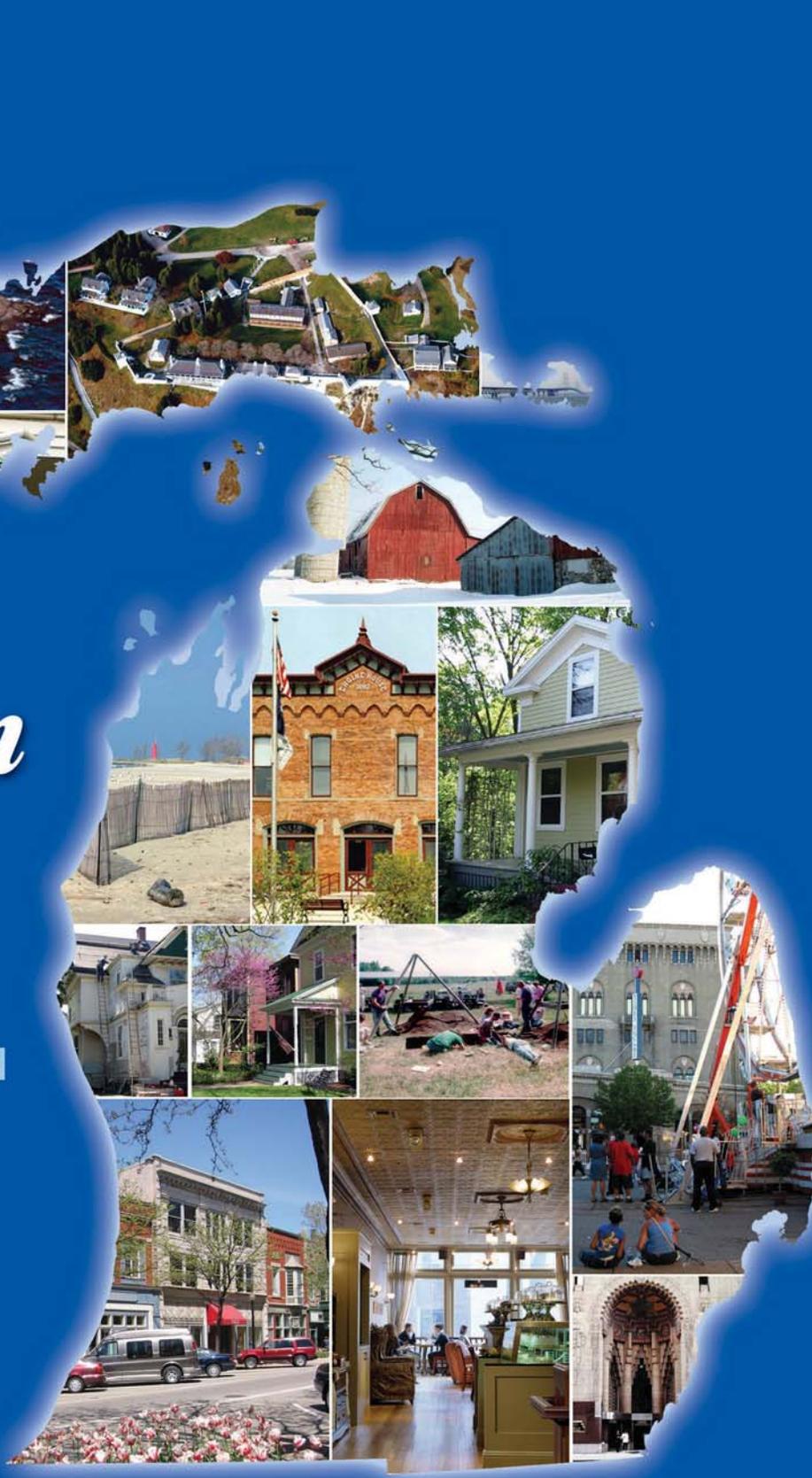


Investing in
THE ECONOMIC BENEFITS
Michigan's
OF HISTORIC PRESERVATION
Future



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Lower Peninsula, from top to bottom:

Michigan Barn, Courtesy Mary Asmus; Pere Marquette Beach, Muskegon, Courtesy Michigan Sea Grant Extension; Lapeer City Hall, Lapeer, Courtesy SmithGroup; Historic District Detail; Rehabilitation in Holland Historic District; Pritchard's Overlook Historic District, Allegan; Archaeological dig, Chippewa Nature Center, Midland County, Courtesy MHPN; Holland Main Street; Crazy Wisdom Bookstore and Tea Room, Ann Arbor, Courtesy Justin Maconochie; DaimlerChrysler Arts, Beats and Eats Festival, Pontiac, Courtesy Janine Saputo; Guardian Building, Detroit, Courtesy Martin Doudoroff.

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September 2002

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Introduction

Historic preservation adds value to the lives of all Michigan residents and visitors. Michigan's historic properties are invaluable cultural, aesthetic, and educational resources. Historic places provide opportunities each day to appreciate the legacy of Michigan's rich past.

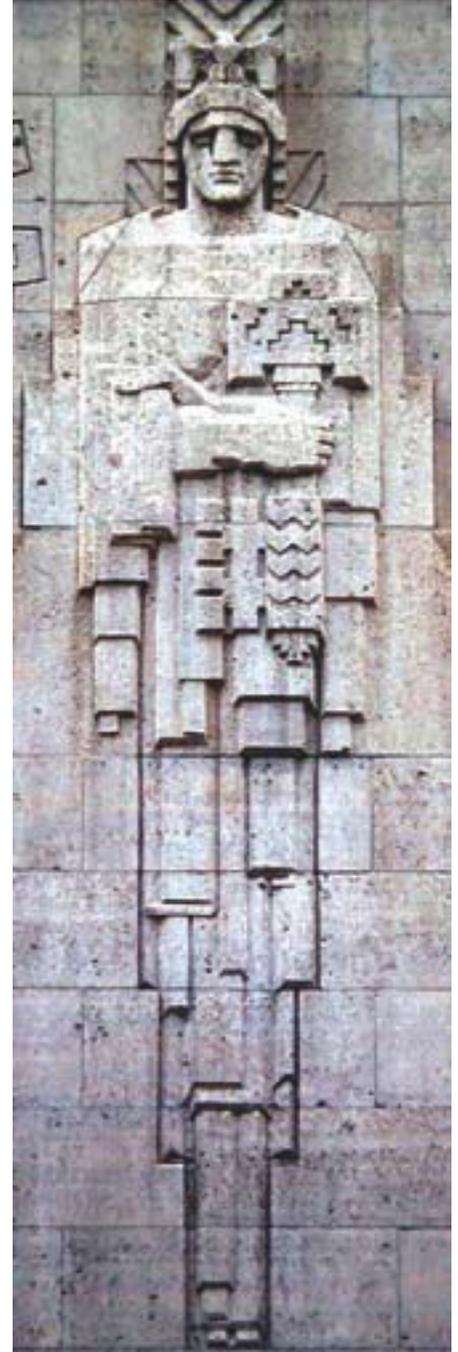
Historic preservation also has a significant economic component. Historic preservation activities are cost-effective tools that may be used to leverage private capital, create jobs, revitalize neighborhoods and business districts, and stimulate a wide range of other economic activities. For example:

- *Preservation protects and revitalizes historic resources.* Michigan property owners can take advantage of federal and state tax credit programs to help rehabilitate historic buildings. Since 1978, the federal rehabilitation tax credit has been utilized by 611 Michigan projects, for a total of \$807.6 million in qualified rehabilitation costs. Since 1999, the state rehabilitation tax credit has been utilized by 205 projects, for a total of \$8.0 million in qualified rehabilitation costs. This sizeable investment ensures that historic resources continue to serve Michigan's neighborhoods and business districts.
- *Preservation creates jobs and income.* Since 1971, rehabilitation activities in Michigan have created 20,252 jobs and generated a total of \$1.7 billion in direct and indirect economic impacts.
- *Preservation benefits neighborhoods.* Examples throughout the state show that historic district designation programs enhance local property values.
- *Preservation attracts Michigan visitors.* The link between preservation and tourism is well established. Preserving historic character helps support tourism by providing interesting and unique opportunities for visitors, and tourism supports preservation by providing resources for ongoing preservation efforts.

In summary, historic preservation not only promotes an increased appreciation of the past; it is often a key feature of successful community planning and economic development.

This project, to document the economic benefits of historic preservation in Michigan, was undertaken by the Michigan Historic Preservation Network, Inc., with the assistance of the Michigan State Historic Preservation Office. This project resulted in three reports. The summary report—this document—provides an overview of the project. A separate, technical report describes the findings in greater detail and discusses project methodology. The third is a brief paper that outlines the Michigan state rehabilitation tax credit.

Michigan's preservation activities have widespread economic impacts. The following pages describe the many ways in which Michigan's past continues to support Michigan's future.



Guardian Building, Detroit, Courtesy Martin Doudoroff

Rehabilitation of Historic Buildings

"I choose older buildings for my projects for several reasons: love for their historic character, the availability of rehabilitation tax credits, and because these types of properties are usually located in neighborhoods that are ready for revitalization. Historic preservation is an environmentally, socially, and fiscally responsible strategy for revitalizing communities."

Guy Bazzani, President
Bazzani Associates, Inc., Grand Rapids

Historic rehabilitation happens each day in a wide variety of contexts—from minor repairs on historic homes to large-scale renovations of landmark commercial buildings. Many of these projects are eligible for preservation incentives that assist owners in returning underutilized resources back to active service within the community. Program participants typically must conform to the Secretary of the Interior's Standards for Rehabilitation, thus ensuring that a consistent quality standard for rehabilitation is applied. All types of historic properties throughout Michigan, such as Muskegon's Amazon Building, Detroit's Fox Theater, and Petoskey's Perry Hotel, as well as dozens of homes and apartments, have benefited from preservation incentive programs.

The following pages summarize four programs that are available for the rehabilitation of historic properties in Michigan:

- Federal Rehabilitation Tax Credit
- State Rehabilitation Tax Credit
- Historic Preservation Fund
- Michigan Lighthouse Assistance Program

The cumulative economic benefits of these programs are discussed on pages six and seven.



This project in Kalamazoo revitalized a historic home.

Courtesy State Historic Preservation Office



"We never would have tackled this project without knowing that the 25 percent state tax credit was available. This has been a huge project for our family. Thank you! I'm afraid that this historic resource would have been lost if someone like us had not interceded when we did."

John Pulver, homeowner, in a letter to the State Historic Preservation Office



The Federal Rehabilitation Tax Credit

The Federal Historic Preservation Tax Incentives Program has been in place since 1976 and is, in the words of the National Park Service, “one of the federal government’s most successful and cost-effective community revitalization programs.”¹ Administered by the National Park Service in cooperation with the Internal Revenue Service and the nation’s State Historic Preservation Offices, this program encourages private investment in historic buildings by offering significant tax credits for rehabilitation. The principal incentive is a 20 percent income tax credit for the certified rehabilitation of a certified historic structure. The 20 percent credit is available for properties rehabilitated for income-producing purposes, such as commercial, industrial, or rental residential uses.

The federal 20 percent tax credit has been used frequently in Michigan. From 1978 to 2001:

- A total of 611 Michigan projects have used the credit, with cumulative qualified rehabilitation costs of \$807.6 million.
- Approximately 61 percent of projects utilizing the federal tax credit were located in two counties: Wayne and Kent. In all, 51 of Michigan’s 83 counties contain rehabilitation projects that have filed for the federal tax credit.
- The median cost of a Michigan federal tax credit project is \$250,000 and the average cost is \$1,422,080.



General Motors Technical Center Historical Marker Dedication Ceremony, August 2002, Courtesy General Motors
Pictured from left to right: Gerald L. Elson, GM Vice President, Vehicle Operations; Keith E. Molin, President, Michigan Historical Commission; Mark A. Steenberg, Mayor, City of Warren; Cecil D. St. Pierre, Councilman, City of Warren.

GENERAL MOTORS TECHNICAL CENTER

General Motors Corporation is conducting a \$1 billion renovation and expansion of the GM Tech Center in Warren. This 1,000-acre complex was originally designed by the internationally renowned architect Eero Saarinen and completed in 1953. The GM Tech Center in Warren is currently one of the largest and most significant corporate renovation projects in the country. The renovation is utilizing the 20 percent federal rehabilitation tax credit for improvements related to its historic features.

“There are several very good reasons to renovate the GM Tech Center in Warren. General Motors has long recognized its prominence, not only as an engineering and design center, but also as an innovative and historic architectural work. The GM Tech Center in Warren set an architectural precedent when it was constructed in the 1950s.

The financial potential that the 20 percent rehabilitation tax credit brings has allowed us to pursue types of renovation and restoration that would ordinarily be cost-prohibitive. We are trying to duplicate a number of the Center’s original features, such as the original curtain wall. But these types of features often have related costs: they can be difficult to obtain and usually require special fabrication. But we can point to the fact that the 20 percent federal tax credit on all renovation work on historically significant buildings will more than offset these premiums. We’ve experienced a good level of flexibility with the program by both the State Historic Preservation Office and the National Park Service.”

David Witt, Program Manager
Warren Campus, General Motors

“Rehabilitation tax credits are an invaluable resource for the city of Detroit. The availability of tax credits encourages investors to fund projects within the city. These programs also provide a way to save Detroit’s important architecture. Without tax credits, many of Detroit’s historic resources would have been lost because developers could not obtain the funding to preserve them.”

James A. Turner
President, Preservation Wayne

Before and After—The Michigan state tax credit helped to transform Detroit’s Kales House.



Kales House, Detroit, Courtesy State Historic Preservation Office

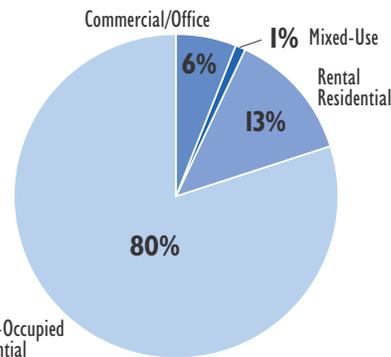
The Michigan Rehabilitation Tax Credit

In addition to the federal rehabilitation tax credit, many states have their own rehabilitation tax credit programs; at least 20 such programs have been established since the early 1990s. These programs vary considerably, from the percentage of the available credit to the types of targeted properties. Michigan recently adopted its own tax credit for the rehabilitation of historic properties, which is available to properties listed in the National Register, the State Register, or in a locally designated historic district. Unlike the 20 percent federal tax credit, which specifically targets income-producing properties, Michigan’s state tax credit is eligible for owner-occupied properties. The state tax credit offers up to 25 percent of qualified rehabilitation expenditures against state income tax or single business tax liability.²

The Michigan program’s excellent short-term track record to date, along with the state’s high number of designated historic resources, suggests that the rehabilitation tax credit has the potential to contribute significantly to the vitality of Michigan’s economy. In only a few years, from 1999 to 2001:

- A total of 205 Michigan projects have used the credit, with estimated, cumulative qualified rehabilitation costs of \$8.0 million.
- 24 of Michigan’s 83 counties contain rehabilitation projects that have filed for the state tax credit.
- The direct expenditures of Michigan rehabilitation projects utilizing the state tax credit have ranged from a minimum of \$2,800 to a maximum of \$270,000.
- The median cost of a Michigan state tax credit project is \$24,400 and the average cost is \$42,159.

Projects that have utilized the 20 percent federal rehabilitation tax credit also are eligible for an additional five percent state rehabilitation tax credit. Since this option has been available 67 federal tax credit projects have utilized Michigan’s 5 percent state tax credit, totaling over \$101.4 million in rehabilitation expenditures.



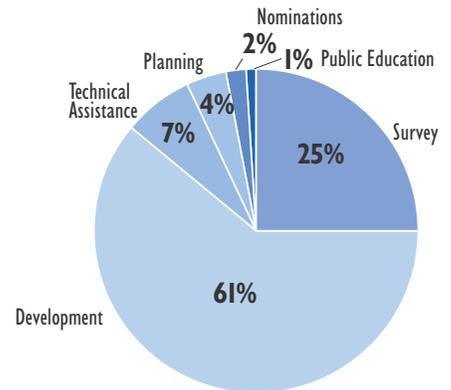
Usage of 25% State Rehabilitation Tax Credit Projects, 1999-2001

Source: Clarion Associates,
State Historic Preservation Office

The Historic Preservation Fund

The Historic Preservation Fund is a grant program that distributes funds received annually from the National Park Service that are made available by the National Historic Preservation Act of 1966 to the nation's State Historic Preservation Offices. This program has played a significant role in the preservation of historic resources of all types throughout Michigan, from preparing a National Register nomination for the Cliffs Shaft Mine in Ishpeming to repairs on the Kalamazoo Ladies Library Association building. Administered by the Michigan State Historic Preservation Office and since 1996 available only to Certified Local Government program participants,³ the Fund supports projects in six general categories: 1) survey; 2) registration; 3) planning; 4) public education; 5) restoration planning; and 6) restoration. Most projects utilizing the Historic Preservation Fund have been for survey (such as an inventory of historical sites in Sault Ste. Marie) and restoration (such as roof repairs to the Cappon House in Holland) projects.

To maximize the effect of this program, the grant recipient is required to provide matching funds that equal 40 percent of the awarded grant amount. This program has been used by 441 projects in 56 of Michigan's 83 counties. Approximately \$6.6 million in grants has been awarded; by adding in the amount of matching funds contributed by grant recipients (\$6.9 million), the total dollar pool more than doubles to \$13.5 million.



Summary of Historic Preservation Fund Projects by Category, Percentage of Total Dollars, 1971-2001

*Source: Clarion Associates,
State Historic Preservation Office*

The Michigan Lighthouse Assistance Program

Michigan Lighthouse Assistance Program grants, established in 1999 through the efforts of the Michigan Lighthouse Project, are designed to assist local groups in preserving and protecting lighthouses. While lighthouses often receive special attention for their historic significance and as cultural icons of navigation, they are in fact some of the state's most threatened resources. Not only have technological advances rendered these structures obsolete for navigational purposes; many lighthouses currently under federal ownership are scheduled for disposal within the next decade and will need to find new stewards. The Michigan Lighthouse Project was established in 1998 to "increase public and governmental awareness of lighthouse preservation issues and identify ways to ensure the long-term preservation of Michigan's lighthouses"⁴ and serves as an informational clearinghouse on the lighthouse disposal and transfer process, and current and pending legislation. Projects funded through Michigan Lighthouse Assistance Program grants have ranged from repairs on the Eagle Harbor Lighthouse in Lake Superior to a feasibility study for the potential reuse of Lake Michigan's Point Betsie Light. Funds from this program are generated in part from the sale of specialty "Save Our Lights" automobile license plates.

Nonprofit and governmental entities that either own, seek to acquire, or have a long-term lease on a lighthouse are eligible to apply for funding. As with the Historic Preservation Fund, matching funds are also required from all grant recipients.

The Michigan Lighthouse Assistance Program has distributed \$220,000 since it began in 2000; by adding in the amount of matching funds contributed by grant recipients, the dollars involved in this program total \$385,000. Sixteen projects in 15 counties have received funding.

"The Michigan Lighthouse Project is very successful in combining the efforts of multiple federal, state, and nonprofit agencies to find new owners for Michigan's lighthouses. Each agency involved in a lighthouse transfer contributes a lot of time and hard work, technical expertise, administrative skills, and whatever else is required to make the transfer a success. Bringing these agencies together is a very powerful collaboration—there's nothing we can't accomplish.

Our first choice for a new owner is generally a joint situation between a local government and nonprofit organization. The best scenario is one that keeps the lighthouse community-oriented. Many lighthouses are now museums, educational facilities, interpretive sites, or used as parks and recreational resources."

*Steve Belko, Manager
The Michigan Lighthouse Project*

South Manitou Island Light, Sleeping Bear Dunes National Lakeshore, Courtesy Environmental Protection Agency; Great Lakes National Program Office

The Economic Benefits of Rehabilitation

By looking at the cumulative expenditures of the four types of rehabilitation programs discussed previously, it is possible to determine the effects of that investment on Michigan's economy. As seen below:

Projects utilizing the

Federal Rehabilitation Tax Credit	\$807.6	million
State Rehabilitation Tax Credit	\$8.0	million
Historic Preservation Fund ⁵	\$4.0	million
Michigan Lighthouse Assistance Program	\$0.385	million
If added together, total	\$819.9	million

These expenditures are only the beginning of rehabilitation's economic benefits. Multipliers are used frequently to estimate the economic impact of various activities, such as rehabilitation, on a regional scale. The principle behind the use of multipliers is that each dollar spent within an industry is spent again in related industries and other activities—thus, multipliers essentially estimate the “ripple” effect of each dollar as it travels through an economy.

Based on a “direct” impact, or original economic activity, economic multipliers estimate the amount of “indirect” impact, or additional purchases related to the direct impact. In the case of rehabilitation, the direct impact would consist of the dollars spent on labor and materials. Economic multipliers may then be used to calculate the amount of indirect impact generated by the direct impact. The indirect impact consists of the purchases of goods and services by the industries that produced the items for the original, direct activity. For example, a contractor may purchase paint for a rehabilitation project. The purchase of the paint is a direct impact, but the purchases made by the paint factory to produce the paint are indirect impacts. In summary:

Direct Impacts. Expenditures directly associated with a rehabilitation project. Examples include construction labor, and purchases of building materials and tools.

Indirect Impacts. Expenditures associated with industrial goods and services by firms that provide rehabilitation materials. Examples include manufacturing labor, and purchases of raw materials such as clay, glass, and gravel.

Total Impact. The sum of the direct and indirect impacts.

By using multipliers, one can determine that \$819.9 million in direct rehabilitation expenditures has generated an additional \$933.2 million in indirect impacts, for a total of \$1.7 billion attributable to rehabilitation activities throughout Michigan.

Economic multipliers also may be used to estimate the direct and indirect number of jobs created, and the dollar amount of total household earnings. “Jobs created” refers to the number of job years, or full time employment for one person for one year. Rehabilitation activities in Michigan have directly created 9,394 jobs and indirectly created an additional 10,858 jobs, for a total of 20,252 jobs. Multipliers also estimate the “total household earnings” of employees either directly or indirectly involved with rehabilitation projects, and reflect income that is spent in the



Guardian Building, Detroit, Courtesy Martin Doudoroff

state economy, generally for consumer expenditures such as clothing, utilities, and medical services. For those employees, historic rehabilitation activities have directly generated \$313.5 million in household earnings and indirectly generated an additional \$275.5 million, for a combined total of \$589.0 million.

Rehabilitation activities create jobs and enhance the local economic climate; they also result in greater tax revenues for state and local governments by increasing the revenues collected from property, income, and sales taxes.

- Rehabilitation in Michigan has accounted for approximately \$1.7 million in state business income taxes, \$11.3 million in state personal income taxes, and \$40.4 million in Michigan sales taxes.
- Property taxes have been increased by at least \$31.9 million as a result of rehabilitation activities.

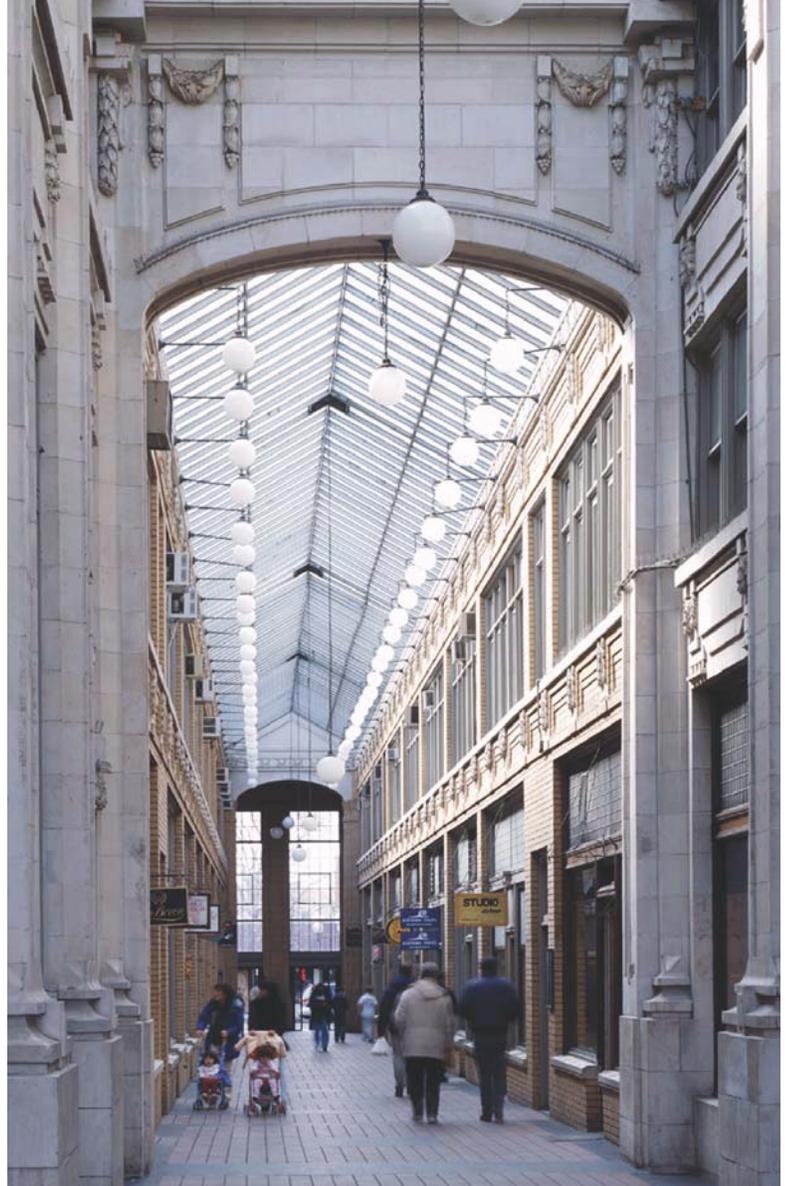
Across the country, the number of jobs created through rehabilitation compares very favorably with the number of jobs created through new construction. A new construction project can expect to spend about 50 percent in labor and 50 percent in materials. In contrast, some rehabilitation projects may spend up to 70 percent in labor costs—labor that is most often hired locally, which helps to keep these dollars within the community.⁶ The table below compares jobs created by rehabilitation in Michigan to jobs created by other Michigan industries. As shown below, \$1 million spent on rehabilitating buildings creates 11 more jobs in Michigan than \$1 million spent on manufacturing chemicals and 8 more jobs than \$1 million spent on manufacturing motor vehicle parts and accessories.

Jobs Created: Rehabilitation Compared to Other Michigan Industries (per \$1 million of direct impact)

	New Jobs Created
Hospitals	26
Rehabilitating Buildings	25
Computer and Data Processing	23
Trucking	22
Manufacturing Carburetors, Pistons, Rings, and Valves	21
Manufacturing Motor Vehicle Parts and Accessories	17
Manufacturing Farm Machinery and Equipment	16
Manufacturing Chemicals	14

Source: Clarion Associates

Notes: Used rounded RIMS II multipliers for the industries indicated for the State of Michigan Region



Nickels Arcade, Ann Arbor, Courtesy Steve Kuzma Photography

S U M M A R Y

Economic Benefits of Rehabilitation

Since 1971:

- \$819.9 million spent on rehabilitation projects
- \$933.2 million indirectly spent
- \$1.7 billion in total expenditures

These expenditures generated:

- \$589.0 in total household earnings
- 20,252 jobs
- \$1.7 million in business income taxes
- \$11.3 million in personal income taxes
- \$40.4 million in Michigan sales taxes
- \$31.9 million in property taxes





Wickwood Inn, Saugatuck

Historic Districts and Property Values

Many people believe that federal and state historic designation programs, such as listing in the National Register of Historic Places, protect historic resources from being significantly altered or demolished. In reality, these programs are honorary distinctions and provide few protections. Local historic designation programs, however, require review of major exterior alterations in order to help preserve the architectural integrity and the distinguishing characteristics of historic areas. A review by a local historic commission might prevent the demolition of historically or architecturally significant buildings. Or a new infill project might be required to conform to specific standards regarding building height and design, in order to ensure compatibility with the surrounding historic buildings.

Many recent studies of historic districts throughout the country demonstrate that local historic district designation and review provisions not only protect an area's historic character—they often add value to individual properties and to the community as a whole. The stabilizing influence and protection that a historic district provides also may encourage private investment and increase property tax revenues for local governments. Under Michigan's Local Historic Districts Act, 57 communities have enacted historic district ordinances.

This section compares property values inside and outside historic districts in five Michigan communities: Grand Rapids, Ypsilanti, Holland, Saugatuck, and Allegan. These communities were selected to reflect various population sizes and geographic areas of the state. In addition, each of these communities has implemented a local historic designation and design review program for at least ten years.

In each city, a historic district sample was compared to a similar non-designated area with regard to size, predominant building type, construction date, and general scale. The historic district sample and non-designated area were often geographically close, if not adjacent to one another.

For the historic district sample and non-designated area, three property value indicators were tracked over time. In all of the case study communities, these "benchmark" indicators suggest a positive correlation between local historic designation and property value. The three indicators are described below.

- **Total Appreciation Since Designation.** In the five Michigan case studies, the district samples had a greater increase in their total appreciation than the non-designated comparisons. These differences in appreciation ranged widely, from extremely dramatic to fairly slight. These results suggest that local historic designation has had either a positive effect, or an effect that is consistent with the total appreciation of the surrounding area. These findings do not support the contention that local historic designation negatively impacts property values.
- **Value.** The historic district samples and their non-designated comparisons have been generally equivalent in terms of average cost per square foot.

"Saugatuck has a healthy historic district, about 90 percent of all design review applications are approved the first time around. About 90 percent of the next 8 percent are approved on second review. The overall denial rate is about two percent. Most of the applications are for signage and remodeling. Eventually, we would like to offer free rehabilitation advice to homeowners, even for property owners who are not located in the district.

History is not dates, but layers. Our community has recognized its layers of history. We don't want to be a "Victorian" community or a "1940s" community. Historic preservation is an important tool for us to manage our local resources."

Gordon Gallagher
Saugatuck City Manager



- *Median Sale Price.* Large samples of sales data were not available in three of the case study areas (Ypsilanti, Saugatuck and Allegan). However, in the two other case studies, the median sale price in the district samples were greater than the median sale price in the non-designated comparison areas.

Several other indicator statistics, such as the percentage of renters versus owners and the dollar amount of building permits, were collected, as available, in order to better compare the individual case study areas to one another.

While the historic districts examined here are each unique, there do appear to be several similarities among them. First, an extremely high number (at least 95 percent) of applications to historic district commissions are approved during the first or second submittal. The percentage of renters versus owners is also similar both within the district samples and the non-designated comparisons. In four of the case studies, there are more homeowners within the district sample than in the non-designated comparison. Saugatuck is the one exception—as a resort community, the percentage of rental homes is extremely high in both the designated and non-designated areas.

Perhaps the most significant similarity among the five case study communities is that their historically designated areas are all considered significant parts of local culture and history. In all five communities, historic areas are celebrated in local festivals and house histories are described in walking tours. There are a wide variety of preservation-related organizations (such as historical societies, historic district commissions, and neighborhood organizations) that reflect the work of many committed citizens who are active in promoting and honoring local history.

What remains unknown in all these districts is how the area might have changed if no historic district was ever created. Many residents who were interviewed for this project are passionate believers in the positive effects of historic designation, citing examples of inappropriate developments that had not been built because of the presence of review requirements, increased community involvement and pride, and considerable private investment and overall economic improvement in the area since historic designation.

The question, “What effect does historic designation have on property values?” is a complex issue involving multiple variables that vary considerably depending on the individual conditions in each area. The Michigan research supports the conclusion that historic district designation generally enhances the economic climate already present in the area. Property values in the designated areas experienced value increases that were either greater than, or very similar to, nearby non-designated areas.

This Certificate of Appropriateness in Grand Rapids’ Heritage Hill District ensures this rehabilitation project is consistent with the district’s applicable design guidelines and standards.



Grand Rapids’ Heritage Hill District is a nationally and locally designated historic district.



Heritage Hill Historic District, Grand Rapids

“Historic preservation is a good economic development strategy and that’s very obvious from the progress that has been made in Heritage Hill over the years. As a long time resident of the area, I can testify to its success. Urban pioneers took a chance in Heritage Hill—they made an investment in what was a disinvested area and the subsequent improvement there has worked to benefit the entire City.”

John H. Logie
Mayor, City of Grand Rapids



A SUMMARY OF PROPERTY VALUES RESE

Grand Rapids: Heritage Hill Historic District

Heritage Hill Historic District was locally designated in 1973 and is one of the largest urban historic districts in the country. This district includes many of Grand Rapids' finest surviving structures, with many of these constructed between 1860 and 1920. Both the historic district sample and the non-designated comparison have experienced impressive value increases in recent years. The historic district has appreciated almost twice as fast as the non-designated area – over 1,200 percent in the district and 636 percent in the non-designated area from 1974 to 2002. Home prices are also significantly greater in the district sample versus the non-designated comparison. Several discussions with local realtors confirmed these findings: Heritage Hill is one of the most desirable markets in Grand Rapids.



Heritage Hill Historic District



Ypsilanti Historic District

Ypsilanti: Ypsilanti Historic District

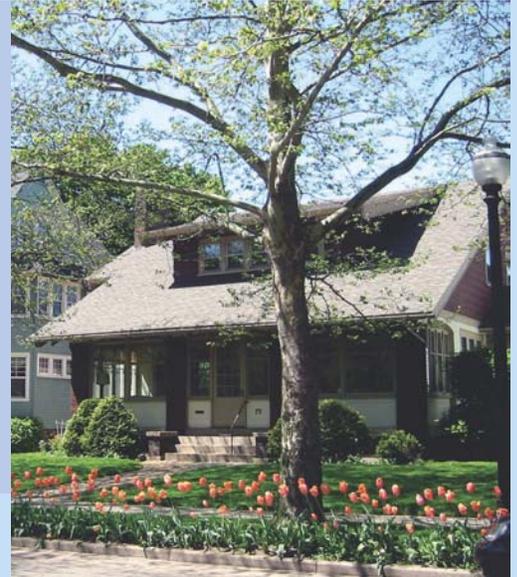
The Ypsilanti Historic District covers approximately 20 percent of the city's 4.4 square miles, includes over 750 buildings, and was locally designated in 1983. This district is notable for its variety of architectural styles, such as Greek Revival and Queen Anne, and high concentration of historic structures. A comparison of multifamily properties on two streets, one within the district and one outside the district, found that assessed values in both areas have remained similar from 1982 to 2002. Sales prices followed the same trend—sales have been comparable since 1989, the earliest year for which sales data was readily available. We also compared assessor data from a historic district area to the entire city of Ypsilanti. From 1997 to 2002, the citywide assessed values rose by 33.3 percent. In contrast, the assessed values during the same time period for the district sample area rose by 52.4 percent.



ARCH IN FIVE MICHIGAN COMMUNITIES

Holland: Holland Historic District

Holland, a city of approximately 36,000 residents, established the Holland Historic District in 1986. We obtained data for both the Holland Historic District and the adjacent Washington Boulevard area, which became a historic district in 2002. Both areas have experienced significant value increases over the last decade. From 1990 to 2002, property values in the Holland Historic District have appreciated substantially more than the Washington Boulevard area. Also, the percentage of renters in these historic districts (16.9 percent in the Holland Historic District and 24.1 percent in the Washington Boulevard area) is much lower than Holland's citywide average percentage of rental dwellings, 32.8 percent, which suggests the stability of these neighborhoods.



Holland Historic District



Saugatuck Historic District

Saugatuck: Saugatuck Historic District

Saugatuck is a small tourism-based waterfront community that established a local historic district in 1981. The area is a popular destination for both seasonal residents and day-trippers; an estimated 450,000 visitors make the journey to Saugatuck and nearby Douglas each year. In such a community, historic designation is only one of many variables that influence property values. An analysis of property values in both the historic district and a similar, non-designated area found that the district has appreciated at a faster rate and has a slightly greater cost per square foot than properties outside the historic district.

Allegan: Pritchard's Overlook Historic District

Allegan is the home to approximately 4,500 residents and the county seat of the predominantly agricultural Allegan County. The town has had an active preservation program for many years and established a local historic district commission in 1985. Allegan contains several historic districts that cover many of the area's wide range of historic structures that date generally from 1830 through the early 1900s. Values for dwellings within the district sample and the non-designated comparison have remained very similar to one another since designation. From 1985 to 2001, the median sale price within the district has been consistently greater than the non-designated area.



Pritchard's Overlook Historic District



Preservation and Michigan Tourism

Tourism is a vital component of the Michigan economy and is generally considered to be Michigan's second largest industry, after manufacturing. Tourism creates jobs and income throughout the state in hotels, bed and breakfasts, motels, retail stores, restaurants, and other related businesses.



Archaeological Dig, Chippewa Nature Center, Midland County, Courtesy MHPN

The economic benefits of tourism in Michigan are substantial. In 1999, Michigan tourists spent \$11.5 billion for transportation, lodging, food, and recreation. These expenditures generated 163,500 jobs and \$3.5 billion in wages and salaries. Additionally, almost \$2.2 billion in tax revenue for federal, state, and local governments was generated by travel within the state in 1999.⁷

Visiting historic places, or “heritage tourism,” has been a growing trend since the early 1990s, as more and more visitors seek to combine recreation with meaningful educational experiences. Heritage tourism is focused on the experience and preservation of a distinctive place and its stories, from the past to the present. Heritage tourism resources are diverse and may include, for example, historic sites and landscapes, ethnic festivals, and even living traditions, such as the production of local crafts. Historic places are often an important draw for visitors

who are seeking authentic, unique sightseeing opportunities and can extend beyond historic sites to other related activities such as walking tours, and visiting historic districts and privately owned historic buildings, including hotels and bed and breakfasts.

As seen in the map of destination counties for historic site visitation, heritage attractions draw visitors to many parts of the state. However, while Michigan has a large amount of overall tourism activity, the amount of heritage tourism activity in Michigan is relatively low compared to the national average. Generally, it is the state's rich water and woodland resources—and not its historic attractions—that have been the primary draw for visitors. Promotion of heritage tourism presents a great opportunity for Michigan's historic preservation community to link the state's vast natural resources with the historical context of the built environment.

Successful heritage tourism destinations are the result of extensive planning and creative partnerships among many stakeholders, such as tourism, natural resources, and historic preservation groups. Regional cooperation among communities who cross-promote their resources is also vital to successful heritage tourism. The following pages highlight several programs that integrate economic development, historic preservation, and tourism activities:

- Main Street Oakland County
- Michigan Main Street
- MotorCities-Automobile National Heritage Area
- Keweenaw National Historical Park
- The Sweetwater Trail®



Michigan's Top Destination Counties for Historic Site Visitation, 2001

Source: Travel Michigan



Main Street Oakland County

Main Street is a preservation-based community revitalization program sponsored by the National Trust for Historic Preservation. Main Street promotes the revitalization of historic downtowns by focusing on four key principles: 1) design; 2) organization; 3) promotion; and 4) economic restructuring. This program is working to restore the economic viability of downtown commercial districts across the country; currently, over 1,650 communities are Main Street participants. Since 1980, the national program has generated \$16.1 billion in public and private reinvestment for Main Street communities, with an average reinvestment ratio of \$39.96 per every \$1 spent on the program.⁸

A healthy and vital downtown is often a community's social and cultural center and a source of local pride. It can also bring good jobs, new or expanded businesses, and an increased tax base. While the focus of Main Street is economic development and not tourism per se, many Main Street downtowns are also very successful in developing local tourism, due in part to their unique historic character.

Michigan's Main Street Oakland County is currently the only countywide Main Street in the nation. The program is focused on the revitalization of Oakland County's 30 traditional downtowns and provides technical assistance to assist each community in implementing Main Street principles.⁹

Michigan Main Street

Following on the success of Main Street Oakland County and statewide Main Street Programs in other states, the Michigan Economic Development Corporation (MEDC), the Michigan State Housing Development Authority (MSHDA) and the SHPO initiated a pilot Main Street Program in Michigan in the fall of 2002. This partnership program will be operated through MEDC with a contract with the National Main Street Center with the National Trust for Historic Preservation and support from nonprofit organizations such as the Michigan Municipal League, Community and Economic Development Association, Michigan Downtown Financing Association, Local Initiatives Support Corporation, and the Michigan Historic Preservation Network. This initiative is based on the premise that prosperous downtowns are a vital component of the entire state's economic health.



Daimler Chrysler Arts, Beats and Eats Festival, 2002, Pontiac, Courtesy Janine Saputo

"Main Street Oakland County has 61 units of government and 30 traditional downtowns within its borders. The benefit of being a countywide Main Street program is that we are very accessible to our communities. Geographically, our downtowns are all within 30 minutes of each other, so we are very involved with what is happening throughout the county, and can provide a quick response to any one of the communities. Our success is based on how well we interact with our communities and we combine all the talents of the planning and economic development division, where our program is housed, to supplement our work. Tourism development is only one of our objectives. Our dominant objective is economic development. Our second focus is historic preservation.

Main Street Oakland County has been very successful. In only our first year, our downtowns generated \$7.5 million in combined Tax Increment Financing and Downtown Development Authority funds, which, in turn, resulted in leveraging an additional \$26 million. Our downtowns created 454 new jobs, with over 150 of those in management positions. There were also 33 new businesses established and 7 new buildings constructed. Over 6,700 hours of volunteer labor was donated to our program. The downtowns also generated \$450,000 in advertising, promotions and marketing funds and received over \$120,000 in corporate sponsorships."

Robert Donohue,
Main Street Oakland County



MotorCities—Automobile National Heritage Area

“MotorCities—Automobile National Heritage Area has three primary goals. Our education goal has two aspects: oral history and curriculum development. The oral history piece documents the stories and experiences of the auto industry within the region from individuals. The curriculum piece is currently being developed, and will eventually be taught in public schools throughout the state.

The second goal is revitalization, which means working to use our rich auto-related resources to leverage and lead revitalization activities and encouraging local preservation efforts through grants for brick and mortar projects.

Our third program goal, tourism, creates opportunities for visitors, both local and non-local, to experience important auto industry locations while also developing regional links among existing attractions. National Heritage Areas teach visitors about an area’s past, not just by telling the story, but by taking them to where it all happened.”

Arthur F. Mullen, AICP
Revitalization Programs Manager
MotorCities—Automobile National Heritage Area

Regional heritage development is the key to the MotorCities—Automobile National Heritage Area (MotorCities—ANHA). MotorCities—ANHA was established by an act of Congress in 1998 and is one of only 23 National Heritage Areas in the country. National Heritage Areas seek to preserve and promote unique landscapes and historic resources as a vital part of their communities’ social and economic futures.

The vast geographic range of this program includes parts of 13 counties, nearly 260 municipalities and townships, and over 1,000 diverse historic, cultural, and natural resources in southeast and central Michigan. Six geographic corridors that helped to “put the world on wheels” comprise MotorCities—ANHA: the Detroit River, Flint, Lansing, Rouge River, Sauk Trail/Chicago Road, and Woodward Avenue. Each corridor includes a detailed itinerary of attractions.

The mission of MotorCities—ANHA is the preservation, interpretation, and promotion of the region’s automotive and labor heritage in ways that are meaningful and relevant to contemporary society.¹⁰

Economic development is highlighted throughout the program, and goals include increased awareness of adaptive reuse “as a means of accomplishing preservation while achieving economic returns on historic properties.”¹¹ Increased heritage tourism opportunities are also cited as a goal to create overall economic benefits for the region and its communities.



The eight-story Uniroyal Tire, located off of I-94 in Allen Park, was originally a ferris wheel at the 1964 World’s Fair in New York.

Courtesy MotorCities—ANHA

Keweenaw National Historical Park

The Keweenaw National Historical Park, established in 1992, is an example of an innovative heritage tourism partnership between the National Park Service and the private sector. The Park commemorates the history of copper mining in the Keweenaw Peninsula, the site of the nation's first hard-rock industrial mining operations, through a vast network of industrial- and labor-related historic resources.

Unlike other National Parks that are defined primarily by a geographic boundary, the Keweenaw National Historical Park is a collection of 16 cooperating sites, both publicly and privately owned, which range over 100 miles. These cooperating sites are operated independently of the National Park Service. In fact, the vast majority of the 1,700 acres of parklands are in private ownership. The National Park Service owns only limited areas where it is rehabilitating several structures, providing interpretive services, and administering a matching grant program that is available to private property owners within the park for historic preservation purposes. Examples of cooperating sites include two state parks, the Quincy Unit (featuring the largest steam hoist in the world), and an elaborate copper baron mansion that currently operates as an inn.¹²



Quincy Shaft House, Hancock, Courtesy Keweenaw National Historical Park Archives

"Keweenaw National Historical Park is still relatively new and promoting heritage tourism is very much a cornerstone of the park's developing programs. At present, we rely primarily on our 16 cooperating sites to tell the story of the Park. The most successful cooperating sites are those that have devoted time and energy into developing their visitor services.

The location of the Park is both a challenge and an opportunity. It's important to appreciate that the Keweenaw is not an easy destination for weekend visitors but, as a unit of the National Park System, we now have to consider a national constituency in our visitation objectives. As the park becomes more established in terms of facilities and visitor services, park visitation will grow.

The story of the Keweenaw is a universal one. This area is directly linked to immigration, the demise of the mines in the 1960s, and the relocation of many residents who left to make a living elsewhere. Now, there is a renewed interest in the area. Many people who either left or have ancestral ties here have returned to redevelop the connection to their roots and to conduct genealogical research.

As the Park continues to develop and expand its programs over the coming years, we expect that the Keweenaw will be an area of tremendous appeal for visitors in the future."

Frank Fiala
Superintendent, Keweenaw National Historical Park



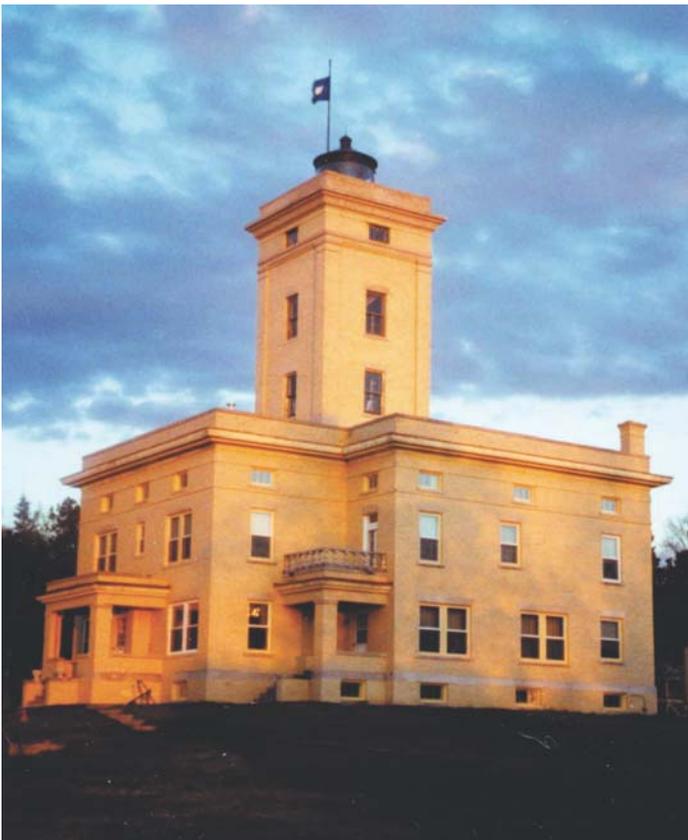
Maritime Tourism and the Sweetwater Trail®

Michigan has some of the nation's most extensive water resources, including 2,985 miles of Great Lakes shoreline and 36,350 miles of rivers and streams. Michigan also leads the nation in the number of registered watercraft at 924,183. In fact, in Michigan one is never more than six miles from a lake or a stream!¹³



Pere Marquette Beach, Muskegon, Courtesy Michigan Sea Grant Extension

These impressive water resources have a long history of use in trade, travel, industry, and recreation. The term “maritime heritage” is generally used to refer to this broad category of historic resources that includes shores and waterscapes, vessels, artifacts, lighthouses, shipwrecks, canals, aqueducts, harbors, and also the living cultures of coastal communities. Maritime heritage in Michigan provides an opportunity to link water-related recreational opportunities with maritime history and heritage tourism.



Sand Hills Lighthouse Inn, Keweenaw County, Courtesy Sand Hills Lighthouse Inn

Michigan has a wealth of maritime heritage that includes the largest number of lighthouses of any state. Michigan's 120 lighthouses, for example, often receive special attention for their architectural and historical significance as well as their importance to the history of navigation. But, as noted earlier, lighthouses are some of the state's most threatened historic resources. In recent years, several lighthouses have been adapted for new purposes, such as the Sand Hills Lighthouse on the Keweenaw Peninsula, which was converted to an inn in 1995.¹⁴ Other lighthouses serve as museums and a variety of other recreational uses.

The Sweetwater Trail® is designed to facilitate the connection between local historic resources and Michigan coastal recreation.¹⁵ The Michigan Historic Preservation Network developed the Sweetwater Trail® in 1991 as a tourism initiative to enhance visitors' experiences of the Michigan shoreline and the Great Lakes. The Sweetwater Trail® highlights a wide variety of maritime resources located along the coasts of both the Upper and Lower Peninsulas that include lighthouses, fishing villages, port cities, underwater preserves, restored ships, and buildings and sites associated with the state's Native American heritage. The Sweetwater Trail® is marked by a series of highway signs that help to direct travelers along the Trail. A colorful brochure outlines in detail two routes of the Trail, the upper Eastern Peninsula and the Huron Shore, and also includes information on numerous sites ranging over eight counties. Several additional maps will be developed in upcoming years. With increased education and unique collaborative opportunities, the Sweetwater Trail® could help Michigan's maritime tourism reach its full potential.

Conclusion and Summary

Historic preservation is a smart investment in Michigan's communities. As seen throughout this report, a variety of programs and tools are being used every day to protect and revitalize Michigan's historic resources. These programs, such as the state and federal rehabilitation tax credits, not only help to preserve the past, but also provide tangible economic benefits. They create jobs, reuse and improve existing infrastructure, attract reinvestment, and increase economic vitality throughout the entire state, from urban neighborhoods in Detroit to small towns in the Upper Peninsula.

In summary, the following economic benefits are documented in this report:

- **Rehabilitation.** Hundreds of historic resources in Michigan have utilized rehabilitation programs, for a total investment of \$819.9 million. Taking into account the associated economic impacts adds another \$933.2 million, for a total \$1.7 billion attributable to rehabilitation activities throughout the state since 1971.
- **Property Values.** Examples from communities throughout the state show that historic district designation leads to property value increases that are either higher than, or consistent with, increases in similar, non-designated areas.



*Bank of Lenawee, Adrian
Courtesy Steve Kuzma Photography*



Fort Mackinac, Mackinac Island, Courtesy Dietrich Floeter Photography

- *Heritage Tourism.* While tourism already is a major industry in Michigan, there still are opportunities to increase the importance of heritage tourism to the state's economy. Diverse and unique resources, such as those that comprise the MotorCities-Automobile National Heritage Area, should help establish an even stronger foundation for heritage tourism in the state.



*Porritt Barn, Orion Township, Oakland County
Courtesy Lori Brown*

The programs discussed in this report actually represent just the beginning of historic preservation's many economic benefits. For example, while this report documents the income and jobs created by a tax credit project, that same project might also lead to development of a new business, which can generate substantial economic benefits on its own. Historic preservation is an investment that continues to generate benefits for many years into the future.

To assist in tracking these future benefits, this project developed a list of "preservation indicators" (such as the estimated employment from heritage tourism attractions) that are designed to assist preservation stakeholders in monitoring the continuing impacts of preservation activities throughout the state. These indicators, which are discussed in detail in the technical report, will provide a valuable resource for local governments, preservation groups, and other organizations that are seeking data on preservation activities.

Michigan already has made tremendous progress in preserving its historic resources. The future of preservation in Michigan looks even brighter, with some promising new programs, such as the state rehabilitation tax credit, helping to ensure that the economics of preservation will only improve in the coming years.



*Crazy Wisdom Bookstore, Ann Arbor, Courtesy Steve Kuzma
Photography*



Holland Historic District

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Pontiac Commercial Historic District, Courtesy Janine Saputo



Old Stone Mill, Henry Ford Museum and Greenfield Village, Dearborn, Courtesy SmithGroup

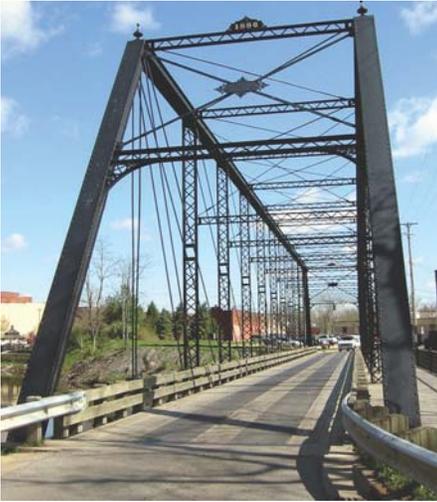


Grand Hotel, Mackinac Island, Courtesy Dietrich Floeter Photography



Scott Fountain, Detroit, Courtesy Martin Doudoroff





Second Street Bridge, Allegan



Hemmingsen Drugs, Marshall



Ypsilanti Historical Museum

Endnotes

- 1 United States Department of the Interior. Preservation Tax Incentives For Historic Buildings. Washington, DC: National Park Service, Heritage Preservation Services, 1996.
- 2 Michigan State Historic Preservation Office, "Michigan's Historic Preservation Tax Incentives" 2000.
- 3 The Certified Local Government Program is a collaborative program between federal, state and local governments to provide technical support for local historic preservation efforts. Michigan's sixteen Certified Local Government program participants are: Allegan, Ann Arbor, Battle Creek, Canton Township, Detroit, East Lansing, Farmington Hills, Grand Rapids, Holland, Jackson, Kalamazoo, Lansing, Monroe, Saline, Washtenaw County, and Ypsilanti.
- 4 Michigan Lighthouse Project, <http://www.michiganhistory.org/preserve/lights/milights.html>
- 5 The Historic Preservation Fund includes several types of projects, in addition to rehabilitation. Only dollars spent for historic rehabilitation (as opposed to planning or other types of projects) have been included in these calculations. Rehabilitation dollars that have used the Historic Preservation Fund total \$4,029,322.
- 6 Rypkema, Donovan. The Economics of Historic Preservation: A Community Leader's Guide. Washington, D.C.: National Trust for Historic Preservation, 1994.
- 7 Travel Industry Association of America, "Michigan Travel Statistics" 1999.
- 8 National Main Street Center, <http://www.mainstreet.org>.
- 9 Oakland County Planning and Economic Development Services, 2002.
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- 13 Travel Michigan-Michigan Economic Development Corporation, "The Michigan Travel and Tourism Statistical Handbook" 1999.
- 14 Sand Hills Lighthouse Inn, <http://www.sandhillslighthouseinn.com>.
- 15 Michigan Historic Preservation Network. "The Sweetwater Trail: Eastern Peninsula and Huron Shore" 1998.

In April 2002, the Michigan Historic Preservation Network held their annual awards celebration at the Traverse City Opera House. The 1892 Opera House, one of only 18 surviving opera houses in Michigan, is being carefully restored to its original splendor.



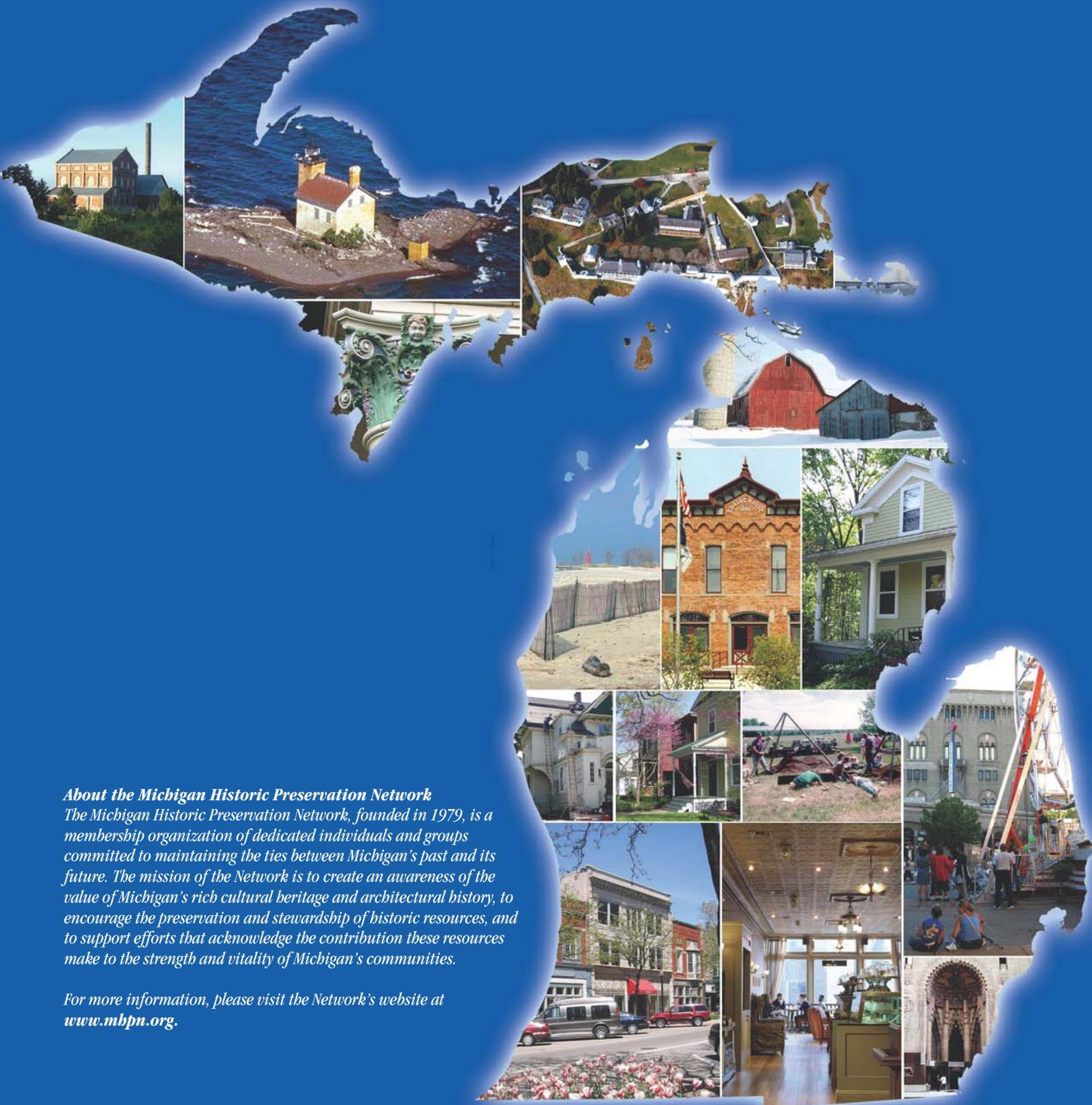
*Michigan Historic Preservation Network Awards Celebration, 2002
Traverse City Opera House. Courtesy Matt Schulte*



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About the Michigan Historic Preservation Network
The Michigan Historic Preservation Network, founded in 1979, is a membership organization of dedicated individuals and groups committed to maintaining the ties between Michigan's past and its future. The mission of the Network is to create an awareness of the value of Michigan's rich cultural heritage and architectural history, to encourage the preservation and stewardship of historic resources, and to support efforts that acknowledge the contribution these resources make to the strength and vitality of Michigan's communities.

For more information, please visit the Network's website at www.mhpn.org.