

**EXTRACTS FROM THE LITERATURE  
ON THE EFFECTS OF HISTORIC PRESERVATION  
ON PROPERTY VALUES**

**RICHARD SCHMIDT**

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**FOR THE BURLEITH CITIZENS ASSOCIATION**

***[schmidt.rich@gmail.com](mailto:schmidt.rich@gmail.com)***

Presented here are summary abstracts and extracts of fifteen papers on the effect of local historic designation on residential property values. These papers range from state historic preservation reports to Brookings Institution reviews to doctoral theses.

The majority of these hyperlinked reports provide quantitative evidence for immediate and long-term increases in property values for homes in designated historic districts (and for homes adjacent to historic districts). Issues such as unwelcome restriction of homeowner's perceived development rights, gentrification, and property tax impact on homeowners with fixed incomes are also noted. Most are brief entries, however papers of particular relevance or instructional value are quoted in more detail.

It is hoped that this collation will provide useful background material for consideration of historic designation by the Burleith Citizens Association.

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## MEASURING ECONOMIC IMPACTS OF HISTORIC PRESERVATION

*Donovan R. Rypkema and Caroline Cheong, PlaceEconomics, Washington, DC and Randall F. Mason, PhD School of Design, Historic Preservation Program University of Pennsylvania, November 2011*

Because of concerns of “property rights” and a widespread suspicion of regulation among property owners, the creation of local historic districts is not infrequently an issue of heated debate. Among the arguments used by opponents is “a local historic district will constitute another layer of regulation and more regulation, *prima facie*, will have an adverse effect on property values.” Historic property owners may also resent being regulated more than their neighbors, when they may have already agreed through their stewardship to devote extra care for a historic resource. Because of this, the relationship between local historic districts and property values has been the most studied area of preservation economics in the United States.

### **What Is Measured?**

Most studies of the relationship between historic designation and property value look at the value of the affected properties, the rate of value change of the properties, or the contributory value of being within a local historic district.

In the first category two approaches are common:

- Simple value comparison. What is the difference in value between a property in a historic district with a similar property not in the district?
- Before and after designation. What was the average value of houses in the neighborhood before historic designation and after historic designation?

In the second category common types of analysis are:

- Appreciation compared to the local market. At what rate did properties in the historic district appreciate (or decline) in value over time and how does that value change compare with properties in the local market that are not in a historic district?
- Appreciation compared to similar neighborhood. At what rate did properties in the historic district appreciate (or decline) in value over time and how does that value change compare with properties in a similar neighborhood that is not a historic district?

The third category of analyses is the most sophisticated and attempts mathematically to identify the monetary contribution of each of the significant variables that affect the price of a property (size, number of bedrooms, garage, pool, etc.). Once all the other variables are accounted for the difference, if any, of being within a local historic district can be isolated.

### **How Is It Measured?**

Property values (and value changes) are measured in two alternative ways: actual transactions in the marketplace, or a proxy for those transactions. Since in most places in the United States, property taxes are levied on an ad valorem basis, the assessed value for taxation purposes can usually be effectively used as a proxy for sales prices. The advantages of using assessed valuation are:

- The numbers of properties are large, obviating the small sample problem that is encountered when using actual transactions.

- The assessed data is generally in the public record so can be easily accessed (which is not always the case with Multiple Listing Services of local Boards of Realtors®).
- Many jurisdictions have all of their property records computerized so sorting and evaluating becomes easier.
- Most of the variables between properties (size of lot, zoning, size of house, number of bathrooms, etc.) are usually included in the property records.
- Assessed value databases facilitate the use of GIS representation of findings.

Since there is a great variety among residential properties, however, it is always necessary to convert the data and make the representations using a *unit of comparison*, typically dollars per square foot of livable area.

When there are enough transactions over an extended time period, some studies have used resales of the same property. If a property sold more than once during the study period, what was the value change and how does that value change compare to the appreciation rates for non-designated property?

The most sophisticated analysis that has been used in heritage property value studies is known as *hedonic pricing*. This method tries to identify the individual components of a property and each component's contribution to the overall property value. One study of historic neighborhoods in the US used a limited number of rather straightforward variables:

- Number of bedrooms
- Number of bathrooms
- Square feet of living area
- Square feet of lot
- Number of garage spaces
- Availability of swimming pool
- Age of property

Then having calculated the relative contribution of each of those elements a final distinction was made – historic designation. The assumption was that when the contributory value of all of the other variables was accounted for, any remaining difference in price was attributable to that designation.

## ECONOMICS AND HISTORIC PRESERVATION: A GUIDE AND REVIEW OF THE LITERATURE

*Randall Mason*

*University of Pennsylvania*

*A Discussion Paper Prepared for The Brookings Institution Metropolitan Policy Program*

*September 2005*

### **The Effects of Historic Preservation on Property Values**

Perhaps the most-often asked economic question regarding historic preservation is whether the designation and public regulation of historic districts and landmarks increases or decreases the economic value of the properties designated. The economics literature clearly comes down in favor of a positive effect of historic districting on property values. "Virtually every analysis that has been done on the economic impact of [historic district] protection has indicated that values have maintained at worst, and usually are enhanced, because of historic district status," writes real estate and historic preservation expert Donovan Rypkema (1994b). He goes on to cite evidence from Canada as well: a 1993 study found that, "In every heritage district designated in Canada in the last 20 years, property values have risen despite the fact that development potential has been reduced."

New York City's Independent Budget Office recently conducted a study of the effect of local historic district designation and regulation on real-estate prices and "[found evidence of a statistically significant price premium associated with inclusion [of a property] in an historic district. The extent of the premium varied from year to year, ranging from 22.6%... to 71.8%." (New York City Independent Budget Office 2003, p.2).

An exhaustive academic study by Robin Leichenko, Edward Coulson and David Listokin (2001) found that local historic district designation had a positive effect on property values in seven of the nine Texas cities they studied (in the other two cities, results were inconclusive). Historic designation, they found, increased property values in the range of 5-20 percent.

In a study of National Register districts in Philadelphia, economists Paul Asabere and Forrest Huffman wrote: "Residential parcels located within historic districts appear to attract a substantial price premium of 131 percent. The price premium associated with nonresidential parcels within historic districts are, however, insignificant." (Asabere and Huffman 1991, p.6) Other studies have been inconclusive, or have documented some negative effects, but the weight of evidence is toward positive effects.

In New Jersey, it was found that, "Properties listed on the national, state or local historic registers [throughout the state of New Jersey] have a market value of \$6 billion, of which about \$300 million can be attributed to the value-enhancing effect of historic designation." (New Jersey Historic Trust 1998, p.6)

Historic preservation has important economic values and produces certain economic benefits for both private actors and the public at large. Preservation projects can be profitable; and preservation policies do make sound fiscal sense. However, the economic impacts and measures of historic preservation activities are too situational to be able to extrapolate widely.

**BANKING ON TENNESSEE'S HISTORY:**  
**THE ECONOMIC VALUE OF HISTORIC PRESERVATION TO THE PEOPLE OF TENNESSEE**

*Tennessee Preservation Trust*

In 1996, the Knoxville-Knox County Metropolitan Planning Commission published a report that compared the property values in three historic neighborhoods in close proximity to each other and with similar characteristics...

The 2001 study undertaken by the Center for Urban Policy Research at Rutgers presented similar conclusions regarding Memphis. Researchers compared ten neighborhoods of similar housing stock, size, and history. Five were designated as either locally-zoned historic districts or as National Register historic districts. The other five had no designation. The study concluded that:

historic designation means a higher average value, a higher value in comparison to similar homes, and a greater return on investment...Historically designated districts brought an 8.6% greater return to investment than the control districts. Between 1998 and 2003, property values climbed 27.2% in historic districts but only 18.6% in the non-designated neighborhoods.

## BENEFITS OF RESIDENTIAL HISTORIC DISTRICT DESIGNATION FOR PROPERTY OWNERS

*Jonathan Mabry, Ph.D. Historic Preservation Officer  
Department of Urban Planning and Design, City of Tucson, June 2007*

Higher property values and rates of appreciation are important economic benefits of historic district designations of residential neighborhoods. Recent studies in Arizona document this effect of historic district status on property values. A study of the Speedway-Drachman National Register Historic District in Tucson showed that between 1987 and 2007 the average assessed value of homes in this district appreciated 15 percent higher than the average in a nearby neighborhood with housing stock of similar age, construction, and design (L'Orange 2007:4). A study of 25,975 single family homes sold in Phoenix in 2005, including 212 located in National Register historic districts, showed that historic designation increased the average marketable sales price of a house by 31%, or more than \$100,000 (Poppen 2007:7). A study in Mesa comparing house market value changes between 1997-2004 in the Mesa Evergreen National Register Historic District compared to those in two comparable, undesignated neighborhoods identified a +26 percent difference in the historic district (Bellavia 2007:3-4).

There is some data that national-level historic designation has a slightly greater positive effect on property values than local-level historic designation alone (Leichenko et al. 2001:1982-1983). However, this difference is not statistically significant, and the same comparative data shows that properties that carry only local designation also tend to have higher values compared to similar, undesignated properties (Leichenko et al. 2001), and relative to the entire real estate market (Rypkema 2002).

Local landmarking and design review can actually boost property values by introducing certainty into the marketplace and improving the overall economic climate, which benefits all property owners (Clarion Associates of Colorado 2002).

Comparison of a number of independent studies of local historic districts in New Jersey, Texas, Indiana, Georgia, Colorado, Maryland, North and South Carolina, Kentucky, and Virginia showed that this economic effect of local designation is typical across the country.

The results of these studies are remarkably consistent: property values in local historic districts appreciate significantly faster than the market as a whole in the vast majority of cases and appreciates at rates equivalent to the market in the worst case. Simply put—local historic districts enhance property values (Rypkema 2002:6).

Other data indicates that the greatest impact on rates of property appreciation occur with the addition of local designation (which usually includes a design review process and more restrictions on property renovations, demolitions, and new construction) on top of national designation. In a recent study conducted in Memphis, Tennessee, combined local/national designation added 18.6% to assessed property values over a four-year period compared to 13% added by national designation alone (Coulson and Lahr 2005:494-495). In Evansville, Indiana, the rate of appreciation between 1980 and 1995 was significantly greater within a locally designated portion of a larger National Register District (Rypkema 1997:7). Over the same period in Indianapolis, average property values appreciated faster in a district with combined local/national designation compared to a neighborhood with only a national designation (Rypkema 1997:9). Between 1976 and 1996 in Georgia, assessed property values in districts with both local and national designations increased at a rate of 47% compared to 23% for properties in districts with only the national designation (both figures adjusted for inflation) (Athens-Clarke County Planning Department 1996:4).

A few of the designated districts experienced extremely high rates of appreciation, or very modest rates, but most saw property values increase by 5-35% per decade over the values in similar, undesignated neighborhoods.

Within these data, another important pattern is that newer properties within historic districts benefit just as much as older properties. In Memphis, both older and newer (less than 10 years old) buildings in a local/national historic district appreciated to levels higher than similar properties in undesignated neighborhoods (Coulson and Lahr 2005:502-504).

### **Insulation from Extreme Market Fluctuations**

Local historic district designation has proven to insulate property values from wild swings in the housing market, including both downturns tied to larger economic trends, and “bubbles” caused by cycles of real estate speculation. This stability is related to investor confidence that, because there are explicit design limits in the zoning code, home investments in historic districts will not be adversely affected by construction of an inappropriate, out-of-scale building next door. It is also due to the fact that neighborhoods with stable values do not offer opportunities for “flipping” (purchase followed by quick resale at a high profit margin). In these ways, local historic district designation reduces the uncertainty facing the buyer regarding the future value of the investment.

In short, it may be that historic districts are more likely to experience a certain indemnification from extremely modulating property values, perhaps because of a higher degree of investor confidence in these officially recognized and protected areas (Gale 1991:8).

### **Stabilization of Residence**

Designation as a historic district raises the value of investments, promoting increased levels of home ownership and longer residence. This stabilizing effect on residence patterns has been documented by a study conducted in Indiana, which found that designated historic districts have higher rates of owner-occupation, and longer durations of residence by both homeowners and renters, than do similar, undesignated neighborhoods (Rypkema 1997:2, 6, 10).

The findings of recent comparative studies of the effects of historic district designations over time, conducted in many different regions of the U.S., converge on a few key findings:

- Historic district designation typically increases residential property values by 5-35% per decade over the values in similar, undesignated neighborhoods.
- Both nationally designated historic districts and locally designated historic districts outperform similar, undesignated neighborhoods, but districts that carry both local and national designation experience the highest relative increases in property values.
- The values of newer properties within designated historic districts increase along with those of older properties.
- Local historic district designation decreases investor uncertainty and insulates property values from wild swings in the housing market.
- Increasing property taxes due to rising property values in historic districts designated at the national or state levels can be offset by state and federal tax reduction programs.
- The tax incentives also provide alternatives to demolition of historic homes, thereby providing stability to the built environments of neighborhoods.



- Historic district designation leads to increased levels of home ownership and longer residence by both homeowners and renters.
- Designated historic districts tend to have higher rates of participation in neighborhood associations and improvement projects, which protects shared spaces from decline.
- Proposed exterior renovations, demolitions, and new construction in locally designated historic districts are reviewed by neighborhood advisory groups and historical commissions, thereby ensuring community involvement in neighborhood planning.

## THE ECONOMIC IMPACTS OF HISTORIC PRESERVATION

*New Jersey Historic Trust, 1997*

### **Theoretical Discussion of Historic Designation's Possible Effects on Property Value**

Historic designation can exert various effects on property value. Value may be enhanced; value may be diminished; or there may be a neutral effect. To illustrate, property value may be enhanced because of various influences

1. **Prestige.** Historic status accords prestige from the official recognition that a building or area has special qualities. This prestige is recognized by the real estate market; real estate salespersons often stress this point in selling a historic property, and at least some buyers are willing to pay a premium for this characteristic.
2. **Protection.** Designation adds a protective overlay to a historic property or area. Disruptive demolition from highway construction, urban renewal, and other government-aided projects becomes less of a threat. Also exterior work to a historic property is reviewed as to its compatibility. Finally, new construction on vacant lots in the historic district may also be regulated for scale and appearance. In short, designation increases the likelihood that the features one finds attractive in a building or an area today will be there tomorrow.
3. **Financial incentives.** Federal tax credits and other financial measures are often accorded to historic properties. These measures have real financial value.
4. **Other supports.** Partially as a result of a historic property's prestige, protective, and incentives features, designation often inculcates further interrelated positive consequences. These include fostering institutional financing, encouraging property rehabilitation, strengthening an area's retail health and tourist trade, and catalyzing formation of community organizations and activity.<sup>2</sup>

Property value may be dampened, however, because of certain designation consequences.

1. **Regulatory costs.** Following designation, alteration or demolition of the property accorded historic status must be approved by the local landmarks commission. Historic property owners can incur additional expenses as a result of these regulatory requirements, both directly in the form of outlays for professional assistance, and indirectly from the delays attendant to such administrative procedures.
2. **Development constraints.** Historic designation may impede the realization of a designated property's "highest best use." Instead, the designated property may have to be kept at its "current use." Current use is the existing utilization of a property; highest and best use is the most profitable use incorporating those uses that are legally permissible, physically possible, and financially or economically feasible (Kinnard 1971, 39).

It is important to emphasize that owners are not constitutionally guaranteed to realize the highest and best use of their property. For the public good, various police power regulations such as zoning, subdivision, and historic designation provisions may be imposed. Yet while legally permissible, historic designation may have a dampening effect on property value by limiting the maximum development of a parcel.

The degree to which the varying effects noted above are exerted in any given situation, in turn is influenced by numerous factors ranging from the type of designation (e.g., National Register or local register) and the relationship between a property's current versus highest and best use.

To illustrate, assume there are two townhouses in a community's central business district (CBD), where the underlying zoning is for high-rise buildings. One townhouse is designated a historic resource, which prohibits its demolition, whereas the other is not so designated. In both instances, the current use is a townhouse. The highest and best use of the non-designated townhouse is probably to demolish the structure and redevelop the site for a high-rise. The highest and best use of the designated townhouse is its legally permissible use—that is, a historic townhouse.

Assume that the historically designated townhouse is appraised at its current use (which is also its highest and best use given the landmark designation) at \$200,000, whereas the non-designated townhouse, given its highest and best use as a redevelopment site, is appraised at \$300,000. In this case, landmark status can be said to detract from value by \$100,000.

Assume an altered set of circumstances where designation does not prohibit demolition such as National Register districts where review is not conducted. In this instance, designation may have little discernible impact.

But let us assume yet a different set of circumstances—the same two townhouses, one designated (with stringent historic controls) and one not, but both located in a residential zone where townhouses are the “maximum” permitted use (e.g., from a land use, density, and floor-area ratio [FAR] perspective). In other words, a townhouse is both the current as well as the highest and best use. In this instance, it could very well be the case that the historic townhouse, with its prestige of official historic designation and assurance that its desirable historic amenities will be fostered into the future by public regulation, is worth \$200,000, whereas the non-designated townhouse is worth \$100,000. Here, historic designation adds \$100,000 to market value.

These are examples of the many possible effects of designation. The point to be emphasized again is that there can be varied relationships between official historic designation and property value—positive, negative, or neutral. The observed influence of designation on value, as examined by the extant literature is summarized below.

### **Overview of the Literature on Historic Designation and Property Value**

The literature on the subject of historic designation's influence on property value overwhelmingly points to a positive effect. Only a handful of studies that specifically consider the costs of alteration and demolition come to a negative impact conclusion. The literature reviewed in this study consists of analyses dating from the 1970s; these are presented below in chronological order. More detailed annotations are found in the bibliography.

One of the first pieces of research on historic property values was by Reynolds and Waldron (1969) who reviewed disputes over the level of just compensation due to the federal condemnation of a number of historic buildings in the 1960s and 1970s. They simply summarized by noting that appraisers should be aware that historic buildings need to be valued. Soon after, arguments promulgated that just compensations should be required for buildings that were designated but not condemned for purchase by the federal government. Costonis (1974), for example, went so far as to develop a formula that determines the financial cost of alteration and demolition restraints that are imposed as a result of designation. For illustration, he calculated that four landmarked Chicago office towers incurred a loss of value between \$400,000 and more than \$3,500,000 per building.

Costonis (1974), thus, represents a long line of conceptualization on the part of developers and real estate holders. That is, stringent building codes also can discourage the restoration of older properties. Indeed, there is no doubt that properties are designated at least to restrict in some way the manner in which structures on it may be altered or refurbished. Thus, historic designation of a

property can require large maintenance expenditures to preserve or restore the historical character of the building or neighborhood. Moreover, for some commercial and industrial properties this extra effort can significantly delay revenue generation. Perhaps the most common theoretical argument is that designation can prohibit a property from attaining its highest value and best use. For example, it could detract from a property's value by prohibiting its conversion to another land use, i.e., of a current single-family property to a multistory office building.

One of the earliest comparative analyses of historic and nonhistoric property values was performed by Heudorfer (1975) who contrasted four designated districts in New York City (Central Park West-76th Street, Chelsea, Mount Morris Park and Riverside Drive-West 105th Street) with four comparable, adjacent areas. She concluded that historic status had a small to negligible influence on property values. One problematic issue in her analysis was that properties in the historic districts sold for a premium both before and after designation. That is, the two sets of areas may have been insufficiently similar to make a viable comparison. Indeed, much of the literature focusing on historic designation's effect upon property values has done so by analyzing differences across neighborhoods that are subjectively deemed to be similar. Unfortunately, it undoubtedly is quite difficult to select undesignated neighborhoods that have properties that are sufficiently close in age, style, and size to those in the designated neighborhoods to facilitate an unbiased statistical comparison. After all, some underlying set of characteristics of the designated neighborhoods has suggested to policymakers that the subject neighborhoods should be allotted an official historic status while the selected comparison neighborhoods were not. For example, it may be that the officially designated historic neighborhoods were selected because they embraced architecturally unique structures, a better maintained stock, or simply from a planning perspective that neighborhood could serve as a sort of buffer zone for a neighboring commercial district if it was improved. Almost any rationale used to select for designation a neighborhood over another somewhat similar one also can help to explain relatively higher property prices in the designated neighborhood. Hence, identifying higher property values or appraisals in historically designated versus undesignated neighborhoods is at best weak proof that designation yields higher property values. Nonetheless, Heudorfer's (1975) analysis held some promise for proponents of designation since, in some cases, it appeared that the premium for being in a district that formally was designated as historic continued to increase after designation was pronounced. Somewhat stronger proof of designation's effect on property values can result if one can demonstrate that historic property values proportionally appreciate at a significantly different rate from that of undesignated ones during the same period and in the same city. That is, while similar arguments can be made with regard to price changes as for those in the preceding paragraph on price levels, the arguments are mitigated somewhat because the effect of unobserved time-invariant characteristics, including those associated with the selection process described above, can be eliminated.

Soon after and using a similar approach, Scribner (1976) obtained far more sanguine results as far as proponents of designation were concerned. He found that in Alexandria, Virginia, unrestored buildings in the Old Town appreciated in value approximately two and a half times greater over a 20-year period than those outside of the historic district. He found a similar pattern in the Capitol Hill historic district of Washington D.C. where buildings increased about 40 percent in value, whereas those immediately adjacent to that district decreased in value by 25 percent. Many, many subsequent studies have since confirmed this study's general set of findings, albeit in other regions of the nation.

Interestingly not until Schaeffer and Ahern (1988) had anyone compared differences across different types of historic designation. Interestingly, these researchers found a significant increase in prices and turnover in the residential neighborhoods of Chicago listed on the National Register of Historic Places, but no corresponding increase in two Chicago neighborhoods listed on the local

register. Indeed, in a follow-up study in Chicago, Schaeffer and Millerick (1991) obtained some negative effects on property values emanating from local designation. This finding caused the Schaefer and Ahern to speculate that the difference lay in the more stringent controls imposed in the two local districts and in the prestige of location in a nationally recognized neighborhood. That is, it is the burden on property owners for upkeep and maintenance, which designation engenders, that appears to provide a mechanism ensuring neighborhood upkeep. Coulson and Leichenko (2004) and Leichenko, Coulson and Listokin (2002) later suggested that inefficient levels of maintenance, which can accrue in certain neighborhoods typically, are a result of a prisoner's dilemma-like interaction in which property owners have an incentive to invest only in low levels of maintenance regardless of their neighbors' maintenance behavior. Thus, neighbors employing this strategy wind up in a neighborhood that experiences an overall downward spiral in the quality of housing stock. In such a situation, everybody is made worse off than if they all had agreed to provide high levels of maintenance. Hence, it appears restrictions embodied in the designation of a historical neighborhood may have the potential to induce owners to internalize this neighborhood externality that comes about when maintenance drops below efficient levels. Thus, the findings of Schaeffer and Ahern suggest that, at least from a theoretical perspective, compliance with preservation restrictions could overcome the momentum of low-levels of neighborhood-wide investment in properties.

Since this landmark study by Schaeffer and Ahern, Coulson and Leichenko (2001) also found national designation of individual properties to be more value-enhancing in their study of Abilene, Texas. Interestingly, when analyzing Memphis neighborhoods, Coulson and Lahr (2005) found that local ordinance with very heavy restrictions provided greater returns to historic designation over time than did a national designation or less-restrictive local designation. Nonetheless it remains unclear whether these differences are due to (1) differences in housing geography, (2) restrictiveness of ordinances, (3) the fact that the National Registry may get the "cream of the crop," or (4) mechanisms that may be explained by Samuels's (1981) concept of the stage of renovation.

The St. Louis Community Development Agency (1980) considered the implications of historic alteration and demolition restrictions for St. Louis's central business district. The results were mixed. Some buildings may not have been affected, but others that were suitable for intense development were put at a "disadvantage," i.e., landmark designation reduced their value. Interestingly, this is one of the few studies done on the effects of designation upon commercial properties.

Perhaps one of the most frequently cited studies is that by Rypkema (1997), who examined the impact on property values of local historic districts in Indiana. Guided by the desire to represent the geography of the entire state and communities of various sizes, he selected local historic districts in five Indian cities. The chosen historic districts were in Anderson, Elkhart, Evansville, Indianapolis, and Vincennes.

The overall results in Rypkema's study revealed that local historic districts in Indiana not only provided valuable protection for each community's historical resources but protected and enhanced individuals' financial resources as well. The specific findings by community follow:

- In Anderson the values of properties in the study areas steadily appreciated after the creation of the historic districts.
- In Elkhart the rate of appreciation of properties in the historic district, a particularly depressed area, mirrored the rate of appreciation of the entire Elkhart market.

- In Evansville the appreciation of properties within the local historic district outpaced both the surrounding historic properties not included in the local district and the overall Evansville market.
- In Indianapolis the property values in the local historic district increased at a rate consistent with the metropolitan Indianapolis overall market and exceeded the rate of both the adjacent and highly similar neighborhood and the larger area of Indianapolis within which it sits.
- In Vincennes, while the amount of appreciation over the fifteen-year period was modest for both commercial and residential properties, commercial properties in the downtown historic district maintained a pattern of appreciation similar to both the rest of the commercial properties and the overall Vincennes real estate market.

Four communities studied in Georgia all experienced increases in property valuation in historic areas that surpassed increases in values in non-historic areas (Leith and Tigre 1999). In Athens, Georgia, for example, a study of seven neighborhoods found that, during a 20-year period, the average assessed value of properties of historic districts increased by nearly 48 percent, (an average of 2.4 percent per year) versus only 34 percent for properties in non-designated neighborhoods (an average of 1.7 percent per year) (Leith and Tigre 1999).

An extensive statistical analysis on the property value impact of designation was conducted by Robin Leichenko and N. Edward Colson in Texas (Coulson and Leichenko 1999 and 2001). The two researchers found the following:

- Historic designation was associated with higher residential property values in all of the Texas cities included in the study where such valuation was examined. (A total of nine communities—Certified Local Governments (CLGs)—representing a diversity of localities.)
- The positive impact of historic designation was statistically significant in seven of the nine cities: Abilene, Dallas, Fort Worth, Grapevine, Lubbock, Nacogdoches, and San Antonio. In two cities, San Marcos and Laredo, the positive effect of historic preservation is not statistically significant at conventionally accepted levels.
- Among the cities where historic designation had a statistically significant effect on property values, historic designation was associated with average property value increases ranging between 5 and 20 percent of the total property value. The smallest average increases in property values occur in Dallas and the largest average increases occurred in Nacogdoches. In dollar terms, (dollar value change per housing unit) historic designation was associated with average increases in housing values ranging between \$2,500 in Dallas and \$18,600 in Nacogdoches, with the other cities falling somewhere in between.

Rypkema (2002) examined historic values in Colorado and found the following in a variety of that state's historic districts.

- Denver's Wyman Historic District: The benchmark criteria suggest that the designated district and non-designated comparison area have paralleled each other since designation; in other words, historic designation has not had a demonstrable, negative economic impact. Since designation, the total appreciation in Wyman is approximately four percent greater than in the nearby area.
- Denver's Witter-Cofield District: The designated and non-designated areas are not significantly different. Not only have the historic district and nearby area paralleled each other in all benchmark criteria, but the entire case study area has remained consistent with the median sales price for the city of Denver as a whole. This suggests that the Witter-Cofield district, years

after district designation, continues to provide housing representative of other neighborhoods throughout the city.

- Denver’s Quality Hill District: Historic designation appears to have made a difference in Quality Hill. Since designation, the district has appreciated faster than the nearby area. Also, the median sales price within the district has risen at a dramatically faster rate than the median sales price just outside the district. Despite a substantial amount of modern, multi-family residential infill, which in some neighborhoods might tend to depress the values of adjacent single-family residential houses, prices in the Quality Hill District have remained much higher than in the city as a whole.
- Durango’s Boulevard District: Sales prices in the Boulevard Historic District tend to be significantly higher than those both in the non-designated comparison area and also in the city as a whole. Our interviews with local Realtors confirmed this trend, noting that the Boulevard District is one of the more desirable and expensive markets in the city. Both the historic district and the nearby area experienced considerable increases in value during the 1990s.

A recent University of Florida (2002) study reviewed more than 20,000 parcels of property in eighteen historic districts and a similar number in twenty-five comparison neighborhoods. (For reference, Florida has more than 9.6 million parcels statewide.) Assessed property values over a ten-year period from 1992–2001 were analyzed in the following cities: Jacksonville, Gainesville, Ocala, Tampa, St. Petersburg, Lakeland, West Palm Beach, and Lake Worth. The Florida researchers found that:

- In no case did historic designation and protection depress property values.
- In at least fifteen of the eighteen cases studied, property in the historic district appreciated greater than target non-historic areas.

Some of the analyses noted above were cited in an excellent “compilation” of the economic effects of historic preservation developed by Rypkema (1994) in a study for the National Trust for Historic Preservation. Rypkema cited the studies, described above, by Leithe, Ford, and the State of Virginia. He also noted numerous other analyses done both abroad (e.g., Canada) and in municipalities and states in the United States showing that historic designation did not depreciate the value but, in fact, enhanced the value of designated properties. A more recent piece by Mason (2005) also reviews much of this literature.

### **Critique of the Literature on Historic Designation and Property Value**

Much of the literature focusing on historic designation’s effect upon property values has done so by analyzing differences across neighborhoods that are subjectively deemed to be similar. But as discussed by Heudorfer (1975), it is difficult to select undesignated neighborhoods that have properties that are sufficiently close in character to those in the designated neighborhoods so that a reasonably robust statistical analysis of the value of property designation can be performed. Almost any rationale used to select for designation a neighborhood over another somewhat similar one also can help to explain relatively higher property prices in the designated neighborhood.

As time has progressed, analysts have tried to overcome the many shortcomings in the methods applied to the analysis of historic designation on property values. The techniques applied have become more precise and robust. In the analyses, researchers have come to control for a multitude of housing (see e.g. Coulson and Lahr, 2005) and neighborhood characteristics (Clark and Herrin, 1997). They have tended to use more sophisticated data sources—making sure to use appraisal data from benchmark appraisal years or actual home sales information.

The “difference-in-difference” approach used in most of the studies mentioned above (especially the earlier ones) relies solely on comparing sample averages of the growth rate in property values in historic areas versus nonhistoric areas. Typically, the researcher controls for no other variables (e.g., property characteristics). Thus, to the extent that variables independent of designation explain the differences in property values, the results will be biased and inconsistent. (Few studies, such as those by Ford [1989] and Gale [1991], include any statistical controls.) A multivariable statistical approach, as used in Clark and Herrin (1997), Shaeffer and Millerick (1991), and Coulson and Leichenko (1999 and 2001), and Leichenko and Coulson and Listokin (2001), and Coulson and Lahr (2005) is heavily preferred. But due to data limitations the difference-in-difference approach noted above is often the best that can be applied. Nonetheless, when such an approach is applied, it must be understood that the results from such an analysis cannot be entirely convincing.

In fact in many of the early studies, information on the variations in property values or property value growth within neighborhoods is rarely reported; thus, the statistical significance of any difference between designated and non-designated areas cannot be determined. Again, this serious flaw is due to a lack of either adequate data or of knowledge with regard to proper statistical technique on the part of the researchers.

As has already been discussed in some detail above, the choice of comparison districts is also a problem in some cases. By the very distinction of being historic, many districts have no comparable control. The Gale (1991) study is most forceful in pointing this out, and Gale tries to convince the reader that his three control districts are indeed comparable. Hence, the study isolates the effect of designation per se on property market outcomes. However, there must have been a reason why the control neighborhoods were not designated, and if this is in any way related to property values, then the results are spurious.

There is also the issue of timing. For a study to be meaningful, growth rates have to be compared during the same period, otherwise city or economy-wide effects must be controlled for. Taking the designation date of the historic district and comparing growth rates around the same date for nonhistoric districts may confuse the fact that the subject and the control are at different stages with respect to rehabilitation effort undertaken. Thus, the issue of timing is key, as Samuels (1981) points out. If designation takes place before the area has experienced significant rehabilitation and restoration, results will be very different than they would be if designation occurred when renovation was complete.

In fact, studies that show a relationship between designation and property values—as opposed to designation and subsequent property value change—can reveal only a correlation between the two; the direction of causation is merely assumed by the researcher with no rationale. That is high property values could have been what induced the urge to designate in the first place. It is important to determine why a particular building or district becomes designated. If designation is the result of preservation efforts by existing owners, then designation itself may have little impact on the path of property values, which would have increased even in the absence of designation. Indeed, some studies show that prices increased more prior to designation than after (New York Landmarks Conservancy’s [1977] study of Park Slope).

In sum, the vast majority of the literature points to a neutral or value-enhancing effect from historic designation. There are challenges in conducting such studies so continued empirical work in this area is appropriate.



**THE IMPACT OF LOCAL HISTORIC DESIGNATION ON RESIDENTIAL PROPERTY VALUES:  
AN ANALYSIS OF THREE SLOW-GROWTH AND THREE FAST-GROWTH CENTRAL CITIES  
IN THE UNITED STATES**

*Akram M. Ijla, Cleveland State University, 2008, ETD Archive. Paper 139*

The study employs hedonic regression models and difference on difference (case-control) descriptive statistical models to estimate the impact of local government designation of an area as a historical district on the prices of residential property. This is accomplished by the pairing of each historic district with a similar community that was not designated as historic. The research was performed in three fast-growth and three slow-growth central cities. The results indicate that local historic designation is associated with higher property values in the six central cities [Dallas, Texas, Atlanta, GA, Phoenix, AZ, Pittsburgh, PA, Cleveland, OH, Cincinnati, OH].

From the aforementioned analysis, in slow-growth central cities, historic designating has a statistically significant effect on property values increases ranging between approximately 7.09 percent and 9.5 percent of the total property value. In percentage terms, the smallest average increases in property values occur in Pittsburgh, where the value of historic properties is 12.8 percent higher than the value of comparable, non-historic properties in that district. The largest average percentage increases occur in Cleveland, where the value of historic properties is 17.7 percent higher than the value of comparable properties located in the non-historic comparison district. In addition, local historic designation also has positive effects on the nearby property values. Properties that are located within the 250-300 feet radius of the designated districts gain an increase in property values ranging between 9.3 percent and 12.9 percent higher than the values of comparable properties located in the non-historic district.

Residential properties located in designated historical district had a positive and statistically significant different average price increases from comparable residential properties in similar districts not designated as historic. The analysis found that the effect of local historic designation on residential property values compared to similar properties in non-designated areas was larger for central cities located in slow growth area as compared to outcomes in fast growth areas.

The results strongly suggest historic designation is particularly valuable for increasing the market value of residential property in slow-growth regions. In the slow-growth areas residential properties in historic districts had sales prices that were from 19.8 percent to 23.7 percent higher than the sale price of comparable properties in the comparison areas. In fast growth areas positive impacts were also evident, but the increment in values relative to the sale price of homes in comparison areas ranged from 7.3 percent to 9.4 percent higher. The robust nature of the findings and their statistical significance allows this research to be an important addition to the study of historic designation and urban redevelopment. The hypotheses of this dissertation were tested. Relative to null hypotheses, each one is rejected. The findings in each hypothesis sustain H1 hypothesis as follows:

- Residential properties located in designated historical district have a positive and statistically significant different average price increases from comparable residential properties in similar districts not designated as historic.
- The effect of local historic designation on residential properties values compared to similar properties in non-designated areas found to be larger for central cities located in slow growth area as compared to outcomes in fast growth areas.

- Designation of a neighborhood as historic has positive spillover effects on property values for nearby residential properties.

The analysis also indicates that designation of a neighborhood as historic had positive spillover effects on property values for nearby residential properties. The results illustrate that historic designation generates a “halo effect.” The sale price of homes located less than 250-300 feet from an historic district was likely to be higher than for comparable properties located near the neighborhoods selected as comparison areas. In summary, this study produced clear indications that local historic designation has a positive impact on residential property values.

The effect of historic designation on property values in particular has been part of the justification for why an area should be preserved or designated as historic and is used to counter objections. The generation of positive externalities from historic preservation has also been utilized to produce support for the designation of districts. The central thesis is that when an area is designated as historic, the value of the property will increase creating a positive impact on a city’s tax base and higher values for the owners of all property within district. There is also the possibility that positive gains accrue to owners of properties located outside the district but in close proximity to the designated community. This means that when an area is assigned or designated as historical owners of all properties within the historic district and the surrounding non-historic area should benefit because of the positive externalities associated with historic district designation.

There are costs to property owners when an historic district is created. Owners lose a degree of control over the external appearance of the property as well as its economic use and the materials that must be used for repair, maintenance, and restoration as all changes and improvements must conform to the standards established for the district. In this regard classical political externality costs are created for owners who would not wish to comply with the property guidelines that exceed those found in normal zoning ordinances. As part of an historic district a property’s external appearance must meet certain standards and an individual property owner’s options are therefore restrained and restricted. Therefore, owners of homes in historic district do experience a loss of their property rights and could even sustain economic losses if their property could earn a higher return through a different use, the use of less costly materials for renovation and maintenance, or through a different appearance.

However, it must also be acknowledged that higher residential property values as the result of historic designation can also lead to increased rental prices and higher property taxes, and these, in turn, may displace low to moderate income residents (Leichenko et. al., 1999), and this negative externality also needs to be considered.

There is another challenge to historic preservation which is a change in property values after historic designation had occurred. Bauer (1996) and the Department of Environment and Conservation of Tennessee (2003) debated the belief that preservationists hold, that historic designation increases property values while property rights advocates said property values declined with historic designation. Studies conducted by preservationists and property rights activists have attempted to prove that property values in historic districts are affected by landmark designations. Almost without exception the preservationists hope to show that property values increase, while champions of property rights expect to see substantial devaluation as reflected both in real value of the property and the perception that landmark properties are more difficult to administer (and, ultimately sell). Neither group has managed to produce persuasive and irrefutable arguments.

In a study of the overall economic benefits of designation during the prior 20 years, Scribner (1976) found that in Alexandria, Virginia, un-restored buildings in the Old Town were worth

approximately two and a half times more than those outside of the historic district. A similar pattern was found in the Capitol Hill area of Washington D.C., where buildings in the Capitol Hill historic district increased about 40 percent in value, whereas those off the Hill decreased by 25 percent. Rackham (1977) echoed these findings in a study of Georgetown in Washington, D.C. He found that historic Georgetown had the highest rate of growth of house prices in the city and that, for almost all cases of residential properties, location within the historic commanded a premium.

The U.S. Advisory Panel on Historic Preservation (1979) examined four historic neighborhoods across the nation: Alexandria (Virginia), Galveston (Texas), Savannah (Georgia), and Seattle (Washington). Comparisons of property selling prices inside and outside these areas over three decades (1950s to 1970s) led the council to conclude that there was a direct link between location in a historic district and higher values.

Deborah Ford (1989) examined the value of owner-occupied housing in historic districts versus non-historic neighborhoods in Baltimore. Ford concluded that if neighborhood and house characteristics are held constant, the effect on prices of a historic district designation is positive. Prices of housing in designated neighborhoods were higher than in similar non-historic areas and Ford attributed this effect to homebuyers willing to pay a premium “for the assurance that the neighborhood surrounding their houses will remain unchanged over time”

In a study for the National Trust for Historic Preservation, Leithe and others (1991: 53) considered methodologies for examining the “economic benefits of preserving community character.” The authors conducted case studies according to the recommended comparative methodologies and found that Galveston, Texas, prices in two historic neighborhoods increased by two to five times the appreciation in the city as a whole. In Fredericksburg, Virginia, the appreciation in residential properties in historic districts was 75 percent greater than non-historic commercial properties.

Samuels (1981) examined changes in residential sales prices from 1972 to 1978 in five residential historic districts in Washington, D.C. They were compared with five non-designated but comparable neighborhoods that had experienced gentrification, had structures built in the last century, and were located in older sections of the city. She found that none of the five historic districts had a significant difference in the growth rate of property values compared to the non-historic areas. Rather, she argued that the growth rates were related to the stage of revitalization in each neighborhood. She indicates that where revitalization was more advanced, rates of appreciation in landmark areas were also higher. Since two of the areas were designated in 1978 and one in 1976, there may not have been enough time for any impact to manifest itself, since the study was undertaken in 1981.

In an analysis of the effects of historic district designation on property value, Benson and Klein (1988) examined property transfers by price range between 1980 and 1984 in two historical neighborhoods in Cleveland (Ohio City and Shaker Square) and in non-designated adjacent areas. They found that there was a relatively low level of real estate activity (i.e., property transfers) in the historic neighborhoods and those that occurred were in the lower price range. They further observed that numerous property owners bought parcels adjacent to the historic districts to “take advantage of the benefits and to avoid the drawbacks of being in the historic areas” (p.228). Based on this outcome, the authors concluded that historic districts are “not necessarily a panacea for urban decline”.

Gale (1991) examined three historic districts in Washington, D.C., and compared them to three similar non-designated districts using property tax assessment data. For the historic districts, post-designation growth rates did not diverge from those in the nonhistoric controls over the same period. However, there was a decline in two of the historic districts, whereas all three of the control

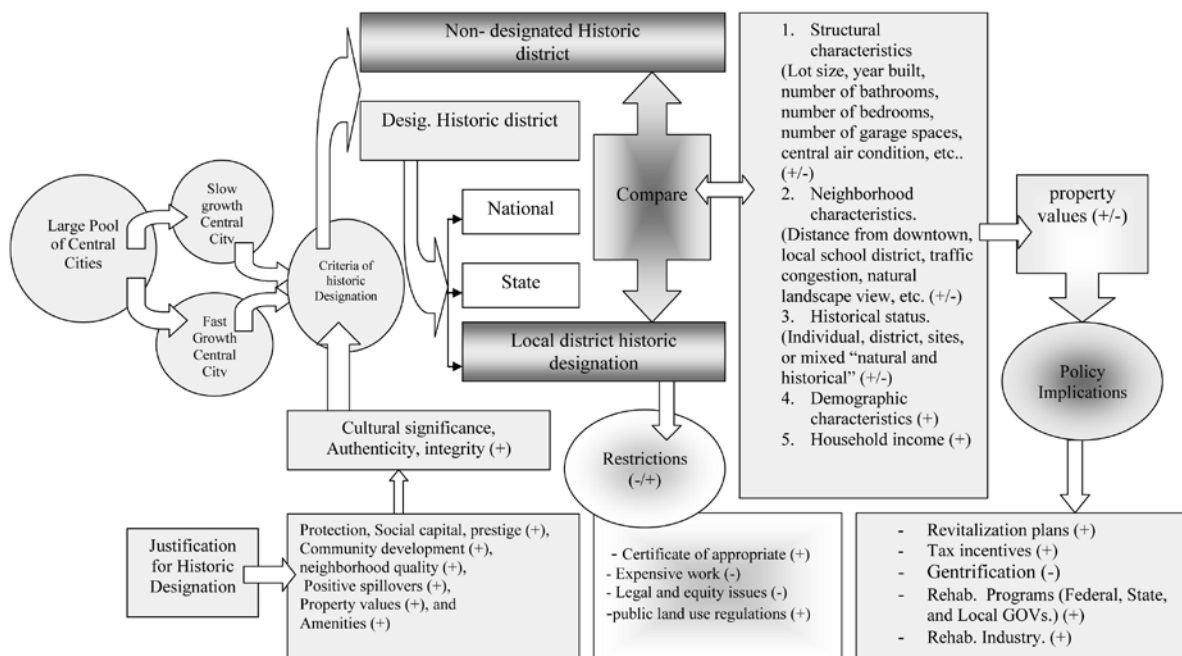
non-historic districts had greater declines than the city average. Gale concluded that designation may insulate property values from cyclical peaks and troughs, but there is no evidence that there was an increase in values from designation per se.

The Preservation Alliance of Virginia (1996) cited numerous instances in the state in which property value appreciation (as measured by assessment data) in historic areas exceeded that in non-historical neighborhoods. This study was done by Rypkema who found that in Staunton, Virginia, between 1987 and 1995 residential property assessments citywide grew by 51 percent and nonresidential property values appreciated 25 percent. By contrast, assessments on historic residential properties appreciated 52 to 66 percent and historic commercial properties gained from 28 to 256 percent.

A summary of the previous scholarly studies indicates that historic designation's influence on property values has been seen to be positive but in some cases neutral or negative.

The question of the effects of historic designation on property values has been explored in the empirical literature for more than 30 years. A large number of studies, 28, have found that designation has a positive effect on property values. Six studies found, however, that designation had a neutral impact and six studies found that designation had negative effect on property values. The majority of the studies found a positive economic, fiscal, and community impacts. Most of these studies of the effect of historic designation employ either difference-on-difference or hedonic regression models. A number of studies employing hedonic regression methods have concluded that designated historical properties and properties located within historic districts typically sell for a premium when compared with similar, non-designated properties (Leichenko et al., 2001). Other studies have found mixed or negative results. In accounting for the mixed results, Schaeffer and Millerick (1991) note that the effect of historic designation on price may depend upon whether a property is locally or nationally designated. Their study found a positive impact on values with national designation but a negative impact with local designation.

Figure 2: Historic Designation and Property Values Conceptual Model



## CONNECTICUT LOCAL HISTORIC DISTRICTS AND PROPERTY VALUES

*Connecticut Trust for Historic Preservation  
PlaceEconomics, Washington, DC, October 2011*

The relationship between property values and local historic districts was measured in four Connecticut communities – Canton, Milford, Norwich and Windsor. Included in the analysis were two local historic districts in Canton and Norwich and one district each in Milford and Windsor. The base comparison was the change in values of properties reflected in two revaluations for property tax purposes by the local assessor. In three of the cases those valuations were five years apart; in the fourth case, six years. In total data from more than 25,000 properties was examined. The major findings, detailed on the pages that follow, were these:

- Property values in every local historic district saw average increases in value ranging from 4% to over 19% per year.
- In three of the four communities the rate of value increase for properties within local historic districts was greater than for properties with no such protection.
- In “head to head” square-foot comparisons based on age and style, properties within local historic districts were worth more than similar properties not within the districts.
- Overall there appears to be a 2-4% value premium resulting from location within a local historic district.

## THE ECONOMIC IMPACT OF HISTORIC PRESERVATION IN PHILADELPHIA

*Preservation Alliance for Greater Philadelphia, 2010*

Historic districts have been shown, both in overall academic literature and in our own rigorous econometric study of properties within the City, to have a positive effect on property values; for example, in Philadelphia, holding all other factors constant, homes within an actual district trade at a significant premium to homes that are not in historic districts, historic designation's positive effect is both immediate and ongoing, and even proximity to a historic district has a positive effect.

Studies differ as to the impact of historic preservation on property values at the local level. Conceptually, one could make a case in either direction. Local historic designations can provide a property or set of properties with a certain status, as well as with the security that comes from knowing that basic form will be preserved. However, others may contend that such designations may result in the displacement of existing low-income residents and small businesses.

Still others are unconvinced that historic designations necessarily lead to higher property values. First, they can increase maintenance costs and impose additional regulations for property owners, thus reducing values; and second, some describe historic designations as a form of "taking," to the extent that denser or otherwise higher-valued uses are restricted.

Nevertheless, the majority of studies tend to conclude that historic designations have a positive effect on property values.<sup>44</sup> This was our general finding in a detailed regression analysis we conducted using Philadelphia historic designation and residential real estate transaction data:

- Homes within an actual district trade at a significant premium to homes that are not in historic districts. This premium is 14.3 percent for national districts and 22.5 percent for local districts.
- Historic designation's positive effect is both immediate and ongoing. Homes in local historic districts enjoy an immediate 2 percent increase in values relative to the city average, once local designation has taken place; and thereafter, they appreciate at an annual rate that is 1 percent higher than the city average. Given that average annual house price appreciation historically tends to be between 3 and 5 percent over time, an additional 1 percent bump-up per year is noteworthy, especially over time. Interestingly enough, these immediate and ongoing effects were not noticeably different for Center City districts versus other, non-downtown districts.
- Even proximity to a historic district has a positive effect. House prices increase by an average of 1.6 percent with each mile closer to a national historic district that a house is located, and house prices increase by an average of 0.5 percent with each mile closer to a local historic district, lending credence to the notion that homebuyers view historic districts as amenities that are worth being near.

To the extent that historic preservation enhances property values, this enhances the wealth of property owners and can lead to increased property tax revenues for the City. Our analyses suggest that this is in fact taking place in the City, and our results are reasonably consistent with those of other, similar studies.

## ECONOMIC BENEFITS OF HISTORIC PRESERVATION ACTIVITIES IN PENNSYLVANIA

*Pennsylvania Historical and Museum Commission, December 2011*

Studies differ as to the impact of local historic designation on property values. On the one hand, designation can confer upon a property or neighborhood a certain status, as well as the security of knowing that basic form will be preserved. On the other hand, associated regulations may increase maintenance costs or restrict higher-valued uses.

Recent past work by Econsult seems to suggest that historic designations have a positive effect on property values, even when controlling for other potential influences.

A detailed analysis was conducted using Philadelphia historic designation and residential real estate transaction data, and yielded the following general findings:

1. Homes within an actual district traded at a significant premium to homes not in historic districts – 14 percent for national districts and 22 percent for local districts.
2. Historic designation's positive effect is both immediate and ongoing – homes enjoy an immediate 2 percent increase in values relative to the City average, once local designation has taken place, and thereafter they appreciate at an annual rate that is 1 percent higher than the City average.
3. Even proximity to a historic district has a positive effect – house prices increase by an average of 1.6 percent with each mile closer to a national historic district, and by an average of 0.5 percent with each mile closer to a local historic district.

## ECONOMIC IMPACTS OF HISTORIC PRESERVATION IN OKLAHOMA

*Preservation Oklahoma, Inc. 2008*

As a further resource on the subject, the chapter affects an empirical analysis of property values in numerous Oklahoma County neighborhoods, including National Register Districts, locally designated historic districts, and control areas without any historical designation. (Eleven historic districts are examined.) We find the following:

- In 2000, 3 of 11 historic districts—Crown Heights, Jefferson Park, and Edgemere Park—had higher property values compared to other neighborhoods in Oklahoma County, controlling for differences in housing characteristics and general location.
- By 2003, 9 of 11 historic neighborhoods had higher values.
- Property values in historic districts appreciated more during the three-year span (2000-2003) compared to equivalent properties in non-designated areas in 9 of the 11 historic districts. The greatest rates of appreciation occurred in the historic districts of Crown Heights (69%), Edgemere Park (53%), and Heritage Hills and Capitol-Lincoln Terrace (28%). That is, homes in these four districts experienced remarkable average annual appreciation rates exceeding 8.5% during the three-year study period!

### **Overall Conclusions on Historic Designation Effects on Oklahoma County Property Values**

In this chapter, we examined levels and changes of individual residential property values in designated historic neighborhoods in Oklahoma County, Oklahoma. These were compared to residential properties in areas not designated as historic in Oklahoma County. The comparison involved the use of hedonic price analysis, which controlled for the price influence of structural characteristics such as floor space, age, recency of remodeling, and other structural and stylistic attributes. The analysis also controlled for broad neighborhood effects on property values. Therefore, the focus was on the effects on property values of the official designation of a specific district as being historic, and not of the impact on property values from the historical designation of individual properties.

Overall, strong empirical evidence has been presented showing that residential properties in historic districts in Oklahoma County, Oklahoma, generally experienced greater price appreciation than did residential properties in other (nonhistoric) neighborhoods of the same county. This occurs even after controlling for housing characteristics and other location effects—so called “real estate variables”—both which can generally be expected to affect the demand and price of a property.



## THE ECONOMIC BENEFITS OF HISTORIC PRESERVATION IN WASHINGTON STATE

*Washington Department of Archaeology and Historic Preservation, January 2007*

This study evaluated the effects of historic designation on single-family residential properties in four Washington cities: Bellingham, Ellensburg, Spokane, and Tacoma. In Bellingham and Tacoma average sale values for homes in the study historic districts increased at a faster rate than they did for similar homes located in comparable neighborhoods that do not have a historic designation.

The preceding analysis assesses the impacts of historic designation on property values in Washington State through four case studies. In each case we compared actual sale values within the designated Historic District with the sale values of properties located in other comparable historic neighborhoods that are not designated. These data were evaluated in terms of average sale price and average price per square foot based on annual average appreciation rates. Sales values were adjusted for inflation and assessed in constant 2004 dollars. Annual Sale Value Appreciation Since Historic Designation. The results of this analysis suggest that the property values in the two study neighborhoods with relatively large numbers of sales, the Eldridge Avenue Historic District (Bellingham) and North Slope Historic District (Tacoma), have appreciated at slightly faster rates than values in the two comparison neighborhoods and, in the case of Eldridge Avenue, faster than property values in the city of Bellingham as a whole. The data for the neighborhoods in Ellensburg and Spokane are more difficult to interpret in annual terms because of the relatively small sample sizes that result in fluctuating average sale values from year-to-year. Overall, the results of the analysis suggest that sale values in these two Historic Districts have been generally equivalent with those in the comparison neighborhood, and in the case of the Ellensburg analysis, the city as a whole.

## ECONOMIC IMPACTS OF HISTORIC PRESERVATION IN FLORIDA

*Center for Governmental Responsibility, University of Florida Levin College of Law Center for Urban Policy Research, Edward J. Bloustein School of Planning & Public Policy, Rutgers, The State University of New Jersey, 2010*

Notwithstanding the difficulties caused by the ongoing recession and the general decline in property values in Florida starting in 2006, researchers found that:

- Historic designation does not itself depress property values, and indeed properties located in a recognized historic district generally maintained their value during the period 2006-2009 better than did other comparable non-historic properties (or did not lose as much value).
- In at least twelve of the eighteen cases studied, property in the historic district appreciated greater than target non-historic areas for the period 2001-2009. In only two cases (one Gainesville comparison and one West Palm Beach comparison) did property in a non-historic neighborhood appreciate at a significantly higher rate than in the historic district. Four comparisons were inconclusive or had mixed results.

## INVESTING IN MICHIGAN'S FUTURE: THE ECONOMIC BENEFITS OF HISTORIC PRESERVATION

### *Michigan Historic Preservation Network*

This section compares property values inside and outside historic districts in five Michigan communities: Grand Rapids, Ypsilanti, Holland, Saugatuck, and Allegan. These communities were selected to reflect various population sizes and geographic areas of the state. In addition, each of these communities has implemented a local historic designation and design review program for at least ten years.

In each city, a historic district sample was compared to a similar non-designated area with regard to size, predominant building type, construction date, and general scale. The historic district sample and non-designated area were often geographically close, if not adjacent to one another.

For the historic district sample and non-designated area, three property value indicators were tracked over time. In all of the case study communities, these “benchmark” indicators suggest a positive correlation between local historic designation and property value. The three indicators are described below.

- **Total Appreciation Since Designation.** In the five Michigan case studies, the district samples had a greater increase in their total appreciation than the non-designated comparisons. These differences in appreciation ranged widely, from extremely dramatic to fairly slight. These results suggest that local historic designation has had either a positive effect, or an effect that is consistent with the total appreciation of the surrounding area. These findings do not support the contention that local historic designation negatively impacts property values.
- **Value.** The historic district samples and their non-designated comparisons have been generally equivalent in terms of average cost per square foot.
- **Median Sale Price.** Large samples of sales data were not available in three of the case study areas (Ypsilanti, Saugatuck and Allegan). However, in the two other case studies, the median sale price in the district samples were greater than the median sale price in the non-designated comparison areas.

The Michigan research supports the conclusion that historic district designation generally enhances the economic climate already present in the area. Property values in the designated areas experienced value increases that were either greater than, or very similar to, nearby non-designated areas.

### **Ypsilanti: Ypsilanti Historic District**

The Ypsilanti Historic District covers approximately 20 percent of the city's 4.4 square miles, includes over 750 buildings, and was locally designated in 1983. This district is notable for its variety of architectural styles, such as Greek Revival and Queen Anne, and high concentration of historic structures. A comparison of multifamily properties on two streets, one within the district and one outside the district, found that assessed values in both areas have remained similar from 1982 to 2002. Sales prices followed the same trend—sales have been comparable since 1989, the earliest year for which sales data was readily available. We also compared assessor data from a historic district area to the entire city of Ypsilanti. From 1997 to 2002, the citywide assessed values rose by 33.3 percent. In contrast, the assessed values during the same time period for the district sample area rose by 52.4 percent.

### **Holland: Holland Historic District**

Holland, a city of approximately 36,000 residents, established the Holland Historic District in 1986. We obtained data for both the Holland Historic District and the adjacent Washington Boulevard area, which became a historic district in 2002. Both areas have experienced significant value increases over the last decade. From 1990 to 2002, property values in the Holland Historic District have appreciated substantially more than the Washington Boulevard area. Also, the percentage of renters in these historic districts (16.9 percent in the Holland Historic District and 24.1 percent in the Washington Boulevard area) is much lower than Holland's citywide average percentage of rental dwellings, 32.8 percent, which suggests the stability of these neighborhoods.

### **Saugatuck: Saugatuck Historic District**

Saugatuck is a small tourism-based waterfront community that established a local historic district in 1981. The area is a popular destination for both seasonal residents and day-trippers; an estimated 450,000 visitors make the journey to Saugatuck and nearby Douglas each year. In such a community, historic designation is only one of many variables that influence property values. An analysis of property values in both the historic district and a similar, non-designated area

found that the district has appreciated at a faster rate and has a slightly greater cost per square foot than properties outside the historic district.

### **Allegan: Pritchard's Overlook Historic District**

Allegan is the home to approximately 4,500 residents and the county seat of the predominantly agricultural Allegan County. The town has had an active preservation program for many years and established a local historic district commission in 1985. Allegan contains several historic districts that cover many of the area's wide range of historic structures that date generally from 1830 through the early 1900s. Values for dwellings within the district sample and the non-designated comparison have remained very similar to one another since designation. From 1985 to 2001, the median sale price within the district has been consistently greater than the nondesignated area.

## THE ECONOMIC IMPACT OF HISTORIC PRESERVATION DISTRICTS: A CASE STUDY OF INDIANAPOLIS NEIGHBORHOODS

*Kathryn Wertz, December 2010*

Another study of Washington, D.C. neighborhoods was conducted approximately a decade after the 1980 Chicago study. The Washington D.C. study looked at the assessed values, while the Chicago study looked at property values. The study of assessed and actual property values also provides some indication of the displacement of low and moderate income residents of historic neighborhoods. This study looked at three neighborhoods that were locally designated historic districts and three similar non-historic designated districts. The three historic districts were compared based on pre and post designation values. The study later compared the post designated values to the non-designated assessed values for the same time period. This allowed for the study to determine if historic district designation increases the property value as well as to determine if designation leads to an increased assessed value. The increase in assessed and market value will indicate if the district designation is causing displacement of low and moderate income residents.

The first portion of the study, which looked at the pre and post designation values, found that the designated districts had no increase in rate of growth after designation, but instead rose at a similar rate as the overall city. The second portion of the study, which compared the designated and non-designated neighborhoods, determined that all six neighborhoods experienced a similar rate of growth as the city overall. [Gale, D.E. (1991). The Impacts of Historic District Designation. *Journal of the American Planning Association*, 325-341]

Many of the studies attributed the rise in value to historic districts when in fact other factors may have played an even greater role in the rise. The national study conducted by the Advisory Council on Historic Preservation found that Alexandria, Virginia saw the most dramatic increase in property tax revenue in the district. This occurred 21 years after the creation of the district. During this time an increase in commercial revitalization was occurring in the downtown and could be attributed to the increase in property tax revenue. Another example of outside factors was found in Washington, D.C. in the Georgetown Neighborhood. The study of this neighborhood found that during the two decades following World War II, the neighborhood experienced the highest rate of average annual increase in property values in all of Washington, D.C. [Gale, D.E. (1991). The Impacts of Historic District Designation. *Journal of the American Planning Association*, 325-341]

The last issue deals with increased property values. It may be viewed as a positive to most, but for low and moderate income residents increased property values may create an economic burden. As property values inflate, property taxes increase as well. Increased property tax impacts homeowners on limited or fixed incomes. Disabled or retired homeowners are the most vulnerable to these changes. Renters may also be affected by property tax increases. Landlords may be forced to increase rent rates to cover the additional tax cost associated with the historic district. Increased rent may force low or moderate income residents to leave the area. Increased economic burden and displacement of renters, elderly, and low income populations are directly related to the increase in property values which may have some connection to historic designation of a neighborhood. [Gale, D.E. (1991). The Impacts of Historic District Designation. *Journal of the American Planning Association*, 325-341]

Overall, this study showed that historic preservation districts provide stabilization to the assessed value, and may even cause an increase in assessed value. Local districts in Indianapolis have a slightly higher increase in assessed value compared to the similar non-local districts. The findings of this study also suggest that over time, historic districts have the potential to increase the assessed value.

## THE IMPACTS OF HISTORIC DISTRICT DESIGNATION PLANNING AND POLICY IMPLICATIONS

*Gale, Dennis E.*

*Journal of the American Planning Association 57(3):325-340, September 1991*

The designation of historic districts in residential neighborhoods has grown in popularity in the United States over the past two decades. Many planners have embraced designation policies as tools in the management of neighborhood preservation and revitalization. However, opposition has arisen in some cases based on the assertion that official designation could accelerate property values, thus increasing tax liabilities and rents and leading to rising displacement of low-income and elderly households. Existing research provides only a few insights into this issue. An analysis of residential historic district designation in Washington, DC, finds little support for the displacement threat. Further research is necessary on the timing of designation and the intervening effects of the federal historic preservation tax credit.

**RESULTS OF PREVIOUS SCHOLARLY STUDIES**  
**FROM [THE IMPACT OF LOCAL HISTORIC DESIGNATION](#) (PAGES 44-45)**

*Akram M. Ijla, Cleveland State University, 2008, ETD Archive. Paper 139*

<b>Author/Year</b>	<b>Level of Historic Designation</b>	<b>Location</b>	<b>Research Method</b>	<b>Impact of Designation on Property Value</b>
Ford (1989)	Federal & State	Baltimore, MD	Hedonic Regression	Positive (+)
Schaeffer and Ahern (1991)	Federal, State, & Local	Chicago, IL	Hedonic Regression	Negative (-)
Asabere and Huffman (1994a)	Federal & State	Philadelphia, PA	Hedonic Regression	Positive (+)
Asabere and Huffman (1994b)	Federal & State	Philadelphia, PA	Hedonic Regression	Negative (-)
Kilpatrick (1995)	Mixed	Columbia, SC	Hedonic Regression	Positive (+)
Coulson and Leichenko (2001)	Mixed	Abilene, TX	Hedonic Regression	Positive (+)
Leichenko et al. (2001)	Mixed	9 Texas cities	Hedonic Regression	Positive (+)
Heudorfer (1975)	Mixed	New York City	Case-control	Neutral (N)
Scribner (1976)	Federal & State	Alexandria, VA	Case-control	Positive (+)
Rackham (1977)	Federal & State	Washington, DC	Case-control	Positive (+)
New York Landmarks Conservancy (1977)		New York City	Case-control	Neutral (N)
US Advisory Panel on Historic Preservation (1979)	Federal & State	Alexandria, VA Galveston, TX Savannah, GA Seattle, WA	Case-control	Positive (+)
Cohen (1980)		6 Chicago historic districts	Case-control	Positive (+)
Samuels (1981)	Federal & State	Washington, DC	Case-control	Neutral (N)
Gale (1991)	Federal & State	Washington, DC	Case-control	Neutral (N)
Benson and Klein (1988)	Mixed	Cleveland, OH	Case-control	Neutral (N)
Leithe and Tigue (1999)	Mixed	4 Georgia cities	Case-control	Positive (+)
Costonis (1974)	Mixed	Chicago, IL	Case study	Negative (-)
Schaeffer and Ahern (1988)	Mixed	State of Rhode Island	Case study	Mixed (+ and -)
Leithe et. al. (1991)	Federal & State	Galveston, TX Fredericksburg, VA	Case study	Positive (+)
Leithe (1993)	Mixed	Case studies from Fredericksburg, VA Galveston, TX	Case study	Positive (+)
Bauer (1996)	Federal & State	Washington, DC	Survey: interviews & observation	Positive (+)
Bennett (1998)	Mixed	Knoxville, TN	Case study	Positive (+)
Mortor (2000)	Federal & State	South Carolina (9 communities)	Repeat sales methodology	Positive (+)

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