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Values: The Case of Philadelphia

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Presented to the Faculties of the University of Pennsylvania in Partial Fulfillment of
the Requirements for the Degree of Master of Science in Historic Preservation 2005.
Advisor: Donovan D. Rypkema

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PRESERVATION AND RESIDENTIAL PROPERTY VALUES:
THE CASE OF PHILADELPHIA

Prema Katari

A THESIS

in

Historic Preservation

Presented to the Faculties of the University of Pennsylvania in
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*For my parents,
Rama Murthy Katari and Maha Lakshmi Katari
For their unwavering and, at times, indulging support of me*

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Introduction

Local historic districting has recently come under fire in Philadelphia. City Council Bill #04003, which was introduced by Councilwoman Jannie Blackwell in 2004, would have drastically reduced the authority of the Philadelphia Historical Commission and given City Council veto power over the designation of local historic districts. As a result of the debate resulting from the introduction of Bill #04003, a Historic Preservation Task Force, convened by Councilwoman Blackwell, held four public meetings to explore the historic designation process in Philadelphia.

I attended three of the four Historic Preservation Task Force meetings during 2004 and 2005. During the summer of 2004, I had assisted Donovan Rypkema with updating his book, *The Economics of Historic Preservation: A Community Leader's Guide*, so I felt comfortable with the relevant issues. However, I was astounded by the lack of information about the impact of designation that I overheard at the meetings. The possibility of increased rehabilitation costs associated with local districting provoked strong, but often unproven, responses. Some responses were purely emotional; for example, there was one comment that preservation was, merely the enforcement of an aesthetic “fetish” of a powerful minority. However, discussions about the economic impact of designation were at best speculative but at worst fantastical. At the meetings, I heard preservation designation erroneously described as a “taking,” implying the complete loss of economic value. I overheard sweeping and definitive statements that local historic designation would unequivocally lead to soaring, stagnant, or

plummeting property values in particular neighborhoods. Having read some scholarly research on the impact of local historic designation on property values over the summer, I decided that, for my master's thesis, I would bring this body of research to Philadelphia. In researching and writing this thesis, I first reviewed the existing literature on the economic impact of historic designation as it might apply to Philadelphia's historic districts, and then, using residential real estate transaction data from the Cartographic Modeling Laboratory at the University of Pennsylvania, I examined the actual affects of historic designation on property values in Philadelphia. It is my sincere hope that this research will meaningfully contribute to dialogue about the future of local historic districting in Philadelphia.

Chapter One: Background

Philadelphia was founded by William Penn in 1682 as an open settlement, free to all faiths. As the physical setting of the birthplace of American independence as well as the oldest of the country's industrial cities, Philadelphia's tremendous significance to the trajectory of American history is indisputable. During the city's three hundred year history, Philadelphia has accumulated vast historical resources reflective of its multilayer cultural, social, economic, political, religious, and architectural past, allowing the city to today boast that it is the "most historic city" in the United States.¹

In addition to major landmarks attracting tourists to the city, such as Independence Hall and Carpenter's Hall, Philadelphia has remarkable historic residential neighborhoods. As a recent New York Times article recognized, in Philadelphia, the "brick-and-mortar history is not too rare and precious to be lived in."² According to the article,

Despite the prevailing rule in many historic cities – that is, the more treasured the building, the more likely it is to be torn from its urban fabric – Philadelphia has preserved much of its past without roping it off. And the landscape offers not just the Colonial, but also the Gothic Victorian and industrial architecture of a vibrant nineteenth century city.³

¹ Cited on the websites of the Greater Philadelphia Cultural Alliance <http://www.philaculture.org>, Greater Philadelphia Tourism Marketing Corporation <http://www.gophila.com>, Philadelphia Convention & Visitors Bureau <http://www.pcvb.org>, *The Philadelphia Inquirer* <http://www.philly.com>, and the tourism website of the Commonwealth of Pennsylvania <http://www.visitpa.com> (all accessed March 8, 2005).

² Laura Mansnerus, "Where History is Part of the Scenery," *The New York Times*, May 11, 2003.

³ Ibid.

Philadelphia has had an important role in this history of the historic preservation movement in the United States. In 1816, residents convinced the city government to spend \$70,000 to purchase and restore the Old Pennsylvania State house, the building known today as Independence Hall. In 1955, the City of Philadelphia recognized the necessity of protecting its historic assets and became the first city in the United States to pass a citywide historic preservation ordinance.⁴ With almost no legal precedent, this ordinance created the Philadelphia Historical Commission and granted it two simple powers: to create the Philadelphia Register of Historic Places and to impose a six month delay on the demolition of structures listed on the register.

Although the 1955 ordinance was groundbreaking at the time of its approval, it became outdated over subsequent decades. In 1984, after the Philadelphia Historical Commission faced an embarrassing episode during which it was powerless in protecting the historic Lits Brothers department store, Councilman John F. Street introduced City Council Bill #318, which revised and strengthened the city's historic preservation ordinance.⁵ The bill was quickly adopted, making several major changes to the city's preservation policy. For the first time, the Philadelphia Historical Commission was given the power to prevent the destruction of historically significant buildings. Certification procedures were brought in line with state and federal guidelines, facilitating tax

⁴ Editorial, "Historic Preservation Bill is a Must for Philadelphia," *The Philadelphia Inquirer*, December 9, 1984.

⁵ The Lits Brothers Building was eventually saved from demolition when Mellon Bank signed a long term lease for the building in late 1985. Editorial, "Preserving the Lits Building," *The Philadelphia Inquirer*, November 6, 1985.

advantages and incentives. Finally, the creation of city-designated historic districts were permitted and defined as:

A geographically definable area possessing a significant concentration, linkage, or continuity of buildings, structures, sites or objects united by past events, plan or physical development. A district may comprise an individual site or individual elements separated geographically but linked by association, plan, design or history.⁶

In addition to protecting Philadelphia's landmark buildings, Street saw the bill as a tool for neighborhood revitalization. Street stated that he hoped that the new ordinance would "spark the rehabilitation of homes that are vacant or can continue to be occupied by current residents."⁷

During the period since 1984, nine historic districts were designated by the Philadelphia Historical Commission – the Diamond Street Historic District, the Girard Estate Historic District, the Historic Street Paving Thematic District, the League Island Park Historic District, the Park Avenue Mall Historic District, the Rittenhouse-Fitler Historic District, the Society Hill Historic District, the Spring Garden Historic District, and the Old City Historic District. In addition, the Philadelphia Register of Historic Places added more than 10,000 buildings to its inventory, including structures, sites, objects and districts certified as historic by the Philadelphia Historical Commission.

Despite these accomplishments, various journalistic sources have implied that the Philadelphia Historical Commission is under-funded, under-staffed, and

⁶ Philadelphia Preservation Ordinance, §14-2007: Historic Buildings, Structures, Sites, Objects and Districts.

⁷ William W. Sutton Jr., "Rabble-rouser Street has Changed his Style," *The Philadelphia Inquirer*, May 28, 1985.

generally weak. With a staff of five and a budget of \$250,000, Preservation Alliance for Greater Philadelphia President Paul Steinke has written that the Historical Commission is “stretched to the limit in reviewing the many building permit applications that come before it” while “numerous other historic neighborhoods go without historic designation and the protections it affords.”⁸

In January 2004, Councilwoman Jannie Blackwell, who represents a large swath of West Philadelphia, introduced City Council Bill #04003, which sought to drastically restrict the existing authority of the Philadelphia Historical Commission. A copy of this bill may be found in the appendix of this thesis. The bill would have made three major changes to historic preservation in Philadelphia; it would have given City Council veto power over the designation of local historic districts, allowed City Council to take away designations of historic districts that have previously been approved, and allowed no future properties or districts to be designated as historic in the city’s urban renewal areas, Neighborhood Transformation Areas, or city redevelopment areas. Bill #04003 became a heated and highly politicized issue within the design community in Philadelphia. An editorial in *The Philadelphia Daily News* charged that Councilwoman Blackwell “dreamt up this bill because she had a problem with the

⁸ According to the author of this article, other “urban counterparts in the Northeastern U.S. have done a better job.” Boston, which is approximately one-third of Philadelphia’s size, has seven historic districts and more than 7,000 designated properties. Baltimore, only slightly larger than Boston, has 20 historic districts. New York City maintains a landmarks commission staff of 45 and budget of \$3.5 million to manage 72 historic districts and more than 22,000 designated properties. Paul Steinke, “The Past Menagerie,” *Philadelphia Citypaper*, May 29-June 4, 2003.

commission's process of designating the Spruce Hill Historic District, which lies in her councilmanic district.”⁹

As a result of the public discourse surrounding the introduction of Bill #04003, the Historic Preservation Task Force on Philadelphia's Historic Districts was convened to make recommendations to Councilwoman Blackwell, City Council, Mayor John Street, and the Philadelphia Historical Commission. The Task Force was charged with considering the inclusivity of the designation process, impacts of designation on a broad range of owners and residents of historic properties, and the relationship between historic preservation and neighborhood development, namely in the form of Philadelphia's Neighborhood Transformation Initiative. The Task Force was led by Gary Hack, Dean of the University of Pennsylvania School of Design. Other Task Force members included John Gallery of the Preservation Alliance for Greater Philadelphia, John Rosenthal of Pennrose Properties, and Patricia Wilson Aden of Universal Companies.

Four public meetings were subsequently held and on February 17, 2005, the Historic Preservation Task Force released a draft report of their analysis and recommendations. Excerpts of this report may be found in the appendix of this thesis. The recommendations ranged from improving the public stature of the Philadelphia Historical Commission to the creation of new incentives to place improvements to certified historic structures on an equal footing with new

⁹ Editorial, “Bill Should Be History: Council Should Leave Preservation Alone” *Philadelphia Daily News*, February 25, 2004.

construction. Interestingly, one of the conclusions of the Historic Preservation Task Force was that “there was a fundamental lack of information about historic preservation.”¹⁰ In addition, the Task Force found a “need for additional economic incentives, and new sources of funds for exterior rehabilitation in historic districts.”¹¹ Interestingly, the Task Force report did not, however, find “significant or widespread examples of economic hardships as a result of designation of historic districts.”¹²

However, the perception that historic districting creates an economic burden endures in Philadelphia, and continues to mire the debate surrounding the creation of additional municipal historic districts. This study accepted the assumption that the fair market value of a property in a historic district reflects both positive and negative externalities, both any increased rehabilitation costs as well as the assurance that the character of the surrounding neighborhood will not dramatically change. Given the lack of research or systematic studies on the subject, it is hoped that this study will elevate the level of knowledge on the impacts of local historic districting on property values and ultimately contribute to the strengthening of preservation policy in Philadelphia.

¹⁰ Historic Preservation Task Force on Philadelphia’s Historic Districts, “Analysis and Recommendations: Draft for Public Discussion,” February 17, 2005.

¹¹ Ibid.

¹² Ibid.

Chapter Two: Methodology

With the previously discussed context in mind, this thesis is an examination of the impact of local historic districting on property values in Philadelphia. The measure of property values is assumed to be “a centuries old and highly democratic concept... [which] stands as the measure of property exchange in a free market economy.”¹³ The question considered by this thesis is one explicitly asked by an attendee of the Historic Preservation Task Force meetings – “what is the effect of local historic districting on property values in Philadelphia?” In order to answer this question, a comprehensive review of the existing literature of the impacts of historic designation on property values was conducted as well as an analysis of how this literature might relate to Philadelphia. Secondly, using residential real estate transactions data from the Cartographic Modeling Laboratory at the University of Pennsylvania, the impact of designation on property value in Philadelphia was quantified using event studies and comparable neighborhood studies. The trajectories of property values in the districts before and after designation were compared; additionally, the property value trajectories were compared to those in comparable neighborhoods. That is, property values inside and outside the bounds of Philadelphia’s local residential historic districts were be compared. Unfortunately, the availability of data made it impossible to compare the trends to citywide data or data for a particular part of the city, such as Center City. It is

¹³ Judith Reynolds, *Historic Properties: Preservation and the Valuation Process*, (Chicago: Appraisal Institute, 1997), 1.

recognized that this is a limitation in this thesis, and should be considered for a further study.

For the purposes of this study, only primarily residential historic districts were considered – the Diamond Street Historic District, the Girard Estate Historic District, the Rittenhouse-Fitler Historic District, the Society Hill Historic District, and the Spring Garden Historic District. As previously mentioned, there are presently nine municipally designated historic districts in Philadelphia – the Diamond Street Historic District, the Girard Estate Historic District, the Historic Street Paving Thematic District, the League Island Park Historic District, the Park Avenue Mall Historic District, the Rittenhouse-Fitler Historic District, the Society Hill Historic District, the Spring Garden Historic District, and the Old City Historic District. Three of Philadelphia’s municipally designated historic districts are not residential neighborhoods, and were therefore excluded from this study.¹⁴ In addition, the Old City Historic District was excluded from this study because it was designated in 2004; sufficient information about the economic impact of its designation simply does not exist. It is also important to note a probable correlation between the amount of time that has passed since designation and the accuracy of the impact analysis in this thesis; it takes time for

¹⁴ The League Island Historic District (designated in 1986) consists of a Frederick Law Olmsted landscape in South Philadelphia. The Park Avenue Mall Historic District (designated in 1990), consist of late Nineteenth Century houses that now lie at the heart of Temple University’s campus. The Historic Street Paving Thematic District (designated in 1998) includes noncontiguous historic streets throughout the city of Philadelphia, including cobblestone streets, yellow and red brick streets, Belgian or granite block streets, and one wood block street.

information about the effects of designation on individual property owners to be disseminated and be reflected in property values.

ParcelBase, a component of the Neighborhood Information System of the Cartographic Modeling Laboratory of the University of Pennsylvania, provided the base data for all property value comparisons. ParcelBase includes parcel-level housing and real estate data for 500,000 properties in Philadelphia. ParcelBase allows the user to query data by neighborhood, elementary school catchment area, zip code, and census tract. Of these options, census tract queries were obtained. The data downloaded consists of address, livable square feet, sale date, sale price, and building type. All residential uses with the exception of condominiums were considered. The high volatility of condominium sales and fact that condominiums are a relatively new residential product contributed to the decision to exclude this type of sales transaction. The combined data set includes 11,340 transactions in Philadelphia during the period from ten years before designation through 2004.

Because of limitations in data availability from the Cartographic Modeling Laboratory, this analysis was conducted on the census tract level. According to the Bureau of the Census website, census tracts are “designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions.”¹⁵ The boundaries of Philadelphia’s local historic districts do not necessarily exactly coincide with census tract boundaries. However, all of

¹⁵ United States Census Bureau Website. http://www.census.gov/geo/www/cen_tract.html (accessed January 4, 2005).

the locally designated historic districts compose a substantial portion of their respective census tracts. In some cases, the boundaries of both the historic district and the census tract almost exactly coincide, such as the case of the Spring Garden Historic District area. However, in some cases, such as the Diamond Street Historic District area, the historic district occupies a smaller portion of the census tract. Maps are included with each individual historic district study. Relating to this methodology of extending the study area beyond the bounds of the local historic district, it has been argued that:

A catalyst effect is also likely from historic district upgrading, as owners of properties in neighborhoods near the historic districts in which renovation is occurring are more likely to rehabilitate their buildings. There is, in fact, a fluidity to the process by which one neighborhood is designated as a historic district, encouraging rehabilitation in an adjacent neighborhood that may ultimately itself be designated, in turn catalyzing rehabilitation in yet another area.¹⁶

This catalytic argument is further explored in the next chapter of this thesis.

In addition to real estate transactions data from the Cartographic Modeling Laboratory, secondary sources that were cited for the property value comparisons include census data and the records of the Philadelphia Historical Commission.

As previously mentioned, data was analyzed in two different ways – first by comparable neighborhood studies and then by event studies. The trajectory of housing prices, in the form of a Microsoft Excel polynomial trendline, for a historic census tract was compared with the prices for one or two census tracts

¹⁶ David Listokin, Barbara Listokin, and Michael Lahr, “The Contributions of Historic Preservation to Housing and Economic Development,” *Housing Policy Debate* 9 (1998), 443.

with comparable sizes, historical developments, housing types and/or locations. Special attention was paid to location, which, “probably accounts for the greatest differences in sale prices of historic properties” since properties with desirable locations will frequently produce prices that are many times higher than those in less desirable locations.¹⁷ Secondly, an event study was considered, examining the trajectory of housing prices before and after designation with an attempt to quantify the impacts of designation on property values. An event study does not capture economic trends in the ambient market, while a comparables analysis does not look at the impact of the event of designation. Since both of these approaches have some flaws, both were used in tandem in order to triangulate the most reliable results possible.

¹⁷ Reynolds , 72.

Chapter Three: Literature Review and Other Perspectives

An abundance of opinion – some thoughtful and some less so – exists regarding local historic designation and its impact of property values.

Preservation economist Donovan Rypkema has written:

Of all the economic issues of historic preservation, none is subject to so many opinions based on so few facts as the impact on property value of being included in a historic district. Even stranger is the diametric division of uninformed opinions. During discussions about the creation of a historic district, one is likely to hear the following: “My property values will be reduced.” “My property values will rise so much that I won't be able to afford to live here.” “My property values will be frozen.” “Because of the restrictions of the district, fewer people will be interested in buying.” “Because of the restrictions, more people will be interested in buying.” Which of those people know what they are talking about? Probably none of them.¹⁸

This section of the thesis discusses some of the myriad perspectives on local historic districting and reviews the existing literature on the impact on property values of local designation, which ranges from state economic impact studies to scholarly articles documenting econometric studies.

3.1 Community Concerns about Historic District Designation

Public concerns and confusion about local historic districting abound and are well documented. A recent National Trust for Historic Preservation summarizes key public concerns about local historic districting:

Although historic designations confer prestige and opportunities for financial gain, not all property owners appreciate them. A designation may provide the opportunity for financial benefits and may increase a property's market value, but it may also bring unwanted attention to

¹⁸ Donovan D. Rypkema, *The Economics of Historic Preservation: A Community Leaders Guide*, (Washington D.C.: National Trust for Historic Preservation, 1994), 41.

owners who wish to alter or even demolish properties, or who simply do not want to public to influence their private property.¹⁹

In other words, ideology is a large factor in debates about historic district designation in addition to disagreements about impacts on property values.

One of the first sources of confusion within the broader issue of historic districting is the distinction between locally designated historic districts and districts listed on the National Register of Historic Places. It is important to clarify that these are two very different types of designation. Although many people assume otherwise, National Register designation does not result in any sort of property restriction. Rather, it brings a potential monetary benefit: certified rehabilitation of income-producing properties may qualify for a federal historic preservation tax credits of 20%. Philadelphia is one of the National Park Service's Certified Local Governments, so even owners of commercial properties in Philadelphia's local historic districts can take advantage of federal historic preservation tax credits.

Local designation, however, almost always implies some degree of regulatory teeth to prevent alterations and demolitions within the district. This is certainly the case in Philadelphia. On the economic implications of each type of designation, Loretta Witt, a real estate broker for Prudential Fox & Roach Realtors in Philadelphia, knowledgably offered that "there is a big difference between local and national designation....both types bring monetary value to a

¹⁹ Judith Reynolds, *Appraising Historic Properties*, (Washington: National Trust for Historic Preservation, 2002), 7.

property. The former comes with restrictions on the upkeep of the exterior; the latter does not.”²⁰ However, Witt concludes:

So the value of properties with national designation is generally higher. Buyers are wary of taking on rehab projects where the cost of historic designation restrictions may be prohibitive – particularly in neighborhoods that are struggling and don't promise immediate appreciation to make the costly investment feasible.²¹

The subsequent chapters of this thesis test Witt's assertion.

Since local historic districting gives municipalities legal power to protect historic places, designation is sometimes regarded as an invasion of private property rights. It is often the case that historic districts are “opposed by private citizens who assert their rights with the cry ‘don’t tell me what I can and can’t do with my own property.’”²² It was this libertarian line of argument that led attendees of some of Philadelphia’s Historic Preservation Task Force meetings to describe local historic district designation as “confiscatory” or “a taking.”²³ Further laws for regulating property use, which include preservation laws, have been found constitutional by both state courts and the United States Supreme Court. The 1978 Supreme Court case *Penn Central Transportation Co. v. New*

²⁰ Loretta C. Witt, Associate Broker at Prudential Fox & Roach Realtors, e-mail message to author, January 21, 2005.

²¹ Ibid.

²² Norman Tyler, *Historic Preservation: An Introduction to Its History, Principles, and Practice* (New York: WW Norton, 1994), 78.

²³ Historic district designation can almost never be a taking. According to Black's Law Dictionary, a taking is “the government’s actual or effective acquisition of private property either by ousting the owner and claiming title or by destroying the property or severely impairing its utility,” or the complete loss of a property’s economic value. Bryan A. Garner, ed., *Black's Law Dictionary*, (New York: West Publishing, 1996), 613.

York City affirmed “historic preservation as ‘an entirely permissible governmental goal.’”²⁴

Local designation is occasionally assumed to have a direct negative economic consequence because of probably increased maintenance costs. Opponents of local districting often see designation as “a bundle of negative restrictions, which, because of the requirements associated with meeting historic standards, must be viewed as a set of encumbrances on the bundle of rights usually associated with real property ownership.”²⁵ In other words, because a property is in a historic district, the costs associated with its maintenance are assumed to increase, thereby reducing the economic value and trading price of the property. The preservation treatments required by the local preservation ordinance may be more expensive than treatments that might otherwise be sought. This may not necessarily be the case, since “design review and technical assistance provided by commission staff result in substantial savings for property owner and ensure that improvement expenditure will be a better long term investment.”²⁶

Many people associate preservation regulations with excessive local bureaucracy. The local preservation infrastructure is viewed as “bureaucratic naysayers, spoolers of red tape, and hassling regulation that’s not worth the

²⁴ Pennsylvania Bar Institute, *Third Annual Law of Historic Preservation*, (Mechanicsburg, PA: PA Bar Institute, 2004), 8. See also Julia Miller, *A Layperson’s Guide to Historic Preservation Law*, (Washington: National Trust for Historic Preservation, 2000).

²⁵ Paul K. Asabere and Forrest E. Huffman, “Historic Designation and Residential Market Values,” *Appraisal Journal* 62 (1994), 397.

²⁶ Pratt Cassity, *Maintaining Community Character: How to Establish a Local Historic District*, (Washington: National Trust for Historic Preservation, 2001), 19.

difficulty.”²⁷ In addition, public concern may exist that historic district designation may result in increased expenses by local governments, since a historical commission must be supported, and that this will result in a larger burden on taxpayers. Although this may be the case in the short run, “long term benefits derived from local district regulation, such as the stabilization of property values, increased community pride and its associated benefits, and economic revitalization far outweigh and initial public expenditures.”²⁸

Historic designation has been blamed for gentrification; it has been argued that designation automatically results in unbridled property value increases, resulting in widespread displacement. The theory is that “renovation that increases property values and draws in higher income groups that ultimately displace the current residents.”²⁹ This displacement allegedly occurs when older neighborhoods are rehabilitated and restored in accordance with historic designation regulations, resulting in newer and typically wealthier residents moving into the neighborhood. Property taxes in such neighborhoods increase to the point that the existing property owners can no longer afford to pay their taxes due to increases in their property assessments and are subsequently forced to relocate. Disabled or retired residents and other renters on fixed incomes face involuntary displacement given the excessive economic burdens allegedly posed by local historic districting. There is no doubt that displacement can occur in

²⁷ Donovan Rypkema, *Preservation and Property Values in Indiana*, 13.

²⁸ Pratt Cassity, *Maintaining Community Character: How to Establish a Local Historic District*, (Washington: National Trust for Historic Preservation, 2001), 19.

²⁹ Henry Cisneros, “Preserving Everybody’s History,” *Cityscape: A Journal of Policy Development a Research Special Volume* (1996), 91.

historic neighborhoods, but it seems erroneous to singularly attribute it to local historic district designation. Typically, displacement is the result of broader trends in the real estate market and is “the result of popular tastes, housing availability, and other economic forces.”³⁰ It is important to note that examples of stable historic districts that are largely made up of less-advantaged and minority residents exist.³¹ One such example is the Diamond Street Historic District in Philadelphia, which will be discussed in greater detail later in this thesis. Interestingly, a 2004 study by Lance Freeman and Frank Braconi found that “gentrification brings with it neighborhood improvements that are values by disadvantaged households, and they make greater efforts to remain in their dwelling units, even if the proportion of their income devoted to rent rises.”³²

Two basic types of research on historic designation and property values exist. Several types of studies on the economic impact of historic designation exist, and there are nearly as many nuances to the arguments involved in the studies. Interestingly, no study finds that historic district designation results in a general decline in property values.³³ A chart summarizing all of the available

³⁰ Cassity, 19.

³¹ Examples include Atlanta’s Martin Luther King Jr. district and Mount Morris Park and other historic landmark districts in New York City. Listokin further argues that in certain instances, historic preservation policy has actually blocked the displacement of minority residents. In Cocoa, Florida, a local historic preservation designation blocked a proposed redevelopment plan that would have displaced a historically African American neighborhood. Listokin, 465.

³² Lance Freeman and Frank Braconi, “Gentrification and Displacement: New York in the 1990’s,” *Journal of the American Planning Association* 70 (2004), 51.

³³ One article exists that argues that local historic districting is confiscatory for landlords; using a hedonic pricing model, Paul Asabere et al. found a 24% reduction in price in small apartment buildings in local historic districts in Philadelphia, when compared to comparable noncertified properties. However, this study refers to a specific population within districts. The purpose of this thesis is to examine prevailing trends in historic districts. Dennis Gale’s

research on the economic impacts of local historic districting is included in the appendix of this thesis. Several states and municipalities have analyzed the impact of historic designation on property values, often as a component of a broader study of the economic impacts of historic preservation. Nearly all of these studies conclude that a positive correlation exists between local district designation and property values. Summaries from some of these studies are included below. In addition to the various impact studies commissioned by preservation organizations or agencies, academic studies on the impact of local historic district designation on property values exist. These reports typically involve hedonic pricing models, and the authors are typically professors of real estate, economics, or finance at research universities. Although these two types of studies typically have differing methodologies and obviously differing researcher biases, it is interesting to note where they intersect and where they diverge.

3.2 Historic District Designation and Property Value Appreciation

Much of the available research indicates that historic designation results in property value appreciation. It has been argued that there is substantial economic value to the protection guaranteed by historic districting. According to Donovan Rypkema, the buyer might think, that “while restrictions reduce the range of things I may do with my property, they also protect me from

study of Washington found no relationship between property value appreciation and municipal historic districting; Gale’s study will be discussed later in this chapter. See Paul Asabere et al., “The Adverse Impacts of Local Historic Designation: The Case of Small Apartment Buildings in Philadelphia,” *Journal of Real Estate Finance and Economics* 8 (1994), 225-234.

inappropriate (and value-reducing) actions the other hundred property owners might take.”³⁴ Rypkema further argues that “a properly drawn historic district may diminish the speculative value of a single property; however, it increases the composite values of the sum of the properties.”³⁵

Several studies exist to support this claim. However, most appear to be simple event studies; they compare property values in a district before and after designation. Many of these studies would be far stronger if they compared historic district appreciation with appreciation in comparable neighborhoods or appreciation in the ambient market.

Ann Bennett’s 1996 study, *The Economic Benefits of Historic Designation in Knoxville, Tennessee*, which was commissioned by the Tennessee Historical Commission, examined three neighborhoods similar in size, location, and development history. Two of the three neighborhoods as a locally designated district. Bennett argues that the increased rehabilitation activity in the two historic districts results in greater percentage gains in property value. In his 1997 study for the Historic Landmarks Foundation of Indiana, *Preservation and Property Values in Indiana*, Donovan Rypkema concluded that property values increased with local historic district designation, typically “equaling, if not outpacing similar, undesignated areas and often the performance of the city as a whole.”³⁶ Rypkema’s Indiana study also considered other externalities of designation case-by-case, including increased diversity and increased

³⁴ Rypkema (1994), 45.

³⁵ Ibid, 45.

³⁶ Donovan Rypkema, *Preservation and Property Values*, 1.

homeownership. In their 1999 report *Profiting from the Past: The Economic Impact of Historic Preservation in Georgia*, Joni Liethe and Patricia Tighe conclude that “historic preservation activity enhances property values.”³⁷ *Smiling Places, Historic Places: The Economic Benefits of Historic Preservation in South Carolina*, written by Chad Lennox and Jennifer Revel also found a positive correlation between historic district designation and property values. The study state that “properties within local historic districts are worth more, appreciate faster, and retain more of their value than properties located outside the district... [and] in some communities [such] properties... as much as 36 percent more valuable than those located outside the district.”³⁸ Lennox and Revel attribute the increase in property value to a renewed interest in downtown living and, as a result, homebuyers are willing to pay a premium for a perceived improvement in quality of life. The New York Independent Budget Office analyzed the relationship between local historic district designation and property values in the 2003 report *The Impact of Historic Districts on Residential Property Values*. Using a hedonic pricing model, the study found evidence that market values for properties in historic districts generally trade higher than comparable properties in undesignated areas, with all else being equal.³⁹ In other words, consumers were willing to pay a premium to reside in a local historic district. The study notes that there is insufficient evidence to conclude that the

³⁷ Joni Leithe and Patricia Tighe, *The Economic Impact of Historic Preservation in Georgia*, (Atlanta: Georgia Department of Natural Resources, 1999), 14

³⁸ Chad Lennox and Jennifer Revels, *Smiling Faces, Historic Places: The Economic Benefits of Historic Designation in South Carolina*, (Columbia: South Carolina Department of Archives and History, 2000), 6.

³⁹ New York City Independent Budget Office, *The Impact of Historic Districts on Residential Property Values* (New York: NYC Independent Budget Office, 2003), 3.

act of districting results in higher prices or greater price appreciation. N. Edward Coulson, a professor of economics and Penn State and Robin M. Liechenko, a professor of economic geography at Rutgers University published, “The Internal and External Impact of Historical Designation on Property Values,” which appeared in *The Journal of Real Estate Finance and Economics* in 2001, and described a positive correlation between designation and property values. The study examined individual properties in Abilene, Texas listed on the local register and, using a standard hedonic model of housing prices, quantified both the internal and external effects of designation and found “significant, positive externalities associated with historic designation.”⁴⁰ The study found that designation had a substantial effect on property values in both designated properties and adjacent properties. Coulson and Leichenko caution that this finding is not an assertion of the net economic benefits of historic district designation, since costs to the householder were not part of the analytical model. Interesting, Coulson and Leichenko also found that the city’s tax incentives for historic reinvestment were outweighed by the tax revenues created by the increased values. In “Historical Preservation Districts and Home Sales Prices: Evidence from the Sacramento Housing Market,” economics professors David E. Clark and William E. Herrin found that locally designated historic districts has a net positive impact on property values in four of six districts samples. Using a hedonic pricing model, Clark and Herrin conclude that the “effect of positive

⁴⁰ N. Edward Coulson and Robin M. Leichenko, “The Internal and External Impact of Historic Designation on Property Values,” *Journal of Real Estate Finance and Economics* 23 (2001), 113.

authenticity and upkeep externalities outweigh the higher costs... [with] the combined effect of these externalities yield sales prices up to 17.32% higher for an average-aged home within a preservation area.”⁴¹ They further argue:

Our results suggest... [historic designation] may be a promising policy to pursue. By making the housing stock more valuable and attractive to middle- and upper-middle class buyers, HPDs [historic preservation districts] could increase the tax base at very little public cost. Conversely, lower property values increase the likelihood of housing abandonment. To the extent that spending for police and fire protection are positive functions of abandonment, HPDs could also conceivably lower public spending.⁴²

Finally, in “The Effect of Historic District Designation on Single Family Home Prices, economic and finance professor Deborah Ann Ford finds locally designated historic districts to have higher transaction prices than identical undesignated districts. Ford argues that the premium is attributed to a form of the prisoner’s dilemma:

Historic district designation... requires owners to retain external facades in the artistic look of the period during which the area was constructed. Thus, any individual owner is assured that the neighborhood surrounding his property will not change in character. Such an assurance has value because neighborhood affects are a form of externality to homeowners. A well maintained or restored property will not be as valuable in a neighborhood of poorly maintained properties as it would if the surrounding area were similarly well preserved.⁴³

3.3 Historic District Designation and Neighborhood Stability

Additional research has indicated that historic designation stabilizes property values. A recent article in *The New York Times* argued that appealing

⁴¹ Clark and Herrin, 43.

⁴² Ibid, 43.

⁴³ Deborah Ann Ford, “The Effect of Historic District Designation on Single-Family Home Prices,” *AREUEA Journal* 17 (1989), 355.

historic areas, such as Striver's Row in Harlem, may maintain their footing in the event of a downturn in the real estate market.⁴⁴ In the 2001 report *The Economic Impact of Historic Preservation in Florida*, which was initiated by the Florida Department of State Division of Historical Research, David Listokin and the Center for Urban Policy Research at Rutgers University conclude that local historic districting helps to maintain property values in Florida, after examining 20,000 parcel transactions in eight Florida cities between 1992 and 2001. In fifteen of the eighteen Florida neighborhoods studied, properties in historic districts actually appreciated greater than in the non-historic comparable neighborhoods, while Listokin et al. concluded that the overall economic impact of historic district designation was stability.

Clarion Associates have completed two studies with a nuanced version of the stability argument. In 2002, they published *The Economic Benefits of Historic Preservation in Colorado*, which also included a section of historic districting and property values. In addition to a thorough case study of local historic designation and property value increase in the LoDo section of Denver, this report described some of the nuanced outcomes of historic district designation, depending on existing conditions:

Our research showed that the middle-income districts of Witter-Cofield and Wyman did experience property value increases, but only by a small margin over the nearby comparison areas. In contrast, the considerably more affluent Quality Hill area experienced dramatic increases in both appreciation and median sales price over the nearby comparison area. The Boulevard District in Durango, another affluent area, also experienced positive changes in property value during the years that data was analyzed.

⁴⁴ Marek Fuchs, "What Happens If It Bursts?" *The New York Times*, March 17, 2005.

These results suggest that historic district designation does not automatically transform communities into high income enclaves, but simply enhances the economic climate already present in those areas.⁴⁵

This report highlights the complexity of the variables involved in determining a relationship between changes in property values and local historic district designation, while still arguing that, generally speaking, historic district designation does not decrease property values. *Investing in Michigan's Future*, also by Clarion Associates, had similar conclusions; the 2002 study found that properties in locally designated historic districts in Michigan had a larger increase in total appreciation than properties in undesignated comparable neighborhoods. The study found that rates of appreciation ranged widely, from high to slight, concluding that local historic designation has an affect that is either positive or consistent with the total appreciation of the surrounding area.

3.4 The Catalytic Effect of Historic District Designation

David Listokin, co-director of the Center for Urban Policy Research at Rutgers University has argued that local historic districting can have a catalytic effect and that owners of properties adjacent to historic districts are more likely to rehabilitate their buildings.⁴⁶ Listokin states that “there is fluidity to the process by which one neighborhood is designated as a historic district, encouraging rehabilitation in an adjacent neighborhood that may ultimately itself be designated, in turn catalyzing rehabilitation in yet another area.” Although he has cited many examples where this is the case, it is important to note that

⁴⁵ Clarion Associates of Colorado, *The Economic Benefits of Historic Preservation in Colorado*, (Denver: Colorado Historical Foundation, 2002), 24.

⁴⁶ Listokin, 443.

Listokin's catalyst argument is more anecdotal than analytical. A few examples are cited, including one in New York City, where the designation of Brooklyn Heights caused increased rehabilitation activity in neighboring Park Slope, which was subsequently designated a historic district.⁴⁷ In Listokin's 1991 report, *Historic Preservation At Work for the Texas Economy*, Dallas appraiser Ann Piper, SRA describes the occurrence of the phenomenon in her neighborhood:

Historic designations reversed the trend of neglecting and abandoning older houses to attracting urban pioneers who restored the homes and stabilized the neighborhoods. As these historic districts restored confidence in the area, adjacent neighborhoods began to improve and started a ripple effect in the next layer. What were slums 20 years ago are now prestige neighborhoods.⁴⁸

3.5 Other Issues

Many studies compelling state that fluctuations in property value are attributable to a broader set of real estate market forces, rather than singularly attributable to local historic designation. Residential property values are known to be dependent on a myriad factors – location, levels of public investment, access to public transport and other amenities, and more. It has been argued, typically from those slightly removed from the preservation movement, that historic preservation designation is a relatively small factor among these variables in determining housing prices. In *Historic Preservation At Work for the Texas Economy*, David Listokin argued that in nine Texas cities, local historic designation stabilized property values, though in some cases, there was as much

⁴⁷ The evidence appears to be more anecdotal than quantitative, but another cited example is the designation of the King William area in San Antonio, which sparked increased rehabilitation activity and ultimately the designation of neighboring areas. Ibid, 443.

⁴⁸ Center for Urban Policy Research at Rutgers University, *Historic Preservation At Work for the Texas Economy* (Austin: Texas Historical Commission 1999), 5.

as a 20% difference between a locally designated district and a comparable area. However, the report includes the important caveat that property value increases or decreases attributed to local designation must be individually considered, since the location of a property is the most important factor affecting its value.

Similarly, in his 1996 study Dennis Gale, found no evidence that historic designation affects property values. Gale studied three residential local historic districts in Washington, DC – Anacostia, Dupont Circle, and Takoma Park – and compared these neighborhoods to three comparable residential neighborhoods experiencing gentrification, reinvestment, and preservation – Adams Morgan, Mount Pleasant, and Brookland. Although property appreciation did occur in several of the neighborhood that Gale analyzed, it could not be attributed to designation because of similar increases in comparable neighborhoods.

Use It or Lose It, an article by Matthew Bauer which originally appearing in *Building Renovation Magazine* and was later reprinted by the National Trust for Historic Preservation, synthesizes many of the previously discussed arguments about property value and historic preservation. Bauer identifies an inherent bias within the historic preservation community to economic impact studies that conclude a high correlation between property value and local historic designation, but acknowledges that there have not yet been any studies that have concluded that a large decrease in price resulted from historic district designation. Bauer has an extensive discussion of the effectiveness of local designation in preserving a community's character, which, in many cases, does result in higher property values. Bauer writes that "investors who buy into the area because of

the market value of its historic features are protected from other owners or investors whose planned additions could diminish that character.” This report also has an interesting section of the effects of designation of low income communities. Bauer argues that local historic designation is a “more powerful tool than other land use controls for stabilizing property values in low income communities,” noting that designation gives potential homeowners confidence that the neighborhood’s building stock “will remain extant, thereby reducing the blight of abandonment.”⁴⁹

A substantial body of literature exists on the impacts of local historic district designation on property values. Most studies conclude that local designation has positive externalities resulting in either stabilization or a slight to high premium when compared to similar, undesignated properties. As Coulson and Liechenko state, “despite mixed evidence regarding the direct effects of historical designation on property values, historic preservation is generally thought confer positive external effects on homes and neighborhoods surrounding historically designated properties.”⁵⁰

⁴⁹ Matthew Bauer, *Use It or Lose It*, (Washington: National Trust for Historic Preservation, 1995), 3.

⁵⁰ Coulson and Leichenko, 114.

Chapter Four: The Diamond Street Historic District

The first local historic district discussed is the Diamond Street Historic District. In this case, local historic designation appears to have assisted property value appreciation and brought about the added benefit of shielding properties from high levels of price volatility, which have plagued a comparable adjacent National Register neighborhood, the West Diamond Street Townhouse Historic District.

On January 29, 1986, the Diamond Street Historic District, located in North Philadelphia, became the first local historic district designated by the Philadelphia Historical Commission under the city's revised 1984 historic preservation ordinance. The Diamond Street Historic District is a neighborhood of grand row houses on Diamond Street between Broad and Van Pelt Streets. According to the district's nomination to the Philadelphia Register of Historic Places, the area "has significance as a street-car dependent residential area that developed between 1875-1895 to house Philadelphia's post Civil War upper middle class."⁵¹ The district consists of a wide range of rowhouses, representative of the works of notable architects, post Civil War high style Victorian architecture, and many of Philadelphia's vernacular traditions. Most of the houses in the district were built speculatively by developers for a nouveau riche class that emerged during a period of rapid industrial expansion. Many of

⁵¹ Diamond Street Historic District Nomination to the Philadelphia Register of Historic Places.



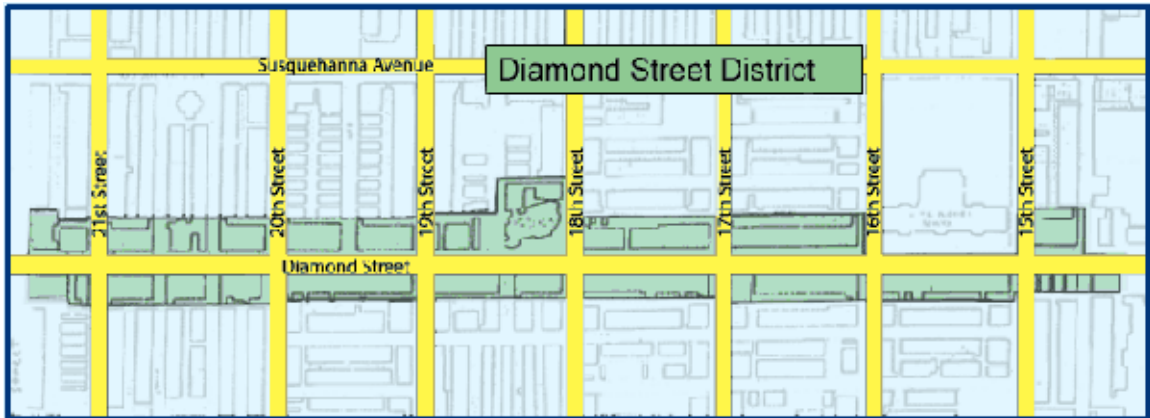
Image 1: Representative Diamond Street Historic District Streetscape



Image 2: Representative Diamond Street Historic District Streetscape

the houses in the district have facades of stone, serpentine, brownstone, and marble, all of which are rare in North Philadelphia. The district includes Second Empire row houses, with projecting bays, arch dormers, and slate covered mansard roofs. There are also fine examples of the Italianate style, which were built slightly later. These structures have heavily bracketed cornices, window hoods, and arched door openings. Most of the vernacular style row houses are simple three story, two bay, and have varying degrees of ornamentation, including a few examples with brick corbelwork. Architects who contributed to the district include Frank Furness, Willis Hale, and Angus Wade, who introduced Moorish, Gothic, Colonial Revival, and eclectic elements to the area. As industry left Philadelphia, the neighborhood declined. Today, it is considered “distressed,” according to the City of Philadelphia’s Neighborhood Transformation Initiative classifications. Today, the Advocate Community Development Corporation is very active in the neighborhood, and has developed a renewal strategy that involves rehabilitating many of the historic structures in the neighborhood for low and moderate income housing.

In the comparable neighborhood analysis, data from the census tract containing the Diamond Street Historic District, Census Tract 153, is compared to data from the a neighboring census tract, Census Tract 152. This particular tract was chosen because of its similarity to the Diamond Street Historic District in terms of size, historical development, proximity, and housing type. Additionally, the comparable neighborhood includes the West Diamond Street Townhouse Historic District, listed on the National Register of Historic Places, an area of



Map 1: Diamond Street Historic District
Philadelphia Historical Commission



Map 2: Census Tract 153, Diamond Street Historic District Area
Cartographic Modeling Laboratory



Map 3: Census Tract 152, West Diamond Street Comparable Area
Cartographic Modeling Laboratory

grand and architecturally distinct brownstone rowhouses, making a particularly interesting comparison.⁵²

Since the Diamond Street Historic District was designated in 1986, transactions between 1976 and 2004 were examined. During this period, there were 519 residential real estate transactions in Census Tract 153, the Diamond Street Historic District area. There were 482 residential real estate transactions

⁵² The West Diamond Street Townhouse Historic District consists of the only continuous blocks of brownstone rowhouses in Philadelphia. West Diamond Street Townhouse Historic District National Register Nomination Form.

Table 1: Diamond Street Historic District and Comparable

	Diamond Street Philadelphia Register District			Diamond Street (NR) Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price	Number of Sales	Price per Square Foot	Change in Price
1976	5	\$ 2.06	-	2	\$ 3.25	-
1977	9	\$ 2.87	38.9%	9	\$ 3.27	0.4%
1978	3	\$ 3.79	32.1%	14	\$ 3.64	11.4%
1979	9	\$ 3.11	-17.7%	9	\$ 4.35	19.6%
1980	19	\$ 5.95	91.0%	11	\$ 12.89	195.9%
1981	11	\$ 3.15	-47.0%	11	\$ 4.48	-65.2%
1982	17	\$ 2.93	-6.9%	11	\$ 3.55	-20.9%
1983	21	\$ 5.15	75.4%	15	\$ 3.64	2.6%
1984	17	\$ 5.19	0.8%	16	\$ 3.97	9.0%
1985	25	\$ 4.94	-4.8%	19	\$ 4.08	2.8%
1986	10	\$ 8.68	75.7%	36	\$ 13.01	218.9%
1987	13	\$ 4.52	-47.9%	17	\$ 7.27	-44.1%
1988	15	\$ 6.33	40.2%	16	\$ 4.92	-32.3%
1989	16	\$ 9.66	52.5%	17	\$ 6.69	35.9%
1990	20	\$ 10.64	10.2%	18	\$ 5.92	-11.4%
1991	29	\$ 15.30	43.7%	16	\$ 9.53	60.9%
1992	15	\$ 13.65	-10.7%	6	\$ 7.20	-24.5%
1993	21	\$ 10.71	-21.6%	22	\$ 18.19	152.6%
1994	16	\$ 9.08	-15.1%	14	\$ 6.73	-63.0%
1995	17	\$ 7.78	-14.4%	12	\$ 8.30	23.3%
1996	21	\$ 13.13	68.9%	16	\$ 12.16	46.5%
1997	13	\$ 14.65	11.6%	18	\$ 18.78	54.4%
1998	31	\$ 17.82	21.6%	19	\$ 9.33	-50.3%
1999	20	\$ 20.32	14.0%	15	\$ 8.98	-3.7%
2000	10	\$ 12.99	-36.1%	22	\$ 10.37	15.4%
2001	25	\$ 10.30	-20.7%	35	\$ 12.58	21.4%
2002	19	\$ 10.86	5.4%	29	\$ 9.23	-26.6%
2003	36	\$ 19.80	82.2%	15	\$ 8.64	-6.4%
2004	36	\$ 22.50	13.6%	22	\$ 12.41	43.6%

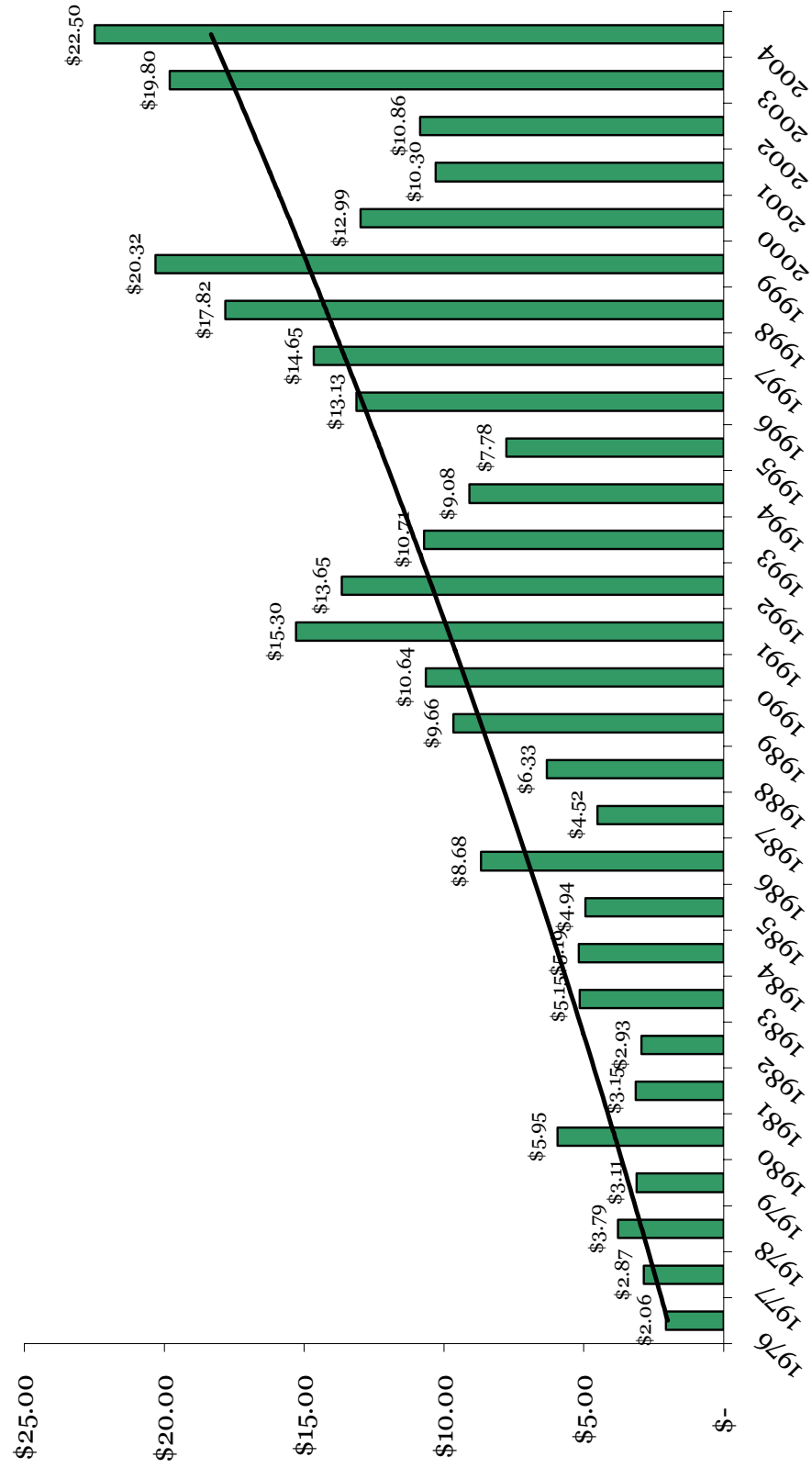
in Census Tract 152, the area around the Diamond Street National Register District, which is immediately west of Census Tract 152.

In the five years before 1986, when the district was designated, the average selling price per square foot of residential properties in the Diamond Street Historic District area decreased 17%. However, in the five years following designation, prices increased 76%. These figures reflect the five year net change,

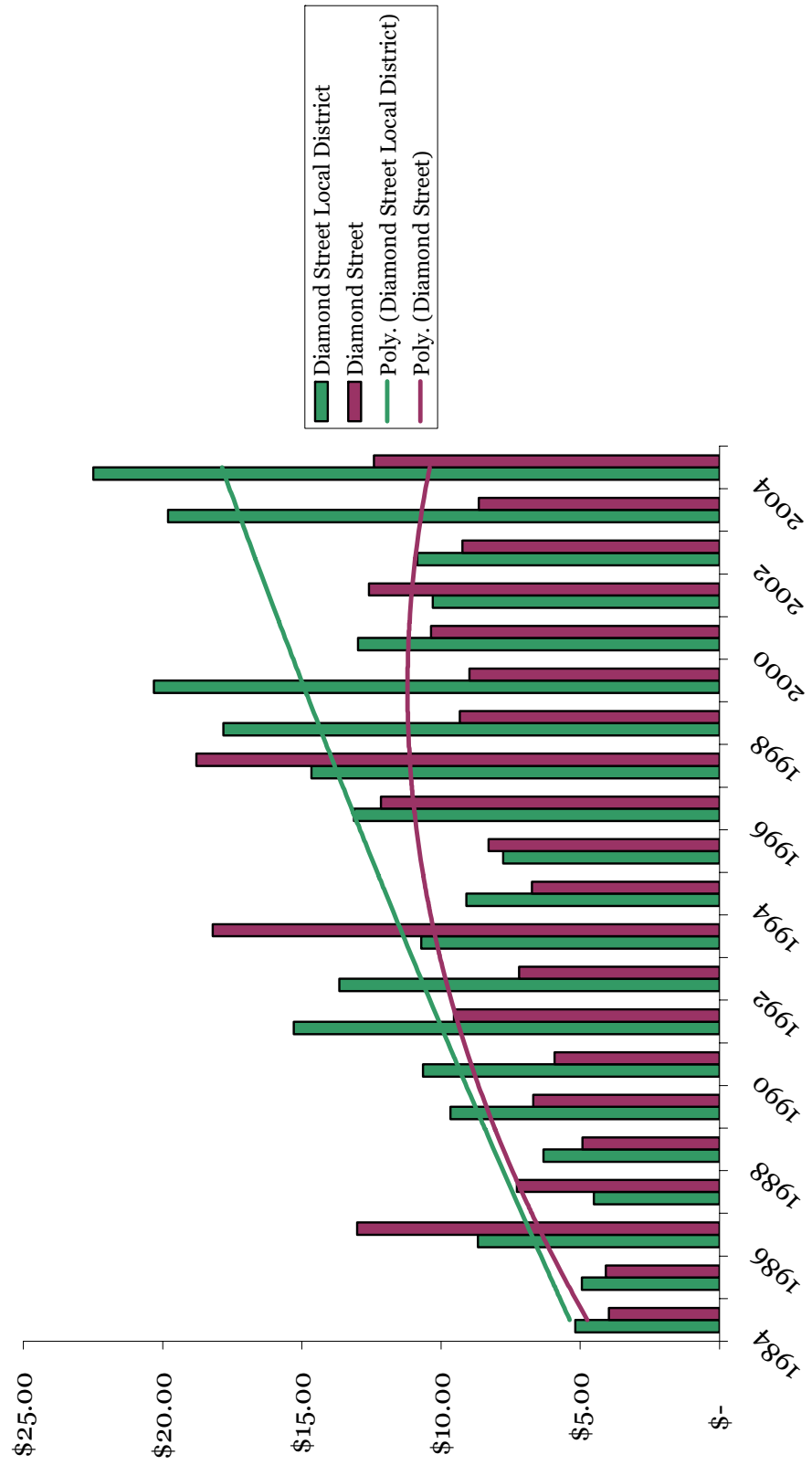
the totals of annual changes depicted in Table One. Graph One best depicts this increase in property values over time. This change in property value trajectory is particularly compelling when compared to the change in property values in the adjacent comparable neighborhood, which includes the West Diamond Street Townhouse National Register Historic District. This locally designated district in North Philadelphia, which is generally considered to be distressed, has had an upwardly sloped trendline, while the National Register District has a downward sloping trendline. The trajectories of the two areas are depicted in Graph Two; the trendlines depict the statistical trajectory of each area. In the five year before 1986, property values in the comparable neighborhood decreased 68%. In the five years after 1986, the average selling price per square foot of properties in the comparable neighborhood continued their downward trajectory, decreasing 27%. From 1986 and 2004, average selling prices per square foot have increased 159% in the Diamond Street Historic District area, while average selling prices in the comparable neighborhood have decreased 5%, losing value over the period.

Given the fact that the neighborhood in question is distressed and accordingly is likely to experience price fluctuations, it is highly important to note that local historic district designation appears to have insulated the Diamond Street Historic District area from price volatility. As shown in Graph Three, average prices per square foot in the Diamond Street Historic District were twice as less volatile in the period following local historic district designation.

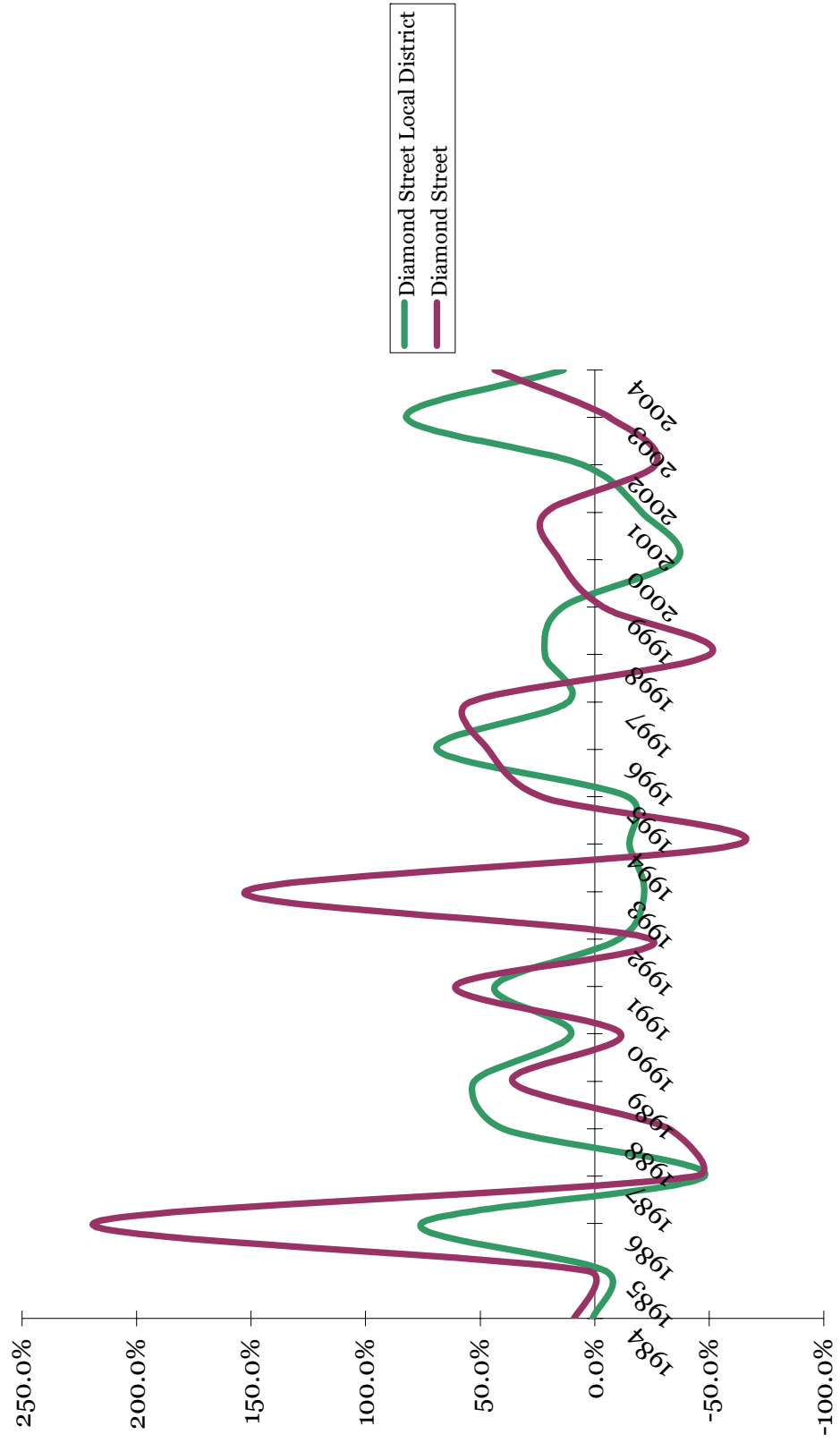
Graph 1: Property Values in the Diamond Street Historic District Area
Average Selling Prices per Square Foot



*Graph 2: Diamond Street Historic District Area and Comparable
Average Selling Prices per Square Foot*



Graph 3: Annual Rate of Change in Property Values



The case of Diamond Street illustrates the positive externalities that local historic districting may have on a low income community. Local historic districting was a important signal to potential homeowners in the neighborhood that the building stock in the neighborhood was significant and worthy of revitalization. The public commitment to the area most likely increased investor confidence, contributing the appreciation in property values and the decrease in volatility. The recognition provided by designation contributed to making the Diamond Street Historic District area a neighborhood of choice within North Philadelphia, and property values increased accordingly. Although it is likely that a host of factors, including the work of the Advocate Community Development Corporation, one of the Philadelphia's most active community development corporations, contributed to increases in property values in the Diamond Street Historic District area, there is substantial evidence that local historic designation was a factor in improvements in the neighborhood.

Chapter Five: The Girard Estate Historic District

This study next examines the impact of local historic district designation in the Girard Estate. In this case, property values appear to have moderately outperformed the rate of appreciation of comparable neighborhoods as a result of local historic district designation.

The Girard Estate Historic District was designated on November 10, 1999. According to the district's nomination to the Philadelphia Register of Historic Places, the area "provides an interesting mix of styles that depart drastically from the brick row houses of South Philadelphia...[and] represents a unique early twentieth century neighborhood of diversified architecture in an urbanized Garden City setting."⁵³ The historic district is situated on philanthropist and industrialist Stephen Girard's former country estate in Philadelphia. Girard, once the wealthiest man in America, had left most of his estate to the City of Philadelphia with several conditions, including the establishment of a college for orphans. In order to raise money for the college, the surrounding farmland was developed, resulting in the 456 semi-detached houses, 25 row houses, and one freestanding house that comprise the historic district, built between 1906 and 1916. The development was designed by architect James H. Windrim and his son John T. Windrim. Nearly all of the structures are two- or three-story, semi-detached dwellings with brick, schist, or finished stucco facades. The street elevation is only a single bay, but most of the houses are four or five rooms deep.

⁵³ Girard Estate Historic District Nomination to the Philadelphia Register of Historic Places.



Image 3: Representative Girard Estate Historic District Streetscape



Image 4: Representative Girard Estate Historic District Streetscape

The Windrims used a variety of early twentieth century architectural styles in the development, including Bungalow, Prairie, Mission, Colonial Revival, Jacobian Revival, Tudor Revival, and Craftsman. Most of the buildings have deep setback lines and larger than typical lots for the neighborhood.

In the comparable neighborhood analysis, the census tract comprising the Girard Estate Historic District, Census Tract 38, was compared to two adjacent census tracts. One is immediately north of Census Tract 38; the other is immediately east. These neighborhoods were chosen because of their similarity to the Girard Estate Historic District in proximity, demographics, and size.



Map 4: Girard Estate Historic District
Philadelphia Historical Commission



Map 5: Census Tract 38, Girard Estate Historic District Area
Cartographic Modeling Laboratory

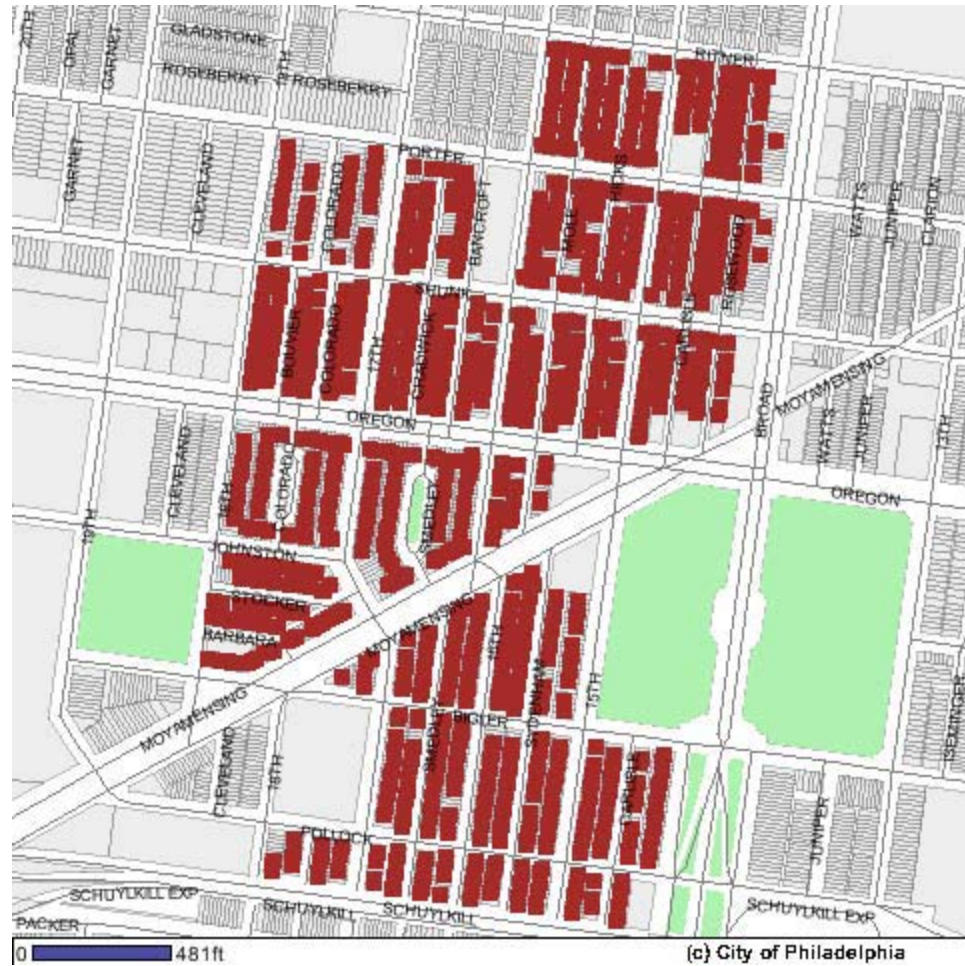
Since the Girard Estate Historic District was designated in 1999, transactions between 1989 and 2004 were examined. During this period, there were 900 residential real estate transactions in Census Tract 38, the Girard Estate Historic District area. There were 1282 residential real estate transactions in Census Tract 37.02, the tract immediately north of Census Tract 38. There were 650 residential real estate transactions in Census Tract 39.02, the tract immediately east of the tract which comprises the Girard Estate Historic District.

During the five years before the Girard Estate Historic District was designated, the average selling price per square foot of residential properties in the area decreased 7%. As stated in the previous case, these figures reflect the five year net change, the totals of annual changes depicted in Table Two.

Since the district was designated in 1999, property values in the area have appreciated 112%. The upward trajectory of the average selling price per square foot of properties in the district is illustrated by the trendline in Graph Four. The Girard Estate Historic District modestly outperforms comparable adjacent



Map 6: Census Tract 37.02, Adjacent Comparable Area
Cartographic Modeling Laboratory



Map 7: Census Tract 39.02, Adjacent Comparable Area
Cartographic Modeling Laboratory

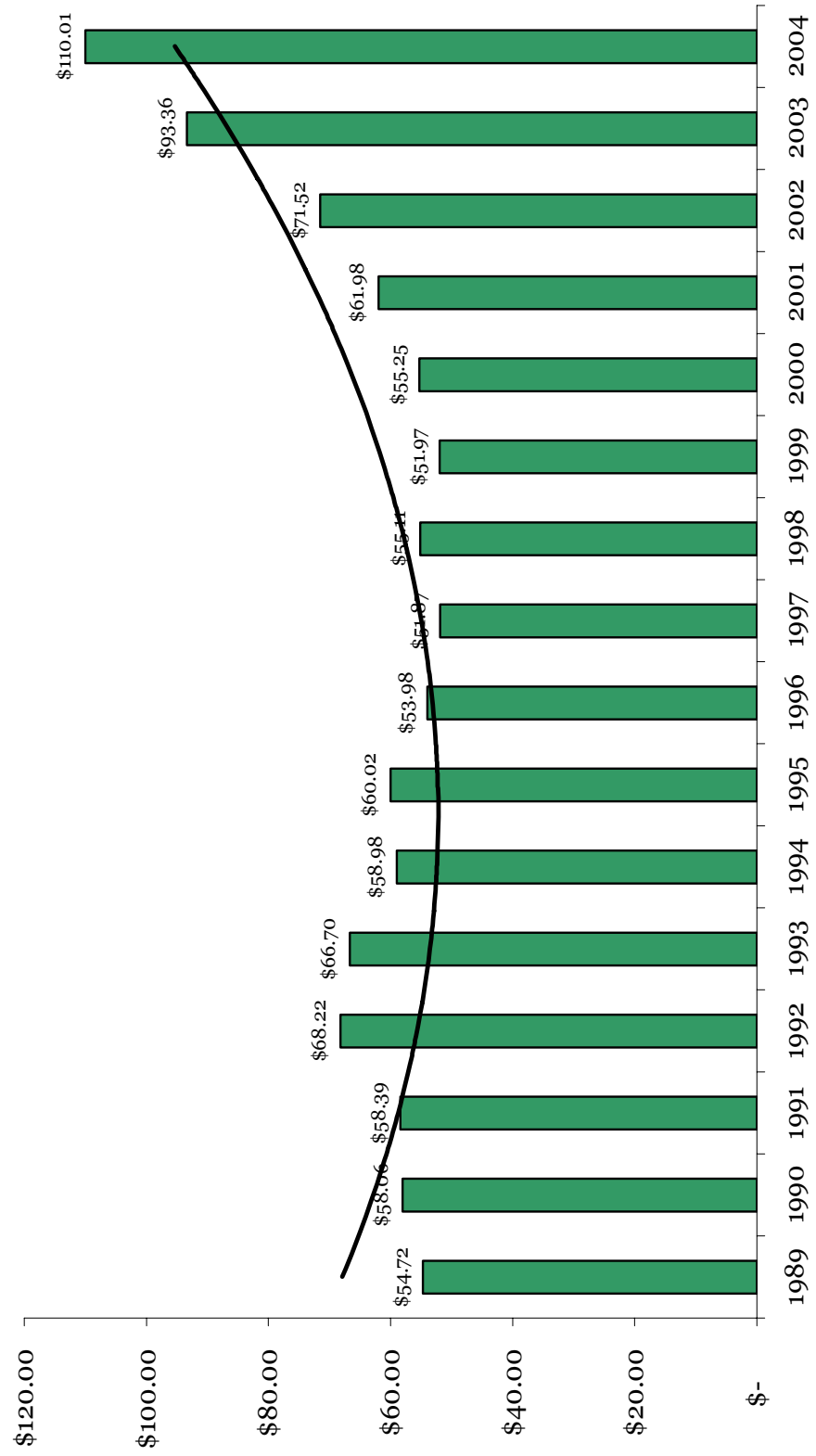
neighborhoods. During the five years before 1999, property values in the census tract immediately north of the Girard Estate Historic District decreased 7%; since 1999, property values in this census tract have increased 68%. Similarly, during the five year period before the district's designation, property values in the census tract immediately east of the district increased 5%, since 1999, property values have increased 86%. The trendlines comparing these three neighborhoods are illustrated in Graph Five, while the yearly average selling prices per square foot are depicted in Table Two. The price volatility of each census tract is depicted in

Table 2: Girard Estates Historic District and Comparables

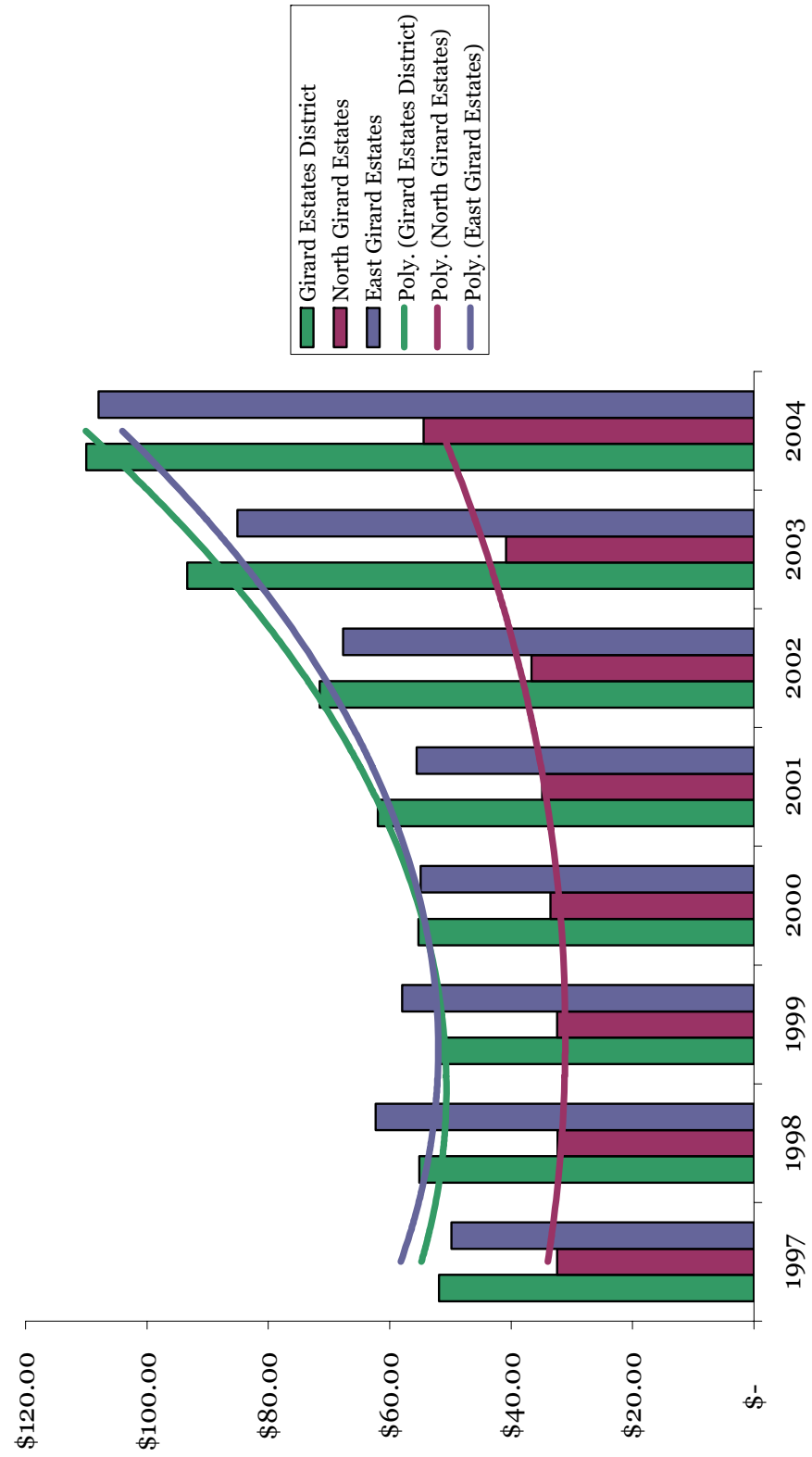
	Girard Estates Philadelphia Register District				Girard Estates (North) Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price		Number of Sales	Price per Square Foot	Change in Price
1989	32	\$ 54.72			29	\$ 35.16	
1990	42	\$ 58.06	6.1%		36	\$ 38.96	10.8%
1991	22	\$ 58.39	0.6%		34	\$ 36.07	-7.4%
1992	29	\$ 68.22	16.8%		29	\$ 31.85	-11.7%
1993	32	\$ 66.70	-2.2%		35	\$ 34.76	9.2%
1994	40	\$ 58.98	-11.6%		30	\$ 33.45	-3.8%
1995	42	\$ 60.02	1.8%		57	\$ 34.11	2.0%
1996	48	\$ 53.98	-10.1%		90	\$ 32.86	-3.7%
1997	58	\$ 51.87	-3.9%		88	\$ 32.46	-1.2%
1998	43	\$ 55.11	6.2%		118	\$ 32.37	-0.3%
1999	81	\$ 51.97	-5.7%		89	\$ 32.44	0.2%
2000	81	\$ 55.25	6.3%		132	\$ 33.48	3.2%
2001	108	\$ 61.98	12.2%		137	\$ 34.87	4.1%
2002	81	\$ 71.52	15.4%		142	\$ 36.63	5.0%
2003	80	\$ 93.36	30.5%		140	\$ 40.88	11.6%
2004	81	\$ 110.01	17.8%		96	\$ 54.43	33.1%

	Girard Estates (East) Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price
1989	28	\$ 62.59	
1990	24	\$ 60.28	-3.7%
1991	20	\$ 63.10	4.7%
1992	29	\$ 56.35	-10.7%
1993	27	\$ 59.17	5.0%
1994	26	\$ 46.81	-20.9%
1995	35	\$ 59.82	27.8%
1996	55	\$ 56.46	-5.6%
1997	34	\$ 49.85	-11.7%
1998	44	\$ 62.33	25.0%
1999	45	\$ 58.00	-7.0%
2000	55	\$ 54.95	-5.3%
2001	51	\$ 55.56	1.1%
2002	59	\$ 67.66	21.8%
2003	56	\$ 85.10	25.8%
2004	68	\$ 107.98	26.9%

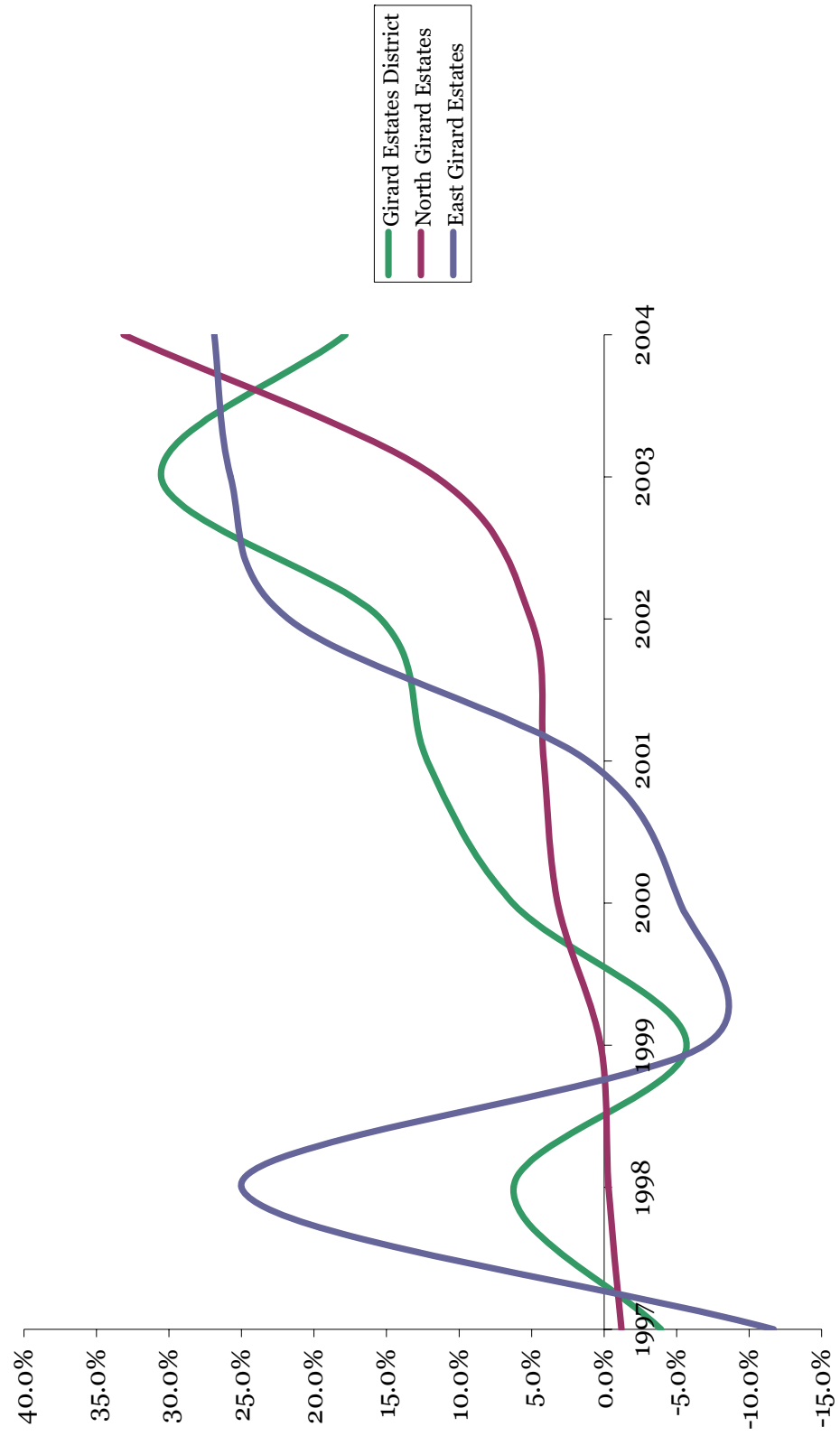
*Graph 4: Property Values in the Girard Estate Historic District Area
Average Selling Prices per Square Foot*



Graph 5: Girard Estate Historic District Area and Comparables
Average Selling Prices per Square Foot



Graph 6: Annual Rate of Change in Property Values



Graph Six, although designation does not appear to have had the positive effect on price volatility that was the case in the Diamond Street Historic District area. That is, the prices do not fluctuate more or less than in the comparable neighborhoods.

In the case of the Girard Estate Historic District area, property values in the middle income neighborhood appreciated at a small margin over comparable areas. The district, therefore, demonstrates how local historic designation may enhance the prevailing economic climate. In the Girard Estate area, the positive externalities of designation resulted in properties trading at a small premium to comparable properties. Designation does not necessarily result in an automatic and palpable change in neighborhood economics. In some cases, such as this one, local historic designation result in modestly improved property values. Importantly, designation did not result in the loss of economic value; benefits from designation still outweighed any increased rehabilitation expenses.

Chapter Six: The Rittenhouse-Fitler Historic District

The next neighborhood explored in this study is the Rittenhouse-Fitler neighborhood, one of the city's most fashionable and affluent residential areas. In this case, it was found that trends in the average selling price per square foot of residential properties in the Rittenhouse-Fitler historic district area corresponded with trends in two census tracts consisting of an adjacent neighborhood, which is historic but not listed on the Philadelphia Register of Historic Places.

The Rittenhouse-Fitler Historic District, a residential Victorian and twentieth century neighborhood that grew around the southwest square of William Penn's original plan for Philadelphia, was designated on February 8, 1995. According to the neighborhood's nomination to the Philadelphia Register of Historic Places, "like the ancient palimpsest, overwritten by different hands in different ages, the Rittenhouse-Fitler residential district brings together the varying land uses characteristic of Philadelphia – rural farm, pre-industrial hand brick making, commercial and maritime trades along the river front, suburban residence inland, and, for the past century, a fashionable place or urban residence."⁵⁴ The district is characterized by architectural variety, with differentiations by material, scale, style, social class served, and building function, although the neighborhood is primarily residential. The contributing structures

⁵⁴ Rittenhouse-Fitler Historic District Nomination to the Philadelphia Register of Historic Places.

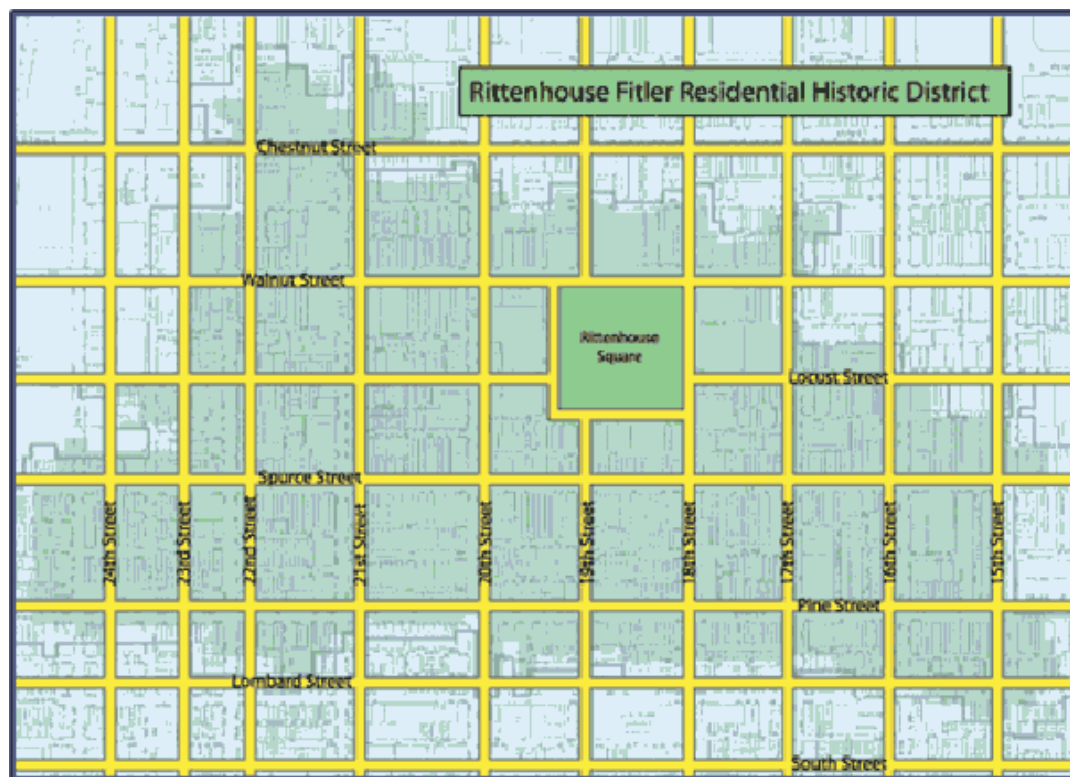


Image 5: Representative Rittenhouse-Fitler Historic District Streetscape

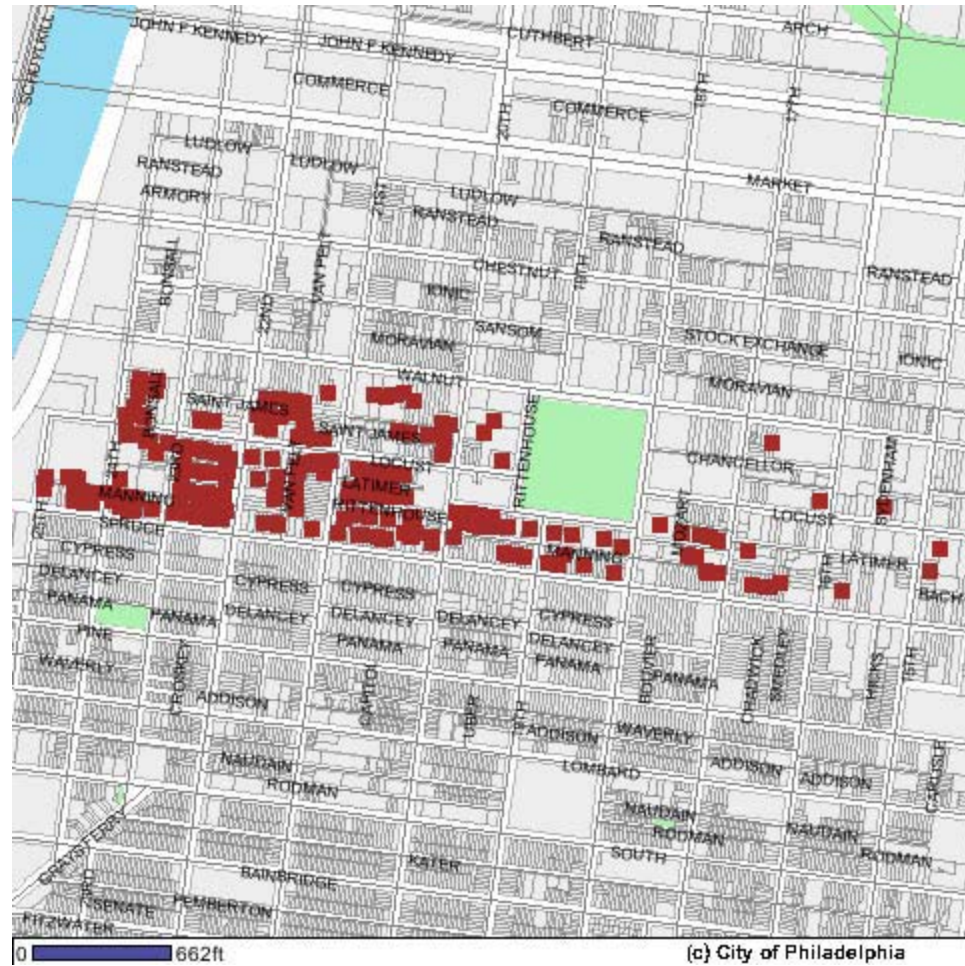


Image 6: Representative Rittenhouse-Fitler Historic District Streetscape

in the district range from two story rowhouses to multistory steel frame apartment buildings. There are clusters of simple, two story Flemish bond brick dock worker houses as well as grand mansions of the elite families of old Philadelphia primarily on the major east-west streets, designed by many of Philadelphia's most famous architects, including Thomas U. Walter, John MacArthur, Frank Furness, John Notman, George Howe, and others. The neighborhood contains gable-roofed, four story brick houses with marble bases representative of the Greek Revival style as well as bracketed Italianate examples and asymmetrical, polychromic, Gothic-detailed High Victorian examples. According to the nomination form, the neighborhood is "the joint creation of working class and elite groups that collided and intermingled east and west of



Map 8: Rittenhouse-Fitler Historic District
Philadelphia Historical Commission

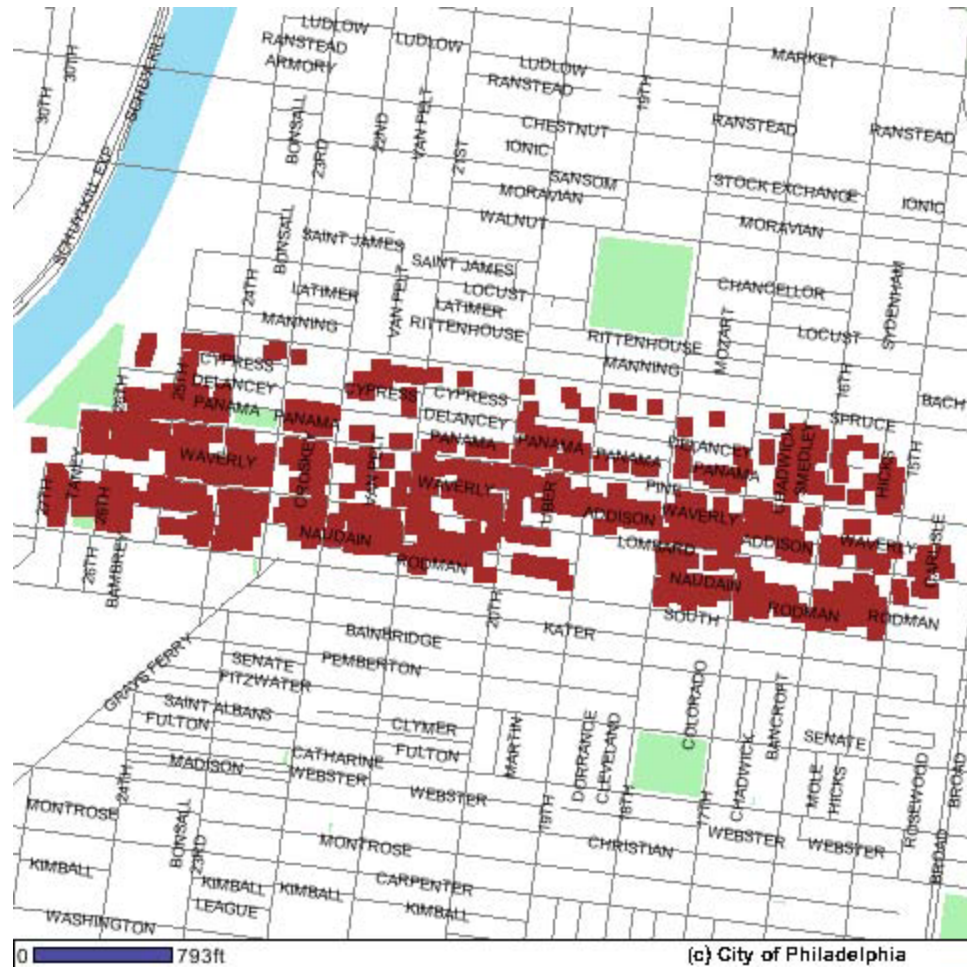


Map 9: Census Tract 8, Rittenhouse-Fitler Historic District Area
Cartographic Modeling Laboratory

20th Street, creating pockets of wealth in working neighborhoods, and pockets of workingmen’s housing as far east as 16th and Rittenhouse Streets.”⁵⁵ The form further states that “the continuing residential character of the district...presents the visage of half a century ago and makes the Rittenhouse district a distinctive component of Philadelphia’s past.”⁵⁶

⁵⁵ Ibid.

⁵⁶ Ibid.



Map 10: Census Tract 12, Rittenhouse-Fitler Historic District Area
Cartographic Modeling Laboratory

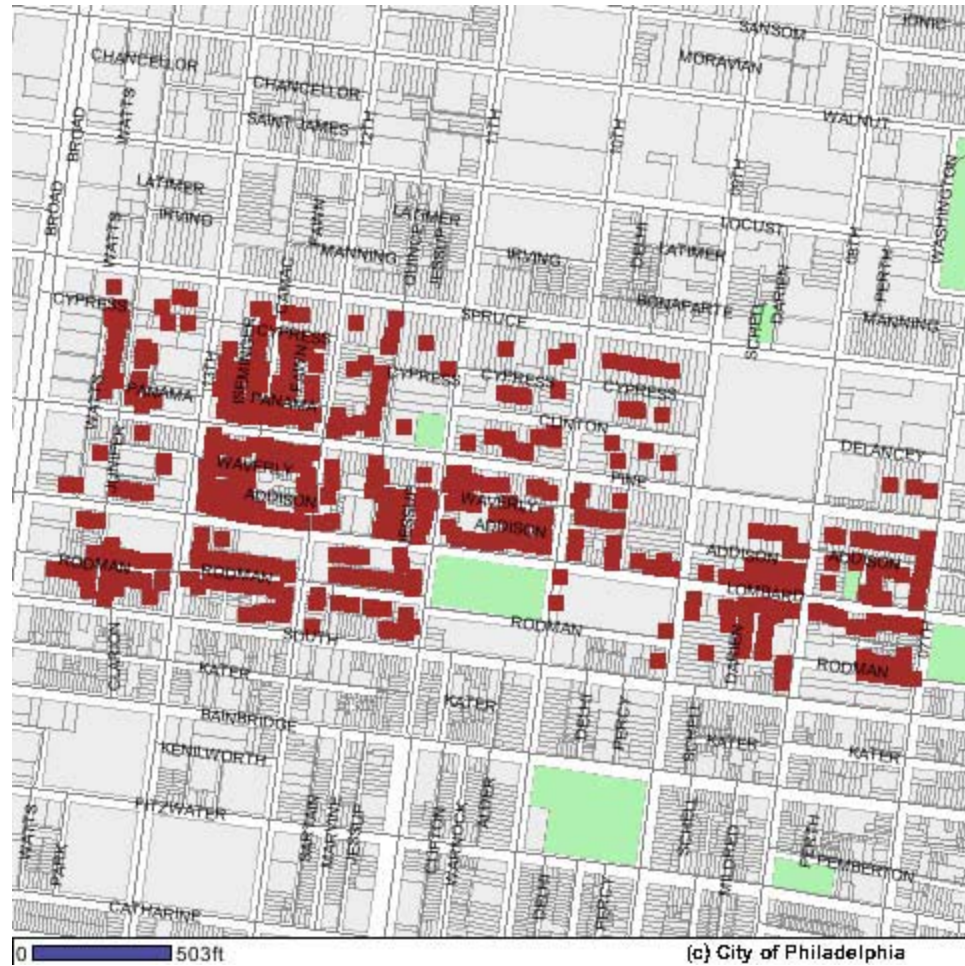
In the comparable neighborhood analysis, the trends in property values in the Rittenhouse-Fitler area were compared to a large neighborhood immediately east, The Washington Square West neighborhood, also known as WashWest. This neighborhood was chosen because of its similarity to Rittenhouse-Fitler in terms of size, proximity, historical development, and housing type. Like Rittenhouse-Fitler, it also coincides with two census tracts.

Since the Rittenhouse-Fitler Historic District was designated in 1995, transactions between 1985 and 2004 were examined. As previously mentioned in

the methodology section of this thesis, all condominium sales were excluded for this study. During this period, there were 2089 residential real estate transactions in Census Tracts 8 and 12, which together cover the area of the Rittenhouse-Fitler Historic District. There were 1033 residential real estate transactions in Census Tract 11, the tract containing the southern portion of the Washington Square West neighborhood. There were 237 residential real estate transactions in Census Tract 9, the tract containing the northern portion of the Washington Square West neighborhood. The Washington Square West



Map 11: Census Tract 9, WashWest Comparable Area
Cartographic Modeling Laboratory



Map 12: Census Tract 11, WashWest Comparable Area
Cartographic Modeling Laboratory

neighborhood is a listed district on the National Register of Historic Places; the Rittenhouse Square area is also listed on the National Register, and these districts roughly overlap.

In the five years before the Rittenhouse-Fitler Historic District was designated in 1995, the average selling price per square foot in the area decreased 28%. In the five years after designation, the average selling price per square foot of residential properties in the Rittenhouse-Fitler Historic District area increased 63%. Between 1995 and 2004, property values in the area have increased a

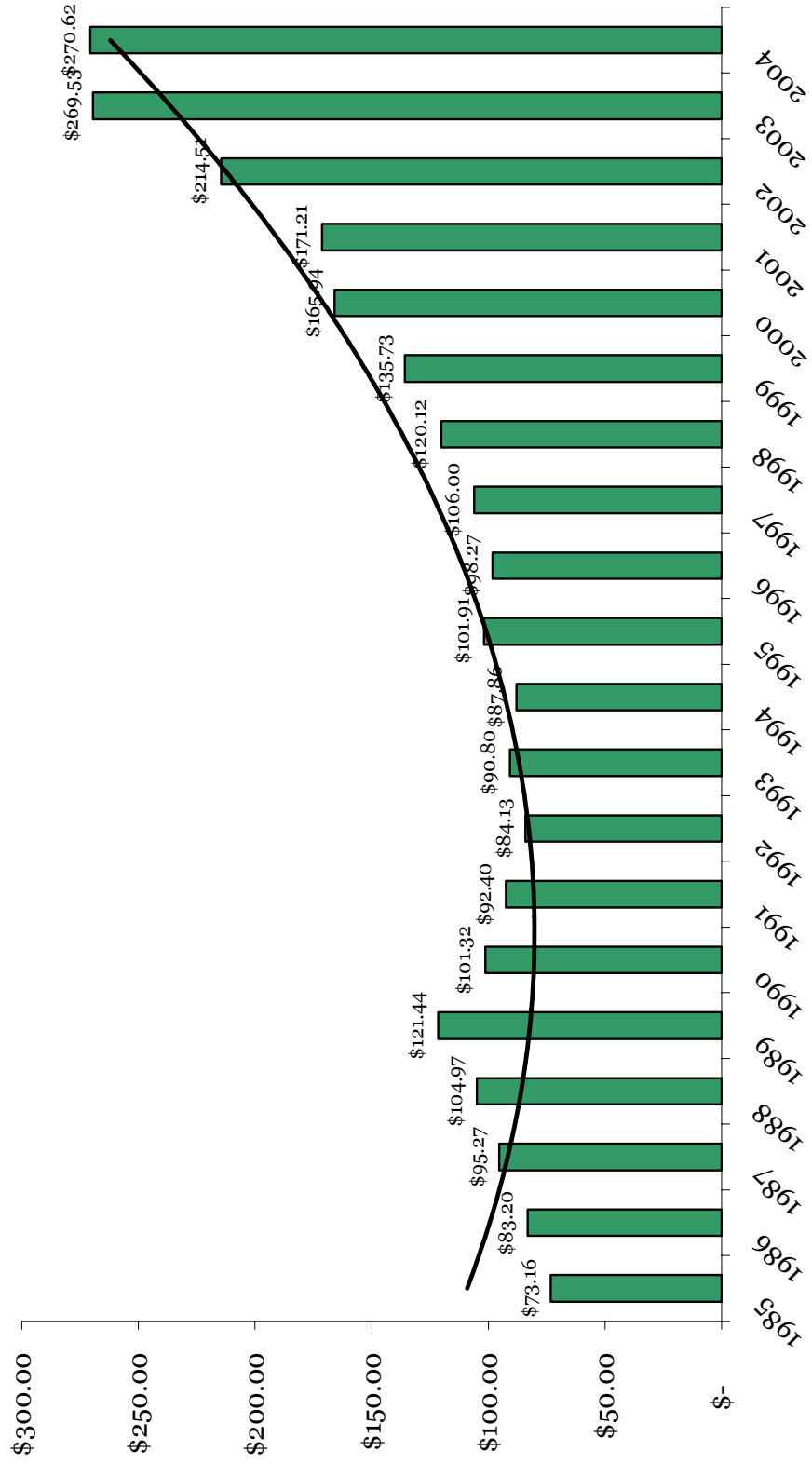
dramatic 164%, or roughly 21% per year. The trajectory of property values in this district over time is depicted in Graph Seven. These figures reflect totals of the annual price changes that are depicted in Table Three. While it may be easy to quickly jump to the conclusion that local historic district designation shifted the trajectory of property values from a downward slope to an upward slope, a study of comparables proves that is not the case, as depicted in Graph Eight. In the northern portion of the Washington Square West neighborhood, property values depreciated 25% during the five years before Rittenhouse-Fitler was designated on the Philadelphia Register; during the five years after 1995, property values in the same area appreciated 45%. Similarly, property values in the southern portion of the Washington Square West neighborhood depreciated 33% during the period before 1995, while during the period after designation, property values increased 63%. Between 1995 and 2004, property values in the northern portion of the Washington Square West neighborhood appreciated 119%, while property values appreciated 169% in the southern portion of the Washington Square West neighborhood. The trends in comparable neighborhoods make it difficult to attribute the price appreciation in the Rittenhouse-Fitler historic district area to local designation, but illustrate that designated districts may mirror ambient market trends. Sales price volatility is depicted in Graph Nine, though, like the Girard Estate Historic District area, designation does not appear to have had a significant effect of price volatility, as evidence by the fluctuations of the lines on this graph.

Table 3: Rittenhouse-Fitler Historic District and Comparables

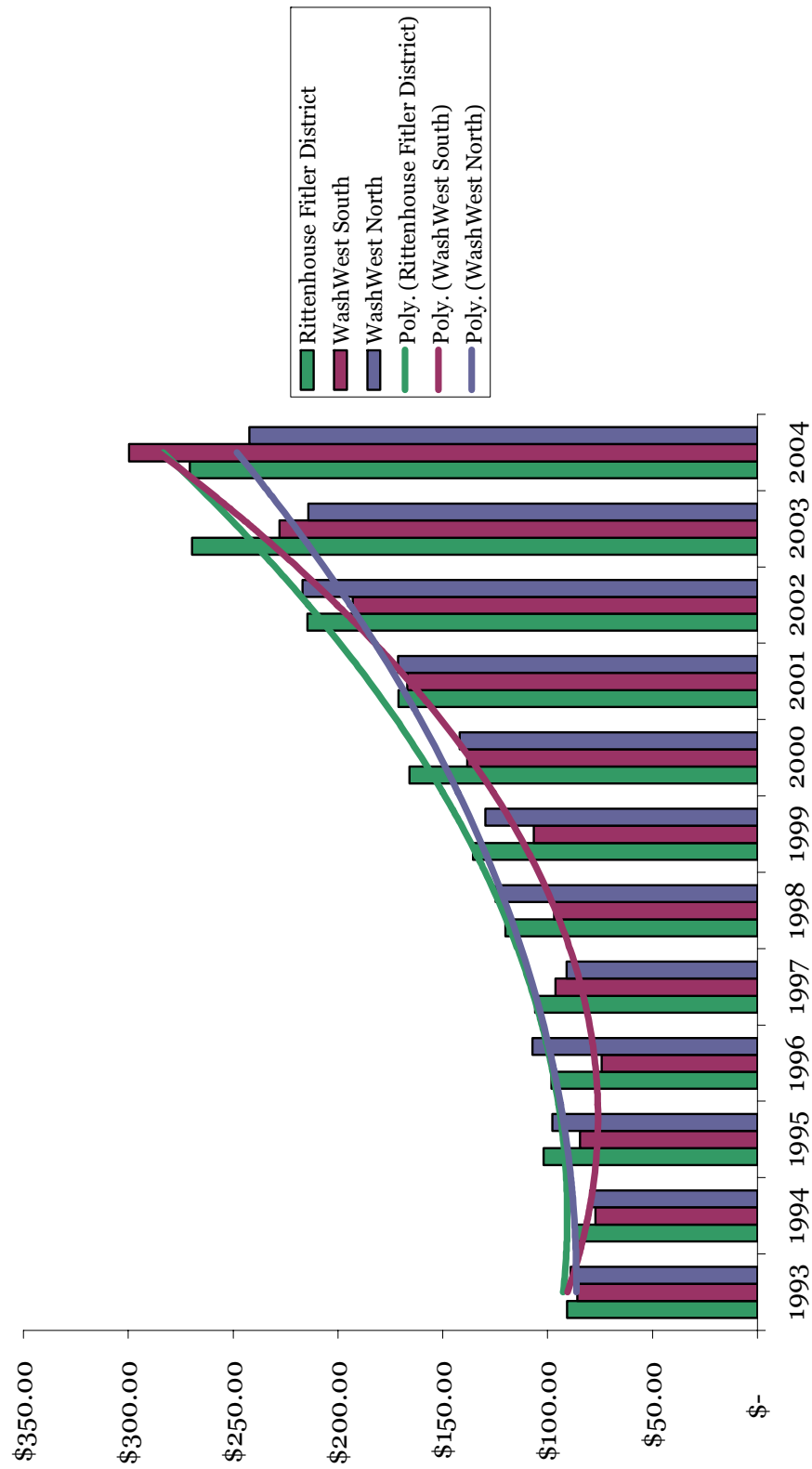
	Rittenhouse Fitler Philadelphia Register District			WashWest South Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price	Number of Sales	Price per Square Foot	Change in Price
1985	43	\$ 73.16		29	\$ 103.91	
1986	51	\$ 83.20	13.7%	41	\$ 88.29	-15.0%
1987	57	\$ 95.27	14.5%	28	\$ 83.77	-5.1%
1988	76	\$ 104.97	10.2%	30	\$ 92.19	10.1%
1989	45	\$ 121.44	15.7%	25	\$ 115.50	25.3%
1990	52	\$ 101.32	-16.6%	19	\$ 99.36	-14.0%
1991	52	\$ 92.40	-8.8%	17	\$ 93.84	-5.6%
1992	59	\$ 84.13	-9.0%	39	\$ 83.03	-11.5%
1993	76	\$ 90.80	7.9%	41	\$ 86.01	3.6%
1994	92	\$ 87.86	-3.2%	42	\$ 77.14	-10.3%
1995	100	\$ 101.91	16.0%	49	\$ 84.70	9.8%
1996	96	\$ 98.27	-3.6%	58	\$ 74.24	-12.4%
1997	125	\$ 106.00	7.9%	71	\$ 96.22	29.6%
1998	172	\$ 120.12	13.3%	86	\$ 96.99	0.8%
1999	207	\$ 135.73	13.0%	103	\$ 106.72	10.0%
2000	168	\$ 165.94	22.3%	72	\$ 138.48	29.8%
2001	169	\$ 171.21	3.2%	70	\$ 166.93	20.5%
2002	159	\$ 214.51	25.3%	68	\$ 193.09	15.7%
2003	157	\$ 269.53	25.6%	86	\$ 227.91	18.0%
2004	133	\$ 270.62	0.4%	59	\$ 299.58	31.4%

	WashWest North Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price
1985	22	\$ 140.62	
1986	6	\$ 94.97	-32.5%
1987	7	\$ 115.10	21.2%
1988	5	\$ 82.61	-28.2%
1989	16	\$ 106.94	29.4%
1990	5	\$ 71.66	-33.0%
1991	6	\$ 78.69	9.8%
1992	8	\$ 107.00	36.0%
1993	6	\$ 89.13	-16.7%
1994	7	\$ 79.78	-10.5%
1995	13	\$ 97.76	22.5%
1996	14	\$ 107.33	9.8%
1997	9	\$ 91.04	-15.2%
1998	19	\$ 124.90	37.2%
1999	15	\$ 129.80	3.9%
2000	16	\$ 141.92	9.3%
2001	10	\$ 171.32	20.7%
2002	22	\$ 216.93	26.6%
2003	13	\$ 214.24	-1.2%
2004	18	\$ 242.23	13.1%

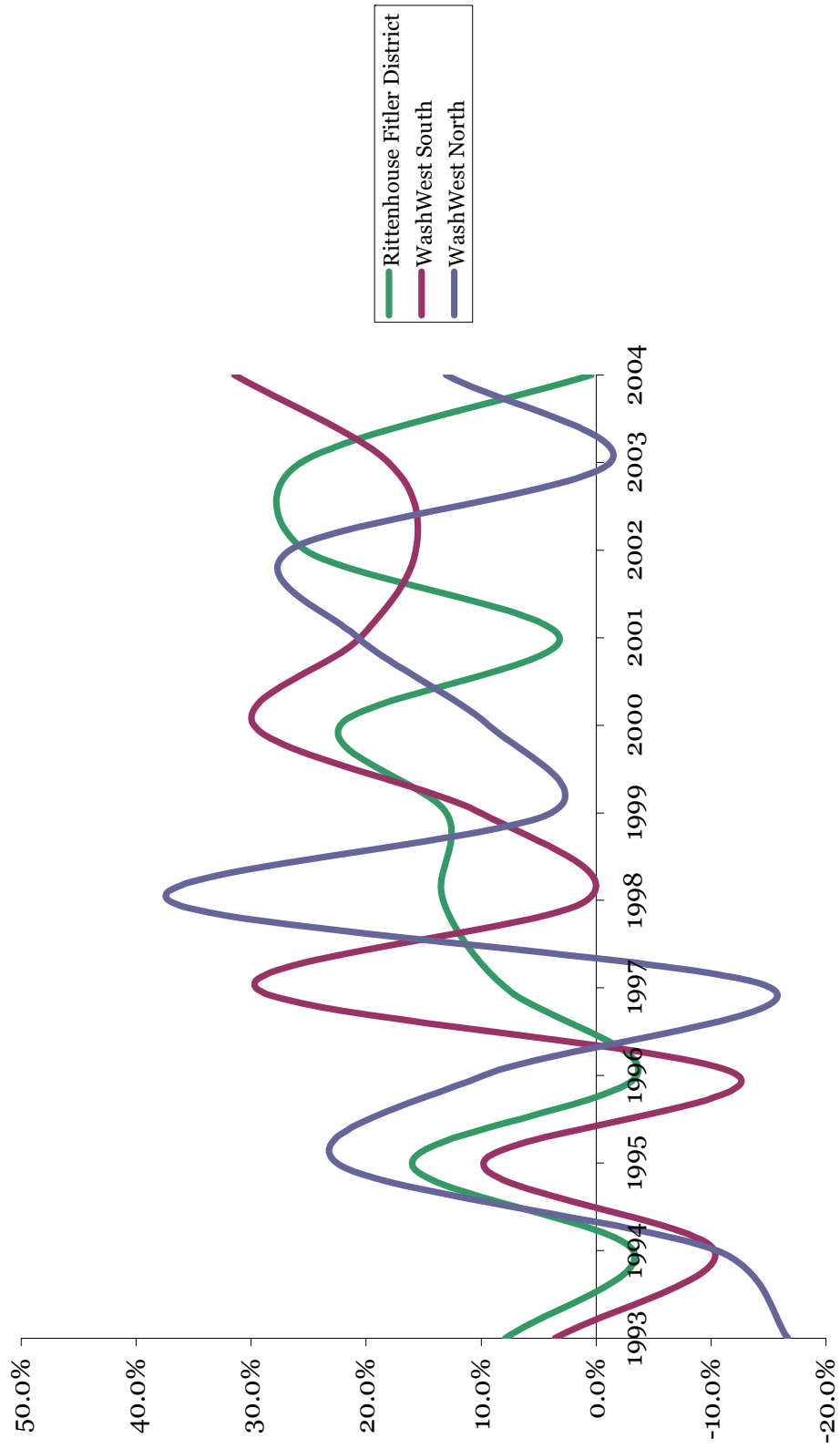
Graph 7: Property Values in the Rittenhouse-Fitler Historic District Area
Average Selling Prices per Square Foot



Graph 8: Rittenhouse-Fitler Historic District Area and Comparables
Average Selling Prices per Square Foot



Graph 9: Annual Rate of Change in Property Values



Much like the case of the Girard Estate Historic District area, the rates of appreciation in the Rittenhouse-Fitler Historic District area were consistent with the rates of appreciation of comparable neighborhoods. Designation did not result in a significant gain or loss in value; rather, property values continued to appreciate according to trends in the ambient market. In this case, the stability argument applies; designation resulted in property values in the Rittenhouse-Fitler Historic District mirroring the appreciation rates of comparable neighborhoods. Once again, as illustrated in the trajectory of property values in the neighborhood, the increased rehabilitation costs did not result in the loss of economic value for property owners in the district; rather, the benefits of designation as well as other market forces maintained appreciation rates in the Rittenhouse-Fitler Historic District area.

Chapter Seven: The Society Hill Historic District

This thesis will next consider the impact of local historic designation on property values in the Society Hill Historic District. In this case, it was found that designation was followed by increases in property values consistent with pre-designation rates of appreciation, while comparable neighborhoods experienced dramatic increases. As a result, it may be argued that designation was a factor in increased neighborhood stability.

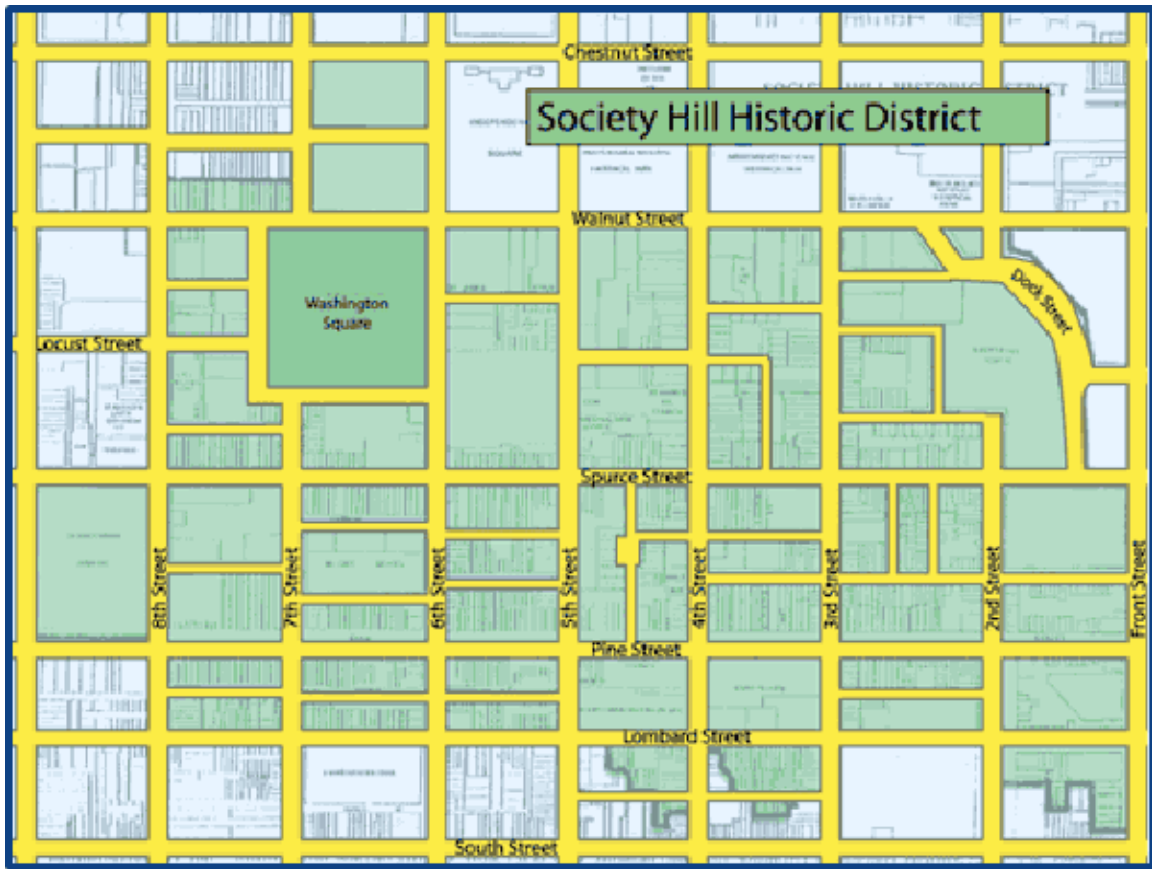
The Society Hill Historic District, arguably Philadelphia's most prestigious residential neighborhood, was designated on March 10, 1999. The Society Hill Historic District, which is bounded roughly by Front Street, Lombard Street, Eight Street, and Walnut Street, is significant because it is one of the largest collections of eighteenth and early nineteenth century buildings in the United States. The buildings are primarily individually constructed two to four story row houses built in Georgian, Federal, and Greek Revival styles. The earliest houses are Georgian vernacular buildings, but as wealth accumulated in the colonies, the Georgian high style emerged, with incorporated Renaissance and other stylized decorative elements such as Palladian windows. Many of the area's Greek Revival buildings were among Philadelphia's first speculative developments, and have more refined detail than their Georgian predecessors, largely attributable to the popularity of Robert Adam's designs in England. Residential development continued in the area until the mid-nineteenth century, when no vacant land remained; the final buildings built during this period were generally Greek



Image 7: Representative Society Hill Historic District Streetscape

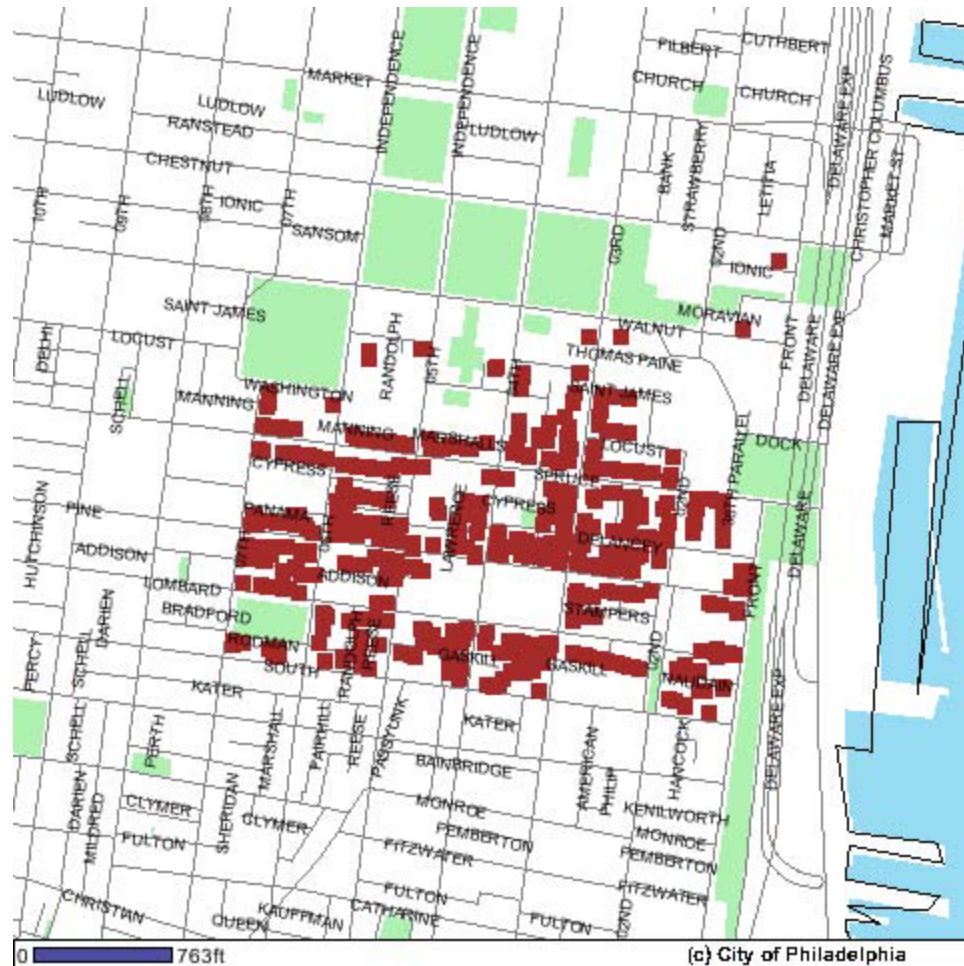


Image 8: Representative Society Hill Historic District Streetscape



Map 13: Society Hill Historic District
Philadelphia Historical Commission

Revival row houses, with flat tall facades and a variety of elements derived from Classical Greece, such as pediments and frontispieces. Infill Italianate and Modern structures exists, generally sympathetic to the scales and materials of the eighteenth and early nineteenth century urban fabric. Interspersed throughout this collection of largely vernacular structures are building built by prominent Philadelphia architectures, such as Thomas U. Walter, John Notman, Addison Hutton, Frank Furness, and I.M. Pei. In the 1950's and 1960's, Society Hill was redeveloped and according to the district's nomination form, this urban renewal project "forms a model for the restoration and rehabilitation of historic structures



Map 14: Census Tract 10, Society Hill Historic District Area
Cartographic Modeling Labratory

within a revitalization context.”⁵⁷ According to the neighborhood’s nomination to the Philadelphia Register of Historic Places, the neighborhood reflects William Penn’s religious freedom experiment, Philadelphia’s once-thriving commercial maritime past, historically-sensitive urban redevelopment, and an integrated urban fabric of old buildings, new buildings, vernacular buildings, and high style buildings.

⁵⁷ Society Hill Historic District Nomination to the Philadelphia Register of Historic Places.

In the comparable neighborhood analysis, Society Hill was compared to two adjacent neighborhoods, Queen Village and Washington Square West. Queen Village is immediately south of Society Hill and Washington Square West is immediately west. These neighborhoods were chosen because of their similarity to Society Hill in terms of size, proximity, and housing type. In



Map 15: Census Tract 16, Queen Village Comparable Area⁵⁸
Cartographic Modeling Laboratory

⁵⁸ Please note that the census tract maps for the Washington Square West neighborhood are Map 12 and Map 13 of the previous chapter, since the neighborhood is also a comparable for the Rittenhouse-Fitler Historic District area.

addition, all three neighborhoods – Society Hill, Washington Square West, and Queen Village – are listed districts on the National Register of Historic Places.⁵⁹

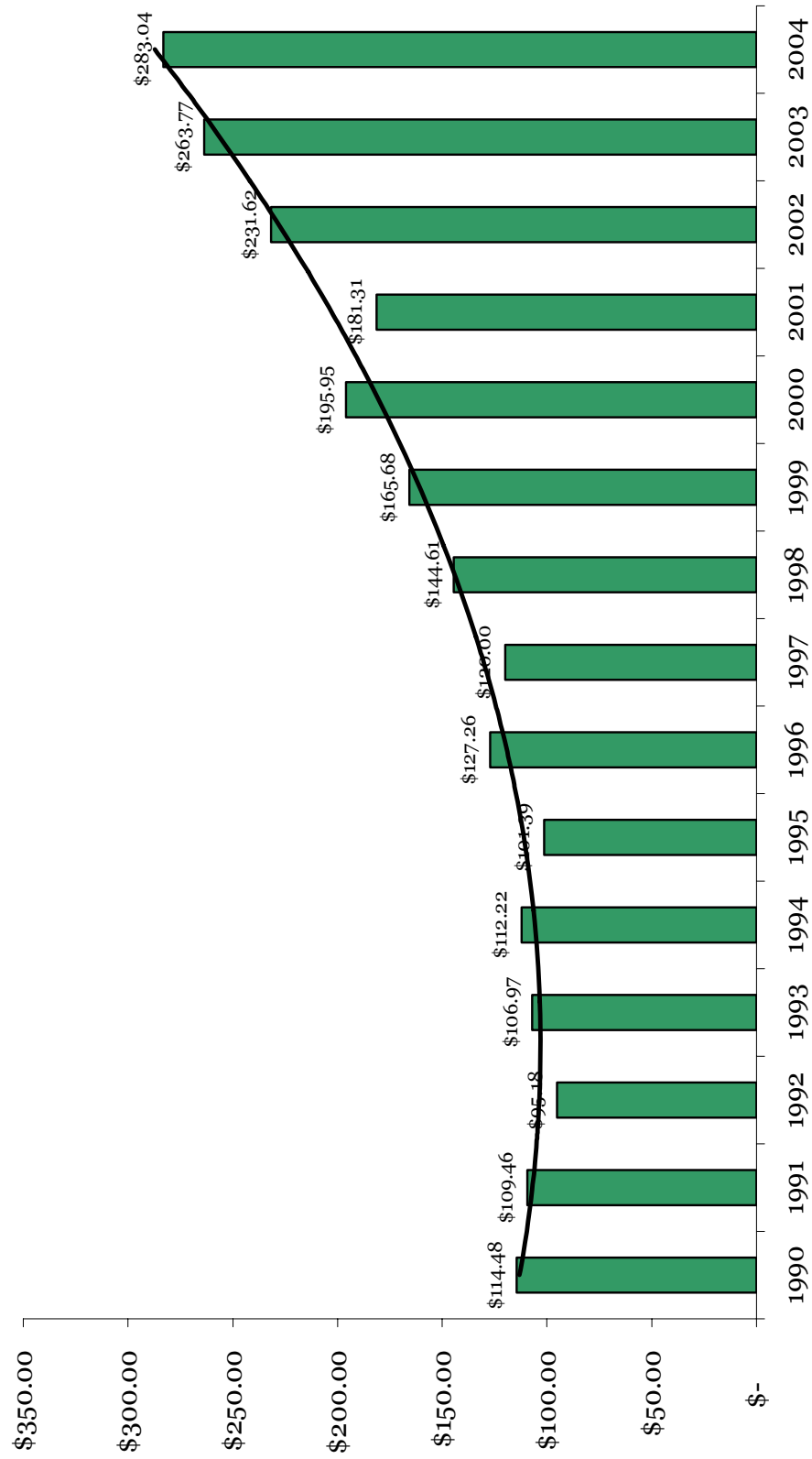
As previously stated, the Society Hill Historic District was designated in 1999, so transactions between 1990 and 2004 were examined. As previously mentioned, all condominium sales were excluded for this study. During this period, there were 773 residential real estate transactions in Census Tracts 10, which covers the area of the Society Hill Historic District. There were 620 residential real estate transactions in Census Tract 16, the tract comprising the adjacent neighborhood of Queen Village. During 1990 and 2004, there were 880 residential real estate transactions in Census Tract 11, the tract containing the southern portion of the Washington Square West neighborhood. There were 181 residential real estate transactions in Census Tract 9, the tract containing the northern portion of the Washington Square West neighborhood.

During the five years before the Society Hill Historic District was designated on the Philadelphia Register of Historic Places, the average sales price per square foot of residential real estate transactions in the area increased 45%. Since designation in 2000, the average sales price per square foot in the area appreciated almost the same amount, 44%. These figures reflect totals of annual changes in the average sales price per square foot, which is summarized in Table Four. The trendline for average sales price per square foot in the Society Hill Historic District is depicted in Graph Ten. Comparable neighborhoods have

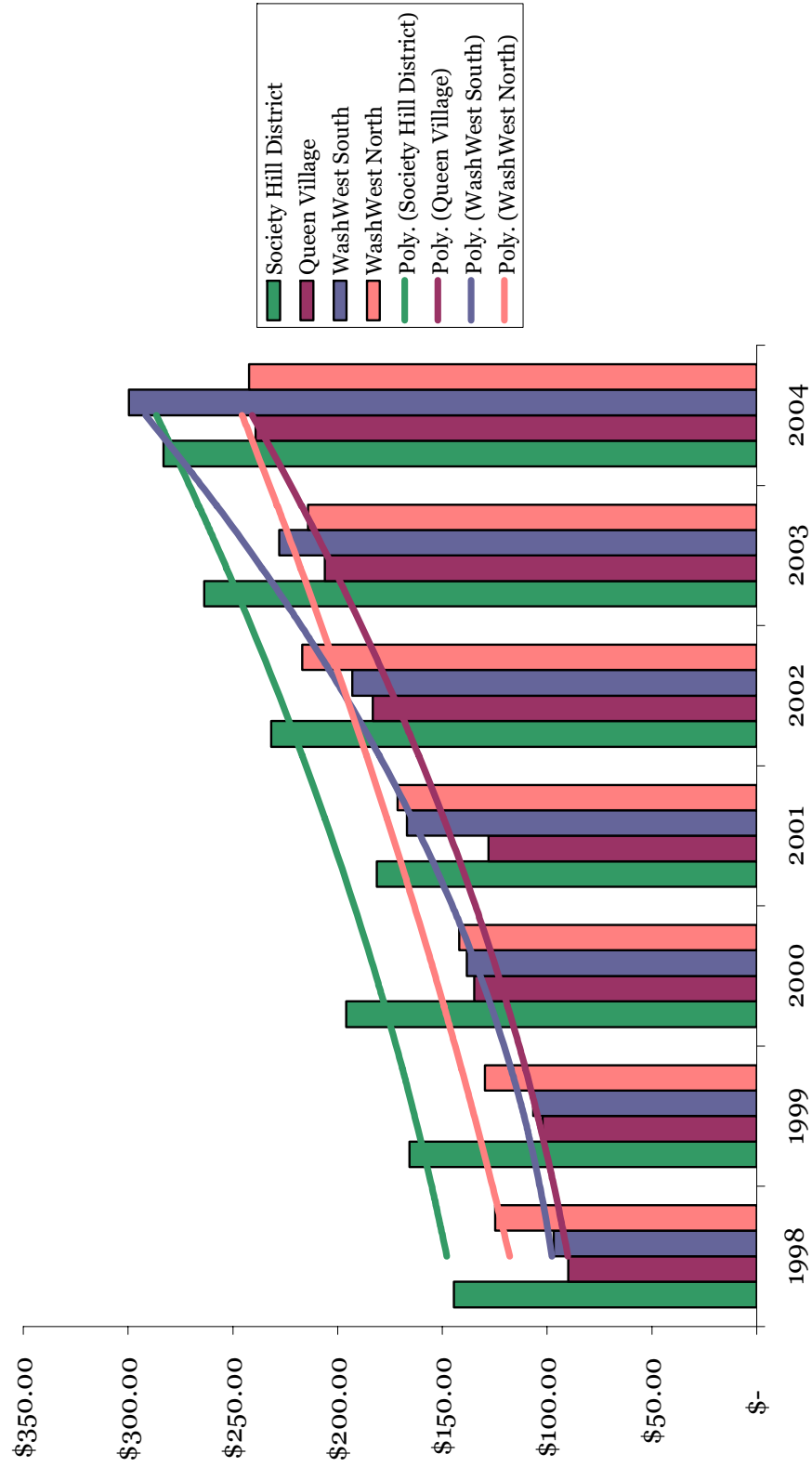
⁵⁹ The National Register district that covers Queen Village is called the Southwark District, alluding to its earliest name.

Table 4: Society Hill Historic District and Comparables						
	Society Hill			Queen Village		
	Philadelphia Register District			Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price	Number of Sales	Price per Square Foot	Change in Price
1990	19	\$ 114.48		7	\$ 73.71	
1991	18	\$ 109.46	-4.4%	8	\$ 64.52	-12.5%
1992	16	\$ 95.18	-13.0%	20	\$ 57.41	-11.0%
1993	22	\$ 106.97	12.4%	22	\$ 58.77	2.4%
1994	53	\$ 112.22	4.9%	36	\$ 79.56	35.4%
1995	38	\$ 101.39	-9.7%	33	\$ 63.40	-20.3%
1996	52	\$ 127.26	25.5%	45	\$ 75.38	18.9%
1997	84	\$ 120.00	-5.7%	42	\$ 89.63	18.9%
1998	85	\$ 144.61	20.5%	64	\$ 90.03	0.5%
1999	78	\$ 165.68	14.6%	89	\$ 102.14	13.5%
2000	62	\$ 195.95	18.3%	46	\$ 134.73	31.9%
2001	69	\$ 181.31	-7.5%	50	\$ 128.10	-4.9%
2002	55	\$ 231.62	27.7%	51	\$ 183.19	43.0%
2003	57	\$ 263.77	13.9%	63	\$ 206.08	12.5%
2004	65	\$ 283.04	7.3%	44	\$ 239.06	16.0%
	WashWest South			WashWest North		
	Comparable Neighborhood			Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price	Number of Sales	Price per Square Foot	Change in Price
1990	19	\$ 99.36		5	\$ 71.66	
1991	17	\$ 93.84	-5.6%	6	\$ 78.69	9.8%
1992	39	\$ 83.03	-11.5%	8	\$ 107.00	36.0%
1993	41	\$ 86.01	3.6%	6	\$ 89.13	-16.7%
1994	42	\$ 77.14	-10.3%	7	\$ 79.78	-10.5%
1995	49	\$ 84.70	9.8%	13	\$ 97.76	22.5%
1996	58	\$ 74.24	-12.4%	14	\$ 107.33	9.8%
1997	71	\$ 96.22	29.6%	9	\$ 91.04	-15.2%
1998	86	\$ 96.99	0.8%	19	\$ 124.90	37.2%
1999	103	\$ 106.72	10.0%	15	\$ 129.80	3.9%
2000	72	\$ 138.48	29.8%	16	\$ 141.92	9.3%
2001	70	\$ 166.93	20.5%	10	\$ 171.32	20.7%
2002	68	\$ 193.09	15.7%	22	\$ 216.93	26.6%
2003	86	\$ 227.91	18.0%	13	\$ 214.24	-1.2%
2004	59	\$ 299.58	31.4%	18	\$ 242.23	13.1%

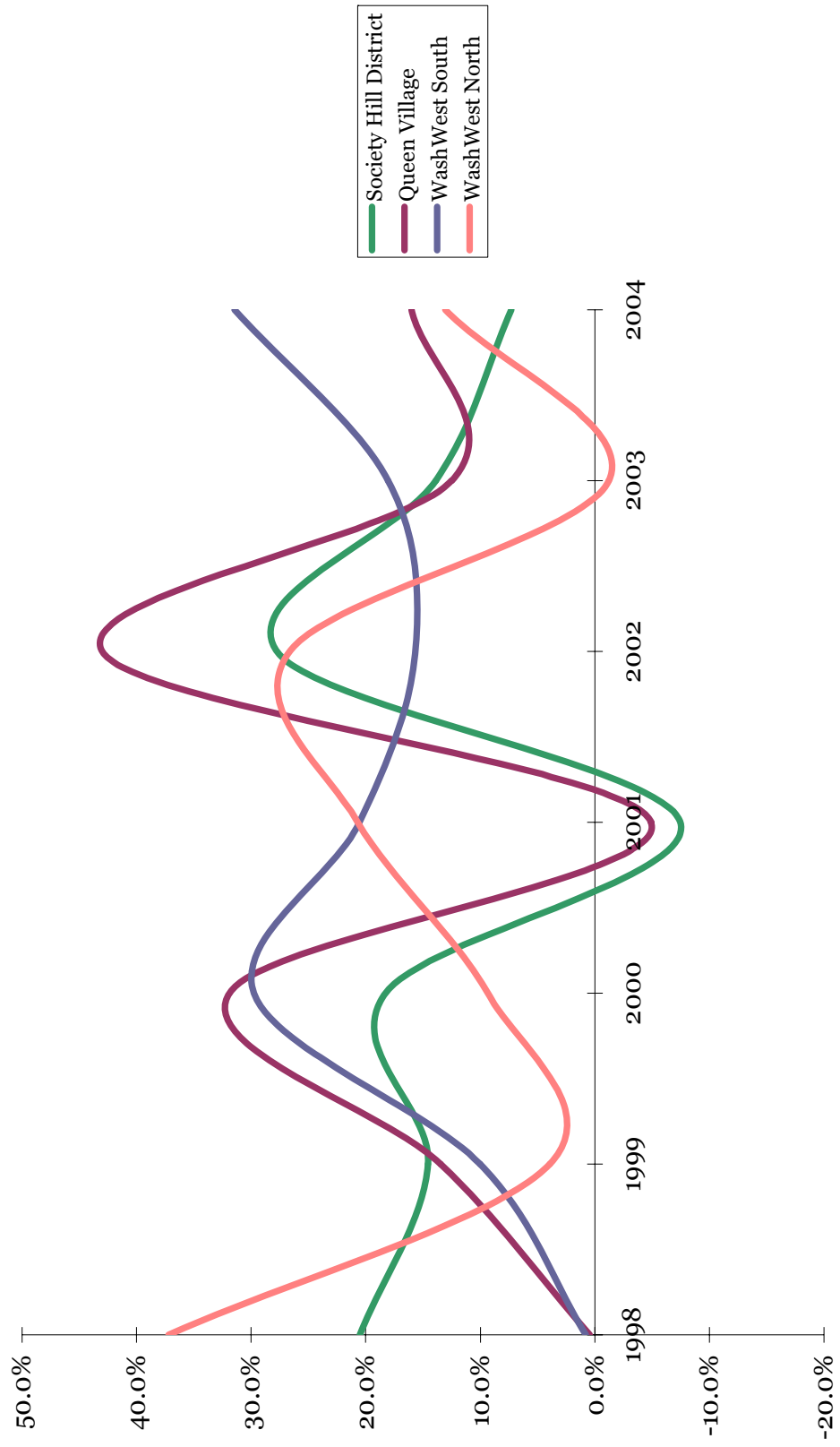
Graph 10: Property Values in the Society Hill Historic District Area
Average Selling Prices per Square Foot



*Graph 11: Society Hill Historic District Area and Comparables
Average Selling Prices per Square Foot*



Graph 12: Annual Rate of Change in Property Values



appreciated much more dramatically since 2000. The Queen Village neighborhood, which is immediately south of Society Hill, appreciated 28% during the five years before Society Hill became a Philadelphia Register historic district; since 2000, the average sales price per square foot for Queen Village has increased 77%. During the five years before 2000, property values in the northern portion of the adjacent Washington Square West neighborhoods have appreciated 63%; since 2000, property values have increased 71%. In the southern portion of the Washington Square West neighborhood, property values increased 38% during the five years before 2000; since 2000, property values have increased 71%. The trendlines of the three neighborhoods are depicted in Graph Eleven. Sales price volatility is depicted in Graph Twelve, though, like the previously discussed cases of the Girard Estate Historic District area and the Rittenhouse-Fitler Historic District area, designation does not appear to have significantly impacted price volatility. That is, the prices do not fluctuate more or less than in the comparable neighborhoods.

Like Rittenhouse-Fitler and Girard Estate, Society Hill is an example of designation resulting in stabilized property values. In the case of the Society Hill Historic District area, the rate of appreciation of property values mirrored the rate of appreciation to the two portions of the Washington Square West neighborhood.

Interestingly, the case of Society Hill may demonstrate that local historic designation can actually shield neighborhoods from the unpredictable affects of gentrification and real estate speculation. While property values in the

neighboring Queen Village area experienced a tremendous increase, Society Hill continued a steady path of appreciation. Another example of designation shielding an area from price fluctuation and speculation follows with the case of the Spring Garden Historic District; in the next chapter, the issue will be further addressed.

Chapter Eight: The Spring Garden Historic District

The last residential local historic district considered for this thesis was the Spring Garden Historic District. In this case, it was found that the average sales price per square foot in the Spring Garden Historic District area increased steadily and was insulated from large price fluctuations that affected two comparable neighborhoods.

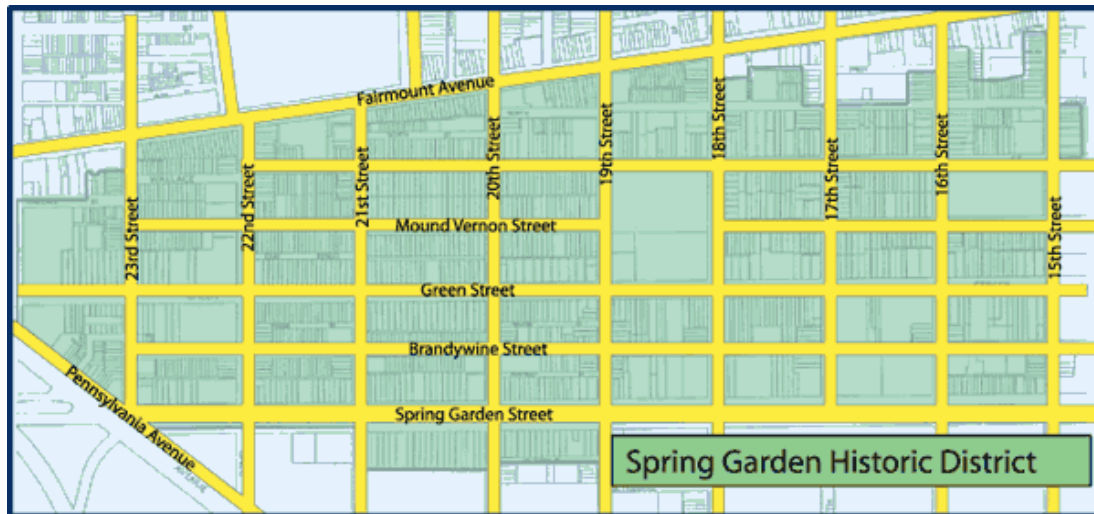
The Spring Garden Historic District is roughly bounded by Fairmount Avenue to the north, Spring Garden to the south, North 15th Street to the east, and Fairmount Park to the west. The historic fabric of the neighborhood is largely from the period 1850-1900, reflecting Philadelphia's industrial period. What endures today was largely built in two campaigns. Before 1850, the area was largely farmland, but between 1850 and 1876, speculative developers purchased large tracts of land in the area and constructed row houses for individual sale at the same time that horse-drawn streetcar service was extended to the area. Members of the Philadelphia upwardly mobile middle class moved to the neighborhood. The majority of these rowhouses were built in an Italianate style, the most common style of the neighborhood. Typical features of these structures include rusticated basements, elaborate bracketed cornices, and arched forms. Most are three stories high and two bays wide. As the area became built out, speculation slowed. Interest in the area was renewed shortly after this period, when nouveau riche industrialists remodeled existing buildings and built architect-designed mansions representative of a variety of Victorian-era revival



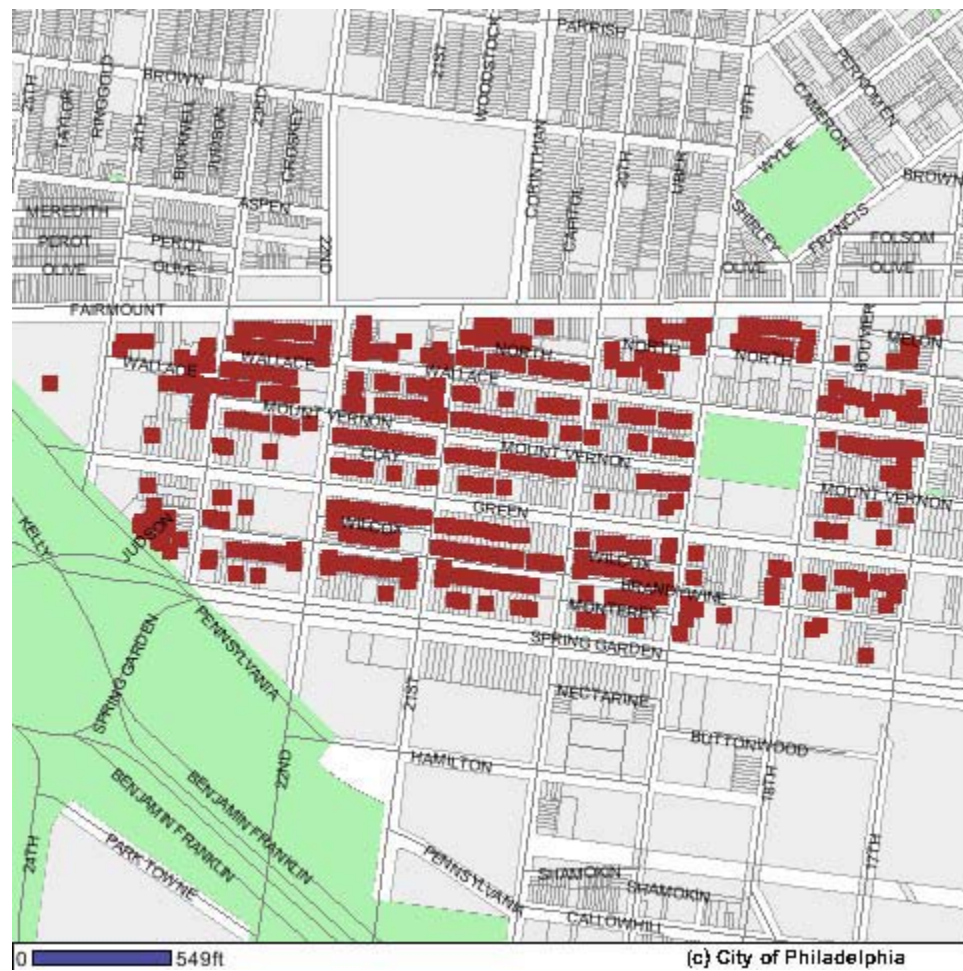
Image 9: Representative Spring Garden Historic District Streetscape



Image 10: Representative Spring Garden Historic District Streetscape



Map 16: Spring Garden Historic District
Philadelphia Historical Commission



Map 17: Census Tract 134, Spring Garden Historic District Area
Cartographic Modeling Laboratory

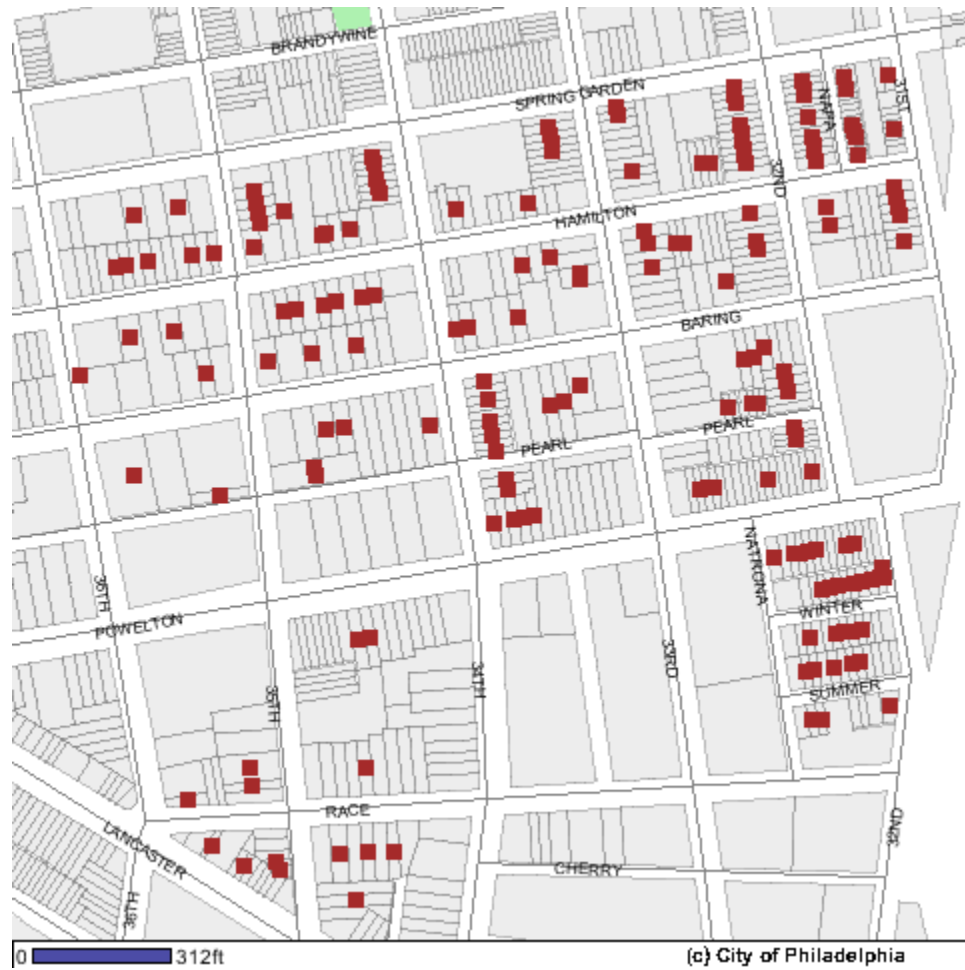
According to the neighborhood's nomination to the Philadelphia Register of Historic Places, the building of this era “expressed the individuality and exuberance in design sought by the newly rich industrialists that moved into the area.”⁶⁰

In the comparable neighborhood analysis, the Spring Hill Historic District is compared to the Fairmount and Powelton Village neighborhoods. These styles, including Second Empire, Queen Anne, Richardsonian Romanesque, Beaux Arts,



Map 18: Census Tract 136, Fairmount Comparable Area
Cartographic Modeling Laboratory

⁶⁰ Spring Garden Historic District Nomination to the Philadelphia Register of Historic Places.



Map 19: Census Tract 90, Powelton Village Comparable Area
Cartographic Modeling Laboratory

and Italian Renaissance. particular neighborhoods were chosen because of their similarity to the Spring Garden Historic District in terms of size, historical development, housing type, and proximity to Center City Philadelphia. The neighborhood of Fairmount is immediately north of the Spring Garden Historic District and although Fairmount is not locally designated, it is composed of very similar fabric to Spring Garden. Powelton Village is a listed district on the National Register of Historic Places, and is also almost entirely residential,

consists largely of a Victorian fabric. It is important to note that the Spring Garden is also a listed district on the National Register of Historic Places.

The Spring Garden Historic District was designated in 2000; therefore, non-condominium residential transactions between 1990 and 2004 were considered for this study. During this period, there were 633 residential real estate transactions in Census Tracts 134, which covers the area of the Spring Garden Historic District. There were 1969 residential real estate transactions in Census Tract 136, the tract comprising the adjacent neighborhood of Fairmount. During 1990 and 2004, there were 147 residential real estate transactions in Census 90, the tract containing Powelton Village.

During the five years before the Spring Garden Historic District was designated in 2000, the average selling price per square foot for residential properties in the area of the historic district increased 75%. Since designation, the average selling price per square foot has increased 114% in the area. These figures reflect the multiyear net change, totals of figures summarized in Table Five. Graph Thirteen depicts the trendline of this increase in property values over time. While maintaining steady appreciation rates, designation appears to have insulated the area from dramatic price fluctuations that occurred in comparable neighborhoods. In Fairmount, during the five years before 2000, property values appreciated 27%; however, since 2000, property values in Fairmount have increased an enormous 123%. On the other hand, the other comparable neighborhood, Powelton Village, experienced wild price fluctuations.

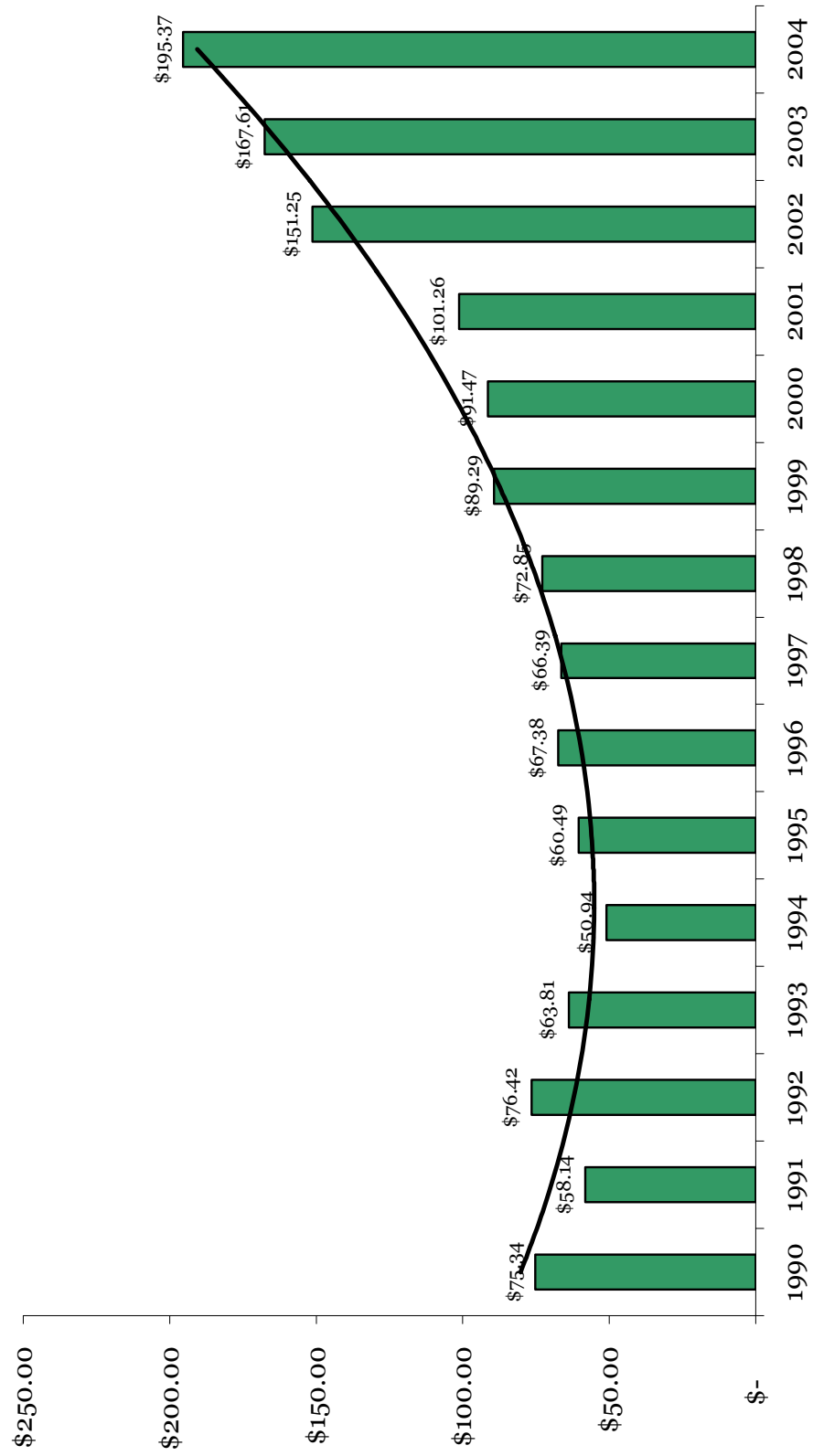
Table 5: Spring Garden Historic District and Comparables

	Spring Garden Philadelphia Register District			Fairmount Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price	Number of Sales	Price per Square Foot	Change in Price
1990	6	\$ 75.34		35	\$ 70.22	
1991	9	\$ 58.14	-22.8%	51	\$ 66.61	-5.1%
1992	24	\$ 76.42	31.4%	54	\$ 64.12	-3.7%
1993	32	\$ 63.81	-16.5%	72	\$ 67.79	5.7%
1994	41	\$ 50.94	-20.2%	70	\$ 60.79	-10.3%
1995	36	\$ 60.49	18.7%	108	\$ 55.10	-9.4%
1996	38	\$ 67.38	11.4%	96	\$ 59.43	7.9%
1997	36	\$ 66.39	-1.5%	114	\$ 66.12	11.3%
1998	52	\$ 72.85	9.7%	175	\$ 65.17	-1.4%
1999	65	\$ 89.29	22.6%	198	\$ 76.93	18.1%
2000	49	\$ 91.47	2.4%	184	\$ 93.51	21.5%
2001	74	\$ 101.26	10.7%	206	\$ 113.90	21.8%
2002	54	\$ 151.25	49.4%	216	\$ 151.34	32.9%
2003	63	\$ 167.61	10.8%	198	\$ 170.56	12.7%
2004	54	\$ 195.37	16.6%	192	\$ 208.76	22.4%

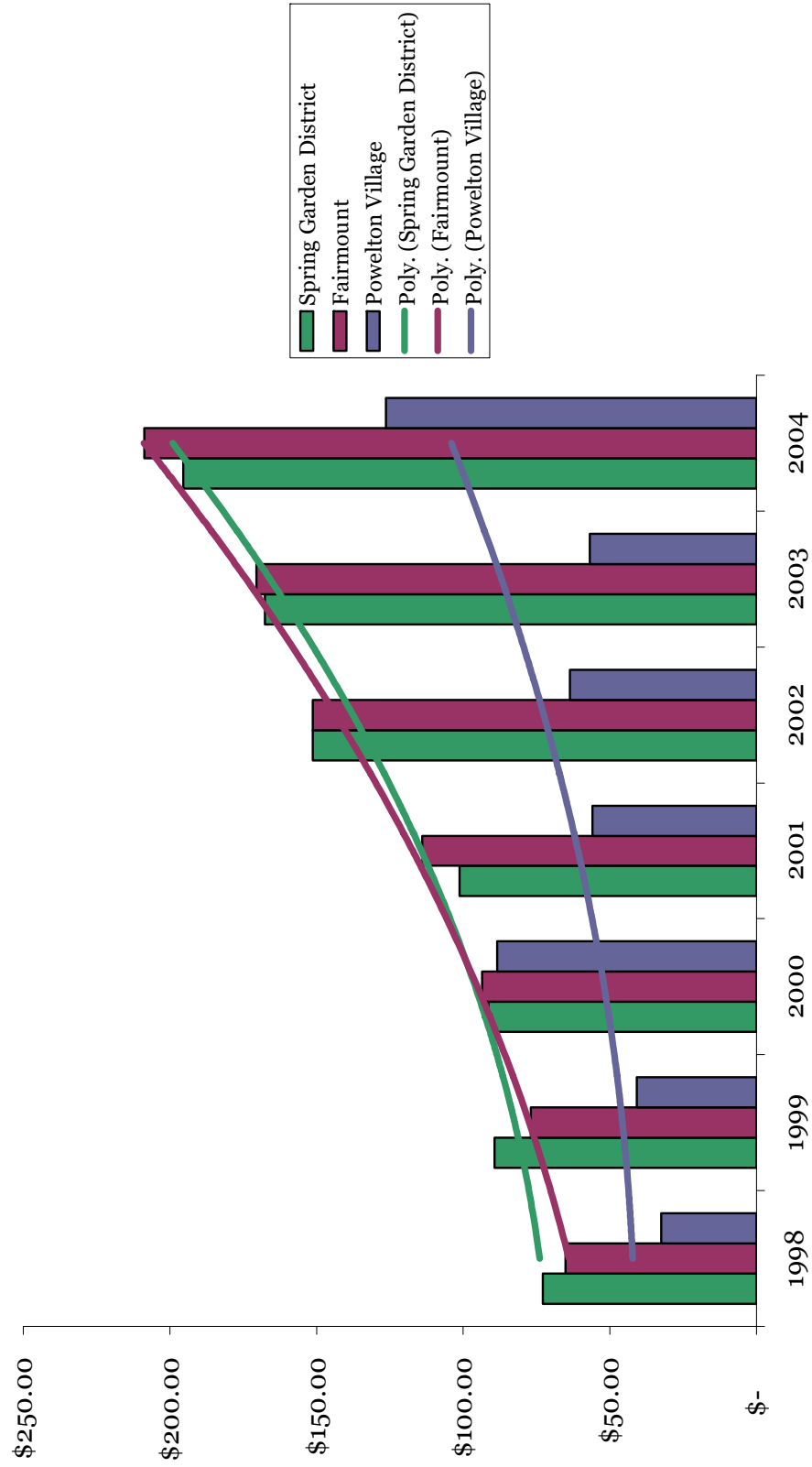
	Powelton Village Comparable Neighborhood		
	Number of Sales	Price per Square Foot	Change in Price
1990	6	\$ 43.22	
1991	2	\$ 22.42	-48.1%
1992	0	\$ -	-100.0%
1993	9	\$ 27.17	-
1994	6	\$ 14.74	-45.7%
1995	7	\$ 41.12	178.9%
1996	14	\$ 38.90	-5.4%
1997	8	\$ 37.22	-4.3%
1998	12	\$ 32.51	-12.6%
1999	17	\$ 40.83	25.6%
2000	13	\$ 88.36	116.4%
2001	15	\$ 55.91	-36.7%
2002	8	\$ 63.56	13.7%
2003	17	\$ 56.80	-10.6%
2004	13	\$ 126.31	122.4%

During the five years before 2000, property values increased 177%, however, since 2000, property values have increased 43%. The trendlines for these three districts are illustrated in Graph Fourteen. Sales price volatility is depicted in

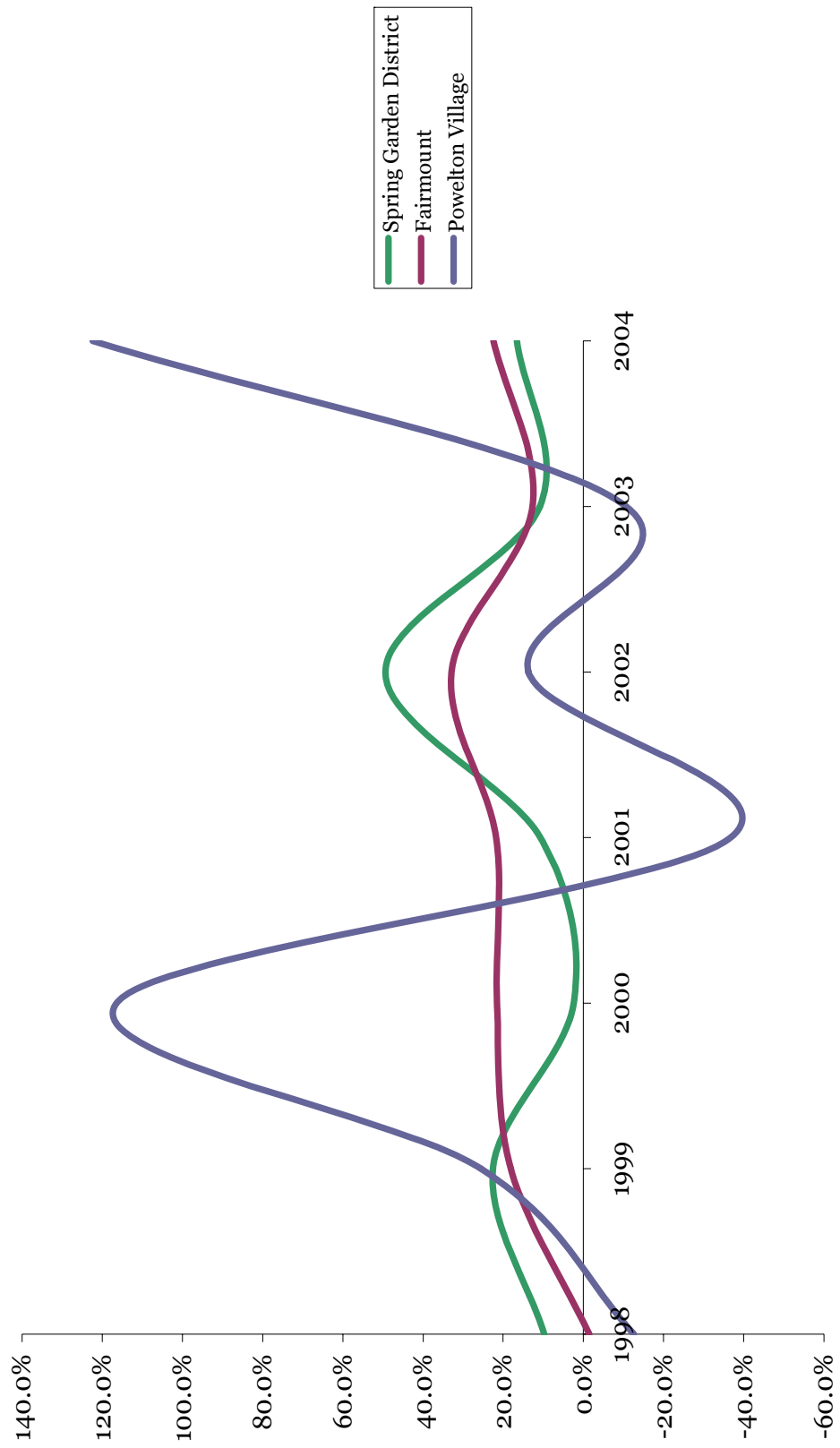
*Graph 13: Property Values in the Spring Garden Historic District Area
Average Selling Prices per Square Foot*



*Graph 14: Spring Garden Historic District Area and Comparables
Average Selling Prices per Square Foot*



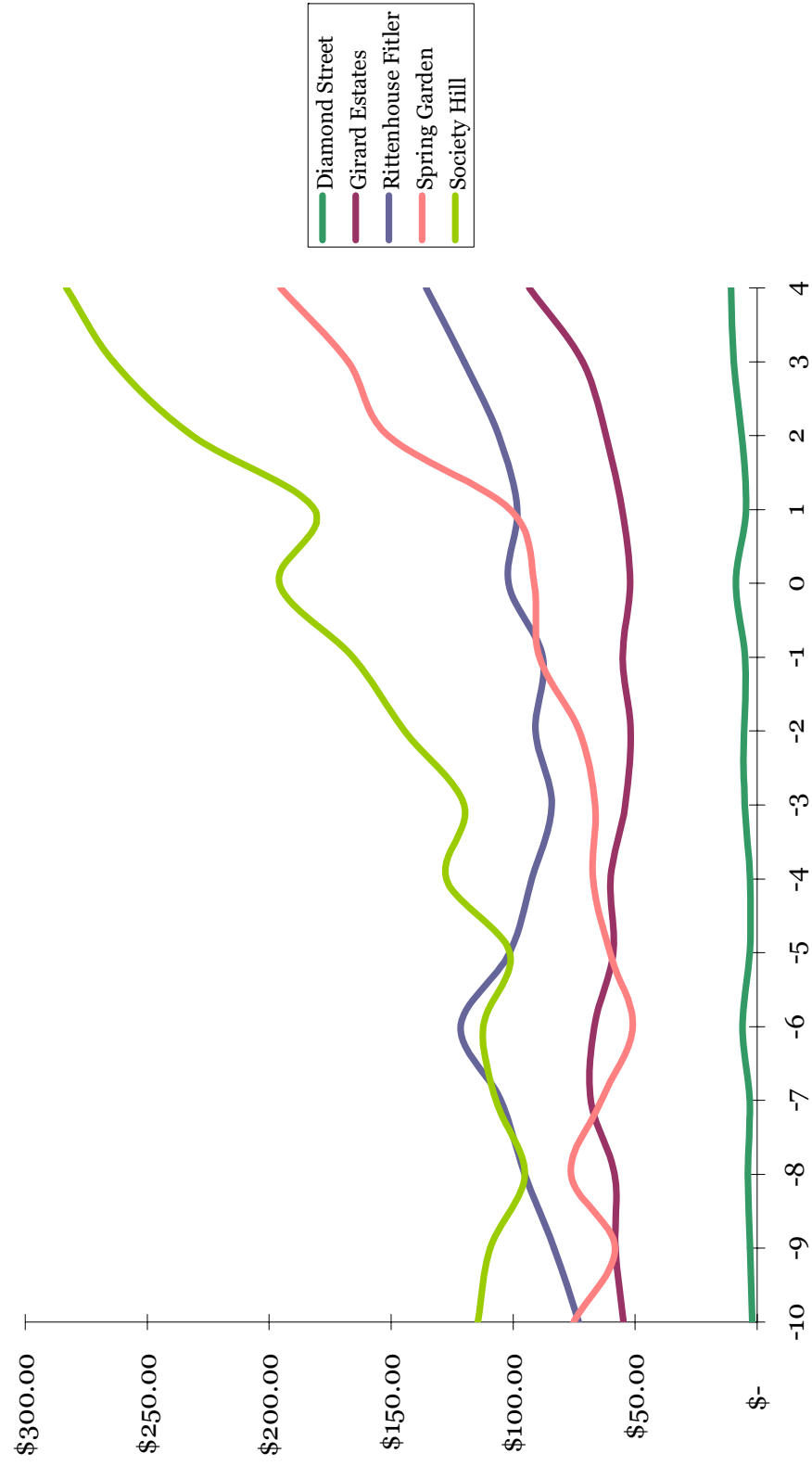
Graph 15: Annual Rate of Change in Property Values



Graph Fifteen, though, like all of the previous districts with the exception of Diamond Street, designation does not appear to have significantly impacted price volatility.

Like Society Hill, the case of Spring Garden illustrates that designation may protect a neighborhood from wild fluctuations in the market caused by residential real estate speculation. Powelton Village and Fairmount both experienced tremendous shifts up and down in property values, the Spring Garden Historic District area experienced a steady, paced appreciation. Both the cases of Society Hill and Spring Garden refute the premise the high level of renovation required by local historic designation results unequivocally in rapid property value increases and subsequent gentrification, a process which displaces existing residents with newer and wealthier residents. In both of these cases, the historically designated neighborhood was insulated from enormous increases in property value as occurred in comparable neighborhoods, while still maintaining a steady level of appreciation. Earlier in this thesis, it was argued that designation can not singularly lead to displacement since it is typically the result of a variety of market factors; now it may be posited that local historic designation shields against rapid gentrification and displacement. The regulatory codes associated with historic districts may prevent some of the price speculation that causes rapid price appreciation and depreciation.

Graph 16: Property Values Ten Years before Districting and Four Years After Districting, Average Selling Prices per Square Foot



Graph 17: Property Values: 1990-2004
Average Selling Prices per Square Foot

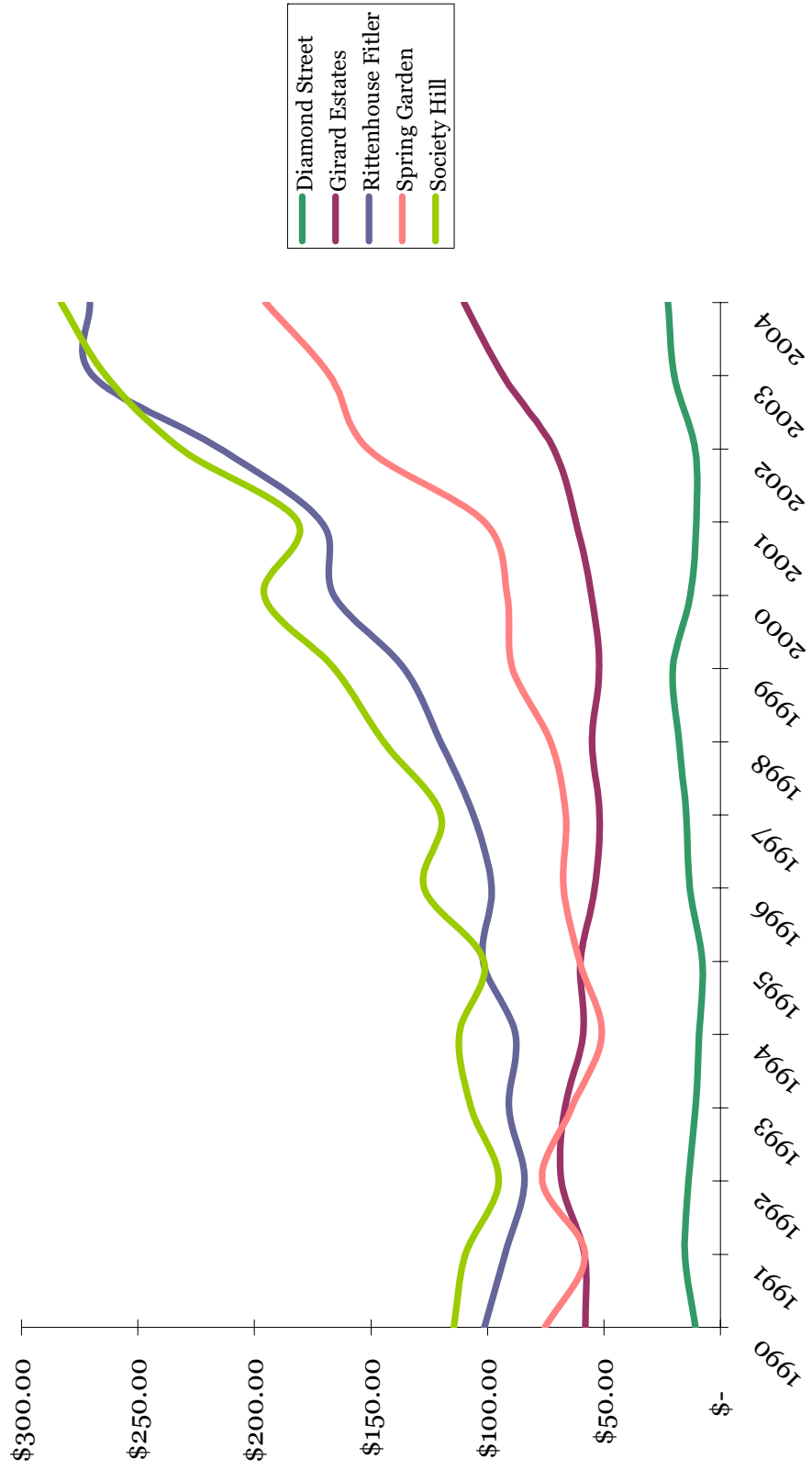


Table 6: Average Property Prices by Square Foot: Ten Years before Designation and All Subsequent Years

Diamond Street		Diamond Street (NR)		Girard Estates		Girard Estates (North)		Girard Estates (East)		Rittenhouse		Wash West South		Wash West North		Spring Garden		Fairmount		Powelton Village		Society Hill		Queen Village	
Diamond Street	Diamond Street (NR)	Girard Estates	Girard Estates (North)	Girard Estates (East)	Rittenhouse	Wash West South	Wash West North	Spring Garden	Fairmount	Powelton Village	Society Hill	Queen Village													
1976	\$ 2.06	\$ 3.25	-	-	-	-	-	-	-	-	-	-													
1977	\$ 2.87	\$ 3.27	-	-	-	-	-	-	-	-	-	-													
1978	\$ 3.79	\$ 3.64	-	-	-	-	-	-	-	-	-	-													
1979	\$ 3.11	\$ 4.35	-	-	-	-	-	-	-	-	-	-													
1980	\$ 5.95	\$ 12.89	-	-	-	-	-	-	-	-	-	-													
1981	\$ 3.15	\$ 4.48	-	-	-	-	-	-	-	-	-	-													
1982	\$ 2.93	\$ 3.55	-	-	-	-	-	-	-	-	-	-													
1983	\$ 5.15	\$ 3.64	-	-	-	-	-	-	-	-	-	-													
1984	\$ 5.19	\$ 3.97	-	-	-	-	-	-	-	-	-	-													
1985	\$ 4.94	\$ 4.08	-	-	-	\$ 73.16	\$ 103.91	\$ 140.62	-	-	-	-													
1986	\$ 8.68	\$ 13.01	-	-	-	\$ 83.20	\$ 88.29	\$ 94.97	-	-	-	-													
1987	\$ 4.52	\$ 7.27	-	-	-	\$ 95.27	\$ 83.77	\$ 115.10	-	-	-	-													
1988	\$ 6.33	\$ 4.92	-	-	-	\$ 104.97	\$ 92.19	\$ 82.61	-	-	-	-													
1989	\$ 9.66	\$ 6.69	\$ 54.72	\$ 35.16	\$ 62.59	\$ 121.44	\$ 115.50	\$ 106.94	-	-	-	-													
1990	\$ 10.64	\$ 5.92	\$ 58.06	\$ 38.96	\$ 60.28	\$ 101.32	\$ 99.36	\$ 71.66	\$ 70.22	\$ 43.22	\$ 114.48	\$ 73.71													
1991	\$ 15.30	\$ 9.53	\$ 58.39	\$ 36.07	\$ 63.10	\$ 92.40	\$ 93.84	\$ 78.69	\$ 66.61	\$ 22.42	\$ 109.46	\$ 64.52													
1992	\$ 13.65	\$ 7.20	\$ 68.22	\$ 31.85	\$ 56.35	\$ 84.13	\$ 83.03	\$ 107.00	\$ 64.12	\$ -	\$ 95.18	\$ 57.41													
1993	\$ 10.71	\$ 18.19	\$ 66.70	\$ 34.76	\$ 59.17	\$ 90.80	\$ 86.01	\$ 89.13	\$ 67.79	\$ 27.17	\$ 106.97	\$ 58.77													
1994	\$ 9.08	\$ 6.73	\$ 58.98	\$ 33.45	\$ 46.81	\$ 87.86	\$ 77.14	\$ 79.78	\$ 60.79	\$ 14.74	\$ 112.22	\$ 79.56													
1995	\$ 7.78	\$ 8.30	\$ 60.02	\$ 34.11	\$ 59.82	\$ 101.91	\$ 84.70	\$ 97.76	\$ 55.10	\$ 41.12	\$ 101.39	\$ 63.40													
1996	\$ 13.13	\$ 12.16	\$ 53.98	\$ 32.86	\$ 56.46	\$ 98.27	\$ 74.24	\$ 107.33	\$ 59.43	\$ 38.90	\$ 127.26	\$ 75.38													
1997	\$ 14.65	\$ 18.78	\$ 51.87	\$ 32.46	\$ 49.85	\$ 106.00	\$ 96.22	\$ 91.04	\$ 66.12	\$ 37.22	\$ 120.00	\$ 89.63													
1998	\$ 17.82	\$ 9.33	\$ 55.11	\$ 32.37	\$ 62.33	\$ 120.12	\$ 96.99	\$ 124.90	\$ 65.17	\$ 32.51	\$ 144.61	\$ 90.03													
1999	\$ 20.32	\$ 8.98	\$ 51.97	\$ 32.44	\$ 58.00	\$ 135.73	\$ 106.72	\$ 129.80	\$ 76.93	\$ 40.83	\$ 165.68	\$ 102.14													
2000	\$ 12.99	\$ 10.37	\$ 55.25	\$ 33.48	\$ 54.95	\$ 165.94	\$ 138.48	\$ 141.92	\$ 93.51	\$ 88.36	\$ 195.95	\$ 134.73													
2001	\$ 10.30	\$ 12.58	\$ 61.98	\$ 34.87	\$ 55.56	\$ 171.21	\$ 166.93	\$ 171.32	\$ 113.90	\$ 55.91	\$ 181.31	\$ 128.10													
2002	\$ 10.86	\$ 9.23	\$ 71.52	\$ 36.63	\$ 67.66	\$ 214.51	\$ 193.09	\$ 216.93	\$ 151.34	\$ 63.56	\$ 231.62	\$ 183.19													
2003	\$ 19.80	\$ 8.64	\$ 93.36	\$ 40.88	\$ 85.10	\$ 269.53	\$ 227.91	\$ 214.24	\$ 170.56	\$ 56.80	\$ 263.77	\$ 206.08													
2004	\$ 22.50	\$ 12.41	\$ 110.01	\$ 54.43	\$ 107.98	\$ 270.62	\$ 299.58	\$ 242.23	\$ 208.76	\$ 126.31	\$ 283.04	\$ 239.06													

Table 7: Change in Prices by Square Foot: Ten Years before Designation and All Subsequent Years

Diamond Street		Diamond Street (NR)		Girard Estates		Girard Estates (North)		Girard Estates (East)		Rittenhouse Fittler		Wash West South		Wash West North		Spring Garden		Fairmount		Powelton Village		Society Hill		Queen Village	
1976	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1977	38.9%	0.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1978	32.1%	11.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1979	-17.7%	19.6%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1980	91.0%	195.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1981	-47.0%	-65.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1982	-6.9%	-20.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1983	75.4%	2.6%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1984	0.8%	9.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1985	-4.8%	2.8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1986	75.7%	218.9%	-	-	-	13.7%	-15.0%	-32.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1987	-47.9%	-44.1%	-	-	-	14.5%	-5.1%	21.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1988	40.2%	-32.3%	-	-	-	10.2%	10.1%	-28.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1989	52.5%	35.9%	-	-	-	15.7%	25.3%	29.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1990	10.2%	-11.4%	6.1%	10.8%	-3.7%	-16.6%	-14.0%	-33.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1991	43.7%	60.9%	0.6%	-7.4%	4.7%	-8.8%	-5.6%	9.8%	-22.8%	-5.1%	-48.1%	-4.4%	-12.5%	-	-	-	-	-	-	-	-	-	-	-	-
1992	-10.7%	-24.5%	16.8%	-11.7%	-10.7%	-9.0%	-11.5%	36.0%	31.4%	-3.7%	-100.0%	-13.0%	-11.0%	-	-	-	-	-	-	-	-	-	-	-	-
1993	-21.6%	152.6%	-2.2%	9.2%	5.0%	7.9%	3.6%	-16.7%	-16.5%	5.7%	-	12.4%	2.4%	-	-	-	-	-	-	-	-	-	-	-	-
1994	-15.1%	-63.0%	-11.6%	-3.8%	-20.9%	-3.2%	-10.3%	-10.5%	-20.2%	-10.3%	-45.7%	4.9%	35.4%	-	-	-	-	-	-	-	-	-	-	-	-
1995	-14.4%	23.3%	1.8%	2.0%	27.8%	16.0%	9.8%	22.5%	18.7%	-9.4%	178.9%	-9.7%	-20.3%	-	-	-	-	-	-	-	-	-	-	-	-
1996	68.9%	46.5%	-10.1%	-3.7%	-5.6%	-3.6%	-12.4%	9.8%	11.4%	7.9%	-5.4%	25.5%	18.9%	-	-	-	-	-	-	-	-	-	-	-	-
1997	11.6%	54.4%	-3.9%	-1.2%	-11.7%	7.9%	29.6%	-15.2%	-1.5%	11.3%	-4.3%	-5.7%	18.9%	-	-	-	-	-	-	-	-	-	-	-	-
1998	21.6%	-50.3%	6.2%	-0.3%	25.0%	13.3%	0.8%	37.2%	9.7%	-1.4%	-12.6%	20.5%	0.5%	-	-	-	-	-	-	-	-	-	-	-	-
1999	14.0%	-3.7%	-5.7%	0.2%	-7.0%	13.0%	10.0%	3.9%	22.6%	18.1%	25.6%	14.6%	13.5%	-	-	-	-	-	-	-	-	-	-	-	-
2000	-36.1%	15.4%	6.3%	3.2%	-5.3%	22.3%	29.8%	9.3%	2.4%	21.5%	116.4%	18.3%	31.9%	-	-	-	-	-	-	-	-	-	-	-	-
2001	-20.7%	21.4%	12.2%	4.1%	1.1%	3.2%	20.5%	20.7%	10.7%	21.8%	-36.7%	-7.5%	-4.9%	-	-	-	-	-	-	-	-	-	-	-	-
2002	5.4%	-26.6%	15.4%	5.0%	21.8%	25.3%	15.7%	26.6%	49.4%	32.9%	13.7%	27.7%	43.0%	-	-	-	-	-	-	-	-	-	-	-	-
2003	82.2%	-6.4%	30.5%	11.6%	25.8%	25.6%	18.0%	-1.2%	10.8%	12.7%	-10.6%	13.9%	12.5%	-	-	-	-	-	-	-	-	-	-	-	-
2004	13.6%	43.6%	17.8%	33.1%	26.9%	0.4%	31.4%	13.1%	16.6%	22.4%	122.4%	7.3%	16.0%	-	-	-	-	-	-	-	-	-	-	-	-

Conclusion

This thesis was formulated to explore the tension between the negative and positive externalities of local historic districting in Philadelphia, as reflected in property values. There are those who maintain that the encumbrances resulting from historic district designation result in a loss in economic value. Meanwhile, many in the preservation field are quick to cite the plethora of studies attributing increases in property values in historic districts to designation. This thesis was an honest attempt to explore this externality tension in Philadelphia. Using data retrieved from residential real estate transaction data from the Cartographic Modeling Laboratory of the University of Pennsylvania, the selling price per square foot in historically designated census tracts was compared with prices in comparable undesignated neighborhoods, and also examined over time.

Strong and clear increases in property values after designation were documented in all five of the neighborhoods studied. Graph 16 and 17 best illustrate the increases. In the case of the Diamond Street Historic District area, located in distressed North Philadelphia, there is evidence that historic designation may have assisted property value appreciation and shielded properties from high levels of price fluctuation, which plagued an adjacent National Register neighborhood. In the Girard Estate Historic District area, property values moderately out-performed the rate of appreciation of comparable neighborhoods as a result of local historic district designation. In the Rittenhouse-Fitler neighborhood, one of the city's most fashionable and affluent

residential areas, it was found that trends in the average selling price per square foot of residential properties in the Rittenhouse-Fitler historic district area corresponded with trends in two census tracts consisting of an adjacent neighborhood, which is historic but not listed on the Philadelphia Register of Historic Places. In the case of the prestigious Society Hill Historic District area, it was found that designation was followed by increases in property values consistent with pre-designation rates of appreciation, indicating that designation was a factor in increased neighborhood stability. Finally, in the up-and-coming Spring Garden Historic District area, it was found that the average sales price per square foot in the Spring Garden Historic District area increased steadily and was insulated from large price fluctuations that affected two comparable neighborhoods.

This thesis does not suggest that the positive changes in property values in the study areas can be singularly attributed to local district designation. As previously discussed, myriad factors determine property values, ranging from school quality to proximity to the nearest grocery store. However, the comparable neighborhoods study makes it possible to suggest where designation may play a part in changes in neighborhood economics.

Many of the popular myths about local historic district designation were found to be unequivocally untrue in Philadelphia. In none of the cases examined, did property values decrease, either in real terms or when compared to trends in comparable neighborhoods. In none of the cases did wild fluctuations in property value occur. In none of the cases were property values frozen. In none

of the cases would a homeowner have likely to have lost money on a property because of designation on the Philadelphia Register of Historic Places.

It is important to note that three of the five districts were designated in the last five years; as time passes, knowledge about the historic district is disseminated, interest rates increase, and the real estate cycle shifts downward, only time will tell if the designated area maintains its strong position. Further study is needed to determine if historically designated properties resist downturns in the ambient market, as has been suggested by others.

Finally, one caveat: in any study of the economic impact of historic preservation, it is important to remember that local historic districts are not created solely for their economic impact. Buildings and districts are designated because of their cultural value to a community. Districts are not and should not be designated with only economic gain in mind. It is, however, entirely reasonable for property owners to be concerned about the effects of designation on their property's value. This thesis found that designation was followed by positive effects for property values. Since designation seems to not be pursued in some cases in Philadelphia at least partially because of misinformation about economics, it is hoped that this thesis will contribute to this dialogue.

Appendix A.1: City Council Bill #04003



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 040003

Introduced January 22, 2004

Councilmember Blackwell

**Referred to the
Committee on Rules**

AN ORDINANCE

Amending Title 14 of The Philadelphia Code (Zoning and Planning) by amending Chapter 14-2007 (Historic Buildings, Structures, Sites, Objects and District) to require that the Historical Commission make recommendations to City Council and the Mayor regarding the designation of districts of the City as historic; providing for designation of historic districts by ordinance; and amending the procedures for such designations; all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

Section 1. Title 14 of The Philadelphia Code is amended as follows:

TITLE 14. ZONING AND PLANNING.

* * *

CHAPTER 14-2000. SPECIAL CONTROLS IN AREAS ABUTTING PARKWAYS, HISTORICAL SHRINES AND CIVIC PROJECTS.

* * *

§ 14-2007. Historic Buildings, Structures, Sites, Objects and Districts.

* * *

(2) Definitions. The following words and phrases shall have the meaning ascribed to them in this section:

* * *

City of Philadelphia

BILL NO. 040003 continued

(k) Historic district, object, site or structure. A district, object, site or structure which is designated [by the Commission] *as historic* pursuant to this section.

* * *

(4) Powers and Duties of the Commission. The powers and duties of the Philadelphia Historical Commission shall be as follows:

* * *

(b) [Delineate] *Make recommendations to the Mayor and City Council concerning the delineation of the boundaries of [and designate as historic] those districts which the Commission determines, pursuant to the criteria set forth in Subsection (5) of this Section, [are significant to the City] should be designated as historic;*

* * *

(6) Public Notice and Meeting:

* * *

(b) At least sixty (60) days before [holding a] *the Commission or any committee of the Commission holds any public hearing or meeting to consider the proposed designation of a district as historic, the Commission shall send written notice of [the proposed designation] its intent to hold such hearing or meeting to the owners of each building, structure, site or object within the proposed district. The notice shall indicate the purpose of the particular hearing or meeting as well as the date, time and place of the hearing or [public] meeting [at which the Commission will consider the proposed designation]. Notice shall be sent to the registered owner's last known address as it appears in the real estate tax records of the Department of Revenue and sent to "Owner" at the street address of the property in question. The Commission shall publish notice of the [proposed designation of a district as historic] public hearing or meeting in a newspaper having general circulation within the City at least sixty (60) days before the hearing or meeting [Commission holds a public meeting to consider the proposed designation]. The Commission shall post notice of the public hearing or meeting [proposed designation] at locations within the proposed district at least sixty (60) days before the hearing or meeting [public meeting to consider the proposed designation].*

* * *

(d) During the sixty days prior to a Commission hearing on *whether to recommend* designation of a particular historic district, the City Planning Commission

City of Philadelphia

BILL NO. 040003 continued

shall review and comment on creation of the district and transmit its comments to the Historical Commission to assist the Commission in making its determination.

(e) *The Commission shall provide City Council and the Mayor with its recommendation with respect to the designation of a particular historic district, along with the reasons for its recommendation. The Commission shall also provide a copy of the recommendation to the Commissioner of Licenses and Inspections. Council shall act on the recommendation by ordinance as it deems appropriate.*

(f) The Commission shall send written notice of the designation as historic of a building, structure, site[,] or object[, or district] to the owners of each separately designated building, structure, site or object and, *upon an ordinance designating a particular district as historic becoming law*, to the owners of each building, structure, site, or object within *such* [a] district [designated historic], which shall include reasons for the designation. Notice shall be sent to the registered owner's last known address as the same appears in the real estate tax records of the Department of Revenue and sent to the "Owner" at the street and address of the property in question. The Commission shall send written notice of historic designation to any person appearing at the public hearing who requests notification.

[(f)] (g) * * *

[(g)] (h) * * *

(7) Permits:

* * *

(1) The Department shall not issue any permit for the demolition, alteration or construction of any building, structure, site or object which is being considered by the Commission for designation as historic [or which is located within a district being considered by the Commission for designation as historic where] *when* the permit application is filed on or after the date that notices of proposed designation have been mailed, except that the Department may issue a permit if the Commission has approved the application or has not taken final action on the designation and more than ninety (90) days have elapsed from the date the permit application was filed with the [Commission] *Department*. [Where] *When* the Commission takes final action on designation within the time allotted herein, any permit application on file with the Department shall be deemed to have been filed after the date of the Commission's action for purposes of this section.

(m) *The Department shall not issue any permit for the demolition, alteration or construction of any building, structure, site or object located within a district which*

City of Philadelphia

BILL NO. 040003 continued

the Commission has formally recommended for designation as historic when the permit application is filed on or after the date on which the Commission provides the Mayor and City Council with its recommendation for designation, except that the Department may issue a permit if the Commission has approved the application or the district has not been designated and more than ninety (90) days have elapsed from the date the permit application was filed with the Department. When the district has been designated within the ninety (90) day period, any permit application on file with the Department shall be deemed to have been filed after the date of designation.

* * *

Section 2. The districts designated as historic by the Historical Commission prior to the time of adoption of this ordinance shall remain so designated, unless such designation is removed by ordinance.

Section 3. Property Exemption. Any property that has been identified as part of any urban renewal plan, any city Neighborhood Transformation Initiative development plan, and/or any city redevelopment project shall be exempted from being designated by the Historical Commission.

Section 4. Any districts which application has not yet been approved but has an application pending before the Historical Commission prior to the time of adoption of this ordinance shall be required to comply with the provisions set forth above.

Explanation:

[Brackets] indicate matter deleted.
Italics indicate new matter added.

Appendix A.2: Excerpts from the Historic Preservation Task Force Report

Executive Summary

Founded in 1682 by William Penn, Philadelphia contains unparalleled historical resources that span over three centuries of the cultural, social, political, economic and architectural history of the city, the commonwealth and the nation. As the birthplace of American Independence, Philadelphia's importance to the history of the United States was and is unequalled by any other American city.

The historic buildings and districts of Philadelphia are among the city's defining features. They make visible the city's rich development history, and provide one of the most complete textbooks in the country on the evolution of American architecture. The historic sites celebrate the important people and events associated with the city and the nation. As a result, Philadelphia is a city with genuine character, in growing contrast to the homogenization of most of America's urban areas. This character is important to residents' sense of place, and to the economic attractiveness of the city. It differentiates Philadelphia from all other cities, underpins its hospitality industry, and offers a quality of life that attracts and retains many of those who live and work in the region.

The formal process of maintaining a Philadelphia Register of Historic Places (Register) plays an important role in preserving the city's historic resources. In 1955, the council and mayor created the Philadelphia Historical Commission, and a major set of amendments in 1985 created the ground rules now in place for the Commission. Currently the Commission has the power to designate historic buildings, structures, sites objects and districts for inclusion on the register. Once included, the commission must approve any changes to their appearance. To date, over 5,000 individually listed properties, in all neighborhoods of the city, and nine historic districts have been designated and are included on the Philadelphia Register.

The nine current historic districts in the city (and the year of their designation) are:

- ❖ Diamond Street Historic District (1986)
- ❖ League Island Park Historic District (1986)
- ❖ Park Avenue (Mall) Historic District (1990)
- ❖ Rittenhouse-Fitler Residential Historic District (1995)
- ❖ Historic Street Paving Historic District (1998)
- ❖ Girard Estate Historic District (1999)
- ❖ Society Hill Historic District (2000)
- ❖ Spring Garden Historic District (2000)
- ❖ Old City Historic District (2004)

A 14 member Philadelphia Historical Commission that consists of 8 appointed members and 6 ex officio members administers the Philadelphia Register. The Commission staff includes four professionals and one administrative assistant, working under the direction of an executive director.

Over the past several years, a number of issues have arisen concerning the creation of historical districts. Concerns have also been voiced about the impacts of designation of historic districts. In response, Councilwoman Jannie Blackwell created a Task Force to consider the issues and make recommendations to her and the Philadelphia City Council. The Task Force was asked to address the following issues:

- ❖ How to ensure that the process for nominating and considering the designation of historic districts is as inclusive as possible, and that full consideration is given to the impacts of designation on the broad range of owners and residents of the affected community.
- ❖ Whether significant financial burdens are imposed on property owners in designated areas by historic district standards, and if so, how these burdens might be mitigated, particularly for low-income owners and residents.
- ❖ How to ensure that historic district requirements are not an impediment to the Neighborhood Transformation Initiative (“NTI”) efforts, and to ensure that there is coordination between the activities of the Historical Commission staff and the NTI staff.

The Task Force became informed about the issues by seeking public input, soliciting the advice of experts, and by sharing its internal experiences. As a result of this process, this report contains sixteen recommendations to improve the historical district designation process and the general workings and administration of the Historical Commission. Each of these recommendations is designed to stand alone; that is, the implementation of any or all of these recommendations will, we believe, enhance the ability of the Historical Commission and its staff to respond to the needs of preserving Philadelphia’s architectural treasures as well as making the district designation process as open and transparent as possible.

We found that there was a fundamental lack of information about historic preservation, and in particular about the designation process, and procedures for obtaining permission for improvements to properties in historic districts. There is a need for a continuous process of public education about historic preservation, as well as some changes to the notification process to property owners about proposed historic districts. We also found that there is a need for the Historical Commission to become more “customer service oriented” and to change its image

to reflect the fact that it serves as a technical resource for property owners, and not simply a regulatory agency.

Historic preservation has many diverse purposes and rewards, which include the fostering of civic beauty and community pride and the appreciation of local and national history. The process of creating historic districts should be a force for building communities, rather than dividing them. The benefits of such districts accrue to all owners, but those affected must also have the ability to participate in decisions of districts, and there must be fair treatment of all homeowners. Low and moderate income homeowners, in particular, must have resources, through savings, grants, loans, tax credits or other tax incentives, to help them realize the benefits of historic preservation.

This report of the Task Force represents its considered opinions and advice. It is addressed to the members of City Council, the Mayor, and the Historical Commission, in the interest of improving the process of managing the city's historic resources.

Summary of Recommendations

1. Formal procedures need to be adopted to ensure that there are greater opportunities for input by property owners and residents at early stages of the historic district designation process. These procedures are spelled out in greater detail below.
2. The Historical Commission should undertake an overview of the city's historic resources with the intention of identifying areas that might in the future be considered possible historic districts. Such a process would develop criteria for districts, and focus attention on priority areas, rather than relying solely on community initiatives.
3. The Historical Commission should seek funding to allow it to underwrite some of the expense of preparation of historic district nominations. This would allow for more substantive involvement by the Commission staff, earlier in the process, and could improve the quality of nomination the Commission receives. It would also allow consideration of historic districts in areas where there are not sufficient community resources to support the costs of preparing a nomination.
4. It is important to clarify the formal appeal process from historic district designation. The form of this process requires further study and consultation with the City's Law Department. It may require amendments to the current preservation ordinance.
5. The Historical Commission should prepare guides for all residential historical districts currently lacking these and distribute all guides on its website.

6. Real estate agents should be required to disclose to prospective buyers whether a property is located in a local historic district. They should be required to provide a copy of the guide for property owners to purchasers prior to agreement of sale.
7. The L & I Certificate, which certifies that a property is in compliance with current zoning regulations and is required for closing, should include a disclosure, in a prominent location, indicating whether the property is in a historic district.
8. The City provides ten-year tax abatements for external rehabilitation of property including those properties in historic districts. The criteria governing this policy, and procedures for application should be spelled out in language that is easily understood. The Historical Commission should publicize this benefit on its web site and to applicants. Further study of targeted tax abatements and tax increment financing in historic districts is recommended. Implementation of the results said study may require enabling legislation on by the Commonwealth of Pennsylvania.
9. The City should support legislation for state tax credits for rehabilitation by homeowners in historic districts.
10. The City should investigate the application of Tax Increment Financing (TIF) districts in historic districts, with part of the proceeds used to fund a district improvement fund of loans and grants for rehabilitation.
11. The City should publicize existing home improvement loan programs to residents of historic districts
12. The City should activate the NTI home improvement loan program and make special efforts to encourage low income homeowners in historic districts to take advantage of it.
13. A better website needs to be created for the Historical Commission that includes more information on the process of application, resources available, committee and Commission agendas and links to other organizations that can help property owners. The website must be updated regularly. The full list of properties that are on the register needs to be included on the web site. Each historic district needs to be fully described, and guides to property owners in each district need to be on the web site. The site should also include examples of successful rehabilitation efforts. The website also needs to be updated on a regular basis.
14. The Commission needs to engage in cooperative relationships with other organizations to bring more resources into play. These include other

preservation organizations, community associations, university programs in historic preservation, and professional organizations. Commission staff should meet with community associations in historic districts at least annually.

15. The Commission needs to consider increasing its number of meetings or otherwise adjusting its pattern to allow greater time for discussion of preservation policies and major decisions on the designation of properties and districts, while allowing discussion of exterior alterations to be handled efficiently.
16. In 2005, the Historical Commission will appoint a new executive director. Qualifications for the positions should include skills and experience with outreach, public education and organizational management, as well as skill in historic preservation policies and practices.

Appendix A.3: Matrix of Selected Studies on the Economic Impact of Local Historic Designation

<u>Report</u>	<u>Author(s)</u>	<u>Year</u>	<u>Findings</u>
Economic Benefits of Historic Designation in Knoxville, Tennessee	Ann Bennett	1996	increased rehabilitation activity in historic districts lead to greater gains in property values in local historic district
Economic Benefits of HP in Colorado	Clarion Associates	2002	marginal appreciation in historic districts over comparable neighborhoods; designation enhances existing economic climate
Economic Impact of HP in Florida	David Listokin et al.	2001	historic districting helps to maintain property values
Economics of HP: A Community Leader's Guide	Donovan Rypkema	1994 (2005 edition also)	Several arguments for the economic benefits of local historic designation summarized
Effect of Historic District Designation of Single Family Home Prices	Deborah Ann Ford	1989	hedonic; price premium in local historic districts attributed to assurance that surrounding neighborhood will not change in character
Historical Preservation Districts and Home Sales Prices: Evidence from the Sacramento Housing Market	David E. Clark and William E Herrin	1997	greater property value appreciation attributed to positive authenticity and upkeep externalities outweigh higher costs of maintenance
HP at Work for the Texas Economy	David Listokin et al.	1991	designation may have a catalytic effect on surrounding areas; location may be a more important factor than designation in examining property appreciation
Impact of Historic District Designation in Washington, D.C.	Dennis Gale	1996	no evidence that historic designation affects property values
Impact of Historic Districts on Residential Property Values	NYC Independent Budget Office	2003	properties in a historic district trade at a premium when compared to comparable properties
Internal and External Impact of Historical Designation on Property Values	N. Edward Coulson and Robin Liechenko	2001	historic district designation substantially raises property values in both designated areas and adjacent properties in Abeline, TX

<u>Report</u>	<u>Author(s)</u>	<u>Year</u>	<u>Findings</u>
Investing in Michigan's Future	Clarion Associates	2002	local historic district designation has an effect that is either positive or consistent with appreciation in comparable areas
Preservation and Property Values in Indiana	Donovan Rypkema	1997	property values in local historic districts increase with designation, equaling if not outpacing undesignated areas
Profiting from the Past: The Economic Impact of HP in Georgia	David Listokin et al.	2001	local districting increases property values
Smiling Places, Historic Places: The Economic Benefits of HP in South Carolina	Chad Lennox and Jennifer Revel	2000	positive correlation between historic district designation and property values, often outpacing comparable neighborhoods

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