

# 2014-16 Executive Progress Report

Commonwealth of Virginia  
Secretary of Natural Resources

Department of Historic Resources

## At A Glance

The Department of Historic Resources (DHR) fosters, encourages, and supports the stewardship and use of Virginia's significant architectural, archaeological, and historic resources as valuable assets for the economic, educational, social, and cultural benefit of citizens and communities.

**Staffing** 40 Salaried Employees, 11 Contracted Employees, 45 Authorized, and 2 Wage Employees.

**Financials** Budget FY 2015, \$7.09 million, 67.32% from the General Fund.

<b>Trends</b>	↑ Changing Demographics & Related Pressures	<b>Key Perf Areas</b>	↑ Leverage historic rehab
	↑ IT Demands/Expectations		↑ Identify historic properties
	↑ Sea Level Rise/Catastrophic Storms		➔ Leverage private investment
<b>Legend</b>	↑ Increase, ↓ Decrease, ➔ Steady	<b>Productivity Legend</b>	↑ Improving, ↓ Worsening, ➔ Maintaining

For more information on administrative key, and productivity measures, go to [www.vaperforms.virginia.gov](http://www.vaperforms.virginia.gov)

## Background and History

### Agency Background Statement

Established as the Virginia Landmarks Commission in 1966, the Department of Historic Resources (DHR) helps citizens, agencies, and communities to reach their respective economic, education, and historic preservation goals, and promotes the use of historic resources to build a better future for the Commonwealth of Virginia--supporting conservation and historic preservation goals, tourism and economic development, emergency and climate change preparedness, and education. DHR is a small agency with a large and complex mission and programs with high expectations for performance both internally and externally and a strong commitment to citizen access. Its organization and services have evolved over the decades fulfilling both state and federal mandates as Virginia's State Historic Preservation Office (SHPO).

### Major Products and Services

Agency products and services are a closely interwoven and inter-dependent set of tools used to identify, evaluate, and recognize historic resources. Other programs guide and support a wide variety of stakeholders as they ensure that that Virginia's rich historic heritage continues to play a role in building an economically and environmentally strong future for the Commonwealth, its citizens, and its communities. The agency's most widely visible services include:

- Surveys to identify and share information on a growing inventory of more than 225,000 historic buildings, sites, districts, objects and structures
- Register and historic highway markers to recognize significant historic places and bring them to public attention
- Review and technical assistance to private projects that rehabilitate and reuse historic buildings to ensure they meet the standards to qualify for tax credits
- Easements to protect significant buildings and sites in a public/private partnership
- Environmental review and technical assistance to all federally funded, permitted or licensed projects that may affect significant historic resources
- Grants to preserve historically significant battlefield lands and the graves of Confederate and Revolutionary War soldiers

- A federally mandated program to certify and provide grants to local government preservation programs
- Archaeological field research to document sites, especially those that are threatened with destruction, and to bring the lessons learned from those sites to the public through research reports and through diligent management and stewardship of the state's collection of several million artifacts
- Emergency response guidance and assistance to property owners, localities and the Federal Emergency Management Agency and the Virginia Department of Emergency Management when historic places are impacted
- Education and technical assistance to help the public and private property owners understand and preserve historic places in a 21st century world

## Customers

### Customer Summary

The Department of Historic Resources's (DHR) customer base includes individuals, agencies, and organizations that own or otherwise benefit from historic resources. Stakeholders deal directly with DHR to register their historic homes and commercial buildings and seek guidance and incentives to rehabilitate buildings, to conduct research on Virginia history or to support sound private and public decision-making, or to use historic places to educate our children. They also include the travelers and citizens who experience the economic, cultural, and quality of life benefits of tourist attractions and of livable historic communities. Demand for and reliance on DHR services from one customer group to another varies greatly depending on the nature of the service (e.g. educational materials vs technical assistance for rehabilitation and economic revitalization) and on changing economic situations of the customers/industry served (e.g. an economic downturn in the construction industry results in proportionally more applicants who are not familiar with historic rehabilitation and who need more guidance to ensure an appropriate outcome). Increasingly customers expect electronic access to DHR programs, services, and data.

### Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Consumer	General public and tourist	500,000	8,300,000	Stable
Higher Education Institutions	Scholars and researchers	300	2,000	Stable
Local or Regional Government Authorities	Local governments	45	300	Increase
Minority	Native American tribes and other Native American groups	11	11	Stable
Non-Profit Agency (Boards/Foundations),	Historic attractions and museums	60	700	Stable
Organization	Preservation organizations and professionals	100	600	Stable
Property Owner	Owners of historic properties	1,000	100,000	Increase
State Agency(s),	State Agencies that own or impact historic resources	50	80	Increase
Student	Students, teachers, and educational institutions	2,000	1,000,000	Stable
Federal Agency	Federal Agencies	80	200	Increase
Non-Profit Agency (Boards/Foundations),	Non-profit organizations that purchase, conserve, and manage Civil War battlefield lands and easemen	7	10	Stable
Organization	Memorial associations and other organizations caring for the graves of Confederate and Revolutionary War Veterans	250	250	Stable

## Finance and Performance Management

### Finance

#### Financial Summary

The Department of Historic Resources' (DHR) funding comes primarily from the general fund, with roughly 15% from a federal appropriation and grants, plus occasional private gifts and donations, fees for assistance to developers seeking rehabilitation tax credits, fees for conducting archives research, and curatorial fees. Other sources include sales and royalties from publications, copy machine fees, and federal grant cost recoveries.

DHR also administers general fund grant programs to preserve significant battlefield lands and to maintain Confederate and Revolutionary War

graves.

#### Fund Sources

Fund Code	Fund Name	FY 2015	FY 2016
0100	General Fund	\$4,773,275	\$5,798,649
0200	Special	\$671,584	\$671,687
0280	Appropriated Indirect Cost Recoveries	\$32,000	\$32,000
0410	Highway Maintenance And Operating Fund	\$100,000	\$100,000
1000	Federal Trust	\$1,513,214	\$1,513,214

#### Revenue Summary

Most of the Department of Historic Resources' funding derives from its general fund appropriation (which includes both operating costs and funds appropriated for various grant programs). Roughly 15% of the Department's total budget comes from an annual federal appropriation for conducting federally mandated responsibilities. The Department also derives income from a combination of fees, sale of publications, grants from non-governmental sources, donations (including income tax "check-off" donations) and bequests. These proceeds vary greatly from year to year and are declining overall. All interest income from these funds has been discontinued.

#### Performance

##### Performance Highlights

Just as historic places provide the foundation for Virginia's \$21.5 billion tourism industry and the nearly \$4 million film industry, adaptive reuse of historic buildings using rehabilitation tax incentives has proven to be the single most effective tool in successful urban revitalization. A 2014 report on the economic benefits of historic preservation by Virginia Commonwealth University documents the long-term economic impact and performance of one of the Department of Historic Resources' most critical program services—technical assistance and certification of private historic rehabilitation projects that qualify for state and/or federal tax credits. As noted in a press release from Preservation Virginia, "During the 17-year period [covered by the study], nearly \$1 billion in tax credits leveraged almost \$3 billion in private investment, resulting in the rehabilitation of 2,375 buildings—ranging from warehouses, hotels, theaters and even part of a prison complex to private residences. Expenses of \$3.97 billion for these rehabilitation projects serves as a catalyst on sectors of the economy to stimulate an additional estimated \$3.9 billion in activity, adding to the state's overall economic well being, according to the study"—producing reliable investments even through the Great Recession of 2007-2009. Annual performance for the Department of Historic Resources is summarized in the bullets and table below, As of January 2015 those figure had grown to more than \$4 billion in private investment.

Highlighted outcomes of other agency programs and services include:

- During state fiscal year 2014, DHR worked with developers to bring 153 rehabilitation projects to successful completion for a total of \$223.25 million in private investment.
- DHR archives served 4,861 researchers either on site or through its research services.
- Sponsored or cosponsored training and educational activities reached 18,409 adults and students through workshops, field schools, lectures, and other educational activities ranging from Archaeological Resource Kits used in school classrooms to major conferences and training in cemetery preservation and state and federal review processes.
- Exhibits using Department archaeological artifacts around the state reached an audience totaling approximately 635,483 people of all ages.
- Partnerships primarily with localities and other public agencies added records on an additional 3,520 historic properties to the statewide inventory – which now totals more than 225,000 buildings, districts, sites, structures, and objects.
- Property owners and staff reached agreements to place an additional 20 historic properties under perpetual easement and staff visited more than 30% of the total easement properties to ensure compliance with existing easements.
- Agency performance in reviewing publicly funded or permitted projects within 30 days reached a new high of 95%.
- Fully 64% of all historical highway markers approved for placement on Virginia's roads and byways told the story of people and cultures generally under-represented in the telling of Virginia history, while 20% of all properties added to the Virginia Landmarks Register reflected Virginia's rich diversity, and educational programs and exhibits reflecting this diversity account for 23% of the agency's public audience.

**Selected Measures**

Measure ID	Measure	Alternative Name	Estimated Trend
42300000.002.001	Number of projects that rehabilitate and reuse historic buildings as certified to meet the criteria for tax credits	Leverage historic rehab	Improving
42350205.001.004	Number of historic properties newly identified and recorded or for which new data is added to the statewide inventory.	Identify historic properties	Improving
423.0005	Completion rate for survey and planning projects conducted in partnership with local governments		Improving
42350205.002.006	Percentage of properties under easement monitored for consistency with easement provisions	Easement inspection rate	Improving
423.0006	Percentage of historic properties newly identified or revisited on the statewide inventory that are within defined climate change impact areas		Improving
42350205.002.002	Amount of private investment (in millions of dollars) leveraged rehabilitation tax credits to reuse historic buildings and stimulate local economies	Leverage private investment	Maintaining
42350205.002.004	Percentage of agency responses that comply with the 30-day federal response requirement for state, federal, and local project review	Completion w/in 30 day rate	Maintaining
42350205.002.003	Number of historic preservation easements added or amended to protect Virginia's significant historic assets.	Preservation easements	Improving
42350205.007.003	Percentage of participants reached by education programs with themes emphasizing the rich variety of peoples and cultures in Virginia's history		Improving

**Key Risk Factors**

**Changing Demographic Pressures on Historic Resources:** There are several population and related trends that strongly impact historic assets in communities throughout Virginia.

1. A movement out of suburbs and back into city cores provides both an opportunity to rehabilitate urban residential neighborhoods and adaptively reuse older commercial and industrial buildings (as has been done with great success in Richmond, Roanoke and Arlington for example), but can also pose threat if less visionary development leads to large-scale demolition of historic assets.
2. Growing transportation and energy needs put pressure on historic communities, landscapes, and archaeological sites with new roads, widening of existing roads, and the construction of major power lines to support a growing digital economy. Such large projects often need detailed studies and must balance competing social and economic priorities. Impacts to historic resources are best considered early in the planning process to avoid or minimize unexpected consequences and potentially damaging conflict.
3. Deterioration of rural and agricultural resources when people and industry move away from communities (particularly in Southside and Southwest Virginia) can be nearly as damaging to historic places as rapid development—including the trend of clearing land for industrial parks in the hopes that someone will come to the region to use those cleared areas in the future.

**Climate Change/Rising Sea Level/Catastrophic Storm Surges:** From prehistoric and colonial archaeological sites to Historic Jamestowne, Tangier Island, and Fort Monroe, virtually all historic resources in Virginia's Atlantic and Chesapeake coastal areas are increasingly impacted by changing weather patterns and rising waters. Regardless of the causes, increased flooding, changing shorelines, and potential loss of historic fabric in hundreds of coastal communities is a reality that needs careful and meaningful study, preparation and responses.

**Revenues:** The future of federal funds is unclear and has been flat at best for more than a decade. The federal transportation enhancement fund program (administered by the Virginia Department of Transportation) has changed and will no longer fund the historic highway marker program increasing reliance on general funds and reduction in the number of priority markers developed and placed. Special fund revenues have been steadily declining across the board. As of 2014 the agency is in the process of promulgating regulatory revisions that will help close the gap between demand for rehabilitation project assistance and certification and the staffing needed to provide those services which are funded entirely through review fees.

**IT Costs and Demands:** While the agency's greatest IT risk was once the rising cost of basic services, the larger issues are now the need to expand the agency IT portfolio and the ongoing costs of electronic storage space. Having completed overhauling the agency's online historic resources inventory and developing the nation's first on-line project review/data-sharing system, the agency needs both to maintain and to continue enhancing these systems. Further, new systems need to be developed to integrate related program records and management. Paper records on nearly 600 easements, hundreds of rehabilitation projects, and thousands of publically-funded or licensed projects, and over 225,000 historic places

need to be digitized. As DHR's digital data store increases, so does the ongoing cost of storage. Finally, a once-award-winning website is now outdated and in need of transformation with both short term development costs and long term maintenance requirements beyond the current capacity.

Leases: DHR has traditionally negotiated leases for satellite offices at little or no cost to the agency. Host localities and organizations can no longer afford to provide free space, particularly space that meets state leasing requirements. A new lease for the Tidewater office is currently in negotiation and the lease for the agency's main office in Richmond will need to be renewed by 2018.

Workforce Capacity and Continuity: Primary factors affecting the work force are the high volume of demand and complexity of the work, changing nature of historic preservation services, and the market competition from other agencies and the private sector. In addition, the impact of staff retirements is being felt in several areas. Fully 7% of DHR staff have retired in the past biennium. Two of these positions were abolished as cost savings. Another 13% of the agency staff will become eligible for retirement during the coming biennium.

## Agency Statistics

### Statistics Summary

Long-recognized as having both an abundance of nationally important historic places and one of the leading historic preservation programs in the nation, the cultural and economic value of Virginia's historic assets has been confirmed in study after study. Similarly, programs and services of the Department of Historic Resources (DHR) touch virtually every state and federal agency and every community across the Commonwealth.

In addition to the performance highlights above, the table below provides a sense of

- Economic impact (in billions of dollars) of the state and federal historic rehabilitation tax credits (since 1997; Virginia Commonwealth University study) – 3.9
- National ranking for rehabilitation plans approved (National Park Service; federal fiscal year 2013)-- 1
- National ranking for qualified rehabilitation projects completed and approved (National Park Service; federal fiscal year 2013)-- 2
- National ranking for listing historic properties (buildings, sites, districts) on the National Register of Historic Places (National Park Service; federal fiscal year 2013)-- 3
- Total number of historic preservation easements (#2 nationwide) – 579
- Total number of acres preserved through historic preservation easements (#1 nationwide) – 38,191
- Total number of Civil War battlefield acres preserved by Civil War Historic Sites Preservation Fund (2006-2014) – 6,384
- Number of requests received and handled to review and advise on state or federal projects (2014) – 4,135
- Number of children and adults who have benefited from exhibits and educational activities benefitting from agency services or artifacts -- 653,892

### Statistics Table

#### Description Value

## Management Discussion

### General Information About Ongoing Status of Agency

The Department of Historic Resources (DHR) is a lean, dynamic, service-oriented agency. A small agency with many complex programs, DHR faces high expectations for performance both internally and externally. As a result of the impact of the broader economic situation on both DHR and its stakeholders, the agency has strategically focused more and more on the most essential aspects of highly interconnected core programs and services, including greater emphasis on training to help stakeholders help themselves.

In this light, agency priorities include:

- Emphasizing core programs and services including environmental review, rehabilitation tax credits, registration, historic resource data management

and easement management. Other mandated services that will be reduced due to limited resources include survey, training and educational efforts, and general technical assistance.

- Conducting studies and projects that support both preparedness for and responses to rising sea level and extreme weather conditions associated with ongoing climate change.
- Encouraging good stewardship of historic resources in both the public and private sectors;
- Educating customers on the benefits of historic preservation and the tools that they can use to meet their own goals more effectively;
- Finding and retaining qualified, knowledgeable, and customer-oriented employees;
- Providing timely and responsive service in all service areas;
- Using technology to enhance transparency, efficiency, and both accurate and timely data management and delivery.

DHR remains committed to ongoing initiatives:

- State Stewardship including helping state agencies become better stewards of lands and buildings;
- Sustainability including emphasizing historic resources' role in an environmentally sensitive and economically dynamic future;
- Inclusiveness including ensuring programs are both accessible to and representative of the full range of stakeholders and cultural and ethnic influences in Virginia history.

### Information Technology

The Department of Historic Resources (DHR) has long embraced, and is a national leader in, Information Technology solutions to manage and deliver historic resource data to public and private customers--contributing to a wide range of economic, tourism, infrastructure, conservation and education goals. Each year, customers demand and internal users need more and better data, tools, analysis and greater interactivity, as well as faster delivery.

For example:

- A surge in federally funded projects prompted DHR to develop the nation's first electronic project information exchange (ePIX) for review applicants to submit data and for both applicants and reviewers to track the process electronically.
- Partnering with Dominion Virginia Power and the Tusculum Institute, DHR created an interactive website that provides home owners with valuable information to address energy efficiency in a cost effective manner and delivered that message to all Dominion's residential customers.
- More recently DHR established a Facebook site as part of its citizen engagement strategy to help reach a younger, more diverse audience.
- As part of a website hosting move, DHR upgraded its highway marker application to allow staff greater access to a single database. Highway marker data, including coordinates, can be downloaded on demand by external users and a map service is available for use in external applications.
- In order to address external user expectations for multi-browser capability, centralized tracking on project status and increased security, DHR overhauled its nationally recognized online system with data on more than 225,000 historic resources (the Virginia Cultural Resource Information System or V-CRIS).

As we move into the next biennium, DHR will focus on the next steps down to ensure Virginia has a 21st century approach to historic preservation data:

- In order to meet growing demand for readily accessible digital data, DHR will focus over the next two biennia on continuing to enhance this system, update and digitize hundreds of thousands of paper records, and build systems that integrate V-CRIS and ePIX as well as the management of listing properties on the Virginia Landmarks Register, managing preservation grants, easements and rehabilitation tax credit projects into a single inter-connected system.
- A once award-winning web site no longer meets user needs. Transitioning to a content management system would streamline business processes, and offer a website that is more interactive, easier to navigate and takes less technical expertise to maintain.
- Advances in technology and greater customer (and internal) demands for more and better geospatial data require DHR to expand the existing geographic information system to allow for a higher level of interaction, such as providing dynamic data access and greater ability for customized self service through a public map viewer. In addition, the demand for accurate survey data would be enhanced by the use of geographic positioning systems.

### Workforce Development

The Department of Historic Resources (DHR) takes a strategic approach to changing resources, staffing levels, customer needs, and simply changes of doing business in the field of historic preservation. The agency has reorganized to minimize the effects of staff reductions and retirements over the years and redefined positions to address the growing need for skills such as geographic mapping systems. The agency has trained existing staff to improve web site development and maintenance, and recognizes gaps in history (particularly Civil War, Native American, and African American history) as a result primarily of retirements. As the tax credit and easement programs grow in both numbers and complexity, there is increasing demand for historic architectural specialists and legal expertise in order to minimize the risk in these two high impact programs. The trends toward retirements (particularly at the senior level), growing program/legal complexity, and need for different skill sets are expected to continue for the foreseeable future.

### Physical Plant

The Department of Historic Resources (DHR) fills its statewide responsibilities by services provided from a central facility in Richmond,

supplemented by regional offices in Newport News, Salem, and Stephens City. (Central and Southside regional services are provided from Richmond.) The agency also has a one-person satellite in Harrisonburg. Administrative services staff are housed in Petersburg. From the inception of its regional office system in 1989, DHR has located its remote offices by allowing localities to compete to house DHR staff and services at little or no cost to the agency. Over the years, with changes in the economic climate for its local hosts and state leasing requirements, local hosts have been reluctant to renew those leases making it more difficult to keep the regional offices in the same areas. Each of the three have now been moved at least once. In the coming years, DHR will explore options to co-locate with both public and private agencies in a continuing effort to keep costs low and to retain its ability to provide services more quickly and cost-effectively to localities than could be provided from a single office in Richmond. The central office in Richmond is co-located through a lease with the Virginia Historical Society--in space designed and built with private funds specifically to meet DHR programs, archives, and artifact collections and conservation needs. That 20-year lease will be up for renewal by 2018.

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