

"Cultural Heritage and Sustainable Economic and Social Development"

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Thank you. I am both honored and humbled to be here. Honored because of the distinguished people who have also been invited to appear. But humbled, frankly, because I'm American. It is almost presumptuous to think that I have anything to add here. The rest of the world has learned the importance of cultural heritage from you. In America we're obsessed with the rights of ownership; in Europe you have always understood the responsibilities of stewardship. This session is entitled *Cultural Heritage and Sustainable Economic and Social Development*, but there is no sustainable development – economic, social, or any other kind – without stewardship. You've understood that for centuries; we've barely scratched the surface.

There is a sustainability movement in the United States but it has been dominated by an environmental movement that defines far too narrowly what sustainability means.

But if we don't get it in the United States, others do. King Sturge – an international real estate firm headquartered in England – has been a leader in broadening the concept of sustainable development. Their framework for sustainable development certainly includes environmental responsibility but also economic responsibility and social responsibility. I'm going to take the liberty of expanding the third category into social and cultural responsibility.

They further identify these important nexus: for a community to be viable there needs to be a link between environmental responsibility and economic responsibility; for a community to be livable there needs to be a link between environmental responsibility and social responsibility; for a community to be equitable there needs to be a link between economic responsibility and social responsibility.

When we think about sustainable development in this broader context, the role of heritage conservation becomes all the more clear.

A section of your paper – *Cultural Heritage Counts for Europe* – states, "Cultural heritage has multiple benefits of Europe today". What I offer today are some findings from around the world that demonstrate why you are right, why preserving cultural heritage provides environmental sustainability, cultural sustainability, and economic sustainability.

Which brings me to the most important thing I'll say all day: in the long run the economic impact of heritage conservation is far less important than its educational, environmental, cultural, aesthetic, and social impact. In the long run, none of us particularly cares about the number of jobs created in building the piazzas of Florence. In the long run, those other values of heritage conservation are more important than the economic value. But as the great British economist John Maynard Keynes said, "In the long run we're all dead."

In the short run, however, many of those who have the most influence on what happens to our heritage resources – property owners, members of parliament, bankers, investors – do care about the economic aspects of heritage buildings. It is often through the door of economic impact that those decision makers become advocates for heritage conservation on other, more important grounds.

But even in an economic context, the value of heritage resources is not limited to the short term. I'd like first to give you examples of some short-term economic impacts of heritage conservation, then move to more long-term implications.

We'll begin with the short term – the five major measurables of economic impacts of heritage conservation: 1) jobs and household income; 2) center city revitalization; 3) heritage tourism; 4) property values; and 5) small business incubation.

First, jobs and household income. I work as an economic development consultant. The top priorities for economic development are creating jobs and increasing local household income. The rehabilitation of historic buildings is particularly potent in this regard. In the US new construction will be half materials and half labor. Rehabilitation will be sixty to seventy percent labor with the balance being materials. This labor intensity affects a local economy on two levels. First, we buy a plumbing system from Ohio and lumber from Oregon, but we buy the services of the plumber and the carpenter from across the street. Further, once we install the plumbing, the plumbing doesn't spend any more money. But the plumber gets a hair cut on the way home, buys groceries, and joins the YMCA – each recirculating that paycheck within the community.

The Swedish International Development Agency has funded projects in the West Bank in Palestine where they've found that every \$100,000 project typically provides 3000 to 3500 workdays, with labor constituting around 70% of the total expenditures. In Australia, they've concluded that heritage conservation is more labor intensive and also stimulates the

development of traditional trades and skills.

Some think economic development is only manufacturing. So let me use the State of Tennessee as a typical example. For every million dollars of production, the average manufacturing plant in Tennessee creates 28.8 jobs. A million dollars spent on new construction generates 36.1 jobs. But a million dollars rehabilitating an historic building? 40 jobs.

A million dollars of manufacturing output adds \$604,000 to local household incomes. A million dollars in new construction – \$764,000. A million dollars of rehabilitation? Over \$826,000

In Norway, historic rehabilitation creates 16.5% more jobs than new construction and every direct job in the cultural heritage sector creates 26.7 indirect jobs, compared to the auto industry where the factor is only 6.3 to 1.

But there's even a subtler issue regarding jobs in heritage conservation – they are generally well paying jobs, and globally there is a scarcity of the required skills. A study in Great Britain identified the need for an additional 6,500 workers in the next 12 months to meet immediate demand. The Norway Directorate of Heritage identified a huge backlog of necessary maintenance work, and too few trained people to do it.

The significance and the opportunities for restoration artisans cannot be overstated. In France, 40,000 craftsman work on repairs and maintenance of the cultural heritage. The Aga Khan Trust is funding projects in the Islamic world which are reviving traditional skills, generating new jobs, and providing on-the-job training. In Halmstad, Sweden, restoration work has put long-term unemployed back to work and provided training for immigrants, apprentices, and women.

Ultimately, economic development is about jobs, and heritage conservation not only provides jobs, but good jobs, and many more workers are needed.

The second area of the impact of heritage conservation is center city revitalization. There is a resurgence of downtowns all over America. But I cannot identify a single example of sustained success in downtown revitalization where heritage conservation wasn't a key component. Conversely, the examples of very expensive failures in downtown revitalization have all had the destruction of historic buildings as a major element.

The most cost effective program of economic development of any kind in the US is a program of the National Trust for called Main Street – commercial district revitalization in the context of

historic preservation. 1700 communities in all 50 states have had Main Street programs. Over the last 25 years the amount of reinvestment in those communities has been \$23 Billion. There have been 67,000 net new businesses created generating 308,000 net new jobs and 94,000 building renovations. Every dollar invested in a local Main Street program leveraged nearly \$27 of other investment.

The Inter American Development Bank has had a major initiative in the city center of Quito, Ecuador. There are multiple indicators of the success – new businesses, restaurants and cultural activities; reinvestment by existing and new residents; increased property values; and net economic benefits well above expenditures.

The ongoing efforts in the old medina in Tunis have resulted in the middle class returning, both as residents and as business and property owners. The rates of return on private investment have been high and the leverage of public funds to private funds has been 3 to 1.

The next category is heritage tourism. This is a challenging area. While tourism is one of the fastest growing segments of the world's economy, not every city can or should look to tourism as a major portion of its economic base. Further, it would be a mistake to only connect historic buildings with tourism — there are many more ways that historic buildings can be used as a local resource. In the US 95% of all of the historic resources have nothing whatsoever to do with tourism.

However, when tourism is identified as part of an overall development strategy, the identification, protection, and enhancement of historic resources is vital for any sustainable effort.

In the State of Virginia we contrasted the spending patterns of heritage visitors with tourists who did no heritage activities. Here's what we found: heritage visitors stay longer, visit twice as many places, and so spend 2 ½ times more than other visitors. Worldwide, 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.

Many of you have similar data from your countries.

Biltmore, a great estate in North Carolina, commissioned a study of local impact – here are the numbers – 760 employees, \$215 million to the local economy, \$5 million in taxes, etc. But the most impressive number is this one – for every \$1 a visitor spent at Biltmore, \$12 was spent

elsewhere – hotels, restaurants, gas stations, retail shops, etc. Biltmore was the magnet that drew visitors, but for every dollar that Biltmore reaped, others garnered \$12.

In Norway they found similar results – only 6-10% of the spending involved in visiting a cultural heritage site was spent at the site itself; the balance was spent in the community around the site.

But with all these numbers, an even more important conclusion emerges: when heritage tourism is done right, the biggest beneficiaries are not the visitors but the local residents who experience a renewed appreciation for and pride in their local city and its history.

I mentioned America's obsession with property rights. As a result, the area that's been studied most frequently is the effect of historic districts on property values. The most common result? Properties within historic districts appreciate at rates greater than the local market overall and faster than similar nondesignated neighborhoods. The worst-case is that historic district houses appreciate at rates equivalent to the overall local market.

In England, they've found that a pre-1919 house is worth on average 20% more than an equivalent house from a more recent era and the premium becomes even greater for an earlier historic home. On the commercial side, the Royal Institute of Chartered Surveyors has tracked the rates of return for heritage office buildings for the past 21 years and has found listed buildings have consistently outperformed the comparable unlisted buildings. Analyses in Canada demonstrated that heritage buildings have performed much better than average in the market place and that the price of heritage houses was less affected by cyclical downturns in property values.

An underappreciated contribution of historic buildings is their role as natural incubators of small businesses. In America 85% of all net new jobs are created by firms employing less than 20 people. That ratio is similar in Europe and even greater in the developing world. One of the few costs firms of that size can control is rent. A major contribution to the local economy is the relative affordability of older buildings. It is no accident that the creative, imaginative, start up firm isn't located in the office park or the shopping center – they cannot afford the rents there. Historic buildings become natural incubators, usually with no subsidy of any kind.

Pioneer Square in Seattle is one of the great historic commercial neighborhoods in America. The business association asked firms why they chose that neighborhood. The most common answer? That it was an historic district. The second most common answer? The cost of

occupancy. Neither of those responses is accidental.

In Ningbo, China a series of dilapidated, overcrowded and unsanitary buildings has been converted to the Fan Center filled with small businesses selling antiques, books and art. The restoration of the Souq al Saghir in Damascus has stimulated new businesses and more activity from existing businesses, selling to both tourists and local residents. In Macao 60% of their retail revenue comes from the heritage conservation zones.

So there are the big five – jobs, center city revitalization, heritage tourism, property values, and small business incubation. Other areas of impact are discovered in some analyses – revenues from the movie industry, enhancement of crafts businesses, the connection between historic facilities and the performing arts, neighborhood stabilization, the economic integration of neighborhoods, tax generation, and others.

But I'd like to move beyond the short-term and look at the larger economic role of heritage conservation. That means beginning with globalization.

What neither the supporters nor the critics of globalization understand is that there is not one globalization but two – economic globalization and cultural globalization. For those few who recognize the difference, there is an unchallenged assumption that the second is an inevitable outgrowth of the first. I would suggest those are two different phenomenon, which while interrelated, are not inexorably linked. Further, while economic globalization has many positive effects, cultural globalization has few if any benefits, but has significant adverse social and political consequences in the short term, and negative economic consequences in the long term.

If cities are to succeed in economic globalization, they will have to be competitive worldwide. However, their success will be measured not just by their ability to foster economic globalization, but equally in their ability to mitigate cultural globalization. In both cases, a city's cultural heritage will play a central role.

The “modernization” of cities in terms of infrastructure, public health, convenience, and quality of life does not necessitate the "Americanization" of the built environment. An imitative strategy for the built form quickly leads a city from being “someplace” to “anyplace”. And the distance from “anyplace” to “no place” is short indeed.

Globalization, be it economic or cultural, means change — change at a pace that can be disruptive politically, economically, socially, psychologically. Adaptive reuse of the heritage

resources can provide a touchstone, a sense of stability, and a sense of continuity for people and societies that help counteract the disruption which economic globalization can exacerbate.

Heritage conservation has been portrayed as the alternative to economic development, “either we have historic preservation, or we have economic growth.” That is a false choice. In fact, heritage based economic strategies can advance a wide range of public policy priorities.

Import substitution. Central to building a sustainable local economy is import substitution — creating locally what otherwise would be purchased elsewhere. Heritage conservation is locally based, using expertise, labor, and materials from the local market. But import substitution also requires efforts to train local workers.

Compatibility with modernization. Many historic buildings don’t meet today’s standards for comfort, convenience, and safety. But great strides have been made in methods of bringing historic buildings into compliance with modern demands, without harming their physical structure or their architectural character. Most components for modernization can be put in place almost invisibly without jeopardizing individual historic resources or their important context.

Targeted areas. Historic buildings are usually located in areas that have already been designated as appropriate targets for public intervention such as city centers, older neighborhoods, and rural villages.

Not a zero-sum game. Many approaches to economic development are zero-sum games. That is for city A to succeed, city B has to lose. Because nearly every city has historic resources that can be economically productive, for one city to benefit from the reuse of its historic structures in no way precludes another city from doing the same.

Geographically dispersed. Public officials do not have to limit historic conservation strategies to a single geographic area. Cities are geographically dispersed throughout a nation, so heritage-based economic development strategies can be broadly based geographically.

Range of project scales. Many factors affect the public sector’s ability to implement large scale plans. Financial constraints, political conflicts, and environmental concerns are all reasons why large projects are often delayed. Heritage conservation, however, can be done at virtually every scale, from the smallest shop building to the massive regional revitalization projects. Smaller

projects can proceed while larger ones are still on the drawing board.

Counter-cyclical. One result of globalization is that cities are not immune to the ups and downs of worldwide economic cycles. Because of their scale, cost, and labor intensity, heritage projects are often possible even in down-cycle economic periods, providing a measure of stability to a local economy.

Incremental change. Change itself does not inherently cause adverse impacts on economies and cultures. The damage comes from change that is too rapid, too massive, and beyond local control. Heritage conservation is an incremental strategy within the framework of an existing city, not an immediate and overwhelming type of change that often leads to feelings of powerlessness and a decline in the sense of community.

Good base to build NGOs. NGOs have proven themselves to be singularly effective in responding to issues worldwide, particularly in the heritage conservation. The Cultural Heritage Counts for Europe paper encouraged dialogue with civil society. If policymakers want to strengthen civil society, heritage conservation activities can be an effective means of doing so, as Europa Nostra has demonstrated.

Product differentiation. In economics, it is the differentiated product that commands a monetary premium. If, in the long run, a city wants to attract capital, to attract investment, it must differentiate itself from anywhere else. It is the built environment that expresses, perhaps better than anything else, a city's diversity, identity, and individuality — in short, its differentiation.

Heritage conservation allows a city to participate in the positive benefits of a globalized economy while resisting the adverse impacts of a globalized culture.

I'm not a biblical scholar, but there is a verse that reads, "So what is a man profited, if he shall gain the whole world, and lose his own soul?" Many are now realizing that if, in the name of prosperity, they lose the physical fabric of their built heritage they risk losing their national soul as well.

In the 21st century, only the foolish city will make a choice between heritage and economic development. The wise city will effectively utilize its historic environment to meet the economic, social, and cultural needs of its citizens far into the future.

I began this presentation with a quotation from a British economist, so I will end by quoting an American one. The Harvard economist John Kenneth Galbraith wrote, “The preservation movement has one great curiosity. There is never retrospective controversy or regret. Preservationists are the only people in the world who are invariably confirmed in their wisdom after the fact.”

Your wisdom in integrating cultural heritage into sustainable development will be confirmed after the fact. Good luck in doing so.

Thank you very much.

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