Residential Property Values and Historic Districts: A Kalamazoo Case Study

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RESIDENTIAL PROPERTY VALUES AND HISTORIC DISTRICTS: A KALAMAZOO CASE STUDY

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Historic districts have been a point of contention in political, economic and community circles since their inception in the early twentieth century, but their impact has grown since the 1966 passage of the National Historic Preservation Act. Often cited by proponents as a productive tool for preserving the cultural and physical elements of the American built environment, historic districts are alternately branded as burdensome and regressive to future development by critics. In order to provide a quantitative assessment of the economic impact of historic districts, this project compares property values from 1990, 2000 and 2010 in both a historically designated and a non-designated neighborhood in Kalamazoo, Michigan. Through tedious sampling techniques and statistical analysis, the results of the project indicate a link between historic districts and higher property values.
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CHAPTER I

INTRODUCTION

In any given city or region, property values can be an excellent measure of long-term economic health and conditions. As property values rise in an area, the quality of housing stock, job prospects, schools, cultural amenities and more tend to follow. Higher values synch with higher demand for property, which typically is accompanied by increased investment of capital. Renovations, new construction and new infrastructure all associate with higher property values. With the higher values come additional tax revenues for municipalities to invest in schools, roads and cultural amenities. Conversely, the opposite will occur with significant declines in property values---the housing stock fades, the roads begin to crumble and schools are forced to cut spending. Subsequently, disinvestment leads to a less desirable living environment, which further erodes the area’s economic foundation and overall appeal. Given these facts, it is reasonable that attention should be given to the topic of property values and what drives changes to local real estate markets by academics, real estate professionals, economic developers, municipal officials and others.

One oft-discussed component of historic designation in American cities is the impact they have on property values. Viewed by some as obtrusive and a restraint on new investment, regulations related to the preservation of old buildings are eyed by others as great catalysts for protecting and enhancing historic homes, buildings and neighborhoods.
(Leichenko, 2000). Through the use of guidelines and standards, historic designation can be used to artificially preserve the physical condition of a building or group of buildings in spite of prevailing market conditions. With this control in place, the key question becomes the resulting change in property values in those areas impacted by the guidelines and standards.

Attention has been given to this topic in multiple locations across the United States, including Colorado, Washington D.C. and elsewhere (Rypkema, 1994; Leichenko, 2000; Gale, 1991; Maskey, 2007). Since property values can be an important component of overall economic development for a community, additional analysis should be given to historic designations and their ability to drive growth. If, as preservation advocacy groups might imply, historic designations can protect and increase property values, could they be used more liberally in areas facing economic malaise? Moreover, could the abundant collections of older houses and buildings in economically challenged areas become agents for growth if designated as historic? If so, would not historic designation be a great opportunity for economic development and tax base growth? Conversely, if historic designations are found to drive property values down due to their restrictive nature, then a strong first step for economic growth would be their elimination.

Research, such as that conducted and promoted by Rypkema (1994), has argued that historic designation will cause property values within the district boundaries to not only grow, but grow at a higher rate than similar non-designated counterparts. If such claims are accurate, historic designation could indeed be used as a catalyst for the revitalization of older buildings, neighborhoods, commercial districts and even entire
cities. As stated above, increased property values generate increased tax revenue, which could subsequently be used to fund community infrastructure, schools or cultural amenities, further accelerating the economic well-being of participating neighborhoods and cities.

*Historic Building Stock in Michigan*

The state of Michigan is home to a wide variety of communities, but the largest percentage of the population resides in medium to large cities that were built around expansive industries during the early twentieth century. Many of these foundational industries have now closed or moved away from their Michigan communities, but their old buildings and the extensive neighborhoods which housed their employees frequently remain. In combination with the homes and commercial blocks that were built to serve the industrial employees, the physical remnants of these former businesses represent a large collection of potentially eligible historic buildings throughout the state (Taylor, 2014).

Industry thrived in Michigan for nearly a century, and cities were built around this historic strength. Battle Creek served as the home of the Kellogg’s Company and its giant cereal-producing factories (Butler and Neumeyer, 2009). Kalamazoo hosted the Upjohn Company and its extensive collection of research laboratories and manufacturing plants. In addition, Kalamazoo earned the moniker of the Paper City as home to dozens of paper
manufacturing plants (Houghton and O’Connor, 2001). Grand Rapids welcomed visitors from around the nation to visit its large factories and showrooms designed for furniture production (Olson, 2011). Midland grew with the Dow Chemical company and its massive offices and manufacturing plants throughout the city (Blair, 2006). Muskegon, Flint, Lansing and Jackson were also built around a mix of industries, and many factory buildings and factory-based housing districts remain within their boundaries. Michigan’s largest city, Detroit, was designed around several of the nation’s largest industrial businesses, but only after an early history associated with salt production and the fur industry. As such, the city is filled with colossal structures that once produced automobiles, trucks and military equipment (Sugrue, 1996).

Once thriving hubs of industry, several of the aforementioned cities are now struggling with aging infrastructure, shrinking populations and dwindling tax bases (Sugrue, 1996). With these issues now at the forefront, it is difficult for the communities...
to find the capital investment needed to appeal to new development, businesses and people. Quite possibly, an untapped underlying force for change in these communities could be the revitalization of residential and industrial properties and the tax base from these assets. As values rise within a city, so too do the tax dollars generated from these properties. Moreover, in order to raise funds for improvements, Michigan cities need plans to grow these property values and subsequent tax valuations within their boundaries. With the greater access to funds, leadership in Michigan cities could enhance the quality of roads, schools, public transit networks and many other municipal services.

With large collections of older buildings and a desire for higher property valuations, the creation of new historic districts and the nomination of individual properties offers an intriguing research opportunity. If historic designation in Michigan is as effective as it has shown to be in other cities and regions of the United States (Rypkema, 1994), new policies related to these efforts could serve as a strong catalyst for the growth of property values. The often obsolete and worn buildings of urban neighborhoods in Michigan could be transformed into financial engines of growth for their municipalities. Likewise, investment in such properties could enhance the appeal of the immediate area, thus driving further economic activity.
Conversely, historic designation could potentially saddle Michigan cities with burdensome regulations and approvals that could stymie new investment and nip development in its bud. Instead of leaving a door wide open for new development opportunities, historic designation could potentially restrict development for owners of existing homes and buildings that do not meet the definitions of the historic guidelines. Such hurdles could potentially burden developers and property owners as they consider significant investments within their real estate portfolios. If property owners are afraid of the regulations inside of historic district boundaries, they are likely to invest elsewhere in locations where they feel comfortable and have flexibility to change their building designs as they see fit. If this vision takes root, it will cause property values to drop and lead to additional challenges for municipal leaders due to the establishment of historic
districts and designations that cannot and will not be met, leading to further deterioration of properties. While the status quo also remains an option for Michigan’s cities, it does not present a viable solution to the long-term degradation of property values that has inflicted challenges upon planners and investors for several decades.

Research Motivation

This research aims to address the question of historic designation and its impact on property values within the city of Kalamazoo, Michigan. With minimal vacant land to accommodate new growth and tax base, Kalamazoo, like many of Michigan’s other cities must find a solution to increase property values and economic activity. Historic designation for their buildings could be a successful formula, but sound impartial research on the topic is needed before programs, and related legislation are introduced.

As previously noted, Michigan is home to a significant collection of large and mid-sized urban districts. While each community has unique attributes, they also share many similarities. Most possess a significant collection of historic buildings, multiple urban neighborhoods, economic challenges, municipal funding shortages, and a desire to reinvest in city centers. With a mid-sized population, a stable manufacturing base, a large group of older and historic buildings, and an educational presence of a college, a research university and a thriving community college, Kalamazoo offers a great case study to represent the state. Home to historic districts for over three decades, Kalamazoo also
hosts neighborhoods that have strongly opposed historic designation (Houghton and O’Connor, 2001). With supporters and cynics of historic designation status as an economic “tool,” Kalamazoo has been chosen as the focus of this research.

The two Kalamazoo neighborhoods in the study, the Edison neighborhood and the Vine neighborhood, are both located immediately south of the Central Business District (Figure 1.3). Each consists of older and architecturally similar housing stock built between the late nineteenth century and approximately 1930 (Figure 1.4). Most of the properties are single family homes, but both neighborhoods include a few apartment buildings and homes converted to multi-family uses. The Vine neighborhood is home to a small commercial node sharing the neighborhood’s name. The Edison neighborhood is centered on the Washington Square business district. Located on the fringe of the Vine neighborhood is Western Michigan University, while the edges of the Edison neighborhood are home to a large hospital and two major corporations; both offering nearby employment for neighborhood residents. With these similarities in mind, the primary difference between the two neighborhoods is the historic designation of Vine since 1990. While eligible for several decades, residents of Edison have chosen to remain undesignated. As such, these two neighborhoods present an intriguing case study for the primary issue raised above: What is the impact of historic designation on property values in the state of Michigan?
By researching property values in the two aforementioned Kalamazoo neighborhoods, this project is designed to assess the impact of historic designation. To do so, fifty residential properties within both the Edison and Vine neighborhoods have been selected at random, using a method described at length in Chapter 4 of this thesis. Working with the City of Kalamazoo’s assessor office, property values for the years 1990, 2000 and 2010 were collected for each of the fifty randomly selected properties in both neighborhoods. The 1990 property values from each neighborhood have been compared directly in order to establish the base property values for both absolute value
and value per square foot prior to the Vine neighborhood’s conversion to a historic district. The 2000 values have been compared between the two neighborhoods as well, and the change from 1990 to 2000 in each has also been reviewed. Finally, the 2010 property values have been compared for both neighborhoods, and then assessed for changes between 1990 and 2010, as well as from 2000 to 2010. Again, the objective of this research is to compare the property values and value changes in the two neighborhoods for the years 1990, 2000 and 2010 to determine the possible effect of historic designation, all of factors remaining as equal as possible. This research will utilize “assessed values” as the primary variable. This value has been selected due to its function of establishing overall value in municipalities (Michigan Tax Tribunal).

With urban development efforts increasing in all major metropolitan areas of the United States (Speck, 2012), the interest in historic designation and the ability of these designations to catalyze economic growth has accelerated (National Trust for Historic Preservation, 2015). The historic preservation community asserts that designation leads to increased property values and economic growth, while some business interests believe this status will restrict creativity and redevelopment efforts in real estate projects. In addition, scholars and social service agencies have argued that historic preservation does indeed increase property values, but that the process leads to gentrification and minimizes access to affordable housing (Lapenas, 2002). Each of these views are worthy of consideration, and each is centered on the fundamental question of the impact that historic designation has on property values. The following analysis of two Kalamazoo neighborhoods is designed to answer that question for cities in the state of Michigan.
Figure 1.4

Photo Examples from Kalamazoo’s Edison (Left Side) and Vine (Right Side) Neighborhoods

Source: City of Kalamazoo Tax Records, Available at http://www.kalamazoocity.org
CHAPTER II

HISTORICAL REVIEW

Adequate and affordable housing has long been an objective and goal of the architects of American society. During World War II, with the nation at war in Europe and the Pacific, Americans were forced to find alternatives to traditional building materials and construction practices in order to send the best supplies and laborers to the frontlines (Kuntsler, 1993). As such, new innovative and efficient products such as vinyl siding, asphalt shingles and aluminum windows entered the market. Many of these materials were actually developed to create temporary structures to house troops in training or employees working at war supply manufacturers in the United States (Smith, 2010). The new materials and subsequent standardization also simplified home construction to a level that many American construction workers could complete with minimal training. These changes broke centuries-old traditions of building construction and design, which subsequently reduced the demand for specialized craftsmen and saw a decline in the professional trades associated with home construction.

As the need for new buildings to accommodate military and government growth during World War Two continued to expand, the fledgling materials and simplified building techniques allowed new low cost homes to blossom on the fringe of myriad American cities. Working under desperately short schedules and an unforeseen future, the new buildings offered a great solution for erecting residences, training facilities, offices
and factories where they were needed during the war. When the war was over, the concept for these structures was that they could be disposed of without regret due to their low cost and unsophisticated construction. In theory, the construction trades would return back into the hands of professionals using wood, stone and other materials designed to last a century or longer. As the war ended, however, thousands of troops flooded American cities in search of jobs and housing. As such, many buildings intended for temporary use during the war were modified to accommodate the crushing need for new housing. Trailer parks designed to function for five years were modified to extend their lifespans another five, ten, twenty or more years. Similarly, dormitory-style apartment buildings designed for temporary military use became some of the earliest forms of public housing (Jacobs, 1961 and Kuntsler, 1993). As a means of stoking the growing interest in new construction and single-family homes, the United States federal government passed the Servicemen’s Readjustment Act in 1944 that provided assistance to returning veteran’s in the form of education subsidies, low-cost mortgages and other lending tools (Kuntsler, 1996). With developers anxious to build newly affordable houses and housing tracts, and automakers shifting attention to civilian vehicle production and sales, the Servicemen’s Readjustment Act, for better or worse, proved to be an excellent catalyst for suburban growth patterns in the United States following World War II (Figure 2.1).
As supplies of labor and material returned to normal levels after World War Two, Americans realized that they could construct new buildings using the same efficient materials developed during wartime at a much lower cost than traditional methods. For example, with minor modifications, the temporary trailers used to house troops could be converted for civilian use. Similarly, manufacturing facilities that once required substantial masonry structures could instead be “skinned” with simple steel panels. As this trend of new material use grew in popularity and quantity, the lower cost of new construction reached a level at which millions of people could afford to build their new home or business from scratch. Instead of renting apartments, and operating businesses in downtown storefronts, Americans quickly turned their attention to new construction in the years following World War Two. As the necessity of renting real estate diminished, so too did demand and rental rates in urban apartment houses, multi-family buildings and downtown storefronts.

The evolution of new building materials alone, however, was not the only catalyst for postwar construction and the subsequent reduction of real estate rental rates in existing buildings. In the decades just prior to the onset of World War Two, American cities quickly added electric streetcar lines, connecting their downtowns to outlying commercial nodes. While alleviating some pressure on the demand for real estate in the downtown core, the streetcar established a handful of additional core areas in most United States cities around which commerce could concentrate. As such, the demand for
land and buildings within the downtown cores remained strong, but the new streetcar districts began to erode their monopoly on commerce and housing. With the introduction of automobiles for the masses following World War Two, the need to concentrate commerce around central hubs almost disappeared (Kuntsler, 1993).

The automobile physically opened the door for decentralized development patterns in many shapes and forms, but the United States government provided the economic bridge for millions of returning troops to act upon the opportunity (Wiewel and Persky, 2002). With new affordable housing in the rapidly growing suburban regions attainable and accessible, the steady stream of people from central cities to the suburbs of America was transformed into a crushing wave.
With inexpensive building materials readily available and affordable automobiles for the masses, many Americans found few strings linking them to downtowns and existing urban core neighborhoods. As such, a large migration to the urban fringe ensued. New suburban neighborhoods were constructed at a blistering pace, and Americans used their newly affordable automobiles to access more distant tracts of land and homes now accessible to development and average citizens. With this shift of residents came a
subsequent shift of commerce. Not only were direct consumer businesses such as grocery and clothing stores following their customers to the fringes, but so too were expanding industrial and service businesses attracted by the abundant, lower cost, land available outside urban centers (Rybczynski, 2007). With new building materials and an enhanced ability to ship over roads instead of rail or water, industrial users also found the fringes great for efficiency and future expansion.

As new neighborhoods and industrial areas blossomed on the urban fringe, the demand for real estate near the urban core and along urban rail lines began to plummet. Despite solid construction designed with materials to last centuries in the elements, the buildings of the core cities lacked the space now needed to park cars, trucks and an ever expanding array of domestic household goods. Real estate values in the urban core districts began to slip, which led to an eventual lack of maintenance and delayed repair of the buildings. Factory buildings once prized for their durability and accessibility to rail lines, surface truck roads, and harbors were quickly deemed incompatible with expansion plans as they lacked land for expansion and required trucks to travel significant distances to access the new highways that began to wrap the fringes of America’s cities.

Stable neighborhoods lined with regal apartment houses and multi-family dwellings began to transition to less desirable uses and, significantly, lower rents. As former tenants utilized new cars and building materials to build new single-family houses outside of the city, once trendy downtown apartments became home to those who couldn’t afford a move to the freshly minted suburban neighborhood. Starved for rental income, the once proud landlords of such structures were forced to repeatedly lower rates
and often defer maintenance and upgrades. As the condition of the residential buildings declined, the desirability of such structures continued to drop. Not only could the majority of Americans afford their own homes after World War Two, but they could also afford to live on larger parcels of land far from their former core neighborhoods. As such, the need and economic justification required to maintain the urban core residences significantly declined.

As customers moved to the urban fringe, businesses catering directly to consumers were forced to follow or face insolvency. In addition, the increased demand for automobile parking to access the businesses also drove myriad retailers, restaurants, service providers and others to the periphery of American cities (Speck, 2012). The new fringe locations offered the same abundance of land and access to new building materials that had drove the relocation of the residential sector of the real estate market. Likewise, the former commercial nodes of the urban neighborhoods began to fade in popularity. With fewer business prospects, commercial landlords sought less desirable businesses at lower rents than those they expected before and during World War Two. Furthermore, the corner businesses and grocery stores of urban neighborhoods began to fall into disrepair as supply for such space outstripped demand.
With demand diminished and supply static for residential, commercial and industrial properties in urban districts, the condition of such properties quickly spiraled downward. Weak demand and the succeeding drop in quality began to erode property values as well. With overall economic conditions in America beginning to accelerate approaching the middle of the twentieth century, the urban neighborhoods and the solid older buildings that filled their blocks were abandoned in favor of new construction and larger land parcels on the new suburban and peri-urban fringes (Kuntsler, 1993). As conditions worsened and demand weakened for the urban building stock, some structures were left empty with very low revenue streams and absentee owners. As such, the urban districts of American cities entered an era of decline that would not slow for nearly a half century.

With many urban apartment buildings, factories and commercial storefronts empty or greatly neglected, municipal leaders looked to demolition and removal as the most efficient solution to the problem. Since the federal government had been significantly expanded during the years before and during World War Two for a variety of reasons beyond the scope of this thesis, it was well equipped to act upon proposed solutions for the newly emerging issue of urban blight. The American preference at the time for new construction and accommodations for automobile storage and parking was clear---people wanted new construction and space for their cars and lawns. Municipal
leaders at the time followed the public’s preferences in these regards, and worked to fund such ventures (Johnstone, 1958).

Reviewing lessons learned during World War II regarding domestic military transport bottlenecks and experimenting with the concept in multiple regions across the country, the federal government decided in 1956 that the time was right for a national network of publically financed expressways. Not only would the expressways facilitate efficient transport of military equipment and troops, but they would also alleviate congestion on busy routes between cities. As originally designed, the new federal highways would allow for easy movement between cities, but their scope would eventually grow to include movement between urban business centers and newly established suburban fringe districts (Kuntsler, 1993). According to several measures, the expressways provided enhanced mobility, but they also accelerated the movement away from old urban areas and older housing stock. Cleverly, federal government officials devised legislation to both increase mobility through additional expressways while providing a funding source for the removal of blighted urban buildings along the path. (Fogelson, 2001). The federal interstate program established new options for urban districts saddled with outdated buildings, which eventually included demolition of urban neighborhoods to accommodate new expressway routes.

Even with expressway construction moving forward at full speed and the demolition of urban buildings at a parallel rate, the nation’s thirst for renewal had not been quenched. Turning again to the growing federal government for guidance and funding, American cities devised new schemes to renew their urban areas through public
housing programs (Duany, Plater-Zyberk and Speck, 2000). With demand and popularity for urban buildings nearly erased by the middle of the twentieth century, the few tenants attracted to the forlorn structures tended to have low incomes. Moreover, municipal and federal leaders devised a plan to clear the blighted structures housing the poor and replace them with efficient government-funded group housing and high-rises. Such housing projects were championed in most American cities at the time as a solution for blight removal, and an opportunity to house the urban poor. President John Kennedy established federal funds for urban renewal and blight clearance under the National Housing Act of 1961 (Morris, 1961) (Figure 2.2).

Instead of working building by building, or even block by block, the federal urban renewal programs operated on a scale so vast that only multi-block projects could be conceived (Jacobs, 1961). Moreover, American cities began the process of clearing large swaths of their downtowns and core neighborhoods in an attempt to eliminate older buildings and subsequently house the economically poor in new large-scale residential structures. (Collins and Shester, 2010). In the years between 1949 and 1974, the United States federal government completed 2,100 projects of the colossal scale described above.
As thousands of people continued to flee America’s cities for its new suburban districts, and a federal government aggressively demolishing the remaining urban districts and neighborhoods, a small group of individuals questioned the wisdom of the widespread transformation. More specifically, this group argued for recognition of the value of the architectural quality and character of the older buildings and began to advocate for their preservation. From train stations to apartment buildings and office towers, such structures could, in the eyes of preservation-minded advocates, potentially serve a purpose in the future of American cities.
As the federal government’s urban clearance and renewal programs accelerated during the 1950’s, scholars and interested observers began to voice their concerns about widespread demolition in print. Known for commentary on planning and design principles in her seminal 1961 text, *The Death and Life of Great American Cities*, Jane Jacobs devoted pages in her text espousing the benefits of older urban buildings (Jacobs, 1961). Not only did she comment on the design attributes of such structures, but also on their ability to offer less expensive rent to small businesses attempting to start and grow. The assumption made by architects, engineers and planners, she opines, is that all businesses can afford new buildings, but such an assumption may crush a budding entrepreneur before they get started with their new idea. Conversely, the opportunity to lease less expensive space for a business in an older facility allows the business to get established before adding the fixed cost of new real estate to their budget.

Jacobs wrote her text while living in New York City’s Greenwich Village. Not coincidentally, she was exposed to some of the nation’s largest federally-funded urban renewal projects. She watched entire neighborhoods undergo transformations from dense mixed-use environments to spacious high-rise residential towers. During the same era, New York City was actively courting and spending federal dollars to design and construct new expressways to accommodate the flood of automobiles that filled the city’s streets in ever-increasing numbers during the twentieth century. Several expressway projects, such as the Cross Bronx and Interstate 55 in Chicago, were routed directly
through urban neighborhoods and strangled the stability of the dense blocks of houses and people.

While not widely recognized at the time, the organization of historic preservation advocates actually began shortly after World War II. Established by President Harry Truman’s signature in October of 1949, the National Trust for Historic Preservation began advocating for the protection of the nation’s built environment. While the immense urban renewal projects were attracting headlines after World War II, the National Trust was quietly building a case for protecting the historic structures the renewal projects were designed to replace.

A catalyst for the growth of the historic preservation movement came when New York City’s Pennsylvania Station was targeted for demolition in 1963 (Figure 2.3). Deemed a significant landmark by architects and designers in the community, the monumental steel and stone structure was declared too inefficient and costly to maintain by its owner, the Pennsylvania Central Railroad. With easy access to inexpensive materials as described above, the owners of Penn Station decided the future of the grand terminal structure would lie in its below-ground rail platforms and in a newly built station within a contemporary structure at the surface. While the loss of urban neighborhoods, housing and factories may have been deemed necessary by many citizens in New York City and preservationists alike, the demolition of one of the city’s prized rail stations proved an aggravating and momentous event for the historic preservation movement. Demolition of Pennsylvania Station was completed in 1964.
With the demolition of New York City’s Pennsylvania Station completed, the National Trust for Historic Preservation began to grow its membership and visibility. The initial focus of the National Trust for Historic Preservation was on structures or locations directly related to significant historic events or people. Additional criteria including the recognition and careful analysis of architecture and planning techniques related to buildings and neighborhoods would follow as the movement and the trust grew over time. The National Trust was often granted ownership of historic properties related to the nation’s history in its early years. For example, the Woodlawn Plantation in Virginia became the first property to be officially designated as historic as it transferred to National Trust ownership in 1951 (The National Trust for Historic Preservation).

The National Trust for Historic Preservation and the overall preservation movement, however, remained limited in scope until publically cherished structures such as Pennsylvania Station in New York City were demolished with little thought to America’s physical and cultural legacies. As federal dollars fed more and more programs focused on urban demolition, the number of affected people also grew. This led to the growth of the historic preservation movement, as more people were impacted and the full effect of uncensored demolition became clear. While the National Trust, which was federally funded, was effective in honoring and recognizing a handful of America’s greatest buildings and places, it lacked the binding authority to prevent demolition of the vast majority of properties throughout America’s collection of towns and cities.
For a variety of reasons, the recognition of entire neighborhoods or city blocks as historic resources was not an early focus of the National Trust. Such overarching protections would not emerge on a broad scale until the creation of historic districts, which would eventually be recognized at the federal and state levels in 1966. While Charleston, South Carolina and New Orleans, Louisiana utilized historic district protection legislation as early as 1931, they were only recognized at the local level (Massachusetts Historical Commission, 2003). Designated historic districts are established to recognize and preserve the overall context of a group of buildings, a neighborhood, a business district and any collection of related structures. In some cases,
the districts acknowledge the work of a well-respected planner, landscape architect or
designer. In other cases, they simply recognize an era of construction typically when the
collection of buildings was built. In either case, the concept of historic districts and not
individual buildings broadened the scope of historic preservation in America to recognize
neighborhoods rather than individual structures of historic and/or cultural significance.

**Washington’s Role in Preservation**

As historic preservation in America progressed and matured, the greatest change
in the movement came with the 1966 passage of the National Historic Preservation Act.
Signed into law by President Lyndon B. Johnson, the act is “intended to preserve historic
and archaeological sites in the United States of America” (National Park Service, 1983).
With the Act came the formation of the Advisory Council on Historic Preservation, the
National Register of Historic Places, the State Historic Preservation Offices and the
Section 106 review process. Each of these components is further described below.

Operating as an independent federal agency, the Advisory Council on Historic
Preservation “serves as the primary federal policy advisor to the President and Congress;
recommends administrative and legislative improvements for protecting (the) nation’s
heritage; advocates full consideration of historic values in federal decision making; and
reviews federal programs and policies to promote effectiveness, coordination, and
consistency with national preservation policies” (Advisory Council on Historic
Preservation, 2014). In an effort to have an educated group monitoring and advising
federal leadership on the topic of historic preservation, the National Historic Preservation
Act prudently established the Council to serve such a role.

Perhaps the most widely publicized component of the National Historic
Preservation Act is the National Register of Historic Places, which is “the official list of
the Nation’s historic places worthy of preservation” (National Park Service, 1983). The
National Register of Historic Places is administered by the Department of the Interior
through its National Parks Services division. In order to be declared eligible for the list,
properties must meet the Register’s criteria, which focus on the property’s “age, integrity
and significance” (National Park Service, 1983). With regard to age, some properties are
eligible simply because of their age. In most cases, fifty years is the minimum age
required for eligibility. As for integrity, the Register listing requires that the property
have minimal alterations from its original design and construction. The final criterion,
significance, is certainly a more subjective option. Significance may relate to important
people that may have lived in the structure, famed architects or engineers that may have
designed the building or created a new paradigm with its construction; or perhaps the
property holds the potential to “yield information through archaeological investigation”
(National Park Service, 1983). In all, the National Register of Historic Places Program is
“part of a national program to coordinate and support public and private efforts to
identify, evaluate, and protect America’s historic and archeological resources” (National
Park Service, 1983).
The creation of the state-level Historic Preservation Offices by the National Historic Preservation Act provided a means for states and local municipalities to engage in the process of historic preservation. Under most circumstances, the state-level Historic Preservation Offices served as the key point of contact and reference for local municipalities engaging in historic preservation activities within their communities. In the case of the Michigan State Historic Preservation Office, “its main function is to provide technical assistance to local communities in their efforts to identify, evaluate, designate, and protect Michigan’s historic above- and below-ground resources” (Michigan State Housing Development Authority, 2015). In addition, the Michigan State Historic Preservation Office “administers an incentives program that includes state and federal tax credits and pass-through grants” (Michigan State Housing Development Authority, 2015). Funding for State Historic Preservation Offices was established via the National Historic Preservation Act, and consists of a federal contribution to each state via the National Park Service. On the local level, the State Historic Preservation Office offers the greatest level of support and information to all interested parties.

An additional and important component of the National Historic Preservation Act of 1966 is known as the Section 106 Review Process, which “requires Federal agencies to take into account the effects of their undertakings on historic properties, and afford the Advisory Council on Historic Preservation a reasonable opportunity to comment” (American Council on Historic Preservation, 2014). The intent of such a review is to ensure that federal dollars and subsequent projects do not adversely impact eligible historic properties. Such a review epitomizes the drastic shift from dominance of the Urban Renewal Program era of the decades prior to 1966. Ironically, the federal dollars
allocated for urban renewal in the 1940’s, 1950’s and early 1960’s often directly funded
the demolition or alteration of historic properties that would have been deemed eligible
via Section 106 review after 1966. Although, of course, the demolition of historic
properties did not stop after 1966, such initiatives are now reviewed and vetted by the
Advisory Council on Historic Preservation. For clarification, the Section 106 review
process is not required for the use of private dollars to demolish or alter eligible historic
resources, but represents a symbolic gesture toward preservation by requiring a review of
federal dollars when working on, or near, eligible historic properties.

As the National Historic Preservation Act and the political procedures it
established began to take root, the popular movement toward historic preservation in the
United States began to accelerate. That said, suburban growth continued at a rapid pace
through the end of the twentieth century, and urban areas continued in decline over most
of the same time period in most places. While the government’s role recognized and
legitimized the goals of historic preservation and allocated a very limited amount of
federal funds to the effort, the private sector remained largely focused on new
construction with ample room for automobile roads and parking. As such, the
preservation of historic buildings in America represented only a small percentage of
overall construction activities until late in the Twentieth Century.
At the end of the 1960’s, state-level Historic Preservation Offices became more active in the redevelopment of urban neighborhoods and downtown cores. For some interesting and complex reasons, several new programs were developed by State Historic Preservation Offices in collaboration with their federal investors, the National Park Service. One of the most significant programs made available to local communities to incentivize investment in, and promote preservation of, historic properties in Michigan is the Local Historic District designation. This program has been successful in bringing local municipalities into the decision-making mix when issues related to historic preservation arise, but it has also helped meld collections of historic properties into cohesive and blanketed districts. Prior efforts focused on single buildings or small blocks of structures, but the Local Historic Districts program recognized the significance of entire neighborhoods as historic resources worthy of preservation.

In the case of Michigan, Local Historic Districts were authorized to exist by the passage of Public Act 169 in 1970. The “Local Historic Districts Act” declares “historic preservation a public purpose to safeguard a community’s heritage, strengthen local economies, stabilize and improve property values, foster civic beauty and promote history” (State of Michigan, 2015). Such districts are intended to not only preserve the existing character and qualities of the historic properties and buildings, but also to drive investment of new dollars into renovation and maintenance of the buildings within the district boundaries. The steps for creation of new districts in Michigan are extensive, but
can be completed by following the directives listed in Figure 2.4 (State of Michigan, 2015).

![Diagram of the Process for Establishing a Local Historic District in Michigan](image.png)

**Figure 2.4**

*The Process for Establishing a Local Historic District in Michigan*

*Source: Michigan State Housing Development Authority*

While the historic preservation movement was growing and developing as a viable option for urban preservation and revitalization in America’s largest cities, it was also a growing area of interest to the citizens of Kalamazoo, Michigan. Similar to peer cities at the time, Kalamazoo experienced swift suburban growth in the decades following World War II and planners were left searching for answers regarding
successful measures to revitalize the historic urban core of the city. Unique to Kalamazoo, however, was the city’s desire to reestablish a retail hub within the downtown city center (Mernitz, 1968). Now hailed as the city with the nation’s first pedestrian mall, Kalamazoo’s leaders developed a plan with the assistance of pioneering planner Victor Gruen to close a four-block section of the downtown to automobile traffic and install a pedestrian-only walking mall incorporating the city’s remaining downtown retail street (Gruen, 1958). A larger component of this plan involved the construction of a belt-like roadway complex that would allow automobiles to easily circumnavigate the downtown. Furthermore, the plan proposed the construction of large lots near the belt roadway for automobile parking. In many ways, this plan resembled those of enclosed shopping malls that would become widely popular a decade after Kalamazoo’s plan. Not coincidently, Gruen would later design some of the nation’s largest shopping malls, including the paradigm-setting Northland Center in metropolitan Detroit, Michigan (Detroit Historical Society, 2015).

Initially greeted with enthusiasm, Gruen’s plan for Kalamazoo also created some unease amongst city residents. While the walking mall was appealing, the massive parking lots and belt roadway required drastic changes to the older neighborhoods that surrounded the proposed retail core. Instead of dense single-family homes and apartment buildings, the neighborhoods would become asphalt deserts with a primary focus of automobile parking. As such, the unease of the residents served as one of several reasons the decision was made to break the Gruen plan into phases, with the pedestrian mall to be built first. While the mall opened as planned and with much fanfare, the plan for new roads and parking on the perimeter never materialized (Figure 2.5). Had the full plan
been implemented, the historic core of downtown Kalamazoo would have been reduced to a handful of primary shopping and office blocks. In the years that followed, the community began the process of preserving its historic properties. Ironically, preservation was directed at the residential blocks that would have been sacrificed had the Gruen plan been fully implemented.

Figure 2.5
Victor Gruen’s 1959 Plan for Kalamazoo, with Downtown at Center and Surrounding Parking Lots
Source: Kalamazoo Public Library, Local History Collection

In the years that followed the introduction of Kalamazoo’s Gruen plan, interest in local and national historic districts grew amongst city residents. As such, after Kalamazoo neighborhoods such as Stuart and the South Street corridor became some of the city’s earliest designated historic districts. One of the next Local Historic District candidates in Kalamazoo was the Vine neighborhood.

Initially developed in the mid to late 19th century, the Vine neighborhood accommodated residential growth extending southwest from the downtown core until the early 1930’s, at which time it was largely built-out. Growth then stalled during the Great Depression. In the decades that followed, neighborhood conditions remained stable, but
many of the neighborhood’s single-family houses were slowly and steadily converted to accommodate multi-family rental occupants (Houghton and O’Connor, 2001; Massie and Schmidt, 1981). The neighborhood is bordered by Western Michigan University, which supplied a steady stream of professors and students who wished to live in the houses in the area during the middle decades of the 20th century so as to be close to campus. As the houses aged, however, maintenance began to decline, and the wonderful architectural details that once typified the neighborhood, began to disappear with ill-advised renovations and multi-unit rental conversions of the houses. In the face of these changes, a Local Historic District was proposed and approved in 1990 as a means of preserving the remaining integrity of the historic houses and incentivizing new investment via the tax credits and grants which were offered as one important part of historic designation.

Kalamazoo’s Edison neighborhood followed a similar path of growth and development. Located immediately southeast of the downtown core, the construction of the Edison neighborhood also began in the last decades of the 19th century. Residential blocks quickly filled as developers raced to meet the need of proximate housing for the growing city. Pamela Hall O’Connor and Lynn Houghton write in their text *Kalamazoo Lost and Found,* “The Edison neighborhood grew tremendously between 1900 and 1930, alongside a nearby business district called Washington Square” (O’Conner and Houghton 2001, 252). Like Vine, Edison offered a small town center (the aforementioned Washington Square) to meet the commercial needs of residents, but the core neighborhood developed primarily for residential use. That said, the edges and borders of the Edison neighborhood once housed several large manufacturing facilities, which offered a supply of residents wishing for proximate housing similar to that experience by
Western Michigan University in the Vine neighborhood. The Edison neighborhood’s growth continued until World War II, but the neighborhood was eventually built-out and overshadowed by more lucrative new construction opportunities in the suburban districts of Kalamazoo (Houghton and O’Connor, 2001; Massie and Schmidt, 1981). Like Vine, many single-family homes began a conversion process to multi-family rental properties, enhancing their income potential but accelerating their physical decline. While eligible for Local and National Historic Designation, over time Edison neighborhood residents have chosen to remain undesignated for fear of potential impacts on property values, according to conversations with Edison Neighborhood Association Staff. Residents are uncertain, even at the present time, if such designation would be beneficial or not.

As of 2014, the boundaries of Kalamazoo’s Vine and Edison neighborhoods remain largely unchanged from their early beginnings in the 19th century. The housing stock of both neighborhoods was similar when originally constructed, and remain largely similar today. The architectural styles, the building materials and house sizes mirrored each other in many aspects when originally constructed. By most accounts, the houses remain comparable today in terms of overall maintenance, occupancy and size. While both neighborhoods include a small collection of apartment buildings, the majority of the buildings in both neighborhoods are single-family residential houses. The most significant difference, then, between the Edison and Vine neighborhoods is the presence of a Local and National Historic District covering the majority of the Vine neighborhood boundaries while the Edison neighborhood lacks this status. This research will focus on a quantitative analysis of the impact historic designation has on property values in the two neighborhoods over the period from 1990 to 2010. 1990 is the appropriate date for the
baseline of the study as this was the year the Vine neighborhood adopted historic preservation status and its accompanying regulations.
CHAPTER III

HISTORIC PRESERVATION IN RESEARCH

Historic preservation within the context of the built environment has been a component of American society for several centuries. Although not officially labeled or recognized as such, historic preservation actually took place in early America through the consensus that led to the safeguarding of now-landmark structures that played important roles in the historical founding and growth of the nation. Signature buildings such as Philadelphia’s Independence Hall and Washington’s White House were recognized early on as significant structures that were too important to remove from the physical fabric of their cities. Similarly, local municipalities and state governments across the nation have intentionally maintained and invested in thousands of old and outdated structures with the goal of preserving the historic significance of such structures. Is there a purpose, however, beyond recognition of a historic event or location? Could historic preservation and designation serve a purpose above and beyond protection of the past?

Dozens of studies have examined the economic impact of historic designation. The Advisory Council on Historic Preservation alone lists twenty-nine reports in twenty-three different states for public reference on the topic (American Council on Historic Preservation, 2015). Most of the Advisory Council’s studies focus on the general economic impact of historic designation on municipalities across the United States. Key points of measurement include increased tourism revenue as a result of historic
preservation, enhanced construction spending through preservation and an increase in property values.

*Historic Preservation as a Tool for Growth*

A West Virginia study, for example, titled *Economic Impact of Historic Preservation in West Virginia*, concentrates on the economic benefits of increased tourism through historic preservation. Published in 1997, the report indicates a “focus on the economic contributions historic preservation and heritage tourism made on the West Virginia economy” (Childs, Greenstreet and Witt, 1997). While this report provides an interesting review of historic and heritage tourism in West Virginia, it fails to provide any conclusive evidence related to the effect of historic preservation on economic activity or property values. Several assumptions and anecdotal reviews are made that indicate an enhanced likelihood to visit an area featuring historic preservation, but only systematic study of the full impact and analysis in this report is lacking.

A 2013 study in Utah by Donovan Rypkema’s PlaceEconomics firm, *Profits through Preservation*, offers a broader and more thorough analysis of historic preservation and economic benefits of historic preservation in this western state. The primary sections of the report assess “Jobs and Income,” “Heritage Tourism,” “Property Values,” “Sustainability,” “Downtown Revitalization” and “Fiscal Responsibility.” The report claims to measure and assess the “quantitative impact of historic preservation” in
the aforementioned six areas, and the findings are interesting and pertinent to the current study. The section focused on jobs and income states that “historic preservation creates more jobs per $1 million of output than 84 percent of Utah industries and more income per $1 million of output than 90 percent of Utah industries” (Rypkema, 2013). The PlaceEconomics study on Utah offers an intriguing analysis of property values in historic districts that raises important issues.

“To understand historic districts’ impact on property values multiple years of assessment data were evaluated. Average values were calculated for single-family houses within historic districts and those were compared with average values of single-family homes not in historic districts. The average value in each category was assigned an index number of 100. Then annual changes in value were measured against the base year of available data. The results were clear. Using 2007 as base, properties in Logan’s (Utah) historic district appreciated at a faster rate than the rest of the city” (Rypkema, 2013, 9).

In addition to the city of Logan, the study evaluated property value changes in Ogden, Park City, Provo and Salt Lake City. With the exception of Ogden, the study found that property values within historic districts grew at a faster rate than non-historic districts. While intriguing in concept, the PlaceEconomics approach to measure property value changes in Utah’s historic districts raises some methodological issues. First, the study filtered all properties into two categories of “historic” and “non-historic” to create
aggregate groups. These groups are too large and diverse to simply average and compare. Second, the report is based on a base year of 2007, but makes no mention of when the historic districts were actually established, or the relative conditions of the two areas prior to the beginning of the study. Also, exogenous factors such as large redevelopments and job creation are not included in the study. To accurately measure the differences and the rates of change in property values, the study should provide much more background information and narrow the study area into specific neighborhoods or districts, if it is to be properly interpreted for purposes of comparison. In spite of its weaknesses, the study concludes that “historic districts enhance property values in times of appreciation and stabilize property values in weak real estate markets” (Rypkema 2013). Results indicate that property values increased due to historic designation.

Another assessment of economic development and historic preservation is found in the Preservation Kentucky 2008 report *Historic Preservation in Kentucky* (Gilderbloom, House and Hanka, 2008). The report approaches the issue in a fashion similar to that employed in the Utah research, with a key component again being the impact of historic districts on property values.

“Properties located in local and National Register historic districts experience larger increases in property values than in unprotected or undesignated neighborhoods. Local historic designations are a vital tool because they provide investors with a greater assurance that their neighborhood is protected from
inappropriate changes to architectural details” (Gilderbloom, House and Hanka, 2008, 1).

Similar to the PlaceEconomics study of Utah’s historic districts, the Preservation Kentucky study indicates that property values in historic districts rise faster than in non-historic districts. While the methods adopted to reach such conclusion could be appropriate, they are not fully described within the report. Unlike the work for Utah, the Kentucky study breaks their study areas into distinct neighborhoods for a more refined comparison. Gilderbloom, House and Hanka write that “the average increase (in property values) in historic districts (was) 90% better than non-historic or non-designated historic neighborhoods” (Gilderbloom, House and Hanka 2008, 16), which corresponds with similar studies promoted by the Advisory Council on Historic Preservation.

Offering another perspective on historic preservation and property valuation is the Nebraska State Historical Society study summarized in the 2007 report titled

Preservation at Work for the Nebraska Economy. The report is based on research conducted by an 18-member committee at the Center for Urban Policy Research at Rutgers University and the Bureau of Business Research at the University of Nebraska-Lincoln. Similar to the Utah and Kentucky studies, the Nebraska study focuses on several key areas where historic preservation can potentially contribute to economic development; including tourism, property value increases and downtown revitalization. In regard to property values, the report summarizes results as: “Property values stabilize
or increase in historically designated areas. Of the districts studied, property values as a whole showed increases in historic districts, This means the investment made by property owners is increased, and more tax revenue is gathered for local communities.”

The Nebraska State Historical Society study expands upon the work done in Utah and Kentucky, however, by assessing specific neighborhoods over a three-year period in three different cities. In this way, the study more effectively addresses seminal issues related to property values. Omaha, Lincoln and Red Cloud were selected as the Nebraska cities for the study. According to the report, “Property valuations in each of the (historic) designation districts were compared to similar ‘control’ districts that were not designated” (Nebraska Historical Society 2007, 10). As previously mentioned, the report concluded that “The findings show that property values increased because of historic designation” (Nebraska Historical Society 2007, 10). The overall design for the Nebraska city comparisons is similar to the method used for the Kalamazoo study in this project.

As evidenced by the reports prepared for historic district evaluations in Utah, Kentucky and Nebraska, the objective for conducting such studies is often to “prove” that historic districts contribute to a rise in property values within the district boundaries. In these cases, the reports are commissioned or conducted by organizations sympathetic to the cause of growing historic districts. While relevant to review and assess, such reports require a thorough examination to ensure that bias did not play a role in the outcomes in these cases.
A 1991 study composed by Dennis E. Gale, a professor of Urban and Regional Planning at George Washington University, assessed the historic districts from a more neutral position. The subsequent report titled “The Impact of Historic District Designation in Washington, D.C.” offers a succinct view into both the positive and negative effects of historic designation. As opposed to only monitoring the change in property values over time in historic and non-historic districts, Gale writes that the purpose of the study is to “determine to what extent, if any, designation has been associated with abnormal increases in (property) values and therefore, with rising property taxes, an important influence on the displacement of low- and moderate- income households” (Gale, 1991). By taking a broader approach, Gale implies that his research is not designed merely to promote the growth of historic districts by advocating for their ability to increase property values to determine if increases in property values might be occurring and if such movement could accelerate displacement of existing residents.

Gale further describes his study with the following background information about his specific aim, and his specific geographic area:

“In Washington, as elsewhere, proponents have argued that designation is necessary to protect historically significant neighborhoods from encroachment by new office and commercial development. Opponents, on the other hand, have
charged that such controls depress property values and may limit business expansion. In more recent years however, a new objection, primarily from renters, it seems, has emerged. The new objection argues that property values will rise as a result of designation, leading to higher property taxes and rents” (Gale, 1991, 3).

Gale continues by stating that the report’s primary “concern is whether historic district designation, per se, can be linked to rising property values” (and by implication, to dislocation of residents) (Gale, 1991). By taking this approach, Gale offers a more expansive and comprehensive view that underscores the true complexity of the issue.

With Gale’s approach, the link between increased property values and historic designation is secondary to the impacts of gentrification that may impact the poor. Gale reports that “the residential historic district experience in Washington found no evidence that historic district designation, per se, was associated with increases in property values out of proportion to generally prevailing economic conditions in the city as a whole” (Gale 1991, 23). While it is possible that Gale’s results are unique to Washington, D.C. due to its exclusive status as the nation’s capital, it is also certainly possible that historic district designation does not uniformly increase property values as suggested by previous researchers listed in this chapter.

Historic preservation is seen as an essential element of planning by some, and a socialistic over-reach by others. According to Conde:
“Communities embrace historic preservation for a variety of reasons, including fear of uncontrolled development, importance of local architectural symbols, and stabilization of property values. At bottom, the most crucial story that preservation in a community tells is not about an individual building, but of how residents conceive of local history, what value they place on its built embodiment, and what regulations they will tolerate in pursuit of preserving it” (Conde, 2007, 3).

In American society’s contemporary quest for quantitative results (Kuntsler, 1996), the case for historic preservation as an economic development measure can be difficult to defend. For this reason, an emphasis has been placed on establishing an objective means of assessing the economic effects of historic district designation. The best possible measure of such rationale comes by way of changes in property values after designation. With many municipalities struggling to maintain essential services and the growth of non-profit land ownership, the motivation to increase a community’s tax base is valued and important. As such, if a case can be made that the creation of historic districts leads to increased property values and subsequent revenue increases for municipalities, then historic preservation advocates will work diligently to brand that notion as accurate. As this review of literature reveals, organizations from states across the nation have undertaken research to determine if a link between property value growth and historic designation is genuine and quantifiable. While the details and methodologies vary, the overarching conclusion in existing studies is that historic designation does lead to an increase in property values. As discussed in Chapter One, if historic designation
does raise property values, then it could be a great tool for Michigan cities to implement so as to increase the tax base.

Turning once more to the case of Kalamazoo, historic districts have been a component of ongoing efforts by the city’s planning department for several decades, but objective and thorough studies have never actually analyzed the impact of these programs on property values. Reports from other locales discussed in this chapter generally find historic designation could protect housing stock while generating considerable tax revenue for municipalities with historic buildings. Results of a study in Kalamazoo could vary from the outcomes found in other locations. The results of the current Kalamazoo study may indicate quantitative reasons to pursue additional historic designation. Still the question remains with respect to subjective reasons to preserve old buildings?

In mainstream American culture, it seems when objects age and extend beyond their useful lives, they are disposed of and replaced. With some unique exceptions relating to collectors, Americans follow this practice and replace their appliances, vehicles, clothing and other possessions as they age. In the case of buildings, however, there is a conscious desire to assess and consider the value of maintaining certain structures beyond their normal lifecycle for the purpose of preservation. What is the cause for such a desire to preserve buildings and extend their existence beyond that of normal physical belongings?

Conde writes that there are several reasons that people choose to preserve buildings. First, Conde notes a desire to preserve historic buildings as points of “inspiration.” In other words, the presence of historic buildings can spur a greater sense
of community by linking present-day society to common bonds that linked them to the past. In addition, such buildings serve as educational tools and a reminder of past achievements and community stature. Second, historic buildings are preserved as “examples of fine design and for their sheer value as beautiful objects” (Conde, 2007). Conde writes that this type of preservation acts as a form of both recognition for the design of buildings and an example for the records. Finally, preservation acts as a medium for facilitating community dialogue amongst residents. “Preservation in this view becomes more process than goal, and although history does not provide concrete solutions to housing shortages, discrimination and unwanted development, it is capable of contributing to the debate of how to achieve these goals” (Conde, 2007) With this view, the preservation of historic buildings is a tool for building neighborhood bonds, social networks while establishing standards for the physical growth of the community. Each of these reasons for pursuing historic preservation helps to explain the somewhat peculiar practice of maintaining old buildings beyond their normal lifespans. As provided by the Secretary of the Department of the Interior, preservation is defined as:

“the act or process of applying measures necessary to sustain the existing form, integrity, and materials of an historic property. Work, including preliminary measures to protect and stabilize the property, generally focuses upon the ongoing maintenance and repair of historic materials and features rather than extensive replacement and new construction. New exterior additions are not within the scope of this treatment; however, the limited and sensitive upgrading of mechanical, electrical, and plumbing systems and other code-required work to
make properties functional is appropriate within a preservation project” (Weeks and Grimmer, 1995).

Based on this standard, historic preservation requires an element of regulation to ensure compliance with the objectives. Such regulation creates inherently predictable results based upon uniform standards set forth by the Department of the Interior. Studies in multiple states and cities, however, indicate that the results can vary by geographic location.

The Significance of Kalamazoo

The question of historic designation and its impact on residential property values has been thoroughly addressed by many scholars, urban planners and others in the academic community, as well as historic preservationists, economic developers, real estate developers and property tax assessors. Each of these groups has different approaches and agendas for collecting and analyzing their data. A few of these are mentioned in this chapter. However, much of the time work focused primarily on direct comparisons of property values during a static period of time. In other words, the key question relates to differences in price during a single time period. While interesting, this approach often stops short of addressing changes over time and rates of change over time. This thesis is designed to capture not only a comparison of values in historic and non-
historic districts in Kalamazoo, but most importantly to assess changes over time and the rate of change over time.

This study, then, fills an important gap in the historic designation evaluation literature. Research on property values and historic designation in Michigan is limited. While some research noted above is very useful, advanced study into the impact of historic designation on residential property values in Michigan remains undone. Specifically, the Advisory Council on Historic Preservation lists two existing reviews of the economic impact of historic preservation in Michigan. Both reports originated with the Michigan Historic Preservation Network and focus on the overall economic impact of historic preservation in Michigan. In a 2002 report by the Michigan Historic Preservation Network (Clarion Associates, 2002), a brief paragraph on a property value comparison is mentioned. The comparison, however, is rudimentary in its methods. The report simply compares the average change in property values between two commercial and two residential districts. Additionally, the preservation-minded Michigan Historic Preservation Network could potentially design their research to promote their underlying goal of expanding preservation within the state.

Existing studies in Kalamazoo have either been primarily anecdotal, or review a simple change in aggregate values from a single point in time to the present. For example, the Kalamazoo Historic Preservation Commission referenced in their May 10, 2005 meeting an “economic impact study” that compared “two downtown areas – the Haymarket local historic district and the Kalamazoo Mall between Michigan Avenue and South Street – between 1980 and the most recent assessments” (Kalamazoo Historic
Preservation Commission, 2005, 3). This informal analysis simply compared the rate of change in average property values between two districts within the downtown. While intriguing to consider, such a report lacks statistical significance, is contained to a small district and only offers two data points for each sample to consider.

Historic preservation and historic districts have become an integral component of the planning and development of communities across the United States. Skeptics have argued that historic preservation simply creates another layer of government review that ultimately stifles new development, investment and subsequent property value growth. Proponents, however, point to multiple reports across the United States that expose the proclaimed economic advantages of historic designation, most notably and succinctly through an increase in property values. Each of these perspectives and methods for researching has merit, but neither addresses the question in a scientific manner for Kalamazoo or the state of Michigan. This thesis research is intended to address these issues in a more systematic manner.
CHAPTER IV

DATA ORGANIZATION AND COLLECTION

Quantifying the impact of historic designation on property values over time is the primary objective of this research, and the project uses property values for homes in two separate neighborhoods for three periods (1990, 2000, and 2010) as the principal sources of data. As previously described briefly in Chapter One, home values were selected at random for fifty residential properties in the Edison and Vine neighborhoods, both located south of the central business district of Kalamazoo, Michigan (Figure 1.3). The data are used to both compare the values of such properties in each neighborhood directly and also to compare the rates of change of home values over time, with respect to absolute value and value per square foot. The first data collected are the property values from fifty properties in each neighborhood in 1990, followed by the same data for the years 2000 and 2010. In total, one hundred properties (fifty per neighborhood) are sampled for each of the three time periods. To clarify, the one hundred properties will be composed of fifty randomly selected from the Edison neighborhood, and fifty randomly selected from the Vine neighborhood. The sampling process will be further detailed in the next section.

Random Selection of Properties

To assure true random selection, an early step in the data collection process involved the assignment of unique values to each of the streets within the Edison and
Vine neighborhoods. For example, Bank Street in the Edison neighborhood was assigned the number twelve, and Locust Street in the Vine neighborhood was assigned the number thirty-seven. Every street in both neighborhoods was assigned a value allowing an equal opportunity for properties on each street to be randomly selected. Once each street in the two neighborhoods was assigned a number, they were placed into a table (Tables 4.1 and 4.2). The numbers were assigned in any particular order, but each street was given a number, beginning with the number one and working up to x. Neighborhood streets included in the study were determined to be part of both the Edison and Vine neighborhoods through the use of the City of Kalamazoo’s GIS mapping system that was available on the city’s website.
Table 4.1  
*Vine Neighborhood Street Number Assignments*

<table>
<thead>
<tr>
<th>Vine Neighborhood</th>
<th>Street Name</th>
<th>Assigned Number</th>
<th>Street Name</th>
<th>Assigned Number</th>
</tr>
</thead>
<tbody>
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<td>Lovell Street</td>
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<td>Merrill Street</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Cedar Street</td>
<td>2</td>
<td>Short Road</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Leebarton Court</td>
<td>3</td>
<td>Davis Street</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Walnut Street</td>
<td>4</td>
<td>Grant Court</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Hoffman Court</td>
<td>5</td>
<td>Newton Court</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Dutton Street</td>
<td>6</td>
<td>Locust Street</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Duffield Court</td>
<td>7</td>
<td>Locust Place</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Walwood Place</td>
<td>8</td>
<td>Oak Street</td>
<td>39</td>
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<td></td>
<td>Wilrad Court</td>
<td>9</td>
<td>Oakland Drive</td>
<td>40</td>
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<td></td>
<td>Vine Street</td>
<td>10</td>
<td>Vine Place</td>
<td>41</td>
</tr>
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<td></td>
<td>Austin Street</td>
<td>11</td>
<td>Pearl Street</td>
<td>42</td>
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<td>Ranney Street</td>
<td>12</td>
<td>Westnedge Avenue</td>
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<td>Village Street</td>
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<td>Osborne Street</td>
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<tr>
<td></td>
<td>Rose Place</td>
<td>14</td>
<td>Potter Street</td>
<td>45</td>
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<tr>
<td></td>
<td>Fellows Avenue</td>
<td>15</td>
<td>Park Street</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Grant Street</td>
<td>16</td>
<td>Burr Oak Court</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Minor Avenue</td>
<td>17</td>
<td>Dutton Place</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Burr Oak Street</td>
<td>18</td>
<td>Walnut Court</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Wall Street</td>
<td>19</td>
<td>Rose Street</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Wheaton Avenue</td>
<td>20</td>
<td>Burdick Street</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Park Place</td>
<td>21</td>
<td>High Street</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Axtell Street</td>
<td>22</td>
<td>Houston Place</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Forest Street</td>
<td>23</td>
<td>Bellevue Place</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Born Court</td>
<td>24</td>
<td>Normal Court</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Molhoeks Court</td>
<td>25</td>
<td>Normal View Street</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>McCourtie Street</td>
<td>26</td>
<td>Van Vranken Court</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Den Adel Court</td>
<td>27</td>
<td>Newell Place</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Pioneer Street</td>
<td>28</td>
<td>Burnham Drive</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Howard Street</td>
<td>29</td>
<td>Fellows Avenue</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Long Road</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Road</td>
<td>31</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: City of Kalamazoo Records Center
Table 4.2

<table>
<thead>
<tr>
<th>Edison Neighborhood Street Number Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edison Neighborhood</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Burdick Street</td>
</tr>
<tr>
<td>Maywood Avenue</td>
</tr>
<tr>
<td>High Street</td>
</tr>
<tr>
<td>State Street</td>
</tr>
<tr>
<td>Vanzee Street</td>
</tr>
<tr>
<td>John Street</td>
</tr>
<tr>
<td>Boerman Avenue</td>
</tr>
<tr>
<td>Jasper Street</td>
</tr>
<tr>
<td>Pitcher Street</td>
</tr>
<tr>
<td>Walter Street</td>
</tr>
<tr>
<td>Reed Court</td>
</tr>
<tr>
<td>Bank Street</td>
</tr>
<tr>
<td>Belford Street</td>
</tr>
<tr>
<td>Elgin Street</td>
</tr>
<tr>
<td>Fair Street</td>
</tr>
<tr>
<td>Portage Street</td>
</tr>
<tr>
<td>Race Street</td>
</tr>
<tr>
<td>Franklin Street</td>
</tr>
<tr>
<td>Flower Street</td>
</tr>
<tr>
<td>Sheldon Street</td>
</tr>
<tr>
<td>Ackott Place</td>
</tr>
<tr>
<td>Smith Court</td>
</tr>
<tr>
<td>Russell Street</td>
</tr>
<tr>
<td>Mills Street</td>
</tr>
<tr>
<td>Skinner Drive</td>
</tr>
<tr>
<td>James Street</td>
</tr>
<tr>
<td>March Street</td>
</tr>
<tr>
<td>Linton Street</td>
</tr>
<tr>
<td>Clarence Street</td>
</tr>
<tr>
<td>Cameron Street</td>
</tr>
<tr>
<td>Fulford Street</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: City of Kalamazoo Records Center

Once the street numbers were assigned for each of the two neighborhoods, the process of randomly selecting the fifty sample streets from each neighborhood began. A random number generator was used to select the fifty randomly sampled streets, as identified by their assigned number. Once sample streets were selected at random, the
next procedure for the selection of individual properties followed in similar fashion. For streets running primarily north-south in direction, the second odd number address from the southern terminus of the street was selected. For streets running primarily east-west, the second even number address from the west terminus was selected. This process, along with the sampling strategies described in Table 4.3, allows for a genuine random selection of properties within each neighborhood. If a property identified in this random selection process was vacant or primarily commercial in use, the next available residential parcel was selected. On streets that cannot meet the selection criteria, that particular sample street was replaced with a new street using the same random number generator. If a street is selected via the random number generator on a second, third or fourth occasion, the process outlined in Table 4.3 is utilized.

<table>
<thead>
<tr>
<th>Street Selection Criteria</th>
<th>North-South Street</th>
<th>East-West Street</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Time Street Selected by Random Number Generator</td>
<td>Second House from South, Odd Address Number</td>
<td>Second House from West, Even Address Number</td>
</tr>
<tr>
<td>Second Time Street Selected by Random Number Generator</td>
<td>Fifth House from North, Even Address Number</td>
<td>Fifth House from East, Odd Address Number</td>
</tr>
<tr>
<td>Third Time Street Selected by Random Number Generator</td>
<td>Tenth House from South, Even Address Number</td>
<td>Tenth House from West, Odd Address Number</td>
</tr>
<tr>
<td>Fourth or More Time Selected by Random Number Generator</td>
<td>New Street Generated</td>
<td>New Street Generated</td>
</tr>
</tbody>
</table>

Source: Curtis Aardema

After fifty properties in each neighborhood are selected using this process, the data were entered into Microsoft Excel spreadsheets (Tables 4.4 and 4.5). Through this process of street selection, the samples are designed to accurately represent home values over time for both the Edison and Vine neighborhoods. Distribution maps of the selected
streets and properties for the Vine neighborhood are provided as Figure 4.1. Figure 4.2 provides the homes randomly selected for the Edison neighborhood.

Figure 4.1
Vine Neighborhood Data Point Distribution Map (Neighborhood Area Colored in Brown)
Source: Base Map Obtained via the City of Kalamazoo’s Website (www.kalamazoo.org)
After selecting the sample residential addresses in both neighborhoods, the property values for each of the addresses in 1990, 2000 and 2010 were collected. During
the many decades of assessing and recording property values, the City of Kalamazoo had used several different methods and formulas for the purpose of determining property values. For the purpose of taxation, a “Taxable Value” was established for each parcel. According to the State of Michigan’s Tax Tribunal, a Taxable Value is “used to calculate … property taxes. The value of any given property can only increase by the rate of inflation or 5%, whichever is less, unless there is an addition to the property, or the property’s ownership transferred during the previous tax year” (Michigan Tax Tribunal, 2015). For the purpose of establishing the true value of each property for the three years of the study (1990, 2000, 2010), an “assessed” or “state equalized value” was collected. The Michigan Tax Tribunal defines a State Equalized Value (SEV) as “One half (1/2) of (a) property’s true cash value” (Michigan Tax Tribunal, 2015).

For this research, the most relevant value is the “assessed” or “state equalized” value for the two neighborhoods in Kalamazoo. Both of these labels are used by the city in their records, but they represent the same value calculation. The method for determining this number and its rate of change has been relatively consistent since 1990, and property value assessment during this time does not include any artificial “caps” on the growth of the property value, as with “taxable” values. A “cap” implies that the growth of the property value cannot exceed a set percentage. As previously described, this percentage is defined as five percent by the Michigan Tax Tribunal. The “taxable” value utilizes the five percent cap in the state of Michigan so as to avoid drastic increases or decreases in taxes for property owners and for revenue calculation prediction used by municipalities. If an ownership change occurs, all “caps” are typically lifted on the “taxable” value and the value of the home can be newly evaluated based on prevailing
market conditions, which typically mirrors the aforementioned “assessed” value, which grows regardless of ownership changes. A property owner is ultimately taxed on this annually calculated “taxable” value, but such values are often not relevant to market conditions due to the aforementioned caps and limitations on changes. In other words, a “taxable” value does not always represent a fair market value of a property due to a “taxable” value’s inability to grow beyond its “capped” rate. As such, “assessed” or “state equalized” values provide the best measuring sticks for property valuation over time for the purposes of this project, as property values are allowed to fluctuate with market conditions under these assessment formulas. As previously stated, the “assessed” and “state equalized” labels are both used by the city, but represent the same value calculation.

Data Collection

With the years of data collection (1990, 2000, 2010) determined, and the type of property value selected, the data were collected and coded for statistical analyses. After consulting with several real estate professionals familiar with property values, it was recommended that the City of Kalamazoo be contacted directly to determine the best method for locating property value data. Speaking with Sharon Ferraro, the city’s Historic Preservation Coordinator, I was advised that the data are potentially available through the city’s Assessor office. Ms. Ferraro has been involved in several similar, if less formal, projects in the past.
Although the Assessor’s office of the City of Kalamazoo experienced several staff changes during research, contact was eventually made with Scott Borling, the City Clerk. After explaining the project and outlining the desired data, Mr. Borling was able to “pull” the pertinent records from the Kalamazoo city archives that are located near Cork and Burdick streets in the city of Kalamazoo. The property value records are stored in a variety of mediums, including microfiche, paper files and, more recently, digital format. However, to inform possible future studies, it should be noted that the majority of these data were collected as paper and microfiche documents.

Before any property values are located, however, the assigned number keys for the fifty randomly selected addresses from each neighborhood were determined. In the case of the 1990 property values, each address is organized with a “State Board Code” (SBC) number, which is a former abbreviation used by City of Kalamazoo staff to file properties. “SBC” numbers are assigned by the city, and all records associated with each property are stored and organized using these numbers. The “SBC” numbers are available in the City of Kalamazoo’s Records Center in paper format. Once each address for each property randomly selected for the research was matched with the equivalent “SBC” number, the search for the 1990 property values is initiated.

The 1990 values, chronologically first in the project, set the baseline property values for any changes in the value of each property over time. In order to collect the 1990 property values, a set of microfiche provided by the Records Center staff, primarily Mr. Borling, the City Clerk was accessed and the home values for each property were recorded. Each “SBC” number was pulled individually, and then matched with its address
to ensure accuracy. Each of the 1990 property values was located on a type of city record document that includes approximately ten properties per page. Some of the numbers were difficult to read due to their age and the poor quality of the microfiche, but property values for all 100 parcels were eventually collected. The property values from 1990 for each selected address were recorded and entered into Microsoft Excel. For subsequent regression, *SPSS* version 22.0 was used.

The collection of the 2000 property values involved an entirely different process than that used for the 1990 values. Mr. Borling from the City of Kalamazoo again provided property values for the entire city in 2000, but substantial research was required to locate each of the individual sample parcels from the Edison and Vine neighborhoods. In this set of data, the properties were organized by parcel numbers newly assigned after 1990. The parcel numbers for each of the properties were subsequently collected via a large binder provided by the City of Kalamazoo Assessor’s staff. Once parcel numbers were located for each of the sample properties, the process of collecting the property values could begin. The 2000 data was stored in “banker boxes” and included reams of paper listing numerically from the lowest to highest numbered parcels by parcel numbers. While time consuming, the data were available for each of the sample properties in a manner more efficient than the system employed for the 1990 properties.

In point of fact, the 2010 data utilizes yet another organizational format, but was still ordered via the parcel numbers previously collected for the 2000 data. Since the parcel numbers were already linked to parcel addresses for the 2000 data, the time required for the 2010 data collection was reduced. While “banker boxes” are again the
storage method utilized by the city, the total volume of paper records was much reduced due to more efficient printing methods implemented between 2000 and 2010.

Once the randomly sampled property values for the one hundred properties in the two neighborhoods were collected for the three years in the study (1990, 2000, 2010) and entered into the spreadsheet, analyses could begin. Multiple tables were generated in order to organize the initial collection process. Hand-written notes and data points collected while in the Kalamazoo City Hall and archives were later transferred into tables using Microsoft Excel 2010. In addition to collecting property values for each sample parcel, information related to the size of the parcels, square foot estimates for each house, and the age of the primary structure on the parcel was also collected. Each of the variables, including the 1990 property values, the 2000 property values, the 2010 property values, the parcel size, the structure size and the structure age were then compared in a variety of ways in the analyses to be described and reported in the next chapter.

In order to test for relationships among variables using OLS Multiple Regression, *SPSS* Version 22.0 was used. Once the data had been entered into *SPSS*, student’s independent-samples *t* test and multiple linear regression test were generated. For the regression analyses, the neighborhoods and year built of the houses were used to predict the expected value of the houses overall, and on a per square foot basis. The outcomes associated with these tests will be reviewed in Chapter 5.

After a thorough analysis of Kalamazoo’s Edison and Vine neighborhood boundaries, the importance of creating a true and representative sample in both
neighborhoods becomes more apparent. This process involves a sound plan for true random sampling of individual properties. In addition, close communication with city staff and other professionals in the field, as well as extensive time in City Hall and the city Records Center was required. The end result is a solid systematic sample of data representing the property values for three time periods for Kalamazoo’s Edison and Vine neighborhoods for the period from 1990 to 2010. With this sample, analyses regarding benefits of historic designation for the residential property values of the Vine neighborhood in Kalamazoo can be systematically evaluated.
CHAPTER V

DATA ANALYSIS

During the design phase of this project, the Edison and Vine neighborhoods of Kalamazoo were chosen due to their historic designation status, and the many similarities found between the two neighborhoods. Not only are their locations similar in relation to the central business district of Kalamazoo, but their primary period of development and construction are similar as well (O’Conner and Houghton, 2001). In addition, the overall home and lot size as well as architecture of the houses in each neighborhood hold many similarities. As such, the only substantial difference between the Edison and Vine neighborhoods lies in the fact that only the Vine neighborhood was awarded designation as a historic district.

While gathering data from the City of Kalamazoo, it was determined that some additional information is available for each home in addition to the property values. The first additional variable is the year of construction for each of the sample houses in the two neighborhoods. While not available for all of the sample properties, the majority included a construction date for the house on the property. As depicted in Table 5.1, the mean year of construction for sample houses in the Edison neighborhood is 1912, and the average year of construction for the sample houses in the Vine neighborhood is 1911. Separated by only one year, the two neighborhoods were largely developed and constructed during the same era in similar fashion. Many of the construction techniques and architectural details of the two neighborhoods feature similarities, as they may have
even shared designers and builders. In spite of the slight difference between the mean year built of the two neighborhoods, there is no significant statistical difference between the two neighborhoods with respect to year of construction (Table 5.1).

Table 5.1

<table>
<thead>
<tr>
<th>Group Statistics for the Variables Used in the Project</th>
<th>Neighborhood</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 Assessed Value*</td>
<td>Edison</td>
<td>$12,561.92</td>
<td>$7,331.82</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$15,512.00</td>
<td>$12,880.69</td>
</tr>
<tr>
<td>2000 SEV*</td>
<td>Edison</td>
<td>$19,567.00</td>
<td>$6,697.68</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$27,937.00</td>
<td>$22,390.00</td>
</tr>
<tr>
<td>2010 SEV*</td>
<td>Edison</td>
<td>$26,962.00</td>
<td>$7,728.24</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$43,860.00</td>
<td>$35,125.12</td>
</tr>
<tr>
<td>Year Built</td>
<td>Edison</td>
<td>1912</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>1911</td>
<td>19</td>
</tr>
<tr>
<td>Sq. Ft.*</td>
<td>Edison</td>
<td>1301</td>
<td>390</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>1794</td>
<td>797</td>
</tr>
<tr>
<td>1990 Assessed Value PSF*</td>
<td>Edison</td>
<td>$10.12</td>
<td>$5.94</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$8.27</td>
<td>$2.78</td>
</tr>
<tr>
<td>2000 SEV PSF*</td>
<td>Edison</td>
<td>$15.68</td>
<td>$5.04</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$15.19</td>
<td>$4.98</td>
</tr>
<tr>
<td>2010 SEV PSF*</td>
<td>Edison</td>
<td>$21.42</td>
<td>$4.85</td>
</tr>
<tr>
<td></td>
<td>Vine</td>
<td>$24.44</td>
<td>$5.57</td>
</tr>
</tbody>
</table>

*Significant at .05 or Better
Source: City of Kalamazoo Records Center

A second additional variable collected from the City of Kalamazoo records was the average square footage of each of the sample houses in the two neighborhoods. Again, this information was not available for all of the properties, but for a majority of homes, it was provided by the tax records for the properties. Given the aforementioned similarities of the Edison and Vine neighborhoods, it is reasonable to assume that the houses are comparable in overall square footage as well. After compiling and averaging
the square footage measurements of the sample houses, however, it became clear that houses in the Vine neighborhood sample are slightly larger than their counterparts in the Edison neighborhood (Table 5.1). As shown in Table 5.1 the difference between the two neighborhood averages is minimal, but still statistically significant. The difference in house square footage, however, is not large enough to create substantial differences between the character of the two sets of homes or the two neighborhoods. Furthermore, the gap in house size can be largely mitigated by calculating the average value of the houses on a per square foot basis, which has also been included in this analysis.

**Difference in Property Values in 1990**

The property values from 1990 were the first collected and the first to be analyzed in this project. After collecting the 1990 property values for the fifty sample properties from each neighborhood, the data was entered into Microsoft Excel for ease of display and comparison. The mean assessed value of the sample properties in the Edison neighborhood in 1990 was $12,561.92.00. In comparison, the mean of the assessed value of the sample properties in the Vine neighborhood in 1990 was $15,512.00. While a gap exists between these two mean values, it is important to note that there is no statistically significant difference between the two data sets in relation to their assessed property values in 1990. An independent-samples $t$ test was calculated comparing the mean 1990 assessed property value in the Edison neighborhood to the mean 1990 assessed property
value in the Vine neighborhood. No significant difference was found \( t(98) = .103, \ p > .05 \). The mean of the 1990 assessed property values in the Edison neighborhood \( m = $12,561.92, \ sd = $7,331.82 \) was not significantly different from mean of the 1990 assessed property values in the Vine neighborhood \( m = $15,512.00, \ sd = $12,880.69 \). This result helps to solidify the notion that the two neighborhoods were extremely similar, both in regard to their physical condition, as well as assessed property values, at the initial time of Vine’s designation as a historic district in 1990.

**Difference in Property Values in 2000**

The assessed property values in 2000 offer the first opportunity to track the impact of the Vine neighborhood’s historic designation initiated in 1990. According to results, both neighborhoods experienced growth in property values between 1990 and 2000, but the growth in the Vine neighborhood was greater than that in Edison. An independent-samples \( t \) test comparing the mean scores of the 2000 State Equalized Value (SEV) values in the Edison neighborhood with the mean scores of the 2000 SEV values in the Vine neighborhood identified a significant difference between the two neighborhoods \( t(63.510) = -1.903, \ p < .05 \). The mean of the 2000 SEV for homes in the Edison neighborhood was significantly and statistically lower \( m = $19,567.00, \ sd = $6,697.68 \) than the mean of the 2000 SEV of the homes in the Vine neighborhood \( m = $27,937.00, \ sd = $22,389.99 \). This information points to an acceleration of property values in the Vine neighborhood, potentially as a result of the historic designation in
1990, among other factors. While other changes occurred in both neighborhoods between 1990 and 2000, Vine and Edison largely remained unaffected by any new construction or disinvestment by major employers, further strengthening the notion that the growth in home values in the Vine neighborhood was driven by the status as a historic district.

**Difference in Property Values in 2010**

The pattern of growth for 2010 reflects a continuation of the 2000 SEV results. Again, property values increased in both neighborhoods, but values increased at an increasing rate in the Vine neighborhood as compared to slower growth in home values in the Edison neighborhood. An independent-sample Student’s \( t \) test comparing the mean 2010 SEV values in the Edison neighborhood with the mean 2010 SEV values in the Vine neighborhood found a significant difference between the means of the two groups \( (t(53.733) = -3.322, p < .05) \). The mean value of the 2010 SEV in the Edison neighborhood was significantly lower \( (m = $26,962.00, sd = $7,728.24) \) than the mean of the 2010 SEV in the Vine neighborhood \( (m = $43,860.00, sd = $35,125.12) \). Moreover, property values in the Vine neighborhood in 2010 exceeded those in the Edison neighborhood by 38.53% since 2000. As depicted in Figure 5.8, the gap between the Vine neighborhood property values and the Edison neighborhood grew from 19.02% in 1990, to 29.96% in 2000, and finally to 38.53% in 2010. As discussed at length earlier in this thesis, the primary difference between the two neighborhoods was the Vine neighborhood’s designation in 1990 as a historic district.
An additional point of analysis comes by way of evaluating the rate of change that occurred in property values in the two neighborhoods from 1990 to 2010 (Figure 5.8). In the case of the Edison neighborhood, the sample properties experienced a growth in property values equal to 35.80% from 1990 to 2000. In spite of this relatively strong growth rate, the values in the Vine neighborhood still exceeded those in Edison by achieving an average growth rate for home values of 44.48% over the same ten year period. These numbers indicate that not only were property values higher in the Vine neighborhood than the Edison neighborhood in both 1990 and 2000, but the values in the Vine neighborhood also grew at a faster rate.

An analysis of the rate of change in both neighborhoods from the year 2000 to 2010 indicates that the growth of property values slowed during this time period for both the Edison and Vine neighborhoods. While still experiencing an overall increase in property values, the sample properties in the Edison neighborhood slowed to a decadal growth rate of 27.43% from 2000 to 2010. The same time period yielded a rate of change in the Vine neighborhood of 36.30%. In spite of the slowing growth rates, the Vine neighborhood’s rate of growth for home values remained stronger than that of the Edison neighborhood from 2000-2010. Moreover, the overall rate of change from 1990 to 2010 was 53.41% for the Edison neighborhood and 64.63% for the Vine neighborhood. By analyzing the rate of change from 1990 to 2000, 2000 to 2010, and the overall rate from 1990 to 2010, it becomes clear that the property values in the Vine neighborhood have been growing at a faster rate than their counterparts in the Edison neighborhood for all time periods.
The results of the research associated with this project not only indicate that property values in the Vine neighborhood exceed those in the Edison neighborhood, but also that the values in the Vine neighborhood are growing faster. They are constantly increasing when measured over 10 year increments since 1990. One area that requires further analysis, however, is the gap in average house size between the two neighborhoods. This size gap creates some potential challenges in the comparison of the two neighborhoods, as it certainly helps explain some of the difference in home value. In order to account for the gap in overall square footage, an analysis of the values on a per square foot basis will be presented in the next section.

Calculating the Differences in the Two Neighborhoods on a Per Square Foot Basis

In order to control for the difference in average house size between the two neighborhoods, property values can be converted to depict relative values of each home in the sample on a per square foot basis. This number is generated by dividing the gross home values by the square footage for each sample property. For example, the mean Assessed Value in the Edison neighborhood in 1990 was $12,561.92. When divided by the Edison neighborhood’s mean house size of 1,301 square feet, the average property value per square foot equals $9.66. In making the same calculations for the mean 1990 Assessed Value in the Vine neighborhood, the value of $15,512.00 is divided by the mean house size in the neighborhood of 1,794 square feet. As such, the mean value per
square foot due to rounding in the Vine neighborhood in 1990 was $8.27. These values vary slightly due to rounding, but they provide similar results.

**Difference in Property Values on a Per Square Foot Basis in 1990**

To calculate the 1990 assessed property values per square foot for the two neighborhoods, SPSS 22.0 was used to fully analyze the data. A Student’s independent-samples *t* test comparing the mean scores of 1990 assessed values per square foot in the Edison neighborhood and the 1990 assessed values per square foot in the Vine neighborhood found a significant difference between the means of the two groups (*t*(94) = 1.940, *p* < .05) The mean of the Vine neighborhood was significantly lower (*m* = $10.12, *sd* = $5.94) than the mean of the Edison neighborhood (*m* = $8.27, *sd* = $2.78).

When analyzing the 1990 per square foot values for each neighborhood, it becomes apparent that values in the Edison neighborhood on a per square foot basis were actually higher than those in the Vine neighborhood. This data indicates that properties in the Edison neighborhood were valued higher than those in the Vine neighborhood in 1990 when the size of the house is factored into the comparison. This information provides an intriguing opportunity to track the impact of the designation as a historic district in the Vine neighborhood on a per square foot basis.
Difference in Property Values on a Per Square Foot Basis in 2000

When comparing the 2000 SEV property values on a per square foot basis for the two neighborhoods, the gap in values between Edison and Vine appears to be closing, with the Vine neighborhood’s per square foot values getting closer to the per square foot values in the Edison neighborhood. An independent-samples t test comparing the mean values of the per square foot SEV of the Edison neighborhood in 2000 to the mean values of the per square foot SEV of the Vine neighborhood found a significant difference between the means of the two groups (t(94) = .482, p < .05). The mean of the Vine SEV per square foot values were still significantly lower (m = $15.67, sd = $5.04) than the mean of the Edison SEV per square foot values (m = $15.18, sd = $4.98). While the SEV property values per square foot in the Edison neighborhood were still higher than those same values in the Vine neighborhood in 2000, the gap between the two was declining.

Difference in Property Values on a Per Square Foot Basis in 2010

In the first ten years of the Vine neighborhood’s historic designation status in 1990, property values rose well above those of the 1990 base year. Per square foot value homes in the Vine neighborhood moved closer to those of the Edison neighborhood. By 2010, however, Vine neighborhood’s values on a per square foot basis exceeded those of the Edison neighborhood. Again, an independent-samples t test comparing the mean
scores of the Edison neighborhood per square foot SEV values with the Vine neighborhood per square foot values found a significant difference between the means of the two groups ($t(94) = -2.841, p < .05$). In this case, the mean of the 2010 SEV home values on a per square foot basis for the Vine neighborhood ($m = $24.45, $s = $5.57) was greater than the per square foot SEV values for the Edison neighborhood ($m = $21.42, $sd = $4.85).

After analyzing the property values of the Edison and Vine neighborhoods on a per square foot basis, some additional patterns become apparent. Beginning in 1990, the Edison neighborhood’s mean assessed property values were significantly higher than the mean assessed property values in the Vine neighborhood on a per square foot basis. Ten years later, in 2000, the mean assessed property values in the Edison neighborhood were still higher than those in the Vine neighborhood on a per square foot basis, but the difference in value was much reduced. By 2010, the mean assessed property values in the Vine neighborhood exceeded those in the Edison neighborhood by a significant margin on a per square foot basis. While the rates of change are different than for those seen in the comparison of full assessed property values for each neighborhood, the overall pattern is nearly identical. Moreover, the trend from 1990 to 2010 indicates clearly that property values in the Vine neighborhood are growing at a faster rate than property values in the Edison neighborhood.

Based on the independent-sample $t$ tests described earlier in this chapter, a pattern for changes in property values in Kalamazoo’s Edison and Vine neighborhoods can easily be identified. Beginning in 1990, there was no significant statistical difference in the
mean home property values for the two neighborhoods. By 2000, however, the Vine neighborhood’s mean property values were significantly higher than the Edison neighborhood’s mean property values. While the Vine neighborhood’s rise in mean property value was greater than the increase in the Edison neighborhood, as might be expected, both neighborhoods did experience growth from 1990 to 2000. Growth in mean property values continued through to 2010, but the homes in the Vine neighborhood outgained home values in the Edison neighborhood at statistically significant levels. In all, mean property values grew in both the Edison and Vine neighborhoods from 1990 to 2010, but the rate of growth in the Vine neighborhood was faster for both 2000 and 2010.

As previously described, independent-sample \( t \) tests were also performed to compare the mean property values of both neighborhoods on a per square foot basis. Again, 1990, 2000, and 2010 were used as the sample years. When measured on a per-square foot basis, the Edison neighborhood’s mean property values were significantly higher in 1990 and 2000, but home values in the Vine neighborhood grew significantly higher by 2010. While different than the absolute full mean property values, the per square foot comparison shows a similar pattern of increasing growth in values in the Vine neighborhood as compared to homes in the Edison neighborhood. All of this information points to a positive correlation between property value growth and historic district designation.
Regression Analyses

In order to predict the impact of a set of variables on home values in this analysis, and ordinary least squares (OLS) regression analysis was conducted to predict how change in a set of variables related to housing stock might impact property values. For these tests, the variables include:

- the 1990 assessed property values
- the 1990 assessed property values per square foot
- the 2000 state equalized values
- the 2000 state equalized property values per square foot
- the 2010 state equalized values
- the 2010 state equalized property values per square foot
- the year built of the house on each parcel
- a dummy variable distinguishing the two neighborhoods (named “NeighborhoodDUMMY”)

In order to better understand the overall relationship among these variables, descriptive statistics are provided in Figure 5.1 for the years 1990, 2000, and 2010. Note that N = 90 in these analyses, as the year of construction (year built) for the sample properties was only available from the city of Kalamazoo for ninety of the one-hundred randomly selected homes.
Table 5.2
Descriptive Statistics for the Key Variables in the Sample Years of 1990, 2000 and 2010

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990 Assessed Value</td>
<td>$14,322.77</td>
<td>$10,872.13</td>
</tr>
<tr>
<td>Year Built</td>
<td>1911</td>
<td>0.503</td>
</tr>
<tr>
<td>1990 Assessed Value PSF</td>
<td>$9.22</td>
<td>$4.82</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000 Assessed Value</td>
<td>$24,151.11</td>
<td>$17,533.58</td>
</tr>
<tr>
<td>Year Built</td>
<td>1911</td>
<td>17.594</td>
</tr>
<tr>
<td>2000 Assessed Value PSF</td>
<td>$15.40</td>
<td>$5.01</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Assessed Value</td>
<td>$36,558.89</td>
<td>$27,750.78</td>
</tr>
<tr>
<td>Year Built</td>
<td>1911</td>
<td>17.594</td>
</tr>
<tr>
<td>2010 Assessed Value PSF</td>
<td>$23.05</td>
<td>$5.51</td>
</tr>
</tbody>
</table>

Source: City of Kalamazoo Records Center

The descriptive statistics provided as Table 5.2 show the continuous growth experienced in the mean property values for homes in both neighborhoods. In addition, mean year of construction, 1911, indicates the overall age of both neighborhoods. When compared, construction year for the two neighborhoods is not significantly different. (Table 5.1).

Predicting Home Values in 1990

OLS Linear Regression analysis for the 1990 assessed property values resulted in an adjusted R Square value of .426. Thus, 42.6% of the variation in assessed value can be
explained by differences in the year built, the neighborhood (DUMMY variable 1 = Vine, 0 = Edison), and the assessed value per square foot. While we cannot explain all of the variation in the 1990 Assessed Value by the aforementioned three variables, we can predict nearly half of the variation before considering information on the number of bedrooms, baths and parcel size. In addition, the ANOVA output indicates a F value of 23.028 (p=.0001), (Table 5.3) thus there is a significant linear relationship between the dependent variable 1990 assessed value and dependent variables described above.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
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<td>1562094532.657</td>
<td>23.028</td>
<td>.000b</td>
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<tr>
<td>Residual</td>
<td>5833797348.174</td>
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<td>67834852.886</td>
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<td></td>
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<tr>
<td>Total</td>
<td>10520080946.144</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.3
ANOVA Output for 1990 Assessed Value

a. Dependent Variable: 1990 Assessed Value
b. Predictors: (Constant), 1990 Assessed Value PSF, NeighborhoodDUMMY, Year Built

Source: City of Kalamazoo Records Center

The coefficient output provided in Table 5.4 indicates the actual impact the year built, neighborhood and 1990 assessed value per square foot will have on the 1990 assessed values.
Moreover, the model for the equation representing the mean for the neighborhood’s home values, all else held constant, is: 1990 ASSESSED VALUE = 54132.030 – 29.756(YEAR BUILT) + 6018.378 (NEIGHBORHOOD) + 1523.903 (1990 ASSESSED VALUE PSF) (where NEIGHBORHOOD is coded 1 = Vine, 0 = Edison).

To further explain this process, Table 5.4 indicates that an additional year of age in the Year Built category will deduct $29.76 from the 1990 Assessed Value of the house, but it should also be noted that the significance level for the Year Built variable is .577, which is not significant in this analysis. The model also predicts that a property’s location in the Vine neighborhood will increase home values by an additional $6,018.38 in 1990 Assessed Value. Finally, Table 5.4 can be used to determine that each additional dollar in the 1990 Assessed Value PSF variable will result in an additional $1,523.90 in the 1990 Assessed Value of the house. Given the information provided in Table 5.4, the model explains nearly half of the differences in 1990 Assessed Value for the Edison and Vine neighborhoods. The neighborhood dummy and the 1990 Assessed Value PSF are significant at .001 and .000, respectively.

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: City of Kalamazoo Records Center</td>
<td></td>
<td></td>
<td></td>
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</table>

Table 5.4

Regression Model Prediction for 1990 Assessed Value

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
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</thead>
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<tr>
<td>(Constant)</td>
<td>54132.030</td>
<td>101023.505</td>
<td>.536</td>
<td>.593</td>
<td></td>
</tr>
<tr>
<td>Year Built</td>
<td>-29.756</td>
<td>53.194</td>
<td>-.048</td>
<td>-.559</td>
<td>.577</td>
</tr>
<tr>
<td>NeighborhoodDUMMY</td>
<td>6018.378</td>
<td>1766.655</td>
<td>.278</td>
<td>3.407</td>
<td>.001</td>
</tr>
<tr>
<td>1990 Assessed Value PSF</td>
<td>1523.903</td>
<td>197.242</td>
<td>.676</td>
<td>7.726</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: 1990 Assessed Value
Predicting Home Values in 2000

After conducting the Independent-Samples $t$ test on the 2000 property value data, it is clear that the 2000 SEV Values in the Vine neighborhood grew at a faster rate than the 2000 SEV Values in the Edison neighborhood. When calculated on a per square foot basis, SEV values in the Edison neighborhood were slightly higher than those in the Vine neighborhood, but the values per square foot in the Vine neighborhood grew faster than those of the Edison neighborhood from 1990 to 2000. An OLS linear regression test for the 2000 SEV values, was conducted again including the year built, a neighborhood dummy and 2000 SEV PSF as the independent variables. This test generates an Adjusted R Square value of .348, which explains 34.8% of the differences in 2000 SEV value using the aforementioned independent variables. This test results in a $F$ value of 16.836 ($p= .0001$), (Table 5.5) indicating a significant linear regression.

### Table 5.5
ANOVA Output for 2000 Assessed Value

<table>
<thead>
<tr>
<th>Source: City of Kalamazoo Records Center</th>
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</thead>
<tbody>
<tr>
<td><strong>ANOVA</strong>a</td>
</tr>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
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</table>

a. Dependent Variable: 2000 SEV
b. Predictors: (Constant), 2000 SEV PSF, NeighborhoodDUMMY, Year Built
Table 5.6 can now be used in order to develop a prediction model for the 2000 SEV value. This model is depicted as \(2000 \text{ SEV}^* = 100305.804 - 58.283(\text{YEAR BUILT}) + 9916.262(\text{NEIGHBORHOOD}) + 1965.961(\text{2000 SEV PSF})\) (where NEIGHBORHOOD is coded 1 = Vine, 0 = Edison). As previously reported for the 1990 Assessed Value, Table 5.6 provides the following information for 2000 SEV. First, the year built of the property subtracts $58.28 for each additional year of age. As with the 1990 assessed value, the significance level of the year built in Table 5.6 is not significant. The model also predicts that the home in the Vine neighborhood adds $9,916.26 to the 2000 SEV, and the each dollar per square foot that is added generates an additional $1,965.96 in value to the 2000 SEV. Both the neighborhood dummy \((p = .001)\) and the 2000 SEV PSF \((p = .000)\) are significant.

The information provided in Table 5.6 underscores that the values of properties in the Vine neighborhood are not only higher than those in the Edison neighborhood, but the homes values are increasing at a faster rate. As shown in Tables 5.3 and 5.6, a location in the Vine neighborhood added $6,018.38 in overall value in 1990 and $9,916.26 in overall value in 2000. The 2010 data will help to assess the change over the next ten years.
As with the 1990 and 2000 data, an OLS regression test was also conducted for the 2010 data. The identification of changes and trends in the data from 1990 to 2010 may be tracked through this process, as well as track for correlation between the 2010 SEV values and the year built, the neighborhood dummy (Vine or Edison), and the 2010 SEV PSF (per square foot). This process yields an adjusted R square value of .382, which indicates 38.2% of the differences in the 2010 SEV may be explained via the year built, neighborhood dummy and 2010 SEV PSF. Moreover, Table 5.7 indicates a F value of 19.345 (p=.0001) (Table 5.7), indicating another significant linear regression.
A review of Table 5.8 provides the information needed to develop a prediction model for the 2010 SEV, which is shown as $2010 \text{ SEV}' = 567955.385 - 319.005(\text{YEAR BUILT}) + 8653.009(\text{NEIGHBORHOOD}) + 3210.142(\text{2010 SEV PSF})$ (where NEIGHBORHOODdummy is coded $1 = \text{Vine}, 0 = \text{Edison}$). It should be noted that the year built is significant for 2010 analysis at $p = .044$. Importantly though, the age of a house was not a significant factor in determining property values in 1990 or 2000, but by 2010, age of homes is a significant factor. Moreover, with a mean year built around 1911, it appears that the age of a property begins to make a significant impact on value when the structures approach 100 years of age, at least in the Kalamazoo neighborhoods of Edison and Vine. As for the neighborhood dummy variable, Table 5.8 indicates that the location of a home in the Vine neighborhood adds $8,653.00$ to the mean home value in 2010. Likewise, each dollar increase in 2010 SEV PSF value adds $3,210.14$ to the 2010 SEV. The significance of the 2010 SEV PSF is at $p = .0001$, but the neighborhood dummy significance was $p = .083$ in 2010, and the year built was $p = .044$. Moreover, the significance of the 2010 SEV PSF value is extremely strong, but the impact of the year built and neighborhood locations are weaker and even exceed the .05 level in the case of

<table>
<thead>
<tr>
<th>Model</th>
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<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tr>
<td>Total</td>
<td>68539417888.889</td>
<td>89</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

a. Dependent Variable: 2010 SEV  
b. Predictors: (Constant), NeighborhoodDUMMY, Year Built, 2010 SEV PSF  

Source: City of Kalamazoo Records Center
the neighborhood dummy. Regardless, the results indicate an impact from each of these variables on the 2010 SEV, although less so for the neighborhood dummy.

Table 5.8
Regression Model Prediction for 2010 Assessed Value

| Source: City of Kalamazoo Records Center |

Regression Analyses Summary

At the beginning of this project, Kalamazoo’s Edison and Vine neighborhoods appeared to have many similarities in regard to their physical and economic conditions. After randomly sampling fifty properties in each neighborhood, the observed similarities were largely supported. For example, the mean year of construction for homes in the two neighborhoods is nearly identical (statistically the same), the overall square footage of the sample houses were not identical but similar, and the overall property values of the two neighborhoods were statistically the same in 1990. I was able to control for the modest difference in overall house size by calculating home values for all three years of study (1990, 2000, 2010) on a per square foot basis.
Once the similarities were established and statistically verified, I tracked the impact of the primary difference between the two neighborhoods: Vine’s historical designation. In order to do so, Student’s independent samples t test and OLS linear regression tests were used. Through tracking the changes in the mean property values in each neighborhood from 1990 to 2000 and then 2010, it is clear that the two neighborhoods were statistically equal in 1990, but the properties in the Vine neighborhood had become more valuable by 2000. As a validation of the movement in property values between the two neighborhoods, the trend continued from 2000 to 2010, with homes in the Vine neighborhood again experiencing growth in value both in terms of home value and value per square foot exceeding that of the Edison neighborhood (Figures 5.1 and 5.2).

![Figure 5.1](image)

*Overall Mean Property Value Changes*

*Source: City of Kalamazoo Records Center*
Controlled as home value on a per square foot basis, homes in the Edison neighborhood actually had a higher valuation in 1990 than the Vine neighborhood. Even in 2000, the mean values of homes in the Edison neighborhood still were higher per square foot, but the gap had narrowed. By 2010, the homes in the Vine neighborhood had higher value per square foot and actually had grown to exceed those in the Edison neighborhood (Figure 5.3).
In all, the analysis points to the notion that property values in the Vine neighborhood are growing at a faster rate than property values in the Edison, whether calculated as absolute value of homes in dollars, or controlled via valuation per the square footage. With the primary difference between the two neighborhoods being Vine’s designation as a historic district, such designation is having a positive impact on property values within this neighborhood and quite possibly in places that have adopted historic preservation status throughout Michigan and the United States.
CHAPTER VI

CONCLUSION

Historic designation and resultant historic districts have been points of contention since first employed on a small scale as a means for protecting important structures in the 1930’s. By the 1966 passage of the National Historic Preservation Act, the strategy had a strong group of supporters, as well as a vocal group of opponents (Page and Mason, 2004). Proponents of historic designation and districts argue that the legislation protects American landmarks and resources for future generations to study, observe and enjoy. In addition, supporters claim that historic designation protects property values by monitoring changes and alterations planned within the designated boundaries. Conversely, opponents claim that buildings important enough for preservation will be protected regardless of regulations and that architectural significance could and should be determined by individual property owners. Further, opponents believe that historic designation restrains the opportunity for new investment in communities and subsequently reduces property values within the designated boundaries.

As discussed in Chapter 3, dozens of studies have been conducted on the impact of historic designation on economic conditions and property values. Most of those studies, however, have either been conducted by specific interest groups, such as preservation advocates or property rights advocates, or they focus on a region outside of the Midwestern United States. Within the state of Michigan, several informal reports
have assessed the impact of historic designation on economic conditions, but none have formally researched the direct impact of historic designation on residential property values.

In order to fill some of the gaps in the historic preservation story, this project was designed to directly compare two neighborhoods in Kalamazoo, Michigan. As discussed in detail throughout the text, the city’s Edison and Vine neighborhoods were chosen as representative sample neighborhoods. Both neighborhoods share significant physical, economic, and cultural features, including proximity to downtown Kalamazoo, access to major employers, median age of housing stock, architectural features and mean square footage of the houses. The key difference between the two neighborhoods, however, is the Vine neighborhood’s historic designation enacted in 1990. The Edison neighborhood has been declared eligible for historic designation, but residents and leadership have chosen not to proceed with designation, partly due to concerns related to the impact of the designation on property values.

The study randomly sampled fifty properties from each neighborhood. These properties were chosen through a meticulous process linked to random selection of both specific streets and addresses. The sample selection process was given great consideration due to its importance in collecting an accurate distribution of representative homes in each neighborhood. Property values for each of the homes, more specifically assessed and state equalized values, for 1990, 2000, and 2010 were collected from the appropriate city agencies. After this sampling process, several statistical tests were
conducted to determine the impact of historic designation on property values in these two Kalamazoo neighborhoods.

As Chapter 5 discusses, results of these statistical analyses of the home values for the one-hundred homes for the three time periods indicate a clear trend where property values in the Vine neighborhood are growing faster than those in the Edison neighborhood. Starting from a statistically-even point in 1990, property values in the Vine neighborhood were higher than those in the Edison neighborhood on both overall and per square foot bases in both 2000 and 2010. In addition, the growth trend clearly favors the Vine neighborhood in the future. Another interesting result relates to the additional value a location in the Vine neighborhood provides when comparing changes to mean property values within the two neighborhoods. In 1990, a location in the Vine neighborhood added $6,018.38 in additional value when compared to the Edison neighborhood. By 2000, a location in the Vine neighborhood added $9,916.26 in additional value when compared to the Edison neighborhood. In 2010, a location in the Vine neighborhood added $8,653.01 in additional value when compared to the Edison neighborhood. While the growth in price difference slowed slightly by this measurement between 2000 and 2010, the Vine neighborhood continues to maintain a strong advantage in property value over the Edison neighborhood. Also worth noting is the overall growth in property value difference from 1990 to 2010.

When incorporating the results of this project into the cumulative debate regarding the economic impact of historic designation, it becomes clear that historic designation is an important factor that positively influences residential property values.
Kalamazoo is a city that has maintained stable population and reasonably stable economic conditions for several decades due to significant job numbers in the education and medical sectors. As such, it would be difficult to peg all of the differences in property values for the Edison and Vine neighborhoods from 1990 to 2010 on factors exclusive of historic designation. The benefits of Western Michigan University’s proximity on property values in the nearby Vine neighborhood are also worthy of consideration. However, it should also be noted that the time period from 1990 to 2010 saw the construction of several large apartment complexes on the opposite end of the university. This new construction had the potential to drain value from the Vine neighborhood properties due to an increase in overall housing supply, especially student and multi-unit buildings. Despite these influences, the mean value of a home in the Vine neighborhood continued to grow at a faster rate than the mean value of a home in the Edison neighborhood during the three time periods. Unlike the potential drain on the Vine neighborhood’s values presented by the new construction, the Edison neighborhood saw almost no new construction near or within its borders and even experienced the removal of several blighted buildings in its commercial core at Washington Square. Such activities might logically drive property value growth in the Edison neighborhood. Despite these investments and the short supply of new inventory, the Vine neighborhood mean property values still grew faster than the Edison neighborhood from 1990 to 2010.

Results of this project seem in agreement with research conducted elsewhere in the United States (Chapter 3). Historic designation in the neighborhoods of Kalamazoo, Michigan drives property value growth as it has done in other parts of the United States. Additionally, the results paint a clear picture of the greater increases in property values in
Vine, while underscoring this benefit as home values in 1990 were statistically identical. That said, the data collection process was cumbersome and tedious to complete. If the project were to be repeated, it would be beneficial to identify a community with fully digitized and searchable property parcel value data. This may be challenging due to the need to find two neighborhoods of relative similarity in a stable economic and population climate, but it would make the process more efficient.

Given the stable nature of Kalamazoo’s economic and demographic conditions results of this study could be extrapolated to peer communities in Michigan and throughout the Midwest and remainder of the United States. Moreover, if planners in communities are looking to grow their tax base and property values, this project validates the use of new historic designation and districts as a means of protecting these properties while securing property values into the future. Had Kalamazoo’s Edison neighborhood, for example, been designated as historic in 1990 as was the Vine neighborhood, it is possible that the city of Kalamazoo could have received significant additional tax revenue due to enhanced property values. Instead, however, property values in the Edison neighborhood remain lower than the Vine neighborhood and probably will be well into the future. If values continue to lag in Edison, it could impact long term ability to attract new residents and investors. Moreover, an effective tool for economic growth is the creation of historic districts and historically designated properties.
REFERENCES


   http://www.sec.state.ma.us/mhc/mhcpdf/establishinglocalhistoricdistricts.pdf


