

Protecting the Golden Goose: A Report on the Economic Benefits of the Historic District in The City of Frederick by

Sehba Imtiaz
Kara Johnston
Imania Price
Shira Rosenthal
Ashley Sampson
John Sines
Tyler Smith
Mandi Solomon
Abby Tesfaye

Historic Preservation Program:
School of Architecture, Planning, and Preservation
University of Maryland

HISP 680: Preservation Economics
Under the supervision of: Constance Ramirez



Gerrit Knaap, Executive Director

Uri Avin, PALS Director

Table of Contents

Acknowledgements.....	iii
Executive Summary.....	iv
List of Figures.....	vii
Introduction.....	1
Residential Property Values in the Historic District.....	13
Tax Credits within the Historic District.....	31
Construction Activity in the Historic District.....	34
Businesses in the Historic District.....	40
Tourism in the Historic District.....	47
The City of Frederick’s Investments in its Historic Districts?	57
Conclusions and Recommendations	59
Appendix.....	63
Bibliography	65
Authors.....	68

Acknowledgements

The Preservation Economics class would like to thank:

The PALS Program

Gerrit Knaap - Executive Director

Uri Avin - PALS Director

Kiel Edson - PALS Coordinator

The City of Frederick

Richard Griffin - Director of Economic Development

Randy McClement – Mayor

Joe Adkins – Planning Director

Lisa Mroszczyk Murphy - Historic Preservation Planner

Tim Swanson - GIS Technician

The Downtown Partnership

Kara Norman - Executive Director

Panel Participants on November 22

Peter Samuel

Jim Schmersahl

Chase Tydings

James Wallon Magee

Becky Cybularz

Sarah Polzin

Sharon Kouger

Alan Feinberg

Mike Nash

Businesses

The Curious Iguana

The Dancing Bear

Fairview Glass

Hartman Roofing

Smokestack Studios

The Muse

Guest Speakers and Consultants

Charles Buki – Founder, CZB Consultants

Tom Moriarity- Managing Principal, RDS Retail & Development Strategies

Peter Pearre - Preservation Architect, Trostel and Pearre

Maryland Historic Trust

Colin Ingraham – Administrator, Preservation Financial Incentives

Bonnie Baden - Administrative Support

Executive Summary

As part of the Partnership for Action Learning in Sustainability program—a cooperative agreement between the University of Maryland and The City of Frederick—the Preservation Economics class at the University of Maryland conducted a broad analysis of the economic impact of the City of Frederick's local historic district. Our investigation included such varied topics as the value of residential and commercial properties, the tourism industry, historic tax credits, rehabilitation projects and the City budget. The following is a summary of our key discoveries and recommendations, which we hope will prove insightful and useful as a guide to future inquiry into the economic impact of the Historic District.

In his most recent State of the City address, Frederick Mayor Randy McClement spoke of the “need to continue to find new and innovative ways to move our economy forward.” An analysis of the economics of Frederick’s Historic District suggests that the best way to do this is with a renewed emphasis on preserving the existing downtown fabric, and replicating its unique qualities in new adjacent development.

Based on an assessment of a five-block residential area, **home values** in the local Historic District have steadily increased since 1990, indicating that the likelihood of long-term investment in the neighborhood is increasing.

Between 1990 and 2014, residential properties in a five block area in Frederick’s local historic district have seen a 189% increase in property value, compared to a 25% increase in property values in a five block area of the National Register District, and a 3% decrease in properties just outside of these boundaries.

In 2014, houses in the local historic district sold for 27% more, all other factors being equal, than similar houses in the National Register district, and 21% more than houses outside both districts.

Although The City of Frederick offers local state and federal **tax credit** incentives for business and residential owners in the local historic district, many owners, especially businesses, are not using them to their full advantage. Three factors deter owners from applying: the complexity of the forms, the time range at which the process must be initiated, and a lack of information provided to the first-time user. The low rate at which historic tax credits are used is an indication that the local historic district could be having a greater rehabilitation and revitalization impact than it is having currently.

While historic tax credits are not widely used, the historic district represents a higher concentration of **building permits** issued than in the City as a whole, helping to support a number of small construction companies with the specialized skills to work within the historic fabric of Frederick. The historic district contains a large percentage of the permits issued for renovation projects, and, surprisingly, does not lag far behind the rest of the city in the number of building permits issued for new structures.

The extensive amount of renovation and construction in the historic district supports **construction-related jobs**. Based on limited survey responses, the historic district and various historic tax credits play an important role in at least two construction businesses that employ nine people. More broadly, between the Home Depot, Morgan Keller Construction, and other smaller companies, the construction industry accounts for at least 500 jobs citywide.

The historic district also supports many other types of jobs in the **dense commercial area** at the district's core.

At 385 acres, the historic district comprises only 2.7% of the City's total land; however, the Historic District contains over 73% of the tax-assessed value of City retail and office property, according to Maryland Department of Assessments and Taxation data. It is also a sought-after location for businesses; the office and retail vacancy rate is maintained at a low rate of 3%, and sales per square foot of retail are an estimated \$377.

The attractiveness of the Historic District for specialty? retail may contribute to the lack of neighborhood-serving retail desired by many residents. The City should work to attract a market or grocery store in the downtown to draw new residents and satisfy existing residents who have played a key role in the rehabilitation of the downtown.

The Frederick Historic District contributes greatly to the popularity of the Frederick as a **tourist destination** by creating a strong sense of place that is found in few other towns. Comparing Frederick's tourism figures to the State of Maryland's indicates that tourism is a strength for Frederick, capitalized on by the local government's promotion. While tourism alone does not support the economy of the Historic District, it does add variety to a public-service oriented economy and plays a key role in the national recognition that Frederick receives. The City should acknowledge its commendable reputation as a tourist destination, both locally and regionally, but continue to analyze, rethink, and support its tourism and marketing strategies as the City grows and evolves.

In summary, Frederick's Historic District is an asset that the City should nurture. It draws tourists seeking charming architecture; shoppers seeking unique local products; small businesses seeking affordable small spaces; residents seeking a rewarding homeownership experience; and anyone seeking walkability.

At the same time, there is room for improvements that would further enhance the district's viability as an economic driver. These include increasing participation in historic tax credit programs, working to draw neighborhood-serving retailers, and creating stronger links between tourism promotion and the Historic District.

As of 2011, the most recent year for which data is available, over 60% of the cases before the Planning Commission were related to historic preservation, while there was and is still only one full-time staff member in the Historic Preservation Office. Additional staff time needs to be dedicated to preservation and promotion of the Historic District if Frederick is going to be able to sustain the District's economic role in the City. It is, in many ways, a

golden goose that must be nurtured if the City wants to continue reaping the benefits of its golden eggs.

List of Figures

Figure 12: Source: SDAT; Increase in property value from 1990 to 2014 of local historic district by \$155,200, while the National Register district only increased in property value by \$37,800, and the properties outside the districts decreased by \$7,550

Figure 13: Source: SDAT; Residential properties which are architecturally similar being compared with their 2014 assessed value; Rockwell Terrace in the National Register has a significant increase in value, at \$662,750 as a median block value, in comparison to Clarke Ave in the local district (at \$274,800 as a median block value), and Magnolia Ave outside the districts (at \$283,100 as a median block value)

Figure 14: Source: SDAT; Residential properties which are architecturally similar compared for their assessed value between 1990-2004; those properties outside the historic districts are at a much higher property value, while properties within the historic districts are significantly varied in values by block

Figure 15: Source: SDAT; The local historic district has larger median square footage of houses, the average house being 1850 square feet. In comparison, the National Register district is at 1230 square feet, and properties outside are at 1320 square feet

Figure 16: Source: SDAT; the smallest available space in Frederick is outside the historic districts, at 960 square feet, on East 9th Street. The largest available space at 2810 square feet is on Rockwell Terrace in the National Register. In comparison, blocks on West 5th St (local HD and NR), West South St (NR), Motter Ave (NR), and Pine Ave (outside HD), are the only areas with a comparable square footage

Figure 17: Source: SDAT; On a composite basis, local historic and National Register districts increased in value as a whole; properties outside the districts saw either the least amount of increase, or the most decrease in value per square foot

Figure 18: Source: photo by Sehba Imtiaz; 100 block of West 5th St, local historic district

Figure 19: Source: photo by Sehba Imtiaz; 200 block of West 5th St, National Register

Figure 20: Source: photo by Sehba Imtiaz; 10 block of East 9th St, outside historic district boundary lines

Figure 21: Source: Google Earth; 100 block of East 7th St, local historic district

Figure 22: Source: Sehba Imtiaz; 700 block of Motter Ave, National Register

Figure 23: Source: Sehba Imtiaz; 900 block of Motter Place, outside historic district boundary lines

Figure 24: Source: photo by Sehba Imtiaz; 300 block of East 3rd St, local historic district

Figure 25: Source: photo by Sehba Imtiaz; 200 block of Dill Ave, National Register

Figure 26: Source: photo by Sehba Imtiaz; 100 block of Pine Ave, outside historic district boundary lines

Figure 27: Source: Google Earth; 100 block of Clarke Place, local historic district

Figure 28: Source: Google Earth; 200 block of Rockwell Terrace, National Register

Figure 29: Source: Google Earth; 500 block of Magnolia Ave, outside historic district boundary lines

Figure 30: Source: photo by Sehba Imtiaz; 100 and 200 block of West South St, local historic district

Figure 31: Source: Google Earth; 300 and 400 block of West South St, National Register

Figure 32: Source: Google Earth; 400 block of Sherman Ave, outside historic district boundary lines

Figure 33: Source: Google Earth; 400 block of Sherman Ave, outside historic district boundary lines

Figure 34: This chart shows the number applicants that applied for state or federal tax credit within each year

Figure 35: This chart shows the percentage of owners that applied for the state tax credits in blue and those that applied for the state and federal tax credit in red

Figure 36: Out of 94 Maryland state tax credit applicants, 19 applicants were commercial properties and 74 applicants were residential properties

Figure 37: Source: City of Frederick; The number of building permits issued in the historic district compared to the City of Frederick

Figure 38: Source: City of Frederick; The number of building permits issued for new construction projects in the historic district compared to the City of Frederick

Figure 39: Source: City of Frederick; The number of building permits issued for renovation construction projects in the historic district compared to the City of Frederick

Figure 40: Source: 2012 Maryland Department of Assessments and Taxation; The Historic District is a City Revenue Hot Spot

Figure 41: Source: CoStar Group Inc.; The Historic District Maintains a Lower Retail Vacancy Rate than the City as a Whole

Figure 42: Source: CoStar Group Inc.; Rental Rates in the Historic District have Climbed above Pre-Recession Highs

Figure 43: Source: CoStar Group Inc.; Historic District Office and Retail Spaces are Smaller on Average than the City

Figure 44: Source: WalkScore.com; The Historic District is the Most Walkable Part of the City of Frederick

Figure 45: The Historic District has Greater Population and Job Density

Figure 46: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 47: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf

Figure 48: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 49: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 50: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 51: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 52: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 53: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 54: Source: "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014.
<http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>

Figure 55: Source: Results from a survey of 60 individuals completed in downtown Frederick on November 22nd, 2014

Figure 56: Source: Results from a survey of 60 individuals completed in downtown Frederick on November 22nd, 2014

Figure 57:

Figure 58:

Introduction

Since the founding of the City of Frederick in 1745, the original crossroads area, now a local and national historic district, has been critical to the community's economic vitality. In his State of the City Report in July 2014, Mayor Randy McClement said, "We have a downtown that is well-known throughout the state and a model for other towns." He concluded his annual report by stating "The State of our City is sound, the future of our City is bright...this is the place we call home. This is a great City because of the people like you - our local business owners, our City staff, our elected officials, and every one of our residents."

Unsaid was that "home" is a historic district and that investments there by business owners, the City, and residents are important to sustaining the entire city. But how important? An analysis of some of the data related to economic activities in the Frederick historic district examined within the context of the City's overall economy, population profile, regional location and future trends is contained in this report. Our findings? Sustaining Frederick depends on continuing the economic vitality of its "golden goose," the downtown historic district.

To better understand the historic district, we looked at the different census tracts that make up the historic areas. The whole city is shown below with the different census tracts.

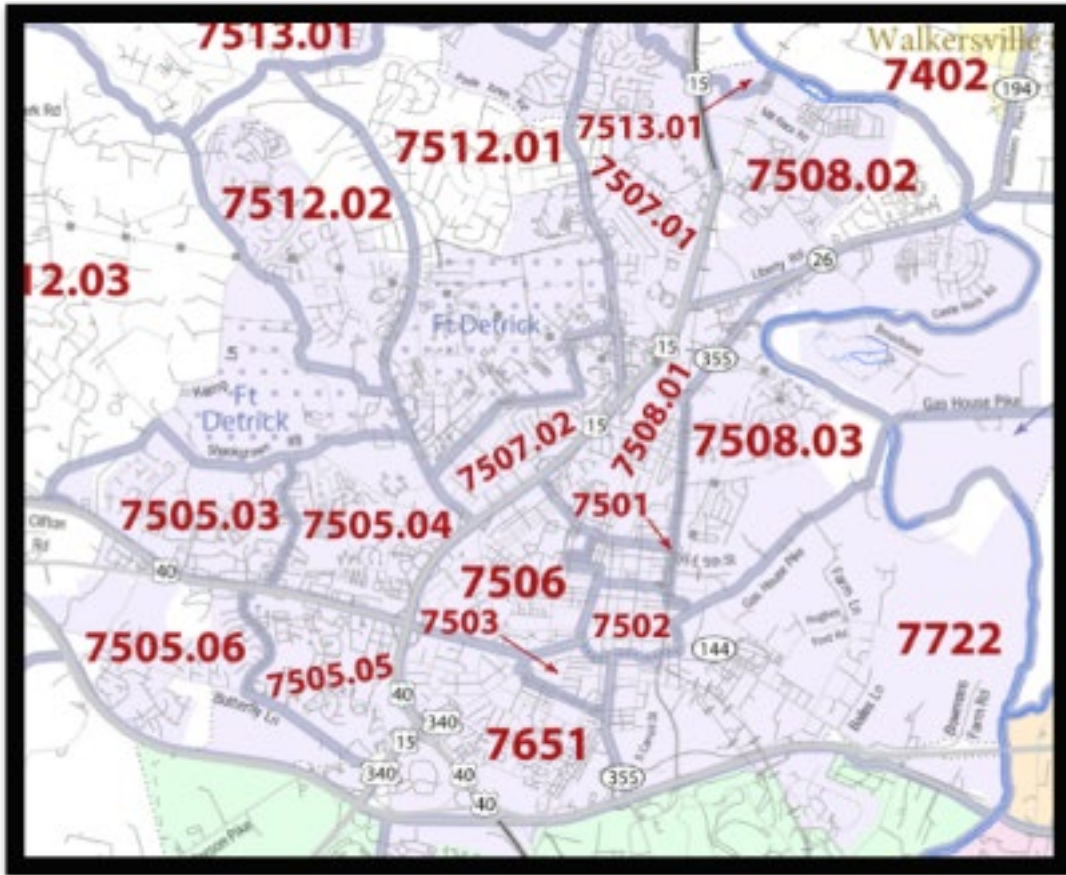


Figure 1: The tracts within the historic district are shown below inside the black lines.

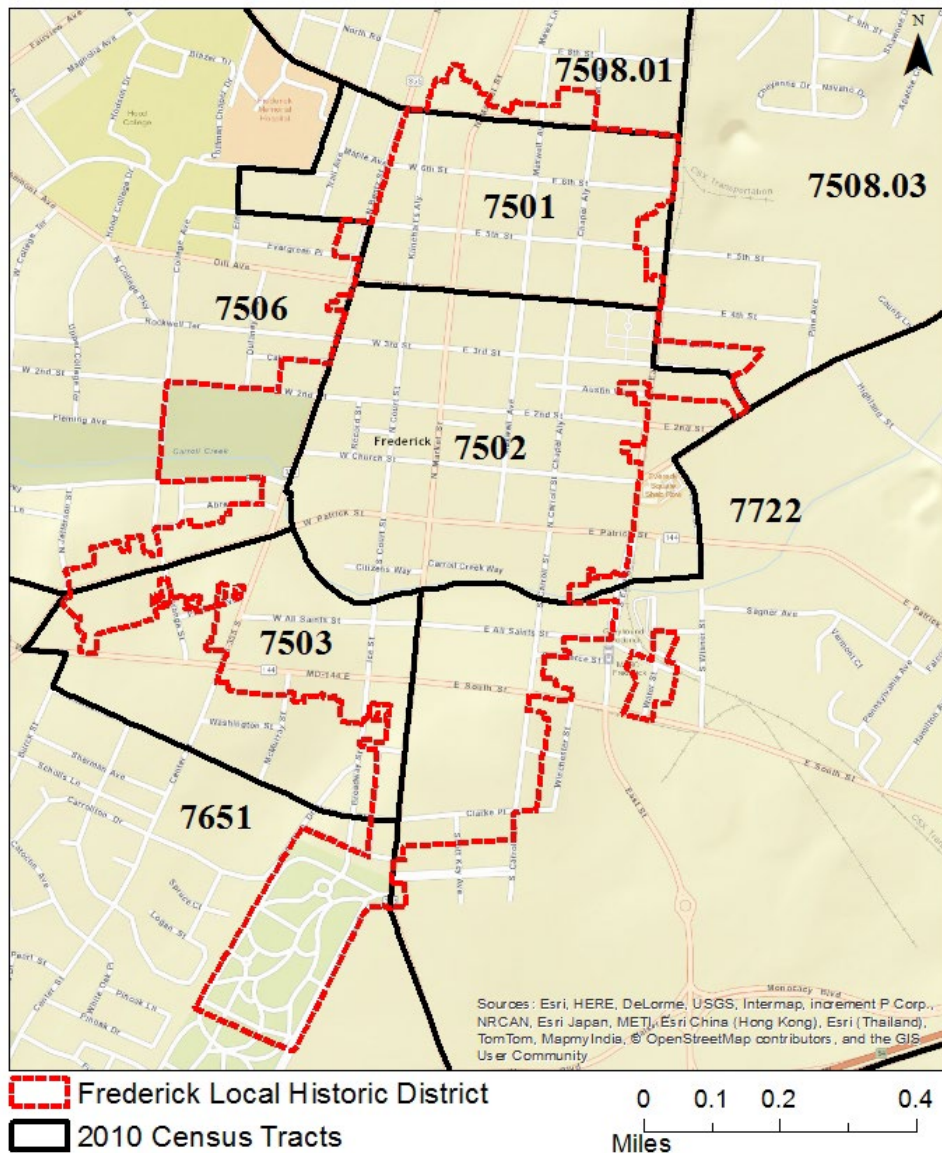


Figure 2: The population in Frederick is currently 65,239. The City has grown over time and the historic district has also grown with the city.

The demographics for the entire city show the makeup of the population. All information for this section comes the 2010 Census.

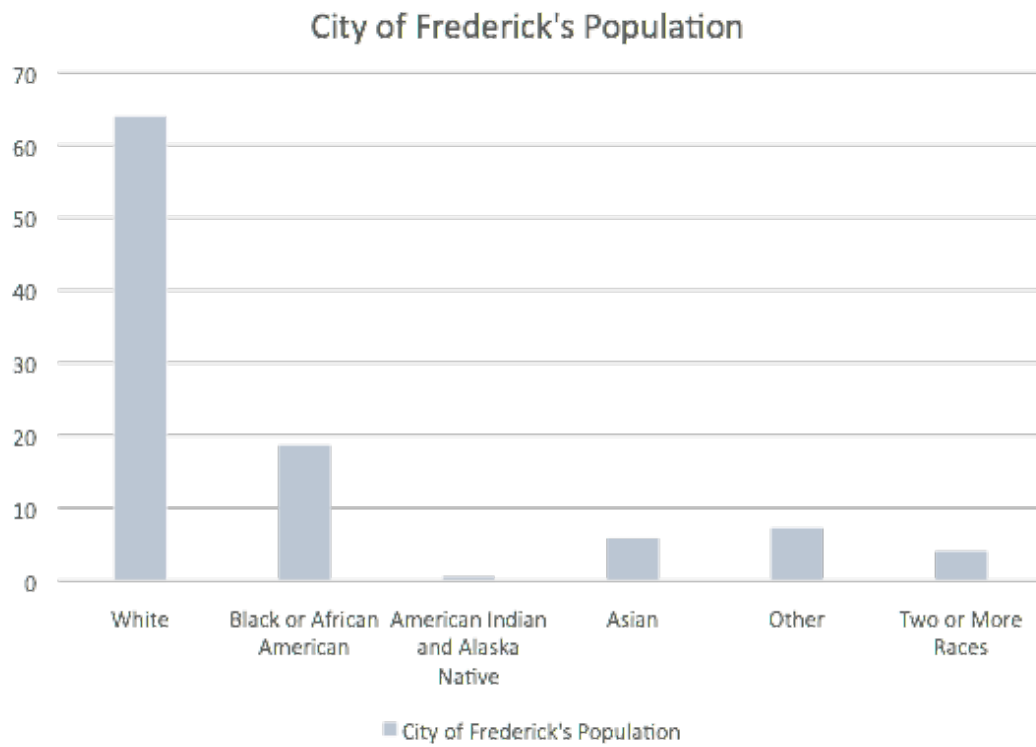


Figure 3

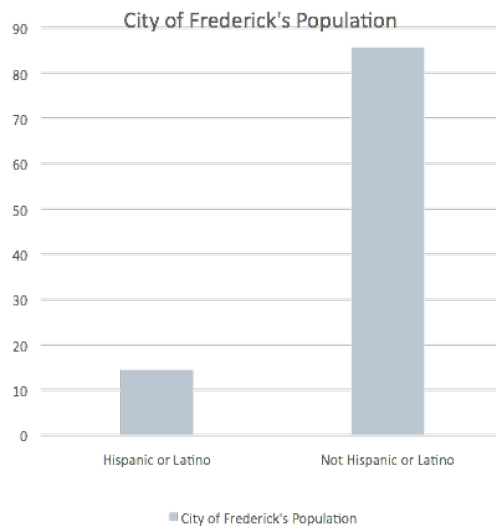


Figure 4

The housing in Frederick also helps to understand the makeup of the city. The Census looks at different variables that help to understand the way housing is used. One way to understand housing is to look at whether a household is a family unit or a nonfamily unit. The Census defines a family as a group of two or more people related by birth, marriage, or adoption and residing together. And a nonfamily unit is defined as a single household or a group of two or more people who are unrelated such as lodgers, foster children, wards, employees, partners, or roomers. The following graph shows the makeup of these units for the whole City of Frederick.

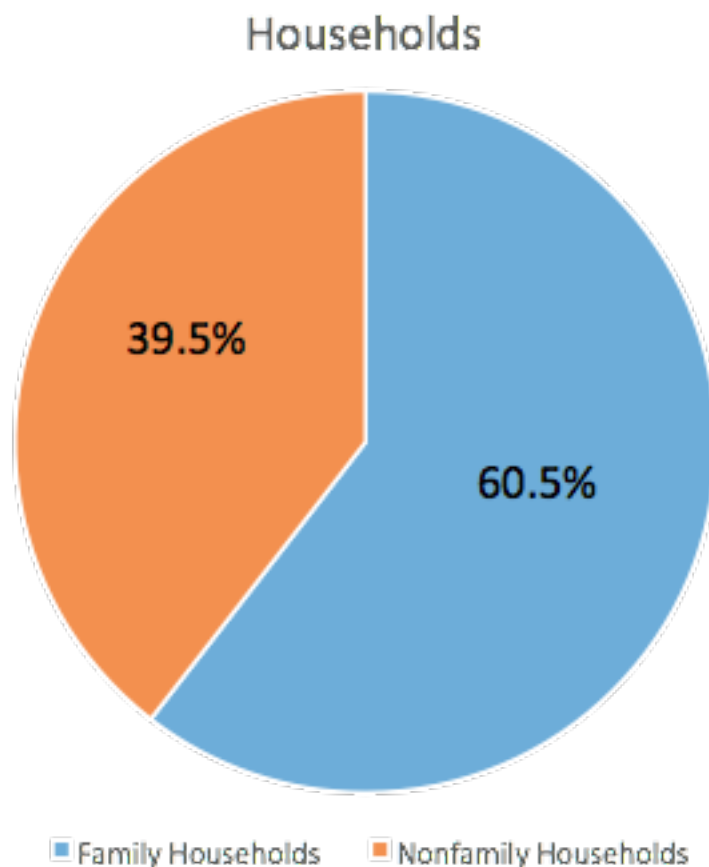


Figure 5: The amount of housing that is occupied vs. Vacant.

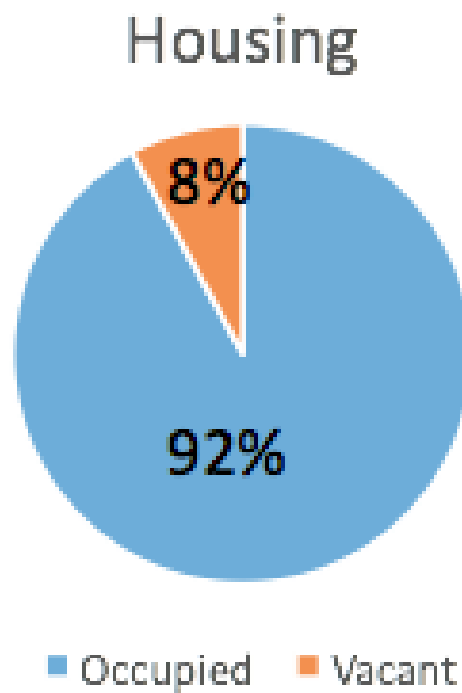


Figure 6: And within those 92% of occupied structures, the following graph shows what is owned vs. rented.

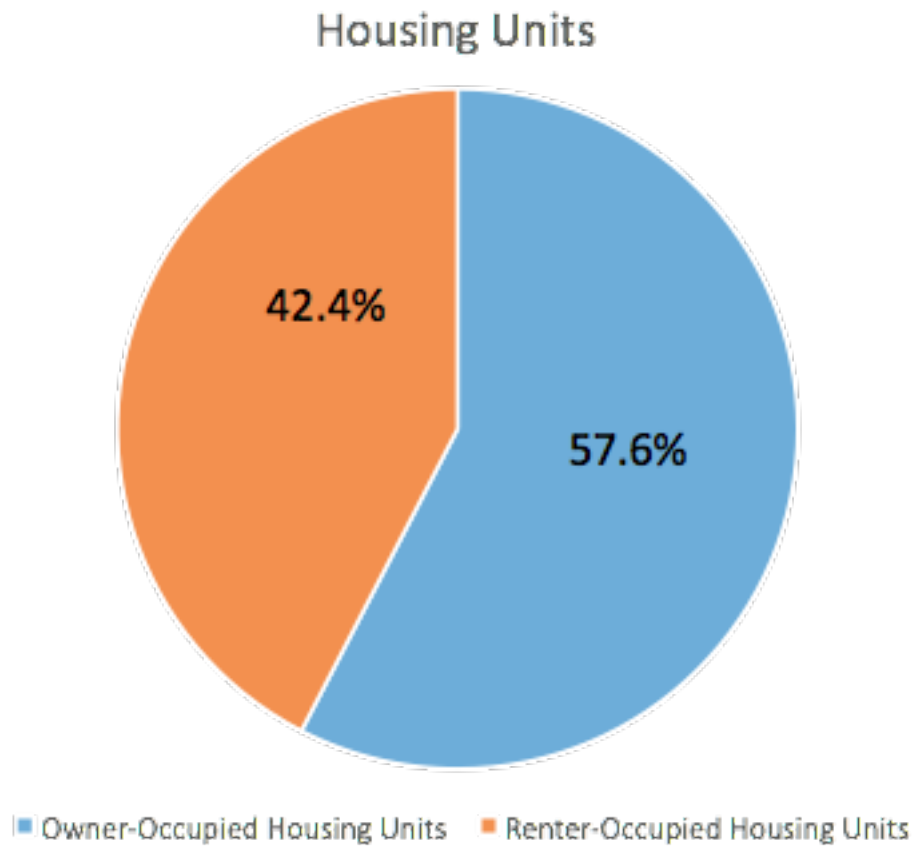


Figure 7

All of these graphics and numbers show what the entire city of Frederick looks like. To really understand the historic district, we looked at seven census tracts that have some part of the historic district within it. The following graphics will show the demographics for the seven census tracts of the historic district.

The following graph shows the median age for those living in that tract. These averages range from 36 years old to 42 years old.

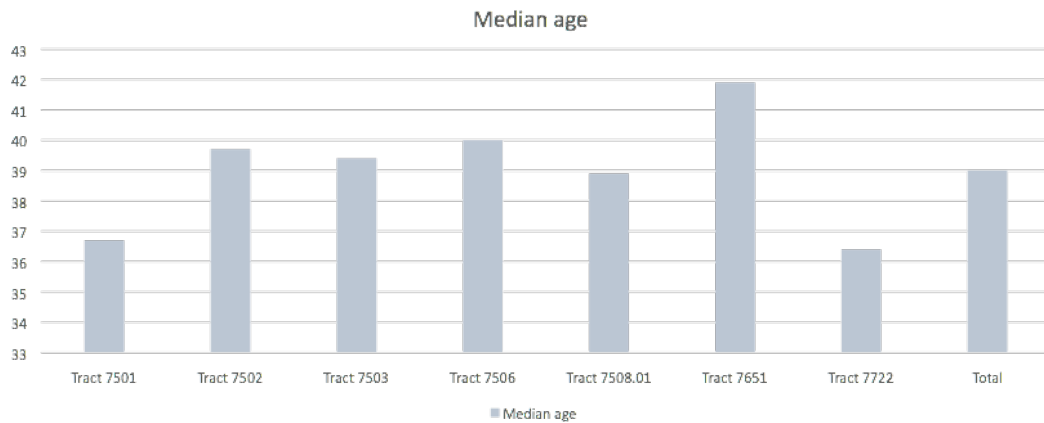


Figure 8

The following graph shows the occupancy rate for homes within the historic district. Most of the area has around a 90 to 93 percent occupancy rate. Tracts 7502 and 7722 have closer to 85 percent occupancy rates. Overall most homes are not sitting vacant in the downtown.

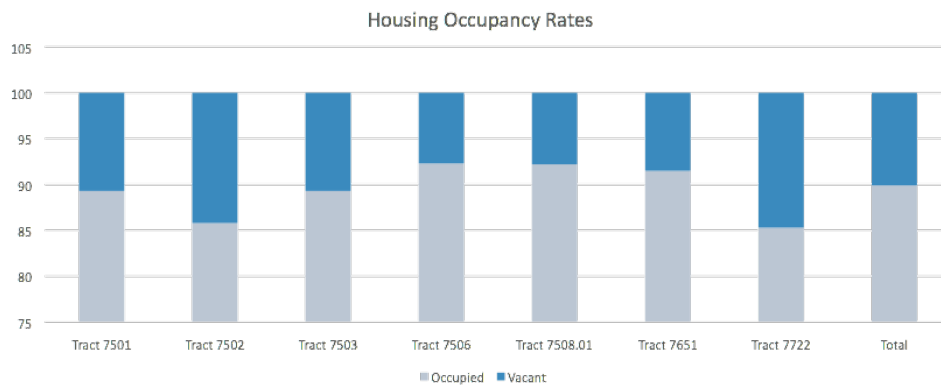


Figure 9

The following is a graph of ownership vs. rental rates for each census tract. Tracts 7502, 7503, and 7508.01 are all rental units while Tracts 7506 and 7651 are more owners occupied.

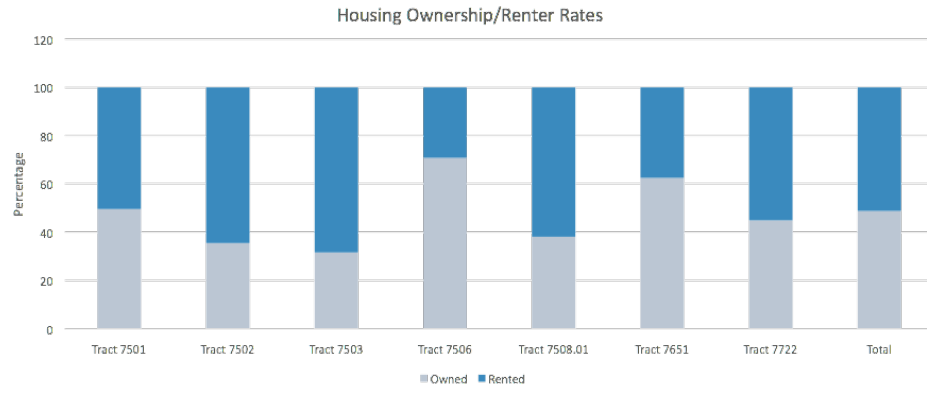


Figure 10

The City of Frederick's Economics

The City of Frederick has been growing over the past 40 years. With an expanding DC metro area the City of Frederick, just 45 miles away, has become a more affordable and attractive option for people. Recently Frederick has been labeled a new Mini-DC for tourists interested in a DC experience “without the hassle”¹ but Frederick must focus on becoming self sufficient in order to sustain this image.²

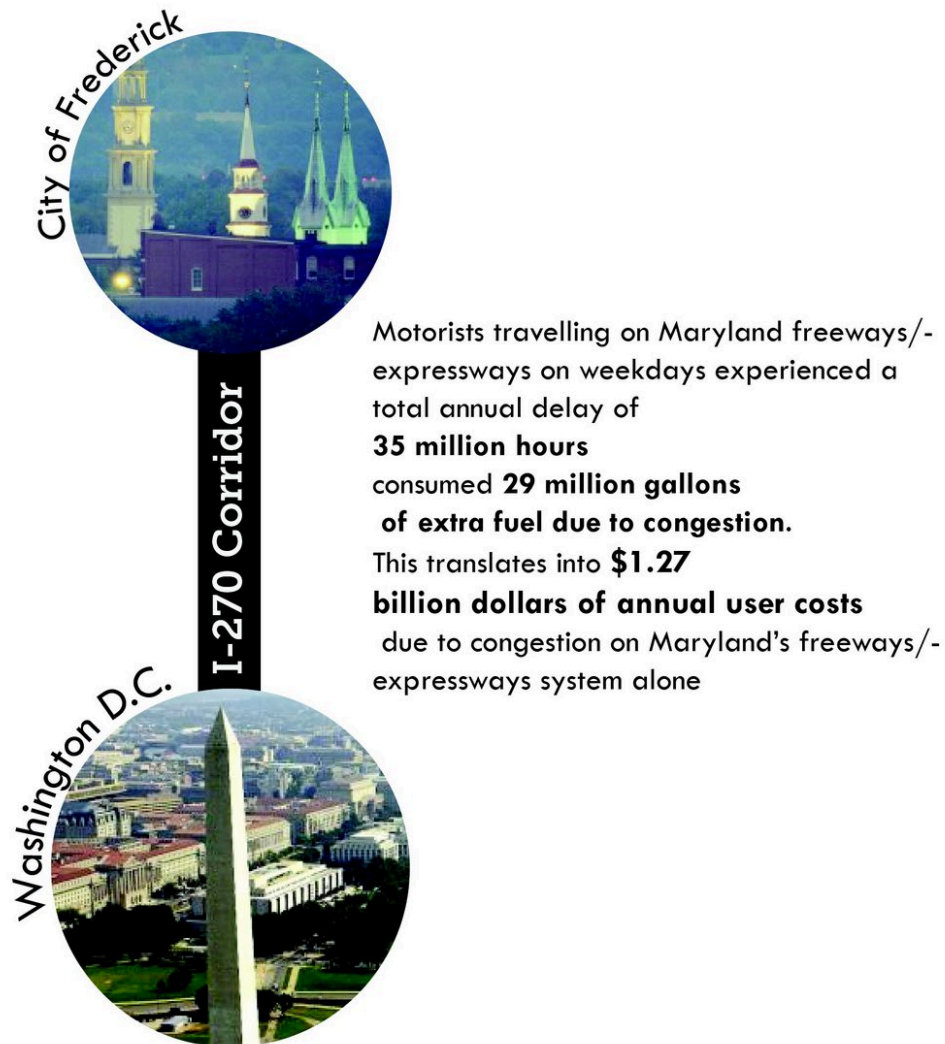


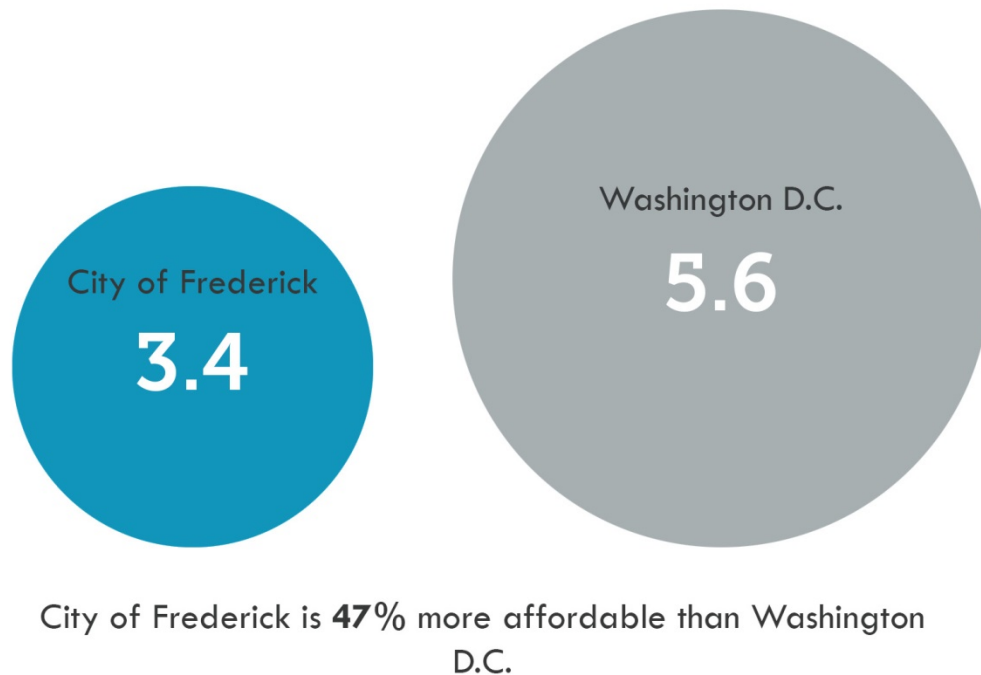
Figure 11 The City of Frederick is 47% percent more affordable than the Washington, D.C. area.

¹Woodrow Cox, John. "Mini-D.C.'s: A Small-city Boom Revitalizes Downtowns Once Left for Dead." Washington Post. October 21, 2014. Accessed December 1, 2014. http://www.washingtonpost.com/local/mini-dcs-a-small-city-boom-revitalizes-downtowns-once-left-for-dead/2014/10/31/0790173e-5f9b-11e4-91f7-5d89b5e8c251_story.html

² Maryland Department of Transportation. Maryland State Highway Transportation Report. September 2013.

http://www.roads.maryland.gov/OPPEN/2013_Maryland_Mobility.pdf

57% of Frederick's population lives and works in Frederick, while around 38,000 are still using the highway everyday. The I-270 corridor is the major route between Frederick and the Washington, D.C. region.



The Frederick entrances at MD-80 and I-70 are two of the most congested bottlenecks on the I-270 corridor. The MD-80 exit is the second worst bottleneck in all of Maryland, with an average duration of 105 minutes over 11 miles³. With a growing population and an average 25-year process for highway construction approval, an inward focus is necessary. With 1.3 people moving to Frederick everyday, there will be an additional \$10,316,380 of discretionary income a year to be captured by the City of Frederick.

³ Maryland Department of Transportation. Maryland State Highway Transportation Report. September 2013. http://www.roads.maryland.gov/OPPEN/2013_Maryland_Mobility.pdf



With the historic district capturing the most retail money per square acre people, the historic district is the best bang for your buck in recapture.

The district has a high walk score, as many daily destinations are concentrated within the Historic District located within a preferred quarter-mile walking distance of Historic District residences.

PULL QUOTE “Drew Murphy stepped out of his law office on a recent Thursday afternoon, walked two blocks south to pick up chicken salad and, four blocks later, entered his brick rowhouse to share lunch with his wife. He seldom drives because he doesn’t have to. He can walk in 11 minutes to his favorite upscale restaurant, eight to his favorite wine bar and four to his favorite park to play with their dog, Henry.

Murphy, 31, lives the quintessential life of a young, successful professional in the District — except that he lives nowhere near the District. His walkable world is in downtown Frederick, MD., a thriving city 45 miles from the nation's capital with one-tenth of the population.”⁴

⁴ Woodrow Cox, John. "Mini-D.C.'s: A Small-city Boom Revitalizes Downtowns Once Left for Dead." Washington Post. October 21, 2014. Accessed December 1, 2014. http://www.washingtonpost.com/local/mini-dcs-a-small-city-boom-revitalizes-downtowns-once-left-for-dead/2014/10/31/0790173e-5f9b-11e4-91f7-5d89b5e8c251_story.html

Residential Property Values in the Historic Districts

This chapter examines residential property values in three areas of Frederick: the local historic district, the National Register district (which overlaps and extends beyond the local district), and properties outside but near the boundary line of the National Register historic district. The purpose of this study was to determine if location within either historic district increased assessed property values and whether there was a return to the owners of long-term investments in residential properties.

The housing market not only measures neighborhood stability, but also indicates the likelihood of long-term investment in a neighborhood. By analyzing 175 houses in a 15-block area, it has been demonstrated that the local historic district status has steadily increased house values since 1990. The market recognizes the extra protection offered by local district status and rewards owners with a higher rate of return on their investments.⁵

- Frederick's local historic district has had a 189% increase in property values between 1990 and 2014, compared to the 25% increase in the National Register district, and a 3% decrease in the outside properties.
- In 2014, houses in the local historic district sold for 27% more, all other factors being equal, than similar houses in the National Register district, and 21% more than houses outside both districts.

The results of the study will be analyzed below, after which the methodology of the data collection will be explained. Following methodology will be an informal survey section, which was completed with Frederick residents on November 22, 2014, and answers the following two questions: Why and why did you decide to invest in the Frederick Historic District by purchasing property? Would you make that same decision today?

Overall Property Value Trends:

⁵ Donovan Rypkema, "Designing a 21st-century City: Historic Preservation and the Raleigh of Tomorrow," *Place Economics*, (2014): 14.

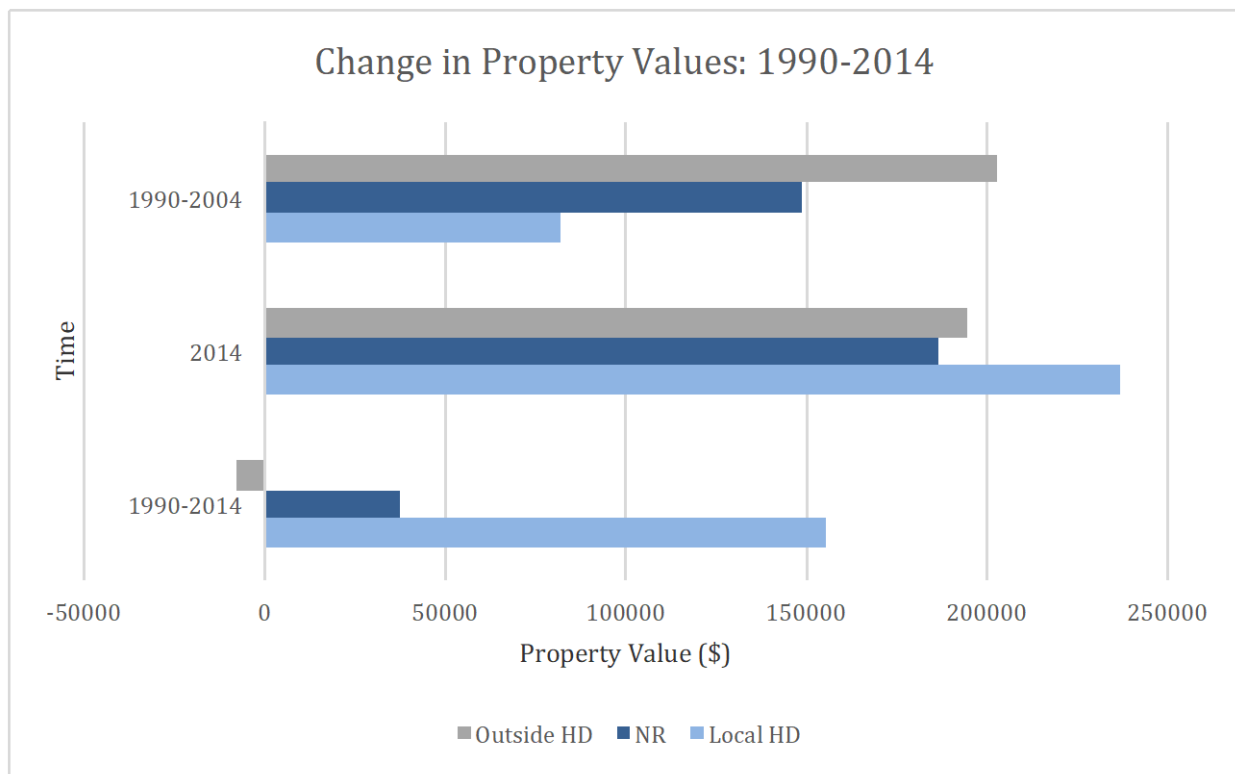


Figure 12

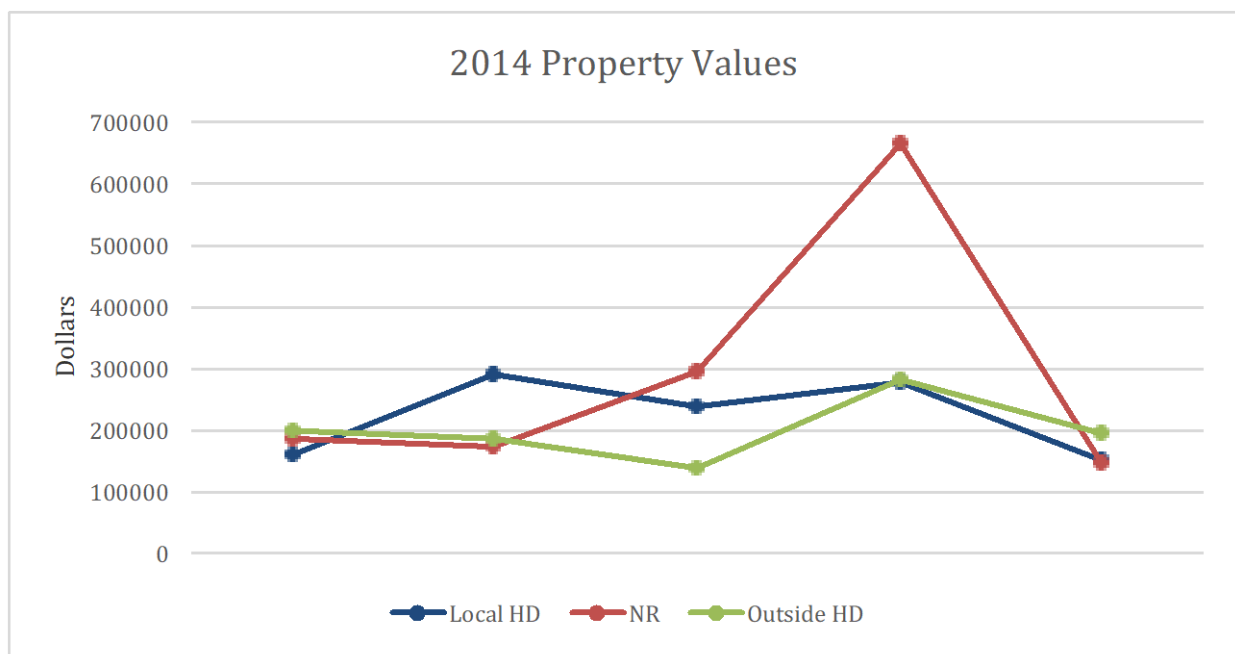


Figure 13

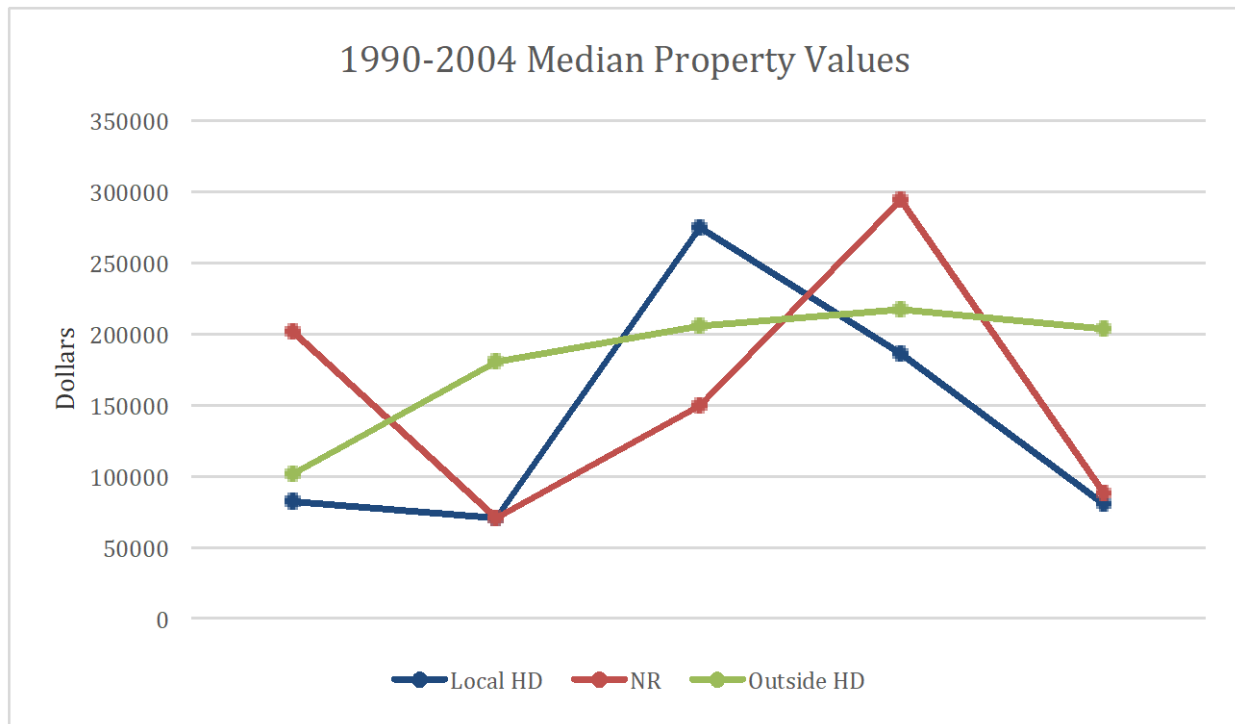


Figure 14

Property values in Frederick indicate that local historic preservation zoning does not lower property values. In fact, the research demonstrates that historic preservation zoning, which establishes local districts with design review, increases property value, stability, and provides positive financial rewards for longtime property owners and residents.⁶ Since 1990, the local historic district has an increase of 189%, or \$155,200, in property values as a whole. In comparison, the National Register district has only increased by 25%, or \$37,800, and the properties outside the districts have decreased by 3%, or \$7,550.

Another strong indicator of the likelihood of a long-term investment in a neighborhood is the number of properties sold between 2008 and 2012. According to Donovan Rypkema's "Designing a 21st-century City: Historic Preservation and the Raleigh of Tomorrow," residential properties generally experienced

⁶ John Kilpatrick, "Historic Districts are Good for Your Pocketbook: The Impact of Local Historic Districts on House Prices in South Carolina," *South Carolina Department of Archives and History*: 3.

significant rates of appreciation from 2000 to 2008. However, “with the national real estate crash beginning in late 2007, many properties lost much of their value.”⁷

Frederick’s historic districts fared much better than the properties outside the boundary lines. Out of the 15 blocks assessed, the local historic district only sold 4% of their properties between 2008 and 2012, while the National Register sold 8%, and properties outside sold 10%. The local historic district sold the least number of houses, allowing for more long-term residents, increased stability in the real estate market, and a greater reward for investment opportunities.

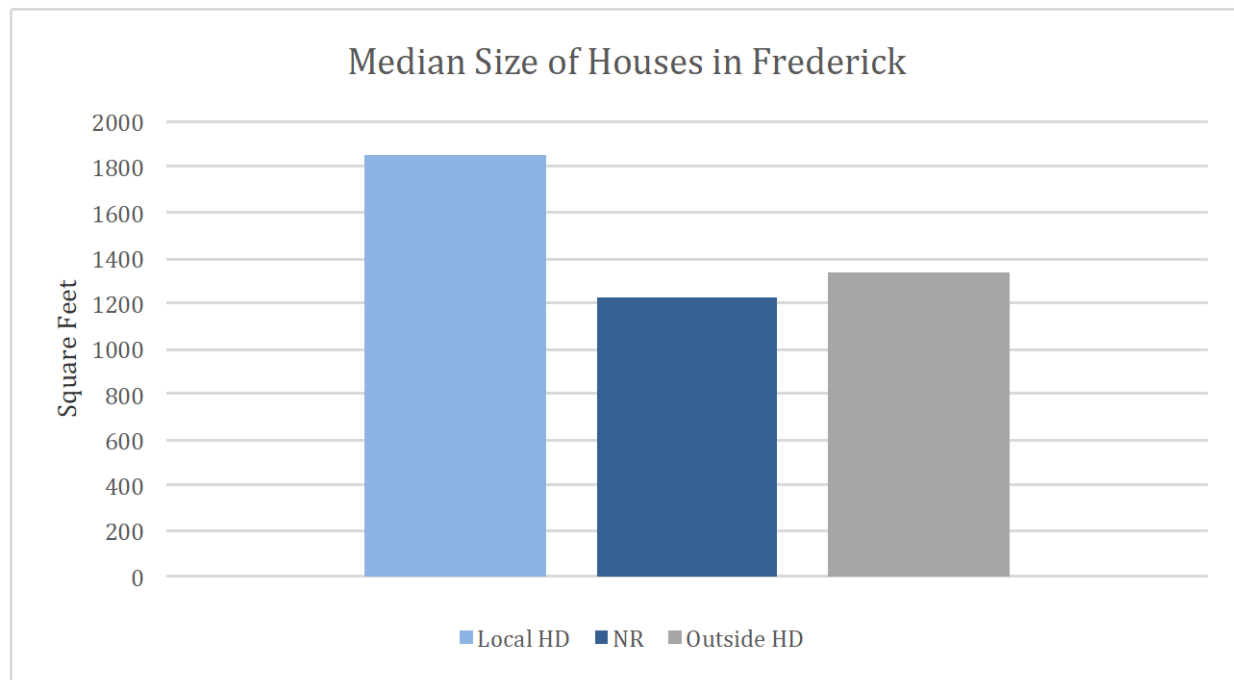


Figure 15

⁷ Rypkema, 18.

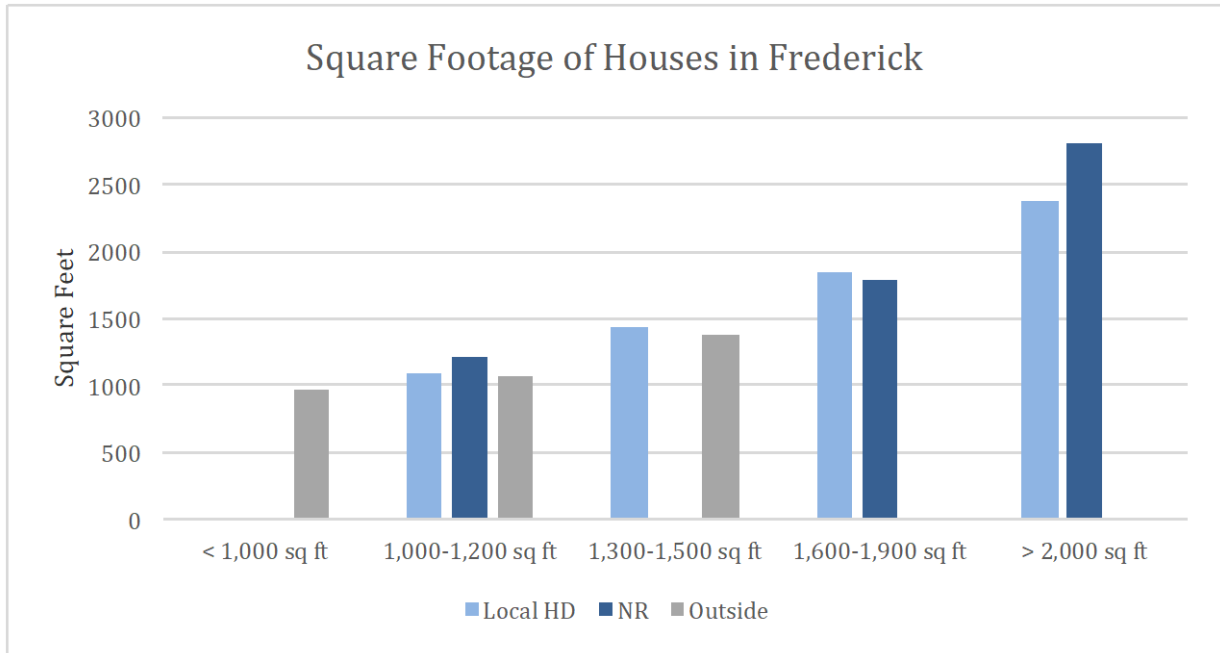


Figure 16

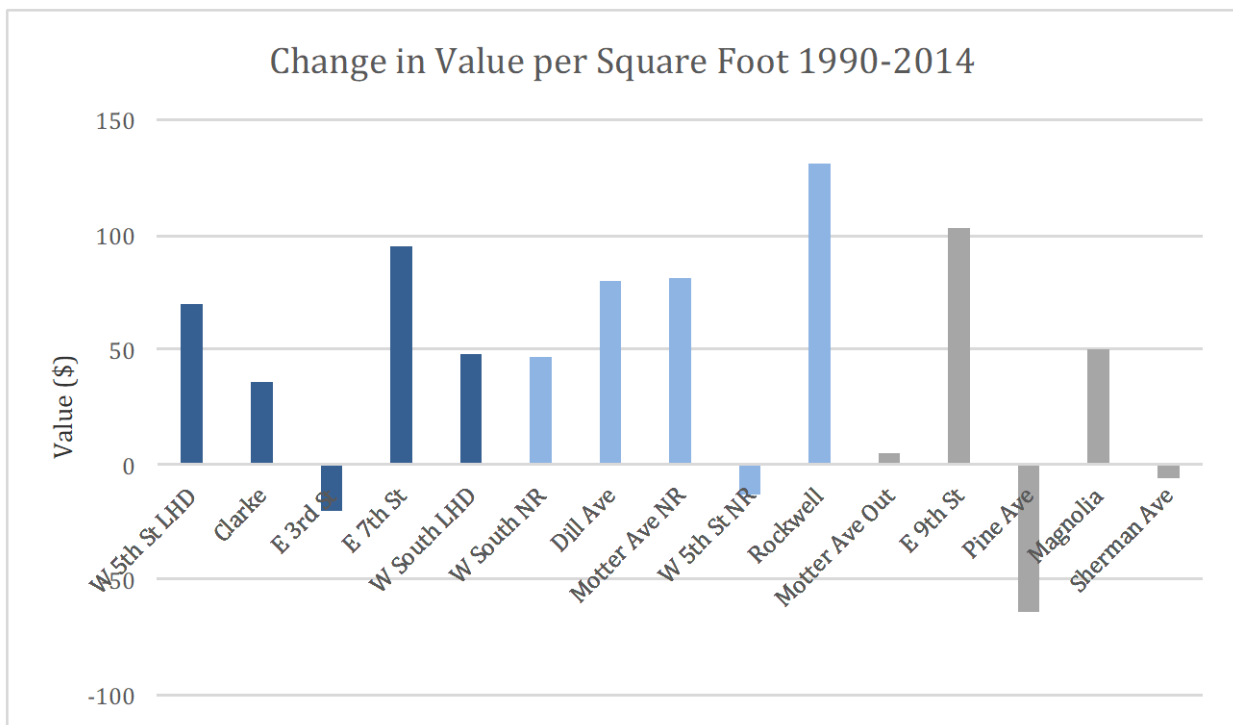


Figure 17

The results from the above graphs show that the mean price per square foot of houses within these two districts increased overall. In the local historic district and the National Register district, only a single

block in each had a decrease in value per square foot, and that was by \$20/square foot on East 3rd Street and \$13 on West 5th Street.

Values per square foot were more unstable in the outside properties, and values were significantly varied block by block. Two blocks decreased, Sherman Avenue by \$6 and Pine Avenue by \$64. On the other hand, East 9th Street increased significantly by \$103.

These results also demonstrate affordability, since the most variety of square feet is available in the local district, with a steady increase of value per square foot over 24 years.

Study Areas in Frederick:

In Frederick, 15 blocks in total were assessed; 5 blocks from the local district, 5 blocks from the National Register district, and 5 blocks from outside the boundary lines. These blocks were comparable in architectural styles, similar range of period built, and square footage.

Area 1:

	W 5 th St (Local HD)	W 5 th St (NR)	E 9 th St (Outside HD)
2014 block value	158,500	186,400	199,700
1990-2004 block value	82,000	201,000	101,000
Estimate date built	1900	1900	1960
Median block sq. ft.	1,080	1,152	960



Figure 18



Figure 19



Figure 20

Area 2:

	E 7 th St (Local HD)	Motter Ave (NR)	Motter Pl (Outside HD)
2014 block value	288,150	170,800	187,050
1990-2004 block value	70,000	69,950	179,250
Estimate date built	1930	1920	1930
Median block sq. ft.	2,296	1,230	1,440



Figure 21



Figure 22



Figure 23

Area 3:

	E 3 rd St (Local HD)	Dill Ave (NR)	Pine Ave (Outside HD)
2014 block value	237,200	292,600	137,450
1990-2004 block value	275,000	148,600	206,101
Estimate date built	1915	1910	1940
Median block sq. ft.	1,851	1,788	1,071



Figure 24



Figure 25



Figure 26

Area 4:

	Clarke Pl (Local HD)	Rockwell Terr (NR)	Magnolia Ave (Outside HD)
2014 block value	274,800	662,750	283,100
1990-2004 block value	185,000	293,000	215,950
Estimate date built	1910	1915	1940
Median block sq. ft.	2,463	2,810	1,328



Figure 27



Figure 28



Figure 29

Area 5:

	W South St (Local HD)	W South St (NR)	Sherman Ave (Outside HD)
2014 block value	149,300	145,800	194,900
1990-2004 block value	80,000	87,000	202,450
Estimate date built	1900	1860	1945
Median block sq. ft.	1,434	1,228	1,350



Figure 30



Figure 31



Figure 32



Figure 33

Methodology:

Sale prices, and assessment figures (which may not be a direct measure of market values) were gathered in each area,. These figures were gained from the Maryland Department of Assessment and Taxation, and are available online (<http://sdat.resiusa.org/>).

Several research models and statistical tests were used in order to confirm that the historic districts had positive impacts in both short and long term. The first test, repeat sales methodology, collected sales prices data on 175 houses in the three districts between 1990 and 2014. The median rate of return and change in property values was calculated between the three districts and compared.⁸

The second test, an event-study technique, determined the impact on house prices of a local or National Register district designation. Data was collected on houses in the three districts, which included sale prices, date of transaction, lot sizes, and improvement values. Results were demonstrated by analyzing the mean price per square foot of a block, and the change in value of the mean price per square

⁸ Kilpatrick, 4.

foot.⁹ In addition, transactions which occurred during the national recession of 2008, were also recorded separately to determine whether there was stability and investment occurring in the local historic district or the National Register.

The third test compared sales prices and analysis of sales.¹⁰ Although data on 15 blocks and 175 houses was collected to measure the impact of historic district designation on house prices versus non designation areas to make the research as complete as possible, some transaction data was missing. An overarching estimate of values and prices was determined, to arrive at the current conclusion that local historic district designation is good for the city's pocketbooks, and does not decrease property values.

Interviews:

Interviews with local property owners were a huge asset in determining why and when they decided to purchase a property in the historic district, and whether they would make that same decision today. Chase T., *homeowner since 2007*: He would make this decision again—left a 1,100 square foot house in Alexandria for a 3,000 square foot home in downtown historic Frederick for a similar price—considered the house and its affordability a “steal.” In addition, the reason the local historic districted attracted him and his family was the affordability, walkable amenities, and a preservation nuclei.

Mike N., *homeowner since 1979*: He has been in the historic district for 35 years, and what attracted him and his family was the affordability and walkability of the area, and that they would know their neighbors. Although now they are unsure if they would move into Frederick's historic districts, as they are unsure whether or not they could afford to buy their house at its current value.

Peter S., *homeowner since 1992*: He admired the adaptability of old buildings, as a flexible place where he could work, rent out, and live . He also views the alleys as a great asset.

Jim S., *homeowner since 1978*: A Frederick native, wanted to be downtown not only because of its affordability, but also because of its walkability, convenience, and ambience.

⁹ Kilpatrick, 7.

¹⁰ Kilpatrick, 9.

Sarah P., *homeowner since 2000*: Walkability, affordability, and the attraction of the historic district were its biggest selling factors when making the choice to move to Frederick.

James M., *homeowner since 2014*: Moved here from D.C. and bought a house 10 months ago—a city is more invested in a car, and a selling point for them was the affordability and also the pedestrian way. A larger lot and house is available to them now, and although the house needs a lot of restoration work, Frederick’s historic district is a place for them to invest in beyond the house.

The Frederick study conducted by the University of Maryland students adds to the growing body of evidence nationwide that local historic districts have positive financial rewards for property owners. This relatively small portion of the City not only adds character and distinction, but these results provide property owners and local officials with a compelling economic incentive to continue supporting historic districts.

Tax Credits Within the Frederick Historic District

Many property owners within the local historic district (and in the overlapping National Register district) can meet the criteria for federal, State, and local historic rehabilitation tax credits . But a review of tax credit projects in the Maryland Historical Trust records shows a decreasing trend in the use of the business tax credits in the historic district of the City of Frederick over the last fifteen years. There are three major reasons why business owners are not using the credits as they did in previous years: the complexity of the forms, the time range at which the process must be initiated, and the lack of tax credit information provided to the first-time/small business owner.

However, there has been a slight increase in residential owners applying for the local tax credit, administered by the Frederick Historic Preservation Commission. Nonetheless, residential owners have been hesitant about the flexibility of the credit and the Commission's ability to process the credit in a timely manner.

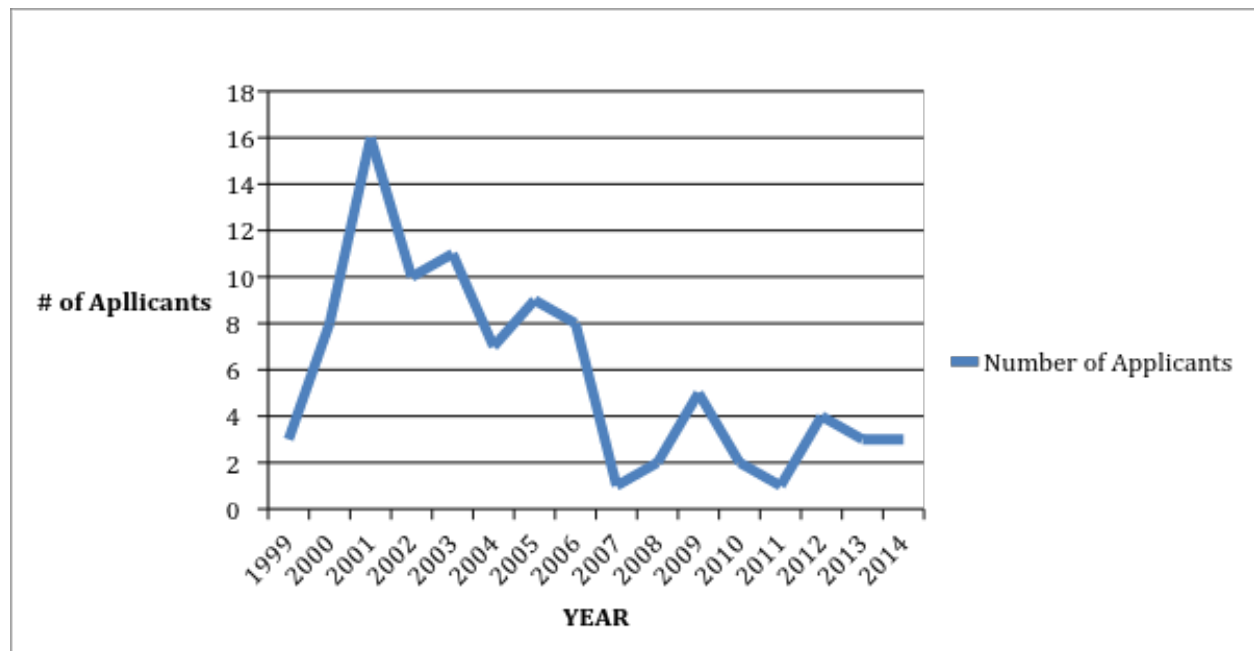


Figure 34

In interviews conducted with historic district business owners some have stated that while they know

the tax credit is available, it can be too complex for their properties' simple rehabilitation jobs. Often the project doesn't meet the amount of expenditures needed to apply or the timeframe won't work with the project completion date. The Commission has helped alleviate those issues by lowering the minimum eligible expenditures to \$1,000. Nevertheless, many owners, especially new business owners, are unaware of the credits that Frederick offers. The Commission should focus on educating new and old business owners about the local tax credit every year and ensure that all current and potential owners have tax credit information as soon as they purchase a property.

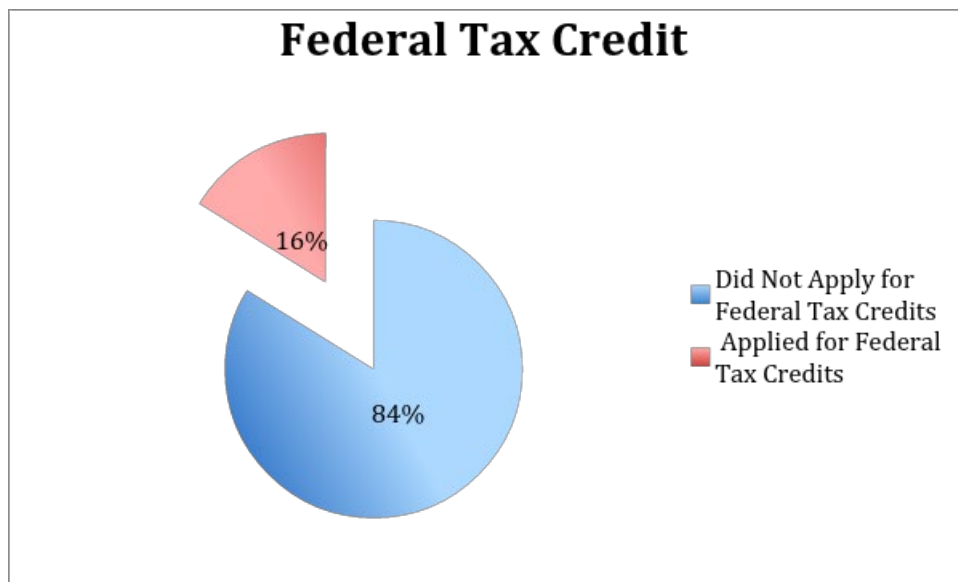


Figure 35

Another reason owners hesitate to apply for a tax credit is the long time it can take to process their applications. While many applications are accepted, some are not. The long processing time places pressure on owners to plan around a credit they may not receive; it could jeopardize the changes they wish to make or project's timing. The Commission should hire more staff to accelerate the application and decision process. It would alleviate pressure on the owners as well as ease the Commission's workload.

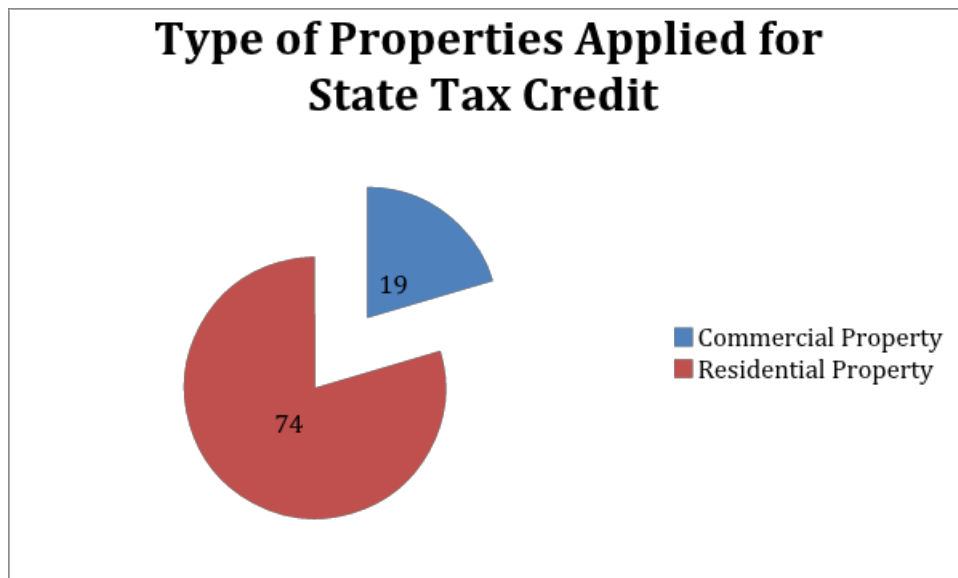


Figure 36

Between 2000 to 2006, there were between eight and 16 applicants for the Maryland State Historic Preservation tax credit. However, after 2007 there was a sharp decline and the numbers dropped to between one and five. This indicates that owners are not seeing the benefit of the tax credit the same as they did 15 years ago. In 2014 there were nine applicants for the local tax credit, and just three applicants for the state tax credit. Although this does show that the local tax credit is more popular, it is only among the residential owners.

There are no business owners using the State ? tax credits in 2014. Business owners need more information about its advantages. Some may prefer the flexibility of investing in rehabilitation of their property without the restrictions that come with using the tax credits. But even though most of the business owners are not using State or local tax credits, many are still investing in their property in the historic district. The city should increase the Frederick Historic Preservation Commission staff to help accelerate the tax credit process and focus on providing tax credit information to potential and new business owners in Frederick.

Construction Activity in the Historic District

“The designation of a historic district or local, state or federal tax incentives does have a positive effect on my business.” Peter Pearre, preservation architect, Trostel and Pearre, Baltimore

Study of the building permits issued in the City of Frederick, and information about construction companies doing work in the area indicates that the local historic district is fostering construction activity and supporting small construction businesses. The local district has a higher concentration of building permits issued than in the City as a whole. The local district also helps support a number of small construction companies with the specialized skills to work on Frederick’s historic fabric.

Building Permits as a Measure of Construction Investment

The local historic district’s high number of building permits, correlates with construction activity. The district contains a large percentage of the permits issued for renovation projects and surprisingly, it doesn’t lag far behind the rest of the City in permits issued for new structures.

The building permit data was supplied by the City of Frederick and consists of all permits issued from 2009 to October 21 of 2014. The data was geo-coded to separate the permits attached to addresses within the city designated historic district from the rest of the city. There may be some addresses that were not caught in this process, but the numbers represent a majority of them.

Number of Permits Issued in the Historic District Compared to the City of Frederick

Year	Historic District	City of Frederick
2009	659	4,232
2010	570	4,114
2011	571	3,448
2012	560	4,696
2013	564	5,501
Total	3,398	28,206

Figure 37

Permits issued in the historic district from 2009 to October 21st of 2014 make up 12.5% of the permits issued citywide.

New Construction Permits in the Historic District Compared to City of Frederick

Historic District	City of Frederick
71	2,755

Figure 38

In the historic district, 71 permits were issued for new construction projects, which includes new single-family dwellings, duplexes, townhouses, multifamily dwellings, and new commercial space. This is 2.58 percent of new construction permits in the 2.7 percent of the city acreage that makes up the historic district.

Figure 39. Renovation Construction in the Local Historic District compared to City of Frederick

Permits Issued for Renovation Construction

Historic District	City of Frederick
371	2,362

The 371 renovation permits issued are 15.71% of the total renovation construction permits.

Permits accounting for Renovation Construction include, residential interiors, exteriors, interiors/exteriors, and additions, and commercial change in use, no change in use, exterior change in use, interior change in use, interior/exterior, and additions.

Building Permit Conclusion

The local historic district makes up 2.7 percent of land in the city, but accounts for a greater percentage of building permits issued. 12.5 percent of the total number of building permits issued were in the city designated historic district. Surprisingly 2.58 percent of the permits issued for new construction were in the city designated historic district. 15.71percent of building permits issued for renovation construction were in the historic district. This suggests that there is a higher concentration of construction investment in terms of project numbers in the local district than in the surrounding city.

Recommendation

Continue the analysis of building permits issued in the historic district compared to the city. The number of permits represents concentrations of construction projects and project investment. A dollar amount attached to these projects would allow for a comparison of economic investment. It would also be informative to compare permits for properties with rehabilitation eligible for historic tax credits to those that applied and received them.

Construction companies

Because construction companies play an important part in maintaining the character of the historic district, an effort was made to reach out to them and ask how the historic district affected their

businesses. Permits were issued to 507 contracting organizations from 2009 to October 21, 2014. Not reflected in the permit data is the Home Depot and Morgan Keller Construction companies collectively employing 488 people.¹¹

In addition to telephone conversations and emails with small businesses, a short survey was composed to begin to get an idea of the role the historic district plays in supporting these companies. Out of the two survey responses from small construction businesses, it can be determined that the historic district and various historic tax credits play an important role in at least two companies in the construction industry and the living of at least nine people. Between The Home Depot, Morgan Keller Construction, and other smaller companies, the construction industry accounts for at least 500 jobs citywide.

Survey and Responses

The survey, sent to x number of small businesses, briefly described the preservation economics project and asked three questions.

Survey

PALS at the University of Maryland has partnered with the City of Frederick, through the planning department, to recognize growth challenges for the City of Frederick. Two students, Tyler Smith and John Sines, have been tasked with determining the job creating benefit of the historic preservation tax credits which will be included in a report to the City of Frederick. We would appreciate your help by supplying the information about your work in the City Historic District. Any response would be greatly appreciated. Reply by answering the questions in the body of an email. The three questions were what is the amount of work your business does in the historic district, what amount of that work involves tax credits, and how many jobs does your work in the historic district support. These may be difficult questions for small businesses to answer but could be informative.

Responses

Amount of Work Done in the Historic District?

¹¹ City of Frederick 2013 Economic Development Report

Five hundred and seven contractors are associated with the 3,398 permits issued in the local historic district between 200x and 2014. Regarding the The amount of work they do in the district: “Overall, very little compared to my total amount of work. The last 2 years I have done more work in Frederick then in the last 10 years” and “about 60% annually”.

Amount of Work that involves tax credits?

Relatively few construction projects (in the district?) involve the historic tax credits. The tax credits are a valuable tool for allowing owners to invest more in their historic properties and theoretically would support some more specialized trade skills like window restoration or working with lime mortars. Responses included “So far only 2 jobs that I know of”, and “About 20 to 30%” The twenty to thirty percent answer seems unusually high. The low percentage of tax credit projects could be for a variety of reasons including general confusion about what they are and how they can be applied.

How many jobs does work in the Historic District support?

Survey responses to this question included “2 - Me and a part time helper” and “8 to 10 employees.” While the number of construction jobs supported by the historic district may be relatively few compared to the City and the state, they are important. Having people who understand building and material history is essential to maintaining and promoting the historic district and the image of Frederick that attracts people to visit and invest.

Construction Company Conclusion

While much more data can be collected it is important to recognize the role of these companies in the construction industry. These companies carry out the physical stewardship of the historic district, a role that cannot be underestimated, as the Frederick’s historic fabric a major economic asset. The historic district and construction companies have a mutually beneficial relationship enhanced by the historic tax credit program.

Recommendations

Continue the survey of local construction industry companies. One approach could be to follow up on all of the projects that used the local historic tax credit to quantify the program's impact as well as tax credit education for property owners and construction businesses.

Conclusion

Construction activity is a measure of investment, and the concentration of construction projects in the historic district could be interpreted as people's optimism about the future of historic Frederick. Along with the investment comes the involvement of construction companies, which have a mutually beneficial relationship with the local historic district as well as state and federal tax credit program.

Businesses in the Local ?Frederick Historic District

The City of Frederick's Historic District encompasses downtown and its associated commercial corridors, with the notable exception of Shab Row, a series of newly-rehabilitated historic blocks lying just outside the eastern border of the District. The economic importance and monetary value of the commercial properties within the local district cannot be underestimated. Property tax revenue from the area's offices and retail spaces account for an estimated 73% of the City's total revenue for these types of properties. The local historic district is where businesses want to be; the vacancy rate is maintained at a low three percent, and sales per square retail foot are estimated at \$377.

The City of Frederick's urban development and redevelopment policies should recognize the value of maintaining the downtown's existing urban fabric by promoting the use of current historic preservation tax incentives—at the local, State, and federal level, by discouraging suburban and rural retail growth, and by encouraging infill commercial development downtown that is consistent with the existing historic development pattern and serves the needs of the local district's residents.

The following analysis of the commercial property market and business environment in the Frederick Historic District relies primarily on data from the Maryland State Department of Assessments and Taxation (SDAT), CoStar Group Incorporated, the year? United States Census, a 2014 retail study from the Sage Policy Group, and in-person and online surveys of business owners. SDAT and CoStar data was parsed at the parcel level, and Cnesus data was examined at the block level.

The Sage study focused on the downtown, defined as with generally the same commercial properties as the historic district, but including Shab Row. Shab Row is a two-block area of stores and restaurants housed in historic residential and industrial buildings. While it is not part of the Frederick Historic District, it is in the National Register District.

Nine businesses in the Historic District responded to the online survey (see Appendix 1)—which was distributed by Frederick's Downtown Partnership—and three were interviewed in person at their place of business. While it is difficult to target a survey to only Historic District business owners, it would be

valuable to the City if they included questions in any future business surveys relating to the Historic District's administration, policies, and tax credits. The Downtown Partnership was able to assist in emailing our survey to their contacts downtown, but the Partnership's focus is broader than the Historic District and it may not be beneficial to them to ask these types of questions in their annual survey.

The Historic District is a Commercial Asset

At 385 acres, the Historic District comprises only 2.7% of the City's total land; however, the Historic District contains over 73% of the tax-assessed value of City retail and office property, according to SDAT data (Figure 40?). The estimated revenue from Historic District property taxes on commercial structures is nearly \$9.5 million, averaging a revenue of \$24,536 per acre. In comparison, the City as a whole averages only \$915 in commercial property tax revenue per acre—less than 1/26th of the revenue in the Historic District. The high density of businesses in the Historic District is of incredible value to the City, and something which is not likely to be replicated by new construction outside of the District.

	Historic District	City of Frederick Outside the Historic District
Tax Assessed Value of Retail and Office Property	\$1,291,121,000	\$471,369,300
Estimated Property Tax Revenue (Based on FY2013 rates)	\$9,438,094	\$3,445,710
Acres	385	13,695
Revenue per acre	\$24,536	\$252
Square Feet of Office and Retail Property	12,414,625	3,755,011
Assessed value per square foot of Retail and Office Property	\$104	\$126
Revenue per 1,000 Square Feet of Retail and Office Property	\$760	\$918

Figure 40

Commercial property, particularly retail space, is highly coveted in the Historic District, as evidenced by the low retail vacancy rate of 3.6% (Figure 41). The rate has leveled off since reaching a low of 2.2%

in Q1 of 2012 and has averaged 3.3% since then. In comparison, the City's retail vacancy rate is at 8.8% and climbing.

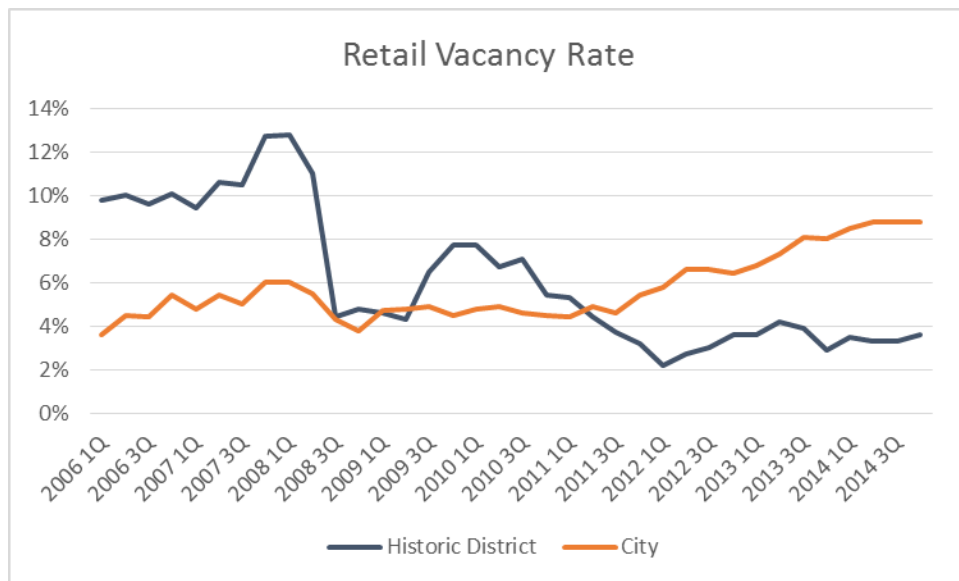


Figure 41

PULL QUOTE: “Because the downtown is so desirable, if there is a vacancy, it is soon occupied. There aren’t papered over windows in vacant storefronts to detract from the beauty of the buildings.” –Anonymous response to the Historic District Business Owner Survey

The strength of the retail market in the Historic District is evident in its slightly higher average rental rate than the City as a whole (Figure 42). Historic District rates have climbed more steeply than overall City rates since 2011, closing a \$3.49 gap. City rental rates, at just over \$20, are still below their pre-recession high of \$21.36.

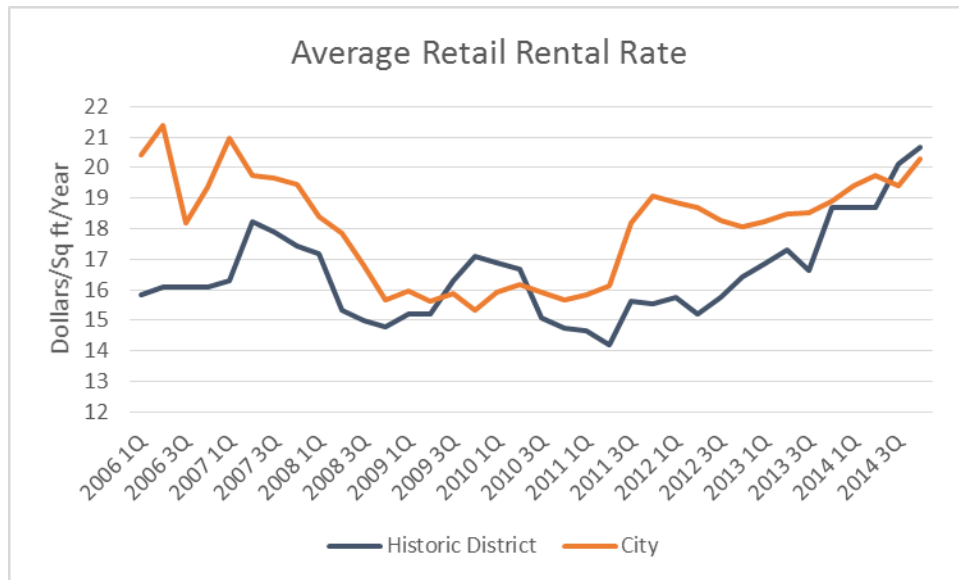
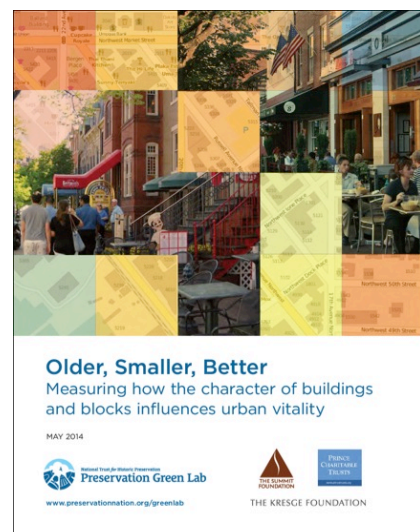


Figure 42

Historic District Businesses Outperform the City on Multiple Measures of Vitality

The Historic District is known for its variety of unique, locally-owned businesses, and they attract shoppers from well beyond the local market. According to the Sage Policy Group study, \$157 million per year of downtown’s retail sales are generated by individuals who do not live downtown. The study notes that downtown Frederick’s retail competitors include not only retail developments in and around Frederick, but new retail developments and expansions in Hagerstown, Gaithersburg and Columbia. The advantage of the Historic District over these larger developments is its charm, uniqueness, and vitality, all of which are linked to its historic character.

PULL QUOTE: “Tons of people from outside of Frederick come to enjoy the atmosphere of Frederick's historical areas. It's a huge draw. I have a lot of customers that want to know more about the city and it's history. What certain buildings were used for...when they were built...who lived in them. It's very cool.” – Kathy Makers, owner of *Primitive Homespuns*



Preservation Green Lab study: How does Frederick Measure Up?

The National Trust for Historic Preservation’s Preservation Green Lab published a study in May 2014 that found that blocks with older, smaller buildings have several advantages over the blocks with larger, newer, mixed-use buildings. Downtown Frederick’s buildings are clearly smaller (Figure 43), Median available retail space is 40% smaller than in the City of Frederick as a whole, and median available office space in the Historic District is 10.5% smaller.

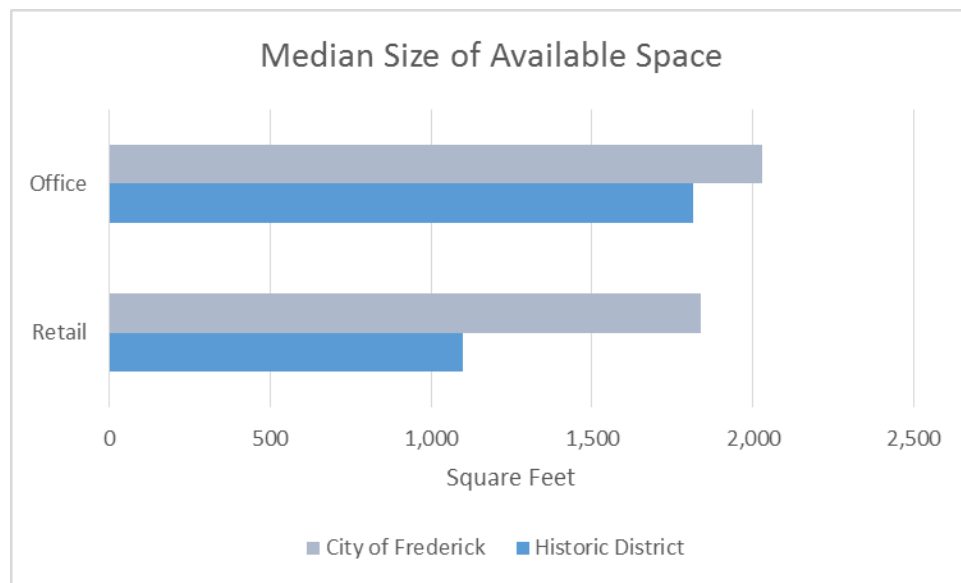


Figure 43

Given that Frederick’s Historic District fits the criteria for older and smaller, we can evaluate Frederick’s Historic District against Preservation Green Lab’s conclusions about neighborhoods with older, smaller buildings. Conclusions from the Preservation Green Lab report are reprinted in italics below.

“Older, mixed use neighborhoods are more walkable”

- The City of Frederick is a “car-dependent city” and has a Walk Score® of 43



Frederick is a Car-Dependent city

Most errands require a car.

- The Tasting Room restaurant, at the heart of the Historic District, has a Walk Score® of 95 and is considered a “Walker’s Paradise.”

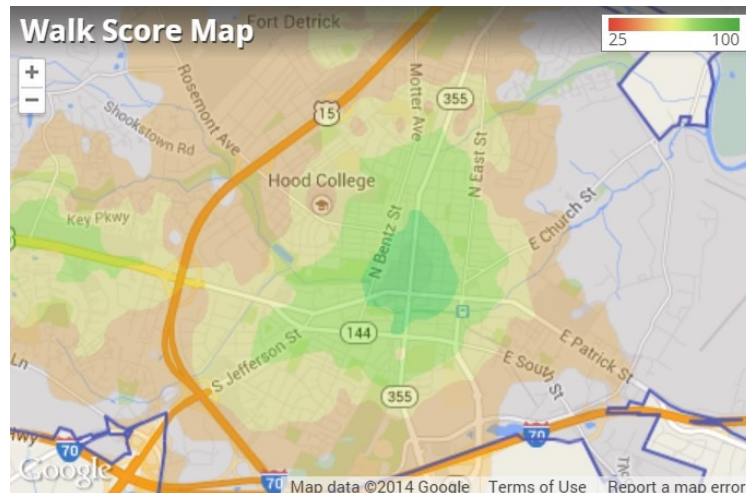
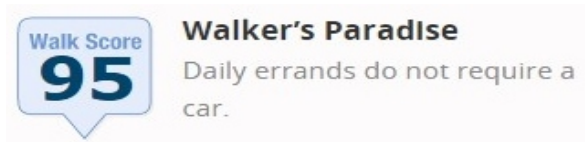


Figure 44

“Older, smaller buildings provide space for a strong local economy”

- 6 of the 10 highest-rated restaurants on Yelp.com are in the Historic District
- Using the estimated total retail sales from the Sage Study and retail square footage provided by The City of Frederick for the historic downtown core and Shab Row/Everedy Square, the average sales per square foot of retail for the Historic District and Shab Row/Everedy Square combined is \$377.

“The creative economy thrives in older, mixed-use neighborhoods.”

- Information workers make up 4.3 percent of the workforce in the Historic District—a greater share than retail workers—and only 1.4 percent in the City as a whole. (U.S. Census, 2011 Longitudinal Economic Household Dynamics)

PULL QUOTE: “..many of our clients and customers have indicated they prefer our facilities with historic characteristics mixed with modern conveniences. They like the character of our business; it's not “corporate” like ones in other locations.” – Glen Ferguson, owner of Cowork Frederick in the Historic District

“Older business districts provide affordable, flexible space for entrepreneurs from all backgrounds”

- 12 out of 14 Historic District Business owners surveyed would recommend the District as a good place to start a new business

“Older commercial and mixed-use districts contain hidden density”

- The Historic District has over six times as many jobs per acre as The City of Frederick as a whole (U.S. Census, 2011 Longitudinal Economic Household Dynamics)

	Population Density (People per Acre)	Job Density (Primary Jobs per Acre)
Historic District	11.34	17.4
Outside the Historic District	4.28	2.8

Figure 45

“Young people love older buildings”

- Young people aged 22 to 25 comprise an estimated 10.12% of the Historic District population and 7.48% of the area of the City outside of the Historic District (based on 2010 U.S. Census Data at the block group level)
- The same does not hold true for the workforce: the Historic District has a slightly smaller percentage of workers under the age of 29 than the City as a whole (U.S. Census, 2011 Longitudinal Economic Household Dynamics)

Nightlife is most alive on streets with a diverse range of building ages

- Eating and drinking establishments account for a third of all retailers in downtown Frederick, according to the Sage Study

While it is important that Frederick plays to its strengths as a tourist and shopping destination, the City should also promote neighborhood-serving retail, such as food stores, that will draw new residents and capture additional spending from existing residents. While residents may not be the main driver of the Historic District’s commercial success, they contribute to keeping the City’s streets lively and the properties well-maintained. According to the Sage study, nearly \$1 billion in food store expenditures leak out of the 15-mile radius around downtown.

Historic District residents and business owners alike lament the lack of a downtown grocery store or market. According to resident Sharon Suarez, AICP, “Market Street did not have a market on it for the first time in 200 years” after the closing of Tesoro Food Mart in 1998. Financial resources available in the Historic District, including the local Historic Rehabilitation Tax Credit, state and local tax credits, and Community Legacy, Strategic Demolition and Smart Growth, and Neighborhood BusinessWorks grants from the Maryland Department of Housing and Community Development should be leveraged to support the opening of a food store within the Historic District.

The local district’s businesses and commercial properties are critical to the success of Frederick's economy. In our survey, downtown business owners highlighted the importance of the neighborhood’s historic character in attracting shoppers and tourists.

Tourism in the Historic District of Frederick

The Frederick Historic District contributes to the popularity of Frederick as a tourist destination by creating a strong sense of place that is found in few other towns. Comparing the tourism figures of Frederick to the overall tourism figures for the State of Maryland indicates that tourism is a strength for Frederick, which is capitalized on by the local government through tourism promotion.

Tourism Data Nationally and in Maryland

The State of Maryland has a strong tourist industry that accounts for millions of dollars earned each year. Visitor spending in Maryland helps keep residents employed, provides a vibrant quality of life for citizens and helps pay for much-needed services, such as education, public safety and transportation. Tourism is a great benefit to economic development.

A recent report from the National Park Service stated that: “In 2013, the National Park Service received over 273 million recreation visits. NPS visitors spent \$14.6 billion in local gateway regions (communities within 60 miles of a park). The contribution of this spending to the national economy was 238 thousand jobs, \$9.2 billion in labor income, \$15.6 billion in value added, and \$26.5 billion in output. The lodging sector saw the highest direct contributions with 38 thousand jobs and \$4.4 billion in output directly contributed to local gateway economies nationally. The sector with the next greatest direct contributions was restaurants and bars, with 50 thousand jobs and \$2.9 billion in output directly contributed to local gateway economies nationally.”¹²

While these figures include tourists visiting sites to enjoy nature, scenic areas, as well as historic and cultural places, it gives a quick glance at the size of tourism at .

¹² "2013 National Park Visitor Spending Effects: Economic Contributions to Local Communities, States, and the Nation." *Natural Resource Stewardship and Science*. National Park Service U.S. Department of the Interior, 1 July 2014. Web. 1 Nov. 2014. <http://www.nature.nps.gov/socialscience/docs/NPSVSE2013_final_nrss.pdf>.

- *“Many of the same forces fueling Washington’s renaissance are driving a small-city boom regionally and nationally.”* Washington Post article *Mini D.C.’s: A small city boom revitalizes downtowns once left for dead* by John Woodrow Cox

- *Reports from National Heritage Areas, whose historic and cultural sites are similar in many ways to Frederick, state that they:*

“Directly and indirectly generate \$12.9 Billion/year in US...create and support \$148,000...\$12 billion in tax revenue.” Additionally, *“Trip-related spending by NPS visitors generates and supports a considerable amount of economic activity within park gateway communities.”* Heather Scotten, NHA and The National Park Service 2013 National Park Visitor Spending Effects report

Frederick has seen how tourism contributes to its economy and the City is well positioned to increase tourism, particularly for visitors who stay for two days or longer.

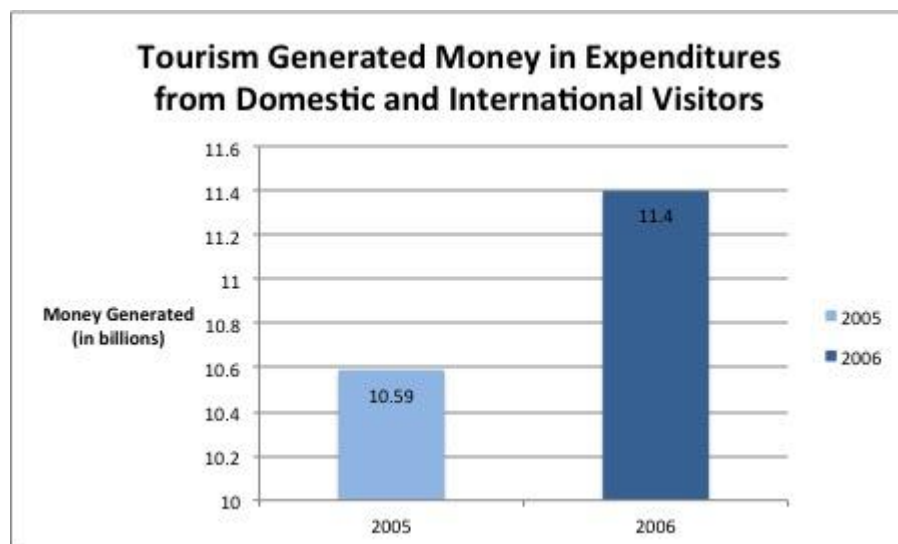


Figure 46

Tourism in Maryland represents 5.2 percent of the Maryland Gross State Product. In 2005, money generated from tourism in expenditures from domestic and international visitors equaled \$10.59 billion. In 2006, this amount increased to \$11.4 billion. During this time, Maryland tourism generated an average of \$31.3 million a day in tourist expenditures from lodging, meals, gasoline, shopping, and other services.

Tourism directly supported more than 116,000 jobs and more than \$3.1 billion in payroll in 2006. This represents 4.5 percent of total non-agricultural employment in Maryland. Without these tourism jobs, the unemployment rate would climb to 7.7 percent from 3.9 percent.¹³ Tourism has great effects on the amount of jobs available for people living in Frederick, and therefore, its effects reach much further than one would think.

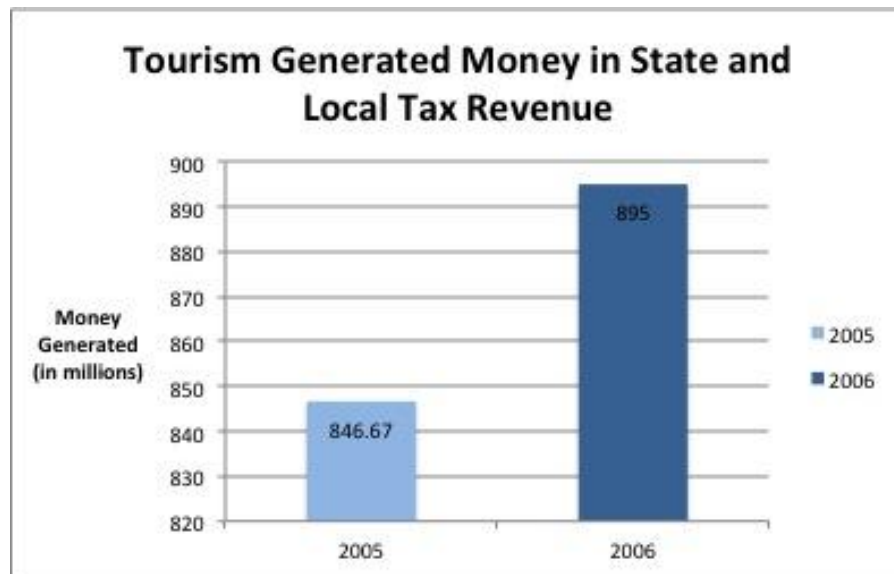


Figure 47

In 2005, tourism generated \$846 million in state and local tax revenue. In 2006, that amount increased to \$895 million. In Maryland, most households would pay an average of \$420 more in State and local taxes each year without the tax revenues generated by the travel and tourism industry or face cuts in programs and services. The Maryland Office of Tourism Development (OTD) is committed to increasing visitor spending in the State of Maryland. Every dollar OTD spends advertising Maryland as a world-class travel destination delivers:

- a \$28.24 return on investment to Maryland's economy
- a \$2.34 return on investment in State and local taxes.

¹³ "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014. <http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>.

Maryland Visitor Profile 2006



Figure 48

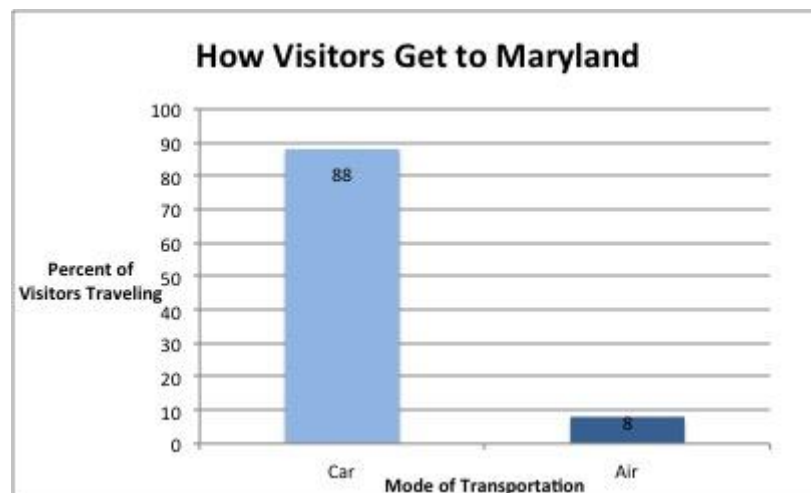


Figure 49

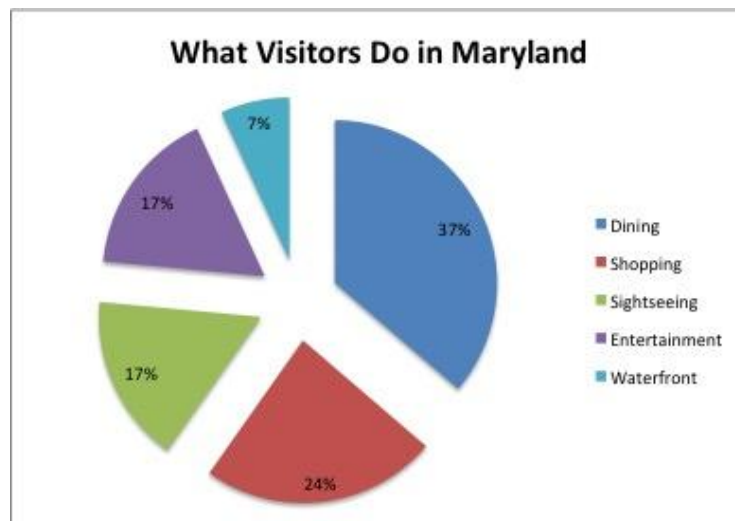


Figure 50

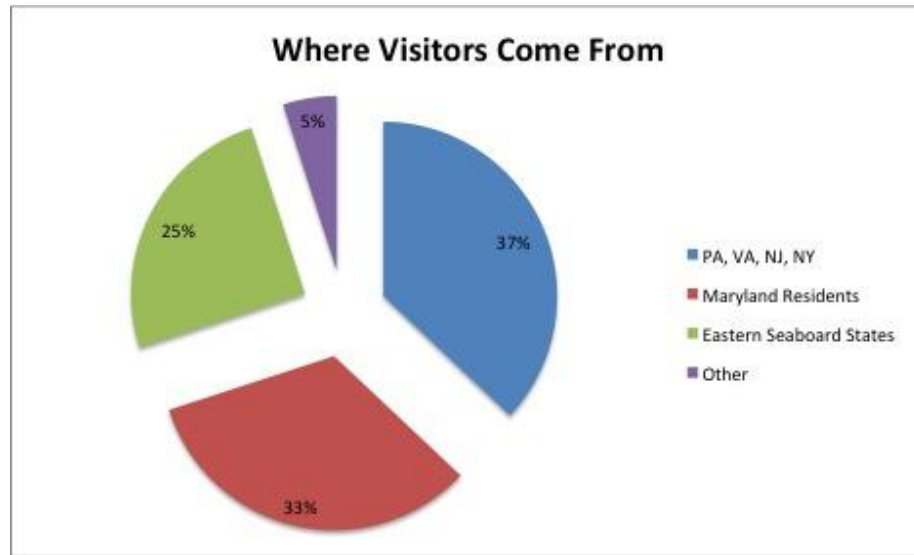


Figure 51

This data has significant impacts for Maryland's economy. In 2006, travel and tourism expenditures totaled \$11.4 billion. Moreover, both the direct spending by visitors and the secondary expenditures by the travel sector businesses and employees who work in the sector, totaled more than \$17 billion.

Tourism Data for Frederick County

In 2010, about 1.9 million visitors came to Frederick and spent an estimated \$280 million. Due to the number of visitors, industry related jobs rose to 6,500. The following are statistics on Frederick County Tourism:

- Frederick County CY06 State tourism tax revenue \$10,470,000
- Frederick County CY06 local tourism tax revenue \$5,540,000
- Frederick County FY07 tourism budget \$1,420,334
- Frederick County grant awarded FY07 \$148,527
- Tourism's positive effect on Frederick County's employment
 - Direct tourism employment 2,160
 - Tourism as a percent of total employment 1.8%
 - Direct tourism payroll \$49,760,000

- City of Frederick's tax base increase: \$10 million from 2009 to 2014 due to income produced by tourism

These numbers indicate the importance of tourism to Frederick's economy and that it is essential to sustaining and maintaining the City's success. Many people have jobs and income because of the tourist population that comes to Frederick.

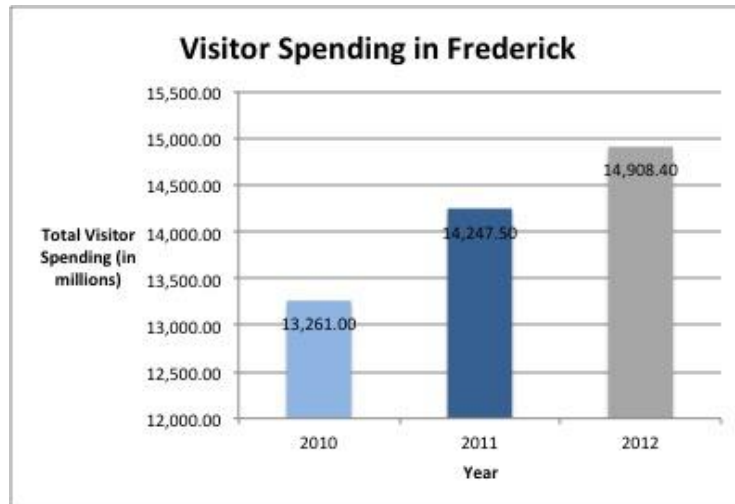


Figure 52

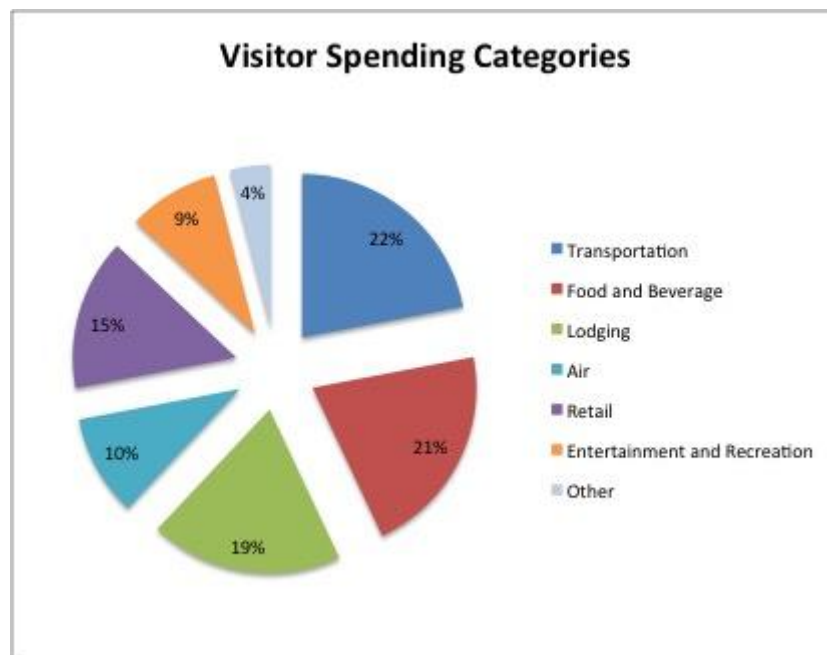


Figure 53

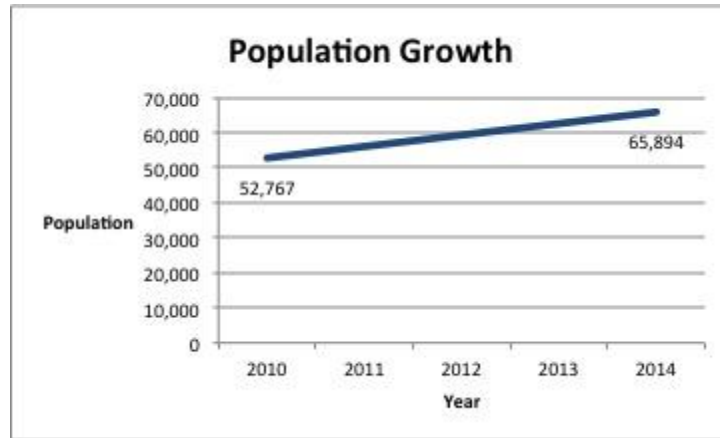


Figure 54

Further Statistics¹⁴:

Tourism, Perception, and Marketability

Pull Quotes - “The city is selling history and we want to know who's buying,” Constance Ramirez, UMD Professor

This tourism chapter thus far has considered tourism with respect to national trends and regional data. Information primarily concerning Frederick’s downtown as well as statistics for tourism in the city’s historic district proved difficult to obtain. To construct a more complete image of tourism in the City of Frederick and its historic downtown, we created and carried out a brief survey (see Appendix Figure 2). Over a period of four hours, on Saturday November 22nd, 2014, UMD students surveyed 60 individuals in downtown Frederick, along Carroll Creek and at the intersection of Market and Patrick. Individuals were asked where they were traveling from and why they came. This sample captured visitor activities of both tourists and locals. Most people gave quick responses, which are represented in Figures 55 and 56. Longer anecdotes are woven into the remainder of this chapter.

While the survey results helped establish a local perspective, the survey had notable limitations. A sample size of 60 provided an initial set of tourism data for downtown, but with so many variables the results would be more reliable if the survey extended over several days or weeks.

¹⁴ "Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014. <http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>.

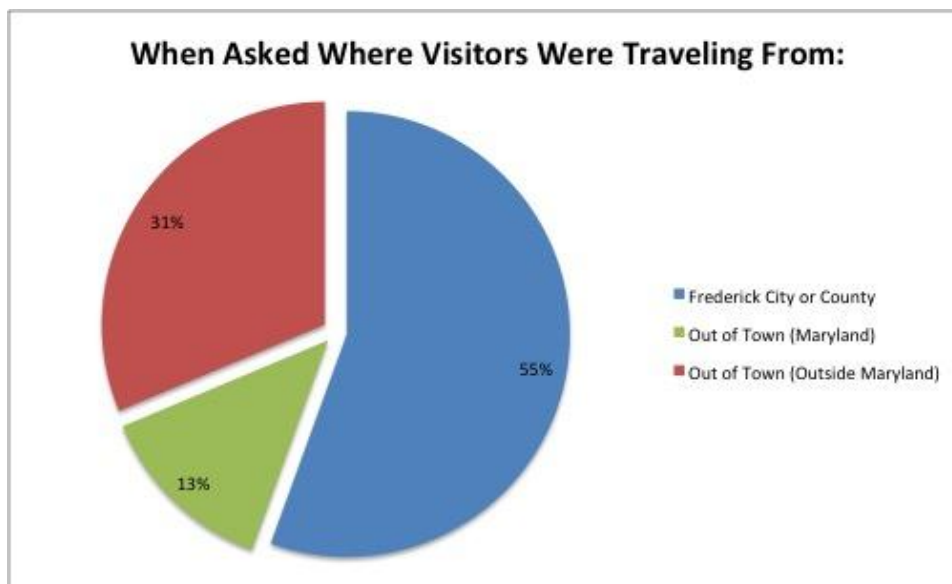


Figure 55

Pull Quote- “I have had 20 people in here today that came from out of town,” said a Voila! in Frederick employee. Out-of-towners came from nearby Thurmont as well as Baltimore, Ellicott City, Hampstead, Sykesville, D.C., Virginia Tech, Virginia Beach, Ashburn, VA, Gettysburg, PA, Pittsburgh, PA and more.

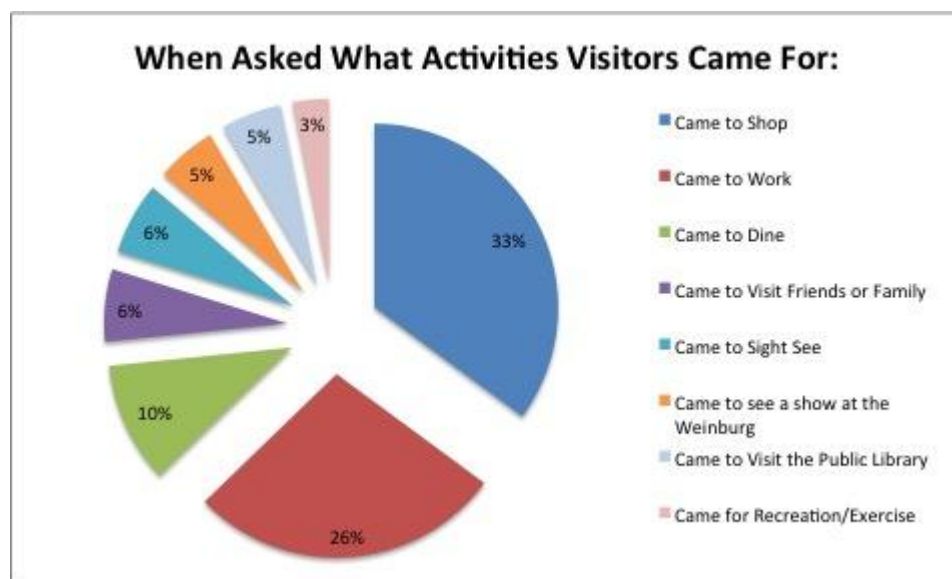


Figure 56

Pull Quote- “Trip-related spending by NPS visitors generates and supports a considerable amount of economic activity within park gateway communities....[However] it is typical for visitation levels to fluctuate across the park units each year” - National Park Service 2013

National Park Visitor Spending Effects Report¹⁵

The National Park Service *2013 National Park Visitor Spending Effect* report shows that recreational activities are a large part of tourism in park gateway communities, like Frederick. The lack of tourists, represented in this sample, coming downtown after visiting nearby Gambrill and Gathland State Parks or the local battlefields, as well as the small number of tourists visiting the downtown's popular Carroll Creek Linear Park implies that there is a seasonal element to downtown tourism and tourist preferred activities. The high count of shoppers downtown may also be attributed to the holiday season. The competing attractions of local parks, historical significance, and downtown shopping allow Frederick to appeal to a wide tourism market. By marketing itself as a diverse park gateway community as well as a charming historic town, Frederick also protects itself from a major drop-off in tourism during the off-season.

"Downtown Frederick, serving as the County Seat, is home to more than 600 businesses and 5,000 employees. Downtown is also a hub of culture and tourism, attracting more than 1.4 million visitors annually. As a major economic engine within the City, continued revitalization, reinvestment and adaptive reuse of historic buildings are key economic development goals for the Department of Economic Development."¹⁶

Pull Quote - "Frederick is known for clustered spires of centuries-old churches, and a historic district that boasts numerous 18th- and 19th-century buildings. But now the city has a 21st-century attraction to help visitors enjoy the historic streetscapes nearby: Carroll Creek Park, a three-quarter-mile stretch of walkway." Pittsburgh Post-Gazette article Historic Frederick, Md., gets downtown waterfront park by Bill Green (the Associated Press)

Despite the fact that downtown Frederick attracts attention, new residents, and tourists to the area from the county, the state, and nation, tourism alone cannot and does not support the local economy. In fact, the government is by far the largest job provider, employing 10,000 at Fort Detrick alone. (DED Economic Development Briefing by Richard Griffin, AICP, CEcD Director)

In recent years, the City of Frederick has seen growth and revitalization. Having studied the

¹⁵ "2013 National Park Visitor Spending Effects: Economic Contributions to Local Communities, States, and the Nation." *Natural Resource Stewardship and Science*. National Park Service U.S. Department of the Interior, 1 July 2014. Web. 1 Nov. 2014. <http://www.nature.nps.gov/socialscience/docs/NPSVSE2013_final_nrss.pdf>.

¹⁶ "DED Initiatives." *The City of Frederick, MD*. Department of Economic Development. Web. 9 Dec. 2014. <<https://www.cityoffrederick.com/index.aspx?NID=178>>.

resurgence of small cities, Christopher B. Leinberger talks about local trends and perceptions, "The very asset that made it successful originally — that it was walkable — became a disadvantage in the late 20th century when everybody wanted to drive everywhere...Now that very asset is what's bringing it back."

Leinberger, a George Washington University business professor, is quoted in the Washington Post's *Mini-D.C.*'s article.

The downtown has been successful thus far in projecting an image of walkability and affordability. Visitors from the survey above cited Frederick's "intact historic district," "recent revitalization," and "cultural attractions" when asked what drew them to the area. Of the 60 individuals surveyed, 13 said that they were attracted to the area for its walkability and affordability and 50 were surveyed while walking around downtown. Historical charm plus high end shops and restaurants played a key part in Frederick's recent appearance in the Washington Post article *Mini D.C. 's: A small city boom revitalizes downtowns once left for dead*. The article cites Downtown Frederick as a prime example of a small town comeback, highlighting that the City has attracted new residents and tourists, looking to get out of D.C. and Baltimore, for a new urban experience in downtown Frederick.

Pull Quote - Of the 60 individuals surveyed, 13 said that they were attracted to the area for its walkability and affordability and 50 were surveyed while walking around downtown

"By night, available street-side parking is sparse, especially on performance nights at the Weinberg Center for the Arts. At Volt, the Tasting Room and Firestone's Culinary Tavern, tables are packed and bottles are emptied. The bars crowd with drinkers. 'It's the best of D.C. or Baltimore or New York without the hassle,' said Valerie Hartman, who moved here with her husband, John, after raising their three children in a larger suburban house.'" Washington Post article *Mini D.C.'s: A small city boom revitalizes downtowns once left for dead* by John Woodrow Cox

While tourism alone does not support the economy of the Historic District, it does add jobs and taxes to an otherwise public service oriented local economy and it plays a key role in the national recognition that Frederick receives. The City should acknowledge its reputation as a tourist destination, both locally and regionally, but continue to analyze, rethink, and support its tourism and marketing strategies as the City grows and evolves.

The City of Frederick's Investments in its Historic Districts

The City of Frederick's tax base has increased by \$10 million from 2009 to 2014 due to increase in population. However, most of the line items that deal with historic preservation and investments downtown have been steadily decreasing, raising question about investment in the downtown area.

Historic preservation investments are difficult to deduct from budgets but by examining overall trends within programs whose missions deal with downtown, provides a clearer sense of the City's investment.

The City of Frederick's has rearranged quite a few things in the new 2014 Budget for Economic Development indicates **resources for downtown investment, have trended downward**. Golden goose line items, such as..., seem to be decreasing. The decrease may be due to increased efficiency but it is important to ensure that, with its new label as a "mini- DC," that the City of Frederick is continually investing in its residents and programs. The play of capacity and quality is important.

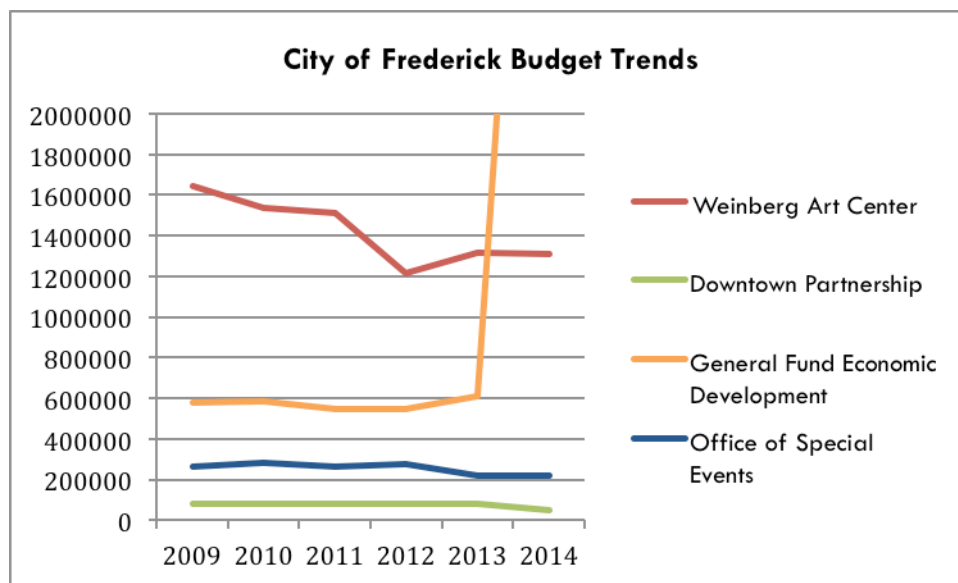


Figure 57

Historic Preservation Staff is Overburdened

Since 2009, historic preservation cases heard by Commission have averaged, 57.2% of the Planning cases. With one out of 11 full time planning staff working on 57.2% of the Commission's cases, **another**

full time staff with the Secretary of Interior Historic Preservation qualifications should be hired to work cases in the downtown historic district.

After attending a group session, this lack of staff to help those in the historic district was made apparent. Many people expressed that approval for routine updates to their homes took too much time and ended up costing money because of expanded time schedules. A quicker and simpler process would save owners' money, which could be invested in updates to historic structures downtown or as discretionary income to be spent in the historic district. The Economic Development board's increased funding could be used to hire additional staff to support the Golden Goose or at least dedicate some staff time to support the Planning Department.

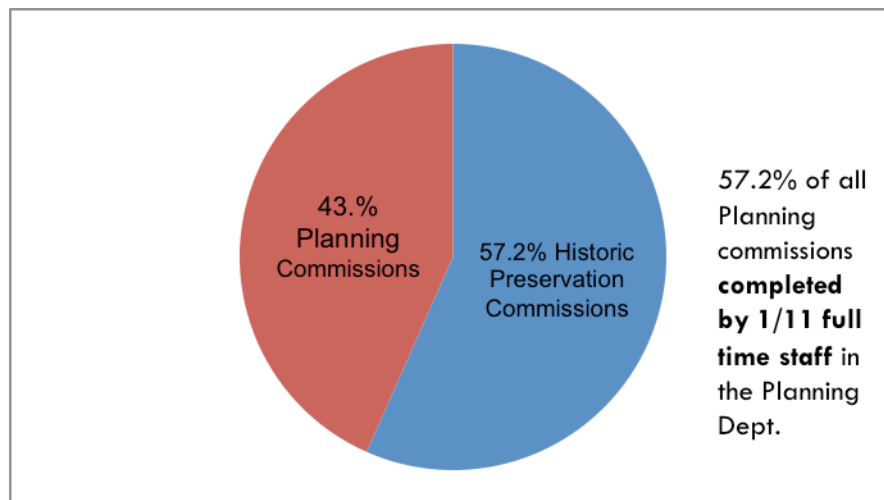


Figure 58

Conclusions and Recommendations

The downtown historic district has direct positive economic effects on the City of Frederick. Covering less than three percent of the City, **the historic district pulls its weight, defining the City's character and image, and generating a multitude of economic benefits.**

- **PROPERTY RATES ARE HIGHER AND MORE STABLE IN THE HISTORIC DISTRICTS AND EVEN MORE SO IN THE LOCAL HISTORIC DISTRICT.**

Consider expanding the local district as it provides the highest and most stable property rates, which in turn provide higher tax revenue for the City. For homeowners, a lowered risk of investment is attractive.

- **BUILDING PERMITS IN THE HISTORIC DISTRICT REPRESENT A LARGE PERCENTAGE OF BUILDING PERMITS IN THE CITY OF FREDERICK, INDICATING HIGH INVESTMENT BY BUILDING OWNERS IN THE HISTORIC DISTRICTS AND A DESIRABLE PROPERTY FOR NEWCOMERS.**

Building permits represent a desire for people moving to Frederick and for building related investments throughout the City. With 1.3 people moving to Frederick a day and a large proportion of building permits being approved in the historic district, Downtown is proving to be the most attractive place for newcomers in the City of Frederick thus this where the City should invest. However, the downtown is losing basic amenities; the local grocery store and hardware have now moved elsewhere. According to the Sage study, nearly \$1 billion in food store expenditures leak out of the 15-mile radius around downtown. If people are moving to the historic district because of its walkability, the City should explore incentives for basic services to move back downtown.

At the business level, the historic districts provide:

- **MORE REVENUE PER SQUARE ACRE FOR RETAIL and OFFICE uses**

With expanding greenfield development, the historic district still provides the best return on investment. The City should protect the Golden Goose by investing in the historic district and developing a leasing strategy to make shops continually desirable. With an additional \$10.3 million in discretionary income available within Frederick's economy each year it is pertinent the city captures by focusing inward to the more sustainable option of an attractive, walkable downtown.

- **HIGH WALKABILITY SCORES**

More and more people want to be able to walk. With an average desired walking radius of a quarter-mile, the historic district can capture these newcomers, and may particularly appeal to Frederick's aging population. The City should help maintain downtown's walkability and its lower price per square foot; both are attractive to young entrepreneurs, a demographic

needed to offset Frederick's aging population. However, improvements and programs should serve both the young and aging populations. Consider adaptively reusing buildings for new business incubators at low or micro rents to attract newcomers but also keep continuing care facilities in Frederick to capture senior care in the community.

Our study indicates that the City must look for ways to continue to stimulate investment in the historic district in its long range planning. Our large scale recommendations are:

1. FOCUS LOCALLY

Highway is at capacity but the City of Frederick is not

The I-270 corridor carries 162,000 vehicles per day (compared to greenest highway in Boulder Colorado at 55,000 vehicles per day) more than tripling Co2 emissions¹⁷. Two of the corridor's I worst bottlenecks are within Frederick, making the commute to DC less attractive¹⁸. By attracting more local businesses and investments into Frederick, the City's skinny middle-class can grow and initiate more local investment, and reducing the number of Frederick residents using Maryland highways everyday.

Help people move to the historic district with money you already have

Beyond available incentives at the federal, State and local level, consider setting up a revolving fund usin the parking fund as capital investment to provide low interest loans to business owners moving into the historic district. The loans could incentivize new businesses and attract young people to the historic district. The loans could apply to startup costs, building maintenance, and building updates such as sprinkler systems and egress. A revolving fund could continually fund these updates and future investment in the historic district thus protecting the golden goose and mitigating other planning issues.

When parking and events are more affordable for people in Frederick, local money stays local

For those who live outside the district and can't walk to the historic district, parking prices can be a hassle. Rather than detract from the Golden Goose, focus on the highest revenue area in the city by providing resident parking discounts . Also consider resident discounts at local events to help capture of discretionary income.

¹⁷ Buki, Charles. "Preservation Economics." Class Lecture, HISP680: Preservation Economics from University of Maryland, College Park, October 22, 2014.

¹⁸ Maryland Department of Transportation. Maryland State Highway Transportation Report. September 2013.
http://www.roads.maryland.gov/OPPEN/2013_Maryland_Mobility.pdf

2. FOCUS ON HISTORIC PRESERVATION INCENTIVE EDUCATION AND HISTORIC PRESERVATION STAFFING

Develop a tool kit workshop and hire at least one additional full time historic preservation staff

Our study indicates that most people in the historic district don't use the resources available to them. Residents and businesses owners have expressed concerns with the length of approvals for updates. The City of Frederick should hire at least one more staff person with the Secretary of Interior Qualifications to the Department of Planning.

3. TOURISM DATA COLLECTION IS NECESSARY

Our study indicated that it was difficult to find City of Frederick tourism data. Without knowing why people are coming specifically to the city, it is hard to make recommendations. Our local survey led us to some conclusions but more data would....

Tourism Council develop a Tourism Survey

We recommend that the Tourism Council develop a survey to be sent out along with emailed hotel receipts. All hotels and bed and breakfasts should send this along with their own customer surveys.

The Visitor Center should keep track of visitors

We also recommend that the Visitor Center count daily visitors to provide an information on how many people are coming from out of town to the area.

Develop a Visitor Study that covers all seasons

Frederick has a diverse market for tourism based on seasonal activities, from summer parks to winter festivals. A study over a year would deliver more detailed tourism data. Hire a consultant to provide data on who is visiting and why to determine future investments. These conclusions may lead to further indications of what type of accommodations people come to Frederick for.

Overall, Frederick's historic district is a Golden Goose. Its economic benefits perform at a heavy weight level and the City of Frederick should invest in protecting those benefits into the future.

Appendix X

Figure 1: Frederick Historic District Business Survey

Your Name
Name of Business
Business Address
Phone Number
Email Address
Which of the following best describes the type of business you own?
When did your business open at its current location?
Is your business located within the local Frederick Historic District?
Do you own or rent your space?
<p>If you are a property owner located within the Frederick Historic District, you may be eligible for a tax credit if you carry out preservation or restoration work on the exterior of your building. There are also similar programs at the State and Federal level. Please check the box next to any programs that you have used previously.</p> <ul style="list-style-type: none"> • City of Frederick Historic Preservation Property Tax Credit • Maryland Historical Trust Competitive Commercial Tax Credit • Maryland Historical Trust Small Commercial Tax Credit • Federal Historic Tax Credit
<p>Please check the box next to any historic tax credit programs for which you are considering applying.</p> <ul style="list-style-type: none"> • City of Frederick Historic Preservation Property Tax Credit • Maryland Historical Trust Competitive Commercial Tax Credit • Maryland Historical Trust Small Commercial Tax Credit • Federal Historic Tax Credit
At present, do you intend to remain in the Frederick Historic District?
Would you recommend the Frederick Historic District as a good place to open a business?
<p>Please indicate how important the following considerations were when deciding where to locate your business</p> <p>Historic architecture</p> <p>Affordable cost of space</p> <p>High density of foot traffic</p> <p>Availability of appropriately-sized space</p> <p>Proximity to City and County offices</p> <p>Proximity to your place of residence</p> <p>Availability of parking</p>
[On a scale of 1 to 5] how satisfied are you with your business's current location?
How do large public events held downtown affect your business? If you are a retailer, how do they affect your sales?
What does the historic character of downtown Frederick mean to you and your business?

Figure 2: Frederick Historic District Tourism Survey

Survey for Locals	Survey for Tourists
Where are you from?	Where are you from?
What is your zip code?	What is your zip code?
How often do you come downtown?	How often do you visit the area?
How long have you been in the area?	Did you stay in Frederick overnight?
Do you know that this is a Historic District?	Is this your first visit to the Historic District?
What attracted you to the area?	What attracted you to the area?

Bibliography

Executive Summary

McClement, Randy. "State of the City." The City of Frederick. Carroll Creek Linear Park, Frederick. 28 July 2014.

Introduction

2010 Census Data

Residential Property Values in the Historic Districts

Google Maps. Google 2014. Accessed November 29, 2014.

<https://www.google.ca/maps/place/Frederick,+MD,+USA/@39.421481,-77.4123791,16z/data=!4m2!3m1!1s0x89c9c50c8cbdae3:0xda6247bdbd111c99>

Kilpatrick, John. "Historic Districts are Good for Your Pocketbook: The Impact of Local Historic Districts on House Prices in South Carolina." South Carolina Department of Archives and History. <http://shpo.sc.gov/pubs/Documents/hdgoodforpocketbook.pdf>

Maryland Department of Transportation. Maryland State Highway Transportation Report. September 2013. http://www.roads.maryland.gov/OPPEN/2013_Maryland_Mobility.pdf

"Real Property Data Search." Maryland.gov Department of Assessments & Taxation. Accessed November 29, 2014. <http://sdat.resiusa.org/RealProperty/Pages/default.aspx>

Rypkema, Donovan. "Designing a 21st-century City: Historic Preservation and the Raleigh of Tomorrow." PlaceEconomics. (August 2014): Washington, D.C.

Woodrow Cox, John. "Mini-D.C.'s: A Small-city Boom Revitalizes Downtowns Once Left for Dead." Washington Post. October 21, 2014. Accessed December 1, 2014. http://www.washingtonpost.com/local/mini-dcs-a-small-city-boom-revitalizes-downtowns-once-left-for-dead/2014/10/31/0790173e-5f9b-11e4-91f7-5d89b5e8c251_story.html

Construction Activity in the Historic District

City of Frederick 2013 Economic Development Report

City of Frederick building permit data provided by Tim Swanson – GIS Technician

Businesses in the Frederick Historic District

City of Frederick. "City of Frederick Retail/Shopping Centers," available at <https://www.cityoffrederick.com/DocumentCenter/View/3977>.

CoStar Group, Incorporated. 2014.

Place|Economics. "Designing a 21st-Century City: Historic Preservation and the Raleigh of Tomorrow," August 2014.

Preservation Green Lab. "Older, Smaller, Better: Measuring how the character of buildings and blocks influences urban vitality," May 2014. Available at http://www.preservationnation.org/information-center/sustainable-communities/green-lab/oldersmallerbetter/report/NTHP_PGL_OlderSmallerBetter_ReportOnly.pdf.

Sage Policy Group. "Economic, Demographic, and Real Estate Dynamics in Frederick, MD," October 2014. Available at <http://md-frederick.civicplus.com/DocumentCenter/View/4518>.

U.S. Census Bureau. 2013. "OnTheMap Application." Longitudinal Employer-Household Dynamics Program. Available at <http://onthemap.ces.census.gov/>.

Tourism in the Historic District of Frederick

"2013 National Park Visitor Spending Effects: Economic Contributions to Local Communities, States, and the Nation." Natural Resource Stewardship and Science. National Park Service U.S. Department of the Interior, 1 July 2014. Web. 1 Nov. 2014. <http://www.nature.nps.gov/socialscience/docs/NPSVSE2013_final_nrss.pdf>.

"2014 10 Best Downtowns." Livability: Best Places to Live. Web. 9 Dec. 2014. <<http://livability.com/best-places/top-10/best-downtowns/10-best-downtowns/2014>>.

"2015 Top 100 Best Places to Live." Livability: Best Places to Live. Web. 9 Dec. 2014. <<http://livability.com/best-places/top-100/2015>>.

Cox, John Woodrow. "Mini-D.C.'s: A Small-city Boom Revitalizes Downtowns Once Left for Dead." Washington Post. The Washington Post, 31 Oct. 2014. Web. 9 Dec. 2014. <http://www.washingtonpost.com/local/mini-dcs-a-small-city-boom-revitalizes-downtowns-once-left-for-dead/2014/10/31/0790173e-5f9b-11e4-91f7-5d89b5e8c251_story.html>.

DED Economic Development Briefing by Richard Griffin, AICP, CEcD Director

"DED Initiatives." The City of Frederick, MD. Department of Economic Development. Web. 9 Dec. 2014. <<https://www.cityoffrederick.com/index.aspx?NID=178>>.

Green, Bill. "Historic Frederick, MD., Gets Downtown Waterfront Park." Pittsburgh Post-Gazette. The Associated Press, 29 June 2006. Web. 9 Dec. 2014.

"Maryland Tourism Fast Facts." Maryland Tourism Development Board, 1 Jan. 2008. Web. 9 Dec. 2014. <http://visitmaryland.org/AboutMDTourism/Documents/FastFacts_08.pdf>.

Rane, Jordan. "America's Best Small Town Comebacks." CNN. Cable News Network, 12 Mar. 2013. Web. 9 Dec. 2014. <<http://www.cnn.com/2013/03/11/travel/comeback-towns/>>.

"Supporting Regional Economies: National Heritage Areas and Their Impact." Alliance of National Heritage Areas. Web. 9 Dec. 2014. <http://www.nationalheritageareas.us/documents/NHA_Report2013.pdf>.

Conclusions and Recommendations

Buki, Charles. "Preservation Economics." Class Lecture, HISP680: Preservation Economics from University of Maryland, College Park, October 22, 2014.

Maryland Department of Transportation. Maryland State Highway Transportation Report. September 2013. http://www.roads.maryland.gov/OPPEN/2013_Maryland__Mobility.pdf

Sage Policy Group. "Economic, Demographic, and Real Estate Dynamics in Frederick, MD," October 2014. Available at <http://md-frederick.civicplus.com/DocumentCenter/View/4518>.

Credits

Sehba Imtiaz

Master's Candidate Historic Preservation

University of Toronto | B.A. Architectural Design & Art History

Residential Property Assessment

Conclusion

Kara Johnston

Master's Candidate Architecture & Historic Preservation

University of Illinois Urbana-Champaign | B.S. Architectural Studies

City Budget

Introduction

Conclusion

Imania Price

Master's Candidate Historic Preservation

Spelman College | B.A. History

Tax Credits

Shira Rosenthal

Master's Candidate Architecture & Historic Preservation

University of Maryland College Park | B.S. Architecture

Tourism

Cover

Editing & Formatting

Ashley Sampson

Master's Candidate Community Planning

Georgetown University | B.S. International Political Economy

Executive Summary

Downtown Business

John Sines

Master's Candidate Historic Preservation

Construction Activity

Tyler Smith

Master's Candidate Historic Preservation

Warren Wilson College | B.A. History & Studio Art

Acknowledgements

Construction Activity

Mandi Solomon

Master's Candidate Historic Preservation & Community Planning

University of Mary-Washington | B.A. Historic Preservation

Introduction

Background

Formatting

Abby Tesfaye

Master's Candidate Historic Preservation & Community Planning

University of Maryland College Park | B.S. Architecture

Tourism

Bibliography