

**THE ECONOMIC BENEFITS OF HISTORIC
PRESERVATION IN WASHINGTON STATE**

SUMMARY REPORT

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SUMMARY REPORT

Introduction

Overview

The cultural and historic resources of a community tell the story of its past and make any single community distinct from other places. These resources provide tangible connections to the people and events that have shaped our communities and our collective histories. Preserving the physical reminders of our past creates a sense of place and community pride. Historic preservation also generates a wide range of economic benefits in Washington State. Economic benefits include those associated with the rehabilitation and adaptive reuse of historic buildings and heritage tourism, as well as the impacts that historic designation has on neighborhood character and property values. Other benefits include the role that historic preservation plays in economic development and downtown revitalization.

This summary report documents the economic benefits of several types of historic preservation activities in Washington State and focuses on three key aspects of economic impacts: rehabilitation of historic buildings, heritage tourism, and the effects of historic designation on residential property values. In addition, information is presented on the economic impacts of the Washington Main Street Program™. This document summarizes the results of a larger project, which are detailed in a separate, technical report that discusses the project methodology and provides a more detailed discussion of the results.

The overall impacts documented in this report, which are often presented in terms of jobs, income, and tax revenues, are conservative, in that they do not portray the full extent of the economic impacts that historic preservation has on the state and local communities. The focus of our analysis is on three key aspects of historic preservation and does not capture all the economic benefits associated with preservation activities ongoing throughout the state. In addition, our analysis focuses primarily on dollar-related impacts and jobs, income, and tax revenues. It does not address other forms of preservation activity—such as the work of volunteers—that are less easy to quantify, but nevertheless provide economic and other benefits to local communities and the state as a whole.

Types of Economic Impact

Any economic activity that involves money changing hands generates a “direct” economic impact through the purchase of goods or services. This is the case with historic preservation-related economic activities that involve spending on historic rehabilitation or spending by heritage tourists. These direct or initial expenditures are, however, just part of the total economic impact. Total economic impacts include these direct expenditures and also indirect and induced effects.

The *direct impact* component consists of expenditures made specifically for the preservation activity, such as construction labor and building materials for a rehabilitation project or gas and lodging expenditures by heritage tourists. These direct expenditures generate economic activity in other parts of the economy through what is known as the *multiplier* effect, with direct spending generating indirect and induced economic impacts.

Indirect impacts consist of spending on goods and services by industries that produce the items purchased for the historic preservation activity, such as the purchases by the mill that made the lumber used in the rehabilitation project.

Induced impacts include expenditures made by the households of workers involved either directly or indirectly in rehabilitation-related activity, such as the construction labor involved in rehabilitating a historic building or the workers at the mill that supplied lumber for the project.

The analysis discussed here estimates the total (direct, indirect, and induced) economic impact of historic rehabilitation expenditures in the State as a whole and King, Pierce, and Spokane counties. These impacts are measured in terms of output (sales), jobs, income, and tax revenues. Output in this context represents the total (direct, indirect, and induced) sales generated as a result of the initial expenditures.

Historic Rehabilitation

Historic rehabilitation as defined by the U.S. Secretary of the Interior (1992) is "the process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values."

Historic preservation plays an important role in economic development strategies in towns and cities throughout the United States, and historic rehabilitation is often a key element of these strategies. The use of historic preservation as a development tool is, for example, clearly evident in those communities—typically small towns—that use the National Trust for Historic Preservation’s Main Street approach to development. It is also a strategy employed by larger communities in Washington. Development plans for the cities of Centralia and Tacoma, for example, emphasize historic preservation as an important development strategy. Historic preservation and rehabilitation contribute to economic development in a number of ways, which include attracting tourists and visitors from elsewhere, providing space for small businesses, and contributing to local quality of life factors that attract and retain residents.

Rehabilitation of historic buildings also generates economic benefits for local communities and the state through direct expenditures for labor, materials, and services. These expenditures are the focus of the historic rehabilitation portion of this study. This analysis involves two main steps: 1) identifying direct historic rehabilitation expenditures, and 2) estimating indirect and induced impacts (in terms of sales [output], jobs, income, and tax revenues).

Estimating Historic Rehabilitation Spending

Statewide historic rehabilitation data are available in Washington State through two main programs: the Federal Historic Rehabilitation Tax Credit Program and the Washington State Special Valuation for Historic Properties Program. Data compiled from these programs for 2000 through 2004 are used to estimate the total economic impact of historic rehabilitation.

Federal Historic Tax Credit

This program, administered by the National Park Service in cooperation with the Internal Revenue Service, encourages the rehabilitation of older structures through federal tax credits. The main incentive is a 20 percent tax credit for the “substantial” rehabilitation of a certified historic structure. A project is “substantial” when the amount spent on qualified project work is equal to or greater than the adjusted value of the building itself. To qualify, project work must be carried out in accordance with the Secretary of the Interior’s Standards for Rehabilitation and

Guidelines for Rehabilitating Historic Buildings. This incentive program is available to income-producing properties listed in the National Register of Historic Places.

This program has been used by numerous projects located throughout Washington. From 2000 through 2004, a total of 29 projects were completed with total expenditures of \$131 million. More than half of these projects by value (56 percent) were located in Seattle, with 24 percent located in Tacoma and 15 percent in Spokane.

Washington Special Valuation Program

This locally adopted property tax incentive program allows applicants to deduct the historic rehabilitation costs for a property from the new assessed value once the rehabilitation is completed. Properties eligible for this program include buildings that are either listed individually in the National Register or contribute to a National Register or locally designated historic district. To qualify, project work must be carried out in accordance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. Although authorized as state law, local jurisdictions are required to adopt an ordinance in order to allow property owners to take advantage of the tax deduction. Currently, there are approximately 40 Certified Local Governments (CLGs) administering this program.

From 2000 through 2004, a total of 203 projects took advantage of the Special Valuation program with total expenditures of approximately \$342 million. More than half of these projects by value (63 percent) were located in Seattle, with 16 percent located in Tacoma and 15 percent in Spokane. The 203 projects involved a total of 189 buildings.

Direct Historic Rehabilitation Spending

Direct spending on historic rehabilitation was estimated by combining the expenditures identified through the above tax incentive programs. This total was adjusted to account for the 21 projects that took advantage of both programs between 2000 and 2004 to avoid counting the same spending twice. Adjusted for inflation, the 197 projects completed from 2000 through 2004 involved total historic rehabilitation of \$417 million (in 2004 dollars), with annual average expenditures of about \$83.5 million.

Eight buildings each involved total spending of more than \$10 million (in 2004 dollars), and, together, they accounted for about 43 percent of the total \$417 million invested over this period. Seven of these buildings are located in Seattle.

Statewide, the majority of this investment (70 percent) involved the rehabilitation of historic commercial buildings (office buildings, warehouses, factories), about 25 percent involved multi-family buildings (apartment buildings, hotels), and 5 percent involved single-family homes.

How Good Are These Spending Estimates?

Put another way, how much of the historic rehabilitation spending around the State is captured by the Federal and State tax credit programs that provided the above data? One way to answer this question is to consider historic rehabilitation investments that are NOT captured under these programs. These programs do not include historic rehabilitation projects conducted by government and tax-exempt organizations or the money spent by individuals restoring their historic homes when the homes in question do not qualify for state tax incentives.

The annual estimate of about \$83.5 million in historic rehabilitation spending represents a good starting point, but, as the list of activities that are not captured under the Federal and State tax credit programs suggests, this does not represent total rehabilitation spending by any means.



The Economic Impact of Historic Rehabilitation

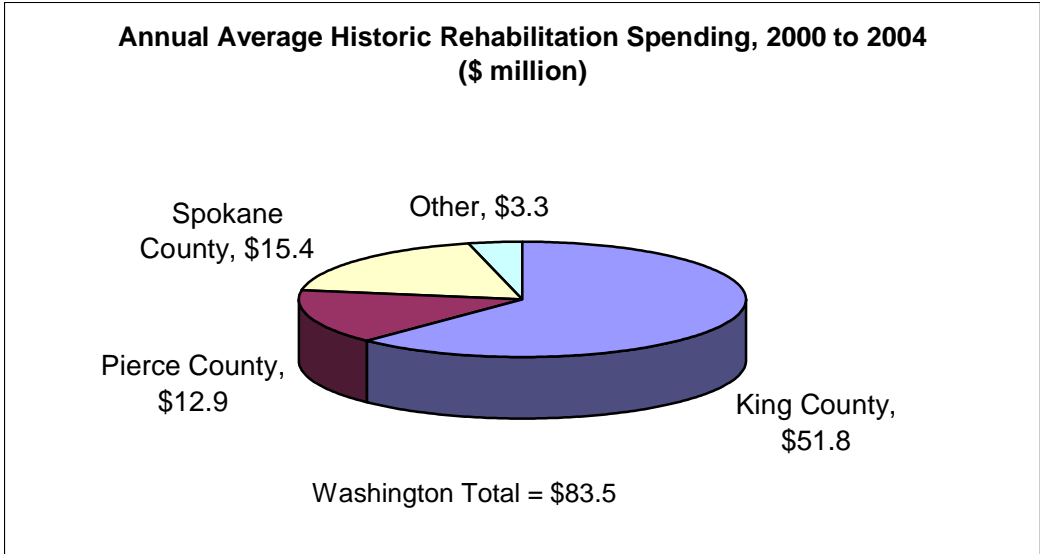
Statewide Impacts

The \$83.5 million spent rehabilitating historic buildings each year from 2000 through 2004 generated approximately \$220 million in annual sales, supported approximately 2,320 jobs, and generated about \$87 million in labor income in Washington State. In other words, the \$83.5 million in rehabilitation investment supported 2,320 jobs (in a variety of economic sectors) and those workers earned a total of \$87 million, each year.

This spending also generated \$8.9 million in Washington State tax revenues through state sales and Business and Occupation (B&O) taxes.

Impacts for Selected Washington Counties

Nearly all (96%) of the historic rehabilitation spending identified above took place in King (62%), Pierce (15%), and Spokane (18%) counties. This spending was, in turn, concentrated in the largest city in each county (Seattle, Tacoma, or Spokane). In Pierce County, for example, 97 percent of total rehabilitation spending was in Tacoma.



Total economic impacts for these counties are summarized in the following table, which also summarizes the impacts for the state as a whole. These estimates indicate that historic rehabilitation spending generated approximately \$106 million in output (sales) in King County, supported approximately 1,230 jobs, and generated about \$43 million in labor income. Historic rehabilitation generated about \$29 million and \$34 million in output (sales) in Pierce and Spokane counties, respectively, supporting 325 jobs in Pierce County and 400 jobs in Spokane County.

Historic rehabilitation expenditures also generated \$4.9 million in tax revenues in King County, \$1.3 million in Pierce County, and \$1.5 million in Spokane County.

Historic Rehabilitation Spending and Economic Impacts

County/State	Average Annual Spending (\$million)	Average Annual Impacts 2000 to 2004			
		Output (Sales) (\$million)	Employment (Jobs)	Income (\$million)	Taxes (\$million) ^{1/}
King	51.8	105.6	1,230	43.1	4.9
Pierce	12.9	28.7	325	11.1	1.3
Spokane	15.4	34.0	400	13.7	1.5
Washington	83.5	220.8	2,323	86.8	8.9

Note:
 1/These tax revenue estimates include state sales and Business and Occupation (B&O) taxes. They do not include revenues generated by local sales taxes, which range from 0.5 percent to 1.7 percent of the state base rate of 6.5 percent and vary by jurisdiction.

Government and Tax-Exempt Organizations

Government Organizations

Historic rehabilitation activities conducted by public agencies or private non-profit organizations are not captured in the above programs. No centralized source of data exists for these types of activities, but it is likely that the associated expenditures are considerable, as suggested by the following examples.

Historic County Courthouse Rehabilitation Grant Program—Following a statewide historic county courthouse study completed in 2003, the Washington State Legislature appropriated \$5 million to begin a program to help local governments maintain their courthouses. Together with matching funds raised locally, awards made to eight counties in November 2005 are expected to generate approximately \$15.3 million in direct rehabilitation spending around the state, with two-thirds of this spending associated with the Franklin County Courthouse. Statewide, these projects will support approximately 428 jobs and \$15.7 million in labor income.

Seattle Public Libraries, Libraries for All Capital Projects—Recent and ongoing capital improvements for Seattle Public Library buildings that are either Seattle Historic Landmarks or listed in the National Register of Historic Places include historic rehabilitation activities worth approximately \$5.5 million spread over four years. These expenditures will support approximately 153 jobs and \$5.7 million in labor income.

Tax-Exempt Organizations

Historic rehabilitation activities undertaken by tax-exempt organizations are also not captured under the Federal and State tax incentive programs. These projects may include donated materials and volunteer labor that are not captured in an expenditure-based analysis, but still have economic impacts, as noted for the following examples.

Everett Theatre—This rehabilitation has been ongoing for almost 10 years and has involved approximately \$2 million in direct expenditures over this period, as well as thousands of volunteer hours and corporate and private donations of materials. The direct expenditures, which mainly occurred in 1998/1999 and 2000/2001, supported approximately 59 jobs and \$2 million in labor income.

Cle Elum Depot—Approximately \$1 million of appropriations, grants, contributions, and in-kind contributions have gone into the South Cle Elum Depot project since 1999, supporting approximately 29 jobs and \$1 million in labor income over this period. Other costs that are not measured in this total include volunteer labor and travel costs, as well as expenditures in the local community, and money and labor provided by the Washington State Parks and Recreation Commission.

Comparison with Other Washington Economic Sectors

Historic rehabilitation measures up quite favorably against other Washington industries in terms of jobs and income supported per \$1 million of final demand (in this case rehabilitation expenditures). Multipliers for historic rehabilitation and a selection of other industries of importance to the Washington economy are reported in the following table. These data show that the jobs and labor income multipliers for historic rehabilitation are relatively high. Historic rehabilitation has a higher multiplier than general construction, reflecting the relatively labor-intensive nature of this type of construction activity. The historic rehabilitation multiplier is also higher than a number of important manufacturing sectors in Washington State, including food processing, wood, and aerospace manufacturing. Historic rehabilitation activity in Washington State has multipliers that are similar to the key retail trade, finance, insurance, and health services sectors.

Comparison of Historic Rehabilitation with Other Economic Sectors

Economic Sector	Jobs (per \$1 million of Sales)	Labor Income (\$ per \$1 million of Sales)
Health Services	36.31	1.185
Retail Trades	33.87	0.962
Historic Rehabilitation	27.50	1.026
Finance and Insurance	26.73	0.978
Construction	26.45	0.908
Wood Products Manufacturing	26.39	0.920
Food Products Manufacturing	21.72	0.705
Aerospace Manufacturing	10.60	0.452

The multipliers shown above indicate that viewed in terms of jobs per \$1 million in final sales, aerospace makes a relatively small contribution to the Washington State economy. This is because aerospace industry buys a small share of its inputs from industries and other suppliers located in Washington State, which results in relatively low multipliers when compared to other sectors like wood products or agriculture that purchase the majority of their inputs locally. The overall contribution of aerospace to the Washington economy is, however, very large because overall final demand is larger than other sectors.

Washington Main Street Program

The Washington State Downtown Revitalization/Main Street Program has been helping communities revitalize their commercial districts using the Main Street approach since 1984. The Main Street approach to commercial district revitalization developed by the National Trust for Historic Preservation in the late 1970s is based on historic preservation and grassroots-based economic development.

There are currently nine certified Main Street communities in Washington: Auburn, Bainbridge Island, Kennewick, Kent, Port Angeles, Port Townsend, Puyallup, Walla Walla, and Wenatchee. From 2000 through 2004, these communities invested a total of \$112 million in building renovations within their designated Main Street program area boundaries, with an average annual investment of \$24.5 million. Investments included façade renovations, interior upgrades, roof repairs, exterior painting, and sign installation, as well as new construction. In addition, 2,889 new jobs were created in these areas from 2000 through 2004, an annual average increase of 578 jobs.

Building renovations and new business activity (measured in terms of new employment) within the nine designated local Main Street program communities resulted in \$165 million in total sales (output) each year from 2000 through 2004, supported 2,600 jobs, and generated \$67 million in labor income. These activities generated about \$8.8 million in state sales and B&O taxes each year, as well as local sales tax revenues (which are not included in this total).

Annual Average Main Street Program Economic Impacts, 2000 to 2004

Category	Average Annual Impacts 2000 to 2004			
	Output (Sales) (\$million)	Employment (Jobs)	Income (\$million)	Taxes (\$million) ^{1/}
Business Renovations	64.4	677	25.4	2.6
New Employment	100.9	1,948	41.6	6.2
Total	165.3	2,625	67.0	8.8
Note: 1/These estimates do not include revenues generated by local sales taxes, which range from 0.5 percent to 1.7 percent of the state base rate of 6.5 percent and vary by jurisdiction.				

Note of Caution

The Main Street Program includes elements of both historic rehabilitation and heritage tourism. The above analysis estimates the impacts of downtown business renovations, including historic rehabilitation, and downtown employment, including retail and service employment that is, in part, supported by heritage tourism. As a result, the Main Street program analysis likely includes some of the expenditures evaluated in the other study components and these results should not be directly added to the historic rehabilitation and heritage tourism estimates.

Heritage Tourism

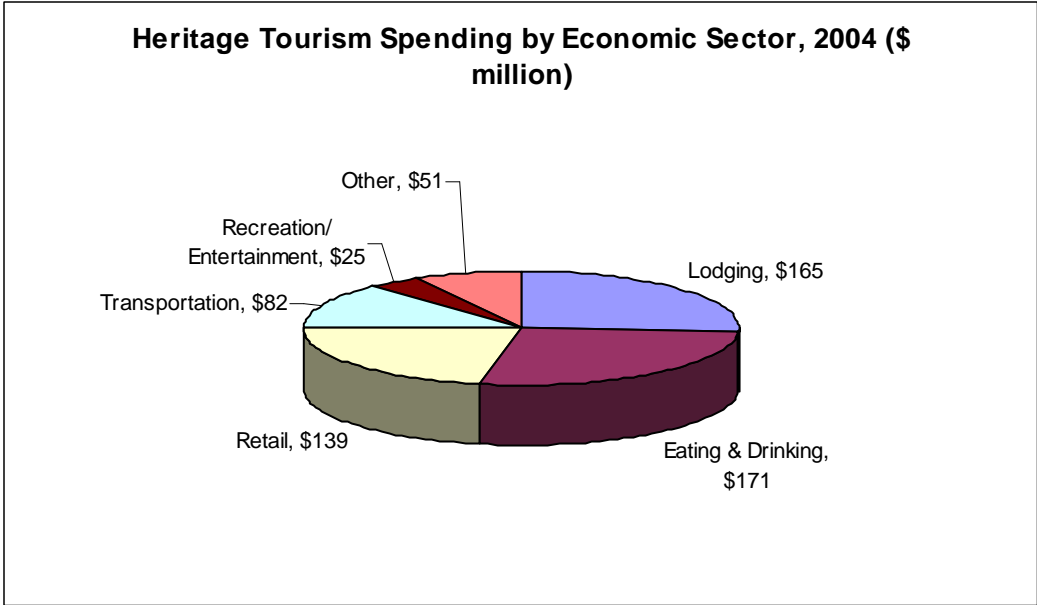
The National Trust defines “cultural heritage tourism” as traveling to experience the places, artifacts and activities that authentically represent the stories and people of the past and present (http://www.nationaltrust.org/heritage_tourism). This is a broad definition, but it’s fair to say that the interests of heritage travelers generally include visits to historic districts and privately-owned historic buildings, including hotels and bed and breakfasts, as well as museums and sites with guided tours and central admissions. Heritage sites in Washington range from historic homes that are entirely staffed by volunteers and open only part of the year to large federally-funded National Historic Sites administered by the National Park Service. Historic districts and vibrant historic downtown areas also serve as important heritage tourism attractions.

Heritage and other forms of tourism generate economic benefits for local economies because visitors to the area spend money on entrance fees, food and drink, transportation, gas, and lodging, among other things. These direct expenditures represent new money for the area and support local jobs and income, as well as generating additional employment and income through local multiplier effects. The heritage tourism portion of this study is primarily concerned with identifying the total (direct, indirect, and induced) economic impacts associated with spending by heritage tourists visiting Washington State.

There are, however, other economic impacts not captured by this type of analysis, which does not, for example, account for the economic impacts (spending and jobs) associated with the operation of heritage tourism sites or the value of the volunteer hours or donated income used to manage and operate these sites. Further, while visitor expenditures represent an important aspect of heritage tourism, heritage sites and programs often provide other benefits that are more difficult to quantify. These include the contribution of heritage sites and programs to historic and cultural preservation, education, quality of life, and community identity.

Heritage Tourism Spending

Heritage tourists spent an estimated 8.7 million visitor days in Washington State in 2004, with average expenditures per day of \$72.40. This resulted in total annual spending statewide of about \$633 million, with much of this spending concentrated in the lodging, eating and drinking, and retail sectors.



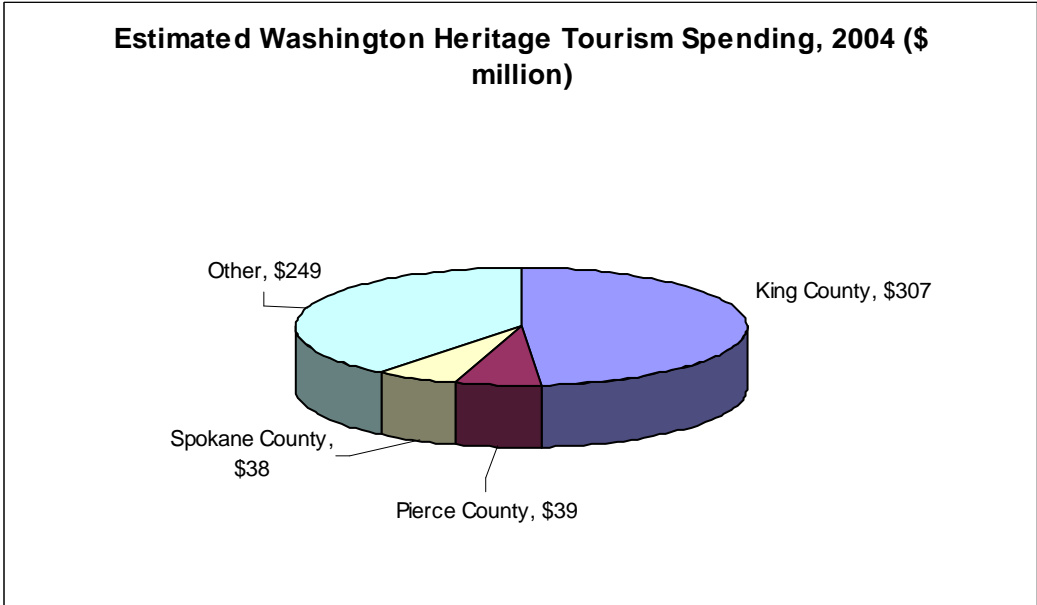
The Economic Impact of Heritage Tourism

Statewide Impacts

The estimated \$633 million spent by heritage tourists in 2004 generated about \$1.3 billion in annual output (sales), supported approximately 20,000 jobs, and generated about \$510 million in labor income in Washington State. This spending also generated about \$67 million in Washington State tax revenues through state sales and B&O taxes.

Impacts for Selected Washington Counties

Almost half (48.5 percent) of all visitor spending in Washington was in King County in 2004, with about 6.2 percent in Pierce County and 5.9 percent in Spokane County. This distribution was used to estimate heritage tourism expenditures by county.



Total economic impacts for these counties are summarized in the following table, which also summarizes the impacts for the state as a whole. These estimates indicate that heritage tourism spending generated approximately \$514 million in output (sales) in King County, supported approximately 8,470 jobs, and generated about \$210 million in labor income. Heritage tourism also generated about \$67 million and \$62 million in output (sales) in Pierce and Spokane counties, respectively, supporting 1,100 jobs in Pierce County and about 1,050 jobs in Spokane County.

Heritage tourism expenditures also generated \$28 million in tax revenues in King County, \$4 million in Pierce County, and \$3.5 million in Spokane County.

Heritage Tourism Spending and Economic Impacts

County/State	Annual Spending (\$million)	Output (Sales) (\$million)	Employment (Jobs)	Income (\$million)	Taxes (\$million) ^{1/}
King	306.9	513.84	8,472	209.52	27.6
Pierce	39.3	67.00	1,106	26.78	3.7
Spokane	37.6	62.43	1,055	25.55	3.5
Washington	632.6	1,287.71	20,025	510.17	66.5
Note: 1/These estimates do not include revenues generated by local sales taxes, which range from 0.5 percent to 1.7 percent of the state base rate of 6.5 percent and vary by jurisdiction.					

Washington Heritage Tourism Sites

There are numerous heritage tourism sites in Washington that range from historic homes and districts through National Historic Sites and Parks and also include downtown historic districts located throughout the State. The National Park Service manages two historic sites and two historic parks in Washington State. Together, these four sites received almost 2 million visits in 2005 and had a combined operating budget of (\$3.3) million. This operating budget included salaries for 43 full-time employees, as well as other operating expenditures, with much of that money spent locally. This information is presented in the following table, which also illustrates the importance of volunteer labor in the operation of these sites. The economic effects of these expenditures and labor are not captured in the spending and economic impacts summarized above.

National Park Service Heritage Sites Visitation and Operations, 2005

Historic Site	2005 Visitation	2005 Operating Budget	Average Annual Fee Collection	Full-Time Employees	Volunteers ^{1/}
Fort Vancouver NHS	799,466	\$1,442,000	\$27,600	17	213
Klondike Gold Rush NHP Seattle	68,325	\$435,000	\$0	6.5	6.2
San Juan Island NHP	1,072,829	\$700,000	\$0	8	5
Whitman Mission NHS	56,714	\$709,190	\$31,507	11	1
Total	1,997,334	\$3,286,190	\$59,107	43	na
Note: 1/Volunteer data for Fort Vancouver are numbers of volunteers. Data for the other sites are full-time equivalents.					

Comparison with Other Economic Sectors

Multipliers for heritage tourism and a selection of other industries of importance to the Washington economy are reported below. These data show that the jobs and labor income multipliers for heritage tourism are relatively high. Heritage tourism is labor intensive and, therefore, has a higher multiplier than a number of important manufacturing sectors in Washington State, including food, wood, and aerospace manufacturing. Heritage tourism activity in Washington State has multipliers that are similar to the key retail trade, finance and insurance, and health services sectors.

Comparison of Heritage Tourism with Other Economic Sectors

Economic Sector	Jobs (per \$1 million of Final Demand)	Labor Income (\$ per \$1 million of Sales)
Health Services	36.31	\$1.185
Retail Trades	33.87	0.962
Heritage Tourism	31.66	0.807
Finance and Insurance	26.73	0.978
Construction	26.45	0.908
Wood Products Manufacturing	26.39	0.920
Food Products Manufacturing	21.72	0.705
Aerospace Manufacturing	10.60	0.452

Historic Designation and Property Values

Historic districts have been listed on the National Register of Historic Places since the late 1960s, following passage of the 1966 National Historic Preservation Act. Historic districts in Washington may also be listed on the Washington Heritage Register. In addition, many municipalities have established local historic registers that allow local governments to designate properties as historically significant and establish historic districts.

According to preservation advocate Donovan Rypkema,“(o)f 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.” He observes that much of the confusion is due to the inherent localness of the impact that any action, including historic designation, has upon real estate values and the distinction between listing on the National Register and local historic designation.

One of the main justifications offered for designating an area as a historic district is that it provides a means to protect the neighborhood from physical deterioration. In addition, historic designation is generally thought to protect, perhaps even enhance, future neighborhood quality through the preservation of the historic amenities and characteristics valued by local residents and others. Designation also conveys a certain element of prestige and image that some potential purchasers may consider in their decision making process.

There are also financial incentives associated with National Register designation as a historic district. Listing in the Register can qualify the properties within the district for federal and local tax benefits under Federal and State laws. In Washington State, these benefits are the Federal Historic Rehabilitation Tax Credit Program and Washington State Special Valuation Program (discussed in the Historic Rehabilitation part of this report), which provide tax breaks for historic rehabilitation work that is “certified” as meeting the Secretary of the Interior’s Standards for Rehabilitation. These incentives can form an important part of neighborhood revitalization strategies. In Seattle, for example, qualified historic rehabilitation projects over the past five

years include five commercial projects in the Columbia City Historic District, with expenditures totaling \$2.1 million. The federal tax incentive applies only to properties that are individually listed in the National Register or within a National Register-listed historic district. There are no financial or tax incentives associated with listing in the Washington Heritage Register.

These factors suggest that, in general, the effect of historic designation on property values, if one exists, is likely to be more positive than negative.

Listing in the National Register of Historic Properties or the Washington Heritage Register does not place restrictions or limitations on properties listed in the National Register and/or Washington Heritage Register that are privately owned. Indeed, property owners using only private funds may alter or even demolish their properties without federal review and comment procedures. However, many National Register-listed historic districts also receive local designation, which may include restrictions that are independent of the district's National Register status. Local designation may impose restrictions on alterations and demolition or require some form of administrative review prior to such actions. These types of requirements and restrictions are often hypothesized to have negative effects on property values.

There have been numerous studies of the effects of historic designation on property values over the past two decades. While the results of these studies are mixed, historic designation is generally thought to have a positive impact on property values. Donovan Rypkema notes that while there are examples of property values in historic districts increasing at faster rates than local markets, the typical result is more modest, with historic designation tending to protect districts from broader fluctuations in the property market. He contends that what are often referred to as "restrictions" enacted through local designation are in fact "protections" that ensure neighborhood stability and protect property owners from potentially value-reducing actions that other property owners might take.

Historic Designation and Property Values in Washington

Overall Approach

The following analysis evaluates the effects of historic designation on single-family residential properties in Bellingham, Ellensburg, Spokane, and Tacoma. The analysis focuses on single-family residences because much of the concern regarding historic district status is typically associated with residential neighborhoods. In addition, commercial sale values are complicated by tax considerations and lease issues that make them more difficult to analyze for evidence of changing market values. Four residential neighborhoods were selected for comparison based on input from the Steering Committee established for this project.

There have been a wide range of studies of the effects of historic designation on property values. While these studies have employed different methodologies and different data sources they have, with very few exceptions, employed some form of paired-comparison approach that compares the values of properties within historic districts with similar properties outside designated historic districts. Our analysis follows this approach and compares the values of properties within the designated historic districts with the values of properties located in other comparable neighborhoods that are not designated.

Comparison neighborhoods were identified based on their similarity to the historic district, in terms of the age of the buildings, size, type of use, and overall neighborhood scale, as well as income levels and other demographic characteristics. The comparison neighborhoods were intended to be as similar to the respective historic district as possible, with the main difference

being the absence of historic designation. Comparison neighborhoods were identified for each city by local historic preservation officers or city planners. The following table identifies the Historic Districts included in this analysis, the year each District was listed in the National Register, the number of properties in each District, and the comparison neighborhoods used for this analysis.

Study Historic Districts and Comparison Neighborhoods

City	Historic District	Year Designated ^{1/}	Number of Properties ^{2/}	Comparison District ^{3/}
Bellingham	Eldridge Avenue	July 1979	900 (approx.)	Lettered Streets
Ellensburg	First Railroad Addition	May 1987	74	Shoudy's First Addition
Spokane	Corbin Park	November 1992	81	Hays Park
Tacoma	North Slope	March 2003	909	University of Puget Sound District
Notes: 1/This is the date each district was listed on the National Register of Historic Places. Districts may have had local status prior to this time. A portion of the North Slope Historic District in Tacoma, for example, was initially listed locally in 1994. The area was expanded in 1996 and again in 1999. The area was listed on the Washington and National Registers in 2003 based on the boundaries established in 1999. 2/This total includes all properties in the area, including those that are classified as “non-contributing” with respect to the district’s historic character. 3/Comparison districts were identified by local historic preservation officers or city planers in the respective cities.				

Sales data were obtained for the study historic districts and comparison neighborhoods from the respective county assessor’s offices. These data were sorted and adjusted to account for inflation.

Summary of Results

Our analysis used two key measures to assess property values over time in each Historic District and comparison neighborhood:

- Annual appreciation in average sale value since historic designation
- Annual appreciation in average cost per square foot

Annual Appreciation in Average Sale Value since Historic Designation. The results of this analysis suggest that the property values in the two study neighborhoods with relatively large numbers of sales, the Eldridge Avenue Historic District (Bellingham) and North Slope Historic District (Tacoma), have appreciated at slightly faster rates than values in the two comparison neighborhoods and, in the case of Eldridge Avenue, faster than property values in the city of Bellingham as a whole.

The data for the neighborhoods in Ellensburg and Spokane are more difficult to interpret in annual terms because of the relatively small sample sizes that result in fluctuating average sale values from year to year. Overall, the results of the analysis suggest that sale values in these two historic districts have been generally equivalent with those in the comparison neighborhood, and in the case of the Ellensburg analysis, the city as a whole.

Annual Appreciation in Average Cost per Square Foot. The average price per square foot in the Eldridge Historic District in Bellingham increased at a slightly faster rate than the comparison neighborhood (Lettered Streets) and the city of Bellingham as a whole from 1984 through 2005. Price per square foot in the North Slope Historic District in Tacoma appreciated at approximately the same rate as it did in the comparison neighborhood (University of Puget Sound District).

As noted with respect to average sale price, the data for the smaller historic districts (First Railroad Addition and Corbin Park) are more difficult to interpret due to the relatively small sample sizes. In general, viewed in terms of annual price per square foot, appreciation rates in the First Railroad Addition and Corbin Park Historic Districts have been generally equivalent with those in the comparison neighborhoods.

Conclusion

Historic preservation generates a wide range of economic benefits in Washington State, including those associated with the rehabilitation of historic buildings and heritage tourism, as well as the impacts that historic designation has on neighborhood character and property values. The results of our evaluation of these impacts are summarized below.

Historic Rehabilitation

Washington State historic property owners can take advantage of federal and state tax incentive programs to help rehabilitate historic buildings. From 2000 through 2004, 197 historic rehabilitation projects took advantage of these programs and invested a total of \$417 million (in 2004 dollars) in the Washington State economy. This investment, viewed on an annual basis, supported approximately 2,320 jobs, generated \$87 million in labor income (wages and salaries), and contributed \$8.9 million in state tax revenues, each year.

Washington Main Street Program

The Washington Main Street Program™ has been helping communities revitalize their commercial districts using the Main Street approach since 1984. Building renovations and new business activity (measured in terms of new employment) within the nine designated local Main Street program communities resulted in \$165 million in total sales (output) each year from 2000 through 2004, supported 2,600 jobs, and generated \$67 million in labor income. These activities generated about \$8.8 million in state sales and B&O taxes each year, as well as local sales tax revenues (which are not included in this total).

Heritage Tourism

Heritage tourists in Washington State generate economic benefits by spending money on goods and services, including food and drink, transportation, and lodging. Heritage tourists spent an estimated 8.7 million visitor days in Washington in 2004, spending about \$633 million. This investment supported about 20,000 jobs, generated \$510 million in labor income (wages and salaries), and contributed \$67 million in state tax revenues.

Historic Designation and Property Values

Designating a neighborhood as a historic district protects future neighborhood quality and preserves historic amenities and characteristics valued by local residents and others. Property values in two of four study neighborhoods increased at slightly higher rates than values in the two comparison neighborhoods. Data for the other two neighborhoods were more difficult to interpret because of small sample sizes, but suggest that property values in the study historic districts have increased at generally comparable rates to the comparison neighborhoods.