

Protect Your Property Values! (Support Historic Districts)

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On November 9, 2015, scary posters showed up on telephone poles throughout our community. “Protect Your Property Values!” they announced. “Research has shown that over time, the restrictions of being in an historic district hurt property values for most property owners.”

This was the day before the Mission Hills Town Council meeting reviewing the Uptown Community Plan Update, and the posters urged everyone to attend to learn more about the plan’s proposed potential historic districts. They also urged active opposition to the potential districts.

The statement about the research startled me. Was this true? Do historic districts hurt “property values for most property owners”? Time to turn to the internet!

The next day I Googled the phrase “historic district property values.” (I urge you to do the same.) I had limited time, as I work full-time and the meeting was that night. So I just looked at the first two pages of results. I also limited myself to well-designed research and not essays or opinion pieces. Finally, I kept my sources to the past 15 years: I only wanted to see research that was completed and published after 2000.

If you were at the Town Council meeting that night, you heard my quick summary of what I learned. As I said there, I was surprised to find overwhelming evidence that **historic districts increase in property value much faster than comparable non-designated areas**. They also are more stable and resist property value fluctuations. In addition, homes located near but not in those areas also benefit.

Here are the studies I found:

[Kalamazoo – a case study comparable to Mission Hills](http://scholarworks.wmich.edu/cgi/viewcontent.cgi?article=1564&context=masters_theses)

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A 2015 master’s degree thesis by Curtis Aardema compared two very similar communities in Kalamazoo, Michigan – Edison and Vine. These areas have homes that look a lot like Mission Hills and come from the same era. Aardema carefully identified the many similarities and some differences between Edison and Vine, including assessed values. He was analyzing them because in 1990 Vine chose to have historic designation and Edison did not. So what happened to the respective property values?

Aardema randomly selected 50 homes from each of the two areas. He then compared their average assessed values (both total and per square foot) in 1990, 2000, and 2010. Edison, the non-designated area, increased in average value 53% over those 20 years, but historically designated Vine increased 65% over the same period. The gap between their average total values went from 19% in 1990 to 29% in 2000 to 38% in 2010 – with Vine, the historically designated area, consistently increasing in value more than Edison. When compared on a value per square foot basis, Vine actually began lower than Edison in 1990 but had become the higher value community by 2010. Both neighborhoods grew in value over the

years, but the values in the historic area Vine grew greater and faster. Ardema found the only explanatory difference was the historic designation for Vine.

City of Tucson review of 15 studies

http://www.preservationnj.org/site/ExpEng/images/images/pdfs/Historic%20District%20benefits_Mabry_%206-7-07.pdf

Jonathan Mabry, Historic Preservation Officer for the City of Tucson, reviewed 15 studies from around the U.S. examining property values over time in designated historic districts compared to similar undesignated neighborhoods in the same communities. Every study that he listed showed that the historic districts had higher increases in value than the comparable non-designated areas. (Nine of the studies were completed 1991 – 2000 and six were 2001-2007, but the results were consistent.)

Mabry summarized the overall findings as:

- Historic district designation typically increases residential property values by 5-35% per decade over the values in similar, undesignated neighborhoods.
- 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.
- 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.

Four Connecticut Communities

http://www.placeeconomics.com/wp-content/uploads/2011/03/ct_report_2011.pdf

In 2011 the Connecticut Trust for Historic Preservation hired PlaceEconomics to study the effects of historic district designations on property values in four different towns, generally within the period 2000--2008. As the Trust summarized the results, "We are very pleased by the results of this analysis. In no case was there evidence that being in a local historic district reduced property values. In fact, in three of the four communities, properties within historic districts have had an annual increase in value greater than that of properties in the community as a whole." Here are key findings they shared:

- 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. [The one district where this is not true had a much higher proportion of multifamily and commercial buildings than did the town overall.]
- 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.
- On a composite basis, the rate of foreclosure of properties within the historic districts was half the rate outside the districts.

- The comparative value increase is least where there are significant commercial and multifamily structures within the same neighborhood as single-family residences [such as we have in parts of University Heights and North Park].

New York City boroughs

<http://urbanland.uli.org/economy-markets-trends/historical-designations-affect-property-values/>

The National Bureau of Economic Research published work by a team of economists and policy analysts examining the effects of historic designation on property values. The 2014 paper describes what happened to property values in different types of neighborhoods when they were designated as historic, using data from 120 different historic districts across the New York City area 1974 – 2009. They found that historic district designation raised property values consistently, as well as increasing the value of properties just outside the boundaries of the districts. The sole exception is inside Manhattan, where the ability to build to unrestricted heights on the limited land is the greater determinant of value. In essence, the loss of value in Manhattan designated areas was the loss of *projected* value that developers could have gained by replacing the historically designated buildings with much taller buildings. The properties themselves did not lose actual value.

The authors also wrote, “If initial aesthetic levels are higher, preservation can increase value, both for the unit and total real estate [of the community].” The authors found that after controlling for structural differences, a 20 percent premium is placed on properties located in areas that **are or will become** historic districts.

In summary, across these four sources:

So, back to the posters proclaiming, “Research has shown that over time, the restrictions of being in an historic district hurt property values for most property owners.” Were they right?

They were dead wrong.

- The research I found showed that in areas that are comparable to most of Mission Hills – generally areas of single family dwellings, having high aesthetic values, and walkable access to commercial nodes – historic district designation leads to significantly greater property value growth than in comparable neighborhoods without designation. This value growth also pertains to properties near the districts and to new construction within the districts.
- The only exception that I could find was that if one has property one hopes to sell or use for multiple-story, multiple family dwellings or commercial use. In that case, if the property is in an area zoned for such use but the historic designation results in height or density limits, then one’s *speculative* profits may not increase as desired – although one’s neighbors’ homes may benefit greatly from the lack of a large building going up next door. The property itself would only lose real value if the owner paid a premium for it on the bet that it would be replaced by new development. This situation would pertain to a very limited part of the potential historic areas of Mission Hills -- generally along University Avenue and north of the Washington commercial area – and to only a handful of property owners in those areas. For most residents in those areas, a greater threat is loss of real value if a seven-story building rises next door.

As the posters said, “Protect Your Property Values.” Support historic districts!