Local Historic Districts and Property Values in the City of Holland, Michigan

With homes built before and at the beginning of the turn of the last century, Holland’s historic districts are passionate about preserving the charm and integrity of these impressive areas. Located just minutes from Downtown, parks, and annual events, these historic neighborhoods are vibrant and beautiful places to live. Neighbors work together to preserve the character and setting that makes their homes and neighborhood truly unique. Historic preservation ensures that future generations will have the opportunity to appreciate the legacy of Holland’s rich past.

Historic preservation also has a significant economic component. Preservation activities create jobs, revitalize neighborhoods, and improve existing infrastructure. Property values in the Holland Historic District and the Washington Boulevard Historic District have experienced significant value increases over the last few decades. How do their values compare to the non-designated residential areas? How did they fare in the recent housing market recession? It appeared that these value increases have been disproportionately high when compared to other neighborhoods within the city. And, unlike their non-designated neighbors, the homes in the historic districts retained their value through the recession.

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In 2016 the Michigan Historic Preservation Network (MHPN), funded by the Michigan State Housing Development Authority and the Michigan State Historic Preservation Office (SHPO), sought to revisit a study of the relationship between property values and local historic districts. The goal was to determine how property values within local historic districts would compare with nearby similar, non-designated neighborhoods over time and how designated districts weathered the 2007-08 real estate crash and subsequent recession. Four Michigan communities of varying sizes and demographics were selected by MHPN: Ann Arbor, Bay City, Grand Rapids and Kalamazoo. After receiving the results of this study, Holland’s Historic District Commission directed staff to embark on a similar study. The hypothesis was that Holland’s locally designated districts would fare as well or better than the non-designated comparison neighborhood in Holland. This data would create a compelling rationale for historic designation as a planning tool in the central city for the architecturally and historically significant properties and districts in which they are located. Local historic districts help communities retain their unique character and often create desirable and well-maintained neighborhoods.

Designation of historic neighborhoods is a valuable component of planning strategy since “regulations that often accompany historic preservation appear to provide a mechanism ensuring neighborhood upkeep” (Coulson and Lahr [2005]; see also Coulson and Leichenko [2004]).
Methodology

Dr. Ed Coulson, Merage School of Business, University of California, Irvine was retained to conduct the study employing hedonic regression analysis, which has become a primary tool used in studies across the country to evaluate how historic designation contributes to property values. This method allows the researcher to measure how much one characteristic, such as historic designation, contributes to property value while holding the other characteristics constant.

The data compilation for the study

City of Holland Assessor data was analyzed at three points over time for the years 2004, 2010 and 2016, to reveal how local historic district designation affects property values in residential neighborhoods.

The data was explored in two ways:

(1) overall patterns were identified across averaged collections of similar data from inside and outside local historic districts, and

(2) more exhaustively, Dr. Coulson analyzed the data using hedonic regression analysis to measure the effect of local historic district designation. This method views the value of a real property as the sum of the value of its parts. This kind of analysis breaks out and assigns weights to the various components that contribute to a property's value to create true, comparisons between properties within a locally designated historic district and similar undesignated properties nearby. When using this method, various characteristics of houses being studied (if the property has a garage, fireplace, number of baths, etc.) are assigned weights and those values are entered into an equation. The result is a determination of the actual value of the local historic designation and how it contributes to property values.

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Description of study areas

The areas studied in Holland were the Holland Historic District, locally designated in 1986 and expanded in 1994, numbering approximately 180 properties; Washington Boulevard Historic District designated in 2001 consisting of approximately 168 properties; and a non-designated neighborhood of approximately 340 properties. The home attributes included: local designation, interior square footage, yard size, year of construction, number of bedrooms and baths, number of fireplaces, indicators for various building classes, style, HVAC systems and garage as well as property value data and most recent sale prices.

Each of the study areas has a unique character but all share similar features that include proximity to downtown, Hope College, Herrick District Library and Kollen Park. Homes in the Washington Boulevard Historic District tend to be on smaller lots and many are less ornate in their ornamentation than those in the Holland Historic District noting exceptions such as the Coatsworth House and the Cappon House Museum in the Washington Boulevard Historic District. The non-designated area homes are most similar to those in the Washington Boulevard Historic District and the blocks of 13th Street through 16th Street of the Holland Historic District. The largest and most significant architecture of all the study areas are those blocks in the portion of the Holland Historic District of 11th and 12th Streets from River Avenue to Maple Avenue and the one block of 13th Street between River Avenue and Pine Avenue.

District designation encourages preserving architectural features in both districts but the Holland Historic District, designated 15 years prior to the Washington Boulevard Historic District, had a head start with preservation. Most homes in both districts were constructed during the years 1886-1920. The study included residential structures only; public, religious, or multi-family structures over 4 units were excluded. Note that Washington School and its environs were excluded from the study as adaptive reuse of the school into 18 condominiums and new construction of five homes on the property was just commencing as the data was compiled.
Analysis

In the analysis Dr. Coulson held the listed attributes (date of construction, heating type, number of baths, condition of structure, fireplace, square footage, garage, lot size) constant for each property. In effect, this is a comparison of property values in the historic districts with those in the undesignated neighborhood holding attributes constant. The statistical analysis showed that in 2004, local historic designation in the Holland Historic District added 15% to property values as compared to the values of properties in the non-designated neighborhood. By 2010, this premium had skyrocketed to approximately 42%. This is in a period of declining home prices, evidence that neighborhoods with a local historic district designation hold their value through downward housing cycles. Six years later, this difference in property values remained showing a 43% difference in the values of locally designated properties as compared to the non-designated properties, attributed to historic designation.

The Washington Boulevard Historic District was established in 2001 following considerable controversy in the community including a city-wide vote on a referendum that affirmed City Council’s designation of the district. Many property owners were not convinced that historic designation was warranted in this area. In 2004 there was no difference in the value of properties between this newly designated neighborhood and the non-designated comparison neighborhood. In 2010, a difference appeared, but was relatively small at 1.3%; a trend was emerging that designated properties held their value through the housing decline. The analysis in 2016 showed that local historic district designation added 15% to property values when compared with property values of the non-designated properties outside the district.

To reiterate, it can be concluded that by 2016, 43% of the increase in the value of a property in the Holland Historic District can be attributed to designation while the remaining 57% of the increase in the value can be attributed to interior and exterior amenities held constant by Dr. Coulson’s analysis. The Washington Boulevard Historic District shows a steady increase in the value of designation as by 2016, 15% of the increase in the value of Washington Boulevard Historic District properties compared to the non-designated area can be attributed to historic designation according to Dr. Coulson’s analysis. The analysis supports that district designation in Holland has added a considerable premium to property values.

Average Property Values - Holland

The table shows simple average property values in the three comparison districts and does not hold the attributes constant.

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<th>2004</th>
<th>2010</th>
<th>2016</th>
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<tr>
<td>Holland Historic District</td>
<td>$250,000</td>
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<td>$250,000</td>
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<tr>
<td>Washington Blvd. Historic District</td>
<td>$200,000</td>
<td>$150,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Non-Designated Area</td>
<td>$150,000</td>
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While average property values did not decline at all over the 2004-2010 period in the Holland Historic District, they fell by about 16% in the non-designated neighborhood. As the economy and housing market recovered between 2010 and 2016, the historic districts and non-designated neighborhood values increased at approximately the same rate so that the difference in average property values was approximately the same.

In the case of the Washington Boulevard Historic District, the market decline period took as severe a toll on that district as in the non-designated comparison neighborhood, so the increase of property values was only slightly higher between 2006 and 2010. In 2016, property values in the Washington Boulevard Historic District had recovered and outpaced the non-designated comparison neighborhood. That year, the average property values in the Washington Boulevard Historic District were 23% higher than in the non-designated neighborhood and 15% of that difference can be attributed to historic designation.

Further, properties in locally designated districts have advantages that contribute to the tangible and intangible quality of properties such as enhanced staff support at the local level; historic district commission review of exterior alterations and support of surrounding neighbors committed to the central city. It should also be noted that when state historic tax credits were available from 1999 to 2011, those credits were largely available in local historic districts.

Please see and refer to the Michigan Historic Preservation Network document, Local Historic Districts and Property Values in Michigan Neighborhoods (2016), providing in-depth information on the four communities with similar findings for the locally designated historic districts. Visit www.mhpn.org and view Press & Publications.

In summary, the data supports the following conclusions:

a) historic designation does have a positive impact on property values;

b) historically designated houses hold their value better through housing cycles.

Conclusion

Whether similar collections of data are averaged or an in-depth hedonic regression analysis is used to determine the value of local historic designation between similar properties in and outside local historic districts, the outcome is the same. Properties in locally designated historic districts retain value and will likely increase in value compared to similar non-designated properties.
CREDITS

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REFERENCES


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