GAMBLING AS A TOOL FOR FUNDING SMALL TOWN PRESERVATION:

A CASE STUDY OF DEADWOOD, SOUTH DAKOTA

by

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A THESIS

Presented to the Interdisciplinary Studies Program:
Historic Preservation
and the Graduate School of the University of Oregon
in partial fulfillment of the requirements
for the degree of
Master of Science

March 1995

"Gambling as a Tool for Funding Small Town Preservation: A Case Study of Deadwood, South Dakota," a thesis prepared by Michelle L. Dennis in partial fulfillment of the requirements for the Master of Science degree in the Interdisciplinary Studies Program: Historic Preservation. This thesis has been approved and accepted by:

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in the Interdisciplinary Studies Program: Historic Preservation

to be taken March 1995

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Approved: [redacted]
Professor Robert Z. Melnick, Chair

Traditionally, small towns have been at a disadvantage in funding historic preservation efforts as most federal and state funding programs tend to focus on projects in urban areas. Because small towns are an important form of American community, funding the preservation of historic resources and character defining features which make small towns desirable is essential.

This study examines the use and results of legalized gambling as a tool to fund small town preservation, using Deadwood, South Dakota as a case study. A literature review defines what small towns are and why they should be preserved, as well as preservation issues, including planning, resource identification, and funding. The implementation of gambling in Deadwood, preservation management issues, gambling-funded projects and impacts on the community are discussed, as are successes and failures associated with this method of funding. Using Deadwood's experience, implications and guidelines for other communities are discussed.

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ACKNOWLEDGMENTS

I would like to express my sincere appreciation to my committee, Professors Virginia Cartwright, Jenny Young, and Michael Hibbard for their guidance and patience in the preparation of this document. Special thanks goes to my committee chair and graduate advisor, Robert Z. Melnick, for all of his support and encouragement during my time at the University of Oregon. I would also like to express my appreciation to my family for understanding my desire to pursue yet another degree and for providing their love and support throughout this endeavor. I would like to express my sincerest gratitude to my friends, Andrea Winship and Liz Carter for helping me keep an appropriate perspective and a sense of humor. And finally, a special word of thanks to Dr. Nancy Taylor Kemp and Dr. Paula Ciesielski, whose support and encouragement made completion of this project possible.

DEDICATION

To my best friend and constant companion, Brynn.

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CHAPTER I

INTRODUCTION

In 1989 an unprecedented method of generating revenue specifically for historic preservation activities was instituted in Deadwood, South Dakota. Gambling was legalized with the intent of providing an avenue to favorably impact the condition and preservation of the historic community at a time of a failing economy.

A National Historic Landmark since 1961, Deadwood's decline in the 1970s and 1980s had left the community with few resources to save their town. Attempts to legalize gambling had been made in the early 1980s but with no success. It was not until a devastating fire in the downtown commercial core in 1987 that the notion of the marriage of gambling and historic preservation was conceived. The outcome of a strong community effort was a statewide referendum approving a constitutional amendment to allow limited stakes gaming within the city limits of Deadwood. A percentage of gaming tax revenues and licensure fees are returned to Deadwood for the purposes of preserving this historic community.

The success of legalized gambling has had a phenomenal affect on Deadwood and has serious implications for the field of historic preservation. It has been the goal of this study to examine the use and results of legalized gambling as a method of financing historic preservation efforts in small towns, using Deadwood as a case study.

To this end, several issues were raised. The first, what small towns are and why should they be preserved, is addressed in Chapter II. Selected preservation issues, including preservation planning, resource identification, and funding are also discussed in that chapter. Chapter III explores Deadwood's history from its gold rush beginnings in 1875

to the beginning of legalized gambling in November 1989. The use of gambling as a tool to generate funding for historic preservation is the focus of Chapter IV. A look at the success of gambling, preservation management issues, and gambling funded preservation projects are included. Chapter V explores the impacts of gambling on preservation of the community. Conclusions about Deadwood's experience, as well as implications for other communities, are discussed in Chapter VI.

The methodology used for this study involved a review of literature related to small towns and small town preservation, preservation planning and funding, Deadwood's history, and Deadwood's efforts to use gambling as a tool for funding community historic preservation activities. Following an initial visit to Deadwood in 1992, site visits were made in 1993 and 1994. These site visits provided an opportunity to examine Deadwood's preservation efforts, as well as explore how gambling had been implemented and its effect on the community. During the visits to Deadwood, several persons were interviewed about their roles and their thoughts or feelings about Deadwood's preservation efforts. Among those interviewed were Mark Wolfe, the Historic Preservation Officer and City Planner; Joy McCracken, Loan Officer; Dana Vaillancourt, Cultural Resources Manager; Ardene Rickman, City Finance Officer; Dave Larson and Mary Schmit, Historic Preservation Commission members and local casino owners; and Tom Blair, Bill Walsh, and Agnes Ayres, local business owners. During the site visits, in addition to interviews, relevant print materials were gathered and photographs taken. Unlimited access to the local archives was provided by the town librarian, Terri Davis. Following the site visits, further information was gathered from Melissa Dirr and Jim Wilson at the South Dakota State Historical Preservation Center and from Bette Anne Bierle at the Mountain/Plains Regional Office of the National Trust for Historic Preservation.

Although there was a great deal of information to be gathered, precise statistic information about many aspects of Deadwood's experience was unavailable. It was not the

purpose of this study to gather those numbers for statistical analysis; rather the analysis on gambling's impact on historic preservation in Deadwood is based on anecdotal evidence and partial statistical information.

The use of gambling as a tool to generate funding for small town preservation is worthy of study, as more small towns are turning to unconventional alternatives to fund preservation projects. Deadwood has been looked to as a role model in this respect. Understanding Deadwood's experience, how gaming is implemented, how preservation funds are managed, how and what projects are funded, and the impacts of gaming on community preservation are helpful in determining whether or not the marriage of gambling and preservation can be successful.

CHAPTER II

HISTORIC PRESERVATION IN SMALL TOWNS

Small towns exist throughout America, having developed at various times, in various locations, for various reasons. Once established, they rarely have been static, experiencing periods of growth and/or decline over time. Change has been inevitable, at times even desirable. Change can improve the community's economic vitality, its municipal services, its civic amenities; it can also negatively impact a community. Change does not need to leave destruction in its wake, however. It can happen while respecting the natural resources, maintaining the small town character, protecting the rural quality, and preserving cultural and historic resources. Historic preservation in small towns calls for the foresight to manage change, maximizing its positive effects and minimizing its negative effects, while respecting the elements that make the small town desirable to its residents. It does not simply involve preserving historic buildings; it involves working to conserve the small town as a community.

This chapter will provide an overview of historic preservation in small towns. For the purposes of this study, the Bureau of Census definition of small towns will be used. According to the Bureau, small towns are communities outside urbanized areas with populations of less than 10,000 (those with populations of less than 2,500 are further defined as "rural nonfarm").[1] Characteristics that small towns share in common and characteristics that give them individual identity will be discussed, as will reasons why it is important to be concerned with their preservation. The third section of this chapter will briefly examine selected issues of preservation in small towns, including preservation planning, the identification of resources, character defining features, and threats and funding issues.

Finally, the selection of the case study site will be introduced.

Small Towns: What They Are

Small towns in America are very diverse, having different origins, regional traits, economic and social make-up, and patterns of development. Nevertheless, there are some general characteristics which are common to most small towns.

In his article, "Small Towns Look to the Future: Strategies for Growing Up Small," William H. A. Williams defines several characteristics which small towns have in common. The first characteristic is that small towns tend to exist in relative isolation in a rural setting where the town has evolved as the economic and social center for an area in which natural resources provide for opportunities of livelihood. This may include farming, ranching, fishing, timbering, and/or mining. A second characteristic is that small towns are face-to-face communities on a human scale, where essentially everyone knows (or at least recognizes) everyone else in town. They are generally tight-knit communities where individuals are not overshadowed by out-sized institutions or structures. Third, small towns have distinct local identities, regional self-consciousness, and civic pride. Fourth, small towns have some form of economic self-sufficiency, even if they are dependent on a single business or commodity for their economic well-being. An indigenous culture, where the town provides much of its own cultural life and entertainment, and relative homogeneity are the fifth and six characteristics, respectively. Seventh, small towns tend to have a balanced and stable population between young and old. And finally, small towns, generally being self-consciously democratic, have local power and decision-making.[2]

There are also common patterns in the physical environments of small towns. Each small town has its own unique configuration, yet most include areas related to business, industry and residential living. Most small towns have business districts where the public business of the town is conducted. This area is often centrally located within walking

distance of the other areas of town, and includes commercial, civic, religious, educational, recreational and ceremonial activities.[3] Small towns also tend to have an area where their industry, however limited, is located (often situated in relation to water or rail transportation). Residential neighborhoods generally surround or are adjacent to these other areas. Whether a town grew naturally from its environment, was intentionally planned and built following a grid system, or developed according to some combination of both, most small towns have these elements.

There are also general building patterns in small towns. First, the majority of buildings in small towns tend to be relatively smaller than their urban counterparts, especially in commercial districts. Along the center of business blocks, commercial buildings are generally one or two stories, constructed on narrow lots and connected by party walls. Corner lots may have larger buildings (three or four stories), usually used for banks, hotels, fraternal lodges, professional offices, or apartments. Public buildings, such as schools and courthouses, are often limited to two or three stories. Religious structures and industrial buildings also tend to be relatively small, keeping in scale with the size of the town. While there may be an occasional mansion-sized house within the town, most residential structures are small to moderate in size.

Second, small town business, industrial, and residential areas tend to have common visual characteristics identifiably associated with each area. Commercial buildings are generally located at the sidewalk edge with no setback (exceptions to this pattern usually indicate an auto-oriented building such as a gas station, garage, sales lot, or parking lot). This common visual identity also reflects a basic horizontal alignment where elements of storefronts and floor-to-floor heights are the same along the street. Street level storefronts are commonly large expanses of glass, while upper floors tend to have evenly spaced window openings. The first floor is often separated from the second floor by a horizontal architectural detail (such as a stringcourse), an awning, or a cast iron element. Public buildings,

religious structures, and schools tend to be freestanding on their sites, surrounded by landscaping and parallel to the street. Industrial buildings tend to be grouped together to facilitate their usage and are generally situated so as to be accessible to transportation routes. Visually, they can appear as a complex of several buildings, often with a large central structure surrounded by numerous smaller structures. Residential areas are usually comprised of single-family dwellings situated on adjacent lots along neighborhood streets.

Third, recognizing the existence of regional variations, there are some common characteristics in the use of building materials. Most small town commercial, public, religious, educational, and industrial buildings are constructed with brick, stone, concrete, metal, and/or glass. Occasionally, other materials such as terra cotta and stucco, are found. While wooden buildings of these type can also be found in some small towns, most wood construction is found in residential dwellings. In small towns where materials such as brick or stone have been readily available, there may be residential neighborhoods with houses constructed with these materials.

And fourth, although a wide variety of architectural styles and elements may be present, most buildings in small towns are usually vernacular rather than designed as high style buildings. Often these vernacular buildings are decorated with elements of specific architectural styles, reflecting various historic periods and regional nuances.

Even with these common elements, no two towns are identical. Several things contribute to the creation of a small town's individual identity, distinguishing it from any other small town. A small town's social organization (including its education, religion, crime, clubs and organizations, balance of old timers and newcomers, and community cohesion), its culture, its government, and its economic base each contribute to and work together to create a town's unique character. There are also several physical characteristics which further define a small town's individual identity. These characteristics include the size (area) and form of the community, its topography and geography, the organization of its

built and open spaces, the town edge, the town entrance, neighborhood design, the circulation and traffic patterns, trees and vegetation, and the individual buildings.[4] Because most small towns evolved over time, there may be buildings from several different historic periods, representing different styles and constructed with various materials. Variations in buildings provide an overall uniqueness in form, rhythm, and texture.

Historically, with the possible exception of the church and the family, the basic form of social organization in America was the small town. Although cities began to develop shortly after European settlement, pre-industrial America was primarily an agrarian society of rural and small town dwellers. The full emergence of industrialization in the 1880s created a new political, social, cultural, and economic atmosphere which was no longer supportive of small town life. America's cities and suburbs began to grow at a dramatic rate as people began moving to cities from rural areas and small towns, and immigrants from Europe arrived in record numbers. Between 1880 and 1920, America changed (statistically speaking) from a rural to an urban nation.

Numerous changes occurred with industrialization that led to increased urbanization. There were two "revolutions" connected with industrialization, however, that had greatly impacted small towns. The transportation revolution - railroads in the nineteenth century and autos and airplanes in the twentieth century - increased mobility as never before and encouraged Americans to pull up roots and move to the cities and their growing suburbs. The communications revolution created a new mass culture in America. The printing industry, the cinema, the phonograph, and the radio were centered in urban areas and were focused on and dominated by urban tastes and concerns.[5]

The dominant trend of migration of people from rural to urban and suburban settings continued unabated through the 1960s. A renewed industrial economy, which began with World War II, and an increasing mobility, due to the development of an extensive interstate highway system, an abundance of cars and cheap gasoline, and more accessible

air travel, contributed to the continuing urbanization and suburbanization of America.

The impact of industrialization and urbanization on small town life was complex. In some cases, small towns with industrial potential grew into urban areas. Others were swallowed up by growing nearby cities. Still others, unable to withstand the changes, became ghost towns. The general effect, however, was one of gradual centralization of political, cultural, and economic power in the cities which resulted in the loss of separate independence and autonomy and served to weaken small towns.

Changes that resulted from increased industrialization and urbanization were experienced by small towns in the forms of bankruptcy of the major business and/or the closing of smaller businesses, the loss of locally owned stores and services in exchange for chain-owned businesses, and/or the loss of local industry. Small towns experienced an increase in absentee ownership and an increased number of vacant and deteriorating buildings. The loss of population due to the migration to the cities resulted in a steadily declining tax base, which also meant problems in financing public services and maintaining the infrastructure.[6]

Despite the years of migration to the cities, small towns continued to be the dominant form of the American community. (This does not mean that more people live in small towns than in cities, but rather that there are more of them.) For a brief period in the early 1970s, Americans began to reverse the rural-to-urban migration and were moving back to small towns. This shift occurred, in part, due to increasing urban decay, changing lifestyle trends, and changing attitudes about the value of the "simple life" in smaller communities.[7] Since that time, however, in- and out-migrations patterns have become more complex with shifts occurring simultaneously. Some small towns have continued to decline when residents move away to urban areas, while others are growing with the relocation of city dwellers to small towns.

The migration back to small towns, however, can have (and has had) serious

implications for the small towns. Just as a decline presents problems, so can new growth. New growth often threatens the qualities that made small towns attractive in the first place. One of the emerging problems has resulted from a gap between newcomers and established residents. Many of those choosing to move to small towns are significantly different from those who left, often bringing with them a new agenda and a different notion of the quality of life to be found there. While that quality of life may include many of the things small towns were historically known for, it often now includes a desire for some of the urban amenities the newcomers from cities do not want to leave behind. They may want to have those qualities which they feel are important from both small towns and urban centers wrapped into a new type of small town.

This can result in increased social tensions in the community. There may be an inability of the local government and existing leadership to cope and adapt to the change. In addition, land values may change and taxes increase. The increased demand for services results in increased costs of services.[8] There may be insufficient economic development and employment opportunities to sustain new growth. There may also be a lack of adequate housing and basic health services. And although there is some willingness on the part of newcomers to give up some urban amenities, the pressure placed on aging and deteriorating central business districts to provide trendy or convenient shopping may actually result in the development new shopping centers in outlying areas, which changes the rural character of the town.[9]

Regardless of whether small towns are in a state of decline, at a point of stability, or experiencing new growth, however, many people living there or moving there have a desire to retain the qualities which originally gave the town its character and identity.

Small Towns: Why Preserve Them

Project PREPARE, a growth management initiative of the Northeast Regional

Office of the National Trust for Historic Preservation, cites three reasons why small towns are important and should continue to be a viable option to urban life:

> The first reason is to enable the current residents of such communities to retain their environment and lifestyle. The second reason is to preserve opportunities for those who in the future may choose to live in small or rural towns. The third reason is that small communities are often the keystone in the critical framework of natural and cultural resource preservation.[10]

This project also identifies strategies which can be used by a community to ensure that it retains the qualities that make it special while addressing either new growth or decline. These strategies include a sound growth policy, economic development, natural resource protection and historic preservation.

In America, historic preservation has traditionally involved the preservation of historic buildings and sites and has been important to our understanding of the past through education, recreation and inspiration. It supplements written history by providing a three-dimensional learning experience. It is enjoyable to visit historic sites, to see and explore the ways in which people lived in the past. It can provide insight into "who we are as a people and nation, whence we came, and where we are headed" and in doing so, it can instill a sense of patriotism and inspiration.[11]

Historic preservation in small towns, however, is more than a function of preserving historic buildings. It can be a strategy for managing change, working to maximize its positive effects and minimize its negative effects. It can become a part of the effort to protect the qualities that make the small town desirable and can prompt the strengthening of complex systems which enable small towns to survive.[12]

As a part of the larger effort protect small towns, historic preservation can impact several aspects of a community. In addition to the physical environment, it can also impact the economic systems, the governance, and the social aspects of a community. While some elements of these impacts might be perceived negatively by some community residents, many of these impacts are seen as positive.

Historic preservation can help strengthen a sense of community. Many people choose to live in small towns because if is often easier to feel a sense of belonging and this sense of community is often coupled with a sense of community pride. Historic preservation can provide a vehicle for community pride.[13] Politically, historical preservation might be a common denominator between established leaders and emerging leaders. It brings forth issues of self-determination, where choosing the future design of a town is the logical extension of choosing to live there. Re-examining cultural systems through historic preservation can also affect the community. Using older buildings which express the values of the culture that shaped them to serve contemporary needs, becomes a mechanism for promoting cultural continuity in a community.[14]

Historic preservation can contribute to the economic survival of a small town by channeling and shaping growth, when historically and architecturally valuable sites and buildings are put to economically viable uses. The most popular form of small town preservation has been downtown revitalization, a crucial element for small towns that must offer shopping environments that can compete with regional shopping centers in larger towns and cities. At times, however, preservation is seen as the means to economic survival, which raises interesting questions about growth considerations. Some small towns successfully market their historic commercial districts, but others have lost sight of the quality they are trying to protect. In exchange for desired economic growth, some small towns are being altered on the theory that an assumed historical identity will make them prosper. For example, with the purpose of targeting the tourist market, some small towns create an image of a town based on a particular time period (such as an "old west" town in 1880) rather than representing the evolution of the town through appropriate preservation and restoration of resources from various periods of history. Maintaining economic balance as desired growth takes place is essential and historic preservation can contribute to the balance.[15]

Although historic preservation is more than simply preserving historic buildings, protecting historic resources is indeed a part of historic preservation in small towns. Many small towns have a good stock of old buildings. They may not be the first, the last, the biggest, the best or the only of anything, but that does not matter. Simple vernacular buildings, along with the open spaces and landscapes of the community, can create delightful and unique townscapes worthy of preservation.

Selected Issues of Small Town Preservation

Preservation Planning

Planning is an important process in community development. Although it will not solve every problem confronting a small town, it can provide an organized approach for a community to consider its future and set its priorities. The process of developing a comprehensive community plan typically involves a variety of highly developed steps which occur in a specific sequence and can take up to two years to complete. Comprehensive planning sets standards and outlines courses of action for addressing land use issues, economic development, natural resources and open spaces, recreational and scenic resources, historic and cultural resources, traffic, housing, utilities and government. The integration of preservation planning into community comprehensive planning moves historic preservation beyond simple preservation of old buildings and links it to the cultural and economic viability of a town.

Preservation planning may address issues such as the restoration and rehabilitation of historic buildings, the creation of historic districts, rehabilitation and adaptive re-use, infill construction, public education and interpretation, survey and inventory of resources, identification of threats to resources, and protection of cultural resources. Preservation planning uses strategies such as zoning, ordinances, design review, and easements as

techniques to ensure the protection of historic resources and character-defining elements.[16] Following an analysis of community needs pertaining to historic preservation, specific strategies for addressing identified needs, as well as ideas for interfacing with strategies from other elements of the plan, can be developed as a distinct component of the comprehensive plan. Once adopted by the community, the comprehensive plan can be implemented. All elements of the plan, including those pertaining to historic preservation, should be reviewed regularly and updated as necessary.

Identification of Resources, Character Defining Features, and Threats

Unlike historic preservation in urban areas (with the possible exception of historic districts), historic preservation in small towns generally means much more than restoration of historic buildings. Preservation activities should consider the character defining features of the entire physical environment, if the qualities that make the small town a desirable place to live are to be preserved. Preservation aims to both preserve the most valuable architectural aspects of a town and inspire or discipline change which impacts the physical environment. To this end, historic preservation activities must include identification of historic resources and the character defining features of the physical environment, as well as identification of threats to both.

Typically based on the criteria set forth by the National Register of Historic Places, surveys of historic resources are conducted by federal, state, and local agencies, as well as some private organizations, for the purposes of identifying distinctive design or physical characteristics of historic buildings, sites, structures, objects and districts. Associations of these resources with historic events or activities or with important persons is also identified through survey work. Identification usually includes an assessment of the resources' integrity and general condition as well. Groups of buildings related geographically or topically are also identified through surveys.[17]

Character defining features of the physical environment are numerous. Beyond just the individual building, it is important to examine the community as an entity. Features of the physical environment may include the following: the edges and boundaries of the town, existing views in and out of the community, sequential experiences in sections of the town (such as downtowns or residential neighborhoods), the relationship between buildings and the relationship between buildings and open spaces, the focal points of the community, the basic visual rhythm of the buildings, the overall scale of different sections of town, and the relationship of buildings to landscapes. Identification of these features for an individual community, as well as identification of specific historic resources, is a necessary step to understanding and planning for historic preservation in small towns.

It is not enough, however, to simply identify the historic resources and the character defining features of the town when planning historic preservation activities. Threats to the resources and to the features which define the character must also be identified. These threats may be numerous. Towns often experience abandonment and neglect during times of decline. Decay and deterioration take their toll over time as buildings age. Abandonment and neglect can accelerate the deterioration process, and if left unchecked, may ultimately result in the total destruction of a building. Similarly, towns experiencing rapid growth and development are prone to insensitive alterations and/or demolition of old buildings. In turn, historic resources are permanently lost, altering the physical environment and overall character of the community. In addition, a town may lack civic pride or may adopt the attitude of "old is bad, new is good," both of which can add to the threat to old buildings and community character.

Perhaps one of the worst threats to both historic buildings and character defining features of the physical environment is the development of new shopping centers or modern "strip" developments at the edge of the town. This type of activity in a small town usually results in the relocation of the town's commercial center from the downtown

business district to the outlying areas, which in turn results in further abandonment and eventual deterioration of old buildings, as well as changing character defining features such as the town's edge and boundaries, the focal points, the views in and out of the city, and the sequential experiences. It can also negatively impact the social, cultural, political and economic systems which characterize the community.[18]

Funding Issues

Financial considerations for individual property owners and local governments are frequently the primary factors upon which the decision to preserve, rehabilitate, or demolish a building rests. These considerations generally include the cost of rehabilitation or restoration, the current and potential use of the building, the value of the site if used for alternative purposes, and the taxes paid on the property.[19]

There are four basic ways in which historic preservation tends to be financed. The first is through government assistance programs, which generally includes grants-in-aid programs and the Community Development Block Grants (CDBG) of the HUD program. The federal grants-in-aid program provides funds to all fifty states for preservation work undertaken on a state level. The two categories that federal grants-in-aid can be used for are "survey and planning projects" and "acquisition and development projects." It is up to each state to determine how the funds will be distributed and they can choose to transfer their funds to local governments, private organizations, or individuals.[20] Some communities also have their own local grants-in-aid programs which provide funding for local projects. Funds for these grants may be generated through fundraising activities, donations and gifts, and tax revenue. CDBG grants are used to address poverty and housing needs (which sometimes overlap with historic preservation), but because they are restricted to use in cities with more than fifty-thousand population, these grants are not available for small towns.[21]

The second method of financing historic preservation is through financial incentive programs. Although there are many variations on this theme, in general they all function on the same premise. Robinson and Peterson in Fiscal Incentives for Historic Preservation explain that financial incentives for historic preservation

> attempt to affect market forces in a way that recognizes community values and makes conservation of the local history and heritage found in the built environment financially feasible. They are intended to relieve the economic pressure that exists on property owners to demolish older, usually smaller, buildings and to redevelop properties to their highest economic use. The taxes paid on historic properties can have important consequences on their acquisition, maintenance, and restoration. The taxing powers of federal, state, and local governments are therefore effective incentive mechanisms for fostering preservation.[22]

State and local financial incentive programs may occur in the form of property tax abatement programs, property tax credit programs, property tax freeze programs, and sales tax exemption programs.[23]

The federal government's role in financial incentives began with the Tax Reform Act of 1976 which launched a program of rehabilitation tax credits, designed to reduce the cost of rehabilitations and restorations by up to 25 percent. However, the funding policies of the Reagan Administration and the Tax Reform Act of 1986, which reduced the tax credit from 25 percent to 20 percent, increased real estate depreciation periods, and required that capital gains be taxed as ordinary income, has drastically reduced the flow of private capital to preservation. The federal rehabilitation tax credits are reserved for buildings which are "certified historic structures" (listed on the National Register of Historic Places individually or as a contributing property in a district) and for "certified rehabilitation" (consistent with the Secretary of the Interior's Standards for Rehabilitation).[24]

The third method of financing historic preservation is through revolving funds. A revolving fund is a "pool of capital created and reserved for a specific activity, such as historic preservation, with the restriction that the monies are returned to the fund to be reused for similar activities."[25] These funds may have a geographic focus (such as

neighborhood, citywide, or statewide), may limit the type of property assisted (to commercial or residential), and may limit the type of activity the fund will undertake (such as loans, acquisition for resale, or acquisition for rehabilitation). Because revolving loan programs tend to be administered on a local level, they are often concerned with more than just the rehabilitation of a particular building. These programs may be concerned with the future of a neighborhood or town and can help create partnerships with local governments, neighborhood organizations, developers, and property owners.[26] Monies for these funds are generated in several ways, including grants from federal and state programs, grants from the National Trust for Historic Preservation, grants from private foundations, individual donations and memberships, fundraising, local tax contributions, and the sales of donated properties.[27]

The final way by which historic preservation is funded is by private financing obtained by individuals through banks, savings and loans associations, and real estate trusts. Most of this funding has generally gone to large developers with proven track records, as the lending institutions want to insure that the preservation project will become profitable real estate.

Traditionally, urban areas have received more money and technical assistance from federal and state funding programs than have small towns.[28] This has put small towns at a distinct disadvantage. They have had to rely primarily upon private financing of individual projects and tax rebates offered as incentives for preservation in their community. As more small town banks are bought out by state and regional financial institutions, funding for local developers in small towns becomes more problematic. As more tax incentive programs are lost or reduced, large developers (who can more easily secure financing from lenders) have been less inclined to take a risk on rehabilitating old buildings in small towns. Occasionally, a small town will develop a revolving fund for use in the community, but limited resources usually results in extremely limited funds focused on small projects.

Overall, the limited funding available for small town preservation has tended to result in the restoration or rehabilitation of a few buildings, rather than focusing on the entire town as a community with a distinct character worth preserving.

Deadwood, South Dakota As a Case Study

Deadwood, South Dakota is in many ways a typical American small town. Situated in the northern Black Hills in western South Dakota, Deadwood exists in relative isolation in a rural mountainous setting, approximately twenty miles from the nearest major highway and fifty miles from the nearest major airport. The town evolved as the economic and social center first for a mining district, later as a tourist destination. Timbering, ranching and farming have at some point in time also provided livelihoods for area residents. Currently a town of less than two thousand, it has been a face-to-face community on a human scale with a distinct local identity, a regional self-consciousness, and a definite civic pride. It also has had an indigenous culture and relative homogeneity, as well as a balanced and stable population between young and old. It has long exercised local power and decision making. Deadwood's economic viability has been characterized by strong self-sufficiency. Deadwood, like many other small towns, has also been concerned with periods of growth and decline.

Deadwood, however, is also different from most American small towns. With its rich and colorful history as a gold rush town and its abundance of historic buildings, the entire town was designated a National Historic Landmark in 1961. Community concern for preserving Deadwood's historic resources surfaced in the early 1970s when residents initiated historic preservation activities prior to Deadwood's centennial (the nation's bicentennial) in 1976. Community decline in the late 1970s and the early 1980s, however, resulted in deterioration of several historic resources, as well as the social, political and economic systems in Deadwood.

Gambling had long been a part of the social fabric of the community, operating illegally in back rooms of saloons until the 1970s. A number of residents felt that the loss of gambling was directly linked to the community's decline, and having been unsuccessful in other attempts to revive the town, community leaders began promoting the legalization of gambling in 1982 as a means to economic revitalization. Not until a devastating fire in the historic downtown commercial district in 1987, however, did the community conceive of the marriage between gambling and historic preservation. After a lengthy process, which included a statewide referendum to change the constitution, gambling was legalized for the purposes of generating revenues to be used for historic preservation efforts in the community. Legalized gambling officially began on November 1, 1989 and preservation efforts began shortly thereafter.

Deadwood was selected as the case study for this study because it was the first community to implement this unique approach to funding community-wide historic preservation. Its overwhelming success in generating unprecedented amounts of monies for preservation through this unconventional means has created a need type of goldrush and brought Deadwood national attention. Small towns looking to finance historic preservation efforts, as well as economically revitalize their communities, are looking to Deadwood's program as an innovative and new approach to funding preservation in small towns.

Historic preservation efforts in Deadwood have not been without problems, however. There is much to be learned from Deadwood's experience and the lessons learned here may have serious implications for others considering this approach to funding historic preservation.

Notes

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CHAPTER III

THE HISTORY OF DEADWOOD, SOUTH DAKOTA

Situated in the heart of the last great Native American Indian territory, South Dakota was visited by few white explorers prior to the beginning of the nineteenth century. The Lewis and Clark Expedition in 1803 opened the way for western expansion and soon fur traders and scientific explorers were traveling the land that would eventually become South Dakota. In the 1850s, the military occupation in the Upper Missouri Valley signalled the advance of European settlement. The creation of the Dakota Territory in 1861 and the Homestead Act in 1862 allowed rapid expansion and soon settlers from nearby states were relocating to the fertile lands of southeastern Dakota Territory (see Figure 1a).

Although there had been prior relinquishments of Indian land to white settlers, the Laramie Treaty of 1868 set aside the Great Sioux Reservation, from the Missouri River to the 104th degree of longitude, from the Canadian border to the Nebraska line, and further opened the way for white settlement in the eastern portions of Dakota Territory (see Figure 1b). The completion of the railroad to Sioux City in 1868, providing access to eastern markets for farmers, also served to encourage white settlement in eastern Dakota Territory.[1]

The Black Hills, located in the center of the Great Sioux Reservation near the western edge of Dakota Territory, had long been hunting and ceremonial grounds for Native American tribes (see Figure 2). The relatively isolated geographic location, as well as potential Indian hostility, kept white explorers out of the Black Hills until the nineteenth century. The first white men to see the Black Hills may have been Francois and Joseph de la Verendrye of Canada. The Verendrye brothers, in search of a route to the Pacific Ocean, arrived at what is believed to be the northeastern edge of the Black Hills in August

1742, near Bear Butte.[2] Between 1811 and 1853, a few trappers, traders, prospectors, and missionaries ventured into the area, but none of these early journeys were without trouble from the Sioux Indians.[3] In 1855, General Harney skirted the southern and south-eastern border of the Hills, on his way to Fort Laramie. It was Lieutenant Kemble Warren, however, that was credited with the first extended white exploration of the Black Hills in 1857.[4]

Long before South Dakota became a state in 1889, the eastern portions of the territory were divided into homesteads and farms, and permanent mining settlements were scattered throughout the Black Hills. Deadwood, at the center of the northern mining district, had quickly became the social and financial center for the area, a position it maintained for nearly one hundred years.

This chapter will examine Deadwood's history, its role as a gold rush boom town, its permanent settlement, its shift to tourism and its eventually decline. The push to legalize gambling in the 1980s will also be discussed.

Gold in the Black Hills

The Custer Expedition of 1874 signaled the beginning of the end for the Sioux and Cheyenne Indians' claim to this land and the beginning of the white settlement soon to come. The expedition, under the direction of General George Custer, left Fort Abraham Lincoln on July fourth with a twofold purpose: to ascertain the feasibility of the possible location of a military post within the region; and to learn about the mineral resources of the Black Hills country. Traveling southward through the center of the Hills, the expedition continued its search until, on July thirtieth, gold was discovered on French Creek. In August, Custer sent a scout to Fort Laramie with his preliminary report and the news of the gold discovery spread quickly.[5]

The economic Panic of 1873 had already created unemployment and poverty

throughout much of the nation. Drought and grasshopper plagues were ravaging the Midwest. The eastern portions of Dakota Territory had jobless and bankrupt farmers who were eager to make their fortunes when news of the discovery of gold in the Black Hills arrived. The Union Pacific Railroad had long ago reached Sidney, Nebraska and Cheyenne, Wyoming just to the south of the reputed gold fields, making them accessible to a large number of fortune seekers. Despite vehement government objections, the gold rush got under way in the fall of 1874.[6]

Although several early prospectors were turned back by the military trying to keep people out of the Indian's territory, the Collins-Russell Party (commonly called the Gordon Party) managed to make it from Sioux City, Iowa to the site of Custer's gold discoveries on French Creek by December 1874. The twenty-eight person group, which included Annie D. Tallent, the first white woman to visit the Black Hills, built a stockade and remained there until April 1875, when they were removed from the Black Hills by troops and taken to Fort Laramie as trespassers. The government decided to send in another expedition, this time scientific in nature, to determine the extent of gold. By the time Walter P. Jenney and his company arrived later that spring, they found several prospectors in the southern Black Hills with the intent to stay. Uncounted hundreds soon arrived and it became impossible for the military to either keep them out or get them out of the Hills. The vigilance of the military became noticeably relaxed after Custer's death in June 1876 and eventually the government "took" the Black Hills from the Sioux via the Treaty of 1877.[7]

Prospectors, mostly from the eastern states, came to the Black Hills . Custer City, located on French Creek, was the temporary capital of the mining region. Before long, however, towns and camps were appearing along the creeks throughout the southern and central Hills, including Hill City, Sheridan, Baker Park, Rockerville, Castleton, Sitting Bull, Canyon City, Pactola, Placerville, Keystone, Harney, and Hermosa (see Figure 3).[8] Each prospered temporarily, and some of them survive to the present day, but the

discovery of the richer deposits in the northern Hills resulted in the movement from the early camps to the camps and towns near Deadwood (see Figure 3).

Deadwood's Early Years: 1875-1879

It is commonly accepted that Frank Bryant was the first man to discover gold in Deadwood Gulch on Whitewood Creek in August 1875.[9] The second discovery in the area was made in September of that year on Deadwood Creek, and a third discovery, also on Deadwood Creek, was made shortly thereafter. These discoveries put the rush to Deadwood in full swing.

Deadwood Gulch, as the area became known, was swarming with miners, merchants, and entertainers and by January 1876, the entire area was staked out in mining claims, valuable or not. Deadwood Gulch, at an elevation of forty-six thousand feet above sea level, was a deep valley cut into the Hills by Whitewood Creek. Several tributaries provided ample opportunity for prospectors, including Deadwood, Fantail, Whitetail, Englewood, Yellow, Strawberry, Spruce, City, Sheeptail, and Peedee Creeks. Several mining camps were established, including Creek City, Whitewood, Gayville, Montana City, Elizabethtown, Fountain City, North Deadwood, South Deadwood, Whoop Up, City Creek, Cleveland, Ingleside, Pluma, Gold Run, Central City, Golden Gate, Anchor City, Oro City, Pimlico, and Lead (see Figure 4).

The city of Deadwood, just below the confluence of Deadwood and Whitewood creeks, was located in the center of the mining activity. Laid out on April 26, 1876, Deadwood quickly grew from a tent camp to a city of log cabins and false-fronted frame buildings as three sawmills produced over thirty-two thousand board feet of lumber a day (see Figure 5).[10] By late summer 1876, there were two hundred buildings in town, many of them two- and three-stories. A business census in September of that year revealed that there were 173 businesses in Deadwood, including twenty-seven saloons, twenty-one

groceries, fourteen gambling houses, eleven haberdasheries, five peanut roasters, and one soda-water plant.[11] There were also two hotels, one physician, one drugstore, two attorneys, and a theater. The population of Deadwood alone was estimated at three thousand by mid-October 1876.[12]

When Deadwood was formally organized on January 20, 1877, it had become the supply and financial center for the mining district. In February 1877, the Territorial Legislature created Custer, Lawrence and Pennington Counties in the Black Hills and Deadwood was selected as the county seat of Lawrence County.

It was also to Deadwood that miners looked for entertainment. The most popular institution of entertainment and refreshment was the saloon, which was technically illegal because the Black Hills were still part of the Indian reservation where liquor was outlawed. Saloons generally provided more than drink, however. Gambling could be found in most, and prostitution was common, where the miners could spend their money on "loose women" in the "upstairs rooms." The brothels were generally called dance halls or theaters. The first dance hall in Deadwood opened May 1, 1876. Several other theaters followed, including the Green Front, the Bella Union, the Melodeon, the Cricket and the Gem theaters (see Figure 6). Most of the saloons, gambling halls, and houses of prostitution were located near the north end of Main Street in an area called the Badlands, which at one point in time had seventy-six saloons and countless second-story rooms.[13] Legitimate entertainment could also be found, primarily in the form of theater and opera. Between 1876 and 1879, there were a total of 168 major plays presented in Deadwood, many of them starring and produced by Jack Langrishe, a traveling actor who had played all the mining camps from San Francisco to Denver, Cheyenne and Deadwood.[14]

By 1878, Deadwood's population had grown to over four thousand, with another two thousand in Central City and fifteen hundred in Lead. There were over one thousand listings in the business directory that year, including an assortment of mining-related

activities, thirty-nine saloons, six breweries, eleven wholesale liquors, eight hotels, seven restaurants, five theaters, twenty-one grocers, five bakeries, five hardware stores, four furniture stores, five jewelers, five drug stores, five tobacco and cigar shops, seven second-hand stores, thirty-nine attorneys, six physicians, two dentists, ten clothiers, four milliners, two dressmakers, three tailors, three newspapers, three banks, three stage companies, one photographer, one undertaker, and one ship builder.[15]

Several minerals were mined in the Black Hills. Along with gold came silver, tin, and copper, which were mined with some degree of success. Other minerals, including coal, oil, tungsten, kaolin, iron pyrite, radium, uranium, onyx, arsenic, bentonite, clay and gypsum, also contributed to the stability of the mining industry.[16] Gold, however, was the most important mineral and the mainstay of the mining district. Estimates of total gold production (at $20 an ounce) during the early years of the rush are $1.2 million in 1876; $2 million in 1877; $2.25 million in 1878; and $2.5 million in 1879.[17] Not all prospectors were successful; many of them worked for claim holders earning from four to six dollars a day.

The placer gold rush played itself out quickly, reaching its climax in the spring of 1877 when the booming population of the Black Hills was estimated at 15,250 with fifty-five hundred in Deadwood and Whitewood, three thousand in Gayville, twenty-five in the Central Hills, over twelve hundred in outlying towns, and a transient population of three thousand.[18] As early as Fall 1876, hand-operated placers were being replaced by hard-rock mining. By the time the placer rush had reached its peak, there were already 147 hard-rock claims in Deadwood Gulch. Hard-rock mining required mechanical and/or chemical processes to extract the ores from the rock and by January 1878, there were forty-seven mills operating a total of seven hundred stamps in the Deadwood area, with another three hundred stamps under construction.[19]

As gold production rose, mine prices also rose. Late in 1878, capitalists from

California had invested over $1 million in Black Hills mines. The largest single investment was made by George Hearst, when he purchased the Homestake Mine for $105,000 in July 1876. This mine, still operating today, eventually became the biggest in the area and outlasted all others. Between 1878 and 1962, it produced more than $715 million worth of bullion.[20]

The first-comers to Deadwood Gulch were men, mostly from the East (New York, Pennsylvania, Ohio, Illinois, and Kentucky), and consisted of several nationalities including English, Italians, Slavonians, Scotch, Irish, French, Norwegians, Finnish, Swedes, Danes, and Germans. There were sizable populations of Jews and African-Americans as well. The ethnic group which was dominant in Deadwood, however, was the Chinese, who built their own city (the largest self-ruled Chinatown east of San Francisco) within Deadwood, strategically located where travelers entering into the gulch from the north had to wind their way through the Chinese business district.[21] A few men brought their families with them to Deadwood or sent for them after staking their claims, although the number of women and children in early Deadwood has been inadequately documented.

First travel to Deadwood Gulch was by horseback, wagon, or foot, and the first roads were little more than trails. Stage service did not begin until the Cheyenne and Black Hills Stage and Express made arrangements to establish their line to Deadwood in 1877.[22] Supplies arrived on freight wagons managed by transportation companies. Early mail service included a pony express between Deadwood and Fort Laramie, and the first official U.S. Post Office was established on March 14, 1877, located on Main Street in Deadwood.[23] Newspapers were an early link with the world outside of Deadwood Gulch. The Cheyenne Daily Leader began printing a weekly edition with news from the mines on May 1, 1876. On June 8, 1876, the Black Hills Pioneer printed its first issue; on April 7, 1877, the Black Hills Daily Times began its publication. These two eventually merged and became the Black Hills Pioneer-Times.[24]

Deadwood's early days are often thought of as rough and rowdy, not without reason. There were thirty murders in Deadwood Gulch between 1875 and 1879.[25] The town is often remembered for the celebrities who lived or passed through there. Among the most famous are James Butler "Wild Bill" Hickok and Martha "Calamity Jane" Cannary Burke (see Figure 7). Wild Bill's contribution to Deadwood's fame came as the victim of Deadwood's most famous crime, when he was killed in Saloon No. 10 on August 2, 1876, by Jack McCall. Calamity Jane was a "hard-drinking, gun-toting, foul-mouthed bull-whacker," who nursed the sick and dying during the smallpox epidemic in 1878. She spent years in and out of Deadwood saloons and was buried beside Wild Bill upon her death.[26] Other celebrities included Deadwood Dick, Preacher Smith, Poker Alice Tubbs, Potato Creek Johnny, Madame Mustachio and "Dirty Em," all of whom achieved some level of fame through dimestore western fiction and have provided Deadwood with a wealth of tourist-related activity for years.

Deadwood's gold rush ended in September 1879, when most of the business district burned to the ground. A fire which broke out in the Star Bakery spread rapidly to a nearby hardware store, where eight kegs of gun powder exploded, showering the town with burning embers. An area one-half mile long and one-quarter mile wide was completely destroyed, including a few brick buildings, which were damaged by the explosions. Over three hundred buildings burned. The business district was gutted, and over 40 percent of the population was left homeless. The estimated loss was between $2 and $3 million.[27]

Rebuilding began at once, financed primarily by the gold dust stored in the banks' fireproof safes. Within six months, the town had been rebuilt (mostly with brick and stone), but Deadwood had changed. It was no longer a mining camp. The gold rush was over, and the miners and businessmen and their families had come to stay.

Signs of Permanent Settlement: 1880-1890

By 1880, it is estimated that more than thirty thousand people (mostly men) had passed through the Black Hills, but the population had leveled off, and the transformation from boomtown mining camp to a stable community was underway. According to 1880 Census figures there were still over ten thousand people living and working in Deadwood Gulch. The city of Deadwood's population was 3,777, with only 20 percent of the residents listing their occupations as miners.[28]

Signs of permanent settlement had begun to appear (see Figure 8). A recently-built two-story frame schoolhouse employed four teachers. Two churches were established, St. John's Episcopal Church was under construction, and several social and fraternal organizations were formed. In 1881, the City of Deadwood was incorporated, joining together the smaller mining camps of Deadwood, South Deadwood, Ingleside, Cleveland, Fountain City, and Elizabethtown (see Figure 4).[29] Several distinct neighborhoods emerged within the city. Residential areas were located in South Deadwood, Ingleside, Forest Hill, and City Creek (see Figures 9 and 10). The county hospital was located in the Cleveland neighborhood.

The 1880 Census indicates that over 250 Chinese were spread throughout the mining camps, with the largest majority residing in Deadwood's Chinatown. Almost all were young and male. There was a total of fifteen women (only five were wives). The occupations of the men included miners, cooks, servants, and launderers.[30] Chinatown had grown into two and one-half blocks of wood shacks, washhouses, restaurants, an apothecary shop, shops with Oriental gifts, and a church. In addition, there were brothels and several opium dens (in proximity to the Deadwood Badlands).[31]

By 1881, there were forty miles of telephone lines connecting the "upper camps" of the northern Hills with Deadwood, and by 1883, telephone lines between Rapid City and

Deadwood had been connected.[32] In 1882, a new school opened with 300 students[33] and the Deadwood Library Association was established and opened a reading room.[34] In December 1883, the first electric lights came to Deadwood.[35] The schoolhouse was destroyed in the flood of 1883 and rebuilt in 1884. The first church in Deadwood had been built at the bottom of McGovern Hill by the Methodists. This building was also destroyed in the flood, so in 1885 they built a new church on the corner of Willams and Shine Streets (see Figure 11a).[36]

Entertainment continued to be very much a part of Deadwood's social fabric. In the early 1880s, there were sixty-three saloons in town served by seven wholesale liquor dealers and five brewers (see Figure 12).[37] Although the 1881 Act of Incorporation empowered the city to "restrain houses of prostitution and gambling halls,"[38] little restraint (if any) was exercised, and gambling and prostitution were alive and well. A new form of entertainment became popular in the 1880s, as a roller skating craze took over various halls around the town.[39] Deadwood also held annual competitions for their fire hose teams on the Fourth of July. In 1888, Deadwood's Chinese hose team became the Champion Chinese Hose Team of America.[40]

Mining also underwent a transformation in the 1880s. As the free-milling ore played itself out, two new processes, the chlorination reduction system and the matte smelter, were introduced. Both were highly imperfect, but better than the amalgamation (mercury) process which was being used in the hard rock mining process. Both processes flourished, and chlorination plants became the boom enterprise in the 1880s and early 1890s.[41]

Changing technology in mining also led to local changes in transportation. In 1881, the Homestake Mining Company built the first railroad in the Black Hills. The Black Hills and Fort Pierre Line, as it was known, was a narrow gauge line between Lead and Woodville and was used primarily for hauling supplies for the mine. Its success led to the

development in 1888 of the Deadwood Central railroad, also a narrow gauge line, which ran between Deadwood and Lead, primarily as a freight line. It was the coming of the Fremont, Elkhorn and Missouri Valley line, however, that changed Deadwood forever. Its arrival in December 1890 connected the town to the outside world and moved Deadwood another step away from being a gold rush town.[42]

Natural disasters continued to plague Deadwood throughout the 1880s. Forest fires threatened the town in 1880 and again in 1889, and in 1881, a fire destroyed two shops on Lee Street. In 1881, a tornado swept down City Creek to McGovern Hill, barely missing the downtown commercial district. In 1883 and 1884, hailstorms destroyed crops and damaged buildings throughout the area. The biggest disaster of the decade, however, was a flood which occurred on May 16, 1883. Heavy snows followed by heavy rains nearly brought Deadwood to the brink of extinction for the second time. The flood, since referred to as The Great Flood, roared through the gulch causing more than $300,000 worth of damage, washing away or badly damaging several mercantiles.[43]

By the time South Dakota became a state in 1889, Deadwood was on its way to being the service, shopping, distribution and social center of the northern Black Hills. In addition to the saloons, gambling halls and houses of prostitution, Deadwood also had sawmills, planing mills, a flour and feed mill, churches, public schools, banks, grocers, hardware stores, furniture stores, stationers, clothing stores, hotels, restaurants, physicians, dentists, lawyers, architects and photographers. The 1890 Census showed that Deadwood's population had dropped to 2,366, and only 5.8 percent were miners, but all indications were that it was a well-established community with bright hopes for the future.[44]

The Railroad Years: 1891-1918

The 1890s saw Deadwood as a busy railroad center. By 1895, the population had

jumped to 4,204. That year, the American National Bank opened and the Bullock Hotel was built (see Figure 13). By 1897, Deadwood had 125 new houses and by the end of 1898, construction for the year totaled over one-half million dollars (see Figure 14). There were new commercial and business blocks, new warehouses, and a new water system. By the turn of the century, there were six brick school buildings, including a new high school on Main Street, serving twelve hundred students.[45] The 1898 City Directory, shows 371 business owners and 333 skilled tradespeople and professionals, including five architects, twenty-two lawyers, and thirteen physicians, ten barbers, nine painters, and two undertakers.[46]

Deadwood continued to be plagued by fire through the 1890s. Forest fires threatened in 1890, 1893 and again in 1898. In 1894, two business blocks were destroyed by fire. Then in 1898, a devastating fire destroyed two blocks of buildings on the west side of Main Street, most of which were rebuilt with brick and stone.[47]

After the turn of the century, the railroad continued to be a major focus of the community with several larger railroads buying out the smaller ones. The Black Hills and Fort Pierre was sold to Burlington in 1901 and the Fremont, Elkhorn and Missouri Valley was sold to Chicago and North Western in 1903. The Deadwood Central had been purchased by Burlington in 1893 and in 1902, Burlington converted the service to an electric trolley line between Deadwood and Lead.[48]

In 1902, the Deadwood Business Club collected subscriptions from local business owners in an effort to generate funding for a new, modern hotel. The Franklin Hotel (named for Harris Franklin, the largest subscriber) opened on June 4, 1903 (see Figure 15). It was a four-story, eighty room luxury hotel with private baths, electric lights, steam heat and an elevator. By 1904, a foundry and cigar factory had come to town, the Deadwood Creamery was the largest in the state, there were two brick factories, two planing and lumber finishing mills, and two steam laundries.[49] In 1907, the Federal Building was

completed, and in 1908, the Lawrence County Courthouse was built (see Figures 16 and 17). The Deadwood Municipal Auditorium was constructed in 1913. (See Figure 18.)

New development was not limited to construction of new buildings. In 1903, lines were laid for manufactured gas lighting by the Lead-Deadwood Gas Company, although natural gas did not arrive until 1928. In 1904, an addition was added to the county hospital, another was added in 1917. In 1907, the streets were paved with brick (see Figure 19a).[50] In response to the arrival of the automobile, Lawrence County also took the lead in highway improvements. In 1911, the road between Deadwood and Spearfish was graveled. Deadwood was considered the "premier town of the Black Hills," and accessibility by automobile was quickly becoming important.[51]

The 1890s and 1900s were filled with social activities including dances, fraternal societies and lodge meetings, study groups, baseball teams, holiday events, foot races, theater and the opera. Deadwood's Carnegie Library opened in 1905 (see Figure 20), with the help of Phoebe Hearst (George Hearst's wife), and several new organizations and clubs were established.

This period of time saw major changes in the mining of the area, including the introduction of new processes and the reduction in the number of mines. In 1896, there were thirty-one mills with fourteen hundred stamps, four chlorination and three cyanide plants, and a matte smelter with a combined capacity of over seven thousand tons of ore a day. By the turn of the century, only five major mines (the Homestake, Golden Reward, Mogul-Horseshoe, Bonanza, and Wasp No.2) were producing most of the $6 to $7 million worth of gold each year. A new process to retrieve gold from the slimes left over from the cyanide process was introduced in 1899 and the Homestake Slime Plant was built on McGovern Hill in 1906 (see Figure 21). By that time, the Deadwood area had the capacity to process ninety-nine hundred tons of ore, seven hundred of it in smelters, the rest in cyanide plants. Facilities to increase production by another twenty-four hundred tons were

being built, for a total capacity of 12,300 tons a day.[52]

During the Financial Panic of 1907, the Homestake Mining Company deposited their gold in the Denver mint and demanded gold coins in exchange. The gold coins were then deposited in the First National Bank in Deadwood, providing that bank with a liquidity unknown in the financially depressed parts of the county and assuring an uninterrupted payroll for the miners. A labor strike at the Homestake in 1909, the first of its kind in the Black Hills, shut down operations at that mine, as well as others. Black Hills gold production boomed from 1898 to 1917, with production running just short of 400,000 ounces of gold a year. But things were about to change. The coming of World War I, with its increasing costs for labor and supplies, produced a dramatic slowdown, and by 1919, all the mines but the Homestake were forced to close.[53]

A wave of prohibition swept through the state in 1889, after South Dakota enacted a law which seems to have been distinguished mostly for the degree to which it was ineffective, at least in Deadwood. Although Herrmann and Trebor, wholesale liquor dealers, temporarily relocated to Beulah, Wyoming (approximately twenty-five miles northwest of Deadwood), the Black Hills Brewing and Malting Company of Central City continued to sell beer to saloons throughout the prohibition. By 1898, there were only twenty-two saloons listed in the City Directory, although the Badlands still occupied an entire block of two-story buildings on the north end of Main Street.[54] In 1909, Deadwood still had sixteen saloons (one for every 250 residents of the town). And in 1911, a statewide local-option law made Deadwood's saloons more prosperous, as other communities refused to reopen their own.[55]

Although the state prohibition law did have a slight effect on the town's wild side, it was the aggressive effort to suppress gambling that finally brought Deadwood to its knees. When Deadwood enacted a city law banning gambling in 1905, closing eight to ten gambling halls for good, the population had reached a peak of 4,204. The decision to ban

gambling seriously impacted the local economy with the loss of jobs and trade. By 1910, the population of Deadwood had dropped to 3,653 and at least one-third of the residents had made their living from the alcohol, gambling, or prostitution business. By 1915, there were 3,113 residents living in Deadwood. National prohibition finally closed the doors of Deadwood's saloons. The combination of prohibition, the ban on gambling, and the closing of the mines, was the demise of the Badlands and contributed to the downward slide in Deadwood's population.[56]

The Shift to a Tourist Economy: 1919-1945

The decades during this period might best be described as a series of highs and lows. By 1920, the population had dwindled to 2,432. Immediately following World War I, production at the Homestake Mine (the only mine still operating at that time) slumped badly, but rose again in the 1920s. In the 1930s, it jumped rapidly upward after the price of gold was raised from $20 to $35 an ounce in 1934. This rise in gold price made it lucrative for several mines to re-open in the 1930s, and the population of Deadwood climbed to 3,662. From 1934 to World War II, production of gold climbed well above 500,000 ounces ($17.5 million) a year. By 1942, however, most of the Depression-inspired activity had dwindled away, when the war-order to shut down the mines came.[57]

By 1920, most of Deadwood had been built, so there was limited activity in terms of new buildings during this time period. An exception was the new high school, constructed in 1925 in front of the old one on Main Street. Although mining activity was strong during the 1930s, Deadwood saw a decline in its role as the service, shopping, distribution and social center of the Black Hills. Mercantile houses were forced to close when Rapid City, which was more centrally located and easily accessible, took over those functions. In a failed attempt to retain Deadwood's role as the grocery distribution center,

the Fish and Hunter Company tried to organize a kind of chain grocery system throughout the Hills, banding existing retailers together to buy at lower prices.

By the 1920s, personal mobility across the country had greatly improved with the automobile. The Black Hills area was a scenic destination and Deadwood hoped to lure tourists to the town. In 1924, Deadwood's first "Days of '76" celebration, commemorating the gold rush of 1876, included a festival, pageant, parade, rodeo, and reckless abandon. In 1927, President Coolidge spent the summer in the Black Hills. That same year, Gutzon Borglum began work on Mount Rushmore. The publicity about both served to advance tourism in South Dakota. In 1929, over 400,000 tourists flocked to the Black Hills to see the sites that Coolidge saw, including Deadwood.[58]

Although a number of local people had been skiing down Terry Peak for years, serious work on developing the ski area began in the 1930s, when workers from the Civilian Conservation Corps built ski jumps on the slopes. Skiing promised to lengthen the tourist season for Deadwood.[59] By the end of the 1930s, tourism had become South Dakota's second largest industry.[60]

What had appeared to be the end to Deadwood's bawdy activities during this time period was instead a shift to a more covert form. After national prohibition went into effect, boot-legging had become a major Black Hills industry and gambling simply moved to the back rooms. Prostitution, left untouched by the earlier bans, continued to accompany the drinking and gambling underground in Deadwood.[61] It was business as usual, but in a less obvious form. After prohibition ended, a number of saloons re-opened. Although still illegal, gambling could be found in several back rooms and brothels were still abundant. Life was returning to Deadwood, but never again with the vigor it had achieved before Prohibition.

Postwar Era and Declining Tourism: 1946-1981

Mining activity in the Black Hills came to a standstill during World War II. The war also brought a near stop to the tourism industry. Deadwood struggled to stay alive. Following the war, only the Homestake and Bald Mountain Mines re-opened. By the late 1940s, production had again climbed to over 500,000 ounces of gold per year, reaching a peak of 601,000 ounces in 1967. A workers' strike in 1972 and orders from the Environmental Protection Agency in the mid-1970s to end the dumping of cyanide and mercury into Whitewood Creek slowed production again. By 1978, only 285,000 ounces were produced, but prices were high enough to assure a profit. The gold sold at over $176 per ounce, for a total of over $50 million.[62] The fluctuation of mining since then has been anything but stable, totally dependent on the price of gold and the cost of extracting it. Changes in technology over time have resulted in the continual loss of jobs. Even though gold prices were relatively high through the 1980s, the Homestake Mine, by then the last operating mine in the northern Black Hills, began talking of closing and operations were scaled back significantly.

Although Deadwood was again on the decline, a few positive changes occurred during this period of time. Major road improvements were made in the 1940s and 1950s when graveled highways were widened and paved with asphalt. The first commercial radio station went on the air in 1947 and television came to Deadwood in 1955. School additions were constructed in the 1950s and further development was undertaken on Terry Peak's ski slopes in the late 1950s and 1960s. In 1952 and 1962, new additions were built at the hospital; the original hospital building and its first addition were demolished in 1961 to make room for new construction.[63]

In the late 1940s, the state came in and "officially" shut down gambling in Deadwood. Allegedly, an occasional backroom game could still be found into the 1970s, but

gambling was all but dead. Prostitution continued, with no city ordinance enforced against it nor much civic opposition to it, until the Federal officials came to Deadwood in 1980 and closed down the last four brothels after one of the madames was convicted of tax evasion.

In 1954, the Black Hills National Forest's supervisor's office was moved from Deadwood to Custer, taking with it a number of jobs. Passenger service on the Chicago and North Western line ended in the late 1950s and the railroad abandoned their tracks in the 1960s. In 1968, the Deadwood schools merged with Lead into a single school district, due to the declining enrollments and funds to support the school districts. Natural disasters continued to take their toll as well. In 1959, a major forest fire surrounded Deadwood, forcing evacuation. The slopes on all sides of the town were denuded of their forests, but the city was spared. In May 1965, thirty-four inches of snow followed by seven inches of rain produced a major flood causing over $4 million worth of damage.[64]

A rash of fires, however, changed the face of Deadwood's business district forever. In May 1948, a furniture store and two adjoining saloons were destroyed. Fire razed a half block on Main Street, including a grocery store, shoe store, children's shop and office supply firm in December 1951. The following month, January 1952, the City Hall, a jewelry manufacturer, theater, radio station, insurance agency, dress shop, shoe store, and group of apartments burned to the ground. In February 1954, Deadwood's remaining theater was gutted and two adjoining business buildings were partially destroyed. In November 1955, a gas explosion ripped through a clothing store and its second floor apartments, and a Main Street cafe. Two city warehouses and all of the city's heavy street and water department equipment were lost in a blaze in January 1956.[65]

In 1961, Deadwood was evaluated by the National Survey of Historic Sites and Buildings and on July 5, 1961, the town was designated a National Historic Landmark. For several years the residents felt that this designation enhanced Deadwood's tourist value and plans were made in the early 1970s for a restoration facelift in the business district.

In 1973, the Downtown Restoration and City Planning Office was established under the auspices of the Housing and Re-Development Commission. In addition to working on plans to restore the downtown, the newly formed office sought to have the downtown listed as a National Register district.[66]

Although some work was begun, a continual decline in the economic conditions throughout the 1970s and into the 1980s prevented restoration work from being completed. As time passed, the community was less and less able to maintain the condition and integrity of Deadwood's historic resources and the historic town was in danger of losing its valuable heritage.

The Push to Legalize Gambling: 1982-1989

In an attempt to find ways to re-energize Deadwood's economy, and hence save the town from further decline, residents turned their political energies in 1982 to a statewide initiative calling for legalized limited wagering which would allow for legal gambling in Deadwood. The initiative failed. In 1983, a special group from the Deadwood Chamber of Commerce tried again, this time asking a local state senator to sponsor a new bill designed to allow black jack, poker and coin operated machines without seeking a constitutional amendment. Again the initiative failed.[67]

A fire in December 1987 destroyed three historic buildings in Deadwood's down-town and threatened several others. The Syndicate Block, a 100-year-old landmark on the corner of Main and Lee Streets, burned to the ground leaving a gaping hole in the center of the business district. It was this fire, however, that became the catalyst for the renewed efforts to legalize gambling in Deadwood.

Concerned about the inability of the community to generate funding to save the historic town from further decline, several business people joined together to spearhead a new effort to legalize gambling. Using images of the fire, which had been videotaped by a

local resident, and earmarking proposed gambling revenue for historic preservation, the "Deadwood You Bet!" committee successfully convinced the South Dakota Legislature to submit a proposed constitutional amendment for statewide approval in 1988 (see Figure 22).

In support of the proposed amendment, Paul Putz, Director of the State Historical Preservation Center, said:

> In preservation terms, Deadwood is a disaster, both for the present condition of its buildings and for the serious financial situation the community faces in terms of dealing with the problem. If Deadwood is to be protected from certain gradual destruction, significant expenditures must be made to reverse ongoing decay. That money will have to come from somewhere.[68]

The Black Hills, Badlands and Lakes Association also endorsed the amendment, pointing out that not only was preservation important to the tourist market, but that gambling would provide much needed adult entertainment and would be "one of the most important tourism development changes South Dakota can make."[69] To further the argument in support of passing the amendment, the "Deadwood You Bet!" committee capitalized on the notion that gambling was a part of the history and heritage of Deadwood, and as such, should be considered an important aspect of their intent to preserve historic Deadwood.

Opposition to the amendment was organized by a group of churches and rested on four major points: (1) gambling in only one community was unfair to other communities; (2) gambling was a moral issue; (3) tourists attracted to South Dakota were not those targeted by the State Department of Tourism; and (4) gambling was rejected by a vote of the people in 1982, and that should stand for the people to continue to reject gambling. They also claimed that the "Deadwood You Bet!" committee and their supporters had no interest in historic preservation, only a goal of developing gaming as an industry.[70] The opposition to the amendment was weak and proved ineffective when the polls opened.

On November 8, 1988 over seventy percent of the state's voters approved the

amendment, which allowed for limited stakes gaming within the city limits of Deadwood. In Lawrence County, the voters supported the amendment by a 67 to 33 percent margin. In Deadwood, the margin for approval was 68 to 32 percent. Following years of effort, legalized gambling began in November 1989.

Notes

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[3] Jesse Brown and A.M. Willard, The Black Hills Trails (Rapid City, SD: Rapid City Journal Company, 1924), 26-32.

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[10]Parker, Gold in the Black Hills, 92.

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[18]B. Lee, 23.

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[20]Ibid., 196.

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[22]Ibid., 57.

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[25]Ibid., 173.

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[29]An Act to Incorporate the City of Deadwood, Dakota Territory (Deadwood, SD: Evening Press Publishing Company, 1881), 3.

[30]Mildred Fielder, The Chinese In The Black Hills (Lead, SD: By the author, 1972), 2-3.

[31]Joe Sulentic, Deadwood Gulch: The Last Chinatown (Deadwood, SD: By the author, 1975), 53-55.

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[34]Parker, The Golden Years, 168.

[35]Ibid., 92.

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[37]Parker, The Golden Years, 187.

[38]An Act to Incorporate, 7.

[39]B. Lee, 129.

[40]Grant K. Anderson, "Deadwood's Chinatown," South Dakota History 5, no. 3 (Summer 1975): 279.

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[44]Parker, The Golden Years, 62, 228.

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[46]Parker, The Golden Years, 65.

[47]Parker, The Golden Years, 227.

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[49]Parker, The Golden Years, 76.

[50]B. Lee, 193, 242-243.

[51]Shebby Lee, "Traveling the Sunshine State: The Growth of Tourism in South Dakota, 1914-1939," South Dakota History 19, no. 2 (Summer 1989): 209.

[52]Parker, The Golden Years, 47, 102, 104, 108.

[53]Ibid., 109.

[54]Ibid., 72-73, 188, 202.

[55]Ibid., 211-212.

[56]Ibid., 212-13.

[57]Ibid., 113, 125.

[58]Ibid., 242.

[59]"Terry Peak's Snow King," South Dakota Magazine, January/February 1991: 35.

[60]S. Lee, 196.

[61]Parker, The Golden Years, 212.

[62]Parker, The Golden Years, 113-144.

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CHAPTER IV

GAMBLING AS A TOOL TO GENERATE FUNDING FOR HISTORIC PRESERVATION IN DEADWOOD

Deadwood opened a new chapter in its history on November 1, 1989, when at high noon gunslingers dressed as Wild Bill Hickok and Calamity Jane fired shots into the air on Main Street to signal the start of legalized gambling. This new chapter marked a return to Deadwood's past, a century after the Black Hills gold rush made it a booming town.

Gambling has flourished in Deadwood. After the long battle to legalize gambling, over three thousand people crowded into the fourteen licensed gaming establishments on opening day, taking turns at waging money at the 426 gaming devices (slot machines, poker and blackjack tables). What was thought to be an "opening day rush" failed to slow and by the end of that month over $13 million had been wagered. This was the first clear indication that Deadwood was in for much more than it had predicted or even dreamed of being possible.

Gambling's success has resulted in millions of dollars worth of preservation activity in Deadwood. In addition to the scope of gambling's financial success, this chapter will examine how South Dakota's gaming statute is designed to finance historic preservation efforts in Deadwood, as well as administration and management issues related to Deadwood's preservation program. Gambling funded public projects, gambling funded assistance for private projects and private sector investments in preservation will be described.

Legalized Gambling Comes to Deadwood

When gambling was legalized by the voters of South Dakota, it was for the purpose of generating funding for the preservation and restoration of historic Deadwood. This funding was to be generated by taxing gambling income and by licensing fees. The tax rate is defined by statute (SDCL 42-7B-28) and is 8 percent of the adjusted gross income of each licensed gaming establishment. According to this law, 40 percent of this tax is transferred to the state general fund (earmarked for tourism promotion), and 10 percent is paid to Lawrence County. The remaining 50 percent of this tax, along with all monies from licensing fees and annual device fees, is deposited in the State Treasury. All owners, operators, dealers, and cashiers must be licensed and each slot machine and gaming table is assessed an annual fee of $2,000. From this State Treasury account, all administrative costs of the South Dakota Commission on Gaming are paid first. All other remaining revenue in this account is paid to the City of Deadwood.[1]

All blackjack and poker bets are limited to five dollars, and slot machines are limited to nickel, dime, quarter or dollar machines. While gaming establishments (use of the term 'casino' is for-bidden by state statute) have some discretion in setting their own playing rules for card games, slot machines are required to pay back a minimum of 80 percent and no more than 95 percent. No more than thirty gaming devices can be operated in each establishment, and the law specifies that "a gaming license must be incidental to the operation of the main portion of a business."[2] In other words, gambling is supposed to take place only in conjunction with another business and not be the primary or sole reason for the business. Gambling is allowed twenty-four hours per day at the discretion of the gaming establishment.

According to Donald Gromer, Executive Secretary of the Commission on Gaming, limited stakes gambling was predicted to generate up to $500,000 a year for public

preservation activities in Deadwood. For individual gaming establishment owners, it was predicted that, after start-up costs, administrative overhead and legally required paybacks, each slot machine could expect to net about $1,000 in income each month, although card tables would not be as lucrative.[3]

By the end of November 1989, one month after legalized gambling began, over $13 million had been wagered in Deadwood. By the end of June 1990 (seven months later), total gaming action had exceeded $145 million with total gross revenues of $14,330,125. The 8 percent gaming tax on the adjusted gross revenue amount equaled $1,116,222 of which over $558,000 went into the State Treasury account. After adding in revenues from licensing fees and subtracting the operating costs for the Commission on Gaming, Deadwood's share for preservation activities was $1.85 million.[4] Within the first three and one-half years (the end of FY94), Deadwood had received more than $17.62 million from gambling tax and licensing revenue. In addition to Deadwood's share of the tax revenue, Lawrence County had received more than $1.4 million and more than $5.7 million has gone into the state's general fund.[5] Table 1 shows a summary of gaming activity and revenues between November 1, 1989 and August 1994.

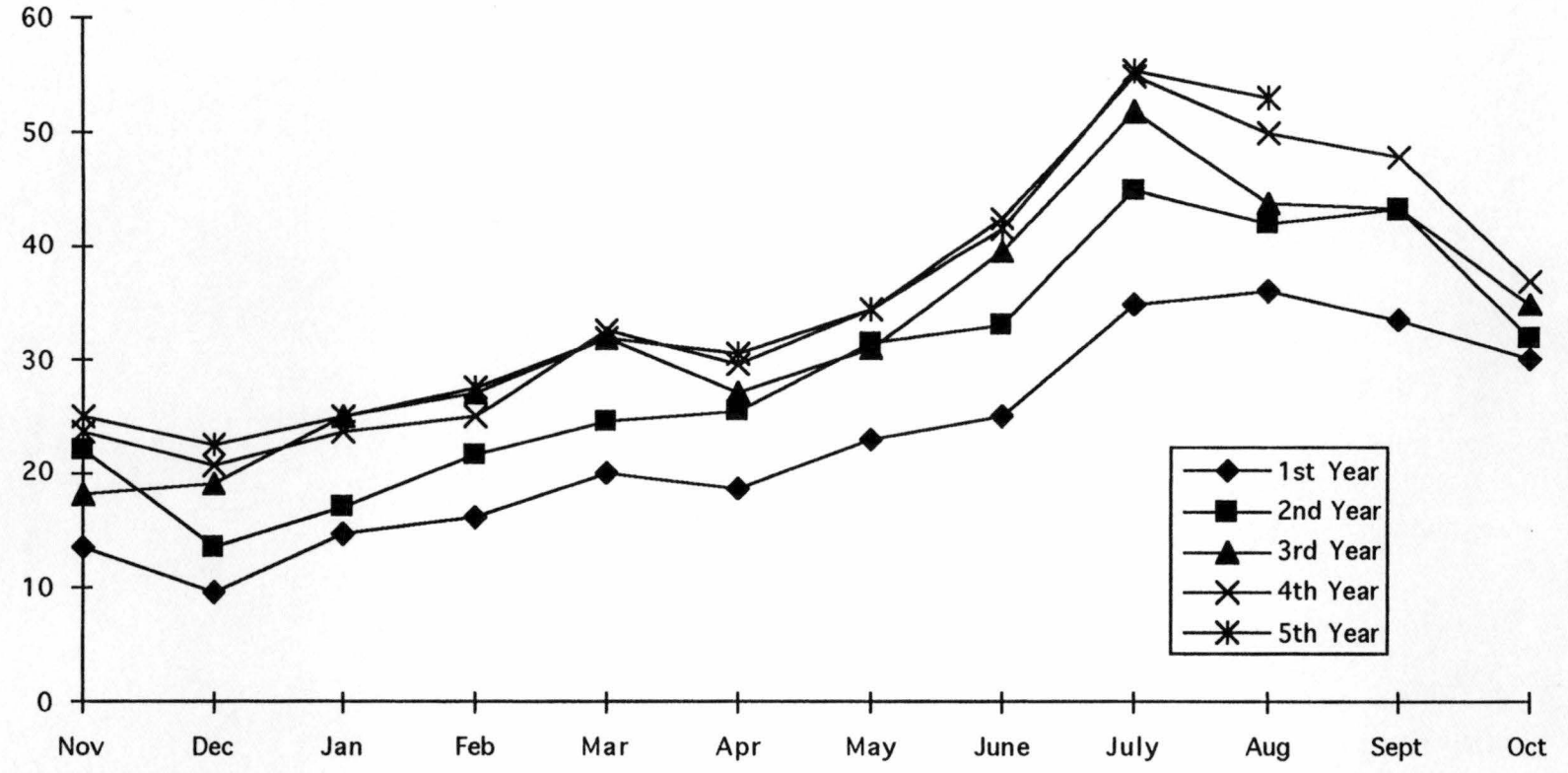
Within eight months of the opening of gambling, the number of gaming establishments had grown from fourteen to over eighty, and the number of gaming devices had grown from 426 to over 1,800. Since then, the average number of gaming establishments has remained the same, but the number of gaming devices is now more than 2,250. Overall, the industry has continued to see an increase in gross revenues, although the activity has begun to level off. Graph 1 provides a monthly comparison for each of the first five years of legalized gambling. From this graph, it can also be seen that while gambling has provided a year round industry, the majority of business continues to occur in the summer months, while the winter months are the slowest.

TABLE 1. Gaming Gross Revenue Tax Summary
November 1989 Through August 1994*

	Total Gaming Action	Total Gross Revenues	8% Gaming Tax	40% State General Fund/Tourism Promotion	10% Lawrence County	50% Deadwood/ Gaming Comm.
FY'90 (11/89-6/90)	$145,444,098.71	$14,330,125.35	$1,116,222.28	$446,488.91	$111,622.23	$558,111.14
FY'91 (7/90-6/91)	$329,967,978.96	$33,070,870.23	$2,605,325.94	$1,042,130.38	$260,532.59	$1,302,662.97
FY'92 (7/91-6/92)	$389,440,596.17	$38,619,946.28	$3,044,576.95	$1,217,830.78	$304,457.70	$1,522,288.48
FY'93 (7/92-6/93)	$417,873,005.43	$41,948,320.84	$3,281,297.02	$1,312,518.81	$328,129.70	$1,640,648.51
July '93	$54,900,981.74	$5,368,889.34	$418,734.22	$167,493.69	$41,873.42	$209,367.11
August '93	$49,976,645.15	$5,103,272.97	$398,189.73	$159,275.89	$39,818.97	$199,094.87
September '93	$48,534,402.25	$4,958,327.78	$386,141.48	$154,456.59	$38,614.15	$193,070.74
October '93	$36,406,277.75	$3,720,961.31	$283,638.17	$113,455.27	$28,363.82	$141,819.09
November '93	$24,451,489.25	$2,435,410.71	$188,807.30	$75,522.92	$18,880.73	$94,403.65
December '93	$22,509,924.76	$2,302,957.23	$178,528.66	$71,411.46	$17,852.87	$89,264.33
January '94	$24,916,717.10	$2,584,227.33	$207,318.33	$82,927.33	$20,731.83	$103,659.17
February '94	$27,248,377.02	$2,514,160.55	$193,166.59	$77,266.64	$19,316.66	$96,583.30
March '94	$32,136,914.37	$3,369,205.19	$263,679.75	$105,471.90	$26,367.98	$131,839.88
April '94	$31,028,016.91	$3,164,516.77	$247,151.10	$98,860.44	$24,715.11	$123,575.55
May '94	$35,606,714.80	$3,649,068.22	$286,204.36	$114,481.74	$28,620.44	$143,102.18
June '94	$42,892,930.35	$4,323,157.73	$336,304.99	$134,522.00	$33,630.50	$168,152.49
July '94	$55,442,087.70	$5,516,392.44	$432,361.24	$172,944.50	$43,236.12	$216,180.62
August '94	$54,411,464.40	$5,633,027.93	$441,469.27	$176,587.71	$44,146.93	$220,734.64

*Figures provided by the South Dakota Commission on Gaming.

GRAPH 1. Deadwood Gambling Action by Millions Wagered
Monthly Comparison for First Five Years



Preservation Management Issues

Governing Ordinances and Local Commissions

In the five years since gambling was legalized, Deadwood's historic preservation ordinance has evolved to streamline preservation planning and management. Prior to voter approval of legalized gambling, management of historic preservation in Deadwood was first the responsibility of the office for Downtown Restoration and City Planning, established in 1973 under the auspices of the Housing and Re-Development Commission. Then in May 1987, the Historic Preservation Commission (HPC) was established by City Ordinance 777 to oversee all preservation within the boundaries of National Historic Landmark. In January 1989, in anticipation of changes to come, following the statewide passage of the amendment legalizing gambling, the Downtown Historic District was established and the Historic District Commission (HDC) was created to oversee preservation activities within the locally designated district. At that time, the HPC's role was further clarified to oversee action within the boundaries of the National Landmark, but outside the Downtown Historic District.

In accordance with the earlier ordinance, both the HPC and the HDC continued to review preservation activities in their respective areas. At that time, the make-up of the two commissions was identical, except that the HDC had two additional members who resided within the historic district. By 1992 both commissions were technically one and the same, each being made up of same seven members, serving three year terms.[6] Since then, they have met as a single commission, referred to as the HPC, with responsibility for reviewing historic preservation activities within the entire community.

When legalized gambling began, preservation management was a local responsibility, and the Historic Preservation Commission was given ultimate power over the spending of gaming-generated revenues. Any expenditures from the Historic Preservation and

Restoration account, including all public projects, revolving loans, and grants, were reviewed and approved or disapproved by the HPC. Even projects seemingly unrelated to historic preservation, such as city staffing and parking lots, were reviewed by the HPC when gambling funds were involved (see Figure 23).

The membership of the HPC conforms with federal and state guidelines for Certified Local Governments and is made up of individuals serving three-year terms. Members can be re-elected for a second term. Members represent various interests in the community, and since 1990, at least two members have represented the gaming industry, one is a local historian, two are long time residents of Deadwood. HPC members put in long hours, meeting at least once a week, face difficult decisions and receive no compensation.

Involvement of the State Historic Preservation Office

In 1990, concerns were raised over whether sewers, roads, promotional materials, a new fire house, replica trolleys, and the Whitewood Creek greenway were legitimate historic preservation activities and if planned spending for these kinds of projects was appropriate expenditure of city restoration funds. Additional concerns about the appropriateness of the HPC's decision to offer loans and grants of public money to private businesses, and the wisdom of bonding projects also surfaced. In 1991, an audit of Deadwood's accounts revealed mistakes of over $20 million, casting further doubt on whether expenditures of preservation funds were appropriate and allowable as set forth by the law.[7] Although problematic accounting procedures were improved, new gaming rules went into effect in December 1992 which ended the Historic Preservation Commission's ultimate power over Deadwood's Historic Preservation Fund. These new rules gave the South Dakota Historical Preservation Center (as the State Historic Preservation Office is known) unilateral decision making on how gaming-generated revenue would be spent (see Figure 24).[8]

Prior to this decision, the role of the State Historical Preservation Center had been

one primarily of review and recommendation. Both the HPC and HDC reviewed requests for alterations, demolitions, and new construction and made decisions regarding the appropriateness of the proposed project. Their decisions were then sent to the State Historical Preservation Center (SHPC) for review to determine whether historic properties would be adversely affected by the local decision. If the SHPC found fault with the local decision, additional information was requested. The local commissions were required to respond to such requests, although they were not required to overturn their decisions. It was their practice, however, to review their decisions in light of the comments from the state office, often seeking a compromise to satisfy all parties.

Following the decision to give the state office the final approval, the roles changed. The local commission continued to review requests for alterations, demolitions, and new construction, but with a major difference. As before, decisions made by the local commission are followed by a state level review, but now if the state office disagrees with the local decision, it can deny a permit for alterations, demolitions, or new construction, and the local commission is powerless to impact the state's decision. This change has resulted in fewer challenges from individuals concerned with the appropriateness of Deadwood's expenditures on historic preservation projects and activities.

Staff from the State Historical Preservation Center became actively involved in Deadwood's preservation efforts immediately following the Syndicate Block fire in December 1987. By mid-January 1988, the director of the state office was encouraging Deadwood to act aggressively and quickly to prevent further destruction of Deadwood's historic resources. He strongly recommended that the city pass an ordinance establishing priority areas and a design review process which would include a state level review for building permits. Over the course of the following two years, several staff members from the state office worked closely with Deadwood to evaluate their historic resources and to set priorities for their preservation efforts. Although the effort was at first a response to the

Syndicate Block fire, before long the state staff was helping Deadwood prepare for the advent of gambling.

In March 1989 the Deadwood City Commission and Historic Preservation Commission contracted for a study to be done by Diane Cole from the Historical Preservation Center, who was later hired as the Assistant Historic Preservation Officer for Deadwood. The study, entitled "A Preservation and Planning Proposal," addressed three key questions: (1) how do preservation and restoration contribute to overall tourism objectives? (2) how does the current preservation commission handle its new responsibilities? and (3) what is the physical condition of commercial historic structures within the Downtown District?

Cole assessed ninety-seven historic structures in the community and selected six as "Sites in Most Urgent Need of Restoration/Preservation." In order of priority these were the Fairmont Hotel, the New York Store, the Dakota Animal Clinic, the Slime Plant, the Bullock Hotel and the Martin-Mason Block Odd Fellows Hall (see Figures 13, 21, and 25). Cole also defined several objectives for preservation and tourism: (1) enhancing residents' and visitors' understanding of the city's development as a community, (2) creating a wider variety of activities and experiences for residents' and visitors' enjoyment, enticing visitors to stay longer, and (3) encouraging visitors to return and to recommend the city to others. The study also identified problems the community would have to face as gambling dollars came in, including the creation of more levels of bureaucracy, the demand for a wider variety of programs and services, the need for complex money management and demands for more time for people administering programs. One primary recommendation of the study, was to hire a "Preservation Administrator."[9]

City of Deadwood Historic Preservation Staff

When legalized gambling began in November 1989, there were no historic preservation professionals as part of the city staff. The rapid change had taken everyone by

surprise, and no one anticipated a need for specialized staff. Indeed, it was assumed that the Historic Preservation and the Historic District Commissions would be able to address all preservation concerns that might arise as a result of the gambling. In the absence of city staff, the staff from the state Historical Preservation Center continued to provide assistance, often in the form of crisis management, during the turbulent first six months of legalized gambling. Not until the spring of 1990 was the city able to hire their first Historic Preservation Officer, Mark Wolfe. In addition to the Historic Preservation Officer, an assistant Historic Preservation Officer, an archeologist/cultural resources manager, a loan officer and an administrator joined one city planner, a building inspector, and a zoning administrator in the Department of Planning and Zoning.

In 1991 the Deadwood Economic Development Corporation assumed control of all planning and preservation duties under contract with the City of Deadwood.[10] In 1993 all of the various programs were combined under one roof and became the Department of Planning, Zoning and Historic Preservation.[11] When the city planner left his position, the Historic Preservation Officer also became the City Planner. City planning and historic preservation had become one and the same in Deadwood, and the structure of administration had evolved to reflect this occurrence. At the present time, the Department of Planning, Zoning and Historic Preservation includes one part-time and four full-time professionals and a full-time office manager.

Coordination with State Commission on Gaming

The State Commission on Gaming was created in 1989 by the executive rules to oversee gambling in Deadwood. By law, none of the commission members can be residents of Lawrence County. The commission is composed of five members (three men and two women) and includes a businessman from Rapid City, a development director from Tripp County, an insurance and real estate executive from Fort Pierre, a Sioux Falls

attorney, and a television consultant also from Sioux Falls.[12] The commission has the responsibility to modify or "fine-tune" the gaming rules, including those which could affect the amount of revenue available for historic preservation, as well as to ensure that gaming is conducted honestly, competitively and free from criminal influence and activity. As originally conceived, the commission did not have a role in directing how the gaming revenues were spent. Rather its responsibility was to see that the money actually reached the community.

The overwhelming success of gambling in Deadwood placed this commission in the position of looking beyond its original charge. In January 1992, the chair of the commission appointed a long-range planning committee to draft a strategic plan of how to develop Deadwood into a world-class resort. Based in part on concern of the growing emphasis on a gambling-only economy, the committee's goals were to promote non-gaming industry, while supporting growth for established businesses, to increase tourism for the entire state and region and to maintain the historic atmosphere in Deadwood.[13]

Despite this original intent to develop a long-range plan which emphasized non-gaming ventures, the committee's focus turned to gambling and resulted in proposed increases in bet limits (up from $5 to $100), in the number of gaming devices allowed per establishment (up from thirty to ninety), in the number of liquor licenses allowed in the community to accommodate the number of gaming establishments wishing to serve alcohol and in the number of hotel rooms to accommodate the growing number of gamblers. Although these measures won a victory with the Senate State Affairs Committee in 1993, they did not receive full Senate support, and the plan was abandoned.

Still concerned with statewide tourism, the State Commission on Gaming again took a bill before the State Senate in 1994, proposing that a share of the State Treasury fund from Deadwood's gambling taxes go directly to state tourism promotion. The bill also guaranteed $100,000 per year for statewide historic preservation projects, monies

which were to come from Deadwood's share of revenue.[14] This bill was also defeated.

While it remains the Commission's responsibility to ensure that gambling is operated in suitable ways and that revenues go to the appropriate accounts, it is also likely that the Commission will continue to be more actively involved in attempts to enhance the gaming industry in Deadwood, as well as efforts to influence the spending of the revenue for statewide benefit.

Preservation Planning and Design Review

Deadwood had neither the time nor the finances to pursue the development of a typical comprehensive plan for the community in preparation for the changes gambling might bring. Although the need for planning was recognized prior to the beginning of gambling, the time period between the passage of the constitutional referendum and the institution of gambling was only a few months. This shortened time period, the lack of funds to undertake a community comprehensive planning process and the fact that the most optimistic projections of gambling's popularity underestimated the impact manyfold, meant that the steady pace of comprehensive planning was exchanged for on-the-spot decisions to address the effects of gambling. The development in Deadwood in less than one year was equivalent to about twenty years worth of construction and development in a similar community with typical growth.[15] There was not enough time to provide a well-considered, long-term review as the basis of a comprehensive planning policy.

In March 1990, Deadwood's Historic Preservation Commission received a Critical Issues Grant from the National Trust for Historic Preservation. This grant, combined with gaming revenues, provided funding for the development of a Comprehensive Preservation Plan. Deadwood contracted with a team of consultants from Community Services Collaborative (CSC) of Boulder, Colorado; The Spitznagel Partnership (TSP) of Rapid City, South Dakota; Bennett, Ringrose, Wolsfeld, Jarvis, Gardner, Inc. (BRW) and Hammer

Siler George Associates (HSG), both of Denver, Colorado, to prepare the plan. The team began work in May 1990, six months after the start of gambling, and submitted a completed plan in December 1990, seven months later.

The impacts of gambling were well under way when the consultant team arrived in Deadwood. Unprecedented construction activity, a booming economy, escalating property values and increased employment were evident. There were also pressures on town services, parking, housing stock, and historic resources were threatened. Some of the immediate decisions that had been made during the first few months of gambling had created more problems than they had solved.

The consultant team used a process designed to involve Deadwood's citizens in the community planning. Numerous meetings were held with individuals, groups, and boards. Three formal community workshops provided residents opportunities to voice their opinions about what they liked and disliked about Deadwood's changing course. This involvement resulted in a "Critical Community Issues" list, which included such issues as governance, development regulations, infrastructure, housing/neighborhoods, public facilities, open space/parks/recreation, parking, streets and circulation, and land use. In addition, funding priorities were discussed.[16]

Other elements of the plan included a brief historical and architectural context, an analysis of gaming-induced growth, suggestions for historic resource management, a conceptual plan of the interpretation of historic resources, a visitor management plan, general community design plans, a marketing strategy and funding priorities.

An important aspect of the Deadwood Comprehensive Historic Preservation Plan is that historic preservation is not considered to be the isolated preservation of individual structures. Rather it is the preservation of the entire community. Deadwood is seen as a living, dynamic community. Because of its unique connection with gambling, however, preservation must be focused on its economy. The plan tries to balance this:

> "It is one thing to preserve a building, but it is quite another to have a use for that building so it does not fall into disrepair and eventual collapse. Counterbalancing this economic focus is the need to control such commercial redevelopment efforts so the historic resources of the community are enhanced rather than destroyed."[17]

As a result of this preservation plan, Deadwood has been divided into a series of planning units (see Figure 26). These units, while geographic in nature, are distinguished by the "concentration of historic properties, history of the development of those properties, and the use of the properties within each unit."[18] A general overview survey had been completed for each area, and a broad range of building types and styles from several periods of Deadwood's history has been identified. Each area's contribution to the overall community lifestyle has been articulated as well. Following this identification process, preservation "considerations" have been devised for each specific area.

Although several people felt that the appearance of Deadwood should return to a specific point in time (some suggested 1876, others preferred the 1890s), it would have been both impractical and inconsistent to choose a particular date and attempt to return Deadwood to that time. Preservation in Deadwood is approached on a continuum, recognizing significant contributions from various time periods, which allows the entire scope of Deadwood's history to be acknowledged.

Preservation of individual resources is guided by The Secretary of the Interior's Standards for Rehabilitation. Each resource is assessed on its own merits, and designs for any changes (restoration, rehabilitation, renovation, demolition) are reviewed by the HPC for appropriateness prior to any work being undertaken. Property owners are not required to return a building to its earliest known appearance, if a later period of significance and appearance can be documented. For example, if a building was constructed in 1880 and remodeled in 1915 and again in 1960, it can be returned to either the original 1880 or to its 1915 appearance, at the owner's option. There are instances where property owners

wishing to make improvements have been allowed to do so without having to return the appearance of the building to an earlier time period. An example is the Levinson Building in which the present-day Saloon #10 is located. Although not the original site of the saloon, its reputation as the old west saloon in which Wild Bill Hickok was shot has been determined by the HPC to be important enough to allow the property owner to retain the false log front which characterizes the old west image (see Figures 27 and 28).

In addition to The Secretary of the Interior's Standards for Rehabilitation, all preservation and restoration work in Deadwood's downtown historic district is reviewed according to the Downtown Design Guidelines, which were adopted in March 1991 as a result of Deadwood's new preservation efforts. These guidelines provide further specification, in accordance to Deadwood's unique needs. They provide design guidance for restoration, alteration and new construction for commercial, public, residential and miscellaneous building types, non-contributing buildings, public works projects, alleys and parking, as well as guidance for materials, paint colors and interiors. They also provide design guidance for maintenance procedures, life and safety issues, mechanical needs and access for the disabled.[19]

Gambling Funded Public Projects

In addition to funding the development of the Comprehensive Historic Preservation Plan, gambling revenue has funded several projects for Deadwood. Projects, instituted in 1990, included such things as the hiring of a historic preservation staff, the acquisition of photography equipment to document preservation efforts in the community, funding emergency repairs to the town's library and recreation center, hiring a full-time curator for the Adams Memorial Museum and assisting the Chamber of Commerce in promoting heritage tourism. Because the way was cleared to bond projects using gaming proceeds, Deadwood took immediate action on several major infrastructure projects which would have otherwise

taken years to accomplish. Examples of bonded projects in 1990 included the construction of two parking lots, the installation of a new water tank and water lines connected to Main Street, ensuring the necessary water pressure for fire sprinkler requirements, and the completion of street projects, including new storm drainage, curbs, gutters, and pavement, for Denver and Shine Streets. Revenue from gaming profits also established a one million dollar revolving loan fund in September 1990 for restoration projects by private owners.

Because much of the work in 1990 was "behind the scenes," projects in 1991 focused on projects which would visibly demonstrate to the voters of South Dakota that Deadwood was serious about its restoration. Nearly three million dollars worth of projects were completed, including an additional parking lot, several street paving projects, restoration of the rodeo grandstand and construction of a new fire hall (see Figure 29). Three other projects were in progress by the end of 1991, including the renovation of an old warehouse to create a new city hall, the Main Street project, which consisted of the replacement of existing water, sewer, storm sewer, and utility lines, and the installation of brick paving and period street lighting consistent with the appearance of downtown in 1907 (see Figure 19b), and work on an Interpretive Center in the old Fremont, Elkorn and Missouri Valley railroad depot (see Figure 30). Staff from the National Park Service was contracted to create a city-wide interpretive program, a professional archeologist joined the preservation staff, and several administrative projects were completed. In addition to all of these projects, the Deadwood Historic Preservation Commission also established a Grants Assistance Program to support preservation activities by religious, philanthropic, historical or educational non-profit community organizations.

Receiving approximately $5,250,000 for preservation activities for 1992, Deadwood undertook major projects in public building restoration and renovation, roadway and infrastructure repair, historic building acquisition, walking tours and historic interpretation, a trolley transportation system, development of pedestrian pathways and archeological

research. In addition to the completion of the renovation of the warehouse being converted to a new city hall, major structural repair of the City Recreation Center and improvements, including disabled access, heating and cooling systems, new lighting, and remodeled bathrooms, to the Adams Museum were completed (see Figures 31 and 32). Following a heated debate, the city purchased the historic Adams House and its furnishings and decided to continue its operation as a bed and breakfast inn (see Figure 33). The National Park Service continued to develop the interpretive plan and produced exhibits for the new visitors' center and a self-guided walking tour. As part of an intra-city transportation network, four rubber tire trolleys, replicas of historic electric Deadwood trolleys, were purchased and put into use (see Figure 34). Work was also completed on the Main Street project in 1992.[20]

Gambling-generated revenue continued to flow into the community, and in 1993 several more preservation projects were undertaken. Phase I of the Whitewood Creek Development Project, which consisted of the construction of three and one-half miles of the George S. Mickelson Trail along Deadwood's right-of-way from the CB&Q engine house to the existing trailhead at Kirk, was completed. An Intermodal Surface Transportation Efficiency Act (ISTEA) grant was received for the restoration and adaptive re-use of the CB&Q engine house, and work was begun on this project. Although an overview survey of the community had been done, a detailed comprehensive historic building inventory for the town had never been compiled. This task was completed in 1993, when a consultant team from Renewable Technologies, Inc., from Butte, Montana, surveyed and photographed each historic building as a data base for planning, development, preservation and educational purposes. The HPC sponsored a community workshop, entitled "Caring for Your Historic Building," and sponsored daily lunch time presentations during National Historic Preservation Week in May. A fifth trolley was purchased and put into use and permanent walking tour signs were placed along city streets enhancing the existing self-

guided walking tour (see Figure 35).[21]

Preservation efforts continued into 1994 when further work began on the Whitewood Creek Development Project, and the first phase of the Sherman Street project, which consisted of the same work as the Main Street project, was completed. As gambling's fifth anniversary in November neared, Deadwood was taking stock of its progress. In terms of gaming revenue, the total adjusted gross revenues since 1989 were nearly $188,000,000 which had generated over $14,725,000 in gaming tax. Deadwood's share is currently being used to pay off $24 million in historic preservation projects and community upgrades.[22] The Revolving Loan Fund and the Grants Assistance Project continue to be financed by the Historic Preservation Commission as well. Recognizing that much more can (and needs) to be done, historic preservation efforts are planned into the next century.

Gambling Funded Assistance Programs for Private Preservation Projects

Revolving Loan Fund

The Revolving Loan Fund was established by the Deadwood Historic Preservation Commission in September 1990 primarily because banks had not been willing to lend money for restorations to commercial businesses involved in gaming. Designed to assist private owners' preservation efforts throughout the community, it was originally funded with $1 million, and then increased to $2 million in 1991. The majority of funds have been used in the restoration of landmark buildings such as the Fairmont Hotel, the Bullock Hotel, the W.E. Adams Block and the Gillmore Hotel, although funds are also available for small businesses and home owners (see Figures 36 and 37a). Loans have also been widely used to bring buildings up to code by installing appropriate life safety equipment.

The program has several components. For commercial buildings, owners can apply for up to $50,000 per building for life safety code updates. There is a five year

payback period at zero percent interest on these loans. Commercial building owners can also apply for up to $50,000 per building for seven year loans at 7 percent interest for restoration work. For recognized landmarks, there is no maximum dollar amount for restoration loans. This loan program is also available for residential properties, although these are limited to $5,000 per dwelling. A separate loan fund was also created as an incentive for the rehabilitation of historic buildings for affordable housing; this loan amount is negotiable and is at a 6.4 percent interest rate.[23]

By the end of 1991, fourteen projects had been funded by this loan program. Various projects were completed on the Adams Hotel, the Bodega Bar, the Bullock Hotel, Deadwood Dick's, the Eagles, the Fairmont Hotel, the Franklin Hotel, the Gold Strike Gift Shop, Hickok's, the Lucky Wrangler, the Old China Doll Building, Miss Kitty's, the Peacock Club, and the Old Style #10 Saloon (see Figures 19, 28, 36, 38, and 39). Some of the restoration work on the Gillmore Hotel, which was converted for use as residential apartments, was funded through the housing incentive loan program.[24]

Safety code items and exterior restorations continued to be the primary focus of the projects through 1992. Of the funds dispersed during that year, 62 percent were allocated for commercial buildings, while 38 percent were for residential and/or rental properties. While several projects were in various stages of completion, others that were begun the previous year were completed. Payments on 1990 and 1991 loans generated over $69,000 of the funds distributed in 1992.[25]

By the end of 1993, Deadwood's HPC had committed more than $2,150,000 to their Revolving Loan program for projects throughout the community. Over 60 percent of loans granted in 1993 continued to fund commercial restoration projects. The remaining funds went to residential and/or rental properties. In order to assist residential property owners with maintenance on historic houses, a residential paint program was developed as a component of the loan program. A total of $7,500 was provided from the Revolving

Loan fund for home owners willing to paint their homes with historically accurate colors. Ten homeowners provided the labor in exchange for paint and primer provided through this project.[26]

Since the establishment of the Revolving Loan program, several property owners have received assistance, mostly for necessary life safety systems in downtown commercial buildings. Because gaming has been a big success for most commercial property owners, loans have generally been paid back quickly. So far, this has allowed for a turn-around cycle of generally less than three years in the funding process, providing available funds for more projects and more property owners than was originally anticipated.

Grants Assistance Program for Non-Profit Organizations

The Historic Preservation Commission's Grants Assistance Program was created in 1991, began funding projects in 1992 and has awarded more than $450,000 to non-profit organizations for preservation-related projects in Deadwood. Awarded on a priority basis where those exhibiting the greatest need for preservation funding are considered first, the distribution and dollar amount is left to the discretion of the HPC, with a $50,000 maximum limit per grant. Priority is given to organizations which provide matching funds for grant-funded projects. Although organizations can apply for grants on a yearly basis, it is not intended that the Grants Assistance Program provide continued programmatic support for organizations. All projects which are funded through this program are subject to restrictions and must follow guidelines established by the State Historic Society, the State Historic Preservation Center, and/or the Secretary of the Interior's Standards for Rehabilitation.

During the first year of the Grants Assistance Program, ten of the twelve applicant non-profit organizations received allocations. Included were grants to the Adams Museum ($50,000); the Historic Deadwood Arts Council ($50,000); the "Days of '76" Amusement

Company ($50,000); the Deadwood-Lead Area Chamber of Commerce ($50,000); the Deadwood Public Library Oral History Project ($7,795); the Deadwood Public Library Historic Newspaper Indexing Project ($15,700); First Baptist Church of Deadwood ($24,765); the Masonic Temple Association ($11,500); St. John's Episcopal Church ($13,000); and the United Methodist Church of Deadwood ($26,400). Projects ranged from developing exhibits, walking tours and promotion brochures to repair and replacement of masonry, windows, roofs, heating systems and retaining walls (see Figures 11 and 32).[27]

In 1993, the HPC assisted eleven non-profit organizations in preservation activities. The total allocation for the year was $269,576, which included the creation of a contingency fund. Projects funded during this grant cycle included the "Days of '76" Amusement Company for work on the carriage collection and the museum building, Lead-Deadwood School District 40-1 for masonry work on the building and landscaping, the Masonic Temple Association for the repair and restoration of historic stage drops, the Northern Black Hills Society for the Preservation of the Performing Arts for the community band's involvement in the "Days of '76" celebration, the Deadwood Round Table Club (the oldest continuous women's organization in South Dakota, founded in 1887) for a social history project in conjunction with Black Hills State University and St. Ambrose Catholic Church for repairs to the church and adjacent school. In addition, four previously funded projects were renewed, including the Public Library projects, the Arts Council project, and the Deadwood-Lead Area Chamber of Commerce.[28]

Private Sector Investments in Preservation Projects

The private sector has spent millions of dollars on historic preservation activities. Much of the investment, however, has been with the intention of creating successful gaming establishments, rather than preserving a historic community full of historic buildings.

In the downtown commercial district, a substantial amount of money was spent within the first few months after gambling began, when the interiors of several buildings were renovated to accommodate the new industry and life safety systems were updated to meet code requirements. Exterior restorations have also occurred, although this work has generally waited until a business was firmly established and clearly producing revenues, which would allow such work. In some cases, entire buildings have been restored or rehabilitated; in other cases, only the front facades at street level have been restored.

Many downtown district landmarks have been fully restored, and some have incorporated their original use with gambling facilities. Examples of these buildings include the Bullock Hotel, the Bodega Cafe and the Franklin Hotel. Other buildings, such as Goldberg's Grocery and the New York Store, have also undergone full restorations at the expense of private owners, although their original uses have disappeared, since gambling began (see Figures 40 and 41).

Preservation activities for buildings and resources that are not associated either with gambling businesses or owned by the city or county have been slow in coming. The Martin-Mason Building was condemned in 1994, and the lack of private sector funds to save the structure has resulted in intervention by the city and state. Similar situations exist in the residential sector, where homeowners have been unable to afford costly restorations without the assistance of gambling funded loans.

Summary

By the end of its fifth year, gambling in Deadwood had generated unprecedented amounts of revenue for city, county and state governments, with the majority of the funds going directly for historic preservation projects. The total gaming action since 1989 has topped $1.9 billion. With adjusted gross revenues at nearly $188 million, the total gaming tax collected has been $14,726,739.[29] Deadwood's share of this tax, in addition to the

revenues from licensing fees, has resulted in more money for historic preservation than the community ever dreamed possible.

Numerous preservation projects have been completed or are in progress. Most of the public buildings have been restored or rehabilitated, and the city and county have invested funds in the construction of new public buildings. The Revolving Loan Fund and the Grants Assistance Program have provided revenue for several projects. Private investments have also resulted in a great deal of preservation related work. In addition to funding numerous projects, however, gambling has had impacts on other aspects of preserving the town of Deadwood. These impacts are discussed in the following chapter.

Notes

[1]South Dakota Commission on Gaming, Annual Report and Gaming Abstract, Fiscal Year 1993 (Pierre, SD: South Dakota Commission on Gaming, 1993), no page.

[2]Scott Randolph, "Gambling Likely to Begin November 1," The Lead-Deadwood Call-Times, 17 August 1989, 1.

[3]"Deadwood Gaming Rules Pass Muster of SD Legislative Panel," The Lead-Deadwood Call-Times, 31 August 1989, 1.

[4]South Dakota Commission on Gaming, 1993 Annual Report, no page.

[5]Ibid.

[6]Dana R. Vaillancourt, 1993 Annual Report (Deadwood, SD: Historic Preservation Commission, 1994), 2.

[7]Scott Randolph, "Audit of City of Deadwood Finds Problems for 1989-90," The Lead-Deadwood Call-Times, 20 December 1991, 12.

[8]Scott Randolph, "State Board to Have Last Word on Local Historic Monies," The Lead-Deadwood Call-Times, 10 December 1992, 1.

[9]Scott Randolph, "Study Addresses Preservation Issues," The Lead-Deadwood Call-Times, 15 March 1989, 1.

[10]Department of Planning and Preservation, Deadwood Annual Report: 1991 (Deadwood, SD: Historic Preservation Commission, 1992), no page.

[11]Vaillancourt, 45.

[12]Scott Randolph, "Mickelson Announces South Dakota Gaming Commission Members," The Lead-Deadwood Call-Times, 15 April 1989, 1.

[13]Lori Lappin, "Group Strives to Boost Gaming Industry Profitability," The Lead-Deadwood Call-Times, 22 January 1992, 1, 12.

[14]Bob Mercer, "Bill OK'd to Give Some Gambling Funds to Tourism," The Rapid City Journal, 25 February 1994, 3(B).

[15]John D. Feinberg, et al. Comprehensive Historic Preservation Plan (Deadwood, SD: City of Deadwood, 1991), 1.

[16]Ibid., 1-3.

[17]Ibid., 2.

[18]Department of Planning and Preservation, 1990 Annual Report: Deadwood, South Dakota (Deadwood, SD: Historic Preservation Commission, 1991), no page.

[19]Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Deadwood Planning Department, March 1991), 51-92.

[20]Dana R. Vaillancourt, 1992 Annual Report (Deadwood, SD: The Deadwood Historic Preservation Commission, 1993), 6-12.

[21]Vaillancourt, 1993 Annual Report, 29-40.

[22]Pat Dobbs, "Deadwood Gaming Turns 5," The Rapid City Journal, 1 November 1994, 1(A).

[23]Joy McCracken, Interview by Author, 6 July 1993, Deadwood, SD.

[24]Deadwood Annual Report: 1991, no page.

[25]Vaillancourt, 1992 Annual Report, 22-23.

[26]Vaillancourt, 1993 Annual Report, 25-27.

[27]Vaillancourt, 1992 Annual Report, 18-22.

[28]Vaillancourt, 1993 Annual Report, 7-19.

[29]Dobbs, 1(A).

CHAPTER V

AN ANALYSIS OF THE IMPACTS OF GAMBLING IN DEADWOOD

As discussed in Chapter II, small town preservation is more than simply preserving old buildings. It involves efforts to protect the characteristics that define the small town and the qualities that make it desirable to its residents. Because the town of Deadwood, in its entirety, is a National Historic Landmark, historic preservation efforts must take this broader approach to protect the elements and qualities of the community that characterize the town.

An analysis of the impacts of gambling on historic preservation, therefore, must examine more than the effect of successful funding for the restoration of historic resources. It must also include a discussion about the impacts gaming has had on the community's economic, political and social systems, and it must look at additional aspects of the physical environment as well. This chapter will describe many of the impacts that Deadwood has experienced as a result of legalized gambling. These impacts are difficult to measure but can generally be considered as favorable or unfavorable.[1]

The following categories are used to organize the impacts on the community of Deadwood: (1) the physical environment, (2) the economic system, (3) the political system, and (4) the social systems of the community. It should be noted, however, that some impacts overlap categories, affecting more than one aspect of the community at a time. Using the example of the Costner Project, these overlaps will be illustrated. In addition to discussing the impacts on Deadwood, impacts on neighboring communities and the state of South Dakota will also be discussed, as will citizen reactions to gambling and historic preservation in Deadwood.

Impacts on the Physical Environment

Probably the area of most obvious change in Deadwood has been in the physical environment. Due in part to the changes brought about by the creation of a gaming industry and in part to preservation activities, many changes in the physical environment are readily noticeable to residents and visitors alike. While some of the physical features of the community have remained relatively unchanged, others have experienced great change.

By the time gambling was legalized, Deadwood's downtown deterioration had become especially noticeable. Several buildings sat in a state of disrepair, others were in disuse. Over time, some owners had made attempts to "modernize" the storefront facades. Some buildings had street level facades encased in some form of metal sheathing (see Figure 42), while others were masked with veneers of brick, wood, or stucco. Still others had been transformed into "old west" facades, in hopes of enhancing the tourist value, and were covered with false log fronts, complete with wooden canopies extending out over boardwalks (see Figure 43). Numerous restorations of building facades (some careful and accurate, others only partial or inappropriate) have changed the overall appearance of the downtown streetscape; so too, has gambling.

The overall appearance is now one of busy gambling casinos, rather than a small town with a variety of businesses along Main Street (see Figures 44, 45, and 46). According to Ellen Ittleson, a senior associate of Hammer, Siler, George Associates and a member of the team that prepared the comprehensive plan for Deadwood, "The sight and sound of slot machines has become predominant at the expense of historic qualities preserved and enhanced by preservation activity."[2] Slot machines and blackjack tables can be seen through windows and doors of all gaming establishments and cars that can be won are prominently parked in a number of storefront windows. Although the use of neon is limited, it can be found in more than half of the storefront windows and is widely used

throughout the interiors of the gaming establishments. With the rush to open casinos in November 1989 and shortly thereafter, many historic interiors were destroyed, replaced with the quickest and cheapest construction methods and materials possible. Only that which was easier to retain than replace is still intact, but the overall visual impression of the interiors is one that is associated with gaming rather than historic preservation.

Many gaming establishments hire people to sit or stand out front, encouraging and enticing (with coupons for discounts) would-be patrons to try their luck at that particular casino. Many of these employees are dressed in costumes associated with Deadwood's "wild west" days (see Figure 47). Hundreds of pedestrians can be seen throughout the day, wandering up and down the recently bricked streets, moving from one gaming hall to another. Parking is no longer allowed on Main Street, but the lack of back alleys necessitates deliveries through front doors. Food and beverage vendors' trucks line the streets from morning to evening. Buses for historic tours of Deadwood's cemeteries and neighborhoods appear at intervals throughout the day. The replica trolleys maneuver up and down the streets ushering gamblers to casinos from the outlying parking lots.

New buildings are filling in some of the long empty lots along the main streets of the business district. The Mineral Palace Hotel, lauded as an "exemplary design theme of appropriate in-fill of new construction with the historic district,"[3] was built in 1992 on the north end of Main Street, where the historic Badlands area met Chinatown. Another new hotel was constructed just north of the Mineral Palace in 1994. (See Figure 48.) Both hotels also house casinos. The city used gambling funds to construct a new fire hall, designed to fit with the historic nature of the community, just south of downtown (see Figure 29). A new annex and jail built adjacent to the historic courthouse by the county's portion of gambling funds is far less sympathetic to the historic area (see Figures 17 and 49).

Building lots, however, continue to sit empty and undeveloped (see Figure 50). A

plan to construct a large six-story hotel on the site where the Syndicate Block was located in the center of downtown was rejected by the SHPC; an empty hole remains as a reminder of the devastating fire that resulted in the legalization of gambling (see Figure 34). There are also small vacant lots where developers do not want to build in keeping with the historic streetscape. Small buildings, it seems, do not carry the promise of financial success; the extra expense of appropriately designed buildings as in-fill in the historic district do not make small buildings cost effective.

There are buildings in the downtown area which have seen little change as a result of preservation and gambling. Buildings which are seen as unsuitable for gambling (either due to size or location) and are no longer used for retail, sit empty and unused, subject to further deterioration from lack of maintenance (see Figure 51). By the same token, a few of Deadwood's historic resources have been threatened or lost as overzealous developers, anxious to make millions with new casinos, have carelessly demolished buildings or parts of buildings they did not feel were historically significant. In most instances, these resources were demolished in the rush to create casinos prior to Deadwood's institution of their review process. In 1992, a developer from Chicago demolished a historic resource in the downtown district without obtaining proper permits. The HPC ordered the resource rebuilt and instituted a fine of $1,000 per day of violation.[4] This case resulted in a law suit against the developer by the HPC, that has yet to be resolved, and sent a message to other developers tempted to circumvent the system.

Physical changes have not been limited to the downtown area. While some improvements have occurred in residential neighborhoods, mostly in the form of restorations or maintenance on houses (see Figures 33, 37, 52, 53, and 54), the most notable changes probably are the development of new businesses on the fringes of town. Outside the boundaries of the Historic Landmark, construction has been virtually unrestrained and has resulted in new motels (complete with casinos), restaurants, campgrounds,

amusements, and a convention center (see Figures 55 and 56). None of these new developments relates to historic Deadwood, and all exemplify contemporary trends in quickly produced, functional buildings.

Some of this development has clearly had a positive impact on the community. The general appearance of the downtown buildings has improved since the beginning of gambling. The streetscape had become one of a jumbled mixture of "modern" and "wild west" facades at the street level. The visual rhythm had become choppy and incongruent. Preservation activities, funded by gambling revenue, have changed some of that. Many buildings have undergone careful restorations and rehabilitations, enhancing the historic fabric of the town. The rhythm now flows more smoothly and there is more cohesion of the visual elements of the streetscape.

At the same time, many of the preservation activities have been criticized. There has been a lack of sensitivity to accuracy in several restorations (see Figure 57). Historic interiors were destroyed and replaced with purely contemporary decor or inappropriate interpretations of old gambling halls. Improvements have been limited in many cases to street level facades, while the deteriorated sides, backs and upper floors of buildings have been ignored. While some people view the re-creation of the brick streets and the replication of the early street lamps as enhancing the historic appearance of downtown, others feel that these, along with the use of motorized trolleys, built to resemble the old electric trolleys, and the costumed employees on the street, serve to create a theme park quality, where history is often misrepresented and the carnival-like atmosphere detracts from Deadwood's historic resources.

Also on the negative side, preservation activities have focused primarily on the downtown district gaming establishments and public buildings owned by the city and the county (see Figure 58 and 59). The original intent of this preservation-motivated legalized gambling was to improve the overall appearance of the entire historic town. Unfortunately,

downtown buildings and lots that are deemed unsuitable for gaming, as well as the residential neighborhoods, have seen little improvement as of yet. While some residential property owners have been able to restore their homes, most have not.

Beyond the preservation of individual buildings, some of the character defining features of the community have changed dramatically. "It is no longer an old mining town turned tourist attraction. It is clearly a glitzy gambling town," says Ellen Ittleson. She goes on to point out that all the contemporary slot machines, made of metal and plastic and bright flashing lights, do not fit the historic image. Even in Deadwood's earlier gambling days, gaming devices were fairly subdued in appearance.[5] Deadwood's downtown business district once housed a large variety of shops, restaurants, saloons, and stores. Now the diversity is gone. What one sees while walking down Main Street is building after building of the same slot machines and blackjack tables.

Other character defining features have also changed. Most notably, the edges and boundaries of the community have expanded to accommodate more development. The topography, however, provides natural physical limits to just how much Deadwood can grow. Steep slopes on the east and northwest prevent further growth on the hillsides, a narrow canyon to the northeast and the existence of Lead, Central City, and the Homestake Mine to the south and southwest prevent much growth in any direction. Long-time resident Tom Blair, a founding member of the "Deadwood You Bet!" committee, admits that "Deadwood is out of room to match the growth that has occurred since 1989."[6] The only place left in or near town that can accommodate a large development is atop Deadwood Hill. This is the proposed site of the Costners' Dunbar Resort (see section at end of chapter).

Existing views in and out of the community have changed little if any. Sequential experiences have remained essentially the same for most of the community, although the growth at both the north and south ends of town has added an element not previously included in the sequence. The focal points of the community have remained much the same,

as has the overall scale of the different sections of town. The relationship of buildings to landscapes has also remained unchanged. (See Figures 60 and 61.)

Generally speaking, gaming's impacts on the physical environment have been seen as positive. The town looks alive. The downtown business district, for the most part, has returned to a more accurate historic appearance. And although the residential neighborhoods haven't seen great improvements, they do not appear to look any worse than they did before. The physical changes, which have been direct results of historic preservation activities, however, are held in much higher esteem than those changes associated primarily with gambling. In fact, even residents who are ambivalent about gaming feel that the town looks immeasurably better.[7]

Impacts on the Economic System

Gambling has had major impacts on Deadwood's economic systems. In addition to generating unprecedented amounts of funding for community preservation, gaming started a new boom cycle for the community, resulting in nearly twenty years of growth and development in a matter of months. This economic development has meant an increase in employment opportunities and an increase in expenditures for construction, as well as increased spending by visitors. Perhaps more significantly, however, gambling's success has created a one-industry town where nearly all of the community is dependent upon gaming and gaming-related services for its livelihood.

Expenditure Trends

In 1992, the South Dakota Commission on Gaming conducted an analysis of economic and fiscal impacts associated with gaming. This analysis examined three basic variables: expenditure trends (including expenditures by visitors and those spent on construction), employment and earning trends and the fiscal impacts for the city and

county. Conducted by Dr. Michael K. Madden of the University of South Dakota, this study concludes that in terms of expenditure trends, both visitors coming to Deadwood in connection with gaming and the construction expenditures associated with gaming development have had a marked impact. Between 1989 and 1991, the taxable sales for eating and drinking and lodging establishments in Deadwood increased by more than $13 million. Although exact figures are not available, the increased expenditure by visitors extended to increased use in gasoline and other transportation related spending, retail purchases, and entertainment and attractions. With regards to construction, it was estimated that between 1989 and 1992 at least $32 million in construction took place in Deadwood in connection with the gaming industry.[8]

In addition to the expenditures mentioned above, visitors (and some local residents) have wagered billions of dollars on gambling. When gambling began in November 1989, everyone was stunned when over $13 million dollars were wagered by the end of the first month. The average total amount wagered throughout the summer months of 1994 was over $55 million. The total gaming action since 1989 is nearly $2 billion. Though most of this money is returned through winnings to the players, the total adjusted gross revenues from gaming since 1989 is almost $190 million.[9]

In terms of simple economics, the increasing trend of expenditures has had a favorable impact on Deadwood. A major objective of the community's original goal was to stimulate the economy so that funding for preservation would be available. Clearly this has happened. The number of people visiting Deadwood is up, the amount of money they spend is up, the amount of money spent on preservation is up.

Employment Trends

Dr. Madden's study also found improved employment conditions in Deadwood as a result of gaming. The substantial rise in employment from 1989 to 1991 occurred during a

time when no other economic development phenomena took place (in fact, mining and wholesale trade witnessed negative growth during this time period). The average number of new gaming related jobs created by the end of 1991 was 1,335. During the peak months of July and August, the number rose to over 1,500. Over half of the employees are residents of Deadwood and Lead (approximately 52 percent), while the remainder are from the nearby towns of Spearfish, Sturgis, Belle Fourche, and Rapid City. Year-round employees tend to be local, while the short term summer workers tend to commute from the outlying communities.[10]

Many retail and service jobs disappeared after gambling's boom (see section on Community Social Systems). These jobs were quickly substituted with others. Construction related to historic restorations and rehabilitations was a major contributor in creating new jobs. The overall growth in the number of jobs, however, represents a net increase in employment, not simply a substitution of jobs.[11] It is estimated that the total number of newly created jobs (directly and indirectly related to gaming) is more than 2,100. This represents a net increase of over 24 percent.[12] Earnings related to the increases in the number of jobs amounted to nearly $22 million in 1991. Of this, about 52 percent was received by residents of Deadwood, which meant that some of the money went directly back into the community when earned there.[13]

An increase in the number of jobs, even though some are part-time and seasonal, has had a positive impact on Deadwood. As a community that was withering away, there has been little hope of increasing the number of jobs available in the community. As times continued to grow worse, businesses closed and no new industry replaced the jobs lost. There was little opportunity for children to stay after graduation and be gainfully employed in the town in which they had grown up. It seems clear that the increase in the number of jobs is a direct result of legalized gambling. Those jobs which were created as an indirect result of gaming, such as historic preservation construction, would probably not have

existed without gambling.

There are also drawbacks, however. The first is that there is little opportunity for diversity in jobs. Even though the intent of the original bill legalizing gambling was to have gaming be secondary to another primary business, Deadwood has become a single industry town. Over 70 percent of Deadwood's jobs are now related to gambling in some way.[14] A second drawback is that those jobs associated with restoration and rehabilitation have grown unpredictable; sometimes there is more work than others. At some point in the future, however distant it may be, major restoration projects will have been completed, and the nature of preservation-related work will most likely become one of on-going maintenance of the historic town. Related drawbacks include the pressure to develop additional housing for gaming employees (discussed further in the section on Neighborhoods) and the added stress on area highways, originally built for leisurely sightseeing, from the commuting work force.

Fiscal Impacts

Gaming has had enormous impacts fiscally. Figures were provided in Chapter IV that show the total funds which have become available for city and county governments due to gaming taxes. Although there are some indications are that the "boom" is slowing, the returns on gaming continue to provide unprecedented amounts of funding for the community, the county, and the state.

Dr. Madden's study examined changes in local and county revenues and expenses that occurred in connection with the development of the gaming industry. Spending in Lawrence County increased approximately 26 percent between 1989 and 1991, with a major portion of that expense representing increased costs in law enforcement and the courts. Lesser increases included the auditor's office, the board of health, planning and zoning, and payments for fire protection. Lawrence County revenues during that same

time period more than doubled (from $161,944 in 1989 to $385,654 in 1991) as a result of the gambling revenue that reverted back to the county.[15]

The City of Deadwood's expenses and revenues have changed even more dramatically since the beginning of gambling. General spending for government, public safety, public works, culture and recreation, and conservation and development actually dropped about 1.5 percent between 1989 and 1991. However, a new category of expenditure which included all public improvement projects and other activity related to gaming taxes and fees as a revenue source was created in 1991. Almost $4.3 million was spent in this new category during that year. The bulk of the expenditures were in the area of historic preservation projects.[16]

The increase in revenues has been favorably impacted by gaming. This has in turn allowed Deadwood and Lawrence County to spend greater amounts of monies on historic preservation for the community. The increase in sales taxes and bed and board taxes, as well, have provided addition revenue to cover increasing costs of providing services to this community.

Impacts on the Political System

Deadwood has experienced changes in the governance of the community, including changes in decision making processes, preservations planning and management, and community relations with state agencies. Day-to-day town management, as well as the long-range planning, has become a function of the Historic Preservation Commission and the Department of Planning, Zoning and Historic Preservation since gaming was legalized. The HPC has essentially become more powerful than the city council in determining the direction and appearance of the community.

While community residents continue to be involved in some aspects of the decision making process, the new emphasis on community historic preservation has created need for

a strong presence of historic preservation staff in the governance of the community. Some residents agree with changes in how the town conducts its civic business; others have had concerns about the changes and the resulting impacts on the community. The concerns have generally been about appropriate expenditure of city restoration funds, including the HPC's decision to offer loans and grants of public money to private businesses and the wisdom of bonding projects.

These concerns are shared by a number of people both within and outside the town of Deadwood. In response to citizen concern, in 1990 the Commission on Tax Fairness and Government Cost Effectiveness (a special state tax commission) publicly questioned Deadwood's management of historic preservation funds. In response to these concerns, Mark Wolfe, Deadwood's Historic Preservation Officer, said that the use of $500,000 for promotional materials would center on Deadwood's historic offerings and would include educational materials, claiming that education and promotion are legitimate preservation related activities and that not all the funds should go directly into restoration projects only. He also said that the use of city funds to assist private businesses with restoration efforts would benefit all of Deadwood and therefore, was also an appropriate expenditure.[17] Although his response did not satisfy many of those concerned, he has been supported by the HPC and the SHPC in his explanations.

Concern continued, however, and an audit in 1991 resulted in a change in who has the final authority on how local preservation funds are spent in Deadwood. The HPC no longer has ultimate control; the State Historical Preservation Center was given the responsibility of making final decisions about all expenditures from the Deadwood historic preservation and restoration fund. This has essentially resulted in a loss of local control on decisions regarding the community's preservation efforts.

A number of citizens of South Dakota feel that Deadwood has not acted in good faith on its promise to use gaming-generated revenues to restore the historic town, but that

it has instead used funds for inappropriate expenditures which are meant to further the gaming industry rather than the historic resources. This concern was most recently demonstrated when a statewide referendum to raise the bet limits to $100 and to allow an increased numbers of gaming devices per establishment was defeated because voters felt that this would clearly emphasize the priority Deadwood has put on gambling (see section on Costner project at the end of this chapter).

Deadwood's inadequate planning, due mostly to an inability to predict the amount and pace of growth, resulted in changes in local governance that have had serious implications for the community. The local city council, unable to address the preservation management issues, which quickly became the major focus of town management, relinquished control and power to the Historic Preservation Commission and the city staff. Operating under extreme pressure to respond to tremendous growth and change, the HPC and city staff made decisions about preservation fund expenditures that they felt were in the best interest of the community in the long run. Unfortunately, state auditors did not agree with their decision-making capabilities and gave the State Historical Preservation Center final say over all expenditures from Deadwood's gaming-generated preservation funds. This has essentially resulted in the loss of local decision-making power in the community. While it is not possible to say that decisions will always be the responsibility of the state office, it does appear that this level of control will continue until such time that Deadwood and the state can agree on appropriate ways for the town to control its own funds.

Impacts on the Community's Social Systems

The community's social systems have also been greatly impacted since gambling was legalized in Deadwood. The success of gaming has resulted in displacement and relocation issues, neighborhood changes and changes in community services. Many of the impacts from many of these changes have been negative for the community, including

the loss of retail businesses, inadequate housing and increases in crime. A few impacts, such as an increase in the number of law enforcement officers, might be considered positive.

Displacement and Relocation

The overwhelming success of gambling brought rapid changes for downtown business owners in Deadwood. Within a few weeks of gambling's opening day, property values in the downtown business district tripled or quadrupled. Buildings valued at $50,000 to $75,000 sold for up to $300,000 when out-of-town developers, seeking to join the "gambling gold rush" began buying local real estate. Within a year nearly all of the commercial buildings in the downtown area had sold at least once, and more than 70 percent of the properties citywide had reportedly changed hands.[18]

For many local property owners, the opportunity to sell their buildings at such high prices was too good to pass up. For others, the escalating values adversely affected their property taxes forcing them to sell out. The developers who purchased the buildings were interested in opening gaming establishments, not in maintaining community-based retail business. They forced out merchants leasing retail space by either jacking up rental rates and/or shortening the length of leases. The result was devastating to Deadwood's retail businesses. (See Figures 44, 45, 46, and 51.)

Within a couple of years, Deadwood lost almost 75 percent of its non-gaming related retail businesses.[19] There are no longer stores in which to purchase clothing or shoes, no car dealerships, no five-and-dimes, no department stores, no barbers, no furniture stores and no appliance stores. Of the non-gaming retail businesses which remain, most have either to do with tourist-related business (ski rentals, postcards, tee-shirts, Black Hills gold jewelry manufacturing, tourist kitsch) (see Figure 62) or businesses which support either gaming or historic preservation activities (hardware stores, gaming supplies,

office supplies). There is now only one grocery store (although the national chain operating the store pulled out and left it to a regional company) and one laundry left in town. Both survive in part by offering slot machines to customers (see Figure 63). As originally conceived, gaming was to occur in conjunction with other existing businesses. The reality is that few owners were able to incorporate gaming into their existing businesses and gambling took over.

The response of the residents to this displacement has been mostly negative. J.D. Wilson, a bookseller, was forced to close his doors after losing his lease (when buildings were taken over for gaming establishments) in three different locations within the first nine months of gambling. While he did not consider himself anti-gambling, he claimed to be ". . . anti-steamroller economy. . . gaming is taking over the town, forcing retail businesses out of town."[20] Bob Harking, a Deadwood resident who works at the Homestake Mine, says "We have a lot of good restaurants now. But you have to go out of town to buy clothes or just about anything else. And we don't recognize the faces in town anymore."[21] Bill Walsh, the owner of the Franklin Hotel and an original member of the "Deadwood You Bet!" committee, is dismayed at the loss of retail businesses and local ownership. "Gaming was to be secondary, to supplement existing business. But the community lost control and the 'old boys' dictated policy development which promoted Deadwood as a huge gaming enterprise," says Walsh. "We've lost sight of who we are."[22]

Probably the most outspoken resident is Agnes Ayres, who has lived in Deadwood for nearly eighty years. Mrs. Ayres owns the hardware store on Main Street (her late husband's family's hardware store was originally located in the Bullock Hotel). She initially supported the idea of legalized gambling, feeling that it could help stimulate the dying economy of the town. Now she feels it may have been a mistake. Property taxes have gone up; businesses have been forced to close; her friends have left town, because they can

no longer afford the taxes or because they want access to local shopping. Ayres's building has been a target of developers. Its location and size would be good for a gaming establishment. She has adamantly refused to consider any offers and refuses to be forced out of her business and home. Resolutely, she displays a handwritten sign in her window, saying "Do Not Ask!!! This Building Is Not For Sale. Don't Even Think About It!!!" (see Figure 64).[23]

There are a few people who disagree that gaming has forced people out. Mary Schmit, an HPC member and the owner of the Bullock Hotel, says "I really bristle when I hear people talk about how Deadwood's retail establishments closed because of gaming. I remember nothing but tumbleweeds moving down Main Street in October of 1989. After gaming started, Deadwood and its businesses and employees are active year round."[24] Melodee Nelson, owner of the Mineral Palace Hotel and founding member of the "Deadwood You Bet!" committee, agrees with Schmit. "We crafted the idea of Deadwood gaming to keep people from leaving town for jobs in neighboring communities. When people leave, retail businesses go as well. It's important to remember that the businesses that left when gaming started did so of their own accord."[25]

While it is relatively easy to count the number of retail businesses that Deadwood lost since gaming began, information about the relocation of any of these businesses is inconclusive. Neighboring communities have experienced growth since November 1989, but there is no documented evidence to indicate that any of this growth is a direct result of the relocation of businesses from Deadwood to these towns. It appears that the success of Deadwood's gaming has resulted in tremendous displacement of local businesses, many of which were unable to relocate to nearby communities.

Neighborhood Impacts

Residential neighborhoods have also experienced several impacts since gaming

began. Recent changes have impacted various aspects of housing, traffic, noise, parking, and health and safety (see Figure 65). Most of these impacts have been considered negative by the community, although some changes directly related to restoration and preservation activities has been considered positively.

Soon after gambling became legal, the availability of safe, sanitary, affordable housing in Deadwood became an issue. In response to the growing problem, the Deadwood Community Housing Organization (DCHO) was created in November 1992. Its goals were to increase the amount of available housing for current residents and facilitate development of additional housing for nonresidents wishing to relocate to the community. To this end, the DCHO conducted a Housing Needs Assessment Survey in 1993 to determine the extent of the problem. Although a complete analysis of the survey results are still unavailable, the DCHO was able to determine the following information about housing needs in Deadwood using information obtained through survey responses and 1990 Census data.

Deadwood's population, according to the 1990 Census, is fairly evenly distributed between age groups with essentially the same size populations of residents under age 23, between ages 23 and 49, and over the age of 50. The largest number of households includes either one or two persons (544 out of 803). The largest number of households have annual incomes between $15,000 and $24,999; over half of the households recorded have incomes of less than $25,000, qualifying more than 33 percent for government subsidized housing. Based on average incomes, affordable housing fell within the range of average monthly rent of $210 to $455 (for one or two bedroom units). The occupancy rate of affordable units, of which there are a total of ninety-nine in Deadwood, is 100 percent.[26]

The survey results indicated that while a majority of residents believed their neighborhood housing to be in excellent or good condition, 22 percent classified their neighborhoods as fair or poor. DCHO concluded that this may be due to the age of the residences,

as over 64 percent of the housing units in Deadwood were constructed prior to 1940. Of the total of 896 residential units in town, 491 are owner occupied and 309 are rental units. Of the remaining ninety-six units, Deadwood has lost the use of forty-seven rental units because of the expansion of gaming within local establishments which needed additional space in order to conduct their businesses. Another twenty-nine units lack complete kitchen or plumbing facilities and are, therefore, considered substandard units. Eight units were lost to fire damage and seven were considered seasonal for recreational use. The remaining five units were for sale at the time of the survey, and counted as vacant. The survey also indicated that although the average monthly Deadwood mortgage was $36 less than neighboring communities, the average Deadwood rent was $48 higher. The average monthly rent for a two bedroom unit was $423, although some were priced as low as $200 and as high as $800.[27]

At the time of the survey, only 448 of the 1,473 licensed gaming employees resided in Deadwood. The remaining 1,025 lived in Lead (297), Spearfish (268), Rapid City (202), Sturgis (136), and five other Black Hills towns (122). If housing opportunities existed, 43 percent of those surveyed would relocate to Deadwood.[28] Based on the combination of this information, the DCHO determined that there was an increased need for new single family and multifamily housing units to accommodate the gambling induced growth in Deadwood.

Although improvements in housing availability have been minimal, the city has encouraged and financially supported projects such as the renovation of the Gillmore Hotel which was converted to fourteen one- and two-bedroom apartment units. Developers have been much more interested in investing in gaming establishments than housing developments, although some have purchased larger old homes and converted them to small apartments for their employees. Only two other new housing areas have been developed. One is a small apartment complex and the other is a mobile home park that is located just outside

of Deadwood's city limits.

Historic preservation has also had an impact on residential neighborhoods, although to a much smaller extent than gambling has had. Preservation activities have thus far been limited in residential areas and have primarily involved modest restoration projects and general maintenance on older homes in the community. These improvements, however, have served to enhance the visibility of historic resources throughout the town and have made the neighborhoods attractive to some tourists who enjoy seeing the older homes. Preservation of older homes has also opened the door to the business of bed-and-breakfast inns in Deadwood. Improvements to Deadwood's historic homes have also, although to some property owners dismay, raised property values (and hence taxes).

As a result of these changes, neighborhoods have been impacted by increased traffic and noise.[29] Parking, which is at a premium in the steep hillside neighborhoods, has become problematic for local residents, as more visitors are choosing to park in residential areas even though it is illegal to do so. Gaming may have brought other problems to the neighborhoods of Deadwood as well. A number of residents have recently voiced concern about an influx of what they call "undesirables" associated with alleged drug and prostitution activity.[30]

Community Services

There is little doubt that Deadwood has seen a decline in available community resources such as retail businesses. Community services, however, have shown some signs of increase. Unfortunately, many of the services that have been increased are those needed to respond to problems caused by gambling related activity.

Since gaming began, the police force in Deadwood has doubled to ten officers. Crime, too, has increased, although much of the increase is due to minor crimes such as bad checks and traffic violations. In 1989, the total number of criminal arrests was 193,

while the total number of traffic arrests was 411. In 1990, those numbers increased to 317 and 747, respectively. In 1992, there were 490 criminal arrests and 867 traffic arrests.[31] There has been speculation that organized crime has returned to Deadwood, although there is no conclusive evidence. Only one gaming-related homicide has been recorded, when in September 1990 one of the owners of the Windflower Saloon was killed in a robbery attempt.[32]

The other type of community services which has increased is social services. There have been an increased number of calls to Child Protective Services because, in the absence of activities for children in town, gambling patrons leave their kids alone in cars at all hours of the day and night and parents leave their children unsupervised and alone at home while they go to work at the casinos.[33] Social services for community residents with addictions, including alcohol, drugs and gambling, have been in demand. A new Gamblers Anonymous meets regularly.[34]

There are other community services which may have also been impacted, although no definitive information is available at this point. It is likely that with an increasing number of residents, however, that there could be an increased need for schools and/or daycare facilities and for medical facilities.

Impacts on Neighboring Communities and the State of South Dakota

Deadwood is not the only town impacted by the success of gambling and historic preservation activities. Although it led the state in sales growth for 1990 with a 32.2 percent jump over 1989, Deadwood's gaming industry and growth helped to bring the towns of Spearfish, Sturgis, Lead and Belle Fourche into double-digit taxable sales for the year. A large part of this growth was due to the building boom associated with turning old stores into casinos. In 1991, contractors in Lawrence and Meade counties saw receipts almost $21 million higher than in the twelve months preceding gambling, while contractors in

Rapid City experienced a 28 percent increase in construction related to Deadwood's building and restoration activity.[35]

Although most communities in the Black Hills have experienced some growth (in population, taxable sales) since 1989, Spearfish, located fifteen miles from Deadwood, has probably experienced the greatest impact. Already the state's fastest growing city when gaming began, Spearfish has become the retail hub for northwestern South Dakota and parts of Wyoming and Montana. Taxable sales in Spearfish increased over 25 percent between 1989 and 1991 and major retail chains, including K-Mart and Wal-Mart, opened stores in Spearfish by 1992.[36] In 1990, voters approved the construction of a new public school to accommodate the growing number of families and Black Hills State College became Black Hills State University in recognition of its growing number of students and program offerings.[37] Situated at the mouth of Spearfish Canyon in the northern Black Hills, the town is ideally located at the intersections of Interstate 90 (east to Sturgis and Rapid City, west to Wyoming), Highway 85 (south to Deadwood), and Highway 34 (north to Belle Fourche). It, too, has a rich and colorful history (albeit more sedate than Deadwood's) and an abundance of historic resources. Because of the availability of housing and local retail business, as well as its easy access to other communities and various activities, Spearfish has become the town of choice for many relocating to the Black Hills. A number of persons who work in Deadwood live in Spearfish and commute.

South Dakota as a state has also been impacted, mostly in a favorable sense, from Deadwood's success with gaming and historic preservation. Although no statistics are available, it is reported that the number of visitors to the state has jumped and that taxable retail sales, gasoline taxes, and bed and board taxes have all benefited.

The Overlap of Impacts: The Costner Project

As mentioned in the introduction to this chapter, there are instances where impacts

overlap categories, impacting more than one aspect of the community at a time. For example, increased employment opportunities has created a need for additional housing and increased restoration work has created additional employment opportunities. It is the nature of small town historic preservation to affect various aspects of the community all at once. The largest single development project planned for Deadwood since gaming began, the Dunbar Resort, is a good example of the overlap of impacts.

The $65 million world class Dunbar Resort, also referred to as the Costner Project, became the most controversial change slated for the community since gambling began. The resort was scheduled to be built by Kevin Costner and his brother, Dan who own and operate the Midnight Star casino on Main Street. The eighty-five acre resort was to include 400,000 square feet of conference center facilities, hotel rooms, three restaurants, banquet rooms, ballrooms, billiard halls, exercise facilities, an indoor pool and jacuzzi, a bowling alley, a golf pro shop, specialty shops, two state-of-the-art theaters, and at least two gambling lounges. The grounds were to include tennis and racquetball courts, ball fields, a swimming pool, an eighteen-hole golf course, fishing ponds, ice skating, and trails for hiking, snowmobiling and cross country skiing.[38] Prior to breaking ground, however, the Costners and their supporters asked to have the city limits amended to include a portion of the resort site. Without this action by the city council, which was approved, the resort would not have been allowed to have any gaming activity. In addition, the Costners asked the state legislature to raise the bet limits to $100 and to allow more gaming devices per building to ensure what was called a "level playing field" with the competition in neighboring states. The Costners felt certain that with increased bet limits private enterprise, without the assistance of tax dollars, would pay for the costs of building this resort. But without the increase in bet limits, the project could not happen. The legislature approved the higher bet limit by a two-to-one margin in March 1993.[39] Final plans were made to start construction by that summer.

The proposed construction of this resort, as well as the passage of higher bet limits, became the first true test of just how far the community of Deadwood and the citizens of the state were willing to go to support Deadwood's legalized gambling and its historic preservation efforts. At the insistence of concerned voters, the issue was put to a special statewide referendum in September 1993. Fearing a repeat in Deadwood of the mistakes which have led to the current disasters in the Colorado gaming industry, a majority of Deadwood gaming owners united in the "Save Deadwood Committee" to oppose the proposed Costner development on Deadwood Hill. The committee favored keeping a limit on number of devices to avoid the large gaming halls with 400-600 devices and raising bet limits to no more than $25 or $50. The general feeling was that there is no future for Deadwood if the large casinos take over and replace the small unique gambling halls.[40] Of course, there were others who supported the Costner Bill, as it became known, and saw it as the greatest economic opportunity South Dakota has ever had. Hundreds of thousands of dollars were spent on the campaign to pass the bill.

Although predicted to win by a significant margin, the Costner Bill went down in surprising defeat, overturned by voters 55.5 percent to 44.5 percent.[41] The voters of the state felt that the arguments against the raising of the bet limits and the potential negative impacts of the development of the project outweighed the arguments for the passage of the Costner Bill.

The Costners halted all work on the project. But within six months, the Dunbar Resort plans were back on track and construction is slated to begin sometime in the Spring of 1995. Fearful of the potential loss of business and willing to ignore the wishes of the majority of voters in the community and the state, the City of Deadwood decided to back the project with Tax Increment Finance Distribution bonds for a total of $7 million. These bonds allow for payoff of project costs using money that normally would go to increased property taxes on the finished development. The state, too, jumped on the bandwagon and

passed a bill to expand the tax break for businesses with construction projects exceeding $20 million. The Costner Project also received a $1 million ISTEA grant from the federal government which is to be used for the planting of old growth ponderosa pine on the resort site. These efforts to provide assistance for the project, along with the hope that someday the bet limits will be raised, satisfied the Costners enough to proceed with the project.[42]

This project overlaps several categories and demonstrates how gaming can impact many aspects of a community. First, the building of this resort would significantly impact the physical environment by altering some of the character defining features of the community. The resort, to be built atop Deadwood Hill on the north end of town at the intersections of Highways 85 and 14, would expand the edge and boundary of the town to the north, would alter the existing views in and out of the end of town, would change the scale of the town, would change the sequential experiences when coming into or leaving Deadwood via either route at that intersection, and would alter the focal points of the community. Its planned style, a combination of chateauesque and rustic Adirondack styles incompatible with Deadwood's architecture, would detract from the historic character of the community.

Second, this project has impacted the political system in Deadwood. By asking the city council to extend the city limits for the Dunbar Resort, the Costners were asking for a special favor of sorts in exchange for bringing a commodity to Deadwood that the town would never be able to have on its own. When the Costner Bill was defeated, the HPC and the city council committed $7 million dollars in bonds to ensure that the project would proceed. Both of these actions were in response to the desire to further Deadwood's gaming interests, and hence revenue for the community. Gaming revenues, it seems, speak loudly to the governing powers.

Third, this project clearly would impact the economic systems of the community. During the construction phase, approximately 2,000 persons would be put to work and

generate a payroll of $36 million. Once operational, the resort would employ the equivalent of six hundred full-time employees and generate a payroll of $12 million annually. The hotel is projected to generate $145 million in income yearly and sales tax revenue from the operation will generate $2.5 million, of which over $1 million would go to the town of Deadwood.[43]

And finally, this project would also impact the community services in much the same ways that they have already been impacted. Increased numbers of employees will mean an increased need in housing. If the employees have families, there may be an increased need for schools and/or daycare facilities. A growing population could increase the need for medical services. The increased number of visitors could mean a further increase in crime and the need for social services.

Citizens' Reactions

Reactions to the changes brought about by legalized gaming and historic preservation activities and their impacts are mixed. Some residents feel that gambling and the resulting historic preservation activities are the best things that could have happened to Deadwood. Some residents feel while there have clearly been some benefits, such as an improved economy, they feel that the disadvantages have been great. Still others feel that Deadwood's gambling and historic preservation activities have been mostly negative.

Bill Walsh, the owner of the Franklin Hotel and an original member of the "Deadwood You Bet!" committee, is dismayed. "There's a lot of gold fever and greed now," says Walsh. A long-time advocate of historic preservation, he feels that Deadwood has lost sight of its goals for preservation. He feels that gambling has become more important to most of the community and that the image of preservation has been distorted. He thinks that the community falsely believes that restoration is complete, when in reality

there is much left to be done. Most restorations have been limited to improving facades and first floors, rather than whole buildings. Interior restorations generally lack quality. Little has been done to preserve authentic themes, such as the Badlands or Chinatown. He blames two things: the Gaming Commission listened to some of the "old boys" and developed policies to promote Deadwood as a huge gaming enterprise, and the City Council opened up the issuance of beer and wine licenses that enabled the development of casinos as primary businesses rather than the intended use of gaming devices as secondary enterprise. Even with his disappointment about Deadwood's ventures, he is pleased that gaming profits will have financed nearly $2.5 million in restoration for his hotel by the summer of 1995.[44]

Mayor Bruce Oberlander admits that some of the changes have been painful. "Things happened so rapidly," he says. "You go downtown and don't see people you know. Sometimes you feel like a tourist in your own home."[45] In addition to her feelings about the displacement of Deadwood business, Agnes Ayres is also disappointed in the preservation efforts that have been made. She also feels that while there are examples of good historic preservation, most of the historic buildings have been altered to the point of losing their historic character. She is especially upset with the loss of so many historic interiors.[46]

Mary Schmit and Dave Larson, owners of the Bullock Hotel and Deadwood Dick's respectively, worked hard to bring legalized gambling to Deadwood and feel that their efforts have paid off. "The success of gambling has empowered the community, given new life . . . new jobs," says Schmit. She feels that the benefits outweigh the costs and hopes to see Deadwood's success continue.[47] Larson, too, feels that Deadwood's success is significant. He sees the use of legalized gambling to fund historic preservation as an experiment that has been well worth it.[48]

Summary

The impacts of legalized gambling on the historic preservation of Deadwood have been great. Little has gone untouched as the physical environment, the economic systems, the political systems and the community services have been changed in various ways. The impacts, although not precisely measured, range from very favorable to very unfavorable, and there are some impacts which are viewed as both positive and negative. Many of the impacts overlap, affecting more than one aspect of the community at a time.

Clearly most of the change in Deadwood has been a direct result of the legalization of gambling, although it is not clear to what extent gaming success has altered the effect. That is, would the impacts be greater or less if gambling was less successful? Some of the change, however, is directly related to preservation activities in the community. Regardless, Deadwood has become a role model for other small towns considering large scale community historic preservation projects as well as small towns wishing to find quick fixes for their struggling economies.

Notes

[1]At the time of this writing, precise statistical information was unavailable. Observations and conclusions in this chapter are based on anecdotal and partial statistical information.

[2]Ellen Ittleson, "Gambling: Boom or Bust for Preservation," Forum (November/December 1991): 14.

[3]Scott Randolph, "Preservation Board Acts on Deadwood Hotel Designs," The Lead-Deadwood Call-Times, 1 September 1992, 1.

[4]Scott Randolph, "Historic Preservation Acts Against Deadwood Landowner," The Lead-Deadwood Call-Times, 28 October 1992, 1.

[5]Ittleson, 14.

[6]Pat Dobbs, "Deadwood Gaming Turns 5," The Rapid City Journal, 1 November 1994, 1(A).

[7]Katherine Jensen and Audie Blevins, "Gambling on the Lure of Historic Preservation: Transforming Tourism in Rocky Mountain Mining Towns" (Graduate paper, University of Wyoming, 1992), 6.

[8]Michael K. Madden, Economic and Fiscal Impacts Associated with Gaming Deadwood, South Dakota (Pierre, SD: The South Dakota Commission on Gaming, 1992), 65-67.

[9]Dobbs, 1(A).

[10]Madden, 67-68.

[11]Ibid., 44.

[12]"Deadwood's Gamble," Readers' Digest, June 1994, 82.

[13]Madden, 44.

[14]Ibid., 44.

[15]Ibid., 51.

[16]Ibid., 55.

[17]"Tax Commission Questions Deadwood Restoration Spending," The Lead-Deadwood Call-Times, 18 July 1990, 1.

[18]Arnold Berke, "Voters Reject Environmental Measures," Historic Preservation News (January 1991): 12.

[19]"Deadwood's Gamble," 84.

[20]Julie Mathiesen, "Businessman Expresses Concern for Future of Deadwood Retailing," The Lead-Deadwood Call-Times, 28 August 1990, 1.

[21]Dirk Johnson, "Gambling's Spread: Gold Rush or Fool's Gold?" The New York Times, 6 October 1991, 1(L).

[22]Bill Walsh, Interview by Author, June 1993, Deadwood, SD.

[23]Agnes Ayres, Interview by Author, June 1993, Deadwood, SD.

[24]Historic Deadwood Progress Report (Deadwood, SD: Deadwood Visitors Bureau, October 1994), 1,4.

[25]Ibid., 4.

[26]Deadwood Community Housing Organization, "Housing Assessment Executive Summary" (Deadwood, SD: Department of Preservation and Planning, 1993), 1-11, photocopied.

[27]Ibid., 3-9.

[28]Ibid., 6.

[29]Russell Stubbles, "The Deadwood Tradition: Putting Gambling Before Planning in South Dakota," Small Town 21, no. 3 (November-December 1990): 26.

[30]Pat Dobbs, "Three's Family, Four's a Crowd," The Rapid City Journal, 15 August 1993, 1(B).

[31]"Statistics Report" (Deadwood, SD: Deadwood City Police Department, March 1993), 1, photocopied.

[32]Joni Lee Martin, "Homicide Believed to Be Robbery Connected," The Lead-Deadwood Call-Times, 11 September 1990, 1.

[33]Jensen and Blevins, 12.

[34]Stubbles, 27.

[35]Lori Lappin, "Deadwood Gaming Impacts Surrounding Communities," The Lead-Deadwood Call-Times, 27 January 1992, 1.

[36]"Deadwood's Gamble," 84.

[37]Paul Higbee, "More Than Just a Pretty Place," South Dakota Magazine, (November/December 1991), 43.

[38]"VOTE YES For South Dakota," (pamphlet), n.p., n.d. [1993].

[39]Terry Woster, "Gambling Issue Tied to State's Recent Past," The Sioux Falls Argus Leader, 12 September 1993, 4(A).

[40]Scott Randolph, "Gaming Owners Form Group to Avert Colorado-Type Disaster," The Lead-Deadwood Call-Times, 18 December 1992, 1.

[41]"Deadwood's Gamble," 84.

[42]"Resort Plans Back on Track," The Rapid City Journal, 4 March 1994, 2(A).

[43]"A Vision for South Dakota's Future," (pamphlet), n.p., n.d. [1993].

[44]Bill Walsh Interview.

[45]"Deadwood's Gamble," 82.

[46]Agnes Ayres Interview.

[47]Mary Schmit, Interview by Author, July 1993, Deadwood, SD.

[48]Dave Larson, Interview by Author, July 1993, Deadwood, SD.

CHAPTER VI

CONCLUSION

This study has examined the use of legalized gambling as a tool for funding small town preservation, using Deadwood, South Dakota as a case study. In doing so, it was necessary to define what small towns are and discuss why it is important to be concerned with their preservation. Issues pertaining to historic preservation in small towns were also described. In looking specifically at Deadwood's experience, a description of the town including its history, a discussion about the success of gambling to generate funds for preservation and the management of those funds, and an analysis of the impacts created by gaming's success were discussed. Two questions remain, however. Has the use of gambling as a tool for funding community preservation been successful in Deadwood? Can gambling as a tool for funding historic preservation be successful for other small towns?

In evaluating Deadwood's success, three questions need to be asked. The first is whether or not legalized gambling has generated the amount of funding that the community had set as a goal for its preservation efforts. The second question is whether or not Deadwood has achieved (or is achieving) its preservation goals. The last question is whether the benefits of using gaming to generate funds for preservation outweigh the costs to the community.

In terms of the first question, it is clear that gambling as a tool for generating funds has been successful. Predicted to generate up to $500,000 a year for preservation activities, gambling's success has resulted in amounts far surpassing this projection. Within the first seven months after gaming began, Deadwood's share of tax and licensure revenue was

$1.85 million. By the end of fiscal year 1994, Deadwood had received more than $17.62 million.

The continued success of gambling to generate this amount of money, however, is tenuous. Although gambling has been setting records almost every month since it started in November 1989, the growth rate has begun to slow and record monthly betting totals are no longer a sure thing in Deadwood.[1] A number of reasons for the slowing rate have been cited, including the increased competition from gaming operations in other states and the growing number of video poker games throughout South Dakota.[2] At the time of this writing, it is not clear that Deadwood will continue to benefit from large amounts of gaming-generated revenue.

The second question, whether or not Deadwood has achieved (or is achieving) its preservation goals, is more complex. At first glance, it could be said that Deadwood is achieving its preservation goals. Numerous buildings have undergone various forms of restoration or have been rehabilitated for new use. The major commercial streets have been repaved with brick and replica turn-of-the-century street lights line the sidewalks. Much of the disintegrating infrastructure has been replaced or repaired. Many of the features which define Deadwood physically have been unaltered. The economy has been revitalized. A part of Deadwood's social history was brought back to life when gambling was legalized.

Upon closer examination, however, the larger picture reveals that Deadwood as a community has been impacted by gaming in ways that raise questions as to whether the town's preservation goals are being achieved. Preservation efforts have focused on artifacts, neglecting social aspects of the community. Displacement of businesses and residents, loss of local decision making power, and the loss of diversity within the community have altered the Deadwood that many residents set out to preserve. It is no longer a mining town turned tourist town where local residents know almost everyone they pass on the street. It has become a town full of strangers where the community has become dependent

on one, and only one, industry: gambling.

The quality of preservation is also an issue. Although some buildings have undergone careful restorations, not all buildings and sites have been carefully restored using appropriate methods and materials. A number of resources have been lost or irreversibly altered. Not all of the in-fill construction is sensitive to and compatible with the nature of the surrounding historic area. Most of the preservation efforts have been focused on the commercial center, neglecting the remainder of the community, and have been designed, at least in part, to further the gaming industry. Some of the preservation efforts create a false sense of the community's history, resulting in a theme-park atmosphere which detracts from the authentic historic resources in the community. There are also a number of projects which Deadwood has financed with gaming-generated revenue which are questionable as preservation projects, including the construction of parking lots to accommodate increased number of visitors, the purchase of replica trolleys to transport visitors from parking lots to gambling casinos, and the creation of the Whitewood Creek greenway, an elaborate park system that will include historic interpretation signage, but is not itself based on history.

The final question in examining Deadwood's success is whether the benefits of using gambling to generate funds for preservation outweigh the costs to the community. This is difficult to assess, in part because the answers to this issue are evaluative and qualitative. Some people feel strongly that the economic benefits outweigh the social costs. Others feel just as strongly that the social costs have outweighed the economic benefits. Those who are motivated by money have generally been pleased with Deadwood's efforts. Those who have lost businesses, friends, and a sense of the community have been disappointed, saddened, angry, and frustrated. The overall benefits for Deadwood have been a revitalized economy and the restoration of some of the community's historic resources. The overall costs have included a loss of sense of community and quality of small town life, alteration in some community character defining features, loss of historic

resources, loss of diversity of businesses, reduction in local ownership of businesses, loss of local decision making power (as it applies to the expenditure of historic preservation funds), increased property taxes, an increase in crime and social problems (such as child abuse and neglect and addictions), an increase in traffic and noise, parking problems, and lack of adequate housing. Clearly the costs are more numerous than the benefits, and appear to outweigh the benefits of a revitalized economy and the restoration of some of Deadwood's historic resources.

Has the use of gambling as a tool for generating funding for historic preservation in Deadwood been successful? Yes, but with serious costs to the community. Gambling has generated unprecedented amounts of money, but preservation has become focused on specific artifacts rather than preserving this historic small town. Gambling, which was originally conceived of as the means to the end goal of historic preservation, has become the most important consideration in the community and historic preservation has now become secondary. Deadwood seems to have lost sight of its goal to preserve the community.

Deadwood's early success in generating unprecedented amounts of funding has created a new type of gold rush. It has become a model for other communities considering similar funding methods for preserving their communities. With Deadwood's successes, however, come its failures, all of which have implications for other communities.

The use of legalized gambling to generate funding for small town preservation presents several opportunities. It can revitalize a small town's economy. It can generate significant amounts of revenue and provide an opportunity to restore and protect resources which might be otherwise lost to demolition or neglect. It offers the opportunity for community-wide involvement in a community-based project.

The use of legalized gambling, however, also presents several dangers. Because gaming can be so successful financially, greed can interfere with community planning and

historic preservation goals. It can result in loss of diversity of businesses and the reliance on gaming as the only business. There may be a tendency for the community to rush into establishing casinos at the expense of historic resources. Long-term planning for change, if it happens at all, may come too late. Successful gaming may adversely affect the community's character and ultimately result in a loss of the sense of community.

Another danger is that gambling can be an unpredictable and unstable source of revenue for a community. Although Deadwood has so far been successful at generating large amounts of money, business has begun to slow. As more and more communities are turning to gambling to generate funding, although only a few others with historic preservation as a goal, an increased competition among communities hoping to generate significant dollars through gambling has occurred. As of January 1995, all but two states in this country had some form of legalized lottery or gambling.[3] This poses questions for Deadwood as well as other communities. What happens if gambling revenues are either no longer there or generating insufficient amounts of funds and preservation goals have not yet been met? Will there be alternative methods of funding preservation activities or will preservation activities cease?

This leveling and anticipated decreased may not be as detrimental as it seems, however. When gambling is initiated to generate funding for preservation, it can be assumed that at some point in time, however distant in the future, the majority of preservation work will be complete, and therefore, no longer require a continuous form of funding of this magnitude. On-going maintenance will be necessary, but lesser amounts of gambling revenue may suffice to meet those needs. Of course, the community may have several other uses for the money once its preservation goals have been reached and may wish to find ways to channel the funds to other community projects. The potential danger comes in having attached gambling to preservation. If, as in Deadwood's case, a constitutional amendment was passed to allow gaming to generating funding for historic

preservation, will it be necessary to pass a new amendment to use the funds for other projects?

Can gambling as tool for funding small town preservation be successful? Possibly, but there are some things that communities considering this method of funding historic preservation might want to do to maximize the success of their preservation efforts and minimize the negative impacts associated with successful gaming. First, a community should engage in long-range planning prior to instituting legalized gambling. This process should include community input and involvement. The community's preservation goals should be clearly defined and a comprehensive community plan in place. Ideally, a small town's goal will be to preserve the community, including it social, cultural, and political aspects, as well as preserving its physical artifacts. Second, the community should establish its preservation management strategies, adopt preservation ordinances and design guidelines, and create the appropriate review and hearing commissions. Retaining local control and decision making power is important, so preservation management strategies should fit within established state and federal guidelines. Third, the community should survey and inventory all of its resources and character defining features prior to any preservation project initiation. A comprehensive record of the community's artifacts, as well as clearly defined qualities and characteristics that make the community desirable, is necessary to implement the community's preservation plan and management strategies.

Fourth, gambling should be limited and controlled to maximize the benefits while minimizing the costs. Keeping gambling small and keeping it secondary to existing businesses will allow for the generation of some funding while working to protect elements of the community that are susceptible to being overtaken by widespread greed. Recommended limitations include limited stakes, a small number of devices per establishment, a limit on the number of licenses permitted for the entire community (similar to limits on liquor licenses), and the requirement that it must be secondary to an existing business. Some of

the parameters of Deadwood's gaming attempt to achieve this, including a bet limit, a limit on the number and kinds of gaming devices available, and the requirement that gambling must be secondary to an existing business. Unfortunately, in Deadwood's case, this last point has not been effectively enforced, nor has there been a restriction on the number of licensed gaming establishments that can exist within the town. The lack of restriction (and enforcement) on these points has probably done more to contribute to Deadwood's failures than anything else.

The fifth issue is enforcement. The parameters of gambling should be clearly defined, monitored and enforced if a community hopes to be successful in its efforts to focus on preservation rather than gambling. Sixth, the community should develop a program by which the impacts of gaming can be monitored and evaluated and changes can be implemented when necessary.

Finally, to be successful a community should strive to find ways to benefit the entire town, including all non-gaming and residential structures, as well as other historic resources, character defining features, and the quality of life. Developing special financial incentives, such as tax breaks, for non-gaming businesses may provide the impetus to keep them in town. Non-gaming businesses should be given priority for in-fill construction sites. Special loans and grant programs could be used to benefit residential neighborhoods. Special interest projects, which focus on the history of the community and the protection of its qualities as a small town, should receive adequate funding.

Although much of what has occurred in Deadwood since gambling was legalized is permanent, some of the suggestions mentioned above might help Deadwood refocus on its preservation goals. Even though little, if any, planning occurred prior to gaming's beginning, there is still time to plan for Deadwood's future. The preservation plan that was developed in 1991 should be reviewed and revised and planning should become an ongoing process for the community. It is essential, however, that it involve the residents and

that plans not be made by a few officials who feel they know what is best for the community. Deadwood could also evaluate its preservation management strategies and procedures and work with the state to regain local control over decisions made regarding preservation funding. This of course could take some time, since the HPC must now demonstrate to the state that its can make appropriate and prudent decisions for the community.

Deadwood could also decide to further limit its gambling, reducing the number of devices allowed per establishment and restrict the number of licenses allow for the town. This reduction would need to occur through attrition, but could allow for the community to develop some strategies to attract new (or old) businesses back to the town. This, along with stricter enforcement of gambling as a secondary rather than primary business, may help to restore elements of the community that were lost in gaming's success.

Clearly, the use of gambling as a tool to generate funds for small town preservation can be successful from the financial perspective. Just as clearly, there are a number of risks associated with this method of funding. Deadwood's experience illustrates both the successes and failures of combining gambling and historic preservation. While there can be several problems with this funding approach, the biggest one seems to be the potential for a community to lose sight of its preservation goals and therefore, the very reason for which gambling was adopted. Gambling, which can easily become the goal itself, should be only the means to the end goal of community preservation. If gambling becomes the primary goal, it undermines the potential success of gambling as a tool to fund small town preservation efforts, and threatens the success of the historic preservation goals which can better serve to unite the community and protect its significant historic resources and quality of life.

Notes

[1]"South Dakota Survey: Gaming May Have Peaked," The Rapid City Journal, 14 March 1994, 1(A).

[2]Video poker games have been available throughout the state for the last few years, although a legal decision declaring them unconstitutional - because they are a form of gambling rather than lottery - was made in the spring of 1994. In November 1994, the voters of South Dakota passed an initiative which makes the use of videop poker games legal. The impact of this form of gambling, which is available statewide, on Deadwood's gaming industry is yet to be seen.

[3]Bette Anne Bierle, Mountain/Plains Regional Office of the National Trust for Historic Preservation, Telephone Interview by Author, 24 January 1995.

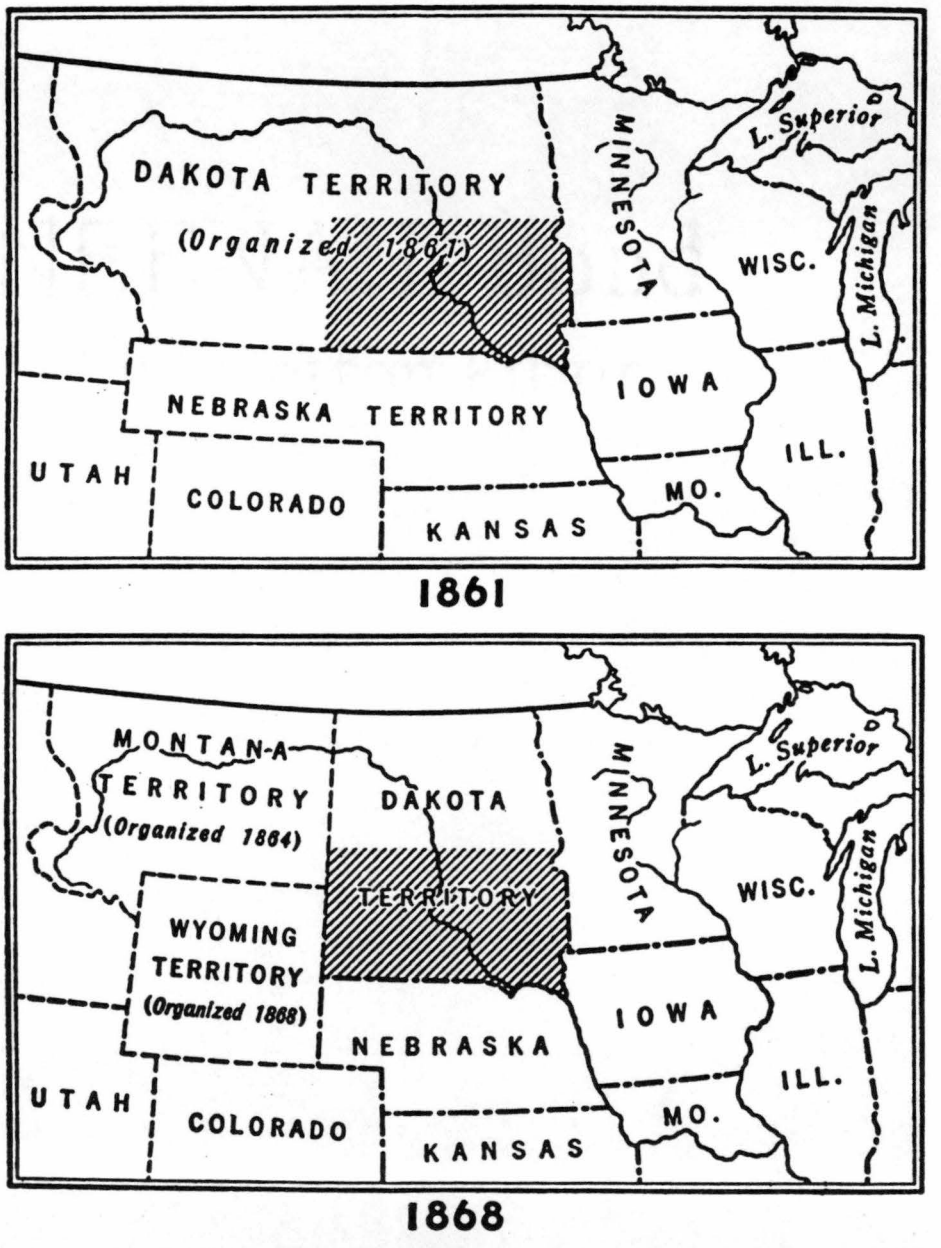


FIGURE 1. Maps of Dakota Territory, 1861 and 1868. Source: Herbert S.Schell, History of South Dakota (Lincoln: University of Nebraska Press, 1968), 75.

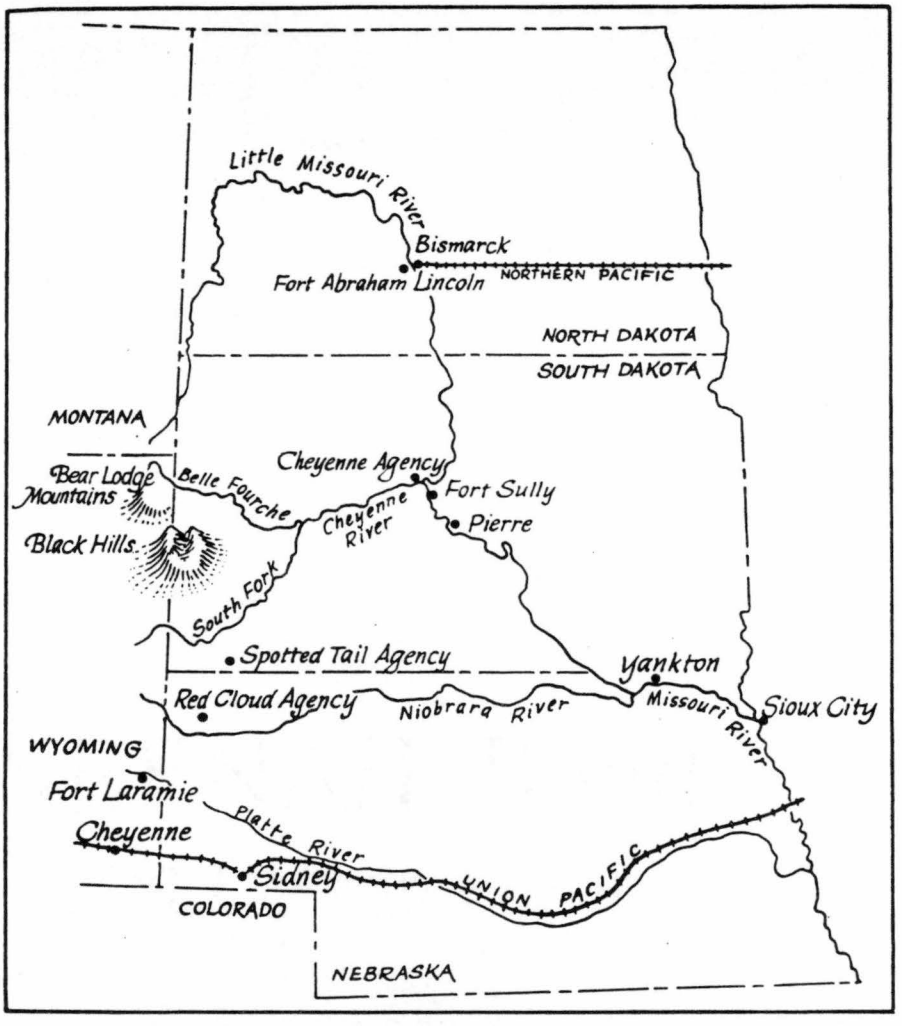


FIGURE 2. The Black Hills of Dakota and Surrounding Settlements in 1875. Map indicates the present-day political boundaries. Source: Watson Parker, Gold in the Black Hills (Lincoln: University of Nebraska Press, 1966), 43.

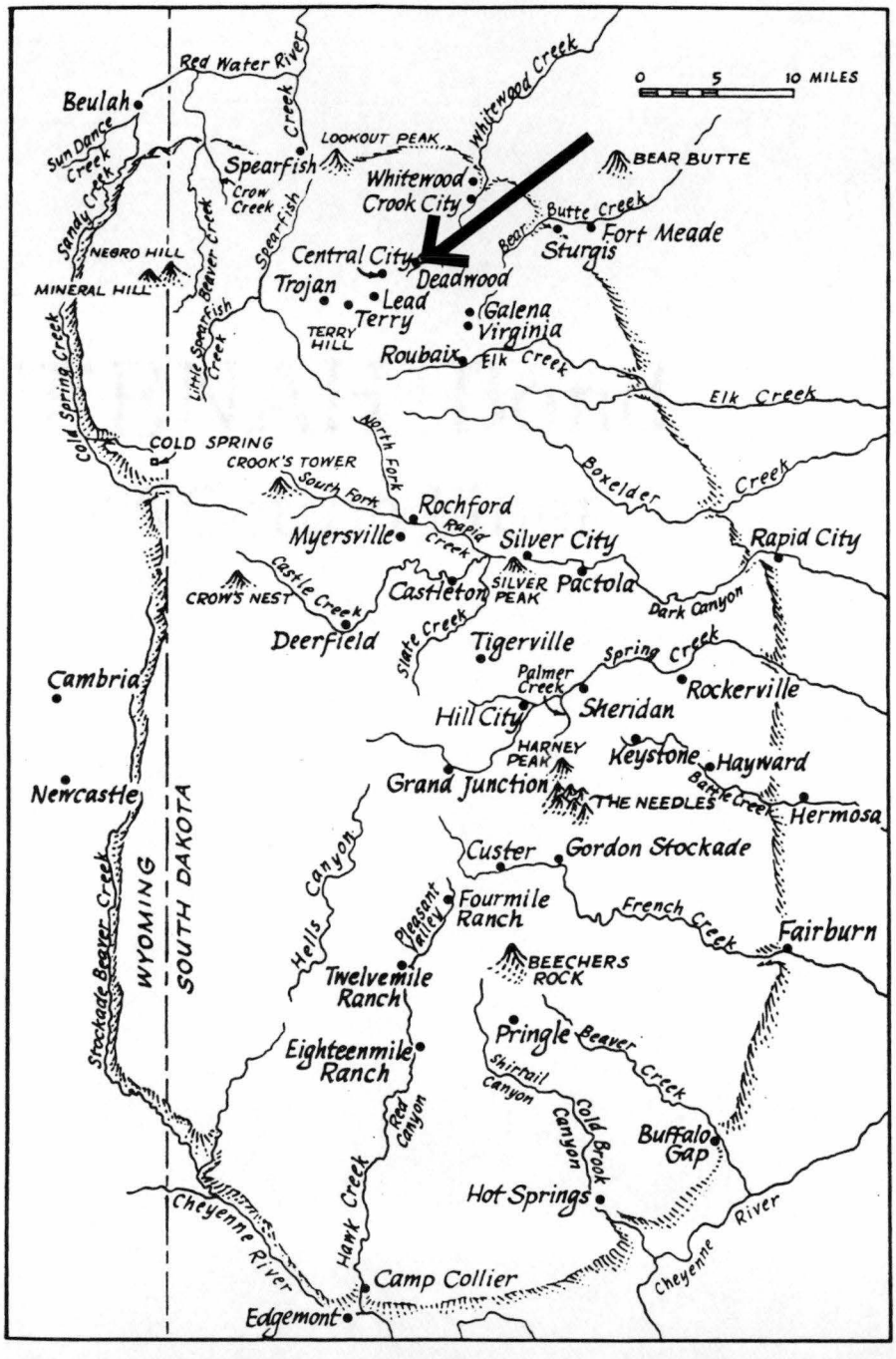


FIGURE 3. Towns and Camps of the Black Hills. Deadwood's location indicated by arrow at top of map. Source: Watson Parker, Gold in the Black Hills (Lincoln: University of Nebraska Press, 1966), 79.

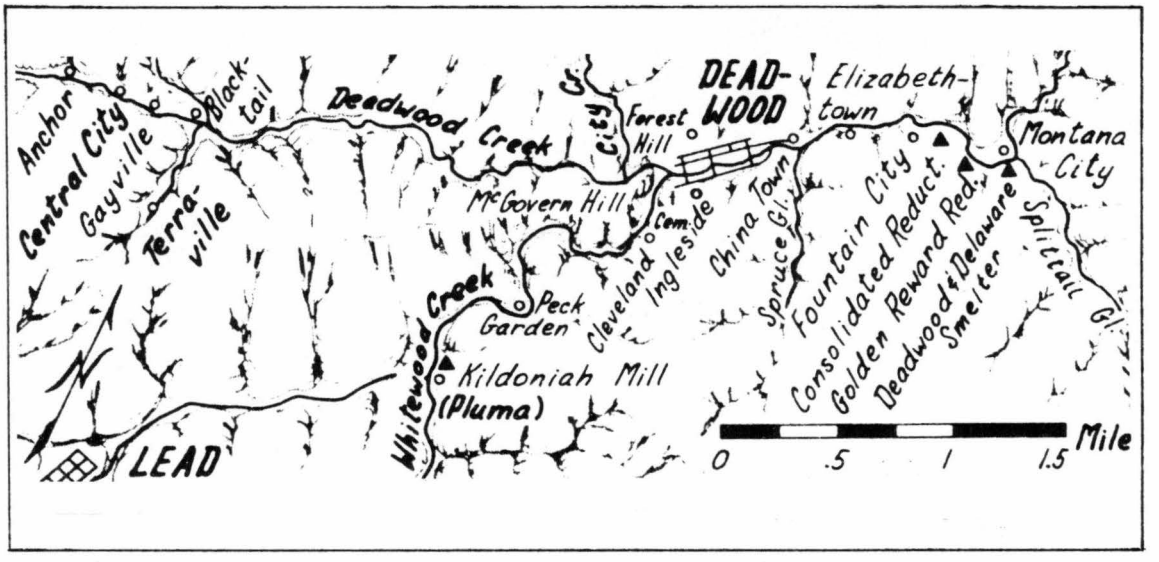


FIGURE 4. Early Mining Camps in Deadwood Gulch. When incorporated, Deadwood including the camps of Cleveland, Ingleside, Forest Hill, China Town, Elizabethtown, and Fountain City, as well as others not indicated on this map. The site of Deadwood on this map is the location of the present-day downtown commercial district in Deadwood. Source: Watson Parker, Deadwood: The Golden Years (Lincoln: University of Nebraska Press, 1981), 59.

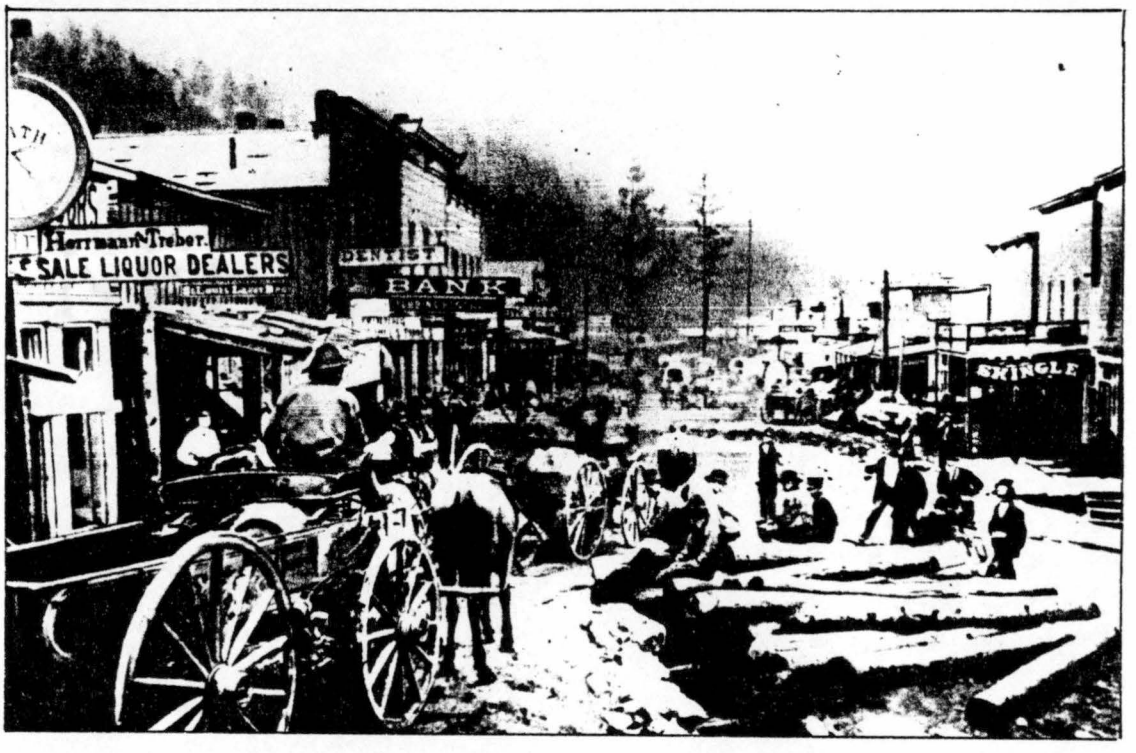


FIGURE 5. Main Street, Deadwood, c. 1876. Source: Feinberg et al, Comprehensive Historic Preservation Plan (Deadwood, SD: City of Deadwood, 1991), 10.

FIGURE 6. The Gem Theater, c. 1878. Source: Watson Parker, Deadwood: The Golden Years (Lincoln: University of Nebraska Press, 1981), 114c.

FIGURE 7. "Calamity Jane" Cannary Burke, c. 1893. This is a portrait taken while she was performing at the World's Columbian Exposition in Chicago. Source: Watson Parker, Deadwood: The Golden Years (Lincoln: University of Nebraska, 1981), 114a.

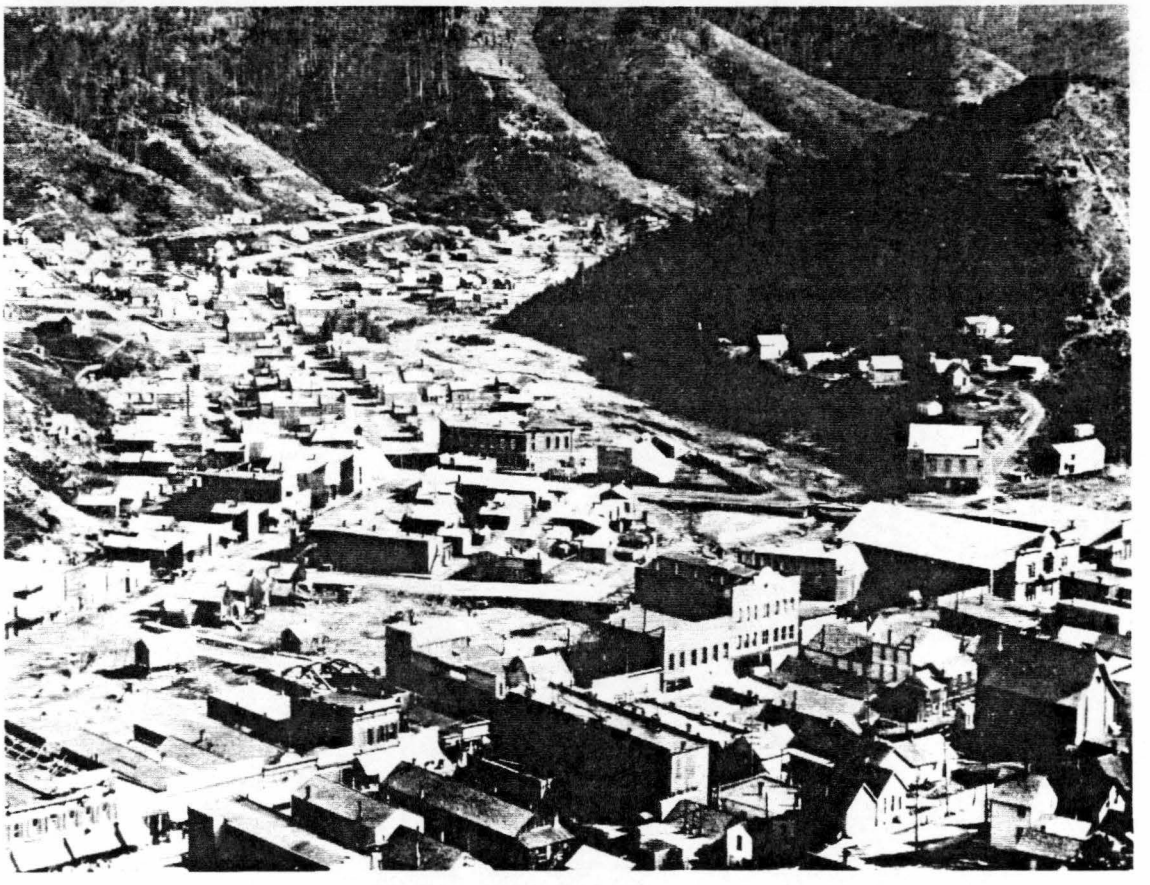


FIGURE 8. Deadwood, c. 1880. View taken from Forest Hill looking south. Main Street at bottom of photograph, Sherman Street at center left. Source: Feinberg et al, Comprehensive Historic Preservation Plan (Deadwood, SD: City of Deadwood, 1991), 24.

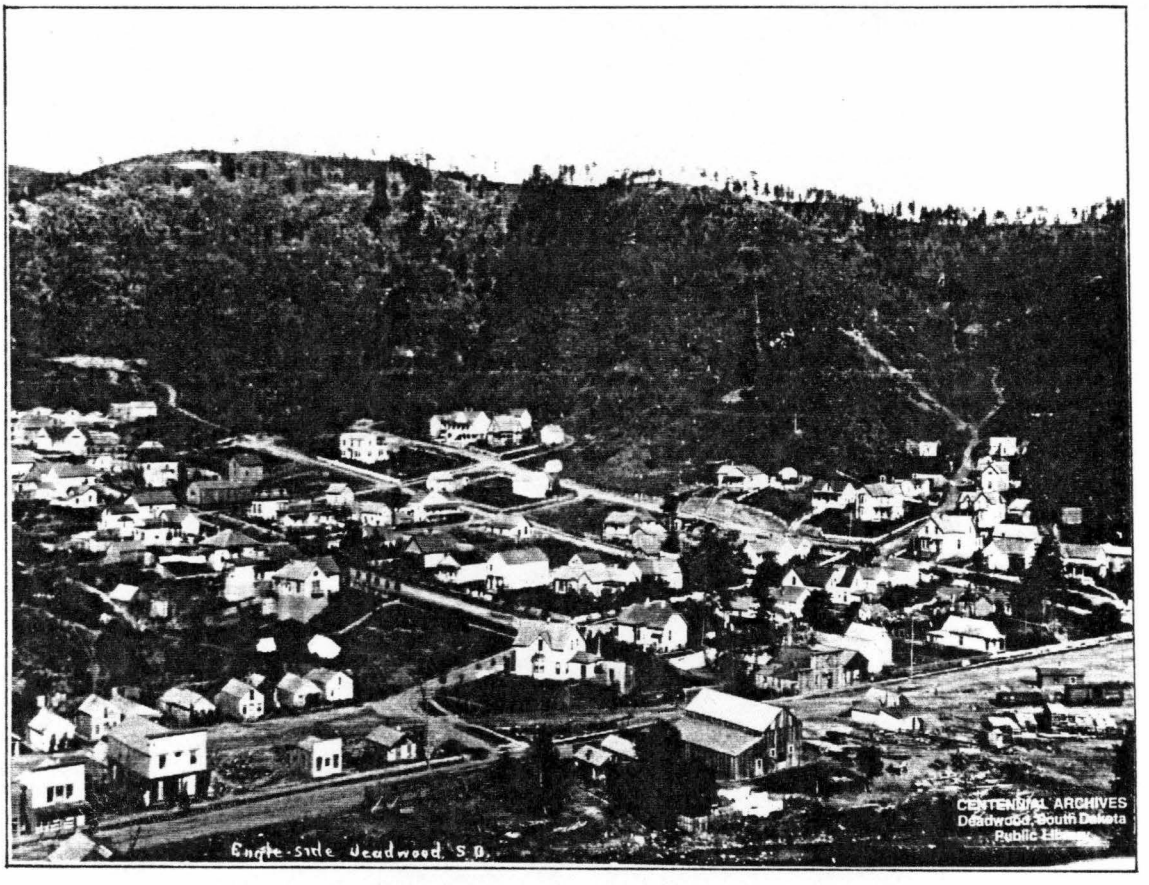


FIGURE 9. Ingleside Neighborhood, c. 1890. Photograph taken from east side of McGovern Hill; Sherman Street along bottom of photograph. Source: Centennial Archives, Deadwood Public Library.

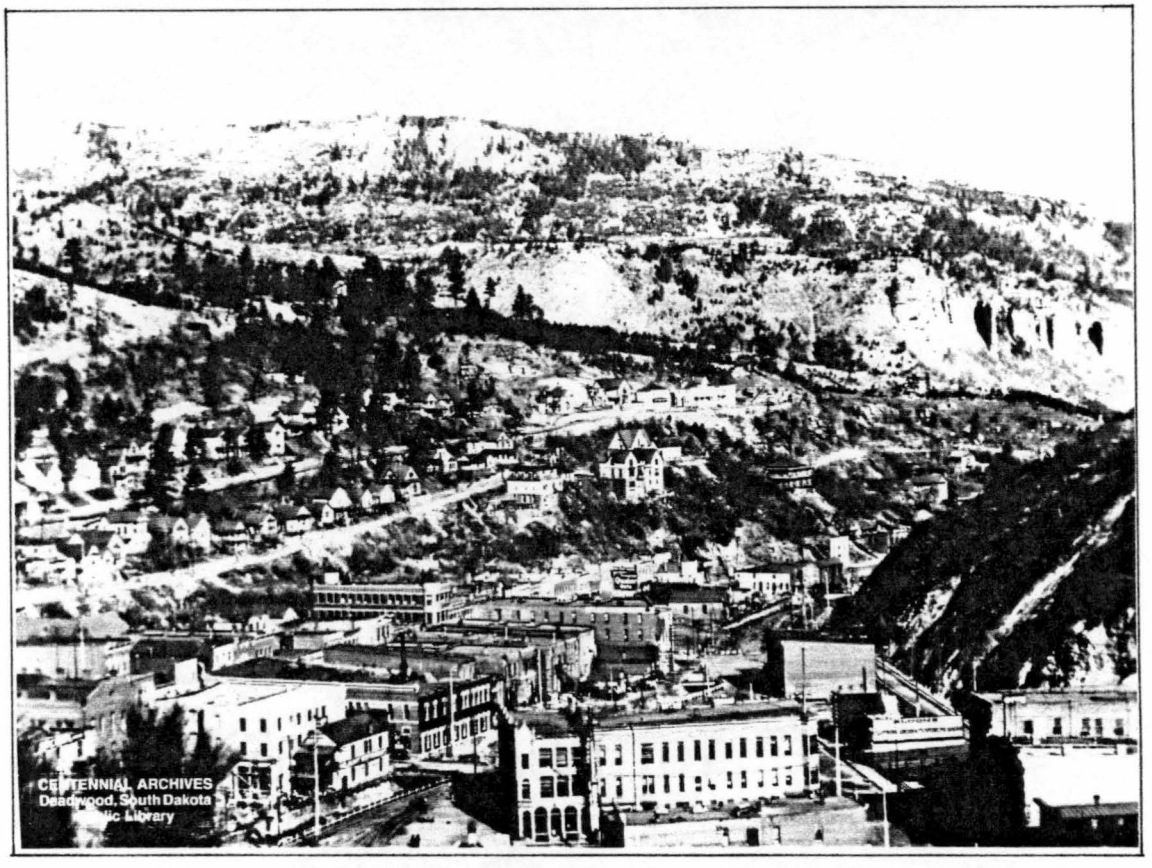
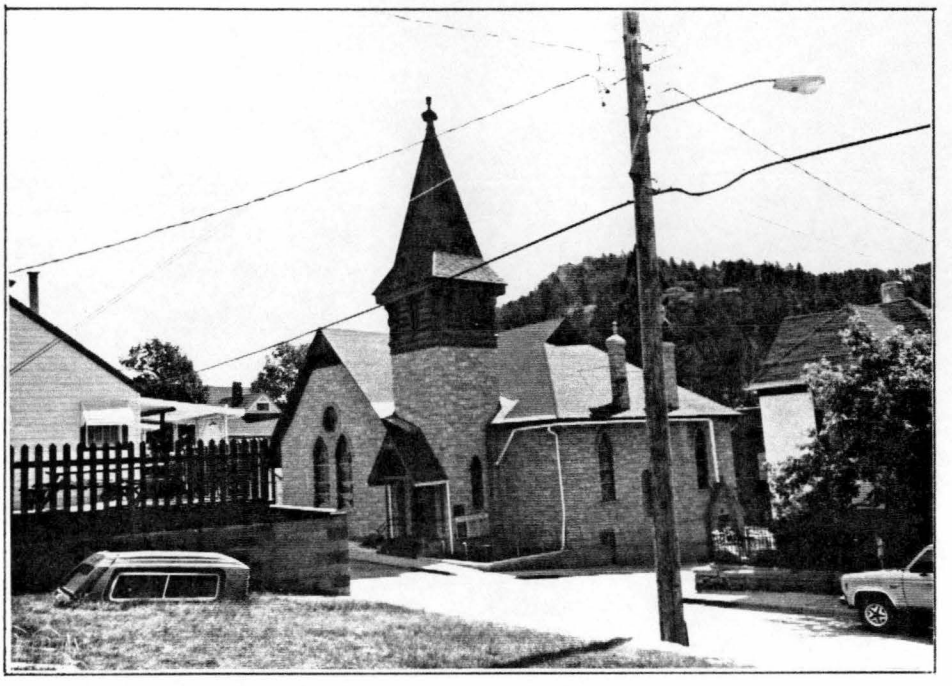
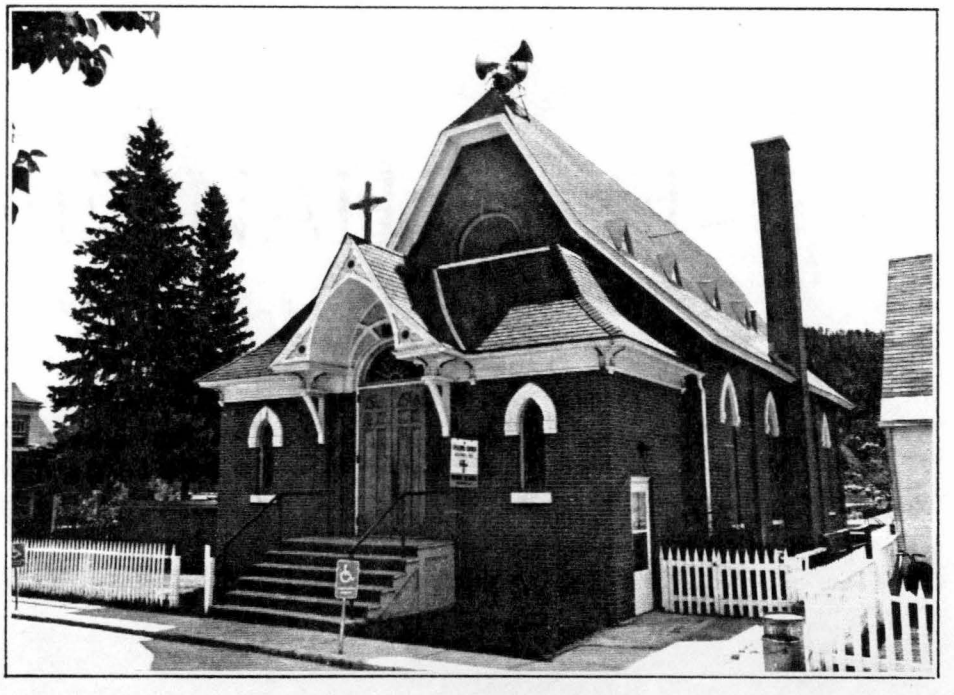


FIGURE 10. Downtown Deadwood and Forest Hill Neighborhood, c. 1898. Photograph taken from the north side of McGovern Hill. Source: Centennial Archives, Deadwood Public Library.



(a)



(b)

FIGURE 11. Williams Street Churches, Deadwood. (a) United Methodist Church, (b) St. John's Episcopal Church. Photo by author, 1994.

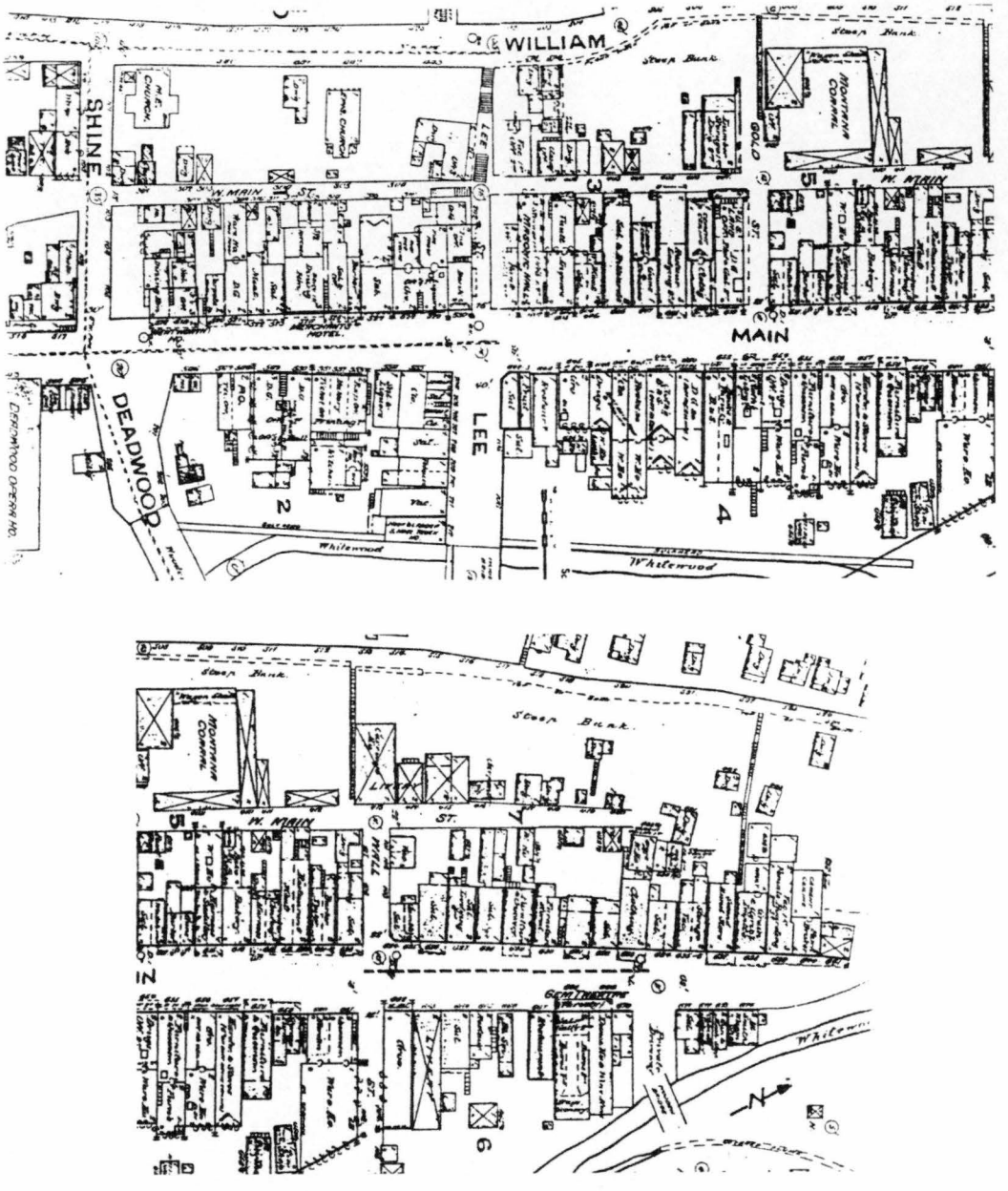


FIGURE 12. 1885 Sanborn Map of Main Street, Deadwood. Map shows a number of saloons, gambling houses, dance halls and female boarding houses, many in the area known as "The Badlands" located on Main St., north of Wall St. (bottom right). Source: Sanborn Fire Insurance Company.

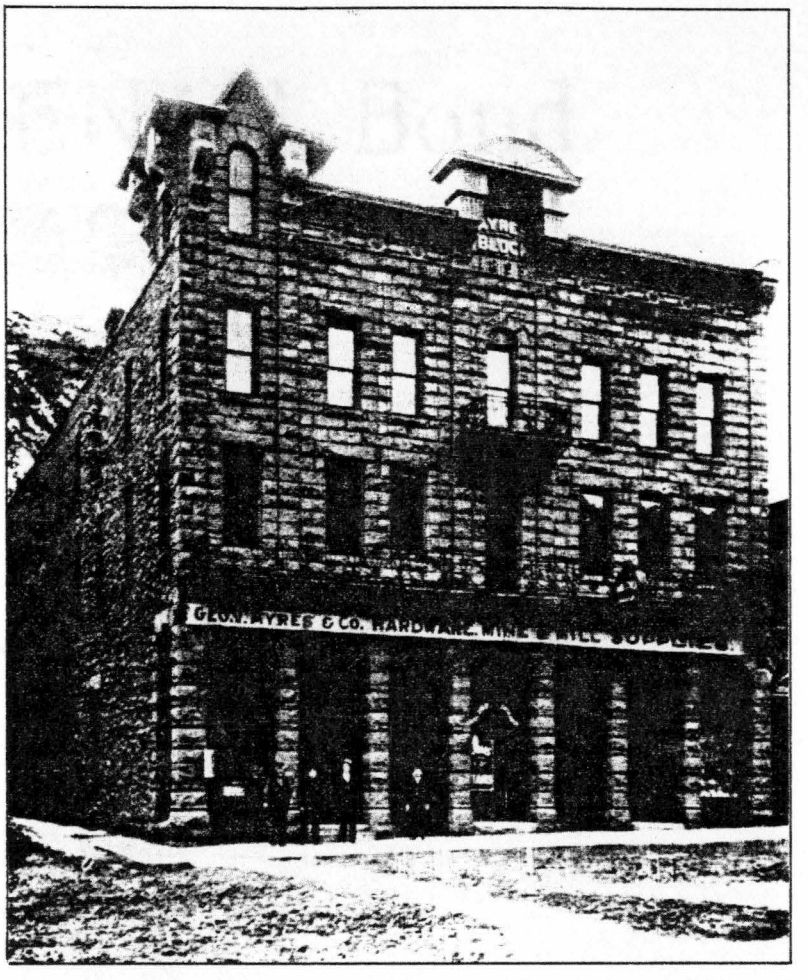


FIGURE 13. Early View of the Bullock Hotel. Constructed in 1895 and shown here after the turn of the century and conversion to the Ayres Block and Hardware Store. Source: Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 58.

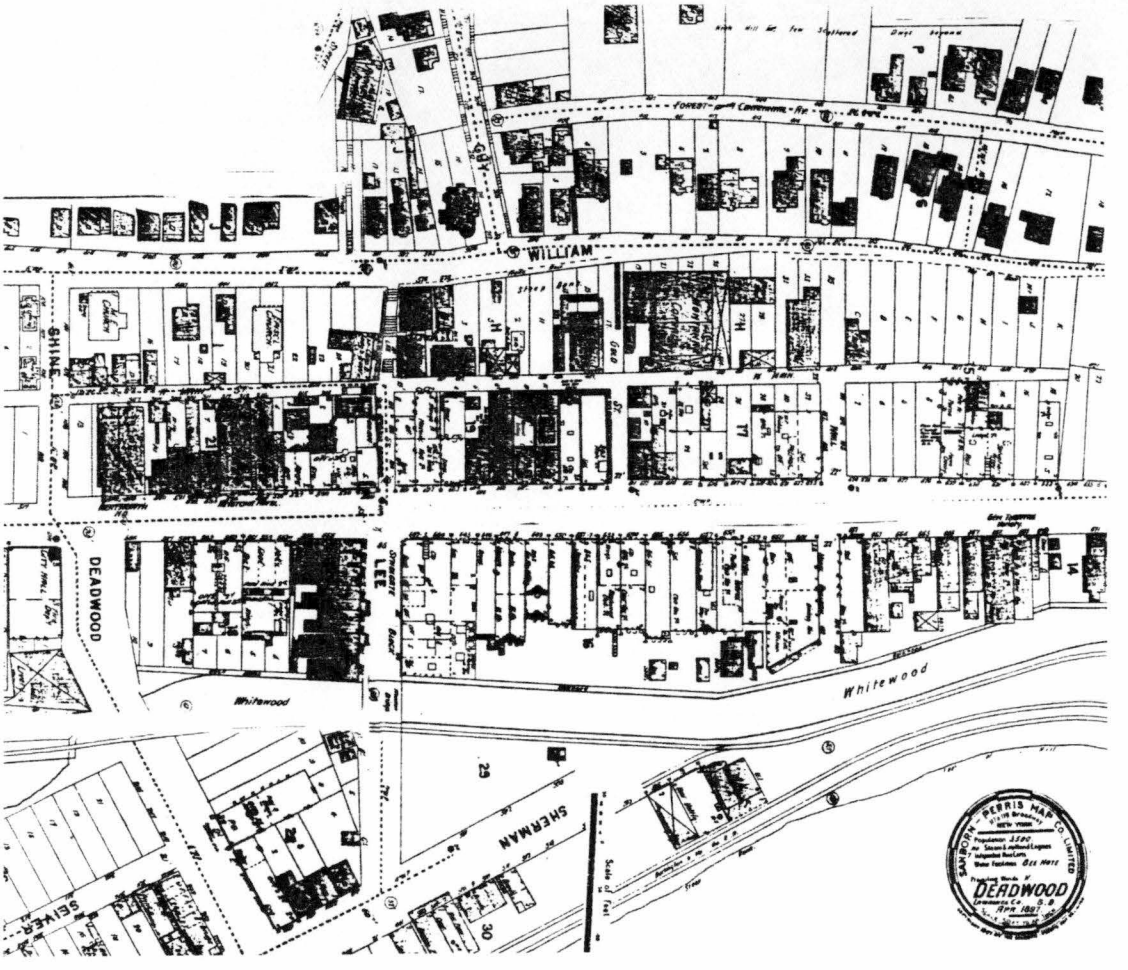


FIGURE 14. 1897 Sanborn Map of Portions of Main Street and Forest Hill Area of Deadwood. Source: Sanborn Fire Insurance Company.

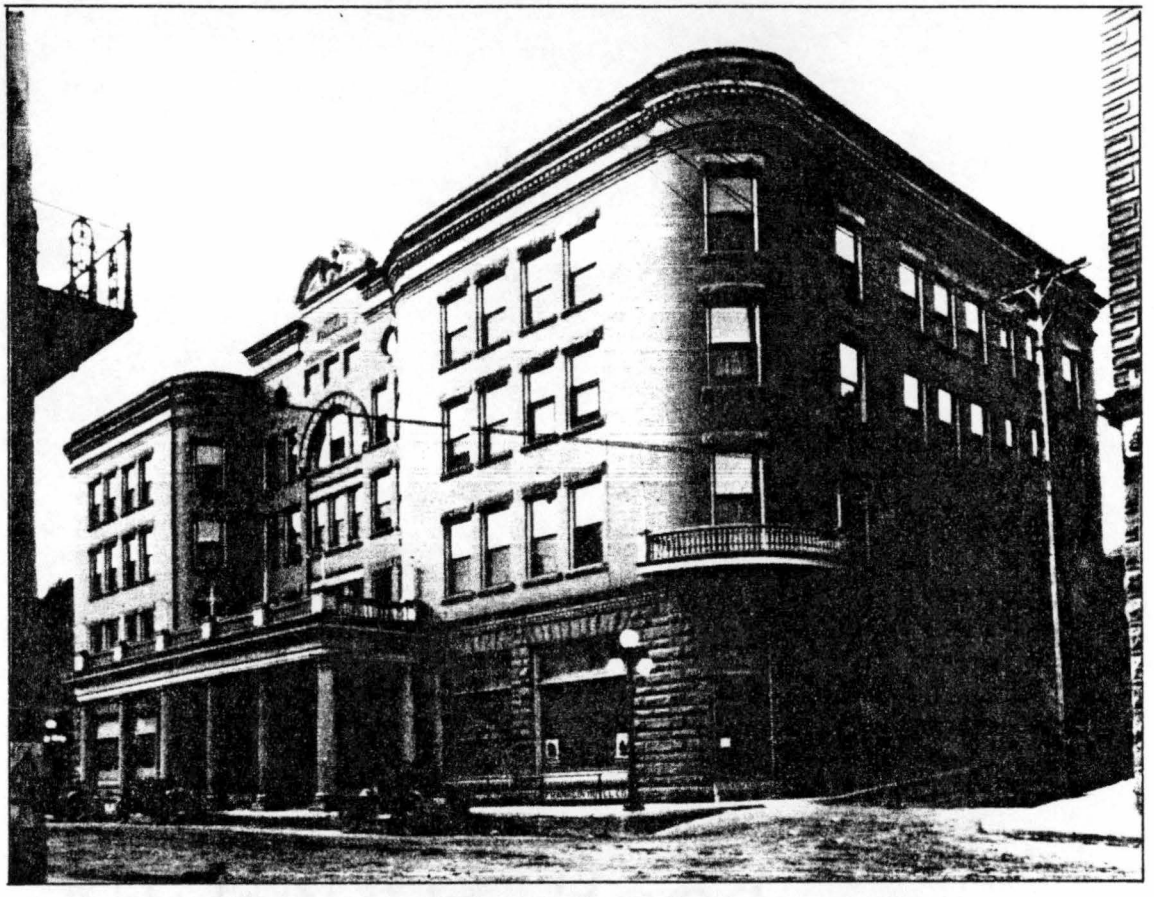


FIGURE 15. Early View of the Franklin Hotel. Constructed in 1903, pictured here in c.1930. Source: Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 24.

FIGURE 16. The U.S. Federal Building, Deadwood.
Photo by author, 1993.

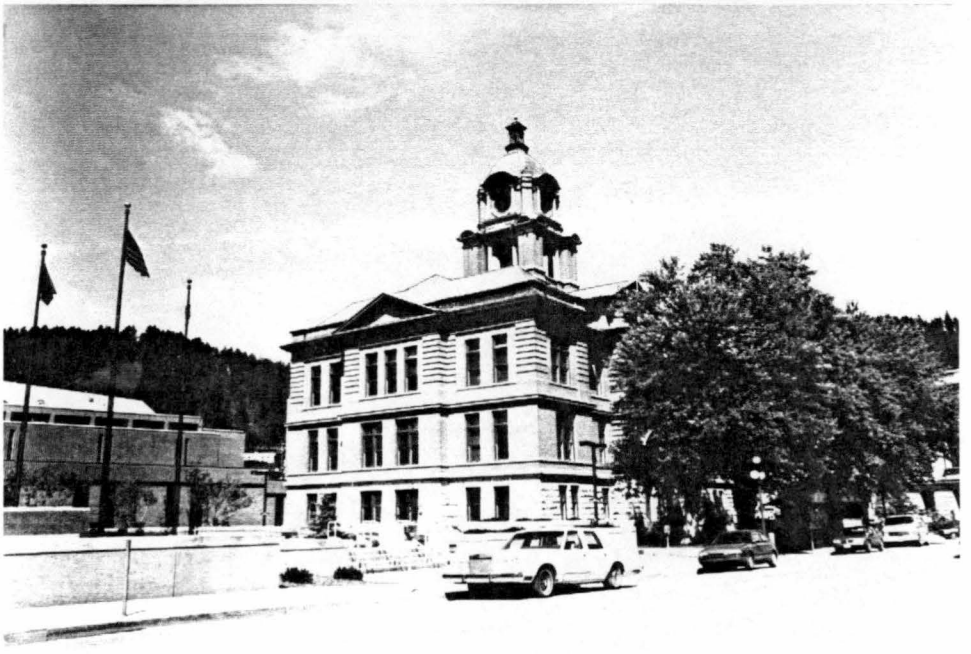


FIGURE 17. Lawrence County Courthouse, Deadwood. Constructed in 1908, restored in 1993. New annex and jail facilities are visible to the left of the courthouse. Photo by author, 1993.

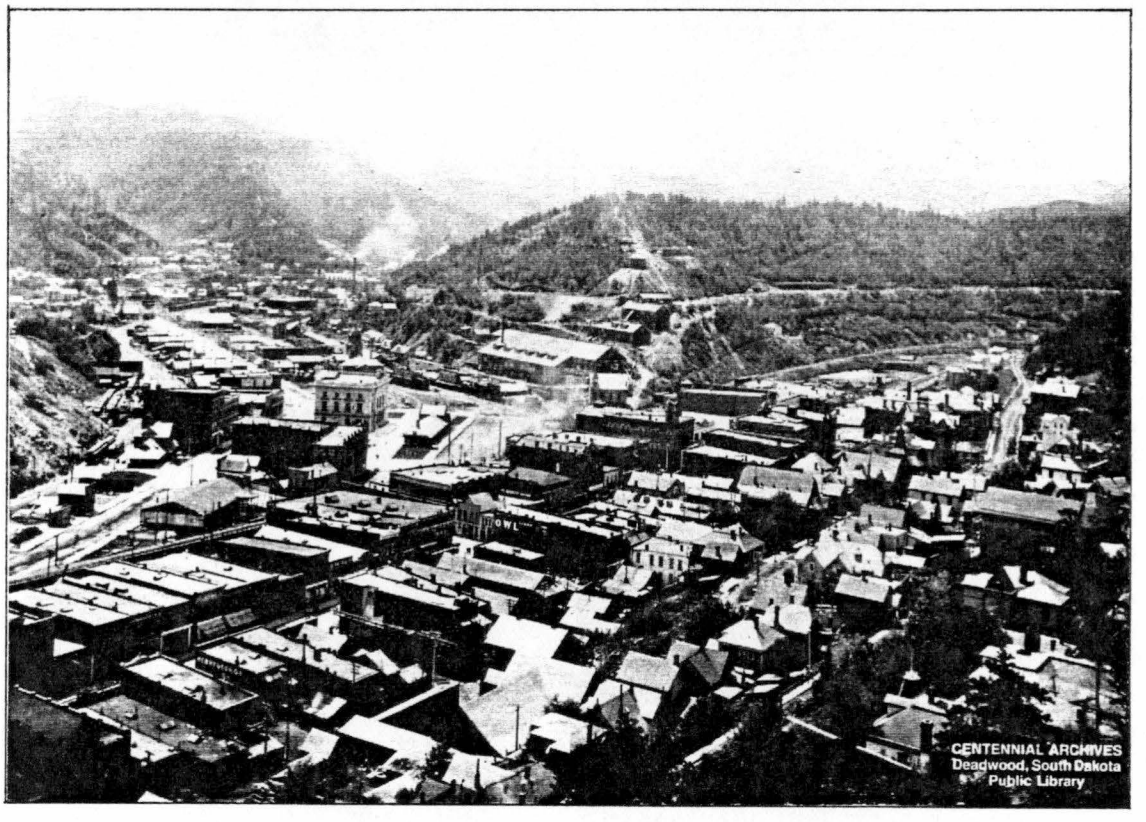


FIGURE 18. View of Deadwood from Forest Hill, c. 1910. Source: Centennial Archives, Deadwood Public Library.

(a)

(b)

FIGURE 19. Brick Paving on Main Street, Deadwood. (a) c. 1907; (b) 1993. Sources: (a) Centennial Archives, Deadwood Public Library; (b) photo by author, 1993.

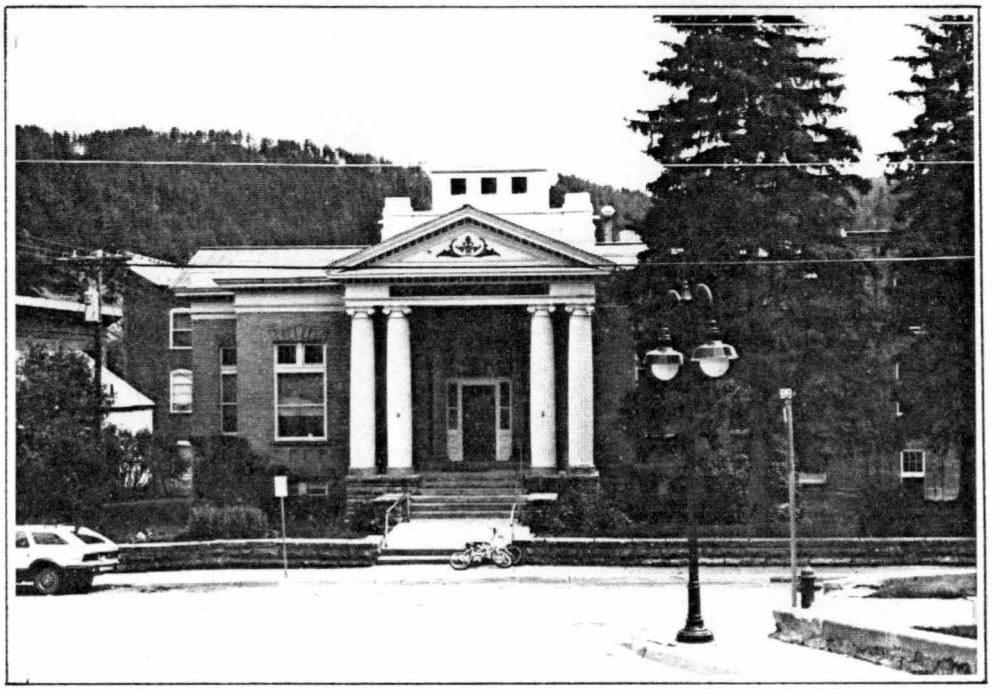


FIGURE 20. Deadwood's Carnegie Library.
Photo by author, 1993.

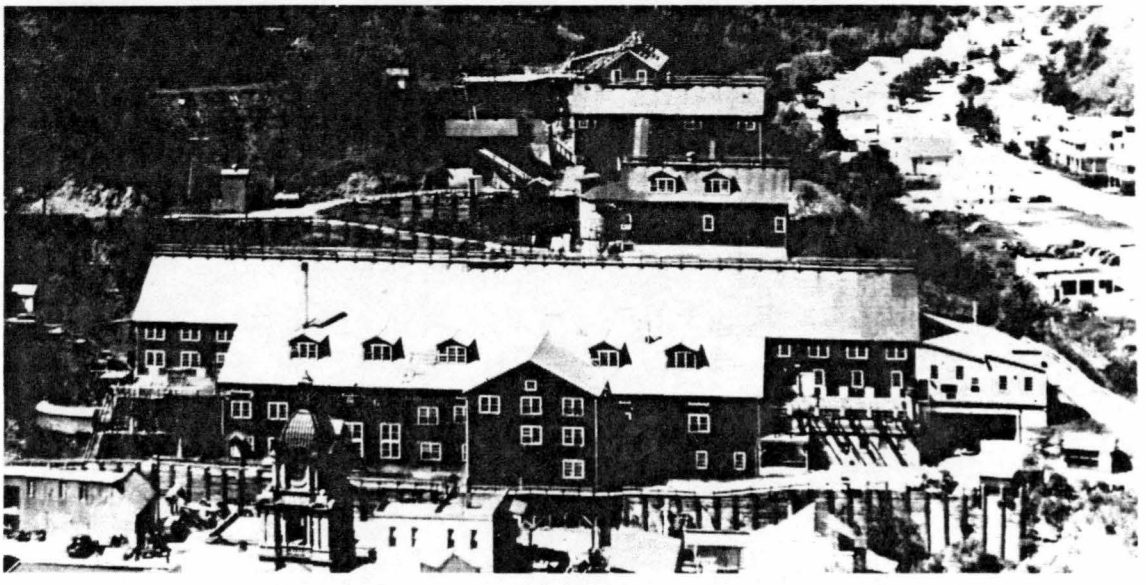


FIGURE 21. The Homestake Slime Plant. Source: Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 73.

DEADWOOD IS AT THE CROSSROADS OF ITS FUTURE. Our people are leaving and our tax base is shrinking. Our business community is struggling. Even our tourists are disappointed as each year another piece of history disappears. But it's not too late to turn things around. YOUR "YES" VOTE CAN MAKE THE DIFFERENCE!

THE FUTURE OF DEADWOOD IS IN YOUR HANDS

FREE RIDES to the POLLS CALL 578-1876

Voting At The DEADWOOD CITY HALL Call 578-1876

VOTE YES

MAY 17 **TODAY** MAY 17

Political Advertisement Ordered and Paid For By These Responsible Citizens and The Deadwood You-Bet Committee.

FIGURE 22. Deadwood You Bet! Campaign Advertisement. Source: The Lead-Deadwood Call-Times, 17 May 1989.

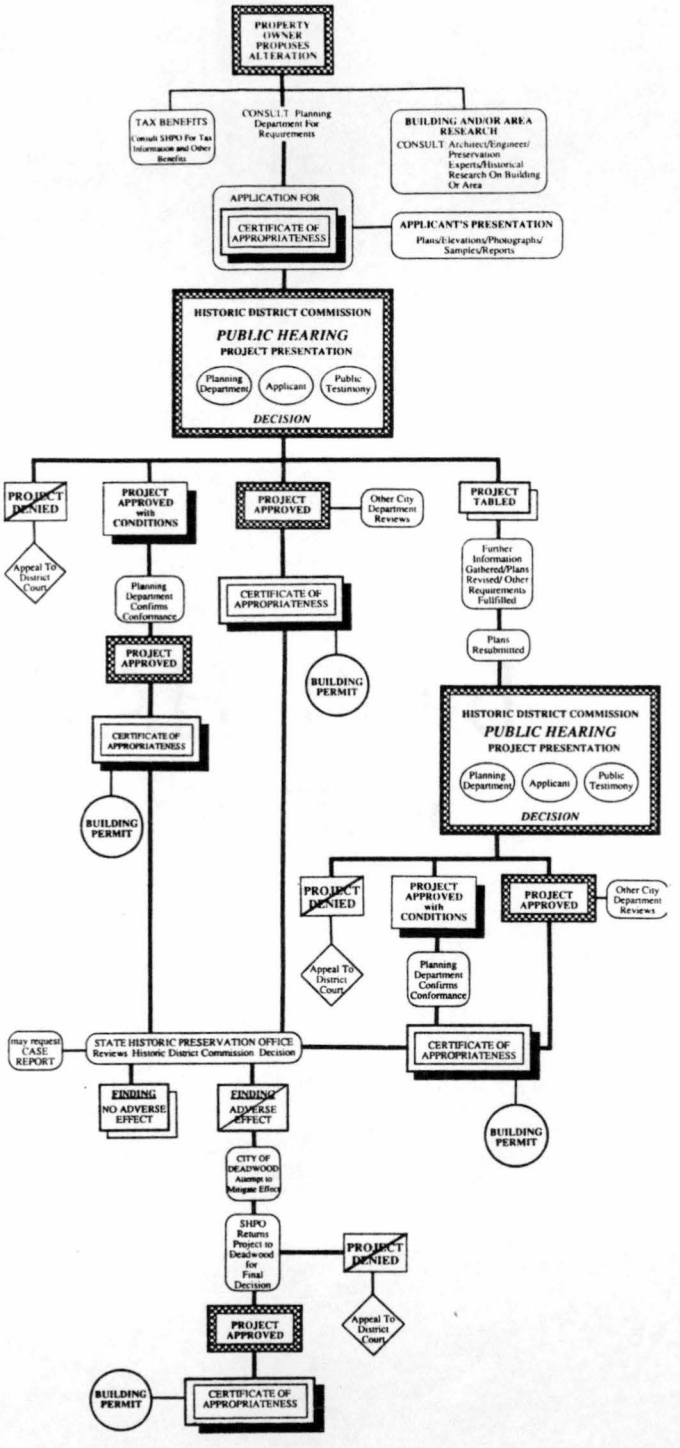


FIGURE 23. Review Process Prior to December 1992. Source: Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 28.

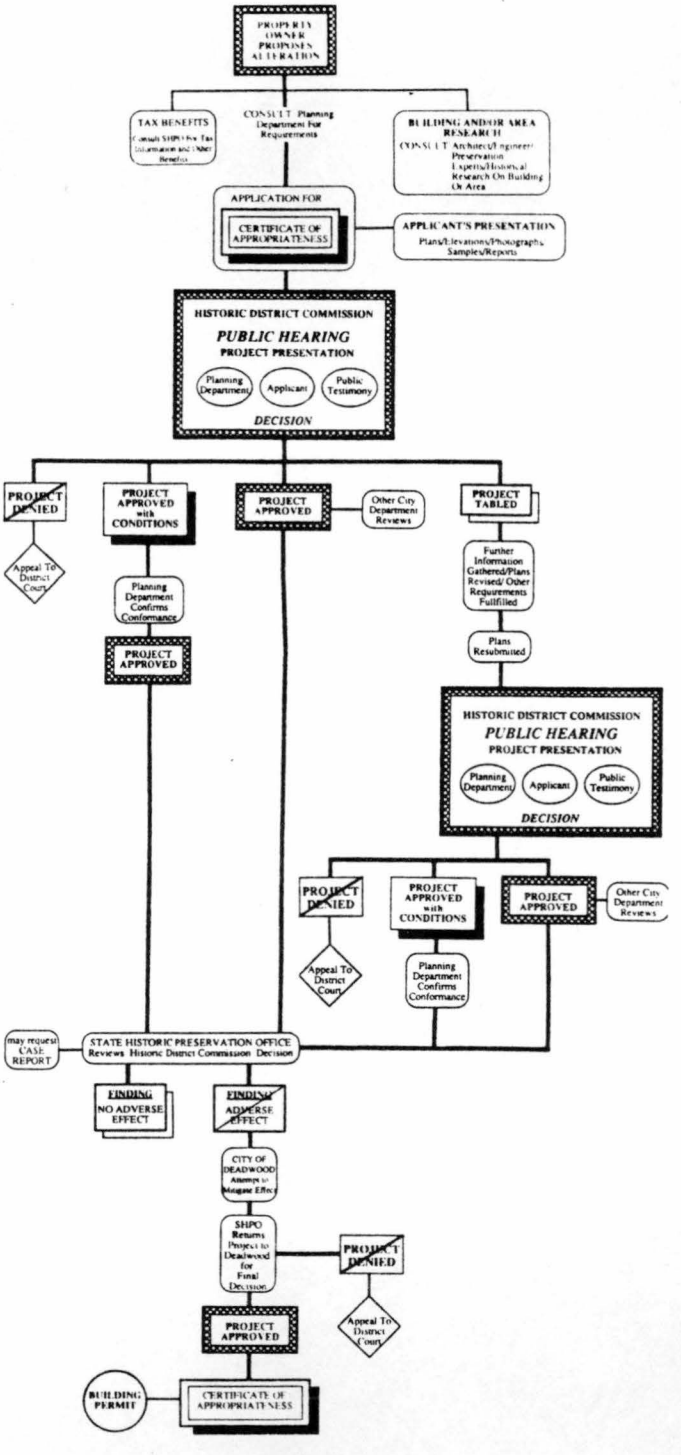
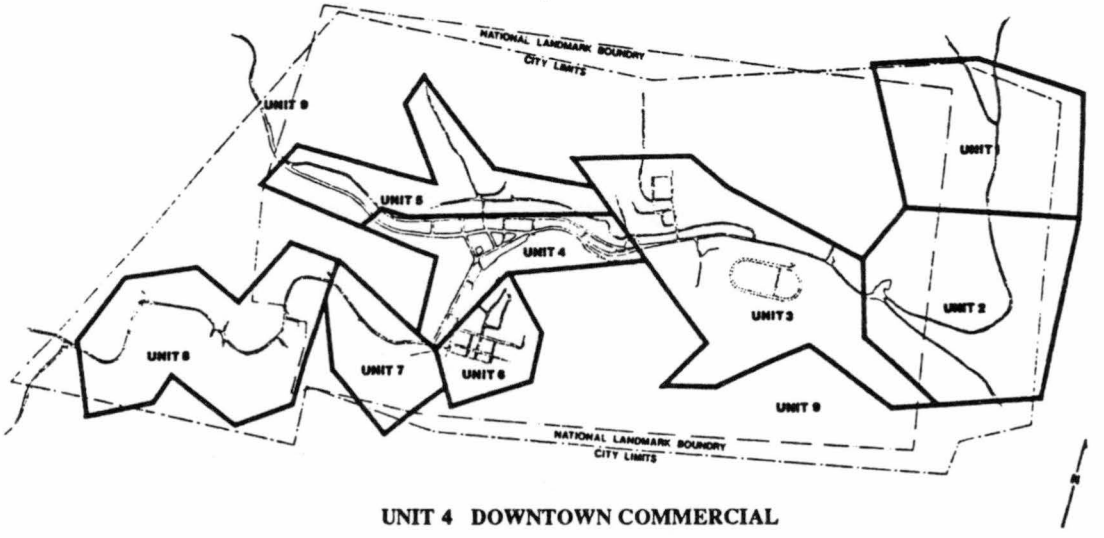


FIGURE 24. Review Process After December 1992. Chart adapted from Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 28.

FIGURE 25. The Martin-Mason Block Odd Fellows Hall.
Photo by author, 1993.



UNIT 4 DOWNTOWN COMMERCIAL

UNIT 1 NORTH EDGE		**UNIT 7 WEST CHARLES STREET**
UNIT 2 NORTHERN GATEWAY	**UNIT 5 FOREST HILL**	**UNIT 8 PLUMA**
UNIT 3 NORTHERN HISTORIC EDGE	**UNIT 6 INGLESIDE**	**UNIT 9 WOODED AREAS**

FIGURE 26. Deadwood Planning Units Map. Source: Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 29.

FIGURE 27. The Levinson Building, c. 1930s. Source: Centennial Archives, Deadwood Public Library.

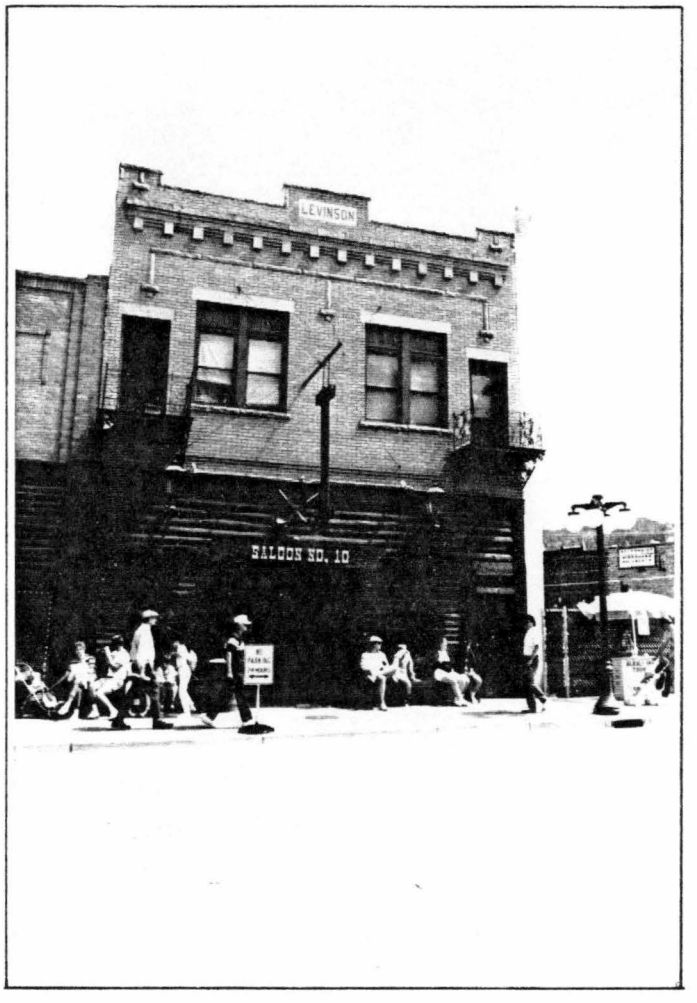


FIGURE 28. Saloon #10, Main Street, Deadwood. The street level facade was covered with a false-log veneer in the 1970s, while the second story has remained virtually intact. Photo by author, 1993.

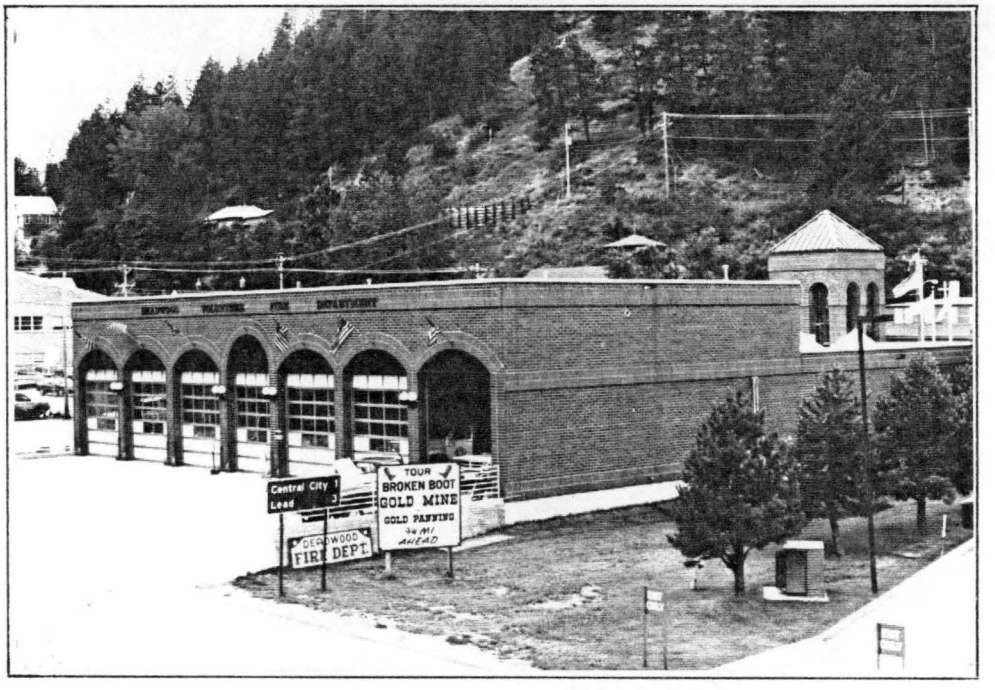
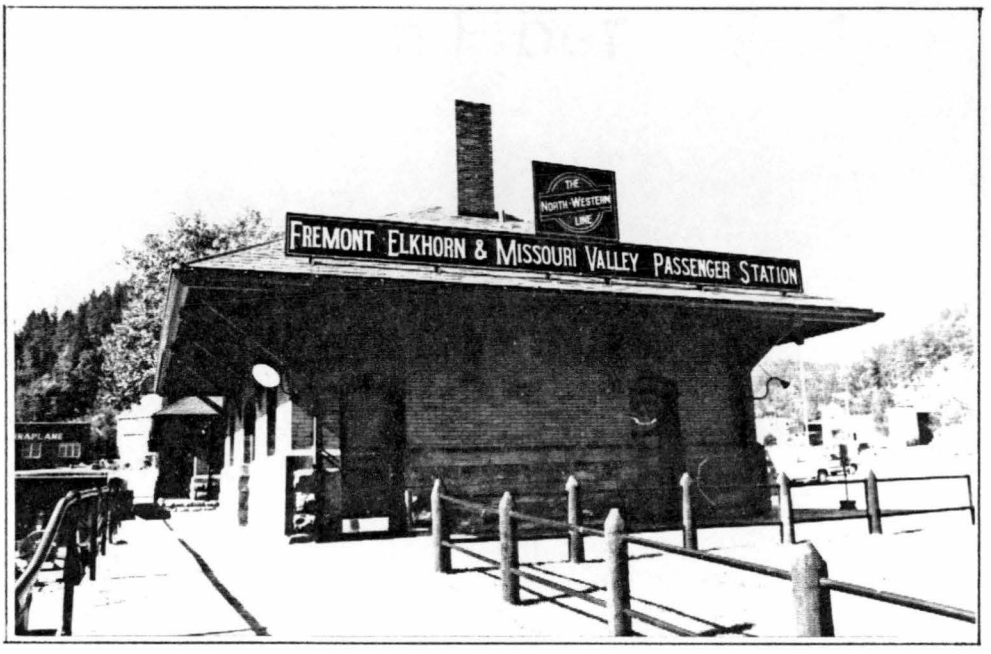
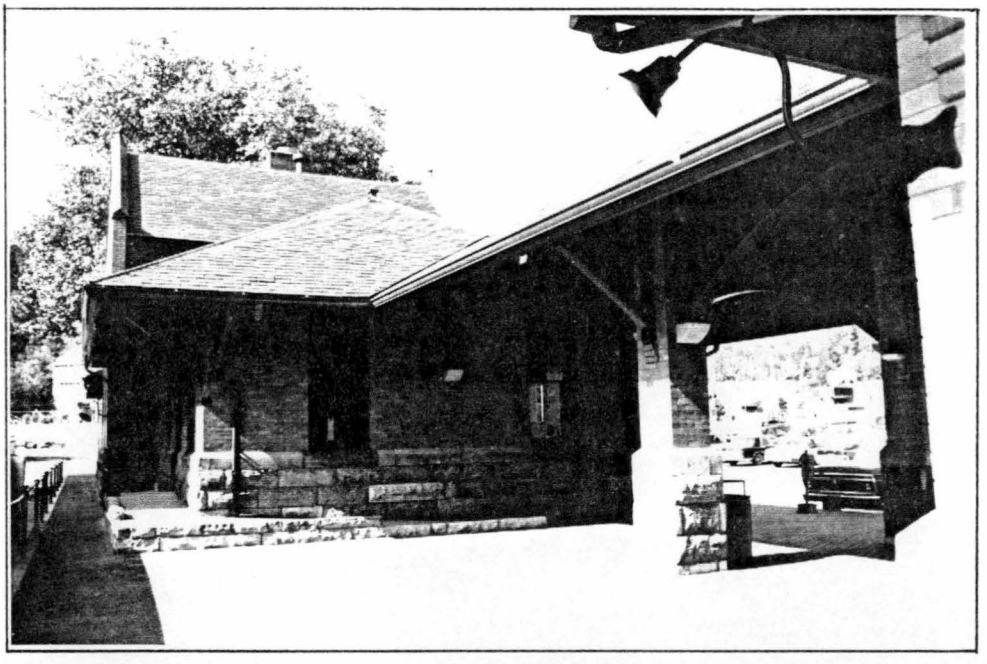


FIGURE 29. New Fire Station, Deadwood. Constructed in 1991 with gaming revenues, this new building received a design award for compatible in-fill construction. Photo by author, 1993.



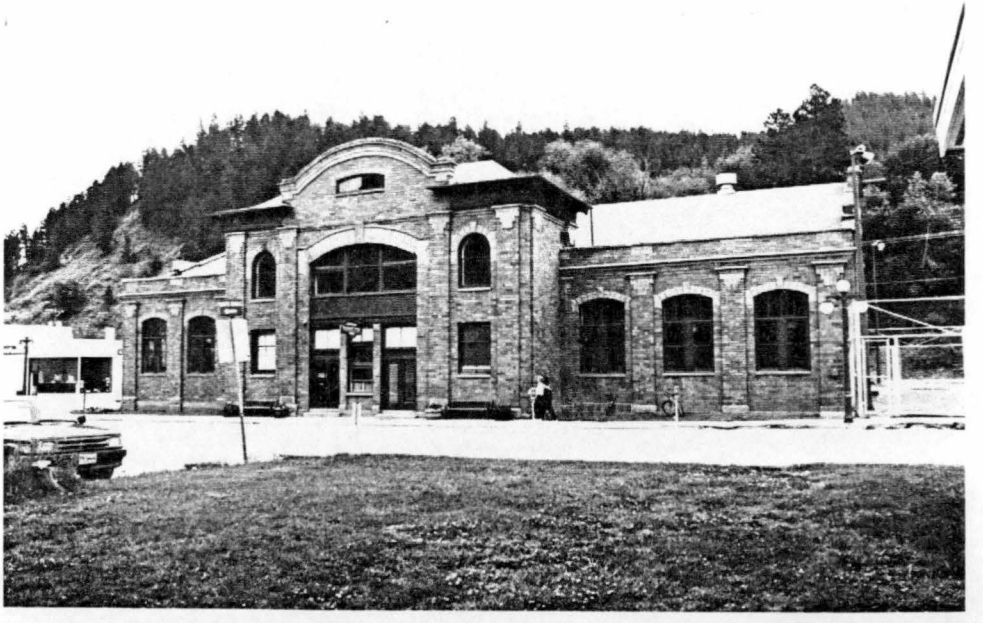
(a)



(b)

FIGURE 30. The Fremont, Elkhorn & Missouri Valley Railroad Depot. (a) North end of baggage claim portion of depot, now houses public restrooms; (b) view of breezeway and south end of building which houses the Interpretive Center. Photos by author, 1994.

(a)



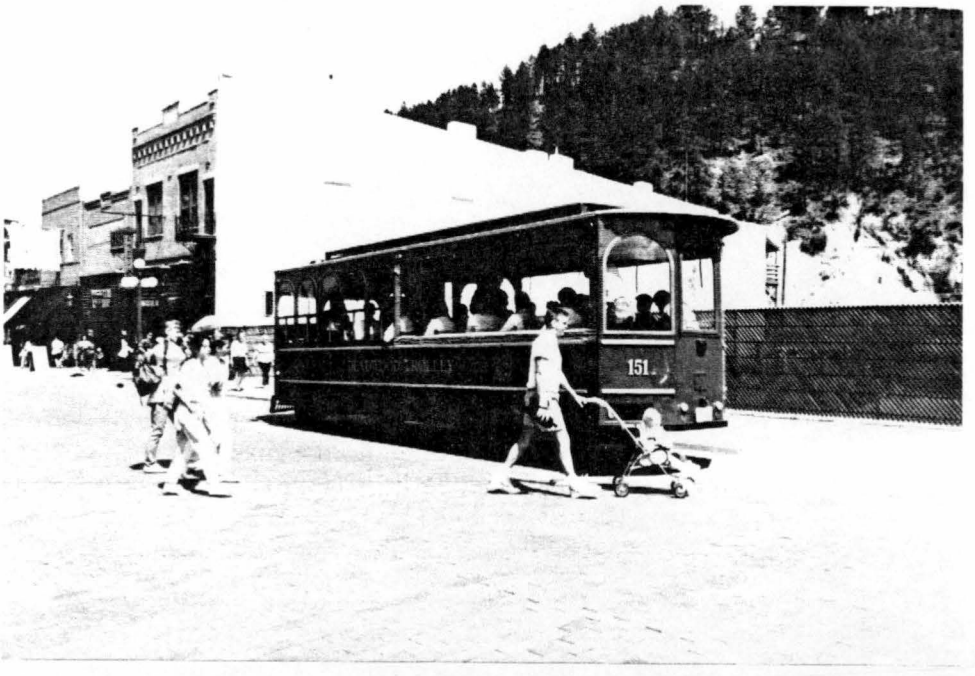
(b)

FIGURE 31. City Buildings on Sherman Street. (a) The new City Hall located in the renovated Fish and Hunter Company Warehouse; (b) the restored City Recreation Center. Both projects were completed with gaming revenues in 1992. Photos by author, 1993.

FIGURE 32. The Adams Memorial Museum, Deadwood.
Photo by author, 1993.

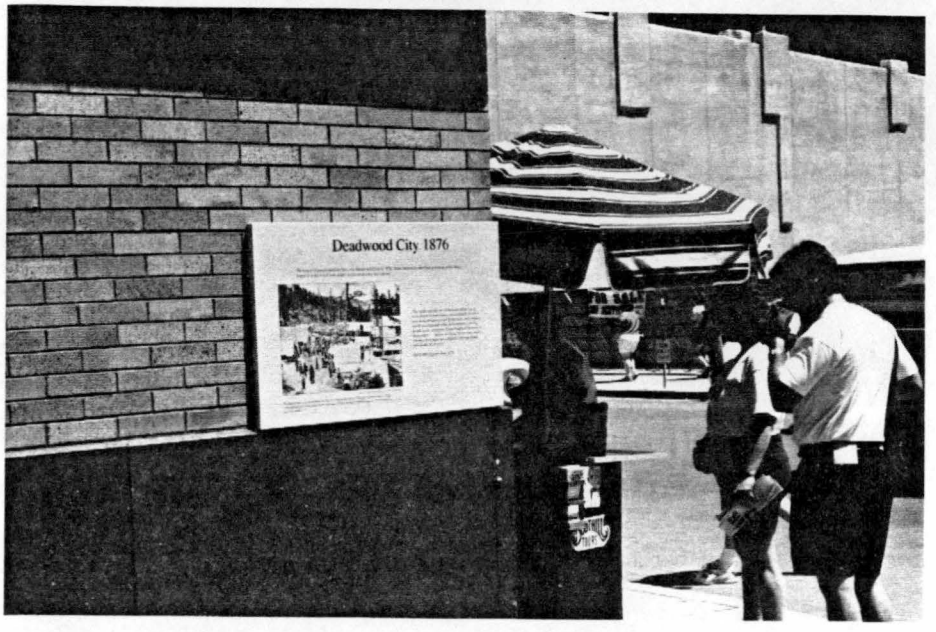
FIGURE 33. The Adams House. Constructed in 1893 for Harris Franklin, the house was purchased by W.E. Adams in the early 1900s. After Adam's death in 1934, his wife went to California. She never returned and the house was unoccupied for over 50 years. When the house was purchased in the 1988, the new owners discovered that the contents of the mansion were just as Mary had left them, including the linens on the beds, magazines from the week she left, sympathy cards from Adam's funeral, silver in the wall safe, china in the cabinet, and rock-hard cookies in the pantry. The house has undergone minor repairs and maintenance, but remains essentially unchanged from the 1930s and is used as a Bed and Breakfast Inn. Photo by author, 1993.

(a)

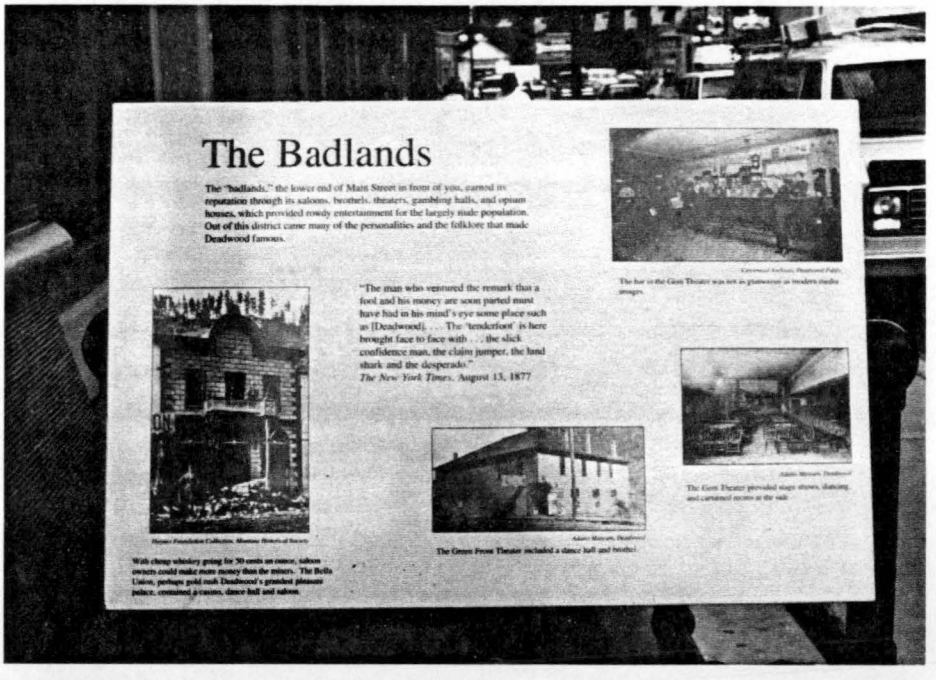


(b)

FIGURE 34. Replica Trolleys on Main Street. (a) and (b) Trolleys at the trolley stop in front of the fenced empty lot where the Syndicate Block and two other buildings stood. Photos by author, 1993.



(a)



(b)

FIGURE 35. Walking Tour Signs on Main Street. (a) Sign mounted on side of building at Main and Lee Streets; (b) sign mounted on railing in front of Fairmont Hotel. Photos by author, 1994.

(a)

(b)

FIGURE 36. Historic Hotels on Lower Main Street. (a) The Fairmont Hotel and (b) the Bullock Hotel, both located on Main at Wall Street. Photos by author, 1993.

(a)

(b)

FIGURE 37. Two Apartment Houses in Deadwood. (a) The Gillmore Hotel was renovated into apartments with assistance from gaming revenues; (b) the Smith Apartments underwent some restoration work at the owner's expense. Photos by author, 1993.

FIGURE 38. The Franklin Hotel in 1993. Restoration work at the time this photograph was taken was limited primarily to interior work. The porch and balcony has been repaired,but the cornice on the center portion of the building is still missing. Photos by author, 1993.

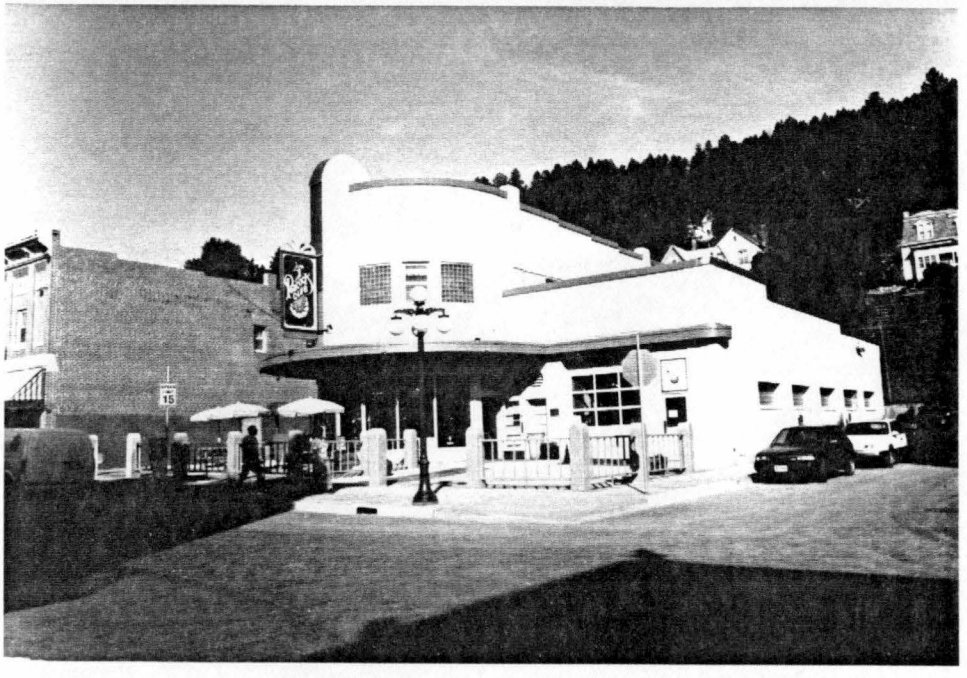


FIGURE 39. The Peacock Club. This building housed one of Deadwood's first auto dealerships. Constructed in the 1930s, it was recently renovated, in part with funds from the Revolving Loan Program, for use as a gaming establishment. Photo by author, 1993.

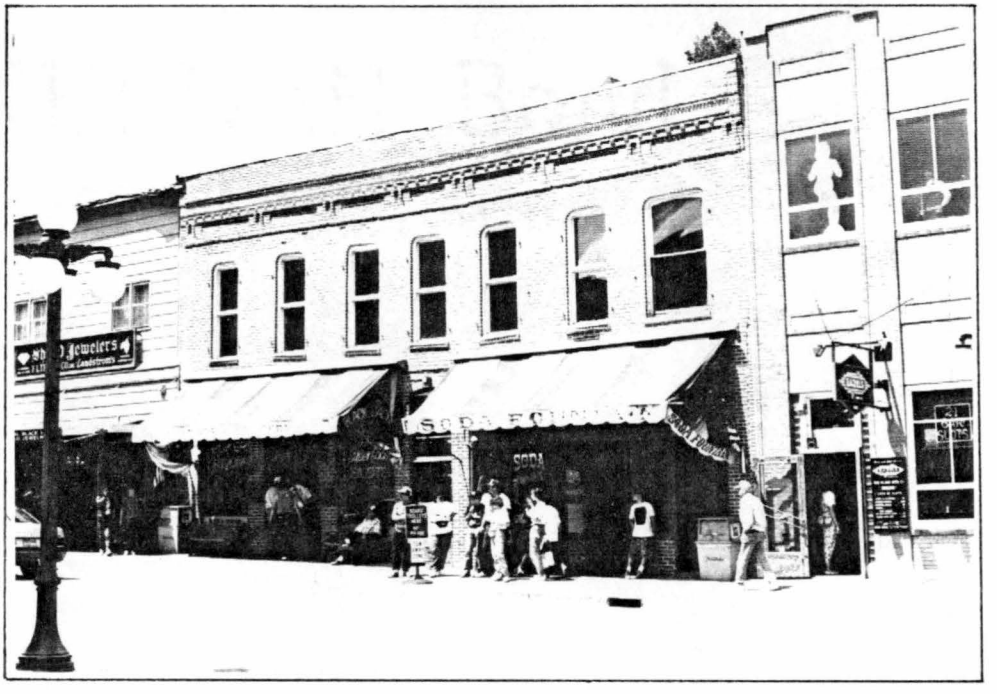


FIGURE 40. Goldberg's Grocery. Although no longer selling groceries, Goldberg's still offers ice cream treats at the old soda fountain. The building had not been altered, but was in a deteriorated state when restored for use as a gaming establishment. Photo by author, 1993.

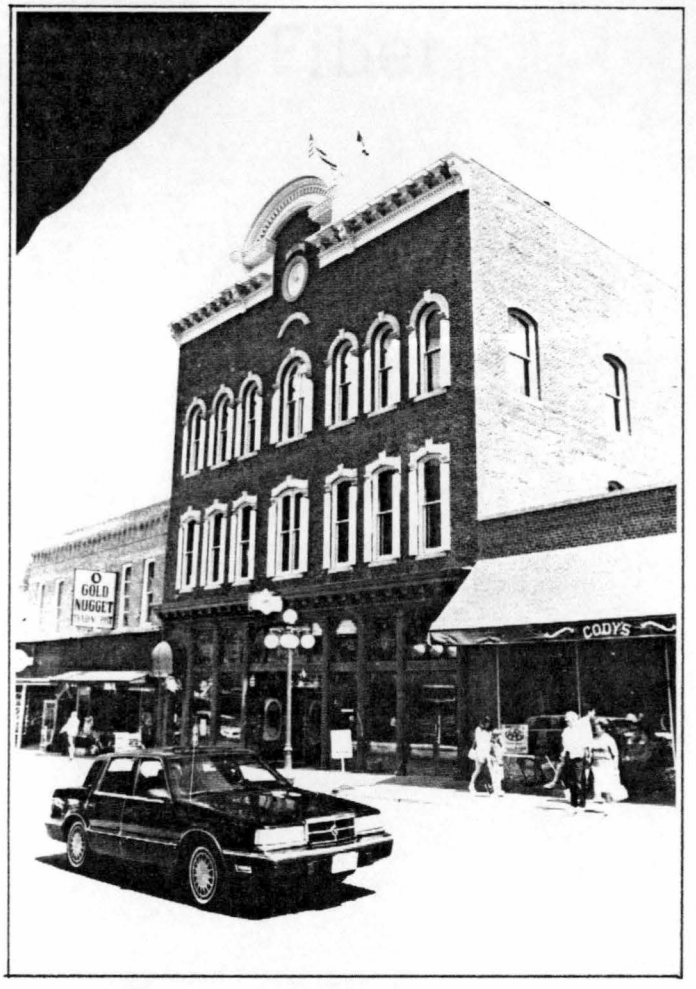


FIGURE 41. The New York Store Building. Now the Midnight Star, owned and operated by Kevin and Dan Costner, the building underwent extensive restoration work, including the reconstruction of its upper floor and cornice which had been removed in the 1950s or 1960s. It now houses a gambling business, a sports bar, a full-service restaurant, and a small gallery dedicated to Costner's movie career. Photo by author, 1993.

FIGURE 42. The Bodega Bar and Cafe, c. 1987. Long a house of back room gambling, the Bodega, here masked with a "modern" first floor facade from the 1950s or 1960s, was one of the first buildings to undergo a major restoration when gambling was legalized. Source: Centennial Archives, Deadwood Public Library.

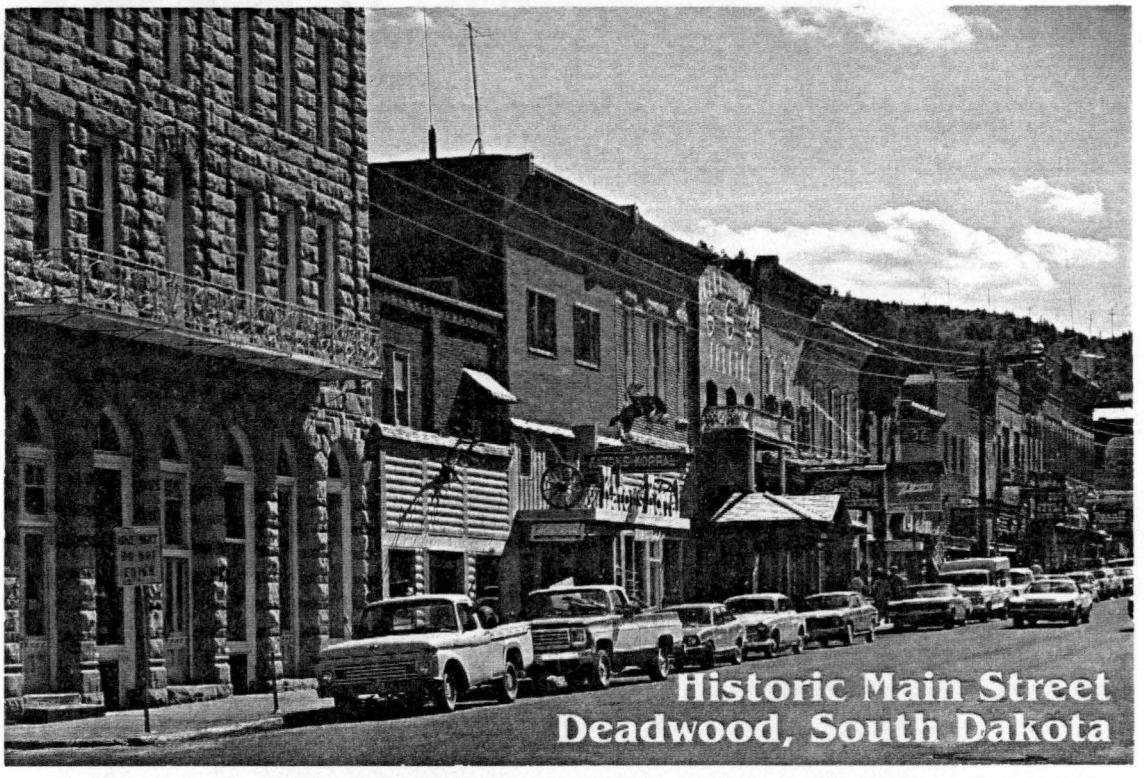


FIGURE 43. Main Street with 'Old West' Facades, 1976. Deadwood's preservation efforts in the 1970s resulted in a downtown whose history was misrepresented. Planned to attract tourist trade, it did little to help a dying economy. Source: Postcard by Centennial Distribution, Deadwood.

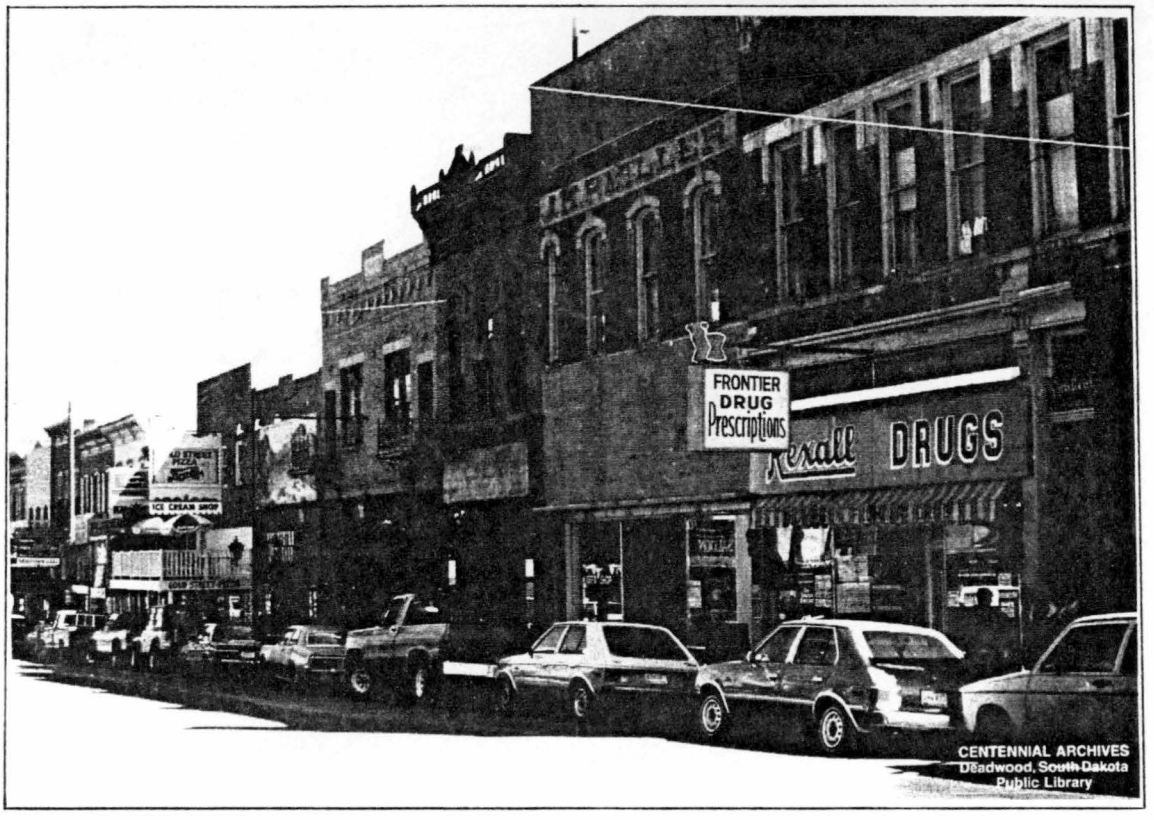


FIGURE 44. Main Street Businesses, c. 1987. Photo shows the east side of street between Lee and Wall Streets. The Syndicate Block and the two adjacents buildings which burned in the December 1987 fire are the three buildings on the right. Businesses seen in this photo include a drug store, two gift shops, a pizza and ice cream shop, an appliance store, a hardware store, and a clothing store. Source: Centennial Archives, Deadwood Public Library.

(a)

(b)

FIGURE 45. Main Street Gaming Establishments. (a) Three casinos on lower Main Street, just north of Wall Street; (b) two casinos on Main Street, just south of Gold Street. Photos by author, 1993.

(a) (b)

FIGURE 46. Signs on Gaming Establishments on Main Street. (a) West side of street north of Wall Street; (b) east side of street between Lee and Wall Streets. The only non-gaming business in either of these photographs is the Photo Emporium (b). Photos by author, 1993.

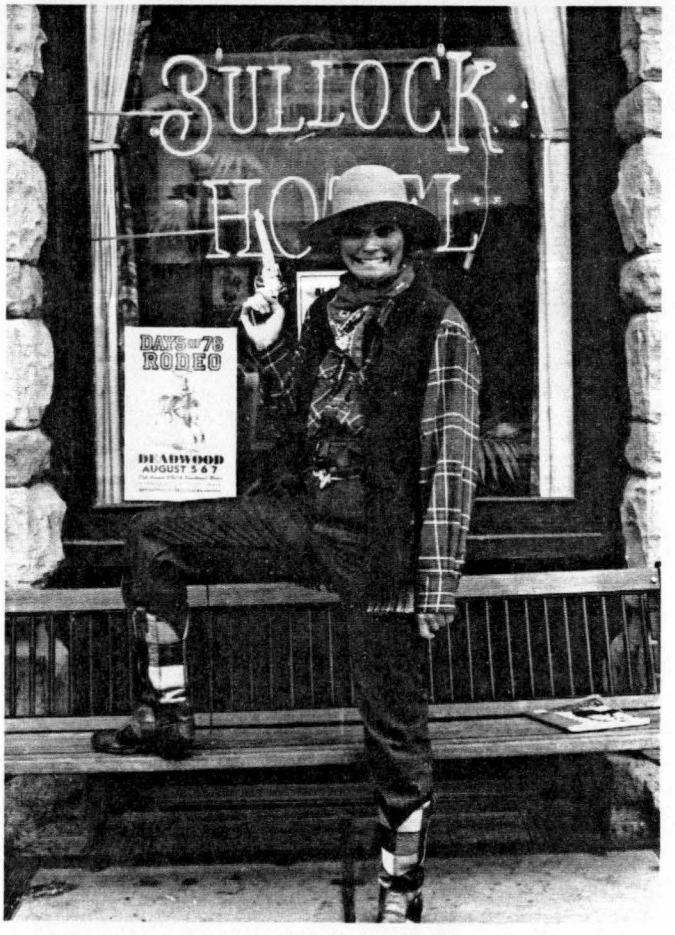


FIGURE 47. Costumed Employee of the Bullock Hotel.
Photo by author, 1994.

(a)

(b)

FIGURE 48. New Hotels on Lower Main Street. (a) The Mineral Palace, built in 1992; (b) new hotel just north of Mineral Palace, built in 1993. Photos by author, 1993.

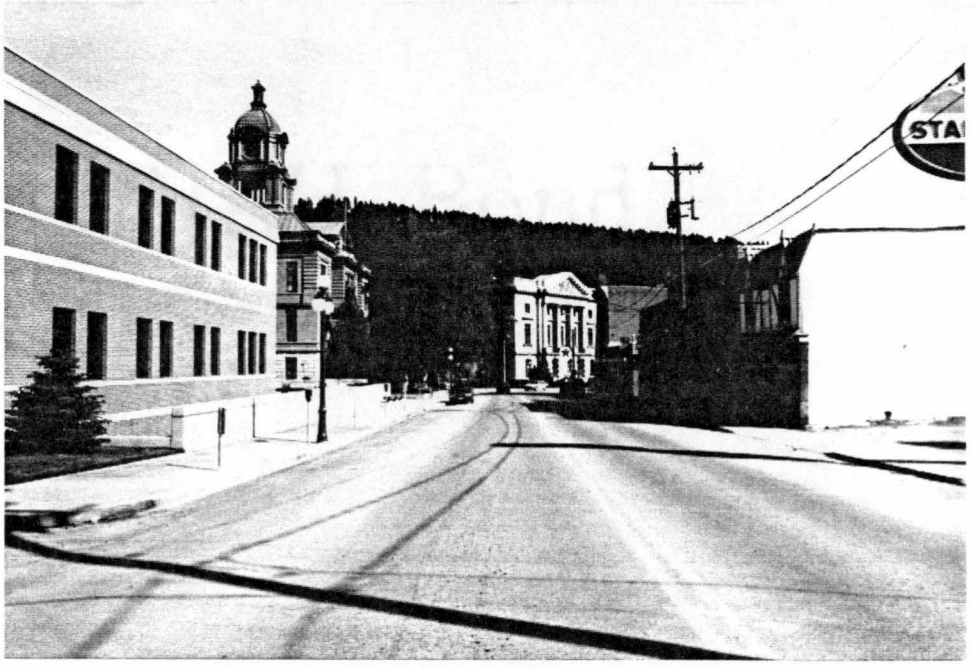
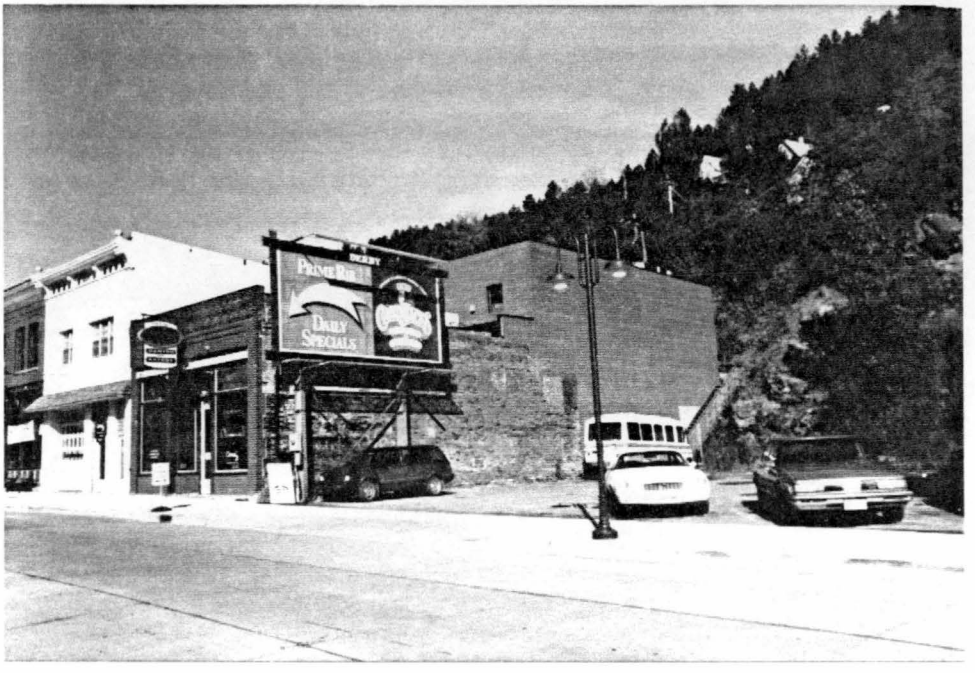
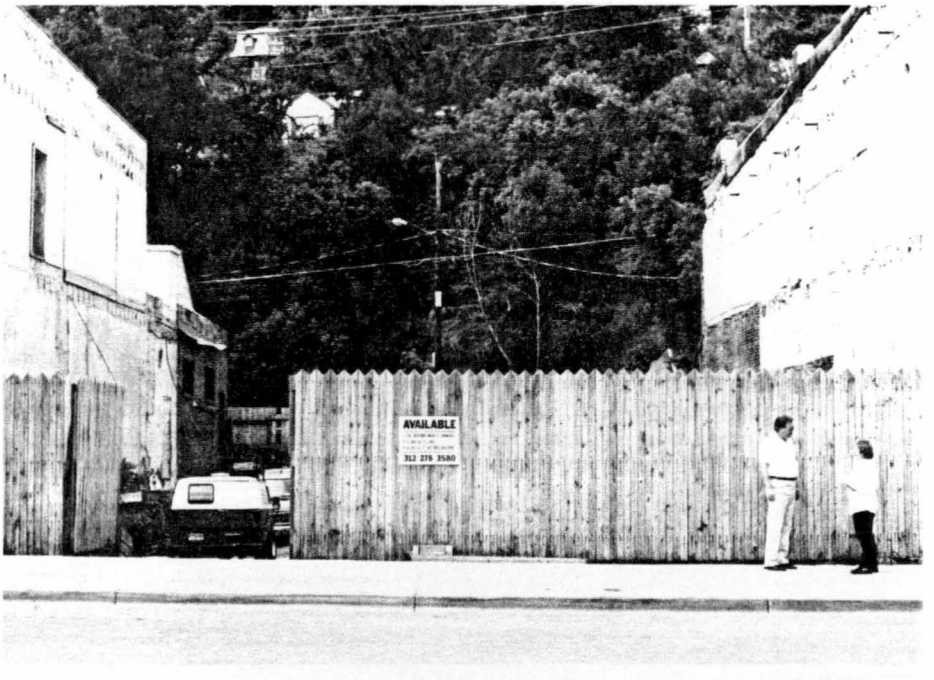


FIGURE 49. Lawrence County Courthouse Annex. View looking north on Sherman Street with new courthouse annex on left, old courthouse just beyond and U.S. Federal Building in distance. Photo by author, 1993.



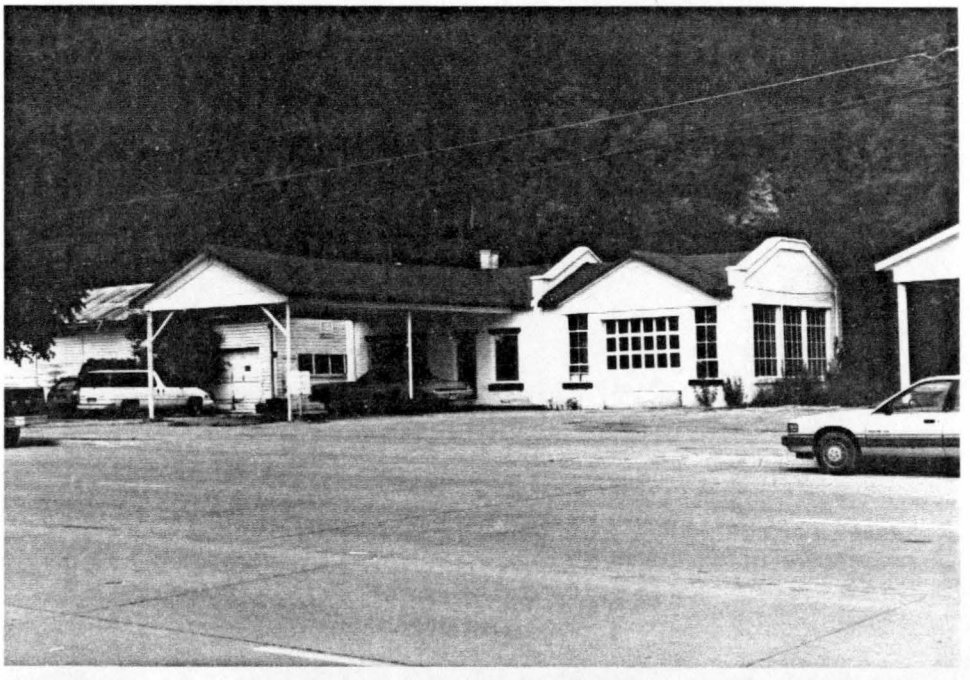
(a)



(b)

FIGURE 50. Vacant Lots on Main Street. (a) Lot currently used for private parking; (b) Fence with 'For Sale' sign. Photos by author, 1993.

(a)



(b)

FIGURE 51. Vacant Buildings on Lower Main. (a) Only one of these buildings (center with awnings) had a business operating at the time of this photograph; (b) an old service station on lower Main which has been vacant since gambling was legalized. Photos by author, 1993.

FIGURE 52. Dr. Flora Stanford's House, c. 1895. Source: Centennial Archives, Deadwood Public Library.

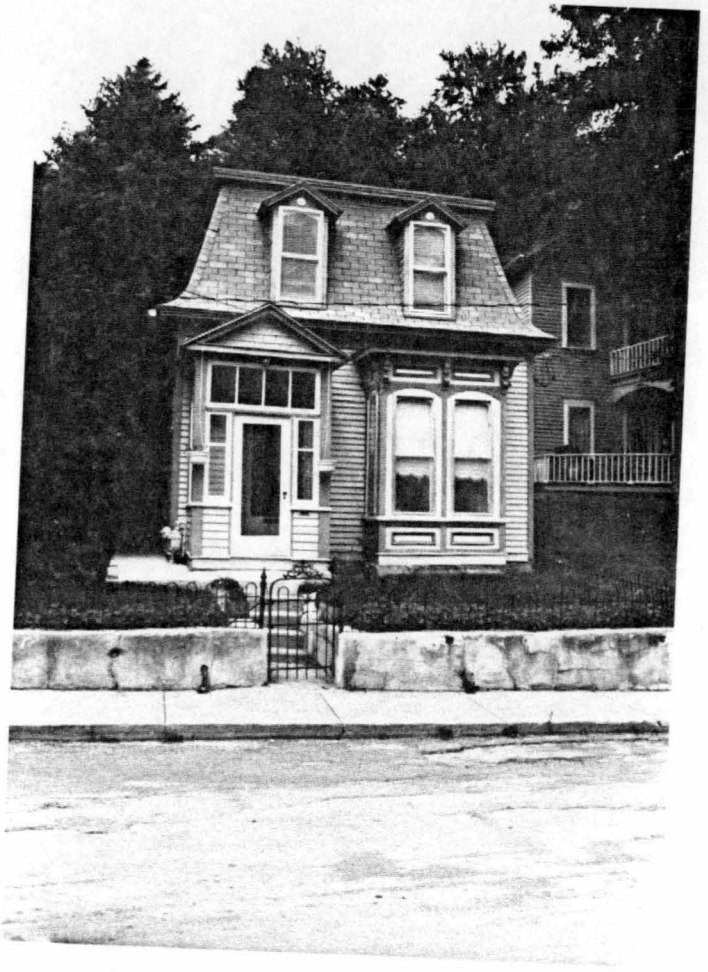


FIGURE 53. Dr. Flora Stanford's House, 1993.
Photo by author, 1993.

(a)

(b)

FIGURE 54. Examples of Restored Houses. (a) House in Burnham Hill neighborhood; (b) houses in Ingleside area being restored. Photos by author, 1993.

(a)

(b)

FIGURE 55. New Motels Near Edges of Town. (a) Gold Nugget Inn on upper Main Street, near highway leading southwest to Central City; (b) First Gold Motel at north end of town, near junction of highways to Spearfish and Sturgis. Photos by author, 1993.

(a)

(b)

FIGURE 56. New Construction at South End of Town. (a) Gulches of Fun fun park, arcade, casino, and RV park; (b) new Convention Center. Photos by author, 1994.

FIGURE 57. Prairie Edge Gaming. An example of inappropriate renovation of an old building made to look like an adobe structure, complete with vigas, from the southwest. Photo by author, 1993.

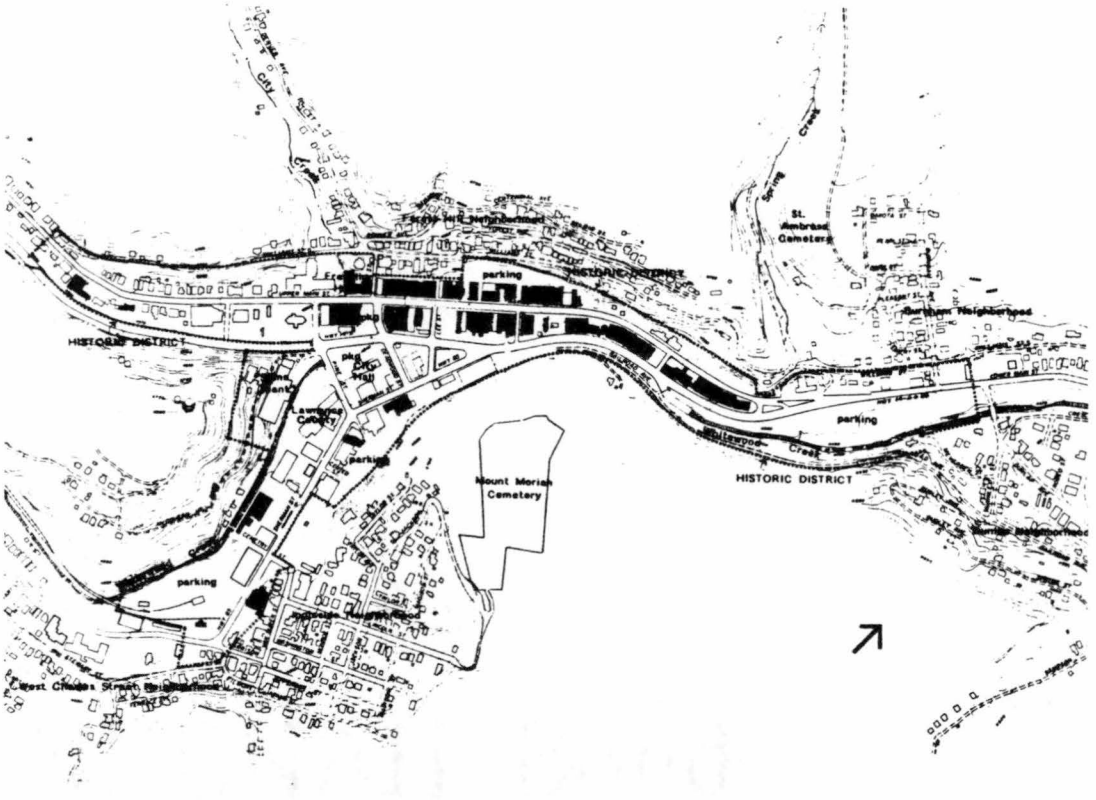


FIGURE 58. Map Indicating Locations of Gaming Establishments in Deadwood's Downtown Historic District, 1994. Locations indicated by shaded areas. Map adapted by author from Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 40.

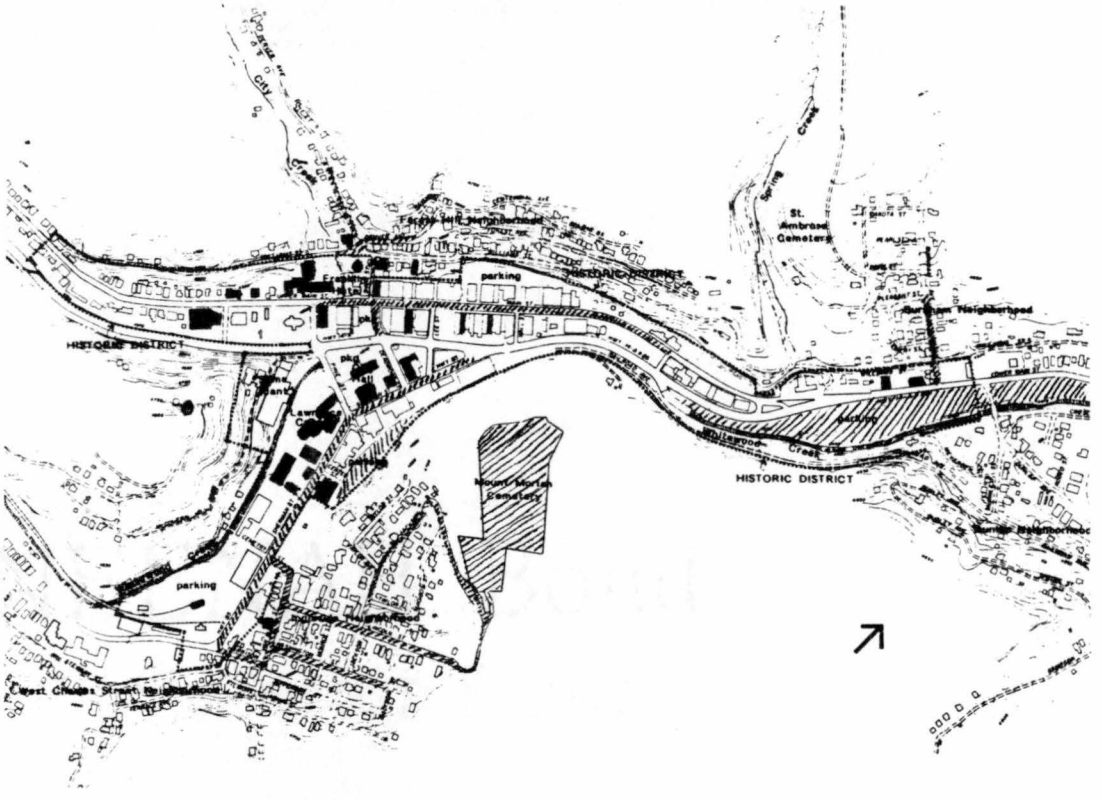
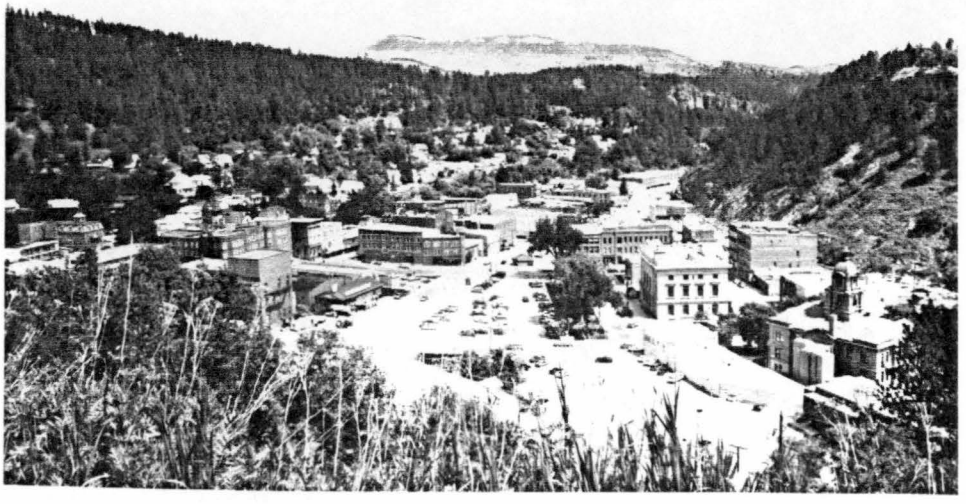
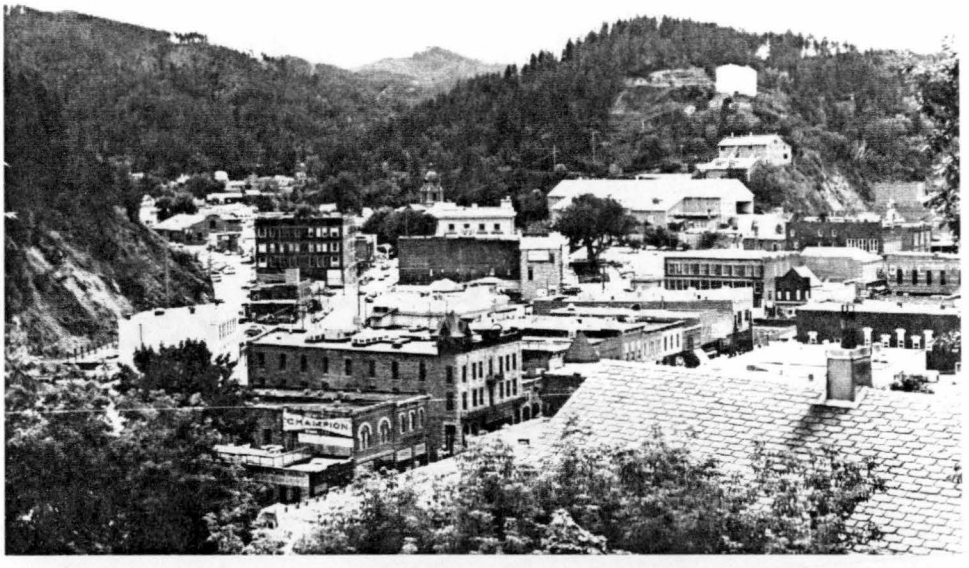


FIGURE 59. Map Indicating Locations of Public and Non-Profits Projects Funded by Gaming Revenues. Buildings indicated by shaded areas; street, parking, and cemetery projects indicated by diagonal markings. Map adapted by author from Community Services Collaborative, Downtown Design Guidelines (Deadwood, SD: Planning Department, 1991), 40.

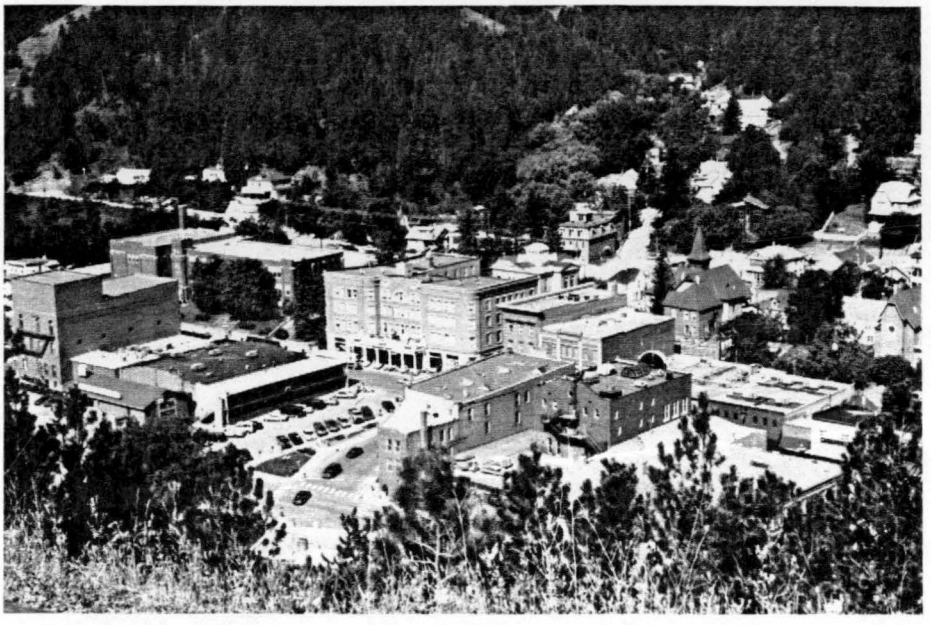


(a)

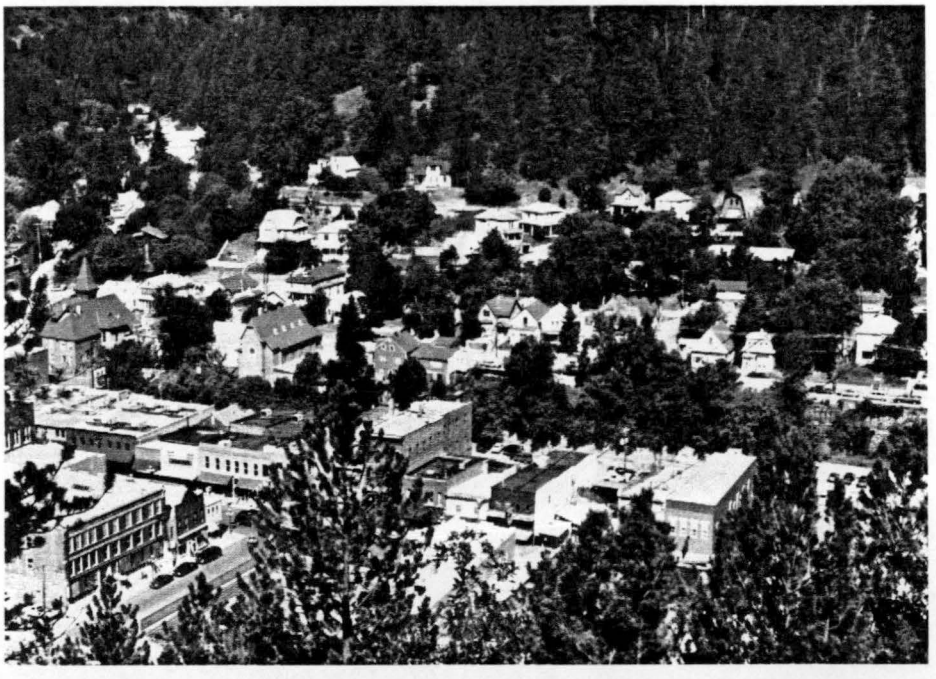


(b)

FIGURE 60. Views Out of Deadwood. (a) Looking north from McGovern Hill, Sherman Street on right, Main Street on left; (b) looking south from Forest Hill, Main Street at bottom. Photos by author, 1993.



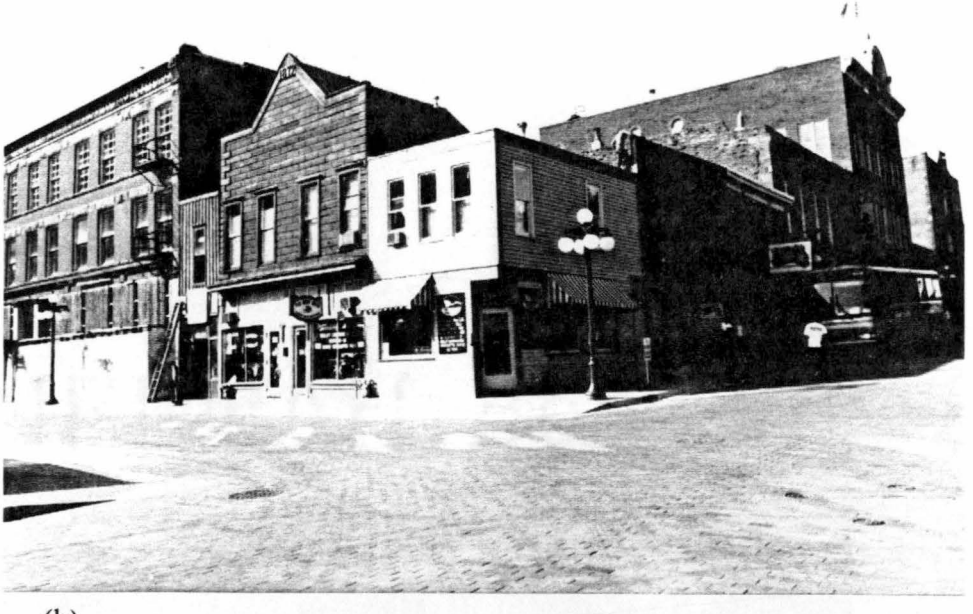
(a)



(b)

FIGURE 61. View of Downtown and Forest Hill from Mt. Moriah. (a) North end of downtown, Franklin Hotel (center); (b) central blocks of downtown (foreground) and Forest Hill neighborhood. Photos by author, 1993.

(a)

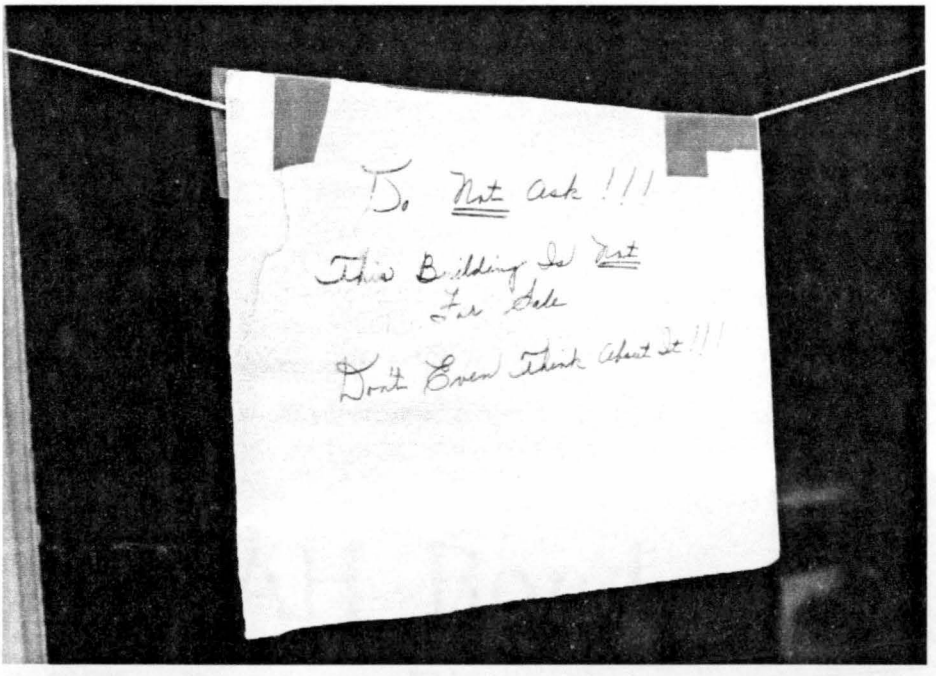


(b)

FIGURE 62. Non-Gaming Retail Businesses. (a) Small buildings housing a liquor and candy store on left and ski rental on right; (b) small buildings housing tourist kitsch shops. Photos by author, 1993.

FIGURE 63. Twin City Cleaners. The sign in the window ("Stop 'N Drop") now has double meaning at the only laundromat in town which provides slot machines for customers' pleasure while they wait. Photo by author, 1993.

(a)



(b)

FIGURE 64. Ayres Hardware Building and Sign. (a) Building on lower Main, (b) sign in window indicating that the owner intends to keep her business as is. Photos by author, 1993.

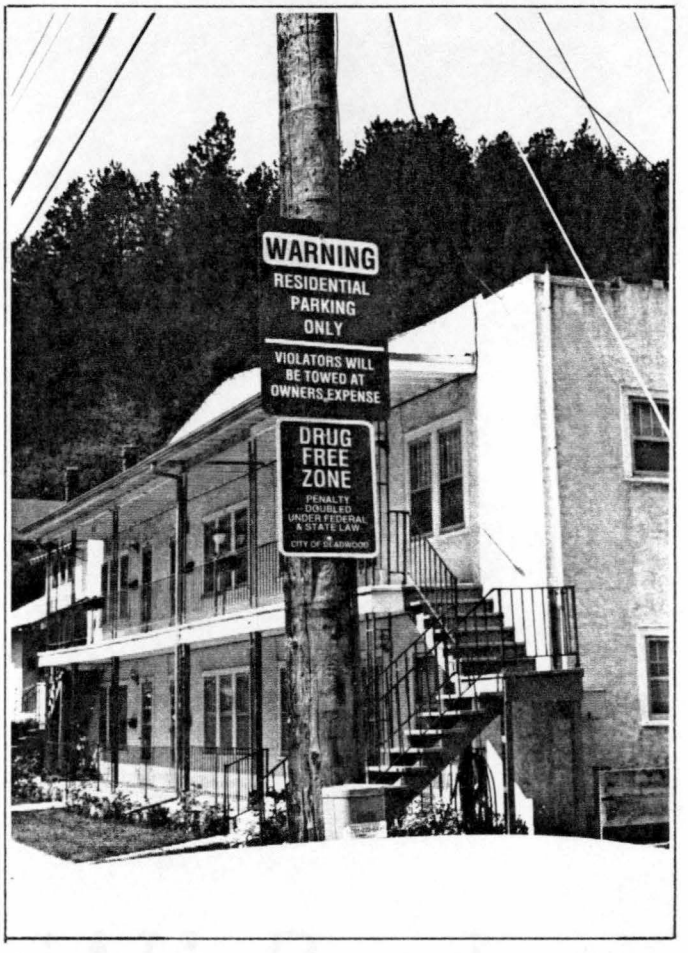


FIGURE 65. Signs Posted in Forest Hill Neighborhood. These signs reflect some of the concerns the local residents have begun to voice. Parking has been a problem since gambling was legalized, drugs a problem for nearly as long. Photo by author, 1994.

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