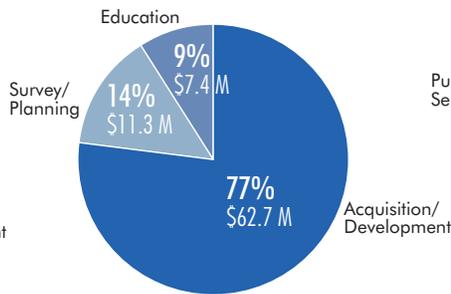
A few other key facts about the State Historical Fund's economic impacts:

- Each of Colorado's 64 counties, except for newly created Broomfield, has received some funding from the State Historical Fund, and many have experienced a significant investment of rehabilitation dollars as a result. While the majority of these projects have occurred in Denver and other urban centers (e.g., Colorado Springs, Fort Collins), the total rehabilitation costs of the top twenty counties receiving funds include several suburban (e.g., Jefferson, Arapahoe) and rural (e.g., Las Animas, Ouray, Kit Carson) counties.
- In addition to the \$62.8 million devoted to rehabilitation, there has been \$18.8 million in grants awarded in the Education and Survey/Planning categories, with an additional \$18.0 million in matching funds, totaling \$36.8 million. Dollars expended in these categories primarily represent funding to museum, governmental, and cultural organizations. The diverse projects have included, for example: assisting the City of Rocky Ford to plan and determine the costs of rehabilitating the Grand Theater; preserving a collection of historic photographs of Pueblo; and supporting a series of workshops and lectures on historic preservation, architecture, and traditional design in Routt County.

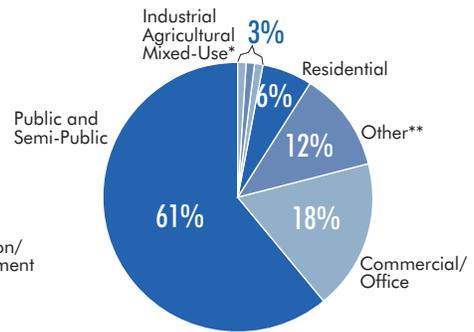
The operating costs of the State Historical Fund are minimal, since officials have strived to keep administrative costs relatively low. In fiscal



Number of Projects Funded
 State Historical Fund, 1993-2001
 (Includes partial data for 2001)



Projects Funded by Dollar Amount
 State Historical Fund, 1993-2001
 (Includes partial data for 2001)



State Historical Fund
 Rehabilitation Funding by Usage
 *Mixed-use includes commercial and residential uses
 **Other includes non-building resources (e.g. statuary)

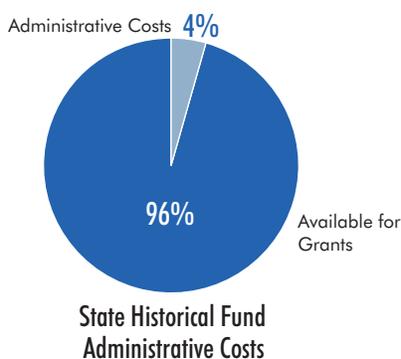
year 1999, only four percent of the statewide portion of the Fund was used to support direct administration costs. While the Fund has maintained a consistent staffing level for most of its short history, it has recently increased the size of its operating budget and staff to handle the increasing complexity and growing number of active preservation projects, many of which require several years to complete. The Fund currently employs 18 people, with an operating budget of \$1 million.

The collaborative efforts of the State Historical Fund and the grant recipients have significantly benefited Colorado's communities. The program's matching requirements have increased private-sector involvement in preservation and led to an enhanced appreciation for, and understanding of, Colorado's past. Moreover, the bottom-line economic impacts of the Fund's activities in only nine years are substantial: over \$418.0 million in direct physical improvements and \$36.8 million in preservation education and planning activities.

Summary: State Historical Fund

From 1993 to 2001:

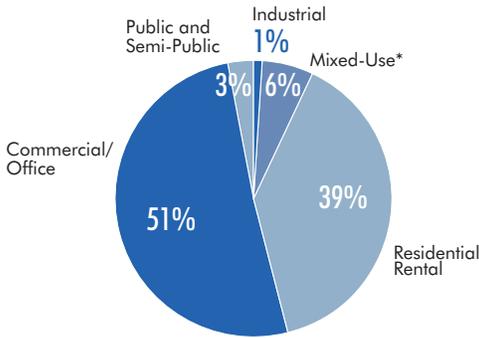
- \$62.8 million in grants to 849 rehabilitation projects, with \$355.2 million leveraged, matching, and other funds
- \$36.8 million in grants and matching funds for education and planning



Boulder Theater, Boulder

Federal Tax Credit

The federal historic preservation tax credit program is, in the words of the National Park Service, one of the federal government’s “most successful and cost-effective community revitalization programs.” Administered by the National Park Service in cooperation with the Internal Revenue Service and State Historic Preservation Officers, the program encourages private investment in historic rehabilitation by offering significant tax credits. A 20 percent tax credit is available for rehabilitating historic properties for commercial, industrial, or agricultural purposes. The credit is also available for residential rental purposes, but not for owner-occupied residential properties.



Federal Tax Credit Projects by Number
 *Mixed-use includes commercial and residential uses

The federal 20 percent rehabilitation tax credit has been well utilized in Colorado over the past two decades. From 1981 to 2001:

- A total of 301 Colorado projects have used the credit, with cumulative qualified rehabilitation costs of \$461.6 million.²
- Approximately 76 percent of projects utilizing the federal rehabilitation tax credit were located in Denver; in all, 25 of Colorado’s 64 counties are represented.
- The rehabilitation of buildings utilizing the federal tax credit has created 1,852 housing units in Colorado, including 1,167 low-income units.
- The median cost of a federal tax credit project is \$344,825.



Chamber of Commerce Building, Denver

Because the federal tax credit is used throughout the country, it is possible to draw comparisons between federal tax credit projects in Colorado versus other states. Colorado is often one of the top 20 states utilizing the program, and consistently either first or second in the West. The tables below illustrate the number of projects and expenditures per year in Colorado from 1995 to 1999, compared to a sampling of other states. Colorado's total project expenditures are generally quite high relative to the number of projects. For example, Minnesota and Colorado both processed about 50 projects from 1995-1999, yet, in that same period, the total dollar value of the Colorado projects was about triple that of the Minnesota projects.

Summary: Federal Tax Credit

301 projects

\$461.6 million in rehabilitation costs

1,852 total housing units created

1,167 are low-income units

Federal Tax Credit Usage in Selected States: Number of Certified Projects, 1995-1999

	1995	1996	1997	1998	1999	TOTAL
Georgia	55	38	41	50	34	218
Texas	9	14	12	33	19	87
Minnesota	15	9	19	6	4	53
Colorado	4	6	13	15	12	50
Utah	4	3	8	2	9	26
Arizona	1	3	5	3	3	15
New Mexico	0	2	2	5	1	10

Source: Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis. National Park Service, Heritage Preservation Services. Fiscal Years 1995-1999. Notes: Listed by federal fiscal year.

Federal Tax Credit Usage in Selected States: Dollar Value of Certified Projects, 1995-1999

	1995	1996	1997	1998	1999	TOTAL
Colorado	\$22,251,306	\$38,592,419	\$27,556,248	\$45,301,596	\$28,265,017	\$161,966,586
Texas	\$8,084,284	\$23,374,867	\$7,240,363	\$16,161,727	\$89,622,748	\$144,483,989
Georgia	\$15,262,966	\$15,944,169	\$45,699,113	\$25,222,992	\$24,992,209	\$127,121,449
Minnesota	\$12,889,048	\$13,811,500	\$14,090,569	\$2,974,790	\$2,694,082	\$46,459,989
Utah	\$1,412,770	\$653,865	\$2,827,529	\$1,250,000	\$4,913,469	\$11,057,633
Arizona	\$1,054,821	\$1,047,000	\$1,398,206	\$3,316,166	\$997,166	\$7,813,359
New Mexico	\$0	\$2,036,069	\$243,331	\$278,077	\$14,272	\$2,571,749

Source: Federal Tax Incentives for Rehabilitating Historic Buildings: Statistical Report and Analysis. National Park Service, Heritage Preservation Services. Fiscal Years 1995-1999. Notes: Listed by federal fiscal year.



Wynkoop Brewing Company, Denver

"Preservation tax credits have been a key tool in my projects. They are especially useful for pioneers who are redeveloping a disinvested area. Under those circumstances, it can be difficult to obtain funding, but tax credits can make your project much more attractive to investors. While tax credits often mean some compromises, they are still a significant incentive for development in historic areas."

John Hickenlooper,
President, Wynkoop Brewing Company

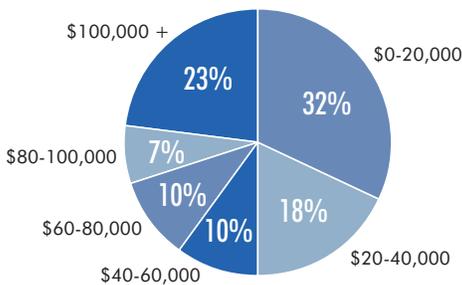
State Tax Credit

Colorado is one of only 20 states to offer a preservation state rehabilitation tax credit similar to the federal rehabilitation tax credit. Established in 1991, the state legislature reauthorized the state credit in 1999. The tax credit is 20 percent of \$5,000 or more of approved rehabilitation work on qualified properties, up to a maximum \$50,000 credit per qualified property.

The state rehabilitation tax credit has been used frequently in Colorado over the past decade—in fact, more often than the federal tax credit, which has been in place twice as long. Unlike the federal credit, the state credit is available for owner-occupied residences, and the vast majority of state tax credit projects (about 90 percent) have been used for such properties. Because they involve primarily private residences, state tax credit projects are typically of a smaller scale, in both size and cost, than federal tax credit projects. Some key facts:

- The program has assisted 385 historic rehabilitation projects on 343 properties in Colorado (some properties have taken the credit more than once) for a total of \$32.4 million in qualified expenditures.
- Thirty-one state tax credit projects claimed rehabilitation expenditures in excess of \$250,000 each. These projects contributed a substantial sum to the local and state economies, though the cost to the state (i.e., the tax credit claimed) was minimal—at the most just \$50,000 per property, the maximum credit available.

The median cost of a state tax credit project is \$40,159



Rehabilitation Costs of State Tax Credit Projects, 1991-2000

It is difficult to draw comparisons among the various state tax credit programs. There are only 19 states, in addition to Colorado, that have enacted preservation tax credits and the majority of these programs are less than five years old. The programs differ considerably in their basic provisions, such as the actual percentage amount of the credit and minimum expenditures. Also, unlike Colorado's tax credit, which is geared toward residential properties, many other states target income-producing properties.

Utah's program is similar to Colorado's: it also provides a 20 percent credit for residential properties. In Utah, from 1993 to 1999, rehabilitation costs totaled \$21.3 million for 275 projects.³ Wisconsin's program is also geared toward residences: since 1992, 633 projects have participated in the program and rehabilitation costs have been approximately \$16.7 million.⁴

In Colorado, the public costs of administering both the federal and state tax credit programs are minimal—apart from the direct loss to the treasuries of tax revenue claimed under the credits themselves. The Office of Archaeology and Historic Preservation (OAHP), a department of the Colorado Historical Society, provides technical assistance to the public in identifying, protecting, and preserving Colorado’s cultural resources. While all of the OAHP’s activities contribute to the promotion of historic resources, there is only the equivalent of one full-time employee who administers state and federal tax credits as part of their regular duties.

Historic rehabilitation does not necessarily mean the complete overhaul of a structure. Many of the rehabilitations included in the data above involved minimal or partial renovations, such as façade improvements. Nevertheless, the rehabilitation work triggers economic benefits, even for these smaller-scale projects.

The Economic Impacts of Rehabilitation Projects

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

Next, we can use economic multipliers to calculate the “indirect” impact of this direct activity. The indirect impact is the purchase of goods and services by the various industries that produce the items for the original, direct activity. For example, a contractor may purchase paint for a rehabilitation project. The contractor may also use some of his earnings to buy groceries at a local store. The purchase of the paint is a direct impact, but the purchases made by the paint factory to produce the paint are indirect impacts.

- Direct expenditures for the three types of incentive programs (projects receiving State Historical Fund grants, and projects utilizing the federal and state tax credits), if simply added together, total \$912.0 million since 1981. However, because many projects took advantage of more than one type of incentive (e.g., received a State Historical Fund grant and also took advantage of the federal tax credit), this total investment drops to \$676.2 million after eliminating double- and triple-counting of those projects that used multiple incentives.

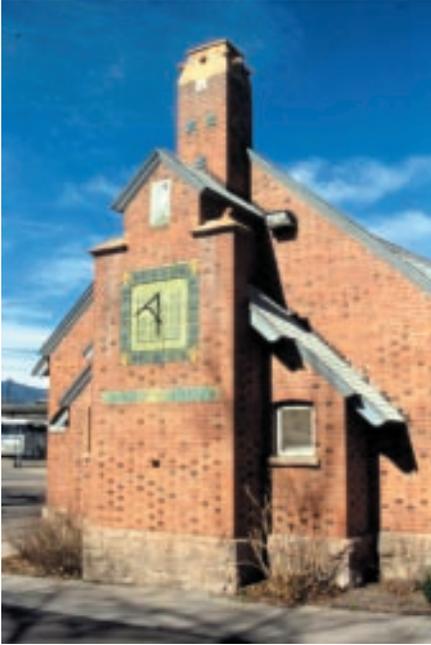
Summary: State Tax Credit

385 projects on

343 properties

\$32.4 million in rehabilitation costs

90 percent used for owner-occupied properties

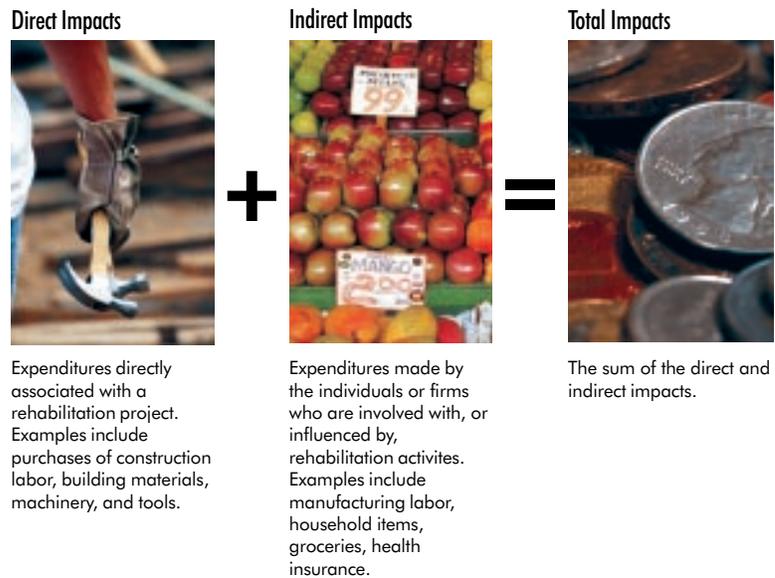


Top: Downtown Grand Junction
 Bottom: Van Briggie Building, Colorado Springs
 Courtesy Colorado Historical Society

- Since 1981, that \$676.2 million in direct rehabilitation expenditures has generated an additional \$865.5 million in indirect rehabilitation expenditures within Colorado, for a total of \$1.5 billion in overall economic impacts.⁵

What do these numbers mean? In addition to looking at total dollar values, we can examine the overall economic impacts of rehabilitation projects in several other ways. For instance, we can estimate the jobs created by these projects. When we count the number of “jobs created,” we are counting the number of job years, or full time employment for one person for one year. Many individuals may fill a job-year. For example, the worker in the paint factory is represented here, along with the doctor who provides medical services to that worker. Rehabilitation activities have directly created 9,455 jobs and indirectly created an additional 11,872 jobs, for a total of 21,327 Colorado jobs over a 20-year period.⁶ (To help put these numbers in some perspective, there were about 21,000 total jobs in Pitkin County during 2000.)

We also can look at “total household earnings” of employees either directly or indirectly involved with the rehabilitation projects. Household earnings reflect employee income that is spent in the state economy, such as for utilities, medical services, or auto repair. For these employees for whom jobs have been created, historic rehabilitation activities have directly generated \$259.7 million in household earnings and indirectly created an additional \$263.0 million, for a combined total of \$522.7 million. These household earnings figures are contained within the direct, indirect, and overall totals listed at the top of this page.



Historic rehabilitation also results in greater tax revenues for state and local governments by increasing property, income, and sales taxes:

- Rehabilitation projects from 1981 to 2000 have accounted for \$4.0 million in total business income taxes, \$10.8 million in total personal income taxes, and \$27.4 million in total Colorado sales taxes.
- Property taxes from 1981 to 2000 have been increased by a total of between \$9.0 and \$11.2 million statewide over this period due to historic rehabilitation activities—on buildings that have used the State Historical Fund or a federal or state tax credit. These numbers reflect increases in value on the rehabilitated portions of buildings. Unlike other taxes that are collected once per expenditure, property taxes are collected each year and provide a continual revenue source for a community, one that only grows as properties increase in value.

The rehabilitation of historic resources in Colorado also measures up quite favorably against other industries, in part because rehabilitation is so labor-intensive. In general, a new construction project can expect to spend about 50 percent in labor and 50 percent in materials. But historic rehabilitation, in contrast, can spend up to 70 percent in labor costs—labor that is most often hired locally, which keeps these dollars within the community. For example, \$1 million spent rehabilitating historic buildings creates twelve more jobs in Colorado than \$1 million spent in manufacturing semiconductors and nine more jobs than banking services, as is illustrated in the following table.

Colorado Employment and Income Attributable to Historic Building Rehabilitation Versus Other Colorado Industries (per \$1 million of direct impact)

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

Source: Clarion Associates
 Notes: Used RIMS II multipliers for the industries indicated for the State of Colorado Region

Summary: Rehabilitation Economic Impacts

Since 1981:

\$676.2 million in direct rehabilitation costs

\$865.5 million in indirect rehabilitation costs

\$1.5 billion total expenditures

These expenditures generated:

\$522.7 million in total household earnings

21,327 jobs

\$4.0 million in business income taxes

\$10.8 million in personal income taxes

\$27.4 million in Colorado sales taxes



Marble School, Gunnison County
 Courtesy Colorado Historical Society

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

Reinvestment in historic commercial areas generally reduces vacancy, enhances the local economy, attracts new businesses and can help to revitalize depressed areas. These same types of benefits occur in historic residential areas, as homes are updated and property values are enhanced. Further, in addition to providing economic benefit to developers, preservation tax credits and the State Historical Fund ensure that historic rehabilitations adhere to consistent quality standards—specifically, the Secretary of the Interior’s Standards for Rehabilitation.



The Denver Turnverein, Denver

Rehabilitation projects contribute to the community in many ways. A sampling:

To provide affordable housing

Northern Hotel—Fort Collins, Larimer County. The oldest hotel in Fort Collins has been converted into a 47-unit affordable housing project for senior citizens.

The Bains Building—Alamosa, Alamosa County. This historic building was rehabilitated by La Puente Home, a nonprofit organization that provides emergency shelter, food, advocacy, and transitional assistance for the homeless and others in Alamosa. This building houses “Rainbow’s End,” La Puente’s thrift store and distribution center. The “Over the Rainbow Apartments,” on the building’s second floor, provide 12 low-income apartments designed to assist the community at large and individuals transitioning out of La Puente’s shelter services. Completed in the fall of 1998, these apartments were the first new, low-income units established in Alamosa in many years.

Rood Candy Company—Pueblo, Pueblo County. Prior to its renovation, the Rood Candy Building had been vacant for fifteen years and was in a dilapidated condition. Today, the Rood Candy Apartments provide 35 units of affordable housing to individuals who fall below the 60 percent median income requirements.

To update buildings for new and expanded usage

Old Golden High School—Golden, Jefferson County. This former junior high school was purchased by the Colorado Mountain and American Alpine Clubs to become the American Mountaineering Center. The renovated Beaux-Arts style Center includes a 375-seat auditorium, offices, and a mountaineering library.

Tramway Tower/Hotel Teatro—City and County of Denver. The former headquarters of the Denver Tramway Company is now the location of the upscale Hotel Teatro.

Community Arts Building—Durango, La Plata County. The former Hocker Motors building is now the home of the Durango Arts Center. The Arts Center provides affordable office, meeting, and performance space to local groups and the general public.

To contribute to local economies

Egyptian Theater—Delta, Delta County. This unique resource has provided near-continuous usage as a movie theater since its construction in 1928. It was returned to its original splendor after removing concrete walls and aluminum signage.

Downtown Littleton—Littleton, Arapahoe County. Littleton’s historic Main Street features wide, tree-lined sidewalks and is a local center for the arts and the home to a wide variety of community businesses.

To incorporate historic resources into new developments

Lowell School—Colorado Springs, El Paso County. This 1891 school is the centerpiece in a 58-acre urban renewal site. The mixed-use redevelopment of the surrounding property is designed to be pedestrian-friendly and will include approximately 800 residential units, including units designated for affordable housing.

Mercantile Square—City and County of Denver. This mixed-use development combines residential, retail, and office uses in four connected Lower Downtown historic district buildings. Seventy-six of this development’s 94 total units are designated for low-income housing.

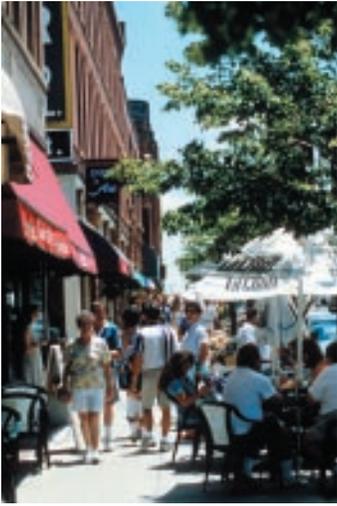
To preserve public buildings

Montrose County Courthouse—Montrose, Montrose County. Constructed in 1922, this National Register-listed landmark has been renovated with the help of State Historical Fund grants.

Salida Public Library—Salida, Chaffee County. This neoclassical structure, constructed of local bricks, granite, and limestone, was opened to the public in 1909. Following passage of a bond issue in November 1995 and an eight-month community fundraising effort, the building was remodeled and expanded.



Northern Hotel, Fort Collins
Courtesy LSA Associates, Inc.



Top: Union Avenue, Pueblo
 Courtesy Greater Pueblo Chamber of Commerce
 Bottom: Grand Junction
 Courtesy Colorado Historical Society



Heritage Tourism

Another major area in which historic preservation acts as a state-wide engine for economic development is heritage tourism. From the largest cities to the smallest towns, thriving historic areas attract visitors, who provide a significant source of revenue for both local and state economies. Tourist travel is a major industry in Colorado, generating jobs throughout the state in hotels, bed and breakfasts, motels, retail stores, restaurants, and other service businesses. Although the mountain resorts account for more than a third of the state's travel spending, all areas of the state benefit from travel and tourism.

The term "heritage tourists" refers both to travelers who incorporate at least one visit to a historic site or landmark among other activities during their visit, and also to the smaller subset of visitors whose primary reason for traveling is to visit historic places. There has been considerable research conducted throughout the country on the particular characteristics of "heritage tourists" versus other pleasure tourists. As documented in studies in both North Carolina and Texas, among many other states, heritage tourists tend to spend more money and stay longer on their trips than do other travelers.⁷

According to Longwoods International's 1999 Colorado Visitor Study, there were 20.8 million overnight pleasure trips to Colorado that year. About 4.6 million trips (22 percent) included a visit to at least one historic site or landmark—for example, visitors who drove Colorado's scenic and historic byways, rode the Georgetown Loop historic railroad, participated in an excavation at Crow Canyon Archaeological Center, explored Fort Garland, or took a tour of the Molly Brown House Museum in Denver.

"Heritage tourism really works for us. There are a lot of people who are looking for old places just like Delta to visit."

Liz Thompson, Owner of State Register-listed and locally designated, The Fairlamb House Bed & Breakfast, past board member and past chairperson of the City of Delta historic preservation board



Downtown Delta, Courtesy City of Delta

Just as with historic rehabilitation projects, the economic impacts of heritage tourism go far beyond the direct expenditures. Any economic activity generates both a direct and an indirect impact, which add up to an overall impact. Indirect impacts occur as the effects of the direct expenditures “ripple” throughout the state and local economies. Each dollar directly spent by a Colorado heritage tourist at a hotel, restaurant, or retail shop also circulates in the economy as an indirect expenditure, as the establishment buys supplies, contracts for services, and pays wages to its employees. The \$1.4 billion in direct expenditures by heritage tourists generated an additional \$1.7 billion in indirect economic impacts, for a total impact of \$3.1 billion. The spending by heritage travelers also generated \$1.0 billion in total earnings by Colorado workers and 55,300 jobs.

The trends documented around the country regarding the behavior of heritage tourists are also applicable in Colorado. Detailed analysis of the data revealed that Colorado’s heritage tourists are different from Colorado’s other tourists in the following ways:

- Heritage tourists spend slightly more per day (\$58 per visitor) than other tourists (\$55 per visitor).
- Heritage tourists stay in Colorado a little longer than other vacationers—an average of 5.3 nights in the state, versus an average of 5.1 nights for other vacationers.
- Tourists who include visits to historic sites or landmarks on their trip to Colorado are more likely to stay in a hotel or motel (versus the homes of friends and relatives) than other vacationers.
- Heritage tourists tend to be older than other visitors. More than half of heritage tourists in 1999 were 45 years old or older.
- Visitors to historic sites and landmarks are more likely to be retired than other tourists.
- Heritage tourists are more likely than other visitors to visit a national or state park, to watch birds and other wildlife, and to visit a museum.
- Heritage tourists are more likely to try unique local foods, and to hike, swim, fish, backpack, bike, and river raft on their trip than other travelers.
- Approximately 30 percent of heritage travelers have household incomes of over \$75,000 per year.

Summary: Heritage Tourism

In 1999:

4.6 million Colorado trips

**\$1.4 billion in direct heritage
tourist expenditures**

**\$1.7 billion in indirect heritage
tourist expenditures**

\$3.1 billion total expenditures

**Spending by heritage tourists also
generated:**

**\$1.0 billion in total household
earnings**

55,300 jobs



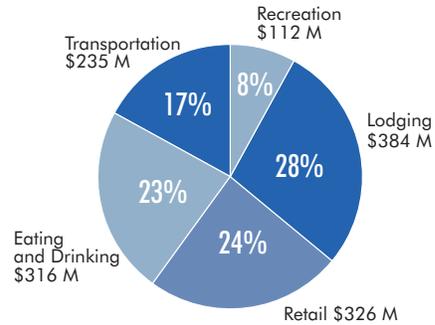
Main Avenue, Durango
 Courtesy Durango Area Chamber Resort Association

"Durango has been very successful in maintaining its historic look. Main Avenue generates huge taxes and is the central point for visitors to the area. There is also a lot of pride associated with Main Avenue and the fact that a variety of businesses, not just tourist businesses, are located there."

Vicki Vandegrift, Senior Planner, City of Durango

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

In 1999, heritage tourists spent a total of \$1.4 billion in Colorado in five major categories:



Estimated Spending by Colorado Heritage Tourists, 1999



Independence Ghost Town, Pitkin County, Courtesy Aspen Historical Society



Preservation Benefits the Owners and Users of Historic Properties

The Effect of Local Landmarking on Property Values and Affordable Housing

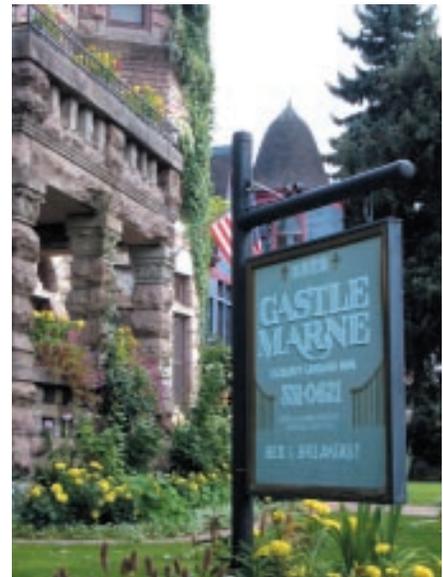
While the statewide impacts of historic preservation are impressive, the data shows that the benefits for individual property owners are also remarkable. The designation of a property or neighborhood as “historically significant” by a local government encourages reinvestment and protects the building’s or neighborhood’s architectural and historic character. Federal and state historic designations, such as listing in the National Register, provide recognition but offer no real protection to historic resources. Local programs, on the other hand, typically require design review of major activities (such as demolitions, significant alterations, and new construction) in order to restrict incompatible development and thus protect an area’s historic appearance and character. For example, local landmarking might prevent the demolition of houses that are characteristic of a historic neighborhood’s architectural development. Or, a new commercial infill project might be required to conform to specific height and design standards that ensure compatibility with surrounding historic buildings.

Such landmarking and design review programs have led some to argue that designation leads to lower property values, since design restrictions limit the ability of property owners to improve and expand historic buildings. On the other hand, some argue that designation leads to such higher property values that low- and moderate-income residents may be displaced in favor of wealthy newcomers.

This section discusses two areas in which we analyzed the effects of local landmarking in Colorado on individual property owners: 1) the effect of local historic designation and design review programs on property values, both in commercial and residential areas, and 2) the relationship of historic preservation to affordable housing. The data and our interviews show that, by requiring sensitive development, local historic designation and design review programs preserve the integrity and the distinguishing characteristics of historic areas and often lead to increases in property values. In turn, higher property values generate increased property taxes for local governments and encourage additional private reinvestment. Also, rather than displacing low- and moderate-income residents, historic district designation can provide the context for a greater mix of incomes, making for more interesting and diverse communities.

“Local historic designation and design review programs do not impose unreasonable burdens on property owners and the vast majority of applications for alterations to historic structures are approved. In Denver, of the nearly 300 applications received in each of the last two years (1999 and 2000) only three or four were denied each year.”

Tina Bishop, Chair, Denver Landmark Preservation Commission



Castle Marne, Denver

“I believe in historic designation, and it comes down to this: I live here. I operate my business here. My business will grow or suffer depending on the quality of life in my neighborhood. I do what I do out of self-preservation. But maintaining and preserving the resources in our neighborhoods is a win-win situation for everybody.”

Jim Peiker, Wyman District resident and owner of the National Register-listed Castle Marne Bed & Breakfast located in the Wyman Historic District



Tattered Cover LoDo, Denver

"Historic preservation is a necessary element in the heart and soul of any community. There may be arguments over the highest and best use of a property that, from a bottom-line perspective, conflict with the idea of preserving an area's historic places. But preservation is far broader than those discussions—it is a long-term investment in a community.

Every place has a history, a collective memory of bricks and mortar, which is something unique. Preservation is a nurturing of the environment that honors that history. Communities can and should work with developers to maintain the historic integrity of properties while refitting them for today's uses."

Joyce Meskis, Owner, Tattered Cover Bookstore



Historic Preservation and Property Values

Property Values in Downtown Commercial Areas: The LoDo Experience

Throughout the country, downtowns are experiencing a dramatic rebirth. In cities as varied as Cleveland, Dallas, and Seattle, urban cores are reemerging as key centers not only of business, but also of entertainment, tourism, and, most significantly, housing. Historic preservation is playing a key role in many downtown economic redevelopment strategies. Center-city revitalization almost always involves historic resources, since downtowns typically encompass the areas of earliest settlement and are the traditional hearts of local commerce. Even in smaller towns, the central commercial areas are where important, older public and institutional buildings, such as city halls, post offices, banks, social halls, and churches can be found.

Downtown Denver has played a prominent role in the national movement back toward the center city, and the Lower Downtown Denver Historic District (today commonly called LoDo) has been a key component. The city designated LoDo as a historic district in 1988, and since then the area has experienced an explosion of redevelopment activity, including the rehabilitation of dozens of neglected warehouses; the establishment of a new major league ballpark; the opening of dozens of restaurants, galleries, and nightclubs; and the creation of hundreds of new residential dwelling units. Over the past decade, LoDo has become a local hotspot and a regional tourist destination. Yet LoDo's dramatic redevelopment was not an overnight event and didn't occur because of the opening of Coors Field or any other single business. Rather, it has been the result of an extended series of events, most notably the designation of the historic district over ten years ago.

The area included within the LoDo historic district, which includes over 23 blocks of commercial buildings and brick warehouses, was a lively trade and industrial center in the early days of Denver. As the city boomed from the 1880s to the 1920s, so too did lower downtown, since the city's railroad-dependent economy revolved around Union Station and the rail yards. In the following decades, however, as other types of transportation began to eclipse rail transport, and as industrial activity shifted to other parts of the city, lower downtown fell into a slow decline that lasted for years. By the 1960s and 70s, lower downtown had been largely abandoned to disinvestment and blight, and during that period about 20 percent of the area's buildings were demolished.

Denver's then-young preservation community responded to the loss of significant historic downtown buildings by designating the city's first local historic district, Larimer Square, in 1973. Preservationists and city planners also began looking at nearby lower downtown about that time, considering strategies to spur revitalization of the blighted area. In 1974, lower downtown's modern future began when the area was rezoned from "industrial" to "mixed-use," which encouraged new commercial and residential development. A 1986 Downtown Area Plan included historic preservation provisions for several areas and recommended that design and demolition review be enacted in lower downtown. In 1988, the Lower Downtown Historic District was created, with 127 contributing historic structures. A design review board was established and charged with implementing design guidelines for any exterior changes that require a building permit (generally demolitions, alterations, rehabilitation, and new construction). With these design guidelines in place, and with historic designation triggering eligibility for historic preservation tax credits and grant programs, private investment began to return to the LoDo area, and picked up substantially with the upswing in the Colorado and national economies that lasted through the 1990s.

Soon after the designation, in 1990, a consulting firm conducted a study on the economic impacts of the LoDo historic district designation. Though the designation had been in place just two years, the firm recognized the area's potential, concluding that: "the stage is set for substantial economic development and historic preservation activity." The firm's prediction proved correct, as the neighborhood prospered over the following decade. Coors Field, completed in 1995, triggered the creation of even more development activity. Today, LoDo is a pedestrian-friendly community of galleries, lofts, retail and office space, restaurants, coffee shops, and nightclubs. Development has spread far beyond the original boundaries of the historic district, spurring development in the adjacent Central Platte Valley (such as Six Flags Elitch Gardens, the Pepsi Center, and Riverfront Park) and proposed new historic districts in nearby industrial areas, such as the Ballpark District.

Property values and other key economic indicators have increased dramatically in LoDo since the designation. The LoDo experience illustrates some important characteristics of successful downtown revitalizations and the key role that preservation can play in such efforts:

- *The benefits of individual rehabilitation projects often spread to the surrounding area.* Denver's Wynkoop Brewery, for example, was one of Lodo's first rehabilitations, and it paved the way for



Lower Downtown Historic District, Denver

"Investing in historic buildings requires a long-term perspective. Most historic properties need a considerable amount of capital up front. But in the long run, that investment will often pay off. Historic properties are a limited commodity—no one is making any more real estate or more historic buildings."

John Hickenlooper, President,
Wynkoop Brewing Company



Larimer Square Historic District, Denver



LoDo Historic District, Denver

LoDo: A Changing Neighborhood

	1990	2001	Percent Change
Number of Housing Units	100	188—rental 713—sale 459—under construction or proposed	1,260%
Average Sales Cost per Square Foot of Residential Spaces	\$60.00	\$300.00	400%
Average Annual Rental Cost per Square Foot of Retail Spaces	\$7.00	\$20-\$30	257%
LoDo Parking Meter Revenues	\$141,200 (1989)	\$1,497,070 (2000)	960%

Sources: 1990 Data—Hammer, Siler, George Associates. *The Economic Impact of Historic District Designation: Lower Downtown, Denver*. Denver: Office of Planning and Community Development, City and County of Denver, 1990. 2001 Data—Downtown Denver Partnership, August 2001; Jorgen U. Christiansen, *Lodo Lofts*, August 2001; City and County of Denver, Division of Parking Management, October 11, 2001 2001 Retail rental rates based on informal survey of LoDo real estate brokers.

many other later success stories by demonstrating that the neighborhood was a viable place for business. Its transformation from a warehouse to a popular brewpub reinforced the perceived value of the surrounding area as an urban neighborhood that was beginning to grow and thrive.

- **Historic rehabilitation facilitates pedestrian-oriented development.** Lodo’s historic warehouses provide a more human scale than most high rise developments and often include features such as wide sidewalks and storefront façades. Many historic buildings are easily adapted for increased pedestrian use. For example, warehouse loading docks may be converted to disabled access or outdoor seating.
- **Downtown historic preservation makes efficient use of existing resources.** Most downtowns already contain the infrastructure and buildings necessary to support redevelopment. In contrast, new development on the urban fringe encourages sprawl and requires costly extensions of key infrastructure such as roads and water lines.
- **Downtown preservation is good for property values.** Local landmarking and design review can actually boost property values by introducing certainty into the marketplace and improving the overall economic climate, which benefits all property owners. LoDo has become one of Denver’s most desirable markets in which to live and work since the historic designation. Average costs per square foot for residential spaces have risen by 400 percent since 1990, and average costs per square foot for retail space have risen by an estimated 257 percent.

Property Values in Residential Neighborhoods: Denver and Durango

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

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

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

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

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

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

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



Wyman Historic District, Denver

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

Nancy Widmann, Denver historic preservation consultant

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

Brad Lewis, Bradford Real Estate, Denver

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

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

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

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

A Summary of the Colorado Property Values Research



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



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



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



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

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

Summary: Property Values

Historic designation does not decrease property values. Property values in the designated areas experienced value increases that were either higher than, or the same as, nearby undesignated areas.



Wyman Historic District, Denver

Results from Other Property Values Studies

Studies throughout the country, in communities that vary greatly in population, location, and economic health, have demonstrated that local historic designation typically leads to property value appreciation rates that are consistent with, and often greater than, appreciation rates in non-designated areas. While our Colorado findings are specific only to the areas that we examined, they are consistent with trends reported in similar research from other states. For example:

An *Indiana* study on districts that vary widely in size and location showed that property values in *historic districts either surpassed or mirrored the appreciation of properties throughout the community at large.*⁸

In *Columbia, South Carolina*, residential sales in an *historic district outpaced residential sales outside the district by 26 percent in one year.*⁹

Four communities studied in *Georgia* all experienced *increases in property values in historic areas that surpassed increases in values in non-historic areas.* In Athens, Georgia, a study of seven neighborhoods found that, during a 20-year period, the average assessed value of properties of historic districts increased by nearly 48 percent, (an average of 2.4% per year) versus only 34 percent for properties in non-designated neighborhoods (an average of 1.7 % per year).¹⁰

A recent *Texas* study concluded that historic designation is associated with *average property value increases ranging between five and 20 percent of the total property value.*¹¹



Northwest Denver

Historic Preservation and Affordable Housing

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

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

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

Historic neighborhoods do attract some newcomers and these newcomers often have incomes that are higher than those of existing residents. But these newcomers only account for a portion of the residents in designated neighborhoods. In the historic districts we studied, more than half of the residents had household incomes of \$30,000 per year or less. These neighborhoods changed from lower-income areas to mixed-income areas after they were declared historic districts. They were not transformed into enclaves for the upper class.

A Gap Between Wages and Housing Costs

There is a shortage of affordable housing in Colorado. Since 1992, wages and salaries in the state have not kept pace with housing costs. In all of the state’s major population centers and in many of its smaller communities, *housing prices are rising faster than incomes*. For example, from 1992 to 1998, in Summit County, a resort area with three major ski areas, *housing prices rose by 98 percent, yet average wages increased by just 33 percent.*¹²

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

Two of the neighborhoods we studied, Denver's Potter Highlands Historic District and Fort Collins' Midtown District, are discussed in more detail on the following pages.¹³ In order to understand how income levels in these neighborhoods compared to those in the rest of the community, we grouped all households in each city into four categories: highest income (the 25 percent of households with the highest incomes), higher income (the next 25 percent of households), lower income (the next 25 percent of households) and lowest income (the lowest 25 percent of households). We determined the number of households in the case-study districts that belonged to each of these income groups in 1980, 1990 and 1999.



Top: Potter Highlands Historic District, Denver
Bottom: Midtown Historic District, Fort Collins

Who Lives in Colorado's Older Housing?

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

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

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

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



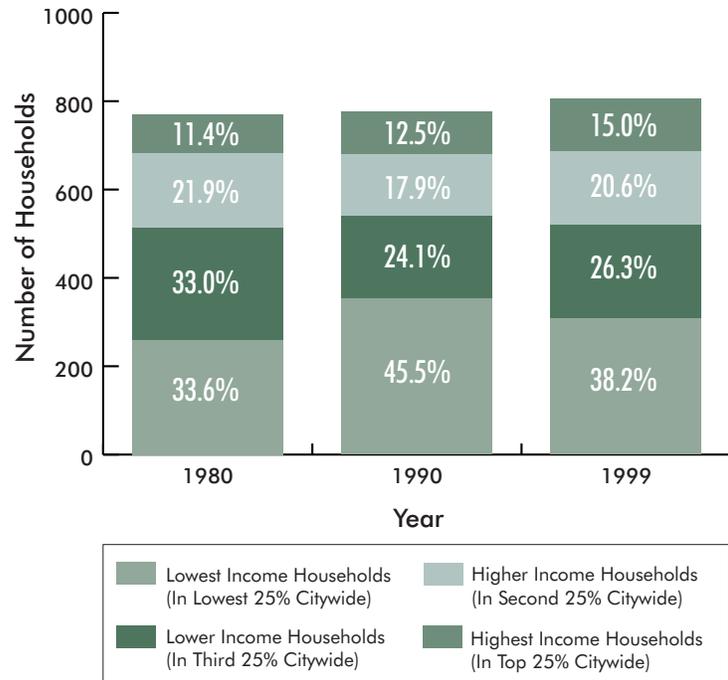
Photos this page: Potter Highlands Historic District, Denver

Denver's Potter Highlands District

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

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

Household Income Distribution in Potter Highlands Historic District¹⁴



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

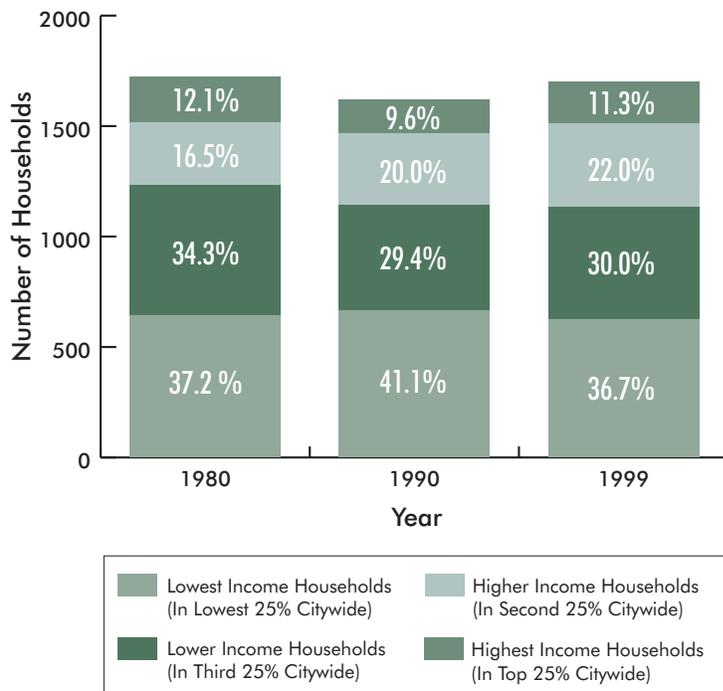
If the incomes in Potter Highlands mirrored those in the city as a whole, one quarter of the neighborhood's residents would fall in each of the income groups. In fact, more than 60 percent of area households fall into the bottom half of Denver's income distribution.

Fort Collins Midtown District

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

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

Household Income Distribution in Midtown Historic District¹⁵



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

If the incomes in Midtown mirrored those in the city as a whole, one quarter of the neighborhood's residents would fall in each of the income groups. In fact, about two thirds of the district's residents fall into the bottom half of the Fort Collins' income distribution.

Summary: Affordable Housing

Historic districts comprise some of Colorado's most economically diverse neighborhoods and house Coloradans of all income levels.

In historic districts we studied, more than half the households had household incomes of \$30,000 per year or less.



Austin Building, 1927 and today

An Historic Rehabilitation that Provides Affordable Housing

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

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

Austin Building Financing

Address: 2400–2418 East Colfax, Denver

Total Units: 18

Subsidized Units: 18

Units: All one-bedroom units

Occupancy Rate: 100 percent

Available Commercial Retail Space: 7,000 Square Feet

Property Management: Continental Divide (owned by Northeast Denver Housing Center)

Income Restrictions: 60 percent of Area Median Income

Equity Partner: Fannie Mae

Construction Loan Lender: Mountain State Bank

Construction Loan Lender: Enterprise Foundation

Construction Loan/Permanent Financing Lender:

City of Denver, Housing and Economic Development Division

State Historical Fund Grant: \$100,000

Equity Value of Tax Credits

Low Income Housing Tax Credit: \$1,323,000

Federal Historic Preservation Tax Credit: \$370,000

Colorado Division of Housing Grant: \$1,100,000

HOPWA Grant (Housing for Persons with AIDS): \$100,000

Construction Loan—Mountain State Bank: \$200,000

Construction Loan—Enterprise Foundation: \$200,000

Construction Loan/Permanent Financing City of Denver, Housing and Economic Development Division: \$900,000

Total Project Cost: \$2,200,000

Source: BBC Research & Consulting



Rural Preservation

While many Colorado residents and visitors are familiar with historic preservation in urban contexts, fewer realize that the rural areas of our state are also home to many significant historic resources, including rural farmsteads, small-town courthouses, and archaeological sites. Our state's rural areas are confronted with the whole range of complex economic issues facing not only Colorado, but also the entire West, and as a result, many rural historic buildings are in jeopardy. Whether the problem is too much growth and development or not enough, a challenge for Colorado's rural places is how to utilize preservation in encouraging appropriate growth and mitigating the adverse impacts of change.

Encroaching urban sprawl is a threat in some rural areas, especially those along the Front Range just outside of the major population centers of Pueblo, Colorado Springs, Denver, and Fort Collins. As is true in many parts of the country, and especially in the West, most new development tends to occur on the urban fringe, away from the city center, in the form of low-density, sprawling development. Sprawl can lead to a variety of problems, including traffic congestion, increased pollution, costly infrastructure extensions, and loss of open space. Sprawl development often means that rural historic resources are torn down to make way for shopping malls and parking lots to serve new subdivisions. If older buildings are preserved, sprawl can deprive them of their architectural and historic context by surrounding them with incompatible new development. Either way, without careful planning



Hay Meadow Ranch, Routt County
Courtesy Colorado Historical Society

"Currently, we administer about 20 preservation projects on behalf of Routt County residents. These projects are primarily historic assessment reports for the owners of rural properties, often large ranches, so that the owners can get a better idea of what a restoration to their property might involve regarding costs and types of required work. After an assessment is completed, we may also assist with the actual restoration, for example, by helping to coordinate with an architect. Most of these properties are working ranches, so it is our goal to keep structures both stabilized and useful.

Many of the preservation activities in the county have received funding from the State Historical Fund, but we also assist residents with preservation tax credits and Certified Local Government activities in the area. It really helps to have a local presence when it comes to getting residents involved."

Laureen Schaffer, Historic Preservation Officer,
Historic Routt County



Larimer County, Courtesy City of Fort Collins



Beckwith Ranch, Westcliffe
 Courtesy Colorado Historical Society



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

"Main Street is the heart of a community. The economic restructuring piece is a large part of the Main Street program—an improved downtown will lead to increases in sales taxes and local jobs. Montrose is already known as a regional shopping area. Through the program, we are confident that the revitalization of downtown will enhance the regional shopping area and create new avenues of economic impact through vital commercial and residential use."

Lu Anne Tyrrell, Executive Director,
 Montrose Main Street Program Manager

and preservation, the influx of new money and people can overwhelm local history and traditions.

On the other end of the spectrum, some rural communities are facing economic hardships as traditional businesses and industries close up shop or move to urbanizing areas. Generally called "disinvestment," this problem is often found in places whose economic health has traditionally been dependent on agricultural production or nearby natural resources (e.g., mining or logging), and have suffered as the employment in those industries has declined over the last several decades. A newer trend, the predominance of big-box superstores, with most of their profits going outside the community, has also hurt the economies of rural historic downtowns throughout the state.

Strategies to Protect Colorado's Rural Areas

Planners and preservationists are finding that historic preservation can be an effective part of a comprehensive economic development program designed to protect rural areas and help preserve small-town quality of life. For example:

- Historic designation and design review programs restrict incompatible development and thus can be effective tools for preserving rural downtowns and other sensitive historic rural areas. The designation of historic districts is particularly important, since district-wide regulations can more effectively maintain the character of a rural landscape than protections for individual buildings.
- Development incentives, such as those that promote cluster development, can be used to direct new development away from sensitive resources and landscapes.
- Permanent funding for the acquisition of historic properties can be established through strategies such as special sales taxes. Smaller communities that cannot afford to accomplish their growth management goals on their own can also form partnerships with the private sector to join forces in revitalization and the preservation of historic resources.
- Through conservation easements, communities or private individuals can purchase the rights to develop a property, thus reducing or eliminating the possibility that property might be developed in a way that negatively impacts historic resources and rural character. Conservation easements commonly are used to preserve open spaces. In Colorado, there are currently 33 local land trusts and five regional or national land trusts that, com-

bined, have conserved over 630,000 acres of open space using easements and similar tools.¹⁶

- Zoning can provide strong protections for rural and agricultural land uses, including historic buildings. Zoning ordinances should be reviewed carefully and often to ensure that they protect existing rural land use patterns and historic resources.

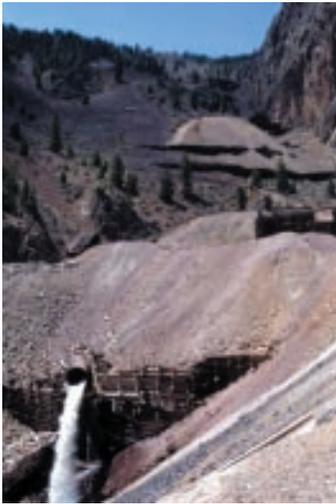
Programs That Assist Colorado's Rural Communities

Three programs in Colorado can provide valuable preservation assistance to rural communities.

- The *Certified Local Governments* (CLG) program is a federal initiative that promotes grassroots historic preservation at the local level. In Colorado, the CLG program is administered through the Colorado Historical Society and provides technical assistance and grants to participating local governments. For example, Lake City (population: 375) received a grant of \$7,650 to review and revise their local historic preservation regulations.
- Also, the National Trust for Historic Preservation's *Main Street* program, recently re-established in Colorado (Brush, Canon City, Greeley, and Montrose are the initial participants), promotes revitalization of small downtowns by focusing on four key areas: design, downtown promotion, organizational partnerships and economic restructuring. Currently 40 states and over 1,600 communities participate in the program, which is considered one of the most effective economic development tools in the nation. There are high hopes for Colorado's new program. Since 1980, the national program has generated \$15.2 billion in public and private reinvestment for Main Street communities, with an average reinvestment ratio of \$39.22 per every \$1 spent in the program. On average, each participating community has experienced \$9.3 million in reinvestment. Nationally, 79,000 buildings have been rehabilitated in Main Street communities.¹⁷
- The National Trust for Historic Preservation launched the *Barn Again!* program in 1987. Today, Barn Again! provides technical assistance to an average of 700 barn owners annually.¹⁸ Colorado Barn Again!, one of only nine statewide programs, offers preservation workshops for owners of historic barns and gives awards for the best examples of historic barns that have been rehabilitated for farming or ranching uses.

Summary: Rural Preservation

By promoting reinvestment and revitalization of existing resources, historic preservation can help counter the effects of both sprawl and disinvestment.



Commodore Mine, Creede
 Courtesy Colorado Historical Society

Locally based preservation organizations can be a great resource for rural communities. Historic Routt County, for example, recently launched a new program, Barns Etc!, which provides technical preservation assistance to owners of historic Routt County ranches.

Rural preservation, of course, involves much more than just protecting historic resources. Effective rural preservation strategies should be comprehensive, addressing a full range of economic, environmental, political, and cultural issues. But historic preservation can and should be an important part of an effective rural preservation strategy. By promoting reinvestment and revitalization of existing resources, preservation can help counter the effects of both sprawl and disinvestment. Rural preservation is greater than saving a single silo or open field; it is a strategy that addresses many of the key economic challenges that have been triggered by the rapid growth experienced in our state.

What is “Rural”?

The Census Bureau defines rural areas primarily by exclusion—those places that are not classified as “urban.” According to the criteria used in the 2000 Census, “urban” areas are those that meet certain population density requirements, generally clusters of 2,500 or more people, a low threshold that includes big cities, from Denver and Boulder, and smaller towns like Montrose. “Rural” encompasses everywhere else: places outside of urban areas with fewer than 2,500 residents, including towns like Paonia and Mancos. Counties are not included in the Census Bureau’s “rural” versus “urban” distinction, and so a single county may contain both rural and urban areas.

Preservation Activities in Rural Colorado

Using the Census Bureau’s general definition of rural places as those with less than 2,500 people located outside of “urbanized” areas, we can determine the following facts about preservation activities in rural Colorado:

Certified Local Governments

Four out of 28 Certified Local Governments (14 percent) are rural—Georgetown, Lake City, Pagosa Springs, and Walden. These communities have designated approximately 20 individual historic resources and three historic districts (with an additional 261 properties).

Other Local Governments With Preservation Ordinances

Fourteen out of 48 local governments (29 percent), that have a preservation ordinance but do not participate in the Certified Local Governments program, are rural—Bennett, Cedaredge, Dolores, Larkspur, LaVeta, Meeker, New Castle, Rangeley, Red Cliff, Redstone, Rico, San Juan County, Silt, and Silver Plume. These communities have designated approximately 50 individual historic resources and one historic district (with 229 properties).

State/National Register Designations

Approximately *309 State Register listings (22 percent)* are located in rural areas (The State Register includes all National Register properties).

State Historical Fund

Approximately *196 out of 854 rehabilitation grants (23 percent)* have been distributed to projects located in rural areas.

Federal Tax Credits

Approximately *12 out of 301 federal tax credit projects (four percent)* are located in rural areas.

State Tax Credits

Approximately *nine out of 382 state tax credit projects (three percent)* are located in rural areas.



Conclusions

As documented throughout this report, the economic impacts of historic preservation in Colorado truly have been significant, acting as an engine for economic development not only for the entire state, but also for each Colorado community and individual citizen. Billions of dollars have been spent, tens of thousands of jobs have been created, property values have increased, affordable housing units have been created, and historic neighborhoods are contributing every day to the increased prosperity of our state and our quality of life. In summary:

- **Rehabilitating Historic Buildings:** Incentives for historic rehabilitation projects, such as grants from the State Historical Fund and federal and state tax credits, have resulted in \$676.2 million in direct rehabilitation expenditures. Adding in the indirect economic impacts, the rebuilding and revitalization of Colorado's historic resources has generated approximately \$1.5 billion and created tens of thousands of jobs between 1981 and 2000.
- **Heritage Tourism:** Heritage tourists in Colorado spent \$1.4 billion in the most recent year for which figures are available. Adding in the indirect impacts, the total impact on the state's economy from those visitors in just one year reached \$3.1 billion.
- **Local Reinvestment and Property Values:** Rehabilitated resources return under-utilized buildings to productive use. Further, local historic designation can lead to reinvestment and generate increased tax revenue for local communities. Our research shows that property values in several Colorado neighborhoods have been enhanced or remained stable after local historic designation.
- **Affordable Housing:** Colorado's historic areas and districts provide homes to citizens of all economic levels. Under-utilized historic resources, such as hotels, are often excellent candidates for affordable housing developments.
- **Rural Preservation:** Historic preservation is playing a key role throughout the economic development strategies of rural communities throughout the state, whether they are confronted with problems created by too much growth and development, or not enough.



*Ideal Cement Building, Denver
Courtesy Colorado Business Bank*



*Rainbow Bridge, Fort Morgan
Courtesy Colorado Historical Society*

- **Community Building:** As evidenced by the success of Colorado’s preservation incentive programs, historic preservation is truly a multi-disciplinary collaboration that brings together varied interests, from private businesses to nonprofit organizations to government agencies, toward common preservation goals.



Central Denver

Despite all the successes documented in this report, the historic preservation movement in Colorado is still relatively young. Indeed, the first historic designations in the state occurred in 1966, and all activity covered in this report happened after 1981.

A primary objective of this project has been not only to document the many ways in which preservation activities have already benefited the Colorado economy, but also to generate a framework for tracking future preservation activities. To this end, we have developed a standardized set of criteria, or “indicators,” that may be updated on an annual basis. In the future, these indicators can provide a consistent measure of Colorado’s preservation activities and related economic impacts. The indicators are intended to assist state and local governments and preservation organizations in monitoring the continuing impacts of historic preservation, and to track improvements and progress toward meeting goals. The indicators are contained in the separate technical report that contains all data collected and summarizes all project methodology. An online link to the technical report can be found at www.cohf.org.

Truly, the state’s progress in such a short time has been remarkable. But Colorado’s preservation movement is just getting started. New districts are designated throughout the state every year, and dozens of applications for State Historical Fund grants are filed each grant round. As impressive as the results documented in this study are, the potential remains for even more significant economic impacts in the future.



Downtown Salida



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Downtown Walsenburg

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For more information, additional copies of this report, or a copy of the technical report, please contact the Colorado Historical Foundation.

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

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All photos courtesy of Clarion Associates unless otherwise noted.

Endnotes



Downtown Rico
Courtesy Colorado Historical Society

- ¹ The sum of required matching and additional matching dollars divided by the amount of distributed grant funding.
- ² Dollars in this study have not been adjusted for inflation, in order to correctly apply RIMS II multipliers. The 2000 “inflation” adjustment for the State Historical Fund and Colorado state tax credit is relatively minimal, as these programs been in operation only since 1993. However, this adjustment is significant for the federal tax credit, as it has been in place for over twenty years. In year 2000 dollars, this \$461.6 million in federal tax credit expenditures would total \$538.5 million.
- ³ National Trust for Historic Preservation. *State Funding for Historic Preservation*. 2000.
- ⁴ Wisconsin Historical Society, State 25% Tax Credits for Owner-Occupied Historic Residences. November, 2000.
- ⁵ In order to generate data on the economic effects of historic rehabilitation projects throughout Colorado, we used Colorado-specific versions of RIMS II (Regional Input-Output Modeling System) regional multipliers, obtained from the Colorado Division of Local Government. RIMS II multipliers, developed by the U.S. Bureau of Economic Analysis, are widely used to estimate the economic impact of one industry on the entire economy of a particular region.
- ⁶ “Jobs Created” refers to the employment figures generated by the RIMS II multipliers. These numbers actually should be interpreted as “job-years,” meaning one year of full-time employment for one worker. A “job-year” may include the work of multiple individuals (e.g., a roofer who works on preservation projects 20% of the time)
- ⁷ Rypkema, Donovan. *The Impact of Historic Preservation on the North Carolina Economy*. Raleigh: Preservation North Carolina, 1997.
The Center for Urban Policy Research. Historic Preservation at Work for the Texas Economy. *Austin: Texas Historical Commission*, 1999.
- ⁸ Rypkema, Donovan. Preservation and Property Values in Indiana. *Historic Landmarks Foundation of Indiana*. 1997.
- ⁹ Morton, Elizabeth. Historic Districts are Good for Your Pocketbook: The Impact of Local Historic Districts on House Prices in South Carolina. *South Carolina Department of Archives and History*, 2000.
- ¹⁰ Leithe, Joni and Patricia Tigue. Profiting from the Past: The Economic Impact of Historic Preservation in Georgia. *Athens: Georgia Department of Natural Resources*, 1999.
- ¹¹ *The Center for Urban Policy Research*. Historic Preservation at Work for the Texas Economy. 1999
- ¹² Colorado Status of Housing 2000: The Affordability Challenge. Colorado Housing and Finance Authority.
- ¹³ The historic district analysis was performed at the census tract level. Census tracts were selected that lay entirely or almost entirely within the district borders. 1980 and 1990 Census Bureau data and 1999 AGS demographic estimates were examined for these tracts.
- ¹⁴ The dollar values for Potter Highlands Historic District are as follows:

1980	1990	1999
33.6% \$0-\$7,751	45.5% \$0-\$12,663	38.2% \$0-\$17,778
33.0% \$7,752-\$15,942	24.1% \$12,664-\$25,730	26.3% \$17,779-\$35,068
21.9% \$15,943-\$30,914	17.9% \$25,731-\$44,733	20.6% \$35,069-\$62,728
11.4% \$30,915 and over	12.5% \$44,734 and over	15.0% \$62,729 and over
- ¹⁵ The dollar values for the Midtown Historic District are as follows:

1980	1990	1999
37.2% \$0-\$8,073	41.1% \$0-\$13,098	36.7% \$0-\$18,156
34.3% \$8,074-\$17,053	29.4% \$13,099-\$27,498	30.0% \$18,157-\$36,785
16.5% \$17,054-\$32,642	20.0% \$27,499-\$47,525	22.0% \$36,786-\$63,619
12.1% \$32,643 and over	9.6% \$47,526 and over	11.3% \$63,620 and over
- ¹⁶ Colorado Coalition of Land Trusts, www.cclt.org
- ¹⁷ National Trust for Historic Preservation. *National Reinvestment Statistics*. 2000
- ¹⁸ Barn Again!, www.barnagain.org