

BELMONT VALUES PRESERVATION

**THE ECONOMICS OF HISTORIC PRESERVATION
AND OF HISTORIC DISTRICTS**



**BELMONT HISTORICAL COMMISSION
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A BIBLIOGRAPHY *Plus*

Numerous articles, books, scholarly studies and anecdotal evidence attest to the fact that historic preservation and the creation and maintenance of historic districts have direct and indirect positive impacts on the economy of communities and in the value of the homes in which preservation is practiced. “What does historic preservation do for a local economy? Increases the tax base, increases loan demand, enhances property values, generates sales of goods and services and—most importantly—creates jobs.” *Community, Place and the Economics of Historic Preservation*, Donovan D. Rypkema, New Jersey Preservation Awards (1966). By what methods(s) are these economic benefits measured? The five most referred to methods are: basic cost studies; economic impact studies; regression analysis (hedonic, travel cost and property value studies); contingent valuation and choice modeling; and case studies. The Brookings Institute recently analyzed the efficacy of these methods, identified each of their strengths and weaknesses and ended up proposing a “hybrid of the most promising methods.” The study, however, left no doubt that “[d]esignating a landmark as historical typically maintains if not boosts the value of the property, and as an economic development tool historic preservation has proved its worth. Nearly any way the effects are measured, be they direct or indirect, historic preservation tends to yield significant benefits to the economy.” *Economics and Historic Preservation: A Guide and Review of the Literature*, Randall Mason, Metropolitan Policy Program, the Brookings Institution. See also, *The Economics of Historic Preservation, A Community Leaders Guide* by Donovan D Rypkema on behalf of the National Trust for Historic Preservation (contains one hundred “arguments” on the economic benefits of historical

preservation each backed up by cites to studies, papers, publications, speeches, or report on the topic).

These same benefits are realized and, perhaps even to a greater extent, when preservation takes the form of the creation of a historic district. Indeed, not a single study has been found to show a reduction in the value of homes located within an historic district. To the contrary, these studies show that:

- Home prices in historic districts generally increase faster than the market as a whole;
- The extra protection provided by local historic district designation generally leads to owners benefiting with a higher rate of return on their investments;
- The added value of properties in historic districts strengthens the tax base of communities;
- Tax credit and preservation grant opportunities add economic value to commercial historic registered properties.

While the studies are too numerous to list, we have highlighted in this bibliography some of the more significant ones should you desire to read further. We have also collected various quotes considered notable.

QUOTES

1. “Property values in local historic districts appreciate significantly faster than the market as a whole in the vast majority of cases...simply put, local historic districts enhance property values” – *The Economics of National Register Listing*.
2. “Local land-marking can actually boost property values by introducing certainty into the marketplace and improving the overall economic climate, which benefits all property owners” – *The Economic Benefits of Historic Preservation*.
3. Historic Preservation.... “[F]rom an economic standpoint, historic preservation creates new local jobs, spurs private and public investment, increases property values, and enhances neighborhood and community pride.” The City of El Paso, Texas Department of Development Services.
4. Frequently Asked Questions about Local Historic Districts:
www.uga.edu/gapc/links_doc_pdf/FAQ%20about20%local%20districts.pdf.
Article notes that the economic benefits of historic preservation are:

- “Creation of local historic districts stabilizes, and often increases residential and commercial property values.
- Increases in property values in historic districts are typically greater than increases in the community at large.
- Historic building rehabilitation, which is more labor intensive and requires greater specialization and higher skills levels, creates more jobs and results in more local business than does new construction.
- Heritage tourism provides substantial economic benefits. Tourists drawn by a community’s (or region’s) historic character typically stay longer and spend more during their visit than other tourists.
- Historic rehabilitation encourages additional neighborhood investment and produces a high return for municipal dollars spent.
- Use of a city or town’s existing, historic building stock can support growth management policies by increasing the availability of centrally located housing.”

5. “[W]e looked at the cost/benefit of the tax credit. In Fiscal Year 1995 the Department of the Interior reports that there were 529 projects representing investment of \$467,000,000. What is the cost of that program to the Federal coffers? Well with a 20 percent tax credit, the revenue loss to the treasury is a maximum of \$93,400,000. But what is the economic benefit? Income taxes paid by construction workers of almost \$51 million; income taxes from other workers of over \$39 million; business income taxes of nearly \$15 million; capital gains taxes of over \$19 million; totaling Federal economic benefits from this program of \$124, 250,000 last year significantly more than the revenue cost.

Additionally this activity created 14,000 jobs, added \$348 million to local household incomes, and will generate each year local property tax revenues of between \$7 and \$11 million dollars. Independent of the social, cultural, and aesthetic benefit historic preservation provides, the U.S. taxpayers are absolutely getting more than their money’s worth with this program. And I thought that’s what reinventing government was all about.” *Community, Place and the Economics of Historic Preservation*, Donovan D. Rypkema, New Jersey Historic Preservations Awards Ceremony, April 27, 1996, Montclair, New Jersey

6. “Historic Districts preserve memories for future generations, as well as a sense of time and place.” – Mission Hills Historic District.
7. “Environment – the greenest homes are the ones that already exist.” “One third of our landfill is construction debris from demolished older buildings.” “Our Homes: ‘Maintain tangible contact with the places where our identity as a nation was established and our character as a people was shaped’.” – *Historic Preservation & Historic Districts are Good for America* – Richard Moe (National Trust).
8. “...homes within historic districts sell at a premium over similar houses outside historic districts and values outpace nearby neighborhoods – a point touted by realty agents and preservation experts.” – *Los Angeles Times* (Sept. 30, 2007) Real Estate section article “Banking on the Value of History”.
9. National Park Service: U.S. Department of the Interior – *Benefits of a Historic District*:
 - “**Local districts protect the investments of owners and residents.** Buyers know that the aspects that make a particular area attractive will be protected over a period of time.”
 - “**Local districts encourage better design.** It has been shown through comparative studies that there is a greater sense of relatedness, more innovative use of materials, and greater public appeal within historic districts than in areas without historic designations.”
 - “**Local districts help the environment.** Historic district revitalization can, and should, be part of a comprehensive environmental policy.”
 - “**The educational benefits** of creating local districts are the same as those derived from any historic preservation effort. Districts help explain the development of a place, the source of inspiration, and technological advances.”
 - “**A local district can result in a positive economic impact from tourism.** A historic district that is aesthetically cohesive and well promoted can be a community’s most important attraction. The retention of historic areas as a way to attract tourist dollars makes good economic sense.”
 - “**Local districts provide social and psychological benefits.** A sense of empowerment and confidence develops when community decisions are made through a structured participatory process rather than behind closed doors or without public comment.”
10. “The proximity of historically designated houses on the sales price of other non-historic houses is valued using hedonic regression analysis.” “The results suggest that a house’s value is increased by 3.8 percent by having a historical house within 250?ft. and by 1.6 percent by having a historical home located between

250 and 500?ft away.”- *Estimating the Value of the Historical Designation Externality*.

11. “Preservation is no longer the sentimental saving of a beautiful old building—it is now a broad concept involving building codes, land use planning, tax law, open space planning, downtown revitalization—a vital tool for the conservation of neighborhoods and cities.” – *Ypsilanti Historic District Fact Sheet*.
12. “Property values of historic buildings and sites in communities as diverse as Fredericksburg, Richmond, and Staunton [Virginia] significantly outperform the appreciation rates of non-historic properties” (*Virginia’s Economy and Historic Preservation: The Impact of Preservation on Jobs, Business and Community, 1995*, by Donovan D. Rypkema).
13. “Galveston [Texas]: Information was obtained on sales transacted over a period of six months in the two residential historic districts and in the nearby [non-historic] San Jacinto/South Broadway neighborhood ‘to compute an average sales price per area. These figures were compared to the results of an early 1970’s study of average sales prices. Between 1975 and 1991, prices increased by an average 440% in the East End [historic district] and by 165% in the Silk Stocking [historic] district. By comparison, prices in the San Jacinto neighborhood increased over the same period by an average 80%’.” (*The Economic Benefits of Preserving Community Character: A Case Study from Galveston, Texas, 1991*, by Government Finance Research Center.)
14. “Anderson [Indiana]: Over a recent period of 15 years, ‘the values of properties in the study areas steadily appreciated after the creation of historic [residential] districts’.” (*American Planning Association, Historic Preservation and Property Values in Indiana*, June 1998 edition of the *Planning Advisory Service Memo*.)
15. “Indianapolis [Indiana]: ‘The property values in the local historic [residential] district increased at a rate [that]...exceeded the rate of both an adjacent, highly similar and unregulated neighborhood and the larger area of Indianapolis within which it sits.’ Two adjacent, nearly identical historic residential neighborhoods—Fletcher Place and Holy Rosary-Danish Church—are both listed in the National Register. However, ‘since 1980, Fletcher Place has been a locally designated historic district.’ Although the value of both neighborhoods appreciated between 1982 and 1995, Fletcher Place ‘appreciated at a significantly greater rate’.” (APA).

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2. *The Economic Power of Restoration: A Community Leader's Guide*, Don Rypkema, on behalf of the National Trust for Historic Preservation; 2nd Edition (March, 2005).
3. *The Economics of Historic Preservation*, Randall Mason, Brookings Institution (2005).
4. *Historic Districts are Good for Your Pocketbook*, Elizabeth Morton, State Preservation Office at the South Carolina Department of Architecture and History.
5. *Greenfield, MA Historical Commission FAQ: Is there a connection between historic preservation and economic development? How do National Register and Historic Districts affect property value?*
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<http://www.highbeam.com/search.aspx?q=articles+on+the+economic+value+of+historic+districts>

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13. *The Economics of Rehabilitation (Preservation Information)* by Donovan D. Rypkema.
14. *Preservation Yellow Pages: The Complete Information Source for Homeowners, Communities, and Professionals* by National Trust for Historic Preservation and Julie Zagars.
15. *Historic Preservation Incentives of the 1976 Tax Reform Act: An Economic Analysis (NBS Technical Note; 980)* by Stephen F. Weber.
16. *Economic Facts and Fallacies* by Thomas Sowell.

Most, if not all, of the cited articles may be obtained on line while the published books can be found on Amazon as well as at other national booksellers' sites. All are still in print and are available new or, in many cases, used condition. Please contact any HDC member should you be unable to locate any listed material.