

Historic Preservation and Tourism Economics

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Donovan D. Rypkema

Thank you.

I know you all know this, but you live in among the most beautiful places in America. I know that's why you stay here, but it is also what makes me jump at the chance to come to Monterey. So I greatly appreciate being invited.

I want to begin my remarks by making it absolutely clear that I am not a tourism expert. I am, however, a very, very frequent traveler. In the last week I've been in Bay City, Michigan, St. Charles, Missouri, Danville, Virginia and I came here this morning from Chicago. Monday morning I'm going to Raleigh, North Carolina, returning to Washington on Tuesday in time to catch a plane to Naples, Italy. The week after I return from Naples I leave for Viet Nam, come back to the States for less than 24 hours then leave for Russia. So you know how fast that dial on the gas pump goes around when gas is \$4.00 a gallon? Well, that's how my frequent flier miles rack up.

But my business is not tourism. I make my living by advising on real estate and economic development activities and, occasionally, by analyzing economic impacts. Because the bulk of my assignments are in downtowns or inner city commercial districts, I am generally working within the context of historic buildings – hence the *heritage* connection. But I will attempt to identify findings in some analyses that have been undertaken that may help you in your understanding of the economic ramifications of a heritage tourism strategy Monterey©©. And further give you some additional premises based, not on statistical compilations but on selective observations I have made when visiting a hundred or so towns and cities each year.

I would begin by suggesting two things to you: 1) heritage tourism can absolutely be an effective tool for community preservation, promotion and progress; but 2) it is not axiomatic that it will be. If I'm not a tourism expert – and I promise you that I am not – I am even less of a biblical scholar. But when I was writing this presentation I the bible verse that turns out to be Matthew 16:26. You all will recognize it: “So what is a man profited, if he shall gain the whole world, and lose his own soul?”

I would suggest to you that the verse can be altered just a little bit to ask the question, “So what is a community profited, if it shall gain the whole world, and lose its own soul?” That, in the end, may be the most difficult question for those of you involved in tourism - how do we profitably capitalize on our community's cultural resources without losing our community's soul? If you are climbing on the heritage bandwagon just because it is a segment of the tourism industry that happens to be hot at the moment, I sincerely believe you are doing a great disservice to the heritage resources in your community, the history of the people who built those resources, and

the succeeding generations of citizens from your town who shouldn't be deprived of their rightful heritage because it could be excessively exploited for a year or two. It is a tourism strategy that needs to be approached with unusual amount of care.

I have tried to make a list of what I think to be common denominators necessary for a heritage tourism strategy that would enhance not diminish the soul of a community. So here are the basic premises upon which the rest of my remarks will be based: there are five of them.

Premise 1: Heritage tourism has to be a long term, sustainable strategy, not a short term, *Solution de jour* quick fix tactic.

Premise 2: People are tourists in order to visit a place. Nobody goes anywhere to go down a water slide or buy a garment that says, "my folks went to Monterey and all I got was this lousy T-shirt." They may do both of those things but that isn't the reason they went there.

Premise 3: The ultimate test of successful tourism is when upon departure the visitor wants to return to that place. I don't think it matters whether that's a desire to visit again, to relocate there or to retire there but the wish to return someday is the test of success. It surely cannot be a coincidence that many of the places that are in high demand as tourist destinations are also in high demand as retirement locations - the Black Hills of South Dakota, the Gulf Coast of Florida, the low country of South Carolina, the mountains of North Carolina, the small towns of New England, the Ozarks and other places you could name.

Premise 4: For a place to draw people on a sustainable basis it must be a valuable place - that is it has to have value to those who live there and those who visit there. And you can define the word "value" any way you want. On one of my Internet newsgroups someone posted this observation which I think is valid. "Build it for the locals and the tourists will come; build it for tourists and only tourists will come."

Premise 5: To survive we have to make sure there is a merger between place and community. Heritage tourism is based on assets the tourism industry did not create. Now this isn't the same as a golf course, an amusement park or a water slide - tourism entrepreneurs built those things. But the profit potential of heritage tourism is dependent on the identification, protection, and enhancement of physical assets that for the most part are owned by somebody else. They are the community's assets. And, therefore, the community at large absolutely must have a central place at the heritage tourism strategy table.

When rereading those five premises it becomes obvious that the word that keeps reappearing is "place". I would suggest to you that there is no more powerfully emerging force in America today than the renewed understanding of the importance of "place". I would further suggest that if we are going to have successful cultural tourism, successful historic preservation, successful economic development, we have to spend a lot of time considering our "place", what it is, what's important about it, how to maintain that which is important, and what we are going to do individually and communally to secure our "place" in a very rapidly evolving history.

There is no “place” for which there is no memory. Successful heritage tourism requires a triggering of memory. But memory is also an irreplaceable component in building community. That’s why, if done right, heritage tourism is the singular form of tourism that at least has the potential to build community locally as it is attracting visitors from elsewhere.

In a book entitled *Placeways*, sociologist E.V. Walter. Walter writes, “The quality of a place depends on a human context shaped by memories and expectations, by stories of real and imagined events—that is, by the historical experience located there.” In other words the quality of the place comes directly from its recognition of its history. Later he writes, “Towns may die for all sorts of reasons, but expressive vitality depends on how a place engages the imagination.”

Clearly from a community preservation perspective we want to preserve and enhance community quality - and that means capitalizing on its memories. A visitor certainly looks for expressive vitality - we need to engage the imagination. An appropriate approach to cultural tourism can do both of those things at once.

Earlier I identified as one of my basic premises that communities that want sustainable tourism must be valuable places. The word “value” comes from the Latin *valere* which means “to be strong, vigorous, in good health; to have force, avail, prevail; to mean, to signify.” But this word “value” has become doublespeak. “Value Days” at K-Mart aren’t about “value” they’re about “cheap”. And the same Kafkaesque doublespeak is affecting many of our communities and particularly their historic resources.

In many of our cities, like Alice in Wonderland, we are told that “cheap” means “value”; “valuable” has become “worthless”; and “values” have been dismissed as superfluous pastiche inappropriate as architectural ornamentation.

"Value" means "to mean", "to signify". It is the community without meaning that is the valueless community.

This same concept of value is, I think, what makes cultural tourism a viable long term economic development strategy in many communities. Again, I am not an expert on tourism. Cheryl certainly is. But I can share with you some findings from analyses that have looked at tourism impacts.

Ask someone in the business of economic analysis and they’ll tell you how tricky trying to figure out exactly what “tourism expenditures” are. If I rent a car and drive to New York City for a weekend is the toll on the Jersey Turnpike a tourism expenditure or not? Well, I’m not an expert in econometric modeling, so I’ve avoiding trying to calculate composite numbers. Instead I’ve simply looked at the incremental difference between the expenditures of heritage visitors and other types of tourists.

Virginia is one of the states that subscribe to a giant survey data base that questions households

about did they travel, where, how much did they spend, etc. The data is sortable. So in a study a few years ago we sorted out the patterns of heritage visitors there. We defined heritage visitors as those who did one or more of the following: visited a museum (in Virginia around 90% of the museums are history museums), visited a Civil War battlefield, or visited an historic site. And we contrasted those patterns with visitors to Virginia who did none of those things. Here's what we found: heritage visitors stay longer, visit twice as many places, and on a per trip basis spend 2 ½ times as much money as other visitors. 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.

In Virginia historic preservation was not only - far and away - the most common activity for first time visitors but was also first on the list for repeat visitors.

In Kentucky here were some heritage tourism findings:

- There are over 100 bed-and-breakfasts in Kentucky and 90% are in historic properties - 80% built before the 20th century.
- Tourism is a \$7 Billion + industry in Kentucky, employing some 150,000 people. 2/3 of all of the visitor sites listed by the state in the official Kentucky Travel Guide have historic significance.
- Over half of the state parks in Kentucky have historic resources.
- And when visitors to Kentucky are asked what factor most influences their choice of destination what is their answer? Visiting historic places.

A similar study in Maryland had these findings: preservation visitors stayed a full day longer in the State than did other visitors; the average daily expenditure of preservation visitors was greater than other visitors; the consequence of these two factors means that the per trip expenditure is eighty percent higher. There are two ways to look at this: either we can take in more revenues with heritage visitors or – since there are many instances where sheer numbers of people may not be desirable – we can take in the same amount of money with far fewer visitors. Either way heritage tourism, when it is appropriate, can have substantial local economic benefit. Further, I would suggest to you, heritage tourism is the singular form of tourism that, when done right, can preserve the local culture and enhance the quality of life for full time residents as well as for visitors. The same it not true for one more amusement park or one more time-share beach resort. Tourism is inherently a volatile industry, but heritage based tourism means that local assets are preserved for local citizens even in the down cycles of visitation.

In North Carolina visiting historic sites is far and away the most common visitor activity. And this is a State where much of the business community and political leadership think that their major visitor assets are car races and their professional sports teams – neither of which make more than a minor blip on the visitation statistics.

Some individual historic sites have done their own analysis. Biltmore, the great estate in the mountains of Western North Carolina commissioned a study of their local impact – and you can see

these numbers – 760 employees, \$215 million to the local economy, \$5 million in taxes, etc. But to me the most impressive number is this one – for every \$1 a visitor spent at Biltmore itself, over \$12 was spent elsewhere – hotels, restaurants, gas stations, retail shops, etc. Biltmore was the magnet to come to Asheville, but for every dollar the Biltmore reaped, others garnered another \$12 – impressive leveraging of resources.

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.

Now I said that I've never tried to estimate total tourism dollars, but there are lots of people smarter than I who have. The University of Florida in conjunction with Rutgers did an economic analysis of historic preservation in Florida. I think there are some strong parallels between California and Florida in this regard. Florida is not a state that immediately comes to mind as being heritage tourism based. We tend to think of Disney World, beaches, and golf courses. Tourism is clearly the largest industry in Florida. But just the heritage tourism portion of that industry has impressive impacts, with over \$3 billion in expenditures, half a billion in taxes, and over 100,000 jobs. And while most of the jobs, predictably, are in the retail and service industries, in fact nearly every segment of the economy is positively affected.

A couple of years ago I was at a one day seminar at the Brookings Institute in Washington of 30 or so people – both academics and practitioners – who are looking at ways of measuring the economic impact of historic preservation and that obviously includes heritage tourism. The president of a tourism analysis firm from Toronto looked at these visitor numbers slightly differently. He eliminates those people traveling for business, for example, who happen to visit a historic site incidental to the primary purpose of the trip and concentrates on discretionary travelers and what attracts them. For that person who is traveling for pleasure and has as a major purpose visiting historic places, for every \$3 she spends on the historic site itself, \$97 are spent elsewhere – food or shopping or hotels. But she came to town because of the historic resources. The leverage of that historic site, therefore, is incredible.

Heritage tourism is one of the growth sectors, but so is international tourism, particularly with the strength of the Euro and the Yen against the dollar. So what about international visitors? Well the US Department of Commerce surveyed international travelers arriving by plane. And they distinguished between cultural travelers and other tourists. They defined cultural travelers as those who visited art galleries, concerts, plays, heritage sites, historic places or a National Park – all of which you have in Monterey. What differences did they find?

Well, approximately a third of all visitors were cultural visitors. But what differences did they find between those visitors and other tourists?

- Cultural tourists spent an average of 21.3 nights in the US as compared with 13 for others
- 44% of Cultural tourists visited two or more states as compared with 23% of others
- The per visitor expenditure for cultural tourist was \$1,660, \$220 more than other visitors

- For all visitors, not just those classified as cultural visitors, after shopping (which everyone does) eating in restaurants (which virtually everyone does) and sightseeing in cities, visiting historic places was the most common activity. And of those visitors identified as cultural tourists, 73% of them visited historic places
- 470,000 more visitors to the US visited an historic place than an amusement park
- 785,000 more visitors to the US visited an historic place than spent time on the beach
- For every visitor that stopped in a casino, 3 visited a historic place
- For every visitor that played golf, 4 visited an historic place

But citing statistics is but part of the story. I want to move to a less numerical analysis of heritage tourism. My credentials for these remarks, such as they are, are only three. 1) I travel 80% of the time and spend 200 nights a year in hotel rooms; 2) virtually all of my work deals with local economic development; and 3) among my few skills are being able to raise questions for which I have no answers and to make observations for which I have only anecdotal evidence. So here, in random order, are sixteen observations, questions, and unsupported opinions about tourism, cultural heritage tourism, and sustainable local economic impact.

1. Tourism is the most competitive economic development strategy a community can undertake - and in some form or another virtually every community does. Not every town can afford an industrial park but they can all afford a tourism brochure. In many cases while the Chamber of Commerce may self-define the efforts as successful, by any objective measurement they are failures.

2. As an individual strategy, you do not have to have quality tourism to make money. There are still plenty of buyers of rubber tomahawks. But it is the Gresham's law of tourism economics - the lower quality will drive the higher quality out of circulation.

3. If tourism is to be sustainable as a component of a community's overall economic development strategy it must be based on three principles: 1) it must be real - fake old west towns or Bavarian villages may work for a while but won't last; 2) it must have quality if it is to survive as a communal (as opposed to individual) success; and 3) it needs to be differentiated. It is what is unique about a community that needs to be identified, preserved, enhanced, and marketed. Robert Pirsig is best known as being the author of the book *Zen and the Art of Motorcycle Maintenance*. After twenty years of invisibility Pirsig reemerged with another book a few years ago entitled *Lila*. And in it he writes, "Beauty isn't things trying to look like something else...Beauty is things being just what they are."

4. Choices have to be made, even if it means foregoing short term profits. A 7-11 store in the heart of the downtown historic district might serve many needs: gasoline for visitors, early morning coffee for construction workers and doughnuts for cops, tax revenues for the city, and a way to fill that empty lot that has been on the market for 15 years. But to the extent the 7-11 adversely affects the differentiation of your downtown it will be too expensive in the long run to allow.

5. Even more than general retailing, individual tourism related businesses are not independent but highly interdependent. Targeting the customer, marketing to the customer, meeting the needs of the customer, responding to changes in customer preferences require group, not individual, actions.

6. As in every business, "everybody" is not the customer. To proceed on that assumption is a sure way to fail.

7. A community that imports more than it exports will eventually dry up and blow away. But services can be exported as well as goods. Tourism is an "export" that can stem that community withering.

8. One of the ways to alter the export/import ratio is referred to as "import substitution" - creating and buying locally what had previously been brought in. Think about jelly in restaurants. I can get ½ ounce packages of Smuckers anywhere in America. Maybe its only in Monterey that I can get Grandma's California Jam. Think what that simple decision of the restaurant owner - to use California Jam instead of Smuckers would mean. First, jobs are created in Monterey County making the jam. Second, the dollars that use to go to a Smuckers factory somewhere stay at home. And third, that business has reinforced the three principles of sustainable tourism development - it's real, it's quality, and it's differentiation. Every product used and sold by every tourism related business in town should be examined for the opportunity of import substitution - not out of some goofy and dubious "shop at home" boosterism campaign but as a fundamental strategy to enhance tourism efforts.

9. Carrying capacity. I originally come from western South Dakota - cattle country. There ranch land is sold based on its carrying capacity - that is how many acres it will take to raise a pair - a cow and her calf - for a year. In western South Dakota that would typically range between 15 to 30 acres. In Nevada they have land they call 40 and 8 land. For a cow to survive it has to be able to run 40 miles an hour and have a mouth 8 feet wide. But when land is used beyond its capacity here is what happens. The first year there are extra profits - more calves are available to be sold in the fall. But starting in the second year three things begin to happen: first, the calves and cows both get smaller - too many cattle eating too little grass; second, because their nutrition declines fewer cows give birth to healthy calves; and third, the ability of the land to produce grass declines because it has been over grazed.

I would suggest to you that a community dealing with tourism has a carrying capacity. How many visitors per year a community can host without giving up what brought tourists in the first place is very finite. Embedded in the tourism planning process the estimates of carrying capacity and then implemented even against the cries of "more tourists, more tourists, more tourists." Heritage assets are particularly vulnerable to overuse. It makes no sense to exploit them to a level where they no longer are able to productively contribute to the local economy.

10. Tourism is a very labor intensive industry - largely on the lower end of the pay scale and nationally we are still in a fifteen or twenty year period of labor shortage, particularly among the

young who traditionally have provided the bulk of tourism workers. Every community needs to address how it intends to respond to the labor needs tourism will generate. And that is even more true in places where the cost of housing is very high. We will have to look to non-traditional workers to make up those needs - segments of the workforce that have been underutilized in the past.

11. Very few communities can survive on tourism alone. Those that do wish they had other sources of income and employment. Every business that serves tourists should also look for ways to better serve the local community. Some of you may know about the Main Street program of the National Trust for Historic Preservation. Main Street is commercial district revitalization within the context of historic buildings. One of the early steps in a community's becoming a Main Street city is an evaluative visit called a "resource team." The first Main Street resource team in which I ever participated was in 1981 in Manitou Springs, Colorado - a tourist town between Colorado Springs and Pikes Pike. During the walking tour one of the team members searched in every store downtown for a tube of toothpaste - an item certainly everybody needs. The only kind available was the tiny tubes good only for traveling - and only then if the trip isn't longer than three or four days. There was not a tube of toothpaste in downtown Manitou Springs for the people that lived there - they had to drive to the Shopping Center in Colorado Springs - something is wrong there.

12. Tourism is often sold as a costless form of economic development. "They come spend their money and leave. We don't have to build new schools, water lines, or add sewer capacity. It's all gravy." That just ain't so! Tourism has real costs and not just economic. Among those costs are traffic congestion, displacement of local businesses and residents, loss of sense of community, local antagonism towards visitors, and more police, public facilities, parking lots and street lights. This does not mean a tourism strategy should not be pursued; it does mean that these costs should be measured and weighed against the tourism benefits. "So what is a community profited, if it shall gain the whole world, and lose its own soul?"

13. For decades - perhaps always in the United States - we have tacitly equated economic growth with population growth. In many places the net population growth the next ten years will be nominal. An economic development strategy, then, that presupposes population growth becomes a zero-sum game. That is for me to win you have to lose. That is certainly very questionable public policy. Tourism along with the quality of local education, increased productivity, and the internet are some of the ways there can be economic growth - more dollars in local pockets - without necessarily having population growth and its parallel requirements.

14. Slow population growth notwithstanding, people will continue to move from one point to another. If it is desirable that a community grow in population then the tourism strategy should be part of the means to attract people as residents, not just visitors. Everything about the environment of being a visitor puts one in a psychological mindset to be persuaded to be a resident. They are relaxed, interested in your community or wouldn't be there, are, in fact, escaping from where they live and work now, and both spouses are generally present. Those visitors are in the best frame of mind they will ever be in to be attracted to live in your

community. If population growth is part of the overall economic development strategy the tourism component of the effort should be structured to further that strategy as well.

15. This visitor needs to receive more than was expected, not less. To oversell what you have to offer will only work once. The long term adverse effect will be costly indeed

16. Finally sustainable tourism must be a community wide strategy even among those who are not directly involved. The hardware dealer, the high school student, the retirement home, the bank - none of which immediately come to mind as tourism destinations - need to be part of the process. One unpleasant encounter for one visitor will be vastly more expensive to a community than five ads in Gourmet magazine can make up for.

Well there's one more list. That's really what I do for a living, make lists. But for a moment I would ask you to ponder a word rather than a list. It is a curious word in the English language in that it has very different meanings. Think of the word *integrity*. In one definition it means the quality of being honest, upright, truthful. But in another context *integrity* means soundness, completeness, strength, as in the structural integrity of a bridge. I would suggest to you that if we want a cultural tourism strategy that is sound, lasting, sustainable, strong – that is a cultural tourism strategy that has structural integrity, our representation of our heritage resources must be done with integrity – tell and reflect our own community's unique heritage in an honest, truthful way – both in the story itself and in the buildings that contain those stories.

Heritage tourism is a particular challenge because in many ways it is the polar opposite of other types of tourism. We go to the beach, or the golf course, or the waterslide specifically not to think. We want an experience where our brain can take a vacation as well as our body. Further we often take those types of trips to close our eyes and see nothing. If you picture yourself on a beach, I can almost guarantee you are thinking of yourself lying down with your eyes closed. And there is nothing wrong with that. But that is very different from heritage tourism. For heritage tourism to be successful it must engage the mind and capture the eye. And to be sustainably successful it must be engaged with integrity. I don't care what you call it – if it is artificial, it is not heritage tourism.

The widely admired American author Eudora Welty. In her collection of essays entitled *The Eye of the Story* she writes, "It is our describable outside that defines us, willy-nilly, to others, that may save us, or destroy us, in the world; it may be our shield against chaos, our mask against exposure; but whatever it is, the move we make in the place we live has to signify our intent and meaning."

Successful cultural tourism needs to find a way to signify our intent and meaning.

Just about a year ago I spoke at a heritage tourism conference in the Virgin Islands. I was thrilled to meet a wonderful St. Croix poet, Richard Schrader, Sr. He wrote this refrain in his poem, *Freedom in Frederiksted*.

Blow the conch shell
Ring the bell.
To the whole world the story tell
When Crucian slaves freed themselves
in Frederikstedsted.

That's what those involved in cultural and heritage tourism need to do – blow the conch shell, ring the bell, tell the whole world the story of the wonderful place you call home. Best wishes on your continuing efforts.

Thank you very much.

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PlaceEconomics
1785 Massachusetts Avenue, NW
Washington, DC 20036
202-588-6258
DRypkema@PlaceEconomics.com