

# Historic Preservation and Cluster Based Economic Development

By John Laurie

## BUILDING THE FUTURE ON THE FOUNDATION OF THE PAST

Historic preservation has most often been thought of in terms of architecture and aesthetic appeal as opposed to a vehicle for economic development. Recently, it has been shown that a range of industries can be economically fortified by historic preservation. However, historic preservation has the capacity to do far more than just bring about positive economic outcomes in various industries. Using the cluster based economic development theory, **this article will describe how a cohesive economic development effort, centered on historic preservation, can be an important part of a city's economic development strategy.** The article provides an **overview of the tourism, environmental management, housing, and film making sectors in conjunction with a cluster based approach.** This focus demonstrates how this approach can help cities increase inward investment and move away from imitation and toward innovation.

Advertisement

## What's Your Professional Development Plan?

IEDC's wide range of education courses are the leading source of learning for economic development professionals at all levels.

Our carefully-selected instructors include some of today's top experts in economic development and represent both the public and private sectors. Courses are designed to be interactive and focus on real-life experiences, best practices and tools you can use in your community.

### Core Courses

Certified Economic Developer (CEcD) candidates must complete all four (4) core courses.

- Introduction to Economic Development or Basic Economic Development Courses
- Business Retention and Expansion
- Economic Development Credit Analysis
- Real Estate Development and Reuse

### Elective Courses

Certified Economic Developer (CEcD) candidates must complete two (2) core courses.

- Economic Development Finance Programs
- Economic Development Marketing and Attraction
- Economic Development Strategic Planning
- Entrepreneurial and Small Business Development Strategies
- Managing Economic Development Organizations
- Neighborhood Development Strategies
- Technology-Led Economic Development
- Workforce Development



To map your plan, see our Course Calendar and Course Catalogue for more information.

Over 50 Education Courses at More Locations Near You!



*The Power of Knowledge and Leadership*

[www.iedconline.org](http://www.iedconline.org)

# historic preservation and CLUSTER BASED ECONOMIC DEVELOPMENT

By John Laurie

## INTRODUCTION

Until recently, historic preservation has most often been thought of in terms of architectural design, both by its proponents and by those seeking to replace historic structures with more modern ones. The focus is always the aspects of form, style, and unique attributes of structures which are descriptive of the particular eras in which these structures were constructed. While the architectural attributes of historic structures tend to be aesthetically pleasing to those who live in and near them, they also evoke a sense of cultural connection. They are symbols of bygone eras, a tangible link to the past history of an area, often cherished for their ability to convey the intangible aspects of social attitudes, cultural influences, and community history and character to the people that have contact with them.

Traditionally, conflict has arisen between those who have favored preservation purely for cultural and aesthetic means and those who have sought to demolish historic structures for the purposes of economic development. It had long been assumed that preservation was a hindrance to economic development – costing money to preserve historic structures as opposed to new developments which can generate money through the businesses, commercial structures, and homes that are built upon them. Although preservationists made many valid points in favor of preservation, most often they had



Photo: Chris Granger

Historic New Orleans.

great difficulty in fighting this perception. Primarily, this is because proponents of development are speaking in terms of realized economic gain – a dollar figure that can be quantified with consistency. Conversely, the primary arguments in favor of historic preservation tend to be far more ‘intangible’ from a cost-benefit analysis perspective.

A number of studies in recent years, particularly those done by Donovan Rypkema, have shown that preservation in fact does not hinder economic development efforts, but instead can be a powerful economic development tool. Industries such as tourism, entertainment, environmental management, and housing can all be significantly enhanced by historic preservation, providing

---

John Laurie is a research assistant at the University of New Orleans Center for Economic Development. His email address is [jlaurie@uno.edu](mailto:jlaurie@uno.edu)

## BUILDING THE FUTURE ON THE FOUNDATION OF THE PAST

Historic preservation has most often been thought of in terms of architecture and aesthetic appeal as opposed to a vehicle for economic development. Recently, it has been shown that a range of industries can be economically fortified by historic preservation. However, historic preservation has the capacity to do far more than just bring about positive economic outcomes in various industries. Using the cluster based economic development theory, this article will describe how a cohesive economic development effort, centered on historic preservation, can be an important part of a city's economic development strategy. The article provides an overview of the tourism, environmental management, housing, and film making sectors in conjunction with a cluster based approach. This focus demonstrates how this approach can help cities increase inward investment and move away from imitation and toward innovation.

ample economic development opportunities for communities, cities, and even regions. While it is impressive that historic preservation can have positive economic outcomes for such a diverse set of industries, it is possible to link together these seemingly unrelated components through commonalities, multiplying their economic impact many times over. How? The key is to identify industries and sectors that can be improved through historic preservation, find the commonalities, and link them so they function as an integrated unit. Applying this *cluster based economic development approach* to historic preservation, a city or region can profoundly improve its economic viability.

This article will identify particular industries and sectors which can be positively enhanced by historic preservation, and it will also show the specific economic benefits of preservation regarding these areas, and demonstrate how these industries and sectors can function as an integrated system using a cluster based approach.

### **CLUSTER BASED APPROACH**

Cluster based approaches to economic development are microeconomically based, emphasizing national, state, and local competitiveness in a global economy. According to Michael Porter of the Harvard Business School, clusters are “geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, trade associations) in a particular field that compete but also cooperate.” This definition provides the framework for developing a cohesive economic development plan based on historic preservation. But, what exactly does a cluster based approach mean to historic preservation and economic development? Aside from being the basis of an organized economic development plan, this approach provides tangible and powerful benefits to those involved in the cluster as well as the region as a whole. Specific benefits include access to specialized knowledge, skills, and resources; lower transaction costs; specialized infrastructure; and enhanced productivity and output. These benefits come from improving competitiveness among firms within the cluster, from an increase in inward investment, as local rivalries move away from imitation and toward innovation.

### **HISTORIC PRESERVATION AS AN ECONOMIC DEVELOPMENT STRATEGY**

Historic preservation has in fact shown that it can have a positive economic impact on a number of industries, even some which on the surface appear to be unrelated to one another. This is in direct contrast to previous, standard misconception that historic preservation is a costly luxury that must give way to new physical development in order for economic development to move forward in an area. Historic preservation can be an econom-

ically beneficial venture even down to the neighborhood or block level.

Although seemingly an unorthodox player in the economic development game, historic preservation is really an economic tool like any other. Because of this, a neighborhood, city or region can benefit from shaping it through a cohesive approach, allowing it to function efficiently, and capturing revenue which otherwise would be lost. However, in order to have a significant impact, a cohesive strategy should be developed at least at the city-wide level, and quite possibly, even at the regional level – assuming a region has enough historic property to make this viable.

Because preservation is able to affect a diverse range of industries, it appears that revenue generation is inefficient, with unrealized monetary gains. Simply put, with a diverse range of industries affected by preservation, it is unlikely that many of the industries are aware that the others benefit economically from historic preservation. It is not only possible but probable that a number of sectors within each affected industry are unaware that they are

But, what exactly does a cluster based approach mean to historic preservation and economic development? Aside from being the basis of an organized economic development plan, this approach provides tangible and powerful benefits to those involved in the cluster as well as the region as a whole. Specific benefits include access to specialized knowledge, skills, and resources; lower transaction costs; specialized infrastructure; and enhanced productivity and output.

connected via historic preservation. This leads to the inefficiencies that cause lost revenue within the industries, businesses, the city, and the region. Finding the right approach or economic development strategy is crucial.

### **CLUSTER IDENTIFICATION AND BOUNDARIES**

Essential to this strategy is identification of cluster boundaries, industries, and sectors within industries. Additionally, it is then necessary to link the interrelationships among sectors in each industry, even the intra-relationships among sectors and industries, and identify the “spillover” created by overlapping industry sectors. Finally, determining what these relationships mean after they are identified is crucial. In its simplest form this is done by identifying each industry and drawing the connections and linkages among them.

One of the downfalls of cluster based economic development approaches is the ease in which non-meaningful relationships can be drawn. Clusters are too broadly defined if they are aggregates such as manufacturing services, consumer goods, or “high tech.” In this instance, the groupings are so general that nearly every sector could conceivably be linked. Conversely, it is also easy to identify a cluster with a single industry, missing crucial interconnections with other industries and insti-

tutions – which is precisely the point of identifying the industries and sectors within clusters.<sup>2</sup> Either of these mistakes can doom an economic development plan.

In using the cluster based approach with historic preservation, the identification of industries related to historic preservation is the first, vital step. While a necessity when dealing with any cluster, proper industry identification in the preservation cluster is absolutely critical because historic preservation is, to this point, such an unorthodox approach to forming an economic development strategy.

The basic assumption previously had been that preservation costs money and hinders economic development. While proven to be untrue, there has been little if any thought on the industry components of preservation because of it. In order to identify these industries, it is necessary to refer back to the four areas which provided positive evidence that historic preservation is indeed viable as an economic development approach. These four categories – tourism, housing, the film industry, and environmental management – are the industry components upon which the historic preservation cluster is based.

## TOURISM

The tourism sector is perhaps the most important and powerful ally of historic preservation in terms of economic benefit. In the United States alone, \$545.5 billion were generated from travel related activities in 2003.<sup>3</sup> This figure includes both domestic and international travelers to the U.S. and encompasses not only travel related expenses but the cost of passenger fares. However, demonstrating an accurate breakdown of what sectors actually generate tourism dollars has been historically difficult as well as contentious. This is due in large part to overlap in spending done by tourists regarding their interests and needs during travel. Fortunately, a greater emphasis on qualitative research has been done in recent years. This has led to greater detail and understanding the reasons tourists spend their dollars among sectors and more specifically, intra-sector spending.

A study done by the University of Florida's Center for Governmental Responsibility indicated that historic preservation generates \$4.2 billion tourist dollars annually to the state of Florida – and this is considered a conservative estimate.<sup>4</sup> This is an impressive figure considering the wealth of tourism opportunities Florida has to offer – beach and ocean related activities, theme parks, restaurants and nightclubs, and sports. Because of this, it is necessary to delineate between tourism directly related to historic preservation and all other tourist activities.

Researchers used a breakdown of several key areas which they considered relative to historic preservation – property values, assistance programs, housing rehabilitation, and heritage tourism. Using accepted industry formulas, the study found that \$3.7 billion tourist dollars are directly related to heritage tourism.<sup>5</sup> Tourists specifically visited and spent money at locations which offered the intangible attributes that historic preservation has to offer. This makes a clear connection between the intangible cul-



Photo: Sydney Harbour Foreshore Authority

Heritage tourism visitors spend more money than the average traveler.

### Figure 1. Attributes of Heritage Visitors

- Heritage visitors spend, on average, \$615 per trip, compared to \$425 for all U.S. travelers.
- Travelers at historic and cultural sites stay an average of 4.7 nights as compared to 3.3 nights for all U.S. travelers.
- Travelers to historic and cultural sites are more likely to shop as part of their trip.
- Heritage visitors are more likely to stay in a hotel, motel, or bed and breakfast.
- Travelers to historic and cultural sites are more than twice as likely to take a group tour than the average traveler.

(Rypkema and Wiehagen, 1998)

tural, architectural, and historic elements of preservation and the tangible, quantifiable element of money.

It can be argued that a state such as Florida, with its many natural attributes, is a tourism magnet and this would seem to skew upward tourism dollars generated from historic preservation. With tens of millions of people visiting Florida every year, at least a portion would be willing to visit locations with a heavy emphasis on historic preservation. However, studies conducted by Donovan Rypkema show that the most frequently visited states by heritage and cultural visitors are New York, California, and Pennsylvania.<sup>6</sup>

The most frequently visited states have economies which are not nearly as tourist driven as Florida, focusing far more on finance, industrial, real estate, and banking sectors. This is a clear indication that people are willing to travel to locales not necessarily dependent on tourism in general, in order to experience (spend money) areas with high levels of historic and cultural value. Rypkema's studies have also shown that heritage visitors – those who travel for the historic and cultural attributes of a locale – contribute more dollars to the tourism industry nationwide than any other type of visitor (See figure 1).

## HOUSING

Traditionally, maintaining and rehabilitating homes has been little more than an afterthought. This has been especially true since World War II when the newer, bigger better attitude of American consumerism took hold. The standard development pattern since this time has been to continually develop the less expensive, less regulated, fringe areas away from the more populated urban cores. However, recently the U.S. has witnessed an increase in the number of housing rehabilitations occurring in cities, and an increasing percentage of those have been historic rehabilitations. Historic rehabilitations have been most prevalent in older cities, particularly those which have significant numbers of historic homes.

Photo: Samuel Bell



Cornell University Students Participate in Historic Rehabilitation in Post-Katrina New Orleans.

Historic preservation is able to spur economic development through housing rehabilitation tied to the Historic Rehabilitation Tax Credit (HRTC). Created in 1976 and amended in 1986, it allows for a 20 percent tax investment credit for the rehabilitation of *income producing* properties<sup>7</sup>. The investment tax credit (ITC) allows investors to deduct dollar for dollar against their federal income taxes. In order to qualify, structures being rehabilitated must be a Certified Historic Structure. According to HRTC guidelines, the rehabilitation must be 'substantial' – more than \$5,000 or the adjusted basis of the renovated property, whichever is greater.<sup>8</sup> For the last 25 years, both developers and non-profit organizations alike have used this tool, allowing for the rehabilitation of homes in areas with historic structures.

From 1990 to 1994, rehabilitation represented almost 80 percent of the total value of central city construction in St. Louis and 50 to 60 percent in Baltimore, Cleveland, Detroit, Philadelphia, San Francisco, and Washington D.C.<sup>9</sup> While not all rehabilitation of housing stock has been to historic structures, preservation plays an important role in the rehabilitation process. It is estimated that 5 to 10 percent of all rehabilitation construction is historic and this percentage tends to be higher in more densely constructed urban areas and older suburbs, at about 7 to 10 percent.<sup>10</sup>

A peripheral benefit to the use of federal tax incentives for historic building rehabilitation has been the increase in affordable housing stock in the urban core. While on its face, affordable housing may seem to be only a nice social benefit, it provides opportunities for revenue generation through taxes and commerce. It also helps to encourage further historic preservation efforts as cities begin to recognize people have once again begun to desire to live in close proximity to the amenities of the urban core.

Richard Moe, president of the National Trust for Historic Preservation, has noted that over the next ten years, approximately 20 million new jobs will be created and about 7 million of those will produce incomes of less than \$20,000 per year.<sup>11</sup> The people who hold those jobs will require affordable housing, preferably within moderate driving or possibly even walking distance from where they work.

It would seem unlikely that historic preservation efforts could be a contributor to affordable housing stock – it has often been criticized as having an 'elitist' effect on neighborhoods. The argument has been that while historic preservation increases home values which increases revenue through property taxes, it also increases rent and the cost of living (often through these same revenue generating taxes) for those low-to moderate-income residents, often displacing them. This is largely a myth.

According to the National Park Service, \$4.76 billion has been invested in projects it has reviewed and approved, including 27,851 low-to moderate-income housing units. This constitutes 44 percent of all housing units completed through the historic preservation tax credit program in the same five years.<sup>12</sup> The Colorado Housing and Finance Authority (CHFA) has found that while historic home rehabilitation brings newcomers to an area, only a small portion of them have incomes that are significantly higher than existing residents. In historic districts studied by the CHFA, more than half the residents had household incomes of \$30,000 per year or less. This serves as a clear indication that wealth is not a prerequisite for historic home rehabilitation, and lower income residents can benefit from and play a role in historic preservation efforts.

## FILM INDUSTRY

Traditionally, the film industry has been most closely associated with Hollywood. Many of the films produced have used historical settings as part of their backdrop. While technology has continually improved over the years, especially the last 20 years, there is still a need for a physical representation of the historical built environment. While this can be done by physically constructing backdrops or even entire towns, it is often preferable to film at a location with buildings that have authentic historic value. Aside from contributing to authenticity, it is

also more cost effective for production companies to travel to a given location than it is to build entire city reproductions.

Because of this need for historical authenticity, cities not normally associated with the film industry have become prominent locations. These include Philadelphia; Montreal; New Orleans; Chicago; and Asheville, North Carolina. These places have become movie industry hubs because of their ability to convey a particular time and place. In fact, they do not always represent only their actual location or region in films. Often, these cities are used to represent *other* cities in movies because of the wholesale demolition of historic structures and/or neighborhoods in many parts of the country.

The movie "Beloved" for example, was set in Cincinnati in the 1880's. Unfortunately, too many of the buildings from that time period in the city had been demolished to realistically portray the historical context of the movie. Instead, the movie was shot in

As many urban areas throughout the country have lost much of their historic fabric in the last 50 years, cities which continue to have high quantities and quality of historic buildings

will continue to reap the benefits of the movie industry.

Photo: Kerry Hayes



Director Steven Zaillian on the set of "All the Kings Men" in New Orleans.

Photo: State of Florida



Brownfield Redevelopment Site in Florida.

Philadelphia, where entire blocks of buildings from the appropriate time period remain. This movie alone had a \$15 million direct economic impact on the city.<sup>13</sup> Eight other movies have been filmed in the past decade using the historic elements which are unique to Philadelphia. All have had similar direct economic benefits through cast and crew patronage, taxes, the hiring of local workers/laborers, and tourism related activities.

The film industry has had an important economic impact in other cities as well. Asheville, North Carolina, with a population of only 90,000, now has the third largest film industry in the country. Since 1980, the tiny

city has seen direct expenditures of over \$4.6 billion.<sup>14</sup> This is directly related to the city's significant historical stock, variety of housing styles, and its location (nestled in the Blue Ridge Mountains) making it a versatile filming location.

Along with the recognition produced by mass movie audiences and increasing tourism to the state, there is also the benefit of taxes on production, equipment, salaries, and accommodations. Additionally, there is a boost to the local economy in terms of money generated by specialized and non-specialized workers needed as part of the entire production process.

As many urban areas throughout the country have lost much of their historic fabric in the last 50 years, cities which continue to have high quantities and quality of historic buildings will continue to reap the benefits of the movie industry. In fact, it is likely that they will become even more prominent players in Hollywood, as many urban areas are so devoid of their once plentiful history that they are no longer accurately able to represent themselves as a particular time period.

## ENVIRONMENTAL MANAGEMENT

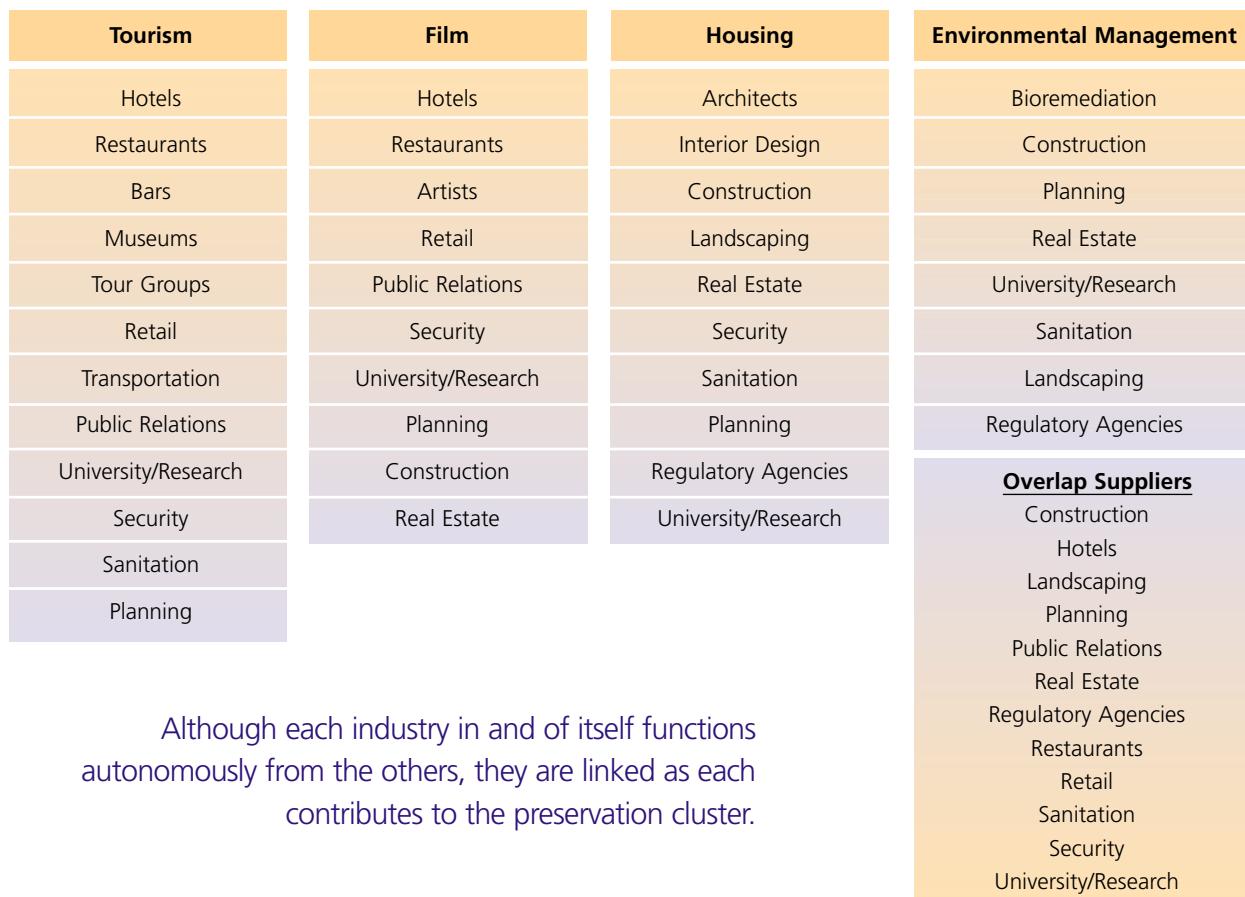
While historic preservation would seem to be capable of having a positive economic effect on tourism, housing, and the film industry, environmental management would seem to be an unlikely component. However, historic preservation and environmental management efforts are working towards the same ends, while following a parallel track. The most tangible link between the two is brownfield redevelopment. Again, this may seem like a barely plausible connection, but both preservation and brownfield redevelopment address the issues of growth management, community development, quality of life, and neighborhood revitalization.<sup>15</sup> More specifically, both preservation and brownfield redevelopment seek to achieve the same end goals: a cleaner environment, the infill of urban centers, economic development/revitalization, and creative, productive communities.

Through its nature, historic preservation is an environmentally friendly practice. Not only does it save or rehabilitate old buildings, but it also reduces the need for new structures. Historic preservation is environmentally sound because by bringing a building back into commerce through adaptive reuse, communities can continue to draw on existing infrastructure, such as sewers, roads, and electrical wiring.<sup>16</sup>

Most new construction is not cost effective, as it is typically low-density in nature, and consumes more land per person than the traditional urban core. Building new structures on undeveloped land requires new infrastructure, causing negative environmental impacts, such as non-permeable surfaces, disrupted habitat areas, increased non-point source pollution, and demand for more ground water.

It is estimated that for every dollar gained in taxes and fees for new developments, that it costs a community

**Figure 2. Historic Preservation Cluster**



Although each industry in and of itself functions autonomously from the others, they are linked as each contributes to the preservation cluster.

two dollars in infrastructure requirements. These negative effects are enhanced more rapidly when brownfield sites are involved. Communities with brownfields can suffer from increased health risks, a decline in livability, decreased tax revenues, and job losses. These blighted sights actually induce sprawl more rapidly as residents seek to move away from these contaminated areas, underscoring the need for historic preservation efforts at these sites.

Most often thought of as contaminated industrial sites, many of the estimated 130,000 to 450,000 brownfield sites are actually very conducive to preservation efforts. Many of these sites have buildings dating from the late 1800's to the early 1930's, which were used for manufacturing. In terms of serving their intended purpose, these buildings have become functionally obsolete. However, the same elements which made them obsolete as technology and innovation improved make them ideal for adaptive reuse through historic rehabilitation. They tend to have a boxy, utilitarian shape which can easily be reconfigured into highly customized spaces, especially for condominiums or apartments.

Many buildings have distinctive elements such as sturdy brick construction, old brick walls, high ceilings, wood columns or beams, intricate metalwork, hardwood floors, and cannot be easily or inexpensively replicated by new construction. These features coupled with the tendency for many brownfield sites to be located next to

rivers in urban areas have led to remediation and preservation efforts in cities across the United States over the last decade.

### LINKAGES AND PRODUCTIVITY

The historic preservation cluster model will vary with each city, depending on the quality and quantity of historic structures, the emphasis placed on tourism, and the emphasis placed on environmental quality and regulation. Therefore it is necessary to use a generic model, one which can demonstrate in general terms, the use of a cluster based approach to historic preservation. Illustrated in Figure 2, the historic preservation cluster can be defined as a horizontal cluster, one in which the component industries have common resource bases, but few logical buyer-supplier linkages.<sup>17</sup>

Although each industry in and of itself functions autonomously from the others, they are linked as each contributes to the preservation cluster. Using the generic model, each of the four industries is broken down into sectors. Each sector in an industry is linked to one another as it contributes to that industry by providing services or commodities – acting as suppliers.

Another way in which linkages can be observed is in a number of supplier overlaps among the industries – which links industry to industry in the cluster. Overlaps occur in the security, landscaping, sanitation, construction, real estate, university/research, hotel, retail, public

relations, finance, and planning sectors. The key is to enable these overlapping sectors to share these resources through intra-cluster recognition and identification, and making an effort to use as many local suppliers as possible, further strengthening the local economy.

This spillover effect actually helps to increase competition among sectors and industries. A cluster can affect this competition in three ways: by increasing the productivity of constituent firms or industries, increasing the capacity for innovation, and stimulating new business formation that supports innovation – expanding the cluster.<sup>18</sup> This cooperation/competition cycle spawned by the cluster leads to increased productivity. According to Porter (2000), productivity is increased in the following ways (examples of each using the historic preservation cluster provided by the author):

*Access to Specialized Inputs and Employees* – Relying on firms within the cluster for commodities and labor, in effect insourcing instead of outsourcing. For example, construction and construction related firms play a large role in historic preservation. These firms are used by the majority of industries within the preservation cluster (housing, film, environmental management), with highly specialized skills directly applicable to preservation. The local pool of talent, familiar with the needs and requirements of preservation, can be drawn on for its expertise.

*Incentives and Performance Measurement* – This is the essence of internal cluster competition. Because of the quick spread of reputation and performance within the local cluster, the likeliness of poor service or faulty products is drastically reduced. For example, security is a link among the tourism, film, and housing industries in the historic preservation cluster. If a company provided security services that were lackluster, this information would move quickly within the cluster, resulting in significantly decreased employment opportunities for the offending security firm. In order to maintain a solid reputation, each security company must continually provide high or higher levels of service.

*Access to Institutions and Public Goods* – Clusters allow for investment and return through public institutions, such as schools or universities, much more cheaply. Many universities will offer programs which draw on the strengths of the local economy. Graduates with specialized skills come more readily trained and are more cost effective than training new employees without such knowledge. Firm investment in university research, program design, and graduate assistantships and internships provides a cost effective way for industries in the historic preservation cluster to be more productive and competitive.

*Complementarities* – Coordination among firms in sectors related to a specific industry or industries results in higher customer satisfaction and therefore higher returns. In the tourism industry, the tourist's experience is affected not only by the quality of the activity itself, but also by the related sectors, such as hotels, taxis, restaurants, and tour guides. Coordination among these groups results in higher customer satisfaction, and eventually, greater numbers of tourists and dollars spent.

## POLICY RECOMMENDATIONS

How does a city or region begin to develop a cluster based economic development approach to historic preservation? The best way is not necessarily to develop a comprehensive and complex plan. Using the available resources is an excellent starting point. Why? Because it is probable that any area with a strong preservation

Because of the quick spread of reputation and performance within the local cluster, the likeliness of poor service or faulty products is drastically reduced. For example, security is a link among the tourism, film, and housing industries in the historic preservation cluster. If a company provided security services that were lackluster, this information would move quickly within the cluster, resulting in significantly decreased employment opportunities for the offending security firm. In order to maintain a solid reputation, each security company must continually provide high or higher levels of service.

movement already has the necessary resources available to develop a comprehensive approach. These resources may include historic district boundaries, individual building ratings, zoning and codes, building types, and knowledge of future projects within or adjacent to historically sensitive areas.

The 'players' however, are likely unaware that they are part of a historic preservation cluster, and are linked to other sectors and industries within the cluster. Taking this into consideration, the basis of an economic development policy can be formed by using the following suggestions:

*Identify* each industry's components on a city by city basis. Each city will have a slightly different historic preservation cluster model based on quantity, quality, and emphasis on regulation for historic preservation as a whole, and within each identified industry.

*Focus Groups* should be used to bring together the sectors in each industry. This is necessary because many of these sectors will either be unaware of one another or possibly only vaguely aware that they share some of the same suppliers. They certainly would be unaware that they are part of a cluster.

*Determine* policy and program needs using focus groups. Focus groups should be viewed as a valuable policy shaping tool. The groups, which are comprised of sectors in each industry, are in the best position to determine their needs and to help develop a comprehensive economic development policy.

*Consolidate* supplier resources within overlap groups. A number of sectors between industries use some of the same services and suppliers. It is important to determine

what these are and to make an effort to use local supplies, suppliers, and services, further strengthening the economic ties within the cluster.

An excellent example of the importance of following a cluster based approach is within the film sector of historic preservation, a recently burgeoning industry within the preservation heavy city of New Orleans. While the recent explosion of the film industry in Louisiana, and particularly New Orleans, can be attributed to the tax incentives program aimed at luring movie production, the backbone of film making is the vast amount of historic structures which can be portrayed as a variety of time periods, cities, and regions.

While Hurricane Katrina caused a temporary slowdown in movie production – many of the movies already in production were shifted to unaffected areas of the state in the year following the storm – Hollywood has returned to New Orleans and more movies are being made there than ever before. Even though many of these movies do not fit the mold of the \$100 million Hollywood blockbuster, their proliferation is straining the already thin ranks of skilled workers needed in the movie industry, as the city continues to repopulate.

The type and skills of workers needed cover a broad spectrum – electricians, carpenters, painters, makeup artists, office workers, and various assistants. This presents speculation that New Orleans may not be able to sustain the momentum in film production.

While a work force shortage may not necessarily cause movie makers to move to locations that have a more ample supply of the workers needed, it could have the effect of causing the growth in the movie industry to stagnate. But it is not as if New Orleans does not have the necessary amount of talented and skilled workers to fill the positions. It is likely that if the policy recommendations for the formation of a historic preservation cluster were followed, that the workers needed and the movie industry both would be aware of corresponding needs and skills. While not all films in New Orleans require a historic preservation component, the skilled labor needed could be identified as part of the 'overlap suppliers' in the overall historic preservation cluster. This awareness of various industries and individuals within a cluster is a key component to developing a successful cluster.

History has shown that most people within clusters are not at all aware that they are connected in various ways to people in seemingly different industries but who are nonetheless part of a network of suppliers which overlap. As part of an overall historic preservation cluster in the New Orleans metro region, it is likely that the same workers and suppliers needed for the movie industry are also functioning within other sectors of the cluster; they simply have not been identified and consolidated in a meaningful way.

## CONCLUSION

Many urban cores across the country have been built and built upon by generations of people, each investing a part of themselves into the fabric of the area. The result is

a rich inventory of history and heritage through the built environment, which serves as a viable, powerful economic engine in the form of historic preservation today. The intrinsic cultural and architectural value of these buildings and neighborhoods alone is worth the effort to preserve them for the educational, historical, and aesthetic value that they provide. Unfortunately, developers frequently overlook the covert values of historic preservation, instead choosing to focus on the easily defined economic values of new development, which can easily be demonstrated to shareholders and lending officers.

Historic structures are often thought to be cost prohibitive because they often lack amenities such as communication infrastructure, modern floor plans, adequate off street parking, and require more upkeep than contemporary structures. From a development standpoint, it is just more simple and convenient to remove historic structures and to build modern structures with specific amenities in their place.

In order to stave off destruction of historic structures, neighborhoods, and communities via development, historic preservation must be able to prove its worth in terms of realized, tangible economic benefits rather than intangible, cultural benefits. Preservation must have cumulative economic benefits that put it on par with other economic development efforts which are more convenient to enact but are highly destructive to preservation efforts.

Fortunately, preservation is not only compatible with contemporary economic development efforts, but the four industries of tourism, housing, environmental management, and the film industry are viable, profitable keys to the use of historic preservation as an economic development strategy. These industries can actually have their economic output amplified if developed as an integrated economic development effort. Using a cluster based approach to historic preservation can alter the economic development of a city and region by linking the sectors and ultimately the industries themselves. This allows for the consolidation of resources, increased industry competitiveness, and an investment that benefits existing sectors, and attracts new firms. By taking this approach, historic preservation will be viewed less as an expensive luxury and more as a driving economic force within a metropolitan region as part of a cohesive economic development strategy. 

## ENDNOTES

- <sup>1</sup> Porter 2000, 17
- <sup>2</sup> Porter 2000, 17
- <sup>3</sup> Travel Industry Association of America 2004
- <sup>4</sup> McClendon 2003, 2
- <sup>5</sup> McClendon 2003, 2
- <sup>6</sup> Rypkema and Wiehagen 1998
- <sup>7</sup> Stipe 2003, 65
- <sup>8</sup> Stipe 2003, 65
- <sup>9</sup> Listokin and Listokin 2001
- <sup>10</sup> Listokin and Listokin 2001
- <sup>11</sup> Maharaj 2002
- <sup>12</sup> Listokin and Listokin 2001
- <sup>13</sup> Rypkema and Wiehagen 1998
- <sup>14</sup> Rypkema 1997
- <sup>15</sup> Paulus 2001, 1
- <sup>16</sup> Singer and Ploetz 2002, 7
- <sup>17</sup> Held 1996, 250
- <sup>18</sup> Porter 2000, 21

## SELECTED BIBLIOGRAPHY

Bingham, Richard and Robert Mier, eds. (1997) *Dilemmas of Urban Economic Development*. London, England: Sage Publications.

Ceraso, Karen. (1999) Eyesore to Community Asset: *Historic Preservation Creates Affordable Housing and Livable Neighborhoods*. National Housing Institute – Shelterforce 106(4) Retrieved December 5, 2005 from <http://www.nhi.org/online/issues/106/ceraso.html>.

Colorado Status of Housing 2000. *The Affordability Challenge*, Colorado Housing and Finance Authority, 2000.

*Economic Research: Economic Impacts of Tourism and Travel*. Retrieved March 15, 2005 from <http://www.tia.org/Travel/economicimpact.asp>.

Held, James R. (1996) "Clusters as an Economic Development Tool: Beyond the Pitfalls." *Economic Development Quarterly* 10(3), pgs. 249-261.

Incentives (n.d.) Retrieved December 10, 2005 from <http://www.filminpa/filminpa/index.jsp>.

Listokin, David and Barbara Listokin. (2004) *Historic Preservation and Affordable Housing: Leveraging Old Resources for New Opportunities*. Fannie Mae Foundation Housing Facts and Findings 3(2). Retrieved December 12, 2005 from <http://www.fanniemae-foundation.org/programs/hff/v3i2-histpres.shtml>.

Maharaj, Nicole. (2002) *Historic Preservation Helps Spur Affordable Housing*. U.S. Mayors Newspaper, Retrieved March 12, 2005 from [http://www.usmayors.org/usmc/us\\_mayor\\_newspaper/documents/07\\_01\\_02/hist\\_preserve.asp](http://www.usmayors.org/usmc/us_mayor_newspaper/documents/07_01_02/hist_preserve.asp).

Malizia, Emil E. and Edward J. Feser. (1999) *Understanding Local Economic Development*. Rutgers, New Jersey: Rutgers Press.

McClendon, Timothy and JoAnn Klein. (2003) "Historic Preservation: Value Added." *Explore Magazine* 8(1), pgs. 1-5.

Morris, Marya. (1992) *Innovative Tools for Historic Preservation*. Chicago, Illinois: American Planning Association, 1992.

Nickless, Pamela. (1997) *Economic Development and Historic Preservation*. Retrieved December 6, 2005 from <http://www.psabc.org/news/econ.htm>.

Porter, Michael. (2000) "Location, Competition and Economic Development: Local Clusters in a Global Economy," *Economic Development Quarterly* 14(1), pgs. 7-34.

Paulus, Emily L. (2001) *The Role of Historic Preservation in the Redevelopment of Urban Brownfields*, University of Delaware.

Rypkema, Donovan D. (1997) *Profiting From the Past: The Impact of Historic Preservation in North Carolina*, Preservation North Carolina. Retrieved March 10, 2005 from <http://www.presnc.org/learnmore/newsletters/winter1998b.html>.

Rypkema, Donovan D. and Katherine Wichagen. (1998) *The Economic Benefits of Preserving Philadelphia's Past*, Preservation Alliance for Greater Philadelphia, Retrieved December 10, 2005 from [http://www.preservationalliance.com/resources\\_EconBene.php#intro](http://www.preservationalliance.com/resources_EconBene.php#intro).

Singer, Molly and Adam Ploetz. (2002) *Old Tools and New Measurements: Local Government Coordination of Brownfields Redevelopment for Historic and Cultural Reuses*, International City/County Management Association.

Stipe, Robert E., ed. (2003) *A Richer Heritage: Historic Preservation In the Twenty-First Century*. North Carolina: University of North Carolina Press.

Walker, Dave. (2004, August 18). It takes a thief: Andre Braugher's FX series pilot could become the biggest N.O. production yet. *The Times-Picayune*, pgs. E1, E2.

## What's Your Professional Development Plan?

IEDC's wide range of education courses are the leading source of learning for economic development professionals at all levels.

Our carefully-selected instructors include some of today's top experts in economic development and represent both the public and private sectors. Courses are designed to be interactive and focus on real-life experiences, best practices and tools you can use in your community.

### Core Courses

Certified Economic Developer (CEcD) candidates must complete all four (4) core courses.

- Introduction to Economic Development or Basic Economic Development Courses
- Business Retention and Expansion
- Economic Development Credit Analysis
- Real Estate Development and Reuse

### Elective Courses

Certified Economic Developer (CEcD) candidates must complete two (2) core courses.

- Economic Development Finance Programs
- Economic Development Marketing and Attraction
- Economic Development Strategic Planning
- Entrepreneurial and Small Business Development Strategies
- Managing Economic Development Organizations
- Neighborhood Development Strategies
- Technology-Led Economic Development
- Workforce Development



To map your plan, see our Course Calendar and Course Catalogue for more information.

Over 50 Education Courses at More Locations Near You!



*The Power of Knowledge and Leadership*

[www.iedconline.org](http://www.iedconline.org)