Economic Benefits of Residential Historic Districts

The Los Angeles Conservancy is frequently asked whether the creation of historic residential districts, or Historic Preservation Overlay Zones (HPOZs) as they are called in Los Angeles, results in an increase or decrease in neighborhood property values. At this time, no study of the economic effects of HPOZ status has been undertaken in Los Angeles. Though anecdotal evidence tells us that in many cases housing values in designated neighborhoods appear to surpass those of comparable homes in undesignated areas, without solid statistical evidence produced by a rigorous study, we cannot say this with confidence. To assist community groups considering the creation of an HPOZ, the Conservancy has compiled pertinent studies conducted in several other cities nationwide on the economic impacts of historic residential districts. Although these comprehensive studies were conducted in other regions, it is our intention to illustrate how these results demonstrate economic patterns consistent throughout most historic districts in the United States.

New York

New York City: A study conducted by the City of New York's Independent Budget Office found no statistically significant evidence that historic districting has a negative impact on the appreciation of residential property values, and indeed, all else being equal, prices of houses in historic districts are higher than those of similar houses outside historic districts.

Data: While some historic districts are largely made up of commercial properties, particularly in Manhattan, we limited our analysis to primarily residential districts because our methodology depended on finding a significant number of property sales. To ensure that our analysis contained sufficient sales to be statistically reliable we focused on six community districts in Brooklyn that each contain at least one predominately residential historic district. These six districts accounted for over 40,000 arms-length sales of class 1 properties (one-, two-, and three-family houses) between 1975 and 2000, 5,541 of which occurred within historic districts. Our analysis controlled for differences in property characteristics to the greatest extent possible given the limited data available.

Price Differences: Our work shows that for each year between 1975 and 2000 there was a price premium associated with owning a house located inside a historic district after accounting for differences in property characteristics. (Although positive for every year in the study, the size of the premium was not statistically significant for the years 1987 to 1992.) The extent of the premium has varied from year to year, ranging in recent years from 5.1 percent in 1996 to 21.8 percent in 2000.

Price Appreciation:. What this initial finding cannot tell us is whether property values in historic districts appreciate faster or slower than property values outside the districts. To answer this question we employed a different methodology that looks at change in property values over a number of years. Because the city's housing markets have shown very sharp swings over the last quarter century it was necessary to break up the analysis into five shorter periods. Although our comparisons of the rates of appreciation were statistically significant for each period, the interpretation of the results is somewhat ambiguous. In some periods (1975-1982 and 1997-2000) property values of houses inside historic districts appreciated much faster than those outside, and during the downturn of 1989-1993, historic district properties depreciated at a slower rate. In other periods they appreciated at slightly slower rates. In the absence of statistically significant

evidence linking districting with consistently lower appreciation, we conclude that is not likely that property owners are adversely affected and may actually benefit from being included in a historic district.

Virginia

"Property values of historic buildings and sites in communities as diverse as Fredericksburg, Richmond, and Staunton 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 Donavan D. Rypkema).

Richmond: The value of properties within a local historic district, Shockoe Slip, increased at an incredible rate compared with the rest of the city (non-historic districts): "Between 1980 and 1990, the assessment total made a quantum leap upward by 245%, from $23,135,886 to $56,761,000. Citywide the aggregate value of real estate increased by 8.9%" (The Importance of Historic Preservation in Downtown Richmond: Shockoe Slip Area, A Case Study).

Richmond: "The appreciation of renovated historic properties is substantially greater than the appreciation rates for new construction and unrestored historic properties....The per square footage value of the renovated properties is $21 a square foot greater than that of new construction" (The Importance of Historic Preservation in Downtown Richmond: Franklin Street, A Case Study, 1990, Kim Chen).

Staunton: Between 1987 and 1995, the values of properties in the residential historic districts of Newtown, Beverley, Gospel Hill and Stuart appreciated at 51.9%, 54.2%, 62.8% and 66.0%, respectively, each exceeding the average appreciation rate of non-historic properties in the city, which was only 51.1% during that period (Rypkema).

Staunton: While its historic residential property values increased at a greater rate than did adjacent non-historic residential properties, "in two of the four historic districts that included residential properties, the average value of a house ($51,543 and $64,694) was, in fact, lower than [the] average value of a Staunton non-historic house ($71,395). This further dispels the myth that historic houses are only mansions for the rich. Staunton's historic districts not only provide quality housing for people of more modest means, but reward them with faster rates of appreciation as well" (Rypkema).

Fredericksburg: "Properties within Fredericksburg's historic district gained appreciably more in value over the last 20 years than properties located elsewhere in the city"... "Between 1971 and 1990, residential properties in the historic district increased in value by an average 674%, while residential properties located elsewhere in the city increased in value by an average 410%. In 1971, the average residential property value in the historic district was $17,920 and $17,060 in the rest of the city. By 1990, average values had risen to $138,697 in the historic district and to $87,011 outside the district" (The Economic Benefits of Preserving Community Character: A Case Study from Fredericksburg, Virginia, 1996, Government Finance Research Center).

Texas

Galveston: 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 1970s 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).

Georgia

Athens: Woodlawn and Boulevard, which are both listed on the National Register for Historic Places and locally designated, demonstrated a 47.75% increase in property tax assessment values between 1976 and 1996. The values of properties in Milledge Circle and West Hancock, the two National Register districts, rose at an average rate of 22.94%. Cloverhurst, King, and Pulaski Heights, three nearby non-designated neighborhoods, showed an average increase in value of 33.87%. Although the non-designated neighborhoods increased in value more than the nationally registered communities, those registered both on the national and local levels strongly surpassed both with a robust increase in values twice that of nationally registered neighborhoods (Economic Benefits of Historic Preservation in Georgia: A Study of Three Communities: Athens, Rome, and Tifton, 1996, by Athens-Clarke County Planning Department).

Rome: Between 1980 and 1996, designated residential historic areas "increased in value 10% more than non-designated properties, and locally designated properties increased in value almost 80% more than those only nationally designated" (Athens-Clarke County Planning Department).

Tifton: "...Designated properties outperformed those that were not located within historically designated districts. Based on the increase in property values from 1983 to 1996, the locally designated areas combined for an average increase of 10.73%, while the non-designated areas averaged 9.39%. Within the downtown area, which is both locally and nationally designated, assessment values grew at an even higher rate, 13.04%" (Athens-Clarke County Planning Department).

Indiana

Anderson: 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).

Elkhart: "The rate of appreciation of properties in the historic [residential] district, a particularly depressed area, mirrored the rate of appreciation of the entire Elkhart market" (APA).

Evansville: "The appreciation of properties within the local historic [residential] district outpaced both the adjacent historic district not regulated by the local district and the overall Evansville market" (APA).

Indianapolis: "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).

Indianapolis: Local residential historic districts have promoted consistent homeownership. "In these almost identical Indianapolis neighborhoods, the 1980 ratio of homeowners to renters was close- 34% of the residents in Fletcher Place were owners and 29% in Holy Rosary-Danish Church. By 1990, while homeowners increased to 38% in Holy Rosary-Danish Church, the ratio of owners to renters had nearly doubled in Fletcher Place, rising to 66%."