

HISTORIC PRESERVATION: FRANKFORT'S CAPITAL ASSET

The Impact of Historic Preservation in Frankfort, Kentucky

Prepared by PlaceEconomics | June 2023



Key Findings

FRANKFORT'S HISTORIC DISTRICTS ARE ECONOMICALLY VIBRANT, DENSE IN POPULATION AND DIVERSE IN RESIDENTS.

The pages that follow quantify the impacts and the benefits of historic preservation in Frankfort, Kentucky. Among the key findings are these:

- Local and National Register Historic Districts in Frankfort occupy 4.7% of the land area of the city, are home to 9% of the population, and represent 10.5% of the value of taxable properties.
- Over the last decade, investment in these historic districts (excluding projects using the Kentucky Historic Tax Credit) accounts for nearly a third of all building permits issued by the City of Frankfort, representing more than 20% of the total value of construction.
- Since 2014 projects in historic districts have generated more than \$19 million in direct, indirect, and induced labor income.
- The Kentucky Historic Tax Credit has been used to rehabilitate 90 historic residential, commercial and institutional buildings, representing private investment of \$31 million.
- Local historic districts attract buyers and property value change within them has outperformed the rest of the Frankfort market by more than 20% since 2003.
- Density in local historic districts is twice that of other residential areas in Frankfort, but it is density at a human scale.
- Historic neighborhoods are economically diverse although with a slightly greater share of household incomes below the average median income and a slightly smaller share of households at the highest income levels compared to the rest of Frankfort.
- Historic neighborhoods are racially diverse, with a similar distribution of White and Black residents that mirrors the distribution citywide.
- Historic districts are home to a greater share of renters than the rest of Frankfort.
- Heritage visitors account for about a third of all tourists to Frankfort and spend more than non-heritage visitors in every expenditure category.
- The heritage portion of Frankfort's tourism industry is responsible for 446 direct jobs and an additional 79 indirect and induced jobs.

Frankfort's wealth of historic resources supports jobs, encourages investment, provides racial and economic diversity and the neighborhood level, and adds significantly to the character and quality of the City of Frankfort.



Introduction

Historic preservation is an important source of jobs, income, tourism revenue, and property tax revenue for the city of Frankfort.

Frankfort is an old city. In fact, it pre-dates the US Constitution, and as such, it has accumulated rich and diverse stories and characters across its 236-year history. The abundance of historic buildings in Frankfort offer a tangible link to that history. Frankfort's residents have long believed that historic preservation is key, not only to understanding and appreciating the past, but to the city's economy, tourism, and quality of life today.

Many assets make Frankfort a desirable place to live and work, such as a vibrant historic downtown, nearby bourbon distilleries that tie Frankfort into the heritage of Kentucky Bourbon, and tight-knit neighborhood communities like South Frankfort. As the seat of Kentucky's state government, Frankfort also tells a unique political history of Kentucky. Frankfort's

historic places impart a sense of identity, uniqueness, and community pride that's evident when talking with Frankfortonians about their community.

Yet being the state's capital city comes with challenges. Due to the state legislative cycle, legislators occupy the town for only a few months a year, leaving concerns about vacancy for much of the year. While it can

be good to have an anchor institution, in the past perhaps too much of the city's economy has been dependent on state government. Additionally, properties owned by the State, as well as by the county, the city, religious institutions, and other categories, are exempt from property taxation. In Frankfort, fifteen percent of parcels are tax exempt, significantly impacting the city's revenue. This inherently means that much of the tax burden is then shifted to commercial and residential properties.

In the face of these challenges, historic preservation has become an important part of diversifying the local economy. Investments in downtown historic buildings are enlivening the city's core with jobs and new businesses. Heritage tourism is an important source of revenue for the economy, and even Mayor Layne Wilkerson affirmed that "Preservation is economic development." The beneficiaries of historic preservation and its impact are not only visitors, but, more importantly, local residents who reap the benefits of increased vitality and quality of place. This report was commissioned to measure the impact of historic preservation in Frankfort, specifically considering property value growth, jobs from historic rehabilitation activity, heritage tourism, and neighborhood demographics.



FRANKFORT IS RICH BOTH IN BUILT HISTORIC RESOURCES AND LIVING CULTURAL HERITAGE.

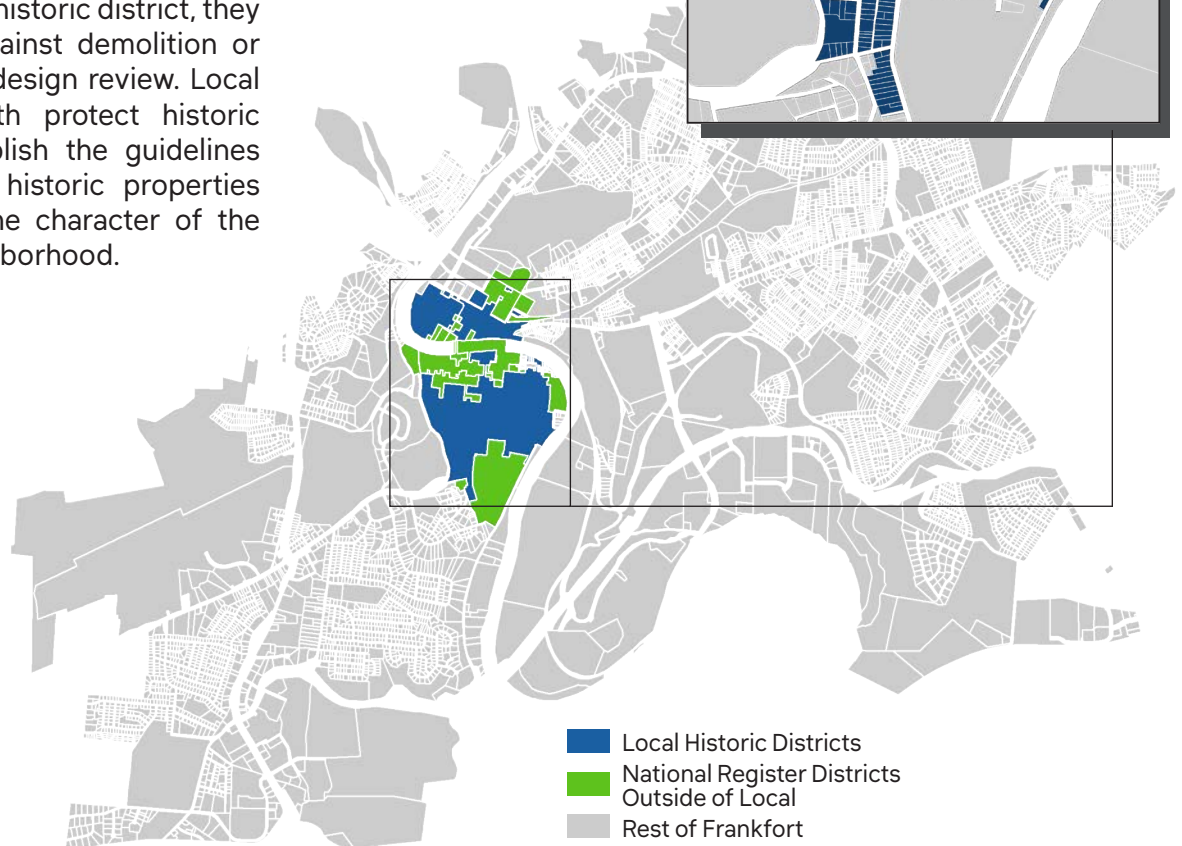
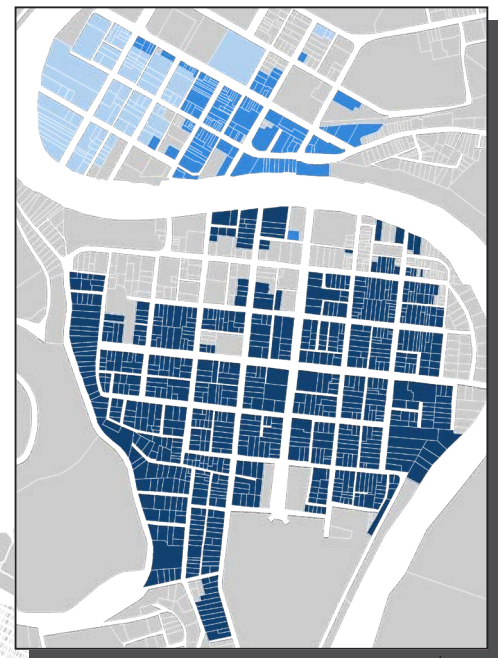
Frankfort Historic Preservation Basics

Definition of Districts

Historic preservation in Frankfort formally began in the 1970s, with the designation of the city's first National Register Historic Districts. Though no regulatory requirements accompany National Register designation, formally recognizing the historical significance of these districts helped provide the justification for the creation of local historic districts. Frankfort was also designated as a Certified Local Government by the National Park Service in 1985, demonstrating a commitment to preservation that would help gain access to various federal and state funding streams.

National Register Historic Districts

There are National Register Districts and National Register listed buildings in Frankfort. Most of these properties are also within local historic districts and, therefore, under the purview of the Architectural Review Board. National Register status constitutes recognition by the National Park Service of the importance of the historic resources. It also makes properties eligible for both the Federal and State historic tax credits. However, unless National Register listed properties are also within a local historic district, they are not protected against demolition or required to undergo design review. Local historic districts both protect historic properties and establish the guidelines so that changes to historic properties are appropriate to the character of the building and the neighborhood.



Maps: Local and National Register Historic Districts in Frankfort

Local Historic Districts

Frankfort developed a unique but effective approach to historic designation by establishing three distinct kinds of historic zoning: Special Historic, Central Business, and Special Capital Local Zoning Districts. Though not the same as typical local historic districts, Franklin's three types of districts are not simply an overlay, but rather change the base zoning of the area to "historic." This helps protect the resources and encourage sensitive development in some of the oldest parts of Frankfort.

Each local historic district has a different character and separate design guidelines which regulate exterior renovations and new construction within them. Activity within historic districts is overseen by the Architectural Review Board, which acts as the Zoning Board of Adjustment (ZBA) and Design Review Board for projects in all three types of districts.

To avoid confusion, throughout this report any of the three local historic zoning districts will simply be referred to as "local historic districts," as each essentially triggers the same level of oversight and regulation.

The analysis in this report focuses primarily on Frankfort's local historic districts, particularly the sections regarding property values and demographics. The sections on heritage tourism and jobs created by historic rehabilitation correlate less with historic district boundaries and are affected by the overall presence of heritage resources in the city. Areas that are only within a National Register District and not in an overlapping local historic district are referred to in this report as "National Register, not in Local District."

Central Business Historic District



Special Capital Historic District



Special Historic District



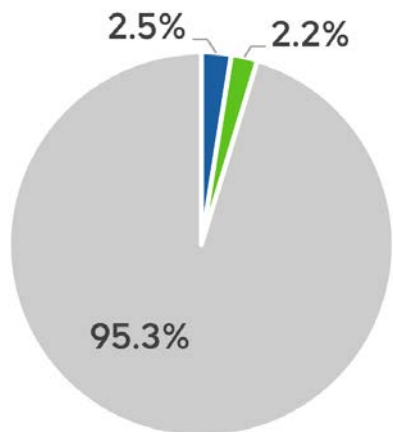


Land Area within Historic Districts

Frankfort's historic districts make up a relatively small share of the city's overall land area. Of the city's roughly 15 square miles, just 2.5% (.375 square miles) is located in a local historic district. Another 2.2% of the Frankfort's land area is designated as National Register District outside of local historic districts.

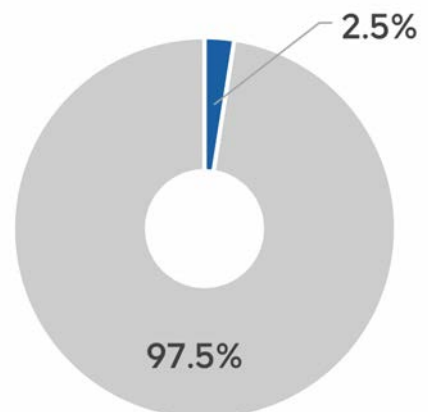
Because properties in National Register Districts that are not also within local historic districts are not subject to review by the Architectural Review Board, 97.5% of the land area of Frankfort is not required to conform to historic design guidelines.

SHARE OF LAND AREA



- Local Historic Districts
- National Register Districts Outside of Local
- Rest of Frankfort

SHARE OF LAND AREA IN FRANKFORT SUBJECT OF HISTORIC PRESERVATION REGULATIONS



- Under Purview of Architectural Review Board
- No Historic Property Protections

Number of Properties within the Districts

Overall, about 10% of the properties in Frankfort are located in local historic districts, while another 2.4% are located in National Register Historic District boundaries that fall outside local districts.



10% OF FRANKFORT PROPERTIES ARE LOCATED IN LOCAL HISTORIC DISTRICTS.

Frankfort Properties by Count

	Local Historic Districts	National Register, Not Local	Rest of Frankfort	Total
Exempt	63	83	406	552
	11.4%	15.0%	73.6%	5.3%
Taxable	992	165	8,743	9900
	10.0%	1.7%	88.3%	94.7%
Total	1,055	248	9149	10452
	10.1%	2.4%	87.5%	

Almost 26% of taxable commercial properties and 11% of taxable residential properties fall in historic districts (either local historic districts or National Register outside local).

Taxable Properties by Use by Count

	Local Historic Districts	National Register, Not Local	Rest of Frankfort	Total
Commercial	191	52	702	945
	20.2%	5.5%	74.3%	9.5%
Residential	801	113	8041	8955
	8.9%	1.3%	89.8%	90.5%
Total	992	165	8743	9900
	10.0%	1.7%	88.3%	

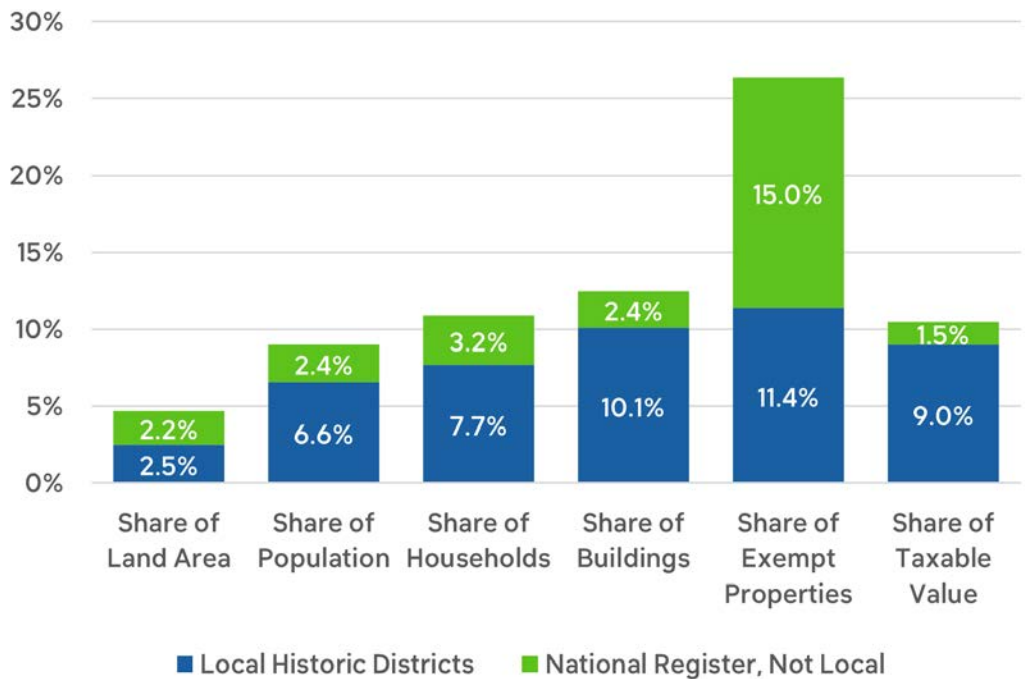
While historic districts only make up roughly 5% of Frankfort’s land area, nearly 11% of the city’s total property value is concentrated in those areas.

Taxable Properties by Value

	Local Historic Districts	National Register, Not Local	Rest of Frankfort	Total
Commercial	\$53,105,653	\$10,937,500	\$527,088,731	\$591,131,884
	9.0%	1.9%	89.2%	33.8%
Residential	\$104,494,602	\$15,679,000	\$1,036,768,087	\$1,156,941,689
	9.0%	1.4%	89.6%	66.2%
Total	\$157,600,255	\$26,616,500	\$1,563,856,818	\$1,748,073,573
	9.0%	1.5%	89.5%	

Overall, the share of Frankfort within historic districts is summarized in the chart below:

FRANKFORT HISTORIC DISTRICTS AT A GLANCE





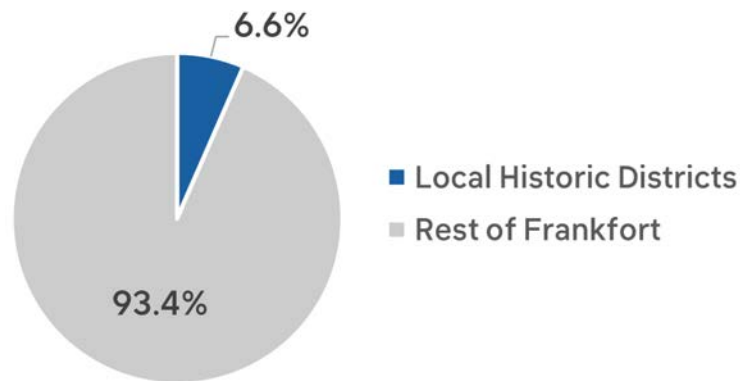
Historic District Character

Frankfort's historic districts are dense in population, with racial and economic diversity mirroring the rest of the city.

Population and Density

While Frankfort's local historic districts cover only 2.5% of the city's land area, they are home to almost 7% of Frankfort's population.

SHARE OF POPULATION (2020)

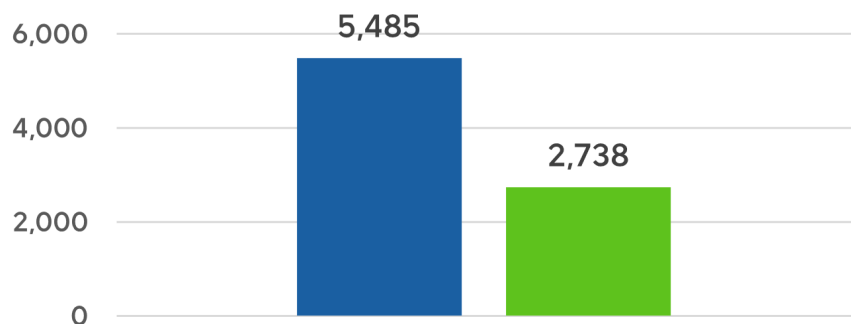


Many cities in the United States recognize the importance of density in providing cost-effective municipal services. Older neighborhoods tend to be inherently higher density, a phenomenon that is also true in Frankfort. This report found that the local historic districts in Frankfort are approximately twice as dense as other residentially-zoned parts of the city: local historic districts in Frankfort have a population density of 5,485 people per square mile, compared to just 2,738 in other residentially-zoned areas.



DENSITY IN LOCAL HISTORIC DISTRICTS IS TWICE THAT OF OTHER RESIDENTIAL AREAS IN FRANKFORT, BUT IT IS DENSITY AT A HUMAN SCALE.

POPULATION DENSITY (2020 - PEOPLE PER SQMI)

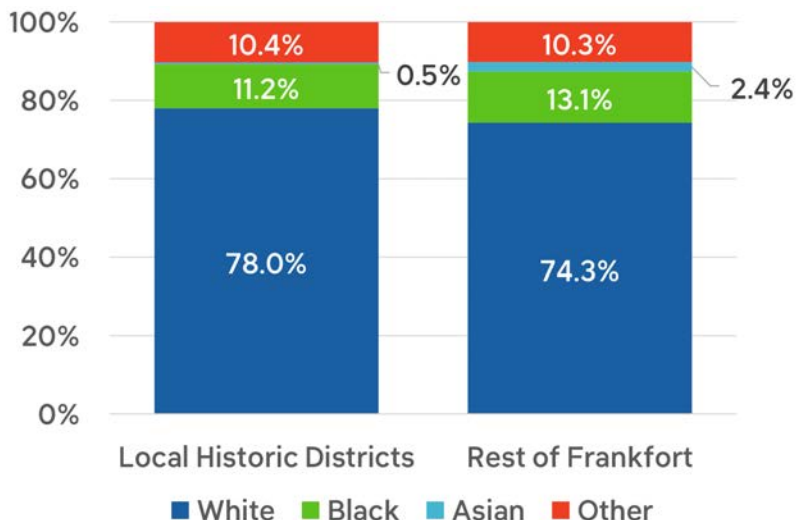


■ Residential Historic Districts ■ Rest of Residential Frankfort

Race and Ethnicity

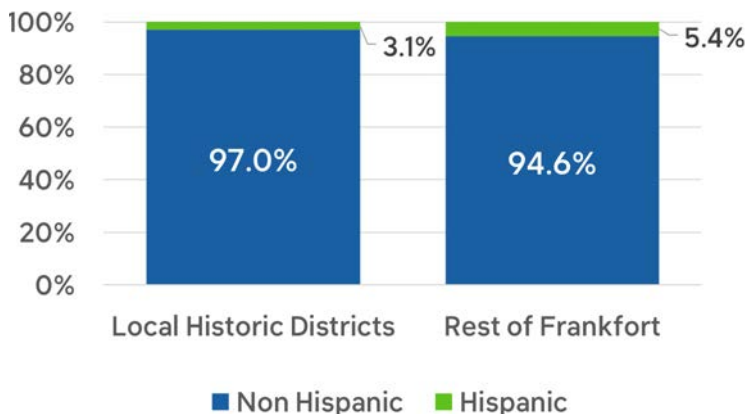
The racial distribution in local historic districts is similar to the racial distribution in Frankfort as a whole, although the White population is slightly higher and the Black population is slightly lower in historic districts than in the rest of Frankfort. The small Asian population in Frankfort is underrepresented in local historic districts and the Other category is virtually the same inside and outside of local historic districts.

RACIAL DISTRIBUTION IN FRANKFORT'S LOCAL HISTORIC DISTRICTS (2020)



About one in twenty of Frankfort's citizens identify as Hispanic but that group is underrepresented as a share of the local historic district population.

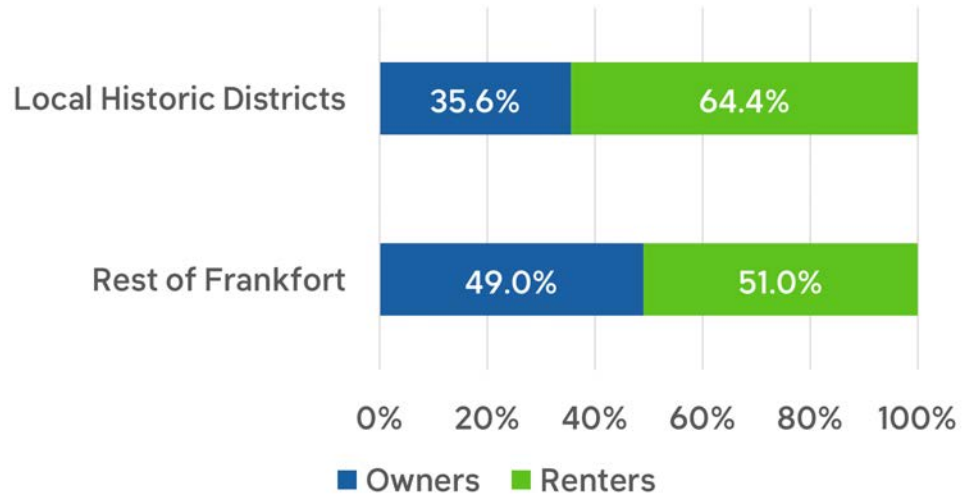
ETHNIC DISTRIBUTION IN FRANKFORT'S LOCAL HISTORIC DISTRICTS (2020)



Homeowners and Renters

There is a significant difference in ownership levels between local historic districts and the rest of Frankfort. While the rest of Frankfort is made up of roughly half homeowners and half renters, the split in historic districts is about one third homeowners and two thirds renters.

OWNERS AND RENTERS (2020)

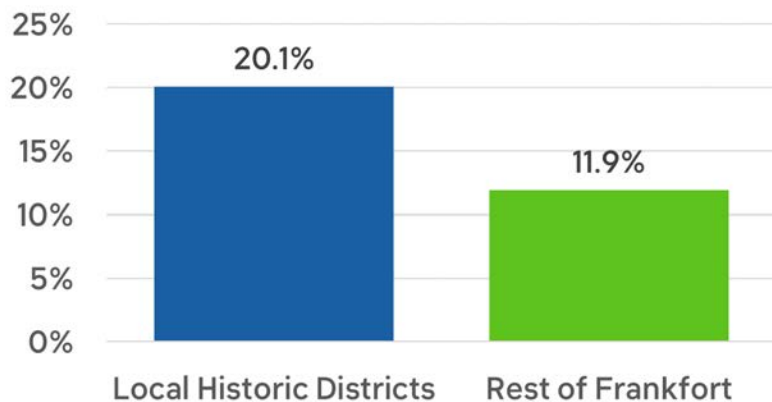


HOMES IN FRANKFORT'S HISTORIC DISTRICTS ARE MORE LIKELY TO BE OCCUPIED BY LONG TERM RENTERS.

Length of Residency

Sometimes there are concerns that neighborhoods with a high percentage of rental households will mean less stability, because renters aren't typically considered longer-term residents. However, more than one in five renters living in Frankfort's local historic districts have been there for more than a decade. That is nearly twice the rate for renters in the rest of Frankfort.

RENTERS WHO MOVED IN PRIOR TO 2010

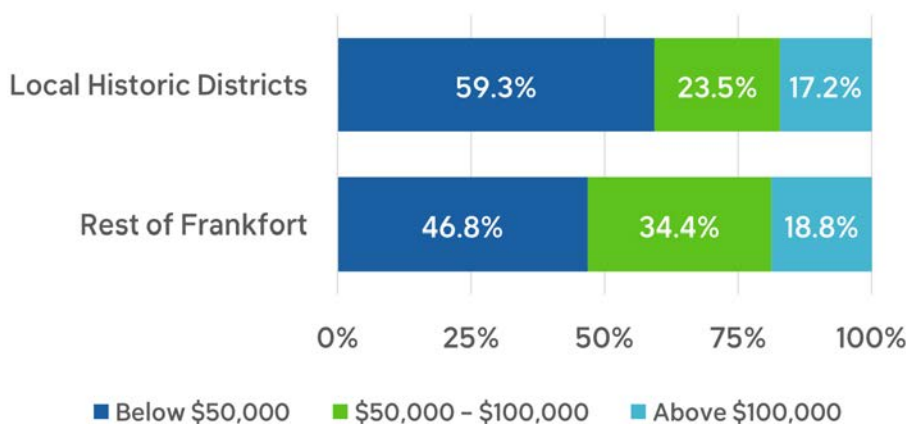




Household Income

Frankfort’s local historic districts are home to a disproportionate share of households with more modest household incomes. While the median household income in Frankfort is just over fifty thousand dollars per year (\$51,731), nearly 60% of all households in local historic districts have an income below \$50,000, compared with 47% of the population in the rest of Frankfort. At the upper end of the income spectrum, local historic districts include a slightly smaller share of households making over \$100,000 than does the rest of Frankfort. Frankfort’s historic districts are both diverse and economically integrated.

HOUSEHOLD INCOME (2020)



FRANKFORT'S HISTORIC DISTRICTS ARE BOTH DIVERSE AND ECONOMICALLY INTEGRATED.

Mason's Grocery - Women's Shelter

The Blackburn-Mason Grocery has stood at 300 Murray Street since about 1930, an important anchor for South Frankfort for decades. Today, the building serves a different, but no less impactful purpose since it became the new home of Fresh Start Frankfort, the Franklin County Women and Family Shelter in 2021.

Armour W. Blackburn, a Black man from Frankfort, opened the Blackburn Grocery 1933 amid the turmoil of the Great Depression. It quickly became known as a quality neighborhood spot, somewhere to get quality goods and ingredients, with a family atmosphere—Blackburn was generous in extending credit to patrons struggling through tough economic times. Eventually, it was passed on to another local family, the Masons, who continued its legacy as a neighborhood fixture through the 1990s.

After the Mason family closed shop, the building was leased to various small shops, but nothing seemed to stick. Without a stable tenant, the structure started to show signs of wear from lack of maintenance and exposure to the elements. It was eventually condemned by the city. Not wanting to see the building lost for good, the Franklin County Trust for Historic Preservation stepped in, negotiated a stay on demolition, and collaborated with the Mason family to purchase and stabilize the building.

After the building was stabilized, the Trust sold it to Fresh Start Frankfort, who were ready to expand their operation. The sale was made possible by a generous donor and the grocery was the perfect location—the small nonprofit already owned properties on two of the adjacent corners. Pro-bono design work by a local architect helped the organization secure funding for an extensive rehabilitation of the interior. The shelter provides longer-term housing for adult single women and women with children to help them gain stability. Acquiring the former grocery has allowed them to accommodate six more people, update their office space, and create a space that can be used for workshops and other community-centered activities.

"Frankfort has so many historic buildings and this was a wonderful way to save and reuse a building for the good of the community and for those most vulnerable," says Janet Gates, who serves as the Executive Director of the Franklin County Women and Family Shelter. "It's also a great way to acknowledge what an important role this building played over the decades for the African American community," she says. Frequently, residents from the area stop by the shelter to recount fond memories and stories about the Blackburn-Mason groceries. "It was just one of those communities where people knew they could go if they needed bread but couldn't pay for it...just really helped out people that needed it," Gates says. "It's an honor and a privilege to know that we're a part of that now."



Photo Credit: Hannah Brown, State Journal



Historic Districts and Investment

Historic preservation drives investment and property value growth in Frankfort.

If local historic districts are effective, they serve both to maintain the quality and character of the neighborhoods but also attract investment. There would be legitimate public policy concerns if historic districts discouraged investment or adversely affected property values. Fortunately, neither of those concerns is remotely true in Frankfort.



**THE AVERAGE
SELLING PRICE IN
LOCAL HISTORIC
DISTRICTS
OUTPERFORMS THE
REST OF THE CITY.**

Property Values

In the preparation of this report, PlaceEconomics evaluated more than 5,000 sales of single-family properties in Frankfort between 2003 and 2023, using a database from the records of the Frankfort area Multiple Listing Service.¹ All sales were identified as being either within or outside of the local historic districts. For each property the selling price per square foot was calculated. The two groups of properties were then indexed² with the average value in the initial period (2003-2005³) assigned the value of 100.

¹ Access to the data was graciously provided by Joe Johnson, Principal Broker and Appraiser at Bluegrass Realty and Investments

² Indexing is the process of comparing two or more economic variables to show their relative change over time. Probably the most well known index is the Dow Jones Industrial Average. Each day's report of a number of the Dow is the index number of the market price of those 30 industrial companies.

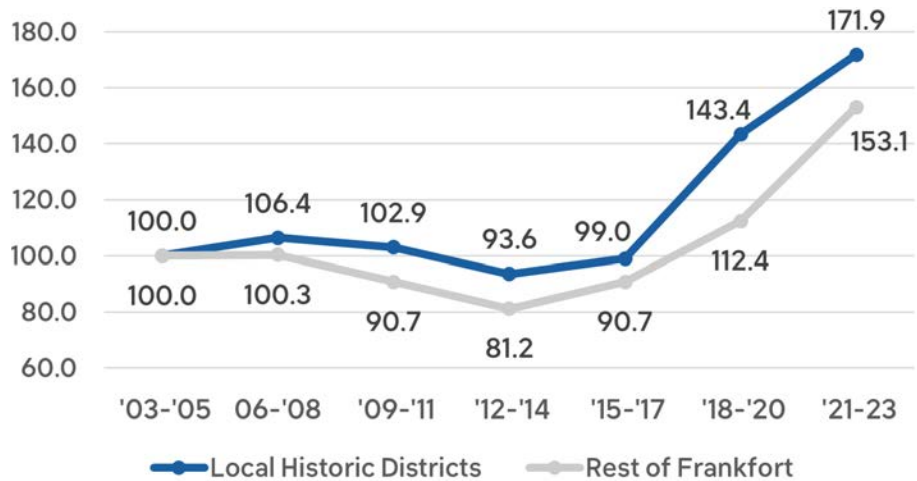
³ Three year increments were used in recognition that a relatively small number of sales in any given year might skew the data.

The chart below shows that homes in Frankfort's local historic districts consistently outperformed houses in the rest of the Frankfort market. Of particular note is what happened during the Great Recession and corresponding national crash in the real estate market. While properties in local historic districts experienced a downturn, it wasn't as steep as the rest of the local market and recovery in local districts was greater.



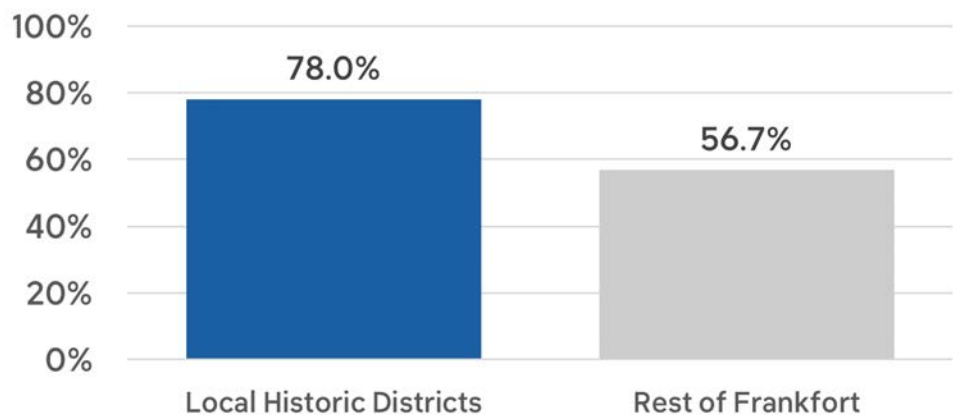
LOCAL HISTORIC DISTRICTS ATTRACT BUYERS AND PROPERTY VALUE CHANGE WITHIN THEM HAS OUTPERFORMED THE REST OF THE FRANKFORT MARKET BY MORE THAN 20% SINCE 2003.

**CHANGE IN VALUE/S.F.
BASE = 2003-2005 = 100**



When this pattern is considered in terms of selling prices, the average selling price in local historic districts increased 78% over the 20 year period as compared to 56.7% in the rest of the local market.

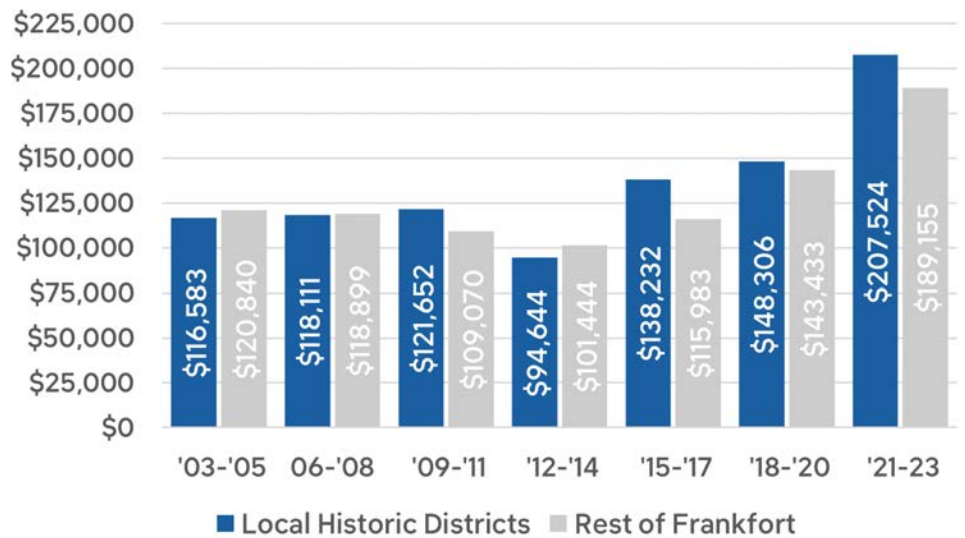
**CHANGE IN AVERAGE SELLING PRICE
(2002-2023)**





The average selling price for a single family house for each time period can be seen in the chart below for both local historic district property and the rest of the Frankfort market.

AVERAGE SELLING PRICE (2003 - 2023)





HISTORIC DISTRICTS ACCOUNT FOR 12.5% OF PROPERTIES BUT OVER 32% OF ISSUED PERMITS SINCE 2014.

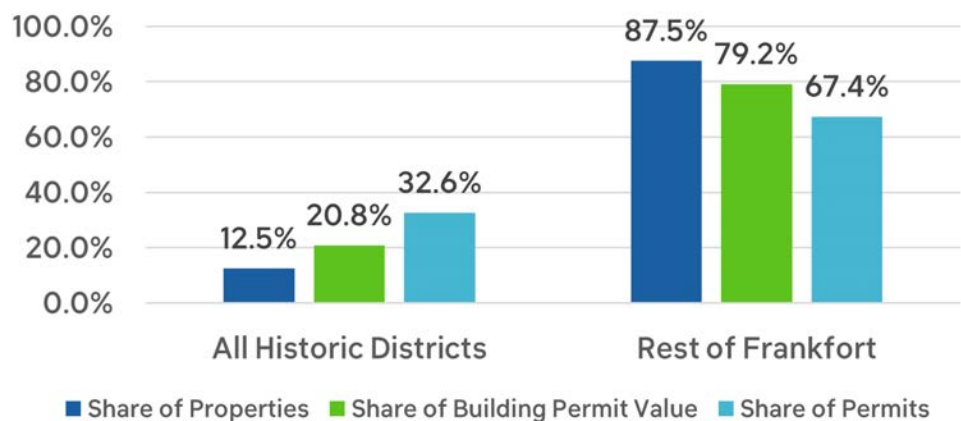
Jobs from Rehabilitation

Historic preservation can contribute to local economic development in multiple ways, particularly with job creation and labor income generated through the rehabilitation of historic buildings. As a general rule, the costs for new construction in the United States constitute fifty percent labor and fifty percent materials. When rehabilitating older buildings, however, the labor share of cost grows to around sixty to seventy percent labor, meaning rehabilitation of older buildings is more impactful in terms of generating local labor opportunities vs. new construction. While materials are often purchased out of state (or even out of country) labor is usually purchased locally and those paycheck dollars get recirculated in the local economy, generating more direct, indirect, and induced jobs. This local-job-creating effect is one of the reasons that the State Historic Preservation Officer has said, "Historic preservation is a huge driver of economic development."⁴

PERMITS

While property selling prices are a good indicator of the value that the market places on real estate, the investment in that property once it is owned is also a useful indicator. Between 2014 and 2022, 90 historic properties in Frankfort utilized the Kentucky Historic Tax Credit (see below). But over this period there were millions of dollars invested in historic properties that did not use the tax credits. Between 2014 and 2022 there were almost 1,500 building permits filed in the City of Frankfort.⁵ While historic districts (both local and national not within a local district) constitute only 2.5% of the total number of parcels, 32.6% of all permits representing 20.8% of all investment took place in these districts.⁶

**BUILDING PERMIT ACTIVITY, 2014 - 2022
(EXCLUDING TAX CREDIT PROJECTS)**



⁴ State Journal, March 21, 2023.

⁵ In order to capture only substantial permits or permits that improve main structures, certain work types have been removed, including types such as: signs, fences, garages, utility, pool, deck, driveway, ramp, shed, awning, etc. Any permit with a value of less than \$500 was also excluded. Additionally, permits that took place on properties that received a state historic tax credit were excluded from this analysis so as not to double count investment (see State Historic Tax Credit chapter).

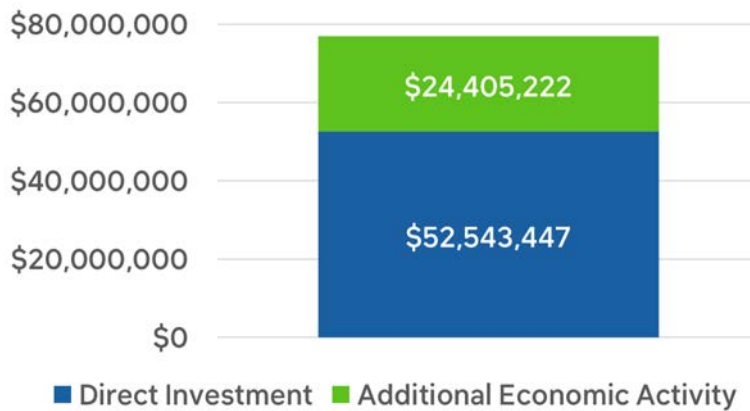
⁶ "Investment" in this section is based on the amount stated in building permit applications. In fact the investment is greater than this both because some of the costs associated with construction are not required to be reported in the building permit application and because it is typically common practice to be "conservative" in the estimate of costs to lower the impact on tax assessments.

This \$52.5 million that historic property owners invested in Frankfort's heritage generated an additional \$24 million in economic activity locally. When a local community has economic activity in one sector it spurs output in other sectors. This is known as the multiplier effect. Among the businesses benefiting the most from the rehabilitation of historic buildings are: building materials retailers; stone mining and quarrying, ready mix concrete manufacturing, commercial equipment leasing, and architectural and engineering services. Every time \$1000 is invested in the rehabilitation of a historic building in Frankfort, another \$410.70 in economic activity takes place elsewhere in the local economy. Local governments are also beneficiaries. The taxes paid to local government during the building rehabilitation process are 4.2% more than for the same amount spent on constructing a new building.



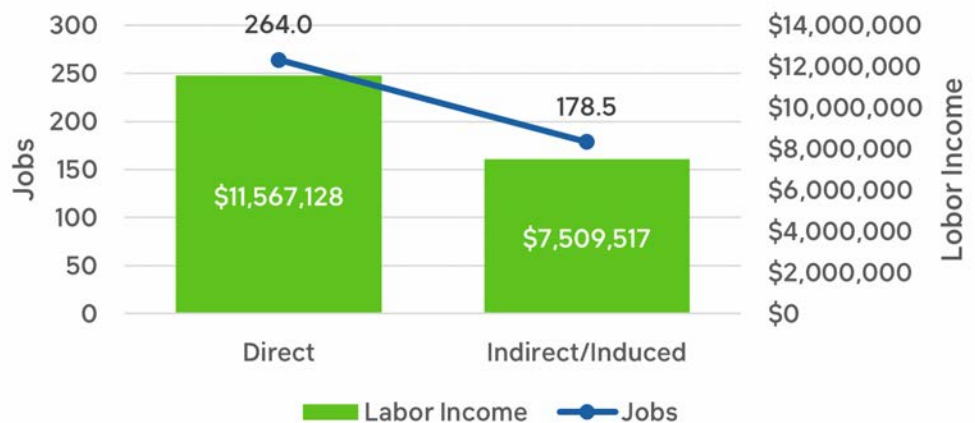
DIRECT TAX CREDIT INVESTMENT AND INDIRECT ECONOMIC ACTIVITY IN HISTORIC DISTRICTS IS MORE THAN \$76 MILLION SINCE 2014.

NON-TAX CREDIT INVESTMENT IN HISTORIC DISTRICTS (2014 - 2022)



Investment in buildings in historic districts (both local and National Register) produce jobs and income. Since 2014, 442.5 direct, indirect, and induced jobs have been generated by investment in historic districts. Those jobs have generated over \$19 million in labor income.

JOBS AND LABOR INCOME FROM NON-TAX CREDIT PROJECTS (2014 - 2022)





**WHEN LAYERED,
STATE AND FEDERAL
HISTORIC TAX
CREDITS CREATE
A COMBINED
INCENTIVE OF 40%
OF A PROJECT'S
QUALIFIED
REHABILITATION
EXPENDITURES.**

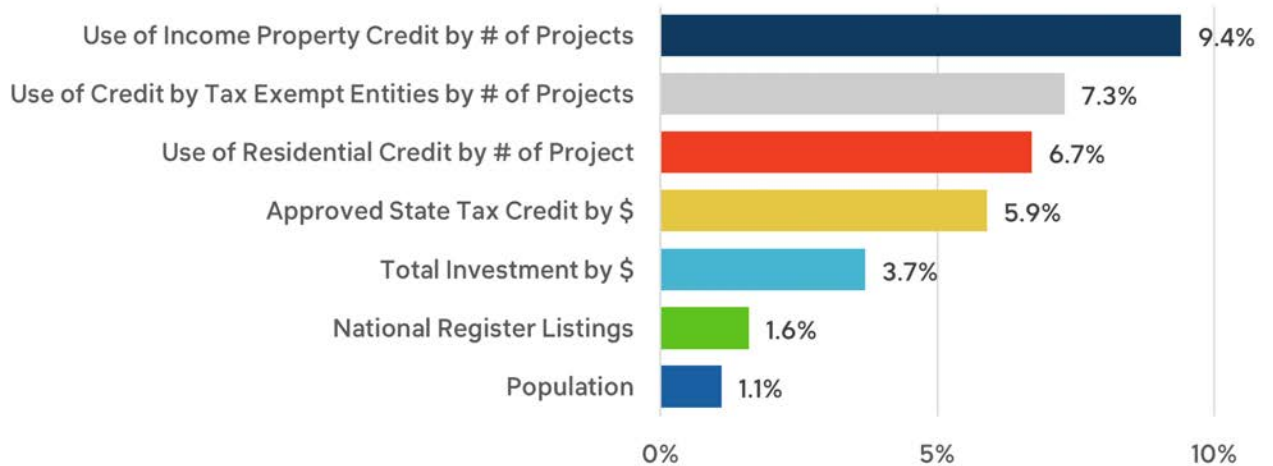
HISTORIC TAX CREDITS

Since 2005 Kentucky has had a state historic tax credit available to both income-producing properties and, unlike the Federal Historic Tax Credit, personal residents. Nonprofit and charitable organizations can also use the credit by "selling" the available tax benefit to a taxable entity. Until recently, the annual cap on the credit has been \$5 million. But the Kentucky Legislature recognized the effectiveness of the program and as of May of 2023, the annual cap has been increased to \$100 million. (See sidebar story on next page.)

Lower credit notwithstanding, since 2006, 36 property owners in Frankfort have taken advantage of the owner-occupied credit, while another 54 have utilized the income-producing or tax-exempt credit. This has resulted in private investment of nearly \$31 million in the historic buildings of Frankfort. Of those 54 income-producing projects, 66% combined the state credit with the Federal Historic Tax Credit, providing a combined incentive of up to 40% of a project's qualified rehab expenditures.

Property owners in Frankfort and Franklin County have been disproportionate users of the state tax credit. Franklin County is home to 1.1% of Kentucky's population and 1.6% of the state's National register listings. But Franklin County (primarily within Frankfort) has seen 3.7% of total tax credit investment since 2006, 5.9% of the approved state credits, and a significantly higher share of every type of historic rehabilitation tax credit project.

FRANKLIN COUNTY SHARE OF KENTUCKY HISTORIC TAX CREDITS



Some projects represent significant investments in dollar terms. The McClure Building and the Vatter-Oetken Motor Company Building are excellent examples. But in fact most tax credit projects have been of a much more modest scale. Forty-five percent of all state tax credit projects in Frankfort have been less than \$100,000 and nearly three-quarters have been less than \$250,000. It was, in part, the effectiveness of the state tax credit for projects of all sizes that encouraged the Legislature to substantially increase the amount of credit available each year.

State Historic Tax Credit Evolution

The State of Kentucky has two historic tax credit programs: one for owner-occupied residential properties and one for all other types of properties. Each year, \$100 million is allocated for the state tax credit programs, 25% of which must be reserved for the owner-occupied residential program.

The Owner-Occupied Residential program provides an income tax credit up to 30% of Qualified Rehabilitation Expenditures (QREs). In order to qualify, the property must be either listed individually or as a contributing structure in a National Register Historic District and have QREs that exceed \$20,000. The per project credit cap for this program is \$120,000.

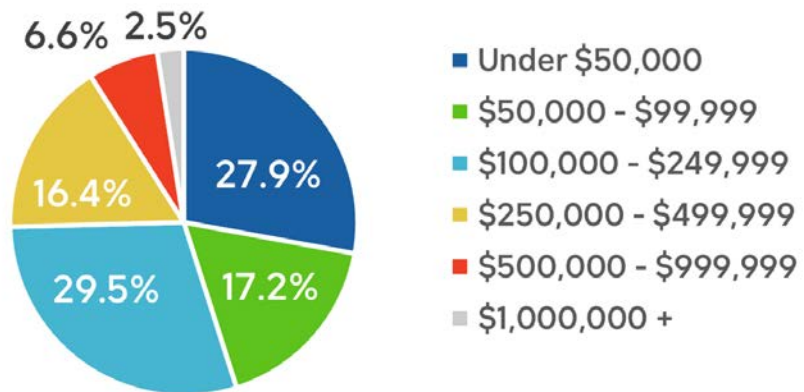
For all other project types (income producing, tax-exempt, etc.), an income tax credit equal to up to 20% of the project's QREs is available. Like the owner-occupied program, the structure has to be either listed individually or as a contributing structure in a National Register Historic District. The project's QREs must exceed \$20,000 or the building's Adjusted Basis (whichever is greater). The per project cap for this program is \$10 million. In the case of a tax exempt entity, the credit may be transferred to qualified parties.

The annual cap for the Kentucky state historic tax credit (HTC) will increase from \$5 million to \$100 million thanks to legislation passed in 2021. The annual cap was increased effective April 30, 2022. H.B. 249 requires that \$25 million of the expanded cap go to owner-occupied residential housing, while the rest goes to non-residential property. Additionally, H.B. 659, which passed in 2022, increases the project cap for commercial projects from \$400,000 to \$10 million and the owner-occupied project cap from \$60,000 to \$120,000.



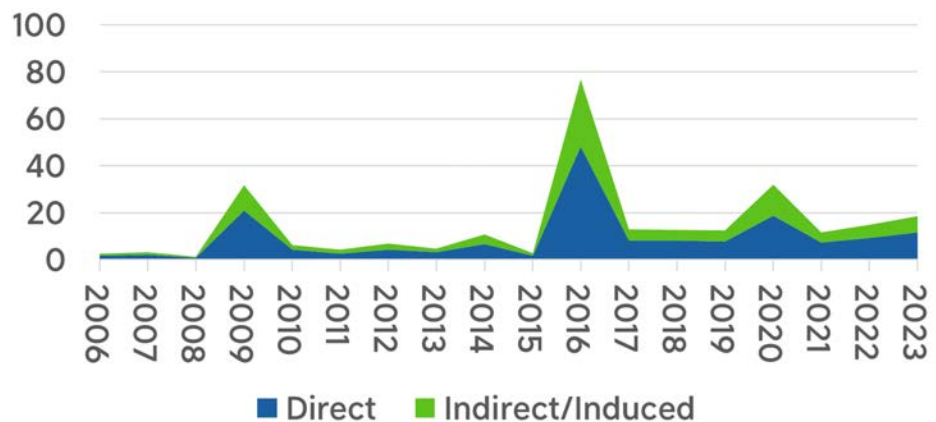
The state historic tax credit has supported projects at a range of scales. Nearly three-quarters of all state historic tax credits in Frankfort have been used on projects that have a total project cost of less than \$250,000.

SIZE OF FRANKFORT HISTORIC TAX CREDIT PROJECTS



Since 2006 just the projects utilizing the Kentucky State Historic Tax Credit have created on average 9.2 Full Time Equivalent (FTE) direct jobs in Frankfort and an additional 5.6 indirect and induced jobs each year.⁷ Additional jobs that may have been created beyond the borders of Franklin County are in addition to those reported. Every 10 direct jobs on a historic preservation project in Frankfort spurs and additional 6 indirect and induced jobs.

LOCAL JOBS CREATED BY HISTORIC TAX CREDIT PROJECTS



⁷ A "direct job" is a job that is created by the project. In the case of historic rehabilitation that would include a carpenter, plumber, electrician, etc. "Indirect jobs" are not people working on the project but are supported by it. In this case, the salesperson at the lumberyard, or the truck driver that delivered materials to the job site are good examples of indirect jobs. An "induced" job is a job that is supported by the employees' own spending on goods and services with the wages earned through direct and indirect jobs.

These jobs have paychecks. Between the average labor income from direct jobs (\$386,557) and from indirect and induced jobs (\$220,008) workers affected by these tax credit projects were paid more than \$600,000 on average each year for the last 18 years. Every \$1000 in labor income to direct jobs in Frankfort spurs an additional \$569 in wages for indirect and induced jobs in Frankfort.



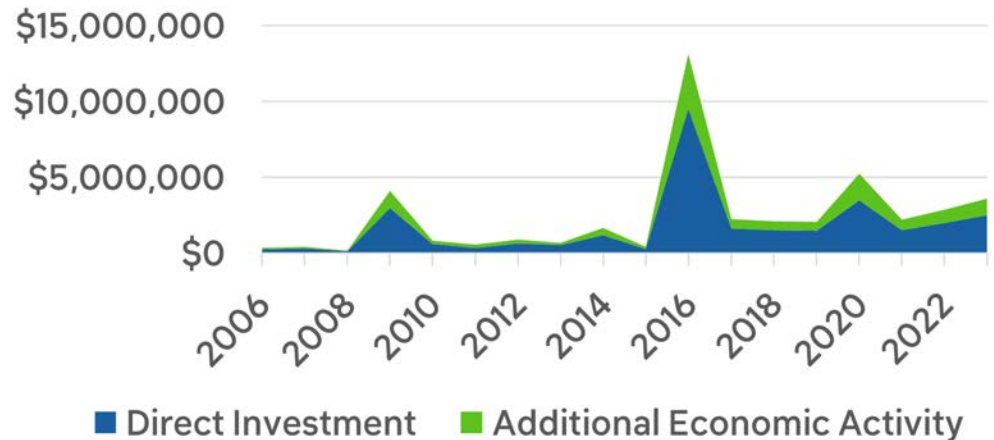
THE KENTUCKY STATE HISTORIC TAX CREDIT HAS FACILITATED NEARLY \$31 MILLION OF DIRECT INVESTMENT SINCE 2006 WITH AN ADDITIONAL \$12.6 MILLION IN INDIRECT ECONOMIC BENEFIT TO FRANKFORT.

LOCAL LABOR INCOME CREATED BY HISTORIC TAX CREDIT PROJECTS



The \$30 million+ of direct investment in these historic tax credit projects have caused another \$12.6 million in local economic activity.

LOCAL INVESTMENT AND ADDITIONAL ECONOMIC ACTIVITY GENERATED BY HISTORIC TAX CREDIT PROJECTS





99% OF ALL COAS THAT WERE APPLIED FOR HAVE BEEN APPROVED AT EITHER THE STAFF LEVEL OR THE ARCHITECTURAL REVIEW BOARD.

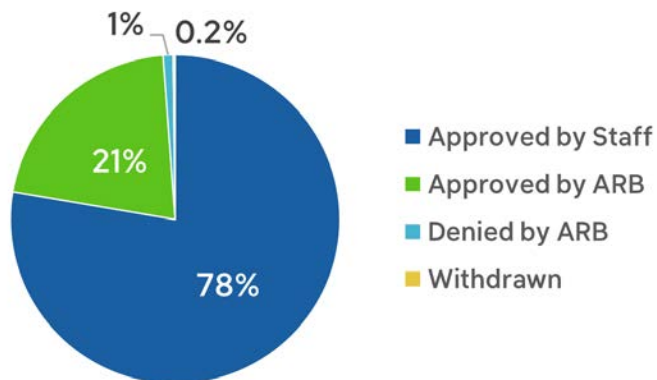
Certificate of Appropriateness

The major regulatory requirement in local historic districts that does not apply to properties elsewhere is the need to comply with the district’s design guidelines. A property undergoing exterior changes must apply for and receive a Certificate of Appropriateness (COA). In Frankfort the Architectural Review Board (ARB) must approve major exterior modifications, new construction, additions and demolitions. However a COA is not required for regular maintenance and repair if no replacement materials are needed. Examples of staff-only review include roof repairs, gutter replacements, window rehabilitation, solar panels not visible from the street, and similar home improvements.

For those not familiar with the review processes or the appropriate treatment of historic buildings, getting approval from the ARB may well seem a daunting task. The good news is a majority of those applications do not require applicants to appear at the ARB’s public hearings and are resolved at the staff level. Since 2011, over 1,020 COAs have been reviewed by staff or the ARB. Of those applications nearly 78 percent have been approved at the staff level. Overall, 99% of all COAs that were applied for have been approved at either the staff level or the ARB. The idea that the role of the Architectural Review Board is to “just say no” and are, therefore, discouraging investment, simply is not statistically supported. The staff and ARB members work with property owners in historic districts to assure that individual property changes are appropriate for both the building and the neighborhood. Ninety-nine percent of the time the applicant’s proposal is approved. Over the last decade there has been an average of less than one application denial per year – hardly a barrier to investment.

The Architectural Review Board also acts as the Zoning Board of Adjustment in the historic zones, so also hear applications for conditional uses in those zones.

OVERALL COA APPROVAL (2011-2022)





The COA process is aimed at ensuring better development outcomes, better maintenance, etc. within historic districts. Many developers and property owners gain an appreciation for historic preservation and learn about best practices after going through the COA review.

ACTIONS OF THE ARCHITECTURAL REVIEW BOARD



Capital City Museum

Frankfort's Capital City Museum is on a mission to engage visitors and Frankfortonians alike in the multifaceted history of Frankfort beyond what might be expected from a small, local museum. Founded in the early 2000s, the museum moved into part of the old Capital Hotel right at the heart of downtown Frankfort around 2006. In addition to offering free admission for all, the museum provides rich and wide-reaching interpretation about Frankfort's long history through fun and engaging public workshops, digital exhibitions, and even podcasts.

Thanks to a significant bequest, the museum recently underwent a major renovation that transitioned it into a new era. Having the time and resources to really focus on taking things to a new level brought a jolt of fresh energy and organization to the museum's spaces, helped boost community outreach efforts, and sparked the development of new creative and impactful programming. "It's been really exciting to build off that energy and enthusiasm and formalize some things," says Museum and Historic Sites Supervisor Eleanor Hasken-Wagner. The year-long effort began in 2021 and included newly reimagined exhibits, storage facilities, archival organization, new lighting, paint, visitor entrance, and an expanded retail space. Since the renovation, visitorship is up and museum membership has increased by 47% from 2021 to 2022.

Since the renovation, the museum has made great strides in assessing their collections, securing grant funding, hosting successful events and workshops, and collaborating with other community organizations. Upcoming goals include developing a Waterways Exhibit and African American Exhibit, addressing deferred maintenance to the museum's building, continuing to grow their podcast series and public outreach. And, they've been rewarded by a slew of grants, awards, and public recognition for their work.

"The mission of the museum is to share the history and contemporary life of Frankfort and Franklin County," said Hasken-Wagner. "We're lucky to be where we are in this community and to have the resources we do. There are a lot of people here who are really passionate about history and heritage and place...really all we do is help elevate the voices of everybody around us."

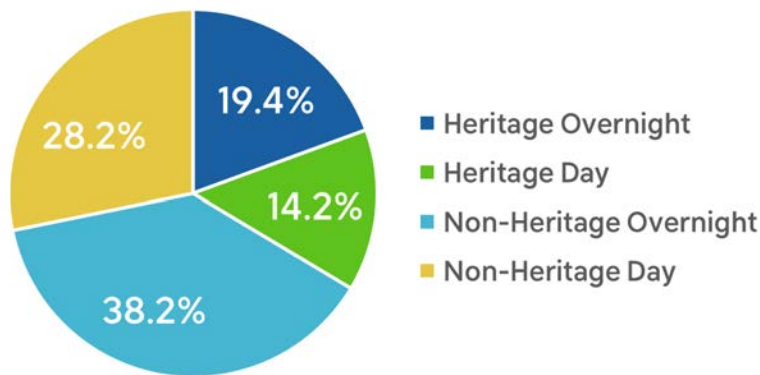


Heritage Tourism

Frankfort's wealth of historic resources supports an important component of the city's tourism industry.

Tourism is a large and growing part of the economy of Frankfort.⁸ In 2022 Frankfort hosted an estimated 306,709 visitors. Of those total visitors, around a third fell into the category of Heritage Visitor.⁹

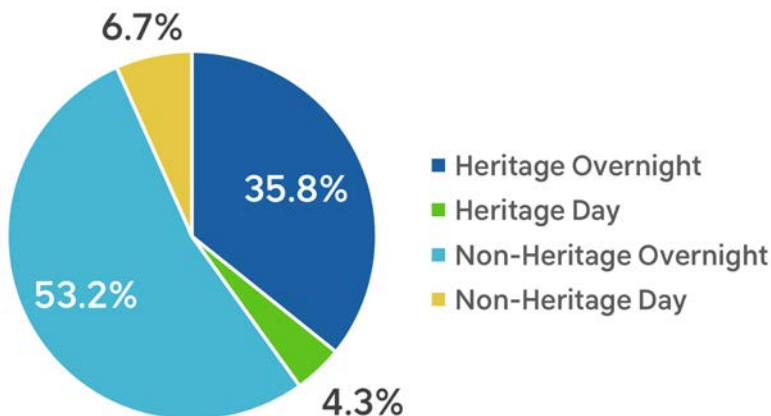
VISITORS TO FRANKFORT



HERITAGE VISITORS MAKE UP 30% OF THE TOTAL VISITATION BUT ACCOUNT FOR 40% OF VISITOR SPENDING.

But while only a third of visitors were defined as Heritage Visitors, that segment accounted for more than 40% of total visitor spending. The local economy received an estimated \$37.9 million from just the heritage portion of tourism visitation.

FRANKFORT VISITOR EXPENDITURES



⁸ This tourism analysis was conducted using data from Longwoods International, who does the annual tourism analysis for the State of Kentucky.

⁹ The definition of Heritage Visitor developed by PlaceEconomics and Longwoods International included those who reported that during their trip they visited landmarks, historic sites, or museums and/or had as special interest activities historic places or cultural activities or attractions. The patterns of these visitors were then contrasted with those who identified none of those as places of visitation or special interest.



Buffalo Trace Distillery

The Buffalo Trace Distillery—historically known as the George T. Stagg Distillery—has been in continuous operation since 1870. It bears a rare distinction as one of very few American distilleries that operated before, during, and after Prohibition. In 2013, it was named a National Historic Landmark (NHL), a designation that its owners pursued for nearly 15 years. National Historic Landmarks are historic places with exceptional value because they commemorate or illustrate the history of the United States. With this designation, Buffalo Trace Distillery joined a short, elite list of just over 2,600 sites across the country representing outstanding aspects of American history and culture.

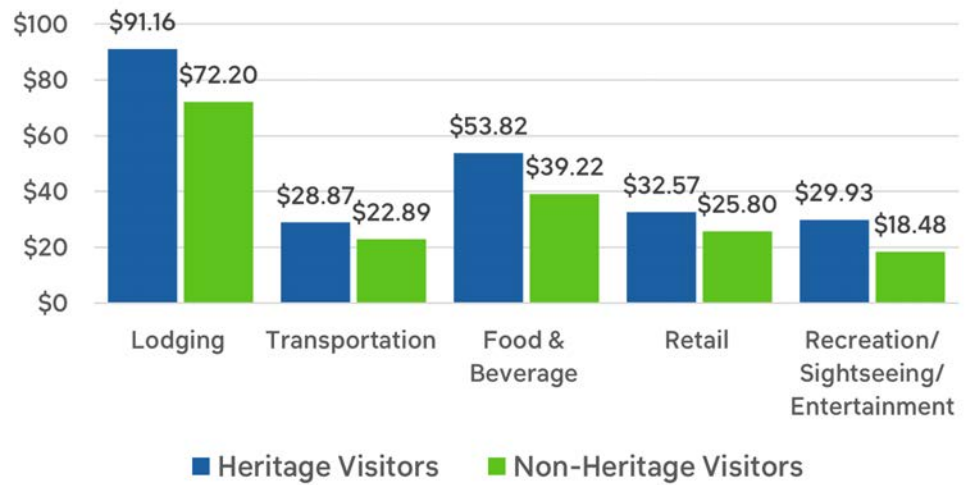
Regardless of its important historical status, Buffalo Trace is no museum frozen in time. Today, the various extant distillery resources, structures, and technology tell a living history of the American whiskey industry over time right up to the present. In fact, the Buffalo Trace Distillery is one of few NHLs that are so productive. Demand for Buffalo Trace Bourbon is so high that the owners needed to implement a one-bottle-per-customer policy. To keep up with demand, the distillery is currently undergoing a multi-year, \$1.2 billion expansion to accommodate more visitors and higher production. This investment marks the site's first large-scale structural expansion since the 1950s and will allow Buffalo Trace to expand both its visitor services and its distilling and bottling operation.

In 2020, Buffalo Trace completed a massive expansion of its Visitor Center during the onset of the pandemic, tripling the size of the previous Visitor Center and allowing for improved health and safety provisions for guests. To date, Buffalo Trace has added 14 new barrel warehouses, 12 additional fermenters, additional cookers, a new cooling system, and a new distribution center. Those efforts are paying off: whiskey-making capacity at the distillery has increased by 50%. In 2022, Buffalo Trace attracted over 470,000 visitors to Frankfort,¹⁰ a prime example of heritage tourism and the impact that living history can have on the local economy.

¹⁰ Buffalo Trace Distillery Production up 50% as \$1.2 million Expansion Continues, Distillery Trail, September 6, 2022. <https://www.distillerytrail.com/blog/buffalo-trace-distillery-production-up-50-as-1-2-billion-expansion-continues-capacity-to-double-to-2000-barrels-day-by-year-end/>

Tourism analysts identify the five major components of visitor spending: lodging, local transportation, food and beverage, retail purchases, and recreation, sightseeing, amusements. Not only did heritage visitors spend more than other visitors, they spent more in every category. Overall, a heritage visitor who stayed overnight spent 32.4% more than her counterpart who did not fall into the heritage visitor category.

OVERNIGHT VISITOR EXPENDITURES BY CATEGORY



The same pattern can be seen in day visitors. While day visitors don't pay for lodging, the heritage day visitor spent more in each of the other categories of expenditures than did the non-heritage visitor. The typical heritage day visitor spent 28.1% more than did the day visitor who had no interest in Frankfort's historic resources.

DAY VISITORS EXPENDITURES BY CATEGORY



A summary of the number and expenditures of heritage and non-heritage overnight and day visitors is found in the table below.

	Overnight Visitors		Day Visitors		
	Heritage Travelers	Non-Heritage Travelers	Heritage Travelers	Non-Heritage Travelers	Total
Visitors	59,502	117,163	43,553	86,492	306,709
Expenditures	\$33,812,555	\$50,308,939	\$4,068,396	\$6,307,411	\$94,497,300

The expenditures of heritage visitors have impacts on the local economy. Overall, expenditures made by heritage visitors in the following categories have generated 446.1 direct jobs and 78.6 indirect/induced jobs for local workers.

Jobs Generated by Heritage Tourism

	Direct	Indirect/Induced	Total
Food and Beverage	106.1	16.3	122.4
Lodging	172.6	34.2	206.8
Local Transportation	47.3	8.2	55.5
Retail	39.6	6.7	46.3
Amusements Entertainment	80.5	13.2	93.7
	446.1	78.6	524.7

These jobs come with paychecks. Overall, jobs generated by heritage visitor expenditures have generated over \$15 million in labor income for workers in these sectors.

Labor Income Generated by Heritage Tourism

	Direct	Indirect/Induced	Total
Food and Beverage	\$2,864,043	\$893,861	\$3,757,904
Lodging	\$5,120,114	\$1,617,254	\$6,737,368
Local Transportation	\$937,438	\$418,851	\$1,356,290
Retail	\$914,718	\$321,974	\$1,236,693
Amusements Entertainment	\$1,575,952	\$625,507	\$2,201,459
	\$11,412,265	\$3,877,448	\$15,289,713

Tourism is a vital element in the local economy of Frankfort, and heritage visitors are the most valuable segment of that industry.



FRANKFORT IS RICH IN HISTORIC TOURIST DESTINATIONS, INCLUDING LIBERTY HALL AND THE OLD STATE CAPITOL.

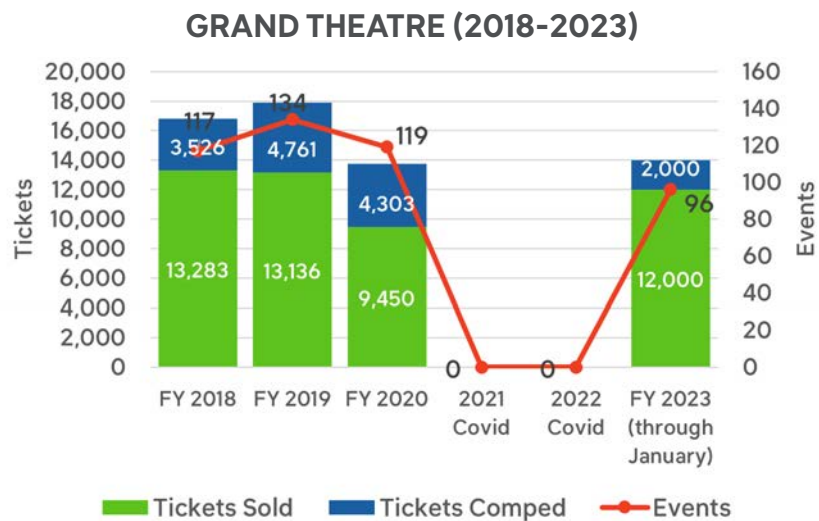


Grand Theatre

For more than a century, the Grand Theatre has served as a center of arts, culture, and entertainment in Frankfort. As the only survivor of what were once five downtown Frankfort theaters, the Grand has certainly had its ups and downs. Evolving from vaudeville, to silent movies, to “talkies,” to an expanded big screen movie theater, the Grand grew and evolved as the City of Frankfort grew and evolved.

But, as was common for single screen theaters, the Grand closed its doors as a movie venue more than fifty years ago. After being used for non-entertainment purposes for decades, the Grand was purchased in 2005 by Save the Grand Theatre, Inc, a non-profit organization. The aim of the organization has been to return the Grand to an arts, culture, and entertainment center for Central Kentucky.

The effort to raise the funds for a \$3.7 million complete renovation is still underway and earlier investment utilized the Kentucky Historic Tax Credit. But the Grand isn’t waiting to resume its role as an important venue for the community. Events and attendance were growing until the Covid-19 pandemic shut things down. That two-year hiatus from public events devastated theaters around the world, and the Grand was certainly affected. But as it has in the past, the Grand has come back strong as a vital gathering point for the community, another example of a building built early in the 20th century that continues to meet the needs of Frankfort and Central Kentucky well into the 21st century.



Ninety percent of the tickets sold at the Grand Theatre are for live events. That means an average of more than 16,000 people each year are brought to downtown Frankfort by events at the Grand Theatre. Attendees at live events frequently use the occasion to have dinner or a drink or do some casual shopping before or after the event or both. No local data is available for attendee expenditure patterns in Frankfort but nationally the average expenditure outside the performance venue is \$24 per attendee. Even if attendees to events at the Grand Theatre average only a third of that, it would mean nearly \$130,000 added to the downtown Frankfort economy.



Conclusion

Historic preservation promotes economic vitality and quality of life in Frankfort.

Historic districts are a small part of Frankfort by area. Both those historic neighborhoods and buildings play an outsized role in the economy, the culture, and the character of the city. The economic and social diversity in Frankfort's historic neighborhoods reflects the wide appeal of those walkable neighborhoods to a range of citizens. Historic districts are magnets for investment, reflected both in the change in property values but also in the willingness to invest in historic structures. Hundreds of workers in Frankfort owe their livelihoods to heritage tourism. While the design guidelines maintain the character and quality of the historic resources of Frankfort, there is no evidence whatsoever that they are a barrier to investment.

Frankfortonians have long recognized the importance of identifying, protecting, and enhancing their built heritage. This report merely quantifies the benefits of that commitment.



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About PlaceEconomics

PlaceEconomics is a private sector firm with over thirty years experience in the thorough and robust analysis of the economic impacts of historic preservation. We conduct studies, surveys, and workshops in cities and states across the country addressing issues of downtown, neighborhood, and commercial district revitalization and the reuse of historic buildings.

This report was prepared and written by Donovan Rypkema, Katlyn Cotton, Alyssa Frystak, and Starr Herr-Cardillo. Rypkema is principal and founder of PlaceEconomics. Rypkema is the founder and Principal of PlaceEconomics. Cotton is the Associate Principal at PlaceEconomics and handled graphic design. Frystak is Director of Research and Data Analytics at PlaceEconomics and handled research methodologies and data collection. Editing and qualitative interviews was done by Herr-Cardillo. Site visits were conducted by Donovan Rypkema, Renee Ingram, and Katlyn Cotton. Ingram is a Financial Consultant at PlaceEconomics.

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