WHY ARE HISTORIC DISTRICTS IMPORTANT?

Written by: John Paquette

With much talk and many meetings regarding the expansion of the East Row Historic District, people continually ask me why it's important. There is no one simple answer. But there are many.

Historic Districts have been around since Charleston, South Carolina's was established way back in 1931. Five years later, the Vieux Carre (Old French Quarter) section of New Orleans, was founded as the country's second district. These early districts had limited regulatory powers. Properties could not be regulated on aesthetics alone. Though the desire was to keep the "historic appearance" of the district, controls had to use the concept of "aesthetics plus" to enforce the ordinance. This meant that there must be a reason beyond maintaining the historic character of the district. They had to use building codes to support the ordinance. But a Supreme Court case in 1954 changed all this in *Berman v. Parker*, which allowed local governments to "tear down an old building to improve a neighborhood." Ironically, this would eventually help the preservation movement. Its initial impact was to allow the demolition of older structures for urban renewal in the 1950s and 1960s, with the logic that removing older, blighted areas improved the city's appearance. But what this court case did was establish that aesthetics was reason enough for enforcing a preservation ordinance. Historic preservation advocates reinterpreted this to say that now historic districts could be established to protect historic neighborhoods solely on the neighborhood's visual importance. This would become the most important argument and the aesthetic importance of historic neighborhoods was achieved by the courts.

Here are several reasons communities create historic districts:

1. To protect significant historic properties.
2. To protect against a specific threat of development.
3. To encourage development in an older area.
4. As a tool for maintaining property values.
5. To foster an improved image of the community at large.

Don Rypkema, a noted developer of historic properties, uses historic preservation as an economic development tool. In his treatise ***The Economics of Rehabilitation***, published by the National Trust for Historic Preservation, Rypkema lists several economic arguments for investing in historic districts.

- Reinvestment can generate tax credits and establish a new and higher depreciation schedule.
- Rehabilitation can extend the property's economic life - the period of time over which it can profitably generate income.

- With an improved physical condition, the owner may be able to achieve a better quantity, quality and durability of the income stream.
- An improved property could be eligible for more favorable financing including the variables of loan-to-value ratio, interest rate and loan term.
- Rehabilitation might be the most cost effective way to free up the value of the land that is currently under producing.
- Individual reinvestment often is the most effective spur to adjacent property reinvestment. This can have a positive effect on the cumulative value of the properties within the area.
- Vacancy tends to be significantly lower in well maintained buildings in good condition than in deteriorating structures.
- A well-conceived rehabilitation plan may eliminate areas of operating inefficiency such as outdated heating plants, etc.
- Areas of the building that are currently unused (such as upper floors of downtown buildings) or underutilized (often basements) may be placed in financially productive service. This may also effectively increase the building's net to gross ratio.

"Some years ago the Advisory Council on Historic Preservation issued a report identifying the contributions of preservation to urban revitalization. Their list included the following:

1. New businesses formed
2. Private investment stimulated
3. Tourism stimulated
4. Increased property values
5. Enhanced quality of life and the sense of neighborhood and community pride
6. New jobs created
7. Compatible land use patterns
8. Increased property and sales taxes
9. Pockets of deterioration and poverty diluted"

"Historic preservation does have a measurable economic effect on a community. This impact is not only as an economic activity in general, but in comparison to new construction in particular. Comprehensive econometric models have been created by the federal government to measure the effect that expenditure in one segment of the economy has on the rest of the segments - the multiplier effect. Using that data it is possible to directly compare the local impact of new construction versus rehabilitation. Suppose a community is choosing between spending $1,000,000 in new construction and spending $1,000,000 on rehabilitation. What would the differences be?

- $120,000 more dollars will initially stay in the community with rehabilitation than with new construction.
- Between five and nine more construction jobs will be created with rehabilitation than with new construction.

- 4.7 more new jobs will be created elsewhere in the community with rehabilitation than with new construction.
- Household incomes in the community will increase $107,000 more with rehabilitation than with new construction.
- Retail sales in the community will increase $142,000 as a result of that $1,000,000 of rehabilitation expenditure - $34,000 more than with $1,000,000 of new construction.
- Real estate companies, lending institutions, personal service vendors, and eating and drinking establishments all will receive more monetary benefit from $1,000,000 in rehabilitation than from $1,000,000 of new construction.

Recent studies in Virginia, North Carolina, Indiana and Kentucky all looked at the effects of historic preservation and historic districts on their states' economies. They looked at historic districts and job creation; decent, safe and affordable housing; diversified economic development; maximizing returns on public investment; infrastructure and quality of life; and tourism, among other things. The findings were proven in each state: **HISTORIC DISTRICTS ARE ECONOMIC GROWTH**. Kentucky's report, prepared in 1997 summarized their findings:

Historic Districts:

- are job creation.
- provide decent, safe, and affordable housing.
- promote diversified economic development.
- maximize public investments.
- build the infrastructure to provide quality of life for Kentucky's citizens.
- bring visitors and their dollars to Kentucky.
- are stewardship of scarce resources.
- are environmentalism.
- enhance property values.
- The preservation of Kentucky's past is key to building the prosperous and sustainable economy of Kentucky's future.

To summarize: creating and expanding historic districts increase property values, strengthen neighborhoods, provide an incentive for rehabilitating historic buildings, and promote a sense of neighborhood and community pride.