



# Why Do Old Places Matter? Economics

By Tom Mayes posted 04-16-2015 10:58

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*Editor's Note: [Click here for full coverage](#) on the Why Do Old Places Matter? series including the Spring 2015 issue of Forum Journal.*

*Tom Mayes, a 2013 Rome Prize winner in Historic Preservation from the American Academy in Rome, is back in Washington, D.C., these days. But he hasn't stopped thinking and writing about why old places matter. His [series of essays](#) about his experiences and research concludes here. Check back next week for information on the spring 2015 issue of Forum Journal which looks at "Why Do Old Places Matter?" from a variety of different perspectives.*

Old places support a sound, sustainable and vibrant economy.

In writing this series of essays about why old places matter, I have intentionally saved the discussion of how old places support a sustainable and vibrant economy to the last. Why? Because the other fundamental reasons for keeping, using, reusing and preserving old places are given short shrift, and professional preservationists often jump right to the argument that saving old places is economically beneficial, assuming that the economic argument is the only one decision-makers will want to hear. But it seems to me that starting a discussion about the importance of saving an old place with the economic rationale, immediately positions people who care about old places on the defensive, as if old places are only worth keeping for economic reasons or if they can justify



View of downtown Athens, Georgia. | Credit: National Trust for Historic Preservation

themselves economically. And often the economic justification is assessed by narrow and limited economic measurements that don't fully take the broader economic—and other—values of old places into account.<sup>1</sup>

Old places are deeply beneficial to people because of the way they give us a sense of continuity, identity, and belonging, because they inspire us with awe, beauty, and sacredness, because they tell us about history, ancestry, and learning, and because they foster healthy, sustainable communities. Not all of these “non-use values,” can (yet) be fully measured economically—although increasingly, people are trying. Keeping and using old places is good for people for those reasons even if the historic places can't fully pay for themselves or if they require subsidies or other public support. Fortunately, there seems to be a growing desire to measure and weigh “non-use values,” as economists call these not-easily-measurable values.

As Randall Mason, chair of the Graduate Program in Historic Preservation at the University of Pennsylvania, wrote in a study on preservation and economics for the Brookings Institution in 2005, “Historic preservation is organized primarily to sustain and create cultural values, like historical associations, senses of place, cultural symbolism, the aesthetic and artistic qualities of architecture, and the like. Studying the economics of this (or any other part of the cultural sector) amounts to calculating the incalculable, or pricing the priceless. Economic analyses can easily determine partial or proxy values for the full value of historic preservation, but what do these tell us? Are they sufficient or even useful?”<sup>2</sup> It's a sign of just how wholly commercial our American society is, that we must justify saving the old places that give us a sense of belonging and identity by showing that they support our economy.

But justify we must. Although I don't think we should lead with the economic rationales, we still need to have them in the toolbox for those who won't accept the other reasons that old places are beneficial. Fortunately as Donovan Rypkema, real estate consultant and principal of PlaceEconomics puts it, “The good news is historic preservation is good for the economy. In the last 15 years dozens of studies have been conducted throughout the United States, by different analysts, using different methodologies. But the results of those studies are remarkably consistent—historic preservation is good for the local economy. From this large and growing body of research, the positive impact of historic preservation on the economy has been documented in six broad areas: **1)** jobs, **2)** property values, **3)** heritage tourism, **4)** environmental impact, **5)** social impact, and **6)** downtown revitalization.”<sup>3</sup>

Although I won't follow Rypkema's list of six reasons exactly (the National Trust's website lists 12 reasons),<sup>4</sup> here's a quick review of six key reasons that keeping and reusing old places is good for the economy.

1. **Jobs, income, state and local taxes.** Rehabilitation of older buildings produces higher-paying jobs than new construction and the money tends to stay in the local economy. Because rehabilitation of historic buildings generally requires a higher skill set, wages produced with rehabilitation generally are higher, and remain in the local economy more. As the FY 2012 annual report on the economic impact of the rehabilitation tax credit states: "Numerous studies conducted by Rutgers University have shown that in many parts of the country, a \$1 million investment in historic rehabilitation yields markedly better effects on employment, income, GSP, and state and local taxes than an equal investment in new construction or many other economic activities (e.g., manufacturing or services)."<sup>5</sup>
2. **Heritage tourism.** Whether people go to old places to experience the awe of the sacred or transcendental beauty, for incomparable opportunities to learn, to spur their imaginations or simply to experience a place that has maintained a sense of distinctiveness, old places are destinations for tourism, and have been so for millennia. The economic benefits of heritage tourism are unparalleled. As Donovan Rypkema has said, "Wherever heritage tourism has been evaluated, this basic tendency is observed: heritage visitors stay longer, spend more per day, and, therefore, have a significantly greater per trip economic impact."<sup>6</sup> The World Bank report, *The Economics of Uniqueness*, emphasizes that heritage tourism is an important economic development strategy, particularly because "tourism development... requires less capital, infrastructure, and skilled labor."<sup>7</sup> And there's the sustainable benefit—for everyone—of saving a community's sense of history, distinctiveness and identity.
3. **Revitalization.** For decades, older communities have used their historic buildings and streetscapes as assets for revitalization, providing a greater diversity of income and cultural background in neighborhoods, increasing property values, increasing job opportunities.<sup>8</sup> As the website for the Main Street program says, "the cumulative success...of the Main Street programs on the local level has earned a reputation as one of the most powerful economic revitalization tools in the nation."<sup>9</sup>
4. **Attracting talent and investment.** According to the World Bank report, *The Economics of Uniqueness*, "[heritage-related projects] contribute to urban livability, attracting talent, and providing an enabling environment for job creation." As Richard Florida and others have emphasized, creative people are the talent that drives the new economy, and creative people are attracted to places that have authenticity. Businesses located in places that are perceived of as good places to live, with a sense of authenticity, have an edge in attracting talent and

investment. Or as the World Bank report puts it: "...heritage is a differentiator that attracts talent to cities."<sup>10</sup>

5. **Property values.** One of the main purposes cited in preservation statutes as a rationale for historic preservation is that it stabilizes and supports property values. Studies throughout the United States show that this is generally true, with property values in historic districts rising more consistently than in areas that are not historic districts. In addition, studies show that historic districts maintain their value during times of real estate devaluation, such as the recent recession, and recover more rapidly.<sup>11</sup>
6. **Business incubation.** As the Preservation Green Lab report *Older, Smaller, Better* recently concluded, older smaller buildings are critical to the incubation of small businesses that are the primary job creators in the U.S. economy.<sup>12</sup>

This is the briefest summary of some of the economic benefits of old places, yet it makes a powerful and forward-looking case for the economic benefits of keeping and reusing old places. Scores of studies and reports provide both backup and caveats for these conclusions and can be found from a wide variety of sources.<sup>13</sup> Combined with the many other benefits—the benefits that are hard to measure economically, which are deeply beneficial for people, keeping and retaining old places seems like a no-brainer.

I object to the notion that everything in life has to be reduced to an economic equation, but imagine if these studies could capture the full *value* of the benefits old places give people—the sense of identity and belonging, the awe of beauty, the creativity and imagination? The valuation would be, as Randall Mason put it, "calculating the incalculable, or pricing the priceless."

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## Notes:

1. For insightful discussions of the limits, opportunities and current innovations in measuring the economics of preservation, see Guido Licciardi and Rana Amirtahmasebi, Eds., *The Economics of Uniqueness* (Washington, DC: The World Bank, 2012).

2. Mason, Randall. "Economics and Historic Preservation: A Guide and Review of the Literature." (The Brookings Institution, 2005).

[www.brookings.edu/research/reports/2005/09/metropolitanpolicy-mason](http://www.brookings.edu/research/reports/2005/09/metropolitanpolicy-mason). Accessed March 29, 2015.

3. Cheong, Caroline and Donovan Rypkema. "Measuring the Economics of Preservation: Recent Findings. (Advisory Council on Historic Preservation June, 2011).

4. "12 Economic Benefits of Historic Preservation," [my.preservationnation.org/site/DocServer/Economic\\_Benefits\\_of\\_HP\\_April\\_2011.pdf?docID=9023](http://my.preservationnation.org/site/DocServer/Economic_Benefits_of_HP_April_2011.pdf?docID=9023). Accessed April 8, 2015.

5. National Park Service and Rutgers University, Edward J. Bloustein School of Planning and Public Policy, "Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2012." [ntcic.webfactional.com/rutgers/](http://ntcic.webfactional.com/rutgers/). 2013. Accessed April 5, 2015.

6. Rypkema, Donovan. "The Economics of Historic Preservation," Keynote Address, Alexandria Historic Preservation Conference and Town Meeting, May 5, 2007.

7. Licciardi, Guido and Rana Amirtahmasebi, Eds., *The Economics of Uniqueness* (Washington, DC: The World Bank, 2012), 183.

8. I note the concern that revitalization strategies may result in gentrification, the displacement of existing residents because of increased rents or property taxes. Although the complex topic is outside the scope of this brief essay, it deserves additional attention, and has been, and will continue to be, addressed and studied. For an introduction, see Donovan Rypkema's discussion in *The Economics of Uniqueness*, 125-138.

9. The National Main Street Center conducts research to document this by annually collecting statistical information on the preservation, revitalization, and economic activities in local Main Street programs throughout the country. These estimates are based on cumulative statistics gathered from 1980 to December 31, 2013 for all designated Main Street communities nationwide.

|  |                |
|--|----------------|
| Dollars Reinvested: Total reinvestment in physical improvements from public and private sources. | \$59.6 billion |
| Number of building rehabilitations:  | 246,158        |
| Net gain in jobs:  | 502,728        |
| Net gain in businesses:  | 115,381        |
| Reinvestment Ratio (i):  | \$33.28:\$1    |

[www.preservationnation.org/main-street/about-main-street/reinvestment-statistics-1.html#.VSGWP0lh6sE](http://www.preservationnation.org/main-street/about-main-street/reinvestment-statistics-1.html#.VSGWP0lh6sE). Accessed April 5, 2015.

10. *The Economics of Uniqueness*, xxiii.

11. See several studies at [www.placeeconomics.com/resources/publications](http://www.placeeconomics.com/resources/publications). Accessed April 8, 2015.

12. National Trust for Historic Preservation, Preservation Green Lab, Older, Smaller, Better (Washington, DC, 2014).

13. A good beginning point, which will point to other studies, is Cheong and Rypkema's "Measuring the Economics of Preservation: Recent Findings" and Randall Mason's "Economics and Historic Preservation: A Guide and Review of the Literature" cited above.

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The National Trust's federal tax identification number is 53-0210807.