CHAPTER EIGHT

Historic Property Values and Property Tax Payments

INTRODUCTION AND SUMMARY

The study thus far has considered the economic impacts of historic preservation. These impacts include the economic effects of rehabilitation effected on historic properties and the benefits from heritage tourism and the operation of historic sites and organizations.

Yet another economic consideration is the impact of historic designation[1] on property value. As we shall see shortly, there are numerous ways in which designation can enhance property value. This effect is often cited by historic preservationists and is also recognized by planners, economic development experts, and the like. But there are also those who claim that designation can detract from property value. This effect underlies the legal issue of whether designation is a "taking of property." The courts have overwhelmingly decided that designation is not a "taking" but rather is a police power regulation that justifiably furthers the public's health, safety, and welfare while recognizing the rights of private property owners. Yet designation's property value impact continues to be discussed (as does the more general issue of public land-use regulations) in both legal and nonlegal forums.

These issues have equity considerations. How should the burden of a public good—in this instance, preservation—be borne and shared between the affected private property owner and the public at large? There are also linked economic considerations: if we attempt to account for preservation's economic impacts, shouldn't its imprimatur, in the form of designation, be factored with respect to effects on property value? Holding aside the question of whether designation adds to or detracts from property value, landmark properties, with the exception of those that are tax exempt, are paying property taxes. Should not the order of magnitude of those taxes be identified in accounting for designation's economic effects?

These are far-ranging investigations in their own right and it is important to set out what can be done in the current study. A definitive empirical resolution of the major issue at hand—designation's effect on property values—goes far beyond the scope of the current investigation. But to inform us on this issue this chapter does the following:

1. It examines theoretically the possible effects of historic designation on property value and finds that there are both value-enhancing and value-detracting influences.
2. It reviews the literature on this subject and finds that most studies point to a positive or sometimes neutral effect from designation, whereas only a handful of investigations show that designation has a materially negative impact on property value. There are, however, serious gaps in the extant literature that suggest this body of studies is far from definitive.
3. While bearing in mind the deficiencies in what is known, we can, in an exploratory fashion, by bringing together the findings of literature and New Jersey base data, identify the order-of-magnitude consequences

[1] The reader should remember that although historic preservation often involves the designation of properties on an official register, preservation and designation are not synonymous.

concerning landmark properties, historic designation, and property taxes in New Jersey. These are:

- Historic properties in New Jersey—that is, properties on national, state, or local registers—have a market value of $6 billion—of which perhaps $300 million is attributable to designation's value-enhancing effect.
- These historic properties pay about $120 million yearly in total local property taxes, of which about $6 million is attributable to designation's value-appreciating effect.
- Over and above the "stock" amounts there is a "flow" effect from the annual $123 million in rehabilitation (detailed in Chapter Two). Thus, rehabilitation, by increasing property values, adds to the annual property taxes paid on New Jersey's historic properties by about $1.5 million annually.

The reader is cautioned that the above figures are exploratory. This discussion, however, points to yet another dimension of historic preservation's economic contribution: its support of property value and the payment of property taxes.

THEORETICAL DISCUSSION OF HISTORIC DESIGNATION'S POSSIBLE EFFECTS ON PROPERTY VALUE

The discussion below considers the myriad ways in which historic designation—that is, placing a property on a national, state, or local register—affects its market attractiveness or value. This, in turn, often involves complicated economic considerations such as "current use" and "highest and best use." Current use is the existing utilization of a property; highest and best use is the most profitable use incorporating those uses that are legally permissible, physically possible, and financially or economically feasible (Kinnard 1971, 39).

To illustrate, assume there are two townhouses in a community's central business district (CBD) where the underlying zoning is for high-rise buildings. One townhouse is designated an historic landmark, which prohibits its demolition, whereas the other is not so designated. In both instances, the current use is a townhouse. The highest and best use of the nondesignated townhouse is likely to demolish the structure and redevelop the site for a high-rise. The highest and best use of the designated townhouse is its legally permissible use—that is, an historic townhouse.

Assume that the historic designated townhouse is appraised at its current use (which is also its highest and best use given the landmark designation) at $200,000, whereas the nondesignated townhouse, given its highest and best use as a redevelopment site, is appraised at $300,000. In this case, landmark status can be said to detract from value by $100,000.

Assume an altered set of circumstances with zoning and other conditions as above but where designation does not prohibit demolition (it may only delay it, or just cause the historic commission to comment on the request to demolish, with the owner not bound by the commissioner's recommendation). In this instance, designation may have little discernible impact.

But let us assume yet a different set of circumstances—the same two townhouses, one designated (with stringent landmark controls) and one not, but both located in a residential zone where townhouses are the "maximum" permitted use (e.g., from a land use, density, and floor-area ratio [FAR] perspective). In other words, a townhouse is both the current as well as the highest and best use. In this instance, it could very well be the case that the historic townhouse, with its prestige of official landmark designation and assurance that its desirable historic amenities will be fostered into the future by public regulation, is worth $200,000, whereas the nondesignated townhouse is worth $175,000. Here, historic designation adds $25,000 to market value.

These are examples of the many possible effects of designation. The point to be emphasized is that there can be varied relationships between official historic designation and property value. When a building is landmarked, the property's value could be enhanced by the recognition of its historical importance, by the prestige accorded by governmental recognition, or by the rejuvenation encouraged in the surrounding neighborhood if the landmark encompasses a larger area. The impact of these influences, in turn, may be affected by designation type and property type.

Designation Type. Although it is difficult to generalize, prestige, protection, and other supports are likely most strongly enhanced by district, as opposed to individual, property designation. Since district designation acts on an area-wide basis, it may achieve the spatial critical mass necessary to encourage rehabilitation by the property owner, financial institution investment, community organization activity, and other spin-offs, which ultimately may translate into enhanced property values. These reactions may or may not be as strong when an individual building is accorded historic status. In that case, although the individual building is "honored" by designation, property owners are not protected against adverse surrounding redevelopment or alteration activity, for example. Consequently, neighborhood rather than individual property designation may be more influential in bolstering historic building sales prices.

Property Type. Property type (residential, commercial, or industrial) may also bear on whether landmark prestige, protection, and other forces translate into higher property values. Again, although it is difficult to generalize, landmark effects are more likely to have important considerations for residential buildings where owner/tenants are often willing to pay a premium for special landmark recognition, assurance that desirable neighborhood features will be retained, and so on. Certain types of commercial properties may similarly benefit from designation's prestige and related supports. In the case of commercial buildings that house—or potentially contain—specialized retail, restaurant, or office uses, for example, owners/tenants may be willing to pay a premium for a landmarked property because of ambiance and perceived image. In contrast, owners/tenants of second-order commercial properties and many industrial structures where utility rather than image or continuity is important (e.g., discount stores, warehouses, or light assembly plants) are often not willing to pay extra for a landmark imprimatur.

Landmark designation, however, may also involve restrictions on alterations and demolition (or at least administrative review, and/or some delay, of such actions), and may demand maintenance of exterior ornamentation and other historic facade treatments over and above those required in the jurisdiction's general maintenance code. These landmark restrictions and demands can possibly exert a downward pressure on prices. The presence and strength of such influences, in turn, may be affected by numerous variables including a given building facade's physical characteristics, property alteration potential, landmark regulatory procedure, and current/highest and best economic use.

Facade Physical Characteristics. Facade maintenance costs are a factor (although typically a minor one) only with respect to those landmarks having exteriors so difficult to maintain that, in the absence of designation, they would likely be replaced. Examples include buildings with stucco, gilded finishes, or elaborate exterior ornamentation such as cornices or parapets.

Property Alteration Potential and the Landmark Regulatory Process. Regulatory expenses are more likely to be incurred where facade or other changes are subject to regulatory review. One example would be a fashionable retail establishment where significant and regular alterations for storefront and related purposes can be expected. The nature of the landmark regulatory process itself is another consideration. Regulatory costs will be higher if all landmark alterations are subject to examination and if the review procedure itself is protracted.

In certain instances, as noted, landmark designation is essentially honorific; thus, not all designated areas have design controls. In other instances, designation leads to strict local oversight concerning alterations and demolition. Required design review, however, does not necessarily equate with lowered property value; often, just the opposite occurs. Nevertheless, design review imposes an added regulatory expense that, at least in theory, might be negatively capitalized.

Property Current/Highest and Best Economic Use. As noted, the relationship between these uses influences the practical significance of landmark alteration/demolition restrictions. If there is little difference between the current and the highest and best use, designation's development constraints have little significance (e.g., the example given above of the two townhouses in the residential zone). In contrast, if there is considerable divergence between current and highest use, then designation's legal restrictions on alteration and demolition can exert a property value discount influence in those markets where a maximum productive use is possible. Such a situation is exemplified when a nominal underimprovement is mandated by the property's historic status (e.g., the example cited earlier of an historic townhouse in the city's CBD with overall high-rise zoning).

"Highest and best use" itself is subject to numerous influences. What can be built given zoning and other public land-use controls? What should a prudent investor develop, given market demand for certain types of uses and the costs of construction / rehabilitation versus the expected return from such activity?

A property's highest and best use and its relationship to the landmark's current use is one of the more, if not the most, important variables determining the extent to which designation affects a landmark's property value. The importance of this relationship, as well as how it may change over time, is illustrated by the following New York City example.

When New York's famous Plaza Hotel was designated in 1975, the hospitality industry was depressed. At that time, the owners of The Plaza were considering demolishing the hotel and replacing it with a "highest and best use"—an office tower similar in size to the General Motors building that had recently been constructed across the street. Designation of The Plaza prohibited its redevelopment—an impact that in 1975 the owners of The Plaza believed worked to their disadvantage. Market conditions have changed over time, and with them so has the impact of The Plaza's landmark status. First-class Manhattan hotels are today considered prime investments. A portion of The Plaza is in fact being converted by Donald Trump into very expensive residential apartments—a conversion abetted by The Plaza's landmark status. The Plaza, thus, is close to or at its highest and best use; the current market no longer supports replacement of this hotel with an office tower.

In sum, landmark designation can exert various effects. By according prestige, protection, and other supports, designation has the potential of appreciating value. By imposing facade maintenance expenses, regulatory costs, and especially alteration / demolition restraints (where these are stringent), historic status may lower property value. The degree to which these varying effects are exerted in any given situation, in turn, is influenced by numerous factors ranging from the type of designation to the relationship between a landmark's current and highest and best use.

The observed influence of designation on value, as examined by the extant literature, is summarized below.

OVERVIEW OF THE LITERATURE ON LANDMARK DESIGNATION AND PROPERTY VALUE

The literature on the subject of historic designation's influence on property value generally points to a positive, or sometimes neutral, effect from designation. Only a handful of studies that specifically consider the costs of alteration and demolition come to a negative impact conclusion. The literature reviewed by this study consists of analyses dating from the 1970s; these are presented below in chronological order. More detailed annotations are found in the bibliography.

Costonis (1974) attempted to develop a formula that determines the financial cost of alteration and demolition restraints that are imposed as a result of designation. For illustration, he calculated that four landmarked Chicago office towers incurred a loss of value from $400,000 to more than $3,500,000 per building.

Heudorfer (1975) looked at four designated districts in New York City (Central Park West–76th Street, Chelsea, Mount Morris Park and Riverside Drive–West 105th Street) and contrasted them with four comparable adjacent areas. She concluded that landmark status had a small to negligible influence on property values. Properties in the historic districts sold for a premium both before and after designation. In some cases, the premium increased after designation.

In a study of the overall economic benefits of designation during the prior 20 years, Scribner (1976) found that in Alexandria, Virginia, unrestored buildings in the Old Town were worth approximately two and a half times more than those outside of the historic district. A similar pattern was found in the Capital Hill area of Washington D.C., where buildings in the Capitol Hill historic district increased about 40 percent in value, whereas those off the Hill decreased by 25 percent.

Rackham (1977) echoed these findings in a study of Georgetown in Washington, D.C. He found that historic Georgetown had the highest rate of growth of house prices in the city and that, for almost all classes of residential properties, location within the historic district commanded a premium. Comparable trends were observed in other cities.

The New York Landmarks Conservancy (1977) studied three historic districts in New York City (Mount Morris Park, Park Slope, and West 76th Street), comparing the prices of the designated areas with adjacent non-designated neighborhoods. The Conservancy found that designation did not exert a quantifiable independent effect. Moreover, in Park Slope, the greatest price increase came before designation; after designation, price growth was about the same as in the controls case.

The U.S. Advisory Panel on Historic Preservation (1979) examined four historic neighborhoods across the nation: Alexandria (Virginia), Galveston (Texas), Savannah (Georgia), and Seattle (Washington). Comparisons of property selling prices inside and outside these areas over three decades (1950s to 1970s) led the council to conclude that there was a direct link between location in a historic district and higher values.

Cohen (1980) looked at decennial census tract data from 1950, 1960, and 1970 for six Chicago historic districts and compared the median value of owner-occupied housing (self-reported) in these neighborhoods with the city as a whole. He found that with one exception, there was a greater rise in values in the historic districts from 1950 to 1970. Median rents also increased faster, with the same exception, over the same period.

The St. Louis Development Agency (1980) considered the implications of landmark alteration and demolition restrictions for St. Louis's central business district. The results were mixed. Some buildings may not have been affected, but others that were suitable for intense development were put at a "disadvantage," i.e., landmark designation reduced their value.

Samuels (1981) examined changes in residential sales prices from 1972 to 1978 in five residential historic districts in Washington, D.C. They were compared with five nondesignated but comparable neighborhoods that had experienced gentrification, had structures built in the last century, and were located in older sections of the city. She found that none of the five historic districts had a significant difference in the growth rate of property values compared to the non-historic areas. Rather, she argued that the growth rates were related to the "stage" of revitalization in each neighborhood. Where revitalization was more advanced, rates of appreciation in landmark areas were also higher. Since two of the areas were designated in 1978 and one in 1976, there may not have been enough time for any impact to manifest itself, since the study was undertaken in 1981.

The Virginia Historic Landmarks Commission (1986), in a multi-city study, showed large average annual increases in property values for historic districts. No data from comparable nondesignated neighborhoods were reported, however.

Schaeffer and Ahern (1988), in a study of Chicago, found a significant increase in prices and turnover in the residential neighborhoods listed on the National Register of Historic Places, but no corresponding increase in two neighborhoods listed on the local register. The authors speculate that the difference lay in the more stringent controls imposed in the two local districts and in the prestige of location in a nationally recognized neighborhood.

In an analysis of the effects of historic district designation on property value, Benson and Klein (1988) examined property transfers by price range between 1980 and 1984 in two historic neighborhoods in Cleveland (Ohio City and Shaker Square) and in non-designated adjacent areas. They found that there was a relatively low level of real estate activity (i.e., property transfers) in the historic neighborhoods, and those that occurred were in the lower price range. They further observed that numerous property owners bought parcels adjacent to the historic districts to "take advantage of the benefits and to avoid the drawbacks of being in the historic areas." Based on this outcome, the authors concluded that historic districts are "not necessarily a panacea for urban decline."

Deborah Ford (1989), in an article in the *Journal of the American Real Estate and Urban Economics Association*, examined the value of owner-occupied housing in historic versus non-historic neighborhoods in Baltimore. Data were obtained for these areas from the Baltimore Realtors Multiple Listing Service for 1980 and 1985. Information from the 1980 census for the respective neighborhoods was obtained as well. Ford concluded that if neighborhood and house characteristics are held constant, the effect on prices of a historic district designation is positive. Prices of housing in designated neighborhoods were higher than in similar non-historic areas, and Ford attributed this effect to homebuyers willing to pay a premium "for the assurance that the neighborhood surrounding their houses will remain unchanged over time."

Gale (1991) examined three historic districts in Washington, D.C., and compared them to three similar nondesignated districts using property tax assessment data. For the historic districts, post-designation growth rates did not diverge from those in the non-historic controls over the same period. However, the *decline* in the growth rate before and after designation was less than the city average for two of the historic districts, whereas all three of the control non-historic districts had greater declines than the city average. Gale concluded that designation may insulate property values from cyclical peaks and troughs, but there is no evidence that there was an *increase* in values from designation per se.

A legislatively mandated study in Virginia (State of Virginia 1991) that examined assessed values inside and outside national and state designated historic districts found that assessed values were not reduced as a result of designation.

In a study for the National Trust for Historic Preservation, Leithe and others (1991) considered methodologies for examining the "economic benefits of preserving community character." One dimension considered was "real estate activity," for which the authors recommended that property value trends be examined in historic and in control "comparison areas." The authors conducted case studies according to the recommended comparative methodologies and found that in Galveston, Texas, prices in two historic neighborhoods increased by two to five times the appreciation in the city as a whole. In Fredericksburg, Virginia, the appreciation in residential properties in historic districts was 75 percent greater than the citywide increase in residential prices, and there was an even greater differential with respect to historic versus non-historic commercial properties.

A report by the Oregon State Historic Preservation Office (1992) found that in Multnomah County, single-family homes that were located in designated historic districts experienced price appreciation almost double the county average between 1985 and 1991.

Kilpatrick (1995) showed that properties in Columbia, South Carolina, that were in designated historic neighborhoods generally experienced a 25 percent higher appreciation rate than properties in other residential areas in the city. The study used home sales data. In brief, the Kilpatrick analysis examined sales transactions over a 12-year period from early 1983 to mid-1995. Sales data were collected on every home within Columbia's historic districts that sold at least twice during the study period. Kilpatrick used these sales prices and the period between transactions to develop an index of home appreciation within historic districts. In parallel, an appreciation index was developed for the market as a whole. The crux of Kilpatrick's finding was that the historic area price appreciation exceeded that of overall trends by a factor of almost 25 percent.

The Preservation Alliance of Virginia (1996) cited numerous instances in the state in which property value appreciation (as measured by assessment data) in historic areas exceeded that in non-historic neighborhoods. The research for this study was done by Donovan Rypkema. Rypkema found that in Staunton, Virginia, between 1987 and 1995, residential property assessments citywide grew by 51 percent, and nonresidential property values appreciated 25 percent. By contrast, assessments on historic residential properties appreciated 52 to 66 percent and historic commercial properties gained from 28 to 256 percent. (The values varied by historic area.)

Some of the analyses noted above were cited in an excellent "compilation" of the economic effects of historic preservation developed by Rypkema (1994) in a study for the National Trust for Historic Preservation. Rypkema cited the studies, described above, by Leithe, Ford, and the State of

Virginia. He also noted numerous other analyses done both abroad (e.g., Canada) and in municipalities and states in the United States showing that historic designation did not depreciate the value but, in fact, enhanced the value of the designated properties.

Critique of the Literature on Landmark Designation and Property Value

The difference-in-difference methodology used in most of the above studies relies solely on comparing sample averages of the growth rate in property values in historic areas versus non-historic areas. Typically, no other variables (e.g., property characteristics) are controlled for, and to the extent that there may be variables independent of designation that explain the changes in property values, the results will be biased and inconsistent. (Exceptions are the few studies such as Ford [1989] and Gale [1991], which included statistical controls.) A multi-variable statistical approach would be much preferred, but given data limitations the difference-in-difference approach noted above may be the best available. It must be recognized, however, that the results are not entirely convincing because of this omission.

Information on the variances in property value growth within neighborhoods is rarely reported; thus, the statistical significance of any difference between designated and nondesignated areas cannot be determined. Again, this serious flaw is due to a lack of adequate data.

The choice of comparison districts is also a problem in some cases. By the very distinction of being historic, many districts have no comparable control. The Gale (1991) study is the most forceful in pointing this out, and he tries to convince the reader that his three control districts are indeed comparable. Hence, the study isolates the effect of designation per se on property market outcomes. However, there must have been a reason why the control neighborhoods were not designated, and if this is in any way related to property values, then the results are spurious.

There is also the issue of timing. For a study to be meaningful, growth rates have to be compared during the same calendar time, otherwise city or economy-wide effects must be controlled for. However, taking the designation date of the historic district and comparing growth rates around the same date for non-historic districts may confuse the fact that the subject and the control are at different stages with respect to rehabilitation. The issue of timing is key, as Samuels (1981) points out. If designation takes place before the area has experienced significant rehabilitation and restoration, results will be very different than they would be if designation occurred when renovation was complete.

In fact, those studies that do show a relationship between designation and property values can reveal only a correlation; the direction of causation is merely assumed. Designation could be endogenous. It is important to determine why a particular building or district becomes designated. If designation is the result of preservation efforts by existing owners, then designation itself may have little impact on the path of property values, which would have increased even in the absence of designation. Indeed, some studies show that prices increased more prior to designation than after (New York Landmarks Conservancy's [1977] study of Park Slope).

The use of appropriate price data depends on the focus of the researcher. If the main concern is for tax payments, then clearly the assessed value is appropriate. But for an investor, the sales price is perhaps more appropriate. To determine economic value, where possible, sale prices should be used, since these reflect real transactions rather than the subjective opinion of an appraiser or assessor. Self-reported values such as those found in Census data can be seriously biased since owners may perceive value differently from the market. However, if one can argue that the bias is consistently in the same direction and of the same magnitude (e.g., owners always overestimate value by 10 percent), then the measurement error becomes unimportant. If, on the other hand, there is asymmetry because owners in historic districts have a different bias than other owners, then the measurement error problem is much more severe.

The simulation approach has its own set of problems, among them the definition of what is and is not permitted by historic status. Any decline in value will obviously be determined by the stringency of the restrictions, and often these cannot be gauged in advance since the specifics are determined on a case-by-case basis.

As a final note, the empirical studies are much less "contextually rich" than the theoretical discussion of designation's possible property value effects that commenced this chapter. That discussion noted that many contextual factors, ranging from the nature of the designation to the facade ornamentation of an individual property, affected the interrelationship between property value and designation. The empirical studies omit much of this contextual detail.

The state of the art of the literature would be improved by more expansive empirical research. This research should focus on utilizing better data sources so that more independent variables can be considered in the analysis. The basic difference-in-difference framework is a sound starting point, though individual property-level data would do much to counter some of the criticisms presented above. If individual sales data are available, then at the very least, standard errors can be computed and simple confidence tests performed.

A superior analysis would call for individual property and neighborhood characteristics to be entered into a multiple regression framework. As discussed previously, features of certain properties (e.g., elaborate facade work) make them prone to either increases or decreases in value. It is desirable to be able to isolate the effects of these variables. A multi-variable analysis can specify the significance of size, ornamentation, location, usage, and so on. Only then can conflicting influences be teased out. Knowing the size of a negative impact that is totally offset by a positive impact is far more informative than just knowing, for instance, that designation has a neutral effect.

Once such a model is set up, it will be easier to predict the possible impact of future designations on particular neighborhoods by running simulations based on the characteristics of those neighborhoods. Of course, such an analysis would require a significant data-collection effort—gathering both property characteristic and price data over time.

AN EXPLORATORY REVIEW OF VALUATION AND PROPERTY TAX PAYMENT IMPACTS OF NEW JERSEY HISTORIC PROPERTIES

This chapter has considered from a theoretical viewpoint how historic designation may influence property value. It has also reviewed the extant literature on this subject, the gaps in which have been discussed. A more expansive empirical investigation that would definitively identify how, and to what order of magnitude, landmark designation relates to property value was proposed.

Yet, not having done the more expansive research does not preclude an exploratory ordering of numbers at this juncture. With all its faults, the weight of the literature points to a largely positive effect of designation on property value. This is especially likely in New Jersey. In this state, designation affords prestige and a sense of distinctiveness—factors that often add to real estate value. It also offers some protection and other supports that enhance value. For instance, a local historic commission may try to dissuade homeowners in a district from making inappropriate alterations, may delay the demolition of a property contributing to the amenity of the district, and may work to have the municipality invest in period-appropriate improvements (e.g., street lights).

The classic examples of where designation may diminish value—where an underimprovement is designated (i.e., the townhouse in a CBD), where a local commission has very stringent controls on alterations to be made to landmarks, and where there are stringent and enforced affirmative maintenance requirements for landmarks (over and above the requirements in general maintenance codes)—are rare in New Jersey.

The upshot is that in New Jersey designation will more often than not have the value-enhancing effect that is frequently cited in the literature. Quantifying the precise amount of that appreciation is difficult because the empirical analysis to specify that effect definitively has not been done; in any event, it would vary by the combination of circumstances that interact to affect value (see previous discussion). While we lack the price inflator, it is not unreasonable to assume at least a conservative influence, say that designation increases value by an order of magnitude of 5 percent. If that is the case, and the tentativeness of the 5 percent is acknowledged, then we can calculate the dollar implications as follows:

1. All properties in New Jersey as of 1995 have a total full market value of about $550 billion. That is comprised of $396 billion, or 72 percent, in residential properties (residential and apartment classes); $88 billion, or 16 percent, in commercial properties; and $66 billion, or 12 percent, in "other" properties (industrial, vacant land, and farm classes).
2. From sampling (i.e., the sample communities described earlier in Chapter Two), it is estimated (see Appendix A) that about 1 percent of the $550 billion total valuation base consists of designated historic properties (i.e., are on national, state, or local registers) that are subject to taxation (i.e., are not public or otherwise tax exempt). The

historic stock thus has an estimated market property value of about $6 billion ($550 billion x .01).

3. Assuming that designation has a modest value-enhancing effect in New Jersey of 5 percent, designation is increasing the value of the state's landmark stock by an order of magnitude $300 million ($6 billion x .05).
4. Holding aside the effect of designation, the extant total property taxes paid by the New Jersey historic stock should be identified separately. In New Jersey, total municipal, school, and county taxes collected amount to about $10 billion annually. Raised from a total full value (or equalized) property tax base of $550 billion, the average equalized property tax rate is $2.00 per $100 of market value. (Of this $2.00 equalized rate, roughly $1.04 [52 percent]) is for school purposes, $0.50 [25] percent) is the municipal rate, and $0.46 [23 percent] is the county rate).
5. The total New Jersey historic stock, valued at $6 billion, therefore pays a total of about $120 million yearly ($6 billion x .0200) in total local property taxes. That consists of $62 million in school taxes, $30 million in municipal taxes, and $28 million in county taxes.
6. Assuming the 5 percent value-enhancing effect from designation, this effect results in $6 million ($300 million x .05) "added property taxes" per year.
7. Rehabilitation is effected on historic properties on a regular basis over time. Besides being important to its preservation, the rehabilitation increases property value and ultimately leads to gains in property tax payments. The amount of such rehabilitation can be estimated by the procedures detailed in Chapter Two. On an annual basis, the historic rehabilitation amounts to $123 million—$40 million in residential properties and $83 million in nonresidential properties.
8. Because of various tax abatement programs and other factors (e.g., the rehabilitation effected on civic-institutional properties—many of which are tax exempt), only a share of the rehabilitation investment noted above can reasonably be assumed to increase valuations and hence property taxes. That share is conservatively estimated at 60 percent. In other words, the $123 million in rehabilitation "translates" into $74 million in added value that is taxable. Thus the historic stock, which has a total estimated taxable value of $6 billion, increases in taxable value annually (because of the enhancements brought about by the rehabilitation) by $74 million.
9. At a $2.00 equalized tax rate, the $74 million annual gain in taxable value leads to increased annual property taxes of $1.480 million, which is over and above the yearly property tax payments already obligated (before the rehabilitation) of $120 million.