



THE INSTITUTE OF HISTORIC BUILDING CONSERVATION

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**Barker Review of Land Use Planning
Response of the Institute of Historic Building Conservation
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1. INTRODUCTION

The Institute of Historic Building Conservation (IHBC) is the UK's professional body for the conservation of historic buildings and places. Our multi-disciplinary membership is active across the public, private and voluntary sectors, and consists of professionals working as conservation officers, planners, architects, regeneration professionals, project managers, historians, archaeologists, surveyors, engineers and urban designers, among others.

The IHBC supports professional activities in the sector by

- determining, defining and operating professional conservation standards
- shaping policy
- delivering educational, information and advisory services, for members & the wider public, and
- promoting professional development

The IHBC operates a range of services, including publications, both for its own membership and the public. Our website averages 35,000 hits per day, with visitors from many parts of the world. (See www.ihbc.org.uk)

The IHBC encourages participation in, access to, and awareness and understanding of historic places, both for their value to communities and as sustainable resources for our own and for future generations. Historic places help underpin our social, economic and cultural infrastructure, allowing society to address key priorities, especially those supporting the creation of sustainable communities.

The IHBC welcomes the opportunity to respond to this review of Land Use Planning.

2. RESPONSES

- 1. Is the planning system sufficiently flexible and/or responsive to the right signals to deliver the right development in the right place, given the changing economic circumstances due to globalisation, demographic change, natural resource pressures and environmental change? If not, what policy measures might help deliver this flexibility?**

The English planning system has a strong discretionary emphasis, allowing changing social and economic circumstances to be taken into account. It is clearly necessary for planning policy to be regularly updated at national, regional and local levels. However, there is also a need for long term certainty and stability to be maintained, for example through robust policies on sustainable design, green belts, the historic environment, etc. Quality assurance through planning is essential to creating the conditions for high value investment, entrepreneurial activity, structural and sustainable economic growth, sustainable regeneration and innovation. Cities that have focused on design and heritage-led regeneration have managed to improve their competitiveness (examples include Newcastle, Liverpool and Birmingham).

However, this does depend on the quality of the decision makers. IHBC would emphasise the need for local authority planning departments to include specialist skills in the delivery of modern regeneration. There are various aspects to this, but they include project management, urban design, conservation and community engagement. In addition, ongoing training for elected members taking planning decisions should be made compulsorily. Such training should emphasise the social, economic and environmental (sustainable) benefits of design and heritage-led regeneration.

Historic areas play a central role in delivering change. Historic buildings provide the variety of space and rental levels that is essential to nurture new small business development, creative

industries and innovation. It should also be noted that historic buildings are often targeted by developers, as part of their product. This does tend to depend on the quality of the developer, reflected in the quality (skills and experience) of their chosen professional teams. Clearly, professional teams that lack design and conservation skills will find historic buildings and areas more challenging than more experienced and skilled teams. Entrepreneurial developers that use highly skilled teams have used historic buildings to help develop new markets and drive change, for example through the development of 'city living' in formerly declining inner-city areas around the UK. Interestingly, 'mass' housing developers have followed the lead, setting up urban teams with better design skills in some instances, though they have often been slow to develop new markets themselves.

- 2. Do you have any views on the scope of plans at the different spatial levels in England which are now emerging following the introduction of the new system in 2004? Are there further improvements to the plan-making process at the different spatial levels in England, particularly regarding the need to encourage a positive/proactive approach to planning, which was a key theme of the new plan-making system? Does the current system strike the right balance between central direction and regional and local discretion?**

The IHBC generally supports the new planning system in principle, though it is too early to properly assess its performance in practice. The emphasis on community involvement is welcomed, though this needs further development, as described below. The higher priority for design is also particularly welcomed, through the introduction of design and access statements and the new advice in PPS1. The emphasis on design recognises its importance in delivering regeneration and economic development, as demonstrated in numerous city centres and in the output of developers like Urban Splash. Such development depends on high standards being maintained by an enlightened planning system.

The quality of Statements of Community Involvement (SCIs) has so far been very varied. Part of the issue is the lack of clear guidance on their content from central government. Regional government offices therefore have no consistent criteria against which to judge SCIs. The primary aim of SCIs should be to ensure that the communities views are sought and needs are identified at the beginning of the plan making process, before policies are amended. There needs to be a clear move from community consultation to proactive engagement and participation.

The regional level of plan making is somewhat detached at present, lacking the democratic basis of national and local plan making. There are very different requirements in different localities and regions for the planning system, and the current system allows for those differences to be accommodated. However, the lack of democratic input at regional level is a weakness.

Investors need certainty, and a plan-led approach is crucial to creating the conditions for entrepreneurial activity.

- 3. Sustainable development is the core principle underpinning planning. Does the current system achieve the right balance between economic and other goals, such as the regeneration of areas and the promotion of social cohesion, improving the quality of design of buildings and urban environments, and the protection and enhancement of our natural and historic environment? Are some environmental, natural resource, or social considerations given too much or too little weight?**

Development involving the use and refurbishment of the historic environment comes closest to providing an ideal balance between social, community, economic, regeneration, environmental and sustainable objectives.

Heritage-led regeneration has been a key element in the transformation of inner cities all around the UK in the past decade, prominent examples including Grainger Town and the Baltic Flour Mill in Newcastle, Ropewalks in Liverpool, the canal corridors and City Centre in Manchester, the Jewellery Quarter in Birmingham and the Lace Market area of Nottingham. Heritage has also been a key component in the diversification of small settlements and rural areas.

The economic and regeneration benefits of historic environments include:

- Historic buildings and areas better support small businesses, creative and high-tech industries and innovation due to the variety of floorspace and levels of rentals.
- Varied rentals and types of accommodation also allow for greater diversity and choice, such as specialist retail.
- Construction work on historic buildings moves the emphasis from use of capital resources to human resources, creating better paid and more skilled job opportunities.
- Historic places help to create a positive image and a focus for promoting an area.
- High quality historic places can support tourism and visitor industries.
- The historic environment and heritage funding can provide a catalyst for regeneration and economic diversification in industrial areas, towns, inner cities and rural areas.

The economic development importance of historic places is demonstrated in a range of reports and publications, including:

- Regeneration and the Historic Environment, English Heritage, 2005
- New Life – Heritage and Regeneration, The Heritage Lottery Fund, 2004
- The Role of Historic Buildings in Urban Regeneration, ODPM Housing, Planning, Local Government and the Regions Committee, 2004
- The Heritage Dynamo, Heritage Link, 2004
- Heritage Counts, English Heritage, 2003
- Heritage Dividend, English Heritage, 2003
- The Economic Power of Restoration, D Rypkema, 2001

It is also useful to apply the five drivers for improving productivity contained in the Treasury's 2004 pre-budget statement to the historic environment:

- The historic environment has made cities and regions more competitive by offering superior built environments, more positive profile and image, and acting as a catalyst for high value regeneration.
- Historic buildings promote enterprise by accommodating new businesses, and helping to develop new markets in housing and leisure.
- Older buildings and areas are crucial to accommodating innovation, which often relies on variety in the type and cost of floorspace.
- The historic environment helps to improve skills. This is a combination of creating more skilled employment in the construction sector, direct delivery of education and training by the conservation sector, and providing affordable accommodation for facilities to improve skills (such as the Dudson Centre in Stoke-on-Trent which accommodates various voluntary sector organisations).
- Historic areas often provide a focus for high value regeneration, and a catalyst for attracting substantial public and private sector investment.

The social and community benefits of historic environments include:

- Historic buildings and areas provide diversity of types of floorspace and rental levels, allowing community uses to be more easily accommodated. They also provide for

minority needs and demands and promote social inclusion, providing a focus for specialist retail such as charity shops, affordable IT, alternative music and youth culture, and ethnic foods and fashions.

- Historic places are also important for cultural development, both by catering for minority tastes and also often having a past associated with local industries and specialisms. Historic buildings often form a focus for the arts and craft based skills.
- Historic buildings have also helped to increase diversity of housing stock, with a range of tenures and including affordable housing.
- Historic areas often incorporate good urban design principles, such as legibility and good pedestrian permeability. Historic buildings and spaces are often adaptable to changing demands. Pedestrian convenience is often a strong feature.
- Historic centres provide a concentration of facilities and usually a focus for public and other transport, making them relatively accessible.
- Older areas tend to accommodate a greater mixture of uses compared to in new developments.
- Historic places create local distinctiveness and can foster pride.
- Interpretation and open access to historic places helps to provide education.
- Working with historic buildings requires specialist skills, creating better job opportunities.

In terms of sustainability, historic places provide the following benefits:

- Energy and landfill - Demolition of existing building stock contributes to landfill and involves the loss of the embodied energy used in the manufacture of materials and construction. This is avoided by retaining and converting historic building stock.
- Carbon emissions are a key factor in global warming, and keeping buildings produces fewer emissions than replacing them.
- Historic buildings and areas better support mixed use due to the wider range of types of floorspace and rental levels and the incremental way in which they have usually been developed.
- Older housing areas are often high density in nature.
- Historic buildings have also helped in the repopulation of inner city areas, including city centre living, and the reuse of derelict industrial areas.
- Historic areas often incorporate good facilities for pedestrians.
- Converting historic buildings places emphasis on skilled human resources, and less reliance on the use of physical resources, including non-renewables.

To illustrate these points, a typical Victorian House contains energy equivalent to 15,000 litres of petrol¹. Demolition and reconstruction leads to the loss of that energy investment and further use of energy for new materials and construction. However, it also contributes to landfill. Indeed, demolition and construction contribute to 24% of established total annual waste in the UK².

Heritage-led regeneration and development comes closest to reconciling tensions between the needs of economic development, communities, and environment. Indeed, heritage-led schemes often deliver higher value regeneration and employment, better diversity and choice for communities, and the most sustainable form of development.

4. What, if anything, could the English planning system learn from the planning and consent systems operated in other countries in order to respond to this new economic environment?

¹ Measurement of Residual Embodied Energy in Heritage Housing, BRE, September 2003

² DEFRA web site

In some European countries, there is a requirement to use qualified and accredited designers to produce development schemes. The majority of new housing estates in England are still not designed by architects and/or urban designers. By compelling developers to use qualified designers, design standards could be improved, and delay could be avoided. The outcome would be speedier decisions, greater certainty for the developer, and a better and more sustainable (and often more profitable) product on the ground.

There are also lessons on transportation, especially integrated transport strategies. There is still often little coordination between different modes of transport in the UK. Congestion is a serious drag on our economy.

5. What is the impact of planning on encouraging or impeding business investment? In this context, how would you assess the potential of recent reforms to the English planning system, which are now being implemented? Are they increasing the transparency of the system and providing greater certainty for businesses? What further reforms, if any, are desirable in order to improve the transparency and effectiveness of the system still further?

It is not just a coincidence that the areas with the best quality built environments are able to attract higher value investment and jobs and benefit from better economic performance. This includes well maintained historic areas and well designed new development. In such areas, strong quality assurance measures through the planning process are necessary to maintain economic strength. Similarly, areas with poor environments are often associated with poor economic performance. Acceptance of poor quality development can actually lock an area into a cycle of under-performance, attracting low paid employment, creating poor environments, and providing limited opportunities for local populations. Strong planning and environmental protection is especially important in under-performing areas. Structural economic growth requires improvements to the physical infrastructure to attract higher value investment and better employment opportunities. The historic environment is clearly a key part of this process.

More quality oriented developers need a robust, quality-orientated planning system to provide certainty over the standard of development in the surrounding area. High quality development often depends on development of similar quality in the surrounding area to succeed. It also often required a public sector commitment to improving the quality of the public realm.

The importance of community engagement in the planning process as a means to improving economic performance is often not appreciated. Involving communities in planning policy formulation, and in development proposals, can be compared to market research. Development is less likely to respond to local need and demand if local people do not inform the decision making process. Attitudes to involving local communities vary considerably. Some high quality developers now work with community groups or organisations like Planning Aid.

There are still some who have failed to grasp the modern regeneration agenda, and who promote 1980s notions of a relaxed planning regime. This view is especially promoted by developers who deliver standardised products, often failing to use qualified architects or urban designers, and with little interest in the surrounding social, economic or physical context.

A clear choice needs to be made on whether the planning system should cater for entrepreneurial and quality-orientated developers or those who wish to lower quality controls in the interests of delivering poorer quality development. Failure to make such a choice has

led to clear contradictions in the new planning system between faster decision making on the one hand and quality, added value and community engagement on the other.

The importance of Section 106 contributions needs to be appreciated. This allows for the provision of essential infrastructure to allow development schemes to be approved. The proposal for a planning-gain supplement, deflecting resources from Section 106 contributions, will reduce such infrastructure contributions and necessitate a higher level of planning permission refusals. This is a regressive anti-development and regeneration proposal which could cause considerable harm to local economies.

The Government clearly promotes deregulation of capital and labour resources as a means to promoting economic activity and improving productivity. It would be very dangerous to apply this philosophy to land resources. Spatial planning emphasises the wider context of delivering sustainable communities, not just land use. Planning addresses market failure, requiring developers to consider the external impacts of their activities, not only on local communities and the environment, but on the wider economic context and the interests of other land owners and developers. Deregulation of spatial planning would result in unchecked market failure, undermining the conditions necessary for growth and investment.

Robust planning is essential to creating the conditions, confidence and certainty for investment and economic development. Other European countries appreciate this and it is essential that the UK remains competitive by maintaining a robust planning system, with a strong emphasis on quality assurance. Deregulating the planning and environmental protection systems in Britain, including heritage protection, would serve the interests of other EC countries, but help to lock the UK into a cycle of under-performance, perhaps attracting some low-value investment, but deflecting higher value investment.

6. Is the planning system sufficiently “joined-up” with other related aspects of government policy? In particular, are Regional Economic Strategies delivering a clear economic framework to help inform Regional Spatial Strategies? Is there sufficient interaction between RDAs and RSSs when preparing their respective regional strategies and if not how might greater interaction be encouraged?

There is clearly a democratic deficit in the activities of both regional assemblies and regional development agencies. It is difficult to reconcile this situation with the Government’s localism agenda. To some extent, this can be addressed by effective community engagement in the production of regional spatial strategies. An example is the work being undertaken by the East Midland Regional Assembly and the Planning Aid Service, to involve local people in the emerging regional spatial strategy.

There is little community input into the strategies of regional development agencies, and this is a serious failing. There needs to be greater consistency between the performances of different regional development agencies (RDAs). Whilst some have recognised the importance of focusing on the quality of investment and regeneration, others have failed to recognise the importance of supporting design and heritage-led regeneration.

There do need to be much stronger linkages between regional economic strategies, regional spatial strategies, sustainable community strategies and local development frameworks than at present. This will require review of the procedures for developing the strategies, placing emphasis on the need for cohesion with other strategies.

7. Planning applications for major projects will typically take a considerable time to work through all the necessary stages. Do you consider the system puts too much emphasis on speed or do you feel that is too slow? If there is an undue emphasis on speed, what are the negative consequences of this and how could they best be

avoided? If the process is too slow, what could be done to overcome delays? In particular, what improvements might be made to the planning appeal system to improve its speed and efficiency?

Where developers engage with the planning process at an early stage, including pre-application discussions, the planning process need not cause delay. In many respects, this is simply down to good project planning. There may be a case for seeking to improve project planning skills in the development sector. There is potentially a problem where local planning authorities seek to charge for pre-application discussions or discourage them altogether.

There is a contradiction in the new planning system between the emphasis on speed, and the focus on design quality and community involvement. Best value performance indicators and the allocation of the planning delivery grant focus on speed of the decision making process, but neglect quality of outcomes.

One of the most obvious results of this has been a reduction in the willingness of local planning authorities to enter into negotiations at the application stage (to add value to schemes and to raise them to a level where permission may be granted). Thus, there is a choice to either approve poor quality schemes without amendments, or to refuse more applications. This is manifested in the dramatic increase in the number of planning appeals (a 30% increase since 2001). Pressure can be taken off the planning appeal system by shifting the emphasis from speed of process to quality of outcomes. This would require a radical rethinking of performance measures.

However, there are ways in which both local planning authorities and developers can speed up decision making, whilst also improving quality.

For local planning authorities, the following is recommended:

- Adopting best practices in engaging communities at an early stage of the development process. There is a need to improve community engagement skills.
- Employing experienced and qualified specialist teams to advise on urban and architectural design and historic buildings and areas. Many local authorities lack such skills, limiting their ability to effectively promote quality.
- Providing training for elected members in planning. This would help prevent inappropriate interventions, such as the suppression of creative and innovative designs, and lift the quality of decisions.

Developers can avoid delay by the following:

- Engaging with local communities at an early stage of the development process. Certainly this should take place before detailed designs are produced.
- Employing experienced professional teams, with expertise in urban and architectural design and historic buildings and areas. Too many schemes lack any input from qualified design staff. Lack of appropriate expertise limits the ability of developers to provide properly designed schemes.

8. Is there evidence to suggest that the direct costs of making a planning application are deterring investment? Are there any unnecessary burdens/how might information requirements be streamlined to reduce the regulatory burden from the process of making an application?

The planning system provides a degree of certainty that is essential to creating business confidence and the conditions necessary for investors.

One of the most common causes of delay is the poor quality of plans and supporting information forming part of planning submissions. Reduction of information requirements would be likely to increase delay and reduce the ability of decision makers to achieve high quality outcomes. The use of competent professional teams to prepare planning submissions avoids such problems and can also deliver substantially better value for money from a development budget.

The cost of producing schemes can be burdensome on voluntary groups seeking regeneration funding. Gaining planning permission is often a requirement when seeking funding. Funding bodies should recognise this problem and set up funds to help voluntary groups to produce their schemes.

9. To what extent are high occupation costs in England likely to be due to planning constraints, or due to other factors such as imperfect competition or lack of transparency in the land market? What is the economic impact of these costs in terms of the main drivers of productivity?

Urban containment and rural restraint policies clearly create greater scarcity of land and associated higher land costs. This explains why such policies are often supported not only by environmental and amenity groups, but also land and property owners, including house owners. However, this does create problems for first time buyers. Enlightened policies and support for affordable housing is essential.

Land owners with unrealistic expectations over land value can stifle regeneration by sitting on land and leaving it undeveloped. Local planning authorities should be more willing to use compulsory purchase powers in such instances.

Planning does focus development in existing settlements. This is essential to ensuring the long-term viability of such settlements, promoting regeneration, and reconciling economic development with protection of the environment and the creation of sustainable communities.

Historic buildings and areas often provide lower costs by avoiding the high capital costs of site clearance and new construction. Such areas are often targeted by small businesses, creative industries and high tech firms, due to their relative costs and flexibility. However, heritage-led regeneration schemes have often resulted in radical increases in land value, reflecting their dramatic success. The Ropewalks area of Liverpool, Castlefield in Manchester and Grainger Town in Newcastle are all examples. The clusters of businesses that have triggered regeneration in the first instance are sometimes priced out of an area by the very success of that regeneration. This results in creative activities often moving on to other less-prosperous places (also older, historic places).

Therefore, in terms of the drivers for productivity, the historic environment has a very important role. Most towns and cities have used design and built heritage to promote change and regeneration. It is clear that historic buildings and areas contribute significantly to economic development, raise profile and image, and act as a catalyst for regeneration. This can radically improve an area's competitiveness. By supporting enterprise, new businesses and innovation, older areas help to promote better productivity.

10. How does the planning system impact on competition, through influencing barriers to entry and exit and economies of scale? If there are areas where there is a negative impact, how can these be addressed, while protecting other goals of the planning system?

The planning system promotes competition by addressing market failures and ensuring that the external impacts of development on other land, property, community and environmental

interest is taken fully into account. A weaker planning system would benefit those who produce poor quality, unsustainable development. This would be at the cost of entrepreneurial and high quality developers, who require greater certainty and quality assurance to deliver their product. The interests of business are often presented as a coherent and single voice. It is essential to appreciate that the needs of entrepreneurial developers are often in stark contrast to those of more risk adverse developers.

11. To what extent does the planning system effectively support innovation through fostering the formation of business clusters and wider agglomeration of economic activity?

Robust strategic planning and provision of appropriate infrastructure are essential to supporting and developing new economic activity. This is especially important in underperforming regions and areas. Infrastructure includes not only transportation facilities, but improving the choice and quality of housing, social and cultural facilities, high quality public realm, and a high quality built environment (old and new). Numerous cities have promoted economic development by investing in infrastructure and the public realm (Birmingham, Manchester and Liverpool are a few examples). Without these, it can be difficult to attract skilled and qualified people to move to an area, and therefore difficult to attract businesses and investment.

As stated, Historic areas often provide a focus for business clusters, an example being the concentration of creative industries in Liverpool's Ropewalks or Birmingham's Custard Factory and Jewellery Quarter. Older areas and buildings are crucial to providing incubator units, fostering innovation and helping deliver economic diversification.

12. Do planning authorities have the skills and resources required to help promote sustainable economic development? If not, what is the best way to ensure that resources match the challenges the system faces? Are there ways to increase further efficiency of process?

Many local authorities do not employ staff with the specialist skills and experience to promote sustainable development. Key elements of sustainable development include good urban design, reuse of existing buildings, proper community engagement, flexible buildings and spaces, careful choice of materials, etc. Steps need to be taken to improve the skills of existing staff and ensure that specialist staff are employed. These should include the following:

- Urban and architectural design, including green construction and sustainable layouts
- Conservation and heritage-led regeneration
- Community engagement

Such skills are essential to ensure effectiveness and high quality outcomes from the planning process. In addition, to facilitate pro-active work and the promotion of design and heritage-led regeneration, the following skills are required:

- Historic building and area project formulation
- Bidding for heritage and mainstream regeneration funding
- Project management

Fiscal incentives are also necessary to promote more sustainable forms of development. These should include incentives to use green materials and construction techniques and, crucially, equalisation of VAT between new construction and building refurbishment. IHBC supports the findings of the ODPM Committee report on the Role of Historic Buildings in Urban Regeneration, which stated "The VAT treatment of construction work on historic

buildings is perverse and provides a disincentive to projects involving their reuse and goes against the Government's own sustainability principles".

13. Are the new arrangements for stakeholder engagement in the plan-making process succeeding in engaging those representing economic interests, including SMEs? If not, what are the barriers to that engagement and how might they be addressed?

Comparisons may be drawn between engaging business interests and wider community groups. It is not enough to produce policy and put it out for consultation. Proactive measures are required to engage both small business interests and local communities, with a focus on hard-to-engage groups, at the beginning of the plan making process.

14. Are there ways that the incentive structure for decision-makers and local communities can be improved so that a balance is achieved between local interests and the interests of the wider community regarding proposals for economic development?

It is essential to engage local communities in the planning process, from regional spatial strategies down to detailed local documents forming part of the local development framework. Only through effective engagement will local communities feel they have a stake in the decision making process. As one resident at a Planning Aid run Parish Plan event stated, "I feel part of the decisions now, whatever may happen in the long run". If people have been properly involved, they are much more likely to support and promote wider economic development aims.

As stated above, historic areas cater for innovation and business development, whilst also providing for the needs of local communities and fostering diversity.

15. Economic development can help achieve the regeneration and renaissance of urban and rural areas. Are there ways which planning could strengthen economic performance in regions, sub-regions (including city regions) and at the local level?

The government should place greater emphasis on the correlation between robust planning, with an emphasis on quality assurance, and fostering higher value economic development and regeneration (see responses to Questions 3 and 5 above).

There is an urgent need for local authorities to appreciate the role of design and heritage led regeneration. Enlightened and proactive policies on design and heritage need to be written into Local Development Frameworks, Sustainable Community Strategies and other strategic documents.

Rural economies and communities also rely on strong planning and environmental protection. Robust planning helps to address market failure, protecting the viability of local facilities and industries and providing housing for indigenous populations. The sustainability contribution of small farms and local food production should also be taken into account.

APPENDIX 1: The Economic Power of Restoration, Donovan D. Rypkema, Restoration & Renovation Conference, January 15, 2001, Washington, DC

Historic preservation doesn't have a value - it has a multitude of values: aesthetic value, cultural value, social and psychological value, political value, environmental value, educational value. In the long term I believe each of those values is far more important than preservation's economic value. Most of you at this conference can explain those other values far better than can I. Frankly I don't know much about those values. What I do know a bit about is the economic value of preservation.

I am going to try to do three things today: first, identify and quantify a number of aspects of the economic benefits of historic preservation; second, suggest where the challenges to the success of historic preservation are likely to come from in the next decade; and third, propose five key roles for historic preservation in this beginning of the 21st century.

These remarks are entitled The Economic Power of Preservation but I am going to define that economic power broadly. Preservation can mean profits to developers, and homeowners, and bankers, certainly. But also, I believe, it can generate profits for neighborhoods, community activists, visitors, and the city at large.

So first to the economic benefits of historic preservation. We have identified a couple dozen of them here in the U.S. I'm going to tell you about eight of them. And I'll begin with the impact of simply rehabilitating an historic building. The Bureau of Economic Analysis has developed an econometric model to measure the local impact of output from a variety of economic activities. Five hundred twenty eight types of activities are evaluated and then consolidated into thirty-nine industry groups. These range from coal mining to household services, from agricultural production to retail trade. Using this data there are a couple of ways of quantifying the impact of production in each of these groups: one is number of jobs created; another is local increase in household income.

Conventional wisdom suggests that manufacturing activities would have the greatest impact. So I would like to compare for you manufacturing to building rehabilitation.

We will begin with jobs. On average for every \$1 Million in output from manufacturing in Ohio, for example, 25.5 jobs are produced. For a Million Dollars in building rehabilitation 38.5 jobs. Now admittedly the 25.5 is an average of seventeen manufacturing sectors. Those of you who can recall your high school math or college statistics will remember that sometimes averages under reflect individual highs and lows. So how many of the 17 components of that average create more jobs per million than building rehabilitation? None. Again in Ohio the average manufacturing firm produces 13 fewer jobs for each million of production than does rehabilitation.

The next measurement is household income - how much does \$1 Million in manufacturing in a manufacturing state like Michigan add to the household incomes of Michigan citizens? \$561,000. How much does a Million Dollars of building rehabilitation add? \$784,000. Now admittedly the \$561,000 is an average of seventeen manufacturing sectors. How many of the components of that average create more household income per million than building rehabilitation? None. Again in Michigan a million dollars of manufacturing adds an average of \$223,000 less in the pockets of workers than a million dollars of rehabilitation.

So why is there this greater local economic impact? It is a function of labor intensity. As a rule of thumb, in the U.S. new construction will be half labor and half materials; rehabilitation will be sixty to seventy percent labor with the balance materials. So while you might buy an air conditioner from Texas and timber from Oregon, you buy the services of the carpenter,

the electrician, the painter and the plumber from across the street. Those tradesmen, in turn, spend their dollars locally on groceries, clothes and new cars. Thus the secondary local effects of labor are significantly greater than that of materials. Labor intensity adds to the local economy. That million dollars of rehabilitation in Ohio adds eight more jobs and \$153,000 more in household income than does the same amount in new construction.

Further, construction jobs are generally skilled and therefore generally well paid jobs, particularly for those without advanced formal education.

So the construction trades have traditionally been a path for young people for learning, apprenticeships, advancement, and the building of their own household assets. So the case can certainly be made that the rehabilitation of historic structures is a highly beneficial local economic activity. But this might be countered with, "Yes, but construction is a finite task and once the work is done the job is gone." There are two responses to that argument. First, with building component life cycles of between thirty and fifty years, a community can rehabilitate two to three percent of its building stock per year and have perpetual employment in the construction trades.

Second, and more important is the nature of what is being created. A rehabilitated building is a capital asset, like a drill press or a railroad car. There is an economic impact in its creation but a subsequent economic role in its long-term use. So I would like to move to some of the uses we have found for historic buildings that have additional economic impact.

One area of significant preservation economic impact is heritage tourism. Heritage tourism is among the fastest growing segments of the visitor industry worldwide and will continue to be so. But that does not mean a heritage tourism approach is appropriate for all or even most places with historic assets. I would estimate that of all the heritage resources in economically productive use in the U.S., ninety-five percent are being used for something other than the tourism industry. Furthermore, heritage tourism is based on a rather fragile commodity, the overuse of which can diminish sustainable opportunity. So is the economic use of historic resources limited to heritage tourism? Certainly not.

Having said that, however, heritage based tourism, properly managed, does represent a significant opportunity for many communities. In Virginia preservation visitors stay longer, visit twice as many places, and spend two and a half times as much money as nonpreservation visitors.

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. But North Carolina is known for another culturally based activity. For generations in the mountains of western North Carolina has been a vibrant crafts industry. Today that industry - almost entirely made up of one and two person operations - adds over \$120 million annually to the economy of that State. What is the connection between the crafts industry and historic preservation? There they have learned that historic buildings make the ideal place both to make and to sell their wares - the authenticity of the historic building adds to the sense of authenticity of the crafts product. It is a natural linkage.

Back to heritage tourism for a moment. In Maryland when we looked at heritage tourism here's what we learned: 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 decidedly 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, 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 is 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.

A while back I attended a one-day symposium at the Brookings Institute in here in Washington of 30 or so people - both academics and practitioners - who are looking at ways of measuring the economic impact of historic preservation. The president of a tourism analysis firm from Toronto looked at 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.

The next on my list of economic benefits of historic preservation is, perhaps, a less obvious one - small business incubation. The vast majority of net new jobs in the U.S. are not created by General Motors or IBM or Texaco. Around 85% of all net new jobs are created by firms employing less than 20 people. One of the few costs firms of this size can control is occupancy costs - rent. Many simply cannot afford the rents demanded in a new office building or in a shopping center or a new building in an industrial park. For many of these firms historic buildings are an attractive alternative. The twenty fastest growing types of businesses in the US have on average 11 employees. How much space to these people require? Well it depends a little on the specific business type but around 200 square feet per person would be typical. What is the average size of a small historic building downtown? 25' by 100' or 2500 square feet, almost precisely what is needed for this type of small business. Just up the road is Annapolis, Maryland - the most historic of America's state capitals, and there is a wonderful historic district in the downtown there. In that downtown 60 percent of all of the businesses employ five people or less - the perfect match between historic building and small business opportunity.

High tech industries seem to be what everyone wants to recruit today - and probably for good reason. But 70% of all high tech firms employ less than ten people. Some idiots in Duluth, Minnesota tore down a whole block of historic buildings recently in order to build a "high tech center." I don't know; maybe all the planes in Duluth are frozen to the ground year round so they couldn't look at the pattern anywhere else. But in the fast growth high tech areas in Seattle, in Portland, in Boston and Cambridge, in Silicon Alley in Manhattan, where are those types of firms locating? In old industrial and retail buildings, Rennsseler Polytechnic Institute in Troy, New York is one of the great technological colleges in the country. They have a history of graduates forming companies in the high tech fields. The school in the past has partnered with some and provided business incubation space for others. Well they recently ran out of space on campus to accommodate all of the need - and that need includes direct connection to the school's main frame computers, and a variety of communication and data transfer systems. So they built a new glass and chrome building in the industrial park right? Wrong. In partnership with a local bank and a non-profit preservation organization RPI created a state-of-the art high tech business incubator in a historic building in downtown Troy. Less than a mile from here a group of venture capitalists is creating an incubation space for high-tech businesses they want to invest in. Where are they doing this? In an historic building in Washington's Chinatown. The adaptability of historic buildings is one of their most valuable and under-recognized attributes.

There is one more aspect of small businesses and historic buildings that merits mention, and it is on the quality side of the equation. There are certainly some very high quality new

commercial buildings being built in America today - but virtually all of them large buildings. Small businesses rarely find a place in these buildings either because the size is inappropriate or the rent is too high. There are almost no high quality, small buildings being built for tenant occupancy anywhere in the U.S. The rehabilitated historic building provides that opportunity for a small business - high quality at an appropriate scale and an affordable price. Many small firms are recognizing that.

The next area of preservation economic benefit is downtown revitalization. For fifty years we have seen a departure from the central city and its downtown to the suburbs. This has had huge adverse consequences socially, economically, politically, and physically. As a result many towns and cities of every size have embarked on downtown revitalization efforts. Some of these efforts have been going on for nearly thirty years; others are more recent initiatives. Today downtowns are making a great turn around - new economic life in areas that not long ago were nearly dead. But I do not know of a single sustained success story in downtown revitalization anywhere in the United States where historic preservation was not a key component of the effort. That doesn't mean it isn't theoretically possible to have downtown revitalization but no historic preservation, but I don't know about it, I haven't read about it, I haven't seen it.

One consequence of these downtown revitalization efforts is that for the first time in two generations people of middle class means are moving back into the central city - often into the downtown itself. This is happening in places as diverse as Philadelphia, San Francisco, Atlanta, Houston, Denver and Des Moines. But in nearly every instance the housing they are moving back into is rehabbed housing in historic buildings. Obsolete factories, warehouses, department stores, office buildings are now finding new life as apartments. This is historic preservation that has nothing to do with tourism or museums but is making a huge and sustainable economic impact all over America.

At the same time we have seen departure from our central cities there has also been an out-migration from small towns. For 20 years now the National Trust has had the program - economic development in the context of historic preservation - known as Main Street. Main Street is now active in neighborhood commercial districts in several large cities. It has had an incredible success. Over 1500 communities in over 40 States have had their own Main Street programs. Over the last 20 years in excess of \$12.8 Billion dollars has been invested in these downtowns. There have been 62,000 building renovations, 51,000 net new businesses and 193,000 net new jobs. There is simply no more cost effective economic development program of any type, on any scale, anywhere in the country and I don't care what standard of measurement you choose. And this is economic development that focuses on historic preservation and retaining community character.

Stable residential neighborhoods may not seem to be central to economic development, but in fact they are critical. Declining neighborhoods means loss of tax revenues for local government. Declining neighborhoods mean the departure of the skilled, the educated, the employed and the middle class. Declining neighborhoods see increased crime, declining property values, underutilized public infrastructure, deficient schools. Both the public and private sectors suffer economically when residential neighborhoods decline.

More and more, historic districts have become the strategy to stabilize and reinvigorate urban neighborhoods. The only way I know to communicate this pattern to you is to give you some examples from around the country. In Kansas City, Missouri the city itself is declining in population, but the historic districts are growing. In Rock Island, Illinois, a Mississippi River town, many of the older homes in close in residential areas had been covered up with cheap and inappropriate materials. A concerted effort of a local group to undo the damage has been in place for six or seven years. The neighborhood has taken on a whole new life. If you were to drive through some of these neighborhoods you might well say, "What is historic about this neighborhood?" And, frankly, on a global scale, nothing. But the neighborhoods

have a local history that they now celebrate. The overwhelming majority of what we call "historic properties" have no international, in most cases not even national importance. But they have local importance to the people who live there. Both economic development and historic preservation are essentially local in the United States; that's one reason why the two can work so well together. In Indianapolis an area of very modest housing is seeing rates of property value appreciation far greater than surrounding non-historic neighborhoods. In the small town of Staunton, Virginia, historic district properties appreciate significantly faster than the market as a whole. In Oklahoma City a neighborhood that ten years ago was nearly vacant is seeing new life based on a preservation strategy. Columbus, Ohio has created an entire new neighborhood through the adaptive reuse of former breweries and warehouses. None of these examples are the enclaves of the rich or famous, not neighborhoods of mansions. But they are all examples of a consistent pattern of effective neighborhood stabilization through historic preservation.

Related to the issue of neighborhood stability is neighborhood diversity. America is a diverse country, ethnically, racially, economically. From a political perspective there's not much unanimity in the U.S. regarding overall urban policy. But I think there is rather widespread agreement on one issue - our cities would be healthier if we had diverse urban districts - that no one particularly benefits from neighborhoods that are all rich or all poor; all white or all black. And while for over thirty years we have had laws prohibiting discrimination based on race or religion, while anyone with the money to buy can live wherever they choose, our neighborhoods as a whole are not very diverse.

Let me give you an example. Philadelphia, one of America's oldest cities, has a population of one and a half million people. It's about 53 percent white, 40 percent black and the balance Asian and Other. But when the census is taken Block Groups are identified. A block group is small - in Philadelphia only eight or nine hundred people in each one. There are about 1,750 Block Groups in Philadelphia. While the city as a whole is certainly diverse, the Block Groups are not. In a recent analysis we said that to meet the test of a diverse neighborhood, the Block Group had to be less than 80% white and less than 80% black, that is no extreme concentration of any race.

Barely one Block Group in five met that test. 79% of Philadelphia small neighborhood clusters were effectively all white or all black. Not so in the National Register Historic Districts, however. In the 106 Block Groups within historic districts nearly half met the diversity test - people of all races living together because of the appeal of the historic neighborhood. These were not all high-income areas, by the way. The income distribution in Philadelphia's historic districts mirrors the income of the city as a whole. There is housing available in historic neighborhoods to accommodate a wide range of income levels.

Philadelphia is a city that is losing people. Since 1980 it has lost between 12 and 14% of the population. Some will argue that a city's diversity is what drives people away. Not true in the historic districts. The historic neighborhoods have lost less than 5%. These historic districts only make up 6.3% of the city's entire population but: fifteen percent of the people that moved in from the suburbs in the last five years went to historic areas; twenty one percent of the people that moved into Philadelphia from other parts of the country moved to historic sectors. Historic neighborhoods are home to nearly 24% of the college graduates and over 28% of those with graduate and professional degrees. Even in a city by many measures in decline, the diverse appeal of historic districts is evident.

So there are eight of the ways we have found historic preservation to be an economic generator: jobs, household income, heritage tourism, small business incubation, downtown revitalization, small town revitalization, neighborhood stability, and neighborhood diversity.

So the story of the economic importance of preservation is a positive one. It is a story that is being heard and understood and adopted by decision makers - bankers, elected officials, city

managers, economic development professionals, real estate developers, accountants, and business people. Those very people that a decade ago were the most vociferous opponents of historic preservation; or at best dismissed it as a cute avocation for the retired librarian. I do not mean to suggest that the need to continue to make these arguments is now over. This economic power of preservation message still needs to be told.

But I think our biggest challenges in the immediate future come not from our former foes. Today our biggest challenges come too often from our friends in preservation. A battle isn't lost when people yell at you. A battle isn't lost when people talk down to you. A battle is lost when you become a joke. And, I would suggest, we are on the verge of that happening far too often. Let me give you four examples.

In the name of historic preservation this is happening all over America. In what absurdist dictionary written by Salvador Dali on drugs can this be called historic preservation? Maintaining a four-inch brick depth of a façade is not preservation. Either a justification can be made for economic hardship or it can't. If there is no feasible way to save the building, we ought to demand a high quality new building be built. If there is not demonstrated economic hardship we ought not settle for this Halloween preservation - saving the mask and throwing away the building. This is the worst of both worlds - no historic preservation, by any sane definition, and yet encumbering the developer with an extraordinary cost of removing an entire building behind the skin and pasting it back on again. Every time some historic preservation commission accepts - or in most cases mandates - this façadeomy as "historic preservation" it not only makes it more likely to happen again, it also has taxpayers and 7 elected officials shaking their heads in wonder and saying, "this is what preservation is about"? The laughter will soon follow.

My second example is on the other end of the spectrum. The Secretary's Standards for Rehabilitation have a clause that says "distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved." Well that used to mean grand lobbies, ornate stairways, decorative banisters, stained glass windows. Today too often every 8" pine, painted mopboard is declared a "distinctive feature" whose retention is mandated. Again, let me give you a concrete example. A building like this one - this isn't the building, I didn't want to embarrass the parties involved - but a building like this - late 19th century. And you all know how this building is configured on the upper floors - a long, double-loaded hallway with very small rooms and transoms over each door. The property owner and his architect convinced the SHPO and the Park Service that those small rooms simply could not be effectively reused and so were allowed to remove all the walls between them, creating two large, well lighted and usable spaces. But they were required to maintain the hallway - doors, transoms, and all. But the hallway goes nowhere! All because the doors and transoms were identified as "distinctive features". But how can we call a door a distinctive feature if there's no room behind it. It reminds me of this Oklahoma version of façadeomy - a door but no building. A hallway to nowhere - mandated by our friends - makes preservation the subject of laughter.

Example three. I've been involved for the last year with Peter and the National Trust in a cooperative agreement with the U.S. Army to identify the issues and challenges and to look for solutions in trying to deal with the Army's historic buildings. They have 12,000 historic buildings currently and thousands more coming online over the next 20 years. The leadership at the Pentagon recognizes their stewardship responsibilities and is prepared to do what is necessary for their historic buildings. The responsibility for identifying what is "historic" falls into the hands of Cultural Resources Managers. Very nice people, very committed, most of whom are trained as archeologists, botanists, or entomologists. Trouble is, many, many of them use the term "historic building" to apply to everything over 50 years old. I'll admit to sleeping through some classes in graduate school, but I think if "fifty years old" and "historic" were synonyms I'd have come across it somewhere. Now when some

commander is told that every temporary wooden storage building built in 1951 is "historic" and has to be saved, historic preservation is going to be dismissed as simply foolishness.

Example four. There has been lots of discussion lately about the preservation of the recent past. And I think that's great. There are certainly plenty of buildings built since World War II that merit preservation - Dulles Airport, the Seagram building, Transamerica Tower, the motel where Martin Luther King was assassinated and hundreds of others. But to suggest that every roadside motor inn, 1950's strip center, Dairy Queen and Esso gas station is somehow "historic" stretches the limits of credibility. Historic preservation has always held with it an implication of quality and significance. When we allow Gresham's Law to apply to what we consider historic, we dilute the importance of those buildings that are important, that are historic, that do merit saving.

We have made great strides in the last 15 years in cities, in neighborhoods, in economic development because historic preservation has demonstrated it should be taken seriously. But when saving four inches of brick constitutes historic preservation, when every mopboard becomes a "distinctive feature", when everything 50 years old is defined as "historic" and when mediocre structures of no architectural, historical, or aesthetic importance are called landmarks, we will have taken a giant step backwards and laughter will be our departure music.

And this risk of now losing this hard won credibility is particularly troubling to me because of the great opportunity for historic preservation as we enter the 21st Century. I believe there are five crucial roles that historic preservation has the opportunity to play in the decades ahead.

First is globalization. Like it or not the 21st Century will see a globalized economy. 1.2 billion people in the world live in poverty, most of them people of color. You will never tax the industrial world enough to end hunger. The only way it can happen is if there is an opportunity to produce and sell goods and services to world markets. The protesters in Seattle and elsewhere are simply wrong. A globalized economy is not only going to happen, but it is critical on any humanitarian perspective that it does. There will be a rapidly growing demand for goods worldwide. But the manufacture of those goods will require fewer and fewer people. Likewise the need for agricultural products will only increase with world population growth but fewer agricultural workers will be necessary to grow that food.

The areas of the economy that will grow, both in output and in employment are these: Services; Education; Ideas; One-of-a-kind products, individually produced; Culture; Entertainment; Travel. What does that have to do with historic preservation? Three things: 1) every one of those activities can take place within a historic buildings; 2) for each of those growth areas, quality and authenticity will be major variables in consumer choice; and 3) just as with the crafts industry in North Carolina, being in a historic structure adds to the sense of quality and authenticity of the good or service. Historic buildings can house the 21st century economy.

There is a second role for historic preservation in relation to globalization and it is this: for all of the potential benefits of a globalized economy (and there are many) it carries with it the substantial risk of a globalized culture, of which there are few if any benefits. But a globalized economy does not have to lead to a globalized culture. The westernization or the Americanization or the McDonalization of local and regional cultures will not only have short-term adverse sociological and political consequences but long-term adverse economic consequences. But again, historic preservation can play a critical role. There is no better way to maintain, understand, and appreciate a local culture than the ongoing, evolving use of a community's historic resources. So historic preservation, perhaps only historic preservation, can simultaneously foster economic globalization while resisting cultural globalization.

A third role for historic preservation in the coming years is one that it has been playing all along, and that is community building. In fact I would argue that historic preservation is the singular form of economic development that is simultaneously community development. Not long ago with the creation of the Internet, the growth of telecommunications, and the ability to work around the globe from one's house, there were predictions that the importance of one's physical place would diminish in importance. In fact the opposite has been true. The ability to work anywhere, the ability to electronically be everywhere, has increased our need to be somewhere - somewhere in particular, somewhere differentiated. It is our built environment that expresses, perhaps better than anything else, our diversity, our identity, our individuality, our differentiation. Our historic buildings are the physical manifestation of our community.

We may be dismissive about teenagers, their values, their outlook, but they often understand this better than anyone. Let me tell you about the small town of Rushville, Illinois. There is this school there built in 1919 with an addition built in 1925. The addition was the gymnasium on the lower level and an auditorium space on the upper level. The school board decided the structure no longer worked so they built new schools, added to others, and a year ago the junior high kids who were the most recent users of the school were moved out. But the school board decided that not only didn't the building work as a school - it was unusable for anything and intended to demolish it. When I toured the building I went into one of those little dressing rooms that are usually found behind the stage in high school auditoriums. There written in graffiti on the wall - clearly by a 14 or 15 year old was this: "Those who want to tear this building down have never seen this place as Wonderland." That kid clearly understood what the school superintendent did not - that the evolution of the community was represented in that building and it was a far too precious commodity to be lost. The School Board didn't understand that and the building was torn down.

But if the Rushville School Board didn't understand that, others do. In his book *The Good Society* sociologist Robert Bellah observes, "Communities, in the sense in which we are using the term, have a history--in an important sense they are constituted by their past--and for this reason we can speak of a real community as a 'community of memory', one that does not forget its past."

The fourth role of historic preservation is its environmental role. I have to credit Dick Moe at the National Trust for bringing this aspect of preservation to the forefront. The relationship between sprawl in the suburbs and abandonment of historic buildings in the city is so obvious, most of us missed it for years. But now this relationship is better understood. No new land is consumed when a historic building is renovated. Construction debris takes up 24% of increasingly expensive sanitary landfill, and much of that is from buildings being demolished. Historic preservation constitutes a demand side approach to Smart Growth. I'm not at all opposed to acquiring greenbelts around cities or development rights on agriculture properties. Those are certainly important and valuable tools in a comprehensive anti-sprawl strategy. But they only reduce the supply of land to be developed - they do not address the demand for the use of that land. The conversion of a historic warehouse into 40 residential units reduces the demand for ten acres of farmland. The economic revitalization of Main Street reduces the demand for another strip center. The restoration of the empty 1920s skyscraper reduces the demand for another glass and chrome building at the office park. Again, I don't mean to be remotely critical of supply side strategies, but without demand side responses, their success will be limited at best. Historic preservation is in and of itself an environmental strategy, one that addresses the demand for uses.

The fifth role for historic preservation is its effectiveness as a vehicle of fiscal responsibility. If Democratic governors, legislators and mayors have gotten onto this Smart Growth movement because of their concern for the environment, Republican governors, legislators and mayors have become advocates for Smart Growth because they are advocates for fiscal responsibility. The huge cost of public resources in providing roads, fire protection, water and sewer, schools and other infrastructure further and further into the countryside while at the

same time we are abandoning historic buildings and the infrastructure that's already in place to serve them is the height of fiscal irresponsibility. Preserving historic structures is conservative in the best sense of the word. We are conserving tax payers' dollars, conserving our local heritage, and conserving the natural environment.

So when you go back home, getting your hands dirty restoring that deteriorated white elephant project that no one else would take on, please don't think what you are doing is just fixing up some old building. What you are doing is preparing your community for a globalized economy without being swallowed up by a globalized culture. You are building your community. You are saving the environment. And you are saving scarce public resources.

I know that you've heard them before, but I think, particularly for this audience, the words of John Ruskin are a fitting conclusion. He wrote, "When we build let us think that we build forever. Let it not be for present delight, nor for present use alone; let it be such work as our descendants will thank us for, and let us think, as we lay stone on stone, that a time is to come when those stones will be held sacred because our hands have touched them, and that men will say as they look upon the labor and wrought substance of them, "See! This our fathers did for us." What you are doing for historic preservation your descendants will thank you for. And I thank you for allowing me to be here with you today.

Thank you very much.

Donovan D. Rypkema