

Historic Preservation in Kentucky



by

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Cover Art: Princeton Main Street, a farm on Old Frankfort Pike, Riverview at Hobson Grove in Bowling Green, and a residence in Louisville. Report design by Erin House.

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Executive Summary

Kentucky is a national leader in preservation

Kentucky ranks No. 1 in the White House's Preserve America Initiative, with 73 designated recognized communities and neighborhoods. Kentucky ranks fourth in the nation in total listings in the National Register of Historic Places. In addition, the Kentucky Heritage Council (KHC) has documented more than 40,000 historic structures in Kentucky.

State of the art historic preservation methodology

This study used a number of state of the art methodologies, including a survey yielding 172 responses, multiple regression analysis, computer simulation models, detailed qualitative comments from preservationists, and up-to-date census analysis.

Historic buildings are affordable housing for the poor, elderly, and minorities

A significant portion of Kentucky's housing stock is 50 years or older and census analysis shows older housing is disproportionately occupied by the poor, elderly and minority populations. This is because older housing provides affordable rents for low-income populations. For this reason, communities should make a major effort to preserve older housing.

Designated historic districts have higher increases in property values

Properties located in local and National Register historic districts experience larger increases in property values than in unprotected or undesignated neighborhoods. Historic designations are a vital tool because they provide investors with a greater assurance that their neighborhood is protected from inappropriate changes to architectural details.

Tax incentive programs have been an effective tool for creating positive changes in historic areas

Kentucky is one of just 27 states in the country that provides tax incentives at the state level for commercial and residential historic rehabilitation projects. Since it was signed into law in 2005, a total of 172 projects have been reviewed, representing a total investment of \$171,112,857 from the private sector in only three years. Eliminating the \$3 million cap is critical toward encouraging historic preservation in our communities. In 2006, 91 federal tax projects were reviewed in Kentucky with qualified restoration expenses totaling \$52,752,656.

Heritage tourism is a vital component of Kentucky's economy

Tourism is Kentucky's third largest industry and second largest employer. Visitor spending surpassed the \$10 billion mark for the first time in the state's history in 2006. Heritage sites are vital tourism attractions that help to stimulate local economies in nearly every county in the Commonwealth. Kentucky contains a wide assortment of significant historic sites and landscapes, which the state has only begun to embrace economically.



St. James Art Fair 2007, Old Louisville

Investing in downtown areas creates tangible economic benefits

The Main Street program is a nationally recognized economic strategy that has benefited Kentucky cities of all sizes, both urban and rural. There are currently 86 cities that participate in the Renaissance/ Main Street program in Kentucky. In 2006, there was a total reinvestment of \$292 million in participating Main Street cities in Kentucky, with approximately \$128 million in private investment, \$70 million in public improvements (streetscape, etc.), and nearly \$95 million in new construction. Since Kentucky's involvement in the program began in 1979, a total investment of more than \$2 billion has been reinvested in Kentucky downtowns.



Paris Pike, Lexington

Rural heritage areas are threatened by urban sprawl and unplanned growth

Rural areas across the state are threatened by new large-scale neighborhood projects and the construction of big box stores. Programs such as the Rural Heritage Development Initiative (RHDI) have been established to promote heritage sites and revitalize rural landscapes. Policies in local governments need to be implemented to regulate these new developments. Establishing new policy regulations and programs seeking to protect the rural landscape will help preserve the idyllic Bluegrass and other landscapes unique to Kentucky.

Historic preservation creates jobs for Kentuckians

Historic preservation results in more job creation than most other investments. Studies have shown that historic rehabilitation actually creates more jobs than the average job in new construction. Our data shows that 43 jobs are created for every \$1 million in investment in historic rehabilitation. The newly established state tax credit has led to the creation of 7,365 jobs (2005-2007), federal rehabilitation projects created 2,236 new jobs (2006), the Renaissance/ Main Street program led to 4,720 new jobs (2006), and heritage tourism sites employ 2,700 Kentuckians. These programs alone create at least 17,021 jobs directly related to preservation. Thousands of other jobs are also created by both small and large investors in the private sector to restore historic houses.

Historic preservation is green living at its best

Older neighborhoods are generally closer to downtown areas where people work and play, and therefore save energy and fuel consumption in their commute. Also, most of the historic resources built before the 20th century were designed to accommodate residents without the technology of air-conditioning. High ceilings, transom and operable windows, and large attic and basement spaces provide current occupants the opportunity to practice good environmentalism by reducing energy costs associated with heating and cooling.

Historic preservation is a win-win for neighborhoods, towns, cities, and the Commonwealth

Government can use an array of bold and innovative steps to enhance historic preservation efforts, such as raising the cap on state tax credits, establishing additional historic zoning overlays, providing soft second loans, providing grants for façade restoration, and expanding educational opportunities to historic property owners.

I. Methodology

Case Studies, Comparative Analysis, Census, and Qualitative Interviews

We used a variety of standard methodologies embraced by the social sciences for this study. First, we highlighted specific case studies of preservation programs and efforts throughout the Commonwealth. Second, we conducted a comparative analysis of the impact of older and newer housing based on age, race, and income. Third, we analyzed 149 quasi-independent housing markets throughout the United States including Lexington and Louisville. Fourth, we obtained property valuation data in 170 census tracts in Louisville and Jefferson County by comparing property value appreciations in historic preservation districts versus non-historic neighborhoods from 2000 to 2006, gathered from Kentucky Population Research at the University of Louisville. Fifth, we conducted qualitative case studies of various towns and cities, which included guided interview strategies.

Job Multiplier Simulation Modeling

We used a highly respected job multiplier simulation model, developed by Rutgers University for the National Park Service. The PEI (Preservation Economic Impact) model quantifies the economic impact which determines the direct, indirect, and total effects of an external infusion of funds for historic preservation efforts. It is based on real case studies of job creation and put into a computer simulation model. The labor and materials used to purchase or rehab a historic home is considered a direct effect, while the multiplier effect consists of the indirect impacts, which involve spending by industries to produce items for historic preservation, and the induced impacts, which focus on the money spent by those directly or indirectly with the historic preservation activity (National Park Service, 2000). Local estimates on job generation can

average much higher. Local estimates are often “guesstimates” based on simplistic assumptions. These high estimates are driven by competition of other cities trying to demonstrate the biggest “bang for the buck.”

Contractors who work on historic buildings place orders with suppliers and manufacturers, who would be considered a basic industry. Orders placed with local suppliers would be expected to increase the sales, and subsequently, the employment of those suppliers. Since these suppliers are part of a basic industry, economic base theory predicts that there will be additional hiring in non-basic industries. The employment impact of the expenditures on historic preservation should go beyond simply restoring, preserving, and rehabilitating buildings.

Survey of 172 Historic Preservationists

One of the major components of this study was conducting a survey of the historic preservation community. We used web-based survey software because of the convenience and simplicity of the Internet format, sending invitations to more than 400 people dedicated to preservation throughout Kentucky. Our contact list was comprised of professionals from the Kentucky Heritage Council (KHC), Preservation Kentucky, various non-profit preservation organizations, certified local government (CLG) officials, Main Street directors, house museums, bed & breakfast establishments, neighborhood groups, restoration architects, preservation educators, and citizens directly involved with historic rehabilitation projects. It was also sent to a variety of city leaders and planning officials, including mayors, economic development professionals, urban planners, and property valuation administrators. This contact list was not representative of every citizen in Kentucky, but rather those individuals or groups who have a direct or indirect economic interest in historic preservation.

Kentucky Preservation Survey

1. Economic Impact of Historic Preservation							
	Strongly Agree	Agree Somewhat	Neutral	Disagree Somewhat	Disagree Strongly	No opinion	Rating Average
Your historic downtown is the economic core of the city	36.6% (63)	30.8% (53)	11.6% (20)	14.0% (24)	6.4% (11)	0.6% (1)	3.76
Rehabilitating old buildings costs less than constructing new buildings	40.1% (69)	29.7% (51)	11.6% (20)	12.8% (22)	4.7% (8)	1.2% (2)	3.84
Coffee shops, art galleries, restaurants, and pubs in historic areas improve the quality of life for residents	86.5% (148)	11.7% (20)	1.2% (2)	0.6% (1)	0.0% (0)	0.0% (0)	4.84
Preservation has a strong economic impact in your community	62.8% (108)	24.4% (42)	8.1% (14)	2.9% (5)	1.7% (3)	0.0% (0)	4.44
Historic preservation offers a profitable return on investment	57.6% (99)	29.7% (51)	9.3% (16)	1.7% (3)	1.2% (2)	0.6% (1)	4.39
Historic preservation creates more jobs for Kentuckians	50.6% (87)	30.8% (53)	12.2% (21)	2.3% (4)	1.7% (3)	2.3% (4)	4.19
Historic areas experience a higher increase in property values	59.3% (102)	28.5% (49)	8.7% (15)	1.2% (2)	1.2% (2)	1.2% (2)	4.40

Our state-of-the-art survey included both positive and negative questions using a six-point scale. A six-point survey contains scaled questions that also differentiates between ‘neutral’ and ‘do not know,’ since each answer can mean different things. Topics were integrated about the state tax credit program, heritage tourism, rural development, sustainable housing, and job creation, as well as qualitative information concerning respondents’ own communities and concerns. The survey also gave people the opportunity to expound in their own words about these programs and the economic benefits of rehabilitating historic buildings. Full survey results are located in the appendix, as well as select quotes on the bottom of every page.

Our response rate was overwhelming and completely exceeded our expectations. We had initially hoped to collect 30-50 responses, but ended up receiving 172 completed surveys. Most surprising was the wealth and breadth of information we collected from the qualitative questions. We would not have been able to collect this type of information had the survey been conducted in a typical phone survey format. In this respect, our survey was greatly enhanced by the use of this new technological design. The results of this survey have been integrated throughout this report.

“Kentucky is not fully embracing the economic impact that having a beautiful, wonderfully maintained state, buildings, and land would have on all strata of our economics.”—Anonymous

II. Scope of Historic Resources in Kentucky

Demographic Profile

According to the Kentucky Heritage Council, Kentucky has more than 3,000 properties (a mixture of districts, sites, and structures) listed in the National Register of Historic Places. Of the more than 80,000 listings nationally on the National Register, Kentucky ranks near the top with the fourth highest number of listings. In addition, KHC has documented over 40,000 historic structures in Kentucky since its inception in 1966.

Kentucky has 73 recognized communities and neighborhoods in the Preserve America initiative, established by the White House to promote historic preservation in communities across the nation (see Table 1). This number is higher than any other state in the country. Designation from Preserve America is significant because it provides these communities with the opportunity to apply for federal grants and tax incentives for historic rehabilitation. Communities and sites are also eligible to receive Preserve America awards, which can raise their profile and bring national attention.



Courthouse, Nicholasville



U.S. Marine Hospital, Louisville

Table 1: Designated Preserve America Communities and Neighborhoods in Kentucky

Anchorage	Cumberland	Harlan	Maysville	Princeton
Ashland	Cynthiana	Harrodsburg	Midway	Rabbit Hash
Augusta	Danville	Hart County	Morehead	Richmond
Barbourville	Dawson Springs	Henderson	Mount Sterling	Russellville
Bardstown	Dayton	Hodgenville	Mount Vernon	Scottsville
Bell Court (Lexington)	Elizabethtown	Hopkinsville	Munfordville	Shelbyville
Bellevue	Erlanger	Horse Cave	Murray	Springfield
Benham	Flemingsburg	LaGrange	New Castle	Stanford
Boone County	Fort Thomas	Lawrenceburg	Newport	Versailles
Bowling Green	Frankfort	Lebanon	Nicholasville	Warsaw
Cadiz	Franklin	Letcher County	Paducah	W. Main St District (Lou.)
Campbellsville	Georgetown	Liberty	Perryville	West Point
Carrollton	Glasgow	London	Pikeville	Winchester
Cloverport	Gratz Park (Lex.)	Lynch	Pineville	
Covington	Greensburg	Madisonville	Portland (Louisville)	

“We need to continue marketing our unique heritage and environment because it will provide the greatest return on our long-term investment.”—Anonymous

The Human Ecology of Older Housing

Who occupies Kentucky’s older housing stock? Most assume the great old mansions of Old Louisville in Louisville, East Row District in Newport, Gratz Park in Lexington and the South Main Street neighborhood in Bowling Green are solely occupied and owned by the very rich. Yet, in real numbers, the portrait is quite different. We found that a significant portion of the older housing stock is occupied by minorities, elderly, and low-income populations. In fact, the number of people who occupy housing 50 years or older in Kentucky would be equivalent to filling up the University of Louisville’s Papa John’s Cardinal Stadium seven times, with each seat representing one of 297,000 historic homes (Table 2). If we don’t protect the older housing stock, a significant amount of housing occupied by the poor, minorities, and the elderly will be lost.

Table 2. Kentucky Age of Housing for Adults and Seniors

	Ages 18-64	% of 18-64	65 and older	% of 65 and older
1999-2000	39,619	3%	3,069	1%
1995-1998	141,462	11%	14,745	4%
1990-1994	125,951	10%	16,634	5%
1980-1989	200,562	16%	36,570	11%
1970-1979	262,297	21%	55,616	17%
1960-1969	155,367	13%	61,587	18%
1950-1959	123,516	10%	57,244	17%
1940-1949	73,183	6%	31,697	9%
1939 and earlier	132,298	11%	59,506	18%
Total	1,254,255		336,668	
Total Housing			1,591,739	

Table 2 shows that a significant part of our housing stock is at least 50 years old. This housing is not occupied by only the rich, but by many different demographics ranging from the elderly to underprivileged to minority populations. For example, one out of every four seniors in Kentucky live in housing 50 years or older; while only 10% of seniors live in newer housing built after 1990 (Table 2 and Figure 1). Historic housing provides the broadest variety of housing options from school conversions to senior citizen living, single-family housing, multi-family, live-work space, and mixed use, with wide-ranging financial options for Kentucky citizens and families. In the following tables, we show that our housing stock in Kentucky mirrors national trends in terms of types of people residing in older housing. Older housing is a tremendous resource, as well as a dignified source of affordable and attractive housing. Historic housing provides that opportunity for many Kentuckians. Bowling Green home ownership rates in the recent past fell below 50%. How many first-time homebuyers purchase new construction or does historic housing (and its equity and growth in property values) provide Kentucky families with an opportunity for ownership?

Figure 1. Age of Housing for Adults and Seniors in Kentucky

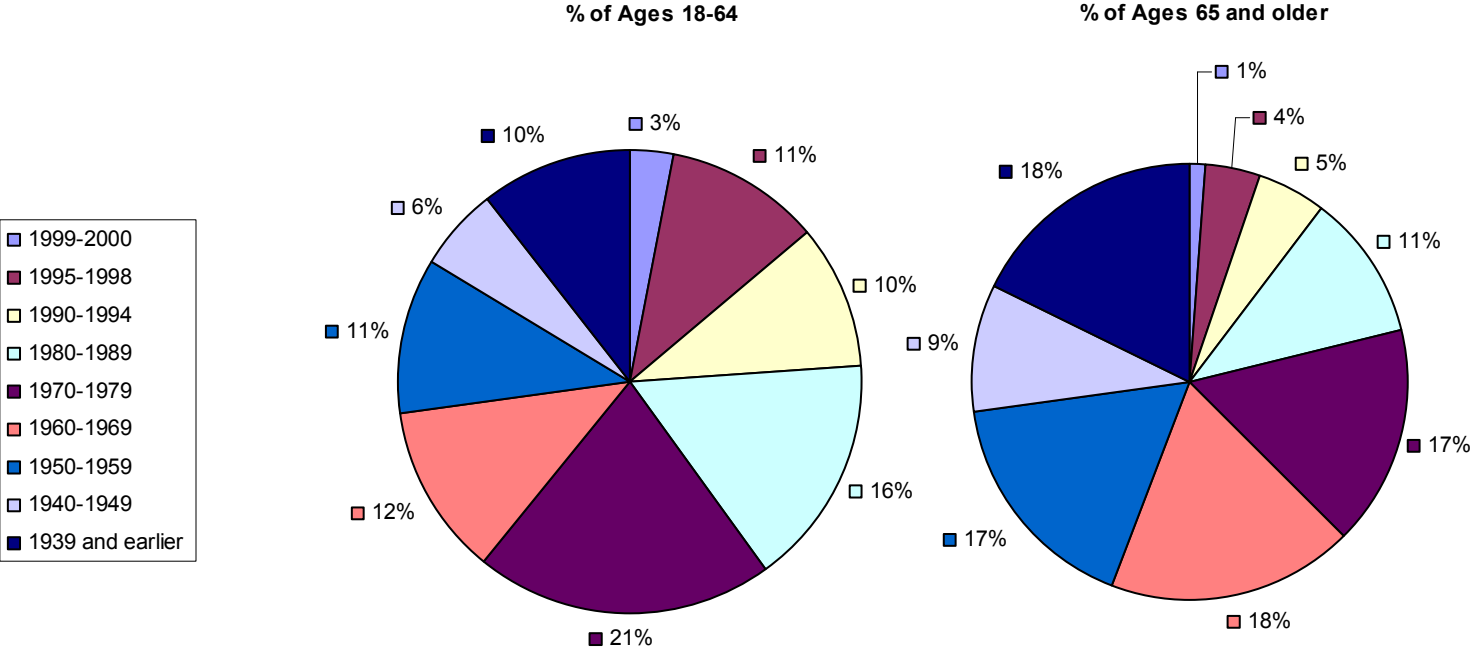


Figure 2. Age of Housing by Income



“Historic districts are meant to be helpful - not a hindrance to creativity or affordability.”—Eileen Collins, Executive Director of Shelby Development Corporation, Shelbyville

In terms of income, roughly one out of every five low-income citizens (households earning less than \$25,000 a year) in Kentucky depends on older housing built before 1950 to provide them shelter (Table 3 and Figure 2). In other words, nearly 100,000 of the state's elderly citizens depend on older housing for shelter. Additionally, one out of every four African-Americans lives in housing built before 1950 (Table 4).

Table 3. Age of Housing by Income in Kentucky

	\$25,000 or less	%	\$25,000 - \$74,999	%	\$75,000 and up	%	Total
1999-2000	11,174	2%	22,909	3%	8,630	4%	42,713
1995-1998	44,382	8%	81,504	11%	30,402	13%	156,288
1990-1994	41,806	7%	69,954	9%	30,887	13%	142,647
1980-1989	88,932	15%	110,016	14%	38,392	16%	237,340
1970-1979	123,915	20%	147,907	20%	46,241	19%	318,063
1960-1969	85,977	14%	103,564	14%	27,505	12%	217,046
1950-1959	72,637	12%	87,451	12%	20,744	9%	180,832
1940-1949	47,658	8%	47,521	6%	9,753	4%	104,912
1939 or earlier	83,222	14%	85,332	11%	23,344	10%	191,898
Total	599,703		756,158		235,898		1,591,739

Low-income, elderly, and minority groups are more likely to live in older housing than in newer housing because it is more affordable and attractive, provides community and social networks, and creates a sense of self-worth and self-identity. Kentucky’s historic housing provides the broadest development opportunities for a broad range of incomes. Downtown upper-story housing provides entrepreneurs with single mortgage options and supports small business development throughout the Commonwealth. Some examples include the former tobacco warehouse conversions to loft housing, downtown residential buildings allowing for first floor commercial retail, or art/architecture/interior design options for upper-story housing.

Table 4. Age of Housing by Ethnicity

	White	%	African-American	%	All other races	%	2 or More Races	%
1999-2000	39,832	3%	1,945	2%	622	3%	314	2%
1995-1998	145,631	10%	7,181	6%	2,305	12%	1,171	9%
1990-1994	134,054	9%	5,755	5%	1,895	10%	943	7%
1980-1989	219,000	15%	13,101	12%	3,258	17%	1,981	15%
1970-1979	288,488	20%	23,068	21%	3,803	20%	2,704	21%
1960-1969	195,210	14%	17,722	16%	2,375	13%	1,739	13%
1950-1959	162,165	11%	15,491	14%	1,813	10%	1,363	10%
1940-1949	92,296	6%	10,504	9%	1,058	6%	1,054	8%
1939 and earlier	171,732	12%	16,670	15%	1,551	8%	1,945	15%
Total	1,448,408		111,437		18,680		13,214	
Total Housing							1,591,739	

“We need to find a way to find a comfortable medium between housing opportunities and historic preservation.”—Anonymous

III. Historic Preservation and Affordable Housing

Preservation as Affordable Housing Strategy: Making a Difference in Lexington and Louisville

Most U.S. urban housing policies are structured around a common mythology. Conventional wisdom sees the “housing crisis” as an inadequate supply of housing units available. If enough additional housing is created and brought to market, vacancy rates will increase, the price of rent will drop, and there will be ample affordable housing. The basic philosophy is that the greater the supply of new housing, the lower the rents. The larger the market of available housing, the more competitive the urban area will be in attracting new growth. In this philosophy, newer housing stock is preferable to older housing stock. By eliminating older housing stock and replacing it with newer housing stock (even if for high-income earners), housing will cease to be problematic. However, recent empirical studies have challenged the conventional wisdom of the real estate industry.

The factors that help to determine median rent levels across cities have long been a topic of much debate and intense research in the literature on urban housing markets and urban public policy. One of the landmark contributions to this debate was the research conducted by Gilderbloom and Appelbaum (1988), whose book *Rethinking Rental Housing* was one of the first to examine the net impact of preserving historic housing as a strategy for maintaining affordable housing.

The key theoretical arguments are: 1) exogenous supply factors play a minor role in the determination of rents, and 2) institutional factors, such as age of the housing stock in urban rental markets, play a large role in determining rents than previously thought. In fact, Gilderbloom and Appelbaum (1988) found that cities with a large percentage of historic housing stock have lower rents compared to cities with newer houses. As Donovan Rypkema (2002: 4) said, “You can’t build new and rent (or sell) for cheap.” Part of the Gilderbloom and Appelbaum study integrated cities from Kentucky, including Louisville and Lexington.



House on Broadway, Louisville

For this study, data was updated from the 1970/1980 study and we looked at 2000 data (Table 5). The data used for this study was obtained from the 2000 U.S. Census National File (SF3). The sample of cities used for this study contains all urban places with a population of at least 50,000 and cities not located within 20 miles of another city of 50,000 or more. Louisville and Lexington were compared on a national level.

Our statistical technique was multiple regression analysis in order to control for intervening variables that would allow us to examine the net impact of preserving older housing on rents. Furthermore, the state-of-the-art multiple regression shows seven different specifications on the determinants of rent (Table 6). The final model specification shows that cities with a large percentage of the older housing stock have lower rents compared to cities without this preservation. This may explain why places in Kentucky, such as Lexington and Louisville, have the lowest rents in the nation. The continued preservation of older houses is an economic development strategy. Moreover, building new houses in place of older houses often causes rents to soar, as shown in Table 6.

“The impact of the historic restoration of homes and businesses is far greater than the money invested. The human capital of those that become community activists by virtue of their preservation efforts enhance the safety and wellbeing of us all and thus add more lasting value to our communities.”—Anonymous

These are specified models based on inter-city rent differential theory developed by sociologists and economists. The results of the regression analysis present both standardized and unstandardized betas. For comparative purposes one can examine the beta weights to gage the relative net impact on each variable from a scale of 0 to 99 plus or minus. The different equations are based on considerations of trying to maximize the explanatory power of the model and the net impact of our variables measuring historic rental housing. Moreover, we are attempting to control for different theoretical explanations of how rental housing markets operate on an inter-city differential basis. Finally, we had to control for issues of multicollinearity which might cause some of our equations to have two variables that overlap with each other.

Table 5. Intercity Rent Differentials: 1970, 1980, and 2000

	1970	1980	Model 1 (Gilderbloomet.al., 2007)	Model 2 "Economic Model"
(Constant)	-	-	40.193	64.943
Region	9.90300** [-.29]	-8.48*** [-.12]	-11.471 [-.057]	-13.137 [-.066]
Median House Value (\$1,000)	.00080*** [.14]	.0002** [.34]	.888*** [.439]	.943*** [.466]
Rental Vacancy	.48695 [.07]	1.407‡ [.10]	-3.114 [-.090]	-2.275 [-.066]
Rental Percent	.1424 [.05]	.77‡ [.14]	2.384*** [.172]	2.801*** [.202]
Urban Population (100,000)	-1.66486 [-.02]	-.000001 [-.01]	2.234 [.058]	4.026* [.104]
Population Growth (10 year period)	.06881*** [.15]	.1697‡ [.12]	1.638*** [.237]	1.712*** [.247]
New Rental (Built in last five years)	.50023** [.24]	.20 [.05]	-.657 [-.026]	-1.628 [-.065]
Old Rental (Built before 1960)	-.10073‡ [-.10]	.5190*** [-.21]	.120 [.020]	-.119 [-.020]
Median Old Rental (Built between 1950-70)	-	-	-	-
Nonwhite	.01216 [.07]	-.296*** [-.12]	.391 [.065]	.290 [.048]
Median Family Income (\$1,000)	.00771** [.49]	.0070** [.45]	4.024*** [.310]	3.931*** [.302]
Lack Plumbing	-.02019 [-.004]	3.711*** [.13]	5.911 [.020]	8.251 [.029]
Climate	.0048 [.03]	.040*** [.12]	.030 [.031]	-
Professionalization	.34*** [.06]	.1965*** [.12]	1.828* [.097]	-
Amateur Landlord	-	-	-	-
Anti War	-	-	-	-
Same Sex	-	-	-	-
Unemployment	-	-	-	-
F Statistics	49.86564	29.023	72.949***	82.744***
R Square	.87	.75	.875	.869
Adjusted R Square	-	-	.863	.859
N	112	140	149	149

Beta values in brackets. Unstandardized regression coefficients are first.
 ***≤ .05 **≤ .01 *≤ .001 ‡ ≤ .10

"There should be more emphasis on restoring the existing housing stock in the traditional urban neighborhoods."—Anonymous

Table 6. Additional Explanatory Specifications for Inter-City Rents

	Model 3	Model 4	Model 5	Model 6	Model 7
(Constant)	46.622 (50.232)	109.393 (46.189)	265.915*** (56.807)	281.242*** (58.749)	199.190*** (43.004)
Region	-12.974 (8.422)	-4.769 (8.138)	1.150 (7.185)	.277 (7.234)	
Median House Value (\$1,000)	-.065 (.111)	-.024 (.099)	.006 (.098)	.001 (.098)	.059*** (.082)
Rental Vacancy	.432 (1.442)	.441 (1.315)	.491 (1.253)	.489 (1.253)	.474
Rental Percent	-2.786 (1.442)	-1.424 (1.315)	-1.910 (1.253)	-1.928 (1.253)	
Urban Population (100,000)	-.081 (.571)	-.041 (.583)	-.055 (.555)	-.056 (.561)	1.721*** (.499)
Population Growth 90to00	3.250*** (.234)	584** (.114)	1.423* (.103)	1.503* (.108)	1.721*** (.124)
New Rental (Built in last five years)	3.076* (1.323)	2.356 (1.230)	2.013 (1.162)	1.809 (1.179)	
Old Rental (Built before 1960)	.080 (.385)	.061 (.348)	.052 (.321)	.047 (.324)	1.351*** (.219)
Median Old Rental (Built between 1950-70)	1.707*** (.247)	1.417*** (.205)	1.302*** (.188)	1.346*** (.194)	1.351*** (.195)
Nonwhite	-.616 (1.360)	.556 (1.299)	-.622 (1.170)	-.655 (1.171)	
Median Family Income (\$1,000)	-.024 (.493)	.022 (.183)	-.025 (.373)	-.026	
Lack of Plumbing	.493 (.392)	.183 (.373)			
Climate	.083	.031	-2.058*** (.540)	-1.979*** (.545)	-1.617*** (.474)
Professionalization	.241 (.280)	.086 (.251)	.312 (.244)	.398 (.258)	
Amateur Landlord	.040 (.737)	.014 (.668)	.052 (.623)	-.066 (.691)	3.417*** (.514)
Anti War	4.140*** (.318)	3.488*** (.268)	3.392*** (.261)	3.085*** (.237)	3.417*** (.263)
Same Sex	13.420 (11.517)	5.405 (10.384)	3.470 (9.851)	3.502 (9.849)	
Unemployment	.046 (.036)	.019 (.032)	.012 (.031)	.012 (.031)	
F Statistics	.015	-.018	-.035	-.033	
R Square	-1.540** (.486)	-1.157* (.459)	-2.239*** (.478)	-2.196*** (.480)	-2.092*** (.462)
Adjusted R Square	-.144	-.108	-.209	-.205	-.195
		31.483*** (8.786)	31.943*** (8.238)	33.306*** (8.344)	34.070*** (7.221)
		.127 (15.662)	.129 (14.793)	.135 (14.795)	.138 (13.847)
		71.543*** (15.662)	57.604*** (14.793)	57.266*** (14.795)	72.566*** (13.847)
		.182	.147	.146	.185
				-1.824 (1.786)	
				-.042	
F Statistics	75.308***	84.062***	94.041***	88.257***	169.050***
R Square	.879	.905	.914	.915	.906
Adjusted R Square	.867	.894	.904	.904	.901

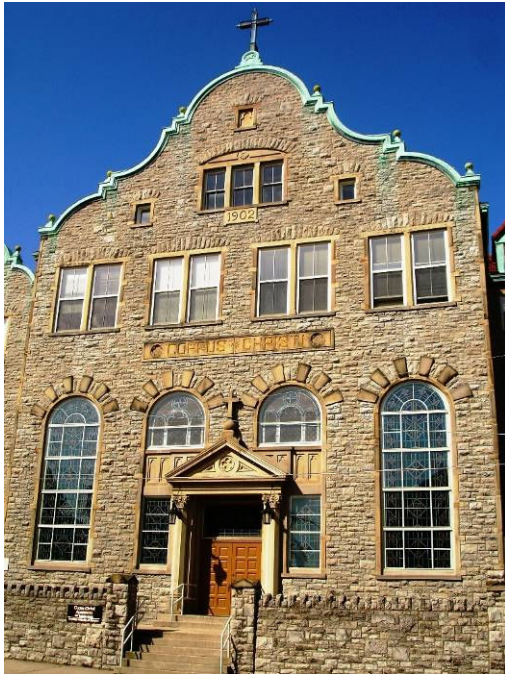
Numbers in parentheses are standard errors. The last row is Beta values. Tolerance scores for every model were checked and there is no Multicollinearity issue, with all the tolerance scores higher than .20.

* Significant at .001 level

** Significant at .01 level

*** Significant at .05 level

“The state needs to encourage preservation at the elementary and secondary school level to infuse the need to preserve the culture through architecture.”—Alvin Cox, President of CoxAllen and Associates Architects



Church Conversion into Apartments, Newport

Creating and maintaining affordable housing in any American city is a major challenge. No real effort has been made to develop a theory of inter-city rent variation beyond explaining vacancy rate, and this explanation has found no empirical support. A major source of creating affordable housing is through the restoration of older houses. It is critical to find out the ecology of sociological, economic, and demographic elements that cause rents to increase or decrease across cities.

What can planners and policy makers do to create more affordable housing? Planners can preserve and encourage rehabilitation of older rental stock, improve existing housing affordability by allowing condominium conversions of older housing, and limit large-scale rental developments that encourage landlord professionalization. Decentralizing ownership by making smaller apartments and condominiums is another approach. Older rental stock tends to be available at lower rental rates and tends to preserve existing neighborhoods and their amenities. You cannot build new housing for the same price as rehabilitating old housing. Policies should be implemented that encourage scattered-site housing

by placing rental housing and condominiums in existing neighborhoods where utility infrastructure already exists.

Historic preservation means homeownership opportunities for urban pioneers. Our older downtown neighborhoods have become places for affordable home ownership opportunities. In the 1990s, innovative and bold partnerships with higher education, churches, non-profits and governments helped build or restore hundreds of two- and three-bedroom shotgun houses with a mortgage payment of \$400 a month (the starting price was around \$50,000 (Gilderbloom and Mullins, 2005). A married couple with good credit, even working a minimum wage job, could afford these payments. These homeowners are paying half the amount a renter would pay today and have seen their housing investment increase by \$100,000. They will remain permanently affordable for those who bought these homes and if they are not sold, should provide a nice retirement package. Historic preservation means homeownership opportunities for urban pioneers.

Similarly in Kentucky, we have seen examples of tenants purchasing gutted historic housing extremely inexpensively and restoring it with sweat equity. An affordable housing strategy involves moving to a neighborhood, taking over an abandoned building, or outright buying it. A former University of Louisville graduate student who worked for SUN (Sustainable Urban Neighborhoods) purchased a burned out shell of a historic house in Louisville's Russell neighborhood. He bought the house for \$23 and renovated the interior with modern elements, but kept the architectural details intact on the outside for around \$80,000. He lived in it and later sold the house for \$167,000 (Gilderbloom, 2008).

"People who are willing to make the effort of renovating a historic property for renters should be rewarded, not punished."—Michelle Bennett, MD



*Queen Anne Home
in the Original Highlands, Louisville*



Attic Space Before Renovation



Attic Space After Renovation

Historic Housing Conversions

Historic houses provide another kind of affordable housing in the conversion of attics, basements, and garages into studio and one-bedroom apartments. These conversions often occur in older historic inner-city neighborhoods where large homes are divided up into apartments or condominiums. Many of these inner-city neighborhoods experienced a state of decline after the suburban flight of the 1960s and 1970s, but are now reemerging in popularity due to the lower energy costs of historic housing, a renewed cultural embrace of historic homes, and an increasing desire to live in a mixed-income and diverse neighborhood. These conversions have planted the seeds for the revitalization by increasing rent rolls and allowing for increased capital improvements. These conversions add a significant amount of affordable housing because the payback on these houses is relatively small compared to a new house. As we demonstrated earlier in this section, a large amount of older housing depresses urban rents.

The American Association of Retired Persons (AARP) has reported that 65,000 to 300,000 illegal conversions are created every year (Scott, 2006). Over a 10-year period, this could average over a million units. These units tend to be located in the older parts of the city. Kentucky has thousands of these illegal conversions in its older neighborhoods. If the conversions were not done, many of these houses would have been demolished because it would be more difficult to make needed repairs or make needed upgrades. Moreover, this new income stream would also help cover tax payments and mortgages.

There is a significant amount of underused historic housing (Gilderbloom, 2008). Moreover, there are tremendous opportunities to convert basements and attics and second floor garages into affordable housing. The cost of converting a basement or attic or garage is surprisingly inexpensive. An attic conversion of 900 square-feet can cost around \$15,000.

An average conversion that follows code may need the following: (1) sanding the floor and varnish (\$500); (2) air and heat unit (\$3,500); (3) bathroom plumbing including sink, shower, and toilet (\$3,000); (4) kitchen cabinets and sink, stove, counter tops, dishwasher, refrigerator and microwave (\$3,500); (5) electrical (\$1,000); (6) dry walling and insulation (\$1,000); (7) four skylights (\$2,000) and (8) interior painting \$500. These are just round estimates, based on interviews with folks who do these conversions with their own labor.

Homeowners could complete attic conversions for \$9,000 if the owner did much of the work and incorporated recycled household items like toilets, cabinets, doors, sinks, and window units that meet the sustainability test. The one variable cost is a fire exit ladder or exterior stairwell. If the house is three floors or more, it would add an additional \$3,000 to \$7,000 to the cost. Basements can be refurbished between \$10,000 and \$15,000, and the variable would be a second egress needed to meet fire code. A garage conversion would be more expensive if it is unattached from the house with extensions needed for plumbing and electrical work.

A rent payment of \$250 per month would pay off these conversions within five years, or at \$400 a month, the investment in rehabilitation would be paid back in about three years. Once it is completed, the “additions” or “improvements” are rarely challenged by the government unless the owner violates building codes, such as not having a fire escape, or non-coded electrical or plumbing work.

Some conservative single-family homeowners have threatened these conversions of affordable housing, fearing a reduction in their house value and bringing in “poor people”. These homeowners would like to see multifamily housing removed so that the value of their homes would increase, although evidence on this issue is mixed (see Duany et. al, 2000 and Gilderbloom and Mullins, 2005). Most research shows us that these conversions add to the value of the house. Using a rent multiplier approach, a basement or attic apartment with monthly rents of \$500 would result in a \$50,000 increase in the value of the building.

These outlawed inner-city housing units provide three examples of affordable, attractive, and sustainable housing:

(1) As we have shown earlier in this section, “mom and pop landlords” offer significantly lower rents, sometimes providing free rents to their children, an out-of-work cousin, or a family friend. It can also provide a live/work space that can diminish automobile usage.

(2) Older housing units supply a disproportionate

amount of the affordable housing stock. In other words, inner-city housing originally built for the upper class and abandoned during the 1960s and ’70s has provided a rich resource of sustainable housing with an existing infrastructure.



Residential building, Louisville

(3) Accessory units in garages, attics, or basements allow affordable housing for property owners, whether it is a rental unit at market rent, a unit for a senior relative, or a unit for a friend/relative that needs assisted living care. These units also provide additional value for the home. If we use the rent multiplier formula, a \$500 per month rental can mean an additional \$50,000 in value, or a \$750 a month rental might add \$75,000, as is the case in cities like Louisville. The cost of adding an accessory unit in an empty basement or attic is significantly less than building a new unit

Despite these sustainable, social, and affordable aspects, some investing in inner-city neighborhoods are working to eliminate or outlaw housing units and enforce outdated zoning laws that prohibited splitting up 2,000, 3,000, 4,000, or 5,000 square-foot houses. The fear is that these places will lower the cost of their single-family housing and in some cases prohibit three or more generations from living in one household. It is likely that the introduction of rental housing units might have “saved” many of these large historic houses as well as supplying affordable housing in underused housing.

IV. Historic Preservation and Higher Property Values

While preserving older housing stock seems to cause lower rents overall, property values in historic districts continue to soar. This is one of the ironies of historic preservation.

Overview of Property Values in Historic Areas

The overwhelming preponderance of literature about local and National Register historic districts shows that property values rise faster than in unprotected or undesignated neighborhoods. A study conducted by renowned economist Donovan Rypkema in nearby Indiana (1997) showed that five historic neighborhoods did better overall in property appreciation compared to similar unprotected neighborhoods. In Kentucky, no such studies have been done, which led us to the examination of Louisville and Newport. Specifically, we looked at the East Row Historic District in Newport, which is the second largest historic preservation district in the state, second only to the Old Louisville neighborhood, which is also the largest collection of Victorian era houses (taking up three census tracts) and the third largest historic district in the entire United States (www.oldlouisville.com). We also analyzed historic vs. non-historic neighborhoods in

Louisville. Do designated historic districts lead to increased property values? The following maps and tables provide representations of the property value changes in the designated historic districts, and comparisons with non-designated neighborhoods.

Historic Neighborhood Housing Prices are Soaring in Louisville

What’s going on in older urban neighborhoods near downtown is a historic reversal in past real estate trends. Our research shows that certain Louisville neighborhoods between 2000 and 2006 have experienced price increases of 100% and even 200%, while neighborhoods situated farther away from downtown have declined or remain stagnant. Table 7 shows that 8 of the 10 highest property value increases are located within the perimeters of the Watterson Expressway, while the 10 neighborhoods with the lowest increases were located outside the Watterson and the Gene Snyder Freeway beltways. Figure 3 provides a map of where these price increases have taken place, illustrating increases mostly near historic downtown areas. Why are property values soaring in neighborhoods near the center of the city?

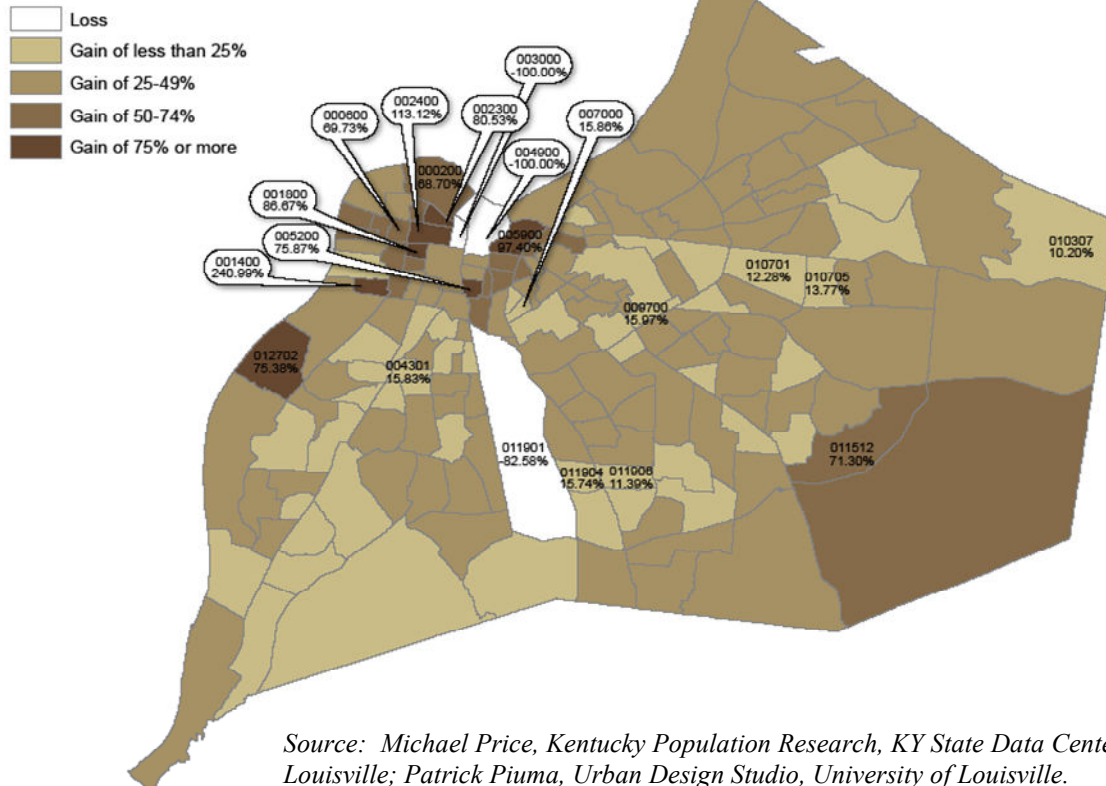
Table 7. Property Value Appreciations by Census Tracts in Louisville/Jefferson County

Highest Appreciations		Lowest Appreciations	
1)	Park DuValle (001400)- 240.99%	1)	Northeast Jefferson (010307)- 10.20%
2)	Russell (002400)- 113.12%	2)	Okolona (011906)- 11.39%
3)	Butchertown/ Phoenix Hill (005900)- 97.4%	3)	Hurstbourne (010701)- 12.28%
4)	California (001800)- 87%	4)	Hurstbourne (010705)- 13.77%
5)	Portland (002300)- 81%	5)	Okolona (011904)- 15.74%
6)	Old Louisville/UofL (005300)- 76%	6)	Jacobs (near Churchill Downs)- 15.83%
7)	Shively (012702)- 75.4%	7)	Schnitzelburg (007000)- 15.86%
8)	Floyds Fork (011512)- 71.3%	8)	Hawthorne (009700)- 15.97%
9)	Russell (000600)- 69.73%	9)	Fairdale (012003)- 16.78%
10)	Portland (000200)- 68.7%	10)	Hikes Point (010800)- 17.43%

“In Louisville, The Landmarks Commission is an extremely powerful and successful advocate for historic preservation through administration of its 7 districts and 50+ individually protected Landmarks. Not only does the Commission have regulatory authority, it is a community/public driven process. It brings preservation to the public forum in an effective way.”—Anonymous

Figure 3.

**Percent Change in the Median Assessed Value
2000-2006**



Source: Michael Price, *Kentucky Population Research*, KY State Data Center, University of Louisville; Patrick Pioma, *Urban Design Studio*, University of Louisville.

Local and National Register historic districts have traditionally proven to be an effective economic development strategy when considering the documented increases in property values. In our study of 10 census tracts located within Louisville’s historic preservation districts, our data from 2000 to 2006 were above the median increase. Table 8 shows that the average increase in historic districts was 58% between 2000 and 2006, meaning that the property value increases in Louisville’s historic districts were 90% better than non-historic or undesignated historic neighborhoods. This is compared to only a 32% appreciation in non-historic neighborhoods in Louisville and Jefferson County, 26% less than the historic preservation districts. Eight out of the 10 census tracts in these districts were in the top 15 percentile in terms of property value increases. Another historic district, Limerick, was in the top 27%, while the Cherokee Triangle historic district

was in the top 50% of all increases. In our survey of Kentucky preservationists, 88% believed that historic areas experience an increase in property values, which is corroborated in our property valuation analysis.

What does this mean in terms of real dollars? The 26% difference in property value increases between designated historic preservation districts and neighborhoods without historic district status translates into a 4.3% additional increase per year for historic preservation areas. For a \$100,000 home, this results in \$4,300 more per year in property appreciation compared to non-designated neighborhoods. Therefore, over a 10-year period, there is a 43% increase and a \$43,000 appreciation. For a \$200,000 home, this translates into an increase of \$86,000, and for a \$300,000 home an increase of \$129,000. In a time when housing prices are falling nationally, neighborhoods with historic district overlays in place are doing better than others.

“Historic preservation has been critical to economic redevelopment by improving quality of life in communities. Historic districts become magnets for tourism, business and housing.”—Daniel Preston, Architect

Table 8. Property Value Increases in Historic Preservation Districts

Neighborhood	Number of Residential Properties 2000	Median Property Value 2000 (\$)	Number of Residential Properties 2006	Median Property Value 2006 (\$)	Change in Number of Properties 2000-2006	Median Property Value Change 2000-2006 (\$)	Median Percent Change 2000-2006	Rank
Butchertown	557	30,230	542	59,675	-15	29,445	97%	3
Old Louisville	451	92,580	464	162,825	13	70,245	76%	6
Old Louisville	63	77,360	59	127,300	-4	49,940	65%	14
Old Louisville	496	61,115	504	97,600	8	36,485	60%	16
Parkland	1,233	29,790	1,254	47,000	21	17,210	58%	17
Parkland	1,100	26,760	1,125	40,940	25	14,180	53%	20
Clifton	1,222	53,560	1,240	81,715	18	28,155	53%	21
Limerick	327	75,900	313	112,620	-14	36,720	48%	25
Limerick	68	60,380	58	83,645	-10	23,265	39%	44
Cherokee Triangle	785	184,590	736	240,170	-49	55,580	30%	86
Average Total in designated historic preservation districts	630	69,227	629	105,349	-1	36,123	58%	17
Average Total in non-designated neighborhoods	1,349	89,838	1,453	117,726	110	26,894	32%	70

*These neighborhoods were taken from the list of local historic preservation districts from the Louisville Metro Government’s Historic Landmarks and Preservation Districts Commission website at <http://www.louisvilleky.gov/PlanningDesign/Historic+Landmarks+and+Preservation+Districts+Commission.htm> and is not inclusive of every local districts in the county.

**The West Main Street, which is a historic preservation district in Louisville, was not shown because of the inaccuracies of the data, and its location and the presence of commercial buildings in the central business district in which property values, with the construction of Museum Plaza, are soaring. This census tract also includes the airport and adjoining neighborhood houses that were torn down, but are not a part of the West Main Street historic district.



Old Louisville Home



Historic House with neighboring trailer

Investing in a historic preservation district is a smart investment decision. Quite frankly, purchasing a home in a historic preservation district is a much better bet than buying a lottery ticket or wagering at Churchill Downs! A historic property owner feels that their investment is more secure in historic districts because their neighborhoods are not only preserved, but are also well maintained. They recognize that a historic preservation district protects their investment and makes it more profitable. That is why the neighborhoods that have enacted historic preservation districts throughout Kentucky overwhelmingly do not repeal them, and in several cases have increased the boundaries of the district. Stephen Roosa, a major owner of historic buildings in Louisville agrees:

“Real estate can be a super long-term investment, especially in historic neighborhoods. When I first decided to focus my efforts in the Old Louisville and Highlands neighborhoods, most real estate professionals I talked with discouraged me from investing in these neighborhoods. I persisted and now have several properties in my portfolio in these areas. As these neighborhoods have improved over the years, these investments have provided much greater returns than if I had invested elsewhere in the county.”

Investors don't want to see the home next door or across the street demolished and replaced with a

cinder block house that looks like it came out of the hills of Costa Rica, or see a 1920s bungalow covered with vinyl siding, original windows replaced, and original wooden doors replaced by a cheap, manufactured door bought from a big box store. Removing these important architectural details and modernizing them with inexpensive materials is also devastating to the value of the defaced home, but it also hurts nearby property values.

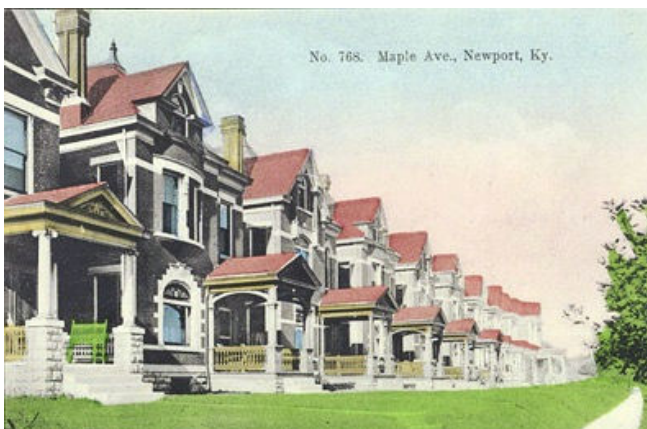
Not all downtown neighborhoods are experiencing an increase in property values. Ethnicity does not explain it, since the best performing neighborhoods are integrated or minority dominated neighborhoods, such as Old Louisville, Russell, Park DuValle and Butchertown, and Limerick. The predominantly African-American Russell neighborhood has the second highest increase in property values among historic areas. It was Sam Watkins, longtime head of the Louisville Central Community Center, who had the foresight and wisdom to embrace opportunities provided by the University of Louisville Center for Sustainable Urban Neighborhoods (SUN), local, state, and federal government, developers, foundations, and banks seeking to make history. Downtown neighborhoods that are not performing well are without sound leadership, or have leadership that is so abrasive that it frightens away potential partners.

“The impact of the historic restoration of homes and businesses is far greater than the money invested. The human capital of those that become community activists by virtue of their preservation efforts enhance the safety and wellbeing of us all and thus add more lasting value to our communities.”—Anonymous

Why Historic Preservation Districts Cause Property Values to Rise

Like Louisville, our data analysis of Newport has also confirmed that homes located within designated historic districts experience surges in property value. In order to fully understand why Newport’s property values went up so drastically in designated districts, it is helpful to look at the array of local, state, and federal policies designed to preserve historic resources. Also, the success of Newport’s preservation efforts can be attributed to redevelopment efforts on the riverfront, discount paint programs for rehabilitation projects, federal and state tax credits, an active preservation office offering a multitude of resources for historic property owners, and a regulatory design review process for alterations to buildings located within historic districts.

Situated on the Ohio River, the city of Newport was founded in 1795 and expanded rapidly in the 19th century to become a center of trade, industry, and culture. The Victorian era was Newport's most prosperous period, as evidenced by the large number of Victorian houses that remain in the city today. Newport is now home to a mix of historic and contemporary attractions, with a population of 17,048.



Old Postcard of Maple Street



Newport on the Levee

The city’s riverfront and northern business district are undergoing dramatic redevelopment. One of the most recent projects is the Newport on the Levee, a 500,000 square foot shopping and entertainment complex on the riverfront that has brought new jobs and attracted tourists from all over the state and nation. In June 2003, the city reopened the Louisville & Nashville Pedestrian Bridge, now more commonly known as the “Purple People” bridge because of its new bright purple paint job. This bridge was built in 1875 and the \$4.1 million restoration has enabled an important connection between popular Newport and Cincinnati attractions on either side of the river.

Historic preservation practices have been a contributing factor to new capital flowing into this 200-year-old city. Richard Florida (2002) and Donovan Rypkema (2006) both focus on the powerful relationship between preservation and economic development. One such development is the \$1 billion dollar Ovation retail and condominium complex, which overlooks the Ohio River next to the Newport on the Levee. In addition, the HOPE VI program has introduced human scale modern housing with historic elements that imitate the brick row housing of yesterday and positioned alongside recently restored historic housing.

Around 54% of Newport’s housing stock was built before 1939, with 78% built before 1959 (U.S. Census data, 2000). There are five historic districts listed on the National Register of Historic Places in

“The Renaissance of downtown Covington can be attributed by the economic benefit of historic preservation as postulated by Donovan Rypkema as well as the premise put forth in Richard Florida’s book Rise of the Creative Class. Along with a growing population of artists choosing to locate their residence, working, and gallery spaces in the heart of downtown Covington, a technology cluster of design and information based businesses is also evolving in an area known as the Covington Arts and Technology Zone (CATZ). It is no coincidence that these businesses chose to locate in an area rich with heritage and historic structures.” —Gail Melvin, Economic Development and Community Relations Director of Covington

Newport, the largest of which is the East Row neighborhood. East Row is dually a local historic district. Local ordinances provide additional protections than a National Register listing because it requires a mandated design review process for any alterations to contributing structures. It is the second largest local historic district in Kentucky encompassing approximately 1,150 acres and 984 buildings. This neighborhood is undergoing considerable revitalization efforts where 20 years ago it was in a state of severe decline.



Row houses, Newport

Newport benefits from a number of state and local incentives that support preservation projects, including sales tax exemptions for rehabilitation materials, a property assessment moratorium, and two local paint partnership programs. Although sales tax exemptions and property tax abatements are available statewide, they have been underutilized and under-publicized in many communities. Businesses and properties located in the historic core are exempt from state sales tax on building materials and supplies used in the rehabilitation of the property. In addition, business owners are able to defer the added value of improvements of structures 25 years or older from the taxable assessment of their property for a period of five years. There are two stores in Newport that offer discounts on paint used for all properties located within boundaries of the Monmouth Street Redevelopment Area and East Row Historic District. Sherwin-Williams, Co.

offers a 35% discount on both exterior and interior paints, and associated products for rehabilitation, and Harmeyer's Paint & Supplies has a similar program, providing a 30%-40% discount on paint supplies.

The Newport Historic Preservation Office also has an extensive preservation reference library available for public use, as does the Newport branch of the Campbell County Library. Funding for the Campbell County library collection was sponsored by the East Row Historic Foundation. The city of Newport's website contains links to various preservation journal



Early 20th century view of Monmouth Street

articles and other websites. Although the main street businesses of Newport rely to some extent on tourism dollars, most are small businesses serving local community members. The majority of these businesses have been in operation for extensive periods of time, some as long as 100 years, and sell high quality and unique goods. Unfortunately, nearly all of these local mainstays close around 5:00 p.m., so one of the city's main objectives relating to the revitalization of Monmouth Street is to bring in more nightlife to the area.

Part of Newport's success in preservation efforts is due to its willingness to allow adaptive reuse of historic buildings, within appropriate guidelines. As Monmouth Street has improved, entrepreneurs have added 50 apartments and condominiums in addition to stores adding greater pedestrian traffic, which helps reduce crime. Graeter's Ice Cream is in the process of rehabilitating a historic building on the corner of Fourth and Monmouth, which plans to open sometime near the end of 2007. Two streetscape

"Preservation is key in the revitalization of Monmouth Street. Our Renaissance District has changed from a downtown characterized in the 1980s with 23 Adult Entertainment establishments, to a vibrant, attractive and growing downtown with a mix of dining, retail, entertainment, urban living and professional offices."—Bob Yoder, Newport Main Street Coordinator

enhancement projects are in the works, a Third Street traffic study, and a downtown revitalization study of the Monmouth Street Streetscape. Many streetscape improvements have already been completed on Monmouth Street, representing an investment of millions of dollars to improve the appearance of their downtown. City leaders are continually looking at various ways to respond to increased traffic and revitalization of the main street. One option being reviewed is converting Monmouth Street from a one-way north traffic flow to a two-way street. Transforming one-way streets to two-way streets improves historic neighborhoods by slowing down traffic, improving commercial viability and access, and reducing crime and accidents.

The Impact of Historic Preservation Districts on Property Values in Newport

In Newport, we compared two areas located within historic districts (East Row Historic District and Saratoga Street) with two non-designated historic neighborhoods (Liberty Housing and Southwest Downtown). Our results show that property values are significantly higher in the designated historic districts than in the non-designated neighborhoods. While the structures located within the designated districts are the same age as the non-protected areas, the architecture integrity and the quality of life in the designated neighborhoods is much greater than in areas unprotected by overlays. This has an important effect on homeowners who benefit from significantly higher property values. In the case of Newport, property values have increased over 100% in the past seven years in the East Row Historic District and Saratoga neighborhood. However, the quality of life doesn't explain it all. The assurances of a local historic district designation would help to protect homes from negative externalities such as being defaced or demolished.

Property Value Mapping

Information from the Campbell County Property Valuation Administrator was used to study the change in property values from 2000 to 2007.

ArcMap shapefiles were provided for the lots in the study by the PVA. Training on how to use the public information on the PVA's Web site (www.campbellpva.com) was provided.

Assessed values were used to determine property values between the years of 2000 and 2007, which are the assessment years for the areas in question, and therefore, most lots were assessed during those years. For those that were not assessed in those years, the assessed values for the closest previous year were used. Lots not assigned a property identification number will be listed in the data as zero.

Comparing the study areas

This GIS comparison was undertaken to determine if the presence of designated historic districts has had an effect on property values. Table 9 gives a summary of comparison statistics for each area. Property values increased at twice the rate in one historic district, while another district only had a slight increase. The total dollar increase was higher in the two historic districts. In one historic district, property values increased fourfold over a seven-year period and another area doubled. Although property location in historic districts has a highly positive effect on property values, the presence of HOPE VI properties were also found to have a positive effect on property values. The mean values of the historic district were higher than in other non-historic neighborhoods in the city of Newport.

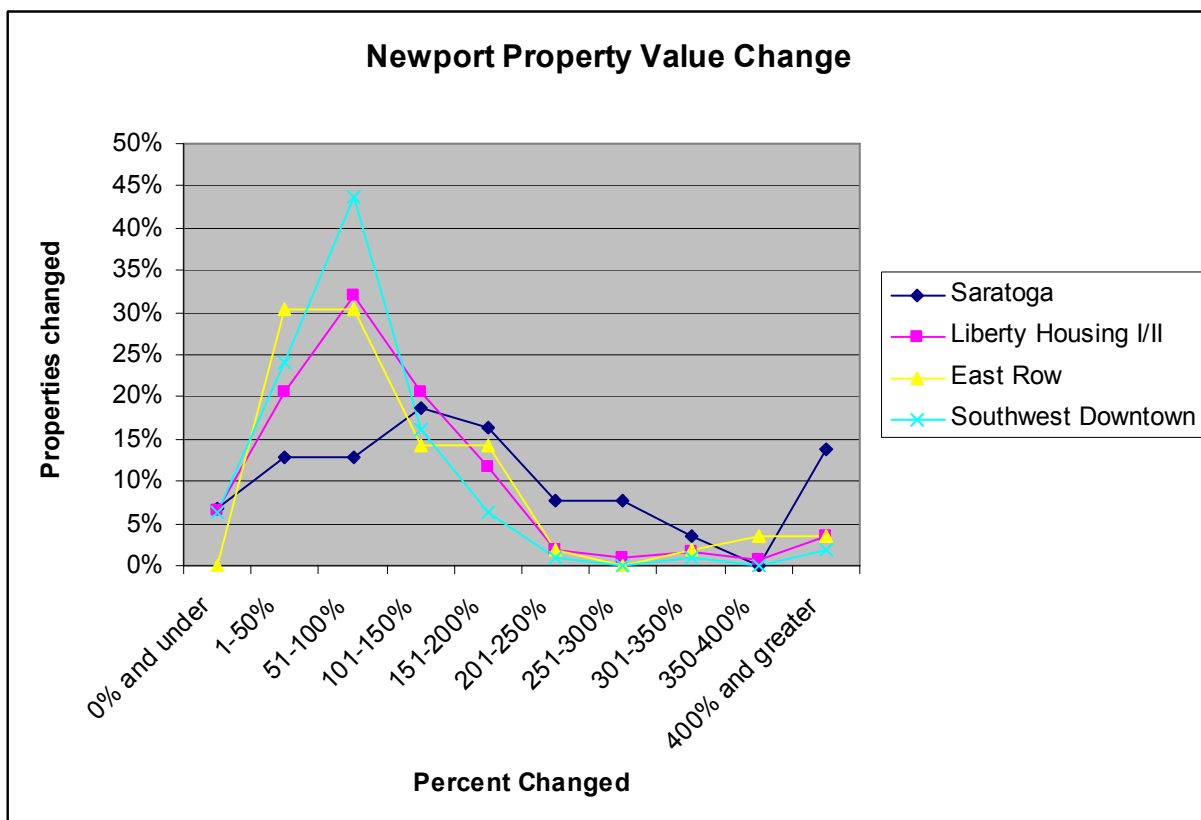


Shotgun houses, Newport

Table 9. Newport Comparison: Historic Preservation District vs. Non-Historic Designation

	Saratoga	Liberty Housing I/II	East Row	Southwest Downtown
HOPE VI	Yes	Yes	No	No
Historic District	Yes	No	Yes	No
Range High (2007)	\$2,896,865	\$1,547,650	\$925,000	\$1,187,600
Range Low (2007)	\$5,000	\$1,700	\$10,800	\$10,800
Median (2007)	\$148,750	\$49,000	\$159,250	\$49,500
Mean (2007)	\$111,734	\$57,839	\$198,632	\$63,158
Median (2000)	\$24,000	\$25,273	\$67,500	\$28,360
Mean (2000)	\$52,547	\$31,888	\$108,724	\$39,430
Mean Change	\$58,973	\$28,848	\$92,380	\$23,968
Median Percent Change	162%	89%	83%	73%
Mean Percent Change	428%	160%	116%	89%

Figure 4. Trend Data of Newport Property Value Changes



“Historic preservation has been a catalyst for significant economic growth and an enhancement in quality of life. The riverfront districts of Covington/Newport are great examples of thoughtful execution and accomplished goals.”—Bill Essington, Graduate student

V. Tax Incentive Programs for Historic Preservation

Kentucky Tax Credit Program

The Kentucky legislature established a state historic tax credit for historic preservation in 2005, after years of lobbying by the preservation community. Recognized for its economic development potential, the historic tax credit program was a key component of the JOBS for Kentucky Tax Modernization Plan, which Governor Ernie Fletcher signed into law on March 18, 2005. Kentucky is now one of only 27 other states in the nation offering a state-level tax incentive for historic preservation. State tax credits are available for both commercial and residential rehabilitation projects for properties listed on the National Register of Historic Places. Thirty percent of qualified rehabilitation expenses are available as a state tax credit for owner-occupied residential properties, with a required minimum investment of \$20,000, and the total credit is not to exceed \$60,000. Twenty percent of qualified rehabilitation expenses are available for commercial and rental housing, not to exceed \$400,000 per project. A total of 172 historic rehabilitation projects have been reviewed through this program since its implementation in



Local rehabilitation project, Lexington

2005. This represents a private investment of \$171,112,857 in historic rehabilitation in Kentucky. The projects include 76 commercial and 96 single-family, owner-occupied residential structures. According to the Rutgers PEI economic model, 43 jobs are created for every \$1 million invested in historic rehabilitation. This translates into 7,365 jobs created in Kentucky since the tax credit program started three years ago. An economic study of historic rehabilitation in Bowling Green concluded that every \$1 million invested in the rehabilitation of a property, state and local governments have seen a combined increase of \$184,000 in new revenue (Kentucky Heritage Council, City of Bowling Green).

The greatest limitation to the program is that the total cap on available funding is only \$3 million annually, so while every project may receive some funding, it is typically not the full 20% or 30% because all projects are constrained to share money from such a limited pool of funds. The National Trust for Historic Preservation has remarked that those states that impose caps on tax credits run the potential risk of rewarding larger projects that do not necessitate an incentive, while excluding smaller projects that are incapable of proceeding without it (National Trust Public Policy Report, May/ June 2006).



Renovation of Hotel rooms into Lofts, Henry Clay, Louisville

“The tax credits and grants available to owners of historic properties provide incentive to keep those properties intact, thus benefiting us all.”—Anonymous



House in Bardstown

In fact, the biggest concern from respondents in our survey was that the tax credit cap was insufficient and that more people would use the program if it were an easier process. One respondent who utilized state tax credits told KHC,

“We were extremely disappointed to receive less than 1/4 of the funds we qualified for. We had spent additional funds over what we originally planned because of factoring in the credit. We are certainly over invested in the property and our neighborhood now, and we feel that we have taken on an unreasonable burden in attempting to "bring up" the neighborhood. We would not pursue such an endeavor again. Also, the application process was extremely laborious, stressful, and time-consuming--I'm not even sure the trouble of applying was worth the small amount we ended up receiving.”

Despite the overwhelming negativity regarding inadequate funding (89% feel the cap should be increased or eliminated), an independent survey by KHC to tax credits users found that 96% of participants would use the tax credit again in the future.

Increased funding and education is crucial in order for this program to create notable changes in the condition of our communities in the future. Ultimately, there should be no cap on the state Historic Preservation tax credit program. Most of the preservationists that we surveyed believed that without tax credits, threatened historic buildings would be much more likely to face the threat of demolition.

Federal Tax Credit Program

The Kentucky Heritage Council (KHC) also coordinates one of the most successful federal tax credit programs in the United States. For the last two years, Kentucky was ranked fourteenth nationwide for the number of historic properties rehabilitated using this incentive (National Park Service Statistical Report and Analysis, 2005 and 2006). In 2006, the federal historic preservation tax program reached a new record of \$4 billion in private investment spending, with 1,253 projects approved. Since this program began in 1976, federal tax incentives have prompted the restoration and rehabilitation of nearly 34,000 historic structures nationwide, and a total private investment leveraging \$40.83 billion (National Park Service Annual Report, 2006).

In 1998, KHC reviewed 72 projects for a total investment of over \$33 million. Nearly 10 years later in 2006, the total certified expenses for Kentucky's federal tax credit program had jumped to \$52,752,656 among the 91 projects reviewed. The average expenditure is estimated to be around \$2,930,703 per rehabilitation project (National Park Service Statistical Report and Analysis, 2006). This represents a total investment increase of almost 60% in just ten years.

During the summer of 2007, preservation advocates proposed an increase for the core preservation programs from Congress. In the fall, the House and Senate will be convening to reconcile different spending ideas. The Senate has proposed a moderate increase for the state historic preservation office, while the House has proposed a \$10 million increase. At a subcommittee mark-up in May 2007, Representative Ben Chandler increased appropriations for the Historic Preservation Fund by \$5 million for State Historic Preservation Offices.

(Please note: federal budget still underdetermined at time of publication)

“We are trying to encourage our property owners to utilize the tax credits. They seem reluctant to try. I believe they have the misconception that it is more difficult than it actually is. They also appear concerned they will do "all this paperwork" and not receive the tax credit because of the \$3 million cap.” —Cindy Sholar, Cadiz Main Street Manager

Tax Incentives for Historic Preservation

State Tax Credit Case Study: Mama's Sond's Café



Mama Sond's Restaurant



Mama Sond's Before Restoration



Mama Sond's After Restoration

In early 2005, the Hodgenville Main Street Association learned that two buildings on the town's Lincoln Boulevard – the major downtown thoroughfare – would be sold by the owners. The buildings had served as an appliance store for the community for nearly 60 years. The closing of this business was a loss to the community, but also provided an opportunity to recruit and locate a “sit down” restaurant in the downtown area. In a market study conducted by Hodgenville Main Street, a casual dining restaurant open in the evening hours was the most popular request for downtown by respondents. The organization soon found a local woman ready to become restaurant entrepreneur and plans began to fall into place for providing the community with a local eatery.

The Main Street Association jumped to action; arrived at a purchase price for the buildings and negotiated financing through a local bank along with a line of credit to complete much needed rehabilitation of the buildings. The structure of the building was largely as it had been when completed c. 1920, but much of the plaster and hardwood flooring needed repair and a drop ceiling would have to be removed from both buildings. It was also apparent that in preparation for a restaurant that nearly all of the electric, HVAC and plumbing systems would need to be replaced. And, the roof leaked on both buildings. The small group of volunteers and part-time program manager set to work on walking the walk to preserve buildings and provide a economic use for them.

When completed, the Mama's Sond's Café project became one of the first to take advantage of the newly passed Kentucky Historic Preservation Tax Credit. Although costs were kept to a minimum with a largely volunteer workforce, the Hodgenville Main Street Association had invested nearly \$60,000 in the rehabilitation phase of the project. The non-profit group utilized the transferability option of the tax credit to syndicate the tax credits to a local bank. Funds received in return for this transfer were utilized to pay expenses incurred beyond the original line of credit. Without the tax credits, the finishing touches that make Mama Sond's Café truly unique and such a wonderful addition to the Hodgenville community would not have been possible.

“Because Kentucky has such a rich stock of important historic buildings, we should make every effort to preserve this heritage for cultural as well as economic reasons -- this includes tax-based and other incentives to support preservation.”—Gary Adams, Community Planner in Owensboro

Henry Clay Hotel Federal Tax Credit Project



Henry Clay post-restoration

The Henry Clay Hotel is a powerful example of adaptive reuse, located in the theatre district of Louisville. This building was constructed in 1925 as the Elks Club by the prominent architectural firm Joseph & Joseph, one of the oldest Louisville firms still in practice today. The building was listed on the National Register of Historic Places in 1979 because of its architectural significance in the neo-classical revival style.

It has seen many different uses over the years. Only four years after construction, the building became home to the Henry Clay hotel for over 35 years, then the YWCA from 1963-1985. The city purchased the property in the 1988, and it remained vacant for over 15 years. Several development deals fell through over the years until recently when it was obtained by City Properties Group. During this time, the building endured increased dilapidation due to severe water damage and animal infestation. The situation became so severe, the building was even on Preservation Kentucky's top 10 most endangered places list in 2003. Bill Weyland is the developer in charge of this massive restoration project, having successfully readapted several major historic buildings in Louisville, including the Louisville Slugger Museum and Glassworks using federal tax incentives.

Restoration of this building was cost prohibitive because of the severity of repair work, as well as the delicacy involved in preserving the significant historic details of the building, including original flooring, lighting fixtures, and reconstructing the original paint colors. The project cost totals \$20 million. Without the prospect of utilizing federal tax incentives for rehabilitation work, this project may never have gotten off the ground.



Restored Entryway



2nd floor Ballroom



Restored Lighting Fixtures



1st floor Rehabilitation work

"Owners of historic properties are more likely to "do the right thing" if there is an incentive. While the state tax credit for residences is a significant step, there is a learning curve involved in the application process and it is daunting to those unfamiliar with it."—Matt Becher, Rural Planner Boone County

VI. Kentucky Main Street Program

Overview of Kentucky’s Main Street Program

Downtown areas throughout Kentucky have benefited exponentially from the state’s nearly 30-year-old Main Street program, which originally started with only five Kentucky towns. Established in 1979 in response to the rapid economic decline of central business districts and rising suburban sprawl, Kentucky’s Main Street program has successfully assisted communities across the state with revitalization efforts to improve the economic conditions of their downtowns. In 1997, there were only 40 Kentucky towns with Main Street programs. Today, that number is more than doubled with over 86 active Main Street programs (Table 10). Increased participation in Kentucky’s Main Street program may be attributed to the increased number of public grant programs available for communities with this designation.



Main Street, Midway



Historic View of Downtown Paducah

Table 10. Kentucky Main Street Programs

Ashland	Cynthiana	Greenup	London	Nicholasville	Springfield
Augusta	Danville	Guthrie	Louisville	Olive Hill	Stanford
Barbourville	Dawson Springs	Harlan	Ludlow	Owensboro	Taylorsville
Bardstown	Dayton	Harrodsburg	Lynch	Paducah	Trenton
Beattyville	Elizabethtown	Henderson	Madisonville	Paintsville	Vanceburg
Benham	Elkton	Hindman	Marion	Paris	Versailles
Bellevue	Eminence	Hodgenville	Mayfield	Pikeville	Warsaw
Benton	Erlanger/ Elsmere	Hopkinsville	Maysville	Pineville	Williamsburg
Bowling Green	Falmouth	Horse Cave	Midway	Prestonsburg	Williamstown
Cadiz	Flemingsburg	Irvine	Morehead	Princeton	Wilmore
Calhoun	Frankfort	Irvington	Morganfield	Providence	Winchester
Campbellsville	Franklin	Jeffersontown	Mt. Sterling	Richmond	
Campton	Ft. Thomas	La Grange	Mt. Vernon	Russellville	
Carrollton	Georgetown	Lawrenceburg	Munfordville	Salyersville	
Cloverport	Glasgow	Lebanon	Murray	Scottsville	
Covington	Grayson	Lexington	New Castle	Shelbyville	
Cumberland	Greensburg	Liberty	Newport	Somerset	

** List is constantly changing according to active standings. Current data: August 2007**

“In our town of La Grange, I have personally been involved with the restoring of our historic downtown main street to economic viability from 1990 when there were only two shops on main street in a very run down area that had all but been abandoned. It now supports 30 to 40 shops, restaurants, etc. with housing and offices above stores and brings a lot of money to our city through property tax and license fees, which in turn lets us do upkeep on the city.”—Elsie B. Carter, Mayor of La Grange

The Main Street program is a nationally recognized strategy that has benefited cities of all sizes, both urban and rural. The size of Kentucky's Main Street cities range from small towns like Hindman with a population of 780, to the largest city of Louisville, population 554,496 (<http://ksdc.louisville.edu/>, 2006 census data). Most participating communities fall somewhere in the middle of this continuum. Due to the variety of city sizes found in Kentucky, the Main Street program has been quite translatable across the state and therefore has become a key economic revitalization tool for the Commonwealth.

One of questions we asked in our survey was whether historic downtowns were the economic core of their city. Over two-thirds of our respondents agreed that downtown was the economic core. It is highly probable that if these citizens had been asked 20, or even 10 years ago, the answer would have been much different. This change in public opinion could be directly correlated to the positive changes that have occurred because of the Main Street program.



Main Street building, Springfield



Downtown Frankfort

The Main Street program is based on a four-point approach: **Organization**, assembling a team of staff and volunteers; **Promotion**, marketing a community's unique and marketable assets; **Design**, upgrading the physical characteristics of the commercial district; and **Economic Restructuring**, expanding and diversifying the economic base, while restructuring existing economic resources (National Trust for Historic Preservation). One of the reasons that the program is so successful is because it can be tailored to suit any community, both large and small. It becomes obvious why this program is one of the most powerful economic development tools in the country when one considers the statistics in Kentucky.

In 2006 alone, there was a total reinvestment of \$292 million in participating Main Street cities in Kentucky, with approximately \$128 million in private investment, \$70 million in public improvements (streetscape, etc.), and nearly \$95 million in new construction. In the city of Louisville alone, \$76 million was spent on private rehabilitation projects on Main Street in 2006. The Kentucky Heritage Council has reported that this statewide investment represents 1,923 new jobs created in Main Street districts, 401 new businesses created and 345 downtown buildings rehabilitated in 2006 (Kentucky Heritage Council). However, according to our PEI model analysis, the \$292 million led to the creation of 4,720 jobs in 2006. This discrepancy may have to do with the fact that the PEI model accounts for contracted labor and indirect costs, which reporting agencies do not. Since Kentucky's involvement in the program began in 1979, a total investment of more than \$2 billion has been reinvested in Kentucky downtowns statewide. The PEI model analysis shows that this \$2 billion investment in the Main Street program has led to the creation of 58,000 jobs over the past 30 years.

"The positive impact of historic preservation in Kentucky is evident in the many Main Street programs in smaller cities, and certainly in major projects in Louisville."—Anonymous

Main Street Renaissance: Spotlight on Princeton



Buildings facing Courthouse

The rural town of Princeton, population 6,500, is located in Caldwell County in the middle of Western Kentucky. It is home to numerous historic sites and museums, and a downtown commercial district that was listed on the National Register of Historic Places in 1988. Princeton serves as a model community for Main Street revitalization throughout the state.

The success of Princeton's downtown renewal is a result of its innovative and widely acclaimed program, "Let's Paint the Town," initiated by the town's Main Street Coordinator, Sam Koltinsky and the Renaissance Main Street Committee in the spring of 2006. Over the years, the historic Main Street buildings had been covered with inappropriate siding materials, layers of paint were chipping, and the general appearance of the downtown area was a bit rundown. The philosophy behind this program was that restoring the outward appearance of historic buildings located within the downtown area would act as a catalyst for bringing the economic core of their city back to life.

This project would not have been possible without the support of numerous business leaders and community members willing to

donate their labor and supplies in order to give their Main Street a much-needed facelift. Paint was offered by Porter Paint, Inc. at half price to each building owner, a local carpenter and his crew volunteered five days of work for the most extensive repairs, one resident donated a scissor lift, and public officials donated funds for a bucket lift to paint the upper stories. Financial contributions from community members funded the rest of the costs, and many long hours of work were completed by countless individual volunteers. Mr. Koltinsky has stated that community members wrote checks anywhere from \$50 to \$2,000 and that more than \$31,000 has been raised in donations from more than 70 sponsors (City Magazine, Spring 2007).



Commercial building on Courthouse Square



Streetscape improvements

"Western Kentucky has a rich past in Civil War drama, iron furnaces, tobacco, music and art. Tourist love seeing and hearing of our past and they don't mind spending their money discovering it. Historic preservation and heritage tourism in Kentucky is comparable to an oil well. Just sitting there waiting for someone to tap it." —Cindy Sholar, Cadiz Main Street Manager

To date, volunteers have spent more than 2,500 hours working on 33 downtown businesses with 14 buildings painted, and plans are in place for continued work in the near future. A spin-off volunteer program, “Let’s Polish the Town” brought 43 local students and 10 adults together for a weekend, hauling debris and vegetation from alleys and parks and filling three dump trucks with waste material. The project was met with so much praise that teachers plan to coordinate this effort each fall and spring. Since the inception of these programs, the local school system has modified the K-12 curriculum to include more instruction on local history and preservation topics.

Princeton has received extensive media coverage in the press and innumerable accolades from the public about their pioneering efforts in revitalizing their town. It was recognized with an Enterprise City Award in 2006 and was covered by a wide array of media outlets throughout the state. In addition, “Let’s Paint the Town” has been so successful that the Kentucky Heritage



Painted Main Street buildings

Council has agreed to expand this project statewide, and a national documentary is being proposed as the project continues to spread across the country. One of Princeton’s recent projects, a rehabilitation of a local school, was also ranked among the top 10 in the History Channel’s “Save Our History” program and was honored in Washington, D.C. in spring 2007.

Princeton is a model for all Main Street communities, not just in Kentucky but nationwide. Buildings that once stood vacant are now occupied and thriving, and residents are proud of the accomplishments of their community. Princeton’s Mayor Gale Cherry said, “It has changed the face of small town Kentucky. We are experiencing renewed hope, investment, and tourism in the community because of restoration of our downtown.” Everyone came together for the common good of their community and the resulting positive effects will be experienced by many future generations to come.



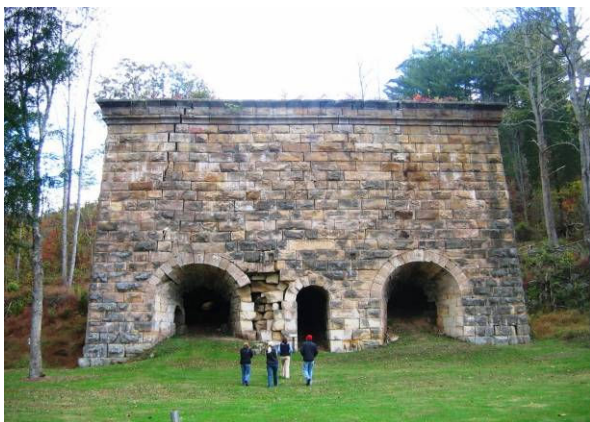
“Let’s Paint the Town” Headquarters

VII. Heritage Tourism

Tourism is the state's third largest industry and second largest employer. According to a report by the Travel Industry Association (TIA), visitors to Kentucky spent over \$10 billion in 2006, the first time in the state's history. That growth represents a nearly 7% increase since 2005. Our published data also shows that 176,800 Kentuckians were employed due to tourism, earning more than \$3.36 billion in payroll income and paying more than \$987 million in federal, state, and local taxes (<http://Kentucky.gov/Newsroom/travel/parksntw.htm>).

The success of Kentucky's tourism industry is partially due to the wealth of unique historic resources available to visitors. Heritage sites are vital tourism attractions and help to stimulate local economies in nearly every county in the state. The Abraham Lincoln Bicentennial (2008-2010) provides a great opportunity for growth in heritage tourism. In our online survey, we asked the preservation community to name their favorite historic sites or areas in Kentucky. We received a wide assortment of different sites and landscapes including the Bluegrass Region farmlands, a variety of urban neighborhoods, house museums, bourbon distilleries, and Civil War battlefields and sites.

Our survey also found that Kentucky preservationists (88%) believe that heritage tourism stimulates the economy, and that historic sites are vital tourism attractions (80%). Nearly every preservationist in our survey (98%) felt that historic buildings create a sense of place and community.



Fitchburg Furnace, Estill County



O'Shea's Pub, Louisville

It is no mistake that in Louisville, the two largest entertainment districts (Fourth Street Live and the 900 block of Baxter Avenue with Tommy O'Shea's and Molly Malone's in the Original Highlands neighborhood) locate themselves within historic structures, representing powerful examples of adaptive reuse. Smaller towns in Kentucky have also experienced great entrepreneurial success by adapting historic downtown buildings into thriving gathering places. Some examples include the "Coffeetree Café" in Frankfort, "O'Rourke's Irish Pub" in Maysville, and "440 Main" in Bowling Green.

Two of Kentucky's most popular events are held in historic locations--Churchill Downs and St. James Art Festival. Everyone knows about the spectacular setting for the Kentucky Derby with the twin Spires and old fashion wood benches of yesteryear. Similarly, the St. James Art Festival would not exist without the historic backdrop of these 100-year-old historic mansions that line the fair, block after block. Last year's attendance of 320,000 ranked second behind the Kentucky Derby Festival as the Commonwealth's most popular event. *Style Magazine* has ranked the art festival as the third best in the country and ranked at the top in number of art sales by Sunshine Artist Magazine. The art fair generates around \$3 million in sales and the economic impact comes to around \$7.5 million for Louisville, which includes lodging, meals, and attendance at other events. It is such a popular event that the public schools in Louisville close for the opening day (www.stjamescourthouse.com/QuickFacts.asp). Art fairs in parks, parking lots, schools, and convention centers are a dime a dozen but the success of the St. James Art Fair has a lot to do with its spectacular historic location in an intact Victorian neighborhood.

In 2002, a comprehensive study was undertaken to determine the economic impact of the state's museums and historical organizations. This report, compiled by the Historical Confederation of Kentucky, the Kentucky Association of Museums, and the Kentucky Historical Society, outlined the importance of museums to the economic vitality of our communities, as well as to our cultural and educational well-being.

Over two-thirds of Kentucky's museums operate on a budget of \$100,000 or less annually, while still maintaining to provide quality educational services to our visitors and youth. There are a total of 430 museums and historical organizations, 194 archive and genealogical research facilities, and custodians to over 3.7 million artifacts. Of these 430 institutions, 81% are non-profit, 17.5% are government run, and 1.5% are private, for-profit companies. From 1991-2001, there was an average of 10-12 new museum openings each year. These findings translate into an immense contribution to our state's economy. At the time of the report, the 430 institutions had a combined budget of over \$96 million, employed over 2,700 Kentuckians (1,450 full-time), and received more than 6.3 million visitors from Kentucky, the United States, and the world.

Kentucky has only begun to embrace the potential these resources provide economically. The Kentucky Heritage Council, in partnership with the Kentucky Department of Travel and the Kentucky Transportation Cabinet, is participating in the development of the Kentucky Cultural and Heritage Driving Trails Signage Program. These large brown signs are being prominently displayed along Kentucky's major highways and interstates, directing visitors toward downtown historic districts and important heritage sites. KHC has also been active in the development of the Civil War Preservation Trust's Civil War Heritage Trail within Kentucky. The Commonwealth was the first state to join this national initiative that links more than 500 individual sites in 28 states. There are currently 51 Kentucky sites listed in this national program (Kentucky Heritage Council).



Red Mile, Lexington



Farmington House Museum, Louisville



Newsom's Old Mill Store, Princeton



1920s Cabin, Pine Mountain State Resort Park

"Stable historic sites prove to be lasting economic engines that create a sense of place and provide us with cultural identity." —Craig A. Potts, Architectural Historian

VIII. Rural Heritage



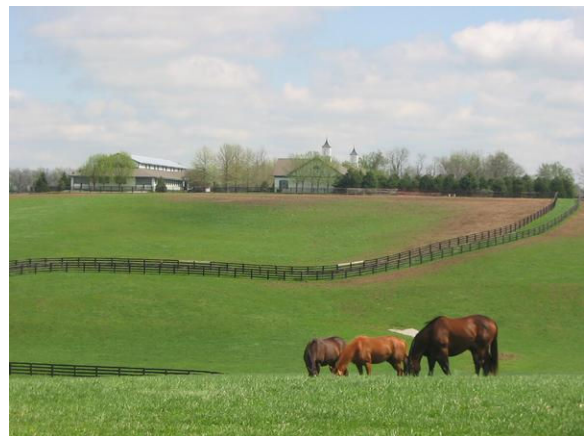
Barn and Silos

Over the last twenty years, Kentucky's rural areas have been shrinking at a staggering rate. According to American Farmland Trust, 241,800 acres of agricultural land and 80,000 acres of prime rural land were converted to developed uses from 1992 to 1997 (AMF, 1997-2002). Virtually all of our survey respondents (91%) agreed that urban sprawl has negatively impacted rural areas in their communities. Concern was also expressed that historic farm buildings were not being adequately protected (73%). In addition, big box retail stores on the outskirts of town have negatively impacted historic areas (89%), although most people surveyed (71%) would support a big box store if it were located in an abandoned warehouse located downtown. In order to preserve Kentucky's diminishing agricultural resources, it is imperative that more incentive programs are offered to rural residents to maintain their properties and to deter the encroachment of developers eager to construct large-scale neighborhood projects.

Several statewide and local programs have made significant advancements in the preservation of Kentucky's endangered agricultural assets. In 1994, the Kentucky General Assembly established the Purchase of Agricultural Conservation Easement (PACE), which permits the state to purchase easements on agricultural land. Participation in this program ensures that farmland will always be used for agricultural

purposes, and may never be converted into other uses. To date, the PACE Corporation has purchased agricultural easements on 88 farms totaling 20,927 acres (Kentucky Department of Agriculture, 2007). This represents a total statewide investment of \$17,873,444, averaging \$854 per acre of farmland. Landowners are also eligible to donate easements to protect their land from development permanently. Since the launch of this program, 33 private donations representing 4,296 acres have been received, bringing the total inventory to 121 farms containing 25,223 acres (Kentucky Department of Agriculture, 2007).

The Lexington-Fayette Urban County Government instituted a similar program in 2000, known as the Purchase of Development Rights (PDR) Program. The goal of PDR is ultimately to concentrate growth in the urban center of Lexington, eliminating the amount of sprawl in the peripheral areas of the city. To date, the PDR program has purchased conservation easements on 169 farms, totaling 19,800 acres of agricultural land (Lexington-Fayette Urban Co. Government, 2007). This includes a variety of farm types including 63 general agriculture farms, 92 equine, and 14 categorized as 'other' types (sod, wooded, etc.). The PDR program also facilitates preservation of contributing historic resources such as barns, stone fences, and historic homes, as well as cultural heritage sites (i.e. rural hamlets and family cemeteries). Over the next twenty



Horse Farm in the Bluegrass Region

"In the Bluegrass area, the lack of regional planning has caused a sporadic development of rural areas and adjoining counties. This has a negative impact on preservation efforts."—Tom Sheeran, President of Sheeran Construction, Lexington



Rural Landscape



Church in Whitesburg



Idyllic Lane

years, Lexington-Fayette Co. intends to protect an additional 50,000 acres and provide \$140 million in funding for conservation easements in rural Fayette County (Lexington-Fayette Urban Co. Government, 2007).

Another measure to reverse Kentucky's dwindling farmland is the Rural Heritage Development Initiative (RHDI), a three-year preservation pilot project that seeks to stimulate economic development in the rural areas of Central Kentucky. Eight counties were initially chosen: Boyle, Green, LaRue, Marion, Mercer, Nelson, Taylor, and Washington. These specific counties were partially chosen because of their continual commitment to protect their abundant historic resources, but also because of their proximity to the upcoming Abraham Lincoln Bicentennial Celebration (2008-2010), which will bring this region international attention and visitation.

This program was made possible by the joint efforts of Preservation Kentucky, the Kentucky Heritage Council, and The National Trust for Historic Preservation, and the Dry Stone Conservancy, who are contributing both comprehensive preservation services to the region as well as monetary aid. The primary funding for the project is a \$360,000 W. K. Kellogg Foundation grant, which involves financial matches from the local cities and counties as well as from private donations.

The program centers on five goal areas: Preservation Education, Local Business Development, Heritage Tourism, Farmland Preservation, and Branding and Image Development. Education concerning preservation issues is a vital component in garnishing support from the general population. Developing local businesses contributes to the revitalization of Main Streets by encouraging the rehabilitation and maintenance of historic buildings. Heritage tourism and farmland preservation efforts will help to promote the region's significant cultural and agricultural assets. This component is of special importance, as it is the beginnings and in many ways the future of preservation. Sites such as the Abraham Lincoln birthplace and areas connected to events during the Civil War have been recognized for their significance for many years. However, African-American heritage sites, religious heritage sites, and the idyllic rolling

"I feel that the Rural Heritage Development Initiative is vital to helping the small, rural communities throughout Kentucky. I think as the RHDI expands, a great economic impact will be felt in Eastern Kentucky."—Missy Shutts, Beattyville Main Street Coordinator

farmland characteristic of this area have just recently begun to receive the attention they deserve. Branding and image development is also an important way to identify and highlight the unique qualities of the selected region. For example, the average citizen probably does not make a mental association between the town of Hodgenville and the Lincoln birthplace. Branding significant historic sites in rural areas within the context of their unique surroundings will bring increased economic development into small towns like Hodgenville.

Our statewide survey asked participants whether the RHDI was an effective program. Unfortunately, our results implied that most people had not yet heard of this program (60% either answered neutral or had no opinion). Therefore, many were unable to respond whether or not it has been effective at this point. This is likely because the program itself has only recently been implemented and is still in the initial phases of development. As this program progresses, the positive effects should become more apparent to the general population and the RHDI will serve as a model for future economic development strategies in other rural areas of the state.



Church in Union Band

Local policy changes need to be addressed in many other threatened areas of the state. Maya DeRosa, a planning supervisor in Frankfort said, “The County governments are overwhelmed with subdivision requests. It is vital that counties throughout Kentucky change their subdivision ordinances and policies in concert with the comprehensive plan to identify “no development” areas based on scenic and possibly heritage conservation importance.”



Foggy Knobs

Our survey revealed that almost all preservationists believe that more attention should be paid to rural historic sites, including the protection of farm outbuildings, limestone rock walls, horse farms, and the myriad of important archaeological sites. Other states that have been faced with equivalent losses of open space and historic resources have enacted comprehensive investment strategies designed to reverse this trend. For example, Connecticut established exciting new legislation in 2005 called the Community Investment Act. This program provides \$20 million annually to historic preservation grant programs, affordable housing in targeted urban areas, and for acquisition of open spaces and agricultural areas. Pennsylvania also passed resolutions in 2005 to protect their state’s historic barns, facilitating a statewide survey of historic outbuildings and establishing grant programs for further research in rural areas. Kentucky would benefit greatly by adopting similar policies to protect the valuable assets we are so fortunate to have.



Kentucky Barn

“I feel that the Rural Heritage Development Initiative is vital to helping the small, rural communities throughout Kentucky. I think as the RHDI expands, a great economic impact will be felt in Eastern Kentucky.”—Missy Shutts, Beattyville Main Street Coordinator

IX. Historic Preservation Creates More Jobs for Kentuckians

Historic preservation results in more job creation than most other kind of investments. According to Donovan Rypkema, investment in new construction creates 40 jobs per million dollars compared to an investment in historic rehabilitation, which results in anywhere from 43 per \$1 million (Donovan Rypkema, 1997), to 49 new jobs per rehabilitation project (National Park Service 2006 Annual Report).

According to the PEI model in Table 11, 7,365 jobs were created as a result of Kentucky state tax credits program from 2005 to 2007, resulting from direct, indirect, and induced effects of the \$171 million invested into the state tax credits program. From this investment, the PEI approximates that \$229 million of income was generated and total gross domestic product was \$356 million, according to Table 11. The multiplier effect of state tax credits was 43, so for every \$1 million dollars spent using state tax credits, 43 jobs were created.

According to Table 12, the Main Street program in Kentucky has produced 4,720 jobs, \$149 million in total income was generated, and there was a total gross domestic product of over \$237 million in 2006, as a result of the \$292 million being invested into this program. According to the model, every \$1 million of money spent on Main Street reinvestment results in approximately 29 new jobs. The PEI model does not taken into account the rehabilitation costs in Main Street investments, and therefore uses a different multiplier (29). The PEI job creation estimates are just the tip of the iceberg since we know that scores of additional people are employed fixing, restoring, and upgrading thousands of historic homes around Kentucky without the use of tax credit incentives or funding from the Main Street program.

In 2007, the Commonwealth of Kentucky approved a tax incentive package to the Ford Motor Company totaling \$66 million over a 10-year period to support the expansion of facilities and operations at the Kentucky Truck Plant (Office of the Governor, 2007). In August 2007, the General Assembly passed legislation providing Peabody Energy of St. Louis, Missouri, \$300 million in tax incentives to create a coal gasification plant in Western Kentucky (Courier Journal, August 23, 2007).

If these types of incentive packages were similarly offered to historic rehabilitation work, the positive effects would be tremendously beneficial to Kentucky's economy. Using the PEI job multiplier of 43 jobs for every \$1 million invested in historic preservation, 2,838 jobs would be created over the next ten years for the same amount of money the state plans is bestowing to Ford, or roughly 284 jobs per year. For the amount of money the state is paying Peabody Energy to locate a plant here, 12,900 jobs would be created using this multiplier.

Job Creation/Multiplier Effects: 43 jobs are created for every \$1 million in investment in historic rehabilitation (Rutgers PEI Model, 2001).

This translates to...

State Tax Credits: \$171 million investment results in 7,365 jobs in 3 years (2005-2007)

Federal Tax Credits: \$52 million investment results in 2,236 jobs in 1 year (2006)

Main Street Program: \$292 million investment results in 4,720 jobs in 1 year (2006)

Heritage Tourism: Total budget of \$96 million and employs 2,700 Kentuckians (2002)

Table 11. PEI Model for Kentucky Tax Credits

	Economic Component		
	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*			
Private			
1. Agriculture	56	1,030.0	4,054.0
2. Agri. Serv., Forestry, & Fish	125	2,970.0	3,597.0
3. Mining	75	3,185.0	7,893.0
4. Construction	2,372	64,090.0	74,686.0
5. Manufacturing	1,166	41,679.0	69,088.0
6. Transport. & Public Utilities	414	15,114.0	32,524.0
7. Wholesale	313	13,079.0	22,020.0
8. Retail Trade	984	16,779.0	26,834.0
9. Finance, Ins., & Real Estate	568	29,223.0	52,592.0
10. Services	1,260	39,863.0	60,303.0
Private Subtotal	7,333	227,010.0	353,591.0
Public			
11. Government	32	1,945.0	2,818.0
Total Effects (Private and Public)	7,365	228,955.0	356,409.0
II. DISTRIBUTION OF EFFECTS/MULTIPLIER			
1. Direct Effects	3,027	89,023.0	117,032.0
2. Indirect and Induced Effects	4,339	139,932.0	239,377.0
3. Total Effects	7,365	228,955.0	356,409.0
4. Multipliers (3/1)	2.433	2.572	3.045
III. COMPOSITION OF GROSS STATE PRODUCT			
1. Wages—Net of Taxes			174,915.0
2. Taxes			
a. Local/State			31,426.0
b. Federal			
General			21,678.0
Insurance Trusts			17,649.0
Federal Subtotal			39,327.0
c. Total taxes (2a+2b)			70,753.0
3. Profits, dividends, rents, and other			110,741.0
4. Total Gross State Product (1+2+3)			356,409.0
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE			
Employment (Jobs)			43.0
Income			1,338,038
Local/State Taxes			183,657
Gross State Product			2,082,890

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effect (State)—the proportion of direct spending on goods and services produced.

Indirect Effects—the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects—the value of goods and services needed by households that provide the direct and indirect labor.

“Education is critical. People often make the argument that 'development' and 'progress' have to happen for economic reasons; however, when you do the research, the economic advantages of historic preservation exceed those of demolition followed by new development. Historic preservation puts more local people to work and pumps more dollars into the local economy vs. demolition followed by new development.”—Regina Estes, Covington

Table 12. PEI Model for Kentucky's Main Street Program

	Economic Component		
	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*			
Private			
1. Agriculture	33	607.0	2,434.0
2. Agri. Serv., Forestry, & Fish	32	797.0	936.0
3. Mining	31	1,300.0	3,397.0
4. Construction	1,410	38,046.0	44,407.0
5. Manufacturing	781	29,197.0	47,023.0
6. Transport. & Public Utilities	261	10,101.0	22,845.0
7. Wholesale	231	9,708.0	16,206.0
8. Retail Trade	641	10,830.0	17,412.0
9. Finance, Ins., & Real Estate	408	20,490.0	40,281.0
10. Services	866	26,423.0	40,383.0
Private Subtotal	4,695	147,501.0	235,326.0
Public			
11. Government	25	1,494.0	2,173.0
Total Effects (Private and Public)	4,720	148,995.0	237,498.0
II. DISTRIBUTION OF EFFECTS/MULTIPLIER			
1. Direct Effects	1,877	56,321.0	79,286.0
2. Indirect and Induced Effects	2,843	92,674.0	158,212.0
3. Total Effects	4,720	148,995.0	237,498.0
4. Multipliers (3/1)	2.515	2.645	2.995
III. COMPOSITION OF GROSS STATE PRODUCT			
1. Wages--Net of Taxes			114,544.0
2. Taxes			
a. Local/State			21,758.0
b. Federal			
General			14,570.0
Insurance Trusts			11,683.0
Federal Subtotal			26,252.0
c. Total taxes (2a+2b)			48,010.0
3. Profits, dividends, rents, and other			74,944.0
4. Total Gross State Product (1+2+3)			237,498.0
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE			
Employment (Jobs)			28.7
Income			907,365
Local/State Taxes			132,502
Gross State Product			1,446,345

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effect (State)—the proportion of direct spending on goods and services produced.

Indirect Effects—the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects—the value of goods and services needed by households that provide the direct and indirect labor.

"Historic preservation increases tourism, creates jobs, creates a better community image and improves the quality of life which is a benefit to all employers in a community"—Anonymous

X. Environmental Benefits of Historic Preservation

The Lost Connection between Environmentalism and Preservation

Ten years ago, few recognized the connection between sustainable neighborhoods and historic preservation. The 1992 Earth Summit in Rio de Janeiro defined sustainability as the means of providing for the basic necessities of life, such as food, education, jobs, worship, transportation, safety, to meet our needs today while enabling future generations to meet their needs.

Almost by default, a sustainable neighborhood is a historic neighborhood that was designed before the invention of the automobile or air conditioners. The layout of these neighborhoods placed stores, churches, schools, jobs, and recreation in close proximity to one another. Houses were designed with high ceilings and transom and operable windows, which now provide contemporary residents with an energy conscious alternative to modern heating and cooling systems. These types of neighborhood have lasted from past generations to the present and will allow future generations to live, work and play there.

A sustainable neighborhood is one that preserves the past for the present by restoring these splendid buildings of masonry, stone, and frame. It is a neighborhood that embraces environmentalism by providing residents with the opportunity to reduce the use of energy guzzling personal automobiles. It is a neighborhood that means healthier citizens because they are being more active. It is a neighborhood that produces less pollution.

Older neighborhoods and newer housing have been compared in terms of the ease of commuting from home to school, work, recreation, shopping, and public transportation (Rypkema, 2002:7-9). In each of these categories, older neighborhoods are in closer proximity to work and to places for recreation and leisure. Older neighborhoods tend



Highlands Home, Louisville

to be close to downtown. According to the American Housing Survey conducted in 1999, 42% of all historic house residents were within five miles of their work, compared to 23% of the folks living in new housing constructed within the past four years. Similarly, two-thirds of the people living in older neighborhoods were within one mile of an elementary school with a 25% drop for those living in new houses (39%). The percentage of those that shop within a mile of their home was 62% for older neighborhoods versus 41% for new neighborhoods. In terms of the availability of public transportation, 59% had easier access in older neighborhoods versus 26% in newer developments. Finally, the amount of affordable housing was about 20% greater in older neighborhoods.

Houses built in the 1800's were also designed without the need for air conditioning. In the 19th century, homes were designed with 10 — 14 foot ceilings to allow hot air to rise and escape through window transoms, cooling the first floor on hot summer nights. Large attics, ranging anywhere from 8 — 16 feet, were built to capture the hot air, and large basements were built to keep perishables cool in the summer. Also, working-class shotgun and camelback houses were built with raised floors and high walls that helped cool the buildings. The basements were often used for storage of perishables along with providing protection against bad weather.

“More public education about the economic and environmental benefits of historic preservation is needed. This information should be made available to the public sector as well as the political sector of the population.”—Anonymous



New Skylight in Converted Attic Apartment

With new advances in energy conservation, including insulation materials, fan and duct systems along with air conditioning, preservationists are able to create new spaces out of these unused spaces—whether its an in-law apartment, a private refuge for either a “man’s space” or “woman’s space”, pool playing, working out, a home office, or a rental to help bring in more revenue. Energy costs from these attic or basement spaces can be significantly lower if one uses passive solar design, fans, insulation, and proper ventilation. In our survey, we found that the majority of Kentucky preservationists believe owners should be allowed to convert basements, garages, and attics into additional housing in historic buildings (64%). As we have shown elsewhere, preservation of historic housing is strongly associated with the creation of affordable rental housing because it is profitable and increases property values. That’s why preservationists in Kentucky (8 of 10) claim it is a more profitable return on investment than other kinds of investments. Moreover, the cost of rehabilitating old buildings is not only more environmentally friendly (90%), but costs less than constructing new buildings with the same amount of space, according to 78% of our respondents.

Converting basements and attics also addresses the problem of how to deal with property owners who might have too much space later in life, because of the loss of a partner or children as they grow older. Sociologists have argued that from infancy to old

age, a human being is much better off living with someone close by than actually living alone. Therefore, a big house can get more use and use fewer resources (Gilderbloom, 2008, Gilderbloom and Appelbaum, 1988).

Reclaiming unused space often means homes were ‘saved’ or renovated because of the opportunities for increasing the value of the space. It is a private market approach to create additional affordable housing for a neighborhood or city. Moreover, making unusable space into usable space by turning attic and/or basement into additional housing can be energy efficient. We have seen living spaces in both attics (500 square feet) and basements (900 square feet) where the average utility bill averages to \$50 a month. This is one-half the amount for a comparable size apartment—resulting in savings of around \$600 a year. However, to be successful contractors need to use cutting-edge knowledge from our universities. In the case of an attic, something as simple as the proper placement of a skylight facing south, energy cooling curtains for the summer months, along with powerful insulation materials and fans to blow out the hot air through the ducts, will significantly reduce energy usage and costs.



Basement Apartment

Louisville architect Gary Watrous and John Gilderbloom at the University of Louisville designed this type of air efficient cooling system for an attic apartment, and it saves half the amount on cooling and heating in a comparable apartment within the same building. Similarly, Gilderbloom and energy expert Stephen Roosa took a 900 square-foot basement and designed it into an upscale garden apartment that was energy efficient, cutting the energy bills in half for the same apartment located on the next floor above. In this case, steam heat pipes were positioned on the ceiling that recaptured that heat and reused it for the cold fall and winter months. During the summer, the basement was surrounded on three sides by the earth, keeping the apartment cool enough that an air-conditioner was unnecessary.

Carriage House Conversions

Another form of “green living” is allowing carriage houses and separated garages to be converted into supplementary housing. New urbanism has reintroduced second-story garage apartments for grandparents, friends, adult children, or a home-based office to our neighborhoods (Duany, et. al., 2000). This type of renovation enables the disabled and elderly to have intimate home health care from a caregiver, which provides a more suitable environment than a nursing home. In August 2006, Seattle City Council approved “backyard rental units” that allow detached apartments behind single-family homes in southeast neighborhoods (Langston, 2006). In Seattle, the first American city to embrace the Kyoto agreements, the fight against global warming has started in America’s backyards. Seattle Mayor Greg Nickels wants to reduce Greenhouse gasses by encouraging residents to build garage apartments, which would limit sprawl and provide housing closer to work. Moreover, it will help homeowners cover mortgages for their expensive homes and create greater diversity in the upscale historic neighborhoods of downtown Seattle. Mayor Nickels said, “We have lots of jobs downtown and we want to balance that with

having a lot of new residents so that people are literally walking to work,” (Gilderbloom, 2008; Langston, 2006).

How Historic Shotgun Housing is Energy Efficient

One of most endangered historic house type in urban areas is the shotgun house, which ironically is the most energy efficient and affordable. It is the most likely type of historic house to be demolished, and often mistakenly maligned as housing for low-income and minority groups. Interestingly enough, the Norton Commons new urbanist development in Louisville features several modern reproductions of shotgun houses that will sell for well over \$200,000.

While multi-family housing units can offer savings in energy consumption, they do not provide the same feeling of privacy garnered from single-family dwellings. Shotgun housing is more energy efficient than other forms of single-family housing due to its compact size. The smaller and narrower footprint of the shotgun allows energy savings at the individual unit level by requiring less energy for heating and cooling. At the neighborhood scale, less urban land is consumed. This translates to denser communities that diminish transport-related energy consumption and require less energy to maintain. Since 1970, the size of the average new home has ballooned by 50 percent (Fox, 2005).



Brook Street, Louisville

“I think an important concern is how to reconcile historic homes with environmentally-friendly living, because the same types of people tend to be interested in both”—Anonymous



Shotgun House, Springfield



Restored Shotgun, Newport



Floyd Street, Louisville

From a design standpoint, shotgun houses expend far less energy than many other types of housing. Gary Watrous, a specialist in energy conserving designs, points out that the shotgun house was designed to stay cool without using electricity or gas by utilizing cross ventilation (2005). Structural orientation, windows on all four sides, and relatively high ceilings allow air to circulate freely through the house (Watrous, 2005). Not only does this design allow for better temperature control in the summer, but the windows on all sides allow natural sunlight in to help decrease heating costs in the colder months. Moreover, shotgun housing can be constructed on piers, which also allows for ventilation underneath the house and a modicum of protection from floods for neighborhoods along the Gulf Coast or in areas with an unpredictable watershed. Shotgun housing is also more efficient from a construction cost standpoint given that smaller amounts of material are used to shelter households of equal size.

Lower urban densities generate proportionally higher levels of energy consumption (Riddell, 2003). Suburban growth consumes at least four times the land area per family housed as more urban patterns of living, and utilizes approximately three times the amount of energy

per household (Edwards and Turrent, 2000). Therefore, we must look to housing types that maximize the use of land and drastically decrease unnecessary and unsustainable energy consumption. Shotgun houses are far less land intensive than the typical single-family home, and can easily be incorporated into the fabric of a highly urbanized area. The compact footprint of shotgun housing makes it possible to concentrate desirable single-family housing on smaller tracts of land in areas that are in close proximity to services, near employment centers, and are near or on existing public transportation lines.



Cedar Street, Louisville

How the Best Green House is an Old House

As Donovan Rypkema has said, “the best green house is an old house.” We would add that that best green house is an old house that lies within a functioning historic downtown neighborhood. Rypkema argues that every time a large historic house is demolished, the construction debris put in a landfill is equal to one million recycled aluminum cans. Rypkema argues the relationship between historic preservation and sustainability (2006:5):

“Razing historic buildings results in a triple hit on scarce resources. First, we are throwing away thousands of dollars of embodied energy. Second, we are replacing it with materials vastly more consumptive of energy. What are most historic houses built from? Brick, plaster, concrete, and timber are among the least energy consumptive of materials. What are major components of new buildings? Plastic, steel, vinyl and aluminum— among the most energy consumptive of materials. Third, recurring embodied energy savings increase dramatically as a building life stretches over fifty years. You’re a fool or a fraud if you claim to be an environmentalist and yet you throw away historic buildings, and their components.”

The best kind of sustainable housing is the kind that takes place within an existing home that uses recycled materials (Chiras, 2004). As Daniel Chiras (2004: 16) argues, the best kind of sustainable shelter is creating housing within housing represents the:

“...epitome of conservation and is arguably one of the most sustainable forms of construction....it uses existing resources such as lands, foundations, and walls. No new land must be bulldozed or cleared to make room for a new home: trees do not need to be cut down. Further benefits can be achieved if wastes generated from the project are recycled.”

Many older houses can be saved at a cost substantially below market rate. An old house contains a great deal of embedded energy, which is



Tobacco Warehouse re-adapted into apartments, Lexington

wasted when it is demolished. Embedded energy describes the totality of energy used to build and create one house at one particular location, such as the sum result of energy needed to produce a house by cutting down trees in the forest for wood, hauling the wood back on trucks, manufacturing the steel and bricks, and creating the infrastructure of roads, sidewalks, gas, water and sewer lines. According to Rypkema (2006: 5):

“When we throw away an historic building, we simultaneously throw away the embodied energy incorporated into that building. How significant is embodied energy? In Australia, they have calculated that the embodied energy in their existing building stock is equivalent to ten years of the total energy consumption of the entire country.”

Preservation equals a commitment to sustainable practices. Preserving a home is even more important than recycling for one year. New urbanism adopted its model for new communities on the many of the principles of old urbanism.

Historic Preservation and the Back to the City Movement in Kentucky

Effective historic preservation practices cannot be done in isolation from neighborhood planning. The best type of smart growth practices are in historic neighborhoods or new urbanism communities, and represent Jane Jacobs' vision of the good city. Kentucky is now experiencing a new social movement back to the city. Why is this happening?

People desire a more active lifestyle, where they have an opportunity to walk or ride a bike to work. This "green" lifestyle choice is not only better for the environment, but has the added benefits of making people healthier. For example, in Amsterdam, the lifespan of a person walking or riding a bike to work is 2½ — 4 years longer than those who don't, and health care costs are substantially reduced (Pucher, 2007).

Another reason for the shift is because people are increasingly interested in affordable, historic housing in edgy neighborhoods located near downtown areas. Many of these downtown neighborhoods are within walking and biking distance of numerous positive amenities. However, people are looking for amenities within their neighborhoods as well. Historic neighborhoods typically have a healthy mixture of residences and businesses that makes walking and biking more attractive than driving a car. Nearly 98% of the

preservationists we surveyed agreed that coffee shops, art galleries, restaurants, and pubs in historic areas improve the quality of life for residents. These neighborhoods represent a new urbanism that is in high demand. Neighborhoods situated within local historic districts are also protected from inappropriate alternations and demolition of its historic buildings, which would create a missing tooth or stained tooth from the smile of a block.



One-way Main Street, Lexington

A key strategy to renewing historic neighborhoods is converting one-way to two-way streets. Oppressive four-lane streets in downtown areas should be converted to two-way streets (with parking and bike paths) as a traffic calming measure to make the surrounding neighborhoods more livable for families. It has not been done extensively in Kentucky, but it has already happened in over 100 cities across America. However, in our survey of preservationists, most respondents embraced converting one-way downtown streets to two-ways. One-way streets pose many threats for pedestrian and motorist safety, disproportionately harm poor and minority neighborhoods, hurt businesses in the downtown, reduce the property values of homes, and help to reduce global warming.



Condominiums in former Ford Motor Co. Plant, Louisville

"Historic Preservation is great for our communities, our economy, our environment, and our children's future."—Bill Essington, Graduate Student



Main Street, Bloomfield

Consumers are paying twice as much at the pump for gasoline than a few years ago. Folks are tired of long commutes from home to work. Moreover, people are increasingly looking for ways to combat global warming. One measure to reduce carbon dioxide emissions, and thereby reduce the greenhouse effect, is by driving less frequently. Nine out of ten Kentucky preservationists in our survey think that preserving old buildings is more environmentally friendly than constructing a new building.

Older neighborhoods will continue to improve if the following actions are taken. First, convert the one-way streets into two-way streets. Traffic calming makes neighborhoods more family friendly. It also means less crime, speeding, and anonymity in the neighborhood. It also will lead to higher property



Appalachian Mountains

values, improved commerce, greater safety and a family-friendly environment. Second, we need bike lanes in these neighborhoods for safer commutes from work to home.

Third, restaurants, pubs, antique stores, art galleries, and other cultural activities need to be embraced, and not hindered, by neighborhood “activists”. Historic neighborhoods always incorporated an array of small business like grocery, pubs, hardware, and drug stores because people used to rely more on walking or biking to get around.



Original Arched Doorway

Fourth, stronger zoning ordinances are needed in historic neighborhoods, so that 9-foot hand-carved wooden doors are not replaced by doors that were produced outside the U.S. and purchased from a big box store. Fifth, universities need to lead and not sit on the sidelines by making historic preservation an academic priority and properly funding centers.

Living in Kentucky is like being in a “Back to the Future” experience. What is currently happening here in our downtown areas happened in San Francisco, Boston, Washington, DC, New York, Chicago, Paris, and Amsterdam 20 years ago. The future is downtown, which means our neighborhoods will become more diverse racially and economically, and become a little greener too.

“We need to clean up our streets, brighten up our parks and promote and support small business ventures in the neighborhood.” —Rich May, Innkeeper in Old Louisville

XI. Recommendations



Old Nelson County Courthouse



Third Street



The Old Talbott Tavern

Best Practices: Bardstown, Kentucky

A study highlighting the economic benefits of historic preservation in Kentucky would not be complete without mentioning the city of Bardstown. This small city of 10,500 people is located 41 miles southeast of Louisville in Nelson County. In 2007, Bardstown celebrated the 40th anniversary of its historic zoning district, which was both the first of its kind in Kentucky and among the oldest in the United States. In recognition of their historic zoning anniversary, the city of Bardstown was honored this year with the Ida Lee Wills Memorial Award, awarded to communities or individuals who have demonstrated outstanding dedication to the cause of historic preservation in the state.

Bardstown, like many other Kentucky cities, experienced the increasing threat of urban renewal and the demolition of commercial downtowns in the early 1960s. For Bardstown, the loss was less devastating than other Kentucky cities because of their early actions to protect and preserve their historic resources. In 1966, when three historic buildings were demolished to make way for a new post office building, community leaders and residents came together to devise a landmark program that would eventually be replicated in cities across the nation. It is important to note that the same year also marked the establishment of the National Historic Preservation Act, the momentous

federal decision that began the historic preservation movement and established the National Register of Historic Places. The following year in January 1967, the Bardstown City Council and Nelson County Fiscal Court enacted the “Joint Ordinance and Resolution...for the Preservation of Historic and Architecturally Significant Structures and Creating a Bardstown-Nelson County Historical Commission.”

This ordinance established specific design guidelines and regulations for maintaining historic structures located within the historic downtown area. It began with a set of exterior guidelines for 250 buildings, and was later expanded to include a review process for any exterior modifications to existing buildings, new construction, or demolition of historic structures. The Bardstown Historical Review Board currently oversees 485 residential, commercial, institutional, and public structures within their historic district.

In the last 40 years, Bardstown has only lost 16 downtown buildings, demonstrating the positive effects that the historic zoning designation has had on this community. City and neighborhood leaders across Kentucky should embrace historic overlays in older neighborhoods and provide residents with greater educational resources about the benefits of establishing local historic districts. The results of the innovative measures accomplished in Bardstown will be evident for the next 40 years and more.

“Preservation is so often perceived as the set of rules that tell us what can't be done. Turn that around and show what preservation can do. Make it the carrot, not the stick”—Anonymous

Policy Recommendations

Local suggestions:

As property values soar in the older downtown areas across Kentucky, the threat of demolition and inappropriate alterations of historic buildings will significantly rise. Neighborhoods need to be proactive and enact historic preservation districts before irreversible damage is done.

Neighborhoods should embrace historic preservation by offering greater educational opportunities to the general public related to the positive benefits of historic zoning overlays. Education is critical for combating negative perspectives about preservation activities.

Local communities should adopt laws that insist on reusing building materials from glass, wood, metal, cement, stone and masonry brick. The city of Amsterdam, Netherlands currently requires that 90% of any materials from demolished buildings must be recycled.

School curriculum should include educational outreach materials on historic preservation, similar to fire prevention programs.

Local government should limit big box stores located outside historic downtowns by enacting tougher zoning laws and preserving farmland by providing tax incentives to property owners.

Significant property tax breaks should be given to those who restore the facades of historic structures, which in turn should encourage an increase in market oriented preservation efforts. The reduction in property taxes will be recaptured later by higher taxable properties. Its a win-win for everyone!

Select one-way streets in downtown areas should be converted to two-way streets.

Municipalities should consider a demolition tax on historic buildings that would increase local tax revenues, as well as provide further protections for these threatened buildings.

As an absolute last-resort option, city leaders should insist on preserving façades if a building has suffered irreparable damage. This has been successful in downtowns such as Chicago, New York, San Francisco, and Louisville.

Owners should be encouraged by special tax breaks and expedited approval to allow for conversions of basements and attics into additional housing in historic buildings.



Heigold Façade off River Road, Louisville

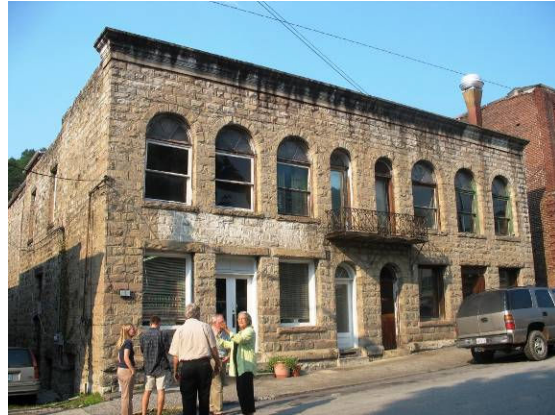
Prohibit demolition of any building over 100 years old, unless it is deemed structurally unsound or beyond repair.

More local incentives should be provided to encourage the preservation of significant historic structures.

“The construction of the Mega store destroys the small retailer and hence the economic base of the downtown. Downtown areas must approach their survival by changing direction to professional offices, specialty shops and upper story housing.”—Gordon Campbell, AIA, CEO of Campbell and Associates Architects



Main Street, Mt. Sterling



Whitesburg

Commonwealth suggestions:

Confer major budget increases for the Kentucky Heritage Council to provide increased funding for its Main Street program, state tax credit program, and preservation grants.

Increase or eliminate the \$3 million cap on state historic tax credits.

Focus energy and funds on investigating and establishing preservation programs for landscapes, agricultural buildings, and open spaces.

Further document the ecological and sustainable connection to historic preservation.

Increase university budgets and funding for programs that address historic preservation. For example, the University of Louisville is the only urban planning degree program in Kentucky, and the University of Kentucky is the only architecture and historic preservation degree program in the Commonwealth.

Encourage cities to apply for HOPE VI funds to leverage efforts towards the renewal of historic neighborhoods as it has been done in Louisville and Newport.

We encourage continuing education to the public for the tax credit application process.

More workshops should be held addressing the restoration of historic buildings through partnerships with governmental agencies, universities, non-profit groups, and the business community.

Kentucky legislature should provide competitive appropriations for Universities to focus on education, research and service on historic preservation.

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John I. Gilderbloom is a professor of urban and public affairs in the Graduate Program in Urban and Public Affairs at the University of Louisville, where he also directs the Center for Sustainable Urban Neighborhoods (<http://www.louisville.edu/org/sun>). Dr. Gilderbloom's has won two "best teacher" awards at two different universities. He teaches a graduate seminar in Historic Preservation and Housing at the University of Louisville. As a Professor at the University of California (SB), University of Wisconsin (GB) and University of Louisville he led historic walking tours of Chicago, San Francisco, Santa Barbara, and Los Angeles. Since 1992, his competitive federally funded grants have been over \$3.5 million dollars. Since he earned his Ph.D, Gilderbloom's real estate research has appeared in 30 peer-reviewed journals, 20 chapters in edited books, 11 monographs and 25 opinion pieces in newspapers and magazines. He has written or edited five books. His book *Rethinking Rental Housing*, was declared, "...the most significant piece on housing policy written in the last 30 years" by the *Journal of the American Planning Association*. A survey of college housing courses by the National Housing Institute found it to be the most widely chosen book. In July of 2005, SUNY Press released: *Promise and Betrayal: University and the Battle for Sustainable Urban Neighborhoods*, which includes an introduction by former HUD Secretary Henry Cisneros and in the appendix letters of support from President Bill Clinton and Harvard President Derek Bok. He has published opinioned pieces in the Wall Street Journal, Washington Post, Los Angeles Times and USA Today Magazine.

In the Clinton administration, he worked as a consultant on several items including the State of the Union Speech, Section 108 programs, Hope VI, and Community Outreach Partnership Programs. At HUD, he authored a report on President Clinton's Empowerment Zone Program using a sophisticated economic impact forecasting system. Gilderbloom has earned recognition and honors from U.S. Senate, House of Representatives, President Clinton, Sierra Club, American Planning Association Chapter Award, Mayor of Houston, Sierra Club, National Republican Party, Harvard Innovations in Government semi-finalist, and American Institute for Architects. He has been featured in the Sunday New York Times, Planning, Atlanta Journal Constitution and various other international newspapers in Japan, Cuba and the Netherlands. His historic home in the Original Highlands was recently featured in the New York Times, USA Today and Lane Report. In 2005 Planetizen called, *Encyclopedia of 20th-Century Architecture one of the 10 best planning and architecture books*--Gilderbloom's contribution was a chapter was on modern Cuban architecture

Dr. Gilderbloom also founded a real estate consulting business in 1999 where he advises real estate professionals on real estate investment opportunities in older neighborhoods. Dr. Gilderbloom was a key consultant in helping Telesis invest \$35 million dollars on the 550-unit City View apartments in West Louisville. Dr. Gilderbloom also owns a collection of historic homes in his neighborhood, which have been renovated using green principles (<http://www.gilderbloom.org>). Gilderbloom's has worked as consultant to organize historic walking tours in Cuba for Leadership Kentucky, Chicago Architectural Foundation, National Trust for Historic Preservation, Urban Land Institute Delaware Historic Society, Williams College and University of California. In 2007, he will release his DVD, which includes his slide show talk on restoring older neighborhoods along with various film clips produced by television including his halftime recognition at a UofL basketball game.

Gilderbloom also notes raising his son, Max, who graduated at the top of his class in the honors program at Atherton High School in Louisville and currently attends Indiana University on a scholarship.

Erin E. House is currently finishing her thesis in completion of a Master's Degree in Historic Preservation from the University of Kentucky. She is writing her thesis on Louisville architect, William J. Dodd, focusing on the Old Louisville neighborhood where she grew up. Her interests include late 19th century architecture, neighborhood revitalization, and preservation education.

In graduate school, Erin was awarded a research assistantship at the Center for Historic Architecture and Preservation, where she has served as a grant writer for the last two years. In 2005, she worked with the Friends of the Farnsley Kaufman House in Louisville, where she wrote educational and interpretation grants for the historic property. Over the past year, she worked with the University of Kentucky campus architect, composing campus beautification grants for

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the historic University of Kentucky campus. Erin was also involved in several additional CHAP projects. In the summer of 2006, she wrote a National Register nomination for the Paint Lick School in Garrard County, as well as assisted with the documentation of a historic hotel in Greensburg, Kentucky. Before returning to graduate school, she was employed by the Kentucky Psychological Association (KPA), a non-profit membership organization of more than 900 members. At KPA, she efficiently managed the busy office alongside the Executive Director, coordinating a widely-attended annual convention and monthly continuing education workshops, performing a wide range of data analysis, regulating company revenue and expenditures, creating advertising materials, maintaining website content, and managing the organization's online membership database.

Erin received a Bachelor's of Music in violin performance from the University of North Carolina at Chapel Hill in 2000. While attending UNC, Erin was recognized as a skilled and accomplished violinist. She received a competitive music scholarship, held the position of assistant concertmistress chair of the symphony orchestra all four years, participated in several chamber music ensembles, performed three solo recitals, and was awarded honorable mention in two competitions from the Department of Music. Erin attended high school at duPont Manual and the Youth Performing Arts School in Louisville, receiving her high school diploma in 1996. She participated in the Kentucky All-State orchestra from 1993-1996, earning the assistant concertmistress chair in 1996.

Erin currently lives with her husband Brandt in a 1910's bungalow in Lexington, and enjoys traveling, playing music, and spending time with her family.

Matthew J. Hanka is a Ph.D. candidate (ABD) in the Urban and Public Affairs program at the University of Louisville with a focus on urban policy and administration and urban affairs. As an undergraduate, Hanka was one of the youngest persons ever elected to the District of Columbia's Advisory Neighborhood Commission (ANC), representing single member district 5C12 in ANC 5C for one term. Hanka also has extensive experience in the government and non-profit sector, working as an AmeriCorps volunteer for Heads Up: A University Neighborhood Initiative in Washington, DC and serving as the Director of Community Outreach for Brookland Pride, Inc., a non-profit community development organization also based in Washington, DC.

Hanka earned a B.A. in history and world politics from The Catholic University of America in Washington, DC in 2002, and earned a M.A. in Political Science from the University of Louisville in 2004. His research interests include housing, urban politics and policy, community development, comparative urban development, historic preservation, and economic development. Hanka's dissertation will focus on the impact of the HOPE VI program on the economic revitalization of Newport, Kentucky and is expected to be completed in May of 2008.

He currently is the graduate research assistant for Dr. John Gilderbloom and research associate for the Center for Sustainable Urban Neighborhoods (SUN) at UofL, where he has edited and co-authored many of Gilderbloom's books, articles, reports and newspaper pieces. Hanka recently co-authored a chapter with Dr. Stephen A. Roosa for his upcoming book *The Sustainable Development Handbook*, published by Fairmont Press and scheduled to be released in December 2007. He is also a co-author on an evaluation of Newport, Kentucky's HOPE VI housing program. He is a co-author of two recently accepted refereed scholarly articles: an article examining urban policy in the Netherlands and a study of President Clinton's economic empowerment programs in U.S. cities.

In Kentucky, Hanka is active in local civic and international public affairs organizations in Louisville. He is president of the Louisville Chapter of the United Nations Association (UNA) of the USA and Membership Chair for the Kentucky Division of UNA-USA, past president of the University of Louisville Metro Rotaract Club, and serves on the board of directors for Interfaith Paths to Peace. In 2004 and 2005, he led international and community development projects with the University of Louisville International Service Learning Program and Rotary International in Belize and Ghana. Hanka also helped organize a course on social policy and planning in Amsterdam.

Hanka currently lives in an old Victorian mansion in the Old Louisville neighborhood and is making plans to get married.

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