The Commissioner

TOOLS

The True Value of Historic Preservation

Study results show that historic districts can be significant economic drivers for local communities.

By Donovan Rypkema

Factors Walk, a restored historic district along the riverfront in Savannah, Georgia, is a popular tourist destination. Photo by rivernorthphotography / iStock / Getty Images.

In 2015, the United Nations adopted a series of "sustainable development goals." The goals were a response to the fact that over half the population of the planet lives in cities, and that number will grow to two-thirds by 2050. One of those goals, SDG 11, strives to: "make cities inclusive, safe, resilient and sustainable." Today, at least in the U.S., that goal is being met most often in local historic districts. Over the last several years, our firm has focused on conducting historic preservation impact studies on the city level. Three things have made this work possible: the availability of "big data"; the use of GIS; and the recognition that, in the U.S., it is at the local level where the only real protection of heritage resources takes place.

These citywide studies have yielded new evidence of the significant economic impacts of historic preservation.

Jobs and tourism

Our study findings show that historic rehabilitation is truly labor intensive. In Savannah, Georgia, one of our most historic cities, $1 million invested in the rehab of a historic building generates 1.2 more jobs and $62,000 more income for Georgia citizens than the same amount spent on new construction.

Center cities — large and small — have seen a renaissance throughout North America over the last two decades. For 40 years, the Main Street program, originally run by the National Trust for Historic Preservation, has made the revitalization of historic buildings the centerpiece of its very effective downtown revitalization program. Since 1980, Main Street districts in more than 2,000 communities have seen a cumulative investment of $79 billion, the rehabilitation of 285,000 buildings, more than 640,000 net new jobs, and nearly 144,000 net new businesses.

Our studies show that heritage visitors spend more than other tourists in each of the five categories of tourism expenditure: lodging, food and beverage, local transportation, retail purchases, and amusements and entertainment. San Antonio, Texas, is the home of the Alamo and five 18th-century Spanish missions, which were recently put on UNESCO's World Heritage List. About 47 percent of the city's day visitors and 58 percent of overnight visitors fall into the "heritage tourist" category. The heritage portion of San Antonio's tourism industry alone directly creates 11,000 jobs in food and beverage; 6,000 jobs in hotels, motels, and B&Bs; and 9,000 jobs in retail establishments.

Market choices

For many metrics we use the economists' concept of "revealed preference" — the idea that market preferences are "revealed" not through a response to a survey but in the decisions made. We used this approach in studying the preferences of small and start-up businesses in places as diverse as New York City, Indianapolis, Savannah, and Raleigh, North Carolina. We found that a disproportionate share of new and small businesses chose to locate in local historic districts. In Savannah, while 30 percent of all jobs are in historic districts, nearly half of the businesses that employ fewer than 20 people are located in these areas.

What is true of small and start-up businesses is also true of knowledge-centered and creative enterprises. Our findings reveal that historic districts claim a disproportionate share of jobs. In New York City, while eight percent of all jobs are in local historic districts, more than 10 percent of professional, scientific, and technical services jobs are in historic districts and so are more than 13 percent of jobs in the information field. Historic districts also draw creative minds: more than 20 percent of New York's arts, entertainment, and recreation jobs are in historic districts.

Property values and homeownership

Property values have received an enormous amount of attention recently — with some surprising results. Properties in historic districts outperform the market, whether the comparison is with similar non-designated neighborhoods, the market as a whole, or before-and-after designations. Claims that historic districts, and their accompanying regulations, hurt property values have simply not been found to be true. In Indianapolis, as an example, between 2002 and 2016, the value of a single-family house in a local historic district increased an average of 7.3 percent each year, compared with just under 3.5 percent for houses not in historic districts.

Beginning in late 2007 and lasting three or four years in most places, the U.S. (and much of the world) experienced the greatest economic collapse in two generations. The major impact of the Great Recession was on housing values. Yet in 30 cities that we studied we found that foreclosure rates were far lower in historic districts (both rich and poor) than in the cities as a whole.

In Raleigh, for instance, between January 2008 and December 2013, our studies revealed that for every 1,000 single-family houses outside of historic districts, 100 faced foreclosure. In historic districts the rate was only 28.8 houses per thousand. In general, our studies show that properties in historic neighborhoods go up in value faster than in the city as a whole in up markets. In down markets the value decline begins later and is shallower, and recovery begins sooner than in the rest of the city.

The National Association of Realtors periodically analyzes generational patterns among homebuyers. In its most recent such study, it found that millennials (who have surpassed baby boomers as the largest demographic group in the U.S.) purchased 34 percent of all houses, but 44 percent of the houses built between 1913 and 1960, and 59 percent of houses built before 1912. Clearly, they are making those decisions based on the Three Cs — cost, convenience, and character — the hallmarks of historic districts.

There are other contributions of historic buildings and neighborhoods that might be called "economics once removed." These include walkability, availability of public transportation, density at a human scale, fewer negative environmental impacts, and greater diversity.

Donovan Rypkema is the principal of PlaceEconomics in Washington, D.C.