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FUNDING PUBLIC STREETSCAPE IMPROVEMENTS IN A HERITAGE CITY: A WILLINGNESS TO PAY SURVEY

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ABSTRACT

How to finance downtown redevelopment activities can be problematic for city planners since the viability of a plan to make improvements often rests with the willingness of merchants to pay for them. this article describes and illustrates two methodologies that are particularly well suited for such assessment purposes. The first is the contingent valuation survey methodology that elicits stakeholders' improvement priorities and their willingness to contribute towards those improvements. The second is the design charette process that embellishes upon such survey results and invites further consensus building. Since the initial stage of a redevelopment project is at best speculative, these methods are useful tools for planners since they can be performed quickly with minimum costs and allow all stakeholders a say in the planning process.

INTRODUCTION

Heritage cities are popular tourist destinations (9). According to Conde' Nast Traveler's 1997 reader poll, 11 of the 20 most popular cities in the world are heritage cities. Heritage cities provide an ideal mix of nostalgia, ambiance and quality shopping environment for viable tourism economies.

Heritage cities of today often have emerged from states of urban neglect and economic decline. For community leaders to be able to attract the type of private investment to renew blighted areas, they must provide shoppers--and the merchants that depend on them--with a quality shopping environment. How to finance improvements to a downtown shopping environment—or *downtown streetscape* is often problematic since government resources are limited and small businesses by nature are financially conservative. This article focuses on how one such historic city--the City of Charleston, South Carolina--is accomplishing such a task. Moreover, this article highlights a survey methodology used to facilitate an open dialog between city planners intent on improving the downtown streetscape and merchants and property owners who were expected to pay for the improvements. In particular, the method employed in this study could uniquely address the following three questions: (1) what are the priorities merchants and retail property owners felt were important in improving the streetscape of the historic downtown shopping district; (2) how much would individual businesses be willing-to-contribute financially in order to receive these improvements; and (3) what factors contributed toward explaining why some merchants and property owners would be willing to contribute more than others.

Findings of this study are presented to illustrate the application and potential usefulness of the methodology employed in this study. Contingent valuation methodology provides researchers an arguably inexpensive and potentially useful way in which to identify improvement priorities from various stakeholders and assess their willingness to pay for such improvements. Any insight the reader gleans from these case-bound results that are useful in other community redevelopment efforts is an added bonus.

The article is composed of four parts. In order for the reader to gain an appreciation of the unique circumstances of Charleston, we first present a brief history of the city from its rise as an important trading center to its decline and rebirth over the past 100 years. Second, we summarize the contingent valuation methodology and how it was adapted to these unique circumstances. Third, we summarize the results of this present study. Lastly, we extend our discussion by briefly discussing the next stages of the consensus building process triggered by the contingent valuation study. First, we present a brief history of Charleston as summarized by the City of Charleston's Tourism Commission (8) for its licensed tour guides.

THE HISTORY OF CHARLESTON

Charleston was founded in 1663 as a land grant from King Charles II to a group of eight English gentlemen who became known as the Lords Proprietors. In his honor they called the land Carolina, from the Latin for Charles. In 1670, the first settlers arrived and established the first settlement. By 1672, the secretary of the colony reported the population to be "263 men able to bear arms, 69 women, and 59 children or persons under 16 years of age." The 1685 Revocation of the Edict of Nantes by Louis XIV of France lead to a large inflow of Huguenots to the area.

Charleston has been the center of important U.S. military conflicts. In 1686, one of many Spanish attempts to destroy the early settlement was thwarted by a hurricane considered at the time to be "wonderfully horrid and destructive." In May 1718 Blackbeard the pirate terrorized the city by capturing a number of the city's leading citizens and demanding a ransom of food, drugs, and other provisions. Perhaps the first rumblings of the Revolutionary War began in Charleston when in 1765 Christopher Gadsden through the local press attacked the attempts of Parliament to enforce the Stamp Act. He encouraged resistance to British authority by proclaiming, 10 years before Patrick Henry, the Latin phrase "Aut mors aut Libertas," that means "Liberty or Death." Once the conflict had begun, the British landed on nearby Seabrook Island and began a 41 day siege of the city that ended with the city's surrender in 1780.

The first shots of the American Civil War occurred in Charleston when the cadets of the local military college fired the first volleys of a 36 hour siege of the Federally held harbor fort. Later in that conflict, the Confederate submarine, H.L. Hunley sank the USS Housatonic in 1864, becoming the first submarine to sink a vessel. Today a replica of the Hunley can be seen at the Charleston Museum.

The effects of war, a series of natural disasters and neglect over time left the old historic city in a state of disrepair. The plantation economy never fully recovered from the destruction of the Civil War years. In addition, in 1886 the most severe earthquake east of the Mississippi rocked the city causing approximately 80 deaths and an estimated $6 million worth of damage to the city. Though there was not a Richter scale at this time, the magnitude of the earthquake has been estimated at somewhere between 7 and 8. The city sits on top of the Woodstock fault causing 2 to 3 tremors a year, but none equal to the magnitude of the 1886 earthquake.

Today, the economic fabric of Charleston is made up of the Port of Charleston, a growing medical community, a diverse but flexible manufacturing base and a visitor industry. Of the 12,000+ businesses that currently exist, 80 percent are owner-operated enterprises in a variety of retail, transportation and hospitality sectors. Fifty percent of all retail sales in the historic district are derived from visitors.

AN OVERVIEW OF CHARLESTON'S PRESERVATION AND REDEVELOPMENT EFFORTS

Charleston is considered by many as the birthplace of the American Preservation movement. By 1920, concern over the destruction of historical buildings inspired the forming of the Society for Preservation of Old Dwelling Houses, still functioning today as the Preservation Society. In 1931, Charleston adopted the first Historical Zoning Ordinance in the United States. By 1947, Charlestonians established the Historic Charleston Foundation to help preserve the city's architectural heritage. To help raise money for this work, the Foundation began its "Festival of Houses" tours of private homes each spring from mid-March to mid-April.

The accomplishments of the preservation society and foundation in preserving the city's architectural heritage are impressive. However, these accomplishments pale when compared to the enormous investments of the private sector. Private investment has been the principal catalyst of Charleston preservation accomplishments. How to motivate and gain consensus among multiple private stakeholders was the principle reason for this study involving the contingent valuation methodology.

OVERVIEW OF THE CONTINGENT VALUATION METHODOLOGY

Contingent valuation is used to estimate the economic value of an amenity, such as access to public parks, that are not sold through conventional markets. The research methodology produces an economic value for an improved amenity by asking subjects to respond to a well-defined scenario describing the current amenity, plausible changes to the amenity (i.e., access, improvements, etc.), and how much they are willing-to-pay for it. Variations include personal interviews, questionnaires, bidding games, and public referenda (1, 6).

The contingent valuation method asks beneficiaries of proposed investments to rate their preferences for a particular project by stating the amount of actual or hypothetical payments they would make to receive the benefits. The benefits are measured by the maximum amount that the individual or business would be willing to pay for the improved project produced by the investment. The investment is plausible if the aggregate benefit from all affected individuals and businesses exceed the cost of the investment.

The contingent valuation method has been used to assign economic value to potential public works projects that have been difficult to evaluate. It can be used to determine the perceived economic value of cleaning up the environment, providing social services, and improving recreational facilities. We have used it to assess the willingness of saltwater anglers to pay higher licensing fees for enhanced fisheries (5), the willingness of electric utility customers to pay for a solar education program in a state's public schools (2), and the willingness of private club members to pay higher annual fees for improved children's playground facilities (2). Lindberg and Johnson (4) arguably have provided the most unique adaptation of the methodology by assessing subjects' perceived economic gain through tourism and its relationship to their tolerances of the disruption tourism causes residents along the Oregon coast. The contingent valuation methodology allows planners to assess the viability of improving an amenity from the perspective of those who will be expected to pay for the improvements.

METHODOLOGY

Five hundred thirty-six (536) tenant merchants and 232 commercial property owners were identified from municipal tax records. For purposes of this study, a five page self administered survey was mailed to each merchant and property owner that included a cover letter from the director of the downtown merchant associations solicited their input. Budget limitations limited any follow-up contacts. Yielded from the methodology was 272 completed surveys for an overall response rate of 35.4 percent, 161 (30%) merchants returned a completed survey, as compared to 101 (43.5%) property owners. Though the response rate was not as high as desired, it was consistent with other studies employing single mailing (3).

The five page questionnaire was composed of four parts. First it asked the merchant and/or property owner to grade the performance of the city on maintaining the current streetscape using an A-F school grading scale. Next respondents were asked to identify priorities for streetscape improvements by responding to a nine item list of potential improvement areas using a three point scale (i.e., improve, leave alone, uncertain). Part three contained the willingness to pay scenario. In this section, subjects were presented the following scenario.

"The cost of these streetscape improvements can be paid by a blend of a City capital contribution and the creation of a business improvement district area. A bond can be issued to pay the difference between the costs of the improvements and the City's contribution. The bond will exist for a finite and established period of time. During that period, the properties would be assessed a specific fee that will remain constant until the bond is paid. Property owners must agree to the creation of the special improvement district."

Consistent with the contingent valuation methodology, follow-up questions asked subjects their willingness to pay such an assessment and, if so, how much on a monthly basis. Subjects could indicate their monthly 'bid' within a range of $100 to $250 in $25 intervals. Subjects who indicated they would not or were uncertain as to their willingness to pay were asked to indicate the principle reason(s) for their reluctance.

The final section of the questionnaire asked respondents to share certain aspects of their business by responding to a series of questions. Questions ranged from how their current business activity was compared to a year ago, their business forecasts, what percentage of their business was generated from tourists, type of business ownership, did they own or lease their retail space, measures of longevity at that space, and, if leased, measures of change in their rent.

RESULTS

The survey provided a relatively efficient means with which to 'Add the voice of the merchant and property owner' into what improvements were needed and who would be willing to pay for them. For brevity's sake, only those parts of the survey germane to the contingent valuation methodology will be addressed.

Figure 1 summarizes the priorities for streetscape improvements from the perspective of merchants and property owners. Though consensus is never expected in any polling situation, the results of the analysis did reveal which changes are more controversial than others. Nearly three out of every four respondents favored improving the surfaces of sidewalks, planting trees and flower boxes, and resurfacing the city streets. In addition, burying power lines and increasing lighting was a recommended improvement by more than half of all respondents. The most controversial changes would be making changes to business and city signages with nearly one half of the respondents indicating that the city should leave these issues alone and the other one half suggesting changes or uncertain. Subsequent analysis did not reveal any significant differences between merchants and property owners in terms of their streetscape improvement priorities.

Following the willingness to pay scenario, respondents were asked to indicate their willingness to pay an additional business assessment in order to raise the needed capital to fund the desired improvements. Differences emerged between merchant and property owners in terms of their willingness to pay. Specifically, 43 percent of property owners indicated they would be willing to pay such an assessment, 42 percent rejected the proposition, and 15 percent were uncertain. (see Figure 2). When asked how much they would be willing to pay, the range was from $100 to $250 per month with an average of $142.07.

In comparison, the same figure illustrates the opposition of merchants who lease their buildings (i.e., tenants) to the proposed special assessment. Specifically, roughly 60 percent of the merchants who leased their business locations objected to the proposed funding mechanism, while 16 percent agreed, and 25 percent were unwilling. Among the merchants who shared a willingness to pay a special assessment, the range was from $50 to $200 per month with an average of $115.00.

Consistent with the willingness to pay scenario, subjects who responded that they were uncertain or unwilling to agree to the funding mechanism were asked to indicate the reason(s) for their objections. Figure 3 depicts those reasons. More than one-half of merchants and property owners' objections were based upon financial concerns, meaning they did not want to add to their monthly taxes and rent. On the other hand, one quarter of the 'no-bid' respondents indicated that they did not have enough information to base a decision at this time, while another 12 percent did not feel that their business would benefit from the streetscape improvements.

A series of simple regressions was performed on the data in order to gain insights as to why some respondents were willing to pay the special assessment more so than others. Respondent's final bid to the willingness to pay scenario (i.e., 0-$250) served as the dependent variable in which a series of explanatory variables were regressed.

Respondent's assessment of their current business climate, as compared to a year ago, and their optimism for the next year was significantly related to their willingness to pay. The more business had improved from a year ago and the more optimistic they were concerning their future, the higher the bid in the willingness to pay scenario.

On the other hand, measures on longevity at the business location (i.e., year first purchased, year first leased), the percentage of their rent increase over the past year (for tenants only), percentage of their business generated from tourists, and business type (i.e., locally owned, corporate chain, franchise), had no significant relationships with subjects' responses to the amount of their willingness to pay.

SUMMARY OF THE CONTINGENT VALUATION SURVEY

Yielded from the contingent valuation or willingness to pay survey was a number of insights on the streetscape initiative important to the city planners. First, property owners were more favorable to funding streetscape improvements than tenants. This is perhaps understandable in that most property owners stand to enjoy a longer term benefit from the enhanced values of their properties due to streetscape improvements. Moreover, most property owners could potentially pass along any additional costs to their tenants since few are merchants themselves.

In addition, the 42 percent of respondents who indicated that they were not willing to agree to an assessment, did so under a lack of information or uncertainty as to how the improvements would benefit them directly. Future hearings held by the city planners and downtown merchants' association focused specifically on this issue by bringing in the testimonies of merchants from other communities.

As to our ability to explain or predict subjects' willingness to pay based upon available explanatory variables, the variables that were found to be unrelated were more insightful than ones that were significantly related. It was assumed that locally owned and operating businesses would be more vested in bringing about improvements than corporate chains. This was not shown to be the case among these respondents. In addition, it was revealed that some of these merchants had experienced significant rent increases over the past year, ranging from 5 to 100 percent with an average of 14 percent and these increases in the cost of doing business would have a negative influence on their willingness to pay. However, the analysis revealed no such relationship meaning that a number of merchants were prepared to add more to their already high cost of doing business while others were not.

THE DESIGN CHARETTE: A USEFUL EXTENSION TO THE CONSENSUS BUILDING PROCESS:

A design charette was sponsored by the downtown merchant's association, to further facilitate the communication and consensus building process begun by the contingent valuation study. The charette was composed of a series of focus groups between city planners and small groups of merchants and property owners spanning a five day period. The charette represented an intense effort to discuss concerns raised by the survey and attempt to resolve problems about if, where and how to advance improvements to the streetscape within a limited time period. Of the 768 property owners and merchants invited to participate in a one and a half hour charette session, approximately 312 did so for a response rate of 40.6 percent.

Conceptually, the charette could be divided into two parts. First, city planners and architects were brought in to listen to what the merchants and property owners had to say about the proposed project. This stage was an attempt to bring all parties to an understanding about the proposed project, what their goals and financial limitations are, and how these might fit into an architectural framework. Next, a team of consulting architects attempted to sketch a design of the agreed upon project. The ability of the design team to think creatively and sketch quickly, allowed for instant communication and feedback between the parties since 'a picture is work a thousand words.'

There are two main advantages to combining a willingness to pay survey with a design charette. First, the willingness to pay survey allowed planners to assess the viability of a proposed project from those who will be expected to pay for it. With this survey information, the charette team could concentrate their future consensus building efforts on the areas' merchants and property owners considered priorities, thereby avoiding contentious issues. The charette complimented and added to the dialog by creating a collaborative atmosphere where all parties could reiterate their concerns and work towards solutions. In the case of historic Charleston, this ultimately lead to a well-rounded and realistic redevelopment plan with everyone who chose to participate being satisfied that they were able to contribute. Secondly, while the willingness to pay survey allowed planners to gauge the overall streetscape priorities at the macro level (i.e., improve sidewalks, add trees and flower boxes, etc.), the charette could focus at the micro level by eliciting feedback on the most preferred building materials (i.e., slate versus concrete, species of flora, etc.).

CONCLUSIONS

How to finance downtown redevelopment and community preservation activities will remain problematic due to the scarcity of public funds. All too often the viability of a plan to make improvements to a public facility rests with the willingness of adjacent merchants and property owners to pay for them. Using surveys to elicit various stakeholders' improvement priorities and their willingness to contribute is arguably a useful tool for city planners. In this article we have attempted to explain and illustrate the contingent valuation survey methodology that can accomplish such a task. In addition, we have briefly introduced the reader to the design charette process that embellishes upon the survey results and invites further consensus building. Both are fast and relatively inexpensive with both research projects combined costing less than US$10,000. Since the initial stage of a redevelopment project--like Charleston's streetscape--is at best speculative, it is important to keep costs at a minimum.

Can the contingent valuation survey methodology produce values that are reliable and valid to evaluate the financial feasibility of a project? Though we can offer no evidence to support the estimates illustrated in this Charleston case, our interpretation of the literature leads us to answer yes on both accounts. Comparisons of the outcomes of subjects under experimental conditions suggest that responses to hypothetical scenarios are able to predict behavioral outcomes when real payments are involved (see Mitchell & Carson 1989 for a literature review). Unlike ordinary surveys that measure unconstrained attitudes to a product or issue, the contingent valuation methodology elicits specific behavioral expectations to a preferred alternative. "I would be willing to pay and additional $XX per month for these specific improvements in the downtown shopping environment" is the type of conceptual framework that maximizes the prediction of behaviors from behavioral intentions.

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Figure 1

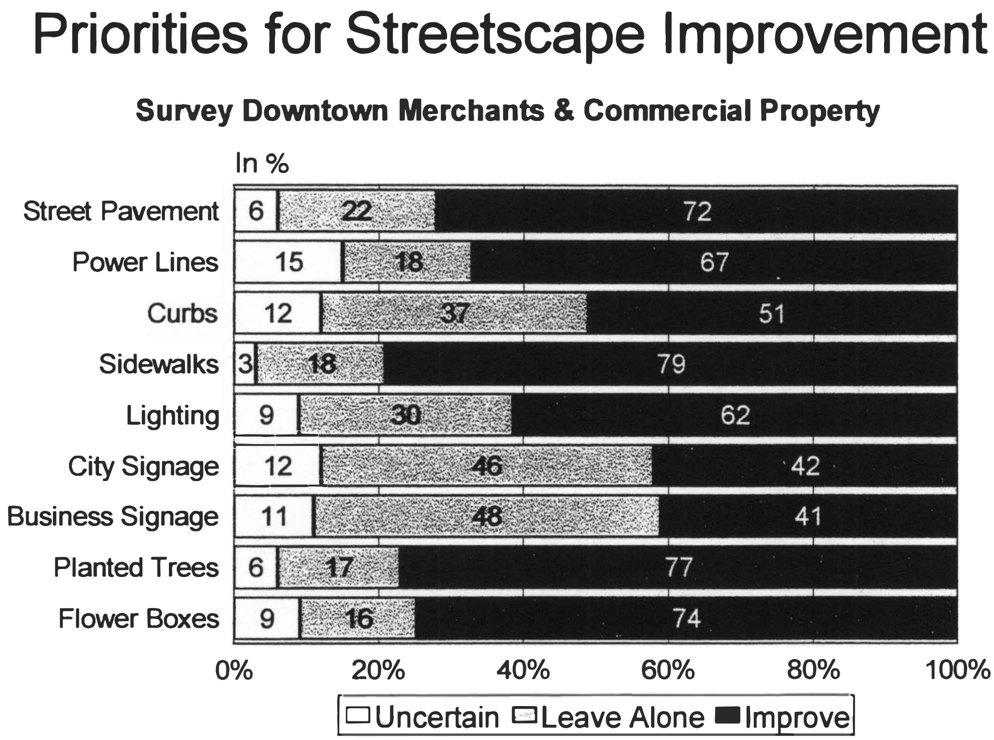
Priorities for Streetscape Improvement
Survey Downtown Merchants & Commercial Property
In %
Street Pavement
Power Lines
Curbs
Sidewalks
Lighting
City Signage
Business Signage
Planted Trees
Flower Boxes
6 22 72
15 18 67
12 37 51
3 18 79
9 30 62
12 46 42
11 48 41
6 17 77
9 16 74
0%
20%
40%
60%
80%
100%
Uncertain
Leave Alone
Improve

Figure 2

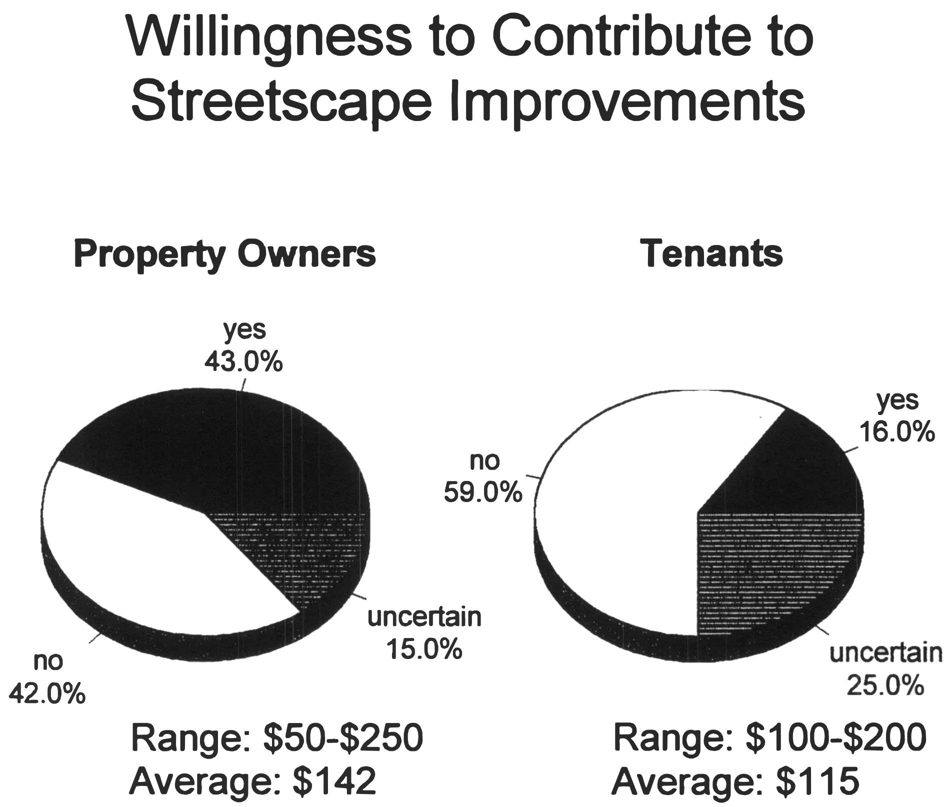
Willingness to Contribute to
Streetscape Improvements
Property Owners
yes
43.0%
no
42.0%
uncertain
15.0%
Range: $50-$250
Average: $142
Tenants
yes
16.0%
no
59.0%
uncertain
25.0%
Range: $100-$200
Average: $115

Figure 3

Reason Why Unwilling to Contribute

Survey of Downtown Merchants & Commercial Property