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The Billion-Dollar Bonus

By Kayo Tajima and Frank Ackerman

When the Big Dig is done, Boston will have an unprecedented opportunity to build new public spaces in the center of the city. The design, management, and cost of the new open spaces have been the subject of lengthy public discussion. However, almost nothing has been said about the substantial economic value of open spaces

Our research shows that there is a billion-dollar bonus to Boston property owners from tearing down the ugly, old elevated highway and replacing it with parks. The value of real estate of course depends on "location, location, location." Lots of downtown locations will be dramatically improved when construction is completed over the next few years. We believe that property values have already started rising in anticipation of the change. In total, values will be up by a billion dollars when the project is done, due to more attractive conditions in the neighborhood.

Two important aspects of location in the inner city are the distance to the nearest big highway (farther is better) and the distance to the nearest park (closer is better). When the elevated Central Artery is removed, people who live nearby will be farther from any visible highway. When parks are built in its place, people nearby will be much closer to the nearest park.

To measure these effects, we examined the statistical relationship between the assessed values of more than 16,000 condominium units and their distances to the closest open spaces and major highways. Our data included virtually all of the condos in nine downtown and Back Bay zip codes, including the areas close to existing downtown open spaces such as Boston Common and the Public Garden, and the areas close enough to the Big Dig to be affected by its outcome.

We found that if you could pick up your property and move it twice as close to the nearest park, the value would go up by 6 percent. If you picked up and moved twice as far from the nearest highway, your property value would go up by 5 percent. Applying these standards to all the properties in the Artery neighborhoods - the North End, the wharf district, and Chinatown - shows that removal of the highway is worth three-quarters of a billion dollars, and creation of the proposed parks is worth another quarter of a billion.

These numbers represent only part of the benefit of the new parks. The billion-dollar bonus does not include the benefits to tourists, commuters, and residents of other Boston neighborhoods. The benefits to others are both aesthetic and commercial: If downtown becomes a more pleasant destination, people may linger and spend more money there.

The benefits are important to keep in mind when debating the costs of the proposed parks. Once the Big Dig is finished, after roughly 15 years of construction and \$15 billion of construction costs, there will be a natural tendency to avoid any further costs and

complicated projects. But it is well worth it, even in narrowly economic terms, to take the final step and build high quality parks, as originally planned. The value of the parks to nearby property owners is far greater than any estimate of the costs to construct and maintain the parks.

The billion-dollar bonus from removing the highway and building the parks also sheds some light on the question of who should pay for the parks. Since nearby properties will increase so markedly in value, it seems reasonable to ask property owners in the Artery neighborhoods to contribute to the modest cost for park maintenance. Thus our research tends to support Mayor Menino's proposal for a neighborhood tax surcharge to pay for the upkeep of the parks.

Boston's parks and open spaces have a long tradition, and a worldwide reputation: The Emerald Necklace even features prominently in textbooks on urban and landscape planning in Japan. Boston has a unique chance to add to its open spaces, once the Big Dig is finished. Building new parks has costs, to be sure - but it has even bigger benefits to the city of Boston.

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