FROM Aprill 1988 Issue of:
THE APPRAISAL JOURNAL

Published Quarterly by:
American Institute of Real Estate Appraisers

*Virginia O. Benson and Richard Klein*

# The Impact of Historic Districting on Property Values

**Recent economic revitalization within older urban neighborhoods has been attributed to historic district designation policies. Preservation advocates believe that significant increases in property values are the direct result of historic districting. In this article, the relationship between historic district designation and changing land values is examined, specifically in two historic districts in Cleveland, Ohio. It is concluded that preservation policies must be revised to meet current urban needs.**

For the past 20 years, historic district designation has been used to encourage economic revitalization within older deteriorating urban neighborhoods. Preservationists contend such districting leads to increased property values. Government studies, real estate reports, and academic research generally support this contention.

In this article, the relationship between district designation and changing property values is examined. The focus is on two historic districts in Cleveland, Ohio, for which property value changes within the districts are compared to those outside. Questions about the short- and long-term economic benefits of district designation and its appropriateness as a preservation policy are raised.

## BRIEF HISTORY OF U.S. PRESERVATION POLICY

*Preservationists believe that landmark status enhances property values.*

Preserving America's heritage began in the 1790s when Congress authorized the Department of War to maintain national landmarks. After the Civil War, the national park system was established and the Departments of War and Interior jointly administered all national sites.

President Roosevelt initiated the Antiquities Act in 1906, followed in 1916 by President Wilson's creation of the National Park Service. Federal commitment to historic

**Virginia O. Benson** is an associate professor in the Urban Studies Department of the College of Urban Affairs, Cleveland State University. She received her PhD in marketing geography from Kent State University. Ms. Benson does real estate consulting and appraisal for Caldwell and Associates which has offices in Cleveland and Kent, Ohio.

**Richard Klein** is an adjunct assistant professor in the Urban Studies Department of the College of Urban Affairs, Cleveland State University. He received his PhD in urban history from the University of Akron. Mr. Klein is managing partner for 1171 Associates, a real estate-market research firm in Cleveland, Ohio.

*U.S. preservation policy dates to the 1790s.*

*One national response to historic preservation was the Tax Reform Act of 1976.*

*Historic preservation in the mid-seventies received a boost from federal tax incentives, the energy crunch, and the recession.*

preservation culminated in 1935 with the Historic Sites Act. In 1949, the National Trust for Historic Preservation was established to promote the cause nationally. Throughout the 1950s and 1960s, interest in preservation grew and the National Historic Preservation Act of 1966 set the stage for more comprehensive programs in the 1970s.

However, federal legislative actions have not been the only driving force behind the growing popularity of historic preservation in recent years. The oil embargo of 1974, followed by the national recession in the mid-1970s, forced many Americans to re-evaluate their social and economic priorities. Wasteful consumption of valuable national resources and energy supplies could no longer be tolerated. Soaring interest rates, escalating building costs, and double-digit inflation also contributed to the historic preservation cause. Federal policies increasingly addressed the needs of the preservation movement as part of a much larger national conservation effort.

In 1972, President Nixon suggested the creation of a federal committee to investigate how private investors might be encouraged to become more active in the preservation movement. His proposals included a limited tax credit for investment in the redevelopment of historic buildings; his suggestions were not adopted. The energy crisis of 1974 and the subsequent recession are what convinced Congress to pass an amended tax code favoring historic preservation.

The Tax Reform Act of 1976 typified the new national response to historic preservation. It called for accelerated depreciation on historic buildings (5 years instead of 20) and rapid amortization for restoration expenses. It virtually eliminated demolition deductions and accelerated depreciation for destroying or radically altering a historic building or site.

The Revenue Act of 1978, the Economic Recovery Tax Act of 1981 (ERTA), and the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) further defined preservation tax credits and depreciation benefits. The Revenue Act of 1978 provided a 10% tax credit for certified historic commercial structures—a credit deducted from taxes owed and not from gross income figures, as had been the case in the earlier law. The tax credit replaced rapid amortization with accelerated depreciation. Tax benefits were extended to long-term lease holders for the first time. The Economic Recovery Tax Act of 1981 modified the two earlier tax reforms by establishing a one-time tax credit for investors, based on the age and certification status of the structure. Under this amended act, 30-year-old buildings received a 15% tax credit, 40-year-old buildings received 20%, and certified historic structures received 25%. The Tax Equity and Fiscal Responsibility Act of 1982 allowed owners of certified buildings to deduct 12.5% of their rehabilitation costs.

The Tax Reform Act of 1986 has had profound effects on the real estate industry in general, as well as on historic preservation in particular. In addition to the general reduction in tax benefits afforded by depreciation expansion (from 19 years to 31.5) and the lowering of individual tax rates (from 50% to 28%), passive losses have been limited to the extent of wiping out the tax shelter. However, the historic preservation tax credits for rehabilitation, though reduced, have not been eliminated, and substantial capital should become available for these projects as well as low-income housing—the two real estate tax shelters that remain.[1]

Federal tax incentives, the energy crunch, and the recession helped to sell historic preservation in the mid-1970s. The recent upturn in preservation on the local level, however, has also been aided by local government programs. Many cities used federal Urban Development Action Grants (UDAG) funds to promote preservation projects within blighted neighborhoods. These grants have served as a major source of federal funding for urban revitalization projects that leverage local funds and provide low-cost loans for redevelopment. Tax abatements and tax-increment financing have also generated local preservation activities.[2] Tax-increment financing provides the redeveloper with a set property tax exemption for a specified period of time. The tax exemption is based on the difference between prerenovation tax revenues and expected higher tax revenues after redevelopment. The projected tax increases are used to sell revenue bonds that help to finance the project. Tax abatements encourage historic preservation by helping either to lower or stabilize property taxes on historic buildings.

In recent years, historic districting has emerged as a prominent preservation policy. As David Listokin has pointed out, "By the mid-1950s about 10 cities had enacted ordinances designed to encourage or require preservation. By the mid-1960s, there was a ten fold increase to 100 localities; by the time of the nation's bicentennial, over 500; today [1982] the figure is nearing 1,000."[3] Each of these jurisdictions has designated numerous historic districts. In Cleveland alone, more than 30 districts have been designated.

Most historic district studies focus on merits; few seriously consider drawbacks. For example, one must question whether the economic benefits of historic districting are as significant or as longstanding as advocates claim. Do some districts enjoy a brief period of economic revitalization only to see their affluence vanish because of socioeconomic forces beyond their control? In what settings is historic districting an appropriate preservation policy?

## HISTORIC DISTRICTING AS PRESERVATION POLICY

A historic district is defined by the National Trust for Historic Preservation as a "geographic area of historic, cultural or aesthetic importance in a community that is protected by a preservation ordinance."[4] The National Trust has identified 832 communities with historic district zoning. However, as Robin Datel has pointed out, the social, economic, and physical attributes of districts vary greatly.[5] There are variations in size, age, and function of districts as well as architectural styles. Given this diversity, the concept of historic districting as preservation policy is very difficult to evaluate.

*Urban Development Action Grants have been a major federal funding source for revitalization projects.*

*Historic preservation is encouraged by tax abatements.*

*Historic districting emerged in the 1970s as a prominent preservation policy.*

1. Arthur Andersen & Co., *Emerging Trends in Real Estate: 1987* (Chicago: Real Estate Research Corp., 1987), 6.
2. Gregory Andrews, *Tax Incentives for Historic Preservation* (Washington, D.C.: The Preservation Press, 1980).
3. David Listokin, "The Appraisal of Designated Historical Properties," *The Appraisal Journal* (April 1985): 200–216.
4. National Trust for Historic Preservation, *Information Sheet No. 35* (Washington, D.C.: National Trust for Historic Preservation, 1983), 1.
5. Robin Datel, "Preservation and a Sense of Orientation for American Cities," *Geographical Review* (April 1985): 125–141.

*Social, economic, and physical attributes vary widely among preservation districts.*

*Historic districting has generated considerable litigation centering on property rights versus community interest.*

With the recent explosion of historic districting activity in American cities, a significant record on the relationship between districting and property value has yet to be established. Government studies such as the 1979 Department of Interior study examined only four historic districts: Old Alexandria (Virginia), Savannah (Georgia), Galveston's Strand (Texas), and Seattle's Pioneer Square (Washington). The study strongly suggests that districting led to increased property values. However, the four districts are all located in growing metropolitan areas near bodies of water and geared toward tourism. This has little relevance for older declining industrial cities such as Cleveland, Ohio.

Real estate literature often equates historic districting with zoning. Critics of zoning correlate inefficiencies in land allocation with districting.[6] However, most real estate publications have become proponents of historic districting because the investment tax credit has stimulated so much real estate activity.

Scholars such as Robin Datel and Thomas Bever also see historic preservation as beneficial because it leads to new investment and higher property values in formerly deteriorating areas.[7] Planners Eugenie L. Birch and Douglas Roby relate historic preservation to urban renewal and development efforts.[8] The frequently expressed concern of academics regarding preservation relates to gentrification and displacement of the poor, both of which assume rising property values.

Historic districting as preservation policy has generated considerable litigation in U.S. courts. Lawsuits often center on private property rights versus community interest.[9] In general, courts have favored districting by supporting local ordinances, even when private owners incur direct losses.[10]

Given the shift from federal programs to local initiatives, historic districting seems to be logical preservation policy. To examine this assumption, one must look beyond the highly publicized successes to areas where designation may have other consequences.

In an effort to understand the impact and effectiveness of historic districting as a preservation policy more clearly, we have investigated property values in two Cleveland neighborhoods. The districts are two of the oldest and best-known in the city. The first is a combination of three adjacent historic neighborhoods in Cleveland's birthplace, Ohio City. We have compared property values within the district to adjacent areas still considered part of Ohio City. The second district, Shaker Square, is totally surrounded by neighborhoods that form the basis for property value comparisons.

## OHIO CITY

The three historic neighborhoods, Ohio City, Market Square, and Franklin Circle, are part of a much larger inner-city neighborhood

6. William E. Lockard and Dudley S. Hinds, "Historic Zoning Considerations in Neighborhood and District Analysis," *The Appraisal Journal* (October 1984): 485–497.
7. Thomas D. Bever, "Economic Benefits of Historic Preservation," in *Parks and Recreation* (Washington, D.C.: U.S. Dept. of Interior, 1978), 9.
8. Eugenie L. Birch and Douglas Roby, "The Planner and the Preservationist: An Uneasy Alliance," *Journal of the American Planning Association* (Spring 1984): 194–207.
9. Stephen N. Dennis, "Annotated List of Major Historic Preservation Cases," *The Urban Lawyer* (Winter 1980): 87–101.
10. Margaret Corning Boldrick, "Historic District Zoning: A Texas Overview," *St. Mary's Law Journal* (Vol. 14, 1983): 709–737.

called Ohio City. Located on the west bank of the Cuyahoga River, directly across from Cleveland's central business district (CBD), the Ohio City neighborhood was founded in 1806 as a regional market center. It became a major center for shipbuilding and steel manufacturing. Economic reversals and speculative investment by city officials during the 1840s and 1850s forced Ohio City to merge with Cleveland in 1854. The late nineteenth and early twentieth centuries were periods of significant growth. An upper-class residential area emerged within the present-day Franklin Circle, while a working-class neighborhood was established in Ohio City. Continuous commercial strips developed along Lorain Avenue and West 25th Street in the present Market Square area.

Until World War II, these areas maintained social and economic importance in Cleveland, but suburbanization changed the blue-collar, middle-class residential neighborhoods to areas attracting less affluent transient occupants. Illegal immigrants often settled in Ohio City and with the decline in purchasing power, many businesses closed their doors. The completion of Interstate 71 in the late 1960s further destroyed commercial activity by encouraging daily commuters to bypass the West 25th-Lorain shopping strips. Cohesive neighborhoods were bisected by the new highways and left fragmented and neglected.

Aware of the precarious situation of the area, a group of local business people joined together to found the Ohio City Redevelopment Association (OCRA). This group was formed primarily to promote the neighborhood. As part of its promotional activity, OCRA approached the Cleveland Landmarks Commission for historic designation. The three adjacent neighborhoods, known as Ohio City, were designated in 1974 (Ohio City), 1980 (Market Square), and 1982 (Franklin Circle).

## SHAKER SQUARE

The Shaker Square historic district is located on the border of Shaker Heights in the eastern corner of Cleveland. Developed by the Van Sweringen brothers in the late 1920s as part of their extensive residential and commercial plan for Cleveland and Shaker Heights, the Shaker Square neighborhood consists of middle- and upper-class apartment blocks surrounded by individual and two-family houses. The square itself is one of the earliest examples in the United States of a planned shopping complex outside of a CBD. Its Georgian architecture surrounds a large village green that is divided by an east-west rapid transit line and Shaker Boulevard. The square contains specialty shops, a theater, and restaurants catering to the needs of local residents and outsiders.

The key to the success of Shaker Square as a combined commercial and residential area rests on its initial thoughtful planning and strict zoning. These factors were carried over to surrounding areas in Cleveland and Shaker Heights, resulting in the creation of distinctive apartment districts on such major boulevards as Shaker, Van Aken, Moreland, and Kemper. With the exception of Kemper, these avenues emanate directly from the commercial district in the square. Smaller residential streets originate from the major thoroughfares themselves.

From the late 1920s to the late 1960s, the Shaker Square neighborhood remained one of the foremost residential and commercial areas in Cleveland. The shopping center at the square contained a number of major stores, including Halle's and Franklin Simon's. The

*Ohio City and Shaker Square, two Cleveland, Ohio, neighborhoods, are examined to understand the impact of historic designation.*

*Economic impact can be measured by comparing market values in designated and nondesignated neighborhoods.*

Colony Theater was one of the city's largest movie theaters and Stouffer's Restaurant was noted for its fine menu. During the 1970s, the neighborhood began to feel the adverse economic effects of new residential and commercial development in communities further east. The extensive building of new apartment complexes and private houses along the I-271 corridor led to the development of new shopping centers. With the gradual movement of long-term residents further east, less affluent inner-city residents were encouraged to migrate to various areas within the Shaker Square neighborhood.

The Friends of Shaker Square, a nonprofit local development corporation, recognized the gradual change in the social and economic makeup of the area. In response, the Friends called on the Cleveland Landmarks Commission for help, which resulted in historic district designation in 1980. The impact of this designation on property values in Shaker Square and Ohio City is described below.

## PROPERTY VALUE DATA COLLECTION AND ANALYSIS

*Market value ratio (MVR) is a major component of data analysis.*

One effective way to measure the economic impact of historic districting is to compare land transfer prices in a specific historic district with surrounding nondesignated neighborhoods. Many authors have assumed that values within the historic district would rise faster than values outside the district.

A major component in this comparative analysis is the market value ratio (MVR). Derived from dividing the actual price paid for the property by its assessed market value, the MVR indicates the relationship over time of the county auditor's assessment and the actual sale price. In Cuyahoga County, the real property is assessed for tax purposes every six years at 35% of the market value. An MVR greater than one indicates an increase in value. Land transfer records do not distinquish between historic and nonhistoric districts within the same neighborhood. Tables 1 through 4 deal with land transactions within and around the Ohio City and Shaker Square historic districts from 1980 to 1984. These tables are arranged according to the number of sales, price categories, MVR, average MVR per year, and average number of yearly transfers during this five-year period.

Tables 1 and 2 focus on the Ohio City district and the adjacent region. The district is approximately one-half the size of the region. The vast majority of the buildings in the area are products of late nineteenth and early twentieth century building technology in Cleveland, which is characterized by one-and-a-half and two-story frame housing for working people. Therefore, what sets Ohio City apart from other less-defined areas within the Cleveland West Side community is its specific historic legacy and the way local preservation advocates use this historic connection to sell the district to potential investors.

Table 1 indicates that the greatest number of Ohio City property transactions from 1980 to 1984 occurred in the $10,000 to $30,000 range, with the least amount of activity happening in the over-$100,000 category. This finding is not surprising because most of the district consists of small, detached lower-priced housing units.

Table 1 also shows that the MVR for designated properties in Ohio City rose from 1.57 in 1980 to 3.99 in 1982. This kind of growth is expected in historic neighborhoods. Many preservation advocates see increased property values as the direct result of new investment within the district. They further contend that once new investments gain a

**TABLE 1 Property Transfers in the Ohio City Historic District from 1980–1984**

| Year | $0–9,999 | $10–29,999 | $30–49,999 | $50–99,999 | Over $100,000 | Average MVR per year |
|---|---|---|---|---|---|---|
| 1980 | 2 (0.19) | 9 (1.65) | 3 (2.16) | 4 (2.24) | 1 (1.59) | (1.57) |
| 1981 | 1 (0.22) | 8 (4.11) | 6 (1.64) | 6 (2.95) | 4 (1.61) | (2.11) |
| 1982 | 9 (2.21) | 5 (2.03) | 7 (5.76) | 3 (2.23) | 2 (7.74) | (3.99) |
| 1983 | 5 (0.36) | 7 (1.45) | 5 (2.38) | 3 (1.05) | 5 (2.04) | (1.46) |
| 1984 | 4 (0.86) | 17 (2.70) | 7 (2.65) | 5 (1.38) | 8 (3.06) | (2.13) |
| Total | 21 | 36 | 28 | 21 | 20 | |

Market value ratio ( ).

SOURCE: Northern Ohio Data Information Systems, 1986.

**TABLE 2 Property Transfers Outside the Ohio City Historic District from 1980–1984**

| Year | $0–9,999 | $10–29,999 | $30–49,999 | $50–99,999 | Over $100,000 | Average MVR per year |
|---|---|---|---|---|---|---|
| 1980 | 38 (0.58) | 30 (1.11) | 8 (1.22) | 3 (2.00) | 1 (0.56) | (1.09) |
| 1981 | 25 (0.47) | 39 (1.17) | 6 (1.71) | 3 (1.27) | 1 (2.63) | (1.45) |
| 1982 | 34 (0.61) | 29 (1.58) | 6 (1.68) | 3 (1.65) | 2 (1.12) | (1.33) |
| 1983 | 32 (0.91) | 35 (1.13) | 11 (1.50) | 9 (2.44) | 1 (1.39) | (1.47) |
| 1984 | 30 (0.48) | 36 (1.22) | 11 (1.41) | 9 (1.60) | 3 (1.35) | (1.21) |
| Total | 159 | 169 | 42 | 27 | 8 | |

Market value ratio ( ).

SOURCE: Northern Ohio Data Information Systems, 1986.

solid foothold in the district it is just a matter of time before others begin new restoration or rehabilitation projects in the same designated area.

Unfortunately, economic realities may not live up to initial expectations. For example, the MVR for the entire Ohio City district dropped by more than 2.5 points, from 3.99 to 1.46, between 1983 and 1984. The MVR regained some lost ground in 1984 to reach the 2.13 level. However, this gain was far below the 1983 high of 3.99. It took major gains in the over-$100,000 range in 1984 to offset the overall losses sustained in the previous year. (This highest category represents mostly commercial transactions in the Ohio City area.) In contrast, Table 2 shows a steady return on real estate investment in neighboring areas. It appears that these surrounding tracts benefited from their proximity to Ohio City without suffering the adverse effects of being within the historic district itself. Those adverse effects are discussed below.

Significant fluctuations in MVRs are symptomatic of far more serious socioeconomic problems in Ohio City. For example, the growing incidence of violent crime and vandalism over the past five years has led some outside investors to reconsider the potential economic advantages of locating within this historic district. As a result, some business people have chosen to invest in other less conspicuous areas in Cleveland, while others have opted to leave the area entirely. Although local officials seem aware of these social and economic problems, little has been done to lessen them. Racial and ethnic tensions between long-established homeowners and business people in Ohio City and recently arrived poor minorities have not lessened the fears for potential outside investors. The perception and reality of crime and social unrest in the district have nullified the potential benefits of low-cost parcels or preservation tax credits.

Such adverse publicity has not hurt development in surrounding neighborhoods even though these areas suffer many of the same social and economic problems as Ohio City. Public perception may play a key role in differentiating between the historic district and ad-

*Restoration and rehabilitation projects often become contagious in a district.*

*MVRs relate to a district's socioeconomic status.*

*Some investors buy parcels adjacent to a historical district to take advantage of the benefits and avoid the drawbacks.*

*Changing racial and social makeup influence district real estate activity.*

jacent areas. The public may view the outside areas as part of an amorphous greater Cleveland West Side community generally perceived as stable, rather than the more recognizable historic districts that receive a great deal of attention in the local press, particularly in the reporting of crime.

As Table 2 suggests, a great many property owners apparently prefer to buy parcels in seemingly stable nondesignated areas rather than in a highly turbulent, closely monitored historic district such as Ohio City.

Tables 3 and 4 focus on real estate activity in and around Shaker Square from 1980 through 1984. Unlike Ohio City, the number of property sales has remained very small within this east side district. According to Table 3, there were only 75 transactions in the district during this five-year period, with the highest number of sales occurring in the $50,000 to $100,000 and over-$100,000 categories. The lack of transfers in the lower ranges is based on the district consisting primarily of expensive, single-family houses, large apartment complexes, and significant commercial blocks. In contrast, real estate activity has been very brisk in neighborhoods surrounding the square. Much of the sale activity in these adjacent areas occurred in the $10,000 to $30,000; $30,000 to $50,000; and $50,000 to $100,000 ranges. These neighborhoods are primarily smaller, single-family houses; two-family housing units; and small commercial establishments. These smaller, less pretentious commercial and residential structures contrast with the larger more prestigious complexes within the district itself.

Table 4 indicates that more than 1,150 sales occurred outside the district from 1980 to 1984. There were lower MVRs per year for parcels in the district compared with outside allotments. It may be that potential property owners believe that the benefits associated with historic district designation are not worth additional costs and legal entanglements, particularly if the local real estate market appears soft at the time of negotiation. The al-

**TABLE 3 Property Transfers in the Shaker Square Historic District from 1980–1984**

| Year | $0–9,999 | $10–29,999 | $30–49,999 | $50–99,999 | Over $100,000 | Average MVR per year |
|---|---|---|---|---|---|---|
| 1980 | — | — | — | 3 (1.19) | 4 (1.09) | (1.14) |
| 1981 | — | 1 (0.50) | — | 10 (1.14) | 2 (1.02) | (0.89) |
| 1982 | 1 (1.07) | — | 4 (0.74) | 9 (0.96) | 5 (0.60) | (0.84) |
| 1983 | 3 (0.97) | 2 (0.66) | 2 (0.66) | 8 (1.05) | 7 (1.20) | (0.91) |
| 1984 | — | 1 (0.20) | 2 (0.55) | 3 (1.03) | 8 (1.29) | (0.77) |
| Total | 4 | 4 | 8 | 33 | 26 | |

Market value ratio ( ).

SOURCE: Northern Ohio Data Information Systems, 1986.

**TABLE 4 Property Transfers Outside the Shaker Square Historic District from 1980–1984**

| Year | $0–9,999 | $10–29,999 | $30–49,999 | $50–99,999 | Over $100,000 | Average MVR per year |
|---|---|---|---|---|---|---|
| 1980 | 9 (0.76) | 106 (1.21) | 42 (1.63) | 49 (1.35) | 27 (1.40) | (1.27) |
| 1981 | 7 (0.31) | 81 (1.28) | 45 (1.58) | 28 (1.56) | 31 (1.92) | (1.33) |
| 1982 | 12 (0.61) | 82 (1.31) | 53 (1.45) | 36 (1.33) | 19 (2.01) | (1.34) |
| 1983 | 12 (1.25) | 71 (1.11) | 77 (1.37) | 65 (1.19) | 43 (1.46) | (1.28) |
| 1984 | 6 (0.24) | 68 (1.10) | 89 (1.40) | 62 (1.33) | 37 (1.36) | (1.09) |
| Total | 46 | 408 | 306 | 240 | 157 | |

Market value ratio ( ).

SOURCE: Northern Ohio Data Information Systems, 1986.

ternative for many investors is to buy lower-priced parcels immediately adjacent to the district thereby taking advantage of perceived benefits of the district without the perceived drawbacks. Table 4 substantiates this premise. Higher appraisals within the district and an uncertain real estate market in Cleveland during the early 1980s made investment outside the district more desirable than investment within.

A second consideration affecting real estate activity in and around the district involves the changing racial and social makeup of the entire area. The gradual push eastward of affluent whites from the Shaker Square area has enabled minority groups to move into this influential neighborhood. The influx of minorities is most noticeable in the areas surrounding the square and not so much in the district itself. Adjacent areas are considered prime locations for minority groups climbing the socioeconomic ladder. Local property owners have taken full advantage of the situation by demanding very high prices for older commercial and residential structures surrounding the square. As part of the seller's strategy, the economic and social advantages of being near Shaker Square are publicized as having none of the extra costs of locating within the district itself.

Unfortunately, property owners within the district have not been able to capitalize as readily as outside owners. The large commercial and residential buildings represent a major financial risk and the high costs as well as the legal restrictions within the district have apparently dissuaded some potential investors. Federal and local tax incentives may not be enough to offset the financial risks of such a real estate venture.

In both the Ohio City and Shaker Square districts, sales have apparently fallen short of initial expectations. Social and economic problems must be addressed if the new historic district hopes to draw continual support from outside investors. Ohio City district, to date, has failed to overcome these problems. In Shaker Square, the physical attributes are greater but even these architectural and planning triumphs of the past may be overshadowed by neglect and apathy.

*Tax incentives are not always enough to offset financial risks.*

## CONCLUSION

For the past decade, preservation advocates have been arguing that historic districting will lead to economic growth and prosperity for the designated areas. They contend that designation not only encourages initial extensive new investments within the district but also serves as an important catalyst for additional revitalization in the future. They provide numerous examples of such positive development in selected districts.

*Historic districts are not necessarily a panacea for urban decline.*

Our study of Cleveland, Ohio, indicates that there is another side to the story. Both Ohio City and Shaker Square demonstrate the problems with this generally positive approach to districting. Creating historic districts is not a panacea for urban decline unless accompanied by a serious interest in dealing with many other issues.

*Preservation advocates cannot always be assured of success—expectations may not match reality.*

In the case of Ohio City, the highest percentage of property transfers occurred in the under-$30,000 price range. This indicates that most of the redevelopment is in the smaller less expensive residential and commercial structures, while the large buildings remain untouched and in poor physical condition.

The lack of real estate activity in the Ohio City and Shaker Square districts from 1980 to 1984 suggests that neither district has enjoyed the vigorous economic development envisioned by pres-

*While preservation has become a viable part of urban planning, indiscriminate districting must be guarded against.*

*Planners, preservationists, and developers need to work together to revitalize U.S. cities.*

ervation advocates. In fact, more economic diversity and real estate activity is found in the areas surrounding the districts. As a regulatory policy, historic districting legislation should be designed to suit the needs of the individual districts involved. Local development corporations and design review boards need professional assistance in understanding the effects of their decisions on property value.

Historic preservation is no longer in the initial stages of development in which any action taken to save a building or a district can be hailed as a major achievement; it has successfully passed this critical phase. Preservation is generally recognized as a viable component of the contemporary urban planning process. Therefore, the movement must re-evaluate its long-range objectives and goals to make them more compatible with modern urban planning and real estate development.

Indiscriminate historic districting is a policy that requires examination. Initially introduced as a way to preserve the economic, social, and physical integrity of an area against the onslaught of destruction brought about by urban decay and ill-fated urban renewal programs during the 1960s and 1970s, historic districting policies need to be updated to meet the changing needs of contemporary society. A few strong well-chosen districts are certainly preferable to many weak or failing ones. The problem of reiterating only the success stories such as Old Alexandria or Pioneer Square is that cities begin to overdesignate with the hope that miracles will happen.

The economics of preservation always needs to be stressed; not every building or area is capable of being saved. Preservation advocates would do well to research economic uses for buildings and neighborhoods before demanding historic district designation. Planners, preservationists, and real estate developers need to interact more as they attempt to revitalize cities throughout the United States.