Does historic district zoning negatively impact property values? This was the question that the Denver, Colorado City Council sought to answer in 1988 when it designated the Lower Downtown Historic District.

More than 75 percent of the area’s property owners initially opposed the historic district. They feared a loss of property rights and a further erosion of property values. Today, the opponents are believers in the value of historic district zoning.

Before designation, the once thriving commercial area on the edge of downtown had a vacancy rate of 40 percent — and 30 percent of the properties had been foreclosed. Blighted conditions triggered precipitous decreases in property values.

By the summer of 1995, however, vacancy rates in Lower Downtown had dropped to less than 10 percent. The last foreclosed property was sold to a private developer in 1993. The area is now home to 55 restaurants and clubs, 30 art galleries, and 650 new residential units. Property values have doubled and private investment not including Coors Field — the new home of the Colorado Rockies baseball team — has exceeded $75 million.

So how did historic district zoning contribute to Lower Downtown’s success? The answer is simple: scarcity and certainty create value. Small businesses and investors were lured into the area by its charm and historic character — and by the knowledge that it would remain that way. In other words, historic district zoning gave investors assurance that their investment in rehabilitated, turn-of-the-century buildings would not be undermined by billboards, parking lots, or other insensitive developments on nearby properties. The city’s $2 million investment in streetscape improvements also reinforced private investment in Lower Downtown.

Historic district zoning is frequently controversial, but it almost always has a beneficial effect on property values, commercial revitalization, business investment, and increased tourism. This was the finding of a wide ranging 1995 study by the Preservation Alliance of Virginia. According to David J. Brown, Executive Director of the Alliance, “Historic preservation is economic growth and the reality is that preservation means dollars in the pockets of Virginians.”

The Virginia study addressed four aspects of preservation’s economic impact: tourism, job creation, property values, and downtown revitalization. On tourism, the study found that historic preservation visitors are a major portion of the state’s $9 billion a year tourism industry. Seven out of ten first time visitors come to the state to visit historic sites, museums, and battlefields. The study also found that history minded visitors stay longer and spend more: two-and-a-half times more than the amount spent by other visitors.

The second issue the study looked at was job creation that resulted from the rehabilitation of some 900 historic buildings in Virginia pursuant to the federal Historic Rehabilitation Tax Credit. This program created over 6,600 in the construction trades and over 6,000 in spin off areas. Construction related historic preservation activity yielded a total of $270 million in household income in Virginia.

The study also examined the impact of Virginia’s Main Street Program. Since its inception in 1985, the 20 small communities in the Main Street Program — whose goal is downtown revitalization within the context of historic preservation — have netted more than 1,100 new businesses, spurred the rehabilitation of 1,622 historic buildings and resulted in a net gain of 2,170 new jobs.

As for property values, the study found that property values appreciated more in historic districts than in other areas of the cities. These results were similar to those of a separate independent study conducted by the Government Finance Officers Association’s research center which found that property values in historic districts in Galveston, Texas and Fredericksburg, Virginia grew 1.5 to 5 times faster than comparable areas not in historic districts.

The marketplace increasingly recognizes both the short and long term economic value of historic properties. Just compare almost any neighborhood or commercial area that has embraced historic preservation with those that have not. Historic preservation and economic development represent an effective partnership — as a growing number of communities and businesses have come to realize.

Ed McMahon is a land use planner, attorney, and director of The Conservation Fund’s “American Greenways Program.” He is former president of Scenic America, a national nonprofit organization devoted to protecting America’s scenic landscapes.

**Resources:**

- **Virginia’s Economy and Historic Preservation: The Impact on Jobs, Businesses, and Community.** Virginia Preservation Alliance, P.O. Box 1407, Staunton, VA 24402. 540-886-4362.
- **The Economic Benefits of Preserving Community Character, Case Studies: Galveston, Texas and Fredericksburg, Virginia,** by the Government Finance Research Center. Available from National Trust for Historic Preservation (at previously listed address).