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Economic Impacts of Historic Preservation in Florida

1. Sources
2. Annotations of Selected Studies


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ANOTATION OF SELECTED STUDIES


This study investigates the effect of historic preservation activities in Alexandria (Virginia), Galveston (Texas), Savannah (Georgia), and Seattle (Washington). Included in the analysis is an examination of the physical, economic, and social changes occurring within historic neighborhoods in each of these cities. According to the study, historic designation and attendant preservation activities provide many benefits, including saving important properties from demolition, assuring compatible new construction and land uses, and providing a concentrated area of interest to attract tourists and metropolitan-area visitors. Designation also has the beneficial effect of strengthening property values—an impact documented by comparing the selling prices of buildings located inside versus outside the historic districts.


Difficulties of appraising historic homes are highlighted. To illustrate, appraisal assumes that the improvements on land are depreciating assets. In the historic context, however, the home represents “heritage” and therefore is not assumed to lose value. The article suggests three approaches to ascertaining value, all modifications of the traditional cost, market, and income approaches.

A modified cost methodology is recommended based on the following factors: (1) cost on a unit basis of an equally “historically desirable” dwelling in approximately the same physical condition (including site); (2) the average unit cost of an acceptable renovation and/or restoration; (3) less the estimated incurable physical deterioration; (4) plus the value of land and site improvements.

A second strategy uses a modified market approach. Value is determined by adjusting recent nearby “arm’s-length” sales. This approach is commonly used in appraisal, but implementation in the historical context requires a number of special emphases. The temporal definition of “recent” sales has to be extended for the appraiser to obtain enough “comps” of historic homes—required because there are relatively few sales of historic properties. Second, and for similar reasons, the appraiser has to consider “comps” over a larger geographical area. Third, the appraiser must be careful to examine only arm’s length transfers—donations of properties to private historical societies would not be included. Fourth, the appraiser must carefully adjust the “comps” for “historical value”—which encompasses such considerations as type of architecture, historical significance of the owner/builder, and so on. Fifth, the “comps” will have to be adjusted by considering required restoration/renovation costs as well as the amount and value of land in each transaction.
A third strategy for determining the value of the historic homes is to use an income approach. The article cautions that utilizing this method is “basically dangerous” since it is often based on hypothetical situations that may or may not be possible or probable.


This monograph analyzes the transfer of development rights as a mechanism for preserving historic properties. As part of its overall analysis, it considers the impact of landmark restrictions on property value as well as the assessment of landmarks for tax purposes.

Chapter three discusses the cost of historic preservation restrictions—a measure termed “damages.” Damages are determined by subtracting a landmark’s present value from its fair-market value in the absence of designation. These “before and after” values are estimated by the income approach of appraisal. Other traditional appraisal methods are not so applicable. Applying the cost technique is problematical because it requires precise estimates of physical decline and functional obsolescence—factors inherently difficult to define in a landmark situation. Low sales frequency of landmarks often renders the market approach inappropriate.

Appendix four examines the relationship between landmarks and the property tax. It examines both the principles and practice of real estate taxation, notes how and when landmarks may be penalized by prejudicial assessment, and discusses “intergovernmental agreement” and other strategies for improving the equity of a landmark’s assessment/taxation.


The ERA study examines the economic effect of designating the St. Louis central business district by: (1) considering the impact of comparable designation activity in Seattle (Pioneer Square), New Orleans (Vieux Carre), Savannah (Historic District), and other jurisdictions; and (2) evaluating the anticipated effect of historic status on numerous prototypical buildings located in the St. Louis CBD. The consultants conclude that designating the St. Louis CBD would have both positive and negative economic impacts, and that the overall effect would depend on such variables as: (1) the applicability/continuation of federal landmark income tax incentives; (2) the type/extent of designation; and (3) future demand for CBD locations.

Gale, Dennis. n.d. *The impact of historic district designation in Washington, DC.* Occasional Paper No. 6. Center for Washington Area Studies, Washington, DC. This paper examines the impact of historical preservation on property prices and values in
order to determine if historic preservation does result in the displacement of the current population. The study compares three neighborhood both before and after historic designation. It also compares these three neighborhoods with three non-designated neighborhoods. The study found that there was no increase in rated growth of assessments in the pre- and post-preservation periods. Second, there was not much difference in property value between the districts designated as historic districts and those that were not, out of proportion to the general economic conditions at a city level. The study did, however, recognize two problems: it did not control for the time of designation; and distortions may be caused by the federal income tax code.


Utilizing the methodology described in The Economic Benefits of Preserving Community Character: A Practical Methodology (Liethe, Muller, Petersen, and Robinson), the report examines the economic rewards gained as a result of efforts made to preserve the historic nature of the city and by providing incentives to merchants and residents to remain there. Currently, downtown Fredericksburg is made up of 350 buildings built prior to 1870 and seven 18th century homes and museums open to the public. In order to thwart the exodus of businesses and residents to suburban areas, city officials implemented several bold initiatives. They moved the visitor’s center to the heart of the historic district and publicized a walking tour of significant homes and buildings. They enacted a tax exempt program designed to attract the rehabilitation of historic properties by abating from taxation a portion of the increase value over a six-year period. The city made esthetic improvements to the downtown area that included burial of overhead utility wires, implementation of historically accurate streetscaping, and improvements in traffic patterns and parking. The city also implemented the Facade Improvement Grant Program to entice shop owners to improve the appearance of their storefronts. Further, re-zoning of the downtown area to allow apartments above commercial establishments encouraged residential living. The study examined the economic benefits realized from these efforts by looking at construction activity, property values, and revenues from tourism. Construction activity provided important short-term benefits via employment of local workers, the purchase of materials from local business, and the spending of wages in the Fredericksburg area. Over an eight-year period, 777 projects totaling $12.7 million were undertaken in the historic district. These projects created approximately 293 construction jobs and approximately 284 jobs in sales and manufacturing. Area governments reaped $33,442 in building permit fee revenues, while the city accrued $243,729 in locally distributed sales tax revenues. Property values, both residential and commercial, experienced a dramatic increase. Between 1971 and 1990, residential property values in the historic district increased an average of 674% as compared to a 410% average increase in properties located elsewhere in the city. Commercial properties within the district rose an average of 480% compared to an increase of an average of 281% for other commercial properties. The study conducted a survey of downtown merchants as well as a telephone survey to estimate
the amount of money coming into the city as a result of meals, lodging, and shopping. It estimates that in 1989 alone $11.7 million in tourist purchases were made within the historic district and another $17.4 million were made outside the district, with secondary impacts resulting in $13.8 million. The fiscal benefits to the city as a result of tourism and sales are estimated at $1,128,060 ($487,200 in meals and lodging, $582,600 in state sales tax, and $58,260 from business and occupational license tax).


In the early 1980s the Galveston Historical Foundation took several measures to assist owners of historic properties, including a revolving fund, design and rehabilitation advice, and a paint partnership program. The city also dedicated one cent of the hotel/motel bed tax to historic preservation by establishing tax reinvestment zones throughout the city. Utilizing the methodology described in *The Economic Benefits of Preserving Community Character: A Practical Methodology* (Leithe, Muller, Petersen, and Robinson), the report estimates the economic benefits to the private sector (property owners and retail merchants) as well as the fiscal benefits gained by the city of Galveston. These assessments were made with respect to construction activity, property values, and commercial activity. Construction activity created jobs in construction labor, retail (the sale of construction supplies), manufacturing, and induced jobs by virtue of the workers spending money in the area. Building permit data indicate that over a 20-year period 1,165 construction jobs, 86 manufacturing/sales jobs, and 874 induced jobs were created. The jobs produced $44.1 million in salary income, while the fiscal benefits to the city were $274,943 in sales tax revenues and $63,727 in building permit fees. Over a 16-year period residential sales prices in the historic district rose by an average of 440% and commercial sales prices increased by an average of 165%. It is estimated that, from July 1989 to June 1990, tourists visiting the historic district spent approximately $18 million and that the multiplier effects totaled $29.1 million in sales and $2.7 million in wages. The state gained approximately $1.1 million from sales tax, while the city of Galveston earned about $0.5 million.


This report focused on the impacts of landmark designation on residential property values in Palm Beach. Based on a review of sales and appraisals, the study concluded that landmark designation within the town of Palm Beach typically enhances the value of property by 10-20%. The study focused on properties worth less than $4,000,000.

war battlefield preservation before it is established. The methodological basis for this evaluation is a cost benefit analysis. The analysis includes foregone and projected benefits in the equation. The authors conclude that battleparks can generate important impacts for local economic development. Further, that battlefield preservation compares well with agricultural production in terms of income and employment. The benefits are, however, concentrated in the service sector.


This study examined actual sales transactions (as opposed to assessments for property tax purposes) in historic neighborhoods (two nationally and locally designated districts) in Columbia, South Carolina from early 1983 to mid-1995. Sales data were collected on all homes within the historic areas that had sold at least twice during the 1983 to 1995 period. Using prices and times between the sales, the study developed an index of house price appreciation within the historic district. A comparable index of price appreciation was developed in parallel for the market as a whole. Comparing these two indices, the study found that “historic properties have an average rate of return higher than [that of] the Columbia market as a whole. The price differential in the historic districts was almost 25 percent greater than the overall community.


This study examines the consequences of preservation regulations and incentives on a community’s economy and their effects on a local government’s fiscal condition. It provides an easy-to-use workbook, complete with sample tables, worksheets and survey forms, and explains how a community can measure economic activity in three broad areas: construction and rehabilitation activity, real estate activity, and commercial activity.

- **Construction and Rehabilitation Activity.** To the extent that community preservation techniques stimulate the rehabilitation of property, economic benefits associated with rehabilitation construction activity itself can be documented.

- **Real Estate Market Activity.** The effect of community preservation on the overall local real estate market as a result of designation or incentive programs can be measured (whether or not directly related to rehabilitation activity).

- **Commercial Activity.** The stimulation or retention of businesses in areas that have been designated or protected or granted incentives and the resulting impact on local economic activity, such as retail sales and the number of business created, can be measured.

This report argues that national parks based on civil war nostalgia suffer from an inherent contradiction. On the one hand they have been viewed as ‘priceless historic jewels handed down from generation to generation, and to which no value can be assigned’; on the other hand they can be viewed as a continuing stream of cash, alternately contributing to the surrounding economy but also costing ‘something’ in lost taxes. Lane attempts to analyze the second viewpoint through a cost benefit analysis of the Fredericksburg and Spotsylvania National Park. Through his analysis of lost taxes vs. direct and indirect benefits Lane concludes that the historic sites in question contribute more to the surrounding economy than they take away.


This publication is the result of a conference held in Seattle to discuss historic preservation and the financial incentives of that process. The aim of the conference was to bring clearly into focus the successful record of the historic preservation process, including the benefits of recycling old buildings. The following topics were covered at the conference. Section one discusses possible municipal actions in the preservation process. The hidden assets of old buildings and continuing and adaptive uses for old buildings form the second and third sections of the publication. Section four discusses the costs of preservation, while section five outlines the types of government grants available for the preservation process. Sections six and seven discuss the advantages of historic preservation from a private financiers viewpoint.


This research paper compares property values in a historic district (Georgetown in Washington, D.C.) to those outside this neighborhood. Property values in Society Hill (Philadelphia) and other historic districts are also briefly noted. Side-by-side comparison indicates that historic status increases property value. In the words of the study, “The imposition of historic district controls in an area, complemented by the general recognition that they have been appropriately placed, results in the following pattern of residential property demand and value: available quality housing in reasonable condition within the district is marketed readily at increasing price levels; existing housing in poorer condition is acquired—often by developers—and renovated; and land for building sites, if available, is obtained and improved in conformance with architectural controls.”

Assessment/property-tax implications resulting from the property value appreciation within the historic neighborhoods are also considered. Various assessment strategies
to alleviate inequitable landmark property taxation are reviewed, such as assessment at current use. The District of Columbia’s efforts in this regard are highlighted.

New Jersey Historic Trust. 1990. *Historic Preservation Capital Needs Survey.* New Jersey: New Jersey Historic Trust. The survey examines the capital needs of historic properties throughout New Jersey. The survey showed a capital need of $400 million for historic preservation. This, however, is a conservative estimate the study was a survey and was directed only at properties that met the eligibility criteria established by the bond act, i.e., properties owned or operated by public or not for profit agencies. Apart from the findings of the survey, the study also provides some useful information on historic resources in New Jersey, the importance of historic preservation and historic tourism for economic development, and case studies of successful preservation.


As part of a larger study of preservation’s economic effects, the analysis cited cases of property values increasing relatively faster in historic versus nonhistoric areas. Examples cited included:

Fredericksburg. “Properties within Fredericksburg’s historic district gained appreciably more in value over the last twenty years than properties located elsewhere in the city.”

Richmond. “While assessments in the Shockoe Ship historic area appreciated by 245 percent between 1980 and 1990, the city’s overall value of real estate increased by 8.9 percent.”

Staunton. “Between 1987 and 1995, residential properties in Staunton’s historic neighborhoods appreciated by 52 to 66 percent compared to a city-wide average residential appreciation of 51 percent. For commercial properties the average city-wide appreciation between 1987 and 1995 was 25 percent. By contrast, average rates of appreciation of commercial properties in historic districts ranged from 28 to 256 percent.


The study argues that the success of historic preservation depends on financial considerations; thus, before any program is undertaken, the fiscal impacts of the program should be examined. The study provides a methodology that a local government can use to assess the impacts of preservation. It does so by providing guidance for the evaluation of the effects of certain incentives programs based on the experience of Atlanta. The study examines the following incentives for historic preservation: compensation, protection, land use planning, the impact of federal tax
credits, state and local tax incentive programs, property abatement tax, property tax, sales tax exemption, individual tax vs. cost to the city, and public sector benefits vs. costs.


This paper presents an appraisal process for valuing landmarks. It notes the importance of proceeding in a step-by-step process that includes definition of the appraisal problem; identification of the property’s environment and physical and historical characteristics; examination of alternative uses, including the actual use; collection of data; and estimating value through one or more accepted appraisal approaches.

The paper stresses the importance of considering the “variable characteristics” of the landmark, including site features, improvement level/type, historical significance, as well as the “qualifications” for highest and best use. These characteristics must be examined on a case-by-case basis. In the words of the authors, the “highest and best use of a property with significant historical association or character, if the property is located in a complementary environment and its physical integrity is high, may include preservation or restoration; for historical properties of lesser significance, the highest and best use may be preservation through adaptive use such as conversion of a dwelling to a law office; finally, if the aspects of physical integrity, functional utility and environment are insufficient to warrant preservation, then the highest economic use may be demolition of the structure.”


Among other economic impacts, Rypkema examines the effects of designation and preservation activity on property values. Rypkema compiles the results from numerous studies. Examples from Rypkema are cited below.

In every heritage district designated in Canada in the last 20 years, property values have risen, despite the fact that development potential has been reduced. (Federal Heritage Buildings Review Office Code of Practice, Government of Canada)

Therefore, it would seem reasonable that, at worst, the listing of property on either of the two registers would have no effect on value, but most likely, at least in the City of Norfolk, such listing would enhance value. (Wayne N. Trout, Real Estate Assessor, City of Norfolk, cited in: The Financial Impact of Historic Designation)

The virtually unanimous response from local assessors and commissioners of the revenue has been that no loss of assessed value has occurred as a result of historic
designation, and that values have risen in general accord with the values of surrounding properties over the years. (The Financial Impact of Historic Designation)

Generally, the assessed values have risen at a rate similar to all other properties. As such, we have no evidence that the listing of a property in either the National Register of Historic Places or the Virginia Landmarks Register adversely influences the assessed value relative to surrounding and/or similar properties. (John Cunningham, Manager of Assessments, Prince William County, cited in The Financial Impact of Historic Designation)

The appreciation of renovated historic properties is substantially greater than the appreciation rates for new construction and unrestored historic properties. . . Unrestored historic properties appreciate at almost identical rates to new construction over the same period. (Kim Chen, The Importance of Historic Preservation in Downtown Richmond: Franklin Street, A Case Study)


Sanderson reviews a study completed by the University of Rhode Island Intergovernmental Policy Analysis Program. The purpose of that study was to calculate the direct, indirect, and induced effects of historic preservation programs that were implemented by the Rhode Island Historical Preservation Commission from 1971 to 1993. Sanderson notes that the Preservation Commission showed $240 million in expenditures since 1971, and projects that qualified for federal tax credits accounted for about 80% of this total. Further, he notes that when federal, state, local and private funds are taken into account, it represents a 9:1 leveraging ratio of private investment to all sources of public expenditure. He concludes that the economic impact reported in the study significantly understated the real economic benefits of historic preservation. His supporting evidence is as follows. Of the $240 million for goods and services expended since 1971, approximately $186 million (78%) went to purchase goods and services in Rhode Island. These historic preservation expenditures resulted in an increase in “value added” in Rhode Island of $232 million. (Value added measures regional output in the same sense that gross domestic product measures national output). Over a twenty-year period, historic preservation created at least 10,722 person-years of employment. (A person-year is defined as one person employed full time for one year). Each $10 million in expenditures created 285 jobs in Rhode Island. These jobs included construction, services, retail, manufacturing, finance, and real estate. Federal tax revenue increased by $64 million, state coffers received $13.5 million, and local tax collectors received $8.1 million. Federal tax credits for rehabilitation of income-producing historic buildings totaled 266 tax credit projects with a cumulative value of $211.5 million. Of these properties, 111 provide space for economically beneficial offices, manufacturing, and retail.

This article examines how historic districts in major urban areas are delineated, and also considers the impact of designation on city revitalization. It notes that the property values of buildings within historic areas are higher than sister structures located outside of such neighborhoods. In the Old Town area of Virginia, landmarks are worth approximately 2.5 times comparable buildings located just beyond the boundaries of this historic district. In Capitol Hill in Washington, D.C., values are four times greater; in the Federal Hill area in Baltimore, values are 7.5 times higher. The author argues that the linkage between property value and historic designation should be recognized by appraisers, and recommends that appraisers rethink some of their rules of thumb that are inapplicable in landmark situations.

Siegel, Michael L. 1991. Fiscal Incentives for Historic Preservation in Florida. Tallahassee, FL: Florida Dept. of State, Division of Historical Resources.

This study examines rehabilitation and other preservation incentives in Florida and elsewhere in the U.S. It provides an analysis of the effectiveness and impact of property tax incentives for historic preservation in Florida. The report reviews federal, state and local tax incentives, and provides case studies from other states. Finally, a public sector cost-benefit analysis is included to provide a measure of the costs and benefits for each alternative incentive.


This study examines how the arts and cultural attractions have provided benefits to Florida. It also examines the effects of cultural tourism. The study found that cultural tourists have a larger economic impact than do regular tourists, spending more money per capita and staying longer. The study found that the spending of cultural tourists in Florida accounted for some $2.9 billion in 1997. This spending generated some $5.6 billion in gross state product and contributed some 64,000 jobs.


This study reviews the impacts of the Rhode Island Historical Preservation Commission’s programs on the state economy in the areas of employment, wages, valued added, and tax revenues generated since 1971. It does not, however, assess the cultural value of historic preservation or the degree to which the preservation of historical landmarks contributes to the overall attraction of tourists. The study uses computer models of the state economy to conduct a full economic impact analysis for each of the Commission’s programs. These programs are compared to other types of public construction that supply economic stimulus and/or improve public
infrastructure. Findings indicate that the greatest impacts of the Commission’s programs are in the construction-related industries, with retail sales and the service industries being strong contributors. Dollar for dollar, historic preservation programs generate approximately the same number of jobs as some other construction and maintenance programs. Notably, about 93.4% of the funding for the Commission’s programs have come from matching federal funds and tax credits thereby, yielding approximately $1.50 dollars in state tax revenues for each dollar spent.


Walter argues that historic preservation can also play an important role in the preservation and provision of inner city housing. It is also an important component in the revitalization of the cities, not only economically, but also culturally. However, in order for cities to take advantage of their heritage, leadership and creativity are needed.


Utilizing a written questionnaire administered four times throughout the year, the Frank Lloyd Wright Home and Studio Foundation in Oak Park, Illinois attempted to assess the direct and indirect economic impact of the home and studio on the local and greater metropolitan areas. The survey addressed the following: restaurants and hotels patronized, amount spent per person on meals, transportation method, and visitors’ plans to shop in the area. An analysis of direct spending found that of the home and studios’ $1.6 million dollar operating budget, 36% was spent in the local area, 37% in Chicago, and 27% in other parts of the United States. Indirect spending was calculated using a tourism multiplier of 6 and a wage multiplier of 1.4 for employee salaries. By applying the multipliers to direct spending figures it was calculated that the impact of the home and studio and its visitors and employees on the Chicago area accounts for $21.4 million. Combining direct and indirect spending yields totals of $26.4 million impact on the greater Chicago area and $5.5 million on the village of Oak Park. Using an employment multiplier that states each $1 million in direct spending creates 39 new jobs, it is calculated that the home and studio has created 47 jobs in Oak Park and 133 jobs in Chicago. Counting their own employees, this totals 204 jobs.


Wojno argues that historic preservation and economic development are two tools that can be used in the revitalization of failing cities. He points out that recent economic developments have often included aspects of historic preservation, and that the two
jointly seek to improve city conditions, as well as conditions within communities. Wojno then examines the history of federal involvement in preservation from the 1906 Antiquities Act until the NHPA of 1966 and the 1986 tax code incentives. He argues that the changes in the 1986 tax code were a response to flaws in the NHPA of 1966 that protected only federally owned sites and lacked an implementation capacity. The author also examines local and state incentives for historic preservation, as well as the question of how planners can contribute to historic preservation efforts.


This document is a general overview for the State of Missouri, on how the state would like to create and stimulate public and private interest, funding, policies and planning strategies for historic preservation. The greater emphasis states how heritage tourism and economic development are byproducts of historic preservation programs and cultural resources. Tourism is Missouri’s second most important industry, therefore, special consideration should be placed on all organizations, of the local, state or federal level, which promote historic-related tourism. Although the document is broad in nature, more narrowly defined goals include: encouraging public-private partnerships; creating historic preservation education opportunities for public officials; and stimulating historic preservation interest through internet sites published by local and state organizations. In summary, the State of Missouri hopes to integrate historic preservation into all planning and policy procedures.