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Historic District Econometric Literature Review

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A number of studies and reports on Historic Districts comment that the adoption of an historic district tends to improve and/or preserve property values. This seems reasonable since many buyers place a value on environmental and architectural amenities that can be threatened by rapid development and poor land use practices.

Portland does not have a detailed study of the economic value of historic districts although a quick review of the comparable property values in Hosford-Abenethy and Irvington does seem to indicate property appreciation rates since 2010 that are higher than Eastmoreland's and the city as a whole.¹

Anecdotal data on just one or two neighborhoods can be misleading, so we reviewed studies like those issued by the Advisory Council on Historic Preservation in 2011, which gives many examples of increased property values after an historic district is successfully nominated:

PROPERTY VALUES

- In Philadelphia, houses in National Register historic districts command a premium of 14.3% over comparable properties not in historic districts. Houses in local historic districts command a premium of 22.5% over comparable properties not in historic districts.
— The Economic Impact of Historic Preservation in Philadelphia (2010)²
- In a small historic district in North Little Rock, Arkansas, houses were worth on average \$31,000 more than comparable houses not in the district.

¹ Irvington's Zillow prices are now higher than Eastmoreland's. Hosford-Abernethy's remain lower than Eastmoreland's but have climbed relative to Eastmoreland's since 2010.

² Econsult Corporation. *The Economic Impact of Historic Preservation in Philadelphia*. Report for the Preservation Alliance for Greater Philadelphia, March 29, 2010. Page 23

This meant annual additional revenues for the county of \$40,000, for the city of \$50,000, and for the school district of \$200,000.

— The Economic Impact of Historic Preservation in Arkansas (2006)³

- Loans made by the Cleveland Restoration Society have a positive impact not just on the houses that received the loans, but also have a catalytic effect on property values of their respective neighborhoods. In both Cleveland and suburban neighborhoods, the houses nearby where CRS made loans had higher rates of appreciation than properties not near a CRS-funded rehabilitation project.

— Does Preservation Pay? Assessing Cleveland Restoration Society's Home Improvement Program (2009)⁴

- In the city of Dubuque, Iowa, the average annual growth rate for historic preservation rehabilitation property values is 51%, compared to 5% for all properties in the city of Dubuque from 2001 to 2006. The average annual growth rate for the value of neighboring historic properties is 9.7%, compared to 3.7% for other properties in downtown Dubuque from 2000 to 2007.

— Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study (2009)⁵

- In Louisville, Kentucky, properties in local historic districts were worth between \$59,000 and \$67,000 more than comparable properties not in historic districts. Between 2000 and 2007 houses in local historic districts appreciated 21% more than the rest of the market.

— Historic Preservation's Impact on Job Creation, Property Values, and Environmental Sustainability (2009)⁶

There are many similar examples of survey reports, but again, some of these appear anecdotal and lack peer review. We decided to turn to peer reviewed article in recent academic journals to see if the reports above are consistent with careful professional studies.

³ Arkansas Historic Preservation Program and the Center for Urban Policy Research at Rutgers University. *The Economic Impact of Historic Preservation in Arkansas*. 2006. Page 19

⁴ Mikelbank, Brian. *Does Preservation Pay? Assessing Cleveland Restoration Society's Home Improvement Program*. 2009.

⁵ Jin, Zhong; Lipsman, Mike. *Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study*. Iowa Department of Revenue Tax Research and Program Analysis Section, 2009. Page 20

⁶ Rypkema, Donovan D; Cheong, Caroline. *Measuring the Economics of Preservation: Recent Findings*. Prepared for the Advisory Council on Historic Preservation by PlaceEconomics, June 2011. Page 4

Our review indicates that they are. Below are citations to twenty-two econometric studies we have recently reviewed. This is a work in progress, so we will be adding to our review over time.

1. The Impact of Age on the Value of Historic Homes in a Nationally Recognized Historic District

Summary: Investigates the impact of age (actual and effective (age difference between last sale date and house age)) on the price of a home in an historic district. Looks for the point where age positively impacts price. Looks at Savannah, GA national and local historic districts.

Model(s): Regression analysis using a number of housing amenities to determine price in both districts. Uses dummy variables for 10-year increments to capture the critical point where age becomes a significant predictor of value.

Findings: The “point where age positively affects value ... is 119 years in our sample. Buyers are willing to pay a premium for right to claim ownership of the oldest or one of the oldest homes in an area where age and history are revered, the ‘antique effect.’”⁷ Effective age is a stronger determinant of price than actual. Houses in the national district garner higher prices than the local district.

2. Neighborhood Historic Preservation Status and Housing Values in Oklahoma County, Oklahoma

Summary: Investigates the effects of historic districts on residential property values in Oklahoma County during two separate years.

Model(s): Regression analysis using a number of housing amenities and a series of dummy variables to account for different historic districts. Two regressions, one for the year 2000 and the other for 2003 to allow for changing values of housing characteristics,

⁷ Winson-Geideman, Kimberly; Jourdan, Dawn; Gao, Shan. *The Impact of Age on the Value of Historic Homes in a Nationally Recognized Historic District*. Journal of Real Estate Research, Vol 33 No 1 2011. Page 44

location effects, and shifts in demand for certain characteristics emanating from changing tastes or income.

Findings: Historic designation increases price, with an average increase of 22% for all neighborhoods. Although historic designation increases price, different districts have different values, meaning that location amenities (e.g. school district, crime rate, parks, pollution, etc.) also determine price regardless of being in an historic district. Ceteris paribus, older homes have lower prices, with diminishing negative returns as the house ages.⁸

3. Violent Times: A Case Study of the Ybor City Historic District

Summary: Examines various types of crime rates in the Ybor historic district in Tampa, FL over time.

Model(s): Reviews yearly trends in different types of crime in the Ybor area and the rest of Tampa.

Findings: Despite increased efforts to combat crime (more police, better lighting, more security in bars, etc.), the Ybor historic district has higher crime than the Tampa average due to its concentration of nightlife businesses. The nightlife was attributed to a self-amplifying cycle in which the more that bars and nightclubs succeeded there, the greater the area's reputation as a place to party on weekends grew. The author recommends a combination of more stringent urban planning, increased enforcement and cooperation between law enforcement and bar owners, and better guardianship technology to mitigate the higher crime rate in the Ybor historic district.⁹

⁸ Rickman, Dan S. *Neighborhood Historic Preservation Status and Housing Values in Oklahoma County, Oklahoma*. The Journal of Regional Analysis & Policy, Vol 39 No 2 2009. Page 106

⁹ Danner, Terry A. *Violent Times: A Case Study of the Ybor City Historic District*. Criminal Justice Policy Review, Vol 14, No 1 2003. Pages 25-27

4. Gracing the Land of Elvis and Beale Street: Historic Designation and Property Values in Memphis

Summary: Analyzes the change in property values in Memphis for the years 1998 through 2002, containing similar designated and undesignated properties. Investigates housing age as well to determine if newer housing in historic districts “bask in the glow” of the district, despite themselves not being historic.

Model(s): Regression analyses to determine appreciation rates.

Findings: Historic designation adds 17.6% appreciation to housing values. Local designation has a statistically significant positive correlation, while the national designation has a negative correlation (although it’s not significant). The appreciation rate across housing age differs, with higher appreciation values for properties less than 10 years old and for ones older than 100 years. Newer houses in historic districts benefit at least as much, if not more, than older properties in the district.¹⁰

5. The Positive Externalities of Historic District Designation

Summary: Reviews literature to determine whether historic districts create positive externalities, and therefore revitalize the area and produce higher housing prices.

Model(s): Reviews literature.

Findings: The results are inconclusive, with some evidence stating restrictive land use lowers value, while others state historic districts command higher prices because all houses must maintain a certain appearance, which can be a positive externality. Historic district designation may not be what leads to the economic revitalization of an area, but it can be a tool to speed up the renovation.¹¹

¹⁰Coulson, Edward N, Lahr, Michael L. *Gracing the Land of Elvis and Beale Street: Historic Designation and Property Values in Memphis*, Midyear Meeting of the American Real Estate and Urban Economics Association, June 2004. Page 16

¹¹ Romero, Ana Maria. *The Positive Externalities of Historic District Designation*. The Park Place Economist, Vol 12, April 2004. Pages 71-74

6. Historic Designation and Residential Property Values

Summary: Examines the effects on the value of homes in San Diego between 2000 and 2006 of a program in California which allows the owners of historic buildings a reduction in their property taxes in return for an agreement to not alter the exterior façade of the designated building.

Model(s): Regression analysis comparing similar houses with and without historic designation between 2000 and 2006.

Findings: The results suggest that the designation creates a 16% increase in housing value. In this study the tax savings on houses that are covered by Mills Act range from 40 to 80%, with an average of 49%. Given a one-percent property tax rate, the price differential identified in the empirical analysis is likely to be higher than the capitalization of property tax savings, meaning there is value in historic designation.¹²

7. Estimating the Value of the Historical Designation Externality

Summary: Examines the externality of being located near an historic home in California as designated by the Mills Act for houses sold between 2005 and 2007 in two older (average age of 65) neighborhoods in San Diego.

Model(s): Uses a regression analysis on housing prices, including basic factors and dummy variables for being within 250 feet and 500 feet of Mills Act houses.

Findings: The results suggest that a house's value is increased by 3.8% by having an historical house within 250 feet, and by 1.6% by having an historical home located between 250 and 500 feet away. Based on these results, the overall taxable basis for the neighborhood increases by \$1.8 million for each historical home. Estimates are provided that show that local governments might expect a net tax revenue gain of \$14,000 per house per year.¹³

¹² Narwold, Andrew; Sandy, Jonathan; Tu, Charles. *Historic Designation and Residential Property Values*. International Real Estate Review, Vol 11 No 1 2008. Page 93

¹³ Narwold, Andrew. *Estimating the Value of the Historical Designation Externality*. International Journal of Housing Markets and Analysis, Vol 1 No 3 2008.

8. The Internal and External Impact of Historical Designation on Property Values

Summary: Examines externalities from locally and nationally designated historic properties in Abilene, TX, examining property value for all housing in Abilene.

Model(s): Regression analysis to conduct a cost-benefit calculation comparing the external benefits and the costs (tax breaks averaging \$23,000 per year for designated properties) associated with historical designation.

Findings: Historic designation has a positive, significant effect on property values.¹⁴

9. Historic Preservation and Residential Property Values: An Analysis of Texas Cities

Summary: Examines property values across neighborhoods in 9 Texas cities to determine the effects of historic districts.

Model(s): Regression analysis determining property values with dummy variables for type of designation and neighborhood.

Findings: Historic preservation generally has a positive impact on property values and that historic designation is associated with average property value increases ranging between 5 and 20% of the total property value. National, state, and local designations carry mixed results, with some being significant in some cities while not in others.¹⁵

¹⁴ Coulson, Edward N; Robin, Leichenko M. *The Internal and External Impact of Historical Designation on Property Values*. Journal of Real Estate Finance and Economics, Vol 23 No 1 2001. Pages 113-124

¹⁵ Leichenko, Robin M; Coulson, Edward N; Listokin, David. *Historic Preservation and Residential Property Values: An Analysis of Texas Cities*. Urban Studies, Vol 38 No 11 2001. Page 1984

10. Finding an Impact of Preservation Policies: Price Effects of Historic Landmarks on Attached Homes in Chicago 1990-1999

Summary: This study seeks to determine how landmarks in Chicago (both districts and single buildings) effect attached home prices.

Model(s): Regression analysis using attached home sales in Chicago during the 1990s is combined with other geographic and demographic data.

Findings: Landmark prices are higher, with a smaller premium for districts than buildings. Using the more accurate regression, the study found that “[o]n average, sale prices are 2% higher for each additional landmark designated in the property’s block group”.¹⁶

11. Determinants of Historic and Cultural Landmark Designation: Why We Preserve What We Preserve

Summary: This paper attempts to shed light on the process of historical and heritage preservation in Chicago. Why are some properties designated while others are not?

Model(s): Theoretical model and a discrete choice model for landmark designation which identifies the determinants of designation using data from Chicago, combining the Chicago Historical Resources Survey of over 17,000 historic and architecturally noteworthy structures in the city with sales data for over 70,000 attached-home properties in the city during the 1990s.

Findings: In addition to a myriad of demographic and cultural indicators, the study finds that “[i]ndividual designations tend to happen to older properties in less historic neighborhoods, while districts tend to be in poorer neighborhoods with more historical resources.”¹⁷ Furthermore, “[s]tand-out properties in newer neighborhoods tend to be protected via single designation, while properties in older neighborhoods tend to be protected as part of a large district. We find evidence that being older makes a structure more

¹⁶ Noonan, Douglas S. *Finding an Impact of Preservation Policies: Price Effects of Historic Landmarks on Attached Homes in Chicago 1990-1999*. Economic Development Quarterly, Vol 21 No 1 2007. Page 17

¹⁷ Noonan, Douglas S; Krupka, Douglas. *Determinants of Historic and Cultural Landmark Designation: Why We Preserve What We Preserve*. Journal of Cultural Economics, Vol 34 No 1 2010. Page 20

likely to be individually designated. Additional cultural significance appears to be positively correlated with both individual designation and district or group designation. Among historical buildings, a structure's age is weakly related to the likelihood of inclusion in a landmark district unless other cultural variables are controlled for."¹⁸

12. Making – or Picking – Winners: Evidence of Internal and External Price Effects in Historic Preservation Policies

Summary: This article measures the impacts of historic preservation regulations on property values inside and outside of officially designated historic districts in Chicago during the 1990s.

Model(s): Using sales data for all single-family attached property sales in Chicago during the 1990s, the regression analysis uses housing factors, including Chicago landmark data (compiled by the Chicago Historical Resources Survey).

Findings: The results indicate that price impacts from designation inside a landmark district vary considerably across homes inside the districts. Controlling for historic quality, which the market values positively, restrictions have negative price effects on average both within and outside districts.¹⁹

13. Preserving history or restricting development? The heterogeneous effects of historic districts on local housing markets in New York City

Summary: This paper develops a theory in which landmarking has heterogeneous impacts across neighborhoods and exploits variation in the timing of historic district designations in New York City to identify the effects of preservation policies on residential property markets. One of the authors, Professor Edward Glaeser, was the speaker this year at the Harold Vatter Memorial Lecture at Portland State University.

¹⁸ Noonan et al. *Determinants of Historic and Cultural Landmark Designation: Why We Preserve What We Preserve*. Journal of Cultural Economics, Vol 34 No 1 2010. Page 28

¹⁹ Noonan, Douglas S; Krupka, Douglas J. *Making – or Picking – Winners: Evidence of Internal and External Price Effects in Historic Preservation Policies*. Real Estate Economics, Vol 39 No 2 2011. Pages 379–407

Model(s): The study uses regression analyses to determine property values in New York City.

Findings: “When examining the average post-designation effect (column 1), the designation of a historic district generates a 17 percent boost in sales prices on average relative to comparable properties outside the district and the buffer but still in the same neighborhood.”²⁰ Designation generally increases the prices of homes within a district, but effects vary with market conditions. Consistent with the predictions of our theory, we find that designation results in a larger increase to property values in community districts where the value of foregone development potential is lower and the initial amenity value is higher.

14. The Effect of Historic District Designation on Single-Family Home Prices

Summary: This paper analyses the effect of historic designation on transaction prices in Baltimore in 1980 and 1985, comparing identical designated and non-designated districts.

Model(s): Regression analysis

Findings: Historic districts command a higher housing price than identical, non-designated districts.²¹

15. Historic Preservation: Preserving Value?

Summary: This study uses repeat-sales fixed effects (difference-in-differences) analysis to look at homes before and after the creation of districts in the Boston-Cambridge-Quincy MSA between 2000 and 2007. It also looks at the Community Preservation Act (CPA), which supports historic preservation.

Model(s): Regression analysis of home sale prices, controlling for normal variables.

²⁰ Been, Vicki; Ellen, Ingrid Gould; Gedal, Michael; Glaeser, Edward; McCabe, Brian J. *Preserving history or restricting development? The heterogeneous effects of historic districts on local housing markets in New York City*. *Journal of Urban Economics*, Vol 92 2016. Page 26

²¹ Ford, Deborah Ann. *The Effect of Historic District Designation on Single-Family Home Prices*. *AREUEA Journal*, Vol 17 No 3 1989. Pages 353-362

Findings: The study finds that the creation of a local historic district reduces home prices by 11.6 to 15.5%, indicating that any restrictions implied by the creation of a district outweigh any external benefits to homeowners within the district. It also finds that the CPA lowers property values by less than 1%, and that being in an historic district magnifies the negative effect of the CPA. This implies that the limitations put on changes to a designated home outweigh the benefits provided, including possible tax breaks.²²

16. Historic Preservation and Neighborhood Change

Summary: Using Fort Worth, TX, the paper seeks to determine whether historical designation is associated with demographic change in neighborhoods. Uses demographic information in historic districts between 1990 and 2000.

Model(s): Regression analysis where the dependent variable is an indicator of the extent to which historical designation exists in a census tract in 1990.

Findings: The authors find no evidence that preservation efforts altered the demographic composition of neighborhoods. This finding runs counter to the notion that historic preservation is a precursor to gentrification. Historic preservation increases property values, but has little effect on other measures such as vacancy rates and rates of owner-occupancy.²³

17. Historic Preservation and Residential Property Values: Evidence from Quantile Regression

Summary: This study considered the effects of historic designation on residential property values in Baton Rouge, LA.

Model(s): Regression analysis to determine housing price.

²² Heintzelman, Martin D; Altieri, Jason J. *Historic Preservation: Preserving Value?* The Journal of Real Estate Finance and Economics, Vol 46 No 3 April 2013. Pages 543-563

²³ Coulson, Edward N; Leichenko, Robin M; *Historic Preservation and Neighborhood Change*. Urban Studies, Vol 41 No 8 2004. Pages 1587-1600

Findings: Historic designation is associated with average property value increases ranging between 5% and 8% of mean house value. Furthermore, designation of a neighborhood as historic has positive spillover effects on property values for nearby residential properties.²⁴

18. Measuring the Economics of Preservation: Recent Findings

Summary: This article states the findings of various articles to validate the economic argument for historic preservation.

Model(s): No modeling used.

Findings: The article briefly presents studies from six categories: jobs, property values, heritage tourism, environmental impact, social impact, and downtown revitalization. All are stated to be positively impacted by historic preservation. Some interesting findings include:

“In Philadelphia, houses in National Register historic districts command a premium of 14.3% over comparable properties not in historic districts. Houses in local historic districts command a premium of 22.5% over comparable properties not in historic districts.”

“Recent calculations indicate that it takes 35-50 years for an energy-efficient new building to save the amount of energy lost in demolishing an existing building.”

“In Delaware, \$1 million spent on the rehabilitation of an historic structure means 14.6 jobs in Delaware. This compares with 11.2 jobs from \$1 million of new construction and 9.2 jobs from \$1 million of manufacturing output.”²⁵

²⁴ Zahirovic-Herbert, Velma; Chatterjee, Swarn. *Historic Preservation and Residential Property Values: Evidence from Quantile Regression*. Urban Studies, Vol 49 No 2 2012. Pages 369-382

²⁵ Rypkema et al. *Measuring the Economics of Preservation: Recent Findings*. Prepared for the Advisory Council on Historic Preservation by PlaceEconomics, June 2011.

19. Measuring Economic Impacts of Historic Preservation

Summary: This article identifies indicators that can be used to measure the economic impact of historic preservation over time. It then recommends best practices for research based on its findings.

Model(s): Using existing research, interviews, and a symposium, this article details five areas of research (jobs, property values, tourism, environmental measures, and downtown revitalization), their associated methodologies, and their strengths and weaknesses. It also recommends better ways to communicate these results so all parties (preservation advocates, public servants, elected officials, general public) can be properly informed.

Findings: The study recommends that to best illustrate the economic benefits of historic preservation, researchers must complete the following: a.) Identify and reach agreement with responsible parties to undertake the ongoing research and data collection for each of the recommended indicators. b.) In conjunction with the responsible parties, create a long-term research, evaluation and reporting plan. c.) Establish baseline(s) for each of the recommended indicators. d.) Work with the identified parties to systematize data collection.²⁶

20. The Effects of Land-use Regulations on Property Values

Summary: This paper presents how land-use regulations directly and indirectly effect land values. It also examines the effect of a land-use regulation on property values, and the value of an individual exemption to a land-use regulation.

Model(s): Theoretical explanations and literature of how scarcity and amenity effects and individual exemptions of land-use regulation increase property values.

Findings: Land-use regulations most often positively affect land values through scarcity and amenity effects. Individual exemptions to land-use regulation also increase land values. If, however, “regulation is too onerous, or if the amenities generated are not value

²⁶ Rypkema, Donovan; Cheong, Caroline; Mason, Randall. *Measuring Economic Impacts of Historic Preservation*. A Report to the Advisory Council on Historic Preservation, November 2011. Page 40

sufficiently by the residents, then the overall effect may be zero or negative.”²⁷ Furthermore, some regulations may benefit the public more than the property owner, creating a net benefit, but negatively impacting the individual property owner.

21. The Hedonic Pricing Model Applied to the Housing Market of the City of Savannah and Its Savannah Historic Landmark District

Summary: This study examines housing amenities and historic designation as determinants of single-family house prices in Savannah, GA.

Model(s): Uses sale data from 2000-2005 to perform a regression using multiple housing factors, including historic designation, to calculate the real sales price of a single-family home.

Findings: Ceteris paribus, houses located within the Savannah Historic Landmark District commanded an average premium of 20-21% over similar houses outside the district.²⁸

22. Historic Preservation’s Impact on Job Creation, Property Values, and Environmental Sustainability

Summary: This paper examines the impact of historic preservation tax credits on job creation, the effect of historic designation on neighborhood property values, and the environmental impacts of historic preservation.

Model(s): For job-creation, a job-multiplier simulation model is used, which determines direct, indirect, and total effects of tax breaks on jobs. For property values, a typical regression is used for Louisville housing values from 2000-2006. For environmental impact, the study uses a regression of environmental phone-call survey data.

²⁷ Jaeger, William K. *The Effects of Land-use Regulations on Property Values*. Environmental Law, Vol 36, 2006. Page 124

²⁸ Cebula, Richard J. *The Hedonic Pricing Model Applied to the Housing Market of the City of Savannah and Its Savannah Historic Landmark District*. The Review of Regional Studies, Vol 39 No 1 2009. Pages 9-22

Findings: For job creation, data from the simulation model is used, and finds a job multiplier effect of 43 jobs for every \$1 million invested in historic preservation.²⁹

For property values, the “average percent increase in median value for historic district neighborhoods was 58%, while non-historic neighborhoods in Louisville averaged 32%”.³⁰

For environmental impact, in addition to citing previous literature’s examination of the energy cost of demolition and rebuilding, the study’s survey regression finds that residents “living within a central city are, on average, more pro-environment in their behavior and that those urbanites living in likely historic homes are even more pro-environment than those residing in higher-density, new-build apartment complexes and condos ... Encouraging the renovation of historic structures not only preserves existing housing stock and conserves costs, energy, and materials, but also encourages individuals to reside in neighborhoods that naturally foster more environmentally friendly behaviors.”³¹

²⁹ Gilderbloom, John I; Hanka, Matthew J; Ambrosius, Joshua D. *Historic Preservation’s Impact on Job Creation, Property Values, and Environmental Sustainability*. Journal of Urbanism, Vol 2, No 2, July 2009. Page 88

³⁰ Gilderbloom et al. *Historic Preservation’s Impact on Job Creation, Property Values, and Environmental Sustainability*. Journal of Urbanism, Vol 2, No 2, July 2009. Page 90

³¹ Gilderbloom et al. *Historic Preservation’s Impact on Job Creation, Property Values, and Environmental Sustainability*. Journal of Urbanism, Vol 2, No 2, July 2009. Page 98